



Selecting an electronic platform supplier via tendering process in Russia

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2019 Laurea



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**Selecting an electronic platform supplier via
tendering process in Russia**

Julia Akusok
Business Management
Bachelor's Thesis
March, 2019

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2019

2019

Pages

52

Abstract

The purpose of this study is to define what is the most feasible e-commerce business platform for the Russian consumer market and what Russian company is the best solution provider for a new Finnish company.

The e-commerce platform market in Russia is enormous, and there are plenty of companies providing this service. The companies differ from each other by size, location, cost, experience, references, Content Management Systems they provide, delivery time, additional services such as internet marketing SEO promotion, and content advertising. There are some of their own Russian Content Management Systems such as Bitrix in the Russian market. So far, selecting an e-platform supplier in the Russian market has been a challenge for a new company. Because of this, the research of this field is important.

The research problem was to define a suitable e-platform supplier in Russia. Objectives were to give a detailed picture of the tendering process, and to provide a full picture of supplier selection and evaluation process.

This is applied research and the case company of this project is a new e-commerce company, Finozon. The company is not established yet. They would like to launch their e-commerce business in spring 2019 after finding a suitable supplier for e-platform. Their business area is internet retail. They would like to sell to the Russian consumer market. Consumer products include; electronics, design, apparel, sport, health and beauty products, and products for pets.

During this thesis we found out about the Russian e-commerce market opportunities for outsourcing e-commerce services and Russian e-commerce market opportunities for a new business, the tendering process, supplier selection and evaluation criteria in IT procurement projects. The knowledge base of this project leads to tendering process, evaluation criteria and supplier selection in IT-procurement. This thesis identifies and describes the evaluation criteria and supplier selection process. The thesis structure includes; an introduction, two theoretical parts, practical part, conclusions and development suggestions and findings.

Keywords: Russian e-commerce market analysis, tendering process, supplier selection

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1 Introduction

This project started from the idea of making a new e-commerce company, which will operate in Russian consumer market. This company needs to find out what electronic platform will be feasible for Russian market and what company is a best provider for this project. Russian IT business market is sizable. The companies differ from each other by size, services which they provide, additional service in internet marketing such as SEO promotion, content advertising, Youtube advertising and digital marketing in Social Media such as Facebook, Russian Vkontakte; cost, experiences, references, location, content management systems. There are own Russian content management systems, such as Bitrix 24 and Bitrix 1C.

IT procurement is a strategical opportunity for company to choose suitable supplier with reducing own costs. On the other hand, a range of management options from purchase or rental to full outsourcing of a part of all of the IT function -the latter having become more popular over the years (Grundy 2012).

For setting up the frame work for these, company usually need to decide which financial strategy it will chose. If the company has a low-cost strategy, then that will necessary to take IT procurement project and outsource the needed services and reduce costs year on year (Grundy 2012).

For successful IT procurement, company must find a balance between cost reduction and areas of targeted value. The other important factors are ensuring that IT procurement fits IT and business strategy. Also, company must obtain adequate legal, commercial and business input and make a full assessment of uncertainties and risks (Grundy 2012).

Russian e-commerce market has a lot of opportunities for businesses, such as potential massive audience with rapidly rising internet penetration, low cost in warehouse renting, low costs in using a logistics or fulfilment company services (East-West Digital News 2017).

Thesis theoretical background leads to several main fields: Russian e-commerce market analysis 2016-forecast 2018: opportunities, trends in Russian e-commerce market; tendering process, evaluation criteria definition, and supplier selection process. Company needs to re-research tendering process, feasible evaluation criteria and selection process, and the latest trends in the Russian e-commerce market in product categories. Russian contract practices as a part of procurement is important to describe as well, because Russian legislation has own features and contracting is a final stage of procurement.

The practical part of thesis shows a full tendering process for case company, which includes tendering process, negotiations, evaluation, final selection. For the practical part it was made a request for quotation with short explanation of the company in English and Russian

languages; evaluation criteria were based on theoretical framework. For final analysis and decision making, all companies names were changed into code name from A to L, because of business reasons. Finozon wished them to stay unknown.

1.1 Case company

Case company called Finozon is going to specialize on internet retail of different product categories, such as electronics, beauty and health, sport equipment, household appliances. The company should be launched in spring 2019, but it is still not established. The main customer target group is 15 - 65 years old men and woman in Russia. The new internet store will provide consumer products in 20 different product categories. Each category will have typically 3-6 sub-categories and about 50-100 products in each category. The total number of products will be 2500 - 3000. All products will be from well-known high-quality brands including household appliances, electronics, sport equipment, beauty and health products. The wide product selection is enabled by a modified drop shipping model with only very limited own inventory. The delivery will be organized via Russian Post Office and/or Finnish Itella which operates in Russia as well. The company will be established in Helsinki, Finland. The number of employees is limited.

The new company is interested in selling products for Russian consumer market, because Russian consumer market has a lot of opportunities of 146,8 million potential customers (Population of Russian federation 2019) competitive and low-price of outsourcing service, close location to Finland and potential of Russian buying activity.

The company specified their evaluation criteria for potential supplier, its location and project budget which will be described later more delated.

1.2 Research method

The quality of research depends on suitability of selected method. Knowledge of research types and methods is a fundamental for this purpose. According to the intent, research may be classified as pure, applied, exploratory, descriptive, diagnostic research, and evaluation, action studies. Pure research is known as undertaken for knowledge without any intention to apply in practice. It is not necessary problem-oriented. Its goals lead to extension of knowledge. Applied research leads to find a solution to a real-life problem. It requires an action or decision. Exploratory research shortly means a basic study of an unknown problem about which the researcher has little or no knowledge. This type of research is similar to a doctor investigation. This type of research takes such stages as process of exploration, description, and experimentation. Descriptive research study means a fact searching investigation with acceptable interpretation (Krishaswami & Satyaprasad 2010, 10-14.)

Diagnostic study is similar to descriptive study, but it has a different focus. This research method is oriented to discover the causes of a problem and the possible solutions for it. Evaluation studies are a type of applied research. They are used for testing the effectiveness of social or economic programs or for the impact of development projects. Action research is a type of evaluation study. Its goal is to improve an existing situation. Action research leads to government, institutions and voluntary agencies action programmes for realizing specific goals and objectives (Krishaswami & Satyaprasad 2010, 15-20.)

The research method of this thesis is an applied research. This type of research is used for solving a real business life problem requiring an action and decision making. This research achieves an actual practice-based result. There is enormous capacity in the fields of technology, management, commerce, economics and social sciences. This research method finds an actual solution. The purpose of applied research is to solve a practical problem. At the same time, it may develop theoretical knowledge by discovering new facts (Krishaswami & Satyaprasad 2010, 15-20.)

The chosen research method solved the actual business problem for Finozon company. Company needs to find a suitable IT-service supplier. In Russia the IT companies' market is enormous, so the selecting and evaluation process is challenging. Company needs to make result of this applied research is practical-based: the suitable supplier should be chosen.

The business research process associates systematical steps to investigate a problem. The scenario of them involves problem identification, its formulation, planning a research design, research method selection, data collection, evaluation of the data, preparation of the report (Sreejesh, Anusree, & Mohapatra 2013, 10-20.)

This thesis research process includes planning, operation, and reporting parts. Planning part is consisted of selection of the research problem, formulation of the research problem, preparation of the research design, planning report-writing work. Operation part is consisted of construction of tools of data collection, pre-testing, collection of data, analysis of data and explanation of results. Reporting part is consisted of research process description, summary of findings, development suggestions and conclusions.

1.3 Data collection method

There are some different data collection methods for research: secondary data collection, case studies, experimentation, observation, interviews and surveys, action research (Lancaster 2004, 70-77). For this research it was needed to collect data information about different IT-companies providing e-platform services and choose one suitable out of many. Potential suppliers will be evaluated by technical, location, size and other characteristics through Skype-interviews with selected ones.

A critical decision is to select a suitable data collection method between many. This selection may lead to research skills, costs, time, availability, consultants' preferences, ethical, legal and other issues. Sometimes, research management decide to use more than one data collection methods. (Burn 2000, 57).

Actual method was selected for data collection for this thesis. Actual research in general a specific methodology. In action research the researcher may use a vast variety of methodologies including observational research, questioning and surveys or interviews. Action research involves practical field for researching, there researcher has to solve a real-world problem in this case - to find a suitable supplier. In this research researcher participates actively takes part in searching for solutions. Where research is handing for a client, both consultant and client co-operates as partners in the research itself in taking next action and describing proposals. Unlike academic research action research is focused at developing the individual through implementing and evaluating action programmes in companies (Lancaster 2004, 126-129).

Data collection was made in real-life experimentation for this thesis. Data collection about potential supplier characteristics was gathered firstly from IT-companies internet pages, then more deeply by Skype-interviews, and additional information requests via e-mail corresponds. Selection potential candidates was made according the business criteria of Finozon: location, budget, size, trustability and staff resource of the company, and their references. The aim for data collection was to gather right supplier characteristic for evaluation part. Data collecting was an active cooperation between client and consultant. Both client and consultant were participated in Skype-meetings.

1.4 Research problem and objectives

Research problem is to find a suitable e-commerce platform solution for a new company with competitive price, beautiful design, good technical characteristics. The e-platform should be made on well-known content management system for reasons if Finozon wants to change in future their provider service. The platform also should be easy in managing as well.

The objective is to give its reader a more detailed picture of the selecting the right supplier via tendering process in IT procurement and explain practical performance of the whole process.

For achieving the research objectives, it was decided to organize a tendering process for this problem. During this project, it was sent a request for quotation for potential suppliers in two rounds: trial request for companies and real request for potential companies. The new company is interested to find a suitable supplier in Saint-Petersburg, because of close location to Helsinki.

Case company seeks a outsource supplier from Russia because of two main reasons: cost and consumer nationality. Company has chosen a low-cost strategy and wanted to outsource the e-platform from Russia. Other reason for outsourcing the e-platform from Russia is that the online store would be made for Russian consumer market.

The e-commerce platform characteristics are very important for a new company, the e-platform should be easy in use, having a remarkable design, well-functioning technically. During this project, we decided which platform offer is more suitable comparing others. The company is interested in a simple, useful e-platform. It will work in Russian and English languages. It will be located in Russian online servers; all Russian customers information will be located in Russia. It will have all typical online store characteristics with special important details, such as current exchange rates for Russian ruble and euro, pricing with value added tax and without and tax-free refund form.

The potential supplier should be close to Helsinki area for organizing a meeting, has a competitive price, and great professional skills for e-commerce platform. The evaluation criteria will be explained later.

2 Russian E-commerce market analysis

2.1 Economic growth of Russia

Russian economy grows slowly. Inflation rate was high 4 % in 2018 (Figure 1: Russian economy indexes 2012-2018). Domestic Product (GDP) has been reduced by 7,2 % in 2016. Unemployment rate was 5,5 % in 2016. Consumer confident index was - 93 in 2016. This index measures consumer confidence, which is defined as the degree of optimism of consumer activities of savings and spending (Ecommerce Foundation, 2017).



Figure 1 Russian economy indexes in 2012-2018 (Ecommerce Foundation, 2017)

Russia ranks the 35th place in E-Government Index. This index provides a comparison index of e-commerce development of United Nations Member States. The main important factors contributing a high level is concurrent past and present investments in telecommunication, human capital and provision of online services. Russia ranks the 40th place in easy of doing business index. A high ease of doing business ranking means the regulatory environment is more favorable to start and operate for local firm. Russia ranks the 99th place in the logistic performance index. This index overall score reflects perceptions of a country logistics based on efficiency of customs clearance process, quality of trade and transport-related infrastructure and easy quality of logistics services (Ecommerce Foundation, 2017).

Russia's potential economic growth was good before the global financial crisis in 2008. It continued to decline up to 2017. The estimated potential growth rate was 3,8 % in 2000-2009, 1,7 % in 2010-2017, a 2,1 % decline. The most recent deceleration was due to a slowdown of productivity growth and a shrinking potential labor force. Regarding its future, Russia's potential growth is expected to continue its gradual downward trend from 1,5 % in 2017 to 1,3 % in 2022(Figure 2: Russian potential economic growth). The simulations of proposed reform measures being currently considered by policymakers, which include a combination of pension reform, more inward migration, higher investment, and gradual acceleration of Total Factor Productivity growth can double Russia's potential growth rate to 3.0 percent by 2028 (Apurva 2018).

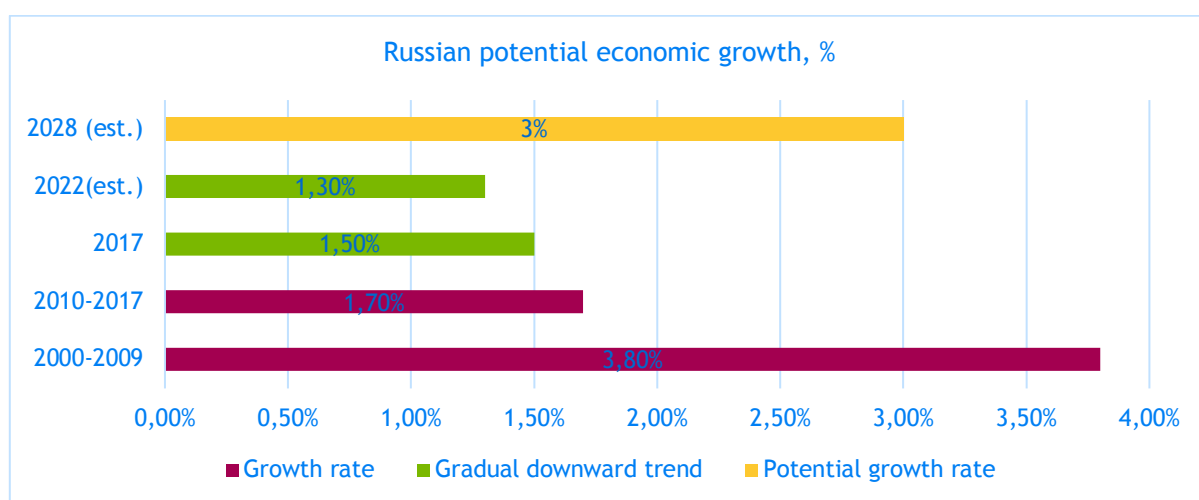


Figure 2 Russian potential economic growth (Apurva 2018)

Purchasing power parity in Russia is slowly growing every year (Figure 3: Purchasing power parity)

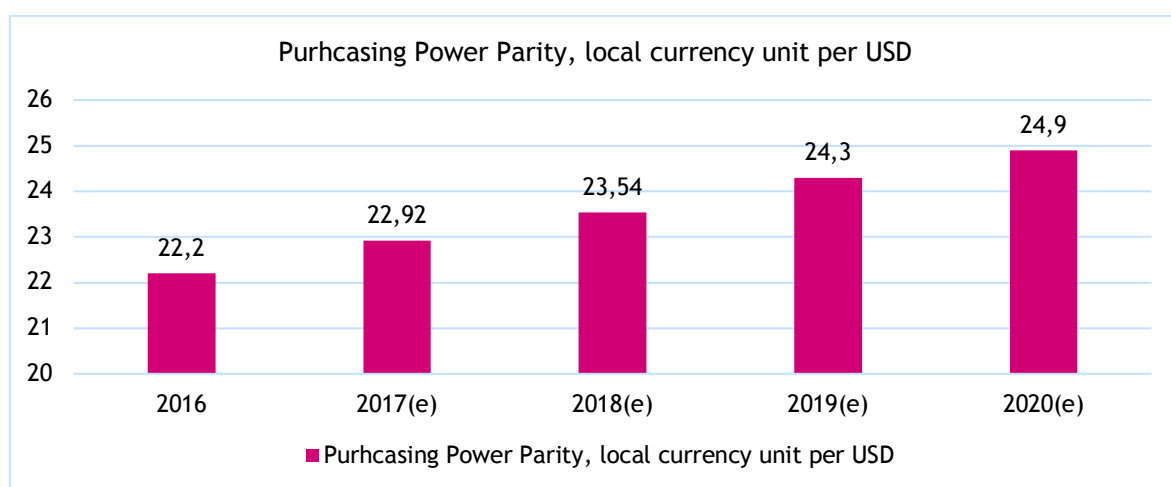


Figure 3 Purchasing power parity in Russia (Word Bank 2016)

Russian customers do not save much due to low reliability of banking system. Russians often spend more than 80 % of their income. 53 % of them shop regular for the whole family with comparison with 45 % globally. One-third of Russians shop only for themselves. 73 % of population lives in urban areas and represents 85 % of the purchasing power. Russian middle class includes 25 million inhabitants. It generates 80 % of demand in the country. Russian consumers faced with economy recession with declining incomes, rising prices, cutting household budgets, and dampening consumer expenditure. Overall, food prices have increased significantly with income comparison. Shoppers started to buy less and increasingly looking for sales. Online shopping has growth, especially cross-border shopping with offers lower prices, greater variety than domestic market. (United Nations statistics 2016).

