

# ***BLUE OCEAN STRATEGY***

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How to Create Uncontested Market Space and  
Make the Competition Irrelevant

# ***I. THE STRATEGY***

## ***New Market Space***

### **RED OCEAN**

Represent all the industries in existence today → known market space

### **BLUE OCEAN**

Denote all the industries not in existence today → unknown market space

#### **Circus Industry**

##### **Traditional Circus:**

- Target Market : Children
- Dependent to : Star performance, animal shows
- High fun & humor
- High Thrills & dangers

##### **Cirque du Soleil:**

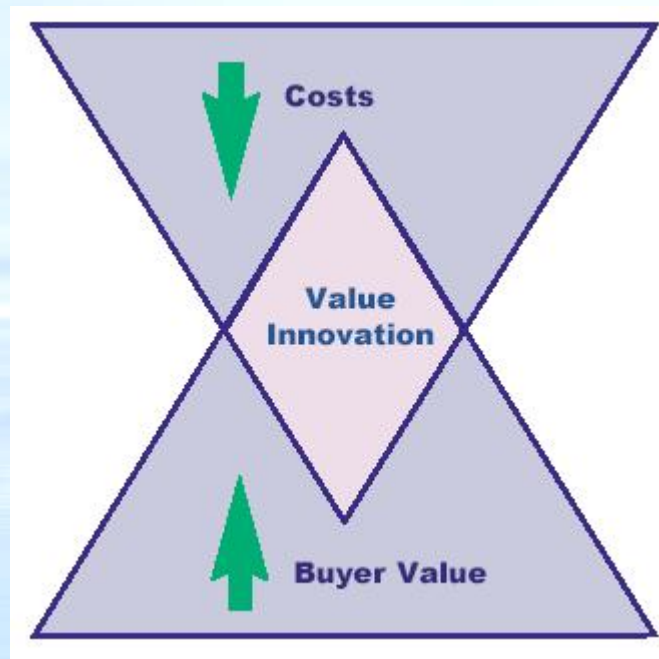
- Target Market : Adults
- Not Dependent to Star performance & animal shows
- Reduce fun & humor
- Reduce Thrills & dangers
- Unique Venue
- Theme & Theater

**High Cost, Low Price**

**Low Cost, High Price**

## ***The Cornerstone of Blue Ocean Strategy***

- Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proportion to buyers
- Cost savings are made by eliminating and reducing the factors an industry competes on
- Buyer values is lifted by raising & creating elements the industry has never offered
- Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates



*The Simultaneous Pursuit of Differentiation and Low Cost*

## *Red Ocean vs Blue Ocean*

<b>Red Ocean versus Blue Ocean</b>	
<b>Red Ocean Strategy</b>	<b>Blue Ocean Strategy</b>
Compete in existing market space.	Create uncontested market space.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value-cost trade-off. (either / or)	Break the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost.	Align the whole system of a firm's activities in pursuit of differentiation and low cost.
Value creation or addition = added value	Value Innovation = innovative value

# *The Six Principles of Blue Ocean Strategy*

## Minimizing Risks and Maximizing Opportunities in Formulating and Executing Blue Ocean Strategy

### Formulation Principles

- Reconstruct market boundaries
- Focus on the big picture, not the numbers
- Reach beyond existing demand
- Get the strategic sequence right



### Execution Principles

- Overcome key organizational hurdles
- Build execution into strategy



### Formulation Risks

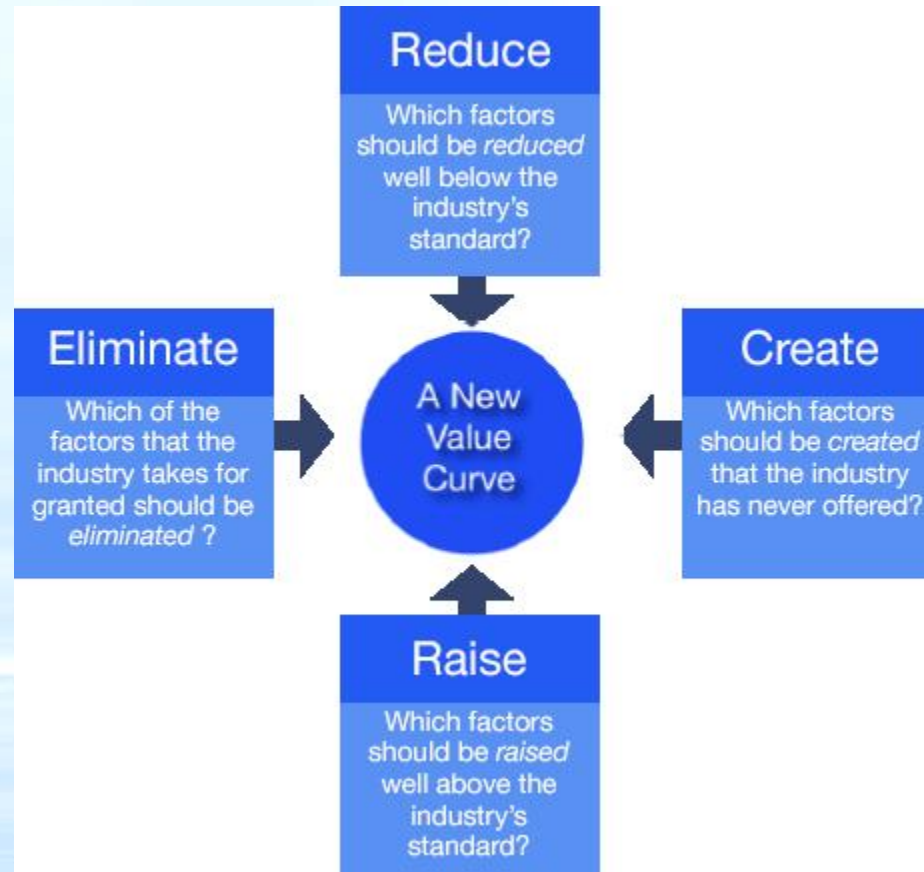
- Search Risk
- Planning Risk
- Scale Risk
- Business Model Risk

