

Blue Ocean Strategy



EMBA(NCKU) Presentation

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Presentation Overview

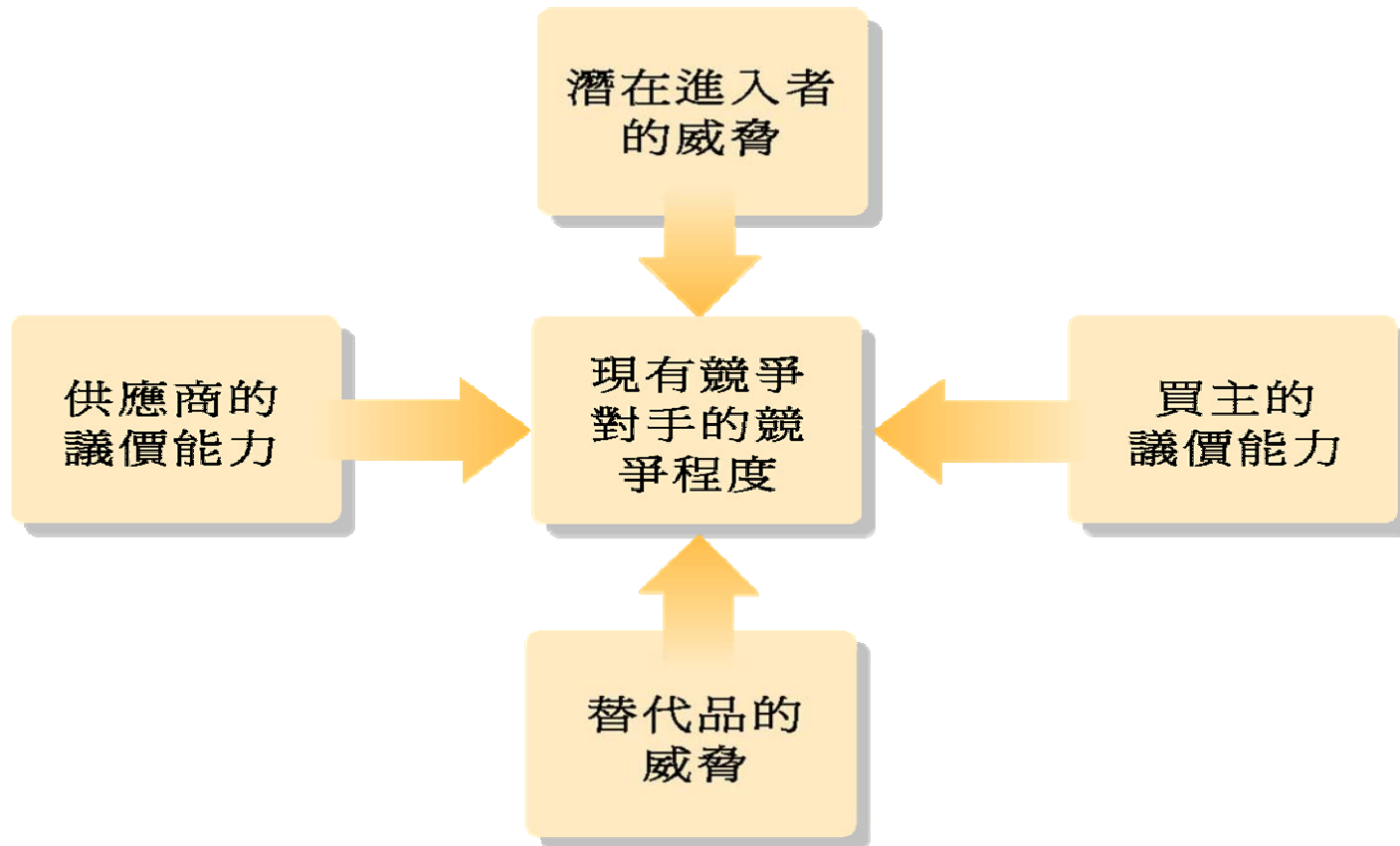


1. **Classic Competitive Strategy**
2. **Blue Ocean Strategy**
 - **Value Curves**
 - **Six Paths**
3. **Example: Cirque du Soleil**
4. **Q&A**

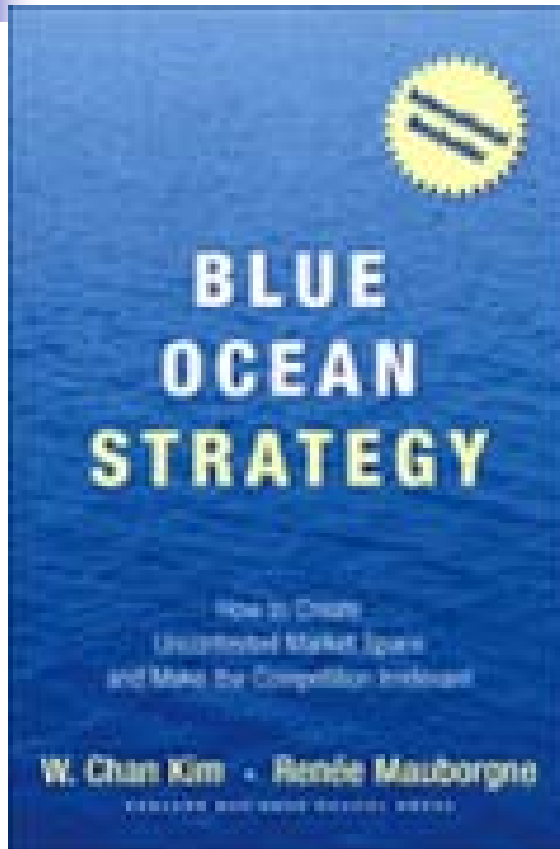
Classic Competitive Strategy

Strategic Focus	Choosing attractive industries and building competitive positions within them
Strategic Goal	Outperforming the competition
Analytic Tools	<ul style="list-style-type: none">■ Porter's 5 Forces■ Value Chain■ Generic Strategies

