

The Book and the Authors



Prof Chan Kim



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Accolades

- **Over 2 million copies sold**
- **Translated into over 41 foreign languages – a world record**
- **Taught as the major theory of strategy at leading business schools**
- **Gives insights to CEOs, Executives, Heads of State and Prime Ministers**

What is the Blue Ocean?

- **High profit growth at low risk**
- **Industries not in existence today**
- **Untapped market demand**
- **Unknown market space**

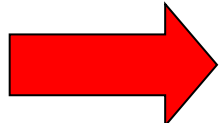
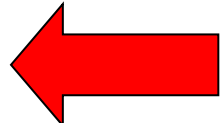
Example: A highly competitive Industry



The American Wine Industry

What the industry offers

Premium Wines



Budget Wines

Polarised Strategic Groups



Massive Choice

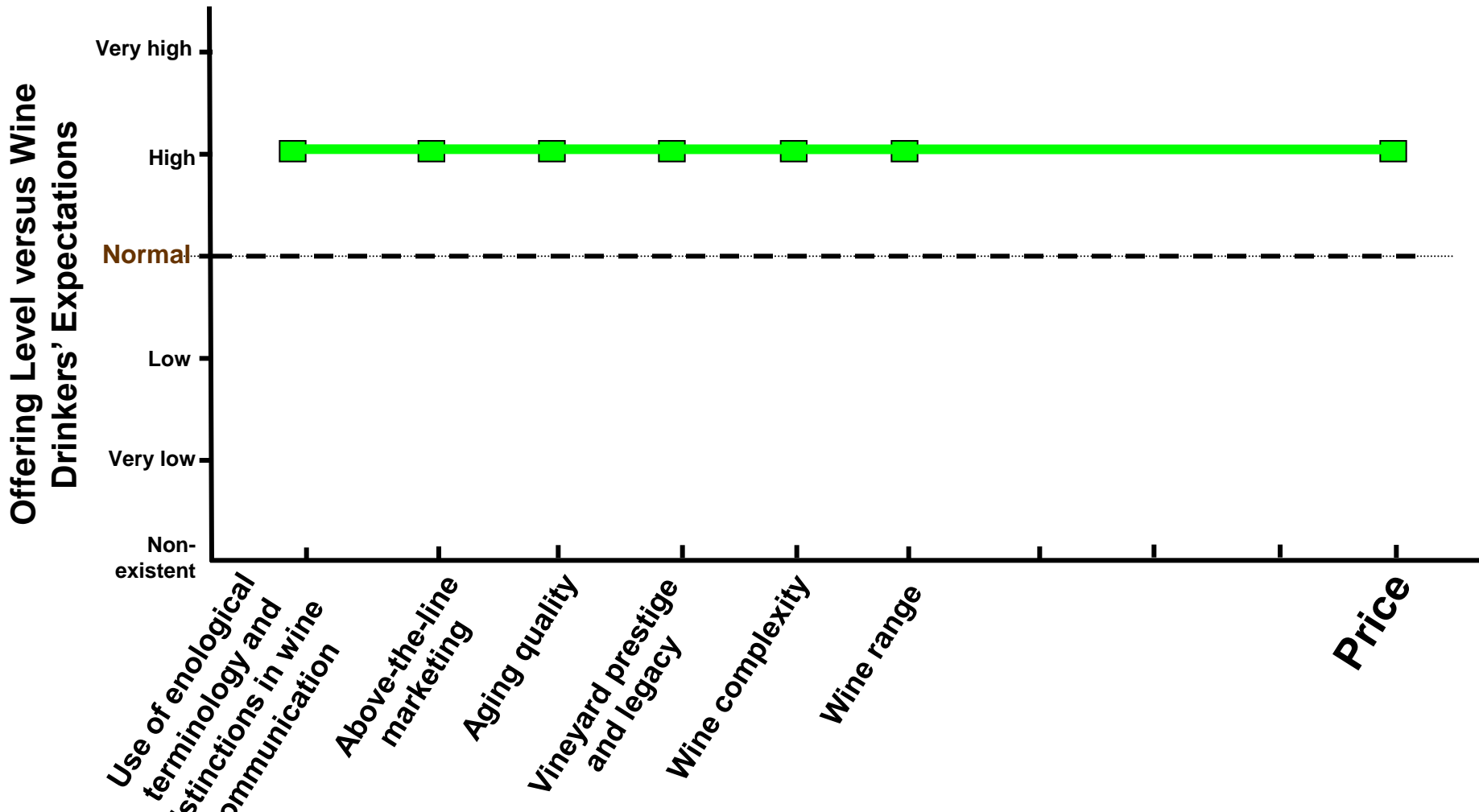
American Wine Industry

- 3rd largest in world: worth \$20 billion
- Californian makes 66% - the rest is from Italy, France, Spain, Chile, Argentina, Australia
- Exploding number of new wines – new vineyards in Oregon, Washington, New York
- Customer base stagnant
- 31st in the world in per capita consumption!

