The competitive dynamics of MNE market entry on host country incumbents: word/action responses to Amazon’s retail entry into the Australian retail sector

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Abstract

The primary aim of this study is to explore the competitive dynamics of the entry of an online Multinational Enterprise (MNE) into a new host economy, with a particular focus on rival responses. Competitive dynamics theory states that with the entry of a more prominent company an incumbent firm may choose to engage the competitor head-on or reposition (Wang & Shaver, 2014). Although much research has been conducted on entry strategies in international business, such as on post-entry firm performance, spillover impacts on technology transfer, and economic and employment benefits, there is scant research on the competitive response of local competitors when faced with international new entrants. In particular, the way in which the entry of online MNE affects both local brick-and-mortar and online competitors, and the way rivals respond to the entry, is not well understood. This research addresses this gap by analysing the reaction of the incumbents to new market entry, using the example of Amazon's entry into the Australian retail sector in December 2017. The research will incorporate theories of competitive dynamics and competitive response to assess how incumbents react to the new national market entrant.

The research question for this study is: “How does the entry of foreign online retailer impact the incumbents in host country’s retail sector: The competitive dynamics and word/action response to Amazon’s entry into Australia’s retail sector”. The analysis of this study is based on developing and combining the approaches of Luoma, Falk, Totzek, Tikkanen and Mrozek (2018), Gao, Yu and Cannella (2017), and Wang and Shaver (2014), into a new framework, which was refined further after the analysis work was completed and new emergent themes identified. The research adopted a post-positivist paradigm and secondary qualitative approach focusing on the case study of Amazon’s entry into the Australian retail sector by focusing on the word/action responses of the incumbents. Word/action responses were systematically drawn from the data set contracted from publications such as media articles, the business press, and trade publications for the evidence of word/action responses from market incumbents to analyse the impact of Amazon on the competitive dynamics of Australia’s retail sector. The thematic analysis was used to present the findings of the research. The results of this research suggested that incumbents of the Australian retail sector were intimidated by the entry of Amazon. Incumbents reacted with a mixture of feelings to American MNE Amazon entering the market, from outright fear to defiance or stating that Amazon will have a limited effect on their business. The research identified six themes...
developed from the framework and four emergent themes, one of which was that some local competitors welcomed the arrival of a new entrant, which had not been identified in the previous research.
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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Amit Verma
Chapter 1: Introduction

International Business (IB) research focuses on expansion beyond local borders (Han, 2016), a process which has been facilitated by information and communication technologies. For example, online platforms have facilitated the entry into new markets by lowering costs of entry and facilitating market knowledge. International online retailers such as large online MNE pose a challenge to the local retailers when they enter the national market as they tend to have better services in comparison to the host country competitors (Abo, 2012; Papanastassiou, 1997). There are a number of researchers that have explored how online retail has changed retail competition. Dawson (2001), states “new commerce” or “e-commerce” is comprised of an innovative force, laden with information, enabling companies to speed up activities and increase their scope. According to Burt and Sparks (2003), e-commerce has a number of implications for the retail process and how and where the tasks are performed. The retail process is comprised of the sourcing of products; stockholding, inventory and store merchandising; the marketing effort including branding; customer selection, picking and payment; and distribution of goods by or to the consumer. Grewal, Roggeveen and Nordfält (2017), states as the lines blur between online and offline, innovative retailers are integrating mobile into their brick-and-mortar store experience. When shoppers search for a store name or category, they expect to see a map with directions, a phone number that they can easily click-to-call or special offers that match their location and time of day. Adidas worked with their agency iProspect to evaluate how mobile clicks on their store locator links were driving in-store sales, and found that for a mobile investment of $1 million, the value brought by store locator clicks in mobile ads generated an extra $1.6 million in sales (Grewal et al, 2017).

As mentioned previously there are a number of researchers that have explored how the online retail has changed retail competition but what has not been well researched is the impact of international entry of a large online MNE, on both local bricks-and-mortar and existing online retail dynamics in the host country. When a large MNE enters a country’s national market, the incumbents respond to that entry by making different competitive responses. There is a very little literature overall concerning the word/action responses of incumbents when a large MNE enters into the retail sector, and there has been insufficient research examining the incumbent response to new entrant combining competitive dynamics and word/action responses together.
The primary aim of this study is, therefore, to explore how online MNE entry into a new national market impacts local competitive dynamics, focusing on Amazon’s entry into the Australian retail sector, in December 2017. The entrance of Amazon has gathered much attention in the news media and trade publications, with high levels of attention from analysts, business people and policy makers with interest in understanding how the incumbents of the Australian retail sector would react to the entry of Amazon.

This research aims to explore the competitive dynamics of Australia's retail sector to Amazon’s entry and the responses of incumbents when a large online entrant enters into a national market. This study examines the competitive responses of the word/action responses by the local incumbent firms. This research integrates the frameworks of Luoma et al. (2018), on aggressive, commitment and consequence price response, with Gao et al.’s (2017), framework on word/action response and Wang and Shaver’s (2014), work on repositioning. This framework is also later updated by incorporating the emergent themes from this study. The research question for this research is:

“How does the entry of foreign online retailer impact the incumbents in host country’s retail sector: The competitive dynamics and word/action response to Amazon's entry into Australia’s retail sector”.

This study comprises of seven chapters in total. Chapter one presents the rationale of the study and why this topic it is an important topic for the IB discipline.

Chapter two of this research presents the literature on the entry of business firms into a foreign market. Traditional theories of internationalisation including the Ownership, Location and Internationalisation (OLI) paradigm and the Uppsala model are reviewed in this chapter. Moreover, this topic is underpinned by a number of key areas of research such as competitive dynamics and positioning within markets, and the way in which firms respond to new entrants. In reviewing the extant literature in these areas, a research gap is identified.

Chapter three gives the outline of the background context of the case. Background of the Australian retail sector and its largest retailers will be discussed in this chapter. Australian online and Australian brick-and-mortar retail sector will also be reviewed. The background of Amazon.com will also be presented in this chapter, and the global strategy which Amazon uses to enter the new markets will also be discussed.
Chapter four of this research presents the study’s philosophical position as, post-positivist research, the case study methodology, the research methods and sample. This chapter will also outline the framework based on Luoma et al. and Gao et al. frameworks along with Wang and Shaver repositioning theory. This chapter will also present the data collection process, data sorting and the data analysing along with six themes identified during the process of data analysis.

Chapter five discusses the findings of this research. Direct aggressive, commitment and consequence word/action responses made by the incumbents will be presented in this chapter.

The discussion of the findings will be presented in chapter six. Emergent themes which were found during the process of data analysis will also be discussed in this chapter. This chapter will also introduce the updated framework based on Luoma et al. (2018), aggressive, commitment and consequence price responses along with Gao et al. (2017), word/action response, Wang and Shaver (2014), repositioning theory and emergent themes found during the process of analysing the data of this study.

The study will be concluded in chapter seven by presenting the overview of this research. Conclusion and contributions such as contribution to theory, contribution to practice and contribution to policy makers will also be presented. This chapter will also discuss the limitations of the research and recommendations for the future research.


Chapter 2: Literature Review

2.1 Introduction

The primary objective of this chapter is to theoretically frame the research, which focuses on incumbent firm responses to Multinational Enterprise (MNE) market entry. This topic is underpinned by a number of key areas of research, including firm market entry, competitive dynamics and positioning within markets, and the way in which firms respond to changes in the market. In reviewing the extant literature in these areas, a research gap is identified.

2.2 Traditional Models of Internationalisation

To explore the responses of host country incumbents towards an MNE entry, it is essential to have an understanding of MNE entry decisions. There is a large body of work within IB discipline which focuses on how an MNE make entry decisions. Two of the most often cited approaches are based on a staged model of internationalisation (commonly referred to as the Uppsala Model) and Dunning’s eclectic paradigm (OLI). Uppsala Model details sequential steps which are often taken by companies in their international expansion, expanding in both a number of markets and operational commitment to these markets over time as they obtain experience in the market and in internationalising (Hodnett & Hsieh, 2012; Ito & Komoriya, 2015; Johanson & Vahlne, 1977).

According to the proposition of Uppsala, expansion should start in physically close markets. After continuous growth, the business can then seek more distant investment (Zekos, 2003). MNEs’ can enter the market using either indirect or foreign direct investment (FDI) modes (Rathert, 2016). The Uppsala model concentrates more on understanding how knowledge about foreign markets is developed, which is a crucial factor in the decision on internationalisation. In contrast, the OLI emphases Ownership, Location, and Internationalisation advantages when making decisions about whether to venture into a new market via an FDI mode, or a less direct mode, such as exporting. These two foundational theories of international expansion help to explain the way in which firms’ internationalise, choose market and entry modes (Dunning, 1979). These theories are designed to explain how firms enter markets but do not state how local competitors react.
2.3 MNE Entry and its Impacts on the Host Country

It is important to investigate the impacts of an MNE entry on the host country, the advantages and disadvantages MNE brings with them for the host country when they enter into a new national market. Every country needs to analyse the pros and cons that are involved with the existence of MNE. The host country needs to adapt to the changes that are brought about due to the existence of the organisation in the country (Regnér & Edman, 2013). MNE entry into a host country could have a multi-layered impact on the host country's business (Brouthers, 2013). One example could be by lowering the price of goods and services, which could create aggressive competition for the local companies (Buckley & Casson, 2010; Demirbag, McGuinness & Altay, 2010). The entry of an MNE into a new national market creates innovation and change in the market (Brouthers, 2013). The presence of foreign retailers may generate economic development by stirring domestic competition (Durnev, 2010). The competition in the host country leads to more productivity, excellent resource allocation, low prices and price stability. Also, the increased competition spurs investments by firms in plants and other capital investments as they struggle to gain a competitive edge over their rivals (Ernes, 2003). It also helps the firms to advocate for new technologies and adopt new practices which lead to enhanced services and products.

Kabiraj and Sinha (2014), stated the importance of MNEs entering the new national market, they further explained some of the advantages of MNE entering a new national market. One, the host country benefits from the skilled foreign labour. Second, the host country benefits from the inflow of foreign capital which MNE brings in. Third, the host country can utilise its idle human and physical resources which can increase national income of the host country. Fourth, the entry of MNE could result in the end of local monopolies (Kabiraj & Sinha, 2014). New technologies are introduced in the country, which is used to boost other sectors of the economy. Moreover, the new businesses create employment, improving the living standards of the locals (Ernes, 2003). The government of the host country collects more returns due to the increased circulation of money in the economy. The profits generated by MNE is subject to local taxes, which delivers an important source of income for the local government. The expectations of consumers also change because of the introduction of a new MNE in their retail sector if the new entrant provides better shopping experience in comparison to local businesses (Verbeke & Asmussen, 2016). This section looked into a systematic
analysis of the impacts of the MNE could have on the host country along with the benefits that the host country may see with the entry of new MNE.

### 2.4 Factors Affecting MNE Performance

This section will investigate the factors that affect MNE performance in the new national market. It is essential to examine and understand the factors which could affect the performance of an MNE in the new country’s market because generally, the internal and external factors of an environment affect the progress of an organisation. This includes a proper analysis of the factors that are involved in the market and the way it can be used to analyse the effectiveness it has on the economy (Nachum, Carnevale & Korn, 2015). There is a significant research available on the factors that affect MNE performances once they enter the new national market (Standing, 2011). There are four different factors which are essential for ensuring the success in the market entry they are political factors, technological changes, information technology and social factors (Blomkvist, Kappen & Zander, 2010).

Chen and Johnson (2015), argued that in areas where political instability is seen, the chances of business thriving are very minimal. Technological changes contribute to business performance in new markets. Information technology infrastructure and technical capabilities determine the prosperity of a new entrant in the market (Duanmu, 2006). Social factors such as religion and wealth also have a crucial role in securing demand for goods and services (Duanmu, 2006). Hence, based on the analysis of the market, it can be said that the factors that affect the performances of the MNEs in the new national market can be analysed. This section discussed the analysis of various modern-day factors that are involved in making an impact on the business performance.

### 2.5 Internationalisation of an Online MNE

This section aims to examine the internationalisation of an MNE which does not have a physical presence, i.e. an online MNE. This section will also present the debates around the internationalisation of an online firm by reviewing an example towards the end of this section. Information technology has facilitated businesses to expand internationally, resulting in some suggesting these theories of internationalisation need revision (Zekos, 2003). International online retailers pose a challenge to the local retailers as they tend to have better services than the host competitors. This is even more given the entry of an MNE to the host nation (Dikova & van Witteloostuijn, 2007; Fleury & Fleury, 2014). Online platforms have facilitated the entry of new markets by offering opportunities to
explore global markets (Abo, 2012; Herrmann, 2005). Others have also explored how online retail has changed retail competition (Morgan, 2009), but what has not been well researched is the impact of international digital expansion on local brick-and-mortar retail dynamics in the host country (Papanastassiou, 1997). Moreover, there is very little literature overall concerning the impacts of MNE entry into developed markets (Zeng & Glaister, 2015).

In contrast, internationalisation by online retailers is an effective, path-dependent practice. Schu, Morschett and Swoboda (2016), focused their study on how imitatibility of an online store, the scope of the local portfolio, the presence of venture capitalists, and the diversity and distance influence the rate of internationalisation. Schu et al.’s (2016), research argue that newly established firms face intense competition in the local market. Therefore, they are always looking for markets that are less competitive. Distance and diversity between home and the foreign country influence the decision to internationalise (Yamin & Sinkovics, 2006), as it determines how well the firm will utilise the capabilities it has gained in the local market. The rate of internationalisation of online retailers varies with the existing country portfolio and is path-reliant (Schu et al., 2016).

The presence of numerous foreign retailers in the country’s retail market intensifies competition between the local and foreign retailers. The competitive dynamics of online retail trade has shaped the degree of rivalry among firms. Zeng and Glaister (2015), analysed how competition in China was changed when the multinationals began dominating China’s virtual market when the internet was introduced in China in the earlier era (Zeng & Glaister, 2015). The authors argue that international companies have superior capabilities when compared to local internet provider corporations thus able to record a significant increase in their return. Furthermore, the study reveals that local internet companies are in a better position to compete in the virtual market compared to their foreign counter-parts due to the government censorship programs, culture & norms and, deficits in the domestic market conditions (Zeng & Glaister, 2015). The authors noted that multinational corporations always bring their global strategy to local markets which may not be effective given the local conditions.

Therefore, it can be noted that in the modern world, technology plays an essential role in business. Most business organisations focus on the use of technology and online mode of making transactions and establishing a relationship with customers. People in the society tend to purchase goods online, but at the same time, the shoppers rely on
visiting the physical stores to purchase goods. This provides an effective way in which people can understand the quality of products sold by the organisations.

2.6 Competitive Dynamics and Porter’s Five Forces

The purpose of this section is to examine the competitive dynamics and Porter’s five forces of competition. When an MNE enters a new national market, it has implications for the competitive dynamics of the host country’s businesses and industries, an area which is less well researched (Durnev, 2010; Ernes, 2003). The weaker companies find difficult to survive due to competitive advantages including economies of scale, which the MNE often brings to the market (Dikova & van Witteloostuijn, 2007). Although it is beneficial to the country looking at the tax collected, there are also challenges faced by local businesses, such as increases in marketing costs (Dimitropoulou, Pearce & Papanastassiou, 2009).