### Execution Risks

- Organizational Risk
- Management Risk



# *Four Actions Framework*

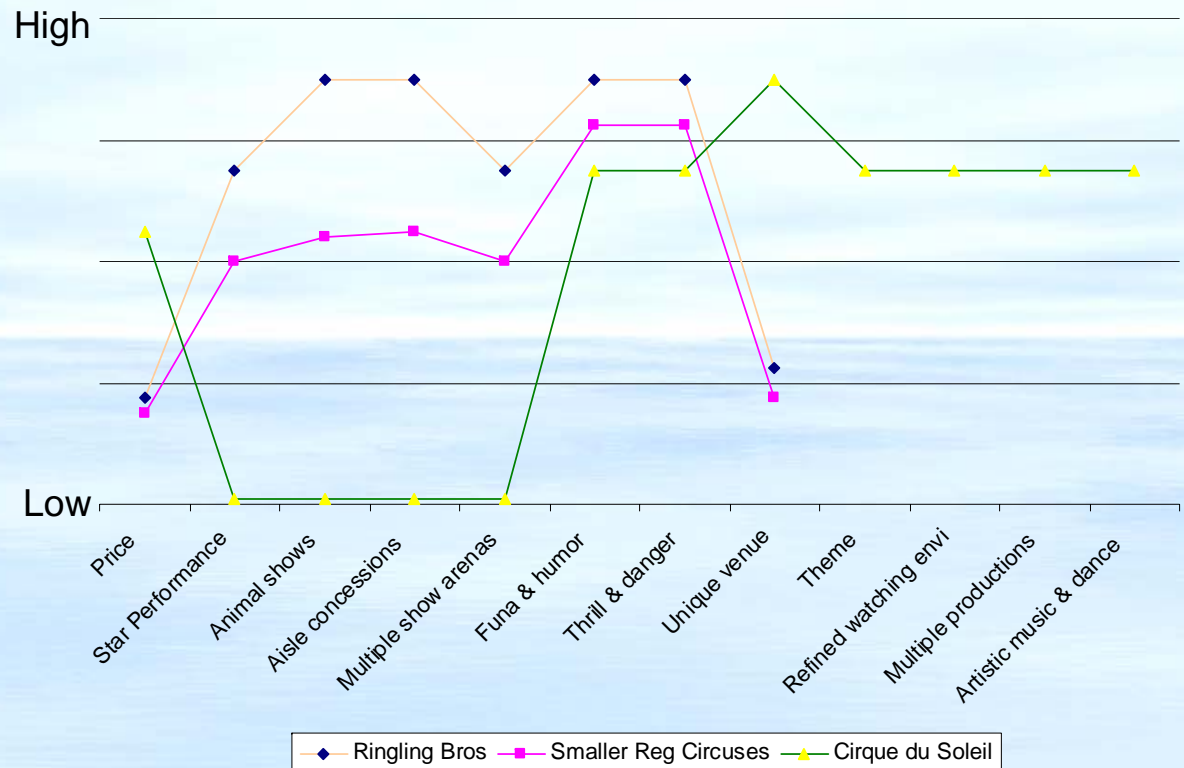


# The Case of Cirque du Soleil



<b>Eliminate</b>	<b>Raise</b>
Star Performers Animal Shows Aisle concession sales Multiple show arenas	Unique venue
<b>Reduce</b>	<b>Create</b>
Fun and humor Thrill and danger	Theme Refined environment Multiple productions Artistic music and dance

The Strategy Canvas of Cirque du Soleil



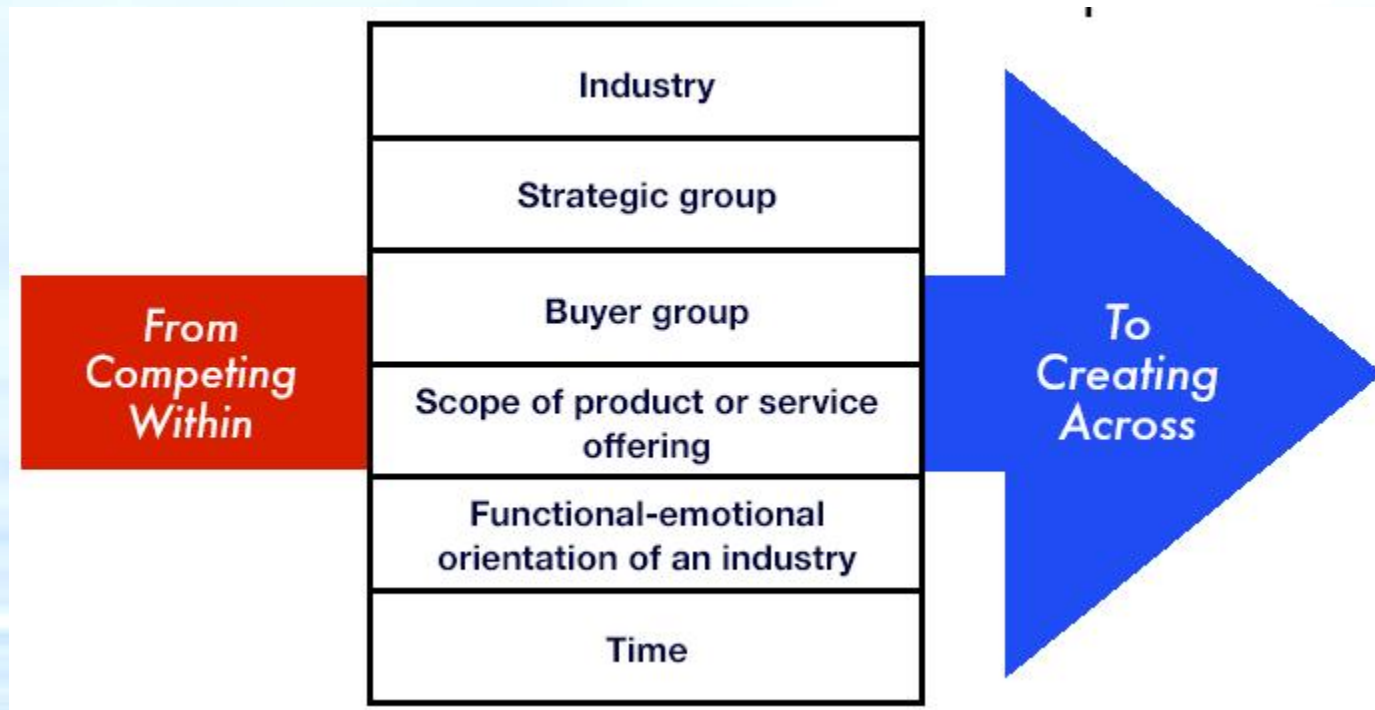
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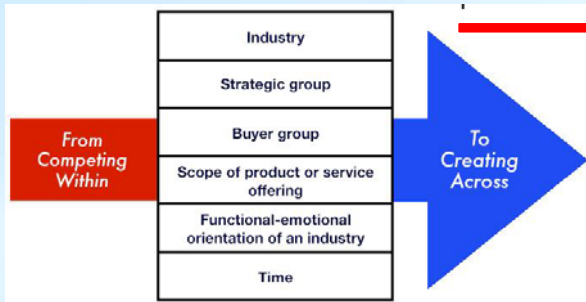