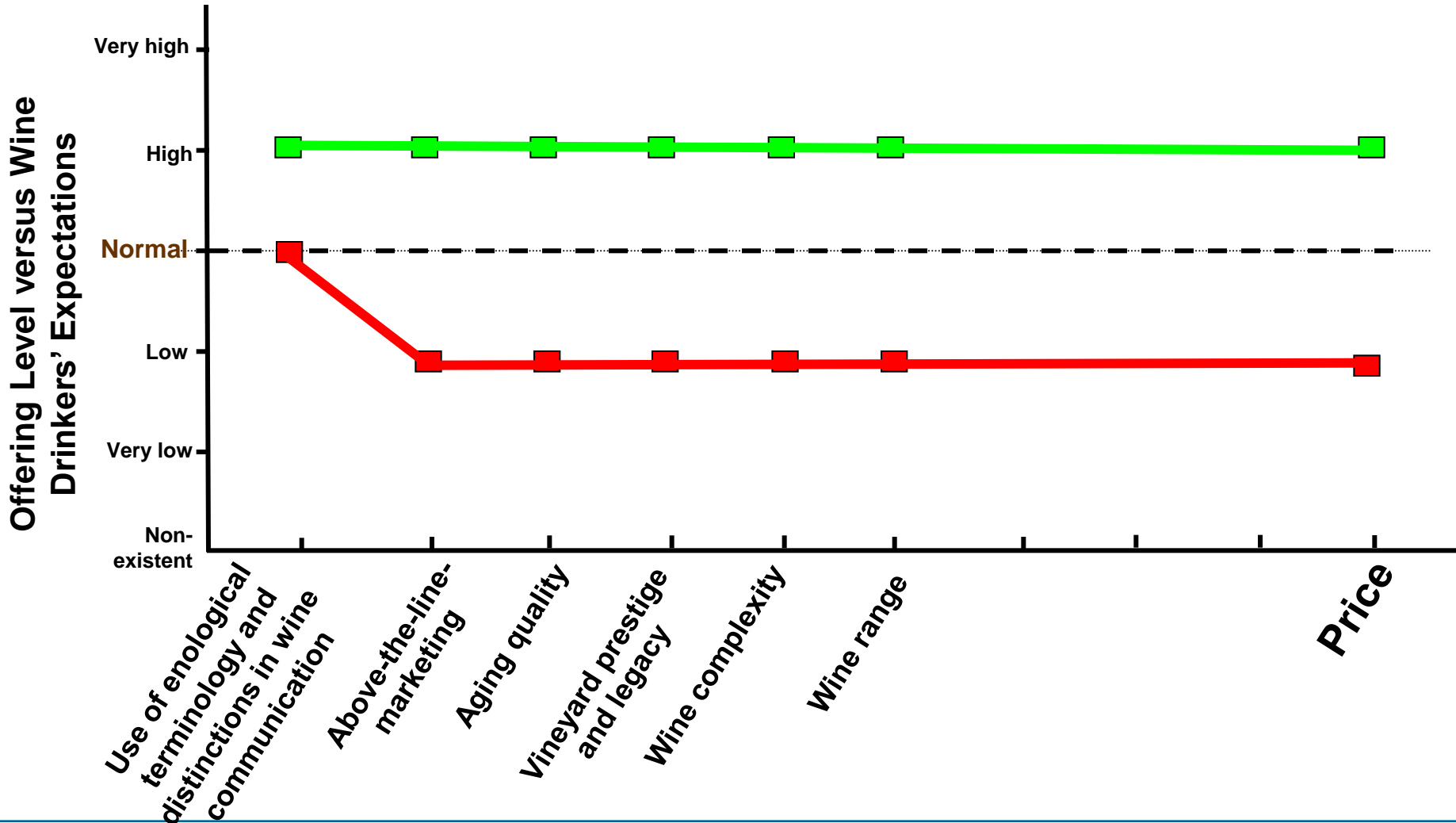
American Wine Industry

- Top 8 producers had 75% of the market; 1600 had the remaining 25%
- **\$ millions spent in marketing - Titanic battles – intense competition**
- **Sever price pressure**
- The dominant growth strategy was towards premium wines – more complexity, better image, more prestigious vineyards, number of medals won at wine festivals.

Premium Wines



Premium and Budget Wines



What people said ...

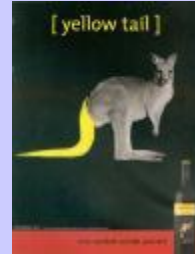
- **“It is too confusing and complex”**
 - **Wine descriptions and terminology**
 - **The shopping experience**
 - **The lack of clear guidance on what to buy and drink**
- **Thus, massively intimidating for ‘noncustomers’ (the large majority of the US population who were not wine drinkers)**

