

Blue Ocean vs. Red Ocean Businesses: Opportunities in Both

Michael L. Omansky

Associate Professor
Business Division
Felician College
223 Montross Avenue
Rutherford, NJ 07070
michaelomansky@gmail.com

Abstract: *“Blue Ocean” businesses create new markets, new demand, and often give the business insulation against competition. While they are generally perceived to be more “exciting” and innovative, there are still major opportunities in traditional “Red Ocean” businesses when companies apply rethinking and some adjustments.*

Keywords: *Blue Ocean Red Ocean defined Cirque de Soleil Ipad Commercialize “reinventions”*

Those of us who have been involved in corporate life have been involved with traditional “red ocean” businesses. These are businesses with defined markets, defined competitors, fighting for market share and seeking to “add value”. “Blue Ocean” businesses are different. They represent businesses that may not be around today, or weren’t around until they came on to the scene. “Innovation”, “new market space” and “creating demand” are central characteristics.

My favorite example of a “blue ocean strategy” is Cirque de Soleil, a sometimes fixed (as in Las Vegas), and often traveling show that has redefined the circus, redefined pricing (upwards) and addresses more of an adult audience than kids. If you recall, P. T. Barnum invented the first form of the circus in the late 19th century with “P.T. Barnum’s Grand Traveling Museum, Menagerie, Caravan & Hippodrome,” taking his exhibitions on the road...i.e. going from town to town to present his show. Later, with James Bailey, it turned into the “Barnum & Bailey Circus,” and Barnum purchased the original Jumbo the Elephant from the London Zoo. The Ringling Brothers purchased the circus after Barnum’s death, and still today we have the “Ringling Brothers and Barnum & Bailey Circus”. This circus stood alone as the “gold” standard for circuses -- and still is for its type of circus -- until 1980, when Cirque du Soleil was formed. Cirque du Soleil eliminated two major things: animals and language. Animals are actually the most expensive part of the circus (they need to be trained, fed, cared for, transported, etc.). By doing the whole show visually, and letting a story unfold in actions, not words, the shows are easily transferable to any country -- no “translation” is needed. Cirque du Soleil offers amazing feats, incredible acrobatics, and “bigger than life” visuals, but there is no “Jumbo” in sight. By redefining the circus, Cirque du Soleil has redefined what is presented, and the prices that are charged for the events (substantially higher than the traditional version).

The 2010 introduction of Ipad to the world by the late Steve Jobs and Apple created a new market. We previously had computers, smart phones, laptops, and other devices -- but tablets were an all-new experience. By self-distributing as usual, and creating a new product that people wanted, Apple could define and get its price, initially \$500 for the most basic version. As millions of Ipads were sold, competitors rushed in to this new market, and tablets have become, at least for now, a hot commodity -- something that didn’t exist five years ago. Successful blue ocean strategies are actually not that new -- it’s the categorizing that is. Vince McMahon of World Wrestling Entertainment redefined professional wrestling in 1984, from a regional business within the U.S. and in other countries, with local promotions, local champions, and local TV shows, to a global business admitting that it is entertainment -- not a real sport as it once pretended to be -- worthy of higher ticket prices, regular pay-per-views and periodic mainstream attention. Henry Ford changed our lives in 1905 by delivering the first automobile. Before this invention, we needed to go by train, on foot, or horse-drawn carriage. The car changed lives forever, and shifted

the options of where to work, where to live, and where to go to be entertained or educated. Speaking of transportation, the Wright Brothers came up with a new mode of travel – the airplane – and this also redefined how people would subsequently get around.

