

# Master's Thesis

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## BLUE OCEAN STRATEGY & MARKETING ICELANDIC FISH

Can the practice of Blue Ocean Strategy through value innovation  
be beneficial for companies marketing Icelandic fish abroad?

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I wish to express my gratitude towards the people who have guided and supported me during my writing. This thesis would not have been written without my supervisor Kristinn Tryggvi Gunnarsson who was the first person to introduce to me the Blue Ocean Strategy some years ago and who furthermore has been very helpful guiding me through the project.

I thank my mother and father for their support during my studies and also I am grateful to my dear friends for encouraging me when I needed and always being there for me. For my loved ones, Arndís Rán and Óðinn, there are no words to describe my gratitude to for their endless patience, encouragement and support during my work.

Finally, I am thankful to all the interviewees for participating in this study and for their cooperation. Without their support this study would not have been conducted.

## ABSTRACT

The aim of the thesis is to explore if practice of Blue Ocean Strategy, through value innovation, or certain tools and framework of the strategy can be useful for Icelandic fish marketing companies. Blue Ocean Strategy is an innovative strategy that pushes companies to look beyond conventional boundaries of an industry and discover new market space through value innovation and consequently make competition irrelevant.

Data was gathered through qualitative research methods, interviews as well as secondary data from a wide range of sources from early 2011 to 2012. The main focus is to gain insight into the industry of fish marketers and draw the value curves of the companies interviewed and discuss how the analytical tools and framework of Blue Ocean Strategy can be applied.

The research findings indicate that the industry is highly competitive; battling in red oceans and the components of Blue Ocean Strategy would be very useful in order to break out of the conventional knowhow and creating more value for both buyers and companies. For a company to fully exploit and implement the Blue Ocean Strategy would be an innovative strategic move and not all companies would be ready for such radical changes. However certain analytical tools and frameworks, such as the Strategy Canvas and Four Actions Framework, would be very useful for any business as well as for the Icelandic fish industry to visually map its current competitive factors and create a future strategy.

## **KEYWORDS**

Value innovation, Blue Ocean Strategy, Strategy Canvas, Four Actions Framework, Marketing Icelandic Fish.

## **AFFIDAVIT**

July 8<sup>th</sup> 2012

Nannestad Norway

## **Declaration of Research Work Integrity**

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU's ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

Sigrún Helga Guðbjartsdóttir

## TABLE OF CONTENTS

Acknowledgements.....	2
Abstract .....	3
Keywords .....	4
Affidavit .....	5
Declaration of Research Work Integrity .....	5
List of Tables and Figures.....	9
Introduction.....	11
Issues Statement and Research Questions .....	13
Main Research Question .....	13
Sub-question One.....	14
Sub-question Two.....	14
Current Status of Marketing Icelandic Fish Abroad .....	14
Delimitations.....	17
Importance of Greater Value.....	18
Today's Marketing Strategy .....	18
Natural Resources.....	20
Competition.....	21
Consumption .....	22
Social Trends.....	23
Other.....	25
Literature Review.....	26
Value Innovation .....	26
Innovation .....	27
Competitive Strategy .....	28
Value Chain .....	29
Five Forces.....	30
The Corner Stone of Blue Ocean Strategy .....	32

Analytical Tools and Frameworks .....	35
The Strategy Canvas.....	35
The Four Actions Framework .....	37
Eliminate-Reduce-Raise-Create Grid.....	38
Three Characteristics of a Good Strategy.....	39
Identifying New Value Innovation Factors .....	40
Formulating Blue Ocean Strategy .....	41
The Six Paths Framework .....	41
Path One.....	41
Path Two .....	42
Path Three .....	42
Path Four.....	43
Path Five .....	43
Path Six .....	44
Additional Strategy Formulation Frameworks.....	45
Three Tiers of Noncustomers .....	45
The Sequence of Blue Ocean Strategy .....	46
Empirical Study.....	48
Methodology .....	48
Research Method .....	48
Data Collection .....	49
Interviews .....	51
Results .....	52
Current Status of Marketing .....	53
The Current Strategy Canvas.....	65
Discussion .....	73
Current Marketing Strategy and Environment .....	73
The “As is” Strategy Canvas .....	76
Three Characteristics of a Good Strategy.....	77
Focus.....	78
Divergence.....	78
Compelling Tagline .....	79
Reading the Value Curves.....	80

Caught in Red Oceans .....	80
Over Delivery without Payback.....	80
An Incoherent Strategy .....	81
Strategic Contradictions.....	81
An Internally Driven Company .....	82
The Four Actions Framework .....	82
Formulating New Strategy .....	83
Next Steps.....	84
Three Tiers of Noncustomers .....	86
Overcoming Execution Challenges .....	86
SWOT.....	91
Weaknesses.....	91
Strengths .....	91
Threats .....	92
Opportunities .....	92
Final Thoughts of Discussion Chapter .....	92
Drawing Icelandic and Norwegian fish industry.....	93
Conclusion .....	96
Application of Blue Ocean for Marketing Icelandic fish .....	97
Using the Strategy Canvas.....	98
Using the Four Actions Framework .....	99
Blue Ocean Strategy for a Company Selling and Marketing Fish .....	100
Recommendations .....	102
A Marketer of Fish Products .....	103
Further Research.....	103
List of References .....	104
Appendix.....	108



## LIST OF TABLES AND FIGURES

Figure 1: Value of export production of marine products 2009 and 2010 .....	15
Figure 2: Percentage share of the value of exported marine products by product categories 1996–2010 .....	15
Figure 3: Percentage share of the value of exported marine products by market areas .	16
Figure 4: Quantity of exported marine products 1996–2010.....	19
Figure 5: Production of marine products for export at 2004 prices 2006-2010 .....	19
Figure 6: Development of cod catch 1993-2010 .....	20
Figure 7: Total seafood supply in tons.....	23
Figure 8: Total seafood supply in tons (Asia).....	23
Figure 9: Porter's Generic Strategies .....	28
Figure 10: Value Chain.....	30
Figure 11: Five Forces Analysis. ....	31
Figure 12: Red Oceans vs. Blue Oceans .....	32
Figure 13: Value Innovation .....	33
Figure 14: The Five Dimensions of Strategy .....	34
Figure 15: Analytical Tools and Frameworks .....	35
Figure 16: The Strategy Canvas.....	36
Figure 17: The Four Actions Framework .....	38
Figure 18: The ERRC Grid.....	39
Figure 19: Three Tiers of Noncustomers.....	45
Figure 20: The Sequence of Blue Ocean Strategy. ....	46
Figure 21: Average Strategy Canvas. ....	66
Figure 22: Strategy Canvas Interviewee A. ....	68

Figure 23: Strategy Canvas Interviewee B. ....	70
Figure 24: Strategy Canvas Interviewee C. ....	71
Figure 25: Strategy Canvas Interviewee D. ....	72
Figure 26: The Four Steps of Visualizing Strategy. ....	77
Figure 27: The Six Path Framework.....	84
Figure 28: The Four Organizational Hurdles to Strategy Execution. ....	87
Figure 29: Estimated today's Strategy Canvas of Icelandic and Norwegian fish industry. .....	94
Figure 30: A Suggestion of a new Icelandic Strategy Canvas compared to Norwegian fish industry.....	95

## INTRODUCTION

Blue Ocean Strategy is an innovative marketing strategy that was introduced with a book by Kim & Mauborgne (2005) and so far many success stories have been connected to the strategy. The strategy has earned increasing respect throughout the world as an effective and innovative strategy in correlation with evidences of success among large companies well known to many such as Cirque du Soleil, [yellow tail], Sony's Wii and Build-A-Bear Workshop (Mauborgne & Kim, 2005).

An Icelandic example of a very successful business using methods of Blue Ocean Strategy is the opening of Bónus grocery stores in 1989. Even though Blue Ocean Strategy had not been introduced at that time, the strategy of Bónus matched perfectly the Blue Ocean Strategy for that the company recreated their Strategy Canvas or value curve and used the Four Actions framework to eliminate, reduce, raise and create.

After looking at success stories from Blue Ocean Strategy and the example of the Icelandic company, thoughts have come to mind whether the Icelandic fish industry currently exploits innovative marketing strategies to increase value when marketing marine products abroad. Furthermore thoughts have risen about whether the industry, or certain companies, would be suitable to take on such an innovative strategy.

For an outside player the industry does seem to focus on battling in a traditional and competitive environment where main emphasis is put on differentiation or price. Kim and Mauborgne, authors of Blue Ocean Strategy, discuss several case studies to confirm effective practice of the strategy, including [yellow tail] entering US wine market by looking across alternatives, Cirque du Soleil's redefinition of the circus and Build-A-Bear Workshop's new method to marketing stuffed animals (Mauborgne & Kim, 2005). Businesses that have successfully found Blue Oceans have enjoyed a number of first-mover advantages, including achieving economies of scale, building reputation and customer loyalty and from the profits the capacity to fund the exploration for the next Blue Ocean (Mauborgne & Kim, 2005).

For the past fifteen years, sales and marketing of Icelandic fish products have changed enormously. Instead of three large companies, selling fish abroad, the sales and marketing has shifted to the producers themselves and sales agencies. Despite less volume fished the total export value of fish products hasn't decreased (Statistical Series, 2011). The fish industry is extremely important for the Icelandic economy and according to Statistics of Iceland (2011) the FOB value of fish products from January to August 2011 is 142,4 billion ISK of total 365,5 billion ISK, or 39% of total export value. However it is very important for the industry to keep increasing the value of products due to uncertainty in external environment (political, legal, environmental etc.).

Although that for decades Icelandic companies have been successful due to industry and technical knowledge and because of certain lack of competition their environment is changing. International knowhow and technology standards are catching up with the general Icelandic technical advantage and the fish industry is facing stronger competition, for example from the Norwegian fish industry that has been very successful marketing Norwegian products in Portugal (Benediktsson, 2011).

The aim of the thesis is to examine if the practice of Blue Ocean Strategy can be beneficial for Icelandic fish companies in order to improve their performance by value innovation, which is the cornerstone of Blue Ocean Strategy, and looking into current strategy canvas of the industry. In the research four top managers from fish marketing companies are interviewed about marketing strategy of Icelandic fish products and the current status of the industry. Furthermore various secondary data from a wide range of sources about the Icelandic fish industry, various literature regarding marketing strategy and management and Blue Ocean Strategy have been studied for support of the study.

## ISSUES STATEMENT AND RESEARCH QUESTIONS

Blue Ocean Strategy can be very suitable for businesses whose products are in the mature or decline stage of the product-lifecycle as evident in the case of Cirque du Soleil. These businesses which are located in and battle in “Red Oceans”, as Kim & Mauborgne (2005) name the market situation, typically enjoy little or no revenue growth because of increasing generalization of their offerings and declining customer loyalty. When faced with these burdens, companies usually attempt to increase their profits by reducing production costs and at the same time increasing emphasis on marketing efforts. Such renovation tactics usually provide little or short temporary success because competitors are doing the same tactics to get a slice of the pie, so the results are a no win situation. Kim & Mauborgne (2005) claim that companies in mature markets should aim for value innovation by rethinking their offerings to deliver unique qualities and experiences to a group of customers that up until now have not been attended to.

The Icelandic fish export industry seems to be a market in a mature state as seen when the percentage value share of exported marine product categories are viewed (Statistical Series, 2011). Combination of the product categories exported has not changed significantly over the past fifteen years although the value share of iced products has been increasing because of technological development and improvement in transportation.

### Main Research Question

In order to reach the goal of the research the following research question and sub-questions will be kept in mind and as guideline through the thesis.

Can practice of Blue Ocean Strategy through value innovation be beneficial for companies marketing Icelandic fish abroad to improve their performance?

### **Sub-question One**

How can the Blue Ocean strategy canvas be exploited for marketers of Icelandic fish in order to improve performance?

### **Sub-question Two**

How can the four actions framework of Blue Ocean strategy be exploited for marketers of Icelandic fish?

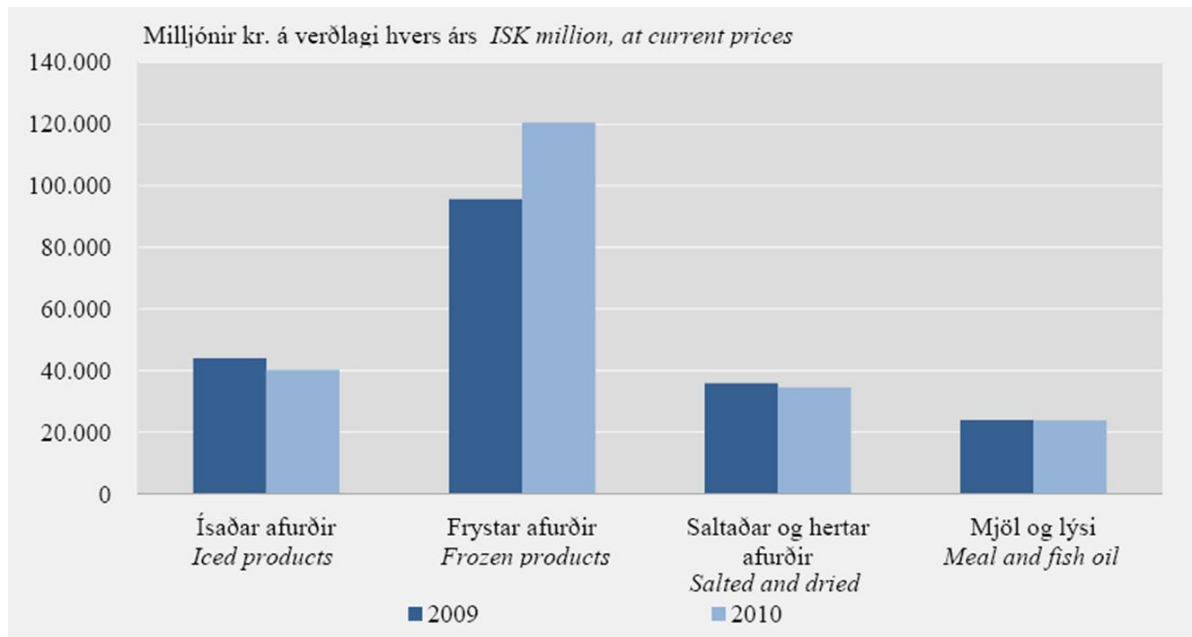
## **Current Status of Marketing Icelandic Fish Abroad**

Iceland is among the twenty largest fishing nations worldwide and the Icelandic economy is very dependent on revenues from fish export. The Icelandic ocean area covers around 758 thousand kilometers<sup>2</sup>, the seventh largest among European countries and Icelandic market share of total world fisheries was 1,7% in 2007 (Food and Agriculture Organization of the United Nations, 2012).

Icelandic marine fishery landings accounted for 1.7 percent of the world's catches in 2007, making Iceland the 15th largest fishing nation in the world that year.

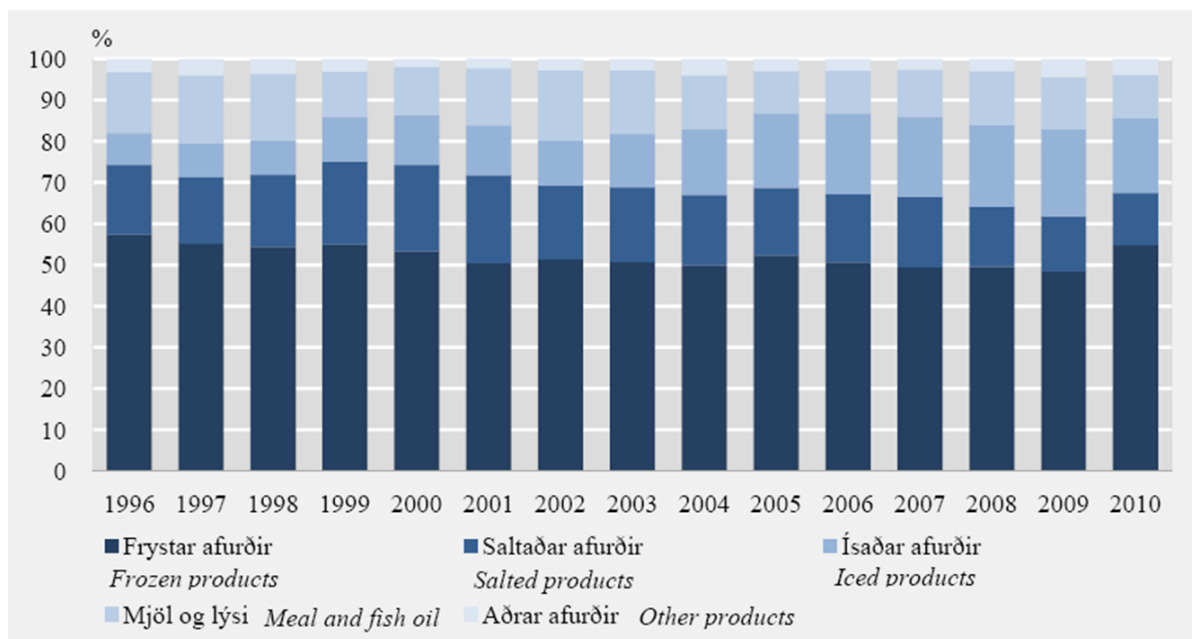
The fish industry is one of the fundamental industries for Icelandic economy, especially after the economic recession has started and has not stricken fisheries as severely as other economic activities in Iceland. According to Statistics Iceland the FOB value of fish products from January to August 2011 is 142,4 billion ISK of total 365,5 billion ISK, or 39% share of total export value. Demersal fish products cover over 63% of total value of marine products in 2010 or nearly 140 billion ISK and the share of pelagic fish products was 20,6% or 45,4 billion ISK. Frozen products generate over half of value of marine products or 121 billion ISK. (Statistical Series, 2011)

## Practice of Blue Ocean Strategy for Marketers of Icelandic Fish



**Figure 1: Value of export production of marine products 2009 and 2010**

Source: (Statistical Series, 2011)

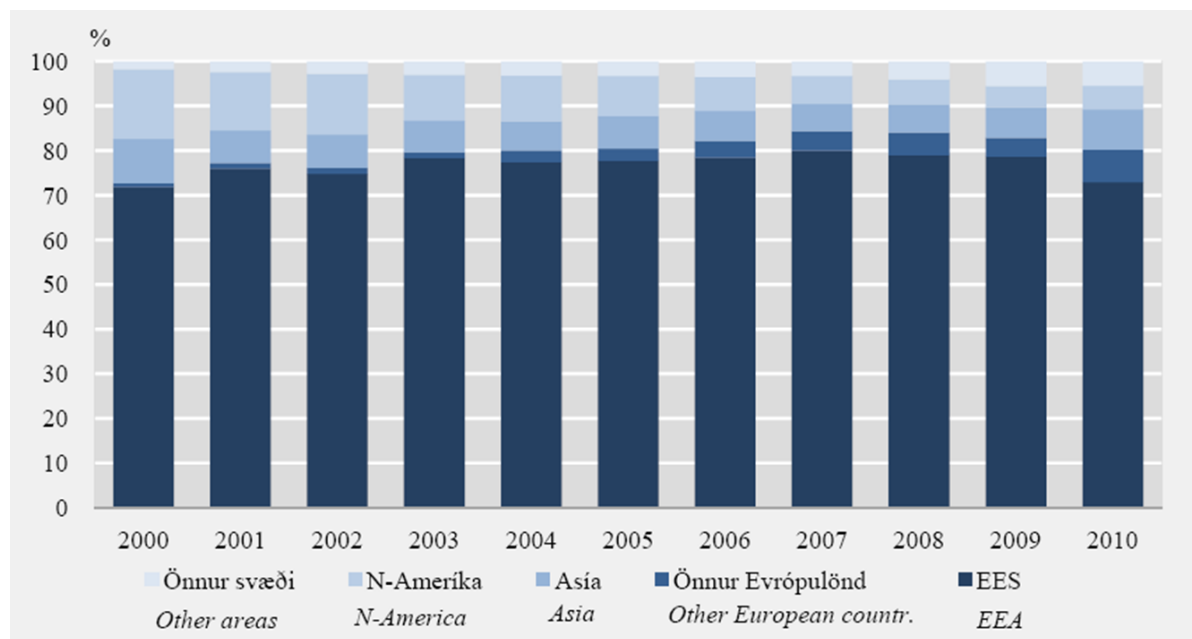


**Figure 2: Percentage share of the value of exported marine products by product categories 1996–2010**

Source: (Statistical Series, 2011)

The European Economic Area is by far the largest market area for Icelandic marine products with export value of 164 billion ISK in the category the year 2010 or

73% of total export value. To Asia the export value is 20 billion ISK or 9,1% share and 11,7 billion ISK to North-America or 5,3% value share. The United Kingdom is the largest country market where total value of exported fish products is 47 billion ISK or 21,2% share of total marine products export in 2010. Other large markets within the European Economic Area are Spain with 9,4% value share and following countries are Norway, the Netherlands, France, Japan and Russia. (Statistical Series, 2011).



**Figure 3: Percentage share of the value of exported marine products by market areas**

Source: (Statistical Series, 2011).

Russia, Norway and Iceland are the largest fishing nations in Europe and compete for markets in Europe. For many years, Icelandic fish companies enjoyed a very strong competitive status in selling demersal fish products but for the past years Russian and Norwegian fish companies have strengthened their position in European markets. (Vilhjálmur Jens Árnason, 2011).



## DELIMITATIONS

As the subject of the thesis is potentially broad it is necessary to delimit the research to a few companies that are relevant and suitable for the purpose of the thesis therefore the research has been limited to four companies, that are selling and marketing fish abroad, but are not producers of marine products and are not owners of any fish quota. This number of companies is also appropriate when it comes to drawing the strategy canvas for the industry since they are competing with each other.

