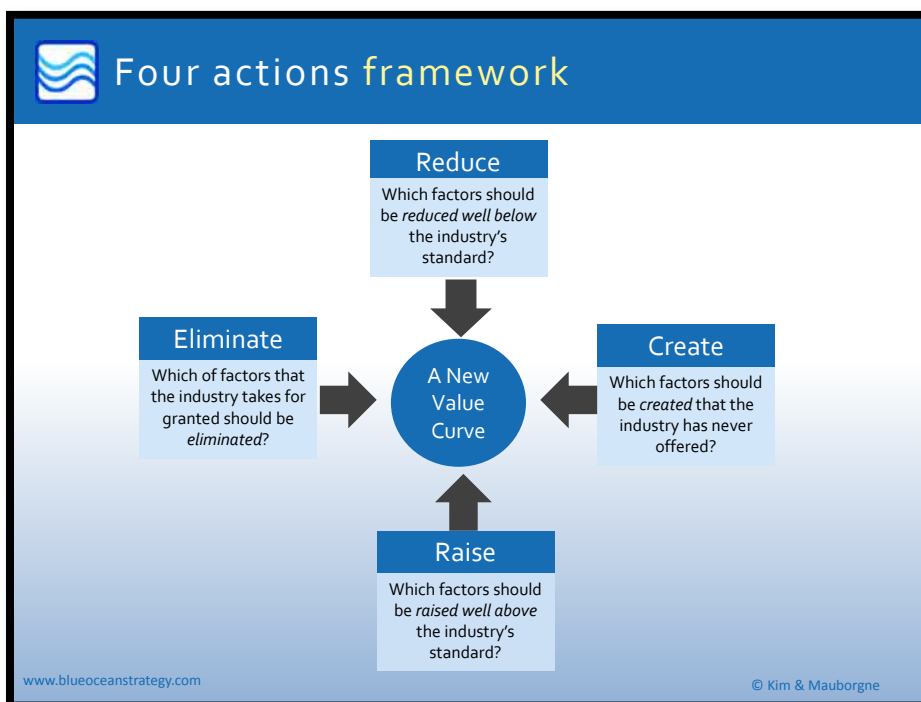
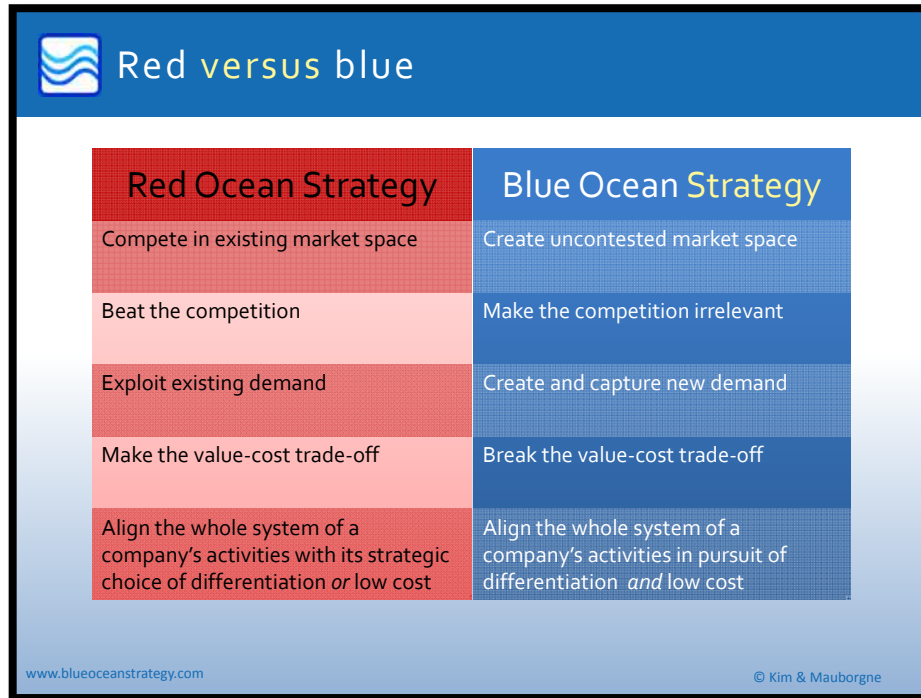


