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## BLUE OCEAN STRATEGY

*The Blue Ocean Strategy, developed by W. Chan Kim and Renée Mauborgne, emphasizes creating new, uncontested market spaces rather than competing in existing markets. This approach is crucial in today's global economy, where businesses strive for innovation and sustainable growth. By focusing on value innovation and differentiation, the Blue Ocean Strategy provides a means for companies to avoid the intense competition of saturated markets. It encourages businesses to identify unaddressed needs and solve existing problems in novel ways, fostering an environment of creativity and innovation.*

*This article aims to provide a comprehensive understanding of the relevance and importance of the Blue Ocean Strategy in contemporary business practice. It seeks to elucidate the theoretical foundations, strategic frameworks, and practical applications of this innovative strategy. By doing so, the article highlights the benefits and challenges associated with implementing the Blue Ocean Strategy, offering valuable insights for businesses looking to carve out new niches and achieve significant growth.*

*The article conducts an in-depth analysis of the Blue Ocean Strategy, exploring its core principles and strategic tools such as the Strategy Canvas and the ERRC Grid. It examines case studies of successful implementation across various industries, including technology companies like Slack, Tesla, and Netflix. These examples demonstrate how the Blue Ocean Strategy enables companies to create new market spaces, deliver unique value propositions, and achieve long-term competitive advantage by addressing unmet needs and innovating beyond traditional competition. Additionally, the article discusses the practical steps businesses can take to apply these principles and frameworks in their own contexts, ensuring a systematic approach to market innovation and strategic differentiation. This comprehensive analysis provides a robust understanding of how businesses can leverage the Blue Ocean Strategy to navigate the complexities of the modern competitive landscape and drive sustainable success.*

**Keywords:** *Blue Ocean Strategy, Innovation, Tech Companies, Strategy Canvas, ERRC Grid, Slack, Tesla, Netflix.*

**Formulation of the problem.** The Blue Ocean Strategy, developed by W. Chan Kim and Renée Mauborgne, represents a groundbreaking approach to business strategy that emphasizes the creation of new market spaces, or "blue oceans," rather than competing in saturated markets. This topic is particularly relevant due to its innovative perspective on achieving market success and its practical implications for businesses striving to differentiate themselves in a highly competitive global economy. The Blue Ocean Strategy offers a

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refreshing escape from the intense competition of crowded markets ("red oceans"). It encourages businesses to create unique value propositions that attract new customers. By identifying and tapping into uncontested market spaces, companies can achieve significant growth and profitability without the constant struggle against competitors. This approach fosters innovation and encourages businesses to think creatively about meeting unaddressed needs and solving existing problems in novel ways, relieving the pressure of intense competition.

**Analysis and research of publications.** W. Chan Kim and Renée Mauborgne developed the Blue Ocean Strategy to create new market spaces rather than competing in saturated markets [1]. It has been extensively studied by scholars such as Dag Øivind Madsen, who explored its evolution through management fashion theory [2], and Jonathan Xu, who analyzed its practical applications across industries [3]. Researchers like Gideon Simon Ghajiga also examined its relevance for small and medium-sized enterprises, highlighting successful case studies [4].

**Purpose of the article.** This article aims to provide a comprehensive understanding of the relevance and importance of the Blue Ocean Strategy in contemporary business practice. It delves into this innovative strategy's theoretical foundations, strategic frameworks, and practical applications. By doing so, it aims to highlight the benefits and challenges of implementing the Blue Ocean Strategy, offering valuable insights for businesses looking to differentiate themselves in a highly competitive global economy.

**Presentation of the main material.** At its core, the Blue Ocean Strategy is built upon the idea that companies can achieve superior performance by creating new demand in an uncontested market space, or a "blue ocean," rather than fighting over a shrinking profit pool in an existing industry ("red ocean"). This theory is grounded in the concepts of value innovation and differentiation. Value innovation is the cornerstone of Blue Ocean Strategy and focuses on making the competition irrelevant by creating a leap in value for both the company and its customers (Ill. 1).

