

Introduction

- Blue Ocean Strategy introduced the strategy canvas to help companies understand how they compete on the factors customers consider when choosing offerings.
- A strategy canvas is a graph showing how companies compare on key customer buying criteria.
- Say you do strategy at Southwest Airlines. A strategy canvas can help you understand the differences between discount airlines like yours and traditional full-service airlines.
- It can help you understand when and why customers are likely to choose Southwest or JetBlue, versus full-service carriers like Delta, American or United.

Building a strategy canvas

Southwest Airlines

- First, identify the factors customers consider when choosing among options. This is the x-axis.
 - These factors are known as product attributes or customer buying criteria.
 - In the example of flying, these include departure frequency, friendly service, on-time arrivals, price, availability of meals, seating choices, frequent flyer programs, safety, and access to hubs.
- Next, determine how important these factors are to customers.
 - Arrange them from most to least important.
 - For the y-axis, rate the performance of companies on each of these factors.
 - You could do this using market data, customer opinions, expert opinions, etc.

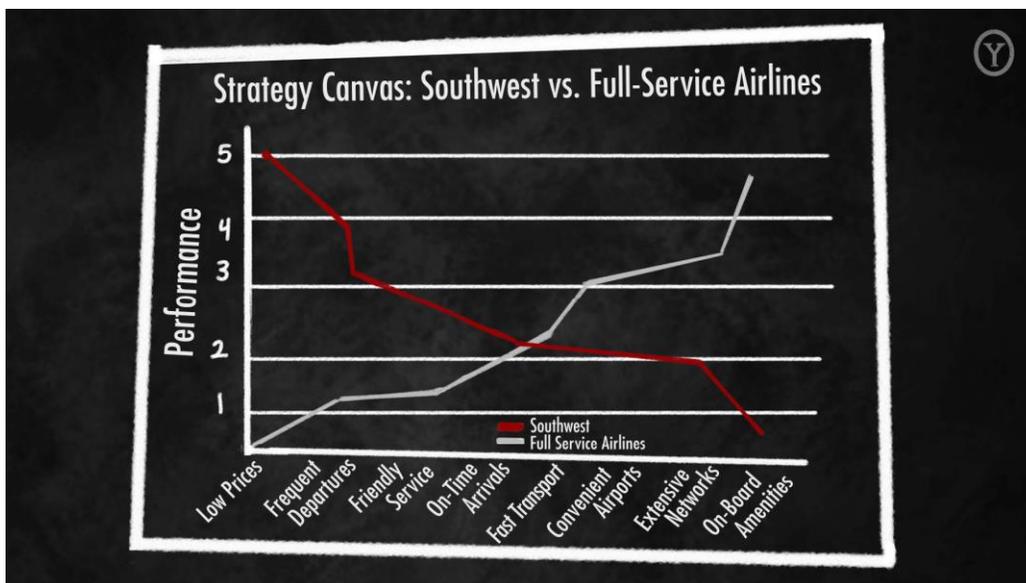


Figure 1 - Strategy Canvas: Southwest vs. Full-Service Airlines

- On this strategy canvas, Southwest offering is inferior on airport convenience, size of its network, and amenities such as meals and seating choices.
- But Southwest is superior on low price, frequent departures, friendly service, and on-time arrivals.

- Thus, Southwest can see why it tends to win with certain customers and lose with others.
- This doesn't mean that Southwest should expand its network, fly to more cities or add onboard amenities.
- They may consciously choose not to make those investments to keep prices low (it wants to win with price sensitive customers).
- But the canvas provides an understanding on strengths and weaknesses from the customers point of view.

United

- Let's make another strategy canvas for a full-service airline: United.
- United might want to know why its service is considered less friendly than Southwest's so they:
 - Invest time and money to catch or fly past Southwest on that dimension.
 - Or choose to provide more frequent departures or lower prices in markets where customers say these factors are important to their purchase decision.
- The strategy canvas is useful because it reveals how airlines differ in their unique value propositions and give strategists information they need to go for a market win.

