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The search for alternative suppliers: A study of Russian seafood industry

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Abstract

In today's world of globalization and technological progress, international trade has become an essential component of foreign political relations. Multiple scholars approached methods and tools that state governments use to implement political agendas via economic penalties and sanctions. Such regulations have an immense impact on local industries, as firms are obligated to adjust to the changing external economic environment.

The relationship between buyer and supplier can be influenced by changes in the business environment, including the use of non-tariff barriers to trade. Such trade barriers lead to a reduced amount of imports and the loss of existing suppliers. The introduction of NTBs can result in the need for importers to search for new alternative suppliers. Moreover, apart from the business environment, the search for new suppliers can be influenced by a number of factors related to buyer-supplier relationship. This thesis aims at investigating the influence of factors of importer-supplier relationship and the factors of business environment on the search for alternative suppliers in the context of Russian seafood industry. The research attempts to explore how Russian importers compensated the consequences of non-tariff barriers to trade.

The thesis consists of five chapters. Chapter one will contain background of the research, research topic and research question, as well as, theoretical and managerial significance. Chapter two will include theory, research's objectives and hypotheses that will be tested. The methodology will be represented in Chapter three. Chapter four will include the findings of the research. In Chapter five the results of the empirical findings will be discussed in alignment with theory. Conclusions, limitations, and implications for further research will be carried out in Chapter six.

The results of this research have found that the search for alternative suppliers is determined by the ability of supplier to conform to the criteria relevant for the importer. The lack of satisfaction of these criteria and the attractiveness of other potential can motivate the search for new alternative suppliers. Moreover, the findings of this research indicate that political tensions as well, as sanitary and phytosanitary measures lead to the increased search for alternative suppliers in Russian seafood industry. The consequences of embargo represent a strong example of how non-tariff barriers to trade result in the loss of suppliers and, therefore, the need to find the alternatives.

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1. Introduction

1.1 Background and research question

Political relations have always had a significant impact on trade between countries. According to Pollins (1989), importing countries along with price and quality also consider political aspect of relationship in terms of potential exporting country. Diplomatic and economic relations are inevitably tied to one another, therefore, there is a tendency of decreasing trade flows with the country when there are complications in political relations and, on the contrary, trading more with partners if they have a positive cooperation (Pollins 1989).

In today's world of globalization and technological progress, international trade has become an essential component of foreign political relations. The dependence of trade on political issues has drawn great attention of a number of researchers and scholars. According to Davis et al., state governments can use various means of trade manipulation (Davis, Fuchs & Johnson 2014). First of all, it can make use of such methods as public economic sanctions and trade agreements. For instance, China established an import ban on fish after Norwegian Noble Committee made a decision to give the Peace Prize award to Liu Xiaobo, Chinese activist for human rights. Another way to use trade as a tool in politics is influencing firms' relationship with suppliers. If a government has sufficient influence on the firm decisions, it can also play a role in political conflicts. Therefore, state-owned firms are more susceptible to trade in accordance with state interests (Davis, Fuchs & Johnson 2014).

Over the last 40 years the number of tariff barriers, including taxes and charges in terms of imports has gradually decreased (Hollensen 2014). On the other hand, we have seen another development with potential to impact international trade, mainly the increased use of non-tariff barriers to trade (NTBs). Along with quotas, administrative delays and local-content requirements, the most drastic non-tariff barrier is embargo. Embargo can be defined as 'a complete ban on trade (imports and exports) in one or more products with a particular country' (Hollensen 2014, p.217). Embargoes are introduced mainly to support political agendas of the country.

In 2014, as a result of the Ukrainian conflict, Western countries have adopted a number of economic penalties and sanctions against Russia (Shirov et al 2015). In response, Russia introduced the embargo, that banned the import of agricultural products, raw materials and food from the EU, USA, Canada, Australia and Norway.

According to Shirov et al (2015), sanctions can be defined as non-tariff trade barriers that are aimed at pursuing political objectives by creating complications in financial and economic sector (Shirov et al 2015). In case of Russia, import ban has had an immense influence on both European and Russian economies. One of the countries that have been affected by the embargo introduced by the Russian government is Norway.

Until the introduction of the embargo, Russia was one of the most significant export destinations for Norway in terms of seafood products (Motova & Natale 2015). The main seafood products that were affected by the circumstances were salmon, herring, and trout.

The reduction of Norwegian seafood supplies has deeply affected Russian economy, creating a large void in Russian fish market. In order to refill this void, Russia has implemented a number of measures. Such measures include exploration of alternative market channels, which did not contradict current economic regulations.

In order to compensate the amount of fish previously imported from Norway, Russia has shifted its focus to Chile, Iceland and the Faroe Islands (Motova and Natale 2015). Therefore, Norwegian salmon was substituted by product from Chile and the Faroe Islands, while herring and mackerel were mainly imported from Iceland. Another way to manage the void in fish market was the development of local fish industries. Finally, re-direction of trade has been used in response to food import ban.

As mentioned above, a number of researchers turned their attention to the interconnected nature of political and trade relations. Multiple scholars approached methods and tools that state governments use to implement political agendas via economic penalties and sanctions. Such regulations have an immense impact on local industries, as firms are obligated to adjust to the changing external economic environment. The influence of factors in the business environment on supply chain management was addressed by many researchers (Stern & Reve 1980; Dwyer & Welsh 1985; Achrol & Stern 1988; Tretyak & Sheresheva 2005). The relationship between buyer and supplier is argued to be influenced by changes in the business environment, including the use of non-tariff barriers to trade. Such trade barriers lead to a reduced amount of imports (Haveman and Thursby 1999) and the loss of existing suppliers. Therefore, it can be assumed that the introduction of NTBs can result in the need for importers to search for new alternative suppliers. Moreover, apart from the business environment, the search for new suppliers can be influenced by a number of factors related to

buyer-supplier relationship. A number of researchers paid their attention to the supplier selection criteria considered by importers (Dickson 1966; Verma and Pullman 1998; Ellram 1990; Vonderembse and Tracey 1999), however, there is limited information on how the factors of buyer-supplier relationship (related to the supplier selection criteria) and the factors of business environment influence the search for suppliers. Earlier, it was emphasized that the search for new suppliers can be motivated by factors related to business environment. At the same time, in order to have a thorough understanding of the process of supplier search, it is necessary to consider the factors of buyer-supplier relationship as well. To fill the gap in the literature on supplier search it is necessary to investigate how factors related to suppliers and buyer-supplier cooperation as well, as external factors in the business environment (political factors, NTBs) affect the supplier search among the importers.

Thus, to implement this research, the following research question will be addressed:

- How do factors relating to the buyer-supplier relationship, on one hand, and factors relating to the business environment, on the other hand, influence the search for alternative suppliers?

Given the background information, we concluded that economic sanctions adopted by Western countries, followed by the import ban introduced in Russia have affected several industries, including seafood area. As Norway had been the major Russian partner in fish trade, it would be fascinating to see how Russian companies adjust to current import regulations. Several researchers have studied the consequences of Russian embargo from both Western and Russian perspective. However, there is limited amount of research that investigated how Russian importers compensated the loss of their suppliers due to the embargo. This example seems to be relevant in the context of the research question, as it is expected that Russian importers would have to increase the search for new suppliers to compensate the existing ones and that the choice of available suppliers would be limited.

In order to investigate how Russian seafood importers compensated the loss of suppliers, this thesis will address the following sub-research question:

- How can new alternative suppliers compensate for the loss of suppliers due to non-tariff barriers of trade in Russian seafood industry?

Within this research, I will attempt to give a more detailed insight on existing literature contributed to the impact of political relations on international trade. Furthermore, I will

address existing non-tariff barriers that currently affect Russian seafood market and explore actual solutions of dealing with such barriers. Then I will emphasize the influence of such barriers in the business environment on the cooperation between buyers and suppliers and study how other factors related to buyer-supplier relationship determine the process of supplier search and selection. While focusing on the search for alternative suppliers in Russia, I expect to approach Russian seafood importers in order to find out more information about factors that influence supplier search and solutions that are being used to compensate the void in seafood supply previously fulfilled by Western countries, including Norway. Along with literature review, I intend to conduct in-depth interviews with representatives of Russian seafood companies that previously had cooperation with Norwegian fish firms to get an insight on their experience in developing strategies to deal with introduced regulations back in 2014 as well, as the extent to which such strategies have compensated the loss of existing suppliers in the course of the recent years. The study of the process of supplier search will give an insight into how factors related to companies and buyer-supplier cooperation, on one hand, and factors in business environment, on the other hand, affected the search for suppliers. Hence, the study of this research problem can have theoretical significance in terms of exploring the process of supplier selection and the buyer-supplier relationship. Besides, it will provide the information on how importers compensate non-tariff barriers to trade. Finally, it can contribute to practice by analyzing the exploring of alternative options to compensate limited market access.

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2.0 Theoretical framework

2.1 The impact of political environment on international trade

Political relations between the countries of import and export are taken into consideration in terms of international trade (Pollins 1989). According to Pollins, import decisions are determined by three sources. First, importer can intentionally use economic ties with the exporter as a form of influence. Second, there might exist general foreign policies between importer and exporter. Finally, decisions can be influenced by current state of affairs between the importing and exporting countries, which can be called ‘the climate of friendliness or hostility’ (Pollins 1989, p. 739).

However, import decisions can also be affected by the ‘broad political climate’ between nations, which implies that, even though the amount of trade flows can be largely influenced by the status of diplomatic relations between importer and exporter, it is crucial to take into consideration the bigger picture of political circumstances on a global scale (Pollins 1989, p. 739).

Thus, in order to explain trade behavior, it is necessary to consider not only economic, but also political factors. For instance, importers take into consideration consumers’ perspective, meaning that consumers may choose products from the country that is considered a friendly nation and, therefore, express solidarity. Hence, importers may face management risk if they prefer a seller from adversary nation (Pollins 1989).

Political tensions can have a negative effect on bilateral trade, especially if governments have the ability to influence firms decisions (Davis, Fuchs & Johnson 2014). According to researchers, it is common that instead of introducing formal policies, officials can request firms to limit the trade or change suppliers by addressing them directly. Thus, the extent to which government can exercise its influence on trade depends on its power to affect firm's decisions. For instance, if the firm is owned by the state, the government has the power to make business decisions based on non-commercial intentions. As a result, economic statecraft affects both importers and exporters. ‘The objective is to punish or reward another state for its policy position or attempt to influence its behavior’ (Davis, Fuchs & Johnson 2014, p.13). However, the implementation of economic statecraft can have negative impact on the actors in domestic market. Thus, state-controlled firms are influenced by market competition on a commercial basis, on one hand, and by the state non-commercial considerations, on the other

hand.

In the effort to demonstrate how politics affect trade, Morrow, Siverson and Tabares (1998) reviewed three arguments and analyzed them in the context of trade between major powers from 1907 to 1990. The first argument stated that political conflict between countries reduces the amount of trade flows. The second argument reviewed by researchers stated that democratic countries tend to trade more than other countries. The final argument studied implied that a country is not likely to trade with another country because trade revenues would allow it to gain more military power. The result of research concluded that first two arguments appear to be true, while the last one was not supported. Thus, common political objectives tend to increase trade flows between countries. Furthermore, joint democracy can also be beneficial for international trade. However, according to researchers, security concerns do not significantly affect trade flows between countries.

As mentioned above, one of the main reasons why international trade is affected by political relations is that governments tend to use instruments of trade in order to execute their political influence on a global scale. 'Governments intervene in trade for a combination of political, economic, social, and cultural reasons' (Carpenter & Dunung 2012, p.73). Political reasons include protection of certain jobs and industries that are not to be exposed to foreign consumers (as a measure of national security) as well as status of relations between countries (punishing countries that are considered unfair and rewarding countries for their support). Economic reasons include protection of domestic firms and industries from foreign competition. Governments may also wish to reduce the influence of a certain culture on a domestic market and consequently intervene in trade.

Thus, the knowledge and understanding of political environment are crucial for companies that wish to do business abroad. 'Any company doing business outside its home country should carefully study political culture in the target country and analyze salient issues arising from the political environment' (Keegan & Green 2013, p. 151). While engaging in international trade, a company should consider such factors, as government party's attitude toward sovereignty, political risk, taxes, a threat of equity dilution, and expropriation.

It is true, that political environment plays an important role in international economic relations. The home political environment can put a limit on a number of countries that domestic firms can enter. Furthermore, international cooperation of two countries can be

affected by the third market and so-called 'triple-threat political environment' (Hollensen 2014, p.209). Another area that might cause problems in terms of international trade is the presence of bribery and corruption. The opinions of managers on that matter differ: some of them believe that it is necessary to adjust to methods of competition in the importing country; others argue that the different management approach in home and foreign markets is difficult to implement. Moreover, bribing can have negative impact on moral standards as well as shift focus from important issues, such as production and marketing.

Host-country environment should also be thoroughly considered by companies in order to evaluate possible political risks (Hollensen 2014). The degree of political risk differs in every country. For instance, countries which have stable and consistent political environment tend to have a lower level of political risk. Hollensen (2014) argues that political risk can be divided into three main types: ownership risk, connected with risk to property and life; operating risk which threatens the operations executed by the firm; transfer risk which is considered when the capital is transferred between countries.

According to Keegan and Green (2013), political risk reflects stability or instability of political environment and government policy, which can have a massive effect on company's efficiency and profitability in a foreign market. A company takes into consideration the uncertainty of political environment, before it makes a decision of foreign investment. Therefore, it is extremely important to follow the changes in political climate in the world in order to rationally evaluate the extent of political risk before making investment decisions.

In addition to early mentioned factors, while entering a new market, a country considers factors of supply and demand, as well as exchange rates, and trade restrictions (Thilmany and Barrett 1997). According to researchers, the major political risk associated with entering a foreign market is uncertainty. In the case of exchange rates the risk is possible to manage by firms entering the market. However, when it comes to state regulations, 'regulatory barrier uncertainty remains relatively obscure' (Thilmany & Barrett 1997, p. 102). Hence, regulatory barriers can reduce incentives for foreign companies to enter the market, unless informative regulations increase consumers demand.

Thilmany and Barrett conclude that, despite the internationalization of agricultural markets around the globe, governments still introduce new measures in order to protect domestic producers as well, as enhance product quality and safety. Thus, in the context of global

integration, regulatory barriers and standards play an important role in international trade. Such barriers can affect trade in a similar way as tariff barriers and quotas: the decrease in foreign import affects the supply, which in its turn increases domestic prices and domestic producer's surplus. At the same time, product standards and regulations provide consumers with information about product quality and safety and thus reduce the uncertainty. Therefore, it is more challenging to analyze the effects of standards and regulatory barriers when comparing to tariffs and other traditional non-tariff barriers.

To sum up, it can be concluded, that political environment should be considered as one of the major determinants of international trade. Political tensions decrease the amount of trade flows between countries. In many cases, government has the power to affect trade based on non-commercial considerations in order to either "reward" or "punish" the country in terms of its political attitudes. Governments exercise influence on trade in order to implement political, economic, social, and cultural considerations. By using various instruments of trade governments fulfill their political influence on a global scale. Countries that engage in international trade should take into consideration a number of different factors, including uncertainty and political risk. And finally, it is necessary to take into account political climate of the country that participates in bilateral or multilateral trade, it is also crucial to consider political environment on a global scale and analyze its implications for international trade.

2.2 Instruments of trade

Previously it has been argued that international trade is largely affected by governmental political considerations. But how is such impact implemented? In order to answer this question, it is necessary to review various instruments of trade. Instruments of trade are represented mainly by trade barriers, which include tariff and non-tariff barriers. Trade barriers represent a concept that has been studied by a number of scholars (e.g. Hillman 1978; Ray 1987; Hollensen 2014 and so on).

According to Hollensen (2014), there are two major reasons for countries to introduce tariffs. First, tariffs can be used as a mean to protect domestic producer from foreign competition. Second, tariffs can be used in order to produce government revenue.

Tariff barriers can be defined as 'direct taxes and charges imposed on imports' (Hollensen 2014, p.215). Due to their simplicity and visibility, it is relatively easy for countries to take

them into account while establishing the market strategies. There are three major types of tariffs. A specific tariff is levied in terms of weight and volume. Ad valorem tariff is accounted by percentage of the value of products. Finally, discriminatory tariff refers to charges that apply to goods from a certain country, which can be based on economic or political factors (Hollensen 2014).

Over the last 40 years the amount of tariff barriers has gradually decreased, while the use of non-tariff barriers became more common (Hollensen 2014). The reason why such a change took place is due to the enforcements of GATT agreement, which substantially restricted the number of tariffs used by governments (Yu 2000). However, governments still require certain measures that would allow them to protect domestic producers from foreign competitors.

