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**THE ROLE OF SUPPLIER SELECTION  
IN THE IMPORT PROCESS - CASE  
MUAY THAI**

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Lopputyön tarkoituksena oli selvittää toimittajan valinnan merkitys maahantuonti prosessissa. Tutkittavana oli myös, kuinka Muay Thai (Thainyrkkeily)-varusteiden eri toimittajat eroavat toisistaan, sekä kuinka heidän työtapansa vaikuttavat maahantuontiprosessiin.

Lopputyön teoriaosuus käsittelee maahantuontiprosessia, maahantuontiagenttien palveluita sekä kriteereitä, joilla valitaan kansainvälinen toimittaja. Näistä saatua tietoa käytetään lopputyön empiirisessä osuudessa.

Kvalitatiivinen kysely tehtiin ja Muay Thai-varusteiden suomalaisiin maahantuojiin otettiin yhteyttä. Maahantuojat ostivat tuotteita seuraavilta toimittajilta: Twins, King Professional, Blue Corner Sport, Fairtex sekä Windy. Maahantuojia lähestyttiin puhelimitse, jolloin tehtiin suullinen haastattelu.

Tutkimus keskittyi toimittajien työtekotapaan, tarjontaan sekä heidän palvelunsa yleiseen laatuun. Maahantuojia haastateltiin, jotta saataisiin hyvä selvitys toimittajista.

Tutkimuksessa tuli ilmi, että toimittajan valinnalla on suuri merkitys maahantuonnin sekä myynnin menestyksen kannalta. Eri toimittajat toimivat eri tavoin ja heidän valmistusprosessinsa eroavat toisiin toimittajiin verrattuna. Tämä tarkoittaa sitä, että toimittajan valinnalla on suuri merkitys maahantuontiprosessissa.

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## ABSTRACT

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The aim of the thesis was to find out the role of supplier selection in the importing process. How different Muay Thai (Thaiboxing) equipment suppliers differ from each other and how their way of working affect the importing process was also to be studied.

The theoretical part of the thesis examines importing process, importing agent services and criterias for choosing an international supplier. The information on these topics will be used in the empirical part of the thesis.

A qualitative questionnaire was made and Finnish Muay Thai equipment wholesalers were contacted. The wholesalers were buying the products from the following suppliers: Twins, King Professional, Blue Corner Sport, Fairtex and Windy. The wholesalers were contacted by phone, and an oral interview was conducted.

The research concentrated on the suppliers way of working, their offering and the overall quality of their services. The wholesalers were interviewed to get a good debriefing of the suppliers.

It turned out in the research that the supplier selection makes a big difference regarding the success of importing and selling. Different suppliers work in different ways and their processes differ when compared to other suppliers. This means that supplier selection has a big effect in the importing process.

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Keywords                      Thaiboxing, Importing Process, Martial Arts, Thailand

## **LIST OF FIGURES**

**Figure 1 : Growth of GDP in Thailand**

**Figure 2 : Twins Special Ltd logo**

**Figure 3 : King Professional logo**

**Figure 4: Windly logo**

**Figure 5: Blue Corner Sport logo**

**Figure 6 : Fairtex logo**

## **FOREWORD**

This thesis would not have been written without the passion in people's hearts for their interest. Muay Thai is one of those passions.

The thesis has been a very educating experience overall. My knowledge of the subject has increased gradually through out the thesis and at the end of the thesis I feel like I have learned everything I was looking to find out even though the importing manners and pricing of the suppliers were not revealed. It was difficult to achieve this through the questionnaire, since the wholesalers were hesitating to take part in the questionnaire, but after looking back to the interviews and questionnaires, it feels like a lot was revealed.

## CONTENTS

1. INTRODUCTION.....	7
1.1 Research Problem and Research Method .....	8
1.2 Structure of Thesis.....	9
1.3 Thailand's Market.....	10
2. IMPORT PROCESS .....	13
2.1 Defining import .....	13
2.2 Main Steps in Importing Process.....	15
2.2.1 Identifying Potential Suppliers .....	15
2.2.2 Selecting Organisations Assisting with Importation.....	16
2.2.3 Prepare a Cost Analysis .....	16
2.2.4 Planning the transportation .....	17
2.2.5 Estimating the Commercial Viability .....	18
2.2.6 Identifying Special Requirements.....	19
2.2.7 Placing an Order With the Supplier .....	19
2.2.8 Arrival of the Goods .....	20
2.3 Using an Importation agent .....	21
2.3.1 Pros and Contras .....	21
2.3.2 Key Considerations.....	22
2.4 CRITERIA FOR SELECTING AN INTERNATIONAL SUPPLIER ....	23

	5
2.4.1 Transport Costs and Time.....	23
2.4.2 Range of offering .....	24
2.4.3 Suitability.....	24
2.4.4 Price-Quality Relationship.....	25
2.4.5 Reliability.....	25
2.4.6 Discounts.....	26
2.4.7 Terms of doing business .....	26
2.4.8 Warranty .....	27
2.4.9 Evaluate the pros and cons overall.....	27
<b>3. EMPIRICAL RESEARCH ON SUPPLIER SELECTION .....</b>	<b>29</b>
3.1 Research Design .....	29
3.1.1 Quantitative Research Methods .....	30
3.1.2 Qualitative Research Methods .....	31
3.2 Introduction of Muay Thai Suppliers in Thailand.....	32
3.2.1 Twins.....	32
3.2.2 Windy.....	34
3.2.3 Blue Corner Sport .....	35
3.2.4 Fairtex .....	36
3.3 Data Gathering.....	37
3.3.1 Main Issues Covered in the Interviews .....	38

	6
3.3.2 Reliability and Validity.....	41
3.4 Empirical Findings .....	43
3.4.1 Relationship Between Wholesaler and Supplier.....	44
3.4.2 Rented Factory Challenge.....	45
3.4.3 Agreed Prices Between the Parties .....	46
3.4.4 Delivery Agreements .....	47
3.4.5 Warranty .....	47
3.4.6 Exclusive Right.....	48
4. CONCLUSIONS.....	50
4.1 Summary.....	50
4.2 Conclusions Based on the Empirical Study.....	50
4.3 Ideas for Further Studies .....	53
REFERENCES.....	56
APPENDIX.....	59



## 1. INTRODUCTION

Muay Thai (also known as Thai Boxing) is a stand up contact sport that is basically a part of the most rapidly growing sport Mixed Martial Arts (MMA). Muay Thai is the national sport of Thailand, and due to that, Thailand has the biggest and most well known Muay Thai equipment suppliers in the world. Their fighters are also very strong in competitions and knowledged around the world. The Finnish suppliers have not yet made a big effort to compete with the suppliers from Thailand, due to Thailand's suppliers great experience, good branding and knowledge of the sport. Muay Thai is similar to the martial art of Kickboxing, but unlike in Kickboxing elbows and knees can be used for striking in professional competitions. Considering this, Muay Thai is the art of striking with eight body parts, which are your hands, elbows, legs and knees. Even though martial arts are considered to be more dangerous than traditional sports like football and icehockey, this is arguable. Martial artists experience overallly a small amount of serious injuries, due to controlled movement in supervised conditions in competitions.

Practising martial arts is usually a contact sport and something that takes hard effort and might leave a mark on the practitioner. This is one reason why the practitioners should be well protected and equipped with top quality martial arts equipment. These include head gear for protecting the practitioner's head, gloves for their hands, mouth guards to protect their teeth/jaw, a cup for protecting the groin and chin guards for protecting the legs. Using these protective gear the training will be a lot safer and the chance of injury decrease among the practitioners. On the other hand using low quality gear will increase the chance of injury like in any other sport. Different suppliers manufacture equipment of different style and quality, so choosing the right brand is of high importance when choosing the protective gear.

Since the number of practitioners in martial arts is growing rapidly, the need for equipment of good quality and price is growing rapidly. Most Finnish Muay Thai equipment retailers buy their products from wholesalers that have ordered their

supplies from the suppliers in Thailand. The suppliers in Thailand are the strongest and most experienced in the international Muay Thai markets. Since the markets have many different suppliers from Thailand of many different sizes, it would be interesting to study how these different suppliers and their business terms differ from each other in the importing process. It is left to be seen if the biggest suppliers have the best offers when compared to their competitors. This brings us the topic of the thesis.

### **1.1 Research Problem and Research Method**

The research problem is to understand and analyze the role of supplier selection in the import process. To study and receive data on that issue, the following research questions are set:

What is the import process in general like?

How to select an international supplier?

How to make the decision between the possible suppliers from Thailand?

In order to solve the research problem, a theoretical description of the import process, including supplier selection criteria, as well as an empirical investigation of Muay Thai suppliers will be conducted. A questionnaire will be created to investigate the suppliers in Thailand. Questionnaires will be sent to Finnish Muay Thai wholesalers who have imported Muay Thai supplies from Thailand. If this procedure does not give results, another approach will be conducted. The Muay Thai market in Finland has only a few importers, so all the biggest importers will be contacted for the possibility of having an interview. The author has basic knowledge of Muay Thai equipment, received during years of practicing the sport, and this will also make the subject easy to approach. The wholesalers will be found through an online research, and they will be interviewed.