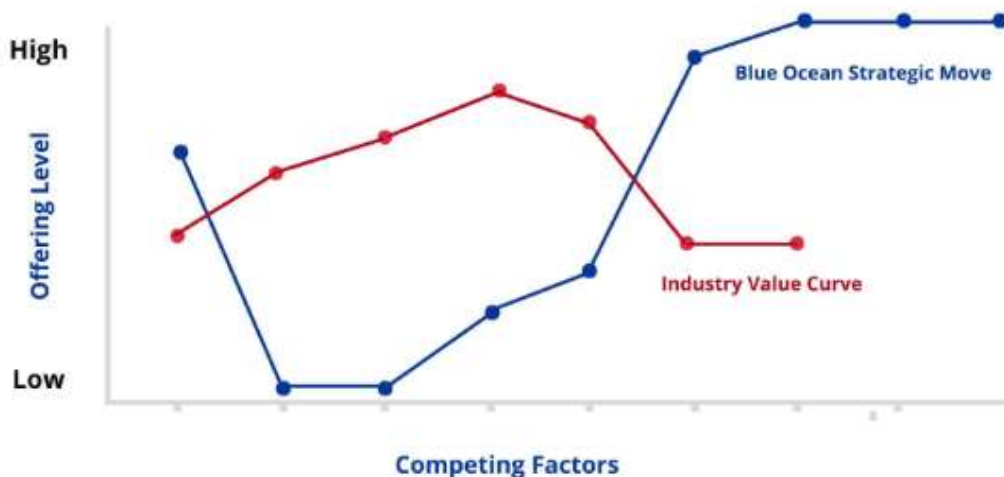
Red ocean strategy	Blue ocean strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value/cost trade-off	Break the value/cost trade-off
Align the whole system of a company's activities with its strategic choice of differentiation <i>or</i> low cost	Align the whole system of a company's activities in pursuit of differentiation <i>and</i> low cost

*Ill. 1. Red ocean vs blue ocean strategy*

*Source: [5]*

Kim and Mauborgne's research identifies four key actions companies can use to reconstruct market boundaries and break away from the competition. These actions are captured in the Four Actions Framework: Eliminate, Reduce, Raise, and Create. By applying this framework, companies can systematically pursue differentiation and low cost simultaneously, opening up new and profitable market spaces [1]. Furthermore, this approach is not limited to a single type of industry or business size; its principles are versatile and applicable across various contexts. This flexibility has made it a widely studied and implemented strategy, appealing to a broad spectrum of businesses.

The strategic frameworks and tools developed by Kim and Mauborgne provide a structured approach to implementing the Blue Ocean Strategy (Ill. 2). The Strategy Canvas, for example, is a diagnostic and action framework that captures the current state of play in the known market space. It allows businesses to visualize the factors on which the industry competes and invests, highlighting areas where competitors are investing and identifying where the company can differentiate itself [1]. This visualization helps companies see beyond the confines of existing competition and uncover new opportunities for value creation. By leveraging such tools, companies can better align their strategic thinking with the principles of the Blue Ocean Strategy, ensuring a more coherent and focused approach to market innovation. Additionally, the Strategy Canvas fosters a clear understanding of the strategic landscape, enabling companies to identify and act upon areas of opportunity that were previously overlooked.



### Ill. 2. Strategy Canvas Examples

Source: [6]

The Four Actions Framework, as mentioned earlier, helps companies systematically pursue differentiation and low cost. Companies can unlock a new value curve by eliminating and reducing factors the industry takes for granted and raising and creating factors that the industry has never offered. This process encourages a departure from the traditional focus on beating the competition and shifts towards creating new value in the market. The ERRC (Eliminate-Reduce-Raise-Create) Grid is another practical tool that assists companies in driving value innovation. This tool helps managers scrutinize every factor of competition to determine which factors to eliminate and reduce because they no longer deliver value and which factors to raise and create to offer new value to customers. Using the ERRC Grid, companies can systematically align their activities to pursue differentiation and low cost [1].

Moreover, the ERRC Grid ensures that companies continually innovate and refine their strategies to stay ahead of market changes and consumer demands (Ill. 3).

The practical applications of the Blue Ocean Strategy are evident across various industries. Companies successfully implementing this strategy have differentiated themselves from their competitors and created entirely new markets. For instance, Cirque du Soleil redefined the circus industry by combining elements of theater and acrobatics, creating a new form of entertainment that appealed to a broader audience and commanded a higher price point. This innovative approach allowed Cirque du Soleil to achieve significant growth and profitability in a declining industry [1]. Similarly, the Nintendo Wii, by offering a unique gaming experience that targeted non-gamers and casual gamers, created a blue ocean in the video game industry, distinguishing itself from competitors focused on more traditional, hardcore gaming experiences.

