
Implementation of Blue Ocean Strategy: Review of Previous Cases

Hugo Fostin Hokianto

Widya Dharma Pontianak University, Indonesia

Correspondent: hugofostin12@gmail.com

Received : May 14, 2023

Accepted : August 18, 2023

Published : August 31, 2023

Citation: Hokianto, H, F. (2023).
Implementation of Blue Ocean Strategy:
Review of Previous Cases. Sinergi
International Journal of Management and
Business, 1(1), 116-125.

ABSTRACT: Blue Ocean Strategy is considered to be an unique strategy to be used by business owners, as its was first introduced as a way to “create profit by finding new market and less focusing on competing”. However, as much as the strategy have been introduced and used, how does it perform in practice? What is Blue Ocean Strategy main points, and what are the theoretical research thinks about the strategy? These has yet to be unanswered, hence using qualitative research with literature review method to conduct research, the discussion points out what makes blue ocean distinctive as a strategy, the theoretical perspectives from many authors about blue ocean strategy, and the example cases in implementing Blue Ocean Strategy.

Keywords: Blue Ocean, Blue Ocean Strategy, Review



This is an open access article under the
CC-BY 4.0 license

INTRODUCTION

Businesses play an important role in peoples' life, as it is a place to conduct transactions where buyers demand meets sellers supply. Every day, people are given the option to choose any product or services they need and want from any business that is available to them, and it's not just limited to individuals, as certain groups and even businesses themselves will conduct a transaction with other businesses, as Ali (2020, p. 2) described, businesses are a series of effort from certain individuals or groups that provided products or services to gain profit. Because there are a lot of businesses in each sector, it is not surprising that they will compete with each other to survive and obtain the largest profit possible.

It should be known that businesses operate in a few ways to gain profit. Ali (2020, p. 3) describes a business activity consisting of producing goods and services, the required capital to operate the business, marketing to inform potential customers, and human resource management in the business. Each business has its uniqueness, in the sense that each business produces its product or services at certain quality even if they are in the same industry, a different way to handle the problem that exists in the business, the culture of the business, and another different characteristic that makes a business different from one another.

A business is considered successful based on five indicators, explained by Fry *et al.* (in Purwanto, 2020, pp. 2-3):

1. A stable and profit-gain business financial.
2. Consistent demand from consumers.
3. An adequate of products and/or services are provided.
4. Creativity and innovation are highly appreciated within the business.
5. The workers who are operating the business directly are kept motivated and committed to their work and the business.

But it is hard to achieve all indicators needed to be a successful business, especially with many businesses alike with more advantages or uniqueness that differentiate from other businesses that force others to be creative and innovative with their business to at least survive. Although it is well known that business has to compete to stay relevant in their industry, there is another approach that is not well known and unused by the majority of businesses. This is where Blue Ocean Strategy gets in.

Blue ocean strategy is a business strategy that are first mentioned by Chan Kim and Renee Mauborgne in a book titled "*Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*". Released in 2005, it has been the main book to understand the notion of the blue ocean strategy, and although the strategy seems innovative, it begs the question, how does it perform in practice? This paper reviews the implementation of the Blue Ocean Strategy, first by examining the theory of the blue ocean strategy, as well as the previous theoretical research about the theory. The main discussion of the paper then will focus on the implementation of the strategy, and see what impact the strategy has to offer.

METHOD

This is a qualitative research that uses a literature review as its method of research. Descriptive research has been described as research that uses narrative data consisted of words and sentences that are used to answer research questions (Chang, 2014). Literature review has been described as a method which involves searching, filtering, and utilizing books, scientific articles, web pages, and others that are used to solve the problems that are currently faced in the research.

RESULT AND DISCUSSION

1. Blue Ocean Strategy

When conducting business, owners or managers of the business must strategize to achieve the business target with ease. There are many strategies that an owner or leader could take, but one of the many strategies that are sometimes discussed is the Blue Ocean Strategy. Blue Ocean Strategy is a strategy that focuses on the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand (Kim & Mauborgne, n.d.). It is also a strategy about how any company or organization breaks out of the crowded competition or existing market space and creates uncontested market space where you make your competition irrelevant. (Mauborgne, 2023). It can also be defined as a new market with little competition or barriers to entry for innovators (Young, 2022). Blue Ocean hence is characterized by untapped market space, demand creation, and the opportunity for highly profitable growth (Kim & Mauborgne, 2015).

The term blue ocean itself describes an industry that has not been discovered yet, with an approach that demand is created instead of fought over (Kim & Mauborgne, 2017). Meanwhile, the red ocean is described as existing industries where their boundaries are defined and accepted, and the competitive rules with rivals are known (Kim & Mauborgne, 2015). Figure 1 explains the main difference between the red ocean and the blue ocean.