The VCR (video cassette recorder) was an amazing addition to life in the 1980s, as for the first time a mass market of consumers could now “time shift”. No longer did people have to be home to catch a favorite or special TV program – they could watch it at their leisure. For example, in November 1980, much of the U.S. (83 million people) stopped their other Friday night activities to be sure to be in front of a television set to find out “Who Shot JR?”, a cliffhanger on the TV series “Dallas” from the prior season (“*Facts on File*” p.905.). The VCR eliminated the “urgency” of watching an event at the time that it was presented. We can argue that in 1905, Henry Ford, launching the automobile, had a blue ocean strategy. Before that momentous event, people could go by train, by horse, or on foot to wherever they wished to go. Now, with more controllable transportation at their disposal, people could live further from their jobs, take “Sunday drives” with their families, and more easily visit family and friends. While “blue ocean” businesses might be perceived as more exciting and “cutting edge”, there are nonetheless undermined opportunities all around us in seemingly mature businesses. For example, Bonomo’s Turkish Taffy was first brought to market in 1897 by Victor Bonomo, whose father was an immigrant from Turkey. The taffy came in four flavors, and while not really from Turkey (it was manufactured in Coney Island, New York), had success across a number of generations of taffy eaters. It was one of the first candies to be advertised on television, and the company was ultimately sold to Tootsie Roll industries. The candy was discontinued in 1989, and seemingly disappeared into the sands of time. However, there were still consumers across the U.S. who remembered the candy, and it was revived as a separate entity in 2003, available via the Internet. It returned to retail stores in 2010, after an absence of nearly 30 years. It has again found an audience, using the original formulas, and original packaging, that young people no longer remember. This was an opportunity waiting to reemerge...a simple “brick and mortar” business that needed no reinvention – just rethinking and rerelease.

At RCA Records/Bertelsmann Music Group, there was a treasure of undermined music by a Superstar from a prior era, Elvis Presley. It was somewhat forgotten in the late 1980’s to mid-1990’s, although there was a significant underlying global demand by his fans for his music, and even an interest by more casual listeners. Elvis was relaunched in 1996 with a focused strategy – raise the price of all of his music to “superstar” pricing; put more music on the CD’s, which could hold 80 minutes of music; advertise the product to consumers via TV and chain store advertising; and create packages for specialty retailers and the consumers who shopped there. Gospel collections were created and sold through Christian book stores; a continuity series of 18 volumes was sold globally via direct response TV advertising through Time-Life; a 30 CD box set at a \$424.98 list price was sold via QVC (television shopping network) and warehouse clubs; special triple-packs were created for end aisle sales at Aldi, a German supermarket chain; and box sets of previously unreleased Elvis recordings showed up each year in August, at the anniversary of his death. This entire exercise did not require finding an “all new business” or “blue ocean” – it was relooking at what was already there, and finding new ways to commercialize a product from the past. More examples of brand “reinventions” abound. “Snapple” refreshed itself in 2009 with reduced calories, new packaging, new formulas, and a new ad campaign. Proctor and Gamble revitalized “Head and Shoulders” shampoo to be more than anti-dandruff: it now addressed more cosmetic needs for a changing consumer base (extra fullness, dry scalp, etc.). Clearly, both oceans have opportunities. “Blue oceans” are uncharted waters, but you might even find uncharted waters in the “red oceans” as well.

REFERENCES

- Hochman, Steve (July 25, 1999). “Is \$430 box being cruel to Elvis lovers?” Los Angeles Times. Retrieved from articles.latimes.com/1999/jul/25/entertainment/ca-59297
- Kaufman, M. (July 4, 1999). "Victor A. Bonomo, Maker Of candy bars, dies at 100". The New York Times. Retrieved from <http://www.nytimes.com/1999/07/04/nyregion/victor-a-bonomo-maker-of-candy-bars-dies-at-100.html>
- Kim, W.; Mauborgne, R. (1 February 2005). Blue ocean strategy: How to create uncontested market space and make competition irrelevant. Harvard Business Press, Boston, Ma.

- Mininni, Ted . (2003). Revitalizing, rejuvenating and reformulating a struggling brand. BrandChannel. Retrieved from www.brandchannel.com/papers_review.asp?sp_id=1240
- Orlofsky, S. (1981). Facts on File Yearbook 1980. Facts on File Publications. Infobase Publishing, New York, NY.
- Streib, L. (July 20, 2009). Brand Reinvention. Forbes.com. Retrieved from www.forbes.com/sites/simongraj/2011/.../7-pillars-of-brand-reinvention