## ***II. FORMULATING BLUE OCEAN STRATEGY***



## *Six Path to Blue Ocean Strategy*



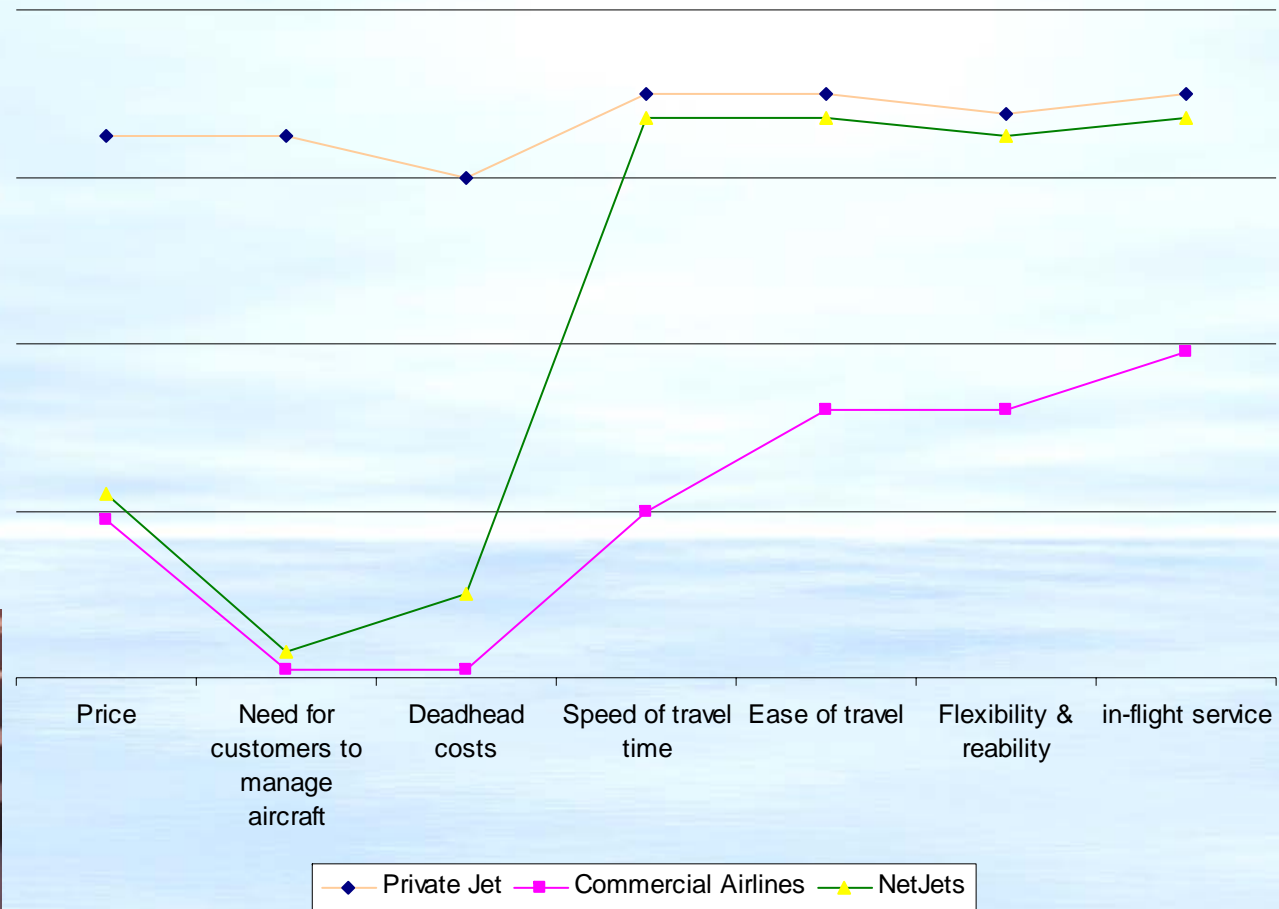


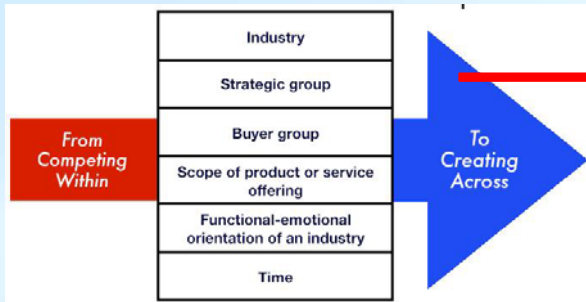
**Net Jets Case Study**

**1: 16 Ownership Aircraft**



The Strategy Canvas of NetJets

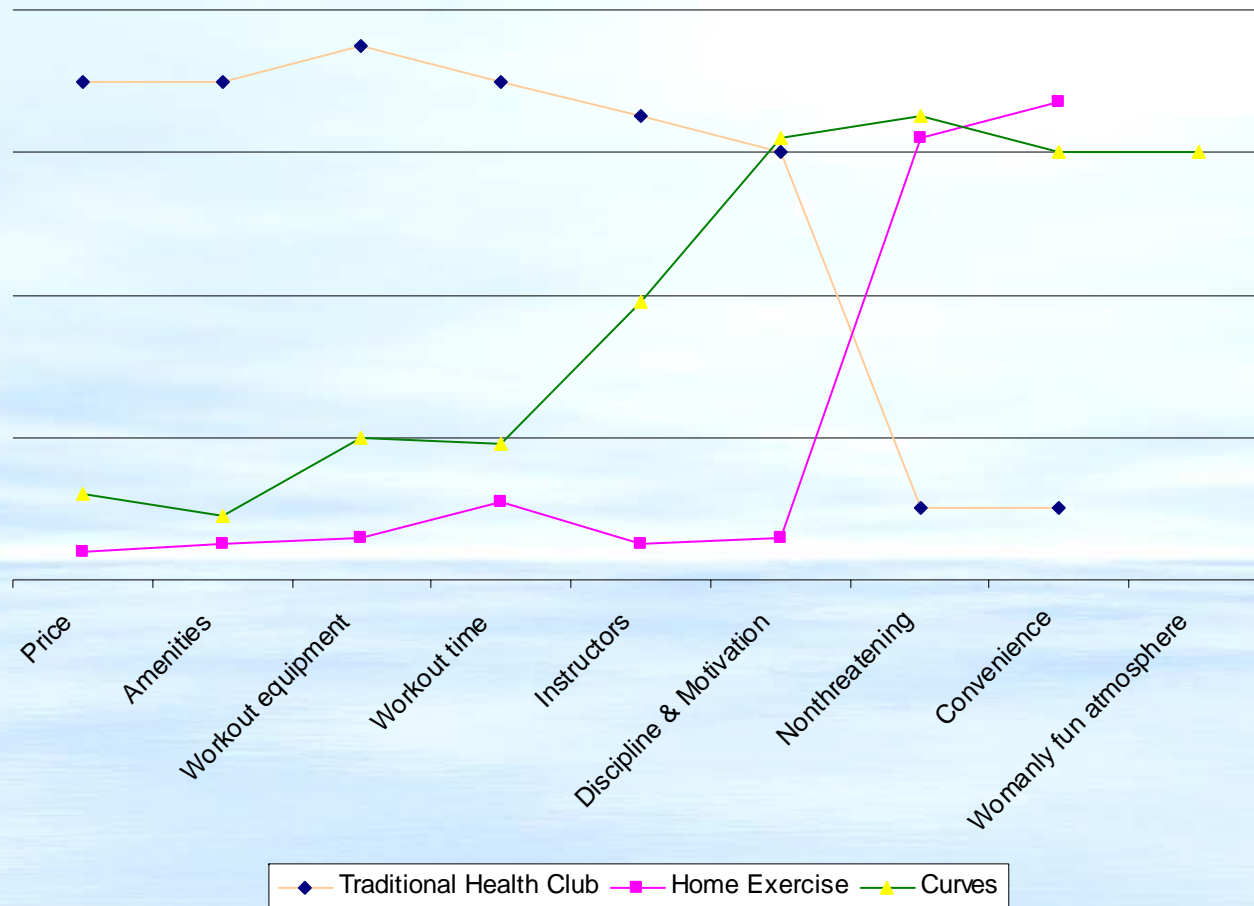
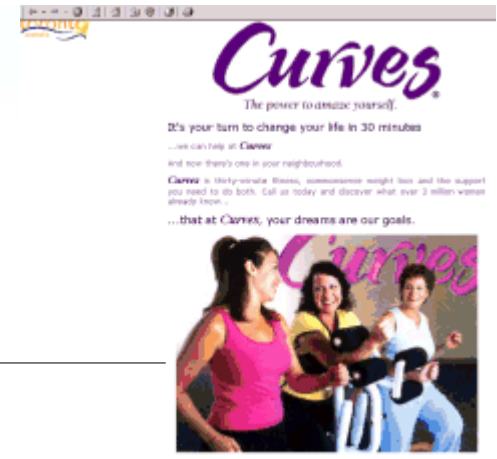


