

BLUE OCEAN STRATEGY: AN OPPORTUNITY FOR ENTREPRENEURS TO CREATE UNCONTESTED MARKET

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ABSTRACT

In the current global scenario, where the organizations are growing continuously, they have to keep pace with their global competitors. They have to face a lot of challenges in the form of increasing their turnover, increasing their customers, diversify products and services. With that cut-throat competition, it is difficult to do all this and increasing the profits! The situation is even tough for an entrepreneur to stay in that market where head to head competition is thriving. So there is a need to find the solution which can be there in the form of adopting a 'blue ocean strategy'. This strategy does not motivate entrepreneurs to be active in the prevailing market but insists them to create a new space in another market where competition is irrelevant. This paper highlights the concept of blue ocean strategy and discusses how this strategy can act as an innovative strategy for an entrepreneur. It helps to create value innovation and change the situation where competition worries about the entrepreneur. It is based on the fact that successful people do not do different things but they do the things differently and this should also be a unique trait for the budding entrepreneurs. In this way, entrepreneurs can follow the path of transformation to meet out the desired objectives of the organization.

Keywords: Innovative Entrepreneurship, Blue and Red Ocean Strategy, Value Innovation.

INTRODUCTION

With the beginning of the economic recession in 2008, many countries experienced an economic crisis early in 2009. Though many organizations tackled with the crisis, but they were not effective. This resulted in the requirement of the bold, the visionary and some innovative person who is simply called as an entrepreneur, a person who can carve out competitive advantage from the risk. This has even made entrepreneurship an important factor to be realized today, the scope of which will continue to change and evolve because of the changing environment. An entrepreneur has to possess some superior quality so that they can pursue their goal despite obstacles, setbacks, and failure. They have to think of some innovative strategy to combat the global recession. Blue ocean strategy is one of them which often talks about blue oceans. Blue Oceans occur when a new market space is created in markets which are already existing and they are generally created by expanding the industry boundaries thus providing new value propositions at an overall lower cost.

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The aim of blue ocean strategy is to explore what products are needed by the customers and tries to fulfill that need. The best thing about this is that there is a “win-win strategy” which satisfies all involved. Thus it is an ethical sustainable strategy.

OBJECTIVES OF THE STUDY

- To know about the concept of Blue Ocean Strategy.
- To Differentiate between Red and Blue Ocean.
- To know how Blue Ocean Strategy act as an innovative strategy for an entrepreneur

CONCEPTUALIZATION

The concept of Blue Ocean Strategy has been developed by the co-directors of the Blue Ocean Institute, W. Chan Kim, and Renée Mauborgne, who are also the co-authors of the book, Blue Ocean Strategy. It is a new thinking which helps the creative entrepreneurs to increase their chances for potential success. It provides knowledge about the innovative positioning of new ventures; and the tools which help to make it possible. It is based on the fact that long time back, around one hundred years, very few of today's industries were known like health care, music recording, management consulting and aviation etc. Just four decades back, even the industries related to cell phones, discount retail, mutual funds, express package delivery, biotechnology, home videos and coffee bars etc. did not exist in a meaningful way After that, industries related to the Internet and personal computers came into being but still competition grew and profits decrease. So a simple and an effective way to beat the severe competition is to think of some new idea and stop trying to beat the competition itself so that competitive advantage in the business can be gained. Normally when we stay back in the competition, according to market definition, it is called as staying in Red Ocean. Red oceans, called as the market space already known, represent all the industries which exist today. In the red oceans, the boundaries of the industry are already defined and accepted, and the rules of the game are already known. Companies try to give competition to their rivals to obtain a greater share of the market where there is a huge demand. Slowly and gradually as the market space gets over-crowded, prospects for both profits and growth are likely to get reduced. There is cut-throat competition which turns the red ocean bloody. So, there is a need to create blue oceans beyond the existing industry boundaries and mostly, they are created from within the oceans which are called as red oceans by expanding the industry boundaries existing today.

Blue Oceans Vs Red Oceans

To study the concept of Blue Oceans and Red Oceans, we can assume the universe of the market, consisting of two types of oceans, red oceans, and the blue oceans. In simple words, Blue oceans consists of the unknown market space which mean all the industries not in existence today thus the market space is not tapped and there are chances of demand creation and also for highly profitable growth. On the other hand, red oceans denote the companies in existence today. So the strategies are related to the competition prevailing in the market only. Table 1 below highlights the main difference between the two types of oceans.

Table 1: Red Ocean Strategy Vs Blue Ocean Strategy

Red Ocean Strategy	Blue Ocean Strategy
Here the organizations try to compete in existing market space only.	Here the organizations try to create a new and uncontested market space
The main aim is to beat the competition.	The main aim is to make it irrelevant
Here organizations exploit the existing demand only	Here organizations create the new demand
Here Value Creation or Addition means added value.	Here Value Innovation means Innovative value.
The organizations try to align the firm's activities with its strategic choice of differentiation or low cost.	The organizations try to align the firm's activities with its strategic choice of differentiation and low cost.

