Competitive Advantage Based on the Blue Ocean Strategy: A Guide To Cam Caldwell & Verl Anderson

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Abstract: *A guide to a better understanding of Cam Caldwell & Verl Anderson's famous novel "Blue Ocean Strategies and Disruptive Innovation". I am going to be talking about various chapters that clarify why this strategy works and how from Caldwell & Anderson's point of view, both who were deeply inspired by W. Chan Kim and Renee Mauborgne's novel, Blue Ocean Strategy. In this study I will be explaining and go further into detail about what a blue ocean strategy is, how it works, what it means, where it should be used, how did become so relevant to today's business, how small corporations' benefits from it, the dissimilarities between a red and a blue one, why the blue ocean strategy is important in competitive advantage etc.*

Therefore, after characterizing competitive advantage, I will be composing about the main purpose of this paper as well as clarifying Cam Caldwell & Verl Anderson "Competitive Advantage; Strategies, Management and Performance" which was published back in 2017 by Nova Science Publishers as well as using W. Chan Kim and Renee Mauborgne's "Blue Ocean Strategy" published in 2004 and two study cases for a better understanding.

In these two study cases I will be discussing how Cirque Du Soleil and the famous wine brand Yellow Tail succeeded using the Blue Ocean Strategy and their impact on how efficient this strategy really is.

Key words: Blue Ocean Strategy, Competitive Advantage, Disruptive Innovation, Competition.

JEL: L10, M10, O31, L25.

1. Introduction

The purpose of this paper is to provide a comprehensive understanding of the Blue Ocean Strategy and the concept of Disruptive Innovation, focusing particularly on the interpretations and contributions of Cam Caldwell and Verl Anderson. Drawing on the foundational work of W. Chan Kim and Renée Mauborgne, the paper seeks to analyze how organizations can move away from competitive, saturated markets—referred to as "red oceans"—and create uncontested market space, or "blue oceans." The analysis further explores the role of competitive advantage in enabling such strategic moves, particularly through the lens of value innovation.

To enhance understanding of these concepts, the paper reviews the theoretical foundations and applies them to two well-known case studies: Cirque du Soleil and Yellow Tail.

These examples illustrate how companies can successfully implement Blue Ocean strategies to disrupt traditional market logic and achieve differentiation and cost leadership simultaneously. By synthesizing theoretical perspectives with practical illustrations, the paper aims to assess the effectiveness and long-term value of these strategies for businesses seeking sustainable growth.

2. Literature review

Enterprises hold an edge when they advertise a product or a service that meets the consumer's demands at a reduced price, while highlighting distinctive features in a novel manner. The more important original content an establishment has, the easier it is to have an advantage in competition. Market demand for product diversification creates additional costs, requiring a balance to be struck between reducing production costs and market pressures (Voica, et al., 2021).

The prevalence of a business' asset is habitually the premise for its capacity to construct a competitive advantage. These assets are called; VRIO resources, which shows it has value, rarity, imitability and organization. They are not easy to steal; hence, it would be costly, and it would be exceptionally troublesome to do so.

Cam Caldwell & Verl Anderson expect there are three core elements for a competitive advantage to occur:

- Creating a market position that is valuable and unique on its own way,
- Comprehending the trade-offs linked to choices of what to abstain from,
- Creating tailored strategies for businesses by orchestrating activities to optimally achieve the selected objectives (Caldwell & Anderson, 2017).

In this study, Cam Caldwell & Verl Anderson specifically concentrate on generalities of Blue Ocean Strategies & Disruptive Innovation, Caldwell & Anderson describe these two terms as development of novel market niches that allow organizations to generate demand from customers who were previously unaddressed.

Cam Caldwell defines the term 'Blue Ocean Thinking', as it refers to an undiscovered or underdeveloped market that is neither actively sought after by competitors nor actively used to buy goods or services, by offering a service or a good that did not previously exist, unexplored markets offer opportunities for growth and profitability.

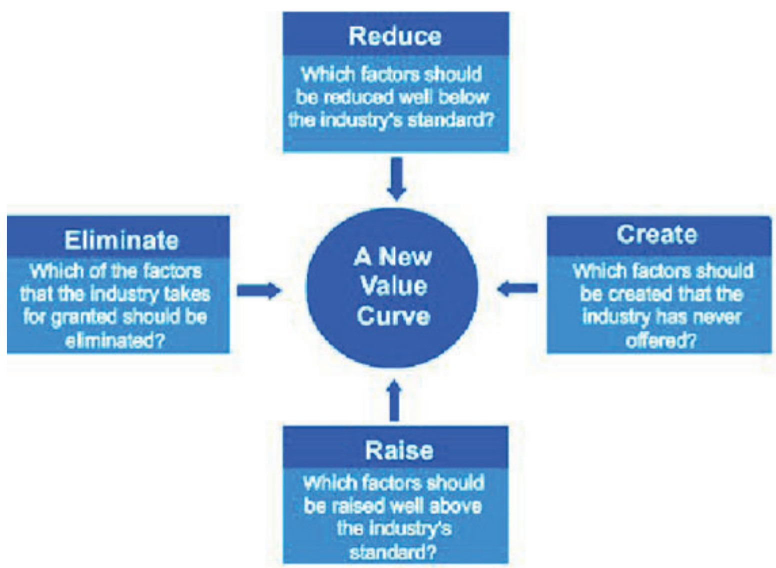
This strategy is predicated on the idea that, in simple terms, a new market arena, low cost and distinction are achievable. He also briefly mentions that this particular term comes from an analogy with characteristics of the big, deep and vast ocean (Caldwell & Anderson, 2017).

