

# **Blue Ocean Strategy**

**How to Create Uncontested Market Space  
and Make the Competition Irrelevant**

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# Blue Ocean Strategy (BOS)



- ◆ Introduction to BOS
- ◆ BOS Tools : Strategy Canvas & E.R.R.C.
- ◆ Awakening : As-Is Strategy Canvas
- ◆ Exploration : Reconstruct Market Boundaries
- ◆ Strategizing : To-Be Strategy Canvas
- ◆ Actualization : Identify actions to actualize the strategies
- ◆ Conclusion

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# Objectives

- ◆ **Develop understanding of Blue Ocean Tool Sets and how to apply them effectively**
  - ✓ Strategy Canvas
  - ✓ ERRC
- ◆ **Perform As-Is Analysis to Compare Current Strategy of XYZ vs Competitors**
- ◆ **Explore Pathways to Breakaway from Market Boundaries to look for Bigger Playing Field**
- ◆ **Brainstorm and Agree on the To-Be Strategy for XYZ**



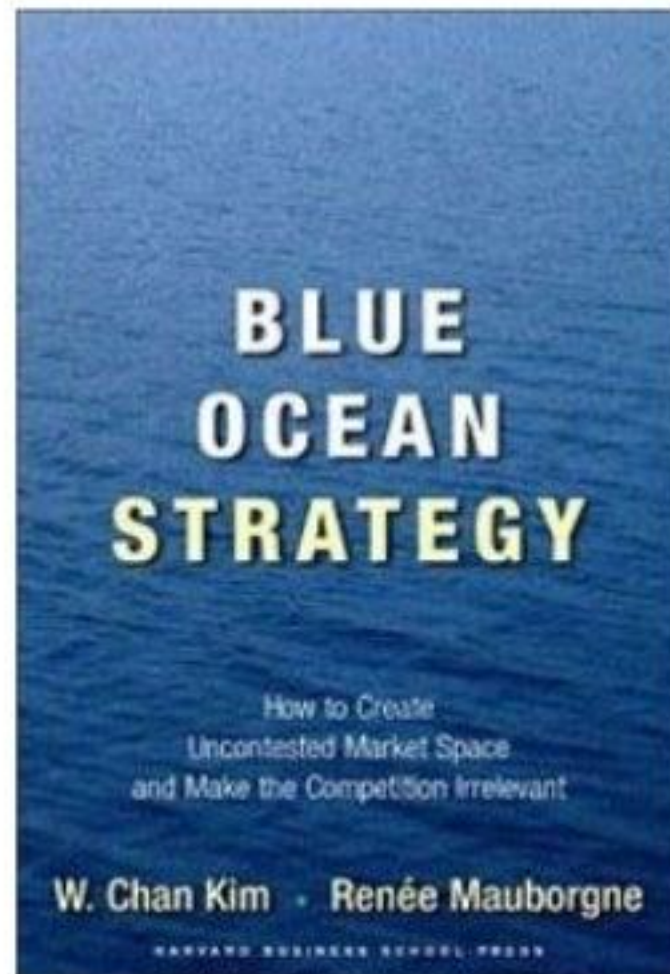


# Introduction to Blue Ocean Strategy



- ◆ **History & Background**
- ◆ **Defining Red & Blue Ocean**
- ◆ **Six Principles of BOS**
- ◆ **Reach Beyond Existing Demand**
- ◆ **Value Innovation**

# History & Background



- Authored by W. Chan Kim and Renee Mauborgne in 2005.
- Based on a study of 150 strategic moves spanning more than 100 years and 30 industries.
- BOS is the simultaneous pursuit of differentiation and low cost.
- The aim of BOS is not to out-perform the competition in the existing industry, but to create new market space or a blue ocean, thereby making the competition irrelevant.
- BOS offers systematic and reproducible methodologies and processes in pursuit of innovation by both new and existing firms.
- BOS frameworks and tools are designed to be visual in order to not only effectively build the collective wisdom of the company but also to effectively execute through easy communication.



# Defining Red and Blue Ocean

## What's **Red**, What's **Blue**?

### Red Ocean Strategy

- Compete in existing market space
- Beat the competition
- Exploit existing demand
- Make the value-cost trade off
- Align strategy choice of differentiation or low cost

### Blue Ocean Strategy

- Create uncontested market space
- Make the competition irrelevant
- Create & capture new demand
- Break the value- cost trade off
- Simultaneous pursuit strategy of differentiation and low cost

