

# Effective Usage of Blue Ocean Strategy: A Study on Google for Business Acquisition

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*Abstract-Blue Ocean Strategy is the simultaneous pursuit of differentiation and low-cost to create new market space. A proven and practical approach to creating breakthrough business ideas, blue ocean strategy seeks to make the competition irrelevant by creating a leap in value for both the company and its buyer. In This paper we are starting with a short introduction of BOS (Blue Ocean Strategy) ,its framework . Further ,we are taking case study of one of the leading companies in IT industry i.e. Google .Google Inc. is an American public corporation, earning revenue from advertising related to its Internet search, e-mail, online mapping, office productivity, social networking, and video sharing services as well as selling advertising-free versions of the same technologies. Google's mission is "to organize the world's information and make it universally accessible and useful". In this paper we will discuss the four step framework from blue ocean strategy, which is satisfied by Google, which further makes it as the most powerful brand in the world and the most visited website on the Internet.*

**Key words:** Ocean Strategy- simultaneous-market- corporation- information- productivity

## 1. Introduction

### 1.1 Defining Red and Blue Oceans

Generally "**Ocean**" refers to the market or Industry. Imagine a market universe composed of two sorts of oceans: red oceans and blue oceans. Red oceans represent all the industries in existence today. This is the known market space. Blue oceans denote all the industries not in existence today. This is the unknown market space In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of existing demand. The dominant focus of strategy work over the past twenty-five years has been on competition-based red ocean strategies. As the market space of red oceans gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody. Hence we use the term "red" oceans. Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, competition is

irrelevant because the rules of the game are waiting to be set. The term "blue ocean" is an analogy to describe the wider potential of market space that is vast, deep, and not yet explored.

**Figure 1 Difference between Red Ocean and Blue Ocean**

| <b>Red Ocean versus Blue Ocean</b>  |   |
|---|---|
| <b>Red Ocean Strategy</b>   | <b>Blue Ocean Strategy</b>  |
| 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. (either / or)  | 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 the pursuit of differentiation and low cost. |
| Value creation or addition = added value  | Value Innovation = innovative value   |

**1.2 The Four Actions Framework**

To reconstruct buyer value elements in crafting a new value curve, we have developed the four actions framework that asks four key questions to challenge an industry's strategic logic and business model:

- i. The first question forces a company to consider eliminating factors that companies in an industry have long competed on. Often those factors are taken for granted even though they no longer have value or may even detract from value. Sometimes there is a fundamental change in what buyers

value, but companies that are focused on benchmarking one another do not act on, or even perceive, the change.

- ii. The second question forces a company to determine whether products or services have been over-designed in the race to match and beat the competition. Here, companies over-serve customers, increasing their cost structure for no gain.
- iii. The third question pushes a company to uncover and eliminate the compromises an industry forces customers to make.
- iv. The fourth question helps a company to discover entirely new sources of value for buyers and to create new demand