In the technology sector, Apple's introduction of the iTunes Music Store created a blue ocean in the digital music distribution industry. By providing a legal, user-friendly, and integrated platform for purchasing and downloading music, Apple addressed the rampant issue of music piracy and created a new market for digital music. This move significantly boosted Apple's revenues and solidified its position as a leader in digital innovation [7]. Moreover, the company's approach to combining hardware, software, and services into a seamless ecosystem has continually set it apart in various markets, demonstrating the enduring power of Blue Ocean Strategy in fostering long-term competitive advantages. Creating an integrated ecosystem of products and services has allowed Apple to continually innovate and adapt to changing market conditions.



### Ill. 3. ERRC Grid Example

Source: [8]

For small and medium-sized enterprises (SMEs), the Blue Ocean Strategy offers a pathway to overcoming resource constraints and achieving sustainable growth. Gideon Simon Ghajiga's research highlights how SMEs can leverage the principles of the Blue Ocean Strategy to differentiate themselves and capture new market opportunities. Successful case studies from SMEs demonstrate how these businesses have identified unmet needs, developed unique value propositions, and created new demand in uncontested market spaces [4]. These examples underscore the strategy's versatility and potential to drive significant growth even

for smaller businesses with limited resources. By focusing on innovation and differentiation, SMEs can carve out new niches in the market and achieve lasting success (Ill. 4).



**Ill. 4. Red Ocean vs Blue Ocean**

*Source:* [9]

The benefits of implementing the Blue Ocean Strategy are clear: it fosters innovation, encourages creative thinking, and allows businesses to escape the intense competition of red oceans. However, the challenges should be considered. Successfully creating a blue ocean requires a deep understanding of customer needs, a willingness to challenge industry norms, and the ability to effectively execute a differentiated value proposition. Furthermore, companies must be prepared to invest in continuous innovation and remain agile in changing market dynamics. The strategic tools associated with the Blue Ocean Strategy, such as the Strategy Canvas and the ERRC Grid, provide valuable guidance for companies seeking to navigate these challenges. These tools enable businesses to systematically explore and develop new market spaces, ensuring their strategies align with evolving customer preferences and market trends. Continuous monitoring and adaptation are essential to sustaining a blue ocean as markets and technologies evolve rapidly. Companies can anticipate changes and adjust their strategies by maintaining a flexible and proactive approach.

The insights gained from studying the Blue Ocean Strategy can help businesses navigate the complexities of today's competitive landscape and achieve sustainable success. By embracing this innovative approach, companies can differentiate themselves, create new value, and thrive in a rapidly evolving global economy. In addition to its practical applications, the Blue Ocean Strategy offers valuable theoretical contributions to strategic management. It challenges the traditional competitive paradigm and introduces a new perspective on value creation and innovation. This shift in thinking has significant implications for academic research and business practice, making the Blue Ocean Strategy a critical topic for ongoing study and exploration. Researchers continue to investigate the long-term impacts of blue ocean strategies on market dynamics and organizational performance, contributing to a deeper understanding of its principles and applications.

In addition to its broad applicability and strategic tools, the Blue Ocean Strategy has been instrumental in fostering collaborative innovation within organizations. This aspect of the strategy emphasizes the importance of cross-functional collaboration and the integration of diverse perspectives in the innovation process. By encouraging collaboration across different departments and teams, companies can harness a broader range of ideas and expertise, leading to more innovative and effective solutions. This collaborative approach enhances the creative

process and ensures that the resulting innovations are more comprehensive and well-rounded, addressing various aspects of the market and customer needs.

Furthermore, the Blue Ocean Strategy places a strong emphasis on customer-centric innovation. Companies are encouraged to deeply understand their customers' needs, preferences, and pain points, using this insight to drive their innovation efforts. This focus on the customer ensures that the innovations developed are novel, highly relevant, and valuable to the target market. By prioritizing customer needs and continuously seeking feedback, companies can create products and services that resonate more strongly with their audience, leading to higher customer satisfaction and loyalty. This customer-centric approach is particularly crucial in today's market, where consumer expectations constantly evolve, and businesses must stay attuned to these changes to remain competitive [1, 2].

Additionally, the Blue Ocean Strategy's emphasis on creating new market spaces aligns well with the concept of disruptive innovation. Disruptive innovation involves creating new markets or reshaping existing ones by introducing products or services that fundamentally change how things are done. This type of innovation often targets underserved or entirely new customer segments, offering more straightforward, convenient, or affordable solutions than existing ones. The Blue Ocean Strategy provides a structured framework for identifying opportunities for disruptive innovation and systematically pursuing them, enabling companies to break away from the competition and establish themselves as leaders in new, uncontested markets [1, 3].

