

Advanced Innovation Tools

February 19, 2019

Agenda

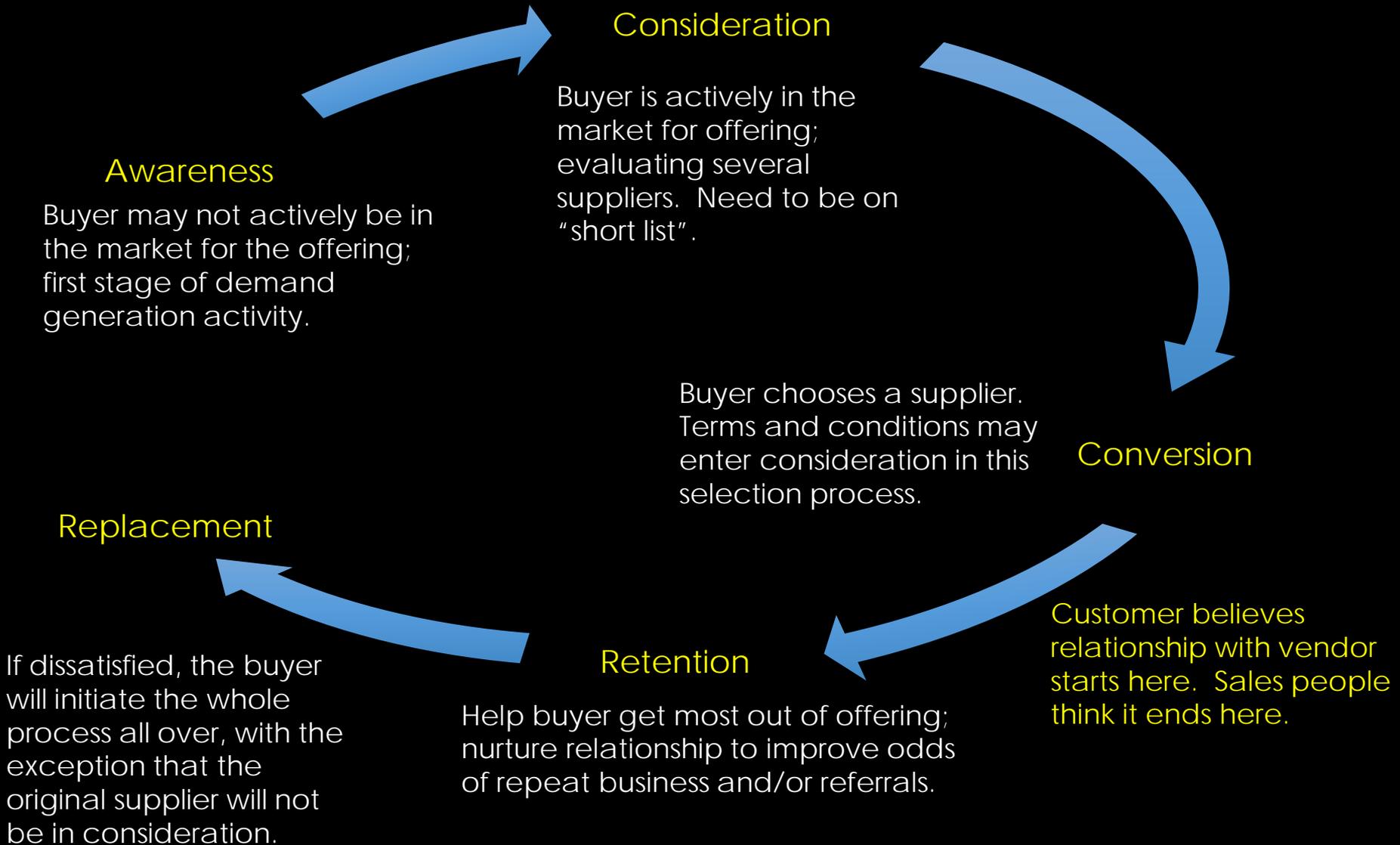
- Diffusion of Innovation
- Competition
- Competitive Advantage
- Innovation
- Blue Ocean Strategy

Agenda

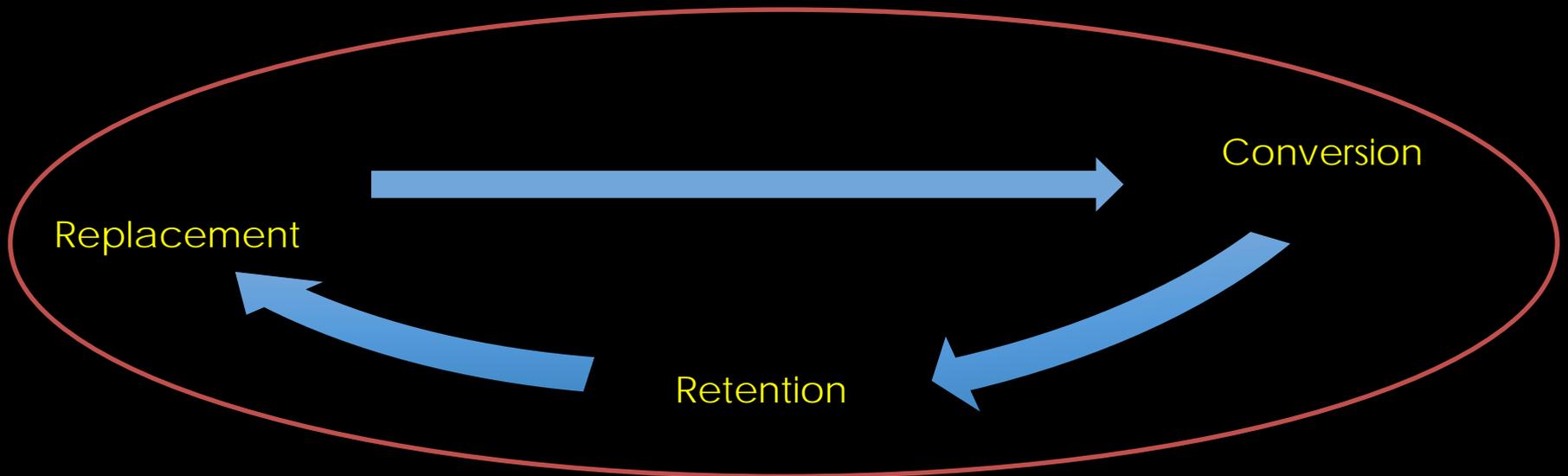
- **Diffusion of Innovation**
- Competition
- Competitive Advantage
- Innovation
- Blue Ocean Strategy

Models of Technology Adoption

Everett Rogers
Geoffrey Moore
Gartner



This loop is driven by supporting the customer.



Historical Perspective

As **technology-based** products came into common use, traditional marketing strategies failed

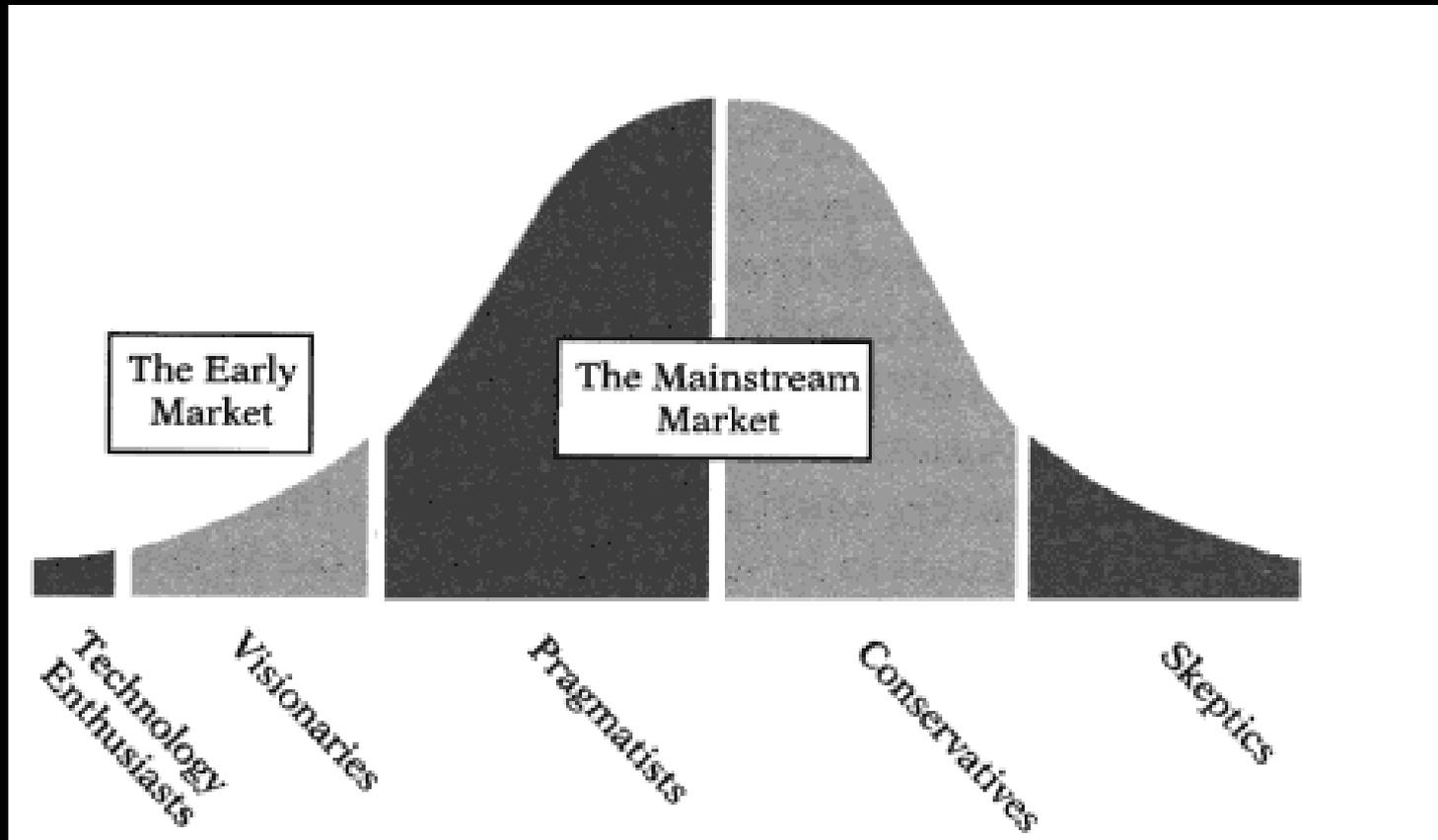
Social research began in the late 1950's into how people react to **discontinuous innovation** (Rogers)

These kinds of innovations require people **to change their habits or behavior** in order to realize the new benefits

When confronted with this change, people self-organize along their levels of risk-aversion



Everett Rogers: Technology Adoption Life Cycle



Reaction from Marketing Profession?

Happiness reigned supreme!

Finally, a model that explained how people behaved!

Each category got it's own new identity:

- Innovators → Technology enthusiasts
- Early Adopters → Visionaries
- Early Majority → Pragmatists
- Late Majority → Conservatives
- Laggards → Skeptics

Technology Enthusiasts

- “[F]undamentally committed to new technology”; they believe it will transform and improve lives
- Love tinkering with new things; figuring out how to improve it; first customers for anything truly brand new

Pros: Huge influencers of others who may adopt new technology

Cons: They have no money

Visionaries

- The people who will adopt an innovation in order to make a break with the status quo
- The first group to try and gain competitive advantage through innovation

Pros: Bring real money to the table – business oriented

Cons: Require extraordinary customization, drawing huge resources from the supplier

**Together with tech enthusiasts, these people
want to be first**

Pragmatists

- Make the bulk of all tech purchases over time
- Evolution, not revolution
- Looking for **business benefit**, not technology
- Resistant to being first
- Prefer to buy from market leaders

Need others to have been successful with innovation before they'll dive in

Conservatives

Will adopt technology as a last resort

Very price sensitive; highly skeptical; extremely demanding

- Expectations rarely met; reinforces negative view of technology

Value proposition: Stuff just works.

Skeptics

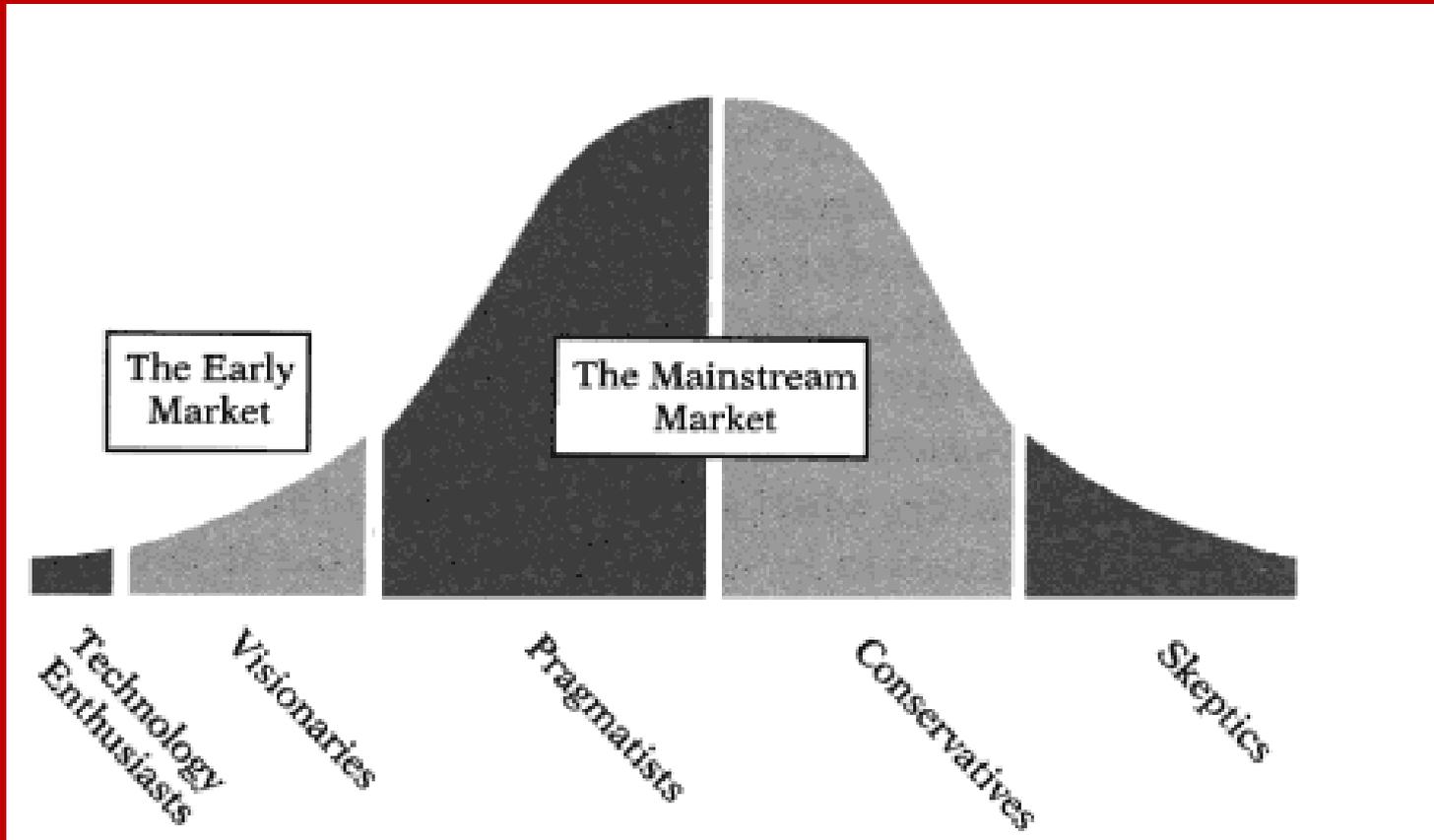
Not really potential customers

Perpetual critics

Don't sell to them, sell around them.

