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When Walmart enters the Finnish Market what should a Finnish retailer do strategically?

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1. INTRODUCTION

Nowadays, due to globalization, an increasing number of retailers in developed countries are shifting their priorities and focusing more on a growth strategy by reducing their dependence on their home markets and making expansion into more attractive foreign markets. This foreign market expansion and retailer globalization strategy generally pose as a threat and cause panic to the local retailers and local businesses that are been targeted for such foreign market expansion. Especially when such market expansion strategy is coming from a giant retailer or a successful business brand. (2013)

In such threatening situation most times, the local markets and industries operating in those market sectors strive to make such expansion that are springing up from a new corporate entrants impossible. Given that globalization is a risky business that involves a substantial investment of time, money and resources. Local retailers and indigenous corporate competitors tend to utilize what is known as “home advantage” in team sports to frustrate this moves, considering also that (new entrants) moving into unfamiliar and unpredictable territory usually face different economic, political, and cultural environment challenges. This challenges may become an advantage to the local market segments according to Porter's five forces analysis.

However, Porter (2008) rightly posited that those challenges could easily be mitigated if the new entrants to these new markets are among the business leaders in the industries; that maintain an established competitive advantage or successful business model, that can easily penetrate the new market. In many cases, Porter also argues that such new entrants seeking a global market reach may have the financial capacity to also acquire local markets and thereby avoid the challenges of establishing new markets.

To understand how this works in real life and to explore how local markets may react to foreign entrants seeking for market expansion in their environment, we intend to study a case of a giant US retailer Walmart, who intend to move to a Finnish market. The author will examine and highlight the possible strategic decisions that finish retailers may take when Walmart, a giant US retailer enters the Finnish market.

In this study, the author will build the theoretical framework based on Porter's five forces analysis and also explore some other methods, models and techniques in strategic management to develop strategic plans and decisions that Finnish retailers should implement to maintain their competitive advantage over foreign market penetration.

2. BACKGROUND AND OVERVIEW OF FINNISH RETAILER INDUSTRY

To set the direction of this article, the author will explore the general overview of Finish retailer markets and Walmart company to highlight both history, strategy, competitive advantages and plans and use this information to analyze and provide strategic advice for Finnish markets.

2.1. Finnish Retailer Markets Review

In this section, we examine the Finnish food and grocery retail industry. Considering that in this study we will be talking about the market entry of the largest US retailer industry Walmart into the Finnish market, we will be discussing more specifically the three biggest grocery retailers in Finland namely Kesko Food Trade (K-chain), SOK Food Trade (S-chain), and Lidl Finland. These main three companies represent the key players in Finnish retail and grocery business and they will be the chief competitors to Walmart. Moreover, they all have different business models and especially strategy that they are using to gain competitive advantage and increasing their market share (Morschett et al. 2006).

Kesko Oyj

Kesko Oyj is Finnish listed trading sector company and one of the leading providers in the retailing industry in Finland. It was founded 1940 and started operating one year later. Kesko Oyj deals on the grocery trade, the building and technical trade and the car trade (Erlund, 2016). Its divisions and chains act in close cooperation with retailer entrepreneurs and other partners. (Hovav, 2015)

Kesko is the fifth largest operator in Europe and has operations in nine countries. Nowadays they operate in many different industries including grocery**,** home and specialty goods, building and home improvement, and car and machinery businesses. Moreover, it employs more than 40 000 people and its net sales in 2015 was €8,679 M and operating profit €187.0 million. Kesko has over 1,500 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland, Russia and Belarus. (2016)

S Group

S Group is a Finnish network of companies operating in the retail and service sectors. It has more than 1,600 outlets in Finland. Founded in 1904, it comprises of 22 regional cooperatives operating all around Finland in the markets for groceries, consumer durables, service station, hotel and restaurant services, agricultural supplies, and car sales. (2016) The full formal name of the nationwide cooperative organization is Suomen Osuuskauppojen Keskuskunta (SOK). (Hovav, 2015)

