Red oceans represent all the industries that currently exist in the known market space where industry boundaries are defined and accepted and the rules of the game are to outperform rivals, achieve differentiation and competitive advantage - in order to survive. Inevitably, as the market becomes ever more crowded, opportunities for growth and increasing profits reduce and firms need to become more innovative. A Red Ocean Strategy is a business strategy based on competition.

Kim and Maubourgne (2005) studied business launches in 150 companies in 30 industries and discovered a dramatic imbalance in favour of red oceans. Only 14% of these companies created new markets but in doing so they achieved significantly greater profits than the others. They argue that these companies created a blue ocean - an unknown market space where competition is irrelevant, where demand is created rather than fought over and growth is both rapid and profitable.

The logic behind the Blue Ocean Strategy is counter-intuitive. Kim and Mauborgne (2005) make it clear that it’s not about technology innovation - blue oceans seldom result from technological innovation. Often the underlying technology already exists with blue ocean creators linking it to what buyers value. And, there’s no need to venture into distant waters to create blue oceans. Most blue oceans are created from within, not beyond, the red oceans of existing industries. Incumbents often create blue oceans within their core businesses. In the Blue Ocean Strategy, Value Innovation plays a dominant role in strategy formulation.

Although Kim and Mauborgne (2005) stress that technological innovation is not a defining feature in the creation of blue oceans nonetheless some form of innovation is required. After examining 24 innovation cases in order to develop a new framework to explain market domination, Buisson and Silberzahn (2010) developed their four breakthroughs model to explain successful market domination. They concluded that innovation can lead to market domination and this innovation is achieved by four types of breakthrough - either separately or simultaneously: Techno-logical breakthrough, Business Model breakthrough, Design breakthrough, Process breakthrough. Swatch watches was a design breakthrough. The Dyson bagless vacuum cleaner was both a design and a technological breakthrough.

A common theoretical framework for comparing Red Ocean and Blue Ocean strategies is Hotelling’s Beach Theory (1929) which posits that for as long as there are profits to be had in a particular market, more and more vendors will arrive to serve that market until it reaches the saturation point and everyone more or less breaks even. In their analysis of the Dutch retail industry Burke, van Stel and Thurik (2009) used Beach Theory as their framework “because looking at entire industries in this way allows you to tell over time whether an innovation strategy or a competitive strategy is best.” Examining profits and numbers of vendors for 41 shop types over a 19-year period (1982–2000), they found that the Blue Ocean Strategy and competitive strategies overlap and that managers do not face a discrete either/or decision between each strategy. Their evidence indicated that Blue Ocean Strategy had prevailed as a dominant long-term viable strategy.


Nithisathian, Kittichok and Walsh\textsuperscript{4} posited that just as Blue Ocean Strategy states that a Red Ocean Strategy (Competitive Strategy) does not guarantee success for the firm, a Purple Ocean Strategy claims that Blue Ocean Strategy cannot guarantee business success in the long-term since the blue ocean will ultimately turn red. The Purple Ocean Strategy believes that in today’s business world firms require both innovative ideas as well as a series of strategies to compete with rivalry and remain functional in the long-term. Cavagnetto and Gahir (2013)\textsuperscript{5} also argue that there are no permanent Blue Oceans – ultimately the ocean will become purple. Following Barwise and Meehan (2012)\textsuperscript{6} they consider the examples of Motorola, Nokia and Samsung and argue that firms wishing to avoid suffering the same fate as Nokia should set as their goal the creation of “purple areas of ocean beyond the edge of actual markets with a constant organic evolution and a reliable communication towards customers regarding their core promise.”\textsuperscript{7}

Whilst a blue ocean free from competition sounds idyllic, inevitably other players will appear. They will seek to innovate past their competitors or imitate them or capture a niche in the new market. Indeed they may even create a new blue ocean. So is being a Pioneer and creating a blue ocean a sound strategic move? Is it ultimately better to be a Fast Follower? Markides and Geroski (2005)\textsuperscript{8} contend that the Pioneer takes the risks, makes mistakes. The Fast Follower learns from these and from the initial market response to the pioneer’s offer. He modifies the offering, invests wisely and often goes on to colonise the market.


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\textsuperscript{7} Ibid p. 90.

