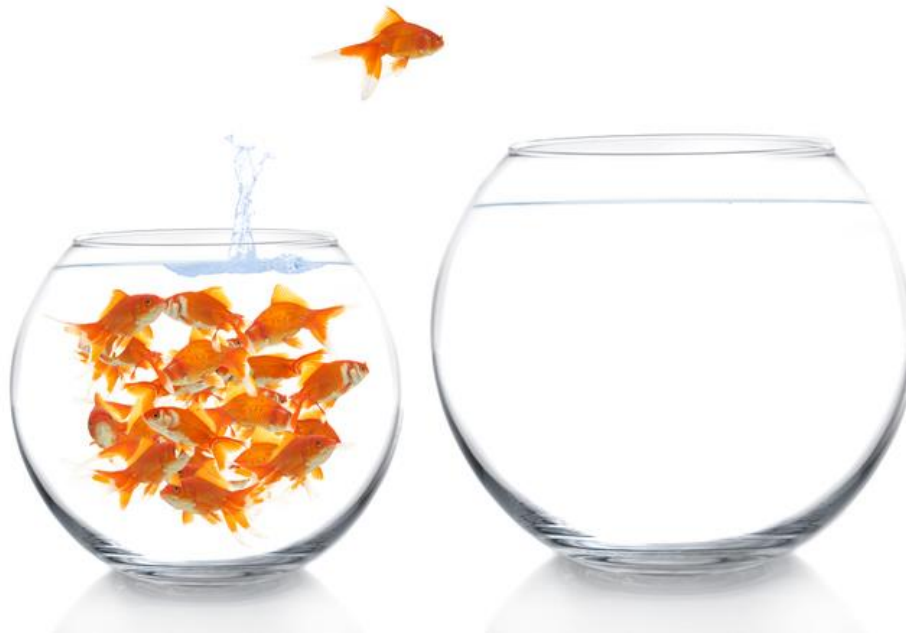


TIME TO FIND YOUR BLUE OCEAN STRATEGY®?



BY ANDI AND ANDY SIMON
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At [Simon Associates Management Consultants](#) (SAMC), our job is to help organizations “see, feel and think” in new ways. Since 2007, we have led over 200 workshops on “Change Matters: How to Find New Market Space,” weaving Blue Ocean® concepts, theory and methodologies into our work as corporate anthropologists and Innovation Games® facilitators. We are trained Blue Ocean Strategists and are furthering the work that W. Chan Kim and Renée Mauborgne developed.

Our experience informs us that it is hard to move past the power of habits and the structure of the brain’s “mind-map” in order to see opportunities that are often right in front of us. Our brains discount new ideas because the new doesn’t fit the old. Established habits take over, driving what we see—not what really is.

For quite some time, we have been getting inquiries from companies seeking Blue Ocean Strategy® support. Before the 2008 recession, these were often companies that had

stopped growing. They had stalled. But after the recession, the calls seeking our help changed. Companies that had managed to survive the Great Recession gradually realized that their business was not growing at the pace they wanted. Could a Blue Ocean Strategy help?

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

Before we go into the steps for pursuing a Blue Ocean Strategy, I'd like to share my top 10 Blue Ocean observations from the work we have done with clients:

1. **Value + Innovation are at the core of business.** You are in business to solve business problems, whether you are in a B2B or a B2C industry. Either way, 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. **"The Heat of the Herd" is what people really like**, even if it doesn't help them get 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*,"** Jerry Garcia once said. Are you?
4. **Innovative Ideas are Random**—a ["Click Moment" as Frans 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. **The mind takes shortcuts**—which prevent us from seeing.
7. **Do not outsource your eyes**—do not let someone else 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," really can 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 now? Why not?***

So how do you do a Blue Ocean Strategy?

Let's begin.

Step 1: Taking Stock

What is the problem you are trying to solve?