MNEs can disrupt conventional retail plans of action of the host country businesses in various ways (Parboteeah & Cullen, 2017). MNE entry into the retail sector of a host country can affect the profitability of the local retailers, for example, retailer margins could fall, along with the profitability and share prices of the local retailers (Demirbag, McGuinness & Altay, 2010). Fleury and Fleury (2014), determined two significant impacts on competitive dynamics in the host country by an MNE. One is that an MNE could affect the host country’s retailers’ sales growth to moderate or decay, as the MNE start taking up the volume share. Second, MNE’s attention to low costs forces local retailers to decrease their costs, which affects the host country’s business line negatively. This section examined competitive dynamics, which has been examined more rigorously from the areas of industrial organisation and strategic management.

2.6.1 Porter’s Five Forces

A key model of industry rivalry and dynamics is Porter’s five forces of competition. The purpose of Porter’s five forces model is to predict how profitable the industry is (Önören, Arar & Yurdakul, 2017). Porter’s model identifies the forces that are mostly responsible for driving domestic market demand with the entry of a new entrant (Porter, 1979), they include:

- Bargaining power of suppliers
- Bargaining power of buyers
- The threat of substitute products
- The risk of new entrants
- Rivalry among existing competitors.

![Diagram of Forces driving market demand](Porter_1979)

**Figure 1**: Forces driving market demand (Porter, 1979).

### 2.6.1.1 Critiques of Porter’s Five Forces

While many authors support the use of Porter’s five forces in understanding the competitive dynamics of an industry, there also have been numerous criticisms. Önören et al. (2017), argued that the model helps into determine the industry structure and fight the competition with the help of five forces. It helps to establish the essential strategies to enter the market as well as to survive in it. The authors further stated that the business which is at the stage of ‘Growth’, need to explore more and make use of the new opportunities in the market. It is a matter of differentiation based on new service models instead of new products. Thus, Porter’s five-factor model can be proposed in the operational strategy. The model helps to find the level of competition and the profitability of the business.

However, Rothaermel (2014), stated that Porter's five forces model is very passive, it fails to document and analyse all the necessary changes that occur in the industry. Sometimes, it fails to snapshot all the necessary factors that are changing in the industry. Rothaermel (2014), further critiqued porter’s model by noting that there is a significant focus on the industry instead of focusing on profit factors. The differences between individual companies are often neglected and ignored. The author also stated that the model could not investigate the intangible assets of the industry. The model covers only operational factors and external sources for internal factors. In the case of complex industries, the model is not best suitable (Rothaermel, 2014). In addition to this, it was also argued by the author that there must be additional forces such as digitalisation and globalisation. The additional factors must be taken into highest
priority because the early model does not include any factors related to the digital platform. While today every industry uses digitalisation, which is not measured in Porter’s model.

Moreover, this model also fails to analyse the exposure of industry towards the international market. Industries today are highly focused towards expanding their business territory in national boundaries along with international boundaries. Thus, it can be concluded that besides plenty of critics involved in this model, it is still used in many industries (Rothaermel, 2014). Grundy (2006), further argued that Porter’s model could not be applied practically to the modern business to gain success. The author explained that there are other many forces that can be developed and implemented to gain business success for the modern business. By focusing on the potential of new entrants to enter markets and change the intensity of competition and industry profitability, Porter’s five forces remains the underpinning theory used in competitive dynamics.

2.7 Repositioning and Porter’s Generic Competitive Strategies

The purpose of this section is to examine the literature around the repositioning of incumbents when a large MNE enters the market, after understanding the five forces of competition its essential to understand the repositioning and competitive strategies that an organisation may utilise to acquire a competitive advantage, introduced by Porter. While critics argued that Porter’s five forces approach was too static and ignored the actions which individual firms could take, Porter, addressed this by proposing that firms could choose to compete by adopting different market positions.

2.7.1 Porter’s Generic Competitive Strategies

Porter explains competitive positioning choices as comprising three generic strategies named cost leadership, differentiation and focus. Porter named the generic strategies “Cost Leadership” (no frills), “Differentiation” (creating uniquely desirable products and services) & "Focus" (offering a specialised service in a niche market). Porter then separated “Focus” strategy in two sections: “Cost Focus” & “Differentiation Focus” (Plinto, 2015).
2.7.1.1 Critiques of Porter’s Generic Competitive Strategies

Porter’s competitive strategies were widely accepted as well as criticised by many authors. Many management scholars supported the model, and the model is still used in many business schools. Some argued that cost and differentiation are not the only factors that must be taken into consideration. It was argued that there are many government firms who aim at earning a large number of profits without using any model. They earn high profits because they are supported by the state (Denicolò & Zanchettin, 2009).

Klein argued that Porter’s explanation towards competitive advantage was prescriptive. It was not only in effective but also a biased way of analysing industry based on only five factors (Pinto, 2015). Later, it was also found that the financial sectors found difficulties in following this model. Klein also argued that Porter had repeated the term “competitive advantages” so many times, but still the meaning of the same was unclear. Klein further argued that Porter stated that a firm must have competitive advantages but failed to describe what competitive advantage is all about (Pinto, 2015). This section looked into the extant literature around repositioning and Porter’s generic strategies of completion. The sub-section investigated the critiques of Porter’s generic strategies.

Despite its limitations, research into competitive dynamics has widely adopted the idea that firms can change their position as competitive intensity changes. In particular, the way a new entrant decides its position in a new market determines the reaction of the incumbents in the same market (Porter, 1998). Seamans and Zhu (2014), analysed the costs and benefits associated with a company that remains close to or remote from its competition in the sense that distance refers to geographical positioning. According to Wang and Shaver (2014), based on their competitive
repositioning model, when a new firm makes an entry into a new national market, the incumbents may choose to either reposition or respond to the new national market entrant. Drawing from Porter’s model on forces driving market demand, for example in this case if the force driving the market is a threat of new entrant, the incumbent may decide to move to another place to look for new customer bases or stay and challenge the new entrant. A fundamental concept proposed by the action-response perspective is that when a new national market entrant (attacker) initiates an attack to challenge the rival (incumbent) position, the latter may choose to respond with actions or do nothing (Chen & MacMillan, 1992).

When a firm makes a new national market entry, the incumbents may choose to reposition in the case where the new firm offers better product quality or better prices. However, the competitive strength of the entrant to influence market factors determines whether the incumbent will re-position or remain in the industry. The central argument proposed by the competitive dynamics theory of Wang and Shaver’s competition-driven repositioning is that a firm is likely to reposition if the competitive dominant company is stronger or perceived to be stronger. In this sense, it is easier to predict that in the case of new national market entry, the incumbent will either reposition or decide to stay on and fight the new entrant (Wang & shaver, 2014). Ayden, Demirbag and Tatoglu (2018), stated that a company needs competitive advantage in every market that they operate to keep pace with rivalry and a critical aspect of which is being able to anticipate the competitive rivalry also a company needs a couple of aspects such as good customer relations, enhanced brand image and offer quality products and services to gain the competitive edge in the market and industry at large.

2.8 Competitive Responses and Word/Action Responses
When a large firm enters the market, it becomes essential to explore the reactions of the incumbents. The objective of this section is to discuss the extant literature around the competitive and word/action response from the local retailers. Luoma et al. (2018), examines how incumbents may react to a new national market entrance, proposing a model illustrated in figure 3. The model proposes that in the face of new competition, the reaction of the incumbents depends on factors corresponding to the aggressiveness of the new entrant, the commitment of the new national market entrant and the consequences of the new national market entrant on existing national market. For example, if the new entrant offers lower prices, which could in the process, attract more
customers and hence disrupt the market of the incumbents, then an aggressive competitive reaction can be expected.

![Diagram](image1.png)

Figure 3: Luoma et al. (2018), incumbent responses to national market entry

To better understand Luoma et al.’s (2018) model, this research draws on the work of Gao et al. (2017), who explored competitive engagement by proposing word/action responses to the new market entry. In Luoma et al.’s (2018) model, the incumbent’s reactions were determined by the cues provided by the new market entry. In particular, the model explains how the new entrants affect the ‘pricing’. Luoma et al. (2018), were concerned with the reaction to an attack. Gao et al. (2017), introduce a different reaction to the market entry, i.e. ‘word/action response’. The authors argued that incumbents might react aggressively to an attack by a new national market entrant by making a bold statement aimed at the competition.

![Diagram](image2.png)

Figure 4: A Framework on word/action responses as proposed by Gao et al. (2017)

Luoma et al. (2018), suggested another perspective on how firms react to new market entry, the model illustrated in figure 3. In their low-price market entry strategies model, they stated that managers respond to new national market entrant based on their
cognitive mechanism. Incumbents first assess the situation to determine whether a new national market entrant is a threat to their domestic market and then choose how to react. In this model, the incumbent's reaction to new national market entry is determined by how the new entrant makes the entrance (Chen, Lin & Michel, 2010; Chen, Smith & Grimm, 1992).

If the new entrant makes a “splash or wave” when they enter the new national market, they are likely to disrupt the incumbent’s market and hence attract an aggressive reaction. This could be seen using methods including lowering the prices of commodities in the new national market which could disrupt the activities of the incumbents. To avoid an aggressive competitive reaction, Luoma et al. (2018), the model suggested that new entrant(s) should make an entrance in the manner that incumbents do not feel threatened. However, in some cases, a new entrant can make such an impactful entrance that the incumbents become deterred from launching a counter-attack. This model proposes the idea that the incumbent's reaction to a new national market entrant is determined by the weight of impact the new entrant makes when they enter the market.

Luoma et al. (2018), refer to responses through pricing changes. Whereas, Gao et al. (2017), emphasise that other sorts of responses might also be seen, such as word/action responses. In other words, it can be seen that Luoma et al.’s model examines the issue of market entry by an external competitor, from a price point of view. However, companies facing this kind of pressure are bound to react in many ways. Gao et al.’s model took the perspective of word/action response, in which entities are facing such problems whether a monopoly, duopoly, an oligopoly, make public utterances that are meant to create obstacles for the incoming company.

In the model on understanding word/action response in competitive dynamics (Figure 4), Gao et al. (2017), examined how the word/action response of incumbents can be used to measure and predict their strategic response to the new national market entrance. The way incumbents respond may reveal their plans on how to tackle a new national market entrant. One central issue seen in the competitive dynamics research is the ability to predict the competitive response (Chen et al., 1992). While a dominant multinational can have advantages over its competitors, the rivals can overturn the gains at anytime depending on their response according to the model suggested by Porter (1985). According to Smith, Grimm and Gannon (1992), their action response
perspective explains that competitive attacks may evoke different responses from rivals, which is the central idea behind competitive dynamics (Chen, 1996).

When it comes to aggressive response as illustrated in Luoma et al. (2018), model, action-response is the most employed. However, word responses have a certain level of commitment that action response does not have. Gao et al. (2017), drawn their model from three competitive response drivers, which are awareness, motivation, and capability as shown in figure 4 above. An incumbent reacts to a new national market entry based on the three drivers and chooses either word response or action response based on the same. Gao et al. (2017), the model provided a way to study significant characteristics of attacks (magnitude and complexity). In their model, they predicted that word responses are likely to be used when the aggressiveness or magnitude of the attack is lower as well as the complexity of the attack.

To elaborate more on the word/action response, the rivals could decide to make an official statement to the attacker that they will fight them. It is important to realise that word responses are more efficient and effective than action responses in the sense that they create publicity (Farrell & Rabin, 1996). The word response while it is not as effective as an action response is likely to create a buzz by attracting publicity which could either deter an entrant or not (Chen & MacMillan, 1992; Porter, 1998; Schelling, 1981). According to Porter (1998), on the competitive strategy, the most vital objective of either action or word response is to reduce the intensity of the rivalry.

The decision of a firm to use action or word responses to an attack depends on the language used by the attacker. It shapes the competitive dynamics of the industry. Gao et al. (2017), stated that businesses use different languages in the public domain to influence competition. The public platforms used are interviews, technology conferences, business newspapers, earnings conference calls, industry journals, or press releases. The language used by competitors determines how an organisation will respond to the attack, the legality of their action, and how they would manage relationships with other stakeholders.

Language plays a significant role in competitive dynamics in four ways. First, it cultivates an ‘enemy mindset’ among competitors; second, it intensifies competition from these rival firms in the market; third, it seeks to obtain stakeholder support, and fourth, it influences a change in the demand and performance of the competing companies. As a result, the competitive dynamics, aggressiveness, the determination in
taking action, and extremity, of the industry will vary depending on the language used when making attacks. This section examined the competitive and word/action responses.

2.9 Research Gap

Competitive Dynamics is concerned with the causes and consequences of inter-firm rivalry (Thomas & Pollock, 1999; Young, Smith & Grimm, 1996). To investigate the performance effects of competitive dynamics, competitive dynamics scholars have turned to economic competition theories and identified the dynamic exchange of competitive actions between firms as their object of interest. This contrasts with other more structural approaches to competition research, such as industrial organisation. Contrasting industrial organisation’s interest in structural industry characteristics, the competitive dynamics perspective focuses on the nature and consequences of competitive dynamics among firms (Ketchen, Snow & Hoover, 2004). Much existing academic research focuses on competitive dynamics from an industrial organisation approach, or in relation to positioning. Building on other forms of competitive response, Gao et al. (2017), and Luoma et al. (2018), have begun differently to explain how companies respond, i.e. position, dependent on industry dynamics but based either on pricing or word/action. However, no attention has focused explicitly on looking at different kinds of word/action responses from the incumbent when a large MNE enters into a domestic retail sector. In particular, while recent IB research has emphasised the importance of online firms, these have also been largely overlooked in terms of market entrance. This research aims to look into the word/action responses from incumbent when a large MNE enters the retail sector.

2.10 Research Question

The research question is formulated after identifying the gap in the literature. The research question of this study is:

“How does the entry of foreign online retailer impact the incumbents in host country’s retail sector: The competitive dynamics and word/action response to Amazon’s entry into Australia’s retail sector.”

2.11 Summary

This chapter provided a discussion of extant literature that supports the theoretical background of this study. Models of competitive dynamics are used in this research to facilitate and illustrate how and what are the consequences that are meant by a new
entrant company on host country’s incumbents. This chapter presented traditional theories of internationalisation including the Uppsala and OLI paradigm. This chapter also discussed the effects of MNE on the host as well as the host country incumbents. This chapter also presented Porter’s five forces of competition along with the generic competitive strategies introduced by Porter. This chapter presented Luoma et al. (2018), framework on aggressive, commitment and consequence price response and Gao et al. (2017), framework on word/action response as well as Wang and Shaver (2014), work on repositioning.
Chapter 3: Background

3.1 Introduction
The purpose of this chapter is to outline the background context of the case. Firstly, the background of the Australian retail sector and its largest retailers will be discussed followed by its sub-sections; Australian online and Australian brick-and-mortar retail sector. The background of Amazon.com will be presented in the subsequent part of this chapter, and its sub-section will discuss the global strategy which Amazon uses to enter the new markets. Then there will be a discussion on Amazon and brick-and-mortar retail in the Australian retail sector and Amazon’s entry in the Australian retail sector. Finally, the chapter will discuss the key rivals of Amazon in the Australian retail sector.