Focus of this thesis is exclusively set on the marketing strategies of Icelandic sellers and marketers of fish abroad thus it is not intending to cover the total Icelandic fish industry. The researcher's focus lies on current status of the industry and how particular analytical tools and frameworks of Blue Ocean Strategy could be useful in creating increased value.

In this thesis there will not be a specific emphasis on several influencing external factors normally included in a PESTEL analysis such as; political, economic, social, technological, environmental and legislative factors except to some extent although all factors can have a great impact on the industry. Instead the focus is set on perspectives relevant to Blue Ocean Strategy's value innovation and factors the strategy emphasizes mostly on, consequently to build a general image of opportunities to use the strategy in the industry discussed.

## IMPORTANCE OF GREATER VALUE

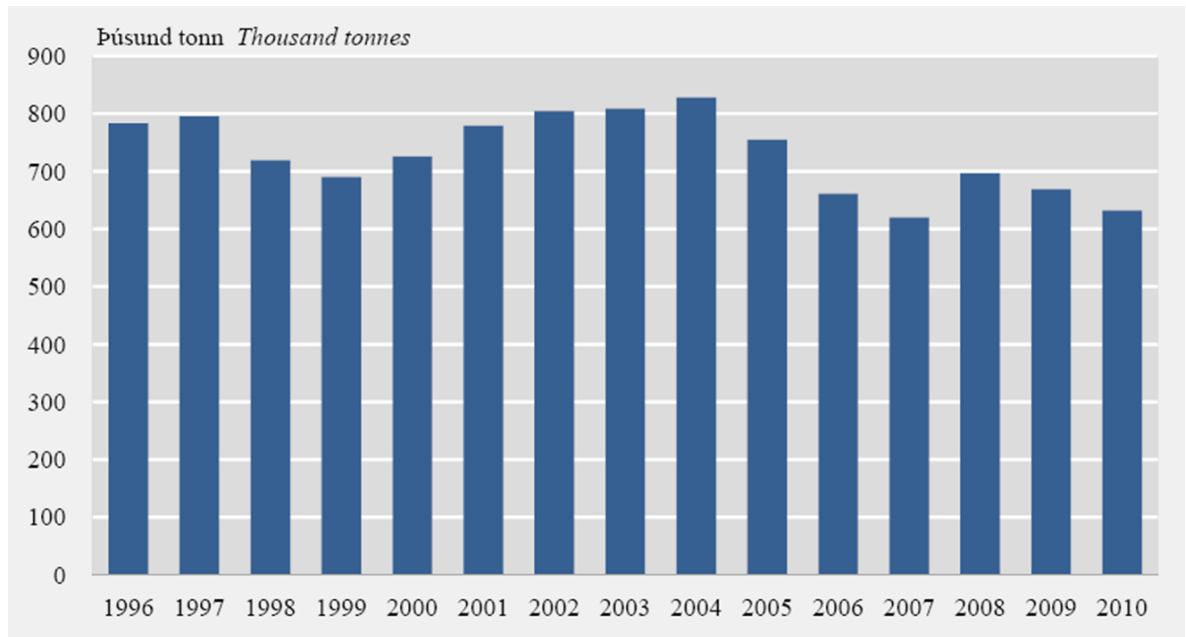
For the Icelandic fish industry it is increasingly important to keep increasing value or creating value for stakeholders for various reasons. Companies face plenty of uncertainty in their near and broad environment.

Until now there is little previous research evident with regards to ways to increase value of marine products and this is among or the very first research ever conducted on Blue Ocean Strategy in relation to Icelandic fish industry.

## Today's Marketing Strategy

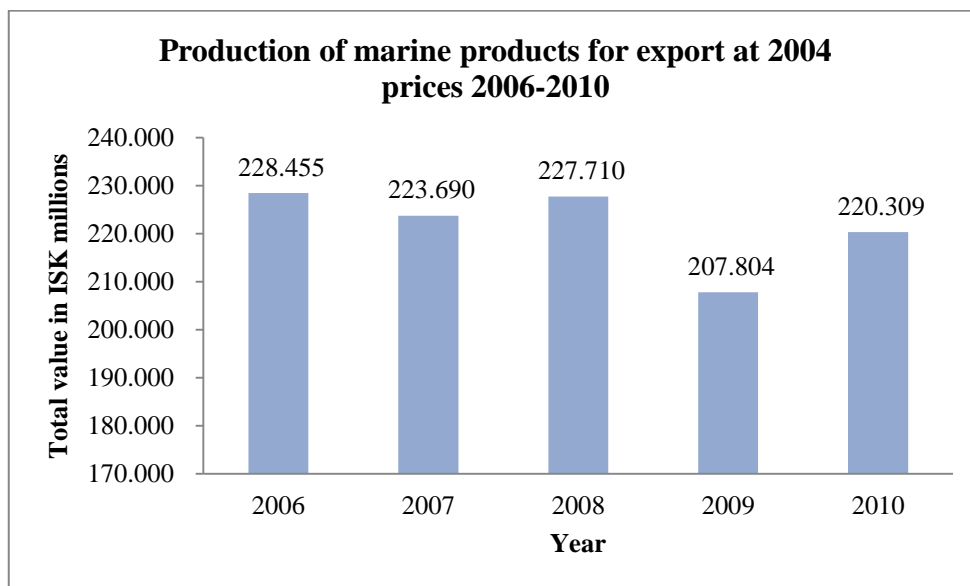
For the past fifteen years, sales and marketing of Icelandic fish products have changed enormously. Instead of three large companies, selling fish abroad, the sales and marketing has increasingly moved to the producers themselves and sales agencies. Today there are over thirty companies, employing around 250 people, selling and marketing Icelandic fish with some of them also selling fish from foreign waters (Vilhjálmur Jens Árnason, 2011). The larger companies have founded sales agencies or subsidiaries in their most important markets and the main buyers are wholesalers of fish and in some cases the sales agencies serve restaurants and grocery stores (Interviewee A, 2012), other fish sellers sell their products worldwide through intermediaries that are default experts in their market (Interviewee B, 2012).

Although the total volume of fish exported has decreased, as figure 4 exhibits, the total export value has not decreased accordingly (see figure 5) and while there is a decrease of 5,5% in volume from 2009 to 2010 the value has increased by 5,7% at the same time.



**Figure 4: Quantity of exported marine products 1996–2010**

Source: (Statistical Series, 2011)



**Figure 5: Production of marine products for export at 2004 prices 2006-2010**

Source: (Statistics Iceland (a), 2012)

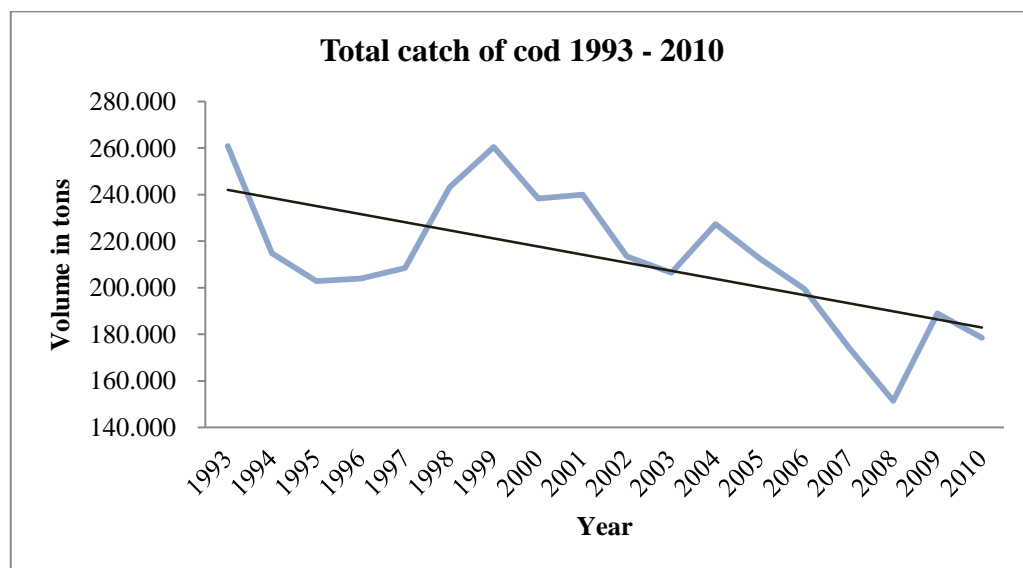
Generally, there are some fluctuations in the supply of fish and what most often drives sales is the demand at prices each time. The demand fluctuates as well and buyers can be looking for varieties in products, fish caught by specific fishing gear and an important factor of demand, according to all interviewees for this thesis, is the

demand for sustainability- and origin certification such as the MSC certification (Marine Stewardship Council, 2012).

Europe has developed to become the largest and the most important market for fish, offering the best prices and the largest country market is the United Kingdom. An important factor in addition to demand is the reliability of payments from buyers, and the speed of deliveries and payments as well (Interviewee B, 2012). Since the financial crisis has started buyers are generally more careful in their purchases, buying less volume and demand for good prices is high (Interviewee A, 2012).

## Natural Resources

Fish catch of the Icelandic fleet has gradually been decreasing for the last two decades, despite fluctuations in volume exported that can mostly be explained by instabilities in catch of capelin there is a downward trend as can be seen in figure 4. The catch of cod, which has been the most important fish type for the Icelandic industry, has been declining as seen in figure 6 below. That is due to reduced spawning stocks and a decline in average weight, and because of reduced volume of capelin which is the cod's main prey (Food and Agriculture Organization of the United Nations, 2012).



**Figure 6: Development of cod catch 1993-2010**

Source: (Statistics Iceland (b), 2012)

## Competition

For many years Icelandic fish companies have been successful selling and marketing marine products abroad due to valuable advantage in industry- and technical knowledge. However their environment is becoming more competitive, international knowhow and technology standards are catching up with the general Icelandic technical advantage and the fish industry faces stronger competition (Eiríksson, 2011).

Norwegian fish companies have been very successful in marketing and have for example reached a strong leading position of the Portuguese fish market where Norwegian fish has become a sign of highest quality according to a presentation by Bjarni Benediktsson (Iceland Seafood: Presentation on Status and Prospects in Marketing Salted Fish) at Fisheries Conference in October 2011.

Icelandic companies have enjoyed competitive advantage when marketing demersal fish and Norwegian companies have been more successful in marketing pelagic fish. Today Norwegian companies are very well technically equipped and can sell pelagic fish for better prices than Icelandic companies that sometimes due to natural circumstances cannot offer the same quality. On the other hand Icelandic companies enjoy an advantage when selling cod, which is demersal fish, because they can supply cod to markets all year around and Icelandic companies are also well known with good reputation for quality in the most demanding markets such as Spain and Italy where prices are high (Interviewee A, 2012).

Icelandic companies still enjoy the promotion success earned from the time when three companies dominated in selling fish abroad and at then many smaller Norwegian companies were marketing their fish, often battling each other. Now this position has turned around and there are many Icelandic companies marketing fish abroad today while Norwegians have regulated their fish industry to pay 0,75% of their export value to Exportutvalget for Fisk, which is part of the Norwegian Seafood Council (Norwegian Seafood Council, 2012), and 0,3% to a special research and development fund, with nearly 6 billion ISK of this share used for marketing (Eiríksson, 2011).

Interviewees all mentioned this mechanism of Norwegian seafood marketing, where such enormous amounts go to marketing, and consider it to be an increasing threat for Icelandic marketers of seafood. Norwegians focus very heavily on being present and visible to retailers and end users in their market areas, emphasizing Norwegian unique quality. Such marketing is very likely to result in increased demand from buyers for their products because the end users believe that Norwegians offer the best products even though local intermediaries or subsidiaries, often with expert knowledge in fish, believe the Icelandic products to have the best quality (Interviewee B, 2012).

Somewhat similar to the Iceland Responsible Fisheries, which is a logo representing origin of fish caught in Icelandic waters and responsible fisheries (Iceland Responsible Fisheries, 2012) Norway has its own logo. The Norwegian logo represents the brand Norwegian Seafood and is a guaranty of Norwegian origin and properly managed fisheries (Norwegian Seafood Council, 2012). The Norwegian fish industry has been focused on implementing this logo of guaranty with good results of promotion of Norwegian fish products (Interviewee A, 2012).

## Consumption

Worldwide supply of fish and consequently consumption has increased by 3,6% per year on average since 1961, while the world's population has grown at 1,8% per year. Fish proteins are very important in the diet of many countries, particularly in some countries where total protein intake is low and about a billion people worldwide rely on fish as a main source for animal proteins. Reliance on fish is generally higher in coastal areas (World Health Organization, 2012). The figures below display the development of total seafood supply in tons by continents. Food supply graph for Asia is presented separately since numbers for the continent are much higher than for the other continents so that the numbers for the other continents wouldn't show as clearly.

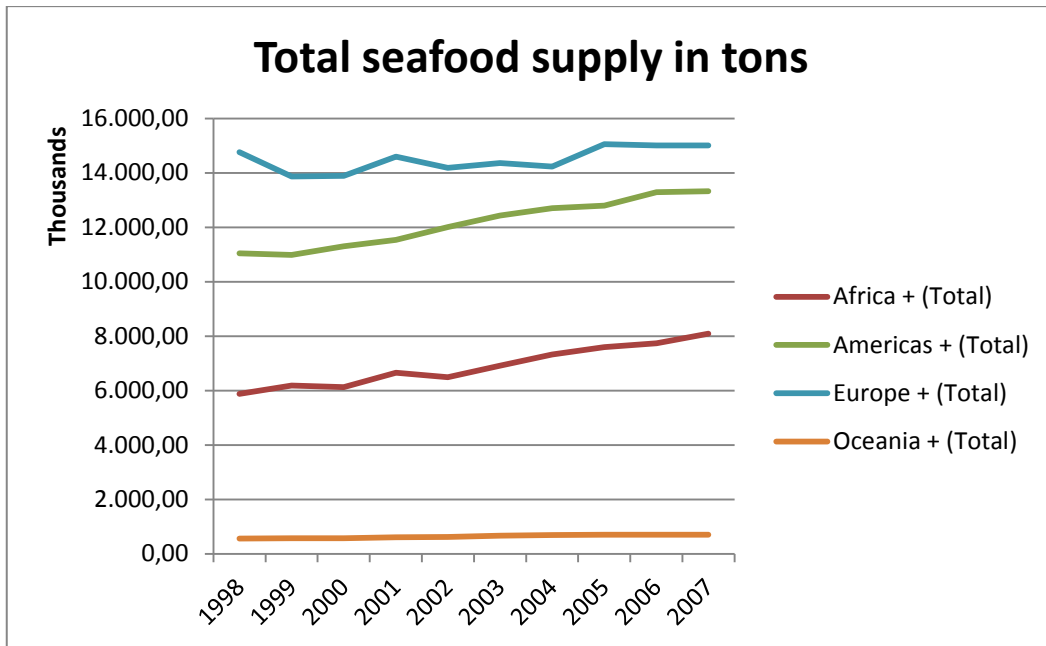


Figure 7: Total seafood supply in tons

Source: (Food and Agriculture Organization of the United Nations, 2012)

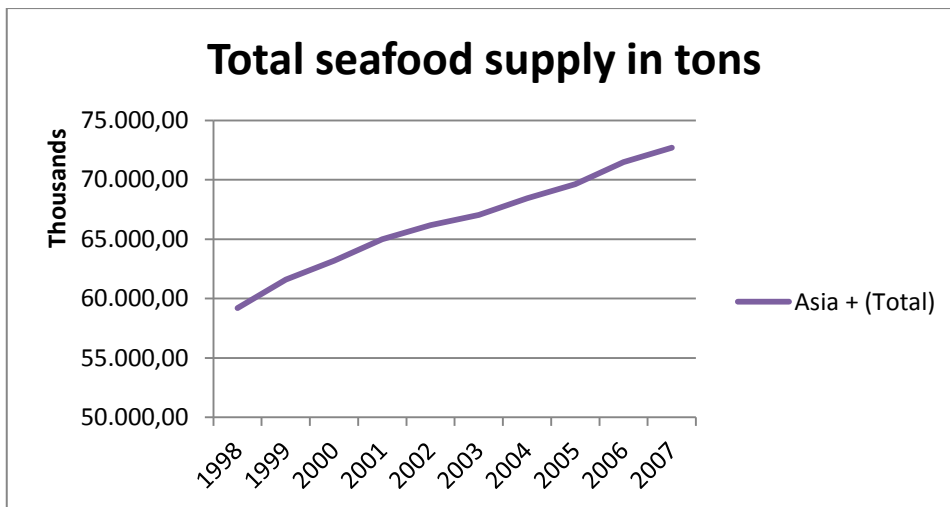


Figure 8: Total seafood supply in tons (Asia)

Source: (Food and Agriculture Organization of the United Nations, 2012)

## Social Trends

While populations are increasing throughout the world they are also growing older and societies are facing miscellaneous health problems in line with declining

mortality rates. In the 1970s peoples' evaluation of own health didn't change much (Verbrugge, 1984) but this has changed dramatically over the past decades. People are generally becoming much more focused on healthy nutrition (Icelandic Directorate of Health, Icelandic Food & Veterinary Authority, Unit for Nutrition Research, 2011) and physical activity in order to live a long and good life.

Furthermore increasing overweight problems in societies imply a necessity to focus on actions to prevent them and encourage increasing physical activity and healthy nutrition to help to overcome this growing public health problem (Troiano, Flegal, Kuczmarski, Campbell, & Johnson, 1995).

Benefits of fish intake are evident for major health outcomes. Eating fish reduces risk of several diseases and fish supplies Omega-3 fatty acid that is beneficial for health (Mozaffarian & Rimm, 2007). Still, several studies have shown that healthy food is more expensive in stores while unhealthy food is cheaper (Smith & Brunner, Socio-economic differentials in health: the role of nutrition, 1997) and that is something a person can easily experience in any food store by comparing prices of healthy products and processed food.

Interviewees agree that social trends with regards to more focus on health and healthy eating the demand for quality fish products will rise in coming years. Consumers are also becoming more aware of sustainability and origin of products (Interviewee B, 2012). With more demands regarding origin and traceability of fish the industry has been driven to increasingly become MSC certified suppliers (Marine Stewardship Council, 2012) in order to serve their customers and maintain competitive positions in markets (Interviewee A, 2012). Iceland Responsible Fisheries (Iceland Responsible Fisheries, 2012) is also a logo of origin and quality. MSC stands for Marine Stewardship Council and is an international certification program for sustainable fishing (Marine Stewardship Council, 2012).



## Other

There are many other factors worth mentioning that influence the environment for Icelandic fish companies although they will not be addressed specifically in this thesis for the focus will be on the marketing side only;

Disputes of stakeholders in the Icelandic fish industry on policy and managing fisheries are well known to those who follow news in the country and although stakeholders agree on paying rent for the use of natural resources there is a long way between their views and current proposal for legislation for example (Interviewee A, 2012). A share of such rent could be used for marketing the Icelandic brand and for research and development to strengthen the brand's marketing position and image. Many fear the outcome of the proposal to result in massive bankruptcies if passed (Interviewee A, 2012).

Environmental issues are growing more and more important and the fish industry is becoming more focused on responsible fisheries. Demand for sustainable use of renewable sources has increased significantly worldwide and sustainability is becoming a key word in the fish industry (Iceland Responsible Fisheries, 2012).

## LITERATURE REVIEW

This chapter is committed to present the theoretical concepts relevant for this paper and the analytical tools and frameworks of Blue Ocean Strategy which are the pursuing and relevant topics of the research. The topics were selected to answer the main research question and sub-questions. Furthermore they provide a basis for the empirical results, but were also generated as the empirical gathering was in progress.

In their 2005 book (Blue Ocean Strategy) and in research articles (2004) (2005a) (2005b), W. Chan Kim and Renée Mauborgne convincingly claim that businesses can produce greater profit by creating unique offerings for new markets than by competing with opponents in the existing ones (2005). The Blue Ocean Strategy encourages management of company's business strategy to shift the traditional perspective of battling for market share or constantly looking for growth by limitless market segmentation. Instead they should rather explore, looking beyond traditional market space to discover new demand and offering unique value to buyers while simultaneously lowering cost.

## Value Innovation

Value Innovation emphasizes equally on value and innovation and fights increased commoditization and creates differentiation (Mauborgne & Kim, 2005, 2005a, 2005b). Significant successes in market share or high profit occur because companies change the rules of the game instead of trying to out-perform competitors (Markides, 1997). Value innovation or follows a Schumpeterian disruptive perspective of breaking industry rules of competition through redefinition of the business model and offering new customer value. Companies seek to implement unconventional strategies that differ from existing industry norms (Schumpeter, 1934).

Value innovation is the cornerstone of the Blue Ocean Strategy, Kim & Mauborgne claim in their book (2005). The main strategy focus is on making competition irrelevant by creating an advantage in value for buyers and the company, in

that way opening up new and uncontested market space and value innovation occurs when innovation is aligned with utility, price and cost positions (Mauborgne & Kim, 2005). “Importantly, value innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade-off” (Mauborgne & Kim, 2005, p. 13).

