# Table of Contents

Abstract..................................................................................................................................page 4

Thesis......................................................................................................................................page 5

Delimitation.............................................................................................................................page 6

The basics................................................................................................................................page 7

The analytical tools and frameworks.....................................................................................page 7
  *Sustainable corporate growth* ................................................................................................page 11

Similarities...............................................................................................................................page 12

What does the reality look like?..............................................................................................page 17

The Analysis.............................................................................................................................page 20
  *No. 1 - Danske Commodities A/S.* ....................................................................................page 21
  *No. 2 - Scandinavian Medhelp A/S.* ..................................................................................page 23
  *No. 3 - Bakkebjerg Entreprenørselskab ApS.* .................................................................page 27
  *No. 4 - Medicotrust A/S.* ....................................................................................................page 28
  *No. 5 - Alfapeople.* ................................................................................................................page 29
  *No. 6 - Grunsen Equipment.* ...............................................................................................page 31
  *No. 7 - Airtjek ApS.* ................................................................................................................page 33
  *No. 8 - Bs Studio A/S.* ............................................................................................................page 37
  *No. 9 - Joe & The Juice A/S.* ...............................................................................................page 38
  *No. 10 - Belle Balance A/S.* ...............................................................................................page 41

Summing up the analysis........................................................................................................page 43

Additional thoughts on Blue Ocean Strategy.........................................................................page 46
Conclusion.......................................................................................................page 48

Appendix A.....................................................................................................page 51

Bibliography.....................................................................................................page 52
Abstract

The paper investigates the prevalence and ingenuity of W. Chan Kim and Renée Mauborgne’s *Blue Ocean Strategy*. Studying the tools and frameworks put forward in the theory as well as applying them in practice carry this out. In particular, the mindset of the theory is compared to existing scholars such as Michael E. Porter, Theodore Levitt and Igor Ansoff. This comparison reveals that Kim and Mauborgne’s theory resembles many of the existing viewpoints within strategy and marketing. For instance, a study of Levitt’s *Marketing Myopia* from 1960 (republished in 1975) reveals that the whole principle of looking across industries in the search for growth had been pointed to before, 45 years before Blue Ocean Strategy.

The analyses of the top 10 Gazelle companies as of 2009 make it apparent that true blue oceans are hard to come by. Many of the analyzed companies show traces of Blue Ocean Strategy but only one company, Belle Balance, meets all of Kim & Mauborgne’s exact requirements of a blue ocean. The remaining companies all face competition (at a varying level) or fail to meet the requirements of *value innovation*, which is the corner stone of Blue Ocean Strategy.

By trying to apply traditional theories it is found that a common denominator for 9 out the 10 growth companies is that of specialization and employing a market-nicher strategy. The market-nicher strategy in particular proves to share similarities with Blue Ocean Strategy in the sense that both strategies have *avoiding competitors* as an objective. Furthermore, both strategies emphasize delivering higher value as well as reducing costs.

Blue Ocean Strategy is also found to be too focused on product design and positioning, thus leaving out important factors such as distribution, creating awareness of the product and the effect of a strong brand image.

The final verdict over Blue Ocean Strategy is that the resemblance with existing theory makes the ingenuity of the theory highly questionable. Furthermore, the fact that the strategy is not dominating among the top10 growing Danish companies
supports the conclusion that existing theory is still prevalent and that Blue Ocean Strategy is not as applicable as the authors like to think. This leads to the statement that the theory is a description of how success has been achieved historically and not a prescription on how to achieve it today.

**Thesis**

This paper will make an account for the main principles of Blue Ocean Strategy as put forward by Kim & Mauborgne in their 2005 book, *Blue Ocean Strategy*. The strategy’s promises of providing tools and frameworks for creating sustainable competitive advantages to companies, and thus also create opportunities for sustainable growth, will be tested in order to help identify the theory as either a mere description of how success has been achieved or an actual prescription for how to do it. This will also serve the purpose of identifying if Blue Ocean strategy is prevalent among companies that outperform the market.

The testing of the applicability of Blue Ocean Strategy in practice will be carried out by examining a number of companies that have shown superior growth rates over a prolonged period of time. The time constraint is added to ensure that the companies fit under the category as having sustainable growth. Børsen’s list of Gazelles is thought to be suitable for this analysis because of the list’s requirements for accrediting a company the Gazelle award.

Due to Blue Ocean Strategy’s resemblance with already existing theories and principles it will also be examined as to what degree Kim & Mauborgne’s theory brings to light any new knowledge that scholars within strategy and marketing not already have pointed out. The degree to which existing theory can be used as a substitute for Blue Ocean Strategy, thus proving the similarity, will be investigated by applying the existing theories to the same cases as those used for the analysis of the prevalence Blue Ocean Strategy.
The analyses’ results of applying the tools and frameworks of Kim & Mauborgne as well as the traditional theories will be evaluated/discussed and potential shortcomings and advantages of the Blue Ocean theory will be considered.

Finally, the findings will be summed up and reflected upon in order to provide a solid statement regarding the verdict over the applicability, prevalence and ingenuity of Blue Ocean Strategy.

**Delimitation**

Børsen’s Gazelle companies have been chosen for the examination of Blue Ocean Strategy’s presence among superiorly performing companies. It is desirable to examine larger companies as well because the Gazelles tend to be small to medium sized companies with 1-100 employees. However, this has been found too extensive for the analysis.

Furthermore, the paper will only be testing the prevalence of the strategic tools and frameworks put forward by Kim & Mauborgne, and not so much the use of their guidelines for motivating employees and successfully implementing strategies. This would require a different study with the primary focus on the organizational behaviour and culture, which again is found to extensive.
The basics

The philosophy of Blue Ocean Strategy is for companies to break free from the everlasting competition in contested markets by creating new market space - creating blue oceans.

A blue ocean is a situation where a company has reached a state where their product is so distinct from that of usual competitors, with respect to features, that the actions of these competitors become irrelevant because they no longer target the same markets/segments. Thus, instead of fighting for existing demand in the red oceans, where competitor benchmarking is the standard strategy, a blue ocean is achieved by creating new demand via a set of principles, analytical tools and frameworks that all focus on reshaping the traditional products in a way that targets non-users and thus creates new demand instead of competing for existing demand.

In the following section some of the most essential tools for creating blue oceans will be presented and described in order to give a clear picture of mindset behind Blue Ocean Strategy (Kim & Mauborgne 2005: preface x-xi).

The analytical tools and frameworks

Kim & Mauborgne’s Blue Ocean theory is based on analyzing strategic moves and their effects rather than analyzing company or industry performance. During their research it was found that successful strategic moves had a focus on something that Kim & Mauborgne call value innovation. This approach to strategy combines value creation and innovation by redefining a product or service in a way that creates incremental value sufficient to make the provider stand out in the marketplace, and thus achieve a blue ocean.
As shown in the above figure, successful value innovation should be created in such a way that a company’s actions favourably affect both the cost structure of the company as well as the value proposition offered to buyers. Thus, a successful Blue Ocean Strategy would decrease the costs incurred by the producer while simultaneously increasing the perceived value by the target consumers.

This is basically the same as saying that companies should pursue both a low-cost and a differentiation strategy at the same time. Kim & Mauborgne emphasize the fact that this approach goes against a commonly accepted dictum of choosing side between Porter’s generic strategies; cost-leadership or differentiation (Kim & Mauborgne 2005: 10-16).

The starting point of Blue Ocean Strategy is to analyze and compare the positioning of the company compared to competitors based on a set of common industry factors. Something companies have been doing for ages – the twist that Kim & Mauborgne argues to have added is that this information should be used to move away from competition instead of trying to match competitors.

For this purpose Kim & Mauborgne introduce the Strategy Canvas, which is a chart showing relevant industry factors on the x-axis and factor emphasis on the y-axis. This is meant as a tool for management to visualize how the current strategy converges or diverges from that of major competitors.

The goal is divergence from competitors because it shows a shift from reactive to proactive strategy. The key is to stop following the industry and stop focusing on current costumers, and shift to alternatives and non-costumers, and thus capture elements of buyer value across different industries (Kim & Mauborgne 2005: 28).
The strategy canvas also yields information concerning a company’s current performance such as if the company is over-delivering (compared to competitors) without the (expected) corresponding payoff or simply has an incoherent strategy, appearing as a significantly shifted line and a zigzagging line respectively.

Next step is to decide how to combine the different elements of buyer value in a way that both reduces the cost of providing the product and enhance the value proposition. This is done with the help of the *Four Actions Framework*;

1. Which of the factors taken for granted by the industry should be eliminated?
2. Which of the factors should be reduced?
3. Which of the factors should be raised well above the industry standard?
4. What new factors never offered by the industry should be created?

