

Aleksandra Postina

MARKET RESEARCH FOR PAPARAZZI MODEL MANAGEMENT FOR OPENING A SUBSIDIARY COMPANY IN SAINT PETERSBURG

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Abstract <p>Nowadays Finnish fashion industry is facing the problem of extreme diminishing of local market due to the decreasing of clothing manufacturing and production. Appearance of huge amount of international companies in the market and abatement of partnership between European countries in the sphere of fashion industry led to decreasing of demand for models and sophisticating of building successful career in this field.</p> <p>The main purpose of the thesis was to prosecute research in Saint Petersburg's market in the sphere of fashion industry in order to identify opportunities and threats of possible market penetration. The project was aimed to amplification of business activities of Paparazzi Model Management, which is one of the biggest model agencies in Finland based in Helsinki.</p> <p>The best solution of the main problem could be grounded on the investigation of Saint Petersburg as a completely new market. Qualitative research methodology is the constitutive approach to obtain needed information about opinions, beliefs and values of people from variable spheres of fashion industry and achieve the main objective of the thesis. Appliance of competitive intelligence and conduction of in-depth interviewing were chosen as techniques to explore market's specificities, competitiveness and spectrum of possible customers in order to frame detailed plan of opening new Paparazzi office in Saint Petersburg.</p>		
Keywords Market research, business intelligence, fashion industry, competitive intelligence, new market penetration, in-depth interviewing		

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1 INTRODUCTION

1.1 Background

Paparazzi Model Management is one of the biggest companies in Finnish fashion market. Company was founded in 1983 as the first model agency in the country by Laila Snellman, who had modelling career herself and is still successfully running the business. During three decades agency has been leading in Finnish market by providing contemporary beauties to the fashion industry both locally and internationally. Throughout the years of experience company had a lot of different services except hosting of the models, such as model school and organization of fashion events.

Nowadays Paparazzi specializes in providing of highly professional models for variable commercials, advertising and marketing campaigns, photo shootings and fashion shows. Furthermore, company cooperates with international model agencies all over the world, which are based in such fashion capitals as Paris, Milan, New York and Tokyo.

Model Business in Finland is a narrow sphere due to the size and particularities of the market. There are three main competitive model agencies except Paparazzi Company, based in Helsinki. Among them there are such companies as Brand Management, Fondi Models and Modelboom. Inasmuch as Paparazzi Model Management is the oldest and the most successful company in Finnish fashion industry, owners and employees of other agencies try to correspond with the current standards, dictated by it. Furthermore, all the main competitors started their carriers working with Paparazzi as booker or assistants in order to get significant experience. This fact reflects the importance and position of the company in the market.

Finnish fashion industry consists of variable spheres such as media printed materials, magazines and newspapers, clothing and design area, video commercials and different fashion events. All these spheres are directly related to the model business, because magazines use faces for editorial pictures and covers, clothing and design companies need models to present their products in catalogues and websites, marketing agencies prefer to use

professionals for commercials and advertisements as well as variable fashion shows cannot be conducted without participation of experienced models.

The basic principles of Paparazzi Model Management policy are grounded on such establishments as: the agency takes care of all negotiations with the clients and all the bookings. Also company organizes all the castings and go-sees for the model. The model does all the sorts of modelling assignments in Finland and in foreign countries. Furthermore, the agency will handle all works involving TV, radio and PR if such works interest the model and if he/she has to talent for them. Company markets the model to foreign agencies and will be the “mother-agency” of him or her.

According to the interview with Laila Snellman (2015), owner of Paparazzi Model Management, the company was interested in building and development of partnership with Russian clients for more than 10 years. Although, uncertainty of new market and lack of needed information were significant obstacles for achievement of this objective. The main purpose of the thesis is to conduct market research in order to help company to incarnate this idea real.

1.2 Research & Development Problem

One of the most significant problems nowadays in modelling business in Finland is drastic diminishing of local market due to the fact that Finnish companies do not manufacture so many clothes and other products as they used to. For instance, in the 70's and 80's Finland had the biggest clothing industry in the whole Scandinavia and now it has the smallest. The circumstance that there are a lot of foreign shops and labels being sold in Finnish market makes it hard for local brands to survive.

Consequently, demand for models has been decreased as well and nowadays it is really hard to have successful modelling career just on local jobs. The only one possible way to maintain the business is to send models abroad to work.

Moreover, close communities in fashion sphere on each European market are also affecting modelling business. It is becoming more difficult to maintain stable partnership with the biggest model agencies in the world's fashion

capitals because of economic and cultural problems in the whole industry (Godart 2012, p. 25).

Russian market completely differs from European trade. Notwithstanding, it is one of the most upcoming and promising market in the world and Saint Petersburg is the best illustration of this statement. As the cultural capital of the country, Saint Petersburg suits perfectly for market penetration in the sphere of fashion industry (Ernst&Young, 2010).

The best solution of the main problem can be grounded on investigation of Saint Petersburg as a new market in order to develop and expand business activities of Paparazzi Model Management.

1.3 Research & Development Objective

The main objective of thesis is to prosecute research in Saint Petersburg's market in the sphere of fashion industry in order to identify opportunities and threats of possible market penetration. Specifically, explore competitiveness in the market: identify the main companies, their structure, policy, market share and constitutive directions.

Furthermore, it is important to investigate spectrum of possible customers: which kind of companies are interested in cooperation, what do they expect and how do they prefer to work. It will help to get an overview of customers' wants, needs and beliefs.

Besides, knowing of market specificities is crucial as well. One of the purposes of market research is to get basic market information in order to understand supply and demand situation as well as define market trends (Hague, Hague, and Morgan, 2004, p. 20-23).

Eventually, implementation of market research is made for framing detailed plan of opening new Paparazzi office in Saint Petersburg. It means that it is important to identify the most suitable structure, policy and positioning of the company as well as way to conduct the business in the new market.

1.4 Research & Development Question

The main problem of the thesis can be formulated in the form of research statement:

What is the current situation in modelling business in Saint Petersburg and should Paparazzi Model Management Company open a new office there?

This question contains variable sub-questions, which disclose details of research and development process:

What is the structure of modelling business in Russia? What are the main particularities of Saint Petersburg' market?

