

Beyond-the-customer service **can make competitors irrelevant**

Some companies proudly proclaim that they focus intensely or exclusively on the customer. They may be making a mistake.

It's not that the customer shouldn't be your most important concern, but rather that the customer—in the sense of being the consumer or user of your products and services—is very often not the only or even the principal decision maker in choosing what to buy. "The decision to buy the computer I'm using was made not just by me," says Renee Mauborgne, "but by my employer's IT department staff—who want me to watch expenses—and by some of my young students—who tell me what's cool for making presentations."

That's a typical "chain of buyers," according to Mauborgne, a professor of strategy and management at INSEAD, Fontainebleau, France. She is a "user," IT staff are "purchasers," and the students are "influencers." These buyers "frequently hold different definitions of value," Mauborgne asserts, and a company's shift in targeting a different buyer group can reveal "new ways to unlock value."

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That's what Danish insulin producer Novo Nordisk achieved when it shifted marketing from targeting doctors (influencers) to targeting patients (users). Financial information provider Bloomberg did it by shifting its marketing target from IT managers (purchasers) to traders and analysts (users).

Who customers aren't

The shift in focus by these companies represents a breakthrough to what Mauborgne and colleague W. Chan Kim call "blue oceans," where market space is uncontested and, thus, "competition is irrelevant," says Kim, also an INSEAD professor of strategy and management. "You get there not by looking at who your customers are, but who they aren't," he contends.

"A blue ocean strategy is a market-creating strategy. In contrast, a red ocean strategy [red from the blood of competitive warfare] is a market-competing strategy; you occupy existing commoditized market space."

Henry Ford examined non-customers, found they couldn't afford an automobile, and smashed the cost barrier by developing the standardized Model T and its assembly line production. Technologies of the auto and processes of the assembly line were not new, but were newly married by Ford. Ninety years later, Michael Dell similarly looked at the computer's non-customers, and found he could cut prices some 40% by going directly to users to make sales, supported by a customized built-to-order system that dramatically reduced inventory costs. Here, too,

Callaway Golf sailed from red oceans to blue by looking at non-customers, Mauborgne explains.

"It developed the Big Bertha golf clubs by looking at people who had not taken up golf, and found they perceived hitting a golf ball as too difficult." Callaway's answer is Big Bertha, a club with a large head that makes it easier to hit the ball.



Some industries are structured such that upstream firms have little or no direct contact with potential consumers. In the financial services industry, for example, mutual funds and other investment vehicles are mostly sold through brokers and other intermediaries.

The product originator in such cases has an inherently difficult challenge in not having direct control of marketing and sales to end-users, says Dan Sondhelm, vice president and partner with SunStar, a financial services marketing and communications firm in Alexandria, Virginia (www.isunstar.com). "Selling through unaffiliated intermediaries presents three major challenges: You have to help them understand your business, give them a reason to want to market your products to their clients, and convince them to trust you—to believe your offerings are the best thing for *them*."

Everybody wins

Sondhelm says one effective technique that can help achieve these aims is to offer a "boot camp" for intermediaries, where "you invite them to your place to make their sales pitches with you role-playing their client," then critiquing presentations both on style and substance. "It's win-win-win": You help fine-tune your product messages, they gain accuracy and effectiveness, and end-users get more correct and complete information.

An everybody-wins strategy such as that arises from a focus on creating innovative value, rather than a focus on competing. It requires "a systematic and actionable" approach, Kim says.

breakthrough was achieved by linking existing technology to elements valued by buyers.

"Your breakthrough may be intuitive or scientific," Kim says. "Regardless, you find patterns and principles behind the successful creation of new, uncontested markets." ■

Fast follow-up: Kim and Mauborgne are authors of *Blue Ocean Strategy* (Harvard Business School, 2005).