Blue Ocean Strategy
Go where the profits and growth are - and where the competition isn’t

W. Chan Kim & Renée Mauborgne
<table>
<thead>
<tr>
<th>Red Ocean Strategy</th>
<th>Blue Ocean Strategy</th>
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<tbody>
<tr>
<td>Compete in existing market space</td>
<td>Create uncontested market space</td>
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<tr>
<td>Beat the competition</td>
<td>Make the competition irrelevant</td>
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<tr>
<td>Exploit existing demand</td>
<td>Create and capture new demand</td>
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<td>Make the value-cost trade-off</td>
<td>Break the value-cost trade-off</td>
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<tr>
<td>Align the whole system of a firm’s activities</td>
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<td>with its strategic choice of differentiation or</td>
<td>in pursuit of differentiation and low cost</td>
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<td>low cost</td>
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Researching the History of Blue Ocean Creation

- Data: 150 blue ocean creations, more than 30 industries, over 100 years (1880-2000)
  - hotel, cinema, retailing, airline, energy, computer, broadcasting, home construction, automobile, steel manufacturing, chemicals, cosmetics, software, etc.

- Variable considered: industrial, organizational strategic variables
Six Paths to Blue Ocean Strategy

The six conventional boundaries of competition

- Industry
- Strategic group
- Buyer group
- Scope of product or service offering
- Functional-emotional orientation of an industry
- Time

From Competing Within

To Creating Across

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Result: Strategy Canvas of [yellow tail]

- Premium Wines
  - Use of enological terminology and distinctions in wine communication
  - Above-the-line marketing
  - Aging quality
  - Vineyard prestige and legacy
  - Wine complexity

- Budget Wines
  - Price
  - Easy drinking
  - Ease of selection
  - Fun & Adventure

- [yellow tail]
The Four Actions Framework

**Eliminate**
Which of the factors that the industry takes for granted should be eliminated?

**Reduce**
Which factors should be reduced well below the industry’s standard?

**Create**
Which factors should be created that the industry has never offered?

**Raise**
Which factors should be raised well above the industry’s standard?

A New Value Curve

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Minimizing Risks and Maximizing Opportunities in Formulating and Executing Blue Ocean Strategy

Formulation Principles
- Reconstruct market boundaries
- Focus on the big picture, not the numbers
- Reach beyond existing demand
- Get the strategic sequence right

Formulation Risks
- Search Risk
- Planning Risk
- Scale Risk
- Business Model Risk

Execution Principles
- Overcome key organizational hurdles
- Build execution into strategy

Execution Risks
- Organizational Risk
- Management Risk

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