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Blue Ocean Strategies and Indian Companies

K. Sreeja
Research Scholar (UGC-SRF), Postgraduate and Research Department of Commerce,
St. Peter's College, Kolenchery, Ernakulam, Kerala India
E-mail: srijaji@rediffmail.com

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***Abstract* - The Blue Ocean Strategy is relatively a new concept propounded by Kim and Mauborgne in 2005 in their famous book "Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant". Blue oceans are the unexplored market space where no competition exists at present. This is a concept paper based on content exploration and no scientific enquiry is carried out as part of this study. The present paper explains the concept of Blue Ocean Strategy by illustrating the examples of some companies using this strategy.**
***Keywords:* Red Ocean, Blue Ocean, ERRC Grid, Cirque du Soleil, Net Jets, Naukri.com, Twenty20 Cricket, Tata Nano**

I. INTRODUCTION

The past decades witnessed several popular strategy frameworks for generation of new lucrative business models and their accomplishment to reap economic benefits (Kabukin, 2014). Strategies such as AIKIDO, Cross Selling, E-Commerce, Pay Per Use, Razor and Blade, Robin Hood, White Label etc. are some of them(Frankenberger, Gassmann, & Michaela Csik, 2014).The Blue Ocean Strategy is propounded by Kim and Mauborgne in 2005."Blue oceans", are defined by untapped market space, demand creation, and the opportunity for highly profitable growth (Kim & Mauborgne, 2005). The Blue Ocean Strategy intends to develop sustainable profitable frameworks that develop new innovation markets with most new customers. The Blue Ocean Strategy seems to be a perfect solution for present companies to become sustainable and successful (Kabukin, 2014). It is the result of a decade long study by Mauborgne and Kim, who examined more than 150 strategic moves across 30 industries over 100 years (1880-2000). The BOS leads to avoid costly competition through innovation with the aim to create a market where no firms currently operate, leaving the company to expand without competition (Hendrikz, 2014). It can also help companies to find new market in which they can capture more customers even as improving cost structure (Gorrell, 2005).The application of this strategy is to create a new demand and go in another direction than competition (Nicolas, 2011).

II. CONCEPT OF BLUE OCEAN MARKET SPACE

The BOS propounded by Kim & Mauborgne (2005) divide the market universe into two parts – Red oceans and Blue oceans. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. On the other side, Blue oceans represent non-existent markets with unknown market spaces(Kim & Mauborgne, 2005). Organizations that develop a blue ocean strategy analysed the market and create a new need, product and service well-adapted to the demand. Red oceans are over-saturated and one of the solutions for companies is to go out of these oceans by accepting the blue ocean strategy challenge. In that challenge, companies will have to create a new market, where the competition will be non-existing at the beginning then irrelevant for a while (Nicolas, 2011). The company who create the blue ocean will be monopolistic. To create a blue ocean strategy, managers must think outside and push the limits beyond the barriers.

III. STRATEGIES FOR BLUE OCEAN MARKET SPACE

Whether the strategies followed in the Red Ocean and Blue Ocean are same or any differences existing between these two? No doubts, both are different. Red Oceans represent all industries in existence today. They have defined rules, competitors, and market boundaries and the key words might include competition, price wars, market share, commoditization, benchmarking, strategic positioning and value add.While, the Blue Oceans represent all industries not in existence today and they have undefined market space, otherwise known as opportunity. The key words might be value innovation, focus, differentiation, creation of demand and new marketplace.

TABLE 1 RED OCEAN STRATEGY VS BLUE OCEAN STRATEGY

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create & capture new demand
Make the value-cost trade off	Break the value-cost trade off
Align strategy choice of differentiation or low cost	Simultaneous pursuit strategy of differentiation and low cost

IV. FOUR ACTIONS FRAMEWORK IN BOS

To open and capture a blue ocean of uncontested market space, the companies must use the strategy canvas, an analytic framework that is central to value innovation and the creation of blue oceans. According to Kim & Mauborgne (2005).

“The strategy canvas is both a diagnostic and an action framework for building a compelling blue ocean strategy. The strategy canvas captures the current state of play in the known market space. This allows the companies to understand where the competition is currently investing, the factors the industry currently competes on in products, service, and delivery, and what customers receive from the existing competitive offerings on the market.”

The four actions framework consists of four questions which will lead to a new value turn. The four actions framework of BOS is also known as ERRC Grid i.e. Eliminate-Reduce-Raise-Create Grid.