Main Reasons for Creating Blue Oceans

There are numerous reasons to create Blue Oceans but the main reasons are when supply exceeds demand like increased globalization, increasing price competition, reducing profit margins, increased commoditization of services and products, brands becoming more similar and customers becoming more price conscious. The knowledge of the concept of blue oceans helps an entrepreneur to modify the model of their business, re-define their product or service, increase the borders of their target market, and last but not the least, effectively carry out their business. There are various examples to support the concept of blue oceans like in the field of electronic gaming industry, Nintendo Wii was successful in creating blue ocean by adding additional features which reduced the complexity of the game, making it easy to play, the introduction of *Indian Premier League was more entertaining to the viewers as compared to One day internationals and test matches in the cricket industry, the birth of Tata Nano car in the automobile industry and the like. All these examples proved that Blue oceans can create uncontested market space making the competition irrelevant. Figure 1 & 2 will show the growth of cricket industry. Here various variables which are used are Spectator's time, Classic technique, Value of team reputation, entertainment, Emphasis on patience and perseverance etc. These two figures clearly show that the cricket industry grew exponentially after the introduction of IPL. Spectators really enjoyed there was full entertainment in the 20 overs as compared to 50 overs in case of one-day international and test matches.*

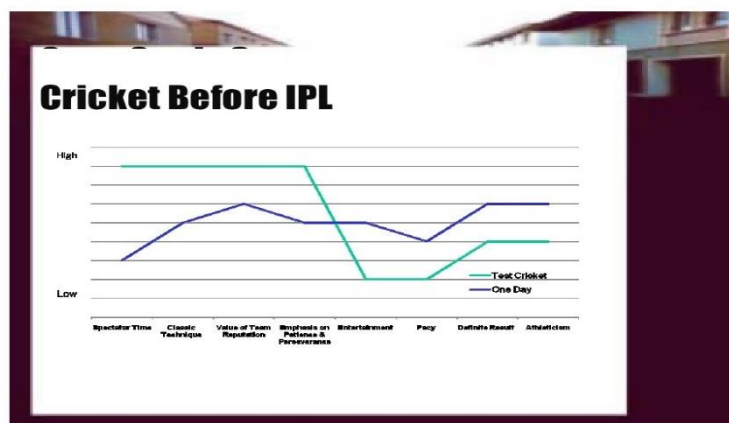


Figure1: The growth of cricket industry before IPL

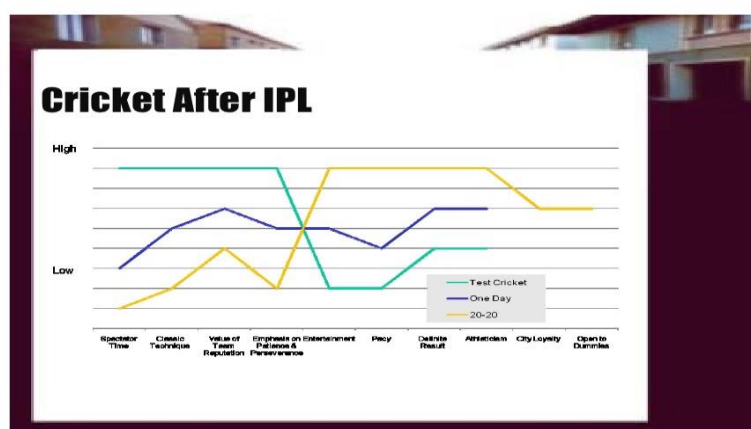


Figure 2: The growth of cricket industry after IPL

How does Blue Ocean Strategy act as an Innovative Strategy for an Entrepreneur?

Blue Ocean Strategy simply means a new and unexplored market with lots of profit opportunities. It acts as an innovative Strategy for an Entrepreneur as for some time; there is no meaning of the competition. The effects of creating blue oceans can also be explained with the help of a small research conducted by W. Chan Kim and Renée Mauborgne. This study was done in one hundred and eight companies wherein they found that eighty-six percent of the launches were extensions of the line, i.e., improvements that also incremental, to existing industry offerings only within red oceans and only fourteen percent were aimed at creating new markets or blue oceans. While line extensions in red oceans accounted for sixty-two percent of the total revenues, they only delivered thirty-nine percent of the total profits. In contrast, the fourteen percent invested in creating blue oceans gave thirty-eight of total revenues and 61% of total profits as seen in Figure 3.

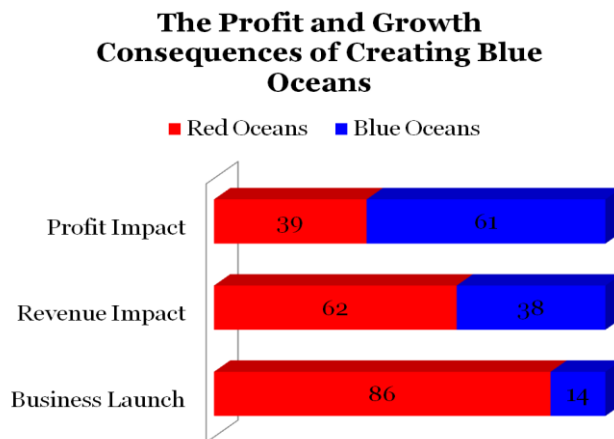


Figure 3: The profit and growth consequences of creating Blue Oceans

Source: Kim W. Chan; Mauborgne Renée (2005) "Blue Ocean Strategy: from theory to practice"

From the figure, it is very clear that after adopting the strategy of blue oceans, an entrepreneur can make huge profits and that also in recession. The only advantage, an entrepreneur gets is the new market space unexplored by any other company. He gets the first mover advantage and this opportunity lasts till there is no other competitor. When other competitor moves in, the entrepreneur had already made huge profits and for the continuous and successful running of the business, the entrepreneur has to think of other innovative ideas to beat the competition when it occurs.

CONCLUSION

For becoming a successful entrepreneur, it is better to see other alternative industries when others focus on rivals within its industry. It is not an easy task to provide more and more service to the customer when he is not happy with the main product. It is better to redefine the buyer group of that industry. In simple words, we can say that there is the only way to beat the competition and that is not to beat the competition. Thus with the help of making the impressive strategy, an entrepreneur can change the rules of the game by creating casual monopolies which mean creating blue oceans only- expressing the same idea differently. No doubt by creating blue oceans, which is just an extension of the concept of Red Ocean, just expressed in a different way, an entrepreneur can create wonders even in the recession also.

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