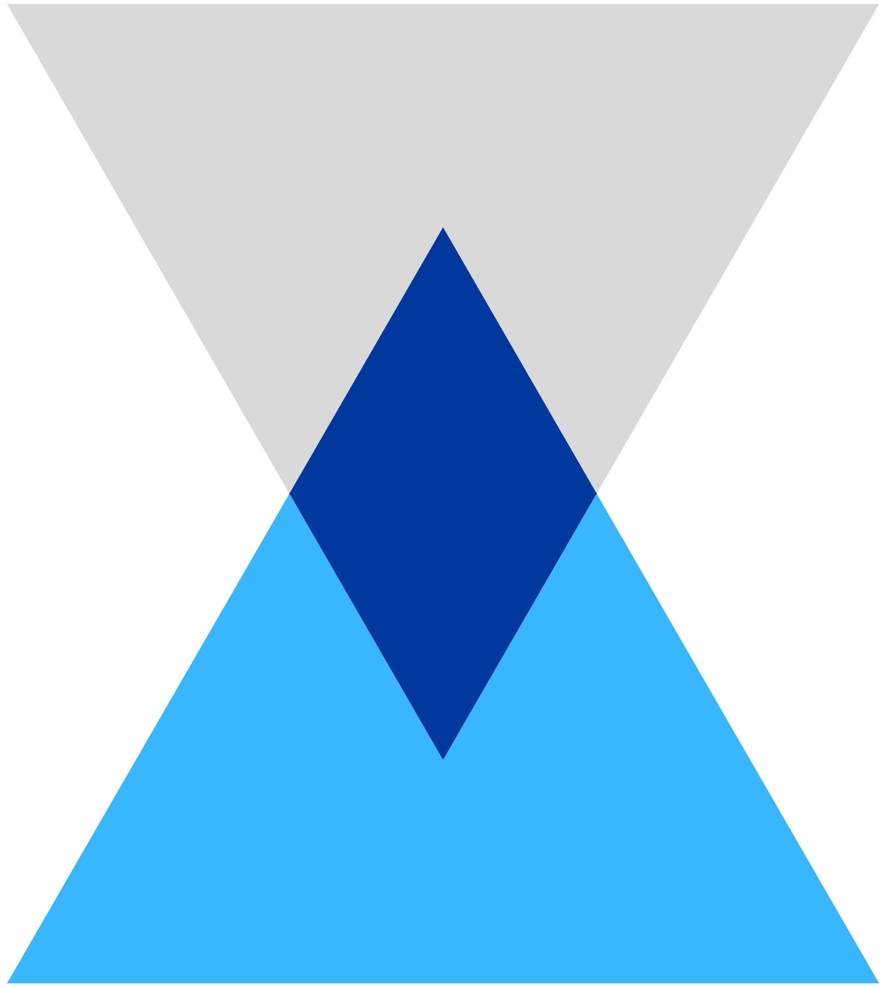
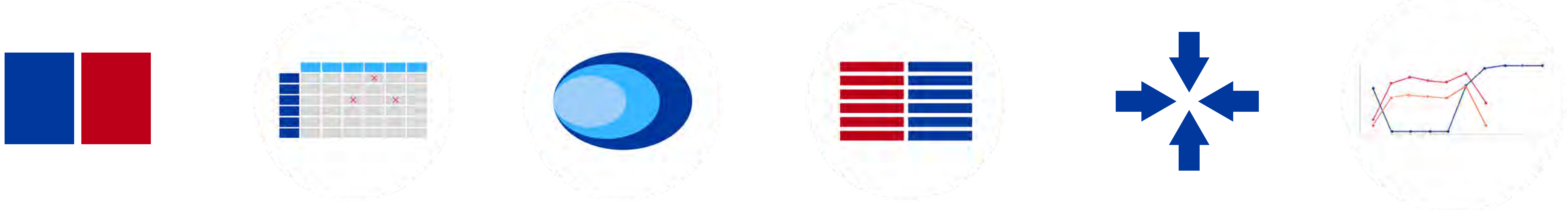
Blue Ocean

Tools and Frameworks

Discover powerful tools for new market creation by Professors Chan Kim & Renée Mauborgne, the creators of Blue Ocean Strategy.





About Chan Kim and Renée Mauborgne

Chan Kim and **Renée Mauborgne** are professors of strategy at INSEAD. They are the authors of the *USA Today bestseller*, *Beyond Disruption*, and the over 4 million copy global bestseller *Blue Ocean Strategy*, which is recognized as one of the most iconic and impactful strategy books ever written, and *The New York Times* and *#1 Wall Street Journal bestseller*, *Blue Ocean Shift*.

In 2023 Kim and Mauborgne were honored as two of the four leading thinkers in the 100 years of Harvard Business Review's publication for the global impact of their far-reaching body of research and ideas. And in 2019 they were named the most influential management thinkers in the world by Thinkers50.

