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**TAX-FREE SHOPPING IN KAJAANI BY RUSSIAN TOURISTS**

Thesis

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| <p>The inter-relationship between shopping and tourism has resulted in the rising number of travellers and the increasing amount of shops and sales. Those who are involved in the aspects of conception, development and management of the retail shops should understand the concepts of shopping tourism and tourist consumption behavior. The purpose of this thesis is to find out how to increase tax-free shopping in Kajaani targeting Russian tourists and to investigate the factors that affect tax-free shopping in Kajaani.</p> <p>The theoretical section of this thesis concentrates on tax-free shopping, shopping tourism, and consumer buying behavior. At the beginning of the theory, elements of tax-free shopping are first discussed and then, importance of shopping tourism and consumer buying behavior are described. All the data used in the theoretical section is collected from literature and previous researches.</p> <p>The research was accomplished using a quantitative research approach by conducting a structured questionnaire among the Russian tax-free shoppers. The questionnaire was based on multiple-choice questions to study shopping behavior of Russian travelers and to determine the major factors influencing tax-free shopping. The survey was distributed among the Russian respondents in a period of one week.</p> <p>In conclusion, the research revealed that Russian travelers are satisfied with the products' quality, variety, and customer services offered in retail stores in Kajaani. However, language barriers, prices, and product information in Russian are the factors that affect tax-free shopping in Kajaani and require immediate attention from the companies that provide tax-free services. In order to increase tax-free sales in Kajaani, it is recommended that appropriate marketing strategies and additional free services should be provided.</p> |  |
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## PREFACE

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## 1 INTRODUCTION

### 1.1 Scope of the study

This research focuses on shopping tourism and shopping behavior of Russian tourists towards the tax-free shopping in Kajaani city. In order to increase tax-free sales in Kajaani, this research also evaluates the tax-free shopping procedure.

According to Border interview survey (2013; 6), Finland received about 7.6 million international tourists during the year of 2012 that indicated a 5% of increase in the number of visitors from the previous year. For the same year, the number of Russian tourists comprised the largest tourist group which is approximately 3.6 million. This number is over 47% of the total international tourists that visited Finland.

Shopping is considered to be the most common leisure activity for Russian tourists. Most of the Russian tourists visit Finland during the time of Russian holiday season, which comes around November-January. The statistics show that Russian tourists mostly travel to big cities such as Helsinki and Lappeenranta. They spend a great amount of money on shopping groceries and clothes. (Border interview survey 2012; 12)

Based on the Global Blue statistics (2012), Russian tax-free shoppers spend millions of euros in major cities such as Helsinki, Lappeenranta, and Imatra. During the year 2012, they spend more than 100 million euros in Helsinki only. These statistics show that Kajaani, which is a small part of Kainuu region, has received more than 5 million euros from tax-free selling to Russian tourists. Apparently, the amount of tax-free sales in Kajaani is smaller than big cities such as Helsinki and Lappeenranta, but the amount from tax-free selling in Kajaani indicates that there is high potential in the city of Kajaani to increase tax-free shopping among the Russian tourists.

Russian tourists are an emerging target group to duty-free shops. Therefore, to explore the business opportunity, the essential steps for the businesses in Kajaani have to understand the shopping behavior, types of shoppers and product preferences of Russian shoppers. Tax-free shops in Kajaani need to meet the special demand of Russian tourists by offering the preferred products and services. They also need to find solutions for the factors affecting tax-free shopping such as the language barrier and high prices. One should also not forget the long procedure of filling-in the tax-free purchases forms by the tourists, which is sometimes considered time-wasting and leads to demotivation for shopping.

Based on these theories, the best and most pervasive method is to conduct a quantitative research. A structured questionnaire can be used in order to identify the current products being purchased, improve the services to create value in the mind of a shopper and increase tax-free sales in the long run. By conducting a quantitative research, tax-free shops' managers will have a better understanding of the shoppers' behavior, typology, preferences, motivation, and that they will be able to make important marketing decisions.

## 1.2 Choice of the research context

There are three reasons for choosing this thesis topic. The primary reason is that KainuunEtu (the commissioning party) is working on Kainuu tourism strategies, and this research or a part of this research might be included in the report. The author would like to produce useful information regarding the Russian shoppers in Kajaani which may help companies to expand their businesses and improve the quality of services.

The second reason is that Kajaani University of Applied Sciences is currently involved in an ongoing project with Global Blue. The aim of this project is to obtain statistics of Russian tax-free shoppers in Kainuu region. This study is more or less in the interest of Kajaani University of Applied Sciences.

