

# Blue Ocean Strategy

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Chapter 3-4 review by Daria Norikova, Arthur Falcao and Haruna-Rasheed Mohammed

# Six fundamental assumptions underlying many companies' strategies.

- Define their industry similarly and focus on being the best within it
- Look at their industries through the lens of generally accepted strategic groups
- Focus on the same buyer group, be it the purchaser, the user, or the influencer
- Define the scope of the products and services offered by their industry similarly
- Accept their industry's functional or emotional orientation
- Focus on the same point in time—and often on current competitive threats—in formulating strategy

To break through you need



to look across:




- Alternative industries
- Strategic groups
- Buyer groups
- Complementary product and service offerings
- Functional-emotional orientation of an industry
- Across time

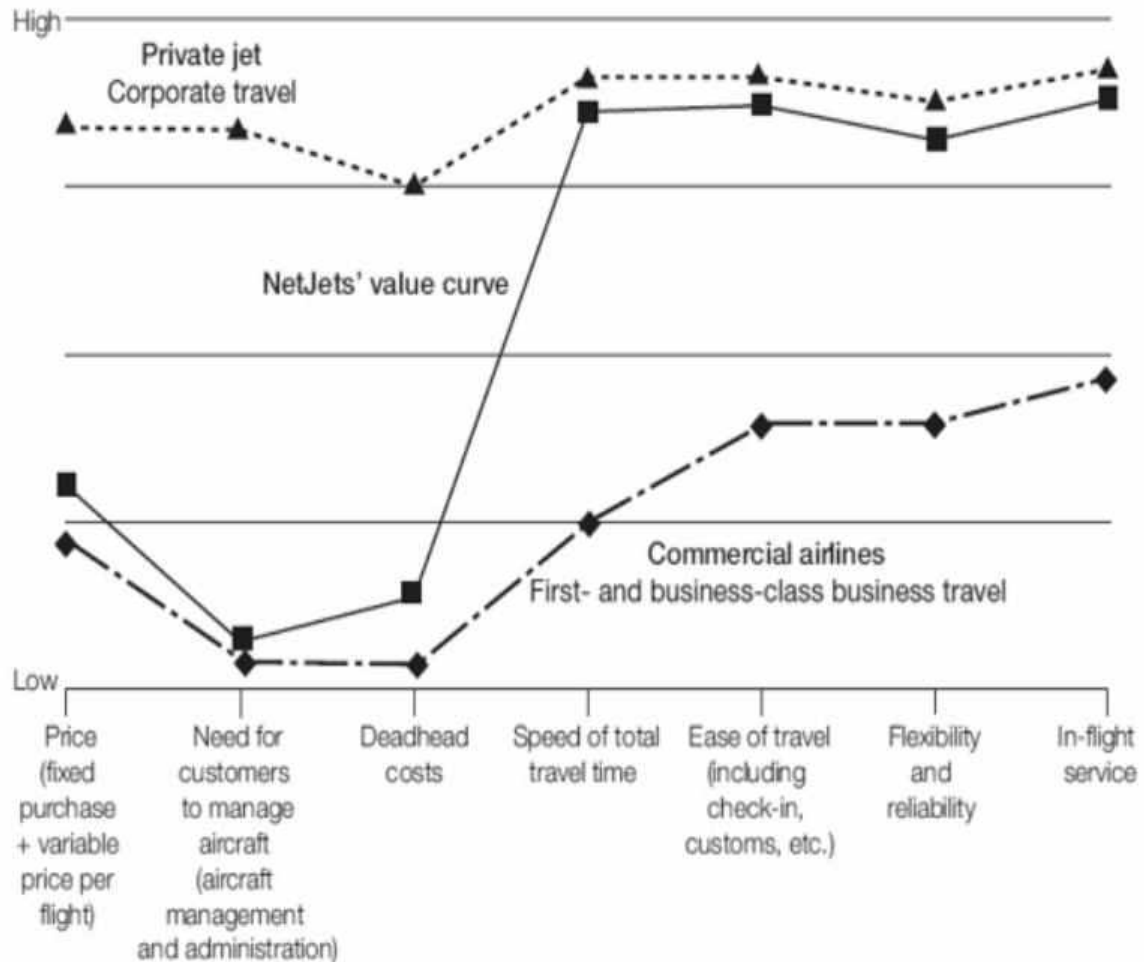
## **Path 1: Look Across Alternative Industries**

# **NETJETS<sup>®</sup>**

**700 aircrafts**  
**170 countries**  
**7 000 airports**

- Flexibility
- Shortened travel time
- Hassle-free travel experience
- Increased reliability
- Strategic pricing.

