

White Paper: Time to Find Your Blue Ocean Strategy®?

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Since 2007, I have done over 200 workshops on “Change Matters: How to Find New Market Space” which weaves Blue Ocean concepts, theory and methodologies into our work as corporate anthropologists and innovation games facilitators. Our job is to help organizations “see, feel and think” in new ways. It is hard to move past the power of “habits” and the structure of a brain’s “mind-map” so they can see opportunities that might be right before them. We know how their brains discount new ideas because the new doesn’t fit the old and the habits take over and drive what you see – not what really is.

For a long time we have been getting lots of inquiries from company seeking Blue Ocean Strategic support. Before the 2008 recession they were often companies that had stopped growing. They had stalled. After the recession the calls changed. They knew that they had managed to survive the recession of 2008 and yet business is not growing at the pace they would like. Could a Blue Ocean Strategy help?

This SAMC White Paper emerged from the observations I had working with these companies, their leadership, management and staff and often their customers as well.

Before we go into the 5-Steps for you to explore a Blue Ocean Strategy, let me share with you my top ten blue ocean observations for you:

1. Value + Innovation are the core of business. You are in business to solve business problems whether you are in a B2B or a B2C industry. Regardless, if you don’t want to be commoditized you need to creatively add value in innovative ways. But, you ask, how do you do that?
2. “Heat of the Herd” is what people really like even if it doesn’t help them get to where they need to go.
3. “You don’t want to be the best of the best—you want to be the **only one** who does what you do,” as Gerry Garcia once said. Are you?
4. Innovation is Random—a “[Click Moment](#)” as Franz Johansson calls it. Yet ideas are all around you. Are you open to that moment?

5. Business schools teach analysis—versus divergent, creative thinking. Where will you learn how to be innovative?
6. Mind takes shortcuts—preventing us from seeing.
7. Do not outsource your eyes—do not get someone else to do your research for you.
8. This is really about having ***the courage to be different.***
9. Don't give people what they want-- ***give them something much better.***
10. ***You, yes “you,” can really think about your business in new ways? You can “see, feel and think with new “eyes.” And, you can craft and launch a Blue Ocean Strategy? Why not? Why now?***

So how do you do a Blue Ocean Strategy?

Let's begin.

Step 1

What is the problem you are trying to solve? Typically it is that your company has stalled, failed to sustain profitable growth, found yourself stuck in a very “red ocean” of bloody competition. The real nemesis is the business model where you are trying to benchmark yourself against others in your industry. Or where you have attended so many trade shows in your own category that you can almost recite what your competition is doing by memory. You keep trying to differentiate your own business, your talent, your approach, your processes, your value proposition from others that seem to be just like you. A zero-sum game, you and others just seem to divide up a highly competitive world into those that win and the rest.

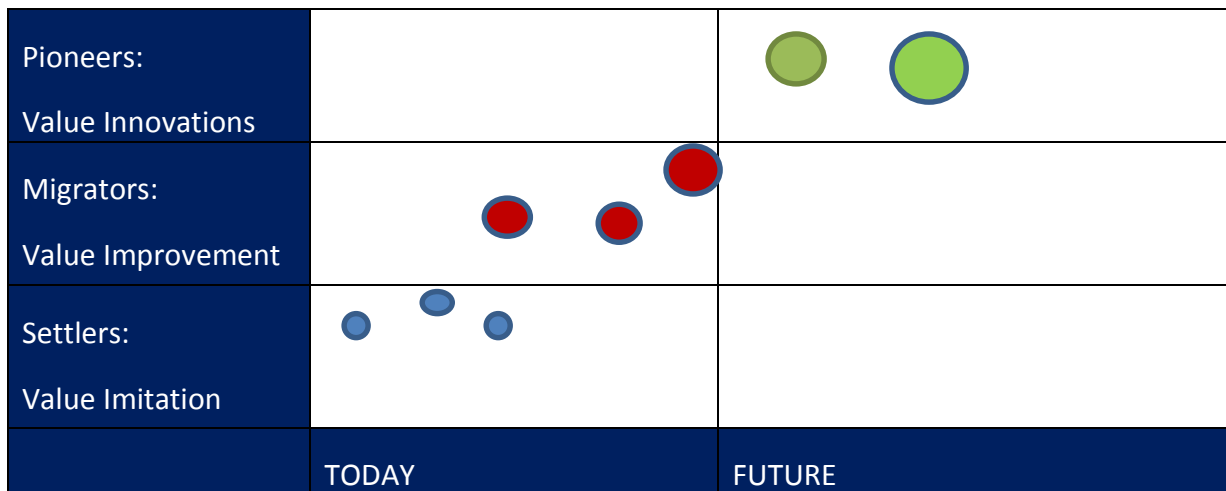
To a great extent, the strategic models taught in business schools and preached by the leaders in the field—be they Michael Porter or Peter Drucker or Tom Peters or Jim Collins or the rest. They told you to do your SWOT analysis to see where you were strong (and leverage it), weak (and address it), had opportunities (that you could capitalize upon) or threats (that you needed to tackle). You defined your market and your target customer segments and went at it—trying to find your point of difference and hold onto it in a way that was meaningful to your customers at a price that gave you a margin.

