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Strategy Advance



Blue Ocean Strategy

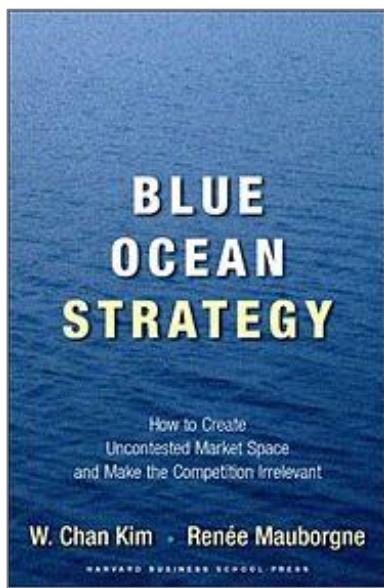
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an approach to stimulate strategic innovation
how? through strategic innovation through redefining source of competitive advantage.
to execute strategic innovation you need to change the B.M.

Blue Ocean, from INSEAD ... to the Globe



Blue Ocean Strategy (BOS)

*Look for new markets/industries;
existing competitors not relevant*

*Aim at developing products/value
propositions targeted to the largest
possible audience*

*Mainly visual approach to stimulate
creativity and alignment*

*Focus on some “simple” tools to
support the identification of
potential innovation*

BOS is considered the alternative/complementary approach to Porter's

Red Oceans and Blue Oceans

- **Red oceans** represent all the industries in existence today - the known market space. In red ocean industry boundaries are defined and accepted, and the competitive rules of the game are well understood. Here, companies try to outperform their rivals in order to grab a greater share of existing demand
- **Blue oceans** denote all the industries not in existence today - the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid
 - try to capture new demands

The origins of a blue ocean

it's not about technology

in blue ocean reinvent the way customer perceive value

- In a few cases, companies can give rise to completely new industries (as eBay did with the online auction industry)
usually we have a existing market
- But in most cases, a blue ocean is created from within a red ocean when a company alters the boundaries of an existing industry (as Cirque du Soleil did with the circus industry)
- It is not about technology innovation. Blue oceans seldom result from technological innovation. Often, the underlying technology already exists - and blue ocean creators link it to what buyers value

A new way to make competition irrelevant

***Blue Ocean Strategy, a fancy “concept” ...
...not easily put into practice!***

RED OCEAN STRATEGY (Competitive Strategy)	BLUE OCEAN STRATEGY
Compete in existing market space	Create an uncontested new market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand (hidden or even not existing)
Make the value/cost trade-off	Break the value-cost trade-off (seek greater value to clients and lower cost simultaneously)
Align the whole system of company's activities with its strategic choice of differentiation or low cost	Align the whole system of company's activities in pursuit of differentiation and low cost

The standard implementation process: 4 steps

step 1 & 2 => like external analysis

What do customer look for when they pay?
Car: price/performance/safety/design/...

you have to identify a given market which you want to analyze, which is a red ocean and you want to turn it to blue ocean

1. STRATEGIC CURVES, AS-IS

1.1 As-Is Value Curves (and tag-lines)

intensity level (0-5)



- So what?
- Strategic insights

qualitative to add additional:
sentiment analysis
focus group
interview with manager

On field analyses (interviews, workshops...)

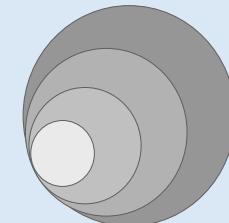
perspective is customer!

