



Searching for Blue Oceans Using a Value Network Approach

Arpita Agnihotri

(Department of Marketing and Strategy, IBS Hyderabad, India)

Abstract. This article proposes a value network approach to create blue oceans. To manage the cut-throat competition in firms' existing markets, authors Kim and Mauborgne (2005) introduced the concept of capturing uncontested market space via a "blue ocean strategy" and suggested various models and techniques, such as the strategy canvas and value innovation, to pursue blue oceans. However, the applicability of their work has mainly remained restricted to B2C markets. We propose that by occupying structural voids in a focal firm's value network, a direct or auxiliary enabler can create radical, architectural, or incremental blue oceans. We demonstrate that this approach can be applied to both B2B and B2C markets.

Keywords: blue ocean strategy, structural voids, value network, innovation.

1. Creating a Blue Ocean

Firms that struggle with cut-throat competition often look for market opportunities where competition is almost non-existent and where they are able to benefit from a first-mover advantage. One way for a firm to avoid cut-throat competition is what Kim and Mauborgne (2005) refer to as "blue ocean strategy." This strategy involves finding uncontested market space where competition does not exist. According to the authors, such uncontested market space can be captured by value innovation, *i.e.*, by pursuing both low cost and differentiation simultaneously. The authors further explain that blue oceans include all industries that are not yet in existence because there is no competition. Thus, search engines such as Google, and electronics such as TVs and VCRs, were all once blue oceans. Kim and Mauborgne (2005) suggest a model to craft a blue ocean strategy. They describe this model as a "strategy canvas." Using this model, firms reduce or eliminate aspects of their product or services that are taken for granted and raise or create those elements that customers value and that were not previously available. For example, the successful positioning of the Cirque du Soleil circus or of budget hotels can be explained using this model.

We propose a *value network approach* to create blue oceans by tapping unexploited business opportunities. The presence of structural voids in the value network of a focal firm permits the creation of blue oceans that are specifically useful for business-to-business (B2B) businesses. Unfortunately, the cases explained using the blue ocean strategy mainly consider the successful creation of

blue oceans in B2C industries. However, our framework is useful for both B2B and B2C industries. Thus, by leveraging a value network and structural void framework, firms—especially those that are entrepreneurial— can analyze how best they can serve customer needs and hence add value while simultaneously capturing uncontested business opportunities, thus enhancing their chances of economic success.

We begin with an explanation of key terms—namely, structural voids and value networks—and then propose how three different types of blue oceans—radical blue oceans, architectural blue oceans, and incremental blue oceans—can be created.

Business opportunities vs. competitive opportunities—the need for a value network and structural void approach

Kim and Mauborgne (2005) defined blue oceans as industries that are not yet in existence. Further, they asserted that blue oceans can also be created by occupying white spaces in a strategic group. A strategic group refers to firms with similar competitive strategies (Hunt, 1972). White space in a strategic group refers to unoccupied competitive positions in a particular industry. For example, in an industry, firms following a low-cost strategy would comprise one strategic group, and firms following a differentiation strategy would form another strategic group. Other available competitive positions (representing white spaces) would include no frills, hybrids, and focused differentiation strategies (Bowman, 1996). Similarly, based on different combinations of perceived value and price combinations, firms can occupy distinct positions in an industry.

These white spaces are sources of blue ocean strategies because no other player has yet implemented that strategy. Thus, by offering classically designed furniture to mass segments of customers at a reasonable price, Ikea created a blue ocean strategy because other furniture manufacturers provided either traditional or low-quality furniture at low prices or high-quality and classically designed furniture at high prices. Because Ikea was able to tap a new segment of customers by virtue of new competitive positioning, it occupied white space in the strategic groups of the furniture industry and hence implemented a blue ocean strategy.

It has been suggested that value innovation is the cornerstone of blue ocean strategies (Kim and Mauborgne, 2005). This innovation is achieved by eliminating or reducing standards that are taken for granted in the industry and raising or creating new standards that meet the latent demand of customers in the industry. This approach is referred to as a “strategy canvas.”

