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IMPORTING HOME DECORATING ACCESSORIES FROM INDIA TO FINLAND

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ABSTRACT

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The commissioner of this thesis is a start-up company interested in importing home decorating accessories from India to Finland. There are two main goals of this thesis: firstly, to discover how importing from India would happen in practice, and secondly, to investigate what are the fairs the commissioner should visit in India. Thus, the theoretical framework includes following areas: logistics, consisting of money transfer and transportation; customs duties, discussing for instance the tariff rates of related products; and supply, presenting how a supplier should be selected and evaluated. The theory first discusses the subject in general and then more precise information about practices in India is provided.

The research project conducted in this thesis uses qualitative methods. Interviews with people dealing with Indian businesses were made through e-mail to get a practical view on the topic. The answers received cannot be generalized, as there were only four answerers; though, that was not the overall purpose of this thesis as the aim was to hear people's experiences on business between India and Finland. Furthermore, desktop research on potential fairs to be visited was executed. There were six proper fairs found in India, from which two were selected to be the most sufficient ones for the commissioner.

The results indicate that there are no outstanding obstacles for starting importing from India, and that the answerers have been satisfied with their Indian business partners. Additionally, fairs are said to be rather good source of if not suppliers, but at least the information on what kind of products there are available in Indian markets.

Further studies in this field of business could be conducted to find out what are the standards in the trade between India and Finland. Also, it would be useful for the commissioner if potential suppliers were examined and evaluated. Lastly, as the business cultures of these two countries in question differ considerably, an examination and comparison of those could be made. The Indian business culture or procedures could also be compared to the Chinese ones, as both are Asian countries from which companies easily search for suppliers.

Keywords: India, imports, logistics, customs duties, supply, fairs

TIIVISTELMÄ

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Tämän opinnäytetyön toimeksiantaja on toimintaansa aloitteleva yritys joka on kiinnostunut tuomaan sisustustarvikkeita Intiasta Suomeen. Työn kaksi päätavoitetta on selvittää, kuinka Intiasta Suomeen tuonti tapahtuu käytännössä, ja tutkia millä messuilla toimeksiantajan kannattaisi vierailla Intiassa. Teoreettinen tietoperusta sisältää seuraavat osa-alueet: logistiikka, tulli ja hankinta. Aiheet on ensin käsitelty yleisellä tasolla, minkä jälkeen esitetään tarkempaa tietoa Intiaan liittyen.

Tutkimusprojekti, joka suoritettiin tämän opinnäytetyön tekemisen aikana, käyttää laadullisen tutkimuksen menetelmiä. Intiassa kauppaa käyvien kanssa tehtiin sähköpostihaastatteluja, jotta varmistettiin haluttu käytännön näkökulma. Saatuja vastauksia ei voi yleistää, koska vastaajia oli kaikkiaan neljä. Opinnäytetyön tavoite ei kuitenkaan ollut yleistäminen, vaan paremminkin kuulla asiantuntevien ihmisten kokemuksia Intian ja Suomen välisestä kaupankäynnistä. Lisäksi tehtiin työpöytä tutkimus liittyen potentiaalisiin messuihin. Kuusi sopivaa messua löydettiin, joista hyödyllisimpinä toimeksiantajalle valittiin kaksi.

Tulokset osoittavat, että Intian ja Suomen välisen kaupan aloittamiseen ei ole merkittäviä esteitä. Havaittiin myös, että vastaajat olivat tyytyväisiä nykyisiin liikekumppaneihinsa Intiassa. Vaikka messut eivät välttämättä ole paras lähde alihankkijoita etsittäessä, saa niissä ainakin realistisen käsityksen Intiassa tarjolla olevista tuotteista.

Muutamia aihe-ehdotuksia uusille tutkimuksille liittyen tähän opinnäytetyöhön nousi esiin projektin aikana. Intian ja Suomen välisen kaupan yleisimmät käytännöt voitaisiin selvittää määrällisellä tutkimuksella. Toimeksiantajalle olisi hyödyllistä, jos potentiaalisia alihankkijoita tutkittaisiin ja arvosteltaisiin. Yksi idea on, että Suomen ja Intian välisiä kulttuurieroja selvitetäisiin ja vertailtaisiin. Intian businesskulttuuria voisi myös verrata esimerkiksi Kiinaan, koska Kiina on Intian ohella Aasian maa, josta yritykset mielellään etsivät alihankkijoita.

Asiasanat: Intia, tuonti, logistiikka, tullit, hankinnat, messut

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1 INTRODUCTION

There are news about internationalization and globalization almost every day, and therefore new market areas have begun to emerge. One of these newcomers, India, is often referred to as “new China” because it is following similar steps of internationalization as China has done earlier. Embassy of Finland, New Delhi states that since year 2000 the trading between India and Finland has grown rapidly. It has been estimated that imports from India achieved 450 million euro and Finnish exports to India reached 239 million euro in 2009. (2010a, date of retrieval 1.2.2011.) Confederation of Finnish Industries notes that imports accounted just over 50 million euro and exports 160 million euro in 1996 (2008, date of retrieval 1.2.2011). This means that in 13 years exporting has almost tripled and importing has more than quadrupled.

Entrepreneurs of a start-up e-business have noticed this country with plenty of possibilities and are interested in the decorative products manufactured in there. As their field of business is selling home decorating accessories, it is quite clear that having stylish products from India in repertory would be lucrative for some customers. That is the reason this e-commerce wishes to know more about different factors affecting importation from India to Finland. Furthermore, some fairs to visit should be found during this process.

The issues covered in the framework of this thesis will be importing, logistics, and supply since all of these have a great effect on the whole process of importing, and there may be some important issues to be noticed. These subjects are first outlined in general to give the reader the idea what the most important questions to be covered are and what kind of issues there are to be examined. The general information is mainly searched in related literature. All of these three subjects in framework will then be deepened with more accurate information about India and practices used there. These data will mainly be acquired from official web pages of Finnish Customs, Embassy of Finland and other public authorities.

As this thesis is made to one specific company, qualitative methods of research will be employed to provide information required. Firstly, to combine theory with practice and to retrace any usual mistakes made and how those could be avoided, some people familiar with India will be interviewed. These people are an Indian exporter and two Finnish importers, as well as a consultant doing business in India. Secondly, desktop research on fairs in the field of home

decorating, located in India will be conducted. Another aim of the interviews is to determine if any of the interviewees is familiar with the fairs selected. In addition, secondary sources such as up-to-date Internet sites will be used.

The research problems are shaped according to the expectations of the commissioner. There are two questions that should be answered during the process: What must be considered when importing from India and what fairs in India should the company visit? After answering research questions stated, the company will have a full advantage of this thesis. It will assist the e-commerce to start the practice of importing from India more smoothly and enable their operations to start sooner and without them having to spend plenty of time examining the import guidelines.

2 LOGISTICS

Logistics may be defined as supervising the operations of a company in the fields of purchasing, transportation and warehousing of materials. The objective is to be cost-effective and thus to become as profitable as possible. (Christopher 2005, 4.) In this chapter the most important parts of logistics when considering importing from India are discussed. Primary stress is on logistical decisions that have to be made before starting the operations with a co-operator from India; what are the options when talking about money exchange and delivering the goods.

2.1 Money Exchange

International payments are always more insecure than domestic ones; they are not as steady, trustworthy and clear, and this is why these aspects of logistics must be considered thoroughly beforehand. Usually the buyer embraces long credit terms whereas the seller wants the bank transfers to occur even before the delivery of goods. There are several factors affecting the choice of the payment term, and all of these must be considered before making the final decision. These facts are the relationship of the parties, the products dealt with, the industry, the geographical distance of the parties, currency in question and the stability of the countries involved. Always when starting a new business relationship, it is reasonable to begin with more conservative terms of payment; the terms can be changed later when the relationship has evolved (Hinkelman 2008, 1, 4, 10.)

In international money transfers four types of payments are common: cash in advance, open account, documentary credit and documentary collections. The most profitable payment term to the seller is cash in advance. It means that the buyer pays the bill before the delivery of goods. In this occasion the seller must be trustworthy, because there are no obligations to actually send the goods. All these things covered, the buyer cannot be obliged to this kind of agreement.

The other extremity is open account, where the buyer usually gets 30, 60 or 90 days time to pay the bill after the goods have been collected. If the seller does not get the money for the goods delivered, there is a possibility to take legal action based on the sales contract. In international trade open account agreements are rare, because it is harder to get a judgment abroad than domestically. (Hinkelman 2008, 11-12, 15.)

The remaining two terms of payment, documentary credit and documentary collections, are more certain for both the seller and the buyer. This is because a third party, a bank, is involved with the money transfer. In documentary credit the buyer pays the bill before the delivery of goods, and as the seller sees that the money has been transferred, he can then deliver the goods without any risk. The seller gets to withdraw the money only after documents of the delivery can be presented to the bank. Because of the protection documentary credit offers, this is the most common way of international payment. In documentary credit, the bank charges some additional costs from the buyer and when using it, documents used must be considered carefully. If there are any mistakes or errors in the papers presented, there will be delay or even prevention of the fulfillment of the credit. (Hinkelman 2008, 11,13.)