3.2 Background of the Australian Retail Sector
To explore the word/action responses of Australian incumbents towards Amazon’s entry, it is important first to get familiarised with the Australian retail sector and the market share of some of the largest incumbents. Australia is the sixth largest country by total area in the world and the largest country in Oceania with a population of 24 million people ("Largest Countries in Oceania by Area 2018", 2018). There are more than 140,000 retailers operating in the Australian retail sector, which accounts for 4.1 per cent of Gross Domestic Product (GDP) and 10.7 per cent of employment. Australia has more retail stores per capita than any other country in the world: for every 30,000 people, there is one retail store available which is twice the density found in the US (Australian Bureau of Statistics, 2018). In Australia, there are two major supermarket groups, two major electronics retailers and two major department stores. The market share of these major retailers is Woolworths 38%, Coles 31% in the supermarket sector, Big W 25%, Target 22%, in the department store sector. Whereas Harvey Norman and JB Hi-Fi comprise 23% and 17% respectively in the electronics sector (Australian Government Productivity Commission, 2017). Local companies have dominated the Australian retail sector for a long time. One of the possible reasons for this occurrence is that Australia is the 14th largest economy in the world ("Largest countries in the world | Statistic", 2018), with a GDP of AUD$1.69 trillion as of 2017, therefore, any new entrant requires a significant sum of money in capital and a good understanding of the Australian retail sector to gain a sizeable market share that guarantees the profitability of operation (Australian Government Productivity Commission, 2017).
3.2.1 Australian Online Retail Sector

This section aims to examine Australian online retail sector and its growth along with the presence of foreign retailers and existing online retailers in the Australian retail sector. The average equalised disposable household income, in Australia, in 2015-16 was AUD$ 1,009 per week (Australian Bureau of statistics, 2017). E-commerce sales accounted for 5.9 per cent of entire retail sales in Australia, in 2015; this number is anticipated to rise 7.2% by the end of 2018. Online retail sales in Australia, only account for 7 per cent of entire sales, but this number is growing by 30 per cent per annum. The expenditure in online shopping in Australia is rapidly increasing. Data shows that three-quarters of Australian internet users bought or placed the order of the goods/services online in 2012-13, of those who shop online, about 30% were projected to make internet purchases on a weekly basis (Australian Government Productivity Commission, 2017). Thus, it gives an opportunity for new entrants to tap into the growing trend of expenditure in online shopping, it also elevates severe concerns as to what the future holds for traditional brick-and-mortar in the Australian retail sector because the majority of the existing retailers are operating through brick-and-mortar stores along with having an additional online facility (Australian Government, 2018).

The Australian online retail sector has grown significantly having recorded an estimated $23.8 billion in retail sales in 2015, a 0.6% rise from 2014 (Australian Government, 2018). Foreign retail companies such as Apple, Gap, Fossil, and Abercrombie & Fitch have sought to capitalise on this rising sales prospects. Researchers estimate that 43% of the online sales revenue goes to overseas companies that have physical stores and conduct online sales in the Australian retail sector (Australian Government Productivity Commission, 2017). The top four online sellers in the Australian online retail sector are Kogan, Temple and Webster, Catch of the Day and The Iconic. These retail stores have different specialities in home-ware, apparel, electronics and groceries products. Other major retail stores in this sector include JB Hi-Fi, Booktopia, Dan Murphy’s, Red Balloon, Lorna Jane and Shoes of Prey (Australian Government, 2018).
In Australia, it is estimated that online retail will grow from $30 billion in 2017 to about $39.1 billion in the year 2019 (Australian Government, 2018). The growth is necessitated by the changing behaviour of Australian residents, who have embraced the use of the internet. According to the Australian Bureau of Statistics (ABS), one of the new trends emerging recently is the customers researching products online and opting to shop offline (Hatch, 2016). This is mainly because customers always prefer to shop offline due to having the touch and feel facility. Thus, the existing retailers are tapping into this concept of offering both online and offline facility for the customers. This section outlined online retail in Australia, and it also outlined the future of Australian online retail. From the above section, it can be noted that the Australian online retail sector is growing at a significant growth rate one possible reason could be the presence of foreign retailers.

### 3.2.2 Brick-and-Mortar Retail in the Australian Retail Sector

The purpose of this section is to examine the brick-and-mortar retail in the Australian retail sector. With 88% of Australian house-holds being online ("Australia - internet penetration 2018 | Statistic", 2018), it became a significant threat to the existing brick-and-mortar retailing businesses. Most retailers in the Australian retail sector are traditional brick-and-mortar retailers; they hold a significant proportion of the Australian retail sector. However, there are challenges not just from changes in
technology but also from new international entrants. Brick-and-mortar retailers in Australia have battled stringent condition in the national market due to rapid march of technology. The boundaries between the virtual and physical stores are blurred, and competition between the small businesses and large international companies is also increasing (Scutt, 2018).

Brick-and-mortar retailers in Australia have also faced a significant challenge due to the uptake of e-commerce and the rapid entry of new competitors. Brick-and-mortar retailers have faced increased competition from overseas retailers, online & via physical stores established by overseas retail leaders in the last ten years (Brook, 2018). A significant instance is how the entrance of overseas clothing retailers H&M, Uniqlo and Zara, have all elevated price strain on department store operators such as David Jones, Myer & other traditional department stores & fashion groups (Australian Government Productivity Commission, 2017).

Some brick-and-mortar retailers in Australia have started charging shoppers to try the product because shoppers come into the store, try the product, get an idea about the product and the price then they visit online store of other companies to purchase the same product if they find a better price (National Australia Bank Limited, 2017). It is evident that the retail environment in Australia has reached a tipping point, where most of the retailers are unable to sustain the market forces from the e-commerce (Brook, 2018). To remain afloat, some of them have resulted in deciding to cut the operating cost (Australian Bureau of Statistics, 2018).

### 3.3 Amazon.com, Inc.

In order to understand the word/action responses of Australian incumbents towards Amazon’s entry, it is essential to get familiarised with Amazon as a company itself, and their key profit sectors. Amazon.com, Inc., or Amazon, is an American electronic commerce corporation founded in 1994 by Jeffrey Preston Bezos (Amazon.com, 1995), and is the leading online retailer globally with over 310 million users worldwide (Amazon.com, 2018). Having started as an online books-seller, Amazon’s primary channel to customers is through the internet. Amazon offers millions of products to their customers. Large profit margins led to diversification and intensification of their products to become a retailer in every commodity (Amazon.com, 2018). Amazon also has substantial worth among the world’s wealthiest organisations’, making the company
get more turnover from their involvement in large dealings. This makes Amazon universally a very competitive retailing company (Monica, 2018).

Amazon has a multifaceted e-commerce business, recognition in the market, the economy of scales, and more diversified revenues as compared to other smaller organisations ("Are investors too optimistic about Amazon?", 2017). This enables Amazon to have a greater purchasing and bargaining power, enabling them to sell commodities at lower prices. This coupled with customers purchasing their products at their comfort amid their busy schedules makes them prefer Amazon to other businesses ("Amazon the Walmart of the web", 2011). In 2012, Amazon’s total sales were at $51.7 billion. This number had almost equalled their other online opponents including Barnes & Noble and eBay collectively. Amazon experienced a comprehensive development of profit amid 2007 & 2012. Between 2007 & 2012, the profit of Amazon, climbed by 33 per cent. The revenue was derived from 3 key areas inclusive of Electronics, Media & General Merchandise (EGM). Another source of returns included fulfillment operations, credit card co-branding, and Amazon Web Services (AWS). However, this should be noted that the organisation's profit growth occurrence was primarily driven by the segment of EGM which recorded an advancement of 49 per cent. Media sector at the 2nd place with a 46 per cent growth proportion (Amazon.com, 2013).

![Exhibit 1: Overall Revenue Growth 2007-2013 ($MM)](image)

Figure 6: Amazon profit growth from 2007 to 2012 (Khoja, 2013)

### 3.3.1 Amazon’s Global Entry Strategy

In this section, the strategies which Amazon uses to enter new markets will be examined. The first international market that Amazon entered was the United Kingdom in the year 1998, and since then, the company has launched itself into more than twelve
countries and improved the online shopping experience of the customers. Amazon used acquisition marketing strategy in the United Kingdom, Germany and France; the company acquired the largest online bookstores and eventually started selling other products and services in those markets. Japan was a different market for Amazon thus, the company opened a fulfillment centre to cater to the needs of the large market (Ruddick, 2013). In the emerging markets such as India, the company used a similar model. They started selling their books and DVD through Junglee.com and later acquired it. Thus, it can be easily said that company uses their marketing expertise and research to enter into a foreign market, the strategies are a combination of Warehouses, fulfillment centres, acquisition and joint venture (Walt, 2015). This section investigated the strategies Amazon used to enter into markets by using the examples from different countries.

3.4 Amazon and Brick-and-Mortar in the Australian Retail Sector

This section will examine the brick-and-mortar retail in the Australian retail sector and the effects of Amazon on Australian brick-and-mortar retail. Australian customers are already spending 500 million to 700 million USD a year on all Amazon websites. In Australia, 75 per cent of the youth aged beyond 18 years was interested in subscribing to the Amazon’s official website, i.e. Amazon.com. Further, 56 per cent stated that they intended to purchase from the company due to personalised services and the availability of a wide range of goods. Special services such as discounts and delivery attracted people to shift from their routine physical store shopping to online shopping. With Amazon reportedly planning to lower prices by up to 30 per cent in the Australian market, it has been suggested it will be challenging for existing brick-and-mortar retailers to compete in the market (O'Brien, 2017). However, although Amazon has challenged traditional brick-and-mortar retailers, it is suggested that retailers who adjust to the entry of Amazon will benefit (Jackson, 2017). The above section looked at the challenges faced by local brick-and-mortar retailers in Australia due to the entry of Amazon in the Australian retail sector.

3.5 Amazon Entry Strategy in the Australian Retail Sector

In this section how Amazon planned to enter the Australian retail sector will be examined. An example of MNE entry which had been given significant public attention was the entry of Amazon into Australia; Amazon launched it’s the Australian retail sector presence on December 5, 2017. Australia with a population of 24 million is a
large developed market for Amazon’s growth strategy; the company decided to venture into the Australian retail sector to strengthen its global footprint (O'Brien, 2017).

Amazon opened a distribution warehouse; Amazon calls it “fulfillment centre”, just outside of Melbourne to serve the customers, who were initially paying large shipping costs. The newly constructed warehouse aides the buyers with the option of same-day delivery under their fast delivery service called Amazon Prime. The strategy of Amazon in any of its global markets is the same “Go global and think Local”, which is also known as ‘Glocal’ (Amazon.com, 2018). It will be too early to predict the rate of penetration of Amazon in the Australian market by the initial numbers, as a new market always takes time to stand on its feet. However, Amazon is certain of their business model and marketing research that they will soon have the success. In the earlier days, people had to pay a large sum of money towards the packaging and shipping costs to get the goods from Amazon; the company has successfully eliminated this by opening a warehouse centre. In the future lies, many more such warehouse, fulfillment centres and collaboration with existing e-commerce players to leverage the already acquired customer’s information (Pash, 2017).

3.6 Amazon’s Rivals in the Australian Retail Sector

The purpose of this section is to examine the rivals of Amazon in different sectors in the Australian retail sector. Australia has two major supermarkets that account for more than 80 per cent of the total Australian supermarkets. Woolworths and Coles form a duopoly market where just two businesses provide services and commodities. The two have complete control and command of commodity prices (Kollmorgen, 2016).

The two supermarkets deal with a large variety of commodities ranging from groceries to house-hold items such as house-wares and touch other business worlds such as beauty merchandises (Clemons, 2017). Amazon on the other hand also deals with the same commodities which not only broadens the product pool for customers to choose from but also encourages active competition (Dawson, 2018; Redrup, 2017). Only 2% of the Australian shoppers to the two supermarkets use online means to make the purchase (Bisnow, 2017). Amazon has a large diversity and assortment of their products. Thus, Amazon also has rivals in other different sectors such as JB HI-Fi and Harvey Norman in the electronic retailing category, Big W and Target in the department store sector (Brook, 2017).
3.7 Summary

This chapter presented the background context of the case. Australia is the 14th largest economy in the world with a GDP of AUD 1.69 trillion, because of this, any new entrant in the Australian retail sector requires a large capital to establish their foothold. This chapter discussed the online retail sector of Australia and its growth. This chapter also discussed the brick-and-mortar retail in Australia and its struggle with online retailers and major retailers in different sectors in the Australian retail sector. This chapter also presented the global strategy Amazon used to enter national markets along with the entry strategy used by Amazon to enter into the Australian retail sector. The existing rivals of Amazon in the Australian retail sector were also discussed in this chapter.
Chapter 4: Research Methodology

4.1 Introduction

The purpose of this chapter is to discuss the chosen methodology for this research. The first section of the study will present the research philosophy chosen for this research. It is underpinned by descriptive ontology and foundationalism epistemology as well as a post-positivist paradigm and will present a detailed analysis of their justification and use in the research. The following part will present the methodology employed by this research. Research methods used in this research will be discussed in the consecutive section. The subsequent part of the chapter will give a detailed justification of the chosen research methods of this study. The combined frameworks on which the analysis of this study was based will be presented in the subsequent section. The data collection process used will be presented in the subsequent section. Finally, the data sorting process will be presented in the next section followed by the data analysing and the themes for this research.

4.2 Research Philosophical Position

In order to conduct any research, there is a need to investigate the philosophical research position. The purpose of this section is to investigate the philosophical research position of this research. In this section, different ontologies and epistemologies are also presented along with the chosen ontology and epistemology of this research which aligned with the research question of this study. The philosophical position regarding research denotes towards “the nature of the world and how the knowledge about from the world could be obtained” (Myers, 2013, p.24), this helps the researcher to select the methodology of the research as well as identify the presentations and findings of the study. According to Grant and Giddings (2002), ontology can be referred to as the basic beliefs of a person about the world and the core of the reality. Ontology can be distinguished into three categories namely formal, descriptive and formalised ontology. On the other hand, ontology is the source of epistemology development, according to the epistemology of the researcher in his special ontological situation. Epistemology is defined as the philosophical study of knowledge (Timmons, 1998).

“Descriptive” ontology is concerned with the collection of relative information on the list of variable objects that can either be real or ideal/dependent or independent. It concerns with the collection of such information either from some specific analysis or in general (Gray, 2013). According to Crotty (1998), “foundationalism” epistemology
states that all knowledge is precisely based on a few axioms or statements which cannot ever be doubted. This type of epistemology is extremely precise and draws a clear line in defining what knowledge is and what is not. This means if the axioms are on point and the derived logic is proper one can be sure of the knowledge (Shamshiri, 2016).

This research aimed to explore the competitive dynamics of MNE market entry on host country incumbents: word/action responses to Amazon’s retail entry into the Australian retail sector. This study examined the competitive responses of the word/action responses by the local incumbent firms towards the entry of Amazon in the Australian retail sector. Thus, the “descriptive” ontology & “foundationalism” epistemology were employed in this study.

4.3 Research Paradigm

This section will examine the chosen research paradigm of this study and give the justification of the chosen paradigm which was consistent with the ontology, epistemology and the research question. According to Gray (2013), a research paradigm is defined as a distinct set of thought or various concepts which include research methods, standards, theories and postulates that make a legitimate contribution in a field of study. The research paradigm is based on the epistemological and ontological assumptions (Sheehan, 2014).

The research paradigm employed in this research was post-positivism, which has the characteristics of both positivist and interpretivist paradigm. Post-positivism is a metatheoretical position that investigates and revises positivism, while positivists believe that the scientist and the inquired about individual are free of each other (Gray, 2013). In simple words, the post-positivist paradigm can be best defined as the way by which scientists think of a certain thing is similar to the way of what people think in their everyday lives (Clark, 1998). To accomplish a detailed understanding of the research question, it was a post-positivist paradigm that emphasised the significance of the background of the phenomena. The goal of this study was to explore how does the entry of foreign online retailer impact the incumbents in host country’s retail sector: The competitive dynamics and word/action response to Amazon’s entry into Australia’s retail sector, without the purpose of generalisation. The results of this work were connected in context. For this reason, the paradigm, post-positivism was determined for this study. The post-positivist paradigm generally uses different approaches and sources to collect data (Creswell, 2012). Furthermore, a post-positivist investigation should
establish a qualitative research method (Korkmaz, 2017). This section looked into the most influential research paradigms available to conduct any research and also justified the chosen paradigm for this study.

