Bringing Blue Ocean Strategy to FMCG Markets

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Abstract

An emerging concept in strategic management directed at finding new business and value propositions is the framework coined ‘Blue Ocean Strategy’ (BOS) by Kim and Mauborgne, from INSEAD, Fontainebleau. The authors developed the BOS-framework, which comprises of a set of tools, on the basis of ex post studies of over 150 cases from 30 industries. The results were most extensively covered in the book ‘Blue Ocean Strategy’, published in 2004. The success of their work may be illustrated by, for example, Deloitte, Procter & Gamble, and HP, who use this strategic management concept.

This scientific paper is one of the first that tests the applicability of BOS in Fast-Moving-Consumer-Good Markets (FMCG). Our prime objective is to investigate whether the application of BOS enables the identification of an uncontested market, or not. The second objective concerns the adaptations required to make the BOS applicable to the FMCG Industry. The field of research is the European fruit and vegetables industry (EFVI), which is one the most competitive industries in Europe, lacking fundamental innovations. The complexity of bringing BOS to FMCG Markets required a two-stage research strategy; the first stage comprises of the combination of desk research with orientational case study research, followed by a second stage comprising of a large survey. In the first stage, six CEOs, chairmen and consultants, were interviewed to tailor the research to the insider perspective. In the second stage, a quantitative questionnaire was send to 299 fruit and vegetable companies, active in Europe. The realized response was 24 (response rate: 8%). Although not high, the response may be understood as sufficient, because the research was primarily intended to learn whether the BOS-framework is strong enough to identify uncontested market spaces even in very competitive industries.

The research delivered two major results. Based on identified strengths and weaknesses, recommendations were identified to enable the usage of BOS in FMCG Markets. We brought the tools, strategic canvas, six searching paths framework, four actions framework (FAF) and the sequence of the BOS, in a logical and practical order, making it efficient to apply. From the application, we conclude that, out of six searching paths, the path to search across alternative industries finds difficulties in making the competition irrelevant, as assumed. Using individual searching paths in isolation will hardly enable the derivation of an uncontested market space. Next, we learned that the FAF overemphasizes the taken-for-granted business, keeping attributions to value propositions out of consideration. This learning contradicts the claim of Kim and Mauborgne that the strategy shapes industry structure.

In the paper we will present the identified uncontested market space which we labeled ‘Youngfruit’. It will also present the related future key success factors to differentiate from competitors in the EFVI, and thereby change in the long run the rules of the game in this for long very competitive EFVI. We conclude that the findings do not refute but confirm that the BOS enables the identification of an untapped market.

Keywords: Blue Ocean Strategy, Fast-Moving-Consumer Goods, Key Success Factors, Value Innovation, Competitive Advantage, Taken for granted business factors

1 Introduction

Blue Ocean Strategy (BOS) is a management strategy tool well recognized in the 21 century. The founders Kim and Mauborgne are awarded to the second position of HBR-Thinkers 50 list - 2011. The derivation of the BOS was based on 150 ex-post case studies. In line with Mintzberg’s so called Emerging school of management the roots of the BOS can be called endogenous growth: Here the central paradigm is that individual players can shape the
economic and industrial landscape with their strategies and actions. As Kim and Mauborgne (2009) state it: “strategy can shape structure”. This approach is also called “reconstructionist”. The opposite view is the “structuralist” approach, where “structure can shape strategy”. Next, the BOS may be called more an outside-in approach than an inside-out approach. Johnson et al (2010) highlight the link between the Blue Ocean and a strategic gap. The strategic gap is an opportunity in the competitive environment which competitors do not fully exploit. Indeed, the BOS looks across the current business to exploit uncontested and not yet exploited opportunities. Finally, taking the perspective of Porter’s Five Forces model, Blue Oceans occur where rivalry and entry is low. However, compared to the strategic gap analysis and Porter’s Five Forces model, the BOS has features to identify markets that actually do not yet exist. Kim and Mauborgne (2005c) highlighted that “most blue oceans are created from within and not beyond red oceans of existing industries”. A Blue Ocean is defined by an untapped market space, demand creation, and the opportunity for highly profitable growth (Kim & Mauborgne, 2005c). The simplest way to reach the opportunity of highly profitable growth is to “offer buyers a huge leap in value” (Kim & Mauborgne, 2005b), which may develop into a new uncontested markets. Kim and Mauborgne call this phenomenon value innovation (Kim & Mauborgne, 2005a). Kim and Mauborgne (2005b) recommend firms active in the contrasting Red Ocean to stop their common practice of benchmarking. Kim’s suggestion is that “the more you benchmark your competitors, the more you tend to look like them” (Kim & Mauborgne, 2005b). BOS helps to take a view beyond the current industry boundaries.