# Examples of Red and Blue Ocean





# Six Principles of Blue Ocean Strategy

## Formulation Principles

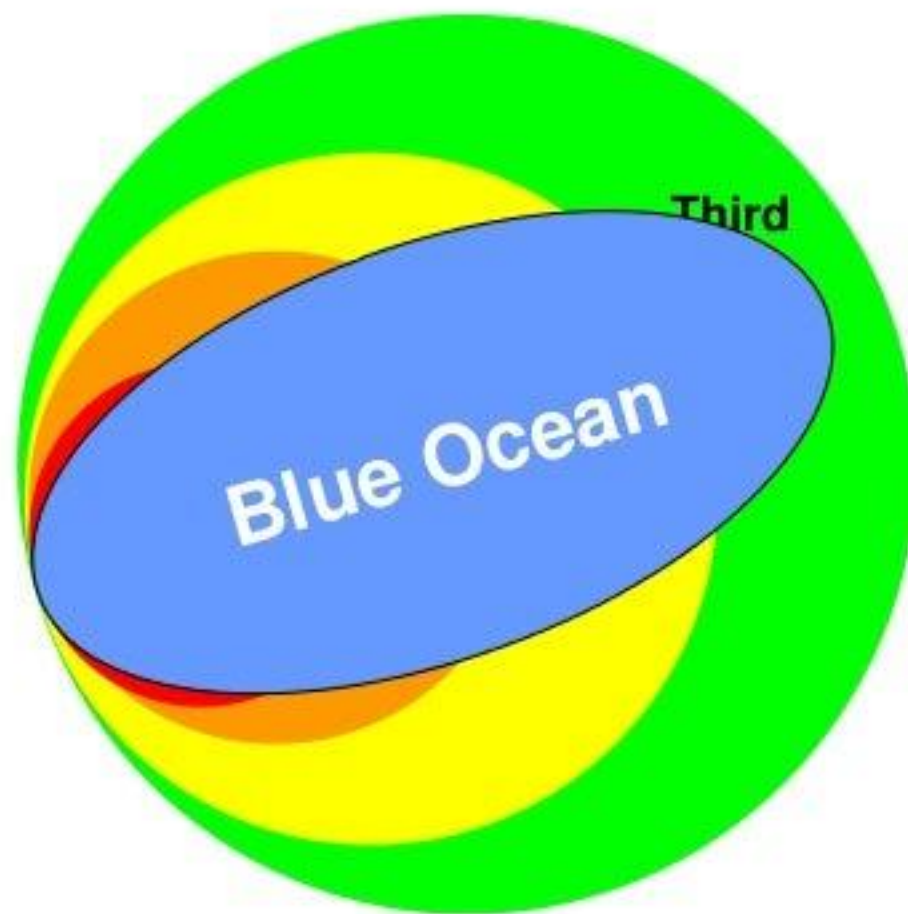
1. Reach beyond existing demand
2. Reconstruct market boundaries
3. Focus on the big picture, not the numbers
4. Get the strategic sequence right

## Execution Principles

5. Overcome key organizational hurdles
6. Build execution into strategy



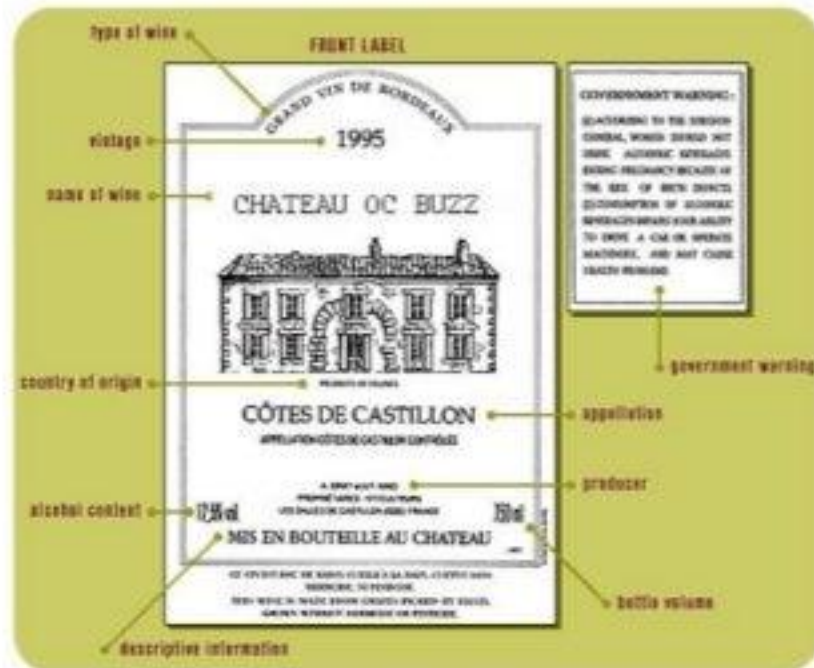
# Reach Beyond Existing Demand



- ◆ **First Tier:** “Soon-to-be” non-customers who are on the edge of your market, waiting to jump ship
- ◆ **Second Tier:** “Refusing non-customers who consciously choose against your market.
- ◆ **Third Tier:** “Unexplored” non customers who are in markets distant from yours.

