

Blue Ocean Strategy

Red Ocean vs Blue Ocean Strategy

Red Ocean Strategy	Blue Ocean Strategy
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	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

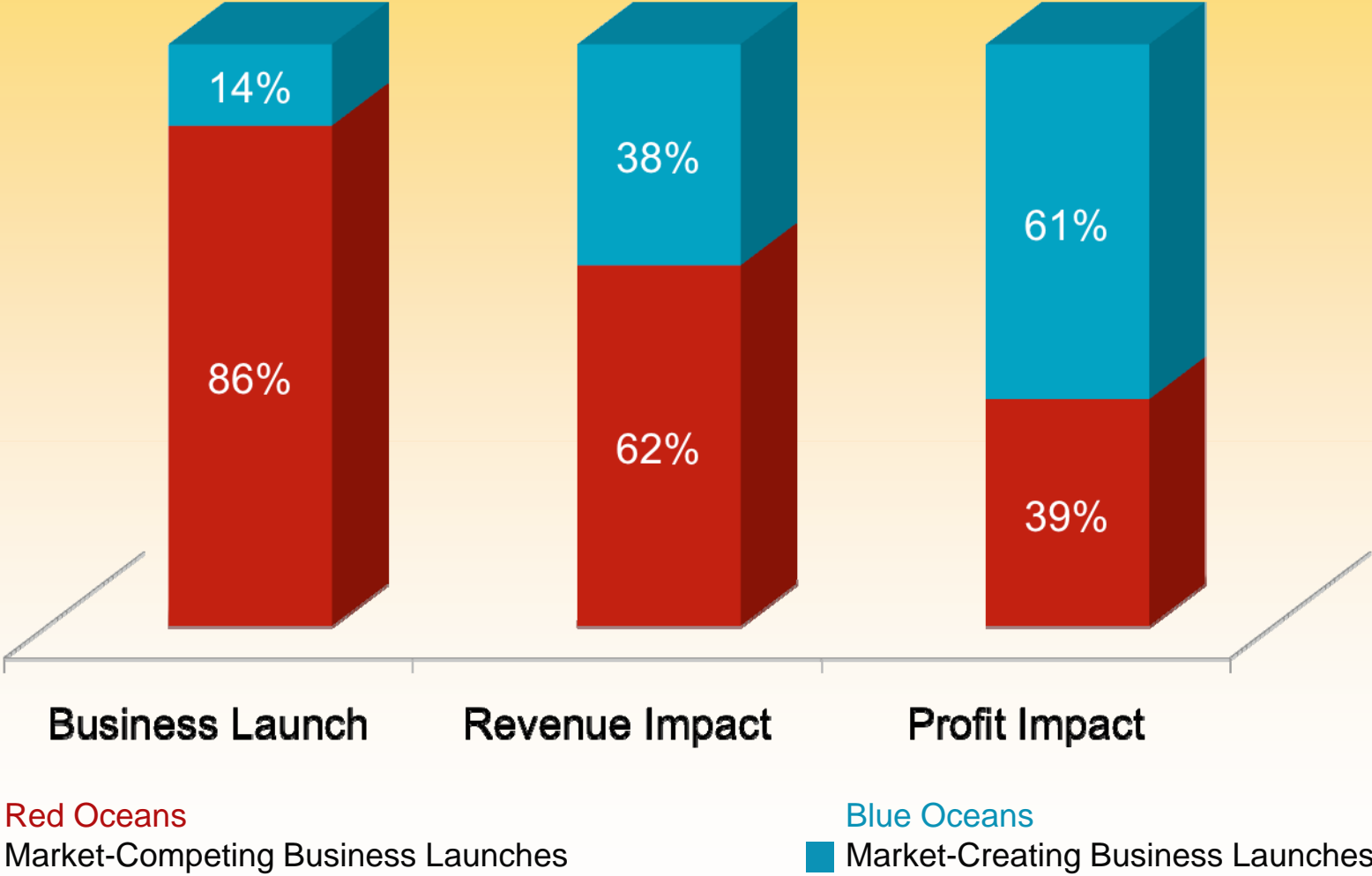
Researching the History of Blue Ocean Creation

Data: 150 blue ocean creations, more than 30 industries, over 100 years (1880-2000)

hotel, cinema, retailing, airline, energy, computer, broadcasting, home
construction, automobile, steel manufacturing, chemicals, cosmetics, software, etc.