The wholesalers will be approached so that they understand the confidential nature of this interview. This is important since the wholesalers might hesitate to

give any interviews regarding their businesses that might affect their income. It is a known fact that more experienced and wisest companies rise above their competitors in any business. This is most possibly the case in Muay Thai market also. The wholesalers will be approached and asked about their offerings, prices and experiences regarding their business and the delivery methods they have agreed on with their supplier. This should give a good picture of the suppliers and their way of working, which will help to solve the research problem.

## **1.2 Structure of Thesis**

The thesis is structured in a logical fashion, first, by introducing the topic in the beginning and in the end, by summarizing the findings. This expectable structure will ease the studying of the thesis. The thesis starts with Introduction chapter, which gives background information and presents the research problem and the structure of the thesis. This chapter gives a picture of the thesis and introduces the things to come.

After the introduction, the importing process will be introduced in the second chapter. Understanding the importing process is crucial when doing business internationally. The whole process of importing and the different factors that need to be considered when importing supplies needs to be explained. This topic will go through the details of the importing and different factors that need to be considered when importing goods from another country. The topic will also explain the meaning of an importing agent and when one should be considered to be used. The second chapter ends with presenting potential criteria used when identifying and selecting among potential supplier. Following these steps will increase the odds of making profit for a importer. This criteria will also be considered in the empirical study.

After the theoretical study is completed, an empirical study of Muay Thai equipment suppliers will be conducted. With this study the answers to the problems that are set in chapter 1.1 will hopefully be found. Wholesalers will be interviewed to get as much information on the suppliers and their offerings as

possible and then they will be compared to each other. The empirical study will study many different aspects of the target suppliers and try to revive information of the importers' relationships with their suppliers. The main findings of the empirical study will be presented in Chapter 4.2. Finally, the study is concluded in Chapter 4.

### **1.3 Thailand's Market**

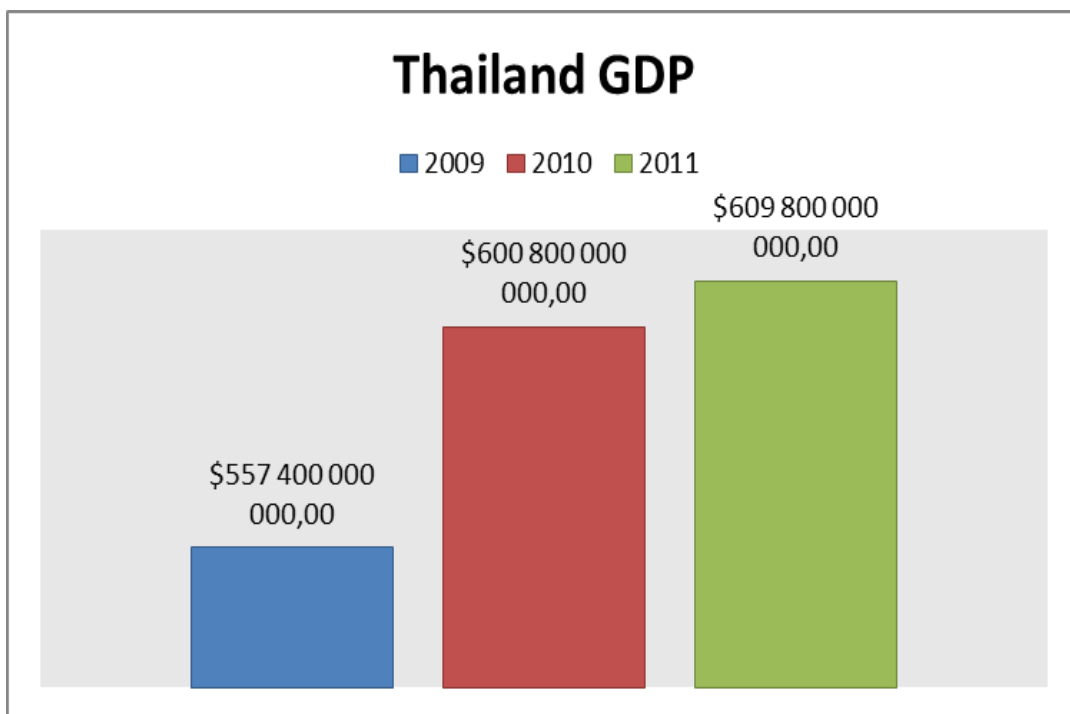
Thailand, or Siam as it was called until the year 1939 is a big country in Asia. Even though today everybody knows the country by the name of Thailand, the people of Thailand call their country The Kingdom of Thailand. Thailand is bordered with its neighbour countries Burma, Laos, Cambodia and Malaysia. The country has never been colonised by a foreign power, unlike its South and South-East neighbour countries. (Cummings & Martin 2001). The country of Thailand differs in great ways compared to Finland regarding the size of their markets and conditions. Due to a major difference in population, which was 66,720,153 in July 2011, Finland and Thailand's market sizes differ greatly. (CIA 2011)

Muay Thai is a big source of income for Thailand, not only in exporting but also locally. This is due to Thailand having legendary Muay Thai stadiums where tourists travel to see original and real Muay Thai fights. They differ from the commercialized events that are arranged in Europe by having their own feeling and voting system. Thailand has the strongest Muay Thai fighters and most of the champions come from Thailand, which is a big reason why people want to travel to Thailand to train and watch the fights.

Thailand's Muay Thai market differs greatly from Finland's Muay Thai market. Even though Muay Thai is a growing sport in Finland and the number of practitioners is increasing, Thailand's market is a lot bigger. This is due to the great difference in the population and also due to Muay Thai being the national sport of Thailand. As Muay Thai is the national sport of Thailand it means that a big part of the country's population has been training the sport through their whole lives. Even though Thailand has a lot more poverty in their country than

Finland does, they still have a very high rate of practitioners. Since Thailand is a cheaper country compared to Finland, their equipment is also being sold for half of the price compared to the prices that the Finnish stores are selling the equipment for.

Thailand's economy is a newly industrialized one and their economy is dependant on international business. Thailand's exports account for more than two thirds of gross domestic product (GDP). The biggest industries in Thailand are tourism, textiles, tobacco and jewellery. (Wylie 2007)



**Figure 1. Growth of GDP in Thailand (CIA 2011)**

In 2011, Thailand had a GDP of US609.8 billion. Thailand has been growing gradually since the year 2007, four percentage per year, thanks to exporting as they recovered from the financial crisis that took place in 1997-1998. Thailand has also been damaged by the flooding in Bangkok area that took place in 2011. The flood took over a big part of the city as the waterlevel rose about three metres in the streets of Bangkok. Even though this did a lot of damage for the citizens and their belongings in the flooded are, the country is expected to recover what comes

to the business aspect and the GDP growth is expected to continue as in the previous years. (CIA 2011)

## **2. IMPORT PROCESS**

The process of importing has many different steps between the supplier and the customer. These will be introduced next.

### **2.1 Defining import**

In economics the definition of importing is to receive goods or service from another country in a legitimate manner, often to be sold forward to another customer. The party that sends the goods to the receiving country is called the exporter and the partner that receives the goods is called the importer. These two are the main parties in an international trade. Importing, which is a part of international business, is the basis for international trade. Since international trade is done between different continents, it includes tariffs and trade agreements to make the trade safe and official for both of the parties. These details make the trading more complicated but also increase the safety of the trading for both parties. Also, since the markets can be new for a business partner due to a new continent, the parties should study the countries well to avoid unpleasant surprises. There is a lot of benefit in doing international trading, which makes it worth the effort for all international companies. (Alibaba 2012)

Import includes the logistical perspective. The different logistical possibilities are railway, overseas with a ship, road transport with a truck, air or inland waterways which are usually linked to seaports. Which of these methods should be used depends on the details of the delivery. Such details are the size of the delivery, geographical details and urgency. Sometimes companies even use their employees to transport the goods personally if the case is of an urgent matter or if the goods are highly important or classified. This way of transporting is common in bigger global companies with urgent deliveries. Global logistics usually transport by using different combinations of transport, such as road/sea/rail, road/air/road, rail/sea/rail, when transporting from supplier to the final destination. However, the logistical aspect will not be focused on in this thesis even though the case is about

international business. The aim is to describe the import process in general and the role of supplier selection within it.

Many raw materials and products are not available in all countries. What materials and products a country can produce depends on the country's culture and geographical details. While other countries, for example Japan makes a lot of their international business income from electronics, Finland's biggest exported material is wood. This is one reason why importing is very useful. Oil, wood and coal are examples of raw materials that are imported from other countries due to different conditions. If there was no international business, many everyday products would possibly not be available for countries to obtain, such as television sets, branded clothing and coffee. Even if one could transport these products by oneself from another country, this would be more expensive when comparing to buying from a local store.

Different countries have their different strengths, and due to global business, countries can share their strengths with the rest of the world. This is why international business is a leading factor when trying to achieve satisfaction and advancement among the communities around the world. (Dlabay & Scott 2010)

Low offering and high demand equals high prices. This is a known factor in both global and domestic businesses. It is also the reason for why sometimes it is more profitable to import, for example wood from a country that has a high offering of wood. This increases the profit made of selling the imported wood, since the costs for the wood have been greatly reduced. This is why international business can be more profitable than buying stock from one's home country.

In addition, international business increases the quality of the relationship with the trading countries. As in human relationships, it is healthy for countries to communicate about positive issues, and create bonds.



## **2.2 Main Steps in Importing Process**

The next the steps that need to be considered in importing will be introduced. Following these steps will reduce the possibility of problems taking place when importing goods from a foreign continent.