4.4 Methodology: Secondary Case Study

The purpose of this section is to examine the chosen methodology of this study and to justify the chosen methodology for this research. The methodology is the theoretical and systematic analysis of the different methods applied in the field of research. It consists of the theoretical analysis of the structure of principles related to a branch of knowledge (Cuervo-Cazurra, Mudambi, Pedersen & Piscitello, 2017). The different methodologies of research can be qualitative and quantitative methodology (Gray, 2013; Yin, 2009). The qualitative research includes surveys, participation/observations, focus groups (group discussions) and individual interviews. Qualitative study finds out information about a specific phenomenon (Silverman, 2011). It is important to choose a methodology before beginning research on a topic.

This research implemented a qualitative secondary case-study approach as it conforms with descriptive ontology and foundationalism epistemology and post-positivist paradigm. A case study methodology helps in guiding the study, selecting a way to collect data and analyse the topic. The qualitative case-study approach makes it possible to use different data sources to provide a thorough understanding of the context in the research (Marshall & Rossman, 2010). A qualitative case-study approach is beneficial for attaining a specific and detailed context in the area by providing different information sources. A qualitative case study gives access to a wide range of data for every case that needs to be used for more understanding. Also, the inclusion and contrast of different views in case studies can be supported and built up by the rich and in-depth understanding of the point (Gray, 2013). Given that the subject and design of the research are exploratory, the case-study is a suitable choice (Lee & Saunders, 2018).

4.5 Research Methods

This section will investigate the different types of data collection tools which a researcher can choose to carry out the research and examine the chosen data collection methods for this study. According to Gummesson (1999), research methods refer to all the tools that are used for conducting research. It involves all the methods that are used by the researcher to perform research operations. The research methods include the collection of data, using statistical techniques and evaluation of the accuracy of the
results. Research methods are the behaviour and instruments used in the selection and construction of research technique. Primary and secondary data are the two types of data collection sources. Primary data aids in the detection of the current state of the problem and the insight of the connected entities who deliver the authenticity of the problem deprived of any prejudiced approach (Cooper & Schindler, 2013). Contrarily, secondary data is gathered from various websites, manuals and journals by means of a statistical depiction and an explanation of the existence of the problem (Cooper & Schindler, 2013). For this research secondary data was used to conduct the research.

The use of various sources had been thoroughly examined, and a possible triangulation had been carried out for this study. Although the comprehensive interviews are seen as key data collection methods for business research, while other data sources are seen as complementary, secondary data sources had been used for this research to support the study. Secondary sources have a number of advantages in emphasising a research work (Quinlan, 2015). Research on word/action responses assumes that actors make statements as responses in public forums, and therefore data collection for this study was done from national media sources, business press, and trade publications.

4.5.1 Media
According to Gibbs and Hamilton (2001), media can refer to all communication networks via which news, entertainment, education, data or promotional messages are distributed. Media comprises all broadcasts and narrowcasting medium, such as newspapers, magazines, television, radio, billboards, direct mail, telephone, fax and the Internet. For this research, Australian online reputable media articles were used for example Herald Sun, Sydney Morning Herald, The Daily Telegraph, and The Australian.

4.5.2 Business press
The business press is a source of news about corporate events, government regulations, job opportunities, sales in the industry & investment opportunities. (Gussow, 1984). In this research, Australian business press were used for example Forbes, Business Chief Australia, and The Economist.

4.5.3 Trade Publication
Trade Publication is a term for a specific type of publication, usually a magazine that is aimed at people working in a specific business or industry (Lifshey, 1967). For this
research, Australian trade publications were used to gather the data for example, *Rag Trader and Retail World*.

### 4.6 Framework

This section aims to examine the framework through which this study was conducted. The analysis of this study was based on combining and developing the frameworks of Luoma et al. (2018), on aggressive, commitment and consequence price responses along with Gao et al. (2017), on word/action response and the repositioning theory by Wang and Shaver (2014), from the literature review. This research combined both the frameworks replacing price response from Luoma et al. (2018), model with Gao et al. (2017), word/action response and added Wang and Shaver (2014), repositioning theory and created a new framework (figure 7).

![Figure 7: Framework based on Luoma et al., Gao et al., Wang and Shaver (Created by the author)](image)

### 4.7 Justification for Choosing the Methods

In this section, the reason for choosing the research methods for this study will be discussed. This research used the competitive dynamics theory by looking into the dynamics of word/action responses to assess how the retail sector in Australia reacted to Amazon’s entry. With the new national market entry being in real time, the research used secondary data gathered from media sources, trade publications and business press related to the entry of Amazon into the Australian retail sector. These sources provided the first-hand response by incumbents who make statements through these platforms. This is mainly because incumbents always use the press to make statements that are viewed by all their competitors.
The purpose of this research was to evaluate the word/action responses of the incumbents towards the new national market entry. Luoma et al.’s (2018), and Gao et al.’s (2017), were used in interpretation to create a better understanding of the word/action responses and how the new national market entrant influenced them. Some of the critical reactions were included in this research which were public statements and official briefings concerning national market competitors. Further, the research explained the theoretical framework used in explaining competition driven repositioning to describe what Australian local firms did in response to the national market entry of a large MNE (Amazon). The model proposed by Wang and Shaver (2014), gave a better perspective on understanding competitive repositioning and was used in this study; it helped to look for clues in the data. Below is the table of secondary sources listing the sources.

Table 1: Secondary data sources – Amazon’s entry in the Australian retail sector

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<tr>
<th>Data selected</th>
<th>Sources</th>
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<td>Abc.net.au <a href="http://www.abc.net.au/">http://www.abc.net.au/</a></td>
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<td></td>
<td>Reuters Australia <a href="https://www.reuters.com/places/australia">https://www.reuters.com/places/australia</a></td>
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Sources were restricted to 2016-2018.
### Data Collection Process

In order to understand how data was gathered, it is important to understand the data collection process. The beginning of the data collection started with investigating the official websites of media sources. Once the website was perused, different search terms, e.g. ‘Amazon’, ‘Amazon entry in Australia Impact on rivals’, ‘Amazon Australia retail sector’, ‘Amazon Australia retailer reactions’ etc., were used to find the relevant information. This data source was not sufficient as paywalls blocked access to direct content in many cases, so library databases were used such as Lexis Advance database for the search for articles employing the same search terms were used. This was the primary source of articles. Additional sources were examined, such as the business press and trade publications, the data from those sources were gathered without any subscription. A total of 150 relevant articles were found. Official websites of the incumbents were also visited to find company reports from the year 2016 till 2018 in order to find relevant information on the entry of Amazon and how the company is reacting about the entry, but no data in relation to the response made by the company was found.

### Data Sorting

A systematic method of data sorting and analysing was used in this research. This section will provide the list of steps taken while sorting the data. Below is the table of steps taken while sorting the data. The key aim of the data sorting was to ensure that the

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<tr>
<th>Data selected</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business Chief Australia <a href="https://anz.businesschief.com/">https://anz.businesschief.com/</a></td>
</tr>
<tr>
<td>Trade publications</td>
<td>Sources were selected from 2016-2018.</td>
</tr>
</tbody>
</table>
articles contained word/action responses – i.e. direct quotes from incumbents, rather than indirect commentary.
Table 2: Steps taken while sorting the data

<table>
<thead>
<tr>
<th>Steps</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>The first step of data sorting was to read through all the 150 articles for word/action responses made directly by the incumbents. While sorting the data, the research question was kept in mind, and first-hand responses made by the incumbents were searched.</td>
</tr>
<tr>
<td>Step 2</td>
<td>In the second step, after reading all 150 sources, 132 sources were narrowed down which were most relevant.</td>
</tr>
<tr>
<td>Step 3</td>
<td>During the reading process it was found that besides incumbents, analysts were also making comments about the responses from the incumbents.</td>
</tr>
<tr>
<td>Step 4</td>
<td>The next step was to note down all the word/action responses quotes made by the incumbents in the data set along with the quotes of analysts in terms of incumbents’ responses in relation to Amazon’s entry, for these two separate columns in the data set were made, one for the incumbents’ and the other for the analysts’.</td>
</tr>
<tr>
<td>Step 5</td>
<td>When there was a direct quote from the incumbent, the quote was put in the incumbent’s column.</td>
</tr>
<tr>
<td>Step 6</td>
<td>When an analyst was talking about the incumbent, the quote was put in analyst column.</td>
</tr>
<tr>
<td>Step 7</td>
<td>Where the analyst talked about a direct response from a specific firm, that the response was noted in both the columns for the incumbents’ as well as the analysts’.</td>
</tr>
<tr>
<td>Step 8</td>
<td>During the process of sorting, some data was found in which the analyst mentioned about the direct word/action responses from the incumbent, but that response was unspecific to any sector or incumbent, the analyst talked about the response in general, so it was interpreted as an analyst quote and not an incumbent quote because nothing was learned about the incumbent’s response from those quotes.</td>
</tr>
<tr>
<td>Step 9</td>
<td>In the next step, a set of tables in Excel were created, one for the analyst and another for the incumbent’s response detailing the nature of the response from every sector.</td>
</tr>
<tr>
<td>Step 10</td>
<td>In the incumbent's table, when a direct response was found from an incumbent, the response was put in the column of the sector in which that incumbent comes.</td>
</tr>
<tr>
<td>Step 11</td>
<td>In the analyst table, when an analyst talked about the incumbent from a specific sector, that response was put in that sector.</td>
</tr>
<tr>
<td>Step 12</td>
<td>When an analyst talked about a direct response from a specific incumbent, that response was put in both the tables in the sector in which incumbent comes.</td>
</tr>
<tr>
<td>Step 13</td>
<td>When an analyst talked about a direct response from an incumbent which was not specific to any sector or incumbent, that response was put in analyst table in the unspecified sector.</td>
</tr>
<tr>
<td>Step 14</td>
<td>In the next step, another set of tables were created which included a total number of responses from the incumbents in different sectors along with the total number of responses from the analysts’.</td>
</tr>
<tr>
<td>Step 15</td>
<td>A total number of word/action responses were calculated from every sector.</td>
</tr>
</tbody>
</table>
Step 15: from both incumbents’ and analysts’ table and were put in the columns of the types of word and action response from every sector.

Step 16: In the next step, another set of tables were created consolidating the responses of the sectors which are most disrupted as well as less disrupted sectors by Amazon from the incumbents’ response table. Amazon mostly focuses on the items which weigh less than 25 kilos, the reason Amazon chooses to deliver products less than 25 kilos is because of their business model and their commitment to fast delivery, if the product is small and light then they can wrap it quickly, and the delivery of the product can be made on light vehicles as well. They do not need heavy motor vehicles to deliver the products to the customers because heavy motor vehicles consume more time to reach the destination. The lighter the product, the faster will be the delivery from its fulfillment centres to the customers so electronic, department, footwear, book, toys, apparel sector etc. are the most disrupted sectors. Whereas, furniture, white ware, supermarket sector etc. is less disrupted because of the nature of the goods, delivery etc. Even though supermarket products mostly weigh less than 25 kilos but still they are less disrupted because many customers do not prefer buying groceries online. According to the research only 2% of the consumers prefer buying groceries online (Bisnow, 2017).

Step 17: In this step, every sector was divided on the basis of less and most disruption.

4.10 Data Analysis

The data analysis method employed in this research was thematic analysis. The thematic analysis highlights the identification of pattern or themes present in the data set which continues to occur throughout the data set and is commonly used to analyse qualitative data (Braun & Clarke, 2006; Javadi & Zarea, 2016). Thematic analysis is measured, flexible and useful and also can understand data in a rich, exhaustive and complex way (Braun & Clarke, 2006). In this study data analysis highlighted themes related to Gao et al. (2017), and Luoma et al. (2018), frameworks along with Wang and Shaver (2014), work and used a spiral model formed by Creswell (2012).

![Figure 8: Data analysis spiral model implemented from Creswell (2012, p.183)](image-url)
Below are the steps taken while analysing the data.

Table 3: Steps taken while sorting the data

<table>
<thead>
<tr>
<th>Steps</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>The first step in the process of analysing the data was to read through all the direct responses made by the incumbents from the data set.</td>
</tr>
<tr>
<td>Step 2</td>
<td>The second step was to re-read all the direct responses for a better understanding of the data and to look for the patterns of the response.</td>
</tr>
<tr>
<td>Step 3</td>
<td>The next step was to create codes from the types of responses.</td>
</tr>
<tr>
<td>Step 4</td>
<td>After creating codes, data analysis shifted to read those codes again in order to detect the likeness among them &amp; cumulative them together to create a theme.</td>
</tr>
</tbody>
</table>
Table 4: Themes

<table>
<thead>
<tr>
<th></th>
<th>Luoma et al.</th>
<th>Gao et al.</th>
<th>Codes</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aggressive</strong></td>
<td>Word</td>
<td>Warning</td>
<td>Reputation damage</td>
<td>Trash talk</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>We do not worry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oath to fight</td>
<td></td>
<td>Price cut</td>
<td></td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td>Stopped using Amazon</td>
<td></td>
<td>Already done</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assemble team</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>Word</td>
<td>We are ready</td>
<td>Price match</td>
<td>A Promise</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Distribution network improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Focusing on customer experience</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td>Online presence</td>
<td></td>
<td>Armed-up</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Parking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price reinvestment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fast delivery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consequence</strong></td>
<td>Word</td>
<td>Opportunity</td>
<td>The Annihilator</td>
<td>An Outcome</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The country will be left poorer</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The demand for services will improve</td>
<td></td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td>Will lose if don’t do this</td>
<td></td>
<td>Forced to introduce the brands</td>
<td>An Effect</td>
</tr>
<tr>
<td></td>
<td>Forcing to introduce the brands</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4 above demonstrates the themes created using codes from the different Aggressive, Commitment and Consequence word/action responses from the incumbents in response to the entry of Amazon in the Australian retail sector. The codes in the above table are taken from the word/action responses made the incumbents in response to the entry of Amazon.

4.11 Summary

This chapter presented the philosophical position, research paradigm, methodology and research methods used in this research, data gathering process as well as the data sorting and data analysis process of this study. This chapter also presented the combined
framework on which the analysis of this study was based, i.e. Luoma et al. (2018), Gao et al. (2017), and Wang and Shaver (2014). This chapter also examined the six identified themes that were identified while analysing the data.
Chapter 5: Findings

5.1 Introduction
The research question of this study is: “How does the entry of foreign online retailer impact the incumbents in host country’s retail sector: The competitive dynamics and word/action response to Amazon’s entry into Australia’s retail sector”. The primary aim of this chapter is to highlight the first-hand responses made by the incumbents about Amazon’s entry. To address this as previously explained in the methodology chapter, secondary data was gathered from media sources, trade publications and business press. This chapter is divided into four different sections Aggressive response, Commitment response, Consequence response and Emergent themes. All the responses sections are divided into two sections ‘word’, and ‘action’ response and both responses have their themes. Finally, this chapter will discuss the emergent themes found during the process of data analysis. The findings are drawn from all the sectors and cover both the least and the most disrupted sectors by Amazon including electronics, department, footwear, shopping centre, supermarket, sports retail, online retail, furniture etc.