SOK (S-chain) is the other leading company in the retail and service trades in the Finnish market. Likewise, Kesko Oyj, S Group also competes in multiple industries; however, they both have slightly different areas of businesses they are competing in. In the grocery business S-group is the biggest competitor of K-Group and other players have only a small share of the grocery and retail market. S-Group's revenue in 2013 was €8 539 M, operating profit 226 and they have approximately 42 000 employees. The group has businesses in Finland, Estonia, Latvia, Lithuania and Russia. (SOK Annual Report, 2013)

Lidl Finland Ky

Lidl is a German global discount supermarket chain company which operates over 10,000 stores across Europe. It arrived to Finland in 2002 and nowadays it has 152 stores in all Finland. Moreover, Lidl operates in Finland as an independent subsidiary, Lidl Finland Ky. Lidl's revenue in 2013 was €960 M and it has approximately 4000 employees. Lidl has succeeded to gain market share basically every year since it came to the Finnish market. At present, Lidl has about eight percent market share in the grocery business whereas K-Group has 34% and S-chain 46% being the market leader. (Lidl Suomi Kommandiittiyhtiö, 2013)

The competition in the Finnish grocery business has stiffened in the recent years. Recently, we have read about the fall in price and overall price competition between K- Chain, S-Chain and Lidl. (Kauppalehti, 2014). Considering the complexity of the Finnish retailers, we marrow down our analysis to Kesko, S-chain and Lidl as they are bigger player and the most relevant one from Walmart Perspective.

From the report gathered from the Finnish grocery Trade Association (PTY) statistics. it reads that K-chain and S-chain represent the 80% of the all Finnish grocery market. S-chain being the biggest player with almost 46% of market share, whereas the Kesko hold 34% of the market. The trend has been in the last decade that S-chain has succeeded to increase its market share in the business. Lidl on the other hand has only a bit more than 8% of the market share but it does not try to penetrate the market share too much. Now it has 151 stores in Finland and its goal is to have not more than 150. So basically, Lidl is aiming to be and stay profitable and to keep its market share steady. However, in the last three years Lidl has succeeded to increase its market share over 3%. (FINNISH GROCERY TRADE, 2014). These companies compete with each other in importing, and they are not concentrated their interest in the higher prices which have been a concern for the consumers in the last years. Many different researches suggest that the grocery prices in Finland are one of the highest in the world. (Finnish Grocery Trade, 2014)

2.2. Wal-Mart store Inc. Overview

Wal-Mart store Inc. an American multinational retail corporation that have dominated a retail industry and operates a chain of hypermarkets, discount department stores and grocery stores. Over the last two decades, Wal-Mart have expanded its international stores in Mexico, Puerto Rico, Canada, China, Mexico, Brazil, Germany, Britain, Argentina and South Korea (Govindarajan, et al., 2002). Headquartered in Bentonville, Arkansas, the company was founded by Sam Walton in 1962 and incorporated on October 31, 1969. As of October 31, 2016, Walmart has 11,593 stores and clubs in 28 countries, under a total of 63 banners. Walmart started its public trade on the New York Stock Exchange in 1972. (Martens , et al., 2006)

In 2000s, Walmart focus on offering customers a seamless shopping experience, whether they are online, in a store or on a mobile device. Also, during these times, Walmart put some effort in implement several environmental measures to increase energy efficiency. Today, the company has grown to be the world's largest and arguably, the most emulated retailer (History Timeline, 2013)

According to Fortune Global 500 list in 2013, Walmart is the world's second largest public corporation in world. By 2012, the company employs 2.2 million associates worldwide and serves 200 million customers each week at more than 10,000 stores in 27 countries (History Timeline, 2013).

With the balance growth, Walmart is a $466 billion company. In addition, Walmart's net sale achieves $274.5 billion, with the international contributed $132.5 billion by 2013(Walmart 2013 Annual report, 2013).

