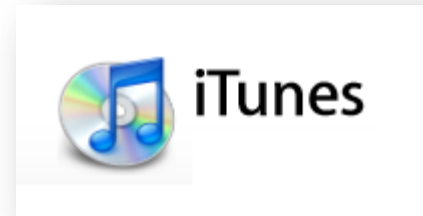


Blue Ocean Strategy

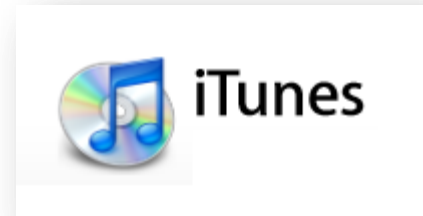
**Making a Blue Ocean
Strategic Move that
Discourages Imitation**

What happens when strategy is not aligned?



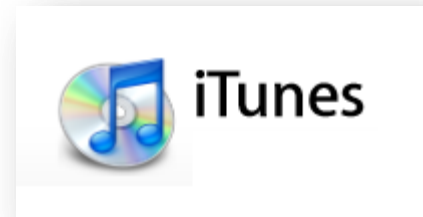
Strategy Proposition	Napster	iTunes
Value		
Profit		
People		

What happens when strategy is not aligned?



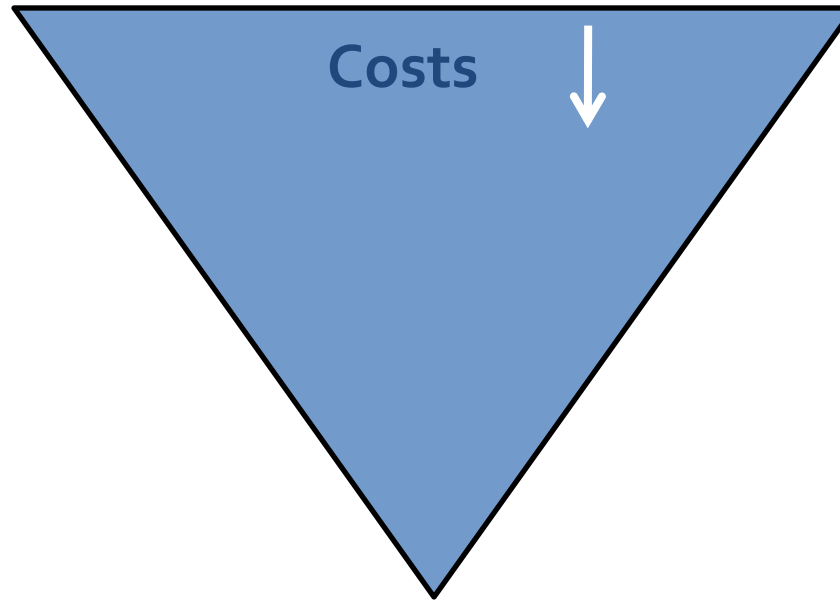
Strategy Proposition	Napster	iTunes
Value	+	
Profit	-	
People	-	

What happens when strategy is not aligned?

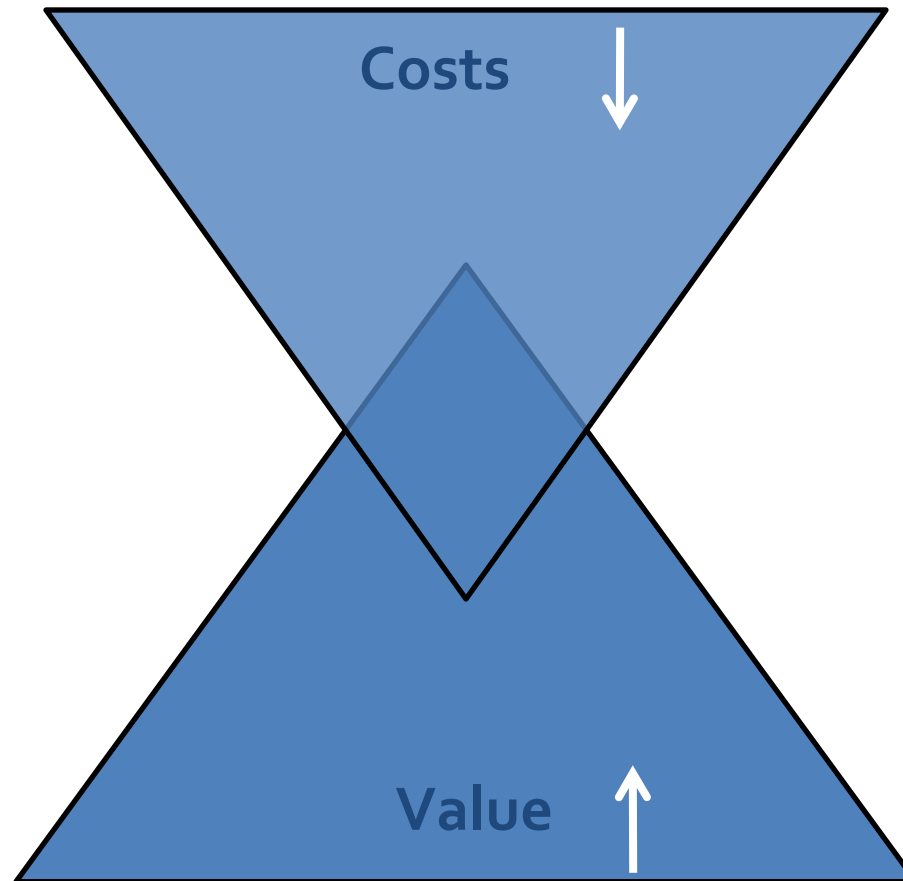


Strategy Proposition	Napster	iTunes
Value	+	+
Profit	-	+
People	-	+

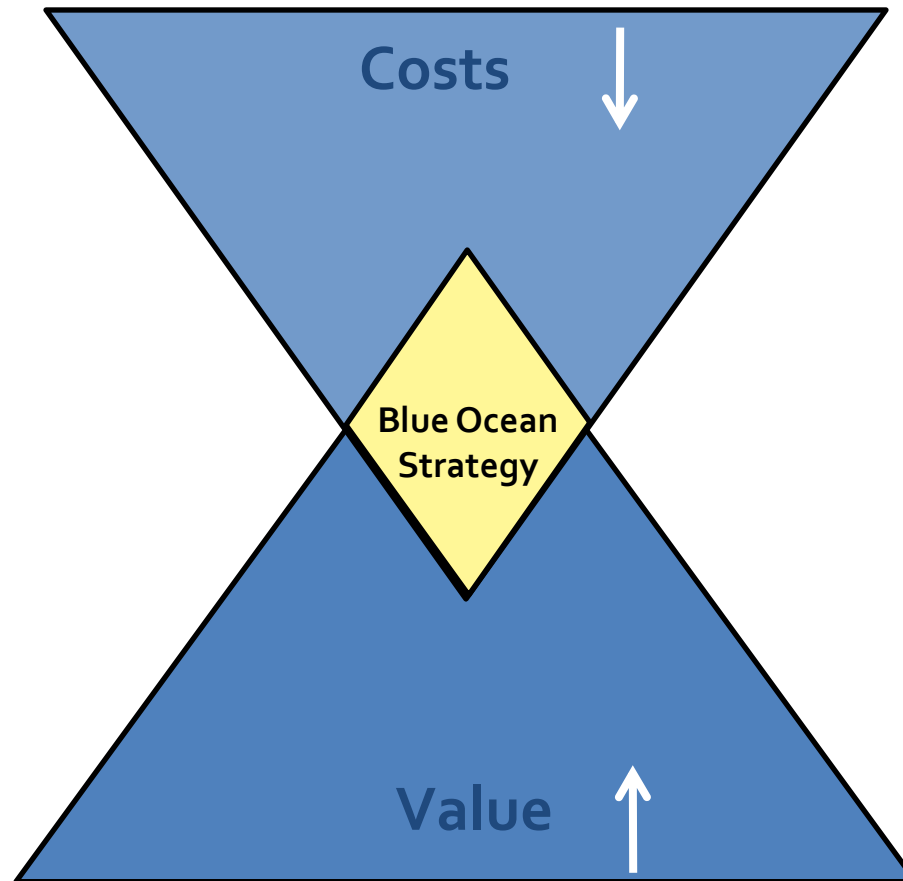
Value Innovation: simultaneous pursuit of differentiation and low cost



Value Innovation: simultaneous pursuit of differentiation and low cost



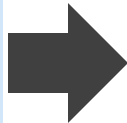
Value Innovation: simultaneous pursuit of differentiation and low cost



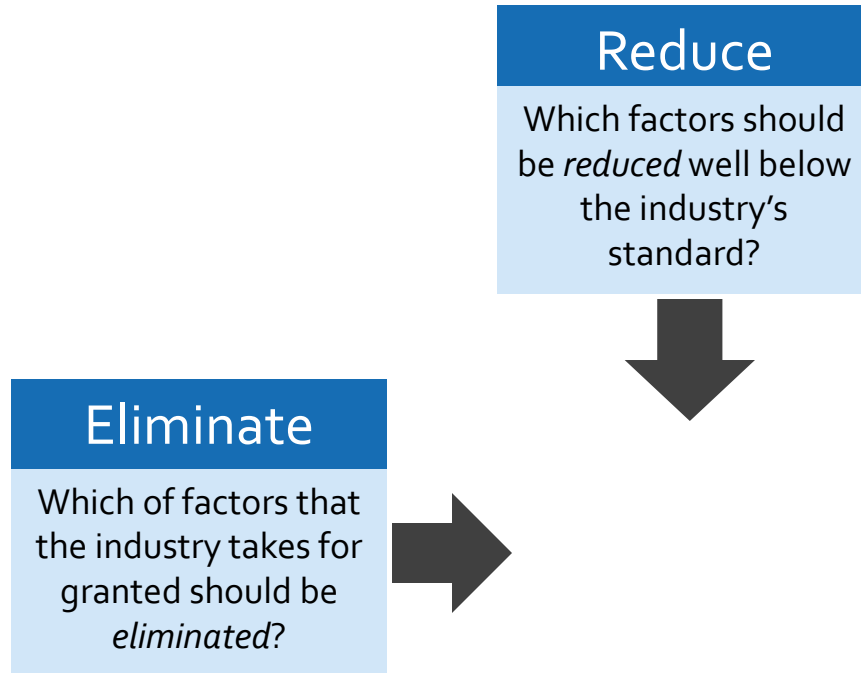
Create Value Innovation using the Four Actions Framework