What kind of customers can be interested in cooperation with Paparazzi Model Management? What are their expectations, wants, needs and beliefs?

1.5 Research & Development Methodology

In the particular case of implementation of market research the most useful approach is qualitative, because it seeks answers to all questions which were mentioned previously. Moreover, it helps to understand given research problem from the cultural perspectives by obtaining information about values, behaviours, opinions and social contexts of local population (Merriam 2014, p. 13).

Specifically, in-depth interviewing is the most effective method to acquire information when it is crucial to gain an insight into individual opinion of specific material as company's' structure, policy and culture (Hague, Hague, and Morgan, 2004, p. 60). The main target respondents are representatives and management of leading model agencies in Saint Petersburg.

Moreover, the owner of Paparazzi Model Management, managers and head bookers of international agencies and some of the models will be interviewed as well in order to have variable perspectives and opinions about the same topic.

Results of in-depth interviews give precise and specific answers about personal experience and knowledge of respondent, which has great

significance in this topic. Therefore, such quantitative methods as conducting surveys or questionnaires cannot encompass (Chrazanaowska 2002, p. 29).

Competitive Intelligence is one of the most significant aspects in the process of market research in the particular thesis. Basically, this approach allows comparing different kinds of businesses in order to improve and develop product or service of the company (Jenster et al., 2009, p. 159).

The main purpose of implementing Competitive Intelligence in this case is to compare three leading model agencies in Saint Petersburg (LMA, Select Deluxe and Skymodels) with Paparazzi Model Management using such criteria as structure of the company, spectrum of services, client and model bases and future perspectives.

As the main objective of the thesis is to conduct market research, the whole process is principally more practical than theoretical. Notwithstanding it is significant to justify statements and approaches as well as implement theory on practice, based on reliable sources.

Theoretical part of the work is grounded on principles of market research, in-depth interview conduction and benchmarking. Appropriate academic sources related to enumerated themes can help to investigate particularities of these topics, choose the most suitable approaches and improve the whole process.

Nowadays, scientific literature is the most reliable source to get useful information and usage of e-libraries simplifies accession to variable books and articles. Therefore, e-sources as online library of Kymenlaakson University of Applied Sciences, Kaakuri-database and Nelli-portal will be mainly used in the informational research.

2 BUSINESS INTELLIGENCE IN SETTING UP A SUBSIDIARY COMPANY IN SAINT PETERSBURG

2.1 Using Subsidiary Company as a market entry strategy

There are three variable possibilities for foreign companies to execute business activities in Russian Federation, such as setting up a daughter

company, opening a representative office or branch. In the process of choosing legal form of organization, it is important to evaluate advantages and disadvantages of each of them due to the main criteria: estimated duration of functioning, required investments and expenses, particularities of statutory documentation and taxation (Tax & legal, 2015).

According to Ernst & Young (2010) accreditation of representative office is usually implemented for a period of one to three years. This organizational form suits for companies, which do not intend to invest significant input into the Russian market immediately and prefer to appraise market potential first of all. In this particular case, owner of the company has possibility to conduct market research, establish partnership, make agreements and organize the whole network. According to the legislations of Russian Federation the biggest disadvantage is that representative office has no right to engage in commercial activities. Among available functions there are advertising and marketing of products or services of foreign companies, and realization of representative objectives.

Notwithstanding representative office is not the resident of Russian Federation, company is responsible to pay taxes. In addition to the registration with tax authorities, the whole process of accreditation includes enrolment to statistical agencies and state non-budgetary funds as well as opening bank accounts (Tax & legal, 2015).

For the first view, there are not a lot of significant differences between establishing branch and representative office. However, few details create disparity between these two types of business' accreditation. One of the main contrasts between branch and representative office is the legal right to engage in commercial activities. Moreover, unlike representative office, which can be opened for the fixed period of three years, branch can be set up for maximum five years with the right of term's extension. Despite this fact, branch does not become the resident of Russian Federation and independent legal entity (Ernst&Young, 2010).

Both representative offices and branches suit perfectly for certain sorts of business, which are mainly aimed on establishment of partnership or advertising purposes instead of realization of business activities within Russian market (Ernst&Young, 2010).

Another way to set up a business in Russian market for foreign companies is to formalize firm as a subsidiary company, whose liability is limited. The Limited Liability Company (LLC) is the most common type of legal entity with the fewest mandatory requirements, burdening owners of the company. Capital of LLC is divided into parts, which do not posterize as shares. This particularity significantly simplifies the whole process of registration and accreditation of the business. The part of each proprietor is determined by the size of contribution to capital (Iiskola 2015).

Value of holders' responsibility for the debts of Limited Liability Company varies due to their shares. One of the most important features of LLC is the right of every owner to acquire parts of the company if one of the participants announce about intention to sell share to third parties (Orlov 2011, p. 228).

Setting up of subsidiary company gives possibility to be complete part of the Russian market, with all advantages and responsibilities. Due to the main purposes of Papparazzi Model Management to enter the market and fully participate in business activities, Limited Liability Company is the most suitable type of legal entity to fulfil all required aims.

2.2 Importance of Business Intelligence

According to Steve and Nancy Williams (2007, p. 23), Business Intelligence is the multidimensional process of collecting data about researched question, analysing and transformation gained information into the knowledge in order to reach improvable and uncommon business decisions.

Business Intelligence includes variable tools and methodologies of gaining needed information from internal and external sources, analyzing and developing data to organize and visualize the results in the form of reporting and clear plan. It helps to simplify and optimize international decision making process in different aspects from operational to strategic by providing diversified established, current and upcoming views (Jenster et al., 2009, p. 135).

In new market penetration process Business Intelligence accrues special significance, because of wide spectrum of research questions. Obscurity

varies from the particularities of the new market itself to the details of documentary processing (Williams and Williams, 2007, p. 144).

In the particular case, Paparazzi Model Management aims to explore Saint Petersburg as a new potential market in order to develop business activities of the company. Consequently, the whole market research straightforwardly related to Business Intelligence. It is crucial not just to find needed information, but derive knowledge from it, which can help to arrive at unique decisions.