The increased use of non-tariff barriers nowadays can be explained by the state's intention to protect domestic industries that are sensitive towards import. Ray (1987) outlines a number of factors that have influenced the rise of non-tariff barriers to trade. First, the implementation of tariff barriers is largely influenced by the government's need for revenues. For instance, developing countries tend to use tariff revenues as a way of state funding, while industrialized nations do not have the need to use tariff barriers as a source of income. Second, unlike tariff barriers, the effect of non-tariff barriers is more complicated to quantify, thus, they were not reduced by the same amount as tariffs as a result of GATT. Furthermore, non-tariff barriers can be a more productive way of gaining government protection for special interest groups comparing with tariff barriers. Non-tariff barriers represent a more efficient choice in terms of firm coalition, as it allows its participants to face less foreign competition, to avoid the economic rent that would have to be paid in case of tariff, as well, as to reduce the chance of free-riders, firms that 'benefits from the collective effort of the other producers without bearing any of the costs' (Ray 1987, p. 305).

As the quantity of non-tariff barriers is unknown, they can have unpredictable consequences for the country. Non-tariff barriers include quotas, administrative delays, local content requirements and embargoes (Hollensen 2014).

One of the most common forms of non-tariff barriers is an import *quota*. 'An import quota is a direct restriction on the quantity of some good that may be imported' (Krugman & Obstfeld 2014, p.235). When quotas are implemented, government mainly issues licenses that are addressed to a specific group of individuals or firms, who can import goods into the country.

The inevitable consequence of introducing quota is an increase in domestic price of the imported good, as limits on import lead to the extensive demand that cannot be met by the supply. Thus, the price will increase to the same extent as with introduction of a tariff. The main difference between the above is that quota does not constitute a source of state revenue.

Another non-tariff barrier that is implemented by governments is a *local content requirement*. Local content requirement implies that a certain fraction of production process is to be carried out domestically. The consequences of this type of non-tariff barrier differ. Producers of parts in the domestic market are protected in the same way as with quotas. However, local content requirement does not restrain imports for the firms that are local buyers, as they can increase the amount of domestic goods purchased as well (Hollensen 2014).

Administrative delays can be defined as an instrument that slows down the flow of imports into a country. This form of non-tariff barriers is mainly implemented to create obstacles for importers in order to protect domestic firms (Hollensen 2014). According to Regibeau and Rockett (2006), administrative delays represent a less efficient tool for increasing national welfare comparing with tariffs. The common characteristic between tariffs and administrative delays is that both instruments result in delayed market entry of a foreign product on the market and allows domestic product to enter first. Nevertheless, due to the fact that tariffs represent a more efficient instrument of trade, a country would prefer to use tariff rather than administrative delay. However, administrative delays are more beneficial to foreign country's welfare (Regibeau & Rockett 2006).

Embargo is "a complete ban on trade (imports and exports) in one or more products with a particular country" (Hollensen 2014, p. 217). Being the most limiting of non-tariff barriers, embargo is usually implemented in order to reach certain political objective. It is true, that the restrictive nature of embargo prevents countries from using it very commonly nowadays.

As mentioned earlier, trade barriers, including tariff and non-tariff barriers have been studied by multiple scholars. Hillman (1978) defines non-tariff barriers as a governmental policy and practice aimed at limiting the entry of imports and the exit of exports. Non-tariff barriers can be divided into several categories: 1) measures aimed at reducing imports; 2) measures aimed at encouraging domestic producers to substitute imported goods; 3) measures that are implemented in order to directly assist exporters.

The extent of non-tariff barriers depends on the amount of power government possesses over

domestic commerce. As a result, non-tariff barriers can create uncertainty in the context of legal and administrative procedures and prevent international producers to enter the market. Political and administrative uncertainty tends to be more challenging and obscure than economic uncertainty, for instance.

One of the non-tariff barriers that can contribute to such uncertainty is dormant and temporarily unenforced legislation and regulations. Regulations of this type create more problems than existing barriers, as their reinforcement may take place rather suddenly without giving producers an opportunity to readjust to new conditions.

Hillman argues that non-tariff barriers cannot be perceived as negative. The researcher believes that a number of laws and regulations are aimed at facilitating trade and are in fact necessary in order to implement trade globally. "There is a whole range of national statutes and regulations designed not only in the public interest of particular nations but also in the interest of the world" (Hillman 1978, p. 494). For instance, the regulations that control the quality of food and safety. However, in some cases, it is rather hard to identify genuine quality concerns from protectionism.

Another point emphasized by Hillman is the effect of non-tariff barriers on the welfare. Unlike tariff barriers that result in an increase of gains for domestic country at the expense of other countries in the world, certain non-tariff instruments lead to the rest of the world gains in income (Hillman 1978).

While reviewing instruments of trade that are used by governments nowadays, it is necessary to emphasize the increasing importance of Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBTs).

Hooker and Caswell identify TBTs and SPS as administrative barriers to trade, that are established by governments in order to correct market imperfections and failures (Hooker & Caswell 1999). TBTs and SPS can have various implications for trade, mainly resulting in impact on trade flows and welfare.

Maskus, Wilson and Otsuki (2001) emphasize that among traditionally used non-tariff barriers to trade, the importance of technical regulations in terms of impeding the trade has increased nowadays. According to researchers, 'domestic regulation affecting imports through technical requirements, testing, certification, and labeling represent one of the most important new areas of focus in continuing liberalization efforts' (Maskus, Wilson, Otsuki 2001, p. 3).

Hence, technical regulations have an impact on trade, as they influence the ability of producer to enter the international market and influence consumer costs.

Thus, TBTs and SPS can be used by governments not only to protect consumers but also to affect international trade for a specific purpose, for instance for the sake of protecting domestic producers. But which form do such barriers take? In order to have a deeper understanding of the concepts of TBTs and SPS, it would be beneficial to discuss how such barriers are implemented.

‘TBTs include sanitary and phytosanitary regulatory measures related to food safety and animal and plant health; food standards of definition, measurement, and quality; and environmental or natural resource conservation measures’ (Calvin & Krissoff 1998, p.351). Technical barriers do not contribute to state’s revenue, however, they can lead to economic gains for domestic producers as, for instance, tariffs. Technical barriers can benefit the national social welfare. However, if technical barriers are developed with the only purpose of protecting domestic producers from foreign competitors, the effects for consumers and producers are different. In this case, it would be more beneficial for consumers to function without an artificial barrier. Eliminating such barrier would attract more foreign competitors and, thus, change the supply curve, so the producers in an industry would be likely to reduce their costs, which would provide a bigger producer surplus (Calvin & Krissov 1998).

According to Thilmany and Barrett (1997) technical barriers to trade are implemented in order to protect domestic producers or increase consumer welfare. The important question is how such barriers influence prices, output, welfare and trade? Thilmany and Barrett define technical barriers as barriers that are linked to the attributes of the product. Technical barriers can be divided into product standards and regulations. Regulatory barriers are established by governments often with the purpose of protection of domestic producers. Unlike tariffs and other non-tariff barriers, regulatory barriers provide consumers with indication of decent product quality and, thus, can lead to an increase in the demand and consumers’ welfare. Nevertheless, the effects on welfare depend on the initial purpose of regulations. If regulatory barriers were developed to provide consumers with information about product quality safety (informative barriers), social welfare increases, but if such regulations were introduced to protect domestic produces (uninformative barriers), they have a negative effect on social welfare. Both informative and uninformative regulatory barriers lead to an increase in prices.

In case of uninformative barriers, prices increase, but as they do not provide information about quality and safety, the volume of trade decreases. On the other hand, when informative barriers are introduced, the price increases, but so does demand and trade volumes. As for producer surplus, it increases when both types of regulations are introduced. Evidently, informative regulative barriers stimulate demand and, therefore, are more preferable, but both informative and uninformative barriers are more beneficial for producers than free trade.

Thilmany and Barrett believe that regulatory barriers can be threatening for a number of reasons. First, such technical barriers are less scrutinized and therefore are more tempting to be used as a source of protection granted by the government to certain interest groups that are threatened by foreign competition. Second, regulatory barriers create opportunities for corruption. Furthermore, the effects of regulatory barriers are complicated to measure, comparing to tariffs, for instance. Regulatory barriers can represent a result of changes in political environment as they lead to uncertainty for exporters. Finally, regulatory barriers increase transaction costs and, therefore, create almost the same effect as trade costs. Thus, they can have negative implications for trade.

On the other hand, regulatory barriers have several positive implications. First, such barriers intend to ensure food safety, which has potential to increase the demand. Second, regulatory barriers give domestic producers an opportunity to differentiate products and increase product variety in the areas that are not invaded by foreign competitors (Thilmany and Barrett 1997).

Although the number of tariffs has significantly decreased in the recent years, the amount of SPS measures is rapidly increasing. Therefore, it is possible that in some cases countries introduce SPS measures in order for them to implement the function of tariffs and protect domestic producers (Forsythe & Lynch 1992).

Sanitary and phytosanitary measures are aimed at controlling the quality of products of animal and plant origin in order to protect consumers' health (Forsythe & Lynch 1992). Every nation is entitled to introduce SPS to ensure the security of food supply in the country. In the context of international trade, SPS can represent a challenge, if there are big differences in SPS systems between the countries. In general, countries tend to develop sanitary and phytosanitary measures and standards according to domestic needs, rather than import requirements. Furthermore, SPS have a more transdisciplinary nature than tariff barriers, as they consider biological, chemical and other concepts.

Sanitary and Phytosanitary measures and Technical Barriers to Trade have special implications for international agricultural trade (Disdier, Fontagné & Mimouni 2008). On one hand, SPS and TBTs can indicate goods' safety, which is beneficial for the consumers. On the other hand, it depends on the nature of SPS and TBTs. For instance, if the introduction of such measures and barriers have a protectionist character, it can have a certain impact on trade. Disdier et al argue that if the exporting countries are able to meet the requirements of local SPS and TBTs, then such measures do not impede trade. Nevertheless, it remains challenging for developing countries to export globally in the context of SPS and TBTs, therefore it is necessary to assist them in improvement, so that they can acquire the certain level of safety.

After all, it can be concluded that nowadays governments use a number of various instruments of trade, each of which has drawn attention of different researchers. First of all, it is necessary to mention tariff and non-tariff barriers. The use of tariffs has gradually decreased in the last 40 years due to the global incentive (for example, GATT) to reduce tariff barriers on a global scale. Nevertheless, governments still find ways to enhance their intentions by using other barriers, for instance, non-tariff barriers, such as quotas, administrative delays, local content requirements and embargoes. They are used to a large extent with the purpose to protect domestic producers from foreign competition. Other barriers to be mentioned in this context are Sanitary and Phytosanitary measures and Technical Barriers to Trade. The number of TBTs and SPS has increased in the recent years. It can be explained by their initial purpose – to ensure product quality and safety and to reduce consumers' uncertainty about the products, as well as to replace the function of tariffs and, thus, assist to domestic protectionism.

2.3 Supply chain management

Global interdependence between politics and international trade involves an increased use of trade barriers as an instrument of trade. Earlier in the paper I studied different types of trade barriers, their purposes and their effects on trade and domestic, as well as international economic environment. However, in order to explore the effects of trade instruments on domestic economy, it is necessary to turn attention to the concept of supply chain management. The purpose of this research is to investigate how factors relating to the buyer-

supplier relationship and factors relating to the business environment influence alternative new suppliers. Hence, in the context of the paper it is crucial to study supply chain management, emphasizing the supplier selection process, as it will allow to identify what factors influence the supplier search.

First of all, in order to start to explore the concept of supply chain management, it is necessary to define what it represents. Different researchers suggest various definitions of supply chain management. For instance, Jespersen and Skjott-Larsen (2005) define it as «the management of relations and integrated business processes across the supply chain that produces products, services and information that add value for the end customer» (Jespersen & Skjott-Larsen 2005, p. 12). According to researchers, one of the main components that constitutes SCM is business processes which take place within the supply chain. Such processes can include ordering, customer service, distribution, product development and supply (Jespersen & Skjott-Larsen 2005).

Harrison and van Hoek (2008) suggest a similar definition of SCM: ‘planning and controlling of all the business processes – from end-customer to raw material suppliers – that link together partners in a supply chain in order to serve the needs of the end customer’ (Harrison and van Hoek 2008, p. 7).

According to Waters (2003), activities and organizations that allow materials to get from initial suppliers to final customers constitute a supply chain. Such activities can be divided into upstream and downstream activities, which move materials inwards and outwards respectively. Supply chains are created to fill the gaps between suppliers and customers. Apart from compensating geographical distance, benefits of supply chains can also include possibilities of economies of scale, a more various range of goods, reduced delivery time, reduced delivery costs and so on. Thus, supply chain management is crucial to control the flow of materials within the supply chain (Waters 2003).

SCM becomes more challenging in the context of internationalization. The risks associated with international logistics include geopolitical threats and transportation breakdowns (Harrison & van Hoek 2008). For instance, extensive governmental screening measures, as well, as transport barriers can create a number of issues in international SCM.

The choice of distribution channels represents one of the crucial aspects within international SCM and is identified as one of the essential challenges that the firm faces while exporting its

products to international markets (Hollensen 2014). A distribution channel can be defined as a link that is connecting producers and customers. There are several factors that determine the choice of certain distribution channels. First, it is important to consider customers' features. Second, the product itself has a great impact on its distribution. Such characteristics as its durability, transportation costs and unit cost can significantly affect distribution decisions. Another factor influencing distribution is the demand for particular product and geographical location of the country where the product is to be distributed. It is also necessary to be aware of existing competitors in the market and consider it while choosing channel of distribution in order to create competitive advantage. Finally, legal environment of the importing country, along with local business practices have a great impact on distribution channels (Hollensen 2014). Due to a great number of factors influencing the choice of a distribution channel, it is common that distribution strategies alter over time (Guo and Heese 2016). A firm might choose a certain distribution channel, but later, based on experience, change the structure of it completely.

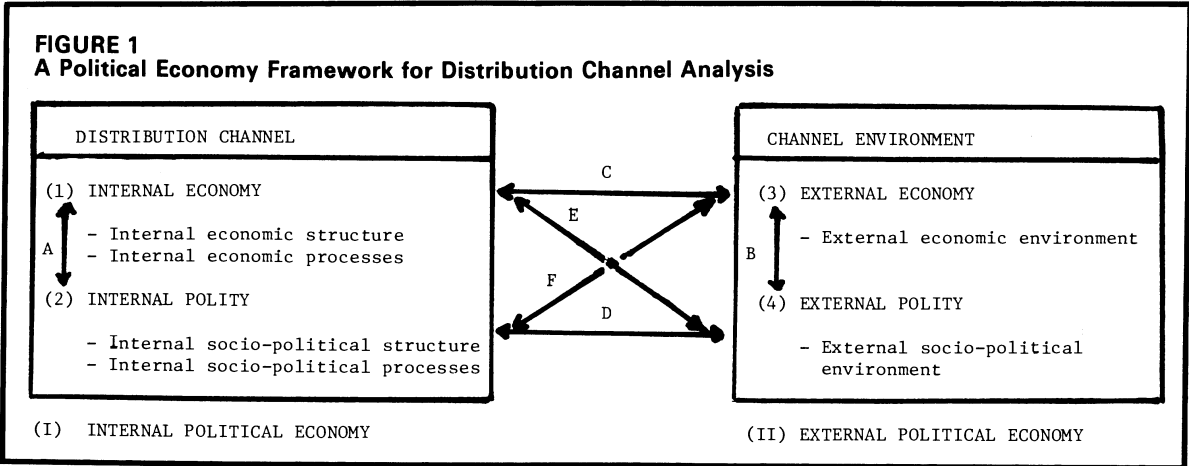
The choice of a distribution channel can be greatly affected by marketing logistics. Marketing logistics has a great significance in providing customer satisfaction and managing company costs (Kotler & Armstrong 2010). It carries out such functions, as warehousing, inventory management, transportation and, finally, logistics information management. There are multiple reasons for logistics' importance. One of the reasons is that efficient logistics allow to develop a strong competitive advantage in the market. Furthermore, it can reduce costs for firms and its customers. Efficient logistics is also necessary considering an increased product diversity, as well, as progress in information technologies.

Stern and Reve study distribution channels in the context of political economy, focusing on their interdependence with economic and sociopolitical factors (Stern & Reve 1980). The researchers recognize the existence of two essential systems, which are represented by internal political economy and external political economy, each of which, furthermore, consist of an economy and a polity.

Within its internal political economy, a channel is determined by its internal economy and internal polity. Internal economy reflects the internal economic structure of the channel which serves as a mechanism that connects the members of the channel. Moreover, it includes internal economic processes that define how trade is carried out between the channel

members. This internal economy, considers how distribution channels implement their economic purpose – connecting the gap between production and consumption. Internal polity, in its turn, represents the sociopolitical structure and processes that exist within the market channel. While analyzing internal polity of the market channel, it is important to consider power-dependence relations that are developed among the members of the channel and, furthermore, sentiments among the members that are prevalent in the channel. According to Stern and Reve, it is crucial to integrate economic and sociopolitical contexts in the studying of market channels, as it will give an opportunity to have a deeper understanding of market channels and also to have a decent analysis of how the distribution system is organized and how it operates.

External political economy takes into consideration economic and sociopolitical environment that surround the distribution channel. External economy considers the structure of vertical and horizontal markets. External polity reflects how the power resources are spread and used among the external actors. Thus, external political economy determines economic and sociopolitical conditions that the channel faces (Stern & Reve 1980).