Due to the expansion around the world, Walmart is also facing a lot of competitors in different countries with different kinds of competition. Primary competition in the US includes department stores like Costco, Kroger, The Home Depot, Walgreens Kmart, Target, ShopKo, etc. and international competitors are Tesco, Carrefour, Aldi, Metro AG, Moreover, some smaller retailers focus on a small niche market, which can also compete successfully against Walmart depending on the environment where it operates.

In the next section, the author will build up the literature that will give basis to the theoretical framework that shall be used to develop the strategy that will be proposed to Finnish retailers on the premise that Walmart has made moves to penetrate the Finnish market.

3. LITERATURE REVIEW

3.1. Globalization and Internationalization

Globalization and Internalization has propelled the integration of economic, social, political and cultural activities of countries, organizations and businesses to a level that was never imagined in the last century. Although, this advancement of interdependent connection and complex networking of communication between countries and organization in all these areas of advanced socio-political and economic relations was largely attributed to the emergent of information & technology in the last few decades (Lee , et al., 2006).

But, definition of both concepts however have been a controversial issue and a hot topic for expert discussion, and has received a loose and poorly definition. For the interest of this article, we will limit ourselves to a simple definition that relates to the topic of our discussion.

Sometimes, too comprehensively, Globalization has been referred to as the term used to encompass increases in trade and liberalization policies as well as reductions in transportation costs and technology transfer. According to (Lee , et al., 2006) , Globalization as a functional concept is defined as a process that is a result of shrinking of the world because of faster and more efficient modes of transportation and communication due to advancement of technology. This definition makes it simple to see the effect of complex connection of countries and business in recent times and reveal the basis of how one country and business culture is integrated with the rest of the world. The impact of globalization can modify the economic policies of countries to make them more universal in nature.

Internationalization in other hand is a concept that is loosely associated with taking one country's business across other nations. It also includes in characterization; the processes those businesses will undergo in order to meet the need of the cultures and languages of different countries. That is to mean, that businesses that produce software's or appliances for a particular international market must bear in mind that those products and services must be built according to the cultures and languages of different countries where it is going to be sold. base on this definition, Globalization therefore increases interdependence, whereas internationalization retains one country's identity. Globalization is inevitable with fast modes of transport and communication, whereas internationalization is involuntary and need based.

Today, the globalization business advances the retailers' interest, and the marketplace provides retailers the new scope of buying functions. Moreover, Globalization connects the world's entire markets. Countries all over the world benefit from globalization. Global competition makes retailers source abroad. In order to expand marketplace rapidly, the successful retailers will be wise to search new marketplace. In the developing country, many retailers find a great price and quality to extend their global business (Hong, & Mcgoldrick, 1996).

Walmart Store Inc. has built a successful retail business in the US and has dominated the retail industry in the world. As a growth strategy, internationalization of its business operation becomes a given in the early 90's and with the aid of technological advancement that give birth to globalization, Walmart took advantage of globalization and internalization and doubled its financial positions in retailing.

In the early 90's, Walmart successfully expanded its business operations and subsidiaries in different parts of the world. Although, Walmart was not successful in all their business expansion strategy especially in some places in Europe and other countries largely due to the fact that every country is different and the unfamiliar and unpredictable territory could bring serious setbacks and disadvantage (Flannery, 2006). Nevertheless, the success rate in its expansion and growth strategy is quite high and could pose as a threat and serious competition to local retailers in any country they see business opportunities (Wei, et al., 2013).

In proffering solutions to this competition between the incumbent local retailers and their foreign counterpart that intend to penetrate into new market, Michael E. Porter developed the five forces model to help companies assess the nature of an industry's competitiveness and develop corporate strategies accordingly. The framework allows a business to identify and analyze the important forces that determine the profitability of an industry.

In the next section, we will study the Porter's five forces model for industry analysis. We will look at Porter's five forces, and how to use the model to develop strategies for maintaining a leadership in any industry and later develop strategies for Finnish retailers that faces threat from Walmart penetration.