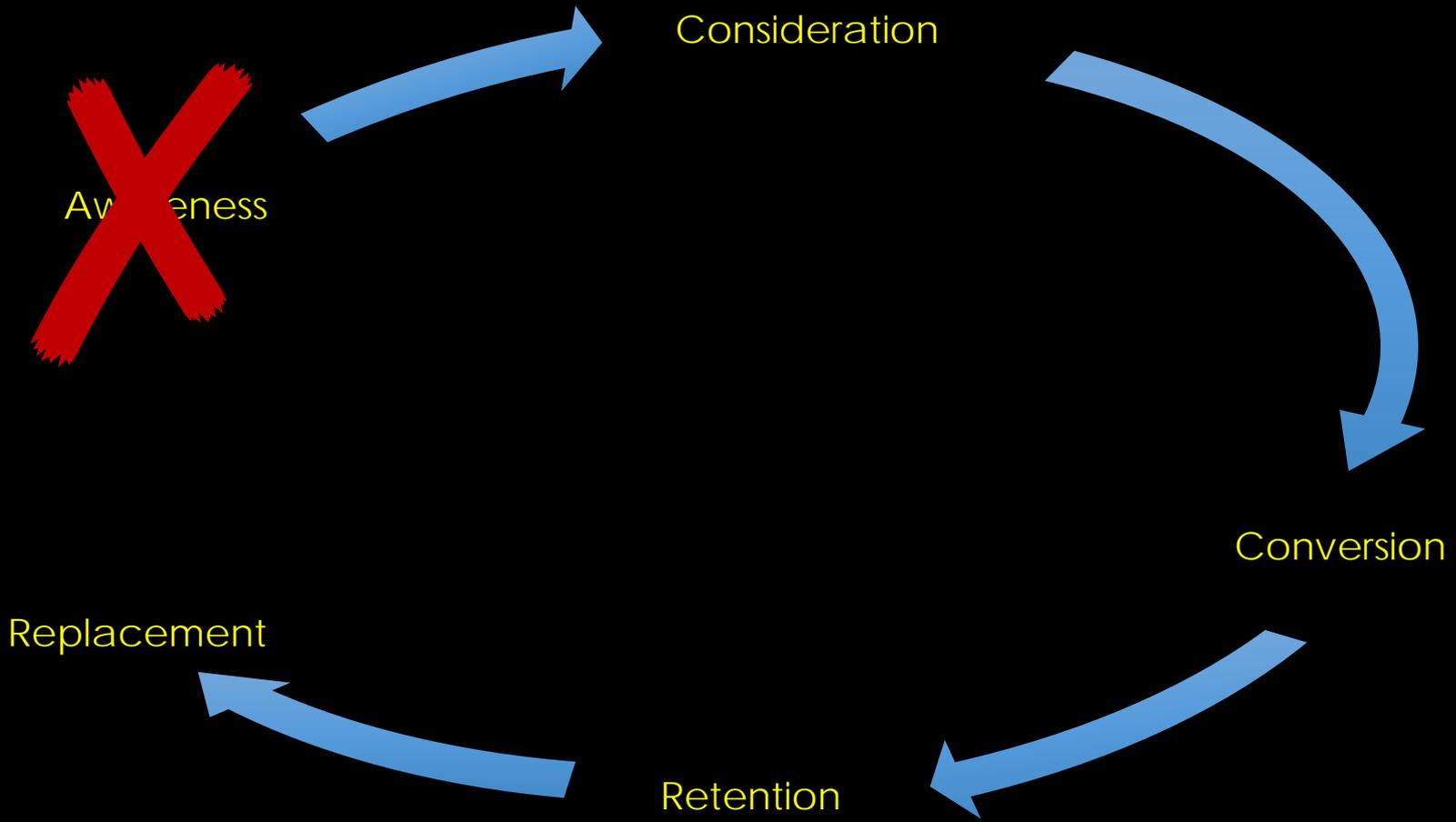
Discuss this model of technology adoption as it applies to the Brown Family Farm.

Where is the most profit made?



Agenda

- Diffusion of Innovation
- **Competition**
- Innovation
- Competitive Advantage
- Blue Ocean Strategy



MATTHEW DIXON and BRENT ADAMSON
of CEB



The
CHALLENGER
SALE How to Take Control of the
Customer Conversation

'The most important advance in selling for many years'

Neil Rackham, author of *SPIN Selling*

COMPETITION



Reputation

Benefits

Commodity

Reputation

Benefits

Commodity

Price

craft & design
ZOLA
CRAFT GALLERY

GUARANTEED
SHORTER HAIR

CUTS

SPEED
LIMIT
5

**TOW AWAY
ZONE**
ILLEGALLY PARKED
AND UNAUTHORIZED
VEHICLES WILL BE TOWED
AT VEHICLE OWNER'S EXPENSE
24 HOURS 7 DAYS A WEEK
CHANDLER'S TOWING
919-596-4547



Compare features

Price

Features That Matter

TECH

Uber to Offer India Passengers Free Wi-Fi

Riders will get free access to the Internet in cars booked through Uber app



Uber says that it has 150,000 drivers on its books in India. PHOTO: HARISH TYAGI/EUROPEAN PRESSPHOTO AGENCY

"It's a war of better products and convenience and features for riders," Amit Jain, president of Uber in India, said of the competition with local Indian ride-hailing apps.

"The dwell times in [traffic in] India are one of the longest in the world and making constructive use of that time by people able to access emails, communicate with friends and family is a **feature that is very beneficial to consumers**" he added.

Marketing Nirvana!



Brand-driven

Compare features

Price



Local Produce



Used to be Buster's

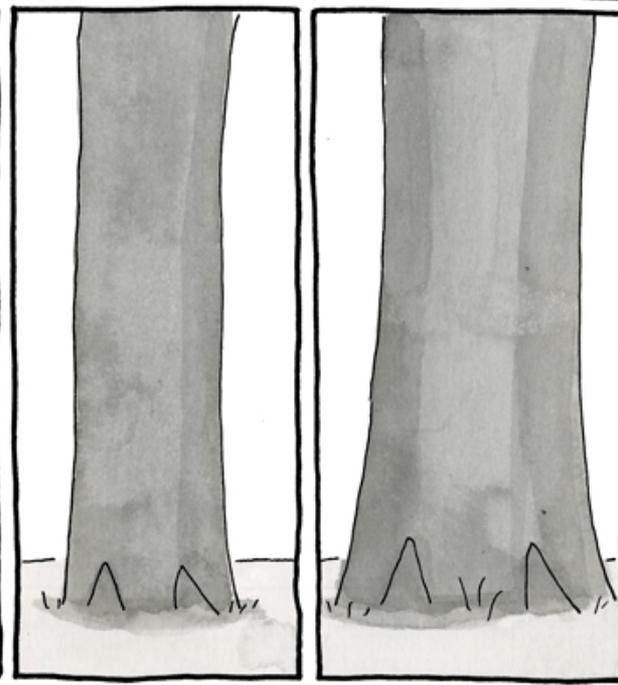
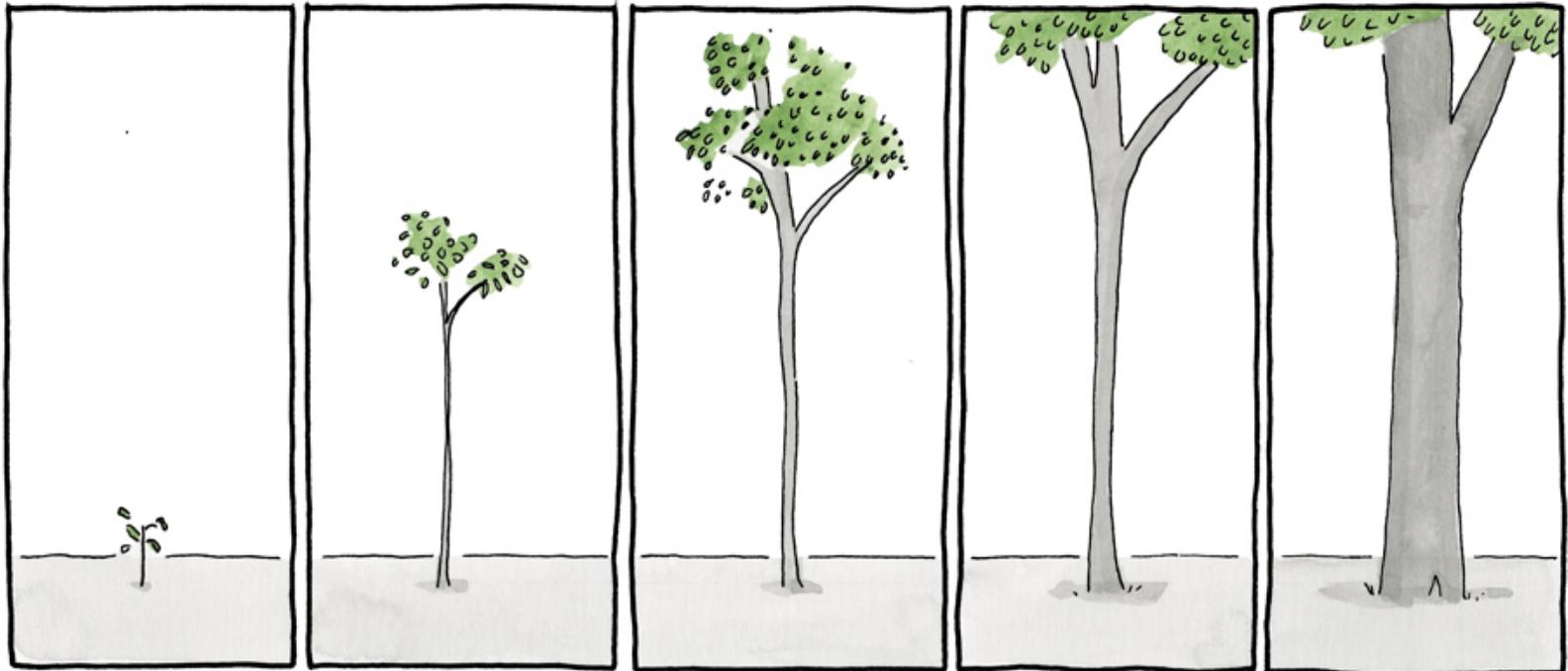
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Free Range Pork



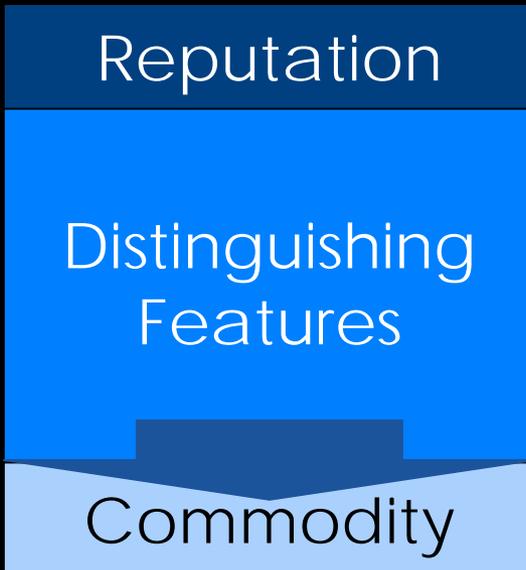
LIFECYCLE OF A BRAND



TOM FISH BURNE

More representative





Over time, all distinguishing features that matter to your customers will become part of the commodity-level offering.

In other words, they become the basis of competition.

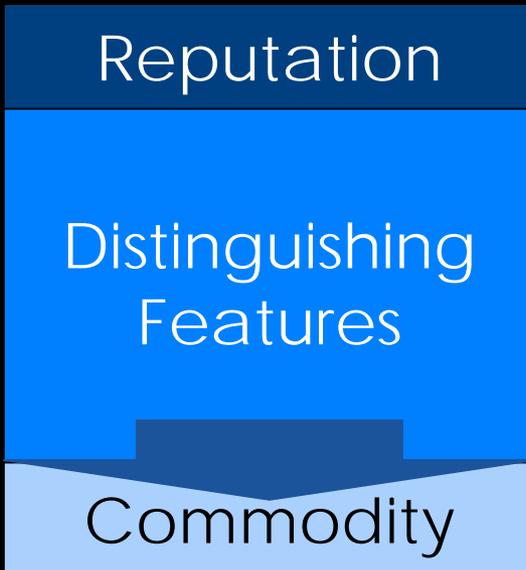
They add to the cost of the offering, but no longer command a premium price.

Discuss this model of competition as it applies to the Brown Family Farm.

The Big Question:

Can you sustain a competitive advantage?

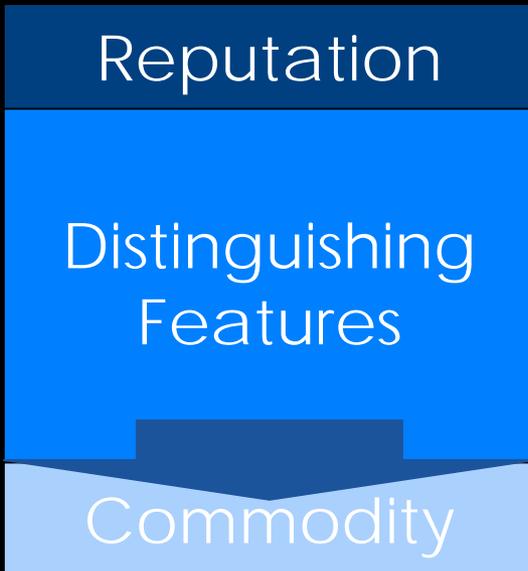
Remember this?



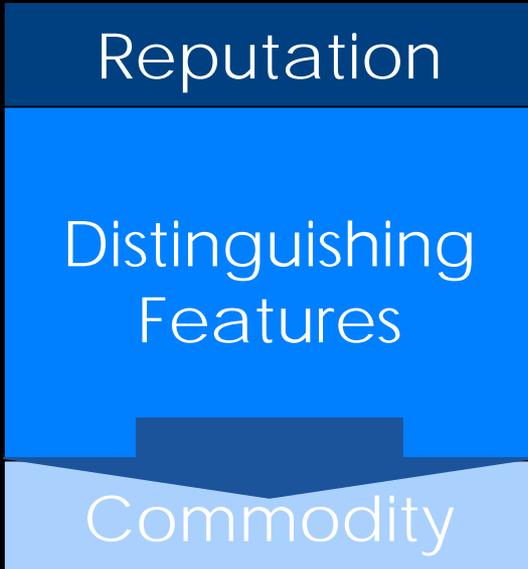
Over time, all distinguishing features that matter to your customers will become part of the commodity-level offering.

In other words, they become the basis of competition.

They add to the cost of the offering, but no longer command a premium price.



No good
idea goes
uncopied.



How do you
respond to this?

A green road sign with the word "Innovation" written in white, set against a blue sky with white clouds. The sign is mounted on two wooden posts and has a reflective border. The word "Innovation" is written in a large, bold, sans-serif font, slanted slightly to the right.

Innovation

**Innovation is novelty in how value
is created and distributed.**

- Joseph Alois Schumpeter

“ (Innovation) is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth”

- Peter Drucker

“Someone who moves resources from areas of lower productivity and yield to areas of higher productivity and yield.”

— J.B. Say, French economist, circa 1800

“The entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

— Peter Drucker, “Innovation and Entrepreneurship”, 1985

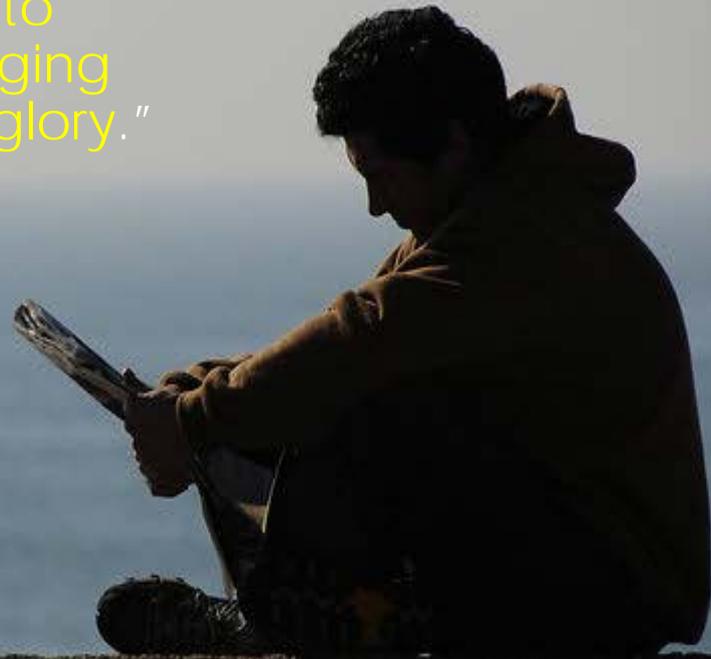
“Core competency...is a dangerously inward-looking notion.

“Competitiveness is far more about doing what customers value than doing what you think you're good at.

“And staying competitive as the basis of competition shifts necessarily requires a willingness and ability to learn new things rather than clinging hopefully to the sources of past glory.”