Stern, L & Reve, T 1980, 'Distribution Channels as Political Economies: A Framework for Comparative Analysis'

Therefore, a marketing channel is determined by its internal and external political economy. Economic and sociopolitical environment, thus, play an important role in structure and functioning of distribution channel.

A number of researchers emphasize the importance of external factors in terms of influence on SCM (Tretyak & Sheresheva 2005; Achrol & Stern 1988; Dwyer and Welsh 1985; Belaya

and Hanf 2014).

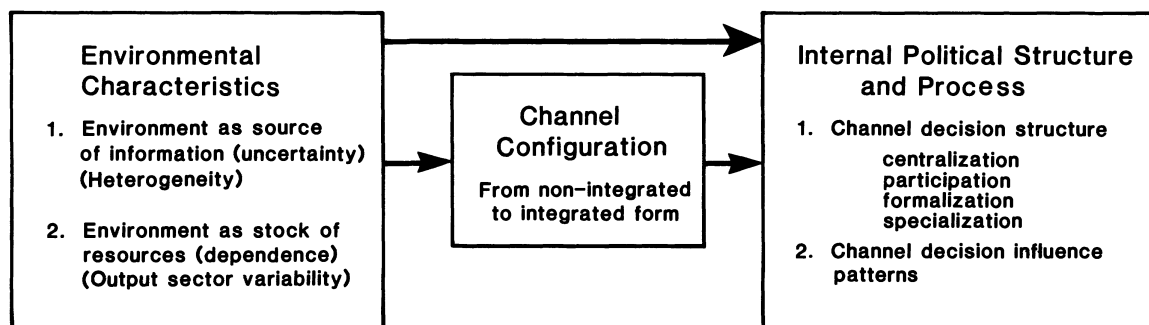
In the context of Russian market as part of international trade, foreign companies, as well, as domestic companies adjust their supply chains in order to sustain a strong position in the market (Tretyak & Sheresheva 2005). Tretyak and Sheresheva viewing retail chains in Russia and how they function in the presence of foreign retailers conclude that Russian retailers are faced with increasing foreign competition that is accompanied by modern practices, including efficient logistics system, which leads to changes in Russian supplier-retailer relationships, for instance, development in IT and logistics. Even though the durability of relationships between suppliers and retailers is becoming an important consideration, Tretyak and Sheresheva point out, that Russian supplier-retailer relationship faces certain challenges. For instance, there is a challenge connected to the flow of information: lack of trust and lack of professionalism lead to distrust towards the information between suppliers and retailers. Furthermore, there is a problem connected with fair dealing between retailers and suppliers.

Achrol and Stern (1988) support the idea of the significant impact of the external environment on decision-making processes in marketing channels. Constantly changing market conditions, fierce international competition as well, as innovations encourage marketing channels to be more flexible and adjustable. The researchers recognize the need for developing concepts that would connect the important processes in external environment to essential processes within the marketing channels. The degree of uncertainty is an important factor which reflects the impact that events in the external environment have on the members of the marketing channel. According to researchers, there are several factors of the environment that influence the decision-making uncertainty in a marketing channel: consumer diversity, dynamism, concentration and capacity. Therefore, broader diversity among consumers, dynamic environment of the market increases the decision-making uncertainty. Furthermore, the results of the research showed that a greater capacity of available resources reduces uncertainty in decision-making processes (Achrol & Stern 1988).

Evidently, the impact of external environment on marketing channels is emphasized by a number of researchers. According to Dwyer and Welsh (1985), the structure and activities of marketing channels are largely affected by external environment. Studying the influence that environment has on economic complexity and political structure of the channel, researchers support the idea that environment can be perceived as ‘a stock of resources’ and ‘a source of

information' (as cited in Aldrich & Mindlin 1978). Dwyer and Welsh focused on the concepts of heterogeneity and variability in output. They point out that unlike homogenous channel environment, heterogeneous environments are associated with a higher level of uncertainty, which leads to a more complex, decentralized structure of the channel. Researchers also studied how variability in output affects the structure of the marketing channel and concluded that vertical integration dominates in the context of intense competition and limitedness of resources (Dwyer and Welsh 1985).

Figure 1
PROPOSED MODEL OF ENVIRONMENTAL IMPACT ON CHANNEL STRUCTURE AND PROCESS



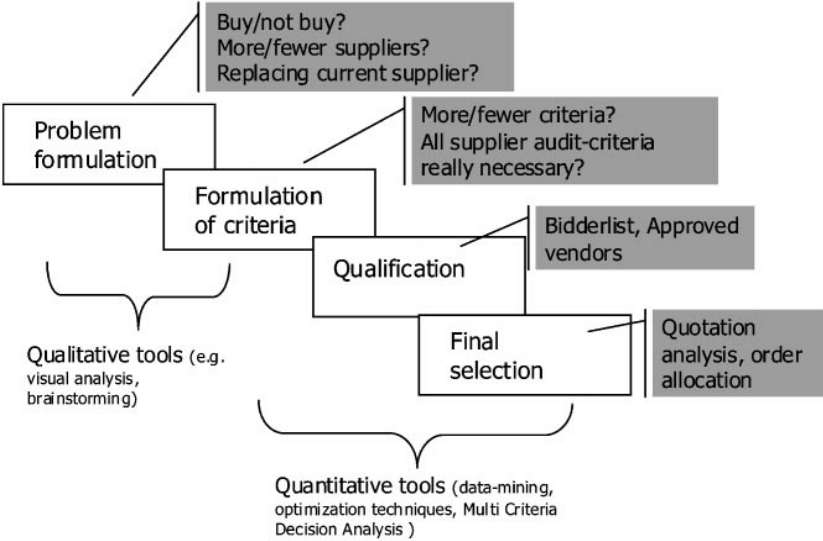
Dwyer, FR & Welsh MA 1985, 'Environmental Relationships of the Internal Political Economy of Marketing Channels'.

The characteristics of external environment represent a great importance for exporters that are willing to enter a foreign market. Belaya and Hanf (2014) study how international and Russian supply chains operate in the presence of one and the other, focusing more on the influence of power and conflict. International companies that enter Russian market should develop their distribution channels, which usually implies using their SCM practices that had positive results in their domestic markets. However, at the same time they are faced with Russian suppliers that have a strong position in the market. The researchers argue that Russia can be characterized by the power asymmetrical nature of supply chain networks, which can lead to conflicts. Therefore, it is necessary to consider how different types of power can be associated with conflict resolutions. The researchers concluded that noncoercive types of power (expert, informational, referent) benefit conflict resolution. Thus, the positive impact of power is associated with finding solutions to organizational problems and regulating conflicts, which in its turn leads to a more efficient performance of supply chain network.

All in all, based on the theories mentioned above, it can be concluded that the factors of

external environment play an important role in SCM and, therefore, should be taken into account during supplier selection process. As the purpose of this research is investigating the influence of factors related to buyer-supplier relationship as well, as factors of business environment on the search for alternative suppliers, it is necessary to emphasize the process of supplier selection and the criteria relevant for the choice of suppliers.

The supplier selection process represents a crucial aspect of purchasing decisions. De Boer et al. (2001) outline four different phases that constitute the process of supplier selection: 1) recognizing of what buyers wish to achieve by supplier selection; 2) definition of relevant criteria; 3) pre-qualifying appropriate suppliers; 4) making decision on the final choice.



De Boer et al. (2001)

De Boer et al. argue that a great attention has been paid to the final stage of the process – the final selection, however, the researchers emphasize the importance of first stages leading to the final choice. For instance, during the stage of problem definition, importers acknowledge the need for an alternative supplier and recognize the available alternatives. Then, buyers formulate the criteria based on their experience and historical data. According to selected criteria the suitable suppliers are identified and, finally, the choice should be made. Hence, the phases that precede the final choice of supplier have a large influence on the entire supplier selection process, as “the quality of the choice phase is largely dependent on the quality of the steps prior to that phase” (De Boer et al 2001, p. 86). At the same time, the researchers argue

that situational factors hold a great significance in supplier selection. Such factors include the number of suppliers available, the degree and nature of uncertainty and the extent to which the purchase or supplier relationship is important to the buyer.

Based on this theoretical perspective, it can be concluded that the search for alternative suppliers is defined by the supplier selection criteria. Therefore, in order to understand what factors influence the search for suppliers, it is crucial to focus on criteria relevant for supplier selection.

The choice of supplier can be associated with a number of various criteria. Dickson (1966) emphasizes such vendor selection criteria, as quality, on-time delivery and performance history, considering them critical factors in the choice of supplier. Minner (2003) follows the same criteria, arguing that the main criteria for supplier selection are prices, including net prices, discounts, payment conditions, quality of the product and supplier service, including delivery time, lead time variability, reliability, flexibility.

Vonderembse and Tracey (1999) also emphasize the importance of supplier selection criteria by arguing that in order to improve performance, it is necessary for managers to consider a number of supplier selection attributes, for instance, product quality, product performance and delivery reliability. 'When it is clear to suppliers that they are judged on well-defined criteria, their attention to detail and their level of effort are likely to increase substantially, and this can lead to enhanced performance' (Vonderembse & Tracey 1999, p. 38). Furthermore, the researchers believe that supplier involvement in partnerships has a positive impact on supplier performance.

While acknowledging the importance of criteria emphasized by the traditional approach, Ellram (1990) believes that, in case buyers and suppliers are involved in strategic partnerships, the supplier selection process is associated with additional criteria to be considered. Such criteria include 4 categories: financial issues, organizational culture and strategy, technology issues and other factors. Economic performance and stability are viewed as important financial criteria in supplier selection process. 'Both the buying and the selling firm are looking for partners that are viable, ongoing concerns, that will contribute to the relationship both today and in the future' (Ellram 1990, p. 12). The next category is associated with a number of intangible factors. The feeling of trust is associated with an intuitional feeling about the partnership and work with a supplier. Other factors in the

organizational category are management attitude/outlook for the future and strategic fit, which are considered in order to ensure that there is consistency between buyers and suppliers in strategy as well, as in the future course of development. Top management compatibility and the nature of supplier's organizational structure are also considered important in terms of partnership between buyers and suppliers. The third category of criteria is identified as technological capabilities of a supplier, which include its current manufacturing capabilities and its technological potential. Finally, other factors include such relevant criteria, as supplier's safety record, business references and supplier's customer base. According to the researcher, safety record is an important factor that can indicate the safety of operations exercised by supplier and affect the reputation of buyer in the future. Business references are associated with the reliability of supplier based on its previous experience. Finally, supplier's customer base is taken into consideration, as it is beneficial if a buyer is considered significant by a supplier (Ellram 1990).

At the same time, Verma and Pullman (1998) state that supplier selection theory focuses on conceptual and empirical work as well, as decision support methods for purchasing managers. Nevertheless, the researchers point out the difference between the perceived importance of supplier selection criteria and the actual choice of suppliers. Among such relevant attributes, as quality, cost, delivery lead time, on-time delivery and flexibility, quality was perceived by managers as the most important. Nevertheless, during the actual choice of a supplier, cost and on-time delivery have a greater importance for managers than quality (Verma & Pullman 1998).

Although the influence of supplier selection criteria is important to consider within this research, the decision to search for suppliers can also be determined by company's focus on single or multiple sourcing. According to Minner (2003), there is a tendency among companies to reduce supplier base in order to develop long-term relationship and benefit from economies of scale and quality improvements as well, as more attractive contract terms. At the same time, it is argued that due to a number of risks associated with single sourcing (political instability, capacity limitations, exchange rate volatility, supply disruptions, etc.), purchasing managers rely on multiple suppliers to diversify the risks (Minner 2003).

To sum up, SCM can be identified as a combination of processes that coordinate the materials from supplier to consumer. It can be concluded, that SCM is considered more beneficial than

traditional channel management. While discussing SCM, it is essential to point out, that the choice of distribution channel plays an important role, especially in the context of international trade. The structure and the functioning of marketing channels are determined by a number of factors, which include internal business factors and external environment. Therefore, it is crucial to consider the economic and sociopolitical environment, while making decisions within supplier selection. In order to succeed in the context of international competition, it is important to adjust supply chains to the external conditions and consider multiple actors in the market. At the same time, it is essential to take into account supplier selection criteria that play a significant role in the supplier selection process and have implications for the supplier search. Such factors include product quality, product and delivery performance as well as financial issues, organizational culture and strategy, technology issues and other factors.

2.4 Non-tariff barriers to trade in Russia

Earlier in this chapter it was argued that non-tariff barriers to trade play a significant role as factors related to the business environment. As this research is focused on the context of Russian importers in the seafood industry, it is crucial to study how non-tariff barriers are implemented in Russia, emphasizing the influence of embargo, TBTs and SPS on trade.

2.4.1 Embargo

In 2014 the EU introduced economic sanctions and penalties in response to the annexation of Crimea by Russia. In August 2014 the EU sanctions were followed by Russian counter-sanctions, the food embargo which banned agricultural products and raw materials from being imported into Russia from the countries that imposed economic sanctions towards Russia (Official Internet Resources of the President of Russia).

The executive order 'On Special Economic Measures to Protect the Russian Federation's Security' stated that Russian authorities would cooperate with producers, retailers and organizations to expand supply of domestic goods in order to ensure that the prices on the banned produce would not increase.

According to Rutland (2014) in the context of economic penalties, sanctions and counter-sanctions, Russian population was mostly affected by the import ban, which led to the lack of

products of brands that were included in the counter-sanctions as well, as the increasing prices on food which reached 13% by the end of 2014 (citation: Karina Romanova, “Tseny rastut” (Prices are rising) gazeta.ru, December 13, 2014.)

Increased prices on food caused by the counter-sanctions as well, as inflation in Russia had a negative effect on the economic situation of the population (Nefedova 2016). Sanctions and devaluation of ruble led to an increased domestic production. Despite the intentions of government authorities to avoid the increase of prices, banned imports together with import substitution lead to the rising prices for Russian consumers. Moreover, in the presence of the import ban on products from the EU, the US and later Turkey and Ukraine, Belarus and Kazakhstan have become ‘channels for banned goods’ (Nefedova 2016, p.302).

However, Wegren (2014) argue that ‘Russia is basically self-sufficient in basic food commodities except for meat, meat products, and milk, which are high-cost commodities’. Moreover, the researchers state that the development of Russian food industry in the last two decades resulted in domestic production of perceived ‘import products’. Therefore, the food embargo eliminates certain foreign food alternatives and, thus, turns the attention of the consumers towards domestic producers, which will have a positive effect on domestic brands.

According to Wegren, import ban of 2014 can also be characterized by the increasing government support of domestic agricultural production. In order to help Russian agricultural producers in the presence of embargo, the government has risen the financial support for agricultural production by 87 billion rubles. Thus, Russian government started to develop a new strategy to put an end to the dependence of the country on imports. In addition to an increased financial support mentioned above, the researchers mention the support of the bank VTB as well, as Russian agricultural bank (Rossel’khozbank). The latter ensured ‘adequate capital reserves and sufficient funds for lending to food producers’ (Wegren 2014, p. 9). Hence, Russian government intended to implement import substitution by developing domestic production.

The important question in the context of Russian embargo is if domestic agricultural production could replace all of the previous imported products from banned countries.

‘Consumer products most affected by the food ban are high-end edibles that cater to the upper-middle class and above, products such as Norwegian smoked salmon, French, cheese, or Italian processed meats’ (Wegren 2014, p.9). On the other hand, the replacement of ‘basic

food commodities' was not as challenging, given that imports from banned countries were compensated by other countries that were not affected by embargo, such as Argentina and Brazil. For instance, salmon which had previously been imported from Norway, then was replaced by salmon from Chile.

According to Wegren (2014), another adjustment following Russian embargo is the rise of the black market, through which banned products were delivered to Russia via Belarus and Kazakhstan. Thus, by changing the labels and the country of origin in the documentation, exporters could transport small amounts of the banned produce. Therefore, import from banned countries can still take place, but via third-party countries.

2.4.2 SPS and TBTs

It was mentioned earlier that the increased use of SPS and TBTs in the recent years can be explained by both their initial purpose – ensuring the product quality and safety and by replacing the function of tariff barriers – assisting to domestic protectionism. As this research is focused on the context of Russian seafood industry, it is necessary to consider how SPS and TBTs are implemented in Russia and what factors motivate the introduction of such trade barriers.

According to Elvestad and Nilssen (2010), import restrictions on food products are, for the most part, implemented by VPSS, Federal Service for Veterinary and Phytosanitary Surveillance (Rossel'khoznadzor). As VPSS represents an institution regulating trade in foodstuffs and plants, it can be considered an essential instrument of trade used by the Russian government in international trade. 'The situation is that through the establishment of the inspection and control regime based on food safety and quality requirements, the VPSS has succeeded in gaining full control over exporters and importers as well as the economic values involved in food trade' (Elvestad & Nilssen 2010, p. 277). Discussing, the import restrictions on Norwegian seafood, researchers emphasize the lack of transparency and documentation, which leads them to believe that such import restrictions represent non-tariff barriers to trade.

