Strategic Planning

Session Outline & Objectives

The following are our agenda and learning objectives for Strategic Planning.

Session Outline:

1. Bad vs. Good Strategy
2. Designing Strategy
3. Refining Strategic Vision
4. Planning Strategy Implementation and Monitoring Execution

Our Objectives:

- Elements that create a good and bad strategy
- Models / steps to consider when building your strategy
- Translating your strategy into a strategic vision (narrative)
- Planning for strategy implementation and monitoring execution

My Notes:

Pre-Work: Good and Bad Strategy

Book Summary: Rumelt's Good Strategy – Bad Strategy

What were some examples of your key takeaways?

Why would these takeaways be important to you / your organization?

Did your pre-read trigger any specific areas you want to explore further? Why?

The Kernel of Good Strategy

Why do so many organizations get strategy wrong? Even some of the world's biggest organizations do strategy poorly, and incorrectly credit their success to their personal decision-making skills. Leaders often do what makes them feel good, whether it helps their company or not.

The "kernel" of good strategy contains three main components:

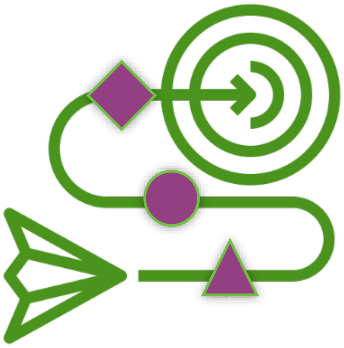
1. **diagnosis of a problem**
2. **guiding policy**
3. **coherent actions.**

If each stage isn't treated carefully, bad strategy is inevitable.

My Notes:

From Richard Rumelt's *Good Strategy Bad Strategy* ...

1. In its simplest form, good strategy answers three very simple questions: 'why' (diagnosis of the problem), 'what' (guiding policy for action), and 'how' (the actionable objectives themselves).
2. A good guiding policy tackles the obstacles identified in the diagnosis of a problem through the creation of advantage or the collection from sources of advantage.
3. Action points are vital to any good strategy.
4. There are two main types of bad strategic objectives: 1) dog's-dinner objectives, which often constitute a "scrambled mess of things to accomplish" and tend to come from large meetings; and 2) blue-sky objectives.
5. The example of when a doctor treats a patient can be used to guide good strategy.
6. The simplest business strategy is to use knowledge gleaned by specialists to affect product design or expansion decisions —coordination across functions and knowledge bases.
7. The essence of good strategy is - simple in concept, focused on execution.
8. Frequently overlooked sources of advantage for organizations: 1) A coherent strategy—objectives that don't conflict with and do relate closely to one another; and 2) The creation of new strengths through subtle shifts in viewpoint.
9. What often appears a weakness at first may in fact be a strength in certain situations. Good strategy often lies in a leader's ability to see what others cannot.
10. Proximate objectives are central to any strategy.
11. There are four major hallmarks of bad strategy: 1) fluff, aka a form of gibberish masquerading as strategic concepts or arguments; 2) a failure to face the challenge; 3) mistaking goals for strategy, and 4) bad strategic objectives.
12. Chain-link systems, beware: performance is limited by its weakest chain link. When there is a weak link, a chain is not made stronger by strengthening the other links.
13. Chain-link systems, rejoice: Conversely, the excellence achieved by a well-managed chain-link system is difficult to replicate.
14. Doing strategy is more like designing a high-performance aircraft than deciding which forklift truck to buy or how large to build a new factory.
15. Focused strategy matters and makes all the difference.
16. Be careful of growth for growth's sake.
17. An organization's greatest challenge may not be external threats or opportunities, but instead the effects of entropy and inertia. Organizational inertia usually falls into one of three categories: 1) the inertia of routine; 2) cultural inertia, and 3) inertia by proxy.
18. Don't accept the first convenient solution to a problem: 1) consider the kernel of good strategy: diagnosis, guiding policy, and coherent action; 2) approach a problem with a 'problem-solution' view, simplify the process with the identification of a problem the organization hopes to solve; and 3) use the 'create-destroy' approach, which includes the attempt to destroy one's own ideas and solutions to test their robustness.
19. Learn from others' results.
20. Use your leverage. There are three main considerations in the process of strategic leverage: 1) anticipation of challenges and opportunities, which often comes from analysis of competitor behavior and market forces; 2) pivot points from which to base strategic focus, as in sources of strength for an organization relative to alternative approaches; and 3) the concentration of resources toward said points.



Useless 'strategy' has pervaded the psyche of organizations worldwide. Why? Because good strategy is hard work.

Good strategy cannot be stumbled upon by chance.

At its core, strategy is the identification of critical factors in a situation, then the skillful design of coordinated actions to deal with said factors. It requires awareness of one's resources and capabilities and a sharp understanding of one's industry and its surrounding space.

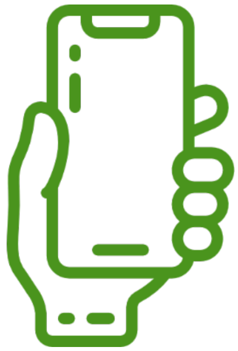
Fundamentally, strategy is very difficult leg work, not easily replaced with template-style vision building or any other form of pseudo-strategy.

My Notes:

Bad vs. Good Strategy

Steve Jobs and Apple

Consider the Apple story …



When Steve Jobs first returned to Apple, he didn't do much that was remarkable.

Given Apple's shrinking market share (about 4% of the PC market when he rejoined), he did what any right-thinking strategist would do: he made a series of shrewd, necessary business choices that made sense.

Jobs made (necessary) cuts across the board, simplifying and focusing the company's processes.

He steadied the ship, simplified product selection, made tough but necessary decisions, and waited.

Jobs' strategy was focused, self-aware, and action-oriented throughout.

The Jobs Formula: Jobs had an amusing, and incredibly simple, approach to business that had four stages:

1. Imagine a product that is "insanely great"
2. Assemble a small team of the very best engineers and designers in the world
3. Make the product visually stunning and easy to use, pouring innovation into the user interface
4. Tell the world how cool and trendy the product is with innovative advertising

Often the greatest business leaders have simple approaches to strategy, even if technically they are complex.

Good strategies are usually "corner solutions" in that they emphasize focus over compromise.

My Notes:

Consider the case of Walmart ...

Half of what we learn in a strategy exercise is to consider the competition even when no one tells us to do this.

Example: Why Walmart did so well (computerized warehousing and trucking system, non-union, low admin expenses and so on)? Looking just at the actions of a winning firm, you see only part of the picture.

Kmart was the most notable failure. Eventually filing for bankruptcy in 2002, they focused on international expansion throughout the '70s and '80s, ignoring Walmart's innovations in logistics and its growing dominance of small-town discounting.

Overall, it is the coherence of structure, policy, and actions that made Walmart so difficult to compete with. Isolated examples, such as the introduction of barcode scanners at checkout, are not enough; Kmart also had barcode scanners in the early '80s. The difference between it and Walmart is coherence, a total strategy as opposed to a single best practice. The network, not the store, became Walmart's basic unit of management.

Competitors must integrate the entire design of Walmart's strategy to emulate its success. It is the coherence of its strategy that buttresses its advantage.

My Notes:

Case Study

It is hard to believe that there was once a time when business was booming for the discount store and their parking lots were perpetually full.

When Kmart originally came out in 1899, it was headed by Sebastian Spering Kresge and was originally known as S. S. Kresge. Kresge had invested $6,700 that he had saved up to open the very first store and the second opened shortly after.

The store quickly took off as being a discount option for people to buy household goods and by 1912 it had $10 million in annual sales. Come 1924, Kresge was worth $375 million and growing. S.S. Kresge was a success.

Fast Forward to 1962, the company's then-president Harry Cunningham opened the discount store Kmart - the one we know of today. In a matter of a few years, there were over a hundred stores and Kmart was doing better than ever. If you wanted to buy an oven in the 1960s, Kmart was your best bet - no questions asked.

At Kmart's peak in the 1980s, they ran over 2000 stores - profitably.

So, what went wrong?

The discount store that was envied by its competitors first filed for bankruptcy in 2002 and then subsequently again in 2018, after it had been taken over by Sears Holdings - a company with its own problems. The retailer lost over two-thirds of its stores in the short span of ten years, and it is quite probable that the younger generation may not even recognize a Kmart.

Here are some of the contributing factors to Kmart's demise:

1. **They had no real strategy.** At the peak of their success, Kmart was buying stores left, right and center with no real strategy to any of it. Every successful brand has certain identifiable strategies that they work with. A certain value that they give to their customers that cannot be found elsewhere.

2. **They were trying to be good at everything.** They were opening stores at an incredible pace, thereby adding to their financial load, while not differentiating by comparison to their competitors.

3 **Every company has a 'way to play' and Kmart simply did not.**

- Target and Walmart had focus areas that they excelled in to create unique value for customers.
- Walmart, for example, focuses on having 'low prices for everything' and that is what you remember Walmart for. They stay away from bigger and more expensive products like furniture, focusing more on a cheaper toaster for example.
- Target as well has its very own strategy where it also focuses on low costs but makes sure the overall aesthetic of the store is appealing. Its big sellers are furniture and home decor, making its target market anyone who is design-conscious and price-conscious.
- Kmart, on the other hand, has no real focus. It sells a wide variety of brands at discounted prices but that is pretty much it.

4 **It has not been able to define itself.**

- There is no reason for you to remember a Kmart in your time of need because they have never been able to work on their unique differentiation.

5 **Kmart was a horse with blinkers on.**

- Kmart was so focused on keeping its prices as low as can be that when other opportunities came knocking, they quite literally chased them away.
- In the 1980s, Kmart introduced the Martha Stewart line to its stores and gave customers great options in the furniture section. The program did really well and made almost a billion dollars every year but was eventually pulled by Kmart due to comparatively higher costs.
- Kmart focused on costs instead of quality and Kmart's customers were having none of it. In the long run, Martha Stewart would have been a great choice for the company to keep by its side.

6 **No focus on rural areas.**

- While Walmart tapped into rural America, Kmart focused solely on the suburbs and refused to get off the well-worn path.
- Walmart created well-organized supply chains and gathered rural customers quickly with its 'always low' prices.
- This technique worked and Walmart quickly overtook Kmart in sales.
- This shows us that the pumping-out stores method that Kmart used may not be the best idea because when Walmart did overtake Kmart, it actually had fewer stores.

This goes back to the first reason for having a good strategy. Kmart did not really have any strategy except to expand at any cost.

7 **The shopping experience was lacking.**

- Walmart gave you a no-frills experience while Target focuses on being stylish. Kmart, on the other hand, was paying no attention to its in-store experience which left people wondering, "Why should I go to a Kmart at all?"
- Even the stores themselves were not being taken care of properly and customers could tell. It looked run down and destroyed before it actually was.

8 **Kmart did not catch up to the digital age.**

- While Walmart, Target, and Kmart were battling it out, there was something else happening in the background: **the Internet was becoming bigger and spreading wider.**
- But as usual, Kmart remained adamant and did not really respond to this change. It refused to catch up to the internet wave and focused solely on traditional shopping.
- This did not work in Kmart's favor since all of its competitors did listen and started providing a better online experience as well.

9 **The fashion scene could have been dominated by Kmart - but wasn't.**

- Kmart was always good at selling discounted apparel. Even when the rest of its store shelves were empty and barely being looked at, they still managed to sell apparel well with some good brands being sold on the floor level.
- This strength could have been their knight in shining armor but was not focused on the way it should have been.
- This could have been part of their 'way to play' but it remained an opportunity missed.

10 **Supplies could not meet demand.**

- As Kmart started selling store after store as well as getting rid of some of its businesses, the ability to buy in bulk and supply in bulk was compromised.
- Kmart never really had a supply chain strategy that could support the company's low-cost model of business. So, when the stores started shutting down, this big problem could no longer be ignored.
- Kmart never made changes to its supply chain strategy due to innovation. Any changes that were made happened because they were following in Walmart's footsteps or because they were playing catch-up.
- When supply chain technology improved, Kmart did not catch up to that either and when it finally did, it was too late. Ignoring something as important as supply eventually caused Kmart to stop supplying completely.

11 Sears and Kmart's collaboration - The final nail in the coffin.

- After Kmart filed for bankruptcy in 2002, Eddie Lampert thought it was worth saving and got Kmart out of debt by 2003.
- In what he thought would be a great move, Lampert then merged Sears and Kmart in a bid to catch-up with Walmart. This did not work well with either customer base.
- Sears' home goods and Kmart's household items did not work well together and the overall decline in Kmart's reputation reached a new low.
- This eventually led to Sears Holding filing for bankruptcy in 2018 which means that Kmart, a company that was once one of the most profitable companies in the world, had filed for debt twice in 16 years.

Kmart's failure is often attributed solely to the acquisition of the company by Sears Holding. Lampert's terrible decisions are looked upon as the very reason both Sears and Kmart failed.

While it is easy to blame Eddie Lampert for everything, it is also unfair. The lack of direction and focus that Kmart suffered from was a buildup of decades of bad decisions.

Since Kmart had no 'way to play', Walmart found it easier than ever to become top dog in the world of discount stores.

My Notes:

Case Study: Kmart vs. Walmart

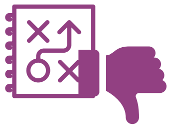
In your opinion, where did Kmart principally go wrong? Where did its strategy fail?

Why do you think this failure was so critical to Kmart?

In hindsight, what would you have recommended to Kmart executives as a way to address this / these failure(s)?

My Notes:

There are major hallmarks of bad strategy:



	My Notes:
Fluff	
Failure to face the problem	
Mistaking goals for strategy	
Bad strategic objectives	

To elaborate on these hallmarks …

Fluff is "a form of gibberish masquerading as strategic concepts or arguments." It uses words that are inflated and unnecessarily abstruse and apparently esoteric concepts to create the illusion of high-level thinking."

A humorous example of fluff in business, the likes of which are to be avoided at all costs: "Our fundamental strategy is one of customer-centric intermediation" – from a major retail bank. In other words, its fundamental strategy was to be a bank.

Bad strategy fails to recognize or define the challenge, which makes overcoming it near impossible.

Statement of goals is not a strategy; a bad strategy often contains no action points.

