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Evaluating and selecting suppliers

Case Study of Tuppu-Kaluste

Thesis

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Thesis abstract

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The aim of the thesis was to create a system to evaluate supplier options systematically and easily as well as to select the most suitable carpet supplier for the commissioner of the thesis, Tuppu-Kaluste. The first objective was to study the import process and the supplier evaluation process. The second objective was to figure out what the commissioner of the thesis demands from its suppliers and how the supplier options meet the needs of Tuppu-Kaluste. The third objective was to analyse which supplier would be the most suitable option for the commissioner.

The theoretical framework of this thesis introduces the importing process from the beginning to the end. Every part of the process is covered, from finding suppliers to the taxation of the goods, and everything else between them. The second part of the theoretical framework focuses on the supplier evaluation and consists of the criteria which should have an impact on selecting the supplier. The goal of the theoretical framework was to create the basis for the thesis study.

The research methods used are introduced in Chapter four, and the results of the study are introduced in Chapter five. The study was qualitative, and the data was collected through individual interviews at which the interviewees were three of the owners of Tuppu-Kaluste. These interviews formed the basis for the criteria used in the evaluation process. The representatives of the supplier options were also interviewed, and their answers were used in the comparison of the supplier options. After the interviews, the supplier options were evaluated with a decision matrix, which showed which supplier would be the most suitable one for the commissioner, Tuppu-Kaluste.

The last and sixth chapter of the thesis deals with the author's own ideas and thoughts about the supplier evaluation, and the entire process of the thesis. This thesis shows an example of how the supplier selection can be done in order to find the most suitable supplier as efficiently as possible.

Keywords: supplier selection, supplier evaluation, international commerce, import

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Opinnäytetyön tiivistelmä

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Opinnäytetyön tarkoituksena oli luoda järjestelmä, jonka avulla voi arvioida tavarantoimittajia järjestelmällisesti ja vaivattomasti. Tarkoituksena oli myös valita sopivin mattojen toimittaja opinnäytetyön toimeksiantajalle Tuppu-Kalusteelle. Ensimmäisenä tavoitteena oli tutkia maahantuontiprosessia ja tavarantoimittajan arviointiprosessia. Toisena tavoitteena oli selvittää toimeksiantajan vaatimukset koskien tavarantoimittajia ja tutkia, miten tavarantoimittajaehdotukset täyttävät Tuppu-Kalusteen tarpeet. Kolmantena tavoitteena oli analysoida, mikä tavarantoimittajista olisi sopivin vaihtoehto toimeksiantajalle.

Opinnäytetyön teoreettinen viitekehys esittelee maahantuontiprosessin alusta loppuun. Jokainen osa prosessia käydään läpi, aina tavarantoimittajien etsimisestä maahantuotavien tuotteiden verotukseen saakka. Toinen osa teoreettista viitekehystä keskittyy tavarantoimittajien arviointiin, sisältäen kriteerit, joilla tulisi olla vaikutusta tavarantoimittajan valintaan. Teoreettisen viitekehysten tavoitteena oli luoda pohja tämän opinnäytetyön tutkimukselle.

Tutkimusmenetelmät esitellään luvussa neljä ja tutkimustulokset luvussa viisi. Tutkimus toteutettiin laadullisena tutkimuksena, ja tiedot koottiin yksilohaastatteluilla, joissa haastateltiin kolmea Tuppu-Kalusteen omistajista. Haastattelut loivat pohjan arviointikriteereiden asettamiselle arviointiprosessia varten. Myös tavarantoimittajien edustajia haastateltiin, ja heidän vastauksiaan käytettiin tavarantoimittajien vertailussa. Haastatteluiden jälkeen tavarantoimittajavaihtoehdot arviointiin ratkaisumatriisin avulla. Arvioinnin tuloksena saatiin selville, mikä tavarantoimittaja vaihtoehto oli sopivin Tuppu-Kalusteelle.

Kuudes ja viimeinen kappale käsittelee kirjoittajan omia ideoita ja ajatuksia tavarantoimittajan arvioinnista ja koko opinnäytetyöprosessista. Tämä opinnäytetyö antaa esimerkin siitä, miten tavarantoimittajan valinta voidaan suorittaa, jotta sopivin tavarantoimittaja löydetään mahdollisimman tehokkaasti.

Asiasanat: tavarantoimittajan valinta, tavarantoimittajan arviointi, kansainvälinen kauppa, maahantuonti

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1 INTRODUCTION

1.1 Background

Today, globalization has a significant role in everyday business life. Many companies buy goods from foreign suppliers, which operate globally inside the European Union but also between different continents. International business creates great opportunities for companies but it also causes some challenges. One of these challenges is how to find the best possible supplier for the company. During the selection process, companies have to think about supplier selection criteria, which differ from case to another because different kind of companies have different kind of needs.

The topic of the study is to find the most suitable carpet and rug supplier for Tuppu-Kaluste, a Finnish retail and wholesale family company. Tuppu-Kaluste was founded in 1984 and they were producing furniture and wholesaling them to the Finnish furniture retailers. In 1999, their retail store was opened in Kauhajoki. Since then, they have decreased their production, and, today, they mostly import furniture and carpets from several countries and companies. Imported goods are sold to the Finnish retailers and consumers. In 2014, their online store was opened, which expanded their market area significantly. Even though Tuppu-Kaluste already imports carpets from several companies, they still have to find new suppliers. At the moment, they are trying to find a new supplier for a certain kind of carpets that they do not import yet.

The author of this thesis has worked for Tuppu-Kaluste as an intern, and the topic for the study was chosen based on that experience. The author has also worked there before the internship and gained knowledge about the functions of the company and the import business. Therefore, the thesis also includes information based on the author's own experience.

1.2 The aim of the study

The aim of the study is to ease the supplier selection process by finding the system to evaluate the supplier options wisely and easily. Moreover, the goal is to find an efficient way to handle the process and use of the resources in the family company like Tuppu-Kaluste. The aim is not to create a system which would be suitable for every importer but for Tuppu-Kaluste. Another aim of the study is to find the suitable carpet supplier for the company. Although, the supplier which has to be found, has to be producing certain kind of carpets, the evaluation system should be suitable for selecting other suppliers too in the future. The more solid way to manage the process is needed because Tuppu-Kaluste wants to create a more coherent supplier portfolio in order to provide a comprehensive variation of carpets for their target markets. In the study it is important to examine the criteria, which have to be taken into account when selecting a supplier. After finding suitable criteria for the process, they need to be organized based on their importance in order to achieve great results.

1.3 Outline

In the theoretical part of the thesis, the whole import process is described from the beginning to the end. After it, supplier selection criteria are covered thoroughly with the new ideas the company could use for assessing their options. The theoretical part is based on online sources as well as on written sources. The Second part of the thesis is the methodology part, where all the qualitative methods used in this study are introduced. Finally, in the practical part of the thesis, the results of the interviews and data collection are introduced. Also, the decision and evaluation process are presented.

2 IMPORT BUSINESS

Salminen (2004) indicates that the importer is one of the distributor types who buys goods from the supplier or suppliers and resales the goods to the consumers or wholesales the goods to the retailers. An import means a good or a service which has been brought into one country from some other country (What is an import, [ref. 15 Sep 2017]).

Today, international commerce is strongly related to the development and growth of the modern industrialised world. The main reason why countries trade with each other is that they do not have resources or capacity to fulfil their own needs and wants (Why do countries, [ref. 22 Mar 2017]). In turn, they can specialize and produce a surplus and trade it for the resources which are lacking. As a result of specialization, countries are likely to become more efficient since producers will become larger, apply new technology and begin the mass production. For this reason, a country can provide advantages over less specialised countries which makes it more competitive and improves its chances of exporting.

There are several reasons to import goods from abroad. Some products might be more easily available in abroad or their versions are more attractive than in the domestic markets (Why do countries, [ref. 22 Mar 2017]). According to Professor Bertasi (2008, 18), especially in rapidly developing and small markets, there is competition between domestic merchants to become a distributor for the manufacturer of some special or prestigious brand. He continues by saying that despite becoming distributor for this kind of brands, many companies have grown even by becoming manufacturers in their own right under licence.

Apart from those reasons, sometimes there do not exist any local options which makes importing necessary (Why do countries, [ref. 22 Mar 2017]). For instance, Japan is the fourth largest consumer of oil without having any oil reserves of its own, which is why Japan needs to import all oil it needs. At times, the local option is lacking because of the absence of reserves but sometimes the product is patented which makes importing compulsory.

The last but not the least important reason to import goods from abroad are the better quality and cheaper prices (Why do countries, [ref. 22 March 2017]). According to the Entrepreneur's article, both of those reasons belong to the three main reasons, why imports are such a big business around the world (How to start, [ref. 22 Mar 2017]).

1. Availability: it is just impossible to grow some things in certain areas for example bananas will not grow in Alaska.
2. Cachet: some goods which are well-known of their origin or quality in a certain country, have more value if they are imported instead of producing domestically. Good examples of this are German beer, French perfume and Egyptian cotton.
3. Price: some products can be produced cheaper abroad, for example Korean toys or Taiwanese electronics can be cheaper than toys produced domestically.

2.1 Finland and its imports and exports

The Balance of the trade (BOT) is the difference between country's imports and its exports for a given period of the time (Balance of Trade 2017). BOT is a statistical tool which helps to understand the relative strength of a country's economy versus other countries' economies and the flow of trade between nations. For example, if a country imports more goods and services than it exports it has a trade deficit. On the contrary, when a country exports more goods or services than it imports it has a trade surplus.