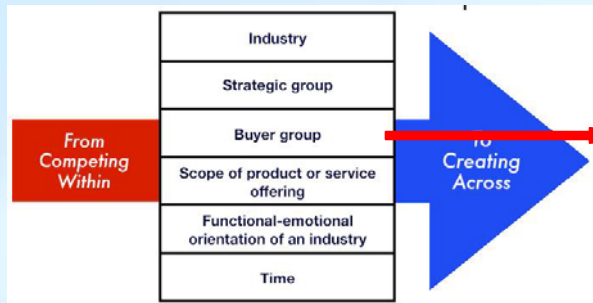


**Curves Case Study**

**Collective Exercise method**

The Strategy Canvas of Curves





### Novo Nordisk Case Study



Insulin Producer

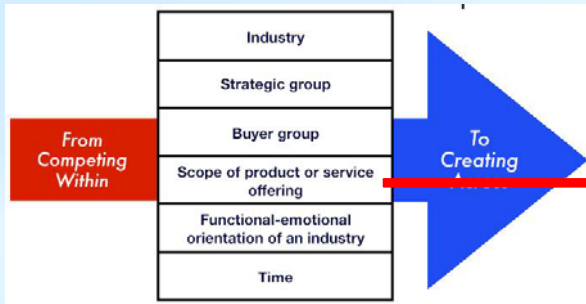
Focus on Doctors

Diabetes Care Company  
By producing NovoPen

Direct to Patients







## NABI Case Study

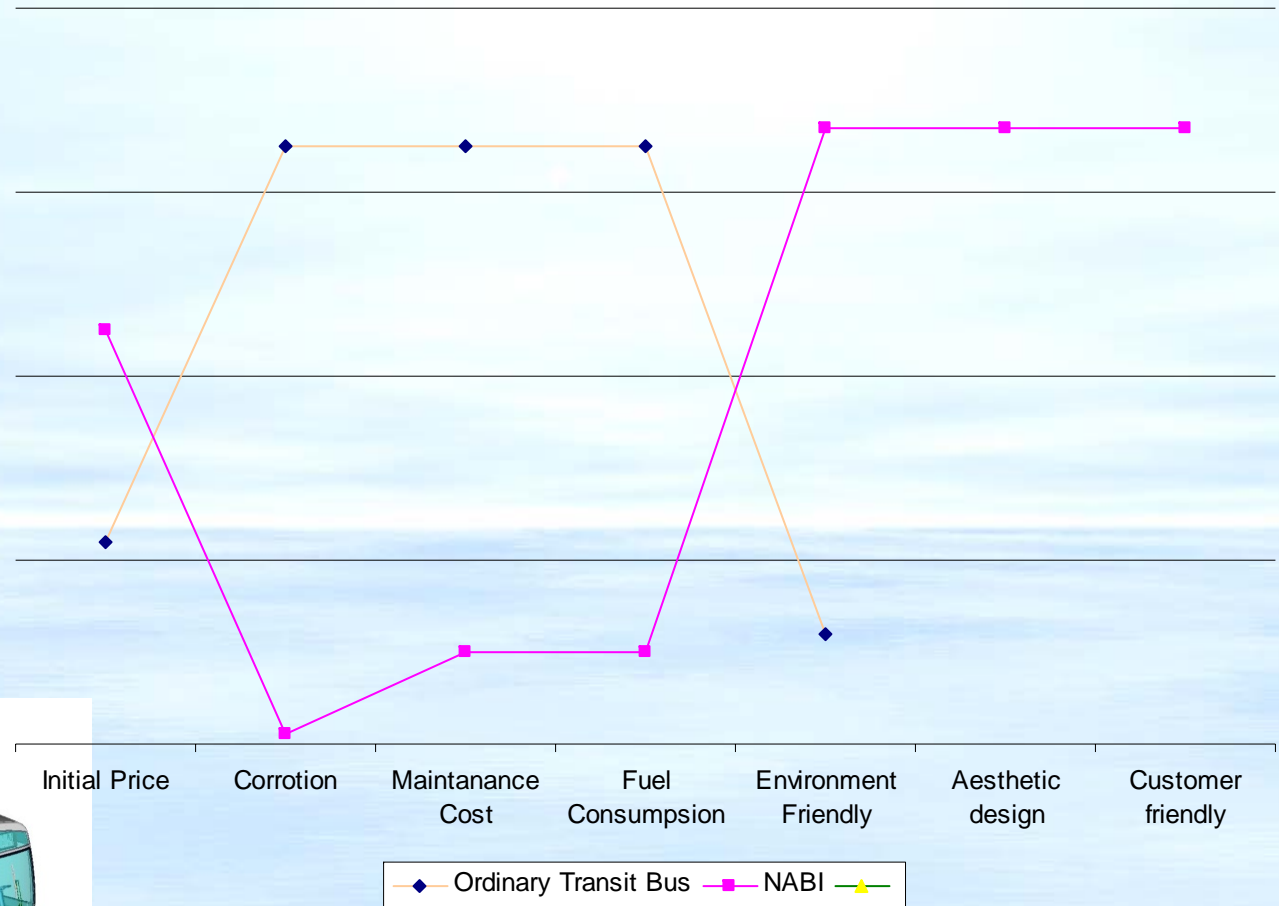
### Fiberglass BUS

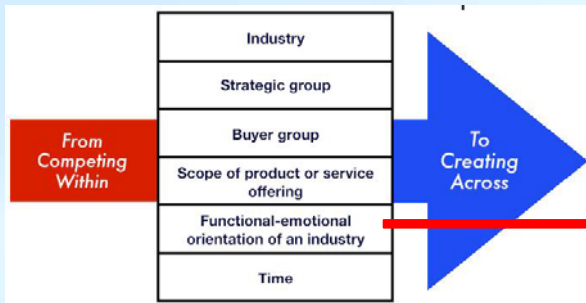
NABI designs, produces and services buses and coaches and develops technology and business processes so as to deliver dependable and efficient transport solutions for its customers.