Here are examples of how some of the biggest tech companies in the world used the Blue Ocean Strategy:

**Slack.** Before Slack entered the market, team communication was largely managed through a combination of email and traditional messaging platforms. These tools were often fragmented and inefficient for real-time collaboration.

Blue Ocean Strategy Implementation:

1. Identify Unmet Needs:

– Slack recognized that traditional communication tools did not cater to the needs of modern, agile teams requiring seamless, real-time collaboration.

– They aimed to eliminate the inefficiencies and fragmented communication caused by emails and multiple messaging platforms.

2. Value Innovation:

– Eliminate: Slack eliminated the need for excessive internal emails and the use of multiple disconnected tools.

– Reduce: Reduced the complexity of using multiple platforms for communication.

– Raise: Enhanced real-time communication with features like searchable message history, integration with other tools, and customizable notifications.

– Create: Created a unified platform for team communication, integrating chat, file sharing, and collaboration in one place.

3. Strategic Frameworks and Tools:

– Strategy Canvas: Slack used the Strategy Canvas to map out the pain points of existing communication tools and identified opportunities for differentiation.

– ERRC Grid: Applied the ERRC Grid to systematically assess which features to eliminate, reduce, raise, and create to maximize value for users.

**Result:** Slack's approach created a new market space for integrated team communication tools. They attracted a broad audience ranging from small startups to large enterprises, significantly reducing the reliance on traditional email and fragmented messaging platforms. Slack's innovative solution fostered real-time collaboration and became a dominant player in the workplace communication market.

**Tesla.** Before Tesla, the automotive industry was dominated by traditional internal combustion engine (ICE) vehicles. Electric vehicles (EVs) were seen as impractical and had limited market appeal due to concerns about range, performance, and charging infrastructure.

Blue Ocean Strategy Implementation:

1. Identify Unmet Needs:

- Tesla identified a gap in the market for high-performance, stylish, and practical electric vehicles.
- They recognized that existing EVs did not appeal to the broader market due to performance limitations and lack of infrastructure.

2. Value Innovation:

- Eliminate: Eliminated the stigma associated with electric vehicles being slow and unattractive.
- Reduce: Reduced dependency on fossil fuels and the environmental impact of driving.
- Raise: Raised the standard for vehicle performance, design, and technological integration (e.g., Autopilot, over-the-air updates).
- Create: Created a new market for high-performance electric vehicles and a comprehensive charging network (Supercharger network).

3. Strategic Frameworks and Tools:

- Strategy Canvas: Tesla used the Strategy Canvas to identify key areas where they could outperform traditional ICE vehicles and existing EVs.
- ERRC Grid: Applied the ERRC Grid to focus on eliminating negative perceptions of EVs, reducing environmental impact, raising performance standards, and creating a new, integrated ecosystem for electric vehicles.

**Result:** Tesla's strategy revolutionized the automotive industry by creating a blue ocean of high-performance, desirable electric vehicles. They established themselves as leaders in innovation and sustainability, capturing significant market share and reshaping consumer expectations. Tesla's success encouraged other automakers to accelerate their EV development programs, highlighting the transformative impact of their Blue Ocean Strategy.

**Netflix.** Before Netflix emerged as a streaming giant, the home entertainment industry was dominated by traditional video rental services like Blockbuster. These businesses relied heavily on physical rental stores and faced limitations in terms of inventory, accessibility, and convenience for customers.

Blue Ocean Strategy Implementation:

1. Identify Unmet Needs:

- Netflix identified that customers desired more convenient and flexible ways to access entertainment without the need to visit physical rental stores.
- They recognized the growing potential of the internet to deliver on-demand content directly to consumers.

2. Value Innovation:

- Eliminate: Netflix eliminated the need for customers to visit physical rental stores and the associated late fees.
- Reduce: Reduced the inconvenience of limited inventory and availability by offering a vast digital library accessible anytime.
- Raise: Enhanced user experience by providing a seamless, on-demand streaming service that could be accessed on multiple devices.
- Create: Created a new market space for subscription-based streaming services, offering unlimited access to content for a fixed monthly fee.

3. Strategic Frameworks and Tools:

- Strategy Canvas: Netflix utilized the Strategy Canvas to visualize the limitations of traditional rental services and identify opportunities for differentiation through digital streaming.
- ERRC Grid: Applied the ERRC Grid to systematically assess which aspects of the traditional model to eliminate and reduce, while determining new features to raise and create for added value.

