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THE SUSTAINABILITY OF THE BLUE OCEAN STRATEGY

Master’s Thesis by the 2nd year student
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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5.06.2021 (Дата)

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ABSTRACT

Master Student's Name	Iakovleva Daria
Master Thesis Title	The Sustainability of the Blue Ocean Strategy
Educational Program	Master in Management
Main field of study	Management
Year	2021
Academic Advisor's Name	Ioannis Christodoulou, Associate Professor
Description of the goal, tasks and main results	The goal of the research is to expose factors that constitute the maintenance of the blue ocean strategy, preventing competitors from blue ocean strategy imitation. To achieve the research goal, the theoretical background was examined and the multi-disciplinary research framework was developed. The framework was applied to collect and analyze data about means of blue ocean borders protection. The main results of the study include identification of factors of the external and internal environment that indicate the threat of imitation, barriers to imitation that protect blue ocean strategy from imitation, and strategic alignment of the value proposition, the cost proposition, and the people proposition that constitute a sustainable blue ocean strategy.
Keywords	Blue ocean strategy, sustainable strategy, innovation, imitation, barriers to imitation

АННОТАЦИЯ

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Описание цели, задач и основных результатов	Целью магистерской диссертации является выявление факторов, обеспечивающих устойчивость стратегии голубого океана и предотвращаюих угрозу имитации со стороны конкурентов. Для достижения цели исследования были проанализированы научные труды по теме исследования и разработана структура исследования, основанная на теоретических концепциях из нескольких направлений в области стратегии. Разработанная структура исследования была применена для сбора и анализа данных о способах защиты границ голубого океана от имитации. Основные результаты исследования включают определение факторов внешней и внутренней среды, которые указывают инноватору на угрозу имитации; определение эффективных барьеров, которые защищают стратегию голубого океана от имитации; определение способа согласования ценностного предложения, ценового предложения и организационной культуры, который определяет устойчивость стратегии голубого океана.
Ключевые слова	Стратегия голубого океана, устойчивость стратегии, инновация, имитация, имитационные барьеры

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Introduction

Relevance of the Study

Blue ocean strategy is a well-known strategy concept introduced in 2004 by professors of strategy at INSEAD Chan W. Kim and Renée Mauborgne and is based on the assumption that the limits of the market and the industry structure should not be taken for granted and can be rebuilt by the actions and beliefs of industry players. Blue ocean strategy creates new demand and opens up a new market by the simultaneous pursuit of low cost and differentiation. Instead of competing over a diminishing profit pool, businesses are capable of building uncontested market spaces to achieve both profitable and rapid growth (W. C. Kim & Mauborgne, 2004a).

The blue ocean strategy concept became one of the strategy field's biggest buzzwords (Madsen & Slåtten, 2019), and the current economic crisis drew attention to it again. According to the research conducted by McKinsey, 90% of executives believe that the COVID-19 crisis will fundamentally change the business field, and innovation would be key to address new areas of opportunities in the next five years (Jordan et al., 2020). The blue ocean strategy in these conditions is a new form of business model innovation allowing organizations to avoid competition and build new demand (Christodoulou & Langley, 2020).

Since the introduction of the concept, research on the blue ocean strategy has advanced rather far (Alam & Islam, 2017). Nevertheless, to date, many issues on the execution of the blue ocean strategy remain unexplored. Existing literature on the blue ocean strategy is rather disproportionate: while there is solid research on the essence of the blue ocean strategy and strategic tools used for blue ocean formulation, as well as on the implementation of the transition to blue oceans, there is a significant lack of studies focused on the issue of maintaining a strategy in an uncontested market space or sustainability of blue ocean strategy. After making the transition to the blue ocean, an organization will face imitators sooner or later, which will lead to the blue ocean turning red (W. C. Kim & Mauborgne, 2005). In the existing literature on blue ocean strategy, the factors that affect the longevity of an organization's performance in a blue ocean without imitators' intervention and means of blue ocean borders protection remain unexplored.

The issue of the sustainability of the blue ocean strategy is of particular interest. Successful implementation of relevant strategic tools for new demand creation and shifting to a blue ocean does not guarantee that imitators from related industries would not follow an organization (W. C. Kim & Mauborgne, 2004a). Therefore, academics and practitioners are interested in ensuring the strategy's success, which is also associated with effective maintenance of superior performance after a new market is opened and a successful transition to it is made.

This proves both scientific and practical relevance of the present research. It is necessary to develop a multi-disciplinary approach to explore the sustainability of the blue ocean strategy, provide a comprehensive view on the execution of the blue ocean strategy and identify practical recommendations on effective maintenance of the strategy in an uncontested market space for those market players who have already made a shift to a blue ocean and are aiming to prevent other players from imitation of innovation.

Research Questions

The present research aims to expose factors that constitute maintenance of the strategy in an uncontested market space, preventing other players from blue ocean strategy imitation, and therefore transforming blue oceans into red oceans.

Given the stated research goal, the present study aims at answering the following research questions:

1. Which factors indicate that blue ocean turns red?
2. What are the factors that affect the sustainability of the blue ocean strategy?
3. How are the three core propositions of the blue ocean strategy aligned?

The structure of the present research is built as follows. The first chapter discusses existing academic knowledge, concepts, and tools on the subject matter used to design the research. The second chapter discusses and justifies the methodology chosen for the research. The third chapter describes the research findings. The fourth chapter is devoted to discussion of the research findings and their implications, as well as research limitations.

Chapter 1. Theoretical Background

The present chapter is devoted to presenting the results of the analysis of the academic knowledge on the sustainability of the blue ocean strategy.

1.1. General Concepts

To conduct the research, it is necessary to state basic concepts and definitions. The concept of the blue ocean was first introduced in 2004 by Chan Kim and Renée Mauborgne in the article «Blue Ocean Strategy» published in Harvard Business Review. According to the authors, the business universe consists of two types of spaces: red and blue oceans, and these two types are opposed to each other. While red oceans denote industries that are in existence today with stated rules of competition, blue oceans are unknown market spaces, unattained by competition (W. C. Kim & Mauborgne, 2004a). Blue ocean can be defined as an untapped market space that gives a business an opportunity for demand creation and high profitable growth (W. C. Kim & Mauborgne, 2005). Since these two market spaces are opposed to each other, traditional strategic tools designed for effective and successful competition within existing industries (red oceans) cannot be used to open untapped markets and make a successful transition to them. Instead, a completely different strategic approach that takes into account the very essence of blue oceans and aims to create new industries and demands within them has to be used. This strategic approach is called the blue ocean strategy and is based on defying the widely accepted assumption of the competition-based strategy that competitive advantage is a trade-off between differentiation and low cost (Porter, 1985).

The blue ocean strategy derives from the premise that decisions and actions of players in the market can shape the state of the economy and industry landscape. The approach in which strategy shapes industry structure is called by Kim and Mauborgne a reconstructionist approach (W. C. Kim & Mauborgne, 2005). It has its roots in the endogenous growth theory of economic growth developed by Paul Romer. The key contribution of Paul Romer was an established model in which the long-run growth rate was determined endogenously, or caused by internal rather than external factors, and proof that, due to externalities, the equilibrium growth rate could be lower than optimal (Jones, 2019). The reconstructionist approach is opposed to the dominating in economy structuralist approach according to which external conditions form the structure and strategy of an organization.

The blue ocean strategy is the process of simultaneous pursuit of differentiation and low cost in order to open up a new market space and create new demand (W. C. Kim & Mauborgne, 2005). The cornerstone concept of the blue ocean strategy is value innovation defined as a process of creating a leap in value for both buyers and company (W. C. Kim & Mauborgne, 2005). Notably, that authors use the terms differentiation and low cost which are known in the strategic field as two generic strategies of outperforming rivals in an industry (Porter, 1998b). Differentiation is understood as providing customers with products and services separate from those of competitors in order to achieve a competitive advantage (Gareche et al., 2019). Low cost, also known as cost leadership strategy, is obtained by realizing similar to competitors' goods in a given market at lower prices than those of competitors to raise sales, and low cost strategy depends on managing costs (Islami et al., 2020). According to Michael Porter, differentiation and low cost are incompatible strategies that cannot coexist within one strategy (Porter, 1998b). The blue ocean strategy, nevertheless, challenges the widely accepted assumption of the trade-off between low cost and differentiation. In the blue ocean strategy, a new demand is created by offering buyers an unprecedented value, or utility. At the same time, costs of the company are kept low. The success of the blue ocean strategy depends on the company's ability to offer consumers an unprecedented value, or utility, simultaneously with reducing costs. Value innovation in the context of blue ocean strategy is not always synonymous with technological innovation and market pioneering and takes place only when the whole structure of the company's utility, price, and cost activities is properly aligned (W. C. Kim & Mauborgne, 2005).

Kim and Mauborgne presented academic and business communities with a set of frameworks to transit to a new market space called blue ocean such as Strategy canvas, Four actions framework, ERRC Grid, Six paths framework, Pioneer migrator settler map, Buyer utility map, Price corridor of the mass. Notably, that some of these concepts are not unique for the blue ocean strategy but are used in competitive markets as strategic tools as well. For the purposes of the present research, Strategy canvas is of particular interest, as it is not only used for making blue ocean strategic move but is provided by the authors as the tool for maintaining the sustainability of the blue ocean strategy.

Strategy canvas is a diagnostic tool and an action framework that represents the existing competitive landscape and the possible opportunities for a company graphically (Papazov & Mihaylova, 2016). The horizontal axis on the strategy canvas represents the spectrum of variables across which a company within an industry competes and spends, and the vertical axis measures the degree of value that a company's customers obtain through both of these main strategic considerations. A value curve, also called by the authors a competitive profile, is a graphic representation of the relative success of a product through competition factors in an industry. Strategy canvas helps a company to determine its present market position as well as the primary factors on which an industry competes. It induces blue ocean movers to act by refocusing their attention away from competitors and toward alternatives, as well as away from customers and toward non-customers (W. C. Kim & Mauborgne, 2005).

The present research is focused on the concept of sustainability of the strategy. Therefore, relevant for the study definition of strategy must be stated, and understanding of sustainable strategy is needed to be defined.

According to Mintzberg, the field of strategic management cannot afford to rely on a single definition of strategy (Mintzberg, 1987). There is no unified and widely accepted definition of strategy. Mishra and Mohanty have analysed 273 definitions of the strategy formulated during the last 80 years and identified 6 approaches to strategy formulation. The planning approach understands strategy as a conscious and systematic plan to meet long-term goals of a company. The fit approach describes strategy as an adjustment of an organization's internal strengths to the external environment. The dynamic adaptation, or emergent, approach identifies strategy as occurred by chance, when adaptation to change is needed. The positioning approach understands strategy as a different set of activities to differentiate a business from competitors and deliver a unique value to customers. The resource-based approach defines strategy as a way to effectively utilize key organizational resources. The stakeholder's approach lies in maximizing interests of a firm's stakeholders. The authors underline that the dominance of a particular approach highly depends on a particular time period, and during the last four decades, the positioning approach has been the most dominant approach followed by the resource-based approach (Mishra & Mohanty, 2020).

Kim and Mauborgne define blue ocean strategy as the set of managerial actions and decisions determined by the simultaneous pursuit of differentiation and low cost aiming at opening a new market (W. C. Kim & Mauborgne, 2004a). Blue ocean strategy definition can be attributed to the planning approach which understands strategy as the adoption of courses of action and the allocation of resources necessary for carrying out organizational objectives (Chandler, 1962). This understanding of strategy will be used in the present research.

Nowadays, sustainability is majorly understood as the three dimensions of business performance: social, environmental, and financial (Alshehhi et al., 2018). However, from a business perspective, sustainability can be seen as the capability to last in time (Giovannoni & Fabietti, 2013). Wales is also of the same opinion about the essence of sustainability, claiming that sustainability is about taking a more long-term view (Wales, 2013). Colbert and Kurucz defined sustainability as «keeping the business going» referring to the ability to maintain business (Colbert & Kurucz, 2007). Oxford Dictionary of Business and Management provides the following definition of the term «sustainable»: able to be maintained at a certain rate or level ("A Dict. Bus. Manag.," 2016).

For the purposes of the present research, the sustainable strategy will be defined as a strategy able to be maintained over time.

1.2. The Sustainability of the Blue Ocean Strategy

The sustainability of the blue ocean strategy is understood by Kim and Mauborgne in the same way as stated in the previous section of the present chapter: able to be maintained over time. According to Kim and Mauborgne, once a firm creates a blue ocean and its powerful effects are known, imitators emerge on the horizon, sooner or later (W. C. Kim & Mauborgne, 2005). By asking the question «How soon or late will the imitators come?» the authors confirm the notion of sustainability mentioned above: sustainability of the blue ocean strategy refers to the longevity of organization's position in the new market space.