Although notably the approach is useful for catering to a different segment of customers by converting non-users of products and services into users and by the occupation of different competitive positions in an industry, the model needs an extension, a third dimension. The first two dimensions are competitive opportunities and existing products and services in an industry, where new competitive opportunities are exploited via value innovation. The third dimension

is exploiting “business opportunity” in an industry. This opportunity is created by providing new processes apart from products and services. When competitive opportunities are exploited, a new strategic group is created in an already existing industry. However, when business opportunities are exploited, a new member is added to the ecosystem of a particular industry. For example, while pursuing a blue ocean via competitive opportunities, a B2C industry might implement a hybrid strategy (Bowman, 1996) following the philosophy of value innovation and thus create value for its end customers. However, when a firm occupies uncontested market space by exploiting business opportunities, it adds an additional link in B2C industries by acting as mediator and thus makes a B2B₁2C industry where B₁ represents an intermediary firm performing certain activities on behalf of B, creating additional value for both the business B and the end consumer C and earning profits for itself. Groupon, for example, by providing a “deal of the day” promotion to customers acts as an intermediary between small- and medium-size enterprises and consumers. We explain this in detail below. To exploit business opportunities and hence become a new member of the industry ecosystem, new incumbents generally focus on B2B businesses or act as intermediaries in B2C businesses. Thus, business opportunities are broader in terms of identifying revenue earning opportunities, and competitive opportunities are a subset of the opportunities.

Unless we add the third dimension of business opportunity, practitioners will keep searching for new and unexploited competitive positions, thus missing out on an entirely new source of revenue earning. This can be especially useful for entrepreneurs who are still struggling to carve out unexploited business opportunity to set up their business. To search for blue oceans from the perspective of business opportunities, we suggest that a combination of structural holes and a value network approach be used to create blue oceans.

We next discuss the theory of structural holes and value networks and how they can be used to create blue oceans.

2. Structural Holes and Voids

In the strategic management literature, Burt (1992) introduced the concept of structural holes. According to his theory, when a firm forms various inter-partner relationships, it occupies a distinct position by virtue of the number of partners it has and the linkages between those partners (Ahuja, 2000). A structural hole represents other possible inter-organizational linkages with a focal firm (Burt, 2004:349). These interorganizational linkages can be repetitive in nature. For example, a firm may address only local or regional suppliers or international and global suppliers as well. We extend this concept of structural holes to identify interorganizational linkages that have the potential to create blue ocean strategies

if the focal firm's value network is properly analyzed for untapped business opportunities.

These structural holes represent business opportunities that can be exploited by other firms to cater to the unmet needs of a focal firm. The size of a hole reflects the potential of the business opportunity. The larger the hole, the more radical the innovative potential of the business opportunity, and hence more radical is the innovation. See Figure 1 for structural holes. A smaller hole represents a business with relatively smaller innovation potential, which we refer to as an architectural or incremental innovation, as explained below, and a larger hole represents a business opportunity that is comparatively new and hence a radical innovation. An irregularity in the hole shape indicates that it is up to the firm to use its capability to optimally exploit those opportunities. Because structural holes are present in the value network of the focal firm, to locate these holes we need to analyze the focal firm's value network.

3. Value Network

A value network is defined as a cluster of economic actors who collaborate to deliver value to the end consumer. Each actor takes some responsibility for the success or failure of the network (Barnes 2002; Bitran *et al.* 2003; Pigneur 2000; Sabat 2002). According to Basole and Rouse (2008), there are five types of actors: consumers, service providers, tier 1 and 2 enablers, and auxiliary enablers. Consumers represent end customers who consume the product or service. Service providers and product providers are the focal actors in service value networks and manufacturing value networks, respectively. These service providers in turn rely on numerous enablers, which help them design and deploy their services. A tier 1 enabler provides direct services to the focal actor that are directly associated with the conversion of inputs into final products and services, whereas a tier 2 enabler provides services or products to tier 1 enablers. In addition, auxiliary enablers are important to ensure that the entire value network ecosystem functions well. In the telecom industry, for example, value added service providers are auxiliary enablers because they are not directly related to the provision of core telecom services, *i.e.*, voice-to-voice communication for the end customer. Consultancy firms and infrastructure service providers are other examples of auxiliary enablers. Value networks are represented by nodes and arc relationships, where nodes represent firms and arcs represent relationships between those firms. See Figure 2 for a value network diagram. A typical value network can be represented by various B2B, B2C, and C2C relationships. In addition to nodes, a value network has voids, namely, structural voids, as explained above. These structural voids in the value network of a focal firm represent uncaptured business opportunities, uncontested market space, or more specifically potential blue oceans, because these opportunities have not been tapped by competitors. Figure

3 presents a value network with unoccupied structural voids. Solid external lines show the focal firm. Nodes represent various other firms acting as tier 1, tier 2, or auxiliary enablers in the value network of the focal firm. Hollow holes represent unoccupied voids in the focal firm.

