

Saimaa University of Applied Sciences  
Unit of Tourism, Imatra  
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**WAYS TO ATTRACT RUSSIAN BUSINESS  
CUSTOMERS FROM SAINT PETERSBURG AND  
MOSCOW REGIONS TO SWEDEN ON THE BASIS  
OF RESTRICTED BUDGET**

Bachelor's Thesis 2011

## ABSTRACT

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Ways to Attract Russian Business Customers from Saint Petersburg and Moscow Regions to Sweden on the Basis of Restricted Budget, 57 pages

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Russian tourists have become one of the major targeting segments in Sweden. They generate an enormous amount of profit to Swedish businesses. Due to that fact the interest of Swedish SME's in Russian leisure and business tourists has grown.

The study is oriented on the business travellers from Russia and contemplates the variety of marketing options on the restricted budget for the Swedish partner NW Production.

Firstly, the Russian outbound travel patterns to Sweden were examined on the basis of secondary data. The findings reveal the tendency of the increasing outbound travel of Russians, however, the number appeared lower in the times of the economic recession.

The investigated areas in marketing to Russian business customers include print and internet advertising, participation in the tourism trade fairs and the possibilities of partnership. The research uncovers the difficulties of marketing in Russia, the reliability of Russian media channels and the advertising trends.

It was found that advertising in Russian media is more reliable than other marketing channels; however, the information from the official web pages was trusted the most. The internet penetration creates a trend of advertising online with the precise geographical segmentation. In addition, the difficulties in establishing partnerships were defined, nevertheless, participation in trade fairs tended to be efficient in establishing partnerships.

Keywords: Russian outbound travel, Business customers, Marketing, Sweden

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# 1 INTRODUCTION

The topic of my research is “Ways to attract Russian business customers from Saint Petersburg and Moscow regions to Sweden on the basis of restricted budget”. The topic is encouraged by the partner and represents the interests of the company and the student.

The thesis favours the development of the tactics to attract business customers in the economically scarce conditions of the organization. Limited budget gives a framework to operate with. No matter how small or big the budget of the company is, it might still seem restrictive (Katz & Katz 2000).

The scope of the following research is Saint Petersburg and Moscow regions. Russia is a vast country that has received travelling freedom quite recently. This freedom does not mean an easy access to the destination; however, it has now become usual for Russians to spend their holidays and even do business abroad. For Russia, tourism is just a beginning, and even though the Western Russians have seen some of the world, there is a large group of Eastern citizens of the country that has not travelled abroad (UNWTO 2009).

The Western Russia nowadays is transforming into a business playground, more and more business enterprises, both big and small are opened. Many of those companies feel the need to cooperate with international firms, all for different reasons, some for knowledge and some for money. In return, the European colleagues grow interested and would like to explore the possibilities of cooperating (Swedish Trade Council 2008).

However, before entering any kind of a market a very extensive and deep research should be performed. There is a clear lack of research concerning Russia’s tourism pattern and especially business tourism. The country does not own the most extensive network of distribution and marketing channels. That is the reason why some of the enterprises never deal with Russian customers. Not because they do not want, but for the reason of being scared to enter the unknown area (Fallon & Jones 2004).

This work is intended for the Swedish small and medium enterprises (SME's) in tourism and especially the partner company NW Production. Russia is one of the target markets of the entire Swedish tourism industry and considered as one of the most attractive and yielding markets for the country and such cities as Stockholm and Malmö (Swedish Tourism Board & Stockholm visitor board). There are plenty of companies operating in the field of business tourism in Sweden that desire to enter the Russian market but due to different reasons hesitate to do so (Swedish Tourism Board; Swedish Trade Council 2008). The thesis is focused on exploring the possibilities of marketing in Saint Petersburg and Moscow area in Russia.

### **1.1 Justification for researching the topic**

In the current economic situation, with its onrush progress and increasing wealth of different companies, small firms are sometimes left forgotten in the field of global players in the market. However, they might have generated quite a share of customers to work with and can be very important in the industry.

Nowadays, when the European companies know enough about Russians as leisure tourists, they realize an enormous amount of possibilities of outbound business tourism as the number of business tourists grows (The Russia Federal Agency for Tourism).

Conference and event market is becoming more and more popular in the 21st century. We cannot leave it behind. Business customers in Russia are harder to reach. It is a common occurrence that all the preparations for the business trip are done by the secretary (UNWTO 2009). The tradition of employing professionals to do that job is very new, but becomes popular rapidly.

There are many complications when it comes to reaching the Russian customers, such as the poor knowledge of the English language (Swedish Trade Council 2008). However, the biggest problem is the lack of research,

which is a serious constraint for international cooperation and international business (UNWTO 2009)

Since most of the tourism companies in Sweden are SME's it sometimes means a lack of resources and sometimes being limited by financial capital to conduct this kind of work (Grängsjö & Gummesson 2005)

The following thesis helps the small and medium Swedish tourism enterprises to enter the tourism market in Saint Petersburg and Moscow regions and uncovers the most economically efficient ways to attract business customers.

## **1.2 Aims and delimitations of the research**

The aim of the work is to contribute to the partner by finding out and characterizing the cheapest ways to attract Russian business customers from Saint Petersburg and Moscow to have their conferences and events in Sweden, preferably in the Malmö area.

The work is intended to provide Swedish SME's in tourism with relevant information about the current situation in Russia (Saint Petersburg, Moscow) which in turn will facilitate the cooperation and awareness of the markets.

The research is restricted by geographical basis. It is concentrated on attracting the customers from Western Russia, particularly the Saint Petersburg and Moscow regions. This segmentation relies on the fact that most travellers come from the above mentioned areas.

The research is limited on the financial basis. The partner company is rather small and has very limited financial resources to implement any kind of activities that could help in acquiring customers from other countries than Sweden.

### **1.3 Research methods**

The research is predominantly qualitative, however, some elements of the quantitative research can be found.

Methods of the qualitative research are extensively used in the study and underline the explorative nature of the work (Horner & Swarbrooke 1996) The methods describe and uncover the complex reality of the customer's behaviour and assist in finding out the most appropriate ways of marketing on the restricted budget (Katz & Katz 2000)

The research employs content analysis as a method to analyse statistical information and literature. The method has been used to provide relevant information concerning the current situation in Russia from the perspective of tourism.

The research does not tend to explain numeric data.

## **2 BUSINESS TOURISM**

Business tourism is the fast growing sector within the tourism industry. Consequently, undertaken business trips are increasing in numbers and are amongst the most popular (Davidson & Cope 2003).

The World Tourism Barometer and World Tourism Organization (UNWTO), however, announce the huge impact of the economic downturn which effected tourism worldwide (World Tourism Barometer 2009)

In the last economic recession business tourism has suffered a lot. According to "The transnational", a multinational travel newsletter's study "Global business travel to recover slowly after 2010", the global business spending will increase

by 6.2 % from a recession depressed 2009, to 896 billion USD. Researchers expect the global figure to surpass the 2008 peak of 925 billion in 2011 (The Transnational).

The announced statistics reveals that in the year 2009 the share of all the trips are undertaken on the professional or business basis is 15 per cent, which indicates a clear decay in some countries, but not in the world (World Tourism Barometer 2010).

Russia is clearly losing in numbers. The prognosis claims the decrease by 4 per cent in business tourism spending in the years 2008-2013 which is the lowest indicator of the study (The Transnational).

## **2.1 Definitions**

The World Tourism Organization gives its own definition and determines tourism as 'a social, cultural and economic phenomenon related to the movement of people to places outside their usual place of residence, pleasure being the usual motivation' (IRTS 2008).

The definition given by the International Forum of Travel and Tourism Advocates (IFTTA) is more precise and describes tourism as 'the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited and also refers to the sector of the national economy with complex functions that unites a number of goods and services, offered for consumption to those people'(IFTTA Glossary).

The most common tourism concepts are the leisure tourism and the business tourism. These two tourism types are particularly different and possess features that help us to find out what the difference between the leisure tourism and the business tourism is and to increase awareness level on the studied subject.

Despite the clear difference in the leisure and business tourism, those two distinct areas in tourism are often interrelated. Such, for example, business tourism often involves leisure, mostly visiting attractions, historical sights or other places of interest (Horner & Swarbrooke 1996).

According to many sources leisure tourism is primarily done for recreation purposes and consequently leisure tourists 'travel for pleasure and thus are not under any obligations to frequent specific destinations or facilities. They tend to be price and fashion conscious, concentrate their touristic activities to specific (vacation) times and are influenced by marketing and publicity' (Jafari, Baretje & Buhalis 2000, p 393).

Business tourism comprises from having initially a different purpose.

According to International Forum of Travel and Tourism Advocates (IFTTA), business tourism is 'activities that include travel for official purposes; visits of employees or other individuals for professional or commercial purposes, including; installing equipment, inspection, purchases, sales for foreign enterprises; attending meetings, participation at exhibitions and trade fairs, conferences, conventions; employer incentive tours; giving lectures or concerts; programming tourist travel; contracting of accommodation and transport, guides and other tourism professionals; participation in professional sports activities; government missions including those for diplomatic, military or international organization personnel, except when stationed on duty in the country visited; paid study, education and research, including university sabbatical leave; language, professional or other special courses in connection with and supported by the visitor's business or profession'(IFTTA Glossary).

## **2.2 Defining the business tourist and the business tourism segments**

Business travellers can be characterized by demand inelasticity which means that they are more willing to spend larger sums when acquiring services when it

comes to the purchase of transportation and accommodation services. This makes business travellers a particularly interesting group of customers for any tourism enterprise as the original budget of travellers is higher than that of leisure travellers (Cook, Yale & Marqua 2006)

One of the specialized business traveller segments detected is the professional travellers (Cook, Yale & Marqua 2006). This segment has similar traits with the business tourists, however, it mostly deals with visiting meetings and conventions.

There are several characteristics that can describe the business tourist and its differences to the leisure tourist.

The business traveller is normally an adult, however, in some industries the age of the business travellers can be lower, such as, for example, the film industry. The business traveller is the person that makes frequent trips during the working hours (Davidson & Cope 2003), who does not pay for the undertaken trip himself and does not choose the destination. In the cases of self-employment a few exceptions can apply.