In the scientific literature, there are surprisingly few publications that aim to confirm or reject Kim’s and Mauborgne’s findings. The present paper contributes to fill the scientific gap of a shortage of scientific validation of the BOS, and it discusses on a scientific basis strengths and weaknesses of the BOS. This paper tries to configure the logic behind the BOS idea and the extent to which it is useful, by applying it to this very competitive Fast-Moving-Consumer (FMCG) market. The focus of the validation, we tested the later derived BOS-framework in particular on the fresh fruit and vegetables (FFV). The European Fruit and Vegetable Industry (EFVI) is one of the most competitive markets, in need of new, uncontested markets to grow and flourish (Diop and Jaffee, 2005). Accordingly, the paper tries to answer the following research question:

Does the ex-ante application of the Blue Ocean Strategy (BOS)-framework support the identification of uncontested market space in the European Fruit and Vegetables Industry?

May the case be that the BOS-framework is strong enough to show uncontested markets even in the EFVI, managers will of course be curious to learn the related product or service. To answer the research question, the BOS-framework is first to be specified, because, surprisingly, the core publications are rather implicit on the detailed logic integrating the different tools, or expand earlier items (e.g. Ling, 2009). Next, we justify the chosen empirical research approach in the methodology section, followed by the application of the BOS-framework to identify an uncontested market space. We will demonstrate whether or not the identified strategic options have the potential to exploit untapped demand. Long-term key success factors to attract new buyer groups of fruit and vegetables are derived. Before closing the article we will discuss the adaptation necessary to bring the BOS to the FMCG markets.
1.1 Blue Ocean Strategy Framework

The core BOS-tools are the strategic canvas with old and new value curve, Six Searching Paths Framework (SSPF), Four-Actions-Framework (FAF) and Sequence of Blue Ocean Strategy (SBOS). They enable to act on an opportunity maximizing and risk minimizing way (Kim & Mauborgne, 2005c). To enable the identification of an uncontested market in the EFVI as well as in the entire FMCG market, we first developed and detailed the logic of the BOS by establishing an encompassing BOS-framework (figure 1). We systematically build the BOS-framework by reviewing the related publications of Kim and Mauborgne, with a focus on the 2005-book entitled ‘Blue Ocean Strategy’. Bringing order in the sequence of tools, i.e. crafting a framework, will provide added value to the reader, as Kim and Mauborgne did not provide a detailed framework.

Using figure 1, we would like to detail the different parts of the BOS-framework and explain their function and value to derive an uncontested market space.

Business analysis
One should start with the business analysis. The business analysis focuses on two areas. First, it is applied to identify the taken-for-granted business factors, on which the competition base. As result, the strategic canvas with the old value curve can be derived. Second, the execution of the business analysis allows the identification of the most suitable searching path or their combination, to derive a new market space.