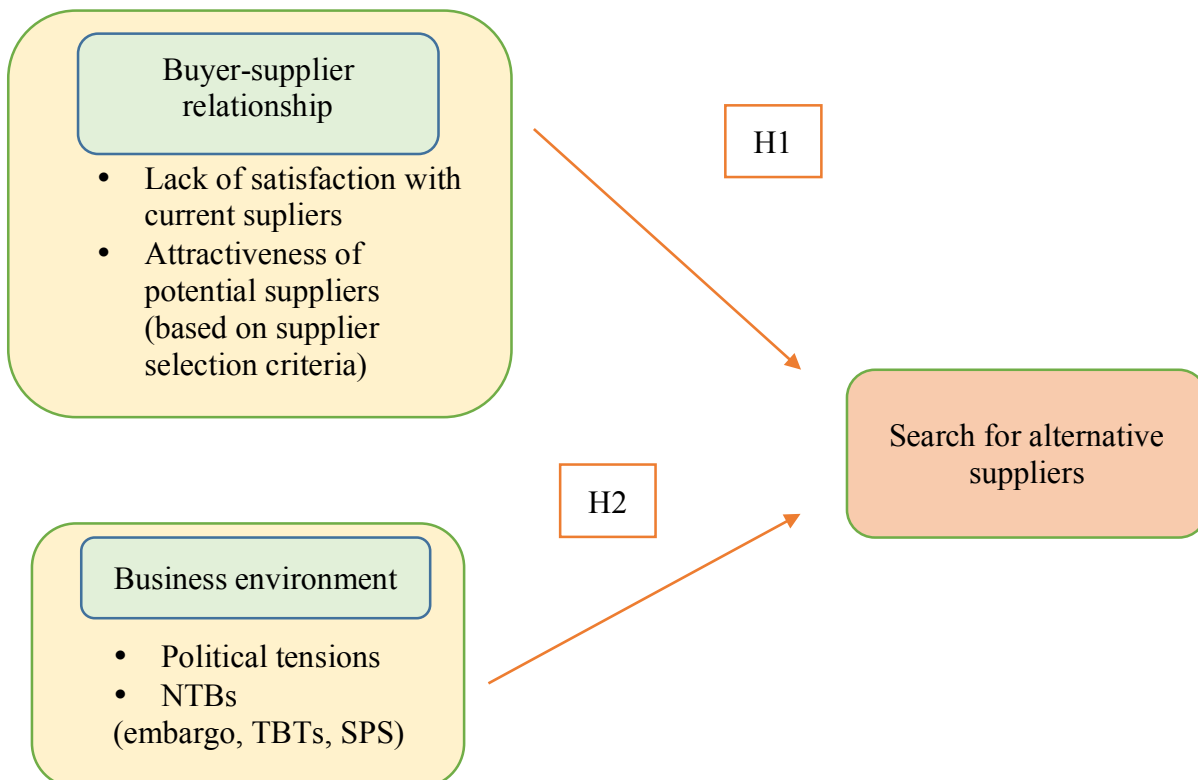
2.5 Proposed research model

This thesis aims at investigating the influence factors of importer-supplier relationship and the factors of business environment on the search for alternative suppliers. Therefore, this study addresses the following research question:

How do factors relating to the buyer-supplier relationship, on the one hand, and factors relating to the business environment, on the other hand, influence the search for alternative suppliers?

Hence, the purpose of this research will be to study how factors that are related to suppliers and buyer-supplier cooperation as well, as external factors in the business environment (political factors, NTBs) affect the supplier search process among importers.

In order to address the research question, I developed the following research model:



The research model includes two hypotheses:

Hypothesis 1: Factors related to buyer-supplier cooperation have an influence on the search for new alternative suppliers.

Hypothesis 2: Factors related to the business environment have an influence on the search for new alternative suppliers.

The theoretical framework in this chapter demonstrated the influence of political factors on international trade, which often takes the form of various instruments of trade, for instance, non-tariff barriers to trade (NTBs). NTBs that are motivated by political considerations have specific implications for buyer-supplier relationship and, therefore, have an important influence on the search of supplier. The embargo introduced by Russia in 2014 represents a particular example of implementing NTBs and affected a great number of actors on a global scale. In the context of this research, it would be of a great interest to examine how NTBs in general and embargo in particular influence the search for new alternative suppliers in Russian seafood market and how Russian importers compensated the consequences of non-tariff barriers. Therefore, in this study the following sub-research question is addressed:

- *How can new alternative suppliers compensate for the loss of suppliers due to non-tariff barriers of trade in Russian seafood industry?*

2.6 Conclusions

In this chapter I have reviewed how political environment affects international trade. It can be concluded that political tensions reduce the amount of trade flows between countries. In today's world of globalization, governments tend to use various instruments of trade in order to implement non-commercial considerations, for instance, political agendas. Countries that participate in international trade are to consider a number of political, economic, social and cultural factors, including uncertainty and political risk. Therefore, political climate has a major importance in the context of international trade.

As mentioned earlier, governments exercise a number of different instrument of trade, including tariff and non-tariff barriers. Over the last 40 years, the use of tariff barriers has decreased, however, governments continue to implement their intentions via other trade barriers, such as quotas, embargoes, SPS and TBTs. Such instruments are often used to protect domestic producers from foreign competition.

In order to study the impact of business-related factors and factors of the business

environment on the search for suppliers, it is important to review the concept of supply chain management. SCM reflects a combination of activities and processes engaged in the flow of materials from supplier towards consumer. The theories reviewed in this chapter represent that the structure and functioning of marketing channels are largely influenced by economic and sociopolitical environment. Therefore, it is important to consider the factors of business environment to ensure that supply chains are able to adjust to external environment. At the same time, it is crucial to take into account factors related to buyer-supplier cooperation, as they have a significant impact on supplier selection.

Based on the theoretical framework, the research question was formulated and the research model including two hypotheses was developed. Next chapter will focus on the research methods that will be used in order to investigate the influence of internal and external business factors on the search for new alternative suppliers.

3.0 Research methodology

The following chapter contains methodological approaches that were implemented in this research. This chapter focuses on analysis carried out in the master thesis, describing the choice of research design, research methods, sampling, data collection, research ethics and validity.

3.1 Research design

The research design represents an important part of this research methodology as it enables us to find an appropriate approach to investigate the research question and reach the purpose of the study. The choice of research design should enable a researcher to get the necessary information to answer the research question while considering the limitations that researcher is faced with (Ghauri & Grønhaug 2002). 'The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible' (Vaus 2001, p.9). The research design is essential in order to collect relevant data for the research and be able to answer the research question. Therefore, it is important to give research design a thorough consideration before starting the process of collecting the evidence.

The research design includes several essential components: the purpose of the research, theory, research questions, methods and sampling strategy (Robson 2002). The research questions are determined by the purpose(s) the researcher attempts to reach and the theory which guides the study and helps to understand the findings. The methods and sampling implemented in the research are defined by the research question.

This research aims at investigating the influence the factors of buyer-supplier relationship and the factors of business environment on the search for suppliers. The influence of this factors is studied in the context of Russian seafood importers. Hence, the exploratory approach was considered appropriate for the research. Exploratory research design is compared with detective's approach to find solution to the problem (Ghauri & Grønhaug 2002). In this case, the research problems can be understood and the information available (the 'suspects') is examined to find the potential causes. Then throughout data collection, the new information is found that enables a researcher to find an answer to the research problem. The exploratory research includes observation, data collection and construction of explanation. Thus, in this research the theories related to factors of buyer-supplier relationship and the factors of

business environment are reviewed in the theoretical framework. Then, when the data is collected, the findings are explained and discussed in alignment with the theory.

The next parts of the chapter will focus on the method and sampling that were carried out in order to explore how factors related to buyer-supplier relationship and the factors related to business environment influence on the search for new alternative suppliers. An important part of the research design is the choice between qualitative and quantitative approach.

3.1.1 Qualitative research

During development of the research design, it was important to decide if qualitative or quantitative approach would be more appropriate for this research. In order to choose which approach would be more suitable, I reviewed the differences between these two approaches, which can be explained by the different perspectives on knowledge and research objectives. Qualitative approach emphasizes the importance of person's experience or behaviour in uncovering and understanding a 'phenomenon about which little is known' (Ghauri & Grønhaug 2002, p. 87). Unlike qualitative approach that focuses on individual's perceptions and experience, quantitative approach is mostly concentrated on group properties and general tendencies, which allows a researcher to link determined patterns and processes to the population (Robson 2002).

In terms of this research, qualitative approach was found to be more appropriate. The objective of this research was to explore how factors of buyer-supplier relationship as well, as factors of business environment influence the search for alternative new suppliers in the context of Russian seafood importers. Since qualitative research focuses on the individuals' perceptions and the natural essence of events that take place in natural settings (Miles, Huberman, Saldana 2014), it was assumed that using this approach will allow us to have a more profound understanding of how the factors mentioned above influence the supplier search among Russian importers. Moreover, the flexibility of data collection was considered beneficial, as it would allow to discover which factors importers considered relevant based on their personal work experience and then adjust the questions in the process of data collection, which would enable us to obtain more detailed and relevant information. Hence, based on the context of this research, it was considered that qualitative approach would be suitable in order to reach the objective of the study.

3.1.2 Research method

In order to investigate how factors related to buyer-supplier relationship and the factors related to business environment influence on the search for new alternative suppliers, I decided to conduct the in-depth interviews. It was important to choose an approach that would allow us to include the questions related to our research topic, but, at the same time, focus on participant's perspective. Therefore, it was assumed that in-depth interviews would be appropriate, as they take a form of the conversation and allow interviewer to include the topics relevant for research and, at the same time, gives interviewee the freedom of expressing and forming the responses (Marshall & Rossman 2006). Another crucial aspect of the research method is the type of interviews implemented. In order to collect relevant data that would allow to investigate the research questions and hypotheses of this study, it was important to maintain a certain structure of the interview and divide it into theme-based blocks that would reflect the research model. At the same time, it was considered necessary to have a freedom to alter questions in the course of data collection and have an ability to probe. Thus, the semistandardized type of interview was selected. A semistandardized interview includes a set of questions and/or topics formulated in a consistent and logical way to be discussed during the interview. At the same time, this type of interview allows deviation, so 'the interviewers are permitted (in fact, expected) to probe far beyond the answers to their prepared and standardized questions' (Berg & Lune 2012, p.112). Therefore, for this research, a semistandardized approach was found more appropriate in order to obtain more detailed information about respondents' experience in the search for supplier. This approach allowed to have a more flexible flow of conversation with respondents and give a room for follow-up questions.

Another important aspect of the chosen research method was the structure of the interview. In this paper, the interview guide included several groups of questions divided according to the topic: 'business related factors', which included 'characteristics of importer-supplier cooperation' and 'factors related to the business environment' subdivided into 'political tensions' and 'TBTs or NTBs' followed by 'background information about the company'. Developing the questions in a consistent, logical way and dividing them into themed groups allows respondents to have a better understanding of them and give accurate answers (Oishi

2013). During the interviews, I also included various transition statements between theme blocks, for example: 'The next questions will be related to the technical barriers to trade'. Transition statements are implemented by interviewers in order to guide the interviewee towards a certain topic and, at the same time, to avoid taking away the respondent's initiative (Berg & Lune 2012).

Along with the structure of the questionnaire, it is important to mention the process of questions' development. While formulating the questions, I tried to follow a number of guidelines developed by Oishi (2003). I used the language that I considered understandable for the respondents. Furthermore, I tried to formulate questions in a neutral manner in order to avoid loaded questions. I also acknowledged that one question should contain one concept, otherwise, it would lead to confusion on behalf of the interviewee. Finally, I tried to formulate questions in a specific way to provide a respondent with sufficient amount of information in order to answer it. According to Oishi (2013), specific formulation allows the interviewer to avoid the 'I don't know' answers. However, during the first interviews I realized that certain questions required more specification, as they were not clear enough for the respondents, therefore, I extended these questions for the rest of the interviews to avoid the misunderstanding.

As mentioned above, the question guide consisted of several topic-based groups of questions. To emphasize how interview guide is associated with the research model, we will briefly discuss each section in particular.

Business-related factors: Characteristics of importer-supplier cooperation

The research question was aimed at investigating how the factors related to the buyer-supplier relationship and factors related to the business environment influence the search for new alternative suppliers. Therefore, in order to investigate the research question, it was crucial to provide the information on how the companies in the industry generally carry out the search for new suppliers. Thus, the first group of questions was introduced to examine the process of searching for a new supplier and the main criteria followed by respondents emphasizing such factors, as quality, price of the product, on time delivery and quality specifications of the product agreed on the purchase. The respondents were also asked what criteria they considered important from their personal experience and how they preferred to cooperate with suppliers.

The next questions of the interview guide were related to the existing suppliers the companies cooperated with. The questions were aimed at investigating how many suppliers the companies currently had and what companies they considered the major suppliers of fish domestically and abroad. The questions were introduced in the interview guide in order to understand the focus of the companies in terms of current suppliers. Later on, the respondents were asked about the balance of imports and domestic supplies and if it shifted in the presence of the non-tariff barriers. Therefore, asking about current suppliers prepared the interviewees for further questions.

The next section of the interview guide was related to the external business environment that referred to the second hypothesis in the research model and included the following sub-sections: 'political tensions' and 'TBTs or NTBs'.

Political tensions

During the first section of the interview, one question about the consideration of political factors during the search of suppliers was introduced. This section of the interview guide was aimed at investigating if respondents believed that political tensions affected their cooperation with existing suppliers and if respondents took into account political relations between the country of a potential supplier and Russia. These questions were developed in order to analyze if/how political tensions can influence the cooperation with existing suppliers as well, as the process of finding prospective suppliers, which reflects the first hypothesis in the research model.

TBTs or NTBs

This section focused on the influence of technical barriers to trade, sanitary and phytosanitary measures and embargo on the search for suppliers.

Technical barriers to trade

In the next group of questions respondents were asked if technical barriers to trade had an influence on the choice of potential suppliers as well, as on the acquisition of suppliers. The interviewees were asked which TBT they considered the most harmful to their trade. This section was introduced in order to examine if the technical barriers to trade in Russia had an impact on the cooperation with suppliers and on the search of new suppliers, which refers to the second hypothesis in the research model.

Embargo of 2014

Based on the theoretical framework, it was concluded that embargo of 2014 represents a quite peculiar example of the non-tariff barrier to trade that had a number of implications for the Russian companies. Furthermore, it has a great significance for this research. Therefore, in my opinion, it required a special attention during the interview. This part of the interview guide addressed the impact of embargo on the company in general, emphasizing its influence on cooperation with existing suppliers. It was important to study how companies dealt with the consequences of embargo, therefore, this section included the questions about the number of suppliers lost and acquired since the embargo was introduced and, moreover, the respondents were asked about the balance of domestic supplies and imports and the possible changes in it.

Sanitary and phytosanitary measures

This section of the interview guide was aimed at investigating if SPS measures had an influence on the cooperation and choice of suppliers. Thus, this group of questions reflects the third hypothesis of the research model. As this section represented the last topic-related part of the interview guide before the basic information about the company and informants, another question was included at the end of the section. In this question respondents were asked to what extent the search for alternative suppliers was a necessary strategy in order for the company to survive. This question was very significant for the research, as it referred to the importance of the search for alternative suppliers, which represents one of the central focuses of this paper. It was also considered beneficial to introduce this question at the final part of the interview, when respondents have already analyzed and elaborated on questions related to the choice of suppliers under the influence of political tensions and non-tariff barriers to trade. Based on that, it was assumed that they could give a more well-weighed answer.

Background information the company

The final group of questions included background information about the company, such as size, years in the market, main products and main suppliers followed by the questions about respondent and the position he or she takes in the company. These questions were considered quite easy for the respondent, therefore, they were placed at the end, as easy-to-answer questions tend to be asked at the end of the interview, considering the fatigue effect that may

occur (Oishi 2003). Furthermore, the pre-test demonstrated that during interviews with Russian business people it is preferable to start with the questions related to the research topic which allows to develop the dynamic of the conversation. Besides, as the interviews took approximately from 45 minutes to one and the half hour, by the end of the interview respondents seemed quite tired and bored with the questions. Hence, it was beneficial to leave easy-to-answer questions about the background of the company and the respondent at the end instead of the beginning.

All in all, the structure of the interview guide is one of the crucial aspects to be considered during the research. Other important parts of the research are sampling and data collection.

3.1.3 Sampling and data collection

Based on the research topic, ten Russian seafood companies were selected for the interviews. The sample included a purposeful selection of companies that represent the main volume of import to the European part of Russia. In order to study how the limited market access caused by the introduction of embargo was compensated by the importers, we chose the companies that used to cooperate with suppliers from EU, Norway, US, Canada and other sanctioned countries before the embargo in 2014. A number of ten companies were chosen for interviews, as this amount was believed to both provide sufficient information to study the research topic and require a manageable amount of time and resources, therefore, considering boundaries and frame (Miles, Huberman, Saldana 2014).