5.2 Aggressive Responses
In order to present the findings of this study, it is important to examine the responses from the incumbents, the aggressive responses made by the incumbents will be presented in this section along with the direct quotes of the incumbent. The aggressive response in this context can be defined as the responses which are made by the incumbents to harm the reputation of Amazon, or it could be a warning or just an aggressive action taken by the incumbents to confront Amazon’s entry.
Table 5: Aggressive word/action responses from the incumbents

<table>
<thead>
<tr>
<th>Frameworks</th>
<th>Codes</th>
<th>Theme</th>
<th>Examples</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word</td>
<td>Warning</td>
<td>Trash Talk</td>
<td>&quot;They (Amazon) started 23 years ago, they are worth nearly $500 billion, they have virtually never paid any tax, they have virtually never made any profit. Their whole aim in life is to send everyone broke,&quot; Harvey Norman co-founder and chairman Gerry Harvey said. eBay Australia managing director Tim MacKinnon has told retailers that &quot;selling their products on Amazon puts them at risk of having them ripped off for a cut-price Amazon private-label range&quot;.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reputation Damage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>We do not worry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oath to fight</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action</td>
<td>Price cut</td>
<td>Already done</td>
<td>Cotton on Group e-commerce general manager Brendan Sweeney told The Daily Telegraph “Cotton On is no longer using Amazon - which sells everything - in developed markets such as the US”. Wesfarmers had assembled a band of executives - the Amazon response team - which comprised of strategists from all of the West Australian conglomerate’s big retail brands, Coles, Bunnings, Kmart, Officeworks and Target. The purpose; to be battle-ready for the onslaught of the mother of all retail disrupters. The chief executive-elect of Wesfarmers, Rob Scott, says 90 per cent of its strategic weaponry is not for public consumption because it is competitively sensitive. &quot;We have been expecting this for a long time. We have a healthy sense of paranoia.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stopped using Amazon</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assemble team</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the above table, we can see some of the highlighted common findings that emerged from the responses of the incumbents show that, incumbents had an unfavourable opinion towards the entry of Amazon. In Aggressive word response, the theme ‘Trash Talk’ appeared in over sixty articles, many of them were negative comments about the entry of Amazon. Whereas, in Aggressive action response, the theme ‘Already Done’ appeared in just three sources, detailing the things which incumbents have done aggressively to face the entry of Amazon.

Harvey Norman’s co-founder and chairman criticised and tried to damage the reputation of Amazon for failing to pay enough taxes and stated that the Federal Government should consider blocking Amazon to enter into the Australian retail sector. The chairman also stated that Amazon’s success is entirely based on the “tax avoidance” and “predatory pricing” and if Amazon enters the Australian retail sector completely then Australia will be left poorer because the retailers who do not have financial reserves will not be able to withstand the attack and will go bankrupt.

They have spent their life sending small business and big business broke all across America. They want to come here and pay no tax and do the same thing. Keep Australia great for a change instead of letting someone of that ilk in to cause havoc which would be of no benefit to anyone. How Amazon is a good fit for Australia? Why would we even let them in, if they are going to come in and use predatory pricing to send other businesses broke, I don't get why that is a good idea. If they are going to come in and pay no tax, Idon't get why that is a good idea (Chairman and co-founder Harvey Norman).

On another media platform the chairman and co-founder stated a similar thing:

They started 23 years ago, they are worth nearly $500 billion, they have virtually never paid any tax, they have virtually never made any profit. Their whole aim in life is to send everyone broke. I will form a coalition with my competitors to campaign against Amazon for contributing nothing to society and I’m also planning to hound the government to expose the Amazon for transferring profit overseas in order to minimise the tax contribution in Australia (Chairman and co-founder Harvey Norman).

In another instance, when Amazon announced to launch before Christmas in the Australian retail sector; the co-founder and chairman labelled Amazon’s entry “lame and non-event” and stated that “why would Amazon launch before Christmas when most
of the people don’t want to buy online because they are scared they won’t receive the items on time”. In the same voice, the co-founder stated:

Amazon would be "mad" to launch itself in Australia just before Christmas. It would be unwise, for the US online retail goliath to open here then given the new systems it will need to work through and the fact it will leave online shoppers no room for error before the holidays. Most online players pretty much close down in the middle of December (Chairman and co-founder Harvey Norman).

In another instance, it was found that the co-founder and chairman of Harvey Norman also mentioned that the effect of Amazon’s entry on the company would be little to none regarding the company’s sales and earnings. The chairman also mentioned to Harvey Norman’s shareholders that Amazon tried to reach Harvey Norman’s business suppliers to do business with them, but most of the suppliers refused to supply to Amazon. Other than the chairman, CEO of Harvey Norman also noted to the shareholders that the company already operated successfully in Singapore and Malaysia where large online retailers such as Alibaba and Tencent operated.

We sit comfortably with those pure online players - in fact our business is growing. Harvey Norman’s Ireland and Northern Ireland operations already successfully ran alongside Amazon (CEO Harvey Norman).

In another instance, it was found that the chairman of the company again reacted to Amazon’s launch and again stated that “Amazon’s success had been hampered by its establishment of just one warehouse in Melbourne and its arrival so late in the year”.

In another instance, the veteran co-founder and chairman branded Amazon as “Attila the Hun” regarding their market behaviour. In the same voice, the chairman mentioned that the Australian market would be tougher than the US market for Amazon because of the higher wages, the area of the country and higher costs of delivery than of the US.

At Harvey Norman our skill sets have been built up over 35 years. You can’t do that from scratch, as you run into so many obstacles. That’s 100 per cent guaranteed they will run into trouble (Chairman and co-founder Harvey Norman).

Wesfarmers CEO warned the incumbents of the Australian retail sector stating that Amazon would impact on their earnings. Local retailers were underestimating the entry of Amazon and its effect on their earnings.
Amazon would eat all our breakfasts, lunches and dinners unless local retailers become more innovative and regulatory barriers such as limited trading hours were removed (CEO Wesfarmers).

Australia's major retailers were dealing with the view of competing with Amazon known for its low margins while the company builds the market share. In another instance, the conglomerate Wesfarmers, which has its presence in almost every sector such as supermarket, department store, discount store, liquor store etc., the CEO of the conglomerate stated the company’s stance.

*We're not worried about Amazon or anyone else (Wesfarmers CEO).*

Wesfarmers also grouped a crew of executives in response to Amazon’s entry; they called it “*the Amazon response team*” which included planners from all of West Australian conglomerate's large retail brands such as Coles, Bunnings, Kmart, Officeworks and Target. Their sole purpose was to get ready for Amazon’s arrival in the Australian retail sector.

*Wesfarmers amped up its strategic battle plans a year ago - bringing in a team from head office to weigh in further - to test each division to ensure they have a robust [defence] strategy. We have been expecting this for a long time. We have a healthy sense of paranoia. We are not complacent around the competitive risks. Part of the Amazon defence relies on knowing the enemy (CEO Wesfarmers).*

From the supermarket sector, it was found that Woolworths chairman cautioned the local retailers of the Australian retail sector who are planning to sell their products on Amazon Australia Marketplace, because Amazon is known for controlling the price of the products. In some instances, it has also been noticed that Amazon sells the products at a loss to gain market share.

*Manufacturers selling directly through Amazon risk cutting their own throats by handing the US online giant the power to dictate their product's price (Chairman Woolworths).*

In another instance, it was found that along with the chairman, Woolworths CEO also talked about Amazon’s entry and mentioned Amazon’s presence in Australia by stating that Amazon is an aggressive competitor.

*Amazon had been here for many years and has been a
robust competitor (CEO Woolworths).

In another instance, it was found that when Amazon was drawing closer to the launch, the chairman of Woolworths stated that Australia had always been a significant market for Amazon and stated the impact of Amazon on retailers further to the launch.

*I’m not suggesting the impact will be insignificant, but people are already using Amazon extensively (Chairman Woolworths).*

Whereas, Woolworths CEO stated that Amazon is not entering Australia for the first time but on shoring rather than sending products from overseas.

*Amazon is not entering Australia for the first time but on shoring rather than sending products from overseas. The timing is to drive sales as always (CEO Woolworths).*

Amazon’s online rival in the Australian retail sector as well as in other countries; eBay, warned the local retailers by stating that if retailers decide to sell their products on Amazon, that put them at the risk of having them ripped off for a cut-price Amazon private label range according to the managing director of eBay in Australia.

*Where you get players that try to use the data they get and then decide to go and retail those items themselves that's where it becomes a little unfair. We will be watching that carefully (eBayAustralia managing director).*

From the apparel sector, it was found that Cotton-On Group e-commerce general manager stated that the company is no longer using Amazon which sells everything in developed markets such as the US and the UK.

*What we learnt out of that is that going to a destination fashion marketplace that has the right demographic of customers and where we can showcase our brand properly is a better fit for us (Cotton-On Group e-commerce general manager).*

Small retailers also reacted to the entry of Amazon. One incumbent from the furniture sector stated that their company was not worried about the entry of Amazon mentioning that over 90% of the retail still takes place in brick-and-mortar retail stores and suggested a strategy that local brick-and-mortar retailers should focus on. The co-founder of website marketplace House of Home stated:
Amazon is purposely attempting to exploit small, local business but I’m not intimidated by them as 93 per cent of retail sales in Australia happen in-store. House of Home’s focus is to help brick-and-mortar retailers by raising brand awareness and point of interest online, to then increase foot traffic offline by driving consumers in-store, the focus for retailers and the consumer should be on the 93 per cent of people who still shop in a physical store and supporting that side of the market. It is about putting the power back to the consumers. We know that customers are researching and discovering online more and more, but they are still heading in store to actually purchase, particularly with the larger furniture items like sofas and coffee tables (Co-founder of website marketplace House of Home).

From the sports retail sector, it was found that the CEO of Decathlon reacted about the entry and stated the disruption caused by Amazon in other countries’ retail sectors.

*Amazon is not just a newcomer, it's a total disruptor. Everywhere it has come it has changed the rules (CEO Decathlon).*

From pet care service and products sector, it was found that the CEO of Greencross LTD, labelled Amazon a complete disrupter of the retail sectors.

*Pet grooming, dog washes and vaccinations are key elements of pet and vet care retailer Greencross's Amazon defence, it feels like Armageddon is coming, the way we're talking about Amazon (CEO Greencross LTD).*

### 5.3 Commitment Responses

In this section, the commitment responses made by incumbent will be presented along with the direct quotes from the incumbents. Commitment response in this context can be defined as a pledge which had been made by the incumbents to face the entry of Amazon by implementing new things to their business model or just by working on their current business model. Here commitment response could be ‘word’ or ‘action’ response, or it could be the mixture of both the responses.
Table 6: Commitment word/action responses from the incumbents

<table>
<thead>
<tr>
<th>Frameworks</th>
<th>Codes</th>
<th>Themes</th>
<th>Examples</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word</td>
<td>We are ready</td>
<td>A Promise</td>
<td>Woolworths says it will step up its online offerings as Amazon launches in Australia amid fears the nation's retail industry is set for a massive shake-up because of the arrival of the online behemoth. At the Woolworth's annual general meeting in Melbourne, chairman Gordon Cairns told investors the supermarket chain was ready to battle Amazon and would make shopping more convenient and tailored for customers by ramping up deliveries and click and collect services. &quot;We want to be obsessive about our customers, their needs and how we serve them better&quot;.</td>
<td>The theme ‘A Promise’ can be defined as the spoken commitment response which has been made by the rivals citing how they are planning on to confront or confronting Amazon.</td>
</tr>
<tr>
<td></td>
<td>Price match</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Distribution network improvement</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Focusing on customer experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action</td>
<td>Alliance</td>
<td>Armed-up</td>
<td>Cotton On has launched its first loyalty program to make better use of a customer base running into the millions, widened its &quot;click and collect&quot; service and signed up as a founding member of Australia Post's &quot;Shipster&quot; service covering deliveries for a set monthly fee. &quot;We will consider all -options,&quot; Cotton-On Group e-commerce general manager Brendan Sweeney told The Daily Telegraph.</td>
<td>The theme ‘Armed-up’ describes the things which have been done by the incumbents to confront Amazon.</td>
</tr>
<tr>
<td></td>
<td>Parking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Online presence</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Price reinvestment</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Fast delivery</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
new competition and was making better use of customer data to provide individual promotional offers and had rolled out its click and collect service nationwide”.

From the above table, some of the highlighted common findings that emerged from the responses of the incumbents’ show that, incumbents braced themselves in order to confront Amazon’s entry. In Commitment word response, theme ‘A Promise’ appeared in over fifty articles, many of them were describing the ways they were planning, had been planning or the plans they had already executed to fight back against Amazon. Also, in some instances, the incumbents expressed their commitments by saying that they will join Amazon. Whereas in Commitment action response the theme ‘Armed-up’ appeared in over sixty articles, many of them were detailing the things which incumbents’ are doing by deploying a number of strategies of commitment to fight against the entry of Amazon.

From the supermarket sector, Woolworths chairman stated that they were ready to face Amazon. The chairman also stated that their company was making shopping more convenient for their customers by introducing click-and-collect services where customers can buy their groceries online and can pick them up from any nearby branch.

Woolworths was not standing still in the face of new competition and was making better use of customer data to provide individual promotional offers and had rolled out its click and collect service nationwide (Chairman Woolworths).

Wesfarmers CEO stated that having 4,000-store network makes the conglomerate well-placed for Amazon’s arrival. In another instance, the managing director of Department Store and Target from Wesfarmers conglomerate subsidiary stated Kmart defence strategy by having the lowest prices and fast deliveries but did not mention anything about Target’s strategy to face Amazon.

The co-founder of KoalaSafe, the company which sells internet routers for parental control stated that they had been selling their products on Amazon’s US Marketplace since 2015, the company’s earnings increased by three-fold since the company started selling on Amazon’ US Marketplace and when Amazon will launch in Australia they will also set-up their presence on Amazon’s Australian Marketplace.
If you put product on Marketplace everyone is going to discover it (Co-founder Koalasafe).

From the electronic sector, with an attempt to price match, the chairman and co-founder of Harvey Norman specified that the company will fight against Amazon on price and will be able to sell goods as cheap as Amazon. JB Hi-Fi’s CEO announced that the company would slash their prices in order to compete with Amazon.

*We have always invested in price and we have always believed that is core to the model. With existing competitors and new competitors ... we felt at the moment that price reinvestment has always been a good strategy for us (CEO JB Hi-Fi)*.

In another instance to compete with Amazon, it was found that JB Hi-Fi deployed and sent their top authority executives abroad to the US to study how similar businesses such as Best Buy confronted Amazon’s threat. JB Hi-Fi also invested in their logistics, delivery and distribution network and stated that they will open new stores to confront Amazon which has a long history of making retailers bankrupt in the US and other countries where Amazon established its presence.

*We have done literally a tonne of work. We've travelled globally to understand how retailers have competed, how markets have evolved, how (new) entries have rolled out. Anchored by our low cost of doing business, with a clear strategy around investing in the right areas, I'm comfortable with how we will compete. JB Hi-Fi is working to allow customers to better track online orders, which account for 3.8 per cent of total sales. It also looking at how to leverage its network of 303 stores to make its delivery service more efficient. We plan to open five new JB Hi-Fi stores this financial year we would be taking a more "cautious approach" to signing off on further stores given the evolving retail landscape (CEO JB Hi-Fi)*.