The authors consider imitation as the factor that can affect the sustainability of the strategy. By asking the question «How easy or difficult is blue ocean strategy to imitate? » while addressing the issue of sustainability and renewal of blue ocean strategy, Kim and Mauborgne, in fact, equate sustainability and inimitability, therefore making sustainability dependent on the presence of the inimitability of the strategy. Such an approach to a tight connection of sustainability and inimitability is not new for strategic thought. For instance, Teece, while discussing superior enterprise performance, uses «sustainability» and «non-imitability» as synonyms (Teece, 2007). Inimitability as the factor affecting sustainability is also used in the concept of sustainable competitive advantage, introduced by Michael Porter in 1985. Porter did not define competitive advantage in his 1985 book «Competitive advantage: Creating and sustaining superior performance», but stated that competitive advantage derives from a company's ability to provide superior value to its buyers that exceeds the firm's cost of creating it (Porter, 1985). Porter identified two basic types of competitive advantage: cost leadership and differentiation. Cost leadership positioning within an industry means that a company sets out to become the low-cost producer in its industry, while differentiation positioning requires a firm to be unique in its industry along those dimensions that are widely valued by buyers. Cost leadership, differentiation, and focus are three generic methods, or ways to position a firm in the industry derived from these two types of competitive advantage combined with a firm's activities. Each generic strategy gives a route to a firm's above-average performance, or competitive advantage (Porter, 1985).

The blue ocean strategy implies the creation of a new market, which in theory should lead to the impossibility of applying concepts of market competition, such as competitive advantage, to uncontested market space. However, Kim and Mauborgne claim that competitive advantage is the result of the blue ocean strategy, providing examples of blue ocean strategy cases of Comic Relief and Salesforce: although blue ocean strategists are not focused on building a competitive advantage, they often achieve the greatest competitive advantage at the end (W. C. Kim & Mauborgne, 2017). Every leading in the market organization, by definition, has a competitive advantage, which is considered by the authors as the dependent variable. The difference between the competitive advantage of Porter's competitive strategy and the competitive advantage in the blue ocean strategy lies in the independent variable or means of its achievement. While Porter believes that competitive advantage is achieved by means of right positioning in the industry and implementing a generic strategy, Kim and Mauborgne believe that the independent variable, or means of achievement of competitive advantage, lies in the quantum leap in value, also known as value innovation (Kim and Mauborgne, 2017). Thus, competitive advantage is an outcome of not only the competitive strategy but the blue ocean shift as well.

Competitive advantage tends to be undermined by competition (Porter, 1985). Blue ocean strategy is no exception: sooner or later competitors would appear on the horizon once the company establishes its blue ocean (W. C. Kim & Mauborgne, 2005). The speed with which competitive advantage is eroded depends on the ability of competitors to challenge either by innovation or imitation (Grant, 2005).

1.3. Innovation and the Blue Ocean Strategy

In its broad sense, innovation can be defined as a new way of doing things that is commercialized (Porter, 1998a). The Oslo Manual provides the following definition of innovation: a new or improved product or business process (or a combination thereof) that differs significantly from the firm's previous products or business processes and that has been introduced on the market or brought into use by the firm (*Oslo Manual 2018: Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition | En | OECD*, n.d.). Edwards-Schachter identified 10 types of innovation: technological innovation, product innovation, process innovation, service innovation, business model innovation, disruptive innovation, radical innovation, design-driven innovation, social innovation, and responsible innovation (Edwards-Schachter, 2018).

There is a rather significant lack of academic literature on interconnections and intersections between the innovation concept and the blue ocean strategy approach. This creates uncertainty in the application of the logic of innovation, including the issue of imitation of innovation, to the blue ocean strategy. According to Kim and Mauborgne, blue ocean is created through value innovation by focusing on the «mass of buyers» (W. C. Kim & Mauborgne, 2005). Agnihotri, however, claims that blue oceans can be created even outside the purview of value innovation. She then provides evidence that radical innovation, disruptive innovation, frugal innovation, and purely differentiation strategy are the sources of blue oceans as well (Agnihotri, 2016). Christodoulou and Langley claim that the blue ocean strategy matches the typical description of business model innovation: It disrupts the current industry, creates a new industry, and provides a pathway to generating unique buyer value, resulting in a company's profits and strategic growth (Christodoulou & Langley, 2020). The authors then state that a need to align more closely the innovation literature with the blue ocean strategy approach and close further the methodological gap between these two major strategic concepts exists (Christodoulou & Langley, 2020).

Kim and Mauborgne highlight that the concept of innovation is much broader than the scope of value innovation (Randall, 2015). Failure to differentiate between the two leads to the fact that innovation breaks new ground but fails to reach the target mass of customers (W. C. Kim

& Mauborgne, n.d.-b). Therefore, value innovation in the blue ocean strategy, following the logic of the authors, implies innovation combined with a leap in value for both buyers and a company. Such a leap is what distinguishes value innovation from innovation in the meaning stated above in the present section. Yet, innovation remains the element that, combined with value for both buyers and a firm, leads to uncontested market space. Blue ocean strategy is about being first to get the customer offering right by linking innovation to value (Randall, 2015). Moreover, even if the question of the relationship between blue ocean strategy and innovation strategy is not fully investigated in the literature, Kim and Mauborgne, nevertheless, when talking about the sustainability of the blue ocean strategy, use the same logic as the authors who study innovation management: once introduced, innovation will be diffused on the supply side through imitation by competitors (Grant, 2018).

1.4. Imitation and the Blue Ocean Strategy

Imitation strategy is commonly seen as an alternative to innovation strategy (Wierzbicki & Nowodziński, 2019). It occurs when one firm purposefully copies products, processes, managerial methods, organizational form, market entry, and/or investment timing of another firm with to fulfil a strategic goal (Young & Barney, 2018). Imitation of superior products, processes, and managerial systems is widely recognized as a fundamental part of the competitive process (Lieberman & Asaba, 2006). In fact, imitation is the most direct form of competition (Grant, 2018). Lieberman and Asaba identified two major grounds for imitation. Imitators mimic practices either to avoid falling behind their rivals, or because they believe that others' actions convey information (Lieberman & Asaba, 2006). In the first case, imitation is motivated by rivals' ability to retain relatively competitive position. When competitors compete against each other on the same products or processes, neither becomes better or worse off than the other. There, imitation is seen as a strategic response to competitors' activities (Haunschild & Miner, 1997). In the second case, adherence to a strategy of imitation is more likely in an environment with a high level of uncertainty, when causality is blurred, and managers are likely to be perceptive to the behaviors of other market players. Imitation strategy brings imitators, among others, the following benefits: lower research and development costs, learning from pioneers' mistakes, a decrease of uncertainty, market approval of the product or process being imitated (Vusumuzi Nani, 2016). On average, imitation costs are 35% lower than innovation costs (Mansfield et al., 1981).

Though imitation has certain advantages, innovation is more likely to result in a stronger sustained competitive advantage in the long run than imitation (Ali, 2021). Consequently, innovators need to protect their innovations from imitation if they want to maintain a sustainable competitive advantage in either red or blue oceans. The means of protection are barriers to imitation, the concept used in both competitive strategies' studies and the blue ocean strategy.

1.5. Barriers to Imitation

Reed and DeFillippi defined a barrier to imitation as restraining or obstructing of imitation by competitors (Reed & DeFillippi, 1990). Porter stressed that barriers to imitation are never insurmountable (Porter, 1985) However, the higher the barriers, the more difficult they are to overcome by imitators. Thus, the «height» of barriers to imitation affects the sustainability of competitive advantage.

Porter states that the sustainability of a generic strategy requires that a firm possess some barriers that make an imitation of the strategy difficult (Porter, 1985). When it comes to cost leadership strategy, the following drivers, or barriers to imitation, make it more sustainable: scale, interrelationships, linkages, proprietary learning, policy choices, timing, and integration. When it comes to differentiation strategy, it is more sustainable when the following conditions take place: sources of uniqueness, cost advantage in differentiating, number of sources of differentiation, creation of switching costs at the same time a firm differentiates. When it comes to focus strategy, three factors, or imitation barriers, determine its sustainability: scale economies, differentiation, channel loyalty, and the size of the segment (Porter, 1985).

Blue ocean strategy carries eight imitation barriers. The first barrier implies that value innovation does not make sense from the conventional logic, meaning that the industry is so used to the established factors on which it competes, that industry players do not take the blue ocean strategic move seriously. Conventional, according to Oxford Dictionary, means being based on or in accordance with what is generally done or believed ("A Dict. Bus. Manag.," 2016). In the context of the blue ocean strategy, conventional strategic logic is opposed to value innovation (W. C. Kim & Mauborgne, 2004b). The example of CNN news is remarkable regarding this barrier to imitation. When CNN was launched, other news corporations ridiculed the very concept of real-time news 24 hours a day 7 days per week news broadcasting.

The second barrier to imitation is the brand image conflict. Brand image refers to consumer’s general perception and feeling about a brand (Li & Sun, 2015). It is the core strategic resource for a company as it is an instigator of brand loyalty (Saeed et al., 2013), which is in turn, a source of competitive advantage for an organization (Maheshwari et al., 2014). Indeed, intentionally giving up a source of competitive advantage is a risky move; therefore, such a cognitive barrier prevents the blue ocean strategy from imitation. The case of the brand image of The Body shop is remarkable regarding the brand image conflict. Along with decreasing other factors on which industry was competing, The Body Shop has eliminated top models as brand ambassadors and glamorous image as a marketing communication message delivered via packaging branding and marketing campaigns. Instead, the company concentrated on natural ingredients as a product base and social awareness. Such an image prevented other cosmetic market players from imitation because imitation would mean abandoning key industry factors such as developmed based on high-tech science products promising eternal beauty and youth and allowed The Body Shop to operate in its blue ocean for more than ten years.

The third barrier to imitation is natural monopoly. Natural monopoly can be described as a market in which, for structural reasons, only one company can maintain profitability (Mosca, 2008). Kim and Mauborgne provide the example of the Belgian cinema company Kinepolis. The natural monopoly, according to the authors, occurred in this blue ocean strategy case the size of Brussels where the megaplex was located. However, in June 2010 the Brussels Commercial Court ordered Kinepolis to pay the compensation in favor of UGC, the company that was about to start construction of a new theater complex. According to the Court's decision, Kinepolis used abusive practices to stop or delay the anticipated construction of a new theater complex (Dolmans & Mostyn, n.d.). Therefore, the relevance of the Kinepolis case can be questioned in the context of natural monopoly as a barrier to imitation affecting the sustainability of the blue ocean strategy.

The fourth barrier to imitation includes legal permits, in particular, patents. A patent grants the temporary right to exclude competitors from using the protected technology. A patented knowledge – due to the exclusionary right – is protected from imitation (Heger & Zaby, 2018). A remarkable example of patent usage to prevent imitation is iTunes. In 2014, Apple won a patent on the user interface of iTunes. User interface, as part of the design of Apple products and services, contributes to the brand equity, which is the source of the competitive advantage for Apple. Protecting the interface of iTunes, admired by millions of users, imposes significant barriers to imitation by imitators.

The fifth barrier to imitation is cost advantage which is created by high economies of scale generated by value innovation. Economies of scale occur when a total cost rises less proportionately than output, and optimal scale occurs at the point where any increase in an output no longer reduces but raises unit costs (Tajul Ariffin et al., n.d.). A remarkable example of economies of scale usage is Wal-Mart, which, due to the volume of purchases from vendors, gains a significant cost advantage over imitators.

The sixth barrier to imitation is provided by network externalities. The increasing utility that a user gains from the consumption of a product or service as the number of other users who consume the same product increases is known as network externalities, or network effects (McGee & Sammut-Bonnici, 2015). Network effects are generally divided into two categories: direct and indirect. Direct network externalities arise from the size of the network, while indirect ones arise from the effect a larger network has on the production of complements (Werden, 2001). The example of eBay is illustrative: the more consumers the platform has, the more sellers it attracts, which provides no motivation for buyers to turn to a possible imitator. Such a network effect is indirect as two groups of users affect the network effect: buyers and sellers.

