

Blue Ocean Strategy

(W. Chan Kim and Renée Mauborgne)

What is blue ocean strategy?

Companies tend to engage in head-to-head competition in search of sustained profitable growth.

Yet in today's overcrowded industries competing head-on results in nothing but a bloody **red ocean** of rivals fighting over a shrinking profit pool.

Lasting success increasingly comes, not from battling competitors, but from creating blue oceans of untapped new market spaces ripe for growth.

Blue Ocean Strategy challenges everything you thought you knew about strategic success and provides a systematic approach to making the competition irrelevant.

Key points of Blue Ocean Strategy

- It's grounded in data: It is based on a decade-long study of more than 150 strategic moves spanning more than 30 industries over 100 years.
- It pursues differentiation and low cost: Blue ocean strategy is based on the simultaneous pursuit of differentiation and low cost. It is an 'and-and,' not an 'either-or' strategy
- It creates uncontested market space: Blue ocean strategy doesn't aim to out-perform the competition. It aims to make the competition irrelevant by reconstructing industry boundaries

- It empowers you through tools and frameworks: Blue ocean strategy offers systematic tools and frameworks to break away from the competition and create a blue ocean of uncontested market space
- It provides a step-by-step process: From assessing the current state of play in an industry, to exploring the six paths to new market space, to understanding how to convert noncustomers into customers. Blue ocean strategy provides a clear four-step process to create your to-be blue ocean strategy
- It maximizes opportunity while minimizing risk: The blue ocean idea index allows you to test the commercial viability of your ideas and shows you how to refine your ideas to maximize your upside while minimizing downside risk

- It builds execution into strategy: The process and tools are inclusive, easy to understand and communicate, and visual – all of which makes the process non-intimidating and an effective path to building execution into strategy and the collective wisdom of a company
- It shows you how to create a win-win outcome: As an integrated approach to strategy, blue ocean strategy shows how to align the three strategy propositions – **value, profit, and people** – to ensure your organization is aligned around your new strategy and that it creates a win for buyers, the company, and for employees and stakeholders

Red Ocean Strategy

VS

Blue Ocean Strategy

Compete in **existing** market space.

Beat the competition.

Exploit **existing** demand.

Make the value-cost trade-off.

Align the whole system of a firm's activities with its **strategic choice of differentiation or low cost.**

Create **uncontested** market space.

Make the competition **irrelevant.**

Create and capture **new** demand.

Break the value-cost trade-off.

Align the whole system of a firm's activities in **pursuit of differentiation and low cost.**

Examples



Canon

- Canon's strategic move, which created the personal desktop copier industry, is a classic example of blue ocean strategy. Traditional copy machine manufacturers targeted office purchasing managers, who wanted machines that were large, durable, fast, and required minimal maintenance.
- Defying the industry logic, the Japanese company Canon created a blue ocean of new market space by shifting the target customer of the copier industry from corporate purchasers to users. With their small, easy-to-use desktop copiers and printers Canon created new market space by focusing on the key competitive factors that the mass of noncustomers – the secretaries that used copiers – wanted.

