

# BLUE OCEAN STRATEGY (BOS)

Subtitle: *How to Create Uncontested Market Space and Make Competition Irrelevant*

Some brief notes from and about the above book written by W. Chan Kim and Renée Mauborgne, two professors from the INSEAD business school.

Collated by Paul Quek

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The *Blue Ocean Strategy* is a business strategy about capturing *uncontested* market space, thereby *making competition irrelevant*.

The "ocean" in the title refers to the market or industry:

- *Blue Oceans* are *untapped and uncontested market*, which provides little or no competition for anyone who would "dive" in, since the *market is not crowded*.
- *Red Oceans*, on the other hand, refers to a *saturated market* where there are *fierce competition*, already *crowded* with people (companies) providing the *same type of services*, producing the *same kind of goods*.

*The idea is to do something different from everyone else, produce something that no one has yet seen, thereby creating a blue ocean.*

Some examples of companies that created the *Blue Ocean* include:

- Cirque du Soleil (unique circus format)
- Gmail (tons of email storage space for free)

- Nintendo Wii (first home game console with movement sensor devices for gaming)

The frame-changing book, *Blue Ocean Strategy*, provides a systematic approach to making the competition irrelevant. Our two professors, Kim and Mauborgne, present a proven analytical framework and the tools for successfully creating and capturing *blue oceans*. They examine a wide range of strategic moves across a host of industries. They highlight the *six principles* that every company can use to successfully *formulate* and *execute blue ocean strategies*. The six principles show how to:

1. reconstruct market boundaries,
2. focus on the big picture,
3. reach beyond existing demand,
4. get the strategic sequence right,
5. overcome organizational hurdles, and
6. build execution into strategy.

### "Don't Compete with Rivals — Make Them Irrelevant"

Companies have long engaged in *head-to-head competition* in search of sustained, profitable growth. They have *fought* for competitive advantage, *battled* over market share, and *struggled* for differentiation.

Yet in today's overcrowded industries, competing head-on results in nothing but a *bloody red ocean of rivals fighting over a shrinking profit pool*.

In a book that challenges everything you thought you knew about the requirements for strategic success, Professors Kim and Mauborgne contend that while most companies compete within such *red oceans*, this strategy is increasingly unlikely to create profitable growth in the future.

Based on a study of 150 strategic moves spanning more than a hundred years and thirty industries, Professors Kim and Mauborgne argue that tomorrow's leading companies will succeed not by battling competitors, but by **creating blue oceans of uncontested market space ripe for growth**. Such strategic moves — termed "**value innovation**" — create powerful leaps in value for both the firm and its buyers, rendering rivals obsolete and unleashing new demand.

-- From Wikipedia, the free encyclopedia

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- These ideas are not for those whose ambition in life is to get by or merely to survive.
- These ideas are for those who want to make a difference, to create a company that builds a future where customers, employees, shareholders, and society win.
- Everyone, whether individuals or corporations do smart things and less-than-smart things. To improve the quality of our success we need to study what we did that made a positive difference and understand how to replicate it systematically. That is what the two professors-authors call making **smart strategic moves**. From their studies, they have found that *the strategic move that matters centrally is to create blue oceans*.
- **Blue ocean strategy** challenges companies to break out of the **red ocean of blood competition** by **creating uncontested market space** that makes the competition irrelevant. Instead of dividing up existing - and often shrinking - demand and instead of merely benchmarking competitors, **blue ocean strategy** is about **growing demand and breaking away from competition**.
- **Blue ocean** thinking is to be distinguished from competition-based strategic thought.

- The formulation and execution of *blue ocean strategy* should be as *systematic and actionable* as competing in the *red waters of known market space*. Only then can companies step up to the challenge of creating *blue oceans* in a smart and responsible way that is both opportunity maximizing and risk minimizing.
- No company - large or small, incumbent or new entrant - can afford to be a riverboat gambler. And no company should.

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From Wikipedia, the free encyclopedia:

### **Nintendo's Blue Ocean**

*Blue Ocean* is a name for Nintendo's new marketing strategy.

According to Perrin Kaplan, "Seeing a *Blue Ocean* is the notion of *creating a market where there initially was none* -- going out where nobody has yet gone."

Simply put, Nintendo wants to make games for non-gamers as well as gamers. Unlike most video games, which are designed for young male gamers, games like Nintendogs and Brain Age appeal to female and older audiences. Nintendo hopes to continue this trend with the Wii.