

Blue Ocean Strategy

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How to Create Uncontested Market Space and
Make the Competition Irrelevant

New Market Space

RED OCEAN

Represent all the industries in existence today → known market space

BLUE OCEAN

Denote all the industries not in existence today → unknown market space

Circus Industry

Traditional Circus:

- Target Market : Children
- Dependent to : Star performance, animal shows
- High fun & humor
- High Thrills & dangers

Cirque du Soleil:

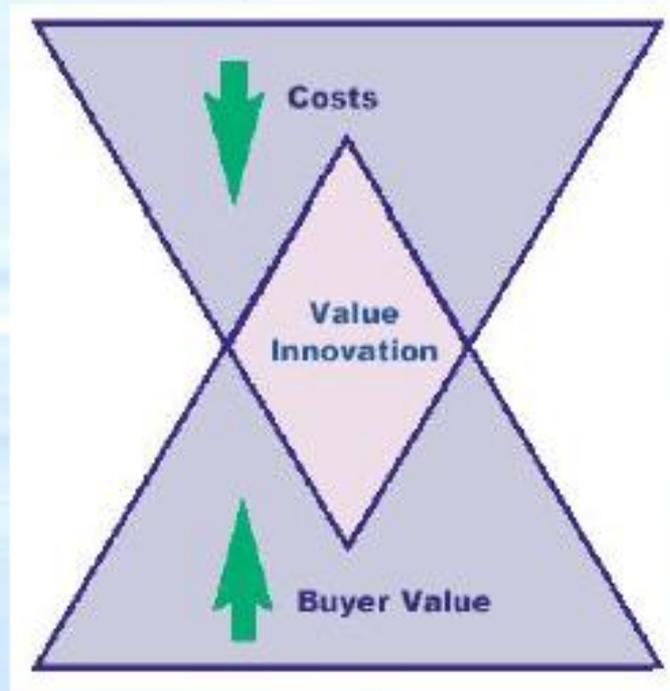
- Target Market : Adults
- Not Dependent to Star performance & animal shows
- Reduce fun & humor
- Reduce Thrills & dangers
- Unique Venue
- Theme & Theater

High Cost, Low Price

Low Cost, High Price

The Cornerstone of Blue Ocean Strategy

- Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers
- Cost savings are made by eliminating and reducing the factors an industry competes on
- Buyer value is lifted by raising & creating elements the industry has never offered
- Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates



The Simultaneous Pursuit of Differentiation and Low Cost

Red Ocean vs Blue Ocean

Red Ocean versus Blue Ocean.	
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. (either / or)	Break the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost.	Align the whole system of a firm's activities in pursuit of differentiation and low cost.
Value creation or addition = added value	Value Innovation = innovative value