### **2.2.1 Identifying Potential Suppliers**

The potential suppliers need to be found and studied to begin with. How the study is conducted depends on what the importer is looking for. If the importer is looking to import some specific products or raw material, the importer should study what country should be studied and which of the country's suppliers will be approached. The Internet provides information and sources for finding details of the potential suppliers. The market in one's home country can also be studied by studying the retailers that sell these products, even though there is a great possibility that other continents can provide higher quality or/and lower prices. The products, their prices and delivery terms should be clarified in this step to avoid misunderstandings and dissatisfaction of different parties.

In the modern business world, the notable issues are world-class manufacturing and total quality management. For a supplier to be a world-class manufacturer, they have to be competitive in cost, quality and technology. As the customers are becoming increasingly aware of their needs and have started requiring top quality on their products, demanding high quality is becoming the main focus point for many importers. Due to this the supplier will be judged, monitored and compared to their competitors easier than ever before with the help of the Internet and other information sources. This is healthy for the business markets since it creates pressure among the suppliers and surely increases the possibility to receive good deals due to high competition. On the other hand it can also create companies that take shortcuts to reduce the price of their products. (Spekman 1991)

The Internet will not provide completely detailed information on the companies though, so the companies need to be approached to study their suitability as a potential supplier. This can be done through a questionnaire as the suppliers often

offer contacting information on their homepages. (Small Business Development Corporation 2011)

### **2.2.2 Selecting Organisations Assisting with Importation**

The next phase is to find and negotiate with an organisation that can support your import process. Such organisations are, for instance, customs brokers and banks. The broker will assist with the customs clearance to make the importing as easy and problem free as possible. A broker that is specialized on your target country should be selected to minimize the chance of problems in the customs. (Small Business Development Corporation 2011)

Without a broker, issues with the customs may occur, which would affect negatively to ones business. Choosing an ignorant broker will result in sudden rise of expences and problems with the customs. When a importer hires a ignorant broker, they will first have to pay for the brokers services and in addition they will possibly also be responsible for taking care of the additional costs. Additional problems due to an ignorant broker should be avoided even if the cunning brokers service is more expensive, since the additional problems will cost more than the price difference between the cunning and uncunning brokers.

The details of the transaction should be discussed with the local bank, since the payment might be done to a foreign bank account. Details like what payment method will be used and the fees bank will take for the transaction should be clarified before purchase. The choice of a bank should be considered and studied before choosing one, since the transaction fees and other details regarding the use of their services differ among banks. (Small Business Developmet Corporation 2011)

### **2.2.3 Prepare a Cost Analysis**

The calculations of the total costs of the transaction should be well calculated. All the different details of the transaction should be gathered. This includes the freight

costs, taxes, insurance and handling charges. (Small Business Development Corporation 2011)

This will give an estimation of the final costs that should be expected. When preparing for the financial resources a company is going to spend on the supplies, a proper cost analysis will help the company to avoid unexpected surprises. For a business to be successful, all the details and costs should be calculated and be expectable for a company to reach its goal and grow as a competitor in the local market. Skipping this phase can reduce the importers income greatly without the importer even noticing.

#### **2.2.4 Planning the transportation**

One factor in importing goods from other countries is choosing the best transporting method by analyzing and estimating the needs. If an importing agent is used, they can assist importers in selecting a suitable transportation method. This can be very useful among companies that are dealing with a new continent. In case the importer decides to take care of the importing by itself, it is vital that the importer compares different transportation options that are available. The goods might be imported by sea, road or airways, which all have different costs and durations. Even though flying is usually considered to be the fastest way of transport, it is certainly not the best for all cases. It is high in cost and some deliveries might take too much space to be delivered in the cargo of an airplane.

”Effective transportation is a key to the success of any on-line business, because these businesses often attract customers from distant locations and the products must be transported from the seller to the customer. ” (Chopra & Meindl 2001, 262)

The fees that the transport companies take for their service are based on several details that the transport company has to pay themselves, such as transportation costs, inventory costs, facility costs, processing costs and service level costs. What the sum will be for their customer depends on their costs and also the weight and size of the delivery. The transportation costs is the total amount that is

paid to the carrier for transporting the goods to the customer. The inventory costs are the cost of holding inventory incurred during the transport period. Facility cost is the cost of various facilities that the goods go through during the transportation to their final destination. The processing costs are for the loadings that happen during the transport. Service level costs take place if the delivery commitments have not been met. (Chopra & Meindl 2001, 262)

### **2.2.5 Estimating the Commercial Viability**

In this phase it is time to study if the business is profitable by calculating all the costs so far and reducing that amount from the income the company is going to get by selling the products. How much is the company going to make profit when selling the goods on to the final customer? When reducing the costs for the products and services from the profit made by selling the goods, the outcome should be on the profit side. In case this is not the case, the company will lose money on every deal they make and this can drive the company to bankruptcy. If the profit is too low, another study of potential suppliers should be considered. This can reduce the costs, and due to this, increase the profit. (Small Business Development Corporation 2011)

The procedure of lowering the cost for a company is not always simple and the keys to doing so might be difficult to find. Companies can try to calculate by themselves where they could lower the costs for their company, but this is not usually an easy task due to lack of knowledge and experience.

The lack of knowledge on how to reduce costs is not just for the inexperienced entrepreneurs, but for the bigger companies also. This is why organizations hire specialists to lower their costs and help them to increase their profits. These specialists can be entrepreneurs that have gained experience in the business and by sharing their knowledge with the company they can lower costs and increase the profit they make.

### **2.2.6 Identifying Special Requirements**

Any special requirements considering the importing should be inspected to avoid problems with the customs clearance. These might be certificates or special inspections on arrival depending on the country where the goods are imported from. (Small Business Development Corporation 2011)

The details of every country's customs requirements can today be inspected on the customs homepage on the Internet. This information will give the parties a good understanding of custom clearance issues in the home countries of their business partners. By studying this information the parties can avoid unnecessary fees and also that their goods will be cleared from the customs, which is crucial when working as a wholesaler.

All countries have their own way of clearing goods and requirements, and these details can and should be studied before importing. In case special documents are not provided to the customs, the customs will most possibly hold the goods until the documents are provided or charge a fee for the error. This is unnecessary for an importing company and should be taken care of before importing.

Chapter 2.3 will introduce helpful factors that can help any importer in their business with their knowledge of the target country.

### **2.2.7 Placing an Order With the Supplier**

A written confirmation of an order should be signed with the supplier. All the details including charges, incoterms and other special details should be closely inspected to avoid any misunderstandings. Even though the suppliers in different continents might seem trustworthy and honest, a written order should always be signed to ensure fair business. (Small Business Development Corporation 2011)

This will be the document that the parties can go back to in case differences happen during the business. The written confirmation will also show which party is responsible for different tasks in the deal and it hopefully conclude all

differenses between the parties. Just by sending an order to the supplier and expecting co-operation might be costly to the customer. A signed order confirmation document should be provided to both parties that can be used as proof in any matter.

The broker should be provided with all documents and details of the transaction for the importing to be error free. Documents like order, order confirmation, packing lists and other transport documents should be provided. This should be done before importing so the broker has time to prepare for the process. This will also fasten the process of importing the goods which will increase the quality of the transport. (Small Business Development Corporation 2011)

### **2.2.8 Arrival of the Goods**

The goods should be cleared through customs with the broker as they arrive. The broker's professional skills should fasten the process of receiving the imported goods. By having provided the required documents and by having the required actions completed before this step, the goods should be cleared without a problem. This should be the case, but some county's customs have additional requirements, which might cause problems even with good preparations. (Small Business Development Corporation 2011)

The delivery should never be accepted before thoroughly inspecting items in the customs, to make sure of the good quality and that the details of arrangement have been fulfilled. If this is not the case, the goods should not be accepted and the supplier should be informed about the issue immediately. Also, the supplies can be damaged during transportation, which can be caused by the transport company. This is why details of the transport, like delivery terms and forwarders, should be thoroughly discussed with the supplier to avoid misunderstandings and unnecessary setbacks as mentioned in chapter 2.2.7. The quality should not be an issue in a long term business relationship, but changes at the supplier's side, such as change of factory, staff or transport company may affect the quality of the delivery. This is why the relationship of the two involved parties is in high

importance and why the goods should always be inspected. (Small Business Development Corporation 2011)

### **2.3 Using an Importation agent**

Using an importation agent can be profitable for entrepreneurs if done wisely. It might boost a company's income, but it may also reduce the financial results of a company. (StartImportExport 2011)

#### **2.3.1 Pros and Contras**

Using an importing agent provides the importer assistance and can be suitable especially for small companies that have limited time and resources. Using an agent will give the entrepreneur more time to concentrate on the core business while the agent takes care of importing the goods for their business. In addition, language barriers can be broken with an agent if the party members don't share a language.

Import export companies are usually specialized in doing business between specific international markets and due to this they have a lot of experience on their regions dos and dont's. The import export companies can also have already good connections to their regions which can easen the process. Due to their experience they can speed up their customers entry to the new maker and also expand their sales. They can also provide important insight information of the market's quality, expectations, required certifications, pricing, marketing habits, etc. This increases the importer's knowledge of the market and increases the possibility of creating better deals with their supplier. (StartImportExport 2011)

However, using an agent is never free of charge, so this will increase the costs for the company. To make being an agent profitable, the agents will take a fixed sum as payment for their services.