Porter's Five Forces



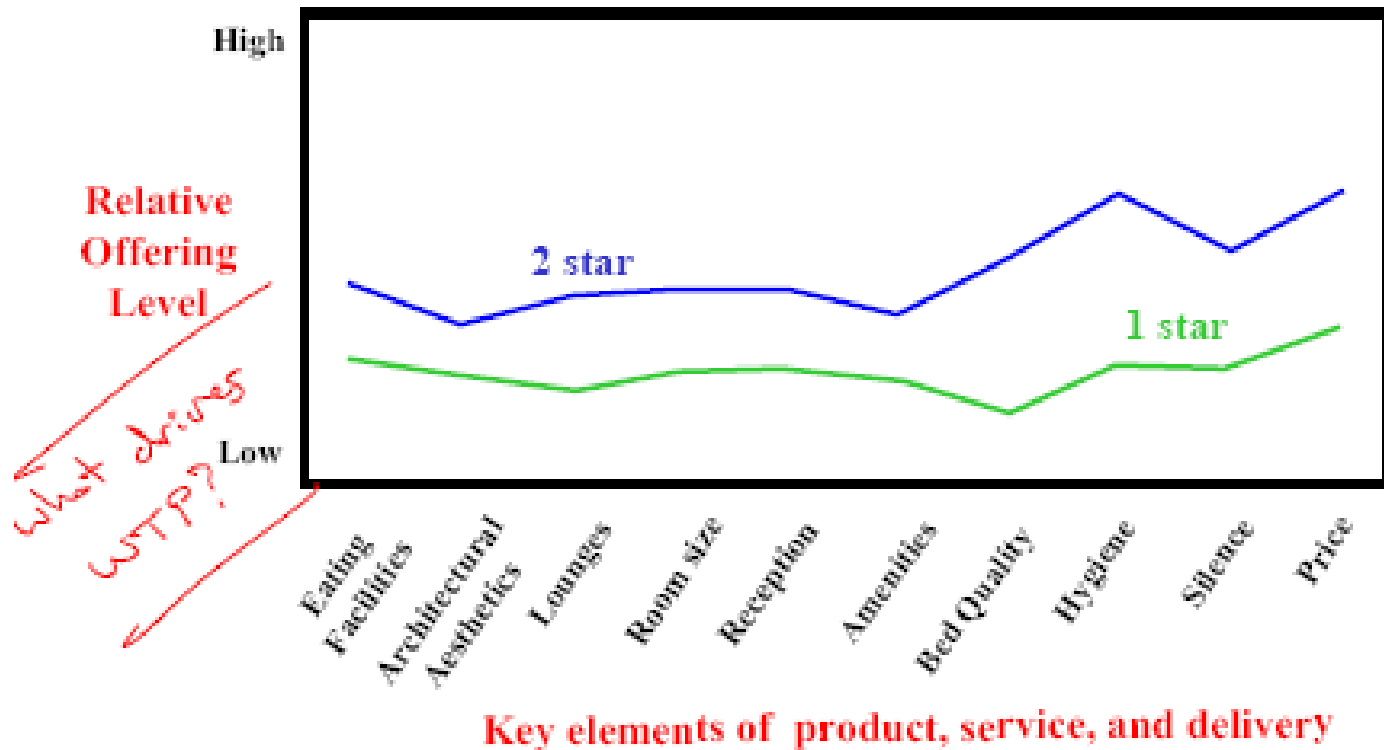
Kim and Mauborgne on Value Innovation



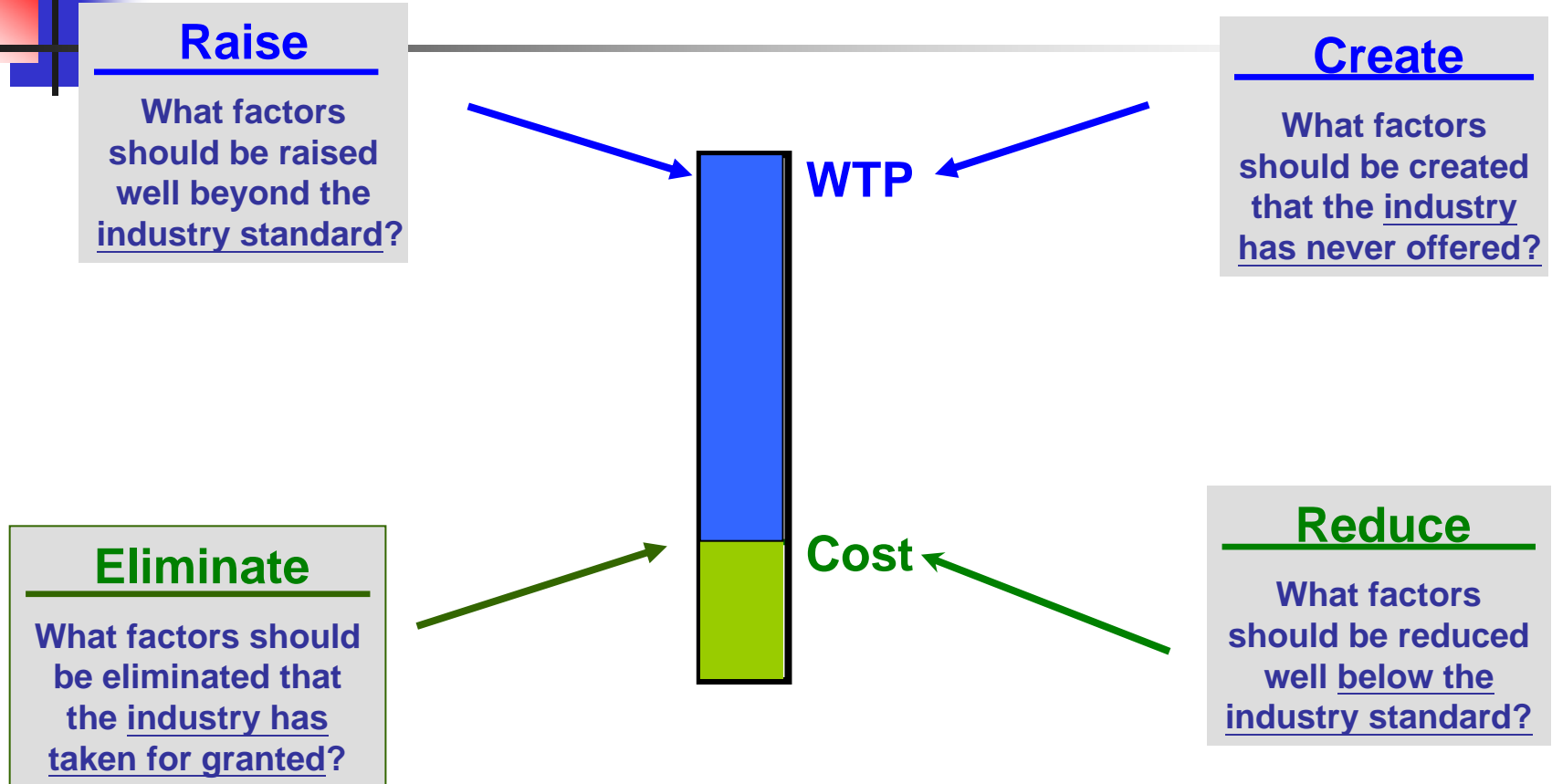
1. “**Value Innovation: The strategic Logic of High Growth,**” **Harvard Business Review (1997)**
2. “**Creating New Market Space,**” **HBR (1999)**
3. “**Knowing a Winning Business Idea When You See One,**” **HBR (2000)**
4. “**Charting Your Company’s Future,**” **HBR (2002)**

