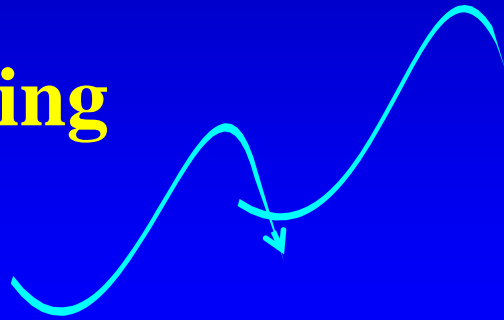


Blue Ocean Business (Re)Modeling Ideas



“Blue Ocean Strategy” is the title of a book and refers to strategies which deliver new value to existing customer needs. Starbucks, as an example, turned a commodity, a cup of coffee, into an addictive experience. For more see the book’s web site at blueoceanstrategy.com

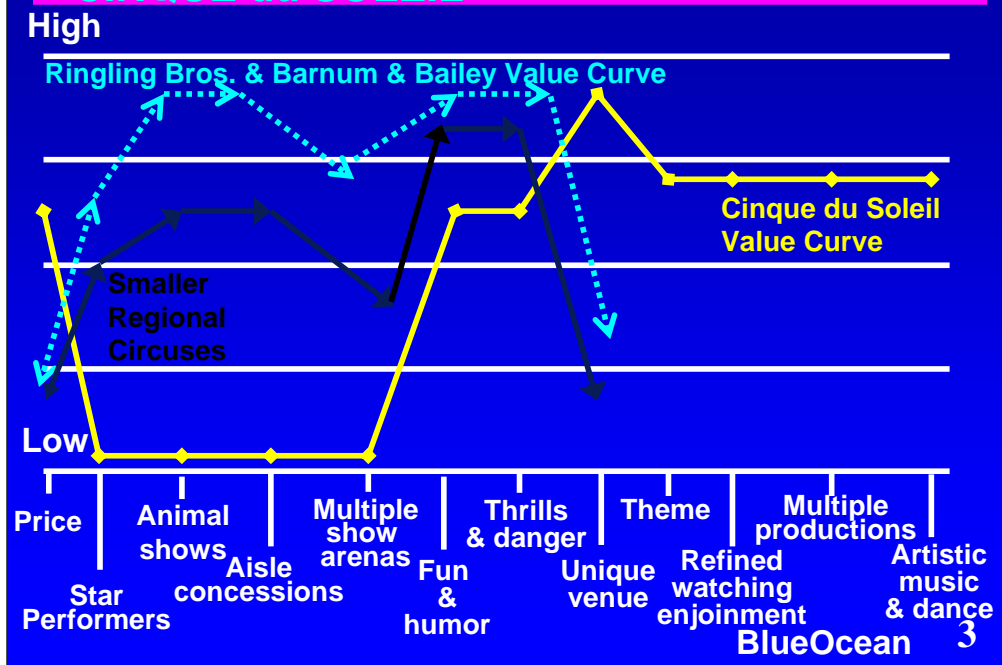
In 1492 (excerpts)

Author unknown

*“In fourteen hundred ninety-two
Columbus sailed the ocean blue. . .
But India the land was not,
It was the Bahamas & it was hot. . .
Columbus sailed on to find some gold
to bring back home, as he’d been told.”*

Because Columbus was the first to go west to get east he stumbled on to a new world that made all explorers and entrepreneurs forget about going to India for spices, silk and tea for the next hundred-plus years.

THE STRATEGY CANVAS OF CIRQUE du SOLEIL



This slide is adapted from one in Blue Ocean Strategy which specifically illustrates how Cirque Soleil un-covered a new opportunity apart from the traditional model of how circuses had been competing.

