



Stanford eCorner

Swim Toward Blue Oceans

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Mike Rothenberg encourages entrepreneurs to avoid "red oceans," a business-strategy term for cutthroat markets where competitors struggle for incremental gains. The CEO of Rothenberg Ventures says entrepreneurs should instead swim toward blue oceans, rivers and ponds, while developing the instincts to discover these emerging, wide-open markets.



Transcript

It turns out that at least 95% of the world is a red ocean. By that I mean a lot of people know about that particular space, people are operating in it, people are competing with each other. It makes sense to focus on that, because that's about or at least 95% of people in jobs and things are. So what we do is, we spend probably 95% of our time in red oceans. So they'll say, okay, in a red ocean you have to out compete, you got to get your processes down. You really need to - you need to be fast, you're going to be a little bit faster and you need to be a little bit better, a little bit better recruiting, it is really hard to differentiate in a red ocean, because everybody understands what's going on. I think it's red ocean, because it's a bloodbath. And so it's like everybody knows and you want to get the 2%, you got to beat the market. The market is doing this. You got to go 2% higher and that's actually a fair characterization, because that's really the way most of the world is.

And so everybody taking notes and like trying to prepare for the test and all this stuff. And then like near the end of the class, they said we want to talk a little bit about blue ocean. So when you're in a blue ocean it means that it's kind of a new market, it hasn't fully developed and people are not yet sure where it's going to go. But everybody wins, because it's a blue ocean and everybody is gathering the opportunities. And now back to red oceans. Rewind, what did you just say? In a blue ocean everybody can win until it becomes a red ocean? Then the question then becomes how do I get to a blue ocean? Stop this red ocean nonsense. There may not be very many of them. I should be focused on blue oceans, let everybody else deal with the red oceans. And what's - so the reason why blue oceans are hard is because people haven't discovered them yet. So you have to be an explorer and you have to be on the cutting edge of innovation and things that are interesting and that's why the future matters is because the future is where the - the future red oceans is where the blue oceans are today.

So you have to care about that to find them. And it's really important to be in a blue ocean even if what you're doing is joining a company, advising a company, support, whatever, you need to be parts of blue oceans. And the way to find the blue oceans is talk to the people trying to find the blue oceans with a history of finding them. And one of the things that we do is we have been experimenting with virtual reality for two years. We have been investing in things like electronic currency. We have - we're investing in drones and space travel and these are all potentially blue oceans. Now the blue oceans start as blue ponds. So it's difficult to see the growth rate that a blue ocean, that a blue pond can turn into a blue lake and be a blue ocean, because if you're in a blue pond, it could actually dry up. It could turn into a blue lake and stay a blue lake. It could turn into a blue lake and go back to a blue pond.

And so it's not as easy as saying, oh that's blue. It maybe blue, but you've to also be seeing the rate at which it's growing. But if you're there, and you are in a blue pond and you see it rapidly turning into a blue lake and then it turns into a blue ocean, you may have just found something great for your career. And if you're in a red ocean, I really urge you to find - just swim, swim, swim to the blue pond, it may seem like it's smaller, it may seem like it's not as great, but it is the proverbial, be a big fish

there and try to figure out not only where it's going but help build where it's going. It is the fish in the blue ponds that build the blue lakes.