The definition of business tourism is broad and encompasses a range of activities that is hard to contain in one only market. This is the reason when the market of business tourism is 'rather a number of markets' that incorporates its diverse niches (Horner & Swarbrooke 1996).

Business tourism is divided into few categories which confirm the fact of the interrelation of business and leisure. Such category is incentive tourism, which is considered to be a part of business tourism as it is related to work, however, is done only for leisure purposes (Davidson & Cope 2003).

Closer look at the segments brings the clarity in understanding. As already said, incentive travel is one of the segments and together with meetings, congresses, and exhibitions they build so called Meetings, Incentives, Congresses and Exhibitions (MICE) tourism.

### 2.2.1 Meetings, conferences and congresses

The meeting activities have increased in the last few decades due to the increase of the business relations all over the world. (Davidson & Cope 2003).

Meeting industry is considered to be 'the most diverse of all the sectors of business travel' and can vary from a very small meeting in the countryside to a large international congress (Holloway 2009; Davidson & Cope 2003). This is why meeting industry segmentation is complicated to implement.

Holloway (2009) claims that all the meetings more or less can be divided into association and corporate meeting with distinctly different characteristics, such as periodicity, the number of participants, expenditures, cancellation rules, length of time and decision-making process.

The Union of International Associations (UIA) helps to gain statistical information about the world's meeting industry, however, does not encompass all the meetings. The UIA includes meetings presented in the international congress calendar.

The information acquired from the web pages of the Union of International Associations shows the share of the worlds meeting market in table 2.1.

Table 2.1 "The worldwide breakdown (market share) for the meeting industry in 2009 by continent" (Union of International Associations)

Europe	54.1 %
Asia	23.1 %
America (North and South)	15.7 %
Africa	4.9 %
Australasia / Pacific	2.4 %

According to Holloway (2009), companies from such industries as finance, medical, political, automotive and engineering sectors organize meetings more often than other industries.

Russia offers a lot of congresses and conferences in the home market. It can be a conference on both international and national levels. According to International Congress and Convention Association (ICCA), in the year 2009 Russia hosted 48 meetings and rose on the 48th place. This is the largest number since 2000. Compared to Russia Sweden hosted 148 meetings in the same year, which is as well the largest number of meetings since the year 2000 (International Congress and Convention Association 2010).

The most popular cities in Sweden were undoubtedly Stockholm with 102 meetings (7th place worldwide) and Gothenburg that hosted 33 meetings (47th place worldwide). The city of Stockholm has shown a continuous growth between 2000 and 2009. The other two cities in Sweden were Uppsala and Malmö, 14 and 5 meetings accordingly. In the case of Malmö the number of meetings has dramatically decreased during the years 2000-2009 (International Congress and Convention Association 2010).

### **2.2.2 Incentives**

In the 1950s American companies started a new type of travel, nowadays called incentive travel. Incentive travel is still the most popular in the USA but has been accepted by other countries as well (Holloway 2009).

'Incentive travel is a global management tool that uses an exceptional travel experience to motivate and/or recognize participants for increased levels of performance in support of organizational goals' is an official definition given by the Society of Incentive Travel Executives (Siteglobal).

Even though incentive travel resembles leisure tourism a lot, it is considered to be a part of business trip due to the fact that the trip is organized to

acknowledge the importance of the employee. Incentive trips usually include a big share of entertainment and in addition they can include a seminar or a small meeting. However, at the end the incentive trips are 'used with the basic objective of increasing sales' (Davidson & Cope 2003).

Nowadays in Russia "Incentive" is relatively a new word. It becomes more and more popular. However, one of the main ways to encourage or praise the works is bonuses.

Incentive has become almost an obligatory part of any conference for Russian tourists. Russian business travellers require an incentive program in addition to their business matters (Professija Direktor 2007). Incentives become more organized and very often the job is done by professionals. The category "Incentives" is yet to be developed in Russia (Business Travel News, Russia - CIS) but already appears more often in the list of services of the Russian tourism organizers (Association or tour operators of Russia).

### **2.2.3 Exhibitions**

Exhibition industry is one of the most important parts of business communication for international companies. It is a place where representatives of different enterprises can find new partners; meet their existing and potential customers (Yuksel & Voola 2010).

Holloway (2009) states that exhibitions can be divided into exhibitions and trade shows, also called trade fairs. The major difference is the customers. Trade fairs are mainly opened to the business visitors, whereas exhibitions are attended mostly by general public. Davidson and Cope (2003) divide 'exhibitions for consumer' and the 'trade fairs' and same main characteristics belong to each segment. In the same work they underline that the main purpose of attending the exhibition is to 'generate sales, maintain or create industry

contacts and exchange ideas and information between exhibitors, industry experts and visitors’.

Exhibitions play a crucial role of the Russian tourism industry. Different types of exhibitions attract tourists from all over the world. Russia is rich in exhibitions, both national and international tourism exhibitions (The Russia Federal Agency for Tourism).

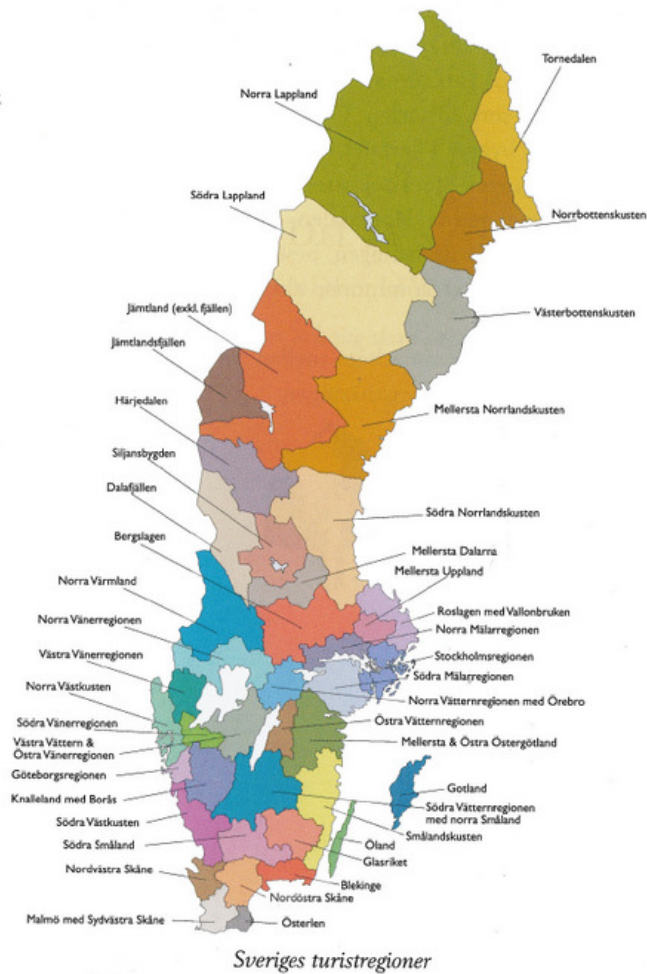
### **3 SWEDEN AS THE DESTINATION**

#### **3.1 The county division in the Swedish tourism market**

Tourism industry in Sweden counts many decades. With all the breakdowns and developments Sweden has come up to the level where more and more tourists visit the country every year.

According to Bengt Sahlberg, Sweden is divided into 42 different tourist areas, significantly varying in size and population. However, the areas have been selected and the new map is based on the regional-geographical, historical and functional approaches that allow being more precise, especially when collecting statistical information. Swedish areas can be seen on the following map. (Bengt Sahlberg 2004, p.89).

Figure 3.1 “Sweden’s tourist regions” (Bengt Sahlberg, p.87)



The most visited areas vary in numbers of visitors according to age, city of residence and profession. The domestic tourism data collected shows us that tourism shifts happen often. Under the period 1967-1986 the most visited areas were located in North and East Sweden. During that time 24 areas were visited with the leading position of Gothenburg region (12%). The visitors were mostly from neighboring countries and count 56%, the following are Western Europe with 26% and North America with 11%. Other regions count only 7 %. During that time Swedish tourism organizations started to pay attention to the infrastructure. (Bengt Sahlberg 2004).

The time from 1986 till 1992 is dispersed and the visited 24 areas are in the North, otherwise spread widely around the country. The most visits are done once again to the Gothenburg area (14%), the Mellersta Uppland (11%). The

third place is split by Stockholm, Södra Norrlandskusten and Jämtland regions with 8%. During that period the role of conference trips increase, therefore giving a push to the Swedish business tourism and the development of the infrastructure.

### **3.2 Swedish inbound tourism statistics**

In the year 2005 most of all the Swedish businesses (99.7%) consisted of less than 250 employees and therefore could be called SME's, and every ninth had less than nine employees (Grängsjö & Gummesson 2005). The large number of the SME's is positive economywise; however, it presents difficulties for each company to manage its marketing activities. Most of the companies combine their resources in the effort to reach other markets.

In the year 2008 the Swedish tourism generated 244 billion crowns in turnover and represented 2.86 per cent of the Sweden's GDP (Swedish agency of Economic and Regional Growth).

Information given by "Travelreport", in August 2010 Sweden rose up to the 22nd place of most popular destinations, with its capital Stockholm standing on the world's 29th place the year before (Travelreport).

The statistics for the tourism market can be found from the Swedish Tourist Board (Visit Sweden) and the European Commission's statistical pages. It gives an insight on the current trends and the number of international visitors to the Swedish territory.

By the information presented by Eurostat tourists have spent more than 11 million nights in different hospitality establishments around the country. Figure 3.1 "Arrival of non-residents to Sweden 2009" shows the difference of total arrivals of non-residents in southern, eastern and northern Sweden in the year 2009. Even if the most visitors came to the South of Sweden, "Malmö town"

notices more than a half of all the tourists stay overnight in Stockholm, and only about a third of all the tourists stay in Skåne.

