



Wednesday February 9, 2005

## LEADERS & SUCCESS

IBD'S 10 SECRETS TO SUCCESS

# Angle For Real Difference

By Amy Alexander

How different is your product? Your first response might be that it's markedly different from the competition. But is that really true? W. Chan Kim and Renee Mauborgne challenge you to ask that question.

Kim and Mauborgne spent years studying companies and found that most brainstorm new products and strategies based on what the competition is doing -- not necessarily what'll attract new customers.

They call that "Red Ocean" thinking. It's an old practice where companies go tooth-to-tooth over the same small pool of patrons.

But true growth, they note in their book, "Blue Ocean Strategy," doesn't always come from wrenching regulars from rivals. Instead, it comes from getting people who've never dreamed they'd want your product to try it. To pull that off, you must voyage into what the authors call "Blue Ocean" thinking.

### Think Outside The Tank

"Many people argue, "My product offering is different. My business is different. They become defensive," Kim said in a recent

interview. "But, in the eye of the customer, they are the "me-toos." "

A trip down any grocery store aisle is a lesson in Red Ocean strategy.

"People no longer insist, as in the past, that their laundry detergent be Tide," Kim and Mauborgne said. "Nor will they necessarily stick to Colgate when Crest is on sale, and vice versa. In overcrowded industries, differentiating brands becomes harder."

How can your company break into new competitive space?

"Stop bench marking the competition," Mauborgne said.

Instead, study the competition. Then dare to be really different.

"Kim and Mauborgne present a compelling case for pursuing strategy with a creative, not combative, approach," said Carlos Ghosn, president and chief executive of Nissan Motor Co.

### Leaving The Circus

Companies can move into Blue Ocean thinking through a process the authors call "value innovation."

"Value innovation occurs only when companies align innovation

with utility, price and cost positions," they said.

One company that successfully pulled off Blue Ocean strategy through value innovation is Cirque du Soleil, Kim and Mauborgne say.

When the theatrical company debuted in 1984, most circuses were on the downswing. Circuses competed by bringing in more famous clowns, better animal acts and increasingly dizzying action.

Costs went up. Attendance didn't.

Cirque du Soleil didn't try to compete. Instead, it got creative. Cirque du Soleil's shows were more like Broadway shows, with original musical scores and sophisticated performances with an elegant tent.

By losing the animals and focusing on the artistic aspect, Cirque du Soleil saved cash and attracted new fans -- including adults. In short, they listened to noncustomers.

"Cirque du Soleil did not compete with Ringling Bros. and Barnum & Bailey," the authors said. "Instead it created uncontested new market space that made the competition irrelevant."