

## In these Tough Times, what is your Blue Ocean Strategy?

In today's tough times, those that reinvent themselves and adapt will excel. As Darwin rightly says, *"it is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."*

When we think of strategy, we think of Michael Porter's classic definition: "strategic positioning is about doing *different things* or performing similar activities in *different ways*."

He quotes the example of R. R. Donnelley & Sons Company, who were excellent in achieving organizational efficiencies in its commercial printing business but failed to adapt quickly enough to the onset of CD Rom duplication. Hence, a leading global commercial company had to downsize rapidly and restructure completely in order to survive.

Most companies try to outperform their rivals through incremental changes in price or quality - assessing what their competitors do and striving to do the same things better. Cost and value are seen as trade-offs. As the market space becomes more crowded, supply overtakes demand causing products and services just become commodities, encouraging price wars and duplication among rivals.

Gaining market share becomes the norm and profits gradually diminish across the entire industry. An example of this can be found in the airline industry where price wars resulted in numerous bankruptcies in many smaller airlines over the last 48 months. We have all been aware of those poor unfortunates stranded with children and grandparents in Canada, Greece or France, as the airlines no longer has the funds to fly them home.

Contrast this with the likes of Southwest Airlines, who focus heavily on price and convenience-sensitive customers. They consistently outperform rival operators as their whole business is focused on performing their activities very differently from competitors.

### What is a blue ocean strategy anyway?

W. Chan Kim and Renee Mauborgne, Harvard Business School Press have described a new way forward, called Blue Ocean Strategy-moving into new innovative areas where there is no competition-it makes us unique and "unimitable" as Jay Barney, (1990), would argue.

The authors studied 150 strategic moves in over thirty industries over the last 100 years to determine how they became successful through value innovation. They discovered common factors which led to the creation of blue oceans and the key differences separating winners from those that were just surviving.

### What is the difference between 'red' and 'blue oceans'?

RED OCEAN STRATEGY	BLUE OCEAN STRATEGY
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

Markets that are well explored and already crowded with competitors are called "red oceans". They are called red because the only way to increase profits is by taking away market share from the competition. This usually results in bloody battles where few companies emerge unscathed. However, since the dominant focus of strategy research has been on competition-based red ocean strategies, this is not uncommon or unexpected.

"Blue oceans" are uncontested market space - pools of demand and customers that have not been reached by any competitor. Blue oceans have always been around. The advances made by Steve Jobs in Apple Computers with the 'ipod', 'iphone' and now the 'ipad' were at one stage just a dream-now they have changed how we listen to music and communicate globally. This is a great example of where creative thinking ignores conventional wisdom and current product design.

What is the differentiator in your business?