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DISTRIBUTOR EVALUATION MODEL FOR NEW MARKETS

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Tämän työn tarkoituksena oli laatia maahantuojia ehdokkaan arviointi kriteeristö suomalaiselle konepajateollisuuden valmistajalle, jonka myynti, markkinointi ja jakelu vientimarkkinoilla tapahtuu itsenäisen maahantuojaverkoston avulla. Yritys suunnittelee uusille markkinoille menemistä ja yksi tärkeistä kysymyksistä markkinoille tulovaiheessa on: Millä kriteereillä maahantuojia ehdokkaita voi arvioida ja miten ehdokkaat voi asettaa paremmuusjärjestykseen?

Työn konseptuaalinen viitekehys koostui teoriaosuudesta, laadullisesta tutkimuksesta sekä niiden perusteella saatujen tulosten ja löydösten raportoinnista. Teoria rakentui kirjallisuudesta ja muista lähteistä löytyvään tietoon jakelukanavien- ja liikesuhteiden hallinnasta. Käsitellyn tiedon mukaan liikesuhteet ovat yrityksen tärkein voimavara ja että perusteellinen riskikartoitus, niin kirjanpidollinen kuin myös yrityksen toimintaa syvemmin kartoittava luotaus on tarpeen ennen liikesuhteen aloittamista. Tämä aikaa vievä selvitystyö kannattaa aina, sillä valmistautuminen ongelmiin on huomattavasti tehokkaampaa kuin äkkinäisten ongelmatilanteiden selvittely.

Tutkimuksen empiirinen osa toteutettiin kolmessa jaksossa. Ensin tutkija haastatteli case-yritystä koskien sen hetkisiä käsityksiä maahantuojan ihanneprofiilista. Toisessa osuudessa tutkija keräsi hyväksi havaittuja käytäntöjä ulkomaisen jakelijan valintaan ja liikesuhteiden ylläpitoon liittyvistä asioista kolmesta hyvin menestyneestä suomalaisyrityksestä. Kolmannessa vaiheessa case yrityksen maahantuojan arviointikriteeristölle asetettiin painoarvot ja ranking käyttäen analyttistä hierarkiaprosessia (AHP). Prosessi perustuu kriteereiden parivertailuun sekä ihmismielen kykyyn tehdä nopeita päätöksiä pienistä kokonaisuuksista. Näin saatu mittaristo testattiin käyttäen tietoja maahantuojakandidaateista, joita yritys oli aikaisemmin v. 2013 arvioinut haikiessaan yhteistyökumppania Venäjältä. AHP:n avulla saadun tuloksen mukaan kandidaattien välillä oli alkuperäiseen tulokseen verrattuna selkeästi isommat erot, lisäksi lopullinen paremmuusjärjestys vaihtui viimeisen ja toiseksi viimeisen kandidaatin osalta.

Erinomainen maahantuojia on oman alansa asiantuntija ja hänellä on tiivis yhteistyö oman, laajan asiakuntansa kanssa. Lisäksi tuotevalikoimassa on sopivasti täydentäviä tuotteita ja palveluita ja kilpailijoiden tuotteita vain rajoituksin. Tärkein ominaisuus on kuitenkin motivaatio ja halu onnistua. Jakelijan passivoituminen on yleisin syy miksi maahantuojia-valmistaja suhde päättyy. Säännöllinen yhteydenpito niin sähköisesti kuin henkilökohtaisten tapaamisten muodossa ja pyrkimys läheisiin suhteisiin osapuolten välillä auttaa ylläpitämään rakentavaa vuoropuhelua osapuolten välillä – ja myyntiä toivotulla tasolla!

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The purpose of this thesis was to create a distributor evaluation model with measurable criteria for a Finnish manufacturing company, which conducts marketing, distribution and after-sales activities in export markets through independent distributors. The company is considering entering new markets and one of the major questions the company has encountered in the market entry phase is: How to evaluate and rank the distributor candidates?

The conceptual framework of the thesis comprised of three parts: Theoretical part, qualitative research and final outcome of the thesis. The theoretical part was built on literature and other sources on distribution management, supply chain management and relationship management. They suggest that relationships are the company's most important asset and that proper risk evaluation, both financial and operational, in the partner selection is necessary as being prepared for problems is more efficient than spending precious time in solving problems ad-hoc.

The empirical research was conducted in three phases. First, the researcher interviewed the sales management in the case company about their expectations for an ideal distributor. The second part was to benchmark successful exporters on their processes in selecting, evaluation and maintaining relationships with their distributors. The third part included the introduction of Analytical Hierarchy Process into a distributor selection process. The Analytic hierarchy process is based on human's ability to make decisions on small problems. Based on the case company's expectations and results from benchmarked companies, an ideal distributor profile was drawn. The profile was finally processed using AHP-online software and an evaluation tool with weight of the criteria was created. The tool was tested by submitting information on candidates that the case company previously evaluated when they searched for a distributor in Russia during 2013. The AHP-process demonstrated much clearer difference between the alternatives and changed final ranking order between positions 2 and 3 compared to the original result.

An ideal distributor is an expert in the industry, has an existing customer base and a variety of completing products to serve the target group. Finally, desire and motivation strives distributor to success. Passivation of a distributor is a most common obstacle that exporters face in their distributor relationships. Regular communication and close relationships help to maintain information exchange and sales on desired level.

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1 INTRODUCTION

Exporting is the most common and primary foreign market entry strategy. This thesis will focus on a foreign market entry phase and the selection process of a distributor in a new market. The case company in this thesis need to find new markets as their domestic demand is rather declining than expanding. The sales figures display negative curves and the sales management is busy with supporting the existing partners in domestic market and in a few neighbouring countries. New distributors need to be found and this thesis will highlight some fundamental steps in the distributor selection process and gather best practises from successful exporters to help the case company make the right choices on it´s way to new markets.

Success in exporting usually depends on establishing strong relationships with distributors (Cavusgil et al.2013, 194). The search and selection of a distributor is highly important task and can lead into series of difficulties if not performed well. If a manufacturer makes a bad choice in choosing a distributor, it is always time consuming, costly and in worst case, impossible to undo the arrangement. (Root 1994, 66)

Arnold (2000), describes a pattern that often emerges in new supplier-distributor relationships: First, sales go off and revenues are growing well, and the market entry, and the new relationship are praised in the company as a smart move. But after a while stagnation sets in and sales start to decline. The distributor runs out ideas and is underperforming. This thesis will try to identify means how to maintain long-term profitable relationships with a distributor.

2 PURPOSE OF THE STUDY

The purpose of the study is to create a distributor evaluation model with measurable criteria for a Finnish manufacturing company, which is entering new markets. The study focuses on German market entry, because the case company considers it as a strategic area while it contributes the company's future plans entering other European markets, due to the dominance that Germany has in Europe in technical standards and approvals.

Exporting is the most common and primary foreign market entry strategy. An average exporting company retains its manufacturing activities in its home market, but conducts marketing, distribution and customer service activities in the export market. They might do it by themselves or through an independent distributor or agent. Exporting is flexible entry strategy as the exporter can enter and withdraw from markets fairly easily, with minimal risk and expense. (Cavusgil et al. 2013,183)

The case company can be described as an average exporting company as it has its manufacturing activities in Finland, but conducts marketing, distribution and customer service activities in export markets through a network of independent distributors.

According to Bui 2014 (34-35), good research questions narrow the research topic and help to keep focus on the entire research study. Additionally, research questions should be answerable – there has to be measurement instrument or method that can be used to collect data or information from the participants in the study.

The researcher decided to narrow the topic into one major research question: How to evaluate and rank the distributor candidates? To find an answer to the main question, it is advisable to divide the problem into several, answerable, sub questions such as:

- What are the basic requirements the company can expect from a distributor?
- How can requirements be prioritized?

- How can the company benefit and learn about our experiences with their previous distribution relationships?
- What are the risks involved when choosing the distributor?
- How can the level of commitment be measured?
- What problems have other manufacturing companies faced with the topic and how do they evaluate distributors?

Formulating answerable research questions helped the researcher during the entire process to search for the right data and paved the way to choose the appropriate research methods.

2.1 Previous Studies on the Subject

Sami Suokas from Kymenlaakso University of Applied sciences has written a master thesis in 2011 on “Establishing Dealer Relationships in a Market Network”. The study focuses on how to build relationships and trust with a known and qualified “proofed” distributor, but this thesis has focus on the initial stage of relationship, how to find and evaluate a suitable distributor candidate. Study provides though useful references as the topic, choosing criteria for distributor, is briefly discussed in thesis.

Lena Lindgren and Anna Rosendahl from University of Luleå have researched distributor selection process in their master’s thesis “Managing Foreign Distributors” (2004) and found out that selection of a foreign distributor is a complex and time consuming process. For SME’s, the number of distributor candidates available is often limited and therefore many of the posed criteria is not an absolute demand. They found out that SME’s mostly prioritize distributor’s prior experience, networks and connections, market coverage and distributor size. When locating candidates, companies often take advantage on recommendations received through their own business networks, they put themselves in direct contact with distributors and utilize trade fairs as partner seeking event. In the final selection phase, SME’s usually visit final candidates in their premises or invite them to visit them. They often request the final candidates to create a marketing- or a business plan.

Chen, Shuo-Pei. Wu and Wann-Yih (2010) from university of Tainan in Taiwan have made a thesis on “systematic procedure to evaluate an automobile manufacturer-distributor partnership” It consists of a large number of system variables. Firstly, Interpretive Structure Modeling (ISM) is used to sort system variables into groups of various characteristics. This sorting process provides an effective means to develop a three-stage hierarchic/network model of the partnership, including Stage I: partnership selection, Stage II: partnership establishment, and Stage III: partnership maintenance. Secondly, Analytic Hierarchy Process (AHP)/Analytic Network Process (ANP) are applied to partnership evaluation based on as many as 20 system variables. Relative importance weight of all variables is quantitatively determined. The findings of the study is that the most investment-worthy variables found are management strength and power.

2.2 The Case Company: Laimu Oy

The case company in this thesis is Laimu Oy (Ltd), which is later referred as “Laimu”. It is a machine workshop with the manufacturing site and the head office in Rauma, Finland. The company is founded in 1968 and it manufactures LM TRAC multipurpose machines, which are used for maintenance tasks in minor outdoor areas and in real estate courtyards. The other product line for the company comprises of manufacturing of safety cabins to be attached to different kinds of commercial vehicles. (website of Laimu)

The yearly turnover of Laimu has been divided 50/50 between these two production lines. This structure is more tolerant of sudden changes in demand and of occasional recessions in the markets. It is less obvious that negative changes occur for the both production lines at the same time. The production of multi-purpose machines began in 1987 with one model. Today the program consists of 6 different sizes of machines. The company employs 40 persons with an annual turnover around 10 million euros. Laimu is a family owned company with Laimu Yhtiöt Oy possessing 100 % of the shares. (Sunila, 19.3.2014)

Laimu produces around 100 multipurpose machines per year and exports one third of the production of multipurpose machines. The most important export market is Russia but Laimu has also agents in Netherlands and in Scandinavian countries. Safety cabin production is sold entirely for domestic customers but products are exported indirect through customer's finished products. (Sunila, 19.3.2014)

Final customer segment for LM-Trac machines in the developed European markets (incl. Finland) is a town community council and a unit that maintains community parks and other recreational areas or functional areas like cemeteries. Other customer segment is the private sector, facility management, which operates in real estate service and in increasing proportion, as an outsourced resource, operator for municipalities. Municipal and private sector differ from each other mainly by purchasing process, which is different in both segments. (Sunila, 19.3.2013)

Laimu is small company with a narrow line of products and it operates on a difficult market with many competitors and in a market with complex buying structure. The overall demand on the established domestic market is not growing and Laimu needs at least keep its current position. The current turnover figures show negative development and the company needs to conquer new markets and an increase of sales to survive. The safety cabin manufacturing is subcontracting business and it offers the company solid revenue streams but no real opportunities for steady growth or higher margins in the future.