**Blue Ocean** – Go for the Largest Catchment of Non-Customers

# Example – [yellow tail]



## Traditional Wine :

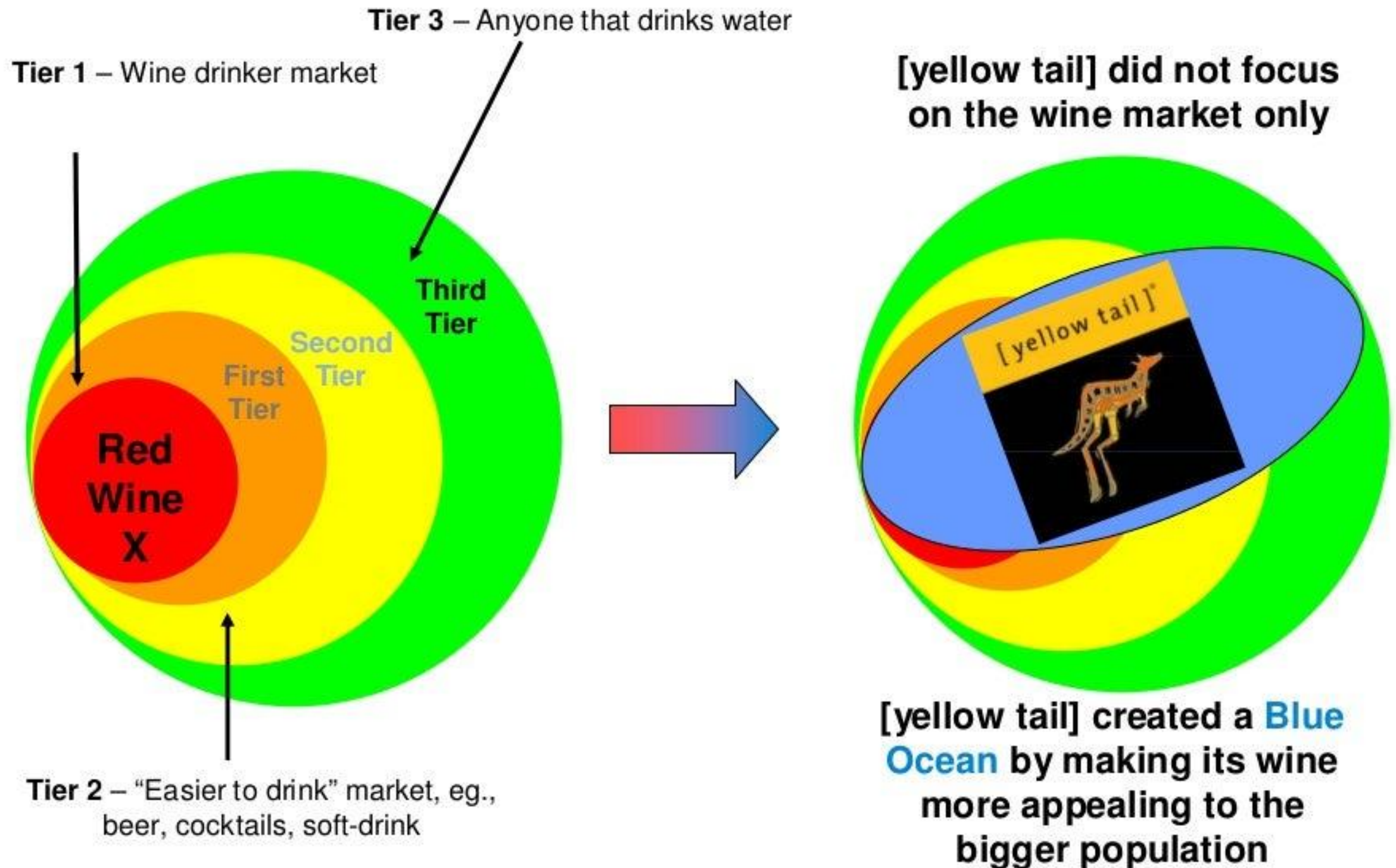
- An elite, refined image in packaging with heavy use of wine terminology.
- Aging quality.
- Prestige of a vineyard and its legacy.
- Complexity and sophistication of a wine's taste, such as tannins and oak.
- A diverse range of wines to cover all varieties of grapes & consumer preferences

