

**JYOTI NIVAS COLLEGE AUTONOMOUS
POST GRADUATE CENTRE**



SAGEEZA

**PRESENTS
E – JOURNAL
(APRIL 2020)**

BY

DEPARTMENT OF MBA

ON

**BLUE OCEAN STRATEGY OF HOSPITALITY
INDUSTRY**

BLUE OCEAN STRATEGY OF HOSPITALITY INDUSTRY

INTRODUCTION

The hospitality industry experiences abundant growth rates, although it is one of the world's most robust markets. Therefore, entrepreneurs need to aim for differentiation to gain an uncontested market position. Blue Oceans are more than a natural wonder and a loophole for mass-market participants. It is an efficient strategy management tool that focuses on finding innovative business concepts and, thus, the key to success for adaptive companies.

Blue ocean strategy is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. It is about creating and capturing uncontested market space, thereby making the competition irrelevant.

Blue Ocean Strategy cooperates with organizations to find uncontested markets and avoid matured and saturated markets. It assists in moving from the impediments of competing within the existing industry, cost structure, and gradually migrating towards constructive value improvement.



Value innovation is the backbone of a Blue Ocean Strategy. Value innovation is the alliance of change with price, utility, and cost positions. It eventually creates new value/demand for consumers and thereby expands the chances of growth potential. Disruptive innovation is also a part of the Blue Ocean strategy. It is focusing on changing the way people think about specific basic processes or services.

The Blue ocean strategy focuses on people who are seeking innovative ways to enjoy and on those who are looking for a different experience. The approach demonstrates how to break free from the traditional strategic models and to expand profitability and demand for the industry by using the analysis.

These days, the Blue Ocean Strategy becomes the need of the hour when supply surpasses the demand in a market. To find and identify an attractive Blue Ocean, one needs to take into consideration the “Four Actions Framework” to devise the aspects of buyer value in creating a new value curve. The framework poses four key questions, namely, Raise, Reduce, and Eliminate & Create.

BLUE OCEAN STRATEGY ADOPTED BY VARIOUS SECTORS OF HOSPITALITY INDUSTRY

ROYAL CARIBBEAN INTERNATIONAL CRUISES:

Royal Caribbean International (RCI, formerly Royal Caribbean Cruise Line (RCCL)), is a cruise line brand founded in 1968 in Norway and organized as a wholly-owned subsidiary of Royal Caribbean Cruises Ltd. (RCCL) since 1997. Based in Miami, Florida, United States, it is the most extensive cruise line by revenue and second-largest by passengers counts. The line unveiled its first ship, the Song of Norway. This ship had a gross tonnage of 18,000 and could accommodate 724 passengers. Since its origins, the brand has grown tremendously. The impressive fleet now includes over 25 ships, including the world’s largest cruise ship, Symphony of the Seas.



Implementation:



"We inspire and nurture the human spirit — one person, one cup, and one neighborhood at a time"

- The international cruise line business is separated from the general discussion of tourism because the purpose of this section is to provide an overview of the global cruise line business, not paying attention to the regional differences in traveling. In this section, the growth of the industry and the major cruise line providers and destinations addressed.
- The business ecosystem examined to provide information about the participants in the cruise line industry. Finally, globalization affects the strategic decision making of the cruise-line discussed.
- Cruise-line business has recorded a steady growth during the past 20 years that mainly based on the corporate mergers and takeovers, the launching of mega cruisers and new destinations, as well as the growing amount of people who want and choose to cruise. Lead to a conclusion that globalization has had a significant influence on the expansion.
- The popularity of the cruise line industry is also associated with the Love Boat TV series presented in the USA during the 80s and 90s. They also included health spas, casinos, exercise facilities, bars, and restaurants onboard.
- The basic idea adopted by the cruise aims at efficiency and economies of scale that McDonalization provides. The process takes a task and breaks it down into smaller tasks, repeated so that all functions are at the lowest possible level. The result is a rationalized service for consumers.

STARBUCKS:

Starbucks, ever since it established, created a new demand on the coffee market and unlocked a different expectation of the product. Starbucks invented a unique perspective that changed from just drinking coffee to enjoy drinking coffee by making it an experience focused on an emotional atmosphere. Beginning from the inside of the company, they approach employee satisfaction by establishing good compensation policies and full benefit packages. The belief that a company's success should share among the people who help it progress, this way making them think and act as owners as well, aiming the best for the business.



