

## My Application of Blue Ocean Strategy to Jewelry: Fair Trade Jewelry

The most useful business book I have come across since Jim Collins' "Good to Great" is "Blue Ocean Strategy", by W. Chan Kim and Renée Mauborgne.

Blue Ocean strategy is about breaking through structures that primarily exist in how you perceive your company and the market. The strategy helps you to see new opportunities. Once you see them, you have access to a world without competition. It is analogous to jumping through a cubic centimeter of opportunity to find an entirely "blue ocean," opportunity.

One example of success cited in the book is Circ du Soliel, which combines circus, opera and theatre. Circ essentially took an old, out of date event - the circus - and redesigned it into a power brand. Another example given is the brand, Yellow Tail wine, which differentiated itself from the highly competitive wine business by altering the image of what it means to drink wine.

In contrast, what we have in the jewelry industry, particularly the 63 billion dollar diamond industry, is "Red Ocean" competition. The term red refers to the blood of rival sellers.

A diamond is simply a commodity and only price counts. Grading certifications favor the large volume discounter who sells online. The number of independent jewelers who closed down last year illustrates the danger of Red Ocean diamond business, yet many jewelers continue to base their entire business on diamonds. How many diamonds does someone buy in their life, anyway? What are the long term prospects of competing with internet sales among the next generation of buyers who do so much of their shopping on line? How long will it take before independents realize that they have to create an alternative strategy to drive people into their store other than diamonds? Diamond dealers will continue to fight to the death for a shrinking profit pool.

Yet within the diamond industry, Hearts on Fire has executed a Blue Ocean strategy by creating a brand that gets fantastically high margins. We know that the cut on the Hearts on Fire diamonds is not unique to their particular factory in China. Many other companies have the "heart." However, only Glenn Rothman was clever enough to create a power brand, which he supported through his "university" and extensive sales training and marketing. He took a product and redefined it, targeting the psychological profile of a particularly affluent customer~one who is obsessed with brand and "perfection."

Fair Trade, Eco-friendly jewelry may very well be another Blue Ocean opportunity even more accessible and less costly to the average jeweler. Offering fair trade and socially responsible eco-jewelry would separate any store from its competition and bring in foot traffic from a segment of society that might not necessarily come into a jewelry store to look for a gift. The people who merge values and purchasing decisions are not so concerned about the "cheapest price" and they often want to "buy local."

Here is a four action framework from the book that helps us understand more about how a Fair Trade, Eco-friendly and Socially Responsible brand might pursue a Blue Ocean strategy.

### **1) Which of the factors that the industry takes for granted should be eliminated?**

Many want to hide the unsavory aspects of how business is conducted in the jewelry industry. But a Blue Sky approach would have us differentiate ourselves by eliminating anything that disguises, hides or obfuscates practices within our industry.

We want to differentiate ourselves by being upfront and having full disclosure. As I explain in my [ten ways for a jeweler to sell to customers passionate about socially responsibility](#) a customer can handle the truth and will appreciate all sincere efforts to change things and will support those companies that are proactive.

### **2) Which factors should be reduced well below the industry's standard?**

We reduce, any way we can, practices which are [harmful to the environment](#) in our own company. Practicing strong environmental standards is an easy way to differentiating one's company from the competition.

We also reduce any ambiguity in the labor and environmental practices of our supply chain. We do this by investigating the practices of those we purchase from. The goal is to replace our suppliers who do not adhere to fair trade, environmental standards.

Some of these changes can only take place when we garner support of the market. But there is low hanging fruit. For example, some gems are available right now on a fair trade basis and they are reasonably priced. If we are not sure about where our diamonds come from, then simply buy Canadian.

### **3) Which factors should be raised well above the industry standards?**

Any action that moves us toward fair trade and ecologically responsible production and socially responsible business should be raised well above industry standards, which is very easy to do these days. In fact, this has to be a major focus of how we redefine ourselves. Many articles on this site show how this can be started with little additional expense and huge potential payoff.

### **4) Which factors should be created that the industry has never offered?**

Fair trade, ethically produced jewelry, as a market category, has never been offered. We can create this brand by that is supported by a network of suppliers who share these common values. In addition, we put forward this new brand in our marketing efforts.

Please let me know what you think about these ideas, and what thoughts you have that will help us build a Blue Ocean strategy.