

# The Boston Globe

## Rather than compete, dip into a 'blue ocean'

By Robert Weisman, Globe Staff

BUSINESS publishers have turned out a steady torrent of books about outsmarting, out-hustling, and outmaneuvering -- not to mention smashing, trouncing, and pulverizing -- the competition.

But the latest offering from Harvard Business School Press suggests the best approach may be to stop competing.

In "BLUE OCEAN STRATEGY," set for release on Feb. 3, Renee Mauborgne and W. Chan Kim, professors of strategy and management at the INSEAD business school in France, argue that the most successful companies move from benchmarking competitors and battling for market share within fixed boundaries to creating uncontested market space by redefining their businesses.

Chrysler did just that with the minivan, as did Cirque du Soleil with its reinvented circus, Starbucks Corp. with the double tall latte and, most recently, Apple

Computer Inc. with the iPod.

These are examples not merely of new products, Kim and Mauborgne contend, but of untapped market spaces that create demand and the opportunity for highly profitable growth.

They call these new market spaces "blue oceans," in contrast to the "red oceans" awash with commodity products and bloody cutthroat competition.

"Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries, as Cirque du Soleil did," Mauborgne and Kim write. "In blue oceans, competition is irrelevant because the rules of the game are waiting to be set."

Most companies compete in red oceans, striving to differentiate their products and grab market share, the authors said.

"Too many managers feel like they're spending most of their time

benchmarking competitors and competing over smaller and smaller markets," Mauborgne said in an interview. "The only way they can get advantage is to drop their prices and compete on cost."

Kim and Mauborgne studied 150 moves by successful companies in 30 industries over the past century to decode the blue ocean strategy. One conclusion:

"Blue ocean creators are always thinking about how to redefine the problem," Kim said.

Often this means looking not at their customers but at noncustomers.

Executives at Callaway Golf Co. realized that many people prefer tennis to golf because they found it too hard to hit a small ball long distances with a small club. By marketing its Big Bertha line of larger-headed clubs, they were able to attract golf enthusiasts and also tap into a new market previously impossible to penetrate.

"The creators of blue oceans, surprisingly,

didn't use the competition as their benchmark," the authors note. "Instead, they followed a different strategic logic that we call value innovation . . . Instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space."

How can you tell if your blue ocean strategy is successful? Here are some telltale signs: Kids clamor for iPods because of rave reviews from their peers. Commuters sipping Starbucks coffee cups in downtown Boston are asked by strangers where they bought them.

"Blue ocean companies have fans rather than customers," Mauborgne said.

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