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- Trip length is 2x shorter
  - Available within 4h notice
  - 50h per year for \$400,000
  - No flight transfers
  - Simplified check in and customs
  - Customized in-flight service



## Path 2: Look Across Strategic Groups within Industries

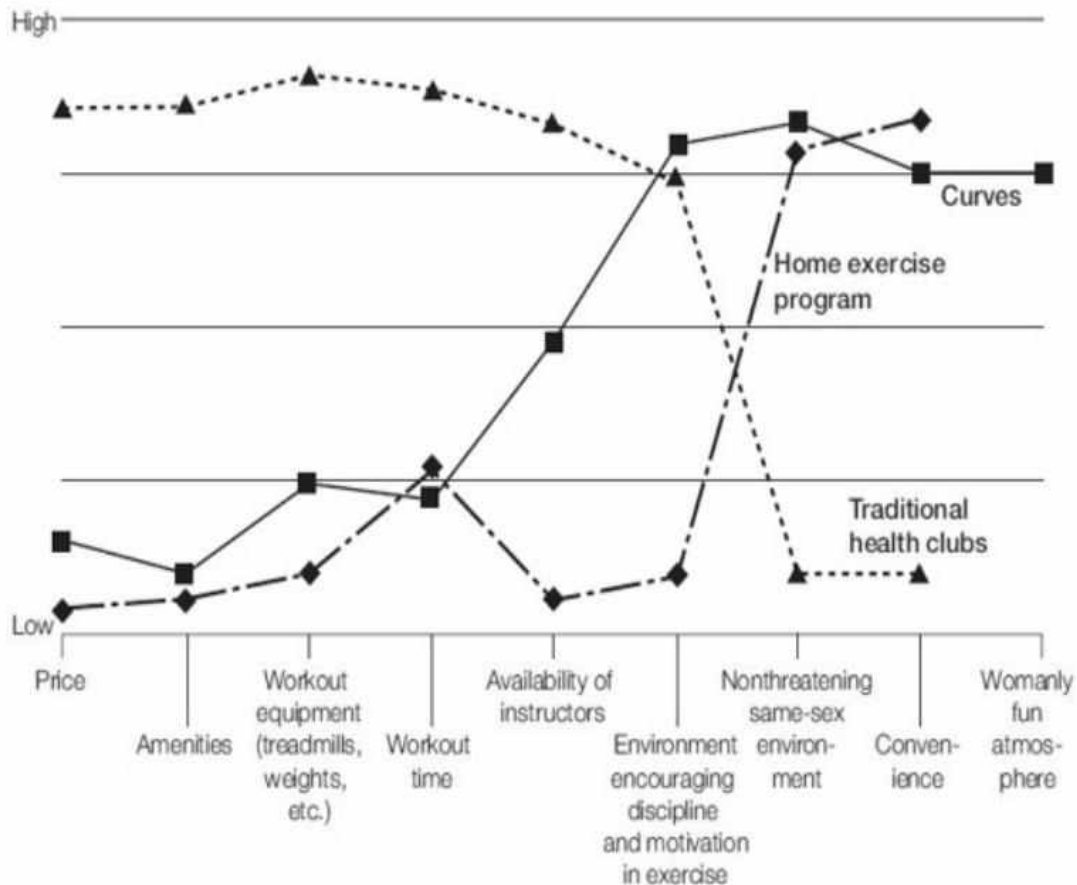
- Only for Women
- Short training
- Easy to commute to
- Machines for women
- Absence of Juice bar, sauna, locker room
- Cheap to set up & launch