Eliminate

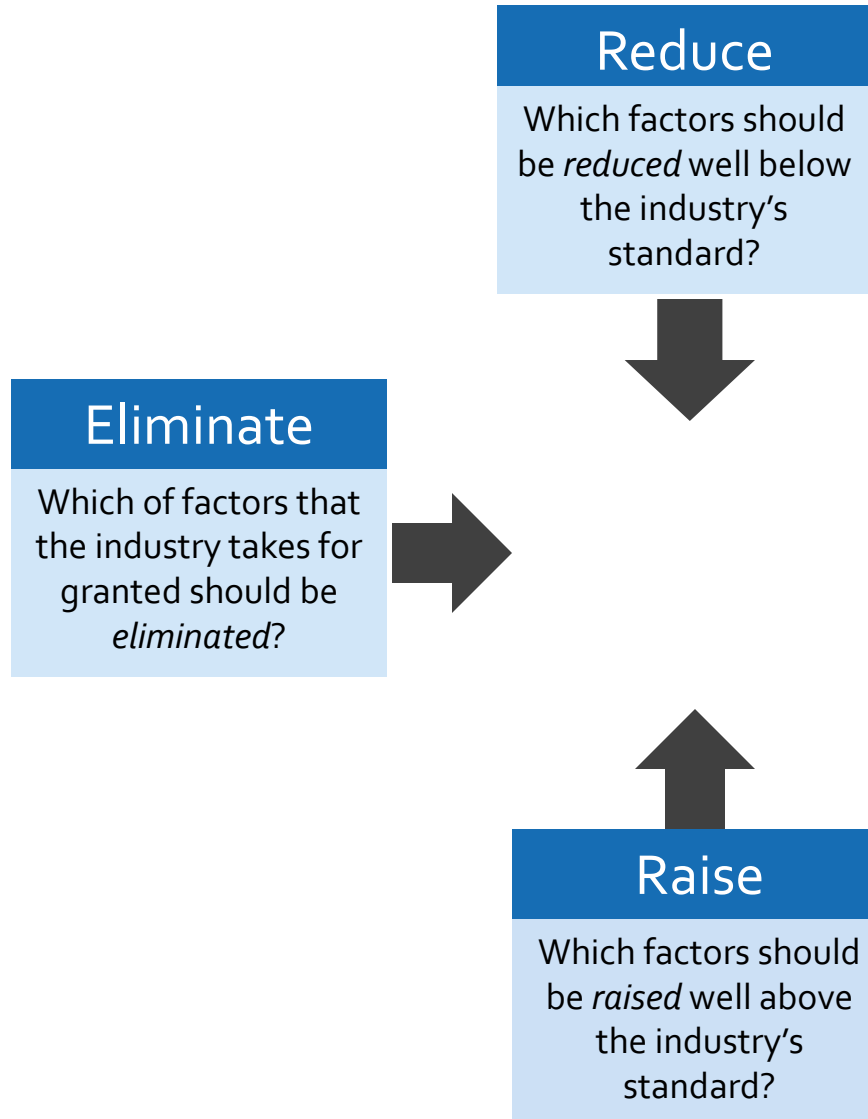
Which of factors that the industry takes for granted should be *eliminated*?



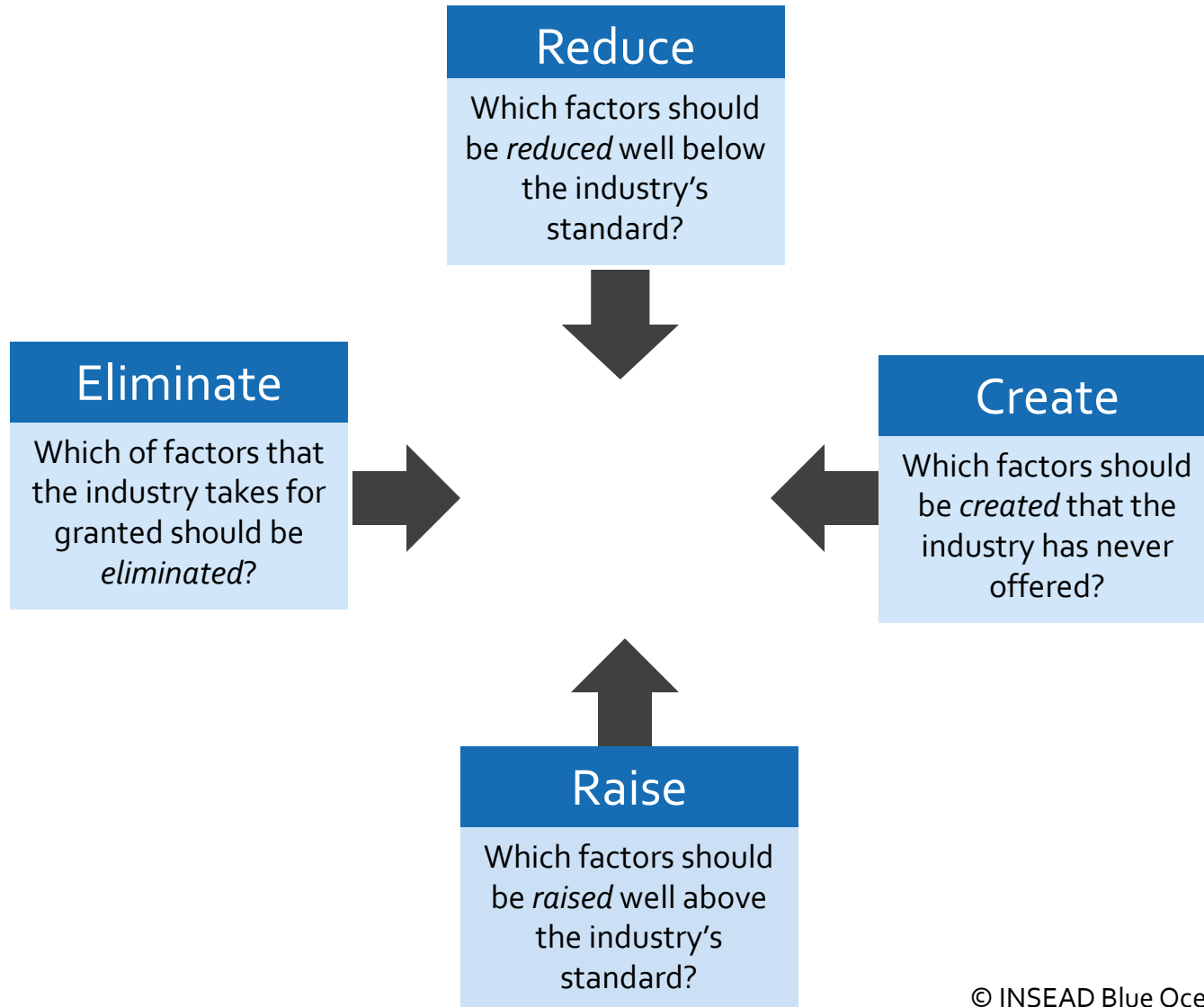
Create Value Innovation using the Four Actions Framework



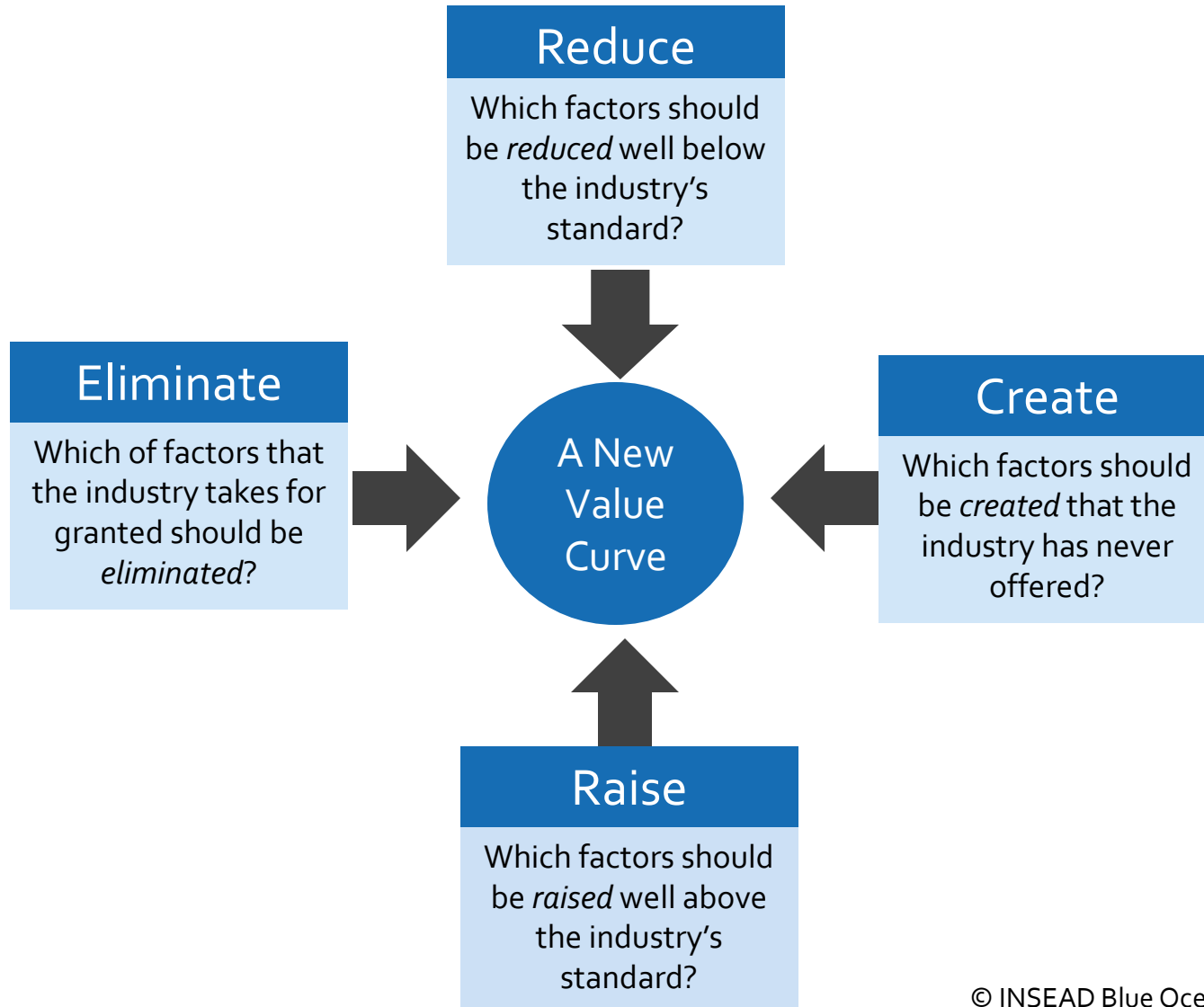
Create Value Innovation using the Four Actions Framework