The seventh barrier to imitation includes significant political, operational, and cultural changes implied by the blue ocean strategy. The example of Southwest Airlines is provided by Kim and Mauborgne. Southwest considered car transportation as the main competitor, and its pricing was built against car transportation. The reduction of such industry factors as price, meals served during flights, lounges, hub links, and seat choice, along with increasing such factors as friendly service, speed of transportation, and frequency of departures allowed Southwest to open up a new market (W. C. Kim & Mauborgne, 2002). Such a combination of factors required significant operational and cultural changes for potential imitators, which allowed Southwest Airlines to operate alone in its blue ocean.

The last barrier is the high level of loyalty from customers, which is called «the brand buzz». This barrier is interconnected with the brand image conflict mentioned above. The difference is that «the brand buzz» barrier is attributed to the customer's perception of the firm, while brand image conflict refers to the company's perception of its market positioning. Brand loyalty is a source of competitive advantage for an organization (Maheshwari et al., 2014). Sammut-Bonnici underlines that customer loyalty, among other factors, might be achieved with the first-mover advantage, and will remain after imitators attempt to follow (Sammut-Bonnici & Channon, 2015). Kim and Mauborgne provide the example of Quicken financial software to illustrate the brand buzz barrier to imitation. Quicken acquired buyers' love by simple and fun to use, but productive software for personal finance management, and Microsoft's attempts to conquer consumers' love with its Microsoft Money was not successful.

1.6. Environment Monitoring as Means of Protection from Imitation

The important concept of barriers to imitation is the entry lag concept proposed by Bain. The lag of entry defined as the period of time required for the imitator to establish itself on the new market determines barriers to imitation. The longer the lag, the lower the risk of entry to the new market (Bain, 1954). In this regard, environmental scanning has become one of the most significant components of strategic planning to identify potential risks and make strategic decisions based on information received (Khan & Khalique, 2014). Therefore, it is of crucial importance for the blue ocean strategist to monitor the situation while the entry lag still exists to make proactive strategic moves to value-innovate again in order to avoid blue ocean turning red.

Shatilo underlines the importance of monitoring both internal and external factors for the innovation management process (Shatilo, 2020). Internal environment factors are defined as specific elements and ways of acting within an organization. These elements include owners of an organization, its managers and leadership, employees, material sources, and organizational culture (Halmaghi et al., 2017). Factors of the external environment are defined as outside forces of the organizational boundaries of business and include customers, competitors, economic, political, technological, and social conditions that somehow affect an industry and an organization in particular (Kowo, 2018).

1.7. Strategic Alignment and the Blue Ocean Strategy Sustainability

Indeed, barriers to imitation increase the level of sustainability of competitive advantage in both competitive markets and uncontested markets. However, these barriers are possible to overcome. Overcoming the barriers by imitators leads to turning the blue ocean into the red, the market space full of rivals with a high level of competition. Kim and Mauborgne answer the question of when to value innovate again, which itself underlines the fact that almost never blue ocean remains the market in which only one company is present. Sooner or later, barriers to imitation are overcome, and a blue ocean begins to get filled with competitors, gradually turning into a red ocean.

For a company to understand when to value innovate again to avoid a new competition, it is proposed to use the Strategy canvas tool mentioned in the previous section of the present chapter. When the value curve of an organization begins to converge with those of the competition, it is necessary to reach another blue ocean (W. C. Kim & Mauborgne, 2005). This is the logic followed by a company named Tuzak, a Turkish room escape game operator. The concept of room escape games implies that a group of players works together to solve puzzles and find clues and complete stated tasks in order to get away from the game's place, initially a room, in a limited period of time. Games are set in some fictional locations and are supervised by a gamemaster. Room escape games occurred in the 2010s and gained popularity as an entertainment game building such skills as teamwork, communication, critical thinking, and problem solving rather quickly. Tuzak was one of the first room escape game operators in Istanbul. The company has changed the initial concept by establishing a flat as the space for the game instead of a single room. Tuzak converted a room escape game into an escape game, therefore expanding the boundaries of the game and the possibilities of space which led to opening up the blue ocean and conquering new demand. However, three years after blue ocean turned red again resulting in 185 escape game operators in Turkey. To make a shift from the red ocean to a new market space again, Tuzak created portable escape games available in various shopping malls, therefore opening up a new industry again. The case of Tuzak confirms the possibility of opening blue oceans again when they turn red (Gündüz, 2018). Thus, in essence, the company is chased by imitators, constantly trying to escape from occurred competitors to the new market space, therefore reinventing and reopening blue oceans. This order of things seems to be taken for granted in the blue ocean strategy. However, a logical question arises: if competitors' entrance into a new market space, or blue ocean, is unavoidable, are there any factors that influence the duration of a company’s sole existence in an uncontested market space, therefore, strategy’s sustainability?

According to Kim and Mauborgne, a successful blue ocean strategy that has sustainability requires strategic alignment of three propositions: the value proposition, the profit proposition, and the people proposition (W. C. Kim & Mauborgne, 2015). The value proposition is a strategic tool that is used by a company to communicate how it aims to provide value to customers (Payne et al., 2017). The concept of value proposition is connected specifically with the relationship of the company with its customers, meaning that the company provides them with some unique benefits. Lanning states that the concept of value proposition answers the questions of what are the benefits that will be offered to what customer group, and at what cost (Lanning, 1998). The profit proposition refers to a company's capacity to develop a business model that allows it to profit from what it offers to a market. The people proposition is understood by Kim and Mauborgne as a motivation of people working for or with the company to execute the strategy (W. C. Kim & Mauborgne, n.d.-a). The people proposition in some cases might address various groups of stakeholders such as employees and supply chain partners. Notably, that the authors highlight the people proposition as the factor which is inherent to the sustainability of the strategy. While one or two propositions are relatively easy to imitate in a short time period, simultaneous and fast imitation of value proposition, profit proposition, and people proposition is difficult. The people proposition is especially difficult to imitate as it reflects human relationships both within an organization and with stakeholders outside an organization which affects the time and energy resources of an imitator. These three propositions should not only be aligned to ensure strategy sustainability but cut across an organization meaning that the whole system of an organization’s activities should be covered by the alignment (W. C. Kim & Mauborgne, 2015).

Strategic alignment is essential for the high performance of firms in both red and blue oceans. However, the means of achievement of strategic alignment differ in competitive markets and uncontested markets. While in red oceans three strategy propositions need to be aligned with the distinctive choice of pursuing either differentiation or low cost within given industry conditions, in blue oceans value proposition, profit proposition, and people proposition are aligned with both low cost and differentiation (W. C. Kim & Mauborgne, 2015).

Kim and Mauborgne cite the case of the UK fund-raising charity organization Comic Relief to illustrate the alignment of three propositions with the simultaneous pursuit of differentiation and low cost. The thriving blue ocean strategy of Comic Relief is built on aligning the propositions of value, profit, and people so that each strengthens the other. Comic Relief created such a unique proposition for customers by offering them to donate the tiniest donation, thereby expanding the market in comparison with other charitable organizations which rely mainly on large donations from prosperous donators. The fundraising process turned into a pleasure for all people which strengthened the value proposition of Comic Relief. Instead of establishing its own charity shop, the organization markets its red noses through local retailers. Administrative expenditures are minimal since it gives gifts to other organizations rather than running its own activities. The cost of its fundraising is negligible as well, which leads the company to a strong profit proposition. Finally, Comic Relief's people proposition is based on a small team motivated by the value proposition, as well as on the reliance on empowering voluntary fundraisers, corporate supporters, and actors to keep the benefit and income propositions viable (W. C. Kim & Mauborgne, 2015).

Blue ocean strategy alignment of value proposition, profit proposition, and people proposition around low cost and differentiation is equally effective in for-profit, non-profit, and governmental organizations. Strategy alignment was used in the case of the city-state of Dubai. Dubai's value proposition targets foreign investors who contribute to the state's economic development. Because of its profit proposition, the government has been able to prosper and extract income from those investors. The value and profit propositions of Dubai have encouraged both its own inhabitants and its external partners — foreign expatriates — to believe in and embrace them, therefore forming the people proposition. (W. C. Kim & Mauborgne, 2009).

Kim and Mauborgne state that failure to align the three strategy propositions is a key reason why market-creating innovations fail to become sustainable businesses (W. C. Kim & Mauborgne, 2009). The authors, nevertheless, do not deeply disclose the value proposition, the profit proposition, and the people proposition in the context of sustainable strategy, which leads to logical questions on how to create and execute these propositions, what are their features in the context of the blue ocean strategy, and how are they connected to barriers to imitations mentioned earlier in the present section of the research. The academic literature on the blue ocean strategy also very rarely concentrates on the issue of sustainability of the strategy. Therefore, there is a lack of deep research about three propositions and methods of their formation. It seems that academic and business communities are still more focused on the analysis of value innovation and making a shift to the blue ocean than on answering the question of what happens after value innovation is created and the shift is completed, and how should a company develop its strategy to succeed in the new market space.

1.8. Summary of the Chapter

For the purposes of the present research, the sustainability of the blue ocean strategy is understood as an ability of an organization to maintain its competitive advantage in an uncontested market space over time without imitation or competition. The issue of the sustainability of the blue ocean strategy is poorly investigated in the existing strategy knowledge field. On average, the domination of an organization over imitators in a blue ocean lasts for ten to fifteen years. However, when some organizations are approached by imitators in less than three years, other organizations are capable of maintaining their strategies in uncontested market spaces for much longer.

The means of blue ocean borders protection are preventive environment monitoring, barriers to imitation, and strategic alignment of core propositions of the blue ocean strategy.

It is necessary to monitor both the external and internal environment of an organization to timely notice an imitation of the blue ocean strategy and protect the borders of a blue ocean. However, the existing literature does not specify which factors of the external and internal, or organizational, environment to be monitored by blue ocean strategists in order to react proactively if a threat of imitation occurs.

According to the authors of the blue ocean strategy, the factors that affect the sustainability of the blue ocean strategy are barriers to imitation. The blue ocean strategy carries eight imitation barriers: conventional strategic logic, brand image conflict, natural monopoly, legal permits, cost advantages, network externalities, substantial changes to political, operational, and cultural business practices, and brand buzz. Even though barriers to imitation protect the borders of the blue ocean, they are never insurmountable. The literature on the subject matter, nevertheless, does not disclose which of the barriers affect the longevity, therefore sustainability, of a company's presence in the blue ocean.

The blue ocean strategy that has sustainability requires strategic alignment of the value proposition, the profit proposition, and the people proposition. Even though the authors explain that all three propositions should be present in order to sustain the blue ocean strategy, no information is given regarding how should the value proposition, the profit proposition, and the people proposition be interconnected with each other within an organization.

Therefore, the present research aims to reach the research goal of exposing factors that constitute maintenance of the blue ocean strategy, preventing other players from transforming blue oceans into red oceans, by answering the following research questions:

1. Which factors indicate that the blue ocean turns red?
2. What are the factors that affect the sustainability of the blue ocean strategy?
3. How are the three core propositions of the blue ocean strategy aligned?

The next chapter of the present research is devoted to describing and justifying the research methodology chosen for answering the stated research questions.

Chapter 2. Research Methodology

The present chapter is devoted to describing and justifying the research methodology chosen for answering the stated research questions.

2.1. Research Design

Research design is defined as a plan that specifies methods and procedures for collecting and analyzing data (Zikmund et al., 2002). It determines the types of analysis that are to be done to get the desired research results. The chosen research design explains what type of data is required for conducting a research, what research methods are to be used to gather and analyse data, and how data and methods of data analysis respond to the research questions (Bostley, 2019).

Akhtar identified four research design types: exploratory, descriptive, explanatory, and experimental research (Akhtar, 2016). The purpose of exploratory research is to discover ideas and insights in order to formulate hypotheses for future in-depth studies of the problem (Kothari & Garg, 2004). In essence, it is initial research that studies a problem that has not been deeply investigated yet that forms the basis for future research (Singh, 2015). Descriptive research aims at describing accurately the characteristics of a particular individual, or a group as they exist (Akhtar, 2016). Explanatory research is conducted to discover and report some relationships among different aspects of the phenomenon under study (Singh, 2015). Experimental research involves modifying at least one independent variable in a sample of randomly selected subjects in a controlled environment to test a hypothesis (Boettger & Lam, 2013).

The problem of the blue ocean strategy sustainability is poorly studied in the management field. The present research is designed as exploratory research. Such a research strategy will allow the researcher to gain a deeper understanding of the problem of the blue ocean strategy sustainability by identifying the indicators demonstrating that blue ocean turns red and explore the factors that affect the sustainability of the blue ocean strategy. The outcomes of the exploratory research will provide a ground for future in-depth studies of the subject matter. Namely, the basis for investigation of time frames of blue ocean strategy will be provided, the possibility to explore the connection between particular barriers to imitation and time frames of blue ocean strategy will occur as well as the possibility to explore the connection between barriers to imitation and core propositions of the blue ocean strategy.