*Curves*®





## The strategy canvas of Curves



# Path 3: Look Across the Chain of Buyers

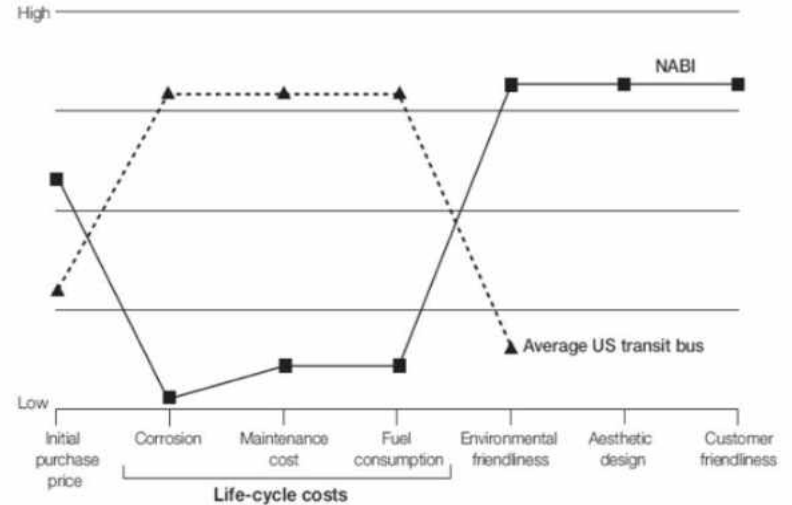
- From focus on doctors to focus on patients
- From just insulin production to diabetes care company.



# Path 4: Look Across Complementary Products and Services

- From focus on initial cost to focus on reduction of long-term running costs
- Seek untapped value hidden in other industries' offerings that affect your offerings
- Define the total solution buyers seek when choosing a product or service

The strategy canvas of the US municipal bus industry, circa 2001



# Path 5: Look Across Functional - Emotional Appeal to Buyers

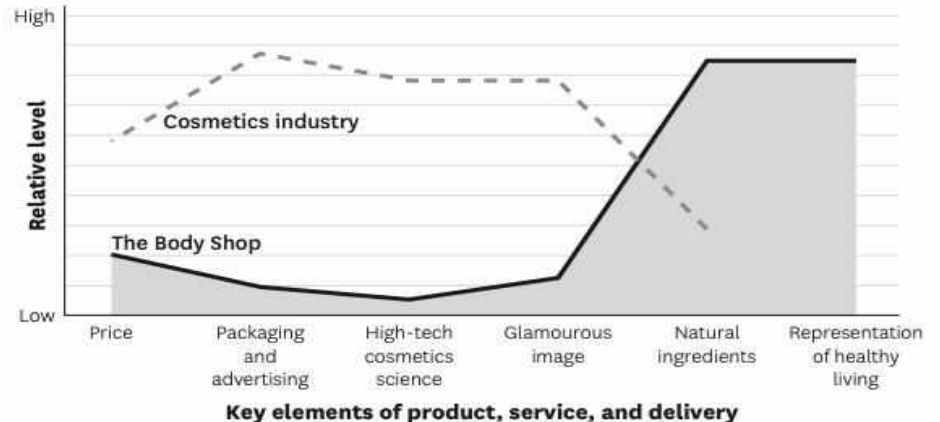
- Look to transform a functional product into an emotional one.
- And vice versa...



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## Is the Body Shop a cosmetics company?

By reconsidering the traditional basis of appeal of its industry, the Body Shop created a value curve so divergent that it hardly looks like a cosmetics company at all. In appealing to function rather than emotion, the Body Shop reduced price, glamour, and packaging costs while creating a new emphasis on natural ingredients and healthy living.



# Path 6: Look Across Time

- Focus is on the possible value of the market in the future
- Anchored on
  - Decisiveness
  - Irreversibility
  - Clarity of trajectory



