

Innovation, Business Models and Entrepreneurship
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Lecture – 19
Blue Ocean Strategy-I

Hello once again. Further progressing with our discussion on innovation with reference to red ocean and blue ocean. Now, we are converging towards a thought process associated with blue ocean. And funneling down through how blue ocean tends to be looked upon, let us discuss the blue ocean framework first of all. So, what are the elements which constitutes largely, you know, the blue ocean perspective.

So, first aspect which has to be seen with reference to blue ocean is very interesting which we have touched upon in a different form, when we referred to uncontested market space, they the first aspect says reconstruct market boundaries.

How to reconstruct market boundaries? It is very interesting, wherein you see up till now our view has been conventionally towards a thought which says that there is a market there is a domain which exists with particular kinds of customers, they have particular kinds of needs and those needs can be, seen with particular kinds of wants and so many people can address those wants and we also have to enter into that market space and fight for a pie and so on. How to reconstruct market boundaries? That is that is an important thing to be understood at this moment.

So, first aspect first element to this aspect is look across alternative industries. Now, how to do that is can be justifiably suggested through some examples. Wherein for example, net jets is a company which went for, you know provision of personalized aero plane service on rental basis, you know fractional jet kind of jet ownership you may say. So, you pay for a particular kind of a jet service and you tend to be an owner of that jet and you can utilize it as per your choice and time which and you do not have to maintain that you do not have to own that completely, you do not have to hire staff for that and so on, you just are a fractional owner to that.

Now, that fractional ownership has gone for another dimension where when you would find that there are many constructed houses or flats, in several cities where in you are a

fractional owner or you have paid for that property. And so many people they stay whenever as per their choice and that property is utilized as a part time house or let us say hotel or let us say a motel or whatsoever.

So, you are you are a partial owner of that particular kind of property and several other things get associated with that from the side of the organization which maintains time. So, for example, you know, DOCOMO it went for internet and mobile long back when it came into being.

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The slide is titled "Reconstruct Market Boundaries" and contains three bullet points. At the bottom, there are logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE.

- Look Across Alternative Industries – Netjets fractional jet ownership, NTTs DoCoMo – internet and Mobile, Fab India, Gandhi Ashram.
- Look Across Strategic Groups within Industries- Lexus and Curves a Texas based fitness company, Patanjali
- Look Across the Chain of Buyers –Novo Nordisk, the Danish insulin producers who focused not on influences but buyers and produced Novo Pen, Crocin, Books as in scholastic, Kindle

Fab India for example, has always been thinking in terms of how to go for ethnic apparels made by Indian viewers and Indian producer's with lots of design element, which is contemporarily relevant actually. And so, Fab India came for, you know, kind of a different kind of chain of stores providing different kinds of clothing especially with in ethnic kind of or let say a cultural backdrop and, you know, they are into cotton and silicon, they then entered into several parts as such so, that is.

And when I look at examples like Khadi Grama Udyog, Gandhi Ashram popularly which is, you know, which is a brand in itself. When I look at these example you visit a Gandhi Ashram Store or Khadi Grama Udyog Store, you would utilize you would realize that that there are several products, which you might not have even heard of. But the quality and the features of those products are exceptional as compared to what you have been looking for, and then there is a perspective associated with those products which

differentiate them, them automatically as compared to what you have been using up till now.

So, they are addressing a newer kind of a usage for either existing segment and reconstructing the market boundaries, or they are going for non-users entirely non-users who are actually orientated towards khaki products and so on. So, but then you would realize that at the end of the day many existing users of different kinds of products they tend to moves towards these kind of products as such. So, looking across alternative industries, that is the first element.

Then you go for look across strategic groups within industries. Now for example, Lexus in curves is Texas based fitness company which look towards people who are looking for fitness with a different kind of a perspective.

