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Blue Ocean Strategy and its Implications for Businesses

Introduction

Blue Ocean Strategy is a concept that has been pioneered by INSEAD Professors, W. Chan Kim, and Renee Mauborgne. This strategy, which is based on extensive research of hundreds of companies spanning across decades and including several industries, proclaims that instead of battling competitors, companies can create new markets for themselves. In other words, as opposed to Red Oceans that are saturated markets where differentiation or cost competition is prevalent, companies can instead create Blue Oceans or entirely new markets for themselves through value innovation, which would create value for its entire stakeholder chain including employees, customers, and suppliers. The key premise of the Blue Ocean strategy is that companies must unlock new demand and make the competition irrelevant instead of going down the beaten track and focusing on saturated markets.

Blue Ocean vs. Red Ocean

If we compare the Blue Ocean with the Red Ocean we find that whereas the former denotes all the industries not in existence now and hence, are potential opportunities for companies to enter and unlock demand, the latter denotes the existing industries and the known market space, which is characterized by reduced profits and growth because of saturation. This results in the Commodification of products, which means that the intense and cutthroat competition in the existing markets turns them bloody, or makes the ocean red. On the other hand, Blue Oceans represent many opportunities for growth and where the irrelevance of competition is the norm because the markets are yet to be saturated.

Further, **Blue Oceans represent markets where demand is large and unmet and where growth and profits can be actualized through value innovation, which is the simultaneous pursuit of low differentiation and low cost**. Indeed, the cornerstone of the Blue Ocean Strategy is the creation of new playing fields and which entails opening up entirely new markets as opposed to the Red Ocean where the existing market conditions are such that companies must pursue either differentiation or low cost strategies. In other words, Blue Ocean strategy represents a game changing idea of creating new markets and unlocking the inherent demand in these markets. Whereas Red Oceans are all about battling the competition, Blue Oceans are all about making the competition irrelevant.

Examples of Blue Ocean Strategy in Practice

The authors of the Blue Ocean concept insist that their strategy is different from Porter's Five Forces, which they reckon is all about battling the sharks in the red oceans. Further, they point to the fact that Red Ocean competition is characterized by merciless competition whereas Blue Ocean represents the redefinition of the terms of competition where one can have the ocean all to oneself and therefore, the waters are blue.

For instance, the authors provide the example of the Canadian Circus Company, Cirque du Soleil which came up with a game changing business model in the 1980s and which resulted in the altering of the dynamics of the circus industry. The Five Forces model when applied to the circus industry predicted that it was doomed to failure because of high power of suppliers, and the increase in the alternative forms of entertainment that were eating into the market share of the circus industry. Further, concerns and pressure from animal rights groups and increased awareness of the customers about the consequences of conventional circuses were beginning to spell trouble for the circus industry. Therefore, the Five Forces model of Porter when applied to this industry predicted a slow death for it.

However, Cirque du Soleil followed what can be called a Blue Ocean strategy wherein it replaced the animals and reduced the importance of individual stars and created an entirely new business model based on a combination of music, dance, and athletic shows to innovate and create value for itself. In other words, what this means is that instead of tweaking the existing strategies, Cirque du Soleil went in for an entirely new strategy of creating a new market altogether by redefining its core competencies and taking "Four Actions" which would be described in the next section.

Blue Ocean Strategy Formulation and Execution

The Four Actions that Cirque du Soleil followed were the following:

- Eliminating the factors that the industry takes for granted which in the case of Cirque du Soleil was to eliminate the animals, the three separate rings, and the star performers.
- Reducing the factors below the industry standard, which meant that the company ensured that much of the danger and thrill that characterizes conventional circuses was reduced and this resulted in the company creating a new market for itself that was different from the conventional market for circuses.
- Increasing the factors which should be raised well above the industry standard meant that Cirque du Soleil pioneered original and unique approaches such as developing its own tents and by moving out of the confines of existing venues which meant that it was able to create demand for its product from scratch.
- Finally, by introducing aspects of novelty such as dramatic themes, music and dance combined with artistic renditions, and an environment that was geared to be more upscale and niche meant that Cirque du Soleil ensured that it combined differentiation with value creation.

Conclusion

The example of the Blue Ocean strategy described above is clearly indicates that Cirque du Soleil did not try to battle the competition but instead, created an entirely new market for itself. In short, this is the essence of the Blue Ocean Strategy that hinges on creating value and taking it to the next level by a game changing approach to competition. In conclusion, once a company actualizes the Blue Ocean Strategy, it usually results in opening up new markets instead of stagnating in the existing markets