

Blue Ocean Strategy

Framework and Applications

The bottom of the slide features a decorative graphic consisting of several overlapping, wavy lines in various shades of blue, creating a sense of movement and depth.

Blue Ocean Strategy

Importance to Business

Create
Uncontested
Market Space

Invent and
Capture New
Demand

Customer
Value + Low
Cost



Blue Ocean Strategy

Importance to Business



Blue Ocean Strategy

Core Principles

1. Grounded in Data

- 10 year study/150 strategic moves
- 30 industries/100 years

2. Pursues Differentiation + Low Cost

- “and-and” not “either-or”
- Reduce competing factors/create new factors

3. Creates Uncontested Market Space

- Make competition irrelevant
- Look outside the boundaries

4. Tools and Frameworks

- Underlying frameworks exist as a guide
- Built on common strategic patterns of Blue Ocean Strategy

Blue Ocean Strategy

Core Principles

5. Provides Step-by-Step Process

- Provides a stepped process for implementation
- Gives management an alternative to traditional strategies

6. Maximizes Opportunity/Minimizes Risk

- Mitigates risk
- Increases odds of success

7. Builds Execution into Strategy

- Ensures employee support
- Process and tools are inclusive

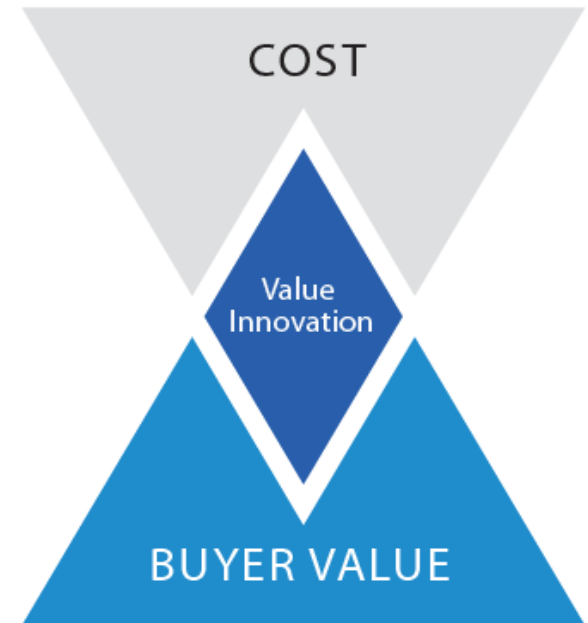
8. Creates a Win-Win Outcome

- Strategy aligns value, profit and people
- Ensures acceptance, support, sustainability

Blue Ocean Strategy

For Innovation and Growth

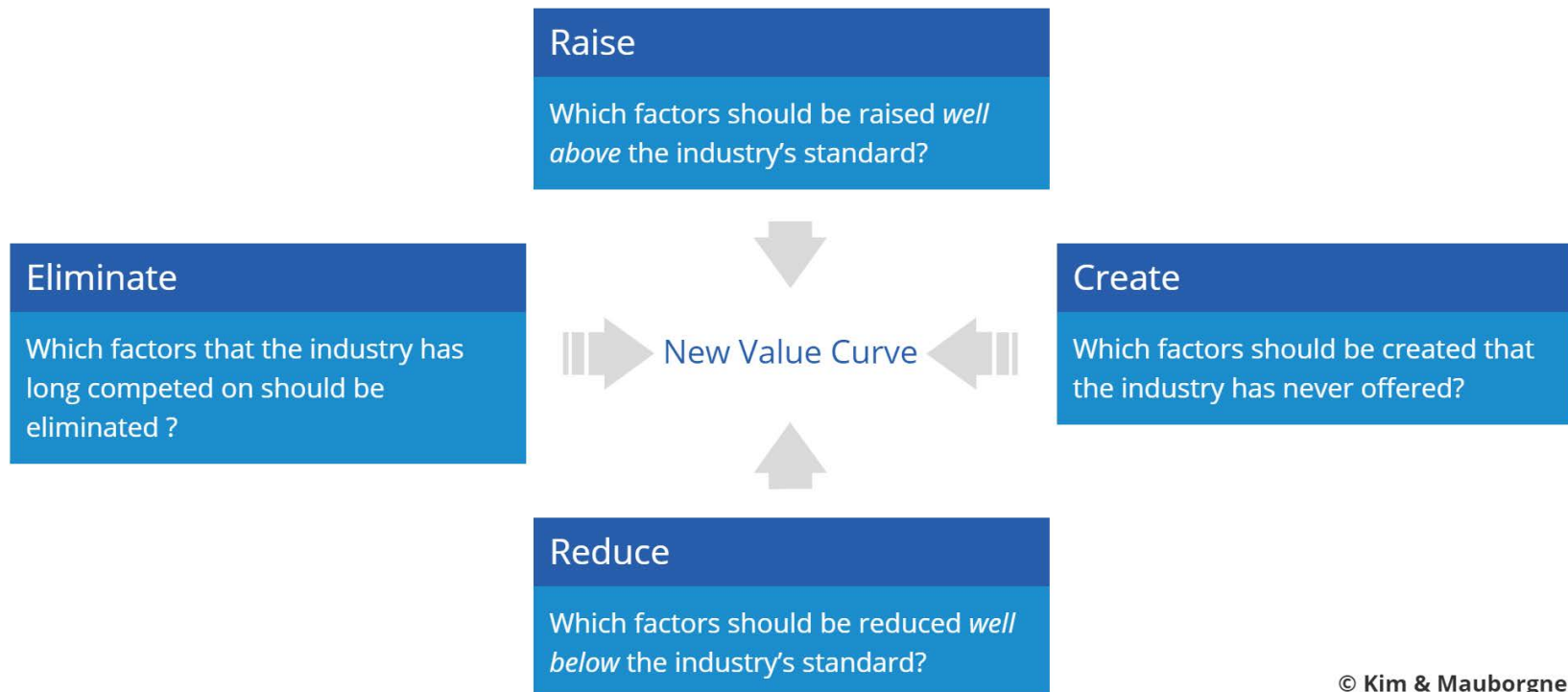
- * **Difference between Blue Ocean Strategy and innovation (value innovation vs. innovation)**
 - * Innovation: tech-driven, market pioneering, futuristic
 - * Value Innovation: align innovation with utility, price, cost position