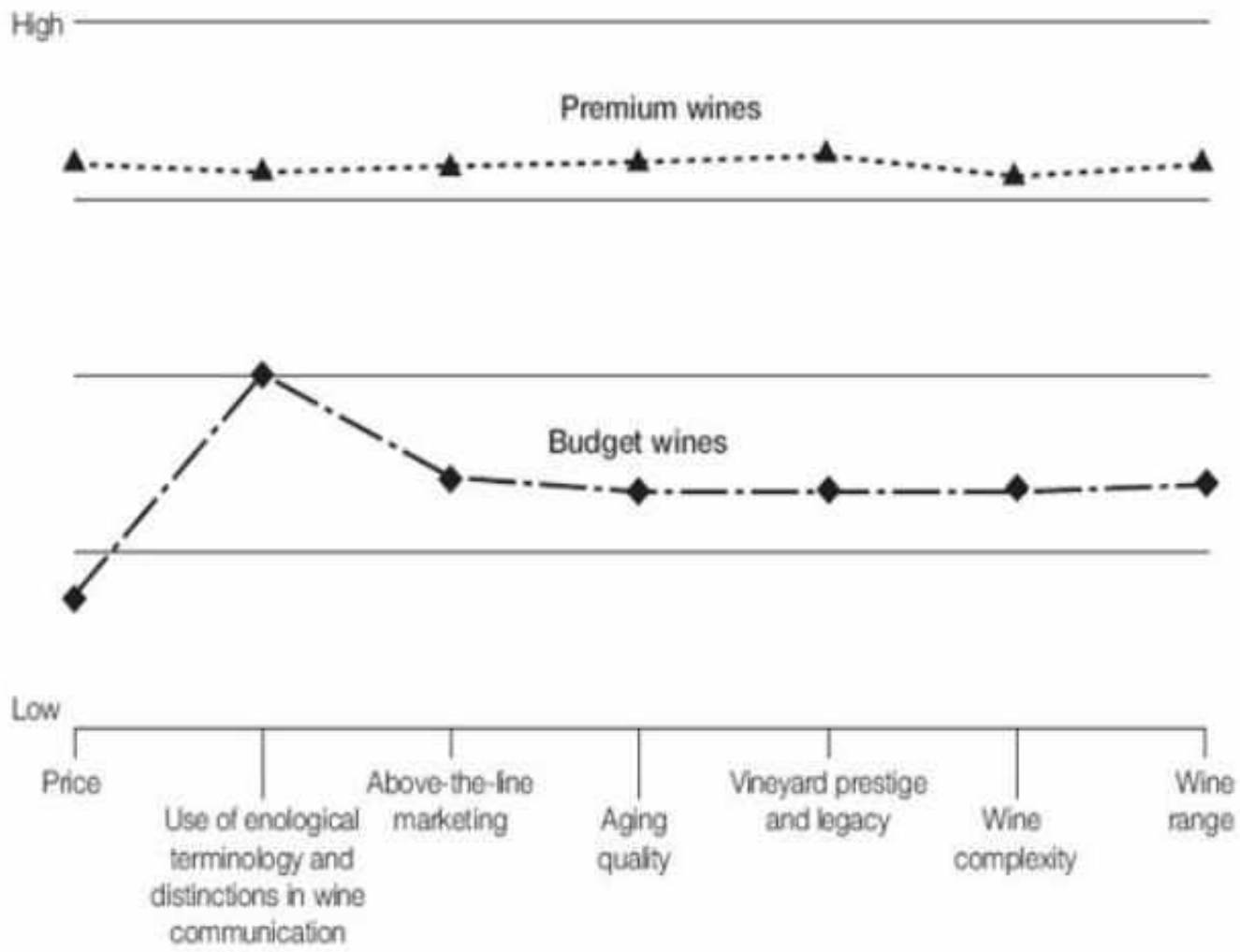
# Summary: Conceiving New Market Spaces

- Thinking across conventional boundaries of competition
- Engaging in structured process of reordering market realities in a fundamentally new way.