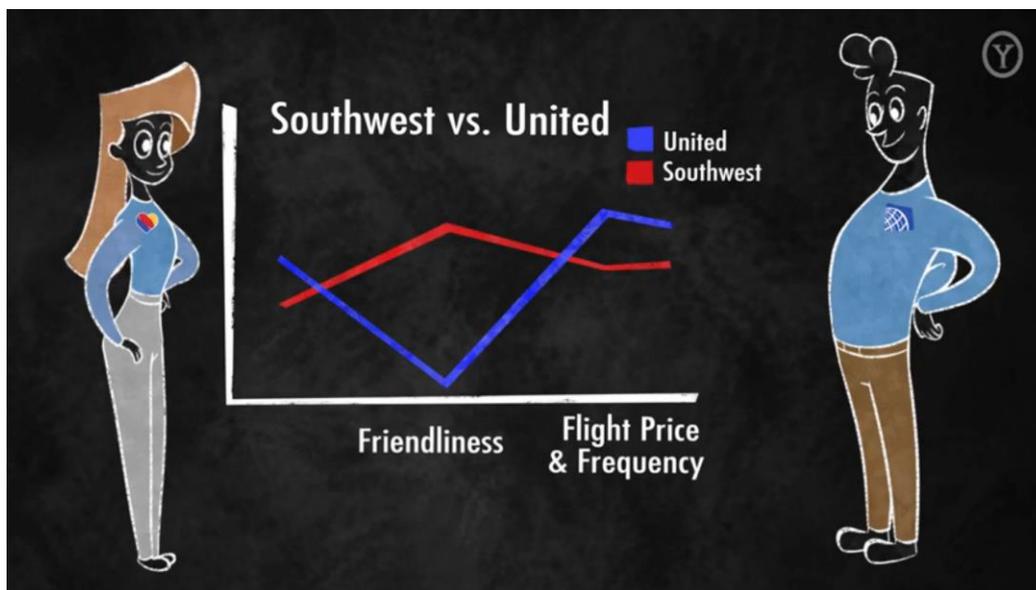


Figure 2 - United vs. Southwest

Southwest in the discount segment

- Third example: A canvas to understand how Southwest competes in the discount segment.
- This can help Southwest understand its position by asking where it beats and losses to its rival, JetBlue.

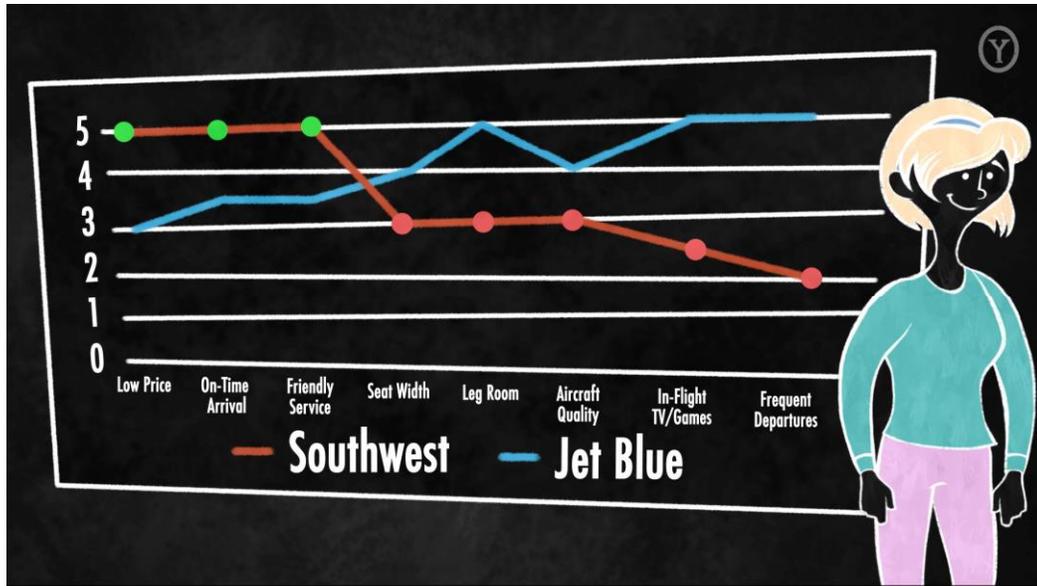


Figure 3 - Southwest vs. JetBlue

Insights – An example on several companies

- First, what is not adding value? As video streaming services became reliable, consumers accessed entertainment through streaming rather than DVDs. For Best Buy, this meant that their selection of in-store DVDs no longer gave them an advantage vs smaller stores.
- Second, where are we over-investing? Travelers have demonstrated that airplane meals will not affect their ticket purchases, so airlines have reduced meal services across the board.
- Third, which offerings are insufficient to customer's demand? Modern moviegoers love comfortable seating and some theaters have invested in leather recliners to beat rivals on the theater experience.
- Fourth, which key customer needs aren't met well or could be met in a new way? Airbnb created an advantage by adding unique experiences in the community. Traditional competitors didn't think along these dimensions, but they were very popular with Airbnb customers.

Case: Harley-Davidson vs Honda

- Can we rev strategy canvas up with additional information? The competition between Harley-Davidson and Honda includes, in addition to traditional competitive factors such as product features, emotional and social ones too.
- First, identify the functional factors motorcycles fulfill:
 - Price, fuel efficiency, ease of handling, comfort, reliability, service and post-sales support.
- Don't stop there. Social/emotional factors may be equally or more important to product specs.
 - Emotional: engine sound, design, brand image, and ease of customization.
 - Social: meet new people through a riding community, the way being a Harley owner contributes to personal reputation.