3.2. Porter's Five Forces Model | Strategy framework

The five forces model framework was developed by Michael E. Porter in the early 1979's to help companies assess the nature of an industry's competitiveness and develop corporate strategies accordingly. Through his model, Porter classifies five main competitive forces that affect any market and all industries. It is these forces that determine how much competition will exist in a market and consequently the profitability and attractiveness of this market for a company. Through sound corporate strategies, a company will aim to shape these forces to its advantage to strengthen the organizations position in the industry.

For the purpose of this model, industry attractiveness is the overall profitability potential of the industry. An attractive industry will be one where the combined power of the competitive forces will increase profitability potential. While an unattractive industry will be one where the collective impact of the forces will drive down profitability potential.

These forces, termed as the micro environment by Porter, influence how a company serves its target market and whether it is able to turn a profit. Any change in one of the forces might mean that a company has to re-evaluate its environment and realign its business practices and strategies. An attractive market place does not mean that all companies will enjoy similar success levels. Rather, the unique selling propositions, strategies and processes will put one company over the other. The five forces model are represented graphically in figure 1 below.

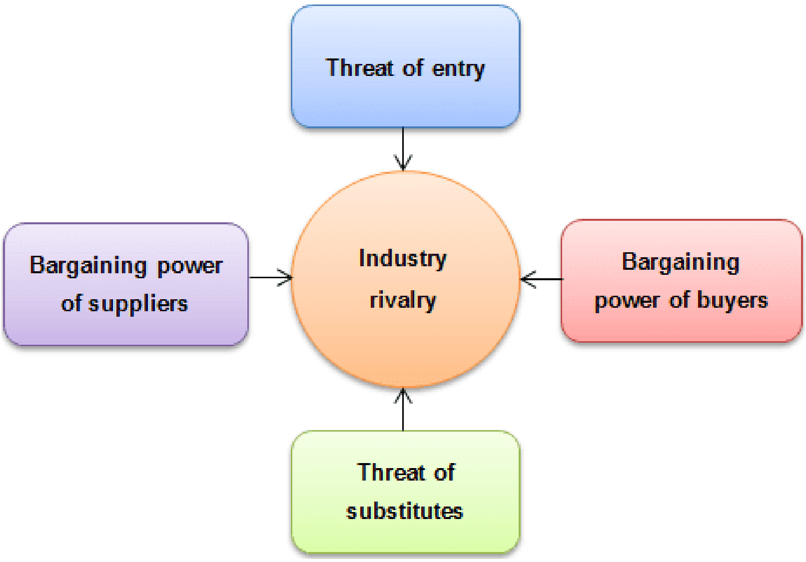

Figure 1 Porter's five forces model

Threat of new Entrants (New Entry)

In this porter's force framework, Porter argues that threat coming from competitors to any company's business may not only emanates from existing local players in the market but it can also come from potential new entrant into the market place. In his exposition, he maintained that if an industry appears profitable or attractive in a long term strategic manner, then it will be attractive to new companies and those new companies may enter easily to the attractive market if there is no barriers entry in place and their entrance can change the dynamics of the industry. (Martin, 2004)

There are specifics dynamics of an industry that may limit entry into such market and this is called barrier to entry. According porter, the best situation and attractive scenario for any company could be when such potential market has a low barrier to exit but high barrier to entry. The economics of any industry will determine the level of difficulty faced when trying to enter this market. some barriers to entry have been recognized and cited by Porter in his article for the Harvard Business review titles "How Competitive Forces Shape Strategy" they are namely:

- patents and proprietary knowledge
- government driven obstacles
- customer loyalty to established brand
- access to specialized technology or infrastructure
- economies of scale
- high initial investment needed
- high switching costs for consumers
- difficulty in accessing raw material and difficulty in accessing distribution channels

Depending on the composition of the potential entrant, such barriers to entry could make it difficult to established successful business in the new market.