Starbucks has been able to implement the blue ocean strategy and pull in a new group of customers, such as non-coffee drinkers. They were drawn to the stores offering a



wide variety of drinks, food, snacks, mugs, and other things, and the relaxing atmosphere it provides. Therefore, they prepared to pay several times more than the price of having coffee at another place to have a Starbucks experience.

Implementation:

- Employees approach: Employees trained to educate customers about what they were drinking and why it tasted good. The experience was so engaging that Starbucks became a natural gathering place, and that made the brand familiar and accessible. People in Starbucks never viewed as commodities, but as business partners.
- Core competence and visions: The Company's main aim is to provide responsibility and to ensure that the organizational culture is compatible with the kind of people that they want to attract and retain. They want to build a sense of trust between the employees and the customers. That's why the customers come back for the quality of the coffee and service the offer.
- Experimentation and Innovation: Starbucks is a disciplined innovator; their innovation is one of the primary reasons for the company's success in generating consistently high levels of store sales. The customers can try different coffee brands in the store.
- Promoting ethics: Corporate governance is commanding much of the spotlight for today's businesses. The company must ensure it provides equality in all the business dealings while still sustaining its growth plans. The company is very much concerned about its ethical business practices and involves corporate social responsibilities

OYO:

Oyo Rooms (stylized as OYO), also known as Oyo Homes & Hotels, is an Indian hotel chain. It is one of the largest and fastest-growing hospitality chains of leased and franchised hotels, homes, and living spaces. Founded in 2013 by Rites Agarwal, OYO initially consisted mainly of budget hotels. The start-up expanded globally with thousands of hotels, vacation homes and millions of rooms in hundreds of cities in India, Malaysia, UAE, Nepal, China, Brazil, Mexico, UK, Philippines, Japan, Saudi Arabia, Sri Lanka, Indonesia, Vietnam, the United States, and more.

The company's investors include Oyo Rooms (stylized as OYO), also known as Oyo Homes & Hotels, which is an Indian hotel chain. With the use of

Technology, the Oyo room shave increased hospitality, which provides access to hotels inclusive of office. Now, Oyo rooms have their presence in more than 150 cities with 4000 plus hotels offering standard stay experience. The network kept growing drastically on various measures in each room with breakfast, flat-screen TV and free Wi-Fi.

Implementation:

- **Eliminating:** The core value innovation of Oyo is to cancel out fancy aspects. The company is targeting both the star customers and the monster customer segment. They differentiated themselves from the others by eliminating architectural attributes.
- **Rise:** Customer satisfaction increased by providing offers, free Wi-Fi, flat screens, big towels, a beverage tray, etc. They have positioned itself as an aggregator brand rather than a hotel chain.
- **Reduce:** Oyo rooms eliminated fancy features of 3 stars, and Hyatt rated hotels like swimming. But retain the standard services and hygiene of the respective hotels. Due to this, they could produce price for room cost and performed well in giving customer value.
- **Create:** Location choices indicate app-based location services. It helps the customer to locate Oyo.

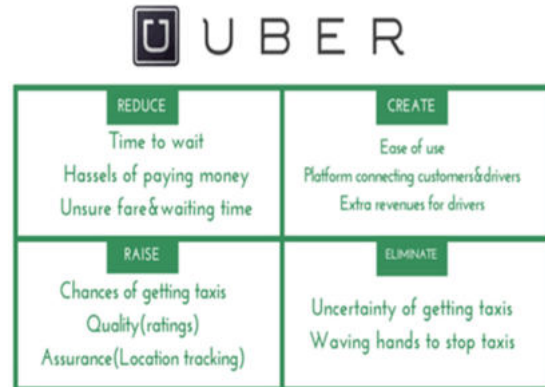
ÜBER TECHNOLOGIES:

Uber Technologies Inc, commonly known as Uber, is an American multinational ride-hailing company. Offer services that include peer-to-peer ridesharing ride service hailing, food delivery (Uber Eats), and a micro-mobility system with electric bikes and scooters. The company is based in San Francisco and has operations in over 785 metropolitan areas worldwide. Its platforms can access via its websites and mobile apps. Uber is a classic Blue Ocean Strategy example were the company tried to differentiate itself from the regular cab companies and, in turn, developed a low-cost business model that generates good revenues for drivers and companies. Founded in 2009 in San Francisco by Travis Kalanick and Garrett Camp with a seed capital of \$200,000, and the company received funding of US\$258 million from Google Ventures in 2013 and US\$ 50 million in funding from other small investors.