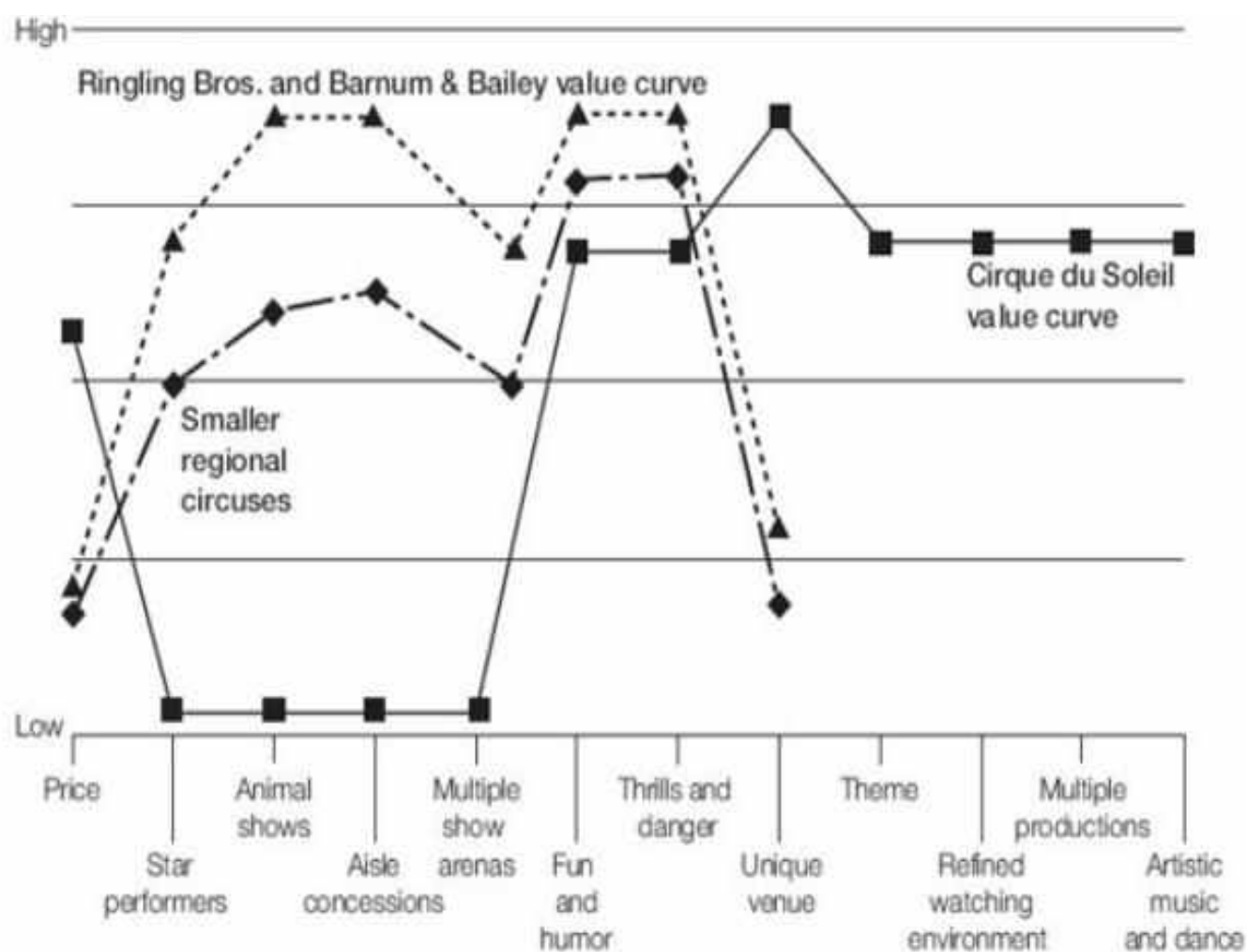
| <b>Look across</b>                          | <b>Head-to-head competition</b>                                                                    |   | <b>Blue ocean creation</b>                                    |
|---------------------------------------------|----------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------|
| <b>Industry</b>                             | Focuses on rivals within its industry                                                              | → | Looks across alternative industries                           |
| <b>Strategic group</b>                      | Focuses on competitive position within strategic group                                             | → | Looks across strategic groups within industry                 |
| <b>Buyer group</b>                          | Focuses on better serving the buyer group                                                          | → | Redefines the industry buyer group                            |
| <b>Scope of product or service offering</b> | Focuses on maximizing the value of product and service offerings within the bounds of its industry | → | Looks across to complementary product and service offerings   |
| <b>Functional-emotional orientation</b>     | Focuses on improving price performance within the functional-emotional orientation of its industry | → | Rethinks the functional-emotional orientation of its industry |
| <b>Time</b>                                 | Focuses on adapting to external trends as they occur                                               | → | Participates in shaping external trends over time             |

# Chapter 4: Focus on the Big Picture

- Typical strategic plannings are based on market share, costs and measurable goals (red ocean tactics moves), which most times are not clear for stakeholders what the strategy is or what the company seeks
- Strategic planning based on a Canvas and a business's value curve allow managers to focus on the big picture