Documentary collection is not that complex and expensive as the documentary credit and again, the bank is involved. The seller sends the goods, but the documents are sent to the bank. When the buyer pays the bill to the bank, he gets the documents and thus the ownership of the delivery. Nevertheless, there is a bit higher risk in documentary collection than in documentary credit; in documentary collection the bank does not guarantee the transmission, and thus the seller bears the cost until the buyer collects the goods. Additionally, the buyer cannot check if the delivery is of expected quality. (Hinkelman 2008, 11, 14.) Table 1 summarizes the most important factors of each payment term discussed.

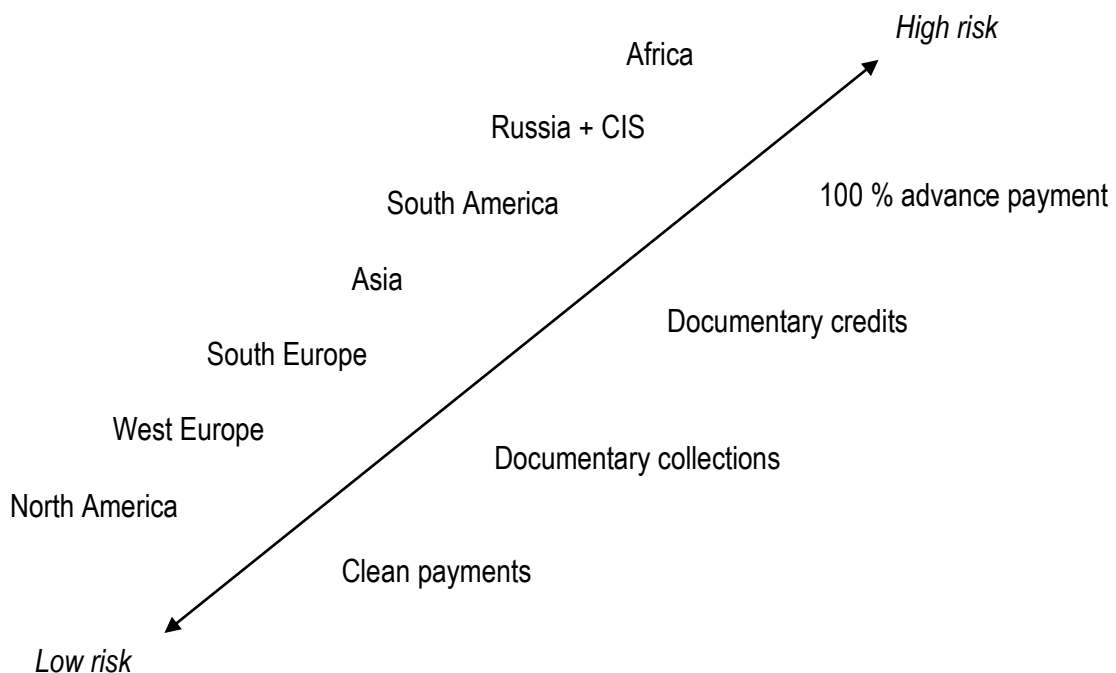
TABLE 1. Important factors of terms of payment

Term of payment	More profitable to	Buyer pays the bill	Seller receives the money	Role of the bank	Must be reliable
Cash in advance	Seller	Before delivery	Before delivery	-	Seller
Documentary credit	Seller	Before delivery	After showing the documents	Guarantor	-
Documentary collections	Buyer	Before getting the documents	After delivery	Collector	Both
Open account	Buyer	After delivery	After delivery	-	Buyer

Hinkelman also reminds that the political environment of the target country has a remarkable effect on international business operations. It can cause new restrictions in importation or exportation, changes in monetary policy, changes on trade policy or other serious problems. These risks can at times be anticipated and thus controlled to some extent. (2008, 3.)

Because dealing with any foreign organization obliges to consider country risk (Horcher 2005, 41), it also influences on the choice of payment term. Figure 1 presents impacts of country risk on payment term in exporting. Since this figure is made from the seller's point of view, the selection of the payment method is upside down when comparing to the payment terms when importing. To be more specific, when purchasing goods from Africa, clean payment i.e. open account, is recommended and when importing from North America, 100 per cent advance payment i.e. cash in advance, may be used.

FIGURE 1. Effect of country risk on the choice of payment term in exporting (Junes 3.11.2009, presentation)



Besides the payment term, the currency used in payment should as well be decided. It is usual to use one of the so called hard currencies; US dollar, the European euro, the Swiss franc or the Japanese yen. (Hinkelman 2008, 2.) When trading with foreign currency, the final cost of the

purchase may rise if the settled currency strengthens against the domestic currency. This can be prevented by fixing the exchange rate used or by utilizing forward foreign exchange contracts or currency options. There is always the risk that the currency of the trade strengthens continuously, and thus importing from target country would eventually become unprofitable. To avoid this, longer contracts with fixed prices can be signed, or protection against exchange fluctuation can be acquired. (Business Link 2011a, date of retrieval 2.3.2011.)

When making the contract, also the costs and risks of transportation must be covered in order to prevent misunderstandings (Hinkelman 2008, 3). Incoterms are internationally used terms of delivery, which contain information about who is responsible for the transport at each stage and when the ownership of goods passes from the seller to the buyer. It also specifies who is responsible for costs including freight and insurance. (Business Link 2011b, date of retrieval 2.3.2011.) As Incoterms are not country specific but common to international trade all over the world, those will not be explained in detail in this thesis; nevertheless, the different options of Incoterms can be seen in appendix 1.

There are some Finnish banks that have offices or co-operators in India. Companies with such connections are at least Handelsbanken, Nordea and Pohjola Pankki Oyj (Handelsbanken 2011, date of retrieval 25.2.2011; Nordea 2011, date of retrieval 25.2.2011; Pohjola Pankki Oyj 2008, date of retrieval 25.2.2011). These banks would probably be the ones with which it would be most advisable to operate when a company is planning to trade in India.

To summarize, when making money transfers between India and Finland, it must be remembered that international payments outstand from national ones. Consequently, the risks related to the politics and currency must be considered; additionally, the contents of different payment terms and Incoterms must be remembered as they may affect the success of the whole process.

2.2 Transportation

“Transport is responsible for the physical movement of materials between points in the supply chain” (Waters 2003, 309). Transportation is important for companies, as it remarkably affects the total cost of materials (Dobler & Burt 1996, 570). Hence, main issues regarding transportation discussed in this chapter are the transportation methods available and how to select the best one of them.

2.2.1 Methods of Transportation

There are four main ways of transporting: by rail, by road, by sea or by air. The advantages and disadvantages of each method of transportation are now presented.

A great deal of international deliveries moves partly by road or by rail, from which the rail is generally the cheaper option (Weiss 2008, 145). Though, setting up a rail service requires large investments and thus there is little competition in rail business. Once the infrastructure is ready are the capacities high and costs low, freights carried are usually cheap, heavy and bulky, and deliveries are mainly long-distance. (Waters 2003, 310-311.) A disadvantage mentioned by Waters is inflexibility in many ways; the timetables must be well prepared and there is no possibility for last minute deliveries, and also the destinations and routes are fixed. The last problem mentioned requires sometimes extra work in terms of getting the delivery to its destination by e.g. road, as the customers do not usually locate next to the terminals. (2003, 311-312.)

The best advantage of moving goods by road is flexibility, as there is chance to offer door-to-door services and decrease the time spent in changing the vehicle. Road transport needs no accurate schedules and the wide road networks can be used by anyone. As a consequence, there is a lot of competition in this field of business, which results in flexibility in prices. Still, transportation through road is rather expensive, as the loads delivered are usually small. This, on the other hand, originates from the fact that there are regulations on how big and heavy a load can be. Because of the expensiveness, road transportation is mainly used for short distances. (Waters 2003, 313-314.)

“Over 90 % of world trade is moved by sea” (Waters 2003, 314). The features of ships allow both big quantities and large weights in totally different level than for example air freight. (Weiss 2008, 145). Furthermore, sea transport offers low unit costs. Downsides of shipping are inflexibility because of the limited amount of ports, and slowness, including the need of changing the transportation mode. (Waters 2003, 314-315.)

Sometimes the speed of the delivery precedes the price; in those cases the obvious selection is air transport. Freights delivered by air are small but expensive materials, such as documents and

parcel deliveries. Two drawbacks should be mentioned: firstly, as in sea transportation, the time spent to the delivery is affected by the fact that the transportation mode must be changed at both ends of the flight; secondly, as already mentioned, air transport can be rather expensive. (Waters 2003, 315-316.) Though, as Jiménez (1998, 163) points out, air freight may require lower insurance rates and the delivery is usually safe.

To be able to compare different methods of transport, table 2 presents five most important factors affecting the decision. These are the cost, speed, flexibility, volume/weight limits and accessibility. The modes are valued from one to four, one being the best and four the worst.

TABLE 2. Ranking of different modes of transport (Waters 2003, 317)

	Rail	Road	Water	Air
Cost	2	3	1	4
Speed	3	2	4	1
Flexibility	2	1	4	3
Volume /weight limits	2	3	1	4
Accessibility	2	1	4	3

As discussed, the table above shows that the sea is the cheapest option and can carry the heaviest deliveries, while air freight is the most expensive, allowing only small freights. Thus, this table can be seen as a summary of this chapter presenting the benefits and the weaknesses of each method of transportation.

