Blue Ocean Shift_Book Summary
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<그림 1-2> 성공적인 블루오션 시프트를 위한 세 가지 핵심 요소

블루오션 관점
사람들의 시야를 넓히고,
올바른 방향으로 인도한다.

성공적인 블루오션 시프트

과정상의 인간다움
사람들이 효과적인 실행을 위한
과정을 받아들이고
이를 추진하도록
자신감을 고취시킨다.

시장 창출 방법론과 지침
사람들의 창의적 역량을 형성하고
새로운 가치 - 비용의 경계를 연다.
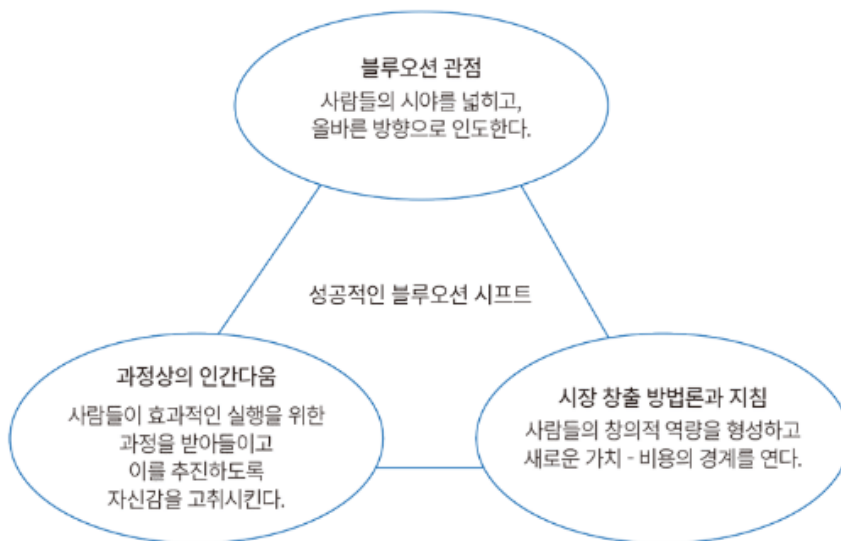
PART ONE: Blue Ocean Shift
Chapter 1: Reach Beyond the Best

Common Problems for organizations:

- Stuck in two assumptions: 1) Market boundaries and industry conditions are given. You cannot change them. 2) To succeed, an organization must make a choice between differentiation and low cost (but not both).
- Competing over the same customers (donors) with little difference in the eyes of donors (see chapter 3).
- Tighter profit margins, rising costs, stagnant sales, market share battles. Sharks eating sharks.
- Functional and hierarchical silos inside the organization that can't see the big picture.

A summary of the differences:

Red Ocean Strategy	Blue Ocean Strategy
Compete in **existing** market space.	Create **uncontested** market space.
Beat the competition.	Make the competition **irrelevant**.
Exploit **existing** demand.	Create and capture **new** demand.
Make the value-cost trade-off.	**Break** the value-cost trade-off.
Align the whole system of a firm's activities with its **strategic choice of differentiation or low cost**.	Align the whole system of a firm's activities in **pursuit of differentiation and low cost**.

Three Components of a Successful Blue Ocean Shift
A Blue Ocean Perspective Expand people's horizons and guide them in the right direction. Ask fundamentally different sets of questions. Imagine.
Market Creating Tools with Guidance Tools to build people's creative confidence and open up a new value-cost frontier
Humanness in the Process Inspire and build people's confidence so that they own and drive the process.

Chapter 2: The Fundamentals of Market-Creating Strategy

Three Ways of Pursuing Market-Creating Strategy

|	Disruptive Creation	Growth	Non-disruptive Creation
What it means	A breakthrough solution for an existing industry problem.	Redefine and solve an <u>existing</u> industry problem.	Identify and solve a <u>brand-new</u> problem or seize a brand-new opportunity
How it works	A new technology that at first looks inferior. It catches established industry by surprise.	<u>A blend</u> of the other two. Replaces assumptions and reconstructs industry boundaries in new and creative ways.	Unlocks new markets BEYOND existing industry boundaries. It solves problems not previously thought of.
Impact on Industry	It disrupts competitor organizations.	Inspires new people to get involved. Doesn't disrupt competitors (at first)	Doesn't affect much the industry. Doesn't disrupt competitors.
Industry Examples	CDs (vs. cassettes, MP3) Digital photos	Comic Relief (from wealthy donors to everyone) ActiFry (Cooks French fries with little oil) Iraq Youth Orchestra	Grameen Bank Ringtones New Medicines (Immunotherapy)
FHIF Examples	Compete more by: • Reduce overhead • Improve reporting. • Improve impact.	Connect to young people. Connect to non-givers Small Farm Sponsorship.	Prepare for future disasters (Prophetic, instead of reaction) Food insurance Community-based Food Storage.