Becoming an Innovative Leader

In *Blue Ocean Strategy*, W. Chan Kim and Renee Mauborgne present the concept of a “Blue Ocean Strategy” as a way for an organization to enter a market or audience that’s open and undisturbed. When it comes to defining what Blue Ocean Strategy is, it helps to start by picturing a vast ocean. Most businesses are located in what the authors call a red ocean. The red ocean is jam-packed with other businesses, all offering similar products and services, and competing with each. Blue oceans are the exact opposite. Blue oceans are open and empty, with plenty of space to expand and sail where you want. In blue oceans there is often no competition, or, if there is any, it is effectively irrelevant to you because it can’t touch you. Here demand, customers, and growth are yours for the taking. You and your organization stop using the competition as your benchmark, and go your own way.

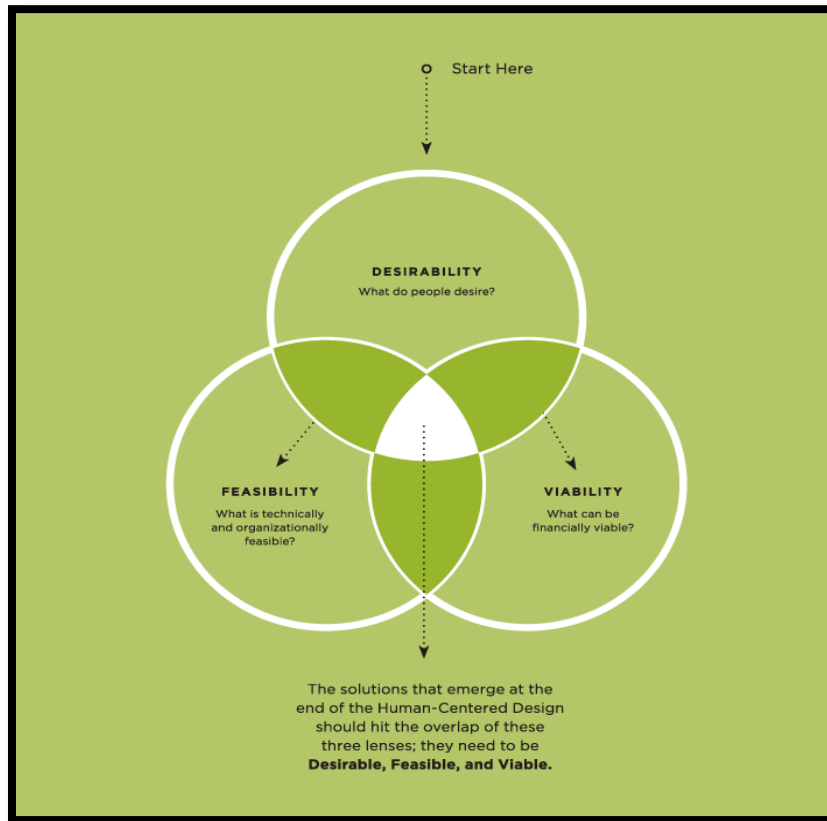


Eliminate-Reduce-Raise-Create Grid

<p>Eliminate: Which of the factors that the “industry” takes for granted should be eliminated—factors that organizations have long competed on?</p>	<p>Raise: Which factors should be raised well above the industry’s standard? How can you uncover and eliminate the compromises your “industry” forces customers to make?</p>
<p>Reduce: What factors should be reduced well below the industry’s standard? Have products been overdesigned in the race to match and beat the competition—over-serving customers and increasing cost for no gain?</p>	<p>Create: Which factors should be created that the industry has never offered? How can you discover entirely new sources of value for buyers and create new demand?</p>

Strategy

To create a blue ocean successfully, an organization should address quality, strategic factors, outcomes, and adoption sequentially and formulate and execute its strategic move by aligning value, results, and people propositions. To assess whether a blue ocean idea will be successful or not, consider the following: (1) if there is high quality and exceptional experiences in the idea; (2) if the strategic factors will make the idea accessible to the target audience; (3) if the projected results can be attained to ensure the effectiveness of the idea; and (4) if the adoption hurdles in actualizing the idea have been addressed. It is a simple but robust test that allows people to evaluate the success potential of blue ocean ideas and sheds insight into how the idea may need to be improved to unlock a blue ocean of new audiences.



