

# BLUE OCEAN STRATEGY

How to Create Uncontested Market Space  
And Make the Competition Irrelevant

W. Chan Kim & Renée Mauborgne



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## THE BIG "SO WHAT" ???

Based on a study of 150 strategic moves spanning more than 100 years and 30 industries, the book provides a [systematic approach to making the competition irrelevant](#) and to create your own path to winning the future.

## UNDERSTANDING BLUE OCEAN VS RED OCEAN

Why bother with Blue Oceans to begin with? Essentially, they create new demand, leading to easy uncontested growth in sales and profits, and wider and deeper market opportunities in unexplored spaces.

Here is [how the Blue Ocean Strategy \(BOS\) differs from the conventional Red Ocean Strategy](#):



- Create uncontested market space
- Make the competition irrelevant
- Create and capture new demand
- Break the value-cost trade off
- Pursue low cost **and** differentiation

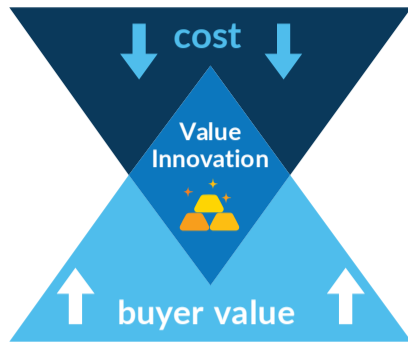


- Compete in existing market space
- Beat the competition
- Exploit existing demand
- Make the value-cost trade off
- Pursue low-cost **or** differentiation

## KEY QUOTES

*"The only way to beat the competition is to stop trying to beat the competition."*

## VALUE INNOVATION



A cornerstone of the BOS is Value Innovation, which is essentially the area where a company's actions concurrently reduce costs and increase its value offering to buyers. The company saves costs by eliminating and reducing its investments in certain factors that its industry competes on. It increases buyer value by raising and creating new value elements not previously offered by the industry. The latter may mean a short-term increase in investment, but this will be addressed once economies of scale kick in.

It is about creating a quantum leap in value for your buyers, thereby creating new and uncontested market place. This strategy needs to span across the entire system of a company's activities.

## ANALYSING THE MARKET: TOOLS AND FRAMEWORKS

The following tools and frameworks are used across the formulation and execution of the BOS.

### Strategy Canvas

This is a tool to capture the current state of play in the marketplace, so you can understand:

- Where the competition is currently investing
- How the industry currently competes (in products, service, delivery)
- What customers receive from existing competitors in the market



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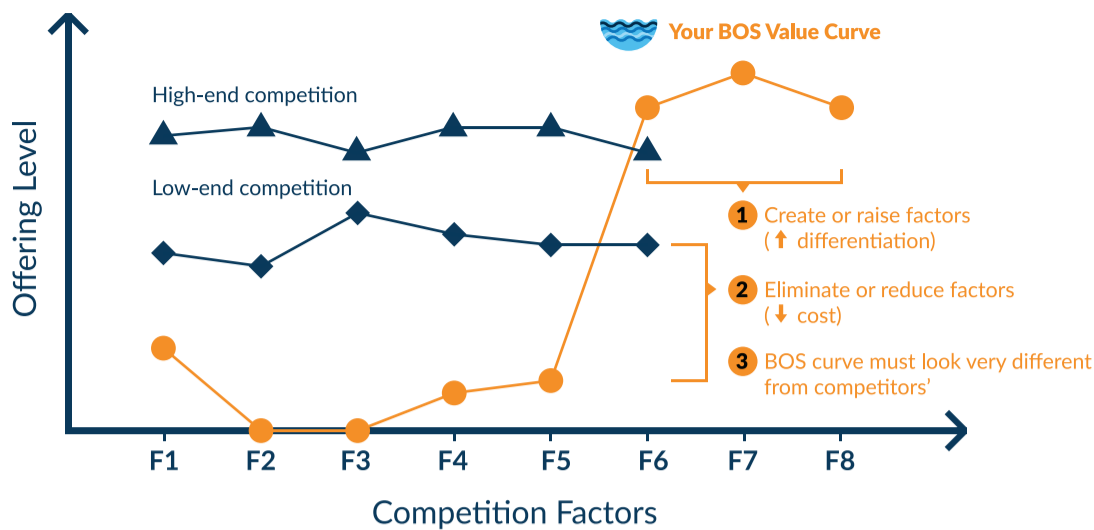
## KEY QUOTES

