

# AdvertisingAge<sup>®</sup>

## Rethinking 'Blue Ocean Strategy' in a Down Economy

---

Instead of Finding Uncontested Market Space, Use Book's Tenets to Carve Out Stronger Competitive Position

by Brian Sheehan

*Published:* [March 31, 2009](#)

In 2005, a book on business strategy called "Blue Ocean Strategy" took corporate America by storm. Blue oceans were enthused about in boardrooms everywhere. It became a best-seller, with more than 1 million copies sold.

The book expounded a theory of value innovation, whereby companies caught up in competitive "red oceans" -- where the competition is fierce and the water gets bloody -- could reconstruct their market boundaries, thereby creating "blue oceans" -- serene new market spaces in uncharted waters. Value innovation was defined as creating a leap in value for consumers while lowering costs and increasing revenue for the company.

A prime example was Cirque du Soleil, which took traditional circus acts and infused them with Broadway-style creative productions to increase customer value and ticket prices, while simultaneously cutting the largest cost item of the circus: the animals. Cirque du Soleil reinvented the circus and today maintains its dominance in a largely uncontested market space.

### **Difficult to find**

In a vibrant economy, the potential of finding highly profitable blue oceans became irresistible to corporate CEOs. In reality, however, finding blue oceans proved very difficult, in part because there were so few to find. Not every

industry was as ripe for transformation as the circus, and blue oceans were usually easier to recognize and map out after they had been discovered or stumbled into through the serendipity of the product-development process.

Another problem with finding blue oceans was that many of the most dynamic industries had only recently been blue oceans themselves. Companies such as Yahoo, which a few years ago enjoyed fast-growing markets without cutthroat competition, now need to avoid being eaten alive.

Is "Blue Ocean Strategy" obsolete? No. Instead, its lessons need to be reinterpreted in relation to new economic realities. It offers many useful insights, whether a category is ripe for transformation or not.

For example, aside from being a way to find uncontested market space, value innovation offers a fundamental way to carve out stronger competitive positions within existing markets. Its tenets of shedding cost and adding value can help transform moribund companies, which have been outflanked, as well as fast-moving companies, which are being challenged for the first time.

### **Makings of a 'Red Ocean Strategy'**

"Blue Ocean Strategy" has embedded within it the makings of a great "Red Ocean Strategy." The book offers a particularly powerful tool for coming to grips with value innovation in a down market: the Eliminate-Reduce-Raise-Create Grid. The grid is a matrix that guides companies to list the things they need to eliminate, reduce, raise and create.

### **ABOUT THE AUTHOR**

**Brian Sheehan** is an associate professor at Syracuse University's S.I. Newhouse School of Public Communications. Brian spent 25 years in the advertising industry and was CEO of agencies in Los Angeles, Australia and Japan, working with clients such as Toyota, DuPont, Hewlett-Packard, Ritz-Carlton, General Mills and Procter & Gamble.

One company that has used this process extensively is Saatchi & Saatchi. The advertising agency's worldwide CEO, Kevin Roberts, has dubbed it the

"Transformation Grid," something he believes enables the agency to identify strategies and hone resources to move faster than its competition.

The difference between using the grid to find blue oceans and using it to succeed in red oceans is one of emphasis. It would be impossible to discover a blue ocean without a strong, concrete idea of what you want to create. Therefore, the "create" box in the matrix is paramount in the blue-ocean world. However, to compete better in an existing red-ocean market space, the "eliminate" and "reduce" boxes are paramount. They become critical because the key challenge for companies trying to compete in red oceans is resource reallocation. The speed with which resources can be freed up by eliminating or reducing nonproductive tasks is directly and proportionally related to a company's ability to put its resources to work at productive tasks.

### **Not as easy as it sounds**

It sounds relatively easy: Use the Eliminate-Reduce-Raise-Create Grid and focus on what needs to be eliminated or reduced. Unfortunately, it's not. That's because while people are very good at identifying productive new things they should be doing, such as providing their customers with new services, they are notoriously bad at identifying things that can be eliminated, such as inefficient internal processes.

Company processes are rarely neat and clean, because processes over time become intertwined with other processes. They become parts of many people's jobs and cut across many departments in varying ways. What seems like something that is nonproductive to one group in the company seems very productive to another. It may be unproductive to management, but someone, somewhere has come to rely on it. For example, cutting a marketing service for which your customer is no longer willing to pay a premium might eliminate customer information that is being used by engineers to design new products. Employees who are tied to the process know that change creates uncertainty. In fact, it creates the biggest uncertainty of all: "Will I still have a job?"

In a tough economy, protection of the core, shedding of extraneous strategies and refocusing of available resources make you a more formidable competitor in

the long run. Overall, what an organization decides to stop doing, or do less of, is just as important as what it needs to start doing.

Today, our economic ocean is getting redder a lot faster than it can get bluer. Funnily enough, Blue Ocean Strategy has never been more relevant.