The last but not the least, reason for selecting this topic is based on the author's personal interest to better understand the buying behavior of Russian tourists.

### 1.3 Research aim and research question

As the statistics of Russian tourists have been shown, it is clear that millions of Russian tourists visit Finland every year. These travellers are well known for spending a great amount of money on shopping clothes, groceries etc. in Finland. However, in order to benefit from this business opportunity, the companies in Kajaani have to improve their services and identify Russian shoppers' product preferences.

The main purpose of this research is to investigate and understand the buying behavior of Russian tourists and evaluate their level of satisfaction towards the tax-free shopping procedure in Finland. Therefore, the overall research question is formulated;

**Research Question:**

How to increase tax-free shopping in Kajaani region?

**Research sub-questions:**

1. What are the product preferences of Russian tax-free shoppers?
2. What are the major factors affecting tax-free shopping in Kajaani?

The focus of the entire study is based on the main research question but to find a more feasible answer, research sub-questions are discovered.

The research question and research sub-questions are later divided into several parts for the purposes of designing a quantitative research. After the analysis, based on the findings from the quantitative questionnaire, researcher's insights and suggestions are presented at the end.



#### 1.4 Demarcation

This research demarcates itself in the different ways presented in the following. The target group of the research was limited to Russian tourists who visited and made tax-free purchases in Kainuu but more specifically in Kajaani. This city of the Kainuu region has been chosen due to the hypothetical fact that it has a wider range of tax-free shops, which possibly serves more customers than in any other town in Kainuu.

Furthermore, it is believed by facts that Russian tourists are the major potential buyers of tax-free products and would have accurate knowledge of the factors that affect tax-free shopping and help in understanding their product preferences.

### 1.5 Structure of the thesis

At the end of this section, a layout of the thesis is presented in order to explain the overall structure of the thesis to the readers (See figure 1).

