

## GROUP ASSIGNMENT

# APPLICATION OF BLUE OCEAN STRATEGY TO POLO RALPH LAUREN T-SHIRTS



POLO RALPH LAUREN



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## **ABSTRACT**

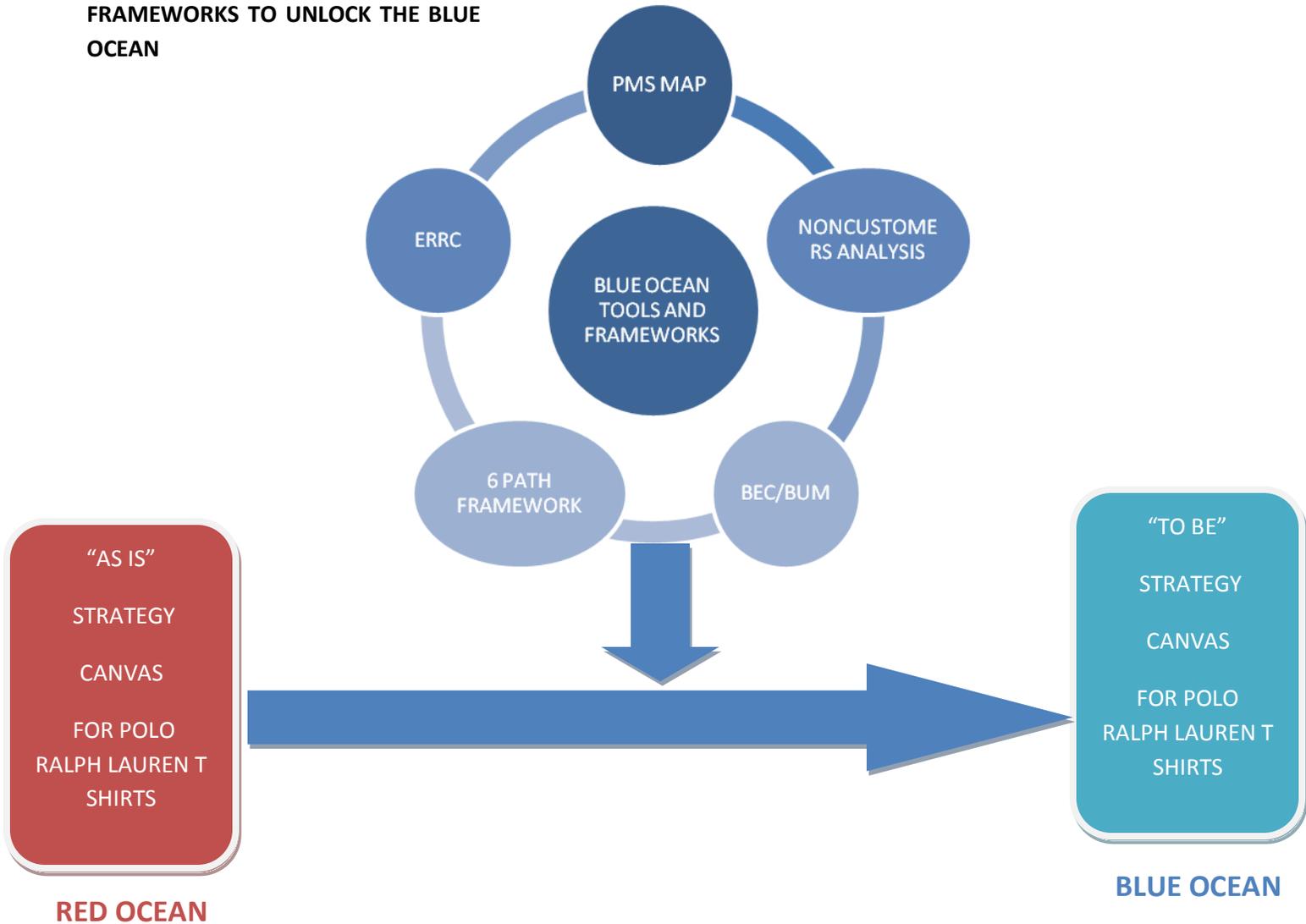
### **WHAT IS BLUE OCEAN STRATEGY**

Blue Ocean Strategy can be described as a planned sequence of events or processes designed to create uncontested markets and make the competition irrelevant. This is done by encouraging companies to break out of the red ocean and instead of further segmenting prevailing market segments to concentrate on desegmentation of the market place and grow the demand. Though this notion is not entirely new, this is the only approach that provides a logical and scientific sequence of events that can be replicated leading to the establishment of uncontested markets each time this sequence is applied in the appropriate order.

### **PURPOSE OF STUDY**

The purpose of the study is to apply the blue ocean strategy to Polo Ralph Lauren T Shirts to help them break out of the red ocean and create a new market space. We did this by making use of the Blue Ocean analytical tools and frameworks following the principles of the Blue Ocean Strategy.

**APPLICATION OF BLUE OCEAN STRATEGY ANALYTICAL TOOLS AND FRAMEWORKS TO UNLOCK THE BLUE OCEAN**

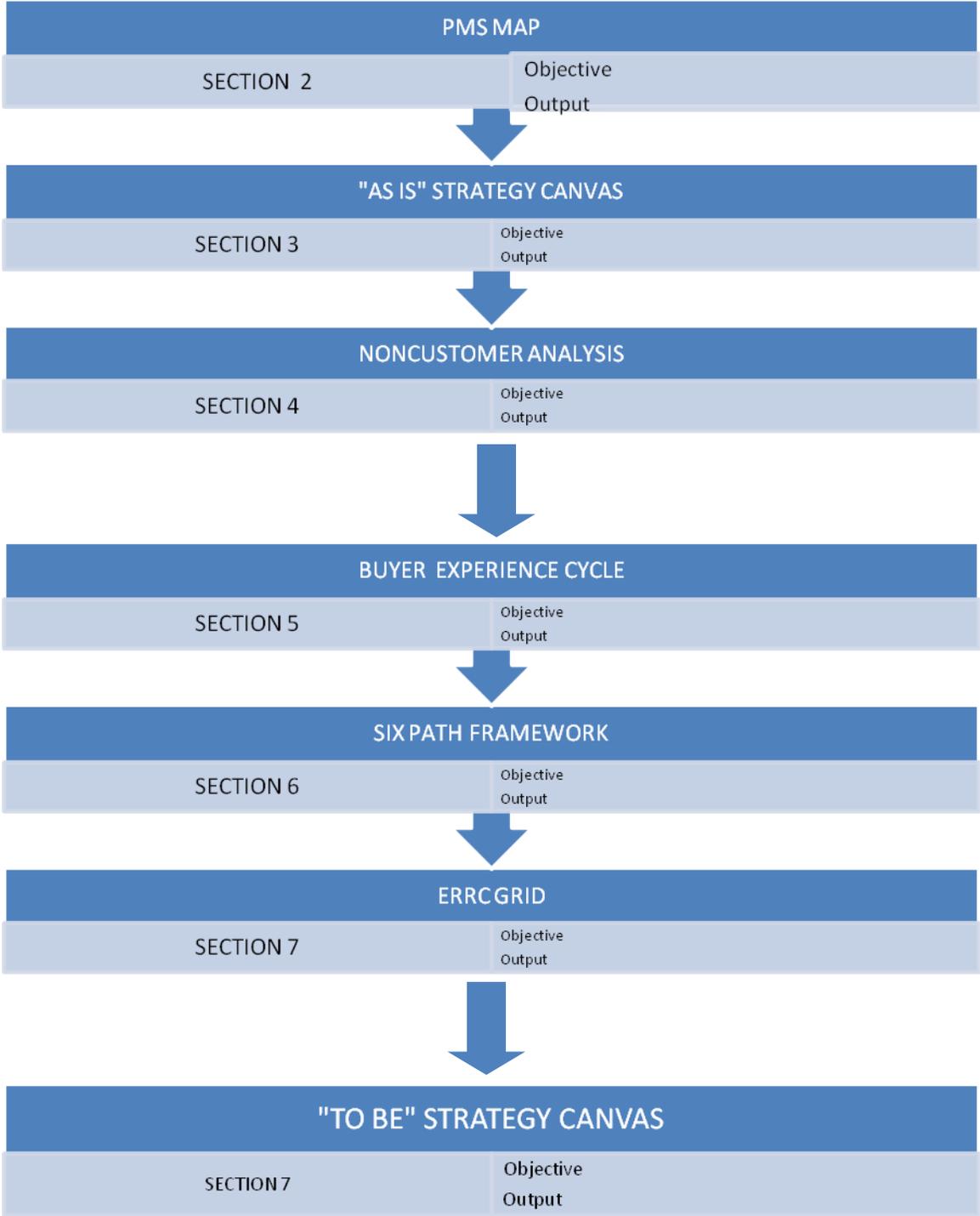


**METHODOLOGY**

We applied the following analytical tools and frameworks in the following order in order to unlock the blue ocean. Each of these tools and frameworks would be applied in a different section paying particular attention to the objective and the output to eventually unlock a blue ocean for Polo Ralph Lauren T shirts

Most of the material in this report is from the best selling book BLUE OCEAN STRATEGY by W. Chan Kim and Renee Mauborgne.