The first two questions are the sources to changing the cost structure whereas the latter two are those that will increase buyer value and create new demand – the right combination of these four steps is exactly what is needed for value innovation.

In order to push the management team to go from question to action the authors propose that the appropriate factors, found using the *four actions framework*, should be placed in an *Eliminate-Reduce-Raise-Create Grid*.

<table>
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<tr>
<th>Eliminate</th>
<th>Raise</th>
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<td>Reduce</td>
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The grid is supposed to be easily understood by management due to the very visual approach, and to be empowering the process of going from a value/cost trade-off to a state of pursuing both differentiation and low costs simultaneously. It also reveals if a company has too much emphasis on raising and creating factors, and thus faces the risk of over-engineering products and services with a “diminishing
return”-relationship between cost and buyers’ actual perceived value as a consequence (Kim & Mauborgne 2005: 29-36).

The Six Paths framework (Kim Mauborgne 2005: Chapter 3) is set of approaches aiming at reconstructing/redefining market boundaries. This framework encourages management to look at familiar data from a new perspective in order to break free from traditional assumptions underlying most red ocean strategies (See appendix A). Kim & Mauborgne claim that this framework has

“...general applicability across industry sectors and they lead companies into the corridor of commercially viable blue ocean ideas.” (Kim & Mauborgne 2005: 47-48)

These new perspectives include:

1. Looking across industry boundaries, such as seeing market growth and profitability of other industries with different functions but same objectives as potential markets.

2. Looking across strategic groups within an industry is seen as a way of breaking free of the traditional pattern – e.g. by combining the characteristics of family cars with those of luxury sports cars such as Porsche has done it with both Cayenne and the new Panamera (www.porsche.com).

3. Looking across the chain of buyers by questioning whom to target when designing the product. For instance, traditionally pharmaceutical companies have been focusing on meeting the requirements of Doctors because they are the key influencers with respect to medicine. However, Novo Nordisk changed this focus to the patients when they introduced the NovoPen, designed to ease the task of injecting the insulin (vials had been the standard so far) thus creating a blue ocean for themselves.

4. Looking across complementary products and service offerings – for instance it might be profitable for cinemas to provide childcare for parents who want to go to the movies.
5. There exist standards within an industry as to whether the appeal to customers is based on emotional or functional aspects. Breaking free from this pattern can be a potential gateway for companies to reach new and unclaimed markets. For instance, emotional industries such as that for hairdressing has a lot of add-ons such as tea/coffee, conversational act, shoulder-rubs etc. that all increases the price without increasing the functionality, the haircut itself. QB House (www.qbhouse.com) reached the unclaimed market for people with little time on their hands that just needed a haircut without all the extras. By stripping away all the unnecessary features QB House was able to deliver the same high-quality haircut for a lower price because of the lower-cost business model. At the same time this new business model also offered higher value to those that disregard the add-ons (Mauborgne & Kim 2005: 71).

6. The last path has to do with finding trajectories over time with respect to trends. Instead of passively adjusting incrementally to a new trend the key to success is to look across time a see where the trend is moving such as apple did it in 2003 with the launch of iTunes, which shows a clear trajectory with respect to the trend of mp3 players and digitalisation of music.

**Sustainable corporate growth**

Blue Ocean Strategy presents several tools for formulating and implementing strategies that will secure continuous growth, also in the future. Examples are the **Pioneer-Migrator-Settler (PMS) Map** and the **4 steps of visualizing strategy**.

The three components of the **PMS map** are identified as

- **Pioneer**: Sub-business units within a company that deliver unprecedented value, which are the most powerful sources of profitability. These units are actual blue oceans that show a value curve on the strategy canvas that diverges from rivals.

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1. A walkthrough of the how to use the tools presented in Kim & Mauborne’s Blue Ocean Strategy
• Migrator: Offers improved, but not innovative, value by offering more for less and thus extending the value curve of the industry. These businesses have strategies that fall between the margin of red and blue oceans.

• Settler: These businesses have value curves conforming to that of the industry and are therefore caught in the red ocean’s cycle of competition through imitation. Considered as the units that contributes the least (if at all) to a company’s overall profitability.

The purpose is to map the current portfolio of PMSs and the planned portfolio of PMSs. A PMS map showing an overweight of settlers in the future suggests a company caught in a red ocean. Of course, the ideal scenario is to have a planned portfolio with an overweight of pioneers. A map showing a planned portfolio with many migrators implies great potential for further development towards blue oceans – but also the risk of succumbing to industry practices, which in the end may lead to settler status (Kim & Mauborgne 2005: 84-96).

The book by Kim & Mauborgne contains many more solutions, tools and frameworks for management to succeed in creating blue oceans, but the ones above give a good picture of the general approach of Blue Ocean Strategy to strategic decision-making. Blue Ocean Strategy also contains guidelines on how to successfully implement changes in the organization but these will not be considered since this paper only concerns the prevalence of the actual strategy among growth companies, and not so much the steps of implementing it throughout the organization.

**Similarities**

The acknowledgements of Blue Ocean Strategy clearly speak in favour of the theory as a very useful blueprint for management to follow in the search for profits www.blueoceanstrategy.com. However, one can question if it is a breakthrough within decision-making or a mere summary of existing theories.
As mentioned earlier, one of the main forces of a blue ocean is that it combines Michael Porter’s two generic strategies: differentiation and cost-leadership. This is in itself a valid point. However, it is not new knowledge that companies can achieve superior profits by following such strategy. Although Porter originally argued that a company needed to pursue either of his generic strategies in order to outperform the market, then he revised this position in the article *Towards Dynamic Theories of Strategy* that was published in 1991. In this article Porter states that

“All competitive advantages can be divided into two basic types: lower cost than rivals, or the ability to differentiate and command a premium price that exceeds the extra cost of doing so. Any superior performing firm has achieved one type of advantage, the other, or both.” (Porter 1991: pg. 101)

This statement is clear evidence that the idea of combining sources of advantage is not new to the scholars of strategy. However, it must be noted that Kim & Mauborgne think of the combination of generic strategies as being the only strategy that actually yields superior performance - a point of view, which must be acknowledged to differ from that of Porter.

Another point made Kim and Mauborgne is that of avoiding imitation-races as captured by the *strategy canvas*. This, however, is not completely new either as Porter in the same 1991-article also points to the fact that “imitation almost ensures a lack of competitive advantage and hence mediocre performance” (Porter 1991: pg. 102) and thus argues that part of being a superior performing firm is due to having taken a position distinct from its rivals.

Back in 1957 Igor Ansoff coined his *Product-Market Expansion Grid* (Ansoff 1957), which identifies two general strategies with four underlying ways of achieving growth. The general strategies are intensive growth and growth through diversification.
The strategy of particular interest is diversification via introduction of a new product to a new market. This growth methodology is similar to a blue ocean with respect to remodelling a current product (create a new product) in order to reach an uncontested market (new market). Of course the difference is that Blue Ocean Strategy only allows companies to move into markets that have not been served by anyone before.

Another feature of Blue Ocean Strategy is that of redefining industry boundaries by not only looking within current products’ function or form but instead see it from a broader perspective; objective of the products & services. E.g. theatres and restaurants have different forms and functions (eating and conversational setting Vs visual entertainment) but serve the same objective of having a fun night out.

Theodore Levitt already discovered this dilemma, and thus opportunity, in the article Marketing Myopia from 1960. The article deals with managements’ “nearsightedness”, hence the name, with respect to foreseeing and imagining potential threats and opportunities to corporate growth. As Levitt puts it:

“It is impossible to mention a single major industry that did not at one time qualify for the magic appellation of “growth industry.” In each case its assumed strength lay in the apparently unchallenged superiority of its product. There appeared to be no substitutes for it. It was itself a runaway substitute for the product it so triumphantly replaced. Yet one after another of these celebrated industries has come under a shadow” (Levitt 1975: 3)
Although not completely identical to the thoughts of Kim & Mauborgne, it shares the mindset that by sticking to the usual procedures of developing on existing products for an existing market (similar to competing head-to-head in red oceans) one will eventually end up in an industry with declining margins.

Levitt uses the railroad industry as an example of companies that defined themselves as operating only in the railroad business and not in a broader sense such as that of transportation. With the technological evolution these companies turned out to be operating in a stagnating industry due to their disadvantage compared to the flexibility of trucks/cars and the speed of airplanes. As Levitt notes, it was not because the demand for transportation fell; the ever-growing demand for transportation was merely filled by others (Levitt 1975: 2).

The key point from this is that long before Kim & Mauborgne others have acknowledged the need for management to be foresighted, and that looking beyond immediate competitors\(^2\) is imperative in order to identify potential threats, and hence also growth opportunities.

