



# Oceans of Opportunity

Renowned Authors Chan Kim and Renée Mauborgne Discuss What's on the Horizon for Blue Ocean Strategy's New U.S. Training Center

W. Chan Kim and Renée Mauborgne are Co-Directors of the INSEAD Blue Ocean Strategy Institute and professors of strategy and management at INSEAD, the world's second largest business school, located in Fontainebleau, France. Their business strategy book, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, is an international bestseller that promotes the creation of "blue oceans" rather than competing in existing "red ocean" market space. Mauborgne recently met with the *Business Magazine* (BM) to discuss how Blue Ocean Strategy is becoming the wave of the future in business strategy and development.

**BM: The Manufacturer & Business Association is proud to announce that it has been selected as an official Blue Ocean Strategy Center in the United States. What are your expectations for this first U.S. training site?**

We are looking forward to seeing the MBA Center share the concepts, tools and frameworks of Blue Ocean Strategy with their member companies and beyond through robust and practical training courses. With low cost competition on the rise from all corners of the globe, supply exceeding demand in



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more and more industries and declining profit margins, there is a rising need for American companies to understand how they can break out of the 'red ocean' of bloody competition and make the competition irrelevant. That is what Blue Ocean Strategy is all about. Blue Ocean Strategy provides concepts, tools and frameworks that any company can apply — from small to large, from family owned to publicly traded — to open up new market space by simultaneously pursuing both differentiation and low costs. In selecting MBA as an official >



U.S. Center, we are counting on them to share these ideas through compelling, action-oriented training that will help to strengthen the global competitiveness of companies, and better equip them to create a brighter future for all of us. There's been enough bad news about the economy. It's time to start creating good news through new thinking.

**BM: Why did you choose the Manufacturer & Business Association to be a training center?**

First, we were impressed by the people – their commitment, their drive, their passion. We like the passion for excellence, clear vision and make things happen attitude of President Ralph Pontillo. His passion for Blue Ocean Strategy did a lot to convince us to choose MBA. Vice President John Krahe and Vice President/CFO Dan McMahon reinforced this; they made a very positive impression at a Blue Ocean Strategy course in Dublin last year through their thoughtful questions on what it takes to put these ideas into action. Second, the companies and organizations MBA serves inspired us. The profile of their member companies — predominantly small and mid-size companies, some over 100 years old, are the indispensable, underlying strength of the American economy. They may not be the ones who always make the headlines, but they are the bread and butter of communities and the seeds for the economy's growth and dynamism. Yet, small and mid-size companies are facing challenges as never before. Costs are rising, competition is intensifying, and growing profitably is becoming harder. Cutting costs is not the answer. New thinking is. With our book out in

41 languages, we get calls from all over the world to share the ideas of Blue Ocean Strategy with large multinationals and governments alike. By choosing MBA, an avenue is open to bring these ideas to small and mid-size companies too, to help them unlock new thinking and new actions needed to create a blue ocean of new market space, and with it strong profitable growth.

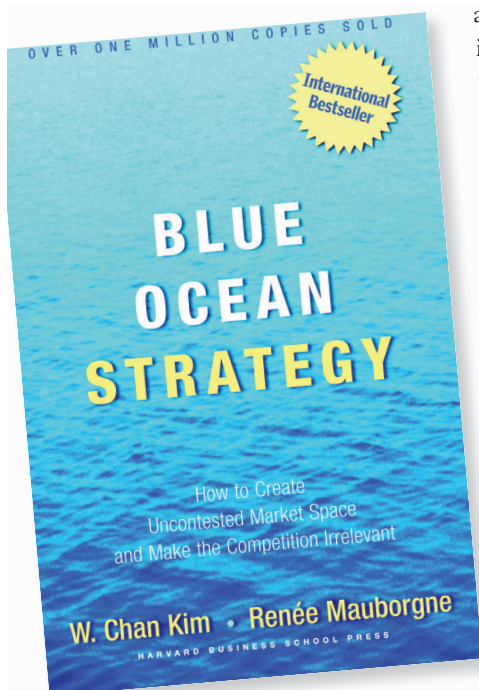
**BM: How will this training site benefit employers of all sizes and industries?**

Our research of industry

history reveals that there are no perpetually excellent companies, nor are there perpetually attractive industries. Whether a company or an industry is excellent depends on the strategic moves that are made. And the strategic move we found that matters centrally is creating blue oceans of new market space. Our research of over 150 strategic moves that created blue oceans in over 30 industries shows that companies in all industries can create blue oceans, whether companies are young or old, small or large. Consider: When IBM and Apple made their respective moves to create the blue ocean of personal computers, IBM was already an industry giant whereas Apple was just a start-up company in a garage. eBay created the blue ocean of online person-to-person auction market when the IT industry was in its heyday, whereas Starbucks created a blue ocean out of the declining coffee retail industry. And it was Chrysler, an incumbent in the highly competitive fixed cost industry of automobiles that created the blue ocean of mini-vans. By simultaneously pursuing differentiation and low costs, the cornerstone of Blue Ocean Strategy, companies may hope to unlock new demand and strong profitable growth. This applies to companies of all sizes in all kinds of industries. Hence, by sharing the practical tools and frameworks of Blue Ocean Strategy with employers, the training center will have as a mission shedding light on how they can do this too.