Since 2011, Finland has had a trade deficit every year (Finnish Custom Statistics 2016, 4). For instance, in 2016 Finland's imports were 54,669 million euros, while its exports were only 51,780 million euros which caused a 2,889 million trade deficit. It means that Finland imported more than it exported in 2016.

Surplus or deficit of the trade cannot be taken on their own to indicate the economy's health. Also, other economic indicators and the business cycle have to be taken into

account when making conclusions. One good way to get a big picture of a country's economy is to compare the deficit or the surplus to the Gross Domestic Product (GDP) of the country (Balance of Trade 2017). Generally, everything produced by all the people and companies in the country, no matter if they are citizens or foreign owned companies, is count to the gross domestic product. The standard formula for calculating a country's gross domestic product is: Personal consumption expenditures + business investments + government spending + (exports - imports) (Amadeo 2017). According to Tasch (2017) in 2016 Finland's GDP per capita was \$ 41.812 which made Finland the 29th richest country in a world, measured by GDP per capita.

From Finland's trade deficit and GDP, it is possible to see that even though Finland has had trade deficit in the past few years, its GDP is still high so the economic situation is not so bad after all. But the more specific view needs to be, the more indicators have to be taken into account.

2.1.1 Finland's trading partners and imported products

In 2016, Finland's three biggest trading partners in importing were from the Europe. Germany hold the first place as Finland imported goods from there worth of 8,104 million while Sweden and Russia had second and third places each of them with a bit more than 6,100 million exports to Finland (Finnish Custom Statistics 2016, 10–11). Another thing, which can be seen from the Finnish Custom Statistics is that, from the outside of the Europe, China was the most significant import trading partner with over 4,000 million imports from there to Finland. Other countries had less than 4,000 million exports to Finland per country. And in the top 15 the USA and China were the only un-European countries, which means that most of the Finland's imports come from the Europe.

Similarities can be found from Finland's export partners, because European countries have a much bigger role in Finland's export trading than the countries outside the European Union. Even 71.6 per cent of the exported goods and services were exported to some European country (Finnish Custom Statistics 2016, 11). According to the Custom Statistics, Finland's main export trading partner in 2016 was Germany

by importing goods and services from Finland worth of 6,830 million, Sweden hold the second place with over 5,500 million and the third one was the USA with 3,900 million.

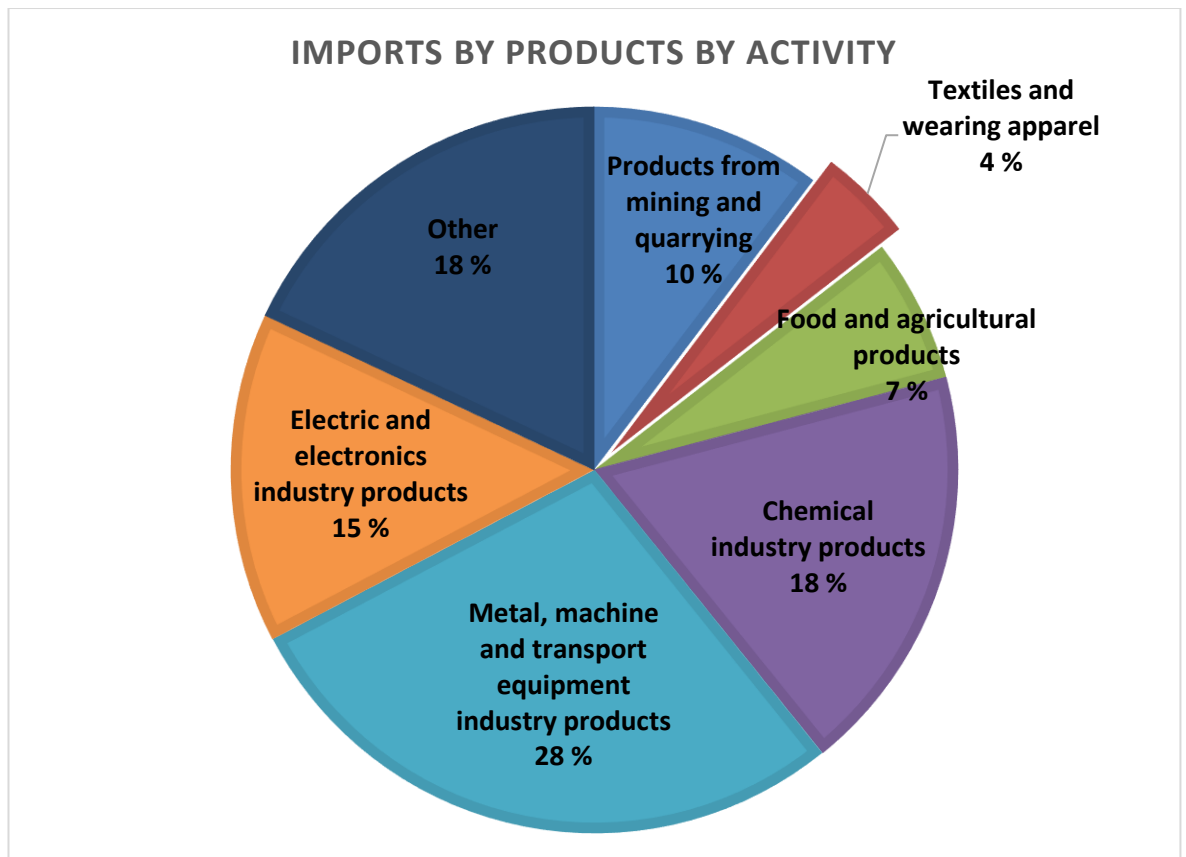


Figure 1. Imports by products by activity 2016 (Finnish Customs Statistics 2016, 5 adapted).

As it is possible to see from Figure 1, which is formed based on the information received from the Finnish Custom Statistics (2016, 5), most of the imported goods are metal, machine and transport equipment industry products. Those goods and services, combined with chemical industry products and electric and electronics industry products form 61 per cent of all the imports. After industry products, there are import products from mining and quarrying, food and agricultural products and the last but not the least textiles and wearing apparel. Furthermore, there are smaller product groups which account for altogether 18 per cent of all the import products.

2.1.2 Textile imports in Finland

As mentioned in last paragraph, textiles and wearing apparel accounted for 4 per cent of Finland's imports (Finnish Custom Statistics 2016, 5). The group of textiles and wearing apparels involves five smaller product groups which are: clothes; interior textiles & other textiles; technical textiles; yarns, fabrics, knitted fabrics, fibres & textile waste and shoes. Carpets belong to the interior textiles and other textiles (Tekstiilien vienti ja tuonti 2017, 3).

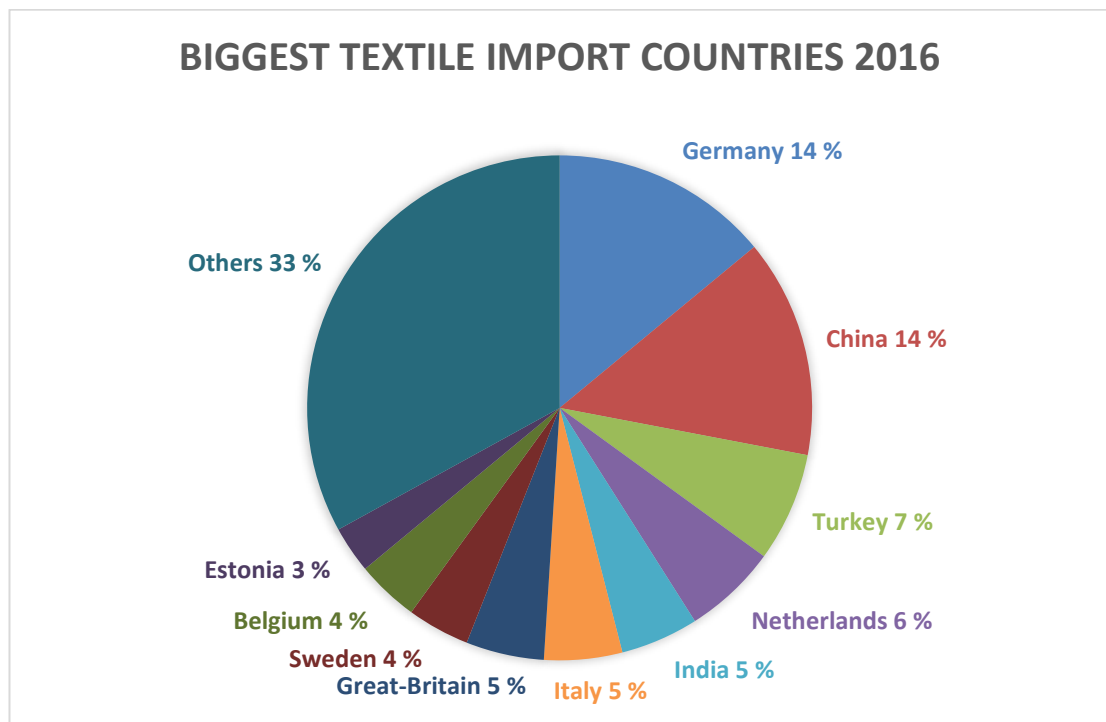


Figure 2. Finland's biggest textile import countries in 2016 (Tekstiilien vienti ja tuonti 2017, 13 adapted).