**OUTLINE OF THE REPORT**



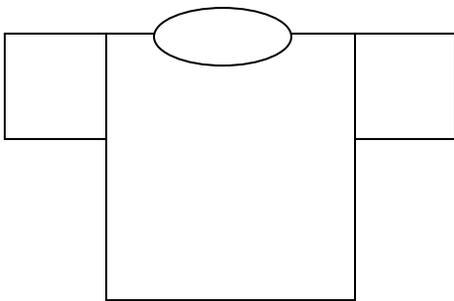
## SECTION 1

### INTRODUCTION

#### 1.1 WHAT IS A T SHIRT?

A T-shirt is a shirt, usually buttonless, with a round neck and pulled on over the head. The name is derived from the shape of the shirt which is in the form of a T. There are also long-sleeved T-shirt and sleeveless T-shirt variants and are typically made of cotton or polyester fibers (or a mix of the two).

**FIG 1.0 – THE T-SHIRT**



Origin of the name is from  
the simple shape of the shirt  
– T SHIRT

#### 1.2 HISTORY OF THE T SHIRT INDUSTRY

The T shirt evolved from undergarments used in the 19<sup>th</sup> century being adopted by miners during the late 1800 as a convenient covering in hot environments being worn alone and in cold environment being worn under their mining gear.

The T shirt started becoming popular when American troops noticed European soldiers wearing a comfortable and lightweight cotton undershirt during the hot and humid European summer days during World War I compared to the wool uniforms that the American soldiers wore, these undershirts were cooler and more comfortable and they quickly caught on with the Americans. On return from the war US troops began wearing them alone with their camouflage trousers. (T-shirtbuyersguide.org, 2010)

Up until the 1950's, T-shirts were still considered underwear, until John Wayne, Marlon Brando, and James Dean shocked Americans by wearing their "underwear" on T.V. In 1955, James Dean helped make the T-shirt a standard item of clothing in Rebel Without a Cause. (T-shirtbuyersguide.org, 2010) Since then the popularity of T-shirts have increased in leaps and bounds.

### **1.3 TRENDS IN THE T-SHIRT INDUSTRY**

T-shirts are worn frequently as the only piece of clothing on the top half of the body.

They have become a medium for self-expression and advertising, with any imaginable combination of words, art and even photographs on display. (Sally and Neeli, 1993)

Variants of the T-shirt, like the tank top, A-shirt (with the nickname "wife beater"), muscle shirt, scoop neck, and the V-neck have been developed.

### **1.4 POLO RALPH LAUREN**

The brand was launched in 1967 when Ralph Lauren, born Ralph Lifschitz, got a \$50,000 loan. Prior to starting Ralph Lauren, he worked for Brooks Brothers. In 1968 he started a line of men's ties. By 1969 he had a boutique store within the Manhattan department store Bloomingdale's. In 1971, Polo Ralph Lauren launched its first women's collection and his first standalone store in Beverly Hills, California.

Ten years later, in 1981, the brand went global with its first International store on London's New Bond Street. The Polo Sport line was introduced in 1993. The company went public in 1997 with Ralph Lauren as the chairman and CEO. (Polo.com, 2010)

Polo Ralph Lauren has their headquarters in New York City, New York, US. With a work force of about 17,000 employees as at 2006 and 163 full price outlets and 163 outlet/factory stores around the world as at 2009. Their products range from apparel to gifts and fragrances (Polo.com, 2010)

The Polo Ralph Lauren T shirts are the most famous pieces of the polo line. They are the classic polo short-sleeved knit shirt featuring the Polo player on the left breast of the shirt. This shirt in particular became a fashion must-have in the 1980s with the preppy set. (Polo.com, 2010)

## **1.5 CORE IDENTITY OF POLO RALPH LAUREN**

The attributes of Ralph Lauren include a luxurious, elegant, and classic style with exceptionally high quality and standards with attention to detail. The users of Ralph Lauren are upper middle to high class who live throughout the world. The visual image of Ralph Lauren is an intelligent, physically fit handsome young man with a timeless style. (Briana et al. 2007)

## **1.6 FEATURES OF POLO RALPH LAUREN'S TARGET MARKET**

The Polo Ralph Lauren target market are wealthy professionals from affluent communities who sail, ride horses or participate in sports such as rugby and polo. Their psychographics are:

- Wants: Prestige, glamour, luxury, privilege
- Values: Quality, exclusivity, style, fine living
- Aspires to be: Respected, admired, wealthy and worldly, and sophisticated

(Briana et al. 2007)

## 1.7 FINANCIAL PROFILE OF POLO RALPH LAUREN

- ❖ Revenue - ▲ US\$5.02 Billion (FY 2009)
- ❖ Operating income ▲ US\$613 Million (FY 2009)
- ❖ Net income ▲ US\$406 Million (FY 2009)
- ❖ Total assets ▼ US\$4.36 Billion (FY 2009)
- ❖ Total equity ▲ US\$2.74 Billion (FY 2009)

(Source: wikinvest.com, 2010)

### PRODUCT SAMPLES



## SECTION 2

### PMS MAP FOR POLO RALPH LAUREN T SHIRTS

#### 2.1 INTRODUCTION

In every industry or business there are three distinct groups that can be identified with regards to their position in the market place. They are:

- ❖ **Pioneers**- Products and services that offer unprecedented value and are powerful sources of profitable growth. Their value curves are different from the competitions on a strategy canvas. All pioneers are blue oceans.
- ❖ **Migrators**- are in between pioneers and settlers. They offer improved value, but not innovative value.
- ❖ **Settlers**- do not contribute to much future growth and are stuck in a red ocean. Their value curves match the basic shape of the industry.

Businesses that are interested in profitable growth they would need to first identify into which of these groups their current products and services fall into and determine which of these products has the most potential for a change in its current status. A useful exercise for such companies is to plot the company's current and planned portfolios on a PIONEER-MIGRATOR-SETTLER (PMS) Map.

#### 2.2 WHAT IS A PMS MAP

A map can be described as pictorial description of the directions for getting from a point A to a Point B. With the knowledge of what PMS is a PMS Map can be defined as a graphical or pictorial representation of the current position of the products and services of a company with the relations to its competitors (i.e. pioneer, migrator or settlers) and the planned position of these products and services in the future.

These products and services are depicted on the map as circles the size of which depends on the total revenue that product or service brings in. i.e. the larger the sales revenue accrued from that product or service the larger the circle.

**2.3 OBJECTIVE OF DRAWING A PMS MAP FOR POLO RALPH LAUREN T SHIRTS**

The objective of drawing a PMS Map for Polo Ralph Lauren T-Shirts is to help visualize, plan, and predict its future growth and profit. The PMS Map helps to identify the group each of these products fall into and the amount of sale revenue accrued from each of them and also to determine which of these products would benefit most from migration to the pioneer group in the future and why.

At this point we would like to note that the overall objective of the PMS Map is to create a blue ocean for the product or service.

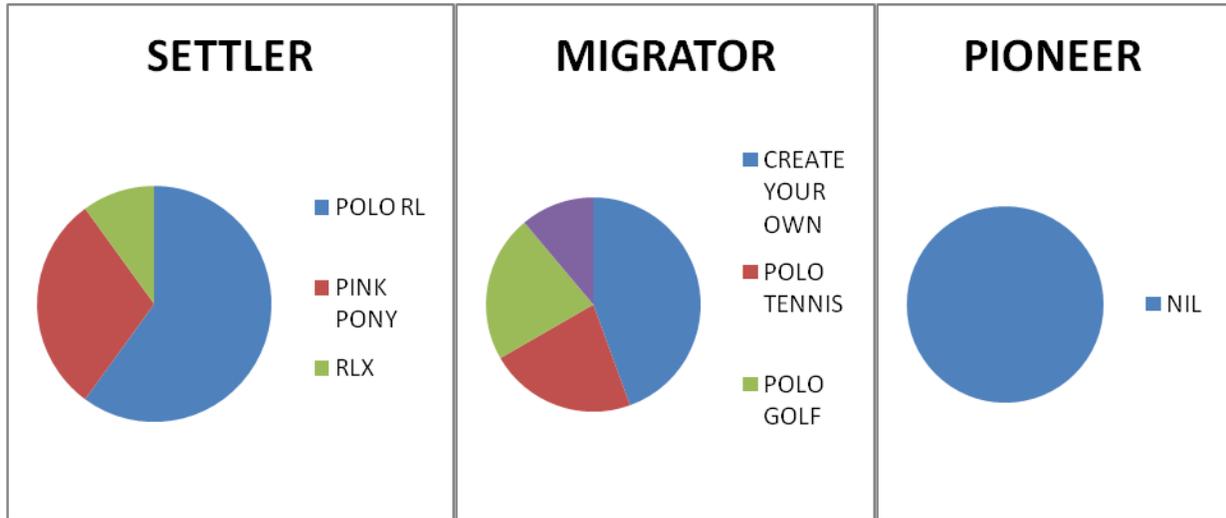
With regards to the Polo Ralph Lauren T-Shirt product range there are 7 different products which shown in the table below:

