

Source: **Blue Ocean SHIFT, Beyond Competing**

By: W. Chan Kim & Renee Mauborgne

&

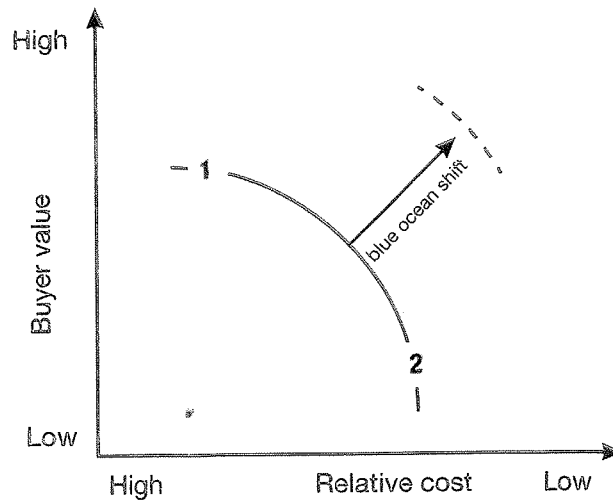
From Market Driven To Market Driving



By Nirmalya Kumar, IMD, Lausanne

Lisa Scheer, University of Missouri, Columbia

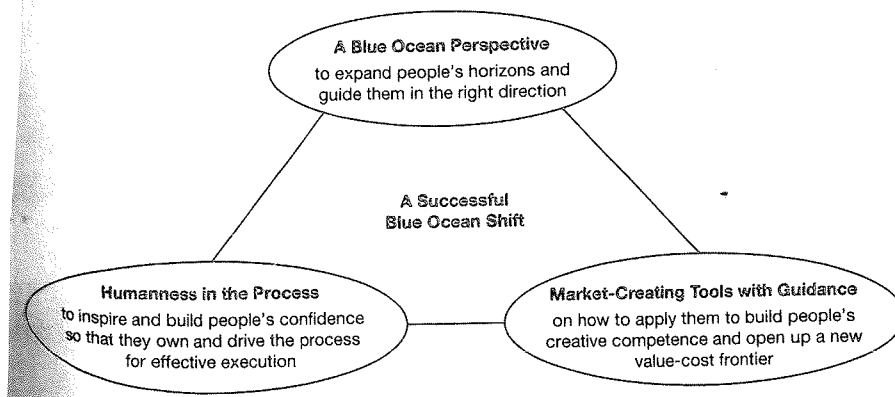
*Philip Kotler, J.L. Kellogg Graduate School of
Management, Northwestern University*

From Market Competing to Market Creating

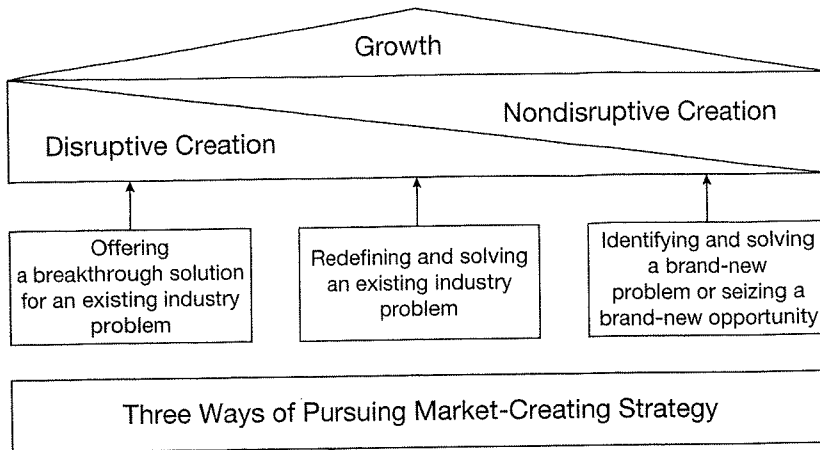


-  In pursuit of differentiation or low cost to compete on the existing productivity frontier of an industry as depicted by Michael Porter
-  In pursuit of differentiation *and* low cost to open up a new value-cost frontier