2.2. Research Method

Three categories of research methods to carry out business research are widely accepted among researchers: qualitative, quantitative, and mixed research (Ayiro, 2012). Qualitative research is an understanding inquiry process that investigates a problem, allowing the creation of a complex, holistic picture, analyzing detailed informant perspectives, and conducting the study in a natural setting (Bacon-Shone, 2013). In essence, a qualitative study allows a researcher to study a research object deeply (Myers, 2013). Quantitative research methodology uses mathematical, numerical, and statistical approaches to establish a cause-and-effect relationship between variables. It analyses and produces numerical data and hard facts (Ahmad et al., 2019). Mixed research methodology is characterized as a study in which the researcher collects and analyzes data, incorporates the results, and draws conclusions using both qualitative and quantitative methods (Tashakkori & Creswell, 2007).

The exploratory design of the present research and the nature of the problem under investigation require a qualitative research method to be implied.

2.3. Methods of Data Collection

In general, qualitative research implies, among others, such methods of data collection as observation, focus group, interview, open-ended survey, ethnography, and content analysis. For the purposes of the present research, interview and content analysis are of particular interest.

2.3.1. Interview as Data Collection Method

According to Sewell, an interview in qualitative research attempts to understand the world from the subject's point of view, to unfold the meaning of peoples' experiences, to uncover their lived world before scientific explanations (Sewell, 1998). In essence, during an interview, an interviewer collects in-depth information about the research topic and interprets this information with the meaning an interviewee puts in it (Somekh & Lewin, 2005).

The first research question seeks to reveal factors that identify blue ocean turning red. Since no previous research or hypotheses about the factors indicating that blue ocean turns red exist, it is necessary to collect opinions and insights on the stated problem. A semi-structured interview was chosen as a method for data gathering as it allows to seek views on a focused topic or, with key informants, for background information or an institutional perspective (Hammarberg et al., 2016). A semi-structured interview includes outlined topics and questions prepared for discussion, however, there is no strict structure that provides both interviewer and interviewee with a room for flexibility. The success of a semi-structured interview is determined by how the interviewer responds to the researcher's questions on certain topics (Adhabi & Anozie, 2017).

Strategy consultants were chosen as interviewees. The reasoning behind the choice of strategy consultants over managers of organizations executing the blue ocean strategy is primary connected to the diverse experience of consultants in innovation management consulting. Moreover, data collected through interviews with managers might be subject to participant biases. Such biases can be explained by the concept of impression management defined as an intention, conscious or unconscious, to control the image represented in social interactions (Schlenker, 1980). To overcome the impression management issue, the interview with strategy consultants was chosen as an appropriate method of data collection, as consultants in this case can be considered as third parties observing the strategic moves of blue ocean organizations.

The chosen method of data gathering identifies the type of data that will be analyzed. Regarding the first research question, primary data will be provided with the use of semi-structured interviews as means of data collection. Primary data is defined as original data collected for a specific research goal (Hox & Boeije, 2004). In other words, primary data is first-hand data.

2.3.2. Content Analysis as Data Collection Method

Content analysis is a research tool that enables researchers to draw clear inferences from verbal, visual, or written data in order to explain particular phenomena in a systematic and analytical manner (Downe-Wamboldt, 1992). The object of content analysis can be any kind of recorded communication. Notably, not only the content of the recorded communication is analyzed, but also so-called latent content, meaning the context of communication (Mayring & Brunner, 2007).

The second research question seeks to investigate deeper the barriers to imitation of the blue ocean strategy. Since the previous research on barriers to imitation provides a general understanding of the phenomenon, and no deep study of their effect on the sustainability of blue ocean strategy in particular cases was conducted, it was chosen to investigate three blue ocean strategy cases in order to understand how particular barriers to imitation affect the sustainability of blue ocean strategy of particular companies. The companies chosen for the analysis are well-known tech companies widely accepted by researchers as blue ocean cases: Airbnb, Uber Technologies, and Netflix. To understand, which barriers to imitation are present in these three blue ocean cases, the content analysis was chosen as the method of data collection. Such an approach would allow the researcher to investigate a large set of recorded communication to reveal patterns indicating that particular barriers to imitation are present.

The third research question aims at discovering the strategic alignment of the value proposition, the cost proposition, and the people proposition. While discussing the strategic alignment of three propositions, Kim and Mauborgne investigate the cases of particular entities such as fund-raising charity organization Comic Relief and the city-state of Dubai using the content analysis of secondary data method. The same approach will be used in the present research. The strategic alignment of the value proposition, the cost proposition, and the people proposition of Airbnb, Uber Technologies, and Netflix will be studied using content analysis.

Content analysis implies secondary data as a result of data collection process. Secondary data is defined as data that was initially obtained for a different purpose but is reused to answer another research question (Hox & Boeije, 2004).

To conclude, depending on the research objective two data collection methods will be used in the present research. To answer the first research question, the qualitative analysis of primary data collected through semi-structured interviews with experts from consulting industry will be used. To answer the second and the third research questions, the qualitative analysis of secondary data collected through content analysis will be used.

2.4. Blue Ocean Cases Chosen for Analysis

The companies chosen for the analysis are well-known tech companies widely accepted by researchers as blue ocean cases: Airbnb, Uber Technologies, and Netflix.

Airbnb is an online platform that connects hosts of accommodations with those who search for accommodations for short-term rent. In essence, Airbnb platform plays the role of the intermediary between hosts and guests. Airbnb does not own accommodations rented out on its online marketplace; rather, it generates revenue by charging service fees to hosts and visitors, and this model allowed the company to enter the new market, therefore making Airbnb a blue ocean strategy case.

The Eliminate-Reduce-Raise-Create (ERRC) Grid clearly demonstrates the creation of the new value curve by Airbnb. The company eliminated the «big name» factor on which hotels in the hospitality industry were competing, investing in brand name recognition. Also, the ownership of the places for rent was eliminated: Airbnb does not own any of the places suggested for rent on its platform. The price was reduced along with the traditional perception of the safety during the stay factor. Airbnb raised the importance of such factors as guests' reviews and evaluation, therefore leveling the reduction of the safety factor. Also, Airbnb raised the variety of types of places to stay: a guest might rent a whole accommodation, a separate room, a hotel room, or shared with other guests place. Moreover, the factor of the importance of the local culture was raised drastically. While market players in the hospitality industry tried to unify the hotels and services all over the world, Airbnb did not take such a factor for granted and, instead, emphasized the differences in culture. Finally, Airbnb created the new industry by giving homeowners an opportunity to benefit from the ownership of a real estate by providing them with the platform to search for a guest. Also, a sense of belonging to the world was created for the guests by creating a feeling that in every part of the world they can find a homestay. The ERRC Grid of Airbnb can be seen below (Table 1).

Eliminate - «Big name» factor - Ownership of the places for a rent	**Raise** - The variety of types of places - Importance of the local culture
Reduce - Price - Safety factor	**Create** - An opportunity to benefit from the ownership of the real estate - A sense of homestay

Table 1. Airbnb ERRC Grid.

Therefore, Airbnb achieved its value innovation by offering hosts an opportunity to benefit from the ownership of the real estate and a unique local experience for travelers at the best price, at the same time simultaneously managing its costs by waiver of ownership of the accommodations posted on the Airbnb marketplace.

Uber is a much-quoted example of a successful blue ocean strategy (Christodoulou & Langley, 2020). Uber is a classic example of a sharing economy company that provides a platform to connect passengers with drivers as independent contractors using a dynamic pricing model. The company does not own means of transportation but provides both passengers and drivers with a reliable web platform for connection.

The Eliminate-Reduce-Raise-Create (ERRC) Grid of Uber looks as follows. Uber has eliminated call-ahead practice and paying directly to a driver problem. The prices for the ride were reduced due to the relatively small percentage of the fare which Uber charges for its services. Also, the imbalance in supply and demand was reduced by providing a service matching the drivers with passengers based on the location. The time of waiting for passengers was also reduced due to the search system based on the location of both the driver and the passenger. The quality of the service for passengers was raised as well as the income of drivers. Uber provided safety to passengers by creating the profiles of drivers and showing the map with the route to passengers. Also, the comfort and the ease of using the app were created. The ERRC Grid of Uber can be seen below (Table 2).

Eliminate - Call-ahead practice - Long waiting time for passengers - Billing problem	**Raise** - Quality of the service - Income of drivers
Reduce - Price - Imbalance in supply and demand	**Create** - Safety for passengers - Comfort and ease of use

Table 2. Uber ERRC Grid.

Therefore, Uber has created value innovation by offering both drivers and passengers a reliable platform for connecting supply and demand, at the same time reducing its costs by not owning car parks.

Netflix is a subscription-based streaming service that allows watching TV shows and movies without commercials. Initially, Netflix was operating on the lending and selling DVDs market. Instead of competing on key market factors, such as price, fast delivery, the capacity of stores to sell or rent DVDs, Netflix has changed the whole experience of media consuming by shifting to a subscription-based model of the service where subscribers can watch TV shows and movies on-demand online.

The Eliminate-Reduce-Raise-Create (ERRC) Grid of Netflix looks as follows. The company fully eliminated commercials and news programs. Also, the stores where customers could buy or rent DVDs were eliminated as well as DVDs themselves as all the movies and shows are available online. These eliminations allowed the company to reduce prices and the complicated installation process. Netflix has raised the number of movies and shows available on the platform. Also, the variety of types of devices through which a subscriber can watch the content was raised: it is available on every device with internet connection. Such a model allowed Netflix to create the possibility to watch the content on the platform from any location. Also, the entertainment experience became comfortable and easy: Netflix gave its subscribers the possibility to watch movies and shows without a need to go to the store or to wait for the delivery of storage mediums. Moreover, the distinguishable feature of Netflix proposition which is appreciated by most subscribers is the created possibility to watch full seasons of TV shows without waiting for a week for the next episode. The ERRC Grid of Netflix can be seen below (Table 3).

Eliminate - Commercials and news programs - DVD stores - DVDs	**Raise** - Quantity of movies and shows - Variety of types of devices
Reduce - Price - Complicated installation process	**Create** - Possibility to watch content from any location - Possibility to watch content on-demand - Comfort and ease of use

Table 3. Netflix ERRC Grid.

Therefore, Netflix created the new market by simultaneously differentiating its offer from other market players with the introduction of the model of online subscription-based streaming platform, therefore capturing a mass of buyers, and decreasing its costs by eliminating costly factors on which the industry was competing.

Airbnb, Uber Technologies, and Netflix have faced competition since the moment of making their shifts to blue oceans. However, while Airbnb and Netflix faced competition on a local level only, Uber Technologies competes with its rivals on a global level already. Therefore, it is necessary to state which level of companies' strategies will be analyzed in the present research. For the purposes of the present research, the global level of strategy will be analyzed. Thus, the barriers to imitation and the strategic alignment will be analyzed on a global level, and the conclusions about the sustainability of the blue ocean strategy in the cases of Airbnb, Uber Technologies and Netflix will be made about the global performance of the companies under investigation.

2.5. Primary Data Collection Process

Semi-structured interviews with strategy consultants were conducted in order to collect primary data to answer the first research question. The three topics of discussion were outlined, and questions within three topics were prepared. However, due to the fact that the factors indicating that blue ocean turns red remain unexplored in the literature, the room for flexibility and reasoning behind mentioned by interviewees factors was left.

Non-random sampling was chosen as a sampling type due to the limitations of the professional network of the researcher as well as the character of the research objective itself: consultants with expertise in innovation management were chosen as the interviewees. Guest and Bunce conducted a research and proved that the full range of thematic discoveries occur almost completely after twelve in-depth interviews are conducted (Guest et al., 2006). Later, the study of Fugard and Potts confirmed the validity of a sample of twelve for data saturation. Notably, that the group has to be homogeneous (Fugard & Potts, 2015). In accordance with these findings, a sample of twelve consultants was chosen for the research. The group of consultants interviewed can be considered homogeneous as they were chosen by certain sampling criteria: strategy and innovation management as the field of professional expertise, and experience of at least two years in strategy consulting. The consultants from the following companies were interviewed: McKinsey, Boston Consulting Group, and Deloitte.

