



# Be the B.O.S.S. and Dominate Your Market

*Real Estate Brokerages that  
Innovate, Differentiate, and  
Capture Unique Market Share  
with Blue Ocean Strategy® Success*





# Welcome to your Future!

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# Today's Presentation



1. B.O.S.S. Concept
2. Creating Value with Customers
3. Dominate Your New Market
4. Innovative by Design -- ERRC Grid

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My story as a Newbie  
in the  
Real Estate industry

**“Shark Eat Shark”**

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# About Regina Brown

- M.B.A. degree; B.A. degree in Real Estate
- Real estate license for 30 years
- Broker/Owner of California Coast & Country Homes
- **Mission: Elevate the standards of professionalism in our real estate industry**



Learn the Lingo of Houses



The PlayBook Game Plan



How to Buy Your First Home



2018 Goal Achiever

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Blue Ocean Academy™

CERTIFICATE OF COMPLETION

Regina Brown

has successfully completed the Blue Ocean 101™  
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Jul 23 2017

Date



Sophie Simeon  
Course Instructor

2110345

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*The Titanic sunk because the captain failed to recognize the icebergs under the water.*

**Is your Brokerage  
Prepared for Market  
Disruption?  
Depression?  
Disaster?**



**POLL**

Do you think a market downturn is coming?

- A. Yes, within the next year!
- B. Probably — but don't know when.
- C. No. Real estate will keep going up.







## **Advantages of Innovation**

- Recognize **trends** in the market
- Master the innovation **process**
- Fill a **need** previously unidentified
- Take a **leadership** position due to differentiated products
- Stay ahead of market **changes!**



# Economy Type Example: Birthday Cake

**Commodity Economy**

- Mom buys ingredients and mixes them together.

**Product Economy**

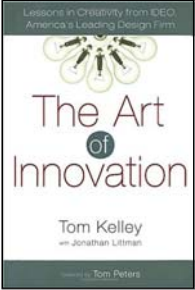
- Mom buys the cake mix and bakes it.

**Service Economy**

- Bakery makes the cake and puts your name on it.

**Experience Economy**

- Chuck E Cheese® with a cake at the end.



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# Business Models?



**TRADITIONAL**

**vs.**



**INNOVATIVE**

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## Barriers to Implementing Innovation

- Geographic or national barriers
- Culture / influences
- The EXISTING mindset!
  - “That’s how we have done it for years.”
  - Resistance to change

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## What's Inhibiting Your Creative Zone?

- 12,000 to 60,000 thoughts per day
- 95% are same repetitive thoughts as prior day\*
- 80% are negative

***“We can't solve problems using the same kind of thinking that created them.” ~ Albert Einstein***

*\*National Science Foundation, 2005 Study*

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# POLL

What are you seeking to innovate?

- A. Start up new brokerage
- B. Re-vamp existing brokerage
- C. Something else



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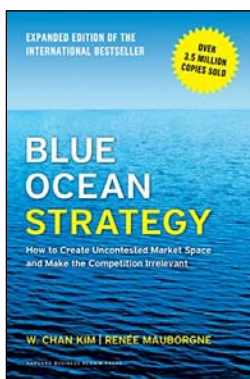
# 1. Meet Blue Ocean Strategy®

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## Blue Ocean Strategy® is:



### Profitability without Competition

- Lowering operational costs
- Raising customer value
- Offering innovative services based on customer demand
- Finding new non-customers

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## **Blue Ocean Strategy® is NOT:**

- Competing “head to head” with other brokerages
- Chasing the “hottest new trend” in technology
- Being cheaper (lower priced) than competitors
- “Disruption” per se



## Red Ocean Strategy is:

- Competing to be the best
  - Competing on price
  - Competing on service
- Trying to be faster, better, or cheaper
- Copying competitors
- “Growth” by acquisition of competitor

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# POLL

Who are your primary competitors?

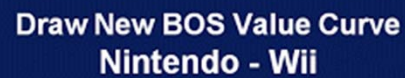
- A. Local franchises / indie brokerages
- B. Giant corporations with capital
- C. We have none because we are unique