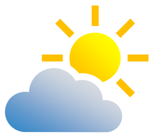
Cookie-cutter annual 'strategic planning' accounts for most of corporate 'strategy': Importantly, opportunities, challenges, and changes don't come along in nice annual packages. The need for true strategy work is episodic, not necessarily annual.

Bad strategic objectives: Strategic objectives must help an organization reach its desired end. Bad strategic objectives often fail to address critical issues or are impracticable. Rumelt suggests using the following definitions:

Goal: a word used to express overall values and desire. For example: The United States' foreign-policy goals of freedom, justice, and democracy

Objective: used to denote specific operational targets

Dog's Dinner Objectives



Blue-Sky Objectives

Good strategy works by focusing energy and resources on one, or a very few, pivotal objectives whose accomplishments will lead to a cascade of favorable outcomes.

My Notes:

Common Pathways to Bad Strategy

The three most common pathways to bad strategy begin with:

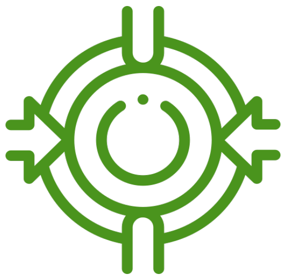
	My Notes:
1. The unwillingness or inability to choose. In short, strategy decisions are difficult to make. Having the conviction and the foresight to make big, tough decisions is a necessary step when putting together a strategy.	
2. A template style strategy that includes fill-in-the-blanks template ideas like "The Vision", "The Mission", "The Values" and "The Strategies." This alone is not an actual "strategy."	
3. Be careful about what you say and what you mean. When you don't, this often leads to a shallow motivational mantra rather than a strategy for success.	

The Seeds of Good Strategy

The true seeds of good strategy ...

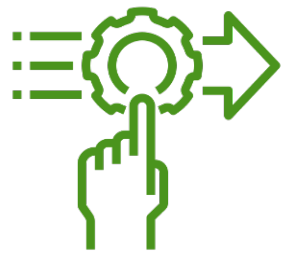
An effective mixture of thought and action with a basic underlying structure.

It contains three elements:



A diagnosis

A guiding policy



Coherent actions

A diagnosis that defines or explains the nature of the challenge. A good diagnosis simplifies the often overwhelming complexity of reality by identifying certain aspects of the situation as critical.

A guiding policy for dealing with the challenge. This is an overall approach chosen to cope with or overcome the obstacles identified in the diagnosis.

A set of coherent actions that are designed to carry out the guiding policy. These are steps that are coordinated with one another to work together in accomplishing the guiding policy.

My Notes:

Examples:

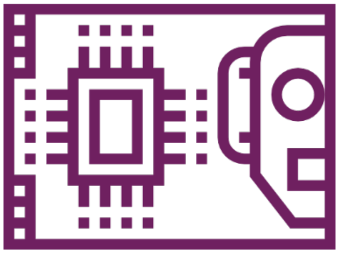
For a doctor, the challenge appears as a set of signs and symptoms together with a history. The doctor makes a clinical diagnosis naming a disease or pathology. The therapeutic approach chosen is the doctor's guiding policy. The doctor's specific prescriptions for diet, therapy, and medication are the set of coherent actions to be taken.

For foreign policy, challenging situations are usually diagnosed in terms of analogies with past situations. The guiding policy adopted is usually an approach deemed successful in some past situations. Thus, if the diagnosis is that Iran's president is another ruthless dictator, war might be the logical implication. However, if he is another containable dictator, then strong pressure coupled with behind-the-scenes negotiation might be the chosen guiding policy. In foreign policy, the set of coherent actions are normally a mix of economic, diplomatic, and military maneuvers.

In business, the challenge is usually dealing with change and competition. The first step toward effective strategy is diagnosing the specific structure of the challenge rather than simply naming performance goals. The second step is choosing an overall guiding policy for dealing with the situation that builds on or creates some type of leverage or advantage. The third step is the design of a configuration of actions and resource allocations that implement the chosen guiding policy.

In many large organizations, the challenge is often diagnosed as internal. That is, the organization's competitive problems may be much lighter than the obstacles imposed by its own outdated routines, bureaucracy, pools of entrenched interests, lack of cooperation across units, and plain-old bad management. Thus, the guiding policy lies in the realm of reorganization and renewal. And the set of coherent actions are changes in people, power, and procedures. In other cases the challenge may be building or deepening competitive advantage by pushing the frontiers of organizational capability.

Nvidia: A+ Strategy



Nvidia, a designer of 3D-graphics chips, had a rapid rise to the top, passing apparently stronger firms, including Intel, along the way in the 3D-graphics market. Since Jen-Hsun Huang became CEO in 1999 the company's shares increased 21-fold, even beating Apple during that same period.

Diagnosis: recognizing that 3D-graphics chips were the future of computing (given the almost infinite demand for graphics improvement that came from PC gaming).

Guiding policy: the shift from a holistic multi-media approach to a sharp focus on improved graphics for PCs through the development of superior graphics processing units (GPUs).

Coherent actions:

1) The establishment of three separate development teams;
2) Reducing the chance of delays in production/design by investing heavily in specific design simulation processes;
3) Reducing process delays involving the lack of control over driver production, by developing a unified driver architecture (UDA). All Nvidia chips would use the same downloadable driver software, making everything run more smoothly at all stages (for both Nvidia and its customers).

Where competitors like Silicon Graphics spread themselves too thin, Nvidia's strategy during that time was intuitive, focused, and executed well.

Proximate Objectives

When you can't realistically dominate in the primary area to solve the problem, consider where else you can ...

Many thought leaders suggest that the more dynamic the situation, the farther ahead a leader must look. This is illogical. The more dynamic the situation, the poorer your foresight will be.

Therefore, the more uncertain and dynamic the situation, the more proximate a strategic objective must be.

The proximate objective is guided by forecasts of the future, but the more uncertain the future, the more its essential logic is that of "taking a strong position and creating options," not by looking ahead.

Hierarchies of Objectives

In organizations of any size, high-level proximate objectives create goals for lower-level units, which, in turn, create their own proximate objectives, and so on, in a cascade of problem solving at finer and finer levels of detail.

Proximate objectives not only cascade down hierarchies; they cascade in time.

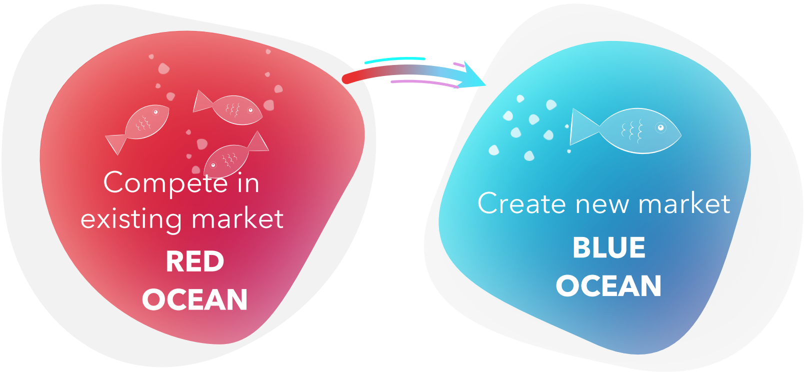
Example: When Nestle bought the British chocolate company Rowntree, it was determined that Nestle's transnational food-marketing skills would be able to take Rowntree's British-centered brands and move them into many other countries. The first steps in this direction were very successful, and then the combined management developed more subtle and nuanced objectives. Anytime a company enters a new business or market, there is necessarily this cascade of adjusting and elaborating proximate objectives.

What is proximate for one organization or even one person may be far out of reach to another. This may be about differences in skills, accumulated resources, or something else. But the gap, if investigated properly, is clear, and in that gap is where opportunity and differentiation lie.

My Notes:

Refining Your Strategy

Consider the difference …



BLUE OCEAN STRATEGY is the simultaneous pursuit of differentiation and low cost to open a new market space and create new demand. It is about creating and capturing uncontested market space, thereby making the competition irrelevant. It is based on the view that market boundaries and industry structure are not a given and can be reconstructed by the actions and beliefs of industry players.

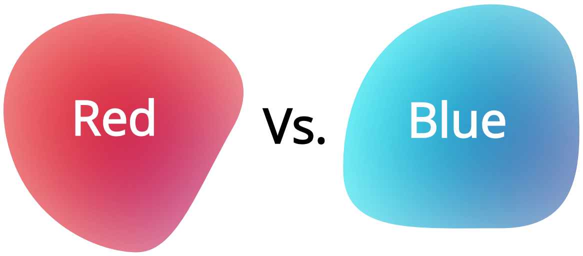
WHAT ARE RED OCEANS AND BLUE OCEANS?

In their classic book, *Blue Ocean Strategy*, Chan Kim & Renée Mauborgne coined the terms 'red ocean' and 'blue ocean' to describe the market universe.

RED OCEANS are all the industries in existence today – the known market space. In red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here, companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, profits and growth are reduced. Products become commodities, leading to cutthroat or 'bloody' competition. Hence the term red oceans.

BLUE OCEANS, in contrast, denote all the industries not in existence today – the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are to be evolved. A blue ocean is an analogy to describe the wider, deeper potential to be found in unexplored market space. A blue ocean is vast, deep, and powerful in terms of profitable growth.

Red Ocean vs. Blue Ocean Strategy



BLUE OCEAN STRATEGY VS RED OCEAN STRATEGY

RED 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**

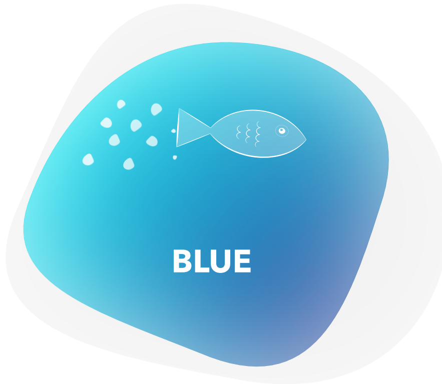
BLUE OCEAN STRATEGY

- 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**

My Notes:

Blue Ocean Strategy

KEY POINTS OF BLUE OCEAN STRATEGY & SHIFT



The fundamentals that will jump-start your strategy development process.

1 It's grounded in data

Blue ocean strategy is based on a decade-long study of more than 150 strategic moves spanning more than 30 industries over 100 years.

2 It pursues differentiation and low cost

Blue ocean strategy is based on the simultaneous pursuit of differentiation AND low cost. It is an 'and-and' not an 'either-or' strategy.

3 It creates uncontested market space.

Blue ocean strategy doesn't aim to out-perform the competition. It aims to make the competition irrelevant by reconstructing industry boundaries.

4 It empowers you through tools and frameworks.

Blue ocean strategy offers systematic tools and frameworks to shift from the red ocean of competition to blue oceans of new market space.

5 It provides a step-by-step process.

From assessing the current state of play in an industry, to exploring the six paths to new market space, to understanding how to convert noncustomers into customers, blue ocean strategy provides a systematic process to create your blue ocean.

6 It maximizes opportunity while minimizing risk.

Blue ocean strategy allows you to test the commercial viability of your ideas and shows you how to refine your ideas to maximize your upside while minimizing downside risk.

7 It builds execution into strategy.

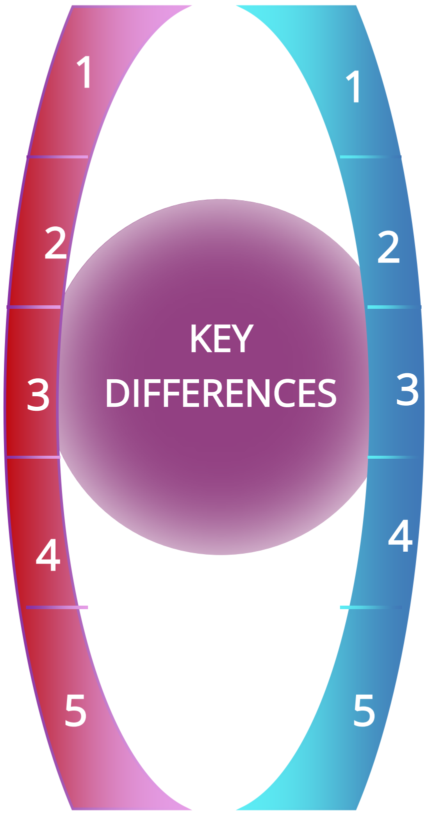
The process and tools are inclusive, easy to understand and visual – which makes the process non-intimidating and an effective path to building execution into strategy.

8 It shows you how to create a win-win outcome.

As an integrated approach, blue ocean strategy shows how to align the three strategy propositions – value, profit, and people – to create a win-win outcome. The blue ocean shift builds humanness into the process to build people's confidence to own and drive the process.