- Clayton Christensen

(The Innovator's Dilemma, page 162)



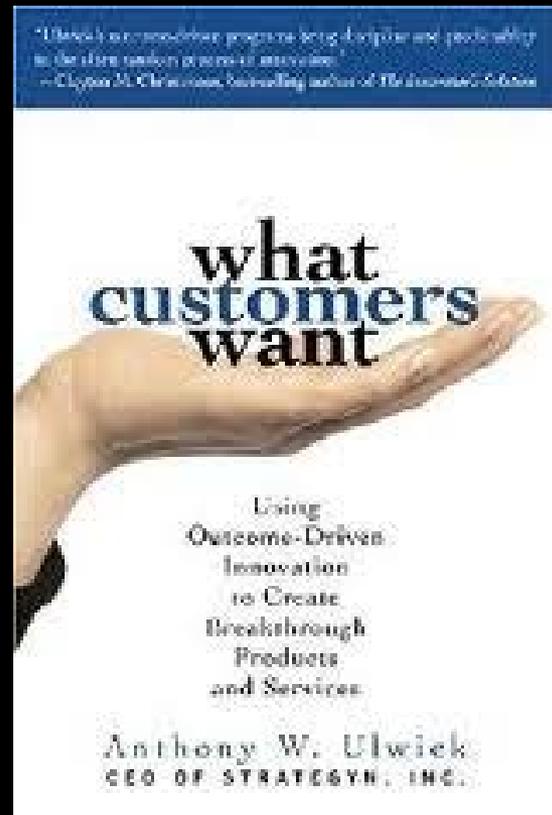
Innovation Drivers

- Derivative
- Evolutionary
- Replacement
- Cosmetic
- Performance-enhancing
- Insightful
- Anticipatory
- Customer-driven
- Technology-driven
- Overkill-driven
- Problem-solving
- Inspired

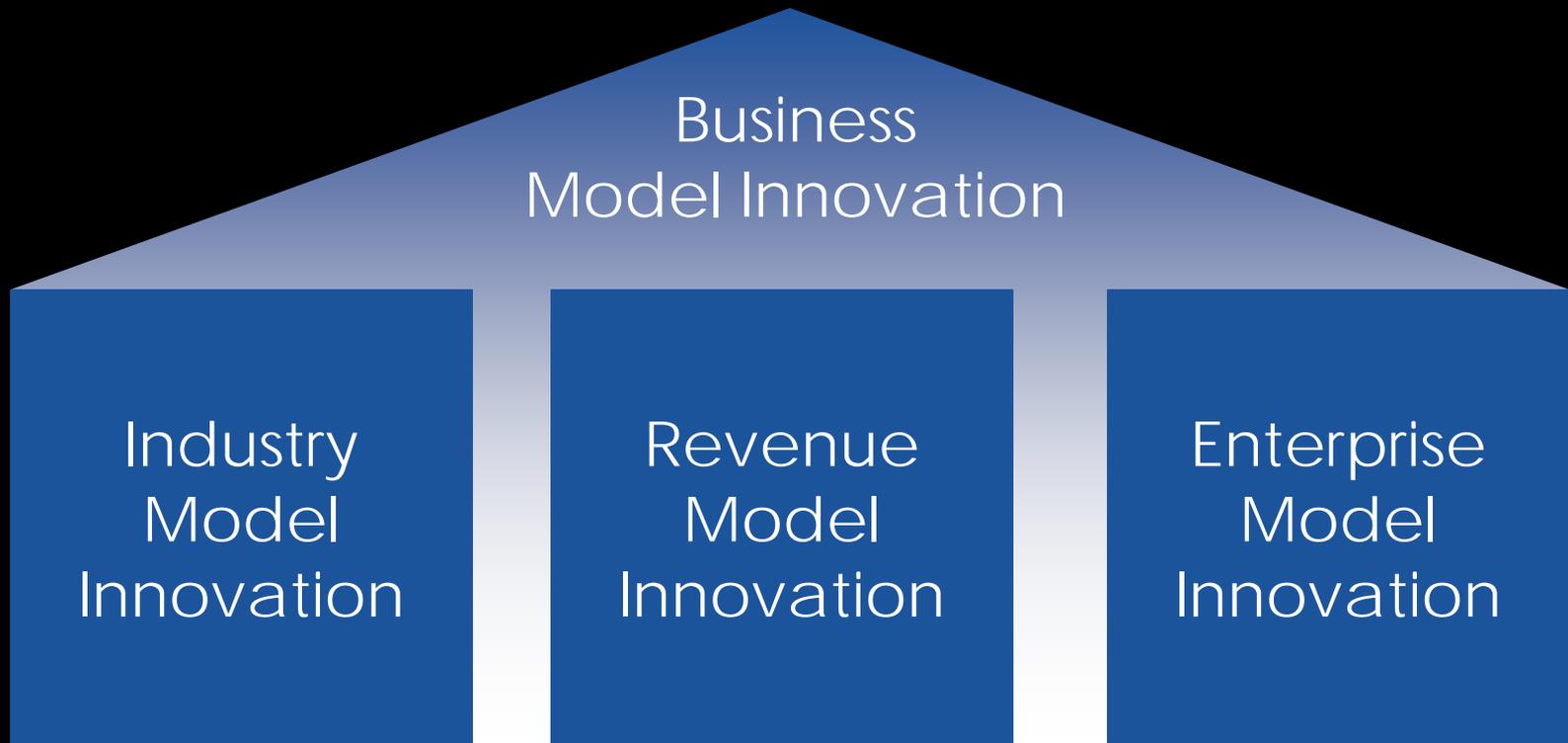
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Examples for
the Brown
Family Farm?

Outcome Driven Innovation



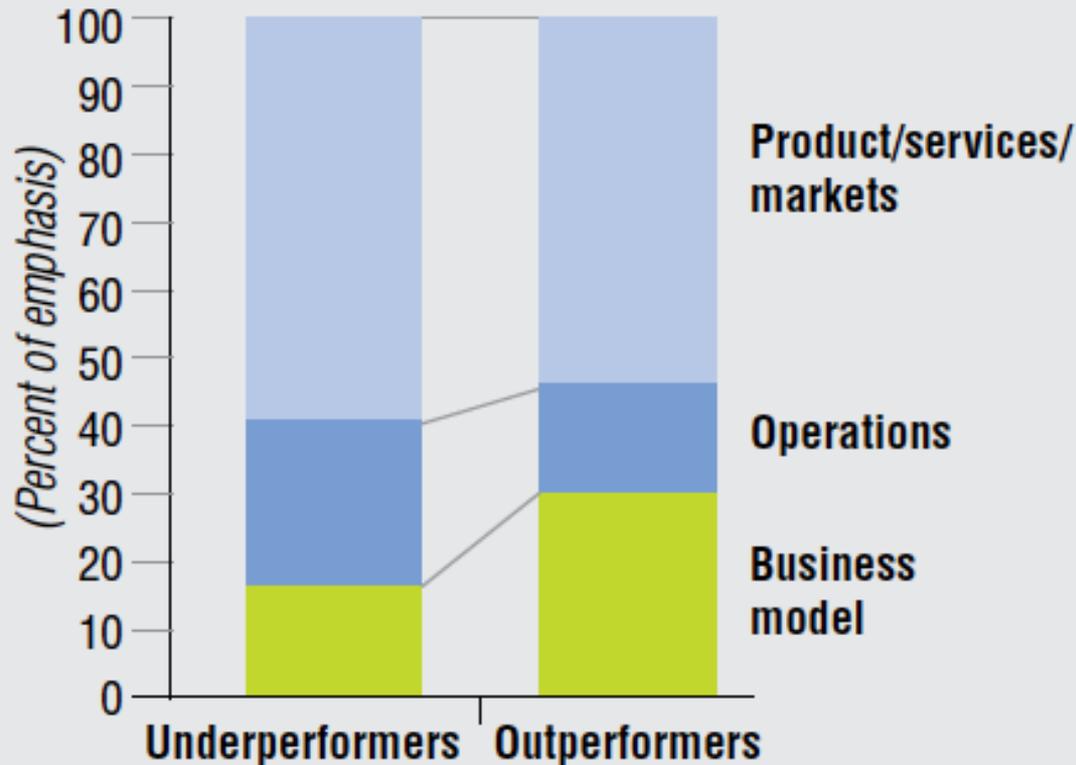
Business Model Innovation



Based on IBM Institute for Business Value model

FIGURE 1.

Profit outperformers focus on business model innovation more frequently than underperformers.



Note: Based on operating margin growth over five years as compared to competitive peers.

Source: "Expanding the Innovation Horizon: The Global CEO Study 2006," IBM Global Business Services. March 2006.

Industry Model Innovation

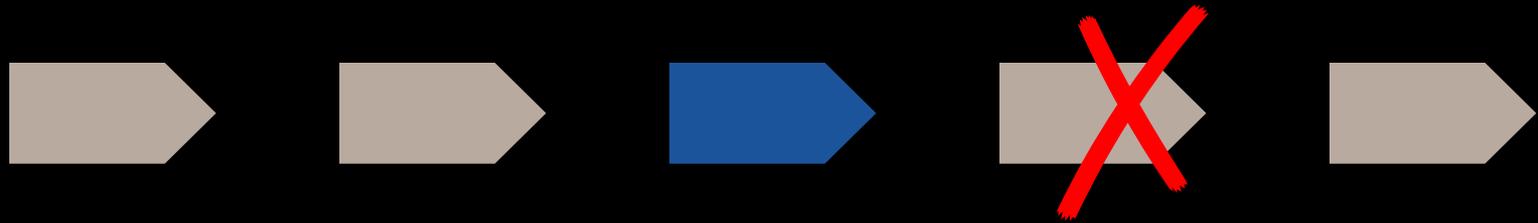
Industry Model Innovation

Innovating the industry value chain by moving into new industries, redefining existing industries, or creating entirely new ones; also by identifying/leveraging unique assets.

Industry Value Chain



Dell



Disintermediation; redefining the industry

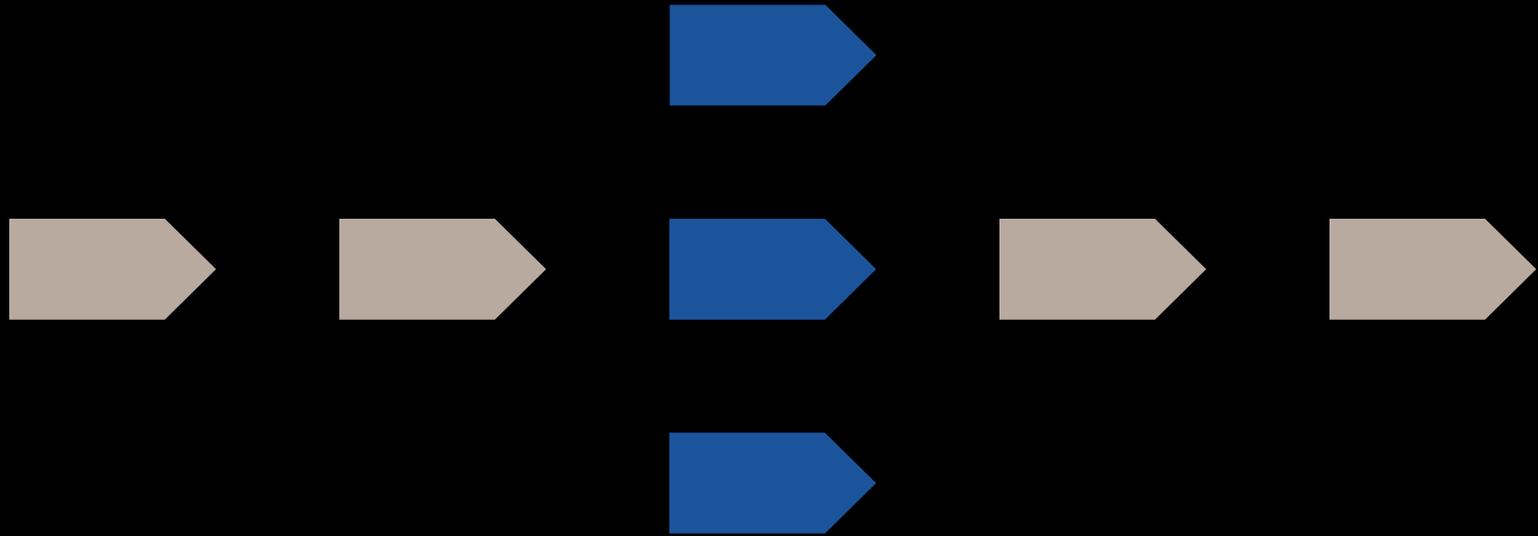


Vertical Integration; redefining the industry



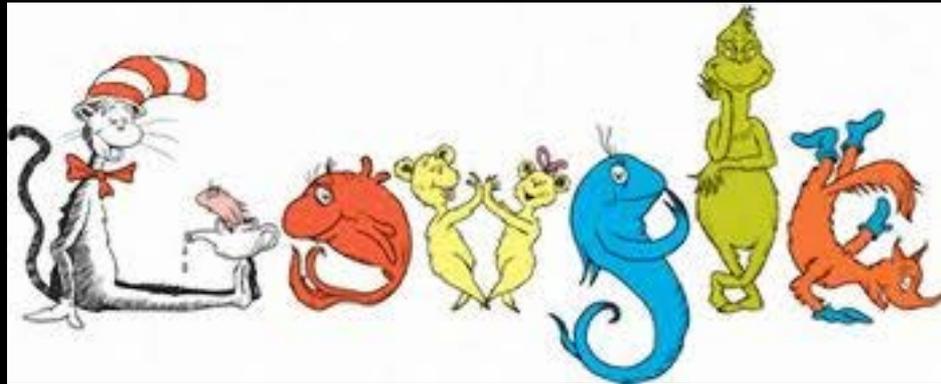
at&t

TimeWarner



Horizontal spin offs; unlocking value

Acquisition: aggregation of value



Create entirely new ~~industry~~ industries

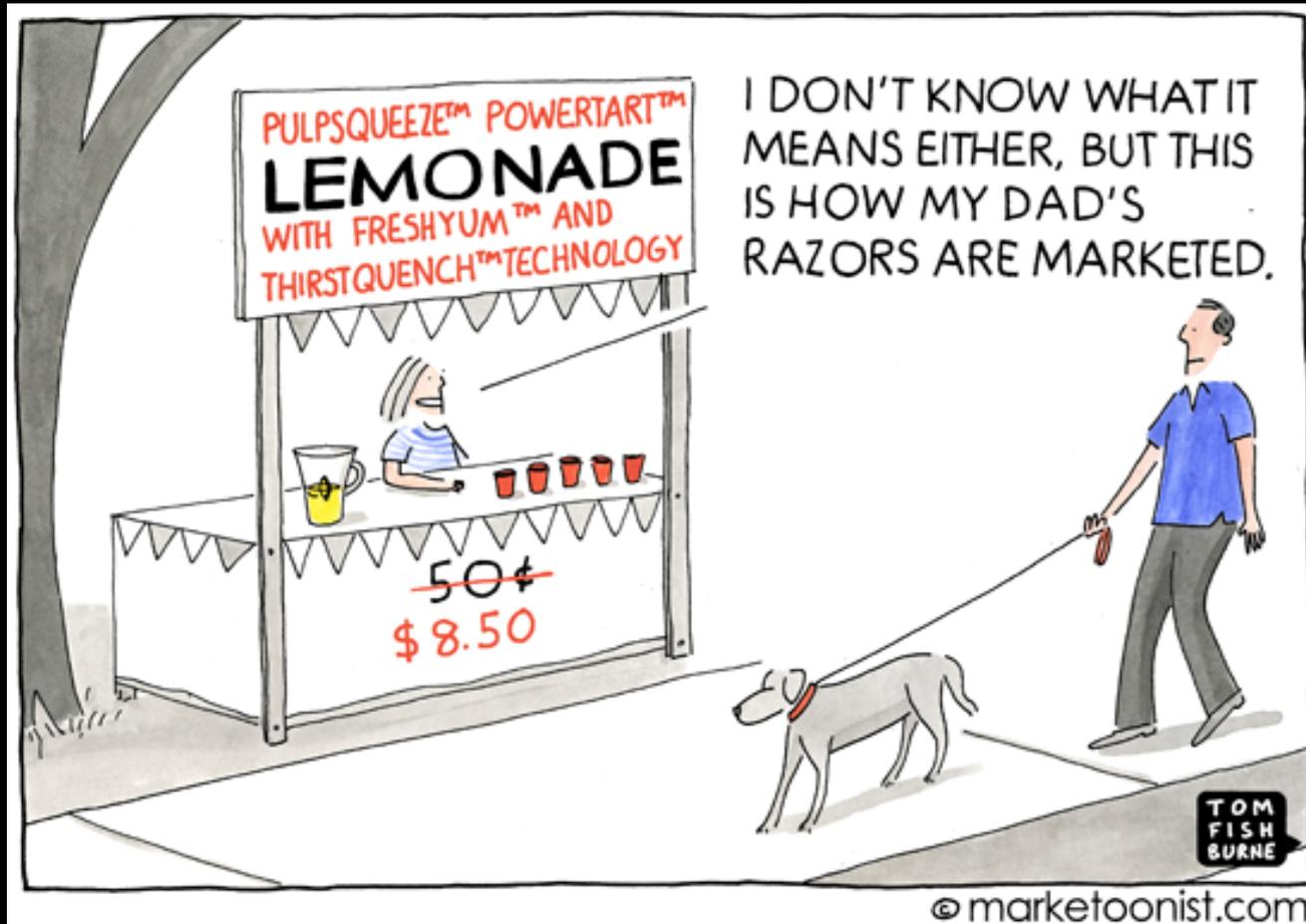
How can the Brown Family Farm
innovate its industry model?

Revenue Model Innovation

Revenue
Model
Innovation

Innovating how to generate revenue through offering re-configuration (product/service/value mix) and pricing models.