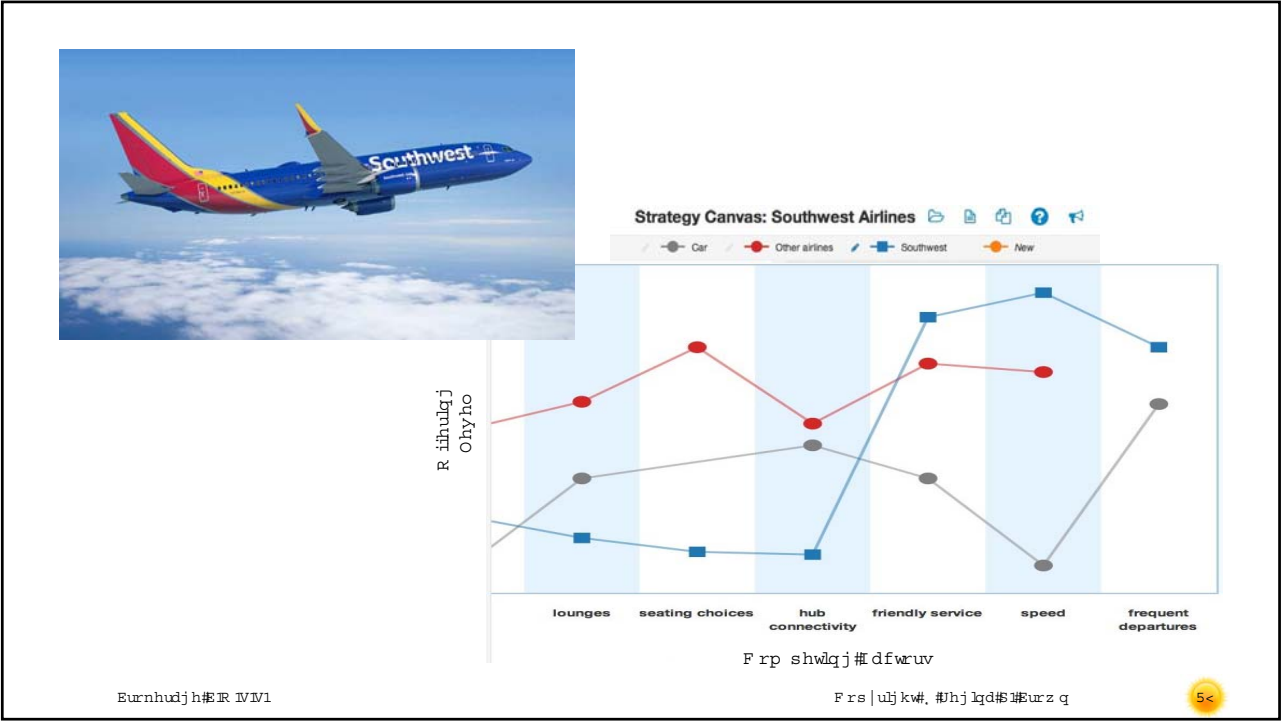
Activity Worksheet

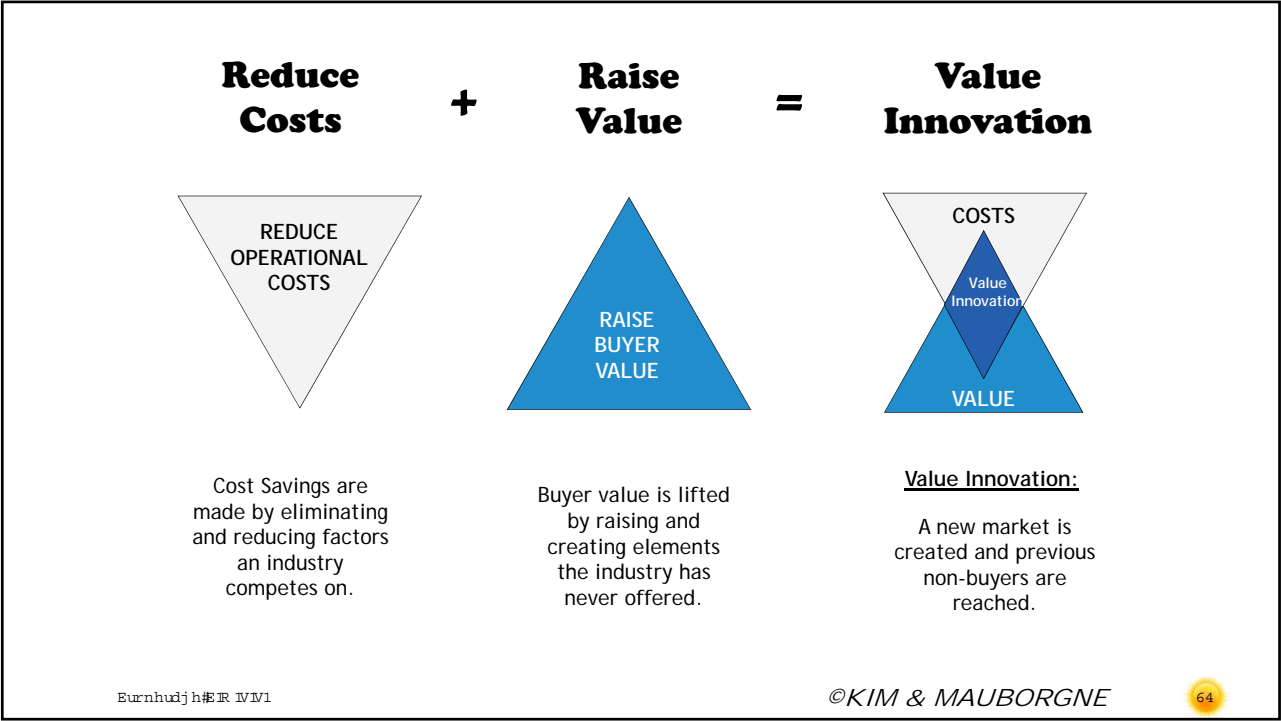




<b>Red Ocean vs. Blue Ocean Strategy</b>	
<i><u>Red Ocean Strategy</u></i>	<i><u>Blue Ocean Strategy</u></i>
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of firm's activities w/ its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost









# Independent Brokerage Business Model

Who Are Your Customers?

1. Where are operational costs lowered?

2. Where is additional client value created?

3. What is the intersection of additional profit margin (#1 & #2 overlap)?

Brokerage

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers

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## Brokerage Multiple Offices

Brokerage

Office Manager

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Office Manager

Agents

Buyers

Sellers

Agents

Buyers

Sellers

1. Who are your clients now?

2. Are there more opportunities for creating client value?

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## Franchisor Business Model

Franchisor

Brokerage

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers

Agents

Buyers

Sellers


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# Create Value

1. Who are your customers?

2. What do they want?

- They know what they do NOT want
- But often don't know what they DO want
- Faster horses?
- Determine their needs & wants and deliver it
- 4-Step Cycle



*“If I had asked my customers what they wanted, they would have said a faster horse.” ~ Henry Ford*

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# Fulfilling Customer Needs & Wants

- Test
- Get feedback
- Measure
- Improve

4.  
REFINE

- Customer needs & wants
  - Research
  - Study values

1.  
DISC-OVER

- Concrete, tangible plans
- Translate ideas

2.  
ARTIC-ULATE

- Prototype
- Services & products to meet needs & wants

3.  
INNO-VATE

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## Case Study: Short Sale Realty