The *PMS map* presented by Kim & Mauborgne shares some similarities with the dilemma of the strategic planning gap (Kotler & Keller 2009: pp 85), which is a graph showing the current sales based on the current portfolio and the desired sales, often with a gap between the desired level and the achievable level.

The strategic planning gap presented in Kotler & Keller’s *Marketing Management* from 2009 also depicts three different ways to go from the current achievable level to the desired level, and thus close the gap, are presented; intensive growth, integrative growth and diversification growth. The intensive as well as the diversification growth are both captured by Ansoff’s *Product-Market Expansion*, which explains the different steps management can take to achieve the two of the growth types. Market penetration, market development and product development represent the intensive growth while *Diversification strategy* covers growth via diversifying operations by introducing new products to new markets. The last type of growth, integrative, is done by either expanding up or down in the value chain (vertical growth) or by buying up competitors (horizontal growth).

\(^2\) Products or services of same form or function
The classification used in the *PMS Map* also seems familiar due to its resemblance with the *Boston Consulting Group matrix* introduced in 1968 by Bruce Henderson, which has *stars, cash cows, question marks* and *dogs* as its components (Hax & Majluf 1983).

In the *PMS map* the *star* and the *cash cow* have been merged into one, *the pioneer*, and then the *dog* is the *settler* and the *Question mark* is the *migrator* with the potential of both *settler (dog)* and *pioneer (cash cow & star)*. Besides this small difference the message is the same; base the portfolio on stars that can turn into cash cows, try and make the question marks intro stars by heavy investment or divest in order to minimize the amount of dogs.

In spite of the above, then the *strategy canvas, Eliminate-Reduce-Raise>Create Grid* etc. may still be considered good, useful and innovative tools for management because of the very visual (e.g. *4 steps of visualizing*) and hands-on approach, and thus ability to make the factors that affect growth opportunities more tangible to stakeholders throughout the organization – something which is considered to be a crucial factor for successful implementation of strategies (Platts & Hua Tan 2004).

In the following section the applicability and prevalence of blue ocean strategy in reality will be tested by applying some of the tools on a number of real life cases chosen from Børsen’s 2009 list of Gazelles.
What does the reality look like?

In order to present the theory behind blue oceans in practice Kim and Mauborgne make use of numerous successful cases (*Southwest Airlines*, *yellow tail* and *Cirque du Soleil*) of applied Blue Ocean Strategy. It can be questioned if these cases are mere descriptions of how superior performance has been achieved in the past or if Kim & Mauborgne’s theory in fact is a prescription of how it can be achieved in the future.

The purpose is of this section is therefore investigate to what extent blue oceans exist in reality by making use of companies that have been awarded Børsen’s *Gazelle* accreditation.

The *Gazelle* accreditation is given to companies based on the following criteria ([www.børsen.dk](http://www.børsen.dk)):

- A company must be qualified to be classified as *reference company*
  - Ltd., private company or a financial institution
  - Growth
    - If growth is measured from turnover then a prerequisite is that the company has a turnover of at least 1 million danish kroner in the first financial year.
    - If measured according to gross income the prerequisite is a gross margin of at least 0,5 million danish kroner in the first financial year
  - Financial statements
    - A minimum of 4 financial statements is required
    - Each financial statement must be of a 12-month period
- Classification as a *growth company*
  - Must meet the requirements for a *reference company*
  - Achieve growth in gross income/turnover in each financial year
  - The sum of the primary results must be positive
- Classification as a *Gazelle*
  - Must meet the requirements of a *growth company*
Double (at the minimum) the growth in gross income/turnover over a 4-year period

Based on the above it must be argued that a Gazelle company must be considered to be performing above par, and that they have been doing so for a prolonged period of time. The points of interest are if there can be found to be a common denominator for the companies presenting exceptional financial statements, and if there can be shown to be a link between these (potential) commonalities and the principles of Blue Ocean Strategy.

Number of Gazelles from 1995-2009, www.borsen.dk
A look at the overview of the number of Danish Gazelles reveals that over the past 15 years the number of gazelles has more than tripled from 682 in 1995 to 2139 in 2009, although the latest count shows a decline of 336 from 2008 to 2009. It also should be noted that the number of gazelles has remained at a steady level around 700-1000 the first 10 years, and that there is a dramatic increase from 2006 and onwards. Keeping in mind that Blue Ocean Strategy was published in 2005 then the immediate reaction would be that it is interesting that the number of exceptional performers started to increase the following year, and that within 2 years the number had increased by more than 100%. However, it should be remembered that in order for a company to qualify as a gazelle it must have a record of at least 4 years of growth. E.g. a 2006-gazelle must have had positive growth starting in 2002 due to Børsens requirements for a growth company. Therefore, it is interesting to take a look at the number of growth companies to see if there are any noticeable differences between the number of gazelles and growth companies during the period from 2001-2009 – and hence also reason to believe that the publishing of the book has given a boost to growth rates.

The number growth companies and gazelles follow a very similar pattern, which means that it there is no evidence to infer that a the publishing of Blue Ocean Strategy
in fact has caused a jump in the number of companies going from the status as growth company to that of a Gazelle.
Also, there might be other factors affecting the increase in gazelles, such as the prosperous state of the economy as a whole during the past decade (www.statistikbanken.dk, data: NATK01), which also explains why the most recent number of gazelles has declined with the coming of the financial crisis in 2008.
Another factor is the last decades advance of the Internet and the use of web as sales portal and showroom, which has made it easier to start up companies because of a lower initial investment.

It is worth noticing that Børsen argues that there is reason to believe that there are a number of companies that are able to maintain high growth irrespective of the general state of the market due to their capabilities within knowledge and innovation (Gazelle Report 2009: 10)

By analyzing the top 10 (ranked according to % growth of turnover) gazelle companies for 2009 it will be illustrated whether there is evidence to backup Børsen’s statement regarding innovation, as well as determining the prevalence of Blue Ocean Strategy versus traditional strategy.

The Analysis

The analysis of each Gazelle will consist of a short description of the company, the product, the competitors and the general conditions of the market. This will be followed by a section investigation the applicability of blue ocean strategy and a section investigating the applicability of traditional theories and principles. A sub-conclusion to each company will also be conducted in order to improve the overview before the final summary and discussion based on the findings across the 10 analyzed companies.
No. 1 - Danske Commodities A/S

Description of the Company
Danske Commodities operates on the market for energy, which includes electricity and gas. They also offer their expertise with respect to doing business on the energy exchange by consulting both companies and suppliers of electricity and by buying and selling energy futures contracts (www.danskecommodities.dk).

A directive, dating back to 1999, to liberalize the market for electricity among EU member states was the starting point for this relatively new market.

The market leader, EnergiDanmark, provides products and services much similar to those of Danske Commodities (www.energidanmark.dk).

Application of Blue Ocean Theory
The market for trade of energy does not have any characteristics that fit to the description of a blue ocean because the final product is still electricity. The thing that has changed is the way that these companies get a hold of this product and not the product itself. The trade with energy has opened up for competition and thus also lower prices.

Even when Danske Commodities was the only player on the Danish market to specialize in trade with energy it would not have been characterized as a blue ocean but merely as a company with a new technology. They would still have to compete with existing providers of energy. The development in the legislation was just an enabler for them to lower their “production” costs.

Danske Commodities does achieve higher value for its costumers due to their ability to provide potentially lower costs on energy qua their expertise. The company has also managed to change the cost-structure but it is questionable if the increased value delivered to costumers is enough to make them stand out in the market place for energy. Therefore they do not deliver value innovation the sense of Kim & Mauborgne; Danske Commodities have increased the emphasis on keeping the price low but they have not invented anything new that significantly distinguishes them from competitors such as EnergiDanmark. Thus, Danske Commodities is the in situation that Kim & Mauborgne defines as over delivering (Kim & Mauborgne 2005: pp.43).
Application of Traditional Theories

It is not by redefining the market through innovative products that the no. 1 Gazelle in 2009 has achieved its growth. According to the company founder, Henrik Lind, the growth can be ascribed to the way that Danske Commodities is obtaining the assets that is innovative; they treat the buying and selling of energy in the same manner as stocks and bonds. If they have an order on energy then they buy it on the energy exchange rather than buying it directly from the power plant. The way it is decided when and where to buy is based on highly advanced analysis through specially tailored cutting-edge IT-systems (Børsen Online 2009: Gazellevinder tjente 13 millioner pr. ansat. September 18th)

They have therefore managed to change the cost structure by not needing to have its own power plants nor rely on the supply inside Denmark.