Cotton-On, from the apparel sector which is one of the most disrupted sector by Amazon, launched its first loyalty program to make better use of a customer base running into the million, widened their "click-and-collect" service and formed an alliance with Australia Post’s "Shipster" service covering deliveries for a set monthly fee. Cotton-On Group e-commerce general manager stated,

*We will consider all-options; does it make sense depending on the size of the marketplace? Is it a good destination for our customers? Is it going to bring us incremental business? Does the commercial case make
sense? (Cotton-On Group e-commerce general manager).

Shopping centres, another major disrupted sector by Amazon also responded to the entry mentioning that their constituents are also getting ready for Amazon. They were coming-up with innovative ideas to battle the impending attack of Amazon, including using robot concierges, ticketless parking and electric vehicle charging stations. To combat Amazon threat, shopping centre operators were adjusting their services to assure they can retain customers and ensure the brick-and-mortar retail will be able to remain competitive.

Change is nothing new to our sector. Shopping centres are constantly responding to emerging retail and consumer trends in order to remain relevant, accessible and enhance the "overall experience," shopping centres are now also offering short-term, or casual, leases to clients which can quickly assemble a pop-up store to test new retail products and concepts. Ticketless parking is also another new concept which is being used at Westfields in Penrith and Miranda. The customer's number plate is photographed on entering the car park and when they exit the boom gate their credit card is automatically charged. There's also an increasing utilisation of technology to enhance the customer experience, such as ticketless parking to enable more seamless access, electric vehicle charge points, wi-fi, and a trial of robotics in customer service (Shopping Centre Council of Australia executive director).

From the department store sector, which is one of the most disrupted sectors by Amazon, it was found that the CEO of Myer detailed the strategy through which the company was planning to confront Amazon. It was found that the chain was planning to improve the in-store experience for the customers.

We are firmly focused on delivering the New Myer strategy, which we believe is the best response to any competitor, noting an emphasis on "memorable in-store experiences, popular brands and investment in a "strong growth” omnichannel offer (CEO Myer).

From the online retail sector, it was found that the managing director of eBay laid out the company’s strategy to confront Amazon and Amazon's prime delivery service which promise for fast delivery of the products to their customers. It was found that eBay launched a delivery service which the company named “guaranteed delivery” in which the product will reach the customer within two or three days. eBay also
introduced a “best price promise” guaranteeing to beat any better price on goods by 10 percent of the price difference.

*We will have a filter that allows you to see what can arrive in time - two days, three days (eBay’s Managing Director).*

In another instance, eBay's Asia Pacific communications director stated that the company will price-match and was ready to confront Amazon.

*We'll continue to fight hard and try to give consumers the best deals (eBay Asia Pacific communications director).*

As stated above in the Aggressive responses, the chairman and co-founder of Harvey Norman stated that “Amazon would be mad to launch before Christmas” and further stated that “people do not prefer buying the goods online because they fear that the product will not arrive on time”. However, from the retail footwear sector, it was found that the managing director of Munro footwear group which is the largest footwear retailer in Australia had a different view on this and stated that the company was busily putting the finishing touches on Munro footwear group’s range on Amazon Marketplace and believed that there was plenty of time for Amazon and its suppliers to capture Christmas.

*Three or four years ago people were buying online up until the start of December, then they were buying to the end of the first week, then to the end of the second week. Now people are buying online right up to a couple of days before Christmas – I don't think they'll miss Christmas at all if they don't launch in the next week or so (Managing director Munro footwear group).*

Small retailers also reacted about the entry of Amazon, the founder of Gobe, stated that their sales had risen thirty-fold from 10,000 to 300,000 a month since the camera accessories retailer joined Amazon US Marketplace and planned to join Amazon Australian Marketplace when the company launches in the Australian retail sector.

*If you want to sell to the world and sell as much product as possible, people shop on Amazon That's just the reality of the situation (Founder of Gobe).*

This section presented the findings of commitment responses made by the incumbents along with the direct quotes.
5.4 Consequence Responses

In this section, the consequence responses made by the incumbents will be presented along with the direct quotes made by them. Consequence response, in this context, stands for the opinion of the incumbent towards the entry of Amazon. In other words, it can be defined as, what Australian incumbents thought about the future of the country or the future of the retail sector when Amazon arrives, what will be the impact of Amazon.
### Table 7: Consequence word/action responses from the incumbents

<table>
<thead>
<tr>
<th>Frameworks</th>
<th>Codes</th>
<th>Consequence Responses</th>
<th>Examples</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Word</strong></td>
<td>The Annihilator</td>
<td>An Outcome</td>
<td>The Harvey Norman co-founder Gerry Harvey has ratcheted up his attack on Amazon, branding the online retailer &quot;a curse&quot; and predicting Australia will be left poorer if it fully enters the local market.</td>
<td>The theme ‘An Outcome’ describes the reaction of incumbents towards Amazon’s entry and how local retailers think what will happen with Amazon’s entry.</td>
</tr>
<tr>
<td></td>
<td>Country will be left poorer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Demand of services will improve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Will not have an impact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td>Will lose if don’t do this</td>
<td>An Effect</td>
<td>Manufacturers selling directly through Amazon risk &quot;cutting their own throat&quot; by handing the US online giant the power to dictate their product's price, Woolworths chairman Gordon Cairns has warned. Mr Cairns has also said Woolworths will be forced to introduce its own private label versions of products if Amazon begins selling branded items at a loss in order to drive sales and gain market share.</td>
<td>The theme ‘An Effect’ describes what incumbents think may will happen to them with Amazon’s entry.</td>
</tr>
<tr>
<td></td>
<td>Forced to introduce the brands</td>
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From the above table, we can see some of the highlighted common findings that emerged from the direct responses of the incumbents show what incumbents thought about the long-term consequences, retailers and Australia may face with the entry of Amazon. In Consequence the word response theme ‘An Outcome’ appeared in over thirty-five sources, many of which were negative comments about the entry of Amazon. Whereas in Consequence action response, the theme ‘An Effect’ appeared in 11 sources,
detailing the things which incumbents thought they may need to do to face the entry of Amazon or to stay operative in the Australian retail sector.

From the electronic retail sector, it was found that Harvey Norman’s co-founder and chairman labelled Amazon as “a curse” and made the prediction that the country will face severe consequences to the local retail sector, if the Federal Government allowed Amazon to enter completely. The co-founder also stated that Amazon would deliver no long-term benefit and was a corporate citizen and the country did not need such a citizen.

Amazon is a curse - they're plunderers, Amazon is worth $500 billion dollars. They have been going for 23 years. They've virtually made no money in that time, they've virtually paid no tax in that time. Across America they have sent retailers broke all over the place - family businesses that pay tax and employ people. I don't see the point of letting them in ... they are going to contribute to chaos. They are going to cost a lot of people their livelihood (Co-founder and chairman Harvey Norman).

From the online sector, it was found that eBay Australia’s managing director was undaunted by the arrival of Amazon and stated eBay’s online operation pursues to support traditional retailers not terminate them.

What sets eBay apart is how we grow Australian businesses on the platform. We partner with them; we don't seek to disrupt or destroy the market, many sellers on eBay had told me they were "weary" of Amazon. That's despite some major retailers with a presence on eBay, including Myer, declining to rule out also setting up shop on Amazon’s platform. Some of them will try Amazon but some sellers are concerned about a platform that can compete with them So, if they are successful on Amazon, they may end up in a situation where Amazon decides to source the same –inventory (eBay Australia managing director).

Small retailers also reacted to the entry of Amazon. It was found that the retailers from different sectors believed that Amazon’s entry could benefit retailers, but some retailers thought otherwise. For example, one internet router selling retailer and the co-founder of the Koalasafe stated that the sales climbed more than three-fold when the internet security company started selling on Amazon US Marketplace and couldn't wait to start selling on Amazon Australia Marketplace site.

If you put product on Marketplace everyone is going to
discover it (Co-founder Koalasafe).

From the book retail sector, it was found the company Third Sigma’s founder, who started selling executive coaching books on Amazon US Marketplace and now sells a wide range of beauty and baby care products, stated that the company (Third Sigma) suffered a big loss.

The gains offset the losses. I’ve failed my way to a seven-figure income. I’m sure this market is really going to kick butt (Third Sigma founder).

From the online retail sector, it was found that the founder and CEO of Kogan.com stated that there is potential for further growth for the Australian retail sector as Amazon's expansion prompts more Australians to shop online.

Online retail is still under-represented in Australia compared to other major developed economies. Today online retail represents about 7.5 per cent of the total Aussie retail market. For economies with a large marketplace player (such as Amazon or Alibaba) online retail penetration is closer to 20 per cent. While Amazon is already a major force in Australia (it’s a top 25 site) the launch of a local presence will undoubtedly bring more shoppers online. We expect the evolution of the local retail market to drive some significant behavioural shifts – causing customers to rethink how they buy and suppliers to rethink how they distribute their inventory (Founder and CEO Kogan.com).

Furthermore, it was found that Kogan.com was planning to sell their private label brands through Amazon Australia Marketplace, just like the company currently does on eBay and TradeMe.

For Kogan.com, this represents an opportunity to drive incremental sales through additional platforms and channels – just as we benefit from eBay and TradeMe as a platform for Kogan's suite of exclusive brands (Founder and CEO Kogan.com).

A manager at family-owned games retailer The Gamesmen stated that there is scope in the market for a new player. The manager also stated that the company was also planning to set up a shop on Amazon Australia Marketplace.

I think Amazon will grow the online market as a whole (A manager at family-owned games retailer The Gamesmen).
Cotton-On Group e-commerce general manager stated that Amazon would also put pressure on logistics companies to improve their service.

_They will help everybody sharpen up their act (Cotton-On Group e-commerce general manager)._  

In order to gain market share, Amazon suffers a loss by selling branded items for a short time. On this note, it was found that Woolworths chairman stated that if Amazon does that, then Woolworths will have to introduce their in-house brands.

_Woolworths will be forced to introduce its own private label versions of products if Amazon begins selling branded items at a loss in order to drive sales and gain market share (Chairman Woolworths)._  

In another instance, it was found that the chairman of Woolworths stated they need to alter their strategy according to the customer needs because Amazon always makes new strategies according to their customer needs. In other words, the strategy which benefits customers the most.

_We want to be obsessive about our customers, their needs and how we serve them better, if we do not, we will lose out to those who do, like Amazon (Woolworths chairman)._  

From the retail footwear sector, it was found that the managing director of Munro retail group the largest footwear group in Australia stated that Amazon would deliver good customer experience to the Australian customers.

_I'm confident they'll deliver a very good customer experience when they do go online (Managing Director Munro group)._  

Shopping malls also reacted to the entry of Amazon; it was found that Queensland Investment Corporation’s CEO stated that it’s still a good value in investing in “A-grade” shopping centres and malls. The CEO also stated that the customers still prefer shopping at malls rather than buying the products online and tried to prove this theory with an example. The CEO also mentioned the sectors which are currently getting disrupted by Amazon.

_Amazon's threat to retailers is less widespread than feared, it's not the end of retail in our view. Amazon will have an impact but in the last six to 12 months the turnover in our trade in our malls is still strong, and in some cases still growing. As a landlord QIC was adjusting the retail mix in its centres, by attracting tenants in_
entertainment and services such as health and wellbeing to meet growing consumer demand for a unique shopping experience. Our thesis is the shopping mall has become more of a destination. As society is going vertical in those big cities, people do want an experience outside of sitting in a two-bedroom home unit all weekend, the example is my wife and daughter going to their local shopping centre in Brisbane to have their fingernails and toenails manicured and pedicured before a wedding the Frawley family attended. They're not sitting on the lounge at home getting it done online. iPhone maker Apple was an "anchor tenant" to attract customers in premium shopping malls, the apparel providers are the ones really getting hurt at the moment and the big department stores are being disrupted, but there's a bunch of new tenants coming in who are less susceptible to disruption (Queensland Investment Corporation chief executive).

The managing director of Wesfarmers subsidiary Officeworks stated the hypothesis about Amazon’s entry in the retail sector.

*There's an assumption that all retailers in Australia will go out of business when Amazon arrives (Managing director Officeworks).*

From the sports retail sector, it was found that the CEO of Decathlon reacted to the entry and stated the disruption that will be caused by Amazon.

*Amazon is not just a newcomer; it's a total disruptor. Everywhere it has come it has changed the rules. When they do something, they are the best. It will change expectations. It will change the quality of service, it will change the quality of delivery, it will change everything (CEO Decathlon).*

In addition to that, the CEO stated that their company had grown sales faster in markets disrupted by Amazon. The CEO further added that the company does not compete directly with Amazon because Decathlon's private label brands are not sold by Amazon, and as an online and offline, i.e. brick-and-mortar retailer, Decathlon has benefited from rising online penetration. The CEO also stated that the online penetration in Australia is just 7 percent which is less than half that in the UK and US but expected to rise quickly when Amazon expands in the Australian retail sector. The CEO further stated that the brick-and-mortar stores with weak online presence would lose the market share and sales.

*Amazon will push the share of online business in Australia as they did in the UK and as they did in Germany and as*
they are doing in many countries – competition will be tough for some people, they will have to run faster (CEO Declathon).

From the furniture retail sector, it was found that the CEO of online furniture retailer Temple and Webster stated that Amazon’s entry would shift the shoppers from brick-and-mortar to online and stated that Temple and Webster would benefit from that.

It will accelerate the shift from brick-and-mortar to online. More people shopping online is better for us, we’ll grow the fastest when more people shop online, we won’t grow by stealing share further online as we are already the largest, most of our business is also in bulky furniture which is one of Amazon's weakest categories – they focus on the small stuff so they can ship fast and get it out the door. Retail in Australia needs to be done better than consumers expect nowadays – if Amazon helps that's great (CEO Temple and Webster).

This section presented the consequence responses made by the incumbents.
5.5 Emergent Themes

This section will present the emergent themes found during the process of data analysis.