The selection of the companies was followed by the telephone call and conversation with the purchasing or import managers, discussing the topic of the research and the possibility of in-person interviews. However, arranging the interviews turned out to be quite challenging, as a number of companies refused to participate in the research when they were contacted over the phone. Several managers motivated their refusal by the ‘sensitivity’ of the research topic. One of the contacted persons claimed that ‘business loves silence’ and, therefore, refused to take part in the interview process. These reactions of managers can be explained by the low trust Russian people tend to have towards individuals, groups and organizations outside of their personal network and their ‘culturally ingrained resistance to sharing information’ (McCarthy & Puffer 2002, p. 638). Hence, due to a big number of refusals from potential interviewees, it took a great amount of time and effort to do the necessary arrangements and planning. Despite the challenges, ten interviews with seafood importers were arranged and took place in

Moscow and Saint Petersburg in March 2017. The interviews were carried out either in the office of the company or in a public place.

The interviews were conducted in Russian language, as it was assumed that it would be more convenient for the respondents to speak in their first language and, thus, would allow them to fully understand the questions and express their thoughts without the risk of misunderstanding caused by a language barrier. Later on, the interviews were translated into English

Before each interview I did a brief research on the company's website to obtain basic information about the company and their products. Having such knowledge about the company allows to ensure effective social interaction and gain the trust of the interviewee (Easterby-Smith, Thorpe, Lowe 2002). After the interviews were finished, I thanked respondents for their help and answered the questions they had about my research.

3.1.4 Pre-test

In order to check the question guide before conducting the interviews with selected respondents, a pre-test was carried out. The pre-test included fewer questions than the original interview guide and was developed to determine if the questions would be clear and understandable for the respondents. The pre-test was conducted over the phone with managers of the companies in the seafood industry, as they were not available to have an interview in person. After the pre-test was finished, I asked respondents to give me a feedback about the interview questions. The comments were taken into account and some questions were edited.

3.2 Ethical considerations

The importance of research ethics can be represented by the quote of Marshall and Rossman (2006): 'The qualities that make a successful qualitative researcher reveal themselves as an exquisite sensitivity to the ethical issues surrounding any moral act'. Ethical dimensions of the research should be considered throughout the whole research process. The relationship between researcher and participant of the research requires special consideration due to its sensitivity (Ghauri & Grønhaug 2002). Ghauri and Grønhaug emphasize a number of ethical issues that should be taken into account in terms of researcher's relationship with the participant. In this research, such issues were taken into consideration. For instance, the interviewees were assured of anonymity to avoid any risk of participants being harmed. During the data collection, I treated respondents with respect and took into account their specific characteristics in order to make their participation in research more convenient and

secure. Apart from relationship with participant, 'researchers have a moral responsibility to find and explain answers to their research questions honestly and accurately' (Ghauri & Grønhaug 2002, p. 21). Hence, it was also considered important to present the findings and analysis in an objective way and avoid any bias.

3.3 Validity

A number of researchers discussed if the term validity should be regarded in the context of qualitative research, as it had been traditionally associated with quantitative studies (Johnson 1997). According to Golafshani, reliability and validity of qualitative research should be considered as 'trustworthiness, rigor and quality' of the study (Golafshani 2003, p. 604). To ensure the validity of the research, it is crucial to avoid bias and increase the truthfulness of the researcher. In this research I attempted to enhance validity and reliability by ensuring that the data collection and analysis of the findings were not affected by my views and perspectives. In order to avoid bias, the researcher should apply self-reflection that allows to monitor and control potential biases and predispositions. (Johnson 1997).

Among different types of validity, a number of researchers emphasize the importance of internal and external validity. Internal validity reflects 'the extent to which we can infer that a causal relationship exists between two (or more) variables' (Ghauri & Grønhaug 2002, p. 71). Internal validity can be enhanced by implementing data triangulation, which involves the use of multiple data sources in order to have a complete understanding of the phenomenon (Johnson 1997). In this study, within a single method (in-depth interviews) multiple interviews were conducted with different people, from different companies, which was believed to give a better understanding of the influence the studied factors had on the search for new alternative suppliers.

External validity is associated with the possibility of 'generalizing qualitative findings to other populations, settings, and treatment arrangements' (Marshall & Rossman, p. 202). Although generalizability is not the main objective of qualitative studies, Johnson (1997) argues that it is possible to generalize results within qualitative research. However, in this case, the degree of generalizing depends on the similarity between people and circumstances from original study and the ones that the researcher generalizes to. Thus, it can be assumed that the results of this research, which was focused on Russian seafood industry, can be generalized to the companies with similar characteristics in supplier-buyer relationship and with similar factors

of business environment.

Another type of validity is emphasized by Cook and Campbell (1979) stating that the importance of construct validity is addressed when there are risks of 'confounding' meaning that a causal relationship between theoretical constructs can be interpreted differently by other investigators. 'Confounding means that what one investigator interprets as a causal relationship between theoretical constructs labeled A and B, another investigator might interpret as a causal relationship between constructs A and Y or between X and B or even between X and Y' (Cook & Campbell 1979, p. 59). Hence, the researcher should ensure that the constructs are clearly defined and differentiated from other constructs in order to avoid threats to construct validity of the research. In the context of this research, construct validity was considered during the development of research model and the formulation of the interview guide. The questions were formulated in a clear and explicit manner to avoid any ambiguity in understanding of the constructs among the respondents.

4. 0 Empirical Findings

This chapter represents the findings that were collected through the in-depth interviews with the representatives of the seafood industry in Russia.

In order to investigate how factors of buyer-supplier relationship and factors of the business environment influence the search for alternative suppliers, it is necessary to examine the influence of such factors on the process of supplier selection in general. Based on the theoretical framework, we concluded that in terms of business related factors it is necessary to emphasize supplier selection criteria, such as price, quality, and delivery performance. The information on how the search for alternative suppliers is generally carried out, therefore, reflects the first hypothesis of the research model. As for the factors of business environment, it was considered necessary to focus on non-tariff barriers to trade. As NTBs are influenced by political tensions between countries, it is important to consider how political factors result in trade barriers and how these barriers affect the relationship between buyers and suppliers. Furthermore, the literature review emphasized the significance of TBT and SPS measures in international trade. Thus, political tensions, TBTs and SPS measures construct the second hypothesis elaborated in the research model. Hence, it is crucial to structure the findings of the research based on the independent variables of the research model.

4.1 Buyer-supplier relationship

The process of supplier selection is crucial in studying the influence of business related factors on the search for alternative suppliers. In order to investigate how the process of supplier selection is carried out by Russian importers in the seafood industry, the first section of the interview guide addressed the questions related to the supplier search, supplier selection criteria and current suppliers of the companies.

4.1.1 Supplier search

When asked about the system of supplier search, respondents mentioned several sources: internet-based search, feedback from competitors, customs database, food exhibitions and trade representations. However, several respondents emphasized that food exhibitions (e.g. Seafood Expo in Boston and Brussels and Food in Moscow) are not used as a supply search mechanism anymore, but are perceived as a convenient place to network and to discuss the detail of the contracts in person: *‘It is more of a convenient place where you can meet all of*

your suppliers and talk through the things that cannot be discussed over the phone'. Furthermore, in the eyes of the importer, the participation of the company in international exhibitions can indicate its willingness to invest in its development and, therefore, be perceived as reliability: *'If we are at some exhibition and there are 20 or 40 companies from Norway and, for example, zero companies from Indonesia, then I make a conclusion that the system of export in Norway is developed better than in Indonesia. Therefore, I see fewer risks of working in Norway than in Indonesia'*.

Furthermore, respondents pointed out that trade representations can be a valid source of information for the importers if necessary: *'Because trade representation keeps very accurate records of which represented countries are interested in cooperating with Russia, who is working, who is registered, so they have complete information that they usually provide, of course, for the purpose of business development between countries'*.

Personal contacts were mentioned as another possibility of supplier search. According to importers, personal network and company's reputation also play an important role in developing business relationship with suppliers.

Overall, many respondents claimed that the seafood world was rather small, which means that importers and purchasing managers, in particular, know major suppliers of fish in Russia as well, as abroad. It implies that importers can identify which suppliers in the world can provide certain types of seafood. Therefore, when importers stop the cooperation with current suppliers, the search for new alternative suppliers is to a large extent determined by the supplier selection criteria relevant for the company.

4.1.2 Supplier selection criteria

In order to examine the process of supplier selection, respondents were asked to which extent they consider such criteria as quality of the product, price, on-time delivery and quality specifications agreed on the purchase.

Considering the current economic scene in Russia and the weakened purchasing power of consumers, it was argued that price is a crucial criterion when it comes to choosing a supplier. In certain cases, it can even outrank quality. According to respondents, the current scene of Russian economy is considered a result of both embargo as well, as the collapse of the Russian ruble in 2014. Thus, the prices on fish for the end consumer have risen up considerably which has influenced consumers' preferences and, therefore, the evaluation of

the criteria for importers as well: *‘Basically, we have now the Faroe Islands which is the best fish you can get in salmon, it’s the best you can get by far. But you also have salmon from Murmansk, which has probably a worse quality. The price difference between the two of them is very small. The Murmansk salmon is priced just a little bit lower than the Faroe Islands, but they sell really easily. So consumers, they look for a little bit cheaper product. Even though you have the top notch product and you have the low quality product and it’s a small price difference, they pick the cheapest one’.*

At the same time, it was pointed out by several respondents that price and quality were always closely interrelated, which means that a certain balance of price and quality is required. High quality cannot be associated with a low price. So, in the end, the choice towards a better quality or worse quality depends on the preference of the client.

Certain companies indicated that they are more concerned with the quality of the product than with price, as their company represents a premium brand in their field and, hence, their goal is to ensure the best quality possible for their customers: *‘Quality comes first. Because the product can be cheaper somewhere, but it will be one sample upon the purchase – one quality and price, but it will be a totally different quality upon delivery, although the price was cheap in the first place’.* They pointed out that a cheaper product is not a better one. Besides, quality is considered very important among the importers focused on HoReCa segment, which is explained by the preferences of their customers. However, one of the companies mentioned that, due to the introduction of embargo and the financial crisis, they had to concentrate on price considerations more than before: *‘If we imagine that there was no embargo, we would work more on improving the quality. Even if there was a financial crisis, we would try to develop a price balance in order to offer something of decent quality, but cheaper. But in terms of embargo we had to find at least something and it had to be inexpensive, which is always a complicated issue for the importer’.* At the same time, the company stated that quality is still an important factor for supplier search, as they cannot provide their customers with the low-quality product.

As mentioned above, the process of supplier search can be influenced by customers’ preferences in terms of price. In addition to that, the customers can increase the search for new suppliers by asking importers to find a certain product they are interested in. So the importer starts to search for suppliers that can provide this particular product.

Another criteria importers consider within supplier selection is the conformity of quality specifications of the products agreed on the purchase with the specification of the product received. If supplier has intentionally sent the product that had different quality specifications than the ones that had been agreed on upon the purchase, it can lead to changes in the final price of the product and the profit. Therefore, it means that the further cooperation with the supplier would be under consideration.

The on-time delivery is considered rather important. However, the degree of consideration ranges depending on the type of product, for instance, for fresh and frozen fish. However, the question of on-time delivery is a complex issue influenced by various factors such as mode of transportation and risks associated with it. It is necessary to consider how the fish is handled during transportation and do everything possible to avoid risks that can jeopardize the quality of the product upon its arrival to Russia. At the same time, in some cases, the time of delivery can be related to the price. For instance, if the seafood is delivered by trucks, a company can reduce the time of delivery by hiring two drivers, but it would increase their costs and the end price for their clients. Therefore, the time of delivery is somewhat associated with the clients' preferences.

It was found that the product itself and its conformity with the requirements of the importer and the market plays a key role in supplier search. The importers are, therefore, searching for a product that would satisfy their main criteria. If a supplier cannot provide the necessary requirements, it is possible to find the one that will be able to do it. The seafood market also largely depends on geographical factors, which can determine the quality of the product (e.g. in case of emissions), its availability for importer (certain types of seafood can only be found in certain geographical regions) and its dependence on climate changes (e.g. extreme weather conditions, cyclones, monsoon, etc.). Hence, the search for suppliers is influenced by geographical factors.

An interesting finding indicated that for some products the choice of suppliers is really narrow, so even if the importer has issue with the quality of the product, it is very challenging to find an alternative supplier: *'If we only have two or three suppliers from the country, like in case of the Faroe Islands, there was the time when we had an issue with the quality of Marine Harvest. But as we did not have any other alternatives, we couldn't have told them: 'Stop, we will not work with you' even though the quality was not so good sometimes. Because*

otherwise we would be left with almost no fish. Yes, we can buy from two other companies there, but it would be 20% of our needs'. In this case, the lack of satisfaction with current supplier does not lead to the search for a new one.

Apart from supplier selection criteria that were included in the interview guide, respondents have also mentioned such relevant criteria, as the history of cooperation with a supplier, stability of supplies and security.

The history of cooperation is considered important because of the large experience in buyer-supplier relationship, which might indicate that both sides are satisfied with cooperation and, also, because customers often prefer to buy a product that comes from a certain supplier that is familiar to them (e.g. processors of seafood). In this case, the importer is inclined to search for a supplier that they have cooperated with before.

On one hand, stability of supplier can be identified as willingness to work together with the importer in case of any issue or crisis with the product. On the other hand, stability can be referred to supplies as well, implying that a bigger supplier who has a steady flow of product available for the importer on a regular basis will be considered a more preferable option comparing with a smaller supplier that cannot provide product regularly: *'So let's say there is a big supplier that has, I don't know, 5 ships, therefore, he always fishes and always offers something, so he has the fish at all times. If the supplier has one ship, he discharges it and then, for example, he doesn't offer me anything for 6 months, then we will be working with him seasonally and this supplier will be number 2 for me'*. Hence, the ability to provide necessary volumes for the importer is taken into account during supplier search.

Another criterion mentioned by one of the respondents is 'security of supplier'. Security in this case is perceived as reliability. Due to a negative experience with one of the suppliers, the importer believes that it is crucial to be sure that the supplier will fulfill its responsibilities.

Business references also have an influence on supplier search and supplier selection. Positive feedback from competitors or previous partners of a potential supplier indicate supplier's reliability and, thus, can determine the choice of an importer.

Most of importers have noted that they prefer to cooperate directly with supplier in order to save costs as well, as to have the possibility for open communication and discussion. The exception is represented by Asia, where it is very common to work via trade agent.

To sum up, the search for alternative suppliers can be determined by a number of different factors in buyer-supplier relationship. Such factors include the ability to satisfy supplier selection criteria: the ability to provide a certain level of quality, a price that is suitable for an importer, the ability to deliver on time and to provide an importer with the volumes required. Furthermore, the search for suppliers can be influenced by the customers' preferences, for example, their need to buy a certain product from an importer. Geographical factors can also determine the search for alternative suppliers, as they identify the availability of the product and its quality. Finally, the respondents mentioned such relevant factors, as the history of cooperation, stability of supplies, reliability of supplier and business references. Although, the factors of buyer-supplier relationship play an important role in supplier search, it is necessary to acknowledge the influence of business environment. As it was mentioned earlier, such factors, as embargo and financial crisis that limit the choice of suppliers can also have an impact on the extent to which the factors of buyer-supplier relationship are considered (e.g. quality, price). Hence, it is crucial to explore how the interviewees perceive the impact of the business environment on supplier search and selection. It is also necessary to review how new alternative suppliers compensated the loss of existing suppliers due to non-tariff barriers to trade in Russia. The findings will allow us to discuss the results of the interviews and associate them with our hypotheses in the next chapter.

4.2 Business environment

Based on the theoretical framework, it was determined that political factors have a substantial influence on international trade and, thus, can have an impact on the relationship between importers and suppliers. In order to investigate if political tensions influence the cooperation with existing suppliers and supplier selection, the interviewees were asked if political factors influence their decisions regarding suppliers.

4.2.1. Political tensions

It should be noted that the answers related to political factors are characterized by a certain level of inconsistency. Some respondents could give a definite answer regarding the impact of political factors on the cooperation with suppliers. At the same time, certain respondents initially claimed that political factors are not taken into consideration, but then emphasized that they had an influence on their company.

Some of respondents have pointed out that political factors can both restrict the cooperation

with suppliers from certain countries, by introducing non-tariff barriers to trade, but, at the same time, encourage the cooperation by use of various preference treatments: *'For example, in case of Vietnam, now in order to perform customs clearing of the products we pay zero customs duty, so government creates conditions for us, businesses'*. Another similar example is Iran. Several respondents noted that government certified a number of factories in Iran, which encouraged them to start cooperation there: *'For example, last year they certified a new country - Iran, they opened around 45 factories which gave us, importers, an opportunity to cooperate with Iran'*.

On the other hand, non-tariff barriers to trade restrict the cooperation with suppliers. It was mentioned that the introduction of embargo can be explained by the intention to develop domestic supplies and reduce the dependency of Russia on imports: *'I think that the global plans of our government are aimed at teaching us, Russian citizens, to produce our own goods within our country, maybe not so much in terms of fish, but in general, as we were very dependent on imports'*.

