

Ask Andi: Blue Ocean Strategy® Step 2



Welcome to On the Brink, A Fresh Lens to Take You and Your Business to New Heights. Hi, I'm your host, Andi Simon and thanks for joining me today for this Ask Andi session.

Recently, I did an Ask Andi on Blue Ocean Strategy Part 1, and I've gotten wonderful feedback on it. People want to know, what do they do next?

They've done their strategic canvas and are taking a good look at what they're investing in today and what they could be in the future. But where do they go from there? Because, once you have a visual awakening, which is what your

strategic canvas is all about, you're not quite sure how to go visually exploring, which is, I think, a very exciting part of the Blue Ocean Strategy methodology.

The reason I caught on to Blue Ocean many years ago was that the visual exploring was very anthropological, which is what we do with our clients. So the question is, how do you go out into the field and see, feel and think in new ways? How do you take a look at your business with fresh eyes? Because it's how we see that we will be able to really understand what's happening, and why it's happening, and where we can find nonusers with unmet needs. So visual awakening becomes a very important part of what's going on.

If you've done your visual awakening strategic canvas properly, you're thinking about unmet needs and nonusers. But first, who's a nonuser? Why aren't they using you? Are they using a substitute for you, a competitor? Say, you're in the HVAC business, or the roofing industry, or you're an electrical contractor or a recruiting firm. Apparently there are 19,000 different recruiting firms for executive recruiting. That's a lot of competition. I'm not quite sure there's enough demand for it.

So what are these nonusers doing themselves, or differently, or not solving their problem very well at all? Whatever it is, they're not using you for their solution. Your job is to find out why. The question for you as you're looking at your strategic canvas is to figure out who could be your customer tomorrow, or even today, and how can you see, feel and think about them in new ways?

Here's a great quote by Marcel Proust that I like to share: *"The real voyage of discovery consists not in seeking new lands but in seeing with new eyes."* Because if you see something happening, then you will understand why people are not using you. You have to see it with your own eyes.

Here's another quote along these lines: *"In the beginner's mind, there are many possibilities, and in the expert's mind, there are few."* You see, once you have a mind map of your reality—

of your customers and how they interact with you—you only see what conforms to that mind map, which makes it very difficult to see what's really happening. In other words, you only see what you expect to see.

Another problem is that we're herd animals (birds of a feather flock together). The culture of your industry makes you feel comfortable. When you go to a trade show with others just like you, everyone's doing similar things. You benchmark yourself against them.

When shopping in a retail store, does Lord & Taylor look all that different from Sears or Macy's? They're almost all set up in exactly the same way. So as your habits take over and make it very efficient for your mind to work, what are you going to do? Because you see the world the way you think it is, and your brain hates to change.

This is a time of tremendous transformation. Thomas Friedman called it "the time of the great accelerator." Things are moving faster and faster. As a client said to me the other day, "Our clients too are moving faster and faster. And we don't know where they're going, and we're trying to keep up or lead them."

You must adapt, and in order to do that, you have to take a step into the unknown, which is a very scary place for people. People don't like ambiguity. They certainly don't like change. But your task now is to look for things that might be all around you that you'd been discounting, and that could really open up some new nonusers for you. This becomes a really great opportunity for you to go visually exploring to see who will be your customer tomorrow and what they are doing and not doing. What's changing in how they buy?

A client of ours had a wonderful team of sales guys who had built their business with cold calling. And all of a sudden, no one was answering the phone. They realized that their clients had retired, and the new people who had taken over were all 30-somethings, and these Gen Ys or millennials just don't use the telephone.

They go online to find information about what they are looking for and become more knowledgeable about it, and then they might call you or look at your website and email you. But they weren't accepting the calls coming through and had no interest in talking to the salesmen.

Are there people struggling with problems that you could help solve? What are they searching for online right now? Could Google Analytics help you see what they are searching for and where they're going for it? Are they coming to you? Are they staying on your site or are they leaving you quickly? And the big question is, why aren't they using you now?