In Finland, in 1987 most of the imported textiles were imported from Germany and still, in 2016 Germany had remained its place as a biggest origin country of Finland's textile imports (Tekstiilien vienti ja tuonti 2017, 13). On the other hand, as shown in a figure 2, in 2016 Germany had to share the first place with China since both of them had 14 per cent part of Finland's textile imports. Although Germany has kept its place, some changes have also happened in last 29 years, for instance, Asian countries' rapid rise in Finland's textile import trade (Tekstiilien vienti ja tuonti 2017, 13). In 1987, China was not even mentioned on its own in charts but in 2016, 14 per

cent of all the Finland's textile imports were originally from China. Other countries had smaller parts, for example, Turkey 7 per cent and Netherlands 6 per cent and another one from the two Asian countries on a list, India 5 per cent.

Important detail, which can be seen from the Finnish Textile & Fashion's report (Tekstiilien vienti ja tuonti 2017, 13) is that origins of imports have dispersed significantly in last years. In 1987, textiles were imported from fewer countries compared to 2016, when textiles were imported from several different countries. This can be seen from the section of other countries, which includes the countries, which do not belong to the top 10. In 1987, the percent of those countries was 22 per cent while in 2016 it was already 33 per cent.

2.1.3 Problems with exporting to Finland

Every market area has some advantages and disadvantages. Since Finland is a country of around 5 million inhabitants, the quantities ordered, are smaller than for many other EU-countries. Because of this, many Finnish importers are dealing with smaller suppliers in order to create a practical customer relationship which pleases both parties (Exporting to Finland 2008, 7). Another issue is the legislation, which can make international trade rather complicated. Both the Finnish legislation and EU-legislation need to be followed and because of that, some problems might occur (Exporting to Finland, 9–10). But when an importer finds supplier whose products are attractive enough, they will surely help exporters to solve all the problems concerning legislation. The third concern, which might cause problems is retail groups' and importers keen on safeguarding their reputation (Exporting to Finland, 9–10). The key word describing the safeguarding is corporate responsibility, which includes economic, environmental and social responsibility. Corporate responsibility is important and truly needed, but there are still many conventions which are not even closely implemented in some countries, especially in developing countries. The Universal Declaration of Human Rights and international environmental agreements, are good examples of this kind of conventions (Exporting to Finland, 9–10). This might cause a lack of reliability, which might lead to the situation, where importer decides to choose another supplier who can truly implement these conventions.

2.2 Import process

For some people international trade is quite simple but for some it might get really complicated. Complexity is understandable, because there are multiple variables in the international shipping process. Kavas (2012) points out that many parties are involved and communication barriers might cause problems as well as different rules and regulations might slow down business, if there is not enough experience of them. In the next paragraphs, different parts of importing will be covered in order to take into account every factor which should have effects on the choice of a supplier.

2.2.1 Finding a supplier

There are several different ways to find new suppliers. Kavas (2012) suggests to contact government agencies and other organizations and ask help from them. He tells that other typical way to find a supplier is to use online sources and to join domestic and international trade shows. But in order to find good suppliers, there are some points to pay attention to already while searching the supplier. Korkiakoski (2013) states that there are four different things to give a closer look before selecting the supplier. First of all, the supplier should be as close as possible to the producer of the product since then the prices are lower. That is why it is important to figure out who buys from who and who sells to whom. By creating this model, it is possible to find the suitable market and suppliers for your company.

Secondly, Korkiakoski (2013) suggests to explore all the big market places such as eBay, Alibaba and Amazon. From those places it is possible to find many suppliers very easily from all over the world. He continues by saying that there are often more convenient minimum order quantities, payment terms and delivery terms for the beginners also. He also points out that those market places mentioned above are not enough. Importer needs to connect with different kind of people, who are working in a same branch. It is important to visit different kind of seminars and fairs and create new connections in order to stay updated.

While finding a supplier, different kind of supplier options should be taken into consideration. There are four different options. First one, buying from manufacturers, is

the most usual one (How to Find [ref. 3 Oct 2017]). Many retailers buy from sales-people who work for manufacturers and handle the wares of several companies. Prices from them are usually low but the quantities might be big. Second option mentioned, is buying from distributors. They are also known as wholesalers. They buy big quantities and warehouse them for sale to retailers. Prices are often higher than from manufacturers, but from them it is possible to buy smaller quantities also. Third choice listed in the article, is to buy from independent craftspeople who have exclusive right to sell certain products. Fourth and the last one is to buy from import sources. If the company is familiar with overseas sources they might travel abroad to buy goods instead of buying those from domestic wholesalers.

Eventually, Korkiakoski (2013) emphasises that if the selected supplier appears to be mistaken it is important to start the project again and try to find a new supplier. According to him, everyone has bad luck every now and then but people should not be too afraid of taking risks because it is always possible to change the supplier to a better one. He reminds that on the other hand, companies should make enough research before selecting the supplier because companies cannot handle too many failures without violating their business. Kavas (2012) agrees by advising to go to meet the suppliers after making a contact with them. According to him, by meeting the possible suppliers in their country, it is possible to get to know them and their products better.

2.2.2 Getting to know the products

Spaeder ([ref. 3 Oct 2017]) advises that once the good supplier options have been found, product samples are needed. With them it is possible to find out if the products are what is wanted. She also thinks that some companies are more willing to send samples than the others, but in any case, quality check is very important part of the import business. Very often the most important thing in a product is its price. Even though a cheap price can really help to grow the business, other factors need to be taken into account because price is not all that matters as said in Entrepreneurs article (How to find [ref. 3 Oct 2017]): “But there’s more to a supplier than an

invoice – and more to the cost of doing business with a supplier than the amount on a purchase order”.

In addition to the quality and the price of the product, also the design of the product is important. Bertasi (2008, 24) points out that product standards may be different in different areas but also consumer tastes might differ. Therefore, not only the price and the quality matter but also the style of the product.

2.2.3 Organizing and carrying out the delivery

According to Schiavi (2008, 225—226), delivery plays a big part in import business because distances are often very long. She states that the choice between sea, air or ground transport is often made dictated by the type of product, destination or buyer. She explains that there are multiple factors, which should have an impact on selecting the way of transportation and one of them is transport costs, because they have a significant impact on the price of the goods. In addition to the transport costs, delivery times should have a strong impact on selecting the way of transport. At the same time, it is also important to keep in mind that the price quoted to the importer is always inevitably linked to the particular International Commercial term (Incoterm) chosen.

There are four basic Incoterm groups, which are divided based on categories' first letters (O'Connor 2008, 95). To the first group belong all the E-terms, which means that the goods are placed at the disposal of the buyer at the seller's premises or factory. Groups starting with F tell that the buyer is responsible for the cost and risk of the main international carriage. C- and D-terms both mean that the seller pays international carriage, but in the group D the seller carries the risk at the buyer's country or even at their premises (O'Connor, 95). In general, can be said that the goods sold with E-terms are usually cheaper than the goods sold with D-terms because the D-terms are costlier to the seller than the E-terms.

Tuppu-Kaluste imports all the carpets by ships because quantities imported are big and for example air freight would be too expensive and ground freight sometimes even impossible to use since the long distances. Schiavi (2008, 243) thinks that

usually the best Incoterms for sea shipments are FCA (Free Carrier), CPT (Carriage Paid to) and CIP (Carriage and Insurance paid to). She defines that these more detailed and newer terms are used in sea shipping, because otherwise parties should be more careful to provide for insurance cover for the transport from the inland terminal to the ship's side. If something happens between those places, shipper might find himself without possible resource via an insurance claim. Schiavi (226) claims that economic way to take care of the transportation and insurances is other part's whole undertake of all the obligations. This is because the total amount of transport services purchased will be larger, instead of dividing it to the smaller pieces. According to her, therefore, "extreme" incoterms like Ex Works and C- and D-terms are more preferred nowadays.

Final part of the delivery itself is customs. Schiavi (2008, 227) notes that all the transport modes entail different procedures for customs clearance, which might lengthen the delivery time. She reminds that not only air and postal shipments have more simplified customs procedures than sea shipments but also road and rail shipments can be carried through the customs more easily, which is a disadvantage for the sea shipments.

2.2.4 Payment of the goods

According to Sénéchal and Collyer (2008, 147–148), there are wide variety of payment methods available in international trade. They tell that all those methods have their own advantages and disadvantages; therefore, the payment method needs to be chosen according to the situation and the relationship between the importer and exporter. The central risks that need to be covered are the exporter's risk of non-payment and the importer's risk that the goods shipped will not comply with the contract. Sénéchal and Collyer (147) clarify that if traders do not know each other very well they usually want to choose the method with a high level of payment security. On the other hand, the higher the level of payment security, the more expensive it will be. They also reason that traders who have a great deal of confidence in each other or have more experience in trading, often use the cheaper and simpler methods which do not reduce risks similarly as the costlier options.

Sénéchal and Collyer (2008, 162, 193) assert that in domestic sales the payment on open account is quite common payment method. It means that the payment is received from the buyer many weeks or even months after delivery. On the contrary, in international transactions it is quite rare because it significantly increases the risk for the seller. From the importer's aspect, the payment on open account is very advantageous as there is no need to pay for the goods until they have been received and inspected. Sénéchal and Collyer (149) explain that importers would like to be granted a credit period, for example from 30 up to 180 days, which enables them to re-sell the goods before they have to pay the exporter. This kind of payment method truly eases the importer's possible cash flow problems.

