

A glass globe with a cracked surface, resting on a blue, reflective surface. The globe is partially broken, revealing a dark interior. The background is a blue, cloudy sky with a full moon. The text "Chapter 2" is written in yellow, bold, serif font across the globe.

# Chapter 2

## Analytical Framework & Tools

# Objectives

After reading this chapter you will be able to:

- Understand various Tools necessary to formulate successful strategy.
- Creating Blue Oceans-the need of hour.
- What is value curve
- The importance of 'Focus', 'Divergence', and Compelling Tagline in a Strategy

# Introduction

A large, semi-transparent globe of the Earth is centered in the frame, appearing to float on a calm blue ocean. The background features a sunset or sunrise sky with a bright, glowing sun on the right side, casting a soft light over the scene. The globe shows the continents of North and South America in a light tan color against the blue oceans.

- It took almost a decade to develop a set of analytical tools & framework which may help formulate and finally execute the blue ocean strategy.
- The five tools ,say forces for analyzing red ocean conditions and three generic strategies were focused towards tackling the blue ocean.

# Introduction

- What is the Blue Ocean?
  - High profit growth at low risk
  - Industries not in existence today
  - Untapped market demand
  - Unknown market space
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- A conceptual image featuring a globe of the Earth. A large, irregular section of the globe's outer shell is missing, revealing a bright blue interior. The globe is positioned in the center, with a large, bright sun or moon in the upper right corner of the background. The background consists of a blue sky with soft clouds and a blue ocean surface at the bottom. The overall color palette is dominated by various shades of blue and white.

# Analytical Framework

A large, semi-transparent globe of the Earth is centered in the frame, floating in a vast, blue ocean. The sun is a bright, glowing orb in the upper right corner, casting a shimmering reflection on the water's surface. The sky is a clear, light blue, and the overall scene conveys a sense of global perspective and environmental focus.

- Through careful study on certain companies it is possible to develop practical methodology in pursuit of creating blue oceans.
- This made successful in applying and testing such tools.
- Let us study the case of American Wine Industry

# Analytical Framework

- American Wine Industry



# Analytical Framework

- American Wine Industry



- 3<sup>rd</sup> largest in world: worth \$20 billion
- Californian makes 66% - the rest is from Italy, France, Spain, Chile, Argentina, Australia



- Exploding number of new wines – new vineyards in Oregon, Washington, New York



- Customer base stagnant



- 31st in the world in per capita consumption!

# Analytical Framework

- American Wine Industry
- Top 8 producers had 75% of the market; 1600 had the remaining 25%
- \$ millions spent in marketing - Titanic battles – intense competition
- Sever price pressure
- The dominant growth strategy was towards premium wines – more complexity, better image, more prestigious vineyards, number of medals won at wine festivals.



# Strategy Canvas

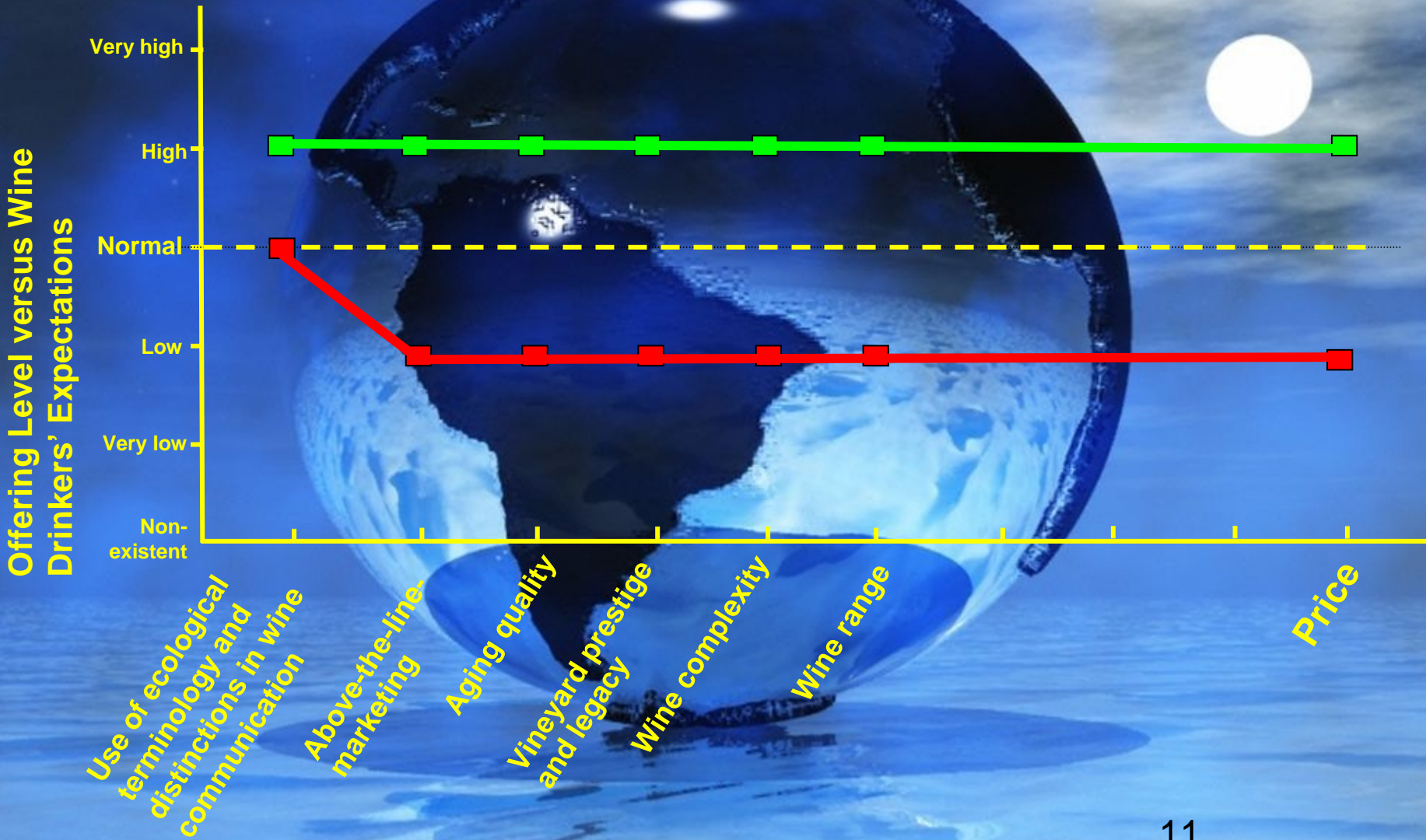
- The strategy canvas is an action oriented and diagnostic framework towards building up a compelling blue ocean strategy.
- This will facilitate in understanding certain levels in understanding certain levels of competition

