Blue Ocean Strategy & Its Application in Indian Food Industry

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ABSTRACT

Blue Ocean Strategy1 talks about creating a space in the Market, with the practices, which are Unique. It makes your business different than others, which is accepted by majority of the customers. The Unique advantages offered to the customers are difficult to be replicated, hence, competition becomes irrelevant. While other players keep on fighting & bleeding in the same space creating a Red Ocean, one player creates a Blue Ocean for himself to enjoy a sustainable business Growth. This competitive advantage can only be achieved through differentiation in the product or service or Cost Leadership
INTRODUCTION

Indian Food Industry (IFI) is projected to touch $482 BN by 2020\(^2\), hence, becomes an attraction for the multinational companies & domestic organizations. While entering in this market, different players use diverse methods & few of them becomes successful & many of them face failure\(^3\). Understanding Indian market, remains a critical game rather than just looking at the overall potential. This article elaborates application of Blue Ocean Strategy (BOS) for IFI with different examples, who tasted success & enjoyed higher market share in India.

Here we first understand BOS & the critical factors to apply the same. This sets a direction for us to work on these factors to arrive on such strategy. Strategy built on these guidelines, help create differentiation over the competition & help create a space to enjoy maximum market share. The other option is cost leadership, which can be achieved by reducing operations cost. In a single phrase it can be termed as a ‘Competitive Advantage’.\(^4\)

Applying this strategy in consideration of the IFI scenario can assure success. Carving strategy to create competitive advantage can be achieved by factoring components like product, packaging, market segment, promotions and price. Any of these parameters can differentiate your product from the competition, if applied effectively.

We are going to deep dive in to the BOS applied by some brands & either became market leader or got successful within a very small-time frame. These brands, while launching in Indian market, thoughtfully worked on the competitive advantage either by cost leadership or differentiating from the competition. For understanding these applications, we have chosen different types of products or services. Some of these are from FMCG space, who created concepts of the products & packaging & led crowded categories. Some of them en-cashed upon the heath sentiments of the customers & launched & advertised products on health parameters. Connecting to emotions by labeling emotional brand names, also, has created differentiation, which lifted these products above the competition. Some players from retail sector created cost leadership model for the IFI by working on their overall operational efficiency. They led the retail market segment, in a very short time & built a sustainable business model within a short span of time.
Blue Ocean Strategy:

In the Volatile, Uncertain, Complex & Ambiguous (VUCA) world, carving a strategy for any organization for any market is major challenge. BOS is the simultaneous pursuit of differentiation and low cost to open a new market space and create new demand. It is about creating and capturing uncontested market space, thereby making the competition irrelevant\(^1\).

This talks about creating a competitive advantage, either by offering differentiation or creating a cost leadership. This competitive advantage is difficult to replicate for the competition, hence, create a new space of customers for the business. Since, this space is huge & non-targeted by the competition; it gives huge advantage for a sustainable & profitable business.

Differentiation for the competitive advantage can be created through various ways. Innovative product fulfilling the need & offering a different flavor or taste profile can become a preferred solution for the customer. Different packaging for the similar product, can also offer typical portion size and address the convenience for the customer. This typical packaging also can generate a competitive advantage by creating a new space of customers, making competition irrelevant. Product name also plays an important role in creating this distinction. Easy to recollect names, connecting emotions of the customers are preferred against the routine brand names. Promotions creating awareness, about the usage of the product gives millage to these brands against the ‘me too’ players, not doing such activities.
Addressing current trends, like a health or an organic product usage, in the similar category of the product, proves to be advantageous due to mouth to mouth publicity as trends are discussed more.

Cost leadership is another vital component for creating a competitive advantage. This can be achieved by offering lower price against the competition. In the similar range of products, picking up the lowest priced product is the most common phenomenon. Products priced lowest eventually becomes, most preferred products. This advantage can be created by lowering the operational cost. This cost also has different components. Raw material souring from the origin or putting up a facility near the procurement origin can reduce logistic cost. Incorporating contemporary capabilities, with lower process losses & higher efficiency can reduce the operational cost significantly. These machines, consuming lesser power & producing higher yield, offers competitive advantage against the competition using conventional production model. Some organizations have also achieved cost leadership by reducing layers from the distribution channel. With reduced layers of distributions, margins against each layer are saved to pass price advantage to the customers. Trimming the Cash Conversion Cycle \(\text{CCC}\)^5, also reduce the operational cost, which can be attained by having better controls on overall inventories & payment collections from the market. Most successful organizations have created a Blue ocean for themselves with competitive advantage, leaving apart competition far behind in the Red Ocean.