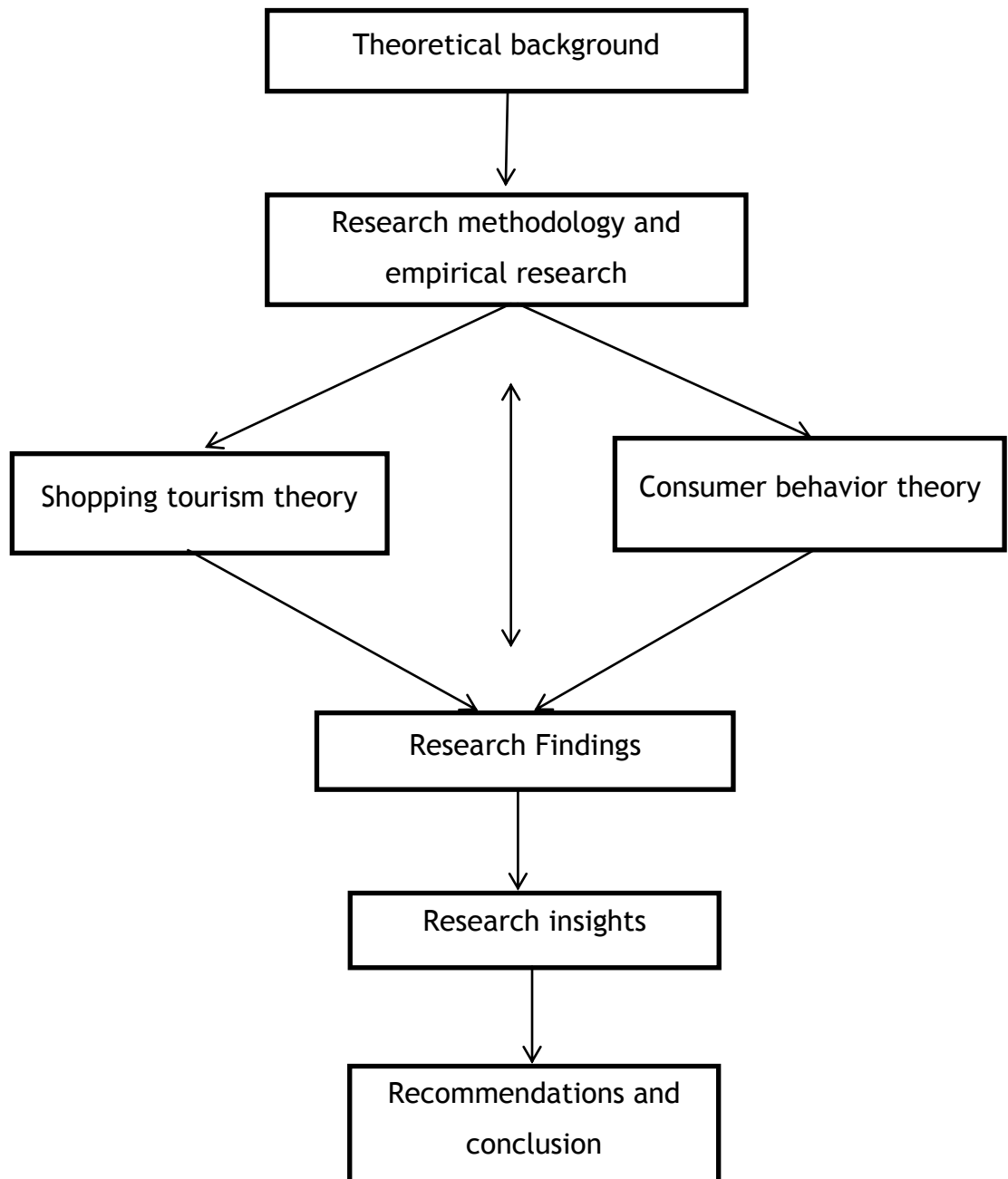


Figure 1 Layout of the thesis

## 2 THEORETICAL BACKGROUND

### 2.1 Importance of Tax-free shopping

Tax-free shopping is one of the most important tourist activities. It is estimated that 30% out of all the money spent abroad goes to some kind of tax-free shopping. The global impact on money cycle is worth tens of billions of dollars. In the European Union, tax-free shopping provides many positive outcomes, such as thousands of jobs, gives a great opportunity for exports, and it also supports airports, harbors and tourism in general. Local small businesses have an opportunity to sell their unique items as souvenirs of the country. Big international brands also enjoy putting money to tax-free shopping areas, resulting in more investments and therefore, more jobs and well-being. (Timothy 2005; 134)

Globally tax-free shopping is most common in airports and harbors. That is the reason little souvenirs are purchased repeatedly in the grand scale. Wines, perfumes and cosmetics, sweets and chocolates, and tobacco are the most common examples of small tax-free purchases. Another huge part of tax-free purchases is jewelry and watches. These are more expensive, but not as popular. (Timothy 2005; 134)

In Finland's perspective, the goods purchased by mostly Russian tourists are little different from the global picture. Russian tourists stay in Finland longer since they are not only passing by an airport or a harbor. Tax-free shopping is the most wanted activity to do in Finland by Russian tourists and the items they purchase are mostly good quality groceries and clothes. The wealthiest Russian tourists usually go to Helsinki where they purchase luxury items including cosmetics, jewelry and watches. Nevertheless, items purchased in Finland by Russian tourists are more day-to-day objects because of higher quality and good brands. (Border interview survey 2013; 42)

### Tax-free shopping in Finnish cities 2012 (Global blue)

| District     | Sales 2012 Amount in (000) | Change in % | Division in %  |
|--------------|----------------------------|-------------|----------------|
| Helsinki     | 100 933                    | 25%         | 31,90%         |
| Lappeenranta | 94 116                     | 23%         | 29,80%         |
| Imatra       | 20 676                     | 37%         | 6,50%          |
| Joensuu      | 13 041                     | 36%         | 4,10%          |
| Kotka        | 12 288                     | 25%         | 3,90%          |
| Vantaa       | 10 674                     | 20%         | 3,40%          |
| Rovaniemi    | 7 818                      | 58%         | 2,50%          |
| Kajaani      | 5 342                      | 16%         | 1,70%          |
| Kouvola      | 5 224                      | 30%         | 1,70%          |
| Lahti        | 4 674                      | 20%         | 1,50%          |
| Kuopio       | 2 783                      | 29%         | 0,90%          |
| Espoo        | 3 193                      | 15%         | 1,00%          |
| Savonlinna   | 3 188                      | 21%         | 1,00%          |
| Mikkeli      | 3 134                      | 34%         | 1,00%          |
| Kuusamo      | 2 054                      | 77%         | 0,60%          |
| Muut         | 27 210                     | 22%         | 8,60%          |
| <b>Total</b> | <b>316 348</b>             | <b>26%</b>  | <b>100,00%</b> |

Table 1 Tax-free shopping in Finnish cities 2012 (Global blue)

The above table clearly shows that Helsinki and Lappeenranta are the major attractions for the tax-free shoppers. These two cities received more than half of the total revenue from tax-free shopping in Finland according to Global blue's statistics. On the other hand, Kajaani falls on the 8<sup>th</sup> number in the table with little more than 5 million euros from tax-free sales but not to forget that this number has increased by 16% comparing to the previous year and contributes 1.7% to the total revenue from tax-free sales in Finland during the year of 2012.