Figure 3.1 “Arrival of non-residents to Sweden 2009” (Eurostat)

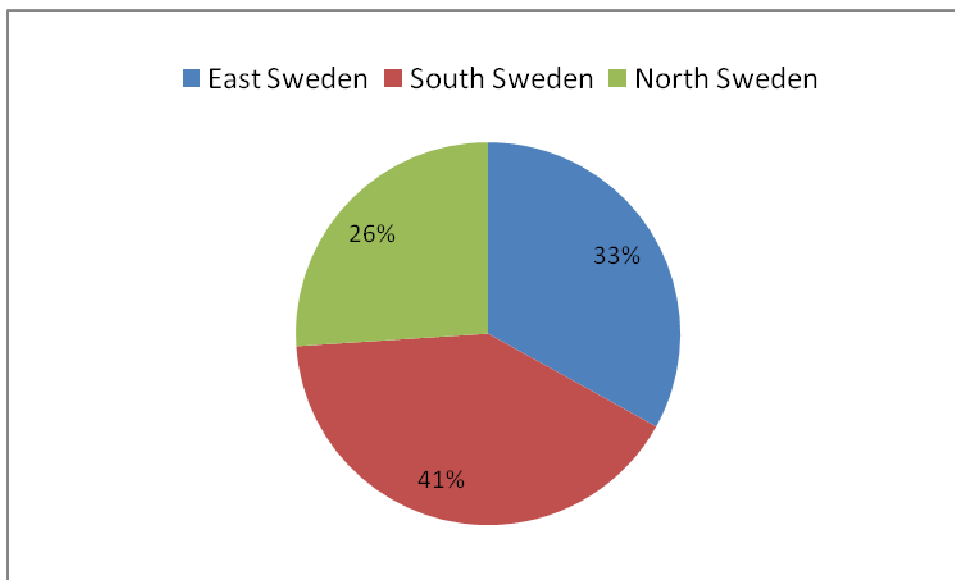


Table 3.1 “Arrivals of Russian citizens to Sweden in 2009” gives a broad perspective on the most popular months within the Russian tourists. It underlines the clear existence of the seasonal trips. During the summer months Sweden has hosted the biggest number of tourists. June, July and August in Russia according to the table are the most desirable times to travel. The rise in number of tourists in the month of January is connected to the fact of national winter holidays in the first 10 days of the year. The preference of the hotel or similar establishments by Russians is obvious.

Table 3.1 “Arrivals of Russian citizens to Sweden in 2009” (Eurostat)

Month	Other collective accommodation establishments	Hotels and similar establishments
January	1,242	12,691
February	227	3,175
March	236	4,308
April	135	3,931
May	120	5,948
June	269	7,542
July	324	9,077
August	533	10,287

September	249	5,779
October	94	4,502
November	167	5,133
December	305	5,032

Compared to the year 2008, Sweden has lost a significant share of Russian visitors during the year 2009. According to the information given by Swedish Tourism board the number of nights spent in 2008 is 206,394. In 2009 Russian tourists have spent 168,595 nights. Comparing the number of Russian visitors to some other countries gives us the understanding that the number of Russian tourists in Sweden is low. In comparison Norwegian travellers spent 1,130,969 nights.

Table 3.2 “Total nights spent by Russian tourists, 2009” shows the monthly breakdown of the number of nights spent by Russians in different types of accommodation. The number of nights is directly connected to table 3.1.

Table 3.2 “Total nights spent by Russian tourists, 2009” (Eurostat)

Month	Other collective accommodation establishments	Hotels and similar establishments
January	5,174	25,904
February	959	6,470
March	966	9,014
April	414	8,142
May	308	12,389
June	631	14,961
July	942	17,620
August	1,447	20,160
September	655	11,555
October	286	9,166
November	541	9,929
December	1,003	9,959

Table 3.3 “Most visited counties in Sweden, 2008” below gives a perspective on the most successful regions in Sweden and presents the number of visitors to every county.

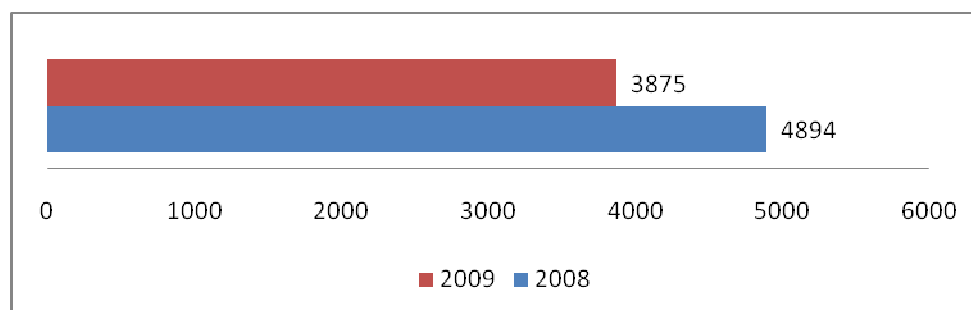
Table 3.3 “Most visited counties in Sweden, 2008” (Swedish Tourism Board)

County	Number of visitors
Stockholm County	2,937,125
Västra Götaland County	1,248,637
Skåne County	670,56
Dalarna County	544,971
Norrbottn County	288,575
Värmland County	232,246
Jämtland County	206,004
Jönköping County	189,166
Östergötland County	130,539
Kalmar County	119,968

The Stockholm County rises on the first place, which is quite common for capital areas in any country. The Västra Götaland region, with the biggest city Gothenburg and the Skåne region with Malmö take the second and the third places accordingly.

Malmö has not yet been explored by Russians as well as the Swedish capital Stockholm. However, in general, the number of international guests in Malmö increased with more than 23 per cent in 2009. But for the Russian market, the number of nights stayed in hotels has decreased in 2009. Figure 3.2 shows the decrease in overnights stays of Russian tourists in Malmö.

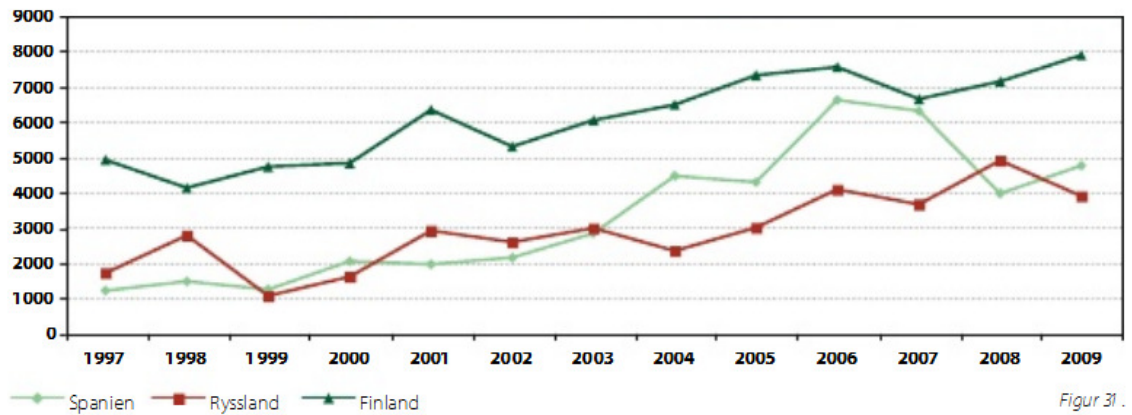
Figure 3.2 “Overnight stays of Russian tourists in Malmö in 2009”(Malmö Tourism Report, 2009)



Despite the decrease of the Russian tourists in Malmö in 2009, Russian tourism in Malmö has been gaining power during 1997-2009. Figure 3.3 below shows

the development of overnight stays in Malmö's hotels during the years 1997-2009.

Figure 3.3 "Nights at hotels in Malmö 1997-2009, in thousands. Tourists from Spain, Russia, Finland" (Malmö Tourism Report, 2009).



"Malmö town" connects the decrease in the number of Russian tourists to the latest financial recession. The number is expected to show some positive change in the next couple of years.

## 4 THE CASE OF NW PRODUCTION

### 4.1 The company information

NW production is the Sweden-based company with the office in the 3rd largest city in Sweden, Malmö. NW production was established in the year 2003 with the main purpose to arrange business events, such as conferences and corporative events.

In the year 2011 NW production works in the same field and concentrates its activities on business tourism, primarily in organization of business events, such as congresses, conferences and team building activities.

NW production has advantageous location in the Öresund area and targets Scandinavian and European countries, however, welcomes visitors from overseas as well. NW Production has extensive knowledge in the market of Fennoskandia and Iceland.

NW production has three permanent employees. The number of the employees might vary depending on the kind of the event. When organizing events on a big scale NW Production uses the help of other people.

No matter the scale of the event, the company works in accordance with the social corporate responsibility norms and promotes sustainability in tourism.

## **4.2 Competition**

The company NW production meets the everyday challenge in the market by competing with the companies providing similar services.

When marketing to Russian customers NW production will meet the competitors not only from Sweden and Russia, but also from the neighboring countries, such as Finland.

Table 4.1 “NW Production Competition”

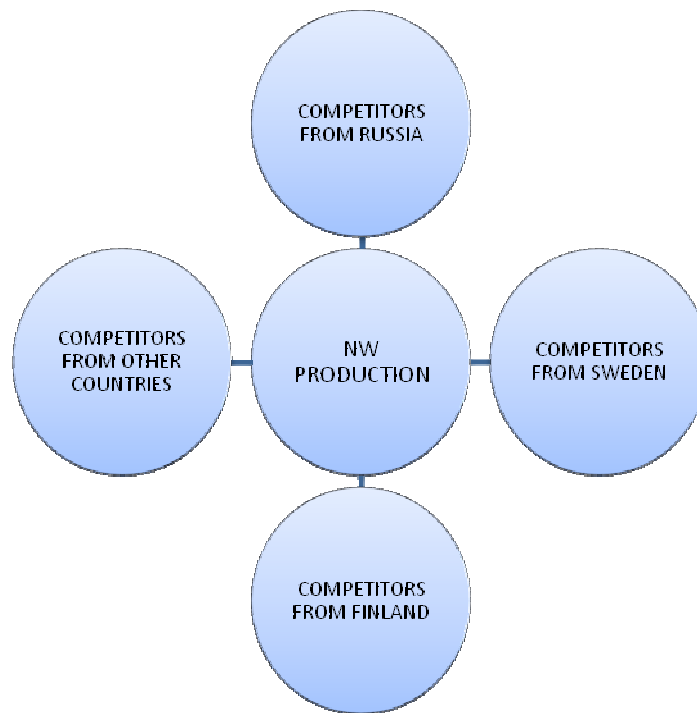


Table 4.1 “NW Production Competition” shows the four major categories of potential and existing competitors in the business tourism in the Russian market in the case of NW Production.