## [yellow tail] :

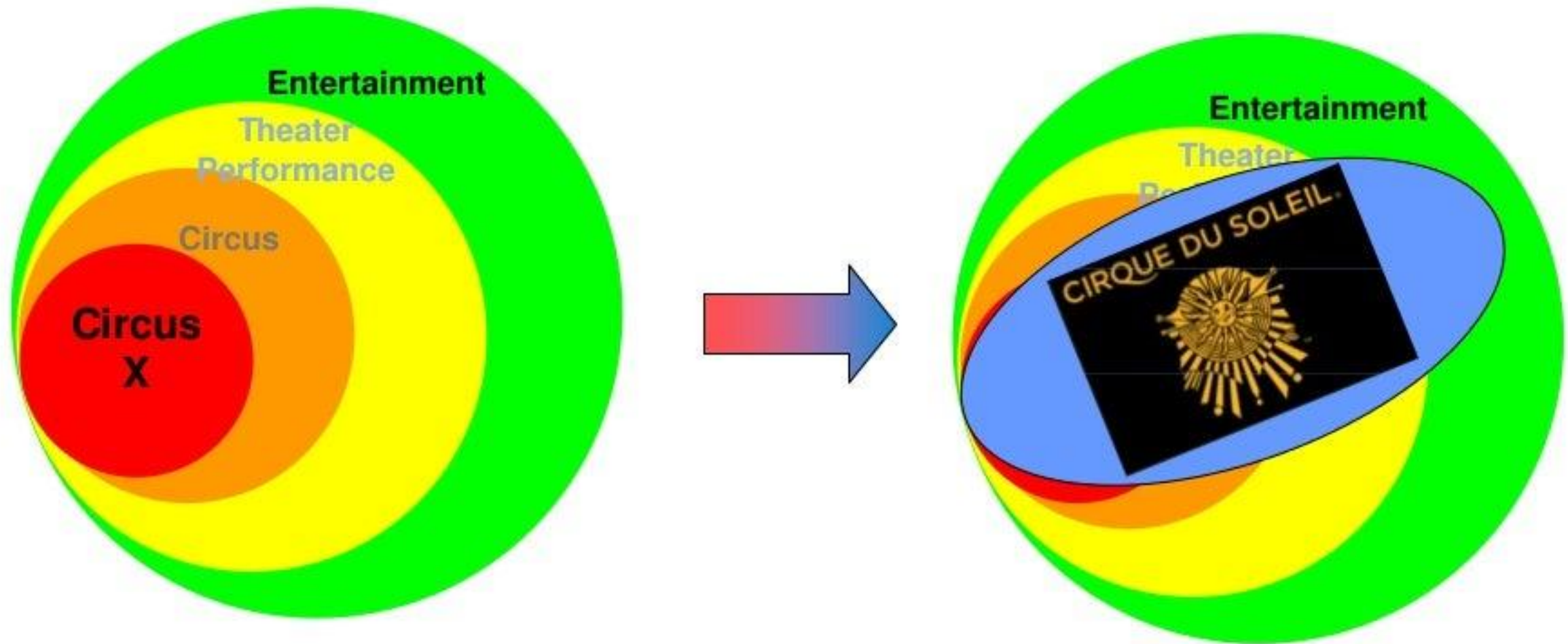
- No jargon. Simple and nontraditional label.
- Aging is not important.
- Vibrant and fun.
- Sweeter and easier to drink.
- Only one Red (Shiraz) and one White (Chardonnay).



# Example – [yellow tail]



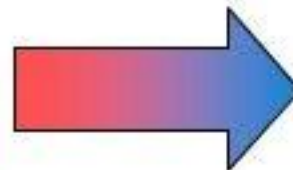
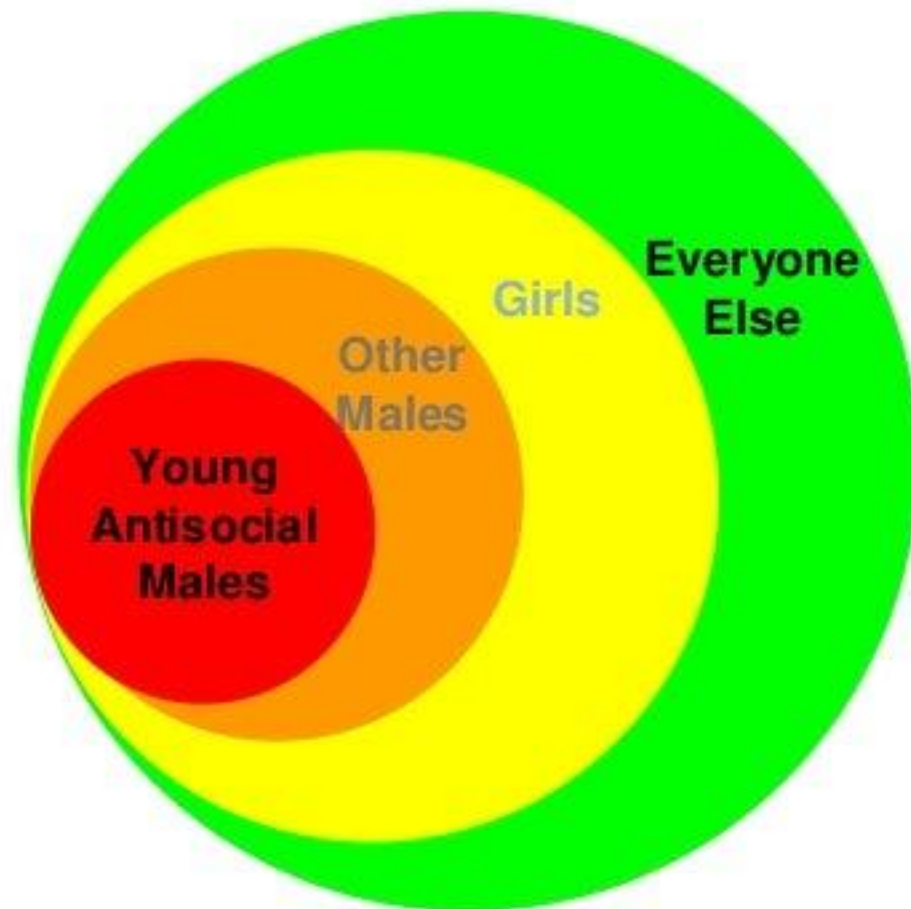
# Reach Beyond Existing Demand





