

Lecture

An abstract graphic featuring a world map composed of small white dots on a dark background. Overlaid on the map are several larger, semi-transparent circles and a grid of vertical lines, suggesting a data-driven or technological theme.

Blue Ocean Strategy

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

Blue Ocean Strategy (BOS)

- 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

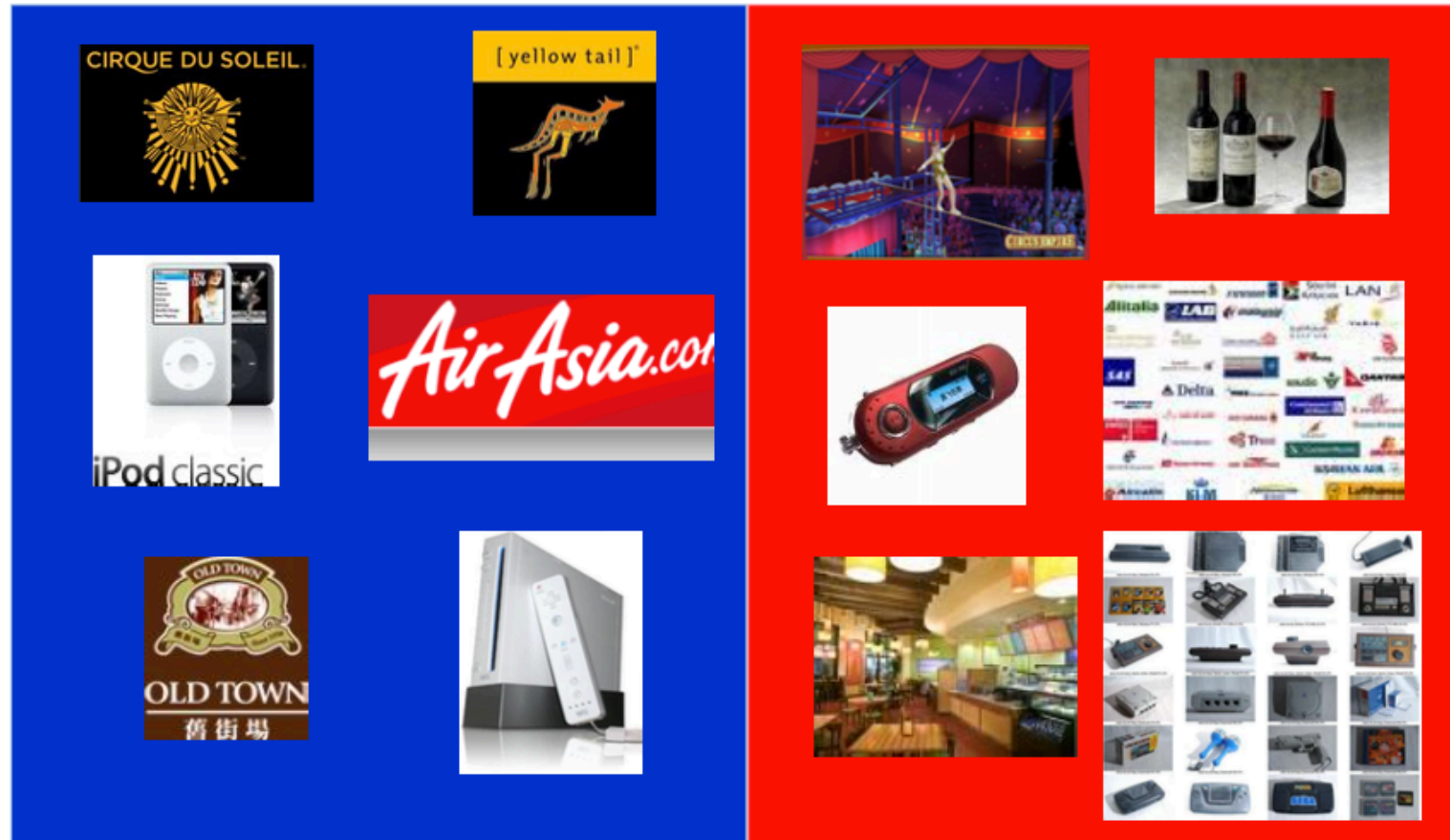
Red Ocean Strategy

- 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

Example of Red Ocean and Blue Ocean



Head-to-head Competition (BOS)

	Head-To-Head Competition	Blue Ocean Creation
Industry	Focuses on rivals within its industry	Looks across alternative industries
Strategic Group	Focuses on competitive position within strategic group	Looks across strategic groups within industries
Buyer Group	Focuses on better serving the buyer group	Redefines the industry buyer group
Scope of Product or Service Offering	Focuses on maximizing the value of product and service offerings within the bounds of its industry	Looks across to complementary and service offerings
Functional-Emotional Orientation	Focuses on improving price performance within the functional - emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