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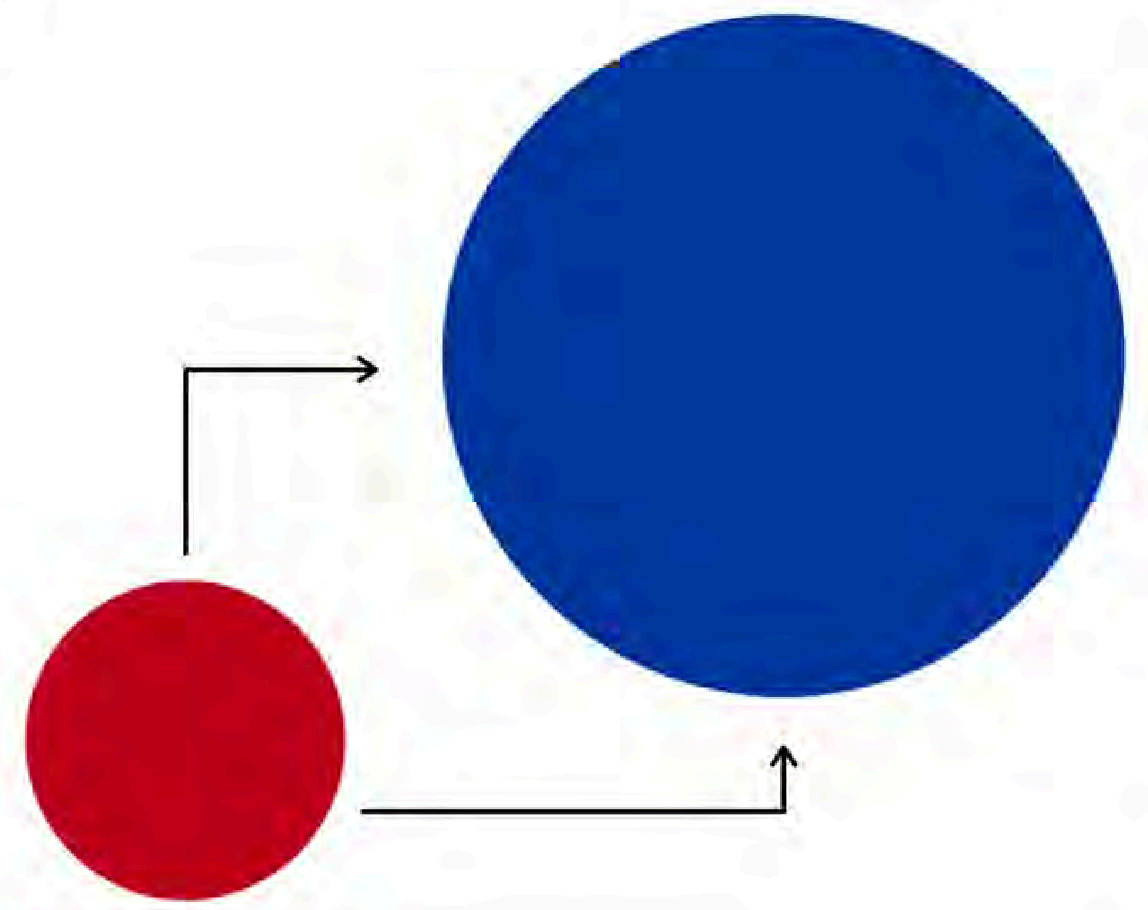
What is Blue Ocean Strategy?

Blue ocean strategy is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. It is about creating and capturing uncontested market space, thereby making the competition irrelevant. It is based on the view that market boundaries and industry structure are not a given and can be reconstructed by the actions and beliefs of industry players.



RED OCEAN STRATEGY VS BLUE OCEAN STRATEGY

RED OCEAN STRATEGY	BLUE OCEAN STRATEGY
Compete in **existing** market space	Create **uncontested** market space
Beat the competition	Make the competition **irrelevant**
Exploit **existing** demand	Create and capture **new** demand
Make the value-cost trade-off	**Break** the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of **differentiation <u>or</u> low cost**	Align the whole system of a firm's activities in pursuit of **differentiation <u>and</u> low cost**

Value Innovation

Value innovation, the cornerstone of blue ocean strategy, is the simultaneous pursuit of differentiation and low cost, creating a leap in value for both buyers and the company.

Because value to buyers comes from the offering's utility minus its price, and because value to the company is generated from the offering's price minus its cost, value innovation is achieved only when the whole system of utility, price, and cost is aligned.