Implementation:

- Blue Ocean strategy challenges companies to push the boundaries of their industries and offer consumers something unique of immense value. Uber considers as the best example of a blue ocean strategy. They are one of the most recognized brands worldwide and built on the trust of its users.
- Blue ocean strategy has helped Uber to create and capture new demand. Create an uncontested market to serve with its services tried to differentiate itself from the regular cab companies and, in turn, developed a low-cost business model that

generates good revenues for drivers and the company. Competitors are irrelevant to Uber as the company is not only dominating the market but also fast expanding across the globe due to the adoption of a blue ocean strategy. Uber is the disruptive company of the recent decade; they have redefined an industry and changed how we move through the world.



Advantages of Uber Blue ocean strategy

- Blue ocean strategy added ease of use of cabs with technology for the traveller.
- It reduced the hassle of waiting and searching for the cab on the street.
- It increased the availability of rides.
- It has helped the company in increasing customer satisfaction.
- Uber created a blue ocean by aligning the business in the pursuit of one goal.
- Uber took the luxury car market and gave it to the masses.
- Uber is successful because it found some particular needs that were not being met by traditional taxis or car services.

AIR ASIA:

Air Asia’s leading airline was established with the dream that everyone can fly. Since 2001, the company has swiftly broken, travel norms around the globe. It has risen to become the world’s best. With a route, the network spans through more than 20 countries. It continues to pave the way for low- cost aviation through innovative solutions, efficient processes, and a passionate approach to business. Air Asia has been competitive in branding. They also put a lot of money into sports branding, such as Manchester United.



Implementation:

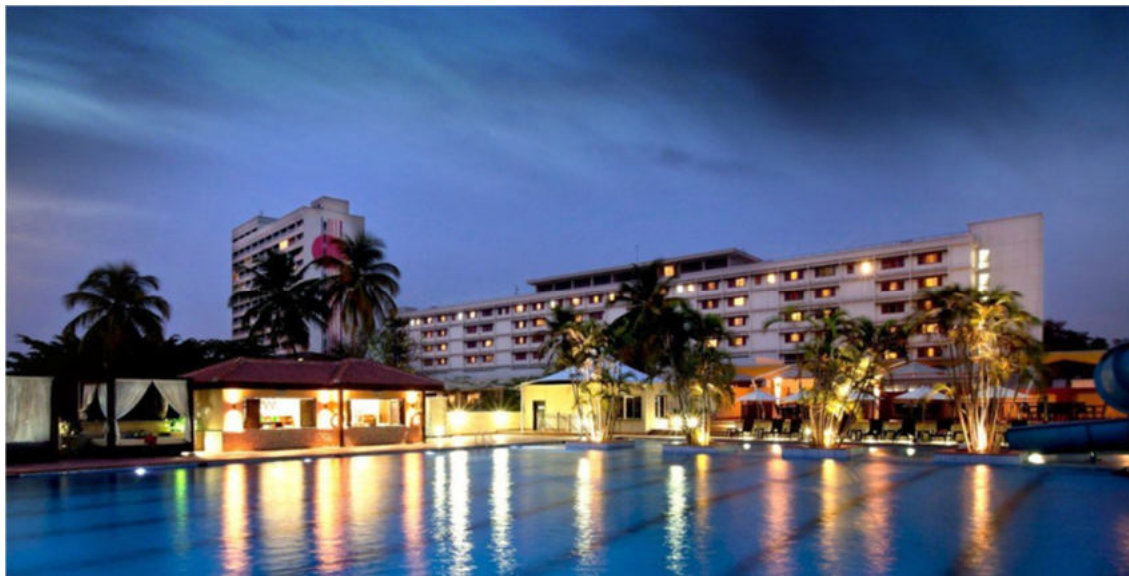
- It competes with the Malaysian Airline System and also manages to avoid the red ocean by looking into factors that the industry takes for granted and also factors that are important to customers.
- Air Asia has implemented the strategic move of to eliminate over the counter booking system, free food/beverage on the plane,

seating class booking system. Reduce the luxury facilities provided by an airport lounge, no attendance service on the aircraft, seat quality. Raise focus on several key destinations, increase the frequency of flight.