## Innovation

Blue Ocean Strategy strongly relates to Schumpeter’s views on innovation and Creative Destruction. Innovation spreads continuously from the place in the organization where it starts and develops prosperous business circumstances but there is a necessary cost to the economic progress development; “... businesses, individual positions, forms of life, cultural values and ideals, sink in the social scale and finally disappear” (Schumpeter, 1934, p. 255). Old business structures are replaced with new, the greatest form of competition threats are not from existing competitors but from the businesses that reach across current market boundaries and create new markets in the process of Creative Destruction (Schumpeter, 1934). Innovation impacts existing industry rules in the way that it reduces the importance on preserving conventional practices and new structures can be shaped. In Schumpeter’s opinion, the time competitors have to catch up is long enough so that the innovative business will be able to reach substantial sustainable profits. Other companies and industries will imitate the innovative strategy and with time it becomes general (Schumpeter, 1934). However Blue Ocean Strategy consists of splitting up the Schumpeterian innovation in the way that a business can be innovative without the competitive battle associated with creative destruction. Innovation without creative destruction involves finding new markets consequently creating new buyer demand. Theoretically, this subtle modification to Schumpeter’s assumptions leads to a change in the ideal form of strategic management, making competition irrelevant. This is a perspective that eliminates mental boundaries of managers regarding how their business environment should function. If industry standards can be shaped, innovation and creativity will lead the business beyond existing market boundaries with the goal to create maximum value (Mauborgne & Kim, 2005). Using the value innovation tools, the business can create a unique offer to the buyers and combines high buyer value and low cost (Kim & Mauborgne, 2005b).

## Competitive Strategy

Michael Porter (1985) claims that a business can develop a competitive strategy of differentiation or cost leadership. A cost leadership strategy requires the business to produce products or services at the lowest cost as possible so that above-average profits will be earned while the price charged is not above the industry normal. A differentiation strategy consists of creating the perception that products or services are superior to buyers in quality, performance or image compared to competitive products, so that premium price can be charged of buyers. Companies must select between a differentiation strategy and a cost leadership strategy because being “stuck in the middle” between the two is very likely to result in failure (Porter, 1985).

Target / Market Scope	Advantage	
	Low Cost	Product / Service Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (Low Cost)	Focus Strategy (Differentiation)

**Figure 9: Porter's Generic Strategies**

Source: (Porter, 1998).

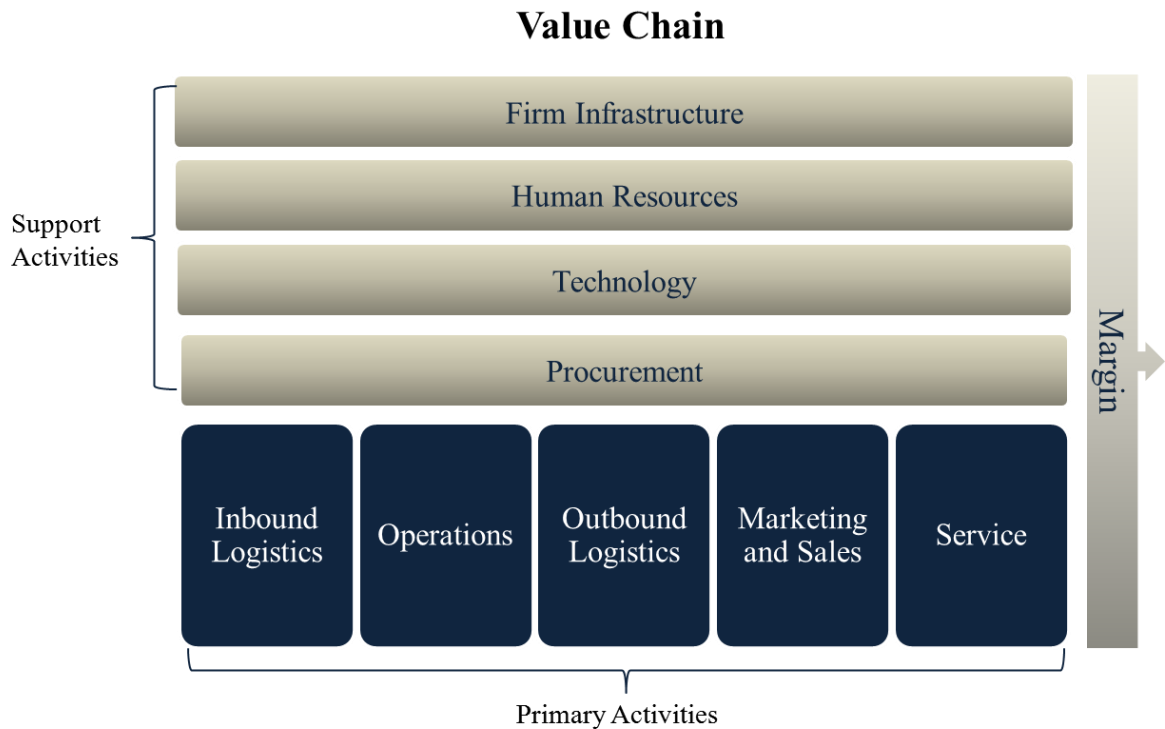
## Value Chain

Value Chain analysis is Michael Porter's (1985) method for understanding a company's ability to enhance value through its activities and associations of supporting- and primary activities. It includes all activities within a company that contribute to the final value of its products or services. Added value or margin is the difference between the total value and combined cost of executing the value activities (Porter, 1985).

The Value Chain helps companies to recognize where value is currently added in the organization and where there is potential to create more value in by restructuring and enhancing synchronization of activities. A company's successful value chain that adds superior value to products and services than competitors is a key to an effective general strategy that provides competitive advantage. General strategic objectives of a company such as cost effectiveness should properly suit the company's value chain.

Guaranteeing that the business' value chain effectively supports its general strategy, adding more value to its products and services than competitors, is essential in order to deliver competitive advantage. The value chain consists of all activities within a business that are associated to final value of a product or service. A company's capability to add value through its activities is analyzed with Porter's value chain and that helps discover where in the structure value is currently added and where there are possibilities to generate future value by reorganizing and improving management of activities (Porter, 1985).

The Value Chain is a convenient and systematic tool in examining the strategic structure of the company, and to evaluate how diverse primary and supporting activities within the value chain serve in adding value. Furthermore it helps to recognize which activities should be outsourced or dismissed if they are not contributing enough to the company's competitive advantage.



**Figure 10: Value Chain.**

Source (Porter, 1985).

## Five Forces

The Five Forces Analysis (Porter, 1980) framework was developed by Michael Porter for industry analysis and business strategy development. The framework helps a company to evaluate potential profitability or the attractiveness of its industry and its competitive situation within that industry. The Five Forces Analysis is made by assessing five factors that affect the competitive environment for a company; the threat new entrants to the industry, the threat of substitute products, the power of buyers, the power of suppliers and the intensity and form of rivalry among companies in the industry.

Profitable potential of a company is, according to Porter, negatively linked with increased competition, lower obstacles to entrance, a higher quantity of alternative products or services, and increased bargaining power of customers and suppliers. Based on the Five Forces analysis a company can develop a general competitive strategy of differentiation or cost leadership and be able to provide superior performance through a suitable structure and organization of its value chain operations (Porter, 1985).

### The Five Forces that Shape Industry Competition



**Figure 11: Five Forces Analysis.**

Source (Porter, 1980).

Aspects of the Blue Ocean strategy can be noted within Porter's Value Chain and cost leadership or differentiation strategy regarding creating a superior value or in other words unique offer to buyers. However Blue Ocean strategy, in contrast to Porter's theory, pursues low cost and differentiation simultaneously (Mauborgne & Kim, 2005). Not only are companies to differentiate and redefining the value chain but they are furthermore encouraged to reach beyond current market segments being more innovative instead of focusing on a narrow market segment. Kim & Mauborgne (2005) define the market world as either blue oceans or red oceans. Industries of clearly structured boundaries and competitive battles for market share are red oceans with a high level of competition where companies have to outperform their rivals. Blue oceans are described as unknown market spaces across industries where companies create new demand and opportunities for highly profitable growth (Mauborgne & Kim, 2005).

## Red Ocean vs. Blue Ocean Strategy

Red Ocean Strategy	Blue Ocean Strategy
<ul style="list-style-type: none"><li>• Compete in existing market space</li><li>• Beat the competition</li><li>• Exploit existing demand</li><li>• Make the value-cost trade-off</li><li>• Align the whole system of a firm's activities with its strategic choice of differentiation or low cost</li></ul>	<ul style="list-style-type: none"><li>• Create uncontested market space</li><li>• Make the competition irrelevant</li><li>• Create and capture new demand</li><li>• Break the value-cost trade-off</li><li>• Align the whole system of a firm's activities in pursuit of differentiation and low cost</li></ul>

Figure 12: Red Oceans vs. Blue Oceans

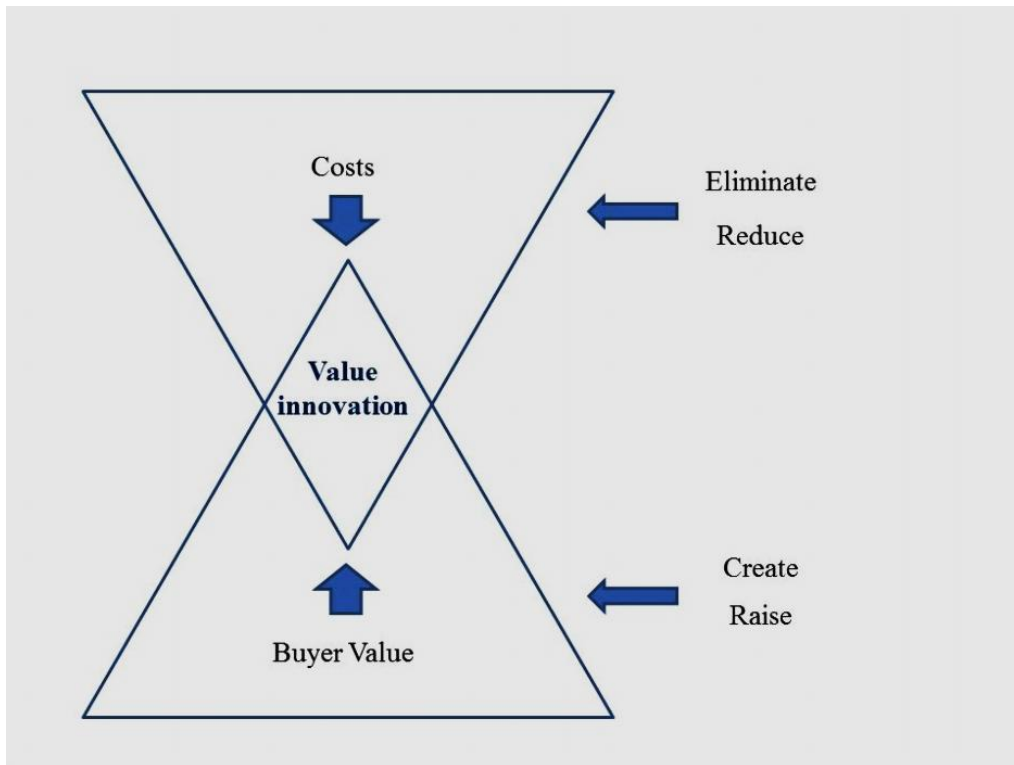
Source: (Mauborgne & Kim, 2005, p. 18).

Kim and Mauborgne (2005b) specify that a Blue Ocean Strategy should not be a static process because when a company has entered a blue ocean, followers will imitate and follow and eventually the current blue ocean will turn into a competitive red ocean. Companies are recommended to use a dynamic approach, continuing moving forward and exploring new markets, making it more difficult for competitors to follow constantly developing tactic.

## The Corner Stone of Blue Ocean Strategy

Value innovation is generated by company's activities that positively influence its cost structure and its value proposition to buyers. Cost is lowered by reducing and eliminating the features an industry usually competes on and the buyer value is increased by creating and raising elements the industry has not offered. The results are the company accomplishing economies of scale due to increased sales volume and further reduced costs (Mauborgne & Kim, 2005).





**Figure 13: Value Innovation**

Source: (Mauborgne & Kim, 2005).

The logic of value innovation and conventional strategic logic are different through five dimensions of strategy. The difference in logic is what controls which questions are asked by managers, where they see opportunities to track, and how risk is understood (Kim & Mauborgne, 1997). Many companies take their industry conditions as given and the negative aspect of this perspective is that future development is restricted. Companies pursuing logic of value innovation have a different mindset and rather seek to start fresh and which values are shared within majority of buyers. Instead of taking identified strategic logic for granted companies of value innovation logic keep fronting their assumptions and approaches towards customers, assets and capabilities with the results of finding opportunities to achieve value innovation (Mauborgne & Kim, 2005). According to Kim & Mauborgne (1997) many companies struggle to grow through continuous profitability and a usual pattern for the companies that are not successful at this is that the focus is set too much on benchmarking. Imitation and no innovation lower the probability of achieving sustained profitable growth. Value innovative companies perceive competition as irrelevant since they reach beyond existing market space and are able to provide buyers with new unique offerings (Mauborgne & Kim, 2005). The differences between value innovation logic and

conventional logic are summarized in the figure below:

The Five Dimensions of Strategy	Conventional Logic	Value Innovation Logic
Industry Assumptions	Industry's conditions are given	Industry's conditions can be shaped
Strategic Focus	Building competitive advantages Aim: Beat the competition	Competition is not the benchmark Instead pursuing a quantum leap in value to dominate the market
Customers	Retaining and expanding customer base through further segmentation and customization Focus on difference what customer value	Targeting the mass of buyers and willingly letting some existing customers go Focus: Key commonalities in what customers value
Assets and Capabilities	Leveraging existing assets and capabilities	Not being constrained by what already having Instead: "What would we do if we were starting anew?"
Product and Service Offering	Traditional boundaries determine the products and services a company offers	Thinking in terms of the total solution customers seek, even if that takes the company beyond its industry's traditional offerings

Figure 14: The Five Dimensions of Strategy

Source: (Kim & Mauborgne, 1997).

Companies that pursue value innovation can shape their strategies and have the possibility to formulate new market structure rather than following the conventional predefined set of rules in the current competition as Kim & Mauborgne discuss (2005).

Value innovators are not competing at the margin for additional market share nor are competitors benchmarked but instead the value innovation logic encourages them to offer a great leap in value for the mass of customers across industry boundaries in new market spaces with results of high profitable growth (Mauborgne & Kim, 2005).

## ANALYTICAL TOOLS AND FRAMEWORKS

Blue Ocean Strategy encourages businesses to reach beyond traditional management structure and from battling in the red ocean of competition. The strategy helps companies redefining their business with analytical tools such as the strategy canvas and the four actions framework by focusing on value innovation. In relation to the focus of this thesis and the attempt to answer the research questions on certain aspects of the Blue Ocean strategy, the applicable tools will be presented in the following sub sections.

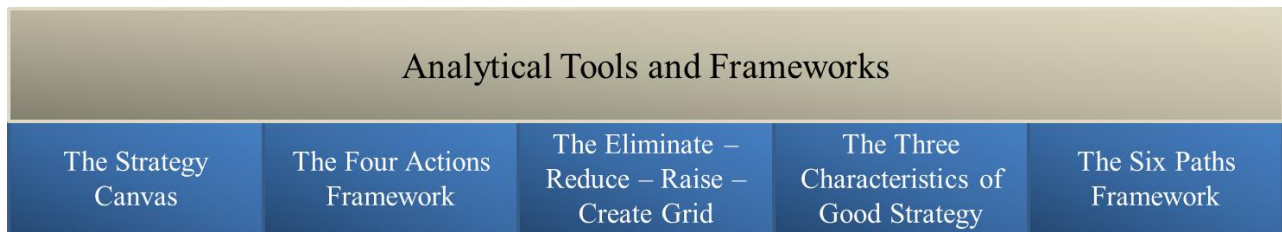


Figure 15: Analytical Tools and Frameworks

Source: (Mauborgne & Kim, 2005).

### The Strategy Canvas

The strategy canvas is both an analytical tool and an action framework for creating a successful Blue Ocean Strategy. The strategy canvas captures the existing structure of action in the known market space. It furthermore helps managers to understand where the competition's investment is currently at, what factors the industry competes on, and the existing competitive offerings to customers on the market (Mauborgne & Kim, 2005).

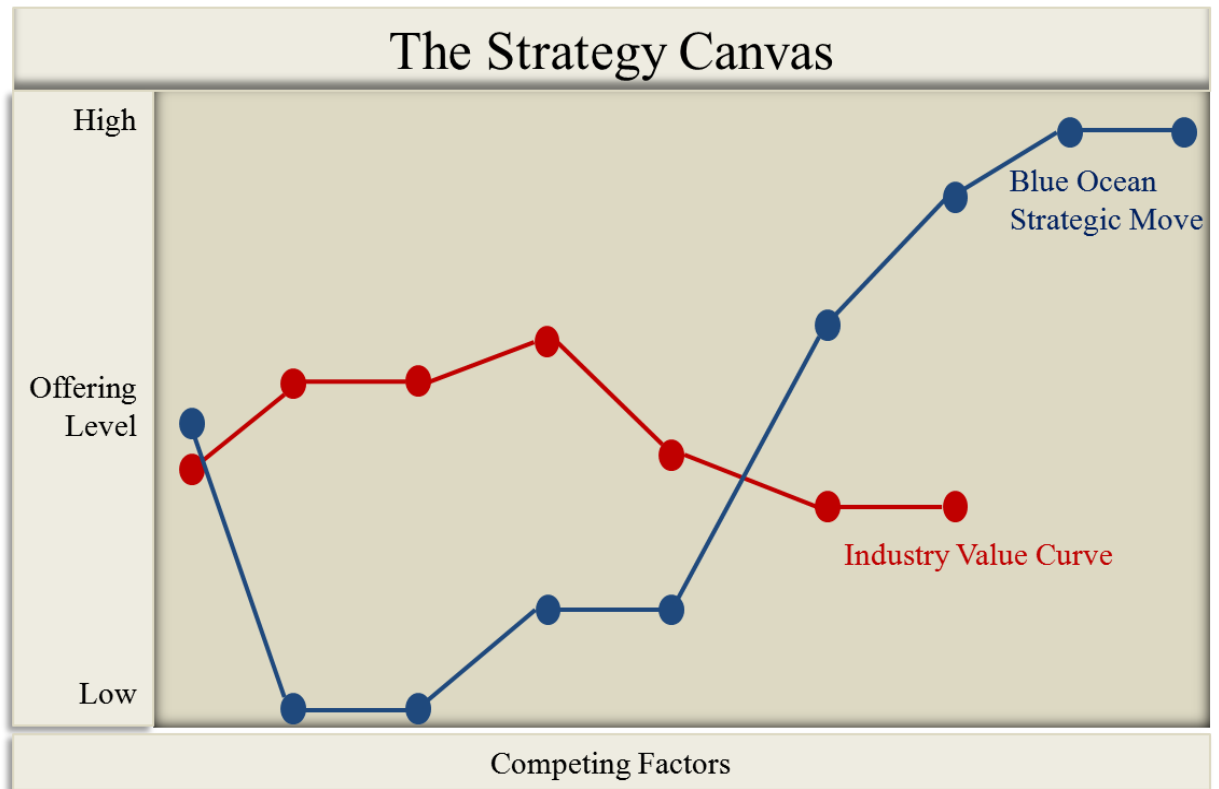


Figure 16: The Strategy Canvas

Source: (Mauborgne & Kim, 2005).

Drawing the strategy canvas requires identifying the key competitive factors the industry competes on to capture its dominant customer group. The competitive factors, located on the horizontal axis, should be at least five but no more than twelve and price should always be included as a factor. The rating of each factor is placed on the vertical axis where high score represents that a company is offering buyers more and henceforth investing more in the factor. However with the price factor a high score indicates a higher price (Mauborgne & Kim, 2005).

Traditional strategic focus encourages companies to offer better solutions than competitors to existing problems that are defined by the industry. Offering customers a little more value for a little less cost and trying to outcome competition in that way is very unlikely to open up uncontested market space even though sales could somewhat increase according to Kim & Mauborgne (2005). Furthermore, conducting extensive customer research is not the pathway to blue oceans because insights of customers tends towards wanting more of what the industry currently offers, they typically want more for less but are hardly able to imagine an uncontested market space (Mauborgne & Kim, 2005). In order to shift the strategy canvas of an industry the strategic focus must be

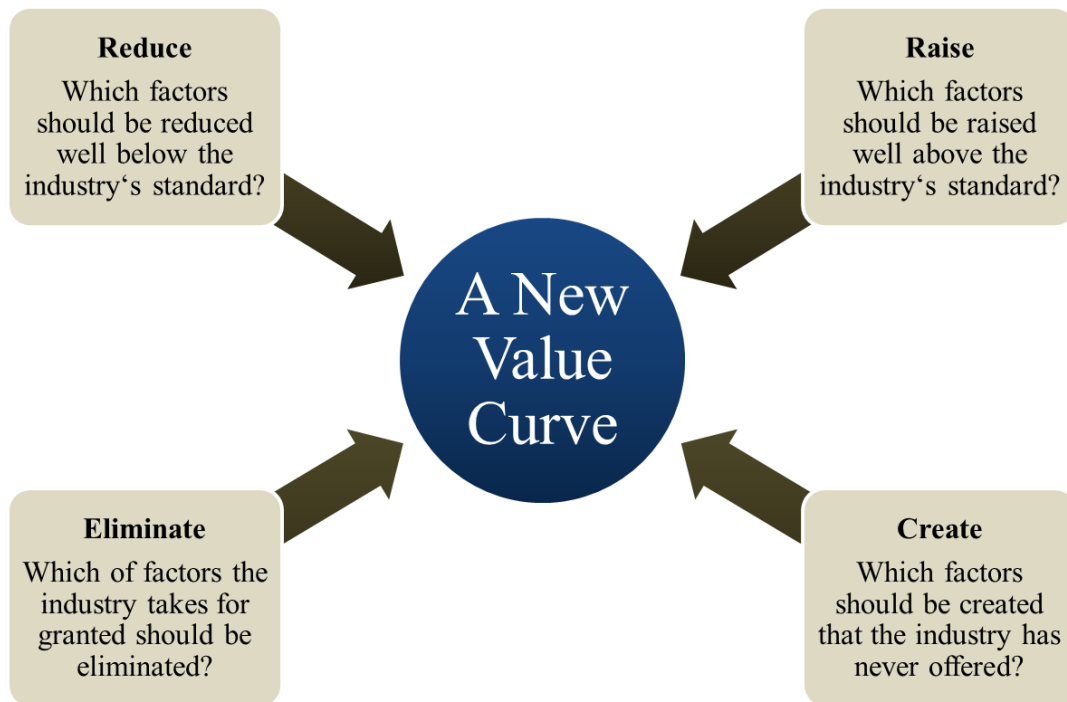
turned from competitors to alternatives and from customers to noncustomers of the industry. As the strategic focus is shifted from current competition to alternatives and noncustomers, an insight is gained into how to redefining the challenges the industry focuses on and restructuring buyer value factors that exist beyond industry boundaries (Mauborgne & Kim, 2005).