So, you know, the they had certain different kinds of offerings which existing fitness companies did not have. And looking at again a very popular example nowadays Patanjali you would look for you know, Patanjali can definitely suitably fit into this element of looking across strategic groups within the industry, wherein Patanjali is producing almost every product which existed in the market in some kind of a form with a natural orientation Ayurveda and, you know, similar kind of elements associated with that product. For customers who have been using several parts or they have not been using similar kinds of products more or less.

But, there is a diminishing line between the you know, thin line between these two elements in this example. But they are, you know an apt example of wherein you look across strategic groups within that industry. And now they have created a blue ocean perspective for themselves which I will demonstrated by subsequent discussion as well.

Then you come for look across the chain of buyers; who are the buyers associated with the particular kind of a sequence and whom you can, you know, think in terms of picking up from that sequence kind of. So, Novo Nordisk is one of the example this Danish insulin producer who focused not on influences, but buyers and produced novo pen actually.

So, technological advantage which this company utilized for administering the drug, made their drug more popular as compared to. So, because insulin, you know, has to be

regularly used by diabetics and then if you, you know, they had to depend upon someone to administer that insulin in let say injectable form if it is to be utilized like that.

So, novo nordisk thought of that they might not be differentiating the product, but they might be differentiating the facilitation of the usage of that product. And which was very thoughtful, because which differentiated them entirely as far as, you know, the whole lot goes.

Then we can talk of close in as well it became description, it became over the counter drug, from a prescription based drug and people utilize it to these advantage as far as, you know, headaches and fevers and those kind of things they go. Then books as in scholastic, scholastic is an organization which I have seen that they go to schools and contact children with the help of their teachers and they offer several kinds of books and, you know, they directly address their segment this segment with different kind of perspective.

So, earlier children they had a prescription or, you know, kind of suggestion from the teacher side or the parent side, and then they used to subscribe to the books basically or they used to purchase the books. Or they might have got this idea of, you know, what they would find in a particular kind of a book because of their peer influence also. But scholastic went for different kind of an orientation by educating children towards what their offerings are, kindle is definitely one of those examples, wherein you can access thousands of books through net or kindle has kindle editions also and so on.

So, reconstructing market boundaries; now the second element is looking across complementary products and service offerings. Now that is that is again wonderful thought basically. For example, if I look at this program MBA program which is being offered by 100's of schools existing in this country and then once you go abroad, more or less everyone is offering a similar kind of a program and orientation. Student gets perplexed on what difference they would get and then students tends to culminate everything in terms of the placements. These schools are not placement agencies.

They are they are to impart education which has to be utilize in multiple forms later on. For not only progressing the career of a particular kind of a person or let us in a aspirant, but also for, you know, making a difference to this world through that person. So, done that has to be looked entirely with different kind of a perspective, but fundamentally

when you do not have that kind of a differentiation then ultimately you tend to associate that thing with, you know, the ultimate output which is job, we will talk about it later on.

But then once you say that you are you try to look across complementary products and service offerings, then education can be a wonderful example where in a, you know, education offerings have been looked upon with the perspective of many complementary products, that what kind of a material you would access what kind of a content base you would access. What kind of an ambiance and infrastructure, you would have what kind of, you know, computers we would provide what kind of other elements you would have and so on.

So, there are so many things which are complementary to what you are offering in terms of education for example. And then you have (Refer Time: 11:42) now which have complementary experiences associated with when the patient gets admit to that particular hospital there are restaurants which offer different kinds of complementary services associated with when you visit a restaurant there are. Several hotels who tend who have converted themselves into resort and experienced based kind of a stay.