**TABLE 2.0 POLO RL PRODUCTS AND PRICE RANGE**

<b>PRODUCT</b>	<b>PRICE (USD)</b>
<b>Polo RL</b>	69 – 150
<b>Pink Pony</b>	75 – 85
<b>RLX</b>	69 – 85
<b>Create your own</b>	85 – 135
<b>Polo Tennis</b>	90 – 125
<b>Polo Golf</b>	85 – 90
<b>Black Label</b>	165 – 195

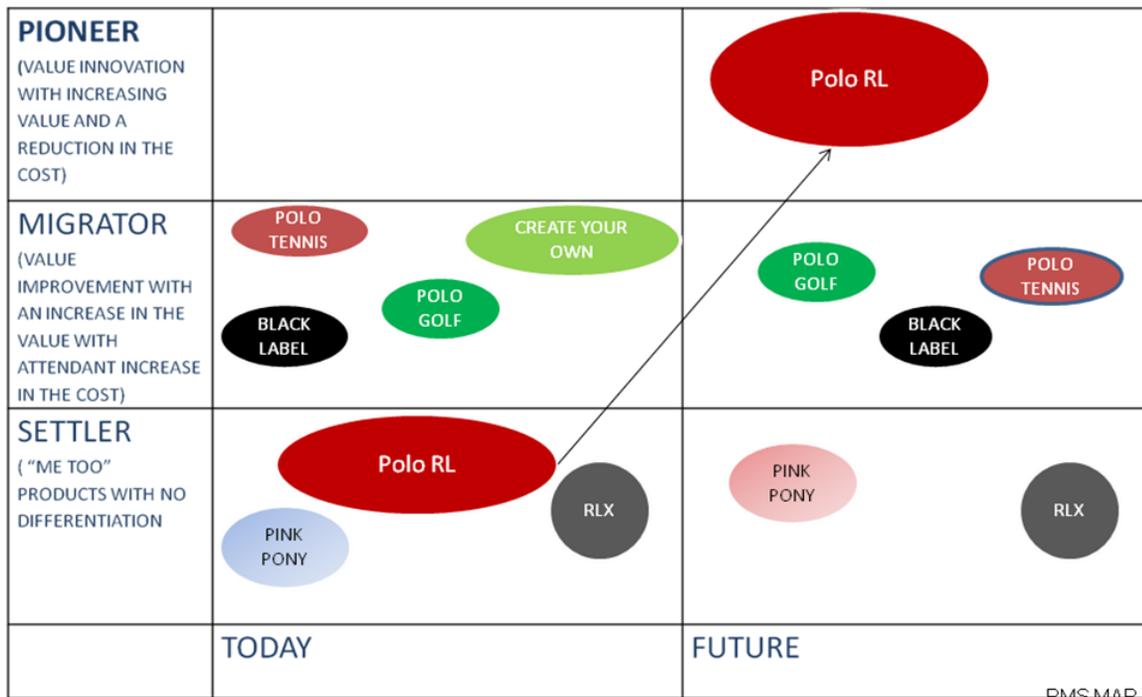
(source- [www.ralphlauren.com](http://www.ralphlauren.com))

**FIG 2.0 PRESENT DISTRIBUTION OF PRODUCTS AND PERCENTAGE SALES REVENUE IN EACH SEGMENT**



**2.4 OUTPUT OF PMS MAP**

**FIG 2.1 PMS MAP APPLIED TO POLO RALPH LAUREN T-SHIRTS**



## **2.5 FACTORS CONSIDERED IN DETERMINING WHICH PRODUCTS TO MOVE TO THE PIONEER SEGMENT**

In determining the choice of products to move to the pioneer segment in the future a number of factors were considered. They are:

1. Density of the segment i.e. how competitive is a particular segment in a particular industry: this is considered because it helps us determine how deep into the red ocean the product or service is.
2. Current ability of the product to generate revenue in its particular segment: this is considered because if the segment the product is in at the moment is highly competitive and the product still brings in a lot of revenue, if the blue ocean strategy is applied to this product it would markedly improve the revenue generated.
3. Value innovation potential of the product i.e. how easily does the current state of the product lend itself to value innovation

It is important to note that these factors are not applied in isolation but together. With the above in mind the following products were chosen to be moved from their current segment to the pioneer segment:

- Polo RL from settler segment → Pioneer segment

**POLO RL** - At the moment the settler segment for T-shirts is highly populated and competitive. Notwithstanding Polo RL still does well. With this in mind we can only imagine the level of revenues that would be generated if the blue ocean strategy is applied and it is moved to the pioneer segment.

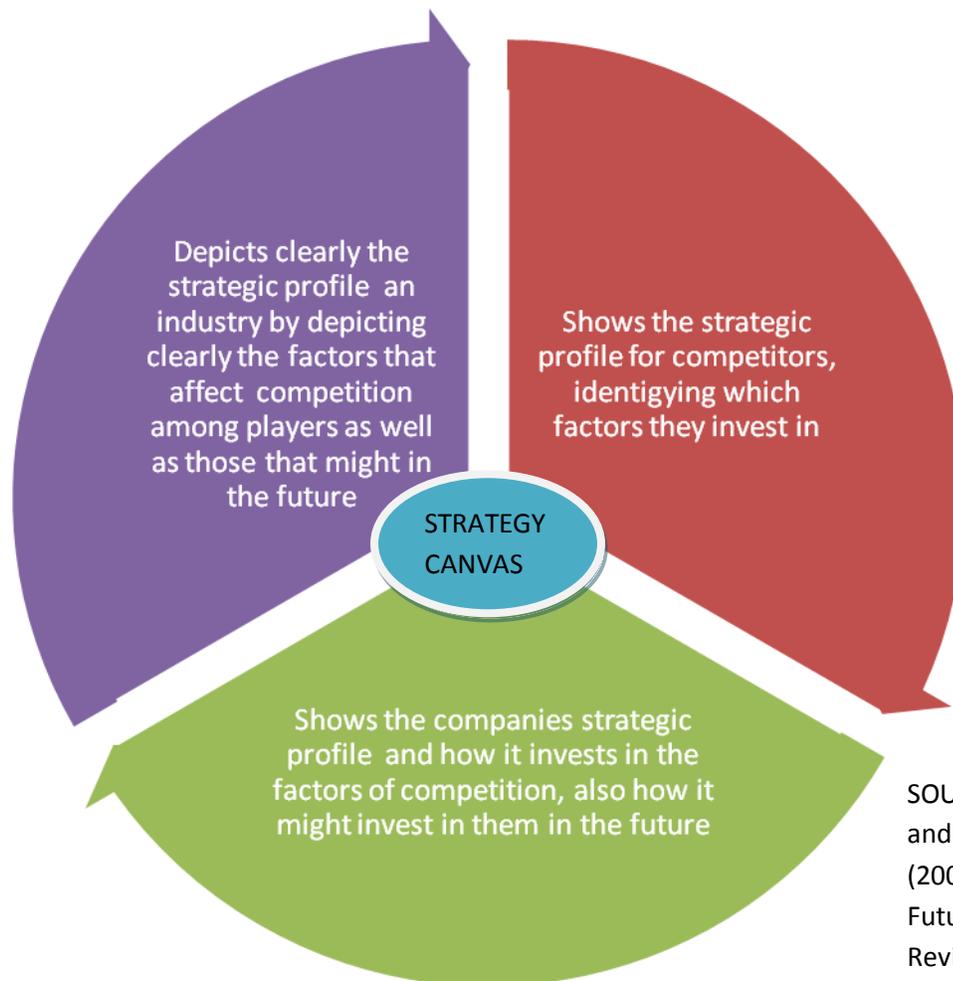
## SECTION 3

### “AS IS” STRATEGY CANVAS FOR POLO RALPH LAUREN T-SHIRTS

#### 3.1 INTRODUCTION

The strategy canvas can be described as a pictorial or graphical representation of a company or product in relation to its competitors identifying its place in the market. It provides the big picture enabling management to get know everything they need to know at a glance. It can be used as both a diagnostic tool i.e. to help identify the problem areas and as a therapeutic tool i.e. An action framework for building a compelling blue ocean strategy.

**FIG 3.0 - IMPORTANCE OF A GOOD STRATEGY CANVAS**



SOURCE: W. Chan Kim and Renee Mauborgne (2002), Your Companies Future, Harvard Business Review, RO206D

### 3.2 ADVANTAGES OF THE USE OF STRATEGY CANVAS

1. It provides the big picture at one glance
2. Easier to communicate
3. Prevents misinformation from the mish mash of data provided by various departments with conflicting agendas and poor communication skills
4. Easier to understand
5. Engages more people and promotes creativity
6. Enforces the need for change

### 3.3 COMPONENTS OF A STRATEGY CANVAS

The strategy canvas is a graph with a horizontal and vertical axis, value curve and the key competitive factors. The cornerstone of the strategy canvas is the key competitive factors without which it would be impossible to draw the strategy canvas.

**TABLE 3.0 – COMPONENTS OF A STRATEGY CANVAS**

<b>COMPONENT</b>	<b>GRAPHICAL DEPICTION</b>	<b>DESCRIPTION</b>
<b>Key Competitive Factors</b>	Vertical Axis	Factors the industry competes on and invests in
<b>Level of Investment</b>	Horizontal Axis	Captures the offering levels buyers receive across all the competitive factors
<b>Strategic Profile</b>	Value Curve	The value curve is a tool for strategic managers to see visually how their strategy works in relation to close competitors.