To summarize …

RED OCEAN		BLUE OCEAN
Compete in existing market space	1	Explore and create new market space
Beat existing competition	2	Make existing competition irrelevant
Leverage existing demand	3	Create and capture new demand
Make the value-cost trade-off	4	Break the value-cost trade-off
Align the firm's activities with strategic choice of differentiation or low cost	5	Align a firm's activities in pursuit of differentiation and low cost



My Notes:

To elaborate on red vs. blue ocean strategy and how value is created and used as an innovation mechanism, consider the following:

FOCUS

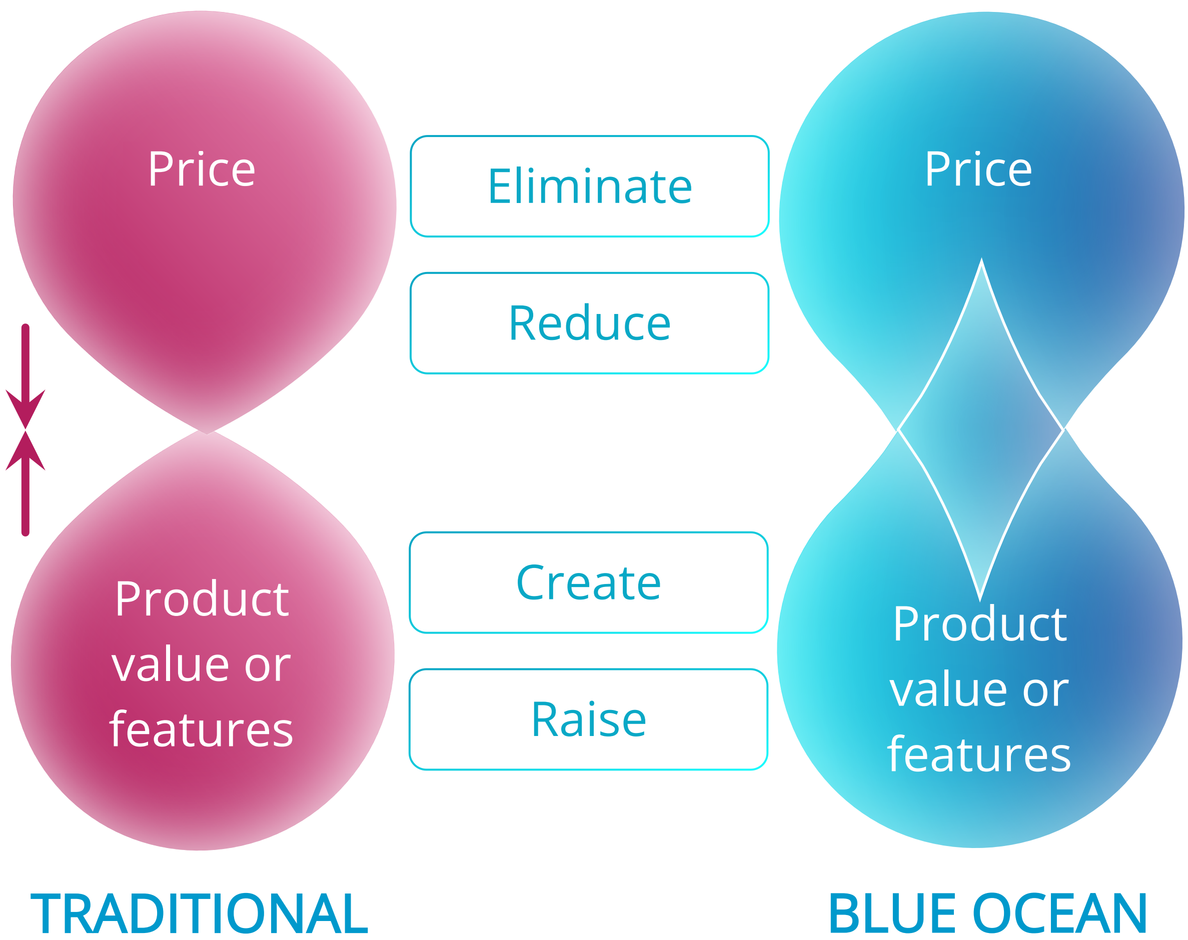
Not to diffuse efforts across all key factors of competition.

DIVERGENCE

The shape of the value curve diverges from those of other players.

COMPELLING TAG LINE

The value curve can be translated into a clear, strong, truthful and compelling tagline.



My Notes:

Innovating Value

Use the following questions to consider how your organization is currently innovating on value:

1. What is the value proposition of your current organization? (You can list this as topline or pick a product or product area).

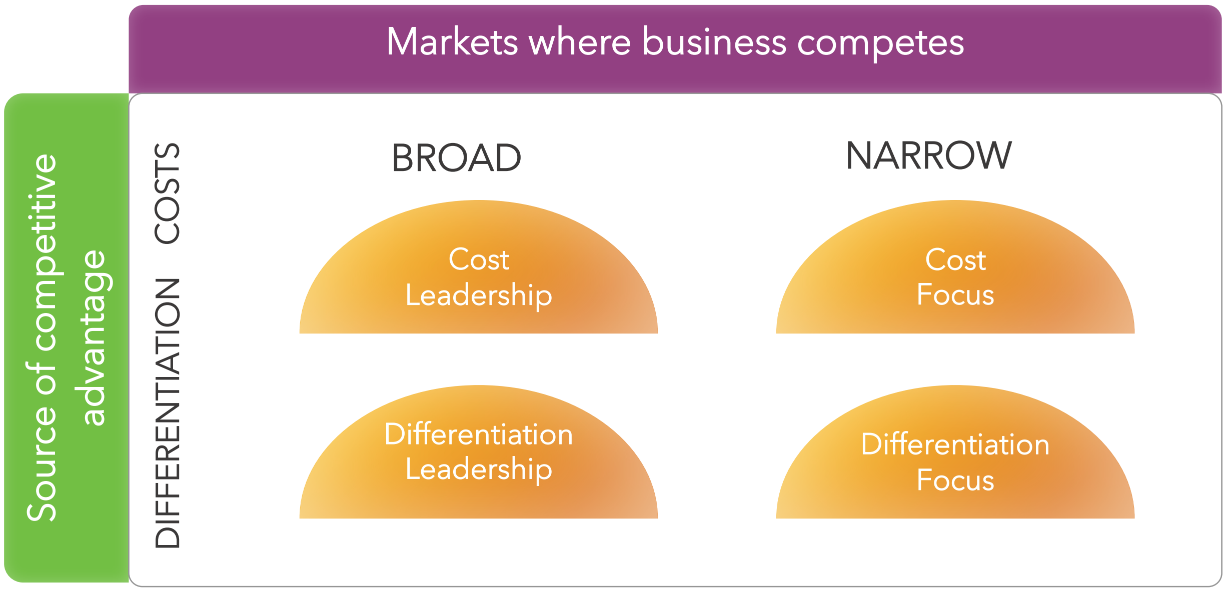
2. Who does this value proposition matter to and why? What exactly is the target customer meant to gain from this?

3. What are some examples of how your organization focuses (or doesn't focus) its strategy, operations, financials, people, and other resources to deliver this value?

4. How does the value proposition of your organization substantially differ from other similar offerings?

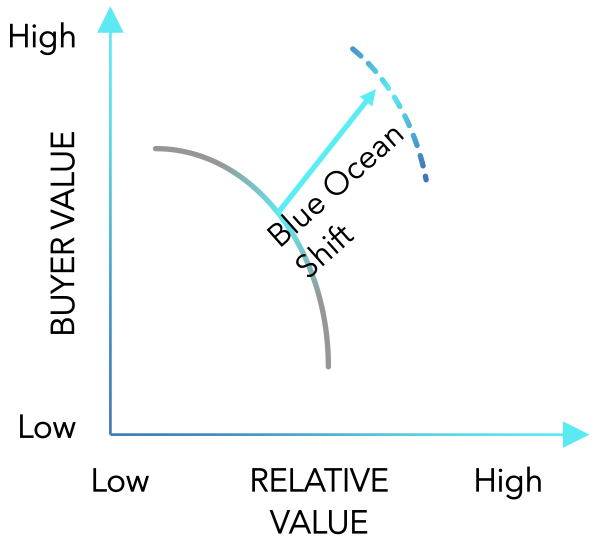
5. What are the words / language your organization use to simply yet eloquently communicate its value proposition? Is this something that anyone at any time can recollect / articulate?

Elaborating on the foundations of blue ocean strategy …



PORTER'S COMPETITIVE ADVANTAGE

Competitive advantage within an industry can be reached by pursuing either "differentiation" or "cost leadership", and is created through aggressive marketing, innovative design, or product/service quality. The focus is on existing market and/or industry.



BLUE OCEAN STRATEGY

Blue ocean strategy turns strategic management on its head by replacing "competitive advantage" with "value innovation" as the primary goal. Firms must create consumer demand and exploit untapped markets. The focus is on creating new markets.

My Notes:

6 Principles of Blue Ocean Strategy

To elaborate …

PRINCIPLES	FORMULATION	RISKS
Reconstruct market boundaries	1	Search risk
Focus on the big picture, not the numbers	2	Planning risk
Reach beyond existing demand	3	Scale risk
Get the strategic sequence right	4	Business model risk
PRINCIPLES	**EXECUTION**	**RISKS**
Overcome key organizational hurdles	5	Organizational risk
Build execution strategy	6	Management risk

My Notes:

Blue Ocean Shift Process

The trick is to diagnose the problem and then start to understand what / where and how we can address this …

GET STARTED	UNDERSTAND WHERE YOU ARE NOW	IMAGINE WHERE YOU COULD BE	FIND HOW TO GET THERE	MAKE YOUR MOVE
1	2	3	4	5
Choose the right place to start and construct the right blue ocean team	Get clear about the current state of play	Uncover what limits the size of your industry and discover the ocean of noncustomers to unlock	Systematically reconstruct market boundaries and develop alternative blue ocean opportunities	Select your move, conduct rapid market tests, and launch your blue ocean move

My Notes:

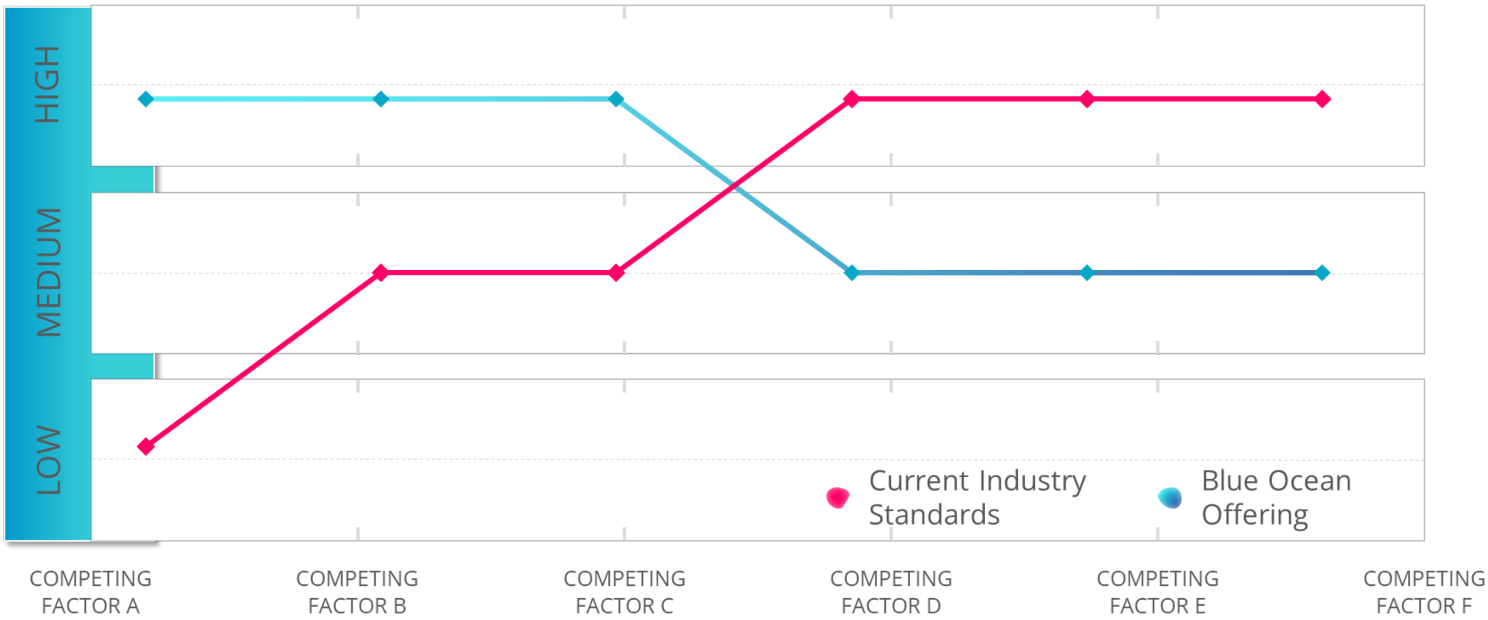
Blue Ocean Strategy - Steps

Consider key steps in working toward your blue ocean strategy ...

	My Notes:
Step 1: Strategy Canvass Mapping	
Step 2: Targeting Actions	
Step 3: Customer Reach Analysis / Planning	
Step 4: Detailed Product / Service Action Planning	

Step 1: Blue Ocean Strategy Canvas

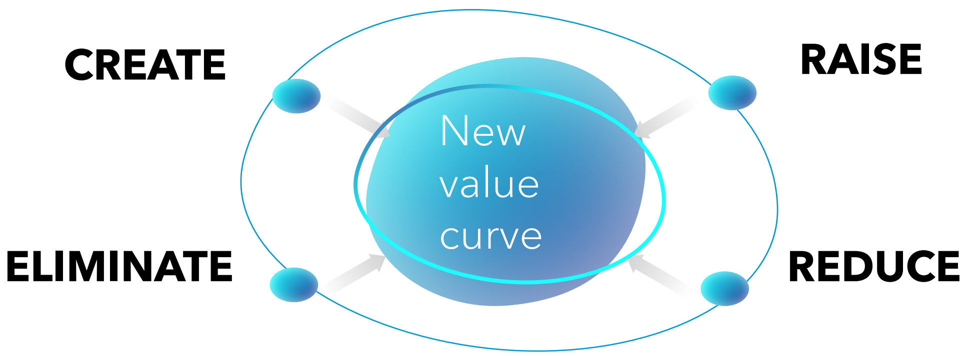
XX



My Notes:

Step 2: The Four Actions Framework

In step 2, we're considering the strategy landscape in relation to how we're going to create new value ...



My Notes:

Action 1: Create	Which factors should be created that the industry has never offered?	
Action 2: Eliminate	Which factors that the industry has long competed on should be eliminated?	
Action 3: Raise	Which factors should be raised well above the industry's standard?	
Action 4: Reduce	Which factors should be reduced well below the industry's standard?	

History reveals that there are no perpetually excellent companies. The same company can be brilliant at one moment and wrongheaded at another. It would appear, therefore, that the company per se is not the appropriate unit of analysis when exploring the roots of high performance.

In their bestselling book, *Blue Ocean Strategy*, Professors Chan Kim and Renée Mauborgne write:

The strategic move, and not the company or the industry, is the right unit of analysis for explaining the creation of blue oceans and sustained high performance.

A strategic move is the set of managerial actions and decisions involved in making a major market-creating business offering.

Marvel's blue ocean strategic move

In 1999, Peter Cuneo, a world-renowned turnaround expert, was appointed CEO of Marvel. He is credited with taking Marvel from bankruptcy to being acquired by Disney for over $4 billion in just over a decade.

Cuneo and Marvel's most vital blue ocean strategic move was entering the motion picture industry, a blue ocean strategic pivot that saw the company roar back to success in the 21st century in the form of Marvel Studios.

Not only that but Marvel and Cuneo transformed the whole movie production model; that is, it fundamentally changed how a movie is made. Marvel's strategic move saw it not only enter a new field but reconstruct that field to open a blue ocean.