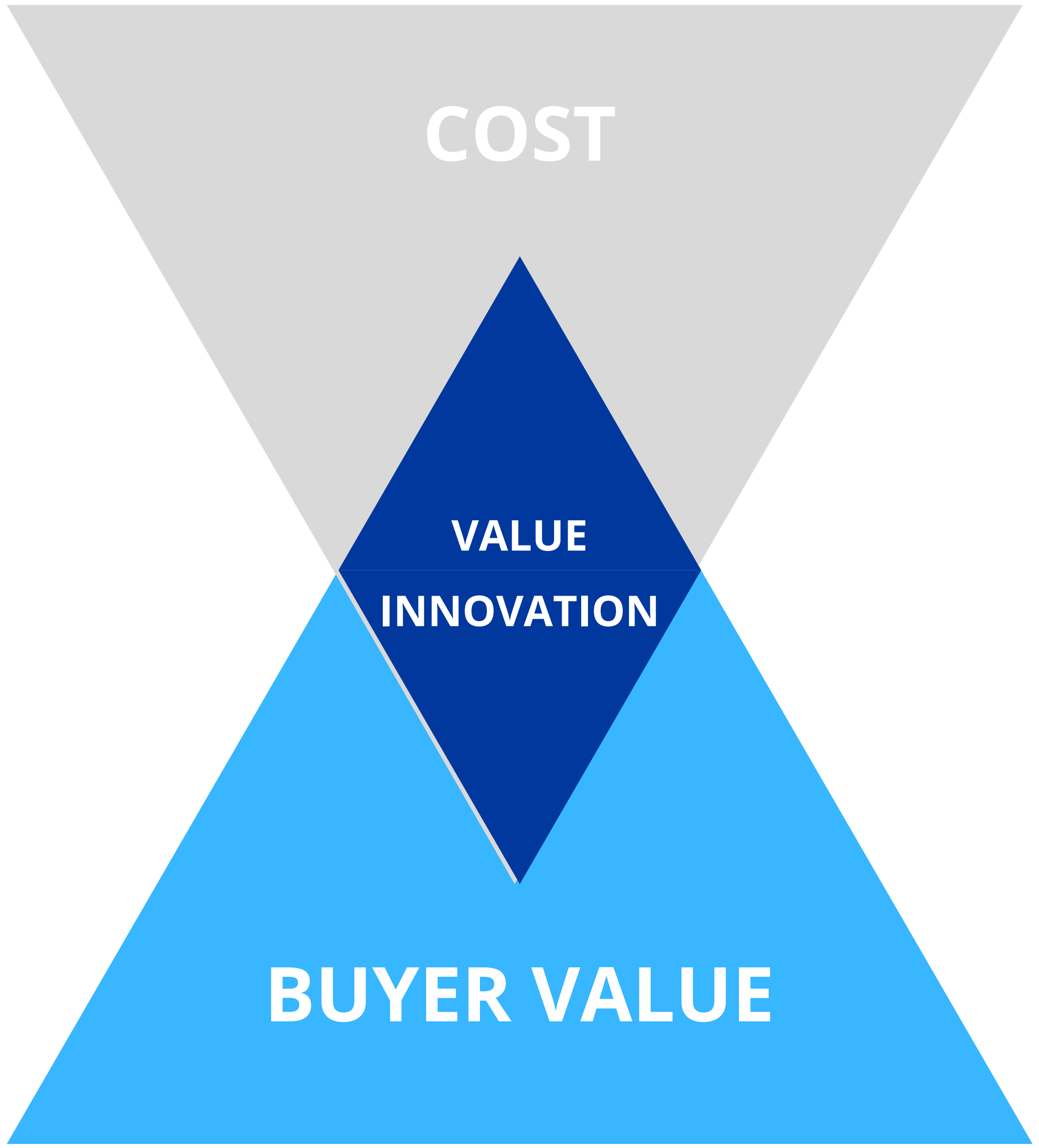
Break the value-cost trade-off by answering the following questions:

1. Which of the factors that the industry takes for granted should be **eliminated**?
2. Which factors should be **reduced** well below the industry's standard?
3. Which factors should be **raised** well above the industry's standard?
4. Which factors should be **created** that the industry has never offered?

Value Innovation

Cost savings are made by eliminating and reducing the factors an industry competes on.

Buyer value is lifted by raising and creating factors the industry has never offered.



Strategy Canvas

The strategy canvas is both a diagnostic and an action framework for building a compelling blue ocean strategy. The horizontal axis captures the range of factors that the industry competes on and invests in, while the vertical axis captures the offering level that buyers receive across all of these key competing factors.