Sénéchal and Collyer (2008, 162–163) discuss that when the trading partners have the confidence in each other they might use the payment on open account. But at the other extreme, if the exporter has some doubts about getting the payment on time because of the importer's creditworthiness or importer's country's unstable situation, the more common payment method is payment in advance, according to Sénéchal and Collyer (162–163). In this case, the seller has no risk at all because the exporter will receive the money before delivering the goods. But if the importer pays in advance, usually only part of the amount is paid before the delivery and the rest of it will be paid later. Sénéchal and Collyer warn that by using the payment in advance method, importer is at a serious risk and should never even consider using it without having full information on the reputation of the seller.

Sénéchal and Collyer (2008, 163) introduce the compromise for these two extreme options, a collection. While the cash in advance is the ideal option for the exporter and open account payment is the ideal option for the importer; the documentary collection and documentary credit offer benefits to both sides. They explain that a bank acts as an agent between the importer and the exporter; the exporter ships the goods and sends the importer a bill of exchange via the importer's bank. When the importer pays against the draft or accepts the obligation to do so at a future time, the bank releases the bill of lading to the importer which allows the importer to get the goods. The difference between documentary collection and clean collection is not significant. Sénéchal and Collyer (p. 163) define that a documentary collection allows the exporter to retain control of the goods until he has received the payment

but the clean collection is an open account payment, made via the bill of exchange via importer's bank, when the exporter do not retain control of the goods as long as he retains it in documentary collection.

The advantage of the collection methods for the importer is that there is no requirement to pay before having had an opportunity to inspect the documents and in some rare cases the goods themselves too. The importer carries only the risk that the goods shipped might differ from the indicated on the invoice and the bill of lading (Sénéchal & Collyer 2008, 164).

2.2.5 Taxation of the goods

Companies which are required to pay value added tax (VAT) can buy goods from domestic suppliers, or buy goods from abroad by making intra-community acquisitions (ICA) from the companies inside the European Union or import goods from the companies outside the EU (Tomperi 2013, 277). When a company buys from a domestic supplier, this supplier adds the VAT to the invoice and the buyer pays it to the supplier. According to Tomperi, the buyer can still reclaim the VAT if the acquisitions relate to VAT taxable supplies which company makes. Essentially while buying and selling between two domestic companies, there are no any border or custom formalities, because goods will be delivered from place A to the place B, inside the country (Tomperi, 277).

Other type of acquisitions is ICA, which means the acquisitions between the companies, organizations and citizens inside the European Union (Tomperi 2013, 277). She explains that when the both parties of the sales operate inside the European Union there are no any border or customs formalities. When importing from other EU-countries, importer still has to report VAT even though the invoice received says 0 per cent VAT (Buying and selling [ref. 27 Oct.2017]). This tax is known as acquisition tax and it is normally possible to reclaim it if the acquisitions relate to VAT taxable supplies which company makes. Tomperi (pp. 282–283) remarks that at the buying moment intra community acquisitions are more advantageous option, because VAT will not be paid together with the rest of the invoice, conversely, when

making domestic acquisitions VAT is paid together with the rest of the invoice, which increases the sum which need to be paid.

Third option, importing goods from outside of the EU has a bit more complex process. All the imported goods must be cleared through the customs before the importer can take them into use or resell those (Finnish Customs [ref. 27 Oct 2017]). Duties, taxes and charges determined according to the commodity code origin and customs value of the goods, are levied by the customs (op cit.). VAT is always levied on goods imported from outside of the EU's fiscal territory (Finnish Customs [ref. 27 Oct 2017]) If the company is not familiar with the import declarations it might be useful to use an agent such as a freight forwarder to make the declaration. It makes importing easier and faster (Imports from outside 2016).

3 SUPPLIER SELECTION CRITERIA

Sometimes companies establish relationships with suppliers and notice afterwards, that they have done a wrong choice. Supplier might have offered good prices, but later it turns out, that they have for example low quality standards or their communication is unacceptably poor. As a consequence, some problems might occur, for instance products arrive late or the company's reputation might suffer if products are substandard. This kind of problems can be avoided if companies evaluate supplier options carefully. Sometimes evaluating helps to choose the best suitable supplier and sometimes it helps to bargain a lower price if the expectations are not fulfilled well enough.

According to Carter (1995, 44–46) by examining all the 10 elements he has listed, it is possible to reach the comprehensive understanding of the supplier and its effectiveness and ability to deliver goods. In the next chapters the 10 Cs of supplier evaluation will be covered thoroughly.

The 10 Cs of supplier evaluation which have been listed are; competency, capacity, commitment, control, cash, cost, consistency, culture, clean and communication. All these criteria should have an impact on choosing supplier. But it is important to keep in mind that if there are only a few suppliers to evaluate all those might be quickly eliminated if the company wants them to fill all the criteria very well (10 Cs of Supplier [ref. 28 Oct. 2017]). Because of this it is important that the company evaluates the criteria and estimates which ones are the most important ones. In the next chapters Mirja Ylinen, the owner of Tuppu-Kaluste, comments more which criteria are the most important and which of them are secondary. This evaluation gives more aspect from the case company's side.

3.1 Competency: Commitment and Cost

According to Ylinen (2017), the most important elements from 10 Cs are commitment and cost. In her opinion, those two together form the competency, the first C from Carter's list. She clarifies that the commitment is the most important one because the supplier has to be committed to the good quality of the products. If the

quality is not good enough it will cause problems afterwards when the customers of the importer become unsatisfied because the products did not fulfil their expectations. Carter (1995, 44–46) reminds that on the other hand, the supplier has to be committed to their importer customers also. Commitment can be seen for example, from the willingness to fulfil the customer's needs and requirements as a purpose to keep the customer satisfied. Ylinen agrees with the article and demonstrates that if the supplier shows commitment for its customers, the customers will more likely show commitment for their supplier which enables the long-term relationship between the supplier and the customer.

Second very important evaluation element on the Carter's (1995 44–46) list is cost, which goes partly hand in hand with the quality which belongs to the first element, commitment. Ylinen (2017) clarifies that of course there are some products which quality is not as good as some other products' quality but the price is often strictly related to the quality of the product. If the product belongs to the high-quality range its price is of course higher than the low-quality product's, but its price should always be competitive compared to the competitor's same level product and price. At the same time, she challenges the significance of the price by saying that if some supplier's every other element is better than the cheapest one's, a bit more expensive one might be wiser choice. She warns that despite the cheap price, the supplier might ruin its chances by having serious delays on deliveries, producing lower quality products than expected or even by poor communication. On the other hand, if the things mentioned above are all in order they will not change the fact that today competitive situation demands cheap and competitive prices. Because of this, the supplier cannot be selected based on one or two criteria.

Thirdly, Carter (1995, 44–46) points out that it is important to figure out how competent the supplier is. He says that gathering assessments of the supplier's capabilities compared to the needs is important part of the process. Ylinen (2017) affirms that it is important to compare the assessments to the needs of the importer. She also acknowledges that it could be useful to gather information from the other customers, but getting the answers might be slightly difficult because sometimes competitors are not willing to help in this kind of situations. But if possible, it is a good idea to

look for customers whose values and needs are the same, because then the information gathered is more relevant.

3.2 Capacity, consistency, cash and control

Right after commitment, cost and competency Ylinen (2017) graded capacity, consistency, cash and control of the supplier. It is clear that the supplier needs to have enough capacity to handle its customers satisfyingly. Carter (1995, 44–46) mentions that the importer should consider how quickly the supplier needs to respond to the needs of the importer. And how can the supplier respond to the market and supply fluctuations? Ylinen adds that the supplier should have enough staff and equipment to produce and handle the orders on time in order to fulfil the promised delivery times. According to Carter (44–46) the other part of the capacity is the amount of available materials and storage place, depending on if the supplier stores the goods and sells from there or supplier produces the amounts ordered and delivers right after producing.

When the supplier has given good prices, promised good quality, proven competency and shown to have enough capacity to fulfil the needs, it is time to show some consistency. Carter (1995, 44–46) emphasises that even though no one can be always perfect, the supplier should be able to show that they have processes and procedures to ensure consistency. With processes and procedures, the supplier can prove their consistency in high quality goods.

Carter (1995, 44–46) warns that one of the things which can cause problems on supplier's operations is problems with the cash. He clarifies that supplier's finances should be health or the operations of the company are threatened. If the company is in good financial health it is in a way better position to handle the uncertainties of the economy. He suggests to gather information about supplier's wealth for example, is the company cash-positive or is it overextended financially. Ylinen (2017) remarks that during the times economies are uncertain companies should not trust too much on the information they get on one moment because situation might suddenly change. Therefore, it is important to pay attention to the selecting of the pay-

ment method. She demonstrates the situation by saying that by choosing the unfavourable payment method the importer might lose big amounts of money which will inevitably have an effect on the wealth of the importer's company.

As can be noticed, many of these criteria are related to each other. Control is again one of them which has impact on the other elements. Carter (1995, 44–46) doubts that if the company does not have a control over its policies, processes, procedures and supply chain, all the other elements lose their worth. According to Ylinen (2017), there has been a bit unstable situation in some carpet manufacturing countries in recent years. She says that many significant carpet producers come from Turkey, Egypt, Greece, and Belgium which have faced some uncertainties and difficulties because of the refugee crises, riots or terrorist attacks. This kind of difficulties have an impact on the control of the companies which operate in those countries. Again, in a situation like this, the right payment method can save a lot.

