GUEST COLUMNIST

Blue Ocean Strategy's Fatal Flaw

By Wayne E. Pollard

In their international bestseller, **Blue Ocean Strategy**, W.Chan Kim and Renee Mauborgne provide tools and frameworks for creating "blue oceans"—their term for "all the industries *not* in existence today. This is the unknown market space." However, the authors fail to discuss (at any significant length, anyway) the key factor that determines the success of any blue ocean strategy: marketing. Without an effective marketing strategy, and its execution, there can be no successful blue ocean strategy.

Out of 240 pages, Kim and Mauborgne devote approximately one paragraph to the importance of marketing. This minute discussion appears in the chapter "Analytical Tools and Frameworks." The lone paragraph starts with, "A good strategy has a clear-cut and compelling tagline." By only devoting one paragraph to the importance of marketing and then only focusing on creating taglines, the authors diminish the role marketing plays in the execution of blue ocean strategy. They also trivialize the difficulty in creating that "clear-cut and compelling tagline."

Writing a book about a strategy for creating "uncontested market space" without stressing the critical role marketing plays in executing that strategy is like writing about the Chicago Bulls' six championship seasons and only mentioning Michael Jordan's name in a footnote. Just as the Bulls needed Michael Jordan to win, blue ocean strategy needs marketing to win.

Kim and Mauborgne write, "When a company offers a leap in value, it rapidly earns brand buzz and a loyal following in the marketplace." The only value that matters is the market's perceived value, which exists in the mind of the market. Perceived value is created by marketing. Marketing has to make people aware of the "value innovation." Likewise, brand buzz is the product of the successful execution of marketing strategy, not a leap in value. Kim and Mauborgne use Casella Wines' Yellow Tail line of wines as an example of a successful blue ocean strategy. Yet, to what extent can Casella Wines' success be attributed to the company's making retail employees "ambassadors of Yellow Tail" by giving them Australian outback clothing? This effective marketing strategy contributed to Yellow Tail's success.

The authors state that blue oceans are defined by "untapped market space, *demand creation,* and the opportunity for highly profitable growth." Demand creation defines blue oceans, yet the authors don't discuss in detail how to create demand, which is a function of marketing.

There are, in my judgment, only two reasons for the authors' failure to discuss the importance of marketing to blue ocean strategy execution. First, Kim and Mauborgne may have assumed that readers know and understand marketing's importance to effective blue ocean strategy execution. Effective marketing is a given, they may think.

If Kim and Mauborgne do believe that marketing execution is key to the success of blue ocean strategy, they should have written a chapter on it, as they did with the discussion on overcoming organizational hurdles. I do not believe, however, that the authors see effective marketing as a given because they present *Blue Ocean Strategy* as an all-inclusive book that tells companies how to create uncontested market space.

The second possible reason Kim and Mauborgne might have failed to discuss the importance of marketing is that they just might believe that marketing plays little role in successful blue ocean strategy execution. They seem to believe that with "value innovation" and "unprecedented value" customers will come. Yet business history is replete with examples that contradict this.

First in Mind vs. First in Market

Coca-Cola wouldn't be #1 on Interbrand's 100 Top Brands if it were not for marketing. It wasn't even the first soft drink. Dr. Pepper was being made in Morrison's Old Corner Drug Store in Texas back in 1885, about a year before Coca-Cola. From the very beginning, the company had marketing in mind. Frank M. Robinson, the partner and bookkeeper of Dr. John Stith Pemberton, the Atlanta-based pharmacist who produced the syrup for Coca-Cola, designed the famous "Coca-

Cola" trademark thinking that "the two Cs would look well in advertising."

Few would dispute that Coca-Cola created an uncontested market space; the brand is still dominant. Yet, in its first year, sales only averaged a mere nine drinks per day. Dr. Pemberton didn't appear to realize that he had winner in his hand; he sold his interest in the business. Asa G. Candler, a local businessman, eventually acquired complete control and it was Candler who built the brand. According to the Coca-Cola company, Candler was a "firm believer" in advertising. He expanded on Dr. Pemberton's "marketing efforts" by distributing thousands of coupons for free glasses of Coca-Cola, among other things. Candler "promoted the product incessantly" and his "flair for merchandising" increased sales of Coca-Cola syrup tenfold. It wasn't Coca-Cola's unprecedented value that built the brand and created demand, it was the marketer.