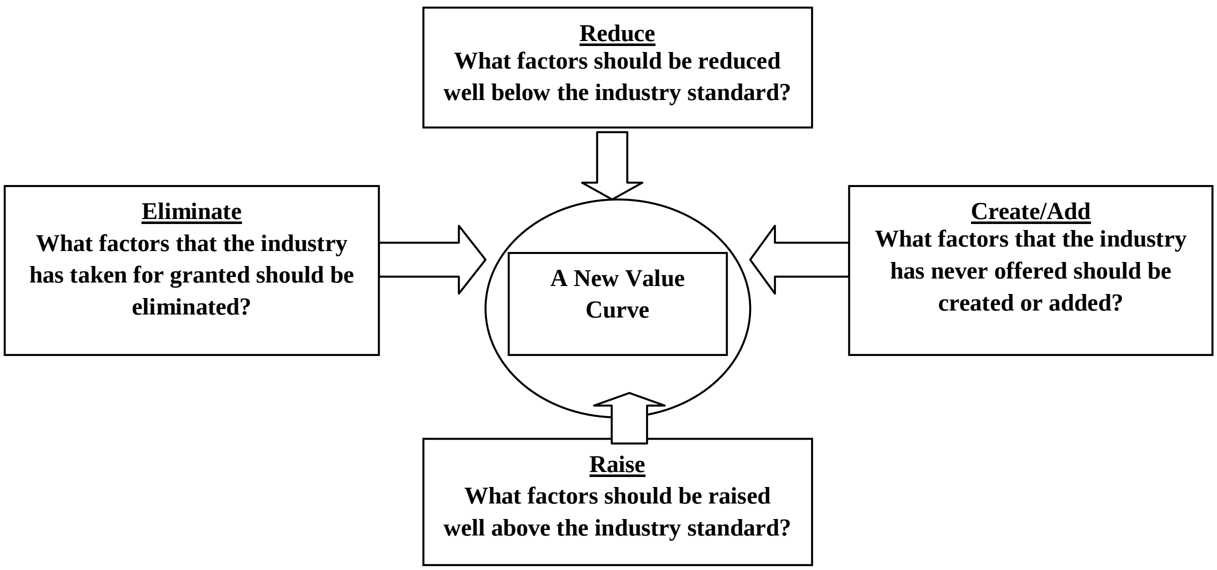

Fig. I Four actions framework: key to bos

Source: (Kim & Mauborgne, 2005)

The ERRC Grid or the Four Actions Framework of BOS was explained by Kim & Mauborgne (2005) as.

“The first question forces the company to consider eliminating factors that companies in the industry have long competed on. Often those factors are taken for granted even though they no longer have value or may even detract from value. The second question forces a company to determine whether products or services have been overdesigned in the race to match and beat the competition. Here, companies over serve customers, increasing their cost structure for no gain. The third question pushes a company to uncover and eliminate the compromises your industry forces customers to make. The fourth question helps the company to discover entirely new sources of value for buyers and to create new demand and shift the strategic pricing of the industry.”

V. EXAMPLES OF PRACTICING COMPANIES

The principles of Blue Ocean Strategy apply across all types of industries like consumer products, pharmaceutical, financial services, entertainment, agriculture, IT and even government. Large R&D budgets are not the key to creating a new market space. The key to be successful in BOS is making the right strategic moves. Therefore, creation of blue oceans is a product of strategy and as such is a direct result of managerial action, and not the size or age of the firm (Standard, 2009).

Many companies have created blue oceans across diverse, like industry domains from Net Jets in jet travel and Cirque du Soleil in entertainment.

A. Cirque du Soleil

Guy Laliberte is now CEO of one of Canada’s largest cultural exports, Cirque du Soleil. It was created in 1984 by a group of street performers. Cirque’s productions have been seen by almost 40 million people in 90 cities around the world. Despite a long-term decline in the circus industry, Cirque du Soleil profitably increased revenue twenty-two-fold over the last 10 years by reinventing the circus. Cirque differentiated itself from the traditional circus in all business aspects (Cirque du Soleil, 2015).

The company created a whole new market within the entertainment industry. Amongst other things the founders eliminated the high costs associated with the three rings of the traditional circus, presented the audience within a more sophisticated theatrical narrative, and removed the reliance on costly animals and star performers. Cirque offered people both the fun and thrill of the circus and the creation of a hybrid between the circus and the theatre(Blue Ocean Strategy, 2015).The company retained the symbolic and glamorous aspects of circus, such as the tent and the more breath-taking aspects, such as acrobats and also incorporated more comfort, sophistication, elegance and theatrical plots; this brought not only the richness of theatre but a whole new demographic of customers.