In general, five sampling techniques are widely accepted in the literature: convenience, or opportunistic, sampling, purposive sampling, snowball, or word-of-mouth, sampling, quota sampling, and self-selection sampling (Luborsky & Rubinstein, 1995). For the purpose of the present research, two sampling techniques were chosen. First, purposive sampling was used. Purposive sampling is defined as the deliberate choice of a participant due to the qualities the participant possesses (Etikan, 2016). Second, snowball sampling technique was used. Snowball sampling yields a study sample through referrals made among people who share or know of others who possess some characteristics that are of research interest (Biernacki & Waldorf, 1981). Interviewees were asked to recruit their colleagues who fit the mentioned above sample criteria.

The consultants were found through the professional network of the author of the present research. They were contacted through LinkedIn, provided with a brief background of the research, and proposed to answer interview questions. The interviews were conducted via Telegram calls, WhatsApp calls, or Zoom calls.

In accordance with Shatilo, the interview was based on the assumption of the importance of monitoring both the external and internal environment for proactive reaction if imitation occurs (Shatilo, 2020). Therefore, the interviewees were asked about their perception of the factors of the external environment that should be monitored in order to recognize imitation at its early stages. After the factors were defined, the interviewees were asked about the metrics that can be attributed to each factor of the external environment that should be tracked to reveal the imitation proactively. Accordingly, the interviewees were asked about their perception of the factors of the internal organizational environment that should be monitored in order to recognize imitation at its early stages. After the factors were defined, the interviewees were asked about the metrics that can be attributed to each organizational environment factor. The third group of questions was attributed to the relevance of stated by interviewees factors and their metrics to the blue ocean strategy.

2.6. Primary Data Analysis Process

The data collected using semi-structured interviews were recorded. The consents of interviewees for the recording were received, given the information received would be used for academic purposes only. In total, 204 minutes of audio recordings were collected. After interviews were conducted, the machinery transcripts of recordings were made using AmberScript software. After machinery transcripts were collected, manual transcription was used to ensure the accuracy of machinery transcription. After transcripts were made, the table was created to conduct a thematic analysis. Thematic analysis entails grouping qualitative data into logical groups and looking for consistent patterns and relationships between them. (Figgou & Pavlopoulos, 2015). Such analysis helped to systematize collected data and find consistent patterns in interviewees' replies. The results of the analysis will be addressed in the next chapter of the present research.

2.7. Secondary Data Collection Process

To address the second and the third research objectives, secondary data was collected through the content analysis data collection method.

According to Bengtson, there are no established criteria when using content analysis for the sample size (Bengtsson, 2016). Therefore, the data collection process was conducted until the achievement of data saturation, meaning that there is no additional data that the researcher may use to establish the properties of the category (Hunger & Müller, 2016).

To investigate the factors affecting the sustainability of the blue ocean strategy, or barriers to imitation, and strategic alignment of core propositions, first, the required criteria for the medium were outlined. The following types of medium were outlined in priority order for the purpose of the present research: academic articles which included Airbnb, Uber, or Netflix as the objects of research; academic case studies of these companies; conference papers; market research and data analytics reports conducted by reliable companies and agencies such as GfK, Comscore, The NDP Group, Westat, Ipsos, IRI, Kantar, Gartner Research, IQVIA, and Nielsen; articles and market reports of Big-3 consulting firms: McKinsey & Company, Boston Consulting Group, Bain & Company; articles and market reports of Big-4 audit companies: Deloitte, Ernst & Young, KPMG, PricewaterhouseCoopers; business magazines such as Harvard Business Review, Bloomberg, Forbes, Wired, Inc., Fortune, and The Economist; and other resources which included magazines, newspapers, books, or internet sources containing text, video, or audio content about Airbnb, Uber, and Netflix operations, or interviews with the management of these companies.

Second, the topics for investigation were outlined. To address the second research objective, which is revealing the factors that affect the sustainability of the blue ocean strategy, eight topics were outlined within each unit of analysis as criteria for inclusion: conventional logic of an industry; brand image conflict; natural monopoly; legal permits; cost advantage; network externalities; political, operational, and cultural changes implied; and customer loyalty. To address the third research objective, which is revealing how the core propositions of blue ocean strategy are strategically aligned, four topics were outlined within each unit of analysis: value proposition, cost proposition, people proposition, and strategic alignment of three propositions.

Third, the parameter was included to limit the medium: the date of publication no earlier than the date of opening of the blue ocean by the company chosen for the analysis. For medium information about Airbnb, the parameter is August 2008. For medium information about Uber, the parameter is March 2009. For medium information about Netflix, the parameter is February 2007, the date when Netflix integrated streaming service model to its proposition.

2.8. Secondary Data Analysis Process

In total, 526 units of content from 49 mediums were analyzed. The content that was found relevant for the purpose of the present research was coded according to the topic mentioned in the previous section of the present chapter: eight topics to address the second research objective, and four topics to address the third research objective. After the data was coded, it was analyzed to detect patterns and make conclusions in order to answer the research questions. The results of the analysis will be addressed in Chapter 3 of the present research.

2.9. Research Limitations

Chosen research method and methods of data collection and analysis imply certain limitations.

The interviewing of strategy consultants assumes the analysis of factors indicating that blue ocean turned red through consultants' perception. Also, even if all interviewed consultants have experience in innovation strategy, they were not leading or participating in the projects that included the execution of blue ocean strategy, therefore, the opinions given on the issue addressed are based on their observations of the blue ocean strategy execution rather than on practical implementation of the strategy. To mitigate these limitations, certain criteria were established by which consultants were selected for interviews: strategy and innovation management as the field of professional expertise, and experience of at least two years in strategy consulting. The consultants from the following companies were interviewed: McKinsey, Boston Consulting Group, Deloitte.

The content analysis was chosen as data collection method to address the barriers to blue ocean strategy imitation and strategic alignment of value proposition, cost proposition, and people proposition implies the following limitations. First, focus on words or phrases in isolation, ignoring significance, ambiguity, and context interpretations might be reductive. Second, content analysis involves some degree of the subjective understanding of both the researcher and the author of analyzed content, which may have an effect on conclusions' credibility and validity. To mitigate these limitations, the widely accepted in business and academic world as reliable sources of data gathering were used with the accent on original sources of data. Moreover, the context of the content was taken into account during the analysis, including time, economic and political situation in the country and the world, the background of the author of the content, and his attitude to the unit of analysis.

2.10. Summary of the Chapter

The exploratory design of the present research and the nature of the problem under investigation require a qualitative research method to be implied.

Two data collection methods are used in the present research. To identify which factors indicate that the blue ocean turns red, semi-structured interviews with 12 strategy consultants was chosen as a method for data gathering. To identify factors that affect the sustainability of the blue ocean strategy and how the three core propositions of blue ocean strategy are strategically aligned, the content analysis of secondary data about three blue ocean strategy cases – Airbnb, Uber Technologies, and Netflix – was chosen as the method of data collection. The barriers to imitation and the alignment of core blue ocean propositions will be analyzed on a global level, and the conclusions about the sustainability of the blue ocean strategy in the cases of Airbnb, Uber Technologies, and Netflix will be made based on the global performance of the companies.

To collect and analyze primary data used to address the first research objective, non-random sampling was chosen as a sampling type. Two sampling techniques were used: purposive sampling and snowball sampling. In total, 204 minutes of audio recordings were collected and analyzed using thematic analysis.

To collect and analyze secondary data used to address the second and the third research objectives, first, the required criteria for the medium was outlined, second, the topics for analysis of secondary data were outlined, third, the parameter was included to limit the sources of secondary data. In total, 526 units of content from 49 mediums were analyzed.

The present research implies certain limitations. First, the interviewing of strategy consultants assumes the analysis of factors indicating that blue ocean turns red through consultants' perception. Second, the nature of the content analysis method implies a certain degree of the subjective understanding of analyzed content, which may have an effect on conclusions' credibility and validity.

The next chapter of the present research is devoted to presenting research findings regarding the factors indicating that blue ocean turns red, barriers to imitation affecting the sustainability of the blue ocean strategy, and strategic alignment of the value proposition, the cost proposition, and the people proposition.

Chapter 3. Research Findings

The present chapter is devoted to presenting research findings regarding the factors indicating that blue ocean turns red; barriers to imitation affecting the sustainability of the blue ocean strategy in the cases of Airbnb, Uber, and Netflix; and strategic alignment of the value proposition, the cost proposition, and the people proposition in the cases of Airbnb, Uber, and Netflix.

3.1. Factors Indicating that the Blue Ocean Turns Red

To timely notice the threat of imitation and proactively respond to changes by strengthening means of protection of a blue ocean, it is necessary to monitor both external and internal environment of an organization. External environment monitoring includes scanning the factors outside an organization's boundaries (Kowo, 2018), and internal environment monitoring includes scanning specific elements and ways of acting within an organization (Halmaghi et al., 2017). The present section presents the factors of external and internal environment that indicate that blue ocean turns red revealed through interviews with 12 strategy consultants.

3.1.1. Factors of External Environment

The first group of questions was addressing the external environment of an organization. The goal of this group of questions was to identify, which factors of external environment should be monitored by an innovator precisely in order to promptly notice the threat of imitation. Three main factors of external environment were identified by the majority of interviewees: growth in demand for certain personnel; M&A deals of companies from related industries; change in the behavior of consumers.

The growing demand for certain personnel in the market, according to the majority of respondents, signals about the potential market entrance by competitors. The following comment was given by one of the respondents:

"Particular attention should be paid to the growing demand for product managers, operations managers, and engineers if innovation involves the creation of complex technology. The imitators will try hire specialists for these roles first of all".

Average salaries of key specialists in the market, as well as the percentage increase in the level of demand for talents in a labor market over a certain period of time, were indicated as main metrics that should be tracked by innovators in order to monitor the growing demand for talents.

M&A deals of companies from related industries were listed by ten interviewees. Acquirers see acquisitions as a means to obtain an advantage for themselves, such as entry to a new market or gain capacity (Martin, 2016). One of the respondents provided the following comment:

"Very often imitators lack their own resources to implement a product or service, so they acquire companies that have these resources".

The nature of M&A deals as the factor that indicates that blue ocean turns red does not require any numerical metrics to be tracked to identify the threat of imitation. Instead, the nature of M&A deals, meaning what, how and at which price is acquired, should be analyzed by an innovator to scan the threat of imitation.

Changes in consumer behavior are seen by respondents as the indicator that blue ocean turns red only if such changes in behavior or attitude occur in relation to an organization itself or its offering to a market without significant changes to the offering from the innovator side. The following examples were named as changes in consumer behavior: a different from the usual churn of customers over a certain period of time, and an increase in consumer requirements for a product or service provided by the innovator. One of the respondents provided the following example:

"When a relatively high proportion of our customers began to write to the support team demanding to increase discounts or provide a privileged loyalty program, we started to suspect that most likely someone was offering them an alternative to our product".

The majority of respondents that mentioned the change in customer behavior suggested using the Customer Retention Rate (CRR) and the Refund Rate as metrics to track changes in customer behavior to identify a threat of imitation.

Other less frequently mentioned indicators that blue ocean turns red of external environment include investments of venture capital firms; increased attention of the press to certain topics in the field of business; introduction of specific legal regulations for the industry; and the rise in the cost of contractor services.

3.1.2. Factors of Internal Environment

The second group of questions addressed the internal environment of an organization. The goal of this group of questions was to identify, which factors of internal environment should be monitored by an innovator to promptly notice the threat of imitation. Two factors were unanimously identified by all consultants: the rise of voluntary employee turnover; and change in employees' demands.

In its broad meaning, employee turnover is the entire process associated with replacing a position that was vacated voluntarily or involuntarily (Woods, 2012). Generally, turnover is divided into two categories: voluntary, which is initiated by an employee, and involuntary, which is initiated by an employer (Iqbal, 2010). Pointing out this factor, the respondents emphasized that it is the voluntary turnover that should be monitored by the innovator. Among the metrics proposed by consultants for turnover monitoring were the employee turnover rate and turnover intentions, which is a metric used to determine whether workers plan to leave a company within a certain time frame, and determined by using anonymous questionnaires. One of the respondents provided the following example:

"Employee turnover rate almost always rises when imitators appear. If there is an increase in the voluntary turnover rate, special attention should be paid to exit interviews in order to identify the reasons for leaving".

Change in employees' demands is referred to any changes in the behavior of employees in relation to the employer without any significant changes in the working process or organizational culture from the employer's side. Demands to raise wages or demands to change working conditions were cited as examples.

"Of course, in such cases, the business should always investigate the motivation behind the changing demands of workers, but in most cases, such demands of employees working in an industry that did not exist before mean that they have alternative employment offerings".

