

General Ideas

A **Blue Ocean** is an untapped market space. A product/service that provides value so dramatically different, there is no competition.

- Customer instead of competition should be the focus
- Industry structure can be shaped
- Offer a quantum leap in value
- Value innovation occurs when utility, price and cost propositions align
- Look for opportunities to differentiate and lower cost simultaneously
- Properties of Blue Oceans:
 - Untapped Market Space
 - Creation of demand
- Market boundaries are made up and can be changed

Analytical Tools

Strategy Canvas

- Tool for understanding what your competition is doing
- List every property of a product in a market and rank them from low to high

• **Value Curve:** the curve shown when ranking all properties of a specific product/service

• Blue Oceans have a Value Curve that is drastically different from the competition (Yellow Tail)

• Example of a Value Curve:
A new product "Yellow Tail" is compared to cheap and expensive white brands according to different attributes

Factor	Premium Wines	Budget Wines	Yellow Tail
1. Price	5	2	1
2. Use of ecological terminology and allusions in wine communication	5	4	1
3. Show-the-flow marketing	5	3	1
4. Aging quality	5	3	1
5. Vineyard prestige and legacy	5	3	2
6. Wine complexity	5	3	2
7. Wine range	5	3	2
8. Easy drinking	0	0	5
9. Ease of selection	0	0	5
10. Fun and adventure	0	0	5

4 Actions Framework

– 4 Ways to create a new value curve

Eliminate:	Which factors can be eliminated?
Reduce:	Which factors need to be reduced?
Raise:	Which factors need to be raised?
Create:	Which factors need to be created?

• Analyse all the factors and put them into these four categories to create a strategy for your unique value curve

3 Properties of good strategy

Focus:	Reduce the focus to max. 3 properties
Divergence:	Focus on differentiation instead of conforming with the competition
Compelling Tagline:	Craft a short but compelling tagline to communicate your incentives

Formulation of a Blue Ocean

Six paths for Reconstructing market boundaries

Different industries:	<ul style="list-style-type: none">• Products that have different functions but same purpose• E.g. Comparison between cinemas and restaurants• What are alternative industries to yours?• Why do customers trade across them?
Strategic Groups in different industries:	Strategic Groups = Companies within industries who pursue similar strategies
Chain of Buyers:	<p>Why are people buying higher priced groups?</p> <p>Why are others buying lower priced ones?</p> <p>Is there a difference between who is buying the product and who is using it?</p> <p>Who could you target, the market does not, to get them new value?</p>
Complementary Products/Services:	<p>What happens before, during or after your product is used?</p> <p>Which complementary products are used in the same context?</p> <p>Eliminate these painpoints with complementary offerings.</p>
Functional/Emotional Appeal for buyers:	<p>Does your industry compete on functionality or emotions.</p> <p>If functional, add elements which are emotional.</p> <p>If emotional, add or subtract things to make it more functional.</p>
Time:	<p>Look at trends impacting your industry, that are irreversible and evolving in a clear trajectory.</p> <p>How can you use this trends in advantage to create value?</p>

Focus on the Big Picture - Creating a new Strategy Canvas

- Create a strategy that is a unified, clear direction and sets the company apart
- Make your employees know what the strategy is

1. Visual Awakening	Compare your current strategy with competitors to identify weaknesses and areas needing change.
2. Visual Exploration	Research alternative products and services in the market to discover new opportunities and decide what to eliminate, create, or adjust.
3. Visual Strategy Fair	Develop a future strategy based on field insights, gather feedback from various customer groups, and refine your plan accordingly.
4. Visual Communication	Share the old and new strategies visually, focus on actions that close the gap, and align all efforts with the new direction.

Pioneers-Migrators-Settlers-Map (PMS-Map):

Pioneers	Businesses with innovative value (Blue oceans)
Settlers	Businesses who conform the industries they are in
Migrators	Businesses in between. They offer improved value but not innovation

Reach Beyond Existing Demand

- Look for non customers. Serve to people who would enter an industry but are held back by some aspect. Solve it.
- Look for people who refuse to get into your industry, and why they are not.
- Look for people who have nothing to do with your industry. Find ways to serve them.

Strategic Sequence

Blue Ocean Criteria

Go through this sequence to check, if your strategy is a blue ocean.

This sequence outlines the steps to find your strategy

1. Buyer Utility: Check if the idea delivers exceptional value to customers.

2. Price: Ensure the price is affordable for the target audience.

3. Cost: Confirm that you can achieve profitability at that price.

4. Adoption: Identify and address any barriers that could prevent market adoption.

If all answers are yes, the idea qualifies as a **viable blue ocean strategy**.

Buyer Utility Map

Check, if the product makes the lives of others:

1. dramatically simpler
2. more convenient
3. more productive
4. less risky
5. more fun
6. fashionable

See, if you can apply one of these areas of value to the **6 Utility Levers**.

