

Blue Ocean Strategy and the Balanced Scorecard: A Comprehensive Overview

Part I: Understanding Blue Ocean Strategy

Blue Ocean Strategy is a business approach that focuses on creating new, uncontested market spaces—known as “blue oceans”—instead of competing in saturated and highly competitive markets, known as “red oceans.” Developed by W. Chan Kim and Renée Mauborgne, this strategy emphasizes innovation and differentiation to attract new demand and make competition irrelevant.

Instead of battling competitors for market share in an existing industry, **Blue Ocean Strategy encourages businesses to redefine industry boundaries and create entirely new value propositions** for customers.

Key Principles of Blue Ocean Strategy

Create New Demand Rather than Compete for Existing Customers

Instead of focusing on outperforming competitors, businesses should **look for untapped markets** where customer needs are not fully met.

Value Innovation: The Core of Blue Ocean Strategy

Instead of choosing between differentiation and low cost, companies should pursue both simultaneously. This means **eliminating or reducing industry norms that do not add value while creating and raising aspects that appeal to new customers.**

Shift Focus from Competitors to Alternatives

Blue Ocean Strategy urges businesses to look beyond traditional industry standards and **seek inspiration from alternative industries and customer pain points.**

Reconstruct Market Boundaries

Instead of accepting existing industry conditions, businesses should **identify new opportunities through creative problem-solving** and rethinking customer experiences.

The Eliminate-Reduce-Raise-Create (ERRC) Grid

A fundamental tool of Blue Ocean Strategy, the ERRC Grid helps businesses design unique value offerings by answering four questions:

- **Eliminate** – What industry factors can be completely removed because they no longer add value?
- **Reduce** – Which elements can be reduced below industry standards to lower costs?
- **Raise** – What factors should be improved beyond industry standards to provide better value?
- **Create** – What new factors can be introduced that have never been offered before?

By applying this framework, businesses can break free from existing market constraints and develop breakthrough innovations.

The Strategic Canvas

The Strategic Canvas is a visual tool used to analyze the competitive landscape and identify opportunities for differentiation. It helps businesses understand how their offerings compare to industry standards and where they can shift their focus to create a blue ocean.

1. Cirque du Soleil: Reinventing the Circus Industry

Traditional circuses were in decline due to high costs and ethical concerns about animal performances. Cirque du Soleil applied Blue Ocean Strategy by:

- Eliminating expensive animal acts and high-profile star performers.
- Reducing reliance on traditional circus elements like big-name clowns.
- Raising artistic and theatrical value to attract adult audiences.
- Creating a completely new form of entertainment that blended theater, dance, and acrobatics.

By doing this, Cirque du Soleil escaped the declining circus industry and created an entirely new market for premium artistic performances.

2. Nintendo Wii: Redefining the Gaming Industry

In the highly competitive gaming industry, Nintendo Wii avoided direct competition with Sony's PlayStation and Microsoft's Xbox. Instead, they:

- Eliminated high-end graphics that were expensive to develop.
- Reduced the complexity of gaming to appeal to non-gamers.
- Raised accessibility by introducing motion-based gameplay.
- Created an interactive gaming experience that appealed to families, seniors, and casual users.

This allowed Nintendo to attract a completely new audience and dominate an untapped market.

With the foundation of Blue Ocean Strategy now in place, you're ready to dive deeper into how to apply these powerful principles within your service or trade business. In Part II, we'll explore how to turn these insights into actionable strategies, using the Balanced Scorecard to align your operations and drive measurable success. Stay tuned for next week's continuation!