Competitors are first of all the business travel organizers in Russia. Particularly well these companies are established in the big cities of Saint Petersburg and Moscow, however, two cities present opportunities for international businesses as well. There are 316 companies in Saint Petersburg and 8 companies in the Leningrad region operating in the outbound tourism. Moscow is represented by 889 companies (The Russia Federal Agency for Tourism).

In addition to the companies operating in the sphere of business tourism, the companies that concentrate on leisure acquired the competence during the years, knowledge in the current market situation, existing customers, elaborated distribution and marketing channels. N&J Travels situated in Stockholm has already presented itself to Russian customers through the Swedish tourism board (Swedish Tourism Board). The knowledge possessed by these companies can become a cause of the failure for NW Production.

Russian tourism market will become the most competitive for the NW production due to several reasons. One of them is that companies have already gained the trust of the customers. Another is language and cultural differences that will take time to learn and accept. The third reason is that the biggest tourism companies in Russia, for instance "Neva Travel", have enormous amount of marketing campaigns both on TV and in press and possess such high profits that if the partnership is not established it becomes hard to compete with such (tourreklama). "Neva Travel" is represented in 12 cities in Russia, where one branch is located in Moscow and the other three in Saint Petersburg and the region (Neva Travel).

The second category is a number of competitors on the Swedish market operating in Russia. Those companies have been in Russian market for some time and gained the desired market information that they are not willing to share with other firms. One of such companies is Carlson Wagonlit Travel that has its representatives in both in Russia and Sweden (Malmö Town; Carlson Wagonlit Travel). Scandinavian Discovery is the company located in Stockholm and Malmö and serves the customers in several different languages including Russian, and planning to expand its activities to Russia (Scandinavian Discovery).

Another kind of competitors is representatives from Finland. Finnish tourism companies started to introduce their services to Russian customers some years ago and by today have established their businesses in the market. More frequently today than before Russian customers book travel through Finnish companies. Such for instance are Norvica Finland and Saimaan Liikenne, two companies that have their branches in Saint Petersburg (Finnish Tourist board).

Plenty of Finnish companies from different industries, not only tourism, have opened their branches in Russia and prefer organizing their business activities with the help of Finnish companies, known as reliable and trustworthy all over the world (Helsingin Sanomat 2011)

### **4.3 SWOT analysis**

NW Production is very similar in its organization as many other tourism companies, meaning that it fits in the general definition of the SMEs. Like many other companies, when targeting the Russian market NW production might find itself in an advantageous or disadvantageous position.

The SWOT analysis is based on the knowledge obtained from the direct participation in the company's activities and operations that helped to gain the desirable information on its strengths and weaknesses. The series of interviews with the head of the company helped to get to know the company from the inside. The opportunities and the threats are the external factors that were taken into consideration according to the situation of NW Production.

A closer look at the SWOT model (Kotler & Armstrong 2010) helps to find out what the strengths, weaknesses, opportunities and threats are. Conducting the SWOT analysis is one of the important issues to undertake before any marketing planning (Briggs 1997).

#### Strengths

The NW production strengths include its geographical position, as being located in the south of Sweden which means having good transport connection with Europe and the world.

NW production is a multilingual company and is able to offer its services in languages other than Swedish or English. A big part of the Russian population does not possess any knowledge of the English language, especially not Swedish. However, some can explain themselves in German. German is the second most popular language in Russia after English (Виноградов 2010)

One of the strengths is the opportunity for online booking. Since the Russian market is still very much offline, NW production can benefit from such an option for Russian customers

## Weaknesses

Within weaknesses are such factors as the lack of Russian language, the main language of the country.

In addition to that, NW production web page only exists in Swedish and it is less informative in English. The page in Russian does not exist which can lead to a loss of potential customers.

NW production is not able to solve the visa arrangements at the moment. Therefore Russian customers might prefer a Russian company to do that together with the business arrangements.

## Opportunities

Russian market is not totally developed in tourism and therefore, being so unstructured and not yet fully established presents a lot of opportunities for the international enterprises.

The knowledge of the English language is increasing in Russia, mainly in the big cities and the border regions.

Russia is a country spread in large territories. Russia can provide any type of customer which is itself an opportunity for better targeting. Russian customers can vary from those who scarcely spend to those who spend enormous amounts on their trips. If the customers are willing to spend a lot it provides great financial profits for the companies (UNWTO 2009).

One of the other opportunities is that the Swedish tourism board includes Russia in one of the targeted countries. Therefore together with the competitors, the Swedish tourism board has been presenting Sweden in Russia for a certain period of time (Swedish Tourism Board). For the NW Production this means a reduced amount of work and resource to attract the customers since the destination has already received some recognition in Russia.

NW production does have no knowledge in Russian laws and regulations in tourism activities. This weakness, however, can be soon transferred into strengths.

### Threats

The threats are represented by the external factors, such as competition in different countries, primarily Sweden, Russia and Finland.

Russia is a very corruptive country that sometimes has its own laws and does not tolerate those who do not follow unspoken rules. Corruption might be a very hard issue to face and can easily bring the company down (Swedish Trade Council 2010).

It has been said that Russian tourists and even business tourists are more willing to go to a resort destination for company team building or conference (Сердюкова 2007). As well travellers prefer visa free destinations (UNWTO 2009). Sweden is unfortunately not a visa free destination and even if the country offers unique summer activities and beautiful sand beaches it is not known for that.

In the Russian tradition the most of the work in organizing conferences, as it has already been mentioned, is given to the secretary. Therefore Russian business customers can be simply unprepared to give away the preparation to professionals.

Table 4.2 “SWOT – NW Production”

<p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>- geographical position</li> <li>- multilingual company</li> <li>- online booking</li> </ul>	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>-lack of knowledge in Russian language</li> <li>- non-availability of the web-page in Russian</li> <li>- can be impossible to do visa arrangements</li> <li>- absence of knowledge of laws and regulation</li> </ul>
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- market growth creates opportunities for international companies</li> <li>- increasing knowledge of the English language within Russian population</li> <li>- Russia is a vast country and has all types of customers</li> <li>- financial benefits as Russians are willing to spend a lot</li> <li>- Swedish market is well-presented for Russians</li> </ul>	<p><u>Threats</u></p> <ul style="list-style-type: none"> <li>- competitors in the Russian market</li> <li>- corruption in Russia</li> <li>- increasing popularity of resorts and other leisure destinations</li> <li>- unpreparedness of Russian companies to give the arrangements of the conference or similar to the international company</li> </ul>

Table 4.2 above summarizes the major points of the chapter and outlines the strengths, weaknesses, opportunities and threats in the case of NW production if to enter the Russian tourism market. The analysis shows that a certain amount of knowledge has to be acquired before entering the Russian market.

## 5 RUSSIAN OUTBOUND TRAVEL MARKET

Russia is a country where modern tourism industry is just at the beginning of its development. With its long history, Russia has seen a lot of changes. The country was bound in the Soviet times together with many other countries which finally got the independence in 1991 (Renard 1997).

In the last decades, after the times of the iron curtain, Russian's government changed several times and had the overall endeavor to develop both inbound and outbound tourism and attract international business and investments. Nowadays, Russia is not in a perfect condition to accept travellers but the infrastructure is more developed than ever before. The outbound tourism has been showing growth due to the improved economy, besides the recession of 2009 (The Russia Federal Agency for Tourism).

Russian tourists as a group of customers possess such characteristics that can be compared neither with the European nor with the Asian tourists (UNWTO 2009).

The advanced economy as planned had finally brought investments into the country as well as it increased the incomes of the population. That had a dramatic effect on Russians' travelling habits; people were not used to travelling very often. (UNWTO 2009).

In the following research it is crucial to understand that Russia's vast territory creates economical and cultural differences among the inhabitants. The opportunity to travel abroad is not at all given to everybody; however, frontier regions are actively involved in tourism (The Russia Federal Agency for Tourism). Some of the most frequent exchanges are Finnish-Russian. The Eurostat's tables confirm the domination of such, as well as there are different kinds of already established business relationships. The World Tourism Organization (2009) claims that travellers from Saint Petersburg are more likely to visit Scandinavia, travellers from Khabarovsk to visit China and travellers from Vladivostok to visit Japan.

The lack of statistical information in Russia is obvious and the information we already possess shows the existing trend of travellers from St. Petersburg to visit Germany, Sweden, Finland, the Baltic States and Turkey. (UNWTO 2007; Taloustutkimus; TOY)

Business tourism so far has not been a big part of Russia's outbound tourism but presents a lot of opportunities.

### **5.1 Russian tourist profile**

As it has been noticed above the Russian tourist is a very broad term. There are differences between the travellers from Moscow and Saint Petersburg, not to say from other regions. What are the needs and wants of the Russian tourist and what is the Russian tourist profile? [After this the Russian tourist profile are discussed according to the UNWTO 2009].

1. Middle Classes, which are emerging and nowadays are a group of approximately 8 million people with the average income of USD800-1000. This group consists mainly of primarily urban inhabitants – St. Petersburg, Moscow, Yekaterinburg, Irkutsk, etc. Middle classes will rather choose the destination that does not require obtaining visa beforehand.
2. “Funky” Young Professionals represent a relatively small group of people with the income of USD1200-3500 and in the age group 20 to 30 years. It is the group that makes the most use of the internet and often makes reservations online.
3. The Upper Income Group is a group of people living mostly in Western Russia, such cities as St. Petersburg and Moscow. The income varies and normally starts at USD4000. UNWTO refers to TMI and agrees that this group is easiest to handle and travels either in couples or in small groups.

