Summary

Aim of this essay is to explain steps which can unlock people’s creativity in an industrial environment and create so called ‘blue ocean strategy’. This strategy was firstly presented in 2005 and it has for aim to discover new market spaces mature for an unknown industry or innovation. In this essay, blue ocean strategy is concisely analysed and some interesting examples are presented.

Key words: creativity, market, industry, strategy

1. Introduction

"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

R. Buckminster Fuller

In the current era of globalisation, creativity is receiving renewed interest and has been linked to the international competitiveness of businesses. In addition to techno-economic knowledge, an acute need has emerged for other kinds of knowledge and property in the search for new sources of economic growth. Creativity has been understood to be a central force of innovation generation benefiting industries, which are in need for novel kind of knowledge and concepts in changing environments. Creativity can be defined as a human ability to invent something new [1].

2. Blue ocean strategy

Blue ocean strategy is based on the principle that only way to beat the competition is to stop trying to beat the competition and untapping new market spaces mature for an unknown industry or innovation [2], [3]. In order to clarify blue ocean strategy, the market can be presented as two sorts of oceans: red oceans and blue oceans. Red oceans represent all the industries in existence today, where industry boundaries are defined and accepted, and the competitive rules of the game are known. Here, companies are trying to increase a share of existing demand by trying to outperform their competition. As a result, many participants are included in specific market place and prospects for profits and growth are reduced. On the other hand, blue oceans are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Here, competition is irrelevant because the rules of the game are waiting to be set [4].
2.1 Six paths framework for creating blue ocean

Authors of blue ocean strategy have found clear patterns for creating blue oceans. More precisely, they found six basic paths to remaking market boundaries. All of this paths are based on looking at familiar data from a new perspective and challenging the six fundamental assumptions underlying many companies strategies [4]. Looking across these six paths, can help to create a new perspective.

2.1.1 Path 1: Look Across Alternative Industries

The first path in formulating the blue ocean strategy is to find the alternative industries to your industry. Here is important to distinguish two terms- substitute and alternative. Substitutes stand for products or services that have different forms but offer the same functionality or core utility, while alternatives are products or services that have different functions and forms but the same purpose. To create a blue ocean of new market space, it is important to focus on the key factors that lead buyers to trade across alternative industries [5].

2.1.2 Path 2: Look Across Strategic Groups Within Industries

Strategic groups within Industries are defined as a group of organizations within an industry that pursue a similar strategy. Those groups include a hierarchical order built on two dimensions, price and performance. By looking across strategic groups, an organization has to indicate why do buyers up for the higher group, and why do they trade down for the lower one.

2.1.3 Path 3: Look Across the Chain of Buyers

Most industries are focused only on a common defined target buyers. However, there is chain of buyers who are directly or indirectly involved in buying decisions. Examples of those buyers are: purchasers who pay for the product or service, actual users who use the products, influencers who have a role to play in decisions, intermediate buyers who are traders and regulators who influence the buying decisions. The blue ocean strategy seeks to indicate can you unlock new value, by shifting the focus from one buyer group to another [5].

2.1.4 Path 4: Look Across Complementary Product and Service Offerings

Most of the industries tackle only with the boundary of their industry’s product and service offerings. Understanding of the context in which product or service is used and what happens before, during, and after, can lead to the identification of constraints of the of the consumers, eliminate them through a complementary product or service offering [5].

2.1.5 Path 5: Look Across Functional or Emotional Appeal to Buyers

Emotional Appeal to buyers refers to the emotional goods a buyer receives in the consumption or use of a product or service [4]. Usually, two bases of appeal are analysed: offered extras that that add to the cost of our product without enhancing functionality and elimination or reduction of those factors in order to create a simpler, functional, lower-priced, lower-cost offering. While creating a blue ocean strategy, it is important to tackle with a question which emotional elements could be raised or created in order to infuse commodity products [5].

2.1.6 Path 6: Look Across Time

All industries are subject to external trends that affect their business over time [1]. However, key insights into blue ocean strategy rarely come from projecting the trend itself. Instead they arise from business insights into how the trend will change the value to customers
and impact the company’s business mode. In order to assess time, three criteria are critical: the trend must be decisive to the business, irreversible and have a clear trajectory [4]. By indicating which trends have a high probability of impact on industry, are irreversible, and evolving in a clear trajectory, unprecedented customer utility can be opened.

2.2 The four steps of visualizing strategy
The process of creating a blue ocean is built on the six above mentioned paths and involves a lot of visual stimulation in order to unlock people’s creativity. Visualizing strategy has four major steps, which are shown in Figure 1.

2.3 Examples
In this section, blue ocean strategy was demonstrated on examples of three companies which have used this strategy to improve their business. The presented examples will be for companies: iTunes, Canon and NetJets [6].

2.3.1 Canon
A classic example of blue ocean strategy, created by company Canon, is creating the personal desktop copier industry. The Japanese company Canon created a new market space by shifting the traditional target customer from office purchasing managers wanted machines that were large, durable, fast, and required minimal maintenance to private users [6].

2.3.2 NetJets
NetJets is the pioneer of fractional jet ownership. The company observed that business travelers (which presents the most lucrative mass of customers in the airline industry) had two principal choices: to fly in business class or first class on a commercial airline or the company could purchase its own aircraft to serve its corporate travel needs. Commercial travel avoids the high up-front, fixed-cost investment of a multimillion dollar jet aircraft, while private jets reduce total travel time, hassle of congested airports and allow point-to-point travel.

To create a blue ocean NetJets combined these distinctive strengths. The result was the new market space of fractional jet ownership. Here customers buy only a small fraction of jet outright. As a result, buyers get the convenience of a private jet at the price of a commercial
airline travel. NetJets’ smaller airplanes, the use of smaller regional airports, and limited staff keep costs to a minimum. With point-to-point service and an exponential increase in the number of airports to land in, there are no flight transfers; trips that would otherwise require overnight stays can be completed in a single day. Also, the jet is always available with only four hours’ notice (if not so, NetJets charter one for the customer).

2.3.3 Novo Nordisk

Novo Nordisk, the Danish insulin producer has created a blue ocean market by starting to product convenient, easy to use and set easy, well designed pen like shots instead of syringes and insulin bottles. By doing so, they unlock a leap in value for a previously overlooked set of buyers- patients themselves. Novo Nordisk’s blue ocean strategy shifted the industry landscape and transformed the company from an insulin producer to a diabetes care company [7].

3. Conclusion

Creativity is an endless source of innovative ideas from which industry can significantly benefit. Blue ocean strategy offers steps and paths which aim to unlock people creativity and make them think about the human beings and their needs (even on those future costumer needs). Studies have also proven, that visualisation is one of the key steps of creativity simulation and for that reason, the four major steps of visualisation are in creating a blue ocean strategy.

4. Reference