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Comparison Between Ocean Strategies

Prof.V.Raghu Raman

Sr.Fculty IBRA College of Technlogy

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Abstract

This paper aims to justify the arguments made concerning to different ocean strategies with regard to the marketing environment. In this paper the theories and articles of Kim & Mauborgne are highlighted in order to shed light on the specifications of the strategies. These strategies include blue ocean strategy along with the red ocean strategy. The vieoints of the authors are discussed with a greater clarity in order to clearify both the terms with respect to different references provided. Red Ocean strategies compete in existing markets which is referred to head to head competition, where as Blue Ocean strategies exist in creation of new markets which captures the new demand. There fore the paper defines the clear differences and benefits of both the strategies. Both the stratagies carry their own significance and suitability depending on the environment of the industry. It is the responsibility of the manager to analyze and put the most appropriate strategy for their business.

Key Words: Blue ocean strategy, Red ocean strategy, innovation, competition, Cirque, rivals.

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Blue Ocean Strategy versus Red Ocean Strategy

Introduction

The article by Kim & Mauborgne argues that two different strategies operate in the marketing environment. These strategies tend to shape the environment as per the marketers approach. They stated that when managers develop corporate strategies they initially analyze the environment of the industry in order to make sure which strategy would be suitable for their business. In this paper the study on Blue Ocean Strategy in the competitive market place against Red ocean strategy will be discussed according to the viewpoint of Kim & Mauborgne. Red Ocean strategies compete in existing markets which is referred to head to head competition, where as Blue Ocean strategies exist in creation of new markets which captures the new demand. Further in the paper a detailed study will be conducted to analyze the difference between both the strategies in a competitive market. Red Ocean Strategy aligns the whole system of the company and its activities with its strategic choice of differentiation and low cost, on the other hand blue ocean strategy supports the entire system of the company and its related activities in recreation of differentiation and low cost (Kim & Mauborgne, 2005, pp. 105-121). Blue ocean strategy was formed in order to open new markets which can be innovative as per the new demands of the consumers. Additionally, raise the possibility of creating a winning strategy based on the "non-competition", which is only possible to explore new territories; symbolizing a blue ocean, unlike the red represents the struggle between the companies. Although both the strategies carries their own significance but it is essential for the companies to realize the use of strategies depending on their market situations.

Overview of blue Ocean Strategy according to Kim & Mauborgne

According to the view point of Kim & Mauborgne Blue ocean strategy creates a win win situation for the buyers as well as the sellers. It is often considered more effective in the competitive market because it strives to capture new markets depending on the propped demands of the consumers. Improvement and innovation like production developments can be accomplished at the subsystem level without crashing the company's overall strategy. Considering innovation could support the entire strategy of an organization which could increase the worth of various organizational procedures (Kim & Mauborgne, 2005, pp. 01-09). In the case of Blue ocean strategy this competition will not be an issue, since that will be creating a unique and particular market through breaking the rules and creating new demand.

Discussion

Blue Ocean Strategy versus Red Ocean Strategy

Every blue ocean company would ultimately reach to the level of red ocean category as every organization carries the motive to earn higher profits. But blue ocean strategies can

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provide the companies with a brilliant start for the better sustainability of their positions in the industry. Innovation is an important element to exist in the market in a long run.

Innovation can be done at a subsystem level of an organization which would not hurt the structure and over all culture of the company (Kim & Mauborgne, 2005, p.n.d). The blue ocean strategies support the companies in lifting up their positions through innovations in their products, although the competition in here is irrelevant because the rules and plans of the game are not specified likely to the red ocean companies. The foundation and back of blue ocean strategy is its value innovation offered to the consumer. This helps in creating a new demand in the industry which could create a niche for the company following this type of strategy. It creates value for both buyers as well as the sellers which ultimately endow both with the benefit all together. They intend to beat the competition completely and create a new product in the market which would eventually generate a new demand in the over all industry, where as in the red ocean companies they compete with the similar practiced rules amongst the competitors (Kim & Mauborgne, 2005, pp. 105-121).

In the blue ocean strategies the combination of advanced technologies and innovation of products always results in striking immense success for the companies practicing the same strategies. This combination tends to maximize the profits for the companies in the industry through determining new innovative solutions for their consumers.