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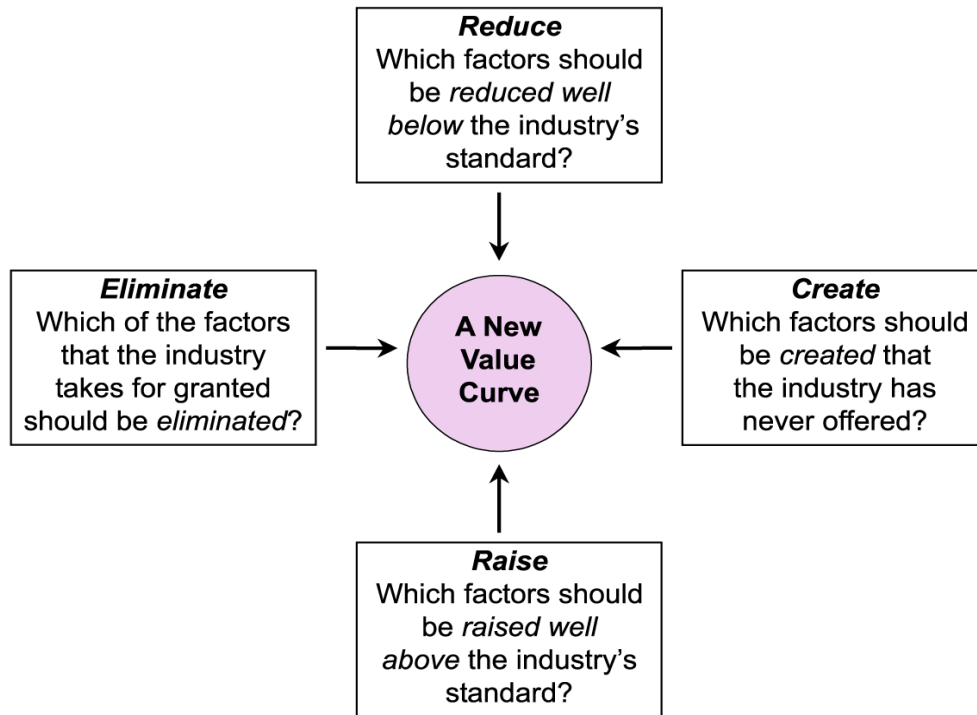
and shift the strategic pricing of the industry.

It is by pursuing the first two questions (of eliminating and reducing) that a company gains insight into how to drop its cost structure vis-à-vis competitors. Rarely do managers systematically set out to eliminate and reduce their investments in factors that an industry competes on. The result is mounting cost structures and complex business models. The second two factors, by contrast, provide a company with insight into how to lift buyer value and create new demand. Collectively, they allow a company to systematically explore how it can reconstruct buyer value elements across

alternative industries to offer buyers an entirely new experience, while simultaneously keeping its cost structure low. Of particular importance are the actions of eliminating and creating, which push companies to go beyond value maximization exercises with existing factors of competition.

Eliminating and creating prompt companies to change the factors themselves, hence making the existing basis of competition irrelevant. When a company applies the four actions framework to the strategy canvas of an industry, it gets a revealing new look at old perceived truths.

Figure 2 The Four Step Framework of Blue Ocean Strategy



## 2. Why is Google Blue?

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Founders Larry Page and Sergey Brin named the search engine they built "Google," a play on the word "googol," the mathematical term for a 1 followed by 100 zeros. The name reflects the immense volume of information that exists, and the scope of Google's mission: to organize the

world's information and make it universally accessible and useful. If Microsoft (NASDAQ: MSFT) had optimized expenses in the quarter ended June 30, 2008 the company would have earned \$6.3 billion. Its actual earnings were \$4.0 billion. Management threw \$2.3 billion down the drain by over spending on everything in its competition with Google (NYSE: GOOG). That's because Microsoft may have been born in a blue ocean, but now the company is living in a red one. According to the latest Interbrand report published in *Business Week*, Microsoft is the second most valuable brand on the planet. Google, incorporated in 1998, is number 20 on the list. Both of these companies were born in a "blue ocean" of their own creation. But today Microsoft, at 32 years old, already is long in the tooth for an IT company. Management now must survive in a sea of "Red Ocean" expenses. Hounded on all sides by Google as well as newer upstarts. Google founders Larry Page and Sergey Brin met in 1995. By 1998 these top two students in their class at Stanford had bought a terabyte of storage at discount prices and built their first data centre in a dorm room. Come December of the same year, they moved operations into a garage and were answering 10,000 search queries per day. There was no turning back after that and by June 2000 they had the largest search index while handling 100 million queries per day.

Google mainly implements the **Four – action Framework** of Blue Ocean Strategy.

### 2.1 Eliminate

Google **eliminated** configuration options for regular users.