# Strategy Canvas

A large, semi-transparent globe of the Earth is centered in the background. The globe shows the continents of North and South America. In the upper right corner, a bright yellow sun is visible against a blue sky with light clouds. The overall background has a gradient from light blue at the top to a darker blue at the bottom, with a subtle reflection of the globe at the bottom.

- There are seven principle factors affecting the US wine industry.
- Price of Each bottle of wine.
- Projection of consumer awareness.
- Aging quality of wine
- The prestige of a wine's wine yard and sophistication.
- The taste ,complexity , and sophistication.

# Premium and Budget Wines



# Strategy Canvas

- To bring a company on a firm growth and profit line.
- It is a fact that the customers can hardly imagine the existence of a non existing market space.
- To pursue both cost and value we have to choose between cost leadership & differentiation.

# The Four Action Framework

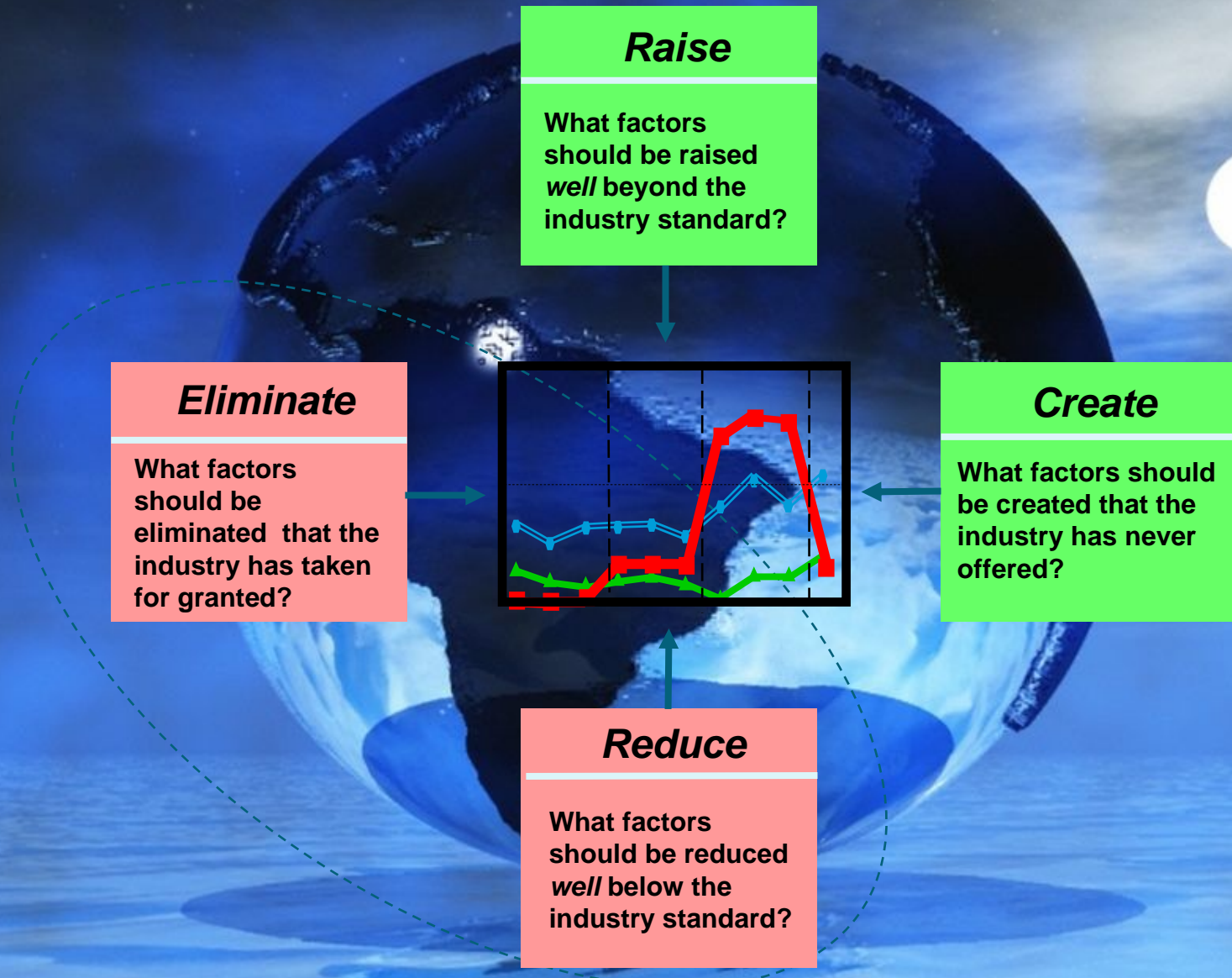
- In search of an alternative Casella Wines, an Australian Winery came forward with a novel idea of mixing up fun with non traditional wine which is within reach of common man.
- Casella Wines made a blue ocean out of this central point as a special strategy

# The Four Action Framework



- Gives glimpses on the trade off between differentiation & low cost.
- The outcome is creation of new curve pointing towards four key questions challenging the industries strategy
- Eliminate
- Reduce
- Create
- Raise