In Blue Ocean thinking, however, we stop competing altogether and make the competition irrelevant by not focusing on existing market space. Rather you “reconstruct” your market

space, creating a new market, adding value in highly innovative ways, tackling the unmet needs and demands of nonusers who found solutions in alternatives to your business offerings and create demand not just fulfill it.

Sounds like something you need to do, which is often when our clients discover they need a hand in reinventing themselves. Let’s map out the first part of the journey:

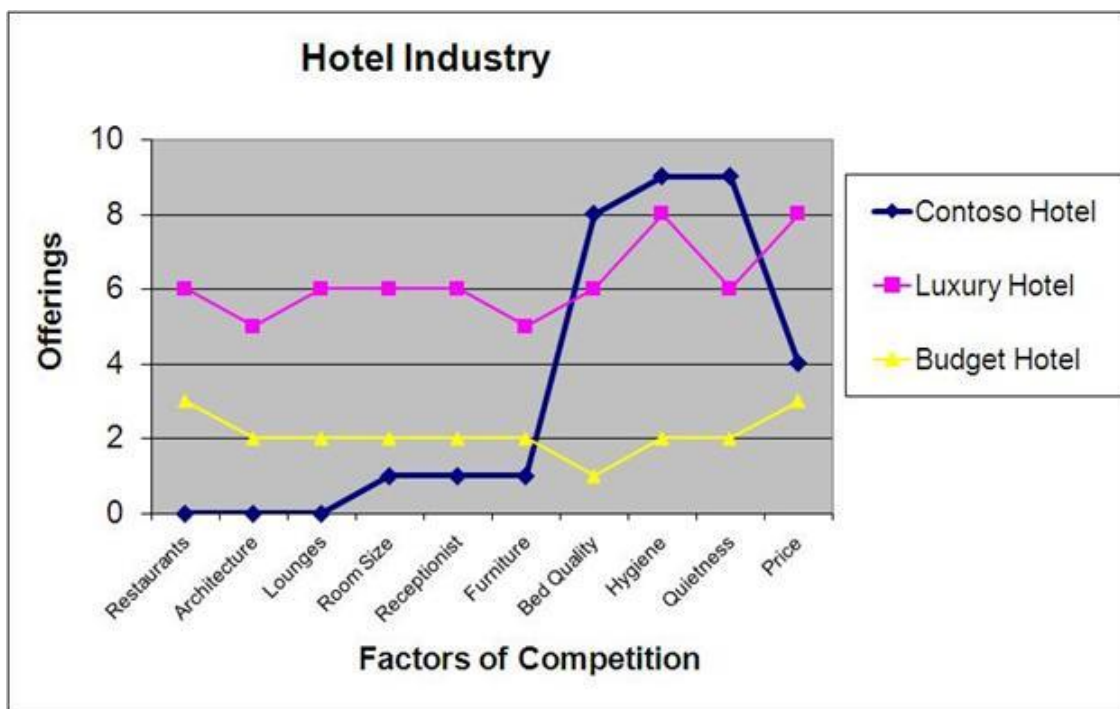
1.The first thing you should do is to take stock of where your products and services fit in your own industry. The tool we like to use for a start is the Pioneer, Migrator, Settler chart (PMS). On this chart begin to plot your products and services in terms of their degree of competitive innovation, monopolistic positioning and ability to differentiate their solutions from the market itself. This is a different way to take a look at what you are offering and how it fits into market needs and demands. Over time all products and services find themselves pushed back into a settler positioning as new products arise and the value you are offering no longer offers solutions in innovative ways.