- It creates an online booking system and points to point travel system. With this strategic move, Air Asia can focus on factors that bring value to the customers.
- With the help of Blue Ocean Strategy, cost control is done effectively in Air Asia. Also, they focus on understanding customer needs and problems. By following these problems, Air Asia can develop new products that help them to solve those needs and challenges.
- Air Asia seems to do everything right and prices are much lower than their competitors. The slogan “everyone can fly” is apt that way. The fares on Air Asia allow people to fly that usually couldn’t afford it.
- With the successful implementation of Blue Ocean, Air Asia has ventured into other businesses such as Tune hotel and Tune Money.

SUN INTERNATIONAL HOTELS AND RESORTS:

The South African-based Sun International Group (SI) develops, operates, and manages hotels, resorts, and casinos. In its mission statement, it describes itself as a “leisure group offering superior gaming, hotel, and entertainment experiences”. In 1984, SI was listed in the travel and leisure sector on the Johannesburg Stock Exchange. SI holds 13 of the 37 casino licenses currently issued in South Africa and operates resorts, hotels, and casinos in 27 destinations, including seven casinos outside SA.



Implementation:

- SI’s competitive strategy can generally be described as niche differentiation, though they also have lower-cost product/service offerings aimed at broader target markets.

- It also attracts non-gambling customers from the broader leisure and entertainment sector. Still, their offerings remain out of reach for many potential customers. Who invariably face access barriers due to travel distance, convenience barriers due to age restrictions that render casinos family-unfriendly, awareness barriers, or psychological barriers such as moral/religious objections?
- From a market development and penetration perspective, it is worth noting that



travel incidence among South Africans is overgrowing. Not only because of an expanding middle class on the demand side, but also due to government and industry's emphasis on promoting a culture of domestic tourism as well as the growth of a robust network of low-cost airlines.

- The concept of integrated resorts is a vital reference point in responding to SI's need for market space creation. Casinos generally function as "one-stop entertainment centers that "blurs the boundaries between family entertainment and gaming". The resort has differentiated offerings and pricing, and in the process, they have managed not to diminish their brand.
- There are 33 Disney hotels located inside Disney World in Orlando, 24 operated by Disney Corporation itself. It includes cabins and a campground site, value resorts, moderate resorts, and luxury options. Benefits of staying at these resorts include free transport, extended amusement park hours, and opportunities that vary from "budget" to "luxury".

PIXEL HOTEL:

"The city is the hotel," which is the slogan of pixel hotel and it works like that. This new idea of the hospitality industry came into existence in 2006. The idea originated from a concept made by a group of young architects and designers in Linz, Austria.

Pixel hotel is a cultural enterprise in Linz. They intended to give guests a direct experience of unusual accommodation with certain particularities. Aim of association to utilize unutilized properties in urban and rural areas in a profitable way, which also allows their guests to stay close to their travel destinations. Hence, tourists get more time to travel. Targeted tourists are those people who love watching things a bit slower and a bit closer.

As an accommodation project, it has become an internationally recognized brand that cited as an example of innovative tourism in 2009. Hotel mission is instead of placing

all rooms in one building, scattered ("pixelized") rooms along with the city in various exciting and relevant locations. Without any doubt, guests will receive extraordinary value, depending on the place which they booked. Their goal is to "reactivate void spaces within the urban and rural fabric and to create connections between them". They can reach this by giving guests the direct experience of unusual accommodation with certain peculiarities is our aim. Rooms located in the tower, boat, gallery, communal kitchen, garden.

GRATZL HOTEL

The Urbanauts, a group of young and dynamic architects, established a wholly new hotel concept by converting empty ground-floor shops into five unique places to stay. Guests get to choose where to eat and what services they require from a network of "fellows" in the neighbourhood. They allow a very individual and personal insight into life in the city and are industrial-chic in style.