Now I want to share with you how to go visually exploring using anthropology. As anthropologists, our job is to hang out, step out, observe and look at things with fresh eyes, listen to the conversations and storytelling, and try and find the themes, or threads, or pain points, or opportunities.

Remember, people cannot tell you what they're doing. They will always tell you what they think you want to hear. But if you watch them, you will see what they're actually doing, and it will be transformative for you.

So what is an anthropologist anyhow? What's a corporate anthropologist? The ethnographic method that we use was developed by studying small-scale societies. And guess what? Businesses are small-scale societies.

If you think of yourself not as a contained business but as one that's connected to customers and noncustomers, you have a much bigger platform on which to do ethnographic research. Hang out and begin to better understand what nonusers are doing and how you could possibly solve their problems or serve their needs.

We do a lot of participant observation, and we work with clients to help them to do it, too. We take them on calls with us, or to hang out in manufacturing plants and see what's actually going on. Toyota did a lot of that—hiring anthropologists to sit in the cafeteria and listen to staff talk about problems and customer issues. Try hanging out on the telephone yourself and listen to the calls coming through.

In my book, *“On the Brink: A Fresh Lens to Take Your Business to New Heights,”* I tell the story of Jim Riley, one of our favorite clients. Jim left one of our workshops, went back to his company, and sat on the phone for two hours listening to the customer calls coming in. And his customer service rep kept saying, “Nope. I'm sorry, we don't do that. Nope. I'm sorry, we don't do that.”

Jim had a successful company that made chain for snow tires to give traction in the snow. As long as there was lots of snow, he did really well. But when there was a little snow, he didn't do so well. When he listened for two hours to his phone operator saying, “No, we don't do that. No, we don't do that. No, we don't do that,” he said to her, “How come we don't do that?” And she said, “I don't know why, but you told me we don't do that.”

At this point, Jim had an a-ha moment. He realized that he could grow his business, and did, 40%, by doing all the things people were asking for, instead of thinking, “That's not our core business.” Today, 75% of his business are all those nonusers with unmet needs.

This is a very important, simple way for you to listen to what's going on, like we anthropologists do. We try not to ask a lot of questions and simply listen to the stories. A favorite question is, “Tell us what's challenging you.” Nonusers emerge.

The key to this is visual exploring. Think Undercover Boss, that's exactly what this is like. The trick here is that the fundamental differences we're looking for are between the business you think you're in and the problems you think you're solving, and the business you are actually in.

What could it mean for you if you could see what's really going on, how consumers actually use your product, how they actually call to buy it or go online to do it?

Reddit did some research and found that of all the people who were non-Reddit users, they spent 3 to 10 hours on the internet daily, but they didn't come to Reddit.

There are lots of nonusers who don't think that you have what they need, or that your solution is old. What happens when they're right, when it becomes clear that your solution is not the fresh new one?

This kind of visual exploring gives you some things to think about. Focus on companies like Samsung, Ford Motors, Absolute Vodka, Intel and Marriott, because they're all using participant observation and observational research, ethnography and anthropology to better understand how people are going to use what they think are well-engineered solutions.

Classic story: Samsung created a fantastic new large-screen TV. And it wasn't selling all that well. Then they went out and met with people, both those who bought it and those who didn't, and they wanted to know why. What they found was that the over-engineered televisions did not fit beautifully in people's homes. Yes, some people were using them for entertainment centers. But others were putting them in living rooms, or bedrooms, or kitchens.

Samsung now had to pay attention to how their product fit into living spaces rather than how they performed on their technical spec sheets. They weren't going to sell them based on the technical spec sheets but on how they performed in the eyes of the user in terms of how well they fit their home pace and how they wanted to experience the unit.

Ford Motor Company is also a great case study because their new president and chief executive officer, Jim Hackett, started working with them on changing the way people experience buying a Ford. Leadership took their executives out to actually shop the showrooms. They had a research and innovation center in Silicon Valley but the staff really needed to get out into the field.