Value Curves

A value curve is a graphic depiction of the way a company configures its offerings to customers. It is drawn by plotting the performance of the offering relative to other alternatives along the **key success factors** that define competition in the industry or category. **For example:**



How Do You Discover New Value Curves?



The Key to Discovering a New Value Curve Lies in Asking Four Basic Questions

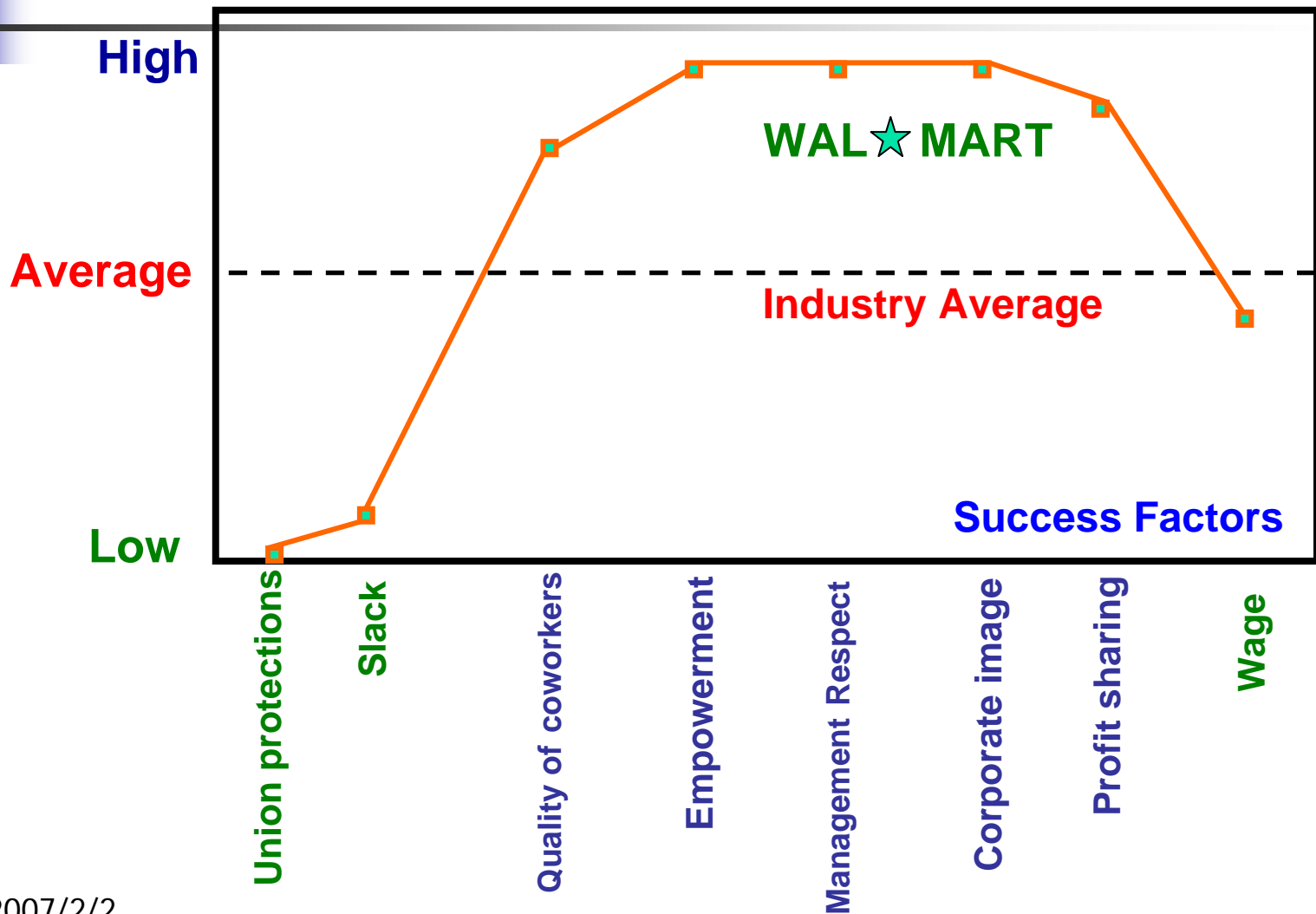
Value for Whom?