2.2.2 Selecting the Mode of Transportation

According to Jiménez (1998, 163) selection of transport is affected by the type of product and the destination, as well as the buyer. Simultaneously, Weiss (2008, 141) notes that comparative cost is one of the factors affecting the decision made. In addition to these four aspects, Waters has made a list of things to be considered. It includes volume and frequency of the delivery, value and importance along with the possibility of loss and damage of the materials, reliability, flexibility, reputation and stability of the carrier, and special facilities available. (2003, 316.)

Jiménez suggests that some kind of logistics analysis should be conducted before deciding the final mode of transportation. Small operators may assign this to freight forwarders, if they can be well supervised and evaluated. Following eight elements of transport management should be considered; volume discounts, delivery costs' impact on the price of goods, speed, inventory management, packaging, customs, payment systems and collaboration. (1998, 163-165.) In next two paragraphs, a closer look at each of these eight steps follows.

Firstly, there is often a discount offered for large and regular deliveries and thus the size of the shipment should be maximized. Also using a forwarder with small deliveries may enable a cheap transportation, because they have made big contracts with large carriers. Secondly, the transport cost can be a significant part of low-value products, and it should be remembered that the choice of Incoterms affects the total price of the transportation greatly. It would be optimal, if either exporter or importer would take care of transportation obligations; this would result in discounts in delivery. Speed of delivery can be seen as a competitive advantage, and thus delays of shipments are to be avoided. Slow deliveries have also an effect on interest rates of working capital, as there is no ability to sell the goods beforehand and thus get them paid. Fourth step, stock and inventory management, is also a way of cutting costs. If the amount of stock is to be decreased, the information flow should be effective, and the deliveries frequent. (Jiménez 1998, 163-165.)

To continue with the fifth point of the list, method of transportation has also an effect on the packaging; proper packaging enables reduction of damages. Thus, not only the cost of transportation should be considered, but also the expenses in packaging. Furthermore, it should be noticed that there may be some simplified customs procedures for some methods of transportation, and some payment systems are meant only to sea or air freight. Lastly, if there are importers or exporters in same sector, there could be collaboration between them, in order to get lower costs and better service from transport providers. (Jiménez 1998, 165.)

As documented above, when selecting a transportation method many things affect on the final selection. Naturally, not every one of them has as great affect to the final outcome as others, but it is good to remember each detail discussed to avoid problems and unpleasant surprises.

2.2.3 Freight Forwarders

The arrangement of shipment can be done straight with the carrier companies or through freight forwarders (Johnson 2002, 268). It is conventional to create a partnership with a company specialized in logistics; this enables the usage of the efficiency and experience of specialists, meanwhile the company itself can focus on its main functions. Besides the transportation, these partners can also assist the companies in warehousing, purchasing and materials handling. (Waters 2003, 90.) Furthermore, many services are offered by freight forwarders, for instance routing, scheduling of carriers, inspections and insurances (Johnson 2002, 28). This kind of cooperation is called third party or contract logistics, and there is a trend in companies to use these kinds of contracts (Waters 2003, 90, 323).

The facts affecting the selection of a forwarder are experience, competent staff and good financial standing. For their operations, freight forwarders charge fees plus commissions that are approximately two to five per cent of the fixed fees paid. (Weiss 2008, 159.) To be more specific, Waters (2003, 309) notes that when using third party logistics, the price is affected not only by the service in question and its value to the customer, but also the distance moved, delivery's weight, size and value as well as the intricacy of the journey.

There are several freight forwarders that operate worldwide and would thus be able to provide needed services for the e-business. To specify, the commissioner was willing to find out the approximate price of deliveries from India to Finland if the size of the freight was from five to ten cubic meters or one full container. They have planned to import the goods through sea freight to Helsinki and from there to Oulu by truck. It was also requested to examine whether there are customs procedures included in the prices and what kind of payment options the freight forwarders provide. To be able to see how competitive the prices of sea freight are, also one truck forwarding company and one company providing air freight were inquired.

A Freight Forwarding Company offering a variety of delivering services worldwide, that has many stations also in India was the one selected to be inquired about the prices of sea freight. According to Ocean Import Manager of the company pricing of sea freight is based on weight or measure (w/m), the unit of weight being one ton and measurement one cubic meter. The price level from India is approximately 70 euro for one w/m, but it must be noticed that the departure port and the volume of the transport affect highly to the final price of the delivery. There are other

payments related to importing, that this price does not yet include. These prices are: customs clearance 75 euro per one clearance, port charge 3,02 euro per one ton, terminal charge 8 euro per 100 kilograms, payment for International Ship and Port facility Security (ISPS) 5 euro and the release from shipping company 75 euro for one delivery. Furthermore, there is the price of distribution to the customer which varies according to the final destination and the weight of the cargo. As an example could be used the price of a delivery of 500 kilograms to Oulu, which is around 90 euro added the fuel costs that at the moment is 18,10 per cent. The total sum of all the charges accounts 338,80 euro when delivering cargo of 500 kilograms. The most common payment term used in this freight forwarding company is invoice, but based on the credit references of the company and if they are credit customers of Finnish Customs or not, the expenses may also be requested as advance payment. (11.4.2011, e-mail message.)

It is said that small deliveries weighting less than 100 kg would probably be cheaper to deliver through air, as the minimum expense of sea freight is according to the price of one weight or measure. Additionally, the sea freight to Oulu would be advisable to deliver directly to the port of Oulu. (Ocean Import Manager 4.4.2011, e-mail message.)

The company offering truck deliveries selected has international operations, and they serve widely in India with 3500 employees, 614 warehouses, 29 central warehouses and 1546 transportation vehicles (TNT Express 2008a, date of retrieval 7.4.2011). The maximum weight of a truck delivery is 500 kg and the maximum size three cubic meters, precise measurements being: length 180 cm, width 120 cm and height 150 cm (Customer Servant 4.4.2011, e-mail message). The price of a delivery can be calculated from the web pages of the company. Using the maximum measurements and the value of 100 euro as criterion, the counter gives total sums varying from around 2700 to close to 4900 euro. The final price depends on what kind of delivery the customer wants to use; express meaning fast, or economical meaning a bit slower transportation. Having inspected the prices for deliveries with value of up to 150 000 euro and lighter deliveries, it appears that these aspects have no effect on the price at all. On the other hand, smaller size of freight can equal to somewhat more inexpensive deal. (TNT Express 2008b, date of retrieval 7.4.2011.)

Prices of delivering freight through air were inquired from an airline delivering goods from Delhi to Helsinki. The rates vary according to weight of the delivery. The basic rate for deliveries over 500 kg are 1,66 euro per one kilogram, meaning that one consignment weighting 500 kg would cost

830 euro. To this amount is then added following charges: FSC (Fuel) 0,93 euro per kilogram, SSC (Aviation Surcharge) 0,11 euro per kilogram, X-RAY 0,028 euro per kilogram and AWC 0,02 euro per kilogram. If these are calculated to a delivery weighting 500 kg, it accounts 544 euro. The cost of air transportation would thus be 1374 euro in total. The clearance charges are not included in the prices, and the money transfers always through the Air Transport Association (IATA). (Representative of an Air Freight Carrier 7.4.2011, e-mail message.)

To be able to compare the air freight prices to the other prices provided earlier, the cost of the delivery of the goods from Helsinki to Oulu must be added. If we calculate according to TNT's rates, the delivery of same size consignment from Helsinki to Oulu would cost approximately 450 euro (TNT Express 2008b, date of retrieval 8.4.2011). Consequently, the total price of delivering goods first from Delhi to Helsinki by air and then through road to Oulu would be 1824 euro.

To review the prices given in this chapter, sea transportation of 500 kilograms is 338,80 euro, road transportation of three cubic meters 2700–4900 euro and combined air and road transportation of 500 kilograms 1824 euro. The prices given by the companies vary a lot, and also the sizes mentioned in each way of transportation are different. Thus it is rather hard to compare the prices more clearly. Nevertheless, it is obvious that delivering through road all the way from India is the most expensive option and thus probably not part of the final decision. Deciding between the transportation by air or sea must then be considered according to the final products to be imported, as well as the size and the weight of the consignment among other features discussed in this chapter.

3 CUSTOMS DUTIES

Case company being eager to import products from India to be sold in their e-business, it is of high importance to cover possible extra fees or restrictions taking place in such operations. Thus, this chapter clarifies first the tariffs, secondly the taxes and finally the trade barriers that occur when transporting goods from the country in question. The reason why these restrictions and fees should be examined carefully before starting the business is to be found in the total cost of the imports; if fees are too high, it increases also the final price of the product, and thus it will not become successful in the market (Johnson 2002, 20).

3.1 Tariffs

Tariff can be defined as a duty that is collected from goods transported from one country to another (Johnson 2002, 568). Each product that is imported has its own regulations, e.g. the rate of duties, which depends on its tariff classification and country of origin (Weiss 2008, 193). Tariff-rate quota means that a country has a certain limit for a product to be imported at certain tariff amount, and when this limit is exceeded, the tariff rate rises (Johnson 2002, 254). There can be also trade agreements that include the elimination of tariffs partly or as a whole (Weiss 2008, 230-231).