Case company has good opportunities in Russian e-commerce market due to growth of cross-border business with lower prices comparing with domestic market and growth of online shopping with electronics, apparel, sport and beauty products. On the other hand, Finozon need to compete with other big e-commerce companies, such as Eldorado for example. Case company would like to refund a value added tax, so it can raise a customer interest as well.

2.2 Russian e-commerce aspects: internet penetration, trends, consumer groups, delivery practices

Internet penetration in Russia reached 96,6 % in 2018 (Statista 2019). Russian mobile Internet user's number is growing with 56 million Russians aged 16 years and more accessing to the network via smartphones and tablets in 2016 (East-West Digital News, 2017).

More practiced Internet users still lives in Moscow and Saint-Petersburg (79 % among inhabitants aged 18 and more, according to surveys by Public Opinion Foundation (FOM) in summer 2016. Russians from smaller cities are less practiced Internet users, but even in small town and villages the penetration rate is 57 % in 2016, according to FOM. In 2015 almost three quarters of all Russian Internet users lived in the European part of Russia. Total Russian-speaking audience is near 110 million users: people from former Soviet republics, Western Europe, Israel and North America (East-West Digital News, 2017).

Distribution of internet users mostly concentrates in North-West (10,8%), Central (28,3%), South (15,6 %) and Volga (19,9%) regions (Russian Fond of consumer opinion statistics 2016).

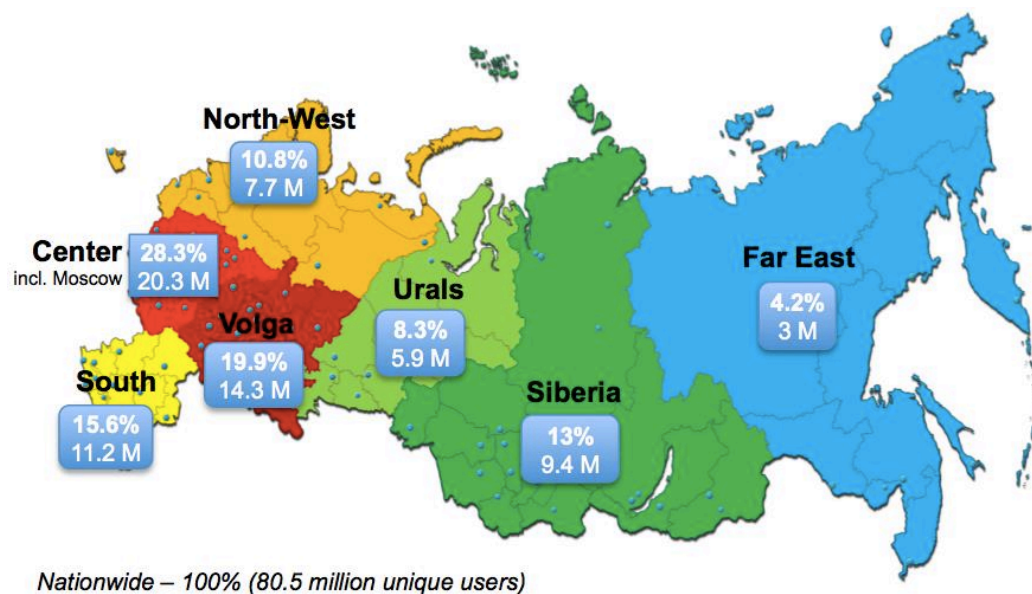


Figure 4 Distribution of Internet users by federal district in winter 2016 (Russian fond consumer opinion statistics 2016)

Russia e-commerce markets has a good potential due to the growing Internet and e-commerce penetration in Russian regions, E-signature and online payments popularity, fulfilment infrastructure reaching maturity (East-West Digital News, 2017).

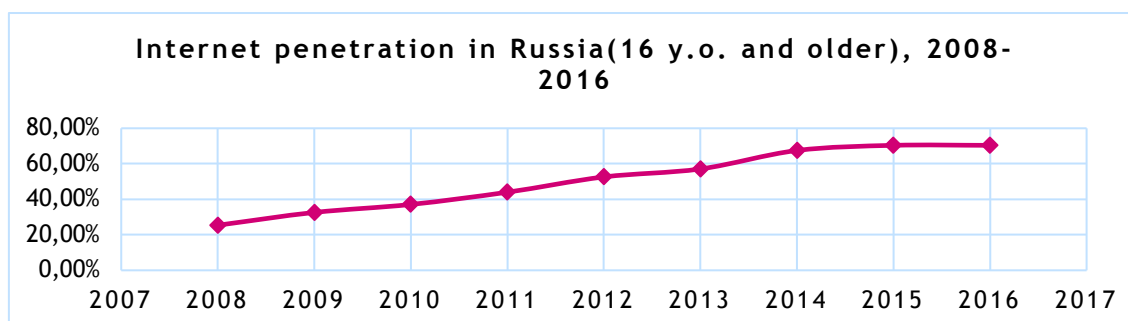


Figure 5 Internet penetration in Russia (E-Commerce Foundation 2017)

Russia's domestic online retail market grew in real term. It grew in value as well reaching 800 billion rubles (103,8 million euro, 2018) (+23 %) and with average order exceeding 4,000 rubles (51,91 euro, 2018) according to Data Insight (East-West Digital News, 2017).

Russian consumers started more often buy by internet every-day products, such as grocery products. Online selling of instant coffee was increased by 27 % in the second part of 2018 with retail selling offline. The same trend seems to be in the chocolate products such as

sweets (51 % of increase in online retail with only 8 % of increase offline), shampoo (90 % re-tail online with only 3 % retail offline) (Nielsen 2018).

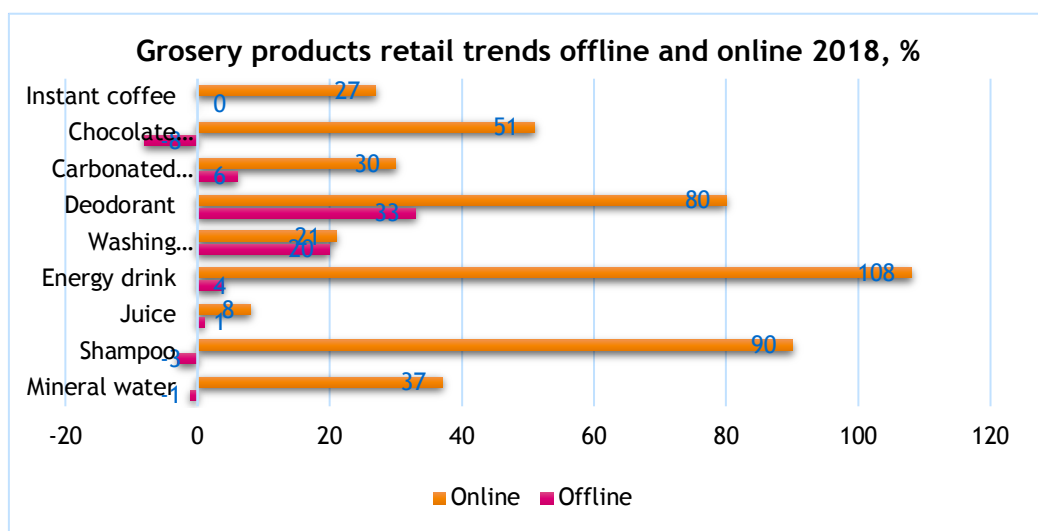


Figure 6 Grocery products retail trends offline and online 2018 (Nielsen 2018)

Most purchased goods in e-commerce in Russia are apparel and footwear (37%), cosmetics and partum (33%), health goods (33%) and children goods (27%) (Figure 7: Most purchased goods in Russian e-commerce) (Ecommerce Foundation 2017).

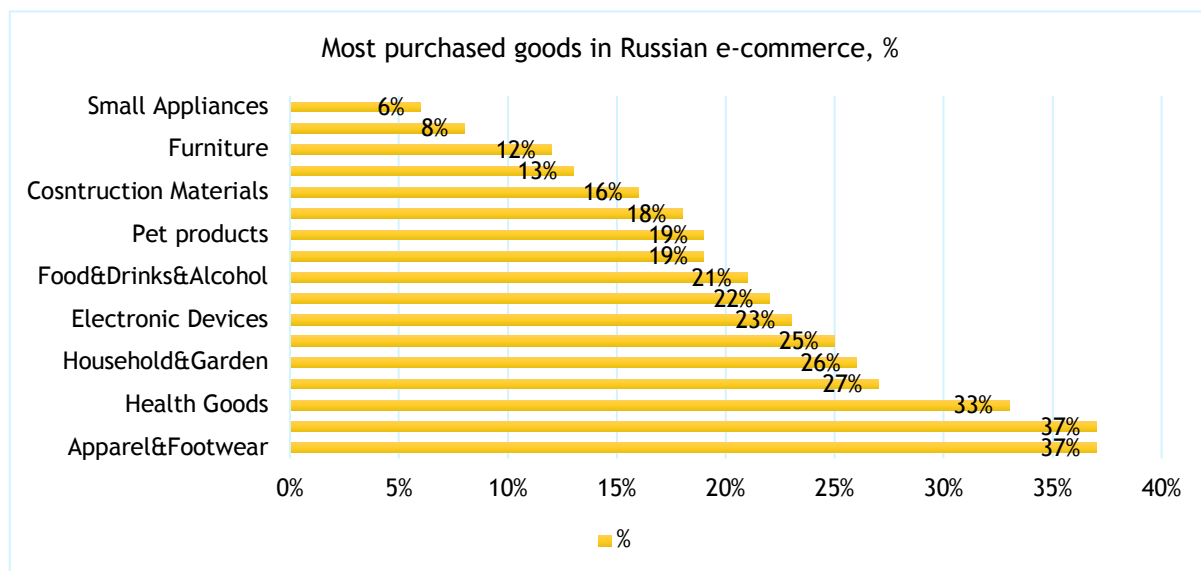


Figure 7 Most purchased goods in Russian e-commerce, % (Ecommerce Foundation 2017)

Russian e-commerce consumer can be divided by sex, age, buying activity. Russian consumer age is divided by 0-14 (16,97 %), 15-24 (9,71 %), 25-54 (45,16 %), 55-64 (14,27 %), 65+(13,9 %). Russian female group purchase in online stores mostly than men (Figure 8: Russian e-commerce consumer groups) (Ecommerce Foundation 2017).

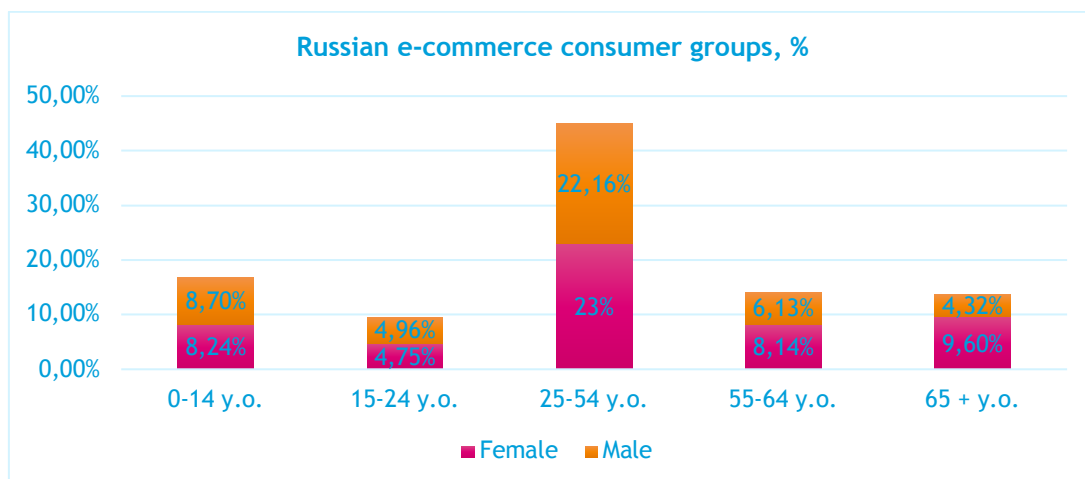


Figure 8 Russian e-commerce consumer groups, % (Ecommerce Foundation 2017)

Russian e-commerce consumers group can be divided by frequent online buyers, non-online buyers (do not plan to buy online), occasional online buyers, non-internet users and non-online buyers (but plan to buy online). According to the marketing report, the most buying group is “occasional online buyers”. (Figure 9: E-commerce consumer categories in Russia)

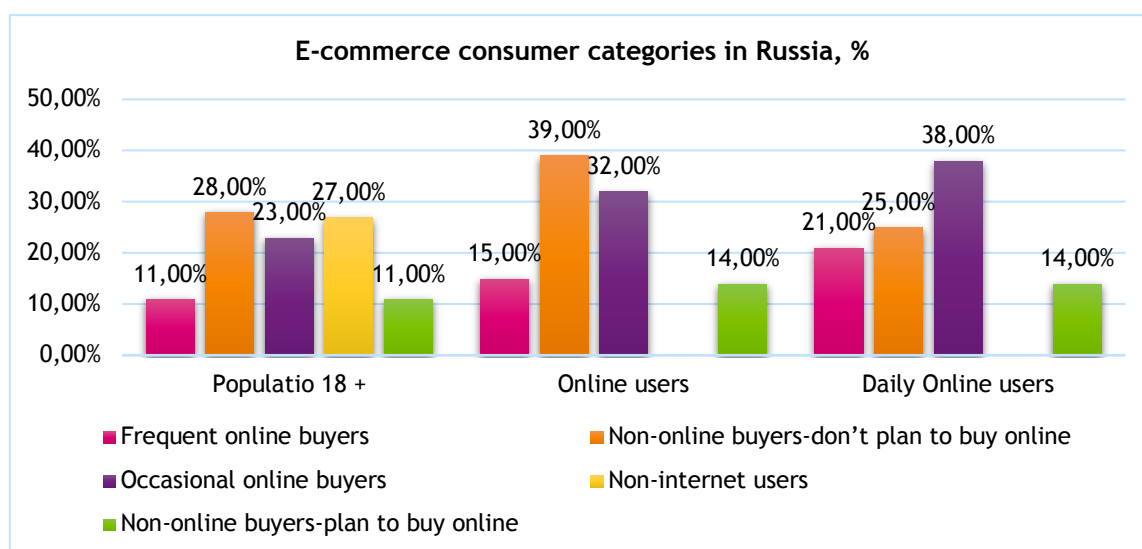


Figure 9 E-Commerce consumer categories in Russia (Ecommerce Foundation 2017)

Professional logistics faced with some challenges in Russia: weak road and rail infrastructure, country landscape. Russian logistics are just developing or undergoing its modernization. However, delivery options have improved seriously over the past years. Russian Post reformed itself, and several new providers with higher quality service came to Russian market as well. (East-West Digital News 2017).

E-commerce delivery practices concentrates on Russian Post proving services and other logistics companies' services. Delivery methods in online retail in 2016 was significantly provided by Russian Post (62%) and by other methods (38 %) (Ecommerce Foundation 2017). Russian Post have been reformed and works well in delivery. A lot of e-commerce companies use Russian Post services. Some several new providers emerged with higher quality services and shorter delivery time to large and mid-sized cities across the country. These companies might be more competitive as well. These companies are for example, DPD, DHL, Transcom-Avia, Asstra, City Express, FexEx, Fesco, FM Logistics, Geodis, Itella, LCM Group, Pony Express, RosLogistics, Rail Garant, STS Logistics, Tablogix, Tels, TNT Express, UPS and overs. Some of these companies provide avia, rail, sea delivery (East-West Digital News 2017).

Other option for logistic is using the services of fulfilment companies. Fulfilment companies provide the full-service of receiving, packaging, and shipping order for goods. Near 100 companies currently provide outsourcing fulfilment services as third-party operators in Russia. Arvato's survey in September 2016 found that around the half of them are independent companies with core business in fulfilment, others are logistics service providers (3PL-7 %), delivery (9%) and distance selling companies (33 %) (East-West Digital News 2017). Last-mile delivery operators provides transportation service as fast as possible. It is a difference from other delivery services (Last-mile delivery process 2018).