It is up to the company if they have time, resources and knowledge to take care of the importing issues all the way from the suppliers by themselves or if they want

to use an agent. They both have their cons and pros and even though using an agent is not free, it should never be automatically counted out. A starting entrepreneur should study the option of using an agent, since doing business in a foreign country can cause financial risks for the entrepreneur. In case the foreign country is familiar and the importing company has a lot of time and knowledge, an importing agent might not be worth the additional fees.

### **2.3.2 Key Considerations**

If a company chooses to use an agent, it should study the possible agents that are available. The agents are specialized in different markets and businesses so one should be found that is ideal for the market the company is in. An ideal agent will take care of the importing for and give the company time to take care of other businesses. Since the customs rules and requirements differ country by country, it is vital that the agent has experience with the target country's way of working. In all, a company should evaluate if using an agent is beneficial and profitable enough considering the company's financial resources.

Using the suitable importing agent will increase a company's annual profit by giving the company time for other duties. An ideal importing agent will have knowledge of the target market the importer is importing from and will know the standard procedure in the foreign country. They will also inform the importer of the market and help the importer to find the most suitable supplier. This will decrease the chance of overpaying for transports and certificates and also reduce the chance of unnecessary fees.

The agent should be a professional entrepreneur or a company that has experience in the target country the company is going to import from. The agent's references should be well studied to make sure it is able to fulfill the company's needs and business requirements. Anybody can create an agency, so their list of references and experiences will prove their professionalism.



## **2.4 CRITERIA FOR SELECTING AN INTERNATIONAL SUPPLIER**

As already mentioned in subchapter 2.2.1, identifying potential supplier is an essential phase in the importation process if one looks to be successful. What needs to be done is to study the potential suppliers, and find out how to what extent they differ from each other in business and what are the criterias that differentiate other suppliers in the supplier selection process. The suppliers can be expected to have a different way of working and these habits should be considered. The following topics will explain what have been found in earlier studies as potential criteria in selecting suppliers.

### **2.4.1 Transport Costs and Time**

There are different suppliers that take different amounts of fees for their supplies and services. One of the factors that affect the profit for the importer is the transport agreement between the supplier and the wholesaler. The agreed delivery time, delivery fees and delivery terms play a very relevant role regarding successful importing.

The delivery terms show who will take care of the delivery and how far, and also at what point the risk moves from the sender to the receiver. These terms have been used for years to ease the process of making transport agreements between parties. Even though the parties could be from different countries, these delivery terms have the same meaning in all continents. The delivery term is something that the supplier and importer agree on before conducting busines. If the supplier is responsible for the delivery, they inform their transport agencies with the details of the delivery. If the agreed delivery term is FCA (Free Carrier) Bangkok factory, it is the wholesaler's responsibility to arrange the delivery all the way from the supplier's factory to the final desination. In case the incoterm was to be different, it could affect the costs for the importer and reduce or increase the profit at the same time.

When starting to sell supplies to stores in the home country, a fast delivery of supplies is required. Being slow in delivery will not only make the stores

dissatisfied, but also their customers. In addition this will lower the importer's status below their competitors who have good and stable delivery times. Slow delivery times should be avoided, so finding a good supplier with fast delivery is relevant. Since the competition is high in most markets, the service has to be good among the importers to reach success.

#### **2.4.2 Range of offering**

The range of offering describes how variable the suppliers selection is and how many different supplies they have to offer. It is not necessary the most important factor in choosing the supplier, since many different products do not guarantee satisfaction among customers. Regarding many markets the customers are also looking for only one suitable and satisfying set of equipment, so the range of offering can help the customer by giving many options but it will not increase the quality of these options. Having a wider range of offering can be more costly to the importer but it can also provide higher profit due to more satisfied customers. The suppliers need to balance their range of offering with the quality of the products so that neither one of these factors affect the other one negatively.

For a supplier to have a long range of offerings could lengthen their delivery terms, since all their supplies are usually stored in a warehouse. This means that if the suppliers have a very wide range of offerings, they have to have more space for storing their products or that they have less products ready for their customers. On the other hand, globally leading suppliers can have a good balance of their supply to keep their customers satisfied.

#### **2.4.3 Suitability**

The world is filled with intriguing offers from good suppliers, but in the end it has to be recognized which supplier will be the most suitable for the customer. Being suitable for a customer means that the supplier is manufacturing the kind of products that the customer is looking for. Other factors are also considered when looking for the most suitable supplier such as pricing, brand style, delivery time, delivery terms and other issues that the customer focuses on. These are also the

details of the that the company has to concentrate on to create a strong and appealing business. A supplier researches will help the importer to find the most suitable supplier.

The biggest companies may have too big expectations and demands for their business partners and the smallest ones may be too incompetent. The suppliers need to be compared and studied so the most suitable supplier will be found. This can be a lot of work but it is usually worth the effort. If the future business partners are not well studied and compared to each other and to the customer's needs, the customer can not maximize the profit of their business.

#### **2.4.4 Price-Quality Relationship**

Price-quality relationship is often the most relevant factor for the customer and his/her satisfaction. A company that does not balance their price and quality of their products can not be expected to survive on the market. The companies have to calculate the lowest price they can sell their good quality products for with their competitors and financial situation in mind. Most customers are looking for the best product for the best price. In other words, the customers are most likely looking for the good products, which equals best quality for the money. To be a successful supplier, the suppliers have to make quality products that they can offer for a good price, otherwise they will have problems finding interested customers on the markets, due to possible competition. This is a big factor in making a supplier successful on different markets around the world.

#### **2.4.5 Reliability**

Reliability of a supplier defines the stability of satisfaction between the supplier and the customer. As in people's personal lives, this is one of the biggest factors in creating long term relationships. This is a detail of the supplier which can be studied by doing business with the supplier. Information can be looked for of the target supplier, but this might be a more difficult task to do than expected.

Time will tell if the supplier is trustworthy and reasonable to do business with. Different cultures have different ways in their business culture and this is why a market study is a good thing to do before starting a business with a supplier. Untrustworthy suppliers will undoubtedly reduce the profit for the customer in a way or another and business with this kind of supplier should not be an option. This is due to a possibility that the suppliers don't send their supplies in time/at all or that the quality is not what was agreed on.

#### **2.4.6 Discounts**

When planning a long-term business partnership with a supplier, the pricing needs to be reasonable. Suppliers often offer discounts when buying a lot of goods and this is one of the benefits, that make long term business relationships worth having. Suppliers have calculated their business before conducting business, and this has been conducted to calculate at what terms their trading will be financially profitable. The price of their products includes an interest fee that is added on the top of the manufacturing and other costs that the supplier needs to take care of. This interest fee can usually be decreased for long term customers, since the customers will continuously make profit for the supplier, which makes the discount profitable. In most occasions when suppliers are selling their products, they will add a specific percentage of interest to the price to make it profitable to them. This will make the long-term business partnership reasonable and keep both sides satisfied.

#### **2.4.7 Terms of doing business**

Different companies have different requirements and thoughts in doing business. Some suppliers have uncommon requirements and business policies that can confuse their customers. Some of the requirements are unsuitable, and some acceptable. Examples of such requirements might be factors in the importing process. Different companies in diverse countries require various documents and procedures in this process which may be too much to handle for smaller importers. Such documents could be special packing lists, products details or

different types of certificates. These kind of additional procedures require additional work and might be unsuitable from some companies.

All unexpected procedures that the supplier may give to the importer regarding importing and such, lower the quality of the supplier. The supplier should give as problem free service as possible, that makes the customer wanting to continue a business relationship.

#### **2.4.8 Warranty**

Warranty is a detail in the contract between the parties, which defines how/if the purchased items are to be refunded or repaired in case any errors. This is a factor that big companies usually handle well. This is since companies that do not have a strong method of refunding and repairing products have a bigger chance of having unhappy customers. When evaluating the possible suppliers, one selection criteria can be how the warranty issues are handled. Warranty policy will affect the customer service to a great extent, also between the importer and its customers. If the warranties are not taken care of or handled poorly, it makes the business relationship between the parties very unreliable. Knowing that the supplies will be replaced based on the warranty is not the only thing that needs to be considered. At international business level when the parties are located on different continents, warranties have to work smoothly and efficiently.

#### **2.4.9 Evaluate the pros and cons overall**

After collecting information of the suppliers, the results of the study need to be evaluated. It is very likely, that there is no ideal supplier with the perfect solutions for all importers, since all the suppliers will have their pros and cons, but the evaluation will decide which supplier is the most suitable for the importer. The importer has to evaluate their current resources and need to understand their needs regarding their future supplier. After the importer knows how much they can afford to invest in their goods, they have to contact the supplier and ask for offers regarding their services. Finally, the importer needs to evaluate the suppliers

services and supplies and decide which of the suppliers is the best choice to do business with. The evaluation will determine the financial future of the importer.

### **3. EMPIRICAL RESEARCH ON SUPPLIER SELECTION**

In this chapter, four main issues will be considered. First, research design will be discussed. Both quantitative and qualitative research methods will be briefly presented. Second, Finnish suppliers of Muay Thai equipment from Thailand will be presented. Third, data gathering will be discussed, based on which the reliability and validity of this study will be also examined. Finally, the main findings of the empirical study will be presented and discussed.