![Figure 1. Blue Ocean Strategy Framework](image)

Strategic canvas
Second, the strategic canvas is a diagnostic and action framework for building a compelling BOS (Kim and Mauborgne, 2005a). The strategic canvas is a diagram where on the horizontal axis the taken for granted business factors are named which the industry competes on
Six Searching Paths-Framework (SSPF)

Third, the SSPF gives a detailed set of questions to run the business analysis in an efficient and effective way. The first searching path of the SSPF is ‘Looking across Alternative Industries’ (see figure 1), which encourages managers to identify substitutes which deliver the same function and buyer revenue as their current products or services (Kim & Mauborgne, 1999 and 2004b). At the crossroads of two alternatives, the potential for a value innovation can be found (Kim and Mauborgne, 2005c). One cannot identify an uncontested market along this searching path, when there are no alternative industries and products. The second searching path enforces ‘Looking across Strategic Groups’. By definition, strategic groups comprises of companies within an industry with similar strategic characteristics, following similar strategies or competing on the similar basis (Lehmann & Winer, 2008). By using the bird’s eye view the business opportunity can become clear when combining the advantages of two strategic groups, and consequently to create a new market (Kim & Mauborgne, 1999). Therefore, at least two strategic groups must be recognized in an industry. Essential to the third searching path is to broaden views to new buyer groups. Hereby, ‘Redefining the industry buyer group’ is the core objective. Companies in the Red Ocean typically deliver to homogenized, commonly defined buyer groups. Nevertheless, in reality there are a large number of customer types (Kim & Mauborgne, 1999). Kim and Mauborgne recommend imagining the whole consumer chain (Lehmann & Winer, 2008), to search for non-served costumers or consumers (Kim & Mauborgne, 1999). The fourth out of six searching paths of the SSPF stimulates ‘Thinking across complementary products and service offerings’. More and more products or services are sold in combination with a complementary product or service (Kim & Mauborgne, 1999). The challenge is to identify the package the costumer or consumers are searching. Companies can “create a new market space by zeroing in on the complements that detract from the value of their own product or service” (Kim & Mauborgne, 2004). The fifth searching path pressures managers to ‘Rethink the functional-emotional appeal to buyers’. Kim and Mauborgne (1999) argue that most industries are either functionally-oriented or emotionally-oriented. Functionally-oriented industries have a price and cost focus. If the business analysis turns out that the investigated industry can already be characterized as a mix of emotional and functional orientation, then the fifth searching path cannot be applied. Adapting the marketing strategy from a strictly functional to a more emotional value proposition can lead to the identification of a new market place. The final searching path, number six, called ‘Shaping external events’ promotes the participation in external events with the appeal to influence future developments for customers towards projected new value added products and services. External trends direct the business environment by promoting new technological trajectories and they disrupt ongoing businesses (Tidd,
Bessant, & Pavitt, 2005). This sixth searching path it is the most difficult one in finding a Blue Ocean (Kim and Mauborgne, 1999).

The advantage of the SSPF is the systematic, enforced revision of established business practice. At least one out of six searching paths must be applicable to the EFVI to derive the uncontested market space, and allow for further specification of the product or service and the related business model in the later stages of the BOS-framework. Under the circumstance that none of the six searching paths can be applied, the BOS cannot be applied to the industry and manager can stop at this point with conducting the BOS-framework.

**Four-Actions-Framework (FAF)**

Fourth, after the finalization of the business analysis, including the execution of the SSPF, the FAF supports the decision maker to reduce, to eliminate, to raise and to create the demanded and yet not offered business factors to derive an uncontested market space. The FAF supports the characterization of the Blue Ocean, based on the single business factors. Additionally, the FAF is needed to elaborate the new business concept(s). The FAF, implicates four possible actions either to create new value for the buyer or to increase the buyer utility considering the new business concept, derived by means of the SSPF (Kim & Mauborgne, 2004). The aim of the authors is to pursue both differentiation and low cost by “Reducing”, “Eliminating”, and “Raising” already existing taken for granted business factors, and additionally “Creating” new ones (Leavy, 2005). “Reduce” and “Eliminate” are focused on business factors which are taken for granted (Leavy, 2005), with the aim of reducing costs compared to competitors (Kim & Mauborgne, 2005a). One should “Eliminate” business factors which deliver no added value for the new business concept. Business factors are “Reduced”, when they still add to the success of the new business, but may have a slightly lower prominence. In contrast, “Create” and “Raise” are focused on facilitating actions delivering added value and superior performance (Leavy, 2005). The action “Raise” is restricted to taken for granted business factors which should be raised, because, although hardly valued by the industry, they have a significant influence on the buyer utility. Finally, the creation of factors is required when one needs to establish a new source of value for the buyer. Raised and created business factors mainly promote the differentiation focus. They enable the realization of the characteristics of the new business. In summary, the incentive behind the FAF is to increase the buyer’s revenue and to generate new demand (Leavy, 2005). By means of the FAF one can derive the key success factors for the new business concept.