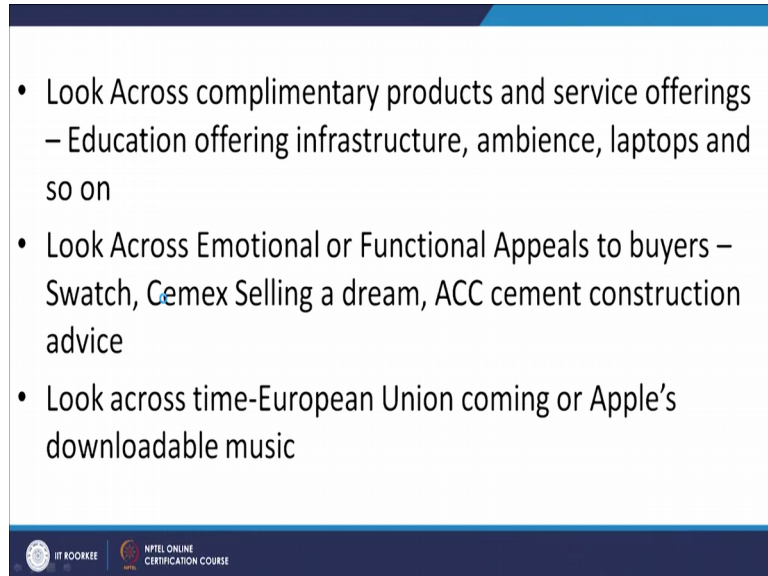
So, now business hotels are different and, you know, individual work based hotels are different and then entertainment base hotels are different and entertainment hotels have converted themselves into a resort kind of a seen where in you go for a leisure and relax with your family and so on, and then again there is for the differentiation in that category as well.

So, look across complimentary products which can be thought of with a particular kind of and offering which you are making. Look across emotional or functional appeals to buyer. Now this is very, very important when, especially when in today's context whole of the world acknowledges that emotional appeal to the buyers takes you further and it takes you towards more customer loyalty and so on.

And marketing 3.0 has aptly demonstrated, that kind of a thing and we have also been working on a project for past 7-8 years where in spirituality as a context for market development and market stabilization has been referred to as a very important perspective to be, you know, looked upon with reference to stabilizing the market situation and that is and is beyond the scope of this discussion to talk about that, but you can refer to that later on.

So, look across emotional functional appeals such the definitely try to do that as far as the what is go.

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- Look Across complimentary products and service offerings – Education offering infrastructure, ambience, laptops and so on
- Look Across Emotional or Functional Appeals to buyers – Swatch, Cemex Selling a dream, ACC cement construction advice
- Look across time-European Union coming or Apple's downloadable music

CEMEX they went ahead when they said that they are selling a dream rather than selling a cement, just the cement, and they try to incorporate, you know, and advice or support to their customers in constructing their houses. And maintaining their houses and converting cement kind of a product into a dream structure which buyers have been looking at.

So, that is that is very interesting to learn that a cement company goes ahead with supporting their they even went ahead with, you know, supporting them with some installments. And, you know, financial support through some other agencies or businesses to, you know, give them and advantage to, you know, advantage to the immediate cost which they require to construct their houses or to maintain their houses and so on.

ACC cement is also doing that, and they are, you know, that one of their advertisements I remember is where in, you know, someone is constructing a house in deeper in mountains somewhere in the Ladhak for example. And ACC cement suggested that they went as far as that place, and actually advised not only selling the cement tool that customer, but also advising on that what kind of a house can be apply constructed here and so on.

So, and I remember an example of where in Prahalad suggested in fortune at the bottom of the pyramid seek a Prahalad's most known work. Wherein, he advised probably CEMEX or some other company, to produce cement based paste which can be utilized for, you know, flooring the temporary huggments or houses which were being floured by let us say cow dung or mud only.

So, that paste was more hygienic and cost effective and it became an immediate success as far as the product of it goes. So, that that example I remember it is, it is quite relevant in this context. Then look across time look beyond a certain framework, imagine big, for example, existence of European Union has been referred to with this kind of a perspective and, you know, when smaller countries they were having a small kind of economic structures, and economic offerings. And they were although they were dependent upon each other for many of their value chains and, you know, their trade and businesses and then they, you know, the distances were less and frequently when I had to go from this place to that place. So, currency exchanges at those kind of issues were there.

So, European Union came into being and today we realize that it has although it is being debated upon now, but we realized that it actually was looking across time. If you somehow this can be done in the matter of several other countries which can have this kind of a trade relationship and universalization of currency, it can be wonderful thought with can propel larger business, and rationalize the irrelevant competition between those countries as such. So, that is that is wonderful thought related to that.