4. The “Golden Youth” is a very small group consisting of 500,000 to one million people living in the capital city. Partying is a lifestyle and the frequent travelling is a routine. This group travels the most, however is least likely to take longer trips.
5. Russia’s Ultra Rich have no monthly salary, but benefit from their investment. Russia’s ultra rich is approximately 100,000 persons that usually own property abroad.

The study conducted by the world tourism organization is the only study that encompasses different tourist types in Russia and gives a good structural overview for the understanding of the Russian tourism profile.

## **5.2 Statistical information for the Russian tourism industry**

The statistical data about Russia can be collected from different sources and should be carefully studied before applying into practice. The statistics acquired from Russia is not always relevant due to many reasons (Repiev 2008).

Most travellers do not fully understand the meaning of the final destination and consider the transit country a destination and that reduces the credibility of the data (UNWTO 2009). The national statistics bureau of Russia does not always present trustworthy information. The statistics required from the government and the custom offices therefore can be questionable (Adamov 2008).

Implications of receiving reliable information are connected to a number of interesting phenomena. One of them is to undertake trips through another country. Such destination is Finland. Russian tourists, says UNWTO (2009), from North-West region departing to a Scandinavian country will probably pass the Russian-Finnish border. On the way the Russian tourist makes several stops, sometimes more than a day for shopping and then taking a ferry. Statistics to such cases are hard to count and consequently Sweden, Norway and Denmark do not get the share in the research. The signing of Shengen

agreement and the establishing of European Union facilitated travelling in such a manner. On the contrary we can see that the number of tourists entering Finland is growing.

Another interesting occurrence is concerned with the obtaining the visa. A very high percentage of travellers from North-West of Russia (Saint Petersburg, Vyborg, Svetogorsk and some Karelian towns) possesses a multiple-entry Finnish Shengen visa for leisure purposes. Tourist visa, or in other words leisure visa, is much easier to obtain than any business visa which normally requires collecting plenty of documentation from both the parties (Шеф 2005). This fact makes the process of collecting statistics in business tourism very difficult or almost impossible (Repiev 2008).

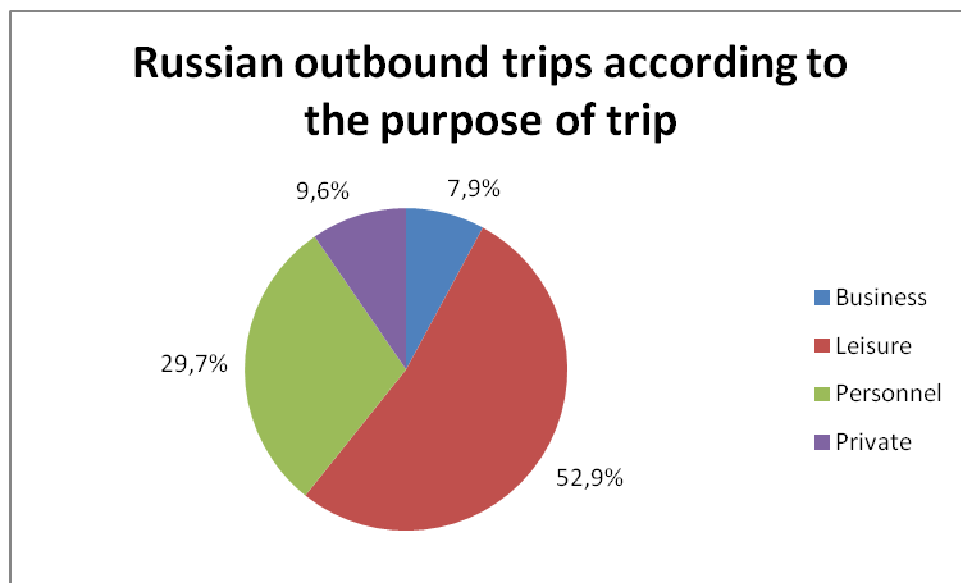
These two phenomena make statistics not exact and must be taken into account. Taking a look at the numbers of the tourism industry gives an insight into the current situation and some future trends despite the implications.

Russian tourism industry can be represented by Federal Agency of Tourism, and the number of tourism agencies. On October, 1, 2010 the number of tour operators registered in Russia is 4283. That number comprises of 1825 companies working for domestic tourism, 2458 working for international tourism. From 2458 companies 621 represent the inbound tourism and 1837 other companies represent the outbound tourism (The Russia Federal Agency for Tourism)

According to the categorization suggested by the Russia Federal Agency for Tourism (Federal Register of Touroperators 2010) companies can be divided into 6 groups, according to their financial position. There are 38 companies in the entire Russia that own the financial provision of 100 mil rubles. There are 37 companies possessing 60 mil. rubles and 1780 companies with 30 mil. rubles, 623 companies with 10 mil. rubles, 550 companies having the financial provision between 550 000 and 1.5 mil. rubles and 1810 companies have the finance under the 500 000 rubles. The name of each company is to be found on the Federal Agency of Tourism official web page.

Russian tourism mainly consists of leisure tourism. Chart 5.1 below “Russian Outbound trips according to the purpose of trip” presents the statistical information gathered from the Federal State of Statistics. It proves the fact that leisure tourism takes a predominant place in life of Russians, prevailing the business tourism with over than 40 per cent (Federal State Statistic Service 2009).

Chart 5.1 “Russian outbound trips according to the purpose of trip” (Federal State Statistic service, 2009)



The data collected from the Russia Federal Agency for Tourism after the year 2009 reveals that most popular leisure destinations are Finland and Germany and the most popular business destinations in Europe are Finland, Germany and Italy.

In Russia holiday trips are more frequent than business trips. On the contrary, not all the leisure trips are what we think they are. Visa implications force Russians to undertake their business trips in Europe using holiday visas. (UNWTO 2007)

The European board describes the improvement of the Russian Tourism Market after the latest recession period and claims that visits to reported destinations have grown (European Tourism 2010; European Tourism Board).

### **5.3 The share of business travel in Russia**

The Russian business tourism is relatively young and as it has been said above has a share of only 7.9 per cent of the entire tourism market. This is related to the fact that in the world business tourism started to grow in the 70s whereas in Russia its peak appeared many years later (Сердюкова 2007).

One of the major differences occurs in the participants. According to International Congress and Convention Association (ICCA), the latest tendencies in the world are the increasing age and the growing number of business women travellers. On the contrary in Russia the main participants are young males, a very low number of female participants is observed. The average age of the participants lies within 25 and 45 years (ICCA).

The more detail research by Federal Agency of Tourism is conducted on either quarterly or semi-annual basis. In table 4.1 below one can find a clear evidence of the dramatic decline in the business tourism in Russia during the last few years. The economic recession has decreased the development of this sector or even lowered the number of travellers in comparison with the previous year.

A closer look at table 5.1 shows that many countries have suffered losses in attracting Russian businessmen, on the contrary that other countries made good profits. The table compares the Russian outbound leisure and business tourism in the years 2009 and 2010. It is clear that the business tourism has suffered the most in Russia. Almost every country has observed the decreasing number of Russian business tourists.

Table 5.1 “The change of Russian outbound tourism, 2009-2010” (The Russia Federal Agency for Tourism)

Country	Purpose of the trip	2009	2010	The change in number of Russian people who visited another country(+-%)
<b>Austria</b>	total	172 802	222 418	29
	tourism	96 589	135 536	40
	business	16 934	17 880	6
<b>Bulgaria</b>	total	246 960	332 015	34
	tourism	207 381	263 225	27
	business	4 567	4 022	-12
<b>United Kingdom</b>	total	217 965	241 610	10.8
	tourism	96 373	119 783	24
	business	29 511	27 756	-6
<b>Germany</b>	total	887 891	1 002 038	13
	tourism	363 344	470 730	30
	business	107 260	104 636	-2
<b>Greece</b>	total	353 900	484 715	37
	tourism	282 271	386 700	37
	business	3 874	3 031	-22
<b>Egypt</b>	total	1 811 022	2 539 771	40
	tourism	1 615 398	2 198 320	36
	business	6 155	6 999	14
<b>Italy</b>	total	448 600	583 308	30
	tourism	336 111	451 452	34
	business	23 617	21 254	-10
<b>Cyprus</b>	total	186 134	272 956	47
	tourism	155 136	234 312	51
	business	3 167	3 504	11
<b>Latvia</b>	total	206 121	248 063	20
	tourism	48 671	72 644	49
	business	27 941	36 534	31
<b>Lithuania</b>	total	658 248	713 928	8
	tourism	44 200	58 142	32
	business	28 654	41 003	43
<b>The Netherlands</b>	total	117 636	146 447	24
	tourism	56 013	72 774	30
	business	21 442	22 636	6
<b>Norway</b>	total	74 209	90 714	22
	tourism	14 015	12 805	-9
	business	17 096	20 872	22
<b>Poland</b>	total	349 462	456 511	31

	tourism	37 984	43 018	13
	business	18 247	17 671	-3
<b>Finland</b>	total	2 965 756	3 388 712	14
	tourism	556 311	709 009	27
	business	170 859	160 676	-6
<b>France</b>	total	317 604	348 284	10
	tourism	200 087	222 718	11
	business	35 668	33 250	-7
<b>Switzerland</b>	total	191 701	203 907	6
	tourism	106 350	121 338	14
	business	22 291	22 216	-0.3
<b>Sweden</b>	total	46 346	53 437	15
	tourism	19 524	25 323	30
	business	7 395	6 861	-7
<b>Estonia</b>	total	1 611 695	1 495 247	-7
	tourism	8 206	11 509	40
	business	28 474	25 267	-11

Positively for Sweden, the number of leisure tourists has increased in the year 2010 by 30 per cent. However, the number of arriving Russian businessmen has dropped by 7 per cent.

A few characteristics of the Russian business tourism were defined during the first Russian Business Travel Congress. One of the typical tendencies, claimed at the congress, is the domination of the 'combined trips' that include both visiting the conference and some kind of incentive program. Russian business travellers prefer the warmer countries which is similar to the preferences of leisure travellers. Egypt, Cyprus, Croatia and Turkey were called to be among the most popular business destinations (Professija Direktor 2007).

Moscow, Saint Petersburg and Sochi were called to be the most visited cities by business tourists due to the most developed infrastructure and the number of available conference facilities. Despite the fact that the infrastructure in Russia is not developed, the prices of the services are high if in the world the most common price of the business trip per person is under 1000 euros (ICCA).