The company utilizes their expertise and turns it into revenue by also trading with futures contracts on electricity where they really can leverage their knowledge of the energy market, and achieve highly potent payoffs.

A traditional strategy could be a niche-strategy as defined by Kotler & Keller (Kotler & Keller 2009: pp. 352); Highly profitable but with a low market-share due to ability to offer high value, charge premium price while also cutting cost due to specialization (learning curves). This description fits Danske Commodities in the sense that they offer high value with respect to consulting due to their high level of expertise in the trading energy.

The low-cost aspect is evident since the energy-trading industry per definition does not involve many costs once the knowledge and expertise has been obtained because the “production” does not require any inputs other than labour hours.

An acknowledged principle is that of the first-mover advantage, which is somewhat like a short-lived version of a blue ocean in the sense that first-movers enjoy the privilege of being the (one of the) only player on the market. However, if it turns out that the market is profitable then competitors are bound to appear sooner or later.

Going for the first-mover advantage is also stated as part of Danske Commodities company values (www.danskecommodities.dk)
Sub-conclusion
Danske Commodities have changed the standards of how to provide energy but the final product has not changed when compared to the traditional providers. Therefore the company does not qualify for employing Blue Ocean Strategy. They do however employ a number of known theories such as market-nicher strategy and benefiting from being a first-mover. The fact that they still would have to compete with the traditional providers of energy (such as power plants) even though they were the first in the market for energy trade explains why they did not enjoy a blue ocean.

No 2. – Scandinavian Medhelp A/S (now known as Agito.org)

Description of The Company
Scandinavian Medhelp/Agito is a recruiting company that has specialized in finding substitutes (Swedish substitutes in particular) for hospitals in need of doctors and nurses for a short or longer period. CEO, Carsten Vingaard, characterizes the company as to do business within headhunting and booking (Børsen 2009: Vinder igen – Nu i hovedstaden. Investor, 25. september, pp. 20).

Agito has its main source of substitutes from Sweden. Technically the Hospitals themselves could hire foreign substitutes for vacant positions. However, the process of hiring substitutes gets more administrative and bureaucratic as soon as a substitute no longer holds a Danish degree. Agito is founded on the belief that hospitals should focus on their core competences, curing people, and let others handle the administrative work related to the process of hiring temporary employees.
Another core competence of Agito is to correctly match substitutes and hospitals with each other, which is an important factor for hospitals because choosing “the right man for the job” the first time reduces the complications associated with successfully incorporating a new member into the organisational culture (Børsen 2009: Vinder igen – Nu i hovedstaden. Investor, 25. september, pp. 20).

Agito is among others competing against another top10 Gazelle, MedicoTrust, and the company is therefore not alone on the market of providing substitutes for medical institutions.

Application of Blue Ocean Theory

Agito does not qualify as to be operating in a blue ocean (at least not in the strict sense) because the company is facing competitors that provide the exact same product as they do. Therefore Agito cannot claim to be in a situation where competitors are irrelevant.

If the product is defined as “filling vacant positions with respect to medical staff” then the industry standard has been set by the hospitals because they have been in charge of the hiring so far.

The industry standard/best practice of the hospitals compared to the course of action for Agito is illustrated by plugging the following attributes into the strategy canvas.

• Speed of filling vacancies
  o The time from facing understaffing and to the point that a substitute is found?

• Match with organisation
  o How well does the substitute fit into the organisational culture, type of work (E.R., paediatrics etc.).

• Low-cost solution
  o Focus on finding best substitutes at the lowest cost.

• Administrative workload (for the hospital staff)
  o How much time does the hospital staff have to spend on administrative tasks in connection to hiring of a substitute.
From the *Strategy Canvas* it is clear that Agito has changed the way that the service is provided and used. Agito has reduced, if not eliminated, the administrative burden of the medical staff while increased the match between substitute and organisation. The total cost of hiring a substitute has also been decreased with the decrease in the administrative burden because the medical staff can direct attention towards other tasks instead. It must be assumed that filling the vacant position fast must be of high importance, which is the only factor that is assumed to remain the same.

Plugging the information into the *four actions framework*:

1. **Q:** Which of the factors taken for granted by the industry should be eliminated?
   **A:** That the hospitals themselves should be responsible for sorting out the administrative tasks related to hiring a substitute.

2. **Q:** Which of the factors should be reduced?
   **A:** The cost, represented by the high placement on *Low-cost solution*
3. Q: Which of the factors should be raised well above the industry standard?
   A: The match between substitute and organization

4. Q: What new factors never offered by the industry should be created?
   A: There is not really any new factors associated with hiring a substitute.

Because Agito has not created any new factors that make the company stand out in the market place they have not quite managed to fulfil all the requirements for a blue ocean.

However, by re-defining Hospitals’ standards of how to find substitutes Agito has spotted and taken advantage of the linkage between the general lack of medical staff in Denmark\(^3\) and the fact about 50% of the medical staff’s time is spent on administrative tasks\(^4\).

Furthermore it must be argued (which is also evident from the strategy canvas) that the new product provided by Agito is radically different from the traditional expectations. Agito has focused on increasing the match between hospital and substitute, and therefore changed the value proposition offered to the clients.

However, it is hard to tell whether they have changed the cost-structure. Two things do point in the direction that Agito have lower costs than a Hospital would have; Agito is specialized in finding the best substitutes and therefore the whole process is basically “automated” because it is business as usual. A doctor or another hospital official on the other hand does not have much experience finding substitutes and the time spent finding a substitute must be argued to be longer. Also, the primary focus might be put on finding a substitute and not so much the cost.

**Application of Traditional Theory**

As it was the case with Danske Commodities one can use first-mover advantage/early entry as one of the keys to success because the service of providing substitutes for medicinal institutions is a new market that until recently has been handled by the hospitals themselves.

\(^3\) [http://nyhedsarkiv.aau.dk/vis+nyhed/4027274](http://nyhedsarkiv.aau.dk/vis+nyhed/4027274)

It must be argued that a market-nicher strategy also would be an appropriate way to define the strategy Agito has employed to achieve success because finding substitutes for hospitals must be considered to be a sub-segment of the entire market for providing substitutes. Furthermore, as it was shown the “blue ocean”-section above, this specialist role must arguably have enabled the company to achieve low costs.

**Sub-conclusion**

To conclude then it can be said that Agito does face competition but that they initially have managed to change the industry standard in a way that achieves a certain degree of value innovation, which might indicate a market that initially was a blue ocean but now is about to turn red. The assumption that the ocean is turning red is supported by the fact that the market for hospital personnel and substitutes has two representatives in the top5 growth companies in Denmark, indicating a booming market. What is described as an initial Blue Ocean in this case could also be described as the follows of first-mover advantage.

**No. 3 – Bakkebjerg Entreprenørselskab ApS**

It has not been possible to find sufficient information on this company – all that is known is that it is a construction company that is achieving low cost by mainly employing workers from the Baltic countries.

**No. 4 – Medicotrust A/S**

The analysis of Medicotrust is very similar to that of Atigo/Scandinavian Medhelp because they operate in the same market, competing for the same costumers. The strategy canvas for Medicotrust would more or less look the same. The main difference between Medicotrust and Atigo is that the former also operates abroad whereas the latter only operates in Denmark, which does not affect the analysis of the strategy within Denmark.
No. 5 – Alfapeople

Description of The Company
Alfapeople has specialized in customizing and implementing Microsoft CRM systems for businesses. In practice Alfapeople helps clients with all aspects of implementation such as deciding what features the CRM system should include (sales, marketing, customer support etc.) and how the adaption process for employees can be eased. Alfapeople also develops add-ons for Microsoft’s standard CRM software, which is of importance with respect to customizability and fitting the system to the specific client’s needs. Alfapeople also offers companies to host the CRM system and then grant the buyer access via the Internet, thus eliminating the trouble of physically installing the system (www.alfapeople.dk).

By looking at the partner list for Microsoft CRM it is easy to see that Alfapeople is far from alone on the Danish Market[^5]. Alfapeople has been accredited as the best partner in Western Europe and also admitted into what Microsoft calls the president’s club, an honour given to the 5% best partners.

An explanation to Alfapeople’s success, using the words of the founders, is that one the pillars of the company is “not to compete against the entire world” (Børsen 2009: Samarbejde betaler sig for Alfapeople. 25. September, pp. 20.)

Application of Blue Ocean Theory
The objective of avoiding competing against the world, and how Alfapeople managed to turn potential competitors into partners both resemble the description of a blue ocean. By looking at the strategy canvas (below) it is clear that the goal of diverging from competitors, which shows a shift from reactive to proactive strategy has been achieved.

