BLUE OCEANS MARKETING STRATEGY: AN ANALYSIS OF THE PRINCIPLES AND IMPLICATIONS

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Abstract
For business companies to be successful in terms of reasonable profit rate with multiplying sales and consistently rising market share, it is essential for these businesses to evolve the most appropriate marketing strategy for creating new customers and their retention. Customer creation and customer retention are infact two main strategies objectives of the marketing strategies of a modern business firm. Keeping in view the fast changing economic and non-economic environment and the volatile customer's expectations, new and sometimes unusual strategies are adopted by the marketers to enhance the sales. In this paper an analysis has been made to highlight the limitations of Red Ocean Marketing Strategy that promotes guerrilla marketing and brand wars and this has led to a fresh debate on ethical and legal grounds. Blue Ocean strategy that supports creating uncontested market spaces has also been discussed highlighting its methodology principles that apply all types of industries. In Blue Oceans, demand is created rather than fought over.

Key Words: *Blue Ocean Strategy, Red Ocean Strategy, Guerilla Marketing, Globalized Environment, Noncustomers, Cognitive hurdle, Fair process*

Introduction

Strategy is a game plan designed by every business firm for achieving its goals[1]. Marketing strategy is obviously a game plan designed by the marketer for increasing its sales and market share for higher profitability and to retain customers continuously. A marketing strategy combines product development, pricing, promotion, channel, and relationship management. Over the years, with the growth of globalized environment, the ever increasing competition among the marketers and highly volatile business environment both nationally and internationally, has led to the dwindling of market share and rate of profitability. Marketing in such an environment is called the *Red Ocean Marketing Strategy* that involves the tactics of reducing price and spending huge amount on advertising to capture customers from each other's domain. Guerrilla marketing in present times corroborates this view point. Whatever strategies are adopted, the modern organizations are customer oriented organizations which keep the customers on the top of a pyramid[2].

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In this paper the focus will be on Red ocean strategy, its implication and on Blue ocean strategy that promotes the case for creating uncontested market spaces in circumstances when supply exceeds demand.

Red Ocean Marketing Strategy

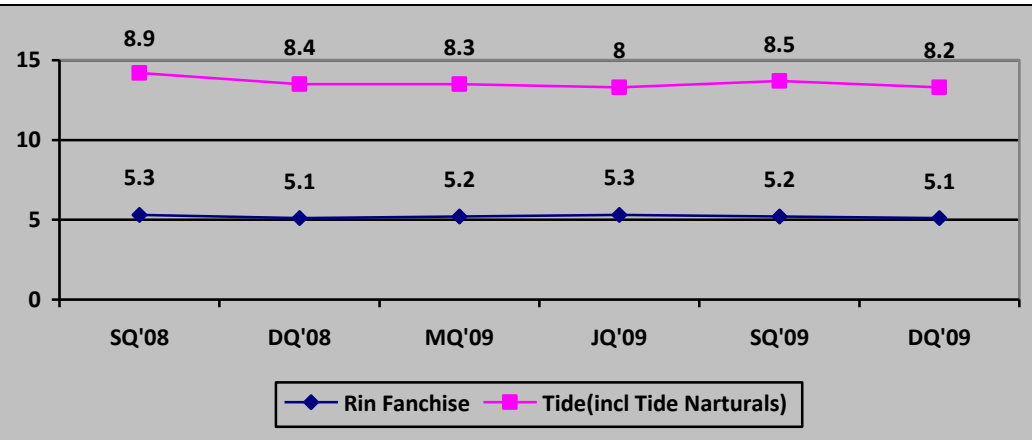
Traditionally the marketing strategy adopted by business organizations is to compete in the existing market space. Competition based red ocean strategy assumes that an industry's structural conditions are given and that firms are forced to compete within them. In the red oceans, industry boundaries are defined and accepted and the competitive rules of the game are known[3]. Here companies try to out perform their rivals to garb a greater share of existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Cut throat competition turns Red Ocean bloody. Each business organization tries to attract customers from the domain of the other firms. The basic tents of ROMS are shown in box 1.

Box-1 Basic Tents of Red Ocean Strategy
1. Compete in existing market space.
2. Beat the Competition.
3. Exploit existing demand.
4. Make the value-cost trade off.
5. Align the whole system of a firm's activities with its strategic choice of differentiation or low cost.

Source: W. Chan Kim, Renee Mauborgne, "Blue Ocean Strategy", Harvard Business School Press, 2005, p.18.

An important implication of ROMS is guerilla marketing which involves unnecessary expenses on advertising the products or services. Sometimes it goes against the marketing ethics. In this context, a couple of cases pertaining to HUL and P&G- The Two FMCG Giants seems quite consistent.