Then comes in Apple's downloadable music as we have seen kind of so, looking across time, you know, how devices can be utilized for whatever we tend to do. Today the kind of mobile services we have the service providers are going for the technological support to the customers, where in customers can download almost everything on, on their mobile sender that can be utilized. Sometimes I feel that GPS systems and, you know, Google maps and these kind of things which have emerged now they have change the way.

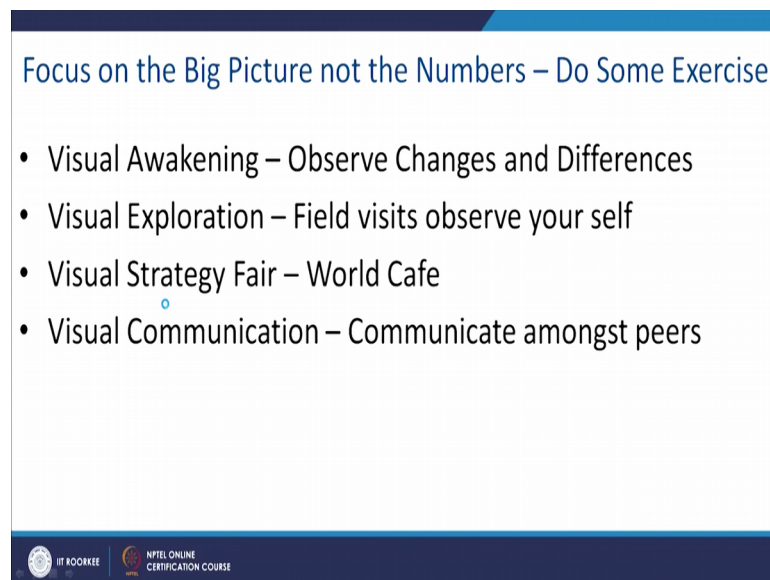
We used to (Refer Time: 17:44) around kind of you can now fearlessly go anywhere basically and you have a map and direction in your, you know, site and you do not have to ask directions from someone. I remember few years back when you used to go to

places and especially when you entered a new city you had to ask for directions so many times, you know, kind of stopping by and asking directions from people who have been passing by and people.

Usually will consider it because everyone was passing through this kind of a phase, but today when you ask for direction people look at, you sometimes strange leave when, you know, someone tends to suggest that do not you have, you know, kind of GPS system with you.

So, that is again looking across time and perspective. How does it happen? And it is very important to learn that how does it happen.

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Focus on the Big Picture not the Numbers – Do Some Exercise

- Visual Awakening – Observe Changes and Differences
- Visual Exploration – Field visits observe your self
- Visual Strategy Fair – World Cafe
- Visual Communication – Communicate amongst peers

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So, what are the tools or let us say what is the methodology to propel this kind of a thing which we have just seen, I will just reiterate that for you that looking across alternative industries; Looking across strategic groups, within the industries looking across the chain of buyers. Looking across the complementary products, looking across emotional or functional appeal appeals to the buyers and looking across time.

So, how this can be achieved largely and the key statement is that focus on big picture and not the numbers, do some exercise. What is the big picture? Now, that big picture I have refer to in our earlier discussions mainly, which says that once you have concerned and no skepticism, and you are not thinking in terms of generating business with

relevance to your own lifetime, and profitability which you would like to earn; that is somehow referred to as big picture.

As I firmly referred to Jamsetji's thought of entering into steel business and par business. Although it was relevant with reference to that particular time, but he could have chosen to go for other businesses which could have fetched larger profits to him and that too in immediate terms.

But he chose to think in terms of manufacturing steel, and that too when you did not have metallurgical engineers in India. That too you do not have mining specialists, you did not have mining specialists in India.