2. BRAINSTORMING, THROUGH BOS

after listing value drivers 2.1 6 Innovation Paths

- Industry
- Strategic Groups
- Buyer Groups
- Look across time
- Scope of product/ service offering
- Functional-emotional orientation of the industry

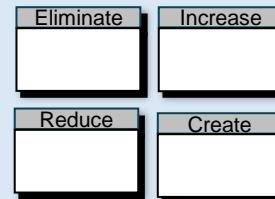
2.2 Non-Clients' Framework



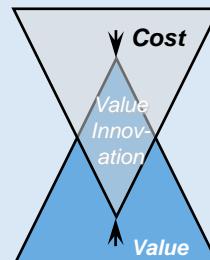
Clients / Non-Clients
Frustration analysis

3. RE-CREATING THE VALUE CURVES

3.1 4 Actions framework

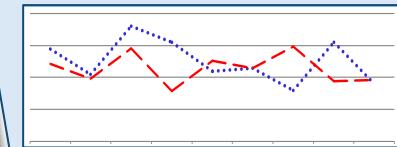


3.2 Profitable Growth Equation

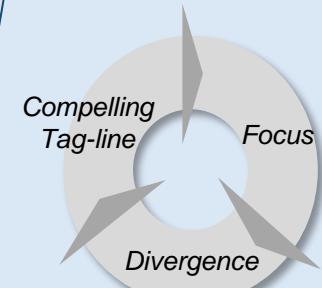


4. NEW, BLUE OCEAN, STRATEGY

4.1 To-Be Value Curves (and tag-lines)



4.2 "Robustness" test

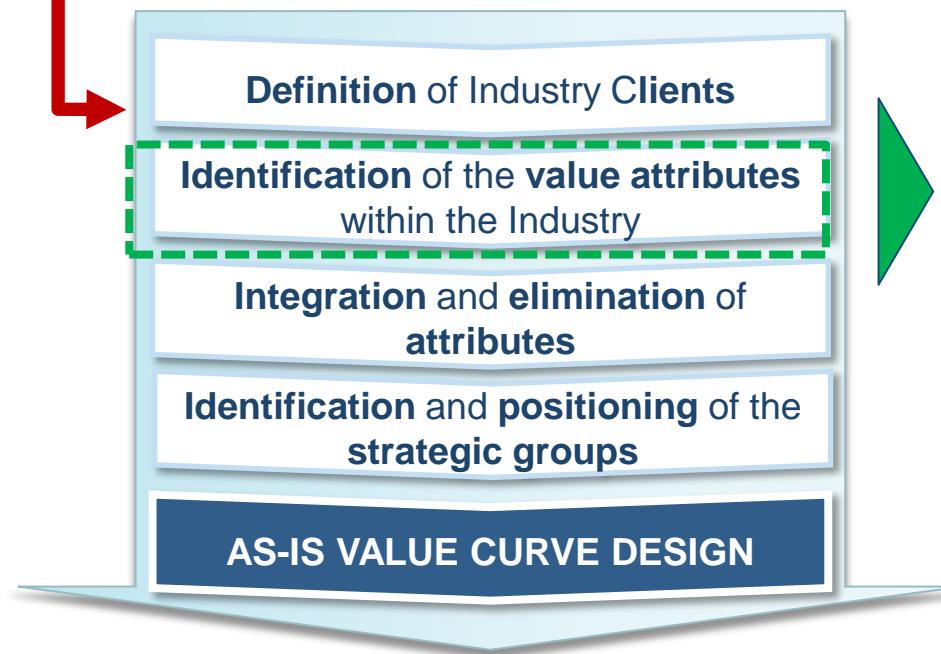


How to map the AS-IS Value Curve



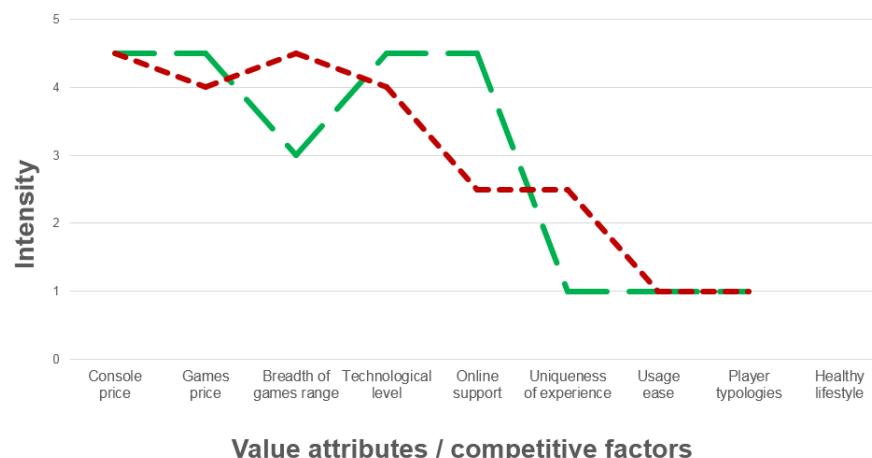
1

How to define the value curve?



