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**AMAZON IN THE NORDICS: THE POTENTIAL OF  
COOPETITION STRATEGY FOR FINNISH COMPANIES**

Bachelor's thesis

International Business Administration, Entrepreneurship and Management

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Tallinn 2022

I hereby declare that I have compiled the thesis independently and all works, important standpoints and data by other authors have been properly referenced and the same paper has not been previously presented for grading. The document length is 11,262 words from the introduction to the end of conclusion.

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## TABLE OF CONTENTS

ABSTRACT .....	4
INTRODUCTION .....	5
1. THEORETICAL FRAMEWORK.....	8
1.1. Coopetition .....	8
1.2. SMEs and e-commerce in Finland .....	12
1.3. Nordic companies and Amazon .....	13
2. METHODOLOGY .....	16
2.1. Research Methodology.....	16
2.2. Data Collection.....	17
2.3. Data Analysis .....	21
3. EMPIRICAL FINDINGS .....	23
4. DISCUSSION.....	30
CONCLUSION .....	34
LIST OF REFERENCES.....	37
APPENDICES .....	41
Appendix 1. Interview.....	41
Appendix 2. Survey.....	42
Appendix 3. Non-exclusive licence .....	43

## **ABSTRACT**

Amazon is a new entrant in the Nordic countries, and its expansion into the Nordic market will inevitably affect Nordic companies. Companies need strategic decisions when Amazon is present, whether they plan to compete with Amazon or not. This thesis aims to examine how SMEs in one of the Nordic countries, Finland, react to Amazon's arrival and how they perceive competition as a strategy when competing against Amazon. The following research questions help to achieve the research aim: "How do SMEs in Finland react to Amazon's arrival?" and "How do SMEs in Finland perceive competition as a strategy against Amazon?" A qualitative research methodology was used with data collected through an expert interview and an open-ended survey. The expert interview was conducted with Professor Vili Lehdonvirta from the University of Oxford. The open-ended survey participants were primarily Chief Executive Officers of 10 Finnish retail SMEs engaged in e-commerce. The findings revealed that Finnish retail SMEs consider the arrival of Amazon less threatening than expected, but are very willing to compete against Amazon. Moreover, Finnish retail SMEs consider competition strategy as neutral to their business when Amazon is present. This thesis has several implications. It contributes to the limited literature on competition strategies in SMEs, especially in the Nordics. This thesis also adds essential insights into the perceptions of local retail companies toward global e-commerce platforms. It provides strategy suggestions for SMEs to develop better resilience against the entry threat of global digital platforms.

**Keywords:** Amazon, Competition, E-commerce, SMEs, the Nordics

## INTRODUCTION

Amazon arrived in Sweden on October 28th, 2020, which was the first launch of Amazon in the Nordic countries (Topholm 2021). This news was not desirable since, in terms of online shopping, retailers had already faced challenges before the arrival of Amazon (Flesland *n.d.*). On the other hand, the ongoing COVID-19 pandemic has accelerated the shift of e-commerce and forced retailers to improve their online shopping capabilities due to the increased willingness of consumers to buy online (Stamp *et al.* 2020). However, e-commerce in the Nordic countries is still in an expanding phase, but it will reach a new peak in the evolution of the Nordic market (Stamp *et al.* 2020; Topholm 2021).

Based on previous expansions, the e-commerce giant Amazon tends to disturb the markets it enters and drive coalescence (Stamp *et al.* 2020). Amazon has achieved a dominant position in markets with lower e-commerce penetration or in markets, Amazon entered before 2010 (Stamp *et al.* 2020). Amazon is considered to have a hard time penetrating and dominating the Nordic market. In a market with fierce competition and mature e-commerce, it will naturally take Amazon longer to reach a leading position (Culpin 2018; Stamp *et al.* 2020). The business-to-consumer e-commerce market in the Nordic countries is significant and proliferating, amounting to approximately EUR 24 billion in 2019, excluding services (Stamp *et al.* 2020). Many Nordic companies have begun to invest in their online offerings and capabilities as e-commerce has become a critical channel based on consumer-driven availability, convenience, and price (Stamp *et al.* 2020). Furthermore, the COVID-19 pandemic has left structural changes in consumer behavior and business overall (Stamp *et al.* 2020). Companies need to make strategic decisions around Amazon and marketplaces in the Nordic countries since Amazon is in the Nordic market for the long run and will exceptionally likely expand its business to the rest of the Nordic markets after penetrating Sweden first (Stamp *et al.* 2020; Topholm 2021).

Amazon is seen to enter the other Nordic countries after first penetrating the Swedish market (Stamp *et al.* 2020). Amazon is a new entrant in the Nordic market, so there is limited research on how Nordic companies react to Amazon's arrival (Gunnarsson, Lilliehorn 2021). Furthermore,

when companies in the Nordic countries decide to compete against Amazon, it is challenging to decide what business strategy they intend to use to defend their market share and gain a competitive advantage. Coopetition seems to be a potential choice. These multinational enterprises (MNEs) can destroy individual smaller companies, but by using coopetition strategy, smaller companies can together survive or even thrive in a market dominated by MNEs (Gradwohl, Tennenholtz 2020). Small and medium-sized enterprises (SMEs), in particular, are considered capable of competing against Amazon by using coopetition (Borba da Silveira *et al.* 2019).

In a complex business environment, coopetition is defensive in nature, and in many cases, coopetition is the only solution for companies to survive (Cygler *et al.* 2018). The defensive nature of coopetition strengthens companies' market position and interests and protects them by creating barriers to entry (Cygler *et al.* 2018; Ritala 2012). Therefore, SMEs have the potential to defend themselves against Amazon by implementing coopetition strategy and exploiting its defensive nature. A key challenge for smaller companies in e-commerce marketplaces is competition against MNEs, such as Amazon, which have significantly more customer data available and are advanced in predictive modeling (Gradwohl, Tennenholtz 2020). In e-commerce markets, cooperative data sharing is indispensable for the survival and success of smaller companies (Gradwohl, Tennenholtz 2020). There are various competitive advantages when SMEs use coopetition strategy and share resources and knowledge (Borba da Silveira *et al.* 2019).

To the knowledge of the author, limited research has been conducted regarding SMEs using inter-organizational coopetition strategy in the Nordic countries, especially inter-organizational competition strategy against Amazon. Overall, there is little research on the motives and interactions of inter-competitor cooperation and coopetition as an activity (Dahl 2017). However, coopetition, especially inter-organizational, has become popular due to challenges of globalization, unsteady economic developments, shortage of resources, and technological change (Zacharia *et al.* 2019). On the other hand, coopetition is still a relatively new and poorly known strategy and phenomenon, especially regarding the multilateral dimensions (networks, clusters) (Cygler *et al.* 2018). Regarding SMEs, less attention has been paid to resources and knowledge sharing in inter-organizational coopetition (Borba da Silveira *et al.* 2019). There is lack of research on simultaneous cooperation and competition, inter-organizational interplay, and the effect on individuals (Dahl 2017).

Thus, the author's interest is to examine how companies perceive inter-organizational cooperation as a potential strategy to their business and how they plan to react to Amazon's arrival – whether they are willing to join Amazon or compete against it. It is of interest to find out for future research how willing SMEs are to compete against Amazon and how they can use inter-organizational cooperation to increase their competitiveness because it is challenging for SMEs to compete individually against Amazon (Gradwohl, Tennenholtz 2020). Also, there is limited research on companies' reactions (Gunnarsson, Lilliehorn 2021). The topic is of current interest because Amazon has not yet expanded to the Nordic countries (excluding Sweden), and companies need to prepare for the entry of Amazon. Also, Amazon tends to disturb the markets it enters and drive coalescence (Stamp *et al.* 2020). Therefore, more knowledge will be gathered and added to the body of literature about inter-organizational cooperation and attitudes toward Amazon with this research. This research will help advance this relatively untapped research field (Cygler *et al.* 2018; Dahl 2017) and help companies, especially SMEs, become more resilient when dealing with global digital marketplaces such as Amazon.

This thesis aims to examine how SMEs in one of the Nordic countries, Finland, react to Amazon's arrival and how they perceive cooperation as a strategy when competing against Amazon. The following research questions help to achieve the research aim:

- How do SMEs in Finland react to Amazon's arrival?
- How do SMEs in Finland perceive cooperation as a strategy against Amazon?

