

Saimaa University of Applied Sciences

Tourism and Hospitality, Imatra

Degree program in Tourism

Eila Potapova

RUSSIAN CONSUMER BEHAVIOR IN FINLAND

Bachelor's Thesis 2012

This thesis work is dedicated to Funtik.

Special thanks for Elizabeth Lukyanenko, Nelli Grecheva and Alexandra Sharenkova.

ABSTRACT

Eila Potapova

Russian Consumer Behavior in Finland, 37 pages

Saimaa University of Applied Sciences, Imatra

Tourism and Hospitality, Imatra

Degree program in Tourism

Instructor: Mr Mika Tonder, Phd, Principal Lecturer, SUAS

The purpose of the thesis is to study consumer behavior of Russian tourists in Finland and to analyze the main factors that are influencing their buying habits. The growing effect of Russians on Finnish market triggered the interest to start this thesis.

Theoretical part of the thesis starts with a definition of the consumer and consumer behavior. Segmentation, positioning and targeting are discussed next. Afterwards, segments of Russian consumers are described generally. Empirical study focuses on practical information about Russian customers in Finland. Face-to-face interviews are part of a qualitative research method which helps to reach a sufficient understanding of Russian customers' behavior. The empirical part was carried out in spring 2012.

The results of the study show that Russian customers are generally satisfied with the existing products and level of service in Finland. The most important factors influencing their behavior are high quality of Finnish products and affordable prices. This thesis can be used as a base for further research work on Russian customers.

Keywords: Consumer behavior, Russian customer

Table of Contents

1	INTRODUCTION.....	5
2	METHODOLOGY.....	6
3	DEFINITION OF CONSUMER AND CONSUMER BUYING BEHAVIOR.....	8
4	CONSUMERS AND INFLUENCING FACTORS	9
4.1	Cultural influence.....	9
4.2	Social influence	10
4.3	Personal factors.....	12
4.4	Psychological influence	13
5	SEGMENTATION, TARGETING, DIFFERENTIATION AND POSITIONING	15
5.1	Segmentation	16
5.2	Targeting	16
5.3	Differentiation and positioning	17
6	RUSSIAN CONSUMERS.....	18
7	RUSSIAN TOURISTS IN FINLAND	21
7.1	General information about Russian tourists in Finland	21
7.2	Reasons for traveling to Finland	24
7.3	Russians in South Karelia.....	27
8	RESEARCH FINDINGS	29
8.1	Segmentation for Russian tourists.....	29
8.2	Factors influencing Russians' customer experience.....	31
8.3	Consumer experience of Russian tourists in Finland.....	32
9	CONCLUSIONS.....	33
10	CHARTS	35
11	REFERENCES.....	36

1 INTRODUCTION

Consumer behavior is an interesting topic. Understanding consumer behavior is a challenging task.

The process of buying and advertising is a part of people's life. Many different factors have some kind of influence on the consumer behavior or decision-making of an individual. Consumer behavior is all about the benefits people are looking for when making buying decisions, and satisfaction level they get when consuming certain goods or having services. Considering all these facts, consumer behavior is a very meaningful subject. It plays a very important role in people's lives supporting their basic needs, offering products for rest and comfort, fulfilling the needs for enlightenment and social communication. Further, consumer behavior has a great effect on economic situation of the society. (Wilkie 1994,. ix.)

Customers become more demanding nowadays and writing thesis on the topic of consumer behavior is a very interesting and useful task. This research work might also benefit reader's own shopping experiences. Person's motivations during the buying process and factors affecting consumer behavior are discussed.

Finland, and more specifically Lappeenranta, is a perfect place for such kind of research work. The town receives a lot of Russian tourists daily, providing different products and services. New records in the amount of people crossing the border are announced. Research findings might be valuable for enterprises serving Russian customers often.

The main aim of this thesis work is to study the consumer behavior in general and to find out how Russian tourists perceive the availability of markets of Finland. The research aims to study and analyze factors influencing their customer experience. The consumer experience of Russian tourists and variations among Russian customers in terms of their perception of available choices in markets in Finland are described. The study finds out what kind of consumer experience Russians get in Finland

and determines the main factors influencing their consumer behavior. The interest for this study was based on the increased attention towards Russian visitors in Finland.

Thesis' theoretical part starts with theory about consumer and factors affecting consumer behavior, followed by general information on segmentation, targeting and positioning. The thesis is supported by literature of marketing and consumer buying behavior. Applicable information is also received from online publications and articles.

Desk study about Russians in Finland supports the qualitative research part. Since South-Karelia is one of the most popular locations among Russian tourists visiting Finland, the qualitative research is mainly focused on Russian customers in the town of Lappeenranta. The secondary data is collected through interviews and used for recommendations on future work. The interviews are carried out in order to get more knowledge concerning opinions and views of Russian visitors about their perception of available choices in markets in Lappeenranta. Those interviews are done via personal communication. The research results are later analyzed and presented.

The last part of the thesis is conclusion which includes the most important information found out during the research work in order for companies in Lappeenranta to benefit from it.

2 METHODOLOGY

Russian customers in Finland have been studied as a part of empirical work. General information about Russian visitors and reasons for travelling to Finland has been found. This kind of study provided extended information about Russian tourists in Finland. Different kinds of sources such as governmental statistics, previous research documents and newspaper articles have been used.

Qualitative research provides deep understanding of human behavior, motivation and experiences. This method answers such questions as "how" or "why". Details are chosen instead of statistics. (Silverman 2010, pp.118-119.) Samples in qualitative research are small, but the data collected is more comprehensive. This method provides researcher with full answers. (Hague & Jackson, 1995, p.133.) Due to the fact that qualitative method provides deeper knowledge about certain events, problems or phenomena, it is used in this thesis work. The reason for choosing this kind of research method is the possibility to produce new information that can be used in the chosen region.

The research aims to understand and analyze the behavior of Russian customers. The study answers the question how Russian customers segments vary in terms of their perception of market and why their perceptions vary. Other research questions are:

- What are the factors influencing the customer experience of Russians?
- What kind of consumer experience do Russians get in Finland?

As a result, the information about Russian tourists' attitude towards available markets in Finland is produced.

Making research using face-to-face interviews is a very common and widely used way of data collection. While making the face-to-face interviews it is possible to reach better explanation for the research question and deep understanding of the research problem. Face-to-face interviews provide researcher with higher level of accuracy. The researcher is able to assure the answers received are correct by visual contact with the person interviewed. There are also disadvantages of face-to-face interviews. They are time and cost consuming, demand high organization and in some cases quality control. (Hague 1995, pp.112-115.)

3 DEFINITION OF CONSUMER AND CONSUMER BUYING BEHAVIOR

Consumer in general is the one who is feeling the need for purchase, making the purchase, and later disposing it. However, there might be some other people involved in the process. The one, who is buying the product, is not always the final user of the product. The influence of other people while purchasing the product might affect the final decision-making. These individual consumers appear in different ages, life phases or social backgrounds. (Kardes et al 2008, p.8.)

In the end consumer is not only an individual person. It might be an organization, a group of people, wholesaler, manufacturer, non-profit business or a company. Those organizational consumers buy goods and services in order to produce their own products, to sell them forward for another company or final user, or in order to help in managerial and operating activities within the organization. (Solomon 1996, pp.7-9; Shiffman & Kanuk 2004, p.9.)

