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*Competing in overcrowded industries is no way to sustain high performance. The real opportunity is to create blue oceans of uncontested market space.*

## Blue Ocean Strategy

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# Blue Ocean Strategy

## The Idea in Brief

The best way to drive profitable growth? Stop competing in overcrowded industries. In those **red oceans**, companies try to outperform rivals to grab bigger slices of existing demand. As the space gets increasingly crowded, profit and growth prospects shrink. Products become commoditized. Ever-more-intense competition turns the water bloody.

How to avoid the fray? Kim and Mauborgne recommend creating **blue oceans**—uncontested market spaces where the competition is irrelevant. In blue oceans, you invent and capture new demand, and you offer customers a leap in value while also streamlining your costs. Results? Hand-some profits, speedy growth—and brand equity that lasts for decades while rivals scramble to catch up.

Consider Cirque du Soleil—which invented a new industry that combined elements from traditional circus with elements drawn from sophisticated theater. In just 20 years, Cirque raked in revenues that Ringling Bros. and Barnum & Bailey—the world's leading circus—needed more than a century to attain.

## The Idea in Practice

How to begin creating blue oceans? Kim and Mauborgne offer these suggestions:

### UNDERSTAND THE LOGIC BEHIND BLUE OCEAN STRATEGY

The logic behind blue ocean strategy is counterintuitive:

- **It's not about technology innovation.** Blue oceans seldom result from technological innovation. Often, the underlying technology already exists—and blue ocean creators link it to what buyers value. Compaq, for example, used existing technologies to create its ProSignia server, which gave buyers twice the file and print capability of the minicomputer at one-third the price.
- **You don't have to venture into distant waters to create blue oceans.** Most blue oceans are created from within, not beyond, the red oceans of existing industries. Incumbents often create blue oceans within their core businesses. Consider the megaplexes introduced by AMC—an established player in the movie-theater industry. Megaplexes provided moviegoers spectacular viewing experiences in stadium-size theater complexes at lower costs to theater owners.

### APPLY BLUE OCEAN STRATEGIC MOVES

To apply blue ocean strategic moves:

- **Never use the competition as a benchmark.** Instead, make the competition irrelevant by creating a leap in value for both yourself and your customers. Ford did this with the Model T. Ford could have tried besting the fashionable, customized cars that wealthy people bought for weekend jaunts in the countryside. Instead, it offered a car for everyday use that was far more affordable, durable, and easy to use and fix than rivals' offerings. Model T sales boomed, and Ford's market share surged from 9% in 1908 to 61% in 1921.
- **Reduce your costs while also offering customers more value.** Cirque du Soleil omitted costly elements of traditional circus, such as animal acts and aisle concessions. Its reduced cost structure enabled it to provide sophisticated elements from theater that appealed to adult audiences—such as themes, original scores, and enchanting sets, all of which change year to year. The added value lured adults who had not gone to a circus for years and enticed them to come back more frequently—thereby increasing revenues. By offering the best of circus and theater, Cirque created a market space that, as yet, has no name—and no equals.