Regarding data collection, a qualitative research methodology was used, and the data were collected through an expert interview and an open-ended survey. The expert interview was conducted with Professor Vili Lehdonvirta from the University of Oxford. The open-ended survey participants were primarily Chief Executive Officers of 10 Finnish retail SMEs engaged in e-commerce. Regarding data analysis, the data were analyzed using methods suitable for qualitative research, such as intelligent verbatim transcript style for the interview and thematic analysis for the survey.

Henceforth, the structure of the thesis. Chapter 1 presents the theoretical framework, which consists of cooperation, SMEs and e-commerce in Finland, and Nordic companies and Amazon. Chapter 2 introduces the methodology, which consists of research methodology, data collection, and data analysis. Chapter 3 reviews the empirical findings. Chapter 4 discusses the findings before concluding the thesis.

# 1. THEORETICAL FRAMEWORK

## 1.1. Coopetition

In 1996, Adam Brandenburger and Barry Nalebuff introduced a new concept of the business strategy called “coopetition.” In short, coopetition is the simultaneous competition and cooperation between competing companies (Gernsheimer *et al.* 2021). There are two types of inter-organizational coopetition, both multilateral and bilateral. Multilateral coopetition is based on networks and clusters, whereas bilateral coopetition is based on bilateral alliances (Cygler *et al.* 2018). Coopetition can also be implemented at the intra-organizational level in which teams, groups, or subunits use coopetition within a company (Dorn *et al.* 2016). However, this research focuses only on coopetition at the inter-organizational level.

There are several benefits when companies use coopetition strategy. The reasons for coopetition are usually considered from either a market or resources perspective (Velu 2018). From the market perspective, companies desire to protect their existing market share, increase the current market size, or create new markets (Velu 2018). From the resources perspective, companies want to use their existing resources more efficiently, use fewer resources, or access resources that they do not possess (Velu 2018). Coopetition is considered a potential strategy to increase innovativeness and market performance through competitive advantage (Ritala 2012). The competitive environment is increasingly global, creating opportunities for companies to engage in cooperative alliances (Ritala 2012). Companies together can develop technology, obtain complementary resources, create new products, stimulate innovations, or enter new markets (Cygler *et al.* 2018). In addition to tangible assets, coopetition between companies is seen as an opportunity to utilize intangible assets, such as sharing skills and knowledge (Cygler *et al.* 2018). The tangible and intangible assets of companies’ coopetition alliance contribute to value creation and dynamic business development. The nature of coopetition can be either offensive or defensive, depending on the proportional opportunities and threats (Velu 2018). In a complex business environment, coopetition is defensive in nature, and in many cases, coopetition is the only solution for companies to survive (Cygler *et*

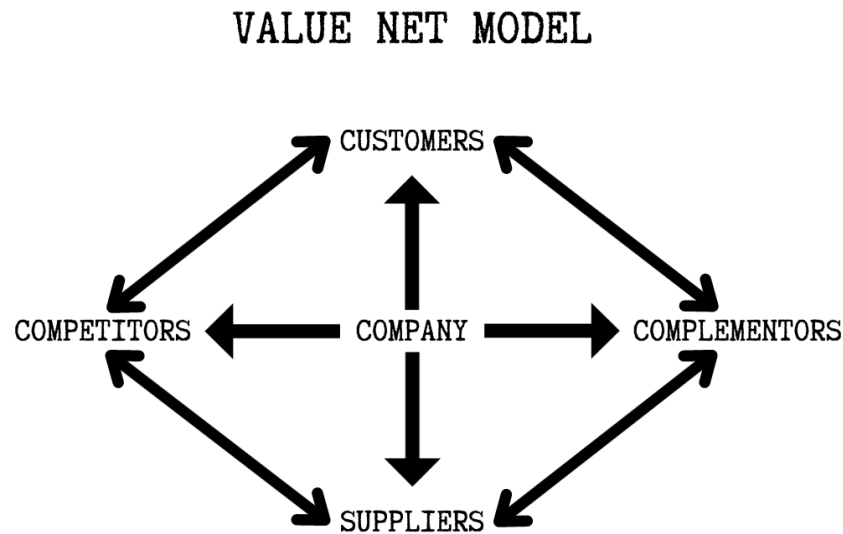


*al.* 2018). The defensive nature of coopetition strengthens companies' market position and interests and protects them by creating barriers to entry (Cygler *et al.* 2018; Ritala 2012). Because coopetition enables the sharing of tangible and intangible assets, companies can turn resources into something valuable that is challenging for other competitors to emulate (Cygler *et al.* 2018). Furthermore, coopetition strategy helps companies achieve their social, economic, and environmental benefits, mainly in the interests of consumers (Cygler *et al.* 2018).

On the other hand, companies should also consider the drawbacks of coopetition, as conflicts between competitors are an integral part of cooperative relationships (Cygler *et al.* 2018). The coopetition relationship between companies is beneficial and risky (Ritala 2012). The concept of coopetition is paradoxical due to companies' simultaneous cooperation and competition (Hansen *n.d.*; Siregar 2009). Achieving competitive advantage while building mutual commitment and trust is somewhat challenging (Siregar 2009). Regarding competitive advantage, coopetition poses the risk of opportunistic behavior in the relationship where the enticement to maximize economic self-interest is present (Cygler *et al.* 2018). Furthermore, a low level of trust in the cooperative relationship reduces the willingness to cooperate and makes long-term cooperation improbable (Cygler *et al.* 2018). In terms of a company, coopetition curtails independence and decision-making, which limits the freedom to operate individually. This complexity of mutual strategic decision-making in coopetition is an obstructive factor, especially when creating cooperative networks (Cygler *et al.* 2018). Particularly in cooperative networks, companies must comply with their contractual rules to avoid conflicts. Violation of the rules causes unethical behavior between the partners, and the coopetition becomes ineffective (Cygler *et al.* 2018). Inefficiency, in turn, refers to problems of cooperation between companies that are detrimental to the image and reputation of companies.

Coopetition is associated with game theory. According to (Carfi, Okura 2014), game theory helps understand cooperative situations and explain behavior in conjunction with inter-organizational relationships. For game theory, Adam Brandenburger and Barry Nalebuff introduced a schematic map called "Value Net," which helps companies visualize their key players and interdependencies (Brandenburger, Nalebuff 2002). In the Value Net Model, a company has four players: customers, suppliers, competitors, and complementors (Figure 1). Customers and suppliers are viewed as the vertical players in the Value Net Model, which means that the cooperation occurs within the value chain. In turn, competitors and complementors are viewed as the horizontal players in the Value

Net Model, which means that the cooperation occurs within the same sector (Brandenburger, Nalebuff 2002; Cygler *et al.* 2018).



Note: Self-designed figure

Figure 1. The Value Net Model based on Brandenburger and Nalebuff (2002)

In order to shape the cooperation strategy with game theory, companies should consider the Value Net Model alongside the PARTS approach (Brandenburger, Nalebuff 2002). The acronym PARTS consists of Players, Added values, Rules, Tactics, and Scope. The concept of Players helps companies recognize their players in the Value Net Model, both vertical and horizontal players. Once the players have been determined, the concepts of Added values and Rules measure what each player in their role can provide the cooperation alliance and what regulations and rules should be followed. The concept of Tactics accentuates the importance of each player understanding their allies' perceptions of the cooperation strategy to prevent misconceptions when taking action. The concept of Scope defines the need to set boundaries to achieve desired results (Brandenburger, Nalebuff 2002; Dobrzanskiy 2017).

Cooperation strategy is an opportunity to gain and develop a competitive advantage (Borba da Silveira *et al.* 2019). SMEs can significantly benefit from inter-organizational cooperation to enhance their competitiveness in a competitive environment. This benefit is because SMEs tend to be flexible in nature, which is a crucial source of competitive advantage (Borba da Silveira *et al.* 2019; Jones 2003). On the other hand, SMEs usually have limited financial resources, which affects the growth rate in a rapidly changing business environment (Hansen *n.d.*). However, SMEs

in cooperative relationships can utilize their rich knowledge and technology by sharing them with each other, thus creating favorable conditions for gaining a competitive advantage (Hansen *n.d.*).

Regarding competitive advantage, the true potential of cooperation occurs when SMEs ally with three or more partners (Czakon 2018). In such multilateral cooperation (network), SMEs can more widely exchange tangible and intangible assets. Network cooperation is also known for value creation. The more cooperative partners are involved, the more value can be created by each company, which has a positive impact on the total available value. (Czakon 2018). However, any company in a multilateral relationship must heed that both horizontal and vertical relationships are needed to secure the position of a company in the cooperative network (Bengtsson, Kock 2000). Namely, a change in one cooperative relationship will cause changes in other cooperative relationships (Bengtsson, Kock 2000). In terms of defending the competitive position of companies, network cooperation, in particular, can block rivalry and create a top-notch position in the market (Lacam, Salvetat 2017).

