Blue Ocean Strategy

How It Works & A Practical Example

Prepared with care by AEBLN
for its valued members

Part 1: How Blue Ocean Strategy Works

Blue Ocean Strategy is a practical business method for creating a new market space by redefining value, instead of fighting for space in an existing, crowded market.

> **Red Ocean (Traditional Market):** Competing against rivals in an existing industry. Everyone sells similar things, so you have to fight over prices, profit margins, and the same customers.
>
> **Blue Ocean (New Market Space):** Creating a new market space by offering a different combination of value, rather than competing directly on the same factors as existing businesses. You make direct competition less important by offering a different kind of value to customers.

The Secret: Value Innovation

Instead of competing only on existing industry factors, value innovation aims to increase customer value while also reducing unnecessary costs. You use the **Four Actions Framework** to redesign your service:

1. Eliminate	What do standard businesses do that customers actually find annoying or unnecessary? Cut it out.
2. Reduce	What industry standards can you scale back to save costs?
3. Raise	What features are truly important to customers that you can make much better?
4. Create	What completely new value can you offer that no one else is providing?

Part 2: Practical Example (Afghanistan Context)

The Red Ocean Approach

Traditional money transfer offices (*Sarrafs*) and mobile payment services in Afghanistan compete directly: same basic cash transfers, same customers, and a fight over commissions and exchange rates.

Applying the Four Actions Framework

A smart new business applies the Four Actions Framework to think differently and shift the game:

1. Eliminate	Remove physical lines, paperwork, and the need to travel to a physical shop.
2. Reduce	Lower operational costs and processing time.
3. Raise	Increase digital security and ease of use.
4. Create	Build a specialized financial platform **designed specifically for women running online home-businesses and micro-shops** on social media (like Facebook and Instagram), offering them tailored tools for tracking sales and payments.

The Result

> Instead of fighting heavy competitors for general users, this business unlocks a **Blue Ocean**—capturing an overlooked market of female entrepreneurs who need specialized tools. The opportunity comes from serving an underserved customer segment with a more tailored value proposition, rather than competing directly for the same general customers.