

Blue Ocean Guide

CHARTING A COURSE FOR THE UNCONTESTED WATERS OF NEW OPPORTUNITY



COMPANION GUIDE TO THE BLUE OCEAN STRATEGY

“THE CORNERSTONE OF THE BLUE OCEAN STRATEGY IS VALUE INNOVATION.

THE CREATION OF BLUE OCEANS IS ABOUT DRIVING COSTS DOWN WHILE DRIVING VALUE UP FOR BUYERS. THIS IS HOW A LEAP IN VALUE FOR BOTH THE COMPANY AND ITS’ BUYERS IS ACHIEVED.

VALUE INNOVATION IS MORE THAN INNOVATION. IT IS ABOUT STRATEGY THAT EMBRACES THE ENTIRE SYSTEM OF A COMPANY’S ACTIVITIES. VALUE INNOVATION REQUIRES COMPANIES TO ORIENT THE WHOLE SYSTEM TOWARD ACHIEVING A LEAP IN VALUE FOR BOTH BUYERS AND THEMSELVES. IF SUCH AN INTEGRAL APPROACH IS ABSENT, INNOVATION WILL REMAIN DIVIDED FROM THE CORE OF STRATEGY.”

BLUE OCEAN STRATEGY
BY W. CHAN KIM & RENEE MAUBORGNE

BLUE OCEAN GUIDE

This is a companion guide to “The Blue Ocean Strategy”, a book by W. Chan Kim & Renee Mauborgne.

For information on a self-paced tutorial and presentation on this material, please visit www.ExecutiveBlueprints.com, or call (877) 290-2503.

To request a free consultation on how we can help you develop a business plan utilizing the Blue Ocean Strategy to achieve profitable growth through a differentiated organization, product or services, please feel free to contact Executive Blueprints Inc. It is time to get out of the Bloody Red Ocean of competition, focusing your energy and resources on reducing prices, reducing services or reducing your organization. Start charting your course for the uncontested Blue Ocean of differentiated offerings.

Do you pay more than fifty cents for a cup of coffee? Is it for the coffee, or is it your field office or your escape from the office? How is it that we came to accept this Blue Ocean Strategy as a part of our culture?

When did it become desirable to shop in a warehouse? How did reducing the atmosphere of the shopping experience initiate a new Blue Ocean? What requirements changed for the vendors to earn a spot on the shelves, and how has this contributed to mutual profitable growth and customer loyalty? How can you apply these principles to your business?

How did one computer company rise above the others by concentrating efforts on the supply chain, on the internet, and on direct sales to the customer? What did they intentionally sacrifice, and why? How did that sacrifice help to build an empire and earn unyielding customer loyalty? How can you apply this strategy to your own business?

Creating a Blue Ocean does not necessarily mean the discovery of a new product, new service or new process. It can be as simple as differentiation in a targeted direction with clearly defined purpose and measured results. You can do this, and we would like to help. Call or email Executive Blueprints today and start sailing toward your Blue Ocean.

In the meantime, please purchase your personal copy of the Blue Ocean Strategy by W. Chan Kim & Renee Mauborgne, and start preparing for your success. Begin with the end in mind.

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BEGIN WITH THE STRATEGY CANVAS

The creation of a Blue Ocean Strategy begins with the strategy canvas. The process of drawing a strategy canvas is the “Six Paths” framework of creating blue oceans and the “Four Steps of Visualizing Strategy”

The “Six Paths” is the framework for addressing the first principle of Blue Ocean Strategy to reconstruct market boundaries to break from the competition and create/identify blue ocean opportunities.

SIX PATHS	HEAD TO HEAD COMPETITION	BLUE OCEAN UNCONTESTED VALUE
INDUSTRY	Focus on Rivals in the Industry	Look across alternative Industries and new horizons
STRATEGIC GROUP	Focus on competitive position within the strategic group	Look for strategic opportunities across industries and affiliates
BUYER GROUP	Focus on better serving the existing buyer group	Redefine the industry and create new buyer groups
SCOPE OF PRODUCT OR SERVICE OFFERING	Focus on maximizing the value of product or service within the current industry definitions	Look for complimentary industries, partners, products or services
APPEAL (FUNCTIONAL OR EMOTIONAL OFFERING)	Focus on improving price performance within emotional orientation (appeal) of current offerings	Rethink the emotional or functional appeal, find new value propositions (different value rather than lower price)
TIME	Focus on adapting to external trends	Participate in shaping the emerging trends

FOUR STEPS FOR VISUALIZING STRATEGY

The “Four Steps for Visualizing Strategy” is a part of creating the strategy canvas. The strategy canvas addresses the second principle of Blue Ocean Strategy, to focus on the big picture, not the numbers.