Blue Ocean Strategy website: www.blueoceanstrategy.com

Kim, W. Chan and Renee Mauborgne. “Blue Ocean Strategy.” *Harvard Business Review*. October 2004. (Available at: http://mindsetandattractionmarketing.com/Blue_Ocean_Strategy.pdf)

Kim, W. Chan and Renee Mauborgne. *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*. Cambridge: Harvard Business School Press, 2005.

Case Study: Cirque du Soleil

Cirque du Soleil is a Quebec based company recognized the world over for high-quality, artistic entertainment. Since its dawn in 1984, Cirque du Soleil has constantly sought to evoke the imagination, invoke the senses and provoke the emotions of people around the world.

- In 1984, 73 people worked for Cirque du Soleil. Today, the business has 5,000 employees worldwide, including more than 1,300 artists.
- More than 100 types of occupations can be found at Cirque. The company's employees and artists represent more than 50 nationalities and speak 25 different languages.
- More than 100 million spectators have seen a Cirque du Soleil show since 1984; 15 million people in 2012.

What makes this rapid growth all the more remarkable is that it was not achieved in an attractive industry but rather in a declining industry in which traditional strategic analysis pointed to limited potential for growth. Alternative forms of entertainment —ranging from various kinds of urban live entertainment to sporting events to home entertainment—cast an increasingly long shadow. Children cried out for PlayStations rather than a visit to the traveling circus. Partially as a result, the industry was suffering from steadily decreasing audiences and, in turn, declining revenue and profits. There was also increasing sentiment against the use of animals in circuses by animal rights groups. Ringling Bros. and Barnum & Bailey set the standard, and competing smaller circuses essentially followed with scaled-down versions. From the perspective of competition-based strategy, then, the circus industry appeared unattractive.

Another compelling aspect of Cirque du Soleil's success is that it did not win by taking customers from the already shrinking circus industry, which historically catered to children. 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 experience. Significantly, one of the first Cirque productions was titled "We Reinvent the Circus." Cirque de Soleil succeeded because it realized that to win in the future, companies must stop competing with each other. The only way to beat the competition is to stop *trying* to beat them.

Neither an ordinary circus nor a class theater production, Cirque de Soleil paid no heed to what the competition did. Instead of following the conventional logic of outpacing the competition by offering a better solution to the given problem—creating a circus with even greater fun and thrills—it sought to offer people the fun and thrill of the circus *and* the intellectual sophistication and artistic richness of the theater at the same time; hence, it redefined the problem itself. By breaking the market boundaries of theater and circus, Cirque de Soleil gained a new understanding not only of circus customers but also of circus noncustomers: adult theater customers.

In short Cirque du Soleil offers the best of both circus and theater, and it has eliminated or reduced everything else. By offering unprecedented utility, Cirque du Soleil has created a blue ocean and has invented a new form for live entertainment, one that is markedly different from both traditional circus and theater. At the same time, by eliminating many of the most costly elements of the circus, it has dramatically reduced its cost structure, achieving both differentiation and low cost. Le Cirque strategically priced its tickets against those of the theater; lifting the price point of the circus industry by several multiples while still pricing its productions to capture the mass of adult customers, who were used to theater prices.

Traditional Circuses	Cirque du Soleil
<ul style="list-style-type: none"> • Animal shows • Star performers • Slapstick clowns • Classic acrobatic acts • Multiple show arenas in 3 rings • Aisle concession sales • Traditional audiences 	<ul style="list-style-type: none"> • No animals, no stars • Enchanting and more sophisticated clowns • Retention of the symbolic and glamorous aspects of circus, such as the tent and the more breathtaking aspects, such as acrobats • Creation of a hybrid between the circus and the theatre, borrowing from Broadway shows • Original music score, driving the visual performance, lighting, and timing of the acts • Abstract and spiritual dance, an idea derived from theater and ballet • Incorporation of more comfort, sophistication, elegance and theatrical themes and plots (stories); this brought not only the richness of theatre but a whole new demographic of customers • Multiple productions, giving people a reason to come to the circus more frequently • New audiences and demographics