The Three Key Components of a Successful Blue Ocean Shift

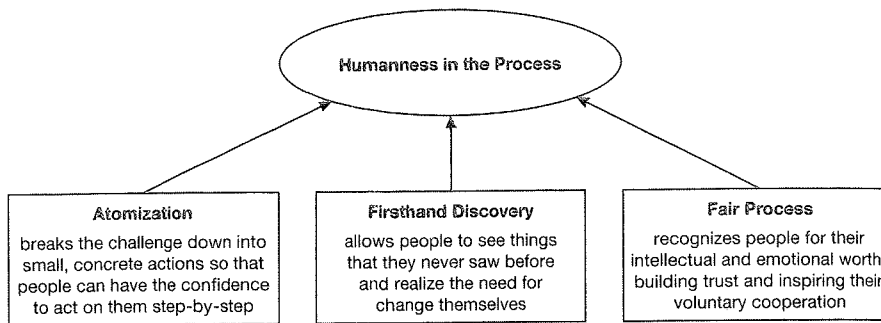


A Growth Model of Market-Creating Strategy



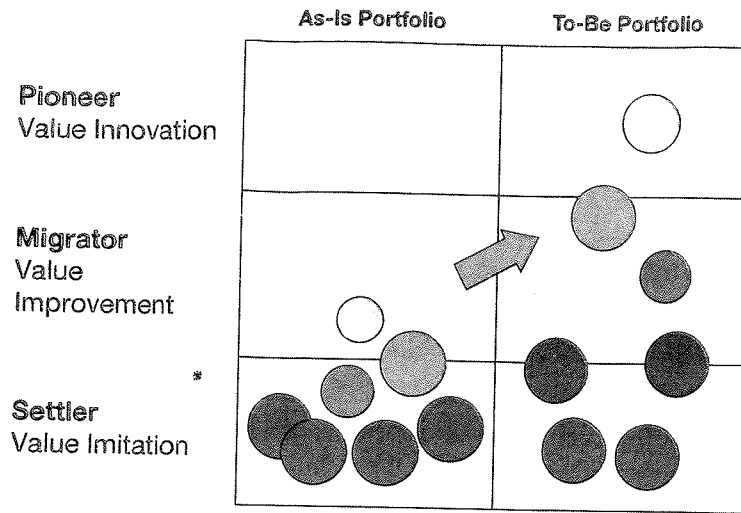
Offer a Breakthrough Solution for an Existing Industry Problem

How Humanness Is Built in the Process

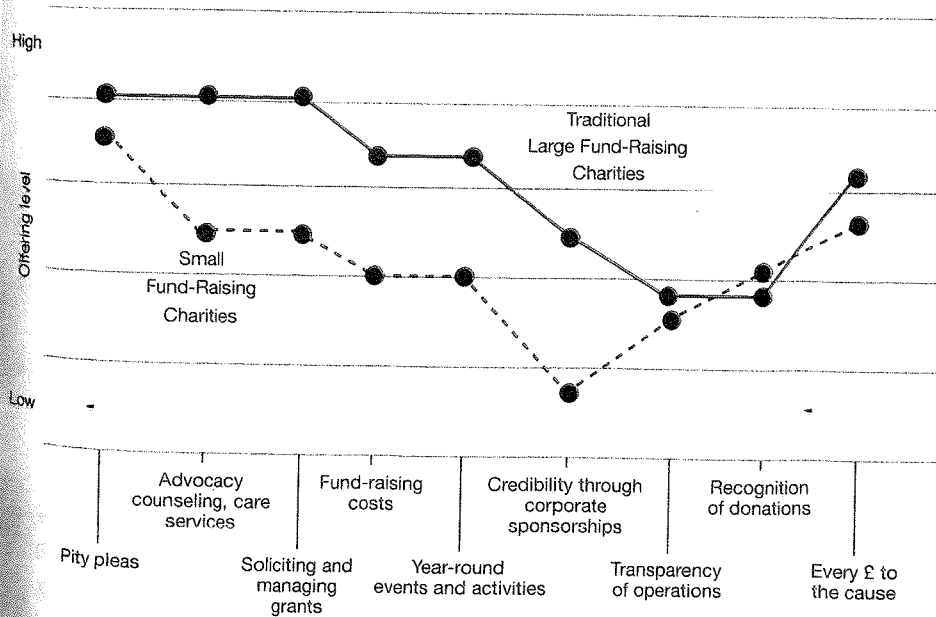


Creating a Healthy, Balanced Portfolio: The Case of the Consumer Appliance Company