Razor Industry Example



A brief history of shaving

Prehistoric times: sharpened rocks, clam shells

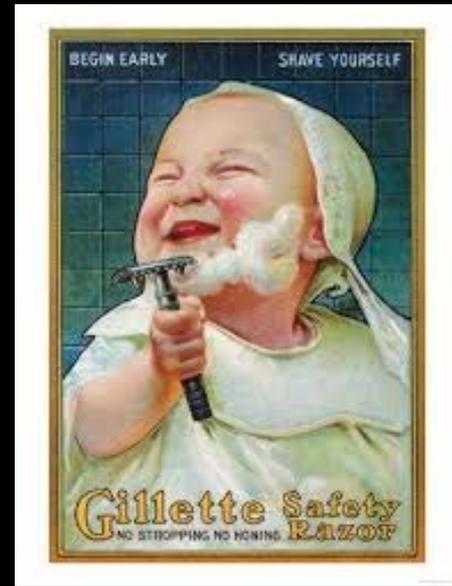
6,000 BC: invention of metal straight razor

1903: King Gillette introduces "safety razor"

1903: Pricing Innovation



Safety is relative



And this probably overstates it.

A brief history of shaving

Prehistoric times: sharpened rocks, clam shells

6,000 BC: invention of metal straight razor

1903: King Gillette introduces "safety razor"

1965: Wilkinson introduces stainless steel blades

1970: Wilkinson introduces single blade cartridge razor

1972: Gillette introduces Trac II cartridge razor

1972: The Second Blade

Twin Blade Shaving System.



Gillette's finest—locked forever into place in tandem, with the edges aligned some 60 thousandths of an inch apart.

To change cartridges, just insert the head of the razor in the automatic cartridge dispenser, slide it to the right, and a fresh cartridge containing 2 new blades snaps into place. You never have to handle a blade.

The 1st blade gets most of your whisker. The 2nd blade gets whisker the 1st blade leaves behind. Two separate blades—to get whisker one blade could miss.



A brief history of shaving

Prehistoric times: sharpened rocks, clam shells

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1975: Bic introduces single blade disposable

1998: Gillette introduces the Mach3 cartridge razor

1998: Major Breakthrough!



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1998: Gillette introduces the Mach3 cartridge razor

2004: Schick introduces the Quattro 4-bladed razor

2006: Gillette introduces the Fusion 5-bladed cartridge razor

2006: Huge leap forward!



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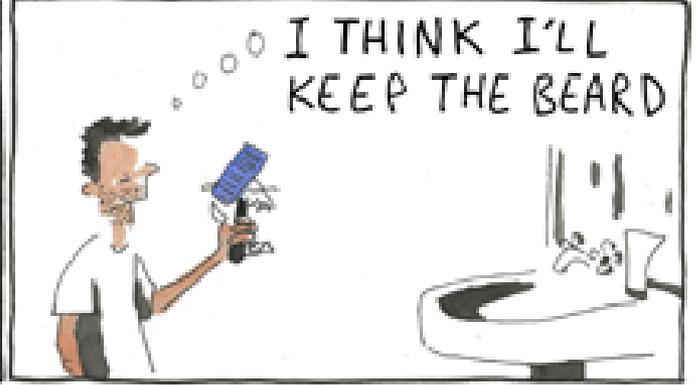
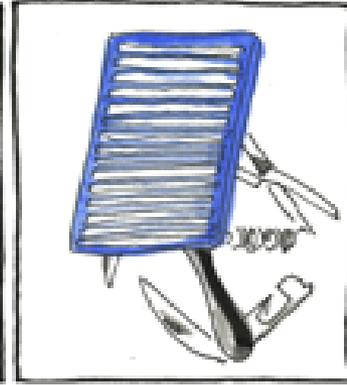
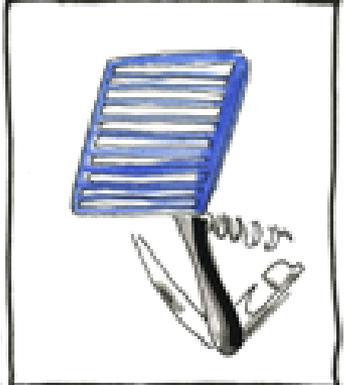
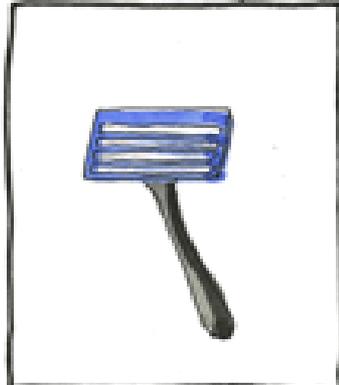
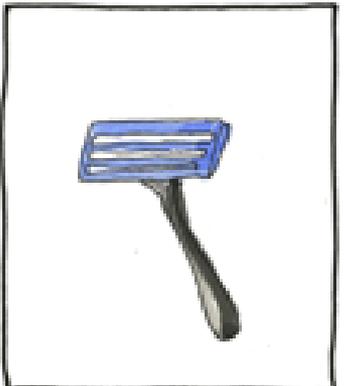
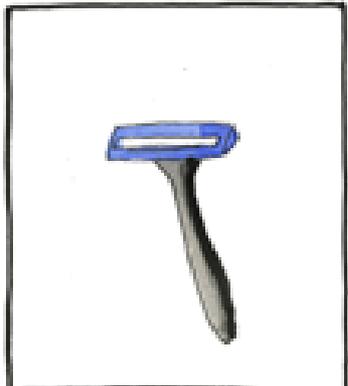
2007: Apple introduces the iRazor and the iBlades Store

2010: Schick introduces the Hydro 5-bladed cartridge razor

Taken to Illogical Extreme



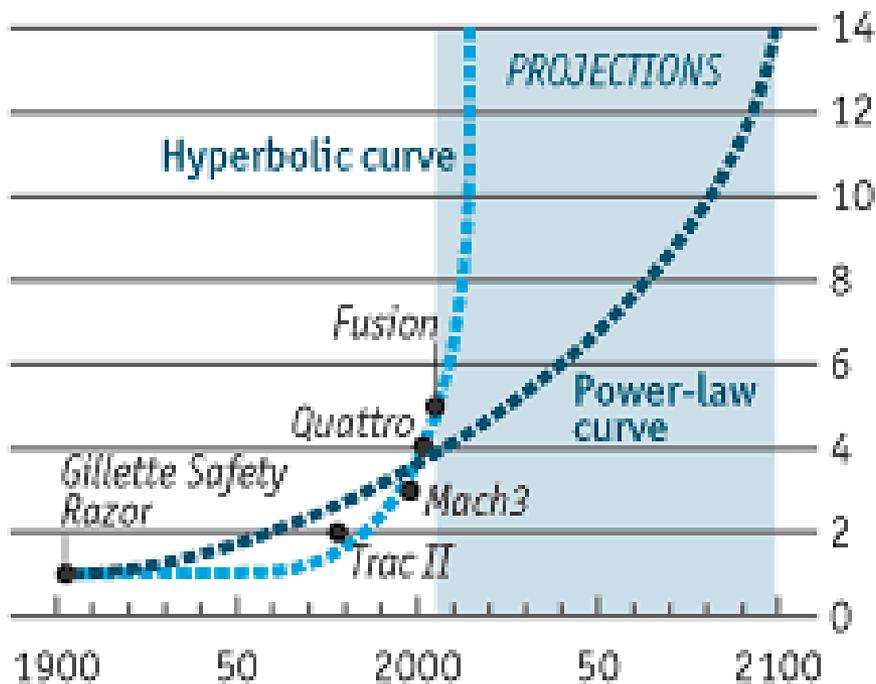
NEW-FEATURITIS



Projecting forward...

Blade running

Number of blades per razor system



Source: *The Economist*

Gillette's Law?

A brief history of shaving

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Which of these innovations was
incremental?

Disruptive?



DOLLAR SHAVE CLUB

SHAVE TIME. SHAVE MONEY.

video

REGISTER

LOGIN

OUR BLADES

SHAVE BUTTER

WIPES

HOW IT WORKS

GIFT



A GREAT SHAVE FOR A FEW BUCKS A MONTH

DO IT

Share video:



169,614 people like this. Be the first of your friends.



58.4K



Follow @DollarShaveClub

33.3K followers

ENLIGHTENED CUSTOMER #164



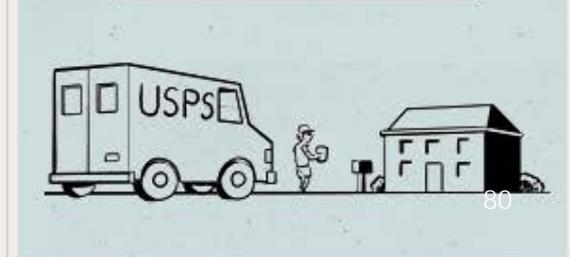
"I save \$100/yr on shaving now. Basically, I'm a genius.

- Jeff

OUR BLADES



DELIVERED EACH MONTH



DSC launched in 2012.
Video reached 20M in weeks.



BE BOLD.

A MIGHTY RAZOR WILL COME TO YOUR AID

THE HUMBLE TWIN



\$1/mo
+S&H

SELECT →

A great basic shaver, for guys who dig simplicity and precision.

2 stainless steel blades

5 cartridges per month

Reliable - it's the '82 wagon that starts when it's below zero

Lubricating strip moisturizes and soothes the skin

[LEARN MORE](#)

THE 4X

aka "The Lover's Blade"



\$6/mo
S&H INCL

SELECT →

The last razor you'll ever need - a gentle shave in a single stroke

4 stainless steel blades

4 cartridges per month

You will love this razor - and your girlfriend can use it too

Wide-open back for a fast, easy rinse

[LEARN MORE](#)

THE EXECUTIVE



\$9/mo
S&H INCL

SELECT →

The final frontier - it's like a personal assistant for your face

6 stainless steel blades

4 cartridges per month

Special trimmer edge built in for the professional

This blade comes from the future and lives in outer space

[LEARN MORE](#)



FORMULA NO. 6301-1

for effortless, delightful shaving

Dr. Carver's Easy Shave Butter undeniably transforms the dread of shaving into the joy of gently wiping whiskers off your face. Like the friend you've been missing your whole life, you'll wonder how you managed with anything else. Thoughtfully crafted to facilitate the closest, gentlest shave imaginable, Dr. Carver's non-foaming application leaves your face feeling perfect every time. Goes great with a hot blade.

NON-IRRITATING & SAFE FOR SENSITIVE SKIN

NET. WT. 170 g • 6 oz

- ✓ 6 ounce tube, S&H Incl.
- ✓ Non-irritating
- ✓ Safe for sensitive skin
- ✓ Fights razor bumps
- ✓ Helps prevent ingrown hairs
- ✓ 100% satisfaction guaranteed

\$8

ADD +

What's inside?

Looks like this, feels like heaven.

ome fill prescriptions on the black

BUSINESS

15
COMMENT

Billion Dollar Shave Club: Unilever buys razor subscription service

By James Vincent on July 20, 2016 08:01 am @jvincent



THE LATEST

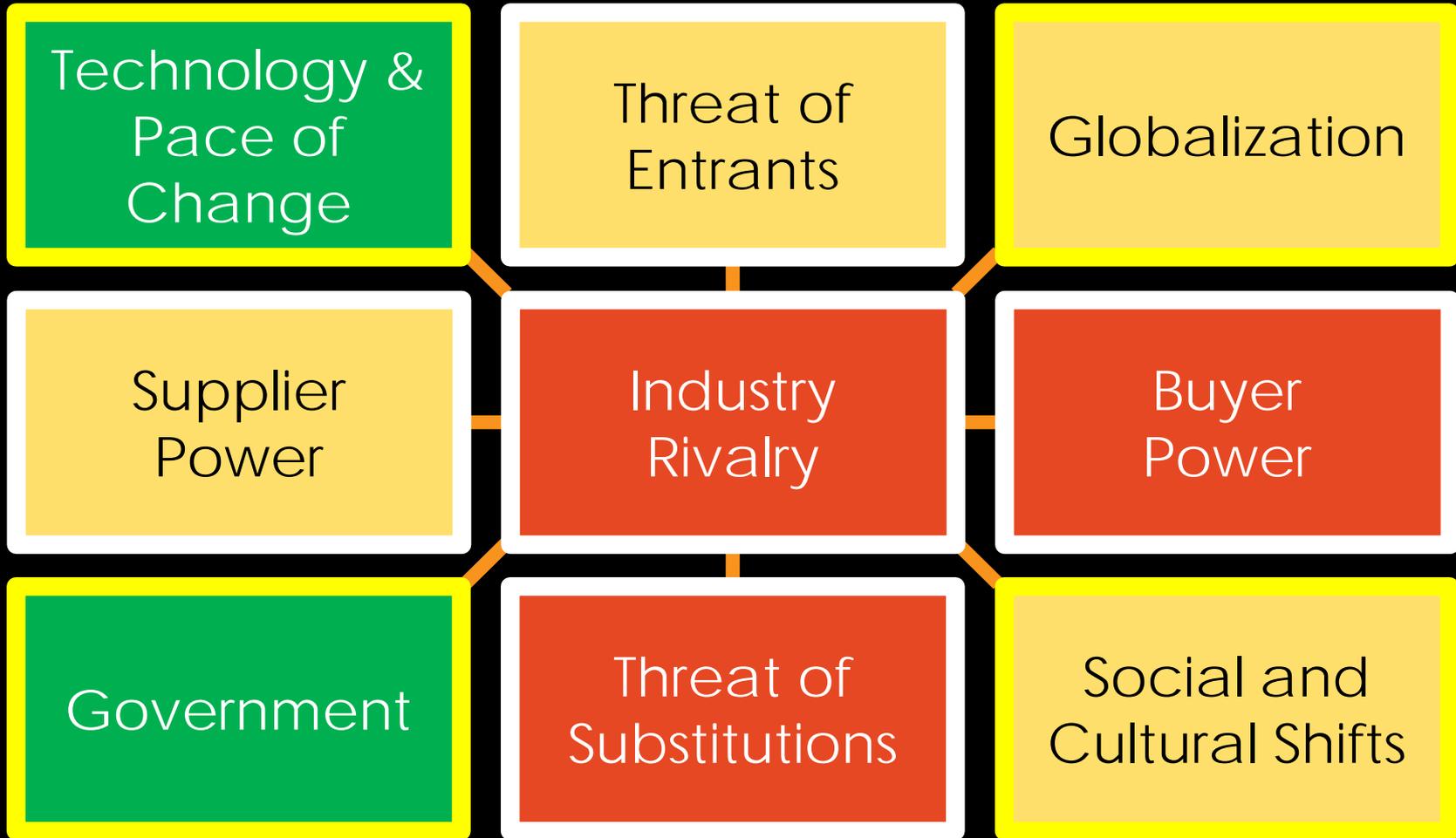
HEADLINES



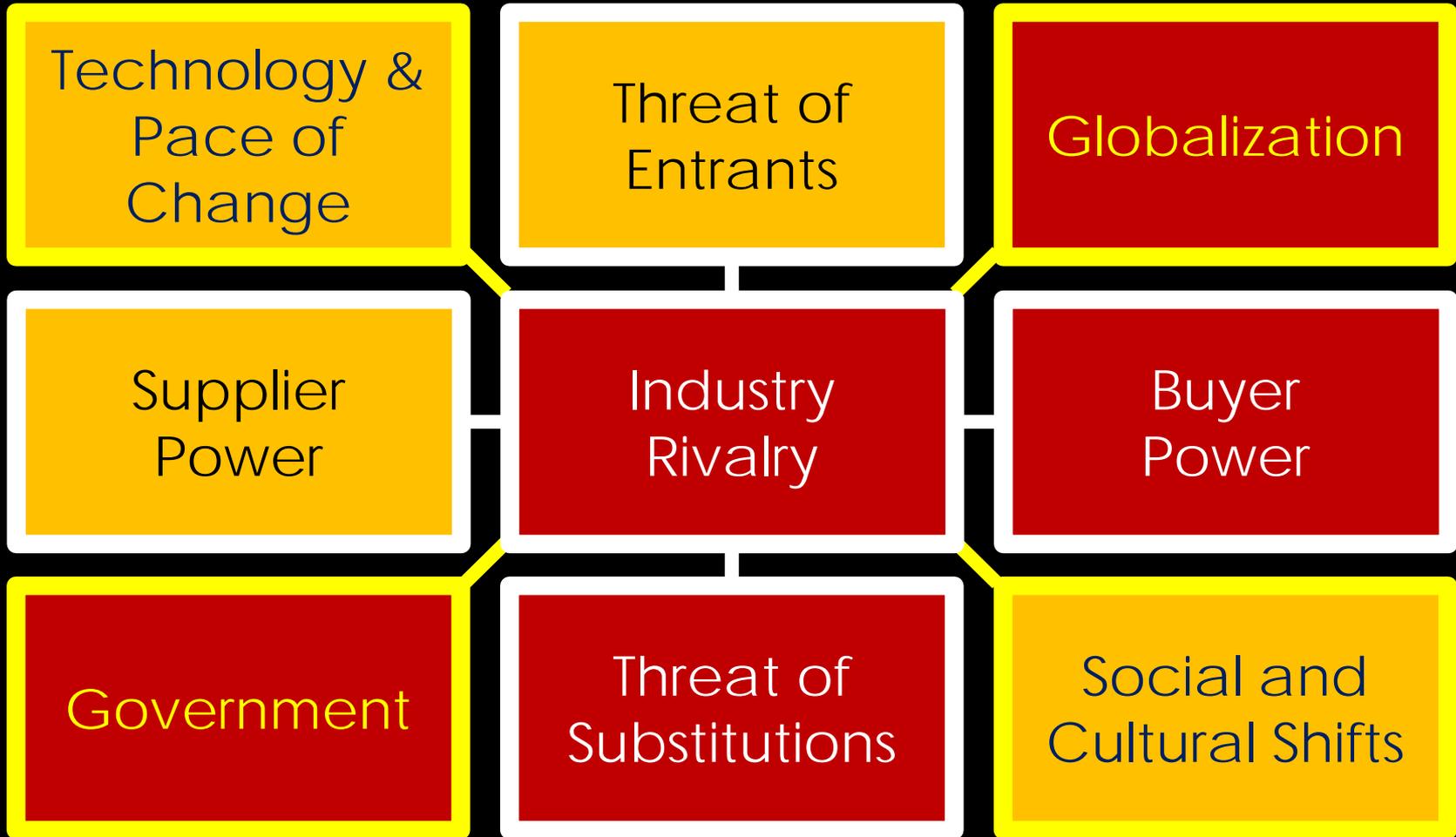
These Indiegogo headphones may seem like

Is (was) Dollar Shave Club
disruptive?