In Finland, the tariffs are collected by the customs offices and the regulations in use are common to all EU-countries (Finnish Customs 2010a, date of retrieval 9.2.2011). Importing from non-EU countries, a so called third country duty is collected. There are some tariff quotas, preferences or suspensions that in some cases may descend or even remove the tariff paid (Finnish Customs 2010b, date of retrieval 1.3.2011). European Commission offers a TARIC database from which the amount of duties can be seen; the information given is based on the country of origin and the goods code (2011, date of retrieval 1.3.2011).

Besides the import duty, there is also a possibility that some duties must be paid in India when importing. All the same, IndiaMART reports that at the moment there are only few articles subjected to export duties, these being for instance skins and leather (2011a, date of retrieval 7.4.2011). It is also mentioned that reason of these items being under such control is to avoid the

shortage in domestic markets as well as to protect the natural resources and the environment (IndiaMART 2011b, date of retrieval 7.4.2011).

EU has nominated some countries that are justified to preferential customs duty which is lower than the customs normally paid for goods imported to EU from non-EU countries; the duties might as well be totally removed. Tariff preferences are granted mainly to developing countries and the goods imported must originate from that area; this must be proved with a certificate of origin. (Finnish Customs 2010b, date of retrieval 1.3.2011.)

Generalized System of Preferences, GSP, is one tariff preference system that is intended to developing countries, and there are 176 states benefitting from it. This system tries to contribute in decreasing poverty and improve sustainable development and governmental issues. (Finnish Customs 2010c, date of retrieval 1.3.2011.) It must be noticed that if the country is able to compete internationally without the benefit received from GSP in some product categories, those product categories can be deleted from the set of tariff preferences; this phenomenon is called graduation (Finnish customs 2010d, date of retrieval 1.3.2011).

India is one of the countries being permitted to GSP, but there is also some graduation applied. Products in the section XI a, meaning the textiles in the chapters from 50 to 60 in customs tariffs, are excluded from this benefit at least in the time frame of 1.1.2009-31.12.2011. (Finnish customs 2010d, date of retrieval 1.3.2011.)

The commissioner has planned to import mainly home decorating accessories, these being textiles and goods manufactured of glass, silver or base metals. When searching related tariff rates from TARIC database, it soon became obvious that the tariff rates fluctuate quite a lot depending on the exact category or material of the product in question. The range of the duty rates in different categories and also the possible tariff preferences explained above can be seen in detail in table 3.

TABLE 3. Duties of textiles and goods manufactured of glass, silver or base metals (TARIC Consultation, date of retrieval 23.3.2011)

Section	Chapter	Explanation of the chapter	Codes ¹	Duty	Tariff preference
XI ²	50	Silk	5007	3-7,5 %	-
XI	51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	5111-5113	5,3-8 %	-
XI	52	Cotton	5208-5112	8 %	-
XI	53	Other vegetable textile fibers; paper yarn and woven fabrics of paper yarn	5309-5311	4-8 %	-
XI	54	Man-made filaments; strip and the like of man-made textile materials	5407-5408	8 %	-
XI	55	Man-made staple fibers	5512-5516	8 %	-
XI	57	Carpets and other textile floor coverings	5701-5705	3-8 %	-
XI	58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	5801-5805 & 5808-5809	5-8 %	-
XI	63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	6301-6304	6,9-12 %	-
XIII ³	70	Glass and glassware	7009, 7013, 7018 & 7020	3-11 %	0-7,5 %
XIV ⁴	71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewelry; coins	7114-7115	0-3,2 %	0 %
XV ⁵	73	Articles of iron and steel	7323	2,7-3,2 %	0 %
XV	74	Copper and articles thereof	7418	3-4 %	0 %
XV	76	Aluminum and articles thereof	7615	5-6 %	2,5 %
XV	79	Zinc and articles thereof	7907	5 %	1,5 %
XV	83	Miscellaneous articles of base metal	8304, 8306, 8308 & 8310	0-2,7 %	0 %

¹ A more specific explanation of the codes can be found on TARIC database

² Section XI: Textiles and textile articles

³ Section XIII: Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware

⁴ Section XIV: Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewelry; coins

⁵ Section XV: Base metals and articles of base metal

From the table it can be seen, that the rates related to the home decorating accessories vary from zero to twelve per cent, and also as mentioned before, there are no tariff preferences for textiles when importing from India. These tariff rates were collected in the end of March 2011, and it must be remembered that such rates may fluctuate by time and even though they give a direction of the possible rates, those should be verified before starting the actual measures of importing.

3.2 Value-Added Tax

Value-Added Tax, often referred also as VAT, is generally paid for imported goods. The amount of the tax depends often on the customs value to which the duties are added. Later, when the products are sold, the tax is collected back from the customers. (Johnson 2002, 22.) Finnish Customs declare that the duties added to the customs value include expenses related to importing; these are for instance costs of transportation, loading, unloading and guaranty. Additionally, payments, such as customs duties, other taxes, import- and other fees made to the state or the EU are included to the base of VAT. From the total amount of these different payments is then calculated the Value-Added Tax of the imports. (Finnish Customs 2009a, date of retrieval 2.3.2011.)

The most common rate of Value-Added Tax in Finland is 23 per cent. Exceptions to this are groceries and fodder with the VAT rate of 13 per cent, and drugs, books and art objects with the VAT rate of 9 per cent. (Finnish Customs 2011a, date of retrieval 2.3.2011). The responsibility of paying the VAT is with the person in possession of the imported goods (Finnish Customs 2009b, date of retrieval 2.3.2011).

Though, not all the goods imported must be paid VAT for; often items that are customs free according to some law or regulation, are also cleared in terms of Value-Added Tax. There are also some exceptions that allow importing without paying fees; these include e.g. items meant to the fairs and small product samples and marketing materials. (Finnish Customs 2009c, date of retrieval 2.3.2011.)

3.3 Trade Barriers

According to the Ministry of Employment and the Economy trade barriers are such regulations and actions of authorities that prohibitively complicate the trading of goods and services in

exporting and importing. For instance standards, high customs, importing quotas and insufficient enforcement of valid laws are considered as barriers of trade. These obstacles waste time, effort and financial resources, and may even cause lost opportunities of business. (2010, date of retrieval 10.2.2011.)

To take the commissioner's wishes into consideration, the trade barriers in importing textiles, silver, base metals and glass must be examined. Ministry for Foreign Affairs of Finland is a good source for this purpose. Their web pages declare that since the end of 2004 there have been no longer import quotas of textiles in the trade between WTO-countries, as this was the time when WTO's Agreement on Textiles and Clothing terminated (2006a, date of retrieval 24.3.2011). Furthermore, the baseline of EU is that it does not set any restrictions for steel products that originate from other WTO-countries, excluding normal import duties (Ministry for Foreign Affairs of Finland 2006b, date of retrieval 24.3.2011). World Trade Organization (WTO) has 153 members, including both Finland and India (World Trade Organization 2011, date of retrieval 24.3.2011).

One way to subtract importing of goods that have too low price and would thus damage industries in EU is using anti-dumping duties, which are also collected by the Finnish Customs (Finnish Customs 2009d, date of retrieval 1.3.2011). There are some Indian products subjected to anti-dumping duties, but these are mainly chemicals (Finnish Customs 2011b, date of retrieval 1.3.2011). Though, it would be advisable to check this list provided by Finnish Customs every now and then to see if there have been any changes.

4 SUPPLY

Supply takes place when a company buys or sells some materials or goods from or to another company. When buying, the company is using suppliers and is the customer; when selling, the company itself acts as a supplier. (Waters 2003, 7.) Good suppliers affect directly to a company's success. Consequently, selecting and managing the right supplier offers the access not only to the desired level of quality, but also deliveries on time and at convenient price. (Dobler & Burt 1996, 212, 214.) Hereby this chapter is to discuss the facts that affect the selection of the supplier and the products to be purchased.

4.1 Selection of Suppliers

Dobler and Burt (1996, 115-117) state that good sources for supplier information are supplier catalogs, trade registers, trade journals, the yellow pages and trade exhibits among others. Weiss (2008, 64) suggests that world trade centers and trade promotion organizations can help with finding suppliers, and points out that there are a great amount of Internet sites concentrating on trading between companies. There are two main features to be searched from the suppliers: firstly, a product design that corresponds the needs and secondly, the certainty that the product is delivered as promised (Waters 2003, 233).

When a list of potential suppliers is ready, each candidate needs to be evaluated individually. Eliminating is one way of selecting the suppliers with whom the company may be willing to operate; criterion is that they should be able to compete in quality, price and services. Judgment of the suppliers depends as well on how critical, complex or expensive the future purchase will be. In minor deliveries all information needed may be found e.g. in the brochures the supplier delivers, but a major purchase being in question, even a plant visit can be reasonable to execute. (Dobler & Burt 1996, 239-240.)