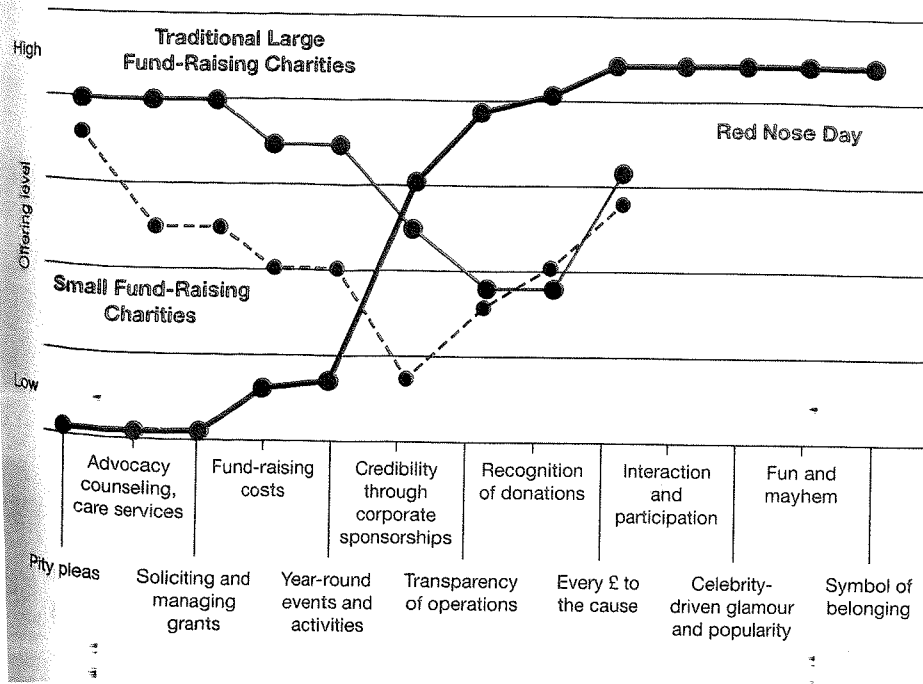
Pioneer-Migrator-Settler Map



Strategy Canvas of the UK Charity Fund-Raising Industry (Pre-Comic Relief)



Strategy Canvas of Comic Relief "Doing Something Funny for Money"



The Buyer Utility Map

The Six Stages of the Buyer Experience Cycle

	Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity						
Simplicity						
Convenience						
Risk Reduction						
Fun & Image						
Environmental Friendliness						

The Six Utility Levers

Uncovering the Blocks to Buyer Utility

Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity:					
					What is the biggest block to customer productivity in each stage? What are the key reasons for this block?
Simplicity:					
					What is the biggest block to simplicity in each stage? What are the key reasons for this block?
Convenience:					
					What is the biggest block to convenience in each stage? What are the key reasons for this block?
Risk Reduction:					
					What is the biggest block to risk reduction in each stage? What are the key reasons for this block?
Fun and Image:					
					What is the biggest block to fun and image in each stage? What are the key reasons for this block?
Environmental Friendliness:					
					What is the biggest block to environmental friendliness in each stage? What are the key reasons for this block?

What Each Utility Lever Means

To ensure that everyone is clear on what each buyer utility lever means, below is a summary for your easy reference:

Productivity: Anything to do with efficiency—less time, effort, and/or money—in fulfilling buyers' needs.

Simplicity: Anything that eliminates or minimizes complexity or mental hassle.

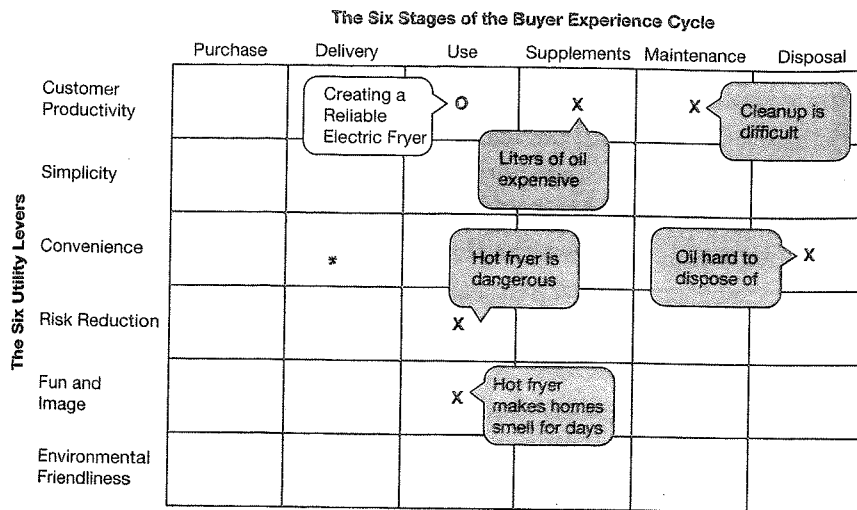
Convenience: When and where I want something—like 24/7, 365.

Risk Reduction: This may be financial, physical, and emotional, including reputation.

Fun and Image: This is the tangible and intangible aesthetic look, feel, attitude, and style an offering conveys.

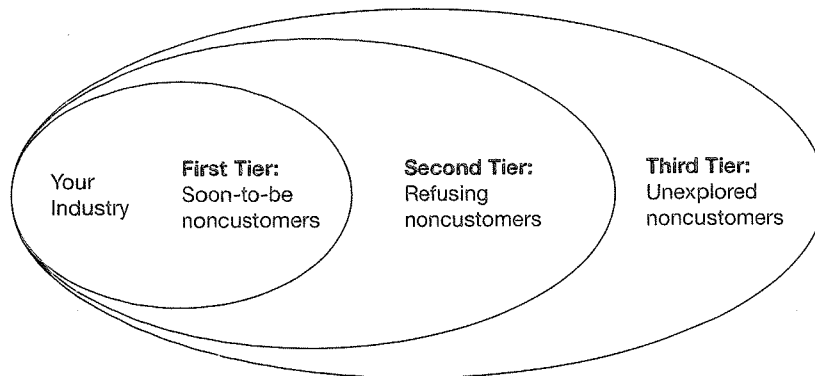
Environmental Friendliness: This utility lever is about "green" matters. Is your offering environmentally friendly? Or do buyers prefer your offering because of your organization's strong reputation for environmental friendliness?

