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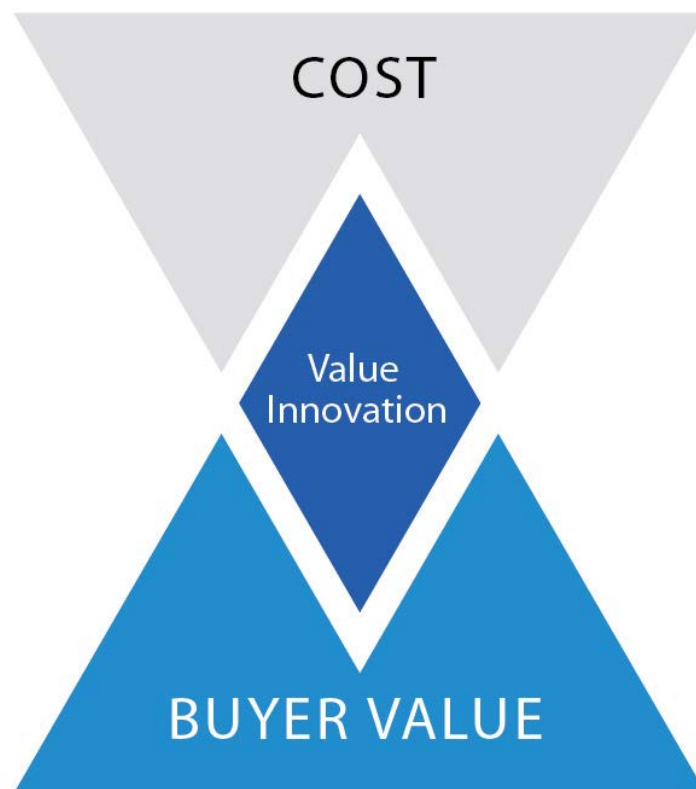
# VALUE INNOVATION

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W. Chan Kim and Renée Mauborgne developed the concept of Value Innovation, the cornerstone of Blue Ocean Strategy. It is the simultaneous pursuit of differentiation and low cost, creating a leap in value for both buyers and the company. Because value to buyers comes from the offering's utility minus its price, and because value to the company is generated from the offering's price minus its cost, value innovation is achieved only when the whole system of utility, price, and cost is aligned.

Cost savings are made by eliminating and reducing the factors an industry competes on.

Buyer value is lifted by raising and creating elements the industry has never offered.



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Break the value-cost trade-off by answering the following questions:

- Which of the factors that the industry takes for granted should be *eliminated*?
- Which factors should be *reduced* well below the industry's standard?
- What factors should be *raised* well above the industry's standard?
- What factors should be *created* that the industry has never offered?
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