Consumer buying behavior means the process of decision-making and also activity of people participating in selecting, purchasing, consuming and disposing products or services. It also contains behavioral, mental and emotional responses which define and come next to these activities. (Solomon 1996, pp. 8-10; Kardes et al. 2008, pp.8.)

From the definition it is clear that consumer behavior is not only about the purchasing the exact product. It is a long and complicated process. It starts from the first ideas in the mind of the customer concerning certain product and need recognition, continues up to exploring new information and comparing options and variety of choices, defining the benefits and deprivations of different alternatives. Finally, it ends up in making the decision of buying the product. After the actual purchase has happened, post purchase activities are also important for the sellers, since they represent the satisfaction of the product. (Khan 2004, p.2.)

Consumer buying behavior is an ongoing, impulsive, ever changing process, determining all the marketing activities of the company and demonstrating the interaction between customers and producers. (Solomon 1996, pp.8-10.)

4 CONSUMERS AND INFLUENCING FACTORS

There are many varieties which affect the way customers act and think during the purchasing process. Such dimensions as social, cultural, personal and psychological influence the consumers' buying behavior of individuals. Employing those factors carefully helps the organization to achieve their objectives of marketing strategy. (Kardes et al. 2008 p.327.)

4.1 Cultural influence

Culture has considerably powerful influence upon consumers' views towards any product. Consumption choice can be understood with recognition of cultural backgrounds of people. The effect of culture is not easy to measure. Culture as phenomenon includes both values, ethics, traditions of people and also objects, made or appreciated by certain group. Culture is a base for our values, behavior, beliefs, priorities and certain perceptions towards different products. These characteristics compose what values of the consumer represent the way of consumer's actions. (Kardes et al. 2008 pp. 407-408; Solomon 1996, pp. 537-540.)

Every group of people has unique culture and its influence towards the consumer behavior. Weak adjustment of these qualities may cause inefficient marketing or even unpleasant mistakes. Taking into consideration the needs and values of specific group creates benefits for company's marketing strategy. Consumers are more likely to get products

and services that are in balance with the values and preferences and the customs and norms of their culture. However, culture is constantly developing processes and the beliefs, values, views and social systems change with time as well (Kotler & Armstrong 2010, pp.161-164; Solomon 1996, pp.537-540.)

Almost every society is divided into some kinds of relatively permanent sections - social classes - the members of which have equal values, interests and similar behavior. These classes are characterized by several factors, such as the level of income, education, occupation, wealth and others. Each member of social class has certain roles and positions in society. Marketers have special interest towards social classes due to the fact that people inside the social class have similar consumer behavior and show preferences towards definite products or brands. (Kotler & Armstrong 2010, p.164.)

Consumers belonging to the same social class frequently have similar lifestyles. They are often working in the same occupations, have similar hobbies and tastes. These people tend to behave similar to each other. It is a result of shared values and ideas. The social class they are associated with can be understood as an index of buying behavior and choice of certain products, which is caused by their level of income, social norms and values they support. Hence, social class is commonly used for market segmenting. (Solomon 1996, pp.433-434.)

4.2 Social influence

People around are influencing the consumer's buying behavior. Along with cultural factors, the consumer's behavior is affected by several social factors, which are reference groups, family, social roles and statuses. Reference groups include all groups having any direct or indirect influencing power on a person's beliefs or actions. Reference groups are forcing people to new actions and manners, affect their beliefs, values and self-recognition, and make certain need for correspondence that may

influence their choice of product or brand. Expectations from other group members are affecting the consumer buying behavior. Individuals aim to fulfill the group expectations and change their behavior in order to suite their status or role. (Kotler 2002, p.89.)

Family is an important strong element of society which has a great influence on consumer buying behavior. Person usually adopts the attitude towards politics, economics, religion, self-esteem and love from the parents. The husband or a wife and children of consumer have even bigger direct influence on the consumer characteristics as the consumer spends more time with them. The points of view of kids and the spouse might work as guiding line for decision-making process while buying. Roles and proportional influence between wife, children and husband vary within different cultures. (Kotler 2002, p.91.)

Groups having a direct impact on a customer are known as “membership groups”. Representatives of family, friends, neighbors, and colleagues with whom individuals constantly interact on an informal level are the membership groups. Secondary reference groups, such as religious groups, trade-unions, professional and business associations tend to have more formal and less constant interaction and also influence the behavioral norms of the individual. Groups to which individuals do not belong are also influencing people's behavior. So called aspirational groups are those the person is aiming to become a part of, and vice versa dissociative groups are the ones whose beliefs consumer denies. (Kotler 2002, p. 89.)

Through all periods of life consumer belongs to many groups, such as clubs, organizations, unions, associations, and acts accordingly. The person's place within each group defines the role and the status one takes. Individuals act according to their roles within the group, trying to fit the expectations of the others. Every role is connected to status, which is often represented with certain symbols, as for example specific products or some brands. (Kotler 2002, p.91.)

All these aspects of social life influence the consumer's behavior and decision-making process of individual.

4.3 Personal factors

The third element which has influence on consumer's buying behavior includes individual's age and life cycle phase, economic and occupational conditions, and personal characteristics. Those factors are called personal.

With time people grow up and their needs and desires are changing. Marketers are often aiming certain products for similar age groups. Consumers within the same age group tend to have similarities in their buying behavior. They have experienced similar events and have grown with the same understanding of values. (Solomon et al 2008, pp. 501-503.) Differences in behavior between age groups can influence their attitude towards specific categories of products or change their brand loyalty. (Kotler 2002, p.91.)

The process of ageing often goes through family life cycle, covering different phases in consumer's lives starting from autonomous life up to marriage, children, the years of empty nest, retirement and later life. However, many households differ from the traditional life cycle and are targeted differently by marketers. (Kotler 2002, p.91.)

Occupation of the individual affects one's consumer behavior. Identifying customers' target groups based on their occupation offers companies possibility of designing and tailoring the product according to customers' needs. Occupation also defines the level of personal income, which influences the preference of brands and interest in certain services. (Kotler 2002, p.92.)

According to their social class or occupation people's lifestyles are different. Lifestyle represents people's structure of living and environment they are constantly interacting with. Lifestyle expresses activities, hobbies, sympathies and ideas of people. There is direct connection between the lifestyle people have and the goods they purchase. Cultural background

may have an effect on people's lifestyle segmentation. According to Kotler (2002, pp.92-93) Russian consumers for instance were segmented into "Students," "Business Executives," "Russian Souls", "Kuptsi" (merchants) and "Cossacks".

People can also be segmented due to their personality, which influences and forms their buying behavior. Each person has different personality with various perceptions of self-confidence, independency, social skills, sensitivity and an ability to act in unknown environment. There is a strong reliance between personality characteristics and consumer behavioral patterns. (Kotler 2002, p.93.)

Consumer's self-concept is another personality element affecting the consumer's behavior. Actual self-concept represents the way individual realistically sees himself, which differs from the ideal self-concept meaning the way person would like to see himself. Others-self-concept is the way others see the person from the point of view of that person. (Kotler 2002, p.93.)

