

Blue Ocean Strategy

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

Facilitators : Yip Khai Biau (ymike27@hotmail.com)
& Lieu Yoke Sun

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**

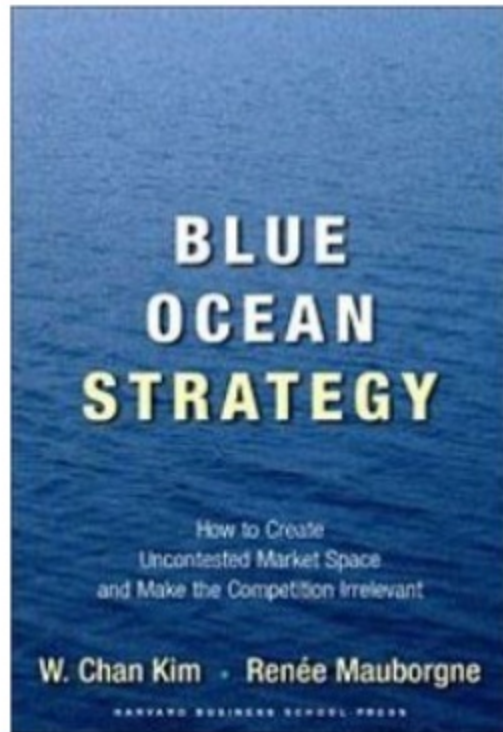


Introduction to Blue Ocean Strategy



- ◆ **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

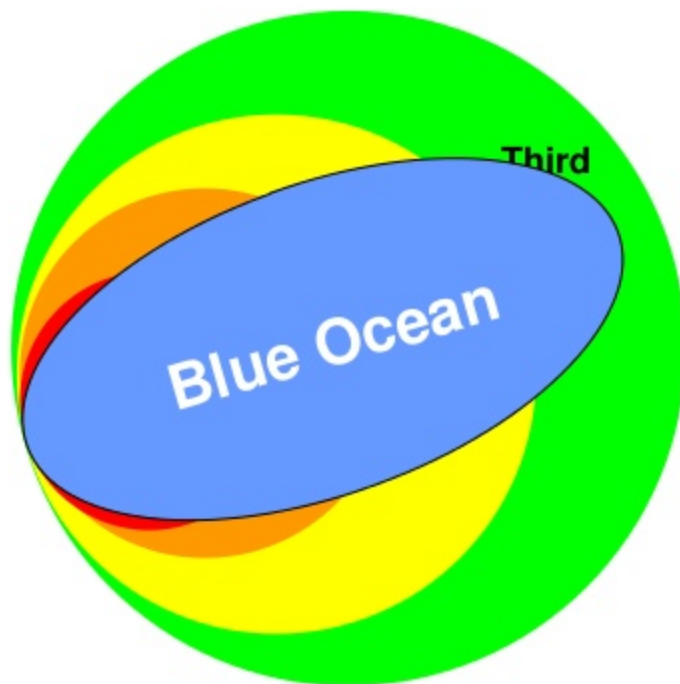
Formulation Principles

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

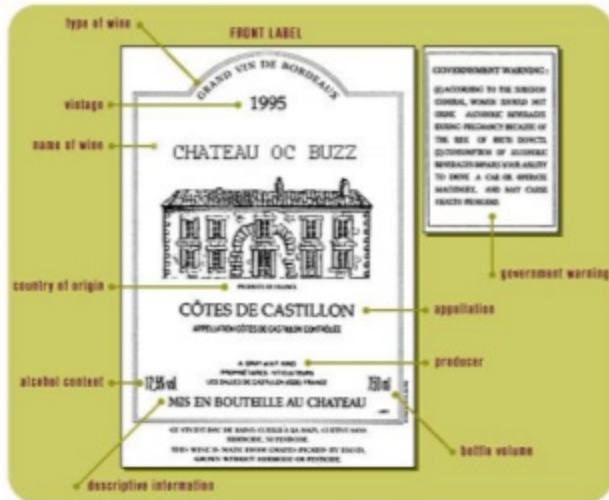
Reach Beyond Existing Demand



- ◆ **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 :