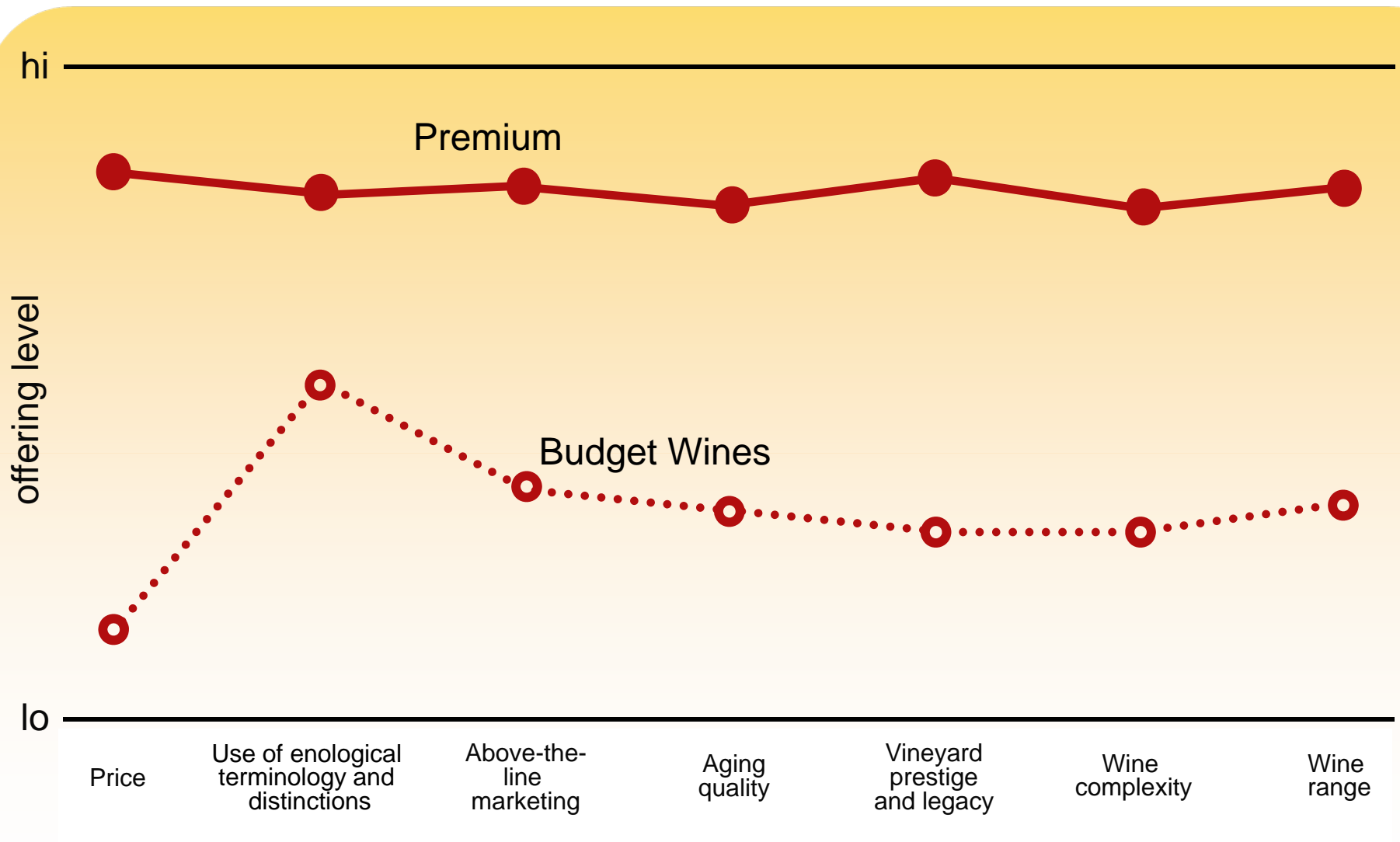
Variables considered: industrial, organizational, strategic