1. Purchase
2. Delivery
3. Use
4. Supplements
5. Maintenance
6. Disposal

	Purchase:	Delivery:	Use:	Supplements:	Maintenance:	Disposal:
	How easy is it to find, buy, and pay for the product? Is the buying process secure and fast?	How quickly is the product delivered? Is setup or installation simple or costly?	Is the product easy to use and store? Does it require training or have unnecessary complexity?	Are extra products or services needed for it to work? How costly, time-consuming, or inconvenient are they?	Does it require upkeep or upgrades? How easy and affordable is maintenance?	Does it create waste? How easy, safe, and inexpensive is disposal?

Create a **Buyer Utility Map**: Write down all areas in which you might improve the current market and in which way. For each of the 6 Utility Levers look for the ways to make it better:

	1. Purchase	2. Delivery	3. Use	4. Supplements	5. Maintenance	6. Disposal
Customer productivity						
Simplicity						
Convenience						
Risk						
Fun and Image						
Environmental friendliness						

Pricing

Strategic Pricing

= Choosing a strategic price, relative to the peripheral competition

1. Identify the Price Corridor:

- Look at products that solve the same problem in a different way and products that solve a different problem in the same way as yours
- Compare the price ranges of these products

2. Specify a Level within the corridor (Low-Middle-High)

- Determine how high the price can be without attracting competition
- Consider the degree of possible legal protection and difficulty for imitation.
- The lower the protection and easier it is to imitate, the lower price.
- Place yourself strategically in the Price Corridor

Target Costing

Determine the Strategic Price.
Deduct your desired Profit Margin.
Get to the Target Cost.

3 Levers to reach the Target Cost:

Streamlining And Cost Innovations:	What can you do to streamline the production/Delivery process?
Partnering with others:	Who can help you, who has resources you don't have?
Pricing innovation:	Are there other pricing models, from other industries, that might be more profitable (selling to leasing, one time to subscription model)?

Strategy for target costing:

- Set a strategic price
- Define a target profit
- Define a target cost
- Partner and do streamlining & cost innovations
- Then do pricing innovation

Execution and Implementation of Strategies

Overcoming Organisational Hurdles

4 Hurdles:	
Acceptance of Change	<ul style="list-style-type: none">• Formulate the key efforts to bring the biggest change and communicate them• Let people experience the problems first hand• Meet with unsatisfied customers and listen to them
Limited Resources	<ul style="list-style-type: none">• Focus on using and multiplying the resources you already have• Improve Hot Spots = Activities with low effort and high output• Reduce Cold Spots = Activities with high effort and low output• Trade resources you don't need for those you need more
Lacking Motivation	<ul style="list-style-type: none">• Focus on Kingpins = influential people in the organisation, who others follow• Let the Kingpins lead with a good example and show the effort publicly• Use Fair Process = Promote and reward positive efforts and communicate that in advance• Frame the challenge into attainable goals
Politics	<ul style="list-style-type: none">• Include a Conciliere = respected senior with experience in the company• Beware of Angels and Devils• Angels = people who gain from the change• Devils = people who lose from the change• Focus on the extremes, People, Acts and Activities that have disproportionate influence

Building Execution into Strategy

3 E-Principles of Fair Process:	
Engagement:	<ul style="list-style-type: none">• Involve individuals in strategic decisions• Let them express their ideas• Encourage engagement• Show recognition for expressing ideas and engaging
Explanation:	<ul style="list-style-type: none">• Explain the thinking behind the strategic decision• Make everyone know why a decision has been placed that way
Expectation Clarity:	<ul style="list-style-type: none">• Make the new rules clear and simple• Communicate the standards to judge them by• Communicate goals and milestones

Align Value, Profit and People Propositions

3 Propositions for a successful strategy:

Value Proposition:	Utility buyers receive from your offer minus the price they pay
Profit Proposition:	Revenues generated minus the cost to produce/deliver
People Proposition:	Positive incentives for people needed to implement the strategy

You have a **Blue Ocean** when the propositions are aligned in the pursuit of **both differentiation and low cost**.

Renew Blue Oceans

Barriers of Imitation:	
Alignment Barrier	<ul style="list-style-type: none">• Alignment of Value, Profit and People Propositions in differentiation and low cost
Cognitive/Organisational Barrier	<ul style="list-style-type: none">• Value innovation does not conform conventional logic• Imitation involves significant organisational changes
Brand Barrier	<ul style="list-style-type: none">• Your strategy is in conflict with others' brand image• You have customers loyal to your specific brand
Economic/Legal Barrier	<ul style="list-style-type: none">• High volume, hard to match• Patents or legal permits

Renewal:

- Blue Oceans are limited and will turn red after time
- Monitor the value curves of your industry for convergence
- Make a Pioneer - Migrator - Settler (PMS) - Map
- Keep innovating, creating new products
- Master both oceans

Avoiding Red Oceans

1. Turn to noncustomers instead of existing ones
2. Blue Oceans can be created in the middle of an existing core business
3. Don't focus on technology innovation per se. Instead innovate the value in different areas (Buyer Utility Map)
4. It's not about being first in a market, but creating new value
5. Focus on what you can raise, create, reduce or eliminate while reducing cost
6. Don't just focus on reducing cost