How Marvel broke the value-cost trade-off

Many in the business world hold to the conventional belief that companies can either create greater value to customers at a higher cost or create reasonable value at a lower cost. Viewed this way, strategy is seen as making a choice between differentiation and low cost, a value-cost trade-off. It's the mindset of a red ocean strategist.

Marvel, on the other hand, took a blue ocean approach, pursuing differentiation and low cost simultaneously. To get a better understanding of how this works, let's review Chan Kim and Renee Mauborgne's Four Actions Framework.

ELIMINATE	RAISE
Hollywood-styled operations Big offices High salaries	Creative culture Storytelling and emotional connection
REDUCE	**CREATE**
Middle management Full-price movie stars Company-owned physical infra structure	Creative committee Unique financing scheme Creating their own universe

To break the trade-off between differentiation and low cost, the framework poses four key questions to challenge an industry's strategic logic:

1. Which factors that the industry takes for granted should be eliminated?
2. Which factors should be reduced well below the industry's standard?
3. Which factors should be raised well above the industry's standard?
4. Which factors that the industry has never offered should be created?

The Eliminate-Reduce-Raise-Create (ERRC) Grid above shows how Marvel was able to break the value-cost trade-off, i.e., strategic actions that created unprecedented value at low cost.

The Marvel blue ocean example illustrates how a company used differentiation and low cost to restore its blue ocean business. By entering the motion picture industry and value innovating the motion picture production model, Marvel restored its blue ocean to become the most profitable movie franchise in history.

Nintendo's switch to a blue ocean

Nintendo, the Japanese video game company created its first console in 1977 and became internationally famous with the release of games Donkey Kong in 1981 and Super Mario Bros. in 1985. However, by the early 2000s, Nintendo was struggling as industry giants Sony and Microsoft dominated the market.

In 2006, the company took a blue ocean approach. Whereas Sony and Microsoft, with their expensive consoles, were running focus groups on gamers, Nintendo studied non-gamers. It looked at the gaming industry's noncustomers and reconstructed elements across market boundaries to create the Wii – a console based on simplicity, functionality, and interactivity, with games that dramatically raised utility for these noncustomers.

Nintendo eliminated or reduced factors that were thought to be vital in the market – high-definition graphics and sound, fast chips, controllers with many buttons, and violent lifelike games, and so on. At the same time, it raised and created factors that appealed to noncustomers such as more approachable games, a focus on fun rather than computing power, and intuitive controls.

As a result of applying blue ocean strategy, the Nintendo Wii opened up a new market pulling in traditional non-gamers and outselling all Sony and Microsoft gaming products combined. It was a huge success until the unforeseen and dramatic technological disruption that came with the introduction of smartphones and tablets.

Fast forward to March 2017 and Nintendo offers up another blue ocean strategy example with the Nintendo Switch. Answering a growing demand for simple games such as the free downloadable ones on their smartphones, Nintendo created a brand-new blue ocean with the Nintendo Switch.

Instead of competing with the expensive and high-end processing power of PlayStation 4 or Xbox One, the Nintendo Switch was a small device that allowed users to play games on a TV and on the go, connecting seamlessly between one device and the other.

By 2018, it had become the fastest-selling home video game system of all time in the U.S. and outsold every other console over Christmas that year. Nintendo had reconstructed market boundaries with the Switch capturing the best of high-powered game consoles and smartphone games.

Stitch Fix – a blue ocean example in the fashion retail industry

Stitch Fix is a blue ocean example in the fashion retail industry. The youngest female CEO to ever lead a US initial public offering, Katrina Lake created a new market space in the highly competitive fashion retail industry. Stitch Fix is a personal styling company that mails its customers boxes of stylish, carefully selected clothing. It's as if customers had their own personal stylists. In 2019, Stitch Fix generated $1.5 billion in revenue from their ever-growing 3 million+ customers. While most retail companies are suffering, Stitch Fix is soaring.

Stitch Fix combined artificial intelligence and human interaction to create a differentiated and low-cost offering that women have been going crazy for. Katrina Lake created this new market space, combining the best of technology, human creativity and ingenuity in its products.

Stitch Fix was founded by a woman and, with 86% of female employees, the company has one of the largest female workforces in the AI space, if not across almost all industries.

HealthMedia – a blue ocean strategy example in healthcare

HealthMedia is a blue ocean strategy example of looking across strategic groups within an industry to create a blue ocean.

HealthMedia, a player in the industry with a revenue of US$6 million, was drowning in a red ocean of intense competition. At the time, the industry had two strategic groups, one offering telephonic counseling predominantly for severe medical conditions, the other offering generic, digitalized content like you find on WebMD.

HealthMedia explored why buyers traded across these strategic groups and found that despite all the factors players competed on, buyers traded up to telephonic counseling for one overriding reason – high efficacy – while they traded down to digitized content for low cost.

HealthMedia created a new market space called digital health coaching which combines the far lower cost of digitalized content with a leap in efficacy through interactive online questionnaires that digitally matched people's self-reported challenges with a health plan that would work best for them.

Within just two years, HealthMedia had created a blue ocean so compelling that Johnson and Johnson swooped in and purchased the company for US$185 million.

The HealthMedia case study is analyzed in detail in New York Times and #1 Wall Street Journal bestseller Blue Ocean Shift.

Compte-Nickel – a blue ocean in the fintech industry

French fintech Compte-Nickel found a blue ocean in the crowded French retail banking sector by identifying noncustomers and developing a strategy to attract them.

The typical banking experience in France is notoriously tedious. You need to make an appointment and talk with a bank manager, then provide a handful of documents to open an account. It is costly to maintain an account that is linked with diverse yet mostly irrelevant financial services.

A French entrepreneur, Hugues Le Bret, saw hidden pain points that customers and noncustomers accepted as given when using banking services. So, he created Compte-Nickel, a simple and convenient banking service at low cost that looked beyond current bank customers and reached low-income earners and other people excluded by legacy banks.

Founded in 2014, the company has quickly become one of the leading fintech startups in France until it was successfully sold to BNP Paribas for over 200 million euros in 2017.

While traditional banks focused on developing financial technology to make their offerings more appealing, the fintech Compte-Nickel created a blue ocean by looking at the noncustomers the other banks ignored: low-income earners and people facing financial exclusion.

Yellow Tail – a blue ocean example in the wine industry

Casella Winery's Yellow Tail – or [yellow tail] as it's written – is often cited as a classic example of blue ocean strategy.

Up until 2000, the United States had the third-largest aggregate consumption of wine worldwide with an estimated $20 billion in sales. Yet, despite its size, the industry was intensely competitive.

The US wine industry in 2000 faced intense competition, mounting price pressure, increasing bargaining power on the part of retail and distribution channels, and flat demand despite overwhelming choice.

In July 2001, Australia's Casella Winery introduced [yellow tail] into this highly competitive US market. Small and unknown, they had expected to sell 25,000 cases in their first year. In fact, they had sold nine times that amount. By the end of 2005, [yellow tail]'s cumulative sales were tracking at 25 million cases. [yellow tail] soon emerged as the overall best-selling 750ml red wine, outstripping Californian, French and Italian brands.

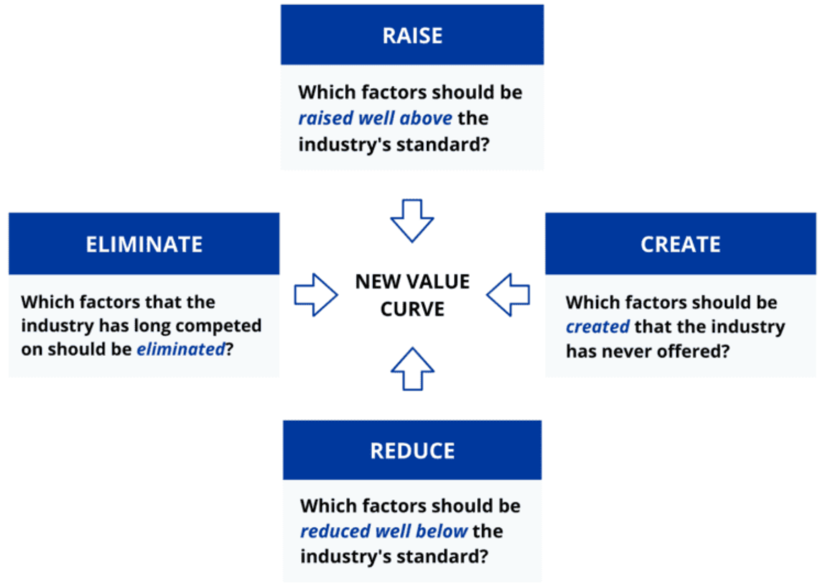
How did [yellow tail] become the number one imported wine and the fastest-growing brand in the history of the US and Australian wine industries?

The traditional strategy of most wineries has always been to compete on the prestige and the quality of wine at a particular price point. Prestige and quality are judged by things like the personality and characteristics of a wine, reflected in the uniqueness of the soil, the winemaker's skills, the aging process, and so on.

Casella Wines turned this convention wisdom on its head. The Australian winery redefined the problem of the wine industry as how to make a fun and non-traditional wine that's easy to drink.

By looking at the demand side of alternatives of beer, spirits, and ready-to-drink cocktails, which captured three times as many consumer alcohol sales as wine, Casella Wines found that the mass of American adults saw wine as a turnoff. It was intimidating and pretentious, and the complexity of taste – even though it was where the industry sought to excel – created a challenge to the inexperienced palate.

With that insight, Casella was ready to challenge the industry's strategic logic and business model. To do so it considered four key questions outlined in the blue ocean analytical tool, the Four Actions Framework.



The outcome of this analysis was [yellow tail], a wine whose strategic profile broke from the competition and created a blue ocean. Instead of offering wine as wine, Casella created a social drink accessible to everyone.

By looking at the alternatives of beer and ready-to-drink cocktails, Casella Wines created three new factors in the US wine industry – easy drinking, easy to select, and fun and adventure. It eliminated or reduced everything else.

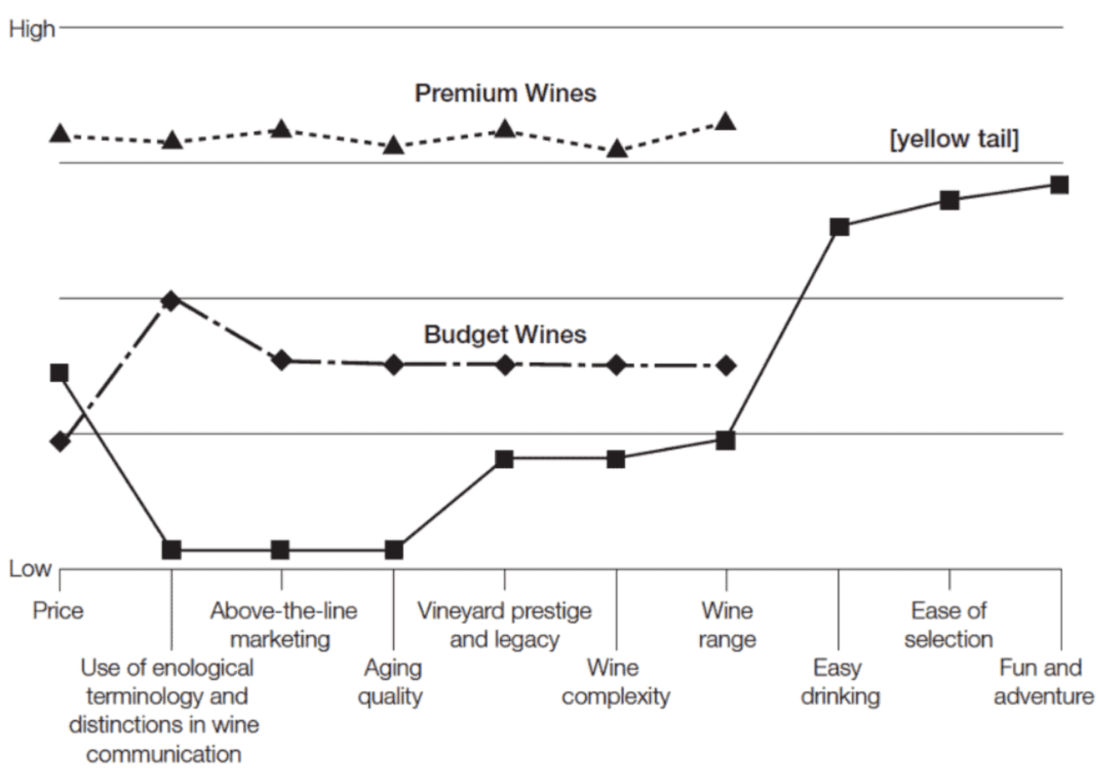
[Yellow tail] was a completely new combination of characteristics that produced an uncomplicated wine structure that was instantly appealing to the mass of alcohol drinkers. The result was an easy-drinking wine that did not require years to develop an appreciation for.

This allowed the company to dramatically reduce or eliminate all the factors the wine industry had long competed on – tannins, complexity, and aging. With the need for aging reduced, the working capital required was also reduced. The wine industry criticized the sweet fruitiness of [yellow tail], but consumers loved the wine. Casella also made selection easy by offering only two choices of [yellow tail] – Chardonnay, the most popular white wine in the US; and red Shiraz. It also scored a home run by making wine shop employees ambassadors of [yellow tail], introducing fun and adventure into the sales process by giving the Australian outback clothing. Recommendations to consumers to buy [yellow tail] flew out of their mouths.

Consider the Strategy Canvas of [yellow tail]. Developed by Chan Kim and Renee Mauborgne, the Strategy Canvas is a diagnostic and action framework for building a compelling blue ocean strategy. It quickly captures, in one simple picture, the factors an industry competes in and invests in, the offering level of each factor that buyers receive, and the strategic profile of a company and its competitors across the key competing factors.

[yellow tail] created a unique and exceptional value curve to unlock a blue ocean. As shown in the strategy canvas, [yellow tail]'s value curve has focus: the company did not diffuse its efforts across all key factors of competition. The shape of its value curve diverged from the other players', a result of not benchmarking competitors but instead looking across alternatives. The tagline of [yellow tail]'s strategic profile was clear: a fun and simple wine to be enjoyed every day.