Substantially Higher Returns from Investments in Blue Oceans

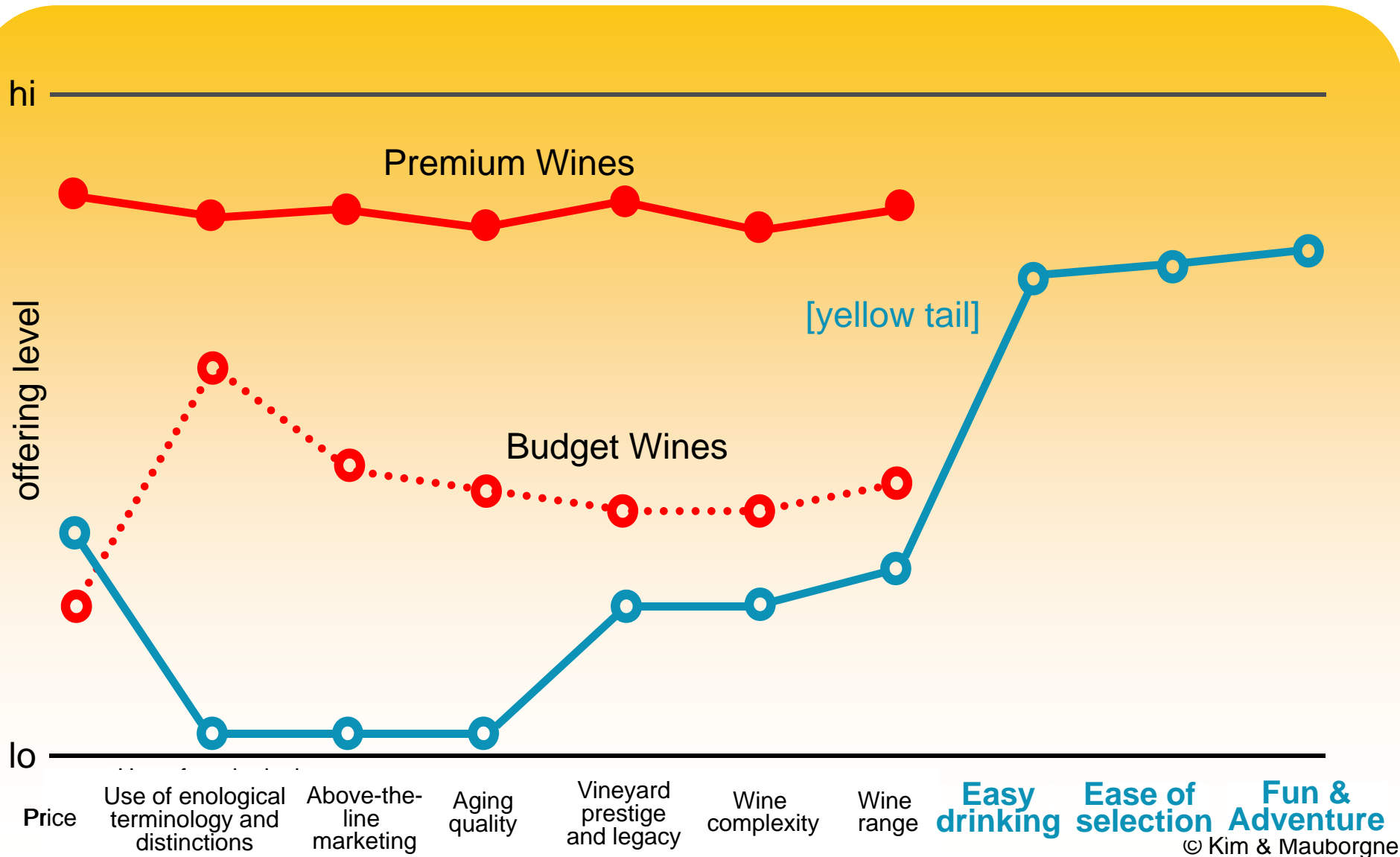


How do you create a
Blue Ocean
in your industry?