- **Business Model**
  - Double-end short sale listings
- **Red Ocean characteristics**
  - Attempting to lock out competitors
- **Why NOT Blue Ocean?**
  - May have identified new non-customer niche, BUT
  - Did not lower operational costs
  - Did not create additional value
  - Working harder – need more quantity to be profitable
- **Notes:**
  - Successful only in “banker” markets.
  - Success depends on cooperation from big banks.
- **RED FLAGS: Unethical conduct, lack of fiduciary duty to sellers**

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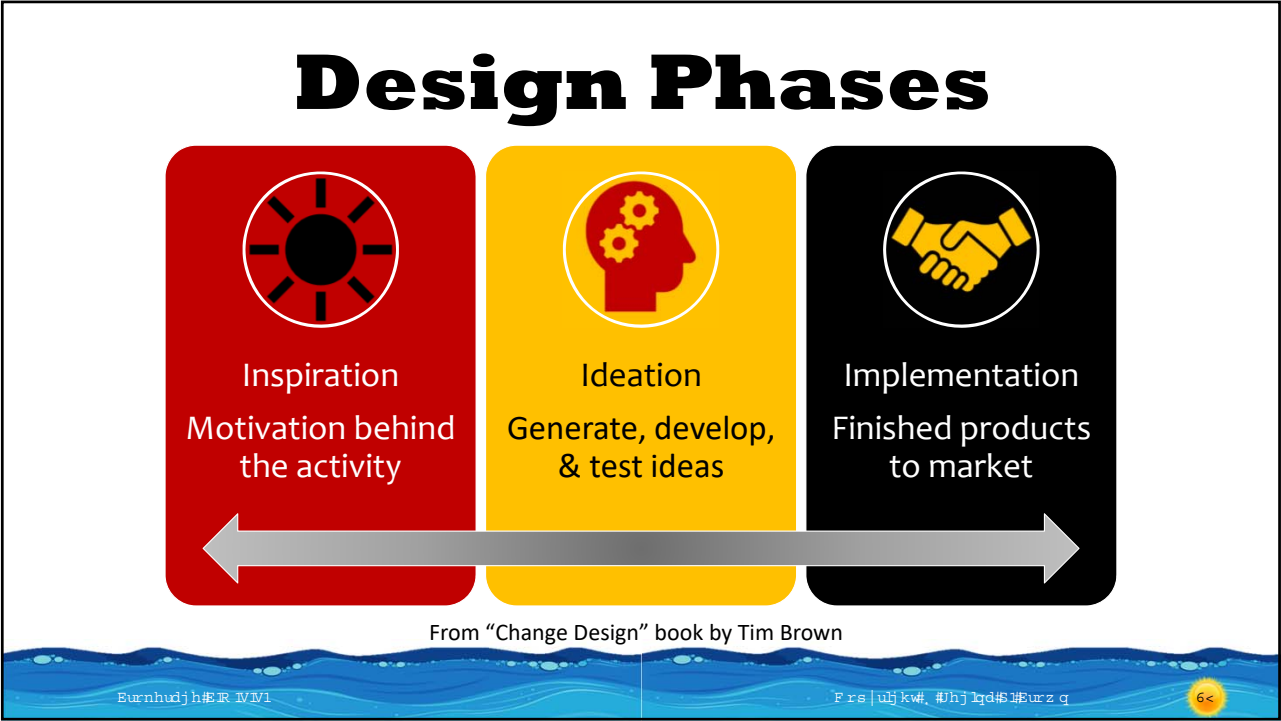
## Case Study: Renovation Realty

- **Business Model**
  - Brokerage finances upgrades to house before selling
- **WHY Blue Ocean?**
  - Created additional value
  - Lowered operational costs
  - Identified new customer niche
  - No competition
- **Note:** Successful with Estate Sales, Probate, FSBO, Absentee Owners