The Six Principles of Blue Ocean Strategy

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



Execution Principles

Overcome key organizational hurdles

Build execution into strategy



Formulation Risks

Search Risk

Planning Risk

Scale Risk

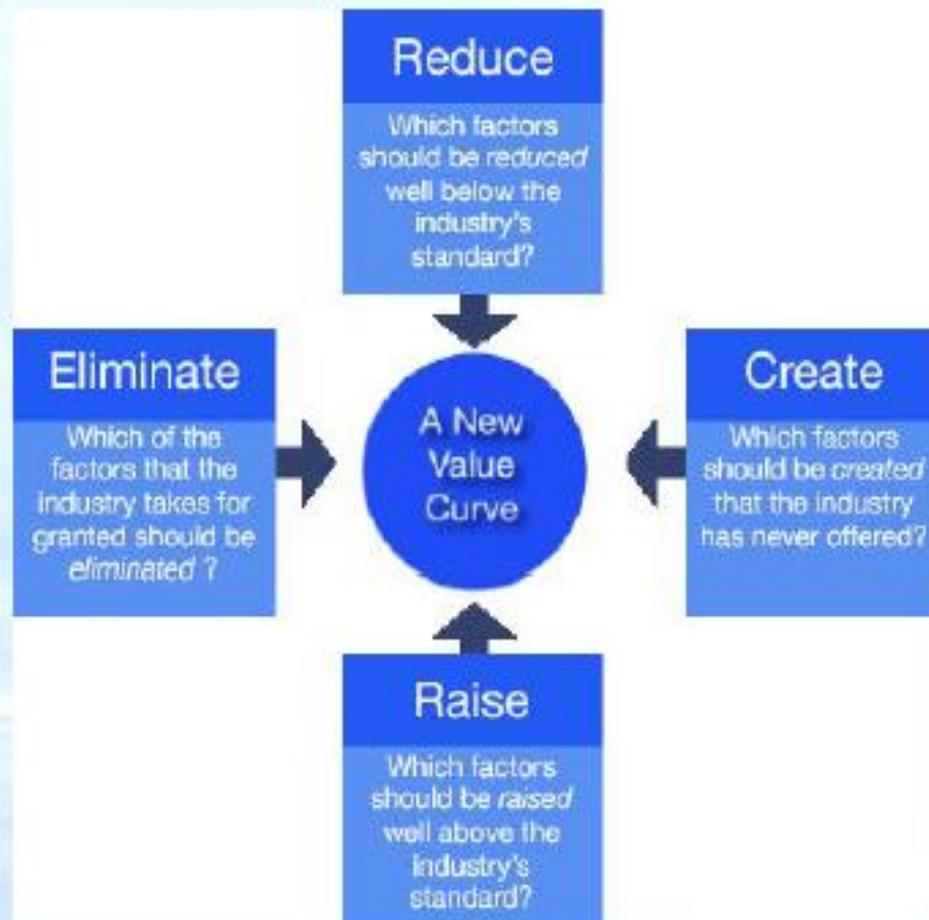
Business Model Risk

Execution Risks

Organizational Risk

Management Risk

Four Actions Framework