#### **3.1 Research Design**

A research is something that has always been used to receive wanted information and gain wisdom. The term research can be defined as a systemized effort to gain new knowledge from a subject. It is the effort to find the truth with a help of a study, observation, comparison and experiments. (Kumar 2008)

A research design refers to a plan or strategy how to collect and analyze data in order to solve the research problem. When planning a research, one must know in what format the data would like to be gathered and for what purpose, since studies can be approached in different ways. If one wants to maximize the reliability of a research, the different approaches should be all studied, since the decision affects the outcome of the study. In general, research problems can be categorized into three main types, which are namely exploratory, descriptive and causal research. Exploratory research means a research area which has not been analyzed in depth and the researcher has to construct new understanding of it. In descriptive research, the research area is well understood and researcher aims at describing some phenomenon, such as importation process. Causal research refers to research problems which aim to clarify the causes behind the effects. (Ghauri & Grønhaug 2005).

The main research problem in this thesis is to understand and analyze the role of supplier selection in the import process. This problem is descriptive in nature, and it can be solved by both quantitative and qualitative research methods. This is why

both of these methods will be used to gain a more complete picture of the issue at hand. It will be seen how well the mixing of these two methods will affect the outcome of the study.

“At first sight, the distinction between qualitative and quantitative data seems fairly straightforward. It would be too easy, however, just to say that quantitative data arise as numbers and qualitative data do not; the distinction is not always that clear-cut.” (Kent 2007)

### **3.1.1 Quantitative Research Methods**

“Quantitative data are derived from numerical records. Sometimes these numbers refer to magnitudes or calibrations recorded in respect of an individual, a group of individuals, or an organization.”(Kent 2007)

The quantitative questionnaire answers to the questions “how much” instead of “why and how” as the qualitative questionnaire could be characterised. Quantitative research method is a method that could be better for cases where a large number of responses is more important than emphasis on understanding. For instance, studying customer satisfaction may require quantitative data in order to generalize the level of satisfaction. The method gives the researcher a chance to get the information in a way, that pleases him.

Quantitative researches are most often made using scientific methods. These methods include the following :

- \* Creating models, theories and hypotheses.
- \* Creating instruments and methods that can be used in measurement.
- \* Monitored altering of variables.
- \* Collection of empirical data regarding the study.
- \* Analysis of data.



\* Evaluating the results.

(Achid 2012)

An example question in a quantitative questionnaire presents a question and the answering is done by choosing the answer from a scale from one to five. This questionnaire method gives the interviewer the possibility to receive data that can be analyzed afterwards. Due to the answers being in a scale, the averages of all quantitative answers can be analyzed from the answers. Even though this method gives data that is in one way more simple, it does not mean that less would be discovered. Efficiency and good planning will take one towards an successful questionnaire.

### **3.1.2 Qualitative Research Methods**

Qualitative research studies to understand people's motivations, attitudes and behaviours. This is done by constructing and afterwards analyzing qualitative data. Instead of asking how much, qualitative research puts the questions in the form of "why". (Kent 2007)

Qualitative research is the study and analysis of observations to find out the underlying meanings and patterns of relationships and human behaviour. Unlike quantitative research method, qualitative research method does the research in a manner that does not involve mathematical models. (Kumar 2008)

It can be said that in one way the qualitative research methods dig deeper into the subject than the quantitative methods. The target audience can be approached to find reasons for one's actions and use this data for improving the situation on hand. For instance, a company can conduct a qualitative research to study its long term customers and find out how the customers think the company could improve their service. The questions on their qualitative questionnaire would be in an open fashion, where the person can answer the questions freely without being limited with scales or such. After collecting this data, the answers are analyzed and the

company can improve their business by taking note of the negative and positive feedback received from their customers.

Qualitative data is often collected by interviews and observations (Ghauri & Grönhaug 2005, 111), which presumably give more in-depth information than quantitative data collection methods. Qualitative data can be also used to solve a descriptive research problem, in order to get a detailed overview of the phenomenon. This is why a qualitative research approach will be used in this empirical study.

### **3.2 Introduction of Muay Thai Suppliers in Thailand**

Before discussing data gathering, the main suppliers for the Finnish Muay Thai wholesalers will be introduced. They all have their factories in Thailand and they have also created a stable brand on the Muay Thai market in Finland. The companies that are studied are all well known in Thailand, but not as well known in Finland. It is also more interesting to contrast different companies of different sizes with different strategies. This will hopefully give colourful results for the study.

#### **3.2.1 Twins**

Twins is certainly the best known supplier on the Muay Thai market which does not equal being the best supplier for every wholesaler. Others might be cheaper and/or their terms of business might be more suitable for a Finnish wholesaler. Having a strong brand creates trust among the customers for the supplier, even though their supremacy in quality and price is not a certainty.

Twins is one of the most successful Muay Thai suppliers in the world. Twins martial arts manufactures martial arts equipment with colourful and unique designs. This is surely one of the reasons for Twins great success on the market. They have been on the market for decades, and are still strong on the Muay Thai market. Twins Special Co. LTD was incorporated on June 2, 1992. Its main objective is the production, sales and exportation of their Thai Boxing gear and

equipment. The company has been producing only Thai Boxing gear in Thailand under the brand name for more than sixty years. As a company it has made a good brand of them selves in the international boxing, Muay Thai and mixed-martial-arts communities. Because of their good value on their products and comfortable designs, twins products are known to people throughout the world. (TWINS SPECIAL CO.,LTD 2011)



**Figure 2.** Twins Special Ltd logo.

Twins is one of the best known and marketed suppliers on the Muay Thai market. It does not mean though that they are the best supplier for every importer. Other suppliers might provide better prices and/or their terms of business might be more suitable for a Finnish wholesaler. Twins is also one of the most marketed Martial arts gear supplier on the marke, since Twins can be seen sponsoring fight events even in Europe. Twins products can be seen in stores in Finland, so due to this Twins is a very potential supplier. Even though Twins sells very well in the Finnish martial arts market, the other suppliers might provide quality products for a better price since Twins marketing is expensive, which is costing Twins a lot of money. This might be seen on Twins prices also.



**Figure 3:** King Professional Logo

The same manufacturer as Twins also produces another brand named King Professional. It does also -as Twins- concentrate its equipment on the Muay Thai market. Even though the brand is from the same manufacturer as Twins, the author was not able to find Kings' own official website. King also makes equipment for other martial arts like Mixed Martial Arts. Since these two brands are manufactured by the same supplier, it will be left to be seen in the results of the interviews, whether these brands are identical or if King Professional brings something new to the Muay Thai market, or if it follows the lead of Twins with the same products.

### **3.2.2 Windy**

Windy is a martial arts equipment producing company that was founded in 1951. Windy is a smaller company and is not as well known outside Thailand as its biggest competitors. In the beginning Windy made just Muay Thai equipment, but as new sports have been discovered, Windy has adjusted and started making equipment for other sports also. These are sports such as Mixed Martial Arts and Boxing.

Windy produces products that are not commonly graphically detailed like some of its competitors' equipment, but instead they rely on the quality of the products. This is a good detail regarding the study. This could provide them an advantage on saving fees what comes to the price of their equipment. It is left to see in the interview if this is, in fact, the case. We will see if Windy actually can compete with the bigger competitors and how they actually succeed in this task. (Windy 2012)



**Figure 4.** Windy Logo

Even though Windy is not that well known in Europe, they put effort to market their products and brand on the market. Windy does its marketing outside Thailand by sponsoring Muay Thai events like the Z-1 Muay Thai series, which is a successful Muay Thai competition aired in several countries. This makes Windy more noticed and strengthens the brand itself. (Boxxtomoi 2011).

### 3.2.3 Blue Corner Sport

Blue Corner Sport is well known on the Finnish Muay Thai market. It is a Muay Thai gear manufacturing company that has its factories in Thailand. The company has been in business for decades and has created a strong brand mostly in the markets of Thailand.



**Figure 5:** Blue Corner Sport Logo

Different fight organizations that arrange fight events use the martial arts equipment that was manufactured in the Blue Corner Sport factories. One of them is Rachamandoen, which is the biggest Muay Thai stadium at the moment. The stadium orders their products from the Blue Corner Sports factories and put their

own commercial label on the equipment. Other examples are the world wide known K1-organization and the professional Muay Thai league WMC. (Blue Corner Sport 2012)

Even though the company is fairly well known among the practitioners in Finland, the only homepage that can be found on them is their Finnish wholesalers' homepage. This is possibly due to the company having the only right to sell their supplies in Finland or just that the companys marketing plan differens from its biggest competitors. This gives the supplier of Blue Corner Sport a big advantage on the Finnish Muay Thai market.

### **3.2.4 Fairtex**

Fairtex is a martial arts gear manufacturing company from Thailand that is well know around the world. Its history goes back to 1958 when it was founded in Thailand. It has been growing ever since and is one of the biggest suppliers in the market today. (Fairtex 2011)

The learders of the company are Mr. Wong and Mr. Lin. Fairtex is one of the biggest Muay Thai companies in the world and it has over 25 distributors worldwide. One of the reasons for the brands popularity is that Fairtex has produced over 60 champions with titles such as Lumpinee, Rajadamnern, WBC Muay Thai, WMC, ISKA and other world championship titles. (Fairtex 2011)



**Figure 6.** Fairtex Logo (Forzamma; Fairtex logo)

Fairtex sponsors different sports all around the world, like Scott Smith (MMA fighter), Pat “The Croatian Sensation” Miletich (former MMA fighter and MMA

coach) and the legendary Muay Thai fighter Ramon Decker from Denmark. Fairtex has also its own training centres in Thailand. These training centres are located in Banglpee and Pattaya, Thailand. Muay Thai practitioners can travel to these training camps and train for as long as they want, for a fee. The practitioners have the possibility to eat and sleep with the other practitioners in the Fairtex training centre premises. The camp provides guided training daily for the practitioners according to their skill set regarding Muay Thai. This is a good possibility for a Muay Thai fighter to reach the next level as a practitioner. (Fairtex 2011)

Even though Fairtex is considered mainly to be a Muay Thai company, it has mostly Mixed Martial Arts products on the Finnish market. Fairtex Mixed Martial Arts shorts and other equipment, like gloves and chin guards can be seen in gyms. This could be a good move from Fairtex, that was done possibly by a market research on the Finnish martial art markets. Fairtex has always been a strong competitor on the Muay Thai market according to the author of the thesis, so it will be interesting to see how it compares to its competitors.