- Comparing Harley-Davidson vs. Honda on traditional dimensions like price, fuel efficiency, ease of handling, comfort of the seat, and engine reliability, we would have this:

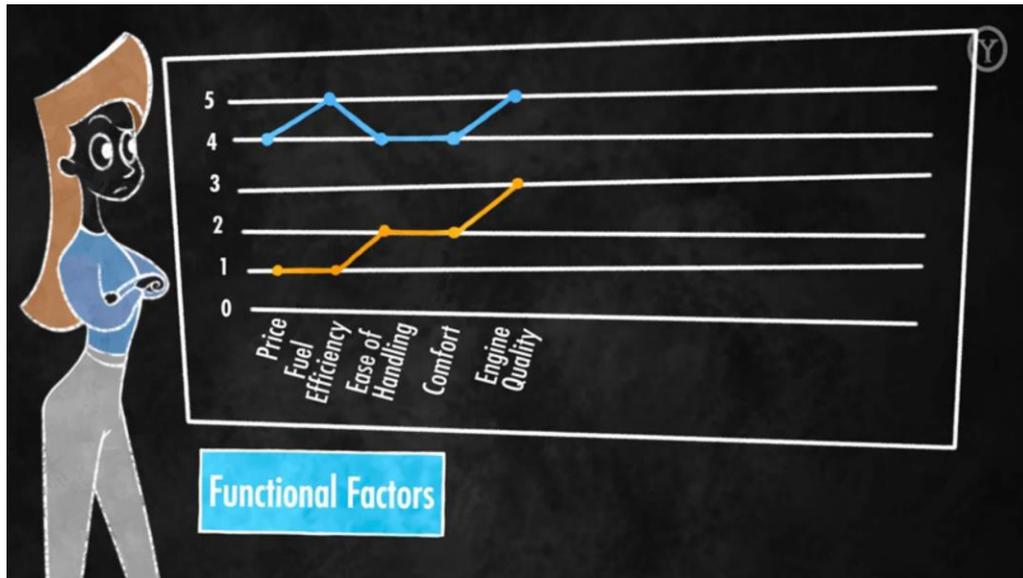


Figure 4 – Harley (orange) vs. Honda (blue): Functional attributes

- Harley-Davidson does not perform well. However, by adding emotional and social factors such as engine noise, design, brand image, customizability, and an exclusive riding community, Harley outperforms Honda.

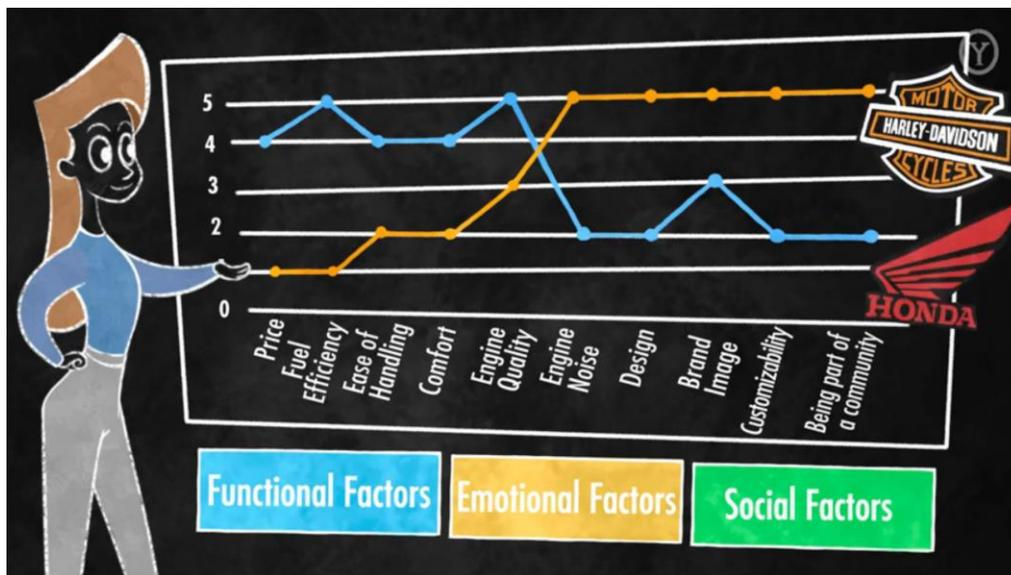


Figure 5 – Harley (blue) vs. Honda (orange): Adding Social and Emotional Factors

- Finally, another useful approach is to ask what customers hire the product to do.
- We may hire a motorcycle to fulfill functional jobs such as saving fuel or avoiding traffic.
- Or for emotional jobs, such as looking cool or responding to a midlife crisis.

- Or for social jobs like finding friends or expressing a rugged individualist image.
- This approach may lead to a different view of the competitive dynamics in an industry.
- Thus, the canvas may lead Harley to focus on excelling at emotional and social points of differentiation, while merely meeting functional requirements.

Conclusion

- You want to win in your marketplace.
- Use a strategy canvas to understand your positions, protect your unique value proposition, shed unnecessary expenses and discover new ways to offer unique value to customers.
- Thus, you can map a path to overtake your competitors.