Case I Guerilla Marketing: HUL and P&G
HUL resorted to an overt comparison of its brand **Rin** with the leading brand of its market competitor P&G's **Tide** on national network televisions for days together till the Calcutta High Court stepped in this ambush or guerilla marketing has led to a debate on marketing ethics. Is the practice of being 'direct' in its comparison ethical? One opinion has been expressed by Harish Bijoor- a brand strategy specialist. He finds such a tactic justified keeping in view the changing mindset of the Indian consumers who compare overtly. The question in his/her mind is whether your detergent give me whiteness that is really white? Does it all at a cost that is affordable? And tomorrow: Is your detergent eco-friendly and green? In the entire market evolution process, old definitions of what is right and what is wrong are bound to be questioned. The days of polite and discrete advertising may well be over. Overt comparison with rival brands may well become the norm in future[4]. In the Rin Vs. Tide Natural ad, the claim is of superior whiteness delivery of Rin based upon independent laboratory test. Besides, Tide has a substantial lead over Rin in market share, as is shown in graph 1, which perhaps explains why HUL has resorted to guerilla marketing.



Graph-1: Market share of Rin and Tide
Source: Harish Bijoor, Business Today, April 04, 2010.

Another opinion is one that objects to guerilla marketing tactics that involves waste full expenses on snatching customers from each other. It is Red Ocean marketing strategy which is not at all justified as it leads to brand wars by the companies as is shown below in box-2.

Box-2 Case II HUL and P&G in a Fight over Shampoo Ad

It was quick and it was smart. It was an ambush in the skies that Hindustan Unilever launched against arch-rival Procter & Gamble, spoiling the latter's elaborately laid-out plans for its shampoo brand Pantene. The story goes back on July 23, when Mumbai woke up to hoardings that screamed: "A Mystery Shampoo!! 80% women say is better than anything else". P&G, it was later found, was planning to unveil the new Pantene on August 01. When the suits at HUL found out, they saw an opportunity to score a point. They ambushed P&G. On July 28, even as the P&G hoardings stood tall in skyline, Mumbai woke up to another hoarding that was upfront- and suggestive of its source of inspiration. It said: "There is no mystery. Dove is the No.1 shampoo". Dove is one of the four brands in HUL's shampoo portfolio.

The HUL national campaign took just one day to go from brief to execution, and was handled by Ogilvy & Mather India. Says a senior official who was involved in the campaign: "This was the quickest advertising turnaround in the company's history". An integrated brand campaign normally takes six weeks. HUL's quick repartee was partly the outcome Unilever CEO Paul; Polman empowering the company's managers earlier this year to take on-the-spot decisions to counter competition. The P&G response was terse. Without naming HUL, a company spoke person said: "One of our international competitors has been consistently trying to denigrate our brands, via either disparaging advertising or unsubstantiated claims across categories".

It's classic ambush advertising – a company feeding off its competitor's campaign. It's something the Indian advertising landscape hasn't seen enough of. Some of the exceptions have been Jet and Kingfisher, Coke and Pepsi, among others. For instance, when coke bagged the official sponsorship rights to the 1996 cricket world cup, in the sub-continent. Pepsi came up with the tag line for itself: "nothing official about it".

P&G, which has three shampoo brands in India: Pantene, Head & Shoulders, and Rejoice. And Dove is one of the four brands in HUL's shampoo portfolio, the other being Sunsilk,

Clinic Plus and Clinic All Clear. Ironically, the leadership claims of both companies on the hoardings rests on their own research, that too limited. For example, the P&G 80% contention is "based on a Thailand consumer test done by P&G Japan in October 2008 among 1,200 women".

Source: Economic Times, July 29, 2010.

Box-3 Brand Wars
PepsiCo vs. Coca-Cola (2008) The ad tag line of Sprite, "Yeh hai Hindustan meri jaan" a coke brand, was a take off on Pepsi's "Yeh hai Yangistan meri jaan".
Jet vs. Kingfisher (2007) After Jet acquires Sahara Airlines, its billboard said "We have changed". Kingfisher's response "We made them change".
Cadbury vs. Nestle (2009) Nestle mocked Cadbury's "Pehli tarikh" ad with the tag line "Kabhi bhi kha sakte hai".
Airtel Digital vs. Big TV (2008) Airtel Digital TV campaign had the punch line "See you at home". Reliance ADAG's Big TV spoofed the ad.
P&G vs. HUL (2010) P&G's hoardings for shampoo brand Pantene on July 23, 2010: "A Mystery Shampoo!! 80% women say is better than anything else". P&G was planning to unveil the new Pantene on August 01, 2010. HUL's hoarding ambushing P&G appeared on July 28, 2010: "There is no mystery. Dove is the No.1 shampoo".

