ABSTRACT

According to the well-known authors and management thinkers, W. Chan Kim and Renee Mauborgne, ‘the only way to beat the competition is to stop trying to beat the competition’. According to them, the entire market universe can be divided into two oceans: Red Ocean and Blue Ocean. Red Ocean is representative of all such industries/products, which already exist and are thus representative of the known market space. Blue Oceans denote the industries/products not in existence today. Blue Oceans thus represent the unknown market space. In the Red Ocean industry boundaries are defined and well accepted. This means the existing competition is well known in the market space and the players in the market try to outperform their rivals to get greater share of the existing market demand. As existing market space gets crowded prospects for good profit and growth in future are reduced. Products then lose their distinctiveness and become regular commodities resulting in cut throat market competition thus turning Red Ocean more red or bloodier. Blue Ocean in contrast is defined by untapped market space, opportunities for highly profitable growth and possibility for new demand creation. The Bottom of the Pyramid (BOP) has emerged as a dominant concept in business, propelled by C.K. Prahalad’s (2005) The Fortune at the Bottom of the Pyramid. Given the enormous attention the concept has attracted, it has the potential to impact the world’s billions of poor people—as well as the managerial practices of multinational corporations. This double potential makes it important to analyze how large corporations can serve low-income customers profitably.

Keywords: Red Ocean, Blue Ocean, Bottom of the Pyramid, market, competition, demand.

INTRODUCTION

According to the well-known authors and management thinkers, W. Chan Kim and Renee Mauborgne, ‘the only way to beat the competition is to stop trying to beat the competition’. According to them, the entire market universe can be divided into two oceans: Red Ocean and Blue Ocean. Red Ocean is representative of all such industries/products, which already exist and are thus representative of the known market space. Blue Oceans denote the industries/products not in existence today. Blue Oceans thus represent the unknown market space. In the Red Ocean industry boundaries are defined and well accepted. This means the existing competition is well known in the market space and the players in the market try to outperform their rivals to get greater share of the existing market demand. As existing market space gets crowded prospects for good profit and growth in future are reduced. Products then lose their distinctiveness and become regular commodities resulting in cut throat market competition thus turning Red Ocean more red or bloodier. Blue Ocean in contrast is defined by untapped market space, opportunities for highly profitable growth and possibility for new demand creation. The Bottom of the Pyramid (BOP) has emerged as a dominant concept in business, propelled by C.K. Prahalad’s (2005) The Fortune at the Bottom of the Pyramid. Given the enormous attention the concept has attracted, it has the potential to impact the world’s billions of poor people—as well as the managerial practices of multinational corporations. This double potential makes it important to analyze how large corporations can serve low-income customers profitably.
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**CONCEPT**

**Understanding creation of Blue Ocean:**

Blue Ocean Strategy suggests that an organization should create new demand in an uncontested market space, or a "Blue Ocean", rather than compete head-to-head with other suppliers in an existing industry.

1) How to create uncontested market space by reconstructing market boundaries

2) Focusing on the big picture, 3) reaching beyond existing demand and 4) getting the strategic sequence right

These four formulation principles address how an organization can create blue oceans by looking across the six conventional boundaries of competition (Six Paths Framework), reduce their planning risk by following the four steps of visualizing strategy, create new demand by unlocking the three tiers of non-customers and launch a commercially-viable blue ocean idea by aligning unprecedented utility of an offering with strategic pricing and target costing and by overcoming adoption hurdles.

The best way to beat your competition is, in fact, to stop competing against them.

In other words, when you go head-to-head against rivals for a share of the existing market, this is like competing in a “red ocean” — where the way you compete is by benchmarking your competition and trying to outdo them. A much better strategy is to look for “blue oceans” instead — untapped markets which nobody has ever targeted and which hold the potential for huge growth. In red oceans, your competitors set the agenda. In blue oceans, your competition becomes irrelevant.

In a 10-year study of 108 companies, it was found that 86-percent of new product launches were line extensions and only 14-percent were attempting to create blue ocean markets. Yet that 14-percent generated 38-percent of total revenues and 61-percent of total profits. It’s clear, therefore, that companies which attempt to follow a blue ocean strategy have a much greater chance of success than those, which follow a me-too strategy. Creating blue oceans should be the focus and goal of every manager.

