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Compete less, profit more

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Trombetta

Rather than focusing on beating the competition in your market, create a market all your own where no competition yet exists, Ralph G. Trombetta tells executives in some of the world's largest companies.

That kind of advice has led Trombetta, managing partner and owner of 3-year-old Value Innovation Associates in Mount Kisco, to thrive with customers that have included Mastercard International, Dupont, Alcan and Bank of America. Trombetta consults with much smaller companies as well, and he says the ideas he teaches apply to any size business.

Instead of just competing with other businesses - the focus of much modern strategy advice - companies can find it much more profitable to innovate, creating "uncontested market space" that makes the competition "irrelevant" because there is no competition in that new area, Trombetta says. His consulting group advises businesses on how to find successful innovations - in good part through careful research among potential customers - and avoid pitfalls along the way.

"We're trying to create new demand rather than fight over existing demand," Trombetta said."

In the past year, Trombetta's ideas are more in demand because many of them come from the research done by the authors of "Blue Ocean Strategy," W. Chan Kim and Renee Mauborgne. Their business book came out this year and hit the best-seller lists of both BusinessWeek and Startup Journal, a Wall Street Journal Web site.

Trombetta has been giving lectures and workshops on the book's ideas at various business and educational forums.

Two weeks ago he traveled to St. Louis, for a lecture at the Olin School of Business at Washington University, then flew to Pittsburgh to speak at an event sponsored by Citizens National Bank for its customers and others. He is also a part-time assistant professor teaching "Blue Ocean" strategy at Fordham University.

Back in Westchester County, Trombetta will be speaking Dec. 2 from 7:30 to 10 a.m. at the Westchester Marriott Hotel, 670 White Plains Road, Tarrytown, as part of The

Business Council of Westchester's "Books to Bank On" lecture series. For more information on the talk and online registration, visit www.westchesterny.org

Trombetta, who received a Master of Business Administration degree from the Stern School of New York University, started his consulting career at IBM, where he worked for a decade before moving on to other consulting companies.

For the past six years he's known the book's authors, who thank him in their acknowledgments. In 1999, Trombetta was among a small group of consultants who took a seminar with Kim and Mauborgne at INSEAD, a top-tier European business school near Paris. Trombetta and the other consultants have been using the ideas ever since and are part of a network of consultants and professors who work with the two authors to put their ideas in practice.

The book uses the metaphor of "red oceans" and "blue oceans." Businesses competing with other businesses leave blood in the water in "red oceans" and don't tend to make as much profit as those who successfully navigate to blue oceans where no other business has gone before, according to the book.

A company finds those oceans by looking for needs it can fill - often for customers it doesn't yet have - and simultaneously cutting out services or product features that customers don't want or don't want as much of, resulting in profitable growth.

"Value innovation, simply stated, is the method of how to create a blue ocean - the simultaneous increase in value and decrease in costs," he said.

Keeping risks to a minimum is an important aspect of Trombetta's work. For instance, innovations in products need to be based on what potential customers want, and field research is often necessary to establish that, he said.

One of his biggest clients was considering whether to sell a robot lawn mower an inventor had brought to them. Trombetta and his team of consultants talked to consumers about it and found there were plenty of concerns about the new product.

The consultants went back to the client. "We said, 'Unless you're interested in addressing the issues surrounding the product, we wouldn't advise licensing it.'" The company decided not to market the product.

The book provides examples of successful companies that have followed this path, including: Starbucks, which found customers were willing to forego low prices for the right customized coffees served in the right atmosphere;

Cirque du Soliel, which dropped three rings, animals and star performers from its circus but enhanced the circus tent and provided a story line, thematic music and a more refined atmosphere; and Southwest Airlines, which cut prices, dropped seating choices and meals and provided short-hop trips to customers who would otherwise probably drive or take a bus to their destinations.

Mauborgne and Kim conducted a study of business launches in 108 companies, finding 86 percent provided only incremental improvements on existing products or services while 14 percent tried to create new markets or industries. The companies with the incremental improvements accounted for only 39 percent of the total profits, while the smaller group delivered 61 percent.