3.2. Factors Affecting the Blue Ocean Strategy Sustainability

Barriers to imitation are the means of the protection of the borders of a blue ocean and are considered as factors that affect the sustainability of the blue ocean strategy. The blue ocean strategy carries eight imitation barriers: conventional strategic logic, brand image conflict, natural monopoly, legal permits, cost advantages, network externalities, substantial changes to political, operational, and cultural business practices, and brand buzz. The present section describes research findings of blue ocean strategy barriers to imitation in three blue ocean strategy cases: Airbnb, Uber Technologies, and Netflix. The conclusions about the presence of particular barriers to imitation in the cases under investigation were made based on the analysis of the global strategy of the companies and their global competitors.

3.2.1. Barriers to Imitation in the Airbnb Case

Airbnb has created a new industry within the hospitality industry by introducing a new business model. According to Brian Chesky, the CEO of Airbnb, the business of Airbnb is offline-to-online, meaning that the company with such a model brings the internet back to the real world. Therefore, the company is responsible not only for the online part of the product, the platform itself but for the offline part of the product, which is the experience both hosts and guests have from their interaction. Such a model indeed might be an imitation barrier for the hotels, but not for other travelling platforms. For instance, currently, Booking.com is developing its «Homestay section» within its platform. Therefore, even if conventional logic of an industry could be considered as a barrier to imitation when Airbnb launched in 2008, currently the barrier is overcome. The same logic is applied to the brand image conflict as a barrier to imitation. When Airbnb was launched in 2008, such a conflict was predicted for the hotel industry, but not for the online travel platforms. Even though the conflict for the hotel industry existed initially, eight years after the launch of Airbnb, famous hotel chains started entering the home-sharing segment. For instance, AccorHotels acquired Onefinestay, the startup operating in a short-term rental industry (Gallagher, 2016). Therefore, in the case of Airbnb, neither conventional logic nor the brand image conflict are barriers to imitation as they were overcome by related industry players.

Among the data analysed, the network effect in the case of Airbnb is apparently the most widely discussed and the most widely accepted as a barrier preventing competitors from entry and imitation. By providing both hosts and guests with value, Airbnb reached the necessary scale, which, in turn, gave rise to a network effect. The scale was achieved by the use of multi-homing. Multi-homing is usually perceived as a threat for a platform business and takes place when users of the platform form tie with multiple platforms at the same time (Feng & Marco, 2019). Airbnb contacted users who listed their properties on Craigslist and persuaded them to list on Airbnb in addition to Craigslist. Such a flow of hosts to the platform brought potential guests to Airbnb platform as well. The multi-homing approach, when combined with a better value proposition for both hosts and visitors, enabled Airbnb to hit a large number of renters and property owners at once with relatively low costs, resulting in the growth of the network effect. The network effect for Airbnb is very strong because Airbnb becomes much more valuable to its users if there are many properties to choose from (Ghaffary, 2019). The network effect in the Airbnb case is confirmed by the recently conducted study that proved that the desire of using the Airbnb platform increases with the growth of the number of users, and the greater is the network, the less importance is given by a user to other influencing factors such as influence group perception, and opinions of friends (Vieira et al., 2021). Brian Chesky, the CEO of Airbnb is also of an opinion that network externalities played a crucial role in the success of Airbnb. However, even if the network effect is undoubtedly present in the case of Airbnb, it did not rescue Airbnb in 2011 from imitation when the company faced the threat from the European company Rocket Internet lead by the Samwer brothers. The business model of Rocket Internet was built on the analysis of successful Silicon Valley start-ups and rapid creation of their copycats in Europe with the intention to sell «clones» to their original inspirations (Hoffman & Yeh, 2018). Many of the business models cloned by Rocket Internet include two-sided digital networks with significant network externalities, such as Ebay that was cloned by Samwers in 1999 with Alando. The clone of Airbnb, Wimdu, was no exception: it enjoyed the benefits of the network effect within a year after its launch by achieving 100,000 listings in 150 counties (Kerr, 2016). This case clearly demonstrates that in the case of the Airbnb business model imitation network externalities did not play a role of a barrier to imitation. Network externalities, however, is still claimed as one of the main sources of Airbnb's competitive advantage. Therefore, the source of competitive advantage is not equal to the barrier to imitation.

Blitzscaling, the term introduced by Reid Hoffman, played a crucial role in Airbnb's attempts to protect its innovation from imitation by Wimdu. Airbnb began a rapid internationalization effort by raising $112 million, opening nine international offices in Europe and South America, and increasing ten times the number of bookings within a year, firmly defining its position outside of North America. Such a rapid internationalization helped the company not only to protect itself from imitation but also achieve a large scale, which, in turn, allowed the company to lower its margins per one transaction through the platform. Airbnb charges 3% fee for a host, while its imitators, due to the lack of scale, charge on average from 4% to 9%. Therefore, scale economies are the barrier to imitation in the case of Airbnb achieved by rapid internationalization, or blitzcaling, that started in 2012.

As the CEO of Airbnb claims, loyalty of users and Airbnb culture helped the company to prevent successful imitation by Wimdu. Kim and Kim revealed, that affective commitment, or emotional connection to Airbnb, was described as the key determinant of increased consumer loyalty toward Airbnb. This emotional attachment is influenced primarily by authentic experiences, confidence in the company's offerings, and social advantages such as positive interaction experiences with hosts. Calculative commitment, which implies economic motivators such as pricing fairness, also plays a critical role in enhancing customer loyalty to Airbnb (B. Kim & Kim, 2020). Lee and Kim identified five dimensions of brand personality of Airbnb perceived by both guests and hosts: sincerity (honest and secure), excitement (unique and trendy), competence (successful leader), sophistication (good looking), and ruggedness (tough and rugged) with excitement dimension prevailing (Lee & Kim, 2018). In 2020, Airbnb went public, and its Prospectus underlined the importance of brand loyalty and community as they drive revenue from repeat guests, which accounted of 69% of all revenues from repeated guests (*S-1*, 2020). The foundation of Airbnb's business model is accountability and trust. Before Airbnb opened its blue ocean, investors doubted the idea of staying at strangers' places, and the way Airbnb managed to build trust among its community members and gain brand loyalty, indeed, affected the imitation attempt of the Samwer brothers. Therefore, the content analysis revealed that brand loyalty can be considered as a barrier to imitation in the case of Airbnb.

The organizational culture of Airbnb is usually presented as an example to follow. The company managed to create the right environment for its employees by involving them in defining the company's core values, designing a workspace after the listings on the platform, and a sense of belonging to a common purpose (Razzetti, 2020). The distinct thing about the culture of Airbnb is that it goes far beyond the walls of its office and minds of its employees. Airbnb aligns its hosts with its core values and purpose and invests in community building (Chheng et al., 2017). In 2020, the company created a Host Advisory Board within the company (Carville & Davalos, 2020). The business model of Airbnb implies hosts to be a part of the culture of Airbnb. Such an approach to culture, which includes hosts as culture providers, is hard to imitate for hotel businesses as it would imply the change of business model and rebuilding relationships with both employees and guests. This type of culture bind everyone and everything, all the time, everywhere. On a broad scale, an organization with such culture and approach towards its community is capable of providing immediate, personal, frictionless value (Denning, 2018). Brian Chesky, the CEO of Airbnb, pays special attention to the culture of the company and the community around it in the interviews he gives and believes that this culture prevented imitation by Wimdu. Thus, culture is the barrier to imitation in the case of Airbnb.

Natural monopoly takes place when a market in which, for structural reasons, only one company can maintain profitability (Mosca, 2008). No evidence was found about natural monopoly being present in the case of Airbnb. Moreover, the previously mentioned case of Wimdu imitating the business model of Airbnb clearly demonstrates that two or more companies can maintain profitability in the peer-to-peer platforms for short-term renting. And the fact that Airbnb has achieved global dominance due to the network effect does not indicate that Airbnb monopolized the market (Finkelstein & Ayala, 2016).

Airbnb has a rather complicated story with legal regulations across the world. In 2011, three years after its launch, Airbnb faced major problems with local authorities regarding short-term rental regulations. Although not illegal in and of itself, many of the rentals listed on the platform were contravening municipal housing laws and regulations in addition to tax regulations. The hotel industry lobbyists supported local tax regulations that required hosts of the platform to pay hotel or tourist tax for renting out their accommodations. Such issues were faced by the company in New York, Barcelona, London, Berlin, and other major centres of Airbnb business (Coldwell, 2014). Guttentag explained that the company faced regulatory battles over the globe because such innovative models as Airbnb often do not fit within existing regulatory structures (Guttentag, 2017). Wimdu, the copycat of Airbnb, faced the same legal restrictions issues as Airbnb. In 2016, Berlin has enacted some of the strictest vacation rental rules in the country. The city declared short-term rentals on Airbnb and Wimdu platforms illegal (Beck, 2018). Two years after, the restrictions for both platforms were loosened. The essence of legal permits as the barrier to imitation is excluding competitors from competition by benefiting from the advantages provided by those permits. In the case of Airbnb, the opposite situation occurred: legal restrictions against Airbnb are barriers to imitation, and when restrictions are loosened, the barrier diminishes. Therefore, legal permits cannot be considered as the barrier to imitation in the case of Airbnb.

To conclude, eight blue ocean strategy barriers to imitation, stated by Kim and Mauborgne as factors protecting blue ocean strategy from imitation, were analysed in the case of Airbnb. The content analysis of secondary data demonstrated that the following four factors affected the sustainability of Airbnb's strategy: blitzscaling, or fast-paced internationalization, scale economies, user loyalty and culture.

3.2.2. Barriers to Imitation in the Uber Case

Uber and Airbnb are often compared to each other due to the similarities in their business models. While Airbnb is an online platform that connects hosts with guests, Uber is the online platform that connects drivers with passengers. Both companies are examples of sharing economy platform businesses that play the role of intermediaries between platform users, and both companies are cited as the blue ocean strategy cases. However, regarding the sustainability of the blue ocean strategy, Airbnb's blue ocean strategy proves to be more sustainable comparing to Uber, which currently already competes in the red ocean on the global level with Lyft, Curb, and DidiChuxing. Indeed, Uber has immediately outperformed the cab market by opening up a new market space, however, it did not succeed in protecting its market from imitation. According to Cohan, Uber lacks sustainable strategy because the ridesharing market entry barriers are extremely low. Additionally, switching costs are low for both sides of the platform – drivers and passengers (Cohan, 2019).

Initially, the conventional logic of the cab industry was undermined by Uber opening up a ridesharing industry and introducing a new peer-to-peer business model with dynamic pricing based on various pricing factors. The costs were cut by eliminating the labor relationships with drivers and, instead, building independent contractors' relationships, and by the abandonment of the ownership of cars. At the same time, lower prices compared to traditional cab services were provided to stimulate demand from the passengers' side, and a technology platform was introduced to connect drivers with passengers. Such a model required a complete rebuilding of business models of taxi services and allowed to build a relatively high barrier to imitation for the taxi industry. However, this logic could not prevent imitation from the ridesharing industry players. From the very introduction of the new model Uber was pursued by Lyft, currently its major global rival with the identical business model (Trainer, 2020). Therefore, even if the ridesharing model undermined the conventional logic of the taxi industry, and therefore, is a barrier to imitation in the case of Uber for taxi industry players, this factor did not prevent imitators and competitors from entering the ridesharing market. Similarly, brand image conflict became a barrier to imitation for the taxi industry but did not prevent Lyft from increasing its market share on the ridesharing market by, among others, building a ridesharing brand image. Therefore, brand image conflict cannot be considered as the factor affecting the sustainability of the blue ocean strategy.

The analysis of secondary data about the natural monopoly being a factor affecting the inimitability of Uber revealed that Uber cannot be considered as a monopoly. The continued introduction of new ridesharing businesses around the world, as well as Lyft's growth, indicate that the market is anything but a natural monopoly. Multiple ridesharing services coexist in cities. (Meyer, 2016). To date, even if Uber dominates the global ridesharing market, other players are present in the competitive landscape (*Ride Sharing Market Size, Share & Industry Analysis, By Type, By Commute Type, By Application Type and Regional Forecasts, 2019-2026*, 2020). Therefore, in the case of Uber, natural monopoly cannot be considered as the barrier to imitation.