Dangers:

• One of hardest truths for any technologist to hear is that success or failure in business is rarely determined by the quality of the technology. (Example: Segway)
• Sometimes organizations push products that are too "out there", ahead of their time, or complicated.
• Innovation anchors to the value it gives buyers, not the cleverness of the technology. It can be achieved with or without technology.
• When companies try to get out of red oceans, their efforts are often just more investment in existing, crowded markets.

Chapter 3: The Mind of a Blue Ocean Strategist

Mindset
- Blue ocean strategists do not take industry conditions as given. Rather, they set out to reshape them in their favor.
- Blue ocean strategists do not seek to beat the competition. Instead they aim to make the competition irrelevant.
- Blue ocean strategists focus on creating and capturing new demand, not fighting over existing customers.
- Blue ocean strategists simultaneously pursue differentiation and low cost. They aim to break, not make, the value-cost trade-off. Not either-or, but both-and.
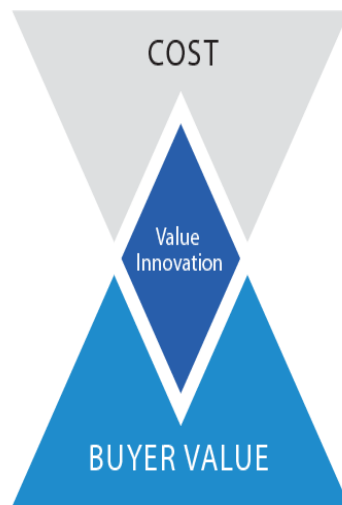
Case Study: Comic Relief (UK Charity)
- Lots of overlap of charities in UK (600 cancer charities, 200 homeless charities)
- UK has problem of donor fatigue.
- Most NGOs focused on wealthy, educated, older donors with solicitations and fundraising galas.
- Comic Relief created Red Nose Day. A national day of wacky community fundraising, together with a star-studded comedy telethon. Today Red Nose Day is almost like a national holiday.
- Comic Relief redefined the charity industry's problem, from how to get the wealthy to give out of guilt, to how to get everyone to do something funny for money.
- Comic relief eliminated expensive fund-raising galas and year-round solicitations and the writing of grants. Nor does it target wealthy donors. Even the poorest person can make a donation.
- Comic Relief did NOT: a) accept existing industry practices, b) focus on benchmarking other charities and try to copy them, c) focus on customer satisfaction scores (from older donors), d) pursue differentiation or low cost.

A danger is that from a customer (donor) point of view, all the offerings (organizations) can look pretty much the same.

Chapter 4: Humanness, Confidence, and Creative Competence

How do you get people to make a blue ocean shift? You don't. Instead, you break the challenge down into small, concrete steps that move people forward in increments that inspire and build their confidence.

The human element is a fundamental part of any innovation and transformation process. Especially when it comes to making important changes in a strategy or an organization, we need to take humans as the source and end goal of the process.

In this case, involving our employees in the process will provide them with the trust in the strategy; and will provide the strategy with the insights we need to properly identify new ways of creating value.

These are the 3 principles for including the human element in blue ocean strategy

2.1. Atomization:

Adopting a shifting strategy can be daunting. One of the best ways to approach the challenge is by taking each part of the problem and break it into smaller parts. Until eventually we have small, manageable and clear series of challenges we can provide to everyone.

2.2 First-Hand Discovery:

New ways of thinking can either break or make the strategy. Coming up with valuable insights depends on them coming from a first–hand experience, and not from isolated people that came up with it without being in direct contact with the part of the process they want to improve.

Additionally, everyone involved in the process needs to feel that the changes they are sharing are a direct result of their own thinking and experience.

2.3 Fair Process:

Finally, everyone who is involved in the process should have a clear understanding of how decisions are being made and what to expect. This comes from three actions.

A) Set the rules of engagement. That is how will information emerge and how will people collaborate.

B) Explanation: when decisions are made, everyone should be able to access an explanation of the reasoning behind it.

C) Expectations: finally, everyone should have a clear idea of what they can expect from the process and what is expected from them.

Overview of the Blue Ocean Shift Process

| Steps	Description	Tools www.blueoceanshift.com/ExerciseTemplates
1	Get Started • Choose the right place to start your blue ocean initiative • Construct the right team for the initiative	The Pioneer-Migrator-Settler Map
2	Understand Where You Are Now • Collectively build one simple picture that captures your current state of play. • See and easily agree on the need for the shift	The Strategy Canvas
3	Imagine Where You Could Be • Discover the pain points of buyers imposed by the industry • Identify the total demand landscape you can unlock	The Buyer Utility Map The Three Tiers of Noncustomers
4	Find How You Get There • Apply systematic paths to reconstruct market boundaries • Develop alternative strategic options that achieve differentiation and low cost	The Six Paths Framework The Four Actions Framework
5	Make Your Move • Select your move at the blue ocean fair, conduct rapid market tests, and refine the move. • Finalize the move by formalizing your big picture business model that delivers a win for both buyers and you • Launch and roll out your move	

PART TWO: The Five Steps to Making a Blue Ocean
Chapter 5: Choosing the Right Place to Start

Mapping Today to See Tomorrow

Pioneers	Their strategy breaks away from competition. Offer unprecedented value that opens up a new value-cost frontier. Pioneers are poised for strong, profitable growth.
Migrators	Are in between Pioneers and Settlers. They represent a value improvement over the competition and may even be the best. But they do not offer innovative value.
Settlers	They compete by making incremental changes to an offering or price. Their strategy converges with the rest of the industry. Unless the industry is growing and profitable, settlers have little or no prospect for growth.