Tax-free shopping is noted as a significant tourist activity in Finland. The statistics show that during the year 2012, international tourists spent more than 2.3 billion Euros in total while Russia alone contributed 39 percent of the total expenditures in Finland. The amount accounted for shopping is 47 percent of all spending and Russia, once again, is on the top of the list for spending money mostly on shopping. (Border interview survey 2013; 42)

However, shopping in Kajaani is tax-free for Russian tourists (certain rules apply, discussed below) but what are the tax rates on goods and services and who is legally responsible to pay these taxes; are issues discussed in the following.

### 2.1.1 Finnish tax legislations

Value added tax (VAT) is basically a consumption tax that has been added to the price of goods and services. This tax is collected by the seller from consumers and later on, it has been paid to the state. All those companies that provide goods and services on the continuous basis are liable to pay the value added tax. (Vero 2013)

Goods and services are divided into two classifications. According to Vero (2013), tangible property, commodities, power, gas, energy and other similar goods falls in the category of goods. While services include everything else that is available for consumers to buy or rent from a company.

A company that has a turnover more than €8,500 for the accounting period (12 months) must register for VAT before operating a business for which VAT is payable. However, if the turnover of a company is below €8,500 then in this case the company needs no registration for VAT. (Vero 2013)

There have been slight changes in the rate of value added tax. General rate of VAT rose from 23% to 24%. The new VAT rates are applied on goods and services since 1<sup>st</sup> of January 2013. The rates for value added tax have been divided into 3 sections. The highest tax rate i.e. 24% is known as general rate of value added

tax. The consumers have to pay 14% of VAT on food, animal feed, restaurant services, meal and catering services. Apparently, the lowest VAT rate is 10% which is paid in addition on purchases of books, medicine, gym and sports services, theaters, events, transportation, accommodation and TV licenses. (Vero 2013)

### 2.1.2 Tax-free shopping procedure in Finland

All the goods and services that are bought in Finland include value added tax. Under the general rule in Finland, selling of goods and services to the travellers from other countries is taxable. However, only those travellers who live outside of the EU are entitled to tax-free shopping if they intend to use the goods and services outside of the EU. According to the international practice, travellers are entitled to tax-free shopping and have the right to take possession of the goods they buy. The tax-free items can be exported to buyers' personal luggage from the country where it is purchased. The buyer should pay a full price of the goods including value added tax at the time of making a purchase but will receive the deductible VAT refund after a certain period of time. According to Vero, selling of goods and services without tax is a voluntary service in Finland and sellers are not bound to make a contract with a licensed VAT refund company, or they are also not obligated to refund value added tax to the buyers themselves (Vero 2013); but mostly tax-free shops in Finland are connected with global blue which is known for tax-free shopping around the globe.

Buyers who are domiciled outside of the EU and Norway are entitled to tax-free shopping in Finland. The buyers should not be living in Finland on the permanent basis (at least 6 months) to be considered eligible for tax-free shopping. A Finnish citizen can also make tax-free shopping if he or she has been living permanently outside of the EU or Norway. If a Finnish citizen is moving out of the EU or Norway permanently (at least 6 months) and has proof of work or residence permit, he or she is entitled to the VAT refund on tax-free purchases if the purchases are made during the last 14 days before moving. All the tax-free

products should be moved outside of the EU or Norway by the traveller himself or herself. (Vero 2013)

In addition, Global blue (2013) & Vero (2013), state that VAT is only refundable when a traveller makes a purchase minimum of 40€ which might include more than one items. The purchase must be made in one retail shop and under the same invoice. The purchased items must be sealed and unused during the period of exportation. The goods should be exported in three months from the time they were obtained. The law of tax-free sales is very strict which means that if the goods have been used or even partially used inside the EU territory, a person is not entitled to the VAT refund anymore (Vero 2013).