Another aspect of the influence of political factors was represented by one respondent who emphasized the bureaucratic influence on business decisions: *'Politics, basically, decide what you do. So if you get, what should I say, someone to tell you, who you should cooperate with, that and that company, most people will do it. It's not that often that we get such messages, but sometimes we do and then you do it. Normally, if you do as they say, you get an easier way in Russia. You get help to do it, you get an easier access to other things, in many ways it's a cooperation. If you cooperate and help the bureaucrats, you get something back when you need it. It goes back and forth all the time'*. As an example, it was mentioned that after the embargo in 2014 the respondent encouraged suppliers from the Faroe Islands to come to Russia and introduced them to bureaucrats, which was necessary at the time in order to be open for Russian importers.

Among political factors, political risk was also mentioned by some respondents. For instance, it was found that the risks and uncertainty were considered when the importer was deciding if the import of products from Iran should take place.

The restricting impact of political tensions on cooperation with suppliers was emphasized mainly by two examples: the Turkish crisis and embargo of 2014.

The Turkish crisis

In order to illustrate how political tensions can reduce the cooperation with suppliers, several respondents introduced the incident of Turkey's downing of the Russian aircraft: *'Because the aircraft fell, we had to turn back 2 of our trucks with fish, as, although, there were no bans, our authorities, in fact, customs officers did not know if they can let them pass or not. It is pure politics'*. Another respondent mentioned that they had to stop getting fish from Turkey for a period of time until the political tensions started to fade away: *'So we were getting frozen fish from there – seabass, sea bream. Before the deterioration of relationship there were no problems at all. When the relationship deteriorated, the fish was not closed, but naturally customs authorities paid particular attention to our products that came from there, meaning that they were looking through it and so on. Therefore, we understood that the relationship was at a low level, so we even stopped buying from there'*. One of the informants believe that the situation hurt Russian importers more than Turkish exporters: *'There is an example with Turkey, when there were tensions, the products were picked at a lot at customs point, even though there was no official ban. But they were picking at it a lot, although I think that in the end they did more harm to us than to Turkish suppliers who couldn't sell to us. Of course, political factors have an influence, but we continue the cooperation'*. All in all, this example demonstrates that political tensions can lead to decline in cooperation between importers and suppliers. Another strong example considered by a great number of importers is the embargo of 2014.

Embargo of 2014

Most of respondents perceived the introduction of embargo in 2014 as an example of how political tensions can affect their companies: *'In fact, everything about embargo is pure politics and, unfortunately, we are related to it'*. Since embargo represents a particular interest in this research, I will review its consequences for the companies in more detail.

When companies were asked questions about the embargo, some of them pointed out that its impact was catastrophic to their company. It was particularly difficult for big companies that worked to a large extent with European countries, Norway, USA and Canada. For instance, one of the respondents represented a company focused on quality goods, which mainly worked in HoReCa segments as well, as with premium and middle-class supermarkets. Before the embargo, the company which concentrated on fresh seafood received products

from all over Europe on a weekly basis, therefore, after the embargo was introduced the company found itself in a rather complicated position: *'In fact, in 2014 a catastrophe happened in the market. I mean, for our company there was an absolutely true catastrophe, when you have everything flying to you today and tomorrow you have nothing. And people call you asking what you can give them. But what can you give and how can you change this system fast enough with salmon, for instance?'*. Thus, according to several companies, embargo was extremely harmful. For example, one respondent noted that the company survived only due to a more flexible legislation in Russia: *'The day after we basically were bankrupt. So the effect was very bad, very bad. But that's all it is when you have a big company with a lot of fixed costs and you lose basically 80% of your supply overnight, you are dead in Norway. But because of the legislation in Russia, which is quite flexible, we managed to turn it around, to be okay. Within half a year'*.

A number of respondents concluded that companies that had been focused on Norwegian supplies sustained large losses, as they were not diversified and, therefore, it was more challenging for them to change the course of their supplies: *'The companies that were completely and entirely oriented towards Norway have, certainly, suffered heavily'*.

Due to the introduction of embargo, importers have lost a great number of suppliers from banned countries. The loss of suppliers was followed by financial losses. One of the importers mentioned that by 2014 the company had established market channels and developed distribution channels, and when embargo was introduced the company lost a big amount of money: *'And when the sanctions were imposed at the beginning of August I had a substantial amount of products afloat. I had several thousands ton of products afloat that could not simply enter Russia. So yes, we suffered. Yes, I mean, at the end of 2014 we were supposed to earn several million dollars, which in the end we have not'*.

As mentioned above, embargo had particularly harmful consequences for companies that cooperated to a large extent with suppliers from banned countries before the embargo. However, according to the findings, it also had negative consequences for the processing companies. One of the interviewees that represented a processing company stated that embargo had a massive impact on their business. Reorientation of raw supplies represented a challenge for a company due to the area of their activities: *'Again, at some point, trader can fulfill or not fulfill its obligations and quit the market. After all, we have assets, property,*

brand name which we have invested in, resources, long-term contracts with chains and so on, we cannot just shut it down like that'. Thus, according to the informant, it was more difficult for a processor than for a trader to find new alternative suppliers and adjust to the embargo.

Compensating the loss of suppliers

A number of interviewees stated that when embargo was introduced, it was necessary to react very fast and find alternative suppliers as soon as possible. One of the respondents mentioned that right after the embargo happened, the company booked the trip to the Faroe Islands in order to arrange supplies of fresh fish to compensate Norwegian suppliers: *'On Thursday I already booked myself a plane ticket, a hotel and arranged the meetings with Faroese and I was the first person from Russia that arrived to the island in order to buy fresh fish instead of Norwegian fish, of course*'.

According to one of the respondents, for a big company it was crucial to act quickly within the first weeks after the embargo started: *'When things like this embargo happen everyone has to stop, rethink and then act very fast. Because if you are a huge company, like we are, with a lot of trucks, a lot of logistics, basically you go back if you don't have alternative raw materials in your logistics. For us, it was actually a huge capacity, but we acted very fast and in two weeks we had the same or at least an acceptable volume of other raw materials*'.

Another interviewee also stated that big companies are less flexible, therefore, it takes longer time for them than for smaller companies to adapt to a change: *'Big, large companies are slow, it is hard for them to change their consciousness. Historically, they had worked with one supplier, then something needs to be changed in a different direction, it is very hard. It is a huge mechanism which is difficult to change. A small company, however, is very flexible and makes decisions instantly*'. Thus, the interviewee believes that it is more challenging for a big company to adjust to new conditions and to find alternative suppliers. However, in the current competitive seafood market, acting quickly and finding alternative suppliers fast represent a necessary strategy for a company to survive.

In general, it took importers from 2 months to a year to adjust to the terms of embargo and to develop cooperation with new suppliers. At first, it was important to save major products in the company and find alternatives for them. According to one respondent, within a month they managed to find alternatives from different suppliers from other countries for almost an entire product range they had before the embargo. However, at first they had concerns about

the future of the company: *'We were afraid that we won't manage and in that moment we kind of got scared and, perhaps, we had some, our management did some... for example, cost reduction, we had some layoffs and so on in that moment. But around 2 or 3 months later, when the fish from Chile was delivered here, which takes around 2 months, we realized that, in fact, nothing terrible happened, on one hand'*. Eventually, the company was able to regain the balance of supplier after the embargo by reorienting towards Chile, the Faroe Islands and other countries that were not closed. Several more companies indicated that embargo happened rather unexpectedly for them and at the beginning importers had concerns because of the lack of information.

New alternative suppliers

In order to review how seafood importers compensated the loss of suppliers due to the embargo, I believe it is relevant to emphasize four major solutions: shifting focus to South America and the Faroe Islands, increasing domestic supplies, import of processed fish through third-party countries (e.g. Belarus) and change of area of activity.

Firstly, all the respondents mentioned that in order to compensate the loss of suppliers due to the embargo, many companies have turned their focus to South America and Chile, in particular, for frozen salmon and to the Faroe Islands for fresh salmon and pelagic fish. Some companies that concentrated on fresh fish before adjusted to frozen fish. Most of the companies noted that they started to buy more fish from domestic suppliers. Major domestic suppliers are located in the Russian far east as well, as in the north, for instance, in Karelia, Murmansk and Arkhangelsk. Nevertheless, some interviewees pointed out that due to the embargo their product range was narrowed down, as some of the seafood products cannot be substituted by alternative suppliers from different countries.

According to some respondents, after embargo many companies chose Chile as the alternative market to Norway. However, the change of the country was also accompanied by the change of the product from fresh fish to frozen fish. One of the interviewees stated that this change represented a challenge for the clients and took a big adjustment. Firstly, fresh and frozen fish have different qualitative characteristics. Furthermore, it was quite problematic for processors to start working with frozen fish instead of fresh, because frozen fish required more handling, including the need for defrosting. Therefore, due to the clients' preferences the company did not change to Chile salmon right away and focused on cooperating with the Faroe Islands in

terms of fresh fish. But after some time the preferences have changed: *'Now it is funny, but the situation is opposite. Now many clients say: we don't want to switch to fresh salmon, we want to continue working on frozen fish, we are already used to frozen'*. The respondent explains the change of preferences by particularities of Russian market: *'Russian market is very conservative, it is inflexible, it does not know how to change fast, it still thinks within some Soviet stereotypes'*. Thus, even though it was possible for the importer to change the focus to frozen fish in Chile, it took longer time to do the adjustment due to clients' preferences.

One of the respondents noted that there was a big amount of Norwegian capital in Chile. Therefore, although, they had to change their focus from Norway to Chile, they did not experience critical changes in terms of product. Now the company cooperates with Norwegian-owned Marine Harvest Chile: *'So, basically, we get the same fish, maybe slightly different in the sense that we used to get fresh fish which was 3-4 days old from production and now we get frozen fish which is around 2 months old. It is a little bit worse in terms of quality, but, for the most part, everything is the same'*.

Second, as mentioned earlier, almost all of the interviewees stated that after the embargo they began to cooperate more with domestic suppliers. One of the interviewees that represented a company which processes fish stated that they have significantly increased domestic supplies. Moreover, the company started to buy more products from traders in Russia. According to the interviewees, it took some time for processors to learn how to work with Russian fish, but in the end they managed to adjust to it. Furthermore, several respondents mentioned that now Russian suppliers in the far east, in particular, have become more reliable and 'civilized'.

In the context of domestic supplies, one of the interviewees also mentioned that prices on Russian fish have substantially risen after the embargo, which is quite profitable for domestic suppliers: *'Russian fishermen could have sold fish at a much lower price than imports, because they have lower expenses, they don't need to pay customs duties on products. But they understand that they can earn more money, so they rise the prices almost to the level of imports, only a little lower. People buy this fish from them and they are making a lot of money now'*.

At the same time, according to one of the importers, today generally companies work on higher margins than before: *'Everyone now is working on higher margins, which you see in*

the shops, the products are very expensive. In old days, we worked in very high volumes and low margins'. Another respondent added that current higher prices in the seafood market are associated with the higher prices that alternative suppliers offer in terms of import. As an example, the interviewee mentions the difference between the prices for raw materials offered by the Faroe Islands to Russia and the prices for raw materials of Norwegian suppliers to Europe. Thus, as the raw materials in the countries mentioned above have an identical quality, the respondent believes that the prices of alternative suppliers account for the factor of embargo and, therefore, are not based on free market.

Furthermore, when interviewees were asked about import from countries under embargo implemented through third-party countries, all of the respondents mentioned that such import takes place in the market now. Some of the informants pointed out that such import is to be divided into 2 categories that are legal and illegal import. The raw materials from sanctioned countries that are smuggled in Russia are considered illegal and contraband. This type of illegal import does not exist to a large extent. Another category includes processed products: *'The raw materials are brought to Belarussian territory and they are completely processed by a Belarussian enterprise. At least the product code changes, so, for example, fresh fish entered the country and salted fish left it. Fresh fish entered and then smoked fish left. So in this case, it is an absolutely legal scheme...'*. The legal import of processed goods, on the other hand, is quite influential. According to the interviewee, import of processed fish via Belarus is characterized by a convenient logistics scheme and certain customs preferences that exist between Belarus and Russia.

Several importers mentioned that they import processed seafood from Norway via Belarus. One of the importers stated that in terms of cooperation with Norwegian suppliers the company continues to work with them, but using a processing cycle in Belarus: *'If we take red fish, we just changed the situation by discovering a new country-processor – Belarus, which we continue to do now. Every week we also buy fish in Norway, bring the raw materials to Belarus, process them there and take the final product to Russia to sell it'*. According to the respondent, it took some time to adjust to a new mode of work, but the company still cooperates with the Norwegian supplier.

Another interviewee that also implements imports through Belarus pointed out that the extent to which such import takes place in the market fully depends on the price: *'But it's about the*

price, it's not about anything else. The prices in Norway come down, the volume in Belarus increases, the price is high, the volume to Belarus is here. It's all about price'.

Some of the interviewees mentioned that import via third-party countries, for instance, Belarus is associated with some risks. One of the respondents pointed out that they worked with raw materials from Iceland and Norway, which they would still wish to import, however, the risks of investing resources in Belarus are considered rather high: *'Everything can be shut down at one scoop and be gone just like that: the money would stay there, the raw materials will be there, fines and so on and so on'.* Another respondent added that the import through third-party countries took place to a large extent in 2014-2015, but now, due to the risks, the amount has decreased. According to the respondent, the company got a number of offers to deliver products via Belarus, but they considered it too risky: *'It is just that we have been in the market for 26 years and we understand perfectly that today it works and tomorrow it won't. Nobody will allow you to have a quiet life, so, yes, the government applied stricter rules'.*

Most of the interviewees mentioned that the situation in the market changed to a big extent. One respondent argued that embargo had a positive impact on their company. According to the informant, the market environment has changed, as before the embargo, many small companies in fish industry were involved in various market games, for instance, undervaluation. However, after 2014 many of these companies had to leave the market: *'Therefore, due to the sanctions, a lot of such companies quit the market, and only reliable and stable players that are understandable for us, on one hand, and for our clients, on the other, have stayed. And, in the end, the market was narrowed down and it is rather comfortable to compete in this market'.*

Finally, many companies have changed their focus, products or even the area of activities: *'Some have changed species, some have changed country, some have even changed to other products, not only seafood. Some have changed and, for instance, we have started a restaurant business, cafes, so in the past we delivered a lot to the retailers, and now we basically are a retailer ourselves. That's how we have done it. Other people... most people they just try to survive it'.*

As I mentioned above, there was a certain inconsistency in responses related to political factors. To be more specific, all respondents admitted that the introduction of embargo

required a certain amount of time in order to adapt to new conditions. Therefore, it did have an impact on companies' cooperation with existing suppliers. However, considering the fact that some companies have found a way to continue to work with Norwegian suppliers in the presence of embargo, it explains the inconsistency of responses: *'On the other hand, no. Because sanctioned products keep coming from China as they did. So those who need, who want to have these products by all means, those who want to work, who have the willingness to work and those who see some sense in bypassing, they do it. So yes and no'*. Furthermore, several respondents emphasized that outside of imposed regulations, political factors do not interfere with their communication with suppliers: *'No, we do not think that at all. People in seafood business and in business in general, completely separate politics and business. Nobody wants to lose money because of some political games'*. Although many of the interviewees had to stop cooperating with suppliers from countries that were closed due to the embargo, it did not have an influence on their personal relationships. Importers indicated willingness to resume the cooperation, once the embargo is lifted off.

4.2.2 TBTs and SPS

This part of the chapter contains the findings related to the possible influence of TBTs and SPS on the cooperation with suppliers. It is necessary to study how respondents perceive the possible impact of TBTs in order to investigate how the loss of suppliers due to non-tariff barriers to trade is compensated and to discuss if there is a positive relationship between the higher level of TBTs and an increased search for alternative suppliers in the next chapter, which refers to the second hypothesis in the research model.

When asked about the influence of technical barriers on the choice of suppliers, many respondents started to discuss sanitary and phytosanitary measures and certification of VPSS in particular. As for technical barriers, according to some respondents, technical regulations do not create big issues with supplier and, therefore, do not have an impact on the choice of suppliers: *'Hypothetically, they can, but in practice we have never faced the situation when our Russian standard in packaging or in anything else influenced the cooperation and made it impossible'*. Furthermore, one respondent argued that technical barriers do not exist: *'There are no technical barriers as such. Except perhaps security standards introduced by VPSS. Apart from that there are no technical barriers. Well, of course, temperature control, but that's because we work with perishable products'*.

One respondent emphasized the need for technical regulations, arguing that the technical regulations as well, as sanitary and phytosanitary measures are introduced to ensure that companies are responsible with their product and to satisfy the consumer. Furthermore, it was mentioned that technical barriers help regulate activities in the market and make it more stable: *'No, on the contrary, I believe that technical barriers that are established contribute to stability in the market and to the regulated activity and cut off different kinds of grey import and semi-legal or illegal import of any products, including fish products'*.