This hotel is unique in its layout. Instead of going vertical like most of the hotels, this one spreads slightly horizontally. It joined all the buildings along the street and now can offer a real Vienna life feeling for its guests. Guests are located on the ground-floor and neighbouring small coffee shops, restaurants, markets, bike rentals. In short, this creates an extraordinary and unique ecosystem. The central concept is to save guests from cliché advertisements and touristy spots. Local businesses are always ready to provide insider tips for unseen tours and the best local places to have lunch.

SOUTHWEST AIRLINES:



Southwest Airlines Co. is a major American airline headquartered in Dallas, Texas, and is the world's largest low-cost carrier. The airline was established on March 15, 1967, by Herb Kelleher as Air Southwest Co. and adopted its current name, Southwest Airlines Co., in 1971, when it began operating as an intrastate airline wholly within the state of Texas, first flying between Dallas, Houston and San Antonio. The airline has

more than 60,000 employees as of September 2019 and operates about 4,000 departures a day during the peak travel season.

Blue Ocean Strategy in Southwest Airlines

Blue Ocean is about focusing more on being an alternative rather than a competitor to many. It emphasizes the need to focus more on new customers & less on current ones. Southwest is amongst incumbents of successful Blue Ocean followers. It targeted the market, which couldn't afford air travel expenses instead of preferred travelling by land. Southwest marked itself as an alternative to land transport & avoided competing with other airlines. It offered increased flight frequency at extremely low fares with an on-time quality service. Customers started to benefit from high travelling speeds at affordable prices & Southwest took over the market in no time, creating its pool of Blue Ocean with no competition but enormous profit. Southwest rejoiced the 39th successive year of profitability in an extremely competitive industry. It has been operating in the clock, earning huge profits & customer satisfaction, when other airlines have just been struggling in the past so many years.

NETJETS:

NetJets Inc. is a subsidiary of Berkshire Hathaway. It was founded on 21st May, 1964 (55 years ago) in the United States as Executive Jet Aviation. It was the first private business jet charter and aircraft management company.



About its Blue Ocean Strategy:

NetJets created a blue ocean strategy of fractional jet ownership. NetJets observed that business travellers, the most lucrative mass of customers in the airline industry. Customers had two first choices: They could fly business class or first class on a

commercial airline, or the company could purchase its aircraft to serve its corporate travel needs.

Commercial travel avoids the high up-front, fixed-cost investment of a multimillion-dollar jet aircraft. Also, a company purchases only the number of corporate airline tickets needed per year, lowering variable costs and reducing the possibility of to spare aviation travel time that often accompanies the ownership of corporate jets. Corporations buy private jets to dramatically cut total travel time, to reduce the hassle of congested airports, to allow for point-to-point travel, and to gain the benefit of having more productive and energized executives who can hit the ground running upon arrival.

To create a blue ocean strategy, NetJets built on these distinctive strengths. The result was the new market space of fractional jet ownership. Here customers don't buy a jet outright. They only buy a small fraction of it. The result is that buyers get the convenience of a private jet at the price of commercial airline travel. NetJets' smaller airplanes, the use of smaller regional airports, and limited staff keep costs to a minimum.

With point-to-point service and an exponential increase in the number of airports to land in, there are no flight transfers; trips that would otherwise require overnight stays can complete in a single day. The time from your car to take off measured in minutes instead of hours. Perhaps most appealing, your jet is always available with only four hours' notice. If a plane is not available, NetJets will charter one for you.

Last but not least, NetJets dramatically reduces issues related to security threats and offers client's customized in-flight service. Offering the best of commercial travel, private jets, and eliminating and reducing NetJets opened up a multibillion-dollar blue ocean. Customers get the convenience and speed of a private plane with a low fixed cost and the lower variable cost of first- and business-class commercial airline travel. Now, nearly thirty years later, NetJets share of the blue ocean it unlocked still stands a staggering five times greater than that of its nearest competitor.

CITIZENM HOTEL:

CitizenM launched its first hotel in Amsterdam, opening a new value-cost frontier of affordable luxury for frequent travellers. It has since opened hotels in prime locations of major cities like London, Paris and New York, and is continually expanding. Today, CitizenM hotels earn the highest guest rankings in the hospitality industry, placing them in the fabulous and superb categories, alongside five-star hotels.