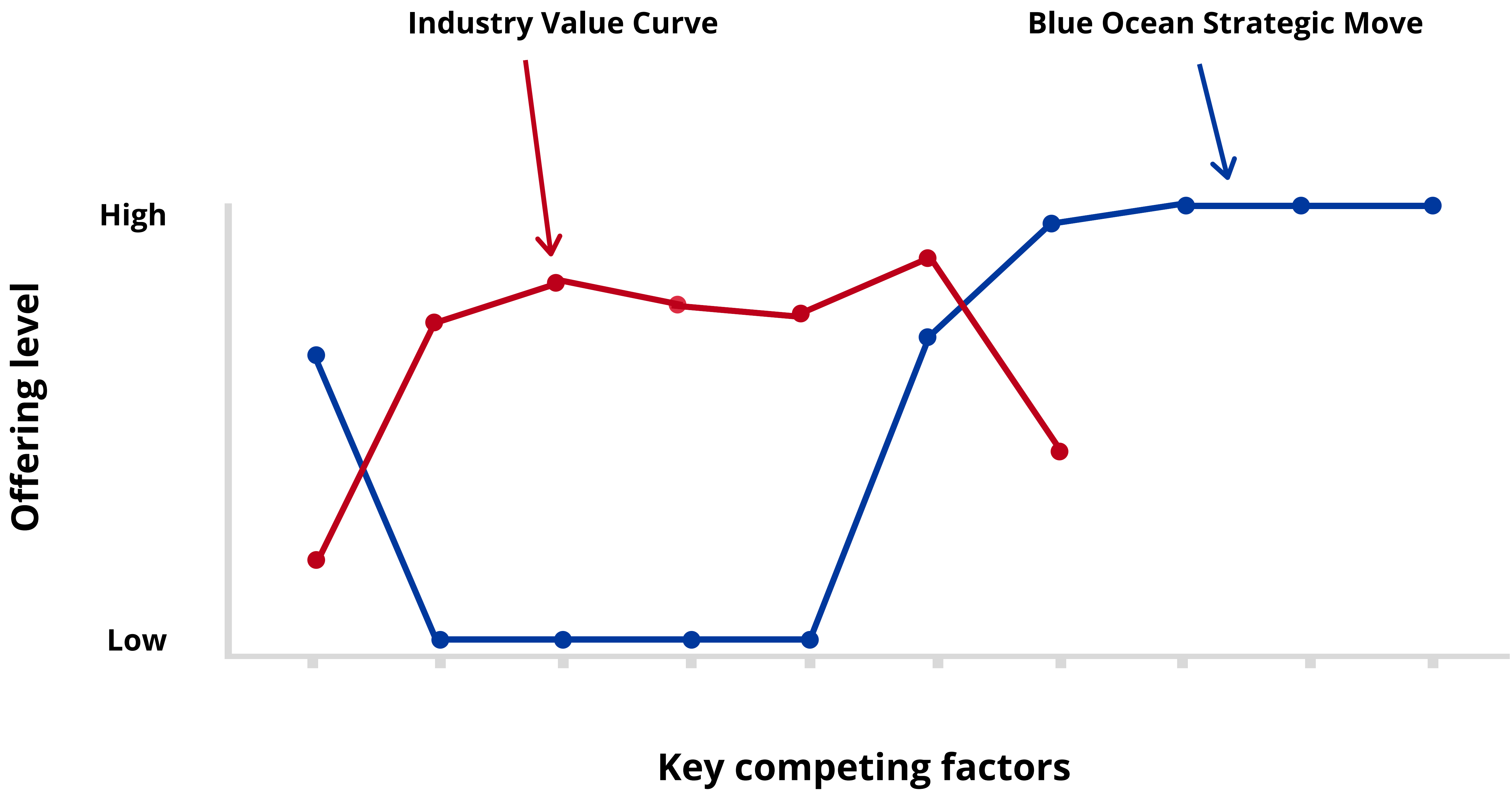
The strategy canvas serves two purposes:

- To capture the current state of play in the known market space, which allows users to clearly see the factors that the industry competes on and where the competition currently invests and

- To propel users to action by reorienting focus from competitors to alternatives and from customers to noncustomers of the industry