**NABI**  
NABI BUS INDUSTRIES RT.

The Strategy Canvas of NABI

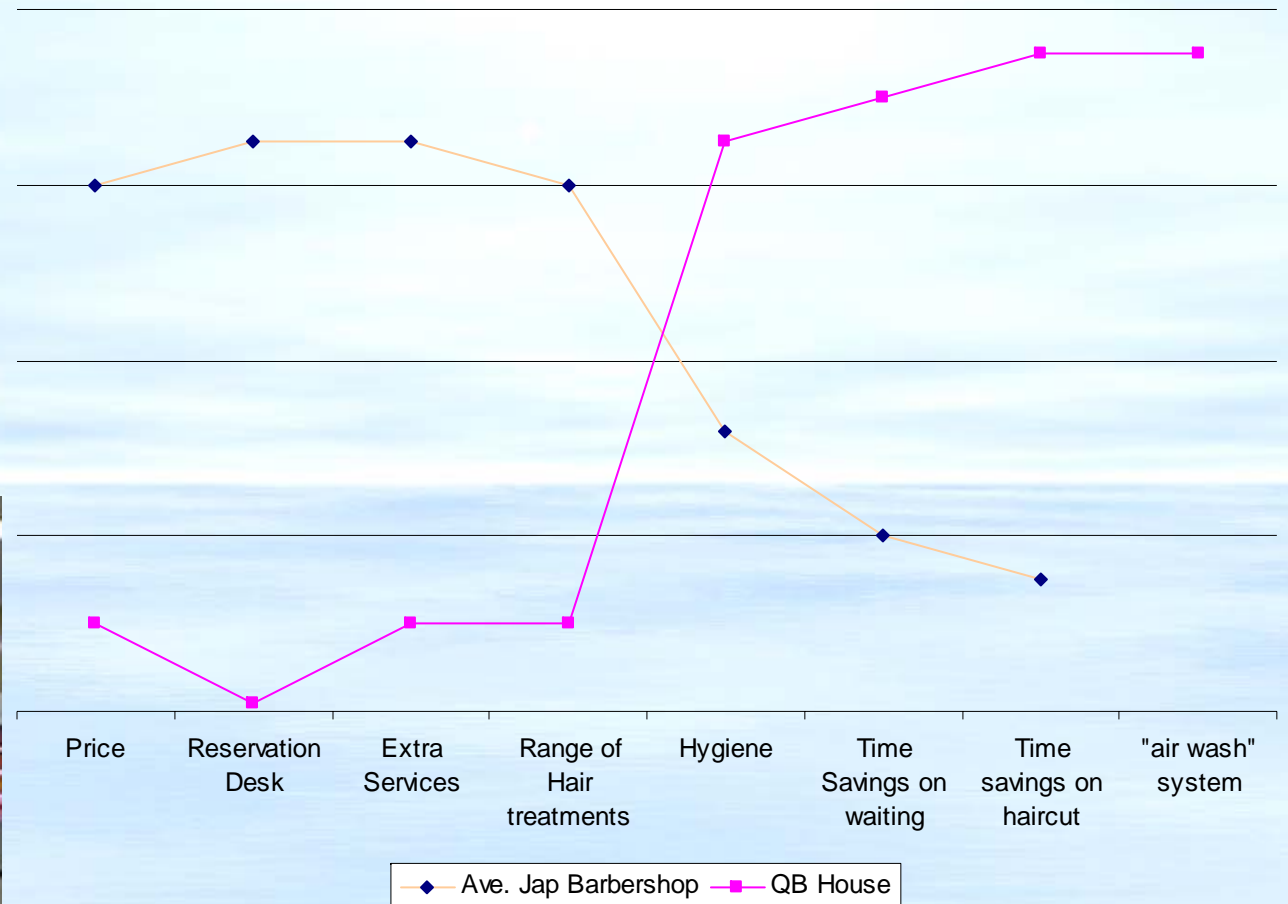


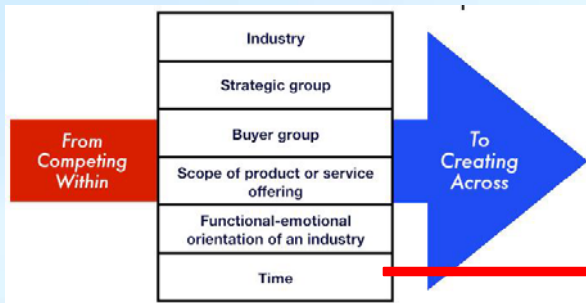


## QB House Case Study

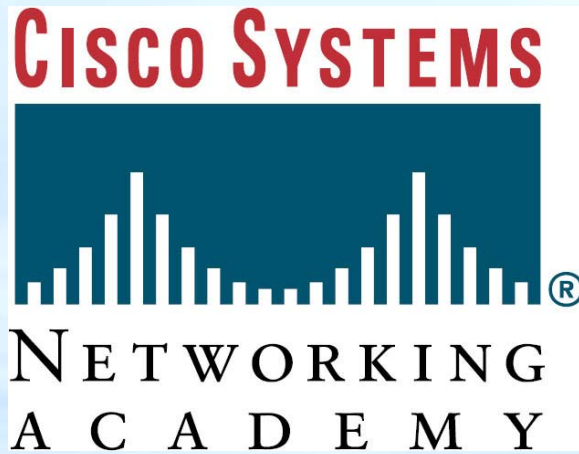
### Speedy Barbershop

The Strategy Canvas of QB





**From the value a market delivers today to the value it might deliver tomorrow**



**CISCO → Growing demand for high speed data exchange → focus on high speed data technology**

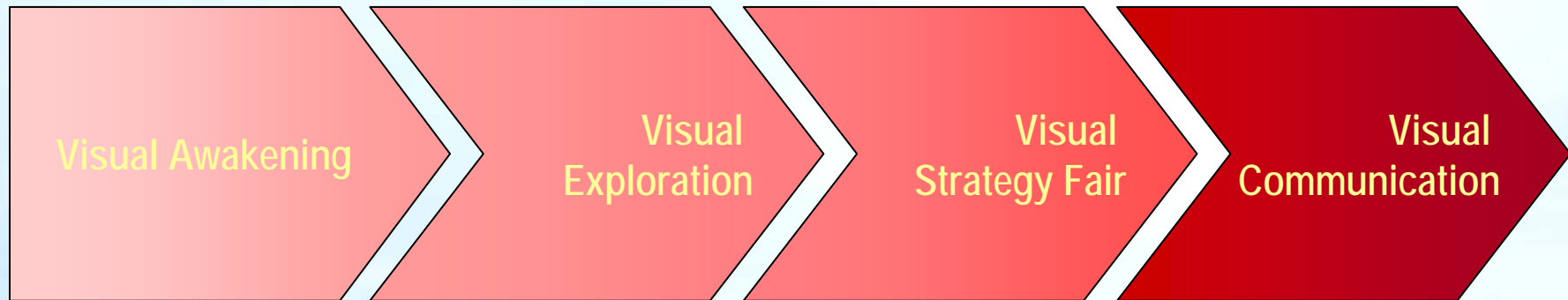
**CNN → the rising tide of globalization → the first real time 24hours global network**