Products and services may be bought because they help individual to reach the ideal-self. Personal property shows and tells about the personal characteristics of the one owning them. Depending on those self-concepts consumers purchase goods and services valuable for them. Connection between the marketed product or service and the person appearing on the advertised image may create a link to individuals' ideal-self concepts and make them buy that product. Consumers tend to imitate people from advertisement so they are eager to buy marketed product. (Solomon 1996, 225-227.)

4.4 Psychological influence

Psychological factors in addition to cultural, social and personal also have great influence on the buying behavior of consumer. Usually such

elements as motivation, learning, belief, attitudes and perception are influencing the buying behavior. (Kotler 2002, p.93.)

Motivation is used to describe one's behavior. If a person feels the need of something a certain degree of tension appears. Motivation is a need which is effectively pressing on the person and drives to act in order to reach the desired goal and decrease the tension. If the need is strong enough it drives the person towards the realization of the need and becomes a motivation. Motivation is an explanation for someone's actions. (Solomon et al 2008, pp.126-127.)

In order to carry out consumer analysis or marketing strategies psychologists have created several theories concerning motivation. Well-known theories were made by Sigmund Freud, Abraham Maslow, and Frederick Herzberg. (Kotler 2002, p.94.)

Sigmund Freud believed that consumers do not truly understand their motivations. He pointed out that behavior of people is mostly unconscious and difficult to explain. Theory assumed that marketers can deliver desirable acceptable image to any product as long as they concentrate on shaping the brand so that it creates pleasant symbolic meaning. (Kotler 2002, p.94.)

Abraham Maslow concentrated on reasons why people are feeling particular needs at certain time or period. Maslow preferred to explain motivation as a hierarchic pyramid where consumers' needs are situated from the most pressing to the least valuable. Five main categories of pyramid consist of basic physiological and safety needs up to needs for socializing, esteem and self-actualization. Basic needs are satisfied first and after that people tend to satisfy other ones according to the pressure these other needs are creating. Through this theory consumer's aims, ideas, desires, thoughts and life can be understood. (Kotler 2002, p.94.)

Herzberg's theory concentrates on identifying so called "satisfiers" and "dissatisfiers". "Satisfiers" are factors which cause satisfaction of the purchase but do not represent the satisfaction of the product itself. "Dissatisfiers" are the factors which may add disappointment to the

process of buying. According to the theory customers are satisfied with the purchase when the “dissatisfiers” are avoided. “Satisfier” may be for example warranty on certain product, which does not actually affect the product itself but creates a good image of the company providing it. (Kotler 2002, p.94.)

5 SEGMENTATION, TARGETING, DIFFERENTIATION AND POSITIONING

Market segmentation was firstly recognized by Wendell Smith in his article for “Journal of Marketing” in 1956. The idea was quickly adopted by marketers. Market segmentation concept was developed and analyzed by researches through decades (Wilkie 1994, p.85.)

Mass marketing with a concept of offering one product to every possible customer with a distinct marketing mix for everyone was the main marketing tool used before the marketing segmentation. (Shiffman & Kanuk 2004, pp.50.)

Creating values and building strong customer relationships has become difficult in our modern and diverse society, where everyone's needs are not like everybody else's. Due to advanced technology and cultural breakthrough a condition of multiple different customer groups with obvious needs has appeared. Mass market does not seem to be efficient anymore. (Solomon et al. 2008, pp. 203.)

Today's companies take into consideration that it is hard to reach all consumers in the market. The amount of buyers is too high and various. Characteristics of the companies and their abilities to serve different customers also vary from each other. Choosing the right customers for their products became the goal of new marketing strategies. Target marketing, which involves classifying segments of the market, choosing some of them, and tailoring products and marketing strategies in order to

fit each segment chosen, is the practice used by many companies. (Kotler & Armstrong 2010, p.215.)

5.1 Segmentation

Market segmentation is a process of dividing market into certain groups with similar characteristics or demands. Market segmentation is used as a tool for breaking big miscellaneous markets into smaller groups. This helps companies identify and match the needs of the customer's more effectively. (Kotler & Armstrong 2010, pp.215-216.) Segmenting process does not apply only to consumer markets. Business-to-business markets can be divided also. (Solomon et al. 2008, pp. 204.)

Markets can be divided in many different ways. The main variables for segmentation are geographic, demographic, psychographic and behavioral. Choosing the right segmentation method is not an easy task. Good market segments are the ones which are big and beneficial enough. It is easy to identify measure and separate them from other groups. Good market segments can be efficiently accessed. It is possible to design a suitable marketing campaign in order to attract this segment and serve it. (Kotler & Armstrong 2010, pp.215-216.)

Market segmentation is seen also as a managerial strategy that adjusts company's marketing ideas to fit the demand in its best way. This strategy aims for an advantage over competitors by better performance of satisfying customer's needs. (Wilkie 1994, p.88.)

5.2 Targeting

The next step after dividing the market into smaller segments with similar characteristics is targeting. It is a process when chosen markets are evaluated according to their attractiveness and chosen for further marketing investments. These selected segments are called target market.

When marketing certain products, company considers those target markets and manages marketing strategy so that it reaches them and turns into customers. (Solomon et al. 2008, pp. 216.)

While evaluating market segments the company pays attention to the profitability and attractiveness of this segment and the way company fits into it. Proper suitable size and promising characteristics of the segment are attractive for the company. Chosen segments are potentially profitable if they suit company's resources and the opportunities to serve those target markets. Customers who are willing to buy from the company in a long-run are more important, because they are ensuring the future sales revenues. There are several factors, influencing the long-run activities of the customers. The amount of competitors, both current and potential ones, substitute products, comparative power of buyers and suppliers are the elements affecting the consumer behavior towards certain company in a long run and so influencing the choice of market segment.(Kotler & Armstrong 2010, pp.225.)

Employing skills and looking for resources that are superior to those of the competitors give the company an advantage to win a market segment. Segments in which the company is able to create strong value for prospective customers are usually chosen for further marketing activities. (Kotler & Armstrong 2010, pp.225.)

5.3 Differentiation and positioning

Differentiation is the process of creating certain distinguishing features that separate the production or market content of the company from its competitors. Companies are designing differentiation on the conditions of product, service, manpower or image. (Vashisht 2005, p.98.)

Enterprises which are choosing undifferentiated targeting strategy are trying to reach a wide segment of people. This strategy might be very successful if production is suitable for this type of marketing. Some

companies though tend to develop one or more products for every customer group and deliver their marketing messages in a separate form for each segment. Connecting one product to several target segments involving different ways of communication is also a part of differentiated marketing. Some companies focus their marketing activities on targeting their offers of one or several products to a single segment. (Solomon et al. 2008, pp. 218.)

Finally, developing a marketing strategy so that particular targeted segment receives a good service, which meets their expectations and distinguishes the company from its competitors, is known as positioning. This concept is based on perception of particular market segment towards goods or services of certain company. Positioning as a marketing strategy requires clear understanding of target segments, which is then used for evaluation. Constant communication with positioned segment becomes an essential part of marketing strategy. (Solomon et al. 2008, pp. 220.)

6 RUSSIAN CONSUMERS

Currently some marketing companies have classified Russian consumers according to various criteria.