In order to prevent opportunistic behavior in cooperation, SMEs, in particular, should consider how to ensure a proper cooperative relationship between the partners (Hansen *n.d.*). It is seen that the commonality of interests and trust are essentially the basis for positive cooperative relationships and practical cooperation (Cygler *et al.* 2018). Moreover, cooperation between competitors does not reduce competition; it only reinforces the effects of cooperative relationships (Cygler *et al.* 2018). On the other hand, developing trusting relationships between direct competitors in cooperation is challenging (Lascaux 2020). Companies also need to consider what constitutes reasonable trust in cooperation, as excessive trust increases cooperation and deficient trust increases competition in cooperative relationships (Cygler *et al.* 2018). In addition, companies should build cooperative relationships thoroughly as tensions and conflicts are inevitable in cooperation (Cygler *et al.* 2018).

For companies, cooperation usually requires a redesign of business models before implementing cooperation strategy (Velu 2018). Furthermore, business models are a vital concept that explains how companies can contribute to value creation and cooperation (Velu 2018). Regarding business model innovation, the offensive cooperation strategy could be implemented when the competitive environment is undergoing major changes. Thus, revolutionary innovation is needed. The defensive cooperation strategy could be implemented when the competitive environment is undergoing minor changes. Thus, evolutionary innovation is needed. (Velu 2018).

Due to the globalizing world, coopetition strategy contributes opportunities for companies, especially SMEs. However, companies need to consider that while coopetition strategy brings significant advantages, there are also significant disadvantages. Therefore, the Value Net Model and the PARTS approach by Adam Brandenburger and Barry Nalebuff help companies understand their players with their weaknesses and strengths to build a proper coopetitive relationship. Before companies can implement coopetitive relationships, they usually need to change their business model to fit the coopetition strategy.

## **1.2. SMEs and e-commerce in Finland**

In Finland, SMEs are enterprises with less than 250 employees and an annual turnover or balance-sheet total not exceeding EUR 50 million or EUR 43 million, respectively (Statistics Finland *n.d.*). 99.7 percent of enterprises in Finland are SMEs, and their value-added share is 60.1 percent of all enterprises (European Commission 2021). Thus, SMEs have a significant impact on the Finnish economy. SMEs in Finland employed approximately 4.2 people, compared to the European Union average of 3.7 people (European Commission 2021). In addition, the value-added per person in Finland was approximately EUR 64,600, compared to the European Union average of EUR 40,000 (European Commission 2021).

Retail sales in Finland increased by 4.2 percent in 2020 (Suomen Kauppakeskushdistys 2021). The Finnish retail sector has potential in terms of e-commerce. The rate of SMEs selling online in Finland increased by 22 percent in 2020, compared to the European Union average of 18 percent (European Commission 2021). Furthermore, Finland is at the top of the European Union's Digital Economy and Society Index (European Commission 2021). Online shoppers in Finland increased from 65 percent (2019) to 73.2 percent (2020) (Kurjenoja 2021). In terms of e-commerce, Finns are conscientious as online shoppers (Kurjenoja 2021). The COVID-19 pandemic not only increased the number of online shoppers but also caused surprising changes in the attitudes of Finnish consumers (Kurjenoja 2021). The online shopping pioneers have become particularly interested in various themes of responsibility than before (Kurjenoja 2021). In addition, the COVID-19 pandemic has affected many Finnish consumers, making them permanent online shoppers (Kurjenoja 2021). The structural changes caused by the pandemic are here to stay long-term, bringing plenty of opportunities for SMEs to take advantage of e-commerce.

According to (PostNord 2021), 95 percent of Finland's population buys online. In the future, 68 percent of Finnish consumers will likely buy more products from Finnish e-commerce companies (Posti 2022). In addition, 54 percent of Finnish consumers plan to buy online from the European Union and 49 percent of Finnish consumers from neighboring countries (Posti 2022). An individual Finnish consumer buys products online for about EUR 1392 per year (PostNord 2021). The three most popular e-commerce product categories favored by Finnish consumers are clothing and footwear, home electronics, and cosmetics and skin care (PostNord 2021). Regarding Amazon, only 15 percent of Finnish consumers buying online purchased products from Amazon between 2020 and 2021 (PostNord 2021).

SMEs are significant employers in Finland. In terms of e-commerce, the COVID-19 pandemic has changed consumer behavior and increased the popularity of e-commerce. These structural changes in consumer behavior are seen as permanent, creating opportunities for retail SMEs. Furthermore, consumers are increasingly interested in the ethics they demand from companies. Consumers in Finland are also more interested in buying products from Finnish e-commerce companies and neighboring countries, which indicates the trend of sustainability and responsibility.

### **1.3. Nordic companies and Amazon**

Many companies see Amazon as an inevitable threat (Flesland *n.d.*). In order to outline the size of Amazon, its net revenue is more or less the entire GDP of Finland (USD 280.5 billion and USD 282.010 billion, respectively) (Topholm 2021). Amazon sells more than many Nordic e-commerce companies combined – with a significant over 350 million products (sellers on the Amazon Marketplace included) (Topholm 2021). The fact is that Amazon will push the margins of the e-commerce market in the Nordics (Topholm 2021). Since Nordic e-commerce companies already operate with slim margins, the way Amazon aggressively drives scale and volume will pressure incumbent companies (Stamp *et al.* 2020). It is predicted that Amazon could capture a 5-10 percent share of the Nordic e-commerce market and take the lead in the Nordic countries (Stamp *et al.* 2020). Proportionally, marketplaces account for approximately 50 percent of total e-commerce revenue globally (Topholm 2021).

Amazon is very tempting, especially for SMEs. Amazon provides access to its rapidly growing customer base, efficient logistics network, and comprehensive, easy-to-manage platform (Stamp *et al.* 2020). When joining Amazon, companies meet ready-to-buy customers who usually know what products they want to purchase before clicking on Amazon's website. These customers are one of the competitive advantages of Amazon that helps companies to build their customer database and grow online reach (Topholm 2021). In addition, it is easy to start selling on Amazon. Within 24 hours, a company can put products up for sale (Topholm 2021). However, the quality of product information should be considered as it affects the scaling of success (Topholm 2021). With Amazon's fulfillment centers (FBA program), companies can focus on reaching more customers and growing their revenue because customer service and logistics are in the hands of Amazon (Topholm 2021).

Amazon may not be the most suitable marketplace for some companies. Shoppers on Amazon might use the advanced search to filter products by average customer rating or price, limiting the chance of brand building as companies cannot use their unique brand stories among thousands of competitors on Amazon (Topholm 2021). Furthermore, Amazon impedes companies from building customer relationships due to its limited branding. Even though companies get their products sold, customers are loyal to Amazon and not to companies (Topholm 2021). Personalized customer experience also suffers when companies allow Amazon to manage their inventories and logistics chains. When companies are no longer in charge of their products deliveries, the final interaction with customers ceases, and therefore, companies' crucial customer information is unavailable (Topholm 2021).

Nordic companies have an advantageous starting point to compete against the e-commerce giant Amazon. The Nordic countries have a strong knowledge of the digital economy, driven by a high rate of business climate, innovation, and technology adoption (Culpin 2018). In addition, incumbent companies in the Nordic market have, at least initially, a competitive advantage in understanding local needs and preferences better than Amazon (Culpin 2018). The challenge for Amazon is that the Nordic countries form the most connected region in the world and the Nordic market is overall complex (Culpin 2018; Stamp *et al.* 2020). From a logistical point of view, long delivery distances to rural areas or smaller population concentrations are costly. Thus, logistics will be more expensive for Amazon than Amazon is used to in the previous markets if Amazon decides to take full national coverage in the Nordic countries (Culpin 2018). One determining factor impacting the growth rate of Amazon in the Nordic market will be its desire to invest in

physical presence, marketing, and pricing (Stamp *et al.* 2020). There are many incumbent companies with a robust vertical e-commerce competence, so Amazon would focus on taking a horizontal or cross-vertical e-commerce position in the Nordic market (Stamp *et al.* 2020). On the other hand, Amazon should somehow promise Nordic consumers that Amazon has more value than Nordic companies because the Nordic countries and consumers are proud of company values and local brands and how they spread goodwill to working conditions and society (Culpin 2018).