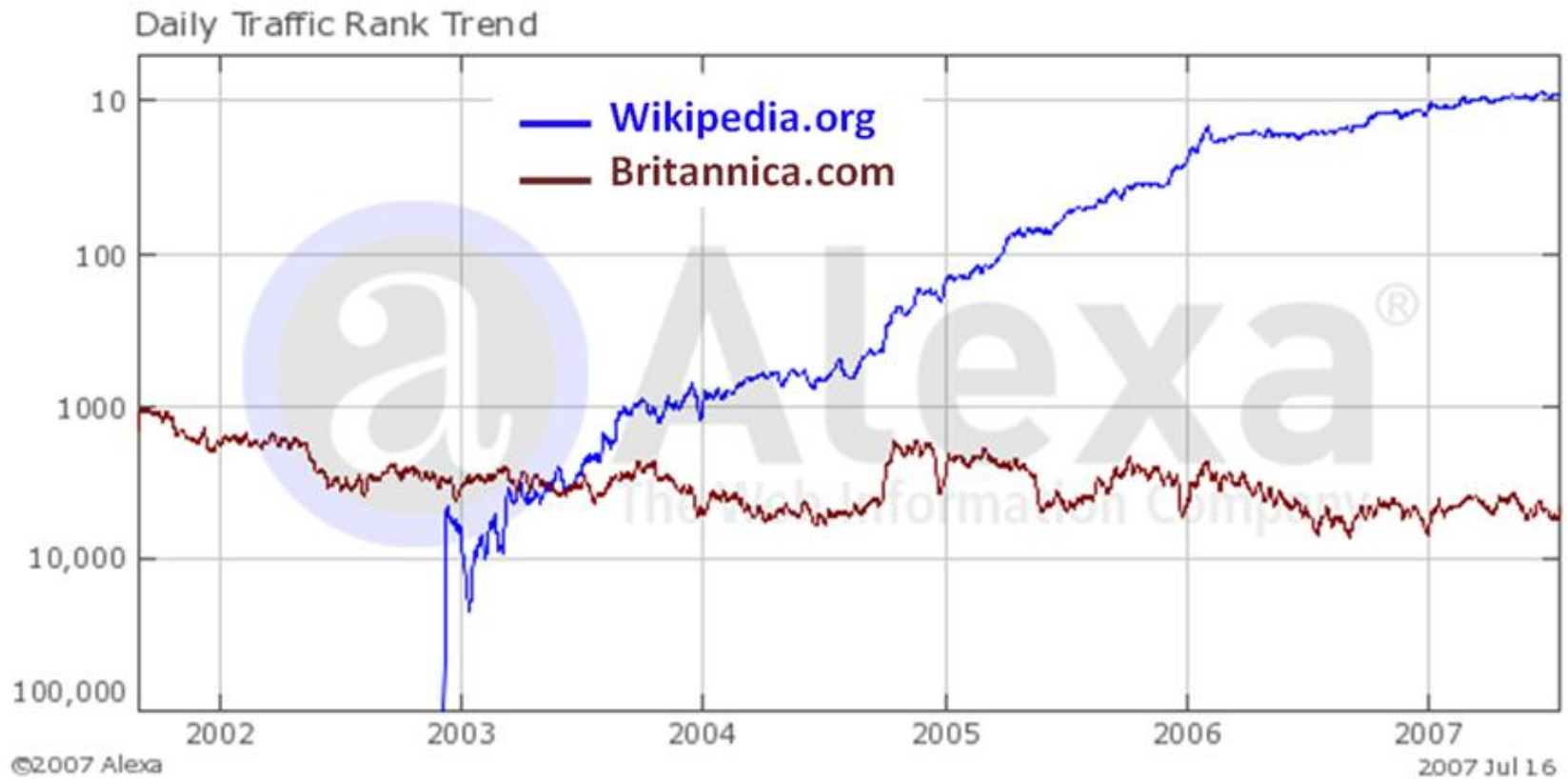
Create Value Innovation using the Four Actions Framework



Create Value Innovation using the Four Actions Framework



Online Encyclopedia Industry





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Today in the Encyclopedia

History & Society

Arts & Entertainment

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Britannica Blog

Advocacy for Animals

Born This Day

Uncle Vanya

Russian author **Anton Chekhov** scripted plays and stories in which Russian society offers a window into the human condition.

David Magarshack



More in Arts & Entertainment:

Grammy Award

The biggest names in popular music converge on the Staples Center Sunday to honour the hits of the previous year.

Lost

The hit show's sixth and final season begins with a two-hour premiere on Tuesday.

For related coverage, go to

Blog: Arts & Entertainment

J.D. Salinger, R.I.P.

Gregory McNamee - Thu, 28 Jan 2010 19:00:44 GMT

Great Moments in Pop Music History: The Who, "I Can't Explain"

Gregory McNamee - Thu, 28 Jan 2010 05:35:22 GMT



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903 000+ articles

Italiano

L'enciclopedia libera

650 000+ yoci

Português

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De vrije encyclopedie

583 000+ artikelen

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10 000+

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THE VALUE PROPOSITION

The ERRC Grid for Wikipedia's Value Proposition

Eliminated	Raised
Reduced	Created

The ERRC Grid for Wikipedia's Value Proposition

Eliminated <ul style="list-style-type: none">• Subscription fees• Distracting advertisements• Copyright restrictions on reuse of information	Raised
Reduced	Created

The ERRC Grid for Wikipedia's Value Proposition

Eliminated <ul style="list-style-type: none">• Subscription fees• Distracting advertisements• Copyright restrictions on reuse of information	Raised
Reduced <ul style="list-style-type: none">• Data accuracy and reliability	Created

The ERRC Grid for Wikipedia's Value Proposition

Eliminated <ul style="list-style-type: none">• Subscription fees• Distracting advertisements• Copyright restrictions on reuse of information	Raised <ul style="list-style-type: none">• Real-time knowledge• Ease of finding relevant information• Diversity of topics
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The ERRC Grid for Wikipedia's Value Proposition

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Reduced <ul style="list-style-type: none">• Data accuracy and reliability	Created <ul style="list-style-type: none">• User interaction and participation• Accessibility in one's own language

