

Make Your Competition Irrelevant

This paper describes how to use Blue Ocean Strategy concepts, as defined by W. Chan Kim and Renee Mauborgne, to reject conventional wisdom and make your competition irrelevant.

The Dangers of Conventional Wisdom

Conventional Wisdom is defined as the ideas, opinions, or understanding that is considered to be generally accepted by the public. In business there is no greater threat to success than conventional wisdom as it unfairly and often times incorrectly defines the characteristics and traits of an industry and marketplace. Consider that conventional wisdom held that:

- Coke was losing market share because people preferred the sweeter taste of Pepsi. The introduction of New Coke led to a massive consumer backlash and the original Coke was brought back to the market within a month.
- People liked crispy cookies, not soft and chewy cookies, and that a cookie store is a bad idea. Despite this, Debbie Fields went forward.
- There was no reason for anyone to want a computer in their home. Ken Olson, the President of Digital Equipment Corporation might have a different perspective on that today.

Clearly, conventional wisdom can be dangerous. One form of conventional business wisdom is that strategy should be focused on beating the competition.

A better strategy, espoused by W. Chan Kim and Renee Mauborgne, in their 2005 best selling book, Blue Ocean Strategy, is to create new opportunities in uncontested market space, thereby making your competition irrelevant.

Rather than fight with competitors in a crowded market (the red ocean), successful companies find ways to create demand in areas that are ripe for growth (the blue ocean).

Uncontested Waters

Based on the teachings in Blue Ocean Strategy (which we highly recommend) and our own work in applying these concepts, we offer the following three-step process to finding your uncontested market space.

■ Step 1:

Understand Your Competition and Industry Factors

Begin by identifying your competition, and based on trends, those who could be future competitors. Then you need to identify the factors on which your industry competes. For example, most industries compete based on some combination of these factors: value added services, customer service, price, reputation, products, accessibility, size and expertise. Lastly, you'll want to identify the degree to which you and your competition invest in each of the competitive factors. For example, a company that invests in customer service is directing significant resources toward having high quality customer service, believing that it is valuable to customers and therefore worth the investment.

■ Step 2:

Understand What Your Target Customers Need and Value

Often times, conventional wisdom defines what customers need and value, such as low price and high quality. In fact, if you ask customers what they want, they are likely to tell you just that. But if you ask your best and most loyal customers what they like the most about you, they might say things like "I feel valued" or "I love the personal touch". It is common for customers to express their true feelings about a product or service in emotional terms, either due to feeling taken care of or having a burning problem solved.

Another way to determine what your customers need and value is to observe how they use your products and your competitors' products. For example, in today's banking world, customers have a choice of banking in person, online, over the phone or at the ATM. It is important to observe which medium each customer segment is using to determine what they value.



For additional information, contact:

Michael K. Vann
Michael.Vann@vann-group.com
413.543.2776

819 Worcester Street
Springfield, MA 01151
www.vann-group.com

■ Step 3:

Build the Value Proposition

Once you understand the manner in which your industry is competing for business and your customers' needs and values, it is time to assess your own ability to deliver. Your goal is to determine what additional value you can create that's meaningful to your customers and that is not already available in your market. To do so, you'll want to ask and answer these questions:

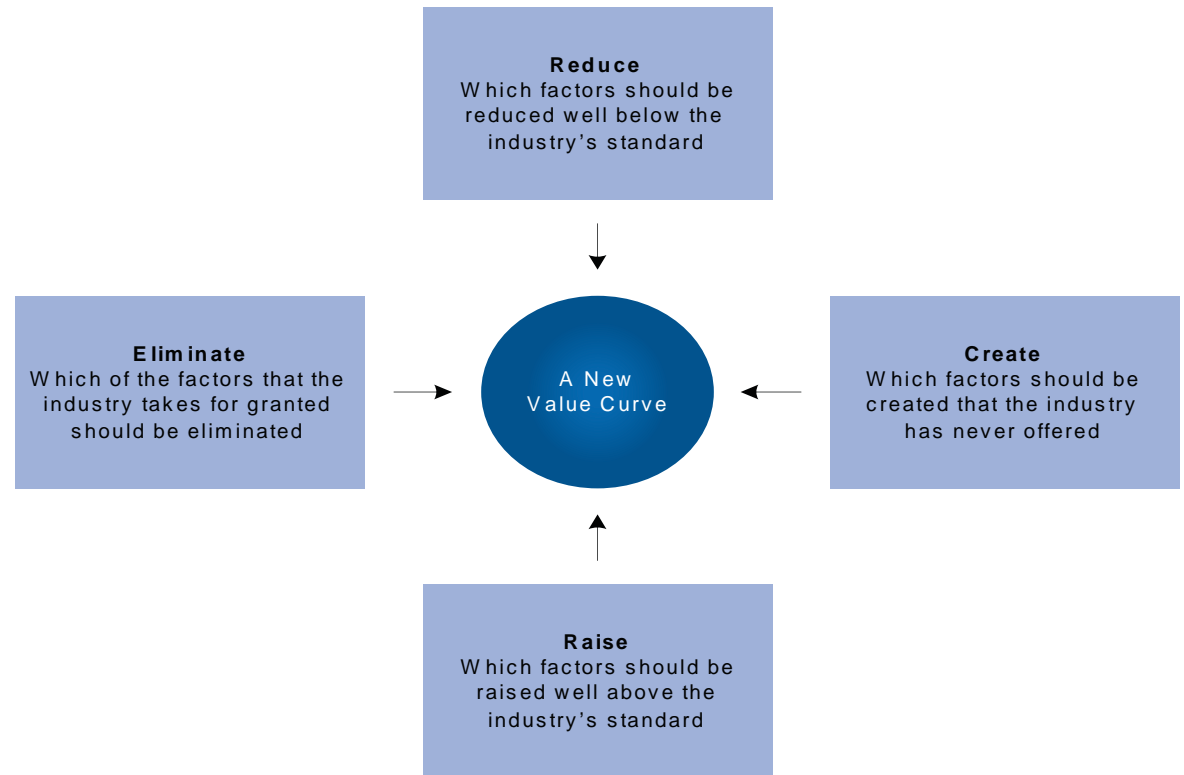
- *What are your core competencies?*
- *What can you be the best in the world at?*
- *How does your company create value?*
- *What capabilities do you bring to the table?*
- *How do you substantiate your ability to deliver on your value promise?*

Once you know what you can deliver that your customers will value and that is not available from your competition (you have created a Blue Ocean!), you'll also want to find activities that you can eliminate or reduce so that you become a lower cost organization and you're only investing in those activities that will make a BIG difference for your customers and for your bottom line.

[Consider the chart on the right..](#)

In Conclusion

In conclusion, it is important to understand your competitors and how your industry competes. But that does not mean the goal should be solely to beat the competition. This is the "red ocean" strategy which often leads to investing in improvements that are only marginal advantages over the competition - and easily copied - which makes them short term marginal advantages. A better strategy is to differentiate your company in a way that is meaningful and unique and to reduce the cost of operations at the same time.



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