

# “Eagles Don’t Flock”

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**Abstract**— *Customer is no wonder the king, but to assume that he is the only king in the world is stupid. To depend on customers to achieve growth is not a very good idea, the aim should rather be to grab non – customers by creating new, uncontested opportunities and demand for the product.* A small frog in the well knows nothing about the ocean. Similarly the organizations with myopic vision don't know about the opportunities beyond horizon. They are too busy fighting the competition to realize the power of infinite. Their concern is just to exploit the existing demand. When the various supply side means/factors to capture the market fail, then the demand side factors become crucial. To create new demand for the product by penetrating the same market through various tools like pricing, promotion etc. increases demand but to a certain extent. Similarly developing our product for the same market increases the demand again to a certain extent. Like everything else there are limitations of the market. Limitations of the finite. So the key is to explore a new market. This new market becomes even more crucial when our competitors are not aware about its existence. Considering this the aim must be to go beyond the finite into the unexplored, unfamiliar, uncultivated world beyond.

**Index Terms**—Blue Ocean, Differentiation, Innovation, Low cost strategy, Red Ocean, Uncontested market, Value Addition



## INTRODUCTION

*Infinite is always intriguing...* the one who discovers even a minutest part of this infinite becomes the master in his era. This applies to all the aspects, all the dimensions, all the parameters of mankind. Companies constantly thrive to find out ways to maximize wealth, they try to apply this theory to become rich.

“A competitive world offers two possibilities. You can lose. Or, if you want to win, you can change.”

Organisations have long engaged in head - on competition in pursuit of increased market share, sustained growth and higher profitability . Trying to outperform the rivals to attain a greater share of existing demand has been the business mantra for so long.. The focus generally has been on building advantage over the competitors by assessing what competitors do and striving to do it in an even better way Yet, in today’s overcrowded markets, competing head-on results in nothing but a bloody ‘red ocean’ of rivals fighting over a shrinking profit pool characterized by increasing levels of commoditization. With older ways of competition dying out and turning out into a no result situation companies are now focussing on newer and better ways of staying ahead of competition. It takes a new way of thinking ....a new paradigm... Situations can no longer be handled in the same way as were done in the past.

Very rightly put into words by Albert Einstein “ *The significant problems that we face cannot be solved at the same level of thinking we were at when we created them*” In other words we need a paradigm shift.....”

## MARKET PLACE CONSISTS OF RED OCEAN AND BLUE OCEAN

If we can think of the market as a universe we would be finding that it is composed of two sorts of oceans: one where the ocean is red with the blood of business gladiators who cut each other to shreds with competing offerings and the other is a blue ocean which is calm, smooth with little or no competition for anyone who would ‘dive in’,.

Red Ocean represents all the industries in existence today. This is the known market space. Blue Ocean denotes all the industries not in existence today. This is the unknown market space.

## RED OCEAN

If a company is running in an already known market playing the same game created and dominated by the other competing companies following the same rules then it is said to be operating in the Red Ocean market. Such companies battle incumbents head-on.

The Red Ocean is where every industry is today. There is a defined market, defined competitors and a typical way to run a business in any specific industry. Such industries are observed to have the same behavior as is observed in a shark infested ocean where the sharks compete mercilessly shredding each other for the same prey turning the surrounding waters bloody , hence the name red ocean . The ocean is red with the blood of business gladiators who cut each other to shreds with competing offerings .Such companies are fighting against each other for the capturing the same market area .With competition proliferating, the prospects for profits and growth get reduced.as the same chunk of market has to be shared between the competitors So in a nutshell the gain of one competitor is at the cost of the other competitor...

In the red ocean or 'head-to-head competition', the only choice that the firm has, to survive the competition is to pursue either differentiation or a low cost strategy. The focus is majorly on what the rivals are doing and devising ways to do it better and adapting to external trends as they occur. So competitive positioning has to be done within the bounds of an already defined market.