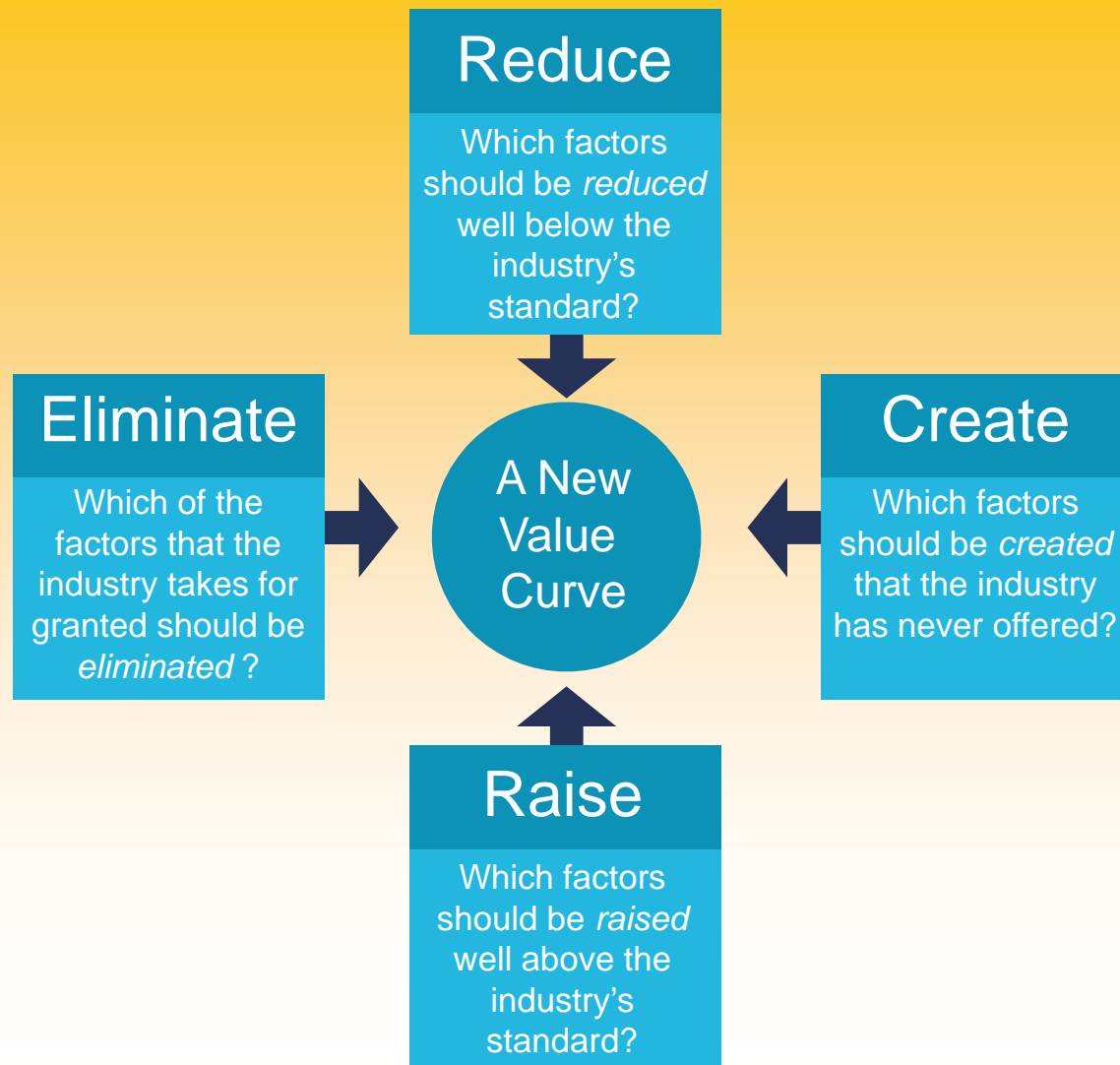
The “As Is” Strategy Canvas for the US Wine Industry