# ***III. VISUALIZING STRATEGY***



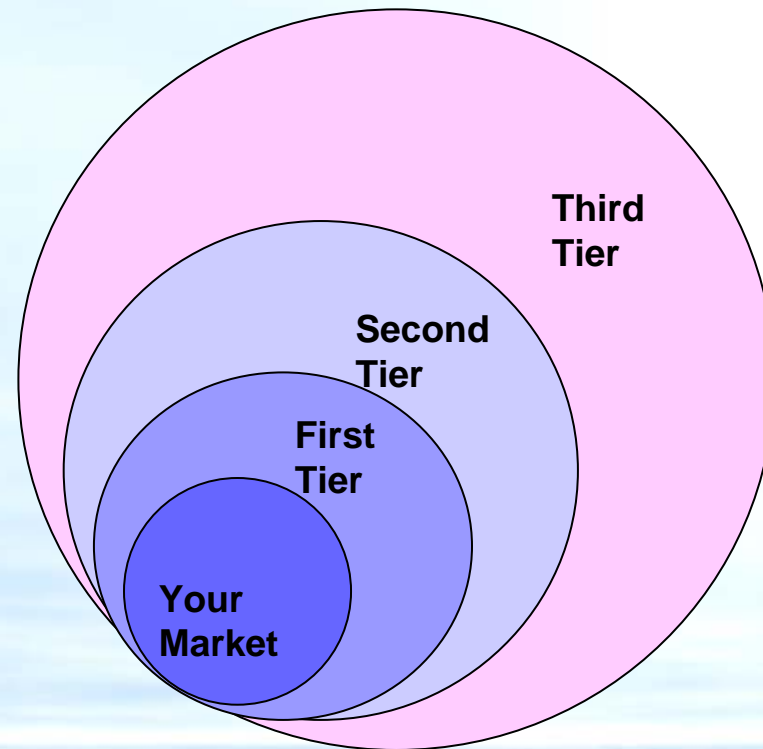
## *Four Steps of Visualizing Strategy*



- Compare your business with your competitors' by drawing your "as is" strategy canvas.
  - See where your strategy needs to change
- Go into the field to explore the six paths to creating blue oceans
  - Observe the distinctive advantages of alternative products or services
  - See which factors you should eliminate, create or change
- Draw your "to be" strategy canvas based on insights from field observations
  - Get feedback on alternative strategy canvases from customers, competitors' customers, and noncustomers
  - Use feedback to build the best "to be" future strategy
- Distribute your before-and-after strategic profiles on one page for easy comparison
  - Support only those projects and operational moves that allow your company to close the gaps to actualize the new strategy