### 2.1.3 Value added tax refund procedure

Retail companies have two methods to refund value added tax to the travellers. These methods are hardly different from each other. After collecting the necessary documentation from the travellers, the retail companies refund the value added tax themselves, or they can use the services of an authorized value added tax refund company (Vero 2013). All those stores that show global blue tax-free shopping sign have tax-free forms. These forms are available in two different formats i.e. blue and white and are provided by the retail shop's assistant. The travellers must collect these forms and keep them safe along with the receipts. The date can be different on the form than on the receipt for up to 2 weeks. The travellers should complete the "customer details" section on every tax-free form, using the western alphabet in order to apply for the VAT refund. One shall remember that incomplete tax-free form means no refund of VAT. The validity of tax-free form is 5 months after the issuance date and must be stamped by refund points that are managed by global blue in Finland, or Finnish customs. Those travellers that are applying for instant refunds of the VAT at the global blue refund points should provide a receipt or invoice for verification. For travellers who are applying for mail back refunds of VAT should send the form in

addition to the receipt of the purchased goods to the processing center of global blue. (Global blue 2013)

According to Global blue (2013) and Vero (2013), a traveller should provide his or her passport, the sealed goods as well as the tax-free form at the desk of the VAT refund company in the airport or the port. A written confirmation on the tax-free form is issued by the VAT refund company after making sure that the goods are sealed and have not used at all at the time of the exportation from Finland to a country outside the EU.

Russian travellers who are travelling from Finland to Russia by car get their tax-free forms stamped by Finnish customs or at the refund point of global blue. However, Russian tourists who are travelling back to Russia from Finland by train should provide the necessary documentation such as tax-free forms, passport, and receipt as well as sealed goods to the representative of Global blue in the train. VAT refund can be obtained in cash or credit card from Global blue refund counters after providing tax-free forms that are stamped and completed. VAT refund company may deduct its commission from the amount of the VAT refund. (Global blue 2013 & Vero 2013)

## 2.2 Shopping tourism

Shopping is considered one of the most pervasive leisure activities undertaken by tourists. Modern technology, better infrastructure and widespread use of credit cards have increased the tourists' motivation to travel further a destination to shop. The connection between shopping and tourism is divided into two forms. The first form is when the main purpose of the traveller to a destination is shopping that is known as "shopping tourism". The second is when the primary reason of a tourist's trip is something else, for example, bird-watching, mountain climbing, etc. which is called "tourism shopping". However, shopping is the main reason for millions of tourists to choose their destinations. Even if shopping is not



the sole reason for travelling, the tourists might spend more money on retail items than on other tourism products. (Timothy 2005; 42)

According to Timothy (2005; 43), there are three common factors that drive people for shopping tourism. What are the goods that are sold (the quality etc.), what is the target (destination), and what is the price scale in that target. These factors conflict with each other and work together.

People travel to particular destinations to search for a particular item such as a souvenir or antiques and because of the variety of items they offer to the tourists, these destinations become popular. Mexico is one of these places where people travel for shopping of unique handicrafts. Some tourists travel to the destinations where they can find duty free goods. These duty free goods include a wide variety of products such as cosmetics, expensive clothes, jewelry etc. Destinations such as Caribbean island and Bermuda have developed into a popular shopping destination around the world. On the other hand, Andorra has attracted a big amount of European tourists. (Timothy 2005; 45)

Many places are planned to be developed into destinations that are known for tourist shopping or they just happen to be famous (by default) for tourist shopping by offering products that fascinated tourists. These destinations have one or more well-known products to offer e.g. Hong Kong for electronics. Besides festival, events, and shopping malls, themed shopping is also a primary product available in many destinations. For example, Rovaniemi is known as a themed shopping destination. Over the years, it has been advertised as the hometown of Santa Clause. This image has developed Rovaniemi into a destination where it receives millions of letters in the post office from the children every year during Christmas season. It also received 60,000 visitors in December 2002 from around the world including 350 charter flights. Theme shopping can also be attached to a festival as in Dubai which is better known as DSF “the Dubai shopping festival”. Dubai is a whole new term for the words “shopping destinations” with its broad range of shopping opportunities. (Timothy 2005; 45-46)

Shopping tourism changes the landscape of the destinations. This has happened for example in Hong Kong where Chinese characters and traditional buildings have yielded for better tourism shopping attractions such as shopping centers. A shopping center can make its way on its own to a tourist attraction. These so called mega-multi-malls offer millions of people (for example in USA) a large mall for spare time and social life. Mega-multi-mall has been found to be alluring for combining retail opportunities and entertainment facilities. (Timothy 2005; 46)