Market Forces: Wet Shaving



Brown Family Farm Snapshot



How can the Brown Family Farm
innovate its revenue model?

Offering Innovation



GE Aircraft Engines
Address: 3701 S Miami Blvd, Durham, NC 27703

Offering Innovation

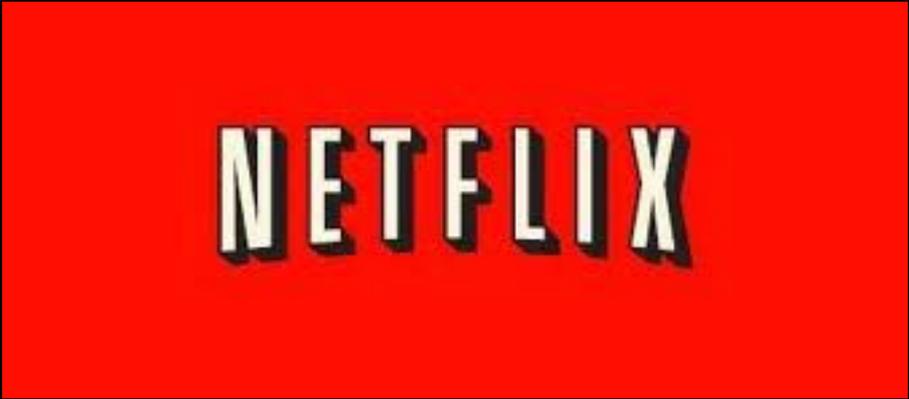
Introducing the Beacon app from GE.



One-touch service and support –
whenever and wherever you need it.

→ [LEARN MORE](#)

Redefine offering

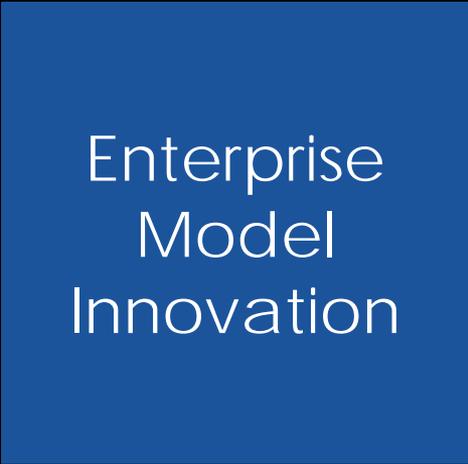
The Netflix logo is centered on a solid red rectangular background. The word "NETFLIX" is written in a white, bold, sans-serif font. Each letter has a slight 3D effect with a dark shadow on its right side, giving it a sense of depth.

NETFLIX

How can the Brown Family Farm
innovate its offering?

Enterprise Model Innovation

Innovating the structure of the enterprise and the role it plays in new or existing value chains. It focuses on redefining organizational boundaries.



Enterprise
Model
Innovation

Network plays

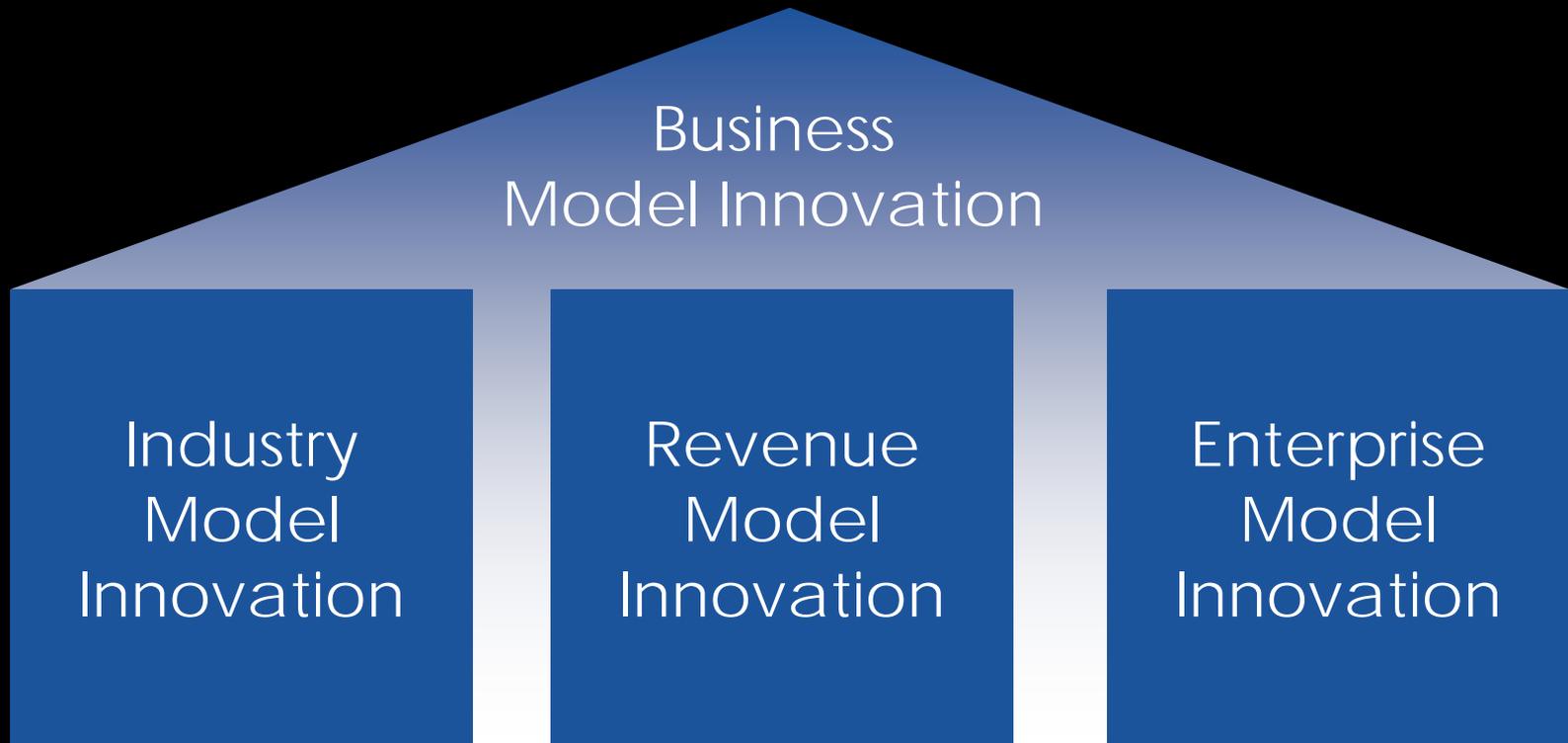


Brokerage/
Platform



Open Innovation

Business Model Innovation



Section Summary

Innovation provides a source of competitive advantage

That competitive advantage has an ever-shorter half life

Need to introduce innovations faster

Innovation can occur in offerings or **business models**

Agenda

- Diffusion of Innovation
- Competition
- Competitive Advantage
- Innovation
- **Blue Ocean Strategy**

Blue Ocean Strategy

BLUE OCEAN STRATEGY

How to Create
Uncontested Market Space
and Make the Competition Irrelevant

W. Chan Kim • Renée Mauborgne

HARVARD BUSINESS SCHOOL PRESS

FROM THE AUTHORS OF THE INTERNATIONAL BESTSELLER
BLUE OCEAN STRATEGY

BLUE OCEAN SHIFT

BEYOND COMPETING

PROVEN STEPS TO INSPIRE CONFIDENCE
AND SEIZE NEW GROWTH

W. CHAN KIM | RENÉE MAUBORGNE

BLUE OCEAN STRATEGY

How to Create
Uncontested Market Space
and Make the Competition Irrelevant

W. Chan Kim • Renée Mauborgne

HARVARD BUSINESS SCHOOL PRESS

The authors propose an analogy of "oceans" for markets

One is **red** (stained by the bloodletting in fierce competition)

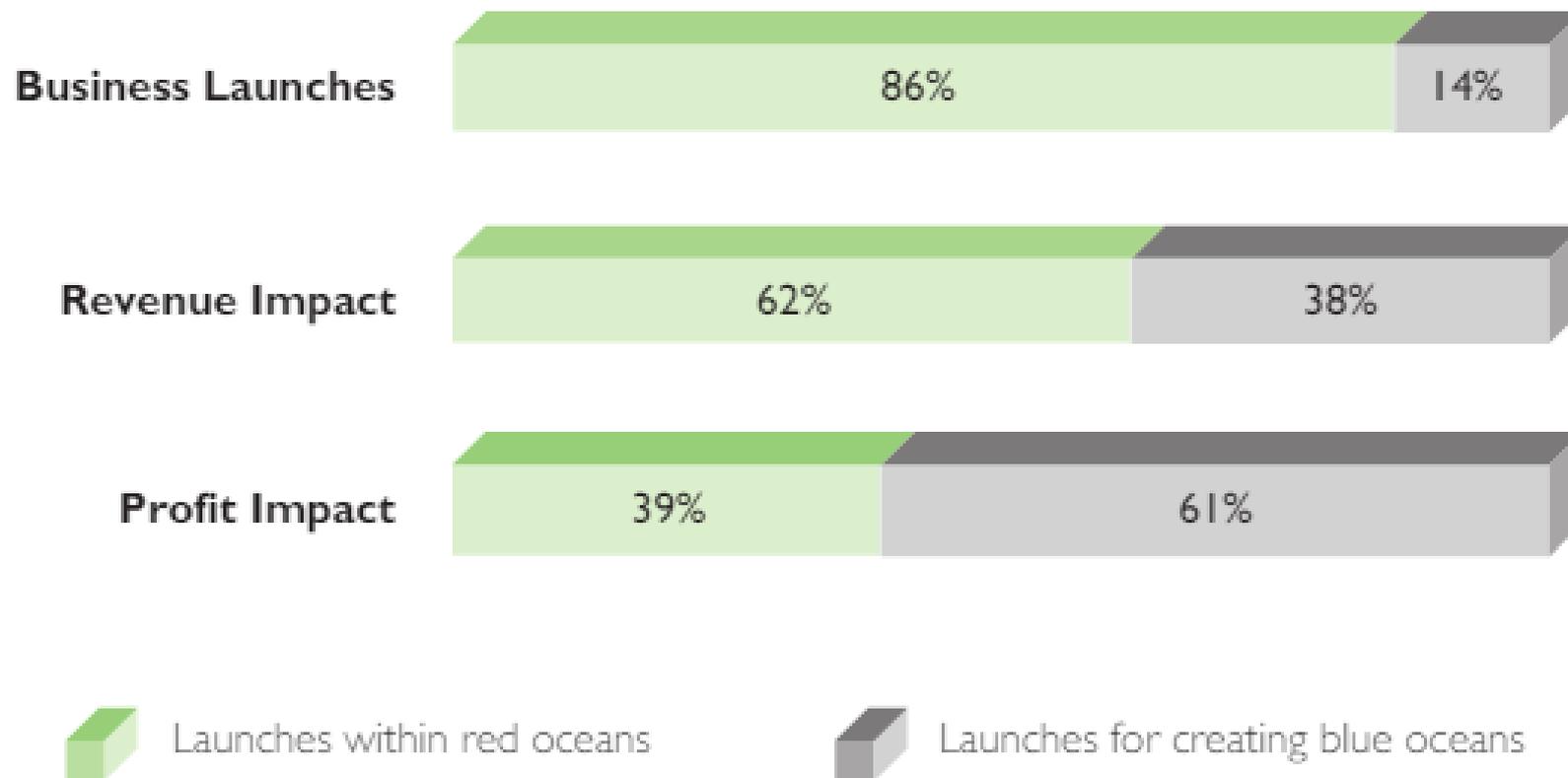
The other **blue** (serene and uncharted)

<http://blueoceanstrategy.com>

Kim and Mauborgne researched 150 “Blue Ocean Creations” in 30 industries over 100 years

**“Blue Ocean” creators transcended six
“conventional boundaries of competition”**

FIGURE I. The Profit and Growth Consequences of Creating Blue Oceans



Red Ocean competitors “hypnotically build strategies”

1. Define industries similarly
2. Use generally accepted strategic groups
3. Focus on the same buyers
4. Define offerings similarly
5. Accept industry’s functional or emotional orientation
6. Focus on the same point in time and same (current) competitive threats when formulating strategy

Red Ocean Defined

The central premise is that most markets (PCs, fitness clubs, table wine, airlines, etc.) naturally converge and companies compete on the same set of factors.

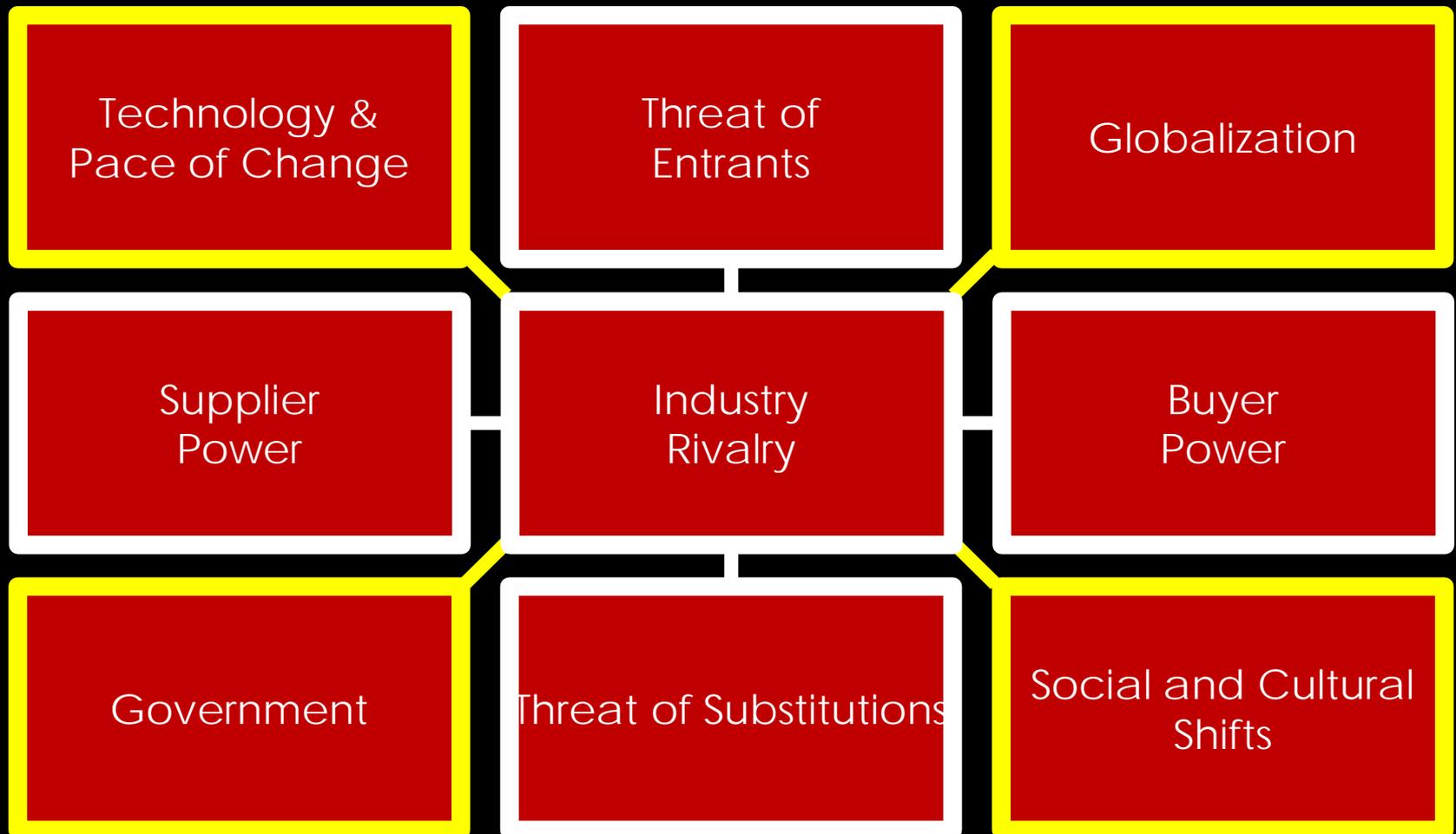
In their words, the "structural conditions are **given** and firms [are] required to compete within them."