Google eliminated the search configuration paradigm, removing the need for users to pre-select the Boolean filters AND/OR/NOT (drop-down menus and radio buttons). Simplicity of search interface was a raging battle at search engine companies for years until Google cleared the noise. However, many website search interfaces are obsessed with letting user's fail with Boolean filtering.

### 2.2 Reduced

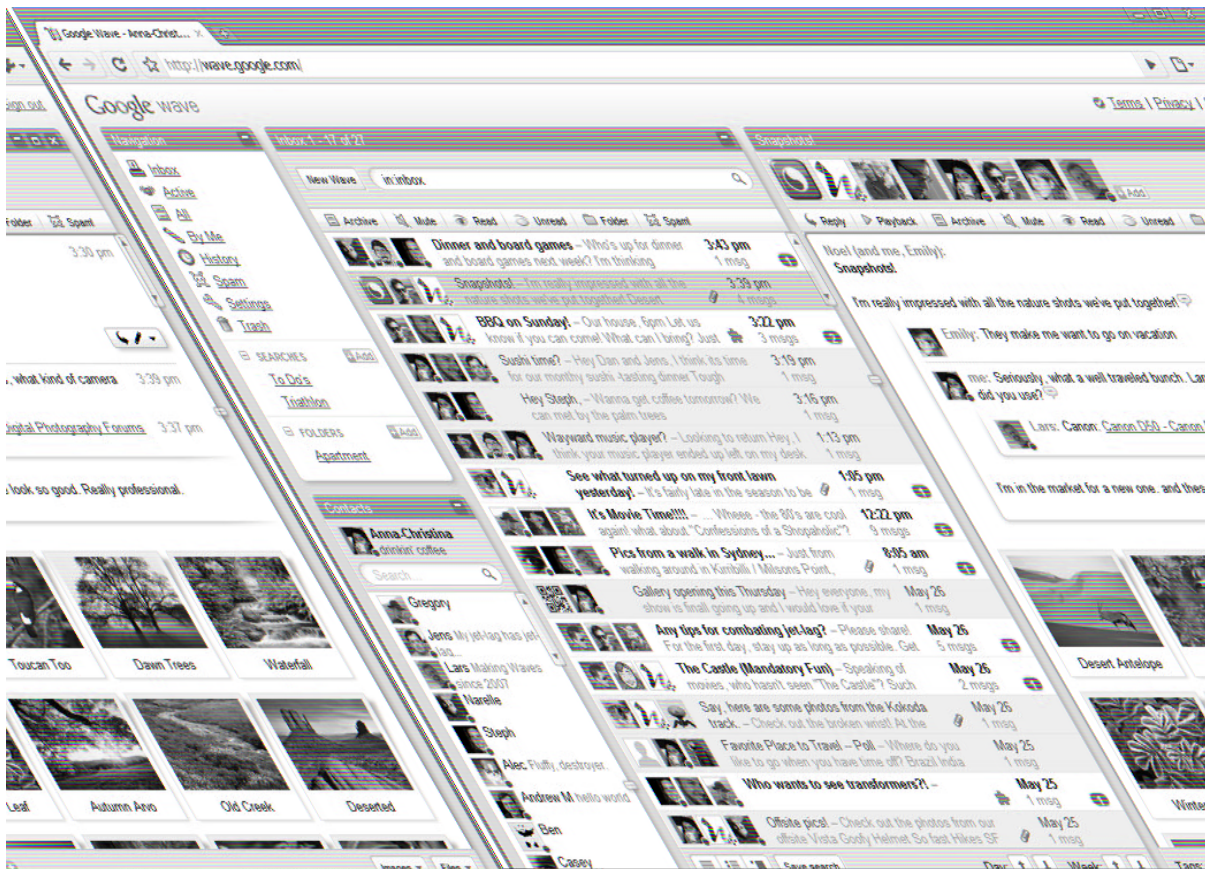
Google have dramatically **reduced** the clutter: both the visual clutter of other "portals" and the not-so-valuable stuff it represents. Google Wave, a new "conversation" type service that Google is hoping to reinvent e-mail, IM and group conversations - with the help of developers at the event. The product won't be released to the public until later this year but it's more than just a product. The company is calling it an open source platform that developers can build on, just as they did for products like Google Maps. It starts off like an email between two people but quickly becomes more. It allows users to post "replies" to parts of the email - for example, the questions at the top of the sender's message about weekend adventures and again further down to confirm next week's meeting location. In normal e-mail messages, it would take a dozen or more back and forth emails between the two people - and exponentially more messages as other people get added to the conversation - to have the same conversations. One cool feature the company showed off was the ability to "playback" the message - to show how it evolved - for people who were added to the conversation late. The service also incorporates well with other sites, such as blogging services and photo albums and includes some robotic-like features, such as