Thus, in tandem, structural holes and value networks can help us create blue oceans. Furthermore, different types of blue oceans—namely, radical, architectural, or incremental blue oceans—can be created based on the size of the structural void. The larger the size of the void, the more radical the innovation. We briefly define all the relevant terms in Table 1.

We next discuss these different blue ocean strategies in more detail.

4. Creating a Radical Blue Ocean

A radical blue ocean is created when a firm identifies a completely new business opportunity that has been overlooked in the market segment earlier. Radical blue oceans thus imply structural voids with the largest holes. A radical blue ocean business opportunity is exploited by a tier 1, a tier 2, or an auxiliary enabler who provides a value-added service to the focal firm. This service was absent earlier and represents a completely new untapped business opportunity. We further explain this with short cases.

Online group buying sites

Small- and medium-sized enterprises such as local restaurants and gym service providers often suffer from a lack of marketing capability because, unlike multinationals, they do not have deep pockets for marketing and advertising expenditures. The challenging question for them then is how to attract customers and enhance their sales and revenues. This implicitly indicates the presence of a business opportunity for enablers who can create a win-win situation for focal firms, customers, and themselves.

In terms of a value network, such companies face a structural void between internal operations and sales and marketing. This structural void represents a business opportunity in the value network of small and medium-size enterprises.

Groupon, an online group buying site, recognized this business opportunity and occupied the structural void in the value networks of restaurants, gym service providers, and similar firms.

Groupon follows the deal-of-the-day business model managing promotions on behalf of small and medium-size enterprises. It insists on special rules for the customers and companies for a “deal” to emerge. These are not market rules, but radical Groupon rules. It thus offers coupons to consumers that offer services such as salon and spa services at relatively lesser prices. This reduced price is thus lower than the original price that would have been charged by the merchant if a customer gone to the merchant directly, thereby making the deal attractive for

customers. For example, a massage service costing US\$ 80 could be offered at US\$ 40 if a consumer uses a Groupon coupon. Such opportunities are particularly useful in times of recession. For example, during recessionary times people try to save on their luxury spending. Two of the businesses in the service industry most deeply hit by recessions are beauty salons and restaurant services. These services are “perishable” in nature, so if during a particular time interval the service is not consumed, that business is lost forever. In this scenario, resellers such as Groupon can make an abundance of business for themselves and merchants by grabbing “deal prone,” or price-sensitive customers.

The success of Groupon is highlighted by the fact that within three years of its inception—from 2008 to 2011—Groupon reported revenues between 3 and 4 billion US dollars. Seeing the business potential, Google, the largest search engine company, decided to diversify in the online group industry and offered Groupon \$6.5 billion in a takeover attempt (*New York Times*, 2010). Groupon even became the highest-valued Internet company at the time of initial public offering in the United States. Seeing the potential of the online grouping industry, within three years 500 players had jumped to occupy this void in the value network of several merchants.

Group online buying sites like Groupon carved out the business opportunity by signing deals directly with manufacturers or service providers and operated within the distribution system endorsed by the service provider or manufacturer. This online coupon facility was nonexistent earlier, thus making it a case of a radical blue ocean.

Online advertising fraud—a radical blue ocean

Growth in the e-commerce business has been accompanied by online advertising such that a “pay per click” (PPC) online advertising model has become popular. By 2011, the industry reported US\$ 32 billion potential (Computerworld.com, 2012). As the click adword business grew, so did fraud associated with the pay per click model, thereby threatening millions of dollars invested by companies in online marketing. Click fraud can be defined as “clicks arising for reasons other than the good-faith intention of an internet user to visit a website to purchase goods or services or to obtain information” (gcweb.com, 2012)