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# Activity

## Customers on Lost Island

A. Who are your primary customers?

B. Secondary customers?

C. What needs/wants can you discover?

Activity Worksheet





# 3. Tools: Strategy Canvas & Framework

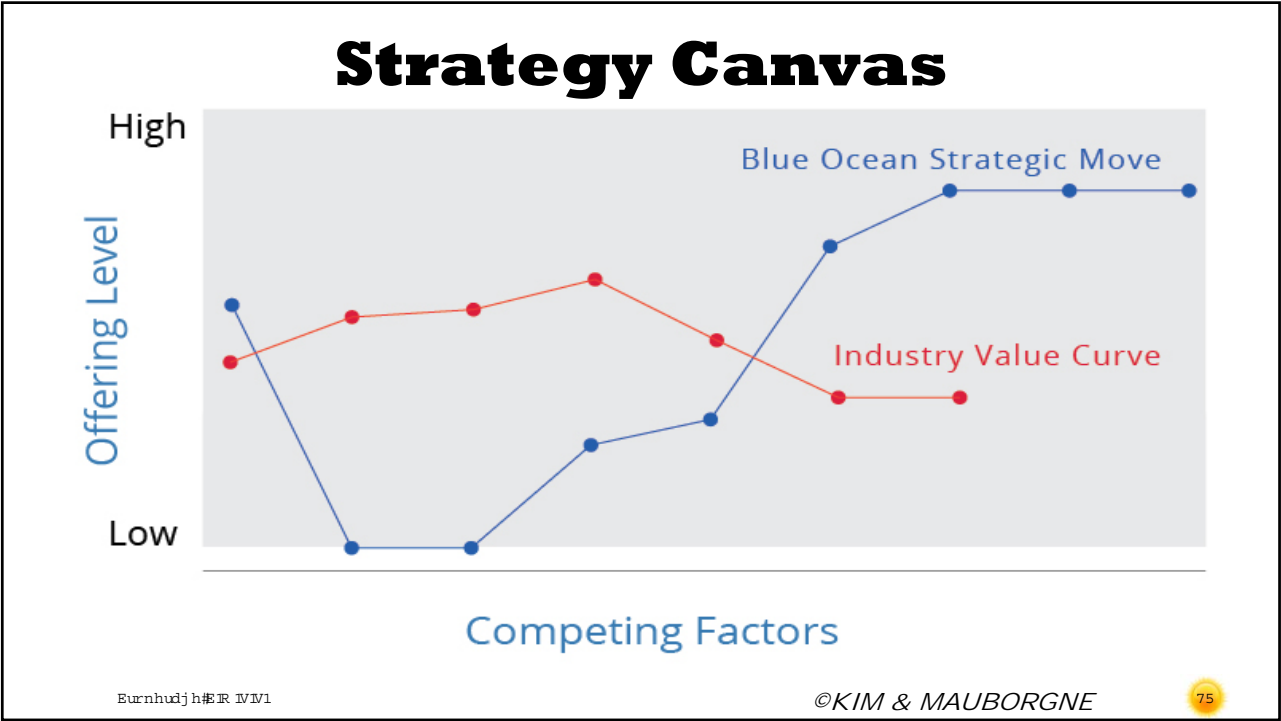


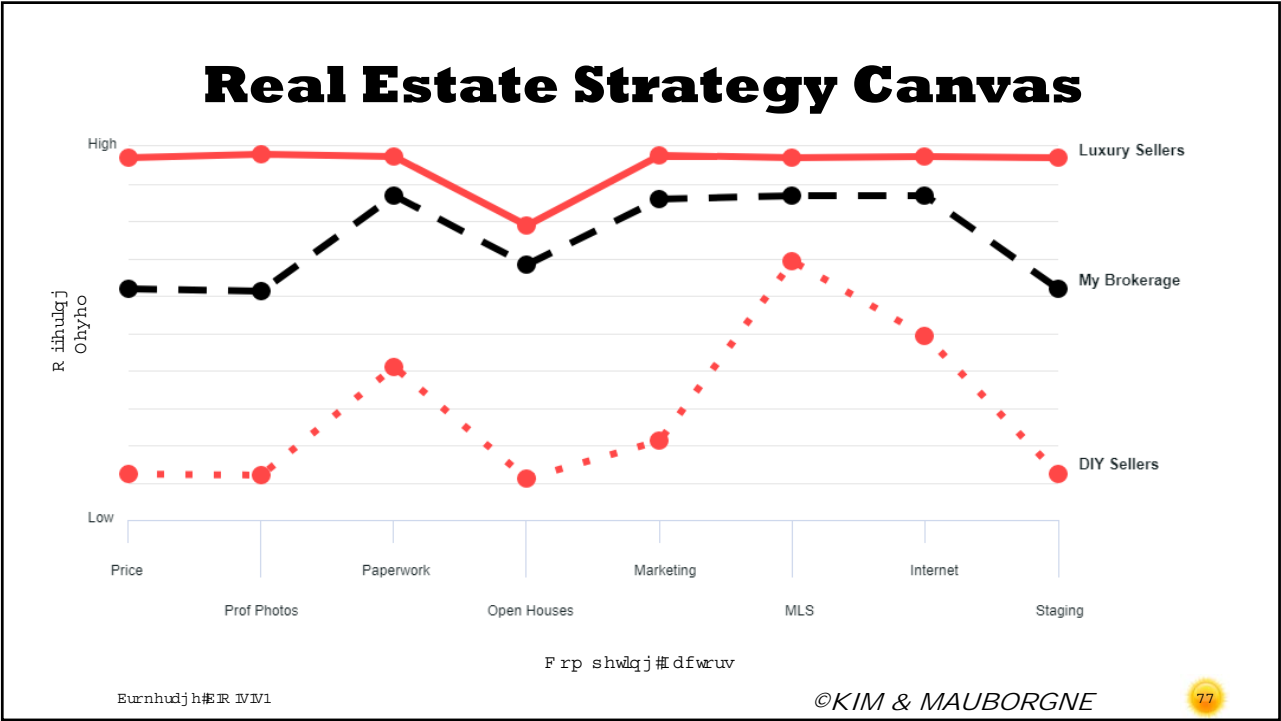
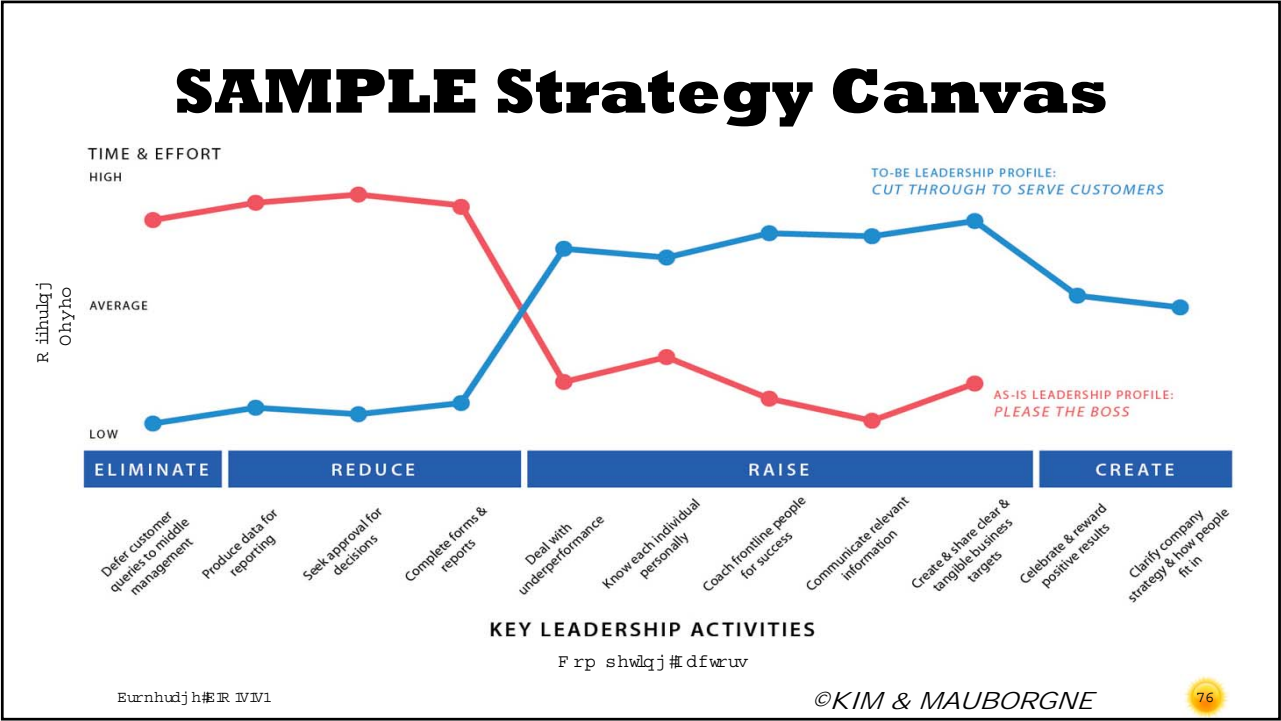
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1. Add dots on each vertical line for competitors
2. Connect the dots to form a value curve
3. Add your dots and value curve