“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.”

- Kim and Mauborgne, Blue Ocean Strategy

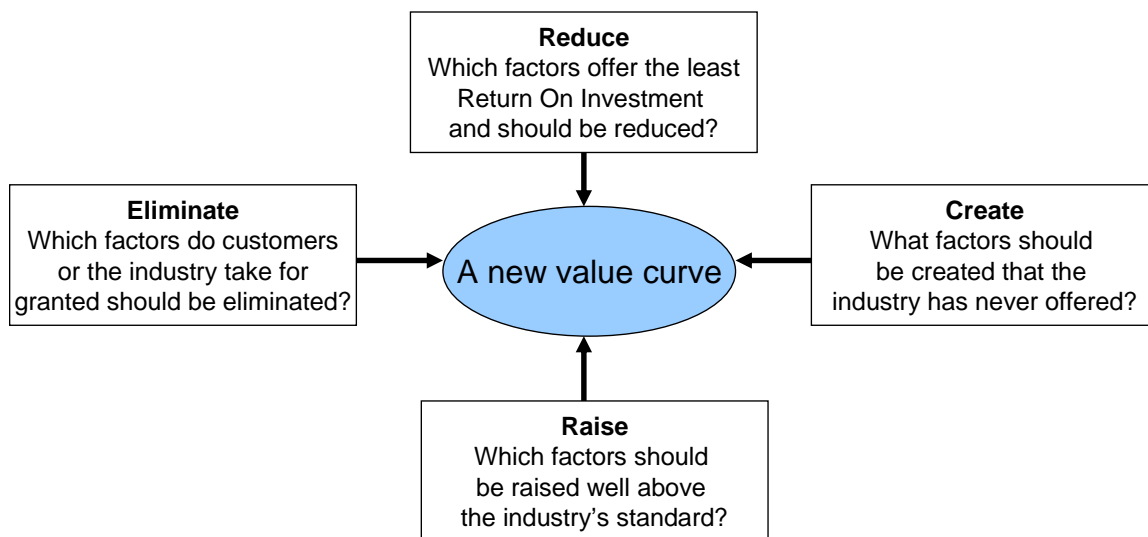
FOUR STEPS	WHAT TO DO	WHY AND HOW
STEP 1 VISUAL AWAKENING	Compare your business with competitors by drawing your “AS-IS” strategy canvas	See where your strategy can change. Look for gaps and opportunities to differentiate
STEP 2 VISUAL EXPLORATION	Explore the Six Paths in the Field or from Customer perspective	Observe distinctive advantages of different alternatives and services. What factors would you create, eliminate or change?
STEP 3 VISUAL STRATEGY FAIR	Draw a NEW Strategy Map based on your observations	Get feedback on the New Strategy Map, adjust the strategy map accordingly
STEP 4 VISUAL COMMUNICATION	Create “Before” and “After” views on a single page for easy comparison	Focus on projects and opportunities that promote the new strategy, close gaps, create new value innovation opportunities and eliminate competitive waste

A NEW VALUE CURVE

To shift the strategy canvas of an industry one must shift the strategic focus from competitors to alternatives and from customers to non-customers. Focus should be on “who is not buying and why”. This provides insight into how to redefine the factors the industry focuses on and reconstruct buyer value elements.

Critical to the success of pursuing value and cost is to resist the old logic of benchmarking competitors in the existing field and choosing between differentiation and cost leadership.

Kim and Mauborgne developed A 4-Action framework to reconstruct buyer value elements in drafting a new value curve.






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THREE CHARACTERISTICS OF ORGANIZATIONS

“Chief executives should use value and innovation as the important parameters for managing their portfolio of businesses. They should use innovation because, without it, companies are stuck in the trap of competitive improvements. They should use value because innovative ideas will be profitable only if linked to what buyers are willing to pay for. Clearly, what senior executives should be doing is getting their organizations to shift the balance of their future portfolio toward pioneers. That is the path to profitable growth.”