One can use value curves for a variety of partners:

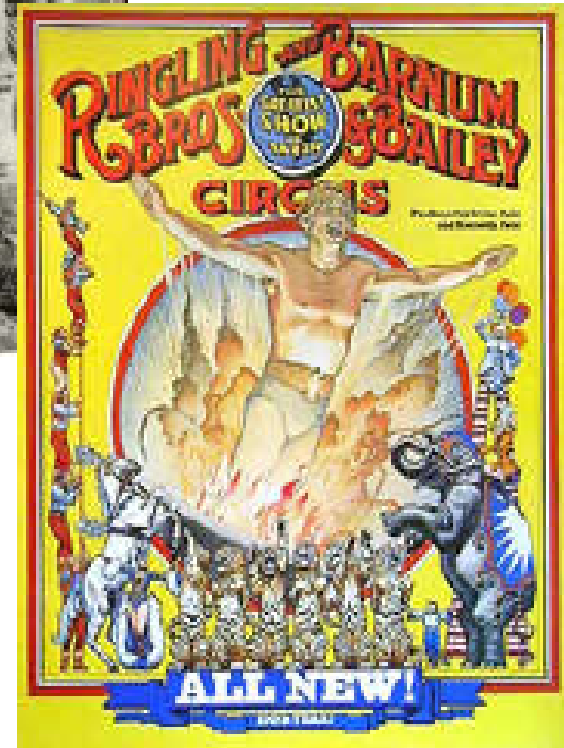
- **End users**
- **Distribution channels**
- **Suppliers including employees**
- **Suppliers of complements**

Employee Value Curves



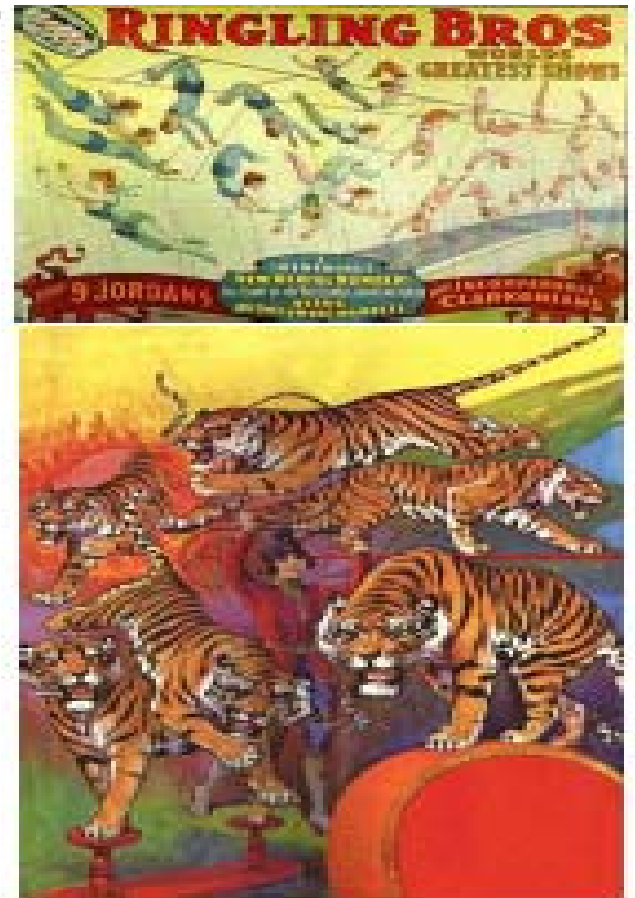
An Alternative Approach

	Competitive Strategy	Value Innovation
Strategic Focus	Choosing attractive industries and building competitive positions within them	Redefining industry boundaries and <u>creating new market space</u>
Strategic Goal	Outperforming the competition	Making the competition irrelevant
Analytic Tools	<ul style="list-style-type: none">■ Porter's 5 Forces■ Value Chain■ Generic Strategies	<ul style="list-style-type: none">■ Value Curves■ 6 Paths



Key Dimensions of Competition?

- Food
- Acts
- Animals
- Comedy/Clowns

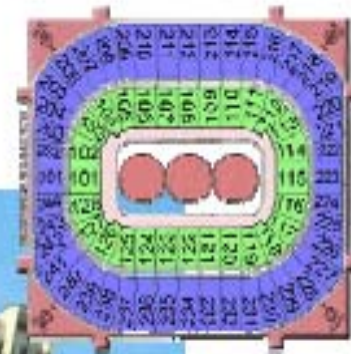


Strategic Groups?