### **Value Innovation**

*“Instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space...Value innovation is more than innovation. It is about strategy that embraces the entire system of a company's activities.”*



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## KEY QUOTES

### Strategy Canvas

*“To fundamentally shift the strategy canvas of an industry, you must begin by reorienting your strategic focus from competitors to alternatives, and from customers to noncustomers of the industry... to gain insight into how to re-define the problem the industry focuses on and thereby reconstruct buyer value elements that reside across industry boundaries.”*

Your BOS strategy curve should:

- Look significantly different from existing competitors’;
- Involve cutting back and/ or eliminating competition factors that were taken for granted in your industry (thereby reducing cost); and
- Involve raising and/or creating new competition factors that your industry doesn’t offer (thereby increasing differentiation).

The book also highlights 3 components of a good strategy:

- 1) **Focus** : Do not diffuse your efforts across all factors of competition
- 2) **Divergence** : The shape of your value curve looks totally different from other players’
- 3) **Tagline** : The tagline must deliver not only a clear message but advertise your offering truthfully

## Four Action Framework and ERRC Grid

These 2 tools can be used in conjunction with the Strategy Canvas to develop a strategy that will create an uncontested market space.

The **Four Action Framework** is used to break the trade-off between differentiation and low cost to create a new value curve, using 4 key questions to challenge an industry’s logic and business model:



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## KEY QUOTES

### **Four Action Framework**

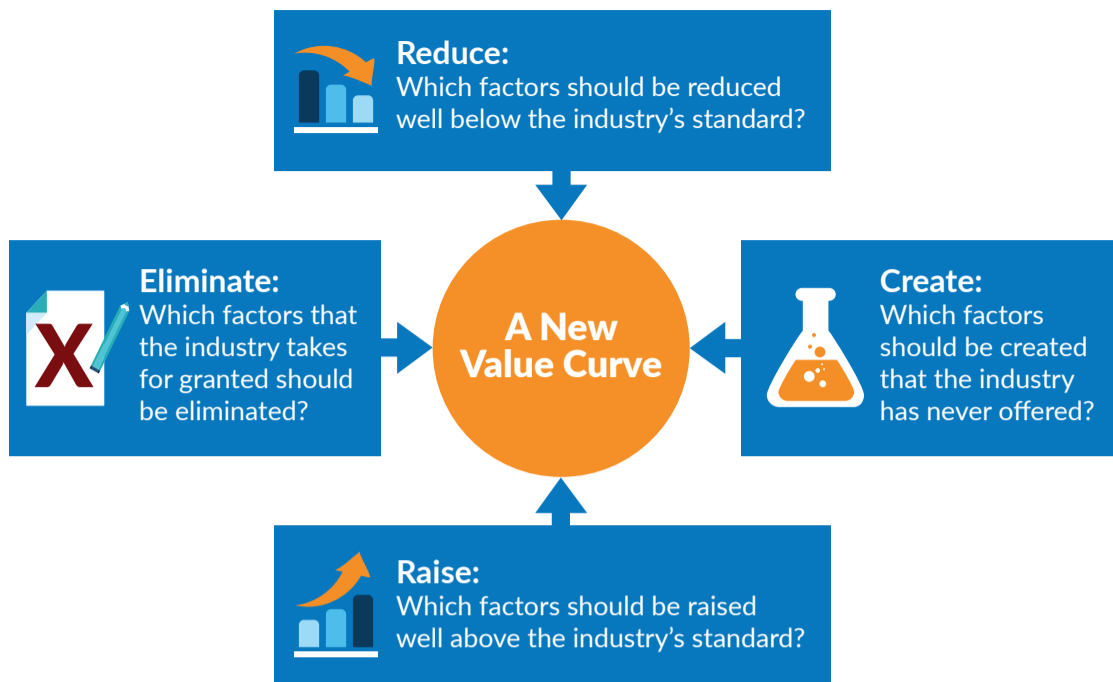
*“There are four key questions to challenge an industry’s strategic logic and business model.”*

### **ERRC Grid**

*“The grid pushes companies not only to ask all four questions in the four actions framework but also to act on all four to create a new value curve.”*

### **PMS Map**

*“Senior Managers’ goal here should be to manage their portfolio of businesses to wisely balance between profitable growth and cash flow at a give point in time.”*



With this approach, companies can determine which product characteristics to increase or decrease focus on. Next, the **Eliminate-Reduce-Raise-Create (ERRC) Grid** pushes companies to specify the actions that they can eliminate and reduce, so they can communicate their strategy internally and take concrete action.

