



## How to Build a Sustainable Blue Ocean



By W. Chan Kim and Renée Mauborgne, INSEAD

### **High performing and sustainable market-creating strategies align value, profit and people.**

What separates high-performing and sustainable market-creating strategies from those that fail to last? How can you ensure that the blue ocean you are creating is sustainable? The answer comes down to a holistic understanding of strategy and alignment of three strategy propositions: the value proposition, the profit proposition, and the people proposition.

For any strategy to be successful and sustainable, an organisation must develop an offering that attracts buyers; it must create a business model that enables the company to make money out of its offering; and it must motivate the people working for or with the company to execute the strategy. While good strategy content is based on a compelling value proposition for buyers with a robust profit proposition for the organisation,

sustainable strategy execution is based largely on a motivating-people proposition.

In this sense, the three strategy propositions provide an organising framework to ensure an organisation is taking a holistic approach to the formulation and execution of strategy. If a strategy does not fully develop and align the three strategy propositions, short-lived success or failure typically results. This is a trap many companies fall into.

Think about Napster and its attempt to create and capture uncontested market space with digital music. Napster had a clear first mover advantage, pulled in over 80 million registered users, and was generally loved for its value proposition, but its strategy ultimately failed. It had no sustainability.

The Napster team, lacking a holistic view of strategy, failed to align its people proposition for its partners to support the compelling value it unlocked. When the record labels approached Napster to work out a revenue-sharing model for the digital download of music that would create a win-win for both sides, Napster balked. It took a belligerent approach, declaring it would advance with or without the record labels' support. The rest is history; Napster was forced to shut down due to copyright infringement. This prevented Napster from ever developing a profit proposition that could benefit from its huge user base. Lacking strategy alignment, Napster's success was short lived.

### **Achieving blue ocean strategic alignment**

A successful blue ocean strategy that has sustainability requires that all three strategy propositions be aligned in support of both differentiation *and* low cost. To understand how an organisation achieves alignment to produce a high-performing and sustainable blue ocean, consider the case of the UK charity, Comic Relief.

On March 13<sup>th</sup> of this year, streets and office buildings across Britain were filled with people wearing red noses, and schoolchildren and celebrities alike took on challenges to raise money for the charity, Comic Relief. *Red Nose Day* and *Red Nose Night*, as the related events are known, have helped the organization raise more than £1 billion since it launched in 1985.

Charity fundraising in the UK, was a deep red ocean when Comic Relief started. Like any red ocean, the market was overcrowded and highly

competitive. Organisations had to work harder on fundraising and marketing to stand out from the crowd. Meanwhile, the public felt confused by so many groups asking for money and donor fatigue had set in.

So, what's behind its enduring success? Comic Relief didn't compete. It made the competition irrelevant. And it did so by aligning the three strategy propositions – value, profit, and people – around both differentiation and low cost. Let's break down Comic Relief's strategy.

### **The value proposition**

Conventional charity fundraising leverages guilt and pity (think photographs of starving children) to raise money – mostly via large gifts from high-income donors through year-round campaigns. To the contrary, Comic Relief's biannual events are all about doing something fun to change the world.

Taking part is as cheap and easy as spending £1 for a little plastic red nose. Over 70 million of them have been purchased so far. People can also donate by sponsoring the antics of friends, family, or colleagues, giving money while getting a laugh.

Unlike traditional charities, Comic Relief recognises even the tiniest donation, down to one little girl mentioned during *Red Nose Night* who gave “all her pocket money.” Even the poorest and the youngest can contribute to ‘changing the world.’

While traditional charities never stop asking donors for money, Comic Relief focused on creating a unique biannual experience, eliminating donor fatigue.

Lastly, Comic Relief donates 100 percent of all funds raised with its “golden pound promise” that it spends none of the funds on its own overhead or operating costs.

The result is a value proposition that is not only fun and clear but also allows donors to make a huge difference with a small donation. In other words, it is both differentiated and low cost, affordable to everyone from the very young to the very old and from low to high income.