Circus World Museum, Saratoga, NY - Live Shows Under

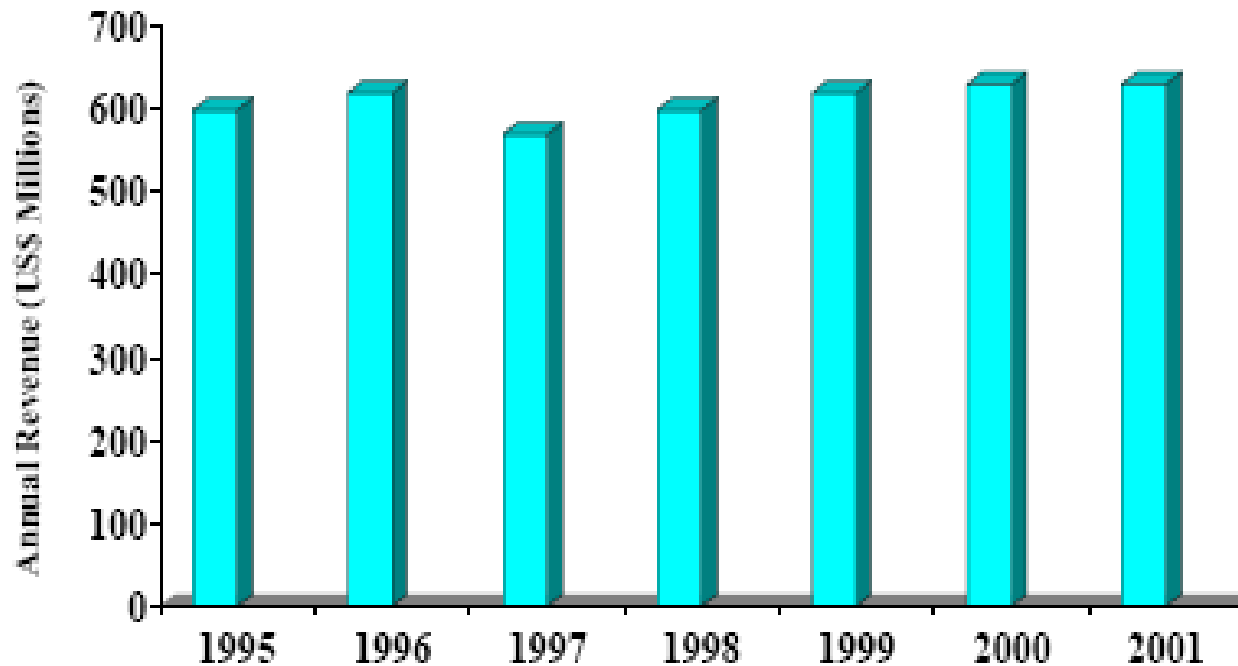
Small time circuses



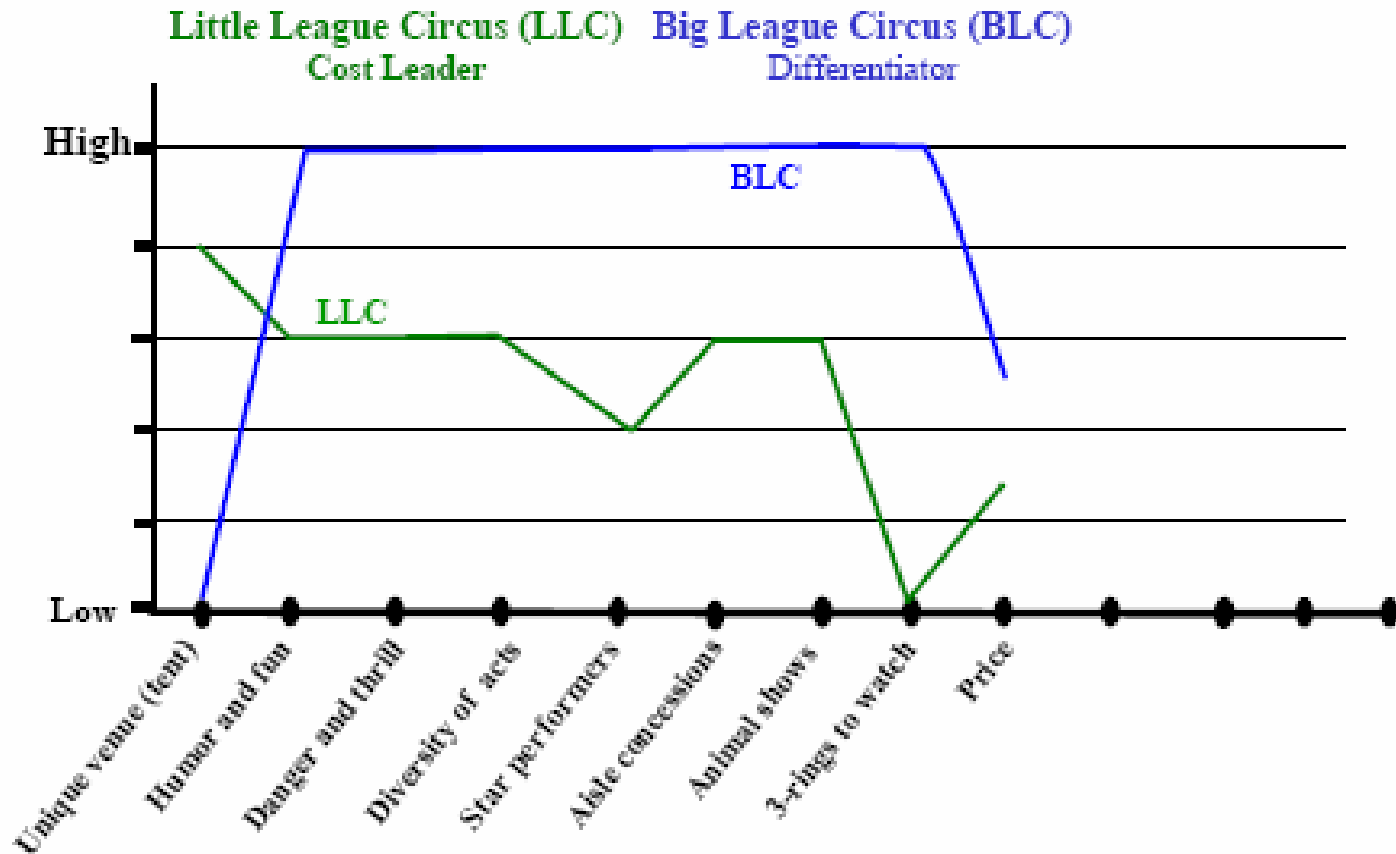
Big time circus



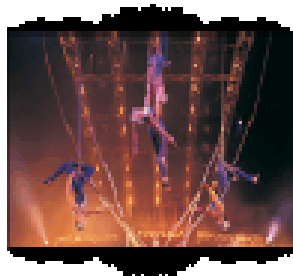
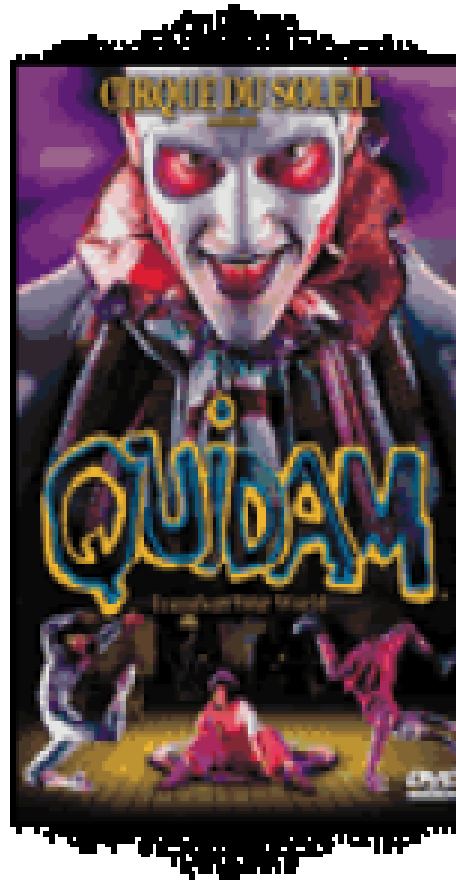
Ringling Brother's Revenues