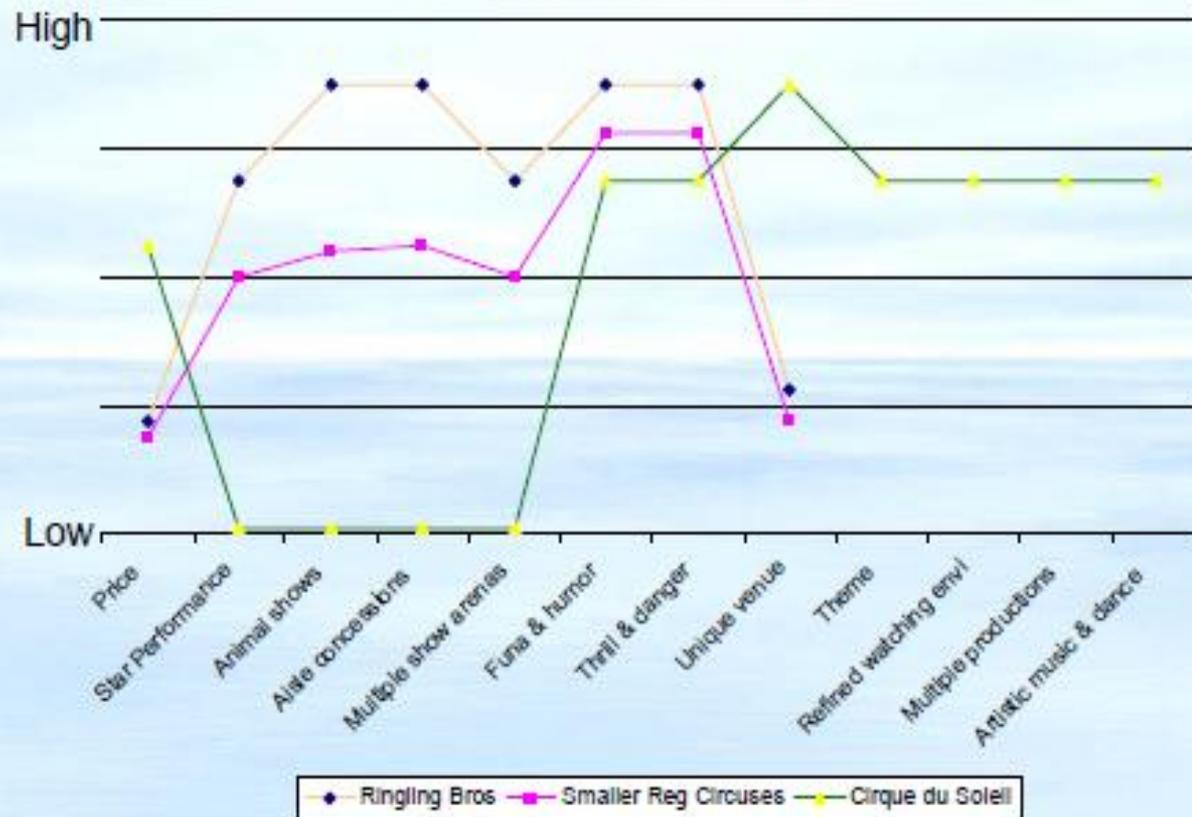


The Case of Cirque du Soleil



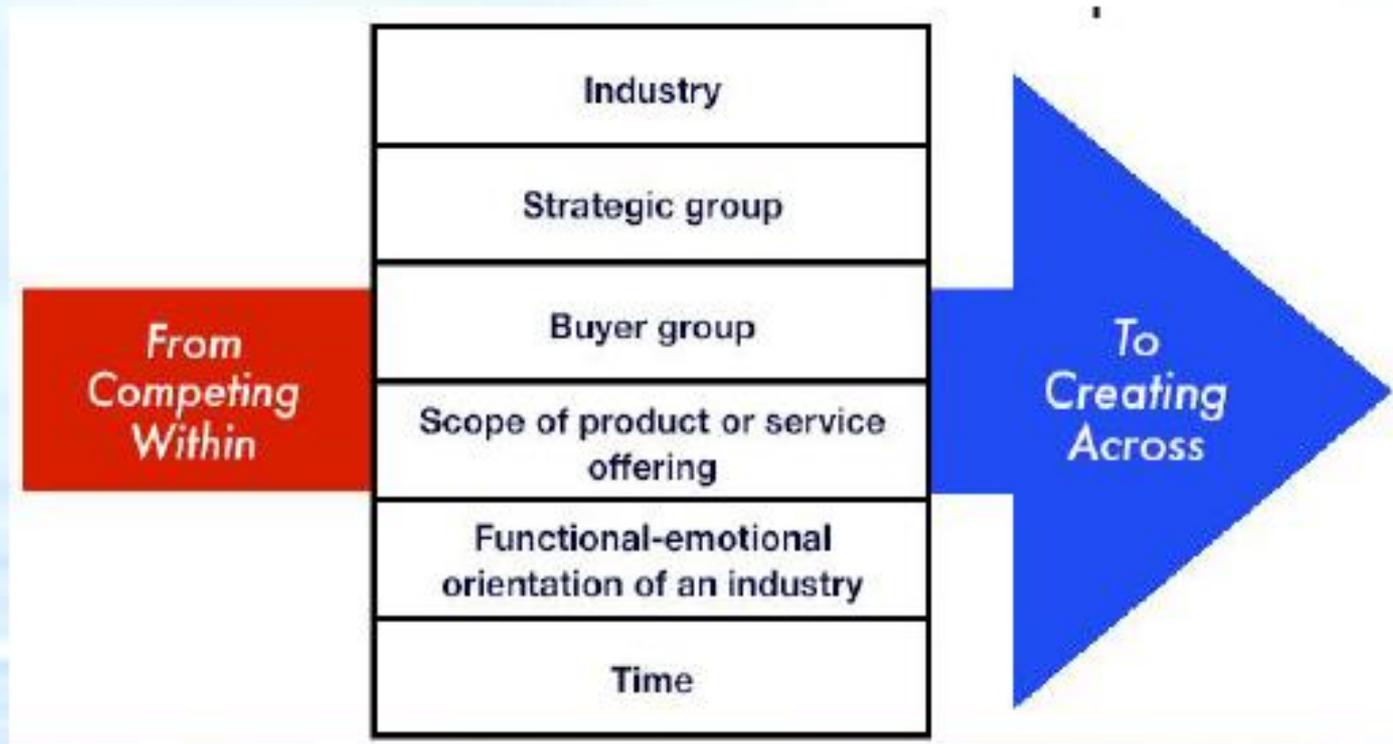
<p>Eliminate</p> <p>Star Performers Animal Shows Aisle concession sales Multiple show arenas</p>	<p>Raise</p> <p>Unique venue</p>
<p>Reduce</p> <p>Fun and humor Thrill and danger</p>	<p>Create</p> <p>Theme Refined environment Multiple productions Artistic music and dance</p>