3.3 Clean, culture and communication

Clean is the criterion which has become more important recent years. Carter (1995, 44–46) states that the criterion clean refers the supplier's commitment to sustainability, environmental laws and best practices. The supplier should tell what it is doing in order to lighten its environmental footprint and carrying out its own part of the climate change. He reminds that it is important to remember that clean is not only about the environment, it includes also the ways supplier treats its employees and people around the company. Ylinen (2017) agrees by telling that child labour and too low wages of employees are the total red flags for Tuppu-Kaluste. Carter (44–46) implies that if the company has a bad reputation for doing business unethically, there often is something wrong with its operation. Ylinen states that environmental and human right issues are important in doing business, but because of the many regulations and conventions it is easier to find the companies which fill the demands of this criterion. Therefore, the differences between big carpet manufacturers are not significant because almost all of them have gotten the same certificates for their companies and products, which shows their responsibility and input to the liability of their operation, she explains.

Carter (1995, 44–46) assumes that culture is an important part of the international business and evaluating the supplier. The biggest impact it has on workplace values which would be good to match well between the supplier and importer. He clarifies that if the supplier's business culture differs a lot from the importers business culture it might cause some misunderstandings between the parties and in some cases even some frustration if the parties do not understand each other's needs and priorities. Ylinen (2017) gives an example that if the supplier's only priority is money while the importer gives more value on the quality of the product, it might be hard for the supplier to understand the importer if the importer feels that the product's quality is poor compared to the price of it. On the other hand, this kind of differences might be hard to find out before starting cooperation and some of them can be avoided by discussing about the most important factors beforehand. This way all the parties know what each one of them is expecting from the business.

Ylinen (2017) presents that even though there might be difficulties with the different cultures, they can be often solved if the communication is good enough. According to Carter (1995, 44–46) it is good to know how the supplier keeps in touch and will there be a special contact person who to contact with, if needed. Slow communication might even lengthen the delivery times and in some cases it might cause a lack of reliability if answering to the basic questions takes longer than expected. He emphasises that the communication style and speed has even bigger significance in the event of crisis. If there happens to be some supply crisis, it is important to get information about it quickly. And if there is a special contact person named it probably fastens the notify process.

4 RESEARCH METHODS

According to Dahlberg and McCaig (2010, 14), the mission of the research is to provide knowledge. It offers ordered knowledge based on a systematic inquiry by describing and explaining the phenomena. The aim of this study is to ease the supplier selection process by creating the system to evaluate suppliers wisely and easily. Because the case company of the thesis is Tuppu-Kaluste, the evaluating process is chosen precisely for them and their needs. The methods used during the study are chosen to create the best possible evaluation system for Tuppu-Kaluste.

In the theoretical part of the thesis all the relevant background information, which should have some kind of effect on selecting, have been discussed. After getting through the whole import process and the significant evaluating factors, it is time to pay more attention to the case company's needs.

There are two types of research and evaluating methods which are called qualitative and quantitative methods. Dahlberg and McCaig (2010, 22–23) explain that qualitative approaches use general descriptions for describing and explaining the phenomena, while quantitative approaches use numerical means and prefer counting and making statistical analysis. According to them, the qualitative methods often include, for instance, in-depth interviews, focus group interviews and diaries. In turn the quantitative methods include different kind of surveys and structured interviews. They advise that quantitative surveys and interviews are more easily implemented in larger groups of people since collecting and analysing data from surveys and structured surveys is easier than collecting and analysing an enormous amount of data from in-depth interviews and diaries.

On the other hand, some of the research methods can be used in both qualitative and quantitative methods, for example observations and content analysis (Dahlberg & McCaig 2010, 22–23). Hence this, it is important to understand that qualitative and quantitative methods are not opposites and a big part of the discussion about the differences between these two researches is based on stereotypes.

4.1 The qualitative methods used in a study

The research question which has been set in Chapter 1.2 is how to choose the most suitable carpet supplier for Tuppu-Kaluste. Dahlberg and McCaig (2010, 112) present that if the research question includes the word 'how' or 'why' or the ideas and experiences are wished to be explored, then the qualitative research is often the most suitable approach to use. According to them in this kind of research cases the qualitative method is often better option than quantitative method because with the qualitative methods the participants have a chance to elaborate on topics and the study is more likely going to result in a detailed description of the topic. Participants are also enabled to share ideas because the qualitative methods allow them to talk more freely (Dahlberg & McCaig, 23). Therefore, the qualitative methods are selected to this study with the intention to get more ideas from the participants. Without participants having a chance to share their ideas, it would be only on the researcher's responsibility to create and present new ideas.

Dahlberg and McCaig (2010, 111–114) discuss that qualitative researches usually have small sample sizes mostly because then the researcher has a chance to concentrate on producing in-depth data that gets at the real experiences and thoughts of the participants. Even though the qualitative research is not a proper research way if the results have to be generalised to the larger population. The qualitative methods are very useful if the aim of the research is to seek factors of interest that may be found in only a single case. Then the widespread evidence that can be generalised is not so relevant (Dahlberg & McCaig, 111–114).

Because the aim of this study is to ease Tuppu-Kaluste's evaluation of the supplier options and selecting the supplier, the result of the study does not have to be generalised, but it has to be specially made for the case company. In order to achieve the best possible results from the Tuppu-Kaluste's aspect, the qualitative methods are chosen for this study. The qualitative methods are the best option in this case, because it is not meant to create a model which is good for every importer company, but for the case company. In this kind of cases it is important to pay a lot of attention to the values and the needs of the case company and to choose the participants to the interviews based on the usefulness of their opinions.

The idea of the interviews is to collect information of the criteria Tuppu-Kaluste examines while selecting suppliers. Another goal is to figure out what are the most important features on suppliers for Tuppu-Kaluste. The most important criteria cannot be taken from the literature sources because every company and their business is different so there is no right or wrong answer for the question which criteria are the most important ones while selecting the supplier. But of course, it is important to collect some ideas and thoughts from the books concerning the subject but the final criteria and evaluation order has to be compatible with the case company's ideology. Therefore, the participants of the interviews are chosen from the inside of the case company, Tuppu-Kaluste.

4.2 Interviews

Gillham (2005, 3) outlines that questions during the interviews are open with the interviewee determining their own answers. This feature is one of the biggest differences between interviews and surveys, because on surveys the researcher normally provides the answer options in addition to the questions. The second typical feature for interviews according to him is the interactivity between the interviewer and interviewee. Interviewer has a chance to ask some clarifications or adjustments to the answers, which enhances the chance of getting more specific answers. The third feature is the natural or at least naturalistic atmosphere which enables taking an advantage of the opportunities that arise (Gillham, 3).

After selecting the interviews to be part of the research, the style of the interviews and the participants of the interviews have to be chosen. As Flick (2014, 203) states it is important to make a well-founded decision between different interview types, according to your own study, its research question, its target group and so forth. The interview type chosen for this study is semi-structured interview. Flick (200) demonstrates that semi-structured interviews may be focused much more directly on certain topics than for example narrative interviews, in which the interviewer does not have so strong influence to the flow of the interview. Therefore, the thematic direction can be more precisely selected in semi-structured interviews. Gillham (2005, 79) agrees by saying that semi-structured interviews provide a balance between

structure and openness with the use of prompts, when the in-depth coverage can be achieved. Gillham (79) also warns that semi-structured interview might be quite costly in time because questions are open and it takes time to analyse them. Because the research question demands quite detailed information and there are no many participants in the interviews, the semi-structured interviews are selected to this study.

While selecting the participants to the interviews their positions and roles in a company have to be taken into account. Flick (2014, 178) mentions that the amount of the selected samples should be assessed in terms of the degree of possible generalization that is striven for. Because Tuppu-Kaluste is a company with five fulltime employees and four of them are the owners who make the decisions from where to buy goods, are three of the owners selected to be interviewed. One of the owners is the writer and the researcher of this thesis. Therefore, she is not chosen to be a participant of the interview.

4.3 Evaluation methods

The interviews were the first part of the research process which continues with selecting and using the method chosen to evaluate the supplier options. There are different kind of evaluation and decision-making tools which each of them are suitable for different kind of situations. It is possible to use for example simple tools such as - and + lists and mind maps, which help to list different factors which have an impact on choosing. The problem with these tools is the lack of clear comparison function. Elmansy (A [ref. 4 Nov 2017]) introduces two different tools which are more advanced methods than the first mentioned. First one of the methods is a decision tree, which enables to consider different options and to see expected outcomes from each of them. (B, [ref. 4. Nov. 2017]) The problem of the decision tree is that the method needs a lot of time and knowledge to evaluate the rates of each choice and it does not focus on the features associated with each choice (A, [ref. 4 Nov. 2017]). Therefore, the decision tree is not suitable for complex decisions which involve several factors and stakeholders. Tuppu-Kaluste's supplier evaluation is one of these

complex decision processes because there are four different supplier options and five different evaluation criteria.

4.3.1 Using the decision matrix

This is the example which shows how the decision Matrix should be used and how it works. Firstly, the table has to be created. On the left side on the table there are four different supplier options and under them there are weighted rating columns which are needed later. On the top of the table there are five different criteria, which are chosen to be the most important ones in evaluating the suppliers. On the criteria rating column each criterion is rated from 1= less importance to 5= high importance. The rating is the significant part of the process because the result of the evaluation depends strongly on it. This is why the ratings have to be done carefully.

Table 1. The using of the decision Matrix - step 1

	Criteria	Criteria	Criteria	Criteria	Criteria	
	1	2	3	4	5	Total
Criteria rating	3	4	5	4	2	
Supplier 1						
Weighted rating						0
Supplier 2						
Weighted rating						0
Supplier 3						
Weighted rating						0
Supplier 4						
Weighted rating						0

The second step is to rate each supplier based on each criterion. Before rating the suppliers, all the information regarding the criteria on the table have to be collected from the suppliers or from the other sources in order to have a factual image of each supplier. If the ratings are based on the expectations or some false facts the result of the evaluation is not going to be valid. Therefore, collecting the information from the suppliers is a significant part of the whole process.