How to identify the Value Attributes?

2



How to properly identify the Value Attributes



Two important features:

Representing an investment / cost for the Industry / Co.



- They need to have a **financial or managerial impact** (e.g. dedicated time, focus, ...) on the Company
 - E.g. not “*brand*” but “*marketing above the line*”

Recognized and valued by Clients



- **Clients** have to assign a **value** to the attribute
 - Not an internal factor, but a perceived benefit
 - E.g. not “*know-how*” but “*tailor made solutions*”

Furthermore ...

- **Valid for the whole industry**
- **Limited** in number (e.g. not more than eight), to enable a proper focalization
- **Gullible** by the **actions** of a company

*Clear, simple, but also sufficiently specific
(e.g. not “*quality*” but “*quality of the product related to the packaging*”)*

6 “Innovation Paths”: think beyond competition



1. Industry

Look across **alternative industries** and evaluate opportunities e.g. *Cirque du Soleil, Nintendo WII*

2. Strategic groups⁽¹⁾

Look across strategic groups (reasons for clients' choices)
e.g. *Retail outlets, H&M “mistine”* similar competitor

3. Buyer groups

Focus on direct clients and clients' client. Look at all steps of the value chain. e.g. *Bloomberg, Pharma/MD firms* segmentation

4. Product / service offering

Look beyond your product, developing global solutions (product & service). e.g. *Pre-cooked food, office printers* complemento products coffee and sugar

5. Functional-emotional

Re-think the “functional-emotional” orientation
e.g. *Swatch, Accor Formule 1*

6. Look across time

Participate in shaping external trends over time
e.g. *Apple I-tunes, Cisco*

The 6 “Innovation paths” enhance strategic “lateral thinking”

¹ This terminology refers to groups of companies, within the same industry, which follow the same market/product strategy. Strategic groups generally have different positioning on price/quality

The 6-paths framework

Innovation paths (1/2)		
Industry	<ul style="list-style-type: none">• Which are the industries that satisfy the same needs? Or complementary needs?• On which features does the company need to focus, in order to get closer to these other sectors?	
Strategic groups	<ul style="list-style-type: none">• Which are the drivers that bring the clients to the decision of buying our products / services or to “differently” satisfy the same need?	
Buyer groups	<ul style="list-style-type: none">• On which buyer groups does the current market focus? Direct clients or clients' client?• Which type of values can be created, by a shift of the purchase decision?	

The 6-paths framework

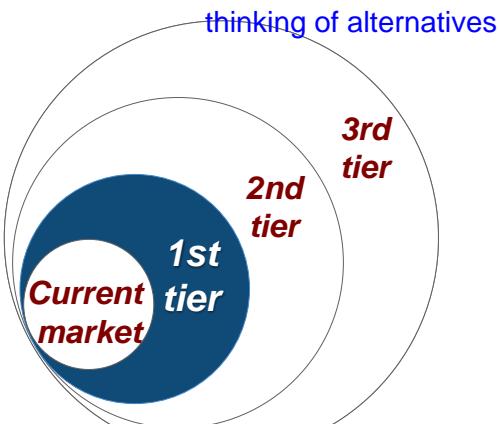
Innovation paths (2/2)		
Scope of product / service offering	<ul style="list-style-type: none">• How does the product / service fit in the adoption experience of the customer? What happens before and after the usage?• Is it possible to add complementary products / services?• Is it possible to shift the focus towards the service or towards the product?	
Functional / emotional orientation	<ul style="list-style-type: none">• If the competition is concentrated on the functional (emotional) appeal, which emotional (functional) elements could be integrated?	
Look across time	<ul style="list-style-type: none">• Which trend will most probably hit the sector?• What does the endless extrapolation of this trend imply?• How is it possible to exploit this trend?	