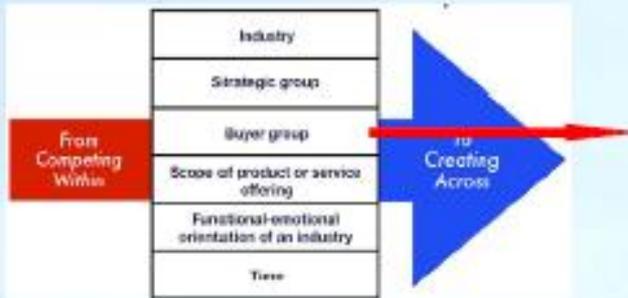
The Strategy Canvas of Cirque du Soleil



II. FORMULATING BLUE OCEAN STRATEGY

Six Path to Blue Ocean Strategy





Novo Nordisk Case Study

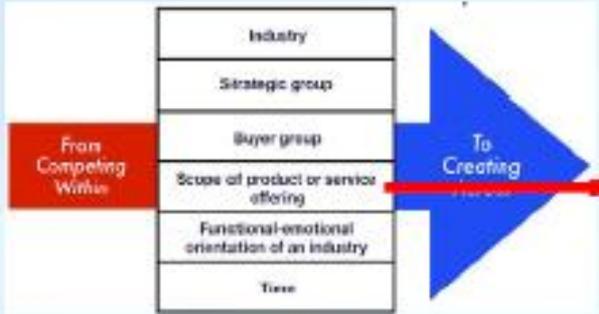
↓
Insulin Producer

→ Focus on Doctors

↓
Diabetes Care Company
By producing NovoPen

→ Direct to Patients





NABI Case Study

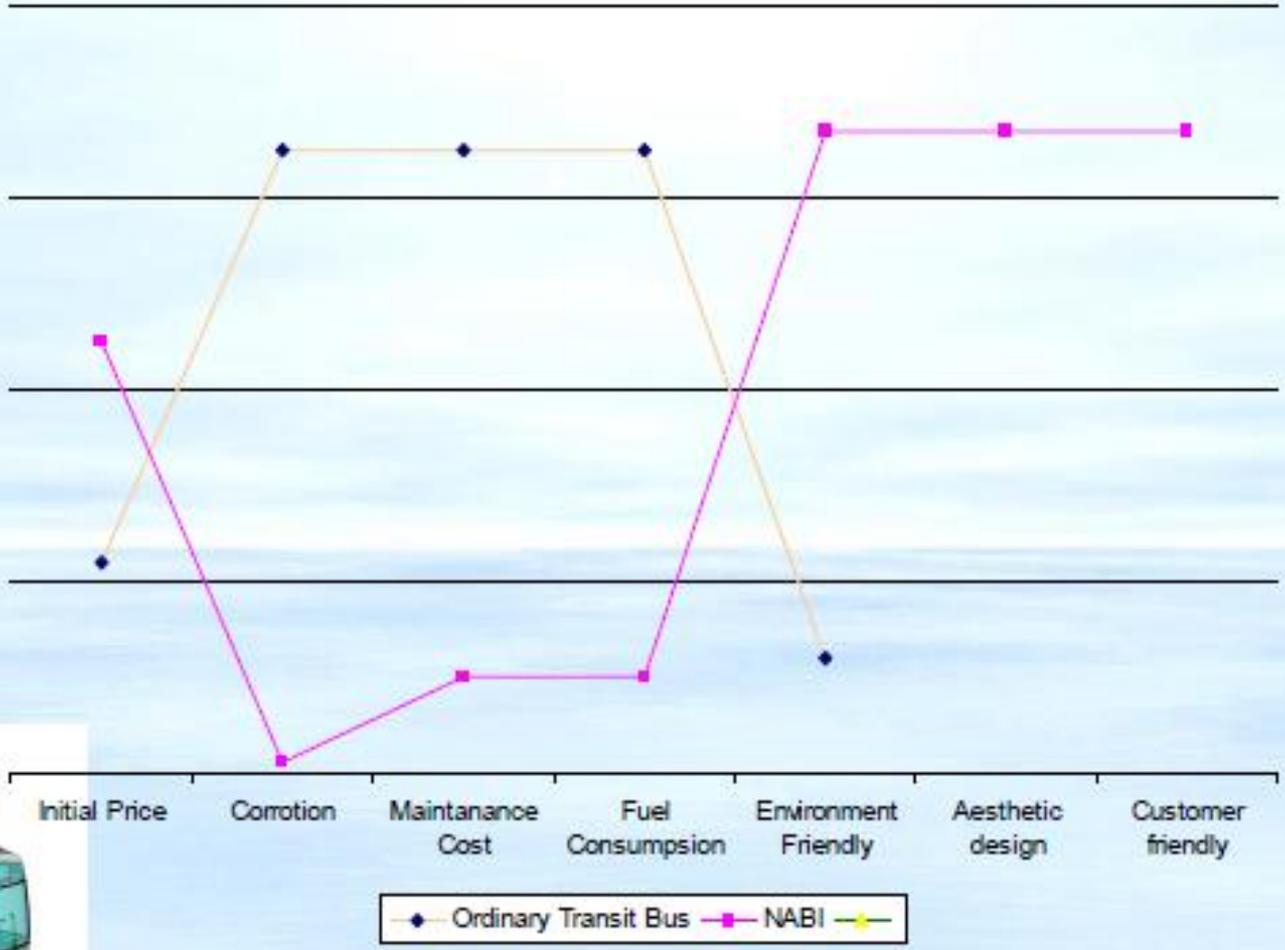
Fiberglass BUS

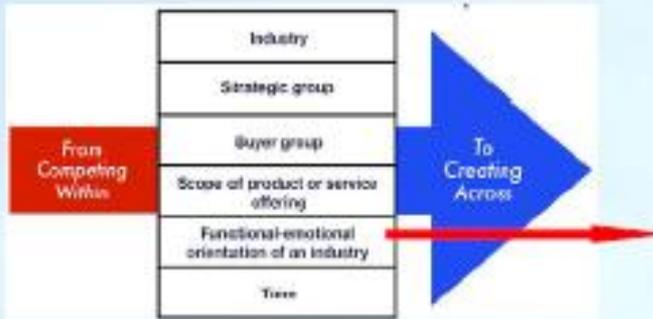
NABI designs, produces and services buses and coaches and develops technology and business processes so as to deliver dependable and efficient transport solutions for its customers.



NABI BUS INDUSTRIES RT.