2. The second thing you should then do is take a good hard look at yourself. Do this by drawing a “Strategic Canvas.” Try to do it for the entire organization or you can do it for different lines of business; however your investment strategy is organized. The canvas allows you to picture the value you are adding today by plotting your investment against your major competitor(s) along the core areas that the industry is investing in today.

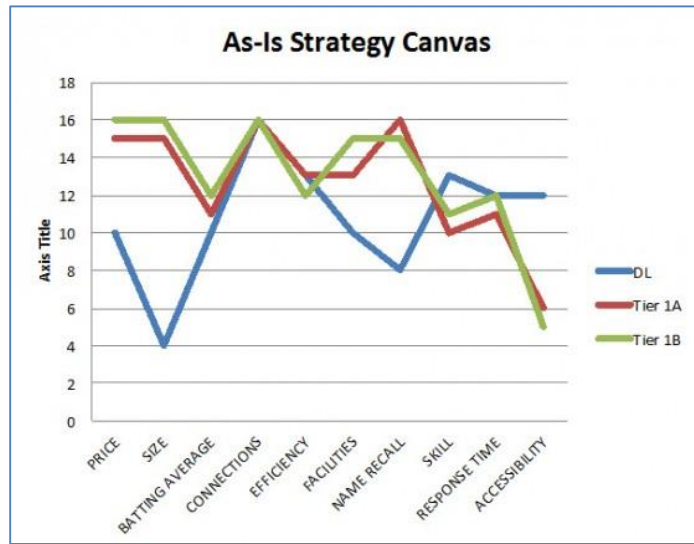
Here are two you can start to examine:

- a. The first is of the Hotel Industry for Contoso Hotel.



What is clear here is that high priced luxury hotels are well invested in the key factors of competition for the Contoso Hotel. The budget hotels are not distinguishing themselves except as a low priced competitor. For the Contoso Hotel their strategy is to heavily invest in the Bed quality, hygiene and quietness to offer a meaningful point of difference in a highly competitive and over built industry.

- b. The second is for lawyers.



For this law firm there is clearly a significant difference in their pricing strategy against the Tier 1A and Tier 1B competitive sets. While they believe that they are smaller they are yet very similar to their competition—almost to the point of being easily replaced by them, albeit at a price difference that they might believe is a meaningful difference.

The value of price is placed in the first box. The areas of industry focus are the other categories. I like my clients to think of these as their P's: Products, Promotions, Placement, Pricing, People. It took me over five hours with one client's management team to get them to agree on what they were competing on and how invested they were relative to their competition. In most cases you will find that you are not sure what your competition is focused on, investing in or differentiating themselves on. The strategic canvas combined with the Pioneer, Migrator, Settler chart now begins to get you to have that Visual Awakening that is so necessary for you to expand your vision beyond what you are and do today into what you could do in the future.

Accept the fact that this is going to be a journey that if you craft your path well you can capture significant market space in innovative ways and hold onto it until another company leaps over you to create an entirely new market space all over again.

Step 2 Visual Exploring

We are working with a company's entire leadership team that is really devoted to using the tools of Blue Ocean strategic thinking to help them reinvent their business. They had a very successful niche in the home building market, but when the home construction industry collapsed and their products became more commoditized they were forced to rethink everything. Truly everything!

As we began to work together, the management team went through the Visual Awakening phase of the process, as we showed you above in Step 1." They mapped out their strategic canvas and identified their current market space, a very a saturated market with diminished demand as the housing industry virtually collapsed. They had positioned themselves as a premium product, like a fine wine, at a premium price point. Without rising demand, it was going to be very challenging for the near future and maybe longer.

To find out, we took them exploring. Visual exploration is at the core of Blue Ocean thinking-for good reason. We know that what we "see and feel" helps us better "think" about the problems to be solved and the ways to understand what we are really doing. If you see something or hear somebody talking about a problem they cannot solve something in your brain goes, "Aha, there is the opportunity for us." You cannot really imagine what your customers or clients are worried about. What are their pain points?

So we went together out to places they might never have previously paid attention. We went out to their clients to listen to them talk about their challenges. Then we went out to visit non-clients to see how things like flooding and building remediation took place. We went to see how other industries on the Internet were doing things. We weren't selling anything. We just want to listen with new ears and see with fresh perspective. Were there unmet needs among nonusers that might let us convert great products into new solutions for new markets?