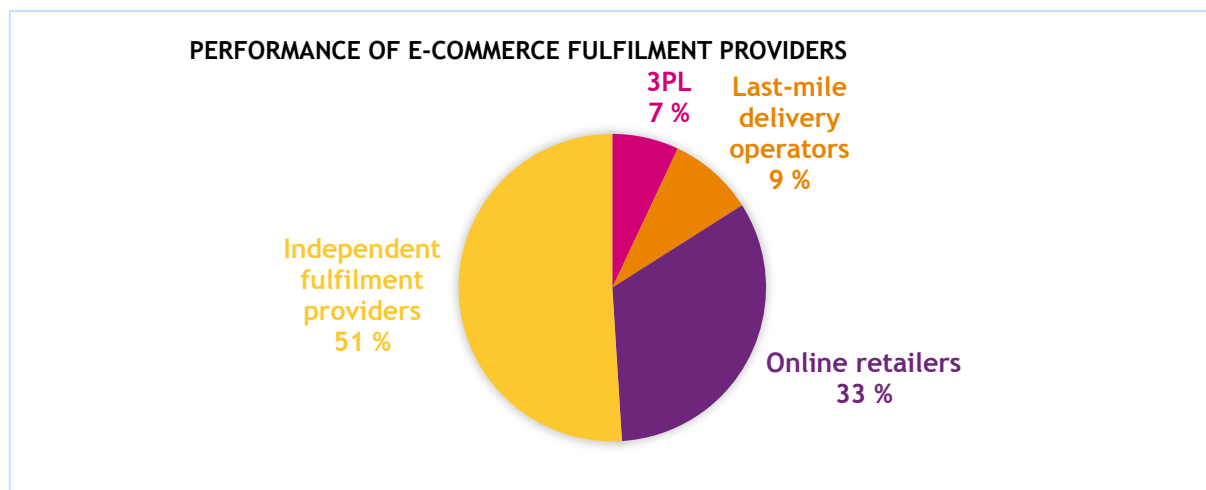


Figure 10 Performance of E-commerce fulfilment providers (East-West Digital News 2017)

51 % of e-commerce companies have their own in-house fulfilment infrastructure in 2016. 25 % of these companies consider outsourcing certain fulfillment operations to address seasonal demand flows. Some 19 % rule out outsourcing fulfillment operations due to price or quality ratio. 6 % do not consider outsourcing operations due to lack of market reports (East-West Digital News 2017).

Case company is going to specialize on internet retail of different product categories, such as electronics, beauty and health, sport equipment, household appliances. According to market researches, the most popular product categories are apparel, sport and beauty, children cloth. Grocery products demand in e-commerce market is growing as well. Finozon has a good opportunity in this category as well. Russian internet penetration is concentrated mostly on Center, Volda, and South regions. So, these regions become the potential customers.

The delivery in Russia might be a challenge due to Russian infrastructure. Case company are not going to rent any stock. The delivery will be organized by drop shipping system and by Russian Post. Drop shipping method means that retailer has not own stock, ordered products will be shipped from wholesaler stock directly to the customer. According to research and delivery practices in Russia, a lot of companies use Russian Post service.

2.3 Contracting practices in Russia

The Russian norms regarding different types of contracts. They are included into the second part of Civil Code. They include norms and legislations which are known in Russian law as sale contracts (Art. 454-566), lease (Art. 605-25), work and construction work (Art. 702-62), and contracts for performance of scientific research, experimental design, and technological work (Art. 769-78). All of this type contracts belong to the Entrepreneurial contracts in Russian Civil Code (Orlov 2011, 210).

Procurement contracts may belong to the work contracts in Russian Civil Code. Work contract is in Russian law among the obligations whose subject is the performance of work. The question is of the services which take material form and are the objects of the civil exchange that is, individualized results of work (Orlov 2011, 210).

Work contract in Russia regulates the work result and process. These work contract norms are written in Articles 779-83 in Civil Code (Abova, Boduslavsky, Kabalkina & Lisicin-Svetlanov 2007, 67.)

Under Article 702, one party (supplier) is obligated to perform at his own risk defined work at the order of the other party or the customer and to transfer its result to the customer, while the customer is obligated to accept the result of the work and pay for it. Work contract may be long-term and short-term by time. It is also a causal contract and the goal of the contractor (supplier) is to receive payment for his work, whereas the goal of the customer is to receive the result of the work (Sergeev 2009, 407).

Work contracts are divided in the Civil Code into the customer work contract (Art. 730-39). The Civil Code says that in work contract must be agreed the initial and final time for work

performance (Art. 708) and this condition is also regarded as essential; the rules on the terms of work, the rules which concern the work, division of risk. Subcontracting, price and payments, right of retention, and withdraw from the contract, as well as duties of loyalty and assistance, quality of work, obligation to inform and confidentiality (Art. 702-29) (Orlov 2011, 222).

The contractor (supplier) arranges the performance of his work at his own discretion (Art. 703-4), and he also has the right to use in the performance of his obligation's other person or subcontractors (Art. 720). He is obligated to transfer the results of the work to the customer. (Articles 713-14). The customer is obligated to accept the performance (Art. 720) and pay its price (Art. 709 and 711). According to the general rule of the ownership of the prepared things does not transfer to the customer until the moment of its acceptance (Abova, Boudslavsky, Kabalkina, & Lisicin-Svetlanov 2007, 77.)

The risks of accidental loss or damage to materials arise, under the Civil Code, before the moment of acceptance of the work by the part which has supplied the goods-that is, their owner -and after it by the party which has caused the delay, unless otherwise provided by the legislation of the contract (Art.705). The risks of the performance of the work obligations are carried by the contractor until the moment acceptance of the work, but the breach of the contract by customer could cause the risks to pass to him. (Art.705.2.)

According to the Civil Code (Art. 723), where the contractor deviates from the contract conditions and a reduction in the quality of the work or some other deficiency, customer has the right to demand the repairing of this deficiencies, the compensation of expenses, the corresponding reduction of the price (Orlov 2011, 222-223). The contractor has the right to reperform the work instead of repairing the deficiencies (Art. 723.2.)

Payment in Russia is not absolutely free from restrictions. The Civil Code says that payment with at least one party being an individual who is not engaged in entrepreneurial activities can be affected by cash without restriction. However, the payment between juridical persons, are to be affected in a non-cash form. As a rule, payment in a non-cash form is affected through banks and other credit organizations where an account is opened. (Art.861)

The Civil Code provides the list of various methods of payment by taking into account international rules and practices. Payments might be payment by order, payment by letter of credit, payment by cheque (Oda 2012, 300-301).

Case company signs an agreement with e-platform supplier. In Russian Civil Code, the procurement contracts belong to work contracts. The contract will be included common parts, such as description of service buyer and supplier, the service is going to be provided. Case company includes to the contract timetable, price, delivery descriptions. Force Majeure,

damage situations, quality and others important aspects of work will be included into the contract as well.

According to e-commerce Russian market research, case company has opportunities in selling its products to Russian: cross-border sales growth, competitive price and quality of Finnish products with comparison domestic Russian market. On the other hand, there many e-commerce domestic competitors such large one Eldorado for example, an electronic products chain or other small e-commerce companies. Delivery will be organized by Russian Post Office or drop ship delivery system. Legislation in Russian differ, but the procurement contracts belong to common work contracts in Russian. Base on theoretical part, the contract should include obligatory parts such as description of service seller and service buyer, price, timetable, delivery. However, it is a common contract.

3 Supplier selection process

3.1 Tendering process as a part of procurement

IT procurement has an enormous influence on the company. This required to adopt a powerful selection approach. It should follow the realities and collaboration with commercial suppliers. The potential candidates should be measured against the same barometer of a company need. The process of requirements definition is a significant aspect of IT-procurement. Requirements gathering also means that company identify and consult stakeholders. That consultation gives reliability to the result, which is a huge dividend (Tate 2015, 5-10).

Many private businesses choose to buy their products or services via a tendering process. Proposal of any tendering process is to select a suitable supplier. Tendering process includes offer, proposal or bid stage, and respond stages. Main meaning of tendering is to invite bids for a project. Tendering process is a part of procurement management (Hackett 2007, 20-22).

Generally, procurement management process consists of demand analysis, market analysis, supplier pre-selection, supplier qualification, tendering process, negotiation and contract stages (Lysosns & Farrington 2016, 380-403.) (Figure 11: Procurement process)

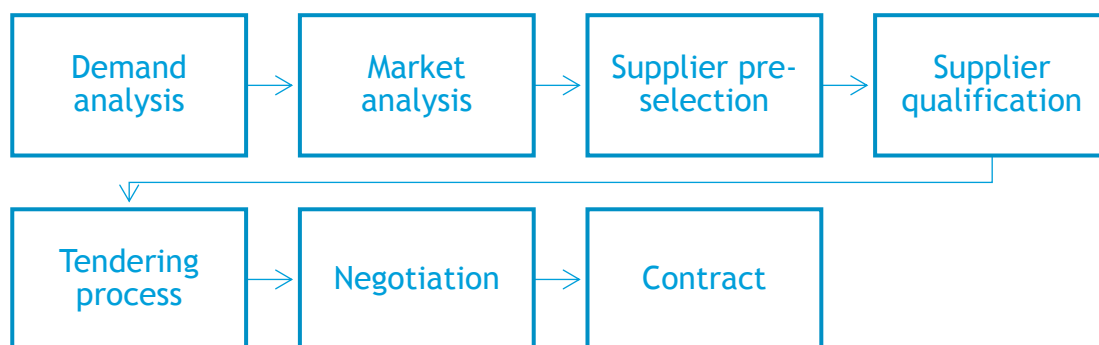


Figure 11 Procurement process (Lysosns & Farrington 2016, 380-403.)

Tendering might be by government, private sector, non-government, and overseas markets and business tendering. Private sector tendering is usually more flexible than government tendering. Private sector doesn't require stringent and prescriptive procedures. Often tenderers can present offer through more individual and innovative ways. Usually businesses use such tendering types as open tendering, select tendering, multi-stage tendering, and invited tendering (Rajpurohit 2013).

The most common tendering process are open invitation to tenders and a limited tender competition. Open invitation tendering is open for all participants, the number of bidders is not defined there. All vendors can participate in this open tendering process. The limited tendering competition, the procurement department select the participants from the applications and provide them the invitation to tender materials. However, the minimum of bidders should be at least five for ensuring sufficient competition between the participants (Iloranta 2015, 388).

The international competitive bidding process (ICB) or open tendering process includes six main stages: advertisement and notification, preparation of tendering documents, tender preparation and submission, tender opening, evaluation, contract (Asian Development Bank 2010, 3). (Figure 12: Open tendering process)

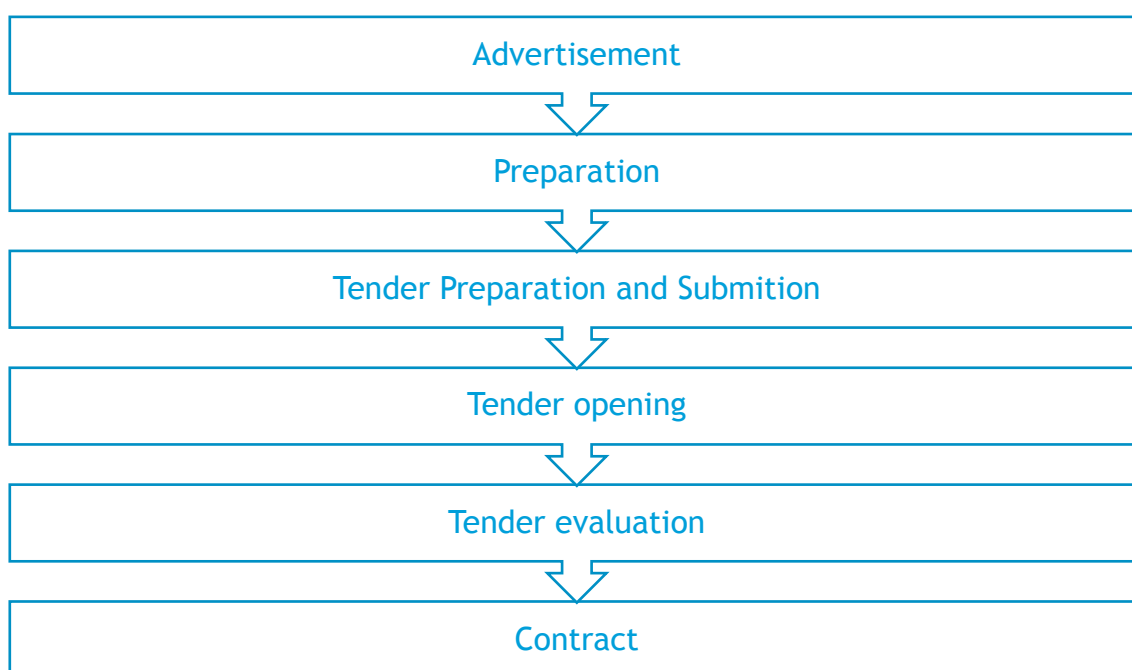


Figure 12 Open tendering process (Asian Development Bank 2010, 3)

Invitation for Bids must be published as well in newspaper or other public information source. Preparing and issuing bidding documents needs to follow specific instructions which differ in different countries. The concept idea is to keep in mind that the purchaser is responsible for preparing and issuing the bidding document, and it should follow the order of bidding sections. Typically, the order of sections includes bid data sheet, evaluation and qualification criteria, bidding forms, schedule of supply, special contract conditions, contract forms. Bid Data Sheet is a document with information about purchaser such as its identification number, description and name of procurement project, its address for clarification purposes, full description of preparation of bid, incoterms edition and other important information. (Asian Development Bank 2010, 38).

Tender company itself is responsible for the preparation and submission for its Bid. Purchaser should respond to requests for description from tender's additional information. The purchaser is also responsible for the Bid opening. Typically, it is a long process with require cancellation with consequent delays and waste of resources. The Purchaser usually responses for bid evaluation and contract award. In open tendering process the bid evaluation is usually strictly confidential. Final stage of any tendering process is contract with chosen tender (Asian Development Bank 2010, 3-5).

Some authors allocate from procurement a benchmarking procurement. It measures the procurement life cycle from perspective of the private sector by only four stages: preparing bids, submitting bids, evaluating bids, awarding and contract stage. Benchmarking public procurement presents analysis how the private sector does run their business with the government (Word Bank Publications 2015, 7).

Tendering process in general consists of the following stages: determination of tender process, request for tender, invitation for tender, suppliers respond, evaluation and selection, notification, contract. (Figure 13: Tendering process in general)

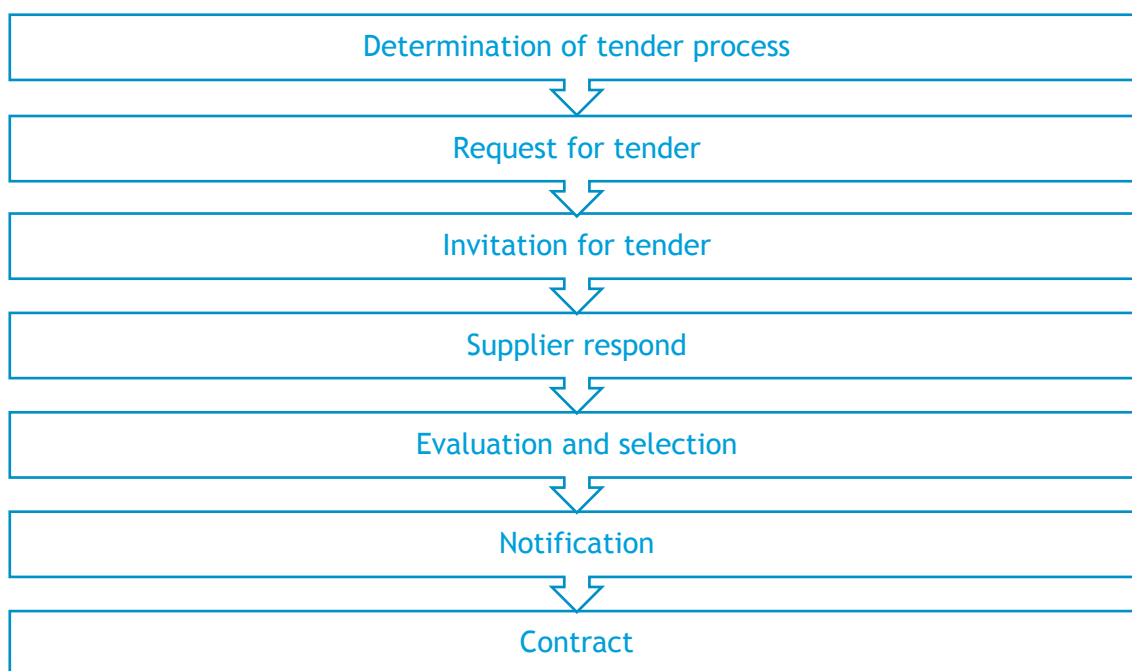


Figure 13 Tendering process in general (Rajpurohit, 2013)

Organization should choose the type of tendering it would like to organize: open, select, multi-stage or invited tendering. Open tendering process is an invitation to tender by public advertisement. Select tendering is tendering from a selected number of suppliers. The suppliers may be a short list sourced from an open tender or be a compilation of businesses that the organization has worked with previously. Multi-stage tendering is used for a large number of

respondents. Invited tendering differs from other by organization contracts. They select number of suppliers straightly and request them to perform the contract. Invited tendering is used usually for specialist work, emergency situations or for low value, low risk options (Rajpurohit, 2013).