One of the classifications for Russian consumers was carried out on the basis of comparison of two parameters, such as desire for society benefits and personal welfare, and patriotism and cosmopolitanism. The following five types of Russian consumers were developed in order to describe their buying behavior. Such types as “Students,” “Business Executives,” “Russian Souls”, “Kuptsi” and “Cossacks” were created. The names given are clichés made by authors of the research and do not necessarily describe the nationality, work position or educational level of the person. (Eurasian Opened Institute.)

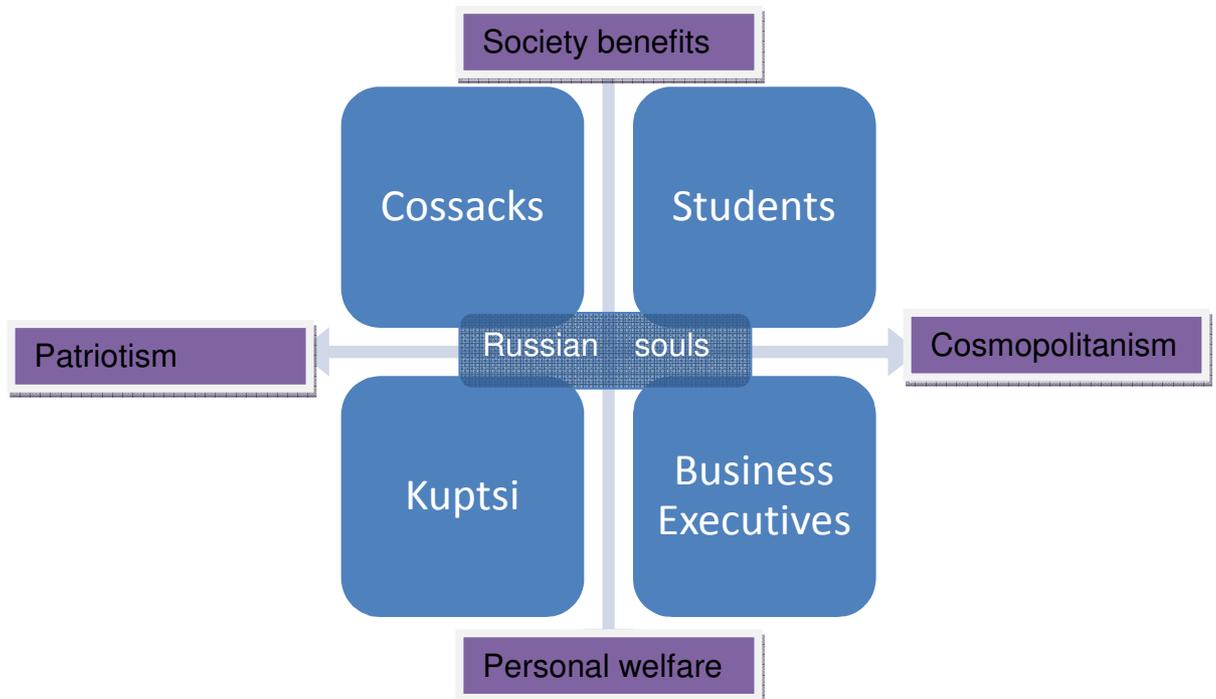


Chart 6 Russian consumers (Eurasian Opened Institute)

“Kuptsi” or “Merchants” are practical people, seeking for reliability and stability. “Cossacks” value emotional, social and individual benefits. They tend to prefer certain unique brands. “Students” tend to behave like everyone else. They like sales and discounts. “Businessmen” are interested in innovation and new products. “Russian souls” purchase well-known brands and refer to the opinion of others. (Eurasian Opened Institute.)

Marketing agency GfK introduced other seven types of Russian consumers. The classification is based on the extent to which consumers relate to innovation and their consumer potential. (Tevlina 2009.)

Innovators made 13 per cent of Russian consumers. It is a group of people focusing on product quality and reliability, health care and active vacations. They are oriented on all new products. Innovators are constantly travelling and getting new experiences and impressions. They are optimistic and confident people. Social status plays an important role for them, so they support it with the choice of famous reliable brands. (Tevlina 2009.)

So called “realized” consumers are also a group of people with high consumer potential. This group included 14 per cent of Russians. “Realized” consumers have implemented their consumer desires and are

oriented to reliability, product quality and health care. These customers are very sensitive towards changes in the psychological aspect, for example they usually stick to the existing habits and tend to avoid risks. They choose brands with a proven reputation but within the average price segment. Discounts and searching for better deal play an important role in their consumer behavior. (Tevlina 2009.)

People with slightly above the average consumer potential and traditional consumer behavior are called “stable” or “settled” customers. They represent 17 per cent of Russian consumers. These customers are not interested in purchasing new products, since they tend to buy well-known products with proven reputation. They try to avoid unplanned purchases and visit shops only if necessary. Strictly planned purchases and leisure activities are the way to keep the level of life they are used to. “Stable” customers take into consideration the quality of the product and pay attention to its reliability, but tend to choose the cheapest option. Simplicity and stability of brands are appreciated. (Tevlina 2009.)

“Spontaneous” customers represent people with the average consumer potential and without clear consumer habits. This group is made of 12 per cent of Russians. Their consumer behavior is impulsive and unpredicted. Time factor is the most important in their consumer behavior. “Spontaneous” customers take into consideration advertising campaigns and special offers, although they rarely refuse purchasing favorite things for the purpose of saving money. (Tevlina 2009.)

“Tending up” or “ambitious” represent 18 per cent of Russian customers. It is a group of people with quite low consumer potential. However, they are oriented on a prestigious consumption. Prestige is more important than the reliability or the quality of the product. These customers are committed to innovation. Advertising plays a great role in the way they receive the information. Advertised new products are constantly purchased by this group of consumers. Mostly they are eager to make purchases via the Internet and often visit stores searching for discounts. Usually “tending up” customers are unmarried young adults (around 30 years old) with above

average income levels. They are confident people who rely on themselves. (Tevlina 2009.)

The type which is about 19 per cent of Russian customers is called “traditionalists”. It is a group of people with low consumer potential that focus on traditional proved values. Little attention is paid to quality and change of the production does not affect their consumer behavior. They do not tend to buy new advertised products and prefer buying more at a time than to shop daily. Usually customers from this group are retired people or people with low income levels. They tend to have moderate or low cost leisure time. (Tevlina 2009.)

People with lowest consumption potential and the lowest income tend to purchase products at the lowest prices. They make the group of consumer called “thrifty”, which are 7 per cent of all Russian consumers. Other than price factors, such as novelty, quality or brand name do not influence their consumer habits. They select product due to its price only, spending much time in stores searching for cheaper product. Customers from this segment usually live in rural areas and do not have high level of education. (Tevlina 2009.)

7 RUSSIAN TOURISTS IN FINLAND

Russian outbound tourism is generally growing. Last year the amount of Russians travelling abroad has grown by 20 per cent. (Taloussanommat 2012a.) Increased income levels have influenced mostly the growth of travels made to Finland for tourism purposes. In addition, new customs regulations, duties and taxes have caused the growth of shopping tours made by Russians in Finland. (Video travel guide.)

7.1 General information about Russian tourists in Finland

In 2010 the amount of foreign visitors in Finland has been around 6.2 million. Russians have made around 2.6 million trips as tourists. It is more than 40% of all visitors coming to Finland. (Statistics Finland 2011.) The chart 6.1 shows that in January 2012 the amount of people staying overnight in Finland has increased the most in South Karelia area with the change of 36 %. Russian tourists were again the largest group of foreign travelers (Statistics Finland 2012.)

