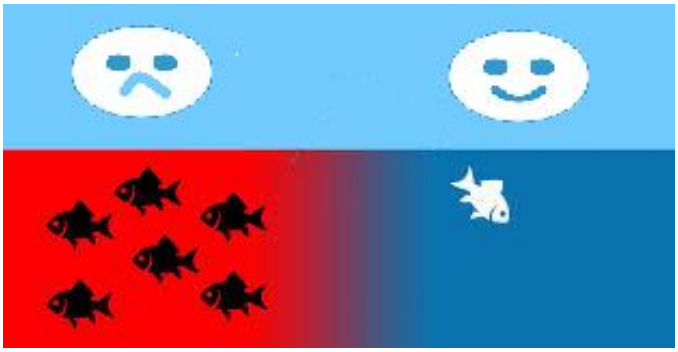
Blue & Red Ocean Strategies for IoT

Introduction

Today every company realises IoT is big potential market however there are big gap between market demands and solution providers due to multiple factors such as technology, value proposition and returns on investment hence to overcome the barrier of successful IoT implementation we need to understand and strategies the red and blue oceans of IoT. Companies may possess a set of resources that may not be suited to the IOT, or may find the rapid pace of technological change and market growth too challenging for them. These markets, however, are attractive because they lack established players with the consequence that they could be lucrative. These markets are integral to the 'Blue Ocean' strategy outlined by Kim & Mauborgne (2005 and 2014).

The blue ocean as space that has not been explored by any other business with a land full of opportunity and profitable growth. The Blue Ocean Strategy allows business owners to 'think big'. Business owners are trying to achieve great things on a large scale by creating a demand. However, if one does not renew a blue ocean it becomes red.

On the contrary the red ocean involves competing in industries that are currently in existence. It involves business owners to compete intense level of competition and can often involve the commoditization of the industry where companies are competing mainly on price.



Creating Blue Oceans

Creating bule oceans tends to build brands, companies that use IoT will always find Blue Oceans for their sail. A blue ocean is created in the region where a company's actions favourably affect both its cost structure and its value proposition to buyers. Blue Ocean uses Patented technology so as to exploit the market conditions, to achieve the value innovation by product and offerings, to create a new value chain and much more.

However, most blue oceans are created from within red oceans by expanding existing industry boundaries. The key to a successful blue ocean strategy is finding the right market opportunity and making the competition irrelevant.

Why Blue Ocean

Companies working in blue oceans are more successful, with fewer risks, and increased profits. The companies manage to work in a blue ocean in the market, will encash all the opportunity in the world to make large amounts of money in a potentially short period of time.

Blue Ocean for IoT

IoT brings technological innovations and capable to provide multi-fold solutions for industries to improve the overall profitability, mitigate risk and high-quality outputs. There can be multiple initiatives or strategies can be adopted by IoT solution providers so that they can work in blue ocean and take the advantages of potential market and fulfil the demands. For instance, the IoT enablers provide the solution to OEM's so that they can imagine and design new services and business models for their end customer that can introduce new factors never seen before. Or elevate the factors that can truly create value beyond current standards. Thus, the OEM can take data from all of its products used in the field or customer ends and aggregating data to provide insight to the end-user so that customer at remote location knows how to better maintain and operate its equipment.

Blue Ocean Strategies

The goal of a Blue Ocean Strategy is for organizations to find and develop "blue oceans" (uncontested, growing markets) and avoid "red oceans" (overdeveloped, saturated markets). The blue market space minimise risk and maximise opportunities. It helps to Identify the hidden constraints that you can turn into opportunities. Following are blue ocean strategies with the use of which companies can find safe, secure and consistently growing

- ✓ Create uncontested Market space
- ✓ Make the competitive irrelevant
- ✓ Create and Capture new demand
- ✓ Break the value – cost trade-off
- ✓ Value innovation

Strategizing IoT solution for Blue Ocean

Innovative Solutions

This "blue ocean" innovation is just one part of the technology "waves" that can transform your company's value proposition, technology strategy and operational process model. It takes full advantage of new, cloud-based technologies. Most of company's today's fundamentally rethink their approach to value creation and customer-centric offerings. IoT increase the capability of understanding data which further improvise the decision-making abilities there by improves the feedback process and take the corrective action when and where required.