Typically, it is that your company has stalled, has failed to sustain profitable growth. You find yourself stuck in a very "red ocean" of bloody competition. The real nemesis here is an

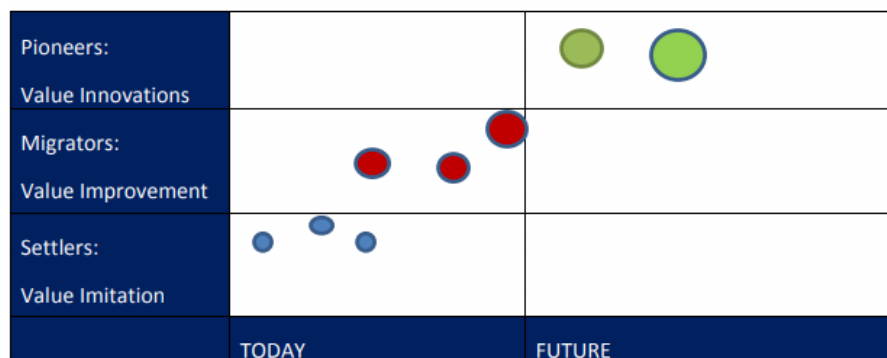
outmoded business model which tells you to benchmark yourself against others in your industry. Or where you have attended so many trade shows in your own category that you can almost recite by memory what your competition is doing. You keep trying to differentiate your own business, your talent, your approach, your processes, your value proposition from others that really are just like you. This is a zero-sum game: you and others dividing up a highly competitive world into winners and also-rans.

To a great extent, the strategic models taught in business schools and preached by the leaders in the field—such as Michael Porter or Peter Drucker or Tom Peters or Jim Collins—tell you to do your SWOT analysis to see where you are strong (leverage it), weak (address it), have opportunities (capitalize upon) or have threats (need to tackle). You define your market and your target customer segments and go at it—trying to find your point of difference and hold onto it in a way that is meaningful to your customers at a price that gives you a margin.

In Blue Ocean thinking, however, you 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, and tackling the unmet needs and demands of nonusers who found solutions in alternatives to your business offerings. *You create demand, not just fulfill it.*

Sound like something you need to do? Let’s map out the first part of the journey:

1. The first thing you need to do is take stock of where your products and services fit within your own industry. The tool we like to use is the [Pioneer, Migrator, Settler chart](#). On this chart (below), begin to plot your products and services in terms of their degree of



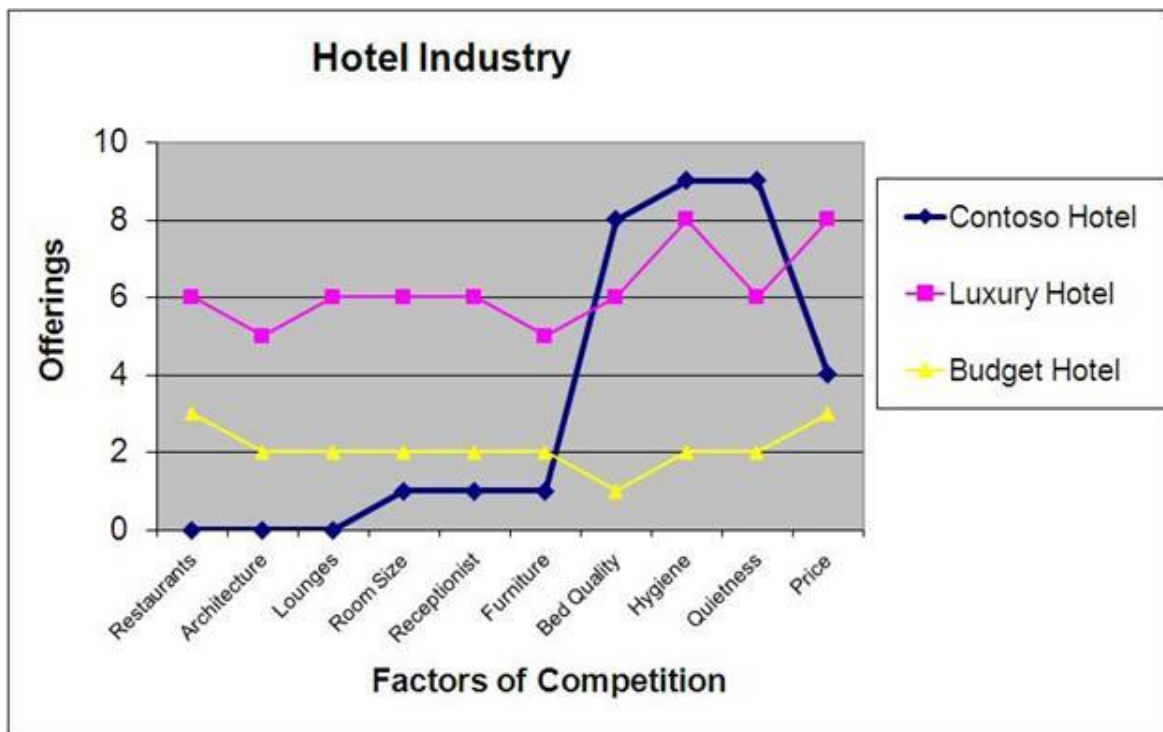
competitive innovation, monopolistic positioning and ability to differentiate their solutions from the market itself. This is a different way of looking at what you are offering and how it