Table 8: Emergent themes found during the data analysis

<table>
<thead>
<tr>
<th>Theme</th>
<th>Examples</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Profit Margin &amp; Shares</td>
<td>News of Amazon’s impending entry has caused the stocks of leading retail chains—Wesfarmers, JB Hi-Fi, Harvey Norman, Myer and Super Retail—to tumble significantly over the past three months. Shares of Woolworths, the country's biggest grocery retailer, has fallen by more than 3% in the three days since June 16th, when Amazon announced its takeover of Whole Foods, a US-based organic grocery chain.</td>
<td>The theme ‘Profit Margin &amp; Shares’ in this context refer to the falling of share prices of the incumbents because of the announcement or the entry of Amazon.</td>
</tr>
<tr>
<td>Banks Upgrading</td>
<td>JB Hi-Fi has vowed to slash prices further as the company attempts to retain its market share in the face of emerging competitor Amazon. The home electronics and white goods retailer said yesterday that the investment will put pressure on its margins and will result in a lower than expected full-year profit. Investors were not happy with the news sending the company's shares down 8 per cent to $25.86.</td>
<td>The theme ‘Banks Upgrading’ in this context refers to the overhauling of the banks in Australia because of customer expectation.</td>
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<td>Such is the impact of Amazon that it is even affecting what people expect from their bank. That’s the view of the chief executive of fintech firm Avoka, Phil Copeland, who said the user experience provided by the shopping giant has fed into an expectation among consumers that you should be able to sign up for products easily and simply online. With banks also nervously eyeing fintech competitors, the dynamic is forcing banks to sharpen their focus on &quot;digital customer acquisition&quot;, or online sales. &quot;Amazon has really changed the landscape a lot, for a lot of people. There’s an expectation that if it’s not as easy as doing business with Amazon, then what are you doing wrong?” Mr Copeland said. In response to these pressures, banks are overhauling their systems to offer all manner of products, for both retail and business customers, on mobile and digital devices.</td>
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Emergent Themes

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<thead>
<tr>
<th>Theme</th>
<th>Examples</th>
<th>Definition</th>
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<tr>
<td>Positive Response</td>
<td>Patrick Schmidt, chief executive of rapidly growing online fashioner retailer The Iconic, said Amazon's arrival in Australia would accelerate the growth of his sub-sector, given its record in changing the markets in the United States and Britain. &quot;They've been driving consumer behaviour,&quot; Mr Schmidt said.</td>
<td>The theme ‘Positive Response’ in this context can be referred to the responses made by the incumbents which stated that the entry of Amazon could benefit them or the Australian retail sector. It could also refer to retailers joining Amazon.</td>
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<td></td>
<td>Metcash chief Ian Morrice has declared the food and grocery wholesaler open to exploring how to partner with US online goliath Amazon when it launches in Australia. “We would consider any opportunities that might emerge, including new competition coming, Mr Morrice said when asked about a tie-up with Amazon. &quot;But it’s important to add the context to my answer here - we would take into account the medium to long-term impacts of those decisions on the rest our network. &quot;Successful independents is our core practice and we don't see that changing.&quot;</td>
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<td>Australian Competition and Consumer Commission chairman Rod Sims has warned retailers he will not protect them from Amazon if the e-commerce giant undercuts them on price when it enters Australia. Amazon's impending entry into Australia will be good for consumers, even if it damages some incumbent businesses. &quot;Some of these incumbents have called on the ACCC to act against Amazon's business model.&quot;</td>
<td>The theme ‘Government Interference’ in this context stands for the interference of the government in Amazon’s entry.</td>
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<td></td>
<td>The Australian Small Business and Family Enterprise Ombudsman has written to Amazon to ensure the company complies with Australia’s unfair contract terms legislation. However, Carnell also wants to remind the company of its obligation to treat small businesses fairly in accordance with Australian law.</td>
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The above table represents the emergent themes found from the data. The theme ‘Profit Margin & Shares’ appeared in 15 sources, theme ‘Banks Upgrading’ appeared in 1 source, theme ‘Positive Response’ appeared in 24 sources and the theme ‘Government Intervention’ appeared in 5 sources.

During the process of analysing the data, it was found that when Amazon announced its entry in Australian retail sector, in some cases the incumbents started to plan their response by cutting the prices of their products and services in order to compete with
Amazon, which affected their margins on the products which resulted in them earning less profit. That let the investors withdrew their shares which resulted in bringing down the share prices of the incumbents. The major share plummets encountered by the incumbent was in the electronic sector, department store sector and shopping mall sector. The fortunes of some of the wealthiest Australian incumbents also suffered a downfall for example, Gerry Harvey chairman of Harvey Norman, suffered a loss of $200 million in February of 2017 according to Forbes Asia.

Another emergent theme found in one instance during the process of data analysis was the ‘Banks Upgrading’. Australian customers started to expect their banks to replicate the selling process of Amazon and offer their products and services online just like Amazon does with its products.

Another emergent theme found during the process of data analysis was the ‘Positive Response’ made by the incumbent towards Amazon’s entry. Luoma et al., Gao et al. and Porter, all stated that the entry of new retailer in the national market is a negative thing from incumbents’ perception, but it was found that the incumbents were making positive responses as well towards Amazon’s entry in the Australian retail sector.

Another emergent theme which was found during the process of analysing was ‘Government Intervention’, it was found that incumbents were approaching the Australian Competition and Consumer Commission asking them to stop the entry of Amazon. Other than that, The Australian Small Business and Family Enterprise Ombudsman asked Amazon to treat small businesses fairly by Australian law and stated that its Amazon’s obligation. It was also found that the government stated the analysis of the Amazon Marketplace contract terms in the United States and suggested they would have to be changed in Australia to comply with federal legislation.

5.6 Summary
This chapter presented the findings of the study. The findings of the study were based on the frameworks employed in this study, i.e. Luoma et al., Gao et al. and Wang and Shaver. The incumbents of the Australian retail sector were seen making word/action responses towards the entry of Amazon in various ways such as aggressive, commitment and consequence. This chapter also presented the emergent themes found during the data analysis process. The emergent themes concerned profit margin & shares, government intervention, banks upgrading and positive responses.
Chapter 6: Discussion

6.1 Introduction
The purpose of this chapter is to discuss the findings of the study. The analysis of this study was based on developing and combining the approaches of Luoma et al. (2018), Gao et al. (2017), and Wang and Shaver (2014), work. The research question of this study was to explore the competitive dynamics of MNE market entry on host country incumbents: word/action responses to Amazon’s retail entry into the Australian retail sector. This chapter will introduce the updated framework based on combining and developing Luoma et al., Gao et al., frameworks along with Wang and Shaver work on repositioning and emergent themes of this research. Finally, the chapter will discuss the emergent themes which were found during the analyses of the data.

6.2 Analysis
In order to analyse the findings of the study in accordance with the research question, it is essential to discuss how the incumbents of the Australian retail sector have reacted towards the entry of Amazon.com. The analysis of this study was based on developing and combining Gao et al. (2017), and Luoma et al. (2018), frameworks along with Wang and Shaver (2014), theory on repositioning. The additional insights that were gained through combining these approaches are discussed below.

6.2.1 Word/Action Response
It is important to discuss the word/action responses made by the Australian incumbents in answering the research question. In this section, the word/action responses made by the incumbents will be discussed. In the model on understanding word/action response in competitive dynamics, Gao et al. (2017), examined how the word/action responses of incumbents can be used to measure and predict their strategic response to the new national market entrant. The way incumbents respond may reveal their plans on how to tackle a new national market entrant. Word/action response plays a significant role in informing the stance of a company against any rival in the retail sector.

From the findings, it can be seen that all of the above took place in the Australian retail sector. In this study, it was seen that Australian retailers reacted to Amazon entering the national market with a mixture of feelings, from outright distress to defiance or stating that the company will have a limited effect on their business or that they will fight against Amazon. Some incumbents were strategically leveraging their current business
models in order to face the challenges posed by the US MNE. The incumbents were seen making statements about their plans and strategies on how they were planning to face the entry of Amazon. Their word/action responses revealed repositioning and their strategic responses and plans around their existing customers; how they were planning to stop their customers from not switching from them to Amazon. Their strategic responses also revealed the plans on how they were going to match Amazon on low pricing and delivery speed which are the two chief strengths of Amazon.

Furthermore, different strategies from the incumbents such as improving their current online presence to match Amazon’s technology were also seen taking place. Strategies to understand Amazon’s working operations were employed by the incumbents. For example, JB Hi-Fi’s CEO stated in a public statement that the company sent its top officials to the US to understand how similar businesses such as Best Buy survived and even evolved in a quite mature market such as the US against Amazon. Incumbents were also making the statements about what the future holds for Australia and the Australian retail sector with Amazon onboard using aggressive comments. It can be noticed by observing all the different strategies and plans that mostly the incumbents of Australian retail sector were alarmed by the entry of the US MNE. Incumbents failed to acknowledge this fact that they are dealing with a company which has an abundance of financial resources. Incumbents cannot beat Amazon at online shopping, low prices or home delivery.

6.2.2 Aggressive Response, Commitment Response and Consequence Response

The model provided by Luoma et al. (2018), gives the guide on how incumbents may react to a new national market entrance. The model proposes that in the face of new competition, the reaction of the incumbents depends on factors corresponding to the aggressiveness of the new entrant, commitment of the new national market entrant and the consequences of the new national market entrant on existing national market.

6.2.2.1 Aggressive Response

If the new entrant offers lower prices, which could in the process, attract more customers and hence disrupt the market of the incumbents, then an aggressive competitive reaction can be expected (Luoma et al., 2018). Amazon is widely known for its reputation regarding lower prices about this case it was noticed where most incumbents felt susceptible to the lower prices of products offered by Amazon. Some
incumbents responded to the entry of Amazon in an aggressive way trying to damage the reputation of Amazon in the eyes of customers or by taking aggressive actions in order to fight back against Amazon. For example, the co-founder and chairman of Harvey Norman tagged Amazon “Attila the Hun” regarding their market behaviour stating that Amazon’s sole purpose is to bankrupt every retailer in the market and mentioned that Harvey Norman would form an alliance with its competitor and approach the Federal Government to stop the entry of Amazon in the Australian retail sector, along with that the chairman also tagged Amazon “world’s greatest tax evader” stating that Amazon has been operating for the past 23 years and practically haven’t paid any taxes. Amazon’s widespread effect around the world, made the incumbent of the Australian retail sector to make and take aggressive word/action responses in order to face the entry of Amazon.

6.2.2.2 Commitment Response
The central argument proposed by the competitive dynamics theory of Wang and Shaver’s competition-driven repositioning is that a firm is likely to reposition if the competitive dominant company is stronger or perceived to be stronger. In this sense, it is easier to predict that in the case of new national market entry, the incumbent will either reposition or decide to stay on and fight the new entrant (Wang & Shaver, 2014).

The entry of Amazon intimidated the majority of incumbents of the Australian retail sector. They were repositioning themselves in order to fight against Amazon regarding customer retaining, prices, delivery speed, replicating Amazon’s business model etc. Whether it was a small retailer or a large incumbent everyone was getting ready by deploying a number of strategies of commitment to fight against the entry. They were making statements about their commitment towards how they were planning, had planned or already put the work into action stating how they were going to face Amazon.

Amazon is well known for its low prices and fast delivery; some incumbents of the Australian retail sector were trying to replicate the model by investing and improving these competitive factors. However, according to some analysts, replicating a new entrant’s business model could result in severe consequences for the incumbent because by doing, so companies commit the dual error of playing directly into the hands of their new rival while distracting themselves from the correct response. Even though Amazon had no imminent plans to launch itself in the supermarket sector in Australia but both major supermarkets of Australia, were seen bracing themselves for the future
possibilities. For example, Woolworths opened a 'free of shoppers’ store, i.e. a store with no customers; they called it ‘the dark store’ or completely online outlet similar to Amazon’s fulfillment centre where they were able to pack and ship online orders in order to match Amazon’s delivery time. Some incumbents were forming partnerships with other companies in order to provide services just as Amazon provides such as fast delivery of the products because incumbents lack the resources themselves. For example, another major supermarket operator, Coles was seen trialling with Deliveroo and Uber in Melbourne in order to improve delivery time and efficiency. Shopping centres around Australia were also dedicated to implement new and innovative ideas to fight back against Amazon; they were seen using electric vehicle charging stations and robot concierges. Robot concierges were seen trialling where shoppers were able to speak to a humanoid robot which was able to assist them finding their way in the shopping centre at Stockland Merrylands in western Sydney in December. Shopping centre operators were upgrading their services to guarantee that they would be able to retain their customers and to ensure that brick-and-mortar retail will be able to remain competitive. It shows that the effect of Amazon made Australian incumbents improve their services and invest in more products and services so that they can retain their customers and fight back against Amazon.

Some incumbents were interested in joining Amazon to get more exposure to the customers because of Amazon’s well-known reputation around the world. Some were seen making comments and stating Amazon’s invitation to them, asking them to join Amazon’s widely known Marketplace. It can be observed from the statements of these incumbents about joining Amazon that these incumbents believed in the widely known saying which states ‘if you cannot beat them then join them’.

6.2.2.3 Consequence Response

Whether it was a small retailer or a large incumbent all had their say in predicting the future of the retail sector and Australia when Amazon arrives. Mixed reactions were seen from different incumbents from different sectors. Incumbents were predicting what the future holds for the Australian retail sector using aggressive statements as well as positive statements. Some incumbents stated that the entry of Amazon in the Australian retail sector “will improve all channels of consumerism”, while others stated it will "destroy and exploit" smaller local businesses. In some cases, Amazon's effect polarised the incumbents; one incumbent was seen disagreeing with another incumbent’s
prediction about Amazon and its effects. Some incumbents were predicting the impact of Amazon on their business mentioning that their company is Amazon-proof because Amazon mostly disrupts those sectors which deal in lighter stuff because that makes Amazon move faster and deliver the products quickly under their prime services. Amazon mostly focuses on the items which weigh less than 25 kilos, the reason behind doing this is the commitment from Amazon of fast delivery to the customers. If the product is small and light, then Amazon can wrap the product quickly, and the delivery of the product can be made in light motor vehicles. They do not need heavy motor vehicles to deliver small and light products to the customers because heavy motor vehicles take more time to reach the destination. The lighter the product, the faster can be the delivery from their fulfillment centres to the customers, so electronic, department, footwear, book, toys, apparel sector are the most disrupted sectors, whereas, furniture, white-ware, supermarket sectors are less disrupted because of the nature of the goods and delivery. Even though supermarket products mostly weigh less than 25 kilos still the sector is less disrupted because many customers to the supermarkets do not prefer buying groceries online. According to the research, only 2% of the consumers prefer buying groceries online (Bisnow, 2017). On this note, the CEO of Temple and Webster from the furniture sector predicted in a public statement mentioning that their business is safe because the furniture sector is Amazon’s weakest category and mostly Temple and Webster business deals in bulky products. Porter’s five forces, which details that the firm's entry into a new market is a negative thing. Some incumbents predicted a similar thing about the future of Australia and its retail sector stating that with Amazon onboard, the future of Australia and the Australian retail sector as well as incumbents will not be good.

6.3 Emergent Themes
This purpose of this section is to discuss the emergent themes. It is important to discuss the emergent findings and their themes which occurred as the effect of Amazon’s entry. During the process of analysing there was some evidence of other data found about the entry of Amazon in the Australian retail sector.

6.3.1 Profit Margin & Shares
MNE entry into the market of a host country can affect the profitability of the local retailers, for example, retailer margins could fall, along with the profitability and share prices of the local retailers (Demirbag, McGuinness & Altay, 2010). It was seen that when Amazon announced its entry in the Australian retail sector, in some cases the
incumbents started to plan-up their strategy by cutting the prices of the products and services in order to compete with Amazon, which affected their margins on the products resulting in them earning less profit. That let the investors withdraw their shares which resulted in bringing down the share prices of the incumbents. Significant share plummets were encountered by the incumbents in the electronics sector and the shopping mall sector. JB Hi-Fi stated that their margin fell 20 basis points as the company was trying to stay competitive and also trying to grow its market share; they also suffered a share loss of 7.5%. The Amazon effect did not spare the wealth of the incumbents either, the fortunes of some of the wealthiest Australian incumbents also suffered a downfall for example Gerry Harvey chairman of Harvey Norman, suffered a loss of $200 million in February of 2017 according to Forbes Asia.

In order to offer better services and cut prices, Harvey Norman’s Australian network suffered a loss of $20 million, and their share price sank by 14%. The entry of Amazon also affected the share prices of the shopping centre. Scentre Group and its rival Vicinity Group both suffered share loss by 20% in comparison to the last year. It can be seen from the above section that Amazon’s entry even had a passive effect as well on the incumbents and their earnings.

6.3.2 Government Intervention

It was seen that incumbents were approaching Federal Government such as Australian Competition and Consumer Commission (ACCC), asking them to stop the entry of Amazon under Harper Section 46 (Completion Act) which “prohibits large companies taking action that has the purpose, effect or likely effect of substantially reducing competition in a market”. In response to this, the chairman of ACCC stated that ACCC would not stop Amazon from entering the Australian retail sector and mentioned that ACCC would not protect the incumbents if Amazon started selling the products at a loss in order to gain market share.