Blue Ocean Strategy *Framework*

Blue Ocean Strategy provides a framework to:

- * Grow market share while minimizing risk
- * Succeed in entrepreneurship



Blue Ocean Strategy vs. *Traditional Competitive Strategies*

* **Traditional Competitive Strategies:**

- * Cost Leadership (Ex: Costco)
- * Differentiation (Ex: BMW)
- * Focus Strategy (Ex: LinkedIn)

* **Traditional Competitive Strategy vs Blue Ocean Strategy**

- * Competitive Advantage - Porter's Five Forces
- * Blue Ocean Strategy is a:
 - * Value Innovation Strategy – competes in an uncontested market space
 - * "Combination Strategy": pursue differentiation while controlling costs.
 - * Achieved via the delivery of features that have a highest marginal benefit to customer needs

Blue Ocean Strategy Execution

Tipping Point Leadership

- * Change the mass by transforming the extremes
- * The Extremes: the people, acts, and activities that exercise a disproportionate influence on performance
- * The Advantage? Tipping point leaders are able to change the core fast and at low cost to execute their new strategy.
- * The Key: Identify and leverage factors with disproportionate influence on the organization to effect change



Mass of Employees
Company



Disproportionate
Influence Factors

Company

Disproportionate
Influence Factors

Blue Ocean Strategy Execution *Hurdles*



The Cognitive Hurdle



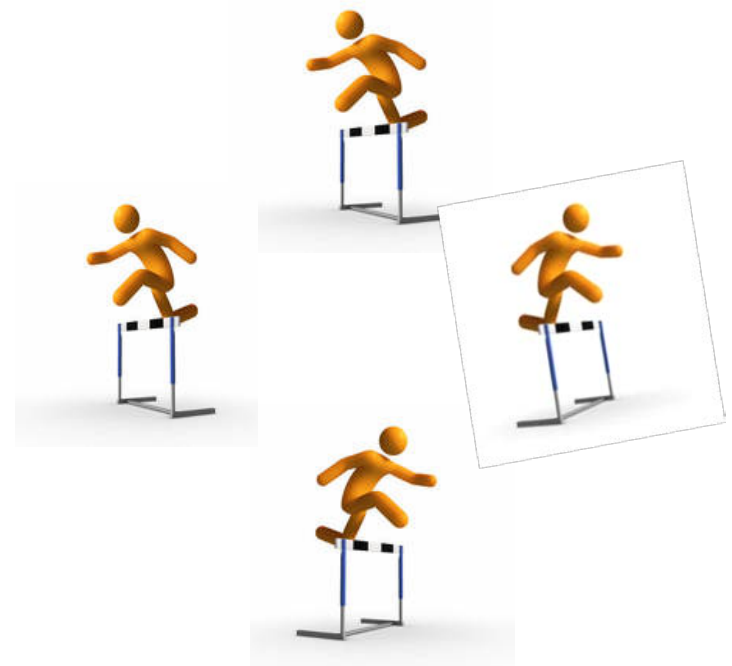
The Resource Hurdle



The Motivational Hurdle



The Political Hurdle



Blue Ocean Strategy *and diversification*

- * **What is Diversification?**

- * Diversification is a corporate level strategy used to create value

- * **Categorized into:**

- * Related diversification (ex: Dairy farm acquiring a cheese factory)
- * Unrelated diversification (ex: Dairy farm acquiring a coffee plantation)

- * **Blue Ocean Strategy**

- * Proper execution of a Blue Ocean Strategy requires alignment of 3 propositions/components
 - * People – Must motivate employees to execute strategy
 - * Value – Must develop an offering attractive to buyers
 - * Profit – Must enable company to make a profit

Examples:

Smartphone Industry (2007)



Step 1: Examine the industry and its customers

▶ What was working:

- * Raw technology was already available (CPU, screens etc.)