The Strategy Canvas of NABI

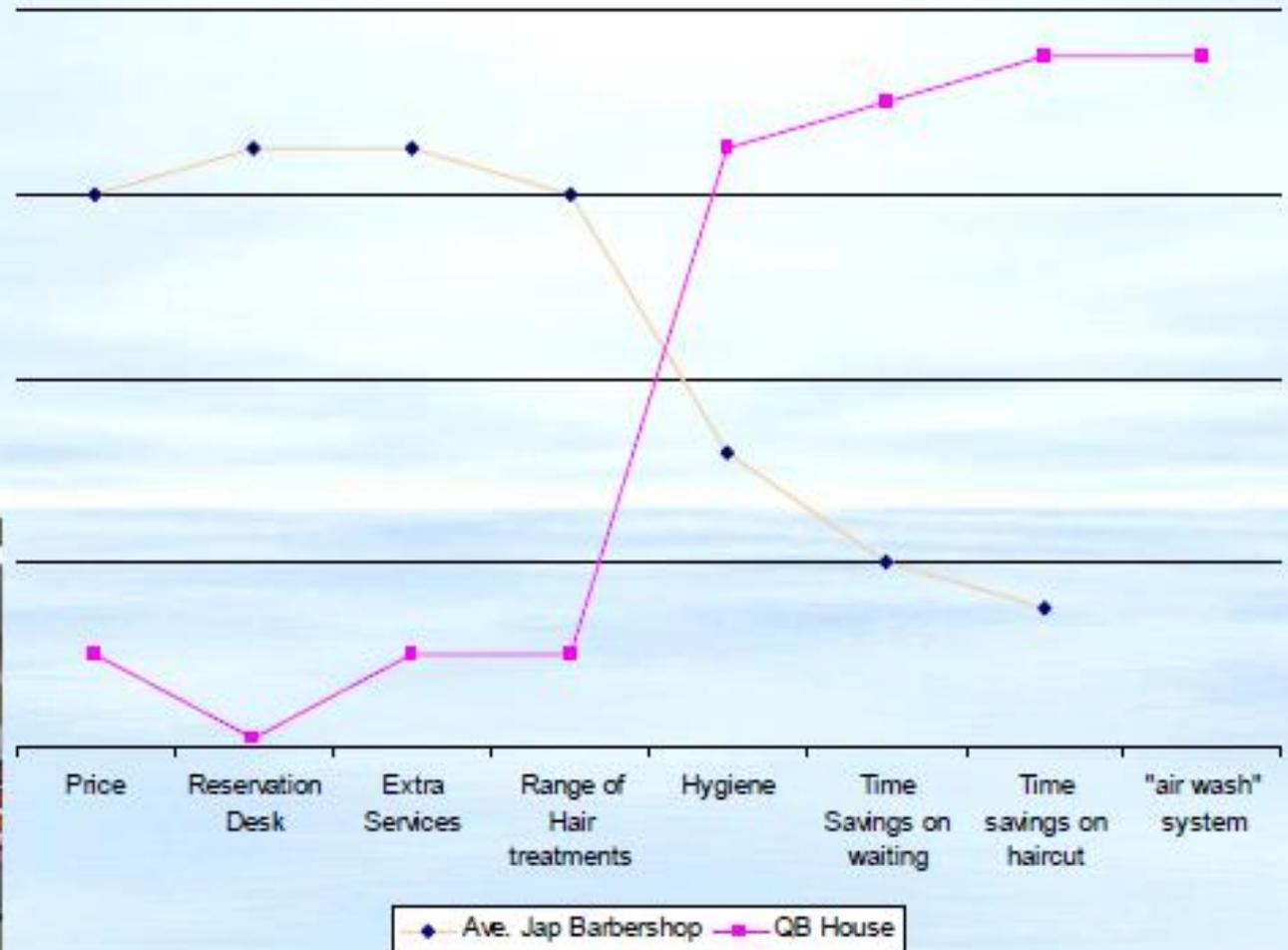


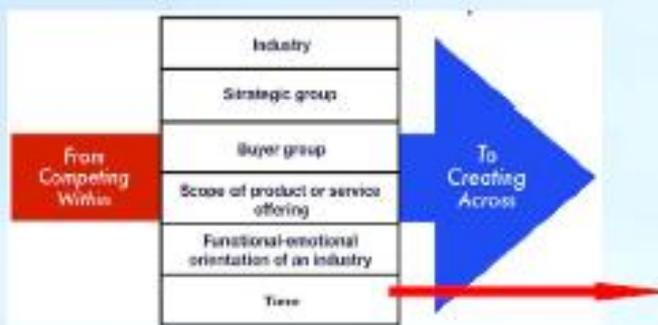


QB House Case Study

Speedy Barbershop

The Strategy Canvas of QB





From the value a market delivers today to the value it might deliver tomorrow



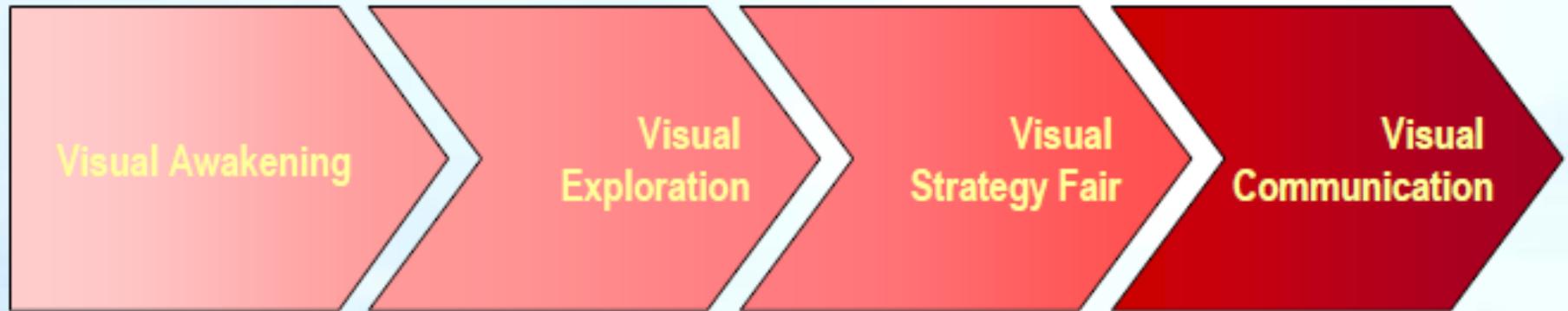
CISCO → Growing demand for high speed data exchange → focus on high speed data technology

CNN → the rising tide of globalization → the first real time 24hours global network



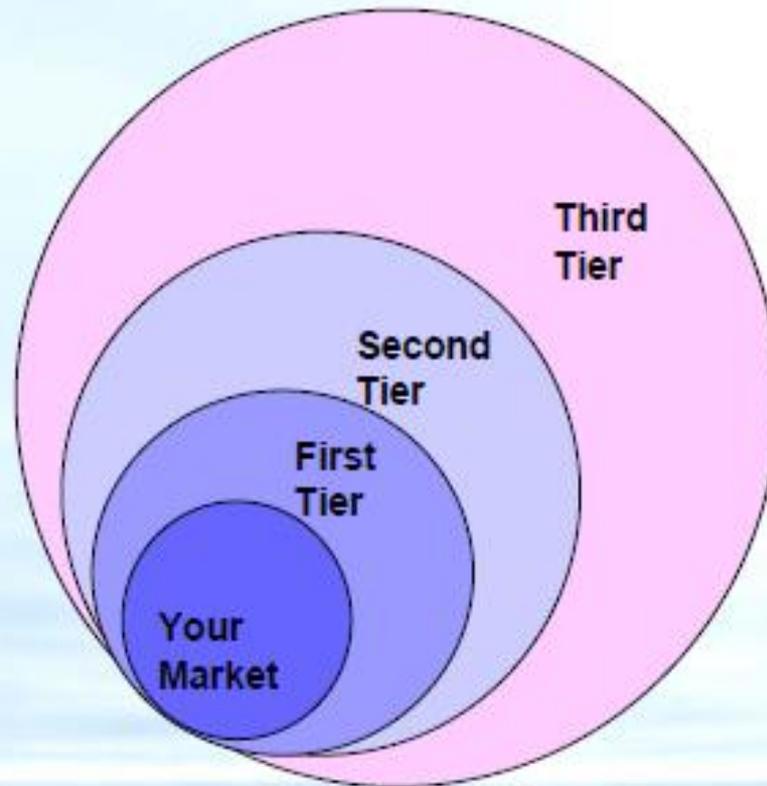
III. VISUALIZING STRATEGY

Four Steps of Visualizing Strategy



- Compare your business with your competitors' by drawing your "as is" strategy canvas.
- See where your strategy needs to change
- Go into the field to explore the six paths to creating blue oceans
- Observe the distinctive advantages of alternative products or services
- See which factors you should eliminate, create or change
- Draw your "to be" strategy canvas based on insights from field observations
- Get feedback on alternative strategy canvases from customers, competitors' customers, and noncustomers
- Use feedback to build the best "to be" future strategy
- Distribute your before-and-after strategic profiles on one page for easy comparison
- Support only those projects and operational moves that allow your company to close the gaps to actualize the new strategy