*SOURCE: W. Chan Kim & Renee Mauborgne (2005). Blue Ocean Strategy. Harvard Business School Publishing Corporation.*

### **3.4 WHAT IS AN “AS IS” STRATEGY CANVAS**

A common mistake made by management is to begin strategy formulation and implementation without first being crystal clear about the current situation. An “as is” strategy canvas is the strategy canvas drawn at the onset of Blue Ocean Strategy formulation to accurately assess the company’s products in relation to its competitors as at that period in time.

### **3.5 OBJECTIVE OF DRAWING AN “AS IS “STRATEGY CANVAS FOR POLO RALPH LAUREN T SHIRTS**

In order to effectively apply Blue Ocean Strategy to Polo Ralph Lauren T Shirts, it is imperative that the “as is” strategy canvas be drawn. The objective of this is to accurately assess its place in relation to its competitors based on the key competitive factors of the industry and determine their strategic profile.

The “as is” strategy canvas would also help detect how deep into the red ocean the Polo Ralph Lauren T Shirt line is.

### **3.6 COMPETITORS OF POLO RALPH LAUREN T SHIRTS**

The T shirt market can be divided into two classes. The high class and budget class. Examples are:

- ❖ High class – Polo Ralph Lauren, Tommy Hilfiger, Nautica, Hush Puppies.
- ❖ Budget class – BYC, Gap

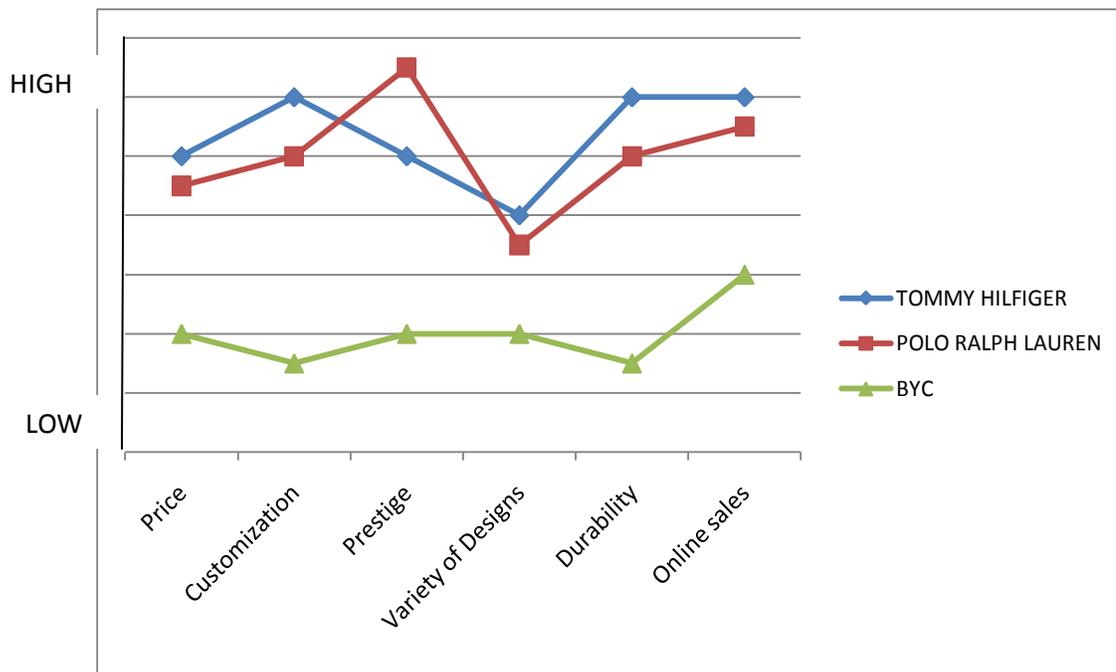
For the purposes of this “as is” strategy canvas Polo Ralph Lauren would be compared to one of its competitors in the high class (Tommy Hilfiger) and one of its competitors in the budget class (BYC).

### 3.7 KEY COMPETITIVE FACTORS FOR POLO RALPH LAUREN T SHIRTS

The key competitive factors are factors the industry competes on and invests in. with regards to Polo Ralph Lauren T shirts the key competitive factors are:

- Price
- Customization
- Prestige
- Variety of Designs
- Durability
- Online sales

### 3.8 OUTPUT – “AS IS” STRATEGY CANVAS FOR POLO RALPH LAUREN T SHIRTS



### **3.9 INTERPRETATION OF THE “AS IS” STRATEGY CANVAS**

From the “as is” strategy canvas above it is obvious that Polo Ralph Lauren is deep in the red ocean as its value curve closely mirrors that of other competitors in its class in the industry showing that they both invest approximately the same amount in the same key competitive factors.

The value curve shows no focus, no divergence and definitely doesn't lend itself to a compelling tagline.

It also shows that Polo Ralph Lauren T Shirts would benefit markedly from the application of Blue Ocean Strategy to help them break away from the competition and create uncontested market space.

## SECTION 4

### REACHING BEYOND EXISTING BOUNDARIES – Noncustomer Analysis

#### 4.1 INTRODUCTION

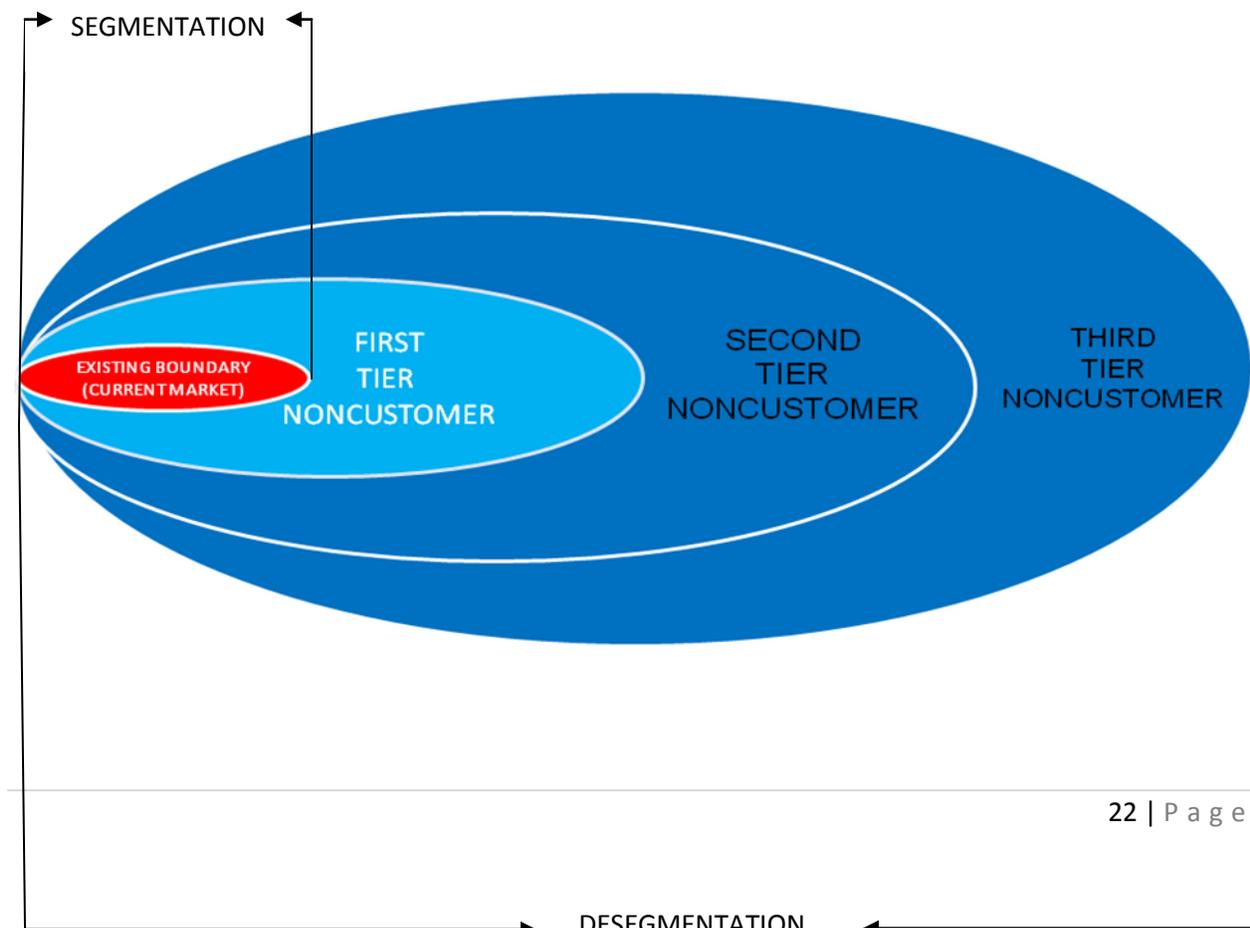
Every business has a specific customer segment they are focused on which meet criteria e.g. specific demographics or specific needs. This can be described as the existing boundary.

Reaching beyond existing boundaries therefore refers to reaching out to those who do not usually patronize these businesses products or services. They are referred to as noncustomers and are the key to unlocking the blue ocean.