In order to defend the Nordic market, Nordic companies should focus on the vulnerabilities of Amazon, which include a lack of local understanding, limited browsing personalization, and a limited physical store network (Stamp *et al.* 2020). Well-built loyalty programs and community spirit, extreme localization of assortment, unique brands, and superior in-store experience provide opportunities for incumbent companies in the Nordic market (Stamp *et al.* 2020). Preparatory actions against Amazon have already been seen in Norway, where its largest e-commerce companies are setting up a platform to invite other local companies to sell products and collaborate with them (Flesland *n.d.*). Several Norwegian companies have already joined the platform, which signifies a sustainable project (Flesland *n.d.*). As a result, the platform provides more local customer data than Amazon will collect shortly, helping to compete against Amazon, which is for the benefit of consumers (Flesland *n.d.*).

Amazon is advantageous as well as disadvantageous, depending on the company. Amazon is a desirable e-commerce platform, especially for SMEs. On the other hand, Amazon is considered an unfavorable marketplace for companies that desire to build close customer relationships alongside the brand. Due to the complexity of the Nordic market, Nordic companies have a favorable opportunity to compete against Amazon, focusing on Amazon's vulnerabilities. It is unmistakable that not all companies want to compete against Amazon but see it as an opportunity for their business. However, companies need strategic decisions when Amazon is present, whether they plan to compete with Amazon or not.

## **2. METHODOLOGY**

### **2.1. Research Methodology**

When developing knowledge, the combination of assumptions and beliefs steers toward data called research philosophy (Saunders *et al.* 2016). There are five main research philosophies regarding business and management: positivism, critical realism, interpretivism, postmodernism, and pragmatism. According to (Saunders *et al.* 2016), positivism seeks to produce generalizations by working with observable social reality. Critical realism aims to explain the underlying reality structures that shape the observable events based on what humans experience and see. Interpretivism accentuates that because humans create meanings, they differ from physical phenomena. Postmodernism pursues to adduce marginalized alternative views by highlighting the role of power relations and language. Pragmatism endorses that only concepts with action are pertinent. The practical philosophy for this research is interpretivism because interpretivism supports methods of qualitative analysis and seeks to interpret human actions through in-depth investigations of the complex nature (Saunders *et al.* 2016). Interpretivism was used as the research philosophy in this research because this research seeks to understand in-depth how SMEs in one of the Nordic countries, Finland, react to Amazon's arrival and how they perceive competition as a strategy when competing against Amazon.

In respect of theory development, there are three research approaches: deduction, induction, and abduction (Saunders *et al.* 2016). A deductive approach is used in research when a research strategy is designed to test the existing theory that is generally developed from the academic literature. Contrary to the deductive approach, an inductive approach is used in research when a new theory is built or generated based on collected data to explain a phenomenon. An abductive approach combines the deductive and inductive approaches (Saunders *et al.* 2016). An inductive research approach was used in this research because it allows the building of theory or the development of a theoretical perspective that is more comprehensive than previous literature (Saunders *et al.* 2016). The need for an inductive research approach is highlighted. This need is



because limited research has been conducted on the impact of Amazon on the Nordic market. Furthermore, the attitudes of Nordic companies toward the arrival of Amazon and the use of competition as a strategy are in the shade.

The research design is the strategy to answer the research questions by collecting and analyzing data (Saunders *et al.* 2016). There are three research designs which are exploratory, descriptive, and explanatory (Saunders *et al.* 2016). An exploratory design is functional for situations where the nature of research is sensitive to changes and therefore requires adaptability and flexibility. A descriptive design pursues obtaining a definite profile of persons, events, or situations. An explanatory design seeks to explain the causation between variables (Saunders *et al.* 2016). An exploratory research design was used in this research because it allows for a more precise understanding of the nature of a problem, phenomenon, or issue (Saunders *et al.* 2016). Furthermore, the attitudes and behavior of companies toward Amazon may change during the research, so subsequent changes requiring flexibility and adaptability are needed, which are characteristic of an exploratory research design.

## **2.2. Data Collection**

In qualitative data collection, the research interview is one of the most widely used methods (Qu, Dumay 2011). There are three interview types: structured, semi-structured, and unstructured (Qu, Dumay 2011). Structured interviews are rigid, have a limited number of response categories, and have predefined sets of questions. Semi-structured interviews are based on themes identified as systematic and consistent, which help to obtain more elaborated responses to the prepared questions. Unstructured interviews are informal in nature. Thus, not all the essential questions are known in advance, and the need for follow-up questions is crucial (Qu, Dumay 2011). In this research, a semi-structured interview was conducted because a semi-structured interview can disclose hidden viewpoints in a comprehensible, attainable, and important way (Qu, Dumay 2011).

The semi-structured interview was conducted in English because it saved time on the transcript. Also, English was considered natural for both the interviewer and the interviewee. The interview was conducted online via Zoom on March 23, 2022. Due to the time constraints and long geographical distance between the interviewer and the interviewee, it would have been impossible to conduct the interview face-to-face.

The questions and themes were suitable for a semi-structured interview. They were predefined enough to guide the interview to issues and topics from which the interviewer can gain new perspectives and insights (Qu, Dumay 2011). In addition, the interviewer arranged the open-ended questions as the most appropriate for the progress of the conversation. The interviewer also formed and asked non-predefined questions characteristic of a semi-structured interview (Qu, Dumay 2011). As for the reliability of empirical data, open-ended questions and neutral manners are considered to reduce bias (Saunders *et al.* 2016). Thus, the interviewer sought to use appropriate behavior and methods to mitigate negative factors that could affect the data quality.

The interview was divided into two parts. In the first part, the interviewer asked the interviewee questions about Amazon. In the second part, the interviewee's opinion was asked about cooperation strategy. Before asking the questions, the interviewer welcomed the interviewee and used small talk to get a relaxed atmosphere, which is considered an essential part of a qualitative interview (Qu, Dumay 2011). Also, the interviewer introduced the topic at the beginning to help the interviewee understand the purpose of the interview (Qu, Dumay 2011). The interview sought to get a panoramic view of how the entry of Amazon could affect Finnish retail SMEs and an overview of the opportunities of cooperation as a strategy to build SMEs' resilience in the Finnish market when Amazon is present. The intention was also to provide an outlook of the possible effects of Amazon on the entire Nordic market.

Consent to record audio was asked and given before recording the interview. For a qualitative interview, the transcription of an audio recording is an appropriate way to interpret and understand the data collected (McMullin 2021). The interviewer sought to transcribe the interview in an intelligent verbatim transcript style, where the interview content is transcribed as formally as possible (McMullin 2021). The transcript consisted of a total of seven pages of text. The interview lasted about half an hour (Table 1). With the help of the transcript, it was convenient to interpret and understand the interview results.

The interviewee of the semi-structured interview was Mr. Vili Lehdonvirta. Lehdonvirta is Professor of Economic Sociology and Digital Social Research at the Oxford Internet Institute, University of Oxford.

Table 1. Interview

<b>Interviewer</b>	<b>Interviewee</b>	<b>Date</b>	<b>Length</b>
Otto Heikkilä	Vili Lehdonvirta	23 March 2022	28:14 min.

Nowadays, Google Forms and other online survey software are trendy data collection tools (Narayanaswamy, Harinarayana 2016). The reason is that they have fewer inherent limitations than conventional survey methods (Narayanaswamy, Harinarayana 2016). Google Forms, in particular, is advantageous for surveys when time is limited and participants are geographically a long distance away (Kumar, Naik 2016). In addition, online surveys are considered more trustworthy than surveys conducted face-to-face (Narayanaswamy, Harinarayana 2016). Regarding Google Forms, the advantages are cloud-based access anywhere, anytime, and an unlimited number of free surveys (Narayanaswamy, Harinarayana 2016). On the other hand, online surveys also have disadvantages that need to be considered. These include issues of security and privacy, technological change, low response rates, and sample selections (Narayanaswamy, Harinarayana 2016). Nevertheless, for qualitative research, Google Forms is a great and simple way to collect data and get insights when conducting a limited amount of open-ended questions (Kumar, Naik 2016).

Google Forms was used as a survey in this research. The target group was Finnish retail SMEs engaged in e-commerce. For companies, a link to the survey was sent via e-mail. In most cases, however, the author first contacted the management team of the companies by phone, introduced himself and the topic of the survey, and asked the target person to participate in the Google Forms survey. This ambitiousness increased the likelihood of the target person responding to the survey as it revealed the company's attitude toward the topic and theme of the survey. The author sought to contact the person responsible for the company's strategic decisions and would be the target person for the survey. The Google Forms survey facilitated the data collection, mainly due to the time constraint of this research and the ongoing COVID-19 pandemic (Kumar, Naik 2016). Furthermore, because the management team is generally busy, the survey must be as concise as possible to allow time and interest to respond. This compactness was possible with the Google Forms survey, especially when the survey form can be designed to be exciting yet time-saving.