The Buyer Utility Map of Electric Home French Fry Makers: Pre-Groupe SEB's ActiFry



X = pain point that blocks buyer utility
 ○ = utility space the industry currently focuses on

The Three Tiers of Noncustomers

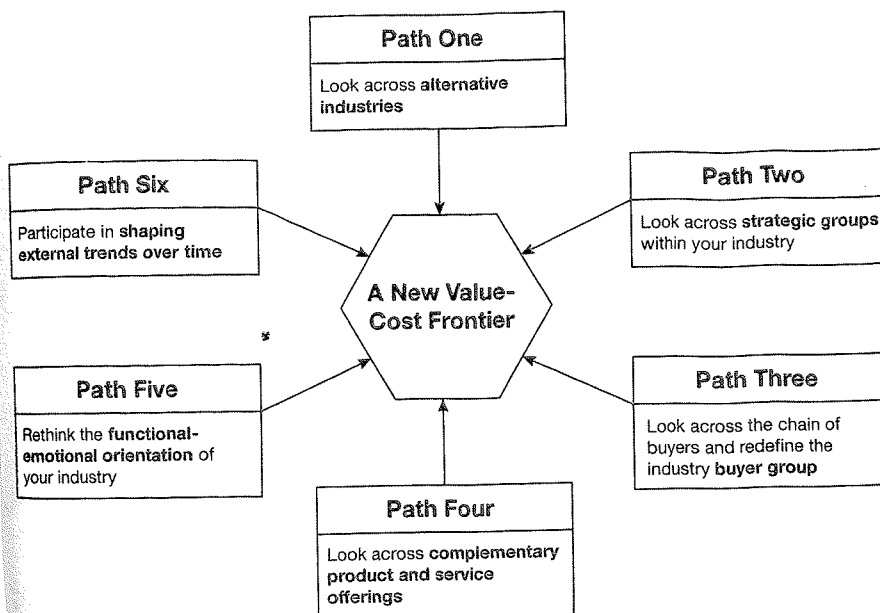


*
 First-tier "soon-to-be" noncustomers are on the edge of your industry, waiting to jump ship.
 Second-tier "refusing" noncustomers consider your industry and then consciously choose against it.
 Third-tier "unexplored" noncustomers are currently in seemingly distant markets.

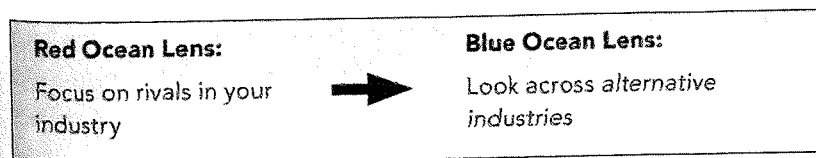
Table 9-1 Noncustomers in Various Industries

	First Tier of Noncustomers	Second Tier of Noncustomers	Third Tier of Noncustomers
The Credit Card/ Debit Card Industry	Small and midsize merchants that reluctantly accept credit and debit cards for payment	New business, microbusinesses, and self-employed individuals who do not accept credit or debit cards	Individuals needing to make payments to other individuals
The UK Charity Fund-raising Industry	Older wealthy individuals who feel frustrated with year-round solicitations for funds	Young professionals who choose not to donate, due to the lack of transparency in percentage of funds that go to the cause	Children and low-income individuals who never thought of donating
The Language Translation Industry	Large corporations frustrated by the time, expense, and fractured nature of securing language translation of business materials, including website copy, brochures, product documentation, etc.	Midsize organizations that don't use translation services for the vast majority of languages, even though, with the Internet, people from virtually every country can be their potential customers	Individuals with blogs and small organizations, who never thought of using language translation, even though it could open a far wider global audience and customer base for them
The Orchestra Industry	Individuals who attend concerts once a season or every few years, as it's seen more as something they should do than something they want to do	Individuals who can afford to attend but choose not to, as they find the experience boring, outdated, or too pretentious	Individuals who never considered going to the orchestra, as they have no real knowledge of classical music and feel the orchestra experience is essentially for the educated elite, not ordinary people