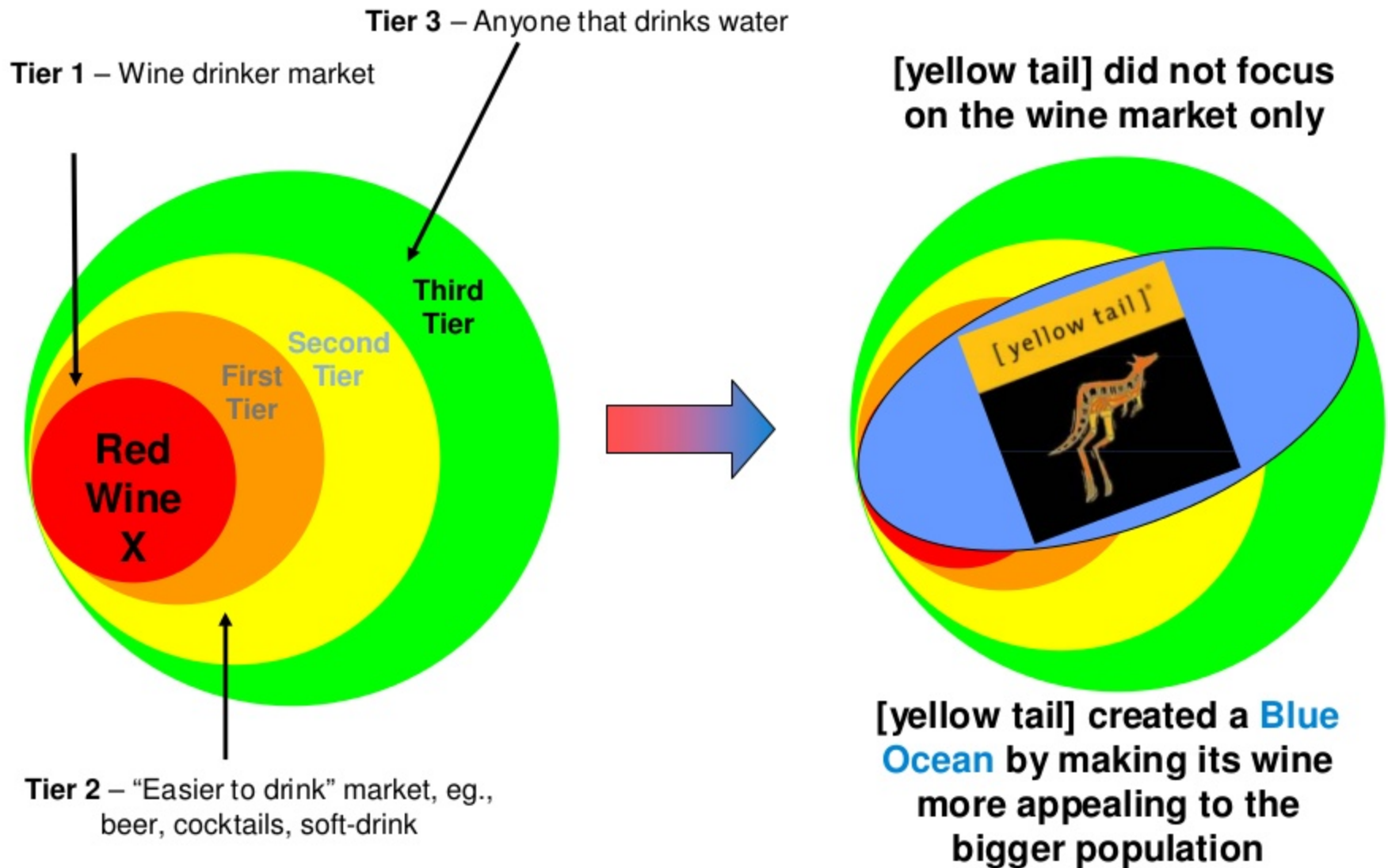
- An elite, refined image in packaging with heavy use of wine terminology.
- Aging quality.
- Prestige of a vineyard and its legacy.
- Complexity and sophistication of a wine's taste, such as tannins and oak.
- A diverse range of wines to cover all varieties of grapes & consumer preferences