Leverage on non-clients' latent demand



not completely blue! orange-ish

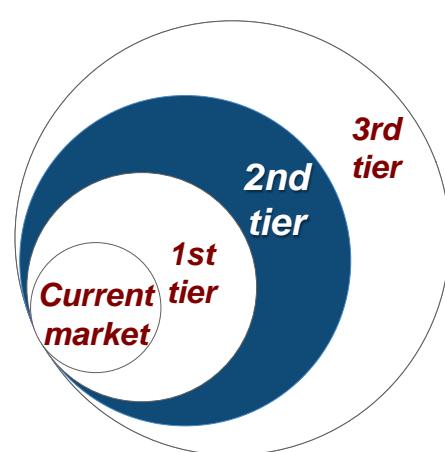
**“Soon-to-be”
non-clients**
*(unsatisfied, occasional or
unfaithful)*



- Investigate **key clients'** frustrations
- Spend **a day in the life** of the **clients** to “understand”
- Find key **commonalities** across **current market** and **first tier** and build on insights

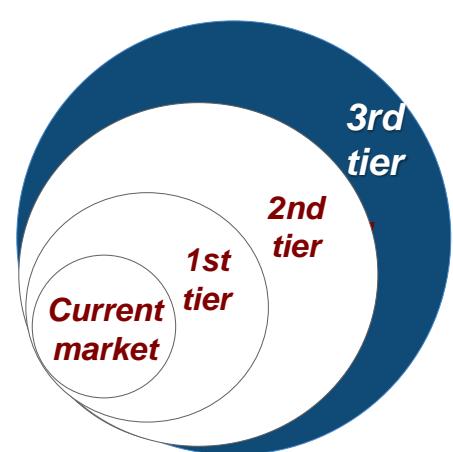
not thinking of the product
because of barriers of adoption
blocked!

**“Hindered”
non-clients**
*(potential clients who don't
buy for different reasons)*



- Identify and **eliminate adoption barriers**:
 - Financial (e.g. spending, credit, etc.)
 - Functional (e.g. user-friendliness)
 - Educational (e.g. lack of training)
 - Perception / knowledge (e.g. clients don't know the existence)
 - Geographical (e.g. distribution)

**“Unexplored”
non-clients**
(other markets)



- Remove **long-held assumptions** on Clients behavior and on the fact that some markets only belong to certain specific industries

Reducing costs while boosting client value



The “4 actions” framework

Eliminate

Which of the factors that the industry takes for granted should be eliminated?

Increase

Which factors should be increased well above the industry standard?

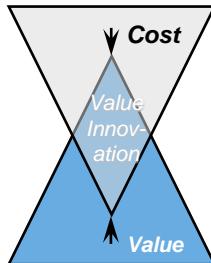
Reduce

Which factors should be reduced well below the industry standard?

Create

Which factors should be created that the industry has never offered?

Value innovation: the cornerstone of BOS



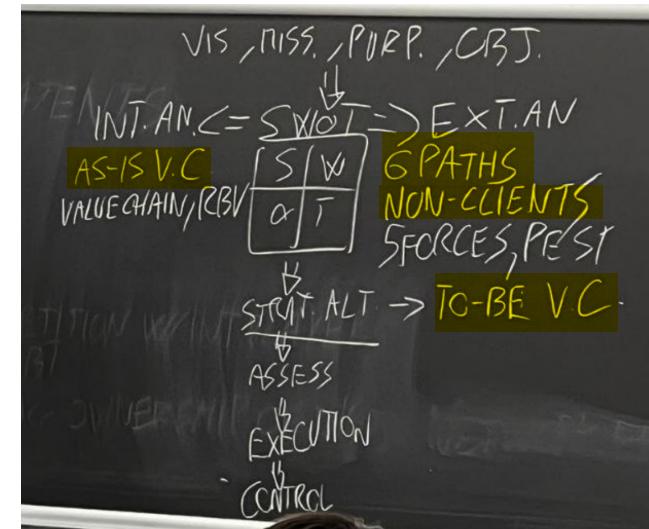
- **Value Innovation** is created in the region where a company's actions favorably affect both its **cost structure** and its **value proposition to buyers**
- Cost savings are made by **eliminating** and **reducing** the factors an industry competes on.
- Buyer value is lifted by **raising** and **creating** 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.