### **The profit proposition**

How has the organisation supported its operations and expanded while fulfilling its “golden pound promise”? By complementing its compelling value

proposition with an unbeatable profit proposition.

Traditional fundraising methods — hosting galas, soliciting individuals by mail or phone, and operating charity shops — entail significant overhead costs. Comic Relief, by some estimates, has eliminated more than 75 percent of traditional fundraising operations.

It uses existing retail outlets to sell its red noses rather than operating its own charity stores. Its administrative costs are negligible, because it makes grants to other charities rather than running its own programs. And its fundraising costs are minimal given its community “fun”draising approach.

The related *Red Nose Night*—the star-studded comedy extravaganza – doesn’t cost a penny. The network donates airtime while celebrities donate their services and generate excitement that drives word-of-mouth advertising. Corporate partners cover any outstanding operating costs in cash or in kind.

The overall result is a differentiated, low-cost profit proposition that effectively supports its value proposition.

### **The people proposition**

With a small staff inspired by its value proposition, Comic Relief’s people proposition focuses on inspiring volunteer fundraisers, corporate sponsors, and celebrities to make the value and profit propositions sustainable.

To lure its army of volunteer fundraisers, Comic Relief has made it easy to *have fun* and *earn respect* at the same time. People only need to volunteer once every two years and Comic Relief’s website suggests zany ways to do so. Volunteers also feel a sense of pride as friends and colleagues see the contribution they are making.

It is similarly *easy* for corporate sponsors and celebrities to take part and they get tremendous free publicity for doing so. And no doubt the organisation’s golden pound promise encourages them to participate.

Comic Relief’s thriving blue ocean strategy is built on the alignment of the value, profit, and people propositions so that each reinforces the others.

It is easy for an organisation to focus overridingly on one or two strategy propositions to the exclusion of the other(s). An organisation that gets the

value or profit proposition right, but fails to align the people proposition is headed for execution failure. Likewise, a motivating-people proposition with poor strategy content as reflected in the value or profit proposition is also a path to poor performance.

Additionally, while one or two strategy propositions can be imitated, imitating all three is difficult, especially the people proposition because it is embedded in human relationships that take time to cultivate.

All companies aiming to build a sustainable blue ocean need to ask:

- How can each of our three strategy propositions support and reinforce the other two to create a strong, positive, reinforcing cycle?
- How can we leverage a compelling value proposition to strengthen our profit proposition or build on a powerful people proposition to create a strong value proposition?

The key to creating a sustainable blue ocean is in the alignment of the three propositions around differentiation and low cost. Successfully aligning the three makes imitation far more difficult and extends the lifetime of your **blue ocean**. Comic Relief is still swimming in a blue ocean 30 years after its launch. Napster, in contrast, lasted just two years.

*This article is adapted from the updated and expanded edition of **Blue Ocean Strategy**, Harvard Business Review Press, 2015.*

#### **Find article at**

<https://knowledge.insead.edu/strategy/how-build-sustainable-blue-ocean>

---

#### **About the author(s)**

**W. Chan Kim** is the Boston Consulting Group Bruce D. Henderson Chair Professor of Strategy and International Management at INSEAD and Co-Director of the INSEAD Blue Ocean Strategy Institute. Together with Renée Mauborgne, he is among the top Management Thinkers in the World ranked by Thinkers50.

**Renée Mauborgne** is an INSEAD Distinguished Fellow and a Professor of Strategy at INSEAD and Co-Director of the INSEAD Blue Ocean Strategy Institute. Together with W. Chan Kim, she is among the top Management Thinkers in the World ranked by Thinkers50.

---

## About the series

### The W. Chan Kim & Renée Mauborgne Blog

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 *New York Times* and #1 *Wall Street Journal* Bestseller [Blue Ocean Shift - Beyond Competing](#) and the international bestseller [Blue Ocean Strategy](#).

Download the free Knowledge App

