

Blue ocean strategy
innovating global
organizations
marketing essay



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Quantitative research

The quantitative approach usually starts with a theory or a general statement proposing a general relationship between variables. With this approach it is likely that the researchers will take an objective position and their approach will be to treat phenomena as hard and real. They will favor methods such as surveys and experiments, and will attempt to test hypotheses or statements with a view to generalizing from the particular. This approach typically concentrates on measuring or counting and involves collecting and analyzing numerical data and applying statistical tests.

Explanatory research

This is a continuation of descriptive research. The researcher goes beyond merely describing the characteristics, to analyze and explain why or how something is happening. Thus, analytical research aims to understand phenomena by discovering and measuring causal relations among them. It may answer questions such as:

How can the number of complaints made by customers be reduced?

How can the absentee rate among employees be reduced?

Why is the introduction of empowerment seen as a threat by departmental managers?

Measurement

Basic research

Basic research is also called fundamental or pure research, and is conducted primarily to improve our understanding of general issues, without any emphasis on its immediate application. It is regarded as the most academic form of research since the principal aim is to make a contribution to knowledge, usually for the general good, rather than to solve a specific problem for one organization. This may take the form of the following:

Discovery – where a totally new idea or explanation emerges from empirical research which may revolutionize thinking on that particular topic. An example of this would be the Hawthorne experiments. (Gillespie, 1991)

Invention – where a new technique or method is created. An example of this would be the invention of TQM (total quality management).

Reflection – where an existing theory, technique or group of ideas is re-examined possibly in a different organisational or social context. For example, to what extent can Herzberg's theory of motivation be applied to front-line workers in the contract catering sector? (Torrington & Hall, 1995)

For an undergraduate dissertation it is most likely that you will be concentrating on reflection, as the scope of the project is unlikely to be large enough to consider discovery or invention.

Data Collection

Conclusion

References

Bibliographies

Appendices

Evaluation of Source

Mind Map

For research methods, three areas u need to cover

1) Methods used, ie. quantitative/qualitative and (mono, multi, mixed etc)

(Explain why you are using them)

2) What sampling method (probability or non probability)

(I will cover this are when I came back next) but you can start to write a little)

3) Possible results

This is going to be your prognosis ie. your estimate on what the results will be whether

you hypothesis is accepted or rejected.

On RM part, try to do to whatever possible to your utmost ability., when I come back on monday next week, I will brief all of you on the above.

Blue Ocean Strategy: Innovating global organizations

Introduction

Many industries suffer from crowded market space. The number of competitors and the intensity of competition increase price competition and reduce product differentiation. In essence the lack of demand makes products in the marketplace more like commodities. As a result, profits are squeezed and some competitors are forced from the field of competition. According to Kim and Mauborgne (2005), red oceans are areas of intense competition that are analogous to blood-stained shark-infested waters. Competition consumes the possibility of profits and the probability of success. Instead of the unhealthy red ocean, the authors describe an idyllic market place, the blue ocean. Blue oceans are areas free of competitors. They are market spaces created by companies to avoid competitors. They offer the possibility of profits and success and great customer satisfaction (Stan Abraham, 2006). They state emphatically that companies can control their field of competition; they can create new demand by changing the basis of competition. To do so they must be innovate the established business models. That may mean destroying models that have been successful over time and discarding assets that once were very valuable. Furthermore, Dennis Pitta (2009) said the heart of the blue ocean approach, as it is in marketing and product development is customer knowledge. As markets develop and spawn competition, market space decreases and the average distance from the consumer increases. That is to say, competitors who recognize new opportunities often follow the actions of first movers. The first movers usually have detailed, accurate and relevant consumer

information. The followers sometimes do not; some infer consumer wants from the marketing actions of those first movers. Thus, as markets become more crowded, competitors may become more homogenized.