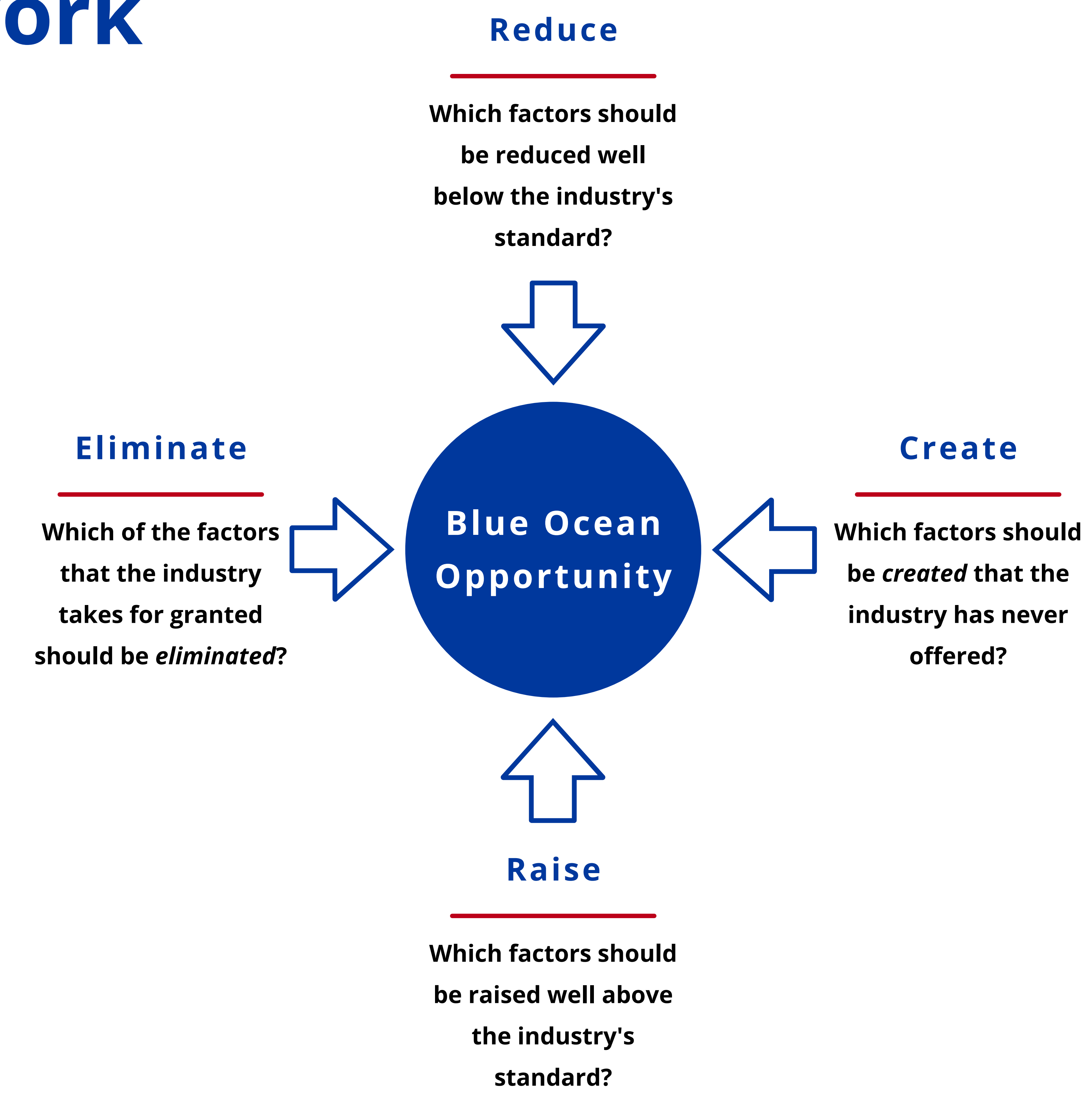
The value curve is the basic component of the strategy canvas. It is a graphic depiction of a company's relative performance across its industry's factors of competition. A strong value curve has focus, divergence as well as a compelling tagline.

Strategy Canvas



Four Actions Framework

The Four Actions Framework is used to reconstruct buyer value elements in crafting a new value curve. To break the trade-off between differentiation and low cost and to create a new value curve, the framework poses four key questions, shown in the diagram, to challenge an industry's strategic logic.



Six Paths Framework

The Six Paths Framework allows managers to address the search risk many companies struggle with. It enables them to successfully identify out of the haystack of possibilities that exist, commercially compelling blue oceans by reconstructing market boundaries.

There are six basic approaches to reconstructing market boundaries. These paths challenge the six fundamental assumptions underlying many companies' strategies that keep companies trapped competing in red oceans.

The table outlines these six basic assumptions and the pathway managers can take to break away from head-to-head competition towards blue ocean creation.

The six paths have general applicability across industry sectors. None of the paths requires special vision or foresight about the future. All are based on looking at familiar data from a new perspective.

Instead of looking within the accepted boundaries of competition, the Six Paths Framework allows managers to look systematically across them to create blue oceans.

Six Paths Framework

From Head-to-Head Competition to Blue Ocean Creation

	Head-to-head Competition	Blue Ocean Creation
Industry	Focuses on rivals within its industry	Looks across alternative industries
Strategy Group	Focuses on competitive position within strategic group	Looks across strategic groups within industry
Buyer Group	Focuses on better serving the buyer group	Redefines the industry buyer group
Scope of Product or Service Offering	Focuses on maximizing the value of product and service offerings within the bounds of it industry	Looks across to complementary product and service offerings
Functional-emotional orientation	Focuses on improving the price-performance within the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

3 Tiers of Noncustomers

Typically, to grow their share of a market, companies strive to retain and expand their existing customer base. This often leads to finer segmentation and greater tailoring of offerings to better meet customer preferences. The more intense the competition is, the greater, on average, is the resulting customization of offerings. As companies compete to embrace customer preferences through finer segmentation, they often risk creating too-small target markets.