# Four Actions to create a Blue Ocean



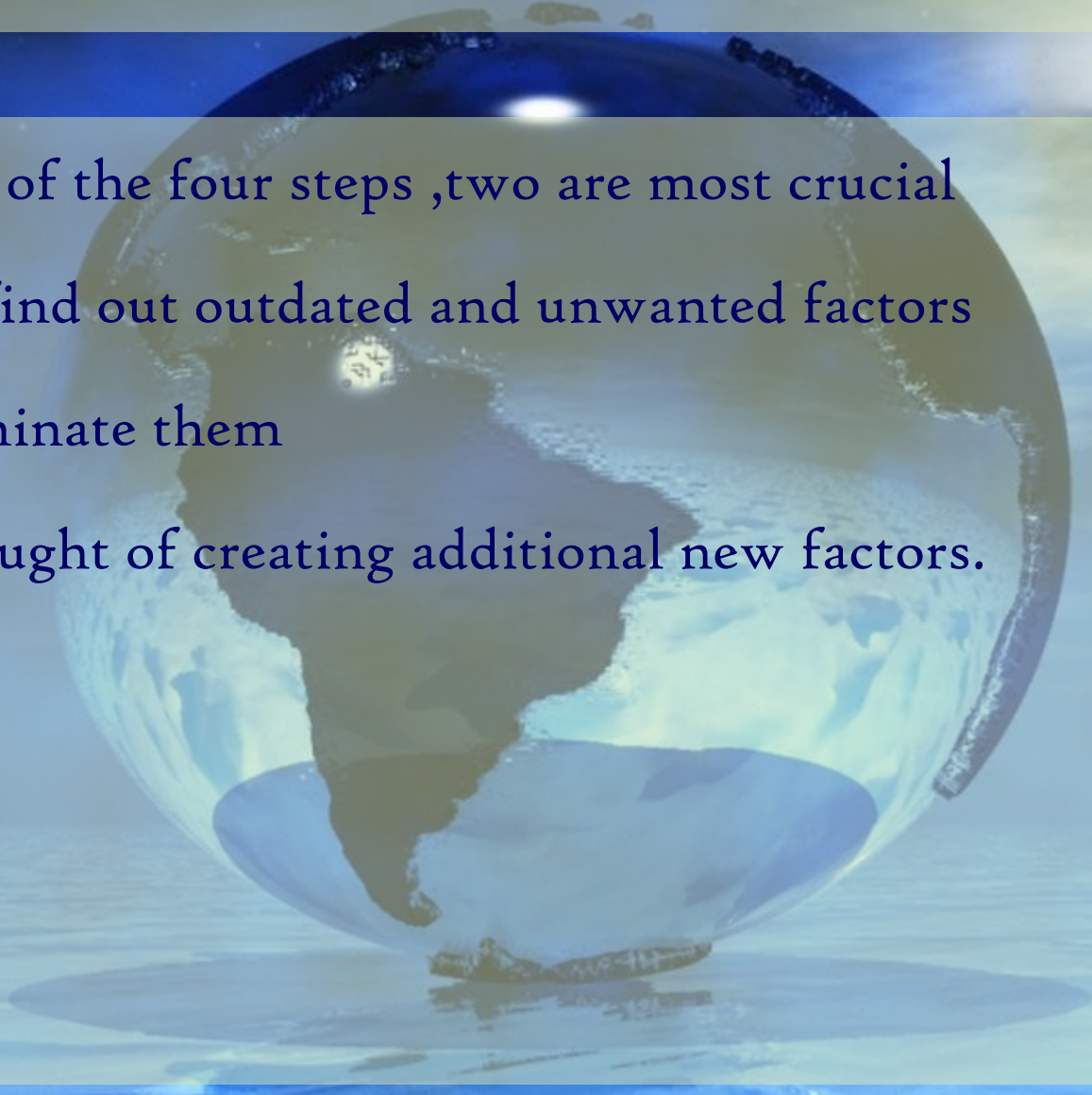
# The Four Action Framework

- The first question is about elimination of certain factors which were outdated in the competitive field.
- Next comes the question of overdesign.
- The third is about making compromise with such of the factors that simply gives promise to the customer & have to be moderated.
- The fourth step is of creating new factors which help to create new sources .



# The Four Action Framework

- Out of the four steps ,two are most crucial
- To find out outdated and unwanted factors
- Eliminate them
- Thought of creating additional new factors.



# New Approach

- When we apply the four actions of framework to the strategic canvas ,we get anew look to the industry.
- Let us take the case of Casella Wines which created a wine(yellow tail)by breaking off from tough competition.

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# New Approach

Premium

Creating  
a Blue Ocean

Budget



# Yellow Tail created a Blue Ocean

# New Approach

## Yellow Tail

- Only 2 types initially – Chardonnay and Shiraz
- Fruity, soft on palette, sweet-ish – great for those who had not drunk wine before
- Same bottle for red and white – low logistics costs
- Simple vibrant packaging – lower case letters/kangaroo
- Un-intimidating
- They were selling “The essence of a great land ... Australia” – i.e. they were not selling the wine
- Australian clothing for the retail staff – they enthusiastically promoted a wine they could understand.