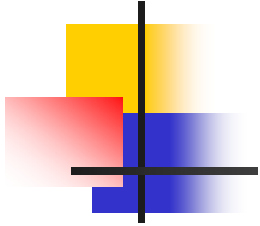


Traditional Circus Industry

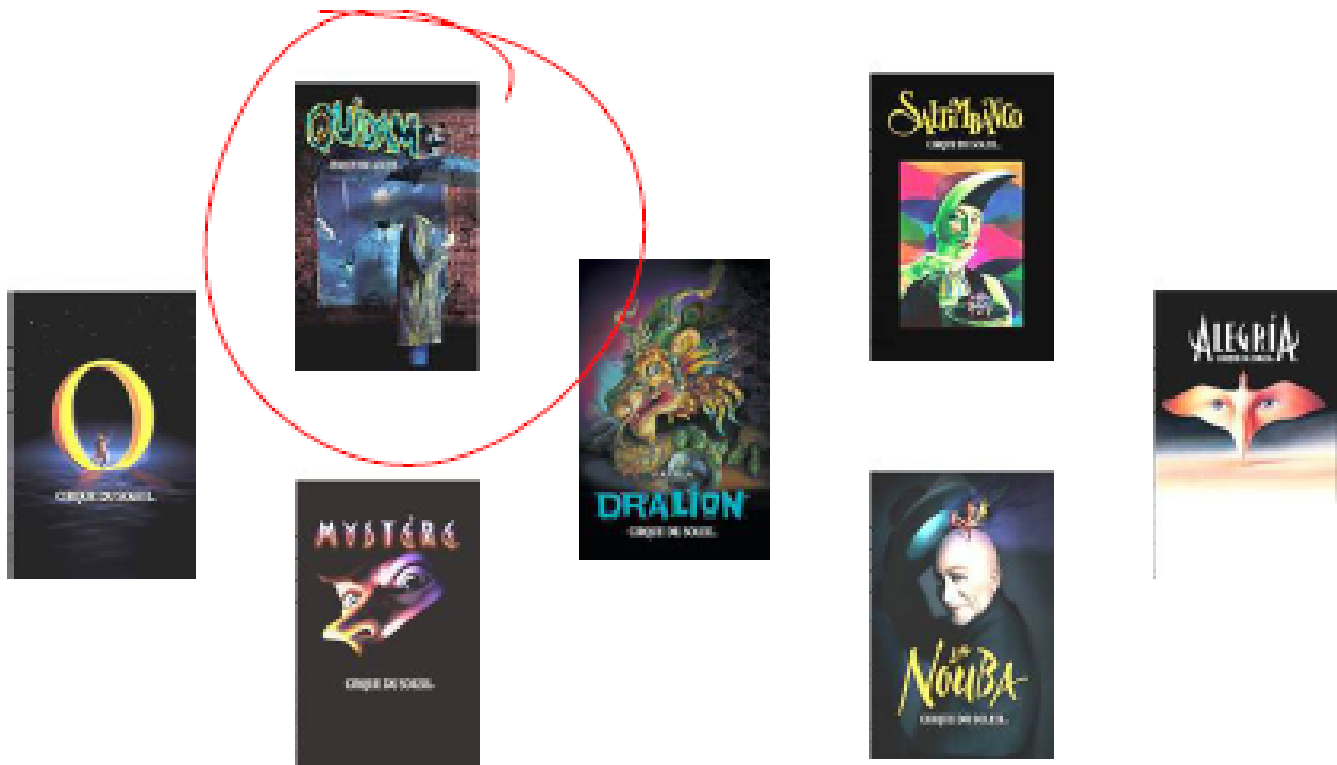


Cirque du Soleil





Cirque du Soleil Programs



Questions for Reflections



In comparison with a **conventional circus** as you know it

1. What are the elements totally **eliminated** here?
2. What are the key elements **kept** here? Which of them are raised and which are reduced?
3. What are the elements **created** here and where do these newly introduced elements come from?
4. How does Cirque du Soleil **create profitable growth**?

Eliminated Elements



- **Animals**
- **Ring Master**
- **Stars**
- **Language**
- **Aisle concession sales**

Is it still a circus?

Kept Elements

- Acrobatics →
 - Music ↑
 - Clowns →
 - Tent (important for keeping circus image) →
 - Audience Participation ↑
 - Seating ↑
 - Magic →
 - Exotic Feel ↑
- PRICE** ↑↑↑

Created Elements

- Theme / Story
- Dance
- Lighting
- Singing
- Programs
- Intellectual, artistic orientation

Where do these elements come from?

1. **Adult Focus** (Children or Parent?)
2. **Substitute:** Broadway show, Ballet, Opera

Profitable Growth

● **High WTP** by targeting **adult and corporate**

● **High Volume:** Different Shows

Global Product (no Language)