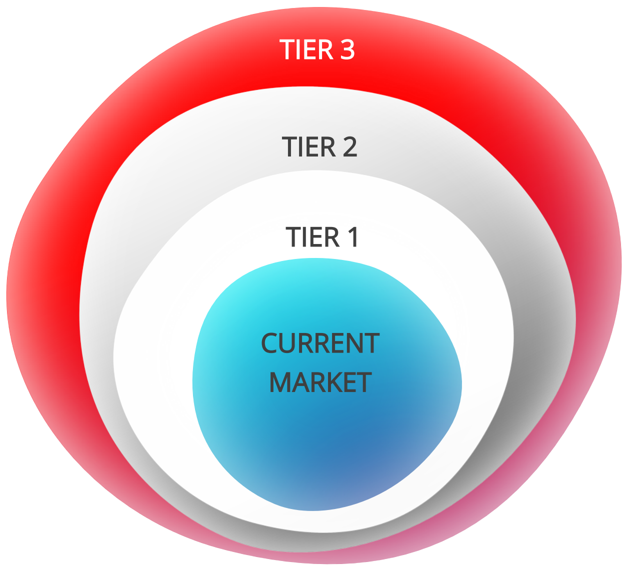
When expressed through a value curve, an effective blue ocean strategy has three complementary qualities: focus, divergence, and a compelling tagline.



My Notes:

In step 3, we're targeting would-be customers for the value you intend to create (the value that doesn't exist today) …

- Current Market
- TIER-1 Soon-to-be
- TIER-2 Refusing
- TIER-3 Unexplored

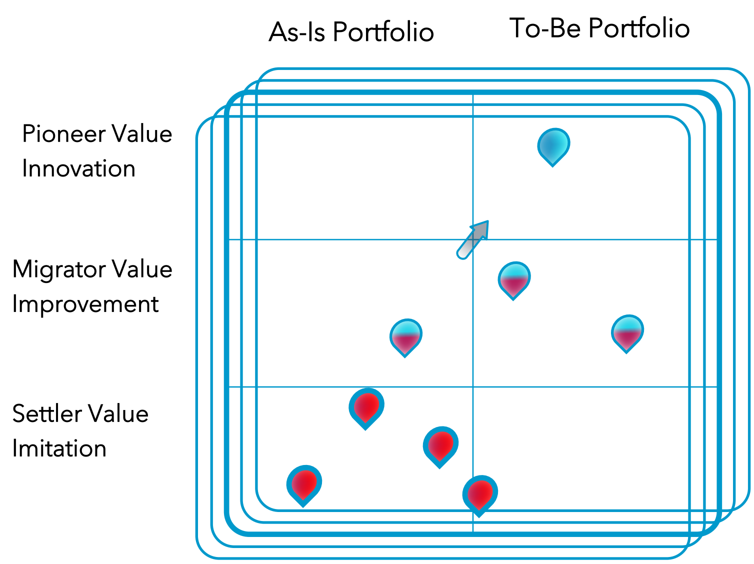


Notes:

Current Market:	Customers of your industry	
Tier-1 Soon-to-be	Soon-to-be noncustomers who are on the edge of your market waiting to jump ship	
Tier-2 Refusing	Refusing noncustomers who consciously chose against your market	
Tier-3 Unexplored	Unexplored noncustomers who are in markets distant from yours	

Step 4: Refine Products / Services

In Step 4, we are defining or refining products / services to meet our value proposition …

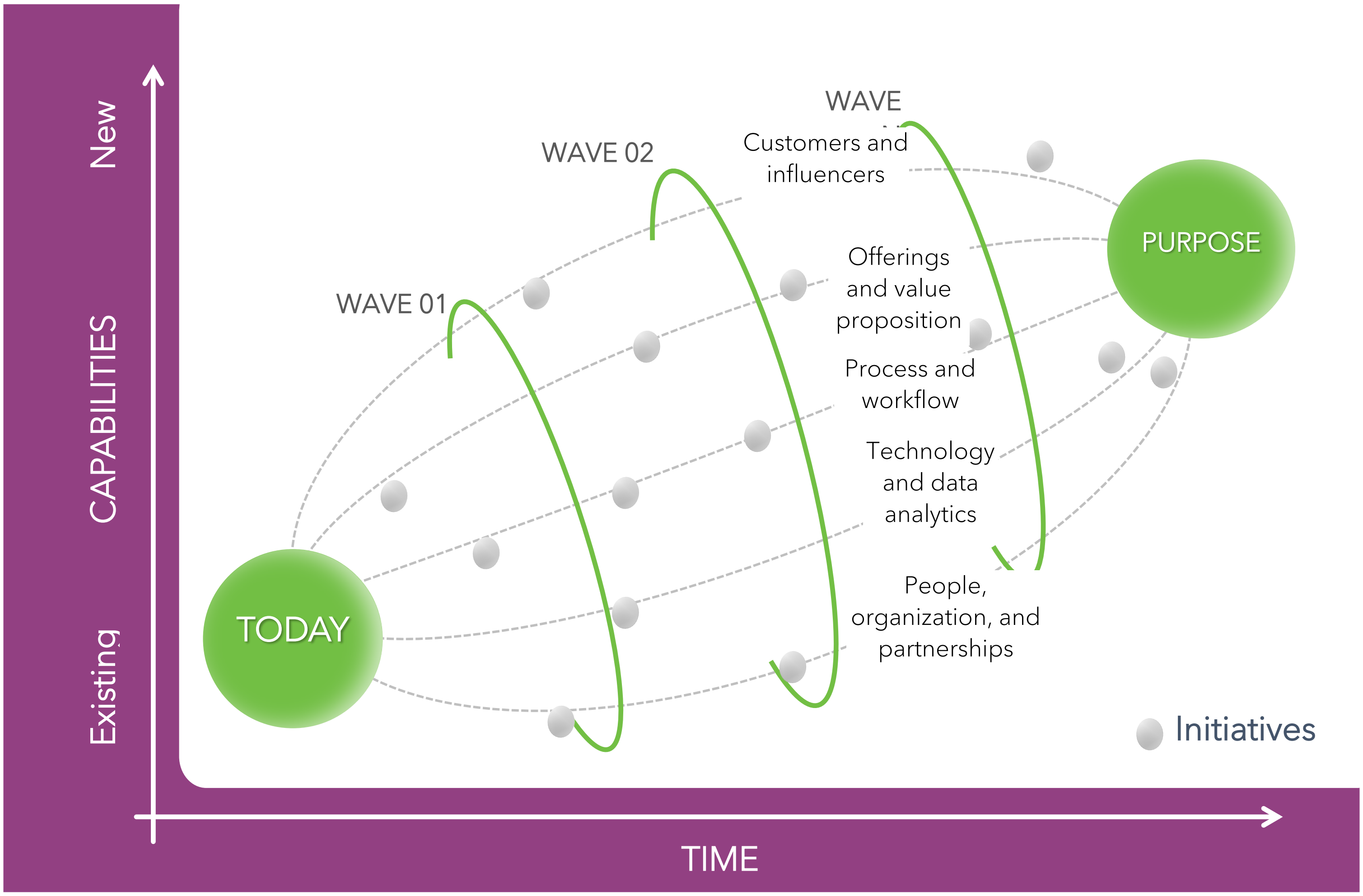


Products	As-is or To-be Portfolio	Level of Value Innovation	Notes:

The "How" of Your Strategy

Business Model Evolution

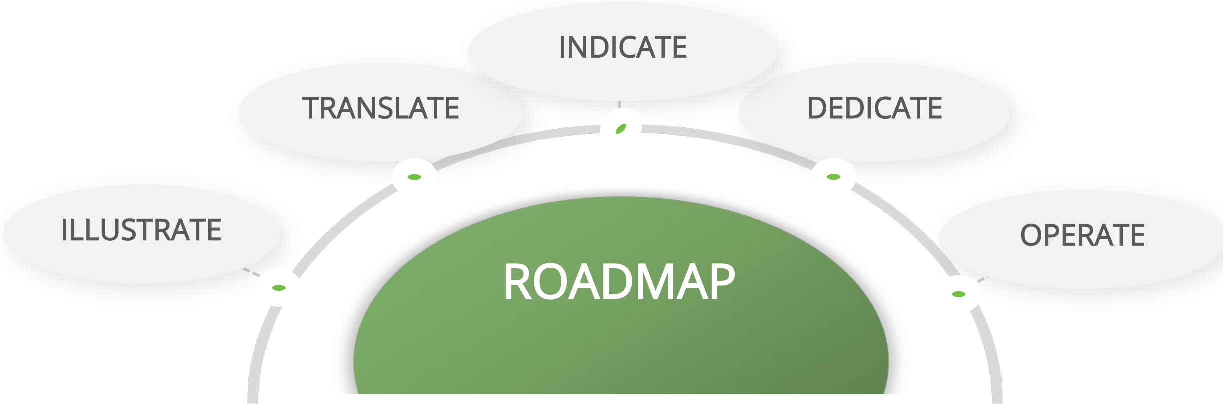
Once your strategy is defined, it's time to consider how your business model (how you operate across functions and other activities) support or need to change to align with your new strategy …



My Notes:

Roadmap Development

Once you've evaluated and updated your business model, then it's time to create an action plan, or roadmap, to help your organization institute these changes …



		Notes:
Illustrate	Develop the right process maps which accurately reflect how value is created for customers through business processes	
Translate	Determine how, where, and by how much business process can influence the strategic and/or process objectives	
Indicate	Develop the measurement systems and data which illustrate the linkage between process behavior and performance	
Dedicate	Identify and engage the right people with the right reporting system, disciplines and accountability to evaluate or improve process	
Operate	Fully integrate process-based reporting discipline and tools into process management action planning and performance	

Examples: Areas for Change

To help you think through what may need to be changed, or otherwise updated, consider some examples …

CHARACTERISTICS		DESCRIBE THE CHANGE
Brand Identity	✓	
Culture/behavior of our team	✓	
Our policies / philosophies	✗	
Client service/value proposition	✗	
Ideal client	✗	
Fee model/revenue mix	✓	
Scale of our practice	✓	
Talent/skills/education of our team	✗	
Locations	✓	
Use of technology	✗	
Communications and marketing	✓	

Focus Area

Consider this example zoom-in on a focus area for change …

WHAT DO WE WANT TO ACHIEVE?

We want to reignite organic growth to achieve sufficient scale to restore our profitability.

BY WHEN DO WE WANT TO ACHIEVE IT?

By June of year 20XX, we want to achieve our organic growth target.

WHY THIS IS IMPORTANT TO OUR STRATEGY?

New business growth is the preferred way to increase revenue rather than the risk of buying someone else's book/business.

TASK TO BE DONE	RESOURCES/ HELP	MILESTONES	OWNER
Use a consultant to train our entire business on getting referrals including changing our systems to make activity habitual	Consultant	First training in February, 30% increase in month-to-month referrals	Director of Sales & Marketing
Develop three referral campaigns using social media marketing	Marketing budget of $300,000	Minimum of 80 leads per campaign with a 25% increase in conversion rate	Growth Marketing Manager
Find and train ambassadors to showcase studies of our successes in social settings	One client to present/speak	Onboard on average 5 new ambassadors a week	Strategic Partnership Manager

My Notes:

Steps of Strategic Roadmap

STATUS QUO

- Spreadsheets for planning, budgeting, forecasting, reporting and analysis
- Disparate data sources
- Disconnected processes
- Manual, time consuming process

Today's Challenge

AUTOMATE & MODEL

- Automate source to report
- Transform spreadsheet
- Expedite financial close and consolidation
- Revamp planning, budgeting, and forecasting
- Report production management

Drive Efficiency

INTEGRATE & ACCELERATE

- Enable more efficient financial and operational performance management
- Create integrated business planning
- Employ rolling forecasts
- Employ fast close

Span the Enterprise

IMPROVE WITH PREDICTIVE

- Incorporate predictive analytics
- Enable data discovery of key insights patterns and trends

Deliver Foresight

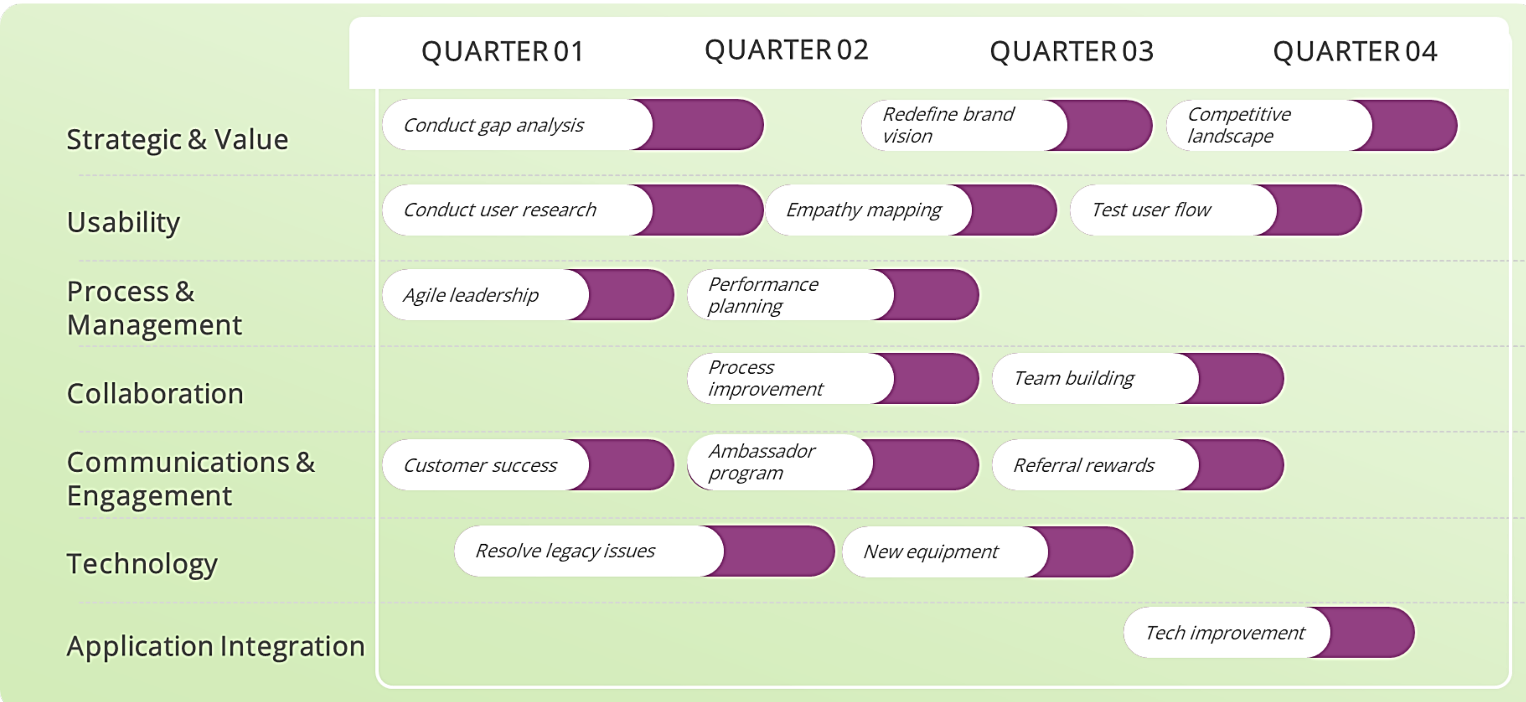
STRATEGY-ALIGNED AGILE ORGANIZATION

- Implement better metrics and scorecards
- Incorporate steps for effective strategy management
- Incorporate risk-adjusted value management