▶ What was not working:

- * Software were not user-friendly
- * Poor cellphone web-browsing capabilities
- * Cellphones lacked useful third-party Apps

Step 2: Decide which features to add and eliminate

▶ Add Underserved Features:

- * Software ease of use
- * Hardware quality and aesthetics
- * Availability of third-party Apps



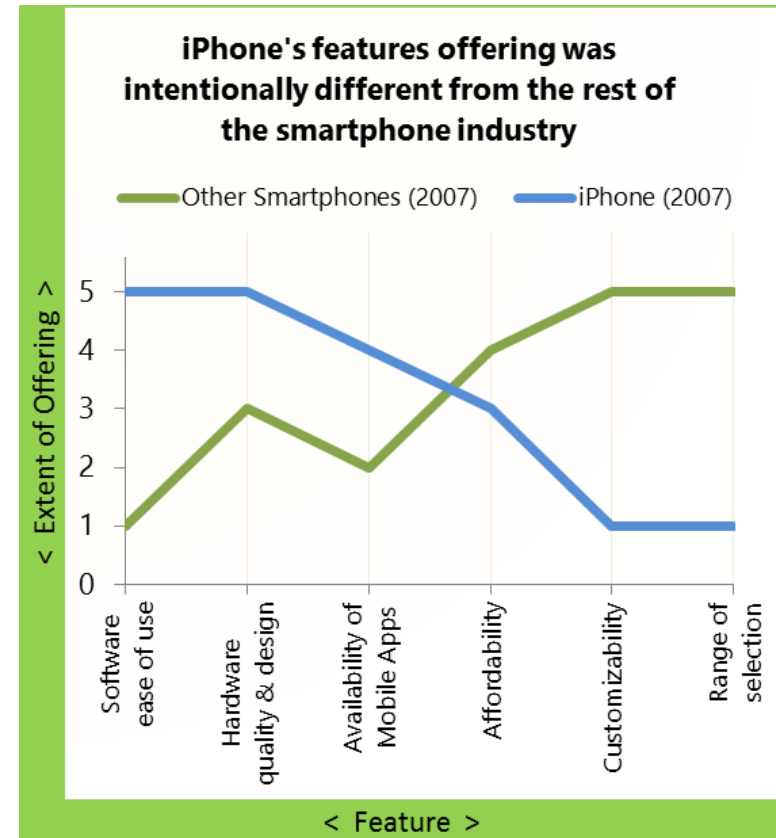
▶ Eliminate Unnecessary Features:

- * Excessive customizability of hardware and software
- * A high megapixel camera
- * Lots of different cellphone models



Step 3: Results

- ▶ Apple became a leader in the smartphone industry within 5 years



Examples:

Wine Industry (2000)

[yellow tail]®



Step 1: Examine the industry and its customers

▶ What was working:

- * Wine was perceived as a refined, high-end drink

▶ What was not working:

- * Industry consisted of either premium or budget wines
- * To younger, casual drinkers, wine seemed intimidating and old-fashioned
- * Younger and casual drinkers were a disengaged market

Step 2: Decide which features to add and eliminate

▶ Add Underserved Features:

- * Simple taste
- * Affordable prices
- * Marketing focused on fun, adventure, and simplicity



▶ Eliminate Unnecessary Features:

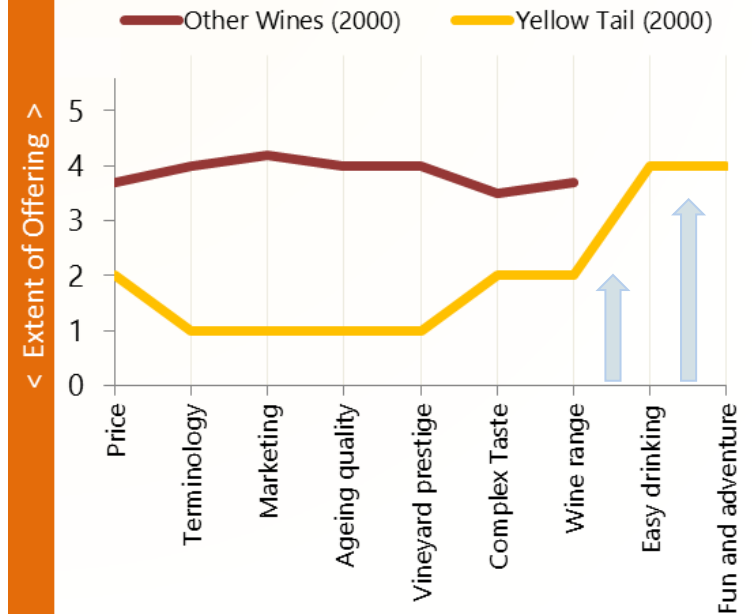
- * Prestige marketing
- * Complex taste
- * High prices