Red 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.
Align the whole system of a company's activities with its strategic choice of differentiation or low cost.	Align the whole system of a company's activities in pursuit of differentiation and low cost.

Figure 1. Differences between Red Ocean and Blue Ocean (Source: Kim & Mauborgne, 2017).

This means that in the blue ocean, an industry or business that is created has distinctive characteristics that stand out from others, with an opportunity that potentially can grow rapidly and profitably. It is important that the Blue ocean barely comes from technological innovation, and instead uses current technology, with the creation of blue oceans usually comes from the red ocean, hence the idea of the blue ocean is to focus on making the competition irrelevant instead of benchmark, by creating a value for all sides and reducing costs (Kim & Mauborgne, 2017). Figure 2 illustrates the pursuit of low cost and high value simultaneously.

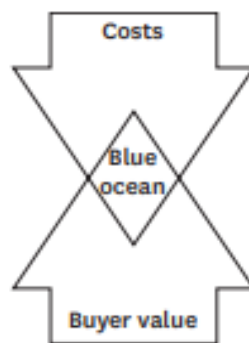


Figure 2. The Pursuit of Low Cost and Increase Value Simultaneously (Source: Kim & Mauborgne, 2017).

2. Previous Theoretical Research and Findings

Previous research related to the theory of the Blue Ocean Strategy is presented in this section. It must be mentioned first that the emphasis on “strategy” is defined as a high-level plan to achieve one or more goals (Gwal & Gwal, 2016), and hence under conditions of uncertainty needs to be based on information that is highly cumulated, not complete and offers a clear option, hence the formulation of strategy is not considered an action for firms to take (Nassrey, 2019), and present

requirements have to be fulfilled by strategies that can help businesses become functional to face changing competitors (Kuraś, 2016). Nassrey (2019) therefore commented that what differs blue ocean strategy from other strategies is the main points, such as value innovation coming from desirable costs to bear and value to buyers, economies (of scale) that are generated from the new market, and customer value that increases as important attributes are presented to fulfill their need. One of the comparison strategies for the blue ocean is Schumpeter’s Competitive Strategy, as it differs in the emphasis on dynamics and elements that move the economy forward, resulting in a growth process in the forms of innovation and economics of scale (Wenger, *et al.*, 2010). The comparison can be seen in Figure 3,

Kim and Mauborgne 2005	Schumpeter 1912	Schumpeter 1939
Blue Oceans	New Product	Innovation
	New Process	
Red Ocean	New Market	Economies of Scale
	New Source of Input	
	New Form of Organization	

Figure 3. Comparison between Blue Ocean Strategy and Competitive Strategy (Source: Wenger, *et al.*, 2010)

As the figure explains, it can be said that both strategies are similar, hence the approach Wenger, *et al.* (2010) is to view the strategies as complementary, and business owners should use both or combine both strategies for their benefit. Similarly, Sushil (2006) recommends combining the blue ocean strategy with the flowing stream strategy, a strategy that emphasizes strategic flexibility to synthesize the paradoxically opposite forces of continuity and change, hence providing the blue ocean strategy with a strategic framework to grow. Another paper published by Jussani, Krakauer, & Polo (2010) compares strategies such as Ansoff’s Matrix, Porter’s Generic Strategies, Hax and Wilde’s Delta Model, resulting in a comparison matrix that shows the differences in each strategy, and the recommendation that each company should use strategies that suits their industry type and environment. Figure 4 provides a comparison between strategies.

	ANSOFF	PORTER	HAX AND WILDE	BLUE OCEAN
Objectives	New product has "commonality" with existing products	Find best generic strategic position	New sources of profitability	Value innovation
Internal analysis	SWOT Analysis	Analysis of the five forces	Costs x differentiation dilemma	Rebuild market frontiers
Macro-environment	SWOT Analysis	Analysis of the five forces	Align strategic option with firm activities	Focus on broad panorama, not on numbers
Future scenarios	Product/Market growth matrix	Identification of opportunities	Continually respond to an environment of uncertainties	Create uncontested market space

Figure 4. Comparison Between Other Strategies (Source: Jussani, Krakauer, & Polo, 2010)

Kabukin (2014) researched whether the blue ocean strategy is valid and reliable for businesses, as the research was conducted using a cross-case method. The result of the case evaluation is that businesses usually fall under a few categories when it comes to using the strategy, either questioning the creation to create a new market or demand, the unclear application of the strategy, combining the strategy with other strategies, and the demand for the improvement for the strategy (Kabukin, 2014). A review of the blue ocean strategy and red ocean strategy concludes that the blue ocean strategy's tools are not new, but instead are commonly used in the six sigma model or other models, and it is believed that the blue ocean strategy is a part of the red ocean, which includes differentiation perspective for corporations rather than a new alternative (Lainos, 2011).