Again, the rating is from 1 to 5. For example, the criterion 1 is a price of the product and the cheaper the price is the better it is for the buyer. From the table 4 it can be seen that the supplier 1 and the supplier 3 have very high prices on the contrary to the supplier 2 and the supplier 4, who have low prices because they have been rated with the number five. After rating all the suppliers based on every criterion it is time to calculate weighted scores by multiplying the rated scores by the criteria rating. After calculating all the weighted scores, each supplier's total scores have to be calculated by adding the numbers together from the column weighted rating. When the total scores have been calculated it is possible to compare which supplier got the highest scores, meaning that the supplier with the highest score is the most suitable option with the criteria evaluated. According to the decision matrix example, the supplier 2 is the best option with 72 points while the worst option is the supplier 3 with 32 points.

Table 2. The using of the decision matrix - step 2

	Criteria 1	Criteria 2	Criteria 3	Criteria 4	Criteria 5	Total
Criteria rating	3	4	5	4	2	
Supplier 1	1	3	3	1	1	
Weighted rating	3	12	15	4	2	36
Supplier 2	5	3	5	3	4	
Weighted rating	15	12	25	12	8	72
Supplier 3	1	2	3	1	1	
Weighted rating	3	8	15	4	2	32
Supplier 4	5	1	2	1	1	
Weighted rating	15	4	10	4	2	35

After using the decision matrix, it is important to double-check the given numbers in order to avoid mistakes. There are always some other criteria in addition to the five most important ones and therefore, it is important to check that the most suitable option does not have anything emergently unbeneficial or immoral regarding all the other criteria. For example, even if every selected criterion is filled perfectly but the company uses child labour the supplier selection should be seriously reconsidered. In order to select the responsible supplier, it is important to gather all the relevant information concerning the supplier options.

4.3.2 Collecting data

Collecting information about suppliers is often a long-term project which demands a lot of time. In this study the data collection is chosen to start by visiting a trade fair called Domotex 2017 in Hannover, Germany. The aim of the trade fair visit is to meet the supplier options which are known already and to figure out if there are some unfamiliar ones. During the visit for example the quality of the products, designs available, prices, minimum order quantities and payment terms have to be figured out. Also, other features mentioned in Chapters 3.1–3.3 are good to figure out during the visit because it is exquisite chance to meet the suppliers and their contact persons face to face and to create a deeper bond with them. At the same time, it is possible to get to know them better and to find out how is their culture and communication style. If all the supplier options cannot be met in the trade fair the connections should be created via phone and e-mail and the same information should be gathered via those channels.

5 RESULTS

Empirical part of the thesis is based on three different points: interviewing the owners of Tuppu-Kaluste, collecting data from the supplier options and evaluating the options with the criteria which are the most important ones for the case company according to the interviews. The results are now introduced topic by topic in the next chapters.

5.1 The results of the interviews

The first aim of the interviews was to find out how the suppliers have been selected and which factors have had significant roles in the selecting process. Secondly, the 10 criteria of the supplier evaluation by Ray Carter were introduced to the interviewees in order to get their opinion of each criterion and to give some base for the new ideas. The main target of the interviews was to percept which criteria are the most important for the owners of Tuppu-Kaluste, who are making decisions. These criteria are going to have an impact on selecting the questions to be asked from the supplier options. Also, the most important criteria are going to be used in the decision matrix.

5.1.1 Carrying out the selections

During the first part of the interview, the interviewees told how the selection has been carried out. Because Tuppu-Kaluste was founded in 1984, there have been multiple ways to carry out the selection, because the possible methods have been also changing during the years. Before the time internet was common and every company had their own websites, the selection process started often with paging the telephone directory's yellow pages. In that time, many salespersons were driving from one place to another to sell and introduce their products. Additionally, the recommendations from the other retailers had a significant role in searching for the supplier options. Today, there are fewer salespersons visiting companies; but the internet and trade fairs are more commonly used instead. The interviewees emphasised that every year the domestic and foreign trade fairs need to be visited in order

to get to know the new products and companies. Internet is also a great tool to find new suppliers and to familiarize with the companies better. Further, the recommendations from the other retailers or wholesalers are still useful but unfortunately, companies do not always want to share the information they have.

All the interviewees were pondering that there has not been any structured way to select the suppliers. Instead of using the same selecting method every time, there have been different ways to select the most suitable suppliers. If the supplier has had something interesting to offer, for example, wide variety of products and the interesting designs with affordable prices, the sample orders have been made in order to find out the customers' opinion about the products. Sometimes, the serious need of some products has been leading the selecting process and the supplier with the best price-quality ratio has been selected. One of the interviewees summarised the selecting way very well by saying:

Of course, the price and the quality of the product always matter while choosing the suppliers and products. But often, the selection has been made with the feeling that the products are good and have the potential to create the interest in clients.

This describes the selection very well because the selection has not been made with any specific system or criteria. The interviewees told that after couple or a few deliveries they always decide if they want to continue cooperation with the supplier or not. All the interviewees told that there have not been any major disappointments with the selected suppliers but smaller problems have occurred sometimes. The problems occurred have mostly been related to the quality of the products and the lack of reliability if the supplier has promised something but have not held up their end. Because of this and the expansion of the trade during the recent years, the more systematic way to select suppliers has been needed, in order to ease the selection process.

5.1.2 The most important selecting criteria

When the Carter's list of 10 Criteria for selecting suppliers was shown for the interviewees, they all agreed with the list and had many opinions concerning the criteria

mentioned. All the criteria were discussed with the interviewees and they had a chance to tell their opinions and to describe what makes the criterion important. Some of the opinions and perceptions were mentioned several times while talking about the different criteria because some of them remind each other's and there might be only a slight difference between them.

After discussing about Carter's criteria, the interviewees were told to name at least the five most important evaluating and selecting criteria. Next, the most important criteria and the interviewees' arguments concerning them are going to be introduced. Figure 3 under the text, shows on top of it the criteria every interviewee mentioned to be the most important. In the middle of the triangle there are the criteria which were mentioned in two interviews and the bottom of the triangle can be seen the criteria which were mentioned only in one interview.

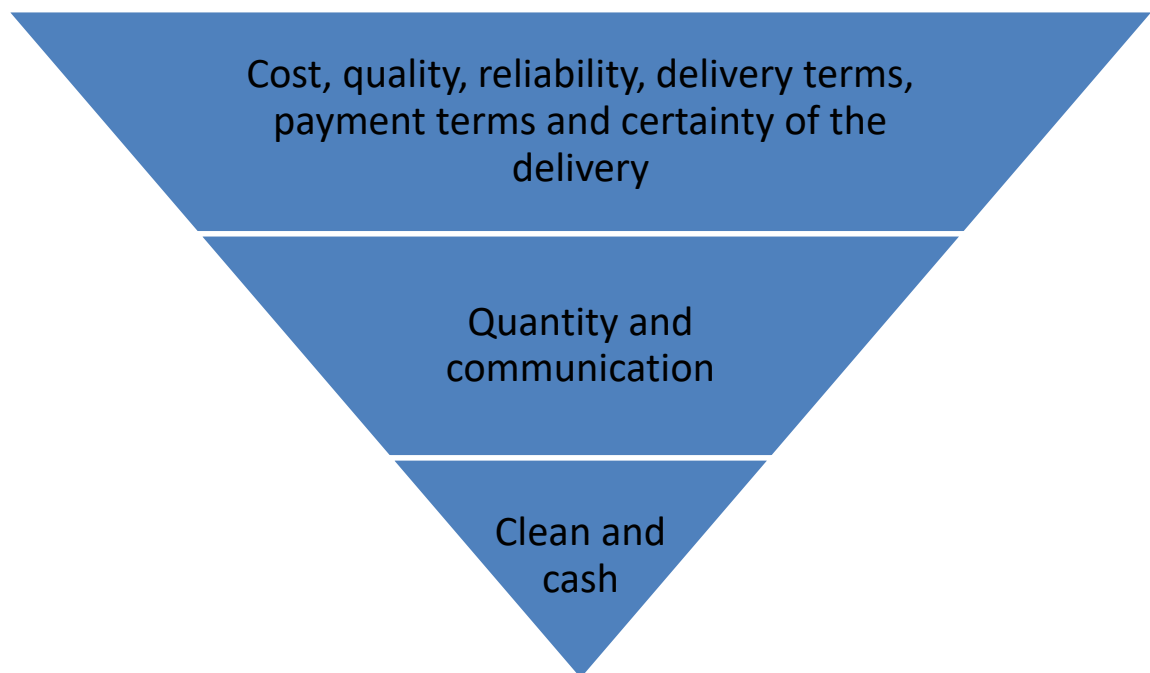


Figure 3. Tuppu-Kaluste's most important selecting criteria.

There were six criteria which all the interviewees mentioned to be very important for evaluating the suppliers. Cost and quality were the elements mentioned first, which tells a lot about their importance. All the interviewees explained with their own words that the quality and price go hand in hand. If the quality is high the price is a bit higher too and the low-quality goods could be bought with lower prices. Therefore, they emphasized that the prices have to be compared to the prices of the other

suppliers' products which quality is the same. One of the interviewees described the importance of the price by saying that:

The supplier who offers the cheapest prices is not always the best choice. Today, the customers value the high-quality of the products and they want to buy long lasting goods with affordable prices. Therefore, the price-quality ratio of the product is the main factor, while evaluating the price.

