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Blue Ocean Marketing-A Promising Strategy

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ABSTRACT:

Companies have long engaged in head-to-head competition in search of sustained, profitable growth. They have fought for competitive advantage, battled over market share, and struggled for differentiation. Yet in today's overcrowded industries, competing head-on results in nothing but a bloody "red ocean "of rivals fighting over a shrinking profit pool. Tomorrow's leading companies will succeed not by battling competitors, but by creating "blue oceans" of uncontested market space ripe for growth. Such strategic moves termed value innovation create powerful leaps in value for both the firm and its buyers rendering rivals obsolete and unleashing new demand.

Key words: blue ocean, red ocean

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INTRODUCTION

Blue ocean strategy provides a systematic approach to making the competition irrelevant. Blue ocean strategy high-lights the six principles that every company can use to successfully formulate and execute blue ocean strategies. The six principles show how to reconstruct market boundaries, focus on the big picture, reach beyond existing demand, get the strategic sequence right, overcome organizational hurdles, and build execution into strategy. it is a bold new path towards winning the future.

HOW DOES A COMPANY WORK TOWARDS BLUE OCEAN STRATEGY?

Principles of Blue ocean strategy:

1. Reconstruct Market Boundaries
2. Focus on the Big Picture
3. Reach beyond Existing Demand
4. Get the strategic sequence right
5. Overcome organizational hurdles
6. Build execution in to strategy

1. RECONSTRUCT MARKET BOUNDARIES:

The first principle of blue ocean strategy is to reconstruct market boundaries to break from the competition and create blue oceans. This addresses the search risk many companies struggle with. The challenge is to successfully identify out of the whole lot of possibilities that exist, commercially compelling blue ocean opportunities. This challenge is key because the managers have to differentiate in order to excel. Various path which will help to reconstruct market boundaries are

a) Look across alternative industries:

A company competes not only with the other firms in its own industry but also with companies in those other industries that produce alternative products or services. Alternatives include products or services that have different functions and forms but the same purpose.eg: Restaurants and cinemas despite the differences in form and function, however people go to a restaurant for the same objective that they go to the movies: to enjoy a night out. For some reason we often abandon this intuitive thinking when we become sellers. Rarely do sellers think consciously about how their customers make trade-offs across alternative industries. A shift in price, a change in model, even a new ad campaign can elicit actions in an alternative industry usually go unnoticed. Trade journals, trade shows and consumer rating reports reinforce the vertical walls between one industry and another. Often, however the space between alternative industries provides opportunities for value innovation.

b) Look across Strategic groups within industries:

Just as blue oceans can often be created by looking across alternative industries, so can they be unlocked by looking across strategic groups. The term refers to a group of companies within an industry that pursue a similar strategy. In most industries the fundamental strategic differences among industry players are captured by a small number of strategic groups. Strategic groups can generally be ranked in a rough hierarchical order built on two dimensions: price and performance. Each jump in price tends to bring a corresponding jump in some dimensions of performance. Most companies focus on improving their competitive position within a strategic group. Mercedes, BMW, Jaguar, for example focus on outcompeting one another in the luxury car segment as economy car maker's focus on excelling over one another in their strategic group. The key to creating a blue ocean across existing strategic groups is to break out of this narrow tunnel vision by understanding which factors determine customers decisions to trade up or down from one group to another.

c) Look across the Chain of Buyers:

In most industries, competitors converge around a common definition of who the target buyer is. In reality, though there is a chain of "buyers" who are directly or indirectly involved in the buying decision. The purchasers who pay for the product or service may differ from the actual users and in some cases there are important influencers as well. Although these three groups overlap, they often differ. Individual companies in an industry often target different customer segments-for example large versus small customers. But an industry typically converges on a single buyer group. The pharmaceutical industry for example focuses on influencers: on doctors.

d) Look across complementary products and service offerings

Few products and services are used in a vacuum. In most industries, rivals converge within the bounds of their industries product and service offerings. Untapped value is often hidden in complementary products and services. The key is to define the total solution buyers seek when they choose a product or service.

e) Look across Functional or Emotional Appeal to buyers

Competition in an industry tends to converge not only on an accepted notion of the scope of its products and services but also on one of two possible bases of appeal. Some industries compete principally on price and function largely on calculations of utility, their appeal is rational. Other industries compete largely on feelings their appeal is emotional. When

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companies are willing to challenge the functional-emotional orientation of their industry they often find new market space.eg: Swatch, which transformed the functionally driven watch industry into emotionally driven fashion statement.

f) Look across Time

All industries are subject to external trends that affect their businesses over time. Think of the rapid rise of the internet or the global movement towards protecting the environment. Looking at these trends with the right perspective can show you how to create blue ocean opportunities.