Prior to coming to Ford, Hackett had been the head of Steelcase, the furniture design company. While there, he invested in IDEO, a global design firm, which installed sensors in order to better understand how people use office and working space, and then use this knowledge to find nonusers in new ways.

Another example: ReD Associates, a wonderful research firm, wanted to understand the sacredness of the home on behalf of companies such as refrigerator manufacturers that want to put sensors in your refrigerator to tell you when the orange juice is low. Or for Febreze, which couldn't get cat odors out of people's homes because people didn't know they had cat odors.

ReD sent anthropologists to nonusers' homes to see what was really going on, and what they discovered was that kitchens were sacred spaces. People didn't want a computer telling them that they were out of orange juice. They wanted a space that they organized and controlled. Especially for women, the kitchen is a very sacred spot, not a technical spot.

For Febreze, ReD showed them that they had to rethink how to get rid of smells in different ways because people have different “air care” requirements. Today, the Febreze product lineup has four areas: air care, fabric refresher, immediate action sprays and continuous energizer plug-ins. What was important for the Febreze executives to understand was that it was not about what they thought; it was what the consumer thought that mattered.

ReD also did some work for Absolut Vodka, which is a story I love to share. They went out to observe how people bought the vodka, took it to homes for family events, or to entertain, or to give it as a gift. First, the vodka was immediately put in the freezer to chill it. Then it was put on the table with a lot of other non-premium vodkas, and it lost its premium status as people had a paradox of choice: “Which one shall I drink?” What Absolut realized was that while they manufactured a spirit, they had to sell an experience.

Humans have all kinds of contradictions and complexities. They're very dynamic. They attach meaning onto your product in ways you hadn't anticipated.

I also have a story about Intel. Intel used to have 40 anthropologists. Now they have 100. Genevieve Bell is a cultural anthropologist who runs this team, which studies how consumers interact with electronics. Intel then develops new technological experiences for them, often with products they don't even make.

What Intel does is study people and how they're using and solving all kinds of problems. What they found in China was that home computers were distracting children from their schoolwork. So they developed a prototype, a Chinese home learning PC. Intel doesn't make PCs. They make the chips that run them. And they got an Intel customer to manufacture them. These PCs have a key on them that parents could activate to prevent children from playing online games during homework time.

How did they come up with this idea? Because in China, when Intel researchers visited the homes of families that looked like the market segment that should be buying their PCs, they discovered the very important fact that in China, the child is a family celebrity, and most of the family's attention is directed to the child. The education of the child is the highest priority, not playing video games.

These PCs with the parent monitors took off in great ways, won awards, all because Intel took the time to study what people really did, not simply what they thought they should be doing.

One more story, this time about Marriott. It's one of my favorites because I'm a Marriott follower. Marriott took a long time to figure out that they needed to see how people use the spaces that they call their hotels.

Back in the 1960s, Marriott was one of a kind and kept growing, but by 2004 it had dropped from being the travelers' top choice to their third choice. Marriott recognized that Gen Y is going to be 50% of the workforce soon, which means 60-70% of their potential guests, so

there was a big risk for the company if they didn't upgrade their hotels and change their styles.

What did they do? Sent in anthropologists, who actually put GoPro cameras on guests. Marriott thought that the check-in process was what mattered, but when they observed their guests' behavior, they realized that it was opening the door to their room that mattered. And sometimes this experience wasn't a very pleasant one. (Often it wasn't the right room.)

Another mistake Marriott made was removing the desks from rooms, thinking that people had laptops or iPads and weren't using desks. But then people started going on Twitter and complaining. Marriott had missed how people used the space that they're in, so in 2016, they brought the desks back.

This is really very important: they also brought in some of the senior people from Nike and IDEO who looked at how people are really using their hotels. And what Marriott thought people did and what people actually did were very different.