Competitive Rivalry

Another significant force that Porter describes in his article is the degree of rivalry between existing companies in the market. Porter postulates that if there are many companies competing with each other in a specific market, it will create a competitive pressure that will affect both the prices, profits and strategy. This competition may result to having a price war amongst competitors that each will have little or no profit in the products and services offered in that market. (Martin, 2004)

On the other hand, in any environment were competition is not present, the company may be able to freely set prices and profit margins without being dictated by what the customer finds attractive. Porter pointed out some scenario when competitive rivalry may be higher. for example, completion may be higher when:

- Similar sized companies operate in one market
- These companies have similar strategies
- Products on offer have similar features and offer the same benefits
- Growth in the industry is slow
- There are high barriers to exit or low barriers to entry

Threat of Substitutes

From the model described by Porter, he defined substitute as those products that exist in another industry but can be seen alternate to the product and has the potential to fulfil the same need. In his exposition, he noted that if there are more substitutes or alternative products, then the competition is larger in that industry which will reduce the potential to make profit from the industry.

An example of this is that for a Coca Cola, Pepsi, fresh juice, water and other soft drinks are all substitutes though they exist in separate categories. A high threat of substitutes will impact a company's ability to set prices that it wants. If a substitute is priced lower or fulfills a need better than it may end up attracting consumers towards it and reduce sales for existing companies. The threat of substitutes is affected by factors such as brand loyalty, switching costs, relative prices, as well as trends and fads. (Martin, 2004)

Bargaining Power of Buyers

Within the porter's framework, when a buyer has the power to affect prices in an industry, it becomes a factor that company must consider before any decision making. Buyers tend to have power over an industry if they are important to the company, this may be if the industry is such that buyers either buy in bulk, or can easily switch to another supplier. A limited number of strong buyers may be able to exert significant control over a seller. In addition, if a product is similar to its competitor with little or no differentiation, then there are chances that the company may need to let the supplier dictate terms in order to avoid losing the customer.

Bargaining Power of Suppliers

Suppliers give the raw material expected to provide a good or service. This implies there is normally a need to keep up solid relationship and associations with suppliers. Contingent upon the business progression, suppliers might be in the position to direct terms, set price and decide accessibility timetables. Capable suppliers might have the capacity to expand costs without influencing their own business volume or lessen amounts that they offer (Martin, 2004).

Supplier may enjoy more power if there are less of them. Costs of switching to an alternate are high, or there are no alternates. A supplier may also be the only provider of a certain raw material. This may be the case in instances where a supplier holds a patent or have proprietary knowledge. Because of a lack of alternates, they may be able to withhold quantities or increase prices without losing sales.

3.3. Blue Ocean Strategy

Competition based strategies have been the main issue discussed whenever strategy is being discussed among Academics and business management, Unlike Porters 5 forces, that deal more on beating the competition, In the new formulation of business strategy, W. Chan Kim and Renee Mauborgne in their book “Blue Ocean strategy” introduced a new strategic concept called the blue ocean strategy. W. Chan kim and Renee Mauborgne made an analogy using Red Ocean and Blue Ocean to talk about crowded market and uncontested market (Osterwalder, et al., 2010). In their analogy, W. Chan Kim and Renee Mauborgne claim that companies can succeed not necessary by competing with its rivals in the crowded market, but instead by making competition irrelevant; thereby creating a new uncontested market where there will be nothing like competition. The authors assert that implementing the Blue ocean strategy give the organization advantage to control and lead in the selected market space and not bothered by any competition (Kim, et al., 2015).

According to Kim & Mauborgne (2015), organization that adopt blue ocean strategy will

1) Create uncontested market space for themselves,

2) Make the competition irrelevant, and

3) Create and capture new demand

4) Break the value-cost trade off

4. USING PORTE’S FIVE FORCES TO DEVELOPING CORPORATE STRATEGIC PLAN FOR FINNISH MARKET AGAINST FOREIGN COMPETITOR CASE STUDY: WALMART

When a new company enters your market, the variables that influence the performance of your business change and you have to react to maintain your position. How the new company overcomes the existing barriers to entry can guide you in your strategic reaction to the new situation. As the market changes, you have to take into account the strengths of the new entrant when forming a strategy to keep your customers.