There is a demand for multipurpose machines both in emerging markets and in established countries, especially in Russia and in Europe. Russian market can be described as an unorganized emerging market, where the success highly depends on personal relationships with local distributors and their relationships and influence power towards end customers. The future demand is hard to predict and so is also the current total demand. (Sunila, 19.3.2013)

Laimu has decided to enter carefully the European market via Germany as it considers Germany as a gateway to other European markets. Germany has dominance in Europe in the field of technical standards and approvals and being approved in Ger-

many would create an easier access for Laimu for example to France, which is another interesting market for the company. (Sunila, 19.3.2013)

Finding a suitable partner, a distributor, is the critical factor for success for Laimu in the new markets - as well in the already existing international markets. The company was recently forced to sign off an existing contract with the exclusive distributor in Scandinavia and they signed a new contract with another, yet unknown distributor. In addition, they have found a distributor candidate in Germany and a list of potential distributors in Moscow area. (Sunila, 19.3.2013) The company is facing the question: How to evaluate and rank the candidates? How can stakeholders and the executive management be assured of that the new distributor relationship was the best choice for the time being?

Creating a distributor evaluation model with measurable criteria would help Laimu and preferably other manufacturing Finnish SME's in entering foreign markets.

2.3 Role of the Researcher and Problem Reasoning

The researcher has no formal connection with the case company. He has made several assignments about the company as part of his MBA-studies in Satakunta University of Applied Sciences during spring 2012 – fall 2013. Previous assignments had made him familiar with the company's internationalizing strategy and operations. During early 2013 he proposed a larger assignment for the company, which would be the creation of a proper distributor evaluation model, which could help to unify company processes and make new market entries easier and faster. The CEO Arto Sunila agreed with the need of such a tool and commented that based on his hands-on experience, knowledge and current facts available, he is capable to choose a new distributor, but the executive management of the company needs proper and transparent reasoning with qualified data about such strategic decision.

3 CONCEPTUAL FRAMEWORK

The following figure displays the conceptual framework of the thesis. It comprises of three parts: The theoretical part, the empirical part and the final outcome of the thesis. The theoretical part is built on literature and other sources on distribution management, supply chain management and relationship management. According to the used sources, a manufacturer should start distributor selection by creating distributor profile and continue with preliminary screening on potential candidates that could match the profile, and finally select a few candidates for a proper evaluation of financial and operational features. After a careful evaluation, the final selection can be made and both parties should be able to focus on relationship management. The empirical part in this thesis starts by mapping the case company's expectations on the ideal distributor profile and later it will seek for best practices from other successful companies about the same process. The final outcome of the thesis will be the distributor evaluation tool, which will be created using the Analytical Hierarchy Process. The tool will be tested by using information and data from spring 2013 when the case company evaluated distributor candidates for Russian market.

CONCEPTUAL FRAMEWORK

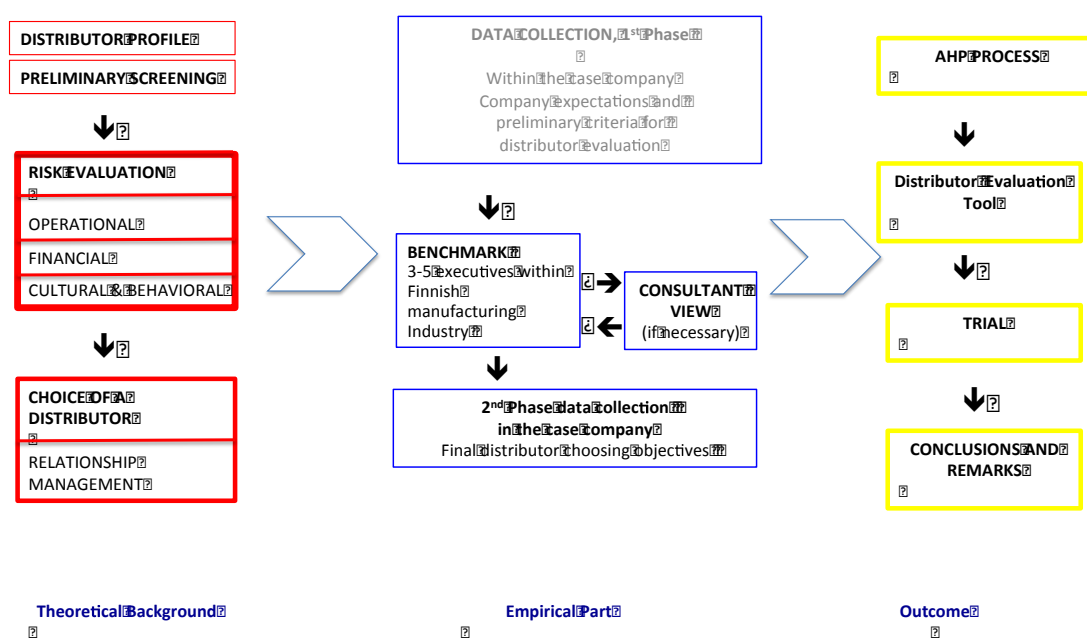


Figure1: Conceptual Framework of Thesis

3.1 Theoretical background

The business literature and theories in the field of “distribution management” focus mainly on logistic functions. Supply chain management covers “systematic, strategic coordination of traditional business functions and tactics within a particular company and across businesses within the supply chain”. Theories and literature on supply chain management focus on relationships between a buyer and a supplier - and most often from buyer’s point of view. However, conformities in a buyer-supplier-relationships are equal even in manufacturer-distributor relationships, and this confirms and supports the use of supply chain management in this thesis. There is no business without relationships and *Ford 2003* (p. 49) concludes the importance of relationship management: “Relationships are a company’s most important assets, because without them it cannot gain access to the resources of others, acquire the supplies it needs or solve its customers problems and thus generate revenue.”

It is more efficient and systematic to be proactive and be prepared for problems rather than spending precious time in solving problems ad-hoc. Risk management theories assist in identifying risks when choosing a new business partner.

Using the theories mentioned above as a backbone, it might be a rather straightforward process to create a list of features than an ideal distributor candidate should possess, or to create an attractive distributor profile. The real challenge in the selection process steps in when a shortlist of candidates is created and final choices are to be made. It is relatively easy to compare operational, technical and product related factors between different candidates but as the entire process is about creating and establishing a long-term relationship, which should be beneficial for both parties, then also feelings and judgements play a significant role. The researcher has encountered such a problem in his previous career when choosing contractors for international projects. He was lacking a sound and simultaneously transparent way to include feelings and judgements in the decision making process. Therefore such a systematic process, which could accept and organize perceptions, feelings and judgements into a framework, which influences a decision, was required.

Analytic Hierarchy Process, (AHP), developed by Thomas L. Saaty in 1970's offers an interesting alternative solution into the problem, as it is based on "the innate human ability to make sound judgments about small problems." The researcher wanted to explore the structure and principles of the AHP and use it as technical platform in the distributor evaluation tool, which is the final outcome of this thesis.

3.2 Empirical Part

The empirical part will start with a data collection in the case company. The sales management will be interviewed using in-depth interview method. The aim for these interviews is to identify their primary expectations and criteria for distributor evaluation.

For benchmarking purposes, 3-5 sales executives within Finnish manufacturing industry will be interviewed. The goal is to find information how these organizations have proceeded with their distributor selection, what they consider as most important characteristics in manufacturer-distributor relationship, how do they evaluate risks and whether they have had accidents – or success stories within this field.

In addition or instead, and if necessary, 1-2 consultants, which work for internalization of Finnish SME's, will be interviewed. Such organizations are Finpro and similar consulting companies in the private sector. Consultants might have a more wide perspective into subject than employees in the exporting companies.

In the final phase of the empirical part, after having completed interviews in the other companies, the sales management in the case company will be interviewed again, this time using a group discussion method. The purpose of the second phase interview is to summarize and find a consensus for distributor choosing objectives. Interviews and discussions in all phases will be recorded and transcript into summarized documents.

3.3 Outcome

The conclusions will be made based on the interviews and theoretical framework. The final outcome of the thesis is to create an evaluation model for distributor choosing criteria using the Analytical Hierarchy Process. Creating the evaluation criteria and the final weighting of distributor features requires active participation from the sales management in the case company. The researcher is not able to judge feelings and judgements concerning relationships with company's potential distributor and therefore the role of the researcher in this phase is to carry out and master the AHP-process. The reliability of thesis and the validity of the results lack proper evidence without a proper trial of the evaluation tool. The case company searched, evaluated and ranked new distributor candidates in Moscow area during spring 2013. The new distribution evaluation tool and AHP-process will offer an opportunity to re-evaluate the candidates and the final ranking. The distributor candidates in the final phase in spring 2013 will be evaluated again, this time using the tool and the AHP-process and the achieved results either confirm or discard the original decision. The final conclusions and remarks will be made on basis of the entire process.

4 LITERATURE REVIEW

4.1 Role of a Distributor in International Trade

Distribution function in a machine trading business is traditionally covered by distributors or agents. "Distributors usually seek exclusive rights for a specific sales territory and generally represent the manufacturer in all aspects of sales and serving the area." (Hollendsen, 2011, p. 342)

Very few manufactures have any direct contact with end-users of their offerings, but instead, they have major relationships with industrial distributor companies. Many manufacturers have noticed that distributors are the most efficient means to serve the after market and for their products and end users. In many cases, the end-users have

no interest in direct contact with manufactures. (Ford et al. 2003, 119-120). Through a distributor, an exporting company receives an access to the local market experience contacts with potential customers. As distributor buy on their own accounts and have freedom to set the conditions of sale incl. price, an exporting company may not be able to control the market price.

Cavusgil et al. (2013), 185-186 points out that while the company does not need to establish a physical presence in the foreign market, the management also has less opportunities to learn and know their customers, competitors and other aspects in the market, including general opportunities and threats. Company may miss valuable information, which is needed for long-term success in the market. According to Dent (2008), 34, distributors are valuable sources of information and they also may be very aware of this fact and regard market information as their special value or differentiator to the supplier.

4.2 Choosing a Foreign Distributor

Selection of a distributor is a critical to the firm's success. A distributor must have sufficient expertise and resources: labour, capital, facilities and local reputation – to successfully market the firm's products. However, often the best local distributors already represent and handle competitor's products. Consequently, sometimes a firm must choose between an experienced local distributor and less experienced one that will handle the firm's products exclusively. (Griffin, Pustay 2010, 370-371)

Root (1994) suggests that choosing a foreign distributor consists of four phases: 1) Drawing up the distributor profile, 2) locating prospects, 3) evaluating prospects and finally 4) choosing the distributor.

Dent (2008), 102-103 describes distributor selection and -engagement as a regular sales process. Sales people always start with customer and take time and effort to find all about customer needs. It is essential to understand and analyse intended distributor partner's strategy.

