

## **Red Ocean Strategy**

**(Pursuit of differentiation OR low cost)**

Compete in existing market space

Beat the competition

Exploit existing demand

Make the value-cost trade-off ( either / or )

Align the whole system of a firm's activities with its strategic choice of differentiation of low cost

Value creation or addition = added value

Assumes that the company is the source of innovation

## **Blue Ocean Strategy**

**(Pursuit of differentiation AND low cost)**

Create uncontested market space

Make the competition irrelevant

Create and capture new demand

Break the value-cost trade-off

Align the whole system of a firm's activities in pursuit of differentiation and low cost.

Value innovation = innovative value

Assumes that the strategic move is the source of innovation

### **Questions for Creating a Blue Ocean Strategy:**

Which of the factors that the industry takes for granted could/should be eliminated?

Which factors should be reduced well below the industry's current standard?

Which factors should be raised well above the industry's current standard?

Which factors should be created that the industry has never offered?

Does your industry compete on functionality or emotional appeal?

If you compete on emotional appeal, what elements can you strip out to make it functional?

If you compete on functionality, what elements can be added to make it emotional?

### **Suggestions for Developing a Blue Ocean Strategy:**

Look across strategic groups within industries

Look at alternative industries to your industry

Look across the chain of buyers

Look across complementary product and service offerings

Look across functional or emotional appeal to buyers

Develop VALUE CURVES to compare customer alternatives

Develop a PIONEER – MIGRATOR – SETTLER (PMS) Map to identify opportunities.

Identify a clear-cut and compelling tagline.