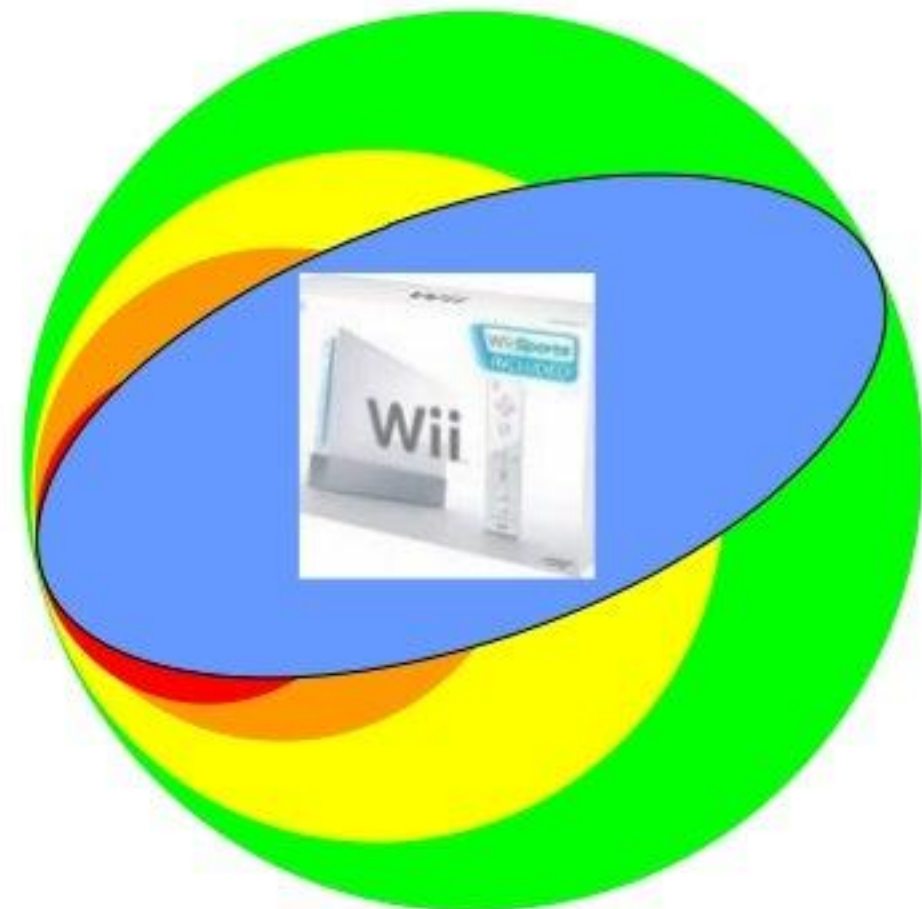
# Example – [Nintendo]

## Electronic Game Industry



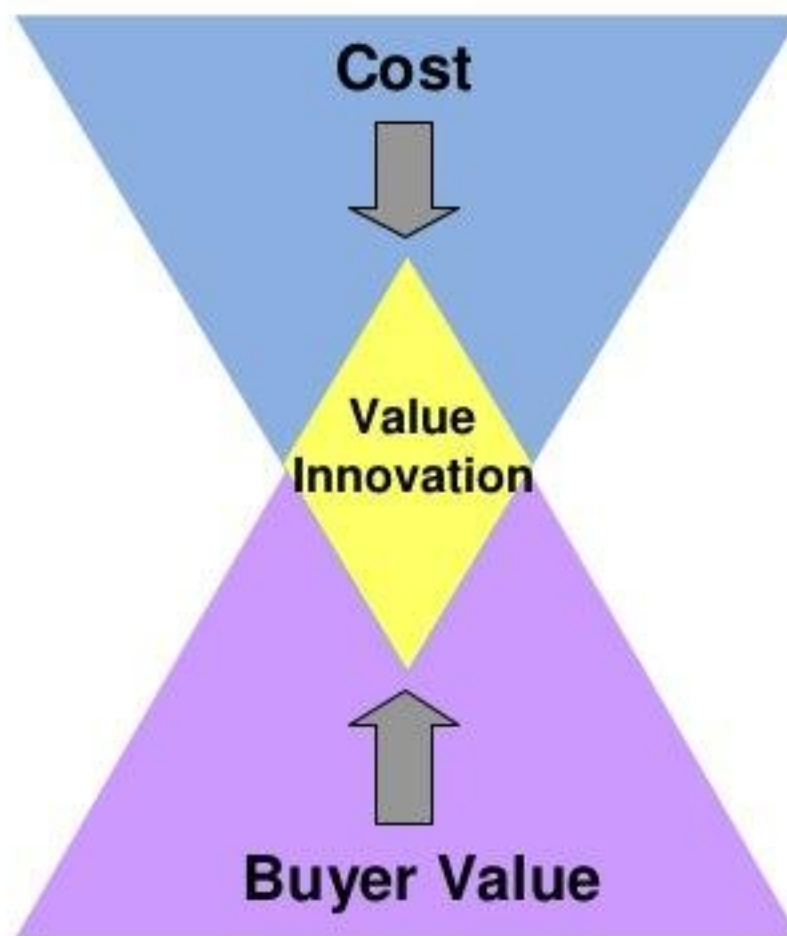
## Nintendo Wii

Nintendo created a **Blue Ocean** by reducing the complexity, add the ease of use and fun!



# Value Innovation – The Cornerstone of BOS

- ◆ Value innovation places equal emphasis on value and innovation.
- ◆ Value innovation is a new way of thinking about and executing strategy that results in the creation of a blue ocean.
- ◆ The creation of blue oceans is about driving costs down while simultaneously driving value up for buyers.