Sources: Business Today, April 04, 2010, and Economic Ti8mes, July 29, 2010.

Avoiding excessive selling costs and beating over competition, there is a need to look for alternative strategies for higher profitability and market share. There is need to concentrate on consumers rather than the competition. In the next section, an attempt has been made to explore the new strategies.

Blue Ocean Marketing Strategy

It has to be clarified at the very outset that the new alternative Blue Ocean Marketing Strategy for customer creation so to increase the market share and rate of profitability is not the perfect substitutes of the strategies adopted in the contested fixed boundary markets (ROMS). It is, in fact, complementary to the practices adopted in the red oceans. The only advantage of adopting innovative BOMS is to reduce the pressure within the bounded markets thereby reducing the sharp tinge of over competition and diverting attention and resources to the uncontested markets and unexpected consumer segments.

Blue Ocean strategy for marketing, as against the Red Ocean strategy where rivals fighting over a shrinking profit pool for customer creation, provides a systematic approach to making the competition irrelevant. It will always be important to swim successfully in the red ocean by out competing rivals. Red Ocean will always matter and will always be a fact of life. But with supply exceeding demand in more industries, competing for a share of contracting markets, while necessary will not be sufficient to sustain high performance. Companies need to go beyond competing. For creating customers to seize new profit and growth opportunities, they also need to create blue oceans. The basic elements of BOMS are: Create uncontested market place, make the competition irrelevant, create and capture new demand, break the

value cost trade off and, align the system for pursuit of differentiation and low cost. Table 1 shows the distinction between ROMS Vs BOMS

Red-Ocean Strategy	Blue Ocean Strategy
1. Compete in existing market space.	1. Create uncontested market place.
2. Beat the Competition.	3. Make the competition irrelevant.
4. Exploit existing demand.	2. Create and capture new demand.
5. Make the value-cost trade off.	3. Break the value cost trade off.
6. Align the whole system of a firm's activities with its strategic choice of differentiation or low cost.	4. Align the whole system of a firm's activities in pursuit of differentiation and low cost.

BOMS highlights the six principles that every company can use to successfully formulate and execute blue ocean strategy for rise in marketing share through customer creation. Four guiding principles are for the successful formulation of blue ocean strategy and two guiding principles are for strategy execution[5]. These principles along with the risk factor associated with each principle are shown in figure 1.

Formulation principles	**Risk factors each principle attenuates**
Reconstruct market boundaries	↓ Search risk
Focus on the big picture, not the numbers	↓ Planning risk
Reach beyond existing demand	↓ Scale risk
Get the strategic sequence right	↓ Business model risk
Execution principle	**Risk factor each principle attenuates**
Overcome key organizational hurdles	↓ Organizational risk
Build execution into strategy	↓ Management risk

Figure 1: The Six principles of Blue Ocean Marketing Strategy

As it has been shown in Figure 1, the principles of BOMS are classified into two parts. **I.**

Strategy Formulation Principles:

It includes four principles pertaining to strategy formulation.

1. How to reconstruct market boundaries?
2. Focus on the Big Pictures
3. Reach beyond existing demand
4. Get the strategic sequence right

1. How to reconstruct Market Boundaries?

There are six paths that have been identified by Renee and Chan Kim which guide the companies to reconstruct market boundaries to open up blue oceans. These paths are

(i) Look across alternative industries that offer substitutes/alternative products

(ii) Look across strategic groups within industries

(iii) Look across the chain of buyers and to know which buyer group does your industry typically focus on?

(iv) Look across complementary products and service offerings by rival firms.

(v) Look across functional or emotional appeal to buyers

(vi) Look across time and bring into consideration the rapid changes taking place overtime such as rise of internet or global movement towards protecting the environment. This will help in creating blue ocean opportunities.

2. Focus on the Big Picture, not the Numbers

It relates to the transition of the strategic planning process wedded to red oceans to Blue Ocean. Here we develop an alternative approach to the existing strategic planning process. For this, there is need to focus on big picture and drawing the strategy canvas.

Over the past fifteen years, a structural process has been developed for drawing a strategy canvas that pushes a company's strategy towards a blue ocean. It involves four steps of visualizing strategy.

- Visual Awakening
- Visual Exploration
- Visual Strategy Fair
- Visual Communication

3. Reach Beyond Existing Demand by retaining existing customers and tapping new customers

This is a key component of achieving value innovation. By aggregating the demand for a new offering, this approach minimizes the scale risk associated with creating a new market, To achieve this, the companies should challenge two conventional strategy practices. One is the focus on existing customers i.e. retaining and expanding them by greater tailoring of offerings to better meet customer preferences. Another is to focus on noncustomers that allow companies to reach beyond existing demand.