Companies in red oceans mostly follow competitive-based strategies, targeting to get a bigger share of the market from their competitors. As more players enter the same market, competition gets even tougher and prices are inevitably slashed down. In other words, the playing field becomes an arena of cutthroat competition.

Margins tend to be low because customers have many identical options to choose from. Customers view red ocean products as commodities. Thus with such a strategy in mind companies adapt their behavior (strategy) to the existing industry's conditions.

However, this approach is limited. Due to globalization, lowering cost of production and availability of information, the competition is fiercer some than ever in most industries, putting more pressure on companies and shrinking their profit margins. In this competition race, products and services tend to become commoditized much faster.

## BLUE OCEANS

Very aptly put into words : *"In business, the competition will bite you if you keep running, if you stand still, they will swallow you. so you need to keep going ...keep going at a steady pace with a new insight a new vision and a phased and planned strategy"*.

Blue ocean strategy as against the conventional strategy, assumes that structure and market boundaries exist only in the minds of managers and practitioners who hold this view do not let existing market structures limit their thinking. To them, untapped market always exists and that extra demand has to be created. The crux of the problem is how to create it. This, in turn, requires a new way of thinking shifting the focal point from 'merely competing' to 'value innovation'—that is, the creation of innovative value to unlock new demand. This is achieved via the simultaneous pursuit of differentiation and low-cost... Instead of focusing on beating the competition, they focus on making the competition irrelevant by creating a 'leap in value' for buyers, thereby opening up new and uncontested market space.

When Sir Isaac Newton thought of the rationale behind the apple falling from a tree, he did not know he would discover the concept of gravitational force, nor was he sure whether his thought would result in a fruitful finding. The

idea was just to think of something that no one would have thought, in hopes of finding what no one else had found.

The blue ocean strategy is aptly named because it also propagates a similar concept wherein businesses explore new horizons rather than pursuing the existing ones. For this reason, discovering blue oceans requires a certain level of innovation. But once a new market is established, businesses in these markets enjoy unfettered growth and can easily establish themselves as leaders in a market they created in the first place

Blue Oceans are those industries that don't exist today. It is the new, unknown markets where profitable opportunities abound. Blue Oceans are undiscovered markets. Blue ocean companies offer products and services that are so full of value that customers pay premium prices for the better value. Competition is scarce (and the water remains blue) because blue ocean markets tend to be new. Customers are pleased because blue ocean offerings contain features beyond those found in typical (red ocean) products. Customers willingly pay higher prices for the increased value found in blue ocean products. The product can be sold at a premium, but the category being new, the risks are higher. The key to survival is being the first entrant, and quick movement to discourage entry of competitors by establishing barriers such as patents, or leveraging superior brand name

The idea therefore is to do something different from everyone else, produce something that no one has yet seen, thereby creating a "Blue Ocean".

## BLUE OCEAN STRATEGY V/S RED OCEAN STRATEGY

1. Focus on Current Customers vs. Focus on Non Customers. In Red Ocean strategy the focus is majorly on the current customers but in the Blue Ocean, there is a focus on trying to increase the size of the market by attracting new customers.
2. Compete in Existing Markets vs. Create Uncontested Markets to serve. While Red Ocean strategy believes in competing in existing markets, the Blue Ocean strategy generally aims at creating uncontested markets. Existing markets are all the customers doing business in the industry right now, whether they are doing business with you or your competitors. If someone wins a customer, then it is assumed, someone will lose a customer. For someone to win, someone must lose. In uncontested markets, there is only a winner, you. No one else is fighting for the business because either they don't know about it, or they don't know how.
3. Beat the Competition vs. Make the Competition Irrelevant: While Red Ocean strategy aims at combating the fierce competition, Blue Ocean strategy aims at creating value products in a way to make competing in such an environment totally irrelevant.