• Price
  o The price demanded by Alfapeople could be a bit higher due to the company’s position as a specialist. However, it might be argued that they price according to industry standards and then enjoy a higher margin because they can cut cost as an effect of their specialization (learning curve).

• Expertise delivered
  o Because this is the core competence of the business then they only want to hire the best and most engaged employees. Also, in order to maintain the role as specialist the company has an interest in acquiring new knowledge within the business field at all times.

• Customizability of product
  o Alfapeople’s products have a high degree of customizability because the company’s product portfolio consists of the standard template offered by Microsoft, which is then tailored by adding or improving features depending on the needs of the client (www.alfapeople.dk).
  o The cost of delivering a high degree of customizability is not worth it for companies that do not focus on this business area, which is one of the explanations that big IT firms has decided to subcontract to Alfapeople.
• Level of attention
  o Because the existing businesses in the IT industry regard this market as niche market they do not have the same level attention to this market and its buyers as a specialist like Alfapeople does.

However, what do not fit with the description of how to achieve a blue ocean are the requirements of the *four actions framework* and thus the requirements of value innovation. A comparison of Alfapeople to the industry does not reveal any factor that has been eliminated or any obvious new factors. Nonetheless, the strategies are still clearly diverging due to the higher attention to the market provided by Alfapeople.

**Application of Traditional Theory**

In an interview to Børsen the founders of Alfapeople accredit the success of the company to the choice of strategy; the market for solutions, implementation and consultancy with respect to CRM/xRM systems was originally something that the big IT consulting companies would have as a niche business area (Børsen 2009: Samarbejde betaler sig for Alfapeople. 25. September, pp. 20).

Alfapeople is an accurate description of a market-nicher strategy as described in Kotler & Keller’s *Marketing Management* (Kotler&Keller 2009: 352)

• Alfapeople has discovered a market that is not fully “covered” by existing players because it is considered as a dog (using BCG matrix) or as something that is “a good idea” to deliver alongside their existing products rather than a core business area.

• Has acquired highly specialized knowledge within the industry.

• Succeeded in not upsetting the already existing (usually larger) players on the market.

• Strong corporate culture and vision ([http://www.alfapeople.dk/dk/om_alfapeople.htm](http://www.alfapeople.dk/dk/om_alfapeople.htm))
• Highly profitable, proven by the accreditation as Gazelle company.

The effect of Alfapeople’s specialization in a market that was formerly recognized as having low potential is that the company now acts both as a direct supplier to clients as well as sub-supplier for big IT firms and their clients. Thus, Alfapeople has assumed the role of being more like a partner to the giants in the market for IT solutions, which otherwise would have been regarded as competitors (Børsen 2009: Samarbejde betaler sig for Alfapeople. 25. September, pp. 20)

Sub-conclusion

Again we see that Kim & Mauborgne’s theory is not entirely applicable because even though Alfapeople’s strategy does contain some elements that point towards employing a Blue Ocean Strategy the case is not compelling because the steps of eliminating and creating new factors have been omitted. And these steps are essential in order to follow the guidelines for achieving value innovation. Furthermore, it is evident Alfapeople’s strategy can be described as a market-nicher strategy. Especially the description of a successful market-nicher as one that succeeds in not upsetting competitors in the market is interesting because this is similar to the COE’s statement of not trying to compete against the entire world. However, this notation also resembles a blue ocean because it is the same as avoiding “bloody” battles for market share.

No. 6 – Grumsen Equipment

Description of The Company

Grumsen Equipment produces, delivers, repairs and installs winches for a wide range of customers including the fishing industry, off-shore business and for large ships. The company is also an agent for MAN and SCANIA engines for ships. The company also offers engineered-to-order solutions (www.grumsen.dk).

Originally the company only dealt with servicing and installing engines and winches on fishing vessels but as the number of vessels declined the company decided that the way to survival was through expansion. This is reflected by the change from
supplying fishing vessels to supplying the off-shore oil and gas businesses, and today Grumsen Equipment is an essential part of the development of Vestas’s new Vestas Tower Crane used for maintenance of windmills (Børsen 2009: Esbjerg vinder vokser videre med Vestas. 23. September, pp. 20.)

**Application of Blue Ocean Theory**

By using the blue ocean terminology, then one might say that Grumsen avoided fighting a bloody battle of retaining market share in a diminishing market by realizing that the company’s core competences were desired and valuable to other markets-related as well as unrelated markets. The company started thinking outside the box and acted independently of the type of customers that they already served when looking at potential new business areas.

Instead of staying in the market for winches for fishing vessels then Grumsen providently adjusted their strategy to the downturn of the fishing industry.

The above strategy seems to follow the guide to *reconstructing market boundaries*, however, Grumsen’s strategy does not fit perfectly into any of the 6 *paths* that Kim & Mauborgne mention for redefining market boundaries.

The only path that comes close is *looking across alternative industries*, where an alternative industry is one whose product serves the same objective but has different form and function (Kim & Mauborgne 2005: 49).

Some insight to the Vestas Tower Crane project is needed in order to understand this; the VTC is an advanced robot made for servicing windmills. Grumsen’s role in the development is to take care of the mechanics that enables the VTC to reach the top of the windmills. Thus Grumsen is seeing that they have a product that serves the same objective (lifting something) but a different form and function than other products such as hydraulic systems (Børsen Online 2009. Gazellevinder: Grumsen vokser videre med Vestas. September 23rd).

Grumsen has not really achieved value innovation because they have not changed cost structure or the value proposition offered to costumers.
Application of Traditional Theory

Using traditional theory then what Grumsen has done is expansion through introduction of current products into new markets (Winches for off-shore businesses, larger scale vessels) as well as developing new products for new markets.

Plugging this information into Ansoff’s product-market expansion grid then Grumsen has employed both an intensive growth strategy (market-development strategy) as well as a diversification strategy by introducing entirely new products to new markets (Kotler & Keller 2009: 85).

Sub-conclusion

Not much information is available on the VTC-project but the steps that Grumsen has taken do not show clear evidence of value innovation. It is, however, evident from the information about Grumsen Equipment that they have achieved an impressive growth rate by employing traditional growth strategies.

There are also some indications of trying to break free of the traditional market and expanding in to entirely new markets (VTC) in a way that resembles Blue Ocean Strategy.

Even though it is possible to use (if you stretch your imagination a bit) the path of looking across alternative industries, then the traditional growth strategies just seem more appealing in this case because it is a very accurate description of what has been done.

No. 7 – Airtjek ApS

Description of The Company

Airtjek sells and installs ventilation and air-conditioning systems for homes in Denmark. The company’s air-solutions focus on saving energy by recovering heat (that traditionally would be lost) for other purposes such as water heating. Furthermore, Airtjek offers a solution that utilizes the earth’s heat as an alternative to oil burners and central heating for heating water, radiators and underfloor heating (www.airtjek.dk).

Airtjek is taking advantage of the fact that as the quality of the houses built has steadily increased, so has the need for ventilation and air-conditioning - because as insulation has gotten better then the renewal of air by natural ways is made more difficult.
Also, new additions to the Construction Act that require higher standards for insulation as well as the standards for ventilation of homes\(^6\) has meant that ventilation has become an imperative rather than a choice when building new homes. Airtjek has understood this and has therefore established a sound co-operation with the companies constructing *type houses*.

Airtjek has also managed to catch up on the trend towards eco-friendly solutions by combining ventilation and saving both energy and money. This high degree of attention to eco-friendly solutions has also earned the company the title as last year’s number one Climate Gazelle, which is given to the fastest growing Gazelle that at the same time has more than 50% of its turnover from eco-friendly activities, *Klima Gazelle 2009* (Børsen 2009: Eksplosivt boom i klimagazeller. 14. December, pp. 37.)

Airtjek’s success can partially be explained by the favorable circumstances that the company is operating under but also the timing of owner Tommy Enevoldsen by correctly identifying that the market for eco-friendly and energy-saving/alternative energy sources has high potential, and that the demand is only bound to increase as the population becomes more and more aware of the environment and the effect we have on it (http://www.cisionwire.dk/kelkoo/danskere-passer-bedre-pa-miljoet).

**Application of Blue Ocean Theory**

If for a moment ignoring who invented the heat-recovery system then the step from only emphasizing the ability of a ventilation/air-conditioning system to maintain a good indoor-climate – which must be argued to be the foremost important factor of the industry – to emphasizing the ability of the systems to save the owner money, and also help improve the environment, can be considered an example of blue-ocean strategy. Namely, Airtjek redefined the product and the targeted consumers by moving away from focusing only on what is considered to be the standard for the ventilation industry; delivering good indoor-climate. Instead they emphasize the product as to provide eco-friendly and money-saving solutions, on top of the good indoor-climate.