4.3 Distributor Profile

The distributor profile is a list of attributes that a company would like to achieve in the target market. The profile should reflect the product, marketing objectives and the marketing plan. The profile should answer basic questions about the distributor such as: trading areas, size of a company, experience with manufacturer's product line, sales organization and sales force, physical facilities, after sales servicing capability and willingness and ability to carry inventories. (Root 1994, 63)

The figure above is about the distribution overall criteria adapted from Cavusgil et al. 2013(p. 196) and in this approach the overall criteria has been grouped into four segments and classes: Operational, product related factor, marketing capabilities and managerial commitment.

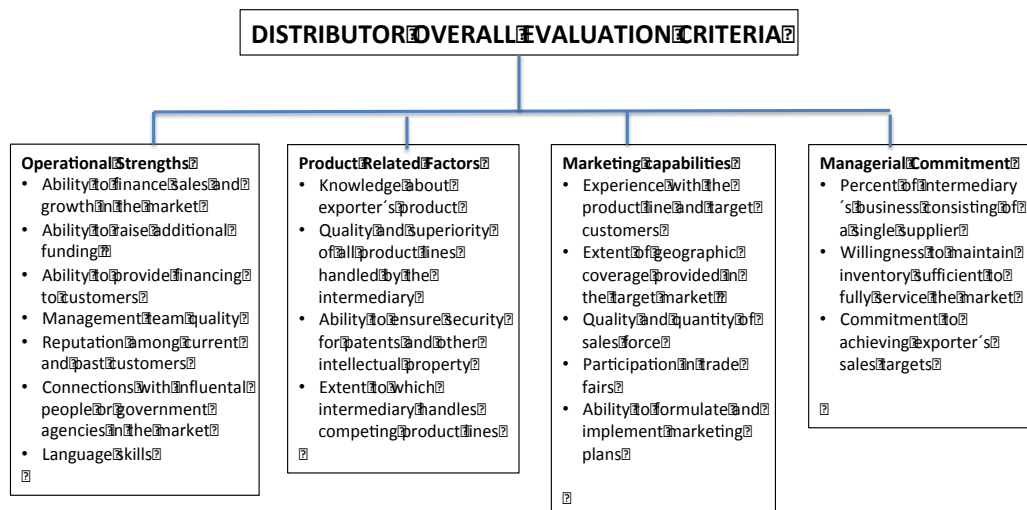


Figure 2: Criteria for Evaluating Foreign Distributors, adapted from Cavusgil et al. 2013, p. 196)

4.4 Locating Prospects

There are numerous sources to obtain information on prospective distributors such as: trade publications, trade fairs and the Internet. When using these sources, manufacturer can pick up prospects which appear to match his profile. The second screening requires a personal meeting and preliminary check on prospect's key ratios. (Root 1994, 65-66)

4.5 Evaluating Prospects

Personal interviews and discussions are the best way to for the manufacturer to judge whether he can work with the distributor towards the common goals. Face-to-face is the only way gain a "feel" for the distributor and the organization. (Root 1994, 65-66)

The best way to evaluate and qualify distributor candidates is to visit target market and distributor headquarters and facilities. An on-site visit makes possible to inspect the facilities as well evaluate the capabilities, technical staff and sales capabilities. (Cavusgil et al. 2013, 194)

Most distributors are happy to share their intentions and strategies to achieve them. Good questioning technique helps the supplier to find out information in issues where the distributor feels under pressure or vulnerable. On a basis of these discussions and information received, the supplier can easily identify opportunities for mutual business and, further, develop the strategy and tactics for a relationships plan. It has to be a plan that creates positive forces on the distributor's economics. (Dent 2008, 103-105, 115)

Cavusgil suggests that during the final steps of the distributor selection process, when the choices have narrowed to one or two, the candidates should be requested to prepare a business plan for the proposed venture or co-operation. The plan's quality and sophistication provides the a basis for judging the candidate's true capabilities. (Cavusgil et al. 2013, 194)

Preparing and selling business case includes both the strategic and the commercial dimensions. The distributor candidate needs to know if the supplier is bringing them a deal of offering a long-term partnership with common goals and objectives. The prize for the supplier is a profitable market share. (Dent 2008, 104-105, 115)

Some companies have been able to launch a probationary period for their distributor candidates. During the period, they evaluate distributor's performance and can terminate the relationship if it is not optimal. (Cavusgil et al. 2013, 195)

4.6 Distribution Risk Evaluation

Risk management does not mean risk avoidance. It is better to anticipate possible problems than to spend a significant amount of time solving problems. A controlled and balanced risk taking enables a company to achieve profitable growth. (Östring 2004, 20)

If the distributor does not put enough efforts to market, distribute and service the product, it is the exporting company that will suffer lost sales and damaged reputation. Problems may arise if the business judgements between the distributor and the exporter differ. They might disagree on pricing and marketing strategies. Thus the importance of selecting a distributor whose goals and business philosophy are compatible with those of the exporter cannot be overstressed. (Griffin, Pustay 2010, 370-371)

Supplier and distributor risks should be identified as checklists based on historic experience and by open brainstorming based on potential risks. The purpose of identifying risks is to find potential threats to deliver manufacturers product. (Östring 2004, 22)

4.7 Financial and Operational Analysis of a Distributor

Corporate analysis answers the question: is the distributor a solvent and profitable company that will remain in the business? It consists of quantitative and qualitative analysis of the company. Quantitative factors mean financial statements such as balance sheet, statement of income, cash flow statement and calculated key figures based on financial statements. Qualitative analysis is based on the internal and external factors affecting the company. Qualitative factors mean the distributors other suppliers, customers, market, ownership and management. (Östring 2004, 111)

Financial figures are the mirror of the past. If the company is financially strong, it is better positioned to operate and if the company is weak, the management must spend more time solving financial problems leaving less time to concentrate on its key business. (Östring 2004, 113-114)

A strong and well-known customer base provides stability and helps to avoid financial difficulties. A company with only a few - and in a worst scenario financially weak - customers has a risk of bed debt. The overall marketing strategy of the distributor is also important to evaluate. (Östring 2004, 116). A well-formulated and clever strategy provides more factors to success, whether the company is newly established or has a long history. However, a company history matters. A start-up company faces different challenges than an existing company in a mature market. (Östring 2004, 118-119)

Ownership affects heavily on financing and decision-making agility. A publicly owned company has easier access to external funding whereas privately owned small or medium-size companies benefit on quick and flexible decision-making. A skilful management creates success while an inexperienced management can destroy a flourishing business. (Östring 2004, 118)

4.8 Cultural and Behavioral Analysis of a Distributor

When a company is looking for a long-term relationship with another company, a personal visit to counterpart's premises is worth making. A visual evaluation on-site helps to identify how the company executes daily routines and whether there are realistic prerequisites for a mutual co-operation. A visit reveals easily also the level of the operational culture in the company as well as the level of motivation among personnel. If the co-workers and the management communicate with each other in an open manner, probably customers also will be treated the same, open way. Clean facilities and effective way of working indicates that company can and is willing to work efficiently. Correspondingly, sour and morose expressions on faces, messy facilities and low level of communication indicate that the things will not change, even if the company gets a new supplier. (Iloranta et al. 2008, 266-267)

4.9 Selecting a Distributor

The last phase of the selection process is the actual selection of a distributor. Lindgren and Rosendahl say that after companies have created a shortlist they perform different forms of interviews. About 90 per cent of companies visit the distributor and 50 per cent usually invite the distributor to visit them. Visit to distributor candidates offer a high value as it offers a personal contact, possibilities to inspect the location and staff as well the opportunity to observe field selling qualifications. Personal visits are ranked as the most important success determinants by the majority of successful exporters. (Lindgren & Rosendahl 2004, 10)

4.10 Establishing a Relationship with a Distributor

Relationship management has today become a strategic function and key factor in competitive positioning. Companies understand that co-operative business relationships allow them to focus on their core businesses and to reduce costs in business processes. (Mentzer et al. 2007, 361). The best performing companies have close, collaborative relationships with their customers and key suppliers. (Cordón et al. 2012, 145)

Most distributors expect to sustain long-term relationships with their suppliers and they understand and fear for the high cost of switching a key supplier. (Dent 2008, 107)

Establishing a relationship should always be considered as a critical phase for the company. Competency and quality is always the first ranking criteria, but in addition the following additional factors should be analysed and taken into consideration:

- 1) Both parties need to demonstrate trust and commitment towards long-term goals.
- 2) The relationship should be beneficial to both parties. In case of one-sided benefits, the relationship will not last and other party will seek another partner.
- 3) There has to be support and engagement from the top management. In the best match,
- 4) The organizational cultures in both firms should be compatible. They should share common values and common reward systems.
- 5) Relationships require sharing of information as information increases certainty and reduces needless interaction.
- 6) Finally, strong and open communications reduce misunderstanding and deepen the quality of relationships. (Mentzer et al. 2007, 367)

When dealing with foreign distributors, managers should focus on both national and organizational culture. It has been showed, that differences in organizational culture are more significant in causing problems than differences in national culture. They are even more difficult to manage. (Mentzer et al. 2007, 42)

4.11 Maintaining Business Relationship

Simple and flexible contracts tend to enhance relationships as they are merely used as guides than to specify all accidents. Periodically meetings among cross-functional teams from both organizations help to share information and enhance relationships

between individuals in both organizations. Periodic meetings between organizations can also be a part of the procedures that companies have created in order to reduce or prevent conflicts. Systematic performance monitoring is critical for business relationships. (Mentzer et al. 2007, 367-368)

To avoid disagreements, it is necessary to establish a contract, a legal relationship with the partner. The contract should clarify the tasks and responsibilities of both parties, duration of relationship, distributors sales territory and it should also include the dispute resolution and termination process if the distributor does not meet the agreed targets. (Cavusgil et al. 2013, 195)

Companies develop their foreign distributor relationships in various ways. The simplest approach is to respond the needs of the business partner being reliable, building trust and demonstrate solid commitment. Exporter should always try to find out the distributor's objectives and work hard to meet them. (Cavusgil et al. 2013, 195)

Generally, foreign intermediaries (distributors) expect that exporters provide them

- Good products for which there is a need and a market and significant profits.
- Support for marketing communications, advertising and product warranties.
- Flexible and fair payment methods.
- Training for distributor staff and opportunity to visit the exporter's facilities - at the exporter's expense - to gain first hand knowledge of the exporter's operations.
- Help in establishing after-sales service, including training of local technical staff and a supply of spare parts to maintain or repair the products.