fits into the market’s 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 need to do is take a good hard look at yourself. Do this by drawing a “Strategic Canvas.” Try to do it for your entire organization or 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 where the industry is investing today.

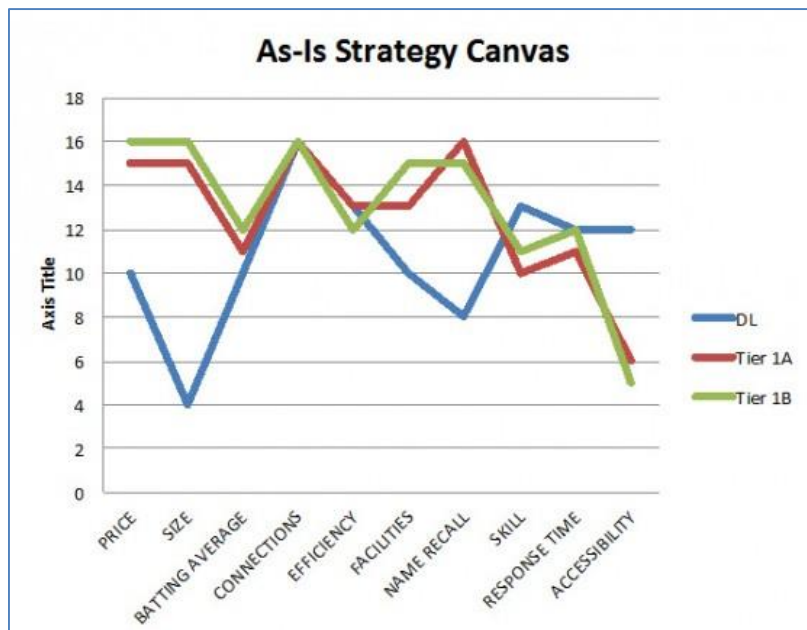
Here are two you can study:

a. Hotel Industry: 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. Budget hotels are not distinguishing themselves except as a low-priced competitor. For the Contoso Hotel, the strategy is to heavily invest in the “bed quality,” hygiene and quietness in order to offer a meaningful point of difference in a highly competitive and overbuilt industry.

b. Legal Industry: lawyers



For this law firm, there is clearly a significant difference in its pricing strategy against the Tier 1A and Tier 1B competitive sets. While the firm believes it is smaller, it is in fact very similar to its competition—almost to the point of being easily replaced by them, albeit at a price difference that might be perceived as meaningful.

The value of price is placed in the first box. The areas of industry focus are the other categories. I advise my clients to think of these as their **Five P's: Products, Promotions, Placement, Pricing, People**. (With one client's management team, it took me over five hours 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 enables you to have a Visual Awakening—necessary if you are ever to expand your vision beyond what you are today and realize what you could be in the future.

Accept the fact that this is going to be a journey. The reward? 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: Go Visually Exploring

At SAMC, we at one time worked with a home building company's entire leadership team who are completely committed 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 (Step 1, above). They mapped out their strategic canvas and identified their current market space: a very 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 solutions, we took them visually 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 someone talking about a problem they cannot solve, something in your brain says, “Aha, there is an opportunity for us.” You cannot really imagine what your customers or clients are worried about; you need to hear them tell you. What are their pain points?

Our strategy: With the client, we went together out to places that the client might never before have paid attention to. We visited *their* clients to hear them talk about their challenges. Then we went out to visit *non-clients* to see how things such as flooding and building remediation took place. We studied how other industries on the Internet were doing things. We weren't selling anything; we just listened with new ears and saw with fresh perspective. Were there unmet needs among non-users that might lead us to convert great products into new solutions for new markets?