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\text{Red Ocean...} \\
\text{...competes in the market} \\
\text{...beats competitors} \\
\text{...siphons existing demand} \\
\text{...makes cost-value trade offs} \\
\text{...chooses between differentiation and cost} \\
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\end{array}
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\begin{array}{|c|}
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\text{Blue Ocean...} \\
\text{...creates new markets} \\
\text{...makes competitors obsolete} \\
\text{...captures new demand} \\
\text{...breaks cost-value trade offs} \\
\text{...pursues both differentiation and cost} \\
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\text{VS.}

Indian Market Scenario & application of Blue Ocean Strategy:

Although potential, India being a diverse country, it is critical to understand preference pattern before carving any strategy. Being demographically scattered, designing region-based product or service segments is becomes essential. To make it simple, India can be divided in four zones having similar preferences. Southern zone remains significantly different from other three zones & requires a dissimilar strategic approach. This diversity comes from different agricultural output, like Wheat in north makes ‘Roti’ an essential item, whereas ‘Rice’ becomes a preferred choice of south Indians.

This applies for products due to choice of flavors, however, for service Industry pertaining to food, it largely remains the same. Most of the food companies operates in zone-based model, segregating a different product mix. Sales trends of products as unlike for the four zones. Product Promotions also driven in a different way, depending or the regional festivals. Food companies, designs advertisement campaigns in regional languages to connect the local customers in a better way. To understand this, we have taken different examples of these brands, who have carved strategies with a competitive advantage & created Blue ocean for them in IFI.

Although potential, India being a diverse country, it is critical to understand preference pattern before carving a strategy. Being demographically scattered, factoring region based.
Paper Boat (Hector Beverages):

Paper Boat has disrupted Indian market & became a leading player in non-alcoholic beverage segment. Its winning formula, they define as ‘Ethnic flavors, snazzy packaging, funky digital marketing focused on stirring nostalgia through storytelling’. Paper boat created a new category of branded ethnic-flavored drinks when it burst on the scene, and its packaging too set it apart from the crowd. Paper Boat’s innovative products and packaging have been a force of ‘creative disruption’, and the company has been able to back that up with distribution.

Paper Boat’s traditional Indian flavors and its differentiated packaging give it a unique look at retail stores. The company has clearly gone aftermarket share and taken a penetrative approach. Whichever geography they choose, they are going after it very aggressively. They want to be a deeply penetrated mainstream product.

As far as promotions are concerned, Paper Boat relies heavily on digital marketing, and its digital campaigns are as funky as the brand. On Instagram, it tells its brand story using creative doodles, videos and photographs, cleverly using two puppies named Hector and Beverages (Paper Boat’s company name) to add fun to the storytelling. This BOS worked as a disruption tool for paper boat. They grabbed 50% market share of Ethnic flavor drinks worth INR 2000 crores.
Win Green Farms:

Win green farms in a very short time, acquired a significant market share in a crowded category of Emulsified wet condiments. Starting business, with a revenue of 10 lacs, the company has already started generating a revenue of closed to INR 100 crores. This story starts with the connect with the farmers & developing pesto as a dip. WIN was rebranded as Wingreens farms, and the company then launched garlic dip. Since then it has managed to evolve enormously, and at present, offers 150 variants in 50 SKUs, including chipotle sauce, fiery desert mustard dip, dill tzatziki, peri-peri hummus, rosemary hummus, peppermint with green tea leaves dip, etc.

It’s creative packaging & product features has become a big competitive advantage, which has given the company a confidence to claim 95% market share in the category of Fresh dips & Hummus. This has already created a category among the category, pushing itself away from the red ocean of price war of the cutthroat competition in the wet condiments space. Product & packaging innovation & its branding is difficult to be replicated by the competition, hence, provides a blue ocean to Wingreen farms. Having an advantage of an early entrant, company already has an opportunity to build a profitable & sustainable Business.
Soulful:

En-cashing upon the current sentiment of health, Soulful, has developed & marketed product with the tagline of ‘Goodness for Every Soul’. Kottaram agro foods (Parent Company), researched into the super grain and started working with Millet to create nutritious products that are not only liked by elders but kids as well. Soulfull according to the founders was born out of the dream of reinventing the humble millets like Ragi into products that appealed to the modern global consumer in terms of convenience, taste and nutritional requirements. Their most popular products range includes- Ragi Bites, Desi Muesli and Smoothix.

Talking about the strategy, soulful has ventured in to conventionally popular healthy millet (Ragi) based products and sampling of these products has been the most effective promotion plan. The strategy includes retail outlet sampling as well as sponsorship of events like marathons, apart from traditional promotional tactics like media buying- online and offline. Again, being early entrant, company already has clocked a revenue of INR 44 crores & created a Blue ocean in the healthy Breakfast category.
Too Yumm:

With an array of product variants such as quinoa puffs, veggie stix, foxnuts, multigrain chips and the newly launched Karare, Too Yumm! as a brand has been successful in cracking a balance of taste and health, thereby providing the scope to establish its proposition and gain consumer loyalty, despite having strongly entrenched competitors\textsuperscript{12}. Consumers are open to experimenting with healthier snacking options provided it meets their primary need of great taste. Too Yumm, play on the western snacking part of the portfolio and have managed a 2% national market share in this segment within our first full year of launch. It has already reached annual volume of INR 300 crores.