Red Ocean Characteristics

Markets converge

- All companies use the same levers of competition
- Zero sum game: your success comes at someone else's expense
- Drives margins down for everyone and creates commodities
- **Pursue differentiation (premium) or low cost strategy**
- Can be OK if the overall “pie” is growing

In a word, it's ugly.



Blue Ocean Defined

Value Innovation is “based on the view that market boundaries and industry structure are **not given** and can be reconstructed by the actions and beliefs of industry players.”

Blue Ocean Characteristics

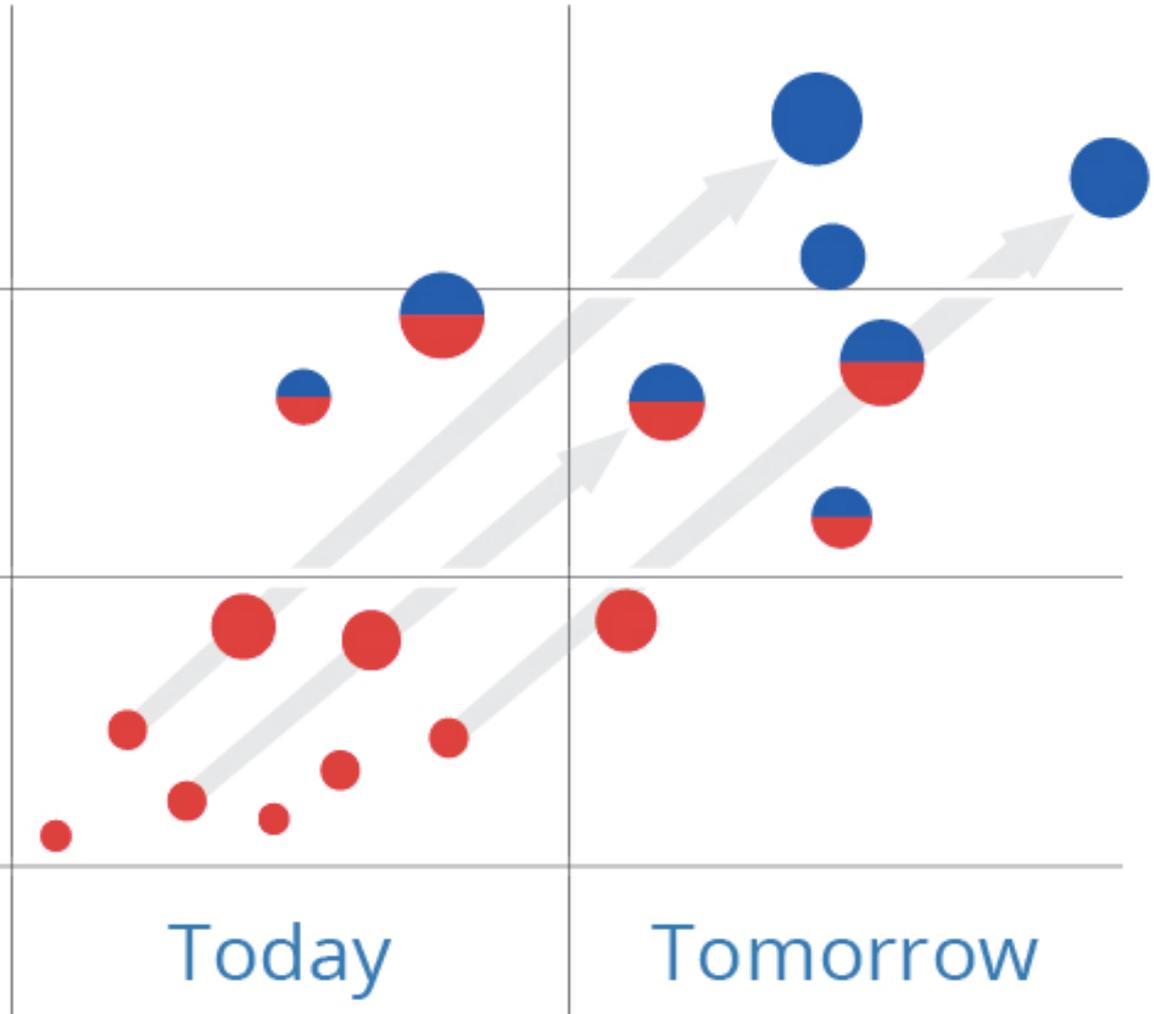
Formed by creating new value for new customers: “value innovation”

- ✦ **Simultaneously pursue differentiation and low cost**
- ✦ Create new levers of competition
- ✦ Create a “new pie”

Pioneers
Value Innovation

Migrators
Value Improvements

Settlers
Value Imitation



Red Ocean Strategy

VS

Blue Ocean Strategy

Compete in **existing** market space.

Beat the competition.

Exploit **existing** demand.

Make the value-cost trade-off.

Align the whole system of a firm's activities with its **strategic choice of differentiation or low cost.**

Create **uncontested** market space.

Make the competition **irrelevant.**

Create and capture **new** demand.

Break the value-cost trade-off.

Align the whole system of a firm's activities in **pursuit of differentiation and low cost.**

Strategy
Canvas



Value
Innovation



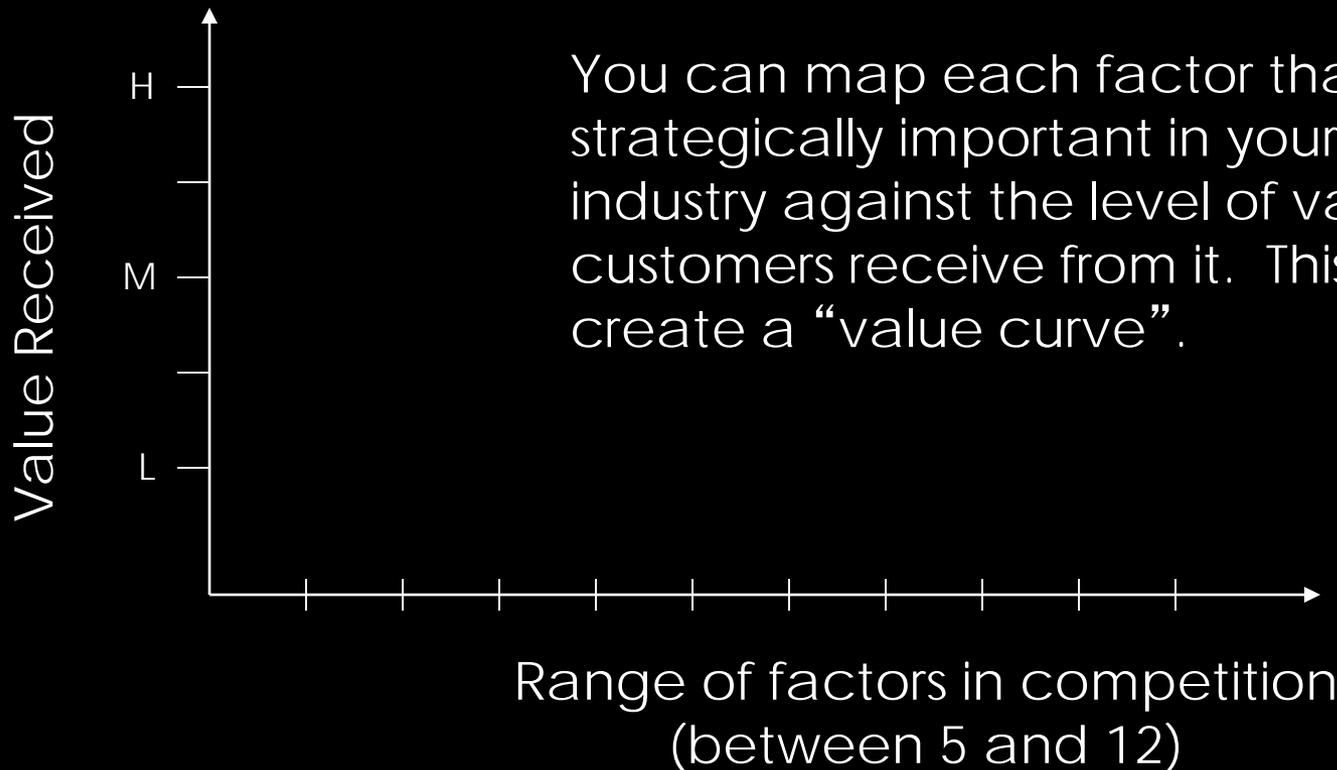
4 Action
Frameworks



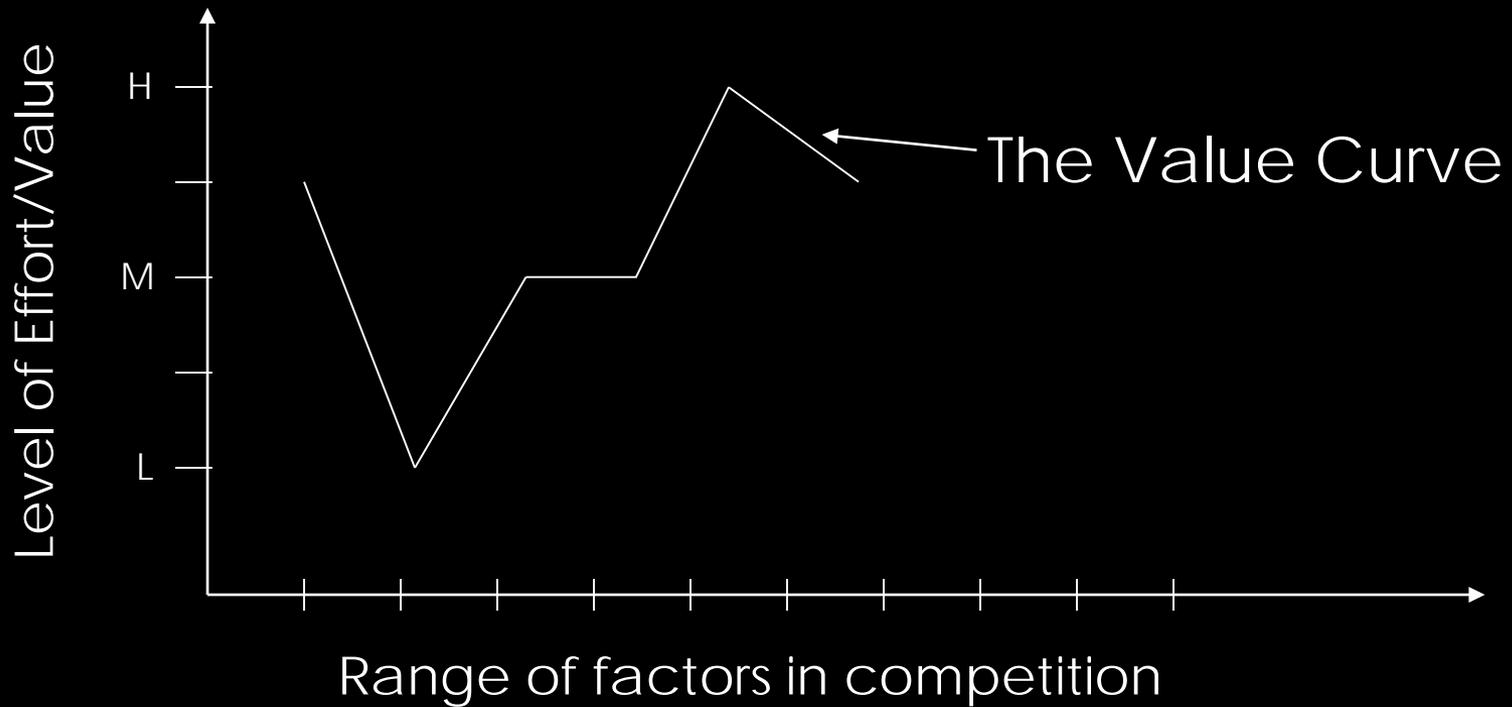
6 Paths

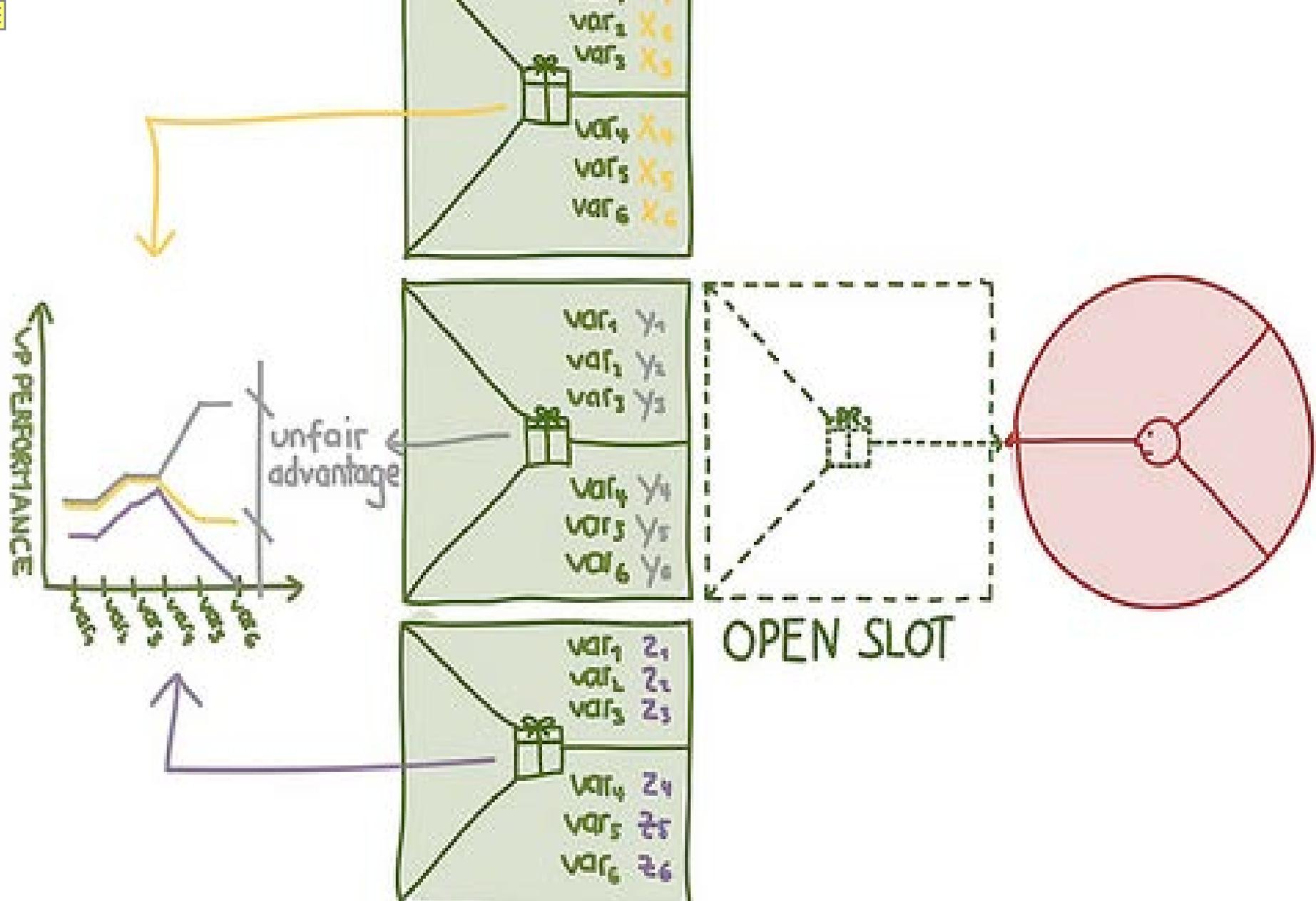


Strategy Canvas



Sample Strategy Canvas



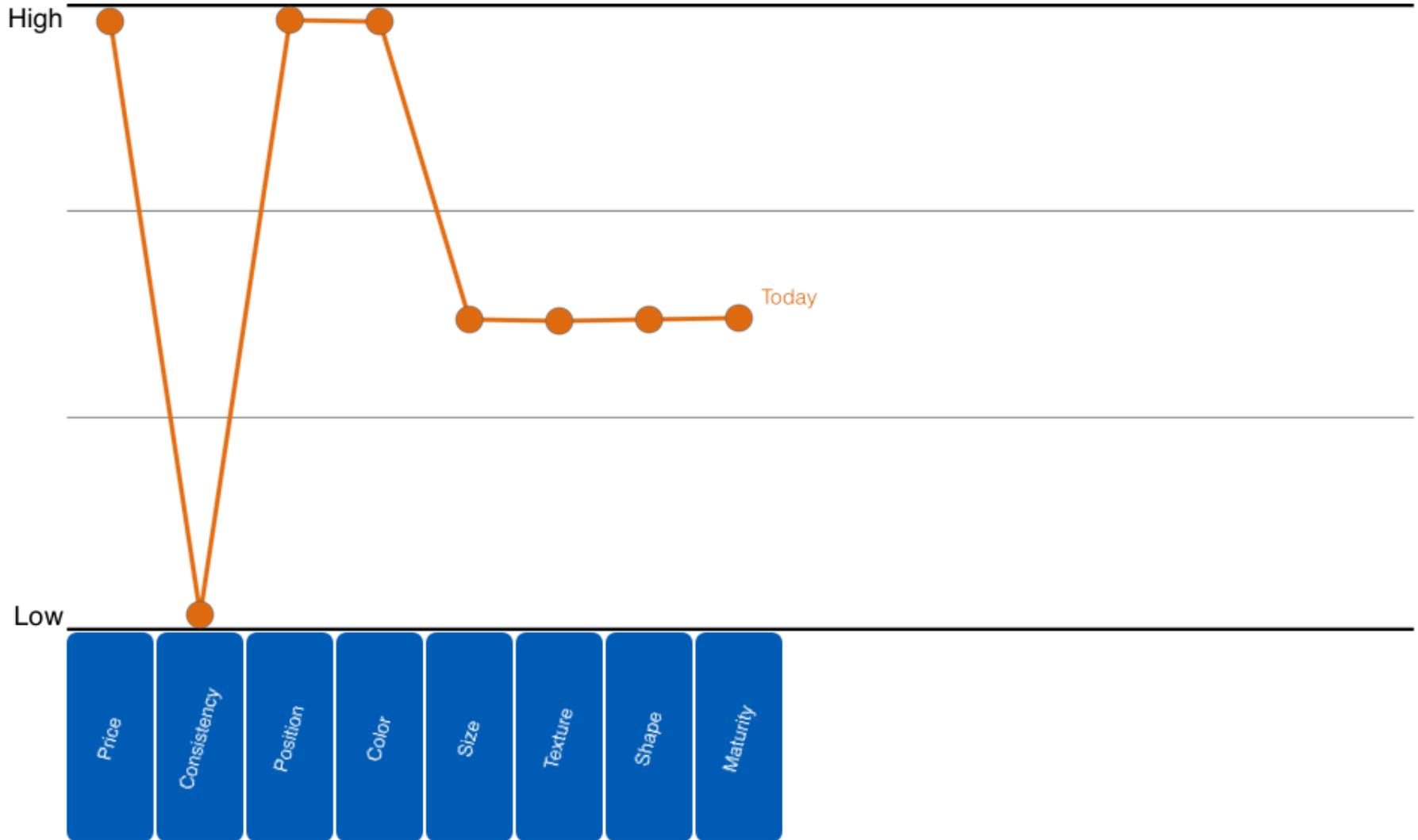


Draw today's Strategy Canvas



Today's Strategy Canvas for Tobacco Leaf

[Tagline]



Recall...