PIONEER-MIGRATOR-SETTLER (PMS) MAP

A useful exercise for a corporate management team pursuing profitable growth is to plot the company's current and planned portfolios on the Pioneer-Migrator-Settler Map.
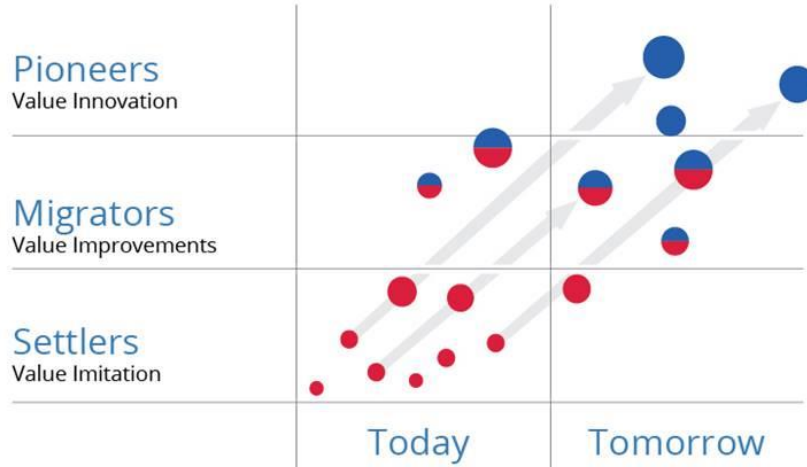
Steps to Making the Pioneer-Migrator-Settler Map
1. Identify the key businesses or product/service offerings in your portfolio
2. Identify which offerings are pioneers, migrators, and settlers
- Pioneer does not mean which of your programs is most innovative. It means what is pioneering from a donor's perspective.
3. Plot your portfolio
- Size of circles is a function of revenue

Goal is NOT to have only Pioneer strategies, but to have balance.

Chapter 6: Constructing the Right Blue Ocean Team

- 10-15 people
- People from all functions and organization levels that will play a role in bringing a new offering to the market. For example: HR, IT, marketing, finance, manufacturing, R&D, sales, front lines.
- Right character is more important than job title. People who are respected and have credibility. Good listeners. People who can raise questions, can dream big, but also have commitment to get things done. People who are naturally admired.
- Include 1-2 nay-sayers (negative people)
- Appoint a "King-pin" leader for the group. A high-ranking leader (or you)
- If organization is dysfunctional (bureaucratic or political), include a "consigliere". A respected insider. A person with an ear to the ground, a master of organization politics, who knows the big players and blockers, and who's hungriest for change, and likely to be one of your strongest supporters.

Step Two: Understand Where You Are Now

Chapter 7: Getting Clear About the Current State of Play

The strategy canvas is a central diagnostic tool and an action framework for getting clear on the current state of play and making your blue ocean move. It graphically captures, in one simple picture, the current strategic landscape and the future prospects for an organization.
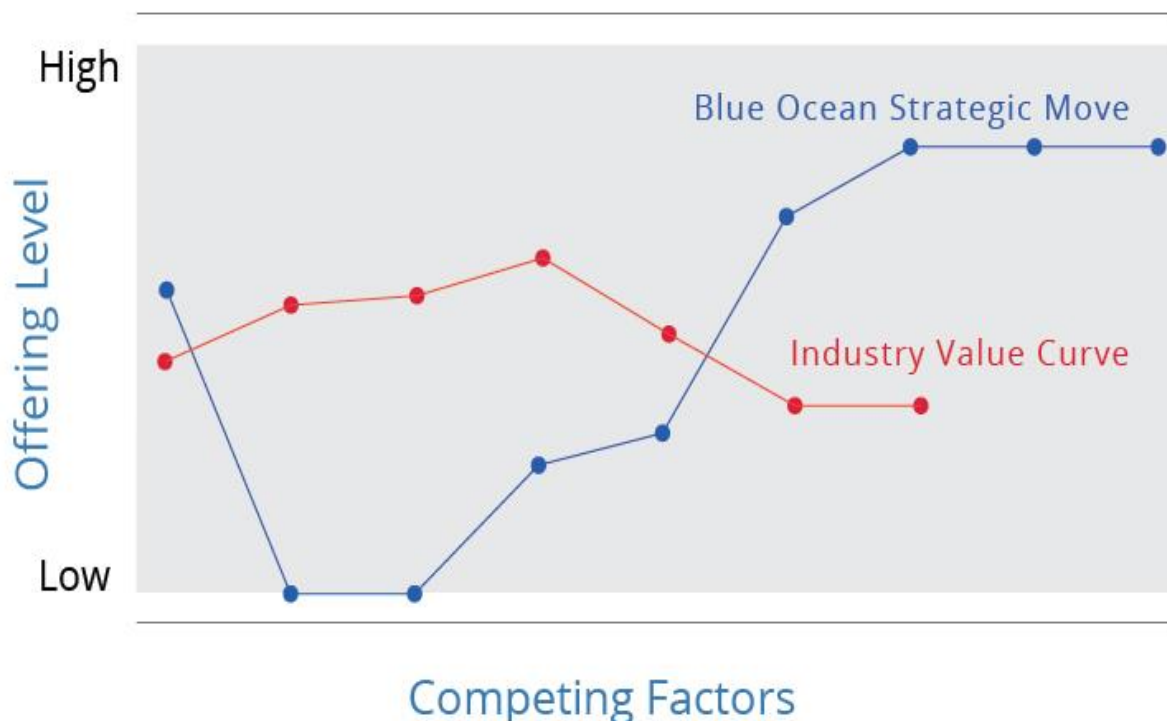
The strategy canvas serves two purposes:

- To capture the current state of play in the known market space, which allows users to clearly see the factors that the industry competes on and where the competition currently invests
- To propel users to action by reorienting their focus from *competitors* to *alternatives* and from *customers* to *noncustomers* of the industry

The horizontal axis on the strategy canvas captures the range of factors that an industry competes on and invests in, while the vertical axis captures the offering level that buyers receive across all of these key competing factors.

The value curve or strategic profile is the basic component of the strategy canvas. It is a graphic depiction of a company's relative performance across its industry's factors of competition. A strong value curve has *focus*, *divergence* as well as a *compelling tagline*.

How to Draw Your Strategy Canvas:

- Name the industry you are in
- Identify the key factors your industry competes on (5-12)
- Decide which key players to compare yourself with
- Rate your offering and the best-in-class player (s)

Step Three: Imagine Where You Could Be
Chapter 8: Uncovering the Hidden Pain Points That Limit the Size of Your Industry
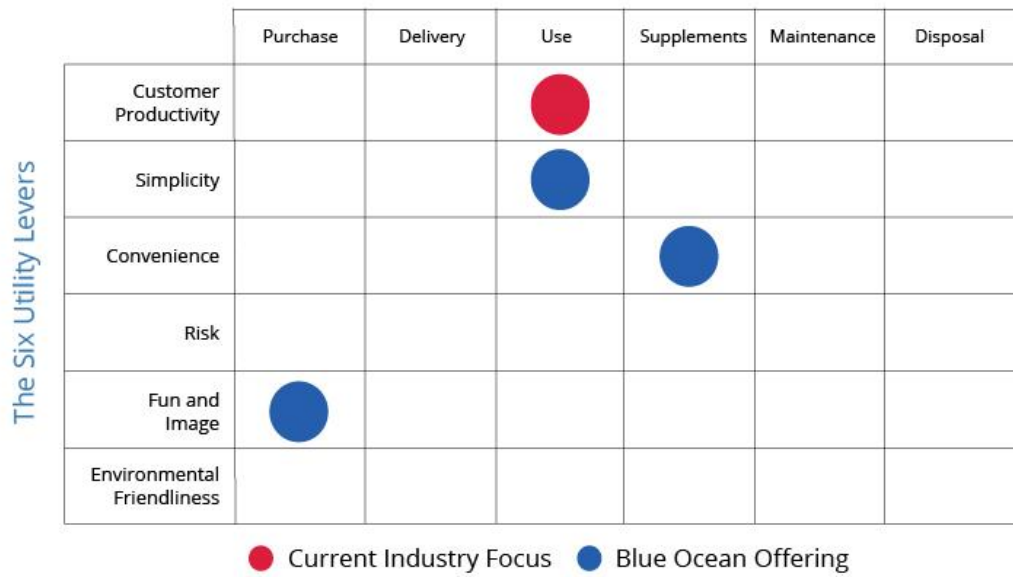BUYER UTILITY MAP

The Buyer Utility Map helps to get managers thinking from a demand-side perspective. It outlines all the levers companies can pull to deliver exceptional utility to buyers as well as the various experiences buyers can have with a product or service. This mindset helps managers identify the full range of utility spaces that a product or service can potentially fill. It has two dimensions: The Buyer Experience Cycle (BEC) and the Utility levers.

The Buyer Experience Cycle (BEC): A buyer's experience can usually be broken into a cycle of six stages, running more or less sequentially from purchase to disposal.

Utility levers: Cutting across the stages of the buyer's experience are what we call *utility levers* – the ways in which companies unlock utility for their customers.

By locating a new offering on one of the spaces of the buyer utility map, managers can clearly see how, and whether, the new idea creates a different utility proposition from existing offerings but also removes the biggest blocks to utility that stand in the way of converting noncustomers into customers. In our experience, managers all too often focus on delivering more of the same stage of the buyer's experience. This approach may be reasonable in emerging industries, where there is plenty of room for improving a company's utility proposition. But in many existing industries, this approach is unlikely to produce a market-shaping blue ocean strategy.