**Cost Saving – Eliminate & Reduce Competing Factors**

**Buyer Value Lifted – Raise & Create New Elements**

**Back**

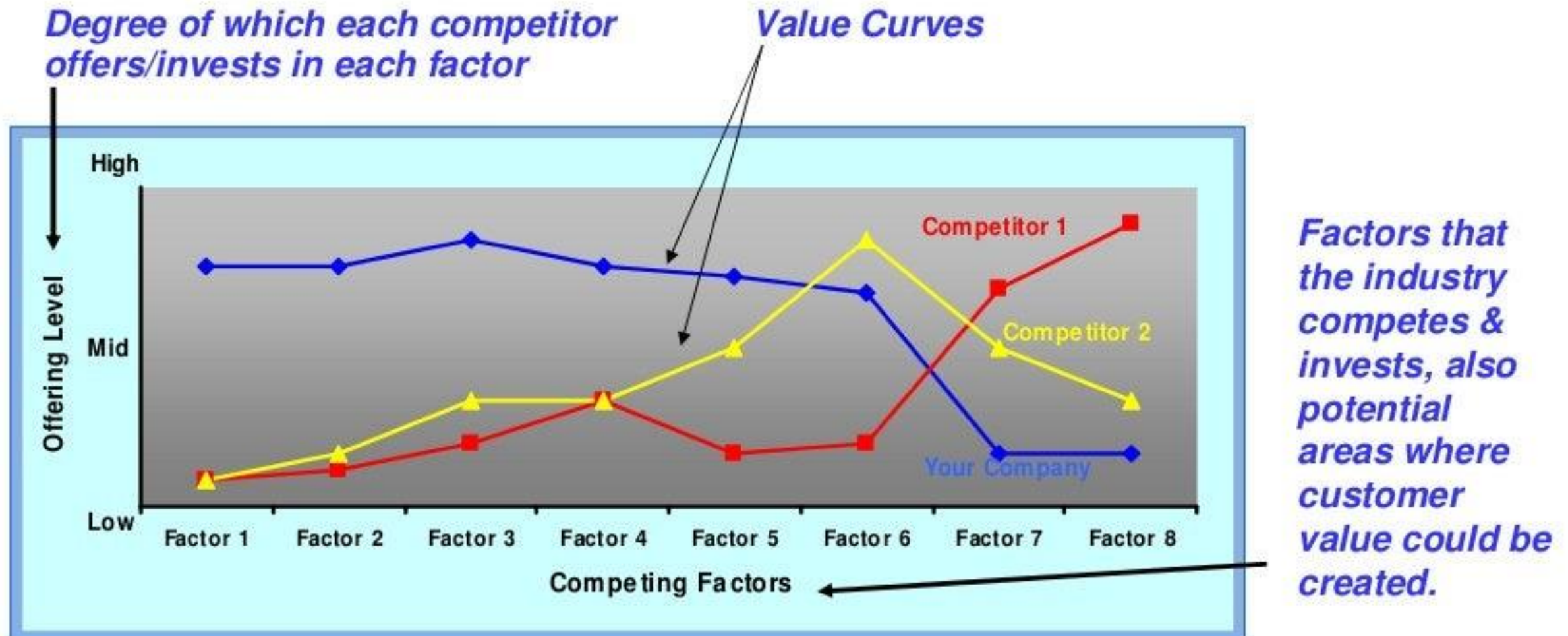


# Blue Ocean Strategy Tools



- ◆ **Strategy Canvas**
- ◆ **Eliminate-Reduce-Raise-Create (ERRC) Grid**

# What is Strategy Canvas?



Graphical Representation of Strategy

+

Big Picture View

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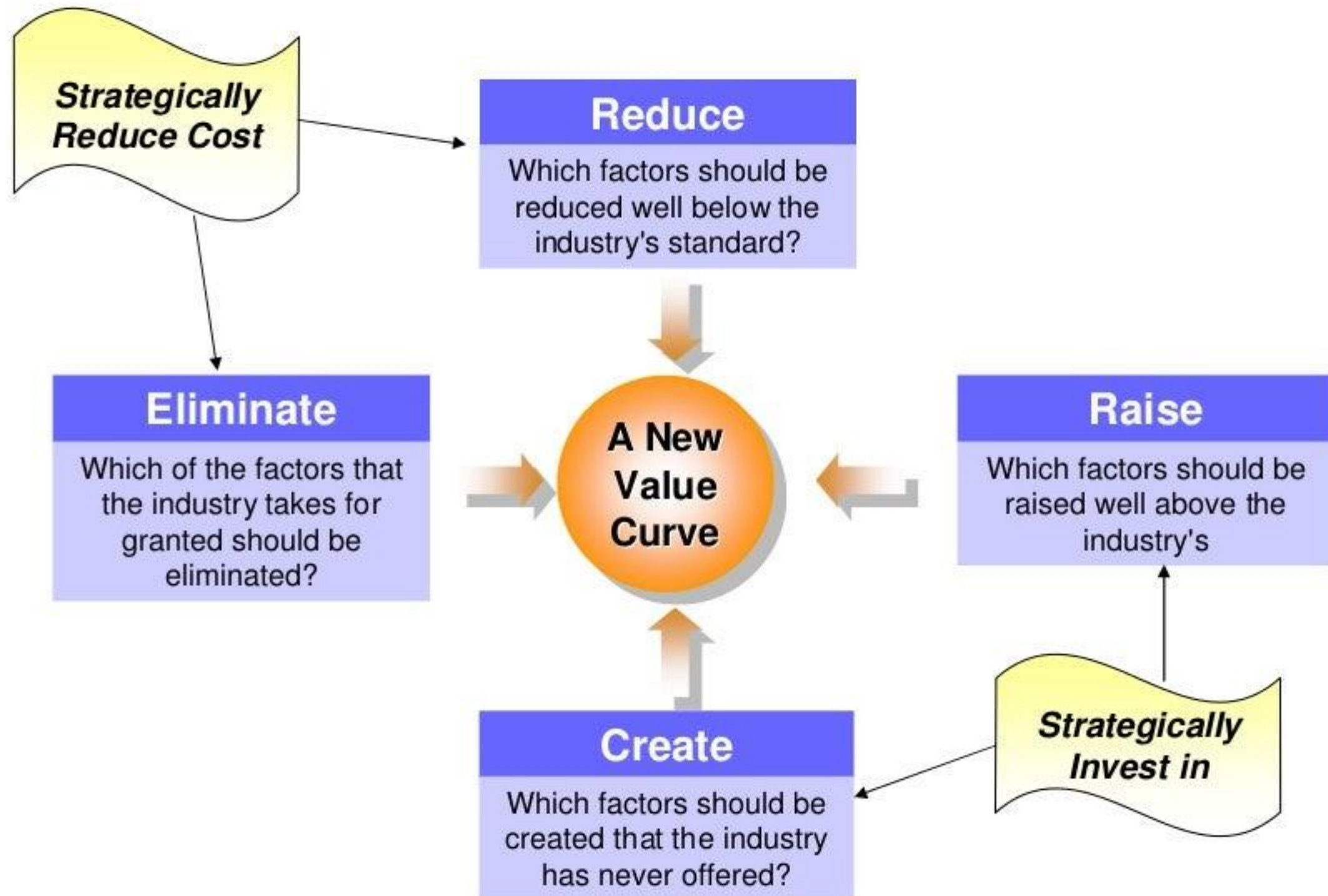
Landscape Scanning