**Some examples of Indian Companies that succeeded in creating Blue Ocean by extending the Known Boundaries of Red Ocean Market Space.**

1) **TATA Motors**

Ratan Tata shocked Indian automobile sector by introducing TATA Nano, the most inexpensive car in the world costing only 1, 00,000 Indian rupees. Company was able to create a car model, which used less steel in the car body and engine and ensured good fuel
efficiency, ample seating space for four adults in the car. TATA Motors subsequently filed for 34 patents associated with the design of Nano.
TATA Motors instead of focusing on top 15% to 20% of Indian population (in terms of their income capabilities) focused on that section of population that travelled by two wheelers and had low spending capability and whose dream was to own a four-wheeler vehicle. Now, it is another story that post launch of Nano and its initial few months of being there in the market, Nano is finding it hard to push up its sales further. For the same, the company is now coming out with innovative marketing strategies and financing schemes in India.

2) Micromax
Till early 2008, players like Nokia, Samsung, LG, Sony Ericsson, and Motorola etc dominated Indian mobile handset market. The market was ruffled by entry of Micromax. The company came in with product offers that were in the range of Rs. 1, 500 to Rs. 2, 500. Initially the company focused on small towns and rural market but soon it started to focus on building brand image and product portfolio, which attracted all. Micromax is now India’s third largest GSM mobile phone vendor. Micromax came with different strategies to beat the competition: (a) increasing the battery size thereby leading to long lasting battery power. This innovation was extremely suitable for those areas in India which are suffering from erratic power supply (b) Launch of dual SIM and dual reception (GSM and CDMA) handset in the market (c) Introduction of high technology and good quality handsets, that is handsets with touch screen application or handsets with Android application at very low prices in India, (d) Micromax also introduced mobile phones with Qwerty keyboards in India at very reasonable prices (e) Building strong dealer network. The company has an estimated over 75, 000 retailers in India today. The company offers an estimated 5% commission to each of its distribution chain partners. All the above have insured that a little known Indian mobile handset manufacturing company has been able to beat the existing competition in India via creation of Blue Ocean within known Red Ocean market space.

Some examples of Indian Companies and their Products that represent creation of Blue Ocean in Unknown Market Space

1) Shaadi.com
Anupam Mittal started Shaadi.com on account of his chance encounter with a marriage broker. Anupam Mittal understood that success of a marriage broker was dependent on his/her ability to match matrimony requirement of parties or families based far and apart from each other. A chance of good match making was dependent on the ability of the marriage broker to travel and communicate far and wide. It was also dependent on his or her social clout. Mr. Mittal, thus, decided to use Internet as a medium to do such ‘match making’ thereby removing the geographical barriers applicable on regular marriage broker or matchmaker. Today, Shaadi.com is the largest matrimonial website in the world with over 20 million registered users. Shaadi.com is a unique company and has succeeded in creating Blue Ocean in the unknown market space never tried before.

2) FabIndia
FabIndia is a unique retail venture in India based on ethnic Indian craftsmanship and clothing. FabIndia has succeeded in creating Blue Ocean in unknown market space.
John Bissell, who had worked in India as a consultant for the Ford Foundation, founded FabIndia in the year 1960 to showcase Indian handloom textiles to the world. William Bissell, son of John, took over as managing director of FabIndia in 1999 and today heads a network of 87 stores in 39 cities in India as well as its branches in Rome, Dubai and Guangzhou with a turnover in excess of Rs. 3 billion. FabIndia works closely with the artisans and villagers to develop designs and color palettes and to optimize production techniques and raw material inputs. FabIndia sources its products from around 22,000 craftsmen and artisans across India and has a plan to increase its supplier base to 100,000 in the next few years. Today FabIndia has expanded beyond textiles into furniture; stationery, pottery, organic foods and body care products etc.

Some Examples of Global Companies that succeeded in creating Blue Ocean in Known/Unknown Market Space

There are several global companies, which have been successful in creating Blue Oceans by expanding either the known market boundaries of the Red Ocean or by creating the Blue Ocean in the untapped or unknown market.

Some examples of such companies are

1) Apple Computers

The company at one point of time in its history, lost majority of its market share and was on the verge of liquidation. However, the company came back by reinventing itself and the concept of computers. Apple is a company that has invented many products that have revolutionized the entire computer industry. iPod, iTunes, iPhone, iPad etc are some classic examples of success of Apple Computers. Under the leadership of Steve Jobs the company was able to create many Blue Oceans within the IT Industry.

2) Amazon.com

Amazon.com, founded by Jeff Bazo in the year 1994, became on of the first e-commerce companies in world that achieved phenomenal success in market. The concept of Amazon.com was based on the idea of selling books online. Amazon today is serving around 137 million customers every week. The revenues of the company are over USD 34 billion currently.