# New Approach

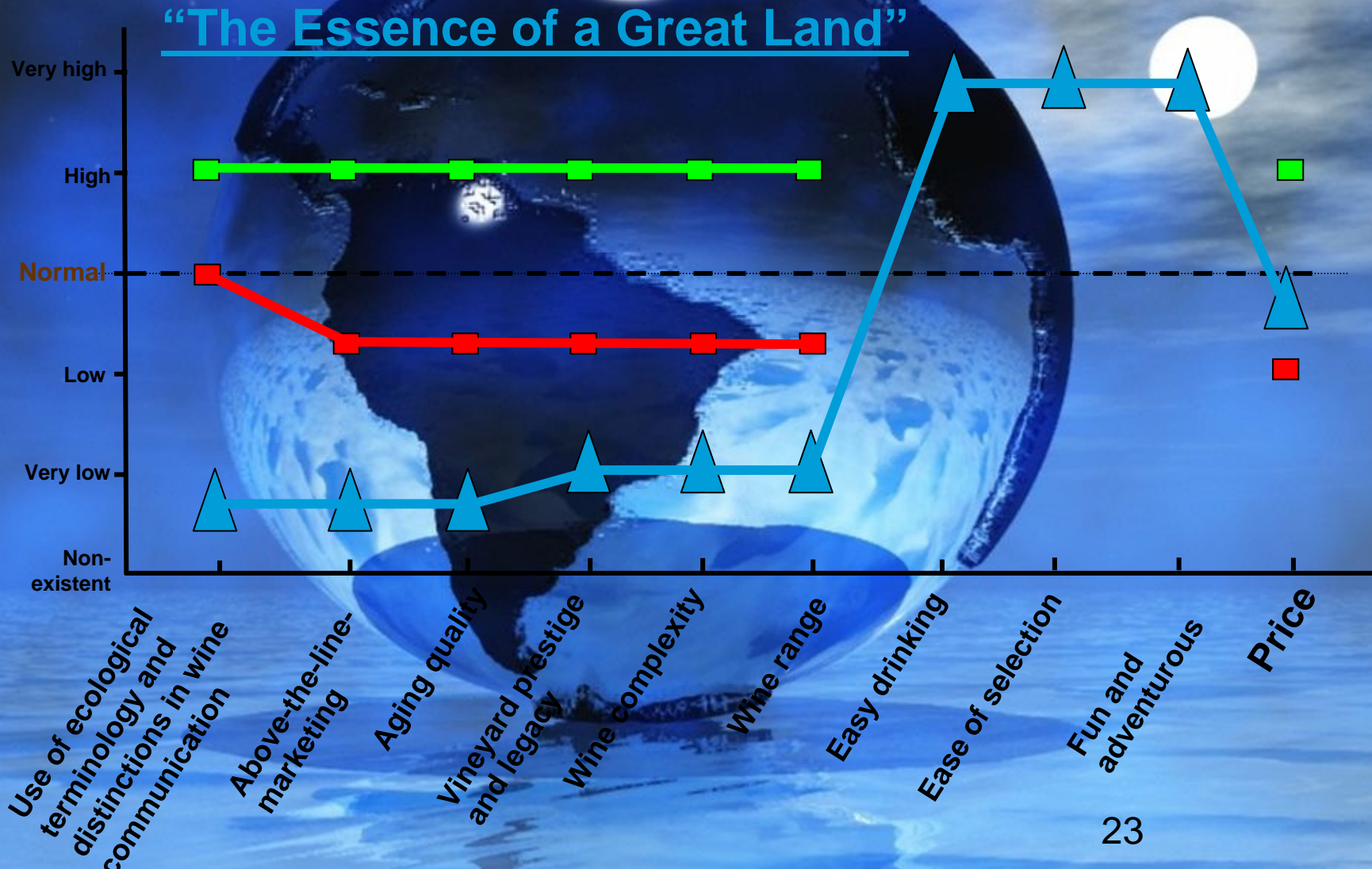
## Yellow Tail Strategy

- Eliminated: Oenological terminology and distinctions, Aging qualities, Above the line marketing
- Reduced: Wine complexity, Wine range, Vineyard prestige
- Raised: Price versus Budget Wines, Simplicity of retail store environment, Enthusiasm of Sales People
- Created: Easy drinking, Ease of selection, Sense of fun and adventure

# New Approach

- What is remarkable achievement Casella wine made was that they did not compromise with wine distillers at all.
- They did not snatch any thing from existing market.
- All relevant information and a comparative study of the blue ocean (yellow tail) with that of the other major wines are given in fig.

# Yellow Tail Value Curve



# New Approach

- The wine market in the US those days was flooded with numerous varieties making the buyer difficult to choose from.
- Even the salesman who manned outside wore funny looking Australian clothing's
- Another factor is simplicity is that both the verities are provided with same bottles.