2. FOCUS ON THE BIG PICTURE:

Drawing a strategy canvas not only visualizes a company's current strategic position in its market place but also helps it chart its future strategy. By building a company's strategic planning process around a strategy canvas, a company and its managers focus their main attention on the big picture rather than becoming immersed in numbers and getting caught up in operational details.

3. REACH BEYOND EXISTING DEMAND:

To maximize the size of their blue oceans, companies need to take a reverse course. Instead of concentrating on customers, they need to look to non customers. And instead of focusing on customer differences, they need to build on powerful commonalities in what buyer's value. That allows companies to reach beyond existing demand to unlock a new mass of customers that did not exist before.

THREE TIERS OF NON-CUSTOMERS:

Although the universe of noncustomers typically offers big blue ocean opportunities, few companies have keen insight into who noncustomers are how to unlock them. To convert this huge latent demand into real demand in the form of thriving new customers, companies need to deepen their understanding of the universe of noncustomers.

There is no hard and fast rule which tells you which tier of non-consumers you should focus on and when. Because the scale of blue ocean opportunities that a specific tier of non-consumers can unlock varies across time and industries, you should focus on the tier that represents the biggest catchment at the time. But you should also explore whether there are overlapping commonalities across all three tiers of non-consumers.in that way you can expand the scope of latent demand you can unleash.

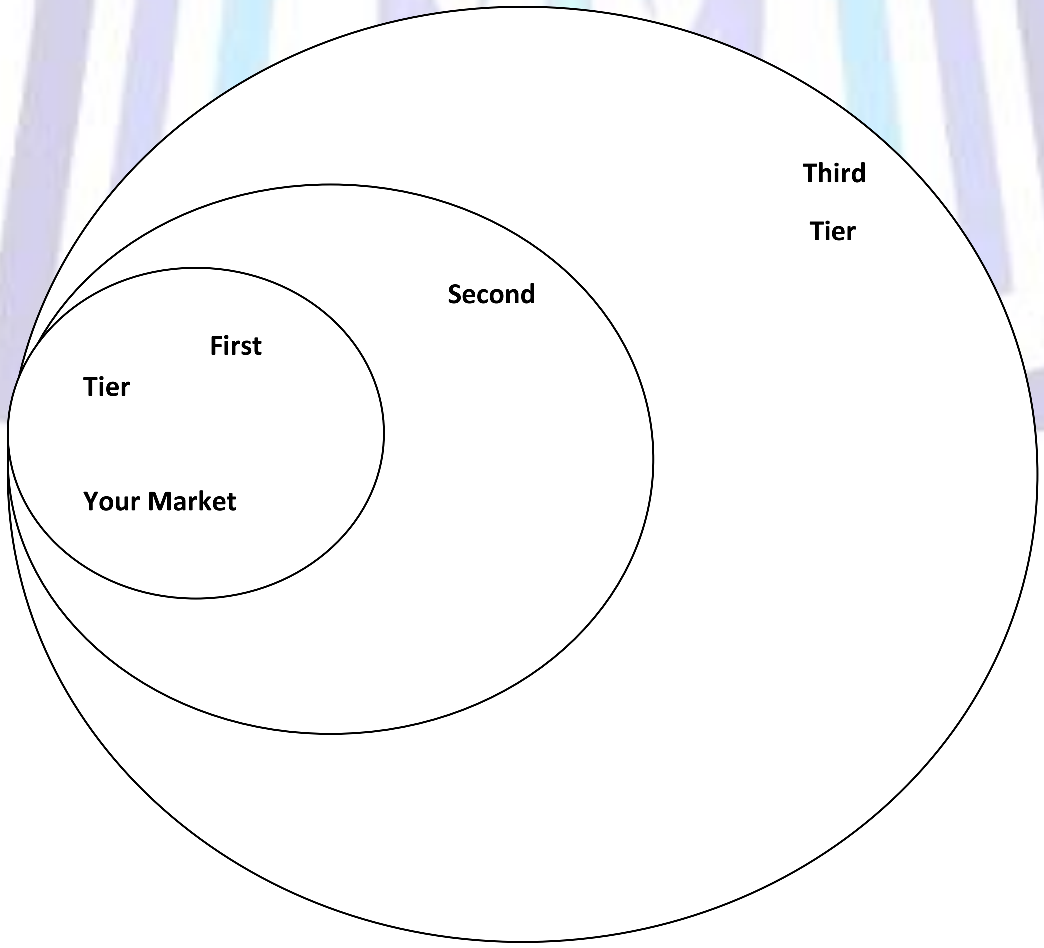

Fig :1 THREE TIERS OF NON-CUSTOMERS

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First Tier: "**soon-to-be**" noncustomers who are on the edge of your market, waiting to jump ship.

Second Tier: "**Refusing**" noncustomers who consciously choose against your market.

Third Tier: "**Unexplored** "noncustomers who are in markets distant from yours.