Drawing a to-be value curve with the Blue Ocean Strategy canvas

hi

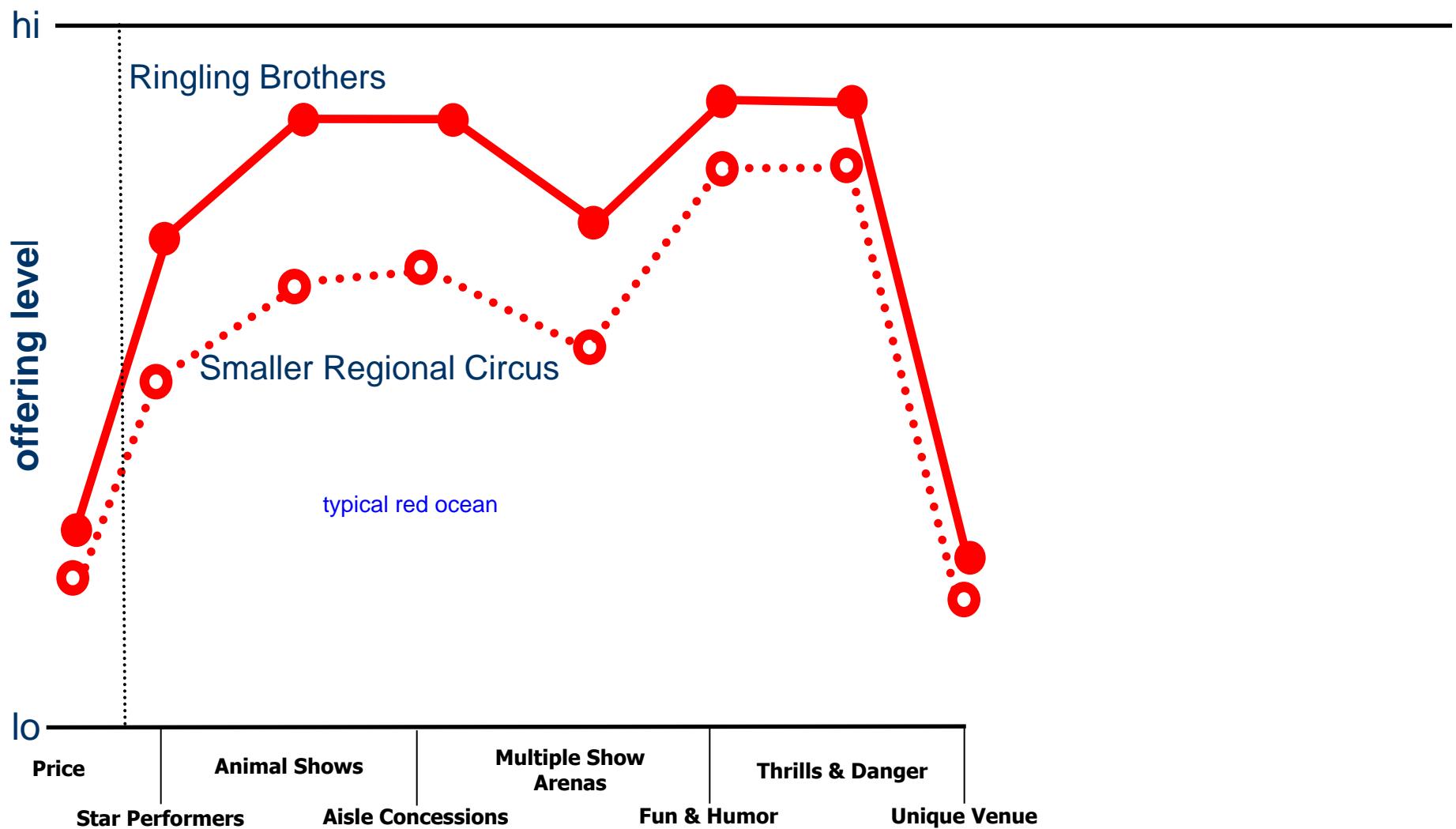
offering level

lo



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Drawing a to-be value curve with the Blue Ocean Strategy canvas