In this chapter, Cam Caldwell and Verl Anderson, also compare the dissimilarities among the Red and the Blue Ocean Strategies. When using a Red Ocean Strategy, Cam Caldwell refers to it as a metaphor, he describes it as a "bloodied water" meaning that the market space becomes too competitive, thus the high earning profits decrease.

On the contrary The Blue Ocean Strategy, it has clear boundaries, the main goal is to outperform the competitors by either differentiation or low cost but never at the same time. Conversely, when using a Blue Ocean Strategy, Cam Caldwell claims that blue oceans have no boundaries, and it is considered a high risk move because of the unknown. However, as a counter argument he also points out that countless successful businesses had also begun with the Blue Ocean Strategy (Caldwell & Anderson, 2017).

As written in Caldwell and Anderson's book; Kim & Mauborgne has divided the Blue Ocean Strategy into four sections.

Figure 1: Kim & Mauborgne Blue Ocean Strategy



Source: Caldwell, C., Anderson, V,. "Competitive Advantage: Strategies, Management and Performance"

In the image below Cam Caldwell & Verl Anderson has analyzed the dissimilarities between the Red Ocean and Blue Ocean Strategies.

Cam Caldwell also points out; In a market where firms want to make demands from clients and use new chances, The Blue Ocean Strategy looks to switch out the way firms look for an edge with making new worth as the main goal. He explains that several new methods, from focused contrast to big changes, can be used to do a Blue Ocean Strategy (Caldwell & Anderson, 2017).

Figure 2: Red Ocean Versus Blue Ocean Strategy

Red ocean strategy	Blue ocean strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value/cost trade-off	Break the value/cost trade-off
Align the whole system of a company's activities with its strategic choice of differentiation *or* low cost	Align the whole system of a company's activities in pursuit of differentiation *and* low cost

Source: The Harvard Business Review, HBR chart.

Disruptive Innovation competes in an already crowded market by coming up with innovation which is always improving, disrupting the red ocean space of the existing markets and eventually obsoleting existing competitors, although it has a blue ocean objective of making a new market place. In fact, discrimination, pay gaps, equal opportunities between men and women, and the feminist movement are some of the controversial issues addressed in the business world (Matei & Veith, 2023). These two approaches also stress how important it is to bring new customers in by creatively fulfilling the needs of people who have not tried a product or service before. They also understand that prospective buyers are trying to achieve certain objectives and how firms satisfying new clients' demands can help them achieve those objects (Caldwell & Anderson, 2017).

An Austrian economist, Joseph Alois Schumpeter, who taught at Harvard University from 1935 to 1950. More than ninety years ago Schumpeter, who introduced the concept of capitalism as a series of continuous bursts of innovation and 'creative destruction' is attributed with disruptive innovations. Segueing into another topic in his book on capitalism in 1965, Schumpeter also mentions that entrepreneurs often give rise to economic cycles which primarily arise due to changes in the level of technology (Śledzik, 2013).

Many organizations have taken important steps toward digitizing their activities over the past few years (Veith, et al., 2021). Cam Caldwell also mentions how disruptive innovation is a term that is often misused to refer to any breakthrough that advances the goals of an individual or organization. He stated that this term is frequently used by consultants and researchers to characterize any scenario in which established businesses experience setbacks after an industry upheaval. However, such use is far too broad. More accurately, at a price point those new customers could not previously pay, a disruptive innovation gives consumers access to a good or service that was previously available only to consumers, Christensen, Raynor, and McDonald defined disruptive innovation in a 2015 Harvard Business Review article.

"Disruption involves challenger companies challenging established incumbents by catering to overlooked customers segments with superior functionality at a reduced cost, gaining traction in the process (Christensen, et al., 2015).

3. Research methodology

This research adopts a qualitative, theoretical approach based on secondary data analysis. The paper primarily utilizes conceptual literature and case-based evidence from published books, academic articles, and business analyses to investigate the principles and applications of the Blue Ocean Strategy and Disruptive Innovation.