ELIMINATE-REDUCE-RAISE- CREATE GRID



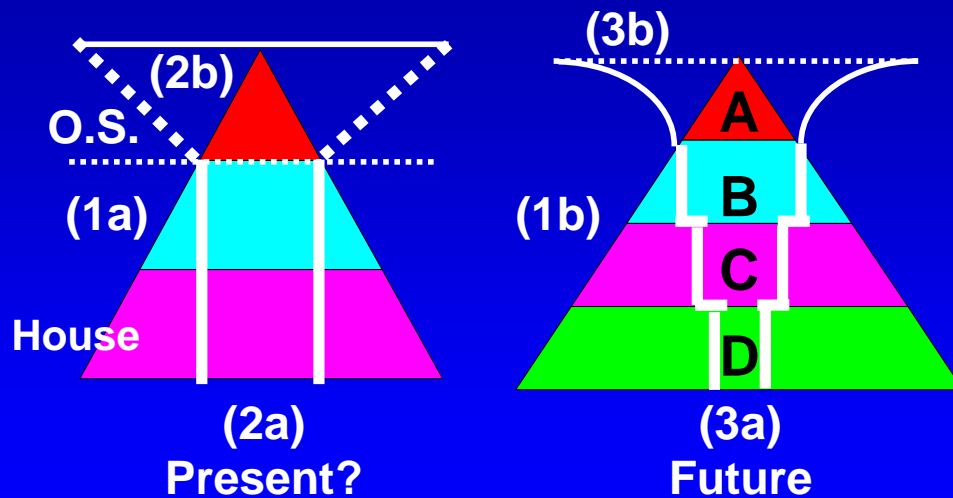
THE CASE OF CIRQUE DU SOLEIL

<u>Eliminate</u> Star performers Animal shows Aisle concession sales Multiple show arenas	<u>Raise</u> Unique venue
<u>Reduce</u> Fun & humor Thrill & danger	<u>Create</u> Theme Refined environment Multiple productions Artistic music & dance

BlueOcean 4

This slide, also from Blue Ocean Strategy, illustrates Cirque Soleil's strategy in another way.

SERVICE VALUE ALLOCATION MAPS: PRESENT & FUTURE



BlueOcean 5

Most distributors serve 4 sizes of customers that each deserve a different mode of marketing: A's get outside sales coverage; B's proactive telemarketing; C's direct mail; and D's, local, c-store, cash-n-carry, wholesaler environment. The problem is that all of these strata are pursued with wrong mixes of services. How could a distribution firm segment these strata and re-serve them with or through different spin-out divisions or partners?

USE ROBA DESIGN-THINK



Next generation, whole-tail store (NS) objectives:

- 1. Smallest: footprint; assets; breakeven; time-to-breakeven**
- 2. Rapid rollout (x) target spaces/routes**
- 3. Maximum new value-space creation**
- 4. Leverage existing, best capabilities**
- 5. Entrepreneur just sells & serves best locally!**

BlueOcean 6

Because of innovation in Software as a Service (SaaS) and outsourcing partner availability, a company could create a new spin-out division or partner using “radical outsourcing of business activities (ROBA) slides 6-8 detail some of the specifics that I am using in some start up ventures with master wholesalers that could sell to and through a new store (NS) whole-tail format. If anyone out there is intrigued, call me.

ROBA NEW DESIGN FEATURES (1)

- 1. Fastenal type format:**
 - 2000 square feet
 - stage 2; x-docking for re-delivery
 - works in small towns
- 2. 800 SKUs; virtual sell; 10K(+) rest**
- 3. 100% alignment with wholesale partnr (brand?)**
- 4. Integrated EDI/VMI & web-selling**

BlueOcean 7

No comment.

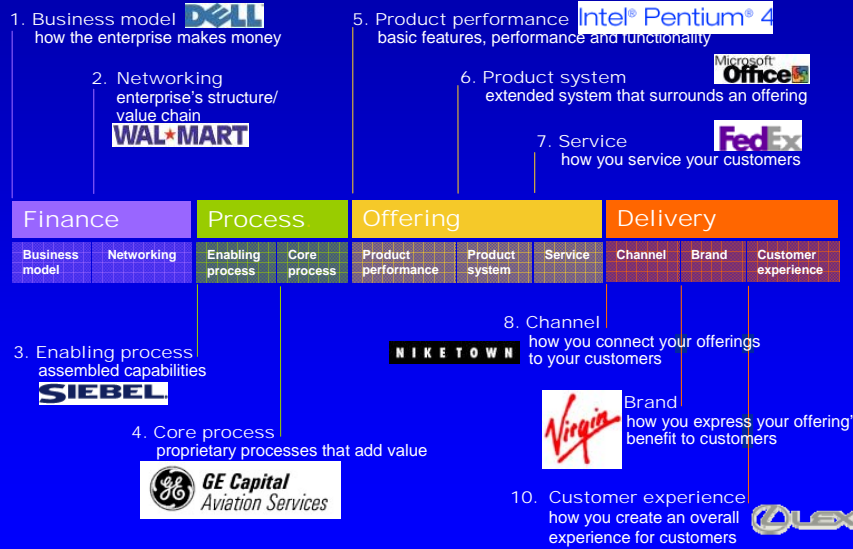
ROBA NEW DESIGN FEATURES (2)

5. IT utility service (software as a solution – SaaS)
6. AR = cash, credit card; & Blue Tarp
7. Working capital: 120%(+) from A/P
8. Use A/P float to open next store?
9. Outsource to wholesaler (buying group)
 - Flow-thru commodity & private label contracts
 - SPA's for stage 2 selling of local bids
10. What else?