4. Exploit Existing Demand vs. Create and Capture New Demand: In Red Ocean strategy the total market demand is divided amongst the competitors. So a gain at one end will in turn result in a loss of some other. While the Blue Ocean has no competition altogether...it is a win-win situation for everyone.
5. Align the organization with differentiation OR low cost vs. aligning the organization with differentiation AND low cost : While Red Ocean strategy aims at aligning the whole system of a company's activities with its strategic choice of differentiation or low cost, Blue Ocean generally aims at aligning the whole system of a company's activities in pursuit of differentiation and low cost

When the various supply side means/factors to capture the market fail, then the demand side factors become crucial. To create new demand for the product by penetrating the same market through various tools like pricing, promotion etc. increases demand but to a certain extent. Similarly developing our product for the same market increases the demand again to a certain extent. Like everything else there are limitations of the market. Limitations of the finite. So the key is to explore a new market.

This new market becomes even more crucial when our competitors are not aware about its existence. Considering this the aim must be to go beyond the finite into the unexplored, unfamiliar, uncultivated world beyond.

To be a pioneer, a leader, a visionary one must breakthrough all the box walls and claim his uncontested position in the new world. Innovative companies create/discover a way to swim to these uncharted waters popularly known as a "blue ocean," to provide unique value for their customers. They no longer have direct competition of the "Red ocean" and the growth potential is vast.

To achieve great heights one must rise above the stereotype. Homogeneity always results in average performance. Competition more often than not limits the vision of the company; the actions of the company are decided by the actions of the rivals. Price war, promotion and advertising generally turn the game nasty where the quest becomes "just to stay ahead of the other". This makes a "me too" organization where benchmark is the performance of the competitor. Organizations get caught in this viscous circle where they just keep wasting their efforts to beat each other. They don't even get an opportunity to look beyond the horizons.

Swimmers in the red ocean who are content to swim in their ocean can never get to know what advantages lie beyond. So to achieve the vast advantages of the "blue ocean" the organization must come out of its comfort zone (the familiar red ocean).

Customer is no wonder the king, but to assume that he is the only king in the world is stupid. To depend on customers to achieve growth is not a very good idea, the aim should rather be to grab non – customers by creating new, uncontested opportunities and demand for the product.

Blue Ocean Strategy aims to make the competition irrelevant. It talks about value innovation which means to provide the customers with enormous unexpected value along with differentiation and low price strategies. When huge value addition is done, it automatically attracts a different class of customers all together, thus creating new markets. So – no benchmarking, not being content in the red ocean and focus on those who are not using company's products at all is the foundation of the blue ocean strategy. A small frog in the well knows nothing about the ocean. Similarly the organizations with myopic vision don't know about the opportunities beyond horizon. They are too busy fighting the competition to realize the power of infinite. Their concern is just to exploit the existing demand. Value additions to the product /service if any is compensated by higher prices or by attracting rival's customers. In short term, price wars are good for consumers, as they can take advantage of lower prices. Often they are not good for the companies involved. The lower prices reduce profit margins and can threaten the survival of companies.

In the medium term, price wars can be good for the dominant firms in the industry. The smaller, minor firms cannot compete and get shut down. The big dominant firms absorb the market share of those which have exited. The real losers eventually are the tiny and small companies and their stakeholders. Moreover in the long term, the consumer may also be the sufferers of the monopolistic state of the market. When there are fewer firms in the industry, prices tend to increase in the long run. Prices may soar up to the levels which may be exploitative.

On the other hand the organizations which are visionaries create their own market space where competition becomes irrelevant as there is just nobody to contest in this newly discovered market. Where value addition comes at higher price compensation in a red ocean, in blue ocean value additions are done at low prices to customers.

"If there is a trait which does characterize leaders it is opportunism. Successful people are very often those who steadfastly refuse to be daunted by disadvantage and have the ability to turn disadvantage to good effect. They are people who seize opportunity and take risks. Leadership then seems to be a matter of personality and character."

— John Viney  
Drive  
Blue Ocean strategy shifts the attention is on value enhancement achieved through high-end product creation rather than on volume.