A Five Forces analysis of external factors in the industry environment of Finnish retailers, based on Porter’s model, shows the implications of the competitive rivalry or intensity of competition, bargaining power of buyers or customers, bargaining power of suppliers, threat of substitutes or substitution, and the threat of new entrants. All of these factors impact Walmart’s success rate in entering the Finnish market

Finnish retailer’s strategic direction is based on the dominant retailers’ (Kesko, S-chain and Lidl) responses to the Five Forces in its industry environment. These three leading Finnish retailers have succeeded in achieving the leading position in the Finnish retail industry. They now stand as the biggest retailer in the Finnish market. However, the external factors in the industry environment impose pressure that must be addressed. These retailers need to develop strategies that address the bargaining power of buyers and suppliers. Effective strategies are also needed for the firm to withstand the threats of substitutes and new entrants. While Finnish retailers have achieved success in the Finnish industry environment, Porter’s Five Forces analysis reveals that the company must keep evolving to ensure long-term viability.

Financial Investment as A Barrier to Entry

Finnish retailers should do everything possible to ensure that Walmart entry is not successful. They should invest in a High capital costs or large financial projects to create a financial barrier and psychological barrier to entry. Investments may be to establish manufacturing or retail facilities or Research and/or development and Inventory. Acquiring new technology can also undermine the cost position of the existing competitors. This kind of move and investment will introduce doubt into the minds of Walmart. Although Walmart is a leading retailer and a financial giant, they won’t be prepared to risk so much on a new venture which may not succeed.

Cost Advantages as A Barrier to Entry

All potential businesses make moves to enter a new market because they intend to earn a profit, if however, the new entrant isn’t cost competitive with existing companies, then it is clear that a profitable opportunity doesn’t exist. When a new buyer enters a market, suppliers often can raise prices because of higher demand (Simister, 2001). Walmart needs the same materials and components Finnish retailers do to offer the same kinds of products in the market. If Finnish retailers can lock in their supplier costs with long-term contracts while the suppliers charge the new entrant higher prices, they can maintain their pricing structure and compete on quality and unique features.

If their suppliers raise prices, you can reduce inventory and seek substitutes for the most expensive items. Cost advantages can come from different sources main sources:

Economies of scale:

The bigger the business, the lower the average unit costs. In terms of economies of scale, Finnish retailers should check if Walmart is coming in to operate in a large scale. They should also check If the new entrant will invest heavily, you have to examine whether they have extensive capital resources or whether the investment will have stretched their capacity. If they introduce a product similar to the existing ones, you have to react immediately. Finnish retailers should also investigate to know if they are smaller scale because if they are indeed coming in smaller scale, they will not have your economies of scale and will not be able to compete on price. (Simister, 2001)

The experience curve

the more you perform an activity, the more opportunity you have for finding the best ways to do it for the least cost.

Low cost input prices

Either from a favorable location e.g. a lower wage economy or long term supply contracts at very good prices can also make such potential entrants impossible. These factors naturally favor the existing companies in the market although increased globalization is opening up many markets to competition from the lower wage economies for the first time.

Customer Loyalty as a Barrier to Entry

Customer loyalty resulting from special product features may be a problem because happy customers who are delighted with the service and the products from the existing companies may be very reluctant to risk buying from a new competitor. Depending on how important the product is, even a much lower price may not compensate for the uncertainty of dealing with a new company. Finnish people like patronizing their products and this loyalty may not favor an American product therefore making it impossible to get the share in the market. (Simister, 2001)

Brand Equity as a Barrier to Entry

Where brand names are important, a new competitor has a major problem becoming known and accepted unless it is prepared to invest heavily in sustained advertising and/or buy market share at a low price to stimulate trial and hopefully repeat purchases.