Now, a question for you is, who are your nonusers? As an answer, I'll give you two client stories because I think it will make this all come alive. These were both customers of ours at SAMC, and they had a real problem.

My first story is about Mark Schmidt, the founder and president of EAC/Integrated Power Solutions. Mark created great batteries for Sensodyne, Nikon and Fisher Electronics. Even 3M was using his batteries.

The problem was that the company took Mark's specs and built the battery, but had three years of no growth. EAC had 177 clients, 20 of whom represented 90% of their business. And Mark will tell you that he thought they had the strategy right until they lost a very large client to a competitor over rechargeable batteries.

So we took his leadership team out to speak to their clients, not to purchasing or engineering, but to the C-suite. CFOs, CMOs, CEOs all talked to us, and then I asked them, "What's going on in your industry so we can do a better job for you?" And they said things like, "Mark, you're doing a great job. Can't you do it any faster? Speed to market is my competitive advantage."

And Mark said to them, "You give me the specs and I build your batteries." Simple as that. He wasn't going to go out of spec to build it faster. We then asked one of the CEOs, "Who's your competition? We'll build their batteries." He answered, "I'll fire you. Power is my competitive advantage." Mark again replied, "You give me the specs, I build your batteries."

Mark had never even looked at the product, much less thought about the competitive advantage. A third CEO said, "Can't you make it last longer? And I want rechargeables." In fact, of Mark's top 20 clients, 10 had asked for rechargeables, to whom he said, "We don't do that."

When we met with his team, they said the same thing. “We follow the specs. We don't do that.” It was very clear that they were missing a lot of nonusers with unmet needs who could use them. They had only focused on a process—“You give us the specs and we build your batteries”—and not on people’s needs. The missed opportunities were staring them right in the face but they couldn’t see them.

Another story that I just love is the Telerx story, which is also a chapter in my book. Telerx, a division of Merck, had a new president who hired us because the company had lost three RFPs. Telerx is in the customer-answering business. They answer customer calls. And they had a very successful business, but it wasn't growing. And so the question was, why not? W

We sent their guys out to go explore and asked them to go to their current clients and also to the three companies for which they had lost the RFPs, and to look at what's actually going on.

Then we sat on their telephones and listened to the calls coming in. And what we learned from the inbound callers is that their average age was 50 and they used to write letters. Nowadays, they use the phone. But the next generation down, the Gen Ys and probably Gen Zs, don't use a phone at all. The next generation goes online to find answers, to Google, but not to the phone.

This was actually quite interesting because here was a company in the telephone answering business that was behind the trends that were already changing its industry. And when they realized that the next generation wasn't going to be using telephones the same way, they had to reinvent themselves, which they did, almost doubling in size before the president of the company, Linda Schellenger, retired.

So now it's time for you to go explore. Remember, demography is destiny. So if you serve mostly boomers, you better go take a look at what Gen Xers and millennials and Gen Ys are doing.

We're changing from managing hands and factories to managing minds. Today's knowledge worker is a completely different person who's really not into routine problem-solving and requires convergent, divergent and creative thinking. These types need a whole different solution, and they want you to collaborate with them.

Read the articles on MIT's collaboration processes because it works. Space is different. It's open. People move around differently.

Another thing that's really important for you to pay attention to is the gig economy. It's 35% of the U.S. workforce. At least it was in 2017. It might be even larger now. There are millions of folks who learned to work on their own, and freelancers who are using Upwork in order to find jobs very carefully but very successfully. Are you using Upwork to find what's going on?

40% of U.S. businesses are now owned by women, and that's growing. Are you capitalizing on it? And, home ownership is on the decline. This is the lowest home ownership rate for 50 years now. It's just beginning to climb up again.

Then we have Uber. We were working with a client in the service business the other day whose business is turning into a platform, but he doesn't know it. No longer does he produce a product to sell to customers. Customers want new solutions. To him, collaboration is hot.