Steer Continuously

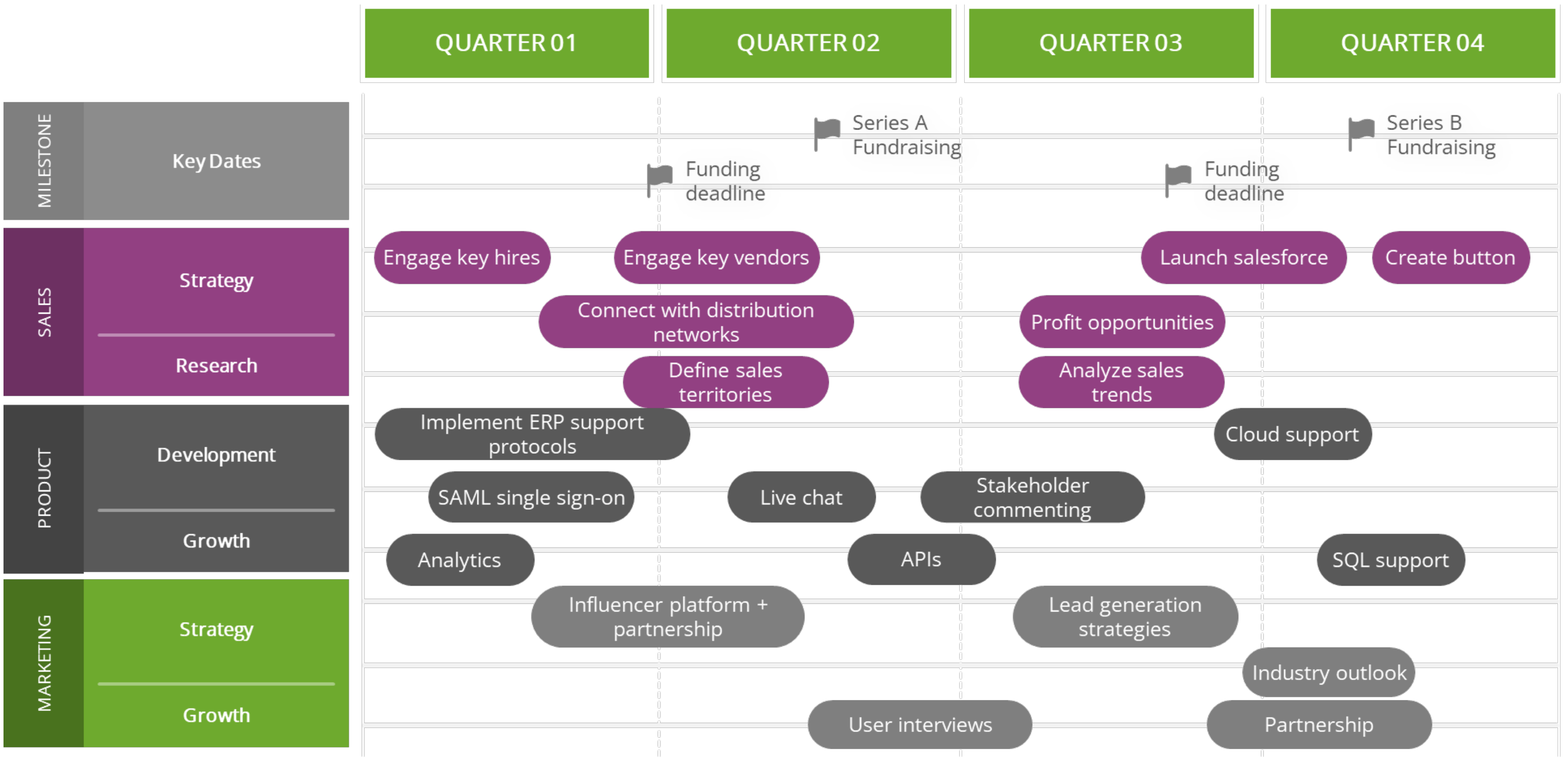
My Notes:

Strategic Roadmap Example



My Notes:

Strategic Roadmap – Timeline View



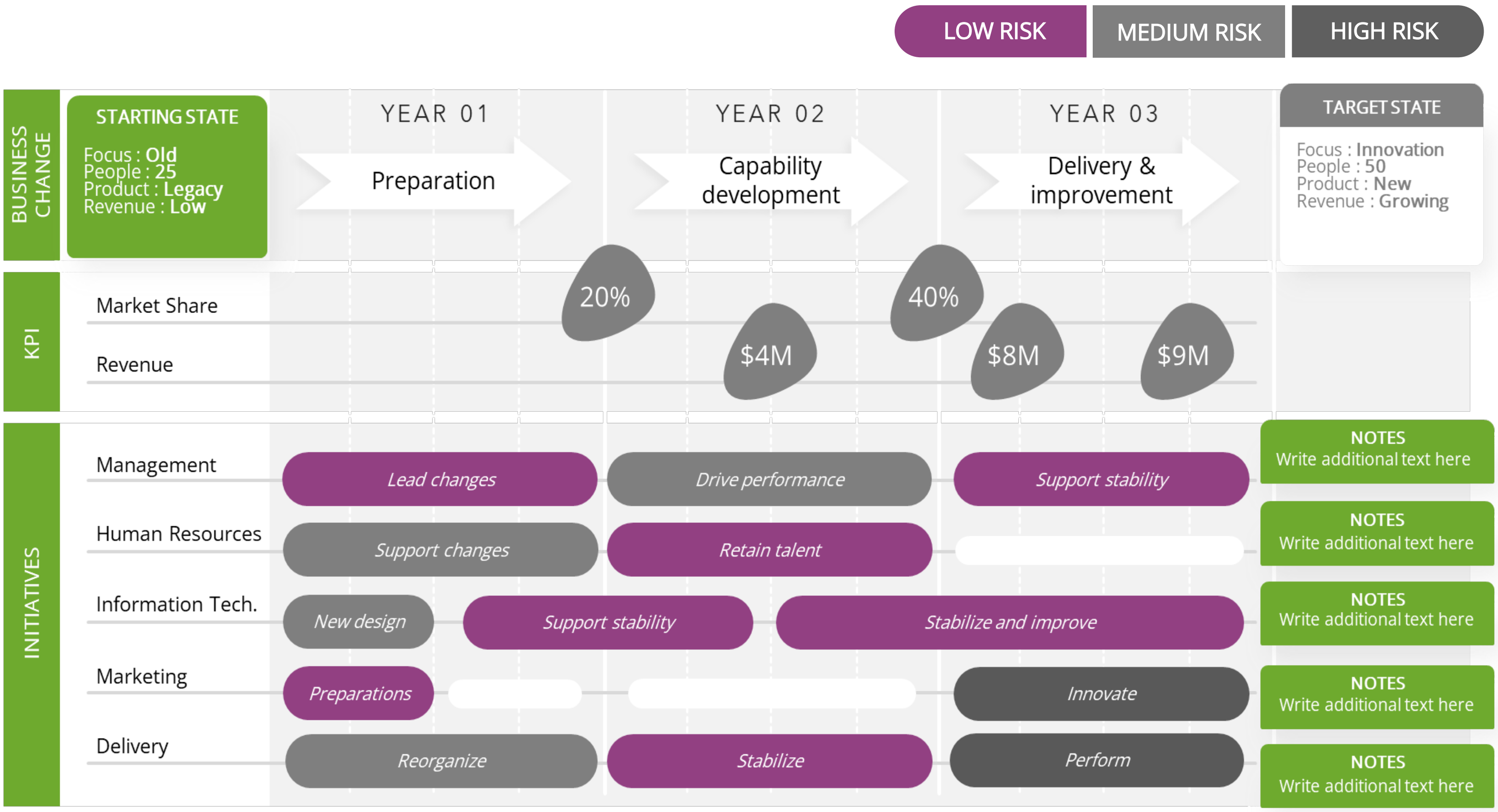
My Notes:

Strategic Roadmap – Swimlane View

	PRODUCT	FINANCE	SALES	MARKETING
PROPOSED	API (web services) SQL support Identify customer values CRM & automation integration	Streamline financial reporting Finalize 20XX revenue goals Finalize 20XX budget	Engage key vendors Profit opportunities Negotiate $2M+ partnership Connect with distribution networks	Lead generation strategies Group discount 6+ at 15%
IN PROGRESS	Live chat Push notification Analytics	Breakdown analysis Cost & complexity drivers	Launch salesforce Competitor risk analysis	Competitor analysis Influencer platform + partnership Launch monthly webinar
SCHEDULED	SAML single sign on Stakeholder commenting Cloud support Improve service performance Account management	Streamline vendor management	Analyze sales trends Define sales territories	Partnerships Industry outlook Schedule focus group Diversification

My Notes:

Another Example



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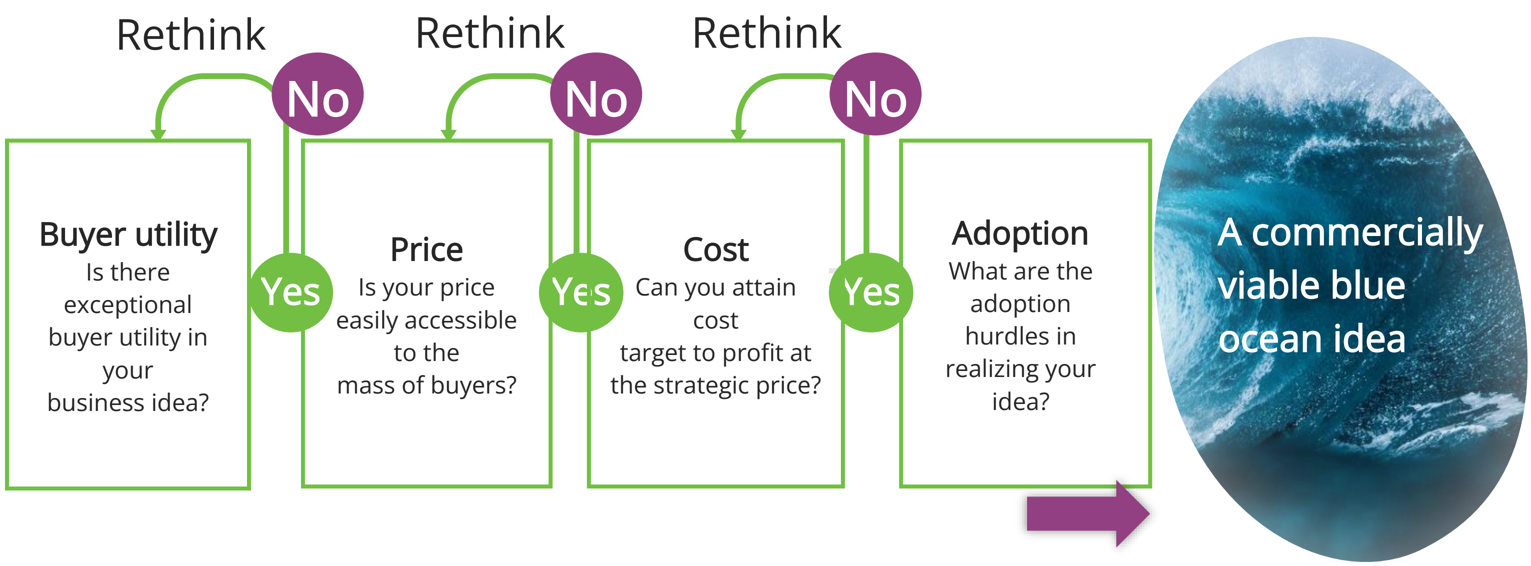
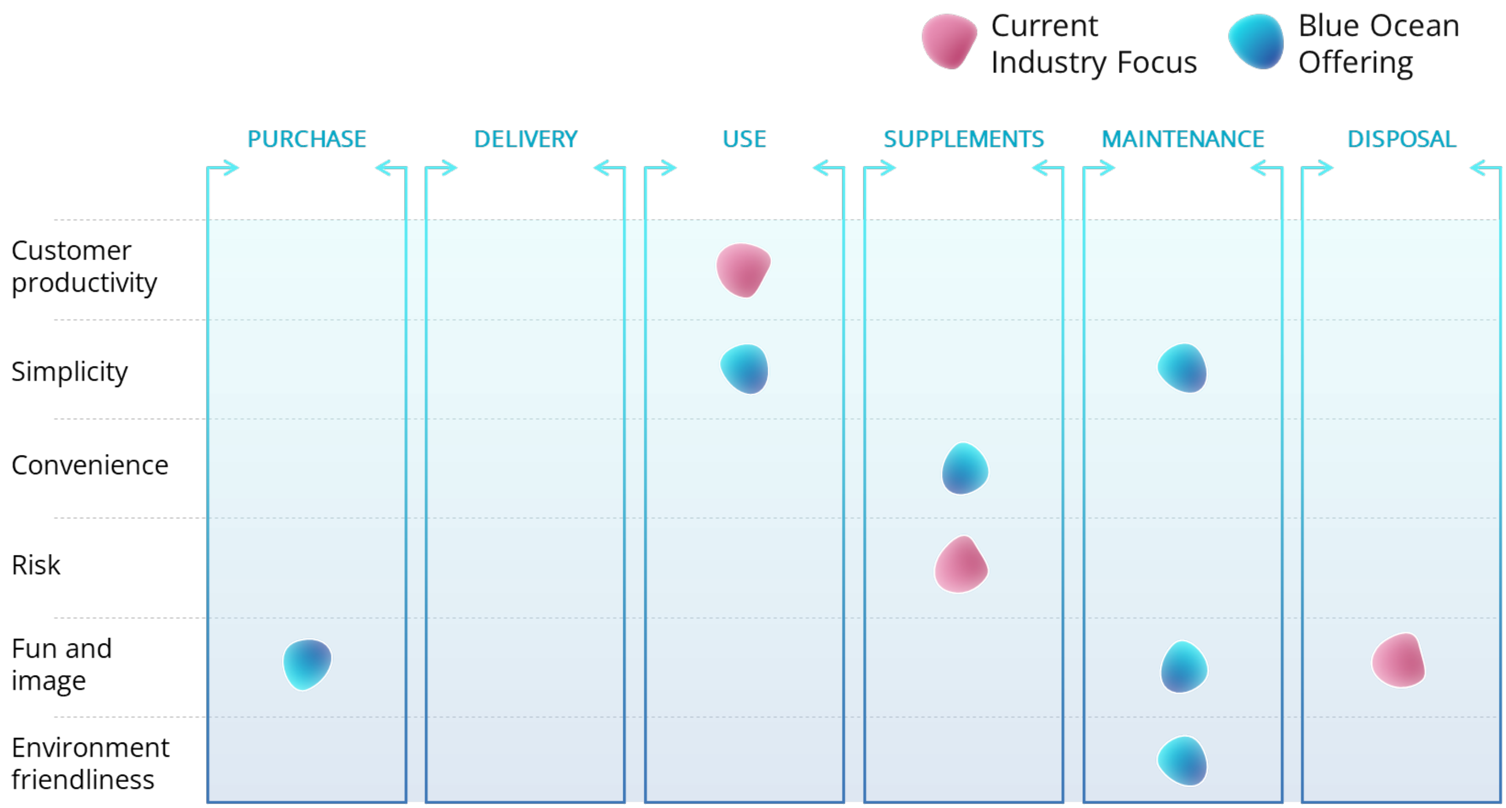