+

Relative Positioning vs. Competitors



# 4 Actions Framework



# Eliminate-Reduce-Raise-Create (ERRC) Grid

**Eliminate**

**Raise**

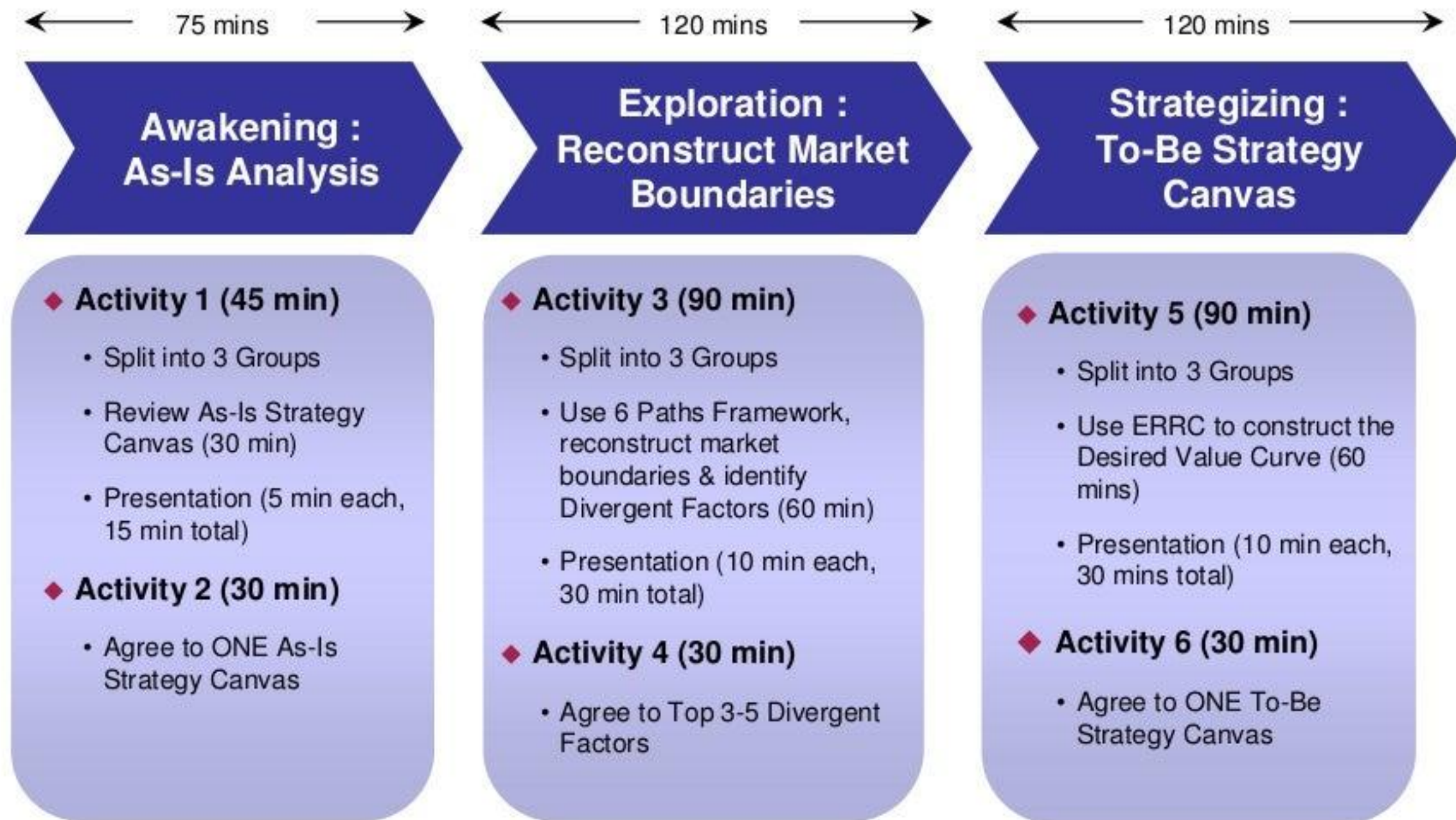