**Sequence of Blue Ocean Strategy (SBOS)**

Fifth, after weighting the old taken for granted business factors under the perspective of the new product or service, and adding new business factors, enables to characterize the Blue Ocean in detail. Nevertheless, the new product or service need to be evaluated systematically on the following four items: buyer utility, price, cost, and organizational adoption, e.g. cognitive or motivational challenges. If and only if all four hurdles can be overcome, then the product or service is a commercially viable Blue Ocean-idea, a feasible value innovation. For reasons of space and priority we will not detail this SBOS here any further.

In principal, the encompassing BOS-framework with the five essential building blocks supports the identification, and determination of old and new taken for granted business factors, the new business concept, the related new key success factors, and the
assessment of the newly identified product or service. Having established the detailed logic
integrating the different tools comprising the BOS-framework, we are able to
investigate the strength of the BOS-framework applying it to the saturated EFVI. But first we
give a short introduction in the FMCG market.

1.2 FMCG-Markets – subsector fresh fruit and vegetables

Fresh fruit and vegetables are by definition fast moving consumer goods. The fresh fruit and
vegetable industry is a subsector of the of the Fast-Moving-Consumer-Goods industry. Already in 1994 Fiedland stated that firms active in the EFVI are maintaining the role of
price-takers, which holds true up until today. The supply side of the EFVI is getting more and
more concentrated. The number of fruit and vegetable growers in the EU has been declining
for decades (Zuurbier, 1999). The reason is the improvement in farming techniques leading
to higher productivity levels and large-scale farming. Growers or suppliers selling and
marketing fruit and vegetables face a high substitution rate of their products. The
homogeneity of products leads to the high substitution rate and absence of consumer
brands forces this situation. Overall, this supports the switching between the suppliers’
products at the shelf space. This is promoted by the absence of innovation in the sales &
marketing, as well as packaging or production. Regarding the buyer side of the markets, the
retailer buying power is increasing because of consolidations. In Europe, 15 buyer groups
account for 70% of the whole FFV quantity. Retail is calling for year-round supply which
often requires suppliers having access to global sourcing (Cook, 1999 & Wilson, 1996). The
buyer groups are mainly the large retailers, like Metro Group, Lidl, Aldi, Albert Heijn, Tesco,
Coop, Migros, Carrefour, and etcetera.

2 Research Methodology

Since the aim of this study was to investigate the applicability of BOS to FMCG markets, a
two-stage research strategy was employed. Figure 2 presented the detailed research
strategy.

![Figure 2. Two stage research strategy](image)

During the first stage, via desk research and top management interviews, qualitative primary
data were gathered to set up the strategic canvas with the old value curve. Less specific
information about taken for granted business factors and their impact in the EFVI were
available in the scientific literature. Therefore we did an in-depth business analysis, part of
the BOS-framework, where we used a comparative case study research because several
interrelated cases were scrutinized (Verschuren & Doorewaard, 2005). Additionally, we
investigated which of the six searching paths is applicable by running the first stage. In-depth
interviews with top executives of respective cases combined to public company
information was considered to be the most valuable data collection method (Lincoln
and Guba, 1985). Complementary, we collected secondary industry level-data from related
scientific articles to triangulate data to strengthen the quality of our findings (Yin,

The second stage of the empirical research comprises of a structured survey, to test
the BOS-tools, the FAF and the SBOS, by searching for the existence of an uncontested
market space. The survey can be specified as cross-sectional-research, because the
“material is gathered at a certain moment in time from one and the same group”
(Verschuren & Doorewaard, 2005). The data-set comprises of all companies active in the
EFVI. A probability-sampling design was conducted, which has the advantage that
random sampling is maximized (Verschuren & Doorewaard, 2005). The quantitative
questionnaire, including 25 seven point Likert-scale questions, was send to 299 EFVI-
companies. The realized response was 24 % indicating a response rate of eight percent.
Nevertheless, the response may be understood as sufficient, because it was not the
intention to get a representative opinion on the EFVI, but to learn whether the BOS-
framework is strong enough to identify uncontested market spaces in the EFVI. In the next
paragraph the results of the two stage research strategy are shown.

