



Blue Ocean Strategy: Economic Importance of Applying in Tourism

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Abstract

As the trends and situations in the world market are changing, it is being difficult for companies and countries to hold their rank in business and trade. No implementation of innovation become a hindrance to manage business and to prosper ones economic condition. Innovative trends in business and management is expected to be effective for both companies and countries budget. From this point the following article will talk about how new strategy named “The Blue Ocean Strategy” can be effective in the terms of economic relations, management and export. Besides, the article will explain its components, ways to implement and its effect in both production industry and tourism.

Keywords: *Blue Ocean Strategy (BOS); Tourism Export; Economic Canvas; Value Innovation; Business Culture; Value Curves; Reorientation*

Introduction

The economic market is very competitive now. Instead of gaining, companies and countries are changing their strategy to sustain the value they have now, because of how difficult it is to improve economic power. Instead of working with dominating strategy in order to captive more market share, now companies are trying to win in the intense competition. For this purpose in 2004 an innovative business model was introduced by economists Kim and Mauborgne. The new strategic model is named “The Blue Ocean Strategy” and has been globally accepted, as well as used by many countries.

Blue Ocean Strategy (BOS) is “a consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule of competition is irrelevant” [2]. In easy terms BOS is a new innovative strategy to gain more market share by creating your own competitive skills which do not exist in an existing industry. Main concept of BOS is to be different from your competitors by creating uniqueness on your own.

BOS is a concept that enables organizations think and create innovation in their business that can assist organization to the financial and economic sectors which is the main concern of the firm to generate sustainable profit. The BOS offers users a framework for creating uncontested market place and change the concentration from the current competition to the creation of innovative value and demand where the traditional Red Ocean Strategy accustomed to involve in competition [7]. This strategy is the complete

guide to the market competition considering new principles, ways and options. Here companies do not wait what will happen and defense or fight against it, they start it by themselves. In order to understand BOS let's start with the concept of "oceans". According to this strategy there are 2 oceans blue and scarlet. In real terms, ocean mean business competition environment.

Scarlet or Red Ocean is an old styled way of competing, namely in this environment businessmen try to win their rivals, instead of focus on consumer target. They compete with each other with old ways, such as price games, service bonuses and so on.

Blue Ocean means healthy competitive environment. In this type you will focus on your consumer market, and try to win them instead of using your all knowledge and resources to fight with other rivals. In the blue ocean there is competition too, but rules are different. You don't use any tricky way, but try to get all opportunities and innovative sides of businesses in order to create yours. You will create everything considering your own opportunities and knowledge, as a result you will give it to consumers and try to make them "like" it.

RED OCEAN STRATEGY	VS	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 firm's activities with its strategic choice of differentiation or low cost		Align the whole system of a firm's activities with its strategic choice of differentiation and low cost

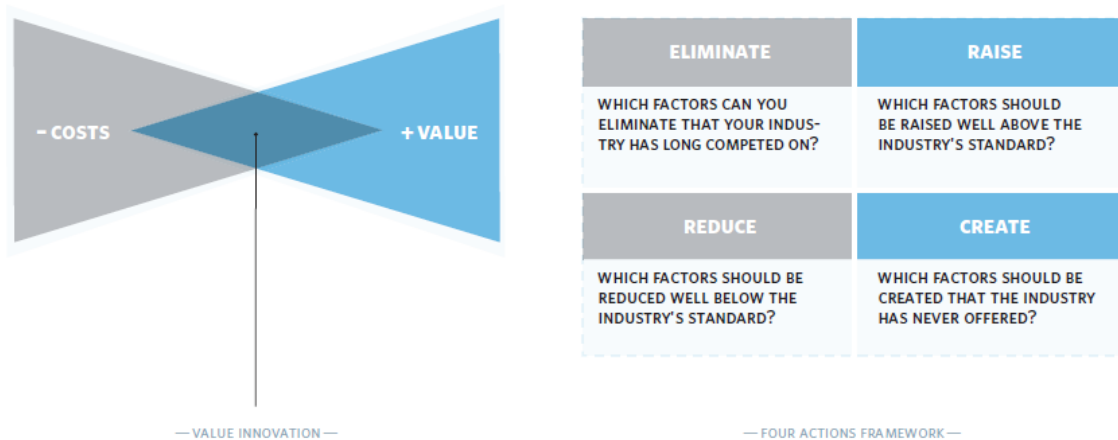
Picture 1. The difference between blue and red oceans [2].