(Cavusgil et al. 2013, 195)

4.12 AHP – Analytical Hierarchy Process

The Analytical Hierarchy Process (AHP) developed by Thomas Saaty at the Wharton School of Economics in 1970's, allows decision makers to model a complex problem in a hierarchical structure showing the relationships of the goal, criteria, sub criteria

and alternatives. Uncertainties can also be included. (Forman 2001, 43). AHP is a compensatory decision methodology because alternatives that are deficient with respect to one or more criteria can compensate by their performance with respect to other criteria. (Forman 2001 ,44)

Rather than prescribing a "correct" decision, the AHP helps decision makers find one that best suits their goal and their understanding of the problem. It provides a comprehensive and rational framework for structuring a decision problem, for representing and quantifying its elements, for relating those elements to overall goals, and for evaluating alternative solutions. (<http://www.rac.es/ficheros/doc/00576.PDF>)

AHP facilitates decision making by organizing perceptions, feelings, judgments and memories into a framework that exhibits the forces that influence a decision. The AHP is based on the innate human ability to make sound judgments about small problems. (Saaty 2012, 77)

The AHP-process can be compressed into four steps: 1) Problem definition and the preferred solution, 2.) the construction of hierarchy of the problem from a top-down viewpoint, 3.) a pairwise comparison of each of the nodes in the hierarchical tree ensuring they equate to 100% or 1 (depending on methodology), 4.) the computing of weights by normalizing any column in the analysis matrix (through a priority vector). Finally, priorities are derived from each alternative node allowing consideration for a variety of action. (<http://www.academia.edu>)

Analytical hierarchy process is used around the world in a wide range from governmental policies to common business solutions. The AHP helps decision makers to find one that best suits their goal and their understanding of the problem. It provides a comprehensive and rational framework for structuring a decision problem, for representing and quantifying its elements, for relating those elements to overall goals, and for evaluating alternative solutions. (Saaty 2012, 13)

Thomas L. Saaty, the founder of the AHP-Process, points out that there are two fundamental approaches to solve a problem: the deductive way and the systems approach. The deductive approach analyses system as a network and structures it into

chains and cycles. After structuring the network, explanations are searched in how the individual parts work. The system approach stresses on understanding an entire system by examining it from a general, holistic perspective that does not give as much attention to the function of the parts. The analytic hierarchy process combines these two theories into a one integrated, logical framework. (Saaty 2012, 5-6, 13)

4.12.1 Criticism against AHP-Process

The AHP is widely used in operations research and management science and it is taught in numerous universities. The general opinion says that it is both technically valid and practically useful but the method does have its critics. Most of the criticisms involve a phenomenon called rank reversal. Decision-making involves ranking alternatives in terms of criteria or attributes of those alternatives. It is an axiom of some decision theories that when new alternatives are added to a decision problem, the ranking of the old alternatives must not change — that "rank reversal" must not occur, but original formulation of AHP allows rank reversals, the adding new alternatives into a decision problem. (Saaty 2008, 146-147)

4.12.2 Constructing a hierarchy

Thomas L. Saaty overrules the old cliché that one cannot compare oranges and apples with each other. Both oranges and apples have many properties in common, such as size, shape, taste, aroma, colour, seediness juiciness etc. An individual may prefer an orange for some properties and an apple for others and the strength of our preference may change, even with a time of the day. Saaty says that this sort of complicated comparison occurs in real life over and over again and some kind of mathematical approach is required to help us determine priorities and make trade offs. (Saaty 2012, 22-23)

Hierarchies help us to identify the elements of a problem, grouping the elements into homogenous sets and arranging these sets in different levels. Hierarchies can be divided into structural and functional. Structural hierarchy systems are structured into their constituent parts in descending order according to structural properties such as

size, shape, colour, age etc. Functional hierarchies break up complex systems into their constituent and intrinsic parts according to their essential relationships. As a hierarchy represents a model how the brain analyses complexity, the hierarchy must be flexible enough to deal with complexity and therefore no inviolable rule exists for constructing hierarchies. (Saaty 2012, 30-31)

5 RESEARCH METHODS

Qualitative approach is chosen for this research. As a research method, an in-depth interview and a semi-structured interview are used. Benchmarking is used to collect best practices from successful exporting companies.

Qualitative data, usually in the form of words rather than numbers have always been the staple of some fields in the social sciences. With qualitative data one can preserve chronological flow, see precisely which events led to which consequences and derive fruitful explanations. Good qualitative data are more likely to lead to serendipitous findings and to new integrations and help the researcher to generate or revise conceptual frameworks. Words, especially organized into incidents or stories, have a concrete, vivid meaningful flavour that often proves far more convincing to a reader – than pages of summarized numbers. (Huberman 1994, 1)

The strength of qualitative data research is its ability to provide complex descriptions of how people experience a given research issue. It reveals the “human” side of the issue – beliefs, opinions, emotions and relationships of individuals. (www.ccs.neu.edu)

An advantage of qualitative research is that detailed and exact analyses of a few cases can be produced, in which participants have much more freedom to determine which is relevant for them and to present it in its contexts. The disadvantage is that these analyses often require a lot of time and generalizing results to the broad masses is very limited. (Flick 2011, 14)

5.1 Interviews

Purpose of interviewing is to allow us to enter into other person's perspective, but the quality of the information obtained during the an interview is largely dependant on the interviewer. (Patton 1990, 278-279)

Silverman points out that there are three versions of interview data:

1.) In-depth interview, also called *informal conversational interview* (Patton), involves going deeply into the thoughts that an individual may have about a product or service. It allows the interviewer to deeply explore the respondent's feelings and perspectives on a subject. This results in rich background information that can shape further questions relevant to the topic. (Kotler 2009, 134)

The researcher interviews participants in-depth and one-on-one. The interviewer typically has a general plan of inquiry but not a specific set of questions that must be asked in a particular order. Rather, it flows more like a conversation in which the respondent guides the direction of the interview.

(<http://sociology.about.com/od/Research/a/Overview-Of-Qualitative-Research-Methods.htm>)

This approach is especially useful when the researcher can or need to stay in the setting for some period of time. Same person can be interviewed on several occasions, as interview questions will change over time and each new interview builds on those already done, expanding and cumulating information that was picked up on previous conversations. (Patton 1990, 281-282)

In the beginning of the interview, it is advisable to ask open-ended questions, such as "What are some of your feelings about working for this organization?" and further questions can be progressively more focused as the researcher processes responses and determines key issues relevant to the situation. This transition from broad to narrow themes is called the funnelling technique. If the respondent is not able to verbalize her answers or simply replies "I don't know" the question should be asked in a simpler way or rephrased. (Sekaran 1990, 195)

The strength of informal conversational approach (in-depth interview) is that it allows the interviewer to respond and react to individual differences and situational changes. Questions can be individualized to establish in-depth communication with the interviewee. The weakness of this method is it's time consuming matter, as it may take several conversations with different people before a similar set of questions have been presented to each member of the survey group. Data is also hard to pull together and analyse, as different questions will generate different responses. The researcher has to use time to analyse and find patterns that have emerged at different points in different interviews with different people. (Patton 1990, 282)

2.) Semi-structured interview. In a semi-structured interview or "*interview guide*" (Patton) the interviewer and respondents engage in a formal interview. The interviewer develops and uses an 'interview guide', which is a list of questions and topics that need to be covered during the conversation, usually in a particular order. The interviewer follows the guide, but is able to follow topical trajectories in the conversation that may stray from the guide when he or she feels this is appropriate. (Patton 1990, 283)

Before interview, the interviewer should prepare a list of questions or issues that will be discussed during the interview. This interview guide should be prepared in order to obtain same information from a number of people, even if most of questions will flow from the immediate context. The list helps to keep focus on a particular subject that has been predetermined. (Patton 1990, 283)

The advantage of this approach is the systematic and comprehensive way to delimit in advance the issues to be explored. This method is especially useful in group-interviews as it keeps interactions focused, but allows individual perspectives and experiences to emerge. (Patton 1990, 283)

3.) Standardized Open-Ended Interview. In a standardized open-ended interview the questions are written out in advance exactly the ways they are to be asked during the interview and every interviewee is asked exactly the same questions. Main purpose using standardized interview is to minimize interviewer effects. In addition, the inter-

view and data-analysis is systematic and easier because it is possible to locate each respondent's answer to the same question quickly and to organize similar questions and answers. (Patton 1990, 285)

5.2 Designing Research Questions

Questions that can be asked of people can be grouped into six different types. It is possible to ask any of these questions in any given topic. Experience / behaviour questions are about what a person does or has done. Questions about opinion and values are aimed at understanding the cognitive and interpretive processes of people. They reveal the researcher about respondent's goals, desires and values. Feeling questions are about to understand the emotional responses of people to their experiences and thoughts. It is critical to distinguish opinions and feelings – analytical, interpretive and opinion statements are not answers to questions about feelings. When a researcher wants to understand respondent's emotional reactions it appropriate to ask about feelings. When one wants to know how a respondent think about something, the question should be about opinions, beliefs and considered judgements, not about feelings. Knowledge questions are the facts of the case, they are asked to find out what factual information the respondent has. Sensory questions are about what is seen, heard, touched, tasted and smelled. Technically, sensory data are a type of behavioural data, which catches the experience of senses. Background/demographic questions identify characteristics of the person being interviewed. Standard background questions concern about age, education, occupation, residence etc. Any kind of question one might want to ask can be subsumed in one these categories. Keeping these six types of questions in mind can be particularly helpful when it comes to planning comprehensiveness of the interview. (Patton 1990, 290-293)

The truly open-ended questions allow the interviewee to take whatever direction and use whatever words they want in order to express what they have to say - to talk about experiences, feelings, opinions and knowledge. Dichotomous questions allow the person to be interviewed to answer "yes" or "no" but it can result into a dilemma as person interviewed cannot be sure whether interviewer wants more detailed information. (Patton 1990, 296-297)

5.3 Benchmark

Benchmarking is a process, where one can compare one's key industrial and commercial processes to best practices from other industries or industry bests. Companies today have increasing amounts of information available to aid them in decision making and companies that convert the data into knowledge and use that knowledge to their benefit have an advantage. Companies that produce dissimilar products or services have many identical or quite similar processes with each other and additionally - organizations have business processes in common with other industries regardless the size of a company or the nature of the ownership. In case of best practice benchmarking, management identifies the best firms in the industry where similar processes exists and compares processes to one's own processes. Successful benchmarking incorporates sharing information and best practices in order to implement meaningful, measurable change. (Harry et al. 2000, 60-62)

Benchmarking helps to understand what makes another organization's product or service superior as the idea of benchmarking is to compare processes with those of their competitors. Benchmarking is often a one-off event but it should be done continually and the results should be incorporated into day-to-day operations so that organization can begin to think differently about how they work and solve problems. (Harry et al. 2000. 63)

5.4 AHP-Process

The first step in the analytic hierarchy process is to define the problem - the objective. The objective in this research is "Distributor selection". The second phase is to model the problem as a hierarchy and structure elements in criteria, sub criteria and different alternatives. While doing this, the participants explore the aspects of the problem at levels from general to detailed, then express it in the multileveled way that the AHP requires. One of the major advantages of the process is that while building the hierarchy, participants increase their understanding of the problem, of its context, and of each other's thoughts and feelings about both.