Pollard (2005) mentions that the issue with the blue ocean strategy is that its authors fail to mention marketing as the important factor of the strategy, in which "untapped market space, demand creation, and opportunity for highly profitable growth" are connected to functions to marketing. Furthermore, one of the findings that are revealed by Nicolas (2011) is that the blue ocean strategy, despite the solid framework and theory for the success of a business, still has flaws that need to be improved, and it questions whether the blue ocean strategy is a key factor of success. Kabukin (2014) also mentions that the critiques of the blue ocean mainly come few main points, such as:

1. Theory: The strategy challenges a few of the well-known existing theories, with the theory itself not original but a benchmark from Ted Levitt's directive, and lack of evidence supporting the success of the strategy.
2. Definition: Misleading and wrong statements about the definition of the blue ocean is all about creating new demand and attracting noncustomers instead of creating new customers. Herman (in Kabukin, 2014) states that sooner or later the successful business model will be copied and improved, and the state of the blue ocean only gives limited and relative peace of time, as it would only be a viable short-term competitive strategy.
3. Time Horizon: The literature does not distinguish short-term and long-term strategic time

horizons, and fails to mention the risk of ignoring relevant competition.

4. Innovations: The lack of differences in innovation for blue ocean strategy and competitive strategy, is unsuitable to foster the kind of creativity that is needed for developing unique strategies, and potentially reducing creativity to create strategies.
5. Others: The existence of Unfair Advantage, blue ocean strategy categorized as only a common differentiation, few mentions of managers or leaders being an important role to execute the blue ocean strategy, and the risk of using blue ocean strategy can cause companies to “swim too far” (ditching the company’s history, strengths, and competencies).

It is important that Mauborgne (2023) stated that the misconception that people are experiencing when applying the blue ocean strategy is that they tend to misunderstand noncustomers, which are categorized into people who occasionally use the product, people who are against using the product, and unexplored potential for people to use that has not yet used the product. Another misconception is that they are mistaking carving a niche as creating a new market and growing new demand rather than creating a unique space in existing market space, and they also mistake market creation as differentiation, as differentiation is positioning for productivity, while market creation creates market strategies that break or reconstructs industry boundaries (Mauborgne, 2023).

3. Implementation of Blue Ocean Strategy

One of the cases in which the blue ocean strategy has been implemented is the release of Nintendo Wii in the video game industry. The introduction of Nintendo Wii to the video game industry in 2006 was seen as disruptive, as in 2006, competitors such as Sony with PlayStation 3, and Microsoft with Xbox 360 are dominating the video game industry at the time (O’Gorman, 2008). Figure 5 is the illustration of Nintendo consoles in the time/performance axis.

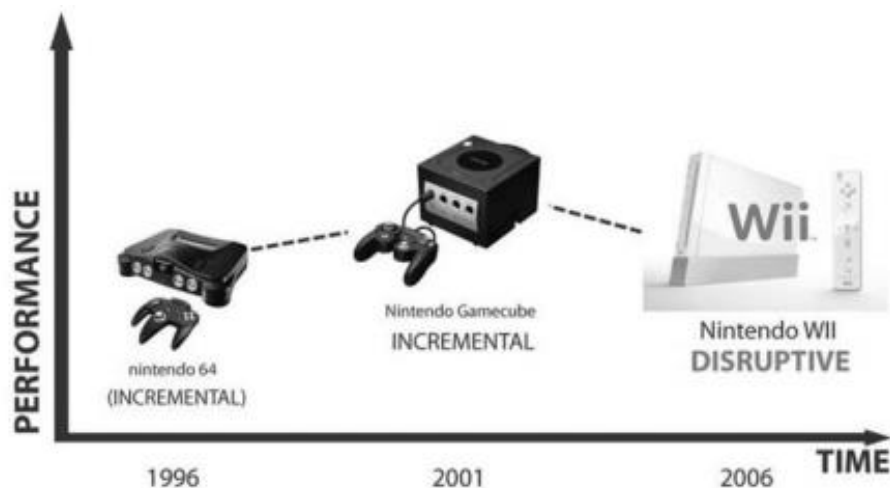


Figure 5. Nintendo Consoles in Time/Performance Axis (Source: O’Gorman, 2008).