The main sources include Caldwell and Anderson's 2017 publication Competitive Advantage: Strategies, Management and Performance, as well as Blue Ocean Strategy by Kim and Mauborgne (2004). Theoretical concepts were critically examined and interpreted, and their practical implications were illustrated using two documented cases: Cirque du Soleil and Yellow Tail. These cases were selected due to their strong relevance to the core ideas of value innovation and market disruption.

By combining academic theory with applied business examples, the methodology provides a holistic understanding of how firms can create new market space and redefine competitive dynamics. No primary data collection was conducted; the analysis is based entirely on document review and literature synthesis.

4. Results and discussions

An article on Harvard Business Review published in 2004 by W. Chan Kim and Renee Mauborgne wrote about a classical Blue Ocean Strategy; Cirque Du Soleil company.

They specify how back within the day around the 80's, circuses were generally ruled by two companies; Ringling Bros and Barnum & Bailey. It had three vital perspectives; clowns, animal acts and the three ring circuses. Moreover, the competition was fiercely intense. As a result of this, prices rose but buyer value did not change significantly as circuses moved to ensure more popular performance and the application of more animals that are hard to come by.

Other replacements introduced included video games, mostly PlayStations and TV thus gradually replacing the circuses. Nonetheless, severe dislike and concern for continued animal incarceration and brutal conditioning created growing public anger.

Guy Laliberte, a former busker who established Cirque Du Soleil decided to leave the red sea of circuses and start a new venture in theater entertainment. This is what Cirque Du Soleil did when they shifted into the blue one.

Blue Ocean Strategy by Cirque Du Soleil which set apart from traditional circuses acted out different functional sources;

- Cirque du Soleil Company altered the show's format, which reduced the high expenses that are typical of the business.
- They eliminated the animal performances and the related housing, care, transportation etc.
- They phased out the tree-ring circus format in favor of a single stage, reducing the need for staff. This change in the show's concept enabled Cirque du Soleil to reduce expenses that were traditionally linked to the industry.
- They had masked the identities of the performers, preventing them from obtaining power

and initiating a bidding war with the competitors, also showcased the clowns and the lion tamers.

- Cirque du Soleil heightened customer demand and enriched their experience through and innovative performance.

- Incorporating music, lighting, ambiance and artwork enhanced the production's value, elevating its sophistication to match that top-tier Broadway shows. This allowed theater tickets to command premium pricing (Kim, 2017).

This research field analyzes the competitive environment of the wine industry.

Concurring to a book composed by five analysts; W. Chan Kim, Renee Mauborgne, Jason Hunter, Brian Marks and Wayne-Mortensen, called "Crafting Winning Strategies in a Mature Market: The US Wine Industry in 2001.", published in 2001; originally on July 1, 2009 by INSEAD.

In 2001, Kim & Mauborgne centered on how overflowing and profoundly competitive the wine businesses were. They express themselves about how the wine producers have methodically competed along the same components over the final few centuries.

Nonetheless, in the July of 2001, Casella Winery, based in Australia propelled 'Yellow Tail'. They began as a little and obscure company, being unknown is one of the foremost known traits for utilizing the Blue Ocean Strategy, they had anticipated less than 25,000 demands that year. However, they have made it nine times greater, around 225,000.

By the end of 2005, Yellow Tail's total sales were around 25 million. They have soon developed into being the leading venders of wine, red wine in particular, 750 ml. They have outperformed Californian, Italian and French wine businesses.

After a further analyzing process, they decided to respond that their success played a huge part in how they did not compete with premium based wines, indeed in spite of the fact that the quality was not the same, the competition wasn't as solid. Furthermore, individuals bought it since it tasted great, and they did not overthink it.

To add another reason aside from its taste, they made social drinks for everybody; Beer, cocktail drinks, and non-alcoholic refreshments. Their spectrum for newfound customers was more extensive since they had numerous diverse assortments to offer, which made it unique and set a difference between them and their rivals (Pravin, 2021).

5. Conclusions

To sum it all up, my research paper analyzes competitive advantage's impact on the Blue Ocean Strategy and Disruptive Innovation.

Competitive advantage happens when a company has the upper hand when producing a product or a service. They have the upper hand because other firms find it hard to copy. In most cases it cannot be imitated, which results in giving them an advantage.

The Blue Ocean Strategy as described by Cam Caldwell and Verl Anderson, following Kim & Mauborgne's ideas; Blue oceans are described as big and vast as the ocean, the main cause is that in order to use the Blue Ocean Strategies a company must not in the existence, it denoted as the unknown. While they describe the Red Ocean Strategy which is utterly inverse of the Blue Ocean Strategy, it is a much more competitive environment, as Cam Caldwell explains the competition is too strong. He also points out that despite The Red Ocean Strategy being a common practice among companies, The Blue Ocean strategy should be used more, hence it could make a company become much more successful than it ever was.

Disruptive Innovation is an innovation that just makes affordable products and services to obsolete market places. They continuously produce in a profitable way; however, they ignore the needs and wants of their customers, making the competition higher.

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