A total of 10 companies participated in the Google Forms survey (Table 2). Eight of the participants were the Chief Executive Officer of the company, one of the participants was the Chairman of the Board, and one of the participants was the Member of the Board. The author ascertained that the companies in the retail sector are SMEs in size and engage in e-commerce. In addition, the company form of the selected companies is limited companies. In Finland, a limited company (“Osakeyhtiö” or “Oy”) is the most usual company form (InfoFinland 2022). Each participant and company was anonymized to ensure confidentiality (Table 2). The author intended to get the broadest possible range of participants so that answers would not be obtained only from a specific industry but from potential companies in different industries that would provide diverse and meaningful responses. Therefore, the author selected the SMEs that are significant players in their industries in the retail sector. The participants were selected with judgemental sampling. This sampling method was suitable for this research because the author desired the participants to contribute informative responses to this research by responding to the survey (Saunders *et al.* 2016). Furthermore, judgemental sampling enables work with small samples, and samples are selected according to the researcher’s interest (Saunders *et al.* 2016). The companies were selected according to the author’s interest. The companies are listed in the table in order of response (Table 2). The names of the survey companies have been changed to fictitious, but indicate their industry.

Table 2. Survey participants

	Title	Company
I	Chief Executive Officer	Outdoor Gear Oy
2	Chief Executive Officer	Flea Market Oy
3	Chairman of the Board	Interior Decoration Oy
4	Chief Executive Officer	Fashion Brand Clothing Oy
5	Chief Executive Officer	Bookstore Oy
6	Chief Executive Officer	E-commerce Oy
7	Chief Executive Officer	Sports and Outdoor Clothing Oy
8	Member of the Board	Design Shop Oy
9	Chief Executive Officer	Sports Shop Oy
I0	Chief Executive Officer	Cosmetics Oy

Note: Anonymized participants and companies to ensure confidentiality

A copy of the survey in Finnish was sent to the target persons. In this way, the aim was to ensure that the target persons would see the survey in the Finnish language more familiar and that survey in the Finnish language could reduce limited responses. The Google Forms survey was divided into two sections. In the first section, the themes of the questions were Amazon, competition, and business strategy. In the second section, cooperation was the theme of the questions. The survey used open-ended questions, characteristic of qualitative research (Saunders *et al.* 2016).

The importance of ethics is increasing in business research (Polonsky, 1998). Therefore, all collected data in this research were treated with confidentiality, and participants were informed accordingly. Especially when collecting data from companies, it is essential to treat responses confidentially to protect sensitive information (Polonsky, 1998). When data are treated with confidentiality, participants will be unidentified in their responses (Polonsky, 1998).

### **2.3. Data Analysis**

Meaning coding, meaning condensation, and meaning interpretation help analyze the meaning of interview data (Brinkmann, Kvale 2018). By meaning coding, interview statements are categorized systematically. Long narrations can be abridged into shorter statements using meaning condensation. Meaning interpretation re-contextualizes the content of the interview and analyzes it critically and in-depth (Brinkmann, Kvale 2018).

The interviewer first used meaning interpretation regarding the transcript to listen to the audio recording repeatedly to ensure that no critical words were missing. After that, the interviewer formalized the text by adding and removing some details following an intelligent verbatim transcript style. Meaning condensation was also used in an intelligent verbatim transcript style when statements were abridged. The interview text was then categorized by meaning coding into two parts: the first part, which asked about Amazon, and the second part, which asked for an opinion on cooperation strategy.

The empirical data from the Google Forms survey were also analyzed. Thematic analysis was utilized to analyze and organize the survey data to summarize the diverse responses into common standpoints (Swart 2019). Thematic analysis is a valuable method for surveys using open-ended questions (Swart 2019). As the respondents were 10 different companies with different business

strategies, views, and opinions, the author had to go through all the answers and summarize what was said. By this, the text analyzed would be coherent as the data of the individual responses are considered overwhelming (Swart 2019).

In terms of the trustworthiness of qualitative data, the quality criteria are based on the following: credibility, transferability, dependability, and confirmability (Korstjens, Moser 2017). According to (Korstjens, Moser 2017), credibility ascertains that the data collected are adequately analyzed, and the originality of the data is trustable. Transferability refers to the extent the research findings can be resettled into other circumstances. Dependability, in turn, establishes whether the research data are consistent and compatible with the methods used. Confirmability defines that the data are analyzed and interpreted neutrally.

Regarding credibility, the persons responsible for the strategic decisions of the companies were selected as respondents to the Google Forms survey. This selection created authenticity in the responses because the respondents were persons from the management team of the companies. The rich descriptive data of qualitative research is characteristic of transferability (Korstjens, Moser 2017). Thus, the research sought to examine and understand the diverse responses in-depth of how retail SMEs in one of the Nordic countries, Finland, react to Amazon's arrival and how they perceive coopection as a strategy when competing against Amazon. Hence, the research is considered to help companies, especially SMEs, become more resilient when dealing with global digital marketplaces such as Amazon. The data were carefully and adequately analyzed and stored in terms of dependability. In addition, the interview data were analyzed with neutral behavior to prevent distortions caused by both the interviewer and the interviewee. This confirmability criterion was also met when the Google Forms survey data were interpreted based on the original data of the respondents without the author's viewpoints and preferences (Korstjens, Moser 2017).

### **3. EMPIRICAL FINDINGS**

Before delving into the results of the Google Forms survey, Professor Vili Lehdonvirta's views on Amazon and competition strategy are reviewed to gain an overview of these topics. In the interview, Lehdonvirta reminded the interviewer that although he has been examining Amazon, Amazon is not his specialty. Therefore, Lehdonvirta clarified the themes of the interview according to general understanding.

The interview began with the following question: "How do you see Amazon's entry affecting Finnish retail, and how big a threat is Amazon to Finnish SMEs working in the retail sector?" (Appendix 1). Lehdonvirta started by emphasizing that Amazon is a globally dominant e-commerce marketplace. According to Lehdonvirta, even though Amazon is constantly investing in expansion into different geographical areas, it does not have a dominant position in all the countries it has expanded. In Europe, for example, there are local e-commerce companies that are more popular than Amazon. Lehdonvirta pondered the circumstances in which this unsuccessful market takeover of Amazon could occur. He mentioned that it depends on the competitiveness of companies in the retail sector, which affects how threatening they consider Amazon. For highly competitive retailers, e-commerce opens access to new cross-border markets that can boost their business. In contrast, slightly competitive retailers may not benefit from cross-border e-commerce markets because they are restricted by barriers that impede their business. Therefore, Lehdonvirta suggested that Amazon may be very harmful to retailers focusing only on the domestic market, as the entry of Amazon exposes retailers to foreign competition.

The interview continued with the following question: "Do you see any reasons why Amazon is just now arriving in the Nordic market overall? Is it hard to penetrate the Nordic market or take the lead?" (Appendix 1). Lehdonvirta responded that the Nordics are probably not such a high priority for Amazon. He mentioned that the complex Nordic languages and the small size of the Nordic market contribute to the late arrival of Amazon into the Nordic countries. These challenges may also make it difficult for Amazon to penetrate the Nordics and conquer a significant market

position. Lehdonvirta urged that retailers must also invest in service quality and logistics, not just their websites. Namely, Amazon has built an impressive logistics network in which the ordered product will be delivered to the customer at an entirely exact time. According to Lehdonvirta, Amazon even has several airplanes for logistics.

The interview continued with the following question: “Finland and the other Nordic countries are advanced in e-commerce overall. In what ways could Finnish retail SMEs utilize this e-commerce know-how against the e-commerce giant Amazon? What do you think?” (Appendix 1). Lehdonvirta began by reiterating that it would be essential to understand why Amazon is more prevalent in some countries while less popular in others. According to Lehdonvirta, part of the solution to the differing popularity of Amazon may be the nature of network effects, either global or local network effects. He mentioned that e-commerce is somewhere between global and local network effects. If Finnish consumers prefer more products from local producers than those imported from abroad, local network effects matter more than global network effects. Thus, Finnish e-commerce retailers could gain a competitive advantage if Finnish consumers are more loyal to domestic than to foreign products and producers, Lehdonvirta stated. Furthermore, Finnish e-commerce platforms cannot compete against Amazon solely based on their network size, but competition is possible by building a dense local network. Namely, when Finnish consumers want domestic products, they do not care how many foreign products there are on the e-commerce platform, but the only thing that matters is what Finnish products the e-commerce platform offers, Lehdonvirta summarized.