Sure enough, there were. Where should you go Visually Exploring? Hint: 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 Groups. Perhaps there are ways you can change your focus to buyer groups that you are not paying attention to today—like pharmaceutical companies did when they marketed to people who used their medications, not to the doctors prescribing their pills.

4. Expand the Scope of your Operations. Maybe you are very good at running something today—a factory or a doctor’s office—but if you changed your scope, you could maybe run dozens of factories or doctors’ offices in the future.

5. Explore Functional and Emotional Options. If what you do is very serious, maybe you can do something to make it fun. Yellow Tail made wine easy and fun to drink. You can tell just by looking at [their website](#).

6. Capitalize on Timing. Can you leapfrog over what is being done today and do it better? What trends have a high probability of impacting your industry, are irreversible, and are evolving in a clear trajectory? How can you open up new ideas with unprecedented value ahead of the rest?

To help you think about where to go exploring, consider these 6 Paths:



If you want to go exploring, remember a few simple things:

1. Black Books and Thought Walks. Get yourself a little black book and turn it into an idea recorder. The brain is very stingy; if you have an idea, you will forget it very quickly. That’s why you need an idea book where you can 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. Listen in on your phone lines. When is your service or sales staff saying “No we don’t do that?” What *could* you be doing?

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 the competition—it is very bloody red! One last thought: Get out of the office and never outsource your eyes.

Step 3: Identify Pain Points

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**—those 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:

The Six Stages of the Buyer Experience Cycle

	1. Purchase	2. Delivery	3. Use	4. Supplements	5. Maintenance	6. Disposal
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 Your Solution More Convenient—regardless of what you offer, Convenience can be a big differentiator
- Buying Your Product or Service Less Risky—take out or diminish the Risk and you can add real value
- The Experience Revolve Around Fun and Adventure—reverse what you know and instead, see how you can add more Fun and Adventure across the Buyer Cycle
- Experiencing Your Product More Environmentally Friendly—it does matter and it could open a big market space

Think about Pain Points across the Buying Cycle. 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. 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?

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 in your category? 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 up 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 discovered that his customers had unmet needs and were not using him for several power solutions which he actually could provide—from chargers to consulting expertise. He was literally walking away from charger solutions that over 50% of his top customers wanted him to provide. To what are *you* saying “No, we don’t do that here?”

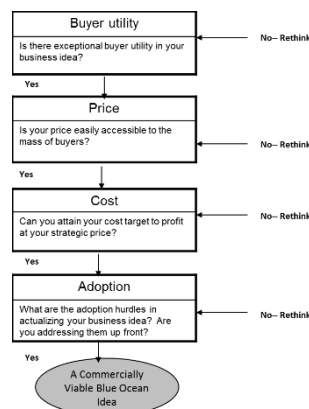
In another example, customers were asking a different client of ours for all types of specialized chain. They were having a difficult time finding what they were looking for—they had pain. He only manufactured traction chains for snow. All of a sudden, he realized that people were searching for something that he could provide if he only repositioned his company to offer a variety of chain—not just one. While 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: Getting the Sequence Right

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 some “big idea” is blasting through.

Step #4 is all about what’s next: Getting the Strategic Sequence Right. To do that, here is what you should think about:



Let me explain how Blue Ocean thinking reverses everything.

First, your traditional way of thinking about strategy is completely going to be inverted. Since you are trying to create demand in a new market, you have to shift the focus in new directions. It's hard to tackle the competition *and* worry about market share. ***You have to create demand.***

Take your idea or ideas and test their usefulness, their 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.

Can you see how your new idea opens up a new market by eliminating the pain that buyers have felt in doing something? Does it add 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 about.

Second, change the pricing strategy. Rather than thinking “cost + = price,” go backwards. At what price point can you open a new market space, preferably a mass market one, creating demand for your idea because of its simplicity? Or how it improves users’ 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 won’t recognize 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—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. They wanted a Bud drinker to trade up to a Yellow Tail wine when he/she was having a party. What is the equivalent for your 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 an over-built product with unnecessary complexity or technological add-ons that really don’t add value. When Henry 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 often your current distributors or clients as much as the internal staff within your company. As you go through

your process of developing this strategy, start with a serious look across the buying cycle of who is going to say “No, that’s not how we do it.”