The next stage is request for tender. It means in general a preparation and determination of invitation for tender. Organization determines the contractual requirements and the outlook of respond. Tender requests are invitations to potential suppliers to provide a competitive offer. There are different terms for tender requests, the most common is request for tender (RFT). The document should include description of services of goods to be procured, conditions for tender, technical qualifications, experience, licensing, legal and financial conditions, evaluation criteria, submission content and format. Organization usually provide how tender should present their submission. It might be specifications relating to length of submission, file format, presentation. Organization may provide a ready templates or response form for tenders. Evaluation criteria is described well how organization choose the tender. Description of goods or services to be procured should include details relating to requirements, deliverables or outcomes of the project, technical specifications or work description (Rajpurohit, 2013).

The request for tender also includes information about process rules, such as deadline for submission, where and when it should be submitted, what should be included in there. Most common requirements here is pricing information and schedule and contact person information as well. Conditions of contracts should consist of general standard term and conditions of this contract or other additional or specific terms description (Rajpurohit, 2013).

The stage of requests for quotations and invitations to tender are setting out the how the value of the purchase will impact on the methodology to be adopted, for example, high-value contracts, the content of request, how and there the negotiation takes place, the timeline for decision making, the schedule of the project. (Lysosns & Farrington 2016, 161-177.)

The next stage is invitation for tenders. They can be invited through expressions of interest (EOI), request for information (RFI), request for proposal (RFP), request for quotation (RFQ), request for tender (RFT). Expression of interest is used to shortlist potential suppliers before following detailed offers. Request for information is used in the planning stage to help in defining the project needs, but not for selecting suppliers. Request for proposal is used for defining the project requirements. Request for quotation is used for inviting companies to provide a quote for the provision of goods or services. Request for tender is an invitation to tender by public advertisement open to all suppliers. The last one is used in government procurement. (Rajpurohit, D.10.2013)

Invitation for tender is an important document, which the tender should follow precisely. It is a detailed document from procuring party. Tendering process is processed in closed doors. Nobody gives any information about decision before the actual procurement it makes (Niemi-nen 2016, 211-212).

The invitation for tender is used in most procurement situations as in public and in a private sector. An offer to purchase or an invitation to negotiate depends on individual case. A requirement for tender or bid agreement (also called a tender bond) is issued to ensure that the exporter submits realistic bids under the tender process and to protect the reporter for any less that might occur if the explorer fails to sign the contract. A bid agreement also assures the importer that exporter will comply with the terms of the contract in the event the tender is accepted (Lysosns & Farrington 2016, 161.)

The potential tender list is available in public government procurement internet portal. For private tendering, organization seeks from other sources such as official business internet pages, directly from company's internet sites, or also from government internet portal with information about latest tenders, open tenders, archive tender, bid awards.

Tender request in IT procurement usually includes an information about organization, who organizes the tendering. Software suppliers may feel their prospective customer asserted they guessed the requirement. Company often provide own background facts, because candidates need to ensure that they have the whole necessary information to propose the best solution for it (Tate 2015, 31).

Tender request usually includes the description of the goods or services to be procured, conditions of tender (technical qualifications, experience, licensing, legal or financial conditions), evaluation criteria, submission content and format: details may be proved on how company should present your submission, rules and information(may include facts such as the deadline, pricing information), conditions of contract conditions in general (Rajpurohit 2013).

Supplier respond usually obtain all relevant documentation, which were required in require for tender. It should be submitted in the right format, be on time and at the right location (Rajpurohit 2013). Acceptance of invitation for tender has no special rules, but typically acceptance happens by tender acceptance the order in worlds by letter. Procurement management ensure that acceptance in one of the terms stipulated in the purchase order. A pretend acceptance that doesn't accept all the terms and conditions proposed by offeror, bit which in fact introduces new terms is not an acceptance, but a counter-offer (Lysosns & Farrington 2016, 161.)

Candidate suppliers need to understand company sales strategy, or they need to answer the classic question: is this project worth for them? Does this company opportunity lead to a high-value contract? They need to estimate the value and timing of future revenue opportunities. Usually, they forecast their realistic schedules and own revenue expectations (Heiman, 2013). Tender company may request additional information about company, because they have own qualification criteria for new projects (Tate 2015, 33).

Tendering process in IT procurement can run for a long time, because IT selection project is a clear example of team-to-team selling. Tender company involve many individuals or colleges in this process. This all means that company need to provide all documents about organization, project, its objectives. Sometimes, they include documentation about selection process, so candidates can understand how company makes a decision (Tate 2015, 34).

Evaluation and selection phase are more specific and individual for different requirement of purchaser organization. The evaluation requirement is usually described in request for tender. In general, each tender will be checked by competence, availability of key personnel, quality assurance, technical and management competence, finance viability, relevant references, previous experience. The tender that offers best value for money budget usually win the business. Each tender should meet the main requirement for this procurement, its respond should be on time and all required documents should be provided on time as well (Rajpurohit 2013).

Purchaser organization should inform all participants in writing form about the final decision. The last stage of tendering is contract established (Rajpurohit 2013). The contract management stage includes requirements for supply management, information, payment process, contract close-out procedure, acceptance procedures for goods and services, legislation (Lysosns & Farrington 2016, 140-161.)

A typical procurement procedure requires that buyer draw up a detailed contract and schedules of the contract to make an order. The purchase order must set out the terms and conditions of the deal. Some buying organizations attempt to deal with all the specifics of the purchase (Lysosns & Farrington 2016, 140-161.) Contract stage should include how service or product will be issued, the methodology for dealing with order acknowledgements, negotiation issues, how to create and maintain master contract, legislation (Lysosns & Farrington 2016, 156-177.) IT supplier have their own standard terms and conditions for contracting. IT projects contracts may include specific features as service agreement, data security, provisions for termination and others (Grundy 2012).

Procurement process last stage is contracting. Typical procurement contract terms include express and implied terms, oral statements, written terms, terms implied in fact, terms implied in law, terms implied by custom, terms implied by trade usage (Lysosns & Farrington 2016, 220-221.)

Terms of contract is considered by offeror, especially the following aspects such as which statements made in negotiation become part of the contract; statements may be held to be representation; written terms can be incorporated into a contract in three ways: by signature, by reasonable notice by previous course of dealing; terms implied in law are those the law dictates must be present in common types of contracts (Lysosns & Farrington 2016, 220-221.)

Case company is going to find an e-platform supplier using private tendering process. Finozon will be use selected tendering processes which means that case company select by itself potential candidates and send them invitation or request for quotation. Case company will be choosing companies from the internet, but Finozon pre-select them according to price, location, references and staff resources. When supplier's responds come, they will be selected by best price-quality evaluation criteria. The limited number of suppliers will be invited to future negotiations Skype-meetings. All candidates will be informed about the result of procurement in the end. The final part of tendering process will be contract. Case company decided to organize two rounds of tendering process: first one is testing tendering process and the second one is the real tendering process. The purpose of two rounds is to avoid mistakes in the real round. If case company finds perfect match in the testing round, it will be kept under consideration until the end of the project.

3.2 Determination of evaluation criteria in selection process

The suppliers influence on success or failure of projects is significant since their performance affects to the results of the projects. For achieving project goals and select the right supplier, managers should pay special attention to two main phases of the project procurement process: supplier selection and supplier evaluation (Araujo, Alencar, & Miranda Mota 2017). Working with suppliers, most of studies recommend identifying optimization potentials through a structured evaluation of quantitative and qualitative criteria (Lysosns & Farrington 2016, 390-403.)

For arranging a successful IT procurement, company needs to screen suppliers against pre-established criteria, formal evaluation and taking references. Apparently, the whole process is more structured and in depth the more far reaching the purchase is (Grundy 2012).

In labor-intensive procurements, it is important to control the tender's operation plan as well. Tenders are asked to describe their operational plan regarding to the contract. It helps the procurement party to see how they can implement the contract. It might make easier to evaluate different tender offers (Pökkylä 2010, 21-22).

According to the procurement process (Figure 11: Procurement process, p.18), before sending an invitation for tenders, company organize prequalification stage. The importance of this stage is to choose the suitable tender list. Prequalification process means that being included on a tender list, potentials participants should be checked by capability to provide needed service or product to be procured. Prequalification leads to tender's capability to provide the necessary financial resources, technical and management expertise to complete the work successfully. The purpose of prequalification is to ensure that chosen organizations to tender list have the necessary technical skills, resources, both technical and financial to complete the work, and wish to submit a genuinely competitive bid (Moorledge & Smith 2013, 144.)

For prequalification process the scoring matrix is used. More detailed description about scoring matrix is written in part 3.3. Typically, applicants are measured by requirements by scoring them with using scale 1-5, 1-10 or 1-100.

Evaluation of price of tender contract is a part of deck-top process. There are a range of techniques for evaluation the price of tender contract. The most popular and simple is the formula allocates 100 marks to the lowest tender. Formula ranks tender according to their score. If tender A submits the lowest price, then the score for any other applicant (x) calculated as in the next formula. (Figure 14: Evaluation formula for price) (Moorledge & Smith 2013, 147.)

$$\text{Score (x)} = 100 - \frac{\text{Price(x)} - \text{Price (A)}}{\text{Price (A)}} \times 100$$

Figure 14 Evaluation formula for price (Moorledge & Smith 2013,147.)

The prequalification process selects the most appropriate applicants to the final tender list. The general factors may include: technical capability, areas of expertise, company financial stability, current works engagement number, location, management expertise, quality of staff, work experience, references from previous similar projects (Moorledge & Smith 2013, 148.)

In IT procurement, mostly used the following stages: problem detection, important process analysis, process capability analysis, business case, outsourcing decision, requirement definition, supplier selection, outsourcing contract, performance management at an evaluation level. The potential supplier should have such assets as capability, capacity, cultural fit and price. On the other hand, chosen supplier should meet the organization's needs and objectives, a structured selection process is required. Other points which is useful to take under consideration are environment, social and risk criteria (Araujo 2017). The potential applicant also should provide the evidence of their competence. In IT procurement usually applicants provide references of previous similar projects.

There is a range of criteria for tender evaluation, including financial issues, technical and commercial considerations. Elements of evaluation are similar like in prequalification, they typically contain a company presentation and submission (company desk-top process), and additional evaluation via interview process (Moorledge & Smith 2013, 147.)

In evaluation process of a large projects, companies usually evaluate the potential supplier by technical capabilities. It is important that prequalification stage and technical evaluation shouldn't duplicate each other, because at the prequalification stage it is checked the background and reviews previous performance. At the evaluation stage, technical skills are checked by the bidder's proposed contract management team, staff issues, the suggestion approach to the work, quality assurance relating to the procurement, quality of materials or services, the number of subcontractors if they are, productivity, safety issues relating to this procurement contract. Tender evaluation from the commercial point of view involves checking the contractual and commercial terms of tenders (Moorledge & Smith 2013, 146-150.)

Evaluation by tenders' interview is a critical element of whole process as well. It is used for gathering more information about applicant. It also an opportunity to meet the bidder's team and to assess to check how well they are working together. Sometimes, the supplier should be asked to organize meeting to their previous clients as well. This length of interview stages depends on the size of procurement: the large the project the more organization need to check and ask. Then technical, commercial and financial evaluations will be done, it is a time to make a final decision (Moorledge & Smith 2013, 147.)

Process of selecting and evaluating the potential supplier depends on specific conditions for each particular project, project objectives and preferences. Objectives and preferences depend on different types of industries, so which criteria must be used to the procurement process. (Araujo B.12.1.2017) The projects might be in construction projects, information sys-

tems, technology projects, supply chain, refurbishment projects, a capital project. In general, projects aim to achieve good results regarding cost, quality and time (Ylimaz & Ergonul 2011).

However, there are different types of needs and priorities for different types of projects. It is important for companies to consider the characteristics of projects within the supplier selection process. For example, construction projects, product development, energy, engineering have different types of criteria. Highway projects are frequently related to the public sector (Lam and Gale 2014).

Requirements of IT-procurement supplier usually include study feasibility and cost, determining the scope, establish phasing, capture requirements, research best practice, document requirements, weight requirements. Evaluation and selection stage include review, evaluate, score, analyze gaps, checking references (Tate 2015, 7).

Other studies explain evaluation criteria differently, they put to the first place of importance staff features (10%), then quality (9,8%), financial issues (9,6 %), experience (8,3%), and finally cost/price (7,7 %). Others important evaluation criteria might be flexibility, responsiveness, time, technical, technology, company management (Arslan.2012), reputation, image, performance, health and safety, environment, and risk (Nassar & Hoshy 2013). According to Araujo B. for IT procurement is mostly important criteria are cost (1), quality (2), flexibility or responsiveness (3), time (4), technical aspects (5) (Araujo 2015, 353-377) So, there are range of evaluation criteria in the procurement field. Evaluation criteria choice depends on procurement type. Company should decide which evaluation criteria it will choose. (Figure 15: Evaluation criteria)



Figure 15 Evaluation criteria (Arslan 2012)

Staff features leads to suitability and qualifications of personnel for the work, their experience in similar works and the training conducted by the company. For measuring the staff features, the company can observe the adequacy of the staff for work, to consider the number of critical persons available for the projects, to check if the staff have experience in similar projects (Hadidi & Khater 2015, 115-126.)

Quality criteria is the simplest form stands for meeting the company requirements (Oakland 2014, 4). The quality of a service is difficult to define then services are mostly intangible business in which production and consumption cannot be divided (Grönroos 1998, 60). In some studies, they consider that in quality is less visible components than in products (Rivanen 2007, 164). Quality criteria should be controlled during all stages of procurement process and the implementation of the contract. The quality of tender offer might not guarantee the same quality during implementation. Sometimes, it is wise to include into the contract a sanction tool for quality deviations (Kontuniemi 2016).

Cost of service is the second important evaluation criteria for selecting the supplier, it is related to the monetary expression of a project service in the market and controlling the cost and prices of the company and its suppliers. The value of the proposed project budget, the value of the tender price, the amount of cost discount, making a comparison between the proposal and average bid prices (Araujo 2017).

Financial criteria for evaluation lead to the aspects of the company and its suppliers such as economic capacity, financial viability, financial stability, cash flow, cash discount, financial control, adequacy of bank arrangements, financial status of suppliers and credit reference (Arslan 2012, 323-334).

Company management criteria influence on the fact that how the company is administered with considering the following issues: the existence and use of management and control systems, the management and organization of works, the integration between functions, the capability of the company's management and of the overall organization. This factor can be measured in a qualitative way by using criteria such as: managerial capability, quality of labour plan, project organization, the effectiveness of management capabilities (Araujo 2017).

Experience criteria is related to the staff experience in similar projects, such as similar works, geographical areas. It might be measured by level of experience in similar works, work volume in a similar project using unit-price contract, experience in the geographical are of the project, the size of projects completed, the level of experience level (Araujo 2017).

Time criteria plays a significant role for ordering company. It might be measured by ability to complete projects in a timely way, on time fabrication, delay in completing the project, the average lateness, time quoted to complete the project, total weight flow time, bidding time and similar features (Adhikary & Mazumdar 2015).