Value Proposition of the Online Encyclopedia Industry

hi

offering level

lo

Price

Distracting
advertisements

Copyright
restrictions

Data
accuracy
and
reliability

Diversity
of topics

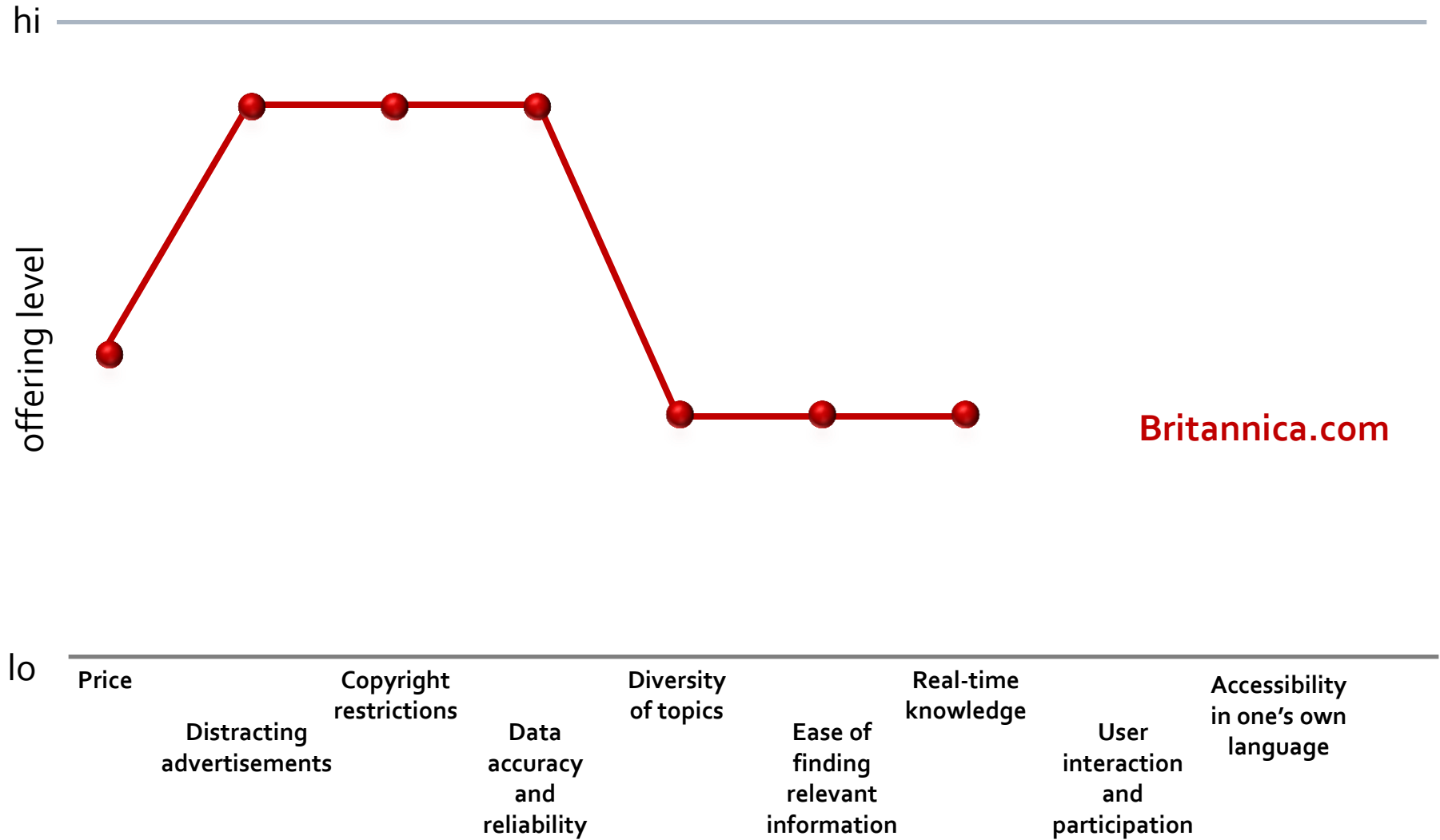
Ease of
finding
relevant
information

Real-time
knowledge

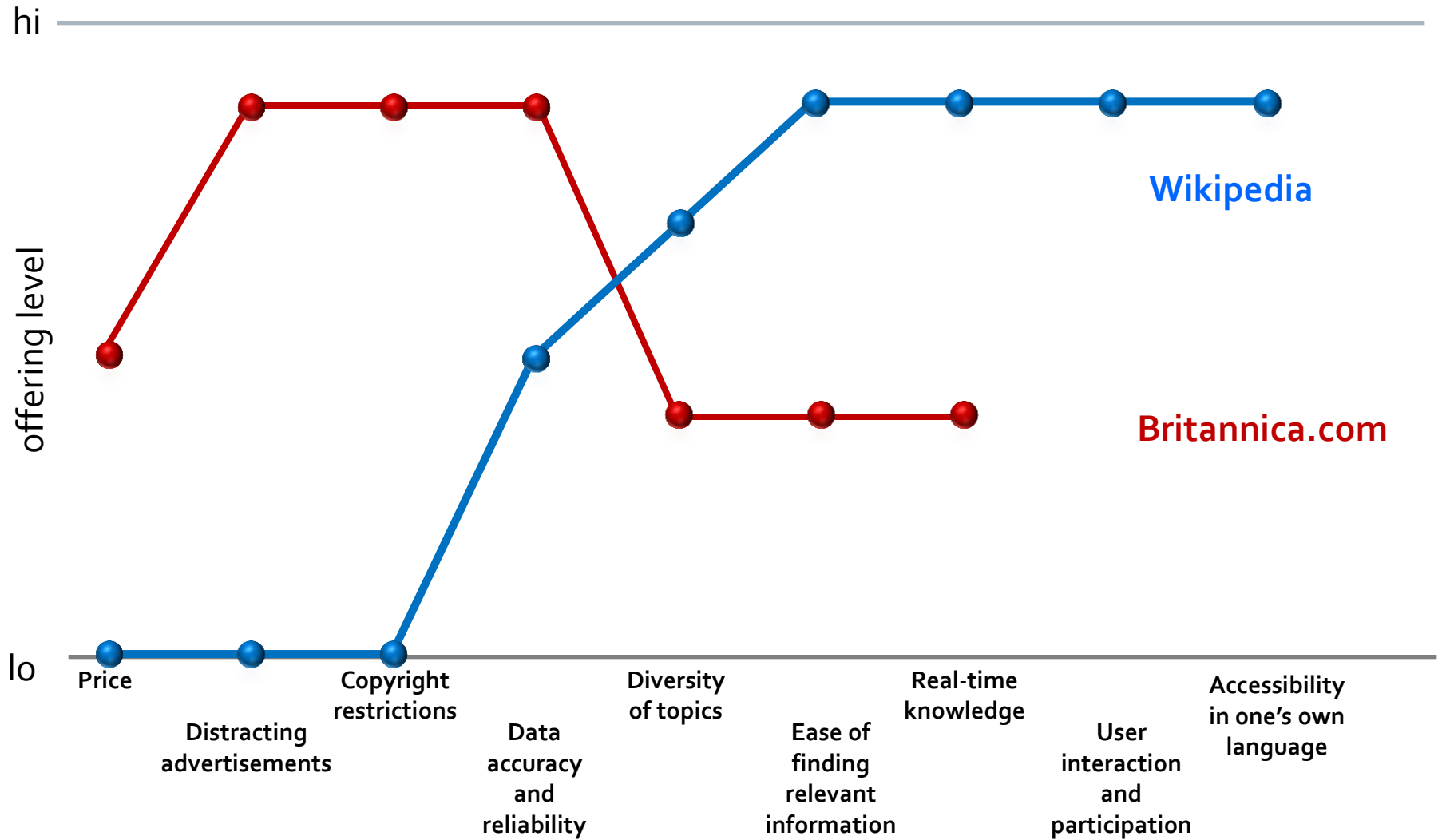
User
interaction
and
participation

Accessibility
in one's own
language

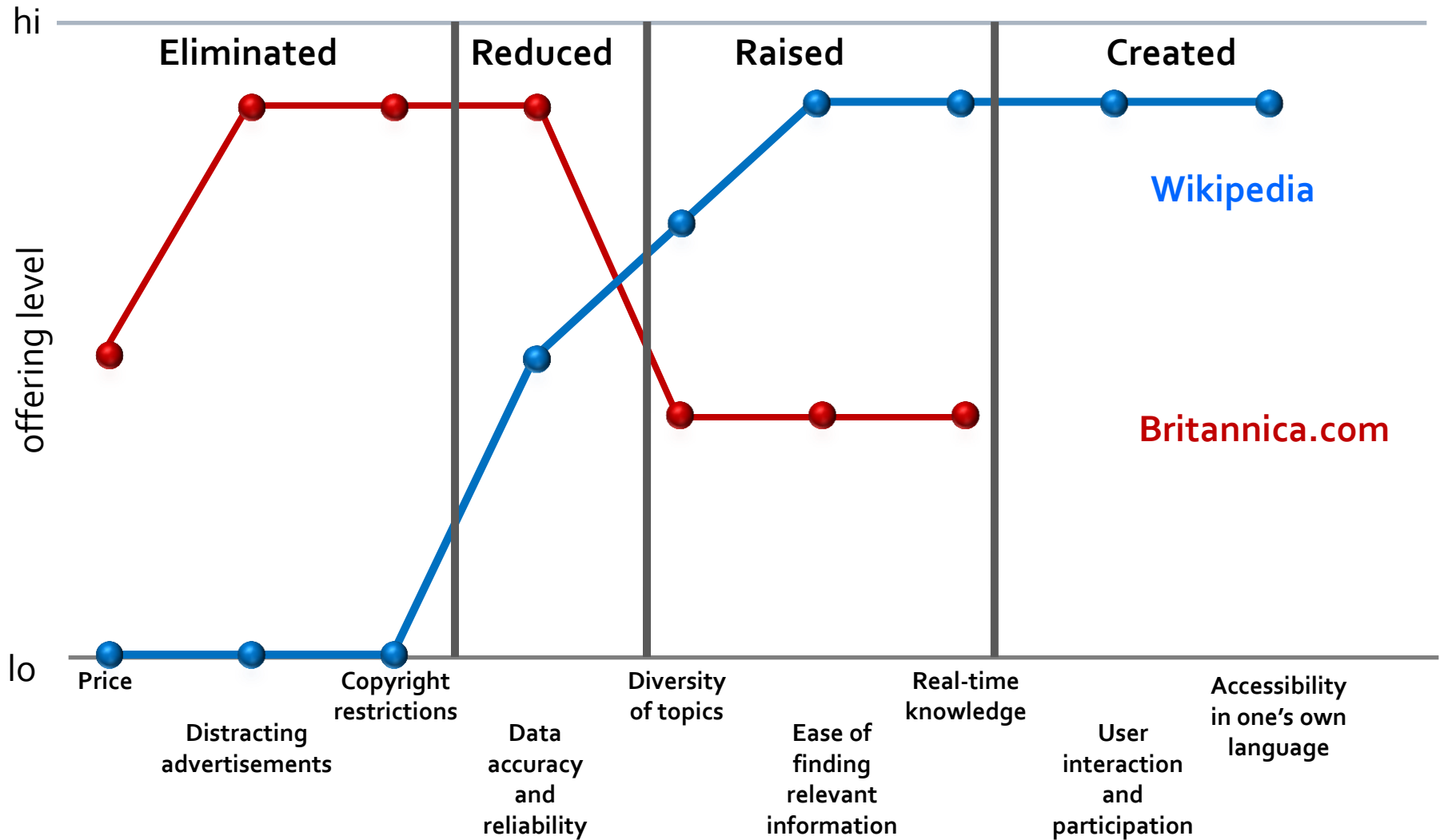
Value Proposition of the Online Encyclopedia Industry



Value Proposition of the Online Encyclopedia Industry



Value Proposition of the Online Encyclopedia Industry



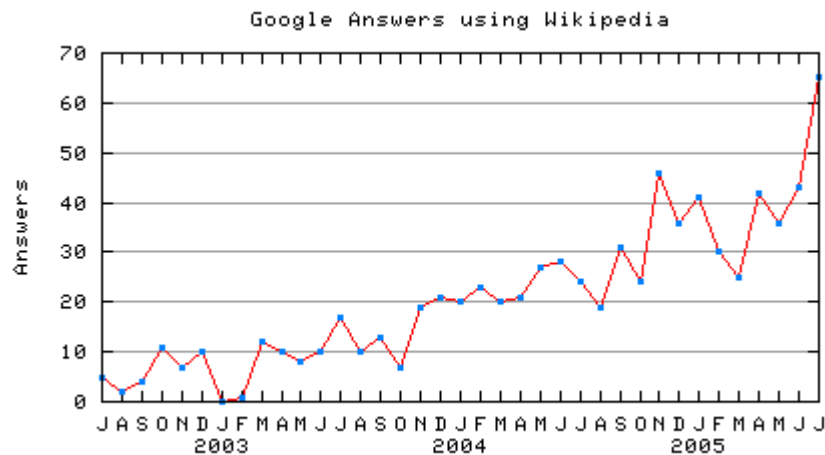
THE PROFIT PROPOSITION

Business Model Comparison	Britannica.com <i>Traditional e-Commerce</i>	Wikipedia <i>i.e. The Wikimedia Foundation</i>
Types of Income		
Categories of Expense		

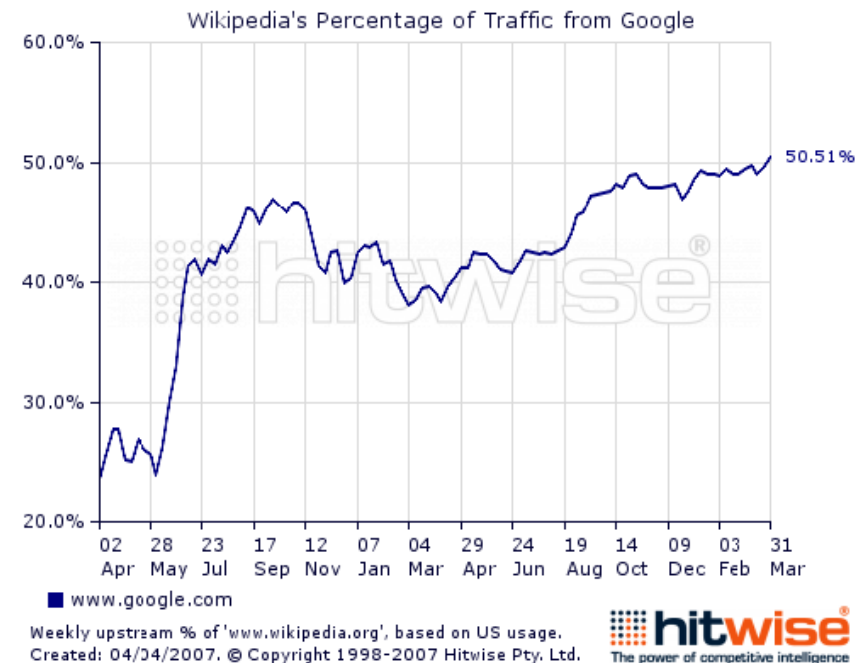
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Categories of Expense	<ul style="list-style-type: none"> ▪ Editors and writers (plus a 12-member Editorial Board of Advisors) ▪ Administrative staff (plus a 6-member Board of Directors) ▪ Marketing costs ▪ Distribution and member servicing costs ▪ Operations (e.g. internet hosting etc.) 	

Business Model Comparison	Britannica.com <i>Traditional e-Commerce</i>	Wikipedia <i>i.e. The Wikimedia Foundation</i>
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Categories of Expense	<ul style="list-style-type: none"> ▪ Editors and writers (plus a 12-member Editorial Board of Advisors) ▪ Administrative staff (plus a 6-member Board of Directors) ▪ Marketing costs ▪ Distribution and member servicing costs ▪ Operations (e.g. internet hosting etc.) 	<ul style="list-style-type: none"> ▪ Administrative staff ▪ Internet hosting ▪ Other operations ▪ Travel

Top placement on search engines like Google eliminates the cost of branding, marketing and advertisements



Source:
http://en.wikipedia.org/wiki/File:Google_Answers_using_Wikipedia.png



The ERRC Grid for Wikipedia's Profit Proposition

Eliminated	Raised
Reduced	Created

The ERRC Grid for Wikipedia's Profit Proposition

Eliminated <ul style="list-style-type: none">• Subscription revenues• Expensive fleet of editors and writers• Traditional advertising (on search engines etc.)• Top-down branding and product marketing	Raised
Reduced	Created

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Eliminated <ul style="list-style-type: none">• Subscription revenues• Expensive fleet of editors and writers• Traditional advertising (on search engines etc.)• Top-down branding and product marketing	Raised
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Reduced <ul style="list-style-type: none">• Effective cost of administrative overhead (proportionately fewer paid staff, volunteer Board of Trustees)	Created <ul style="list-style-type: none">• Dedicated volunteers worldwide• Worldwide donations (monetary and in-kind equipment and services)

