

Is the iPhone Assistant Apple's next "Blue Ocean?"

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In a now classic 2004 Harvard Business Review [article](#), two professors at [INSEAD](#), W. Chan Kim & Renée Mauborgne, introduced the notion of a "[Blue Ocean Strategy](#)," or BOS. In essence, companies pursuing a BOS gain a deep understanding of customer needs and use those insights to innovate and make competition "irrelevant." In contrast to "red" oceans – markets so named because there is fierce competition on features and price, driving margins out – the goal of a BOS is to find a new, "uncontested market space." In many ways, Apple is the poster child for BOS, having successfully created new, uncontested market spaces with the iPod, iPhone, and now iPad. With the next generation iPhone and its new "virtual personal assistant" – aptly called Assistant – Apple is likely to generate a coveted new market position and demonstrate once again its "mastery" of BOS.

Red Ocean Strategy	Blue Ocean Strategy
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 a company's activities with its strategic choice of differentiation <i>or</i> low cost	Align the whole system of a company's activities in pursuit of differentiation <i>and</i> low cost

Source: W. Chan Kim and Renée Mauborgne (2004), Blue Ocean Strategy

Are Device Features now Table Stakes for OEMs?

Much of the discussion around the new iPhone has focused on [features](#) – will the new device have a higher resolution display? better camera? faster processor? etc. While these improvements are important, in many ways features have become table stakes for mobile device OEMs – unless a device is at parity an OEM is disadvantaged, but as new features quickly get copied any competitive advantage is short-lived. Still, if rumors are correct, most likely the new iPhone will bolster its lead by improving on features most sought by consumers (see, for example, data and analysis by [SocialNuggets](#) and [Argus Insights](#)).

If it did nothing else, improving the iPhone's features and performance would allow Apple to maintain its [industry leading customer satisfaction and loyalty](#). To achieve the distinction that has made the iPhone one of the most admired, [profitable products](#) in history, however, Apple must deliver a new solution that is valued – indeed, coveted – by consumers and operators.

Is Assistant the next Blue Ocean for Apple?

Gadget buffs will recall that Apple introduced the Newton, a PDA (personal digital assistant), in 1993 only to eventually pull it from the market after disappointing sales. Fast forward almost 20 years, Apple is now set to deliver on the promise of the PDA with the platform it has branded simply "Assistant." Leveraging capabilities from Siri, the [company Apple acquired](#) last year for \$200 million, and other capabilities, notably [speech recognition](#), [voice UI](#) (user interface), [location](#) and the [cloud](#), Apple is poised to deliver an innovative platform that once again separates the iPhone from other OEMs' mobile devices.

Much like iTunes and the App Store, Assistant is a powerful platform that solves significant, persistent problems for consumers, such as scheduling daily activities, making decisions, and many others. Indeed, if the [benefits to users](#) are as compelling as suggested by Siri co-founder Norman Winarsky, who called it “world changing,” consumers will be clamoring for a new iPhone for the Assistant as much as for the device itself. Conceivably, Assistant could someday form the core of a new, Apple-managed ecosystem in which advertisers and merchants vie for integration (e.g., "shelf space"), much as they do with Google AdWords today.

Advice to other OEMS – Set out for Blue Ocean

With its newest iPhone, Apple will undoubtedly deliver on the features that excite observers and consumers. While the features will quickly be copied by competitors and introduced in new devices in short order, few OEMs – indeed, perhaps only Google + Motorola – are likely to match Assistant's capabilities anytime soon. To maintain relevance, much less share, competitors will need to up their game and build unique new solutions that are equally compelling to consumers – in essence, discover and stake out their own "Blue Oceans." Otherwise, they're likely to follow the path of Nokia and RIM, with market share and [investor confidence dwindling](#). While developing compelling new products is fraught with [challenges](#), we have learned a great deal about the [keys to success](#) and pitfalls to avoid. Adrian Slywotzky, thought leader at the consulting firm Oliver Wyman, also provides a useful roadmap for innovators in his just published new book [Demand: Creating What People Love Before They Know They Want It](#).

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