Based on the results of the 1st phase data collection in Laimu, the hierarchy for choosing a distributor could be constructed according the following example:

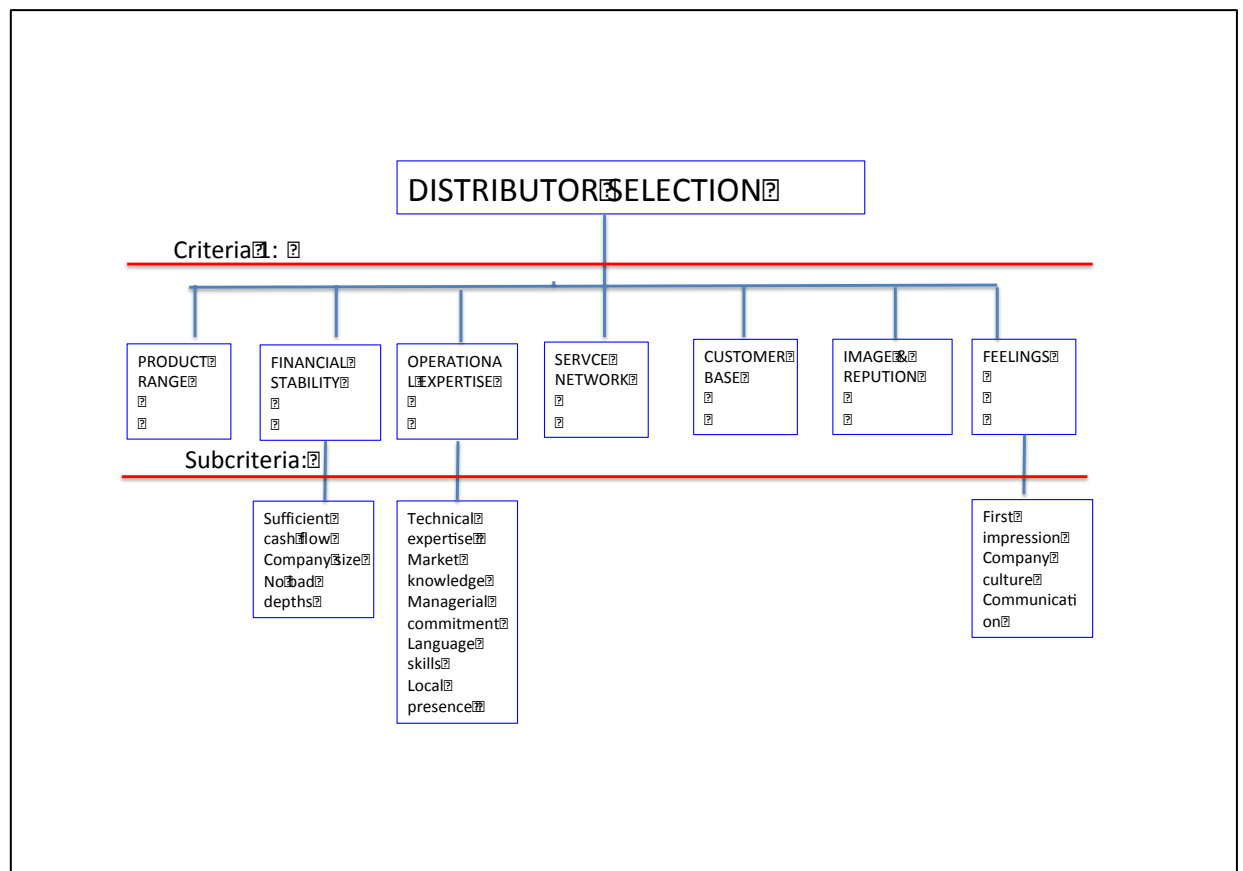


Figure 3: Illustration of a Hierarchy Structure for Distributor Selection

Once the hierarchy has been constructed, the participants need to analyse it by making a pairwise comparison of elements in each group. The criteria are pairwise compared against the goal for importance. It involves question between the criteria: “Which do I prefer, and how much more do I prefer the other one?” The following picture displays the comparison method between criteria. Comparing the criteria involves in this case 21 comparisons and total 42 questions. First, the criteria “Product range” needs to be compared with the criteria “Financial solidity” by asking a question: “Which is more important, Product range or Financial solidity?” If answer is “Product range”, then the participant needs to answer the question “How much more important is “Product range” compared to “Financial solidity” in a scale from 1 to 9?”

After all features, all criteria, have been compared with each other, the weighting and the priority calculation are ready to proceed for calculation using Eigenvector. Thus the calculation can be done by hand or with a calculator, it is far more common to use one of several computerized methods for entering and synthesizing the judgments. The simplest of these involve standard spread-sheet software, but customised software is available for complex objectives, even equipped with special devices for acquiring the judgments of decision makers gathered in a meeting room. Software used for this comparison is free AHP Excel Template version 2013.12.24 developed by professor Klaus D. Koepel and downloaded at www.bpmsg.com

		Criteria		more important?	Scale
i	j	A	B	A or B	(1-9)
1	2	Product Range	Financial Solidity		
1	3		Operational Excellence		
1	4		Service Network		
1	5		Customer Base		
1	6		Image & Reputation		
1	7		Feelings		
1	8				
2	3		Financial Solidity	Operational Excellence	
2	4	Service Network			
2	5	Customer Base			
2	6	Image & Reputation			
2	7	Feelings			
2	8				
3	4	Operational Excellence	Service Network		
3	5		Customer Base		
3	6		Image & Reputation		
3	7		Feelings		
3	8				
4	5	Service Network	Customer Base		
4	6		Image & Reputation		
4	7		Feelings		
4	8				
5	6	Customer Base	Image & Reputation		
5	7		Feelings		
5	8				
6	7	Image & Reputation	Feelings		
6	8				
7	8				

Which criteria is more important?
 Product range or Financial Solidity?

How much more important is it? (in a scale of 1-9)

What about Product Range vs. Operational Excellence?

Figure 4: Criteria Comparison in AHP-Process

Pairwise comparison calculates weighting and consistency ratio and ranking between the criteria.

Category	Priority	Rank
Product Range	6.20%	5
Financial Solidity	5.30%	6
Operational Expertise	10.70%	4
Service Network	20.20%	3
Customer Base	33.50%	1
Image & Reputation	3.60%	7
Feelings	20.50%	2

Figure 5: Criteria Weighting and Ranking Order Received Through Pairwise Comparison

In last phase, the alternatives, the final candidates, are pairwise compared against each of the criteria for preference. The comparisons are processed mathematically using Eigen vectors and Eigen value, and priorities are derived for each node.

6 CREATING AHP-MODEL

6.1 Data Collection, 1st phase in the Case Company

The researcher interviewed both the CEO and the Sales Manager at Laimu. The proposed question frame (questions) was sent to CEO in advance a day before the interview. The questions were not sent to the Sales Manager as the proposed meeting needed to be cancelled two times and finally the researcher just forgot to send them. Interviews were hold at company premises in Rauma on 14th (CEO) and 24th (Sales Manager) February 2014 in interviewee's own working space. Doors were open during the interviews and any member of office personnel could have listened the entire discussion, but as the discussions were not about confidential issues as such, it has no relevance. Interviews were recorded with a Dictaphone and also using iPhone application. After the interviews, the researcher transcript the voice documents into a text documents in English. The length of the interviews was 42 minutes (CEO) and one hour and 40 minutes (Sales Manager). Both interviews were conducted in Finnish even if the questions sent in advance were written in English.

The interviewed persons account for all sales functions in the company. The Sales Manager with major responsibility in domestic sales and foreign distributor sales support has served the company for 15 years while the CEO joined company forces less than three years ago. However, the CEO has been working with international business during his entire career for 20 years.

6.1.1 Distributor Profile

As a result of discussions, a well reasoned distributor profile can be drawn. The company is looking for following attributes in their ideal distributor candidate:

1. Financially sound, established company. Company with scarce economical resources has limited possibilities to take risks and make profitable business in the long run.
2. Solid know-how in the business. Company should possess enough technical expertise and interest as well knowledge and insights about the market.
3. Established customer base.
4. A distributor must have own service network or he should be able to arrange service and maintenance functions through a professional contractor.
5. Balanced product portfolio. Distributor should not represent competing or competitor's products at the same time.
6. Geographical location. "Locals prefer to do business with locals"
7. Language skills. Knowledge of English is a basic requirement.
8. Personal chemistry. It is hard to work with someone you do not get along with. In a starting phase of a business relationship, during the "honeymoon" everything usually works perfect, but personal chemistry is hard to perceive in this phase as both parties try to avoid conflicts and pay a lot of attention to smooth the new relationship.
9. Drive and enthusiasm. In general, young persons are often dynamic, attacking and hungry for success and profits while elder generation tend more to stay in a defending position and remain content with current situ-

ation. Young entrepreneurs have taken a huge risk when starting a new business and they have a deep pressure to survive and generate more sales.

10. Adjusted product range. If product range is too wide and rich, distributor might have difficulties to prioritize and give manufacturer's product the attention it needs.
11. Company image. Current local reputation and history matters when dealing with customers.
12. Company size. Should not differ too much from manufacturer company size.
13. Corporate culture equivalence. If a company philosophy and ways of working differ too much it is harder create a common way to work together.

6.1.2 Company's Primary Expectations from a Distributor

Both interviewed persons expect distributor to provide continuous information on market conditions and regular end-customer feedback. Distributors have become extremely carefully with their sales prognosis and this results into uncertain annual sales budgeting. Laimu has not yet established a regular meetings or any systematic information exchange system with their distributors, but have considered creating one. In overall, the management expects to receive more information from their distributors. Laimu has no written philosophy when choosing or interacting with distributors. The CEO points out though a definite rule, which applies without expectation: no criminal background or current such activity is accepted in any circumstances. Both interviewed persons admit that feeling and impression received from the counterpart matter into great extent, but is difficult to perceive, especially in beginning of a new relationship as both parties put a lot of efforts in a relationship and try to avoid conflicts.

6.2 Benchmark

Benchmarked companies were chosen partly by recommendation and proposition by the CEO in Laimu and partly through researcher's own network. All interviewed companies are successful and profitable firms with share of international sales from 50 to 100 % of their turnover. All are manufacturing companies and one of the prerequisites for their international expansion is an existence of service network in their current markets. Two of the interviewed three companies have a network of independent distributors while one of the companies manages sales through a combination of distributors and international agents, which work on their principal's behalf. Due to these compatibilities with the case company in this thesis, results of the benchmarking interviews can be applied. Discussion frame used in interviews with benchmarking companies was the same, which was used in the 1st phase data collection at Laimu, with a slight modified sequence of questions.

In the planning phase, there were four companies to be interviewed, but finally one of the companies withdraw, as proposed timetables did not meet the intended interviewees timetables. Results of interviews with the remaining three companies were rich enough to confirm and complete original findings in theoretical part in this thesis.

There were not major differences among respondents between answers concerning an ideal distributor candidate profile. Knowledge and expertise on current business were mentioned in every answer. Additionally, all emphasised existing customer contacts, close relationships with customers, completing product range and economical healthy background of the candidate company.

Everyone mentioned trust and positive personal feelings as a prerequisite for cooperation with a business partner. This feature was not listed as first one, rather it came up in discussions during the concluding part of the interview when the "hard facts" and the questions in the interview frame had been discussed. Feelings towards a business partner candidate were heavily affected by the first impression, which later discussions and personal meetings either confirmed or replaced. Desire and motivation were also mentioned in every interview and participants evaluated the level of

motivation of a distributor candidate partly based on personal meetings and also by more advanced approach, by asking distributor candidates to prepare a business plan on how they are intending to conduct sales and marketing activities with their new supplier and new product. All participants described their relationships with their dealers close, even personal. One of the participants consciously aims to reach personal level in the relationship, as according to him, problems can be a lot of easier to handle, if a threshold to make a phone call is as low as possible.

Companies have not had any major accidents with their distributors. Most common reason to sign off a contract was a passivation of the distributor and therefore a decline in sales. East European countries and Russia are, according to interviews, markets, where business partners can try to cheat and benefit from their principal if an opportunity exists. One of the companies reported a case on their distributor which tried to steal their trade mark and other company told about double-dealing that distributors might get into when they are involved in a negotiation on official tenders.

More than anything else, manufacturers expect to receive accurate market information from their distributors. Only one of the companies had established a process to perceive this information but finally receiving this information depends solely upon the activity level and motivation of the distributor.