However, in Russia the average price of the conference is between 1000 and 2000 euros (Professija Direktor 2007).

Pharmaceutical, computer, finance and insurance companies are amongst the most frequent business travellers in Russia together with the biggest Russian companies and European companies that have their offices in Russia's biggest cities (Saint Petersburg and Moscow).

## **6 MARKETING TOURISM IN RUSSIA**

Marketing includes a number of certain activities undertaken by a company to satisfy the end consumer. Jafari and Buhalis agree that marketing penetrates all the spheres and 'all sorts of transactions and exchange relationships' which evolve between the producer and the final customer (Jafari et al., 2000, p 410). The tourism industry was the latest where marketing activities were applied to find the customer.

Marketing is interpreted as 'the process of selling goods and services to include advertising and product development' (IFTTA Glossary)

Nowadays different types of marketing exist (Kotler & Armstrong 2010). Depending on the country and its regional differences one or another marketing strategy is applied. In some countries marketing online cannot be an option due to the low internet penetration and in some other countries it plays a crucial role in company's operations.

Alexander Repiev (2008) claims that Russia, 'marketing wise, is not a country; it is rather a huge sparsely populated landmass to which no unified marketing concept applies'. The author explains his statement by the various amounts of cultural differences and traditions as well as diverse buying habits and marketing patterns. 'In practical terms that means that what sells perfectly all

right in Moscow, may not impress buyers in St. Petersburg, and even less in Siberia’.

In this research regions of Moscow and St. Petersburg are taken into consideration. The mentioned regions were chosen on the ground of their fast economical growth and readiness to accept the services offered by NW Production. Most of Russia’s businesses are located in big cities and the lifestyle demands to carry out business trips.

Two ‘capitals’, which are Russia’s two federal cities, will deliver far more satisfying results than small cities in attracting customers to Sweden. This assumption is based on geographic and psychographic segmentations. Consumers from Moscow and St. Petersburg are the most frequent business travellers.

In addition to the marketing options one of the most important is to adapt the web page of NW Production and translate it in the Russian language. The knowledge of English or any other languages in Russia is low (Swedish Trade Council). The existence of the web page in the Russian language is the irreplaceable “must-have” for the company that wants to reach any type of Russian customer.

### **6.1 The level of trust in different types of communication channels (advertising)**

In the last years the trust in different communication has decreased.

The latest online research conducted by the TNS group in November 2010 gives the companies a better understanding of which communication channels in which countries are more or less popular, which bother the customers and which help to build trust.

According to TNS, the majority of Russian population trusts in the word of mouth information, usually provided by their friend or a relative. TNS reports that 54.8 per cent of Russians trust the information. Surprisingly, 48.3 per cent of the respondents answered that they trust the online advice of other internet users and 44.6 trust the information on the company's official web page

TNS reports that some of the most popular advertising campaigns are the TV campaigns due to their abilities of being memorable. In total, 94.3 per cent of the respondents claimed to have remembered the advertisement. In the online advertisement internet banners were on the top of the popularity with 90.3 per cent and the pop-up windows with 82.4 per cent. However, the firms should be careful in placing such advertisements as they are also the ones that cause negative feelings. The pop-up windows, TV advertisement and direct mail cause negative feelings of 69.4, 67.8 and 59.7 per cent of respondents accordingly. However, for instance, online recommendations are recognized as a very effective and trustworthy source of information together with the information provided by the official web page of the company.

## **6.2 The importance of being available in the Russian language**

The importance of being available in the Russian language is crucial for the NW Production and any other international tourism company.

This means that the web recourses of NW production should be translated in Russian. Only this alone will increase the chances of attracting the Russian business tourists. It will not only attract more customers but will make the cooperation with the potential partners uncomplicated.

The knowledge of the language delivers more trust in the information. As it has been said above, most of the population in Russia does not possess the knowledge of English and therefore the information presented in the mother tongue will not raise any doubts of the Russian clients.

## **7 MARKETING POSSIBILITIES**

There are certain marketing tools that NW Production can use successfully to attract business visitors from Russia. However, there is also a number of marketing tools that will not bring any good result to the company that is a small or a medium enterprise. The following options are carefully selected and reveal alternatives that would benefit in the case of NW Production. Of all types of advertising, participating in the tourism events, the newspapers and magazines (print advertising) as well as online advertising were chosen due to the limitations of the budget. Such options as TV and Radio Advertising in the case of NW Production are unfortunately irrelevant as it will not deliver the desired value for reaching the target group.

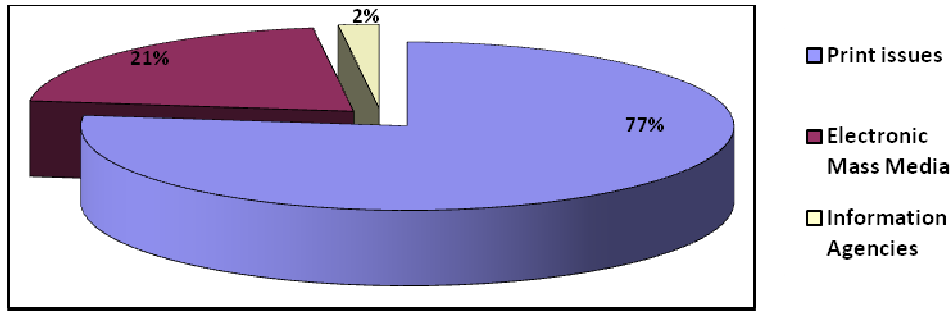
### **7.1 Print advertising**

Advertising, as well as many other marketing activities can be full of surprises in Russia.

As a geographically disperse country advertising in Russia is tricky. On January, 1, 2010 the Russian Mass media register includes 93500 companies from different media fields. (Reestr SMI; Roskomnadzor 2010)

The mass media in Russia is represented in chart 7.1 and is divided into three distinct segments. Those three segments are print issues, electronic mass media and the information agencies. Chart 7.1 shows the number of representatives in the three above mentioned sectors.

Chart 7.1 “Representatives of Russian media market” (Roskomnadzor, 2010)



Source: Roskomnadzor, Public report, 2010

Vartanova and Smirnov in their work “Contemporary structure of Russian media industry” (2010) found out that only about 50 per cent of the officially registered media enterprises actually operate in the market and publish issues, others stay unnoticed. Therefore, advertising in print media should be very well targeted. It becomes important to choose the right source and also to not fall for the low price or, on the contrary, to not always trust the higher price.

The newspaper sector in Russia can be represented by national, regional and local issues, which have approximately even audience indicators, counting 35, 33 and 32 per cent accordingly. However, the newspaper sector does not experience the same growth as the magazine sector (Vartanova & Smirnov 2010).

The print advertising has very long traditions in Russia. Despite the fact that very many publishing houses suffered a great fall in 1991 and had to build up the new system from the start (Pietiläinen et al., 2010) in modern Russia print advertising consists of all kinds of advertising through such media channels as newspapers, brochures, magazines. It also has some advantages to reach certain customer segments which are often reluctant to believe any other sources. The most popular newspapers in Russia are presented in table 7.1 “Top 10 newspapers in Russia” and the most popular magazines in Russia are presented in table 7.2 “Most popular magazines in Russia”.

Table 7.1 “Top 10 newspapers in Russia” (Pietiläinen et al., 2010, p.44)

	Regular readers in 1998 (%)	Regular readers in 2007 (%)

Komsomol'skaya Pravda	10.1	10.7
Argumenty i fakty	15.1	10.6
Antenna-Telesem'	0.1	8.0
Zhizn'	-	5.4
Moskovskii komsomolets	5.1	2.9
SPID-info	10.1	2.1
Trud	4.4	1.6
Rossiiskaia gazeta	1.6	0.9
Sport	0.1	0.8
Sport express	0.3	0.4

Table 7.2 “Most popular magazines in Russia” (Pietiläinen et al., 2010, p 47)

	Number of copies	Published	Readership (2007)
Liza	750 000	weekly	6.4%
Za rulem	570 000	monthly	3.6%
Cosmotopolitan	980 000	monthly	2.7%
Sem dnei	1 000 000	weekly	1.8%
Zdorov'e	170 000	monthly	1.6%
Glamour	600 000	monthly	1.4%
Karavan istoi	300 000	monthly	1.3%
Domashnii ochag	280 000	monthly	1.0%
Otdokhni	300 000	weekly	0.9%
Krest'ianka	89 000	monthly	0.8%
Burda	460 000	monthly	0.6%
RBK	90 000	monthly	0.5%
Rabotnitsa	100 000	monthly	0.3%
Ekspert	78 000	weekly	0.3%
Itogi	85 000	weekly	0.3%
Ogonek	72 000	weekly	0.2%
Vogue	150 000	monthly	0.2%
Kommersant Dengi	59 000	weekly	0.2%

In table 7.1 the newspapers Komsomol'skaya Pravda and Rossiiskaja Gazeta represent two informative issues. However, Komsomol'skaya Pravda is mostly popular with 'poor and low-lever professionals' (Pietiläinen et al., 2010).

Table 7.2 includes the information on the three business issues RBK, Ekspert, Kommersant Dengi.

There are some options where NW Production can choose to place the advertisement. Such options open opportunities for the job to be handled by a professional agency or created with the help of their own means. However, companies should be very careful selecting an agency since 'there are thousands of firms in Russia that call themselves advertising agencies, but in practice are design boutiques' (Repiev 2008).

Depending on the type of media chosen for the advertising one or another company pursues to address its customers.

There are clear advantages in print advertisements over some other channels. Print advertising offers a few advantages to the company. By advertising means the company creates the visual image to recognize it from all the other companies on the market. Moreover, print advertising is one of the most affordable means to reach the potential customers.

Horner and Swarbrooke (1996) point that one of the advantages of advertising is its ability of precise targeting but sometimes appear very expensive.

The level of trust to print advertising in Russia is relatively low. Many irrelevant newspapers exist and create the situation of low trust in print advertisement. Such newspapers are regularly given out free of charge to the population in the underground stations and just on the streets. Despite that fact, there are a number of professional and trusted issues that help to target the right group of customers.