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Blue Ocean Strategy

As stated in the Hravard review of Kim & Mauborgne, the foundation of Blue Ocean Strategy is value innovation. It is done to develop new strategies and procedures for attaining organizational goals. A blue ocean is formed once a company realizes significance of innovation which would create value concurrently together for the consumer and the company. The innovation can be made in a product, service and delivery which must lift and create value for the market, whereas at the same time dropping or abolishing features or services that are not much valued by the present or expected market forecasted by the analysts (Kim & Mauborgne, 2005, pp. 01-10).

Various features of blue ocean strategy includes (Kim & Mauborgne, 2005, pp. 01-10)

1. Create a space without competition in the market: this refers to the fact that companies should stop trying to beat the competition amongst competitors. In fact blue oceans relate to the non existing companies in the market today. Blue oceans, in contrast, are states as the unexploited market space, demand creation, and the chance for exceedingly cost-effective growth. Even though several blue oceans are created well ahead of existing industry limitations, mainly are created from surrounded by red oceans by escalating existing industry boundaries. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set and are not in practice unlike the usual markets.

2. Making competition becomes irrelevant: they make the competition irrelevant because their strategies and set of activities are still unplanned along with the rules and regulations. Blue ocean strategies are new to the market and bring something different for the competitors (Kim & Mauborgne, 2005, pp. 01-10). They believe that the strategies can be recreated and planned again depending on the changing trends in the competition because they are not provided with market structure and its limitations. Hence it is also called as Reconstructionist's view. In such a scenario firms enable themselves to play at zero level where they can have possibilities of gaining higher profits.
3. Create and captures new demand: blue ocean strategists strive to capture new markets as per the demands, as they have ideas and plans in their minds which are not executed yet. Through these strategies new wealth can be created through high profits. This competition of blue ocean strategy will not matter, because they will be creating a inimitable and particular market which would break the rules and generate innovative demand. They aspire to create new demands in the minds of the consumers in order to bestow them with something new which could be useful for them, and better too from the existing market.
4. Breaking the trade in value and the cost: The companies recreate the boundaries of the industry in order to pursue their strategies, in their minds though. They make the companies realize, not to be monopolistic as it can hurt their sustainability in the future

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(Kim & Mauborgne, 2005, pp.105-121). In its place the companies should increase their value proposition and innovations in order to create a win win situation for the buyers as well as the sellers all together.

5. Aligning activities in order to gain differentiation and low cost: it as approach meant for the formation of innovation within the business activities. The value for the buyer is raised by offering various elements and features which were never offered by the industry in the previous markets. Low cost and savings are made by reducing the various factors present in the industry for competition. Blue ocean strategies align the activities so that differentiation can be created in the industry (Kim & Mauborgne, 2005, pp.105-121). The value of innovation is attained when price and quality of the product is entirely aligned in the whole strategic system of an organization.

Kim & Mauborgne highly emphasized on the Cirques achievements. tHey mentioned in their article that it carries tow kinds of spaces which are reffered as blue and red ocean strategies (Kim & Mauborgne, 2005, pp. 01-10). The strategy canvas of Blue Ocean Strategy covers four features which were stated by the authors as the example of “Cirque du Soleil**”** which innovated in a formula so apparently burned as circuses and created a new kind of request which made competitors were irrelevant. The related features are mentioned below along with the graphical illustration.

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- Eliminate: the elements which are taken for granted in the industry should be eliminated from the reach of the consumers.
- Reduce: the products and services should be maintained according to the standards of the industry and the ones which are higher should be reduced.
- Raise: the factors which would create value for the buyers as well as the sellers should be raised.
- Create: those items should be created which have never been offered in the existing markets and industry.

