



Is Amazon Dooming Retailers or Are Retailers Dooming Themselves?

Retailers are focused on competing instead of creating.

In their just released book, **BLUE OCEAN SHIFT**, Chan Kim and Renée Mauborgne, creators of Blue Ocean Strategy, deliver the definitive guide to shifting yourself, your team and your organisation to new heights of confidence, market creation and growth. They show why nondisruptive creation is as important as disruption in seizing new growth, what leads to one over the other and why you'd be unwise not to understand this.

INSEAD Knowledge (IK): Amazon is capturing the headlines today for dooming retail, especially large department stores in the U.S. that employ thousands of people. Applying your ideas from *Blue Ocean Shift*, what's your take on this? What should retail do?

Kim and Mauborgne: Our question is "Is Amazon dooming retailers or are retailers dooming themselves?" Because when you look at retailers today – say department stores in the U.S., and you remove the signage, you're not going to know if you are in a Bloomingdale's, Lord & Taylor or Saks Fifth Avenue. Moreover, if you look at those organisations today versus 30 years ago, they look virtually the same. Because they are focused on competing within the industry instead of creating, which is what Amazon is doing. So while Amazon may be accelerating their demise, they got on that track all by themselves.

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But let's not forget that Amazon is also not as almighty as people give it credit for. Yes, it's very successful, but it's not always successful. Despite its vast resources and reach, it has also failed many times. Like against Zappos, which it eventually needed to buy. Or against Apple's iPhone with its failed Amazon Fire Phone. Or recently against the much younger Shopify, which it retreated on and decided to cooperate with instead. And why? Because these all created new markets, opening new value-cost frontiers, and whenever Amazon tried to imitate them they failed. Imitation is not the path to the future. The best defense is offense. And the best offense as Zappos and Apple and Shopify and Amazon itself can attest is creating new markets that open new value-cost frontiers. So the way for retail to succeed is to stop competing head-to-head and certainly not to imitate Amazon. It's to shift and start creating. And when they do they will build a strong future. Like Warby Parker did in the eyeglasses retail market. And Shake Shack is doing in the otherwise saturated fast food market. Or Home Depot, which after nearly 40 years, just had a great quarter.



In **Blue Ocean Shift**, we lay out step-by-step the path retail and any company can take to shift their organisation from the red to the blue ocean and to do it in a way that their people own and drive the process. And that's inspiring.

IK: So, if retail is dooming themselves, what's the first thing they should do based on your book?

Kim and Mauborgne: First make creating, not competing, their key strategic agenda. Without it being their number one priority, they are not going to move the needle and get out of the shrinking red ocean they are in. Too many companies spend 90 percent of their time worrying about reality and only 10 percent doing something about it. That is not a formula for success. It needs to be the other way around. Next, they need to get super clear about the current state of play. They need to wake up. Many organisations are living in illusion and the past. We have a tool in the book that drives you to take a hard look at yourself as the market sees you. And if retailers applied it, they'd discover that they all compete in the same space they have for 30 years and all are near mirror images of one another. No wonder they are sweet pickings for Amazon. That creates a real wake-up call. Equally importantly it makes you realise the levers of control for your future are not in Amazon's hands; they are in your own. That gets everyone aligned and creates the impetus for change. In the end, it's very empowering.

IK: But competition is what makes companies stronger. Are you saying being competitive isn't a good thing?

Kim and Mauborgne: Being competitive is a great thing. But the path to being competitive today is very different than the path in the past. Competing works when demand outstrips supply because there's a lot to gain by beating your neighbour. But we're no longer in that world. That's the past. Today, supply exceeds demand in virtually every industry. What we see is to move forward and be super-

competitive companies need to create. They need to open new value-cost frontiers. That's what unlocks new demand. That's what allows us to seize new growth and thrive.

IK: How can small companies compete against larger companies?

Kim and Mauborgne: They shouldn't. They want to move into and create new markets. Why go up against Goliath when you don't have to. We've seen how small companies can grow very fast and quickly become big by not going head-to-head but by creating. Take citizenM Hotels. A small company that by applying the tools and process outlined in our book sidestepped the intense competition of the hotel industry and created the new market of affordable luxury hotels with five-star comfort at three-star prices. No wonder they have occupancy rates 80 percent higher than the industry average. Who doesn't want that? And they did it while eliminating almost half of what the industry competes on, making their cost per room and for staff roughly 40 percent less than four-star hotels. That's the real opportunity as we see it for small companies. To shift from competing to creating.

IK: What makes Blue Ocean Shift different than other strategy books?

Kim and Mauborgne: Most strategy books are still on how to compete. But our research shows the future is on how to create. And what we have been lacking is a roadmap to get there with tools and guidance anyone can apply.

Second, most books on strategy are either analytic or they are soft on people. But you need both to shift and move an organisation in any transformation. We need to have a clear roadmap and we need to bring people along and build their confidence to act. And that is what this book does. It brings both of these together so that no matter what organisation you are sitting in you can start to make the shift.

IK: What is "humanness"? It is surprisingly featured as a key component to make a successful blue ocean shift in your book.

Kim and Mauborgne: We've seen time and again when companies are trying to change and make a shift they struggle when they don't address the fears and anxieties that pop up when we are asking people to move from what they know to new possibilities for the future. So our research found that it's critical to build people's confidence in that process so they own it and drive it and know they can succeed. And that's what the book lays out. How to do just that at every step of the journey with simple tools that any organisation can apply.

W. Chan Kim and Renée Mauborgne are professors of strategy at INSEAD and co-directors of the **INSEAD Blue Ocean Strategy Institute**. They are the authors of the international bestseller **Blue Ocean Strategy** and the indispensable follow-up, **BLUE OCEAN SHIFT – Beyond Competing: Proven Steps to Inspire Confidence and Seize New Growth**, available 26 September 2017. For more on the authors' new book, visit <http://www.blueoceanshift.com/>. To learn how you could apply Blue Ocean Strategy to real business situations, see the **INSEAD Blue Ocean Strategy programme**.

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