The three tiers of noncustomers can be transformed into customers. They differ in their relative distance from your market. As shown in figure 2, the first tier of noncustomer is closest to your market. For expanding the blue ocean the noncustomers have to be converted into customers.

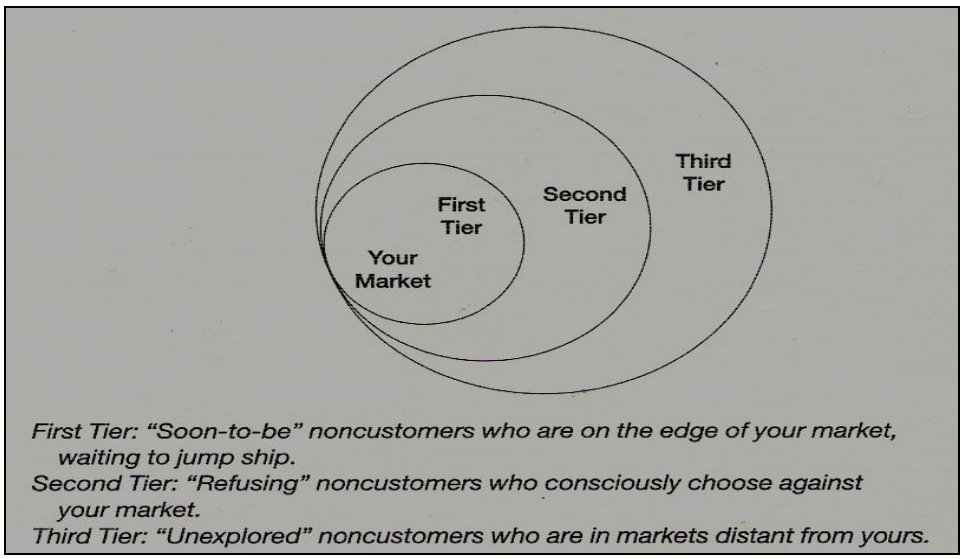


Figure 2: The Three Tiers of Noncustomers

(i) First Tier Noncustomers (Soon to be non-customers)

- Look for the reasons why first tier customers want to jump out of your industry
- Look for the commonalities across their responses.
- Make offerings to tap untapped demand.

(ii) Second-Tier Noncustomers: These are refusing noncustomers who either do not use or can not afford to use the current offerings. Their needs are either dealt with by other means or

ignored. This segment of non-customers needs to be tapped. The firm or the company has to improve its offering after noting the commonalities across their responses.

(iii) Third-Tier Noncustomers: These are quite far off from an industry existing customers. These unexpected noncustomers have not been targeted or thought of as potential customers by any player in the industry. These noncustomers have never thought of the market offerings as an option. Again by focusing on commonalities across these non-customers and existing customers, companies can understand how to pull them into their new market.

In Box 4 a case of Prêt A Manager, a British Fast Food Chain is shown to highlight the strategy formulation for expanding blue oceans.

Box-4: Case Study of Prêt A Manager a British Fast Food Chain Converting Soon-to-be Noncustomers in to Core Customers

Company Profile

Prêt A Manager is a British fast food chain established in 1988. By 2002 it had 130 stores in the UK selling more than 25 million sandwiches a year. It also opened stores in New York and Hong Kong in 2002. Its sales were over $160 million in 2002. McDonald's bought 33 percent share of the company.

Problem of Professionals

Before Pret, professionals in European cities had to depend upon sit-down restaurants for their lunch. Since professionals did not always have time for a sit-down meal and also can't afford expensive lunch on a daily basis, they either bring a brown bag from home or even stripping lunch. These professionals' as first-tier non customers were increasing in number and were in search of better solutions.

Commonalities of First-Tier Non Customers

Although there were numerous differences among them, they shared three key commonalities

(i) They wanted lunch fact
(ii) They wanted fresh and healthy lunch
(iii) They wanted lunch at a reasonable price

Solution of the Problem

The insight gained from commonalities across these first-tier non-customers shed light on how Prêt could unlock and aggregate untapped demand. It offered restaurant-quality sandwiches made fresh everyday from only the finest ingredients and it makes the food available at a speed that is faster than that of restaurants and even fast food. It also delivers this in a sleek setting at reasonable prices. Prêt stocked thirty types of sandwiches in refrigerated shelves. People can choose from other freshly made items such as salads, blended juices etc. Each store has its own kitchen. Customers just spend ninety seconds from the time they get in line to the time they leave the shop. Whereas sit down restaurants have seen stagnant demand , prêt has been converting the mass of soon-to-be non-customers into core thriving customers who eat at Prêt A Manager often than they used to eat at restaurants

4. Get the Strategic Sequence Right

The next challenge is to build a business model to ensure that you make a healthy profit on your blue ocean idea. For this the fourth formulating principle of BOMS is to get the strategic sequence of blue ocean strategy right as is shown in figure 3. The sequence runs through buyer utility, price, cost and adoption.