### **3.3 Data Gathering**

In order to describe the role of supplier selection in importation process phone interviews will be used as the main data collection method. Finnish wholesalers of Muay Thai equipment will be looked for online, and then be chosen as interviewees. Phone interviews will be conducted based on a semi-structured questionnaire where the questions and most of the answers are pre-determined, but the respondents also have the possibility to use their own words in some answers.

The semi-structured questionnaire to be used in the phone interviews is assembled to be as reliable as possible. The questionnaire includes questions on overall information of the wholesalers, on the details of their suppliers and about the business between the parties.

A semi-structured questionnaire is used to get a proper understanding of the wholesalers' thoughts and their way of selecting their suppliers and also the suppliers way of working. If a fully structured questionnaire was used, the thoughts and the character of the target companies could not be discovered as well as with a semi-structured questionnaire. To be able to analyze the suppliers behavior in the importing process, the study will have to study the case as firmly as possible.

The Muay Thai wholesalers in Finland will be approached to receive information of their suppliers that are all from Thailand. The questionnaire is designed to be as easily accessible as possible but still to provide clear and valid information of the suppliers.

The questionnaire studies the details of the suppliers that the wholesalers in Finland have chosen to use. Hopefully the questionnaires will give a good understanding of the suppliers and their way of working with the wholesalers. The wholesalers will be approached by a phone call and the subject will be discussed over the phone.

### **3.3.1 Main Issues Covered in the Interviews**

First, the wholesalers will be asked for background information on their business and their business relationship with their suppliers. It will include information, such as the size of their business, their experience on the finnish Martial Arts market and details of the business between the wholesaler and their supplier. This is needed in order to get a picture of the importer, the picture of the relationship between the supplier and the wholesaler and how it started off. This section of the questionnaire also ask the importer why they chose their supplier over its competitors. This can give a good picture of the suppliers competitiviness. This section of the questionnaire will also make the interview easier to approach for the wholesalers.

The wholesalers are also asked about their suppliers' offerings. They are asked how fast the suppliers can provide them the goods they have requested and how



wide their range of offering is. Since Muay Thai sports consists of such a wide range of equipment suppliers' offerings certainly vary to some extent. We might also find out how important this detail is for the importers and how much difference it made in the choosing process.

Prices will be also asked about in order to to get a picture of the suppliers' pricing policies and competitiveness on the market. This will hopefully give valid overviews of the suppliers' equipment and their selling prices. This will make a great difference to figure out the financial differences the Muay Thai suppliers have. This will be asked, even though these details could be difficult to retain from the wholesalers.

The wholesalers are also approached about the delivery terms the wholesaler has agreed to follow with their supplier. This is a crucial part of how the supplier compares to other suppliers regarding overall quality. The suppliers might have different understandings of how the delivery should be taken care of and who should be responsible for the deliveries. Some suppliers can also have special deals with transport companies that can reduce the delivery costs when doing business with the specific company. It is expected that the suppliers can have different deals with transport agents that then can provide better service for the suppliers long term customers. This atleast would be a good idea to become more competetive as a supplier.

If the delivery time is too long, business with the supplier is not an option. The delivery time of bigger and smaller companies may vary. This will be a detail that will be interesting to discover. Even though bigger companies might have more experience on the market, the smaller companies might offer higher loyalty to their customers as they have more time to concentrate on them. On the other hand the more experienced companies may also have logistics that is managed better. If the supplier is reliable regarding their delivery times and give a good offering on the delivery terms and prices, they could be seen positively in the supplier selection above other suppliers with different policies.

The bigger companies might also have bigger warehouses, which will help to reduce the time of delivery for their customers. The bigger suppliers can be expected to have bigger warehouses, and due to this bigger stocks of equipment ready and waiting for being ordered. This can be the part, where the smaller suppliers lose to the bigger companies regarding the quality of the logistics.

The wholesalers are also approached about the importing of the goods they have purchased from their supplier. The interview includes questions about the wholesalers' experiences regarding the importing from Thailand and if they have any negative experiences in the past with customs or their suppliers regarding the importing. This subject could give information on how the customs work and if there is anything that could be learned from the wholesalers' experiences in the past. Even though this would be criticizing against the importers' suppliers, hopefully the importers can see past that.

The wholesalers will be also asked about their suppliers' services. Even though a company has the best supplies for the best price, this does not necessarily make the supplier the strongest on the market. The service of a company is very important and even if all other aspects of the company are good, lack of service will make their customers forget the other aspects. If a company can provide good service, it makes the company reliable and steady as different issues arise during the business process like, for instance, failure in the supplier's factory. Having a long term business relationship with a supplier can surely improve the quality of the service received from a supplier. The wholesalers will be asked for their satisfaction with their supplier regarding the service.

In addition, the wholesalers are inquired about their satisfaction in doing business with their suppliers. For the importers to be satisfied with their business relationship with their suppliers, they could need more than just good pricing and good delivery terms. Even though the pricing is ok, they might not be satisfied if the supplier, for instance, does not communicate well with the importer and gives poor service. This information is highly important to measure how well the suppliers take care of their long term business partners. The higher satisfaction the

importers have, the better the supplier takes care of their business relationship. Details such as is customer satisfaction being monitored by the suppliers will be asked about. This gives information on how the suppliers follow their customer satisfaction and try to improve the relationship with their customer. This is an important issue for a business relationship to stay healthy between two parties in different continents.

Finally, the wholesalers will be given an opportunity to give any additional information about their suppliers. This will give the wholesalers the chance to give detailed information of their suppliers. Even though a questionnaire should be well planned and revised, there is a chance that the wholesalers have something else to share due to their experience on the market and concerning their relationship with the supplier. This can give additional details of the suppliers that was not asked for separately in the questionnaire.

### **3.3.2 Reliability and Validity**

Reliability means the extent to which the results are repeatable, while validity refers to the accuracy of results (Ghuri & Grønhaug 2005). Both of these need to be carefully examined and evaluated in a research, to understand the meaning and the value of the data collected. The quality of the research is high, if the results are reliable and valid. On the other hand if the study is low on both reliability and validity, the results of the study can not be trusted on and, thus, makes the study poor in quality.

Due to changing circumstances and environments, the reliability of studies may vary dramatically. The reliability of a research can be tested by conducting the research repeatedly and measure the stability of the results. If the results are the same every time the research is done, the stability of the results is high, which equals that the reliability of the research is also high. If the results of the research are replicable, the reliability is high.

”So, reliability can be defined as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred

to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.” (Golafshani 2003)

Completing a study gives always some results, but it is important to evaluate if the respondents have given true answers that can be used. If this is not done, the study can give the studier a false picture of the case that was studied. The overall quality and suitability of the questions will determine the validity of the results. It might be impossible to ensure that a questionnaire is completely valid, but the all that one can do is plan the research so that it is more plausible. (McBurney & White 2009)

“Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others.” (Golafshani 2003).

External validity refers to the fact whether the results of a study can be generalized to another situation. This situation could be in a different time with different subjects. The studies are always different and filled with details that may not even be thought about. In an interview the size and lighting in the interviewing room for example can make all the difference regarding the results of the study. This means that the research differs even if the interviewing questions stay the same but details such as environment or timing is different from the previous study. (McBurney & White 2009)

The reliability of the study on the Muay Thai suppliers quality is a task that is hard to approach. When approaching the importers in Finland, how does one know that the importer is speaking the truth of their suppliers or promoting their suppliers to improve their brand image? Even though the approach that is taken by interviewing the importer might not be fully reliable, the only people that can be interviewed about the business agreements and terms are the wholesalers' and the suppliers. This has to be considered when summarizing the study.

Also for this study to be fully valid a good amount of answers needs to be received from the Finnish importers, to be able to get a picture of the suppliers work ethics. This can be hard to get, since the business arrangements and terms are often confidential between the parties. Even though this is the case, the study is worth trying to find out interesting details regarding the topic.

In the beginning, the wholesalers were contacted by e-mail, and at that point they hesitated to reply. The author waited for a reply from the importers for days until a reminder was sent to all of the importers. At this point one of the wholesalers replied to the email by stating that most possibly no wholesaler will take the risk by replying to the questionnaire and possibly jeopardise the professional secrets that have got them to the point they are in at the moment. After these difficulties in the beginning of the data gathering process, the wholesalers were approached by phone, and the research was successful through this method. The way of interviewing by phone seemed to be more appealing to the wholesalers, maybe by seeming to be less official and more of a random discussion. Even though the wholesalers were careful on answering questions that were of private quality, good points of the suppliers and their business were discovered. In order to get as valid responses as possible, the structure of the questionnaire was also adapted so that it would not be too detailed for the wholesalers to answer. The questions were changed to be more easy approachable by the wholesalers.