The evaluation criteria might be classified into twenty categories and thirty-five subcategories. The quality class of supplier is the most mentioned in evaluation process, was ranked second to evaluation process (Ebrahimi 2015). Cost category was ranked the selection process was ranked second in the assessment phase but second in the supplier selection phase. According to the Elyamany research (Elyamany 2012), quality tests help the supplier evaluation phase, because they offer a lot of information about suppliers' performance (Araujo 2017).

The main goal of best value procurement (BVP) is to selection the best available vendor for a project by reducing risks. Most of procurement parties are interested in choosing the vendor which deliver the goods or services at the competitive price. The company reaches to minimize the risks by specifications, standards and qualifications based on management and inspection. The best value procurement sets criterion from a price-based market toward to a value-based market. In the value-based market, the supplier is the one who minimizes the risks by its performance and price measurements based on quality control. Best value evaluation model provides control of best value of service or product to be procured, high performance and competitive price (Figure 16: Best value evaluation model) (Booij 2013).



Figure 16 Best value evaluation model (Booij 2013)

For evaluation criteria in best value procurement, company allocates quality criterion to percentage of the budget. Company can check how tender allocates the percentage of its cost according to quality criterion (Weele 2013).

Choosing the suitable evaluation methods depends on the type of criteria, information available, the level of accuracy, needed, the standard of complexity accepted and other factors. All applications should be suitable with situation and needs of organization (Alarcon & Mourgues 2014, 52-60.)

Case company is making procurement in IT field, so according to the theoretical base, the most common evaluation criteria in IT procurement are staff features, quality, financial issues, experience, price. Usually, applicants are selected by evaluation scores and checking the references. Evaluation and selection stage in IT -procurement include review, evaluate,

score, analyze gaps, checking references. Case company will evaluate applicants by experience (references) in similar projects, locations, staff features, price, additional impact into the Finozon project such as online promotion and digital marketing. Quality of references are important for Finozon. At the same time, case company is interested to find a best price-quality supplier.

3.3 Scoring matrix for selecting the feasible supplier

Scoring is a good technique to define the differences between the candidates. The matrix of scoring is usually used for evaluation in IT-procurement. Each requirement is scored individually. It is important to score all applicants for a given requirement, and then start to score to your next requirement. It is a good way to see the differences between candidates. If during scoring the company see that applicants look the same, it should control the requirements again (Tate 2015, 148).

The scoring matrix produce all differences between the applicants or their software. It is important to reduce confidently long tender list to short tender list and finally chose the supplier. The scoring matrix is a well-known decision-support tool that can be found under many different names, including analytic hierarchy process, Kepner-Tregoe analysis, rating grid, and weighted attribute matrix (Rebernik & Bradac, 2008.)

Scoring process commits three documents: the requirements document, scoring matrix, and definitions documents. The requirement document is usually done in the beginning of the tendering process. Scoring matrix helps to analyze how candidate's math the company requirements. Definitions document is a summary of results, it explains how each candidate match to the requirements, the level of their capability (Bray 2014).

Kepner-Tregoe analysis is a structured methodology for collecting information, prioritizing and evaluating it. This analysis is well-known in business management circles. One of the critical aspects of Kepner -Tregoe decision making is the assessment and prioritizing of risk. For using this decision matrix, company need to follow the basic steps: situation clarification, problem analysis, decision analysis, potential problem analysis. Kerner-Tregoue analysis consist of prepare decision statement, which includes usually company requirements; definition of strategical requirements (must haves), operational objectives (want to haves), and restraints (limits in the system) (Decide Guide 2014).

Scoring is critical to cut in confidence companies shortlist of tenders to top two-three candidates for demonstration. At the final evaluation, company demonstrates the highest scores between two candidates (Solentive 2014).

Typically, matrix includes left and right sides, or it might be more complicated. It depends on the size of procurement and company requirements. The left side of matrix the matrix consists of companies contains and requirements, with their weights for importance. The right side of matrix is the scoring for fit. Requirements usually support the final decision, they are weight by importance. Evaluation-meeting scores are also collected into scoring matrix (Tate 2015, 138-140).

In evaluation matrix may be used a scale of 1-5, 1-10, or 1-100. The company with higher scores will be involve to the final tender list (Moorledge & Smith 2013, 144-146.) (Table 1: Matrix analysis for selection of conductors)

Format of scoring matrix may be implemented as a spreadsheet. A typical matrix will have three to four candidates and 100-350 requirements (Tate 2015, 140). For each requirement the score for fit is divided by the weight for importance. If the scoring matrix has more than ten requirements, the scoring matrix consists of sub-total and total-levels. In this matrix, the mathematics compares the points each applicant should be scored to the maximum points available. It might be theoretically perfect candidate. (British Standards Institution, PAS 91: 2010)

Factors	Weight	Applicant A	Applicant B	Applicant C
		Rating award	Rating award	Rating award
Financial stability	5	4	2	4
Staff expertise	5	4	5	5
Previous experience in similar projects	5	1	2	4
Location	5	5	5	5
Staff resource	5	4	3	3
Size of company	5	5	5	5
Total score	30	23	22	27
Rating/30 x weight=Award, e.g. 23/30 x23=17,6				

Table 1 Matrix analysis for selection of conductors (Moorledge & Smith 2013, 146.)

For analysis from summary scores, company can easily create a chart (Figure 17: Ranking chat) that visually more powerful to see the contrast at each category level and observe all candidates.

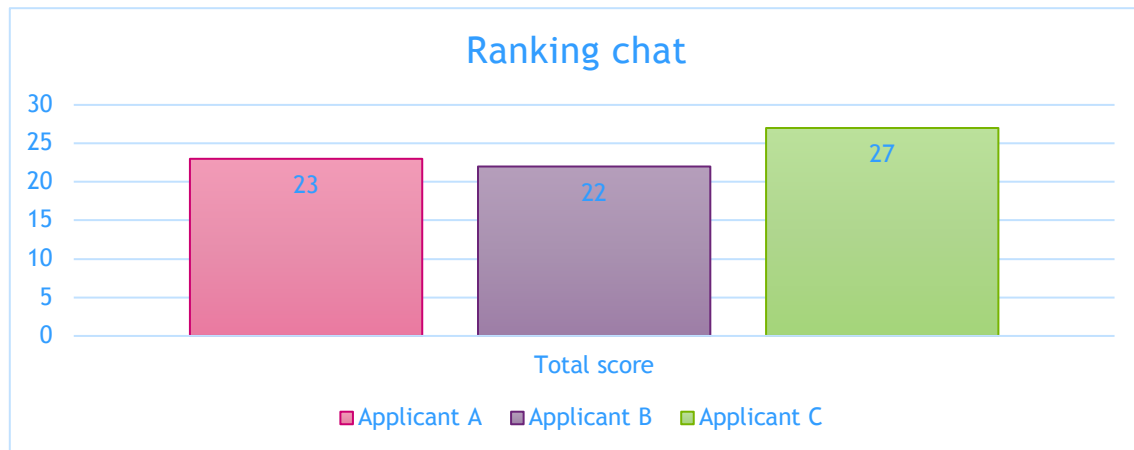


Figure 17 Ranking chat (Tate 2015, 140)

At the end of scoring, company provides the candidates ranking list. It shows the information about the feasible vendor. Playing back to the relevant supplier is a critical part of the checks and balances in this selection method (Tate 2015, 151).

During scoring process, company can face to errors and differences. For avoiding this, company need to provide enough information to proceed to next round. The detailed evaluation and providing the additional information are necessary for complete this stage (Highmore 2006).

According to the theoretical base, scoring matrix for evaluation is a good option for case company. They allow to evaluate applicants by giving scores. Usually, the evaluation questions or requirements will be written in the left side of matrix and the scores in the right side of it. When matrix is ready and scores are given, the case company will make a ranking chat for better illustration of final decision.

4 Supplier selection for case company

4.1 Tendering process

Case company was looking for a outsource supplier from Russia because of two main reasons: cost and consumer nationality. Company had a low-cost strategy and wanted to outsource the e-platform from Russia. Other reason for outsourcing the e-platform from Russia is that the online store would be made for Russian consumer market.

The e-commerce platform characteristics are very important for a new company, the e-platform should be easy in use, Content Management System should be well-known or globally know for the using it in Finland or Europe as well, good design, and great technical characteristic. During this project, we decided which platform are more suitable comparing all offers. The company is interested in a simple, useful platform. It will be done in Russian and English language. It will have all typical internet store characteristics with special important details, such as current exchange rates for Russian ruble and euro, pricing with value added tax and without and tax-free refund form.

Tendering process for case company is included following stages: planning, testing, correction, implementation, selection, negotiations (Skype-interviews), evaluation, final decision.

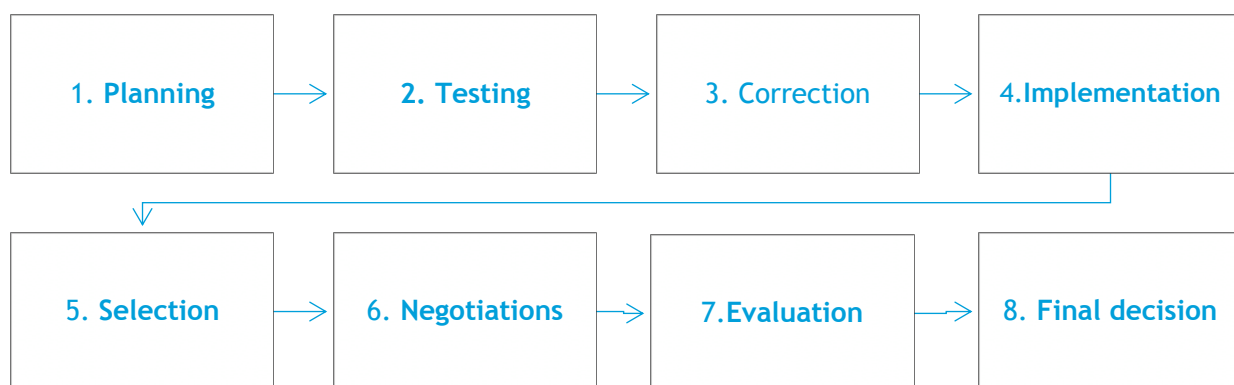


Figure 18 Tendering process for case company

The IT procurement process usually starts from needs and organizational requirements. Requirements allow measure potential supplier-candidates against the full scope of supply: technical characteristics and additional services. The form with benchmark is used in measure candidates as well (Tate 2015, 5-10). That is why, at the planning stage, case company explained their expectations and requirements for this work. The schedule of the project was

agreed as well. Case company explained in detail about company's low-cost strategy, the supplier should be locally close to Helsinki, for example from Saint-Petersburg, the content management system should be easy and well-known in Europe. Content Management System is important to be well-known in Europe, because the system is been going to use in Finland or Europe. The supplier should provide the online shop web design as well, because they need to order both design and e-platform from one firm. The schedule requirement was four months.

At the planning stage, request for quotation was prepared as well. It was translated from English to Russian language. The request for quotation included the company short description, their requirements, and schedule. The cover letter was written as well in Russian, which included the short greeting and explanation of this project. The proposal of testing and final round was to avoid mistakes and make the final request for quotation correct. The answer time was given 2 weeks.

The list of requirements includes content management and maintenance system requirements, requirements for adding products, their descriptions and how they arrange into product categories, pricing in Russian rubles. The special requirement for pricing was that all product prices must be linked to the pre-defined by daily ruble-euro exchange rate. Other requirements led to the functions of the internet store, such as user data and registration, discounts, shipping and delivery options, payment methods, tax-free refund service, marketing, promotions, customer communications and service, storage and order management, graphic design, contact information, technical response, and data security. Finozon wanted to keep their requirements in secret. That is why explanation of them is short.

Select type of tendering was chosen for this procurement. Short-list of companies providing it-services was chosen from the internet. The main criteria of selecting them for tender was their specialization on small and middle size companies, location and reasonable price.

At the testing stage, ready request for quotation was sent to the 25 IT-companies in Moscow and Saint-Petersburg. Companies were chosen from the internet by size, location, references, staff resources. The main criteria here was to find a small or middle size IT-companies, which located in Moscow and Saint-Petersburg, they should have good references or examples of previous similar experiences on their internet page, their employees' size should be around 10-15 persons.

Case company wanted companies to stay unknown in this Thesis work. That is why, all companies were named from A, B, C, D, E, F, G, H, T, J, K, L, M. 5 answers were received for this request. The following companies sent request for more detail information of project: A, B, C, D, and E. One of them send a clear offer. E company was also ready to send the ready offer and after e-mail corresponding, we got their offer as well. Company E offer was 2, 685 million rubles (38.357 euros, 2018). This offer was considered like high-priced and expensive

for them at his starting stage of the company. This offer was refused. Other offer from company D was clear and reasonable total price. Case company wanted to organize an interview with the last one.

At the testing negotiation stage, Skype-meeting were organized with one potential supplier, who sent a clear and professional offer with price. Skype-meeting was hold on 15.10.2018. During the Skype-call it came clear that company is a potential supplier due to their professional skills, references and suitable price for Finozon. Company D matched for Finozon perfectly, but Finozon needed to make more sizable supplier selection. It was decided to leave this company under consideration but seek for other potential supplier by making second round of request of quotation.

At the correction stage, the cover letter and request for quotation were corrected. Testing negotiation was useful to study some new terms and content management features, so on the interview based, the cover letter and testing request for quotation was improved.

At the next stage, final request for quotation was sent 22.10.2018 to 50 IT-companies only from Saint-Petersburg. The companies were chosen from internet by size, location, staff resources, references from their internet page. Companies should locate in Saint-Petersburg, because Finozon wants supplier to have close location to Helsinki for future visits to their office.

20 answers were received. Most of answers were leaded to make a Skype meetings or organization a meeting with focusing and discussing the technical part of Finozon requests. Some of companies wanted to ask more detailed information about project's technical requirements. All questions were answered by e-mail. As a result, 13 suitable offers were received. (Appendix 1: 13 offers from companies A-M)

At evaluation stage, the potential suppliers were evaluated by criteria (Appendix 2: pre-evaluation criteria). The evaluation criteria referred to the main evaluation questions: how well content of the offer matches with Finozon request? 1), reliability and trustability of a company (2), how well references match with Finozon needs (3), proposed Content Management System (CMS) (4), delivery time (5), location of the company (6), price (7), possible addition contribution from the company (8). At this stage, three potential companies were chosen for final negotiations.

At a final decision stage, one supplier should be chosen after final negotiations (Skype-meetings).

4.2 Evaluation criteria

Supplier selection is based on best performance-price ratio according the follow sub-categories: their content management system, delivery time, recourses of the companies (employees), reliability and trustability of a company, communication style of a company, location of a company, price, and possible additional contribution from a company. Case company chose the supplier by the following criteria: how well content of the offer matches with Finozon request? 1), reliability and trustability of a company (2), how well references match with Finozon needs (3), proposed Content Management System (CMS) (4), delivery time (5), location of the company (6), price (7), possible addition contribution from the company (8).



Figure 19 Evaluation criteria

The ideal supplier should provide not only the e-platform solution, but the graphical design as well. The company should be well-established, because such company has a good experience and partnership has less risk than for example Start-up company or company with less than three employees.

Staff resources of the company should be on a good level, company should have enough backup if regular key persons are not available. The company should match with size and scale as well. It means, that Finozon should be important customer for them. The potential supplier company should specialize on small-and medium size enterprises.

Company's references are the next important criteria. References should prove the companies previous experience in the similar projects. The quality of references is important as well. Content Management System criteria leads to the following required features of ideal e-platform solution: flexibility for case company needs, fixed and changing costs if available, risk for vendor lock, easy of usability. During this work, some new CMS are found out, such as Netcat, Wordpress and Russian CMS -Bitrix. In the beginning of this Thesis work, Finozon expected that Content Management System will be Joomla, because of fact that Joomla is well-

known in Europe, and it will be easy to move the online shop management to other company after the project would be done. But others CMS were taken under consideration during this project.

Delivery time should be near three-four months. The company should locate in Saint-Petersburg, because of easy to travel there from Helsinki. Budget of this project should be around 5.000 euros. Hour price of extra work are taken under consideration as well.

The last evaluation criteria are possible additional contribution from the company. It is internet marketing options, for example, SEO promotion, content advertising.

4.3 Selection process

During the tendering process, 13 suitable offers were received from potential suppliers. From these 13 candidates should be chosen top three companies, with whom will be continued the selection process.