The interviewees linked the quality to the commitment of the supplier. All of them told that they expect the supplier to be committed to producing good quality. Other factors mentioned concerning commitment were the effort supplier has to put on its clients and keeping the promises, which proves reliability. One of the interviewees highlighted that the reliability is the key word to the long-lasting customer-supplier relationship. Consequently, all the interviewees mentioned the reliability to be one of the most important criteria.

The next criteria from the most important ones, which are linked to the commitment are the certainty of the deliveries and delivery terms. On the contrary, some of the interviewees talked about the certainty of deliveries and delivery terms while discussing about the capacity. All the interviewees agreed that the shorter the delivery time is, the better it is. On the other hand, they mentioned that the delivery time can be longer, if the deliveries happen on time. One of the interviewees reasoned the importance of the delivery time by saying:

Settled delivery times are very important. For example, if we need Christmas carpets in November and we know that the delivery time is one month, we order the carpets in September. But, if the carpets arrive one month later than expected, it is already too late to sell them.

The last element all the interviewees highlighted was the payment terms. Every one of the interviewees appreciated the flexibility of the supplier. They told that if the supplier is willing to negotiate convenient payment terms, it eases the business activities. One of the interviewees explained that if the supplier offers the payment on open account after first orders, it is a significant advantage and smooths the trade between the supplier and importer.

In the middle of Figure 3 were the quantity and communication, which were mentioned during two of the interviews. The interviewees explained, that the minimum quantity is important because it is good to be small enough. They said that if the minimum quantity demanded is too high, it is problematic because if the demand on the markets is not equate with the order quantity, it is not profitable to import those goods. One of the interviewees pointed out that if the importer has more impact on the amount ordered it makes the trade smoother and allows the importer to order smaller amounts too:

For example, if some size or color of the carpet is sold out from the stock and there is no need for other carpets at the moment, it is very good if there is a chance to buy a smaller number of carpets.

The communication between the supplier and the importer was mentioned to be very important by reasoning that in working with the companies from foreign countries there has to be the common language, which both parties can speak fluently. In addition to this, one interviewee listed that the communication has to be reliable, fast and understandable. Further, the salesperson of the company has to be easily reached.

The last criteria which were listed to belong to the most important ones were the clean and the cash, which both are from Carter's list. The interviewee, who valued the clean the most, was saying that Tuppu-Kaluste is not interested in products which are not produced by respecting the environmental issues and human rights. Also, other interviewees thought that those matters are very important and one of them summarized it by saying:

Environmental and human right issues have to be taken care of in a supplier's company. We demand, that the company who cooperates with us implements all the conventions and follows all the regulations the European Union and Finnish government demand. We consider fulfilling these demands to be self-evident.

The interviewees told that the clean is not a comparison criterion because they demand the same matters from every supplier they work with, there is no space for compromises in these issues.

The last criterion which was mentioned to be very important was the cash. The interviewee who mentioned it, explained that the supplier's economic situation has to be stable in order to be considered as a reliable trading partner. The interviewee pointed out that, for example, meeting the supplier face-to-face and discussing about these issues helps to create a trust. While talking about the criterion cash, the other interviewee reminded that during the uncertain times, there should not be too strong trust in some company's economic situation and therefore, the right payment and delivery terms have to be chosen.

These criteria mentioned, are the ones Tuppu-Kaluste pays attention to and values the most. Other criteria are also important for them but if the importer demands the supplier to be perfect in everything, they probably end up without any supplier. Therefore, only the most important criteria were asked to be listed. The interviewees told that many of these criteria have been used earlier but there has not been any specific system to compare the suppliers and it has made the whole evaluating and selection process difficult. As told before, the decisions have been partly based on the feeling and therefore, some of the criteria have been nearly forgotten. This has happened because comparing many criteria without any evaluating and comparison system is very troublesome, almost even impossible.

5.2 Data collected from the suppliers

Collecting data from the suppliers started with a trade fair visit in Domotex 2017, Hannover, Germany. Background information was gathered from the internet and the plan was to visit the three selected supplier options during the fair. Fourth supplier option was not attending to the fair this year. Consequently, the salesperson from this company visited Tuppu-Kaluste afterwards in Finland. During the visits it was possible to see the carpets and to get to know the products, ask the questions from the suppliers (see Appendix 2) and last but not least to meet personally the salesperson of the company. In the next paragraphs the suppliers are named with the letters A, B, C and D. The supplier D is the one who was not present in Domotex 2017.

5.2.1 Supplier A

The supplier A has very interesting designs in their collection and also the prices are affordable. Additionally, the quality of the products is very good but not the best possible. However, the supplier A already has couple of customers, one bigger and one smaller in Finland. And from the speech of the salesperson can be noticed that the supplier is very committed to the bigger customer, which might be a disadvantage to Tuppu-Kaluste. The supplier A allows to order smaller quantities also, but with the smaller orders the prices are a bit higher. Supplier does not have the products in stock which means that they produce the products when ordered, and the delivery time takes around one or two months, depending on the amount ordered and the transportation way chosen.

The supplier A produces and sells the carpets inside the European Union which means that the VAT does not need to be paid before the clearance as it needs to be paid with the goods imported from outside of the European Union. Also, the custom formalities are lacking which eases the importing process significantly. Another great issue is, that the supplier A is ready to negotiate about the Incoterm chosen, which gives more power to the importer. For the first two orders, the supplier demands the full payment in advance, but after checking the credit worthiness the supplier is ready to negotiate about the payment on open account. Also, the environmental issues are taken care of and they comply with the conventions and regulations concerning environmental and human right issues. Because of the long cooperation history with punctual Nordic companies, the supplier A knows how to please the customers from the Finnish companies. Nevertheless, the communication with the salesperson is not fluent because it takes a lot of time from him to answer via e-mail and the language barriers cause problems every now and then.

5.2.2 Supplier B

The supplier B has a very wide and interesting variety of designs available and the quality of the goods can be chosen very precisely. From the supplier B it is possible to buy very cheap carpets with the low quality but the carpets with the higher quality are also available and the prices are still affordable. At the moment, the supplier B

does not have any customers in Finland, which creates a good opportunity for cooperation with them. A minimum quantity which needs to be ordered is very high, which can be seen as a disadvantage from Tuppu-Kaluste's aspect. The supplier B uses generally E-terms with transporting but according to them, there is room for the negotiations about it.

The supplier B does not have the goods on stock which means that the delivery time is around one or two months. The company and the factory are located outside of the European Union. Therefore, the importing process is a bit more complicated because of the custom formalities. Also, the VAT need to be paid before getting the goods from the customs which causes the bigger expenses at one time. For the first order the supplier B demands the full payment in advance, but after it 50 per cent need to be paid in advance and the rest of the amount after the delivery. The supplier B has taken care of the human rights and environmental issues. In addition, they fulfil all the conventions and regulations The European Union has set. The salesperson of the company speaks good English which makes the communication quite fluent apart from small misunderstandings which may come up. Also, answering to the e-mails happened fast enough.

5.2.3 Supplier C

The third supplier option is the supplier C who produces carpets with the lower quality. The prices are cheap but compared to the quality offered the prices are not good enough. Also, the designs available are more for different kind of market areas instead of the Nordic homes. The supplier C has some of the carpets on stock but still the delivery time is around one month and the minimum quantity is quite high. The Incoterms used are E-terms and the payment method has to be the payment in advance or the costlier option, collection. The company and the factory are located outside of the European Union which means more complex importing process and the need to pay the VAT before getting the goods from the customs. The salesperson of the company speaks fluent English and is active with answering which make the whole communication fluent. Also, the supplier C has the certificates of following environmental conventions and regulations.

5.2.4 Supplier D

The last supplier option, the supplier D, has a very wide variety of different designs and producing own designs is also possible. The prices of the products are higher but the high quality of the products and the smaller order minimum quantity explain it quite well. Supplier D already has customers in Finland and the Tuppu-Kaluste is one of them. Tuppu-Kaluste has bought different kind of carpets from them earlier which means that there already exists the relationship between Tuppu-Kaluste and the supplier D. Tuppu-Kaluste is not the only customer in Finland, but because of the long partnership it does not matter as much as it would matter in a new partnership. The supplier D sells the goods with D-terms which lowers the risks for Tuppu-Kaluste. The delivery time is around one month because only some of the products are on stock and the goods are produced inside the European Union. Therefore, the whole import process together with the Incoterm they offer, Delivered at Place, is very simple. Because of the long customer relationship, the payment term offered is the payment on open account, which a significant advantage from Tuppu-Kaluste's aspect. The supplier D fully implements all the conventions and follows the regulations which means that the environmental issues are in order. From the experience, it can be told that the communication with the supplier D goes very well because of the quick answers and the lack of language barriers with the Finnish salesperson.

5.3 The results of the evaluation

Last part of the study was to compare the supplier options to each other's with the decision matrix. The criteria used were the five criteria the owners of Tuppu-Kaluste consider to be the most important ones. When the interviewees had a chance to list the most important criteria during the interviews the answers were a bit different and altogether 10 different criteria were mentioned: cost, quality, reliability, delivery terms, payment terms, certainty of the delivery, quantity, communication, clean and cash. From those, five criteria had to be selected.