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adding a bot user called Bloggee, which takes the conversation or the images attached (with a cool drag and drop feature) and populate a blog

post with it. It even becomes, via extensions, a third-party Twitter app.

Figure 3 Google Wave



design of a product's fundamental functions. Google doesn't set out to create feature-rich

### 2.3 Raised

Google have dramatically **raised** ease of use. Simplicity fuels many elements of good design, including ease of use, speed, visual appeal, and accessibility. But simplicity starts with the

products; the best designs include only the features that people need to accomplish their goals. Ideally, even products that require large feature sets and complex visual designs appear to be simple as well as powerful. Google teams

think twice before sacrificing simplicity in pursuit of a less important feature. The hope is to evolve products in new directions instead of just adding more features. Good design can go a long way to earn the trust of the people who use Google products. Establishing Google's reliability starts with the basics – for example, making sure the interface is efficient and professional, actions are easily reversed, ads are clearly identified, terminology is consistent, and users are never unhappily surprised. A greater challenge is to make sure that Google demonstrates respect for users' right to control their own data. Google is transparent about how it uses information and how that information is shared with others (if at all), so that users can make informed choices. The products warn users about such dangers as insecure connections, actions that may make users vulnerable to spam, or the possibility that data shared outside Google may be stored elsewhere. The larger Google becomes, the more essential it is to live up to the "Don't be evil" motto.

#### 2.4 Creation

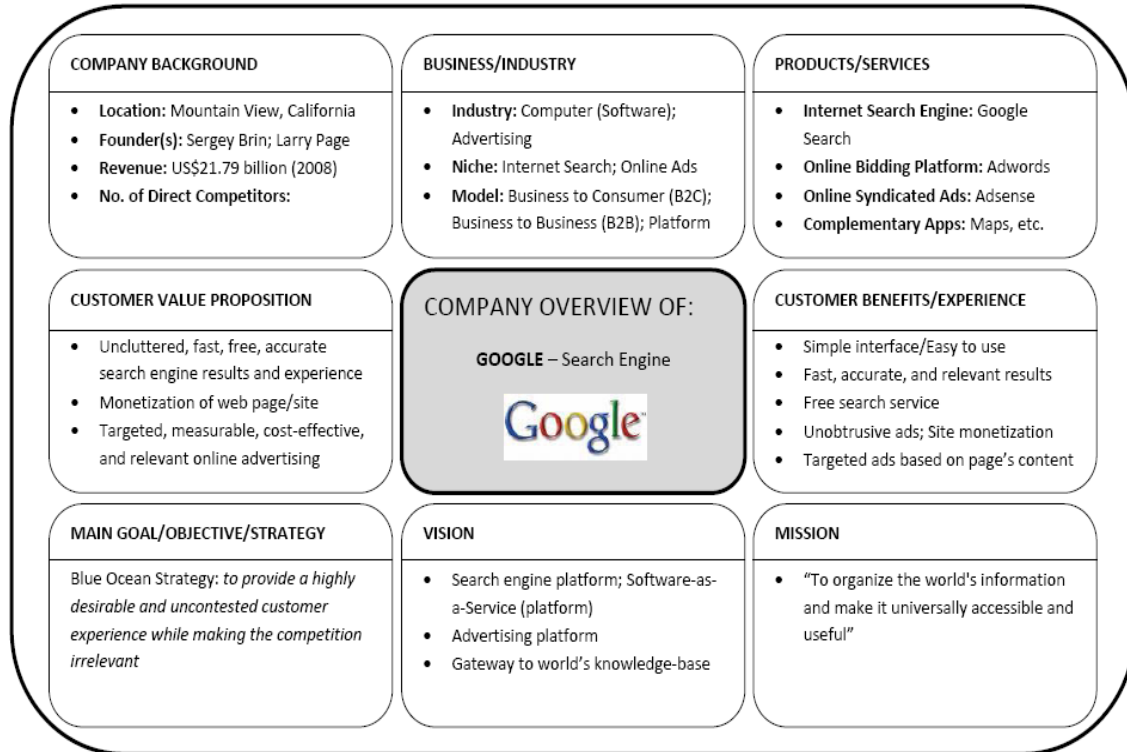
Google created Page Rank: the magic algorithm that seems to read your mind and return relevant results. Google's Page Rank algorithm assesses the importance of web pages without human evaluation of the content. In fact, Google feels that the value of its service is largely in its ability to provide unbiased results to search queries; Google claims, "the heart of our software is Page Rank." It's no secret anymore that Google ranks as the number one defacto-standard in the field of major search engines.