In a Red Ocean, all companies compete:

- ✦ On the same basis,
- ✦ With the same emphasis,
- ✦ On the same factors.

Their strategy canvases look the same.



Founded in 1857

Staffed by lifers; lots of bureaucracy and processes

Small appliance division facing intense competition and margin pressure

French fry makers decreasing sales 10% y/y

Info about home frying

2.5 quarts of oil are expensive

Hot oil is dangerous

Disposing of oil is a pain

Clean-up is a pain

Fries are unhealthy

Two fundamental truths

Making French fries requires frying.

Frying requires a lot of oil.

To which Groupe SEB said, "oh, really?"

The ActiFry

The no-frying fryer

1 T oil for 2 pounds of potatoes

40% fewer calories

80% less fat

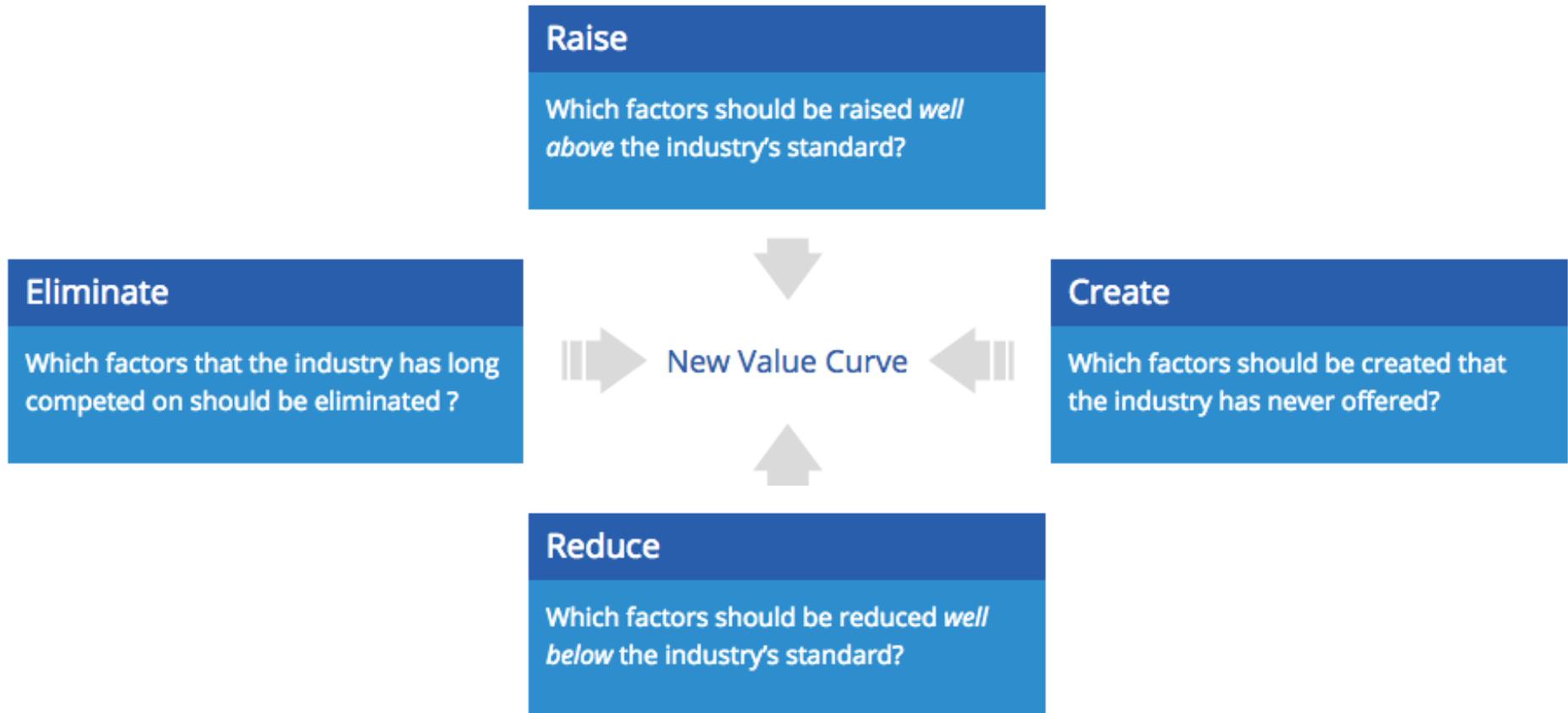
Easy to clean

Safe

No disposal issues

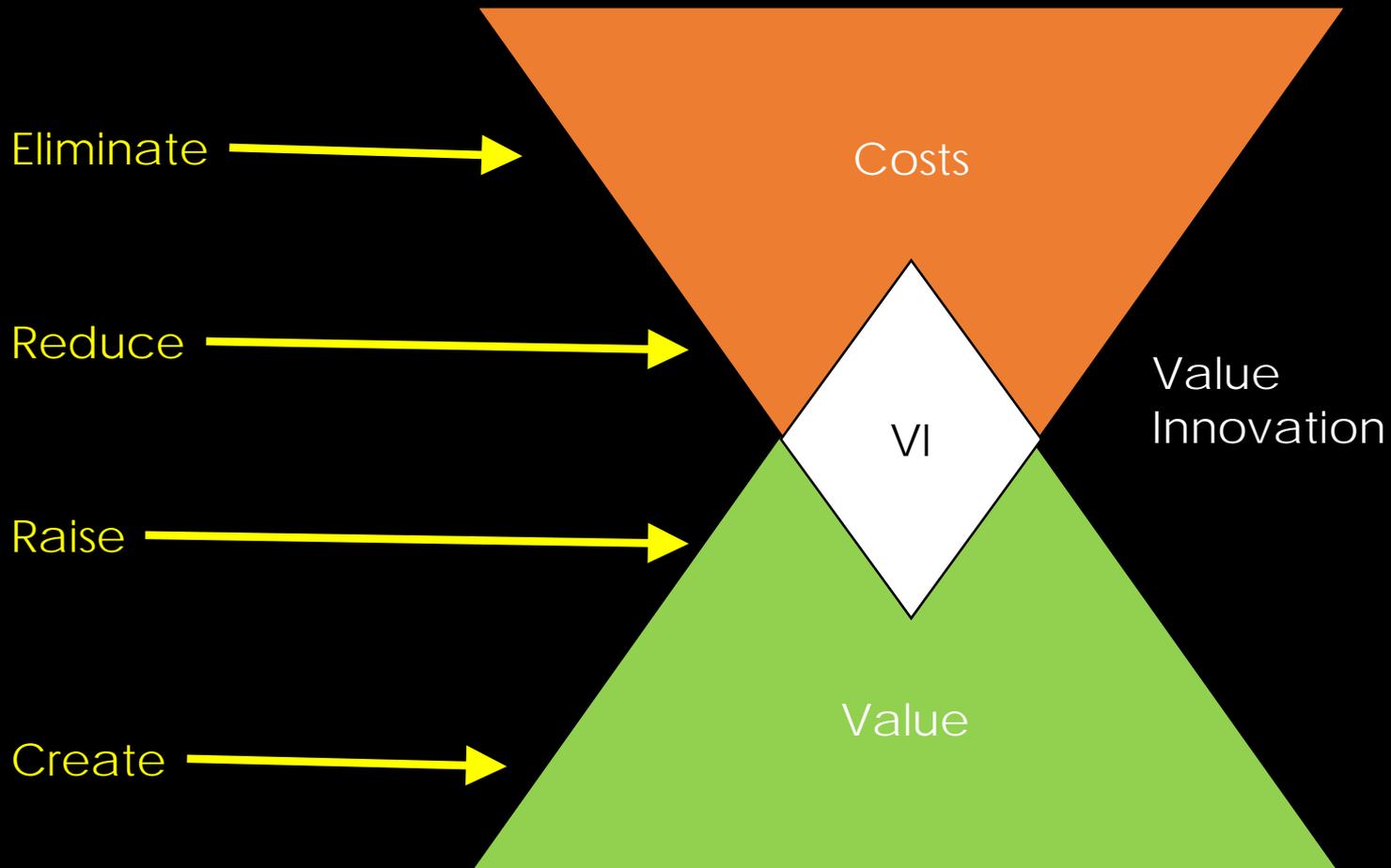


FOUR ACTIONS FRAMEWORK



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Value Innovation



4 Actions for Actifry

Reduce Amount of oil used; fat and calories

Raise Clean-up

Eliminate Disposal; danger

Create Ease of use; safety; new customers



Oprah Winfrey @Oprah

Feb 15

This machine ..T-Fal actifry has changed my life. And they're not paying me to say it. [instagr.am/p/VxF-mZySyD/](https://www.instagram.com/p/VxF-mZySyD/)

[Collapse](#) [Reply](#) [Retweet](#) [Favorite](#) [More](#)

301
RETWEETS

203
FAVORITES



9:46 p.m. - Feb 15, 2013 · Details

Groupe SEB's stock rose 5% the day after the tweet.

Cool.

So how do I create a Blue Ocean?

Path One

Look across
alternative
industries

Path Two

Look across
strategic groups
within industry

Path Three

Look across
chain of buyers
and redefine

Path Four

Look across
complementary
offerings

Path Six

Participate in
shaping external
trends over time

Path Five

Rethink functional-
emotional
orientation

A New
Value-Cost
Frontier

1. Look across alternative industries

You are competing with substitutes and alternatives

Substitutes: offerings with same core capability (utility) with different forms

Alternatives: offerings with the same purpose, but different form AND utility

What is the basic job the Brown Family Farm does for its customers?

Name some substitutes and alternatives.

What could the Browns do to attract those customers?

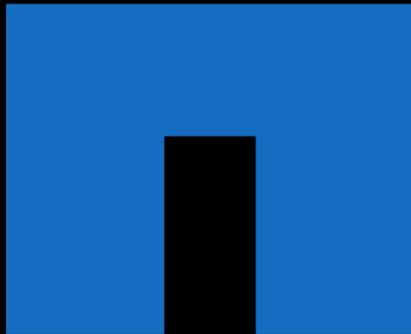


2. Look across strategic groups

Most companies compete within their own industry

See only direct competitors that offer identical or nearly identical products

Put yourself in your customers' shoes – who else do THEY see as possible suppliers?



vs.

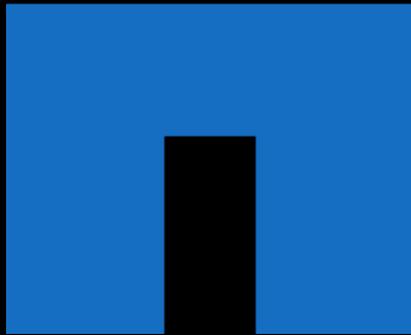
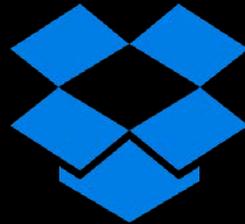
EMC²





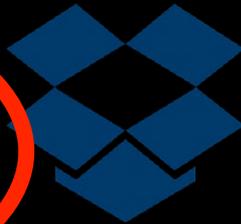
vs.





iCloud





iCloud

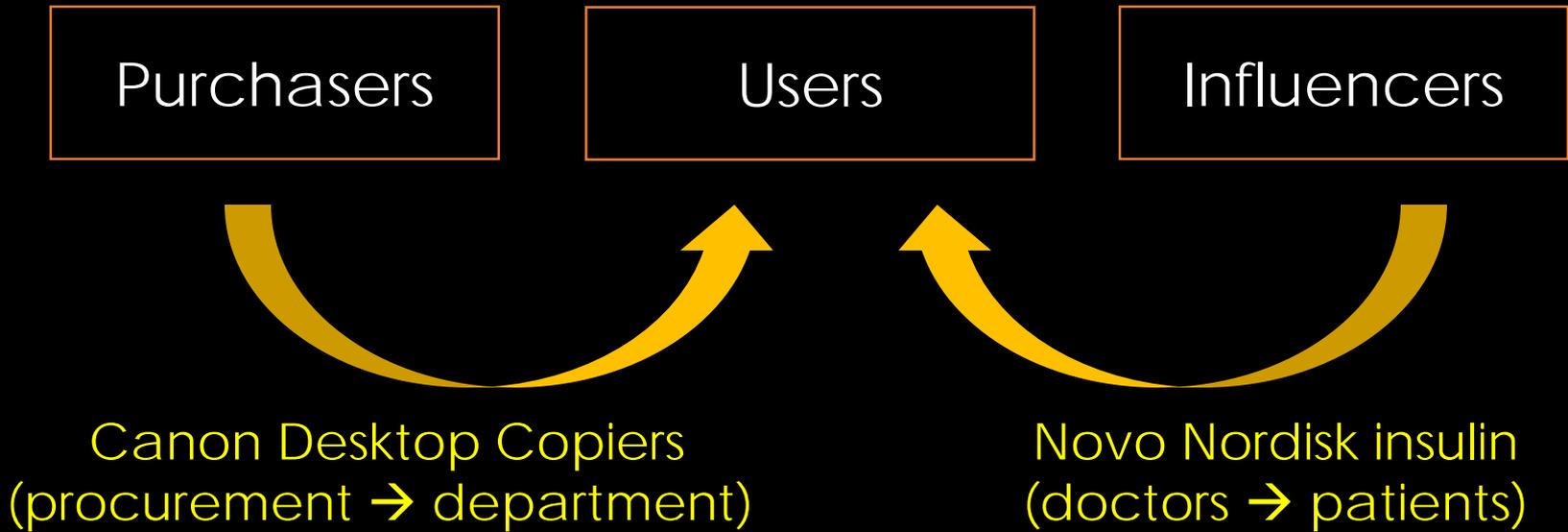




2. Look across strategic groups

What can the Brown Family Farm learn from other suppliers to its customers of farm products?

3. Look across the chain of buyers



3. Look across the chain of buyers

Purchasers

Users

Influencers

How can the Browns restructure the chain of buyers for their farm products?

4. Look across complementary offerings

Put the concept of the “whole product” to work

What other products or services do your customers buy in order to fully utilize your product?