- ✓ Opportunity of New Business Lines
- ✓ Adding Value to existing products

High Quality

Blue ocean IoT solution can offer a product that is of a significantly higher quality. Thus, by adapting high end technologies and modern automation techniques we can achieve desired quality of product which further ensures greater OEE and faster ROI.

Eliminate Superfluous

Blue ocean IoT solution can help to eliminate unnecessary parts of the business model thereby providing your offering at lower price or on a faster timeline.

Solution Optimisation

The big data obtained from the IoT solutions enable to create multiple models to achieve the optimisation of production, process and develop the high-quality system with in budget. We can always take advantages of scaling and mass production to reduce the overall production cost by ensuring quality output. Further, we can over-engineering a certain element of product, or replace the expensive material with a cheaper one without sacrificing the quality and performance.
Further with right selection of IoT platform we can reduce development time and efforts considerably.

Moving from CAPEX to OPEX

The World Economic Forum published in 2015 the Industrial Internet of Things Unleashing the Potential of Connected Products and Services, in which the acceptance and impact of IoT technology in the industrial sector is placed in 4 phases, from a short to long-term: use as a medium, pay-per-use, pay-per-outcome, and, finally, full automatization of the machine process with IoT technology. The Internet has enabled the "as a service" business model for IT infrastructure and software. The IoT enables "anything as a service" business models for all kinds of traditional products. As a result, companies are shifting from selling products to offering services-based subscriptions that create more value for customers.

Blue Ocean IoT Business Model

Following are various business model that can be recommended by the solution provider to the companies according to their requirements and finding the best fit model to serve them ensuring the economy of scale solutions

a. Product as Service
b. Platform as Service
c. Capex Vs Opex Model
d. Pay as you go model
e. Subscription based Model

Blue shifting towards Red

Generally, Blue Oceans may become Red in case of market made around product or new service in which rivals enter with the similar or alternative solutions making the market more competitive and their reducing profits and growth opportunities.
As we know that the blue oceans will remain the engine of growth. Prospects in most established market space - red oceans - are shrinking steadily. Technological advances have substantially improved industrial productivity, permitting suppliers to produce an unprecedented array of products and services. And as trade barriers between national and regions fall and information on product prices becomes instantly and globally available, niche markets and monopoly havens are continuing to disappear

However, that blue ocean might not remain open forever and ultimately becomes red. During blue phase its working by the companies can make huge gains in both revenue and brand recognition which will ultimately create a goodwill but once the competitors comes into same market with its competitive solution, turning that 'blue' ocean 'red'.

Red Ocean Strategies

A red ocean strategy involves competing in industries that are currently in existence. This often requires overcoming an intense level of competition and can often involve the commoditization of the industry where companies are competing mainly on price. Following are red ocean strategies by which companies can sustain and exist in the market

- ✓ Compete in Existing Strategies
- ✓ Beat the Competition
- ✓ Exploit the existing demand
- ✓ Make the value – cost trade-off
- ✓ Value Creation

Strategizing IoT solution for Red Ocean

Competitive Solutioning Approach

Although, IoT solutions are unique and hence we cannot replicate the solution as it is like other software product installations. However, there are always possibilities of developing the basic framework which can be customised as per the requirements framed by the end customer this approach reduces the overall development efforts and also reduces product time to market. Furthermore, it is always recommended to go step by step or phase wise development while adopting IoT solutions this will increase the chances of getting project successful and we can get time to find best technology fit solution and also develop micro level strategies to build sustainable and scalable architecture solutions. This approach of IoT implementation has low risks which can avoids huge investments by stakeholders.

Low Cost – High Value Solutions

The purpose of industries is to bring economy of scale which can be achieved by high volume production, for this technology plays a key role. Now a days the manufacturer gets directly contact with the end customer as a result he can get first hand feedback for his products and the realistic data can be obtained with these data so obtain can improves the product quality and add values to the existing products. Also, the customer just in time demand can be fulfilled.

Further, the traceability of the failure components and the diagnosis can be easily done with the availability of data on the IoT systems. This reduces the overall losses to the organisation without impacting the established brands and goodwill of the organisations.

Conclusion

With the understanding blue and red oceans, we can explore and strategies the market demands and develop the competitive solutions which will not only fulfil the present demands but also values the solution further it will identify the opportunity for expansion and development. Every effort can be taken by the solution provider to bridge the technological gaps and bring synergy effect for both solution providers and companies to fulfil their technological demands by economy of scale and value propositions.

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