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A Study on the Blue Ocean and Red Ocean Strategies Adopted By Different Organisations- Review of Literature

Bibhuti B Pradhan
Management, Siksha O Anusandhan Deemed to be University, Odisha, India.
bibhutibhusanpradhan@soa.ac.in

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Abstract

Red ocean market always focuses on eradicating the competitors and establishing a new market segment of consumers to shift from previous product to their product. Blue ocean strategies can be referred to as the market where there is least or no competition and this strategy works where few firms operate and no pricing pressure lies. Firms working under maximum pressure and competition could be referred to as the red ocean strategy market where each and every move of the firm is concentrated on the move of the competitor and enterprises focuses on grabbing first mover's advantage. The paper attempts to review the literatures which are underpinning the blue ocean and red ocean strategies adopted by the organisations. It was found that red ocean is the riskiest market for the entrants and the existing ones because of the degree of rivalry and competition but the blue ocean is the solution of this where the entrants finds least or no competition at all.

Keywords: *Strategies, Blue-ocean, red-ocean*

I. Introduction

Red ocean could be defined as the place full of risks and blood like a sea with large number of sharks and creatures and each and every creature depends on other creatures for their food and survival. Similarly, inspired from the risk in the ocean the market also exists where there are large number of competitors and the new entrant is seeking for the market(W. Chan Kim & Mauborgne, 2005). This type of market is always riskier for new entrant as well as for the existing competitors. Red ocean market always focuses on eradicating the competitors and establishing a new market segment of consumers to shift from previous product to their product(W. C. Kim & Mauborgne, 2015)(Sheehan & Vaidyanathan, 2009).

There are certain attributes that influences the strategies of red ocean adoption that is: -

- The competition with the competitors always exists with huge risk.
- Every entrant and existing ones always cornerstone's the other competitors that gives nativity to rivalry atmosphere.
- The companies always focuses on value/ cost trade-off where the entrepreneurs have to continuously make a choice whether they should focus on more value for customers but at higher cost or reasonable value at lower cost.

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- Entrepreneurs focus on exploiting the existing demand.
- Enterprises at red ocean focuses on execution that is better marketing and lower price value etc. to conquer the competitor's segment market(Whitehead, 2007)

Blue market is the most popular and developmental market strategy that allows new entrants and existing entrepreneurs to be free from competition. This market strategy creates competition irrelevant for the new entrants. The market that refers to the competition free market that provides opportunities to the new entrants to grow and earn higher profits. Blue market is explained in the book by W. Chan Kim and Renee Mauborgne (2005)(W. Chan Kim & Mauborgne, 2005). This whole strategy works on exploring market opportunities. It is believed that the market boundaries and industry structure are not framed with the intentions, belief and behaviour of the industrialists and entrepreneurs. The demand is extended in a different market where there is no threat of competition and firms can participate comfortably. They focus on increasing demand in the economy and creation of new wealth(Yang, 2012)(Sheehan & Vaidyanathan, 2009).

There are certain attributes that affects the blue ocean strategies: -

- Creating a market that has a consent to serve.
- There is no focus on the relevance/ importance of competitors.
- Creates and seize new market for the enterprise.
- Value cost trade- off doesn't affects the industry(Ahmat, Abas, Ahmad-Ridzuan, Radzi, & Zahari, 2014).

In comparison to the red ocean market, blue ocean market strategies are focused because in blue market there lies ample growth and development. Blue ocean market focuses on profit- maximising and risk- minimizing strategy and also on the non-customers making customers. The blue ocean strategizes on 3 strategies that is- people, profit and value(Burke, Stel, & Thurik, 2008). Attaining value with earning profits and making non-customers as customers is basic strategy of blue ocean market, whereas red ocean market enterprises always focuses on attaining competition and existing customers. Their more focus lies on increasing value and lowering down the cost of the products(Butler, 2008)(Yarincik & O'Dor, 2008). The paper attempts to review the literatures which are underpinning the blue ocean and red ocean strategies adopted by the organisations.