## The Four Actions Framework

To create a new value curve with redefined buyer elements Kim & Mauborgne (2005) created the Four Actions framework that is to help break the trade-off between differentiation and cost leadership. It includes four key questions that challenge the current industry strategy focus and the business model:

- 1. Which of the factors that the industry takes for granted should be eliminated?*
- 2. Which factors should be reduces well below the industry's standard?*
- 3. Which factors should be raised well above the industry's standard?*
- 4. Which factors should be created that the industry has never offered?*

By answering the first two questions, companies are provide ways to eliminate and reduce factors in cost structure, while answering the last two questions provide insight into how to increase customer value and create new demand. Together they help to systematically discover how to recreate buyer value factors across alternative industries to offer buyers unique value, while at the same time keeping cost structure low. The eliminate factor and the create factor are especially important to go beyond existing structures of the industry helping companies to change the structure themselves and consequently making the current rules of competition irrelevant (Mauborgne & Kim, 2005).



**Figure 17: The Four Actions Framework**

Source: (Mauborgne & Kim, 2005, p. 29).

Shape of the value curve is defined by how offerings to the customers are constructed and it should have a different shape to other companies' value curves as Kim & Mauborgne (2005) have explained that competitors are not to be imitated or focused on when value innovation is practiced. Value curves are to be used as a strategic tool to discover a market space and when a company is faced with having a value curve similar to another's it is encouraged to modify the value curve (Mauborgne & Kim, 2005).

## Eliminate-Reduce-Raise-Create Grid

The ERRC grid is an additional analytic tool to the Four Actions framework when creating the new value curve that helps companies to execute after answering the four questions in the four actions framework and toward reconstructing customer value perception. All factors the industry competes on are researched and unconscious norms in competing are exposed to fill in the framework with actions and create a new value curve. When the four main questions have been answered a new value curve is created

because new offerings, different from existing offerings, are launched on the market (Mauborgne & Kim, 2005).

<b>Eliminate</b>	<b>Raise</b>
<b>Reduce</b>	<b>Create</b>

**Figure 18: The ERRC Grid.**

Source (Mauborgne & Kim, 2005, p. 36).

Kim & Mauborgne (2005) claim that when companies are pushed to fill into the grid the actions of eliminating, reducing, raising and creating, it provides them four instant benefits:

- Companies are driven to pursue differentiation and cost leadership at the same time.
- The grid instantly warns companies when they are focused on raising and creating but are not giving attention to the cost structure at the same time.
- The grid is easy to understand by managers at all levels so using it creates a high level of engagement.
- Since completing the grid is a challenging assignment, companies have to thoroughly examine each factor the industry competes on, and that helps discovering the variety of assumptions made unconsciously when competing.

## Three Characteristics of a Good Strategy

The framework of four actions further guides a company's strategic profile towards three characteristics of a good strategy. An effective Blue Ocean strategy has three qualities in balance with each other: *focus, divergence and a compelling tagline* (Mauborgne & Kim, 2005). Creating a new value curve with the four actions framework

should be firmly directed towards a strategic structure including these characteristics where they are crucial to the profitable feasibility of Blue Ocean ideas.

A lack of focus can result in too high cost structure and the business model can be too complicated with regards to implementation of strategy. Besides, pursuing a value curve of blue ocean strategy requires the companies to break out from the industry's norms and as a result they differentiate their profiles from the average. Hence a lack of divergence indicates that same strategic profiles and value curves are shared with competitors in the market. Convincing and an attractive tagline are very important to a company because a lack of it indicates an internally driven company without outstanding innovation potential (Mauborgne & Kim, 2005).

## Identifying New Value Innovation Factors

In the process to reconstruct customer value features, Blue Ocean Strategy stresses to examine added value from the activities in the value chain in order to determine the influence of each value creation factor to the total value offered to buyers in the existing industry. Furthermore, because the idea of Blue Ocean Strategy is focused on new value creation to both existing customers and non-buyers across industry boundaries and business segments, it leads a company seeking blue ocean to reach beyond its current business space and to evaluate the current values. The purpose in that is to reveal unnecessary yet unconscious assumptions and activities as well as potential factors for the value curve (Mauborgne & Kim, 2005).



# FORMULATING BLUE OCEAN STRATEGY

## The Six Paths Framework

To create Blue Oceans and break from the competition, the first principle of Blue Ocean Strategy is to recreate market boundaries. The main challenge is to effectively recognize profitable and attractive blue ocean opportunities. For creating blue oceans Kim & Mauborgne (2005) have formulated six basic tactics to redesigning market boundaries, called the six paths framework. The six paths are generally relevant and can be applied across business sectors. They do not require companies to have a specific insight or wisdom about the future but are built on examining familiar information from a new perspective. Working through these paths will challenge the underlying assumptions that most companies build their strategies on; keeping them stuck battling in red oceans (Mauborgne & Kim, 2005). The first four of these principles formulate the strategy and the last two execute it:

### Path One

#### *Look across Alternative Industries*

In a broad sense, companies compete both with others in its own industry as well as with companies in other industry offering alternative products or services. Alternative products and services range wider than substitutes, they have different functions and forms but the purpose is the same but the importance of alternatives often is not attended to despite their importance. Substitutes on the other hand, may have different forms but the functionality or basic utility is the same (Mauborgne & Kim, 2005).

When buyers are making purchase decisions they automatically consider alternatives, often without even realizing it themselves (Mauborgne & Kim, 2005). Changes in prices and technology as well as advertisement campaign can bring out great

reactions from competitors within the industry but identical activities in alternative industries generally are disregarded. Therefore it is highly important for companies to know their alternative industries as well as finding out why buyers trade across them (Mauborgne & Kim, 2005).

Reconstructing market boundaries by focusing on key factors that cause buyers to trade across industries and eliminating or reducing other factors helps creating a new market space of Blue Ocean (Mauborgne & Kim, 2005).

## Path Two

### *Look across Strategic Groups within Industries*

In most industries, the main strategic differences among companies of each industry can be clustered into a few strategic groups pursuing similar strategies. These groups can normally be categorized by price and performance so that each change in price leads to a corresponding change in an element of performance (Mauborgne & Kim, 2005).

Most companies concentrate on improving their competitive standing within a strategic group and in order to create a blue ocean across current strategic groups a company has to widen its vision and realize what factors control buyers' decisions to shift between strategic groups (Kim & Mauborgne, 2005a).

Focusing on the big picture, identifying the strategic groups of the industry and understanding why buyers switch between them can lead a company to discover a new market space (Mauborgne & Kim, 2005).

## Path Three

### *Look across the Chain of Buyers*

Competitors normally unite in a general definition of target buyers in most industries. However, Kim & Mauborgne claim (2005) there actually is a chain of buyers who are directly or indirectly involved in the decision to purchase. Buyers of a product or service can differ from the users and there are often even other groups that have a

very important influence too. These groups may overlap but their perception of value is often diverse (Mauborgne & Kim, 2005).

By looking across buyers and challenging the industry's traditional sense about targeted buyer groups, companies can reach new understanding into how to recreate their value curves to focus on formerly unnoticed buyers. Reaching beyond existing demand requires companies to examine their industry's chain of buyer and which buyer groups the industry normally focuses on (Mauborgne & Kim, 2005).

## Path Four

### *Look across Complementary Product and Service Offerings*

Most products and services are affected in value by other products and services but even so, companies battle within their industry's boundaries. Unexploited value is often unseen in complementary products and services and the key to discovering this value is to realize the total solution buyers are after when they are selecting a product or service (Mauborgne & Kim, 2005).

To discover untapped value in complementary products or services companies have to figure out in which context their offerings are used and find out if they can eliminate weaknesses through a complementary offering (Mauborgne & Kim, 2005).

## Path Five

### *Look across Functional or Emotional Appeal to Buyers*

In addition to competition based on an industry's acknowledged perception of the range of products and services there are two foundations of appeal. These foundations are either rational appeal or emotional appeal. Rational approach lays emphasis on price and functions mainly on utility calculations while emotional approach highlights feelings (Mauborgne & Kim, 2005). Still, most products and services seldom focus intentionally on one or another approach but is the appeal usually an outcome of how companies have competed in up to now and has educated expectations of the buyers. A reinforcing sequence of companies' behavior formulate

the expectations of buyers with the results that rationally oriented industries become more rational or functional oriented while emotionally oriented industries become more emotional oriented (Mauborgne & Kim, 2005).

Kim & Mauborgne (2005) claim that industries have trained consumers in expectations towards products and services, and that market research seldom reveals new insights into what appeals to buyers. A new market space is often discovered when companies challenge the rational-emotional orientation of their industry and Kim & Mauborgne (2005) found out that emotionally oriented industries can eliminate additional offerings that increase price without increasing functionality and rationally oriented companies can give commodity products new life and increase demand by adding emotion to them.

Companies can overcome key organizational obstacles by understanding the orientation of their industry and shift their approach towards more functionality if the industry appeal is currently emotional and add emotional features if it is rational (Mauborgne & Kim, 2005).

## Path Six

### *Look across Time*

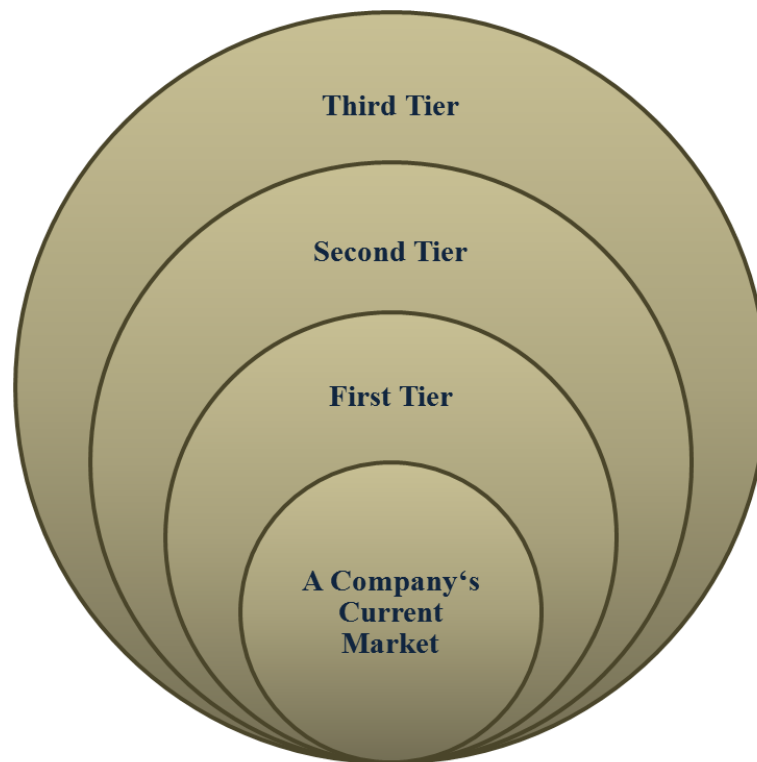
External trends, such as new technologies or changes in regulations, affect all industries over time and in usually companies adapt to them, sometimes rather passively. Companies are often focused on how the trend itself will develop and form their actions in order to keep up with it but that rarely results in finding new market space. Blue oceans are more likely to be found when companies have an understanding in how trends will affect value to buyers and the business model (Mauborgne & Kim, 2005).

There are three principles that will help evaluating trends across time to shape a foundation of a Blue Ocean Strategy: The trends must be critical to the business of a company, they must be irretrievable and they must have a definite path (Mauborgne & Kim, 2005).

## Additional Strategy Formulation Frameworks

### Three Tiers of Noncustomers

For the process of reaching beyond existing demand Mauborgne and Kim (2005a) challenge companies to look across buyers and beyond the main focus being on existing customers. Instead of concentrating on customers the companies should look to noncustomers and build on dominant harmonies who buyers value. This way the companies reach beyond current demand and unlock an uncontested market space that did not exist before (Mauborgne & Kim, 2005).



**First Tier:** “Soon to be” noncustomers who are on the edge of your market, waiting to jump ship.

**Second Tier:** “Refusing” noncustomers who consciously choose against your market.

**Third Tier:** “Unexplored” noncustomers who are in markets distant from yours.

Figure 19: Three Tiers of Noncustomers.

Source (Mauborgne & Kim, 2005, p. 104).

According to Mauborgne and Kim (2005) there are three tiers of noncustomers that can be transformed into a company's buyers by focusing on key commonalities across noncustomers and existing buyers. The first tier includes buyers at the edge of

the existing market who insignificantly purchase what the industry offers when they need to do so. The second tier includes noncustomers who intentionally choose not to buy the industry's products but choose to buy substitute industry's products. Third tier noncustomers have never considered the industry's products or services as an option (Mauborgne & Kim, 2005).

## The Sequence of Blue Ocean Strategy

When a company has gone through the six path framework to discover potential markets, created its future strategy canvas that expresses the company's to be Blue Ocean strategy and explored how to collect the possible group of buyers it is time to make a viable and practical business model in the sequence of buyer utility, price, cost and adoption (Mauborgne & Kim, 2005).

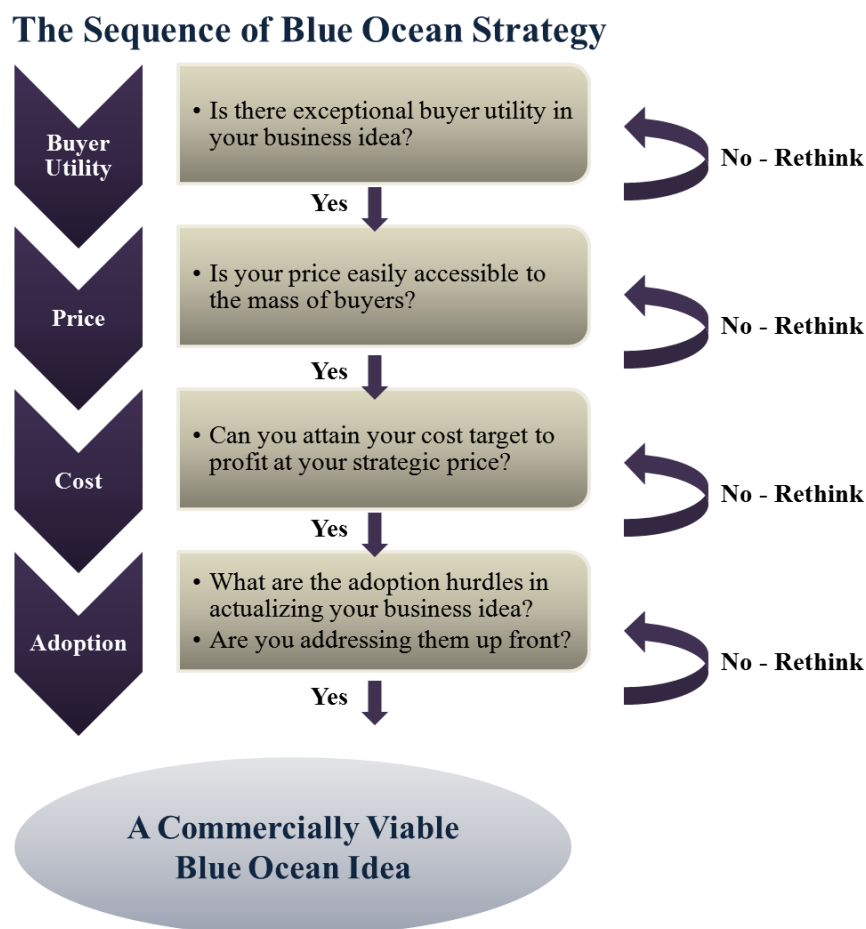


Figure 20: The Sequence of Blue Ocean Strategy.

Source (Mauborgne & Kim, 2005, p. 118)

A correct strategic sequence of Blue Ocean Strategy should be constructed into the sequence buyer utility, price, cost and adoption (Mauborgne & Kim, 2005). The first steps, buyer utility and price are linked with a company's income part of the business model and guarantee that an exceptional buyer value is generated.

The first stage is examining whether a company's offering reveals outstanding value to buyers and if there is not a convincing and attractive motive for mass of buyers to buy the offering a Blue Ocean potential is not present.

Second step is setting the right strategic price and not solely being dependent on price to create demand. Therefore a company's offering has to appeal to the mass of target buyers so that they will be interested and willing to pay for the offering.

Third part of the Blue Ocean Strategy sequence regards cost and whether a company can produce its offering at a target cost yet still producing a viable profit margin. The cost part in a company's business model safeguards that it creates a valuable profit for itself.

Prices should not be driven by cost nor should a company scale down utility to lower high cost in order to be able to return profits at strategic price. Instead when target cost cannot be met a company should either dismiss the strategy idea since it will not be profitable, or it should be more innovative and transform the business model to reach the cost goal. Outstanding utility, strategic pricing and target costing combined help companies to accomplish value innovation, simultaneously adding value for buyers and companies.

The final step in the Blue Ocean Strategy sequence is to address adoption hurdles of implementing the strategy to ensure successful execution of the new tactical approach. When implementing a Blue Ocean Strategy, probable obstacles to adopt it often originate among retailers or partners and therefore it is important to tackle those hurdles in the beginning.

## EMPIRICAL STUDY

To research the topic of this research, methods and approaches work as guidelines and instructions during the course of the thesis to guarantee consistency and reliability. Choosing methods practiced for a research should be controlled by the research itself (Ulmer & Wilson, 2003).

## Methodology

In general, choosing a research approach to conduct for a thesis depends on the subject and the purpose of the thesis. In this thesis the aim is to examine whether practice of the Blue Ocean Strategy can benefit companies that are selling and marketing Icelandic fish internationally, furthermore to gain oversight of today's Strategy Canvas or value curve and explore if the Four Actions framework is an appropriate tool for the industry.

The focus has been set on exploring current marketing strategy and the common understanding of managers towards today's strategy in order to evaluate if application of Blue Ocean Strategy is a realistic option. This aim requires gaining knowledge into way of thinking and a qualitative research suits well this type of research. Furthermore, a quantitative research is less likely to supply new ideas or point of view.

## Research Method

A qualitative research is any sort of research that produces results that have not been found by conduction of statistical procedures or other means of quantification and provides a deep examination of research based on interviews, observations, or focus groups (Corbin & Strauss, 1990). Qualitative research is perceived a very important type of research because it is useful in exploring reality and focuses on understanding



rather than generalizing as quantitative research is more about (Maxwell, 1992). It is valuable in its depth and ability to reveal and interpret mechanisms behind behaviors and meaning-making. Information is gathered as spoken or written text and is not controlled or constrained by predetermined standard classifications consequently getting a resulting theory that is formed by the data (Merriam, 2009).

*Qualitative research is interested in understanding how people interpret their experiences, how they construct their worlds, and what meaning they attribute to their experiences* (Merriam, 2009, p. 5).

A form of interpretive research begins with data in form of observations or interviews, where the researcher looks for patterns, similarities, and differences to develop a theory without a predetermined hypothesis (Glaser & Strauss, 1967). Furthermore an interpretive research intends to develop a theory from interviews to recognize relevant trends, discover unanticipated subjects, or uncover that there is no evident answer to a research question (Ammentorp & Morgan, 1993) and its value derives from the use of personal experiences and interviews.

## Data Collection

Data collection is one of the most important factors that determine the success of a study and collecting essential information efficiently most often depends on the core of researcher's thoughtfulness. Gathering data always contains the choice of what data is needed to address the research question and how best to obtain that information (Merriam, 2009).

The most important information gathered for this thesis come from the primary data collected with interviews. The information is analyzed inductively and not set to confirm or disprove a hypothesis but rather to gain understanding of way of thinking among the interviewees. Theories arise from the interviews and are grounded in the data, like an emerging picture rather than a puzzle of already known image (Ammentorp & Morgan, 1993). Based on the outcome from the interviews the aim is to evaluate current marketing strategies and posts of the strategy canvas.

Secondary data collection for this thesis has been gathered from many different sources of information to gain understanding of market conditions, such as internet websites and journal articles. For the theoretical background a wide extent of literature such as books, journal articles and other academic publications has been exploited to produce a theoretical input.

### *Three Principles of Data Collection*

Collection of data helps determine the quality of a scientific study following three principles. These principles aim to make best use of the data collection techniques practices and reflect a standard for the data collection process (Yin, 2003).

#### **Use multiple sources of evidence**

For strengthening data collection method it is recommended by Yin (2003) to employ hybrid strategies, in which multiple sources of evidence are relevant. This is associated with the thought of triangulation and helps improving quality of the study in terms of validity and reliability. In a case study that follows the principle of triangulation findings that are based on number of information sources are considered to be more convincing and precise.