The Six Paths to Open Up a New Value-Cost Frontier



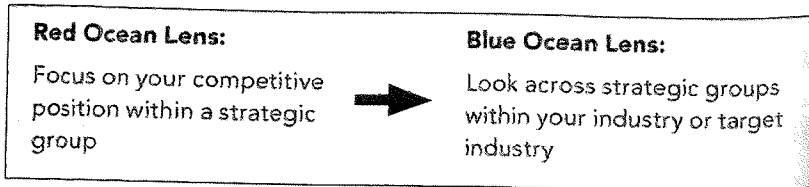
Path One: Look Across Alternative Industries



Path One: Action Steps

1. Identify the major problems or needs that your industry's offering or your target industry's offering solves or addresses from the buyers' point of view.
2. Next ask, What alternative *industries* solve the same problems or address similar needs for buyers? Here we encourage people to role-play and ask, "If I were the buyer, what other alternative industries would I consider before even deciding to patronize our industry?" That helps people shift from a supply to a demand perspective.
3. Among these alternative industries, which capture the greatest catchment of customers? Focus here. Interview buyers from each relevant alternative industry.
4. Probe why buyers traded across your industry or target industry and this (these) alternative(s), including what they see as the chief negatives of the industry they rejected and the chief positives of the alternative industry they choose.
5. Record all the key insights gained. A recording template for each path can be downloaded for free at www.blueoceanshift.com/ExerciseTemplates.

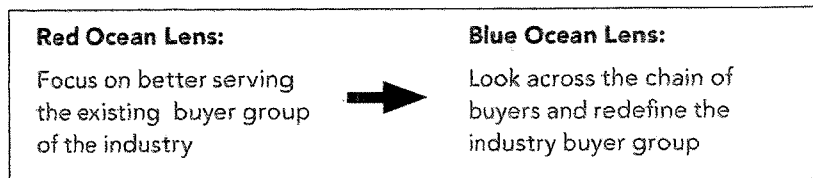
Path Two: Look Across Strategic Groups Within Your Industry



Path Two: Action Steps

1. Identify the strategic groups in your industry or target industry.
2. Focus on the two largest strategic groups.
3. Interview buyers from each group. Probe why buyers traded up for one strategic group or traded down for the other. Focus on identifying the distinguishing factor(s) that led users of each strategic group to patronize it over the others. Ask the same people what they saw as the dominant negative or turn-off of the strategic group they rejected.
4. Record all the key insights gained, noting specifically the reasons buyers offer to explain their decisions.

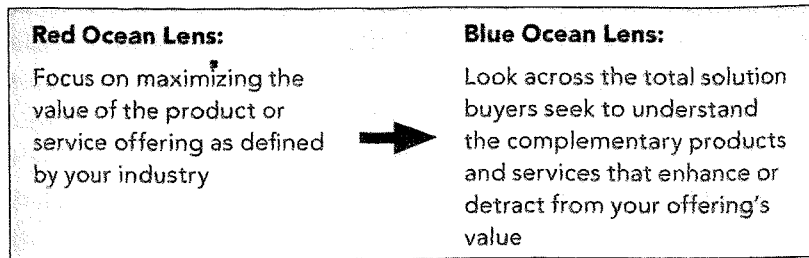
Path Three: Look Across the Chain of Buyers



Path Three: Action Steps

1. Identify the chain of buyers—users, purchasers, and influencers—in your industry or target industry.
2. Identify the main buyer group your industry or target industry currently focuses on. Then shift your focus to those the industry has largely ignored.
3. Interview buyers from the “untargeted” buyer groups. Probe for their different definitions of value. Drill down to the biggest blocks to utility and costs the industry currently imposes on them.
4. Record the insights from each “untargeted” buyer group and group like-minded responses together.

Path Four: Look Across Complementary Product and Service Offerings

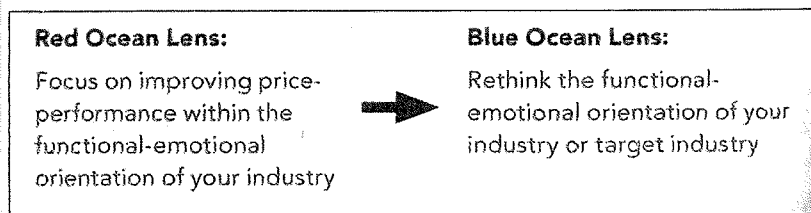


Path Four: Action Steps

1. Look at the real context in which your offering is used by identifying *what happens before, during, and after* its use.
2. Observe buyers as they actually use your product or service. In recording the insights gained, group insights you uncovered so that patterns in the frequency or criticality of observed blocks to utility can be discerned.
3. Use the buyer utility map and the noncustomer tool to guide your observations.
4. Record all insights gained.