2.3 Introduction to Market Research

In a business sense, Market can be identified as a complex of all potential customers, having their own needs as well as possibility to satisfy these wants, and sellers, operating within the law and interlocking by certain financial and economic relations (Geetanjali 2010, p. 140).

Imms and Ereaut (2002, p. 29) maintains that Market Research is a process of obtaining and analyzing of information about variable aspects in order to develop solutions related to the elaboration of marketing strategy, planning and forecasting opportunities and threats in a particular market. The market research questions can refer to trends of market development, analysis of its structure, competitiveness and possible risks as well as demographic, economic, environmental and other factors affecting the dynamic processes in the market.

As suggested by Sarstedt and Mooi (2014, p. 12) the Market Research Process divides into seven concrete steps, starting by identifying and formulating problem, continuing by framing the research design, selecting method of data collection, gathering the information, analyzing the data, developing and presenting results, and ending with the follow-up.

Market Research is one of the steps of new market penetration process, which helps not just to get information about new market, but identify all the risks and threats. Expanding of business activities is always connected with possibility to bankrupt or suffer a reverse. This is the reason why market

research has to be done carefully and properly (Hague, Hague, and Morgan, 2004, p. 18).

As stated by Nair (2010, p.53) accurate, complete and forehanded market research provides:

- Clarity of the objectives
- Knowledge of the evidential advantages and weaknesses
- Selection of effective strategies
- Reduction of the risks, growth of customers' confidence

All the aspects above ultimately lead to long-term success of the enterprise and its sustainable authority in the business world.

In the whole marketing system, particular company, operating in the market, can not be considered separately, due to the complex of interrelations and all informational flows, which connect it with other subjects of the market (Imms and Ereaut, 2002, p. 10).

Armstrong and Kotler (2010) defined marketing environment as an aggregate of all dynamic subjects and processes, functioning outside of the company and affecting on business activities of the firm. Market research contains analysis of different aspects and there are a lot of variable methods and ways to conduct it. This is the reason why primarily it is crucial to identify the main objectives of the whole research.

According to Hague, Hague and Morgan (2004, p. 20-22), Market Research can be implemented by investigation of following factors:

- Industry and market environment
- Customers
- Target segment
- Product
- Price
- Competitors

Industry and market environment can be examined by analyzing of structure and capacity of particular market as well as by estimating of tradable trends and potential of the market. Customers' analysis includes observation of market demand; key market needs and expectations, and detailed study of the behavior and requirements of the target consumers. Conduction of target segments' analysis simplifies the process of choosing the right and most attractive segment for particular business (Hague, Hague and Morgan, 2004, p. 16).

Analysis of the product of the company is needed to improve and develop efficiency of production and identify market share in the segment.

Investigation of the price positioning of competitors and existing pricing structure in the industry can help to adapt and join the ranks of the major parties in the market, avoiding unnecessary losses (Nair, 2010, p. 9).

Competitor research is based on gathering data about existing and potential competitors in order to identify strengths, weaknesses and basic strategies of the main companies in the market. This information helps to elicit own advantages and disadvantages of the company and develop its services or products (Jenster et al., 2009, p. 31-35).

2.4 Competitive Intelligence as a marketing tool

Competitive Intelligence is a marketing tool to explore competitive environment through purposeful collection of information about competitors in order to improve managerial decisions as well as further strategy and tactics of business' prosecution (David and Amos, 2011, p.25).

The main concept of competition can be represented as a diagram of external factors, which influence on perspectives and threats to the business.

Therefore, intention of competitive intelligence should be extended not only to existing companies, but also possible future competitors, suppliers and customers (Murphy, 2007, p. 6).

Moreover, it is always important to remember that offering of resistance to competitor is more preferable than imitation of another company's activities,

because strategy of «advance» is more profitable than strategy of «overtake» in a long-term perspective (David and Amos, 2011, p.27).

2.4.1 Objectives of Competitive Intelligence

- Determination of genuine strategy of competitors in order to adjust own strategy

The genuine strategy is usually coinciding with the company's mission.

Understanding of the direction of competitor's development provides ability to determine the level of competitiveness on the particular business field.

Presumably, it is necessary to accelerate the project to preoccupy the field, or backwards not to start project and use resources to take another niche of the market (Johnson, 1995).

- Determination of competitors' potential

Customers believe that every company is able to produce one and only one good thing or provide one the best service notwithstanding the whole range of products or services particular company has. Therefore, the knowledge of this feature warns against aimless attempts in competition on this field. Knowing of the competitors' weaknesses is significant for discrediting of them, especially in the case if competitor uses weaknesses as a competitive advantage (Johnson, 1995).

- Determination of organizational, financial, technical and other details of competitive advantages of other companies for possible imitation or neutralization of them

If it is possible to identify how exactly company creates competitive advantage, what is this «secret element» in the whole complex of variable activities, this knowledge neutralizes the core relevance of particular competitive advantage (Statements on management accounting, 2007).

- Evaluation of the market capacity through the sum of competitors' shares

Tracking of changes in market capacity allows to understand better propriety of own actions: if market capacity is increasing and sales volume is unvaried, it means that something is wrong and competitors are invading market share. If market share is decreasing and sales volume is stable, it means that company is on the right way (Gilad, 2003, p. 16).

- Assessment of profitability of cooperation with variable suppliers, clients or customers

Knowing of circumstances of supply and sales of the main competitors helps to determine own conditions of collaboration with both sides. It is the most prevalent aspect of competitive intelligence and however it exists in every company (*Statements on management accounting*, 2007).

2.4.2 Classification of methods

There are a lot of variable ways to collect needed information about competitors. They can be divided into two categories: direct and indirect or external observation and penetration (Murphy, 2007, p. 25).

Direct methods include all ways of obtaining information through open and confessed sources. For instance, data about sales volume can be found in the annual report of any company.

Indirect methods contain ways of data gathering using related and supportive sources. For example, the real profit of company can be calculated from the official report of financial flows, inclusive of estimated expenses due to average market rates (Murphy, 2007, p. 27).

External observation is carried through investigation of competitor's business activities without any direct contacts (Fleisher and Blenkhorn, 2000, p. 7). As an example, in restaurant business company can check design and interior of rival café. On the other hand, penetration involves variable ways to collect information through straightforward contact with competitor.