This group called noncustomers is divided into three categories:

- ❖ First Tier Noncustomers
- ❖ Second Tier Noncustomers
- ❖ Third Tier Noncustomers

**FIG 4.1 TIERS OF NONCUSTOMERS**



## **FIRST TIER NONCUSTOMERS**

These are customers who currently patronize your business occasionally for the following reasons:

- Lack of a convenient alternative
- Geographical reasons i.e. the products cannot be found in their immediate vicinity and so have to travel to another region to purchase such products
- Financial Reasons – they have to save for a while to be able to afford the product

## **SECOND TIER NONCUSTOMERS**

These are customers that know about the product or business and can benefit from it but intentionally refuse to use it either for reasons such as

- Religion
- Cultural background
- Financial reasons i.e. cannot afford it
- Age
- Personal taste
- Prior bad experiences or lack of user friendliness
- Perception of the business and what it stands for
- Geographical reasons – products cannot be found locally

## **THIRD TIER NONCUSTOMERS**

These are those that do not know about the product and/ or know about the product but have no use for them. Examples are :

- Children and alcohol
- Illiterates and books
- The blind and movies

### **4.2 OBJECTIVE OF NONCUSTOMER ANALYSIS**

At each point in time the noncustomer segment far outweigh the current customers. The objective of noncustomer analysis are:

- Identify these noncustomers
- Identify their needs
- Focus on the key commonalities across these noncustomers (desegmentation)
- Unlock the Blue Ocean

### 4.3 OUTPUT FOR NONCUSTOMER ANALYSIS FOR POLO RALPH LAUREN T SHIRTS

NONCUSTOMER	CATEGORY	REASON
<b>FIRST TIER</b> These are people who currently patronize your business occasionally	Holiday shoppers	Those who do not have access to Polo Ralph Lauren T shirts in their locality and only buy them when they travel on holidays or for business
	Middle class citizens and students	Those who like the Polo Ralph Lauren brand but have to put money aside to be able to afford it.
<b>SECOND TIER</b> These are people that know about the product or business and can benefit from it but intentionally refuse to use it	Religious Beliefs e.g. Monks	Those that are limited by their religions in what they wear. i.e. they know about Polo Ralph Lauren but cannot wear it
	Low income earners - cleaners, laborers, housemaids	Earn so little that it would be virtually impossible for them to afford it and saving for it is not even an option.
	Traditionalists	Those that do not patronize foreign designs and wear only their native attire
	Those with personal or political grudges against the United States of America	Those that just don't patronize anything of American origin
<b>THIRD TIER</b> These are people that do not know about the product and/ or know about the product but have no use for them	Those totally unaware	These are people that do not even know that Polo Ralph Lauren exists

## SECTION 5

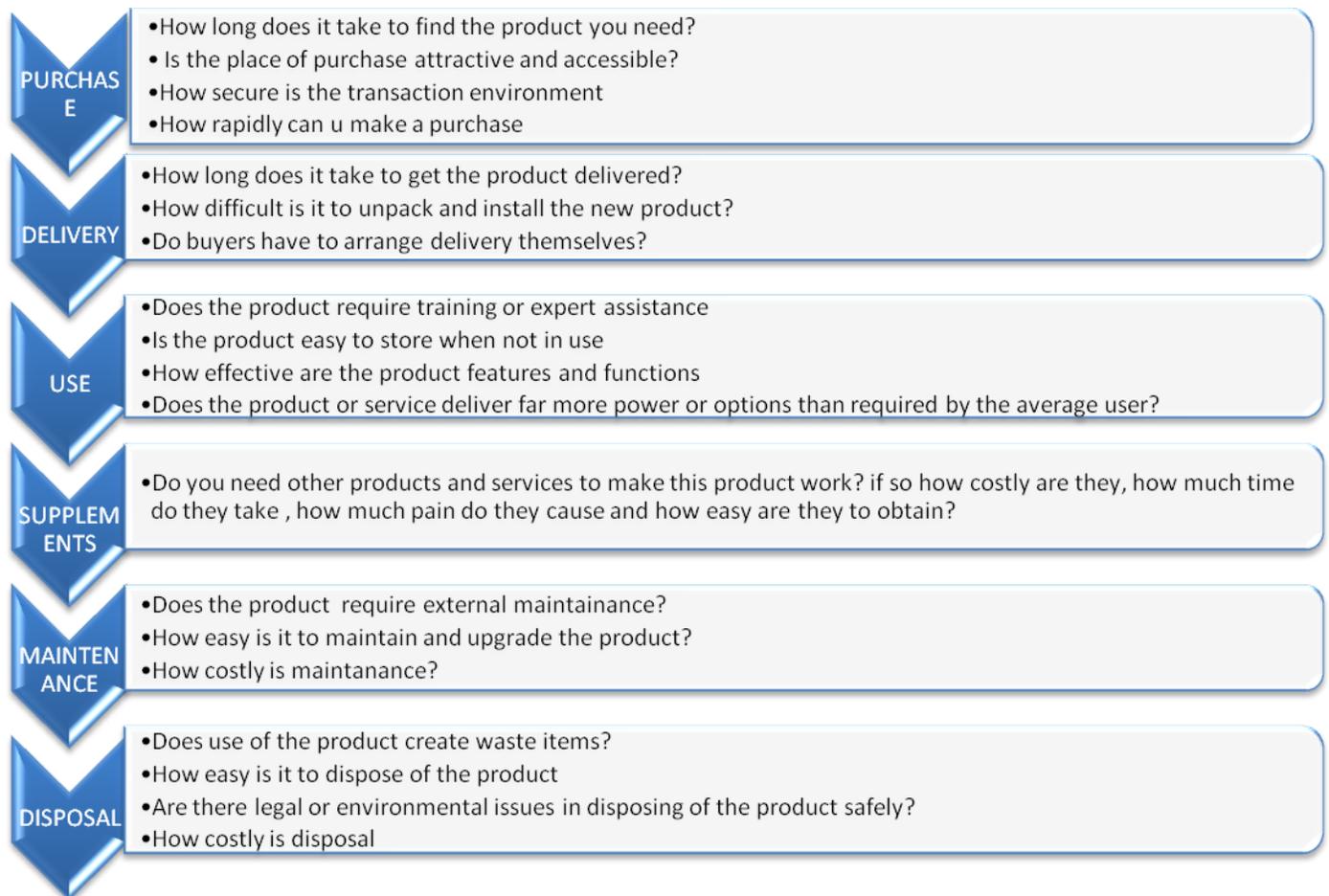
### BUYER EXPERIENCE CYCLE AND THE PAIN POINTS FOR POLO RALPH LAUREN T SHIRTS

#### 5.1 INTRODUCTION

Once the need for a product has been established a buyer usually goes through a cycle with 6 stages running sequentially from purchase to disposal. This cycle is known as the Buyer Experience Cycle (BEC). The stages of the Buyer Experience Cycle are as follows:

Purchase → Delivery → Use → Supplements → Maintenance → Disposal

**FIG 5.0 THE BUYER EXPERIENCE CYCLE**



## **5.2 OBJECTIVE OF THE BUYER EXPERIENCE CYCLE**

The objective of going through the buyer experience cycle is to identify the pain points in each phase of the buyer experience cycle which would help uncover the blocks to buyer utility. This can be done by the use of the six utility levers which cut across all stages of the buyer experience cycle. They are:

- Customer productivity
- Simplicity
- Convenience
- Risk
- Fun and Image
- Environmental Friendliness

These six utility levers are merely guidelines to enable easier identification of the pain points in the buyer experience cycle. Identification of these pain points enables businesses to address these issues and create a blue ocean.

### 5.3 OUTPUT

**TABLE 5.0 – BUYER EXPERIENCE CYCLE FOR POLO RALPH LAUREN T-SHIRTS**

PURCHASE -->	DELIVERY -->	USE -->	SUPPLIMENT -->	MAINTENANCE -->	DISPOSAL
<p><b>ONLINE PURCHASE FROM POLO RALPH LAUREN WEBSITE –</b></p> <p>1. Difficult for third world countries like Nigeria to purchase goods online because of limited access to credit cards</p> <p>2. Safety and security of online transactions</p> <p>3. Speed of the website</p> <p>4. inability to try on the products before purchase</p> <p><b>BRICK AND MORTAR STORE -</b></p> <p>5. Exclusivity of the retail outlets i.e. Ralph Lauren do not have distributors and own all stores that market their products which make it difficult for the stores to be widespread making accessibility difficult</p> <p><b>GENERAL -</b></p> <p>6. They are usually expensive making it difficult even for middle class citizens to purchase</p> <p>7. Difficulty in making a choice due to the large variety of products</p>	<p><b>ONLINE PURCHASE FROM POLO RALPH LAUREN WEBSITE -</b></p> <p>8. What you get might not be what you ordered for with regards to size and color</p> <p>9. those in the third world countries that manage to eventually buy online cannot have it delivered to them directly and have to route it through a US address or a personal courier service</p>	<p>10. Though the shirts are expensive they can Only be used for certain occasions i.e. only for casual wear and not formal occasions</p> <p>11. Cannot be worn alone in cold weather because they are short sleeve shirts and do not provide enough warmth</p>	<p>12. they cannot be worn alone and need to be worn with either trousers, jeans, or shorts</p>	<p>13. Needs to be washed after every use</p> <p>14. Not advisable to wash by hand as it leads to loss of fitting and shape of the T shirt so washing machine use of drycleaner services need to be used</p> <p>15. Cannot be upgraded as one grows or gains weight. When you out grow it you need to discard the old one and purchase a new one</p>	<p>16. Non biodegradable So cause an enviromental hazards</p>