Click traffic auditing firm Click Forensics reported a click fraud rate of 16% in 2007, which has grown at a rate of 5% on a YoY basis. The problem of click fraud represents a structural void and hence a business opportunity in the value network of online advertising. Since online click fraud services were unavailable earlier; this represents completely a untapped business opportunity making it a case of a radical blue ocean. Firms have come up with three lines of service in this area to combat fraudulent clicks. The first is a journalistic stream of service where they investigate and audit fraud and provide safeguard measures against fraud (Jansen, 2007). Click Forensic is one company that provides this journalistic stream of service (clickforensic.com). A detective stream of service focuses on

providing various mechanisms to detect threats such as data mining techniques or machine-based algorithms (Metwally *et al.*, 2005). Click fraud is accomplished both directly by humans and through automation. Usage of online robots known as “bots” is the most commonly used method. To combat this, fraud detecting firms have designed machine-based algorithms that distinguish human-generated clicks from script-generated clicks (Midha, 2008). However, fraudulent companies later shifted to human-generated unwanted clicks, exploiting labor from low-wage developing countries, thereby creating more challenges for click fraud detection companies (*Times of India*, 2004). Gao.com and Clickrisk.com are two of the companies that provide click fraud security services across the stream of service. This preventive business stream focuses on new payment models for online advertising. In this stream, use of impressions rather than clicks is encouraged (Goodman, 2005).

Thus, all three streams of fraud detection represent radical blue oceans as online click fraud detective and preventive products were unavailable before the advent of these companies, resulting in their exploitation of completely new business opportunities. Thus, to identify a new business opportunity, it is vital for firms to understand and analyze potential business problems. A value network and structural void approach can smoothen the process of identifying new business opportunities and hence of earning revenues.

Connecting individual taxi drivers with customers

In the taxi fleet industry, there are two types of players. One is the fragmented market player, and the other is the branded taxi fleet service providers. Passengers prefer to use taxi services from a branded taxi fleet service provider because of the reliability and safety they offer. Thus, drivers operating in fragmented fleet markets remain at a disadvantage. Taxibeat, a start-up application service provider firm in Greece, identified this structural void and hence a business opportunity in the value network of the fragmented taxi fleet service providers. The company recognized that if somehow the reputation of a driver could be gauged, then the reliability and safety of fragmented taxi fleet service providers could also be enhanced just like that of the branded taxi service providers. Banking on GPRS technology, Taxibeat connected individual passengers with taxi drivers in the customers' vicinity. Using this technology, potential passengers were able to view past reviews of a given driver, the taxi's exact location, and hence could make a booking decision accordingly. This process of hiring taxis based on customer feedback about the driver and the taxi's availability also raised the responsiveness of drivers towards customers. For example, unlike an ordinary taxi service provider, drivers associated with Taxibeat do not drive the car recklessly, they ask customers if the temperature inside the taxi needs to be adjusted, and they play music on demand in the taxi (techcrunch.com, 2012). Thus, GPRS technology helped in the creation of brand

value for individual drivers. Taxi drivers pay a commission to Taxibeat per trip using GPS-enabled Smartphones (Greekstartups.com).

This taxi hiring service represents a radical blue ocean as earlier no such service had existed that could connect travelers with individual taxi drivers. Bookings had been made through branded taxi fleet service providers only. Thus, for individual taxi drivers who operated in a fragmented taxi fleet industry, the business opportunity was quite innovative in nature, as no link had existed between travelers and individual taxi drivers prior to that offered by firms like Taxibeat.

Massive open online courses (MOOCs): a recent development in providing online courses

The education industry has witnessed various changes in the way education is provided to students. From classroom courses, the boundaries now stretch from correspondence and vocational training to online courses. Massive open online courses (MOOCs) offer a forum that provides free online education to participants. It is a type of legitimate peripheral participation in which individuals can form communities of practice at a comfortable rate. The freemium model of MOOCs provides free content for online education but charges students if they want professional accreditation or placements. It is this free education to students that differentiates MOOCs from traditional online programs. The pedagogy followed is also slightly different from online courses. MOOCs do not follow the pedagogy of recorded classroom sessions. Further, unlike 45-60 minute classroom sessions focused around one topic, lecture modules in MOOCs are only 15-20 minutes in duration. This length of time is chosen so that students can educate themselves during “time gaps” in their busy lives. Typical student groups taking MOOC programs consist not of undergraduates but rather of working professionals (Voss, 2013).