- Kim and Mauborgne, Blue Ocean Strategy

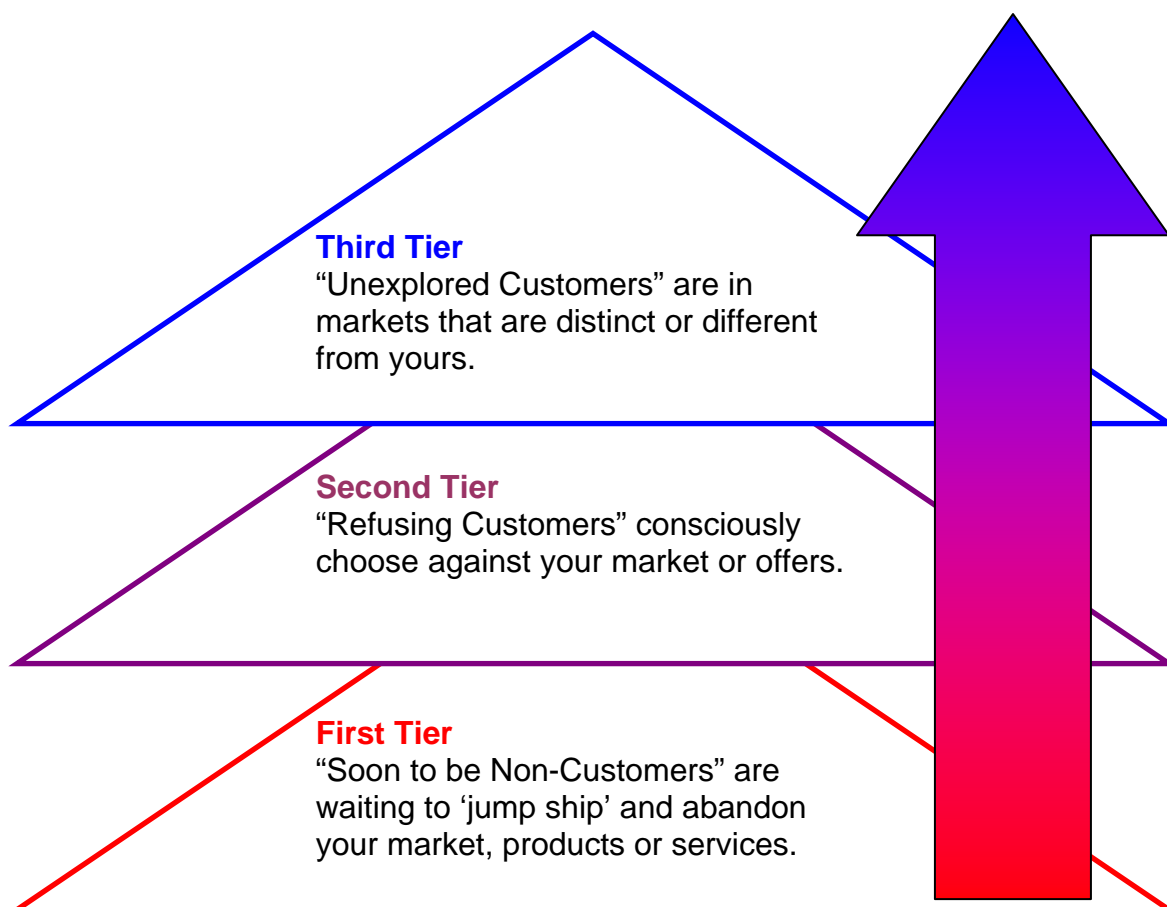
CHARACTERISTICS	MOVE FROM SETTLER TO PIONEER
<p>SETTLERS</p> 	<p>Bloody Red Ocean of Competition</p> <p>Settlers are businesses with value curve propositions that conform to the existing industry products or services. These are the “me too” businesses that struggle to differentiate solely based on price and performance. These businesses do not contribute much toward future growth, and they are stuck in the bloody red ocean of battles with the competition.</p>
<p>MIGRATORS</p> 	<p>In the Middle</p> <p>Migrators lie between Settlers and true Pioneers, giving customers “something more for less”. Migrators offer better value but not innovative value. These businesses are in between the bloody red waters of competitive battles and the blue ocean of creative differentiation.</p>
<p>PIONEERS</p> 	<p>Eliminate Competition in the Blue Ocean</p> <p>Pioneers are the businesses that offer unprecedented value. These are blue ocean strategists, and they are the most powerful sources of profitable growth. These businesses typically have a large following of loyal customers.</p>

THREE TIERS OF NON-CUSTOMERS

To reach beyond existing demand is the third principle of the Blue Ocean Strategy and is a key component in maximizing the size of the differentiation and achieving value innovation.

Companies need to think of non-customers just as they would think of customers, and build on powerful commonalities in what buyer's value, rather than customer differences. This allows companies to reach beyond existing demand to unlock a new mass of customers that did not exist before.