BlueOcean 8

No coment.

10 types of innovation: it's not just products



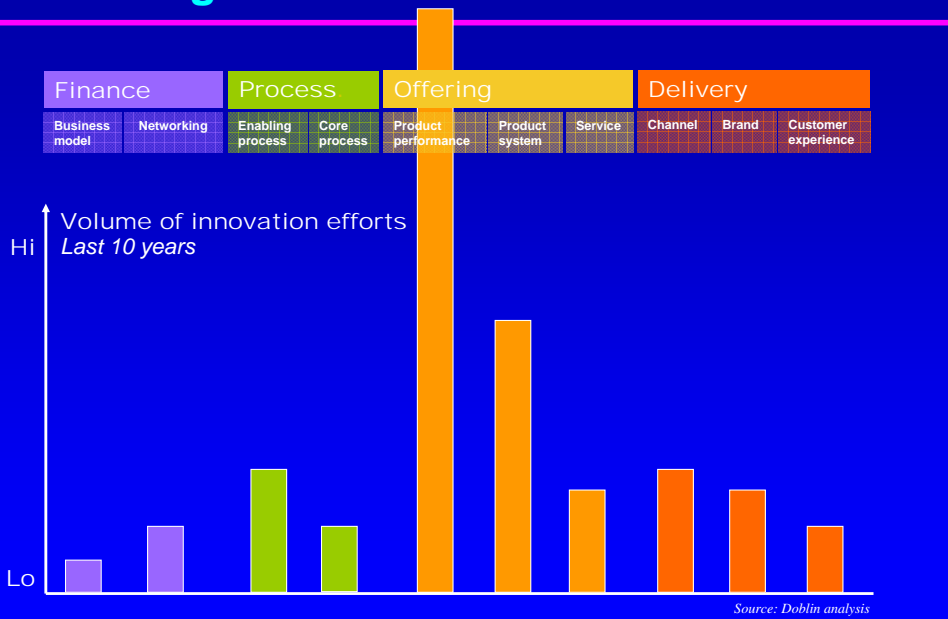
Re-published with permission from Larry Keely

BlueOcean

9

Slides 9-12 are re-published with permission from Larry Keely, President of Doblin, Inc. For more go to doblin.com. Note that for a blue ocean strategy, Starbucks changed 8 of the 10 levers that Doblin has identified for innovation. And, more innovations change the “product” dimension than any other with the least continuous innovation value results.

Leading to a shift in value creation...

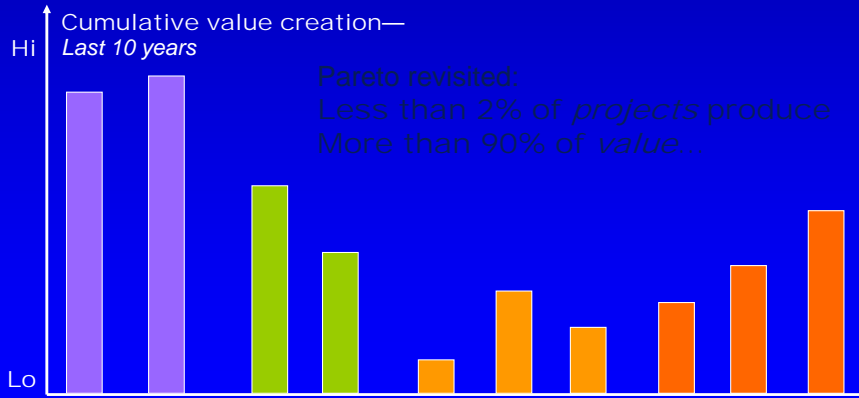


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BlueOcean 10

Leading to a shift in value creation...

