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Management features in the implementation of the "Blue Oceans Strategy"

In conditions of intense competition in the market space, two oceans have been formed – «blue» and «red». Each of them has its own characteristics and conditions of existence in it. The «red oceans» are highly competitive, conditions and rules are clearly defined, all participants follow certain rules and the possibility of profit growth is limited. In the «blue oceans», the opposite happens because it marks untapped market areas, requires creativity, gives the opportunity to grow and make a profit.

As practice shows, the concept of «blue oceans» should be used if the company has a small market share but in conditions of high competition. Therefore, the company provides the formation of competitive advantages for a certain period. However, it should be noted that a critical resource in a highly competitive environment is time, and when this strategy ensures the achievement of goals, it is advisable to apply the strategy of formation brand of the enterprise, which will strengthen the competitive position in the market and continue the life cycle of a product or service [1].

The approach of the "blue oceans strategy" is based on the statement that it is better for a company to play in uncontested market spaces instead of competing on existing market places. It is an attempt to discover markets with no competitors by creating and capturing new demand, making the competition irrelevant [2].

Netflix can be an example of the company using the «blue ocean strategy». It has built a unique marketing space doing what no one else thought of – selling TV shows on the internet. In this way, the competition becomes not relevant, and Netflix has created and captured new service that was not currently available on the market. By doing this, they have overcome the value-cost trade off offering better value than cable TV (there were no commercials, so you could see any show at any time) at a lower cost than cable TV. Applying the «blue ocean strategy», they were able to get a low cost and differentiation leadership in comparison with other companies on the market [2].

The «red oceans» symbolize all industries that currently exist. «Blue oceans» represent all industries that haven`t yet existed today. These are unknown areas of the market; in the «red oceans», industry boundaries are defined and agreed upon, and everyone knows the rules of the game [3].

The «blue oceans» strategy consists of eight principles. One of them is the restruction of market boundaries. The authors argue that this is how companies can avoid competition and create a blue ocean.

Table 1

Comparative characteristics of the "Red Ocean" & "Blue ocean" strategies

Blue Ocean strategy	Red Ocean strategy
Creating a competition-free market space	Struggle in the new market space
Opportunity not to be afraid of competition	Victory over competitors
Creating new demand and mastering it	Exploitation of existing demand
Breaking the value-cost-compromise	Compromise value - costs
Construction of the entire system of the company, respectively to the task of simultaneously achieving differentiation and cost reduction	Construction of the entire system of the company depends from a strategic choice focused or on differentiation, or at a low cost

Source: based on [4].

Therefore, in order to implement this strategy the company should understand what steps need to be taken and the goals it will achieve if the strategy is implemented successfully. Clear regulation of business processes is the most important in this situation. It can be fully implemented only when the strategy is clear to the whole team and all actions are clearly defined, as well as there is an understanding of the purpose, goals and values of the company.

The “Blue Oceans Strategy” is so strong that it can create a brand that will live for decades. We can mention Ford (Model T), Crysler (minivan), and IBM (electronic computer). The leaders of these companies can confirm that the key to creating a new market space is not large budgets for research development, and the right strategic actions. That is, the creation of the "blue ocean" is a product of strategy and largely a product of management actions [4].

This not only provides a great opportunity to identify and understand the real needs of the customers but also give an insight regarding the thought-processes of scientists, entrepreneurs, investors, suppliers and even competitors. Competition among the suppliers need customers’ requirements and markets along with the help of technological advancement leads to Innovation [5].

The "blue" and "red oceans" have always coexisted and always will be. Both strategies are effective and, as soon as corporations will realize that the strategies of the "blue oceans " & "red oceans" have different logics, they will be able to create much more in the future.

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