Change in overnight stays in January by region 2012 / 2011, %

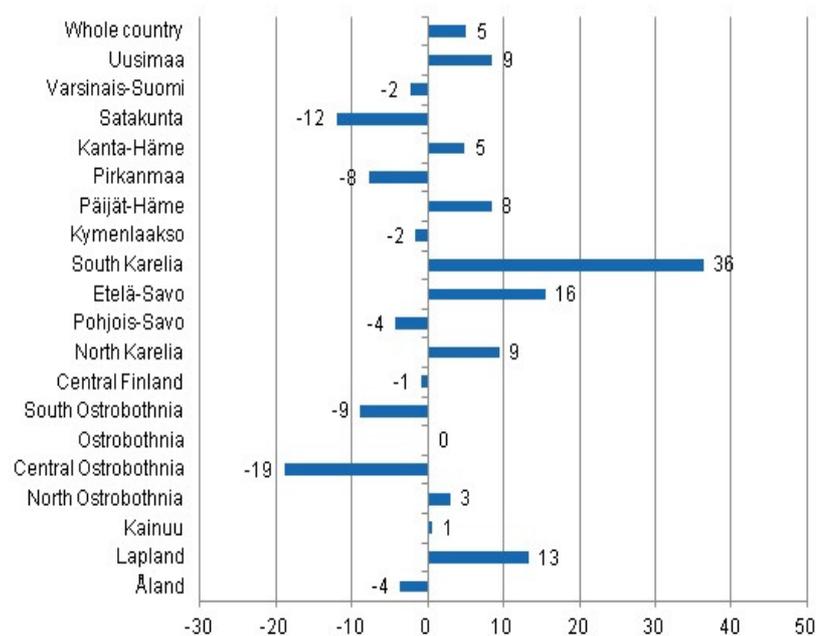


Chart 7.1.1 Change in overnight stays in January 2012 (Statistics Finland 2012)

This phenomenon is showed precisely in the report of the Research and Analysis Center TAK Ltd that has been studying the Russian tourists' consumer behavior on a regular basis. Chart 6.1.2 shows the places Russians visit the most and Chart 6.1.3 represents places of living of Russian visitors. Due to that research, the most popular destinations among Russians shopping in Finland are Lappeenranta, Helsinki area and Imatra. Most Russian visitors come from St-Petersburg. (Nurkka 2011.)

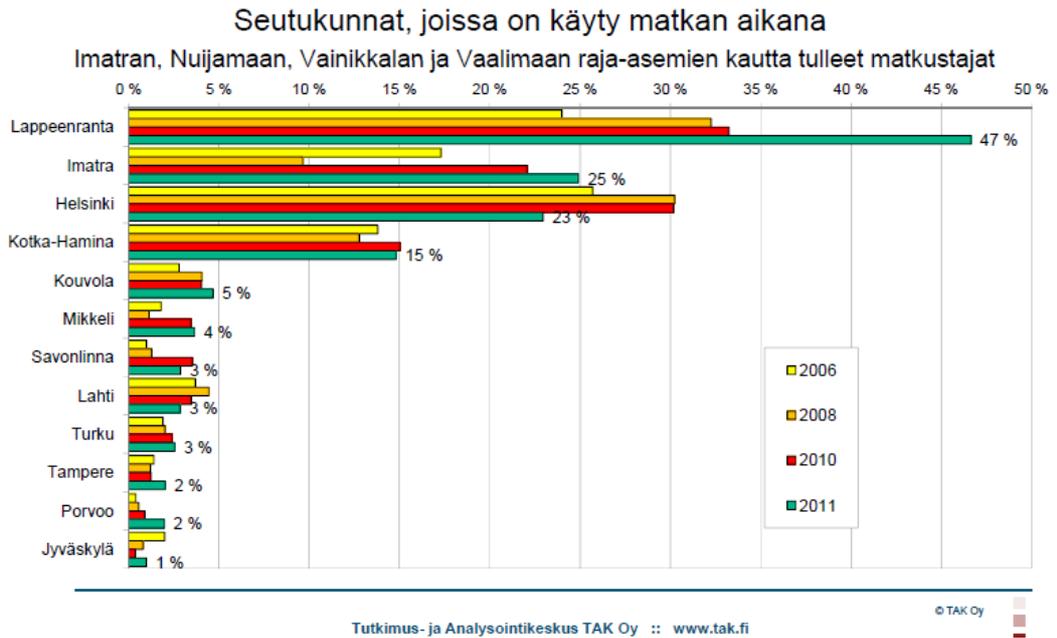


Chart 7.1.2 Finnish sub-regions visited by Russians coming through Imatra, Nuijamaa, Vainikkala and Vaalimaa border-crossing points. (Nurkka 2011)

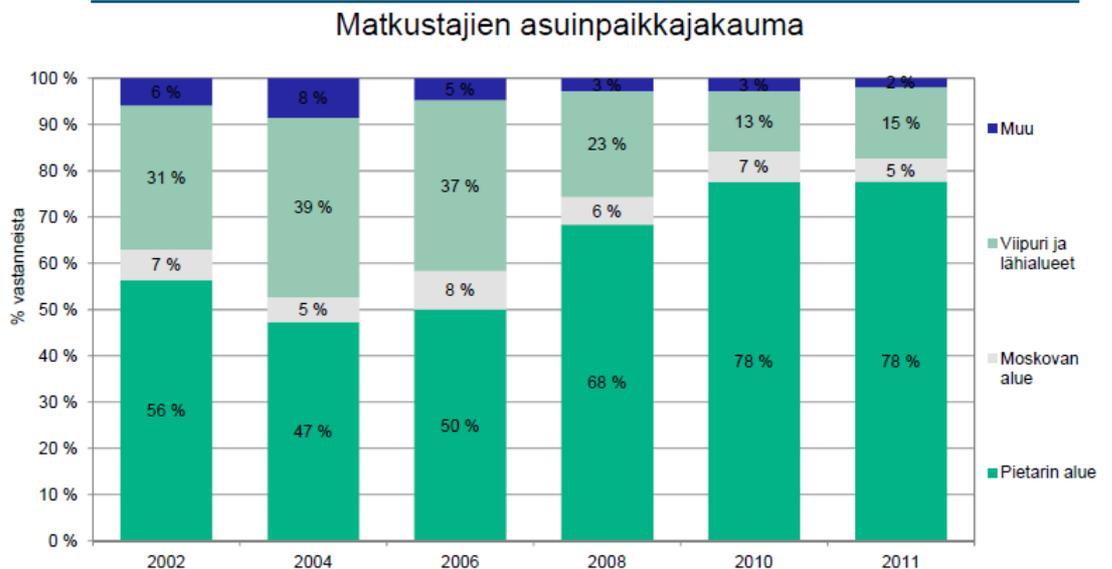


Chart 7.1.3 Living place of Russian tourists in Finland (Nurkka 2011)

Finland is a popular tourist destination in St. Petersburg. More than 50% of adults living in St-Petersburg have visited Finland during the years 2010-2011. Many of them are planning to travel to Finland again in the nearest

future. More frequently Finland is visited by couples without children and people having their work positions at managerial levels or being a director of the company. (Kurjenoja 2011.)