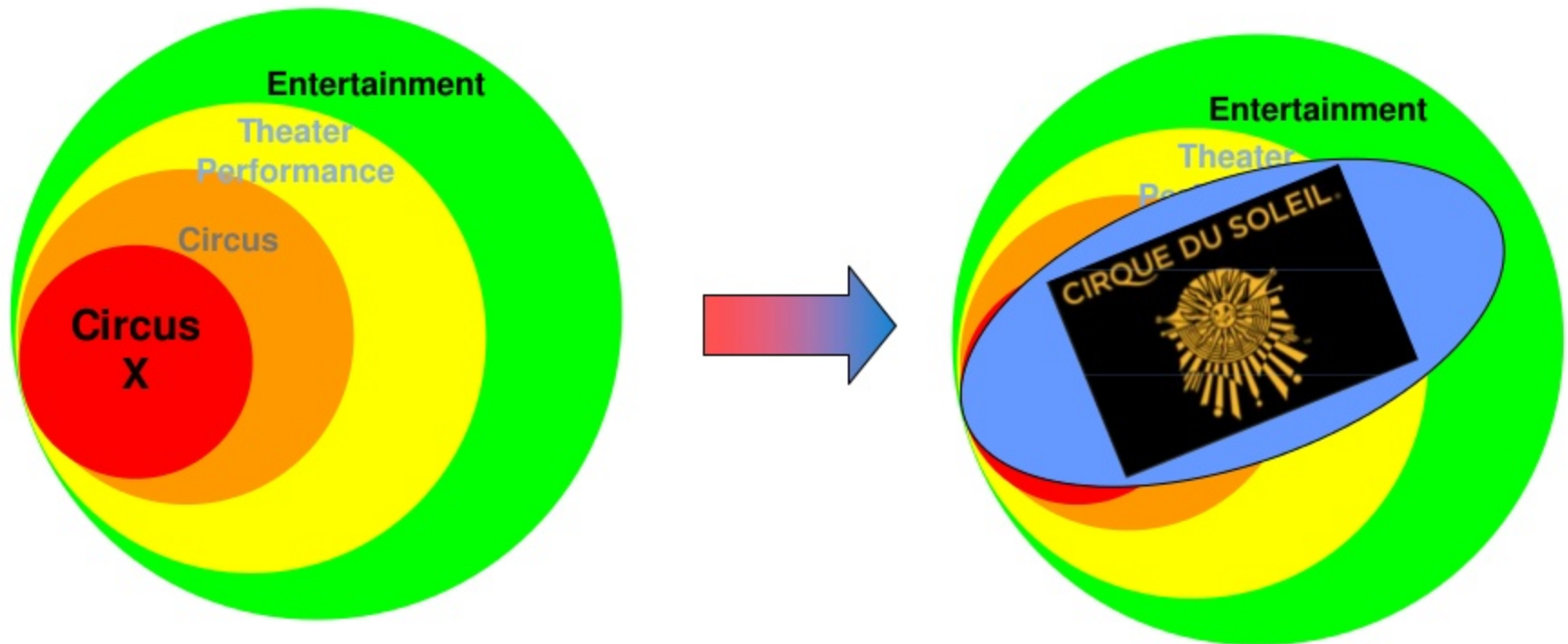
[yellow tail] :

- 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]

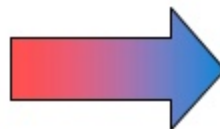
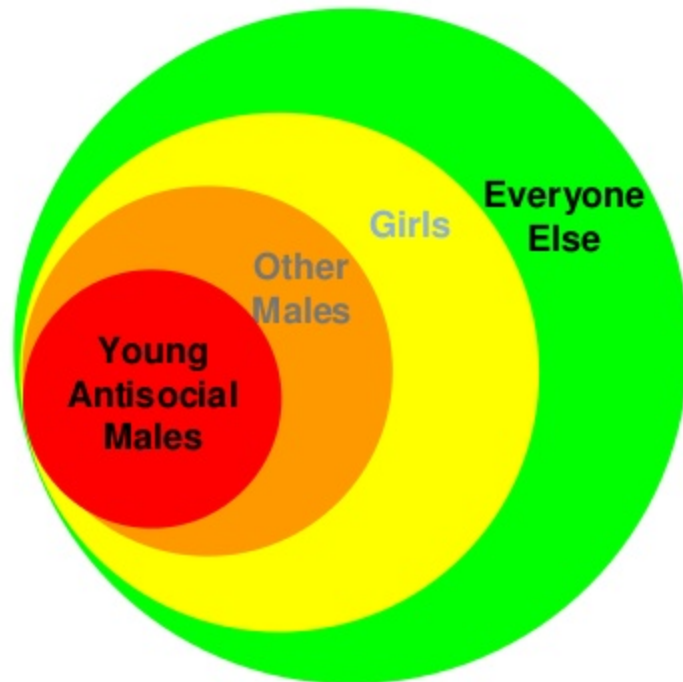