Blue ocean strategy is creating value innovation in the business development

Kim and Mauborgne believe that customers make purchase decisions based on the offering's attributes, such as quality, availability, and price (Stan Abraham, 2006). They advise that managers discover Blue Oceans by experimenting with and developing innovative bundles of attributes which break the accepted cost-differentiation trade-off. Kim and Mauborgne put forward "The Eliminate, Reduce, Raise, Create Grid" to help managers conceive and design new bundles of attributes (See Kim and Mauborgne's "The Eliminate, Reduce, Raise, Create Grid" in Figure 1). While it is relatively easy to analyze which attributes to eliminate, reduce or rise, the tougher challenge for managers is to create unique value for new buyers. Kim and Mauborgne correctly argue that benchmarking current competitors is not likely to generate ideas for Blue Oceans. While benchmarking is an appropriate value renovation tactic, it does not lead to value innovation.

However, there are other tools that managers can use to search for new market opportunities. For example, Ian MacMillan and Rita Gunther McGrath outline how firms can find new points of differentiation by looking up and down the supplier-buyer chain (I. C. MacMillan and R. Gunther McGrath, 1997). David Aaker offers advice on how to pursue new customers, arguing that firms need to focus on changing the buyer experience (D. Aaker, 2007).

Procter & Gamble CEO A. G. Lafley outlines how his firm employs market

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researchers who study how consumers use its products in order to get ideas for innovations, a practice Harvard researcher Clayton Christensen advocates for all innovators (A. G. Lafley and R. Charan, 2008). As an alternative to these tools, we propose that businesses locate Blue Ocean opportunities by using the fundamental building blocks of value creation.

Effectiveness on development in global business and marketing form by Blue Ocean

Since the world have changed into civilization and globalization, many business are concerning about developing organization which is suitable for this century. Each organization tried to compete with other in order to be gain the highest market share in particular fields. Marketing department in each organization always come out with the new methods. One of the common methods that are practicing presently is blue ocean strategy.

Strategy is about confronting an opponent and fighting over a given piece of land that is both limited and constant. Traditionally, strategy focused on beating the competition, and strategic plans are still couched in warlike terminology. They exhort companies to seize competitive advantage, battle for market share, and fight over price. Competition is a bloody battlefield.

Chan Kim's

The thesis of Chan Kim's (2004) presentation – in line with the book he coauthored with Rene´e Mauborgne (2005), – was that industries rife with competition have become bloodied arenas, or "red oceans," and making a profit competing in them becomes correspondingly very difficult. On the other hand, companies finding niches typically by developing a new business

model, are said to be swimming in a "blue ocean" that has no competitors. The "blue ocean strategy" (BOS) model is fast becoming part of the strategy lexicon.

Blue oceans are areas free of competitors. They are market spaces created by companies to avoid competitors. They offer the possibility of profits and success and great customer satisfaction. They state emphatically that companies can control their field of competition; they can create new demand by changing the basis of competition. To do so they must be innovative the established business models. That may mean destroying models that have been successful over time and discarding assets that once were very valuable. (Dennis Pitta, 2009)

Blue Ocean Strategy leads to new product development

Business performance affected by Blue Ocean Strategy

A combination of Differentiation, Cost Leadership, and Blue ocean strategies

Sustainable competitive advantage directly affected by BOS

Blue Ocean Strategy can improve Family firms

According to findings in various national studies (Morris et al., 1997; EC, 2002; Dyck et al., 2002; Miller et al., 2003; Sharma et al., 2003), one of the major problems family businesses face is the transfer of ownership and management to the next family generation. Several studies estimate that only 30 percent of family enterprises survive to the second generation, and that many enterprises fail soon after the second generation takes control (Kets de Vries, 1993; Morris et al., 1997; Miller et al., 2003).

