
In search of blue oceans: The Starwood experience



Are companies using Blue Ocean Strategy to search for ‘uncontested market space’ and, if so, how? One group which has been exploring blue ocean thinking for the past three years is Starwood Hotels and Resorts.

However, as INSEAD Knowledge has been finding out, the company has so far been taking a step-by-step approach to implementing the concept, rather than try to realise any sort of ‘grand vision’. As Starwood itself puts it, it’s more a question of finding ‘blue puddles, lakes or rivers’ at this stage rather than ‘blue oceans’ as such.

It was through a leadership development course at INSEAD, run by Adjunct Professor Jens Meyer, that members of the group’s executive committee were first exposed to the strategic concept, at a time when hotel project teams and Six Sigma ‘black belts’ were finding it hard to come up with new solutions and break away from the competition.

“So at that stage,” says Robyn Pratt, Vice President, Six Sigma and Operational Innovation (Europe, Africa & Middle East), “we, as a Six Sigma group, decided to look into the opportunities with amalgamating Blue Ocean,

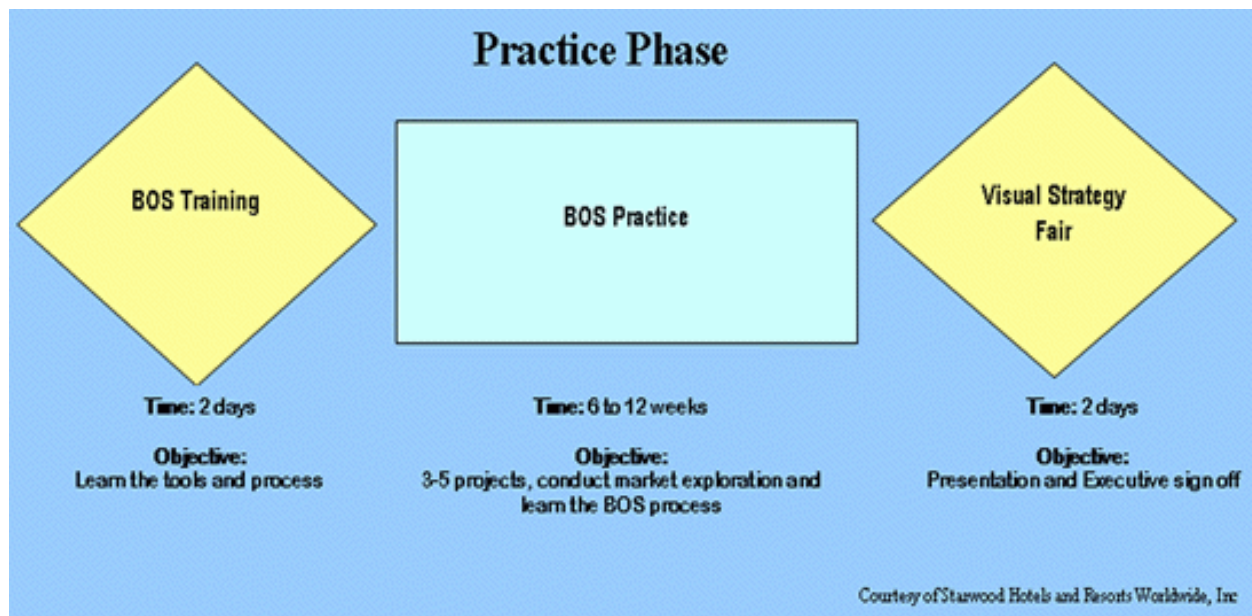
or bringing that as a tool, to our (Six Sigma) black belt community.”

In conjunction with Meyer, the company has developed a process through which employees are trained in Blue Ocean Strategy, effectively focusing on non-customers, before being given three to four months to apply the methodology. Projects are then proposed to the senior operating team at a so-called ‘Visual Strategy Fair’; black belts or master black belts then put together a business case to present those projects to the senior leadership team for a decision on whether to implement these.

The first project to be implemented – FamTASTIC – was tried out first in hotels in Italy and Malta, and the concept is now being taken global. By targeting non-customers, the company carried out research into what families want on vacation by focusing not on the parents, but rather their children. The firm then developed special offers and rates to attract families, based on what the children wanted from a vacation.

A second project, which has yet to be fully implemented, will similarly target non-customers. Several hotels already offer their beds for sale, including Starwood’s Westin, which has a ‘Heavenly Bed’ scheme. Pratt says that, following research into the hotel bed retail market, the company found there has been little innovation in the industry in recent years and that the firm felt there was an opportunity here for Starwood. “(We asked) are there other opportunities where we could really market our sleep experience? The team was actually not talking to people that stayed in hotels, they were talking to purchasers of beds and it was very interesting the learning and the insights that we got about the actual general purchase of a bed ...There were some really interesting observations which the team is now working into an opportunity perhaps for the company.”

While Pratt says it’s too early to estimate precisely how much these projects are worth in dollar terms, she estimates that “with FamTASTIC, we’re looking at upwards of half a million dollars and incremental benefits to the hotels, and there are still many opportunities for implementing that further in other hotels.”



Given the results so far, she says the concept of Blue Ocean Strategy is quickly spreading throughout the organisation and individual hotels are coming up with their own ideas. "In some cases, where we've got general managers that have really got this, it's happening and they're coming up with different ideas. So Blue Ocean for us is not just being able to come up with these huge big blue oceans of ideas; it's being able to embed a different thought process as well into our people when they're developing their strategy so that they can really start to see how to improve value." Starwood has four other projects at different stages of planning and implementation, and Pratt says they are in the infant stages of applying the methodology and learning how to integrate it into operational innovation. "If we can come out of it with some blue puddles, some blue lakes, some blue rivers, and at the same time, learn - and have a couple of blue oceans there - then we think it's been very worthwhile and something we should continue on."

Pratt notes, however, that even though all the group's senior executives have been trained in the processes, some people remain cynical and impatient in terms of seeing results. "Some people are looking for things to happen quickly because it is an investment, so far as training these people, having them work on these projects over a period of time. So I think (when) we can deliver some really solid benefits from a couple of our big projects, that is when we're going to get the true buy-in and (others will) realise the value of what we're doing."

Pratt's advice to companies which are thinking of exploring blue oceans is to keep an open mind and be patient. "I'm sure people are looking at us and saying 'Is this all going to pay off? What is the value of doing this?' With the way we're growing and the constant competition we're faced with, we've got to think of doing things differently."

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