So, he went all long to us to, you know, bring in metallurgical and mining engineers to India, and with their support and help; although he could not be a part of that journey, sir Dorab was instrumental in developing the first steel plant of India in Jamshedpur, but there you see there is than aspect of looking at big picture. Because as I have read in the literature that Jamsetji heard a statement somewhere or read a statement somewhere but Thomas Carlyle, which says that country which has the steel has the gold.

So, he could imagine that how important steel is for as far as infrastructure development of a country goes. And looking at that with an innovative and on entrepreneurial perspective he sort of thought about, you know, abluton which could, you know, which can be relevantly seen with reference to the discussion we are having. And specially with context to the reference or focus on big picture and not the numbers. And this statement has an element of visual awakening.

Now, what is visual awakening? Visual awakening is observed changes and differences which are evolving a new course of time. Now there are two sides to it. One you can take the advantage of the changes which are happening. For example, we often talk about cultural changes which are happening in India, the youths is going to through a different cultural demonstration. They tend to be more free as compared to, you know, the social structure in boundaries which were existing earlier.

So, one an organization can definitely take the advantage of whatever changes are evolving so, that is that is one part. But that is not I am referring to, I am referring to observing changes with reference to developing the market as such. And what are the,

you know, customer choices which are evolving, how technology is behaving, how things are moving. And what direction we are going actually as far as, you know, technological adoption goes or let us say, other forms of adoption goes and what are the, you know, socio political situation which is happening, how economy is behaving and so on.

Then one can think in terms of visual exploration field visits observe yourself. And that is the most important part, which we tend to do especially, you know, people who want to rise who are studying who are actually. You know seeking education for the development their own development as well as this development of the society, and their larger role in the society later on, they should be talking to people. Attending as many discussions and forums and seminars as they can and not on only on virtual platforms, but going to people. Going to places talking to people on different aspects of what is happening around.

So, one can think of as I suggested earlier that, you know, we went for forest bio residue based briquetting. That came in because we talk to thousands of people for that. As I refer to the aspect of Ganges we could address as solutions later on, it was because we could talk to people about, what they are thinking in terms of that where should we go and how should be curtail the problem of, you know, water quality depletion or so many other problems which are related to Ganges right now.

Then similarly it progresses into visual strategy fair. Fair now visual strategy fair is associated with world cafes where in you talk to people with different backdrops with different understanding even sometimes or many a times with different cultural backdrops as well. And then you tend to collate these kind of things together, while talking about these I remember about mister Subhas Sharma and mister Sampurn Singh [FL], who along with their to other colleagues who are no more in this world. All these four people they went around this world in 1971 on Enfield motorcycles.

So, they travelled across almost 65 countries and, you know, travel a distance of 1,65,000 kilometers plus, without any financial support. Largely their organization Tata's, they supported them with their salaries definitely as they told us. And they did not have money for themselves on the way, you know, and they did not have directional support or something. But they had courage they moved, they were the first people to cross Sahara

Desert on motorcycle, and you see. But why I am referring to those people at their journey right now is that, when I asked mister Subhas Sharma and mister Sampurn Singh [FL] that what did you learn.

So, you see the learning was immense and that is, you know, definitely aptly associated with visual exploration and visual strategy fair. Visual communication, you know, communication amongst peers and visual awakening observing changes which are going around. And interestingly, you know, before I end this discussion I would tell you that I asked them to 3 questions.

You know, I said that can you tell me that what is the kind of difference world has gained in due course of time, and or how different the world now is as compared to what you have seen during those days? And how different are the people in different countries? And the answer was that world has not changed at all the speed of doing things has changed, but world has not changed at all. World is almost the same what we have witnessed and what we are witnessing now.

And people they said are almost similar, because there are good people there are bad people, there are happy people, there are sad people kind of, but people are more less, more or less same everywhere. And it is because of good people this world runs, and it is because those kind of good peoples they could go through that journey, that is what they told me. Now just, you know, kind of expanding the discussion to the levels of what we have seen, I would take this in my further, you know, kind of demonstration of how blue ocean strategy can be executed.

Thank you.