Rethink
Rethink
Rethink
No
No
No
Buyer utility
Is there exceptional buyer utility in your business idea?
Yes
Price
Is your price easily accessible to the mass of buyers?
Yes
Cost
Can you attain cost target to profit at the strategic price?
Yes
Adoption
What are the adoption hurdles in realizing your idea?
A commercially viable blue ocean idea

My Notes:


Current Industry Focus
Blue Ocean Offering
PURCHASE
DELIVERY
USE
SUPPLEMENTS
MAINTENANCE
DISPOSAL
Customer productivity
Simplicity
Convenience
Risk
Fun and image
Environment friendliness

My Notes:

Strategic Roadmap

MISSION

To connect, support and inform efforts to improve the health of individuals and communities in city/state/country

VALUES

- **EMPATHY** – Feeling from another's perspective
- **EQUITY** – Prioritizing the most impacted
- **INTEGRITY** – Transparency, honesty, and accountability
- **OPENNESS** – Listening, adapting, and experimenting
- **KNOWLEDGE** – Embracing community wisdom

INGREDIENTS FOR CHANGE

- Policy, systems, and environmental change
- Multi-sector partnerships
- Paradigm shift
- Community-driven solutions
- Build trust and equity

BY YEAR 2

Company will identify and build relationship with stakeholders and develop strategies to support progression along the collaboration continuum.

RESISTANT
- Believes day job doesn't impact health
- Prefers comfort zone

CURIOUS
- Interested in what customers are up to
- Gets connected by a trusted source

AWARE
- Verbalize intersections
- Expresses "ahas"
- Energized

ADVOCATE
- Influences others
- Practices buy-in
- Co-creates "the change" and work

CHAMPION
- Recruits and activates partners
- Collaboration is the norm
- Practices accountability

BY YEAR 3

Company will support stakeholders in building networks of collaborative health champions

My Notes:

Strategic Roadmap

	Goal 01 ACCESS TO CARE AND COVERAGE	Goal 02 HEALTHY COMMUNITY DESIGN	Goal 03 COMMUNITY CAPACITY BUILDING	Goal 04 TRANSFORMATIVE GRANT-MAKING	Goal 05 CIVIC HEALTH
By year 2	• Support partnerships to connect to local services • Identify and partners statewide	• Identify and strengthen stakeholder relationship to influence policies • Incubate community-based, collaborative cohorts	• Strengthen technical assistance partnership systems and strategies	• Implement tiered grants • Streamline processes and improve data collection • Engage in future collaboratives	• Strengthen systems that increase community organizing and advocacy • Promote community participation and research
By year 5	• Support development of statewide infrastructure • Support integration of automated work that will upskill current employees	• Activate relationships to influence policy and changes • Expand public health and build environment coalitions • Expand place-based, cross-collaborative incubation	• Boost capacity of community-based leaders, organizations, and coalitions	• Utilize community expertise to establish data-driven, responsive grant-making practices	• Build resident, community, and civic leadership • Connect empowered voices to influence policies • Promote fair processes in civic institutions

My Notes:

Strategic Roadmap

	PRODUCT	FINANCE	SALES	MARKETING
PROPOSED	API (web services)	Streamline financial reporting	Engage key vendors	Define lead generation strategies
	SQL support	Finalize yearly budget	Identify profit opportunities	Implement group discount at 15%
	Identify customers value	File tax returns		Conduct competitor analysis
IN PROGRESS	Live chat	Break even analysis	Launch sales force	Create influencer platform
	Push notifications	Evaluate cost and complexity	Conduct competitor risk analysis	Launch monthly webinar
	Analytics		Analyze sales trends	Complete industry outlook

My Notes:

Notes:

My Notes:

Final Notes

My Notes:

Appendix

Abbreviated Case Study: Apple

With the debut of the Macintosh in 1984, Apple revolutionized personal technology. Apple is now the world's leading innovator for iPhone, iPad, and Mac. Innovation and consumer-gentrified devices underpin Apple's business model. Due to simple designs and data migration to new product lines, they can maintain their base. Apple employs over 100,000 people to produce the best things on earth and to make the world better than we have found.

This case study is a comprehensive review of the business model of Apple, including an overview of its target market, services, statistics, and sales, etc.

About Apple

On April 1, 1976, in Cupertino, California, Apple Inc., a trillion-dollar firm, began its adventure. It was established as a computer company by Steve Jobs, Ronald Wayne, and Steve Wozniak. It presently has 1.5 billion active users worldwide. The iPhones and iPads constitute 80 per cent of active smartphones. Apple was ranked as the world's number one brand in 2016, the world's number one company with billions of businesses. It is hardly surprising that, as can be seen from the Apple Marketing Mix, the corporation has beaten all. One of the first terms to describe Apple as a brand is "innovation." That's because it has very few but incredibly strong and innovative items in the number of products introduced by the company. Apple doesn't have Samsung or Google's product portfolio, but it has the strength to overcome them all.

BUSINESS MODEL OF APPLE

The business model of Apple relies mostly on technology sales. However, from this point of view alone, it cannot be understood..

BUSINESS MODEL OF APPLE

The business model of Apple relies mostly on technology sales. However, from this point of view alone, it cannot be understood. Apple is a software as well as hardware that also succeeded. The iPhone is certainly an emblem of our times. However, the iPhone, because of its software, is also a very good smartphone. When we look at the growth of Apple in 2019, areas like wearable, home, accessories (items like AirPods and Apple Watch), and services were driving this growth significantly. So, Apple's business model was diverse by 2020.

1. Apple's Strategy

a. Placing its product above anything else: Whenever it comes to Apple and its products, the brand has never failed to stand out. Be it its features, advertisement, or any digital medium promotion, it always has stood out. The placement of its products is distinctive in that they are bound to be noticed and eventually purchased.

b. Staying focused always to optimize global presence of the company: The money that the company is spending on its products is why Apple is never failing to astonish its customers. It is also focusing on providing some better services to its users so that there is no chance of them switching over to any other brands.

c. Integrated business model for better user experience: The company is focusing on its integrated model of UX so that the users seamlessly invest in their company by purchasing its products. It is also focusing on digital mediums like Apple TV so that the young generation is still in touch and is fascinated by them. Privacy is what Apple plays. Nowadays, privacy is at utmost priority, and hence keeping these user interfaces into considerations Apple plays its cards and succeeds in collecting an audience.

2. Apple Value Proposition

The value proposition convinces clients that the products and services of the firm are the best of all competitors, for them to buy the products. Apple is such a large brand firm with a tremendous deal of worth. When iPhone 4 was released in 2010, Apple was the first manufacturer to create a powerful, convenient touch-screen smartphone. In general, the first firm to join the market tends to think of consumers as producing the best items in the field. Furthermore, the new iPhone 4 was so unusual in design coupled with the ISO operating system that it was quickly distinguished by competitor products. In addition, the Apple apps were connected to many other apps like Facebook, and the Apple firm is sure to be much stronger across the globe with these partnerships.

3. Apple Income Sources

a. Apple product sales: Apple makes money through its most iconic smartphones which have distinctive features in every model. In addition, Apple diversifies its products, such as:

- iPhone
- iPod
- Mac
- Smartwatch
- Airpods

b. Subscription for apple services: Apple makes money through the subscription made by its users. These subscriptions revolve around the payment during purchasing music from iTunes or Apple Tv. To view digital content on an iPhone, one has to pay for access to Apple Tv. Even after having so many expenses to use an iPhone, one does not switch its brand unless required. Such a trademark of brand adoption has cemented Apple in the minds of consumers.

4. Apple Distribution Strategy

In most of its key markets, the company offers its products and sells items through its retailers, online stores, and direct sales staff directly to consumers and small and medium-sized enterprises. The company also utilizes a range of indirect channels, for example, cellular network providers from third parties, wholesalers, retailers, and merchants with value-added products. During 2017, the company's net sales through its direct and indirect distribution channels accounted for 28 per cent and 72 per cent, respectively, of total net sales.

5. Apple Services

Apple is divided into different products and services that further create a diverse business model. The business of services mainly consists of:

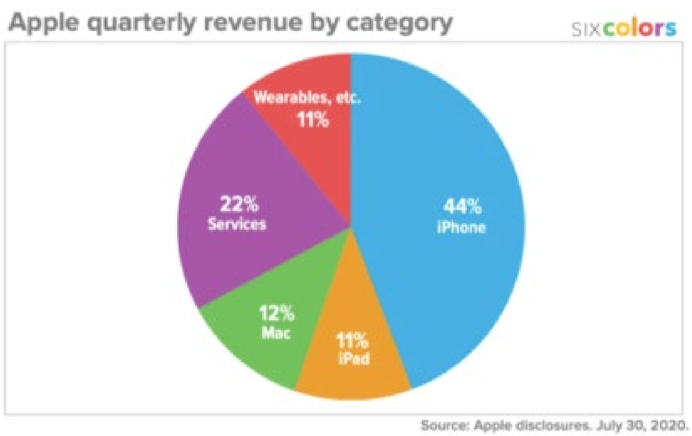
- The digital content stores and streaming services, including Apple TV, as well as purchases at the App Store.
- AppleCare+ ("AC+") and the Protection Plan AppleCare are other programs that extend eligibility coverage and hardware repairs. Other services include the fee-based AppleCare+ service.
- Cloud Services for Apple (iCloud).
- Licensing where Apple authorizes and provides additional services relevant to the use of certain intellectual property rights.
- Apple CardTM, the joint-brand credit card, the subscription news and magazine service, Apple News+, and Apple Pay, the cash-free payment service and other services, which include Apple ArcadeTM.

6. Apple Target Market

Apple's products are wide-ranging. They provide all users with innovation, creativity, and superior technology. Their products are in many segments of demand. Through their products, their target market is determined. They have more than 1.5 billion users, and with their annual product releases, their market is expanding.

7. Apple Statistics & Revenue

Apple has been dividing its company into five sectors since 2018: iPhone, iPad, Mac, Wearable, Services, and Home Accessories. The iPhone provides most revenues of Apple, but wearables and services, home and equipment have gained more prominence in recent years as Apple seeks to find new means of preventing stagnation in revenue. From $42.7 billion in 2009 to $156.3 billion in 2012. In the period, Apple improved its production capacity greatly via its Foxconn partner, which allowed worldwide sales of the iPhone. It also saw the arrival of the iPad, which in its first year of sales added $19.1 billion in income.



Conclusion

Apple has an array of different, albeit complementary, products and services, which creates its diverse business model. While sales of iPhone still account for 54% of Apple's total revenues, the firm also offers rapidly increasing services and subscriptions. The services and subscriptions business are still growing, which will make it interesting to watch how Apple continues to drive its growth in years to come.

With the sales of the Apple iPhone significantly decreasing in 2019 compared to 2018, the firm also pushed more on tech accessories, such as AirPods, which had 41% growth compared to 2018.

My Notes:

Walmart is one of the most well-known multinational retailers. Sam Walton created the company in 1962, and it was incorporated in 1969. The Walton family owns and controls the firm, which is located in Bentonville, Arkansas. Walmart has over 11,500 retail locations in 28 countries and 11 e-commerce sites. Hypermarkets, discount stores, and department stores are all part of the retail corporation's operations.

The brand maintains its highest position with its efficiency, strong logistics, and supply chain management. Walmart initially started as a physical retail outlet, and later moved to e-retail in 2000. The company is known for its consistently low prices and also utilizes a highly customer-centric approach.
According to the Fortune Global 500 list, the firm was declared as the largest company by revenue. It has plans of rooting its operations across the globe and continuing to become the biggest retailer.
Now that we have a basic understanding of what Walmart is. Let's start discussing the main segment of this case study – The marketing Mix of Walmart below.

Marketing Mix of Walmart

A marketing mix is a tool that contains a set of actions that a company uses to promote its brand or product in the market. The 4Ps make a traditional set of the marketing mix – Price, Product, Promotion, and Place. However, nowadays, the marketing mix increasingly includes several other Ps like People, Process, and Physical Evidence as mix elements. Overall, we will be exploring the 7Ps marketing mix of Walmart to know about its distinctive and noteworthy techniques in popularizing its business in this competitive era.