Reach Beyond Existing Demand



Example – [Nintendo]

Electronic Game Industry



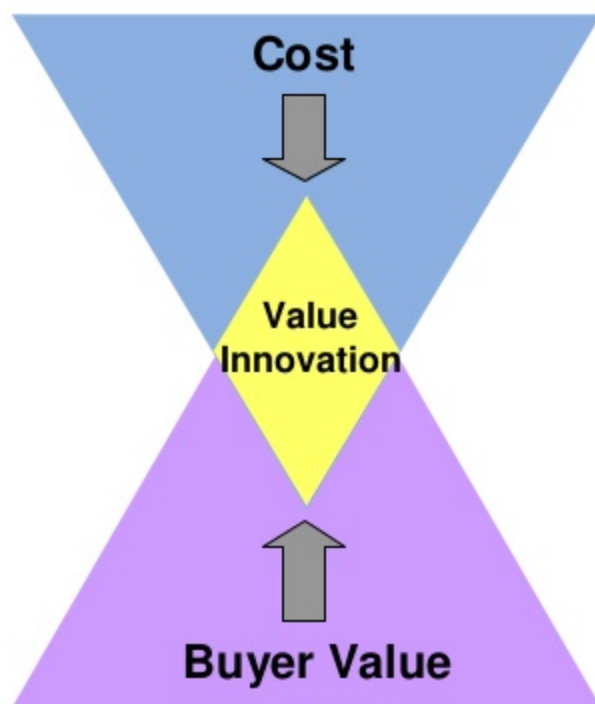
Nintendo Wii

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

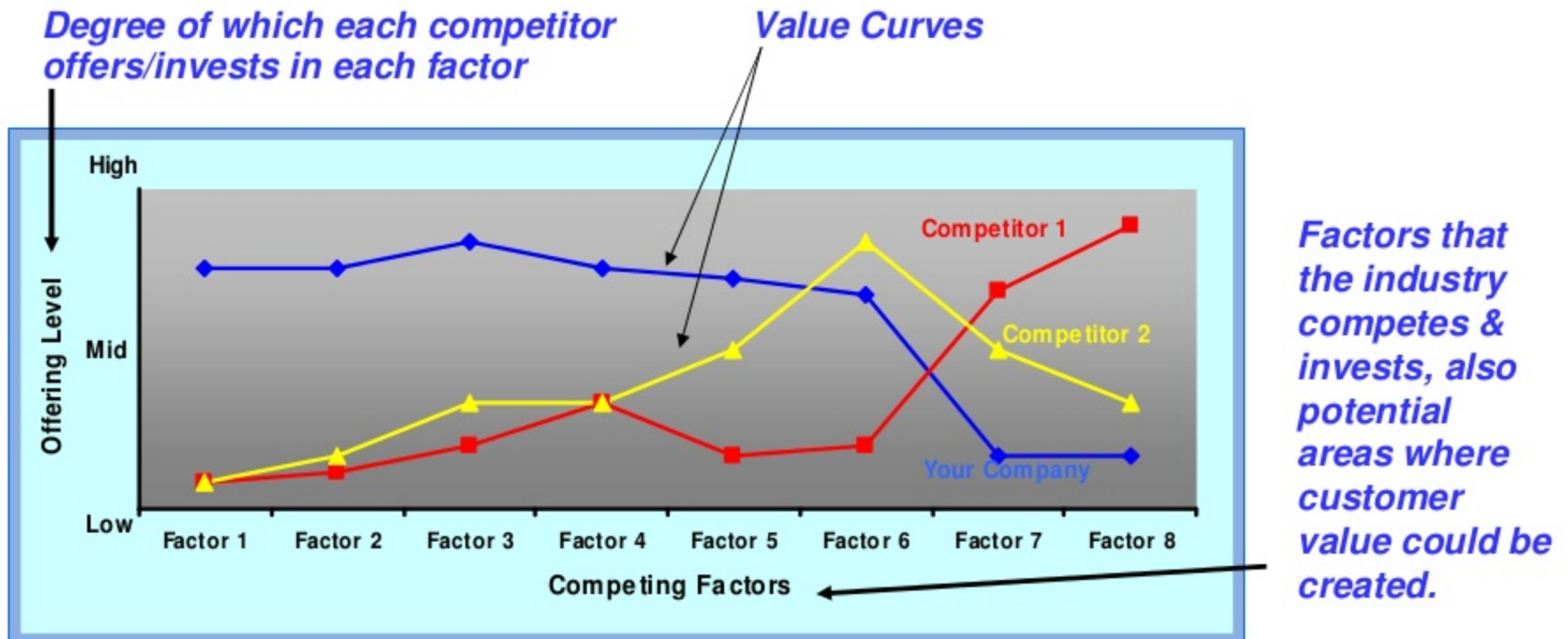
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Blue Ocean Strategy Tools