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What factors should be raised well above the industry's standard?

What factors that the industry has long competed on should be eliminated?

What factors should be reduced well below the industry's standard?

What factors should be created that the industry has never offered?

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### Sample ERRC Grid:

## Eliminate, Reduce, Raise, Create

Eliminate

Which factors that the industry has long competed on should be eliminated?

+ Add Key Factor

Buyer's agent Compensation from Seller :

Reduce

Which factors should be reduced well below the industry's standard?

+ Add Key Factor

Internet advertising on 3rd party sites :

Raise

Which factors should be raised well above the industry's standard?

+ Add Key Factor

Education for Buyers : Client Communication : Brokerage procedures : Agent professionalism :

Create

Which factors should be created that the industry has never offered?

+ Add Key Factor

Take care of prepping house : repairs & cosmetic upgrades if needed :

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### Case Study:

## Buyer-Rebate Brokerage

- **Business Model**
  - 100% rebate to buyers in exchange for hope of listing later on
- **Red Ocean characteristics**
  - Competing on price
- **Why NOT Blue Ocean?**
  - May have created additional value, BUT
  - Did not lower operational costs
  - No guarantee of profitability EVER
- **Notes:**
  - Buyer rebate does not align with industry design
  - Illegal in some states
  - Hinges on buyer agent compensation from listing agent

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# Case Study: Beach Homes Realty

- **Business Model**
  - Exclusive focus on water-front properties / multiple states
- **WHY Blue Ocean?**
  - Created additional value
  - Lowered operational costs
  - Identified new customer niche (agents & sellers/buyers)
  - No competition
- **Notes:** Fueled by “Baby Boomer” retirement 20-year demographic trend



# Maximize Profit Margin

- Lower operational costs =
- Increased profitability
- Income Statement SAMPLE

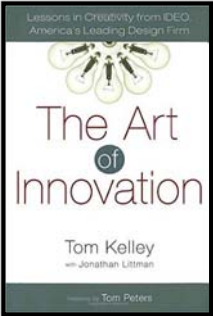
*Refer to your CPA, Accountant, or Tax Preparer for  
Financial Advice regarding your specific situation.*



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# Art of Innovation



- Creating something new
- Myth: Creativity randomly “just happens”
- Creativity is a process that can be learned

*“The Art of Innovation” by Tom Kelley*

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## Six Paths to Reconstructing Market Boundaries

	<u>Head-to-Head Competition</u>		<u>Blue Ocean Creation</u>
Industry	Focus on rivals within its industry	→	Looks across alternative industries
Strategic Group	Focuses on competitive position within strategic group	→	Looks across strategic groups within industry
Buyer Group	Focuses on better serving the buyer group	→	Redefines the industry buyer group
Scope of Product or Service Offering	Focuses on maximizing the value of product and service offerings within the bounds of its industry	→	Looks across to complementary product and service offerings
Functional-emotional Orientation	Focuses on improving the price performance within the functional emotional orientation of its industry	→	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as the they occur	→	Participates in shape external trends over time

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## SAMPLE: Six Paths Framework

Overview & Insight

1	Looking Across Alternative Industries	YOUR FOCAL INDUSTRY <ul style="list-style-type: none"><li>Rental Housing</li></ul>	4	Looking Across Complimentary Products & Services	BEFORE <ul style="list-style-type: none"><li>lease terminates</li></ul> DURING <ul style="list-style-type: none"><li>gathering funds for downpayment</li></ul> AFTER <ul style="list-style-type: none"><li>move in</li></ul>
2	Looking Across Strategic Groups	YOUR STRATEGIC GROUP <ul style="list-style-type: none"><li>Mortgage industry</li></ul>	5	Looking Across Functional vs. Emotional Orientation	
3	Looking Across the Chain of Buyers	USER <ul style="list-style-type: none"><li>owner occupied buyers</li></ul> PURCHASER <ul style="list-style-type: none"><li>parents contribute funds</li></ul> INFLUENCER <ul style="list-style-type: none"><li>parents</li><li>children</li></ul>	6	Looking Across Time	

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## ACTIVITY: Six Paths Framework