In the following table are summarized results from the benchmarking interviews:

Company	Sampo-Rosenlew	Dynaset	Steerprop
Product	Forest harvesters	Hydraulic equipment	Propulsion systems
Turnover (Million €)	95 € (10€)	14 €	50 €
Share of Exports	50 %	75 %	100 %
Distributors	8	40	16
Distributor Profile	<ul style="list-style-type: none"> • Knowledge on local business • Customer contacts • Technical expertise • Adequate company size • Service network • Economically healthy • Completing product range • Desire & motivation 	<ul style="list-style-type: none"> • Large market coverage • Completing product range • Customer contacts • Technical expertise • Economically healthy • Marketing skills 	<ul style="list-style-type: none"> • Knowledge on local market • Deep relationships with customers • Qualified management • Economically healthy • Expert in the industry • Good reputation • No competing products
Locating Prospects	<ul style="list-style-type: none"> • Internet • Trade fairs 	<ul style="list-style-type: none"> • Ongoing process • Trade fairs • Business network 	<ul style="list-style-type: none"> • Consultants
Evaluation	<ul style="list-style-type: none"> • Financial check • Personal interview • Business plan 	<ul style="list-style-type: none"> • Interview • Trial period 	<ul style="list-style-type: none"> • Interview • Visit on premises • Business plan
Relationships	<ul style="list-style-type: none"> • Aim to keep relationships on a personal level 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Very close, personal
Best practices	<ul style="list-style-type: none"> • Marketing bulleting • Bi-Annual dealer event 	<ul style="list-style-type: none"> • Annual dealer event 	<ul style="list-style-type: none"> • Personalized intranet • Bi-Annual dealer event, agents present market reviews

Figure 6: Summarized Results from the Benchmarking Interviews

6.2.1 Sampo-Rosenlew

Interview at Sampo-Rosenlew with the Sales & Marketing Director for forest harvester unit was carried out on 13th March at company premises in Pori. Length of discussion was one hour and 58 minutes. Questions were sent to the Sales Director a few days in advance. Before starting the actual interview, the researcher explained the purpose of the study and the framework of thesis. Case company was also revealed. Mentioning the case company might have had an impact on the interview, as the interviewee partly formulated the answers from case company's perspective. Discussion, which was carried out in Finnish, was recorded with a Dictaphone and later the researcher transcript it into a Word-document.

Sampo-Rosenlew manufactures agricultural harvesters, forest harvesters and – vehicles. Agricultural harvesters account for 90 % of the turnover of current total 95 million euros. Forest harvesters account for 10 % of turnover. The interviewee, aged 43, is in charge of sales and marketing for forest harvesters. He has worked for two years in the company, but has a total of six years of experience in international business.

When looking for a new distributor in the international markets, the interviewee puts special emphasis on distributor's local business knowledge. Person in charge needs to know local rules and regulations and especially he should know local customers and recognize their needs profoundly. In an ideal case, a distributor has personal, close relationship with a customer. An ideal candidate must possess enough technical expertise as he needs to be able to provide exactly adequate technical solution for the customer. The company size must be in accordance with the manufacturing company size. For Sampo-Rosenlew, an ideal distributor company is small or medium sized company where the executive(s) have hands-on contact with the customer and actual sales work. In large companies, executive management is rather busy with administrative duties than daily client work. A distributor must have an existing service network or readiness to establish and manage a network of service providers and provide a smooth logistic system for reserve parts.

Company should be a well-established company with documented history. It should have enough turnover, cash flow and liquidity to run the current business and activities. The new distributorship should not be a vital condition for the candidate. Therefore the candidate should have range of completing activities – other lines of business and/or completing product range. According to the interviewee, the most important feature is though desire and motivation. According to him, financial matters can always be arranged in a way or another but without a proper and sincere drive and motivation, business will never be successful in the long run. He points out that success is not a matter of age. Young persons often have a lot of energy and drive, while senior persons are able to focus their energy on exactly the right things, doing exactly the right things.

The interviewee heavily emphasizes personal feelings, which according to him, contribute into a great extent into his final opinion on a distributor candidate. He formulates his first-impressions and perceptions during face-to-face discussions and listening how candidates present their thoughts and ideas.

When searching for preliminary information on distributor candidates, the Internet is the first source but not necessarily a trusted one, as company image displayed on the homepage does not always meet the reality. Trade fairs are good venue to locate prospects and proactivity of a potential new distributor can be a positive sign of motivation.

Final evaluation s starts with checking financial background of the candidates. If turnover figures, payment history and company size match with required profile, the interviewee evaluates product range and other operational related matters. As a last step, the candidate is asked to prepare a marketing- or a business plan, which explains how the candidate has planned to proceed with the manufacturers product sales marketing activities and if they are willing to invest their own funds in marketing.

The interviewee does not have a particular philosophy according to which he chooses business partners. He emphasizes though respect to the local environment and points

that one has to humble and act as locals do. If product does not match needs in the local market, product has to be modified accordingly.

6.2.2 Dynaset Oy

Interview at Dynaset was conducted as a phone interview on 24th March. The length of the discussion was one hour and 29 minutes. Question frame was sent to the interviewee a few days in advance. Telephone conversation was conducted in Finnish and it was recorded and later transcript into a word document.

Dynaset manufactures hydraulic equipment on mobile working machines and their products can be applied into a wide variety of industries. Major customer groups operate in construction, mining and earth moving industries. Company, founded in early 1980's, is a family owned company with current yearly turnover of 14 million euros. Company started international sales in 1990's with deliveries to Sweden. Today, direct exports account for 75 % of total sales. Most important export countries include Sweden, Germany, France and USA but company has business partners and distributors in 60 countries worldwide.

Company has currently over 100 distributors, of which 30-40 are active dealers. As Dynaset is active in a variety of industries, so are also many markets and customers still waiting to be discovered. Therefore the company does not provide exclusivity to any distributor regardless the geographical area or target customer group. The entry barrier to become a distributor for Dynaset is low but after signing the contract the distributor needs to demonstrate his sales- and marketing skills by presenting a successful sales record with Dynast products. After development of mutual trust, and steadily growing sales figures, company starts to grant benefits for the distributor, first, by allowing conventional payment conditions and later accepting discounts and even deliveries on credit.

Company is constantly scanning markets in order to find new successful distributors. Dynaset is looking for a distributor that has large market coverage for requested target group. It should also provide versatile and completing product range, which

serves the entire target group. Dynaset should not be the source for major revenue stream for the company, in an ideal case Dynaset's share of distributors total sales should account between 20-30 %. The distributor should have existing customer contacts and technical expertise to be able to demonstrate and market product and customer benefits. The distributor should have an existing service network or be able to arrange service functions. Dynaset wants their distributors to expand the market and increase sales. Therefore sufficient marketing skills are required as the distributor should be able to attract and find new customers and discover new possibilities. Basic foreign language skills are required as English is required for communication with the manufacturer.

The process for finding distributors for Dynaset is on going. Company is active exhibitor in trade fairs and additionally, personnel visits several other trade fairs per year. Many new distributor contacts are acquired during those occasions but also Dynaset's own business network is a valuable source of information. All sales managers at Dynaset are allowed to sign new distributor contracts using a standard contract template. New contracts are signed every month, but normally after six months, half of the new distributors become slowly passive and sales decline – and finally terminate. If Dynaset does not see a big potential in the new partner, they start to look for a new candidate to replace him.

6.2.3 Steerprop Oy

Interview at Steerprop Oy was conducted at company premises in Rauma on 27th March. The length of the interview was 42 minutes and discussion was conducted in Finnish. The interviewee had received the question frame in advance and the company information was received as a separate Power Point presentation file in a memory stick, that the interviewee gave to the researcher.

Steerprop Oy is a global manufacturer and a supplier for propulsion unit systems for the maritime technology. Company's products are used mainly in offshore-vessels, arctic vessels and on cruise- and passenger ships. Most important geographical markets are located in Norway, USA & Canada, Russia, and in Italy. All sales are inter-

national and company turnover was over 30 million euros in 2013 and current year 2014 will break the existing sales records with sales over 50 million euros by June 2014.

Steerprop manages all their sales through the network of international agents and independent distributors. Company has an agreement with two independent distributors, located in Singapore and USA. They buy and sell on their own accounts, while the rest of the sales network, the agents, work on behalf of the principal company and receive agreed commission after signing a sales contract. Steerprop has agents in 15 countries in EU, South-America, Asia and Russia. The agent's task is to identify new customer leads, maintain relationships with current customers and prepare offers.

When Steerprop is searching for an agent in a new market, they emphasise certain qualities: The candidate should possess a deep knowledge of the local market and he should be an expert in the field of industry where the principal operates. He should know customers very well and be an expert on how business works. The candidate should not represent competitor's products. The company should have qualified management, good reputation and good image as well a spotless economical background.

The interviewee is quite content with the co-operation with the current sales network. For a while ago, though, the interviewee was not happy with the company's agent performance in Brazil. According to market reports and general news, the local market was experiencing a major upswing, but at the same time, the agent's activities and results showed a remarkable decline.

The Interviewee started preparations in order to replace the agent, and assigned Finpro office in Brazil for the task. The agency was instructed to identify prospects, which had knowledge on the local market and the business. The prospects should have existing customers contacts and preferably a service network.

Finpro prepared a list of 10 prospects, which were taken into further analysis. Finally two candidates were left and the interviewee discussed with his local business con-

tacts, including customers, to receive insight-information on both of the candidates. Later, during discussions with both of the candidates, they were asked to prepare a market report and a business plan to demonstrate their skills as an active agent. Both candidates were good enough to become selected, but the final selection was though heavily influenced by the connection and strategic alliance the other candidate had with the company's existing agent in Norway. Replacing the agent in Brazil was a process, which lasted more than a year.

Company runs a bi-annual, a two-day Agent-Meeting Event in their premises. The event is focused on latest product information and latest news from the manufacturer's perspective, but every agent is also required to present a market review and -forecast. Listening other's market reports is beneficial for all participants, as the current branch is a global business and everything that occurs in a single market, has an effect in other markets as well.

The company has launched a marketing intranet service for all agents. Every agent has an access to his own folder, which includes among others company policy instructions and general guidelines for co-operation.

The interviewee emphasizes the importance of latest market news. The company has instructed every agent to provide a market report every quarter. The majority of agents provide this information regularly and on time, but not all of them. The interviewee describes relationships with agents and distributors as personal. Many associates from the network have become good friends and there is a social exchange outside the formal business environment. A strong, personal mutual trust helps to solve business matters or problems in case such occur.

6.3 Data Collection, 2nd Phase in the Case Company

The second phase of the data collection in the case company took place on 1st April 2014 at 13.00 hours on company premises in Rauma. The meeting took one hour and 30 minutes. Both the Sales Manager and company the CEO were present. There was no interview frame for this meeting but the researcher had sent the CEO an email

where he proposed an agenda for this meeting. Discussion was not recorded. The researcher presented results from the 1st phase interview and showed the distributor profile that researcher had drawn based on these interviews. This material, as well as summary from interviews with benchmarked companies, was sent to the CEO in an email on a previous day.

The researcher explained the fundamental steps of the AHP-Process: defining the problem, creating hierarchies with sub-hierarchies, which are the constructing elements of the problem and the comparison method, which includes comparing hierarchies with each other which finally ends up into weighting of values.

