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Blue Ocean Strategy
How do we compete in an effective way that brings results?

The competitive landscape in most every industry seems to be getting tougher and tougher... technology demands are going up, target audiences seem to be going down along with the population in many areas, and margins are getting tight. Sound familiar?

It is time to rethink how we approach the market.
Introducing . . .

Blue Ocean Strategy

The idea behind a Blue Ocean Strategy is to create an uncontested market space where the competition is irrelevant. This is achieved by capturing new demand and offering customers a leap in value while also streamlining your costs. Results? Handsome profits, speedy growth, and brand equity that lasts for decades while rivals scramble to catch up.
Compare to a Red Ocean Strategy
Red Ocean Strategy Overview

The Red Ocean Strategy is about competing in an existing market space that is generally crowded. You try to find a way to beat the market in a crowded space and exploit current demand rather than creating a demand. Often times, the only way to compete in a Red Ocean is to choose the strategy of low cost or distribution channel.
Red Ocean Strategy Overview

Why is a Red Ocean not a great place to compete?

With the advance of technology, removal of trade barriers, and people’s decision making becoming more price focused, differentiating brands has become harder and harder.

The result?
Fierce competition and tighter margins.
Blue Ocean Strategy

The Simultaneous Pursuit of Differentiation and Low Cost

A blue ocean 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 from eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and 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.
Blue Ocean Strategy

• How to apply the Blue Ocean Strategy:

  – Never use the competition as a benchmark, instead make the competition irrelevant by providing a leap in value and reducing costs. (Example: Model T)
  – Reduce your costs by also offering customers more value. (Example: Cirque de Soleil)
Blue Ocean Strategy

• What is the logic behind a Blue Ocean? It goes against what most of us would expect:

  – It is not about technology. Often the underlying technology is already in place; it just needs to be linked to buyer value and lower costs.
  – You do not need to venture into distant waters; most Blue Oceans are created within the industry, not outside the industry.
COMMON EXAMPLES OF RED OCEAN VS. BLUE OCEAN STRATEGIES
Red Ocean vs. Blue Ocean Toothpaste Example

**Red Ocean Environment**
- Crest
- Colgate
- Arm and Hammer
- Whitening
- Enamel Safe
- Cavity Prevention

**Blue Ocean Opportunity**
- Tom’s- organic, no fluoride
- Sensodyne- sensitive teeth
Red Ocean vs. Blue Ocean Fast Food Example

Red Ocean Environment
- McDonald’s
- Wendy’s
- KFC
- Sonic
- Hardee’s
- Burger King

Blue Ocean Opportunity
- Subway (when it started)
- Jimmy John’s (freaky fast!)
Red Ocean vs. Blue Ocean Car
Examples

Red Ocean Environment

____________________________
____________________________
____________________________
____________________________
____________________________
____________________________

Blue Ocean Opportunity

_________________________
Red Ocean vs. Blue Ocean Laundry Detergent Examples

Red Ocean Environment

Blue Ocean Opportunity
# Red Ocean vs. Blue Ocean

## Red Ocean Versus Blue Ocean Strategy

The imperatives for red ocean and blue ocean strategies are starkly different.

<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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<td>Align the whole system of a company's</td>
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Success and Satisfaction are linked to purpose

John 15:16
You have not chosen Me, but I have chosen you and I have appointed and placed and purposefully planted you, so that you would go and bear fruit and keep on bearing, and that your fruit will remain and be lasting, so that whatever you ask of the Father in My name [as My representative] He may give to you.
Share Your Businesses

• Are you competing in a Red Ocean or a Blue Ocean currently?

• Do you think there is an opportunity for a Blue Ocean?

• What might that look like? (Start thinking about it.)
Blue Ocean Examples - A Closer Look

• Cirque De Soleil
  – How did they create more value?
  – How did they reduce expenses?

• Ford Model T
  – How did he create more value?
  – How did he reduce costs?

• Apple Computer
  – How did they create more value?
  – How did they reduce costs?
Fundamental Change in a Strategic Mindset

• Red Ocean assumes that industry structural conditions are a given and firms are forced to compete within them. According to this view, companies and managers are largely at the mercy of economic forces greater than themselves. (Powerless)
Fundamental Change in a Strategic Mindset

- Blue Ocean strategy is based on a mindset that market boundaries and industries can be reconstructed by the actions and beliefs of industry players. (Empowering)
Scientific Method of Analysis and Testing
Let’s Walk Through the One Pager Elements to Help Formulate and Test a Blue Ocean Idea
CAN YOU THINK OF A BLUE OCEAN IN THE DOG KENNEL BUSINESS?
PET HOME STAY
(IN US - DOGGY VACAY)

• How do they create more value?
• How do they reduce expenses?
Let’s Walk Through the One Pager Elements to Help Formulate and Test Pet Home Stay (as an example)
What is an example of a transportation/taxi Blue Ocean out there right now?
Blue Oceans

Uber

• How do they provide more value?
• How do they reduce expenses?
Testing Allows Great Ideas to “See the Light of Day”

• Subway wanted to find out if they could do the $5 lunch special, but did not want to take the risk in all their locations because they were not certain if it would take off, would negatively affect their current business, work in every market, etc.
• They rolled out a test in a few markets, ensuring that they did not sway the results by location or demographics. Let’s talk about how to do that.
IMPORTANCE OF ISOLATING TEST AND CONTROL GROUPS

What are you trying to determine?
Control groups must be controlled . . . 😊
Importance of Isolating Test and Control Groups

• Limit the new thing you are introducing.
• Understand what is happening with your control group.
• Make it measurable
Importance of Isolating Test and Control Groups

- Bank example with testing monitors in line at the banks.
- If you were to test a new coffee drink and you have a chain (like Starbucks), how might you ensure it would produce accurate results?
DETERMINE WHAT YOU ARE TRYING TO ACCOMPLISH; TESTING IS NOT FOR FORMULATING STRATEGY, BUT FOR TESTING STRATEGY

Bank example of formulating vs. testing
Determine how to measure results.
Determine what you are trying to accomplish; testing is not for formulating strategy, but for testing strategy

- DOD Website example
- What strategy is being tested?
DESIGN THE EXPERIMENT

What is the best way to come up with an accurate assessment of the idea presented?
How will you ensure control?
Design the Experiment

How would you design an experiment to see if extended hours will increase profit at a restaurant with a posted closing of 8 PM?
ANALYZE THE EXPERIMENT

• How do you measure the results?
• How will you know if the idea makes sense?
Analyze the Experiment

• How would you analyze the results of the additional hours?
• What would be success in this case?
DEVELOP PLAN BASED ON RESULTS

• What do you do with the results?
• How might you use the results to develop a plan?
Develop Plan Based on Results

• What might you want to include in the plan regarding extending restaurant hours?
• How might you make adjustments in this situation?
Scientific Method of Analysis and Testing

1. Make an observation
2. Ask a question
3. Make a hypothesis
4. Conduct your experiment
5. Draw conclusions
6. Report your results
BLUE OCEAN TESTING STRATEGY

Taking the Scientific Method and Applying it at Multiple Levels of Your Business
DEVELOP YOUR SCIENTIFIC METHOD

• Use the template provided
• Group work with assigned business
Questions?

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