**TABLE 5.1 – INTEGRATION OF IDENTIFIED PAIN POINTS WITH NONCUSTOMER SEGMENTS**

INSIGHT (PAIN POINT)	NONCUSTOMERS								TOTAL
	FIRST TIER			SECOND TIER			THIRD TIER		
	H.S /B.S	M.C	STD	REL.	L.I	TRAD	BABIES	R.V	
1	X	X	X						3
2	X	X	X						3
3	X	X	X						3
4	X	X	X						3
5	X	X	X						3
6	X	X	X		X				4
7	X	X	X						3
8	X	X	X						3
9	X	X	X						3
10	X	X	X		X	X			5
11	X	X	X		X				4
12	X	X	X		X				4
13	X	X	X		X				4
14	X	X	X						3
15	X	X	X						3
16	X	X	X		X				3
									54
<b>H.S/B.S</b>	Holiday shoppers / Business shoppers								
<b>M.C</b>	Middle Class								
<b>STD</b>	Students								
<b>REL</b>	For religious reasons e.g. monks								
<b>L.I</b>	Low income earners e.g. cleaners, laborers								
<b>TRAD</b>	Traditionalists who wear only their native attire								
<b>R.V</b>	Remote villages with no connection with civilization								
<b>PAIN POINTS</b>	Derived from Table 5.0								
<b>NONCUSTOMERS TIERS</b>	Derived from Table 4.4								

ANALYSIS OF TABLE 5.1 – On close analysis of the table above it shows that out of the total score of 54 for all the pain points, 48 came from the first tier noncustomers ( amounting to 37% of the total noncustomers segment) accounted for 88% of the total score.

## SECTION 6

### RECONSTRUCTING MARKET BOUNDARIES – SIX PATHS FRAMEWORK

#### 6.1 INTRODUCTION

One of the principles of blue ocean strategy is to reconstruct market boundaries to break from the competition and create blue oceans. In order to achieve this there are six basic approaches called the SIX PATHS FRAMEWORK. These paths have general applicability across industry sectors and lead companies into the blue ocean.

**FIG 6.0 PATHS IN THE SIX PATHS FRAMEWORK**



#### 6.2 OBJECTIVE THE SIX PATH FRAMEWORK

The objective of the six path framework is to create a new market space i.e. a blue ocean and break out of the bloody red ocean.

**TABLE 6.0 SIX PATHS FRAMEWORK**

<b>PATH NO</b>	<b>PATH</b>	<b>DESCRIPTION</b>
<b>1</b>	Look across to alternative industries	Alternative industries are industries that have different functions and forms but serve the same purpose.
<b>2</b>	Look across strategic groups within the industry	Strategic groups refer to companies within an industry that pursue a similar strategy and can generally be ranked in a rough hierarchical order built on two dimensions of PRICE AND PERFORMANCE.
<b>3</b>	Look across chain of buyers	Involves focusing on the chain of buyers: the influencer, purchaser and consumer.
<b>4</b>	Look across complimentary products and service offerings	Involves accessing buyer pain points before they use the product or service, when the product or service is being used and after the product/service has been used.
<b>5</b>	Look across functional/emotional appeal	Involves looking into ways to convert originally functionally oriented products to provide an emotional appeal and vice versa
<b>6</b>	Look across time	looking into the future and discovering how these trend would affect business and make plans to maximize these trends to create a blue ocean

## **6.3 OUTPUT - APPLICATION OF THE SIX PATHS FRAMEWORK TO POLO RALPH LAUREN T- SHIRTS**

### **PATH 1 – LOOK ACROSS TO ALTERNATIVE INDUSTRIES**

As described in table 6.0 alternative industries are industries that have different functions and forms but serve the same purpose e.g. restaurants and cinemas. Restaurants have very few physical features in common with cinemas and serve different functions but they both serve the same purpose which is providing an enjoyable night out.

Alternative industries can be differentiated from substitutes which have different forms but the same function e.g. buses and cars. Buses and cars differ in form but serve the same function which is transporting people from one place to another.

With the above in mind we can appreciate the fact that it is almost impossible to find an alternative industry for Polo Ralph Lauren T shirts which belong to the clothing industry as the sole purpose of the clothing industry is to cover the body. It is inconceivable to cover the body with anything of different form and function.

In this regard path 1 of the six paths framework does not apply to Polo Ralph Lauren T shirts.

### **PATH 2 – LOOK ACROSS STRATEGIC GROUPS WITHIN THE INDUSTRY**

As described in Table 6.0 strategic groups refer to companies within an industry that pursue a similar strategy and can generally be ranked in a rough hierarchical order built on two dimensions of PRICE AND PERFORMANCE.

In relation to Polo Ralph Lauren T Shirts these strategic groups have already been highlighted in Section 3.6 by dividing the industry into the high class to which Polo Ralph Lauren T Shirts belong and budget class based on price and performance. They are:

- High class – Polo Ralph Lauren, Tommy Hilfiger, Nautica, Hush Puppies.
- Budget class – BYC, Gap

With this in mind the table below identifies the reasons why people trade up or down.

**TABLE 6.1 - PATH 2: LOOK ACROSS STRATEGIC GROUPS WITHIN THE INDUSTRY**

<b>STRATEGIC GROUP</b>	<b>HIGH CLASS Why People Trade Up</b>	<b>BUDGET CLASS Why People Trade Down</b>
	Prestige	cheap
	Durability	availability
	Exclusivity	
	Beauty	
	Social Status	

### **PATH 3 – LOOK ACROSS CHAIN OF BUYERS**

Chain of Buyers refers to the different players involved directly or indirectly in the buying decision. In most industries the competitors converge on a uniform target buyer. In reality there is a chain of buyers. The essence of looking across the chain of buyers is to identify them and focus our efforts on a different group of buyers. The buyer chain involves the:

Purchase – Those who pay for the product or service and may differ from the actual user

User – The actual user of the product or service who may also be the purchaser

Influencer - Those that influence the buying decisions but do not actually purchase the products themselves

**TABLE 6.2 - PATH 3: LOOK ACROSS CHAIN OF BUYERS**

<b>PURCHASERS</b>	<b>USERS</b>	<b>INFLUENCERS</b>
<b>Retailers</b>	Customers	Events
<b>Customers</b>		Government policies
<b>Spouses / girlfriends/ boyfriends</b>		Celebrities

**PATH 4 – LOOK ACROSS COMPLEMENTARY PRODUCT AND SERVICE OFFERINGS**

Few services or products can be efficiently provided in isolation and in most cases need other products and services to increase their value

Looking across complementary products and service offering involves accessing buyer pain points before they use the product or service, when the product or service is being used and after the product/service has been used.

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**TABLE 6.3 - PATH 4: LOOK ACROSS COMPLEMENTARY PRODUCTS AND SERVICES**

<b>WHAT HAPPENS BEFORE</b>	<b>WHAT HAPPENS DURING</b>	<b>WHAT HAPPENS AFTER</b>
Consideration of the cost of the T shirts and attempts to come up with the money	Cannot be worn alone and need to be worn with trousers, jeans or shorts	Colors fade after a while
Difficulty in locating shops	Inability to provide warmth in cold conditions due to the short sleeves and need to be worn with sweaters or jackets	They are outgrown
Absence of internet service for those who want to order online		

---

#### **PATH 5 – LOOK ACROSS FUNCTIONAL / EMOTIONAL APPEAL TO BUYERS**

Most product or services in the market usually appeal to the consumer either on a functional level or an emotional level.

Looking across functional/emotional appeal involves looking into ways to convert originally functionally oriented products to provide an emotional appeal and vice versa

An example is VIP tickets to cinemas. They appeal to the emotions as no matter where you sit in a cinema everyone watches the same movie but it gives a feeling of prestige.

Polo Ralph Lauren T Shirts appeal emotionally to buyers. Here we focus on converting the appeal to a more functional one.

**TABLE 6.4 - PATH 5: LOOK ACROSS FUNCTIONAL/EMOTIONAL APPEAL TO BUYERS**

<b>WHAT IS THE CURRENT ORIENTAION OF THE INDUSTRY</b>	<b>HOW DOES THE EXISTING INDUSTRY ORIENTATION CREATE NONCUSTOMERS</b>	<b>WHAT ELEMENTS WE CAN STRIP OR ADD TO CHANGE THE EXISTING INDUSTRY'S ORIENTATION</b>
<b>Emotional</b>	Making it more functional	By making lines with both lighter material to be worn in hot weather and thicker materials
		By making it dust resistant enabling you wear for longer periods without having to wash and more easily cleaned

**PATH 6 – LOOK ACROSS TIME**

All industries are subject to external trends that affect their business over time. Looking across time refers to looking into the future and discovering how this trend would affect business and make plans to maximize these trends to create a blue ocean.