*

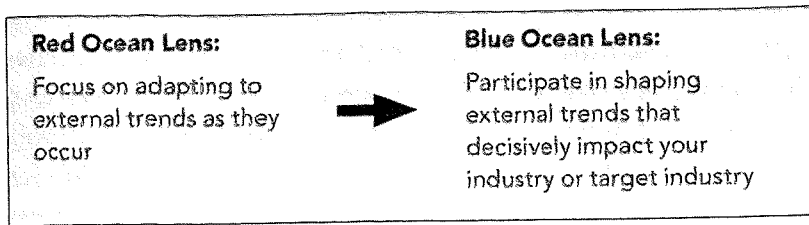
Path Five: Rethink the Functional-Emotional Orientation of Your Industry



Path Five: Action Steps

1. Identify the industry's current orientation. Is it predominantly functional or emotional?
2. Listen to customers and noncustomers characterize your industry or target industry. Probe the top characteristics that reflect why they see it as functional or emotional.
3. Look for commonalities across their responses and group like-minded comments.
4. Explore what the offering would look like if you flipped the orientation.
5. Record all insights gained.

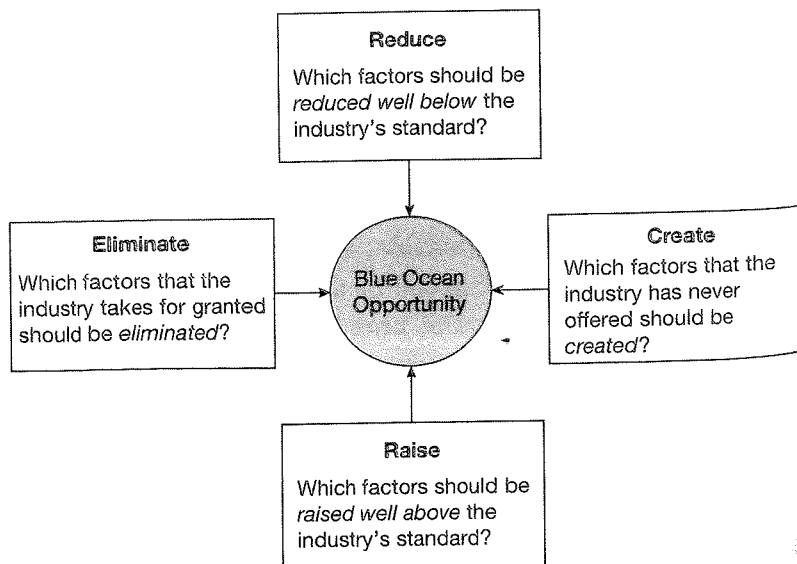
Path Six: Participate in Shaping External Trends Over Time



Path Six: Action Steps

1. Identify the three to five trends that are seen as having a decisive impact on your industry or target industry. Give people the option of doing secondary research online to complete this.
2. Discuss and assess the relevance of these trends to your industry. Focus on those that are commonly seen to decisively impact your industry or target industry.
3. Discuss and assess the extent to which each trend is irreversible.
4. Discuss and assess whether each of the trends is evolving along a clear trajectory.
5. List the implications of all the trends that are decisive to your industry, irreversible, and evolving in a clear direction. Detail how each will change what buyers value and how that would impact your business model over time.
6. Record all insights gained.

