Swimming in blue oceans

Why competition doesn't have to be a bloody endeavor **Edited by Dustin S. Klein**

There's little doubt that competition in the business world is fierce. But it's no longer just the strong who survive; these days, it's also the smart.

Being smart means thinking about how to get outside the conventional boundaries of competition-driven strategies by viewing your business through a different lens, says Ralph G. Trombetta, managing partner of Value Innovation Associates.

Trombetta is a strategy expert on the Blue Ocean Strategy, a concept developed by professors W. Chan Kim and Renee Mauborgne from the European business school INSEAD, which focuses on competing in uncontested market space.

Earlier this year, Trombetta presented a lecture on the Blue Ocean Strategy at Baldwin-Wallace College's Center for Innovation and Growth. In November, he'll conduct a one-day interactive workshop at B-W on the Blue Ocean Strategy to help executives apply the tools and frameworks of value innovation, the strategic logic of high growth.

"In many established markets, supply overtakes demand," says Trombetta. "When you have more suppliers than you have buyers in a market, the rivalry among competitors increases and companies try harder to outperform the competition to capture that shrinking demand. When this occurs, things really heat up, markets commoditize and the prospect for profitable growth rapidly diminishes."

Here are several strategies that Trombetta discussed during his most recent lecture.

Red versus blue

In the red ocean, companies basically focus on the competition. The red ocean represents the blood shed from competitors fighting against one another for shrinking market share.

The blue ocean represents untainted waters waiting to be discovered. Here, there is a new and uncontested market space with no competitors. Value innovation — the simultaneous pursuit of reducing industry cost structure and creating unprecedented value for buyers — helps companies create blue ocean strategies.

The blue ocean strives to make the competition irrelevant.

Develop value innovation

In the red ocean, you have to be either

differentiated or low-cost; you never want to be stuck in the middle. A lot of companies do not exclusively pursue a low-cost or differentiated strategy.

The blue ocean says, 'How do we break this tradeoff between just being differentiated and just being low-cost?' The way we do that is with a concept called value innovation. Value innovation says, 'How do I increase unprecedented value in a market and at the same time lower the cost structure in the industry?'

When you eliminate a key element of your strategy that is not valued by the buyer, you lower your cost structure by eliminating all the internal activities that are not providing value to the buyer. You increase value by going beyond the boundaries of the industry and discover ways to create value that have not been part of your competitors' offerings up to this point.

Create a culture of innovation

If you create a blue ocean, you should expect to attract imitators, and you should expect that a blue ocean will eventually turn red. Sure, there are ways to slow down this effect with patents and other mechanisms, but ultimately, it will be important to teach managers and executives how to create a systematic skill set and competency in value innovation so that they can continue to create and re-create markets over time.

Brew a new idea in an old industry

Starbucks is a great example of how you can redefine value in a commodity market. Starbucks sells a great cup of coffee, but is it really just about coffee?

Starbucks is about the experience of drinking coffee in a social environment. It has redefined the value of a cup of coffee at the high end of the market. This also points out that blue ocean strategies can be created at the high end of a market (high price) and not just at the low end.

Think about non-customers

This is the essence of blue ocean. One example of a company that looked outside its industry was Southwest Airlines.

Its goal was to get the people who were not flying; the noncustomer. When pursuing blue ocean strategies, it is vitally important to identify the noncustomer.

Southwest conceptualized the noncustomer as someone who drives or takes the bus. It asked, "What are the decisive advantages of the car over the plane?" The car can have frequent departures and it's cheap. "What are the advantages the plane has over the car?" The speed.

Southwest said, "What if we create ground transportation for the air?" and focused its strategy on three things — speed, frequent departure and low price. It eliminated everything else. This has been one of the most profitable companies in the red ocean of the airline industry.

So think about the noncustomers of your industry. What alternatives are they buying from outside your industry to satisfy their needs? What can you learn from these alternatives, and what can you do differently within your own business to turn noncustomers into customers?

Look to your chain of buyers for ideas

You can create new value if you shift your perspective across the chain of buyers to the end user of your products and services. Often, companies focus on a very well defined set of services.

If you can look beyond that to the needs of the buyer, this opens up a whole new way of thinking. It may take you away from the current definition of your scope, but if you can move to where there's pain, you could potentially open up a whole new market space.

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