#### **Create a case study database**

For organization and management of collected information for a case study it is important to separate gathered evidence from the final presentation of the data to enable the possibility to review the raw facts at any time (Yin, 2003).

#### **Maintain a chain of evidence**

The data collection should be presented in a flow during the course of the report (Yin, 2003). All evidence gathered should be structured in a sequence that allows readers to understand connections between the empirical data and the research questions, conclusions and recommendations presented.

### *Key Informers of Information*

Selecting appropriate representatives that can provide the best image possible for the entire population is a strategy which involves a selection of respondents from whom the researcher can learn the most (Merriam, 2009). Therefore company informants interviewed for this thesis consist of managing directors and in one case top sales manager in the companies. Furthermore interviewees in top level positions are likely to have a good overall vision of the company and knowledge about operations and activities at all levels.

Due to the relatively small size of the industry of companies selling and marketing fish products abroad, to reduce traceability of answers to specific people or companies, and to ensure anonymity of interviewees they have been given fictional names as well as companies' names.

#### **Interviewees:**

- Anonymous interviewee A, Managing Director, Company A.
- Anonymous interviewee B, Managing Director, Company B.
- Anonymous interviewee C, Managing Director, Company C.
- Anonymous interviewee D, Sales Manager, Company D.

### **Interviews**

There are three types of interview techniques that can be used, which are structured or standardized interviews, unstructured or open interviews and semi-structured interviews (Merriam, 2009). For structured interviews researchers must predetermine questions to follow a planned routine but open interviews are carried out with open ended questions to allow a great extent of flexibility and a combination of these types of interviews are semi-structured interviews. All types of the interviews can be face-to-face or carried out through telephone (Merriam, 2009). Researchers are encouraged to record and write down interviews to minimize a risk of overlooking some

information and in that way gaining a better understanding because certain aspects can be difficult to describe in writing (Kvale & Brinkmann, 2009).

### *Semi-structured Interviews*

The interview method used is a semi-structured telephone interview and in one case video interview through Skype. The method was chosen for that combination of open and structured interview would be to more benefits than using one of the two other approaches, allowing flexibility to ask additional questions if needed but still keeping some structure in answers (Merriam, 2009).

Questions were prepared to provide a guideline throughout the interviews and were sent in forehand to participants so they could be prepared if they wanted and also to give them an idea of the interview process. The interviewees are all top managers, with professional knowledge in their field, at companies selling and marketing demersal and pelagic fish abroad. Standardization and social cues are of little importance in such form of interviews so the method is very appropriate in this case (Kvale & Brinkmann, 2009).

## Results

In order to structure the information gathered the interviews were divided into three parts. The first and the most extensive part included questions about the current status of marketing in the company and also generally within the industry from the participants' perspective. The second part of the interview was intended to discover the competitive factors in the value curve to be able to draw up the "as is" strategy canvas for each company.

Discussions about the questions were rather open and relaxed in order to increase the possibility of discovering unanticipated information. Additionally using this approach would be more likely to be comfortable for the interviewees and consequently possibly they would have more trust the interviewer in a pleasant atmosphere and express themselves without restrictions.

## Current Status of Marketing

This chapter presents the empirical answers based on the data collected interviews with participants. The empirical result is presented in order to prepare the data for the upcoming analysis. Below is a summary of views among participants on current status of marketing.

### *Description of Current Strategy for Marketing Icelandic Fish Abroad*

#### **Company A**

Company A focuses on being present in their main markets and have established subsidiaries to serve main markets that are located in United Kingdom, Germany, France, Spain, Greece and the United States. Also one subsidiary is located in Iceland that operates in close cooperation with Icelandic fish producers with main functions are trading, sourcing for the company's subsidiaries and technical service for producers and customers. Main products are frozen, fresh and salted seafood.

Reliability is probably the most important factor of all whereas business deals must hold to maintain trust and the company must be able to consistently provide products the whole year. The company serves both fish producers as well as buyers and the company has a competitive edge in supplying diversity in products, more than many of their competitors can offer.

Knowledge and experience is very important for the company that is built on a solid and trustworthy foundation. "Knowledge is exactly what people say about us" and "we deliver and we always pay, that is our base in business" (Interviewee A, 2012). Furthermore the importance of certification of origin and sustainability is growing in line with increasing demands from buyers, "those are demands the industry must respond to" (Interviewee A, 2012).

Quality is very important and a company loses their buyers quickly if product quality isn't good. Being able to be flexible in prices in situations regarding lack of quality is furthermore important.

Offering good prices and being flexible toward their buyers is a very important factor to be well positioned competitively.

### **Company B**

Company B specializes in supplying fresh fish products to their main markets such as the United Kingdom, U.S. Boston area, Belgium and France. Furthermore Switzerland is a niche market the company attained two years ago because at that time Company B was the only MSC certified company in Iceland.

They are a source for local companies, such as Young Seafood and others in UK, providing with all or specific species to retailers. The company has concentrated on building exclusive business associations and to provide solutions. Buyers should not have to look to other suppliers for fish and furthermore Company B has supported marketing actions of their associates in local markets.

Company B ensures dependability in supply and consistency in quality for their buyers that also often have various demands regarding fish producers, specific processing houses, ships, certifications and even about fishing gear or a mixture of all. The company coordinates their sales plans with landing schedules of fishing boats in order not becoming short on orders. “Basically it is most important not being short on orders within each day and Company B serves 97-99% delivery reliance within the day” (Interviewee B, 2012).

The company has differentiated by emphasizing best possible quality on fresh longline fish and enjoys certain competitive advantage in the market to trawler processed fish. Company B highlights access to the largest process houses of longline fish, for example in Westfjords, offering full traceability for their products. Their marketing strength comes from being focused on the processing houses and relationships, “we don’t source just any fish” (Interviewee B, 2012).

### **Company C**

“The marketing strategy in this business is rather simple; it depends mainly on the production at each time” (Interviewee C, 2012). Company C is an experienced

company in selling almost any fish product and that is the competitive core of the business. The company brings together wishes of customers and what is being produced at each time from its selection of producers. Company C is experienced in knowing which products fit where and consequently knowing what markets to target for today period's products.

Company C's main markets are in southern Europe in countries such as Spain, Portugal, Italy and Greece because those are traditional markets for salted and light salted fish which the company is sells much of.

### **Company D**

The company cooperates with their buyers and loyalty is very important. The general strategy is to be loyal to business relationships in each market and instead their buyers are loyal to Company D. "We do not sell fish to just anyone that contacts and it is important to keep business in the way that interests of buyers do not overlap" (Interviewee D, 2012). Furthermore the company focuses on markets that are not more than one flight away because they mostly sell fresh fish and there are more complications to keep quality for longer distances as well as the transportation cost for two flights is twice the transportation cost of one flight. The company does very few spot sales but rather serves their current buyers with more of their products when the fish supply increases.

The United Kingdom is by far the largest market, France comes next and then the United States, Netherlands, Switzerland and Denmark.

### ***Main Buyers***

#### **Company A**

Wholesalers and local distributors are the main buyers, selling on to retailers and restaurants.

### **Company B**

“In all cases Company B works in cooperation with default experts in each market, we have defined ourselves outward as being experts in sourcing fresh fish and maintaining a matrix for producers and customers” (Interviewee B, 2012).

### **Company C**

Company C’s works solely on corporate market and the buyers are either distributors or producers.

### **Company D**

Main buyers of the company’s products are supermarkets.

## ***Fluctuations or Changes in Markets from Time to Time***

### **Company A**

“No year is the same, sometimes there is a shortage of specific species or sizes and sometimes there is surplus supply. Generally demand is high since the economic crisis but more difficult to collect payments, and customers buy less volume at a time than before” (Interviewee A, 2012).

### **Company B**

“There are fluctuations each day, week and year” (Interviewee B, 2012) and there is much speed in activities. Due to heavy competition from Norway, especially during their seasonal fishing, the company is under pressure to offer lower prices. Iceland has the best system in order to supply fish consistently all year around but Norway fishes cod from January to April and then the demand for lower prices is substantial.



Other factors that also play a role are economic conditions, currency issues in Iceland as well as in foreign markets.

### **Company C**

Seasonal fluctuations are significant due to seasonal consumption habits in markets as well as seasonal fish supply. However these fluctuations are well known and are expected.

Economic changes or fluctuations in national markets have much influence as well for the company has to choose the best market at each time with regards to purchasing power.

Currency fluctuations and currency rates between Euro and Dollar, although they are less now than before Euro, affect where companies seek markets. While Dollar is strong companies seek to trade with the United States and Asia but aim more at European markets when the Euro is strong.

### **Company D**

Main fluctuations are seasonal and with regards to competition from abroad, for example from Norway. When fish supply increases, the company focuses on offering more to current buyers and serving them well.

## ***Choosing Markets***

### **Company A**

In many ways the history and image of Icelandic fish is strong in the United Kingdom and southern Europe and these markets pay better prices than the US market that has reduced from what it was. “We look for doing business in markets of highest prices as well as good speed of payment (Interviewee A, 2012)”. There is a strong tradition for cod in southern Europe and Portugal is the largest single market for cod

worldwide. When prices go down the demand in France increases quickly but the market is very price sensitive.

### **Company B**

For seven years the company has focused on providing best quality longline fish and has secured its position in United Kingdom and the United States. Besides their offering in quality and reliable deliveries, the MSC certification was a key to attain the Switzerland market. A good track record is very important to protect a good market status.

The company has few buyers, usually one in each country, and would like to increase the numbers of them. In order to receive more value for its quality product the company is ready to make some value enhancing changes that would not necessarily need to be very costly.

### **Company C**

Traditions play a large role when it comes to fish consumption and markets are chosen by what fish products the Company C has to sell at each time. “Demand and supply is what controls this industry just as all other” (Interviewee C, 2012). There are certain markets for salted and light salted fish products, other for frozen demersal fish and further for pelagic fish. Markets for fish products in each time are chosen by consumer habits.

### **Company D**

Since the company is selling fresh fish it limits focus to markets that are no more than one flight away. The complications of selling further than one flight are great and Company D then has less control over their cargo to ensure quality conditions and to avoid depletion of the cargo in transport. Also each flight is very expensive in transportation, two flights are likely to cost twice as much as one flight and buyers are simply not ready to pay so much.

## *Competition*

### **Company A**

Main competitors in international markets are Norwegians and Russians.

Icelandic companies have been among top countries when marketing demersal fish but Norwegians in marketing pelagic fish due to technical and natural circumstances.

Icelandic fish has a good reputation in most demanding markets such as Spain and Italy, and Icelandic companies are still enjoying the benefits of successful marketing in times when three companies dominated in marketing Icelandic fish. At that time, many smaller Norwegian companies were fighting each other for market shares. However the case has turned in many ways, today Norwegians have an umbrella for marketing their fish products; Exportutvalget for fisk (Norwegian Seafood Council, 2012).

The Norwegian fish industry has been regulated to pay a share of all export value to this organization for a joint marketing, research and development. Norwegians have a clear advantage over Iceland for this and their focus is strong while numbers of Icelandic companies are smaller and lack the resources to promote their products.

### **Company B**

The toughest competition comes from other Icelandic companies but also from other systems such as Scotland, Norway and even Denmark. The company has been rather successful in defending its competitive status and in this market “players cannot play for many teams” (Interviewee B, 2012), news travel fast and important to build up trust in business.

Company B’s competitive advantage on other countries is to supply consistent deliveries all year around. Furthermore they aim to differentiate with high quality products, product selection, specialization and seasonality. Long term pricing is also an

important factor to maintain good relationships with buyers and Company B does that by offering consistent prices.

Norwegian fish sellers affect the fish supply seasonally but their weakness is not being consistent in deliveries the whole year around.

### **Company C**

Competition is in fact rather tough, both from Icelandic companies and foreign markets. Eventually it depends on who can offer the best price and the fastest delivery; it is the flow that is important.

In Iceland there are many fish sellers, although they are different the competition is strong. Besides other countries such as Norway, Russia and Faroe Islands are selling the same fish products so the competition is near and far.

### **Company D**

The competition is bloody, mainly from foreign markets such as Norway and it is very important to stay focused. When Norwegians offer fish they offer lower prices and the price pressure increases.

Due to the economic situation in Europe end buyers are increasingly buying more of less expensive fish species so the price range between high priced fish products and lower priced fish products has decreased.

## ***Social Trends that Affect Demand***

### **Company A**

The demand for wholesome quality food is increasing. Quality plays an enormous role and there is strong demand for certification of ingredients and traceability of products such as MSC- and Iceland Responsible Fisheries certifications.

The industry was not very interested in these certifications in the beginning because prices were expected to rise as a consequence to costly process of certifications. However this perspective is changing for certifications are the markets demands and there are examples of companies losing markets because their products were not MSC certified. Consumers are becoming more aware of sustainability in fishing.

### **Company B**

Trends are in favor of healthy nutrition and fish consumption is going to increase. Company B concentrates on offering broader fish selection of high quality to serve this demand.

### **Company C**

Trends in public opinion are certainly of some importance and emphasis on health has positive effects on fish consumption since fish is generally considered healthy food. However fish consumption is very divided by geographic areas and nations that know fish and have at some point been in fisheries consume most quantity of fish products.

Demand for sustainability influences the industry to some extent and this demand has been increasing, especially in some markets but not all. Demands for a third party certification on sustainability are increasing.

Hence external trends always play a role for the industry.

### **Company D**

"Absolutely" (Interviewee D, 2012) the company does sense trends in the environment towards more focus on health and healthy food such as fish. People are encouraged to eat fish and that is a positive trend. Many supermarkets are promoting fish and even though they are often promoting salmon it has good effects on other fish species. However fish is expensive and not everyone can afford it.

## *Future Market Opportunities*

### **Company A**

Possible future markets include Asia, Africa and Brazil for example.

The Brazilian economy is strengthening and there is a large population of consumers who can buy whatever they desire. Compared to the large fish market Portugal with total population of ten million, Brazil's population is around two hundred million and approximately twenty million are wealthy. Norwegians are focusing on Brazil, where there is a strong tradition for dry fish, and also Chinese fish flows into the Brazilian market now. "This is a market worth paying attention to" (Interviewee A, 2012).

African market has been strong for dry fish heads and China's market buys fish products that have not been utilized before. While payments from such markets are stable, this type of sales will increase.

### **Company B**

The company focuses mostly on growing market shares in current markets and also on smaller niche markets that are ready to pay for the concept. Company B has very limited interest in competing with standard lower priced products but are more focused on niches and an example of a niche market is Switzerland. It has been difficult to get high premium in the United Kingdom for example since the competition is tough.

Possible opportunities are to be found in Netherlands and perhaps the Scandinavian market for the high quality fresh fish concept.

### **Company C**

"Future markets I believe will still be today's traditional fish markets, at least to shorter period of the long run" (Interviewee C, 2012). Fish sellers seek to trade with markets of strong economy.

It is hard to estimate the influences of economic growth in Asia nevertheless China is considered to be a future market and is growing. The Chinese market is not open today despite international trade agreements, it is complicated to sell products to China but the market will gradually become more open. Furthermore consumer habits are entirely different from western habits; the fish is kept alive in aquariums in supermarkets and that is impossible to compete with.

Brazil, a growing market for the last years, has traditional relations with countries such as Portugal and Spain and accordingly buys similar products. In line with economic growth the purchaser power has increased for finer products and that is what Icelandic companies are offering; better fish.

Opportunities can be found by research and development of fish products that would fit into certain markets with regards to traditions.

#### **Company D**

Company D mainly focuses on defending its position in current markets and growing with their customers. Russia is somewhat interesting market in the future but it is still outside the one flight market zone.

Traditions play a large role in fish consumption and for one company it is far from simple to change habits. France is the only market that is open to all fish but other markets are very limited to their traditional species.

### ***Role of Cooperation or an Umbrella Organization in Marketing***

#### **Company A**

An umbrella in promotion such as Íslandsstofa (Íslandsstofa; Promote Iceland, 2012) and the Iceland Responsible Fisheries certification (2012) is valuable for promotion if properly used. Norwegians are step ahead doing so with their marketing of Norwegian Seafood (Norwegian Seafood Council, 2012).

Such cooperation must be handled properly and has to appeal more to consumers not only by sustainability but also by the origin of fish that for Icelandic fish is a sign of quality. The industry needs more consensus but paying a share to activities of an umbrella organization can be difficult for many companies. Nevertheless the industry is increasingly becoming more aware of the importance of traceability and certifications.

### **Company B**

Norwegians use certain amount of export share to spend in marketing of marine products and are very visible in markets. This visibility is a threat where Norwegians have a strong market position. However Icelandic fish has a strong position for its strength in quality and consistency.

It is important to have an umbrella organization for promotion and the Icelandic Responsible Fisheries (2012) for the origin certification and there is much work needed to be done to become visible in this matter. Professionals in fish know Icelandic marine products and their quality very well, however more presence of Norwegians can result in more demand for Norwegian products from retailers and consumers.

### **Company C**

Certain kind of cooperation in promoting Icelandic fish, such as Íslandsstofa (2012), is necessary for the industry although performance of such marketing is usually intangible. Íslandsstofa's participation in exhibitions promoting Icelandic fish creates opportunities to enter new markets for example. "However, promotion alone does not sell the fish but this is a good basis that has to function and the fish sellers themselves must rely on themselves in order to succeed" (Interviewee C, 2012).

Many Norwegian fish companies heavily rely on the Norwegian marketing cooperation but their fish is sold for lower prices than Icelandic fish despite huge amounts that go to marketing of their fish products because powerful marketing does not mean better products.

Competition has led companies to do better in quality and prices to succeed in the industry therefore it is the individual initiative that really matters. Promotion by an



organization such as Íslandsstofa works as a forerunner and a general tool to introduce a country or industry but does not market the products. Eventually it is the job of fish producers and sellers to sell their products and ensure quality.

### **Company D**

Most fish sellers have been working separately in their own corners up until now, ever since the end of the large dominators, and generally they have done rather well. “However an umbrella for promoting Icelandic fish has lacked and I believe it is forming under the Iceland Responsible Fisheries” (Interviewee D, 2012). Furthermore Company D is going through a process to get MSC certification, a certification very similar to Iceland Responsible Fisheries, that has been very well introduced worldwide and companies are required to have in order to stay competitive.

## **The Current Strategy Canvas**

Interviewees were asked to identify competitive factors of their companies and supplementary factors were in some cases added by researcher based on evaluation of information from interviews. The importance of each factor is estimated by researcher by the emphasis interviewees put on each factor.

Factors of the strategy canvas, mentioned by interviewees, can be interpreted with different words although meaning can be similar and also same words can be interpreted in different ways. Therefore one should be careful when it comes to standardization of answers and in fact answers cannot easily be standardized for interviews as these. Some factors in the strategy canvas, such as “reliability”, “trust” and “exclusive relationships” are related although the meaning behind them also varies and therefore these factors, as well as other related factors, are aligned side by side in the canvas in order to simplify reading of the strategy canvas.

Furthermore the strategy canvas drawn for each company is based on interviewee’s perception on the company and the industry. For comparison, other factors that scored high among the other participants were added to the strategy canvas for each company. Lack of factors in a company’s strategy canvas does not indicate

insignificance of the factor in the company's business but each factor mentioned indicates its importance.

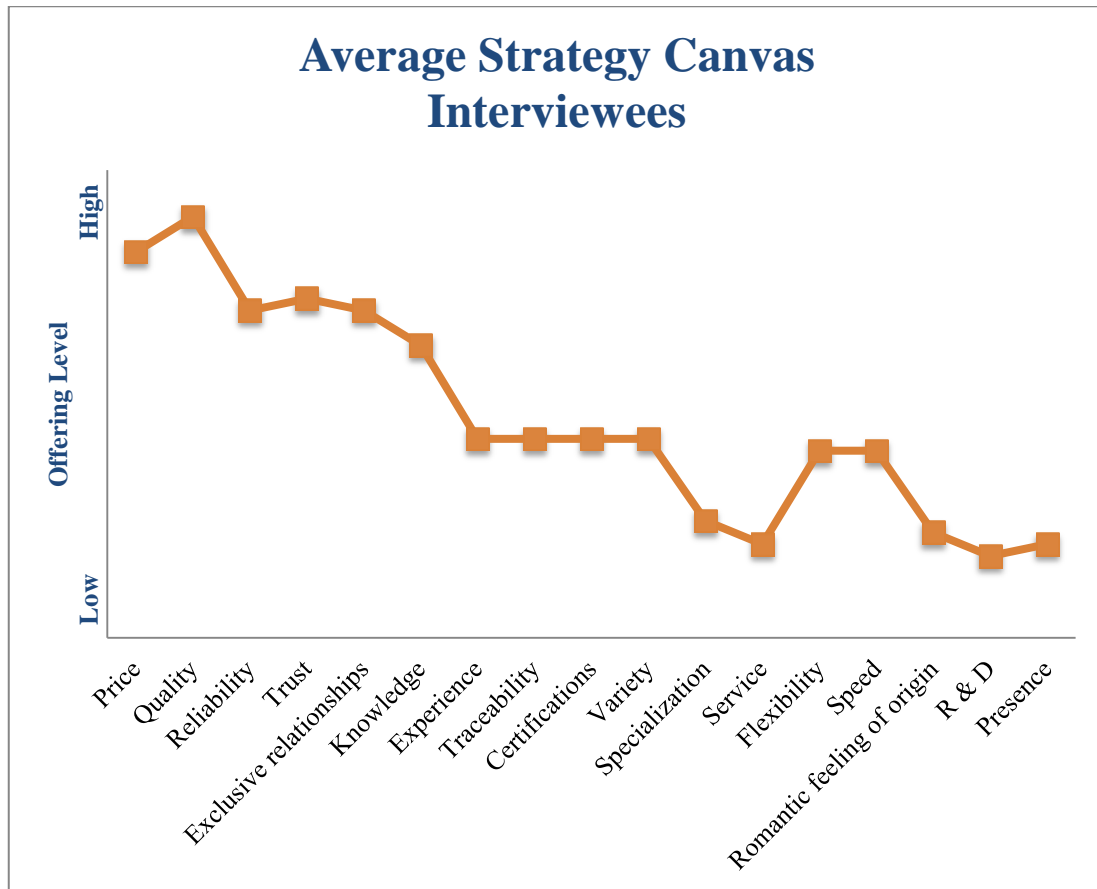


Figure 21: Average Strategy Canvas.