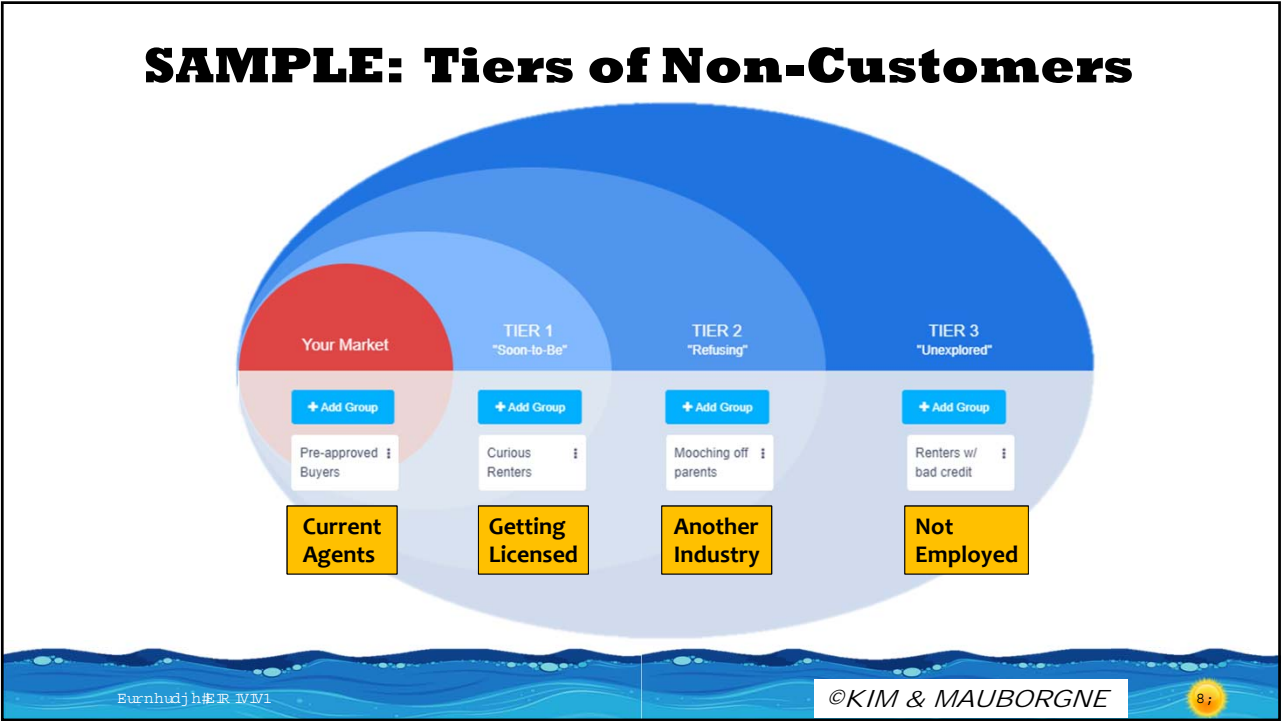
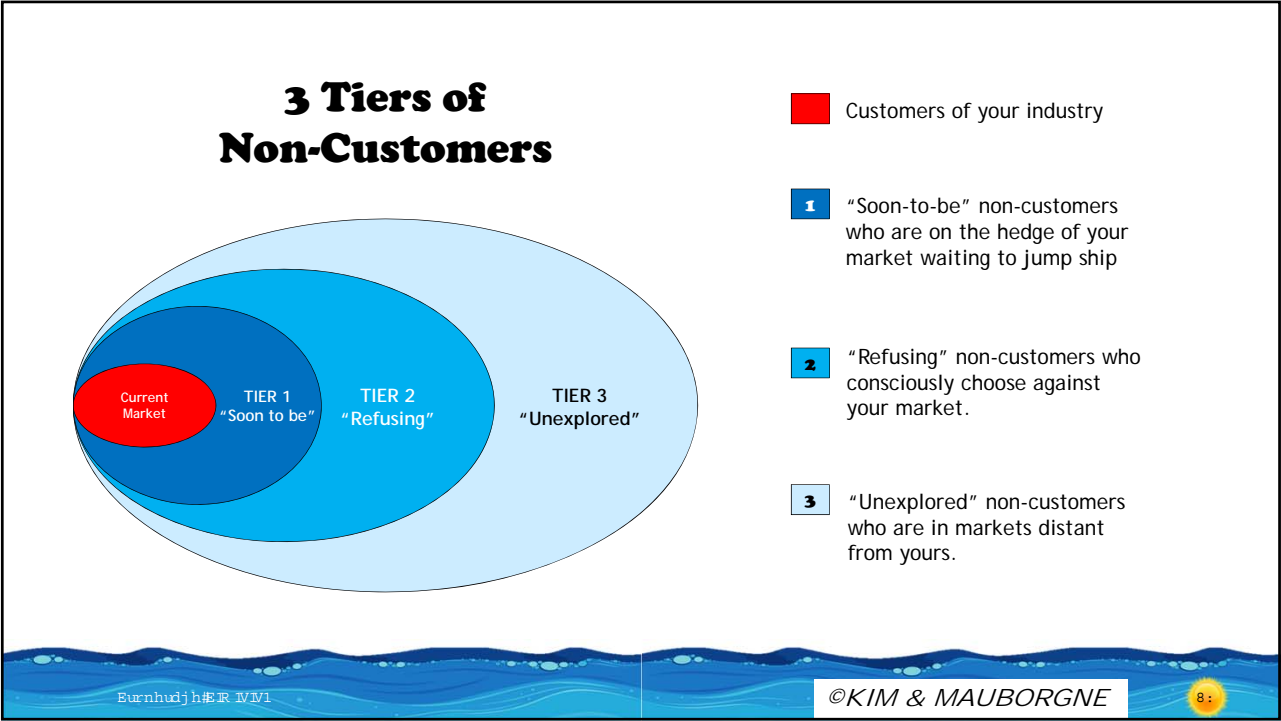
	My Brainstorm
Look across Alternative Industries	
Look across Strategic Groups	
Redefine the Customer Groups	
Look across Complementary Service Offerings	
Rethink Functional-Emotional Orientation	
Shape External Trends over Time	