And, of course, there are bikes everywhere. In Utrecht, the Netherlands, they built a parking garage for 6,000 bikes. That's happening all over the place. Autonomous vehicles are coming soon. Do not think that's forever away. It's coming. And there are already self-driving trucks in, where else but California, delivering refrigerators.

By 2020, there are expected to be at least, if not more, three million industrial robots. And they are going to be everywhere. There's a hotel in Japan, the Henn-na Hotel, that's totally robotic. So is their restaurant.

Are you looking at these as possibilities for you? Who could be using you? There are going to be 26 billion-plus devices of Internet of Things in two years. What information are they going to be collecting? Watson is coming soon everywhere, and accounting businesses are really worried that it's going to replace their accountants.

And here comes blockchain. Blockchain is going to be the big transformer. If you don't know much about blockchain, read the book "*Blockchain Revolution*" or watch the YouTube live video I did with Jared Tate on what's going on in the blockchain world. This is not just about cryptocurrency. It's about a major transformation in how we get things done, how we exchange things, how we convert money into services and back again.

Remember, we're moving from pipelines to platforms, transforming business. The world's largest taxi company owns no vehicles. The largest accommodation provider, Airbnb, has no real estate. It's not another hotel. The most popular media is Facebook and it has no content. And the most valuable photography company, Instagram, sells no cameras.

So the times, they are a-changing. What can you do? You did your strategic canvas. You see what's going on. Now, I want you to find a situation that could be an interesting possibility for your nonuser and their unmet needs, that customer who's waiting for you.

Take a look at who found you through search. Did they stay on your site? Did somebody ask you for something and your folks said, "We don't do that"? Sit on the telephone. Watch your emails. Really start to understand what's coming into your business and why you're not paying attention to the pain points, the new technologies.

Also, think about the story you tell today and what it could be tomorrow. Then go out exploring. Go watch people. Hang out and see what they're doing. Spend a day in the life of a customer or prospective one.

You can hire an anthropologist but if you do, go out observing with them. This is about observing, listening, and not trying to fit your findings into what you know now. Listen to the gaps that are not there. What you're looking for is how can you change your strategic canvas to open a new market space by adding value innovatively?

At the very least, go out and do a "lunch and listen" with a great client and say, "I just want to know more about what's going on in your business." And let them tell you stories. When you walk out of the room, write down everything they told you, and don't try to fit it into what you do now. Try to figure out how they're solving their problem and you could too. And then you could start to change your own business story because this is about storytelling.

You've got to change the story in your mind so that your brain map will sort a new reality for you. You're trying to find out a deeper meaning, a bigger idea, something that's right before you that you're just not seeing yet. Sit on the phones, or search the internet, or hang out with clients. Take pictures. Ask people what they mean.

You may fail a bit, maybe often. Let the data take you places. Try not to start with a theory, and have a lot of patience because you can find some big things if you just go exploring. Remember as you do this, you're an amateur. But you started your business and it has grown. Or maybe you've taken on a job in your business and you're growing it. You're an explorer. You tinker and you test. You don't mind taking risks and failing at times. And you spend a lot of time not knowing the answer to the challenge.

Once you begin to see, feel, and think about it with fresh eyes, you all of a sudden listen to things that are coming at you and you say, "Oh my, that's a Blue Ocean possibility." And then, you start to change the way you see things.

We wrapped up with a client about two weeks ago and they said, "We just see everything as Blue Ocean now." Why? Because the future belongs to people who dare to challenge their past habits and look around them for fresh lenses.

New ideas are all around you. Don't discount them because they could be your nonusers and open up a huge market space for you.

You might take a look at my book, *"On the Brink: A Fresh Lens to Take Your Business to New Heights."* It's available as an audible, an e-book and a hardcover on Amazon. You'll find there the key studies that are illustrative of how going after nonusers can open you up to great potential.

It's been a pleasure talking to you today. Thanks for joining this Ask Andi. I hope it's been helpful. Let us know your questions. This has been Blue Ocean Strategy Part 2. Time to go visually exploring. Enjoy. Bye now.