The important factor is not the price, but the audience. For example 0.9 per cent of the population read "Rossiiskaia Gazeta" that has relevantly low price per one advertisement. We should remember that daily and weekly issues are usually thrown away faster than the monthly editions. Such issues as "Expert" and "Business territory" are weekly and monthly magazines accordingly. "Business Territory" is only designed for the readers of the North-West and therefore the audience is targeted clearer, while the "Expert" is the national weekly business magazine that offers regional segmentation. One of the positive additions is the fact that plenty of newspapers and magazines introduce

their issues on the official web pages. This increases the value of the advertisement and makes it less subjected to disappearance.

One major difference is that ‘advertising in the magazines is financially more rewarding’ that what the newspapers can offer (Vartanova & Smirnov 2010). In the same work the authors claim that magazines in Russia are more reliable as the level of trust in the magazines is higher than in the newspapers, due to the relevancy of the information. The authors inform that the ‘analytical level’ of the magazines dominates over the daily newspapers.

## 7.2 Internet advertising

The internet penetration in Russia is gradually increasing. On June 2010, 42.8 per cent had access to the Internet and between the years 2000 and 2010 has shown the growth of 1825.8 per cent (Internet World Stats). The tendency is the domination of internet in the bigger cities. The research by Yandex.ru shows that the internet penetration is higher in Saint Petersburg and Moscow. Both cities moreover possess a high buying power compared to all the other regions.

Figure 7.1 “Difference between the regional average internet penetration and Saint Petersburg, 2007” (Yandex)

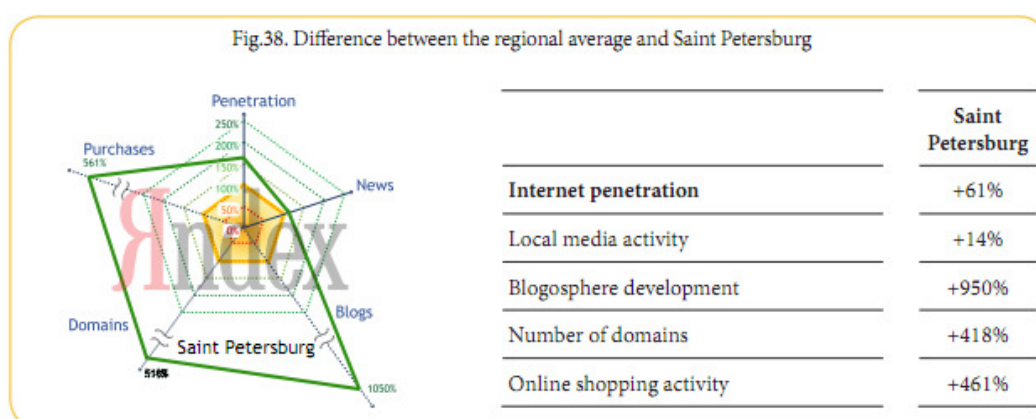
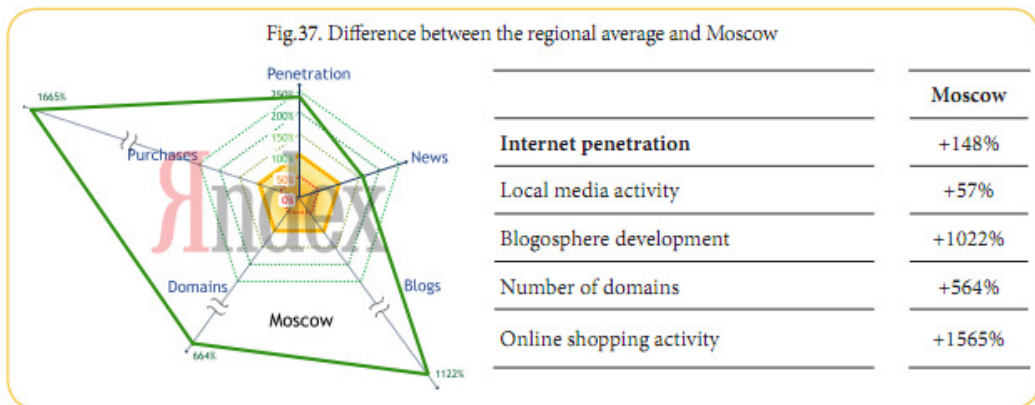


Figure 7.2 “Difference between the regional average internet penetration and Moscow, 2007” (Yandex)



Search engine advertisement is constantly growing in Russia. According to TNS Web index, in March 2010, the most popular internet search engines in Russia are the following:

- Yandex.ru – 30.6%
- Mail.ru – 27.6%
- Rambler.ru – 8.4 %

The images below indicate search patterns by user in Saint Petersburg and Moscow. The information from figures 7.3, 7.4 allows choosing the right timing for targeting the advertisement in Moscow and Saint Petersburg. We should pay attention to the fact that this applies only to the two indicated cities and not the region where they are located.

Figure 7.3 “The search pattern of internet users in Saint Petersburg” (Yandex)

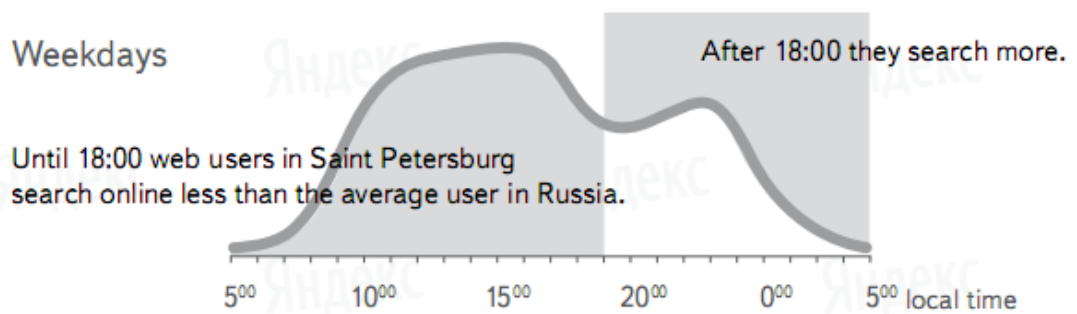
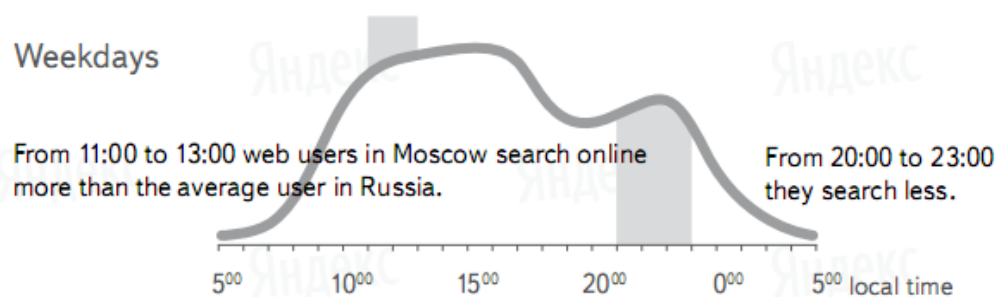


Figure 7.4 “The search pattern of internet users in Moscow” (Yandex)



The audience of Yandex.ru from Saint Petersburg makes approximately 3.2 million search sessions with 7.8 million queries a day. The users from Moscow make 10.8 million sessions with 25.9 million queries.

Internet advertising in Russia is increasing the trust and popularity. In the last decades more of the population has decided to use the online advertising sources.

The research by Romir Monitoring, in the year 2005, indicates that only 5 % of the population in Russia trusts online advertising. However, in the big cities the number is higher and reaches 8-9 per cent. Online advertising is not yet in common practice, but this segment was growing in the last decade and both the trust and the popularity has increased.

According to the research by the Online Monitor in 2006, only 7.1 per cent of all visitors do not see the online advertisement of tourism services. The other 45 per cent has seen it and 47.9 has seen and clicked. This is the highest number,

followed by 36.2 per cent of “has seen and clicked”, category mobile phones (Travel.ru)

However, as it seems simple and not expensive, advertising in different online sources can be very unpredictable and therefore should be taken with caution.

During the latest research the Facebook pages appeared to be the least expensive source of the online advertising, however, it is explained by the wide audience and the irrelevance of the information popping up for the users, which cannot be interpreted as useful. Advertising in Facebook in Russia is a waste of financial resources; due to the fact Russia has its own “Facebook” called “Vkontakte.ru”. Vkontakte.ru is targeted for personal use and has the web traffic of over 10 million people a day, but even if visited by owners of businesses and other entrepreneurs, is not worth the costs.

The internet provides a lot of possibilities for the tourism industry, for example, the most targeted advertising possibilities are available on travel.ru. The internet possesses extensive information about destinations all over the world. The targeting of the advertisement includes segmentation on geographical basis, determined user, time of the day. In addition, one can choose advertising through links and tours. Travel.ru provides low prices for reaching the relevant group of customers (Travel.ru).

It is common in Russia to combine the internet advertising with the TV and other forms of advertising. The internet advertising is most commonly used by bigger or already known brands that are supporting or in other words reminding customers about the company with the help of the internet.

For SME’s in general and especially for NW Production, a company with a limited marketing budget is a very difficult task to find a customer by means of the internet.

It is possible to establish relationships with a company in Russia that is known and advertises on the internet and it is not unlikely that this relationship will bring more profit. Such popular Russian enterprises are Tez-Tour and Neva Travel. Going for those two companies is impossible. The advertisements of

the two companies are so strong and often that it will simply overshadow any small company.

### **7.3 Tourism fairs**

Russia organizes a great number of meetings and trade shows in the hospitality industry. All of them are primarily held in the Central or North-West Regions (Travel.ru).

Exhibitions are focused on certain topics that will represent the tourism companies participating in it. Such topics can be skiing or winter tourism, sport tourism, leisure or business tourism. From the point of view of NW Production participation in the tourism fairs will give a good start and a good idea of the tourism industry participants.

There are exhibitions or seminars that are held on the annual or semiannual basis and there are some that appear against the needs.

