



# Chapter 6: Blue Ocean Strategy

## Get the Strategic Sequence Right

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# The Right Strategic Sequence

Buyer Utility → Price → Cost → Adoption

RESULT = a commercially viable Blue Ocean Idea



# Buyer Utility

Is there a compelling reason to buy what your company is offering?



# The Six Stages of the Buyer Experience Cycle

Stage 1.) Purchase- How long does it take to find the product you need?

Stage 2.) Delivery- How long does it take you to get the product delivered

Stage 3.) Use- Does the product require training or expert assistance?

Stage 4.) Supplements- Do you need other products and services to make this product work?

Stage 5.) Maintenance- Does the product require external maintenance?

Stage 6.) Disposal- Does use of the product create waste items?







# The Six Utility Levers

- Customer Productivity (faster or better)
- Simplicity
- Convenience
- Risk (financial, physical, credibility)
- Fun and Image
- Environmental Friendliness

## 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



# F-35 vs F-16 Cockpits





# Price

Is the price easily accessible to the target mass of buyers?

Identify the price corridor of the mass-different form, same function. Different form and function, same objective.



# Lockheed Martin's F-35 Variant B

<https://www.youtube.com/watch?v=zW28Mb1YvwY>



# Lockheed Martin's F-35 VS. Boeing's F-18

F-35



F-18



# Price: Specify a Level Within the Price Corridor

**Step One:**

Identify the price corridor of the mass.

**Three alternative product/service types:**

Same Form

Different Form,  
Same Function

Different Form  
and Function,  
Same Objective



Size of circle is proportional to number of buyers that product/service attracts

**Step Two:**

Specify a price level within the price corridor.

*Upper-level Pricing*

**High degree of legal and resource protection;  
Difficult to imitate**

*Mid-level Pricing*

**Some degree of legal and resource protection**

*Lower-level Pricing*

**Low degree of legal and resource protection;  
Easy to imitate**



# Target Costing

Can you attain your cost target to profit at your strategic price?



# 3 Principal Levers

1. Streamlining operations and introducing cost innovations from manufacturing to distribution.
2. Partnering in areas of production and distribution
3. Make desired Profit Margin without compromising the Strategic Price



# Adoption Hurdles

What are the adoption hurdles in actualizing your business idea? Are you addressing the up front?

-includes, potential resistance to the idea by retailers or partners



# From Exceptional Utility to Strategic Pricing

Volume Generates higher returns than it use to.

Can start out with high prices and reduce to competitive prices after initial buzz.

Nonrival goods: Example is first class on airlines (easy to generate competition)

Excludability: preventing others from using it (Limited Access & Patents)



# Identifying the Price Corridor of the Target Mass

Step 1: Identify the price Corridor of the target market

- Different Form, Same Function (Plane function, Fighter Jet form)
- Different Form and Function, Same Objective (Fighter Jet Makers fighting for Govt Contracts)





# Identifying the Price Corridor of the Target Mass

Step 2: Specify a level within the price Corridor

- Is the product or service Protected legally through Patents or Copyrights?
- Are there exclusive assets or core capabilities within company? (expensive plant or unique design)



# From Utility, Price, and Cost to Adoption

Employees - Communicate by addressing their fears and concerns when trying to implement ideas.

Business Partners - Communicate With the partners to make sure they do not feel that their revenue streams or market positions are threatened by the idea

The General Public - does the idea threaten the established social or political norms.



# The Blue Ocean Idea Index (BOI)

	BOI - Military Surface to Air Missiles Defense	Lockheed Martin (THAAD)	Raytheon (NASAMS)	General Dynamics (Patriot Missile)
Utility	Is there exceptional utility? Are there compelling reasons to buy your offering?	+	+/-	+/-
Price	Is your price easily accessible to the target mass of buyers?	+	-	+
Cost	Does your cost structure meet the target cost?	+	-	+
Adoption	Have you addressed adoption hurdles up front?	+/-	-	+