Many variables have influence on shopping tourism demand, but proportionate prices are the most important factor for developing shopping tourism. Not only is the cheap price important but also how good quality one gets with the price. In most cases, the shopping destinations are more popular because of the cheap prices of the goods. The best example is Thailand where it became popular in recent years by expanding the low cost shopping products. (Timothy 2005; 52)

### 2.2.1 Cross-border shopping

Shopping tourism has a unique type that has developed rapidly for the past decade in the border area of a country. This type of shopping tourism is known as cross-border shopping and takes place in the areas that are close to the international boundaries. One of the major reasons for the growth of cross-border tourism is tax-free shopping. Cross-border shopping also refers to the idea of people want to go outside their home environment and community to shop. (Timothy 2005; 53)

Butler and Timothy (1995; 21) have stated “Shopping tourism in border areas is a well-known pattern all over the world and the tourist flows are changing, in intensity and in direction, according to the price fluctuations in the neighboring countries”. Price, quality and variety differences on the opposite side of the border attract tourists. As a result, tourists’ activities such as gambling, drinking, prostitution, and shopping become important in the border areas. The trend of travelling from one’s own country to a neighboring country for the purposes of shopping is becoming common in all over the world. People who live close to the

border areas may take short trips (day-trips) for shopping, but those who live far away from the border regions, plan their trips for longer duration and normally these trips are more leisure oriented.

The growth of cross-border shopping depends on four economic and sociopolitical conditions. First, there has to be enough contrast between one's own country and the possible destination across the border. This difference usually refers to product quality, price and selection. Second, potential shoppers should be aware of the products' availability on the opposite side of the border. Cross-border shoppers must be given enough information regarding sales or other offers through media or personnel sources. Third, borders must be accessible with a relatively easy movement of people between countries. Finally, traveling shoppers, considering issues e.g. exchange rates and personal mobility, have to be able and willing to cross the border. (Timothy 2005; 54)

Some studies have shown that the distance of travel and pleasure walk hand in hand. The further one travels the more pleasure is included in the trip. Also, the times tourists cross the borders and the money they spend on the opposite side of the border seems to be influenced by the distance travelled. People who live near the border are more likely to cross border more often and for everyday items compared to those living far away from the border. USA-Mexico and USA-Canada are the best example of cross-border shopping where people go over for gasoline, tobacco, pharmaceuticals, clothing, alcohol, etc. This type of shopping is spreading very fast in those countries, and now some companies even organize "shopping tourism trips" from Canada-USA. (Timothy 2005; 55)

### 2.2.2 Shoppers' typology

According to Lesser & Hughes (1986; 55-62), there are seven different types of shoppers. (i) Inactive shoppers (ii) Active shoppers (iii) Service shoppers (iv) Traditional shoppers (v) Dedicated fringe shoppers (vi) Price shoppers and (vii) Transitional shoppers.

- (i) Inactive shoppers: Inactive shoppers are those who are not concerned about shopping neither they show their excitement towards shopping. They do not give importance to the products' price, selection, quality etc. They avoid engaging in outdoor activities.
- (ii) Active shoppers: This type of shoppers is more active. In precise words, they look for the bargain prices around and keep themselves engaged in the outdoor activities. These middle-class shoppers are more into exclusive products that suggest higher social class.
- (iii) Service shoppers: Service shoppers are concerned about the in-store quality services. They pay higher prices in order to get attention of the store personnel. They search for the stores with friendly and convenient service staff.
- (iv) Traditional shoppers: They are more like "active shoppers" to spend time outdoors but not enthusiastic towards the shopping itself. They are less comfortable about spending money and are less demanding.
- (v) Dedicated fringe shoppers: This type of shoppers is willing to try different and new products. They are not social with the retailers. Brand or store loyalty has no value for them.
- (vi) Price shoppers: Price shoppers can be identified by obsession with the lower prices. They search for items available on lower prices and do not care about the quality, brand etc. in order to save money.
- (vii) Transitional shoppers: These shoppers are young and their consuming habits might change with the times but they are open to try new products.

Similarly, Timothy (2005; 18) has stated that in the early 1950s, scholars have categorized four types of shoppers (i) economic (ii) personalizing (iii) ethical and (iv) apathetic.

- (i) Economic shoppers are those who are intended to acquire goods and services by comparing the prices, analyzing the products and browsing for the variety.

- (ii) Personalizing shoppers are individuals and consider shopping as a unique and excited activity. They build a good relationship with the store's personnel in order to get individual attention as a customer. These shoppers are more interested in to be recognized by the store's employees and are less conscious about the prices and quality.
- (iii) Ethical shoppers present a tendency to feel committed to a specific store like family stores. They might prefer small stores over the big ones due to its authenticity, uniqueness etc.
- (iv) Apathetic shoppers do not find shopping a fascinating activity. They don't give importance to price, quality, and venue and believe that shopping is boring.