Source: Based on interviews.

### *Company A's competitive factors*

- Price
  - Company A's price policy is to be competitive and therefore it is important to offer reasonable prices and be flexible.
- Quality
  - Is very important and a company would quickly lose their buyers if quality is not as promised.
- Reliability
  - Reliability in agreements and consistency in deliveries is extremely important. Both reliability and trust factors strongly

relate to the factor exclusive relationships although it was not specifically stated by interviewee.

- Trust
  - Trust is a very important factor and for agreements to hold and a principle of the company is always being able to deliver and pay.
- Knowledge and experience
  - Knowledge is what the company is known for and is a very important factor together with decades of experience that the company is based on.
- Traceability and certifications
  - It is necessary to support the products with certifications of origin and sustainability to be competitive. The demands for those are increasing and the industry must respond.
- Variety
  - Being able to offer more variety in products is something the company often wins by.
- Service and flexibility
  - The company serves both fish producers and its buyers. Service is often linked with offering more variety than competitors and flexibility.
- Presence
  - The company focuses on being present in its markets to serve them better.

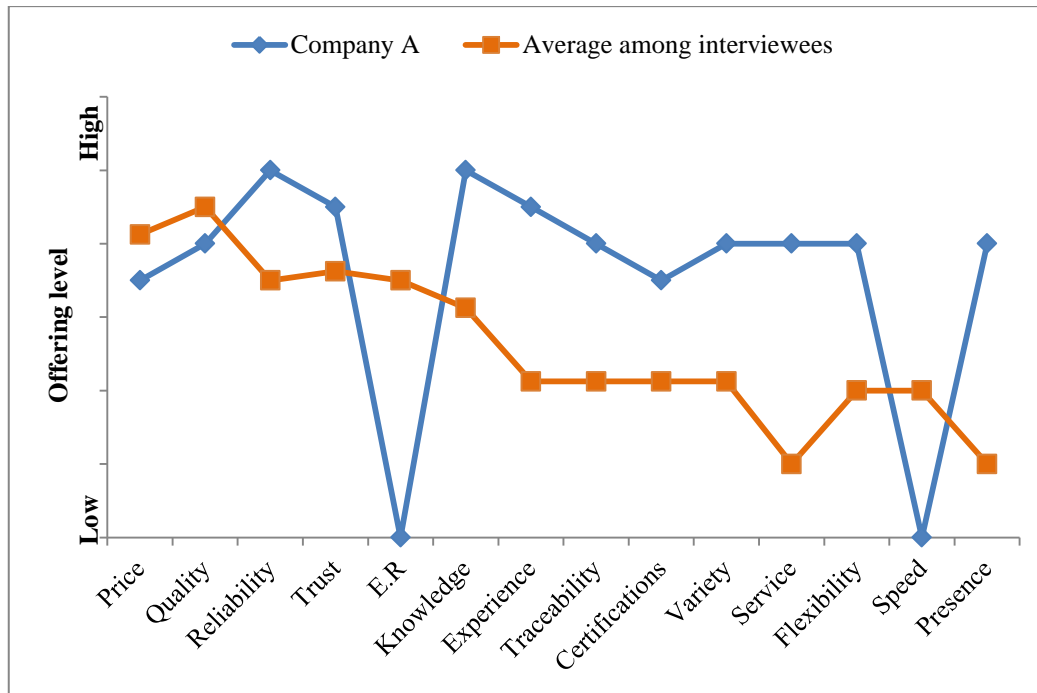


Figure 22: Strategy Canvas Interviewee A.

### *Company B's competitive factors*

- Price
  - The company specializes in selling fresh longline fish which is an expensive product but meets their buyers by offering consistent long term prices.
- Quality
  - Linked with the specialization of fresh longline fish the company focuses on offering best quality possible 1-3 days after fish has been caught.
- Reliability
  - Buyers can rely on consistency in deliveries of fresh longline fish all year around and the company has agreements with selected fish processing houses around Iceland.
- Exclusive relationships
  - The company focuses on building good long term business relationships with their customers by providing solutions and supporting them in marketing activities.

- Traceability and certifications
  - Full traceability and certifications of sustainability are strongly linked and extremely important.
- Variety
  - Offering good variety of products with regards to species, fish gear, certain fishing boats and fish processing houses is a factor the company emphasizes.
- Specialization
  - The company differentiates in the market in their product offerings and consistency in deliveries.
- Speed
  - The company serves 97-99% of their orders within one day and the factor also relates with the fresh fish concept.
- Romantic feeling of origin
  - The company emphasizes offering fish from selected fish processing houses and fishing boats, especially in the Westfjords, to ensure high quality and full traceability. An interesting factor is the proximity to these areas and being able to have buyers for visit there so they can experience the romance of small fishing villages.

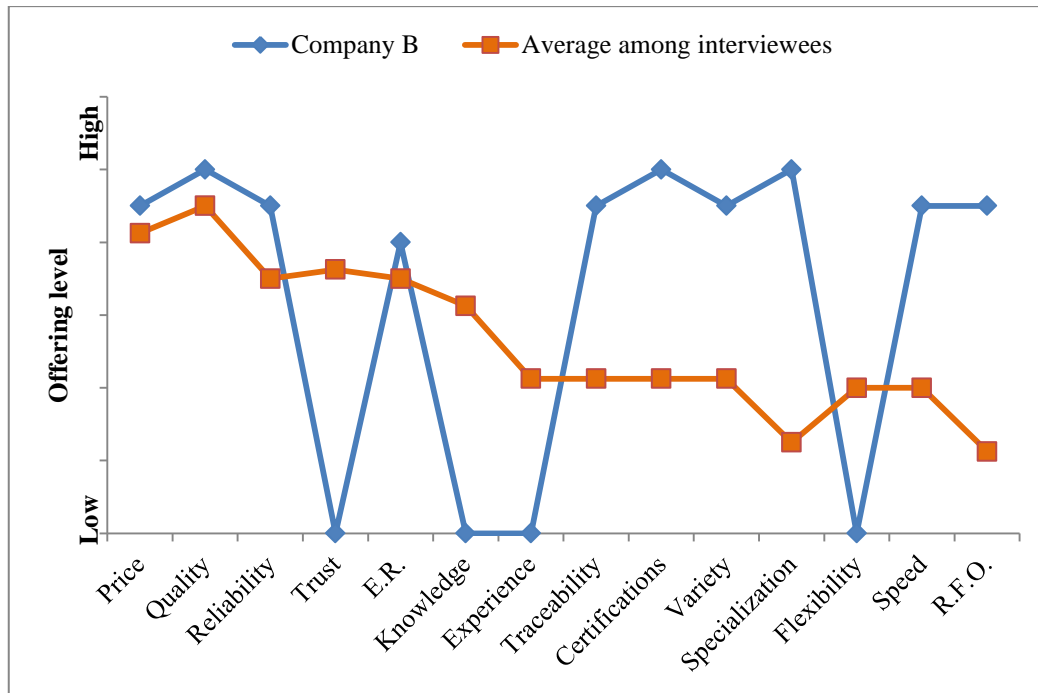


Figure 23: Strategy Canvas Interviewee B.

### *Company C's competitive factors*

- Price
  - The company focuses on finding the best paying markets for the fish products supplied at any time.
- Quality
  - For being able to offer high quality fish products the company selects carefully their fish suppliers.
- Trust, exclusive relationships
  - Building exclusive business relationships and trust is really the main criteria in this business in order to succeed, along with experience and knowledge.
- Knowledge and experience
  - Closely linked to business relationships the knowledge and experience play an important role to sell products in appropriate markets.
- Flexibility and speed

- It is important for the company to be flexible and react quickly with regards to sell what is supplied at any time and selecting the right markets.
- Research and development
  - By offering a new product or process a company can gain competitive advantage and there are always some research and development in progress in cooperation with fish producers.

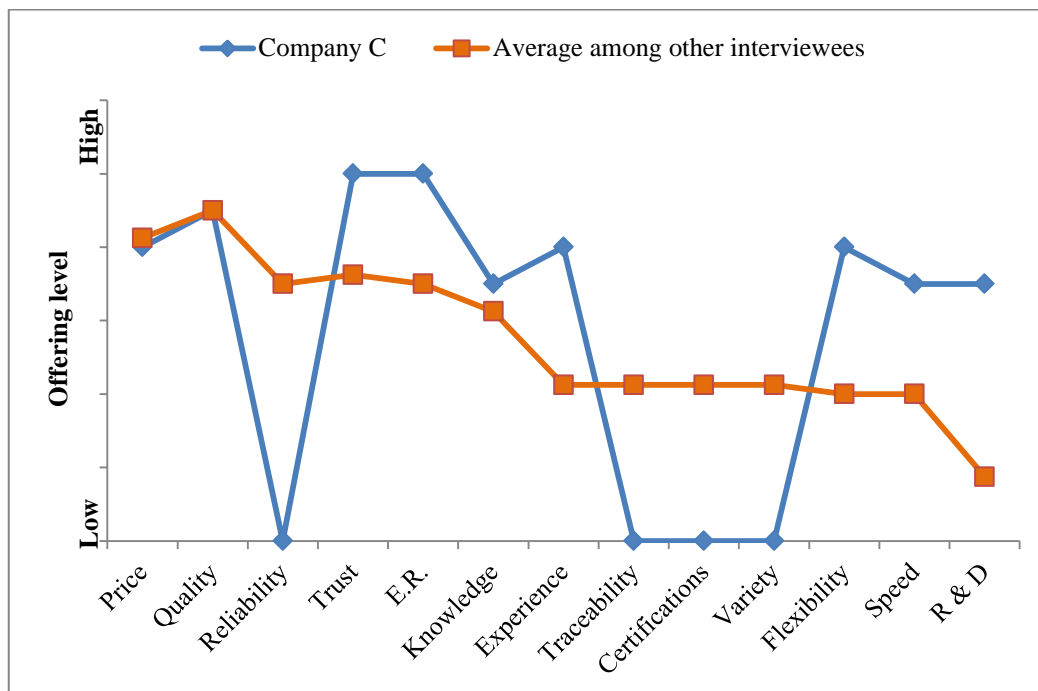


Figure 24: Strategy Canvas Interviewee C.

### *Company D's competitive factors*

- Price and quality
  - Price and quality are always extremely important factors for the environment is very competitive.
- Reliability and trust
  - It is important that the company can ensure consistency in high quality and deliveries.
- Exclusive relationships

- The company builds exclusive and loyal relationships with both fish producers and buyers and connects them. Main focus is on being loyal to their buyers and vice versa hence building trust.
- Knowledge
  - Knowing customers and products is a very important factor that closely relates to business relationships.

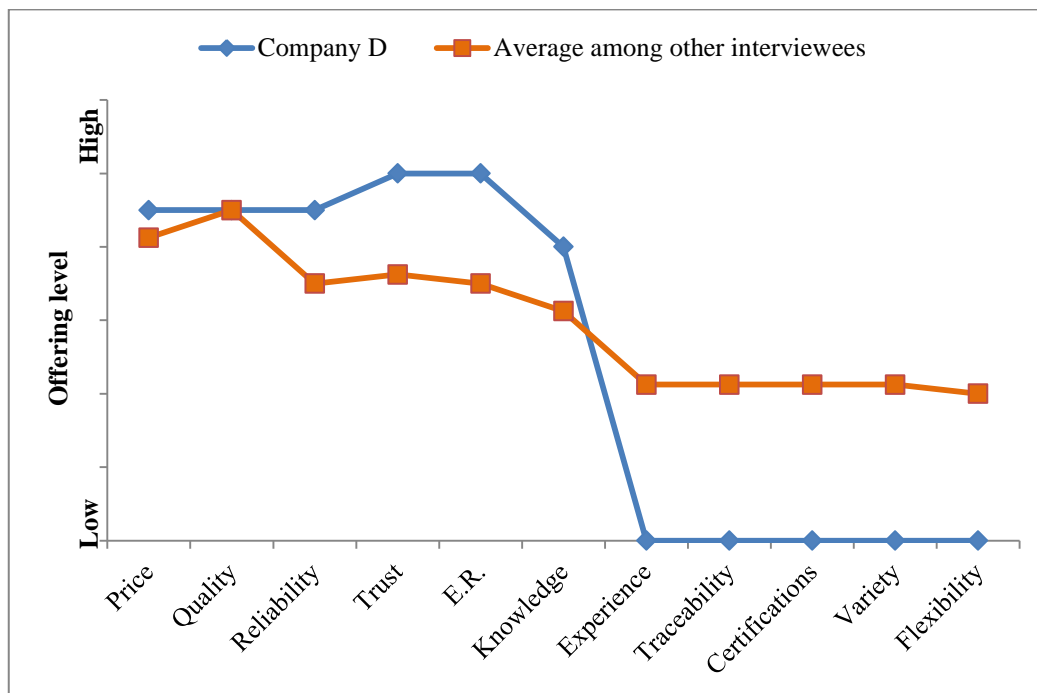


Figure 25: Strategy Canvas Interviewee D.



## DISCUSSION

In this chapter the results from the interviews will be discussed and furthermore linked with the analytical tools and framework of the Blue Ocean strategy uses for evaluating the current marketing strategy. Additionally a SWOT analysis provides a supplementary view on today's marketing strategy and marketing environment.

### Current Marketing Strategy and Environment

What all the companies interviewed have in common and furthermore what seems to be a general understanding within the industry is that companies are fixed in the red ocean thinking of a highly competitive environment. Consequently each company tries to beat the competition in price or quality and has less space to focus on other competitive factors that could help breaking out of the red ocean to create more value.

The companies interviewed for this thesis do pursue different marketing strategies in their business. One company's main focus is to differentiate by specializing in fresh longline fish and emphasizing sustainability. Another focuses mainly on exclusive business relationships to develop loyalty and trust, and their markets are no more than in one flight distance to ensure quality. The third company emphasizes presence in markets along with good reputation built on decades of experience. The fourth company is focused on exploiting its knowledge and experience to sell variety of fish products in most suitable markets and furthermore to unite demands of their buyers and producers.

All the companies sell fish to wholesalers and local distributors that from there sell the products further to retailers and restaurants in each market. By looking across the chain of buyers, as the third factor of the Six Paths Framework suggests companies to do, Icelandic fish sellers could differentiate by contacting retailers and restaurants

directly with a new value proposal based on traceability, sustainable fishing and healthy choice.

One problem mentioned by interviewees is related to being limited in their marketing efforts and getting a premium price for they are in the line of process between fish producers and wholesalers. Therefore they are in little contact with the consumers and have difficulties delivering messages to them as part of marketing activities. Although the companies do support their buyers in marketing actions the messages about uniqueness or the special value in the products do not seem to reach through to consumers that most often are basically looking for the lowest prices. Instead of differentiation that returns premium prices in market segments the companies end up battling in mass markets for lower prices.

A marketing umbrella to promote Icelandic fish products could be used to strengthen the Icelandic brand and making it more visible to consumers worldwide, solving the challenges listed above. Although an umbrella exists today with Íslandsstofa, it needs more financial resources to put into marketing and promotion of Icelandic fish products. The umbrella could be financed with a share of the access rent to fish resources or with certain share of export value similar to what Norwegian fish marketers have been doing.

The competition in the fish industry is tough, both from Icelandic and foreign competitors, and the competition drives prices down. Competitive advantage Icelandic companies have on foreign companies such as Norwegians is that they can offer more consistency in deliveries whereas Norwegian companies only supply certain species seasonally due to natural circumstances and it is important for the Icelandic fish industry to exploit this advantage by focusing on markets where the consistency is the most important need of buyers. Possible buyers could for example be restaurants or retail chains that sell their own brand.

Norwegian fish industry spends specific share of its export revenues on marketing, research and development (Norwegian Seafood Council, 2012) consequently the appearance of Norwegian fish products is becoming increasingly visible to consumers in many markets creating an image for Norwegian products that can become more difficult for Icelandic companies to compete with.

Funds to spend on marketing, research and development are limited to each company's budget therefore any activities must be carefully considered and it is easy to fall into the trap of being reactive instead of being proactive under such circumstances. An Icelandic organization similar to the Norwegian Seafood Council is Íslandsstofa (Íslandsstofa, 2012) and is important to the industry as a general promotion tool for Icelandic fish products. Through exhibitions and other promotion activities the organization can create opportunities to enter new markets. However the interviewees generally find it not a good idea to trust in Íslandsstofa to market their products but the organization should rather serve as a forerunner. An important factor the companies interviewed use to meet this competition of Norwegian Seafood Council and other countries is the emphasis on building trust and loyalty through exclusive business relationships with their buyers. Still it is important that Íslandsstofa or another umbrella organization keeps promoting and marketing Icelandic fish products to be visible to buyers and consumers, and greater efforts could be put in such joint promotion or marketing with a certain share of export value or resource rent as earlier mentioned.

Markets for fish products are relatively stable although economic circumstances play a role in selling to markets offering the best prices at any time. Future opportunities are seen in Asia, Brazil, Russia and European countries that are not struggling economically. Companies that are specializing in selling fresh fish are rather looking to nearby markets.

Attaining new markets for fish products in geographic and social sense is complicated since traditions and habits play a huge role in food consumption. Educating consumers is probably very expensive and as the market is today a first mover advantage is quickly matched by competitors. Finding new markets for fish products is more likely to succeed through research and development of products or technology for traditional market areas. A good example of this is the successful product development of light salted frozen cod that is much simpler to process than the regular salted cod but fits very well into traditional markets for salted fish. Using the fifth and sixth paths of the Six Paths Framework could help discovering new markets. Challenging the functional orientation of the fish industry and setting the focus on appealing emotionally to buyers can boost new demand. One example of such appeal is to get help from important and influencing people such as the Icelandic President attending and being visible in fisheries exhibitions. Another example could be to make Icelandic fish

products trendy and educate consumers through popular television shows such as the “Cosmopolitan” cocktail appeared in a famous television show as a fashionable lady’s drink. Looking across time and being aware of social trends is furthermore important for an industry and to be able to exploit them. The traditional Japanese sushi has for example become increasingly popular worldwide and learning to make sushi has also become a quite popular among consumers. There are without doubt more opportunities in this form as people are generally motivated to try something new.

Social trends towards increased emphasis on health and good nutrition are in favor of fish marketers. Increased demand for certifications of origin and sustainability is also met by the industry with MSC certification (Marine Stewardship Council, 2012) and Iceland Responsible Fisheries (Iceland Responsible Fisheries, 2012).

## The “As is” Strategy Canvas

Drawing a strategy canvas and identifying key competitive factors is not a simple task. It is a process that requires consideration and the first drafts of a value curve can change during the procedure of mapping it (Mauborgne & Kim, 2005).

The strategy canvases drawn in this thesis for the companies are based on the interviews conducted and it is not unlikely that they would change during a detailed process of finalizing the strategy canvas for each company representing overall underlying aspects of the industry and involving participation of more managers within each company.

Mauborgne and Kim (2005) have developed an organized procedure for drawing and discussing a strategy canvas that helps companies formulating new strategies toward Blue Ocean as seen in the figure below.

### The Four Steps of Visualizing Strategy

1. Visual Awakening	2. Visual Exploration	3. Visual Strategy Fair	4. Visual Communication
<ul style="list-style-type: none"> <li>Compare your business with your competitors' by drawing your "as is" strategy canvas.</li> <li>See where your strategy needs to change.</li> </ul>	<ul style="list-style-type: none"> <li>Go into the field to explore the six paths to creating blue oceans.</li> <li>Observe the distinctive advantages of alternative products and services.</li> <li>See which factors you should eliminate, create, or change</li> </ul>	<ul style="list-style-type: none"> <li>Draw your "to be" strategy canvas based on insights from field observations.</li> <li>Get feedback on alternative strategy canvases from customers, competitors' customers, and noncustomers.</li> <li>Use feedback to build the best "to be" future strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Distribute your before-and-after strategic profiles on one page for easy comparison.</li> <li>Support only those projects and operational moves that allow your company to close the gaps to actualize the new strategy.</li> </ul>

Figure 26: The Four Steps of Visualizing Strategy.

Source (Mauborgne & Kim, 2005, p. 84)

Generally all companies interviewed for this thesis emphasize mostly on high quality and premium price as well as building trust and loyalty through business relationships. Each company then has its specific competitive factor such as specialization, certifications or presence in markets.

## Three Characteristics of a Good Strategy

As earlier mentioned an effective Blue Ocean strategy has three harmonizing qualities: focus, divergence and a compelling tagline. Short of these qualities according to Kim & Mauborgne (2005), a company's strategy will likely be chaotic, undifferentiated, and difficult to communicate with a high cost structure. Although none of the companies is pursuing a Blue Ocean strategy it is nonetheless interesting to look

at these qualities with regards to current status of the companies since they focus on differentiation while simultaneously being under great pressure regarding prices.