II. Literature Review

Blue ocean strategies can be referred to as the market where there is least or no competition and this strategy works where few firms operate and no pricing pressure lies. Firms working under maximum pressure and competition could be referred to as the red ocean strategy market where each and every move of the firm is concentrated on the move of the competitor and enterprises focuses on grabbing first mover's advantage(Borgianni, Cascini, & Rotini, 2012).

There are many firms which worked under the red ocean strategy like indigo, spice jet, European airlines Ryanair etc. Ryanair is the European airlines and is one of the low-cost airlines. It works in the heavy red ocean strategy and kept its costs low so also providing facilities like online booking, check-in, etc. so that customers don't have to pay extra. The entrepreneur in red ocean strategies like Ryanair is focusing on providing services at affordable rate. The quality of the service could vary but the service rates would be cheaper from other similar organizations. This is because of acquiring a larger share segment of the customers(Silva, Prieto, Jonsen, Baumgartner, & Santos, 2013).

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Entering into red ocean market is like risking business in front of 100's of greedy organisations that are waiting to make the company obsolete. The blue ocean is considered as having a positive influence on the entrepreneurs because it's like why to reach the market with huge competition with targeted customers instead focus on the market with less competition and untargeted consumers(Kappes, Weimerskirch, Pinaud, & Le Corre, 2011).

Blue ocean strategy is adopted by huge entrepreneurs and companies like ITunes, Bloomberg, Canon, Ford model T, quicken, Philips etc. taking the case of Bloomberg in blue ocean market. Bloomberg is the largest U.S. based financial information providing company of the world and by 1980's it was their traders which loses crores of rupees and then the company decided to relook at the company's shares and working and made a system to offer traders leap in value with which the traders can access the information in just one press(Aithal-Srinivas, 2016). By focusing on the users and traders, Bloomberg created its market share and resulted to profitable growth. With this Bloomberg could see the personal lives of their traders and analysts. They have increase in their incomes so they could spend some time for spending it. After that Bloomberg decided of adding information and services of purchasing for enhancing trader's lives. In this consumers can use the services of Bloomberg to purchase items like flowers, jewellery, making travelling arrangements etc. that added value and more interest of the consumers towards because of their shift on the lives of the buyers(W Chan Kim & Mauborgne, 1984)(W Chan Kim, 1984).

Red ocean organization focuses on acquiring market share with the outperforming of the organization to eliminate the effect of the other competitors from the minds of the consumers whereas, the blue ocean market strategies focus on the accessing the market share of the existing demand with the untapped market which is more profitable in comparison to the red ocean. The strategies of the red ocean market strategies focuses on competing with the existing customers whereas the blue ocean strategies focuses on the new market to serve(Dehkordi, Rezvani, & Behravan, 2012). Similarly, red ocean focuses on the beating the competitors while the blue ocean focuses on the making of the competition. Red ocean strategies focuses on the value-cost trade off while the blue ocean strategizes on the making and capturing of the new customers(Pautler, 2003)(Sheehan & Vaidyanathan, 2009).

III. Methodology

This papers aims at understanding the blue ocean and Red Ocean strategies and doesn't consists of any data whereas, the data collected is secondary. This paper includes the case study of the organizations which adopted Blue Ocean and red ocean strategies. The way these organizations adopted the strategies changed the working and profits of these organizations. This paper deals in understanding the ways and reasons the firms adopted the strategies and how they gain the market share in the market. The successful strategies aims at finding the right opportunity and making the completion or eliminating it. This Red Ocean and blue ocean competes with the existing competition whereas making the competition respectively.

IV. Discussions

It is concluded that red ocean is the riskiest market for the entrants and the existing ones because of the degree of rivalry and competition but the blue ocean is the solution of this where the entrants finds least or no competition at all. The red ocean is full of blood of the insolvent and dead organization whereas the blue ocean is relaxed. There is a focus on the existing customers for the products while the focus is on the building of new customers at blue ocean market.

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