Profit Proposition of the Online Encyclopedia Industry

hi

offering level

lo

Subscription
revenues

Expensive
editors and
writers

Traditional
advertising

Top-down
branding and
marketing

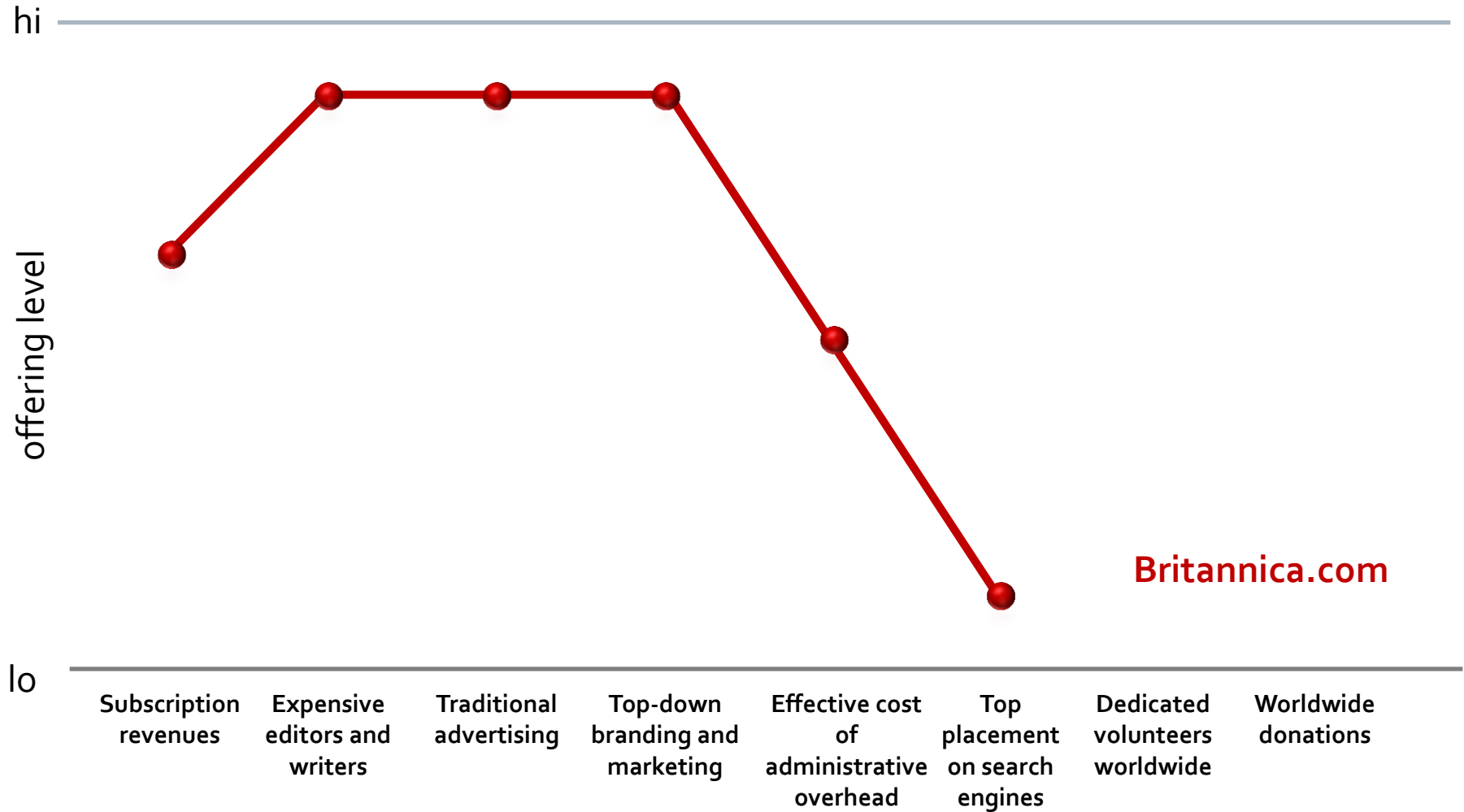
Effective cost
of
administrative
overhead

Top
placement
on search
engines

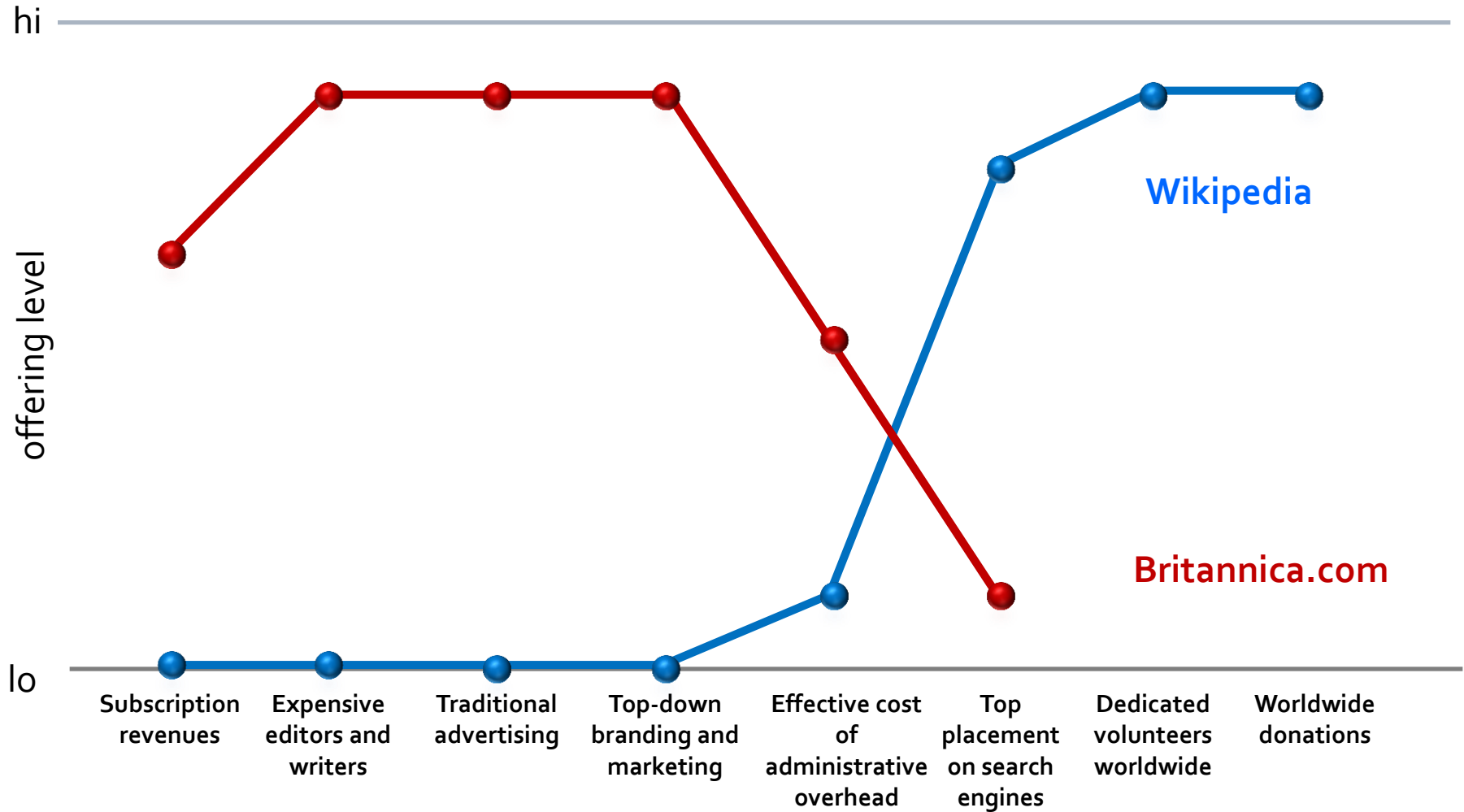
Dedicated
volunteers
worldwide

Worldwide
donations

Profit Proposition of the Online Encyclopedia Industry



Profit Proposition of the Online Encyclopedia Industry



THE PEOPLE PROPOSITION

The ERRC Grid for Wikipedia's People Proposition

Eliminated	Raised
Reduced	Created

The ERRC Grid for Wikipedia's People Proposition

Eliminated <ul style="list-style-type: none">• Traditional copyright restrictions that prevent viral creativity	Raised
Reduced	Created

The ERRC Grid for Wikipedia's People Proposition

Eliminated <ul style="list-style-type: none">• Traditional copyright restrictions that prevent viral creativity	Raised
Reduced <ul style="list-style-type: none">• Technical barriers to contribution• Self-imposed barriers to contribution	Created

The ERRC Grid for Wikipedia's People Proposition

Eliminated <ul style="list-style-type: none">• Traditional copyright restrictions that prevent viral creativity	Raised <ul style="list-style-type: none">• Pride and ownership of contributors
Reduced <ul style="list-style-type: none">• Technical barriers to contribution• Self-imposed barriers to contribution	Created

The ERRC Grid for Wikipedia's People Proposition

Eliminated <ul style="list-style-type: none">• Traditional copyright restrictions that prevent viral creativity	Raised <ul style="list-style-type: none">• Pride and ownership of contributors
Reduced <ul style="list-style-type: none">• Technical barriers to contribution• Self-imposed barriers to contribution	Created <ul style="list-style-type: none">• Fun, free, neutral forum for personal expression in one's own language• Community building and social order• Noble mission