To maximize the size of their blue oceans, companies need to take a reverse course. Instead of concentrating on customers, they need to look to noncustomers.

And instead of focusing on customer differences, they need to build on powerful commonalities in what buyers value. This reorientation allows companies to reach beyond existing demand to unlock a new mass of customers that did not exist before.

There are three tiers of noncustomers that can be transformed into customers. They differ in their relative distance from the current market.

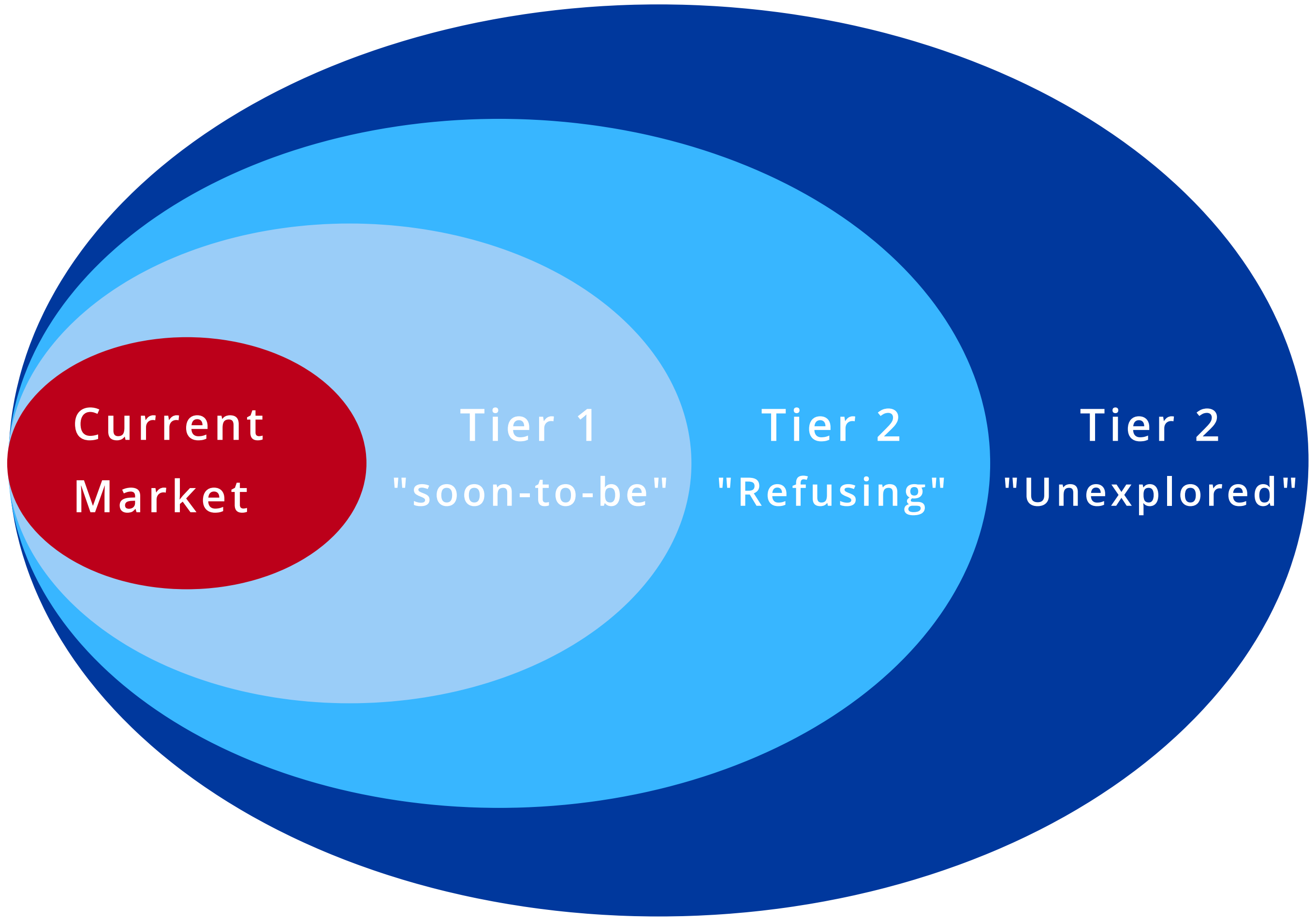
3 Tiers of Noncustomers

Customers of your industry

"Soon-to-be" noncustomers who are on the edge of your market waiting to jump ship.

"Refusing" noncustomers who consciously choose against your market.

"Unexplored" noncustomers who are in markets distant from yours.