Family business are complex systems in which business and family dynamics mix in various ways as many people aware, up to now there is no formal agreement among research in what a family enterprise is. In fact, there is no current unified theoretical framework or theory of the family firm that explains why family firms exist, and what determines their size, scope, and survival (Trevinyo-Rodríguez and Bontis, 2007; Christman et al., 2003). In spite of this, family business researchers concur on the fact that is precisely “family involvement” what makes family firms different from other forms of commercial organizations (Miller and Rice, 1967). Based on this premise, some researchers define family firms in terms of controlling ownership (Barnes and Hershon, 1976; Villalonga and Amit, 2006), whereas others do so in terms of number of family members involved in the management and/or generations present (Stern, 1986; Ward, 1987; Donnelley, 1988).

Additionally, family firms generate about 40-45 percent of the Gross National Product (GNP) of North America, between 35 and 65 percent of the GNP of the EU member states, between 50 and 70 percent of the GNP of Latin America, and between 65 and 82 percent of the GNP of Asia (IFERA, 2003).

Success comes not from battling competitors, but from making the competition irrelevant by creating “blue oceans” of uncontested market space. The creators of blue oceans don’t use the competition as their benchmark. Instead, they follow a different strategic logic that we call value innovation. Value innovation is the cornerstone of blue-ocean strategy. We call it value innovation because instead of focusing on beating the competition in existing market space, you focus on getting out of existing

market boundaries by creating a leap in value for buyers and your company which leaves the competition behind.

Kim took some pains to articulate how BOS is different:

B Companies that have strong brands are swimming in blue oceans.

B BOS means both being differentiated and a low-cost leader [2].

B BOS depends on value innovation – not competitive advantage – and must try to attract non-customers (markets not currently served).

B BOS achieves substantially better financial results than companies in red oceans.

BOS is not immune from risks, principally of two kinds: formulation risks having to do with searching, planning, scaling up, and devising a new business model, and execution risks having to do with organizing appropriately and knowing how to manage change. Companies have to have the three Ps – a portfolio of products for the Blue Ocean, organizational process, and motivated people. Like most authors with a new planning idea, Kim claimed that traditional strategic planning has a number of glaring flaws: too much planning and no “strategy,” documents filled with numbers but no “big picture,” left- not right-brained process and plans not communicated widely. He also felt that traditional strategic planning was useful only in “red oceans.” Most managers consider this view of planning, similar to Henry Mintzberg’s (1985) when he wrote his diatribe against strategic planning, to now be largely out of date.

The heart of the blue ocean approach, as it is in marketing and product development is customer knowledge. As markets develop and spawn competition, market space decreases and the average distance from the consumer increases. That is to say, competitors who recognize new opportunities often follow the actions of first movers. The first movers usually have detailed, accurate and relevant consumer information. The followers sometimes do not; some infer consumer wants from the marketing actions of those first movers. Thus, as markets become more crowded, competitors may become more homogenized.

Three paths to the blue ocean

The key to avoiding the disastrous competition is to leapfrog over the competition to serve customers in new ways. There are several pathways to success but they all involve changing the status quo. The most successful firms achieve a quantum leap in buyer value while at the same time pushing for a sharp drop in their cost structure. In ordinary industries, the two values are usually zero-sum tradeoffs. Achieving the two goals, and thus creating a successful blue ocean strategy, requires a new mindset, analysis, and a measure of creativity.

Mindset

Blue ocean advocates recognize three ways to think about such strategies.

The first way is to redefine an industry and focus on non-customers. By creating offerings that are relevant to non-customers, firms may attract business that traditional competitors cannot. The second approach is to create total solutions. Firms sell products that solve problems or supply

benefits. By looking beyond the benefits supplied to customer problems, <https://assignbuster.com/blue-ocean-strategy-innovating-global-organizations-marketing-essay/>

astute marketers may be able to supply benefits their customer's need that competitors do not provide. The approach is termed supplying complementary needs of customers. The third approach recognizes the tradeoffs that product developers face. Often the balance between price, features, and benefits dictates a particular mix for a particular segment. That balance is based on conventional views of customer needs that may no longer be relevant but are frozen by factors like sunk costs, established distribution, and competitive activity. By breaking the compromises within the existing industry, one might de-segment a market to find the underserved. Vision and the willingness to take risks and discard tested methods and targets will be important.