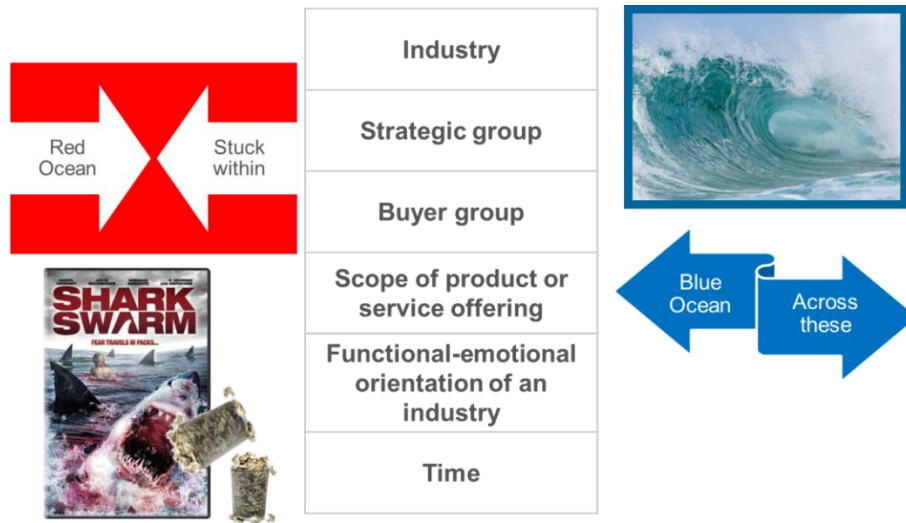
And sure enough there were. Where should you go Visually Exploring?

Not where you normally go. Don't go to your typical trade show. Or talk to your typical client. Instead, try these ideas to organize your exploration.

1. Look Across Industries. Think about what Netflix did to Blockbuster and what Red Box is doing to Netflix. How could your company rethink how it does things?
2. Shift to new Market Segments. Where are new market segments emerging that you are not focused on because they are beyond your normal scope?

3. Refocus on Buyer Group. Perhaps there are ways you can change your focus onto buyer groups you are not paying attention to today—like pharmaceutical companies did when they marketed to people who used their medications, not the doctors prescribing their pills.
4. Scope of your operations. Maybe you are very good at running something today—a factory or a doctor’s office—but you could change your scope and run dozens of factories or doctors’ offices in the future.
5. Functional and emotional options. If what you do is very serious, maybe you can do to make it fun. Yellow Tail made wine easy and fun to drink. Just look at their website.
6. Time. Can you leap frog over what is being done today and do it better. What trends have a high probability of impacting your industry, are irreversible, and evolving in a clear trajectory. How can you open up new ideas with unprecedented value ahead of the rest?

Here are the Six Paths to help you think about where to go exploring.



If you want to go exploring don't forget a few simple things:

1. Black Books and Thought Walks. Get yourself a little black book and start an idea book in it. The brain is very stingy; if you have an idea, you will forget it very quickly. So you need an idea book where you write down random thoughts. Take a thought walk. What might you see that you haven't seen before?

2. Online, things are happening. One thing that occurred to our home building client was that people were using their product in the equivalent of 'off-label' ways. A remediation expert sent them a video of how he was using their materials to absorb water from floods. Who is using your products in ways you never expected?

3. Opportunities are calling. Sit and listen in on your phone lines. What is your service or sales staff saying "no we don't do that?" what could you be doing?

You might try to go Visually Exploring and see what might be right in front of you. Let us know what you find. It might open up an entirely new market space for you to leap over others and create for your company. Forget that competition—it is very bloody Red! One last thought: Get out of the office and never outsource your eyes.

Step 3

The essence of creating a Blue Ocean Strategy is grounded in the premise that you lack information about two big areas of opportunity:

1. **Non-users**—who could use you but never think of you, refuse to use you, or only occasionally choose your solutions
2. **Unmet Needs**—where are those pain points and unmet needs where people do go-around's because they have not found a good solution

Who are Those Non-Users with Unmet Needs? They are often right in front of you. One way to find them is to dig into their actual experiences when they are searching for a solution and see if you can make yours work for them. To better understand those pain points, we use the Buyer Experience Map:

Look Across the Buying Cycle for Your Products

The Six Stages of the Buyer Experience Cycle

		1.	2.	3.	4.	5.	6.
		Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Think About How to Add Value	Customer Productivity						
	Simplicity						
	Convenience						
	Risk						
	Fun and Image						
	Environmental friendliness						

Imagine the buying cycle for your company’s products or services. The one shown here is generic; make yours specific. This one begins with where and how people and companies search for a solution to their problem. From left to right on the vertical axis, it maps out where and how they purchase a product, how delivery takes place, how they use a solution/product, how they find/buy supplements or maintain it, and how they dispose of it. For your current customers, map out the buyer experience cycle as you believe it is today.