The Six Stages of Buyer Experience Cycle

The Six Utility Levers	Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity			🔴			
Simplicity			🔵			
Convenience				🔵		
Risk						
Fun and Image	🔵					
Environmental Friendliness						

🔴 Current Industry Focus 🔵 Blue Ocean Offering

Chapter 9: Discovering an Ocean of Non-Customers

THREE TIERS OF NONCUSTOMERS

🟥	Customers of your industry.
1	"Soon-to-be" noncustomers who are on the hedge of your market waiting to jump ship.
2	"Refusing" noncustomers who consciously choose against your market.
3	"Unexplored" noncustomers who are in markets distant from yours.

Current Market **TIER 1** "Soon-to-be" **TIER 2** "Refusing" **TIER 3** "Unexplored"
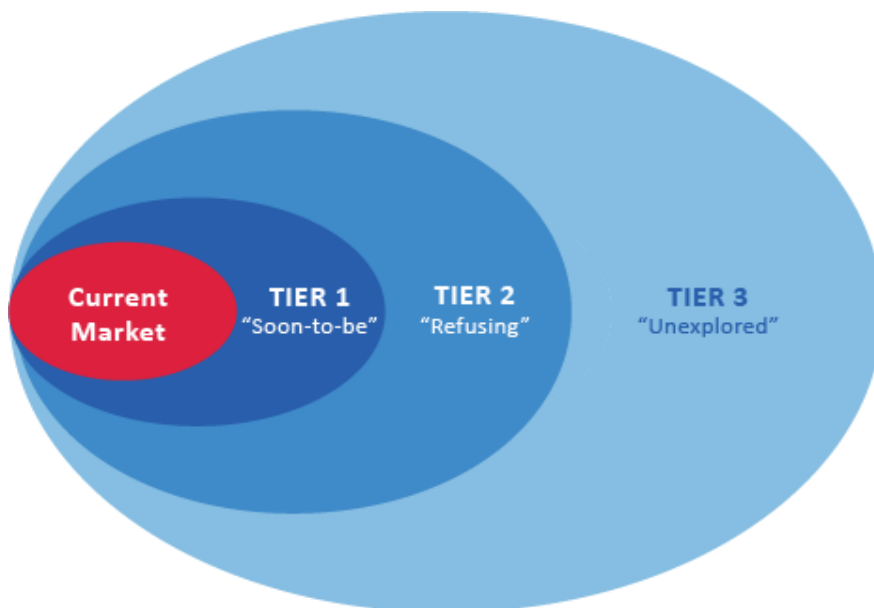
Although the universe of noncustomers typically offers blue ocean opportunities, few companies have keen insight into who noncustomers are and how to unlock them. To convert this huge latent demand into real demand in the form of new customers, companies need to deepen their understanding of the universe of noncustomers.

The first tier of noncustomers is closest to the current market, sitting just on the edge. They are buyers who minimally purchase an industry's offering out of necessity but are mentally noncustomers of the industry.

The second tier of noncustomers is people who refuse to use an industry's offering. These are buyers who have seen the current offering as an option to fulfill their needs but have decided against participating.