Firstly, the criterion clean was eliminated, because as told in Chapter 5.1.2, Tuppu-Kaluste demands that the supplier has to fulfil all the demands in environmental and

human rights issues. Therefore, the responsibility of the suppliers was checked during the visits. Reliability and the certainty of the delivery were also eliminated, because it is complicated or even impossible to estimate those factors before starting the cooperation with the supplier. After 1–3 deliveries the reliability and the certainty of the delivery can be evaluated. Also, the criterion cash was eliminated, because the situation might change quite quickly and it is not so simple to get reliable information concerning the supplier's economic situation. The risk concerning supplier's economic uncertainty can be mostly avoided by choosing the less-risky payment and delivery methods, which was the final reason to eliminate the cash from the list. One solution to decrease the number of criteria was to combine the payment and delivery terms and to form one criterion out of them. Finally, cost, quality, quantity, payment and delivery terms and communication were chosen to be the five evaluating criteria.

All the criteria were rated based on the answers from the interviewees. The cost and the quality were the most important factors and therefore, they both got the highest rating, which is five. Two of the interviewees named the quantity to be very important criterion, which is why the rating of the quantity was decided to be three. Payment and delivery terms are important, but not as important as the other criteria mentioned before, therefore, they got the rating two. Communication is also important part of the import process, but it is still less important than the first three criteria and therefore, also communication got the rating two. All the ratings were double checked with the owners of Tuppu-Kaluste and after agreeing those all the weightings were done.

From the suppliers' evaluations can be seen that if the number is higher the price is low, quality high, minimum quantity small, payment method less-risky, delivery time shorter and incoterm more advantageous for Tuppu-Kaluste, and communication fluent. Conversely, the low number tells that the price is higher, quality lower, minimum quantity larger, payment method riskier, delivery time longer and Incoterm less advantageous for Tuppu-Kaluste and communication is not fluent.

From table 3 it is possible to see the criteria ratings and suppliers' weighted ratings. From the last column, can be seen the results of the evaluating. The supplier D had the highest score, 68 points, which means that the supplier D is the best option

according to the decision matrix. The supplier B was a bit worse than the D with 61 points and there was only a slight difference between the supplier B and the supplier A, who had 60 points. The supplier C had only 41 points, which shows that the supplier C is the weakest option according to the decision matrix.

Table 3. Evaluating Tuppu-Kaluste's supplier options.

	Cost	Quality	Quantity	Payment & delivery terms	Communication	Total
Criteria rating	5	5	3	2	2	
Supplier A	4	4	4	3	1	
Weighted rating	20	20	12	6	2	60
Supplier B	5	4	2	2	3	
Weighted rating	25	20	6	4	6	61
Supplier C	3	2	2	2	3	
Weighted rating	15	10	6	4	6	41
Supplier D	2	5	5	5	4	
Weighted rating	10	25	15	10	8	68

After evaluating, all the other factors were also checked, in order to make sure that there are no serious problems with buying goods from the supplier D. The other criteria left were: reliability, certainty of the delivery, clean and cash. Because the supplier D is familiar to Tuppu-Kaluste already beforehand, the owners of Tuppu-Kaluste were able to ensure that the supplier D is reliable and the deliveries are certain and goods are delivered on time. During the years Tuppu-Kaluste and the supplier D have been cooperating, the economic situation of the supplier D has been stable. Further, because of the payment on open account and the Incoterm, goods delivered at place, the main risks have been eliminated. Tuppu-Kaluste has earlier ordered the supplier D's other products and therefore, Tuppu-Kaluste knows that the products are produced in an environmentally healthy way and by respecting human rights. In the end, the criterion cost was discussed again with the owners because it was one of the most important criteria and the supplier D got quite low rating from it. But because all the other criteria got excellent ratings, was it acceptable to have lower score in one criterion.

6 CONCLUSIONS

The aim of the thesis was to improve Tuppu-Kaluste's supplier selection process by finding an easy system to use for evaluating and selecting suppliers. The process started by examining all the parts of the import process which should have an impact on selecting the supplier. Further, the Carter's 10 Criteria of supplier evaluation were covered thoroughly. All this information created the base for the practical part of the thesis which resulted with the evaluation system and a suggestion which supplier would be the most suitable option. The next chapters include the author's suggestions for Tuppu-Kaluste concerning the supplier evaluation and selection. Also, the critical considering and the author's opinion of succeeding with the study are presented.

6.1 Suggestions for evaluating and selecting

Selecting and evaluating suppliers is always a long process which demands a lot of effort. But by evaluating the supplier options carefully, the importer has a better chance to find a supplier with whom the cooperation goes smoothly and good results in business are achieved. Tuppu-Kaluste's selecting system has been very varying in recent years and it has caused a lot of work. In order to make the process easier, the decision matrix could be taken into the use. The use of the matrix is very effortless and the system does not demand any specific training. Due to the simplicity of the decision matrix, this system is very good way to compare the suppliers in the small and medium sized companies like Tuppu-Kaluste. Only the criteria need to be chosen based on the thoughts and needs of the company.

Once the most important criteria and some new criteria ideas for Tuppu-Kaluste have been examined, the evaluation can be really quick because the same criteria are suitable for searching both, the furniture and the carpet suppliers. The most important criteria should be re-examined every now and then, in order to stay updated with the situation and the values of the company. In the future it is important to remember, that if the scores in the decision matrix are very close to each other it might be good to create another decision matrix with other criteria, and to compare

the results from the both matrixes. In this way, there will not be too precipitated conclusions and decisions.

In the opinion of the author, Tuppu-Kaluste could order couple of so called sample orders from the supplier D and after those deliveries the criteria could be evaluated again with the decision matrix. Later on, if Tuppu-Kaluste wants to try cooperation with the other suppliers, it could be beneficial to compare the supplier A and B again, because they have good prices with the good quality and they were strong options too.

One idea could be to use the decision matrix for evaluating the Tuppu-Kaluste's older suppliers too. Then the use of the decision matrix would become more familiar and Tuppu-Kaluste would have an easy and effective way to examine the suppliers they are cooperating with. By doing it, Tuppu-Kaluste could create more coherent supplier portfolio in order to provide a comprehensive variation of carpets for their target markets.

6.2 Author's personal notes

Because the resources were limited and the study was made especially for Tuppu-Kaluste, only the owners of the case company were interviewed. On the other hand, it could have been better to interview also some other companies' decision makers or some other importer professionals to get different kind of aspects to the supplier evaluating and selecting. On the contrary, then the results would be more generalized and finding the interviewees could be difficult.

Another factor, which might have had an impact on the study is the interviewer who is one of the owners of Tuppu-Kaluste. Even though the interviewer has tried to stay objective concerning the interviews, the background might have had an impact on the results. On the other hand, the background of the interviewer might have had a positive impact on the results because the interviewer has an experience of the branch.

Thirdly, the reliability of the answers cannot ever be certain. The interviewees might be quiet about some points, which could have an impact on the selecting. Additionally, the suppliers whom were asked the questions might try to answer on the way which would please the importer. Therefore, the evaluation is not completely reliable and the second evaluation should be made after 1–3 deliveries.

Wholeness, the study succeeded in the opinion of the author. The background information was gathered from the several different sources and the author had orientated herself before beginning to make the study. The qualitative methods were chosen especially for the case company's needs and the study resulted to the situation where the supplier placed an order for the supplier D.

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APPENDICES

APPENDIX 1. The interview questions for Mirja Ylinen, Marko Ylinen and Mika Ylinen, the three out of four owners of Tuppu-Kaluste

APPENDIX 2. The questions for the supplier options

APPENDIX 1. The interview questions for the owners of Tuppu-Kaluste

- Miten olette aikaisemmin löytäneet uusia tavarantoimittajia?
(How have you earlier found the new suppliers?)
- Miten olette aikaisemmin valinneet tavarantoimittajan, jonka kanssa haluatte alkaa tehdä yhteistyötä?
(How have you selected the suppliers you want to begin to cooperate?)
- Mitkä ovat olleet tärkeimmät valintakriteerit ja minkä takia?
(What have been the most important selecting criteria and why?)
- Mitä mieltä olette yleisesti näistä 10 kriteeristä, jotka Ray Carten on listannut tavarantoimittajan arvioimista varten?
(What do you generally think about these 10 criteria Ray Carter has listed for evaluating suppliers?)
 1. Pätevyys (Competency)
 2. Kapasiteetti (Capacity)
 3. Sitoutuneisuus (Commitment)
 4. Kontrolli (Control)
 5. Taloudellinen tilanne (Cash)
 6. Hinta (Cost)
 7. Johdonmukaisuus (Consistency)
 8. Kulttuuri (Culture)
 9. Ympäristö & Eettiset asiat (Clean)
 10. Kommunikaatio (Communication)
- Mitä kriteerejä näistä yllä mainituista olette aikaisemmin käyttäneet?
(Which criteria mentioned above have you used earlier?)
- Tuleeko mieleen muita tärkeitä kriteerejä, joita ei mainittu listalla?
(Do you have some other important criteria on your mind?)

- Mitkä ovat viisi tärkeintä valintakriteeriä?
(What are the five most important Criteria?)

APPENDIX 2. The questions for the supplier options

- What is the quality of the product? How many grams per square meter and what kind of backing carpets have?
- How much is the square meter price?
- What kind of designs there are available?
- Do you have other customers in Finland?
- How much is the minimum order quantity?
- With what Incoterms can you deliver?
- How long is the delivery time?
- What is the carpet's country of origin? How about the company's origin?
- What is the payment term you offer?
- Do you have the items on stock and if not, how quickly can you produce and deliver them to Finland?
- How about the environmental issues? Do you have any certificates to prove your responsibility in environmental and human right issues?