The interview continued with the following question: “Regarding the local consumer habits, Finland and the other Nordic countries are proud of company values and local brands and the way they spread goodwill to working conditions and society. How do you see this affecting the popularity of Amazon in Finland as people have claimed that Amazon behaves unethically in its practices?” (Appendix 1). Lehdonvirta pondered whether these claims about Amazon and its unethical behavior are true or false. He believes these claims to be true. According to Lehdonvirta, Amazon follows very sharp practices in its business, and thus Amazon is a controversial company even in the United States. He compared the working conditions of Amazon employees in the United States to be considerably poorer than, for example, in Finland. Amazon exposes its warehouse workers to occupational hazards even though it pays a slightly above-average salary. Amazon uses external labor to disclaim all liability, Lehdonvirta indicated. In addition, Amazon exploits its privileged access to sales data to identify best-selling products, produce copies, and



first display them to users by adjusting sorting and searching algorithms. According to Lehdonvirta, Amazon has been sued for these practices, but there have been no significant changes in its corporate culture, and the ruthless business continues. These unethical practices may also be why Amazon has achieved its dominant market position, Lehdonvirta thought. Returning to the question, Lehdonvirta stated that he is not entirely sure that consumer choice alone would significantly impact the behavior of Amazon. Namely, many people try to avoid using Amazon but eventually, they excoGITATE to use Amazon because of its convenience. Furthermore, people use Amazon because of low prices and fast delivery, so people who focus predominantly on low prices may not care about ethics at all, Lehdonvirta mentioned. Thus, Lehdonvirta stated that he does not believe that the controversial reputation of Amazon alone would save Nordic retailers from competition against Amazon.

The interview ended with the following question, which also included a brief overview of cooperation strategy: “In Norway, for example, preparatory actions against Amazon have already been seen, where its largest e-commerce companies are setting up a platform to invite other local companies to sell products and collaborate with them. How do you see whether such collaboration with competitors also has potential for retail SMEs operating in the Finnish market against Amazon?” (Appendix 1). Lehdonvirta began by stating that he could think of two different types of collaboration between companies. The first type of collaboration could be a platform on which local companies join and collaborate, as exemplified in the question. However, he reminded the interviewer that if this platform is a joint venture, the challenge is how to govern it properly, as contracts and agreements can be very complex. Lehdonvirta also emphasized that even if this platform were in the common interest of the companies, the companies would still have their own interests to steer the company in their own direction. Amazon arrives with abundant resources, so companies need to centralize all their resources on the platform because, without this joint effort, it will be challenging to create an efficient platform. Thus, Lehdonvirta admitted to being a little skeptical about this type of collaboration. He is more optimistic about the second type of collaboration in which retailers affiliated with Amazon form an association. This association would be joined by all Nordic retailers selling their products on Amazon. According to Lehdonvirta, such an association would be advantageous in many ways. Retailers would be more satisfied with the offer of local Nordic products and get a much better deal by negotiating with Amazon, Lehdonvirta assured. Collectively, retailers would be able to agree on ground rules with Amazon. Amazon could engage in the aforementioned unethical business practices against individual retailers because individual retailers do not have the resources to win Amazon in court.

On the other hand, Amazon could also violate rules agreed with the association, such as raising fees, but then the association could, for example, collectively boycott or sue Amazon. In addition, Lehdonvirta mentioned that many companies are unaware that there is a new European Union regulation that empowers associations to sue platform enterprises on behalf of their members if the platform enterprises violate the obligations that are set into force in the regulation. Therefore, retailers who sell on Amazon could collectively better enforce their rights and ensure that Amazon does not violate common rules, Lehdonvirta stated.

The Google Forms survey consisted of 11 questions. Questions number 1, 3, and 8 were linear scale questions. Questions number 2, 4, 5, 9, and 10 consisted of checkboxes, and participants were given the option to elaborate their answers. Questions number 6 and 7 were multiple-choice questions, and participants were given the option to elaborate their answers in question number 6. Question number 11 was required from all participants.

Question number one was as follows: “Do you consider Amazon’s entry into the Finnish market a threat to your company’s success?” (Appendix 2). Based on the responses, the majority of the respondents consider the entry of Amazon into the Finnish market as neutral to their business. Some of the respondents do not see the entry of Amazon into the Finnish market affecting their business substantially or are very optimistic about Amazon. Only a few of the respondents presume that the entry of Amazon into the Finnish market will challenge their business and possibly negatively impact their success. Question number two was as follows: “Why do you consider Amazon a threat to your company’s success?” (Appendix 2). However, the respondents who responded to consider the entry of Amazon into the Finnish market as neutral to their business see potential threats about Amazon. Notably, these threats are the wide product range of Amazon, the aggressive way of Amazon drives scale and volume, and the destructive pricing strategy of Amazon by selling at low margins. Considering those respondents who responded that the entry of Amazon into the Finnish market would challenge their business and possibly negatively impact their success, these threats received the most support. In addition, the wide service range of Amazon, the large amount of customer data of Amazon, and the disruptive entry strategy of Amazon to gain market penetration and market leadership also received support among the respondents, albeit less support. The ready-made response options received elaboration from the respondents. The same-day delivery of Amazon, which can also be classified as part of the wide service range of Amazon, is also considered a threat. Moreover, some of the respondents elaborated that a responsible company does not cooperate with Amazon because Amazon collects

many provisions from sellers, and Amazon is expensive overall. However, some of the respondents elaborated that they see Amazon as an opportunity to gain additional visibility and competitive advantage, as the complete product range could be sold at an increased price when the referral fees are considered. The respondents also elaborated that Amazon is undoubtedly a significant threat to SMEs that solely sell third-party products in their online stores, as Amazon takes on the role of a direct competitor. Instead, SMEs that sell their own products in their online store may see Amazon as either a threat or an opportunity. The threat would consist of increased competition and alternative products, and the opportunity for new channels. However, Amazon is also perceived by some of the respondents as a problematic single-channel marketplace.

Question number three was as follows: “How willing are you to compete with Amazon?” (Appendix 2). The majority of the respondents are positively willing to compete with Amazon. The rest of the respondents are reluctant to compete with Amazon or see competition with Amazon as neutral. Question number four was as follows: “What disadvantages can you see competing with Amazon? What is it based on?” (Appendix 2). In retrospect, the author noticed that the question was a bit incomplete, so the accuracy of the responses varies. However, it can be concluded that the respondents who are willing to compete with Amazon see the following ready-made response options negatively affecting their business when competing with Amazon: the difficulties in competing with Amazon in delivery, pricing, and assortment, no access to Amazon’s rapidly growing customer base, and no access to Amazon’s efficient logistics network. Some of the respondents elaborated that they plan to continue selling their products in their existing channels and take Amazon alongside them. However, some of the respondents stated that they are competing against other brands, not against distribution channels. With regard to competition, the respondents also elaborated that a small online store alone cannot compete against Amazon, so stores must compete with strengths that Amazon cannot offer. Question number five was as follows: “What advantages can you see competing with Amazon? What is it based on?” (Appendix 2). Based on the ready-made response options, the following option received the most support from the respondents: understanding the local needs and preferences of Finnish consumers better than Amazon. The following options also received support: the advanced e-commerce competence of companies in the Finnish market, and the respectable way Finnish companies spread goodwill to working conditions and society. The following options were also perceived as strengths for Finnish companies: focusing on the opportunities for browsing personalization, and focusing on the opportunities for physical store network. Some of the respondents elaborated that direct competition against Amazon is futile because of its gigantic size. Thus, based on the responses,

SMEs should build a solid and attractive brand and unique relationships, mainly if the company manufactures its own products. In addition, a well-built brand can provide a superior customer experience. Also, some of the respondents who plan to use Amazon alongside other channels see cost minimization and multi-channel strategy as crucial in their business.

Question number six was as follows: “Have you already planned a suitable business strategy for Amazon’s entry?” (Appendix 2). Half of the respondents have already planned a suitable business strategy for the entry of Amazon, whereas the other half of the respondents have not. Some of the respondents who do not see Amazon as a threat elaborated that they plan to expand their business to other countries with the help of Amazon.