For evaluation process, the scoring matrix was used. Scoring matrix include left side with evaluation criteria (factors) and right side with name of companies. Scoring matrix is filled with scores, which are given by scale 1-5 points. Firstly, the companies were written in scoring matrix in Excel (Table 2: Scoring matrix of applicants) For each question companies were got the points from 1-5.

Criteria	A	B	C	D	E	F	G	H	I	J	K	L	M
1.Does graphical design included to the offer	5	5	5	5	5	5	5	5	5	5	5	5	5
2.Is it a well-established company with more than 10 employees?	5	5	5	5	3	5	2	5	2	2	2	2	2
3.How well references match with Finozon needs?	5	5	2	2	5	2	2	5	5	3	5	3	5
4.Content Management System (CSM)	5	5	2	3	5	5	5	2	3	3	3	3	5
5.Delivery time	5	5	5	5	2	5	1	5	5	5	5	5	5
6.Price	5	5	3	3	5	4	5	3	3	3	3	3	4
7.Location	5	5	5	5	5	5	5	5	5	5	5	5	5
8.Internet marketing	5	5	3	3	3	5	3	3	5	3	5	5	5
	40	40	30	31	33	36	28	33	33	29	33	31	36

Table 2 Scoring matrix of applicants

Company with best scores might be a potential supplier for Finozon. During the scoring analysis, five companies with higher scores should be chosen for the final selection process. From these five companies should be chosen the top three companies the Skype-meeting for future

evaluation. Final decision was considered between top three companies. In this part, it was explained each evaluation question in detail.

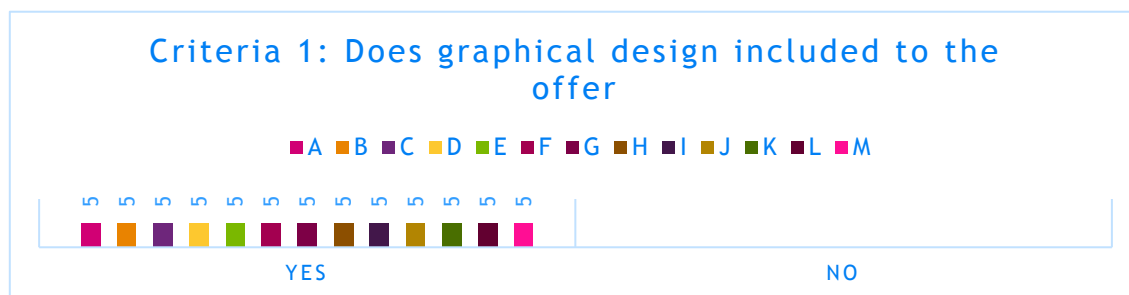


Figure 20 Criteria 1: Does graphical design included to the offer

Because of case company business reasons, the company's names are stayed confidential. The companies are called in order from A to M letters. All of suppliers provide graphical design. All of them got 5 point from the first criteria. Graphical design is important to be included to the offer, because in this case supplier provides full needed service and no need to order design from other company. For this question, 5 points were given if the company provides a graphical design, and 3 points if not and 2 points if it is no information.



Figure 21 Criteria 2: Is it a well-established company with more than 10 employees?

The perfect supplier is a well-established company, which has at least 10 employees. Well-established company has enough professionals and assistance to create an internet shop on time and without risks. For this question, 5 points were given for answer yes, 3 points for answer no, and 2 point for answer no information.

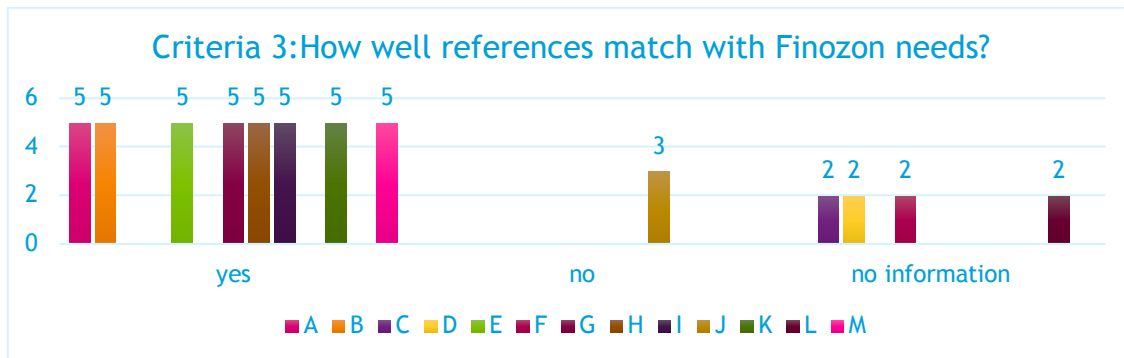


Figure 22 Criteria 3: How well references match with Finozon needs?

The references are important criteria for selecting a potential supplier. The references should show examples of good internet store past projects. They should lead to small and middle size companies. Because potential supplier should be interested to do business with small case company. If candidate makes an internet stores for big companies, it is not taken under consideration. Some companies had a long list of web page, internet store examples. Company J has a big and even one global company, such as Myllyn Paras and Shell in their references. Myllyn Paras Ltd. Is a well-known company in Finland. It provides food products from 1928 year and its turnover is 51 million euros in 2017 year. Shell is a listed company petrochemical company. These references show that Company J do business for bigger companies, than Finozon. For these criteria, 5 points are given to references of well-done internet stores of small and middle size companies, 3 points for others references, which do not suit to case company needs like big companies in references, and 2 points if there is no information.

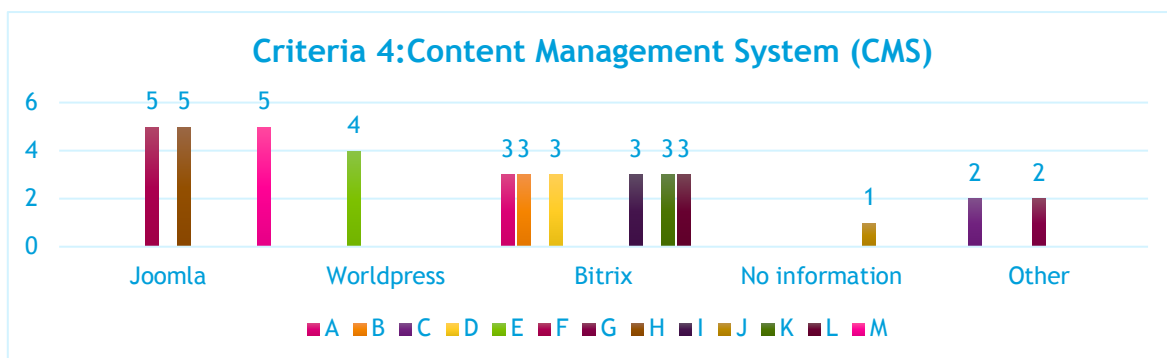


Figure 23 Criteria 4: Content Management System (CMS)

Content Management System manages the creation and modification of digital content. It is one of the important characteristics of the internet store. There are a lot of variants of CMS. Some of them is made for blogs, internet shops, web pages. They are divided also by price, flexibility features, usability easiness, filling content and other features. Case company takes under consideration the most popular ones: Joomla, WordPress and Russian own CMS Bitrix.

Joomla and WordPress CMS are charge free they are used and known in Europe. Bitrix CMS is Russian market CMS, it was made exactly for internet stores. There are Bitrix 24 and Bitrix 1C CMS, they differ from each other, last version is Bitrix 24. Company, who created Bitrix in 2012, takes a fee for using the license. Companies can buy year license. The license price depends on the size of company and their product categories. Joomla CSM was considered like the suitable CSM for Finozon, because it is well-known in Europe. Other reason for this is that if Finozon needs to change the it-company later in future, they need to easy transfer it to other company. For these criteria, 5 points are given to Joomla, 4 points are given to WordPress, 3 points are given for Bitrix, 2 points are given other CMS, and 1 point is given for no information.

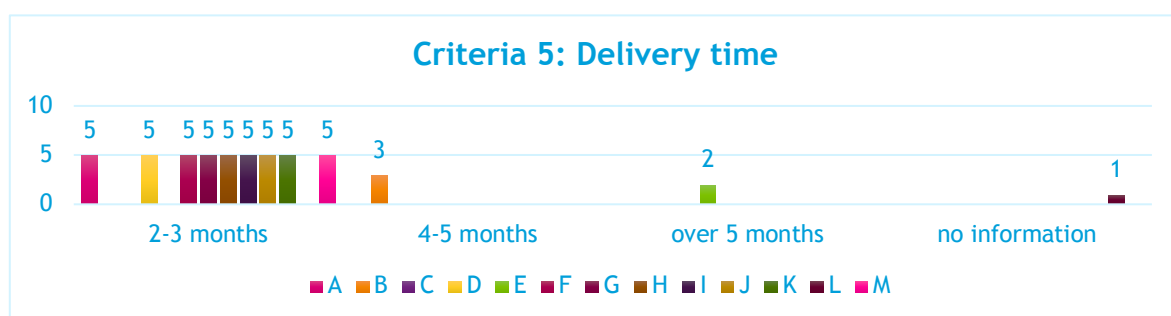


Figure 24 Criteria 5: Delivery time

Case company's online store should be launched in spring 2019. The fast solution is needed for this work. That is why, the ideal delivery time is 2-3 months. For these criteria, 5 points are given to 2-3 months, 3 points are given to 4-5 months, 2 points are given to over 5 months delivery time, and 1 point is given for no information.

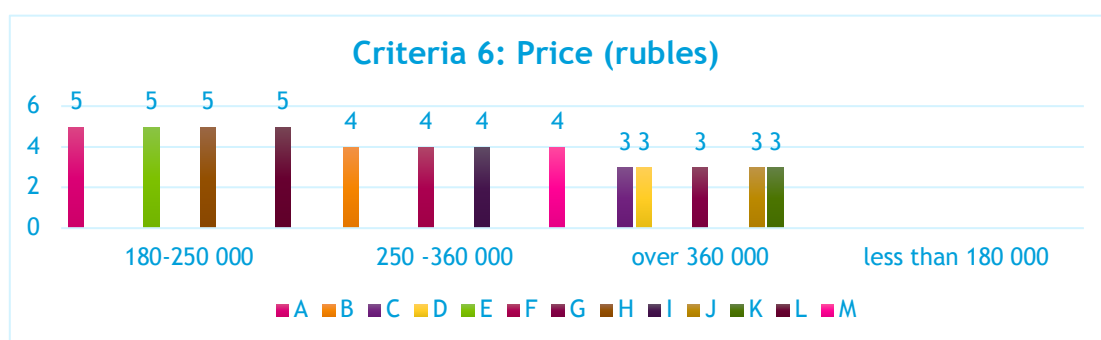


Figure 25 Criteria 6: Price (rubles)

Because of low-cost strategy of case company, the ideal project price is around 180-250.000 rubles (2392-3320 euros, 17.12.18). For these criteria, 5 point are given to 180-250.000 rubles, 4 points are given for 250-360.000 rubles (3320-44649,3 euros, 17.12.2018), 3 points are

given for over 360.000 rubles (44549,3 euros), and 1 point is given to less than 180.000 rubles (2392, 17.12.2018).

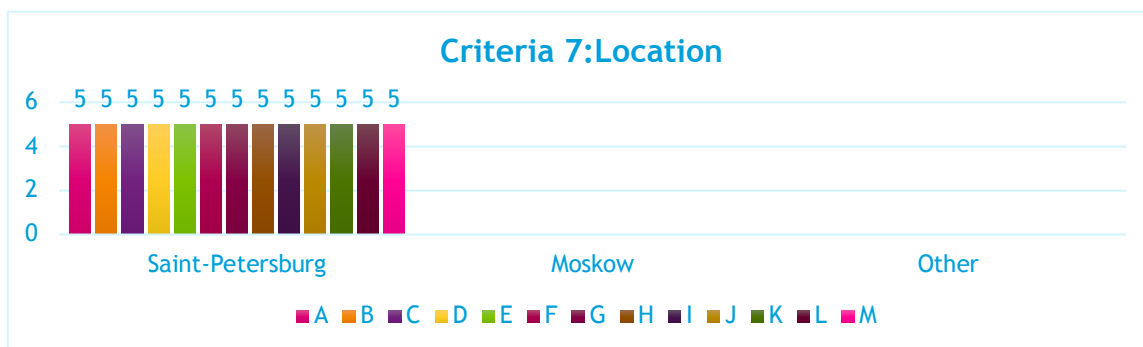


Figure 26 Criteria 7: Location

Location is an important evaluation criterion in this work, because case company expected to organize visits to supplier company in their office. Saint-Petersburg location was considered like perfect location for this work. That is why second request for quotation was sent only to companies from Saint-Petersburg. For these criteria, 5 points are given to companies from Saint-Petersburg.

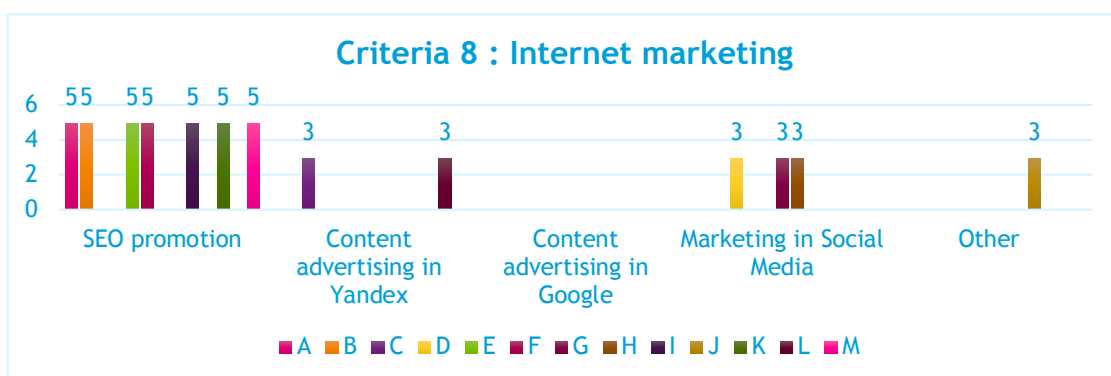


Figure 27 Criteria 8: Internet marketing

Last evaluation criteria were the possible addition contribution of supplier to this project. The additional services are SEO promotion, content advertising, internet marketing in Social Media (Instagram, Vkontakte, Facebook) or other (YouTube advertising, banner advertising). SEO promotion is a package services for increasing revenue of internet store, increasing visibility, marketing share. The concept of SEO promotion is to get your internet store to the top place in the mostly used searching systems like Russian Yandex or Google. Content advertising is type of internet marketing promotion, which allow to show customers your web page if they are looking for your products or services. For these criteria, 5 points are given to SEO promotion, and 3 points are given to other internet marketing, and 1 point is given for answer in no.

Company A and B got the maximum 40 points, they have feasible content management system, needed location, their price is suitable as well. Their technical characteristics and references matched as well. The weaknesses of company F were delivery time and limited internet marketing service performance. The weaknesses of company H were different content management system, limited internet marketing service performance and the lowest price than other candidates had. The price was too low compared with other applicants. Anyway, company H are received enough points to get to the next round of selection process. The weaknesses of company L were different content management system, price, small amount of suitable references from previous experiences. The company L was not well-established as well, it has around 1-3 employees. According to this evaluation process, case company selected company A (40 points), B (40 points), F (36 points), H (33 points), L (31 points).

After choosing these five companies, it was decided to select from them a top three companies. Additional information, additional references and questions were made for it. It was asked about their recommendations of Content Management System, delivery time and the number of employees. Finally, it was found out that Joomla CMS is not feasible content management system for internet stores, there are not so many stores works in this platform well. WordPress content management system was considered again as a potential CMS, a few companies recommended Bitrix out of WordPress and Joomla. WordPress was made for blogs, but they made an addition platform for internet stores and it is used in Europe. After specifying this information, it was decided to stay Bitrix as a potential CMS as well. In the end of this work, Joomla CMS was refused from potential content management list, because all if this companies haven't recommended Joomla as a suitable CMS for internet store.

It was asked more information about CSM system they recommend, schedule and how many employees the company has at that moment. After these additional questions, it was found out, that company F is a Trade Name and it doesn't have a good assistance for this project. It was decided to refuse their offer. Also, the offer of company A was refused, because other companies have better references than A.

Finally, it was decided to continue final selection process with top three companies: B, L, H. Skype-meetings were arranged on 17.12.18 with L company, and 18.12.18. with B and H companies.