On the left horizontal axis are the Six Levers. How could you add value in an innovative way and make:

- The Customer More Productive—that might be a strong opportunity
- Buying your solution More Simple—Simple sells better than you think
- Using it More Convenient—regardless of what you offer, Convenience can be a big differentiator
- Less Risk—take out or diminish the Risk and you can add real value
- Fun and Adventure—reverse what you know and see how you can add more Fun and Adventure across the Buyer Cycle
- Environmental Friendliness—it does matter and it could open a big market space

Think about Pain Points across the Buying Cycle. Once you have mapped it out, go down each column and ask about the **Pain Points** that a potential user might have along their buying cycle. Where could you help them **Get Rid of the Pain** in the future?

Pain Points are all those things that keep someone from finding you, buying you, using you and replenishing, supplementing or even disposing of your products/solutions.

What do you see?

Once you have identified what you think are the major pain points, take your map to customers and find out if you are right. Where do they have trouble finding products? Is using your product more complex than you thought? Can they easily dispose of what you are selling them?

How could you rethink your current business model to include better, more innovative solutions that could open a new market for you, differentiate you from competitors, and make them irrelevant?

What about those non-users?

Now imagine this for non-users who might be future customers of your company, if you only could better understand what their real needs were. Could you create demand for your new innovative solutions?

For one client, [EAC/Integrated Power Solutions](#), an OEM in the battery design industry, the CEO found that his customers had unmet needs and were not using him for several power solutions that he could provide—from chargers to consulting expertise. He was actually walking away from the charger solutions that over half his top customers wanted him to provide. To what are you saying “no, we don’t do that here?”

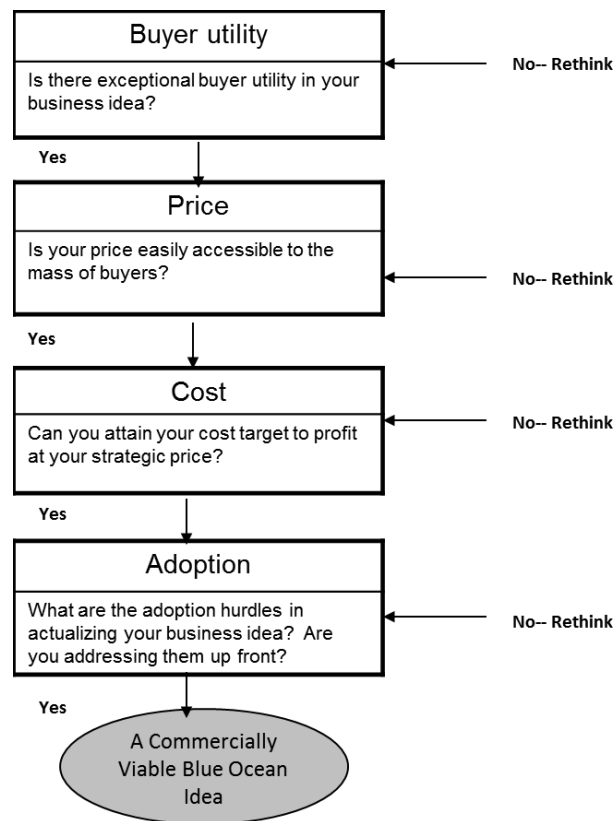
In another example, customers were asking a different client of ours for all types of specialized chain. They were having a difficult time finding what they were looking for—they had pain. He only manufactured traction chains for snow. All of a sudden, he realized that people were searching for chain – all sorts of chain – and while it was not a “big Blue Ocean” it was enough to grow his company in new directions.

The moral? Test what your gut is telling you. Don’t stay in your office and imagine this. Once you have mapped it, get out and actually walk through the buyer’s experience yourself. Try to buy something from you and then try to use it. Experience all the moments of discomfort or outright pain.

Step 4

My hope at this point is that you have already begun your Blue Ocean Strategic exploring, you have tackled your strategic canvas for today’s business, and you are beginning to see those new markets emerging before you. Maybe you have even had an adrenaline surge in the brain, that “aha” moment that is telling you that you can see some “big idea” blasting through. Usually we fall in love with the idea but run away from how to turn it into a business that can generate real value for your new customers, even existing customers and for your company as well.