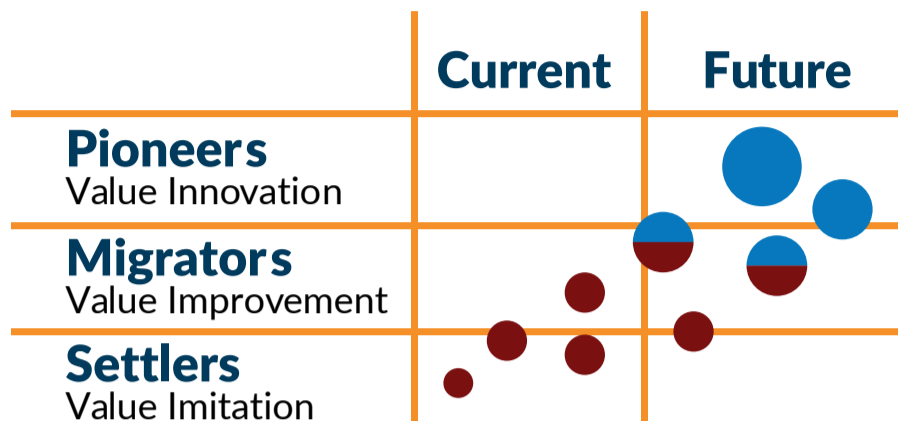
Eliminate:	Raise:
Reduce	Create

## The Pioneer-Migrator-Settler (PMS) Map

Plotting your company’s current and planned portfolios gives you perspective on your potential for growth. Your businesses or offerings fall into 3 key categories:

- 1) *Settlers* : Me-too offerings/businesses
- 2) *Migrators* : Offerings/businesses above market average
- 3) *Pioneers* : Offerings/businesses of unprecedented value

Pioneers are the drivers of your BOS and your most powerful sources of profitable growth, but settlers are typically today's cash generators. **Your goal is to have a balanced portfolio for current and future cash flow and growth.**



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## KEY QUOTES

### Buyer Utility Map

*“To test for exceptional utility, companies should check whether their offering has removed the greatest blocks to utility across the entire buyer experience cycle for customers and noncustomers.”*

## The Buyer Utility Map

This map shifts the focus to buyers, helping to identify the utility spaces that a product or service can potentially fill. **The Buyer Experience Cycle (BEC)** outlines the 6 stages of buyers' experience, with a range of experiences within each stage. **The utility levers** cut across stages of the buyers' experience.

Managers can use the map to consider ways to offer new/different utility, and also ways to remove barriers that hinder conversion of non-consumers to consumers. **Exceptional utility is achieved when the offering removes the greatest blocks to utility across the entire buyer experience cycle.** This gives customers a compelling reason to use the product.

Six Stages of Buyer Experience Cycle (BEC)

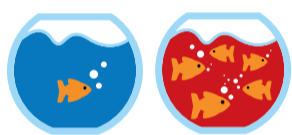
	Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity			●			
Simplicity		●			●	
Convenience						
Risk						
Fun & Image			●			
Environmental Friendliness						

● Current Industry Focus    ● Blue Ocean Strategy

# FORMULATING BLUE OCEAN STRATEGY: 4 KEY PRINCIPLES

## 1. Reconstruct Market Boundaries

Examine how the market is currently performing and competing, then create a strategy that is drastically different from the rest of the players. The book outlines 6 paths you can take to identify blue ocean opportunities and reconstruct your market boundaries:



### *Look across alternative industries:*

These include products or services that have different functions and forms, but serve the same purpose.



### *Look across strategic groups within industries:*

i.e. those pursuing similar strategies. Draw on the distinctive strengths from different groups and eliminate and reduce everything else.



### *Look across the chain of buyers:*

Consider whether your industry focuses on the purchasers, users and influencers of a product or service. Identify if there is potential to unlock new value by shifting the customer focus.



### *Look across complementary product and service offerings:*

Identify the context in which your product is used, including what happens before, during and after your product is used. That can shed light on the pain points you can eliminate.