2 Results

We present the necessary findings on the prior described BOS-framework, with the ambition
to test the applicability. The strategic canvas with the old value curve derived on the
business analysis results and the new value curve based on the results of the FAF. The
applicable searching paths are highlighted as well. Finally, the new product – Youngfruit – is
presented and the results of the SBOS are shown.

3.1 Taken for granted business factors

The presented results base on the first research stage. To derive the taken granted business,
the interviewees were asked to assess their named taken for granted business factors on a
scale from 1 to 7 with 7 =“highly determined” and 1 “lowly determined” on the firm’s
business. In table 1 the five most frequently named taken for granted business factors are
presented: quality, logistic, price per kg, service and assortment. These are the parameters
on which the old value curve in figure 4 roots.
Table 1.
Evaluation of the prioritized taken for granted business factors.

<table>
<thead>
<tr>
<th>Cases</th>
<th>Business Factors</th>
<th>Quality</th>
<th>Logistic (JIT)</th>
<th>Price per kg</th>
<th>Service</th>
<th>Assortment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>6.5</td>
<td>5</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.5</td>
</tr>
<tr>
<td>5</td>
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<td>6</td>
<td>6.5</td>
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<td>6</td>
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<tr>
<td>6</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>average</td>
<td></td>
<td>6.3</td>
<td>6.2</td>
<td>6.6</td>
<td>4.3</td>
<td>5.8</td>
</tr>
</tbody>
</table>

3.2 Applicable searching paths

The business analysis on the SSPF turned out that four out of six paths are applicable to the EFVI. Table 2 shows the applicable searching paths. The first searching path “across alternative industries” is applicable to identify an uncontested market space. We established that at least one alternative to fruit and vegetables exists, sweeties. As at least two strategic groups must exists, the business analysis turned out that the identified strategic groups and their products deliver no basis to identify an uncontested market space by combining the products of the three identified strategic groups. All three strategic groups traded fruit and vegetables and the consumer were not capable to trace back the product to one of the three groups. Consequently, the second searching path, across strategic groups, does not lead to the identification of a Blue Ocean in the EFVI. The application of the third searching path, redefining the industry buyer groups, enabled to identify a yet not served consumer. The interviews turned out that the buyer group ‘children’ is not served at the moment. The possibility exists to derive an uncontested market space based on the third searching path. Children as new buyer group were identified beyond food processors and food services agencies. The new buyer group can be defined as the second group Kim and Mauborgne defined “Refusing non-customers who consciously choose against the current market”. Actually, the majority of children refuses fresh fruit and vegetables, but prefers sweeties. The application of the fourth searching path, looking across complementary products and services, is possible. The interviewees stated, give a ways, e.g. pictures of soccer stars, as a complementary product. Consequently, the possibility exists to derive an uncontested market space based on the fourth searching path, by combining fresh fruit and vegetables with give a ways, such as soccer star pictures.
Table 2.
Applicable searching paths to Fruit and Vegetables Industry.