Step #4 is all about what’s next: Getting the Strategic Sequence Right. Here is what you should start to think about.



Let me explain how Blue Ocean thinking reverses everything. First, your traditional way of thinking about strategy is really going to be inverted. Since you are trying to create demand in a new market you have to shift the focus in new directions. Hard to tackle the competition and worry about market share. You have to create demand.

Take your idea or ideas and test their usefulness, utility for the buyer, not for your company but for those who are going to be using your new product or service. You are looking for a mass of buyers who are going to love the new idea you are developing because it:

- Makes their jobs easier or simpler
- Takes away the complexity along the entire buying cycle
- Makes them more productive
- Reduces the risk
- Increases the fun or adventure
- Is environmentally friendly

These are the key levers to consider. Can think about how your new idea opens up a market by eliminating the pain that buyers have had in doing something before or by adding value in an innovative, creative way? If so, you are on to something. If not, go back and think again. More of the same but cheaper is not what this is all about.

Second, change the pricing strategy. Rather than think “cost + = price” go backwards. At what price point can you open a new market space, preferably a mass market space, creating demand for your idea because of its simplicity or how it improves user’s productivity or makes something rather functional into something that is more fun? You are probably going to have to test this on target markets in clever ways since they aren’t sure of the value of your new idea yet.

When Yellow Tail went into the market to lure non-wine drinkers to their new wine they priced a bottle at the \$6.99 level so it was about the same as a premium beer, not a budget wine. They were appealing to beer drinkers, not wine drinkers, so their pricing was important so a Bud drinker would trade up to a Yellow Tail wine when they were having a party. What is the equivalent for you big idea?

Third, once you have an idea about the pricing strategy, eliminate unnecessary costs to get to your margin. What are unnecessary costs? All too often they are in the over-built product with unnecessary complexity or technological add-ons that really don't add value. When Ford built the Model T he reversed everything that was being done for custom cars and wealthy buyers and created a simple (black-only) car for the masses. What is the equivalent for your product or service? Have you over designed it? Or invested too heavily in the materials going into it or even in the sacred area of customer service? Remember how Southwest makes the traveling experience completely different for their passengers, even with free baggage, by taking away complexity and making it more fun.

Finally, the adoption hurdles are critical to your success. These are as often your current distributors or clients as it is internal staff within your company. As you go through your process of developing this strategy begin with a serious look across the buying cycle of who is going to say "no but that's not how we do it." For many of my clients, one of the first adoption hurdles is with their distributors, their clients in their minds. For one, they realized that their distributors were really not distributing their traditional products in their classic way any longer. They were buying less and less inventory and might never be the right venue for opening a new market space. Or, they might be but could not be expected to embrace the changes and lead the charge. Even liquor stores turned away from Yellow Tail before they realized that Yellow Tail was attracting entirely new non-wine drinkers to their stores.

Among our clients they realized that new methods for reaching consumers and even to reach business clients were emerging, even partnerships with competitors that were changing their entire distribution process. Going direct to the end user through an Amazon stores, eBay or retail sites was growing business in new ways that opened up access to new markets. When they began to look at the end users and how to reach them they also realized that they had limited marketing experience or expertise.

Here was often the biggest adoption hurdle: their own team was reluctant to risk their jobs to change their business and point it in new directions. Getting alignment is as important as getting traction in the market.

Let's Wrap It Up

You have decided that more of the same, even cheaper is no longer the right strategy for you and your company. Its time to take a leap and swim in a new market space -- that blue ocean of unmet needs and nonusers. The one thing that I will tell you is that if you "believe" that you

can, you will. All of the clients that we have worked with really had blue ocean opportunities right before them but couldn't see them. Even when they had a client or two actually asking for the new "blue ocean" product or service, and they often actually delivered on it, they still couldn't believe that here was an opportunity to grow in new directions. It was far easier to stay focused on the "core business." It was even better to feel the frustration of competing in a "red ocean" where others, just like you, were all going after the same customers in much the same way. While you might say you aren't Yellow Tail or Southwest airlines, you really could be. Give it a try and see what you can "see, feel and think" about and then "do" it. Let us know how you are swimming and we can share your story among others who, like you, want to grow in these challenging times.

You can reach us at info@simonassociates.net. Or check out other Blue Ocean stories at www.simonassociates.net. Follow us at @andisamc or @simonandi.