The most popular classes have thousands of students across the globe and are taught by the faculties of top-notch universities. Institutes that follow MOOS practices ally with degree colleges to sell their licensed content and also charge students for proctored exams. Coursera, for example, takes fees from students to arrange placements for them. After paying the fees, the recruiter obtains access to the class performance of the enrolled candidates, thus triggering the selection process.

Udacity’s job portal (MOOS), an initiative of Harvard University, has acquired membership of more than 350 companies since 2012, although only 20 students have been placed to date. Similarly, MOOC institutes also tie up with other universities so that students can register for MOOC classes as credential courses. Antioch University, for example, permits taking one to two online courses for credit. School administrators prefer to ally with these universities for content licensing to keep their courses updated.

Thus, MOOC presents an opportunity for cross alliances of various educational institutes in terms both of program delivery and content licensing. For example, Udacity's popular courses are associated with the faculties of the University of Virginia, Stanford University, and the Massachusetts Institute of Technology (*Wall Street Journal*, 2013).

MOOCs exemplify a radical blue ocean for Udacity as they are a completely new business proposition where distant overseas students can take at least a few credential courses from top notch universities like Harvard. The fact that 350 companies are already associated with this program speaks to the program's success potential.

5. Architectural Blue Ocean Strategy

In architectural blue ocean strategies, structural voids are occupied by reconfiguring the existing value network of a focal firm in a way such that an enabler (tier 1, tier 2, or auxiliary) brings changes in the business process of the focal firm. This implies that the business process was previously being performed in the focal firm, but now enablers occupying the structural void perform it in a different manner. Since it is not a completely new business opportunity and only represents a change in an already existing process, the size of the void is comparatively smaller for an architectural blue ocean strategy than for a radical blue ocean strategy.

We explain our argument in more detail below by considering representative cases.

Crowdsourcing—an architectural blue ocean

The term crowdsourcing was coined by Howe in 2006. It implies the involvement of a firm's external stakeholders, such as customers, in the value-creating processes. This involvement is made possible by virtue of collaborative software and web-enabled technology.

Firms leverage on crowdsourcing by giving an "open call" to external stakeholders to perform different tasks associated with value-creating activities of the firm (Brabham, 2009). This open call is made possible by virtue of an enabler that provides a web-based crowdsourcing platform connecting the crowdsourcing firm with a group of external stakeholders who complete the task on the behalf of firm. The involvement of external stakeholders, such as customers or freelancers, changes the way in which already existing processes are managed in organizations. Since by providing a web-enabled platform, a new business opportunity is created for an enabler, and hence a structural void is occupied, which represents a blue ocean. Further, only the process of performing the task is changed; once an enabler has taken up the role, an architectural blue ocean has been created.

Let us take the case of artists and creative professionals who design graphics and logos on packages. Undoubtedly, there are thousands of such creative professionals and writers who willingly perform these skillful tasks at a reasonable price. Furthermore, there are numerous firms that cannot afford full-time graphic designers and creative artists for packaging and designing. This unmet need of the focal firm presents a structural void and hence an uncaptured business opportunity in the value network of such focal firms. Thus, if a common platform can be provided where both parties—the focal firm and individual creative professionals—can meet and complete the transaction when required, then a win-win situation can be created. The enabler providing such a platform can charge the focal actor of the value network a commission for making its facility available. Firms such as Crowdspring (crowdspring.com) envisaged this structural hole and hence provided a web-enabled platform where thousands of artists register. Each individual or institutional buyer is provided with more than 100 entries on average. The best entry is selected each time the focal firm needs a service, and the designer or artist is paid accordingly. From the company's inception in 2006, 36,663 projects have been successfully completed through spring.com, and 139,416 creative artists have registered with the company. Thus, Crowdspring occupies a structural void in the value network of a focal firm and puts plenty of graphic designers at that firm's disposal, rather than the focal firm employing full-time employees for needed creative tasks. Firms such as Crowdspring have changed the way focal actors conduct business. But since these activities were being performed earlier as well, this does not amount to a completely new business opportunity. Only the process by which these activities are performed has changed and has been taken up by an auxiliary enabler. Thus, it becomes a case of an architectural blue ocean filling a relatively smaller structural void.