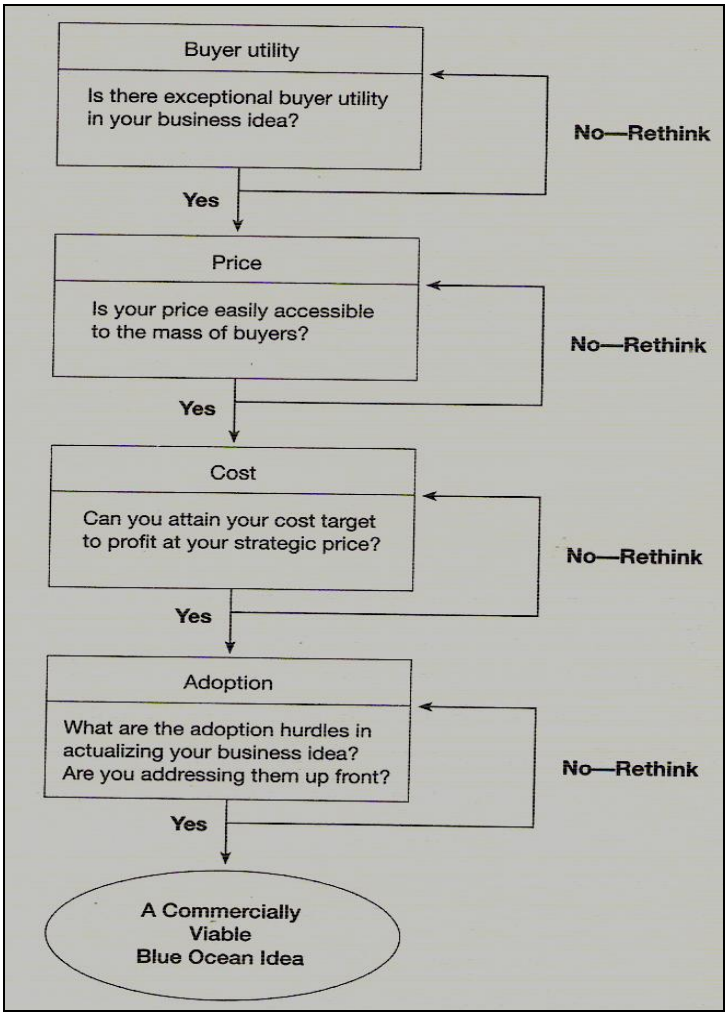


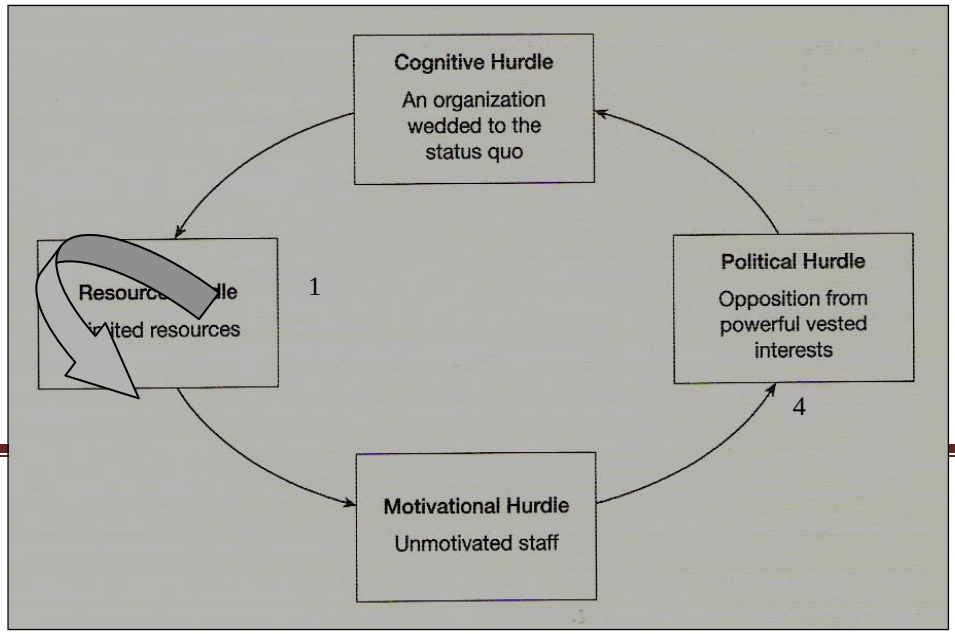
Figure 3: The Sequence of BOMS

II- Strategy Execution Principles: It includes two basic principles pertaining to strategy execution. These principles are:

1. Overcome key organizational hurdles
2. Build execution into strategy

1. Overcome Key Organizational hurdles

Once a company has developed a BOMS with a profitable business model, it must execute it. These are so many hurdles in its execution. These hurdles are shown in figure 4.



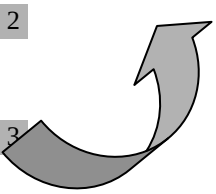


Figure 4: The four organizational hurdles

These hurdles need to be crossed. The **cognitive hurdle** can be overcome only by dynamic leadership. The leadership makes people experience the need for change in two ways.

(i) To break the status quo, employees must come face-to-face with the worst operational problems.

(ii) The managers must listen to their most disgruntled customers in stead of simply relay on market surveys.

The **resource hurdle** can be jumped only by arranging more resources from their bankers and share holders. But it involves a long time. Thus instead of focusing on more resources, leaders concentrate on multiplying the value of the resources they have. Following practices are often used to overcome this hurdle.

- Redistribute resources to your hot spots (activities that have low resource input but high potential performance gains).
- Redirect resources from your cold spots (activities that have high resource input but low performance impact).
- Engage in horse trading that involves trading excess resources of your unit in one area for another to fill remaining resources gaps

The **motivational hurdle** also needs to be jumped for executing BOS. For this you must alert employees to the need for a strategic shift and identify how it can be achieved with limited resources. For a new strategy to become a movement people must not only recognize what needs to be done but they must also act on that insight in a sustained and meaningful way. The employees can be motivated by these policies.

- Kingpins
- Fish bowl Management
- Atomization

Kingpins involve concentrating efforts on kingpins i.e. the key influencers in the organization. These are people inside the organizations who are the natural leaders, who are well respected and persuasive or who have availability to unlock or block access to key resources. It is easy for the CEO to identify and motivate such kingpins. The kingpins are to be kept in a shining position i.e. in fishbowl. The kingpins become inspiring figures. This is called fishbowl management. To overcome motivational hurdle, the last disproportionate influence factor is atomization. Atomization relates to the framing of the strategic challenge which is attainable. Finally the crossing of political hurdle is equally fundamental. Even if an

organization has reached the tipping point of execution, there exists powerful vested interest that will resist the impending changes. To overcome these political forces, tipping point leaders focus on three factors

- Leveraging analysis
- Silencing devils
- Securing a consigliere on top management team.

Angles are those who have the most to gain from the strategic shifts. Devils are those who have the most to lose from the future blue ocean strategy. A consigliere is a politically adopt but highly respected insider who knows in advance all the land mines, including who will fight you and who will support you.

2. Build Execution into Strategy

Overcoming the organizational hurdles to strategy execution is an important step towards that end. It removes the roadblocks that can put a halt to even the best strategies. This however is not enough. A company needs to involve the most fundamentals base of action i.e. the attitude and behaviour of its people deep in the organization[6]. A culture of trust and commitment has to be treated that motivate people to execute the agreed strategy in letter and spirit. People infact, need to embrace new strategy. This sixth principle of BOS allows company to minimize the management risk of distrust non-cooperation. Hence the companies must reach beyond the usual suspects of carrots and sticks. The must reach to fair process in the making and executing of strategy. The presence or absence of fair process can make or break a company's best execution efforts. The power of fair process is shown in figure 5.