The number of visitors is increasing year after year. According to the research results, most tourists came from St. Petersburg. (Nurkka 2011.) According to the Ministry of Foreign Affairs in year 2011 there have been more visa applications submitted than the year before. A total of nearly 1.3 million which is 95 per cent of the visa applications was processed by Finland's diplomatic missions in Russia. (Taloussanomat 2012a.)

7.2 Reasons for traveling to Finland

Russian tourists travel to Finland for several reasons, for example vacation and relaxation. They also consider a lot the possibility to purchase high quality Finnish products. In Finland, the highest time of the winter sales usually begin soon after Christmas. Purchase of goods during Finnish winter sales is seen as an excellent possibility from the point of view of Russian tourists. (Taloussanomat. 2012a.)

Shopping opportunities in Finland are found attractive by Russian tourists. The vast majority of Russians come to Finland for the purpose of shopping. Restaurant and cafe services have been used by 83 per cent of respondents, 56 per cent have purchased hotel services. Spa services were used by 28 percent of the respondents. Almost every visitor (97 per cent) from St. Petersburg has been shopping during the trip. (Kurjenoja 2011.)

According to statistics, Russian tourists are usually buying food and drinks, clothing and footwear. Household goods are purchased more and more often as well. (Nurkka 2011.)

Consumer behavior of Russian tourists varies during the year. In summer almost all kinds of products are purchased more than in other seasons. During winter time many categories of products are bought more than

average, except for the food, cosmetics, tableware and household goods. In spring textiles and interior accessories are purchased less. Children's clothes, toys and alcohol are bought relatively less during autumn. (Kurjenoja 2011.)

According to statistics, families with children are purchasing children's clothes, toys, footwear, sweets and cosmetics more than others. However they buy footwear less than they are planning to. On the other hand couples without children are buying more food and drinks. These couples are purchasing shoes, bags and accessories less than intended. The purchasing intentions of Russian tourists and their actual purchases are in good condition. Purchases are made even more than planned. Only what comes to the footwear and special activities related products intentions are clearly bigger than actual purchasing results. There can be several reasons for that, for example price range variations or expectation differences. (Kurjenoja 2011.)

The supply of products is favorable for Russians. Chart 7.2 reflects the main reasons for travelling to Finland named by Russian tourists. Two main reasons for purchasing goods in Finland are high quality of goods and low prices. The most important aspects affecting the travel destination choice are good transportation connections, affordable shopping and leisure possibilities (Nurkka 2011.)

Miksi venäläiset ostavat tuotteita Suomesta?

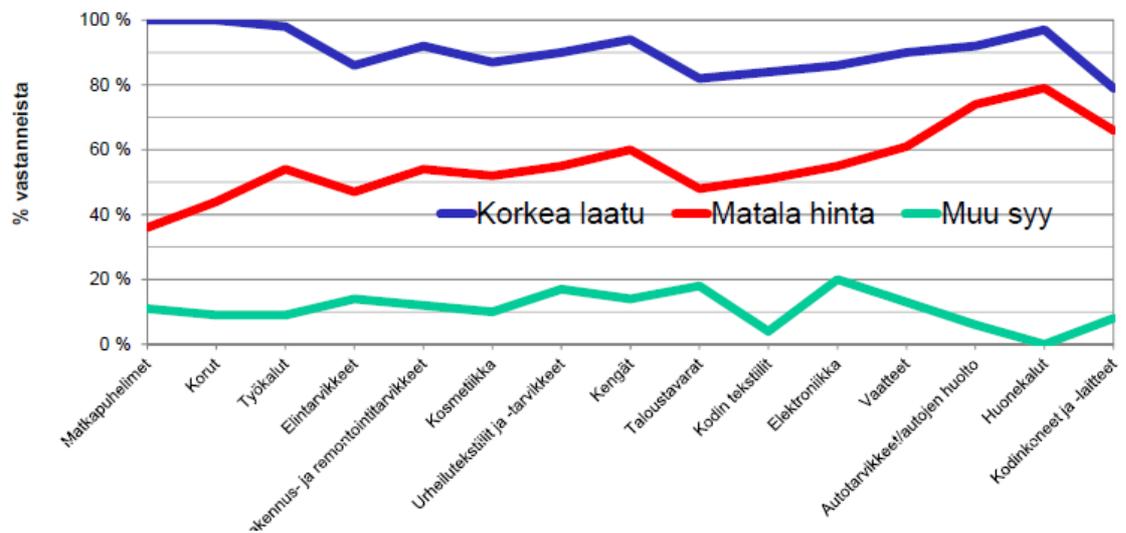


Chart 7.2 Main reasons for purchasing goods in Finland. (Nurkka 2011)

Safety is a very important factor for Russian tourists when choosing a travel destination. Finland fits this criterion, which is specially emphasized by Russian tourists working in managerial positions. (Kurjenoja 2011.)

The latest study identified that Russian visitors are impressed mostly by cleanliness of Finland, its good infrastructure and reliability. According to the research results Russians have an image of Finland as a country of great relaxing spa opportunities, which is a harmonious pleasure. At the same time country often appears to be boring for Russian tourists. It can be seen in the lack of cultural attractions. Russians are interested in having more of entertaining programs and cultural events. The level of service is not fully in the line with their expectations. Russians expect longer opening hours for services. Most of the Russian tourists are spending money on shopping, and not on the services. (Taloussanommat 2012b.)

According to the research of the Trade Union, Russians are planning to use different kinds of services in Finland usually more than they are actually using. For example, they spend around 22 per cent less money on sports, amusement and recreational activities than they plan to spend. In hotels Russian tourists spend 9 per cent less amount of money than they

plan to and 23 per cent less than planned for another accommodation. Also Russian tourists are planning to use 10 per cent more money in ski-centers than they actually do. Less than expected money is spent on spa-services as well as cultural events. Only pharmacy services are used by 9 per cent more than planned. There can be different reasons for this phenomenon. According to Trade Union representative Jaana Kurjenoja (2011), the reasons might be either services are having growth potential and will be used in the coming years more, either the intention of the purchase and the reality are not fitting each other. In my own opinion some of the reasons might be lower or higher expectations towards the prices of the services. It is possible, that the prices were lower than planned so Russian tourists have some money left, or the prices might be higher than expected, so tourists are not purchasing the services. There are also possibilities that Russian visitors cannot get access to the market due to the problems of communication, language, transportation, lack of information. According to the fact that people in managerial positions are visiting Finland more, they might expect better treatment towards themselves, so the services might be left not purchased due to the lack of certain expected treatment. (Kurjenoja 2011.)

In common, Russians are pleased with Finland as tourist destination. Language skills problems are not considered to be serious. The difference between price and quality of products and services is more important and problematic for Russian tourists. More often they seem to be disappointed by this price-quality ratio. The aspects of safety and possibilities to have a holiday close to the nature meet their expectations. On average families with children are usually more satisfied with the products and services they get in Finland. (Kurjenoja 2011.)