The third tier of noncustomers is farthest from the market. They are noncustomers who have never considered the market's offering as an option. By focusing on key commonalities across these noncustomers and existing customers, companies can understand how to pull them into their new market.
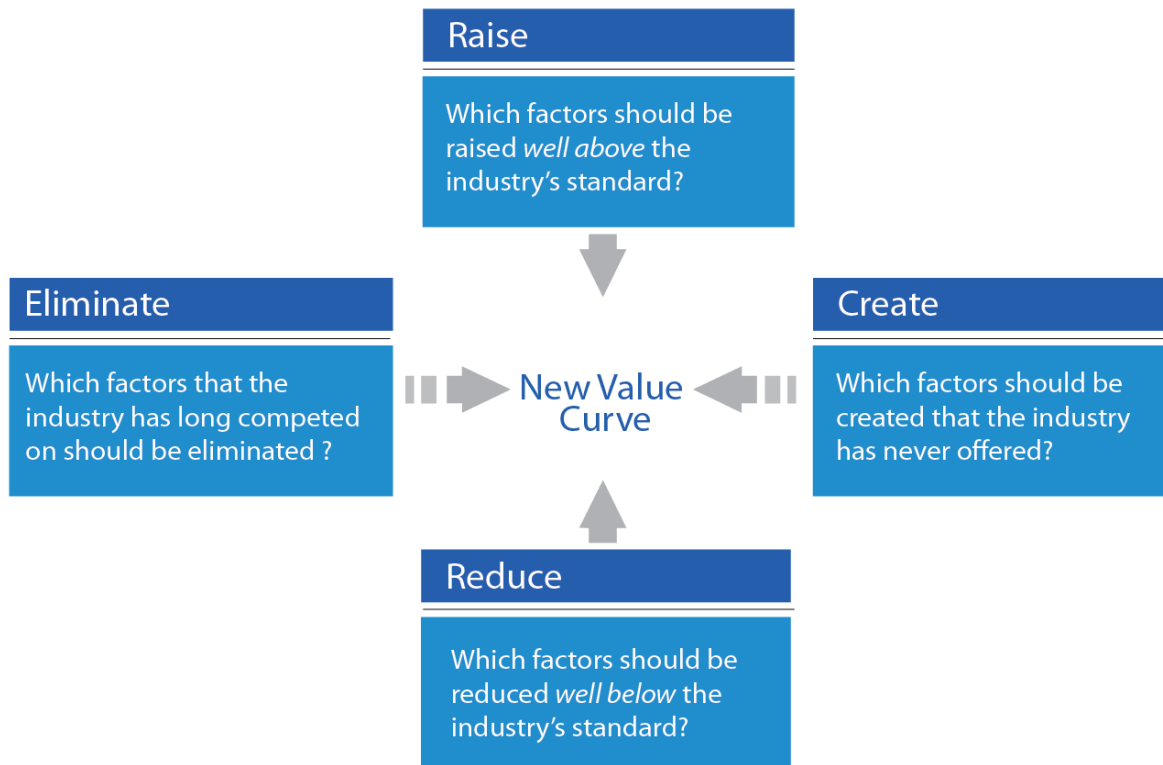
Step Four: Find How You Get There
Chapter 10: Reconstructing Market Boundaries – Systematically
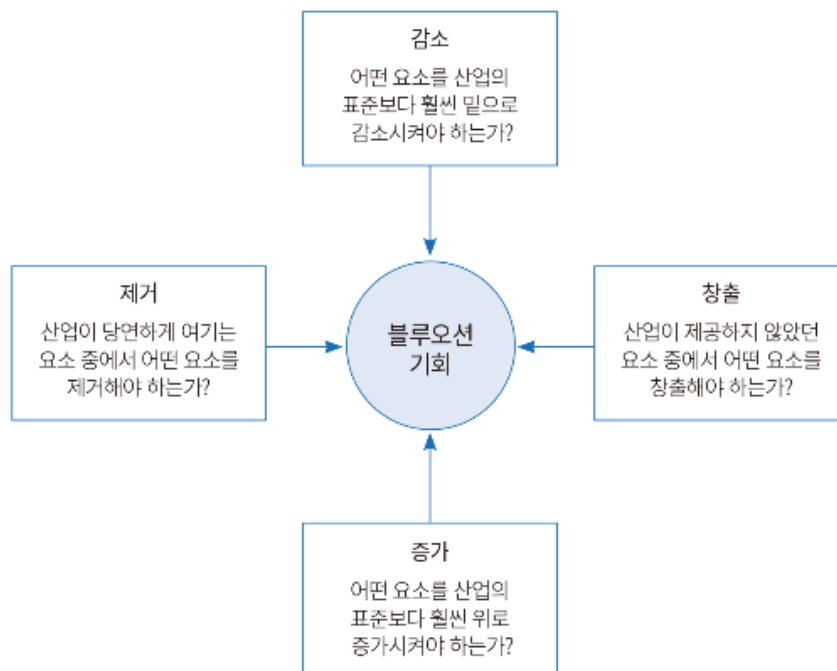
SIX PATHS FRAMEWORK
To win in the future companies need to stop trying to beat the competition. The Six Paths Framework allows managers to address the search risk many companies struggle with. It enables them to successfully identify out of the haystack of possibilities that exist, commercially compelling blue oceans by reconstructing market boundaries.

	Head-to-Head Competition	Blue Ocean Creation
Industry	Focuses on rivals within its industry	Looks across alternative industries
Strategic Group	Focuses on competitive position within strategic group	Looks across strategic groups within industry
Buyer Group	Focuses on better serving the buyer group	Redefines the industry buyer group
Scope of Product or Service Offering	Focuses on maximizing the value of product and service offerings within the bounds of its industry	Looks across to complementary product and service offerings
Functional-emotional Orientation	Focuses on improving the price performance within the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

FOUR ACTIONS FRAMEWORK

Raise

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

Eliminate

Which factors that the industry has long competed on should be eliminated ?

New Value Curve

Create

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

Reduce

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

<그림 11-1> 네 가지 액션 프레임워크

감소

어떤 요소를 산업의 표준보다 훨씬 밑으로 감소시켜야 하는가?

제거

산업이 당연하게 여기는 요소 중에서 어떤 요소를 제거해야 하는가?

블루오션 기회

창출

산업이 제공하지 않았던 요소 중에서 어떤 요소를 창출해야 하는가?

증가

어떤 요소를 산업의 표준보다 훨씬 위로 증가시켜야 하는가?