In addition to these attributes, Business Link offers some further characteristics that should be found from suppliers. Reliability and flexibility are important in order to be able to meet company's own customers' expectations. It must be remembered that not always the cheapest goods offer the best value for money, so before making a contract with the supplier offering lowest prices, the company needs to decide which is more important: cheap prices or quality and reliability. The

importance of financial state of the supplier should not be underestimated as this might have an effect to the ability to deliver in time. (2011c, date of retrieval 2.3.2011.)

Before contacting the suppliers, research should be done in order to diminish the list of potential suppliers to four or five candidates. There are five questions to be answered that will help with discovering if the candidates can fulfill the company's needs. (Business Link 2011d, date of retrieval 2.3.2011.) These questions are:

Can these suppliers deliver what you want, when you want it? Are they financially secure? How long have they been established? Do you know anyone who has used and can recommend them? Are they on any approved supplier lists from trade associations, local or central government? (Business Link 2011c, date of retrieval 2.3.2011.)

After making the shortlist of four to five candidates, it is time to approach them by providing some basic information of the company and the demands. When comparing the responses, things important to the company itself must be decided and evaluated. (Business Link 2011d, date of retrieval 2.3.2011.) In terms of the relationship between the future partners, the characteristics that may be used as selection criteria are activity, honesty and enthusiasm. Responding to messages quickly, in an appropriate way and willingness to offer further information are normally signals for good level of activity. Likewise, the enthusiasm can be evaluated by observing the way in which the company representatives deal with requests of information. On the contrary to activeness and enthusiasm, honesty is not as easy to measure; it is advisable to check the credit information of the potential partner if possible, as well as ask for references. (Weiss 2008, 67.)

Weiss notes that product catalogs, that may be found on the Internet or are to be ordered, must be examined after finding potential suppliers. Following step is to select products that can be transported at reasonable cost, passed through customs without problems and have good sales potential in the market. When all this is done, it is advisable to ask for some samples free of charge or at the lowest price possible. Products to be imported may not meet the expectations the customers have, and thus is the ordering of samples of great importance. (2008, 60-61.)

When selecting the supplier, it must be remembered that the reputation of the company may suffer or succeed according to this choice. The labor conditions and environmental issues of suppliers have an effect when judging a company and its operations; hence, these aspects of supply chain should as well be well designed. (Business Link 2011d, date of retrieval 2.3.2011.)

Waters notes that to confirm the continuous satisfactory services, most companies observe their suppliers. Despite this, they do not demand service to be perfect all the time; reasonable amount of effort is acceptable. Checklists are common in supplier rating to make sure that high enough quality in the most important factors is met. The list may contain questions related to financial security, quality of materials, prices and delivery times among others. The aim of supplier rating is not to replace existing suppliers, but to find the improvement needs and then try to achieve these enhancements. (2003, 235-236.)

Short guideline for selecting a supplier can now be aggregated. The process starts with finding supplier lists and narrowing them down to find best potential partners. Second step is approaching them in the chosen way, and evaluating their way of behavior. When a suitable supplier has been selected, the product lists are to be explored and policies inspected. As the cooperation starts, the follow-up must not be forgotten; this enables continuous advancement of the relationship.

4.2 Consultants in Supply

There are corporations that offer their expertise of cultures and way of doing business in different parts of the world. These corporations' clients are mainly businesses operating in international markets, both in the field of import and export, and they are provided with experts who can act as consultants, guides, drivers or interpreters. These people can help for instance with booking the appointments, acquiring some background information of the potential supplies and even evaluating the meeting. Local expertise like this can be very precious if the company starting the operations has no previous experiences in the country in question. (Weiss 2008, 72.)

In Finland a corporation called Finpro offers these kinds of consultant services for companies who wish to start international business operations. Finpro is founded by Finnish companies, and its members consist of 560 Finnish companies, Confederation of Finnish Industries and Federation of Finnish Enterprises. The corporation operates worldwide and its strengths are knowledge in industries and target markets. Assistance can be received in four stages of internationalization: planning of international growth, preparing the market entry, establishing business in chosen market and improving market share. All these stages are divided in two to five different categories which are stated in appendix 2. (Finpro 2010a, date of retrieval 23.2.2011.)

From the different services provided by Finpro, the most important ones regarding supply are in the stage of establishing business in chosen market; partner search and supply. In partner search Finpro surveys and analyzes best potential partners from chosen market area, helps in prioritizing them, arranges meetings with the chosen candidates, and helps with planning following steps. Service called supply includes searching potential suppliers, investigating their procedures, knowledge and suitability and finally arranging meetings with best potential candidates. (Finpro 2010b, date of retrieval 23.2.2011.)

Finpro is in collaboration with the Embassies of Finland, which is another place from which a Finnish company may ask for advice. The representative office in desired destination provides information and assists with making the contacts to the public authorities, business field, consultants and lawyers. There are Finnish Honorary Consulates working in co-operation with the Embassies who can as well help in finding the needed contacts. Contact information of Honorary Consulates can be found from Finnish diplomatic missions, local authorities or telephone directories. (Embassy of Finland, New Delhi 2010b, date of retrieval 23.2.2011.)

Political and economical development, risks, threats, possibilities and visions of a country can be inquired from the Embassies of Finland. They can also answer questions about trade, but it is recommendable to turn to Finpro in these issues. In addition to the Embassy of Finland located in New Delhi, there are also three offices of Finpro in India, located in New Delhi, Mumbai and Chennai (appendix 3). (Embassy of Finland, New Delhi 2010b, date of retrieval 23.2.2011.)

For companies it is beneficial to know that these kinds of services exist, as they may face some problems when starting their operations abroad. These organizations are available for anyone needing help or assistance with their business operations; though it must be remembered that nothing good comes for free.

5 METHODOLOGY

Since the objective of this thesis is to provide the commissioner a practical approach to importing from India, the theoretical background alone is not sufficient enough; thus, a few researches answering the research questions are included in the thesis. The methodologies used in these explorations are discussed in this chapter.

According to Ten Have, a research method that employs extensive verbal explanations to describe the results of a research and pursues to find hidden meanings and various interpretations thus creating complex descriptions, is called qualitative. Concurrently, answers of quantitative research are mainly presented in numerical form and it aims at numerical summaries, such as percentages and means. (2004, 4-5.) Since the thesis aims at being beneficial to one specific company, there is no need to make generalizations but to offer as precise information of the subject in question as possible. Therefore, the research in this thesis will be conducted by qualitative methods, applying both primary and secondary data. The usage of qualitative research is also supported by the note that it is exploratory or descriptive, and that it emphasizes the context, venue and the frames of reference (Marshall & Rossman 1999, 58).

Rugg and Petre define primary research as studying something that is “new to everyone” while secondary research examines something that is “new to you but not to everyone” (2006, 31). To face the wishes of the start-up company, primary research will be conducted in terms of interviews discussing importing procedures and the reputation of selected fairs, whereas secondary data has been gathered to be combined with the theoretical framework and in terms of the research will be used to explore the Internet pages of Indian fairs. Blaxter, Hughes and Tight mention eight occasions when secondary data may be utilized, from which the ones applying in this case are: “Because collecting primary data is difficult, time consuming and expensive” and “Because it makes sense to use them if the data you want already exist in some form” (2002, 171).

5.1 Interviews

To answer the first research question more precisely, e-mail interviews were made with specialists in trading between India and Finland. Blaxter et al. report qualitative interview being useful technique as it can be varied according to the objectives. In this occasion, the interviews

made were tightly structured, involved only the respondent and the interviewer, and the interviewees were first told the areas to be covered during the interview. (2002, 172.)

First the people to be interviewed must be selected and as it is not possible to reach all people belonging to the interest group, qualitative research utilizes samples from the population. There are plenty of sampling strategies, but those can be put on three main categories; probability sampling, non-probability sampling and other kinds of sampling. The selection of the sampling method depends on the resources and the information of the population available. When the researcher does not have a full knowledge of the population in question, non-probability sampling is used. (Blaxter et al. 2002, 161-163.)

The selection of the interviewees was done, according to the commissioner's wishes. There were expectations that interviewees would be people having dealt with Indian practices, and thus this was used as sampling criteria. As there is no list of all Finnish people trading with Indians available, the strategies for selecting the interviewees fall in category non-probability sampling. To be more specific, more than one sampling method was used. At first, purposive sampling was used as there were a couple of contact information provided by the e-business as it was thought that these contacts would be sufficient in providing required information. Purposive sampling is selecting carefully those cases that presumably are interesting or representative (Blaxter et al. 2002, 163). As this sampling method did not generate satisfactory results, snowball sampling was used to be able to gather enough answers. Blaxter et al. define snowball sampling as expanding a sample by using informants (2002, 163). To be more specific, the informants used were mainly the representatives selected by purposive sampling.

As sampling had been done, the interviews were sent out in the time frame from 28th of April to 4th of May 2011. In total, 16 people were approached, including mainly Finnish importers, but also Indian exporters, specialists in importing, and Indian students in Oulu.