This strategy fits into the 6\(^{th}\) path of *reconstructing market boundaries* because Airtjek has been able to identify a trend and timed their entrance into the market perfectly. Furthermore, Airtjek argues that one of the reasons that they are doing so well is due to their lower pricing on a complete solution compared to competitors. In order to offer this lower cost then it must be assumed that the company has been able to change the cost-structure (Børsen 2009: Eksplosivt boom i klimagazeller. 14. December, pp. 37).

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\(^6\) http://www.ebst.dk/br08.dk/den_sunde_bolig/0/94
The strategy canvas shows that Airtjek diverges from the traditional providers (HWS companies) on the cost factor as well as the newly created factor concerning the eco-friendliness of the product.

- Quality
  - The quality of the products must be assumed to be the same because, even though Airtjek emphasizes eco-friendliness, it seems reasonable that customers would choose traditional systems over Airtjek’s if quality was significantly lower – despite the potential savings.

- Cost
  - This factor is the cost over the systems entire lifetime; the initial investment is higher for an eco-friendly system than for a traditional one but the savings due to re-utilizing energy makes Airtjek’s solutions cheaper in the long run.

- Emphasis on product’s ability to ventilate
  - The main-purpose of the product is still to ventilate and to create good indoor-climate. If Airtjek failed on this factor it must again be assumed that consumers would choose a traditional solution.
• Emphasis on product’s environmental attributes
  ○ A factor that traditional providers does not offer to consumers, thus a clear diverging factor between Airtjek and the traditional providers.

The idea to recover heat via ventilation systems, however, is not an idea coined by Airtjek – Therefore they are not alone on the market. It follows that it is not because the company is offering something completely unique that they enjoying a high growth rate. Due to this Airtjek does not fulfill the requirement to be enjoying the benefits of a true blue ocean.

**Application of Traditional Theory**

Airtjek’s high growth rate might therefore be explained by the company’s ability to deliver products at a cost that is below that of competitors – a cost-leadership strategy. A brief search for providers of heat-recovering ventilation systems show that it is mainly a sub-business area for HWS companies, whereas it is the main market of Airtjek. Therefore it can be argued that Airtjek is operating in a niche-market and has through this acquired a level of competence and expertise that is above that of competitors, which enables the company to make the process of selling and implementing the product both easier and faster - leading to cost-savings.

Airtjek was one of the first to provide eco-frinedly solutions and has been one of the pioneers offering of energy-saving solutions (earth heat solution/heat-recovery systems). By being one of the first to specialize in eco-friendly products Airtjek can also be argued to be enjoying first-mover advantage because consumers are more likely to buy from a specialist who has the product as a core competence rather than a HWS company that has it as part of a very mixed product portfolio – a question of making consumers find the category membership of the provider credible and reliable (Kotler & Keller 2009: 331).

**Sub-conclusion**

The product in itself must be argued to be fulfilling the requirements of both value innovation and fitting into some of the paths described by Kim & Mauborgne. However, Airtjek is only a provider of this product and not the inventor, and they do face competition from the HWS companies that also provide the same service. Airtjek differs in the sense that they have decided to specialize in this niche market and has thus acquired expertise that enables them to enjoy a cost-leadership strategy and the
advantage of being one of the first to fully specialize in eco-friendly solutions.

No. 8 – Bs Studio A/S

Description of The Company
Bs Studio A/S is the company behind HAY Furniture which designs, manufactures and sells furniture and accessories for homes as well as offices/businesses. HAY Furniture is distributed both through Bs Studio’s own stores in Aarhus, Copenhagen and Oslo as well as through their own web-shop, http://www.hayshop.dk/.

HAY Furniture is targeting the consumers that demand a simplistic, elegant and high quality design, and is thus facing competitors such as Fritz Hansen, Gubi and Paustian. However, HAY Furniture is pricing their products approximately 30% lower.

The CEO, Rolf Hay, of Bs Studio states that the company’s focus never has been to achieve growth but to deliver appealing and innovative design of high quality. Furthermore he says that innovation has been valued less by competitors during the financial crisis – which to Rolf Hay is even greater incentive to emphasize innovation. (Børsen 2010: Hay Skruer op for væksten . 12. January, pp. 10).

Another competitor that all companies in the furniture industry has to consider is IKEA because of their size, and thus ability to spread out design cost and other support activities across hundred thousands of units/bargaining power against suppliers, thus achieving economies of scale which enables them to price lower than competitors.

Application of Blue Ocean Theory
There is no evidence that HAY Furniture is doing anything different compared to their competitors – except that they claim to spend more time on innovation.

The very nature of the furniture industry also makes it hard to imagine a company achieving blue ocean because the designer furniture industry first of all has the main objective of fulfilling the functional requirements of sitting, sleeping, eating comfortably and storage of clothing etc. These requirements must be assumed to be uniform across the population (at least within Scandinavia/Europe).
What separates sellers from each other is to what degree consumers find the different products/designs appealing or not – aesthetics – and of the course the price at which the product is offered. Hence, as the choice often comes down to the design of the product (something that’s easy for competition to imitate) then seeing a long-lasting competitive advantage for a company based on blue ocean strategy is not likely to happen.

**Application of Traditional Theory**

Bs Studio is employing a low-cost strategy by providing furniture that appeal to the same segment as Fritz Hansen, Gubi and Paustian but at a lower cost.

**Sub-conclusion**

There are no indications that suggest that Bs Studio is operating in a Blue Ocean as defined by Kim & Mauborgne with a sustainable competitive advantage as a consequence. Bs Studio employs a low-cost strategy but is probably not able to obtain cost-leadership status within the industry because of IKEA’s immense size.

**No. 9 – Joe & The Juice A/S**

**Description of The Company**

Joe & The Juice was a pioneer when it introduced its chain of cafés with emphasis on healthy and energizing smoothies and juice back in 2002 (http://ibyen.dk/restauranter/guide/article841876.ece), and has managed to capitalize from this by expanding to a total of 12 Joe & The Juice concept cafés located around Denmark. However, competitors have caught on to the health trend and have caused the number of juice bars to boom (http://ibyen.dk/restauranter/guide/article492901.ece) in recent years.

When asked by Børsen how the company has become so successful the owner, Kaspar Basse, answers that the company has achieved a very high degree of specialization, which is the main ingredient of Joe & The Juice’s concept. They offer something that no one else does (Børsen 2009: Og nu til udlandet. 25. September, p. 19).

The prices of Joe & The Juice are in the high-end category and the products are mainly targeted towards the trendy and health oriented segment of the market for refreshing drinks.
Application of Blue Ocean Theory

Joe & The Juice has combined the usual purpose of drinking soft drinks to quench the thirst and the fashion industry’s objective of letting people make a statement of what they stand for, how wealthy they are etc. The owners have identified a clear trajectory for food/beverages showing increasing popularity as a medium of making a statement about one’s personality coupled with the trend of being healthy and concerned about one’s own well-being.

Furthermore, Joe & The Juice can be argued to have shifted focus from the functional to the emotional aspects of the product when appealing to buyers because the experience of buying a refreshing drink not only serves the function to quench thirst but also appeals to the emotional aspect of feeling healthy and trendy.

Kasper Svingholm, responsible for the opening of new branches, notes that the location of the various cafés is an important factor to the success of the company as well. This is reflected by the location of the cafés with many of them being located inside fashion stores or shopping malls providing a relaxing, yet healthy, break in between the shopping while also making the statement that you take care of yourself.

Thus, so far path 1, 5 and 6 can be mentioned as ways that Joe & The Juice has tried to reconstruct the market boundaries; They have managed to eliminate the boundary between usual fast-food/soft drink consumers and those that traditional have found this market too unhealthy and below their standard. Furthermore, they spotted the trend early allowing them to be the first on the market and capitalize from this competitive advantage, and finally the appeal of the product has changed too.

Owner Kaspar Basse acknowledges that Joe & The Juice can not prevent competitors from copying the chain’s interior design and layout in order to try and imitate the atmosphere. The company has, however, taken steps towards securing the uniqueness of the company by patenting the recipes of the most popular health juices and smoothies and trademark protected the their product names.
The fact that the company has patented its drinks is adding to the assumption that Joe & The Juice face a sustainable competitive advantage and thus also potential sustainable growth. However, as ibyen.dk shows, competitors have caught onto the healthy juice/smoothie trend by now, thus reducing the uniqueness of Joe & The Juice and threatening to turn the blue ocean red.