The Four Actions Framework

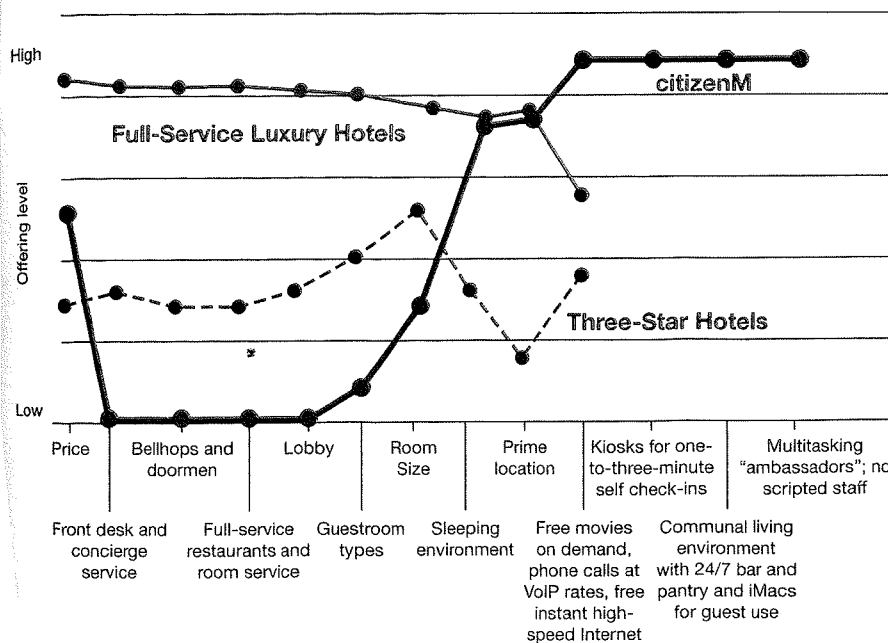


The Eliminate-Reduce-Raise-Create (ERRC) Grid: The Case of citizenM

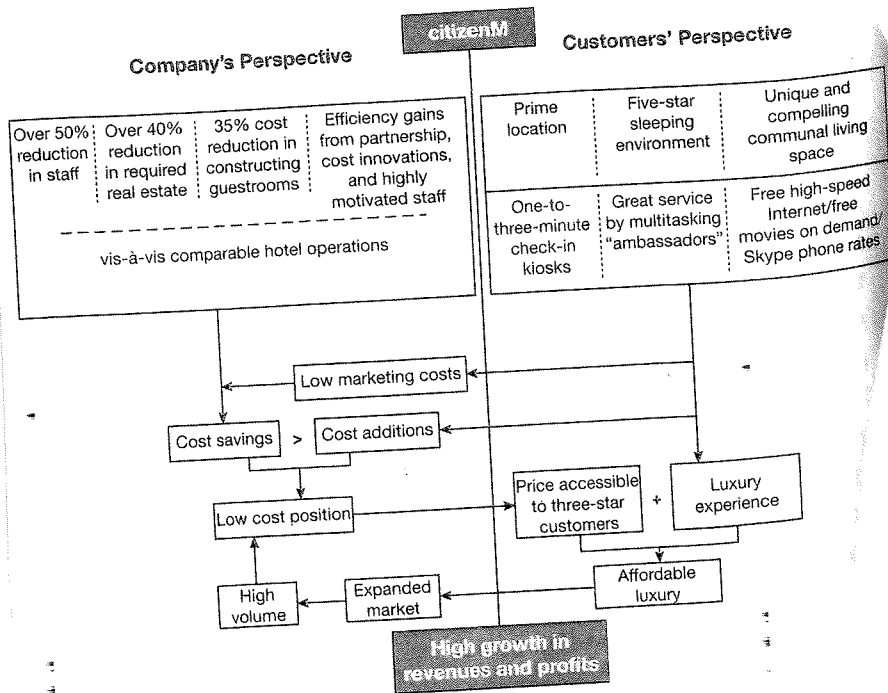
Eliminate	Raise
<p>Front desk and concierge service</p> <p>Bellhops and doormen</p> <p>Full-service restaurants and room service</p> <p>Lobby</p>	<p>Sleeping environment—extra-large bed, luxurious linens, quietness, shower power</p> <p>Prime location</p> <p>Free movies on demand, phone calls at VoIP rates, free instant high-speed internet, and lots of plugs for guests' gadgets</p>
Reduce	Create
<p>Guestroom types</p> <p>Room size</p> <p>Price vis-à-vis luxury hotels'</p>	<p>Kiosks for one-to-three-minute self check-ins</p> <p>Communal living environment with 24/7 bar and pantry and iMacs for guest use</p> <p>Multitasking "ambassadors" hired for warmth and a can-do attitude; no scripted staff</p>

Strategy Canvas of citizenM at the Time of Its Launch, 2008

"Affordable Luxury for the People"

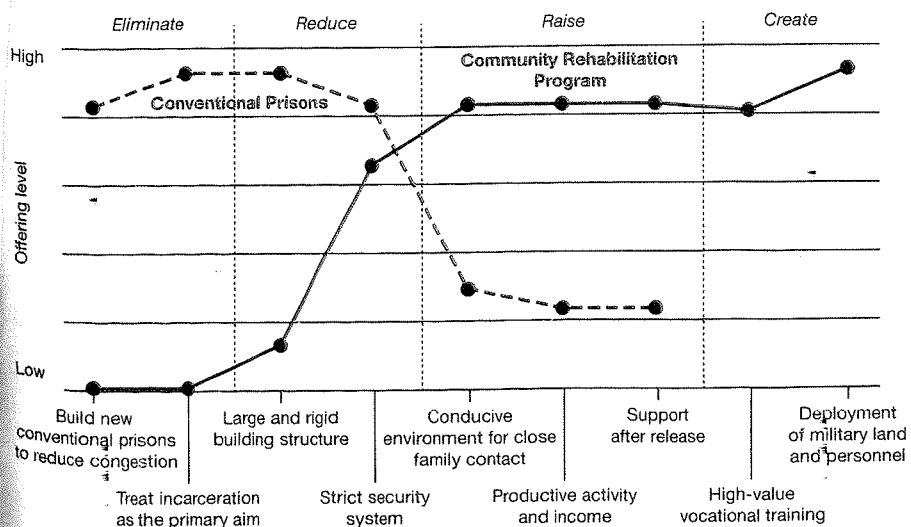


How citizenM's Business Model Works



Strategy Canvas of Malaysia's Community Rehabilitation Program

"Give a Second Chance Through Rehabilitation, Not Incarceration"



