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 or 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.