6. Incremental Blue Ocean Strategy

An incremental blue ocean strategy occurs when business potential is exploited but without carving out any new business opportunity nor involving a new enabler in the value network of a focal firm. Thus, innovation revolves around using already existing capabilities in an innovative manner. Incremental blue oceans represent business opportunities with the smallest void size. Thus, an enabler taps already existing business opportunities in an incrementally better manner. We explain this with help of short cases of crowdsourcing advertising

Victor and Spoils, a start-up advertising agency, earned a reputation in the advertising world within a few years of its inception because the start-up was able to attract large clients such as Harley Davidson, Levis, and Gap Jeans (AdvertisingAge.com, 2011). Despite hiring top advertising agencies such as Ogilvy and Mather, these multinationals struggled to create satisfactory

advertisement campaigns. Their dissatisfaction represented a structural void signaling an opportunity for advertisement design to be conducted in a better way. An advertising agency generally consists of account directors, creative directors, and media planners. Depending on the context, they experience both constructive and destructive conflicts when designing an advertisement (Gregorio *et al*, 2012). These conflicts arise because of differences in the perception of consumers. Creative directors think that consumers like to associate themselves with the aesthetic value of the advertisement; hence, the artistic value of the ad is vital. By contrast, account directors perceive viewers as rational entities who seek practical and decision-making information from the advertisement (Hackley, 2003). To resolve this issue, agencies can bank on the strategy of co-creation, where they invite customers to design advertisements and hence develop a “user-generated advertisement.” Alternatively, the internal team of directors can be maintained flexibly to reduce clashes so that the same team never works for the same client.

In both cases, however, the conflicts that arise represent a structural void presenting the opportunity for advertisement design to be conducted in a better way.

Harnessing the power of crowdsourcing, Victor and Spoils, launched in 2009, created and maintained a large database of creative talent. When an assignment arose, they sent the creative need to a pool of writers and creative directors across the globe. Very soon, ideas started flooding in. An internal team at Victor and Spoils then selected a few ideas from the submissions. This model provides them with several benefits. First, they are able to work with a relatively smaller set of employees compared to other ad agencies such as Havas. It also reduces their overhead costs because creative directors are paid only if their ideas are chosen. Second, they obtain access to a larger pool of talent both nationally and internationally. Third, because the team designing an advertisement for a specific client continuously changes based on the creative director chosen, the conflict level also decreases. According to clients such as Harley Davidson, they have seen more ideas in a one-hour meeting with Victor and Spoils than in an entire year with their traditional advertisement partner Carmichael Lynch (Bikerhotline.com, 2010). This example is a case of an incremental blue ocean as the overall talent remained the same. These creative directors went to similar advertisement schools and had access to similar resources. Thus, crowd sourcing advertisement does not represent a completely untapped business opportunity. Only the process of creating the advertisement has changed without incorporating the role of any new enabler. The focal firms, *i.e.*, the advertising agencies, have changed their mode of capturing advertising ideas. Thus, this represents a structural void with the smallest size and hence constitutes an incremental blue ocean.

The India Post Office

As Indian consumers became tech savvy, they switched to online shopping due to the convenience and service speed provided by e-retailers. Online retailers such as Infibeam and Flikart preferred to keep their focus on their core business of marketing and merchandising, so they outsourced logistics and shipment to 3PLs (third-party logistic companies). In rural areas, these third-party logistics service providers found it unprofitable to operate because of associated diseconomies and infrastructure problems (Kilgore, 2007). This represented a structural void in the value network of online retailers. India Post, on the contrary, had 154,822 offices, of which 89% were located in rural areas. Therefore, it easily grabbed the opportunity and forged tie-ups with online retailers such as Infibeam and brick-and-mortar retailers such as Cottage Emporium to deliver products. This example represents an incremental blue ocean as India Post was able to extend its current capabilities and assets to capture the untapped rural market for e-commerce retailers. Distribution of products to rural areas was not a completely new business opportunity, and it did not involve any major changes in the process through which goods from e-commerce firms were distributed. Only compared to other third-party logistics companies, the India Post was slightly better off because of its already existing assets in rural areas. As the revenue from this stream of business started booming, India Post also invested in and established its own warehouses. It currently has 18 warehouses in India. This trend is also popular in developed nations such as USA and the UK, where the USPS and Royal Post now provide similar services.