**Result:** Netflix's innovative approach to leveraging internet technology to deliver on-demand content disrupted the traditional video rental industry. By pioneering the subscription-based streaming model, Netflix created a new market space that attracted a vast audience seeking convenience and flexibility. This strategic move allowed Netflix to capture significant market share and establish itself as a dominant player in the entertainment industry. The company's success underscores the power of the Blue Ocean Strategy in driving disruptive innovation and achieving long-term competitive advantage [10].

These examples illustrate how tech companies can leverage Blue Ocean Strategy to create new market spaces, deliver unique value propositions, and achieve significant growth by addressing unmet needs and innovating beyond the confines of traditional competition.

**Conclusions.** The adaptability of the Blue Ocean Strategy is another significant advantage. Companies must be agile and responsive to shifting market conditions in today's rapidly changing business landscape. The Blue Ocean Strategy provides a flexible framework tailored to various industries and business sizes, allowing companies to pivot and adapt their strategies as needed. This adaptability ensures that businesses remain competitive and relevant even as market dynamics evolve. Moreover, the strategy's emphasis on innovation and differentiation means that companies continually seek new ways to create value, driving continuous improvement and long-term success.

In conclusion, the Blue Ocean Strategy presents a compelling framework for businesses seeking to achieve market success through innovation and differentiation. Companies can unlock significant growth potential and profitability by shifting the focus from competing in saturated markets to creating new demand in uncontested spaces. The theoretical foundations, strategic frameworks, and practical applications of the Blue Ocean Strategy provide a comprehensive approach to achieving this goal. The benefits of implementing the Blue Ocean Strategy are clear: it fosters innovation, encourages creative thinking, and allows businesses to escape the intense competition of red oceans. However, the challenges should be considered. Successfully creating a blue ocean requires a deep understanding of customer needs, a willingness to challenge industry norms, and the ability to effectively execute a differentiated value proposition. Ultimately, the insights gained from studying the Blue Ocean Strategy can help businesses navigate the complexities of today's competitive landscape and achieve sustainable success. By embracing this innovative approach, companies can differentiate themselves, create new value, and thrive in a rapidly evolving global economy.

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## СТРАТЕГІЯ БЛАКИТНОГО ОКЕАНУ

*Стратегія блакитного океану, розроблена В. Чан Кімом та Рене Моборн, зорієнтована на створення нових, неконкурентних ринкових просторів замість конкуренції на існуючих ринках. Такий підхід є надзвичайно важливим у сучасній глобальній економіці, де бізнес прагне інновацій та сталого зростання. Зосереджуючись на інноваціях у створенні цінності та диференціації, стратегія блакитного океану надає можливість компаніям уникнути інтенсивної конкуренції на насичених ринках. Вона заохочує бізнес до виявлення невирішених потреб і вирішення існуючих проблем новими способами, сприяючи створенню середовища креативності та інновацій.*

*Метою статті є дослідження актуальності та важливості стратегії блакитного океану в сучасній бізнес-практиці, вивчення теоретичних основ, стратегічних рамок та практичного застосування цієї інноваційної стратегії. Висвітлено переваги та виклики, пов'язані з впровадженням стратегії блакитного океану, пропонуючи цінні інсайти для бізнесу, який прагне знайти нові ніші та досягти значного зростання.*

*В статті проведено аналіз стратегії блакитного океану, досліджено її основні принципи та стратегічні інструменти, такі як Strategy Canvas та ERRC Grid. Проведено аналіз результатів успішного впровадження цієї стратегії в різних галузях, включаючи технологічні компанії, такі як Slack, Tesla та Netflix. Ці приклади демонструють, як стратегія блакитного океану дозволяє компаніям створювати нові ринкові простори, пропонувати унікальні цінні пропозиції та досягати довгострокової конкурентної переваги, задовольняючи невирішені потреби та впроваджуючи інновації, які виходять за межі традиційної конкуренції. Крім того, розглянуто практичні кроки, які можуть зробити компанії для застосування цих принципів та рамок у своїх контекстах, забезпечуючи системний підхід до ринкових інновацій та стратегічної диференціації. Аналіз надає чітке розуміння того, як бізнес може використати стратегію блакитного океану для навігації в умовах сучасного конкурентного середовища та досягнення сталого успіху.*

**Ключові слова:** стратегія блакитного океану, інновації, технологічні компанії, полотно стратегій, сітка ERRC, Slack, Tesla, Netflix.

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