<table>
<thead>
<tr>
<th>Searching paths</th>
<th>Applicable</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Looking across alternative industries</td>
<td>YES</td>
<td>Alternatives exist to satisfy the appetite – 5 out of 6 interviewees stated sweets for fresh fruit as substitute</td>
</tr>
<tr>
<td>Looking across strategic groups</td>
<td>NO</td>
<td>Only one strategic group exists. 6 out 6 interviewees agreed that the consumers can not trace back the product to a strategic group.</td>
</tr>
<tr>
<td>Redefining the industry buyer group</td>
<td>YES</td>
<td>New potential buyer groups exist. Children as new buyer group were named by 4 out of 6 interviewees.</td>
</tr>
<tr>
<td>Looking across complementary products and service offerings</td>
<td>YES</td>
<td>A huge number of complementary products and services exists, which can be added to fresh fruit, e.g. give a ways.</td>
</tr>
<tr>
<td>Rethink the functional and emotional appeal to buyer</td>
<td>NO</td>
<td>The interviewees stated that the orientation of the fruit and vegetable industry is both, functional and emotional.</td>
</tr>
<tr>
<td>Shaping external events</td>
<td>YES</td>
<td>Three trends (snack movement, healthy and low fat products, sustainable product) have the potential to derive an uncontested market space.</td>
</tr>
</tbody>
</table>

The fifth searching path, rethinking the functional and emotional appeal to buyers, does not lead to the identification of an uncontested market space, because the orientation of the industry is a mix of both functional, price and cost focus, and emotional, healthy food, orientation. Four out of six interviewees stated this circumstance. The sixth searching path, participation in shaping external events, suits the characteristics of the European FFVI. Several trends occur, some are already served by the industry, only one is not fully exploited, food snacks. Here the potential for deriving an uncontested market space exists. Consequently, the sixth searching path is applicable on the European EFVI. After running the business analysis on the SSPF, we can highlight that four out of six searching paths have the potential to lead to an uncontested market space.

3.3 Strategic canvas with new value curve

The new uncontested product – Youngfruit – is visualized by the new strategic canvas (figure 4). The old taken for granted business factors are illustrated by the grey line in figure 4, old value curve, in which the average scores of table 1 are used. The derived dashed line in figure 4 bases on the application of the FAF, which was included in the questionnaire in the second research stage. Based on the answers of the respondents the following business factors are eliminated, reduced, raised and created. In figure 3 the outcome of the FAF is presented.
Based on the question "Which of the factors that the industry takes for granted should be eliminated to enable the new business model – Youngfruit - ?", 9 out 14 respondents stated to eliminate “price per kg” and 11 out of 14 respondents would like to eliminate “assortment”. The answers to the question “What factors must be reduced or raised for setting up the new business - Youngfruit - ?” on a scale from 1 to 7, with 1 = “lowly determined” and 7 = “highly determined” for the new business, turn out the following results: quality (new average 5.69; old average 6.3), logistic (5.31, 6.2) and service (5.19, 4.33).

To derive the business factors which should be created, the respondent received a list of possible new business factors in combination with this questions “Which factors should be created that the industry has never offered to be successful in the new business?”. Based on the most frequently answers, the main characteristics of the new value curve were derived right bite-size (12 out of 14), attractive packaging (14 out of 15), bonus system (14 out of 14), new POS (9 out 14) and selling price per piece (14 out of 15). The value of 7 on the y-axis was reached by 100% overlap between yes-answers and the number of respondents (e.g. 14 out of 14).
3.4 Sequence of the BOS

The characteristics of Youngfruit are defined by the previous steps. Now the SBOS is used to analyze whether Youngfruit is a viable Blue Ocean idea. Youngfruit is assessed on buyer utility, price, cost and organizational adoption, to properly align the whole business system (Kim & Mauborgne, 2005a). On buyer utility, the respondents state (7-point scale) that Youngfruit has exceptional buyer utility (average: 5.93). The respondents also suggest to select a price slightly higher than the comparable product sweeties, which is accessible to the targeted buyers (5.64). Further, the respondents assessed Youngfruit as profitable (5.69). Finally, the adoption hurdles in realizing the proposition can be overcome (5.55). It can be concluded that the four conditions in the SBOS can be satisfied confirming that the new product is a commercially viable Blue Ocean-idea, because the previous means are above 5.5. Further, the assessment indicates that the product can be characterized as a value innovation. The uncontested market space ‘Youngfruit’, derived by the SSPF, and the characteristics of the value proposition, identified by the FAF, may lead to a new product for the new buyer group, namely children and teenagers. Additionally, sixteen respondents assessed the potential to reach competitive advantage by implementing business models related to the business proposition related to ‘Youngfruit’. The respondents state it has a ‘high potential’ for a competitive advantage, with a mean of 2.00 on a 5 point scale (1 = very high potential 5 = very low potential), and a standard deviation of 1.1.