Finance		Process		Offering			Delivery		
Business model	Networking	Enabling process	Core process	Product performance	Product system	Service	Channel	Brand	Customer experience



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BlueOcean 11

Starbucks: reinvents a commodity as an experience



Eight types:



Re-published with permission from Larry Keely

BlueOcean 12

IDEO's "10 FACES OF INNOVATION"

Besides Doblin's "10 ways"

How do we look at each:

Option
Process step

X

10 Personas
10 faces
10 thinking hats
10 viewing lenses

Book's website:
tenfacesofinnovation.com

BlueOcean 13

Slides 13 – 17. If you have trouble with devil's advocates in brainstorming sessions, then challenge people to wear the hats of 10 different types of people that are detailed in a book "The 10 Faces Of Innovation". For more go to tenfacesofinnovation.com.

“THE DEVIL’S ADVOCATE”



Who:

- Defender of the status quo (disguised)
- Criticize without responsibility

Antidotes:

- Rule: Also add 1 positive idea
- Encourage 10 different innovative “faces”

TEN FACES OF INNOVATION* (1)

I. Learning Personas

(today's solution = tomorrow's loser)

1. **Anthropologist** (see & reframe “new” in the field)
2. **Cross-pollinator** (brings ideas & solutions from other micro-worlds)
3. **Experimenter** (rapid prototyping to demo & learn)

*Book by Tom Kelley, © 2005

BlueOcean 15

TEN FACES OF INNOVATION (2)

II. The Organizing Personas

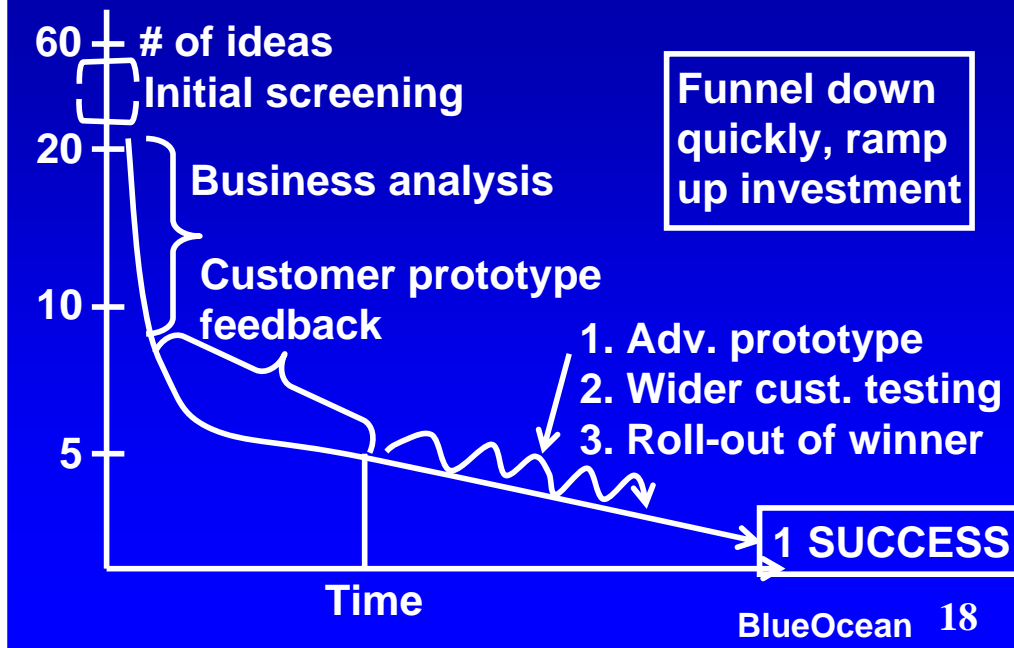
4. **Hurdler** (tireless problem solver & work arounds)
5. **Collaborator** (team > individual; coach not boss)
6. **Director** (sets stage to move towards vision)

TEN FACES OF INNOVATION (3)

III. The Building Personas

7. *Experience Architect* (creates remarkable personal experiences for all)
8. *Set Designer* (liven up, refreshes work space continuously)
9. *Storyteller* (tells story in compelling, multi-media way)
10. *Caregiver* (manages the customer at all touch points)

[#6] "IDEATION": MANY → 1



The way to have one super idea is to start with lots of good ones and let them gestate and evolve.

SUMMARY POINTS



1. In mature industries focus on 1 customer niche and strata at a time
2. Rethink their needs and your business model using tools from:
 - Blue Ocean Strategy
 - Dorlin's 10 types
 - IDEO's 10 faces
3. Then test cheaply; fail forward to \$\$

Exhibit 54 at
merrifield.com