Supply Restrictions as A Barrier to Entry

A new entrant in the market may find it difficult to buy the supplies necessary to compete (including skilled labor) or it may be that it finds that distribution channels to the customers/consumers are reluctant to add extra lines and won’t drop existing proven products from their range. It may also be difficult for customers to suddenly switch from one supplier to another because of incompatibilities. For example, it is a big decision to switch computer suppliers because of all the inconvenience and effort required (Simister, 2001).

Threat of Retaliation from Existing Competitors as A Barrier to Entry

Any new entrant is attracted by the prospects of high profit so if existing competitors can put together a convincing threat that they will stop this happening (by cutting prices or extensive advertising), the new company will see high profit will not materialize. But it is difficult to pull off. Threatening retaliation against a new entrant means sacrificing the short term profitability of existing businesses so the new competitor has to be seen as a major threat which justifies the costs.

Using the Power of incumbency as A Barrier to Entry

One of the obstacle that is often underestimated when foreign retailers assess the opportunity in emerging markets is the growing power and sophistication of the local competition, which is often stronger than it may appear. Local retailers, quite naturally, have a better understanding of local consumer culture. They have already secured the best retail locations. They have well-known local brands and a history with local consumers. They may also benefit from protectionist initiatives and restrictions placed on large multinational players. In addition, many local retailers are focused almost entirely on the local or national market and, therefore, have greater flexibility than their foreign rivals to tailor company strategy specifically to that market. At the same time, they quickly learn how their global counterparts operate and copy their best practices. This privileges will make it impossible for the Walmart to become successful. Finnish retailers in any case must consider some Significant external factors with regard to competition to ensure that foreign retailers do not change the dynamics of the market. They must consider the following:

1. Large number of firms in the retail market (strong force)
2. Large variety of retail firms (strong force)
3. High aggressiveness of retail firms (strong force)

The key players of Finnish retail industry will experience the strong force of these three external factors in competitive rivalry in the retail industry environment. They must however remain aggressive to remain competitive. While they are currently the industry leader in the Finnish market, These Finnish retailers must keep its growth pace to remain in this position.

Prices as A Barrier to Entry

We know that most retailers in Finland are operating on a low price as Lidl has helped to bring prices down, therefore, the entry of a new competitor in a market will tend to reduce the market prices even more. When there are more companies competing for the same market share, customers choose those with lower pricing, and the general price level goes down. If you have inherent cost advantages because of factors such as location, product design or low labor costs, you can compete on price (Simister, 2001). If no competitor has inherent cost advantages, you can compete on price if your financial resources are higher than those of some competitors. In that case, you can accept losses until they go out of business or you can purchase weaker competitors. If you have higher costs, you must compete on non-price factors such as quality, special features or customer service.

Strengthen your Competitive skills

How the new entrant chooses to compete is a key factor in how the entry affects your business? Competing in a new market is attractive if a company can identify a market segment that is not well-served by existing competitors. When the new entrant targets the new market segment, you can broaden your own strategy to cover the same target and prevent the new company from getting a foothold. If the new company develops a strong position in the target segment, you may want to withdraw from it and strengthen your own position in the market segments where you are strongest.

Barriers to Entry – An Effective Deterrent?

High barriers to entry are good if you are already established in a market but bad if you are investigating a market as a possible route for expansion. The factors can change which is why it is important to keep reviewing Michael Porter's Five Forces model and the danger is that once one entrant has succeeded; other copycats may see that entry barriers like the threat of retaliation were an illusion.

Even as we make this strategic suggestion, I believe that the Finnish market had certain characteristics that made it less attractive to Wal-Mart as a first point of entry. The Finnish market had certain characteristics that made it less attractive to Wal-Mart as a first point of entry. The Finnish retail industry is mature, implying that a new entrant would have to take market share away from an existing player - a very difficult task. Additionally, there were well-entrenched competitors on the scene (e.g., Kesko Oyj, S-chain, Lidl) that would be likely to retaliate vigorously against any new player. And Finnish retailers have formats similar to Wal-Mart's, neutralizing the competitive advantage Wal-Mart might have expected had its business model been entirely new to the market. Further, as with most newcomers, Wal-Mart's relatively small size and lack of strong local customer relationships would be severe handicaps in the Finnish market arena.