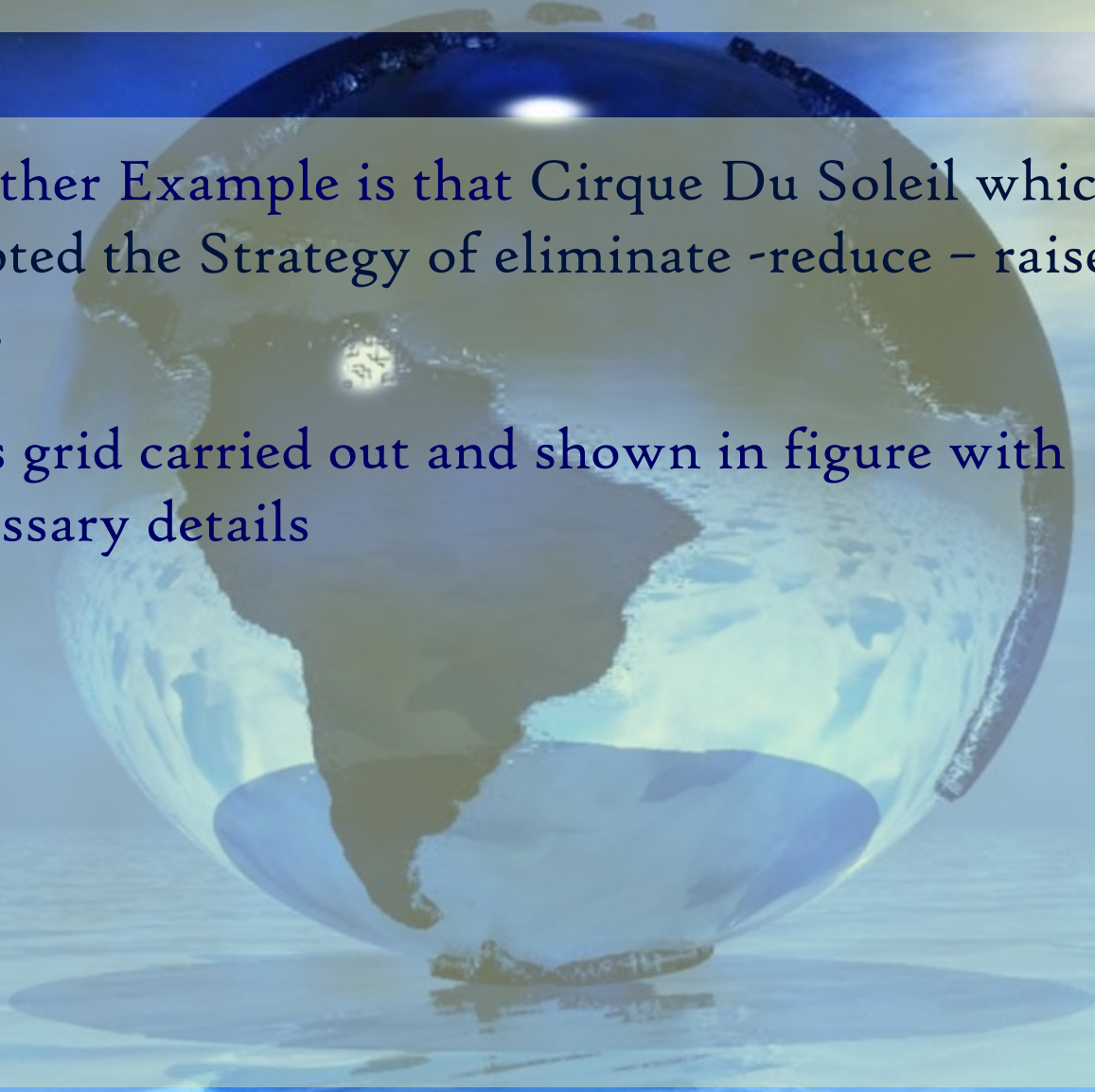
# New Approach

- What made the blue ocean created by Casella Wines was combined effect of following factors.
- Elimination
- Reduce
- Raise
- Create



# Cirque Du Soleil Strategy

- Another Example is that Cirque Du Soleil which adopted the Strategy of eliminate -reduce – raise-create grid.
- This grid carried out and shown in figure with necessary details

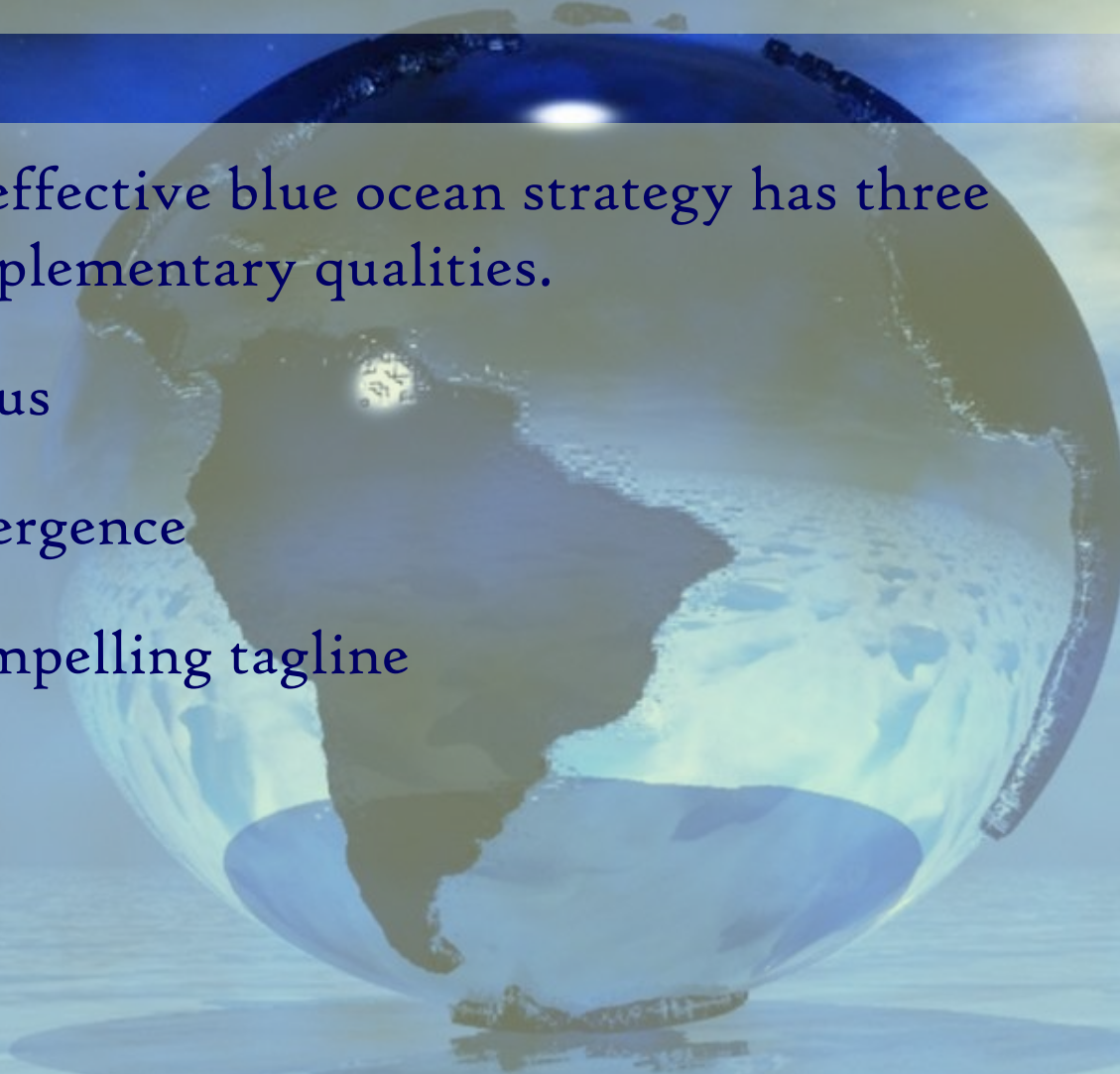


# Cirque Du Soleil Strategy

<p>Eliminate</p> <p>Star performer Animal Shows Aisle Concession Multiple Arenas</p>	<p>Raise</p> <p>Unique venue</p>
<p>Reduce</p> <p>Fun &amp; Humor Trill &amp; danger</p>	<p>Create</p> <p>Theme &amp; story Refined environment Multiple Productions Artistic music &amp; Dance</p>

# Cirque Du Soleil Strategy

- An effective blue ocean strategy has three complementary qualities.
- Focus
- Divergence
- Compelling tagline