Question number seven was as follows: “Have you heard of a business strategy called ‘coopetition’ before?” (Appendix 2). For the majority of the respondents, coopetition as a term was unfamiliar. Some of the respondents were aware of coopetition. A few of the respondents were unsure if they had heard of coopetition before. Question number eight, which also included a brief overview of coopetition strategy, was as follows: “Based on the brief description of coopetition strategy provided above, how much do you see it as a successful business strategy for your business to adapt to Amazon’s entry into the Finnish market?” (Appendix 2). The responses were very diverse. The majority of the respondents consider coopetition strategy as neutral to their business. The rest of the respondents consider coopetition strategy more or less negative or positive to their business. Questions number nine and ten, which were addressed to those participants who have pursued or already pursuing coopetition strategy, were as follows: “If you have pursued or already pursuing coopetition strategy, what are the disadvantages of using it?” (Appendix 2) and “If you have pursued or already pursuing coopetition strategy, what are the advantages of using it?” (Appendix 2). The following ready-made response options regarding the disadvantages of coopetition strategy received support: the emergence of conflicts in cooperative relationships, the risk of opportunistic behavior in cooperative relationships, the violation of the common rules in cooperative relationships, the difficulties in building mutual commitment and trust, and the freedom to operate individually is limited. The participants who responded that they have pursued or already pursuing coopetition strategy elaborated that the disadvantages of coopetition are also the complexity of changing ownership, cartel-like activities, preventing competitors from platforms, lack of quality objectives and their weak commitment, lack of joint marketing efforts, and the slowness of technological development. Also, the respondents stated that it is crucial to consider the legality of the coopetition strategy so that it does not conflict with competition law. Regarding the

advantages of coopetition strategy, the following ready-made response options received more or less support: the effective way to protect existing market share, increase the current market share, or create new markets, the effective way to use existing resources more efficiently, use fewer resources, or access new resources, the benefits of sharing tangible resources, the benefits of sharing intangible resources, and the way to create new products through innovation. The respondents elaborated that the advantage of coopetition strategy is also the ability to minimize potential external risks such as denial-of-service attacks and other hacking activities.

Question number eleven was as follows: “Based on your experience, what other strategies/measures would be effective to adapt to ensure your company’s survival when Amazon enters Finland?” (Appendix 2). The responses to this question were strongly related to question number five and its responses. In summary, some of the respondents elaborated that they intend to continue with their strengths and focus on their brands. In addition, the respondents emphasized the importance of exploiting the weaknesses of Amazon for competition and success. On the other hand, the respondents, who are optimistic about Amazon, specified that they might strengthen their relationship with Amazon in the future. Some of the respondents also see that incumbent companies with a robust strategy will be able to compete against Amazon without the force of having to join Amazon.

## 4. DISCUSSION

The empirical findings of this thesis reveal that the arrival of Amazon into the Nordic market will inevitably affect Finnish retail SMEs. The question is what factors influence how retail SMEs in one of the Nordic countries, Finland, react to Amazon's arrival and how they perceive competition as a strategy when competing against Amazon.

One of the significant insights of the interview was the statement of Lehdonvirta that even though Amazon is constantly investing in expansion into different geographical areas, it does not have a dominant position in all the countries to which it has expanded. Lehdonvirta pondered the circumstances in which this unsuccessful market takeover of Amazon could occur. The answer could be the statement of (Culpin 2018; Stamp *et al.* 2020) that it will naturally take Amazon longer to reach a leading position in a market where competition is fierce and e-commerce is mature. Therefore, as there are many robust incumbent e-commerce companies in the Nordics, and e-commerce will reach a new peak in the evolution of the Nordic market (Stamp *et al.* 2020; Topholm 2021), it may take time for Amazon to penetrate and dominate the Nordic market.

Another significant insight of the interview was the mentioning of Lehdonvirta that he is more optimistic about the type of collaboration in which retailers affiliated with Amazon form an association. This association would be joined by all Nordic retailers selling their products on Amazon. According to Lehdonvirta, such an association would be advantageous in many ways. He also assured that retailers would be more satisfied with the offer of local Nordic products and get a much better deal by negotiating with Amazon. Collectively, retailers would be able to agree on ground rules with Amazon. Lehdonvirta also pondered the potential of the platform to which local companies join and collaborate. However, he reminded the interviewer that if this platform is a joint venture, the challenge is how to govern it properly, as contracts and agreements can be very complex. Particularly in these kinds of cooperative networks, contracts and agreements must be complied with to avoid conflicts (Cygler *et al.* 2018). Lehdonvirta also emphasized that even if this platform were in the common interest of the companies, the companies would still have their

own interests to steer the company in their own direction. According to (Cygler *et al.* 2018), these interests pose the risk of opportunistic behavior in the cooperative relationship. In order to prevent opportunistic behavior, companies should focus on building a proper relationship between the partners (Hansen *n.d.*).

One of the significant unexpected findings of the survey was that the majority of the survey respondents consider the arrival of Amazon into the Finnish market as neutral to their business, but at the same time, the majority of the respondents are positively willing to compete against Amazon. This willingness indicates that Finnish retail SMEs do not see Amazon as an insurmountable threat but rely on their ability to compete against Amazon. This attitude may be due to the fact that e-commerce has become a critical channel, and many Nordic companies have begun to invest in their online offerings and capabilities (Stamp *et al.* 2020). Support is also provided by the study of (Gunnarsson, Lilliehorn 2021), which showed that the possible entry of Amazon was expected, contributing Swedish companies to prepare well in advance. Although (Gunnarsson, Lilliehorn 2021) studied the effects of Amazon on Swedish companies, this information may also apply to Finnish companies, in this case, Finnish retail SMEs, because Sweden was the first country in the Nordics where Amazon arrived. Therefore, research is limited (Gunnarsson, Lilliehorn 2021). Also, the possible entry of Amazon shortly has raised apprehension among Finnish retail companies (Kurjenoja 2021). What is certain is that Amazon will pressure incumbent companies in the Nordics (Stamp *et al.* 2020).

Another significant unexpected finding of the survey was that the majority of the respondents see that understanding the local needs and preferences of Finnish consumers better than Amazon is an advantage to compete with Amazon. This finding substantiates the view of (Culpin 2018) that incumbent companies have, at least initially, a competitive advantage in understanding local needs and preferences better than Amazon. Also, as Lehdonvirta stated in the interview, Finnish e-commerce retailers could gain a competitive advantage if Finnish consumers are more loyal to domestic than foreign products and producers. Regarding loyalty, Finnish consumers are conscientious as online shoppers (Kurjenoja 2021). This conscientiousness may affect how they consider Amazon and its unethical practices, which could be a competitive advantage for Finnish retail SMEs competing against Amazon. The COVID-19 pandemic increased the number of online shoppers in Finland and made them permanent online shoppers (Kurjenoja 2021). These structural changes in consumer behavior are remarkable for Finnish e-commerce retailers. The online shopping pioneers in Finland have become particularly interested in various themes of

responsibility than before (Kurjenoja 2021), implying that Finnish consumers are increasingly interested in responsibility and ethics and thus demand companies to be responsible. However, as Lehdonvirta mentioned in the interview, some consumers use Amazon because of low prices and fast delivery, regardless of ethics at all. If the majority of Finnish consumers have such consumer behavior, then Amazon would not need to focus on ethics but continue its ruthless business, as Lehdonvirta stated. In Sweden, for example, companies are showing resentment about Amazon's unethical practices (Gunnarsson, Lilliehorn 2021).

One of the significant expected findings of the survey was that for the majority of respondents, cooptation as a term was unfamiliar. Evidently, cooptation is still a relatively new and poorly known strategy and phenomenon (Cygler *et al.* 2018). However, the positive significant unexpected finding was that some of the respondents had pursued or are pursuing cooptation strategy in their business. This implementation of cooptation strategy is supported by the statement of (Velu 2018) that the reasons for cooptation are usually considered from either a market or resources perspective. On the other hand, as there is little research on the motives and interactions of inter-competitor cooperation and cooptation as an activity (Dahl 2017), it is difficult to know exactly in which situation cooptation strategy is implemented. Nor does cooptation strategy always generate desired results. Namely, although (Cygler *et al.* 2018) states that companies together can develop technology, obtain complementary resources, create new products, stimulate innovations, or enter new markets, the respondents' experiences with cooptation strategy were in part contradictory. The respondents who had pursued or are pursuing cooptation strategy stated that some of the notable disadvantages of cooptation are the slowness of technological development and the lack of quality objectives and their weak commitment. These responses prove that cooptation strategy does not always promote technological development and therefore refutes the statement of (Cygler *et al.* 2018). In addition, the lack of quality objectives and their weak commitment as a disadvantage of cooptation also partially contradicts the statements of (Cygler *et al.* 2018) and (Ritala 2012) that cooptation contributes to value creation and dynamic business development through competitive advantage. Also, although (Cygler *et al.* 2018), (Hansen *n.d.*), and (Zacharia *et al.* 2019) state that the technological commitment of cooptation strategy is an advantage, they have not mentioned the advantages of cooptation to minimizing potential external cyber risks such as denial-of-service attacks and other hacking activities as the respondents stated. To summarize, as cooptation strategy is unknown for the majority of the respondents, the true potential of cooptation strategy is in the shade. Therefore, there is limited information on the factors influencing how retail SMEs perceive cooptation as a



strategy when competing against Amazon. In addition, the size and industry of a retail SME may affect how it reacts to the arrival of Amazon and how it perceives competition as a strategy when competing against Amazon. Also, it may depend on the competitiveness of companies in the retail sector, as Lehdonvirta mentioned.