The range of possible techniques to obtain the needed information and the list of variable sources is incredibly diverse. The most wide-spread open sources are mass media, print materials, Internet, different reports and statements.

The larger the object of competitive intelligence, the more information is published about it in open sources (Waters, 2010, p. 61-65).

Collection of company's private information is more laborious and complicated process, because it has to be planned carefully and accurately. Among all of the ways of obtaining private data there are such techniques as polling customers, suppliers and partners, interviewing former and present employees, other competitors or even management of the company (Murphy, 2007, p. 46).

2.5 Conclusions

There are three main rival model agencies in Saint Petersburg: LMA, SKYmodels and Select Deluxe. Due to the size and features of the market, particularities of model business itself and the main objectives of Paparazzi Model Management, Competitive Intelligence takes significant role in the process of Market Research.

For the proper penetration to the Saint Petersburg's market, case company needs to explore such aspects as industry and market environment, potential customers and clients, basic range of popular services in fashion industry in the particular market and potential development of the industry.

Obtaining of needed information can be implemented through variable methods and techniques, using direct, indirect, external observation and penetration in the same time. Combination of all these ways gives possibility to get reliable data for the further analyzing of it and eventually for development of company's business activities and adapting to the market (Nair, 2010, p. 56-57).

Specifically, monitoring of all social and mass media, related to the main rival model agencies in the market is crucial. Nowadays, majority of needed information can be found online, for instance, the whole model base of the agencies, including leading models and new faces, as well as, range of primal clients and partners of the companies. Moreover, it is possible to identify basic policy and future plans of the agency (Merriam, 2014, p.156). Also to explore

who manages the companies and which kind of marketing tools are used by them.

For disclosing of more detailed information, it is necessary to engage into the direct contact with competitors. For instance, to meet with managers, employees or models and conduct interviews with them in order to collect information, which can not be found from the open sources (Jenster et al., 2009, p. 36-37). Furthermore, it is crucial to contact people, involved in fashion industry in Russian market as well as European and Asian markets in order to acknowledge variable opinions of experienced people.

3 RESEARCH METHODOLOGY

3.1 Qualitative data acquisition method

Qualitative research is aimed on collecting, understanding and interpretation of the empirical data, which is based on opinions, thoughts and feelings of particular persons. Qualitative methods facilitate to examine a specific problem on the example of a relatively small sample of people (Merriam, 2014, p.13).

Techniques of qualitative data acquisition are flexible, because they involve direct interaction with individuals, which allows to control and transfigure the whole process. The main methods of collecting qualitative data involve in-depth interviews, focus groups, observations and action research (*Features of qualitative data analysis*, 2011).

Qualitative methods are based on unobstructed collection of information and they are focused not on statistical data and numbers as in quantitative research, but on the estimation of the competent people in a particular. Results of qualitative research are source of the efficient and productive ideas (Nair, 2010, p. 54).

In qualitative research such stimulating techniques as unstructured and indirect ways to ask questions are widely used, because they help researcher to disclose motives, beliefs, attitudes, preferences, values, satisfaction and problems of the respondents. Moreover, these techniques help to overcome such difficulties in communication as suppression of opinions and genuine

feelings, as well as to identify latent motives and implicit attitudes (*Features of qualitative data analysis*, 2011).

Due to the particularities of fashion industry, where opinions and interrelationships between people are more important than statistical facts, the most useful way to collect needed information is in-depth interviewing.

3.2 In-depth interviewing

Specificity of in-depth interviewing is based on the intense interaction between interviewer and respondent in the process of communication. In-depth interview can be realized in the form of thematic discussion and free formulation of the questions. The interviewer directs conversation in a particular course, focuses the attention of respondent on the main theme through the subsidiary topics, which gives opportunity to clarify all indistinct details and verify answers (Hague, Hague, and Morgan, 2004, p.60).

In order to carry out in-depth interview, examiner can use variable techniques to facilitate the enervation and disclosure of the respondent. It is necessary to create the most comfortable atmosphere for the person to elicit sincere and honest answers (Nair, 2010, p. 68).

According to Merriam (2014, p. 90), in-depth interview unlike structured enquiry allows to pervade more deeply into psychology of the respondent and better understand point of view, attitudes, beliefs and stereotypes of the person. In spite of the time-consuming preparation, implementation and analysis needed for in-depth interview (compare to other techniques such as focus group), it is especially useful in situations, where the atmosphere of group discussions is undesirable. It is necessary in the study of certain topics and problems, which are not widely spread in publicity, or when the individual point of view may significantly differ from the society accepted opinion.

Hague, Hague and Morgan (2004, p. 69-71) identified the main advantages and disadvantages of in-depth interview, which are listed below.

Advantages of in-depth interview:

- The ability to conduct interview without strictly planned scheme

- The ability to communicate with respondent using habitual to him or her language and vocabulary
- Attainability of “hard-to-reach” and busy respondents
- Obtainment of personal information and identification of subjective opinion
- The ability to use variable techniques such as visual or verbal associations
- Possibility to get qualitative information on a wide range of topics

Probable disadvantages of in-depth interview:

- The personality of interviewer can affect on respondent’s behavior, attitude or questions
- Inability to study opinions of large amount of respondents
- Long duration of research and collection of information
- Difficulties in analysis

3.3 Preparation and Implementation

According to Merriam (2014, p. 114), it is necessary to identify the most crucial aspects of interview beforehand, such as:

- essential information (what is needed for the research?)
- range of respondents (who can help to find needed information?)
- existent information (what is already known or could be found through the other sources?)

It is important to compose general plan of interview, to identify the main topics of discussion and make the estimated question list, which can direct the course of interview and disclose required answers of respondents (Hague, Hague, and Morgan, 2004, p. 68).

One the most significant aspects is accurate selection of respondents. It provides time-saving and maximal amount of needed information.

Due to the particularities of the research, diversified data is needed, which is based on opinions and perceptions of people involved into the fashion industry (Merriam. 2014. p. 95).