## *The Three Tiers of Noncustomers*

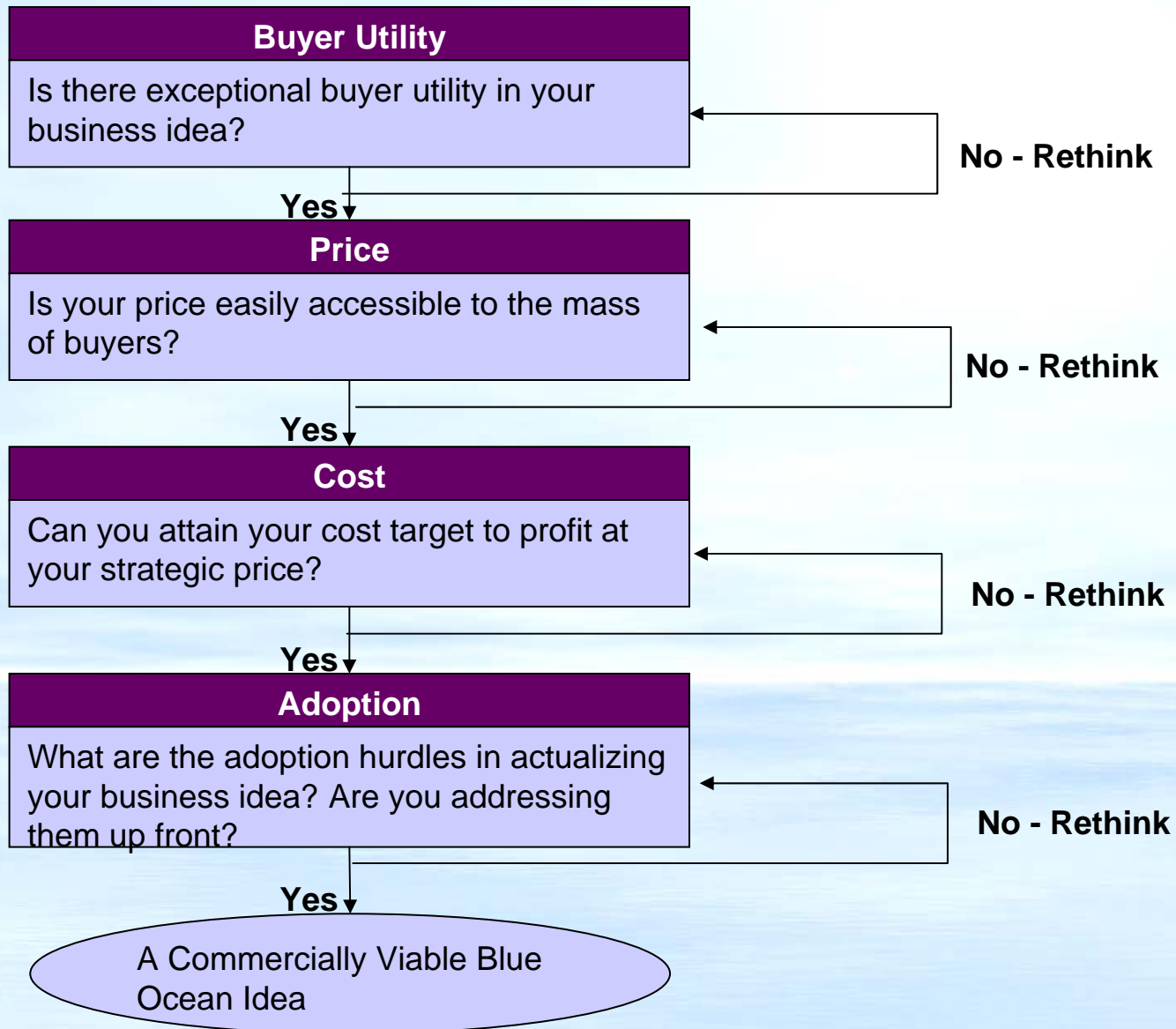


**First Tier:** *“Soon-to-be” noncustomers who are on the edge of your market, waiting to jump ship*

**Second Tier:** *“Refusing” noncustomers who consciously choose against your market*

**Third Tier:** *“Unexplored” noncustomers who are in markets distant from yours*

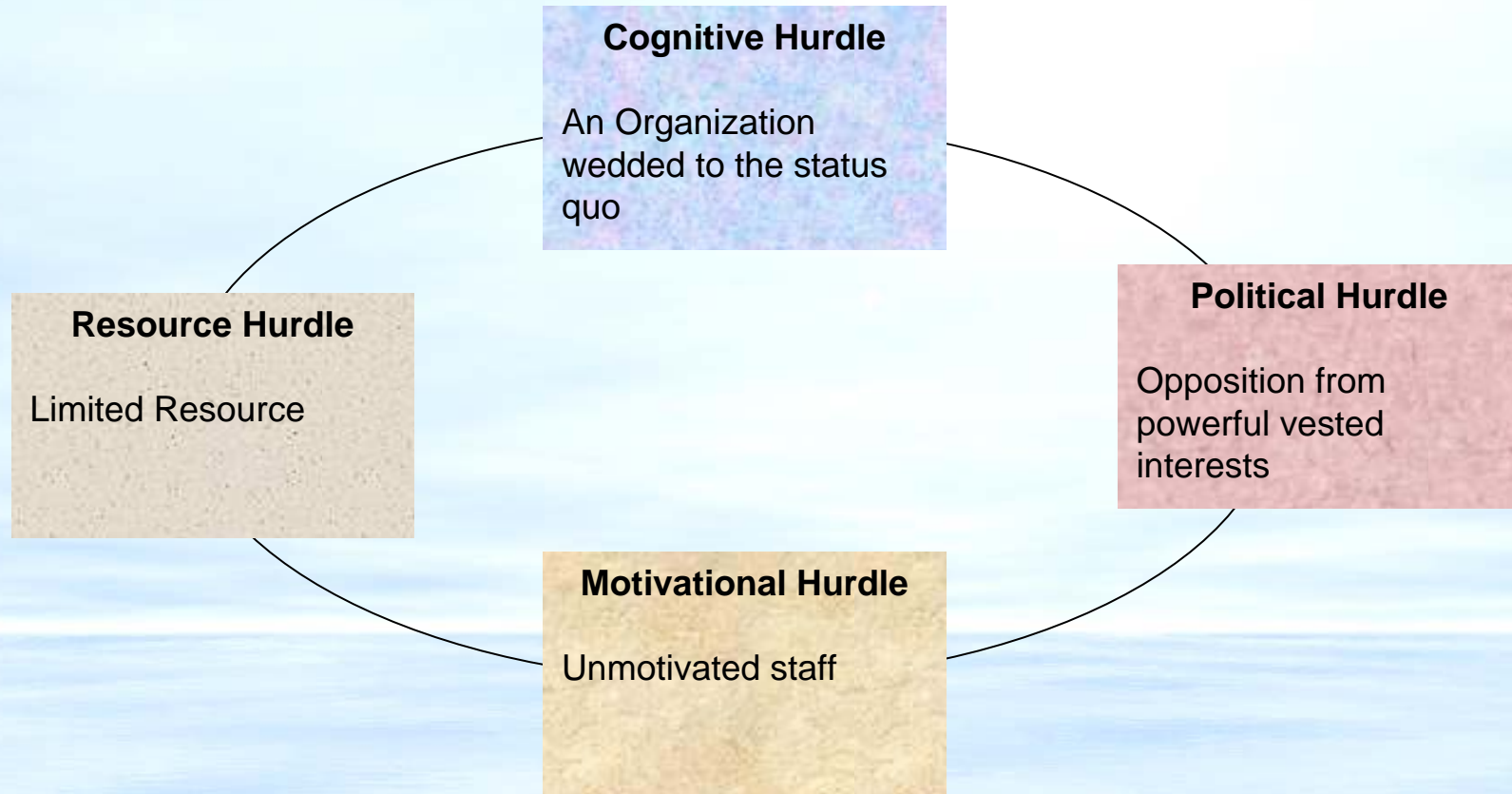
# The Sequence of Blue Ocean Strategy



# ***IV. EXECUTING BLUE OCEAN STRATEGY***



# *The Four Organizational Hurdles to Strategy Execution*



**Break through the Cognitive Hurdle** → *face to face with worst operational problem*

**Ride the “Electric Sewer”  
Meet the Disgruntled Customers**

**Jump the Resource Hurdle** → *Strategic shift with fewer resources*

**Redistribute Resources to the Hot Spots** → *Low resources input but high potential gains*

**Redirect Resources from the Cold Spots**

**Engage in Horse Trading** → *Trading your unit’s excess resources in one area for another unit’s excess resources to fill remaining resources gap*

**Jump the Motivational Hurdle** → *Motivate employees fast & low cost*

**Zoom in on Kingpins** → *Influencer in Organization*

**Place Kingpins in a Fishbowl** → *Transparency, inclusion & fair process*

**Atomize to Get the Organization to Change itself**

→ *Framing the strategic challenge, actionable to all levels*



**Knock Over the Political Hurdle** → *overcome political forces*

**Leveraging **Angles****

*Who the most to gain from the strategic shift*

**Silencing Devils**

**Getting a **consigliere** on the top management team**

*Who knows in advance all the land mines → who will fight you, who will support you*



***V. CONCLUSION: Blue  
Ocean Sustainability***

## ***Imitation Barriers to Blue Ocean Strategy***

- Value innovation does not make sense to a company's conventional logic
- Blue ocean strategy may conflict with other companies' brand image
- Natural monopoly: The market often cannot support a second player
- Patents or legal permits block imitation
- High volume leads to rapid cost advantage for the value innovator, discouraging followers from entering the market
- Network externalities discourage imitation
- Imitation often requires significant political, operational and cultural changes
- Companies that value-innovate earn brand buzz and a loyal customer following that tend to avoid imitators



***The END - THANKS***