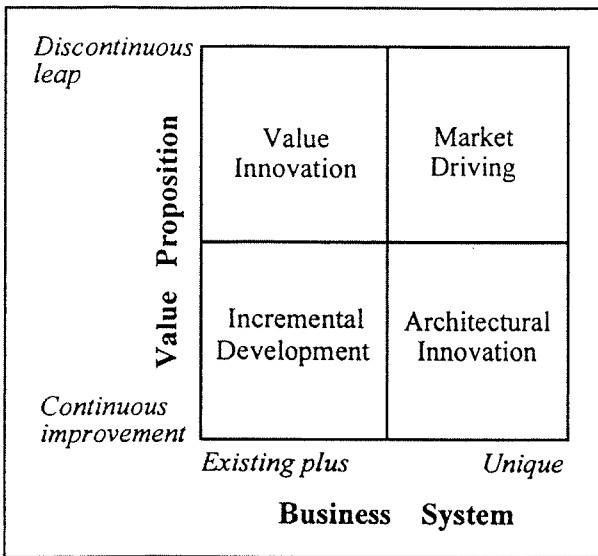


Figure 1 Types of Strategic Innovation

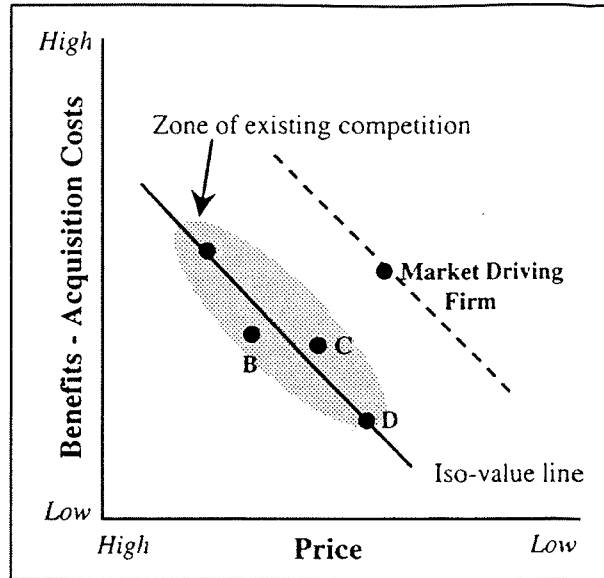


Figure 2 Leap in Customer Value

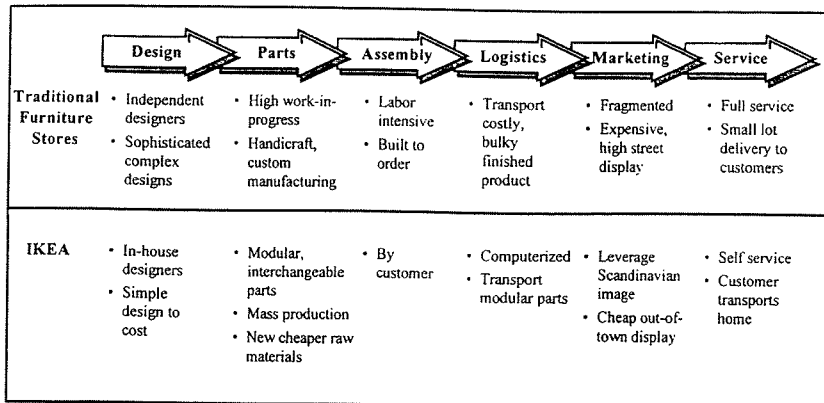


Table 1 Four Orientations to Marketplace

	Sales driven	Market driven	Customer driven	Market driving
Marketing strategy	Mass marketing (how to sell?)	Differentiated marketing (what image to build?)	Relationship marketing (who to serve?)	Revolutionary marketing (how to change the rules of the game?)
Segmentation strategy	Undifferentiated	Market segments	Segments of one	Destroy industry segmentation
Market research				
'Focus'	Market testing (how to sell it?)	Market sensing (what does the market want?)	Customer sensing (what does this customer want?)	Forward sensing (how can the marketplace evolve)
'Listen to'	R&D	Voice of the market	Voice of the customer	Seeing differently
Price management	Cost plus	Perceived value	Bundling/unbundling	New price points
Sales management	Sell products	Sell image	Sell solutions	Customer education
Channel management	Maximum coverage	Product/market fit	Multiplex systems	Channel reconfiguration
Brand management	Product superiority	Broadcast for brand equity	Dialogue for corporate equity	Exploit 'buzz network'
Customer service	Expense	Tactical weapon	Strategic weapon	Overwhelm expectations
Product development	New products	Incremental innovation	Integrating product/service platforms	Radical innovation