For further research, the author recommends the following aspects to consider:

- A possible association between Nordic retailers selling on Amazon
- The behavior of consumers as a competitive advantage for retail SMEs in Finland
- Companies should know more about competition strategy

## CONCLUSION

To conclude, this research aimed to examine how SMEs in one of the Nordic countries, Finland, react to Amazon's arrival and how they perceive competition as a strategy when competing against Amazon. The following research questions helped to achieve the research aim: "How do SMEs in Finland react to Amazon's arrival?" and "How do SMEs in Finland perceive competition as a strategy against Amazon?" It was predictable that companies would react differently to the arrival of Amazon and competition strategy.

Because Amazon is a new entrant in the Nordic market, there is limited research on how Nordic companies react to the arrival of Amazon. Even though Amazon has entered Sweden and the attitudes of Swedish companies toward Amazon have been studied, there is still limited research on how other Nordic countries, including Finland, would react to the entry of Amazon because Amazon has not yet expanded elsewhere in the Nordic countries. Therefore, many presumptions were used to rationalize the findings of this research.

Regarding the research question: "How do SMEs in Finland react to Amazon's arrival?" this research found that SMEs in Finland are very neutral about Amazon's arrival and its threat to Finnish retail companies. This attitude may be due to the fact that the COVID-19 pandemic has left structural changes in consumer behavior, and therefore, Finnish e-commerce retailers have begun to invest in their e-commerce thoroughly to satisfy the increased number of online shoppers. Because of this effort, companies have already had plenty of time to improve their online stores.

A significant insight is also that even though Finnish retail SMEs are neutral about Amazon's arrival, they are very willing to compete against Amazon. Based on the findings, retail SMEs seem to be confident in their strengths and abilities when Amazon is present. They, in particular, see that understanding the local needs and preferences of Finnish consumers better than Amazon is an advantage to competing with Amazon. The needs and preferences of Finnish consumers may be related to sustainability and responsibility. Finnish e-commerce companies are more and more

focused on sustainability and responsibility. This focus, in turn, implies that Finnish consumers are increasingly interested in sustainability and responsibility and thus demand ethical practices from companies. Because Amazon is known for its unethical business practices, Finnish retail SMEs may have a competitive advantage to compete against Amazon. Professor Vili Lehdonvirta stated that Finnish e-commerce retailers could gain a competitive advantage if Finnish consumers are more loyal to domestic than foreign products and producers. If Finnish consumers are more loyal to Finnish companies than to Amazon, in this case, there is much potential for Finnish companies to succeed.

Regarding the research question: “How do SMEs in Finland perceive coopetition as a strategy against Amazon?” the findings showed that coopetition strategy is unknown to Finnish retail SMEs. This unawareness of coopetition has apparently contributed to how Finnish retail SMEs perceive coopetition as a strategy to their business. Namely, Finnish retail SMEs consider coopetition strategy as neutral to their business, and it emerged that only a few companies have pursued coopetition strategy. Therefore, it would be essential for companies to know more about coopetition strategy and its potential as a business strategy.

This research contributed to deepening the understanding of how SMEs in one of the Nordic countries, Finland, react to Amazon’s arrival and how they perceive coopetition as a strategy when competing against Amazon. As there is limited research conducted on the reactions of Nordic companies to the arrival of Amazon, this research discovered more information about companies’ reactions toward Amazon. It was also of interest to explore more companies’ perceptions of coopetition strategy, as inter-organizational coopetition has risen in importance and is considered a suitable strategy for smaller companies against MNEs. This research aimed to obtain more knowledge about inter-organizational coopetition and attitudes toward Amazon and help companies, especially SMEs, become more resilient when dealing with global digital marketplaces such as Amazon.

This research examined how SMEs in one of the Nordic countries, Finland, react to Amazon’s arrival and how they perceive coopetition as a strategy when competing against Amazon. The research involved 10 participants, which may limit the prevalence of the research findings. This research did not compare the differences or similarities between the different industries of retail SMEs and their responses. Also, the research focused on different industries of retail SMEs and did not focus on a single industry. Thus, in future research, it would be of interest to examine more

Nordic companies' reactions toward Amazon, potentially focusing on only a single industry and exploring new perspectives on coopetition strategy. Also, based on this research, it could be meaningful to examine whether Finnish retail SMEs' reactions toward Amazon and perceptions of coopetition strategy will change when Amazon enters Finland.

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# APPENDICES

## Appendix 1. Interview

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### Question

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1. “How do you see Amazon’s entry affecting Finnish retail, and how big a threat is Amazon to Finnish SMEs working in the retail sector?”  
*Purpose: Amazon and its enormous size through the eyes of a Finnish SME.*
2. “Do you see any reasons why Amazon is just now arriving in the Nordic market overall? Is it hard to penetrate the Nordic market or take the lead?”  
*Purpose: Amazon’s late arrival and its abilities.*
3. “Finland and the other Nordic countries are advanced in e-commerce overall. In what ways could Finnish retail SMEs utilize this e-commerce know-how against the e-commerce giant Amazon? What do you think?”  
*Purpose: E-commerce capabilities of Finnish SMEs against Amazon.*
4. “Regarding the local consumer habits, Finland and the other Nordic countries are proud of company values and local brands and the way they spread goodwill to working conditions and society. How do you see this affecting the popularity of Amazon in Finland as people have claimed that Amazon behaves unethically in its practices?”  
*Purpose: The attitude of Finnish consumers and companies toward sustainability and responsibility.*
5. “In Norway, for example, preparatory actions against Amazon have already been seen, where its largest e-commerce companies are setting up a platform to invite other local companies to sell products and collaborate with them. How do you see whether such collaboration with competitors also has potential for retail SMEs operating in the Finnish market against Amazon?”  
*Purpose: Coopetition and its potential as an e-commerce platform against Amazon.*

## Appendix 2. Survey

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### Question

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1. “Do you consider Amazon’s entry into the Finnish market a threat to your company’s success?”  
*Purpose: Whether Amazon is a threat or not.*
2. “Why do you consider Amazon a threat to your company’s success?”  
*Purpose: Why Amazon is a threat.*
3. “How willing are you to compete with Amazon?”  
*Purpose: Willingness to compete with Amazon.*
4. “What disadvantages can you see competing with Amazon? What is it based on?”  
*Purpose: The downsides of competing with Amazon.*
5. “What advantages can you see competing with Amazon? What is it based on?”  
*Purpose: The upsides of competing with Amazon.*
6. “Have you already planned a suitable business strategy for Amazon’s entry?”  
*Purpose: Whether companies have a business strategy for Amazon’s entry or not.*
7. “Have you heard of a business strategy called ‘coopetition’ before?”  
*Purpose: Companies’ awareness of coopetition strategy.*
8. “Based on the brief description of coopetition strategy provided above, how much do you see it as a successful business strategy for your business to adapt to Amazon’s entry into the Finnish market?”  
*Purpose: The potential of coopetition strategy for companies when Amazon is present.*
9. “If you have pursued or already pursuing coopetition strategy, what are the disadvantages of using it?”  
*Purpose: The downsides of pursuing coopetition strategy.*
10. “If you have pursued or already pursuing coopetition strategy, what are the advantages of using it?”  
*Purpose: The upsides of pursuing coopetition strategy.*
11. “Based on your experience, what other strategies/measures would be effective to adapt to ensure your company's survival when Amazon enters Finland?”  
*Purpose: Possible strategies/measures for companies when Amazon is present.*

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