Since the importers in Finland were interviewed, it is hard to reveal different details of how the importers have chosen their suppliers and how well their suppliers met their suppliers selection criterias. These details, as mentioned in chapter 2.4 were used in the questionnaire that was used to interview the Finnish Muay Thai importers. The study will reveal if these details can be received from the importers.

### **3.4 Empirical Findings**

In this subchapter, the main findings of the empirical study will be presented. As stated in the previous subchapter, data was gathered through phone interviews,

where a semi-structured questionnaire was used. Altogether three wholesalers of Muay Thai equipment were interviewed. They all import Muay Thai products from different Muay Thai suppliers in Thailand that were presented in chapter 3.2 and have been doing so for years. The interviews were conducted during November 2011, and they lasted approximately 30 minutes per interview. The respondents were informed about the purpose and the confidentiality of the information that was recovered by the study.

### **3.4.1 Relationship Between Wholesaler and Supplier**

All the importers that were interviewed pointed out that the relationship between the supplier and the wholesaler mean everything for the business to work properly. If the importer just buys supplies from Thailand without meeting their supplier first, it might be that the importer never receives the products. This is a possibility since usually the goods have to be paid for before the suppliers send them over to Finland. This will create a risk in doing business with the Muay Thai suppliers. This can be avoided by creating a good business relationship between the supplier and the wholesaler.

Thailand is also a very different culture when compared to Finland. They highly value meeting their customers face to face often to create a bond between the parties. According to one wholesaler, it can take a decade for the supplier to feel comfortable to invite the customer on a lunch and discuss things that do not consider that business. The effort that needs to be put to creating a stable friendship with the supplier seems to a lot, but the benefits the importer receives seems to be rewarding as well.

A discussion with one of the wholesalers revealed that the international Muay Thai business has been affected by scammers who create homepages for selling branded goods. They actively search for big orders, ask for a pre-payment on the goods and then disappear after receiving the money. These shopping pages emerge all the time and once a scam is completed, the page is shut down and a new page is created and opened. Countries, such as Pakistan and India have a bad

reputation in the Muay Thai market due to these scams. This has been bad for the Muay Thai market by creating a fear for all the importers. Even though this is the case, this forces the importers also to study and learn to know their supplier, which is a good thing.

### **3.4.2 Rented Factory Challenge**

During the interviews it turned out that some suppliers have their own factories where they manufacture their products as other suppliers rent factories and factory employees that will produce the same equipment with their label on them. The rented factory strategy is very risky, since some rented factories might produce good quality products as other might suddenly produce supplies that might be highly flawed. Some suppliers choose to rent the factories that manufacture their equipment due to having their own factories is more costly and requires maintenance around the clock. Instead of this some suppliers rent factories that have people working for the for a lower salary, which is then less costly for a supplier and will increase their annual profit. Lower fees increase the profit for the supplier. Those companies that are known for having their own factories that they use for years are considered strong and trustworthy suppliers in supplier selection, even though the companies might not reveal this kind of classified information in the beginning of a business relationship.

During a discussion with a wholesaler it was discovered that one of the biggest martial art suppliers had experienced serious problems with a rented factory during their business career. For their loss it became big news globally and educated the markets of the rented factories and their pros and cons. This supplier makes mainly boxing gloves and boxing products that are also used in Muay Thai competitions. The supplier had created a good reputation on the martial arts market and after the big news the brand got flawed. It turned out that the rented factories had hired unqualified staff for making these products, so the equipment in their delivery had flaws. The company was forced to pull back all their supplies and forfeit for the trouble they had caused for their customers. Even though a big company like the one this happened to can afford to refund products, their brand

suffered greatly due to this incident. The incident did not only damage the relationship between the suppliers equipments wholesalers, but also the relationship between the wholesalers and their customers. These customers will surely take the past into consideration before doing business with the supplier in the future.

### **3.4.3 Agreed Prices Between the Parties**

The wholesalers were also asked about the pricing agreements they had agreed on with their suppliers, but this was information that was hard to get to. The wholesalers were not willing to discuss the pricing agreements between them and their suppliers with other people outside their organisations. The pricing is something that the parties have agreed on and if these details would be released to the public, it might be costly and damage the wholesalers' position on the Finnish Muay Thai market. It would be costly, since if other importers knew the good pricing the supplier has arranged for the importer in Finland, they could start expecting the same pricing as well.

According to chapter 2.4.4 in the thesis, the pricing is in a big importance when judging the quality of a supplier. While the price of the equipment is important, the quality has to be considered at the same stage to get the value for the equipment. Even though the prices of single supplies can be found on the suppliers homepages, it does not define the wholeselling price for importers, which can vary between suppliers. This means that the final selling price of the suppliers can not be defined at this point.

Even though this detail was only scratched on the surface, it was good to receive this information from the wholesalers. This gives the impression that the competition for the best prices must be hard on the Muay Thai market and that the prices can be agreed and adjusted on with the supplier.



### **3.4.4 Delivery Agreements**

Regarding the delivery agreements the wholesalers had made with their suppliers, the wholesalers were very careful with their responses. It is understandable that this is something that they have been studying for years and they have created a deal with their supplier regarding the deliveries as well as with the prices. Unfortunately, regarding this factor, there was very little information that was discovered on the delivery terms between the suppliers and the wholesalers.

As mentioned in chapter 2.4.1, the delivery agreement does not only define who will be responsible for the transport of the products, but these details also define the total costs for importing the equipment from the supplier. If the importers could have given this information, it would have given a good sign on how the supplier works and how costly they are as a long term business partner.

The interviews did, unfortunately, not reveal the factors regarding the delivery terms of the suppliers of the suppliers. This would have been helpful in finding out how this factor affects the choice of different suppliers for the importing process. Overall, the delivery terms certainly differ between various suppliers, but the relationship between the parties seems to make the biggest influence on how well the business flows in business between the parties. More effort from the suppliers side could reduce the delivery times greatly.

### **3.4.5 Warranty**

While interviewing one of the wholesalers', we ended up discussing the warranties of the goods. According to the discussion the warranty for the equipment is a big factor for being succesful on the Muay Thai market and different suppliers have their different thoughts on warranty agreements with their customers.

The warranty service must be fluid and functional for the brand as mentioned in the theoretical part of the thesis, in chapter 2.4.8. According to one interview for some suppliers the procedure regarding broken equipment is the following: If

deliveries break, they will be sent back to Thailand for repairing, which will take weeks and this will cost more than the price of a new equipment. This is not a good choice for an importer, since it would reduce customer satisfaction and it may also make the company lose some of their customers. This is due to the Finnish customers expecting to receive top quality products and if something breaks due to poor quality, they expect the stores to replace these products immediately.

### **3.4.6 Exclusive Right**

During the discussions with the wholesalers, it turned out that some wholesalers have an exclusive right to import and sell big stocks of some brand's equipment in Finland. This creates a big market advantage for the wholesaler, since it will be the only one providing a specific brand equipment to the Finnish market. This was actually a brand also that is highly appreciated on the Finnish martial arts markets. On the other side having exclusive right to sell suppliers products is surely very costly, but seems that the importer had made a deal that is profitable for them. The terms of these kind of deals can not be generalized, since they depend on different factors of the supplier and their business such as size of the company, annual turnover etc. In case a competitor would try to import this specific brand equipment, the customs would confiscate all the equipment in the customs, and the importer would commonly never get these equipment back from the customs.

This is good advice for a company that plans to import goods from Thailand. It does not matter how big the delivery is, but if another wholesaler has the exclusive right for the goods brand, all the supplies will be confiscated in the customs and never to be returned to the importer. This will result in a major decrease on the importer's turnover due to a rise on the costs of their business. In addition the importer would have a lot of unsatisfied customers waiting for the equipment they ordered. I was informed by the wholesaler with the exclusive right that he has not heard of a case like this taking place among the bigger importers, since all the importers know each other and are aware of these limitations. It might be that the

supplier informs the Finnish importer before sending their goods to the competitor.

## **4. CONCLUSIONS**

In this chapter, a summary of the thesis is presented, some conclusions based on the empirical study are discussed and ideas for further studies are given.

### **4.1 Summary**

The first chapter in the thesis presented the research problem, the research method, Thailand's market and the structure of the thesis. The research problem chapter introduced the issue that the thesis concentrates on. This gives a good insight into the thesis and the topic that is going to be studied.

The second chapter was the theoretical part of the thesis, which explained the import process and its details. This was important to be learned to do the research and the study for the thesis. The chapter explains the details that need to be considered when importing from another continent. By following the steps introduced in the chapter, the importer has a higher chance to be successful in his business.

The second chapter included the most important information regarding the study. It answered a lot of questions importers might have in mind and also balanced on which details should be considered when importing. The chapter also included details on supplier selection, that can help beginning importers in finding their future supplier. These details were also considered in the empirical study to get a realistic picture of the suppliers.

### **4.2 Conclusions Based on the Empirical Study**

Based on the empirical research it seems that the Finnish Muay Thai market is very small. Every wholesaler knows each other and has a good relationship with each other. This is positive in the way that the wholesalers' have a good check on their competitors but this works also the other way around. The importers seem to have a strong bond since during the study the importers asked frequently how the

other importers had reacted to the issues I was discussing. It seemed almost like they all knew what they were allowed to reveal to the interviewer.