- Kim and Mauborgne, Blue Ocean Strategy



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STRATEGIC SEQUENCE

The fourth principle of Blue Ocean Strategy to ensure profit is to “Get the Strategic Sequence Right”. While it is necessary to address numerous issues, address the following questions in sequence prior to implementation.

- Kim and Mauborgne, Blue Ocean Strategy

SEQUENCE	QUESTIONS TO ANSWER
STEP 1 BUYER UTILITY	Is there exceptional buyer utility in the business area? Are there compelling reasons to buy?
STEP 2 PRICE	Is the purchase easily accessible and the price compelling?
STEP 3 COST	Can you attain a cost target to profit at the strategic price?
STEP 4 ADOPTION	What are the adoption hurdles in actualizing the business idea? Are you addressing the issues up front?

MILESTONES

Create your list of milestones for implementation. Milestones are key activities or accomplishments that you can measure and confirm during the process of implementing your strategy. This will help to keep you on course while sailing in the direction of differentiation and eliminating competition in your Blue Ocean.



DESIGNING YOUR STRATEGY

Identify the current Paths and Define the desired Paths for New Value Innovation

SIX PATHS	HEAD TO HEAD COMPETITION	BLUE OCEAN UNCONTESTED VALUE
INDUSTRY	List Rivals	List Alternatives
STRATEGIC GROUP	Current Position	New Opportunities
BUYER GROUP	Existing Buyers	New Buyers
SCOPE OF PRODUCT OR SERVICE OFFERING	Maximize Value	New Value
APPEAL (FUNCTIONAL OR EMOTIONAL OFFERING)	Improve Price	Price for NEW Value
TIME	Current Trends	Desired Trends

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VISUALIZE STRATEGY

FOUR STEPS		
STEP 1 VISUAL AWAKENING	Draw your "AS-IS" strategy canvas	Identify where your strategy can change.
STEP 2 VISUAL EXPLORATION	List the Six Paths from the Customer perspective	List factors to create, eliminate or change.
STEP 3 VISUAL STRATEGY FAIR	Draw a NEW Strategy Map based on your observations	Adjust the strategy map with feedback
STEP 4 VISUAL COMMUNICATION	Create "Before" and "After" views on one page	List projects and opportunities

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A NEW VALUE CURVE

FOUR STEPS		
CREATE	What do you need to create, list resources	
RAISE	What do you need to raise or improve, list resources	
REDUCE	What can you or should you do less?	
ELIMINATE	What should you eliminate?	

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DEFINE COMPELLING VALUE STATEMENTS AND NEW CUSTOMERS

DEFINE CUSTOMER	VALUE STATEMENT	

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STRATEGIC SEQUENCE

SEQUENCE	QUESTIONS TO ANSWER
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LIST THE MILESTONES TO IMPLEMENTATION

MILESTONE	METHOD OF MEASUREMENT
MILESTONE 1	
MILESTONE 2	
MILESTONE 3	
MILESTONE 4	
MILESTONE 5	
MILESTONE 6	
MILESTONE 7	

Congratulations.

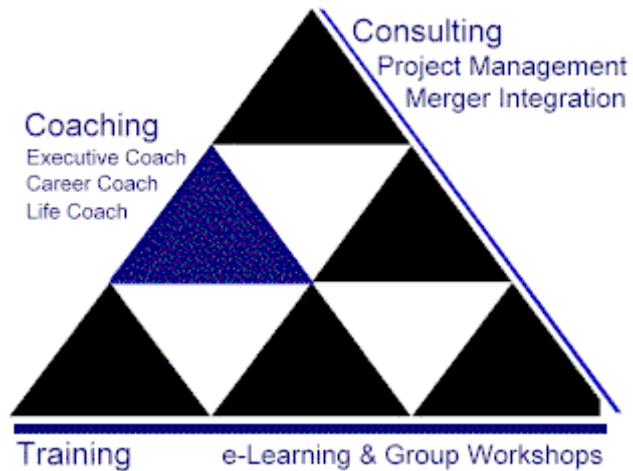
Create a list of follow-up measurements and frequency to stay on course and measure your success.

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Time is Money More Impact, Less Interruption

Fast Paced, Results Based
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The foundation of every organization is the talent of the people within it.

Executive Blueprints, Inc is dedicated to supporting leadership by providing proven blueprints for success and individual resource development. Services include preparing a customized library of training and reference materials, consulting and management coaching.

Executive Blueprints uses experienced executive talent with customized materials to enhance personnel at all levels of an organization. From Executive Coaching to Management Development, Associate enhancement and New Hire selection techniques, we are dedicated to help measure and achieve success. Let us help you reach your goals with the right tools for continuous self-improvement.

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