# Cirque Du Soleil Strategy

- As a case study ,let us observe the strategic profile of Southwest Airline.
- The airline focused the four action strategy along with three mandatory characteristics
- Southwest Airline was able to achieve a remarkable leap in value with comparatively lesser cost

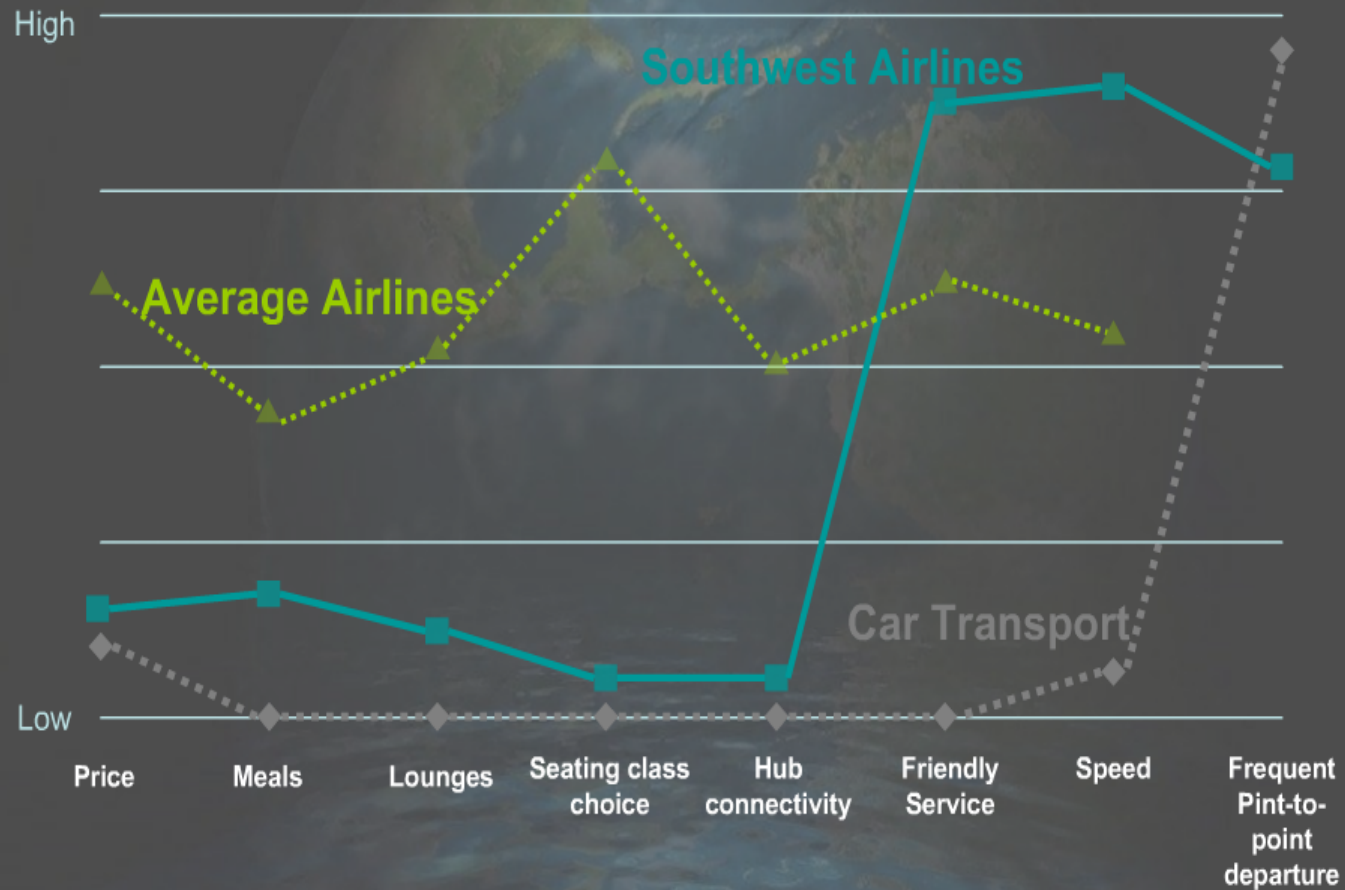
# Cirque Du Soleil Strategy

- The value curve of the South West differs drastically from its close competitors in the strategic canvas.
- Focus :Every typical & great strategy has a focus and a company value curve should project it.
- The rival could not cope with such price offering all extra facilities