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

What is Strategy Canvas?



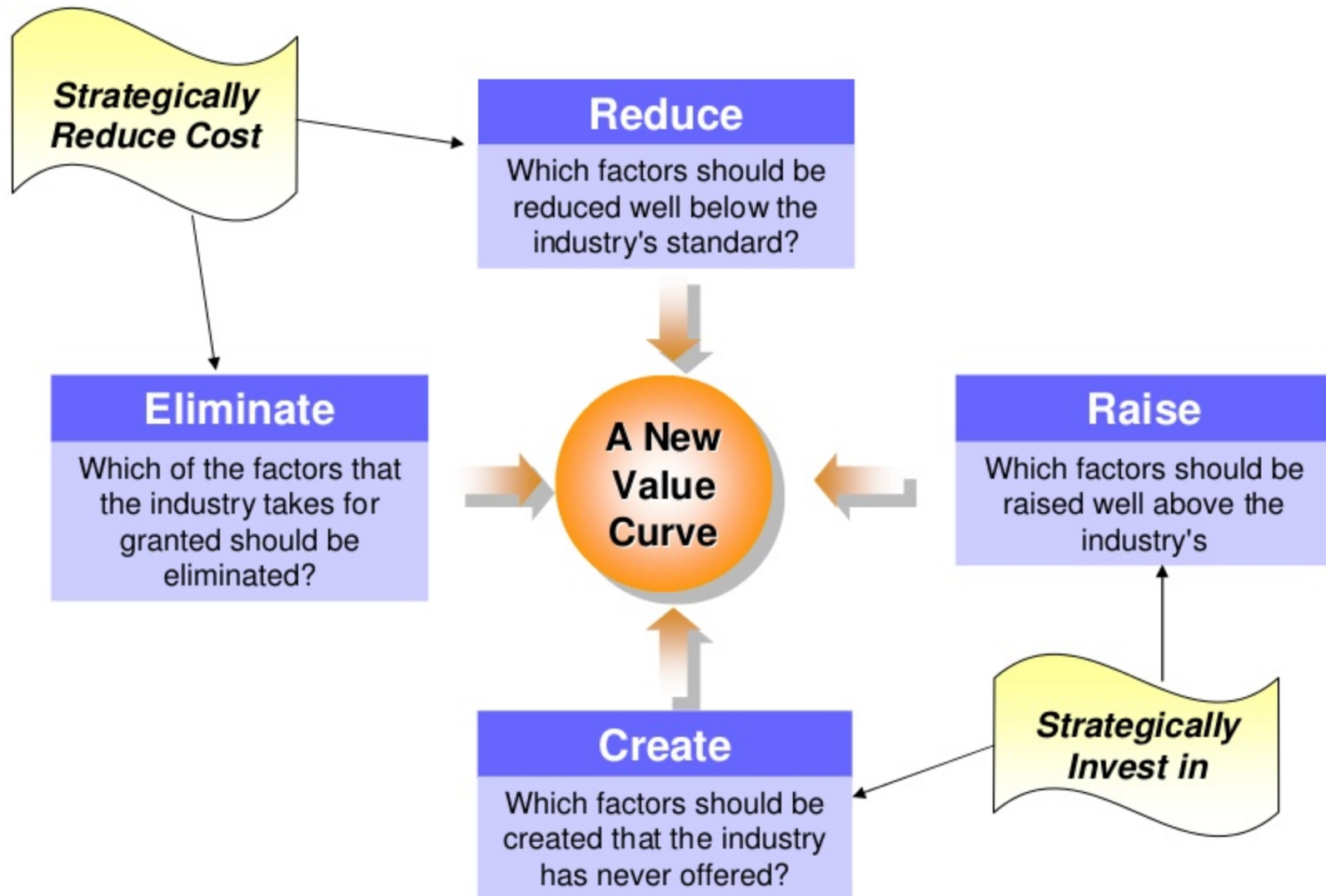
Graphical Representation of Strategy

+
Big Picture View

+
Landscape Scanning

+