Another respondent argued that technical barriers have an influence on the choice of potential supplier, however the company had never had an experience where a supplier was not able to adapt to technical regulations in Russia: *'Yes, they do. But anyway I have never met a single country that was not able to pack or do some technical specifications required by the standards of Russian Federation during the shipment of the product. There are none of them'*.

However, it was also stated that technical regulations are very strict in Russia and used to regulate trade: *'The technical standards are, basically, more like, what should I say... It's a way for Russia to regulate the import. Of course, it's a protective measure you can use if you want to use it. It's something that Norwegians haven't understood a lot of. It's a new way of regulating trade'*.

Another respondent argued that marking of the product is an important regulation that has to be followed. The company always discuss a prototype of the label in order to avoid customs risk: *'Because otherwise the risks are enormous. I mean, you had waited for the raw materials, you delivered it, you paid money for it and they would not be let into the country, in the best-case scenario, they would be turned around and sent back. In the worst-case scenario, they would be declared contraband and disposed'*.

In the course of the interviews, respondents were asked questions about sanitary and phytosanitary measures introduced by VPSS and their impact on the cooperation with suppliers and on the choice of suppliers.

One of the interviewees mentioned that in the context of SPS measures, it was important to consider two aspects. Firstly, the certification of the factory by VPSS. Secondly, the customs control in the port in Russia. According to the respondent the SPS measures can be defined as reasonable: *'I don't think that VPSS establishes some draconian methods or strict measures. No, in fact, those are regulations that can be and have to be followed. I don't see any global*

challenge in that'.

All in all, most of respondents believe that SPS measures do not influence the choice of suppliers, as they are considered necessary standards that simply need to be followed. Thus, one informant stated that SPS measures do not affect the choice of supplier, as they are considered general rules to be followed: *'We don't even discuss it with the supplier. I mean, there are certain Russian standards and a supplier either holds up to it or not. So there is a must here, that's all. From our side, we cannot discuss with a supplier that, well, the standard says 10 and you can have 12, and it is okay. No, we don't give this standard, it is not our wish, not our whim'.*

Another respondent added to the importance of SPS measures for the safety of the product. However, it was mentioned by some respondents that the index in the content of antibiotics in Russia is 20 times less than in the USA and 10 times less than in Europe. According to the informant, it is unclear why the standards in Russia are significantly stricter than in European countries and the USA: *'So, I would probably say that the barriers should be approximately the same as in similar countries in similar cases'.* As a result, due to much stricter SPS in Russia, a number of producers in Chile did not conform to the Russian standards. Hence, Russian importers had to increase their search for suppliers that were able to meet the standards required in Russia. Apart from the content of antibiotics, one respondent pointed out that suppliers complain about the standards regarding the colon bacillus and listeria which are incredibly high in Russia. However, the interviewee also added that those measures are introduced by authorities to protect consumers.

Interviewees mentioned that it is necessary for the enterprise to be certified by VPSS in order for them to start cooperation. The question of certification was defined as a technical barrier by some respondents: *'If we take certification, it is certainly a technical barrier'.* The importer stated that due to the certification system, it is more challenging to find an alternative supplier. It was mentioned that the process of certification can take a long time and an unanticipated development: *'If the enterprise is not certified, you just can't bring anything from there. And the process of accreditation itself is very time-consuming and unpredictable. It can take 2 months or it can take 3 years. And it is not clear during which stage the setback takes place'.*

Several respondents reported that the actions and measures of VPSS are often motivated by

political considerations: *'Because, in fact, it seems that we are located at the edge when if something changes, some political tendencies, they most likely take the form of some regulative actions from our government in terms of veterinary restrictions, veterinary licenses or, alternatively, of some priorities. So the government acts particularly through the veterinary authorities for us'*.

Another interviewee noted that the company cannot import as many products as it needs due to the so-called cartel, which is represented by the group of 5-6 largest traders that exercise control over 90% of Russian seafood market: *'We cannot entirely meet our demand in imports, for example, in red fish because suppliers are afraid to provide it for us, as in a couple of months in will be seen in the customs base and, unfortunately, the measures will be taken towards them. So there isn't much to say about free market in terms of import, let's put it that way'*. According to the informant, the 'measures' take form of the actions exercised by VPSS that can close certain factories for import in Russia justifying its actions by security concerns: *'Unfortunately, it appears that if you want to find something, you will find it there. Again, we live in Russia and, unfortunately, if there is an order, the producer will be closed for import, it happens'*. The informant states that the market in Chile and the Faroe Islands are divided as it used to be in Norway before the embargo. Therefore, if a supplier trades directly with the company outside the group, there are consequences that follow: *'For example, there is one warning, when a company is placed under an enhanced control. If they don't get it the first time – the factory will be closed'*. And it takes a big amount of time and effort to open a factory for imports again. In this way, according to the respondent, the actions of VPSS have an influence on the choice of suppliers.

5.0 Discussion of results

This chapter contains the discussion of empirical findings, which is aimed at answering the research question and the sub-research question that were introduced in the introductory chapter of this thesis:

- 1. How do factors relating to the buyer-supplier relationship, on one hand, and factors relating to the business environment, on the other hand, influence the search for alternative suppliers?*
- A. How can new alternative suppliers compensate for the loss of existing suppliers due to non-tariff barriers to trade in Russian seafood industry?*

The analysis and discussion will be focused on the influence that factors related to buyer-supplier relationship and factors in the business environment (political tensions, TBTs and SPS) have on the supplier search and selection. In the previous chapter empirical findings represented how importer-supplier cooperation and the search for suppliers are determined by supplier selection criteria. Moreover, it was demonstrated how political tensions and non-tariff barriers to trade can result in the need to search for new suppliers and in the limited supplier choice. Based on the findings, the impact of factors of buyer-supplier relationship, political tensions and non-tariff barriers to trade (TBTs and SPS) will be discussed in this chapter and linked to the theories introduced in the theoretical framework, which will allow us to either confirm or reject the hypotheses presented in the research model.

5.1 The influence of factors related to the buyer-supplier relationship on supplier search

The cooperation between importer and supplier is determined by a number of various factors. But what factors have an impact on supplier search? Supplier search refers to the first stages of the entire process of supplier selection which is determined by different criteria (De Boer et al. 2001). Hence, the analysis of supplier selection criteria was considered necessary to determine how factors of buyer-supplier relationship influence the search for alternative suppliers. Based on the theoretical arguments represented in Chapter 2 certain criteria were identified as basic (price, quality of the product, on-time delivery, etc.). Besides, respondents indicated which criteria they consider important based on their own experience. In this part of the chapter, I will present the factors that were considered influential by the importers and

align them with the theories used in the literature review.

According to the findings, such criteria of supplier selection as price, quality and on-time delivery emphasized by Dickson (1966) represent the basic characteristics of suppliers that are taken into account by the importers. At the same time, respondents paid more attention to such attributes, as price and quality that were often considered as interrelated factors. The importance of quality to importers can be identified by their customers' preferences and their brand position in the market. For instance, if a company represents a premium brand of seafood products in Russia, it is essential for the import manager to ensure the high quality of the product. Another example from the findings demonstrates that companies that are focused on HoReCa segment also put a great emphasis on the quality of their products. However, one of the respondents representing the company focused on HoReCa mentioned that due to the changes in the business environment (introduction of the embargo, the collapse of ruble) the importance of price for them increased significantly. It can be explained by the weakened purchasing ability and the customers' preferences. Nevertheless, the quality remains very important, but it can vary depending on what their customers are searching for. Hence, the balance of price and quality has a great importance. The findings are aligned with the theoretical propositions of Verma and Pullman (1998) that emphasize that, although, managers perceive quality as the most important characteristic during supplier selection, the actual choice of supplier depends mostly on cost and on-time delivery.

The transportation of the product represents an essential aspect of marketing logistics that can affect customers' satisfaction and costs (Kotler 2010). The findings indicate that on-time delivery was believed to be rather important by respondents. But at the same time, the extent to which the companies considered this factor depended on type of product, for instance, if the fish was fresh or frozen. Furthermore, the time of delivery can be related to the price of product. For example, if the product is transported by trucks, the delivery time can be reduced, but in this case, it will increase the cost and the price for the customer, so in the end it depends on customers' preferences. Hence, the empirical findings are consistent with the theoretical arguments of Hollensen (2014) that the choices related to delivery of the product are determined by a number of different factors including customers' features and product characteristics (its durability, for instance).

The empirical findings indicate that other criteria influencing the supplier search and selection

include stability, security, business references and the history of cooperation with supplier. Stability is perceived, on one hand, as contribution of supplier into the cooperation and the dedication to problem solutions. In this case, if supplier does not ensure a stable cooperation and is not willing to work together with an importer to resolve possible issues, the importer will be inclined to search for another supplier that will be able to meet its expectations. On the other hand, stability refers to a capability to provide a steady flow of supplies. For instance, if a supplier cannot provide the volumes necessary for the importer, the search for additional sources of supplies is necessary. These findings can be supported by the theoretical arguments of Ellram (1990), that recognizes the importance of economic performance and stability during supplier selection process. The researcher argues that buyer-supplier relationship is determined by their ability and willingness to contribute to the cooperation at the moment and in the future perspective. Moreover, Ellram emphasizes such factor as business references as a relevant feature in the choice of suppliers. Positive business references indicate the reliability of supplier based on its previous experiences. This theory is in line with our findings indicating that in case importers are unsure about the choice of supplier, they address their competitors or partners in the industry or can find the previous clients of the exporter in order to get a feedback about supplier.

An interesting finding indicates that the choice of suppliers today can be characterized as narrow due to the factors of business environment. Due to the limited amount of suppliers the search for alternative suppliers becomes rather challenging. For instance, one of the respondents pointed out that supplies of fresh salmon are, for the most part, concentrated in the Faroe Islands, where there are only three suppliers available for imports. So when the importer had an issue with the quality of product, ceasing the cooperation with supplier was not an option due to the lack of alternatives. In this case, if the importer is not satisfied with exporter and then stops the cooperation, the company will only be able to satisfy 20 % of their needs. This finding represents a strong example of how the factors of business environment can interfere with consideration of important supplier selection criteria.

To sum up, the empirical findings indicate that there is a number of various factors that are essential in the relationship between buyer and supplier. Such factors include the ability to provide price, quality and volumes, logistics, stability and reliability of supplier, business references and so on. Although, the importance and relevance of these factors in terms of supplier selection is undoubtful, it is also necessary to consider the factors of business

environment, as they can define to which extent the factors of buyer-supplier relationship are considered by importers.

5.2 The influence of factors in the business environment on supplier search

As mentioned above, the importer-supplier cooperation depends on the factors in business environment. In this part of the chapter, the findings will be aligned with the theoretical framework in order to discuss the influence of such factors, as political tensions and non-tariff barriers to trade on the supplier search and selection.

5.2.1 Political tensions

It is believed that nowadays political relations play a significant role in international trade. Political motives can be implemented by governments through the use of tariff and non-tariff barriers to trade. Due to the increasing use of non-tariff barriers to trade, it is crucial to analyze the influence political factors have on buyer-supplier cooperation.

The findings indicate that political factors have a significant influence on trade in Russia, which, in its turn, has an impact on importers' cooperation with suppliers. Political relations between countries can result in trade restrictions and import bans or into a number of preferences that encourage the trade. For instance, trade flows between countries can be limited by embargo, but also increased by the customs preference treatments or the certification of factories in certain countries which can enhance the trade between two countries. These findings are consistent with theoretical arguments of Pollins (1989), who believes that the cooperation between importers and exporters can be influenced by the 'climate of friendliness or hostility'. The importance of political climate between two countries can be emphasized by a strong example represented in our findings. The interview results demonstrate that political tensions between Russia and Turkey in 2015 led to a decreased amount of seafood supplies from Turkey. Although, political tensions have not caused the introduction of trade barriers, it was argued by respondents that importing seafood from Turkey implied certain risks at the customs in Russia and, therefore, was not preferable at that moment. The importers then had to search for other alternatives to compensate the supplies from Turkey. Thus, in this case political conflict led to temporary difficulties with supplies from the country involved in a conflict, then, after the conflict had been resolved, the cooperation with suppliers was resumed.

Thus, political influence can be implemented in the context of international trade through the

use of various instruments of trade. As Carpenter and Dunung (2012) state, the intervention of government in trade can be carried out through various instruments of trade and explained by a number of political, economic, social and cultural reasons. The findings derived from the interviews indicate that the use of non-tariff barriers to trade is perceived to have political and economic premises. Thus, most of the interviewees considered embargo of 2014 a result of political tensions between Russia and European and North American countries. This argument is in line with Hollensen's (2014) description of embargo, which states that embargoes rarely used nowadays are often introduced to attain political objectives. In terms of the influence of embargo on cooperation with suppliers, the empirical findings emphasized that, due to the embargo, seafood importers have lost a number of suppliers from banned countries. It was mentioned by some of the respondents that apart from political factors embargo was influenced by economic considerations such as protection of domestic suppliers and reducing dependency of Russia on imports. The findings are, therefore, consistent with theoretical arguments of Hillman (1978) that non-tariff barriers to trade can be implemented in order to reduce imports and encourage import substitution by domestic suppliers. Furthermore, the findings can be supported by Haveman and Thursby (1999) that argue in their model that non-tariff barriers to trade can have a reduction effect on trade flows between countries of import and export.

The findings indicate that the cooperation between importers and suppliers depend on political factors, as political tensions that result in various trade barriers influence the intensity of cooperation between existing suppliers and importers and also the process of supplier selection. These results correspond with the theories that emphasize the influence of external polity and external economy (Stern & Reve 1980) as well, as the dependence of decision-making process in supply chain management on external factors (Tretyak & Sheresheva 2005; Achrol & Stern 1988; Dwyer & Welsh 1985)

Following a number of researchers (Hollensen 2014; Keegan & Green 2013; Thilmany & Barrett 1997), along with economic factors companies that are involved in international trade take into account political environment of the country and political risk, in particular. According to the data collected through the interviews, political risk is considered by some importers in supplier selection. That is why the analysis of the country of potential supplier is implemented in some firms. For instance, political risk and uncertainty were taken into account by a company that considered cooperation with Iran. However, at the same time,

some respondents argued that political environment is not taken into consideration during the search for suppliers, emphasizing the primary importance of economic factors in supplier selection.

All in all, it can be argued that the cooperation of importers with their existing and potential suppliers depend on the business environment. The impact of political tensions through the introduction of embargo resulted in the loss of existing suppliers. Therefore, in order to adjust to the consequences of embargo, importers had to search for new suppliers to compensate the loss of the ones that existed before 2014. According to the findings, all of the respondents pointed out that seafood imported from Norway before 2014 was compensated by imports from the Faroe Islands, which refers to fresh salmon and pelagic fish, and by imports from Chile, that is associated with frozen salmon. Another finding indicates that importers increased the domestic supply in order to compensate the loss of suppliers. Finally, an interesting finding states that the import from Norway still takes place but under different conditions: the raw fish is being delivered to Belarus, where it is processed and then delivered to Russia. The interviewees also mentioned that illegal import is present, but in very limited quantities. These findings are supported by the theoretical argument of Wegren (2014) stating that import ban of 2014 resulted in increased domestic supplies, replacing products with imports from Chile and the imports via third-party countries.

To sum up, the findings aligned with the theoretical arguments revealed that political tensions have an influence on the supplier search and supplier selection. It is argued that political factors lead to the use of non-tariff barriers to trade, in case of Russian seafood industry – embargo. Therefore, political tensions resulted in the introduction of embargo that limited the number of suppliers available for Russian importers and led to the increased search for alternatives. Although, the findings demonstrate that some importers managed to continue cooperation with Norwegian suppliers by changing logistics and production, it can be stated that, in general, importers lost a number of suppliers and, thus, had to search for alternative suppliers, in order to compensate the loss of seafood supplies.

5.2.2 Technical barriers to trade

Technical barriers to trade represent a particular interest in this paper among other non-tariff barriers to trade. A number of researchers emphasized that technical regulations can serve as

an instrument that leads to impeding trade between countries limiting the cooperation with exporters. Based on these theoretical arguments, it was decided to investigate if TBTs have an influence on supplier search and selection among importers in Russian seafood industry.

According to the findings derived from the interview collection, technical regulations are perceived by most of importers as measures that ensure the safety of products and protect the interests of consumers and, at the same time, allow the regulation of activities in the market. Thus, it was emphasized that technical regulations enable to reduce illegal imports and therefore, contribute to stability in the market. These findings are consistent with theoretical arguments of Thilmany and Barrett (1997) who believe that technical regulations have certain positive implications, for instance, they increase consumer's welfare by providing consumers with indication of decent product quality. Furthermore, the findings can be supported by researchers Hooker and Caswell (1999) that identify TBTs and SPS as government's measures to correct market imperfections and failures. These arguments also support the findings indicating the regulation of trade by strict technical regulations: *'The technical standards are, basically, more like, what should I say... It's a way for Russia to regulate the import. Of course, it's a protective measure you can use if you want to use it. It's something that Norwegians haven't understood a lot of. It's a new way of regulating trade'*.