As the members of the sample located all over Finland and a couple of them in India, the interviews were selected to be conducted through e-mail. Thus, the interview took more or less a form of a questionnaire, as all of the questions were tightly structured. Still, there were no quantitative questions stated, and the respondents were allowed to use their own words when answering the issues covered. Advantages of questionnaires are that they are less time consuming and expensive than face-to-face interviews; on the opposite, the respond rate tends to

be lower (Blaxter et al. 2002, 179). This was the case also here: the interview was sent out to 16 people in total, from which only 4 answered. The answers were received between 29th of April and 11th of May 2011, and the answerers were Indian Exporter, Finnish Branch Manager of a retail store, Finnish Entrepreneur and Finnish Consultant in Indian markets. The Exporter and Consultant answered only some of the questions, while the importers being the Branch Manager and Entrepreneur gave answers to each question. Luckily, the fairly low response rate does not have a great effect on the end results, as the goal was to collect some experiences so that the commissioner would be able to prepare for the future challenges.

According to Marshall and Rossman analyzing of the data consists of six steps: "(a) organizing the data; (b) generating categories, themes and patterns; (c) coding the data; (d) testing the emergent understandings; (e) searching for alternative explanations; and (f) writing the report". The first phase includes reading through the answers and editing them if necessary, as the second step is to examine if there are patterns formed in the answers and categorizes them accordingly. The next thing is to create codes in the data; this means including abbreviations, colors or numbers, and the aim is to discover new understandings which are then evaluated and explored in the fourth step. Alternative explanations' goal is to understand if there could be other links between the data than the most obvious ones. Finally, the report can be written to summarize and reflect the data. (1999, 152-157.)

The six steps presented by Marshall and Rossman were used in analyzing the data. The themes emerged were the ones used in the theoretical framework, but also some new connections were found. Furthermore, no massive need for coding emerged, as the amount of answers was minor and the data was cognizable without this. Some explanations for the answers were found, and finally, the report written.

5.2 Desktop Research

To offer a distinct view of the secondary data used, the examining of the trade fairs must be discussed. The more precise method used here can be called desktop research or alternatively document analysis. The sources for content analysis are usually written documents, and traditionally it is seen as an objective way of executing a research (Marshall et al. 1999, 117). Denscombe reminds that the source of getting the documents does not affect to its usability, but also that the credibility of Internet documents may be questioned (2003, 214).

The trade fairs in India were found through search engines specialized in businesses and events, from which four proved to be most sufficient ones; Auma, Biz Tradeshows, Trade India and Trade Show Alerts. The research was done during April 26-29 2011 and the information to be presented in this thesis was selected according to its relevance. At first, tens of trade fairs resulted from search terms related to home decorating accessories and some sort of elimination had to be executed. Fortunately, there were quite a lot dated information available, and thus the selection criteria used was that the fair had not yet been arranged this year. As a result, it was fairly easy to cut the number down to 13. A deeper examination of these 13 fairs indicated that not all of them were sufficient for the commissioner. Thus, the final number of trade fairs presented in this thesis is six.

Finally, the results of this desktop research were estimated according to the information provided in the events' web pages and the overall atmosphere received from them. Thus, there were no specific analyzing tools used; the impression of reliability and relevance were the most critical facts when selecting the final fairs to be recommended to the e-business.

6 INDIAN PRACTICES AND FAIRS

This chapter will discuss the results received from the researches made to achieve the objectives of the thesis. Firstly, the answers to the interviews regarding practices when importing from India to Finland are described. Secondly, the results of the desktop research conducted in the field of Indian Fairs are documented.

6.1 Indian Practices

The answers received from four actors in the field will be combined here to provide a clear understanding on what kind of practices these people tend to use in the trade between India and Finland. The answers will be provided in the same order as in the theoretical framework: firstly logistics including money exchange and transportation, secondly trade barriers, and lastly supply.

The currency used by the answerers is usually the currency set by the supplier, this being euro or US dollar; even Indian rupee may be required as the euro has been fluctuating quite strongly lately. (Branch Manager 5.5.2011, e-mail interview; Entrepreneur 11.5.2011, e-mail interview; Exporter 29.4.2011, e-mail interview.) The payment term used by the Branch Manager is 30 % in advance payment and 70 % against the documents after the goods have arrived. From Incoterms she applies either EXW or CIF Helsinki, depending on what the supplier can offer. (5.5.2011, e-mail interview.) Quite on the contrary, the Entrepreneur makes business only with suppliers she knows and thus she can use payment order; this is the most convenient, inexpensive and reliable way of sending the money for her. Moreover, she does not use any Incoterms as the sellers are her acquaintances and she relies on that if anything unusual happens, things are negotiable. Though, she notes that her business is small scale. (11.5.2011, e-mail interview.)

As a transportation method, the Entrepreneur and the Exporter use air freight since their deliveries are small in size and that way they minimize the damages during the transportation. It is also said to be the fastest way of delivering and having less insecurity factors than sea freight. (Entrepreneur 11.5.2011, e-mail interview; Exporter 29.4.2011, e-mail interview.) The sea freight is used by the Branch Manager, as the retail store's deliveries are mainly bulky (5.5.2011, e-mail interview).

The respondents think that it is advisable to use freight forwarders when a company is starting the importing from India. This will help through the bureaucratic challenges they might face and thus make the procedure a lot easier; it also leaves time for the company to focus on its core business. (Branch Manager 5.5.2011, e-mail interview; Entrepreneur 11.5.2011, e-mail interview; Exporter 29.4.2011, e-mail interview.) Though, the Entrepreneur reminds that these kind of services cost money. Consequently, she uses freight forwarders only in India, and makes all the procedures required in Finland herself. (11.5.2011, e-mail interview.)

The only one having faced trade barriers when importing from India is the Entrepreneur. She notes that the customs procedures are unclear in Finland as the customs rates have repeatedly changed even though the goods imported have been the same. The officers rely wholly on the database, and thus are sometimes hesitant on the right rates. In India there have been no problems, but she emphasizes the importance of paper work and arrangements beforehand. (11.5.2011, e-mail interview.)

To continue with the area of supply, the most important features of Indian suppliers were thought to be punctuality, reliability, English skills, friendliness, reliability, flexibility and constant level of quality. It was also remarked that the flow of information should be effortless and that there are long-lasting holidays in India; regardless, the suppliers should ensure that the buyer's needs and timetables are considered more important. Also the importance of the relationships and trust was highlighted, as everything flows better when business partners are more or less like friends. (Branch Manager 5.5.2011, e-mail interview; Consultant 10.5.2011, e-mail interview; Entrepreneur 11.5.2011, e-mail interview.)

The Entrepreneur has selected her suppliers with the help of her personal contacts in India. She also has own experience from India and knows the products, which has made it easier to find suitable sellers. By far, the Entrepreneur has been satisfied with her partners and keeps in contact with them weekly by e-mail or text messages. (11.5.2011, e-mail interview.)

The importers state the best source to find suppliers are trade fairs and sales events, as there are lots of products presented and contacts available. There it is easy to compare the products and get some kind of perception of the products. Companies that participate in the fairs are usually already familiar with exports and thus starting the operations with them is more fluent. Neither the

Entrepreneur nor the Branch Manager has used consultants when starting to import from India. (Branch Manager 5.5.2011, e-mail interview; Entrepreneur 11.5.2011, e-mail interview.)

Simultaneously, the Consultant states that though there are many companies available in trade fairs, it is hard to judge their suitability. Additionally, she does not recommend supplier searches on the Internet, as there might be web pages that are misleadingly polished, while some good companies may not yet have their own web pages. Using external consultants is advisable, as they can check the background information of the potential partners, make sure that the interest is real and even negotiate preliminary conditions of the contract. When evaluating the suppliers, "ghost calls" to the company should be made or opinions from the field of the business collected. The Consultant also suggests that the initial contact should be made through sending a letter or an e-mail, shortly presenting the company and its intentions. To get an answer, a phone call should be executed to remind the receiver of the contact and to probe the atmosphere. (10.5.2011, e-mail interview.)

When it comes to the samples, all respondents thought it is a good idea to ask for them to ensure the quality, and suppliers have also delivered the samples to them as promised. The only problem here is that this procedure does not always guarantee that the entire delivery would be of the same quality. (Branch Manager 5.5.2011, e-mail interview; Consultant 10.5.2011, e-mail interview; Entrepreneur 11.5.2011, e-mail interview; Exporter 29.4.2011, e-mail interview.) The quality criteria in India are not as high as in Finland, and thus the technical requirements should be highlighted. Furthermore, the conditions of cancelling the deal or getting compensations if the quality is not as promised must be included in the contract; this would most probably delete the most uncertain candidates already in the beginning of the process (Consultant 10.5.2011, e-mail interview).

To give some further information for a start-up company, the Consultant tells that the companies that are contract manufacturers for western companies are of top class both in quality and delivery times. The only challenge is to attract such manufacturers, as the quantities required by Finnish companies tend to be small. (10.5.2011, e-mail interview.) On the contrary, the Branch Manager clarifies that Indians are ready to co-operation with also smaller operators, along with that product design has developed (5.5.2011, e-mail interview). Additionally, the Entrepreneur says that Finnish companies are interesting partners for Indians and thus making contacts should be easy (11.5.2011, e-mail interview).

6.2 Indian Fairs

Exhibits and trade fairs are, as mentioned earlier, an adequate source of potential suppliers. This is a fact that also the commissioner has realized and thus is willing to find out what kind of trade fairs there are in India that would suit their purposes; acquiring knowledge about the local companies and what kind of items they sell in reality.

