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**Blue Ocean strategy**

Blue Ocean strategy is one where company tries to follow differentiation and low-cost strategies at the same time. The purpose is to open up a fresh space for market and build new demand for a product. The efforts are mad to build a market place where no other competitor can compete and competition is effectively irrelevant. The company believes that market boundaries and industry structure are not much important if a company has the capabilities to rebuild these aspects. Blue ocean strategy has been developed after studying a large number of strategic steps taken by different companies over a period of 100 years. The common factors were studied which led to creation of blue ocean strategy. Generally, this strategy is pursued successfully by technological companies having very strong background. An example of such strategy is iTunes which helped Apple to unlock a blue ocean of a new market in the area of digital music which it has now dominated for more than 10 years now. It all started when Apple observed that there was a large quantity of illegal music file sharing starting in the late 90’s, helped by programs for file sharing. By 2003, there were approximately 2 billion music files which were illegally traded each month. This affected the music industry badly. There was a clear trend towards digital music and was accompanied by fast growing demand of MP3 players which played the digital music. The company filled all the aspects of this trend by offering iTunes with a very clear strategy. The company made agreement with all major music companies to legally use and download the music. The customers were allowed to buy individual songs and at a price that was much reasonable than past. In the past, customers had to buy a full CD whereas they wanted to get only one or two songs from it. The quality of these songs was much higher as compared to past services and there were much more options of navigating, search and browsing in it. The offers made by iTunes attracted huge number of customers from all over the world as well as recording companies and artists also benefitting. The companies or artists received 70 % of the price paid for downloading songs. The copyright protection policy was devised to protect the music companies but did not hurt the people in terms of ability to download.

Another example for the blue ocean strategy is given by Bloomberg which has grown in a little over 10 years as one of the largest and most profitable financial information providers in the world. The company did not follow normal routine of choosing the customers in financial services and created a blue ocean in this industry. When these services were launched in 1980s, this industry was led by Reuters, Dow Jones and Telerate, providing related information in the real time to all the concerned parties. There was a major focus on people who actually purchased the system and wanted standardized systems so that their lives were made easier. Bloomberg analyzed that traders and analysts were the people who made or lost huge amounts of money for the companies or employers. In a busy market, decisions have to be made very fast so that no single second is wasted. The system developed by Bloomberg gave an opportunity to the traders to increase their value, there were terminals which were easy to use and keyboards with familiar financial terms. There were also screens which allowed people to see all information at once and analysis option was also available with a single key stroke. The focus on users allowed Bloomberg to create Blue ocean strategy resulting in strong and profitable growth. Bloomberg noticed that traders and analysts were not able to spend much time with their families, there were flowers, clothes, jewelry and similar offerings made by the company online so that people can buy them as ease. By focusing users instead of purchasers, the company was able to create value which was different from the offerings of other companies and industry. Traders and analysts used their influence in companies so that Bloomberg terminals are purchased.

There are six paths in the blue ocean framework, each of which may result in successful application of this strategy.

The organizations have to look across alternative industries to create blue ocean impact for themselves. Organizations compete in a single industry but they are challenged by organizations from other industries in terms of competition. These challengers produce different products and services in their industries. Organizations assume that their competitive environment will remain unchanged with a narrow view of industry as a whole. Organizations have to find different industries for their products to be successful in blue ocean strategy. Substitutes are products which have distinct forms but offer same utility. Alternates are products which have different functions but their purpose is the same. The entertainment industry aims to relax, rewind and de-stress people. Substitutes to this industry are CDs, TV and alternatives are visiting a mall or a hobby center. A practical example of a product working across industries is the pro-biotic drink Yakult which competes with health drinks and juices but at the same time it competes with the Pharma industry. Both health drinks and pharma industries do not consider it as their competitor thus Yakult has created a blue ocean for itself across industries.

There are a large number of firms in an industry which try and accomplish similar strategies. These groups are generally based on price and performance. Companies have to find the reasons for trading up or down by the buyers. TATA did not want to compete with entry level strategic groups in India. It filled a gap by providing cars in less than a hundred thousand rupees in India. It got hold of the factors for which Maruti 800 buyers will come down and two-wheeler users will go up.

In most industries, there is a set definition of target buyer for almost all companies. There are chains of buyers who are directly or indirectly involved in buying decisions such as purchasers who pay for the service, actual users of products and influencers who have a role to play in the buying decision. In the above examples, Bloomberg was the on that affected the people who were actually using the financial information for their decision making. These users then forced their IT staff members to purchase Bloomberg services so that their work is facilitated. The blue ocean strategy was formed by finding the actual buyers in an industry and which buyer group is the major focus of your industry. If a company shifts its focus from one buyer group to another, how can it increase the value delivered. Another good example of adoption of this path is NoVo disk which is a leading producer of Insulin and it focused on diabetic patients as opposed to the doctors and nurses who were targeted as a tradition. Their products were pen like instruments which were fancy looking and easy to use.

An organization needs to care for what happens before, during and after the product is used by their consumers. Mostly, competitors use the same context for the usage of their products and services. The company has to identify the points where customers are pained before, during and after the use of their products. This strategy was successfully implemented by iTunes which identified that the consumers had to buy a full CD even if they needed only one or two songs from it. They further noticed that the prices were too high and after the purchase, they noticed the inconvenience faced by the companies and artists. By introducing iTunes, Apple catered all three issues with a single product. Another example is Philips which saw that the biggest issue in tea making from kettle is the lime scale present in the tap water and company solved this issue by adding a filter on the mouth of kettle so that all the lime scale remains inside of the kettle.

Emotional appeal to purchasers relates to the emotional satisfaction that is taken by them from the use of product or service. Organizations consider the factors which increase the cost of their product without enhancing its functionality. Competition focuses on one or two possible bases of appeal. Functional appeal refers to the functional benefits which purchasers take out of their decision to purchase a specific product. Companies may have options to compete on emotional appeal by improving functionality or on functional appeal by using some emotional aspects. A good example of this aspect is provided by Subway which competes on the emotional appeal which was not a common ground to compete in the fast-food industry.

Many organizations respond to trends in an industry when they have already making an impact. Organizations which are trend setters in this regard will be able to implement blue ocean strategy most effectively. The trend should be critical to the business, cannot be reversed and must have a clear trajectory. iTunes is again the appropriate example for this path.