Respondents should be experienced professionals of their concernment, but from variable spheres of the industry. It is crucial to conduct interviews with managerial personnel such as owners of agencies, directors and head bookers as well as with people working in other circles: models, photographers, stylists and designers. This approach will allow to compose the most precise and reliable vision of the situation in the market. Moreover, it gives possibility to identify opportunities, threats and competitiveness of the industry (Opdenakker, 2006).

Accordingly, the list of respondents was composed, which consists of representatives of the main rival agencies in Saint Petersburg, such as Daria Shebina - establisher of SkyModels agency; Michel Levaton - owner of Metropolitan Models agency in Paris; experienced international bookers; models from all over the world, working with Russian agencies as well as with leading agencies in Europe, Asia and America.

Also famous photographers, stylists and designers of different brands were among the respondents. Furthermore, one of the most significant interviewed persons was Peter Iskola, the director of business consulting firm in Saint Petersburg.

Due to the diversification of needed information for the research and multifaceted selection of respondents, questions for interviews were resolved into the themes according to the specialization and spheres of all pollees (Hague, Hague, and Morgan, 2004, p. 68).

Thuswise, the main purpose of interview with representatives of agencies in Saint Petersburg is to explore the situation in local market, questions are related to such subjects as:

- attitude towards the main competitors
- the main business strategies
- methods to cooperate with clients
- interaction with models
- ways to attract new faces
- partnership with agencies abroad

- profitability of fashion business in the local market
- opportunities and threats
- potential of the market

Interviews with models working in Russian market can help to understand how industry is functioning internally. Comparatively to the data, acquired from models working abroad, it is possible to identify following aspects:

- differences between variable markets
- preferences of models and reasons why
- advantages and disadvantages of several markets
- international agencies to cooperate with
- obstacles of the work

Representatives of international agencies can provide crucial data about variable markets from the professional point of view. Moreover, it is important to elicit attitudes towards partnership with Russian companies and concernment to Russian models. Furthermore, such interviews can broaden the range of potential partners in the future.

Other respondents, such as photographers, stylists and designers possess significant information related to the posture, development and potential of the industry in general. They can disclose present and upcoming trends in the industry, what is popular nowadays, which kind of appearance is sought-after. With the help of this data, it is possible to simplify election of models and search of new faces. Moreover, interviews with these people can be useful for building acquaintanceship among representatives of fashion industry.

One of the most effective interviews from the practical point of view is a discussion with Peter Iskola, owner and chief manager of business consulting firm in Saint Petersburg, which specializes on assistance and support mainly Finnish companies to establish new business or launch a representative office in Russia. Years of experience on the business field can help to find answers for such questions as:

- possible legal forms of organization and the most appropriate in the particular case
- effectuation of the establishment process
- economic situation in the market
- influence of political situation on fashion industry
- financial risks of the enterprise
- estimated investments

In order to retrench the time and also to be prepared and informed before interviews, it is needed to identify available information and carry through the pre-research (David and Amos, 2011, p.30). Due to the development of social media nowadays, the easiest and fastest way to acquire basic required information about competitive agencies, foremost models and chief personalities in fashion industry, is to make precursive research in the internet (Opdenakker, 2006).

Present pre-research about the main competitors in Saint Petersburg was executed with purpose to explore the main business activities of the companies, range of their clients, model base and experience of the managerial personnel.

All the interviews were conducted in the informal atmosphere, more often in cafes and coffee shops. Such unconstrained atmosphere allows respondent to be maximally relaxed and open during conversation. Frequently, when interview is conducted in more sequestered place such as office or business center, person could feel uncomfortable and retire into a shell (Hague, Hague, and Morgan, 2004, p. 66-67).

The main interviews were voice recorded with the consent of the respondents. At the beginning of the interview, the person could feel uncouthly, but in the course of communication, which was turning into a friendly conversation, the respondent fell more and more comfortable, even forgetting that the conversation was being recorded (Merriam, 2014, p. 109-110).

Furthermore, during all the interviews, the most crucial information was noted. It is important to emphasize, that data was epitomized in the key phrases,

facts or numbers in order not to confuse or interrupt the respondent with incessant handwritings, because it may cause interviewee's unpleasant perception of disinterest or distraction (Hague, Hague, and Morgan, 2004, p. 67).

Occasionally, it happened that some of the interviews could not be recorded or noted because of unexpected meeting with the one of respondents or relevance of unconstrained conversation. Notwithstanding such incidents, the most significant information was noted straightway after the interview (Merriam, 2014, p. 109-110).

4 RESULTS AND ANALYSIS

4.1 Comparison of the results

According to the amplitude of acquired information and diversity of the respondents and their answers, it was concluded to distinguish the results into the categories related to the groups of interviewed people in order to simplify process of comparing (Hague, Hague, and Morgan, 2004, p. 175-176).

Thuswise categories are divided into the parts due to the main occupation of the respondents: managerial personnel (representatives from Saint Petersburg's agencies and international agencies), models (variable nationalities), fashion industry professionals (photographers, stylists, designers).

In order to clarify and compare the results for the further analyze, the most crucial and useful information was structured and set in the tables which are given below. Table 1 shows the main results of interviews with managerial personnel from variable agencies in Saint Petersburg and other markets in the world.

Table 1. Comparison of the results of the interviews with managerial personnel

Aspects	Managers of Saint Petersburg's agencies	Managers of the international agencies
Situation in the local market	The local market is still in process of development. Over the past 10 years the fashion industry in Russia has changed dramatically	European and Asian markets are relatively stable. Confessedly, industry is changing constantly,

