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FINDING THE UNCONTESTED MARKET SPACE-THE BLUE OCEAN STRATEGY

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Abstract
Blue ocean strategy generally refers to the creation by a company of a new, uncontested market space that makes competitors irrelevant and that creates new consumer value often while decreasing costs.Blue ocean strategy generally refers to the creation by a company of a new, uncontested market space that makes competitors irrelevant and that creates new consumer value often while decreasing costs.Blue ocean strategy encourages companies to focus less on their competitors and more on alternatives, while at the same time focusing less on their current customers and more on potential new customers. This article cites the example of companies which adopted Blue Ocean strategysuccessfully.

Key Words-Blue Ocean strategy, Red Ocean Strategy.

Introduction

Blue ocean strategy generally refers to the creation by a company of a new, uncontested market space that makes competitors irrelevant and that creates new consumer value often while decreasing costs. Blue ocean strategy generally refers to the creation by a company of a new, uncontested market space that makes competitors irrelevant and that creates new consumer value often while decreasing costs. Based on a study of 150 strategic moves spanning more than a hundred years and thirty industries, Kim & Mauborgne argue that companies can succeed not by battling competitors, but rather by creating ″blue oceans″ of uncontested market space. The strategy represents high product differentiation and low cost, thereby making competition irrelevant. Blue ocean strategy encourages companies to focus less on their competitors and more on alternatives, while at the same time focusing less on their current customers and more on potential new customers.

Blue ocean vs. Red Ocean

Red Ocean Strategy vs Blue Ocean Strategy

Kim and Mauborgne argue that while traditional competition-based strategies (red ocean strategies) are necessary, they are not sufficient to sustain high performance. Companies need to go beyond competing. To seize new profit and growth opportunities they also need to create blue oceans. To sustain them in the marketplace, practitioners of red ocean strategy focus on building advantages over the competition, usually by assessing what competitors do and striving to do it better. Red ocean strategy is a strategy in which companies compete in existing market space. But in the Blue ocean strategy companies create an uncontested market space. In the red ocean strategy companies exploiting existing market demand. On the contrary in the blue ocean strategy companies create and capture new demand.

Finding Blue Oceans

To discover blue ocean or an uncontested market space, Kim and Mauborgne argue that businesses and entrepreneurs should consider what the authors call the "Four Actions Framework." This is used to reconstruct buyer value elements in crafting a new value curve. To break the trade-off between differentiation and low cost, and to create a new value curve, according to Kim and Mauborgnethe framework poses four key questions:

- **Raise**: What factors should be raised well above the industry's standard?
- **Eliminate**: Which factors that the industry has long competed on should be eliminated?
- **Reduce**: Which factors should be reduced well below the industry's standard?
- **Create**: Which factors should be created that the industry has never offered?

Kim and Mauborgne said that this exercise forces companies to scrutinize every factor of competition, helping leaders discover the range of assumptions they unconsciously make while competing. This exercise also pushes leaders to simultaneously pursue differentiation and low cost in order to break the value-cost trade-off. The questions also spotlight companies that are focused only on raising and creating, in the process lifting the cost structure and often over-engineering products and services. Instead, according to the blue ocean strategy, organizations should find a way to work in a marketplace that is free of competitors. Here are a few examples of blue ocean strategic moves from a variety of different industries and sectors.

Examples for Blue Ocean Strategy

Apple

Apple became successful in business not by exploiting existing demand in the market, but they redefine market boundaries to create new market space and then unlock latent market demand. The result of which is that apple's brand value grow exponentially. It transformed the company from as a computer manufacturerin toa consumer electronics power house.

Canon

Canon created the personal desktop copier industry is a classic example of blue ocean strategy. Traditional copy machine manufacturers targeted office purchasing managers, who wanted machines that were large, durable, fast, and required minimal maintenance. The Japanese company Canon created a blue ocean of new market space by shifting the target customer of the copier industry from corporate purchasers to users. With their small, easy-to-use desktop copiers and printers Canon created new market space.

Philips'

Philips'Blue ocean strategic move in the teakettle industry is an example of looking across complementary product and service offerings. By thinking in terms of solving the major pain points in customers' total solution, Philips saw the water problem as its opportunity. The issue was the limescale found in tap water. The limescale accumulated in kettles as the water was boiled, and later found its way into the freshly brewed tea. The result: Philips created a kettle with a mouth filter that effectively captured the limescale as the water was poured. Limescale would never again be found swimming in British home-brewed tea. The industry was kick-started on a strong growth trajectory as people began replacing their old kettles with the new filtered kettles.

Bloomberg

In a little more than a decade, the U.S.-based financial information provider, Bloomberg became one of the largest and most profitable business information providers in the world. Challenging its industry's conventional wisdom about which buyer group to target, Bloomberg created a blue ocean in the financial information services industry. Until Bloomberg's debut in the early 1980s, Reuters, Dow Jones and Telerate dominated the online financial information industry, providing news and prices in real time to the brokerage and investment community. The industry focused on purchasers —IT managers—who valued standardized systems, which made their lives easier.Bloomberg saw that it was traders and analysts, not IT managers, who make or lose millions of dollars for their employers each day. Profit opportunities come from disparities in information. When markets are active, traders and analysts must make rapid decisions. Every second counts.So Bloomberg designed a system specifically to offer traders a leap in value, one with easy-to-use terminals and keyboards labeled with familiar financial terms. The systems also have two flat-panel monitors so that traders can see all the information they need at once and built-in analytic capability with the press of a button.

By focusing on users, Bloomberg was able to create a blue ocean of strong and profitable growth. With this shift in focus Bloomberg could also see the paradox of traders' and analysts' personal lives. They have tremendous income but work such long hours that they have little time to spend it. Realizing that markets have slow times during the day when little trading takes place, Bloomberg decided to add information and purchasing services aimed at enhancing traders' personal lives. Well before the internet offered such services, traders could use Bloomberg online services to buy items such as flowers, clothing, and jewelry; make travel arrangements; get information about wines; or search through real estate listings.

By shifting its focus upstream from purchasers to users, Bloomberg created a value curve that was radically different from anything the industry had seen before. The traders and analysts wielded their power within their firms to force IT managers to purchase Bloomberg terminals. This is an example of successful Blue Ocean strategy.

Southwest Airlines

It is another example of successful blue ocean strategy execution. According to consulting firm Blue Ocean Strategy Partners, Southwest tapped into a customer base who preferred driving to air travel due to the lower cost. Instead of competing with other airlines, Southwest positioned itself as an alternative to cars and offered reduced prices, improved check-in times and increased flight frequency.

Conclusion

The Blue Ocean strategy represents high product differentiation and low cost, thereby making competition irrelevant. This strategy encourages companies to focus less on their competitors and more on alternatives, while at the same time focusing less on their current customers and more on potential new customers. Blue ocean strategy develops an offering that attracts buyers; it must create a business model that enables the company to make a tidy profit; and it motivates the people working for or with the company to execute the strategy.

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