Today, Google accounts for more than 85 percent of all Internet searches on a daily basis. Google now has many versions running in many different countries, including China, Japan, the U.K., Hong-Kong and many others. The Google Toolbar's Page Rank feature displays a visited page's Page Rank as a whole number between 0 and 10. The most popular websites have a Page Rank of 10. The least have a Page Rank of 0. The Google Directory Page Rank is an 8-unit measurement. These values can be viewed in the Google Directory. The **Google Page Rank** value relies on the uniquely democratic nature of the Internet by using its vast global link structure as a prime indicator of an individual page's value. In essence, Google interprets a link from page A to page B as a vote, by page A, for page B. But, Google looks at more than the sheer volume of votes, or links a page receives. It also analyzes the page that casts the vote. Votes cast by pages that are themselves important or are favorably viewed as "established firms" in the Web community weigh more heavily and help to make other pages look established too. A Google search is an easy, honest and *objective* way to find high-quality websites with information relevant to users searching specific products, services or information on a particular subject. The following diagram shows overview of Google search engine in blue ocean dashboard. Google is shown as in the blue ocean dashboard in Figure #5. This dashboard was created by Dr. Rod King, who claims that it can comprehensively manage the performance of any business model. The Figure #4 shows the general information in the Dashboard.

Figure 4 Blue Ocean Dashboard



Figure 5 Google in Blue Ocean Dashboard



The Figure #5 shows the blue ocean map for Google's Search Engine. The blue ocean map contains a plot of Revenue v/s No. of Competitors. The blue ocean map shows the following things:-