The empirical findings indicated that technical regulations introduced in Russia, such as standards of packaging, can hypothetically have an influence on cooperation with supplier. However, in practice importers have not experienced issues when technical regulations impeded their trade with foreign suppliers. It can be argued that in the eyes of Russian importers technical barriers to trade are highly associated with SPS measures, which will be discussed later in the chapter. As for technical regulations, most of importers did not recognize that they have a negative impact on their cooperation with suppliers. These findings are in line with the arguments of such theorists, as Disdier, Fontagné & Mimouni (2008) stating that technical measures can have an impact on trade, however, such regulations do not impede the trade if exporters are able to meet the requirements of local SPS and TBTs. Therefore, this theory supports empirical findings and, thus, helps to explain why technical regulations are not perceived as barriers by some importers. According to the findings, technical regulations can have an influence on supplier selection, but in practice the importing company has never had an experience where a supplier was not able to adapt to technical regulations in Russia. Although, empirical findings indicate the technical regulations are not

perceived as measures that impede the cooperations with suppliers by Russian importers, it was still emphasized that technical regulations need to be followed to avoid problems.

Overall, our findings conclude that technical regulations implemented in Russia are perceived by importers as measures that enable to regulate the trade in the country. Although, those technical regulations are strict and need to be followed, the data collected during interviews emphasizes that most of suppliers are able to meet the technical requirements in Russia. Hence, importers did not experience the influence of TBTs on supplier search, as following technical regulations was not an issue for their suppliers.

5.2.3 Sanitary and phytosanitary measures

In this paper a particular attention was given to SPS measures in Russia and their influence on the search and choice of suppliers in Russian seafood industry. Along with TBTs, SPS measures were considered an influential non-tariff barrier of trade by a number of researchers. Therefore, in the context of this research, it was important to investigate what effect do SPS measures have on trade between importers and exporters in Russian seafood industry.

The empirical findings indicate that two important aspects should be emphasized in discussion of the SPS influence on cooperation with suppliers: the sanitary and phytosanitary measures that apply to seafood suppliers and the certification of producers by VPSS (Rossel'khoznadzor). Following Forsythe and Lynch (1992), sanitary and phytosanitary measures are implemented in order to exercise control over the quality of products to protect consumers' health. As every country is eligible to establish SPS for its food supplies, certain challenges can be experienced in terms of international trade if there are substantial differences in SPS between countries. These arguments can be supported by the evidence collected during interviews, as most of respondents emphasized the importance of SPS for ensuring the safety of product. Furthermore, several respondents recognized substantial differences in standards of Russia, on one hand, and European countries and the USA, on the other hand, regarding the content of antibiotics, colon bacillus and listeria. For instance, the permissible standard of the content of antibiotics in Russia is 20 times less than in the USA and 10 times less than in Europe. It is quite interesting why the standards in Russia differ to such a large extent compared with the standards used in Europe and the US. The standards concerning colon bacillus and listeria were also mentioned to be significantly strict in Russia. According to the findings, SPS measures perceived by importers as necessary standards that

are to be followed and, therefore, it is believed that SPS do not have an impact on the choice of suppliers. This argument can be explained by the fact that Russian importers state that they cannot violate the SPS measures and, thus, it is necessary that supplier is able to conform to these standards. However, as it was mentioned above the SPS measures are significantly stricter than in other countries, which had an impact on the search for suppliers. For instance, it was mentioned that, as the standard regarding the level antibiotics is higher in Russia than in Chile, it was challenging for the importers to find producers in Chile that are able to meet the Russian standards. A big amount of producers were not certified by the VPSS and, therefore, were unavailable for cooperation with Russians importers. In this situation, importers lost some of their suppliers and had to increase the search for alternative exporters that could meet Russian standards. This example demonstrates how SPS can influence the cooperation with existing suppliers and the search for new alternative suppliers. This finding is in line with the theoretical proposition of Disdier, Fontagné & Mimouni (2008) that emphasizes the importance of exporters' ability to conform to the SPS and TBTs of the importing country.

Another important aspect of discussion is the certification of producers by VPSS. According to the findings, the certification of producers by VPSS represents a certain barrier for the importers in Russian seafood industry. The search for alternative suppliers is entirely determined by the certification, as if the producer is not certified importers cannot cooperate with it. The findings indicate that the process of certification is quite time-consuming and unpredictable, there is no guarantee for importers that the process of accreditation will go as planned. Thus, the complex system of certification can create certain barriers for the importers during supplier selection process. The findings also indicate that the measures and regulations exercised by VPSS are often based on government considerations: *'Because, in fact, it seems that we are located at the edge when if something changes, some political tendencies, they most likely take the form of some regulative actions from our government in terms of veterinary restrictions, veterinary licenses or, alternatively, of some priorities. So the government acts particularly through the veterinary authorities for us'*. The nature of complex system of certification is consistent with theoretical arguments of Elvestad and Nilssen (2010) that emphasize that VPSS uses inspections, control regimes and quality requirements in order to exercise governmental control over economic actors and economic transactions. This argument also supports an interesting finding from the interview mentioned

by one of the respondents: there are 5-7 large importers that have gained an extensive control over the Russian seafood market. One of the respondents stated that producers in Chile and the Faroe Islands are expected to trade directly with the importers mentioned above and, thus, the suppliers there are somewhat distributed among those companies. In case suppliers start to trade directly with an importer that does not belong to the powerful group of companies, the consequences will follow under the form of actions of VPSS that can close certain producers for import in Russia justifying its actions by security concerns: *'For example, there is one warning, when a company is placed under an enhanced control. If they don't get it the first time – the producer will be closed'*. As the certification of producers is a complex, time-consuming process, suppliers are not willing to take the risk of cooperating with other importers and the rest of importers in Russia have to satisfy their demands by getting supplies from traders that belong to that powerful group. In this case, the finding shows that the actions of VPSS limit the choice of available suppliers for direct cooperation and, hence, lead to the search for other sources of supplies.

To sum up, the findings conclude that SPS measures have an influence on cooperation between buyers and suppliers. First, the strict nature of sanitary and phytosanitary measures introduced by VPSS requires the extended search for suppliers that are able to meet the standards. Second, the control exercised by VPSS over economic actors and transactions have an impact on importers' cooperation and supplier selection.

6.0 Conclusions

In this research I have studied the influence of factors related to buyer-supplier relationship and factors in business environment on the search for suppliers. The purpose of the research is defined by the following question: *How do factors relating to the buyer-supplier relationship, on one hand, and factors relating to the business environment, on the other hand, influence the search for alternative suppliers?* In order to find an answer to this research question, it was crucial to examine the influence of factors related to buyer-supplier relationship, such as company's characteristics and the supplier' ability to provide price, quality and on-time delivery along with other criteria relevant for supplier search and selection, on one hand. And to analyze the influence of such factors in business environment, as political tensions, technical barriers to trade (TBTs) and sanitary and phytosanitary measures (SPS) on the search for alternative suppliers, on the other hand. The influence of these two types of factors is reflected in the hypotheses developed based on the literature review. This research also addressed the following sub-research question: *How can new alternative suppliers compensate for the loss of existing suppliers due to non-tariff barriers to trade in Russian seafood industry?* Therefore, it was necessary to study how non-tariff barriers to trade affected Russian seafood importers and explore the alternative solutions that they implement to deal with such barriers.

The analysis of the data collected during in-depth interviews with representatives of large companies in Russian seafood industry allowed me to give an insight on how these companies conduct the supplier search and what factors they take into account during the process. Moreover, the interview data allowed me to analyze how the companies found alternative ways to compensate the loss of their existing suppliers due to non-tariff barriers of trade and, therefore, reach the objectives of this research.

The empirical findings aligned with the theoretical framework allowed us to conclude that importers take into consideration a number of different criteria that influence their cooperation with supplier, supplier selection and supplier search. The factors of buyer-supplier relationship include the ability of supplier to provide acceptable quality and price that would satisfy the customers, on-time delivery and the quality specifications of the product that were agreed on purchase. Moreover, the history of cooperation between importer and supplier, financial stability and reliability as well, as reputation of supplier and the business

references from its previous clients are considered significantly important in buyer-supplier relationship, in general, and when the search for suppliers is carried out, in particular. Finally, the characteristics of importer, such as its brand reputation in the market and its main customers, should also be taken into consideration.

Although, the findings indicated that factors of buyer-supplier relationship have a great significance in supplier search and selection, it was also found that the importance of these factors is in some cases determined by the characteristics of the business environment.

The findings supported by the theoretical framework suggest that political tensions influence the cooperation between importers and their suppliers. For instance, political tensions between Russia and other countries lead to a decline in trade cooperation of Russian importers with suppliers from countries involved in political issues. Furthermore, political factors influence relationship between importers and exporters through the use of various instruments of trade, for instance, non-tariff barriers to trade. The research shows that embargo introduced by Russia in 2014 has limited the number of foreign suppliers available for Russian importers, as the cooperation with suppliers from EU, Norway, the USA, Canada and so on, was no longer permitted. As a result, Russian seafood importers had to compensate the loss of suppliers from banned countries by the search for new suppliers that could provide them the necessary goods. Thus, political tensions that resulted in the introduction of embargo defined the need of Russian seafood companies to start cooperation with new suppliers.

When investigating the influence of TBTs on the cooperation with suppliers, the findings linked to the literature review led us to believe that technical regulations introduced in Russia are viewed by importers as regulative standards to be followed. Although Russian technical regulations can be characterized as strict, our research indicates that TBTs do not impede the trade cooperation between Russian importers and their foreign exporters and, hence, do not influence the search for new alternative suppliers.

Finally, the empirical findings along with the theoretical arguments from the literature review concluded that SPS measures introduced by VPSS in Russia have an influence on the cooperation with existing suppliers as well, as on choice of potential suppliers. It is argued that SPS measures are rather strict in Russia and are often determined by government considerations. Thus, the strictness of SPS along with the complicated nature of necessary certification process of VPSS result in issues related to the cooperation with suppliers who are

not able to conform to the SPS and, also, limit the choice of suppliers available for importers. Therefore, the research indicates that sanitary and phytosanitary measures have an influence on the search for alternative suppliers.

To sum up, in this thesis it was found that factors of buyer-supplier relationship have an influence on the search for suppliers. Importers take into consideration a set of criteria in order to determine if the supplier is eligible for cooperation. If a supplier cannot satisfy these criteria, the importer can attempt to resolve the issues and then, depending on supplier's actions, either continue or stop the cooperation. In the second case, the importer follows the same set of relevant characteristics to identify if a new potential supplier can satisfy its requirements. Furthermore, the attractiveness of other potential suppliers or the product that the importer is looking for can also motivate the search for new alternative suppliers. Therefore, it can be suggested that the search for new alternative suppliers is determined by the ability of supplier to conform to the criteria relevant for the importer.

Moreover, the findings of this research indicate that political tensions as well, as sanitary and phytosanitary measures lead to the increased search for alternative suppliers in Russian seafood industry. The consequences of embargo represent a strong example of how non-tariff barriers to trade result in the loss of suppliers and, therefore, the need to find the alternatives.

All in all, the loss of suppliers was compensated by alternative supplies from non-banned countries. In terms of seafood supplies that used to be delivered from Norway, Russian seafood companies have managed to increase cooperation with suppliers from Chile and the Faroe Islands that were able to provide Russian importers with alternatives to salmon and pelagic fish, previously imported from Norway. Furthermore, it was concluded that import from countries banned by embargo of 2014 still takes place in Russian seafood industry. While the illegal contraband is present in low quantities, imports through third party countries are still significant. For instance, it was found that the fish imported from Norway is, firstly, processed in Belarus and then delivered to Russia with a different product code. Thus, despite the presence of embargo, some companies still manage to continue working with Norwegian suppliers if they find it profitable, but under different conditions. Finally, Russian importers compensate the loss of suppliers due to the embargo by increasing cooperation with domestic suppliers.

Hence, this research gives an insight into the influence of factors related to buyer-supplier

relationship and factors in business environment on the search for alternative suppliers. It is suggested that both of these factors can have an impact on the search for new alternative suppliers. At the same time, it was concluded that the extent to which factors of buyer-supplier relationship are critical, in some cases, depends on the factors of business environment (embargo, TBTs and SPS). However, even if trade barriers resulted in the loss of existing suppliers or limited the choice of suppliers available, importers still take into consideration such factors of supplier search and selection as the ability to deliver on time, provide quality and so on. Thus, this research contributes to the theoretical framework of buyer-supplier relationship and supplier selection.

Furthermore, the research emphasizes the alternative solutions used by actors in Russian seafood market in order to compensate the loss of their suppliers due to non-tariff barriers to trade, which can have a theoretical significance. Moreover, it analyzes the experience that Russian seafood suppliers had and demonstrates how they managed to deal with the trade barriers and regain their balance of supplies after the crisis they underwent after the embargo, which can contribute to practical significance of this research.

6.1 Limitations and implications for further research

All in all, this research has certain limitations that need to be mentioned. First, the research topic focuses on seafood industry in Russia and, therefore it gives rather specific results on how factors of buyer-supplier relationship and factors of business environment influence the search for suppliers. Furthermore, due to the time frames and availability of resources, the sample of the research was limited to ten companies that were interviewed. However, although the sample is limited, the interviewees represented core importers in the seafood industry. Therefore, it is believed that the empirical findings allowed to achieve the research purpose and investigate how the search for alternative suppliers is influenced by factors of buyer-supplier relationship and factors of business environment. Moreover, it allowed us to explore how new alternative suppliers compensate the loss of suppliers due to non-tariff barriers to trade in Russian seafood industry. Finally, it is possible that some of the respondents perceived the research topic as rather sensitive, which could affect the liberty of their responses to the questions. However, I believe that it was still possible to collect the data that was relevant for my research.

In conclusion, this thesis investigated the consequences of non-tariff barriers to trade for

Russian suppliers. Further research could be carried out in order to explore how non-tariff barriers affected the suppliers that used to cooperate with Russian importers. It would be interesting to examine how foreign exporters compensated the loss of Russian importers.

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Interview guide

Business-related factors

Characteristics of importer-supplier cooperation

1. To what extent has your company placed emphasis on developing alternative market channels for supplies of raw materials after the 2014 embargo?

2. How can you briefly describe the process of searching for a new supplier? Is there a specific system that you follow?

3. Do you conduct a preliminary research on the country of supply before starting the collaboration?

4. What criteria do you consider the most important factors when choosing a new supplier?

- Indicate to what extent do you consider the quality of the product as a critical factor when choosing a supplier?

1 2 3 4 5

- Indicate to what extent do you consider the price of the product as a critical factor when choosing a supplier?

1 2 3 4 5

- Indicate to what extent do you consider an on-time delivery of the product as a critical factor when choosing a supplier?

1 2 3 4 5

- Indicate to what extent do you consider quality specifications of the product agreed on the purchase as a critical factor when choosing a supplier?

1 2 3 4 5

5. Do you use your company's own resources while searching for a new supplier or do you

use outsourcing?

6. Do you prefer to cooperate with suppliers directly or do you prefer to collaborate via an intermediary?

7. How many suppliers of fish do you currently have?

8. Which domestic companies do you consider the major suppliers of fish to your company?

9. Which foreign companies do you consider the major suppliers of fish to your company?

Factors related to the business environment

Political tensions

10. Do you believe that political tensions can influence the existing cooperation with the supplier?

11. While choosing a potential supplier do you take into consideration political relations between Russia and the country of supplier?

Technical barriers to trade or non-tariff barriers to trade

12. Do you find that technical barriers to trade can have an influence on the choice of a potential supplier?

13. To what extent have TBT created problems for the acquisition of critical supplies to your company over the past years?

14. In your opinion, which technical barriers can be the most harmful in terms of inhibiting your trade?

15. How has embargo of 2014 affected your company?

16. Do you believe that the embargo of 2014 had an influence on your cooperation with existing suppliers?

17. How many suppliers of fish did you have before the introduction of embargo in 2014?

18. How many suppliers of fish are left from before 2014?

19. How many new suppliers have you developed a trade relationship with?

20. Has the balance of domestic and foreign suppliers changed since the introduction of embargo in 2014?
21. To what extent did your company make increased use of intermediate companies to secure the input of supplies after 2014?
22. How many tons of fish can be accounted for the turnover from foreign/domestic suppliers?
23. In your opinion, do sanitary and phytosanitary measures introduced by VPSS (Rosselkhoznadzor) have an influence on your choice of foreign/domestic suppliers?
24. Which SPS introduced by VPSS do you consider the most influential in the fish industry?
25. To what extent was a search for alternative suppliers a necessary strategy in order for your company to survive?

Business background information

26. Size of the company
27. How many years has your company been in the market?
28. What are your main products?
29. What are your main species in terms of import in the last five years?
30. What are your main species in terms of domestic supply in the last five years?
31. How important is import to your company compared with domestic products?
32. What are your main customers?

Information about the respondent

33. What is your position in the company?
34. How many years have you been working in the company?