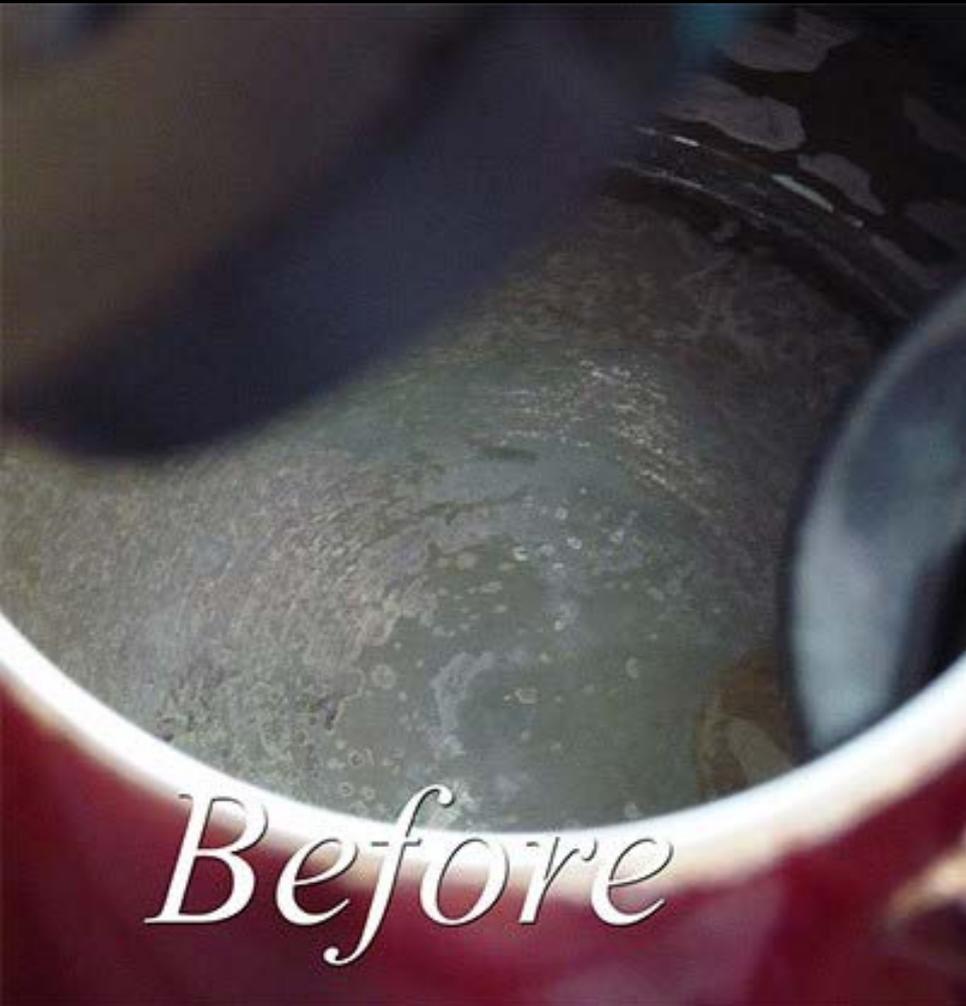
Example

The Brits love their tea.

Tea kettles, therefore, are a big business. A big, fat, deep red ocean of a low margin business.

But how can you differentiate a tea kettle?

Philips studied the whole buyer experience with using tea kettles.



Before



After

Lime scale

Had nothing to do with the kettle – hard municipal water was the culprit

Philips created a tea kettle with a replaceable charcoal filter that removed lime scale from the tea.

Created a whole new product category AND a recurring revenue stream.



\$150

[And no, Oprah didn't
tweet about it.]

4. Look across complementary offerings

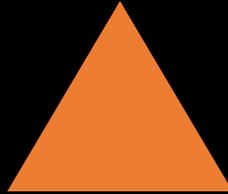
What other products and services do the Brown's customers buy in order to fully utilize the value of their farm products?

5. Functional or emotional appeal

Functional

Emotional

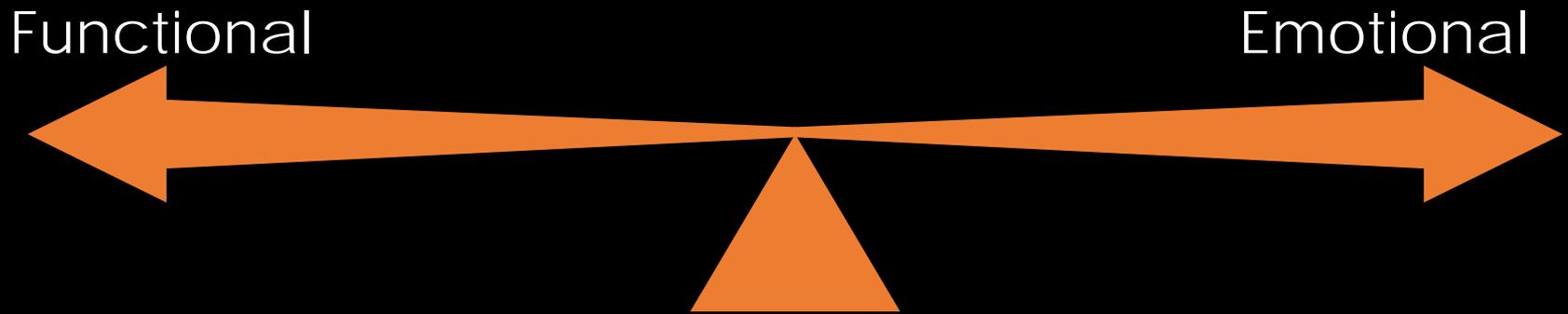
Rational; compete on
features and functions



Irrational; compete on
fashion or aesthetics

Examples?

In Red Oceans...



Companies train their customers this way.

Home > Laptops

Compare and Buy Laptops

Get to know Windows 10



Intel® Core™ Processor Family

Narrow Your Search

Processor

- Intel Celeron
- Intel Xeon
- Intel® Core™ M
- Intel® Core™ i7
- Intel® Core™ i5
- Intel® Core™ i3
- AMD

Operating System

Hard Drive

Memory

Screen Size

Brand

Starting Price

Type

Usage

Weight

Screen Resolution

Color

On sale

PROFESSIONAL LAPTOPS



Professional grade laptops all about productivity

HOME LAPTOPS



Laptops for casual, social or extreme multimedia

ULTRAPORTABLE LAPTOPS



Thin and light laptops and 2-in-1s for your on-the-go lifestyle.



THINKPAD X

Ultraportable Productivity Tools

Starting at: \$764.10

[View Series >](#)



THINKPAD T

World-Renowned Business Tools

Starting at: \$809.10

[View Series >](#)



THINKPAD P

Our Most Powerful Mobile Workstations

Starting at: \$1,007.10

[View Series >](#)



THINKPAD YOGA

Durable 2-in-1 Laptops for



IDEAPAD Y700 SERIES

Next Level Gaming Laptops

Starting at: \$699.99

[View Series >](#)



YOGA 900 SERIES

Beautifully Slim Premium 2-in-1 Laptops

Starting at: \$1,099.99

[View Series >](#)



YOGA 700 SERIES

Ultraportable 2-in-1 Multimode Laptops

Starting at: \$549.99

[View Series >](#)



FLEX SERIES



YOGA 900 SERIES

Beautifully Slim Premium 2-in-1 Laptops

Starting at: \$1,099.99

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YOGA 700 SERIES

Ultraportable 2-in-1 Multimode Laptops

Starting at: \$549.99

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IDEAPAD 710S

High Performance Ultraportable

Starting at: \$699.99

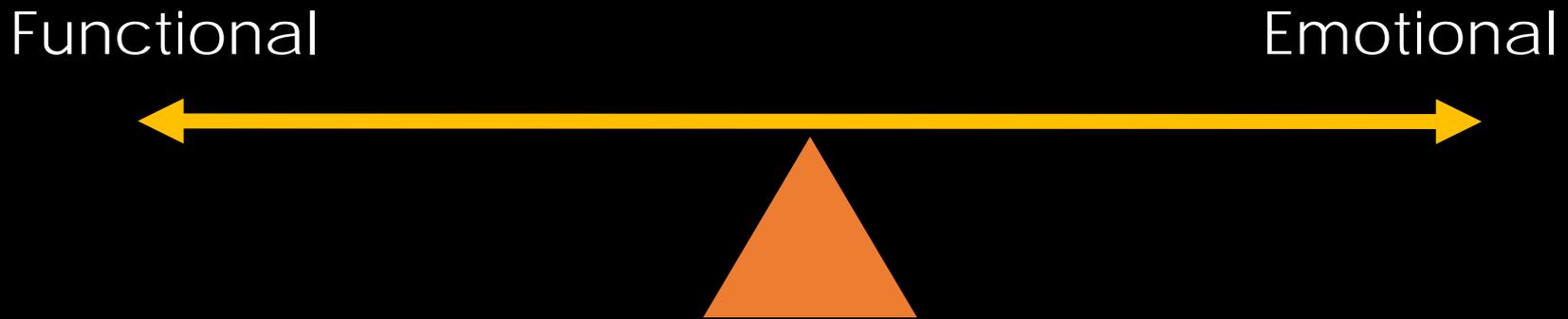
[View 710s >](#)



IDEAPAD 500S

Mainstream Multimedia

In Red Oceans...



Add function that provides no additional benefit, but adds to cost

Solution: add an emotional component

Examples?

Thin. Light. Powerful.
And ready for anything.





5. Functional or emotional appeal



Functional

Emotional

What can the Brown's do to change the functional/emotional balance of their offerings?

6. Look across time

All industries are subject to external trends

Most companies react and adapt incrementally

Blue Ocean insights rarely come from **projecting** trends – you need to **shape** them

Create value

Blue Ocean insights arise from how the trend(s) will affect the **value** customers receive from offerings in the future

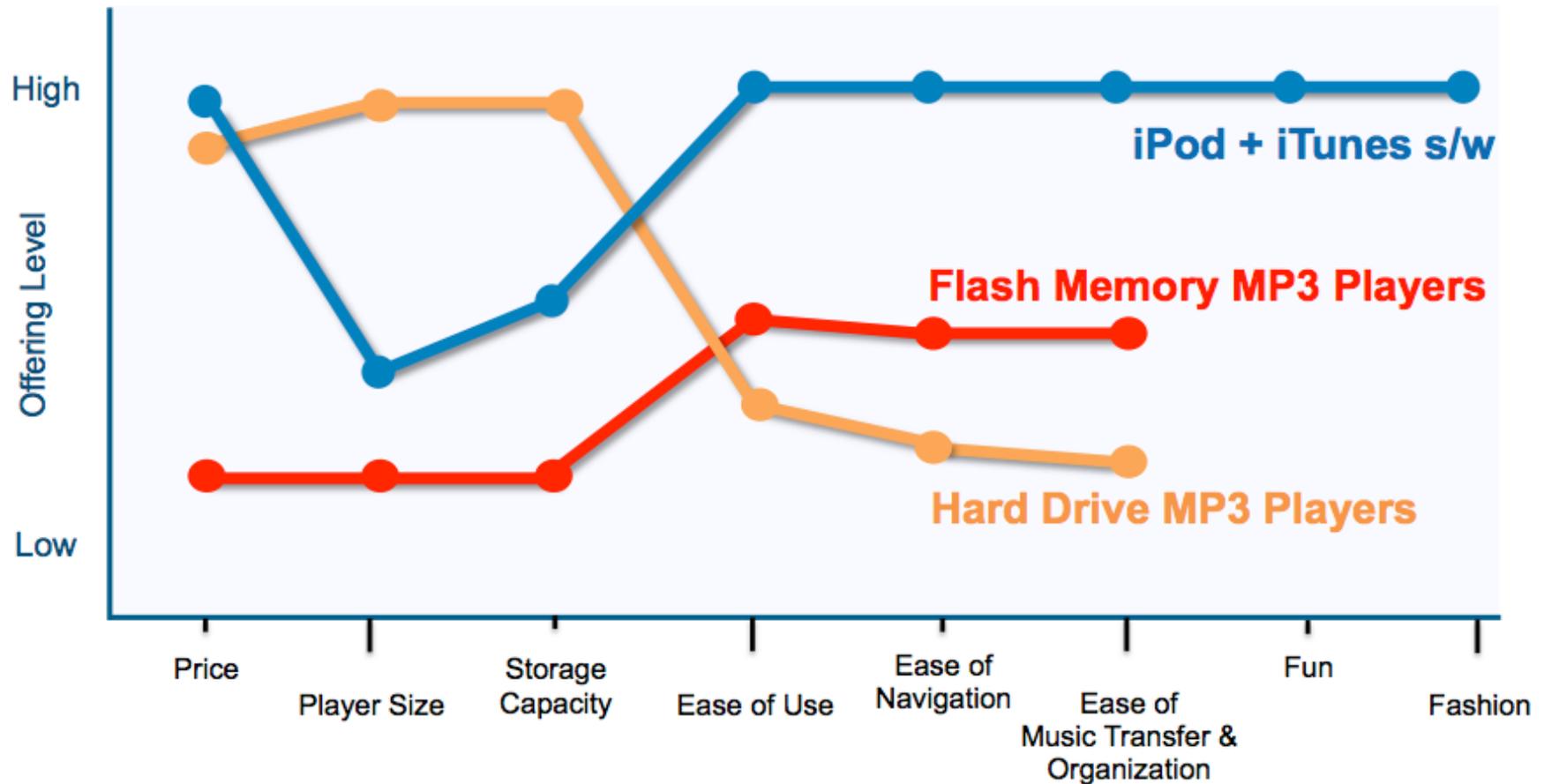
Value
delivered
today



Value
delivered
tomorrow



Strategy Canvas of iPod + iTunes Software



Create value

How can the Browns shape trends affecting the value its customers receive from their farm products?

Strategy
Canvas



Value
Innovation



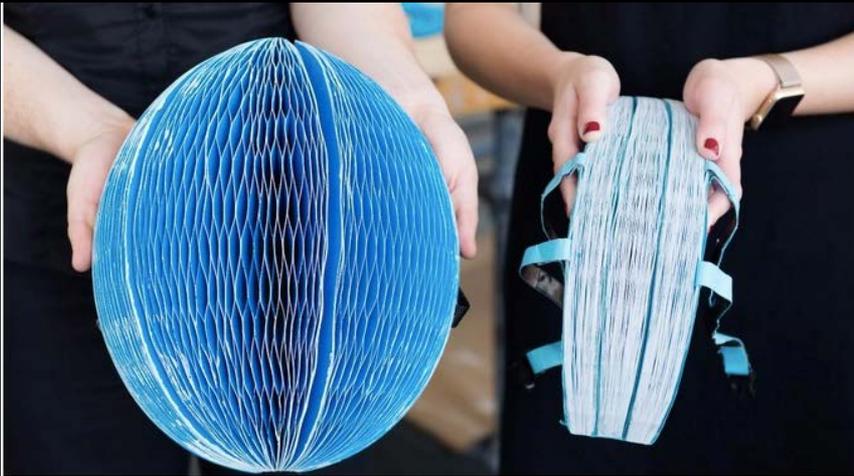
4 Action
Frameworks



6 Paths



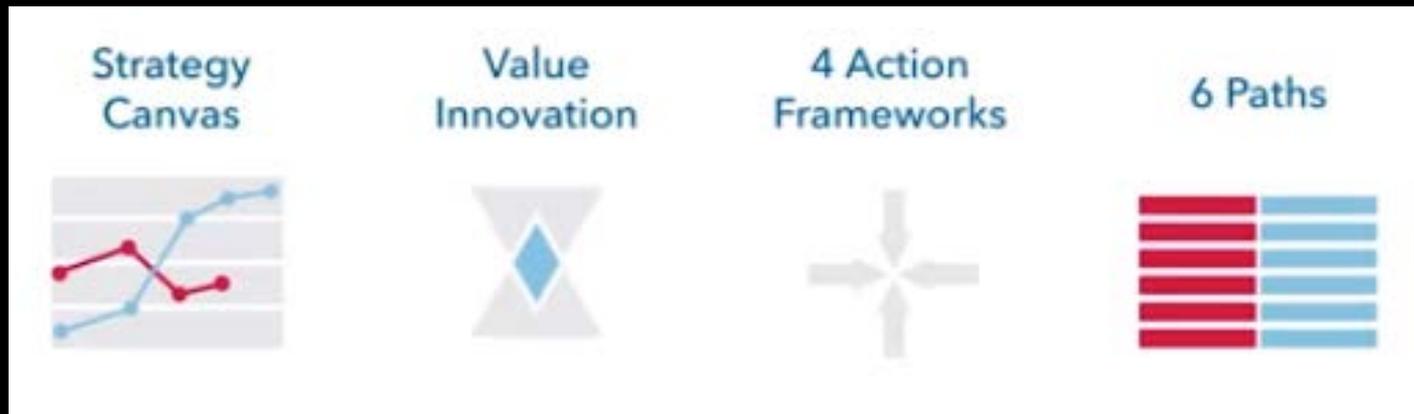
Discuss through the Blue Ocean lens



The cheap EcoHelmet folds up and is designed for people who use city bike-sharing such as London's 'Boris bikes'. Credit: Kimberly Mufferi/Dyson/PA Wire



Dyson of inventor Isis Shiffer wearing her EcoHelmet. Credit: Kimberly Mufferi/Dyson/PA Wire



Blue Ocean Summary

Traditional strategies are geared toward
Red Oceans

Blue Oceans can be created in certain
circumstances

Requires new thinking – breakthrough thinking!

A wide-angle photograph of a vast, deep blue ocean under a clear, light blue sky. In the center of the frame, a small blue boat with a white cabin is visible. Several other boats, including sailboats, are scattered across the horizon. The water has a fine, rhythmic texture of small waves.

Fish where the fish are, not
where the boats are.