### 2.3 To understand the consumer

Consumer is a person that acquires goods and services to fulfill his/her own needs and satisfaction (John 1999; 161). Kardes (2008; 8) has mentioned that the buyer of the product is not always the ultimate user of the product. There are chances of other people's involvement in the consumer's decision making process which might influence on the consumer's final decision.

According to Mason, Mayer & Ezell (1988;131) "Sales can only occur when the retailer understands and responds to how consumers buy, what they buy, where they buy, and when they buy". In precise words, the retailer needs to understand the importance of providing the right product at the right time, appropriate place, reasonable price and right quality to the consumer. Among the questions of how, what, where and when stated above, "how" refers to consumer's decision if the purchase should be made in one shop or another; "what" means the consumer's procedure of searching, analyzing the products and comparing the prices etc.; "where" refers to the selection of the stores to shop in and "when" means the time period (exactly what time) a consumer wants to shop (Mason, Mayer & Ezell 1988;139-140).

### 2.3.1 Consumer buying behaviour

“The acts of individuals directly involved in obtaining and using economic goods and services, including the decision processes that precede and determine these acts”. (Geoff & Paul 1995; 249)

This definition forms a system which shows that consumer behavior is not an easy process. The consumer has to go through various stages in order to obtain the satisfactory product. The process begins from the initial idea that a consumer gets after realizing the need for the product. It is followed by searching for the specific product, analyzing the product, comparing the prices and making a choice among the different varieties available. Ultimately, the consumer ends up making a decision of which product to buy (Eila 2012; 8). Consumer is surrounded by wider and constant environment that might influence the consumer’s buying behavior such as cultural, social, personal and psychological influences (Geoff & Paul 1995; 249).

John (1999; 164) has adopted Kotler’s model of buying behavior. This model elaborates the procedure of how a consumer’s buying behavior is influenced by external factors and afterwards by the factors inside the black box.