**TABLE 6.5 - PATH 6: LOOK ACROSS TIME**

<b>CURRENT TRENDS IN THE INDUSTRY</b>	<b>IMPACT OF CURRENT TRENDS ON INDUSTRIES</b>	<b>FUTURE TRENDS</b>
<b>Globalization</b>	Presence in foreign markets	limited amount of brick and mortar stores and emphasis on online business
<b>E - commerce</b>	Online advertising and sales	
<b>Focus on brand names and luxury products</b>	Leveraging on their world wide known brand	

## **6.4 INTEGRATION OF NONCUSTOMERS AND SIX PATHS**

Table 6.6 below shows the integration of noncustomers and the six paths in the six paths framework. The table show eight distinct segments of noncustomers under the three tiers of noncustomers and which paths can be applied to them.

The results of the table show that the six paths are most applicable to the three noncustomer segments under the first tier of noncustomers 69% of the paths being applicable to 37% (1<sup>st</sup> Tier Noncustomers) of the noncustomer segment.

**TABLE 6.6 – INTEGRATION OF NONCUSTOMERS AND SIX PATHS**

INSIGHT	PATH	NONCUSTOMERS								TOTAL
		FIRST TIER			SECOND TIER			THIRD TIER		
		H.S /B.S	M.C	STD	REL	L.I	TRAD	BABIES	R.V	
Looking across Alternative industries	1									0
Looking across strategic groups within the industry	2	X	X	X		X	X			5
Looking across chain of buyers	3	X				X	X			1
Looking across complimentary product and service offerings	4	X	X	X			X			4
Looking across emotional/functional appeal	5	X	X	X		X	X			5
Looking across time	6	X								
								<b>TOTAL</b>		<b>16</b>
<b>H.S/B.S</b>	Holiday shoppers / Business shoppers									
<b>M.C</b>	Middle Class									
<b>STD</b>	Students									
<b>REL</b>	For religious reasons e.g. monks									
<b>L.I</b>	Low income earners e.g. cleaners, laborers									
<b>TRAD</b>	Traditionalists who wear only their native attire									
<b>R.V</b>	Remote villages with no connection with civilization									

## SECTION 7

### APPLICATION OF ERRC AND “TO BE” STRATEGY TO POLO RALPH LAUREN T SHIRTS

#### 7.1 INTRODUCTION

What a strategy canvas is, its usefulness, its components and the “to be” strategy canvas has been discussed in section 3. As discussed the “as is” canvas is the strategy canvas drawn at the onset of Blue Ocean Strategy formulation to accurately assess the company’s products in relation to its competitors as at that period in time.

After applying blue ocean analytical tools and frameworks to Polo Ralph Lauren T Shirts a final strategy canvas known as the “to be” strategy canvas is drawn to show the effect of the ERRC grid on the “as is” strategy canvas.

In order to fully understand the “to be” strategy canvas we have to understand what the ERRC grid is and how it is applied.

#### 7.2 WHAT IS THE ERRC GRID

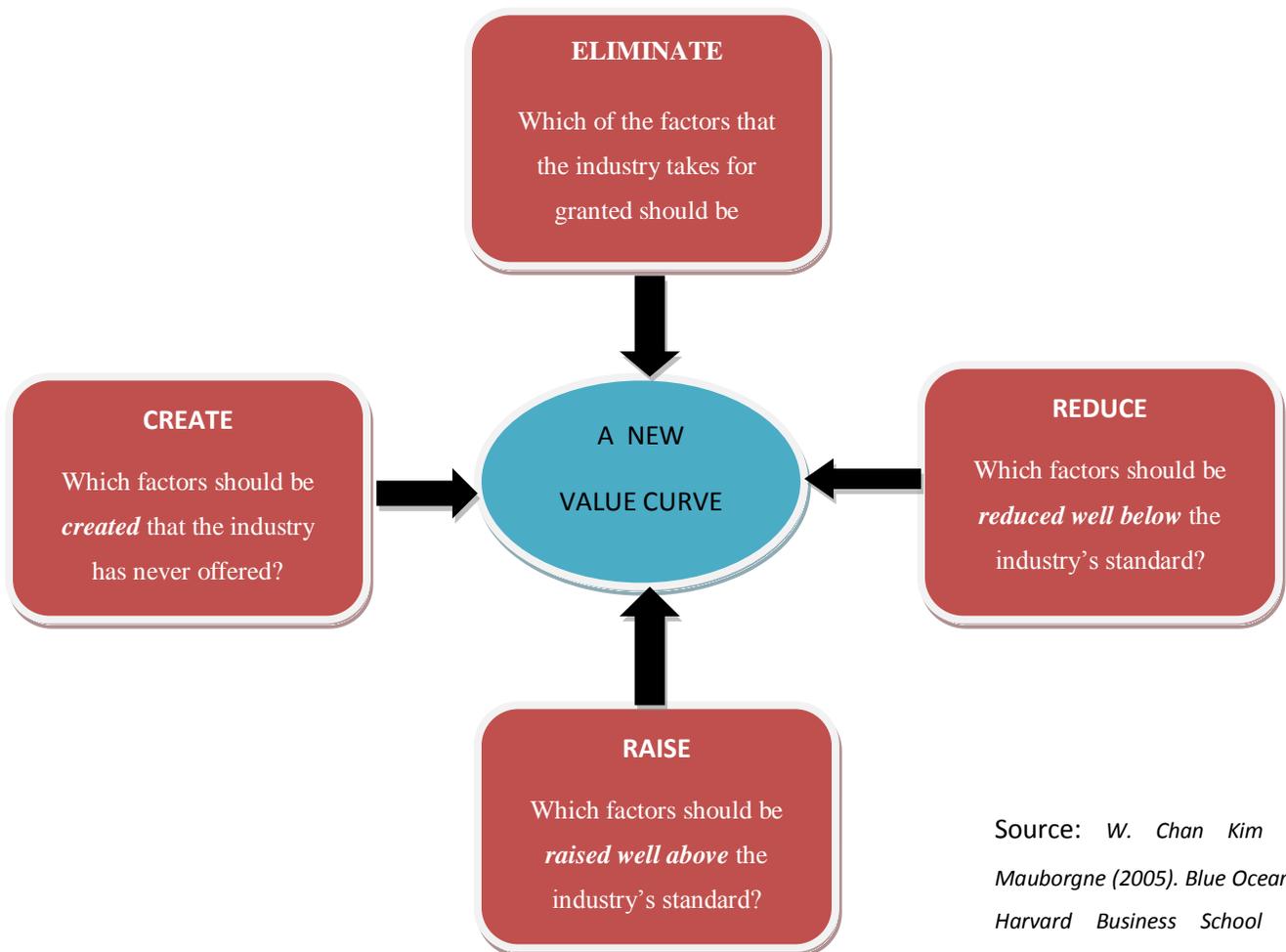
ERRC is an acronym for ELIMINATE, REDUCE, CREATE and RAISE. It is also known as the four actions framework and is crucial in crafting a new value curve to break the trade-off between differentiation and low cost and to create a new value curve. It answers four key questions to challenge an industry’s logic and business model:

- Which of the factors that the industry takes for granted should be *eliminated*?
- Which factors should be *reduced well below* the industry’s standard?
- Which factors should be *raised well above* the industry’s standard?
- Which factors should be *created* that the industry has never offered?

### 7.3 OBJECTIVE OF THE ERRC GRID

The objective of application of the ERRC grid or Four Actions Framework is to develop a new value curve with focus and divergence by reducing cost and increasing value.

**FIG 7.0 – THE FOUR ACTIONS FRAMEWORK (ERRC)**



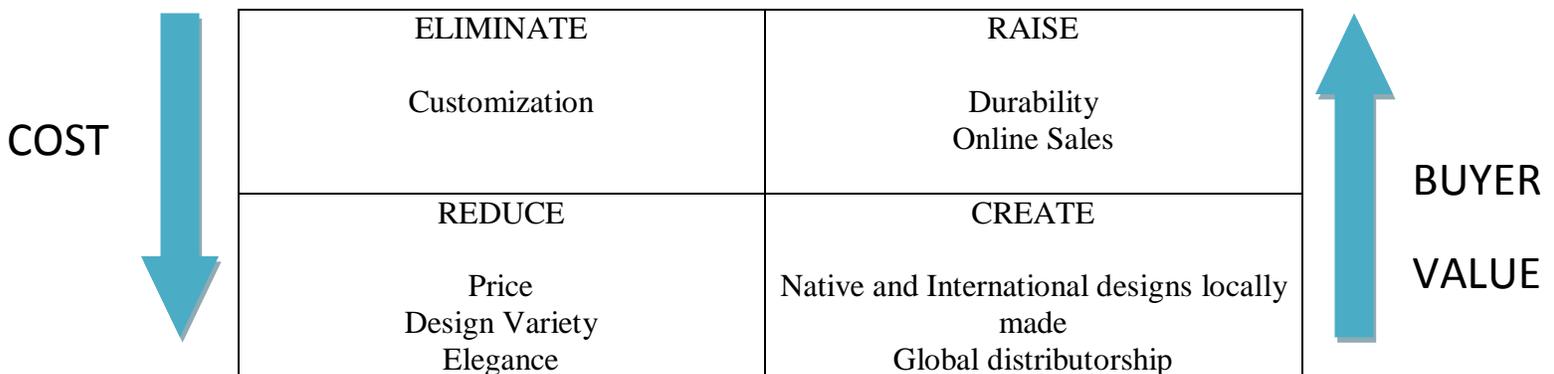
Source: W. Chan Kim & Renee Mauborgne (2005). *Blue Ocean Strategy*. Harvard Business School Publishing Corporation. Page