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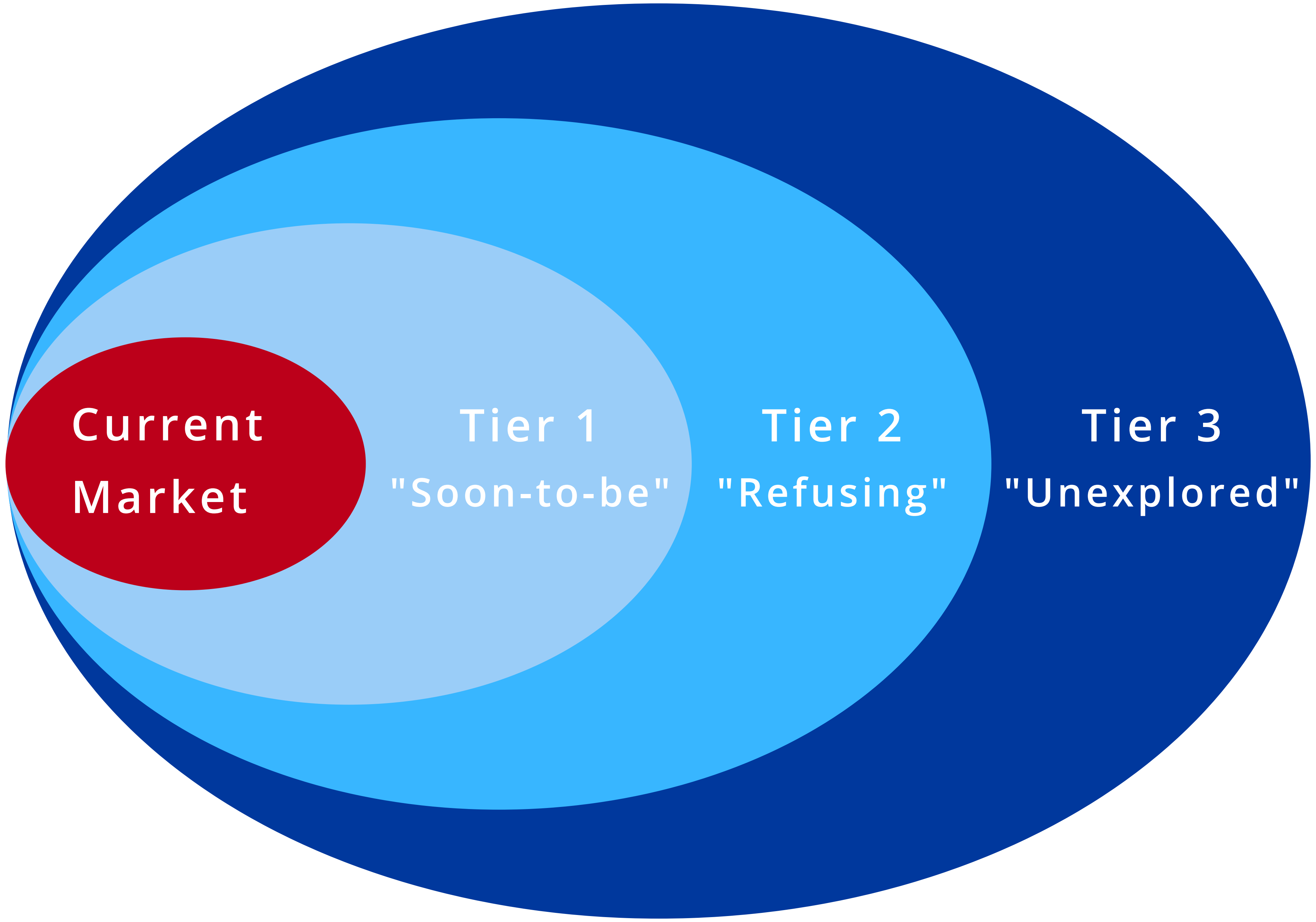


3 Tiers of Noncustomers

The **first tier** of noncustomers is closest to the current market, sitting just on the edge. They are buyers who minimally purchase an industry's offering out of necessity but are mentally noncustomers of the industry.

They are waiting to jump ship and leave the industry as soon as the opportunity presents itself. However, if offered a leap in value, not only would they stay, but also their frequency of purchases would multiply, unlocking enormous latent demand.

The **second tier** of noncustomers is people who refuse to use your industry's offerings. These are buyers who have seen your industry's offerings as an option to fulfill their needs but have voted against them.

The **third tier** of noncustomers is farthest from your market. They are noncustomers who have never thought of your market's offerings as an option.

By focusing on key commonalities across these noncustomers and existing customers, companies can understand how to pull them into their new market.