# Cirque Du Soleil Strategy

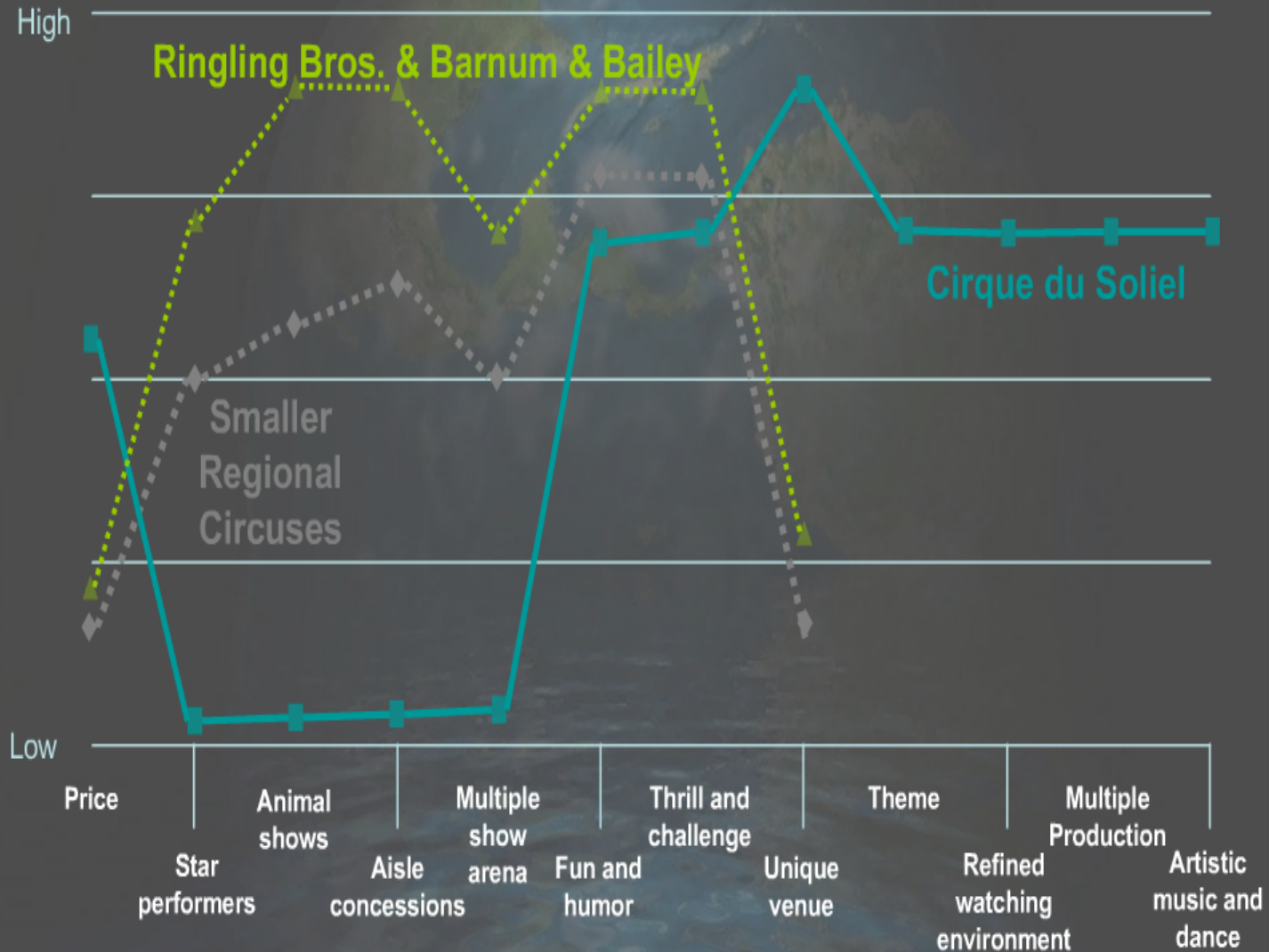
- Divergence: Southwest made a blue ocean by employing the four action strategy and emerged with divergent formula.
- Southwest pioneered point to point service.
- This divergence was unique to any blue ocean