An ideal distributor profile was sketched on a paper. After a short discussion, participants decided to limit the number of main criteria into six features: Financial stability of the company, existing customer contacts, product range, operational expertise, service network and feelings. AHP-process allows adding sub criteria into main criteria, which explain and divide main criteria into minor entities. The feature “feelings” was discussed and participants came into conclusion, that company image and reputation, perceived company culture, personal chemistry and drive and enthusiasm of entrepreneurs are such non-tangible features, which are difficult, if impossible to measure or to give any numerical value. This is why those features were added as sub criteria under the main criteria “Feelings”. Also main criteria “Operational Expertise” was divided into four different sub criteria.

After the distributor profile was created, the researcher demonstrated participants the on-line AHP-tool, as explained in more detail in chapter 6.4.2. The participants had a short break of a few minutes while the researcher put in necessary information that the software requires in order to be able to construct the hierarchy tree. The AHP-session started and the participants seemed somewhat surprised about the feasibility and the logical approach that the use of software appealed to them. As the on-line tool has no option to save individual sessions, every single phase of the session was printed on a paper. Pairwise comparison started and first all sub criteria was compared pairwise with other sub criteria under the same node. For example, main criteria “Feelings” had four different sub criteria as discussed above. Pairwise comparison between them includes a question: “With respect to *Feelings*, which criterion is

more important, how much more on a scale 1 to 9?” First, a prioritization had to be made and later the participants needed to decide how much they prioritize one criteria above the other. Comparing the first sub criteria included six questions. The participants had no difficulties to adopt the required logic and the entire process, pairwise comparison between distribution selection criteria, went through in less than half an hour. The results are shown in the following picture:

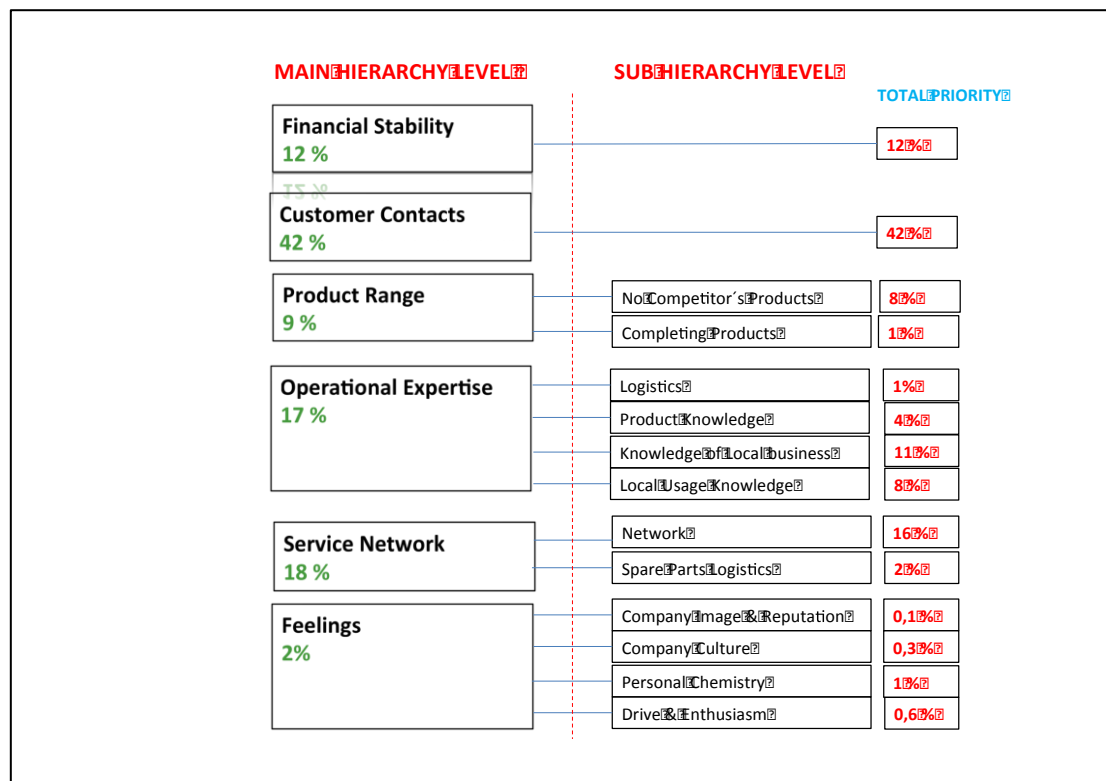


Figure 7: Laimu Distributor Evaluation Tool

The sales management at Laimu evaluated customer contacts (42 % of total weighting) as the most important feature of a distributor candidate, followed by service network and operational expertise with almost equal weighting (18 % and 17 %). What surprised the researcher was the low ranking of the criteria “Feelings” – it accounted only 2 % of total weight value. Results from the interviews with benchmarked companies demonstrate that desire and enthusiasm - or lack of them - contribute to the success or failure of a distributor.

6.4 AHP-Trial

Laimu is *considering* entering the European market via Germany as a gateway. The market entry is still on strategic planning phase and any concrete actions have yet not been made. Therefore testing the Analytical Hierarchy Process during the actual search of a distributor in Germany was not possible. Instead, company's earlier attempt in 2013 to find a distributor in Russia, offered an opportunity to demonstrate the process and test whether the AHP-process changes the original result achieved through conventional methods and to which direction.

6.4.1 Case Description: Evaluating Distributor Candidates in Russia

Laimu assigned Finpro office in Moscow to search for a distributor for the Russian market in January 2013. The first phase of the assignment included identifying importers and distributors of communal utility vehicles and agricultural and road construction machinery. Primary sources for information were specialized industry web portals and specialized business information systems such as Compas and Spark. Also Russian Unified State Register of Legal Entities ("USRLE") was used. Finpro found 91 potential companies and made a preliminary check such as if the company still is active. 51 candidate partners were selected for a closer check, which included among others whether companies have experience with foreign principals and products or if a company has a service network. Finpro selected finally six companies for the final shortlist. The selected six companies were contacted and four of them expressed preliminary interest and readiness to meet. The local consultant at Finpro office in Moscow organized meetings with the companies. The CEO at Laimu participated meetings and met with the key persons from the target companies. To summarize the results for the meetings and to be able to do the final evaluation of candidates, Finpro created an "Essential requirements matrix" where the essential requirements (Financial resources, image & reputation & chemistry, logistics and competing products absence) were listed as attributes. Every company was evaluated via assigning a percentage indicator where 0% presented definite mismatch and 100% was full compliance. For the final ranking, Finpro made an additional ranking evaluation table. This time, additional criterions were added and they were assigned

with certain weight according to its importance. All companies were ranked using numbers 1-5 where 1 means less suitable and 5 is most suitable. Total score was finally calculated using the weighted ranking which was multiplied by extent of compliance. Names on companies are coded using “M”, “H” and “P” in this thesis, as Laimu classifies information on these companies confidential.

Criteria	Weight	"M"	"H"	"P"
Communal market knowledge	20%	5	1	4
Sales power & competence	20%	5	4	4
After sales service competences	30%	5	5	4
Motivation and commitment	30%	3	2	5
Ranking (weighted summary)		4.4	3.1	4.3
Extent of compliance with essential requirements		74%	83%	71%
TOTAL SCORE		3.3	2.6	3.1

Figure 8: Finpro Evaluation Method

According to the results, the companies “M” and “P” with weighted summary of 3.3 and 3.1 are the most suitable partners whereas company “H” demonstrates moderate results. Laimu decided to continue negotiations with company “M”.

6.4.2 Re-Evaluation of Candidates Using The AHP-process

The purpose of the AHP-Trial was to re-evaluate companies and to find out if and how does the use of the AHP-process changes the original decision and the evaluation of the companies.

The application used for mastering the AHP-process was BPMSG AHP Online System, Beta Version 2014-03-15 (c) by Klaus D. Goepel. This software is a free online tool and downloadable at <http://bpmsg.com/academic/ahp-hierarchy.php?sc=expl05>. The researcher familiarised himself at earlier stage with excel-software, developed and supported by the same person, Mr Klaus D. Goebel. The advantage with the excel application is that every session can be saved as a separate file for a later review. However, disadvantage with the excel solution was that the evaluation of alternatives could not be included. The excel solution serves though well as a priority calculator. The online tool allows the researcher to define a hierarchy of criteria, calculate

weights for all criteria based on pairwise comparisons, and evaluate the alternatives. This is why the online tool was finally chosen. The disadvantage with the online tool is that sessions cannot be saved as computable sessions, but every single session can be exported as an excel file for a later review. Additionally, designing hierarchy requires proper planning phase: first the entire hierarchy structure must be visualized, drawn on a paper, and finally creating hierarchy structure in the software requires careful approach and deep attention to detail.

According to the original results, there was only a minor difference between the companies "M" and "P". Company "M" was ranked as number one, followed by company "P" while "H" received lowest scores. After the AHP-process, the result turned out to be different: Company "M" was still ranked as the number one, but, surprisingly, ranking between the positions two and three was dramatically different: Company "H" was ranked as a second and company "P", originally rated as almost competent as "M", received clearly lowest scores. The following figure displays the comparison of these both results:

FINPRO evaluation					
Criteria	Weight	"M"	"H"	"P"	
Financial resources	NO	95%	60%	85%	
Image, reputation, chemistry	NO	80%	80%	70%	
Logistic ability	NO	95%	95%	50%	
Competing products absence	NO	25%	95%	80%	
Extent of compliance		74%	83%	71%	
Communal market knowledge	20%	5	1	4	
Sales power & competence	20%	5	4	4	
After sales service competences	30%	5	5	4	
Motivation and commitment	30%	3	2	5	
Ranking (weighted summary)		4.4	3.1	4.3	
Extent of compliance with essential requirements		74%	83%	71%	
TOTAL SCORE		3.3	2.6	3.1	
RANKING (FINPRO)		1	3	2	

AHP Evaluation					
AHP COMPARISON:	Weight	"M"	"H"	"P"	
Financial stability	12%	76%	19%	5%	
Customer contacts	42%	78%	18%	5%	
No competitors products	8%	5%	73%	22%	
Completing products	1%	76%	6%	18%	
Logistics	1%	48%	45%	7%	
Product knowledge	4%	77%	18%	5%	
Local business knowledge	12%	65%	28%	7%	
Local usage knowledge	1%	81%	11%	7%	
(Service) network	16%	26%	66%	8%	
Spare parts logistics	2%	14%	78%	8%	
Image & Reputation	0%	72%	20%	9%	
Company culture	0%	16%	77%	7%	
Personal chemistry	0%	11%	58%	31%	
Drive & Enthusiasm	1%	30%	54%	16%	
TOTAL WEIGHT		60%	33%	7%	
RANKING AHP		1	2	3	

Figure 9: Comparison Between Conventional Ranking and AHP

The Analytical Hierarchy Process allocates “scores” proportionally. The total amount of scores is 100, which is to be allocated for alternatives according to their advantages in criteria in question. Equal allocation is possible. This logic makes minor differences more clear and ranking of alternatives is more concrete. Finpro used a combination of grading and ranking: First, the companies were graded according to their compliance in criteria in question. In the second phase, more criteria were added and they were given weights. Companies were ranked using numbers from 1 to 5 where 1=less suitable and 5=most suitable. This second phase ranking is however totally not logical: if ranking is to be made, why can companies be given the same ranking?