This is further solidified by the release of Nintendo Wii U in 2012. The reason why the release of these video game consoles was successful at competing and gaining market lead is because of factors such as leading with cheaper price, providing high graphic resolution in the games, and unique way to play with motion control that encourages gaming-oriented with family (Hollensen, 2013). However, by the time Nintendo Wii U was released to the public, it fails to compete with the competitors, due to Nintendo not being able to create enough amount of competitive

safeguarding tools, hence it was concluded that the blue ocean strategy in this case is not static (Hollensen, 2013).

In the case of Universiti Sains Malaysia's Library, the purpose of the blue ocean strategy is to improve service excellence by providing successful customer service, the best quality and satisfying services, and products that are provided (Basti, et al., 2011). A study conducted by Prematunga (2009) explains about Mlesna Tea, a company that runs in Tea Industry, managed to position itself for its advantage to become one of the companies with well-known products distributed in Sri Lanka, thanks to its visionary leader, innovation within the company, and the quality each of the tea bags they provided.

SIKA AG, a business-to-business (B2B) company that runs construction chemicals based in Switzerland, were a subject of study by Čirjevskis, Homenko, and Lačinova in 2010, in which they pose whether blue ocean can be applied in B2B, what techniques that are acceptable or feasible blue ocean idea, and what innovation underpins the B2B business, whether its technological push or markets pull. The result of the study concluded that the blue ocean strategy is applicable and viable commercially, and all factors affecting the innovation process may similarly influence value innovation creation in the B2B sector (Čirjevskis, et al., 2010).

Another use of the blue ocean strategy is in the Chinese 3G Mobile Telecom industry, in which Zhao and Jinwei (2010) observed the industry using the blue ocean strategy with the combination of Porter's five forces model to identify the potential in the industry. The result of the analysis concludes that at the current moment, the industry needs to focus on a few important services such as enhancing the network service quality, removing traditional phone functions, and others, while also capitalizing on the internet market since it is currently a new empty market at the moment (Zhao & Jinwei, 2010).

In India, businesses such as Maruti-Suzuki, Air Deccan, ICICI Bank, TATA Motors, Micromax, Shandi.com, and FabIndia have been known to successfully implement the blue ocean strategy (Shukla, 2012). Maruti-Suzuki creates a revolution in the car market industry in India; Air Deccan creates a low fare no frills airline company that differentiates from other similar companies, ICICI Bank is one of few banks in India to introduce Internet banking, installing machines such as "Cash Acceptor", and starting to create mobile banking initiative to further facilitate users; and FabIndia creates an entirely new market by introducing retail based on ethnic Indian craftsmanship and clothing (Shukia, 2012). Shukia (2012) adds that despite the success these company has achieved, the reason other companies in India might not be able to use the strategy is because of the lack of need in research and development, as well as competing threats coming from Western companies entering India.

CONCLUSION

Blue Ocean Strategy has been an option for business owners to approach as it offers an unique perspective and out-of-box way to find a new market and customers that eventually brings out profit. However, the development of the strategy has been underdeveloped, in a way that there is little improvements of the strategy as time progresses since its introduction. Based on the findings, this paper concludes that:

1. Blue ocean strategy is a strategy that encourages people to find a potentially new market while simultaneously avoiding competition, by focusing on the approach of low cost and high value for the customers.
2. There are similarities between Blue Ocean Strategy and other strategies, as one author points out that the strategy is similar to a well-known strategy. Blue ocean strategy is also considered to have many flaws as it is mentioned that by the time a business successfully finds a new business in a potential market and starting to find its success, others will try to also capitalize it with better products or better offer. The use of Blue Ocean Strategy itself also has many misunderstandings by those who apply it in their businesses.
3. The implementation of the blue ocean strategy in many cases results in successful attempt to increase market share and profit, proving that the use of the strategy is reliable to achieve the company's desired target.

The author however acknowledges the limitation of the research being a lack of concise and abundance of supporting literatures and articles that can be used to explain further the problems and examples presented in the paper. The author suggests in further research that other strategies should also be compared in-depth, adding few insights about the strategy, and to add more example cases to see if blue ocean strategy has impacted as much as its presented by the original authors.