# Strategy Canvas: Southwest Airlines



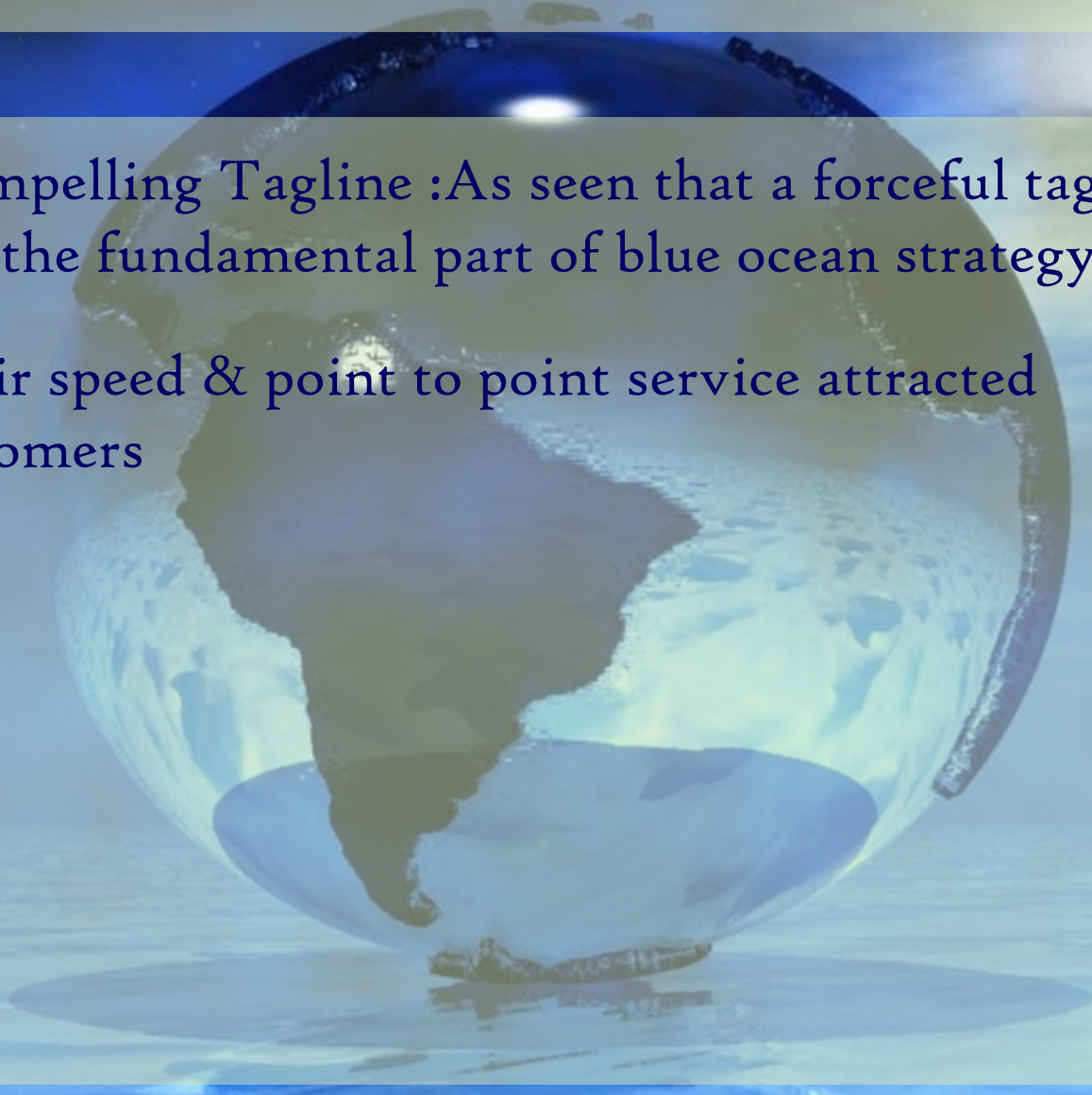


# Strategy Canvas: Cirque du Soleil



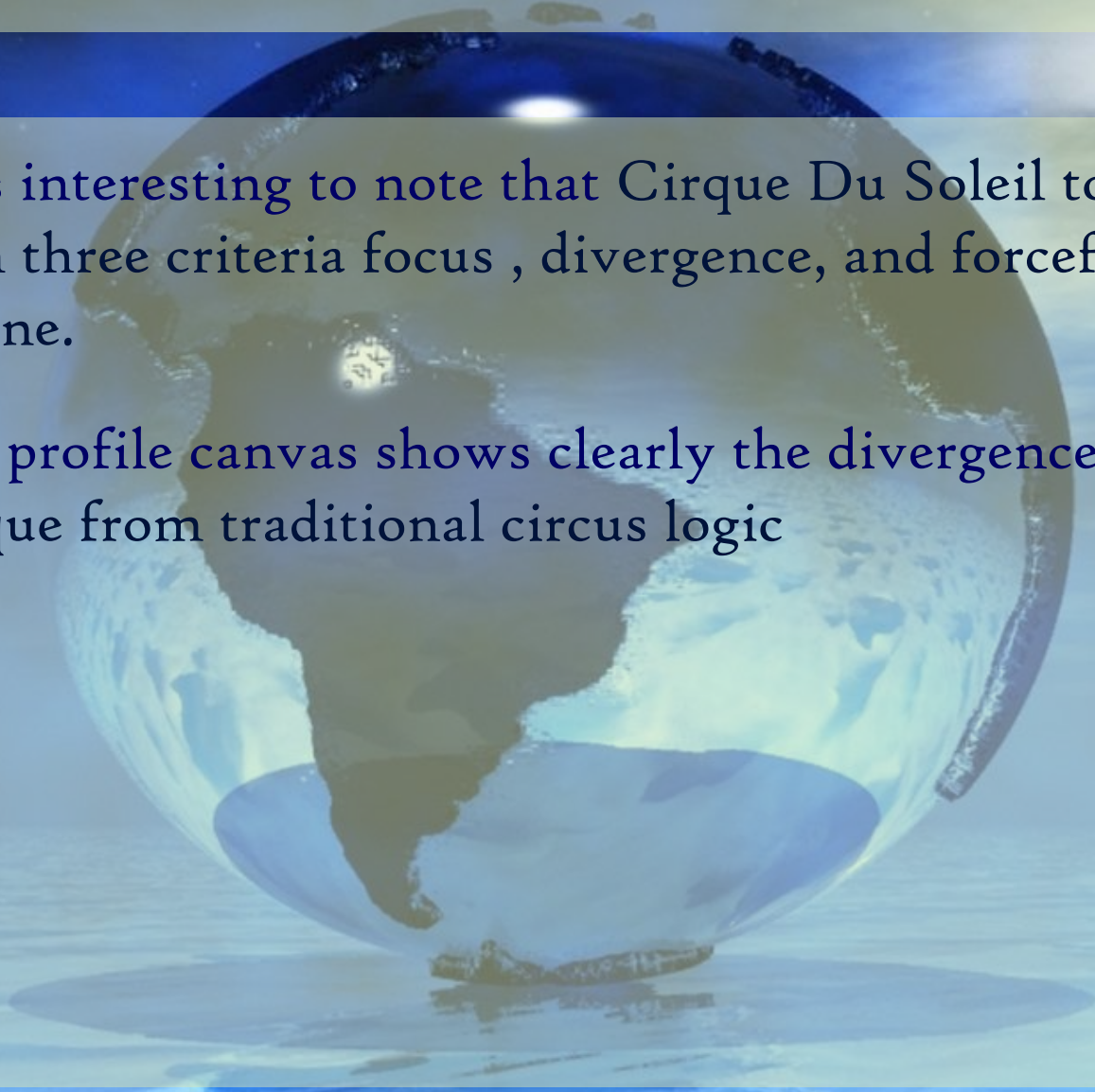
# Cirque Du Soleil Strategy

- Compelling Tagline :As seen that a forceful tagline was the fundamental part of blue ocean strategy.
- Their speed & point to point service attracted customers



# Cirque Du Soleil Strategy

- It is interesting to note that Cirque Du Soleil too met with three criteria focus , divergence, and forceful tagline.
- The profile canvas shows clearly the divergence of Cirque from traditional circus logic



# Cirque Du Soleil Strategy

- By contrast Cirque was able to distinctive solely because of their divergence such as theme story, multiple productions, renewed and refined comfort.
- The value curve solves all sorts of questions.
- These three criteria acts as a litmus test for company ,if it turns blue it's winner ,red loser

# Cirque Du Soleil Strategy

- When a company value curve converge with that of its rivals it is sufficient signal that it may caught in a rough whether.
- When a company's value curve on its strategy canvas shows high level of delivery across all factors ,it show its market share and profitability are reflecting investments
- By analyzing companies strategy & value canvas ,it is possible to know how far it is from creating industry demand and catching up the horizon .

# Summary

A globe of the Earth is centered in the background, showing the continents of Africa and Europe. The globe is set against a bright, hazy sky with a large, glowing sun or moon in the upper right. The overall color palette is dominated by blues and greens, with a soft, ethereal glow.

- This chapter lays out analytical tools and frameworks that are put into practise to evolve a successful strategy leading to blue ocean.
- It deals with four factors  
Elimination, Reduce, Raise, Create
- Further it also stresses the importance of key factors such as Focus, Divergence, and Compelling Tagline

A glass globe with a cracked surface, showing the continents of Africa and South America. The globe is placed on a blue, reflective surface. In the background, there is a full moon and a blue sky with some clouds.

# End of Chapter 2

Analytical Framework & Tools