Buyer Utility Map

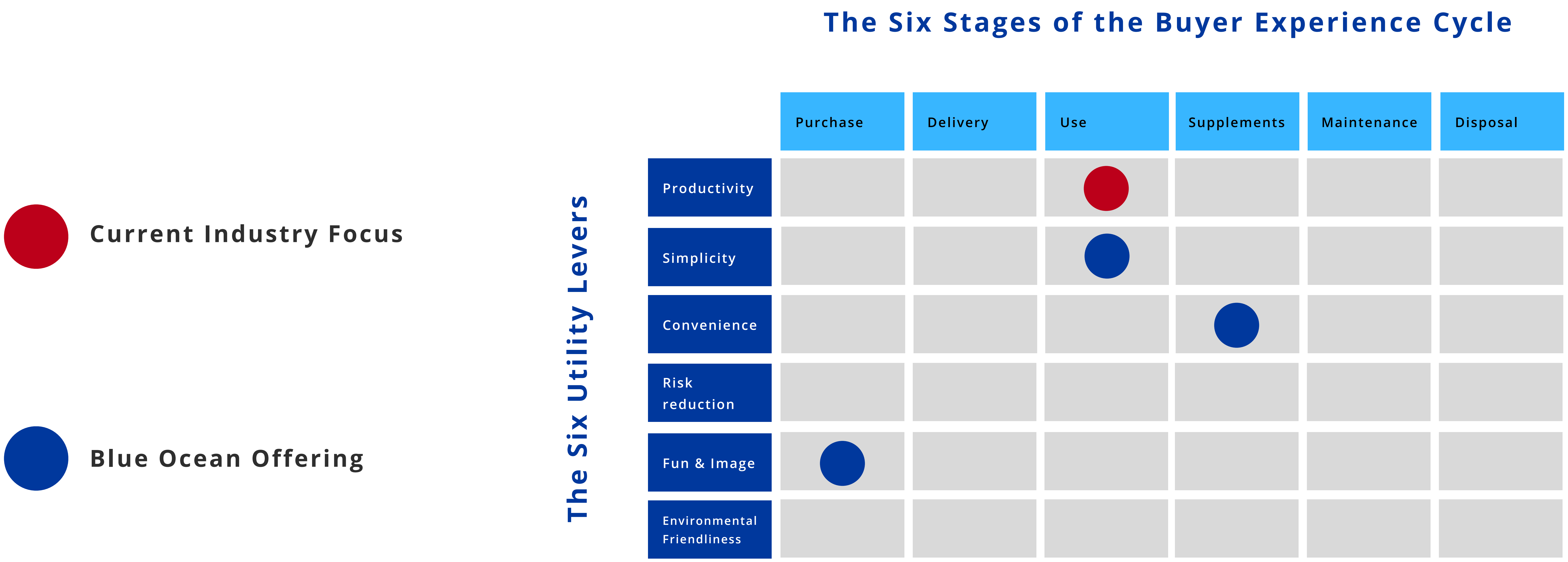
The Buyer Utility Map helps to get managers thinking from a demand-side perspective. It outlines all the levers companies can pull to deliver exceptional utility to buyers as well as the various experiences buyers can have with a product or service. This mindset helps managers identify the full range of utility spaces that a product or service can potentially fill.

The Buyer Experience Cycle (BEC): A buyer's experience can usually be broken into a cycle of six stages, running more or less sequentially from purchase to disposal.

Each stage encompasses a wide variety of specific experiences. Purchasing, for example, might include the experience of browsing Amazon.com as well as the experience of pushing a shopping cart through Wal-Mart's aisles.

Utility levers: Cutting across the stages of the buyer's experience are what we call utility levers – the ways in which companies unlock utility for buyers. Most of the levers are obvious. Simplicity, fun and image, and environmental friendliness need little explanation.

Buyer Utility Map



APPLY BLUE OCEAN STRATEGY TOOLS TO YOUR BUSINESS WITH AI NAVIGATOR

Are you ready to put blue ocean tools into action and set your business on the path to profitable growth? Do you want to strengthen your strategic thinking, learn how to innovate systematically, and set your business apart?

Try Blue Ocean Sprint with AI Navigator, where you can learn and then apply the blue ocean tools to your business.

Meet AI Navigator – your superpowered Blue Ocean-trained partner in strategy.

Have you wondered how to use AI effectively for your business?

Our AI Navigator is trained in blue ocean strategy methodology, so you can immediately focus on what matters most for your business.

This AI-powered companion, trained by Blue Ocean experts, combines the power of blue ocean strategy with the vast knowledge of AI, giving you the best of both worlds – a proven methodology, and application to your business.

With the AI Blue Ocean Navigator, turn learning into action. This powerful tool guides you through Blue Ocean frameworks and assists you in applying them to your unique business context.

Start with the Strategy Canvas to map out the competitive landscape. See clearly where your industry's focus lies. Then dive into the Buyer Utility Map to uncover hidden pain points that others overlook, revealing opportunities to unlock exceptional value.

Work with the AI Navigator as it brings each step of blue ocean strategy to life, showing you how to work through the blue ocean process – right within your own business.

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