	<p>for the better. Nevertheless, profitability of business in fashion industry is tremendously low. In order to be successful in Russian market, agency should extend business and work in Moscow, because all the biggest and most important clients are based in the capital as well as the most popular media.</p>	<p>but it is necessary just to indicate the alterations.</p>
Competitiveness	<p>There are three the main competitors: LMA, Select Deluxe and SkyModels. Competitiveness is restrained and auspicious, agencies are collaborating and facilitating each over. Otherwise, due to the years of experience and approved image, these companies monopolize the market.</p>	<p>Competitiveness is intense due to the amount of reputable experienced companies, operating worldwide, such as IMG, FORD, Elite, Dna, Major, Women, Next, Silent, Wilhelmina and so on. It creates extremely rival atmosphere and requires persistent ambition.</p>
Attraction and scouting of new models	<p>New faces can be detected through castings, which are prosecuted every week in the agency and social media research. Moreover, the best graduates of model school are engaged as new faces. Sometimes, needed person can be found even in the public place.</p>	<p>Most of the agencies are scouting models worldwide by sending head booker to visit the main agencies of each country and to conduct castings. Furthermore, international agencies maintain partnership with other agencies all the time and practise exchange of models constantly. Apparently, new faces can be found through local castings or social media research as well.</p>
The main business activities	<p>According to unprofitability of the market, the main commercial business activity of agencies is conducting of model schools. Apparently, there are particular jobs in the local market, which are beneficial mainly for models' experience, improving of the book and minimal revenue. Otherwise, companies aspire to collaborate with international agencies and send models to work abroad for the rate from variable jobs.</p>	<p>Substantially, agencies collaborate with variable brands and companies, which are interested to hire models for photo shootings, TV commercials, fashion shows or showrooms. Some of the agencies represent actors, sportsmen and media personages.</p>
Clients	<p>Local brands, events and fashion shows, e-commerce, local magazines</p>	<p>Famous fashion brands, international and local companies, fashion weeks, printed media, e-commerce, TV channels</p>
Partnership with agencies abroad	<p>Agencies strive to send new faces to Asian markets such as China, Taiwan or Japan. These markets do not require a lot of experience or strong portfolio from models, contrariwise they give these possibilities to</p>	<p>International agencies have offices in all the biggest markets worldwide, which divest necessity for partnership. Although most of the agencies collaborate with other companies in order to</p>

	beginners. After gaining some experience, model can be sent to Europe in order to work with international agencies.	exchange models and expand model base.
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Crucial information was acquired through conduction of interviews with models working in different markets in the world and comparison of the results according to such criteria as attitude towards fashion industry, estimation about agencies in particular markets, preferences of models and their opinions about advantages and disadvantages of variable markets (Table 2).

Table 2. Comparison of the results of the interviews with models

Aspects	Models working in Saint Petersburg	Models working worldwide
Attitude towards the industry	There are not a lot of jobs in the market and wage is objectively low. Although Saint Petersburg is a great place to start career, to make test shootings for the book and to get some experience before going abroad.	Fashion industry is difficult to work in both physically and mentally. The pressure of competition and inability to be at home because of constant trips make this profession stressful. Notwithstanding, modelling is appreciated as the one of the most interesting, absorbing and exciting spheres to be involved in.
Estimation about agencies in particular market	Most of the models are working with the main three agencies, which are listed before. Some of the respondents were unsatisfied with the treatment from the agency such as impolite handling, dilatory career development or perforce to pay for model school before collaboration. In spite of this, majority of models are satisfied with their mother agencies.	Majority of the models are satisfied with their agencies, because most of them were working with variable companies before choosing the one. Sometimes misunderstandings between models, managers and bookers could appear and in some cases conditions of the contract are relatively strict. Nevertheless, all these problems can be solved.
Preferences	Most of the models working in the market appreciate being with local agencies, but they aspire to go abroad and collaborate with international agencies. It is honourable in the fashion industry to work on such markets as Paris, Milan and New York.	Majority of models are interested to collaborate with the most famous and well-known brands in order to promote their career and upgrade to top and super models.
Advantages of particular market	There is a great possibility to build up a book organizing photo shoots with local photographers and to get some experience participating in fashion shows for further career. In the same time, models are able to carry on studying or other occupations.	Working in the biggest markets of the world is an excellent chance to make and develop career, achieve great purposes and success. Furthermore, it gives opportunities to collaborate with famous international brands and companies, meet

	Moreover, it is possible to stay with family, relatives and friends.	interesting people and find useful connections.
Disadvantages of particular market	There is no profitability or income in the market. Sometimes the level of brands is too low for the fashion industry worldwide or photos from the work and test shooting are not suitable for model's portfolio.	There is an intense competition due to the amount of experienced models and agencies. Work requires a lot of traveling, which means separation from family. Industry sturdily depends on the season, trends and other aspects, which leads to instability and unpredictability of preoccupancy and proceeds.

Table 3 demonstrates the main results of the interviews with professionals working in fashion industry such as photographers, stylists and designers. The main objectives of conducted interviews were to determine present and upcoming trends in the industry and identify attitude towards Russian models.

Table 3. Comparison of the results of the interviews with professionals of fashion industry

Aspects	Professionals of fashion industry
Present trends	<p>Most of the respondents replied that nowadays beauty trends are divided into two segments: classic and alien beauty.</p> <p>Classic appearance is more commercial, oriented on mass market (advertising, lookbooks, catalogs, campaigns, promotions). Classically attractive models usually have face and body, appropriate to common standards (90-60-90).</p> <p>Alien beauty is more artistic and extraordinary, oriented to specific customers. Such models have some distinctive particularities as big ears, unproportional face, lots of freckles and so on. These unusual models don't need to be beautiful, sometimes they can be even ugly to conventional customers. Despite if this, such appearance can be suitable for variable magazines and editorial, fashion shows or campaigns and advertising of unique designers.</p>
Upcoming trends	<p>One of the most significant changes happening now in the industry is redevelopment of beauty standarts. It is not popular anymore to be incredibly skinny and to have unreal proportions of the body. Women was struggling with personal problems, aspiring to look like models, but actually all those ideals were made up in a photoshop. This is the reason why healthy looking models are becoming more and more demanded on the market. Although the craze for alien appearance is still increasing. For instance, bald female models and long-hair male models, unusual faces and peculiarities of them.</p>
Attitude towards Russian models	<p>Majority of the respondents suppose that Russian models are open-minded, talented, mostly classically beautiful and really purposeful. Notwithstanding, most of the models coming from Russia are not able to speak English properly or do not know it at all, which complexify mutual understanding and the whole working process. Nevertheless, not in vain the biggest percentage of female models all around the world comprises from Russia and post Soviet Union countries.</p>

4.2 Analysing of the results

Analysis of the interviews was implemented through the comparison of results, which were categorized into variable themes due to the particular questions and diversity of respondents (Merriam, 2014, p. 176).