The “To Be” Strategy Canvas of [yellow tail]



The Four Actions Framework

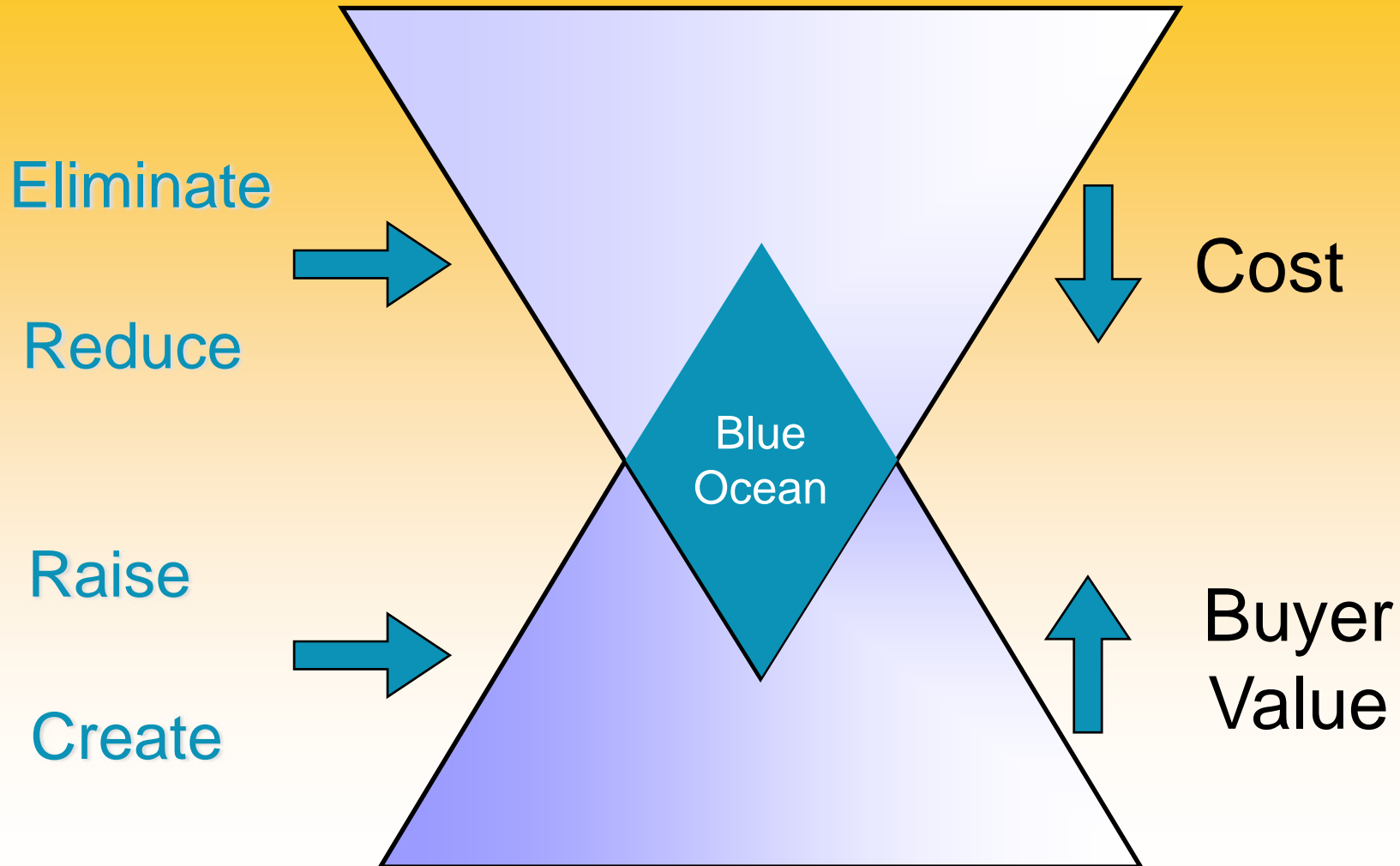


Eliminate-Reduce-Raise-Create Grid:

The case of [yellow tail]

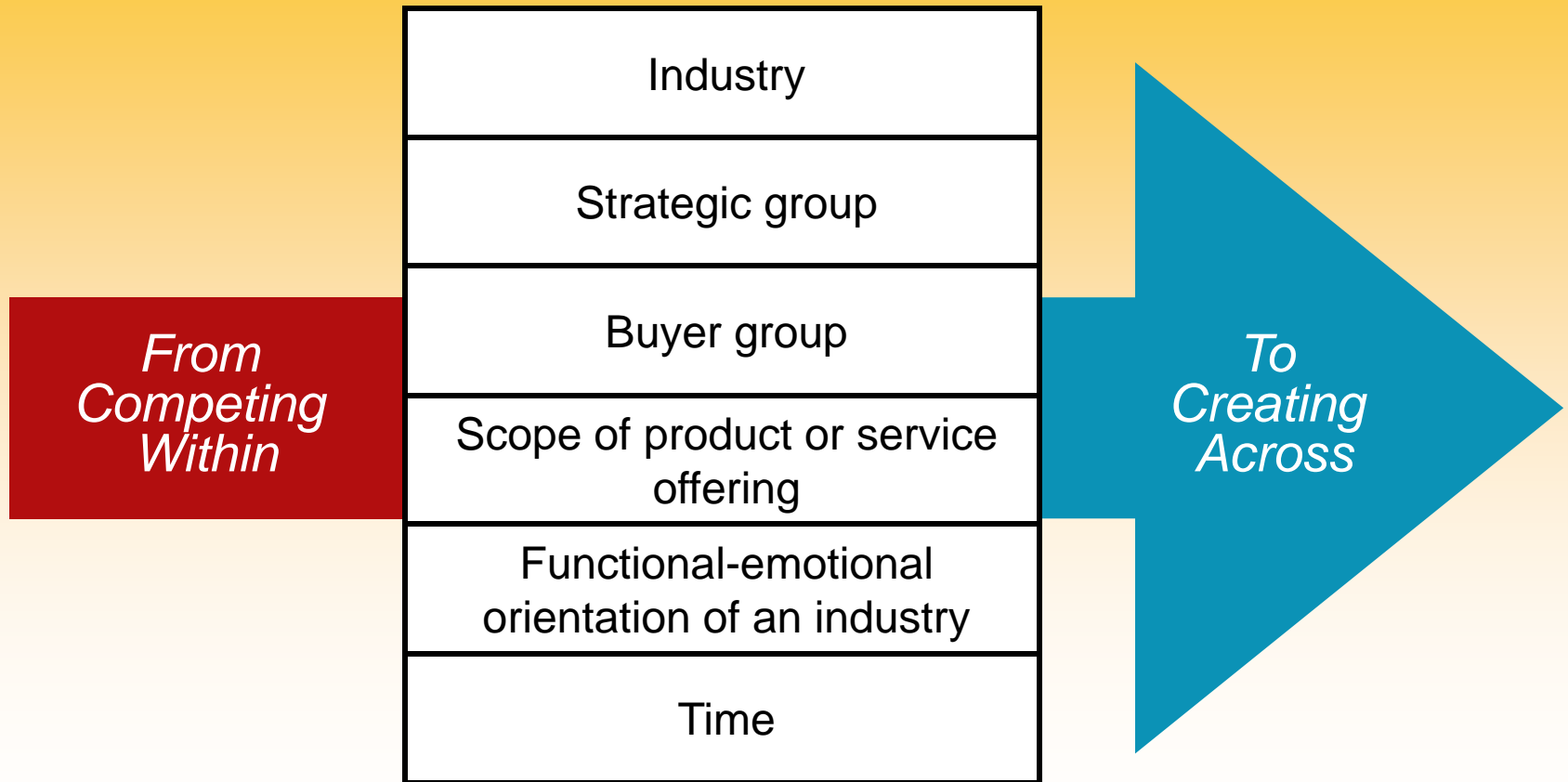
<p><u>Eliminate</u></p> <p>Enological terminology and distinctions Aging qualities Above-the-line marketing</p>	<p><u>Raise</u></p> <p>Price versus budget wines Retail store involvement</p>
<p><u>Reduce</u></p> <p>Wine complexity Wine range Vineyard prestige</p>	<p><u>Create</u></p> <p>Easy drinking Ease of selection Fun and adventure</p>