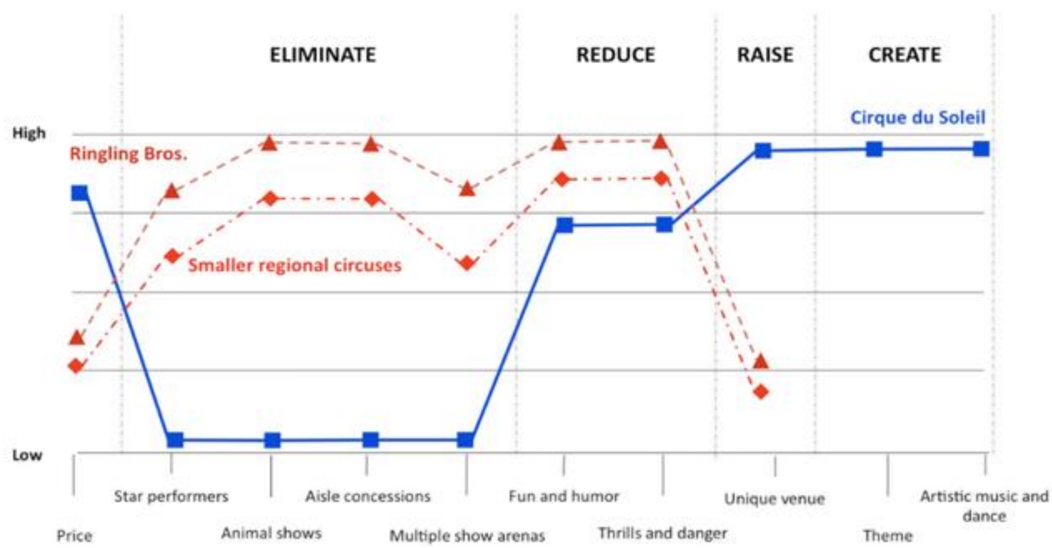

Figure1: (Source: www.sixpathsconsulting.com)

Blue Ocean refers to the industries which do not exist in the present markets. In such markets they intend to create demand rather then being fought or competed over the utilities. Through the blue ocean strategies the chances of higher profits and rapid growth are higher then in the red ocean markets. There are blue oceans that have nothing to do with existing industries, although most arises from red oceans by expanding the boundaries of existing businesses(Kim & Mauborgne, 2005, pp. 105-121). The fundamental fact is that when they appear blue oceans, competition becomes irrelevant because the rules of the game are waiting to be fixed. The situation may vary company to company. The company can also form an entirely new market and can also be done with alteration in the existing markets. Usually the preference is given to the companies with in the red ocean. In the literal meaning, the water remains blue and generates new opportunities for the fishes to jump over the waves or on the sailing boat.

Red Ocean Strategy

With reference to the Harvard review of Kim & Mauborgnered ocean strategy is reffered to the industries which are in existence today with a known market space. In this situation the competitors try to snatch the market share from others in order to converse on the prices. The differences of the competitor companies are highlighted while comparing the strategies with each other. In here the chances of winning usually decreases. The perspective of Kim & Mauborgne explained that the industries in the stance of red ocean strategies outperform and intends to grab

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a larger market share against their rivals. The competition increases with a greater pace turning the market in to immense competition.

They aim to exploit the existing demand through beating the competition. The companies within the red ocean compete in the existing market space. The companies present in red ocean usually penetrates in to an over saturated market by defending their existing position in the industry. When the sales go down of a certain company and they face loss in their financial statements, they fight to earn back their profits which create a severe completion amongst the companies (Kim & Mauborgne, 2005, p.n.d). The strategies of red ocean companies seem to be simpler then the blue ocean firms because in the red oceans the boundaries and set of activities are well designed. They are well structures in which the organizations are aware of the strategies they need to implement in order to gain higher profits. Rivals try to grab a larger share from the market then their competitors where as in the blue ocean companies they intend to serve their consumers with something new that has never been offered earlier which beats the competition automatically.

In the red ocean category competition is highly focused and a fight of capturing the larger market share is emphasized believed Kim & Mauborgne . The authors defined this as the structuralist's view. They tend to add value in their existing products to benefit their consumers and so do their competitors practice in order to increase their sustainability in the market. In the red ocean the companies are offering the same products in different shapes or visions, serving the same kind of need. They do not endow their consumers with an entirely new product. It can be said as the companies previously were providing their consumers with VCR's then later they added more value o their product and modified it to a VCD, which eventually turned in to a DVD. Therefore the product remained the same, but was modified as per the modernization of the era. No absolutely new product was offered but they kept on competing with each other through the existing products in various forms.

The companies are well aware regarding the rules that are to be followed to exist in the industry. Products become the source of increasing profits which leads to severe competitions and is referred to bloodshed in the water, hence named as Red Ocean. In this view competition is taken quite seriously which becomes the matter of life and death in the markets. The rivals and the competitors are in a race to win and grab a larger market share amongst all the existing companies within the industry (Kim & Mauborgne, 2005, p.n.d). The concept of red ocean strategy is in to existence since ages where as Blue Ocean strategy is new in the business world ad carries a lot of significance for the industry. It aligns the entire system and activities of the company with its strategic choice of differentiation or low cost. They have always been modifying or adding more to their existing products rather then offering something new, or creating the urge of any new product amongst the consumers. Healthy competition is always helpful, but the companies in the red ocean category takes this competitions as a rivalry and considers victory as the prime achievement and do not care about any other factor.

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