

Blue Ocean Strategy:

How to Create Uncontested Market Space and Make the Competition Irrelevant

By Bill Schwartz, Executive Vice President, TBM Consulting Group, Inc.

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Readers of this column who are also long-term partners with TBM will recognize some of the value innovation tenets presented in *Blue Ocean Strategy* (W. Chan Kim and Renée Mauborgne, Harvard Business School Publishing Corporation, Boston, MA, 2005). One of TBM's oft-repeated mantras is that companies should leverage lean for growth by learning to *run a different race*. We tell our partners that once they have gotten their house in order by using lean principles and kaizen, they are ready to position themselves for growth by using value innovation. *Blue Ocean Strategy* provides well-reasoned and understandable explanations on how to run that different race.

I consider *Blue Ocean Strategy* required reading for managers who want to become more competitive in their marketplace—who want to understand how to compete to win.

This is not a book about lean or the Toyota Production System. It's about strategy and understanding your market and looking at your market differently. The authors show you how to step away from the "red ocean," where there's blood in the water as competitors fight over existing markets and products, and find the market segments and product opportunities that were previously unknown, the "blue ocean." They want you to think about the blue ocean—a vast, deep, wide-open space where the opportunities just may be endless—where companies should be choosing to compete.

Kim and Mauborgne emphasize the idea of eliminating obsolete or aging qualities in products, reducing things that people don't want or need, and raising features that people care about or that aren't currently covered by existing products. These concepts—strategic voice of the customer and value innovation—are the cornerstone of this book.

Part of what makes *Blue Ocean Strategy* so readable is the well-presented examples used to illustrate the authors' concepts. Consider Ringling Bros. and Barnum & Bailey Circus, which for more than a hundred years has defined what a circus is and should be.

According to the authors, most competitors of Ringling Bros. were simply smaller versions of Ringling's three rings under the big top, with star performers and animal acts galore. The authors also note that the circus industry was one in decline. Children had lots of other forms of entertainment and,

frankly, circuses have simply lost some of their charm and attraction for young people and adults alike.

Then in 1984, a group of street performers in Canada created a new type of circus: Cirque du Soleil. Cirque du Soleil achieved financial success in less than one-fifth the time it took Ringling Bros. to do so. Why?

Cirque du Soleil did not compete with Ringling Bros. and Barnum & Bailey. Instead it created uncontested new market space that made the competition irrelevant. It appealed to a whole new group of customers: adults and corporate clients prepared to pay a price several times as great as traditional circuses for an unprecedented entertainment experiences. (p. 4)

What Cirque du Soleil offered was performance that were much more refined, choreographed, and well-staged. They added music, light, and dance to appeal to all the senses, and removed vendors in aisles and animal acts.

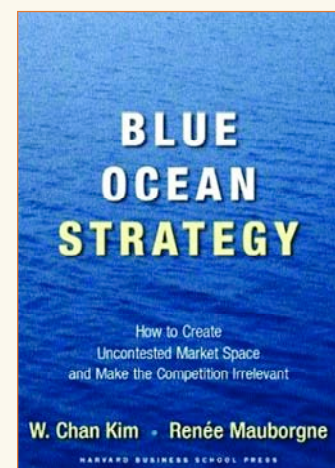
Another probably more familiar example is the strategy used by Southwest Airlines to reinvent airline travel through the use of value innovation. Southwest looked at what most airlines offered and compared those offerings with what travelers really wanted. Southwest found out that travelers wanted to save time by flying but also wanted the greater schedule flexibility and lower cost that could be obtained through automobile travel. Southwest's blue ocean strategy, removing those offerings common to most airlines that customers placed low value on and concentrating on the high-value items—speed, flexibility, and economy—allowed Southwest to change the face of the airline industry.

My copy of this book is thoroughly dog-eared and underlined. It's an easy read and very logical. We often hear that some of the best ideas are simple ideas, and this is one of them. If you want a greater understanding of what it means to be a value innovator and how to move your lean journey to the next step to run a different race, add *Blue Ocean Strategy* to your library. It's a book for lean practitioners and value innovators to live by. ■

If you have any comments regarding this review or this book, please forward them to me at bschwartz@tbmcg.com.



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