Yellow Tail created a Blue Ocean

Premium

Creating
a Blue Ocean

Budget



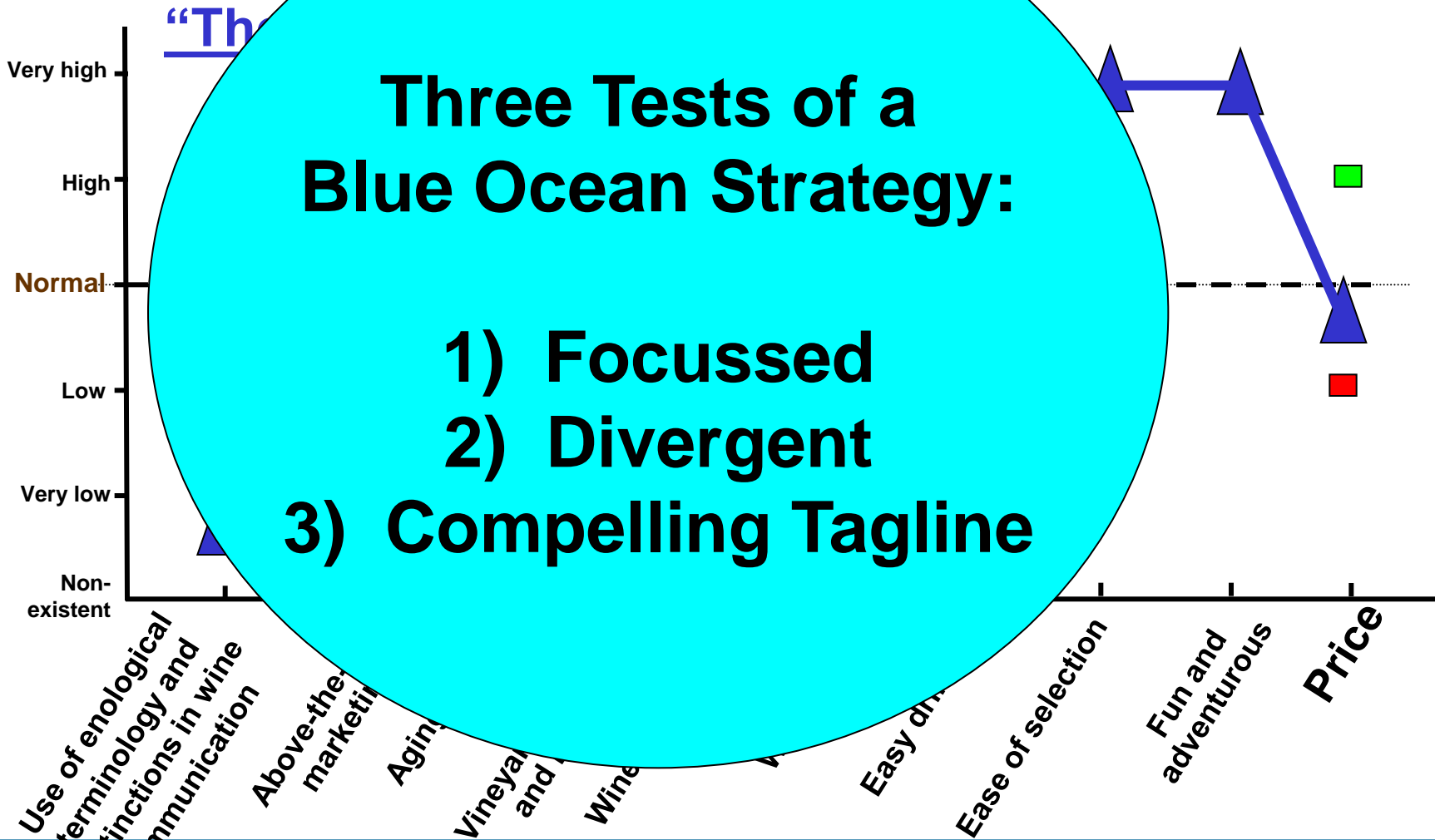
Yellow Tail

- Only 2 types initially – Chardonnay and Shiraz
- Fruity, soft on palette, sweet-ish – great for those who had not drunk wine before
- Same bottle for red and white – low logistics costs
- Simple vibrant packaging – lower case letters/kangaroo
- Un-intimidating
- They were selling “The essence of a great land ... Australia” – ie they were not selling the wine
- Australian clothing for the retail staff – they enthusiastically promoted a wine they could understand.

Yellow Tail Strategy

- **Eliminated: Oenological terminology and distinctions, Aging qualities, Above the line marketing**
- **Reduced: Wine complexity, Wine range, Vineyard prestige**
- **Raised: Price versus Budget Wines, Simplicity of retail store environment, Enthusiasm of Sales People**
- **Created: Easy drinking, Ease of selection, Sense of fun and adventure**

Yellow Tail Value Curve



Results

- **No 1 imported wine (outsells France and Italy)**
- **Fastest growing imported wine in the history of the USA industry**
 - **New consumers of wine**
 - **Jug drinkers trade up**
 - **Premium wine drinkers trade down**
- **Industry criticizes them mercilessly at first**
- **Now wine press blurb gives it a “best buy” for value; winning wine awards.**

Summary

Conventional Logic

Industry
Assumption

Industry conditions are
given

Strategic
Focus

Build competitive advantages
to beat the competition.

Customers

Retain and expand the
customer base through further
segmentation and
customization.
Think in terms of embracing
customer differences.

Blue Ocean Logic

Industry condition can be
shaped.

Create a quantum leap in
buyer value to dominate the
market.

Go for the mass of buyers
and willingly let some
existing customers go. Think
in terms of embracing key
customer value
commonalities.

Summary

Conventional Logic

Assets & Capabilities

Think in terms of a company's existing assets and capabilities.
Build on what it has.

Product/Service offerings

Think in terms of products/services offered by the industry. Seek to maximize the value of these offerings.

Blue Ocean Logic

Think free from a company's existing assets and capabilities.
Ask, what if we start anew?

Think in terms of buyers' solution even if that transcends the industry. Seek to solve buyers' major bottlenecks/chief compromises in using the products/services of the industry.

Four Actions to create a Blue Ocean