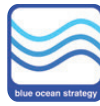
**BM: How does Blue Ocean Strategy distinguish itself from other business strategies that focus on “staying ahead of the competition”?**

First, practicing competition-based strategies is important and necessary in proper contexts. After all, competition is part of the business reality, as one must compete in the marketplace. However, in a world where supply overtakes demand in many industries, staying ahead of the competition is not enough, as even companies with the biggest market share are faced with dwindling profits when the entire market gets commoditized. Blue Ocean Strategy, therefore, sets itself apart from other business strategies by aiming to make the competition irrelevant rather than to outperform the competition. Instead of benchmarking against the competition, Blue Ocean Strategy asks companies to shift their attention to the demand side of buyers. Instead of focusing on capturing a greater share of existing customers by pursuing finer and finer segmentations, Blue Ocean Strategy calls for converting noncustomers of the industry into new demand by uncovering the commonality across buyers, customers and noncustomers alike. Blue Ocean Strategy does not accept structural conditions of the industry. Instead it sets out to shape industry conditions in a company's favor by reconstructing industry boundaries.



*Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* has sold more than 2 million copies since it was published in 2005. *Blue Ocean Strategy* is the result of a decade-long study of 150 strategic moves spanning more than 30 industries over 100 years.





**BM: How should a company go about creating a blue ocean? What are the fundamental factors that should be considered?**

To create a blue ocean, managers of a company should go through a series of steps in proper sequence. First, they need to ask: How can we create exceptional buyer utility that will change the lives of the target mass of buyers? They should seek the answers to this question by looking across the conventional boundaries of competition and by discovering the commonalities among buyers that include both customers and noncustomers. Once this question is addressed, the next question is: what is the price that will unlock the target mass of buyers? Once a strategic price is set to capture the mass of target buyers, the value proposition of the strategic move is completed. Next, managers should consider: Given the strategic price, what is the cost target that allows the company to make a tidy profit on this business? This is the profit proposition of blue ocean strategy. A profitable business model is essential for capturing and sustaining the blue ocean of new market space. Finally, they should ask, what are the adoption hurdles in executing a blue ocean strategic move and how do we overcome these? This is the people proposition of blue ocean strategy. In summary, to create a blue ocean successfully, a company should address the factors of utility, price, cost, and adoption sequentially and formulate and execute its strategic move by aligning value, profit and people propositions.

**BM: In your book, you cite various successful models of blue oceans – Cirque du Soleil, Casella Wines, Callaway, among many others. If a company is working through the process of Blue Ocean Strategy, how do you know if their blue ocean model will be successful?**

To assess whether a blue ocean idea will be successful or not, we created the Blue Ocean Idea (BOI) Index. The BOI Index provides an analytic framework a company can apply to check the commercial viability of their idea. The index provides a lens by which companies can assess: 1) if there is exceptional buyer utility in the business idea; 2) if the strategic price is easily accessible to the target mass of buyers; 3) if the target cost can be attained to allow profitability at the strategic price; and 4) if the adoption hurdles in actualizing the business idea have been addressed. This simple but robust test allows companies to evaluate the success potential of blue ocean ideas and sheds insight into how the idea may need to be improved to unlock a blue ocean of new market space.

**BM: In most cases, competition breeds imitation, turning “blue oceans” into “red oceans.” Please explain how Blue**

**Ocean Strategy is a continuous process?**

First of all, a blue ocean strategy brings with it considerable barriers to imitation. Some of these barriers are operational, and others are cognitive. Our research shows that more often than not, a blue ocean strategy will go without credible challenges for five to 15 years depending on the industry. Eventually, however, almost every blue ocean strategy will be imitated. As more and more imitators swim into the market and their strategies start to converge, the blue ocean will begin to turn red as competition intensifies. In short, there is no permanent success. Managers, therefore, should see the reality of industry evolution as a continuum of blue and red oceans. As companies’ strategies begin to converge and the ocean turns red, it will be time to reach out for a new blue ocean. Companies, therefore, need to monitor the value curves of their businesses on the strategy canvas. Monitoring value curves signals when to launch a blue ocean strategic move and when not to. It alerts companies to reach out for another blue ocean when their value curves begin to converge with those of the competition. It also keeps them from pursuing another blue ocean when there is still a huge profit stream to be collected from their current offerings. For companies to stay on the course of profitable growth and high performance, therefore, managers need to pursue value innovation repeatedly and with proper timing, thereby making the competition irrelevant with a value curve that has focus, divergence and a compelling tagline.

**BM: What is your ultimate goal for Blue Ocean Strategy?**

To try to make a difference. It has always been our belief that theory and practice should inspire, enrich and inform one another to maximize mutual gain and advancement for the benefit of all. This has motivated us to explore the pattern and logic behind the strategic moves made in practice that created blue oceans. We hope that the actionable frameworks and tools we developed based on our 15-year research journey will better inform business practice in the real world. Although we started our research in the area of business strategy, the ideas and logic of Blue Ocean Strategy are scalable and may inform the strategy making process not only of business organizations, but also of nonprofits, public organizations, and even national governments. It is our hope that Blue Ocean Strategy, with its focus on going beyond the bloody and zero-sum game of competition to a win-win game that expands the economic pie for all, will offer individuals, companies, as well as our communities and countries a new perspective for pursuing a brighter, more prosperous and more harmonious future ahead. ☆