Few would dispute that McDonald's created a blue ocean. Yet, McDonalds wasn't the first hamburger chain. White Castle was founded in 1921. The McDonald brothers didn't open their California hamburger stand until 1948. Despite how good their burgers and shakes were, Dick and Mac McDonald probably would have kept selling food from their stand in California if it was not for a milk shake salesman named Ray Kroc.

Kroc met the brothers in 1954. It took his plan to franchise to make the company grow. Within five years of Kroc becoming a franshisee there were 200 McDonald's restaurants. This aggressive plan for attacking the market led to McDonald's being first in mind, which is why, today, McDonald's is what comes to people's minds when they think of fast food and hamburgers. White Castle, which has no franchisees in the United States, has approximately 390 restaurants. McDonald's has over 30,000.

What matters most is not being first to market but first in the mind of the market. And the battle for first in mind is won by the best marketer—period.

Maybe Kim and Mauborgne don't consider Coca-Cola or McDonald's to be examples of blue ocean strategy in action. Maybe they consider effective marketing to be a "red ocean" skill, that is, one that applies to industries already in existence today, the known market space.

Taking Marketing for Granted

Kim and Mauborgne appear to take key marketing decisions, such as the decision to franchise or to provide Australian outback clothing, for granted. As a business journalist I interviewed over 200 entrepreneurs. I came across companies that, as their customers would argue, created uncontested value. So why haven't you heard of them? The owners were content and didn't want to expand. Expansion is a choice made by a marketer with a vision and it is effectively executed by a marketer with chops.

Anita Roddick did not originally intend on building a business empire. She could have remained comfortable with the business she was doing. Instead, she chose to franchise The Body Shop, a company that the authors use as an example of blue ocean strategy.

Kim and Mauborgne also use Curves as an example and state that, "Since franchising began in 1995, Curves has grown like wild fire...." Curves did not have to franchise; it chose to. What if Curves and The Body Shop had chosen a different marketing strategy for expansion, such as company-owned stores, would they have had tremendous growth and become blue oceans? I doubt it. How a business chooses to expand is an important marketing decision.

Everyone knows that Bill Gates and Microsoft (#2 on Interbrands' list) didn't create DOS; Tim Paterson at Seattle Computer Products did. In a great marketing move, Microsoft acquired the rights to DOS and licensed it to IBM. To quote Paterson in a 1997 *Forbes* article, "DOS became big only because of Microsoft's muscle. It wouldn't have been anything if Seattle Computer had retained ownership."

The founders of the original Starbucks (#99 on Interbrand's list) were not the ones who executed the vision of the company as it is today; that was Howard Schultz, the company's director of retail operations and marketing. He introduced the coffeehouse concept to the company and in 1987 acquired the name "Starbucks" and the company's assets from the owners. Schultz had an aggressive plan for attacking the market and in three years he had 84 locations.

You cannot separate the marketer from the blue ocean strategy.

It is clear that without an effective marketing strategy, there would be no blue oceans. There would be blue lakes at best. There has to be a strategy for reaching the market on a large scale. Kim and Mauborgne fail to explain this.

Value alone doesn't build brands; marketing builds and sustains brands. Strategists often forget the mind of the market. The market determines who wins and loses, not the strategists. A plan that doesn't take the mind of the market into heavy consideration is flawed.

Market space is only contested or uncontested in people's minds. Thus, a discussion on creating "uncontested market space" that does not discuss in great detail how to reach the mind of the market is at best incomplete and at worst misleading.

In the 2003 movie, *Open Water*, a couple gets stranded scuba diving after their tour boat accidentally leaves without them. As you watch it, there's one thing that you know for sure: The sharks are coming. Likewise, when you begin to execute on a blue ocean opportunity, there is one thing you know for sure: Your competitors are coming. However, an effective marketing strategy helps you increase your market share and defend it from your competitors. Without a marketing strategy, sure, you will create a blue ocean, but while you're out there, all by yourself in that open water, you won't be the market leader; you'll be chum.

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