The Three Tiers of Noncustomers

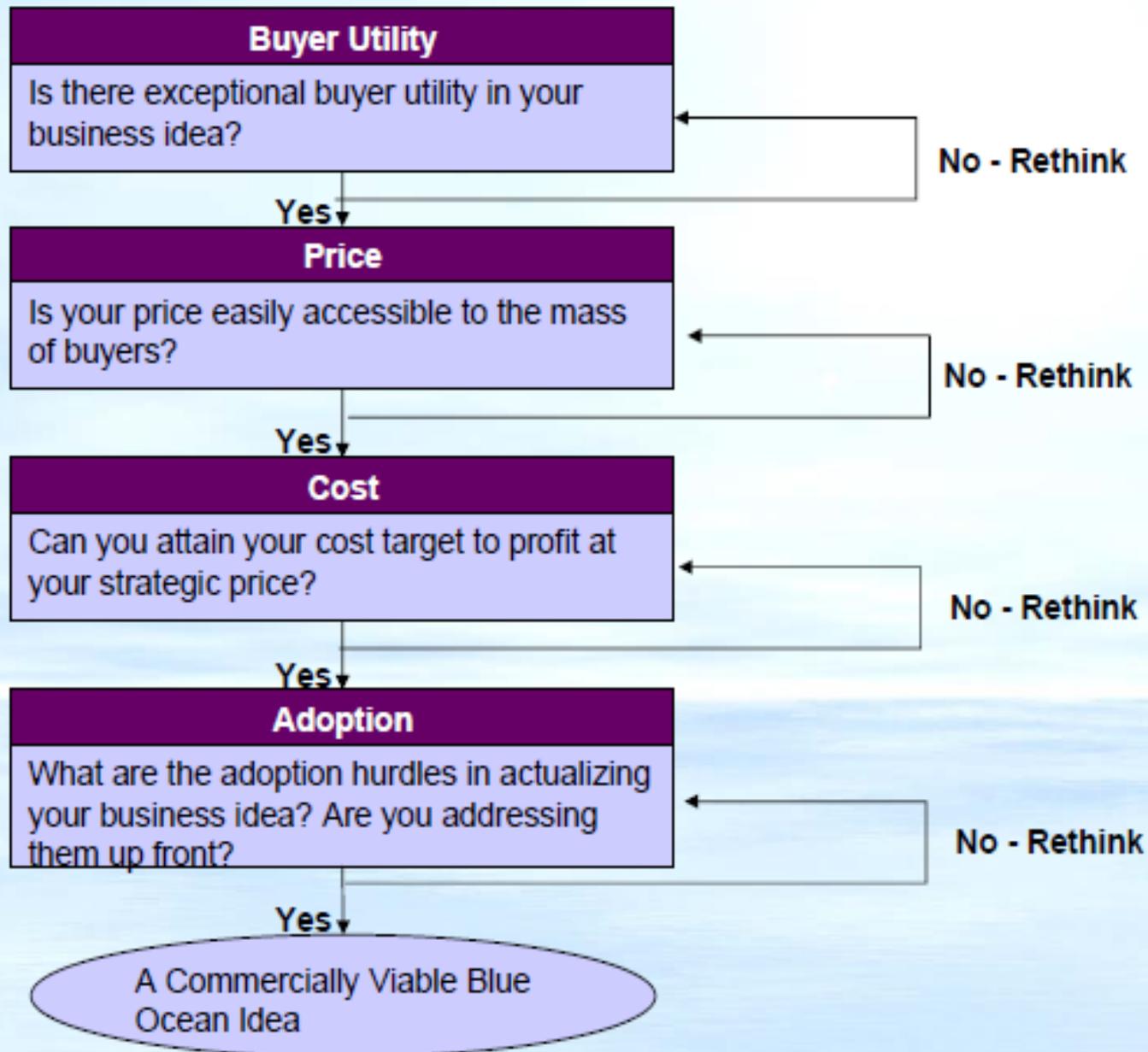


First Tier: *“Soon-to-be” noncustomers who are on the edge of your market, waiting to jump ship*

Second Tier: *“Refusing” noncustomers who consciously choose against your market*