CEO Arto Sunila commented the results of the AHP-process saying that since the original evaluation took place, he had had additional meetings with the companies

and therefore gained more information, which he now was able to utilize when comparing companies again, this time using AHP-Process. According to him, the result gained through AHP is very clear and makes sense. When he was asked to evaluate the AHP-process and its feasibility for the distributor selection process he expressed that it serves best as a testing platform – to collect evidence whether the right decision was made. According to him, an ideal case to use the AHP would be a situation, when there is a very little difference between the candidates and the decision would otherwise be very hard to make. He also pointed that he needs to argue such strategic decision as distributor selection for the board of directors of the company and that the results and the documentation received through AHP process could be a useful tool for this purpose. He could then demonstrate what criteria had been used and how do final candidates fully fill the criteria and how they differ from each other.

7 RELIABILITY AND VALIDITY OF THE RESEARCH

According to the requirements concerning all master level thesis published in Finland, this study is public. Recorded interviews and transcripts are not published in the appendixes and information received in interviews is introduced only in the results of this thesis. One of the used sources (Finpro 2013) is confidential, as it is property of the case company and includes confidential commercial information on their business network.

“Qualitative research is trustworthy when it reflects the reality and the ideas of the participants” (Holloway 1997, 160). After completing the interviews with benchmarked companies, the researcher sent the summarised interview documents for review for each of the participants. They were given the opportunity to comment the reports and they were also reminded that the interview abstracts will appear in the final thesis as such and that the thesis will be public.

According to Holloway (1997), 136-137, the researcher is the main research instrument in a qualitative research and therefore reliability, which means obtaining same results

with the chosen method regardless of how, when and where the research is carried out, is difficult to achieve. Validity establishes the truth and the authenticity of a piece of research together with reliability (Holloway, I.1997, 159).

The researcher should provide a detailed description on all phases conducting the research. Interview venues should be described, time used to interviews, eventual bias during the research and in analysing the results. Researcher should also provide a self-evaluation description on interviews and on analysing the results. (Hirsjärvi et al., 1997. 227). All interviews in this thesis are described in detail including time used, venue and eventual bias, in case such occurred. Companies chosen for benchmarking interviews are all successful in terms of market share, growth and the level of internationalization.

In addition to collect evidence and best practices from other companies regarding distributor selection process and relationships management, the focus of this thesis was also to create and launch an evaluation tool for the case company using the Analytical Hierarchy process. Therefore the researcher decided to limit the number of interviews and create a functional balance between theoretical framework, the empirical research and the description of the structure and logic of the Analytical Hierarchy Process. The distributor evaluation tool does not serve its purpose without proper instructions.

Internal validity is achieved, when the researcher can demonstrate that there is evidence for the statements and descriptions made. (Holloway, I. 1997, 159-160). The results of the research confirmed fundamental parts of theories discussed in this thesis. For example, as stated on page 16 by Dent (2008, 3) distributors are valuable sources of information and they are aware of this fact and regard market information as their special value of differentiator to the supplier. All conducted interviews demonstrate that suppliers are continuously facing the topic and are trying to implement different means for the purpose of receiving more of this information. As stated on page 22 (Mentzer et al. 2007, 367) relationships require sharing of information as information increases certainty and reduces needles interaction. Interviews among benchmarked companies show that successful firms have internalised the fact and try to keep the communication live and active with their distributors.

8 CONCLUSIONS

Choosing a right distributor requires time and resources and deep commitment into the assignment. The evaluation criteria for a distributor candidate is company- and business sensitive and criteria and weighting of them can differ a lot even within a company, according to which market company is intending to – and when.

The research showed that the most important attributes a manufacturer emphasizes when drawing an ideal distributor profile, is knowledge and excellence in the business and as well a active business contacts. The candidate should be economically healthy and be able to demonstrate enough revenue streams from other activities. There should be a balance between the already existing product range and competitor's products.

The Internet and commercial databases provide listings of potential partners, but the validity and the accurate of this information need to be checked. Trade fairs are good venue to seek and meet business partner candidates, whether exhibiting as a company or attending trade fair as a visitor. Qualified local consultants can be of great help when sorting a long list of prospects into a short list of a few final candidates.

Desire and motivation of the candidate can contribute a great deal for the future success of the new distributorship. This attribute can, and should be observed during personal meetings and during visiting candidate's company premises. An assigned marketing- or business plan reveals the true level of motivation of a candidate: if it is well justified and systematic and includes a budget with indication that a candidate is willing to invest own funds into marketing actions, it can be assumed that candidate strives for success and is committed to work for it.

The most common risk in a distributor relationship is the passivation of a distributor and consequently, a decline in sales. In emerging markets, in this research merely CIS-countries, opportunists might seek a change to gain quick profits by obtaining a distributor agreement, negotiate a deal in through an official tender, cash the provision and then exit from the market. To replace a not-well-performing distributor re-

quires time and resources and can have major effects on company's market share and position.

This research shows that companies have rather close relationships with their distributors. This is partly a result of conscious attempts to keep the communication on a regular level – in addition to e-mail correspondence, irregular, conventional telephone calls are made to personalize the communication and face-to-face meetings are strived to arrange at least once a year. Additionally, companies try to engage their distributors by providing organized distributor events at their premises and also by increasing their level of rewarding- or bonus proportions according to the achieved sales targets. Companies believe that regular communication and close relationships help to maintain distributor's motivation on a higher level.

The purpose of this thesis was to create a distributor evaluation tool with measurable criteria for the case company. The Analytical Hierarchy Process meets the criteria and can be applied for the distributor selection. It helps to analyse the problem and serves efficiently as a group work tool as one of the major advantages of the process is that the participants increase their understanding of the problem, of its context and of each other's thoughts and feelings about both while building the hierarchy. It indicates differences between alternatives very well. Both tangible and intangible criteria can be used and this allows the consideration of feelings, perceptions and judgements in the decision making process. Using the process does not require mathematical skills as there is AHP software applications available, even for a free download. Even if the software application used in this research required some preparation and attention to detail, it was easy to use. To maximise the benefits of the process, the AHP-process should be repeated and practised. In addition to other benefits, it provides clear documentation of all phases of the process, which can be used for qualifying and argument the decision. During the research, an evaluation tool with weighting of criteria was created for the case company and tool was tested by submitting information on candidates that the case company previously evaluated when they searched for distributor in Russia during 2013. The AHP-process demonstrated much clearer difference between the alternatives and changed the final ranking order between positions 2 and 3 compared to the original results.

Choosing the most appropriate partner from a selection of handpicked extraordinary candidates can thus be a situation, which is rather theoretical. Often the best candidates are already serving someone else – or are simply not interested about cooperation. Then a company has to pick up the next best candidate, or in the worst case, anyone available. Working with a distributor is a learning process for the both parties, a constant journey or a marriage, and the partners can learn to know each other during the journey and grow to become the best partners for each other. It is however essential, that a company practices analytical thinking and recognizes their own needs and requirements for their distributorship – and pays constant attention to the relationship management.

8.1 Recommendations for the Case Company

Laimu should start to consider organizing annual or bi-annual customer event at their premises with foreign distributors as a target group. In addition to offering product information and technical training during the event, the participants could also be assigned for the meeting by asking them to prepare a short market review, of which rest of the participants could also benefit. Such an event provides also many opportunities for informal discussions, which help to build up and maintain relationships. Distributor's loyalty towards the brand and the company would definitely strengthen.

All benchmarked companies visit several trade shows per year and use this venue to identify distributor prospects. The sales management at Laimu should pick up several international and local trade shows into their travel calendar and use this opportunity to receive valuable distributor candidate contacts and latest market information.

8.2 Suggestions for further research

The Analytical Hierarchy Process could easily be applied in several areas in corporate management, such as recruiting and other HR-issues, investing decisions and strategic management. When considering the case company, Laimu could re-evaluate their strategic plan considering entering European market via Germany and maybe find an

alternative solution by proposing a problem: What is the most beneficial way to enter European market?

This thesis covered relationship management on a surface but enough to demonstrate that “trust need touch” – a regular communication between business partners is pre-requisite for developing trust between parties and for developing beneficial relationship. The results with discussions with benchmarked companies revealed that many supplier-distributorship relationships waste away while the distributor loses focus or motivation or both - or simply gets busy with other principals and other products. Some industries are global and business partners in this global network are located in different continents and live in different time zones. There are numerous papers about communication in global virtual teams, but worth a further research would be a research with focus on international principal-distributor relationships, rewarding systems and different engagement methods of a distributor, which would help to keep the relationship alive and developing and be profitable for both parties.

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APPENDIX 1

Question Form – Data Collection 1st phase

1. Background Information - Respondent
 - Respondent name
 - Age
 - Education
 - Language skills
 - Position in the company, main responsibility areas
 - Years in current company
 - Years in international business

2. Background information - Company
 - Field of business
 - Major customer groups
 - Turnover – current – average 3-5 years
 - Share (%) of exports / international sales
 - When did the company start international activities?
 - Current international markets
 - Number of international distributors

3. Distributor Profile
 - What are the most important requirements the distributor should have? Why?
 - How does the company find preliminary information / locate distributor prospects?
 - How do you come up the “final list”?

4. Operational & Financial Risk
 - Do you pay attention to distributor prospects financial performance? Why?
 - How do you find out information on financial performance?
 - What key ratios you pay attention to?
 - How do you receive market information from distributors?
 - What is the most important information you would like to receive from your distributor?

5. Cultural & Behavioral
 - Have you developed a common philosophy or a principle according to which you choose your business partners?
 - Do personal relationships play a role when making business?
 - Have you been on a field sales trip with your distributor(s)?

 - Who is the company’s most successful distributor? Why?
 - How long has this business relationship continued?

- Can you describe the company's major disappointment or conflict with a distributor?
- Have you been forced to sign off a contract? If so, why?

6. Maintaining Relationship

- Do you have regular meetings with distributors?
 - If so, do you have a regular agenda on issues to be discussed?
 - How do you communicate with distributors?
-
- How would you describe your personal relationship(s) with your distributor?

APPENDIX 2

Question Form – Data Collection BENCHMARK

7. Background Information - Respondent
 - Respondent name
 - Age
 - Education
 - Language skills
 - Position in the company, main responsibility areas
 - Years in current company
 - Years in international business

8. Background information - Company
 - Field of business
 - Major customer groups
 - Turnover – current – average 3-5 years
 - Share (%) of exports / international sales
 - When did the company start international activities?
 - Current international markets
 - Number of international distributors

9. Distributor Profile
 - What are the most important requirements the distributor should have? Why?
 - How does the company find preliminary information / locate distributor prospects?
 - How do you come up the “final list”?
 - Can you describe the process of selection of your latest distributor?
 -

10. Operational & Financial Risk
 - Do you pay attention to distributor prospects financial performance? Why?
 - How do you find out information on financial performance?
 - What key ratios you pay attention to?
 - Do you visit distributor prospects premises?
 - Which details do you pay attention to (when visiting d-prospects)?

11. Cultural & Behavioral
 - Have you developed a common philosophy or a principle according to which you choose your business partners?
 - Who is the company’s most successful distributor? Why?
 - How long has this business relationship continued?

- Can you describe the company's major disappointment or conflict with a distributor?
- Have you been forced to sign off a contract? If so, why?

12. Maintaining Relationship

- Do you have regular meetings with distributors?
- If so, do you have a regular agenda on issues to be discussed?
- How and how often do you communicate with your distributors?
- How accurate market information do you receive from distributors?
- Have you established a process to collect market/customer information from your distributor?
- Have you been on a field sales trip with your distributor(s)?
- What is the most important information you would like to receive from your distributor?
- How would you describe your personal relationship(s) with your distributor?