HOW BRANDS CAN SWIM UPSTREAM FROM BLUE TO RED OCEANS

An Ipsos Point of View

By Emmanuel Probst–May 2022

GAME CHANGERS

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In the 2005 marketing theory book *Blue Ocean Strategy*[1], academics Chan Kim and Renee Mauborgne distinguished blue oceans from red oceans. Blue oceans are industries that are nascent or nonexistent today. As such, they present tremendous potential for brands because blue oceans, according to the book, are unattained by competition; demand is created organically. For example, Tesla is a blue ocean brand because it created the electric car market. After years of being the go-to brand for electric vehicles, Tesla is starting to face competition from new and legacy car manufacturers alike.

In contrast, red oceans are the known market spaces in existence today, often crowded with competitors who all fight for a finite share of profits and growth. For example, Ford and General Motors are red ocean brands that have been competing with dozens of other brands for over 100 years.

From a brand strategy standpoint, blue ocean brands have the benefit of the first entrant: they define the category and educate consumers on what they should and can expect. In this process, blue ocean brands establish their leadership over the nascent category without having to worry about brand differentiation.

Eventually, blue oceans attract suitable competitors and become red oceans. Here, brands have to fight hard to differentiate from competitors, foster "brand love" (a high level of desire for the brand) and stay top of mind for their consumers.

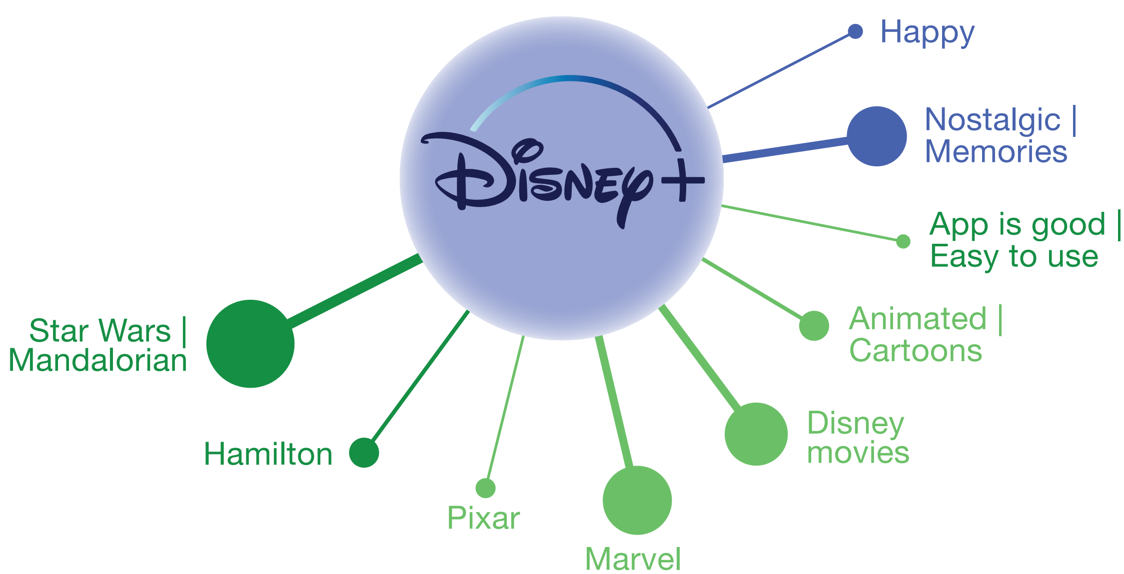
Most brands struggle to evolve from a blue ocean to a red ocean strategy. Brands that created and defined the market have to reckon with the fact they are no longer alone. Red oceans call for a more sophisticated, and ultimately riskier brand strategy.

Below are five recommendations for brands that are transitioning from blue to red oceans, and brands that aim to disrupt red oceans.

Develop unique associations with your brand

Netflix created the streaming market by offering a low-cost alternative to advertising-heavy, time-constrained traditional TV. Today, the streaming wars rage on as people now take streaming for granted and demand more content at the same competitive cost.

A recent Ipsos study on streaming services[2] reveals that Disney+ developed a differentiated, unique identity that bolsters the brand to challenge Netflix's leadership. In particular, consumers associate Disney+ with memories, nostalgia and unique franchises such as Star Wars, Marvel and Pixar.



[1] Chan, K. W., & Mauborgne, R. A. (2005). Blue Ocean Strategy. Harvard Business Review Press

[2] Ipsos—BHT Assets in e-conomy—Streaming Services, U.S. case study, March 2021

Create new, tangible partnerships with legacy brands

Dollar Shave Club created the market for subscription shaving products. But, after being very successful online, DSC eventually exhausted this total addressable market and faced challenges from Harry's and Gillette on Demand. In 2020, DSC refreshed its aesthetics and started selling its products at Target and Walmart. These trusted brick-and-mortar retailers gave DSC access to a much wider audience that wouldn't shop for razors online.

Foster brand love by banking on emotional attachment

Consumers are not necessarily grateful to blue ocean brands. Although these brands create and educate the market, consumers are quick to switch to competitors when those come up with cheaper and/or seemingly better alternatives. At that stage, the functional features that initially propelled blue brands become less relevant, if relevant at all.

Apple did not invent the smartphone, but most iPhone users are incredibly loyal to Apple and its sexy, slick-designed products, through which the brand has established a robust emotional bond with its users.