Traveling / Flexible Location

● **Low Cost:** **No animals (40% Cost)**

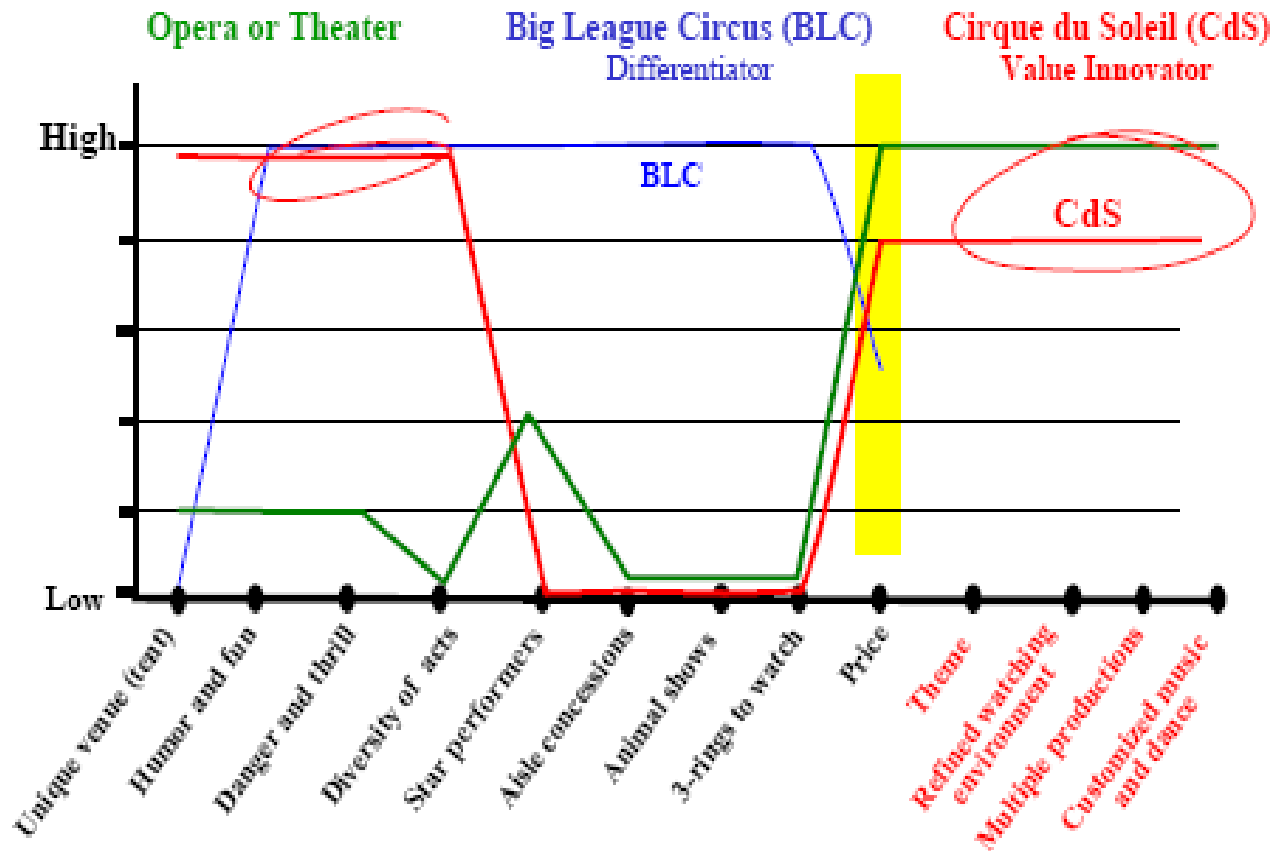
No Stars

Global sourcing (China, East Europe)

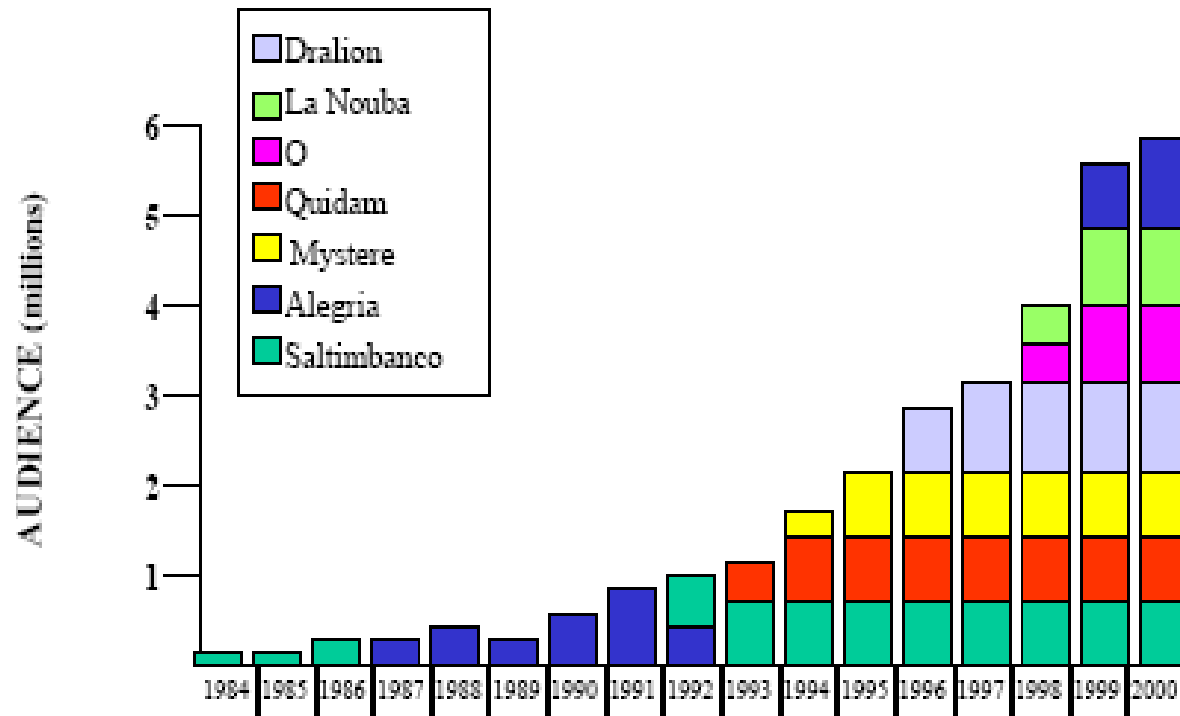
Some cost additions because of target customers;