## 7.4 OUTPUT – APPLICATION OF THE ERRC GRID TO POLO RALPH LAUREN T SHIRTS

The ERRC grid is applied to the key competitive factors that were stated in section 3. They are:

- Price
- Customization
- Prestige
- Variety of Designs
- Durability
- Online sales

**FIG 7.1 ELIMINATE-REDUCE-RAISE-CREATE GRID: Polo Ralph Lauren T-Shirts**

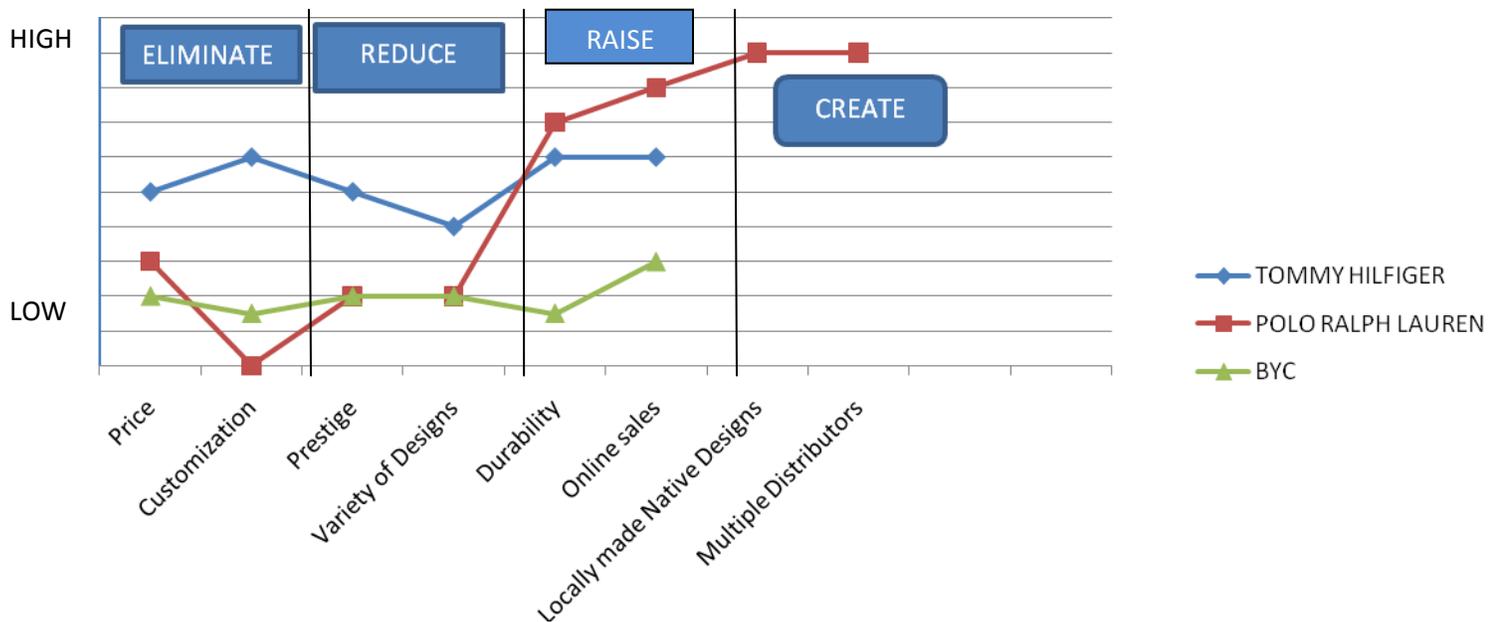


## 7.5 OBJECTIVE OF “TO BE” STRATEGY CANVAS

The “to be” strategy canvas is a pictorial or graphical representation of the results of blue ocean strategy formulation based on application of the blue ocean strategy analytical tools and frameworks providing a workable strategy with focus , divergence and a compelling tagline.

## 7.6 OUTPUT OF “TO BE” STRATEGY CANVAS FOR POLO RALPH LAUREN T-SHIRTS

FIG 7.2 – “AS IS” STRATEGY CANVAS FOR POLO RALPH LAUREN T SHIRTS



## 7.7 CHARACTERISTICS OF A GOOD BOS STRATEGY

There are three characteristic of a good BOS strategy which are:

- Focus
- Divergence
- Compelling Tagline

These can usually seen in the “to be” strategy canvas and is a result of the application f the BOS analytical tools and framework providing a new value curve.

Focus is usually evident by a reduction in cost; Divergence is evident by an increase in value both of which constitute **VALUE INNOVATION**. Also with the first two already in place the new value curve lends itself to a compelling tagline.

**TABLE 7.0 – CHARACTERISTICS OF BOS STRATEGY**

<b>CHARACTERISTIC</b>	<b>DESCRIPTION</b>	<b>BOS STRATEGY FOR POLO RALPH LAUREN T-SHIRTS</b>
<b>Focus</b>	Cost Reduction	Eliminating customization, Reducing design variety, price and elegance
<b>Divergence</b>	Buyer Value Increase	Raising E-marketing capabilities (online sales and delivery), and durability, and creating international and native designs produced locally and providing global distributor ship as opposed to the current exclusive distributorship with the products available in only Ralph Lauren Shops
<b>Compelling Tagline</b>	A slogan or phrase that visually conveys the most important product attribute or benefit of your product.	<b>You don't have to spend like a celebrity to look like one</b>

## SECTION 8 – CONCLUSION

SECT.	ANALYTICAL TOOL / FRAMEWORK	OBJECTIVE	OUTPUT	REMARK
2	PMS Map	The PMS Map helps to identify the group each of these products fall into and the amount of sale revenue accrued from each of them and also to determine which of these products would benefit most from migration to the pioneer group in the future and why.	Drawing the PMS Map depicting movement of POLO RL from the settler segment to the pioneer segment	Polo RL was chosen to be moved from the settler segment to the pioneer segment because at the moment the settler segment for T-shirts is highly populated and competitive. Notwithstanding Polo RL still does well. With this in mind we can only imagine the level of revenues that would be generated if the blue ocean strategy is applied and it is moved to the pioneer segment.
3	"As Is" Strategy Canvas	The objective of this is to accurately assess the place of Polo Ralph Lauren T Shirts in relation to its competitors based on the key competitive factors of the industry and determine their current strategic profile.	Drawing the "As Is" Strategy Canvas for Polo Ralph Lauren T Shirts	It was noticed tha Polo Ralph Lauren T Shirts are deep in the red ocean as their value curve is closely related to those in their strategic group within the industry. The value curve also shows no focus and no divergence and definately would not lend itself to a compelling tagline
4	Noncustomer Analysis	The objective of noncustomer analysis are: Identify these noncustomers, Identify their needs, Focus on the key commonalities across these noncustomers (desegmentation) and Unlock the Blue Ocean	Identifying 1st, 2nd and 3rd Tier customers for Polo Ralph Lauren T Shirts	It was noted that the noncustomer segment at each point in time is a lot greater than the customer segment
5	Buyer Experience Cycle	The objective of going through the buyer experience cycle is to identify the pain points in each phase of the buyer experience cycle which would help uncover the blocks to buyer utility.	Drawing the Buyer Experience Cycle for Polo Ralph Lauren T Shirts and identification of the pain points in each phase	16 pain points were identified in all. It was also noted that this pain points were most applicable to 1st tier noncustomers
6	Six Paths Framework	The objective of the six path framework is to create a new market space	Applying the six paths to Polo Ralph Lauren T Shirts	upon integration of the six paths with the noncustomers it was noted that 70% of the six paths applies mainly to the noncustomer segments under the 1st Tier Noncustomers
7	Four Actions Framework (ERRC)	The objective of application of the ERRC grid or Four Actions Framework is to develop a new value curve with focus and divergence by reducing cost and increasing value.	Drawing the ERRC Grid for Polo Ralph Lauren T Shirts by applying the four actions framework to the key competitive factors	E - Customization R - Price, design variety, Elegance R - Durability, quality of e-marketing (sales, delivery) C - Native and International locally made design, Global distributors
7	"To Be" Strategy Canvas	The objective of the "To Be" Strategy Canvas is to provide a new value curve or strategic profile showing focus and divergence	Drawing the "To Be" Strategy Canvas after applying the four actions framework (ERRC) to the key competitive factors keeping in mind the insights gained from all the use of all the other analytical tools and frameworks	A new value curve for Polo Ralph Lauren T Shirts was derived showing focus, divergence and lending itself very well to a new and compelling tagline

To conclude the table above shows highlights the salient points of this reports and insights from the each of the analytical tools and frameworks.

Finally in order for Polo Ralph Lauren T-Shirts to break out of the red ocean and into the blue ocean by creating uncontested market space and making the competition irrelevant. We recommend they come up with a product with mainly their 1<sup>st</sup> tier noncustomer segment in mind, elimination customization, reducing the variety of designs currently presented and making them less elegant, raising the durability and improving their online marketing by making it easier to pay and making delivery easier and creating international and native lines produced locally and increasing global distributorship which increases retail outlets marketing the product.

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