ERRC GRID

The Eliminate-Reduce-Raise-Create (ERRC) Grid developed by W. Chan Kim and Renée Mauborgne is a simple matrix like tool that drives companies to focus simultaneously on eliminating and reducing, as well as raising and creating while unlocking a new blue ocean.

Eliminate	Raise
Which factors that the industry has long competed on should be eliminated ?	Which factors should be raised *well above* the industry's standard?

Reduce	Create
Which factors should be reduced *well below* the industry's standard?	Which factors should be created that the industry has never offered?

<그림 5> 보르도 TV의 ERRC 그리드

※ 2005년 프로젝트 당시의 ERRC 그리드가 아닌 추론에 입각하여 작성한 것임

제거	증가
• 첨단 이미지 • 복잡성	• 디지털 화질 • 리모콘
감소	창출
• 연결성(HDMI) • 음장감 • 전자제품으로서의 디자인	• (디지털) 감성 이미지 • 오브제

Step Five: Make Your Move
Chapter 12: Selecting Your Blue Ocean Move and Conducting Rapid Market Tests
A "Blue Ocean Fair" brings together the organization's senior leadership and all the members of the blue ocean initiative team to present and choose which of the Blue Ocean alternatives (moves) to make.

Blue Ocean Fair Attendants can include:
- Top executives
- Blue Ocean initiative team.
- Heads of departments (marketing, manufacturing, HR, finance, IT, etc.).
- Customers and non-customers can also be invited.

Guidelines for Conducting a Successful Blue Ocean Far:
1. Start with an overview of your industry's red ocean reality and the need to make a blue ocean shift. Include: As-Is Strategy Canvas, Buyer Utility Map, Three Tiers of Non-Customers.
2. The Team Present Their Blue Ocean Strategic Options (up to 6 options)
- Describe the option. Start with the option's tagline and then short, bullet point description.
- Present the "To-Be Strategy Canvas".
- Walk through the ERRC Grid.
- Summarize the benefits for buyers (or donors).
- Outline the economic benefits to the organization.
3. Ask the attendees to visit all the stations and then cast their votes (using stickers or Post-it Notes). Everyone votes except the Blue Ocean Initiative Team.
4. Probe for maximum feedback and learning. Ask people why they voted the way they did.
5. Decide which blue ocean option to pursue. The Executive Team makes the final decision. If they choose a lower-ranked option, it is important to explain to participants why.

Conduct Rapid Market Tests of the new strategy to validate and test the market's reaction before full launch.

Chapter 13: Finalizing and Launching Your Blue Ocean Move

The aim here is to lay-out the big picture: the economic logic that shows how the value and cost sides of your move interact and come together to deliver a leap in value. It also helps show how the individual operational tasks fit together.
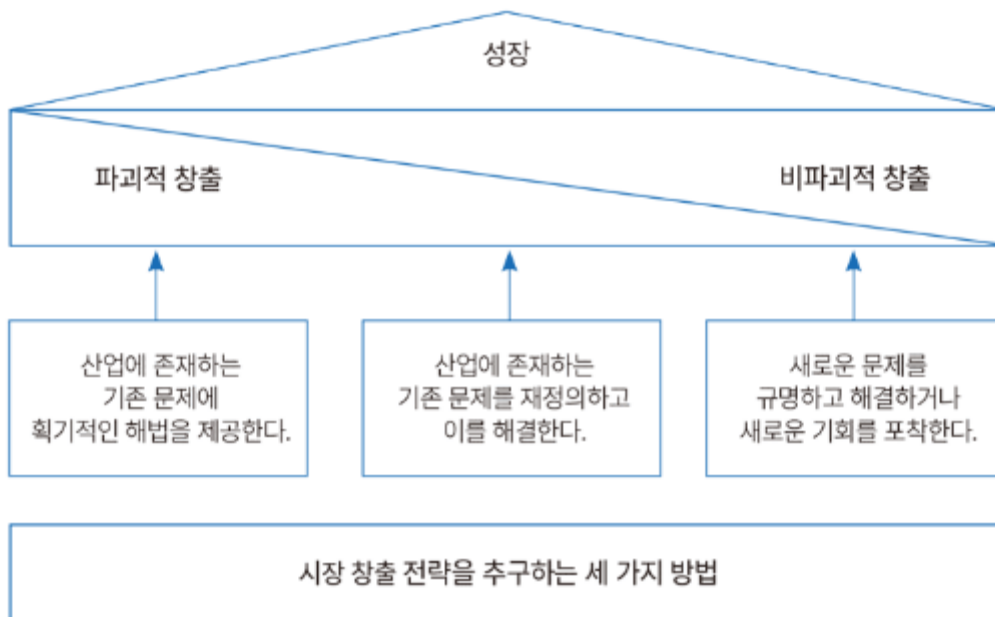
Key steps can include:
- Pull together people from different departments who will be responsible to carry-out the new initiative.
- Determine the target profit margin.
- Think of potential partners.
- Draw the big picture.
- Start small, then go fast and wide.
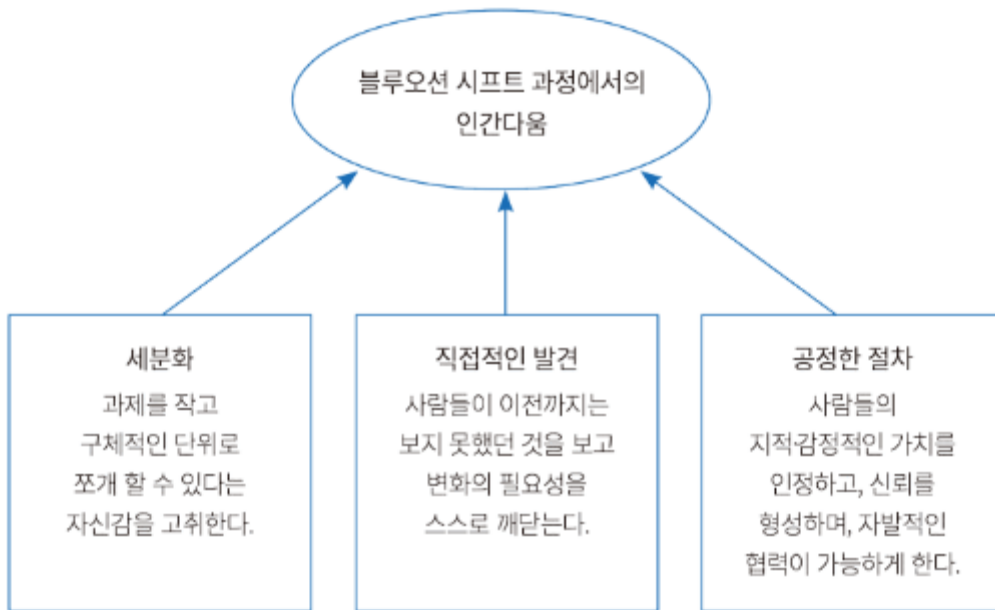
높음