Value Innovation: the simultaneous pursuit of differentiation and low cost



Six Paths to Blue Ocean Strategy

The six conventional boundaries of competition



Shifting the Strategic Focus

	Conventional Logic		Blue Ocean Strategy Logic
Industry	focus on rivals within its industry	→	looks across alternative industries
Strategic group	focuses on competitive position within strategic group	→	looks across strategic groups within industry
Buyer group	focuses on better serving the buyer group	→	redefines the industry buyer group
Scope of product or service offering	focuses on maximizing the value of product and service offerings within the bound of its industry	→	looks across to complementary product and service offerings
Functional-emotional orientation	focuses on improving price-performance within the functional -emotional orientation of its industry	→	rethinks the functional-emotional orientation of its industry
Time	focuses on adapting to external trends as they occur	→	participates in shaping external trends over time

Pioneer-Migrator-Settler Map

Pioneers

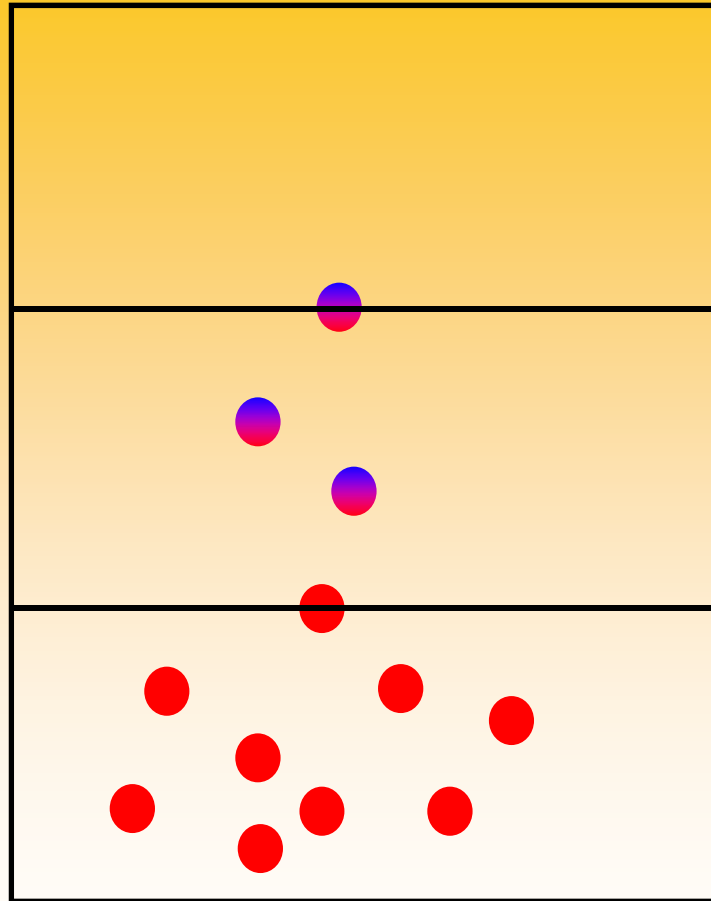
The only ones with a mass following

Migrators

Best in the crowd

Settlers

Me-toos



Today?