CHALLENGES IN FRONT OF INDIAN COMPANIES

1) Indian companies are short of matching the success stories that have been created by companies in the western or the developed markets.

2) Lack of focus of Indian companies on innovation and research and development. Indian education system and culture focuses more on theory than experimental learning. This tends to create risk-averse business managers and companies.

3) Many Indian companies, especially those which are family managed businesses have an established authoritarian approach, whereby managers are expected to follow the orders of seniors without asking too many questions.

4) Thus, the biggest challenge in front of the Indian companies is to focus on innovation on the lines of their western counterparts. Some global giants like CEMEX, Pepsi Frito-Lay, and Hitachi etc have created position of Chief Innovation Officer (CIO) in their companies and chief innovation Officer directly reports to the CEO (Chief Executive Officer) of the company.
5) Indian companies thus also need to focus on value innovation to meet the challenge of multinational companies like LG, Sony, Hyundai, and IBM etc, which are now extremely active in the Indian market space.

6) Success of Shaadi.com resulted in growth of similar websites like Bharatmatrimony.com, jeevansaathi.com etc. Other known companies in the market quickly copied successful products of Apple Computers like iPhone, iPad, iPod etc

7) Companies have to ensure through regular value innovations that market of its products continues to stay blue.

8) In words of Kim and Mauborgne “Creating Blue Ocean is not a static achievement but a dynamic process. Once a company creates a blue ocean and its powerful performance is known, sooner or later imitators appear on horizon”.

For example: Face book challenged Orkut and Face book still stands tall while Orkut is now dead

BOTTOM OF THE PYRAMID

The “bottom of the pyramid” concept is the theory that even the poorest markets in the world can be revenue generating for companies if they tailor their product and packaging to these markets.

The Late Professor of the University of Michigan, C. K. Prahlad, introduced this concept; in his book “The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits”. Some well-known examples of products that cater to these markets include micro-credit products and selling shampoos in sachets.

Marketing to the consumers at the BoP is different from marketing to the consumers at the ToP or MoP

• What is different about these consumers?

1. By definition, income of these consumers is low
2. Awareness levels of these consumers about most products / services is low (primary focus is on subsistence)
3. Acceptance of new products is low.
   a) Acceptance of new products is actually high, if the product is relevant and the value is communicated effectively
   b) New products are accepted when opinion leaders in the community use them and demonstrate value
   c) Word of Mouth is a better communication channel among the BoP consumers
4. Urban BoP is more homogenous than rural counterparts
   a) Urban BoP has lower disposal income as their cost of living is higher than that of their rural counterparts
   b) A number of urban BoP consumers may not have a permanent address, as they keep migrating for jobs and / or change addresses when they come back to towns seasonally

MARKETING TO THESE CONSUMERS

1. We must offer Products relevant to these consumers. These are (a) those that raise their incomes and reduce their risk (b) low cost products
2. We must leverage technology to create such products and also to overcome the infrastructure barriers.
   i) Technologies include mobile phones, radio, internet
   ii) Apply basic & appropriate technology to solve problems, many times learn from the BoP people themselves
3. Organize people at BoP into groups to reduce transaction costs in dealing with them
4. Multiple organizations must come together in a collaborative way to deliver complete solution to these consumers

For example: Mobile phones & Cars

CHALLENGES FACED WHILE EXECUTING THESE STRATEGIES
1) Customizing products and services to the local needs; understanding the local needs itself is a challenge.
2) Acceptability of new products/technology/ideas will take time to build awareness and educate people about the benefits.
3) Competition with middlemen and other local players isn’t easy.
4) Competing with counterfeit and look alike products at substantially lower prices will be a challenge too
5) We need a pipeline/platform to connect companies with BoP consumers (right from consumer understanding to distribution of products)

CONCLUSION
To follow the BOP initiative, firstly businesses need to create the capacity to consume and to create the market for the poor, whereas multinationals has always focused on creating more efficiency in existing markets. Companies need to put in their resources in Blue Oceans adapting Blue Ocean Strategy and creating and capturing ‘new’ demand, instead of competing in already saturated markets.

BOP markets offer significant opportunities for MNCs, as well as SMEs but opportunities in BOP marketplaces are best not to be viewed with short-term business approach of market share or profits, instead, companies need to have long-term orientation to be a market leader in this segment.

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