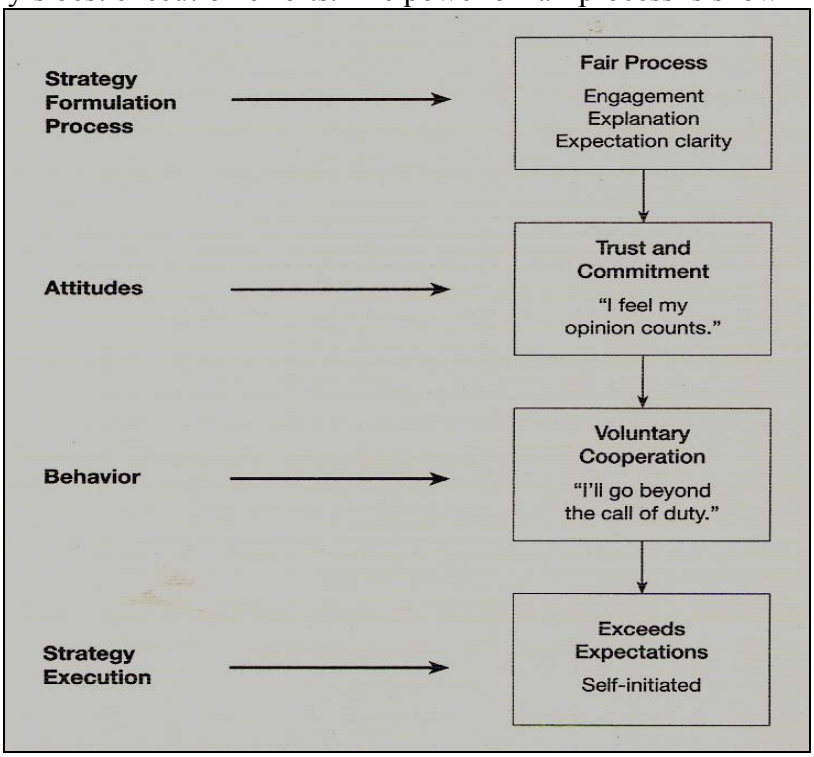


Figure 5: How Fair Process Affects People's Attitude and Behaviour
Source: Research Results of J.W. Thibaut and Laurens Walker, 1975. Quoted by Kim and Renee, in their book Blue Ocean Strategy, HBS Press, 2005, p.174.

The figure 5 reveals three E-principles of fair process. These are three mutually reinforcing elements and all in the company, right from senior executives to shop floor employees look to these elements. These principles are shown in figure 6.

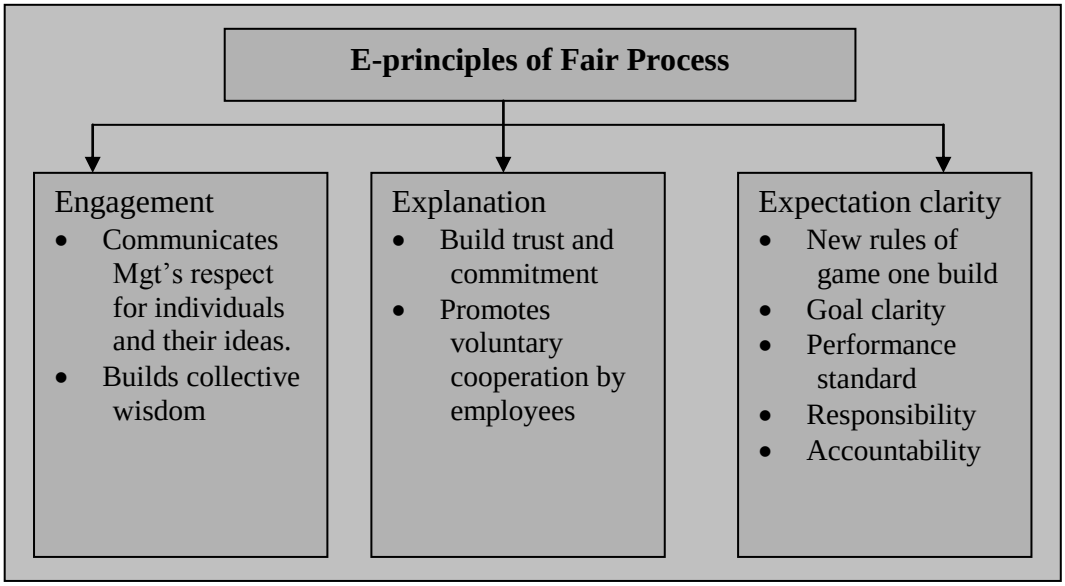


Figure 6: Three E Principles of Fair Process of building Execution into Strategy

The three principles collectively lead to judgement of fair process. The fair process in strategy making is strongly linked to both intellectual and emotional recognition. Individuals feel recognized for their intellectual worth, they stand inspired to contribute with greater zeal and confidence. They feel emotionally tied to the strategy and inspired to give their all. Fredrick Herzberg[7], classical theory of Motivation stresses mainly on recognition inspiring people to go beyond the call of duty and engage in voluntary cooperation. On the other hand id fair process is ignored the reverse consequences will result. This is evident from figure 7.