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Activity Worksheet





## Case Study: Big City REO Brokers

- **Business Model**
  - Secure and sell foreclosure assets from big banks
- **Red Ocean characteristics**
  - Competing on price
  - Competing on service
- **Why NOT Blue Ocean?**
  - May have identified new non-customer niche, BUT
  - Did not lower operational costs
  - Did not create additional value
  - Working harder – need more quantity to be profitable
- **Note: Successful only in “banker” markets**

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## Case Study: Subscription Model

- **Business Model**
  - Homeowners pay monthly or annual fees
  - Value package of home-related services
  - Low (or no) fee for selling house
- **WHY Blue Ocean?**
  - Create additional value for customers
  - Lower operational costs
  - Identify new customer niche
  - No competition for many years

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# 5. Don't Drown in Deep Waters

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# Blue Ocean DROWNING casualties

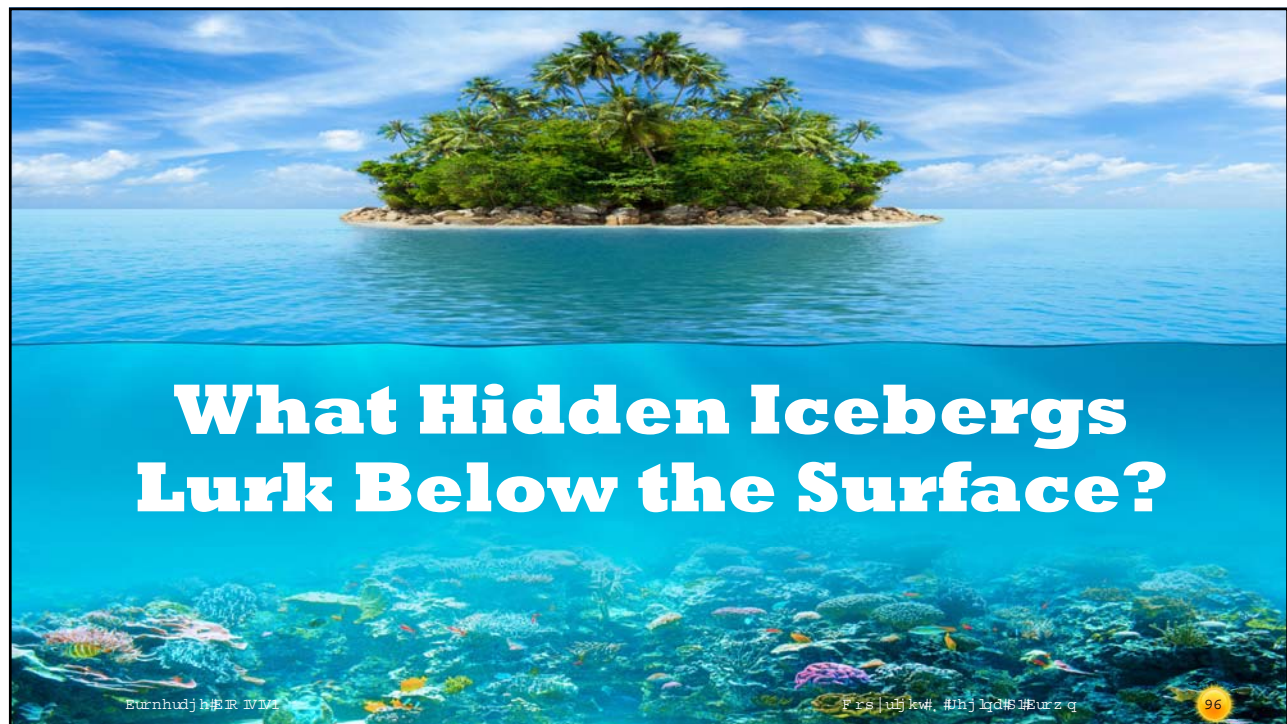


- No sustainable plan
- Sailed too far away from shore
- Unprepared for the long journey