REFERENCE

- Ali, K., 2020. *Pengantar Bisnis*. Lampung: CV. Laduny Alifatama.
- Basri, J. H., Ghadzali, M. P. & Ismail, M. I., 2011. *BLUE OCEAN STRATEGY: THE APPLICATION IN UNIVERSITI SAINS MALAYSIA LIBRARY*. Rota Bharu, s.n., pp. 46-61.
- Chang, W., 2014. *Metodologi Penulisan Ilmiah: Teknik Penulisan Esai, Skripsi, Tesis, & Disertasi untuk Mahasiswa*. Jakarta: Penerbit Erlangga.
- Čirjevskis, A., Homenko, G. & Lačínova, V., 2010. NEW APPROACHES IN MEASURING AND ASSESING VIABILITY OF BLUE OCEAN STRATEGY IN B2B SECTOR. *Journal of Business Management*, Volume 3, pp. 162-179.
- Gwal, A. & Gwal, R., 2016. BLUE OCEAN STRATEGY - BIG VISION SMALL STEPS. *ICTACT JOURNAL ON MANAGEMENT STUDIES*, 2(4), pp. 401-405.
- Hollensen, S., 2013. The Blue Ocean that disappeared – the case of Nintendo Wii. *JOURNAL OF BUSINESS STRATEGY*, 34(5), pp. 25-35.
- Jussani, A. C., Krakauer, P. V. d. C. & Polo, E. F., 2010. REFLECTIONS ON BLUE OCEAN STRATEGY: A COMPARISON WITH ANSOFF'S, PORTER'S, AND HAX AND WILDE'S STRATEGIES. *Future Studies Research Journal: Trends and Strategies*, 2(2), pp. 17-35.

- Kabukin, D., 2014. *Reviewing the Blue Ocean Strategy: Is the Blue Ocean Strategy Valid and Reliable?*. s.l.:Master Thesis, University of Twente.
- Kim, C. & Mauborgne, R., t.thn. *WHAT IS BLUE OCEAN STRATEGY?*. [Online] Available at: <https://www.blueoceanstrategy.com/what-is-blue-ocean-strategy/> [Diakses 20 July 2023].
- Kim, W. C. & Mauborgne, R., 2015. *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*. Boston: Harvard Business Press Reviews.
- Kim, W. C. & Mauborgne, R., 2017. *Blue Ocean Strategy Reader*. Boston: Harvard Business Review Press.
- Kuraś, P., 2016. *THE BASIC ASSUMPTIONS OF BLUE OCEAN STRATEGY*. Czestochowa, Czestochowa University of Technology Faculty of Management, pp. 243-251.
- Lainos, I., 2011. *Red Ocean vs Blue Ocean Strategies*. s.l.:Master Thesis, University of Piraeus.
- Mauborgne, R., 2023. *What Is Blue Ocean Strategy — and Where Does It Go Wrong?* [Wawancara] (31 May 2023).
- Nassery, S. M., 2019. *A STUDY OF REFLECTIONS ON BLUE OCEAN STRATEGY*. [Online] Available at: https://www.academia.edu/36923464/A_STUDY_OF_REFLECTIONS_ON_BLUE_OCEAN_STRATEGY
- Nicolas, G., 2011. *The Evolution of Strategic Thinking and Practices: Blue Ocean Strategy*. s.l.:Master Thesis, Linnaeus University.
- O’Gorman, P., 2008. Wii: Creating a Blue Ocean The Nintendo Way. *Palermo Business Review*, 12(2), pp. 97-108.
- Pollard, W. E., 2005. *Blue Ocean Strategy's Fatal Flaw*. [Online] Available at: https://www.academia.edu/31803681/Blue_Ocean_Strategys_Fatal_Flaw
- Prematunga, W. D. L., 2009. A Blue Ocean Branding Strategy: The Case of Mlesna. *Sri Lankan Journal of Management*, 14(3), pp. 64-81.
- Purwanto, E., 2020. *Pengantar Bisnis: Era Revolusi Industri 4.0*. Teluk: Sasanti Institute.
- S., 2006. Flowing Stream Strategy and Blue Ocean Strategy. *Global Journal of Flexible Systems Management*, 7(3), p. 4.
- Shukla, S., 2012. *Blue Ocean Strategy – A Critical Analysis of Application on Indian Companies*. Pune, AIMS International, pp. 1325-1329.
- Wang, Z. & Yang, J., 2010. *Application of Blue Ocean Strategy to Chinese 3G Mobile Telecom Industry*. s.l.:Master Thesis, BTS University.

Wenger, J. T., Ferreira-Villegas, G. B., Pérez-Hernández, G. & Suárez-Cruz, L. M., 2010. Schumpeter and the Blue Ocean Strategy. *Revista de la Maestría en Derecho Económico*, 6(6), pp. 53-85.

Young, J., 2022. *What Is Blue Ocean? Definition in Markets and Characteristics*. [Online] Available at: https://www.investopedia.com/terms/b/blue_ocean.asp [Diakses 20 July 2023].