Based on our findings we can answer our research question “Does the ex-ante application of the Blue Ocean Strategy (BOS)-framework support the identification of uncontested market space in the European Fruit and Vegetables Industry?” with yes. Consequently, Kim’s and Mauborgne’s hypothesis “in any industry, no matter how competitive it is, a company can create a Blue Ocean of uncontested market space” can be confirmed. Nevertheless, there are few a discussion points we would like to introduce to you.

4 Discussion

The application of the encompassing BOS-framework enables us, on the first view, to derive at least a new product with new features. However, this new features lead to a value proposition. It promotes the consumption of fruit targeted to children and teenagers. The SBOS confirmed that our derived uncontested market space – Youngfruit – is a viable Blue Ocean. Nevertheless, the application of the BOS-framework has weakness as well as strength. Strengths and weaknesses are shown in table 3.

BOS has at least two clear strengths to be mentioned. First, BOS-framework supports thinking beyond industries routines and taken for granted business understanding, to reinvent industry life cycles. Second, the BOS-framework enables to derive a new product or service with new features targeted to a new buyer group. The available tools facilitate the ex ante derivation of a new service and market, for example in the seemingly saturated FMCG-market.
<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOS supports thinking beyond industries routines and taken for granted business understanding, to reinvent industry life cycles.</td>
<td>At least two searching paths must be applied to derive an uncontested market space.</td>
</tr>
<tr>
<td>The tools brought together in the BOS-framework enables to derive a new product or service.</td>
<td>Only the application of the first searching will not lead to an uncontested market space.</td>
</tr>
</tbody>
</table>

Turning the view to the weaknesses, we see there some potential to strengthen and to detail the original BOS-tools. Regarding the SSPF, it seems, first, questionable whether the first searching path, i.e. across alternative industries, makes the competition irrelevant. Turning to the case of Youngfruit, by combining a comparable product (i.e. sweeties) with the already sold product (i.e. fresh fruit), one links the new product to existing products. Youngfruit runs into competition with both an existing product and a comparable product. In comparison, targeting the new product to a new buyer group (path two) more directly entails the potential to find a new market. The second weakness concerns that deploying one searching paths in isolation will hardly enable the derivation of an uncontested market space. Additionally, the necessity of combining at least two paths arose. The incentive to combine the most efficient attributes of two alternative industries goes hand in hand to satisfy a yet untapped demand.

Furthermore, the FAF seems to overemphasize the taken for granted business factors in determining the characteristics of a product which the industry has never offered before. The application of the current FAF seems to promote innovations close to the already existing products. In the case of taken for granted business factors, it should be distinguished between taken for granted factors concerning the product or service and the industry. In the FMCG-industry we identified, that there is a huge difference between industry and product factors, which is different from automobile industry.

Finally, the SBOS emphasizes the necessity to overcome adoption hurdles. This contradicts Kim’s and Mauborgne’s claim - strategy shapes industry structure - (Kim and Mauborgne, 2009). Therefore, adoption hurdles should not prevent or hamper the identification of a viable BOS-idea.

Apart from these weaknesses we would like to state that the linkage between uncontested market space and value innovation should be re-assessed. Marketing a new product under low cost pressure is only necessary in saturated markets. But then the derived product is not an uncontested market. One will agree, however, that differentiation relates to competition with an existing product or service, which should be irrelevant with a value innovation. Moreover, a strong value innovation for customers can make cost-cutting
irrelevant. The BOS and the value innovation do not need to lower costs, but it should result in a vision on an uncontested market space and a viable value proposition.

For further validation of BOS it is important to investigate the ex-ante application of the BOS on other FMCG markets, for example on meat and milk. Of interest is whether the hypothesis of Kim and Mauborgne “in any industry, no matter how competitive it is, a company can create a Blue Ocean of uncontested market space” holds true in other FMCG markets too.

References