Analysis – the strategy canvas

Many of the old analytic tools are well suited to measuring the efficiency or effectiveness of the old competitive battleground. However, given a new approach to the marketplace, the task of analyzing consumer wants as they are currently met and discerning unmet needs assumes importance.

Fortunately, there is an analytic tool unlike those currently in common use. It focuses on identifying unmet needs and is called the strategy canvas. It stems from the seminal work of Kim and Mauborgne (2004). The strategy canvas looks at rough quantitative characteristics of existing players. It focuses on the key elements of product, service, and delivery, hereinafter simplified as product. Careful analysis will uncover all the features of a product. Careful market research will uncover which are keys, and how much consumer's desire. One example is price, a well-recognized product attribute. Consumers often want low price; a low level of this attribute.

Achieving low price is often impossible without lowering the levels of other attributes. Instead of precise metrics calibrated in decimals, the strategy canvas measures high and low levels of desired attributes and plots them on a graph. There are several recent examples of companies that are trying to develop new market space. One of the most interesting is that of Clothing Vault. The company focuses on the fashion needs of teenage girls. Clothing Vault conducted much informal research and a complementary amount of executive introspection. The chief fashion officer (CFO), of Clothing Vault, Marilyn Gil, was struck by the seminal idea that teenage girls view shopping for clothes as a necessity. They shop for the “latest and greatest” in fashion. Moreover, there is considerable emotion connected with purchases; they hate being seen in the same outfit more than once. Herein lies the problem; consumers in the target audience have a limited budget. With that budget, how do they shop for new clothes and expand their wardrobes without expanding their debt?

The strategy canvas might supply an answer. Research showed that the typical fashion retailer is located in a conveniently accessed location, often at malls with ample parking. Prices charged for the latest fashions follow a value pricing model and are usually high. At the end of the fashion season, or if subject to low demand, prices on selected items can decrease. However, hot fashions carry a high price. Another factor that is part of the traditional retail store is ambience. Responding to studies that show that music, carefully chosen color schemes, layout and amenities spur sales, most stores offer pleasant shopping experiences. Some may even provide food and drink to make customers feel they are welcome person. The retail fashion industry

is irrevocably linked to advertising. Advertising carries the bulk of the promotional burden. Competitive pressures to advertise seem to reinforce its importance. In store promotions are important but the cost of advertising in media is significant and makes lowering price beyond some level impossible. Since retail salespeople usually earn commissions on sales, salesperson attention is usually high. The best sales people offer advice, if asked, and try to be helpful. They are often most appreciated during sales when the store is crowded. They offer real aid with one of the drawbacks of retail clothing. Ready to wear clothes are available in numerous sizes and styles representing part of the assortment attribute. The most popular styles and sizes are often sold out. Sales personnel can sometimes work apparent miracles by finding the right style in the right size “ in the back” of the store. Armed with this information, one may plot the typical fashion retail store’s strategy canvas. Figure 1 shows the relatively high levels of the attributes that the retail store supplies.

Figure 1: Strategy canvas for fashion retailer

The mall is easy to get to, the selection in one storefront offers convenience, and the price is probably worth the other attributes. One issue with the model is that retail stores do not cater to every teenage girl customer. Moreover, the prices charged make likely that those who are customers purchase a relatively small number of items and might be termed underserved. Finally, it ignores several well-established trends in the target market. Competitors in the fashion retail industry offer the same levels of the same attributes. Differentiation is based on specific mixtures of clothing lines, store décor, esthetic elements like layout and ambience, and some

differences in price points. Overall, the differences may be noticeable but the competitors offer experiences that are essentially similar.