First of all, results of the interviews with managerial personnel of agencies in Saint Petersburg and international agencies were analyzed in order to identify opportunities and threats in the local marketing other markets as well.

One of the most important inferences is irrationality of insistent work in the local market in Saint Petersburg due to the reason that market is still developing, spectrum of clients, profitability and income are objectively low. Notwithstanding, this circumstance that there are a lot of beautiful and talented girls in Russia and specifically in Saint Petersburg makes the idea of opening a subsidiary company in the particular market efficient.

It is crucial to notice that the main business activity in particular case should be oriented mainly to the cooperation with international agencies in order to send models to work abroad. Despite size and condition of the local market, it gives great possibilities for new models to gain needed experience and make required photos for portfolio. The results of the analysis denote the importance of collaboration with Asian agencies, because Russian models are sought-for in such markets as China, Taiwan or Japan (Bak, 2016).

Usually Paparazzi does not work closely with Asian agencies due to the facility of partnership with European agencies (Snellman, 2015). Approach to the Saint Petersburg's market signifies relevance and profitability of cooperation with agencies in variable Asian markets.

According to the positive competitiveness in the local market, it is important to establish relations with the main rival agencies in Saint Petersburg with the view to cooperate in the future with the main office of Paparazzi Model management in Helsinki.

Due to the results of interview with Daria Shebina (2015), the main business activity of all leading agencies in Saint Petersburg is running of model school. It creates significant competitive advantage because it discloses professionalism of Paparazzi and interest in proximate work, not just in

making profit by giving promises to every girl, who dreams to become a model and goes to model school but actually does not have required criteria.

Furthermore, the main competitors pay a lot of attention for organization and running of model schools and it decreases their competitiveness in the spheres, which are attractive to Paparazzi.

In the local market new faces are attracted mostly through open castings conducted in the agencies, which means that young people are interested to be involved in fashion industry and they are not scared of this sphere anymore as it was fifteen years ago (Haidarova, 2016). This significant change simplifies the whole process of scouting and attraction of new models, but in the same time it emphasizes importance of online marketing.

Analysis of the interviews with models evinced dissatisfaction of work in the local market due to the lack of jobs and unprofitability. All models aspire to work abroad, but majority of them are discontent with perforce to study in model school and pay for it. Especially, when there are no changes and results after graduation (Haidarova, 2016). This situation entirely increases competitive advantage of Paparazzi Model Management. The main positioning of the company is international model agency interested in advance of Russian models into variable markets worldwide without any precursive payments.

Most of the models working in the biggest European markets suppose that modelling is extremely hard profession both mentally and physically. This is another reason to send new models to Asian markets due to the greater possibilities to develop portfolio with new photos according to the biggest amount of jobs compared to European markets. Moreover, it allows to reduce the risk of psychological pressure and stress caused by competitiveness, which is extremely high in Europe (Haidarova, 2016).

Furthermore, particularities of Asian markets create favorable domestic conditions such as comfortable living in model apartment, daily transportation by agency's car, personal attendance of booker in every casting and job, while in Europe models are absolutely independent and responsible for all these aspects (Bak, 2016).

The analysis of discussions with fashion industry's professionals confirm suggestion that Russian models are successful in variable markets worldwide due to their innate beauty, open-minded and hard-working personalities, purposefulness and talents. Singular but crucial disadvantage of majority Russian models is lack of knowledge of English. It reduces possibility to communicate, which is extremely important in the fashion industry (Levaton, 2015).

Furthermore, beauty is not the most important requirement for a good model in contemporary fashion industry. Contrariwise, such components as personality, features and particularities of character and charisma are crucial indeed, because the biggest companies in a fashion world are interested to be represented by personality, not just a face. Moreover, it is important to have some acting skills or talents like achievements in sport, dancing or music, because it can be useful for many jobs (Levaton, 2015).

Consequently, all these features make Saint Petersburg an ideal place for scouting of new models due to the fact that level of education and knowledge of English is one of the highest in Russia. Furthermore, Saint Petersburg is the cultural capital of the whole country and reputable historical city, where there are a lot of possibilities for self-development in cultural and creative ways. This is the reason why it is easy to find not just beautiful, but talented and interesting people in Saint Petersburg, and this is exactly what Paparazzi is seeking for.

Fast development of Saint Petersburg as a cultural and creative center of Russia gives opportunities for collaboration with talented photographers and young designers, because collective projects with them can help to develop models' portfolio and give them needed experience in front of the camera and on the runway. Moreover, such partnership gives opportunities to expand business on the local market in the future.

As it was suggested by Peter Iiskola (2015), the most appropriate way to establish existent European enterprise in Russia is to formalize it as a Limited Liability Company. Setting up a subsidiary company allows to be a complete part of the market and satisfy all purposes of Paparazzi Model Management.

Moreover, professional advices of business expert redounded to compound the following list of recommendations:

- One of the partners should be Russian nationality in order to establish LLC
- In order to decrease expenses, it is needed to engage accountant by perforce
- Office should be rented in the historical center of the city (rent varies from 700 to 1500 euro per months)
- The total investment amounts less than 10000 euro
- Payback period is 1-2 years
- The risk of enterprise is small, but it exists
- Political situation in Russia does not have great influence on the particular industry

4.3 Implication for Paparazzi Model Management

According to Imms (2002, p.12), the main purpose of every market research is to collect information, analyze it and principally apply gained knowledge on practice. In the particular thesis the main objective of the whole research was determine efficiency of new market penetration and identify the most important aspects for the implementation.

In order to simplify the description of suggestion for the Commissioner, advises and calculations were divided into parts and organized into the tables. Useful practical recommendations as well as legal aspects are represented in the Table 4.

