

Learning to surf the market's blue ocean

Irish medical technology sector seeks new markets to ensure survival, writes Gabrielle Monaghan



Increasing global competition and the rising cost of doing business in Ireland is compelling the Irish medical technology sector to come up with new ways of ensuring its long-term survival.

While the sector is attracting higher-level investment from companies such as Abbott Laboratories, which earlier this month announced the creation of 155 jobs in Donegal, it needs new strategies for growth to keep the industry alive, according to Sharon Higgins, director of the Irish Medical Devices Association (IMDA).

"Multinational companies look at Ireland all the time and the minute we are not giving them value, we're gone," says Ms Higgins, whose association represents 140 companies in the medical devices and diagnostics industry. "We have to get to look at niche areas for growth."

The association hired John Riker, a trainer in the "blue ocean strategy", to talk to executives from 40 medical device companies, including Medtronic and

Boston Scientific.

In *Blue Ocean Strategy*, an international bestseller published last year, authors W Chan Kim and Renee Mauborgne showed how any organisation could escape the bloody "red ocean" of competition and enter the "blue ocean" of uncontested market space to find profit and growth. The authors are professors at France's Insead, the world's second-biggest business school.

While a good business book typically sells about 50,000 copies, *Blue Ocean Strategy* has sold in excess of one million, according to Riker.

Based on a study of 150 strategic moves spanning more than 100 years and 30 industries, Kim and Mauborgne argued that tomorrow's leading companies would succeed not by battling competitors, but by creating "blue oceans" of new market space.

Such strategic moves, described as "value innovation", create powerful leaps in value for the firm and its customers, rendering rivals obsolete and unleashing new demand.

The authors developed a series of tools to allow companies to search for new market space, and Riker trains organisations worldwide in how to use them.

"We wanted people to look at a new strategy aimed at developing new products," says Higgins. "The idea we learned from John Riker is to look at places where

companies are not operating, where the customer is not aware this is a possibility, and identify new products. You have to unlearn everything you learned before. The companies at the workshop found it phenomenal."

Business strategy has focused in the past 30 years on combating rivals for market share and profits. These markets are very crowded, and profits and growth are increasingly difficult to achieve, according to Riker.

"In all industries there are enormous opportunities to tap new sources of value, especially in industries that are further removed from the customer."

Riker cites Danish company Novo Nordisk as an example. In the early 1980s, the pharmaceutical company and its rivals were focused on the purity of insulin, even though technological developments had ensured that one type of insulin was almost identical to the other.

Novo Nordisk then decided to focus on what diabetics wanted. It created an insulin delivery pen called NovoPen, which took the vial-and-syringe stigma out of insulin injections and replaced it with a device designed to look and feel more like a writing tool.

Novo Nordisk's blue ocean strategy transformed the company from a physician-driven insulin producer to a patient-focused diabetes care company. To this day, it continues to dominate the diabetic care industry, Riker notes.