Clothing Vault recognized the crowded market space and sought to find new competitive space. It started by looking at non-customers, fashion conscious girls with limited budgets. It asked the target audience, non-customers who want a fashionable wardrobe, the question posed above. How do they get a fashionable wardrobe? The answer – “ You borrow clothes from your friends.” One subject reported that she would borrow dresses from one friend who was her exact size. The problem is they lived 50 miles apart. Sharing clothes required some effort. It was inconvenient to just go to her friend’s house and pick out a dress she wanted. The process started with a description of each dress. When a friend asked to borrow one or more based on that description, they would exchange items the next time they would see each other. The whole idea of borrowing clothes is like the original Napster idea: sharing. In this case the sharing is limited by the physical number of clothing items. Selection is effected by the accuracy of the description. That piece of intelligence led to more insight into the non-customer. Further research uncovered more of what the non-customer did. The new social networking trend seems common to the age group, the millennials, including both customers and noncustomers. Thus web sites such as MySpace, Facebook, and Secondlife, were very familiar and of importance to the segment. It was clear that such social networks are an important means of communication and word of mouth. Retailers typically do not have access to individual’s social networking pages. One last piece of intelligence focused on convenience but not convenient location. Rather, the convenience of easy

location of the right style and the right size. Retail stores are arranged to maximize the visibility of specific styles that are grouped together. Within the group, standardized size tags identify the various sizes. The size system is rather accurate but sometimes the same size does not look the same on the same sized individuals. It was clear that the two newly uncovered attributes should be assessed in a revised strategy canvas. The eight attributes would lend themselves to further investigation. By surveying potential customers and current non-customers, the company gained insight into what level of each attributes the noncustomers desired:

1 The primary attribute they desired was affordability in the form of low cost.

2 Ambience was not important and a warehouse atmosphere that delivered “fashion at a fraction” – low cost clothes with the full measure of style – would be acceptable.

3 Convenient location, at or near a local mall was not necessary; non-customers would go out of their way to save.

4 Service, while valued, was not worth paying for. Instead, the ideal of being able to find the exact size and style in a short time was important.

5 The target audience did not really value assortment. It seemed important but they just wanted to find the items that they wanted.

6 Parking was identified as important but not highly important. Subjects who were used to shopping at malls with parking lots tended to assume that it would be provided.

7 Social networks played an important role in the daily lives of the subjects. They became almost a substitute for email. In fact, posting pictures on social network pages has reduced the need to attach a picture to an email. Instead of sending it to a friend, the friend could use the social network page and just find it.

8 The final attribute, selection convenience was rated as important. Making it easy to find the right garment would be highly valued. Armed with the non-customer evaluation of the desired relative level of each attribute, the company could plot a strategy that would appeal to a group of non-customers. The hope is that the strategy would allow reducing the company's cost structure while delivering the enhanced value to its target customers: classic value innovation. It involves adding two more criteria to the strategy canvas and adjusting the relative offering levels. It requires creativity.

Creativity

The third element, creativity, is vital to serve new customers in new ways and transform the competitive landscape. In grappling with the need to leapfrog over the competition to uncluttered competitive space it was important to refocus on the target group of non-customers. Fashion conscious girls want things immediately so speed of delivery is important. In addition, the general wisdom of making it easy for the customer to act, still applies. After considerable thought and several flashes of insight, a competitive strategy emerged that sought to achieve low prices while delivering a desired level of fashion. The strategy avoids a physical retail

location with its inherent costs. It reduces the level of ambience, service and assortment. It avoids costly advertising by exploiting the word of mouth capacity of social networking sites. Figure 2 shows the planned levels of Clothing Vault attributes plotted against the industry.

Figure 2: Strategy canvas for fashion retailer and clothing Vault

The contrast between planned Clothing Vault attribute levels and those of the industry is stark. The objective is not just to be different; it is to offer what the target segment wants. The differences allow the possibility of being able to satisfy the customer at lower cost, charging lower prices.

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