People Proposition of the Online Encyclopedia Industry

hi

offering level

lo

Traditional
copyright
restrictions
that prevent
viral creativity

Technical
barriers to
contribution

Self-imposed
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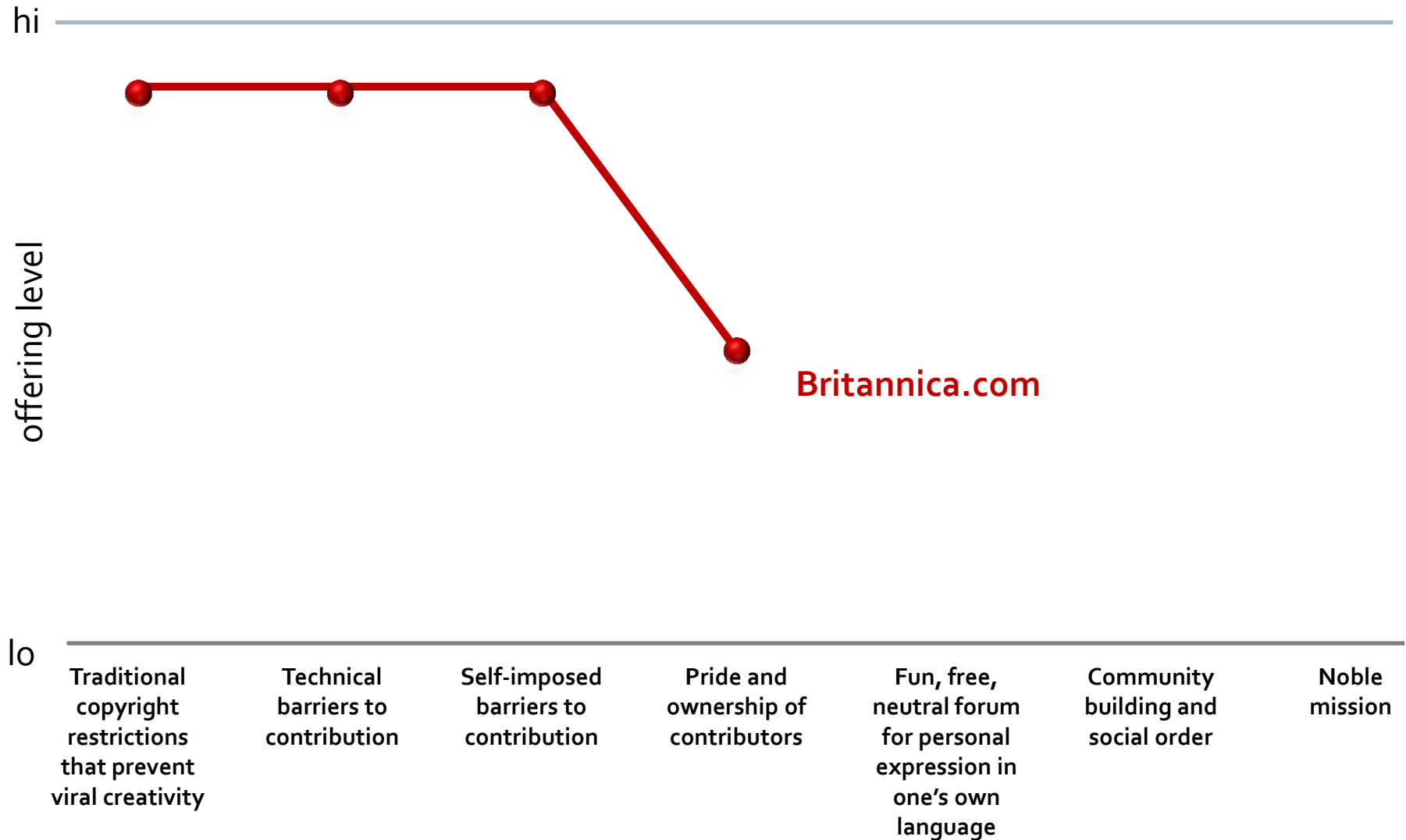
Pride and
ownership of
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Fun, free,
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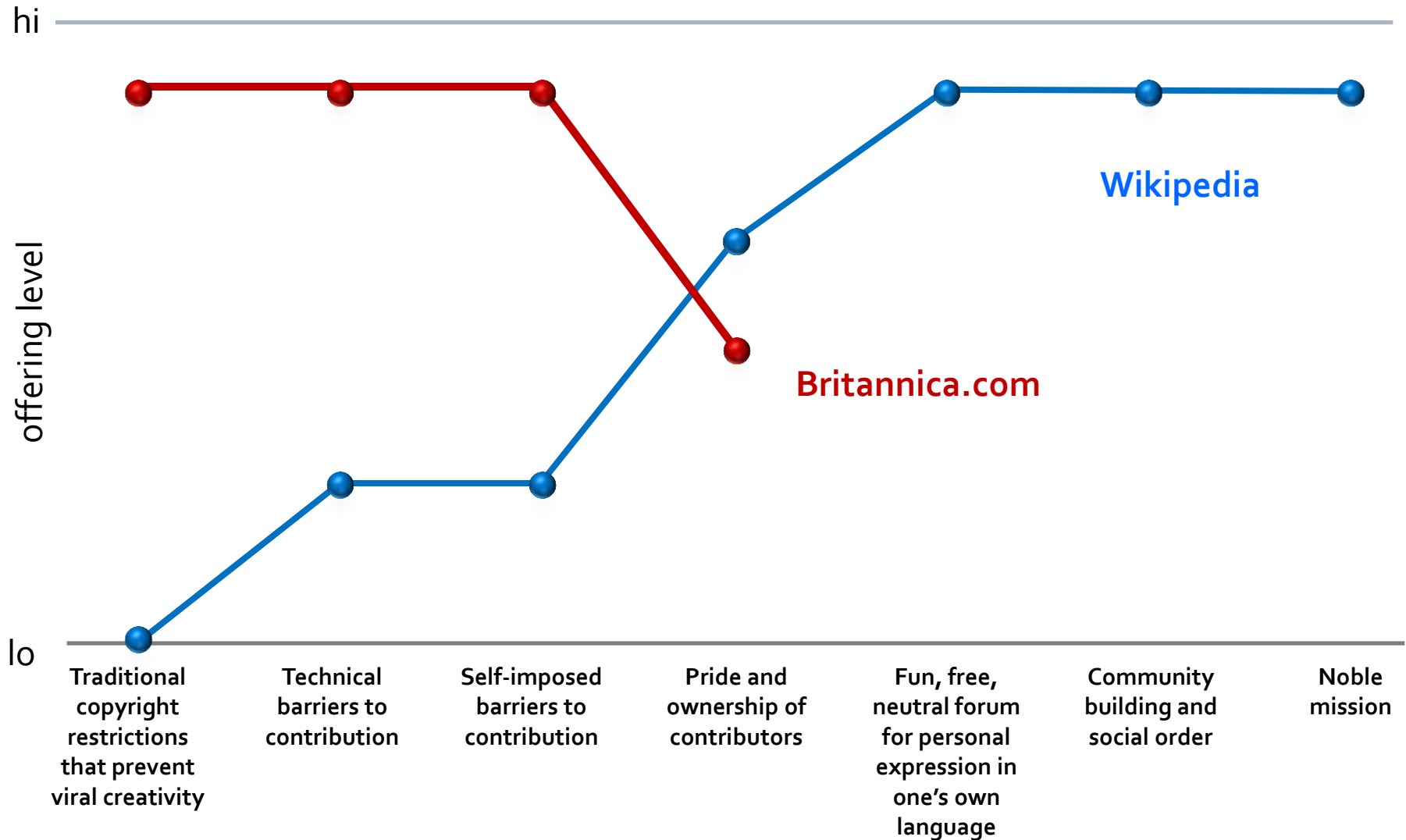
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People Proposition of the Online Encyclopedia Industry



People Proposition of the Online Encyclopedia Industry



Wikipedia Fact Sheet

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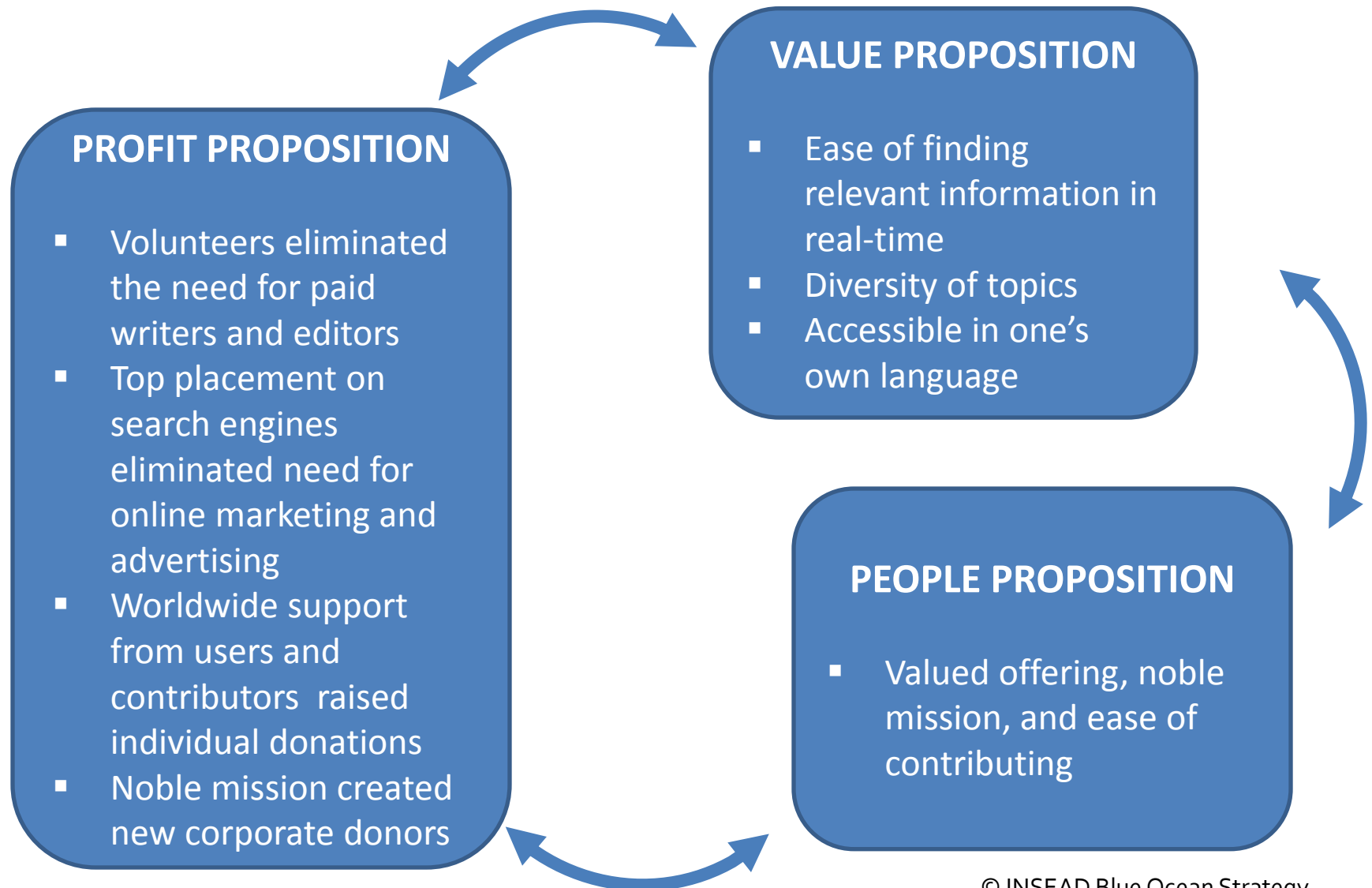
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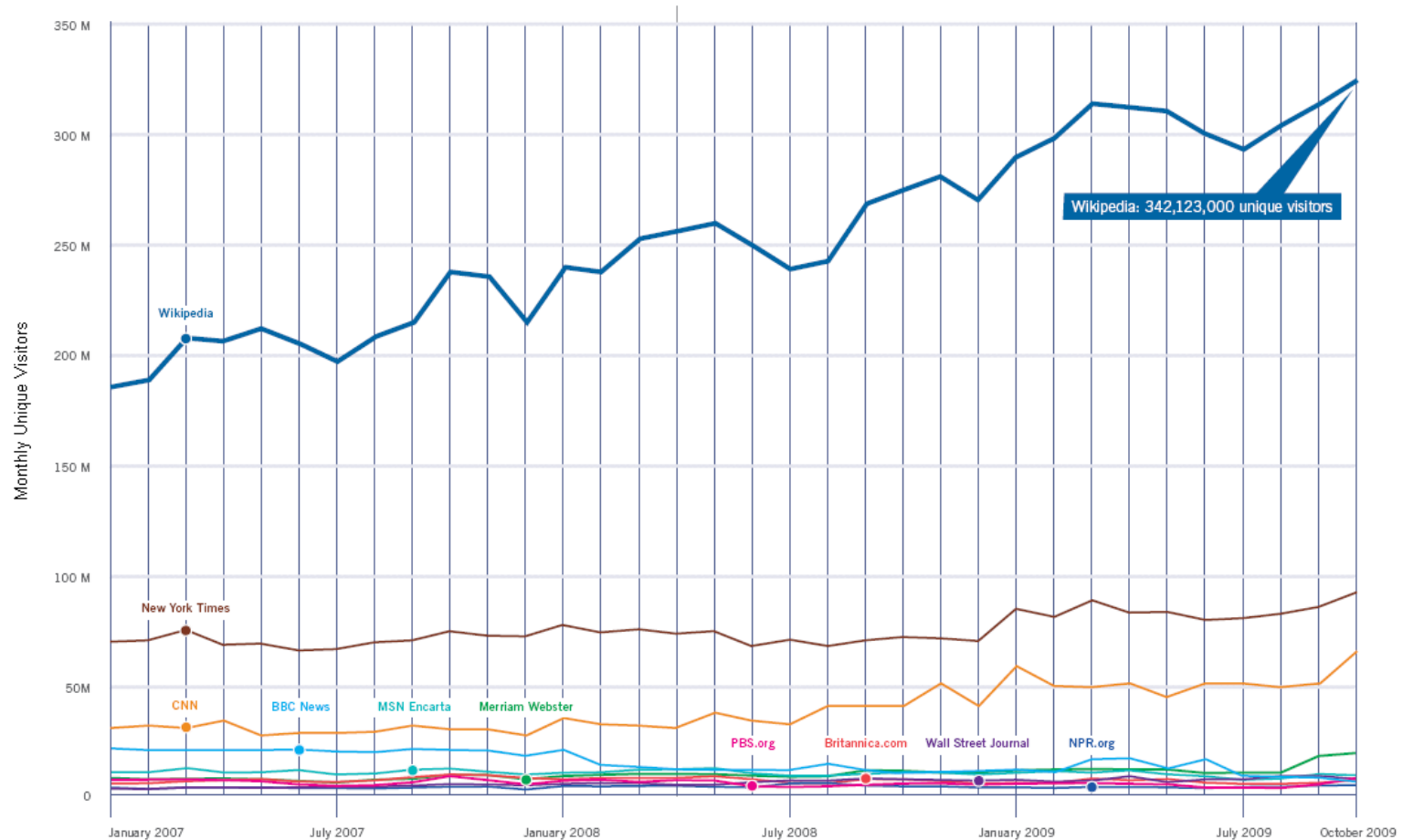
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Alignment of Wikipedia's Three Strategy Propositions