e.g. seating

Cirque du Soleil Value Curve

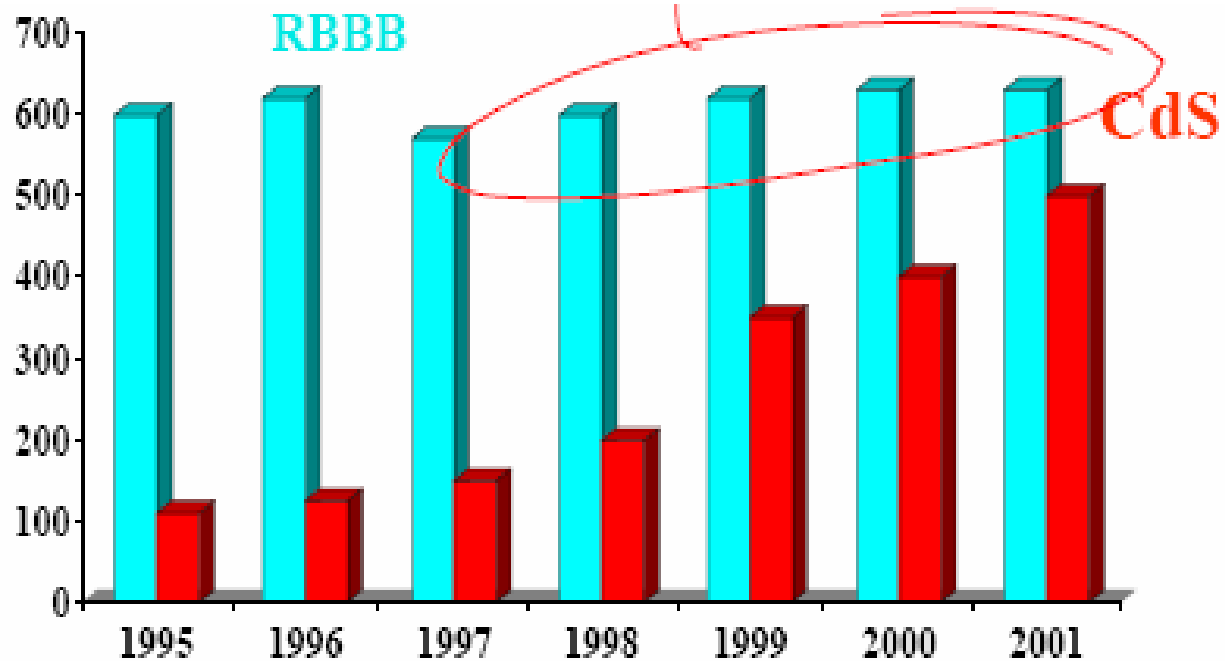


Cirque du Soleil Attendance



Estimates based on available company information

Revenues



Less likely to see competitive response from RBBB

The Founder

Guy Laliberte

44 , self made

Source: Cirque du Soleil

Net Worth: \$1.1 bil ★

Country of citizenship: **Canada**

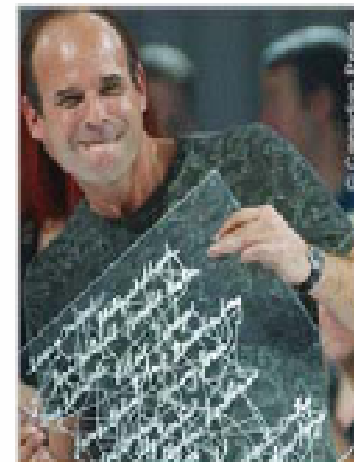
Residence: **Montreal, Canada**

Industry: **Media/Entertainment**

Marital Status: **single , 3 children**

Accordion-playing fire-breather turned circus icon, Laliberte founded Cirque du Soleil in 1984 with a gang of street performing friends. Initially funded by the Canadian government, the Montreal-based circus, which has no animals, no speaking and no star performers, became a for-profit group in 1985. Laliberte eventually bought out his majority partner in 2000. Hit the jackpot in 1991 when Steve Wynn brought Cirque to Las Vegas. Today the \$500 million (2003 revenues) group has three permanent shows in Sin City (Mystere, O, Zumanity), with a fourth on its way. Produces a total of nine shows. Other revenues derived from CD, DVD sales and television licenses. Known for lavish parties, Laliberte, who dreams of one day traveling into space, owns 95% of the company. Cirque donates 1% of sales to charity.

Forbes
MAGAZINE



Where to look



- Inspiration for successful new strategies may be closer than you think: New market space can be created by combining known elements in new ways
- However, it requires challenging conventional industry wisdom and thinking about competition and customers in new ways
- The **“Six Paths”** framework offers a systematic way to search for new inspiration

Looking Across Competing Offers

Six Paths

1. Why do customers buy **substitute** (代替品) offers?
 - (1) **Cirque du Soleil** takes musical score and theme from ballet and theater
 - (2) Low-cost airlines (**Southwest, easyJet**) take elements from other transport
2. Why do customers buy from other **strategic groups**?
 - (1) **Cirque du Soleil** takes tent from small time circuses (Cost leader)
 - (2) **Ralph Lauren / Polo** combines haute couture and classical lines

Looking Across Customers



3. Are we too **focused** on one part of the chain of buyers?
 - (1) Are we ignoring the user, influencer or **payer**?
 - (2) Cirque du Soleil shifts emphasis **from kids to adults** (payer)
4. What are the important **complements**? (輔助品)
 - (1) **IKEA** offers childcare, restaurant
 - (2) **B&N** offers places to read books (couches, cafe)
5. Can we reverse the industries **functional/emotional** focus?
 - (1) **Swatch, Dyson** (vacuum cleaner) : from functional to emotional
 - (2) **Bodyshop**: from emotional to functional

Exploiting Key Time Trends



6. What are the important **time trends** in the industry?

For example:

- (1) **Technology** (e.g. wireless broadband; 'free' processing and storage)
- (2) **Social changes** (edge of town retail and IKEA; aging populations)
- (3) **Customer learning** (digital literacy)

An Alternative Approach

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Envision Study Group Example

Blue Ocean Strategy

Casella Wines

Yellow tail



Callaway Big Bertha



Swiss Watch

swatch 





Q & A

謝謝指教!