Six Principles of Blue Ocean Strategy

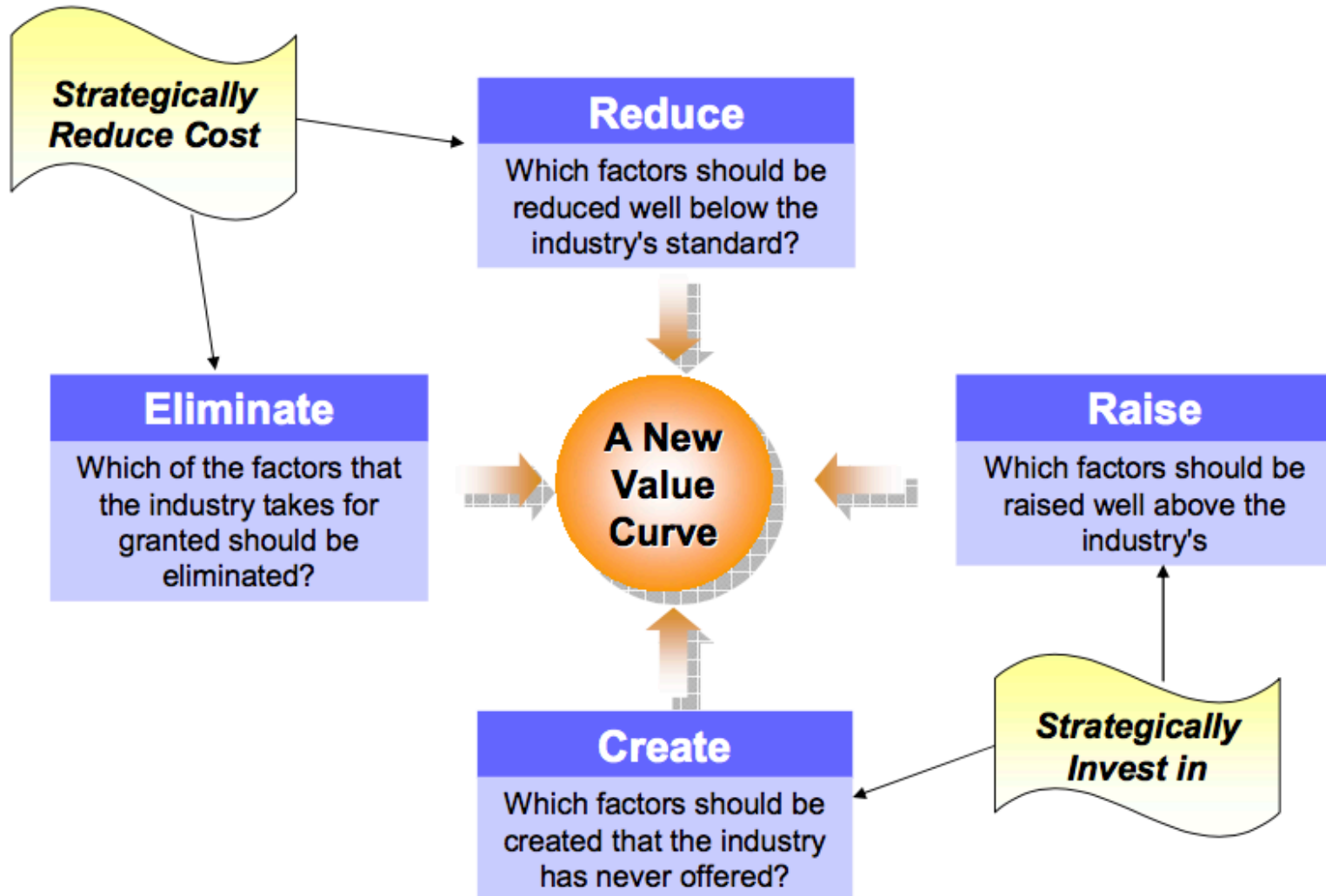
Formulation Principles

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

Blue Ocean Strategy Tool



Eliminate-Reduce-Raise-Create (ERRC) Grid

[illegible]

BOS Example – Tune Hotel

4/5 Stars Hotels



- ◆ Luxury
- ◆ Expensive
- ◆ Service
- ◆ Facilities

Backpacker Hostels



- ◆ Cheap
- ◆ Sleep & Go



***Nice Sleep!
Hot Shower!***



- ◆ No Frill
- ◆ Cheap - Pay For What You Use!
- ◆ Optional Add-ons:
 - ✓ Limited service, basic
 - ✓ Low on price, high on personality
 - ✓ Walk in

BOS Examples – Air Asia

Conventional Airline



- ◆ Fast
- ◆ Expensive
- ◆ Better Services
- ◆ Flight Connections

Coach



- ◆ Slow
- ◆ Cheap
- ◆ Point to Point

Across
Alternative
Industries

Now Everyone Can Fly!



- ◆ Price of Coach & Speed of Flight
- ◆ P2P Direct Flight
- ◆ No Frill – User Pay
- ◆ Budget Travel Package



ERCC – Air Asia

Eliminate	Raise
<ul style="list-style-type: none">▪ Price Competition▪ Seat Selection▪ Free Food & Beverages▪ Air Ticket▪ VIP Lounge▪ Flight Connection	<ul style="list-style-type: none">• Quality of Safety• Point to Point Direct Flight
Reduce	Create
<ul style="list-style-type: none">▪ Air Fare▪ Capital▪ Stopover time▪ Staffing (ground and air)	<ul style="list-style-type: none">• Web Registration• Express Boarding• Budget Hotel

Airlines Comparison

