

Blue Ocean Strategy and the Balanced Scorecard: A Comprehensive Overview

Part II: Applying Blue Ocean Strategy to Service and Trade Industries Using the Balanced Scorecard

Many businesses in the service and trade industries face intense competition, price wars, and shrinking profit margins, often operating in "red oceans" where differentiation is difficult. Blue Ocean Strategy provides a way out, helping businesses break free from industry norms and create new demand. However, identifying a blue ocean is just the first step—successful execution requires a structured approach, and the Balanced Scorecard (BSC) plays a crucial role in turning strategy into action.

Step 1: Identify a Blue Ocean Opportunity

The key to applying Blue Ocean Strategy in these industries is to rethink how value is delivered to customers and shift the focus away from competing with others to meeting new, unmet needs. For example:

A Cleaning Services Company traditionally competes on price and service quality. Instead of lowering prices, they could:

- Eliminate rigid service packages and offer customizable cleaning plans.
- Reduce reliance on chemical-heavy cleaning solutions and introduce eco-friendly alternatives.
- Increase convenience with on-demand mobile booking and flexible scheduling.
- Create a VIP membership model for regular customers, offering exclusive benefits.

The result would be a new customer segment that values flexibility, health-conscious cleaning, and premium service—with minimal direct competition.

Step 2: Use the Balanced Scorecard to Execute Your Strategy

The key to applying Blue Ocean Strategy in these industries is to rethink how value is delivered to customers and shift the focus away from competing with others to meeting new, unmet needs. For example:

1. Financial Perspective – Ensuring Profitability in the Blue Ocean

The goal is to align financial resources to **support the shift from competition-based pricing to value-driven pricing**. Businesses should focus on increasing revenue from new customer segments instead of undercutting competitors, and measure profitability based on customer lifetime value instead of short-term charges. Example metrics include:

1. Revenue from new services vs. traditional services.
2. Customer lifetime value (CLV).
3. Cost savings from eliminating or reducing service elements.

Example: A trades service business could introduce real-time digital scheduling rather than relying on phone calls, targeting tech-savvy customers who value convenience.

2. Customer Perspective – Shifting Focus to a New Audience

The goal is to understand how the new value proposition resonates with customers and measure their satisfaction. Businesses should target new customer groups that value convenience, experience, or specialized expertise, and focus on building relationships rather than just closing sales. Example metrics include:

1. Customer acquisition cost (CAC) vs. traditional marketing spend.
2. Net Promoter Score (NPS).
3. Retention rates of new customer segments.

Example: A plumbing or HVAC company could develop a "smart home" integration service to appeal to high-end homeowners, incorporating new technologies into their offerings and changing the nature of the service experience.

3. Learning and Growth Perspective – Sustaining Innovation

The goal is to build a culture of continuous improvement and invest in the right talent to maintain the competitive edge. Businesses should train employees to deliver new services effectively and encourage a mindset of experimentation to keep innovating. Example metrics include:

1. Employee engagement and training completion rates.
2. Number of new service innovations launched per year.
3. Customer feedback on new service offerings.

Example: A personal coaching business could implement AI-powered coaching reports that personalize each session, along with a subscription model that includes digital resources, live group sessions, and one-on-one coaching.

Final Thoughts

To successfully implement Blue Ocean Strategy, service and trade businesses could:

Stop competing on price and focus on value innovation to meet new customer needs.

Use the Balanced Scorecard to align finance, operations, customer engagement, and employee growth with the new strategy.

Continuously innovate by testing, refining, and expanding service offerings based on customer feedback.

By applying Blue Ocean Strategy within an existing business plan, service and trade businesses can escape market saturation, increase profitability, and build a loyal customer base in uncontested market spaces.