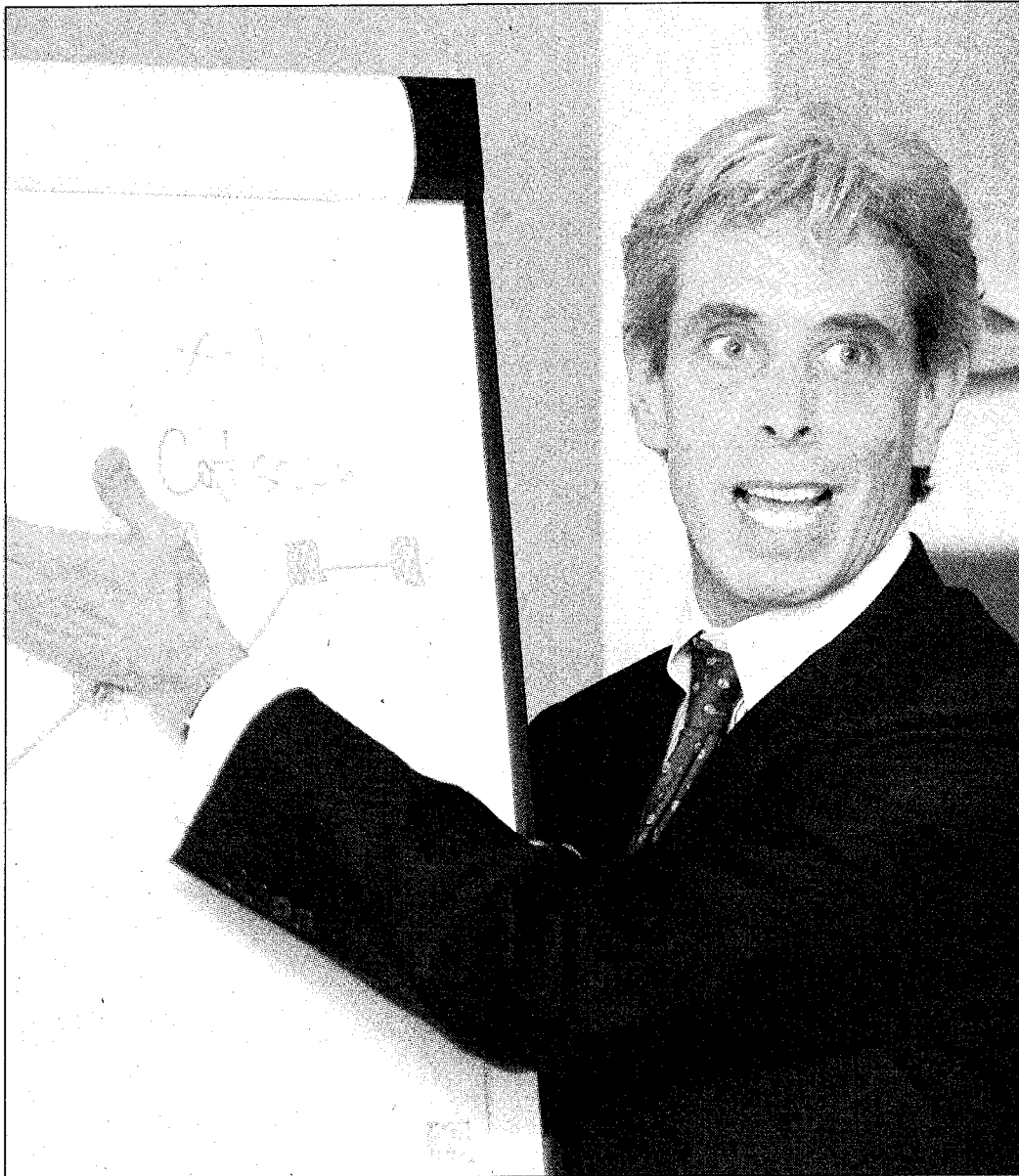
"By shifting the orientation away from existing customer base to the patient, Novo Nordisk opened up this vast new market space," he says. "I've been in touch with a number of organisations in Ireland about this strategy and they are at various stages of applying it to their business. There is interest not only from the medical devices industry, but from financial services and healthcare companies. Ireland is still at an early stage of becoming aware of this thinking."

One company that demonstrates how the blue ocean strategy works is Ryanair. It focused on what customers really wanted - to get to their destination quickly and cheaply.

"They used small regional air-

ports and had quick turnarounds," Riker says. "Another element was to reduce all the costs other airlines competed on - there were no meals, no seating assignments, no lounges."

Examples of the thinking go back almost 100 years, when the automobile industry created a new market space. "What Henry Ford did was provide an alternative to the horse and carriage to ordinary people."



John Riker, director of Blue Ocean Strategy, at a recent marketing workshop hosted by the Irish Medical Devices Association. Photograph: Brian Arthur/Press 22.