## Focus

All great strategies have focus and a company's value curve should display the focus in a clear mode (Mauborgne & Kim, 2005). When a company focuses on fewer industry's competitive factors that companies have let their competitors' moves set, raises other factors and adds new factors beyond the industry's norm competitors will have much more difficulties competing to match them. Furthermore competitors' corresponding activities will result in expensive business models (Mauborgne & Kim, 2005). Since all companies interviewed are focusing on similar competitive factors as can be seen in the figure displaying the average strategy canvas based on the interviews there is a risk for all of them that their business models are currently too costly.

## Divergence

Companies lose their uniqueness when they form their strategies in a reactive approach as a part of trying to match competition (Mauborgne & Kim, 2005). Value curves of reactive strategy companies lean towards sharing the same strategic outline. On the contrary value curves of companies pursuing Blue Ocean strategy always stand out for they have applied the four actions framework of eliminating, reducing, raising and creating (Mauborgne & Kim, 2005). Consequently their strategic profiles are differentiated from the industry's average.

The interviewees focus on differentiation yet their strategy is similar in some ways, at least among Icelandic companies, and reactive activities are common therefore it is likely that some of them do not succeed to stand out and responsive actions raise their cost structure. However some of them in fact differentiate in their value curve by concentrating on special factors such as romantic feeling of origin and therefore stand out from the industry's norm.

## Compelling Tagline

A good strategy has a strong and convincing tagline that communicates a straightforward message as well as it advertises an honest offer, otherwise there is a possibility that buyers become uninterested (Mauborgne & Kim, 2005).

Here are the slogans or taglines found in the companies' websites, sources are not cited for references to ensure anonymity of the research:

- Committed to quality, driven by passion.
- Fresh treats from the Atlantic Ocean: We stand for quality, freshness, great service and being professional.
- The company's two major aims include:
  - Ensure that producers obtain excellent services and are guaranteed fair price for their products at all times.
  - Ensure that purchasers obtain excellent services and guarantee steady supply and availability of seafood products.
- Delivering the freshest fish the fastest way possible is the simple rule upon which the company bases its thriving export business.

The slogans and missions above seem to be adequately formulated and they communicate an authentic message to buyers about their main focus. Furthermore the shorter taglines are simple and easy to comprehend. One of the companies does not have a short slogan as seen in the third bullet above but the major aims are sufficiently communicated and convincing.

A differentiating slogan for Icelandic fish products should be formed in relation to the most valuable competitive factor of the industry such as freshness, traceability, certifications and an emotional appeal of romantic feeling of origin. Icelandic Responsible Fisheries for example have an emotional appealing slogan "For the benefit of future generations" (Iceland Responsible Fisheries, 2012) focusing on the origin of products and sustainability and a slogan for Icelandic fish products could be somewhat similar but perhaps focusing more on the romantic feeling and appealing more to consumers to actually buy the products.

## Reading the Value Curves

“The strategy canvas enables companies to see the future in the present” (Mauborgne & Kim, 2005, p. 41) and it is important to understand how to read the value curves in order to be able to make use of the current strategy canvas for future time.

## Caught in Red Oceans

If a company's value curve is in line with its competitors value curve it is a sign that the company is probably competing in a red ocean (Mauborgne & Kim, 2005). It has a tendency to try to beat the competition in cost or quality, directly or indirectly and this is how the Icelandic fish industry can be perceived as doing since competition plays a large role in its business. The results are, according to Mauborgne and Kim, slow growth (2005).

## Over Delivery without Payback

When the offering level of the value curve factors is high across all factors the company must evaluate whether it's market share and profitability is in line with its focus (Mauborgne & Kim, 2005). If that is not the case its strategy canvas signals that the company is possibly oversupplying to its customers, offering excessive features that add vague worth to buyers. To pursue value innovation, a company must resist the perhaps attracting temptation to not eliminating and reducing but only raising and creating. It has to select which factors to remove and reduce as well as the factors to raise and create to build a value curve that differentiates from the industry.

As the value curves drawn from the interviews, companies seem to offer rather high level in many factors and there are most likely possibilities to eliminate and reduce factors based on the Blue Ocean approach. However the process of eliminating and reducing would have to be well considered and formed, and in line with overall new strategy formulation because the companies would not want to risk losing valuable



buyers or credibility especially since none of the companies is pursuing Blue Ocean strategy today.

## An Incoherent Strategy

A disorganized value curve is a sign that a company does not have a clear strategy but is more likely to be based on independent sub strategies (Mauborgne & Kim, 2005). Although these sub strategies seem to be practical they do little to differentiate the company from the competitors or to deliver a strong strategy vision. For pursuing a truly consistent strategy it is important for all divisional and functional parts of a company to be united in its joint vision.

From the strategy canvases drawn in this thesis it seems like all companies are pursuing a clear strategy with regards to organizing factors of the value curve. Main zigzag fluctuations in the curves appear mostly due to similarity of the factors mentioned such as exclusive relationships, trust and reliability for example.

## Strategic Contradictions

Strategic contradictions appear when companies offer a high level of one competing factor while at the same time disregarding other supporting factors (Mauborgne & Kim, 2005).

Such strategic inconsistencies are also to be found between an offering level and price but in the case of the companies interviewed there are no obvious contradictions, the factors in the value curves are related and seem to support each other rather than the opposite.

## An Internally Driven Company

The form of language used in the strategy canvas provides an insight as to whether a company's strategic vision is based on a perspective, understood by buyers, or if it is operational and complicated to understand (Mauborgne & Kim, 2005).

The competitive factors listed by interviewees are in all cases easy to understand and the companies do not use complicated language terms to describe their value curve.

## The Four Actions Framework

At this point in implementing Blue Ocean Strategy the next step would be to draw a new value curve for the future strategy canvas by using the Four Actions framework and its supplementary analytic tool the Eliminate-Reduce-Raise-Create grid. By examining the current Strategy Canvas and the range of factors, that the industry has competed on and takes for granted, can reveal factors that can be eliminated and reduced.

To help identifying factors to raise and create the Six Path framework is very useful for it makes managers ask questions in a systematic approach they would not necessarily think of themselves. The framework would help in reconstructing market boundaries and formulating a Blue Ocean Strategy.

During an hour long interview it is very unlikely that factors to eliminate, reduce, raise and create will be discovered for this is a process that requires comprehensive consideration. The interviewees were not familiar with the strategy and therefore did not have concrete understanding in the Blue Ocean Strategy process after a short introduction. Furthermore once the estimated current strategy canvas has been drawn it is necessary for a company to get some time to consider the current factors and the information and moreover going carefully through the Six Paths framework before start using the Four Actions framework and deciding which factors to eliminate and reduce as well as which factors to raise and create. Therefore even though features of the four actions framework were discussed in the interviews, little valuable information regarding drawing a new value curve was discovered. Some external environmental

factors were mentioned such as economic conditions, political environment and currency issues but using the Four Actions framework is more about thorough self-analysis of a company, examining the industry and the value factors it competes on.

Some factors of the current Strategy Canvas may be eliminated such as knowledge and experience since these are factors that need not necessarily be highlighted to bring more value to buyers and the focus on variety and speed may be reduced.

Due to increased demands for certifications of origin and sustainability the industry could and should offer full traceability and certifications. More concentration could also be set on raising the romantic feeling of origin and new factors could be a focus on healthy choice and for the industry to aim at small but highly valuable markets.

## Formulating New Strategy

Managers can choose from plenty of models and frameworks when formulating a strategy for their business. Which among those models is the best choice most likely is a subject to a company's conditions and its competitive analysis, the business model has should be specific to the particular market addressed. Traditional strategies, such as Porter's strategy on competitive advantage (1985), assist companies influence current competitive situations or internal capabilities while Blue Ocean strategy frameworks help search for completely new positions.

Kim & Mauborgne (2005) state that Blue Ocean strategy can be applied to all industries to make competition irrelevant and creating a leap in value for customers and the company. Entrepreneurs and companies that seek to pursue the Blue Ocean strategy will have the interesting assignment to realize potentials for new value. Blue Ocean strategy's value innovation provides with an understanding of new value that innovation can provide to a new business in a firm, in terms of customer perception and competitiveness among industry players.

## Next Steps

The next step after drawing the current value curve in the process of formulating a new Blue Ocean strategy is to draw the future Strategy Canvas using the Four Actions framework to determine which factors to eliminate, reduce, raise and create to recreate market boundaries.

The Six Path Framework	
Path 1:	Look Across Alternative Industries
Path 2:	Look Across Strategic Groups Within Industries
Path 3:	Look Across the Chain of Buyers
Path 4:	Look Across Complementary Products and Service Offerings
Path 5:	Look Across Functional or Emotional Appeal to Buyers
Path 6:	Look Across Time

**Figure 27: The Six Path Framework**

Source (Kim & Mauborgne, 2005a).

In this process the Six Path framework helps challenging the conventional norms most companies build their strategies on to formulate new strategy and to execute it. The Six Paths are likely to be very useful for marketers of fish to help breaking up traditional views and knowhow with regards to marketing and broaden perspectives by considering the suggestions of the Six Path framework.

By looking across alternative industries' products and services focusing on why customers trade across alternatives new ideas can appear for a fish marketing company to change its value curve and offerings.

Breaking out from a conventional and confined knowhow towards customers helps a company understand which features control customers' choices when they decide to trade up or down between strategic groups consequently discovering approaches to reach broader strategic groups of customers than before.

Looking across the chain of buyers a company will soon discover that in fact often there is a chain of buyers who are directly or indirectly involved in the buying decision whether in the case of fish marketers they are consumers themselves, retailers or influencers on those groups. Becoming familiar with these groups helps companies to determine what influencing groups to focus on in their marketing and can also have effects on changing the value curve. This can lead to a shift of focus to a new collection of influencers that previously were overlooked but have great effect on buying choices.

A company can most likely discover unexploited value by looking across complementary products and services, and what goes on in the total process around consuming fish products. Knowing the entire solutions buyers are after when they select products and services can lead to a shift in the Strategy Canvas and help discovering new factors or a raise in current factors.

As Mauborgne and Kim claim (2005) industries have a tendency to compete on one of two tactics of appeal to buyers. When an industry competes mainly on price and utility its appeal is functional while an industry competing on feelings is emotional. For marketers of Icelandic fish products that generally compete on rational factors like price and quality, there are great opportunities to shift their focus more towards emotional appeal to buyers. Social trends are in the favor of healthy consumption from sustainable resources and those are factors that the companies can emphasize more clearly than they currently do although up to some level they do. Emphasizing the nostalgic feeling of a small fishing village providing wholesome fish such as one of the companies is already doing is a clever way to influence buyers. However these attempts have to be more powerful and focused to reach the buyers and bring them the peaceful fishing villages consequently effecting their buying decisions. For example fish marketers, musicians

and innovative multimedia companies could work together to create some form of technology to bring the beauty and feeling of the nature to consumers as well as the freshness and healthiness with an application program.

As all industries are affected by external trends in their business over time, it is important to always being aware of and pay attention to social trends as well as technological trends to be ready to exploit such trends in a company's favor.

Each company should be evaluated independently in that process to formulate the appropriate strategy for each one. The practicality of Blue Ocean's Strategy Canvas is existent until now and provides a valuable picture of the status the participating companies are in today with regards to marketing strategy.

## Three Tiers of Noncustomers

Using the Three Tiers of Noncustomers framework to map noncustomers would be a separate practice for each company interviewed for this thesis and would be appropriate in the full process of implementing Blue Ocean Strategy since the companies have different customers within the industry and their first tier would be diverse. Furthermore, as the interviewees discussed, finding new consumers for marine products is a complicated task and was generally not considered to be an attractive marketing focus. The interviewees expected such marketing and educating process to be beyond their companies' financial capacity although there might be opportunities with regards to research and development of new products or techniques.

## Overcoming Execution Challenges

A challenge of implementing a business strategy is existent in Blue Ocean Strategy just as other strategies and companies often have a difficult time converting procedures into actions and possibly even more when implementing an innovative strategy that challenges conventional understandings and ideas of employees.

Mauborgne and Kim (2005) have categorized four organizational forms of obstacles that often occur to different degrees when implementing Blue Ocean Strategy; cognitive hurdles, limited resources, motivation and politics.

### The Four Organizational Hurdles to Strategy Execution

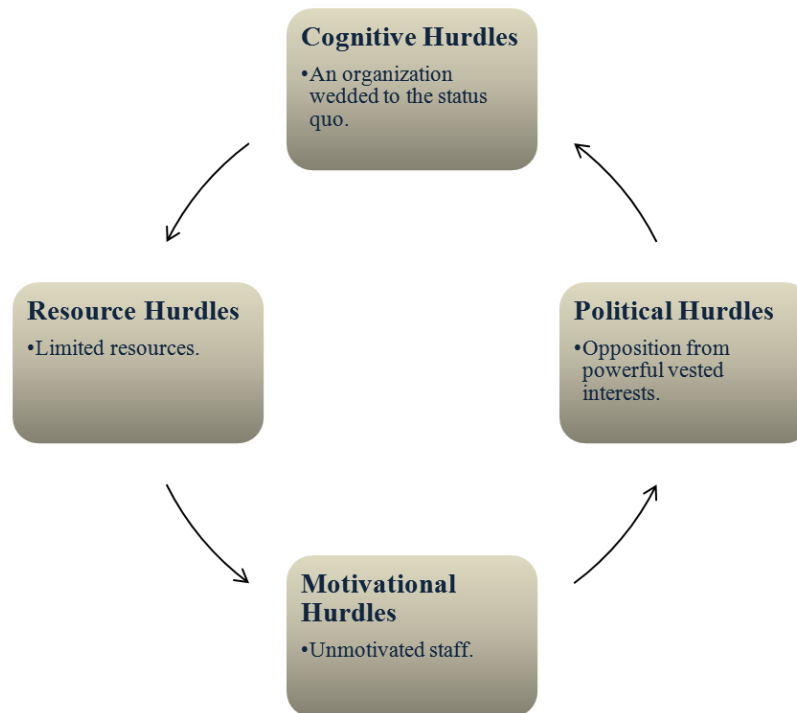


Figure 28: The Four Organizational Hurdles to Strategy Execution.

Source (Mauborgne & Kim, 2005, p. 150)

Cognitive hurdles generally occur when introducing radical changes to employees that challenge the comfort of familiarity to working environment. Greater change in a company's strategy is generally expected to require more resources however implementing Blue Ocean Strategy generally reduces cost instead of raising it according to Mauborgne and Kim (2005), consequently requiring less resources. Lack of motivation is the third obstacle companies generally face when executing a new strategy. Politics is the fourth form of hurdles companies are challenged with in the implementation process and are related to the company's organizational culture.

When considering the companies from managers were interviewed for this thesis there is probability that obstacles such as those listed above would be faced when implementing new strategy however some interviewees were interested in knowing more about Blue Ocean Strategy and possibly even using it to value innovate and as a result increase performance. To create a Blue Ocean Strategy for the Icelandic fish

industry it the most challenging part of the process would be to get all stakeholders to agree on a joint mission to reach a strategic goal. Fish producers and marketers, the government as well as stakeholder organizations would need to come up with a basis to cooperate on.

### *Smart Leadership*

The fifth principle of Blue Ocean Strategy is to overcome key organizational hurdles to execute the strategy effectively (Mauborgne & Kim, 2005). To accomplish this companies are pushed to broaden their conventional perspectives regarding implementing changes and use what Mauborgne and Kim call “tipping point leadership” that helps to overcome the organizational hurdles quickly and at low cost while simultaneously attaining employees’ support and willingness to change.

Tipping point leadership is based on the perception that in any company, major changes can occur fast when the understanding and dynamisms of a critical number of people lead to a wide spreading movement toward an idea. This form of leadership builds on the corporate element that in all companies there are certain people, acts and activities that unequally influence performance and to overcome substantial challenges the focus should be set on recognizing and then exploiting the factors of uneven influence within the company.

Main questions that leaders should answer, according to Mauborgne and Kim (2005, p. 151), are as follows:

- *What factors or acts exercise a disproportionately positive influence on breaking the status quo?*
- *What factors or acts exercise a disproportionately positive influence on getting the maximum bang out of each buck of resources?*
- *What factors or acts exercise a disproportionately positive influence on motivating key players to aggressively move forward with change?*
- *What factors or acts exercise a disproportionately positive influence on knocking down political roadblocks that often trip up even the best strategies?*



By concentrating on the factors and exercises of uneven influence leaders can attack the organizational obstacles that limit the implementation of Blue Ocean Strategy quickly and at low cost. In the case of marketing Icelandic fish the people that have the most disproportionate positive influence would need to be recognized and then motivated to influence other stakeholders.

### **Cognitive Hurdles**

One of the most challenging tasks companies face when implementing changes and corporate renovations is to convince employees that the strategic alterations are necessary and for the people to go along with them.

Tipping point leadership does not emphasize numbers about cost or revenues to tackle the cognitive hurdle as leaders often do but exploit disproportionate effects to make key influencing managers see and experience the problems that the strategic implementation is to solve (Mauborgne & Kim, 2005). A quick change in people's mindset internally driven by themselves is inspired by making them experience the need for change either by experiencing the worst operational problems or listening to the most unsatisfied customers.

### **Resource Hurdles**

To deal with limited resources there are three elements of disproportionate effects that can be leveraged to effectively free resources from some parts within the company and increase the value of resources in other parts. These elements are hot spots, cold spots and horse trading (Mauborgne & Kim, 2005).

Hot spots are activities within a company require little resources but deliver high possible performance advantages while cold spots require high resource effort but have relatively low impact on the company's performance. Horse trading consists of trading surplus resource units between areas within the company to take full advantage of the utility of all resources and by exploiting existing resources this way, companies often manage to overcome resource hurdles completely (Mauborgne & Kim, 2005).

### **Motivational Hurdles**

To handle motivational obstacles leaders should focus on three elements of disproportionate effects when motivating employees, according to Mauborgne and Kim, and those elements to use are called kingpins, fishbowl management and atomization (Mauborgne & Kim, 2005).

When implementing a new strategy that requires widespread movement among employees a company should concentrate on key influencers, or kingpins, within the company rather than setting main effort into trying to motivate all employees through massive actions.

Key influencers are the natural leaders within the company (Mauborgne & Kim, 2005); they are well respected, convincing and are able to effectively inspire employees and hence dealing with the motivational hurdles quickly and at low cost. Fishbowl management is to make the activities and no activities of key influencers very obvious and noticeable to other employees being based on transparency, involvement and fair practice. To make a strategic task manageable to employees it should be broken down into steps that people can relate to and not overwhelmed with the whole process, this segmenting of the strategy implementation is called atomization (Mauborgne & Kim, 2005).

### **Political Hurdles**

Leveraging “angels”, silencing “devils” and getting a “consigliere” are the three influence elements a company can exploit when taking care of political obstacles (Mauborgne & Kim, 2005). “Angels” are the people who will benefit the most from the strategic implementation and “devils” are opponents who face the most disadvantages from the implementation. A “consigliere”, as Mauborgne and Kim (2005) name the role, is a politically skilled and at the same time very respected consultant in the company who knows in advance all obstacles, including opponents of new strategy and supporters. This political consultant is a role that is included in the top management team in tipping point leadership.

### *The Case of Fish Marketers*

The organizational obstacles that could appear when implementing Blue Ocean Strategy in a fish selling and marketing company are understandably unknown at this point but they would be detected during each specific implementation process although current operations are not necessarily suffering from functional problems. It is still essential to understand and recognize that obstacles will occur when applying great strategic modifications and be prepared to handle them appropriately.

## SWOT

A brief SWOT analysis of the industry image as interpreted from the information given by interviewees, displaying the industry's strengths, weaknesses, opportunities and threats, is thought to provide an additional understanding of today's marketing strategy and the environment these companies operate in.

### Weaknesses

For the companies are operating on business to business market they often find themselves stuck between producers and buyers. Consequently sometimes they are struggling to reach consumers in their marketing activities and communicate their messages regarding uniqueness or other competing factors of their products.

Funds to finance researches and development are limited as well as for marketing efforts.

### Strengths

The Icelandic fish marketers enjoy a presence to fish producers that fish in Icelandic waters and therefore they can offer more consistency than other countries

when it comes to delivering products all year around hence enjoying a competitive advantage in that sense.

By choosing reliable fish producers the companies have the resources to offer high quality fish products and furthermore support their offering with certifications of origin and sustainability.

## Threats

Main threats are mainly to be found in economic conditions of the traditional fish markets, especially in Europe. Decreasing purchasing power of consumers easily shifts them to buying less expensive food.

## Opportunities

There are opportunities to be found in other markets such as Brazil, Asia and even Africa due to economic conditions, fish sellers tend to look for opportunities to get premium price for their products.

Increasing demands for sustainability and traceability to origin serve as opportunities for Icelandic fish marketers for they have a good access to providing products that fulfill these demands.

Health trends in societies are in favor of fish consumption and especially for those marketing in quality products in nutrition without chemical contents. Those trends provide opportunities and new markets could even be entered.

## Final Thoughts of Discussion Chapter

What all companies interviewed have in common is the emphasis on providing top quality fish products and importance of good business relationships through trust and reliability, hence they aim to differentiate and sell the products at premium prices.

However their environment is a red ocean of companies battling for markets and market shares, consequently the companies are forced to be flexible with regards to prices and none of them has attained an ideal market niche that pays premium prices as their most valuable revenue base. According to Porter's competitive advantage (Porter, 1985) the companies end up getting stuck in the middle for simultaneously pursuing differentiation and low cost.