**Reduce**

**Create**

**Back**

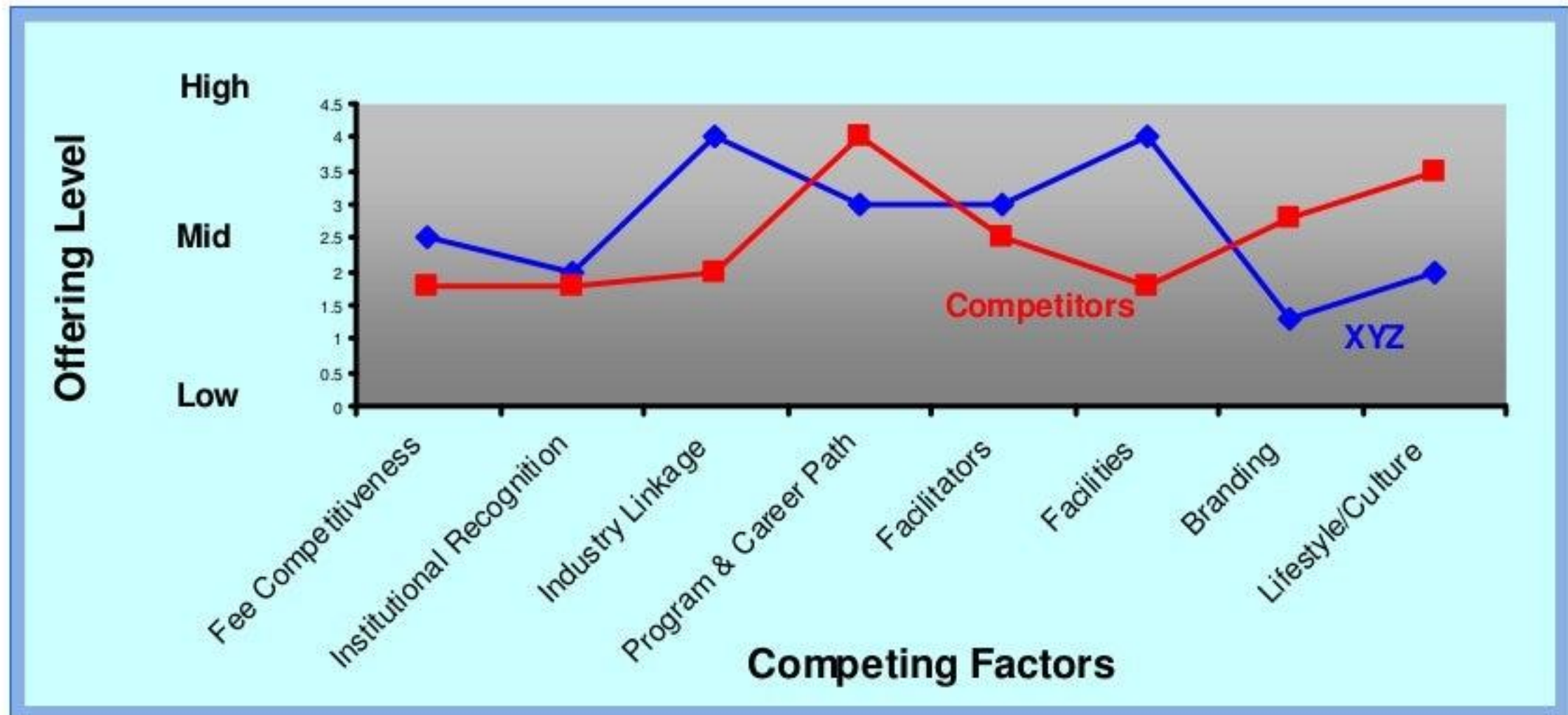


# Formulating Blue Ocean Strategy



# Activity 1 & 2 : As-Is Analysis

## Review XYZ As-Is Strategy Canvas



[Back](#)