According to Brouthers (2013), the entry of an MNE into a new national market creates innovation and change in the market. The presence of foreign retailers may generate economic development by stirring domestic competition (Durnev, 2010). The competition in the host country leads to more productivity, excellent resource allocation, low prices and price stability. Also, the increased competition spurs investments by firms in plants and other capital investments as they struggle to gain a competitive edge over their rivals (Ernes, 2003). It also helps the firms to advocate for
new technologies and adopt new practices which lead to enhanced services and products. The chairman of ACCC and some analysts predicted a similar thing by mentioning that Amazon's entry could be beneficial to the incumbents to tight-up their tactics.

The Federal Government body, The Australian Small Business and Family Enterprise Ombudsman (ASBFEO), asked Amazon to treat small businesses fairly by Australian law and stated that was Amazon’s obligation. ASBFEO, also wrote to Amazon stating that the organisation should obey Australia’s unfair contract terms legislation. It was also seen that ASBFEO stated the analysis of the Amazon Marketplace contract terms in the United States and suggested they would need to be changed in Australia to comply with federal legislation. Under Amazon’s US terms and conditions, the company has the right to cancel the order, delete accounts, cancel the rights to use Amazon services, or remove and edit the content. ASBFEO stated that a company does not have a right to do that in Australia since changes took place in Australian Consumer Law from November 2016. ASBFEO also mentioned that they are excited to see how incumbents of Australia are going to face the entry. From the above section, it can be seen that even the government could predict the impact Amazon could have on the retail sector.

6.3.3 Banks Upgrading

According to Ernes (2013), new technologies are introduced in the country when a large MNE enters the national market, which boosts other sectors of the economy. It was seen in one example that the entry of Amazon had such the impact on customers of Australia that they started to expect their banks to offer their products and services such as loans online just as Amazon does with their products, at present banks provide just the overview of their loan services and a customer can apply for the loan online but to get the loan a customer needs to go into the bank physically. Banks were forced by this dynamic to improve their attention to online sales. Customers were expecting their banks to imitate the process of selling the products just like Amazon. Customers want to feel the ease of online sales on their digital devices in the same manner as they are ordering something on Amazon. In order to offer all kinds of products, banks were modernising their structures for retail and business consumers both, on all digital devices (Yeates, 2018). Avoka, is a fintech software company which specialises in aiding large banks with “customer on-boarding”. The company was founded in 2002 in Sydney Australia and has branches in the US and England (Avoka, 2018). The company already has clients including Westpac, Bankwest, Macquarie Group, CUA, Citi and
HSBC. The CEO of Avoka stated that the user experience provided by Amazon had been fuelled by the expectation that customers should be able to register for products and purchase them without any difficulty and simply online. Australian bankers also accepted the impact of Amazon taking place in every kind of businesses. The CEO of Westpac quoted Amazon, in stating how the need to lift customer services is sharpened by the digital revolution (Yeates, 2018).

6.3.4 Positive Response

Luoma et al. and Gao et al. models assumed that a new firm's entry into a national market is a negative thing from the incumbent’s perspective. Conferring back to Porter’s five forces of competition, the assumption is that the entry of an industry into a new national market is a negative thing from the incumbent’s perspective. However, this research also found that some of the incumbents were viewing the entry of Amazon as a positive thing for them or the retail sector or even for a country itself. For example, CEO and founder of Kogan.com was seen mentioning in a public statement that the online retail is under-represented in Australia in comparison to other developed countries such as the US and the UK and with Amazon’s local presence will bring more shoppers online to shop and will result in growth of online retail and also mentioned that behavioural shifts in customers making them to rethink how they buy the products and suppliers to rethink how they distribute the goods. Kogan.com also had plans to sell their private label brands through Amazon’s Australian marketplace in order to drive a large number of sales.

A similar thing was also mentioned by the CEO of The Iconic; the fast-growing online fashioner retailer stated that with the entry of Amazon in the Australian retail sector, The Iconic would see the accelerated growth of their sub-sector. The CEO also stated that Amazon has been driving consumer behaviour. None of those mentioned above frameworks stated why some incumbents could see a new entry as a positive thing. However, Gatignon, Anderson and Helsen (1989), provide some explanation stating why some of the incumbents see a new entry as a positive thing and give a positive response. For example, the authors stated that when a firm is very good at something (e.g. advertising) and very poor at other (e.g. distribution) and does not have enough financial resources to build a better distribution channel of their own in order to compete with the new entrant, then they may give a positive response by joining the new entrant if the new entrant has good distribution facilities.
6.4 Updated Framework

The analysis of this study was based on developing and combining the approaches of Luoma et al. (2018), and Gao et al. (2017), along with Wang and Shaver (2014), theory on repositioning. The researcher of this study updated the framework based on emergent themes from the findings and created an updated framework with Luoma et al. (2018), and Gao et al. (2017), frameworks and Wang and Shaver (2014), work along with the emergent themes from this study (figure 9).

![Diagram](image)

Figure 9: An updated framework based on Luoma et al., Gao et al., Wang and Shaver and emergent themes (Created by the author)

6.5 Summary

This chapter presented a discussion of the findings from this study. The analysis of this study was based on developing and combining the approaches of Luoma et al. (2018), and Gao et al. (2017), along with Wang and Shaver (2014), theory on repositioning. This chapter also presented the emergent themes which were found during the process of analysing the data. The different word/action responses coming from the incumbents showed that mostly the retailers of the Australian retail sector were intimidated by the entry of Amazon they made aggressive comments about the entry. Incumbents were also seen committed to fighting back against Amazon and repositioning themselves to
face the entry by employing different plans and strategies. Their strategic responses revealed their plans mainly around customer, prices, delivery and upgrading online presence. Incumbents were seen predicting the future of the Australian retail sector as well as the future of the country both aggressively and positively. Amazon affected the profit earnings of the incumbent as well. The impact of Amazon was seen in other industries as well for example banks. Banks were forced to imitate the dynamic of the entrant's operating process. The government was also seen stating their different views in response to Amazon’s entry. This chapter also introduced the updated framework of this study which includes Luoma et al., Gao et al. frameworks, Wang and Shaver work and emergent themes of this study.
Chapter 7: Conclusion

7.1 Introduction

The purpose of this final chapter is to present the overview of this research and concluding remarks on the findings. This chapter is organised as follows: the first, section provides an overall review of the dissertation. The second section presents the contributions of the study, and the third section reviews the limitations of the research and recommendations for the future research.

7.2 Overview of the Research

When a large MNE such as Amazon enters a country’s national market, the incumbents respond to that entry by making different competitive responses. The model provided by Luoma et al. (2018), examines how incumbents may react to a new national market entrance. The model proposes that in the face of new competition, the reaction of the incumbents depends on factors corresponding to the aggressiveness of the new entrant, the commitment of the new national market entrant and the consequences of the new national market entrant on existing national market. For example, if the new entrant offers lower prices, which could in the process, attract more customers and hence disrupt the market of the incumbents, then an aggressive competitive reaction can be expected.

To better understand Luoma et al.’s (2018), model, this research draws on the work of Gao et al. (2017), who explored competitive engagement by proposing word/action responses to new market entry. In Luoma et al.’s (2018), model, the incumbent’s reactions were determined by the cues provided by the new market entry. In particular, the model explains how the new entrance affects the ‘pricing’. Luoma et al., were concerned with the reaction to an attack. Gao et al. (2017), introduced a different reaction to the market entry, i.e. ‘word/action response’. Gao et al. (2017), argued that incumbents might react aggressively to an attack by a new national market entrant by making a bold statement aimed at the competition.

There has not been any research conducted on the reaction from the incumbents regarding word/action responses and competitive dynamics together. Therefore, the primary aim of this research was to explore the competitive dynamics of MNE market entry on host country incumbents: word/action responses to Amazon’s retail entry into the Australian retail sector. The case-study methodology was utilised in this study to
answer the research question. This research employed the frameworks of Luoma et al. (2018), on aggressive, commitment and consequence price responses, Gao et al. (2017), with their word/action responses perspective and Wang and Shaver theory on repositioning and created a new framework. This research later updated the framework by adding the identified emergent themes of this study into Luoma et al., Gao et al., Wang and Shaver, and updated the framework into aggressive, commitment and consequence word/action responses along with the theory of repositioning, and the emergent themes profit margin & shares, government intervention, banks upgrading and positive responses (figure 10). The combination of these theoretical frameworks represents a significant contribution of the research.

Secondary sources such as media articles, business press and trade publications restricted to 2016-2018 were used to collect the data. The data collected about the word/action reactions were used to determine the intensity of the responses and the perceptions of the incumbents (the Australian Retail Sector) to the entrant (Amazon). Thematic analysis was used in this research to form themes and to answer the research question. Six themes emerged from the data analysis: 1. ‘Trash talk’, 2. ‘Already done’, 3. ‘A promise’, 4. ‘Armed-up’, 5. ‘An outcome’, 6. ‘An effect’.
7.3 Conclusion and Contributions

This research makes contributions on theoretical, practical and policy levels.

7.3.1 Contribution to Theory

The findings of this study contribute to the literature on understanding the competitive dynamics that occur in the retail sector when a large MNE, such as Amazon, enters a new national market. This study contributes to the IB literature by highlighting that incumbents may respond to a new entrant with different (figure 10) ‘Word/Action Response’ such as ‘Aggressive’, ‘Commitment’ and ‘Consequence’ or it could be the mixture of responses which previous literature lacks. The incumbent follows the strategy of repositioning if the entrant is a large MNE and has a good reputation in the retail sector of other countries. If a new entrant is a large MNE, then there could occur passive effects, such as falling share prices and profit margins of the incumbents, the effect of expectations from other industries to imitate the process of the new entrant regarding technology and how a new entrant sells their products could also occur. If the new entrant is a large MNE, then the government could intervene, trying to diminish the effects of damage on the incumbent. Positive responses from the incumbents regarding the new market entrant may occur if the new entrant is a large MNE, they could join the

Figure 10: An updated framework based on Luoma et al., Gao et al., Wang and Shaver and emergent themes (Created by the author)

new entrant or state that the new entrant may benefit the retail sector or the country itself. Porter’s five forces, Luoma et al. and Gao et al. all stated that the entry of a new firm is a negative thing from incumbent’s perspective, but the findings of this study found that positive responses from the incumbents may also occur, which previous literature lacks.

7.3.2 Contribution to Practice
This study is relevant for analysts from different industries and sectors to understand and make predictions about the effects on local rivals from the future entrants by assessing the reactions regarding aggressiveness, commitment and consequence of the local incumbents in their word/action responses towards a current new national market entrant. This study could also aid them to understand the different effects a new entrant could have if the new entrant is a large MNE such as how the government might react to the entry, the effects on the share prices of the incumbents etc. This could happen when another large entrant enters the national market. The analysts may be able to understand the effects of a new entrant on the local incumbents from this study.

7.3.3 Contribution to Policymakers
This study can also help the policymakers from different organisations to understand that if the new entrant is large and has a good reputation in other countries' retail markets, then it could also affect the mindset of the customers as they start expecting other industries to replicate the new entrant’s selling process. This study could help them to understand the expectations of the customers in this context. This research could also help the policymakers to understand and formulate their policies accordingly that if a new entrant is a large MNE, then the incumbents could approach the Federal Government to stop the entry or even the government itself can intervene in order to protect the incumbents from getting exploited by the large MNE. This research could help policymakers to understand the reactions in terms of government.

7.3.4 Conclusion
It was seen that the Australian retailers reacted to Amazon entering the national market with a mixture of feelings, from outright fear to defiance or stating that the company will have a limited effect on their business or stating that they will fight Amazon. Amazon’s size, its influence, its market share in the retail sector in other countries played a significant role in the word/action responses from the incumbents of the Australian retail sector. It can be noticed by observing all the responses that mostly the
sectors which are most disrupted by Amazon were more alarmed by the entry of the US MNE than the sectors which are less disrupted. Amazon mostly focuses on the items which weigh less than 25 kilos, the reason behind doing this is the commitment from Amazon of fast delivery of the products to their customers. If the product is small and light, then Amazon can wrap the product quickly, and the delivery of the product can be made on light motor vehicles. They do not need heavy motor vehicles to deliver small and light products to the customers because heavy motor vehicles consume more time to reach the destination. The lighter the product, the faster can be the delivery from their fulfillment centres to the customers, so electronic, department, footwear, book, toys, apparel sector are the most disrupted sectors. Whereas, furniture, white-ware, supermarket sectors are less disrupted because of the nature of the goods and delivery. Even though supermarket products mostly weigh less than 25 kilos, still the sector is less disrupted because many customers to the supermarkets do not prefer buying groceries online (Bisnow, 2017).

The majority of the incumbents from the most disrupted sectors were seen making more aggressive responses and were seen labelling Amazon with belligerent names. When it comes to commitment responses, whether it was a small retailer or a large incumbent everyone was getting ready by deploying a number of strategies of commitment to fight the entry. They were seen making statements about their commitment towards how they were planning, had planned or already put the work into action by stating what their strategies against Amazon are. Amazon is well known for its low prices and speedy delivery and some incumbents were seen trying to replicate the model by investing and improving these competitive factors. However, according to some analysts by replicating a new entrant’s business model, it could result in severe consequences for the incumbents because by doing so, companies commit the dual error of playing directly into the hands of their new rival while distracting themselves from the correct response. Some incumbents were forming partnerships with other companies in order to provide services just as Amazon provides, because the incumbent lacks the resources themselves. When it comes to consequence responses in some cases, the incumbents were seen predicting the effect of Amazon on Australian retail sector as well as the country itself. It shows that the distress of Amazon made Australian incumbents improve their services and invest in more products and services so that they can retain their customers and fight back against Amazon.
Emergent themes were also found during the process of data analysing such as 1. Profit Margin and Shares, 2. Government Intervention, 3. Banks Upgrading and 4. Positive Responses. This data shows that apart from incumbents’ reactions, other things were taking place as well passively and impassively because of the Amazon effect. In theme ‘Profit Margin & Shares’, it was seen that the share prices of incumbents were falling when Amazon announced to launch in the Australian retail sector. In ‘Government Intervention’ theme, it was seen that the incumbents were approaching the Federal Government so that Federal Government would stop the entry of Amazon. In one instance, ‘Banks Upgrading’ was seen that the Amazon effect impacted customers’ minds in a way that the customers in Australia started to expect their banks to offer their products online just as Amazon does. Another theme that was found was the ‘Positive Responses’ of some incumbents towards Amazon’s entry. These incumbents were eager to join Amazon’s marketplace in order to get more exposure to the customers.

7.4 Limitations and Future Research

This study researched the reactions from the incumbents’ point of view when a large MNE such as Amazon enter their national market. This research employed secondary sources to gather data towards the entry. It is often noted that detailed interviews are used in business research as crucial data collection, whereas other types of data sources are seen as complementary. Secondary data sources limited the scope of this research; time was also a limitation of this research as only six months for research were available.

This research is exploratory as mentioned previously thus allows a number of portals for the future research. Prospects for future research are ample; future research could employ the primary research, i.e. detailed interviews with the incumbents in knowing how the incumbents are reacting towards the entry. Second, future research could investigate positive responses from the incumbents in detailing why some incumbents were seeing the entry as a good thing for them and the country even though Porter’ five forces of competition, Luoma et al. and Gao et al. frameworks all state that the entry of a new firm is a negative thing from the perspective of the incumbent. Third, future research could test the framework further across other sectors. Fourth, future research could investigate whether the word responses made by the incumbents, has taken place, for example, whether incumbents followed through with their statements of intent into actions.
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