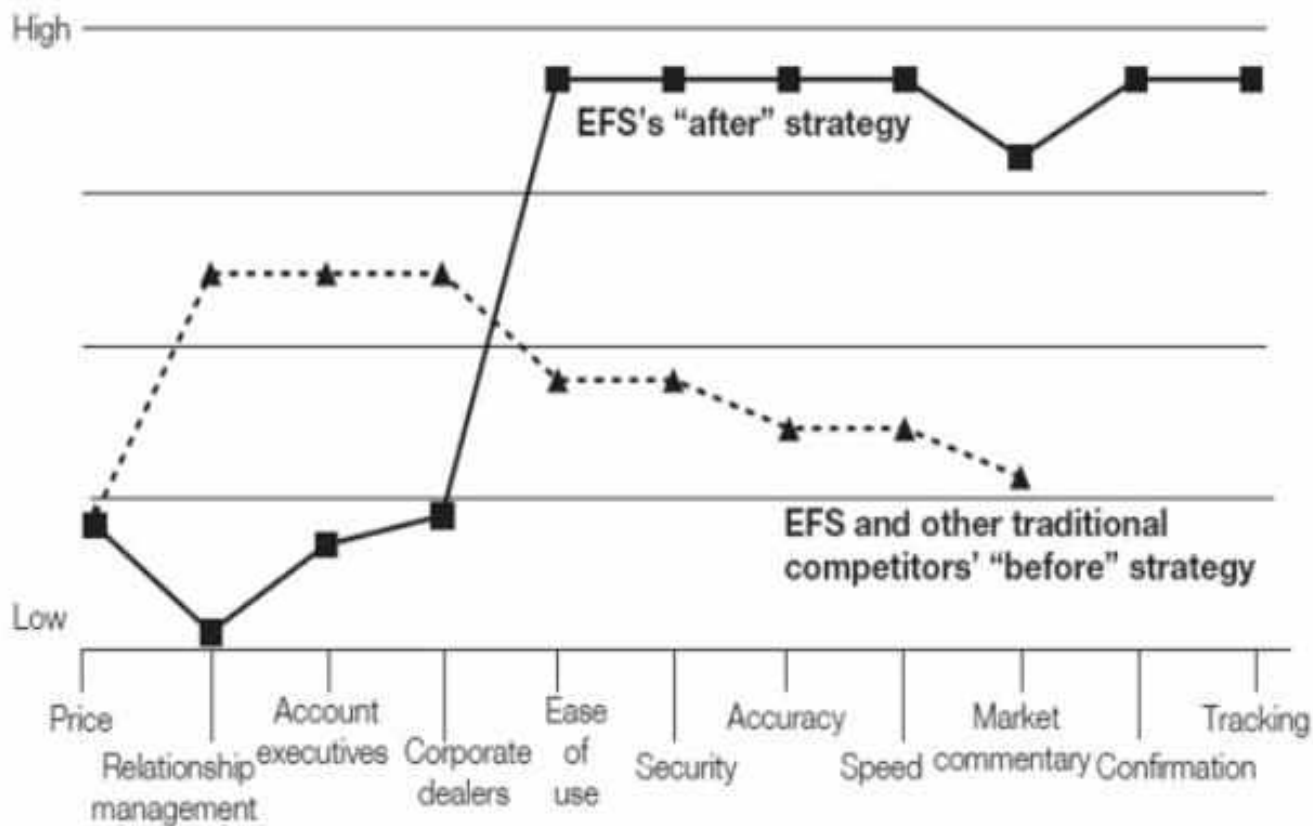


# The four steps of visualizing strategy

| 1. Visual awakening                                                                                                                                                                                   | 2. Visual exploration                                                                                                                                                                                                                                                         | 3. Visual strategy fair                                                                                                                                                                                                                                                                                                       | 4. Visual communication                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Compare your business with your competitors<sup>1</sup> by drawing your "as is" strategy canvas.</li><li>• See where your strategy needs to change.</li></ul> | <ul style="list-style-type: none"><li>• Go into the field to explore the six paths to creating blue oceans.</li><li>• Observe the distinctive advantages of alternative products and services.</li><li>• See which factors you should eliminate, create, or change.</li></ul> | <ul style="list-style-type: none"><li>• Draw your "to be" strategy canvas based on insights from field observations.</li><li>• Get feedback on alternative strategy canvases from customers, competitors<sup>1</sup> customers, and noncustomers.</li><li>• Use feedback to build the best "to be" future strategy.</li></ul> | <ul style="list-style-type: none"><li>• Distribute your before-and-after strategic profiles on one page for easy comparison.</li><li>• Support only those projects and operational moves that allow your company to close the gaps to actualize the new strategy.</li></ul> |

# The four steps of visualizing strategy

- **Visual Awakening:** Being aware of the company's problems; know your competitors; setting a strategy based on your canvas
- **Visual exploration:** What can your company work on to leave the red ocean in direction to a blue ocean; Run a diagnosis; Know your customer with your own eyes (leaders responsibility)
- **Visual Strategy Fair:** Act accordingly to your diagnosis; Act upon feedbacks you got from field exploration; Elaborate your company's strategy
- **Visual Communication:** Time for action!; Reallocate your resources and put into practice the strategic plan; Build your new value curve and implement ideas that help the company get closer to it



# The Pioneer-Migrator-Settler Map

- A pioneer company is one that offer unprecedented value; a migrator, one that offers better but not innovative value; and a settler is one which value curve don't diverge from other market participants
- Being a pioneer is the most powerful way to have profitable growth
- A pioneer company is most times a blue ocean too
- Your value curve will be very different from your competitors

## Testing the growth potential of a portfolio of businesses