Step 3: Results

- ▶ In 3 years (2003), Yellow Tail became US' #1 selling wine
- ▶ A reinvention of wine-drinking as trendy, modern, and fun

Yellow Tail's features offering was intentionally different from the rest of the wine industry



< Feature >

Examples (non-profit): Sankara Eye Foundation (2000)



Step 1: Identifying the problem / issue

▶ What was working:

- * Several Non Profit Organizations already working in India for *Eradicating Curable Blindness*.

▶ What was not working:

- * No organization in the US working on eradicating Curable Blindness for India
- * Indian organizations working on multiple issues (Poverty Alleviation, Education , Healthcare)

Step 1a: Formulating a strategy

▶ Focus:

- * To reach out to the India's rural poor and provide quality eye care free of cost to the needy by building operationally self-sufficient super specialty eye care hospitals across India.

▶ Divergence:

- * Responsibility, Honesty and Commitment towards the donors, people they serve and fellow volunteers

▶ Compelling Tagline:

- * Their vision is to eradicate curable blindness in India by the year 2020. **"Vision 20/20 by the year 2020"**

Examples (non-profit): Sankara Eye Foundation (2000)



Step 2: Decide which features to add and eliminate

▶ Add Underserved Features:

- * Identify untapped donor groups.
- * Active Donor Engagement
- * Innovative Fundraising



Eliminate Unnecessary Features:

- * Keep costs to a minimum
- * Keep Volunteer morale high
- * Maintain Committed Partnership

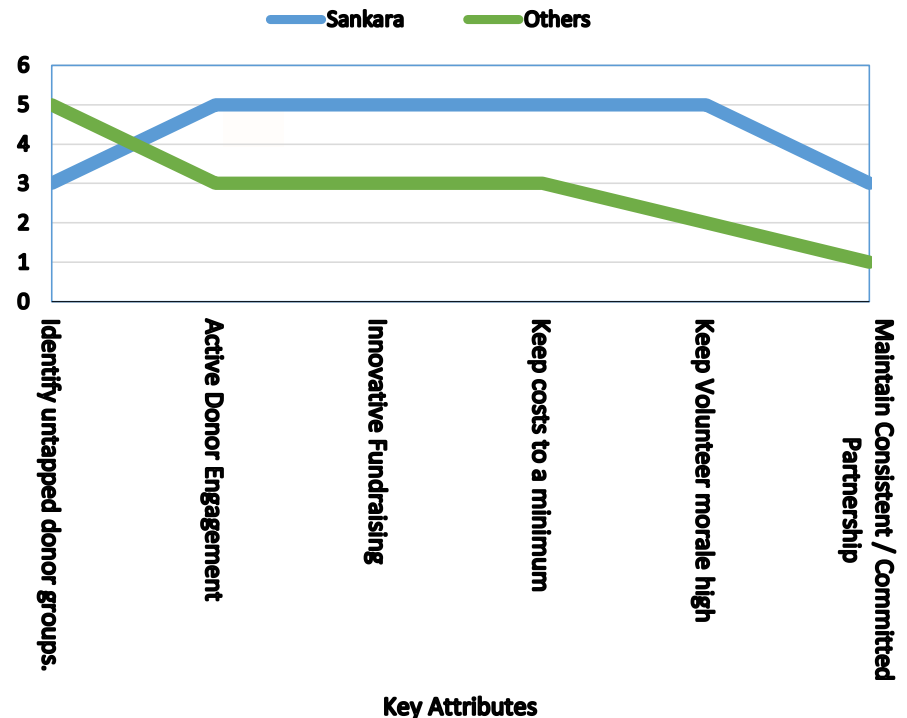


Step 3: Results

▶ Sankara became a leading Non-profit Organization by 2007

- * Performing 500 free eye surgeries / day
- * Raising \$3.5 Million / year with Over 100,000 donors

Sankara's approach was intentionally different from others



Recommendations

To implement a Blue Ocean Strategy:

- * You don't need to be Steve Jobs or Elon Musk
- * **But, you do need to:**
 - * **Examine** the industry to identify the customer needs that it currently serves and doesn't serve
 - * **Study** the industry's customers and potential customers for what they really need
 - * **Structure** your own offering to focus on customer needs that have yet to be addressed, while minimizing features that have been over-served.