**Application of Traditional Theory**
This strategy can again be identified as market-nicher strategy because the market for healthy fresh-made drinks must be considered as a relatively small market for the refreshing-drinks industry. Furthermore, the owners see their specialization in the market for juice and smoothies as a key contributor to the success because they offer something that few others do. And apparently the unique drinks that Joe & The Juice comes up with are what the consumers wants, which is a common effect of a nicher-strategy because the company ends up knowing the consumers better than competitors (Kotler & Keller 2009: pp 352).

In addition it should be noted that path 6 of identifying trends in the *Blue Ocean section* is similar to the advantage of being a first-mover.

**Sub-conclusion**
Joe & The Juice show features resembling Blue Ocean Strategy. They might have been enjoying a blue ocean to begin but the product has not been unique enough or hard enough to copy for competitors to catch on to the popular health wave of juices and smoothies rich on vitamins and amino acids. Furthermore, it has been shown that a market-nicher strategy is an appropriate way to describe Joe & The Juice’s strategy coupled with the advantage of being a first-mover in the business.

The fact that Joe & The Juice is still one of the leading players in the juice market is not likely to because of continuous attempts to radically redefine products in order to diverge from the value proposition offered by competitors (juice is juice) but rather due to a certain degree of brand loyalty from early adopters and the early majority among the target segment who started buying from Joe & The Juice when it was the first and only specialist provider of healthy juices and smoothies.
No. 10 – Belle Balance A/S

Description of The Company
Belle Balance has specialized in flexible pay-scheme solutions for companies and institutions – such as home PCs for employees, fitness membership and the like. Belle Balance provides consulting, implementation and maintenance as a combined package or as separate service (www.bellebalance.com).

Advising with respect to choosing and implementing flexible pay-schemes / fringe benefits is usually something that has been taken care of by the auditing industry (www.pwc.com / www.deloitte.com) due to the importance of taxation rules and potential deductibles for companies and employees.

Belle Balance has taken it a step further than just counseling and advising by also developing software that eases the task of administrating pay-schemes and making sure that the fringe-benefits are duly delivered to the employees. The software also enables every employee to choose the desired mix between A-income and benefits, which is a unique feature developed in co-operation with Proff Art (http://www.proff-art.dk/loesninger/belle-balance.aspx).

Furthermore, Belle Balance provides its customers with a list of potential partners that can provide the mix of services that has been chosen for a given pay-scheme.

Application of Blue Ocean Theory
Belle Balance’s introduction of a software that makes the process of maintaining and handling the different pay-schemes, as well as identifying the best provider for various services, is a radical change in the way to look at consulting with regards to flexible pay-scheme solutions. And the customizability available to each employee makes this a powerful tool for managing and retaining employee satisfaction within the company because fringe benefits is a factor of increasing importance when talking about attracting the best employees (http://finans.tv2.dk/nyheder/article.php?id=8660210).

The above features are a compelling and distinguish Belle Balance from competitors. In this sense they have managed to diverge from the standard of only providing the guidance and consulting with respect to choosing the right package, which leads to a blue ocean. Furthermore, the product that Belle Balance offers is unique because none
offers software to manage flexible pay-schemes, which positions them alone in the market for this specific pay-scheme aid.

Belle Balance has thus managed to benefit from going down path 3, which concerns the action of looking across the chain of buyers. Even though it is the HRM department that makes the final decision then this is probably highly influenced by the ease of use for employees as well as the customizability – i.e. the end users requirements. Thus, Belle Balance has created a new factor regarding attractiveness to employees as well as raising the ease use for the HRM department by providing assistance in choosing the right provider of services. Therefore, it is argued that Belle Balance has managed to change the value proposition in a positive direction. It is however hard to tell if they have changed the cost-structure – but keeping in mind that specialists usually are able to achieve lower costs due to learning curves and expertise it is not unlikely that Belle Balance has managed to change to cost structure as well. Adding this together the company is a good candidate for a true blue ocean strategist because they have managed to achieve value innovation.

**Application of Traditional Theory**

It is a market that usually only has been offered consulting, typically by auditing firms that offers a broad product portfolio and thus has no specific emphasis on flexible pay-schemes.

Once again we see that a market-nicher strategy can be applied because what has been done is simply further specialization in the task of providing costumers with the optimal help with regards to choosing and managing pay-schemes.

**Sub-conclusion**

Belle Balance’s strategy has created a product that diverges from competitors in a way that can be characterized as achieving value innovation. However, it is again possible to describe the strategy using traditional theory – and again the market-nicher strategy is the appropriate strategy to employ. In this case we have a really compelling blue ocean, but the fact that traditional theory is just as suitable adds fuel to the question as to whether blue ocean strategy is ingenious or not.
Summing up the analysis

The analyses of the top 10 Gazelle 2009 companies in Denmark have revealed that Blue Ocean Strategy is not prevalent in its clean and strict form. The strict form refers to fulfilling the requirements for true divergence through the ERRC-grid, where all the four steps from the *four actions framework* have been included. Furthermore, there should be a clear pattern between the strategy of the company and the *6 paths framework*. Finally, the company should be enjoying a true blue ocean where direct competitors are non-existent, and thus irrelevant.

Belle Balance is the only company that fulfils the above requirements by both showing a clear use of path 3 from the *6 paths framework* and going through the 4 steps that ensure *value innovation*. Furthermore, the company provides unique software which none else in the industry offer and has therefore managed to move away from competitors, and potentially targeted non-users who traditionally has regarded the administrative workload associated with introducing flexible pay-schemes to troublesome.

Three out of ten companies, Agito, Medicotrust and Joe & The Juice show strategies that have a considerable number of traits that resemble that of Blue Ocean Strategy. Agito and Medicotrust have managed to redefine the way that hospitals usually have looked at the task of finding substitutes for hospitals in a way that shows a clear diverging pattern from how the product usually has been thought of. However, they do not quite fulfill the essential requirement for value innovation because they do not manage to act on all of the four steps in the *4 actions frameworks* provided by Kim & Mauborgne. They have changed the value proposition by increasing one of the factors already in the industry, and it is argued that they also have managed to change the cost-structure because of they specialist skills. This raises a question; how much should the value proposition and cost-structure be changed before it can be considered to be value innovation? According to the cases presented by Kim & Mauborgne then it seems as if a company should both eliminate, reduce, increase and create factors (Kim & Mauborgne 2005: 40).
The evidence, however, shows that a company like Agito nonetheless has managed to create incredible growth over the last 4-5 years taking the 2nd place on the list over Gazelles from 2009.

The number one Gazelle, Danske Commodities, confirms this by showing an incredible growth of 2.257,0% over the past 4 years. The analysis show that Danske Commodities has achieved this growth by basically providing more for less, a strategy that Kim & Mauborgne warn against employing because companies end out “over-delivering without payback” (Kim & Mauborge 2005: pp.42).

It should therefore be acknowledged that theory and practice is far from the same. This is not saying that Blue Ocean Strategy is not useful; the analyses show that basically all companies, except Bs Studio A/S, employ strategies that show some resemblance to Blue Ocean Strategy.

However, the fact that the majority show some degree of blue ocean strategy without being picture perfect representations of the theory raises the question if the theory just is very similar to already existing theory.

The majority of the companies that have been analyzed show features that categorize them as following a niche marketing/specialist strategy characterized by their ability to identify markets that are not covered optimally by current players.

For instance Alfapeople shows a strategy canvas that diverges from the competitors but it is not due to a stringent adherence to the 4 actions framework but rather due to a specialization, which has enabled the company to win over costumers while avoiding the wrath of competitors – in fact they managed to engage in partnerships with some of the existing players on the market.
The explanation to the overwhelming number of specialists may be found in the trend for larger companies to outsource processes to smaller, specialized units both with respect to production of components and providing of services but also as part of the design phase, as it is the case with Grumsen and Vestas’ VTC project (http://www.teknikogviden.dk/artikelarkiv/2007/11/outsourcing-af-produktudvikling-skaber-gazellevaeks.aspx).

With respect to specialization it should be added that the main part of the specialists are companies that have entered already existing markets and then improved the service offering. Therefore, what we are seeing is more often companies that win over the market than companies that target non-users.

The fact the majority of the analyzed growth companies have not achieved their success by targeting non-users goes against a main principle of Blue Ocean Strategy. One of the exceptions, however, is Joe & The Juice which targeted users that traditionally had found soft drinks and the like too unhealthy.

Furthermore, a big part of enjoying a blue ocean is being alone on the market. In order to be alone on a market you have to be the first, and this is basically the same as first-mover advantage. The assumption that makes Blue Ocean Strategy and the principle of first-mover advantage differ is that the former assumes that a company operating alone on a market will continue to do so whereas first-mover advantage is something that is known only to have temporary effect because competitors eventually will try and enter if the market is profitable. Theory of modern economics supports this by stating that perfect competition will prevail sooner or later unless technological or a natural monopoly has been achieved (Pindyck & Rubinfeld 2005: pp. 261).

