Breakthrough Brief: Blue Ocean Strategy and the Breakthrough Toolkit™

Blue Oceans are defined by creating new market space in existing markets and generally are created by expanding existing industry boundaries by providing new value (value propositions) at an overall lower cost.

By contrast, Red Oceans consist of the industry players generally providing the same or similar value by competing within an existing set boundary of offering characteristics. While it is important to out-compete competitors where realistically possible, that plan is usually insufficient to create new growth and desired long term profits from red oceans.

The essential elements of Blue Ocean Strategy work are:

- **Value Innovation:** Instead of focusing on beating the competition, you make the competition irrelevant by creating a leap in value for customers. Value innovation is created in the region where a company's actions address both its cost structure and value proposition.
- **Formulation and Execution:** Utilizing a defined methodology with analytical tools.
- **Principles:** The underlying principles that drive effective execution of the blue ocean strategy.

A primary tool of Blue Ocean is to create a strategy canvas that portrays the relative performance of the existing competitors vs. the offering characteristics provided to the market. With Red Ocean the actual performance tends to track each other with one competitor on top on some characteristics and other competitors on top on other characteristics. The point is that they all are similar. Blue Ocean is where a competitor is clearly distanced from the others.

Data collected and analyzed using the Breakthrough Toolkit (BT) can display the strategic canvas and thus identifies the Red Ocean as well as the Blue Ocean opportunities. Blue Ocean opportunities can be enhanced by concept tests, also included in the BT design.

The strategic canvas serves two purposes:

- **Capturing the current state of play in the known market space.** This allows clearer understanding of where you and your competitors currently compete on products, services, delivery, brand, etc., and what the customers receive from each existing competitive offering.
- **Identifying factors where new value could be created by redefining the industry issues and reconstructing customer values.**

The evaluation of customer value elements utilizes a “Four Actions Framework”, a straightforward approach to answering four questions:

- Which of the factors that the customers take for granted should be eliminated?
- Which factors should be reduced well below the industry’s standard?
- Which factors should be raised well above the industry’s average?
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Which new factors that the industry has never offered should be created?

Again, the BT, with customer VOC, aids in assessing each possibility utilizing the competitive performance vs. customer importance scores and more importantly, the Feature/Benefit Value Assessment.

Evaluation of the strategic options resulting from this work requires a deep understanding of the basis for market behavior. Incorporated in the BT are both a value segmentation analysis and an attitudes and trends VOC evaluation. These, along with customizable exercises provide a strong basis for making the strategic decisions. The results of these evaluations help generate the organizing principles that establish ‘Strategic Intent’.

The acid test of a blue ocean strategy is that it must have focus, it must diverge from the other players, and it must have a compelling tagline. Analysis generated from the BT describes those few important elements in which to focus, characterizes the opportunity vs. the competition, and provides the basis (value proposition) for a compelling tagline. However, it does not produce a strategy.

A related process not included in Blue Oceans Strategy is the Future Business History™, designed and utilized by Breakthrough Marketing for clients striving to define breakout strategies. This framework translates the learnings from the Blue Oceans work into a strategic architecture that can drive both the functional strategies and successful strategy execution into the market place.

In the example below, customers were asked to rank the relative importance of a set of attributes, and then score the performance of the competitors. It is clear that although different competitors performed at slightly different levels on specific attributes, they generally were perceived as similar in performance. However, a new value proposition introduced for evaluation vs. the existing attributes scored very high, and no competitors offered the new value proposition.