4.4 Final selection

At final selection phase, a top three of potential suppliers was chosen for Skype-meetings. The Skype meeting main meaning was to choose the final one supplier for making this project. At this stage, the following additional questions were asked brief information about company, its size, employees' number, how many IT projects they are making in a month (1),

do they have an office for visiting in Saint-Petersburg (2), which content management system they recommend and why (3).

The first Skype meeting was hold with company L 17.12.18. (Appendix 3: Skype-meeting with company L). The company told that they are working from 2010 year, the company has 10 employees, they have own office in Saint-Petersburg. Company L makes around 3 web sites in a month. They asked for price 180.000 rubles (2392 euros, 17.12.2018). They recommended Bitrix CSM out of WordPress. Because on their opinion, WordPress is made mostly for blogs and can't play well with internet store content. They explained the positive sides of Bitrix CMS, such as: good protection, and good technical characteristics. Bitrix has two options for license: Small Business license and Business license. They differ by the size of the company. The company need to buy a year license and them follow-up license which are 40 % of the year license price. Their delivery time was around 2-3 months. The contact person with whom was hold the meeting was Ekaterina, a sales manager.

The second Skype meeting was hold with company B 18.12.18 (Appendix 4: Skype-meeting with company B) with sales and marketing representative Valery. He explained that company was established in 2011. They have 10 offices in Russia in Saint-Petersburg, Moscow, Rostov-na-Donu, Kazan, Voronez and others large Russian cities. They have 10 employees in Saint-Petersburg office at that moment: 2 SEO promotion specialists, 2 sales and marketing, 5 software specialists, 1 internet marketing specialist. He explained project schedule, responsibilities, project stages, additional working hours cost for software, design, content. They have own office in Saint-Petersburg. He recommended the Frame Work Duit CSM, because it is easy to manage, update and control. He explained that Bitrix CSM has more complicated management, administration, and control. Bitrix management administration hasn't translated well in English language. They recommended to use Frame Work Duit CSM, but this system needs to translate in English for administration and management. Their additional working hours cost 600 rubles (8 euros, 18.12.18) for programming, 500 rubles (6,7 euros, 18.12.18) for design, 250 rubles (3,4 euros for content) for content specialist. But their price is already included all these details.

The third Skype-meeting was hold 18.12.18 as well with company H with their representative Ivan (Appendix 5: Skype-meeting with company H). The company was established in 2010, but their specialization was mostly in internet marketing and SEO promotion. In 2015 they started to provide the internet page, web sites, and software services. They have offices in Rostov-na-Donu and Krasnodar. They have 18 employees at that moment. They recommended to use MODX content management system, because it is free CSM, it is easy to manage. MODX is updating faster than Bitrix. The additional working hours for MODX will be 800 rubles (9,41 euros, 18.12.18) and for Bitrix is 1200 rubles (16 euros, 18.12.18) They can integrate a live chat

as well for price 3000-5000 rubles (40-67 euros, 18.12.18). Their additional working hours costs 800-1200 rubles (40-67 euros, 18.12.18).

For final evaluation it was used the scoring matrix like in the beginning. (see table 3) Scoring matrix include left side with evaluation criteria (factors) and right side with name of companies. Scoring matrix is filled with scores, which are given by scale 1-5 points. The most important evaluation criteria were price, delivery time, content management system, how well content of the offer matches with the request, reliability and trustability, the quality of references and how they match with defined needs.

Criteria	H	L	B
Price	5	5	5
Delivery time	5	4	5
Content management system	5	4	5
How well content of the offer matches with the request?	5	3	3
Reliability and trustability of a company	3	4	5
The quality of references and how well references match with defined needs?	3	4	4
TOTAL	26	24	27

Table 3 Scoring matrix final evaluation

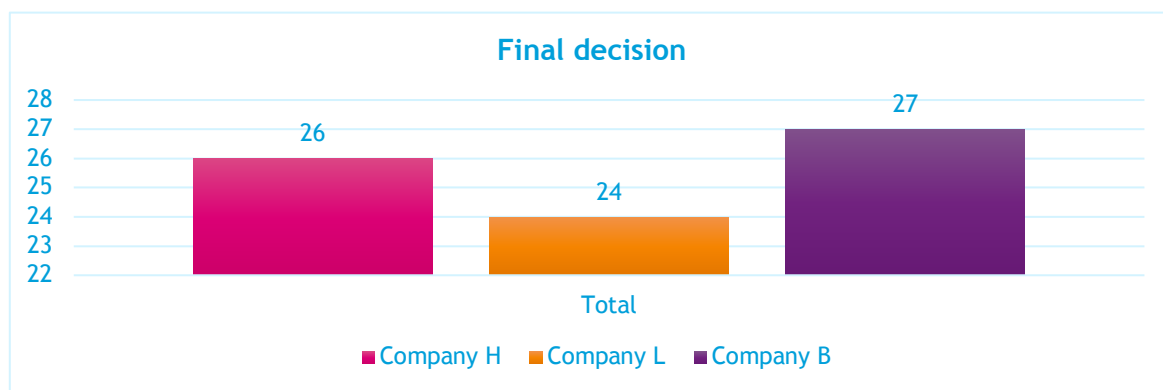


Figure 28 Final decision

It was expected to find a supplier with competitive price, because of own low-cost business strategy. All three companies offered competitive price. Company B offer 251 200 rubles (3 292,27 euros, 18.12.18), company H 213 600 rubles (2 799,47 euros, 18.12.18), Company L 180.000 rubles (2363,14 euros, 18.12.18). For these criteria, all companies got 5 points.

It was considered to launch case company e-commerce business in spring 2019. So far, the ideal candidate will deliver their service in 2-3 months. Company B delivers these projects in

2-4 months. Company H delivers in 1 month. Company L delivers in 3-4 months. For these criteria, company B and H got 5 points. Company L got 4 points.

It was expected to choose a well-known and technically feasible Content Management Systems. During this project, a new information was received about this subject, some companies recommended different CSM such as Bitrix, Joomla, WordPress. After consideration and asking additional information about the differences, it was decided to make the site on Bitrix, because of good recommendations from IT companies, their good technical characteristics, and the facts that Bitrix works exactly with internet shops. For example, Russian large electronic enterprise Eldorado Ltd. used for their web shop Bitrix CSM. But company B and H both recommended MODX and FrameWork Duit CSM. Company B explained that Frame Work Duit CSM is easy to manage and fill the product content. They showed how the administration panel looked in Frame Work Duit and Bitrix CSMs. Frame Work Duit looked easy and understandable, the product filling, pricing, changes were easy. Bitrix looked more complicated and it seemed that for Bitrix it is needed to order education service. It was decided to make e-platform on Frame Work or MODX systems if they have more recommendations from IT-specialists. Bitrix also is more expensive than others CSM. Company L recommended only Bitrix for good protection, good technical skills. After consideration, for this criterion 5 points were given to companies H and B, and 4 points were given to company L.

One of the important evaluation factors was that the ideal supplier should be interested in small company as a client. The ideal company should provide an appropriate and clear offer, which match with case company needs, such as tax-free refund option, live chat possibility. After consideration, the companies offer, it was decided that company L offer was not thought so far, because their offer looked short and did not match case company technical interests. Company B offer was typical and did not match with Finozon technical needs. Company H offer looked better out of this two: they send a clear and appropriated offer with mostly all asked technical features of this project. For this criteria, company L and B got 3 points, and company H got 5 points.

Other critical criteria are trustability and reliability of supplier. This criterion was measured by first impression, companies web page impression, company size and employees' resource. Skype meeting with company L was hold well. Their sales representative answered to all questions, but their meeting style was informal, the surname of contact person, her duties were stayed unclear. Employees resource was not clear as well. Unfortunately, there were no clear picture of company size and employees' resource. First impression was good, company L came on time on the Skype-meeting. Company L web page looked unclear, because there no special information about company, size, employees, specialists in what field are working there. Company B meeting was hold great. Their representative explained clearly company size, each employee's duties and specialization fields, how many projects they are

making at this moment. Company B representative came on time to Skype-meeting. Their web page looked clear and they have the staff description as well. Skype-meeting with company H was hold well. But for first impression, they got less points, because their representative forgot about meeting and he was late in 20 minutes. Their web page looked unclear, there are no employee's description and their duties. For this criteria company B got 5 points, company L got 4 points and company H got 3 points.

The quality of references is the one of the critical evaluation criteria. The ideal candidate has to have good references with previous experience in online stores. References can prove that the company can make a professional internet store. Company B has one good reference with example of product for home shop. Company H didn't show appropriated references, most of them were pizzeria, cosmetics shop, and knife shop. Company L has a well-done the construction equipment shop. References must be more, for this reasons, company B and L got 4 points, and company H got 3 points out of 5.

In total, company B got 27 points, company L got 24 points, company H got 26 points (Appendix 6: Final selection criteria). It was considered to choose the company B as a e-platform supplier. Company B looked better in all stages of evaluation process: their references, staff resource, web page, experience, first impression, content management system recommendations, price, location, delivery time.

However, there are some risks related to company B. Company B offered unknown Duit Frame content management system. Company B explained that Frame Work Duit CSM is easy to manage and fill the product content. They showed how the administration panel looked in Frame Work Duit and Bitrix CSMs. Frame Work Duit looked easy and understandable, the product filling, pricing, changes were easy. At this point, there are some risks if company left after this project. Case company needs to find the company who are familiar with this content management system. Duit Frame Work is also needed to make an English translation for administrator service. It might lead to additional costs for case company.

5 Conclusions

This bachelor's thesis investigated an electronic platform supplier selection process for a new e-commerce company. The objectives were to give its reader a full picture of tendering process, and a detailed explanation of the e-platform supplier selection process for Finozon. This applied study thesis investigated a selection process via tendering process. The main goal of this was to find a suitable supplier for case company. This research was closely connected with comparison process: it was organized a final tendering for 50 IT companies from Saint-Petersburg, from which it chose a final supplier for this work. Applied study used to develop sets of best practices and analyze the external and internal influences of a selection process.

All theoretical part advised case company how to choose a suitable supplier. The theory based for this thesis were taken to three main fields: Russian e-commerce market analysis, tendering process, evaluation and selection process. Russian e-commerce opportunities were clearly explained in first theoretical part. Russian e-commerce market is growing fast, a lot of new categories came to the e-commerce market, such as grocery products. Russian consumers started more often buy by internet every-day products, such as grocery products. Russian e-commerce consumers group can be divided by frequent online buyers, non-online buyers (do not plan to buy online), occasional online buyers, non-internet users and non-online buyers (but plan to buy online). According to the marketing report, the most buying group is "occasional online buyers". Cross-border sales increased as well, because of lower prices comparing with Russian domestic market.

Russian logistics has own special features, which makes challenge e-commerce operations in Russia, such as road infrastructure, short-term logistics contract, low-level of trustability and reliability of companies. However, Russian e-commerce market has own opportunities by using Russian Post for logistics or renting own warehouse for competitive price. Russian market gives a low labour employee, low priced rent and good business opportunities. Outsourcing an e-platform supplier from Russian is inexpensively than for example in Western Europe. Russian contracting practices were included in theoretical part as well, because case company expected to outsource a foreign vendor, so the legislation aspect is important to investigate in this thesis as well. Case company Finozon must pay attention to contracting part because Russian contract legislation might differ from Finnish.

Tendering process takes a significant part of procurement. Mostly divided tendering process are government and private tendering. This thesis concentrated on private sector tendering. In general, private company sent a clear and correct request for quotation to potential tender-companies and waited for their offers. Request for quotation should be done carefully

and include all necessary information according to procurement rules. Procurement procedure included request for quotation, invitations for tenders, contract management phase. Tendering process is used a lot for private sector companies. Evaluation criteria definition and theory of scoring matrix included in theory part as well. These theory base assisted to choose a feasible supplier.

Practical part of thesis included a full picture of how the selection process went on practice. Scoring matrix analysis was used for evaluating the applicant. It was chosen an evaluation criterion and given supplier scoring points if they match the most. Case company used a pre-evaluation criterion in the testing stage and final evaluation criteria in final decision stage. In scoring matrix analysis, the scale of 1-5 points was used. The pre-evaluation criteria consisted of 8 criteria (how well company's offer matches with Finozon request? (1), how well references match with Finozon needs? (2), Proposed Content management system (3), delivery time (4), reliability and trustability of a company (5), location (6), price (7), possible additional contribution from a company (8)), and final criteria consisted of 6 criteria (references (1), price (2) location (3), delivery time (4), how Finozon requirement match with company (5), trustability and reliability of vendor (6)). The final evaluation criterion was a base for choosing the final supplier.

Selection from large scope assist to choose a suitable and professional supplier. Selection process has own techniques, which were explained in the second theoretical part of this theses. Selecting process for case company included planning, testing, correction, implementation, selection, negotiations (Skype-interviews), evaluation, final decision stages. At the planning stage, it was planned all project, explained which supplier they were looking for, its company characteristics, technical requests, budget, company location and other significant factors for choosing supplier. It was proposed schedule as well. At the testing stage, it was made a test tendering with choosing a small and middle size 25 IT companies and sending to them a testing request for quotation. The tender's offers were analysed and one negotiation by Skype was hold at this stage. At the correction stage, it was precised own offer and request for quotation by analysing the tenders' most asked questions and inquiries.

At the implementation stage, it was produced a final tendering process with sending chosen small and middle size companies a tender request with description of project. At the selection stage, it was selected most appropriate offers for future continue selection. It was chosen 13 companies out of 50, the selection was based on their offers. At the negotiation stage, it was organized Skype-calls with potential supplier and investigated additional questions, which were closed mostly to technical requirements and delivery time. At the evaluation stage, it was chosen the top 3 potential supplier companies out of 13. At the final decision

stage, it was made a final evaluation and decision of choosing company B as a e-platform supplier. The selection process was enormous and took 4 months. As a result, a final e-platform supplier was chosen.

5.1 Development suggestions

Tendering process plays a critical part in case company project. Evaluation part in tendering process is the most challenging in my opinion. There is a range of evaluation criteria to choose from. In general, the case company explained which ideal supplier it should be, and evaluation criteria was created according to the case company expectations and theory base. For developing ideas, it would be suggested to make more detailed evaluation criteria process including negotiation part. The reason is to support final decision. Scores of applicants can differ only in few points. In bad scenario situation, the company may choose the wrong candidate. Assignment of weight and scores is subjective. Technique of weighing company requirements can be more complex, so some studies recommend using other analysis such as sensitive for supporting decisions. Evaluation criteria can be more individual and should serve project.

It might be developed a special evaluation questionnaire for negotiation (Skype-meetings). For choosing a feasible supplier, it would be suggested to make more than three Skype-meeting, because on this meeting case company might face new useful information which was hidden under tender answer. Evaluation criteria questionnaire is also one of the development ideas for tendering process. It might include main questions and sub-questions, which are more detailed.

Content management choice, negotiation preparation with chosen supplier are allocated for development suggestions in case company.

Content management system choice for e-commerce platform is a critical place. It is a main cost here, its needs a study for using, it might lead to additional costs in future for the company. Additional costs may include updating of e-platform, additional it-specialists salary cost, negotiations and development work cost. In Finozon case, it may include the addition cost of translations into Russian for communicates with supplier and their team. Introduction for working with the platform leads to costs as well. Case company has a low-cost strategy, it is important to concentrate on reducing all unnecessary.

During this work, it was changed a few times a choice of content management system. Main requirements here were capability to use it in Europe and being well-known, and easy to use for administrator role. When final supplier was chosen, it offered an absolute unknown content management system Duit Framework CMS for case company. It came as a new challenge and needed time to decide again is company going to make e-platform on Duit Framework or

other well-known. Because chosen supplier works with well-known online platforms, but surprisingly it recommended the unknown online platform for case company project. That is why, one of the development suggestions for future consideration here is a content management system final choice. It needs to organize a short scoring matrix analysis as well.

Negotiation preparation is the next development suggestion. Negotiation process is a final stage of procurement process. Preparation for contracting stage leads to additional costs for translations and legal advice. Legal advice leads to contract safety, Russian contracting practices knowledge. Typically, negotiation plan is needed to be done for preparation. It includes research, interests, risks analysis, alternatives to a negotiated agreement, objectives of both parties, position of procurement company, and best-case scenario. Negotiation preparation refers to enormous time cost and research requirements. That is why, negotiation preparation is divided as a one of the development suggestions in case company.