Key attributes of the brand Image – Too Yumm is health focused, young, modern and energetic. Matching to these features, Virat Kohli was chosen to be a Brand Ambassador. Brand’s tagline is defined as ‘Fried Not, Fikar Not’. This campaign sets a comfort to the health cautious people in a desi language, as, this product is baked not fried with 40% lesser fat.

With the strategy of offering perfect snack to munch on without having to worry about one’s health, Too Yumm has created a health space in the huge snacking market. Combining this strength with a perfect Brand ambassador, RPSG has created a competitive advantage & looking at making this brand worth INR 600 crores by the end of FY 2020.

\textit{Citation: Deepak Kucheriya et al. Ijppr.Human, 2020; Vol. 17 (4): 581-594.}
Ferrero Rosher:

Ferrero Rocher reported Kinder Joy, as their biggest product in India\textsuperscript{13}. This product disrupted the market by adding a Toy inside the chocolate in Egg like pack. Onside of the egg pack, was a mix of creamy white & hard brown chocolate with a spoon & other side had a unique Toy. Despite of priced higher than the existing paradigm, this product was highly accepted by Indian kids.

This new concept, with the wide distribution, unique dispensers placed across & mass media advertisement campaign provided a new space of Ferrero Rosher. This competitive advantage clearly defined a Blue ocean for them & proved the competition irrelevant. Building on the concept around additional offerings, brings in customer delight. The free bee given along with the product, was not only relevant, but also unique at that point of time.
Balaji Wafers:

A simple message of ‘WAFERS ZYAADA FLAVOURS Wah Wah’, has everything disrupting. Without picking up on any new sentiments Balaji, provided cost advantage to their customers & ranked among the Top snack’s companies. It’s a classic example of winning through competitive advantage created through Cost Leadership. While other players, were adapting a strategy to reduce snacks weight for the high volume, low value packs (Rs 5 & 10), Balaji contrasted the offerings. Balaji en-cashed upon the awareness of reduction of the quantity per pack & started offering a product with higher quantity, in the similar price. Customers positively reacted to this cost advantage making the Brand by giving more than 60% market share in the important markets like Maharashtra, Gujarat & Rajasthan.¹⁴

Balaji for getting this cost leadership, worked on the operational cost. The company has an employee strength of 5,000 people of which 2,500 are women. The distribution network comprises six main distributors, 700 dealers and more than eight lakh shopkeepers. Balaji owns four plants in India with a total processing capacity of 6.5 lakh kg of potatoes and 10 lakh kg of namkeen a day. Besides potato wafers, Balaji also makes around 30 varieties of salted snacks and savories. Economies of scale & no heavy investment in marketing, advertisement and celebrity endorsement has differentiated the Balaji from other brands, in reduction of the overall operational & promotional cost.¹⁵
Swiggy’s success is part of a bigger trend in the startup ecosystem: companies that have controlled the entire value chain of customer experience have triumphed over pure marketplaces. Swiggy got a lot of things right, but the driving force behind its success is in its excellent logistics operations. Being truly customer oriented, is a key of their success, which clearly reflects in their overall performance & visible in their top rank in the food delivery industry.

Logistic efficacy has given a clear competitive advantage of Differentiation to Swiggy, which was difficult to be replicated. This created a Blue ocean for Swiggy for a sustainable & profitable growth in the estimated market size of $2.5Bn.
D Mart:

D-Mart on a profit with 53% to Rs 394.3 crores

Retail chain started by Avenue Supermarket, listed in 2017, within 2.5 years of time span touched a valuation of INR 1.5 Lac crores. D Mart already have ranked among the Top Indian retail companies selling food products. They have a turnover of INR 21,137 crores & employee strength of 7713 with the presence in 188 locations.17

D Mart gained popularity due to offering highest discounts compared to the competition18. One of the key attributes to this cost leadership is their own stores, without any fixed cost for rental of the space. Using promoters of the high-volume selling brands as manpower, reduces this cost further & creates win-win situation for both, the food brands & the retail chain. Significantly higher volumes provide higher bargaining power resulting in economies of scale. In all this reduction of the operational expenses provides a clear competitive advantage of cost leadership to D Mart, resembling to the Every Day Lowest Price (EDLP) model of Walmart in US19 creating a Blue ocean in Indian retail industry.
CONCLUSION

Carving strategy with a competitive advantage, achieving differentiation or cost leadership over the competition, must be the utmost aim. To be successful in Indian market, understanding the diversities in regionalities and designing the products & services based on the same is essential. Combining both these attributes of competitive advantage & region-based products or services, can define a BOS for India. With this, organizations can stay away from the red ocean of players with cut-throat competition & ensure sustainable & profitable Business establishment.

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