Even though Uber has a patent portfolio comprised of more than 270 U.S. patents and more than 360 worldwide patents, the very idea of ridesharing is not patented because the intellectual property legislation does not allow to patent ideas worldwide. Currently, both Uber and its rival Lyft are in constant litigation with other technology companies over patent infringement disputes which demonstrates that companies are fighting to protect their industry from new entrants. Nevertheless, the results of judicial and non-judicial proceedings indicate that there are no such legal permits that would allow today or when Uber just discovered its blue ocean, to protect the blue ocean with a high barrier of patent protection. Therefore, legal permits are not a barrier to imitation in the case of Uber.

The analysis of publications regarding the economies of scale in the case of Uber identifies that Uber has been unable to take advantage of economies of scale. Given the fact that Uber does not produce anything but the platform, the traditional understanding of scale economies is not applicable to platform business. In the case of Airbnb, the scale economies were achieved by rapid internationalization, which allowed Airbnb to lower its margins per transaction. Airbnb charges a 3% premium for hosts, while its imitators charge from 4% to 9% on average due to a lack of scale. The difference between Uber and Airbnb lies in a pricing model. While Airbnb does not price the accommodations listed on the platform, they are charged by hosts, Uber determines the price of the ride, not drivers. Taken into account that Uber initially lowered the prices for rides to attract the demand side of the platform, passengers, it cannot benefit from scale economies as lowering prices will lead the platform to even bigger losses. Such a pricing model did not allow Uber to take advantage from the scale economies as the value proposition of Uber attracts more drivers to the platform, but not passengers who are attracted by the lower pricing model which is under the control of Uber. Therefore, scale economies can be considered as neither the source of competitive advantage nor the barrier to imitation in the case of Uber.

Network externalities, or network effect, is the most discussed barrier to entry and imitation in platform businesses. Uber itself, when going public in 2019, claimed network effect as the foundation of the platform in its Prospectus (*S-1*, 2019). Indeed, Uber benefits from the network effect, but the characteristics of the network effect are to be taken into account. Uber's network is local: riders transact with Uber drivers within their area, and they are mainly concerned with local Uber driver availability. On the contrary, Airbnb's network is of a global character: visitors are more concerned with the number of hosts in the cities they want to visit, but not with the number of hosts in their home cities. In the case of Airbnb, geographic markets in which the company is present, are interconnected, which leads to a global network, and prevents local players from imitating this global network. However, in the case of Uber, local markets' networks are not interconnected that strongly, which leads to the absence of network effect as a barrier to entry and imitation on the global level.

Leckie revealed factors affecting the loyalty of users towards Uber. The newness of service concept and relative benefits provided by the platform have a positive impact on brand loyalty. It was also demonstrated that perceived value has direct effects on brand loyalty (Leckie et al., 2018). However, the perceived value is mainly based on the price of the trip. One of the main factors by which the players in the ridesharing market compete is the price of a trip for passengers. Taking into account the sensitivity of the mass of passengers to the price, the key criterion for choosing a service for transportation is the price of the trip, with comparatively the same other things being equal. While brand loyalty is, indeed, present in the case of Uber, and the platform has its competitive advantage towards new market entrants, brand loyalty is not a barrier to imitation, because it did not prevent Lyft from imitating and gaining its brand loyalty.

Among the factors that prevent imitation on the global level the most frequently discussed one is the ability of Uber to attract massive venture investments when demonstrating great losses. However, Lyft proves its fundraising potential as well. In 2019, Lyft went public and raised $2.2 billion. Therefore, fundraising capability is not a barrier to imitation in the case of Uber on a global level.

To conclude, eight blue ocean strategy barriers to imitation were analysed in the case of Uber Technologies. The content analysis of secondary data identified that Uber lacks any of the eight barriers to imitation that can be attributed to the sustainability of its blue ocean strategy.

3.2.3. Barriers to Imitation in the Netflix Case

Netflix subscription-based streaming service that allows watching TV shows and movies without commercials was introduced in 2007. Netflix was the first to open up a new streaming media video on demand. Four years after, in 2011, Amazon Prime Video, the main Netflix competitor, launched its streaming service. In 2019, Disney + was launched, and HBO Max streaming service was launched in 2020. Netflix benefited from being in the blue ocean for four years. Even though Netflix's CEO claims that the company does not have rivalries, the fact is, to date, Netflix is not the only streaming service in the market, therefore, its blue ocean turned red.

When Netflix launched its on-demand streaming service in 2007, it indeed, broke the conventional logic of an industry of DVD rental and sales when the stores where customers could buy or rent DVDs were eliminated as well as DVDs themselves. However, the conventional industry logic barrier to imitation implies that industry players do not take the strategic move seriously. Taking into account that YouTube video service was gaining popularity among the audience at that time, it cannot be said that the industry did not take seriously online streaming services industry, and subsequent strategic move of Amazon, at that time online movie rental and download service, to shift to a streaming service model demonstrates that when the blue ocean was opened up by Netflix, competitors from related industries saw potential in the Netflix's model. Therefore, neither industry conventional logic, nor the brand image conflict cannot be considered as a barrier to imitation in the case of Netflix.

No evidence was found regarding characterizing Netflix's market position as a natural monopoly. From the very launch of its streaming service, Netflix faced imitation of its business model by Amazon, and the current market situation with various streaming services present on a global level demonstrates that the structure of the streaming services market allows various organizations to maintain profitability.

Regarding legal permits as a barrier to imitation, licensing policy of Netflix was analysed. Netflix collaborates with content creators to license distribution rights to a wide range of TV shows and films. Licensing agreements entail seeking permission from the creators of a TV show or a movie to view the content via Netflix. When Netflix was launched, licensing was an imitation barrier. In 2011-2012, many of Netflix's licensing contracts were subject to renewals, which included renegotiating agreements with content providers. It was during this time that Amazon Prime Video entered the market (Nye, 2011). Therefore, legal permits were a barrier to imitation in the case of Netflix until the expiration of the licensing agreements.

When Netflix launched its streaming service, it was constantly underlying its scalable business model as its competitive advantage: «As we continue to expand our subscriber base, we are able to leverage operational changes in a cost-effective manner which further reduces our operating costs on a per-subscriber basis» (*UNITED STATES SECURITIES AND EXCHANGE COMMISSION FORM 10-K*, 2007). In the streaming on-demand video service market, scale economies are of importance as the costs of acquiring the content are fixed, and Netflix benefits from scale economies. Moreover, in 2013 Netflix launched its first original unit of content «House of Cards», therefore opening up a new blue ocean again. In this strategic move, scale economies are of crucial importance: the cost of making Netflix originals is distributed over a vast subscription base as the number of subscribers grows. Therefore, scale economies can be considered as the barrier to imitation in the case of Netflix.

Netflix benefits from network externalities in two ways. Firstly, network effects result from the interconnection between the number of users and the number of content providers: when the number of Netflix subscribers grows, so does the number of studios who want to sell their content to Netflix in order to reach a larger audience. Secondly, the social aspect of the network effect is included: when more viewers enjoy a certain show, it grows in popularity, prompting more people to watch it. This popularity may instil a sense of «fear of missing out», causing more viewers to subscribe in order to watch a show (Hagiu & Rothman, 2016). The conducted content analysis demonstrates that network effect is a barrier to imitation in the case of Netflix, however, this barrier can be characterized as rather weak.

Netflix states that its policies and culture are a critical component of its success. The conducted analysis revealed that Netflix culture is perceived by many authors and Netflix itself as a competitive advantage. However, no evidence was found that culture is a barrier to imitation in the case of Netflix. The essence of culture as a barrier to imitation is that culture supports the value proposition in such a way that significantly influences the business model. For example, in the Airbnb case, the core of the culture is the hosts and guest's community, which significantly affects the value proposition for both hosts and guests within the multisided platform business model. Hosts, therefore, are effectively embedded in Airbnb's corporate culture. In the case of Netflix, neither content creators nor content consumers are embedded in corporate culture. Thus, the Netflix culture is a competitive advantage because it allows the company to attract talents, but this culture is not a barrier to imitation because it does not permeate significant value and benefits for content providers and users.

In the case of Netflix, customer loyalty is a barrier to imitation. In 2016, Parks Associates conducted research and revealed that Netflix subscribers were much less likely to cancel their subscriptions than those of competitors. In 2016, only 9% of subscriptions were cancelled (McAlone, 2016). Such a rate demonstrates a high level of loyalty of subscribers. Customer loyalty is attributed to the original content produced by Netflix.

Netflix's original content is of particular interest when discussing barriers to imitation. The blue ocean strategy behind Netflix's strategic move in 2007 was to make movies available online. In 2013, Netflix introduced its own shows and films as imitators began to enter the market, therefore, opening up a new market space again. Netflix original content is available exclusively on the Netflix platform. Even though the strategy of investing in original content was imitated by rivalries, the content itself cannot be imitated. The original content produced at Netflix relies on large amounts of data about the preferences of the audience and requires huge investments. Therefore, Netflix's original content is a barrier to imitation.

To conclude, eight blue ocean strategy barriers to imitation were analysed in the case of Netflix. The content analysis of secondary data demonstrated that the following factors affected the sustainability of Netflix strategy: legal permits, scale economies, network effect, customer loyalty, and original content.

3.3. Strategic Alignment of Core Propositions

The sustainable blue ocean strategy requires strategic alignment of three propositions: the value proposition, the profit proposition, and the people proposition. The value proposition reflects a relationship of an organization with its customers meaning unique benefits it delivers to customers. The profit proposition refers to the ability of a company to create a business model which allows a company to make money out of its value proposition. The people proposition addresses various groups of stakeholders including employees and partners and is understood as a motivation of people working for or with the company to execute the blue ocean strategy (W. C. Kim & Mauborgne, n.d.-a). The present section describes research findings on the way core propositions are aligned in three blue ocean strategy cases: Airbnb, Uber Technologies, and Netflix.

3.3.1. The Case of Airbnb

The value proposition of Airbnb is two-sided as both guests and hosts benefit from the platform. Hosts are able to generate income from their property. Additionally, the core part of the value proposition for hosts is trust built through rating and reviewing system, user identity verification, and providing them with insurance against damage to their property. Also, hosts control the pricing of accommodations, but Airbnb takes control of the payment security. Guests, on the other hand, are benefitting from saving money on rent compared to the traditional hotel business. Peer-to-peer renting provides guests with an authentic travelling experience by creating a sense of belonging to a community and experiencing local culture through connections with hosts. Additionally, guests can choose a place to stay of different types according to their preferences, which differentiates Airbnb from hotels providing standardized rooms. Finally, both sides of the platform, hosts and guests, are getting access to a large marketplace where supply meets demand.

The cost proposition refers to creating a business model that allows a business to make money out of its value proposition. Airbnb's revenue model is based on receiving commissions from both sides of the platform. Airbnb charges hosts 3% commission for every successful transaction, and from 6% to 12% from guests for every successful reservation. In addition to creating a two-sided revenue model, Airbnb significantly cut its costs by eliminating ownership of accommodations. Cost structure includes investments in the company's core operations and resources, such as mobile and desktop software maintenance and development, customer acquisition and retention, wages, insurance against damages, and legal and administrative costs.

The people proposition, also called a motivating-people proposition, of Airbnb lies in its culture based on the sense of community. Airbnb culture and motivation system are always referred to as a successful case of culture transformation. Airbnb has redesigned the working space in accordance with the listing on its platform to eliminate the dissonance in what is inside the building and outside the building, and instead put its employees in the mindset of the company's product to create a sense of belonging to the Airbnb's community of hosts, guests, and employees. Additionally, Airbnb understands the behaviours and intentions of the generation of young employees well and makes efforts to motivate them not only through high salaries but via its mission of creating a connected world where people can belong anywhere and integrates mission and core values to the work culture through behaviours, but not through wall-posters around the workspace, according to Brian Chesky. The distinct characteristic of Airbnb's people proposition is that it is not limited to motivating and inspiring employees. Airbnb's CEO believes that the company is responsible not only for the online part of the experience but for the stay in rented accommodations as well. Therefore, Airbnb invests in its relationships with its hosts and their education, and such an approach to the integration of hosts into the corporate culture and product mindset sets Airbnb apart from other platform business models. The hosts are thus in essence not only the clients of Airbnb but in fact the employees broadcasting Airbnb's mindset.

The people proposition can be characterized as hard to imitate and is strategically aligned with Airbnb's value proposition and cost proposition, which makes Airbnb's blue ocean strategy sustainable and prevents imitation.