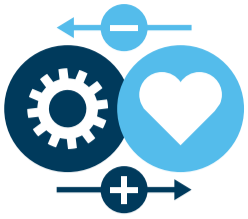


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## KEY QUOTES

### **Reconstructing boundaries**

*“To break out of red oceans, companies must break out of accepted boundaries that define how they compete.”*



### *Look across functional or emotional appeal to buyers:*

Consider how your industry competes primarily, then see if there are elements you can strip out of emotional appeal to compete functionally, or elements you can add to functional appeal to compete emotionally.

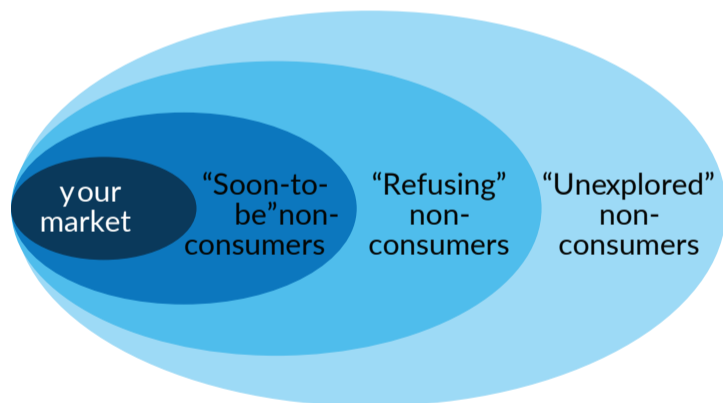


### *Look across time:*

Identify trends that have a high probability of impacting your industry, are irreversible and evolving in a clear trajectory, and participate in shaping external trends over time.

## **2. Reach Beyond Existing Demand**

To maximize the size of the blue ocean, you need to look to 3 tiers of non-consumers. Focus on the tier that represents the biggest catchment at the time, but also explore and build on overlapping commonalities that applies to different tiers of non-consumers:



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

## **3. Getting The Strategic Sequence Right**

There are 4 key steps that must be covered, to develop a robust strategy. If the answer is “no” to any of the steps, you need to re-work the strategy until the item is addressed:



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## **KEY QUOTES**

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Yes



Yes



Yes



Yes

**1. Buyer Utility:**  
Is there exceptional buyer utility in your idea?  
(Refer to Buyer Utility Map)

**2. Price:**  
Is your price easily accessible to the masses?  
(Look for the right price corridor)

**3. Cost:**  
Can you achieve the cost target to profit at this price?

**4. Adoption:**  
Are adoption hurdles addressed upfront?

A Commercially-viable Blue Ocean Idea



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## KEY QUOTES

### Visualizing Strategy

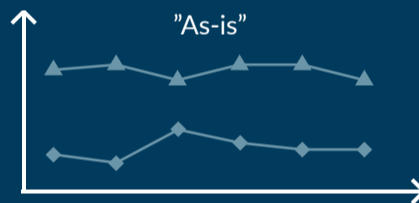
*“By building a company’s strategic planning process around a strategy canvas, a company and its managers focus their main attention on the big picture rather than becoming immersed in numbers and jargon and getting caught up in operational details.”*

## 4. Focus On The Big Picture

Visualize your Strategy to unlock the creativity of people within your organization, help them see the blue oceans, and communicate the strategy for effective execution. This includes 4 components:

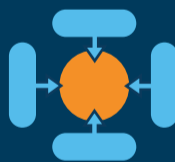
### VISUAL AWAKENING

- Compare your business with your competitors by drawing your “as is” strategy canvas
- See where your strategy needs to change



### VISUAL EXPLORATION

- Explore 6 paths to creating blue oceans
- Observe from the field distinctive advantages of alternative products & services
- See which factors you should eliminate, create or change



### VISUAL STRATEGY FAIR

- Draw your “to be” strategy canvas with insights from the field
- Get feedback from customers & non-customers
- Use feedback to build the best “to be” future strategy

	Current	Future
<b>Pioneers</b> Value Innovation		
<b>Migrators</b> Value Improvement		
<b>Settlers</b> Value Imitation		



### VISUAL COMMUNICATION

- Distribute your before-and-after strategic profiles on one page
- Support only those projects & operational moves that allow your company to close the gap to actualize the new strategy



