Sweating Out the Competition
Blue Ocean Strategy

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Gail described herself as a little bit broke and a whole lot worried.

She ran a small gym, *Sweat N' Things*, and a national behemoth just opened around the corner, *Mega Muscles*. They had state of the art machines, an Olympic sized pool, a running track, and what seemed like as many trainers on staff than she had members. If you were a member, you could go to any of their 200+ other locations.

Gail started *Sweat N' Things*, after over a decade at a larger gym, *Stay In Fit*. She enjoyed working with her clients and, over time, gained a reputation for the business crowed who were more focused on avoiding angioplasty than creating a six pack. Gail repeatedly heard how they loved working with her but felt intimidated by the "Charles Atlas types," the grunting and groaning and a feeling they were more at a nightclub than a fitness center.

Starting with little money, Gail didn't have as many machines in her one location, but nobody ever seemed to complain; when members had to wait, they not only waited for one another but encouraged each other on their individual workout and to stay with the gym. To be fair, Gail's main competition seemed to be the couch and remote control more than any other gym.

Still, Gail was gob smacked: how could she ever compete? Memberships at *Mega Muscles* cost a little less than she charged and they had so many amenities! Based on her earlier work, Gail knew those gyms would flow money until there was no more local competition. *Sweat N' Things* wasn't just her financial world; it was her dream, a personalized gym that Gail, a trainer of many years listening to her customer base, always dreamed about working at.

Speaking one day to Leslie, a long-time member and former McKinsey analyst, Gail said things were looking dire. With almost no capital in the bank to advertise, no money to build a pool even if she had space which she didn't, it looked like her little business was doomed. Gail, Leslie explained, was thinking in terms of *red ocean* competition.

Leslie smiled: read the book *Blue Ocean Strategy*, she advised Gail. "I love your gym," she said. "If you need more capital, I'll make it happen but I'm almost sure the lack of capital is your strategic *advantage*, not disadvantage. *Mega Muscles* is about as friendly as a visit to the Department of Motor Vehicles, she said. **You've built something entirely different, a blue ocean even if you don't realize. Lean into it.**

Gail read the book and thought about it. Leslie was about 50 years old, and not the typical type of person *Mega Muscles* advertised in their brochures. Sure, they had vastly more machinery and space, but they were more like a large chain restaurant and there's a big difference between a Michelin starred restaurant and a chain. They competed on their equipment and accessories but maybe while that telescoped value to a certain group, the complexity not only failed to add value but subtracted from it, and increased cost too.

What did Leslie mean by "lean into it?" She was offering capital but seemed to imply Gail was better off without it. What could she possibly mean by that?

Questions:

1. In blue ocean terms, who are the noncustomer groups, the six path analogs, where are people playing based on the buyer utility map, and what factors of competition are they embracing?

2. Leslie didn't hesitate to say finding capital would be no problem – she herself was extremely wealthy and had many wealthy friends and didn't seem to hesitate to open the financial coffers – but what did she mean Gail may be better off without it?

3. How might less equipment and people – less cost – increase value for these noncustomers?

4. Gail didn't realize her existing gym *was* arguably a blue ocean. Why?

5. How would scale this blue ocean concept?