3.3.2. The Case of Uber

The value proposition of Uber is two-sided, meaning that both drivers and passengers benefit from using a platform. For drivers, Uber provides an opportunity to benefit from their ownership of automobiles and driving skills by generating income from providing rides to passengers. Comparing to the taxi industry, fewer skills are required from drivers. Additionally, the driving app allows drivers to predict and estimate their earnings in real-time, and therefore decide about the number of working hours. For passengers, Uber provides the so-called «custom ride», meaning that a passenger gets the ride from point A to point B stated by a passenger himself in the app at prices lower than were provided by the taxi industry. Also, comparing to the taxi industry, Uber provides an on-demand ride, which does not require pre-orders. The speed of delivering a ride is increased as the platform assigns the closest available drivers for passengers.

In the case of Uber, the revenue model is basically built based on the passengers' trip commissions. Uber takes about 20% of the total fare paid by a passenger. Passengers' demand, scope, waiting time, and travel time are all variables in the dynamic pricing model. Comparing to Airbnb's two-sided revenue model, Uber's revenue model is one-sided. Cost structure includes investments in the company's core operations and resources, such as mobile and desktop software maintenance and development, including the payment system, marketing expenses, employees' wages, insurances, and legal and administrative costs. However, to date, Uber remains unprofitable due to the company's large spendings. The cost proposition refers to creating a business model that allows business to make money out of its value proposition. In the case of Uber, the cost proposition is not present to date.

Uber's corporate culture is often characterized as toxic and aggressive (Sheikh, 2017) in the press. The company was involved in numerous scandals with both its employees and drivers. Uber's motivation system is built on the «win at all costs principle» (Barot & Chhaniwal, 2020), and the turnover rate of both employees and drivers is rather high: just 4% of people who sign up to drive for Uber a year later are still commuting (Efrati, 2017). In 2017, Uber implied a new system of motivation for its drivers by using psychological inducements. The goal of the system was to influence the location and the number of working hours of drivers. However, such innovation was perceived by both press and drivers themselves as a manipulation affecting incomes of the drivers (Calo & Rosenblat, 2017). The content analysis revealed that Uber's motivation system is built on monetary rewards, and as the research demonstrates, monetary incentives do not prevent Uber drivers and employees from quitting. Even though some might argue that such a people proposition is effective, in the case of Uber it is not aligned with either value proposition or cost proposition, which leads to the conclusion that people proposition is not aligned with other propositions of Uber.

As a result, the analysis demonstrated that the three core propositions of Uber are not strategically aligned: even though the value proposition allowed Uber to open the blue ocean, the absence of its alignment with the cost proposition and the people proposition leads to the lack of the sustainability of Uber's blue ocean strategy. Combined with the lack of barriers to imitations described in the previous section of the present chapter, it might be concluded that Uber lacks the sustainable blue ocean strategy.

3.3.3. The Case of Netflix

The value proposition of Netflix is built as follows. Netflix provides its subscribers with a huge library of various types of content which can be watched on-demand, meaning that users have access to content at any time. Netflix users can watch various episodes of a single show in one sitting, known as binge-watching, which differentiates Netflix's proposition from traditional television. Additionally, subscribers can enjoy content without ads and on different devices. Competitive advantage of Netflix is its recommendations algorithm that takes into account what each person has previously watched and enjoyed and suggests relevant content.

The revenue model of Netflix is based on monthly charged subscription fees. It is predicted, that in the future Netflix will be able to get revenue from the licensing of its original content however, some experts express their concerns about licensing the Netflix Originals series. Even though such a model might bring the company new revenue streams, there is a great risk of losing an important aspect of Netflix's value proposition, and therefore, losing subscribers as Netflix Originals is an important aspect of customer retention and acquisition of the company. The cost structure of Netflix includes investments in the company's core operations and resources, such as producing movies, series, and other new contents, purchasing content and licensing fees, software development, platform, and artificial intelligence mechanisms maintenance, maintenance of data centres, research and development, patents, as well as marketing, human resources, and infrastructure.

Netflix's people proposition is built on its culture and motivation system. Employee motivation at Netflix is focused on «talent density and appealing challenges». Netflix cultivates its culture. When Netflix introduced its Culture Desk in 2009, it grabbed the attention of the whole Silicon Valley. Instead of providing strict policies, Netflix asks its employees to rely on logic and common sense in their decision-making. Elimination of formal reviews, and instead, discussing performance with managers during work as an organic part of the work process boosted sincerity among colleagues. At the same time, by providing employees with freedom in decision-making and being transparent about their work and decisions, Netflix cultivates efficiency. It is common to say that Netflix has reinvented human resource management (McCord, 2014). The opinions about Netflix's human resource management policies are controversial, but the company's performance and the rates of satisfaction of employees demonstrate that Netflix possesses the people proposition in its blue ocean strategy. Nevertheless, one must distinguish between good corporate culture as a competitive advantage and the people proposition that permeates the value and the cost propositions. No evidence was found that the people proposition of Netflix is aligned with the value and the cost propositions in such a way that unique benefits that customers get from Netflix's value proposition depend on the motivating-people proposition.

To conclude, the analysis of Netflix's propositions strategic alignment revealed that even though the value proposition is aligned with the cost proposition, the people proposition is not aligned with the value and the cost propositions. Therefore, the blue ocean strategy of Netflix cannot be considered sustainable. This is confirmed by the presence of Netflix's competitors on a global level.

The next chapter of the present research is devoted to the discussion of empirical findings presented in the present chapter, theoretical contribution and managerial implications of the research results, and discussion of limitations of research findings and opportunities for further studies.

Chapter 4. Discussion of Findings and Implications

The results of the empirical study provided insights into the issue of the sustainability of the blue ocean strategy. The present chapter addresses the research objectives and answers the research questions stated in the present work.

4.1. Discussion of Empirical Findings

The analysis of the literature on the issue of sustainability of the blue ocean strategy helped to understand the directions of academic research on the issue of blue ocean strategy, reveal disproportionality in the topics under investigation within the blue ocean strategy, and to identify the theoretical framework of the research. The multi-disciplinary approach was developed to reveal factors that constitute maintenance of the strategy in an uncontested market space, preventing other players from transforming blue oceans into red oceans. The following concepts were used to develop a theoretical framework that constituted the basis for the research: strategic positioning and sustainable competitive advantage within competitive strategy concepts; blue ocean strategy; innovation management; and imitation strategy.

The goal of the present research is to expose factors that constitute maintenance of the strategy in an uncontested market space, preventing other players from transforming blue oceans into red oceans.

To achieve the research goal, the following research objectives were stated:

Research Objective 1: Identify which factors indicate that blue ocean turns red.

To identify, which factors indicate that the blue ocean turns red, the analysis of primary data gathered through semi-structured interviews with 12 strategy consultants was conducted. The results of the analysis demonstrate, that seven factors of external environment and two factors of internal environment indicate the threat of imitation. The factors of external environment that indicate that blue ocean turns red are the following: growth in demand for certain personnel; M&A deals of companies from related industries; change in the behavior of consumers; investments of venture capital firms; increased attention of the press to certain topics in the field of business; introduction of specific legal regulations for the industry; and the rise in the cost of contractor services. The factors of organizational environment that indicate that blue ocean turns red are the following: the rise of the voluntary employee turnover, and changes in employees’ demands.

Research Objective 2: Identify factors that affect the sustainability of the blue ocean strategy.

To identify, which factors affect the sustainability of the blue ocean strategy, the content analysis of secondary data about Airbnb, Uber Technologies, and Netflix was conducted. Barriers to imitation were analyzed in each case. The following four factors, or barriers to imitation, affected the sustainability of Airbnb’s strategy: blitzscaling, or fast-paced internationalization, scale economies, user loyalty, and culture. Uber lacks any of the eight barriers to imitation that can be attributed to the sustainability of its blue ocean strategy. The following factors affected the sustainability of Netflix’s strategy: legal permits, scale economies, network effect, customer loyalty, and original content.

Research Objective 3: Identify how the three core propositions of the blue ocean strategy are strategically aligned.

To identify, how the three core propositions of the blue ocean are strategically aligned, the content analysis of secondary data about Airbnb, Uber Technologies, and Netflix was conducted. The sustainable blue ocean strategy requires strategic alignment of three propositions: the value proposition, the profit proposition, and the people proposition. In the case of Airbnb, the value proposition is aligned with the cost proposition and the people proposition. In the case of Uber, no strategic alignment was revealed: while the company managed to offer the unique value to the market, the cost proposition does not allow Uber to make money out of its offer, and the people proposition is not aligned with the former two propositions. In the case of Netflix, the value proposition is aligned with the cost proposition, but the people proposition is not built into the value and the cost propositions. Out of the three cases analysed, only the strategy of Airbnb can be considered as the sustainable blue ocean strategy. This conclusion is reinforced by the fact that Airbnb still has not faced serious imitation and therefore competition at a global strategic level, while Uber and Netflix have long been in the red oceans. The people proposition, therefore, is the factor that is inherent to the sustainability of the strategy: it is especially difficult to imitate as it reflects human relationships both within an organization and with stakeholders outside an organization which affects the resources of an imitator.

4.2. Theoretical Contribution

The thesis contributes to the complex theoretical understanding of the blue ocean strategy execution by addressing the issue of maintaining the strategy after a successful move towards a new industry is made by an innovator.

The multi-disciplinary framework used to research the sustainability of the blue ocean strategy was developed and is applicable for further in-depth research of particular aspects of the sustainability of the blue ocean strategy. The factors that indicate that blue ocean turns red were identified. These factors can be used in future research to identify points in time when blue ocean turns red. Identification of points in time, in turn, would allow researchers to identify time frames of blue ocean strategy in particular blue ocean strategy cases, meaning the possibility to develop a framework that would predict the threat of imitation of innovation.

The concept of barriers to imitation as factors affecting the sustainability of the blue ocean strategy was confirmed as valid, and an in-depth analysis of eight barriers to imitation in tech companies was conducted. Moreover, two new barriers to imitation were introduced: blitzscaling and original content. These barriers are subject to further research.

The concept of strategic alignment of the value proposition, the cost proposition, and the people proposition in the context of blue ocean strategy was confirmed as valid, and in-depth analysis revealed that the people proposition is the proposition crucial for considering blue ocean strategy sustainable.

Additionally, the present research contributes to the theoretical thought on protecting innovation from imitation.

4.3. Managerial Implications

The research results have practical value as it contributes in the understanding of effective maintenance of superior performance in blue oceans for those market players who have already opened their uncontested market spaces.

The factors of external and internal environment that have to be monitored by blue ocean strategists were outlined, and are to be used by practitioners as a preventive measure to timely identify the threat of imitation.

Barriers to imitation that affect the sustainability of the strategy were defined and confirmed as efficient means of protection of the borders of blue oceans. Practitioners can build relevant for their business models barriers to imitation to strengthen their market positions.

Finally, the way value proposition, cost proposition, and people proposition are aligned was identified. The research findings demonstrate that particular attention of practitioners should be paid to the people proposition as this proposition and its alignment with the former two propositions is the most difficult to imitate, and therefore affects the sustainability of the blue ocean strategy.

4.4. Limitations and Opportunities for Further Research

The present research has a few limitations that could be addressed in future studies.

First, the interviewing of strategy consultants assumes the analysis of factors indicating that blue ocean turns red through the strategy consultants' perception. Also, even if all interviewed consultants have experience in innovation strategy, they were not leading or participating in the projects that included the execution of blue ocean strategy, therefore, the opinions given on the issue addressed are based on their observations of blue ocean strategy execution rather than on the practical implementation of the strategy. In order to achieve a better understanding of the factors of external and internal that should be monitored to prevent the threat of imitation, the study of perception of managers of innovative companies should be conducted.

Second, in order to achieve a better understanding of the factors that indicate that blue ocean turns red, a quantitative study has to be conducted to identify whether the revealed factors change with the growing threat of innovation imitation.

Third, the study of factors affecting the sustainability was conducted using the case study method and implied the study of the cases of three tech companies: Airbnb, Uber Technologies, and Netflix. Even though these tech companies were chosen for the analysis intentionally as they possess similar elements in their business models, the results of the research reveal that the factors affecting sustainability are different in each case study. Moreover, in two cases unique for these cases barriers to imitation were identified. Therefore, the results of the research on the barriers to imitation cannot be generalized to all blue ocean cases, and it is worth conducting additional research with respect to other blue ocean cases to reveal patterns in barriers to imitation and strategic alignment efficiency.

Fourth, the study of the strategic alignment of the value proposition, the cost proposition, and the people proposition implied the study of the cases of three tech companies: Airbnb, Uber Technologies, and Netflix. To confirm the results of the research, the study of strategic alignment on a larger sample of blue ocean cases is to be conducted. This will allow to identify whether the people proposition, aligned with the value and the people propositions, inimitable and affects the duration of a company's presence in a blue ocean.

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