The trade fairs were searched by using some databases consisting of trade fairs. Four most beneficial databases appeared to be Auma, Biz Tradeshows, Trade India and Trade Show Alerts; from each of these one to five related fairs were found. When the most suitable trade fairs had been found, a deeper knowledge of them was acquired by studying the Internet pages of the fair in question.

The events selected to be most valuable to the e-business are ZAK Interior Exterior Expo, Gifts World Expo, Culture Collection, Index Furniture, Gifts and Decor Asia, and Indian Handicrafts & Gifts Fair. These six fairs will be described in detail, in chronological order, based on the information found on the events' web pages.

ZAK Interior Exterior Expo

In June 23-26 there is 21st ZAK Interior Exterior Expo including International Furniture Fair arranged in Chennai. 650 000 visitors arrive to this event from around the world. The product assortment is impressive, including not only furniture, but also home accessories, furnishings, lightings, carpets, wall papers and even shower curtains. (ZAK Group 2011a, date of retrieval 29.4.2011; ZAK Group 2011b, date of retrieval 29.4.2011.)

Gifts World Expo

The second fair to be considered is a gift fair, Gifts World Expo. This trade fair is located in New Delhi and it is be open for public from 29th to 31st of July. The fair presents products from following categories: gifts, souvenirs, awards, novelties, gifting ideas and mementoes. (Gifts World Expo 2011a, date of retrieval 28.4.2011.)

Even though this fair is promoted to be a gift show, there are products that could easily be sold by the commissioner as well. From the web pages of Gifts World Expo it can be seen, that for instance brass and crystal ware, gold and silver gifts, lamps and photo frames among many more product categories are on display in the event (2011b, date of retrieval 28.4.2011).

Culture Collection

Slightly different kind of trade fair than the previous two is Culture Collection in Mumbai, held on August 18-21. In 2011, it is the tenth time Culture Collection will be organized. Here, the companies participating are selected according to their expertise; this ensures the quality of the event. (The Culture Collection 2010, date of retrieval 29.4.2011; The Culture Collection 2011, date of retrieval 29.4.2011.)

This event is said to be based on creativity and talent, and the exhibit profile consists of antique, art, furniture, wear, furnishings and handiwork. To summarize the areas of businesses presented in this trade fair, three relevant product groups are nominated: art, decor and style, from which decor is the most interesting one to the commissioner. Products established from this category are for instance decoratives, lampshades and photo frames. (The Culture Collection 2010, date of retrieval 29.4.2011; The Culture Collection 2011, date of retrieval 29.4.2011.)

Index Furniture

Index Furniture Fair starts on 29th of September and the last day of event is 2nd of October, and the venue is again in Mumbai. Even though in question is an international furniture fair, the commissioner should pay attention to it: there is Index Furnishing Fair incorporated in this fair. Already in the Furniture Fair, there are artifacts and interior accessories included in the product profile besides the finished furniture and decorative lighting. In addition, the Furnishing side of the show presents carpets, curtains, pillows and table decorations to name some. (Index Trade Fairs 2011a, date of retrieval 28.4.2011.)

Index Fairs have been organized since 1989, and they offer visitors industry specific trade fairs. Index Fairs in Mumbai represent not only furnishing, but at the same time and in the same venue, there will be other Index trade fairs open as well. These are Kitchen & Appliance, Office, Contract, Light, Inter-Furn and Indarch. (Index Trade Fairs 2011b, date of retrieval 28.4.2011.) To

simplify, it is a great trade show in question and there will most probably be companies from a variety of industries presented.

Gifts and Decor Asia

In Chandigarh there is another gift show on 1-3 October. There are gifts products, arts and crafts, decorative items, furniture and lighting products on display. The visitor profile includes importers and exporters, as well as retailers, so as well in these terms this would be suitable for the start-up company. (Trade Show Alerts 2011, date of retrieval 29.4.2011.)

Indian Handicrafts & Gifts Fair

The last candidate for a fair to be visited is called Indian Handicrafts & Gifts Fair. It is organized 15-18 October 2011 in New Delhi and the fair is organized for 32nd time. The exhibition area is 97 000 square meters and there will be 1800 manufacturers and exporters presenting their companies. Visitors, amounting around 5000 persons, are provided with extensive information about handicrafts of India, alongside with co-operation between exporters of Indian handicraft and foreign buyers. There are both traditional and innovative items represented in this fair, and the areas covered are giftware, kitchenware, decorative, furniture, furnishings, tableware, garden articles, house ware and fashion accessories. (Export-Promotion Council of Handicrafts 20011a, date of retrieval 26.4.2011; Export-Promotion Council of Handicrafts 2011b, date of retrieval 26.4.2011)

There is a specific list of represented goods available at the event's web pages, but regarding the commissioner's wishes, a few items included to the product range could be mentioned: bedspreads, brassware, chandeliers, glassware, silverware and table mats. It is also mentioned, that there have been buyers from over 20 countries taking part to the fair. (Export-Promotion Council of Handicrafts 20011c, date of retrieval 26.4.2011; Export-Promotion Council of Handicrafts 2011d, date of retrieval 26.4.2011.)

As can be seen from this chapter, there are many trade fairs available in India related to decorating and home accessories; participating any of these six events would certainly benefit the commissioner. To clarify the main facts of each fair, table 4 summarizes the information given above.

TABLE 4. Indian fairs related to home decorating accessories

Trade Fair	Time	Place	Examples of products
ZAK Interior Exterior Expo	23.-26.6.2011	Chennai	carpets, furnishings, furniture, home accessories, lightings, wall papers
Gifts World Expo	29.-31.7.2011	New Delhi	awards, gifts, gifting ideas, mementoes, novelties, souvenirs
Culture Collection	18.-21.8.2011	Mumbai	antique, art, furnishings, furniture, handiwork and wear
Index Furniture	29.9-2.10.2011	Mumbai	artifacts, decorative lighting, furnishing, furniture, interior accessories
Gifts and Decor Asia	1.-3.10.2011	Chandigarh	arts, crafts, decorative, furniture, gifts, lighting
Indian Handicrafts & Gifts Fair	15.-18.10.2011	New Delhi	decorative, furnishings, furniture, garden articles, giftware, house ware, tableware

Also the interviewees were asked to share their experiences of Indian fairs. They were said to be interesting, presenting a variety of products. Though, the days may be exhausting, not all the halls are equipped with an air conditioning, and the visitor should anticipate few places offering food. From the fairs mentioned before, both importers have visited Indian Handicrafts & Gifts Fair. (Branch Manager 5.5.2011, e-mail interview; Entrepreneur 11.5.2011, e-mail interview.)

7 CONCLUSION

The research task of this thesis was to find out how importing from India to Finland would happen in practice, and also what fairs could the start-up company visit if they wanted to source home decorating accessories from India. This part is to discuss the findings of this project and to give some suggestions to the commissioner on how to start the operations of importing. The themes covered will follow those defined earlier, and a reflection of the theory and the research results will be conducted.

According to Junes the country risk has an effect to the method of payment so that the riskier the markets, the more secure ways of paying should be used. In this list, Asian countries are placed in the middle; practically this means that either documentary credit or documentary collection is recommendable to be used. Also one interviewee noted that only a small portion of the money is transferred to the supplier before receiving the goods. Thus, the suggestion is that the e-business would use either one of the secured ways of paying, especially in the beginning of the relationship.

When talking about the currency, it is highly possible that the Indian suppliers will offer the currency that then should be accepted, as mentioned by the interviewees. The most convenient for the commissioner would probably be euro, as it is the currency used in Finland and thus there would be no risk of radical changes in the value of the purchase. Though, the usage of US dollar should also be acceptable if the supplier uses that as a trade currency, as it is one of the hard currencies specified by Hinkelman. Furthermore, the start-up company should think twice before approving the usage of Indian rupee as a currency, at least before a more in-depth understanding of the state of the currency in question is made. Naturally, if the supplier only approves Indian rupees, it may be acceptable when using fixed exchange rate.

Only one of the interviewees mentioned the Incoterms used, as the other importer was acquaintances with the suppliers and did not need such rules. Relying on the business partners is a risky business, and thus not recommended to the commissioner. The Branch Manager stated that they use EXW or CIF Helsinki. From these two CIF is easier for the importer, as then everything happening before the goods arrive to the stated destination has to be handled by the seller. Though, not all suppliers provide CIF as an option, and in case the start-up company

wants to save in the expenses, EXW could be a better choice. Though, it must be remembered that choosing EXW there is lot to handle with and lot of effort must be seen before getting the goods for sale. Final decision on which Incoterm will be used depends greatly on how much effort the e-business is ready make for getting the goods, while considering the amount of money they are prepared to spend to get the purchases delivered.

Two out of three answerers are using only air freight when delivering from India; one of them uses sea transportation. Once more this is a matter that can only be decided after the quantity of the goods is clear, but the main rule here is that if small quantities or light products are delivered, air freight is the best option; it may be more expensive, but the benefits of fast delivery and intact goods are worth the money. Simultaneously, when transporting bulky deliveries or large quantities, the best selection for the commissioner is the sea transportation. In addition, using freight forwarders is recommended as it makes the whole process run smoother.