Based on the interviews it can be claimed that the supplier selection plays a very important role in the importing process. An importing company has to be able to trust their supplier for the business to be successful. Trust can only be achieved by having a good relationship with the supplier, which has to be constructed during several years of cooperation. The question “which of the Muay Thai suppliers are more trustworthy than the others“ can not be answered based on this research, since this type of information was not revealed by the interviewees. Even though the importers said that their suppliers and their products are top quality, this information should not be considered valid and reliable information in the study due to the importers business, which is selling these suppliers equipment. The importers used the same positive tone always when asked about their supplier services. This does not mean, however, that they were exaggerating the truth, but instead maybe the importers have studied the market so well and have had tough discussions with their suppliers to increase the quality of their business and the level of satisfaction.

Importing is a risky business due to the parties being on different sides of the world. This is why the relationship needs to be taken care of constantly to keep the business running smoothly. Even though all the people around the world are humans like all others, their cultures differ greatly and that is why the behaviour of people in other countries should be studied. This can be done by visiting the customer in Thailand, which the wholesalers informed to do often. In fact, one of the wholesalers was actually in Thailand to visit the supplier when he was contacted over the phone for the interview. During the interviews it turned out that many new importers have mistaken to make deals online with the suppliers from Thailand and when the orders arrived, the importers were not pleased. To get the best results when doing business with a supplier from Thailand, there should be a face to face relationship between the parties. Otherwise the suppliers will not

make their best effort for the importer. Without an being ready for a great effort, one should not expect great success in importing from Thailand.

Unfortunately, the wholesalers would not give out detailed information on their suppliers, regarding their agreed prices and terms of delivery. This would have given better results when comparing the suppliers with each other. The unwillingness of the respondents to reveal this information is possibly due to special agreements regarding the prices of the products and the terms of the deliveries between the suppliers and the wholesalers. The prices must have been agreed as a result of years of a good business relationship. It is understandable that the wholesalers are not eager to share the details that they have worked several years to get. Even after informing the importers about the reason for the study, one importer asked for more information on the study and where their answers would end up in. After noticing this, it seems that the only way to get this information is to have a long term business relation with one of the suppliers.

What also turned out during the interviews with the importers was that not all the suppliers have their own factories where they produce their supplies but instead some of the suppliers rents factories and employees to produce their supplies. This makes the suppliers that have their own factories safe suppliers and, therefore, they could be worth the effort of starting a business relationship with. So, a supplier having its own factories is a relevant issue affecting the supplier selection process. It can be expected that the biggest and most successful companies have their own factories, with exceptions. The smaller companies with smaller income can be expected to rent factories for their production, since they might not have enough money to build up their own factories and also because they want to keep the expences low.

One of the wholesalers also commented on the authors view of Thailand selling their supplies a lot cheaper than they are sold for in Finland. The importer said that it is common that people travel to Thailand notice the cheap prices of the Muay Thai equipment, then wanting to import these goods to one's home country to sell them on as one's own business. The wholesaler said that this is not that

easy, since there are additional fees that will be added to the prices when importing. These are fees like the customs fees, transport fees, taxes and VAT. These fees will rise above the prices in Finland, unless the importer has a long relationship with the suppliers. In addition for the business relationship to work the importer has to work hard on the relationship for the business to run well for a longer period.

Overall the supplier selection is one of the most relevant issues regarding the importation process, but the relationships between the supplier and their customer has to be in order for the business to work. Without trust and effort, one does not simply have a successful long term relationship with a Muay Thai supplier from Thailand. From the information that was received from the importers this is not just the case with some supplier in Thailand, but with the whole business culture in Thailand.

#### **4.3 Ideas for Further Studies**

In this thesis the results of the research were unfortunately not as revealing as they could have been. The importers found it hard to trust the questionnaire and give information on their business, which is understandable. Even though some issues were brought up and a lot of knowledge was gained of the market, the strongest points were left undiscussed. To get more information of the issue there should be a new and different approach to the study.

One possibility is to approach importers in Finland's neighbour countries, like Sweden or Norway. Sweden's Muay Thai market can be expected to be very similar with Finland's Muay Thai market, so this could give a good overview of the issue. They could be more open to the subject and less afraid of possible competition, since the thesis is written in another country. Even though the importers would be on another continent, a lot of information could be gathered of the Muay Thai suppliers in Thailand.

A second possibility could be to travel and do a face to face interview with the importers. This could improve the trust between the interviewer and the importer.

In this case all the different details of the questionnaire would be discussed face to face to make the importers really understand the interview and also the interviewer. Due to this the interviewing method could give a higher response rate when compared to interviewing over phone. This gives also the additional benefit of being able to read the importers body language and notice if they are getting uncomfortable with the questions. Even though this method has the possibility of increasing the trust between the interviewer and the importer, there is a doubt if the method could make the importers start telling the importing and pricing details of their business.

If ones would like to find out the true picture of the suppliers in Thailand, one could always agree on an appointment with the suppliers and travel to Thailand to meet the suppliers. This would be an huge investment both financially and mentally, since the distance from Finland to Thailand is great and the flights take approximately ten hours to one direction. The author tried to contact the suppliers by email, and received no bigger interest from the suppliers due to lacking information on the authors business and experience. The suppliers do not seem to be eager to do business with just anyone, but instead they also want some proof that the importer is trustworthy. At first it seemed like the suppliers are the only ones that should not be trusted but now it seems that the suppliers have as well been deceived at some point of their business career.

Another possibility would be to study the history of the suppliers. By doing this, a somewhat more difficult study, one could contact a retired importer that has done business with the suppliers in Thailand during their previous careers. They could be contacted by email with a proposition of a study. These people have the knowledge that the author for this study could use to find out the characteristics and business behaviours of the suppliers.

These ideas could be used for a further study in this case. The topic was surprisingly hard to approach, which could also be reflected in other studies when using the ideas that were suggested, for example. Most of the information of the Muay Thai suppliers that was used in this thesis was not from another study but



instead from the suppliers homepages and other similar sources. This reflects to the information being confidential between the suppliers and their customers.

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## APPENDIX

Dear receiver,

I'm a student in the University of Applied Sciences in Vaasa and I'm working on my thesis. The aim of the thesis is to find out the role of supplier selection in the importing process. My empirical study concentrates on the importing of Muay Thai equipment. I chose this because I'm a Muay Thai practitioner myself. I studied your company's homepage and noticed that you are importing Muay Thai equipment from Thailand. I would be thankful if you could take ten minutes to answer my questionnaire. The answer sheets will not be seen by anyone else but us.

Please return the questionnaire before 21.11.2011 by email to:

tobbe\_ljungeld@hotmail.com

Best Regards

Thorbjörn Ljungeld  
International Business student  
University of Applied Sciences.

Please answer all the questions. Feel free to leave any uncomfortable questions unanswered

I. IMPORTER

Name:

Company:

Address:

Postal code & city :

Country:  Tel:

Years in business:  years.

II. STAFF

Staff  quantity: persons.

### III. SUPPLIER

1. Who is your current supplier?

2. How did you end up choosing this supplier?

3. How satisfied have you been with their service?

Very       unsatisfied       Unsatisfied      Can't say  
 Satisfied       Very satisfied

4. Have there been setbacks during your business relationship?

Yes     No     N/A

If there has, what kind of setbacks?

5. Do you feel that your supplier is trustworthy?

Yes  No  N/A

6. Did you have other suppliers in mind when you chose your current supplier?

Yes  No  N/A

If yes, which suppliers?

7. On what criteria did you choose your current supplier over the other suppliers?



IV. ORDERS

1. How often does your supplier have the equipment ready that you require?

Never     Rarely     Now and then     Often

Always

2. What is your suppliers average delivery time for an example order of 20 Muay Thai gloves?

days from order.

3. Does your supplier exceed delivery times?

Never     Rarely     Now and then     Often

Always

4. Does it have a negative effect on your business?

Yes     No     N/A

5. How do you experience the price and quality of your supplier when compared to the other suppliers on the market?

- Very bad     Bad     Neither good or bad     Good
- Excellent

V. OFFERING

1. Does your supplier offer all the equipment you need?

Yes  No  N/A

If not, what are they missing?

2. Have you ever been disappointed on you suppliers equipment?

Yes  No  N/A

If you have, why?

3. Does your supplier offer benefits for your long term business relationship?

Yes  No  N/A

If they do, what kind of benefits?

VI. IMPORTING

1. Which one of you arrange the delivery of the goods?

Supplier     Importer

If it is you, how did you end up with your current forwarder?

2. Does your supplier pay for the deliveries?

Yes     No     N/A

3. Have you had issues with the customs when importing equipment from Thailand?

Yes     No     N/A

If yes, what kind of issues?

Has this happened repeatedly?

Yes     No     N/A

VII. SERVICE

1. Does your supplier provide customer service in English?

Yes  No  N/A

Quality of customer service:

Very bad  Bad  Neither good or bad  Good  
 Excellent

2. Does your supplier inform you about possible issues with your orders?

Yes  No  N/A

If yes, how?

3. Does your supplier monitor your satisfaction in the business relationship?

Yes  No  N/A

If yes, how?

Thank you for your answer!

Please send the filled form to the following email address:

[tobbe\\_ljungeld@hotmail.com](mailto:tobbe_ljungeld@hotmail.com)