As a result, Wikipedia created new user demand that surpassed even the combined demand of top online news and reference sites from around the world



KEY CONCEPTUAL TAKE-AWAYS

Two Strategic Approaches

**Structuralist Approach
is a good fit:**

**Reconstructionist Approach is a
good fit:**

**Structural
conditions**

**Organization
resources and
capabilities**

Two Strategic Approaches

**Structuralist Approach
is a good fit:**

Attractive

Has the resources
and capabilities to
build a distinctive
position

**Reconstructionist Approach is a
good fit:**

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Two Strategic Approaches

	Structuralist Approach is a good fit:	Reconstructionist Approach is a good fit:
Structural conditions	Attractive	Less than attractive
Organization resources and capabilities	Has the resources and capabilities to build a distinctive position	Has the resources and capabilities to outperform competitors

Two Strategic Approaches

	Structuralist Approach is a good fit:		Reconstructionist Approach is a good fit:
Structural conditions	Attractive	Less than attractive	Attractive, but players are well-entrenched
Organization resources and capabilities	Has the resources and capabilities to build a distinctive position	Has the resources and capabilities to outperform competitors	Lacks the resources or capabilities to outperform other players

Two Strategic Approaches

	Structuralist Approach is a good fit:		Reconstructionist Approach is a good fit:	
Structural conditions	Attractive	Less than attractive	Attractive, but players are well-entrenched	Unattractive and work against an organization irrespective of its resources and capabilities
Organization resources and capabilities	Has the resources and capabilities to build a distinctive position	Has the resources and capabilities to outperform competitors	Lacks the resources or capabilities to outperform other players	

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When structural conditions and resources and capabilities do not distinctively indicate one approach or the other, the right choice will turn on:

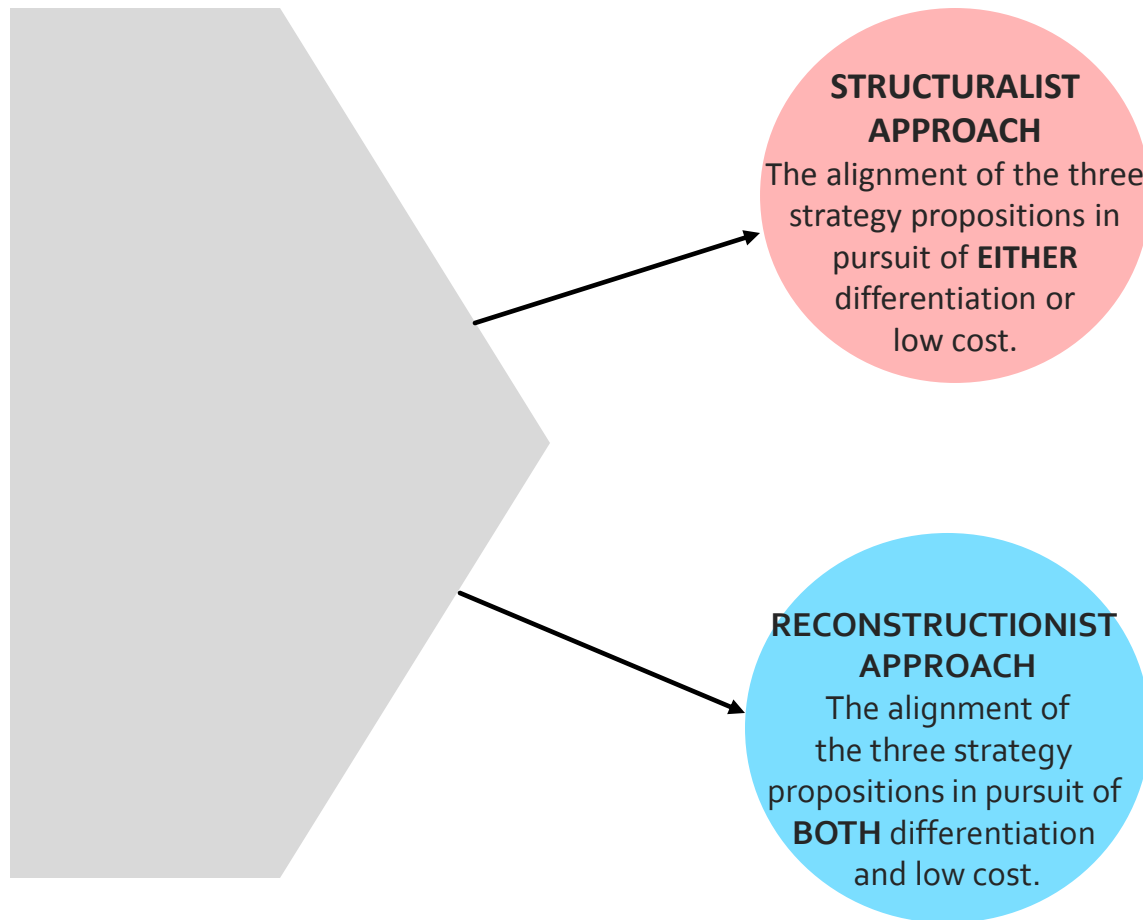
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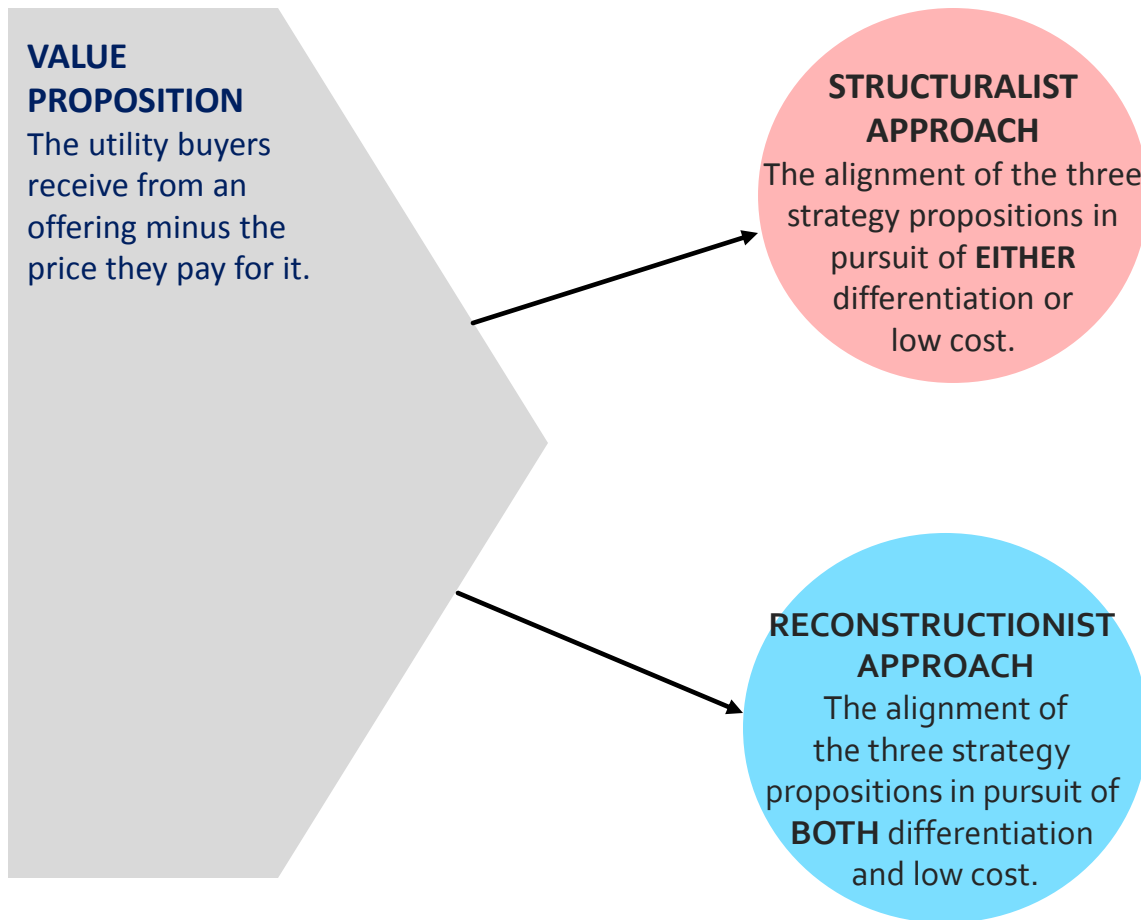
When structural conditions and resources and capabilities do not distinctively indicate one approach or the other, the right choice will turn on:

Organization's strategic mindset	Has a bias toward defending current strategic positions and a reluctance to venture into unfamiliar territory	Has an orientation toward innovation and a willingness to pursue new opportunities
---	---	--