4. GET THE STRATEGIC SEQUENCE RIGHT:

The sequence of blue ocean strategy is

Buyer utility → Price → Cost → Adoption

The first two steps address the revenue side of a company's business model. They ensure that you create a leap in net buyer value. Where net buyer value equals the utility buyers receive minus the price they pay for it. The cost side of a company's business model ensures that it creates a leap in value for itself in the form of profit-that is the price of the offering minus the cost of production. It is the combination of exceptional utility, strategic pricing and target costing that allows companies to achieve value innovation-a leap in value for both buyers and companies. The last step is to address adoption hurdles. Adoption hurdles include potential resistance to the idea by retailers or partners. Because blue ocean strategies represent a significant departure from red oceans, it is key to address adoption hurdles up front.

5. OVER COME KEY ORGANIZATIONAL HURDLES:

Once a company has developed a blue ocean strategy with a profitable business model, it must execute it. The challenge of execution exists, of course for any strategy. Companies like individuals often have a tough time translating thought into action whether in red or blue oceans. But compared with red ocean strategy, blue ocean strategy represents a significant departure.

Four organizational hurdles to strategy execution:

1. Cognitive Hurdle-An organization wedded to the status quo

2. Political Hurdle-opposition from powerful vested interests

3. Motivational Hurdle-Unmotivated staff

4. Resource Hurdle-Limited resources

6. BUILD EXECUTION INTO STRATEGY:

A company is not only top management, nor is it only middle management. A company is everyone from top to the front lines. And its only when all the members of an organization are aligned around a strategy and support it, that a company stands apart as a great and consistent executor. But in the end a company needs to invoke the most fundamental base of action the attitudes and behavior of its people deep in the organization.

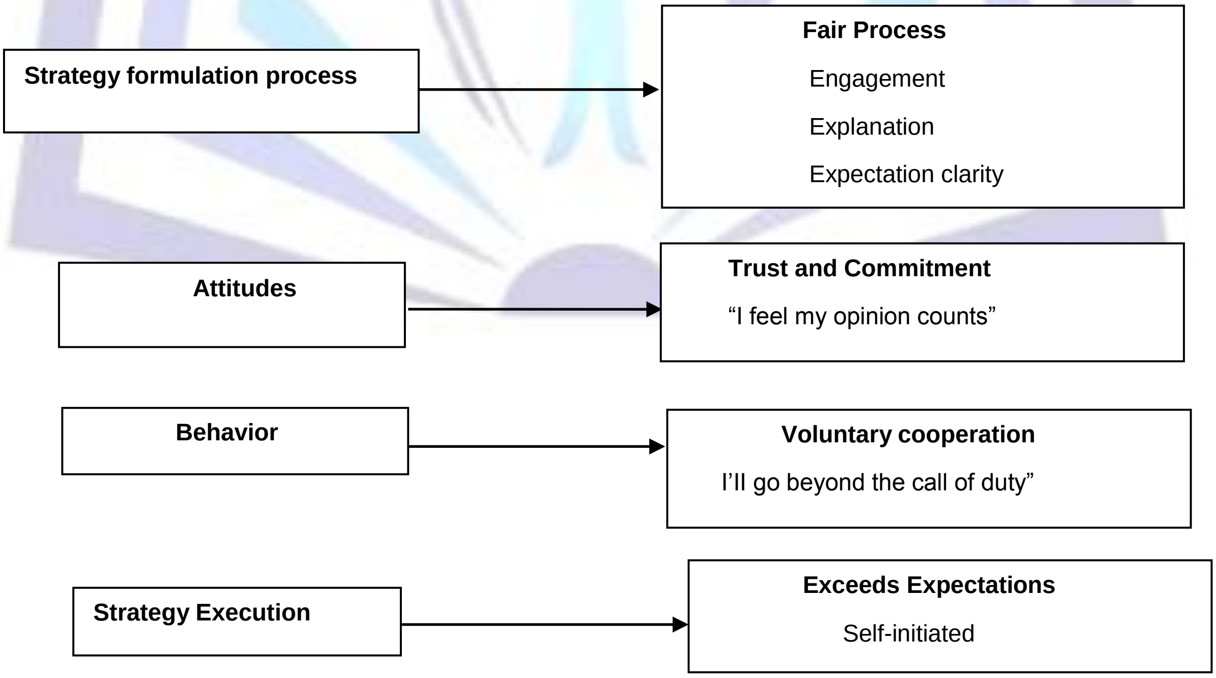

Fig :2 Fair Process of Execution

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CONCLUSION

Creating blue oceans is not a static achievement but a dynamic process. Competition will be more and will remain a critical factor of the market reality. to obtain high performance in this overcrowded market, companies should go beyond competing for share to create blue oceans. Blue and red oceans have always coexisted however reality demands that companies succeed in both oceans and master the strategies for both. Since companies already understand how to compete in red oceans, what they need to learn is how to make the competition irrelevant.

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