7.3 Russians in South Karelia

In year 2011 Lappeenranta market collected €76.3 million for Tax-free sales, which is the highest among Russian customers in Finland (Nurkka

2011). During the period of January-March 2012 the amount of tax-free purchases had reached already €25.4 million, which is 29 per cent more than the same period of time for the year 2011. During this period €21 million have been spent in Lappeenranta. Imatra has a very fast development range. (Saarela 2012.) The opinion of Russian tourists concerning Tax-free refund is shown in Chart 7.3. Although a tax-free refund has a positive aspect, influencing the purchasing power of Russian tourists in Finland, 94 per cent of respondents would still visit the country even without the tax-free advantage (Nurkka 2011).



Kauppa tutkimuspäivä 26.1.2012

Veroedun vaikutus matkailuun

Olisitko tullut Suomeen ilman tax free etua?

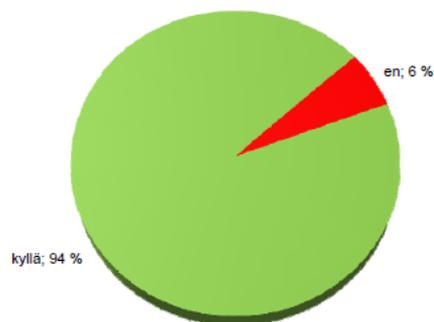


Chart 7.3 Answers of Russian tourists concerning tax-free refund. (Nurkka 2011)

Most Russian tourists appreciate the possibility to purchase goods in Lappeenranta and Imatra. In addition, Lappeenranta is seen to be a cheaper shopping place than other regions. (Video travel guide.) The determining factor when choosing Finland as a tourist destination among Russian tourists visiting South Karelia is convenient and good transport connection. According to the tourists, it is best and easiest to get to Lappeenranta by bus. Road links to Lappeenranta are considered to be good. Among total number of tourists visiting Lappeenranta 56 per cent arrived by bus, 45 per cent by car and 17 per cent by train (Video travel guide.)

Store manager of South Karelian S-group chain Ahti Manninen explains the interest of Russians for shopping in Lappeenranta as close location to the Russian border and good service possibilities. According to Manninen, Russians are eager to get more shopping experiences. However, he notes that Russian tourists are not interested in bars and night clubs. (Sormunen 2011.)

Household equipment and electronic devices are purchased more and more by Russian visitors from the stores of Finland. Due to high demand level local shops of South Karelia had difficulties of supplying customers with necessary amount of products. An electronic device supplied with Finnish recipe is a sign of guaranteed quality in Russia. (Saarela 2012.)

Russians have a great influence and consuming power in South Karelia region.

8 RESEARCH FINDINGS

The research work has been carried out via personal interviews with seven respondents who have enough knowledge and experience on my research topic.

8.1 Segmentation for Russian tourists

Most respondents have divided Russian tourists into several segments. First segmentation considers their aim of traveling. The biggest segment is people living in the nearby area of Finnish border and coming to Finland for shopping. They are visiting Finland often due to the close location. Other segment is people living mostly in St-Petersburg and visiting Finland for the purpose of entertaining and relaxation. They do not consider shopping as the main attraction. This segment is interested in cultural

events and spending time with their friends and relatives in a quiet atmosphere. The segment of business tourists was also mentioned. Together with business meetings and exhibitions they visit shops, participate in cultural events and relax. Another segment consists of people visiting Finland for a change. Finland is located very close to Russia and there are many ways to reach the country. Russians living near the border are also eager to visit Finland in case they need to see some other places, purchase different brands and change the atmosphere. Another interesting segment has been pointed out. They are people who started to travel to Finland already in the 90's. At that time the difference between Russian and Finnish quality and variety of products was very clear. They are still visiting Finland because they used to, even though Russian market has changed. Some people visit Finland as transit country on their way to another location. They are also shopping and using different services in Finland.

Another type of differentiation among Russian consumers is according to their wealth. People with high or middle income usually visit Finland. There are people who are ready to pay for the expensive things, which cannot be found easily in Russia (also clothes of famous brands, furniture, houseware, high quality food). There are also people who are eager to buy the cheapest option available. The middle group between these two also exists. However, shops in Finland sell goods of different segments like clothing, equipment and food. Season sales, discounts, tax-free and invoice possibilities allow consumers with different income level make their purchases in Finland at better prices than in Russia. The wide range of brands for each customer segment also satisfies Russian tourists. Regardless their income they are able to purchase different goods in Finland. The difference between the incomes is usually seen on the chosen brands and the amounts of the money spent on purchases.

Some smaller segmentation methods concerning Russian tourists' level of education have been proposed.

8.2 Factors influencing Russians' customer experience.

The main factors influencing customer experience in Finland are good price-quality balance, high level of availability of goods in markets and close location. Imatra and Lappeenranta are the most popular due to their position not so far from St-Petersburg.

Russian customers expect a lot of markets in Lappeenranta, at least special shopping tours are organized from St-Petersburg to Lappeenranta. They expect to find in shops something absolutely different from what they can buy in St-Petersburg. Wide product range attracts Russian tourists. They are guided by idea of European quality of the products, which cannot be found in Russian markets. So even the cheapest food brands (X-tra, Euroshopper) have an image of high-quality European brands. Every respondent has emphasized the meaning of good quality of Finnish products for Russian customers. Fresh products are getting more value from the point of view of Russian customers. Goods from Finland have good reputation and balanced price-quality ratio. Possibilities to buy products with tax-free or invoice and during season sales are recognized to be highly beneficial and important for many Russian tourists, especially when buying clothes or equipment.

Better assortment of different goods in Finland is another important factor influencing the consumer behavior of Russian visitors. Respondents have noticed that although many shops found in Finland have their branches in St-Petersburg, the choice of goods offered is still much wider in Finnish stores. Due to the close location, they still prefer to buy goods from Finland than from the same shops in St-Petersburg.

Almost all respondents have highlighted that the need of Russian language in Lappeenranta markets still exists. Some people feel more comfortable communicating in their own language, so the possibility to speak Russian pleases Russian tourists a lot. Especially elder people feel lost or shy when they realize that they are in foreign country and cannot communicate with the personnel. Providing Russian customers with marketing material written in Russian language is highly important. Many

of them prefer to buy goods they know. Product is purchased well by Russian customers if they get an idea on how to use the product, and why they would possibly need it. There is a higher possibility to purchase certain product in case there are no such goods in Russia and at the same time when the customer gets clear understanding on the properties of the product. Many Russian tourists are thankful to have service in their own mother tongue.

Some negative tendency concerning increase of Russian language usage in South-Karelian area has been noticed by two respondents. Some Russian tourists have a strong belief that Russian-speaking personnel member is working just for their disposal. These Russian tourists think that this personnel member has got the working place only because of Russian tourists. This idea makes them behave in an impolite way towards the personnel, since they believe that they have a great effect on a working career of Russian-talking personnel.

8.3 Consumer experience of Russian tourists in Finland

Overall consumer experience Russians get in Finland is positive. Nowadays demand consists mostly of food and clothes. These markets are satisfied very well by the major suppliers and brands, Finnish and foreign as well. Russian tourists see Lappeenranta market as a good one. Shops are in a way they should be – clean, in order, safe. The work of guards in shops has been considered by respondents. Guards create an image of safe place and they also make sure that people disturbing the others would leave the shop.