1. Product Strategy of Walmart

As an international retailer, Walmart carries any product or brand that a customer might encounter in their daily life. Movies, crafts, presents, college supplies, electrical items, home appliances, jewelry, toys, outdoor living, funeral, food, video games, and many other product categories are among the numerous available.

Walmart also has seasonal categories, such as costumes for Halloween parties. Under Electronics & Office, you'll find wearable technology, cell phones, tablets, computers, home automation, office supplies, music videos, TV shows, songs, and books, under Music & Books; you'll also find bedding, home décor, furniture, kitchen and dining, vacuum and floor care, patio and garden, heating and cooling equipment, paints, wallpapers, garage equipment, and other items, Under Home & Garden. As a result, this provides insight into Walmart's marketing mix product strategy.

Walmart has a wide range of products, and they can be brought either online, or offline which makes it feasible and highly accessible for customers.

2. Price Strategy of Walmart

Walmart's business strategy does not entail product manufacture; instead, it buys things in enormous numbers from all over the world to take advantage of economies of scale. As a result, Walmart may offer products at a 15% discount compared to other merchants. Walmart employs a variety of pricing techniques to capture the attention of customers and force them to purchase discount strategies.

The terms "Always cheap pricing" and "Everyday low prices" were invented by Sam Walton, and they refer to the fact that each product is offered at a different discount price depending on the time and demand of the hour. In comparison to other merchants, consumer electronics are offered at a relatively low price.

As its tagline says, Walmart provides the product at low and reasonable prices which is accessible to many people throughout the world.

3. Place & Distribution Strategy of Walmart

Walmart runs more than 10,020 retail locations in 28 countries under 60 different banners. It sells in brick and mortar (conventional stores) as well as brick and click (e-commerce). Each Walmart store is more than a million square feet on average. Walmart's retail activities are divided into the following categories:

- Walmart discount stores
- Walmart supercenters
- Walmart neighborhood markets
- Walmart Express stores

Walmart has around 4,600 US stores, 650 Sam's Club stores, and 6,200 international stores. Vendors who are retail store suppliers distribute directly to stores as part of the distribution strategy. The products are delivered to the stores in large quantities. Walmart has around 150 distribution centers that use cross-docking techniques.

Walmart employs the hub and spoke approach, in which commodities are ordered centrally and then distributed to individual stores. A fleet of 6,100 tractors, 61,000 trailers, and more than 7,800 drivers are used to convey the goods.

4. Promotional Strategy of Walmart

Walmart has its in-store promotional activities, such as product bundling and pricing schemes, which include sales promotions. Customers who purchase online gifts bring in a lot of money for Walmart's online store. Walmart's pricing techniques, such as "Everyday low prices" and "Value of the Day," improve sales turnover.

Customers are enticed to the online store with appealing slogans such as "Grab it before it's gone," which encourages them to make a purchase decision as soon as possible before the bargains expire. So, attractive slogans are one of the strategies used by Walmart.

5. People Strategy of Walmart

Walmart is a multinational corporation that places a strong emphasis on its employees. Employees and staff are a valuable asset to Walmart because they are the ones that deal with all consumer inquiries in the stores. Walmart's employees are well-trained and enthusiastic about serving their clients. Walmart employs about 2 million people worldwide, with around 1.5 million in the United States.

6. Process Strategy of Walmart

Walmart's processes are incredibly efficient, allowing customers to buy with ease. Having readily available trolleys, systematic product arrangement and categorization, several payment stations, and various ways of payment are all part of the process. Walmart's backend procedures, such as sourcing, warehousing, and distribution, serve as a model for the retail business.

7. Physical Evidence Strategy of Walmart

Walmart's physical presence may be found in over 11,000 locations throughout the world. Every store has a variety of product categories, as well as effective product positioning. Walmart also has various offices around the world, which contributes to the brand's worth.

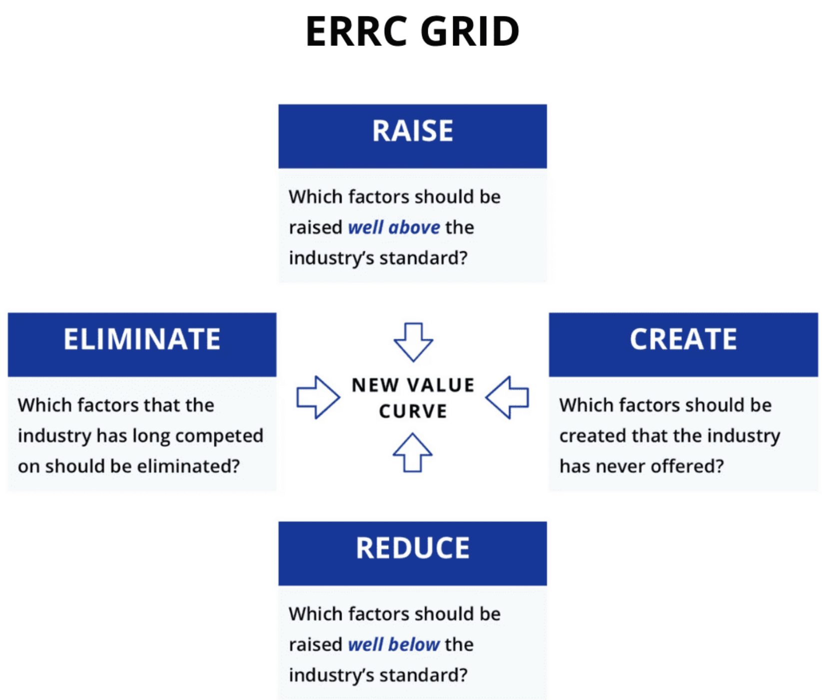
Conclusion

Product and price strategies must be effective to generate demand and Walmart knows that. By default, it knows where to place its products and how to price them for its target market. When intermediaries are eliminated, an efficient supply chain helps merchants to pass cost savings on to their customers. In today's fast-paced world, having a digital presence is almost as important as having a physical presence. Walmart is using its social media handles effectively for branding and promotion.

Furthermore, the geographical dispersion of physical stores is a significant part of the marketing strategy and the fact that Walmart has around 10,500 stores located in 24 countries is enough to explain how strong its physical evidence strategy is.

My Notes:

Four Actions Framework and Eliminate-Reduce-Raise-Create Grid



The four actions framework and the eliminate-reduce-raise-create (ERRC) grid are two analytical tools of blue ocean strategy to help you simultaneously pursue differentiation and low cost to achieve value innovation. We'll look at how the four actions framework and the ERRC grid work together, examine some examples, and provide you with a template you can use to start creating your blue ocean.

Four Actions Framework: an analytical tool to break the value-cost trade-off.

The four actions framework is a blue ocean strategy analytical tool used to reconstruct buyer value elements in crafting a new value curve or strategic profile. The tool was developed by Chan Kim and Renée Mauborgne in their bestselling books *Blue Ocean Strategy* and *Blue Ocean Shift*.

The four actions framework is built on four key questions that will help you challenge an industry's strategic logic and business model to arrive at blue ocean moves that break the trade-off between differentiation and low cost.

ELIMINATE: Which factors that the industry takes for granted should be eliminated?

This question forces you to consider eliminating factors that companies in your industry have long competed on. Often those factors are taken for granted even though they no longer have value or may even detract from value. Sometimes there is a fundamental change in what buyers value, but companies that are focused on benchmarking one another do not act on, or even perceive the change.

REDUCE: Which factors should be reduced well below the industry's standard?

The second question pushes you to determine whether products or services have been overdesigned in the race to match and beat the competition. Here, organizations overserve customers, increasing their cost structure for no gain.

RAISE: Which factors should be raised well above the industry's standard?

The third question pushes you to uncover and eliminate the compromises buyers are forced to make. These compromises are usually caused by an industry's failure to see what buyers want more of some factors than the standard offering provides. But because the standard is the standard, no one thinks to challenge it.

CREATE: Which factors that the industry has never offered should be created?

The fourth question helps you to discover entirely new sources of value for buyers and to create new demand by converting noncustomers into customers.

It is by pursuing the first two questions (of eliminating and reducing) that you gain insight into how to drop your cost structure vis-a-vis competitors.

The last two questions (of raising and creating) provide you with insight into how to lift buyer value and create new demand.

Collectively these four questions of the four actions framework allow you to systematically explore how you can reconstruct buyer value elements across alternative industries to offer buyers an entirely new experience, while simultaneously keeping your cost structure low.

ERRC GRID

To ensure that you pursue differentiation and low cost simultaneously, Chan Kim and Renée Mauborgne created the eliminate-reduce-raise-create (ERRC) grid, which complements the four actions framework.

The ERRC grid pushes you not only to ask all four questions in the four actions framework but also to act on all four to create a new value curve.

Here are two examples of how the four actions framework and ERRC grid work together to create a new value curve.

ERRC GRID

ELIMINATE	RAISE
Which factors that the industry has long competed on should be ***eliminated***?	Which factors should be ***raised well above*** the industry's standard?
REDUCE	**CREATE**
Which factors should be ***reduced well below*** the industry's standard?	Which factors should be ***created*** that the industry has never offered?

Yellow Tail– the classic example of blue ocean strategy

In the case of the U.S. wine industry, by thinking in terms of these four actions vis-a-vis the current industry logic and looking across alternatives and noncustomers, Casella Wines created [yellow tail], a wine whose strategic profile broke from the competition and created a blue ocean.

Instead of offering wine as wine, Casella created a social drink accessible to everyone: beer drinkers, cocktail drinkers, and other drinkers of non-wine beverages.

By looking at the alternatives of beer and ready-to-drink cocktails and thinking in terms of noncustomers, Casella Wines applied the Four Actions Framework and created three new factors in the US wine industry – easy drinking, easy to select, and fun and adventure – and eliminated or reduced the traditional factors of complexity and aging.

THE ERRC GRID OF [YELLOW TAIL]

Eliminate	Raise
Enological terminology and distinctions Aging qualities Above-the-line marketing	Price versus budget wines Retail store involvement
Reduce	**Create**
Wine complexity Wine range Vineyard prestige	Easy drinking Ease of selection Fun and adventure

Casella Wines found that the mass of Americans rejected wine because its complicated taste was difficult to appreciate. Beer and ready-to-drink cocktails, for example, were much sweeter and easier to drink. Accordingly, [yellow tail] was a completely new combination of wine characteristics that produced an uncomplicated wine structure that was instantly appealing to the mass of alcohol drinkers.

By dramatically reducing the range of wine characteristics, [yellow tail] simplified a wine choice many consumers had traditionally seen as overwhelming and intimidating: bottles looked the same, labels were complicated with enological terminology and the range of choices was so extensive salesclerks had a hard time making recommendations.

In contrast, [yellow tail] produced only two wines at the start: Chardonnay and Shiraz. It removed all technical jargon from the bottles and created instead a striking, simple and nontraditional label. The simplicity of just two wines — a red and a white — helped streamline Casella Wines' business model: it reduced stock-keeping units' maximized stock turnover and lowered investment in the company's warehouse inventory.

En route, Casella Wines was able to reconstruct buyer-value elements to offer an entirely new experience, while simultaneously keeping cost structures low, making the existing rules of competition irrelevant. [yellow tail] acted on the four actions framework to break away from its competition.

CitizenM – a blue ocean shift in an overcrowded industry

Now let's look at a recent example in the hospitality industry.

The hotel industry competes on essentially the same set of factors, just more or less of them.

Eliminate	Raise
Front desk and concierge service Bellhops and doormen Full-service restaurants and room service Lobby	Sleeping environment—extra-large bed, luxurious linens, quietness, shower power Prime location Free movies on demand, phone calls at VoIP rates, free instant high-speed Internet, and lots of plugs for guests' gadgets
Reduce	**Create**
Guestroom types Room size Price vis-à-vis luxury hotels'	Kiosks for one-to-three-minute self check-ins Communal living environment with 24/7 bar and pantry and iMacs for guest use Multitasking "ambassadors" hired for warmth and a can-do attitude; no scripted staff

Despite all the factors the hotel industry competes on, it turned out that only three factors stood out as decisive in determining why frequent travelers traded up to five-star hotels over three stars: the feeling of luxury and beauty they experience; its more luxurious sleeping environment; and their prime location. As for those who chose a three-star hotel over a five-star, price jumped out as the most common factor, followed by one other: five-star hotels often felt too formal and pretentious.

Look at the ERRC grid example of citizenM hotels:

By gaining these insights, Chadha and Levie, co-founder and CEO of citizenM, identified which factors to eliminate, reduce, raise and create. For example, the customers of neither five-star nor three-star hotels saw the front desk, concierge service, bellhops, or doormen as bringing them much-added value. citizenM saw these as factors they could eliminate.

Next, since the “mobile citizens” they were targeting aren’t the type of customer that spends much time in their room, they realized they could reduce room size – and cost – as this also meant more rooms per square foot of real estate space. And instead, to maintain a high level of comfort and luxury, they raised the quality of the sleeping environment with extra-large king beds, fine linens, good sound insulation, fluffy towels and amazing showers.

Finally, through these market insights, Chadha and Levie discovered that there were new kinds of value that they could create. They eliminated the front desk, replacing it with self-check-in kiosks allowing guests to check in with no lines. And in case help was needed, front desk staff were replaced with multi-tasking ‘ambassadors’ who could help with anything from giving directions to shaking a cocktail.

citizenM created the new market space of affordable luxury hotels. citizenM hotels earn the highest guest rankings in the hospitality industry. Yet, they’re priced to be affordable to three-star customers. The result is an average occupancy rate of 90 percent across its hotels – a whopping 80 percent higher than the industry average. As for costs, its total costs per room are roughly 40 percent lower than the average four-star hotel’s while its cost of staff is a staggering 50 percent lower than the industry’s.

When you apply the four actions framework to the strategy canvas of your industry, you get a revealing new look at old perceived truths. Look at what Apple’s iPhone eliminated, reduced, raised, and created to arrive at a new value curve on the strategy canvas that is clearly differentiated from the competition.

Or how Medellin, Colombia’s second-largest city, applied the four actions framework and acted on it for the Metrocable, the world’s first urban cable car system dedicated to public transport, at half the cost of a comparable railway system. It offered the people of Medellin a leap in value through differentiation and low cost.

Eliminate	Raise
Reduce	**Create**

More on the ERRC Grid.

Strategic Planning