Pioneer-Migrator-Settler Map

Pioneers

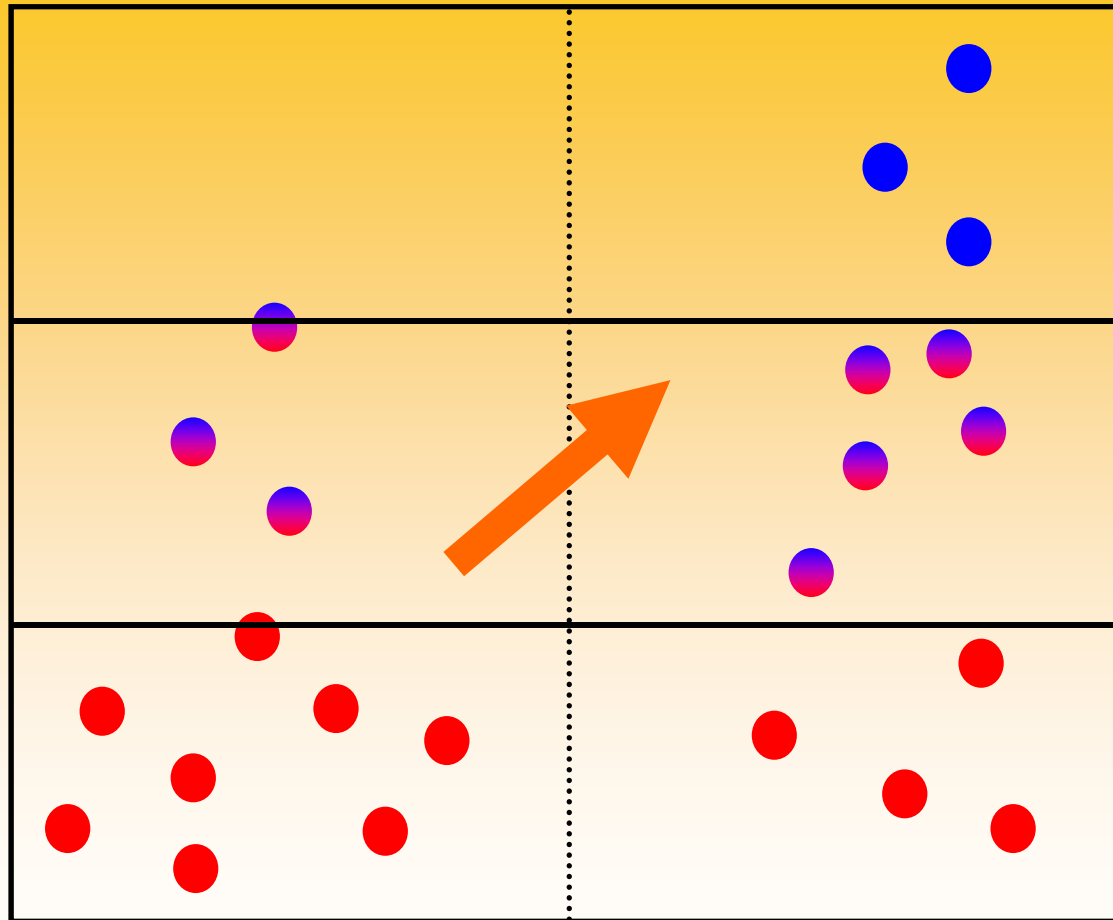
The only ones with a mass following

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Today

Tomorrow

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

www.blueoceanstrategy.com