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Appendix 1: 13 offers from companies A-M

Company A offer

	Name	Price
1	Online store with responsive design (presentation)	105000
2	License 1C "Small Business"	35900
3	Setting up the functionality	80000
4	Adding site content	30000
	TOTAL	250900

Company B offer

Name	Price
Technical task	5000
Responsive Design (Desktop, tablet, mobile version)	
Site Home Page	10000
Product listing page (with filter)	8000
Product page	8000
Text page	8000
Forms "Order", "Order of goods", pop-up active elements on the site)	5000
The page "Contacts" (contacts, map, brief information about the company)	4000
Responsive Layout (Desktop, Tablet, Mobile Version)	
Site Home Page	10000
Product listing page (with filter)	10000
Product page	12000
Text page	5000
Forms "Order", "Order of goods", pop-up active elements on the site)	8000
The page "Contacts" (contacts, map, brief information about the company)	3000
Programming	
Installing and configuring a site management system (+ license cost)	Free
Programming the main functionality of the site (catalog, filter, search, typical pages)	55200
Requirements for goods (information from Technical task)	30 000
Discounts (information from Technical task)	15 000
Warehouse integration	15 000
Vat refund	15 000
Requirements for prices (from technical task)	25000
programming site forms (without integration with CRM, messages should go by mail)	Free
Additional services	
Hosting a website for 1-year period	Free
Connect HTTPS certificate (free Lets Encrypt)	Free
Development of instructions for working with the CSM site	Free
Total	251200

Company C offer

Price			
	Name of work	Hours	Price, rubles
1	Developing of an interactive prototype of the site and drawing up a full technical task	25	30000
2	developing of a general design concept and layout of the home page design for desktop, tablet and mobile device	30	36000
3	Developing of layout-design of the internal pages of the site on the desktop and mobile device (8 layouts)	48	57600
4	Adaptive layout (9 layouts)	54	64800
5	Developing a set of dynamic CCS and JAVASRIPT effects: animation of the menu, animation of the slides, animation of the forms, animation of the response of the ancones on the cursor	8	9600
	SOFTWARE MODULES	165	198000
1	Main module launching, basic configuration and sidebar of the main site template	10	12000
2	Making the news, discount modules	4	4800
3	Online store catalog	10	12000
4	Selection of goods by parameters and sorting	10	12000
5	Variants of products	6	7200
6	Recommended products	4	4800
7	Price conversion	6	7200
8	VAT accounting	3	3600
9	Ordering, the main functionality	10	12000
10	Shipping options	10	12000
11	Online payment (one system)	10	12000
12	Communication of orders with the system of issuing electronic checks in accordance with 54-FZ	6	7200
13	User account	10	12000
14	Order history in your account	6	7200
15	Users groups	10	12000
16	Discount system for different user groups	16	19200
17	Importing Primary Product data	16	19200
18	Permanent data import	10	12000
19	Export to Yandex Market	4	4800
		161	193200
	TOTAL	326	391200

Company D offer

No	Name	Price
1	Analytics: Requirements aggregation	60 000
2	Analytics: Development of interactive prototypes	60 000
3	Development of Technical Task	110 000
4	Development of the design concept of the home page	50 000
5	Design internal pages	80 000
6	Layout	140 000
7	Programming, integration	380 000
8	Testing	20 000
9	Set up on the client server	
10	Content filling	
11	Other: Liken 1 C Bitrix x Business	72 900
12	Total	972 900

Company E offer

Job description	
Development of resource design using input data provided by the customer: logo, corporate color scheme	
Adaptive layout of the resource: the site will be correctly displayed on mobile, tablet and desktop devices, the controls will be scaled	
Content management system, online store (WordPress+Woo-commerce+GUI+modules):	
The management system	
Creation of the structure: product sections and subsections, standard product cards	
Creating of the structure: product sections and subsections, standard product cards	
Integration and contribution of the "Recycle Bin"	
Displaying headings on the main page	
Creation of block "Popular goods", "Hit of sales"	
Integration of the "Search" by name, article number, description, tag of heading	
Connection of contact forms	
Connection of payment instruments for payment	
Installation of counters, analytics (Yandex, Google)	
Installation of online chat at the option of the customer	
Training of the Customer's personnel to work with the resource	
Creating a resource without filling with goods	200 000
Filling the site with commodities 2500-3000	150 000
TOTAL	350 000

Company F offer

	Name	Price, rubles	Days
1	Developing of an interactive prototype of the site	50000	20
2	Making the responsive website design (versions for PC and smartphone)	72500	20
3	Adaptive cross-browser layout	72 500	25
4	Developing of the functional component of the site (CMS MODx Revo was chosen for work)	220 000	30
TOTAL		415000	95

Company G offer

TECHNICAL OFFER TO CREATE A SITE
2 options: individual project or ready template
1. Development of technical specifications.
2. Site Design.
3. Layout of the developed website design.
Design layouts from graphic images are converted into HTML code that is correctly displayed in different browsers, including on mobile devices.
4. Programming the required functionality of the site and integration with the management system content 1C-Bitrix.
At this stage, the layout of the site is integrated with 1C-Bitrix, as well as the programming of the site's functionality.
5. Testing and hosting the artist
6. Training customer representatives to work with the administrative part of the site (basic operations, such as: adding information, editing content). Will be instruction is presented, and it is also possible to train your specialist in the developer's office.
7. Filling the site with content provided by the customer (or transfer from the old site).
Cost: 750,000 - 850,000 rubles. (The exact cost and terms can be determined after the development of a detailed technical specification.)
Duration: 4-6 months
2 nd VARIANT OF CREATING A SITE: Creating a website based on a ready-made template solution.
You can use a ready-made template online store and modify this project to your requirements: https://next.aspro-demo.ru/
Do not pay attention to the content of templates, all content can be replaced with your content.
Project cost: 350,000 - 450,000 rubles, taking into account the implementation of improvements.
Duration: 2-3 months.

Company H offer

Name	Hours	Price, rubles
Development of site prototype (Structural vision of the location of the blocks on the site, in black and white colors)	25	14800
Graphic design site. Design of the visual part of the site, the prototype in two versions, desktop version and mobile devices. Site design - how the site will look at the end of development	35	26000
Website layout. Writing browser markup code based on the site design. Developing the animation, you can touch the site	35	36000
Landing the site on the ModX control system framework. Setting up the admin panel, creating an online store framework, setting up modules and components for working with the site. Development of the basic functionality of the online store	50	52000
Development of unloading dooms	10	12100
Product reviews	2	2600
Prices with VAT	4	2200
Yandex Market	6	4400
Change all price of the site?	0	0
Customer account	8	5200
The ability to identify old users from new ones and give customers the opportunity to continue shopping from the point where they left off last time. For example, the ability to save in the browser shopping list?	0	0
The ability to set discounts at the level of a whole group of products or a whole category of goods (for example, set a discount for all winter shoes -40 % and so on)	10	5400
Discounts	18	7400
Shipping and payment methods	18	8400
VAT refund, Taxfree	1,5	0
Marketing, promotions, and communications with client	5	2500
Order management	12	5600
Warehouse management	30	29000
	269,5	0
		0
TOTAL	26 days	213600

Company I offer

The main work	Price
Design	180000
Basic programming	
Basic Page Layout	
Additional work on the functionality and design	
Requirements for goods	
Each product will have a general and technical description with 4-6 photos. Some products will have options for color, size and material	14400
The ability to automatically import product data from other systems, for example, in CSV format	14400
Price Requirements	
Prices in two rows for each product: with 24 % Finnish VAT and excluding VAT	14400
Option for integration with Yandex Market price comparison (yandex.market.ru)	14400
All prices for products must be connected to the ruble exchange rate for the current day. The site should be able to change all prices for products from euros to rubles and back using one simple function	18000
User data and registration	
Integration of Yandex and Google Analytics for this store to collect dates about customer traffic and behavior	
Discounts	54000
Delivery options	27000
Payment Methods	27000
VAT refund, Taxfree	72000
Marketing, promotions, and communication with the client	
The possibility of adding promotions for new products, "Happy Hours", specialized product groups	9000
Order Management	21600
Warehouse management	21600
The speed rating of a website page should be over 75/100, as measured by GooglePageSpeed	9000
TOTAL	496800
Time	2-3 months

Company J offer

Project budget: over 5.000 euros.
Delivery time: Schedule is 3-6 months.

Company K offer

	Name	Days	Price
1	Development of prototype	10	37000
2	Design	15	48000
3	HTML layout and programming	18	78000
4	Testing of site	2	
5	Site content	5	25000
6	Hosting and site launching	2	
7	Providing access and training to use the site	3	
	TOTAL	55	188000

Company L offer

Job description:
License 1 C Bitrix Site Management as amended Small Business
Individual adaptive design according to your wishes
Catalog and basket development
Connection up to 5 payment systems
Delivery by Russian Post and Pickup
Prices on the website taking into account the exchange rate
Switch between euro/ruble
Tax free refund form
Management of discounts by product parameter, category, by user groups
Quantity Management
Total: 180.000

Company M offer.

Design			
	PC	Tablet	Smartphone
Main page	18000	6000	9000
Catalog page	3000	1000	1500
Category page	3000	1000	1500
Product description	5000	1667	2500
Typical page with shop description	1500	500	750
Basket	3000	1000	1500
Wish list	1500	500	750
Comparison list	3000	1000	1500
Order page	4000	1333	2000
Individual account	5000	1667	2500
Page 404	700	233	350
TOTAL:	47700	15900	23850

Job description	Price
Content Management System	1500
The system of access control and user rights	5000
Multilingual (Russian, English)	5000
Module "Multi-Level Menu"	1000
Catalog	15000
Module "Shopping list"	3000
Module Wishlist	1500
Product comparison module	3000
Module "Select the quantity of goods"	700
Module "ask a question about the product"	1500
Plugin "Zoom for product images"	700
Product filter module	10000

Formats od display of goods (tiles, in a column)	700
Login/Register module	3000
The module "purchase in 1 click"	2000
Module "slider"	1500
Module "Popular products"	2000
Module "Quick View"	2000
Module " Site Search"	3000
Product categories	700
Product images (up to 6 images)	700
Arbitrary fields for products (attributes, characteristics)	3000
Arbitrary characteristics of goods	1500
Module "related products"	3000
Module "recommended products"	3000
Module "Reviews for each product"	3000
Prices in rubles and euros with VAT of 24 % and without	900
Daily price adjustment according to the exchange rate	6000
Purchase with and without registration	2000
User categories	1500
Save basket and with Wishlist data when leaving the site or reloading the page	3000
Yandex counters and Google	900
Discounts on products categories	3000
Special prices for products	1500
Module" Discount on order amount"	3000
Discount on customer categories	1500
Discount coupons, including for different categories of customers	4000
Delivery Methods	700
Payment methods	16000
Module "Free shipping from order amount"	2000
Module "Feedback form for VAT return data"	1500
Module "Live chat"	500
Module "Feedback form"	1500
Module "Promotions"	3500
Search engine optimization	3000
Order statuses	5000
Number of goods in stock	3000
Import/export (CSV) of goods (number, descriptions, specifications, prices)	12000
Shipping and return policy	500
Privacy notice	500
Terms and conditions	500
Module "Addresses of pickup points"	1500
Personal account	12000
Checkout page	6000
Registration in search engines	300
Instruction for working with the site	1500
Individual design	87500
TOTAL:	263300

Appendix 2: Pre-evaluation criteria.

Vendor selection is based on best performance-price ratio. Here are listed the sub-criteria. Each sub-criterion is evaluated at the scale of 1 - 5.

1. How well a company's offer matches with Finozon request?
 - Playing in right league = Scale and size match 5
 - Additional services, like graphical design 5
2. Is its well-established company with more than 10 employees?
 - Yes 5
 - No 3
 - No Information 2
3. How well references match with Finozon needs?
 - Yes 5
 - No 5
 - No information 2
4. Proposed Content management system?
 - Flexibility for Finozon future needs
 - Fixed and changing costs
 - Risk for vendor lock
 - Ease of usability
 - Joomla 5, WordPress 4, Bitrix 3, No information 1
5. Delivery time
 - 2-3 months 5
 - 4-5 months 3
 - Over 5 months 2
6. Price
 - 180-250 000 5
 - 250-360 000 4
 - Over 360 000 3
 - Less than 180 000 2
7. Location
 - Saint-Petersburg 5
 - Moscow 4
 - Other 3
8. Possible additional contribution from a company (internet marketing)
 - SEO promotion 5
 - Content advertising in Yandex 3
 - Content advertising in Goggle 3
 - Marketing in Social Media 3
 - Other 3

Appendix 3: Skype-meeting with company L 18.12.2018 at 10.00-11.00 p.m.

Company L

Contact person: Ekaterina, sales and marketing representative.

Question 1: Tell us about your company briefly: when it was established? How many customers in total and at the moment? How many experts work for company? Where are located in Saint-Petersburg, can we have a meeting in your office?

Answer 1: The company was established in 2010. We are making around 3 projects in a month. There are 10 experts working at this moment in the company. We have our own office in Saint-Petersburg, Leninsky prospect metro station. You are welcome to visit us some day for business visit.

Question 2: Which Content Management System you recommend for Finozon if business starts from scratch?

Answer 2: Well, we recommend using Bitrix CMS. We are working mostly with it for a long time, it has a good protection, great technical characteristics. Bitrix was made for online shop business. For example, a Russian big electronic chain Eldorado's web page was made on Bitrix CSM. We will not recommend WordPress CMS, because it was made for blogs in general. For Bitrix system you need to buy a year license, future contract costs 40 % of year license price. There are Bitrix Small Business and Bitrix Business systems. The choice depends on the company size. Now license costs 52.500 rubles with Christmas discount and normally it costs 72.900 rubles.

Appendix 4: Skype-meeting with company B 19.12.2018 at 10.00-11.00 p.m.

Company B.

Contact person: Valery, sales and marketing manager

Question 1: Tell us about your company briefly: when it was established? How many customers in total and at the moment? How many experts work for company? Where are located in Saint-Petersburg, can we have a meeting in your office?

Answer 1: Company was established in 2011. There are 10 experts currently working in the company B. Staff consists of 2 SEO promotion specialists, 1 sales and marketing specialist, 4 software specialists, 2 design specialists, 1 internet marketing specialist. We have our own office in Saint-Petersburg. You can visit us some day. We are making 3-4 projects in a month. Additional work costs 600 rubles in hour for technical support, 500 rubles in an hour for design, 250 rubles in an hour for content specialist.

Question 2: Which Content Management System you recommend for Finozon if it starts from scratch?

Answer 2: We recommend using Frame work for CMS. It is easy to manage, to make new web site from scratch. Frame Work is suitable for individual design. So, we recommend using Frame Work Duit CMS. We will not recommend Wordpress or Joomla, because they do not work well with internet store, they are made for other goals. Other option is to use Bitrix CMS. Bitrix is also good one, but it is more complicated to manage. So, Frame Work is the easy to manage and easy to fill the content. Only one important thing, that for Frame Work you need to make administrator page in English or Finnish. Bitrix has an English language for administrator page, but it works bad. If we make Frame Work Duit CMS and integrate there your translation for administrator page, it will be working better than Bitrix for our project.

Appendix 5: Skype-meeting with company H 19.12.2018 at 11.00-12.00 p.m.

Company H

Contact person: Ivan, manager

Question 1: Tell us about your company briefly: when it was established? How many customers in total and at the moment? How many experts work for company? Where are located in Saint-Petersburg, can we have a meeting in your office?

Answer 1: Our company was established in 2011 mostly for SEO promotion projects. But in 2015 we started to make internet pages, internet shops, corporate web pages. We have 18 experts working currently here. Our office locates in Rostov-na-Donu and Krasnodar. We don't have any office in Saint-Petersburg. Additional work costs from 800-1200 rubles in hours. We can also make a live chat for you if you are interested in it for 3000-5000 rubles charge.

Question 2: Which Content Management System you recommend for Finozon if it starts from scratch?

Answer 2: We recommend you use ModX or WordPress if you are interested in low-cost solutions. Because they are free CMS. ModX is good and updating fast CMS. Bitrix is also good option, but you should buy a year license.

Appendix 6: Final selection criteria

Criteria	H	L	B
Price	5	5	5
Delivery time	5	4	5
Content management system	5	4	5
How well content of the offer matches with the request?	5	3	3
Reliability and trustability of a company	3	4	5
The quality of references and how well references match with defined needs?	3	4	4
TOTAL	26	24	27