An example of the blue ocean strategy which led to all the local video stores being shut was the Redbox which began in 2004, at 140 McDonald's restaurants in Denver (U.S.A.). The company has set up self-service vending kiosk with an interactive touch screen like ATMs. It comprises a robotic disk array system which contains a stock of DVDs. These kiosks are located indoors or out and can hold more than 600 DVDs with 70–200 titles, updated weekly. The customers can use their credit card or debit card to make payment. These DVDs can be returned the next day to any of the company's kiosks; rental charges accrue up to 25 days, after which the customer becomes the owner of DVD (without the original case) and rental charges cease to apply. With the use of the interactive screen customers can make choices for their favorite albums, movies etc. With the operational ease and easy availability these kiosks have become very popular in U.S.A. At the supplier's end the issue of traditional brick and mortar system with an expert relationship management is done away with. No doubt the costs have come down and greater value is being provided at easy and reasonable rates. For the already established DVD outlets this has been a hard competition, almost a nightmare.

"Even if you're on the right track you'll get run over if you just sit there."

— Will Rogers

Trakker Pvt Ltd. Which is a Sattelite Vehicle Tracking company in Pakistan, a joint venture of Digicore Technologies (South Africa) followed what is said above to become no.1 in their field. Trakker provides vehicle security and Fleet management solution.TPL is No. 1 Sattelite vehicle tracking company in Pakistan with more the 70% Market Share. It sensed the need of the hour and introduced a simple product to track vehicles, with an idea to protect them against auto theft. This was an entirely new product as no such product had existed before. Customers had no choice but to buy the product from the only company providing the same i.e. Trakkers. This made Trakkers a sole swimmer in the vast blue ocean. By the time competitors could build up resources to enter this domain, Trakkers became an undisputed King with almost three fourth market share.

"Success seems to be connected with action. Successful people keep moving. They make mistakes, but they don't quit."

— Conrad Hilton  
Hilton Hotels

In a similar glory story Agriculture bank of China (ABC) introduced simple /quick loans & smart loans to simplify and shorten the business process thereby increase efficiency. The instant result was an increase of 22.38% in its SME loans. With this ABC became a market leader. So it is all about trying to remove the predefined notions of the industry and thinking something radically different.

Taking a cue from the success stories of the blue ocean companies, the Government of Malaysia is trying to incorporate the same throughout the country...in all domains.

Malaysian Prime minister , Datuk Seri Najib is recommending Blue Ocean strategy to be applied in all government agencies to achieve their economic agenda. Malaysia is witnessing a turnaround altogether with creativity at minimum cost. Some key developments that have taken place since 2009 under Government Transformation Plan (GTP) are:

- (a) Creation of rehabilitation camps for petty criminals rather than those high security and high cost prisons. These camps permit more family interaction (daily), learning, work and saving. Of course this has put a positive impact on many lives. The agenda of reforming the soul is better accomplished this way, where segregation is done between serious criminals and petty criminals. This way petty criminal can be safeguarded from undesired consequences of the bad company of hard core criminals. No wonder this strategy is a success, crime rates in Malaysia have reduced

by approx. 35%. Thanks to these initiatives more than 2000 pending crime cases were cleared in a year.

- (b) Underutilized Malaysian army training centers were decided to be used to train policemen. Since army training camps were better equipped than police training camps, the training to policemen were of higher quality and raised standards. Moreover it brought about a sizable cost reduction as separate camps were not required.
- (c) Another interesting step towards the blue ocean the government decided to optimize the land allotted to armed forces which was left vacant for agricultural purpose.
- (d) Government of Malaysia is also monitoring the primary and secondary education of its citizen to develop it to compete with the world standards.

Apart from various other initiatives taken within the ambit of government agencies, government is trying to initiate a cult to strengthen the country with a lot of innovations and value additions. This is sure to be a landmark proactive approach in global history.

*Through this paper we aim to throw some pebbles in the stagnant minds where the thought process begins...so let the wings of creativity and imagination spread to conquer the world...*

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