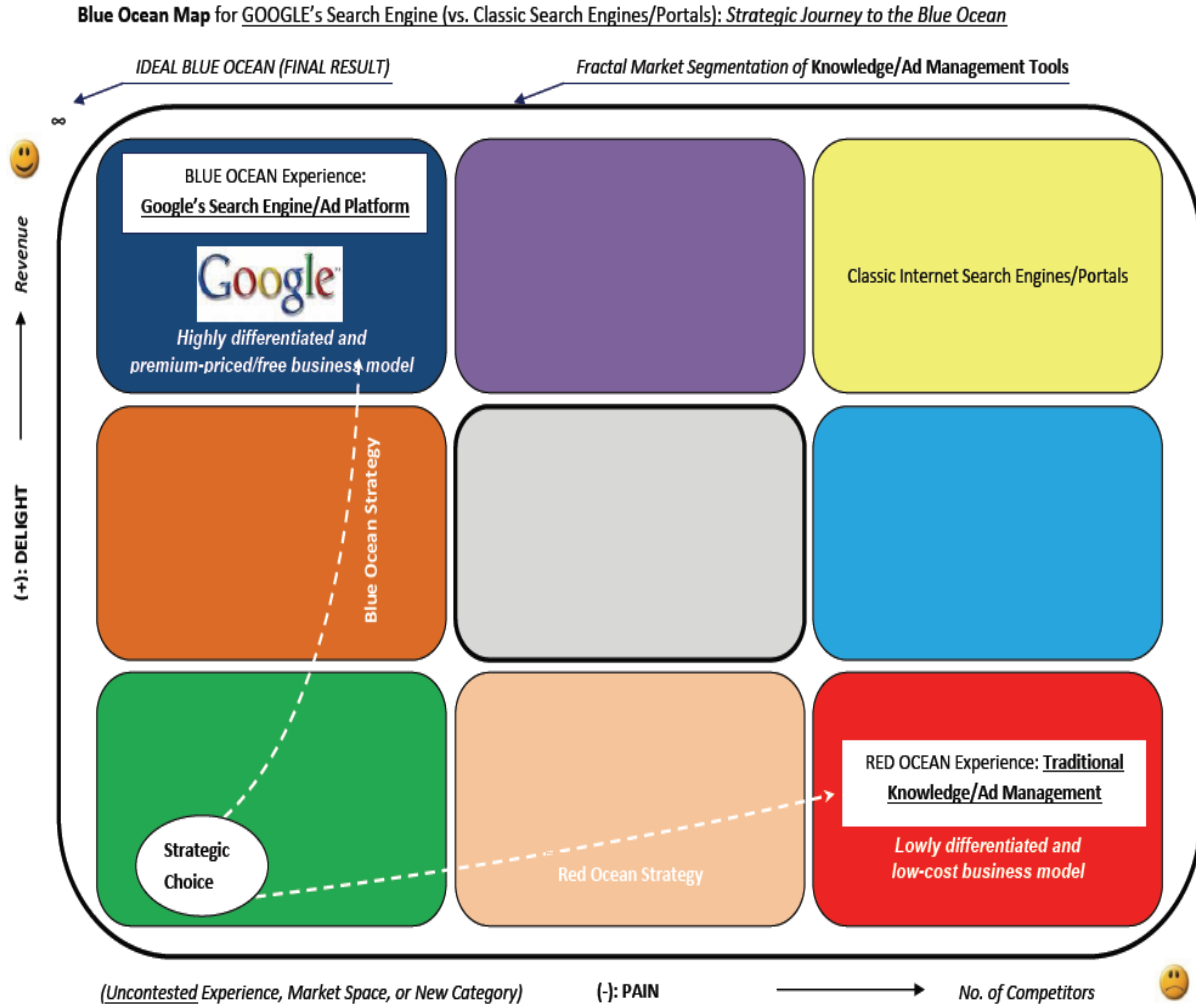
1. Shows the contested and uncontested marketplaces.

2. Illustrates the concept of "Ideal Blue Ocean", where the competition is irrelevant.
3. Indicates that there are more than two types of ocean in a marketplace.
4. Shows the best part of journey towards a blue ocean.

Figure 6 Blue Ocean Map (Revenue v/s No. of Customers)

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your daily business planning and operations. Because it requires you to step away from the

### 3. Summary

What does the future holds? No one knows. But it's a clear possibility that either Mr. Bill Gates and Mr. Steve Ballmer must come up with a blue ocean strategy or continue to watch their market share fall as Google adds new sources of revenue they cannot acquire. It is not always easy to 'fit' blue ocean strategy thinking into

normal and move back from what you know about your existing space and customers.

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