SUCCESSFUL MARKETING STRATEGIES: BLUE OCEAN STRATEGY

Беневоленская А.Д.
Руководитель *Маслова А.В.*

Беневоленская Анна Дмитриевна – студент (бакалавр), Московский государственный университет имени М.В. Ломоносова, факультет государственного управления, Москва, Россия.

E-mail: anna.benevolenskaya@gmail.com

Annotation. In today's overcrowded industries companies tend to engage in cutthroat competition in order to gain and retain customers. Blue Ocean Strategy is a tool that helps businesses to overcome existing market boundaries. Lasting success increasingly comes not from battling competitors, but from creating untapped new market spaces ripe for growth. The authors of Blue Ocean Strategy (W. Chan Kim and R. Mauborgne) introduce a comprehensive set of analytic tools and frameworks that any organization can apply.

Key words: Blue Ocean Strategy, marketing strategy, competition, blue oceans, read oceans, Cirque du Soleil, innovation.

The rapid pace of innovation in recent years has led scholars and executives to search for an approach to strategy that is more dynamic than Harvard Professor Michael Porter's classic «five forces». Businesses viciously fight against each other for a share of the marketplace. In these conditions an important question arises: How companies can win the competition and achieve sustained profitable growth? The answer is given in the book «Blue Ocean Strategy», written by W. Chan Kim and Renee Mauborgne. The book was published in 2005 and quickly gained recognition all over the world.

According to the authors, the key to exceptional business success is to redefine the terms of competition and move into the «blue ocean», where you have the water to yourself. The term «Blue Ocean» stands for the uncontested market space for an unknown industry or innovation. Blue oceans are associated with high potential profits. Generating that kind of environment is the goal of blue ocean strategy.

Blue oceans are opposed by red oceans. They denote all the industries in existence today. Cutthroat competition turns the ocean bloody red. Hence, the term «red» oceans. On the contrary, blue oceans are vast, deep and powerful – in terms of opportunity and profitable growth.

The comparison of red oceans and blue oceans is given in the table below.

Read 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 and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off

Blue ocean strategy doesn't aim to out-perform the competition. It aims to make the competition irrelevant by reconstructing industry boundaries. It is based on the simultaneous pursuit of differentiation and low cost. It is an 'and-and,' not an 'either-or' strategy.

A paradigmatic example of the successful strategy is Cirque du Soleil. It is a Canadian entertainment company. Despite the fact that the circus industry has been in decline in the end of the XXth century, Cirque du Soleil managed to thrive. In 2016 its approximate revenue was $225.158.

It is undeniable that Cirque du Soleil has invented a blue ocean. Rather than competing within the existing industry, the company developed uncontested market space that made the competition irrelevant.

Cirque du Soleil has completely redefined the experience of going to the circus. Instead of expensive animals and traditional old-fashioned performances, it focused on providing a theater experience in the context of a circus setting. Moreover, Cirque du Soleil targeted an upscale adult audience that had abandoned the traditional circus. Therefore, the company was able to charge higher ticket prices.

It should be pointed out that Blue Ocean Strategy is not pure theory. It offers a set of analytic tools for managers to pursue and create new industry boundaries and thus to achieve high profits. Two essential tools of the strategy are given below.

First and foremost, the cornerstone of Blue Ocean Strategy is the concept of Value Innovation. It is the simultaneous pursuit of differentiation and low cost, creating a leap in value for both buyers and the company. Because value to buyers comes from the offering's utility minus its price, and because value to the company is generated from the offering's price minus its cost, value innovation is achieved only when the whole system of utility, price, and cost is aligned.

The next tool that should be mentioned is Four Actions Framework. It is used to reconstruct value elements and to create a new strategic profile. To achieve value for both the customer and the company, the following four questions should be answered: Which of the factors that the industry takes for granted should be eliminated? Which factors should be reduced below the industry's standard? Which factors should be raised above the industry's standard? Which factors should be created that the industry has never offered? Four Actions Framework allows companies to break the value-cost trade-off and create new values.

Furthermore, Blue Ocean Strategy presupposes that businesses should focus less on their competitors and more on alternatives. To maximize the size of their blue oceans, companies should focus less on their customers, and more on non-customers, or potential new customers. This reorientation allows companies to reach beyond existing demand.

To draw the conclusion, one can say that creating blue oceans builds brands. A powerful blue ocean strategic move can create brand equity that lasts for decades. Blue Ocean Strategy was successfully implemented by such companies as Ford, Apple, Nintendo, Wikimedia Foundation and many others.

References

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