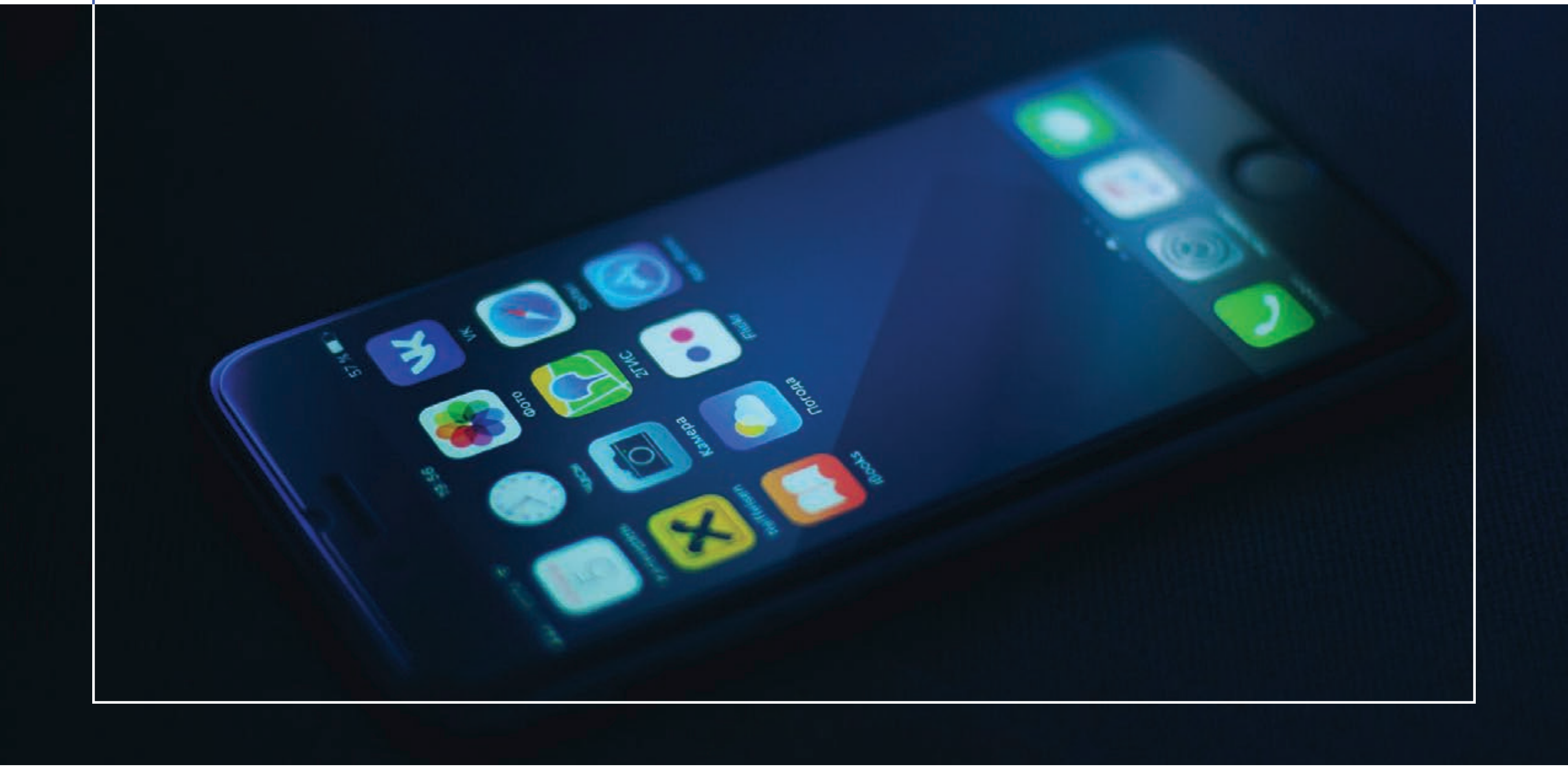
Expand beyond the brand's core category

When threatened by new entrants, blue ocean brands can expand through partnerships, extensions, or even by developing and/or leveraging an ecosystem. For example, Red Bull has partnered with GoPro to further convey its image of an action-packed, fearless and even extreme brand. Luxury lifestyle brand Equinox started with opening swanky health clubs, before expanding through Equinox Hotels, SoulCycle and Pure Yoga, to name a few brands that are part of its ecosystem.

Implement innovative, clever marketing activation

When launching a new season of The Marvelous Mrs. Maisel, Amazon Prime in 2019 hosted an event called "Maisel Day." People in Los Angeles could visit various restaurants, theaters and retailers for special deals at 1959 prices (the year the fictional show takes place). In a similar vein, Airbnb enabled guests to book a night at the world's last Blockbuster store in Bend, Oregon.

While anecdotal, these activations generate extensive press coverage and drive the emotional bond consumers have with the brand, regardless of whether they attended the events or not.



Questions to get started: coffee with an expert

Here are four avenues that are most relevant to brands transitioning into red oceans, and that Ipsos can help you explore.

- What are the key performance indicators that are most relevant to your brand today and for years to come?
- What are the specific functional and emotional attributes consumers associate with your brand vs. its competitors?
- What drives people to relate to your brand the way they do?
- As an outcome, what are the attributes and the drivers your brand should prioritize?

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