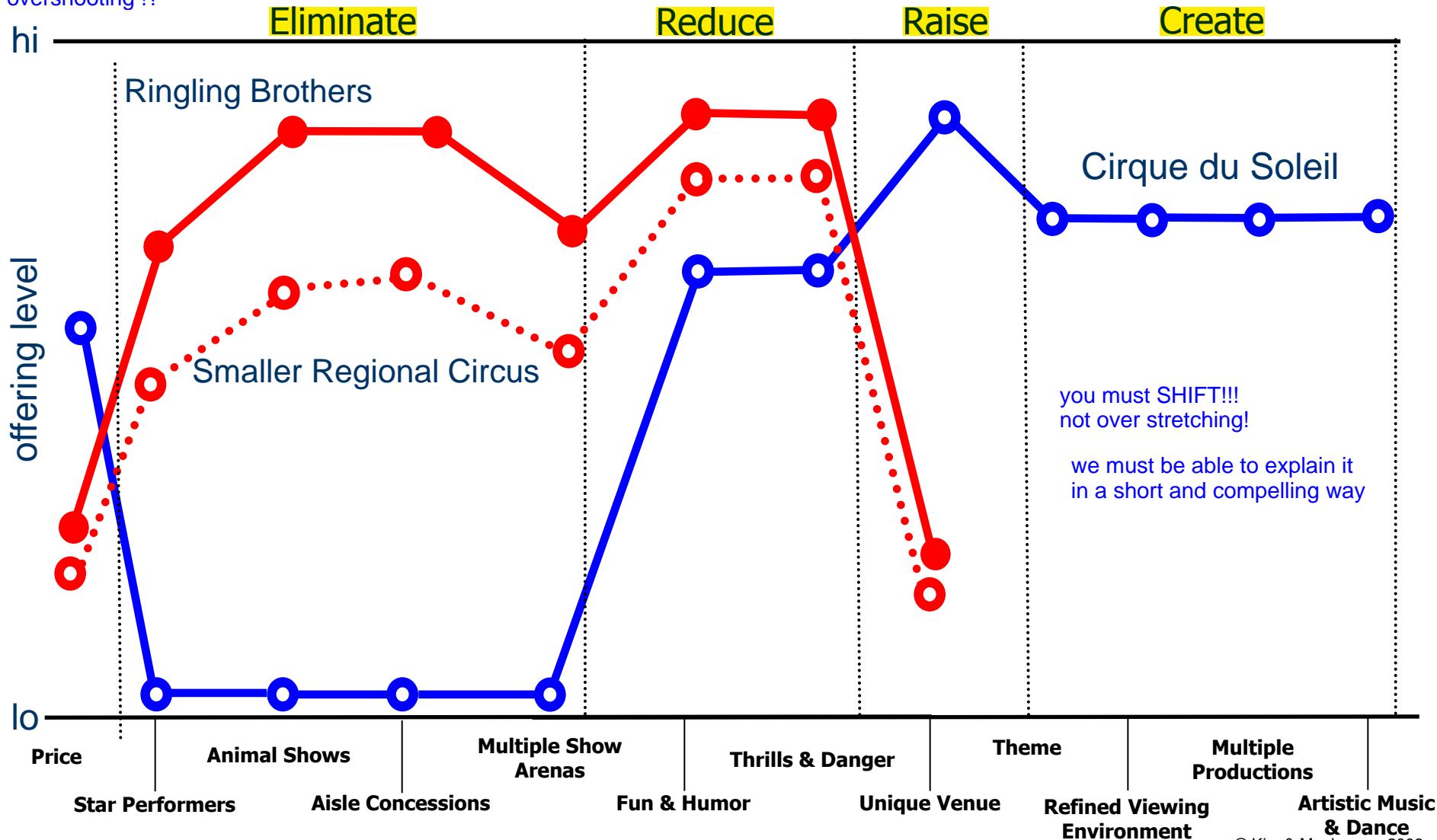


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Drawing a to-be value curve with the Blue Ocean Strategy canvas

باید دوستی اول را داشته باشیم تا بتوانیم فضا برای دوستی اخیر ایجاد کنیم
رسورس اضافه میکنیم اگر چیزی اضافه نکنیم داریم یه مدل گروووون دیفرنشین ایجاد میکنیم
overshooting !?

four actions framework



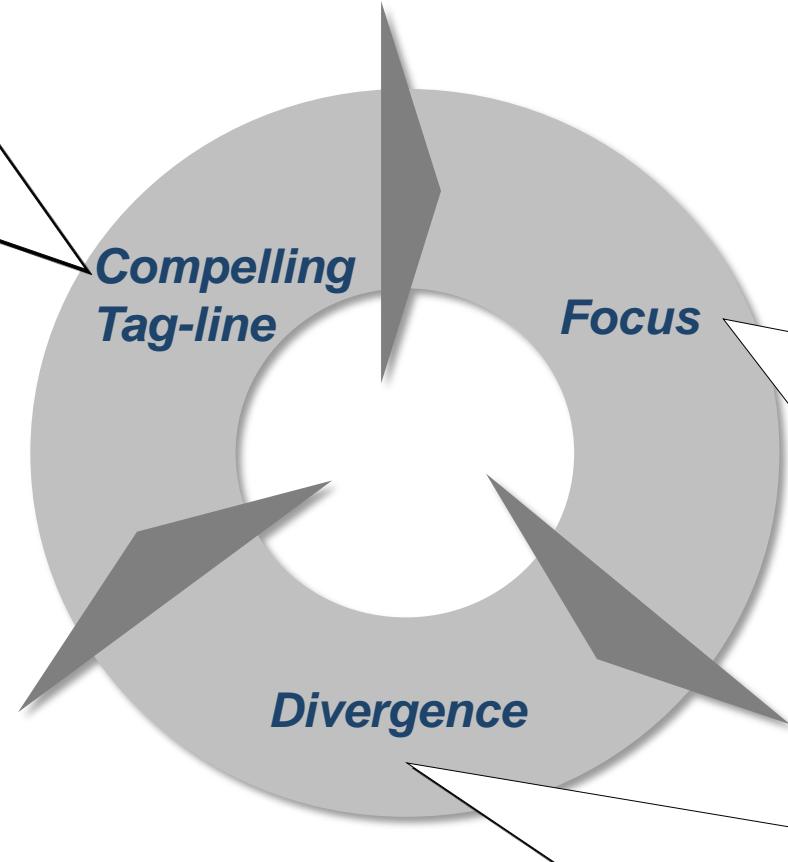
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Three tests for a good Value Curve

new position, short tagline



- The tag-line is the **motto** that synthesizes the strategic profile
- A good strategy has a **clear-cut** tag-line (**as 20 words**)
- Can / should be effectively **communicated internally and externally**



- A winning strategy has to focus on a **narrow number of key value attributes**
- The firm should not follow other players on each competitive factor, thus avoiding a head-to-head competition

- A “Blue Ocean” Value Curve always **stands apart and diverges from competitors**
- A divergent Curve indicates an innovative strategic profile **beyond the competitive boundaries of the industry**