In summary, Finnish retailers must focus on competitive rivalry and the threat of Walmart entrants, based on Porter's Five Forces analysis on the retail industry environment. These two external factors have the strongest force on Finnish retailers' business:

1. **Strong** competitive rivalry or competition
2. Weak bargaining power of buyers
3. Weak bargaining power of suppliers
4. Weak threat of substitutes or substitution
5. **Strong** threat of new entrants

5. STRATEGIC RECOMMENDATION

Finnish retailers has several competitive strengths that must be turned into sustainable competitive advantages and weaknesses and threats that must be addressed to maintain its strong foothold in the retail industry. Although growth rates in most retail channels were negative in 2015, the largest companies in the market were the least hard hit. In store-based retailing, for instance, there were clear signs of consolidation. Some smaller players withdrew from the channel as they were unable to introduce priced-based promotions. (Flannery, 2006) Internet retailing poses both a threat and an opportunity to store-based retailers. Those retailers which have successfully managed to develop multi-channel strategies have strengthened their positions, while those with less of a focus on online sales face pressure from pure online stores, many of which in Finland are international giants including Amazon, eBay and Zalando (2016). Therefore, it will be a key strategy for all Finnish retailer to develop online web sales in order to make sure that Walmart will not have a leverage on them on that level

Since most of the Finnish retailers like Lidl and Kesko has been successful in executing low-cost strategy, careful guarding must be implemented as Walmart has similar low cost strategy and can attempt to imitate Finnish retailers supply chain streamlining also. In conjunction with this, Finnish retailer's first mover technology advantages should be applied in other areas of its value chain. One avenue is using technology in the continuous training, performance evaluation, and tying rewards and incentives to above average performance of associates. Doing so would make this Herculean task more doable as information systems can be automated and are more objective in labor monitoring (Flannery, 2006).

Finnish retailers must create new strategies that develop and sustain the company's competitive advantage in the long term. Emphasis on competitive advantage helps address concerns on competitive rivalry and the threat of new entrants. For example, Finnish retailers can invest more in automation of internal processes in its supply chain. Improving human resource development can also boost the company's competitive advantage and Create e-commerce presence (Greenspan, 2016).

Finnish Retailers should project a more community friendly, environmentally concerned, and outstanding employer image. A portion of profits should be returned to the community by sponsoring charity events, scholarships, community clean-up, and the like to remedy the fierce resistance of local residents and replace it with a welcoming attitude. This should allow the Finnish retailers to gain easy entry in other smaller towns and even in major metropolitan areas. This is very important because Walmart is currently facing law suits on how their employee are been treated so if Finnish retailers can focus on treating their employees better, this can help to reduce any impart its present can create.

On a global scale, Finnish retailers should use strategic alliances, joint ventures, and/or acquisitions of foreign companies as the primary vehicle for marinating a lead in the Finnish market. Under Finnish retailer's multi-country strategy, they should transfer its competencies and capabilities country to country and then gradually build profit sanctuaries in several countries as it continues its global expansion. The management of all the Finnish retailers should consistently and conscientiously stick with their guiding principles in strategy execution.

6. CONCLUSION

In conclusion, we have reviewed some theoretical frameworks and explored the some of the Finnish retailers operating in the Finnish market and presented some strategic solutions using the porters five forces to advise the Finnish retailers how to react when Walmart giant retailer make a penetration to the Finnish market.

From our research, we observed that Walmart is a gaint retailer in the US and they are operating both a retail stores and online web sales, they can penetrate and change the dyanmics of retail business in Finland if Finish retailer did not follow some of key strategic provisions in the article

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