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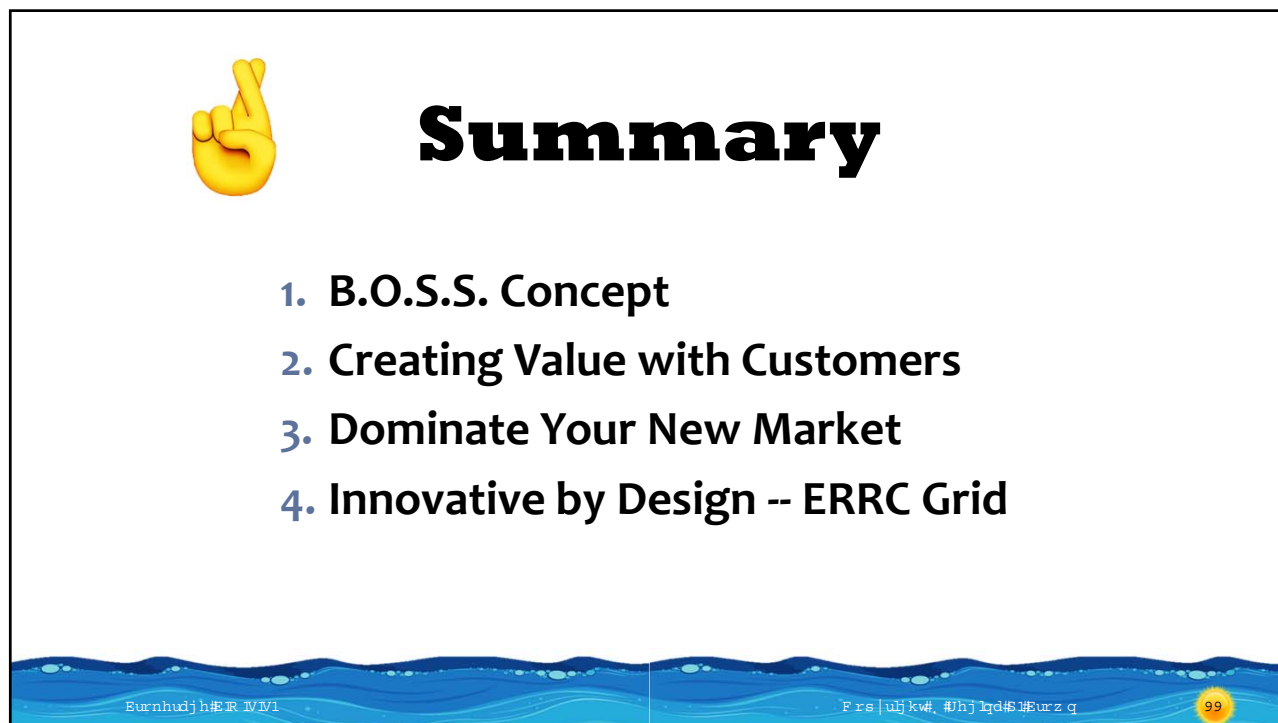
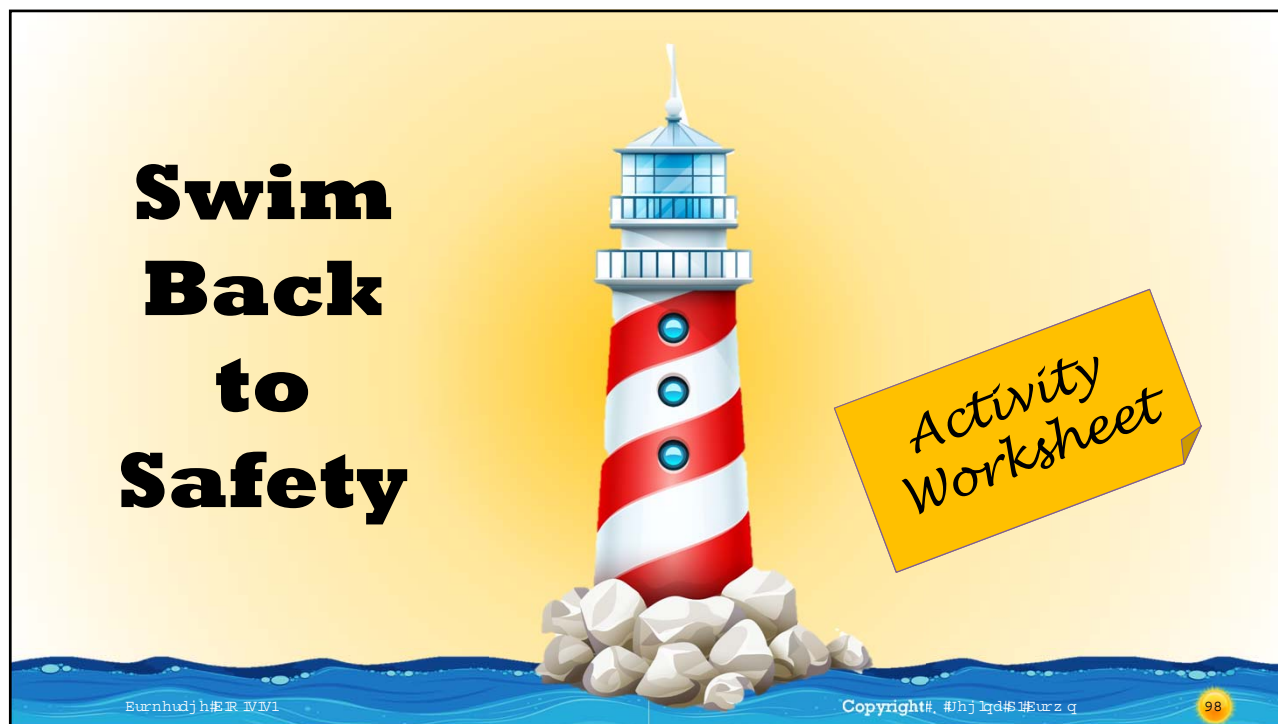
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## Take Action!

- Implement your Action Plan
- Appendix:
  - Buyer Experience Cycle
  - Sequence of Blue Ocean Strategy





# Read or Listen

Top 4 Books

EXPANDED EDITION OF THE INTERNATIONAL BESTSELLER

OVER 2.5 MILLION COPIES SOLD

BLUE OCEAN STRATEGY

How to Create Uncontested Market Space and Make the Competition Irrelevant

W. CHAN KIM | RENÉE MAUBORGNE

NEW YORK TIMES BESTSELLER

FROM THE AUTHORS OF BLUE OCEAN STRATEGY

BLUE OCEAN SHIFT

BEYOND COMPETING

PROVEN STEPS TO INSPIRE CONFIDENCE AND SEIZE NEW GROWTH

W. CHAN KIM | RENÉE MAUBORGNE

Lessons in Creativity from IDEO, America's Leading Design Firm

The Art of Innovation

Tom Kelley  
with Jonathan Littman

Foreword by Tom Peters

HOW DESIGN THINKING TRANSFORMS ORGANIZATIONS AND INSPIRES INNOVATION

CHANGE BY DESIGN

TIM BROWN

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# Contact Info

Regina P. Brown

[Regina@MBABrokerConsultants.com](mailto:Regina@MBABrokerConsultants.com)

(888) 550-9340 x 1

[www.MBABrokerConsultants.com](http://www.MBABrokerConsultants.com)



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# Thank You!

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**Be the B.O.S.S.  
and Dominate  
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*Real Estate Brokerages that  
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**MBA Broker  
Consultants**