For many of our clients, one of the first adoption hurdles is with their distributors: their “clients” in their minds. For one such client, they realized their distributors were not distributing their traditional products in the classic way any longer. They were buying less and less inventory and therefore would probably never be the right avenue for opening a new market space. Or, they might be but they could not be expected to embrace the necessary 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.

Step 5: Building Execution into Strategy, Together

Change is literally pain. Humans don’t understand why this is so, but in actual fact, their brain creates chemical reactions to learning new things and it feels like pain. It’s important to understand that unless you are in a crisis mode, changing your organization is going to be tough. Your staff will hope you know what you are doing but they will watch to make sure...they will be observing what you do when you see something that can become your new Blue Ocean Strategy and help you turn your team around so they see it as well. You must build alignment in your organization or they will undermine your vision and turn it into another incremental innovation (or maybe into nothing at all).

To illustrate this point, here is a memorable quote by the French diarist Anais Nin: *“We don’t see things as they are. We see things as we are.”*

Think about this in terms of your team and your organization. They are habit-driven. They know what they always have known very well. Now it is time to swim new strokes in a new sea. How can you help them? Their brains are going to fight them and their social groups, their culture and their tribes, are going to resist change.



To bring about successful execution, Kim and Mauborgne focus on the power of fair process. It is grounded in people’s willingness to follow a change or a decision if it appears that there has been a fair process followed in getting to the decision.

This means three important things:

1. **Engagement.** Staff has been engaged in the process that led to the new decisions. This also means that they have been engaged in the debate, the discussion and the ultimate strategic model that was decided upon. From a neuroscience perspective, it also means that they can change the story in their brains to embrace the new one. They understand the elements of the story that support the new one and they can visualize how to behave to be on strategy. If you want to read more about “Managing with the Brain in Mind,” read [David Rock’s](#) article in Strategy + Business.
2. **Explanation.** This focuses on taking the engaged parties and getting them to elevate the decisions to those who are important to the company or organization, not to just a few individuals. In the process, you have created a method for listening and getting valuable feedback for keeping the process moving forward or redirecting it when obstacles arise.
3. **Expectation Clarity.** You are on a new journey. You see new markets before you. You need to have new organizational dynamics, expectations and accountabilities. Are employees going to be held accountable for what they used to do or what they have to do now? Will you scrap the old customers or keep them while you go after new ones? Perhaps you will have to restructure the entire operation. People buy with emotion and justify with reason. So as you begin to move forward, make sure it “feels” right to your staff. You might have to review that staff and make sure you have the right people in the right positions to perform the right jobs.

To learn more about Kim and Mauborgne’s approach to overcoming the barriers you will find in your own organization, I refer you to their internationally-acclaimed book, “[Blue Ocean Strategy](#).” It is grounded in the fundamentals of how to change an organizational culture. Additionally, it particularly focuses on how to apply Blue Ocean Strategy to your own [leadership process](#).

In Conclusion

I now return to SAMC’s worried home building client: using Blue Ocean Strategic Thinking, they gradually realized that new methods for reaching consumers and even business clients were emerging, and partnerships with competitors were changing their entire distribution process. Going direct to the end-user through Amazon, eBay or retail sites became a savvy and effective way to grow their business and open up access to new markets. When this client began to look at their end-users and how to reach them, they also (painfully) realized that they had limited marketing experience and/or expertise.

The biggest adoption hurdle? Their own team was reluctant to risk their jobs to change the company and point it in new directions for success. How shortsighted and backward-looking.

Learn from their mistakes and don't let this happen to you! As you start down the Blue Ocean road, it's absolutely vital to realize that **getting alignment is as important as getting traction** in the market.

Is it time to find your Blue Ocean? If so, jump in and start swimming.

About the Authors



At [Simon Associates Management Consultants](#), we specialize in helping companies discover innovative ways to “see, feel and think” about their business. As [culture change experts](#) and trained practitioners in [Blue Ocean Strategy®](#), we teach organizations how to [adapt to change](#) by applying the tools, methods and principles of [corporate anthropology](#). [Contact us](#) to schedule a consultation to find out how we might help your organization drive change, overcome challenges and reach your potential for success.

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