# EXECUTING BLUE OCEAN STRATEGY: 2 KEY PRINCIPLES

## 1. Overcome Key Organizational Hurdles

Because BOS represents a huge shift from status quo, the challenge of execution is amplified. The book recommends using the approach of “tipping point leadership” to overcome the 4 key hurdles to change:



**Cognitive Hurdle** (waking up employees to the need for change):

Rather than rely on numbers to convey the message, tipping point leaders focus on making people see and experience the harsh reality firsthand, in 2 ways:

- a) Get managers to face the worst operational problems
- b) Get managers to meet with their most disgruntled customers



**Resource Hurdle** (executing a strategic shift with fewer resources):

Rather than try to secure more resources, tipping point leaders focus on multiplying the value of the resources they have, in 3 ways:

- a) Redistribute resources to hot spots
- b) Redirect resources from cold spots
- c) Horse-trade resources you don't need for those that you need



**Motivational Hurdle** (motivating key players to move fast and tenaciously):

Instead of trying to win over everyone, tipping point leaders focus on 3 areas of disproportionate influence :

- a) Zoom in on Kingpins (key influencers)
- b) Use fishbowl management for Kingpins (spotlight on their actions)
- c) Atomize the challenge to bits that are relatable and attainable



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## KEY QUOTES

**Tipping Point Leadership**  
“Tipping point leadership allows you to overcome these four hurdles fast and at low cost while winning employees’ backing in executing a break from the status quo.”



**Political Hurdle** (overcoming age and treachery):

These can be overcome through 3 ways:

- a) Leverage your angels
- b) Silence your devils
- c) Secure a consigliere in your top management team

## 2. Build Execution into Strategy

There will always be resistance to change, and much more so with BOS, as it pushes people out of their comfort zones and challenges past practices. To minimize the risk of distrust, non-cooperation and even sabotage, [the book recommends a “fair process” in making and executing strategy.](#) The Fair Process involves 3 “E Principles”:



**Engagement:**

Involving individuals in the strategic decisions that affect them



**Explanation:**

Helping everyone involved and affected to understand why the decisions are made as they are



**Expectation Clarity:**

Stating clearly the new rules of the game after a strategy is set

## OTHER USEFUL DETAILS IN THE BOOK TO LOOK OUT FOR 🔍

The book is packed full of great ideas, tools and frameworks, but the real-life examples and case-studies are what really brings them to life. The book covers examples of [yellow tail], SouthWest Airlines, Cirque du Soleil, NetJets, Curves, NTT DoCoMo, Home Depot, Ralph Lauren, Toyota, Novo Nordisk, Bloomberg, QB House, Apple, European Financial Services, Pret a Manger, IKEA, Swatch, and many more.



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## KEY QUOTES

### **Fair Process**

*“To build people’s trust and commitment deep in the ranks and inspire their voluntary cooperation, companies need to build execution into strategy from the start.”*

The BOS official website comes with many useful resources including a detailed breakdown of the concepts, tools, frameworks and additional tips.

Do visit the site at [www.blueoceanstrategy.com](http://www.blueoceanstrategy.com)



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## ABOUT THE AUTHOR OF BLUE OCEAN STRATEGY



**Professor W. Chan Kim** (born 1952) is a Korean-born business theorist, a professor of Strategy and Management at INSEAD, and co-director of the INSEAD Blue Ocean Strategy Institute in Fontainebleau, France.

Kim was educated at the Ross School of Business, starting his academic career in the late 1970s. Prior to joining INSEAD in 1992, he was a professor at the University of Michigan Business School, USA. He has served as a board member and an advisor of several multinational corporations, and is also an advisory member for the European Union and a Fellow of the World Economic Forum.

**Professor Renée Mauborgne** is a Distinguished Fellow and a professor of strategy at INSEAD. She is also Co-Director of the INSEAD Blue Ocean Strategy Institute. She was born in the United States.



Mauborgne is a member of President Barack Obama's Board of Advisors on Historically Black Colleges and Universities (HBCUs). She is also a Fellow of the World Economic Forum. Both Kim and Mauborgne have received several accolades for their work, including the Nobels Colloquia Prize for Leadership on Business and Economic Thinking in 2008, and the Carl S. Sloane Award for Excellence from the Association of Management Consulting Firms in 2014.

## KEY QUOTES

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## About ReadinGraphics



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