As mentioned before, the tariff rates may fluctuate and thus the precise rates should be revised before starting the operations; as well, the trade barriers could be checked from the web pages of Ministry for Foreign Affairs of Finland. This ensures that there will be no unpleasant surprises while importing the goods. As the Entrepreneur stated, these rates can be intricate and thus special attention to it should be paid. Despite that, there are no barriers for starting the business between India and Finland.

As the importers and the Exporter propose, fairs and sales events would probably be the most efficient source of potential suppliers for the commissioner. This is because there is no previous experience on Indian supply, and from trade fairs the start-up company would gain a clear view on what is available in the market. Though, as the Consultant notes, there is a possibility that not all the presenters participating in trade fairs are suitable for the company, and thus some money could be spent on consultants who would examine the most suitable business partners. When consultancy of experts is used, they will most probably be evaluating the potential suppliers at the same; if the e-business wishes to save some resources, this could be done on their own by evaluating the factors covered in the framework and also recommended by the interviewees.

To make the conclusions complete, the fairs presented must be evaluated and also decided on which fair the commissioner should travel to. From the six fairs presented, Index Furniture and Indian Handicrafts & Gifts Fair would be the ones that appear to be the most appropriate for the

start-up company, even though all of them are related to home decorating accessories. These two were selected based on the information provided in the web pages, as well as the exhibitor profile; even though the gifts fairs would offer goods related to decorating, it is always a bit riskier than participating fair that is meant exactly for decorating or related products. Furthermore, Culture Collection is surely a fantastic trade show, but as the commissioner is not looking so much for arts, this was left out from the final two. Zak Interior Exterior Expo was disqualified based on the Internet pages provided; there was not enough information provided to the visitors.

Both of the selected fairs have a long tradition; Index Furniture is organized for 22nd time and Indian Handicrafts & Gifts Fair for 32th. They both are also said to be international, which is an important criteria as the commissioner would most likely prefer suppliers that are familiar with international buyers to those who are not. Further defenses for Indian Handicrafts & Gifts Fair was that both importers had visited this fair in India and that it offers the visitors information about Indian handicrafts. Simultaneously, Index Furniture Fair is not just a furniture fair, but offers various products under one roof; thus, it would be easy for the commissioner to find other Finnish businesses interested in this fair, and could attend the fair together with them.

All in all, the results gained from the interviews were supporting the anticipation there was after writing the theoretical framework on each of the topics. This is a positive finding, as now the e-business can be well-prepared when entering the business in India and also deeper knowledge and understanding of each area covered has been reached. Though, it must be remembered that the results gained from the interviews only reflect the perspective of two to four persons, depending on the question, and cannot be generalized. Still, it can be noticed that no remarkable problems have been faced by any of the respondents, and some answers were parallel and thus probably staging the actual aspect of circumstances.

8 DISCUSSION

The main objective of this thesis was to provide the commissioner practical advice on how to import home decorating accessories from India to Finland. The topic was approached by first studying the theory of three main areas selected; logistics, customs duties and supply. The topics in the framework were chosen according to the commissioner's targets as well as the author's interests and were thus fairly easy to limit. The next step was to search more in-depth information available on Internet and other sources. Finally, some interviews were executed via e-mail, to get some pragmatic ideas of what to expect from Indian markets.

Naturally, another aim was to increase the author's knowledge about importing; the whole process proved to be interesting as the areas covered were related to the personal interests of the author. Further motivation was received from the fact that the work would be beneficial for the commissioner in the future. At times this also caused some sort of insecurity, as the author realized that the results would have to be trustworthy as they will be used in reality; however, this was a positive effect; as a result, the project was taken even more seriously. The knowledge of the topic in question developed and deeper understanding of each part discussed was reached; thus, it can be said that the learning process was successful. After concluding the thesis, the author is even more interested on the topic than before the process started.

The project included a research utilizing qualitative methods; interviewing a couple of experts in the field of importing from India to Finland. The interviews were made through e-mail because it was the most convenient way as the interviewees were spread around Finland and a few also in India. Though, if it would have been possible, face-to-face interviews would have most probably given more precise and in-depth results, and a higher respond rate would have been achieved. Still, it must be remembered that if face-to-face interviews would have been conducted, more time and effort from both the respondents and the interviewer would have been requested. It is also possible that then not even as many would have been able to take part to the research. Furthermore, it must be noted that many persons asked to answer the interview appealed to that this kind of information is part of the trade secret and thus were not able to provide answers to the questions.

When looking back to the beginning of the process, the objectives and research methods could have been clearer right from the start. The scope of the thesis had to be narrowed down during the process, as the initial plan was to include searching of potential wholesalers in this thesis. As the project proceeded, it clarified to all parties involved that this wide scope included in one thesis would be too much to handle. If this would have been clear right from the start, more specific interviews could have been made for instance with two companies importing from India, and this thesis could have been introducing them as case studies. This kind of solution would have then given more precise answers to the commissioner's questions. Nevertheless, the method selected still gave beneficial advice to the e-business.

Evaluating reliability of the research it must be said that if the research was repeated with some other experts on business between India and Finland, the results would most probably be quite similar to these, because there were no enormous differences in the answers this time either. Though, it must be remembered that this research did not try to generalize this subject, but to give some viewpoints to the start-up company. Thus, the reliability is not as high as it could be, but similar answers would be anticipated and consequently medium level reliability of this research reached. Furthermore, since the research carried out responses to the research problems defined in the beginning, it can be said that the research has high validity. Additional judgments for validity are that the things were studied as planned in the first place and also that the right questions were asked in order to succeed in answering the research questions set.

While the project proceeded, further development ideas which could be conducted in the form of bachelor's thesis arose. A study discussing Indian business culture compared to the Finnish one or comparing Indian business procedures or culture to for instance Chinese ones would be surely interesting, as both India and China are in the favor of outsourcing companies. Furthermore, a study researching best potential suppliers for the start-up company, as was in the initial plan of this thesis, could be executed. Then, if a list of companies importing from India would be available, also a quantitative research related to importing would be absorbing; this would help future importers to see what are the practices used the most.

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The 11 Incoterms® 2010 rules are presented in two distinct classes:

Rules for Any Mode or Modes of Transport

EXW	EX WORKS
FCA	FREE CARRIER
CPT	CARRIAGE PAID TO
CIP	CARRIAGE AND INSURANCE PAID TO
DAT	DELIVERED AT TERMINAL
DAP	DELIVERED AT PLACE
DDP	DELIVERED DUTY PAID

Rules for Sea and Inland Waterway Transport

FAS	FREE ALONGSIDE SHIP
FOB	FREE ON BOARD
CFR	COST AND FREIGHT
CIF	COST INSURANCE AND FREIGHT

Source: International Chamber of Commerce. 2011. From the introduction of the Incoterms® 2010. Date of retrieval 2.3.2011. <http://www.iccwbo.org/Incoterms/index.html?id=40772>

SERVICES OF FINPRO RELATED TO INTERNATIONALIZATION APPENDIX 2

Planning international growth	Preparing market entry	Entering the chosen market	Improving market share
International plan of growth	Choices of market entries	Partner search	Strengthening the sales
Test Drive – Testing of an idea	Developing market channel	Direct selling	Market Monitor
Real markets		Establishing a business	Search of buy-out
		Supply	Trend Pulse
		Export circles	

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**CONTACT INFORMATION OF FINPRO'S OFFICES IN INDIA
AND EMBASSY OF FINLAND, NEW DELHI**

APPENDIX 3

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Sources: Embassy of Finland. 2010. Kaupalliset palvelut. Date of retrieval 23.2.2011.

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FI

1) Payment

- a) What is the payment term you use most in trade between India and Finland? Why?
- b) What is the currency you use most in trade between India and Finland? Why?
- c) What is the Incoterm you use most in trade between India and Finland? Why?

2) Transportation

- a) What methods of transportation in deliveries between India and Finland do you use the most? Why?
- b) Do you use freight forwarders when delivering from India to Finland? Why? / Why not?
- c) Would you recommend a company starting operations in India to use freight forwarders? Why? / Why not?

3) Importing Duties

- a) Have you faced any trade barriers in the trade between India and Finland?

4) Supply

- a) What do you use as a source for potential suppliers in India? Why?
- b) How do you evaluate potential Indian suppliers? Why?
- c) What are the most important features of a potential supplier in India for you? Why?
- d) How do you make the initial contact with potential Indian suppliers? Why?
- e) Do you ask for samples from Indian suppliers? Why / Why not? Have they agreed to deliver accordingly?
- f) Have you used consultants in supply from India? Why / Why not?
- g) If you have used consultants, where have you found them?

5) Trade Fairs

- a) Have you visited trade fairs in India? Which? Tell about your experiences.
- b) Have you heard of any of following Indian fairs before? Which, and what are your impressions on those?
 - 1) Indian Handicrafts & Gifts Fair
 - 2) Gifts and Decor Asia
 - 3) Gifts World Expo
 - 4) Index Furniture Fair
 - 5) The Culture Collection
 - 6) Interior & Exterior Expo