The table above shows how two oceans are different, also how red ocean resembles the traditional competing strategy. Aim of the blue ocean strategy is simple. Avoiding from classic competition and creating high value with low prices, which led that company no old competitive environment, because, the blue ocean strategy is based on value innovation. Value innovation is not a competitive advantage, but something that makes competition simply unnecessary due to the company reaching a whole new level. In contrast to the classical competitive approach, to use the strategy of innovation of value, it is not necessary to choose between low costs and high value. This strategy allows you to simultaneously create high value at low cost. The most advantage in the blue ocean is to get high level without extra or excessive expenditure on competition.

Value Innovation and Strategic Canvas

Value innovation is not a competitive advantage, but something that makes competition simply unnecessary due to the company reaching a whole new level. Value innovation is the simultaneous pursuit

of differentiation and low cost, creating a leap in value for both buyers and the company. In contrast to the classical competitive approach, to use the strategy of innovation of value, it is not necessary to choose between low costs and high value. Value innovation means you have something unique, magic tool like can create anything from zero. Financially value innovation means less expenditure, more profit levels.



Picture 2. Value innovation in Blue Ocean Strategy [2]

In value innovation the most important thing to take into consider is analyzing your skills and expenditure. After analyzing there are 4 things to work on them.

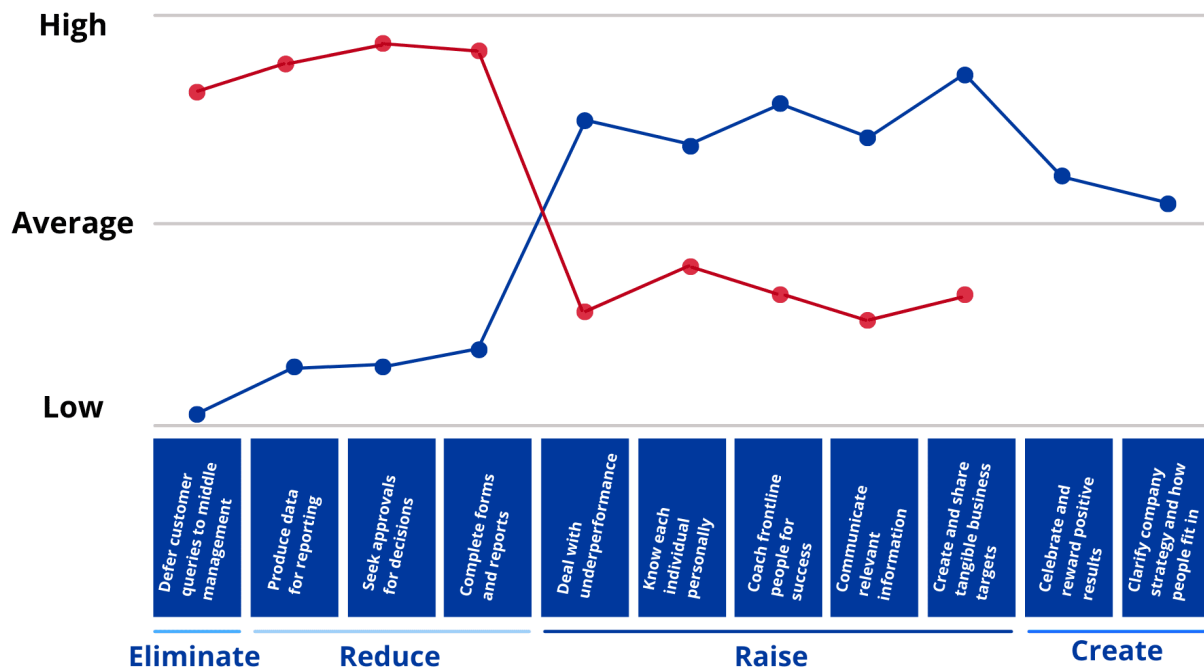
Eliminate – what to increase, which skills are not necessary and how to shorten expenditures;