Third Tier: *“Unexplored” noncustomers who are in markets distant from yours*

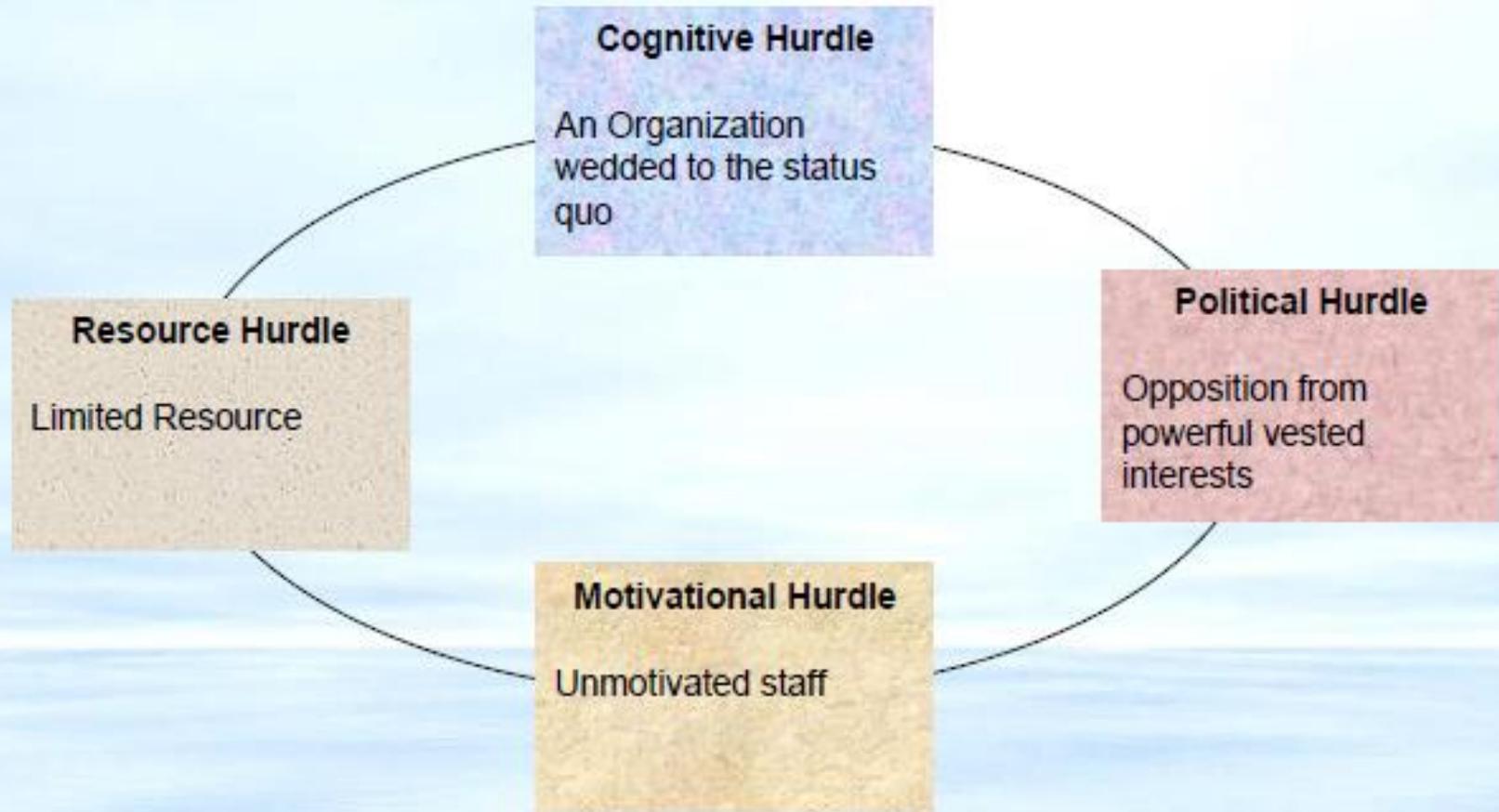
The Sequence of Blue Ocean Strategy





***IV. EXECUTING BLUE
OCEAN STRATEGY***

The Four Organizational Hurdles to Strategy Execution



Break through the Cognitive Hurdle → *face to face with worst operational problem*

**Ride the “Electric Sewer”
Meet the Disgruntled Customers**

Jump the Resource Hurdle → *Strategic shift with fewer resources*

Redistribute Resources to the **Hot Spots** → *Low resources input but high potential gains*
Redirect Resources from the **Cold Spots**

Engage in **Horse Trading** → *Trading your unit's excess resources in one area for another unit's excess resources to fill remaining resources gap*

Jump the Motivational Hurdle → *Motivate employees fast & low cost*

Zoom in on **Kingpins** → *Influencer in Organization*

Place Kingpins in a **Fishbowl** → *Transparency, inclusion & fair process*

****Atomize** to Get the Organization to Change itself**

→ *Framing the strategic challenge, actionable to all levels*

Knock Over the Political Hurdle → *overcome political forces*

Leveraging **Angles**

*Who the most to gain from
the strategic shift*

Silencing Devils

Getting a **consigliore** on the top management team

*Who knows in advance all the land mines → who
will fight you, who will support you*

The background of the slide features a serene landscape with a clear blue sky above a calm, light blue ocean. The horizon line is visible in the lower third of the image, creating a sense of vastness and tranquility.

***V. CONCLUSION: Blue
Ocean Sustainability***

Imitation Barriers to Blue Ocean Strategy

- Value innovation does not make sense to a company's conventional logic
- Blue ocean strategy may conflict with other companies' brand image
- Natural monopoly: The market often cannot support a second player
- Patents or legal permits block imitation
- High volume leads to rapid cost advantage for the value innovator, discouraging followers from entering the market
- Network externalities discourage imitation
- Imitation often requires significant political, operational and cultural changes
- Companies that value-innovate earn brand buzz and a loyal customer following that tend to avoid imitators

The END - THANKS