구매자 가치

낮음

위치 1

위치 2

블루오션 시프트

높음　　　　상대적 비용　　　　낮음
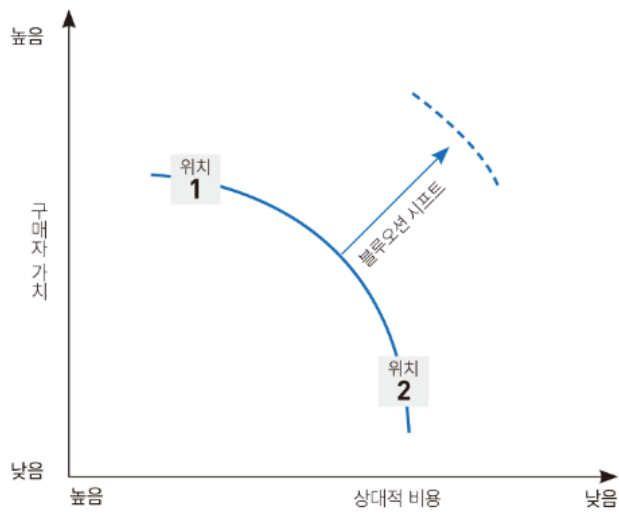
마이클 포터가 보여 주듯이, 해당 산업의 기존의 생산성 경계에서 경쟁하기 위하여 차별화 혹은 저비용을 추구한다.

새로운 가치-비용의 경계를 열기 위하여 차별화와 저비용을 동시에 추구한다.

<그림 2-1> 시장 창출 전략의 성장 모델

성장

파괴적 창출　　　　　　　　　　　　비파괴적 창출

산업에 존재하는 기존 문제에 획기적인 해법을 제공한다.

산업에 존재하는 기존 문제를 재정의하고 이를 해결한다.

새로운 문제를 규명하고 해결하거나 새로운 기회를 포착한다.

시장 창출 전략을 추구하는 세 가지 방법

<그림 4-1> 인간다움은 블루오션 시프트 과정에 어떻게 자리를 잡는가

블루오션 시프트 과정에서의
인간다움

세분화
과제를 작고
구체적인 단위로
쪼개 할 수 있다는
자신감을 고취한다.

직접적인 발견
사람들이 이전까지는
보지 못했던 것을 보고
변화의 필요성을
스스로 깨닫는다.

공정한 절차
사람들의
지적·감정적인 가치를
인정하고, 신뢰를
형성하며, 자발적인
협력이 가능하게 한다.

<그림 10-1> 새로운 가치-비용의 경계를 여는 여섯 가지 경로

경로 1
대체 산업에 걸쳐서
바라본다

경로 6
시간이 지나면서
외부 트렌드를
형성하는 데 참여한다

경로 2
산업 내에서
여러 전략 집단들에
걸쳐서 바라본다

새로운
가치·비용의
경계

경로 5
산업의
기능적·감성적 지향성을
다시 생각한다

경로 3
구매자 체인에 걸쳐서
바라보고, 산업의
구매자 집단을 재정의한다

경로 4
보완적인
제품·서비스를
바라본다