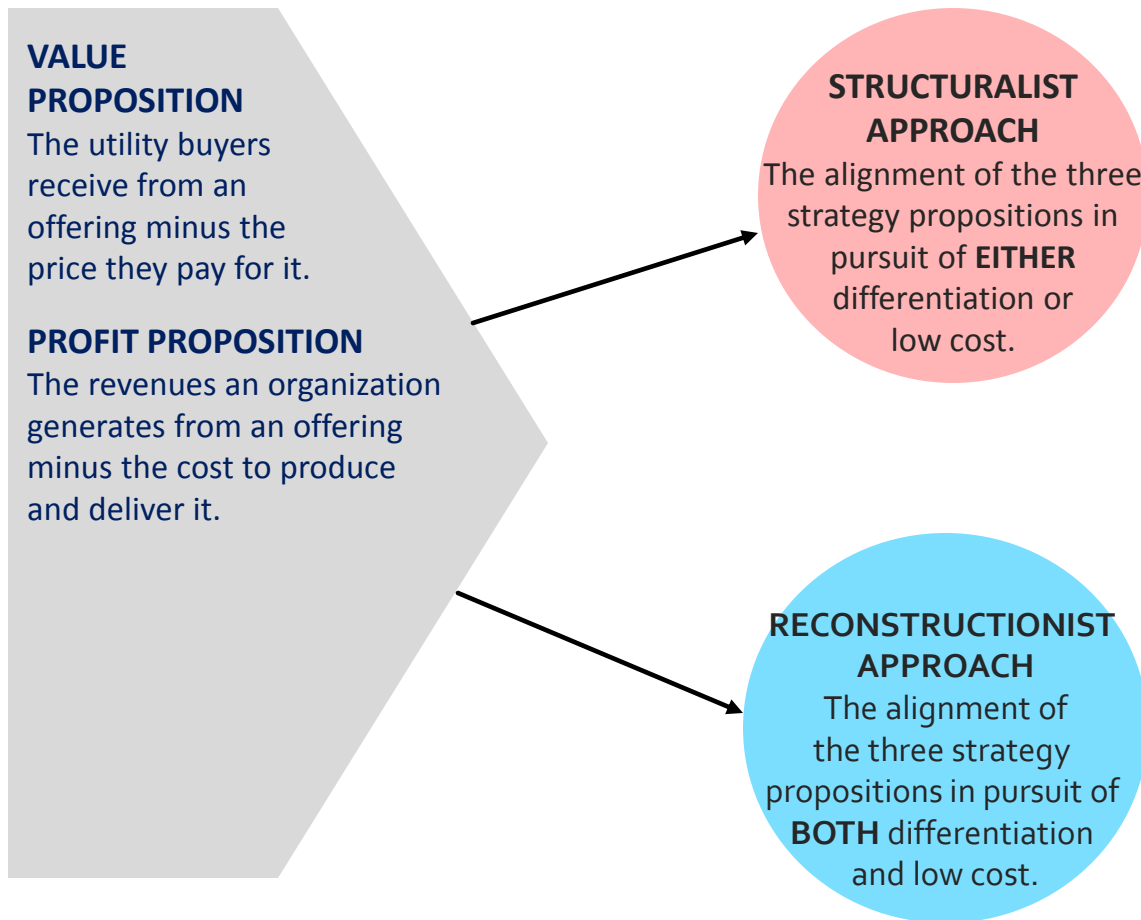
Three Strategy Propositions



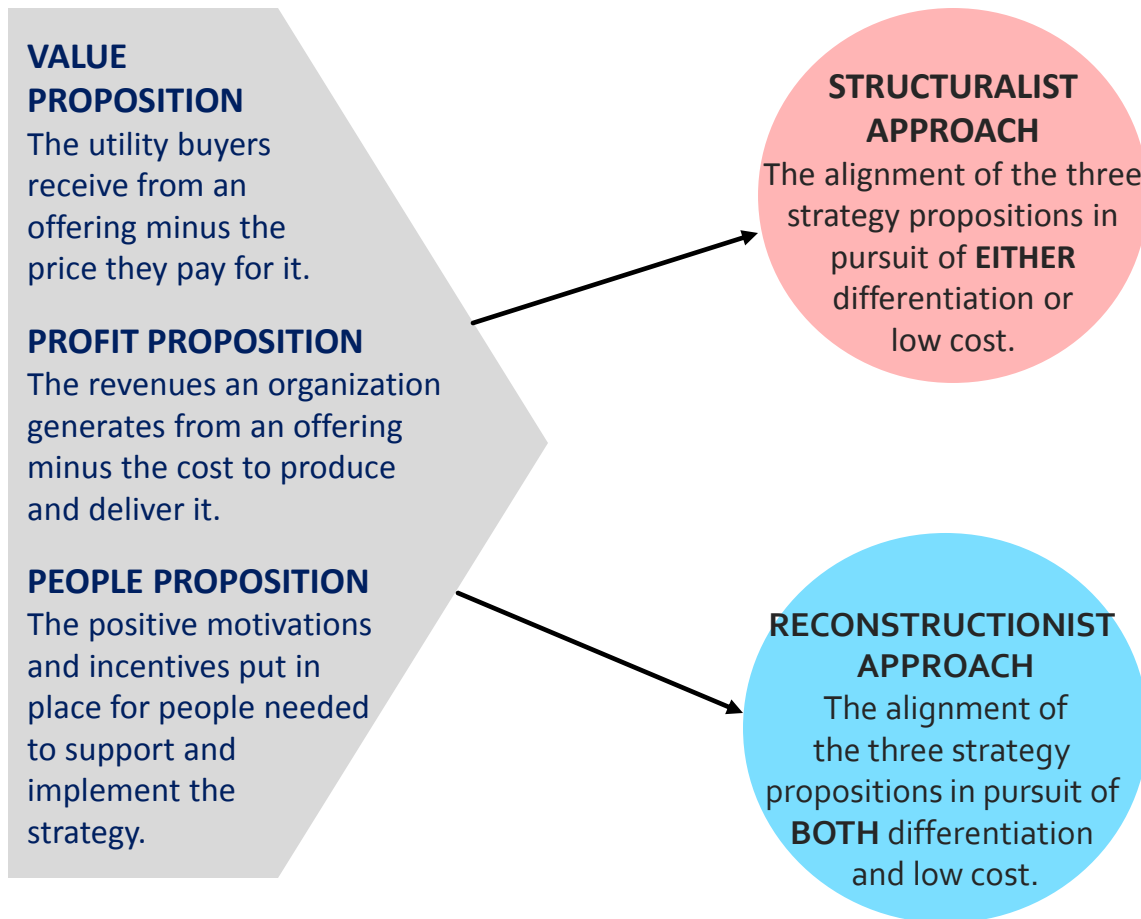
Three Strategy Propositions



Three Strategy Propositions



Three Strategy Propositions



Blue Ocean Strategy: The Four Barriers to Imitation

■ Cognitive Barrier

Blue Ocean Strategy: The Four Barriers to Imitation

- Cognitive Barrier

- Brand Barrier

Blue Ocean Strategy: The Four Barriers to Imitation

- Cognitive Barrier
- Brand Barrier
- Economic & Legal Barrier

Blue Ocean Strategy: The Four Barriers to Imitation

- Cognitive Barrier
- Brand Barrier
- Economic & Legal Barrier
- Alignment Barrier

Cognitive, Brand, and Economic & Legal Barriers to Imitation

Cognitive, Brand, and Economic & Legal Barriers to Imitation

Cognitive Barrier

Cognitive, Brand, and Economic & Legal Barriers to Imitation

Cognitive Barrier

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Cognitive, Brand, and Economic & Legal Barriers to Imitation

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- High volume leads to rapid cost advantage for the value innovator, further discouraging others from entering the market (e.g., Swatch)

Cognitive, Brand, and Economic & Legal Barriers to Imitation

Cognitive Barrier

- Value innovation does not make sense to a company's conventional logic (e.g., CNN)

Brand Barrier

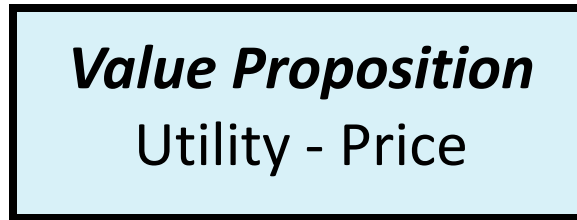
- Blue ocean strategy may conflict with other company's brand image (e.g. Body Shop versus high end cosmetic houses)
- Companies that value-innovate earn brand buzz and a loyal customer following that tends to shun imitators (e.g. Apple)

Economic & Legal Barrier

- Natural monopoly: The market often cannot support a second player (e.g., Walmart)
- Patents or legal permits block imitation (e.g., Dyson & Philips' Alto)
- High volume leads to rapid cost advantage for the value innovator, further discouraging others from entering the market (e.g., Swatch)
- Network externalities discourage imitation (e.g. eBay)

Alignment Barrier

Alignment Barrier



Alignment Barrier

Value Proposition
Utility - Price



Profit Proposition
Revenue- Cost

Alignment Barrier

Value Proposition
Utility - Price



Profit Proposition
Revenue- Cost

People Proposition
Employees, Partners

Alignment Barrier

Value Proposition
Utility - Price

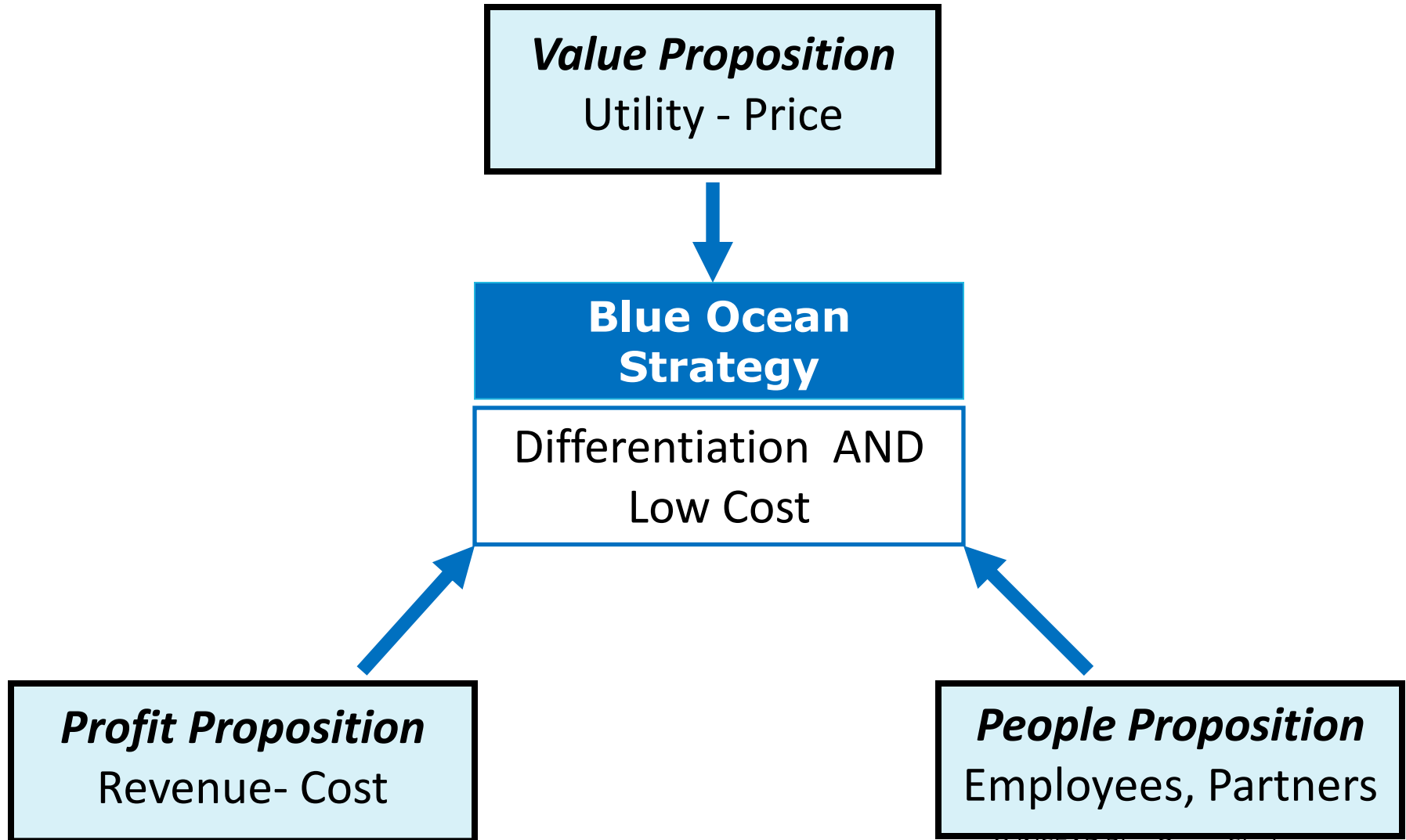


**Blue Ocean
Strategy**
Differentiation AND
Low Cost

Profit Proposition
Revenue- Cost

People Proposition
Employees, Partners

Alignment Barrier



Alignment Barrier

