

	<h2>Value Innovation</h2>	Doc. No.	10-13-0012
		Date	07/06/2017
		Rev. No.	00

Value Innovation

- Create uncontested market space and make the competition irrelevant.
- Cornerstone of the blue ocean strategy is value innovation.
- Creation of Blue Ocean is about driving costs down while driving value up for the customer and organization.
- Value Innovation is more than just Innovation.



W. Chan Kim & Renée Mauborgne coined the terms red and blue oceans to denote the market universe. Red oceans are all the industries in existence today – the known market space, where industry boundaries are defined and companies try to outperform their rivals to grab a greater share of the existing market. Cutthroat competition turns the ocean bloody red. Hence, the term ‘red’ oceans.

Blue oceans denote all the industries not in existence today – the unknown market space, unexplored and untainted by competition. Like the ‘blue’ ocean, it is vast, deep and powerful –in terms of opportunity and profitable growth.

The global phenomenon created by W. Chan Kim & Renée Mauborgne that has sold 3.6 million copies, is published in a record-breaking 44 languages and is a bestseller across five continents—now updated and expanded with new content.

Blue Ocean Strategy is a both a strategic principle and a methodology that can help organizations look beyond the limitations of traditional competitive strategy and facilitate commercially viable innovation, create new market space and make the competition irrelevant.

Blue Ocean Strategy embraced by organizations and industries worldwide, challenges everything you thought you knew about the requirements for strategic success. Based on a study of 150 strategic moves (spanning more than 100 years across 30 industries), Kim and Mauborgne argue that lasting success

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comes not from battling competitors but from creating “blue oceans”—untapped new market spaces ripe for growth.

Blue Ocean Strategy presents a systematic approach to making the competition irrelevant and outlines principles and tools any organization can use to create and capture their own blue oceans. A landmark work that upends traditional thinking about strategy, this bestselling book charts a bold new path to winning the future. Consider this your guide to creating uncontested market space—and making the competition irrelevant.

The cornerstone of the Blue Ocean Strategy is Value Innovation



Cost savings are made by eliminating and reducing the factors an industry competes on.

Buyer value is lifted by creating and raising elements the industry has never offered.

RED OCEAN VS. BLUE OCEAN STRATEGY

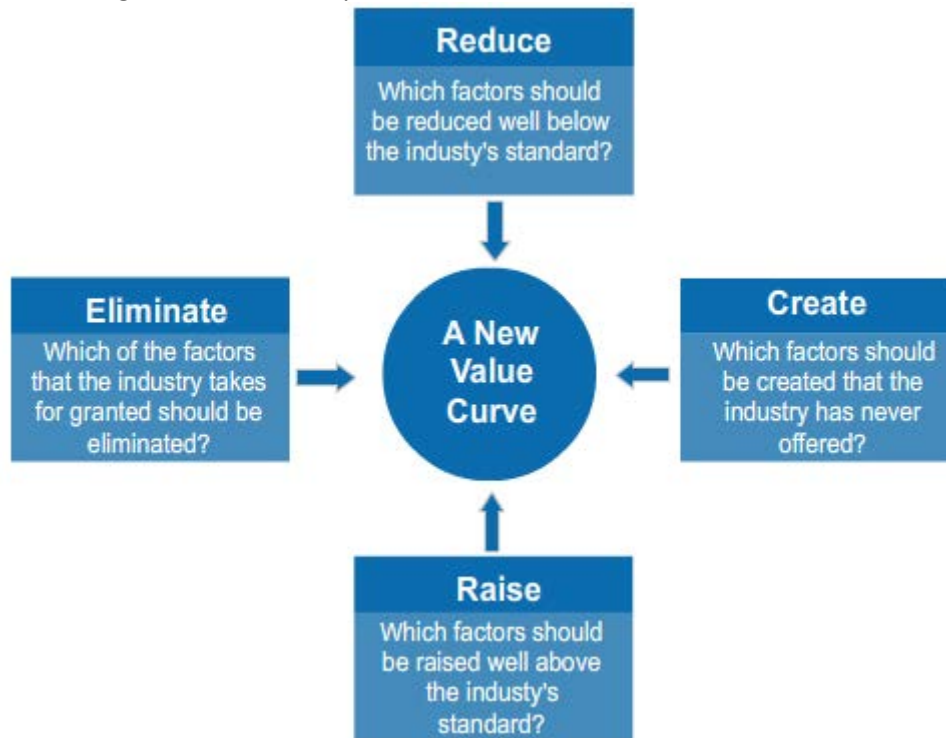
There are two kinds of business strategies that any company can employ

Red Ocean Strategy	VS	Blue Ocean Strategy
Compete in existing market space.		Create uncontested market space.
Beat the competition.		Make the competition irrelevant .
Exploit existing demand.		Create and capture new demand.
Make the value-cost trade-off.		Break the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost .		Align the whole system of a firm's activities in pursuit of differentiation and low cost .

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Four Actions Framework

The strategic tool used to help create value innovation is the four actions framework.



The four actions framework asserts that in order to achieve value innovation a product/ service delivery must **raise** and **create** value for the market whilst simultaneously **reducing** and **eliminating** services less valued by current and future markets.

This methodology is an essential strategic tool of Blue Ocean Strategy and has been instrumental in the development of many products/ services and has helped to facilitate government policy and economic development around the world (see Malaysia and Cirque de Soleil case studies).

When we achieve value innovation we create the potential for leaps in value both for our customers and our business and make the competition irrelevant.

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Eight Principals of Blue Ocean Strategy

<h2>Eight Principles of Blue Ocean Strategy</h2>	
Formulation Principles	Risk Factors Each Principle Reduces
Reconstruct Market Boundaries	Search Risk
Focus On The Big Picture, Not The Numbers	Planning Risk
Reach Beyond Existing Demand	Scale Risk
Get The Strategic Sequence Right	Business Model Risk
Execution Principles	Risk Factors Each Principle Reduces
Overcome Key Organization Hurdles	Organizational Risk
Build Execution Into Strategy	Management Risk
Align The Value, Profit, And People Propositions	Sustainability Risk
Renew Blue Oceans	Renewal Risk