The importance of the tourism in Russia has been acknowledged by many instances (The Russia Federal Agency for Tourism). Therefore the actions of the Russia's Federal Agency in Tourism are directed towards increasing the number of events to attract international partners.

The number of the tourism trade fairs in Russia has risen in the last decade. The fairs are conducted in the most attractively located cities and more and more business tourism fairs are being established (tourvest.ru)

Scandinavia has always been a point of interest for Russian tourists and business tourists; therefore a number of trade fairs involving the participations of Scandinavian countries is growing, giving an opportunity to NW Production to present itself on the market. There are a few events in the trade fairs industry that NW Production can become interested in. One is the INWETEX – CIS travel market that offers opportunities for the Scandinavian representatives in

finding the contacts and establishing new relationships around the North-West region. In Russian culture personal contact is dominating when it comes to decision making. The participation in such an event will create an image in the Russian market (Restec; Swedish Trade Council).

Inwetex-CIS travel market is the international exhibition with participants from over 39 countries and it is held in Saint Petersburg. The main purpose of the exhibition is to present the inbound and outbound travel in Russia itself as well as CIS countries, Scandinavia and Eastern Europe (Restec).

One of the other major travel events in Russia that is held on the annual basis every March is Moscow International MICE Forum where the participants are congress centers, DMCs, hotels and different organizations that are in charge of business arrangements (Miceforum).

The MICE forum is a one day event that attracts visitors from different industries. In 2010 it was represented by 47 countries from around the world. Scandinavia was represented by only one country which is Denmark. The following companies from Denmark participated in the event: VisitDenmark, Kuoni Destination and Travel Management. Sweden was not a part of MICE 2010. During the 2009 event Scandinavian companies seemed more active and in overall 7 companies from Finland, Norway and Denmark took part in the forum (MICE Forum 2010).

It is a very disappointing fact that Sweden is not represented in such an event, taking into consideration the fact that VisitSweden, the official body of Swedish tourism, claims Russia to be the country of interest in Swedish tourism politics. In the entire history only Norway, Denmark and Finland participated in the event.

Since NW Production has previously participated in the business events worldwide, attending tourism trade fairs will only appear positive for both the company and the image of the country.

The Meeting Industry and Business Travel exhibition (MIBEXPO) is the business event that welcomes national and international companies involved in

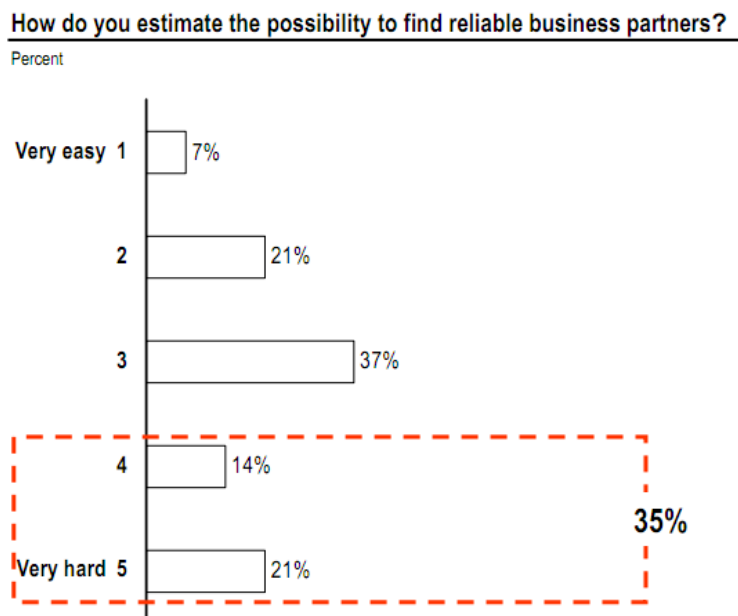
business tourism. The exhibition takes in total three days, and being a leading event in the tourism industry in Russia will help to establish relationships with business travel organizers (Mibexpo).

## 7.4 Partnerships

Entering the partnership can be one of the most rewarding means of entering the Russian tourism market. Unfortunately finding a partner is a complicated task (Swedish Trade Council 2008)

In the research conducted by Swedish Trade Council one can see the companies' perception on finding new partners. Figure 7.5 below shows that more than one third of the respondents claims that finding partners in Russia is rather hard.

Figure 7.5 "Finding Business Partners in Russia" (Business Climate Survey, 2008, p.12)



The trend observed on the web pages of tourist operators and business travel organizers reveals the fact that the Russian tourism enterprises are more likely to work alone or together with another tourism representative from the same country.

In the attempt of finding possible partnerships for the partner company NW Production 20 tourism companies in Russia have been contacted by electronic mail. The companies have been chosen according to their geographical location, and were limited by such cities as Moscow and Saint Petersburg.

No companies have been interested in any kind of contact, or simply did not reply the request. On the web pages of these companies one can find the partnership information provided in the Russian language and mostly oriented on the profitable operations of the Russian firm.

The fact of receiving only negative replies, however, does not generalize all the tourism SME's in Russia and does not prevent from any partnership agreements in the future.

One kind of available partnerships for NW Production is the Swedish tourism board. In the years 2007-2008 Visit Sweden launched the business to business project on promoting Sweden as the destination for the Russian tourists. The information on the partnerships with the Swedish tourism board can be found on the official web pages.

## **8 SUGGESTIONS TO THE PARTNER COMPANY NW PRODUCTION**

Small and medium enterprises have a tremendous role in the organization of business tourism. The task of marketing the company in the other markets than the home market is hard.

There is some practical advice for the NW Production to be able to save otherwise unnecessary spent part of the budget.

One piece of advice has already been mentioned and includes the translation of print material in the Russian language. The print materials, such as brochures have to be translated in Russian to some extent. When visiting the trade fairs a brochure in Russian will make much more sense than the one in Swedish or English.

The same is applied to the design of the company's web page. An extensive amount of information should be available for the Russian customers in the native language to simplify the communication process.

Such changes are not consuming a big part of the annual budget and bring a lot of value in return.

To support the web page an attempt in print advertising is desired. There are a few issues, for instance Expert and RBK that deliver business news to the audience.

It is wise to keep a constant contact with the Swedish tourism Board that has recently conducted a project on attracting Russian tourists to Sweden as well as it always keeps the company aware of the current situation of the upcoming projects.

Participation in the Russian tourism fairs is undoubtedly a plus. Tourism fairs are the places to meet representatives of different tourism companies in both Russia and other countries. It allows to have a face-to-face contact and getting to know the areas of the companies' operation.

NW Production should be consistent in the pursue to address Russian customers as any marketing activities are time consuming and involve a lot of tries.

## 9 CONCLUSION

All over the world business tourism is the biggest source of income for the tourism enterprises. The business tourism in Russia has started to develop some time later than in the European countries and therefore has not been studied well yet, as well as Russian tourism patterns in general.

The work contains valuable information on the Russian tourism and especially business tourism to Sweden.

In the work the Russian tourist profile is defined and consists of 5 groups. The groups were defined by the World tourism Organization and are middle classes, funky “young” professionals, those with the upper income, the golden youth and the ultra rich. The mentioned groups present the least and the most spenders accordingly, where the middle classes are the least spending and the ultra rich are the most spending.

The Russian outbound travel is presented by four groups which are leisure, business, personnel and private. The outbound business trips form a total of 7.9 per cent of all the trips which indicates a clear domination of leisure tourism in Russia. Another tendency is the preference of summer destinations not only by leisure travellers but also business travellers. This tendency can be described by the simplified process of issuing visas for the Russian citizens in such countries as Turkey, Egypt, Thailand, and Vietnam. Russian outbound business tourism is characterized by the low participation of women and the domination of young males.

With the help of travel information presented by the Russia Federal Agency for Tourism it was possible to find out that the indicators of business tourism in Russia showed an overall decline. The number of business trips dropped during the year 2010 dramatically and the number of business trips to Sweden fell by 7 per cent from which the largest number of Russian travellers to Sweden mostly visited the Stockholm area.

Marketing in Russia appears more complicated than in Europe. The infrastructure of marketing is not fully developed and due to that reason certain difficulties arise. Such difficulties are the targeting of the advertising campaign and the precise segmentation.

Four options were defined to cope with the minimum expenditures. Such options are print advertising, online advertising, participation in the trade shows and the possibility to establish a partnership.

Top 10 newspapers and magazines were named. Some of the most favourite issues appeared to be business issues with the opportunities for advertising both in the issue and the online copy of the magazine.

In the research the levels of trust in different media were found out. The highest level of trust belonged to the television. The trust in the newspapers was relatively low. In choosing the print advertising the preference was given to the magazines due the higher analytical level of the information and the better quality than newspapers.

The internet penetration in Russia has shown a tremendous growth of over 1800 per cent from the beginning of 2000 until now. The penetration level in the middle of 2010 is 42.8 per cent with the highest internet use in Moscow and Saint Petersburg.

The research presents the search patterns of inhabitants of Moscow and Saint Petersburg and their differences time wise. The residents of Saint Petersburg dedicate to search less than average until 18.00. The residents of Moscow make more searches between 11 and 13 local time than average in Russia.

It is discovered that the trust in the Internet is higher in the bigger cities than in the smaller, but stays high. The most trusted source of information on the Internet was the information provided by the official web pages of the companies and the advice of other internet users. Russian internet presents a lot of opportunities to the marketing of tourism but the sources should be very carefully selected.

The participation in the tourism trade fairs and shows is one of the best ways to find partners in the tourism scene. Some of the major events of the business tourism industry in Russia are MICE-forum, Inwetex-CIS, MIBEXPO. Attending the fair gives a unique chance to meet the companies' representatives eye to eye and find good contacts. The trade fairs have shown an interest in Scandinavian countries. Sweden was seldom presented in the Russian tourism trade shows.

In an attempt to find partners in Russia several companies have been contacted but have not received any positive reply. Establishing partnerships in Russia often requires a personal contact with the company.

In the thesis different marketing options on the restricted budget have been contemplated. Some options seemed more real than others. However, no matter what the international company chooses one of the key elements of marketing in Russia is to be prepared to conduct the work in the Russian language.

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