Since neither a completely new business opportunity was carved out, nor was an already existing process transformed in an innovative way by new enabler, the case of the India Post represents an incremental blue ocean. Further, it occupied a structural void in the value network of e-retailers by exploiting its already existing distribution network asset in rural areas, thus demonstrating an incremental blue ocean strategy.

7. Conclusion

Our intention has been to describe multiple ways of creating blue oceans using a value network framework. Broadly, to tap business opportunities, managers should analyze the latent and unmet demand of focal firms. By using a value network framework, they can understand how an industry operates and how they can create a win-win situation for focal firms as well as for themselves. Kim and Mauborgne (2003) described the value innovation and strategy canvas framework for creating blue oceans. We use a value network and structural voids approach for creating blue oceans. We describe three ways to create blue oceans, namely the radical blue ocean, the architectural blue ocean, and the incremental blue ocean approach. We contend that structural voids in the value network of a firm

represent business opportunities that can be harnessed by new incumbents, specifically enablers in the industry. The value network approach has an advantage over the strategy canvas approach. Unlike the strategy canvas, it can be applied to B2B markets as well as B2C markets. Further, it guides firms to explore business opportunities rather than competitive opportunities to create blue oceans. Thus, using the value network approach, managers can search for the structural voids in the value network of a firm in a particular industry and then exploit the business opportunity using one of the three approaches of innovation—radical, architectural, or incremental.

Our model, similar to the strategy canvas model, suffers from the limitation of imitability. When a void represents a business opportunity, a herd of firms will try to seize the opportunity. Firms must use their strategic management capability to formulate how they can sustain their competitive advantage over new rivals. The work can be further extended to include the abnormal rent-generating ability of radical, architectural, and incremental blue ocean strategies. This statement implies that not all three types of innovative blue oceans have equal profit-earning potential, and extensive research should be conducted to analyze which type of blue ocean has the most profit-earning potential and, consequently, is the most attractive.

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Table and Figures:

Table 1

Consumers	represents end consumer, who finally consumes the product or service
Focal Firm	Firm whose value network is being diagnosed
Enabler	one who assists in initiating, creating, designing and deploying the product or service to the focal firm
Tier 1 enabler	provides goods and services directly to the focal firm
Tier 2 enabler	provides goods and services to the tier 1 enabler
Auxilliary enablers	firms which are essential for the entire ecosystem. They influence one or the other actor in the value network
New Incumbent	potential firm which is not connected to the focal firm as an enabler, but can do so by occupying structural void and hence capturing untapped business need of the firm.
structural holes/ void	Uncaptured business opportunity

Figure 1

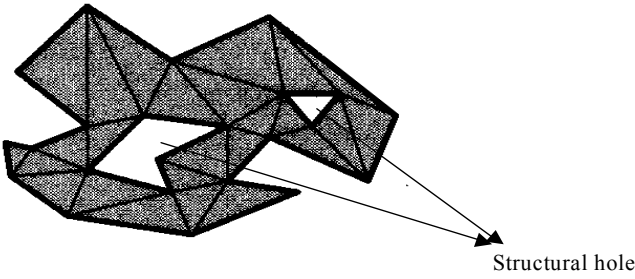


Figure 2

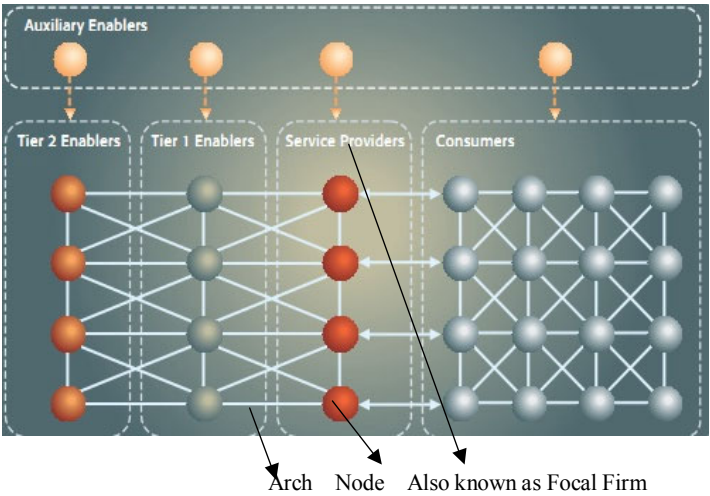


Figure 3