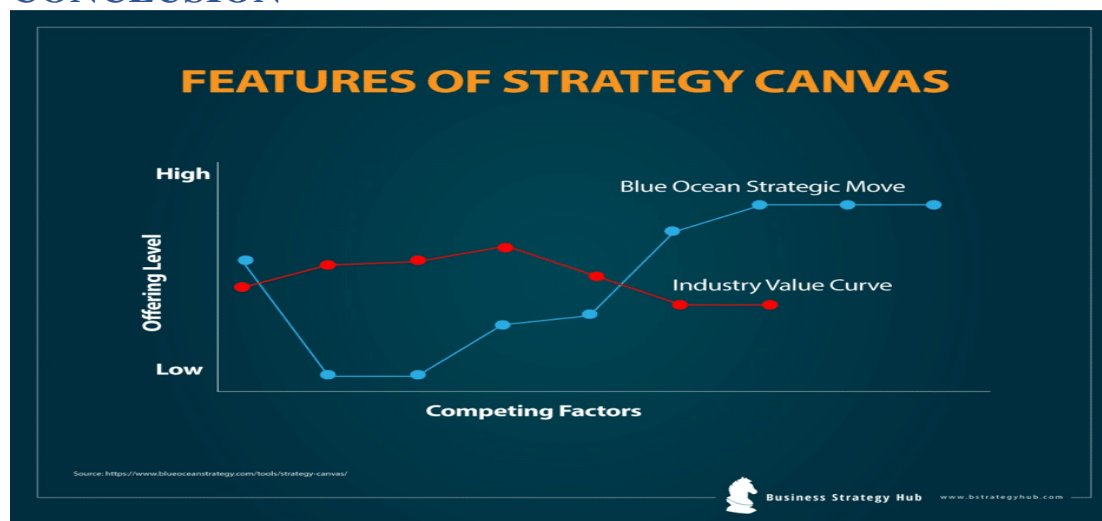


Yet, their rooms are affordable to three-star customers.

The main idea for this hotel chain was to provide a 5-star hotel service for 3-star hotel price. They applied the so-called ERRC grid. Meaning that they eliminated some basic features that can be found at most of the hotels: front desk, concierge, doormen, lobby, and room service. Those are the services that we are used to seeing at most of the hotels. But hotels can successfully function without them as well. Instead of these services, which are appreciated not by every guest, they focused on raising sleeping quality and environment. That's something that every single person is looking for when staying at the hotel. They also reduced the number of different room types by unifying them and transforming into comfortable and cosy smaller living spaces. New and cheaper innovations introduced at the hotels. Such as check-in kiosk, communal living environment, pantry, and multi-tasking "ambassadors" (people who can help with check-in advice about the city or mix a cocktail).

It is a customer-centric and open innovation approach. Ideas and co-creation involving customers, other sources, and companies next to their internal people have made Citizen M today a very successful hotel chain that brought a disruptive "blue ocean" concept to the market.

CONCLUSION



Blue Ocean Strategy is an approach that challenges everything that you knew about the requirements for entrepreneurial success. This strategy is about forming an entirely new industry through fundamental differentiation and innovation as opposed to competing in existing traditional competitive markets with many mainstream models. The blue ocean strategic planning model is a departure from the typical management exercise that focuses on number-crunching and competitive benchmarking.

The major take ways from this strategy includes

- ❖ More than theoretical - Some strategic planning models based on theories that don't quite pan out during go-to-market executions. In contrast, the Blue Ocean Strategy originated from a study that took place over ten years and analysed company successes and failures in more than 30 industries. It based on proven data rather than unproven ideas.
- ❖ Competition is irrelevant - Taking a Blue Ocean approach means your goal isn't to outperform the game or be the best in the industry. Instead, you aim to redraw industry boundaries and operate within that new space, making the competition immaterial.
- ❖ Differentiation and low cost can coexist - The Blue Ocean Strategy argues that consumers don't have to choose between value and affordability. If a company can identify what consumers currently value and then rethink how to provide that value, differentiation, and low cost can both achieve. It is termed "value innovation."
- ❖ Framework to test ideas - The Blue Ocean Idea Index is part of the overarching strategy and lets companies test the commercial viability of plans. This process helps refine ideas and identify opportunities with the most potential, minimizing risk.

Marketers need to focus on value innovation for successful strategy implementation. Blue Ocean Strategy offers a way to do this and could be an eye-opening concept for those seeking to differentiate their organizations effectively.

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