Reduce – similar to eliminate, only in here nothing will be taken out fully but will be decreased gradually;

Raise – opposite of the 2 above company or a country tries to multiply the advantages of itself in order to have more profit;

Create – main condition is to innovate the thing nobody has so far, or never been applied before [1].

Strategic canvas is a simplified industry model, graphically presented. It allows you to evaluate the similarities and differences of your strategy with the strategies of competitors. It is like a canvas of an artist. Like their canvas you get different colored sides of your business, it should show you what differences you get which others do not.



Picture 3. Strategic canvas of Blue Ocean Strategy [2]

As it is shown in the picture 3 canvas works like mathematic graphic. It has 2 lines vertical and horizontal. On horizontal line you should highlight the key industry factors common to your proposal and to the competitors' offer. For instance price, packaging, marketing way, selling places and consumers. On the vertical line you need to evaluate the cost or volume of the offer (for example, a wide range or narrow, high or low price) for each highlighted in the first paragraph characteristics. The vertical axis will also show the assessment of these factors. For example, the higher the price of the product, the higher the location of this factor relative to the vertical axis.¹ After that you connect all points relatively and see your position on the market. Here after canvas is ready you will try to get new innovative strategy in order to make different business model. In one word strategic canvas is a tool to see and create innovative strategy.

When both canvas and value innovation are made they lead to the creation of value curves. They are the representation of strategic position in strategic outline. As it is mentioned before as the result of strategic canvas, we will have an image of graphic showing all positions of companies and yours as a line graph. When you connect horizontal and vertical points relatively, here appears crooked value curves. In blue ocean strategy a value curve is a tool for strategic managers to see visually how their strategy works in relation to close competitors. It is not the same as a value chain since it does not focus upon internal sources of value, more of what our customers value from our products and services. In order to draw your own value curve you should brainstorm the factors of competition and list them along the horizontal axis. Then mark along the vertical axis the extent to which the business invests in each factor of competition. Then map your own business and the business of your close competitors.

Implementation and Research Examples

Economic growth is a priority of the most recent economic policy interventions. There have been numerous shifts in how economists perceive the main source of economic growth, evolving from manufacturing to entrepreneurship and productivity growth. Although in principle economic growth can be achieved through growth of labor or labor productivity, most governments count on productivity

increases [8]. For the aim of economic profit article showed brief information about BOS, now it is turn to say how to implement it, what are the signs of BOS and giving ongoing examples.

Sign of the Blue Ocean Are These:

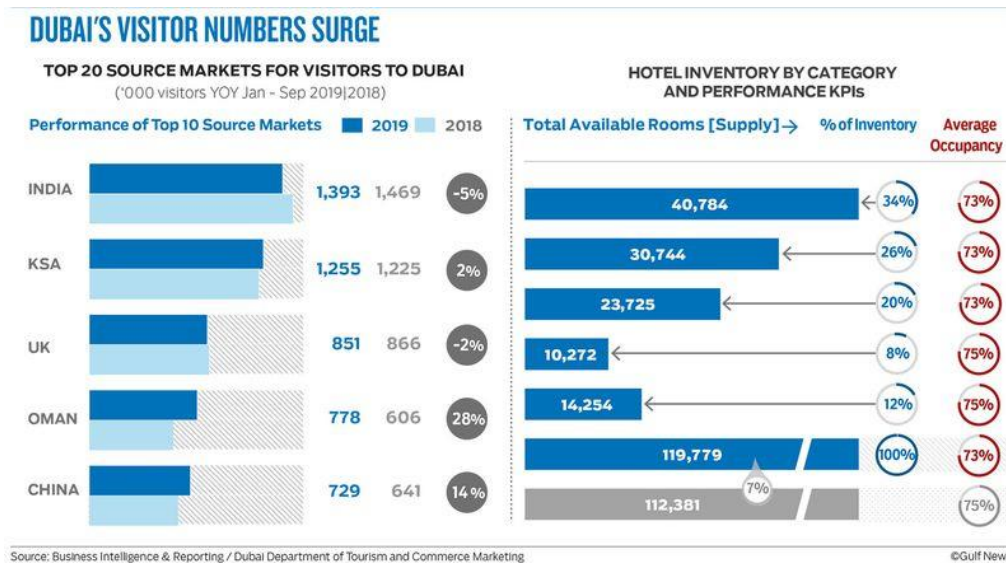
- high profit within short period of time;
- no signs of classic competition;
- uniqueness in the same business compared with other companies;
- high value with very low costs;
- innovation is considered as main priority;
- level which no other competitors can threat with any classic;
- competitive advantage;
- reorientation in the business culture.

Way of selling, performing, marketing, or even showing is different from any other company. They depend on one thing, action speaks louder than words. If you see these signs in any business that means they created blue ocean for themselves.

Examples of BOS in Tourism Industry

BOS is not only for business and manufacturing, but also can be equally applied for service industry like tourism. Noticeable point is when BOS is applied in tourism industry in will directly improve profit of local and international export of country's tourism, as well as it will plays a role of free marketing. One of the greatest example for tourism BOS is UAA, Dubai city. UAA was a country leading in oil industry by having largest share in world market. However, 5 years ago this country started to change its strategy rather than from winning by existing resources to "creating own value" making and example of tourism BOS. Country chose tourism as their value strategy, getting income by service and visits. Burj Khalifa, Madina Jumeriah, Dubai Mall were the main sightseeing which attracted travelers. However, recently country changed its strategy to Blue Ocean by creating the place which do not exist in no part of this world. They made their own Blue Ocean by winning other "sharks" in Red Ocean. If we look at the value canvas of Dubai Tourism Industry they eliminated overinvesting to the historical places, rather they directed money to creating another place, they decreased expenditures, prices and difficulties of visa and travelling policy. For creation they made Garden of Dubai, Museum of Future and Global Village. By these three places Dubai created its own Blue Resources which can get by other red ocean sharks.

Let's take view of Museum of Future which is opened recently. Touted as the "most beautiful building in the world", the Museum of the Future received a gala opening here, heralding the arrival of another much-awaited landmark in the UAE that has been nine years in the making. A sprawling seven-storeyed circular building standing at 77 meters, spread across 30,000 square meters, this imposing structure is situated just a stone's throw away from the world's tallest construction, the Burj Khalifa, another iconic structure that has been an intrinsic part of Dubai tourism. The Museum of the Future is the latest addition to Dubai's bold architectural endeavours with futuristic designs.



Picture 6. Visitors source of Dubai tourism industry [9]

The Museum is a permanent exhibition of inspiring visions for the future of humanity and a global center for inspiration, innovation and the development of solutions to challenges and opportunities in human development. 9 years is spent for the construction of The Museum of Future. Total construction fee was \$ 202 mln. Opened at the late February in 2022. Annual predicted economic profit was \$ 33 mln, however museum got \$ 8.2 mln revenue in 3 months only itself [9]. From this example, we can see the effects of implementation of Blue Ocean Strategy in tourism industry. It can be concluded that it is crucial for company or a country to change their strategy from traditional to innovative if they want to maintain their world market share. Many innovative models are created and Implemented to reality, as one of them BOS also has great economic effect in any industry. Being equally good and profitable for every industry is the key point of BOS. Examples given in the article shows how manufacturing and tourism industry got noticeable profit from BOS. This will show its effectiveness as innovative business model.

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