Table 4. Practical and legal recommendations

Practical recommendations	Legal aspects
<ul style="list-style-type: none"> • Pay attention to online marketing <ul style="list-style-type: none"> - Facebook (new profile in Russian) - Vk.com - Instagram • Translate website to Russian 	<ul style="list-style-type: none"> • Limited Liability Company (LLC) is the most appropriate type of organization • One of the partners should be Russian nationality • Period of documentation varies from 2 to 4 weeks

<ul style="list-style-type: none"> • Organize grand opening party and invite people involved in the fashion industry • Visit different events to find acquaintanceship among people from variable spheres • Collaborate with universities in order to advertise agency and to attract new models • Scouting for new faces in the social networks • Establish connection with Asian agencies 	<ul style="list-style-type: none"> • Accountant is needed periodically, it is unprofitable to hire employee for permanent contract • Registration is done by the Tax authorities, which keep the United State Register • Company also shall be registered with State Committee for Statistics and three non-budgetary funds (Pension fund, Obligatory Medical Security fund and Social Security fund) • Minimum authorized capital for LLC is 10000 roubles (around 125 euro)
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New market penetration leads to expenses and opening a subsidiary company of Paparazzi Model Management requires investment. In order to structure this information and demonstrate it to commissioner, general input is presented on the Table 5.

Table 5. Investment and Expenses

Title	Amount
Processing of the documents	200 euro
Rent of the office	1000 euro / month
Bookkeeping	500 euro
Restoration of the office	3500 euro
Equipment	2000 euro
Salary	1500 euro
Other expenses	1000 euro
Total	9700 euro

Data presented in the Table 5 is approximate and can vary due to the practical circumstances or conditions. Notwithstanding total estimated investment should be less than 10 000 euro, which is relatively small input and in this case risk of bankruptcy is not considerable.

Furthermore, one of the biggest practical problems was implementation of first castings, because in the beginning it is important to sight and evaluate potential models, but the question was where and how to do it. Among all the ideas regarding to this problem, there were such suggestions as organization of casting in hotel or rented lodgment, but due to the Russian mentality, these options are not acceptable. Most of the young people are afraid of being beguiled and unfortunately such incidents are still happening. This is the reason why hotel or rented place are associated with affaire.

With a view to avoid such misunderstandings and incredulity, collaboration with one photo studio in Saint Petersburg was established. This is a new studio close to the center of the city and they are interested in cooperation with Paparazzi Model Management in order to make photos of new models and develop their portfolio. It means that studio provides the place to organize and conduct castings. Moreover, photo studio will arrange shootings for new models to make basic photo and video material for model portfolio.

5 CONCLUSION

5.1 Summary

The main purpose of the thesis was implementation of market research in order to identify answer for the primal question stated in the beginning of the project: What is the current situation in modelling business in Saint Petersburg and should Paparazzi Model Management Company open a new office there?

Results of the prosecuted research and analysis of collected information confirmed practicability of establishing subsidiary company with the clause that the company should be oriented on scouting and attraction of new models in order to send them work abroad with the international agencies due to the unprofitability of working in the local market.

Usage of academic literature and reliable sources facilitated to compose indispensable theoretical base in order to carry through the practical part of the thesis. Theoretical preparation helped to identify relevance of qualitative research, importance of Competitive Intelligence and convenience of In-depth interviewing.

Competitive Intelligence helped to identify strengths and weaknesses of the main rival model agencies in Saint Petersburg and determine the opportunities for Paparazzi as well as create competitive advantage. Furthermore, it allowed to determine the particularities of the local market.

Implementation of In-depth interviewing disclosed needed information for the research, also helped to establish important acquaintanceship with representatives of the leading agencies in the world and denoted that they are interested in cooperation with Paparazzi Model Management in the future. Moreover, results of In-depth interviews exceeded expectations regarding to quality and quantity of obtained information. It facilitated to gain a lot of new theoretical and practical knowledge.

5.2 Suggestions for the further Research and Development

The main particularity of the thesis and conducted market research is practical significance of the results. Collaboration with Paparazzi Model Management was aimed not just for practical purposes, but mainly for factual opening of subsidiary company in Saint Petersburg.

Realization of the main idea and appliance of the market research results are estimated to be prosecuted in 2016 year. First of all, Laila Snellman, the owner of Paparazzi and head bookers of the company Jari Leskinen and Claudia Snellman are planning to make a business trip to Saint Petersburg in order to evaluate opportunities and threats of proposition. In the same time, first castings could be conducted with a view to select potential models and start the process of opening a subsidiary company.

The most significant personal achievement of the work is the decision to establish business in Russia with Laila Snellman as equal partners and to divide responsibility, shares and investment reciprocally. Next step in further

development is to apply all the results into the practise and obtain success in modelling business.

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APPENDICES

Appendix 1. Interview plan and questions

a) Introduction part

- Presentation of myself
- The main objectives of interview
- Small talk about abstract themes in order to maintain personal contact

b) The main part

1. Your company has been involved in the sphere of modelling business for many years. How did your story begin? How did you come up with the idea to open model agency?

2. How did your business develop? Did it take long to acquire stability: built up model base and set up partnership with clients?

3. Which structure does company have at the moment? In which kind of constitutive directions is company specializing?

4. What business activity is the most prior for the company? (Hosting of models, organization of shows and fashion projects, model school, putting quarters out to lease or something else)

5. Which criteria are the most important in the process of models' casting? How does that process go?

6. What is more important for the agency: forming the strong base of models or searching for the new faces?

7. Can you describe the ideal model for you? What is the most important in obtaining successful career in modelling nowadays?

8. How much work do models have? How often do they have projects? How much projects in average does one model have per month?

9. Which kind of clients does company have? Which principles do you have in business communication? Do you have regular customers?

10. What conditions do you have in making deals? Is price for hosting of models fixed by hours of work or amount of projects?

11. Does company cooperate with foreign model agencies? If yes, with which agencies and how is partnership realized?

12. Is competitiveness strong in the market? What are main competitors for the agency?

13. Is the competitiveness aggressive or fair in the sphere of fashion industry in Russia and particularly in Saint-Petersburg?

14. Does agency operate in Moscow's market or everything is mainly concentrated in Saint-Petersburg?

15. How did the sphere of fashion industry change during the last 10 years?

16. How do you conceive company in the next 5 years? Do you have exact future perspectives and plans?

17. Russian market usually differs from other markets in every sphere of business. Which are the main particularities in this sphere in your opinion?

18. Do you have something important to tell about model business and fashion industry in Russia?

c) Final part

- Conclusion of the conversation
- Gratitude for cooperation
- Feedback from interviewee