The easy way of shopping is appreciated by Russian tourists. Supermarkets with wide range of products and shops with self-service are liked by many tourists. Several respondents have noticed that some Russians do not like when the personnel come over and ask if they need help or try to somehow get involved into conversation with the customer. They consider it intrusive, annoying or disturbing. Many Russian tourists

like to get help only when they ask for it. However, in Finland it is considered to be a normal and polite way to serve the customer. Also there is still a very big amount of Russians who do not speak English or Finnish, so they find it uncomfortable to be constantly asked something in the language they do not understand.

Another disadvantage that is noticed by Russian tourists is working hours of malls and supermarkets. Moreover during some holidays those are "unexpected" and unknown among Russian customers. However, progress in this case is noticed. More and more shops are applying for special permissions to be opened during holidays. Also more and more Russians get used to Finnish official holidays and try to avoid traveling to Finland during this time.

All respondents believe that with time more and more Russian tourists are going to visit Finland.

9 CONCLUSIONS

The main goal in the theoretical part of this thesis work was to study the consumer behavior in common. General information concerning the consumer behavior of Russian customers has been provided.

Russian tourism in Finland is a very important issue. The amount of Russian visitors is continuously growing. The infrastructure of South-Karelian towns is developing fast.

Statistical and important overall information about Russian tourists visiting Finland has been offered through the desk study. Further data collection was used to get necessary knowledge about the current situation of Russian shopping tourism and reasons to travel to Finland. Russian customer purchasing habits in Finland, backgrounds, reasons to travel and consumption patterns, as well as ideas on development are provided.

The purpose of the qualitative research work was to study current Russian customers in Finland. The research goal was to study and understand factors influencing their customer experience and buying decisions. The research has showed that Russian consumers can be classified into several segments. Two major segments divide Russian tourists concerning their aim of traveling or their income level. High quality of products in Finland compared to goods in Russia has been mentioned as the main factor influencing consumer behavior of Russian visitors. Better assortment of products has been mentioned as another important factor. Need for Russian-speaking personnel and advertising materials has been highlighted. In common Russian customers are satisfied with the market in Lappeenranta and find their consumer experience as positive. However, active position and too strong willingness to help customers from the side of shop assistants in Finland might be found disturbing by many Russian customers. The difference between service in Russia and Finland in perception of the active role of the personnel has been identified. Both desk study and interviews identified the need for longer opening hours, especially for shops and service providing enterprises.

This thesis can be used as a base for further research work on Russian customers.

10 CHARTS

Chart 6 Russian consumers, p.19

Chart 7.1.1 Change in overnight stays in January 2012, p. 22.

Chart 7.1.2 Finnish sub-regions visited by Russians coming through Imatra, Nuijamaa, Vainikkala and Vaalimaa border-crossing points, p.23

Chart 7.1.3 Living place of Russian tourists in Finland, p.23

Chart 7.2 Main reasons for purchasing goods in Finland, p.26

Chart 7.3 Answers of Russian tourists concerning tax-free refund, p.28

11 REFERENCES

Eurasian Opened Institute. Videolecture. Five types of Russian consumers and the peculiarities of their behavior <http://edu.jobsmarket.ru/library/marketing/7218/> (accessed 10.04.2012)

Hague P., Jackson P. 1995. Do your own market research. Second edition. SAGE Publication Inc. Biddles Ltd, Guildford and Kings Lynn. Great Britain.

Kardes F., Cronley M., Cline T. 2008 Consumer behavior. South-Western, Gengage Learning. USA

Khan M. 2004. Consumer behavior. Second edition. New Age International Pvt Ltd Publishers <http://www.newagepublishers.com/samplechapter/000160.pdf> (accessed 28.03.2012)

Kotler P. 2002. Marketing Management. Millennium edition. Tenth edition. Custom edition of University of Phoenix. Pearson Custom Publishing.

Kotler P., Armstrong G. 2010. Principles of Marketing. Thirteen edition. New Jersey. Pearson Education Inc. Pearson Prentice Hall.

Kurjenoja J. 2011. Kaupan liitto. Venäläisturistit haluaisivat kuluttaa enemmän - Kauppojen valikoimat tyydyttävät pääosin. http://www.kauppa.fi/ajankohtaista/tiedotteet/venaelaesturistit_haluaisivat_kuluttaa_enemman_21769 (accessed 10.04.2012)

Nurkka P. 2011. Tutkimus ja Analysointikeskus TAK OY. http://www.erikoiskaupanliitto.fi/cms/media/Tutkimuspv_2012/Nurkka_Pan_u260112.pdf (accessed 10.04.2012)

Saarela M. 2012. Suomesta ostettu iPad on Venäjällä hittituote. Etelä-Saimaa., pp 8. Edition for 06.04.2012

Shiffman L., Kanuk L. 2004. Consumers behavior. International edition. New Jersey. Pearson Education Inc. Pearson Prentice Hall.
Wilkie W., 1994. Consumer behavior. Third edition. John Wiley & Sons, Inc. USA

Silverman D. 2010. Doing qualitative research. A practical handbook. Third edition. SAGE Publication Inc. TJ International, Padstow, Cornwall. Great Britain

Solomon, M. 1996. Consumer behavior. Buying, Having and Being. Third edition. New Jersey: Prentice-Hall Inc.

Solomon, M., Marshall G., Stuart E. 2008. Marketing: real people, real choices. Fifth edition. New Jersey. Pearson Education Inc. Pearson Prentice Hall.

Sormunen E. 2011. Yle-uutiset. Tapetit ja merkkivaatteet houkuttelevat venäläisiä - baarit eivät. http://yle.fi/alueet/etela-karjala/2011/11/tapetit_ja_merkkivaatteet_houkuttelevat_venalaisia_-_baarit_eivat_3051189.html (accessed 04.04.2012)

Statistics Finland. 2011. Tourism from abroad to Finland increased in 2010, http://stat.fi/til/rajat/2010/rajat_2010_2011-06-15_tie_001_en.html (accessed 30.03.2012)

Statistics Finland. 2012. Nights spent by foreign tourists in Finland up by 13 per cent in January 2012 http://stat.fi/til/matk/2012/01/matk_2012_01_2012-03-22_tie_001_en.html (accessed 30.03.2012)

Taloussanomat. 2012a. Satoja tuhansia venäläisiä turisteja parissa viikossa, <http://www.taloussanomat.fi/kotimaa/2012/01/04/satoja-tuhansia-venalaisia-turisteja-parissa-viikossa/201220340/12> accessed 02.04.2012

Taloussanomat. 2012b Tutkimus: Suomi on venäläisten mielestä tylsä maa, <http://www.taloussanomat.fi/kotimaa/2012/02/22/tutkimus-suomi-on-venalaisten-mielesta-tylsa-maa/201223762/12>

Tevlina M., 2009. GfK-Rus research agency http://www.era.eu.org/02/downloads/ERA_pc09_tevlina_r.pdf accessed 10.04.2012

Vashisht K., 2005. A Practical Approach to Marketing Management. Atlantic Publishers and Distributors. Nice Printing Press, Delhi, India.

Video travel guide of the world tours-TV.com, 2008-2010. <http://tours-tv.com/ru/news/1290> (accessed 10.04.2012)

Wilkie W., 1994. Consumer behavior. Third edition. John Wiley & Sons, Inc. USA