None of the companies is pursuing Blue Ocean Strategy and furthermore the emphasis on innovation is not very visible. They appear rather conventional in their view toward marketing strategies and accept their positions as being in a red ocean of a highly competitive market. By examining their Strategy Canvas and evaluating the factors it is likely that the companies could improve, particularly with regards to competition and what investments in competitive factors are returning the highest profitability.

## **Drawing Icelandic and Norwegian fish industry**

Based on the discussion chapter as well as on all information gathered through interviews and other data sources the current Strategy Canvas and a future Strategy Canvas can be displayed for Icelandic fish products contrasted with Norwegian fish products in the following pictures. To narrow down factors listed in the Strategy Canvas the emphasis is set on looking at the big picture of strengths, weaknesses and also on differences between the two countries to create ideas on competitive factors of a new value curve.

Of those factors Icelandic companies are currently focused on price, quality, business relationships and consistency in deliveries score the highest while factors such as traceability & certifications and sustainable fisheries are somewhat important today. Norwegian industry, on the other hand, has a main focus on an umbrella for marketing, research and development and concentrates on being visible to consumers and retailers. Additionally the Norwegian industry focuses on competitive price, quality, emotional appeal to buyers with the fisherman in their logo and sustainable fisheries (Norwegian Seafood Council, 2012).

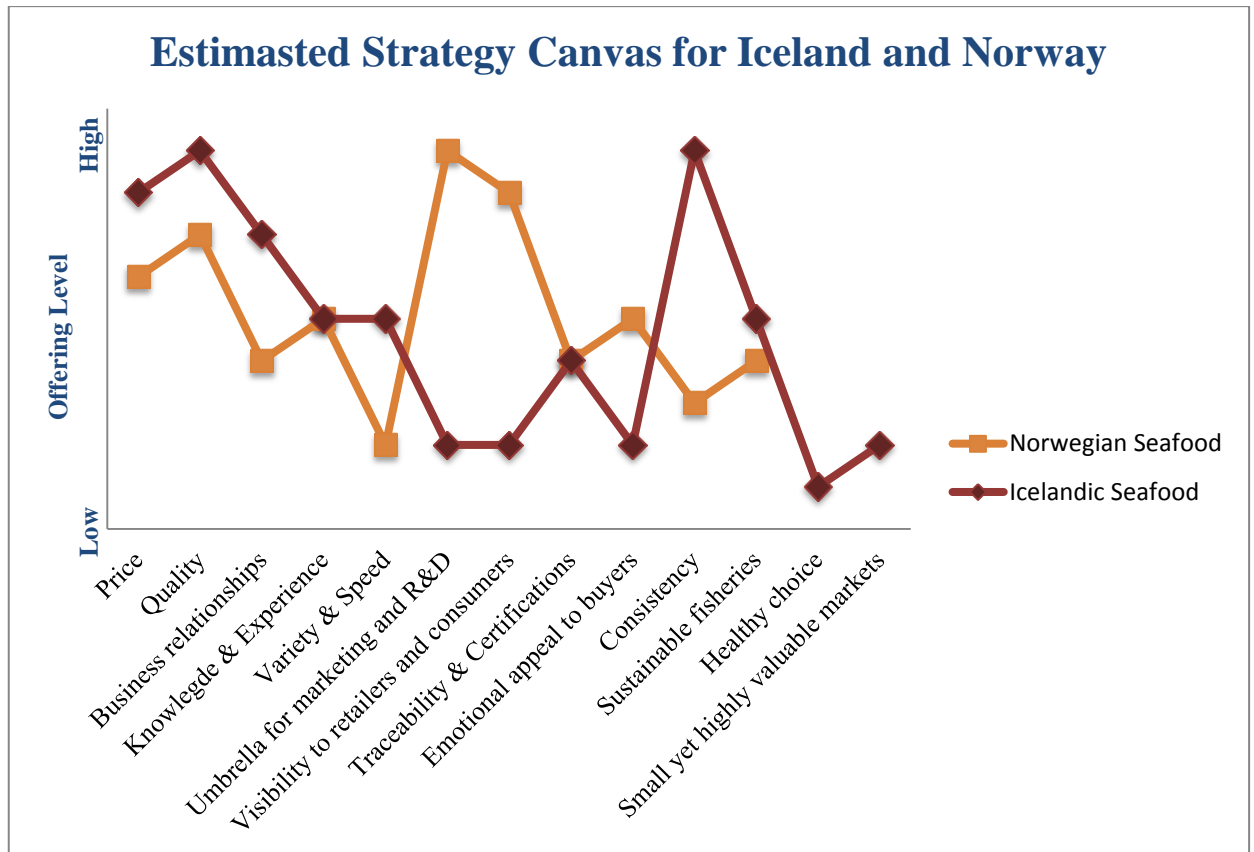


Figure 29: Estimated today's Strategy Canvas of Icelandic and Norwegian fish industry.

The new Strategy Canvas for the Icelandic industry versus the Norwegian industry focuses on following and competing with the strengths of the Norwegian industry as little as possible but concentrating on factors where Icelandic industry already enjoys competitive advantage such as consistency in supply, nurturing business relationships and offering high quality.

Factors to raise dramatically are to offer full traceability and recognized certifications on fish products and highlighting sustainable fisheries. It is also important to differentiate by focusing on emotional appeal to buyers such as the romantic feeling of origin. New factors created are the focus on healthy choice of fish nutrition and selecting highly valuable niche markets.

Factors that have been eliminated or may be reduced from the earlier Average Strategy Canvas drawn from the interviews are for example knowledge, experience, variety and speed. Not because the factors are not important but the main focus is to be set on competitive factors compared to Norwegian industry and those that bring more value to the buyers.

The new Strategy Canvas suggested here is not only useful for the Icelandic fish industry to compete with foreign competitors because it can also be exploited by a single company in the domestic competition.

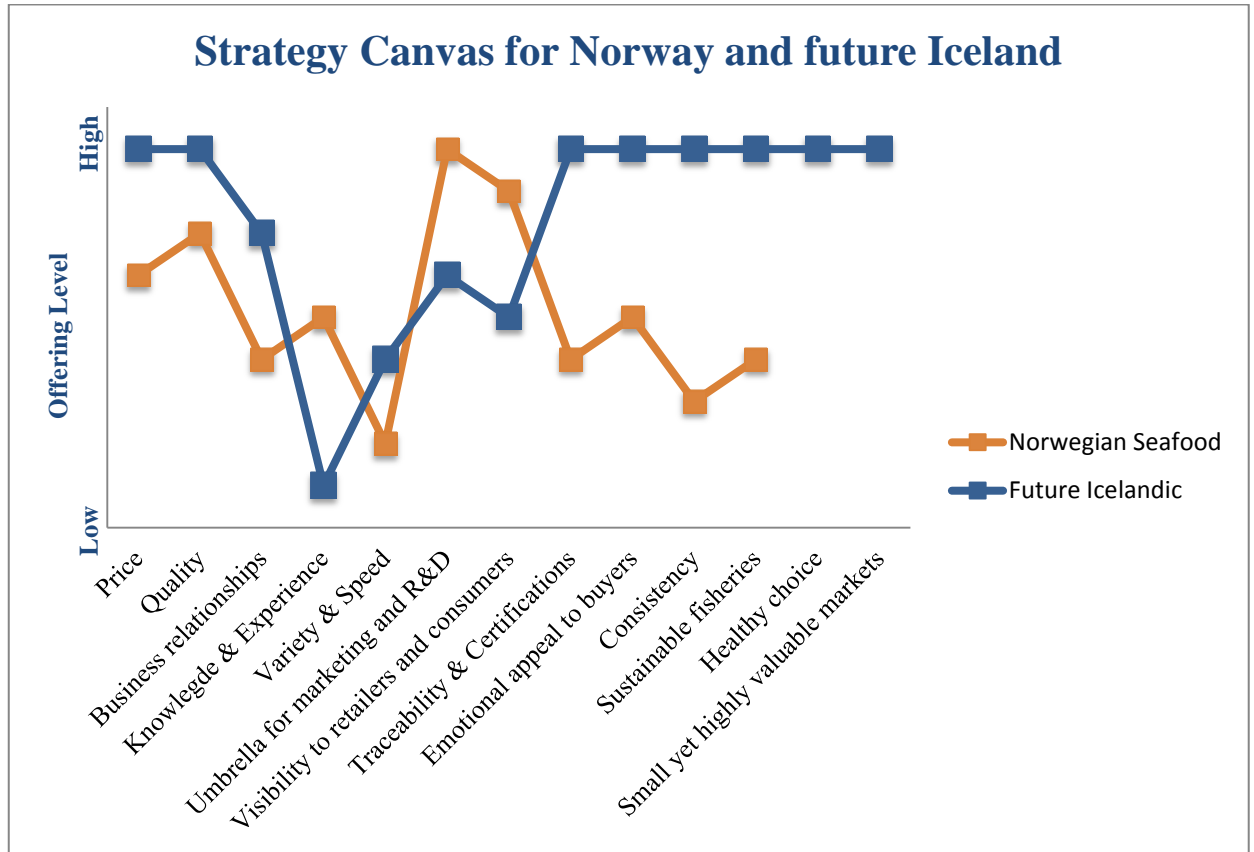


Figure 30: A Suggestion of a new Icelandic Strategy Canvas compared to Norwegian fish industry.

## CONCLUSION

Blue Ocean Strategy pursues to replace traditional strategic management with more innovative and disruptive perspective, replacing competitive advantage with value innovation. The main goal is to discover unexploited market space and challenge the general trade-off between cost and differentiation.

Up until now empirical studies regarding Blue Ocean Strategy have concentrated on cases of successful companies and therefore they are limited in their capability to generalize. This can certainly be perceived as a weakness because in discussions there generally tends to be a debate between “skeptical” competitive strategy and “faithful” Blue Ocean Strategy in accepting that enough unexploited market opportunities are to be found for most companies implementing Blue Ocean Strategy as a general strategy and as a result competition will become irrelevant. On the opposite, competitive strategy suggests that short term opportunities exist in a limited number for companies to discover unexploited market which in the long term will be matched by competitors with imitation (Porter, 1985) and such cases are met with competitive strategy.

A main focus of Blue Ocean Strategy is set on discovering uncontested market space and forming a Strategy Canvas that will result in a company's offer to appeal to mass of buyers (Mauborgne & Kim, 2005). For a company that main operations are to sell and market Icelandic fish, appealing to mass of buyers is not the most attractive strategy but on the other hand to be able to increase value. The industry today and in near future is dependent on natural resources that are subject to environmental circumstances and fish quotas. Therefore the main focus for a fish marketing company implementing Blue Ocean Strategy would be on creating unique value in products or services for both the company and buyers in premium markets as well as eliminating and reducing some of the current factors that are considered to be a natural part of the industry's competitive factors.

In the future there are possibly opportunities for Icelandic fish marketers to increase farmed fish products offerings and that way increasing volume supplied, however the industry has to be able to maintain and nurture the image of natural



resources being produced in a sustainable way. Further research and development is yet to be conducted before farmed fish can become a relatively important share of total fish catch.

Blue Ocean Strategy is based on subjective and descriptive factors and other tools such as Porter's Five Forces or Value Chain (Porter, 1985) are likely to be useful as additional tools when implementing the Blue Ocean Strategy. It does not inevitably have to be a distinct selection between substituting strategies but they can possibly supplement each other since the Five Forces and the Value Chain, although conventional compared to Blue Ocean Strategy tools and frameworks, are set up in structured and systematic forms, pushing companies to evaluate predefined internal and external competitive factors and activities.

The analytical tools of the Blue Ocean Strategy serve well in identifying challenges in the industry of fish marketers such as applying the Strategy Canvas tool to draw the current value curve. Furthermore other tools of the strategy help addressing the industry's challenges. Using the Four Actions framework and its supplementary Eliminate-Reduce-Raise-Create grid as well as the Six Paths framework helps companies to identify factors to raise or create as well as to eliminate and reduce in the value curve.

Blue Ocean Strategy provides useful indications on how to cleverly approach in a creative and innovative way organizational problems and obstacles that are very likely to occur during a process of implementing a new strategy. Furthermore it is clear that creating a Blue Ocean is a dynamic process because eventually nearly all Blue Ocean Strategies will at some point be imitated and a company should value-innovate again.

## **Application of Blue Ocean for Marketing Icelandic fish**

The main purpose of this thesis is to examine whether practice of Blue Ocean Strategy through value innovation can be useful for companies marketing Icelandic fish abroad to improve their performance.

Various secondary data about the Icelandic fish industry has been collected and examined with regards to marketing situation. Furthermore and more importantly top managers in four Icelandic companies, which main operations involve selling and marketing fish products abroad, were interviewed in order to gain valuable insight into current marketing strategies within the industry.

Looking particularly into Blue Ocean's Strategy Canvas and the Four Actions framework was decided in the early process of writing this thesis since those are an appropriate tool and framework for exploring current competitive factors and continue by evaluating which factors to eliminate, reduce, raise and create.

## Using the Strategy Canvas

**How can the Blue Ocean Strategy Canvas be exploited for marketers of Icelandic fish in order to improve performance?**

As mentioned earlier drawing up a Strategy Canvas and identifying key competitive factors is not simple and it can take some time. It is a process that requires consideration and the first drafts of a value curve can change during the procedure of mapping it. The value curves drawn in this thesis are based on the conducted interviews and it is likely that they would evolve during a thorough process of completing the Strategy Canvas representing total underlying aspects of the industry and involving participation of more managers within each company.

Despite some limitations on the value curves drawn due to the reasons listed above they can be very useful and the ideology behind the Strategy Canvas is easy to understand whether one is familiar with Blue Ocean Strategy or not. The average Strategy Canvas reveals how the companies interviewed emphasize similar competitive factors such as quality, price and trust so in the end they are fixed in the thinking of a highly competitive red ocean. Even with additional competing factors that are different between companies they end up being focused on the competition and having less space to differentiate and creating unique offering to buyers. The Strategy Canvas drawn for each company displays its main focus in marketing strategy and competition. Those

Strategy Canvases are helpful when drawing a future strategy for each company if some of them would implement Blue Ocean.

As shown earlier the Strategy Canvas drawn for the current value curves of Icelandic versus Norwegian fish industry displays seem to be parallel with few exceptions so the two countries are in fact not entirely different in their marketing focus. The Norwegian industry has an advantage with an umbrella for marketing, research and development and its visibility to consumers and retailers is good while the Icelandic industry offers more consistency in supply and focuses on building good business relationships.

Even if none of the companies interviewed would choose to implement Blue Ocean Strategy the Strategy Canvas has proven to be a convenient tool that displays competing factors graphically making it easier to compare the competitive factors in the value curve, and evaluate which factors to eliminate, reduce, raise and create. Furthermore the Strategy Canvas displays the future value curve in the same way and helps companies to stay focused when implementing a new strategy.

## Using the Four Actions Framework

### **How can the Four Actions Framework of Blue Ocean strategy be exploited for marketers of Icelandic fish?**

Eventually it is up to each company to decide to formulate a new marketing strategy and choosing the appropriate methods when doing so. Whether the choice would be implementing Blue Ocean Strategy or not the Four Actions framework, in addition to the Strategy Canvas, can be used efficiently for any of the companies for it not only helps them to raising or creating new factors within the value curve but also pushes them to eliminate and reducing some of its current factors. However this procedure should be evaluated for and adapted each company according to competing factors and the strategy each would seek to pursue.

The new Strategy Canvas suggested earlier for the Icelandic fish industry to differentiate from foreign competitors focuses not only on the competitive factors

mentioned by interviews but rather on the big picture of today's strengths and weaknesses of the Icelandic fish industry in contrast to the Norwegian. Using the Four Actions framework and the Eliminate-Reduce-Raise-Create grid helps drawing a new Strategy Canvas and ensures that competitive factors are not only raised or created but also eliminated and reduced. The Strategy Canvas suggested for the Icelandic industry focuses on offering high quality in valuable niche markets, emphasizing the healthy choice of fish nutrition as well as the emotional appeal to buyers through romance of unique origin of the products. At the same time the industry should focus on sustainable fisheries and offer full traceability on fish products and recognized certifications.

## Blue Ocean Strategy for a Company Selling and Marketing Fish

**Can practice of Blue Ocean Strategy through value innovation be beneficial for companies marketing Icelandic fish abroad to improve their performance?**

Blue Ocean Strategy is an innovative strategy that challenges conventional strategies and traditional ideas about marketing strategies. It pushes companies to reach beyond industry boundaries and look across borders in their strategic planning. Whether the Blue Ocean Strategy is suitable for a company has to be evaluated independently in each case but will not be generalized although as earlier said the authors of Blue Ocean Strategy claim that the strategy is appropriate for any company in any business. It is rather unlikely that most of the companies interviewed would be interested and willing to implement Blue Ocean Strategy because it is likely that it would lead them to make extensive changes to their current business operations and practices that perhaps are returning adequate profits. Furthermore the sustainability of a competitive advantage and economies of scale through first mover is not simple to estimate at this point but sooner or later followers would appear in the market.

The tools and frameworks provided within the Blue Ocean Strategy such as the Strategy Canvas, the Four Actions framework and the Six Paths framework are useful

and can easily be exploited to help companies thinking outside the conventional box of strategies and market boundaries.

The practice of Blue Ocean Strategy through value innovation can certainly be beneficial for companies marketing Icelandic fish abroad to improve their performance. As the new Strategy Canvas suggested for the Icelandic fish industry to differentiate from foreign competitors such as Norwegians displays, the industry has good opportunities to change today's value curve. Its focus is not to follow and compete with the strengths of Norwegian fish industry, as it does to some degree today, but is rather engaged in competitive factors where the Icelandic industry already enjoys competitive advantage and has opportunities to raise and create competitive factors as well as to reduce and eliminate.

Consumers are becoming more aware of sustainable production of food and demands for certifications and traceability are increasing. Those factors should the industry offer to full degree and therefore raise dramatically consequently creating more positive image among consumers and it can possibly influence getting access to valuable niche markets which would also value the consistency in supplies. The industry can appeal emotionally to consumers by emphasizing the romantic feeling of origin in innovative ways. Such approach can for example be developed in cooperation with multimedia techniques with the goal to bring the feeling in some form to consumers. Focus on traditional competing factors like knowledge, experience and variety can be reduced or eliminated for they are not necessarily factors that affect the value to buyers in the buying process.

## RECOMMENDATIONS

Implementing a new strategy is a challenging process for any company and implementing a radical Blue Ocean Strategy perhaps even more so for it requires a company and its employees to challenge the conventional knowhow and familiar structures.

However Blue Ocean Strategy provides useful analytical tools and framework to help constructing the forming and execution of the strategy such as the Strategy Canvas, Four Actions Framework, Six Paths framework and guidelines how to handle operational problems that are likely to occur during the process. In reality it is very likely, besides being a sign of intelligence and responsibility, that a company would furthermore exploit the wide range of theories and frameworks that today exist in the business environment such as Porter's Five Forces and Value Chain.

Certain tools and frameworks of Blue Ocean Strategy are in particular convenient and easy to understand for any company whether it intends to go by the entire implementation of the strategy or simply choosing to exploit certain features of it and can be recommended.

The Strategy Canvas helps assessing a company current competitive factors it invests the most in and comparing to the industry. From there using the Four Actions framework and the Eliminate-Reduce-Raise-Create grid to help drawing a future value curve as well as at the same time going through the Six Paths to help broaden the perspective towards buyers. The fifth path, to look across functional or emotional appeal to buyers, is especially interesting and could bring with it opportunities to appeal to buyers differently and using Three Tiers of noncustomers would be supplementary in the process of drawing up future value curve.

Drawing a new Strategy Canvas based on the company's self-investigation and after having evaluated the external environment will provide a company with a visual map of a new strategy to implement.

The internal environment of a company plays a central role in successfully implementing a new strategy. Executing a new Blue Ocean Strategy efficiently must be carefully thought out and the Sequence of Blue Ocean Strategy provided as well as the creative guidelines of leadership on how to overcome key organizational hurdles quickly and at low cost will be helpful for a company that chooses to leave red oceans and entering the Blue Oceans.

## A Marketer of Fish Products

Besides going through the process listed above it is recommended for a fish marketing company to determine new value that technological innovation based on research and development would bring to the business.

Focus on the combination of functional and emotional marketing to appeal to buyers and possibly gaining new ones from the first and second tier of noncustomers. Today a general focus seems to be on functionality such as utility and price when marketing fish products and more emotional appeal to buyers would be a clever shift of focus since consumption of healthy food and in fact a lifestyle of choosing sustainable resources is an increasing social trend. Furthermore the emotional appeal can be supported functionally by certifications of origin and sustainability.

## Further Research

Further research on formulating and implementing Blue Ocean Strategy for a specific company through close cooperation is a very interesting process for future researchers of the topic of Blue Ocean strategy with regards to marketing marine products abroad and in fact one of the companies that participated in this study would for example be a potential candidate.

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## APPENDIX

### Structure of interviews

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#### *Current Status of Marketing:*

How would you describe the current marketing strategy for marketing Icelandic fish abroad?

Who are the main buyers?

Do the markets for your company change much from time to time?

How are markets chosen?

How would you describe the competition?

#### *Tools and Frameworks:*

##### **Current posts of the value curve to draw the strategy canvas:**

Can you identify the key competitive factors your company focuses on to capture this dominant customer group?

Please specify no less than five factors and no more than twelve. Price is always included in your key competitive factors.

**The ERRC Grid (erase, reduce, raise and create)**

Can you identify any factors that the industry takes for granted today but may be eliminated or reduced well below industry's standard?

Can you identify factors that should be raised well above the industry's standard?

Can you identify factors that could be created that the industry has never offered?