B. Net Jets

It was fifty years ago, 1964, that U.S. Air Force Generals Curtis LeMay and Paul Tibbets, with U.S. Army Air Corpsman Bruce Sundlun, partnered to give birth to NetJets' forerunner, Executive Jet Aviation, one of the world's first aircraft management businesses. In 1984, when Richard Santulli purchased Executive Jet Aviation (EJA) and created the NetJets program – and with it, the concept of fractional ownership – truly cemented their place in the record books. In the following years, the Company grew steadily and constantly looked for new ways to ensure the best safety and service for their Owners: new aircraft, new facilities, and new global programs. In 1995, Warren Buffett joined NetJets as a customer; by 1998, he was so impressed with the operation that he bought the company, adding it to the Berkshire Hathaway Empire. From then on, with Berkshire's backing, NetJets has had unmatched resources to invest in whatever it takes to always be the best and safest player in the industry. (NetJets, 2015). NetJets Blue Ocean Strategy was fractional jet ownership. They reconstructed the market boundaries to create their blue ocean by looking across alternative industries. They offered customers 1/6th ownership of an aircraft, 50hrs of flight time per year with a cost of $375,000. The outcome was the Private jet at the price of a commercial airline ticket.

C. Naukri.com

Naukri.com is a job portal operating in India founded in March 1997. It was the brainchild of Sanjeev Bikhchandani and started the company, Info Edge (India). Info Edge is a listed company on the Bombay Stock Exchange and National Stock Exchange of India. During a visit to an IT fair at Delhi's fairground (Pragati Maidan), he was drawn to a stall written WWW Curious, Sanjeev found more about how the Internet worked. Internet was not that much popular in India during that time (Wikipedia, 2015).

Naukri.com was launched on April 2, 1997. The company was started as a floorless employment exchange. It was a database of resume, jobs and recruitment consultants and conceived as a platform of jobseekers and hiring managers to meet. The first version of the website had 1000 jobs collected from 29 newspapers. Jobseekers learnt job search on Naukri was free, and soon more people started logging in. The company was entered the uncontested market space with a different business strategy of that time.

D. 20-20 Cricket

Twenty20 cricket, sometimes written Twenty-20, and often abbreviated to T20, is a short form of cricket by combining both the cricket and the entertainment. It was originally introduced by the England and Wales Cricket Board (ECB) in 2003 for professional inter-county competition in England and Wales. In a Twenty20 game, the two teams have a single innings each, which is restricted to a maximum of 20 overs. A typical Twenty20 game is completed in about three hours, with each innings lasting around 75–90 minutes and a 10–20-minute interval. This is much shorter than previously existing forms of the game. It was introduced to create a fast-paced form of the game which would be attractive to spectators at the ground and viewers on television. Twenty20 cricket is claimed to have resulted in a more athletic and "explosive" form of cricket (Wikipedia, 2015). 20-20 Cricket provides great utility by increasing the pace of game and creates more excitement in shorter version. Indian Premier League (IPL) is a great example of 20-20 cricket's Blue Ocean. T20 provided complimentary services of entertainment along with the cricket. It creates differentiation by introducing the concept of cheer girls and movie stars in cricket and provided total entertainment at low cost.

E. Tata Nano, a Real Example?

Tata Motors Limited is India's largest automobile company, with consolidated revenues of INR 2, 62, 796 crores (USD 42.04 billion) in 2014-15. It is the leader in commercial vehicles in each segment, and among the top in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments. In January 2008, Tata Motors unveiled the world famous, the Tata Nano and subsequently launched, as planned, in India in March 2009. Since its inception, it was developed to meet the needs of an attractive and affordable entry level car. The Nano has evolved over time, with the needs of its customers, to become a feature-rich compact hatchback. The Company has introduced the new generation range called the Gen X Nano in May 2015 (Tata Motors, 2015).

Tata Nano mainly focused on people with two-wheelers, concerned parents and retired people. The vehicle provided space for four adults to sit comfortably. The car is equipped the highest fuel efficiency of 23.6 kilometres per liter. The new model concentrates on passenger safety, comfortable, and petrol cost effective. The company varies customers' choice by revealing three colours. The car's emission is curbed at the lowest level (UKEssays, 2015).

According to Kim & Mauborgne (2005), in a Blue Ocean Strategy, one must create an uncontested market space where the competition is irrelevant, invents and captures new demand, and offers customers a leap in value while also streamlining the cost. The Tata Company claims that they are following the Blue Ocean Strategy in manufacturing the Nano cars. Their claims are (Faruque, 2012).

1. It does not about technological innovation.
2. It does not have to a venture to a new arena.
3. It never uses the competition as benchmark.
4. It reduces the cost while also offering customers more value.

But still some confusion is existing with this Blue Ocean Strategy of Tata Nano.

VI. CONCLUSION

Most blue oceans are created by companies in the red ocean expanding industry boundaries.Though the phrase "Blue oceans" is new, the concept is not new(Kim & Mauborgne, 2005).The business environment in which most business strategy and management has been based on is changing, evolving or disappearing. Some of these changes are due to technology and other reasons such as culture, globalization, speed of new information or the role of demographics in the workplace (Perret, 2014). If the company wants to win in the future, they must stop competing. Commercial transportation from Earth to Moon may be a Blue Ocean market space soon.

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