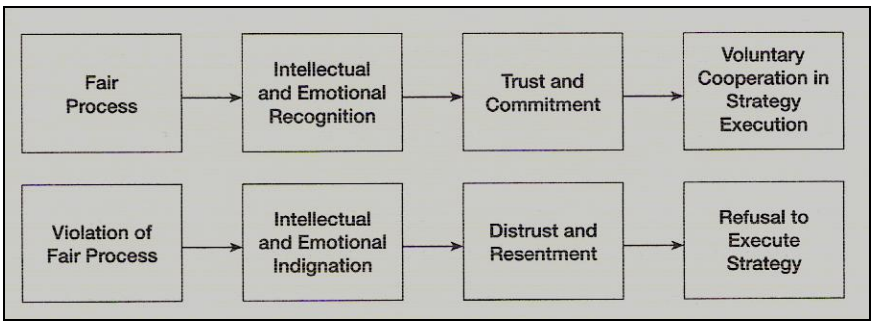


Figure 7: The Execution Consequences of the Presence and Absence of Fair Process in Strategy Making

The companies that have failed in executing BOMS hold the absence of fair process in strategy making responsible for the failure.

Conclusion

Creating BO is not a static achievement but a dynamic process, once a company creates a blue ocean-the uncontested market, its powerful performance consequences are known, sooner or later imitators appear on the horizon over crowding the blue-ocean. Hence there is need to address the issues of the sustainability and renewal of BOMS. The companies Cuque

du Soleil South West Airlines, Federal Express, The Home Depot Bloomberg and CNN successfully formulated executed and implemented BOMS but faced imitation barriers to its sustainability. These barriers are shown in following box.

Imitation Barriers to Blue Ocean Strategy

- Value innovation does not make sense to a company's conventional logic.
- Blue ocean strategy may conflict with other companies' brand image.
- Natural monopoly: The market often cannot support a second player.
- Patents or legal permits block imitation.
- High volume leads to rapid cost advantage for the value innovator, discouraging followers from entering the market.
- Network externalities discourage imitation.
- Imitation often requires significant political, operational, and cultural changes.
- Companies that value-innovate earn brand buzz and a loyal customer following that tends to shun imitators.

Eventually, however almost every blue ocean strategy will be imitated. Finally when blue oceans are converted into red oceans again due to the entry to imitators, there is need on the post of the enterprising companies to fresh blue oceans. The process of creating BOMS and the imitators' response is shown in figure 8.

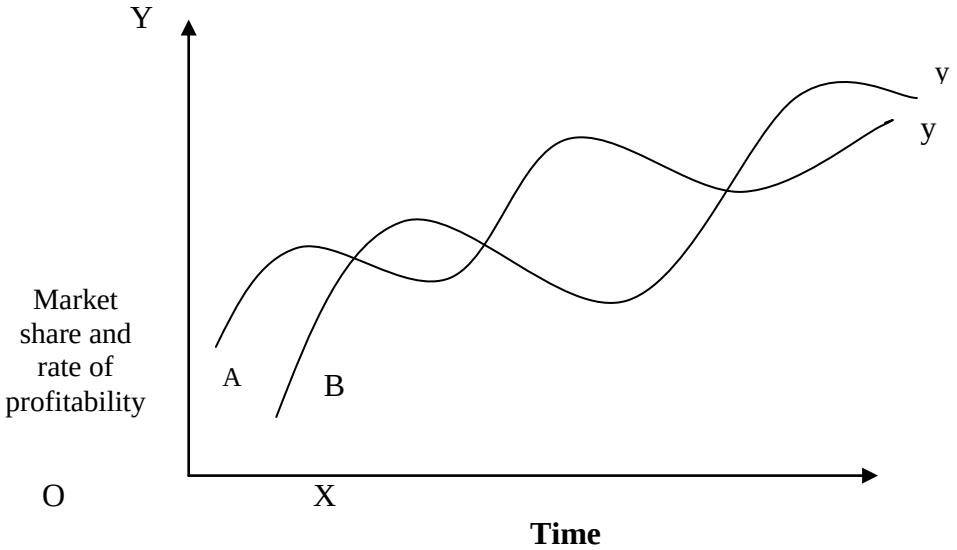


Figure 8: Process of Creating Blue Ocean and Imitators' Response Process

Curve Ay shows the path of innovators creating new oceans. Curve By shows the path of imitators following the innovators. Hence blue and red oceans have always coexisted. The companies need to learn how to compete in red oceans and also how to make the completion irrelevant.

Notes

1 Kotler, Keller, Koshi & Jha, Marketing Management, 11th ed., Pearson Education, p.52.
2 Ibid, p.118.
3 Gary Hamel and CK Prahalad, Competing for the Future- The Beat Selling Business Book of the Year in 1994.

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[6] Ibid, pp.171-183.

[7] Herzberg F., Theory of Motivation.