The cases that have been analyzed back up this theory by talking in favour of a more temporary advantage than an actual blue ocean where competitors are non-existent, and thus irrelevant.

To sum up briefly then the analyses have shown that there is a clear tendency that the top performers in the industry are companies operating as specialists or in niche markets. Also, blue ocean strategy is not a prevalent strategy among the top10 growth
companies, with only a few companies coming close to pass the requirements. Furthermore, the companies that at one point did reinvent the industry, and thus faced blue oceans, are now competing in markets that see more and more competition.

However, elements of Blue Ocean Strategy are present in the majority of the companies, which suggests that the difference between traditional theory and Blue Ocean theory is somewhat blurred. The close resemblance makes it hard to distinguish between what is in fact blue ocean strategy and what is traditional strategy – a fact that has made the application of theories in practice a real challenge.

**Additional thoughts on Blue Ocean Strategy**

As mentioned earlier, Kim & Mauborgne’s theory has been criticized for being a description of how success has been achieved in the past and not a prescription on how to do it.

The analysis above clearly shows that not even the best performing Danish companies (growth-wise) can manage to continuously reinvent them in order to stay clear of competition. Furthermore, since Blue Ocean Strategy supposedly should be the number one strategy to achieve growth then it is curious that only a few of them can be defined as having achieved some sort of blue ocean at some point – oceans that are now turning red. Therefore the question is if there are any drawbacks or lacks of Blue Ocean Strategy.

A drawback of the strategy is that the strategy leaves out relevant factors that are key sources to success due to its main focus on product design/positioning. Two of these factors are brand-image and marketing efforts. Having a great product is only part of the formula for success, being able to communicate the greatness of the product to customers is just as (if not more) important.

Of course marketing is part of the product-design qua the required synergy between product and target segment, which is an implicit part of Blue Ocean Strategy. However, the theory mentions nothing about how to go from successful development of a new product to the development of an actual market by making potential consumers aware of the products availability. Hence, the cases presented in the theory are all excluding what impact marketing, in the sense of distribution and creating
consumer-awareness, has on the prospects of a potential blue ocean. For instance, the
strategy canvas leaves the reader with the impression that as long as a company
avoids competition by creating its own market then costumers, and hence profits, will
follow as a natural consequence.

Omitting the fact that you need highly skilled marketers to draw attention to products
is one aspect. Another aspect is the cost associated with marketing products, which is
completely omitted when Kim & Mauborgne discuss the act of changing the cost
structure through value innovation. It would seem logical to most people that products
that have features/new combination of features will need more marketing to be
accepted by consumers than products conforming to the norm do, which is another
reason not to forget the importance and impact of marketing on both the sales and the
cost structure.

A natural extension to the subject of marketing is that of branding and brand-
value/image. In many cases a strong brand can help reduce some of the marketing
efforts that are required in the launch of a product because the news, loyal consumers
and the like will be hyping a new product long before the new product is launched, as
it was and is the case with Apple’s iPhone, iPad – in general all new products. The
fact that a product is hyped this long before launch basically makes ordinary
marketing such as advertisements, introduction discounts etc. less important if not
irrelevant.

Of course, in some cases, hypes are created by the company itself via subtle messages
and “leaks” online (viral marketing, Brandweek (2004): Wanted: Standards for Viral Marketing.
28. june, pg. 21.), but this only has an effect because of the company’s brand. Thus, it
can be argued that established brands have an advantage over smaller brands because
they can eliminate/reduce the costs associated with marketing efforts – something that
is essential to companies that do not enjoy the same high rating by the public.

To see the above discussion about brand image in perspective to the analysis then it
must be argued that for instance Bs Studio A/S would think that valuing creating of
brand image high because a big factor when deciding how big a premium you can
charge for you products (especially when speaking about unique designs) comes
down to brand image. The design is of course important but the brand is too – for
instance the famous Ægget by Arne Jacobsen is incredibly expensive if it is an
original one, however if it is copy the price is considerably lower.
Conclusion

Via research and applying theory in practice it has been studied to what degree Blue Ocean Strategy offers applicable, prevalent and ingenious knowledge.

In order to give a clear picture of the concept the process was initiated by identifying and describing a handful of theories from Kim and Mauborgne’s Blue Ocean Strategy. This whole concept and its underlying theories and principles have been compared to existing theory within strategy and marketing and it has been found that the majority of the frameworks and tools picked from the Blue Ocean theory show clear references to existing theorists such as Porter, Ansoff and Levitt.

In particular it can mentioned that the foundation in value innovation and divergence from competition is very similar to the research paper Towards Dynamic Theories of Strategy by Michael Porter.

The article Marketing Myopia from 1960 by Theodore Levitt that focuses on the need for management to look past immediate competitors in order to identified threats and opportunities is also found to be very similar to the whole mindset of Blue Ocean Strategy and its 6 paths framework.

The application of Blue Ocean Strategy on a number of top performing Danish companies proved more difficult than expected because the principles of blue ocean in many ways are very similar to the mindset and ideas of a number traditional theories and principles such as market-nicher strategy, traditional growth strategies (intensive, integrative and diversification) and first-mover advantage.

The analyses revealed that Blue Ocean Strategy in the strict form that follows the guidelines and characteristics put forward by Kim & Mauborgne is non-existent among nine out of the ten best performing companies.

Belle Balance was the exception by providing a product that shifts the traditional focus from ease of use flexible pay-schemes for HRM divisions to emphasizing the ease of use and customizability available to the end-users.

A few other companies show patterns that resemble Blue Ocean Strategy but none of these qualify as to be operating in a blue ocean where competitors’ actions are irrelevant.
Common for the three companies that at one point might have enjoyed blue ocean is that it has not taken competitors long to enter the market, which confirms the similarity between first-mover advantage and blue oceans.

The fact that the some industries have more than one representative in the top10 over growth companies, as it is the case for Agito and MedicoTrust, just reflects the fact that the market has not been fully saturated yet.

During the investigation of the prevalence of Blue Ocean Strategy it was found that another strategy was dominant across the majority of the analyzed companies (9 of 10). The common denominator among the top performers was that they employ a form of market-nicher strategy and aim at a very high degree of specialisation.

Alfapeople, ranked number 5, is a fine example of how specializing in a niche market has enabled them to win over the market by offering highly specialised solutions at a level that never have been offered by the industry before.

Alfapeople also managed to stay clear of retaliation from existing players on the market because the industry regarded the market for customized CRM solutions as peripheral business area.

The tendency for Gazelles to be specialized businesses fits with the finding that more and more companies decide to outsource parts of the production and design stage to specialists. Both Grumsen A/S and Alfapeople are confirming this trend by being part of the design stage of new product for Vestas and sub-provider for larger IT firms respectively.

The analyses also revealed that hardly any of the companies had achieved success by targeting non-users as suggested by Blue Ocean Strategy. Instead companies win over existing users by improving existing products and services.

The lack of evidence pointing towards a clear causal relationship between companies outperforming the industry and the prevalence of Blue Ocean Strategy indicates that Kim & Mauborgne’s theory in fact just is a description of how a very special selection companies have been able to achieve growth in the past and that few companies fit under that description in real life. Furthermore, it has been found that Blue Ocean Strategy leaves out an essential part of becoming successful; the actual process of marketing, branding and distributing the product which is an essential factor for success.
However, it is acknowledged that the way the theory is structured does make decision making more accessible to management because of the more visual approach, and also the book does contain a variety of guidelines for successfully implementing strategies – guidelines that have not been examined in this paper.

But in respect to the purpose of this paper it must be concluded that Blue Ocean strategy neither is very prevalent among growth companies nor very ingenious. And that the applicability is limited, supporting the assumption that the theory is closer to a description of how success has been achieved historically and not how it can be achieved today.
Appendix A: *Fundamental strategic assumptions leading to red oceans*

Traditional companies try to be the best within their industry and product groups, which in itself is not a problem. The problem arises in the fact that traditional companies’ definitions of strategic groups are based on generally accepted category classes such as *luxury*, *economy* or *family*. Also industry as well as product/service scope definitions share similar characteristics forcing companies to engage in head-to-head competition.

Also, within the specific industry the tendency is to focus on the same buyer (e.g. the purchaser in the office equipment industry or the influencer in the pharmaceutical industry). Acceptance of an industry’s either emotional or functional orientation is another characteristic; examples could be the fashion industry and detergent/cleaning industry respectively.

The last assumptions is bit more diffuse and has to do with timing of strategy. Traditional companies focus on the same point in time causing them to be reactive with respect to new trends (Kim & Mauborgne 2005: 48).
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