Relative Positioning vs. Competitors

4 Actions Framework



Eliminate-Reduce-Raise-Create (ERRC) Grid

Eliminate

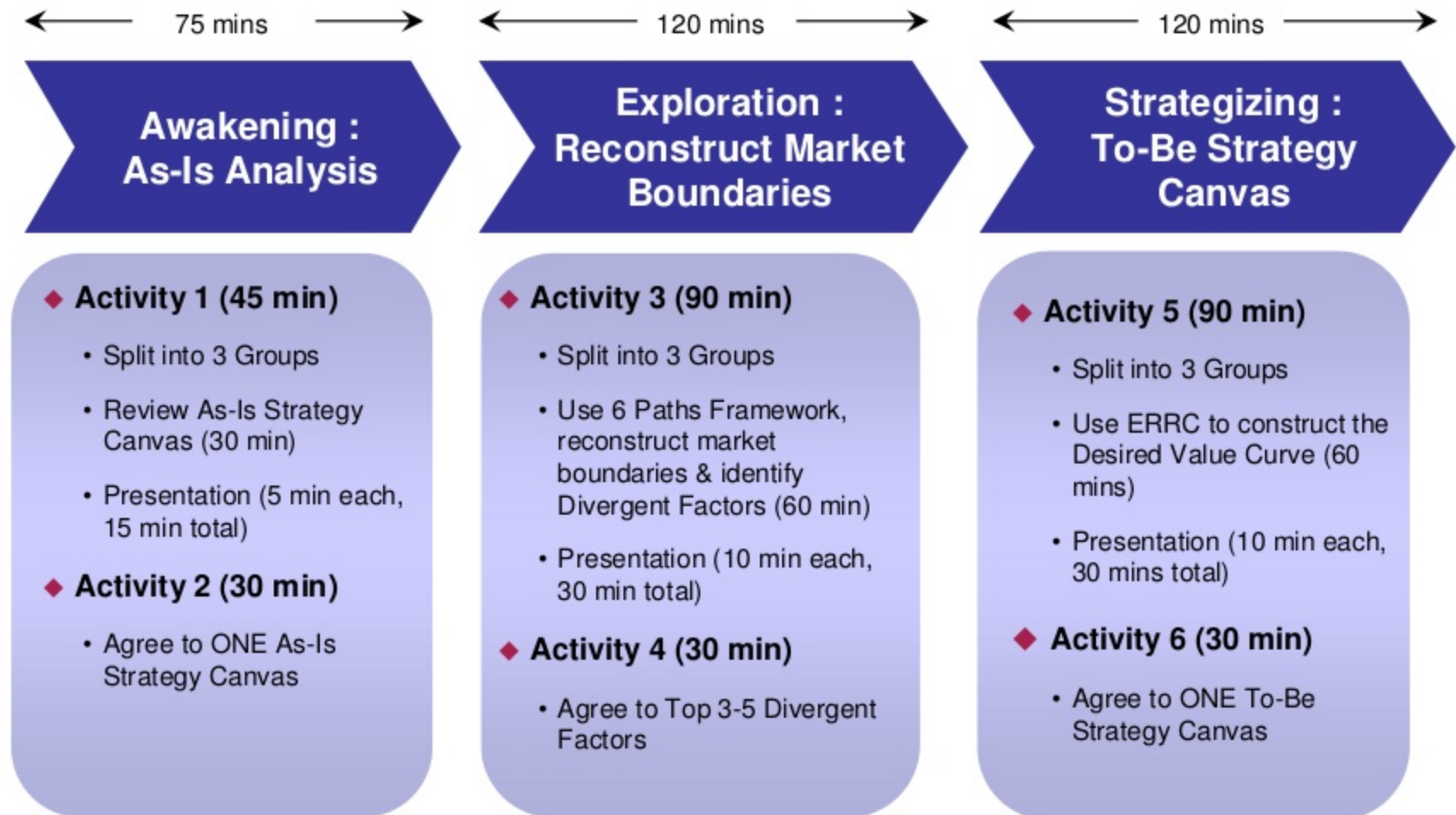
Raise

Reduce

Create

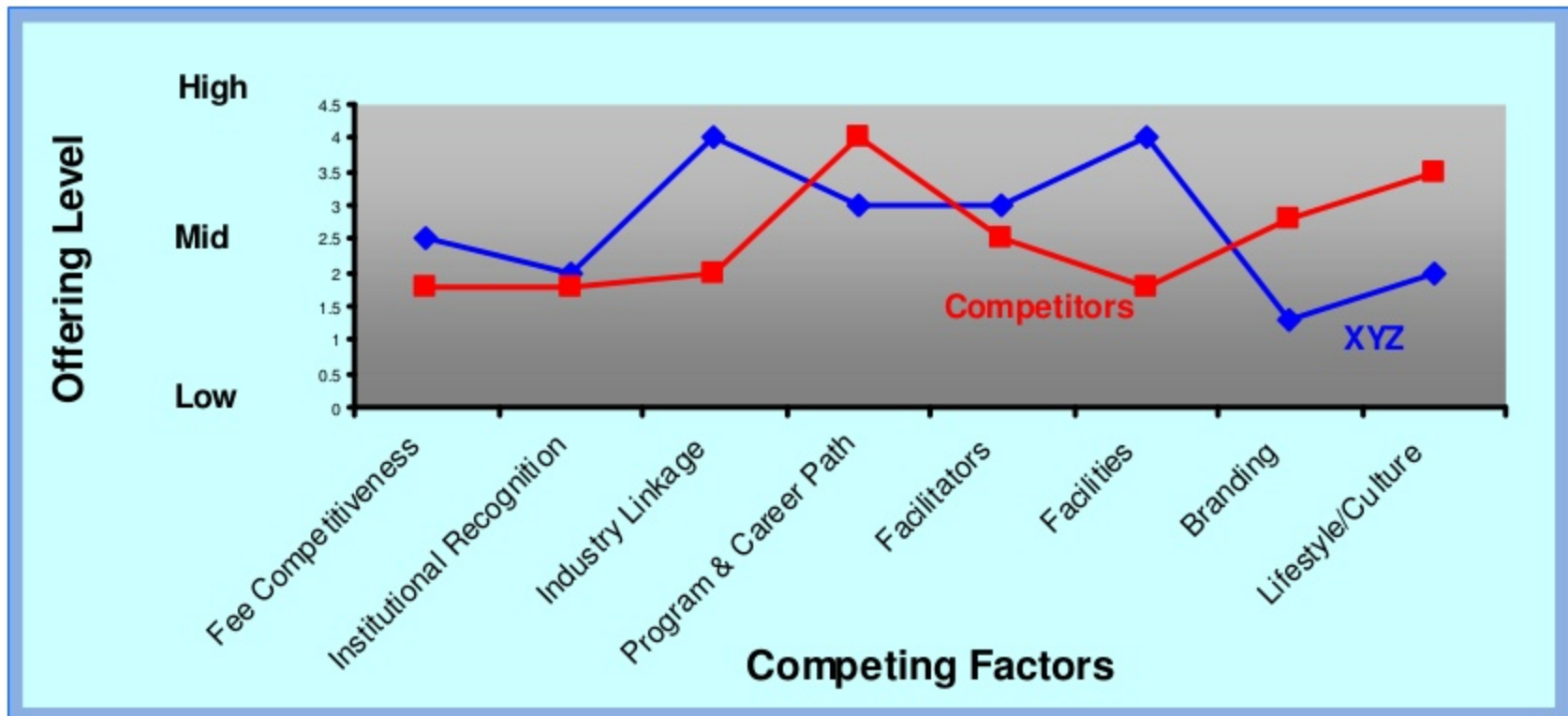
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Formulating Blue Ocean Strategy



Activity 1 & 2 : As-Is Analysis

Review XYZ As-Is Strategy Canvas



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