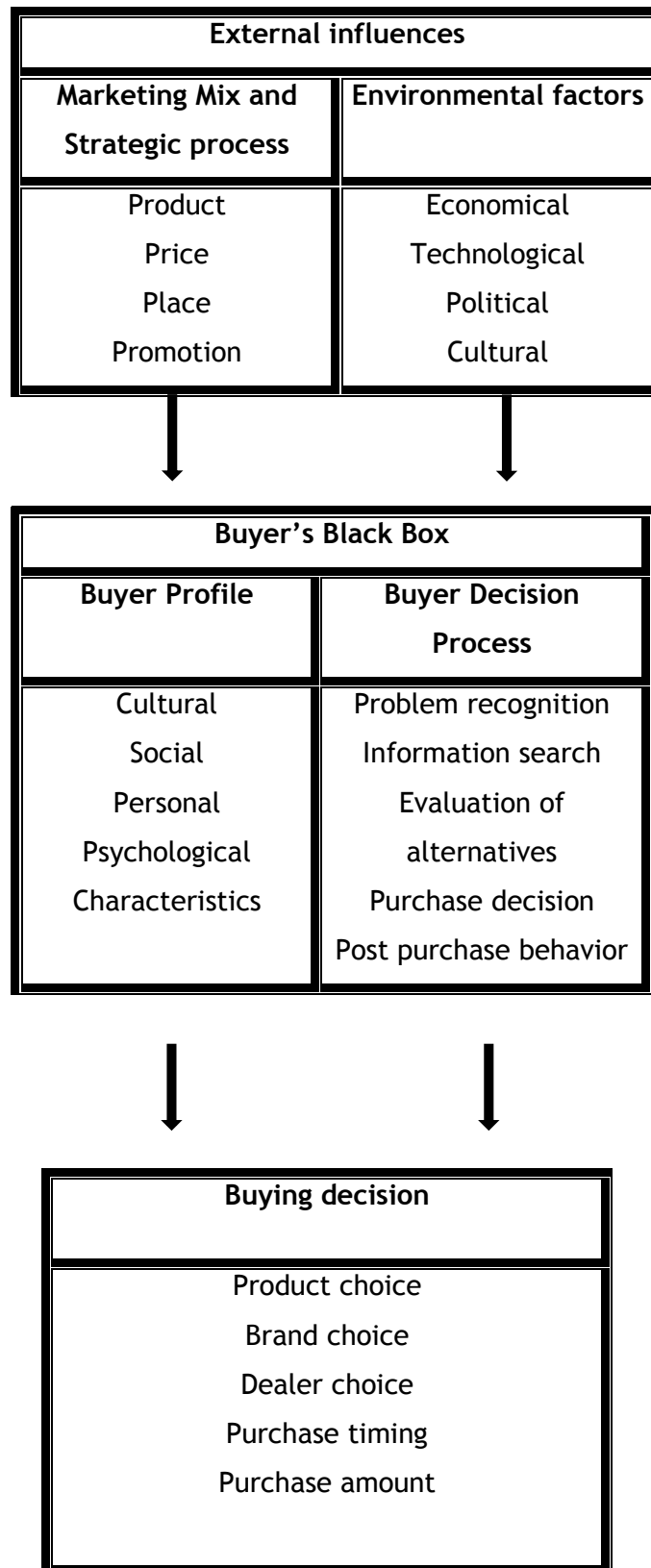


Figure 2 Model of consumer buying behavior (John 1999; 164)

Marketing mix (product, price, place, promotion) and strategic process (action of bringing the 4Ps to the market place) are external influences on a consumer buying behavior. Environmental factors such as economic, political, technological, and legal influences are also the external factors that affect the decision making. The heart of the consumer buying behavior model is “black box”. Black box consists of two sub-systems, the characteristics of the buyer (Cultural, social, personal and psychological) and the buyer’s decision process. (John 1999; 164)

- (i) Cultural influence: Buying behavior is highly influenced by attitudes, beliefs, values, languages, religions etc. In the culture of sophisticated economy where health, happiness, equality, and individualism are highly evident, the demand for health and beauty products is high. While on the other hand, the cultures from the third world country give no importance to high-tech products. (John 1999; 165)

Geoff and Paul (1995; 249) have stated that a company does not achieve success in the markets where it operates without recognizing and understanding of the culture.

- (ii) Social influence: Social factors have a strong influence on consumer buying behavior. Reference group is a group of people such as a student group, leisure group, co-worker group, and secondary groups such as religious organizations and trade unions whose level of behavior affects a consumer’s attitudes, opinions and values. Family also plays in intimate role in influencing a member of the family’s buying behavior. It has been the center of the marketers to target family’s head and hope for the influence on the whole family. (Karunakaran 2008; 60)
- (iii) Personal influence: Age, life-cycle stage, occupation, economic circumstances, lifestyle, personality, and self-concept are the factors that have a great influence on consumer buying behavior as well. It is very obvious to understand that one’s buying behavior changes with the time e.g. the difference between the clothing styles for young people in comparison to the products that are aimed for the elder people. Consumer



buys different products at different age. Similarly, life-cycle stage refers to young, single, married, parents with children, old people living alone (empty nest), or old retired people etc. Occupation and economic circumstances also influence the buying behavior because a person is more concerned about his or her income level and might have limited choices about what to buy, depending on spending power. More so, lifestyle reflects on the way of living of an individual, his or her behavior, attitude, opinions, activities, interests etc. A producer should always bear in mind that even though the consumers come from the same culture, occupation or any other same reference group, they could have different lifestyles from each other. (Karunakaran 2008; 61)

Furthermore, personality and self-concept are also important determinants of consumer behavior. Self-concept or image means how we see ourselves or more than that, how other people see us. Since every individual belongs to a reference group, therefore, these individuals adopt buying behavior that gives a great impression of themselves to the reference groups. (Geoff and Paul 1995; 257)

- (iv) Psychological influence: Besides cultural, social and personal factors, psychological factors such as motivation, learning, belief, attitude and perceptions also influence consumer's buying behavior (Eila 2012; 13). Motivation refers to goal-related behavior of the consumer. Tension arises from the need of something, and if this tension is strong enough, it leads the consumer towards the realization of the need. This procedure becomes a motivation. Researchers have produced different theories concerning the consumer's motivations. Freud's theory suggested that some consumers are not fully aware of their motivations. He has assumed that marketers concentrate on shaping the brand with the symbolic meaning to give a desirable and acceptable image of the product. On the other hand, Herzberg's "two-factor" theory identifies "satisfiers" and "dissatisfiers" motivations. "Satisfiers" is referred to the factors that cause satisfaction of the purchase but not the satisfaction of the product. "Dissatisfiers"

represents the factors that lead to the disappointment during the buying process. (Geoff and Paul 1995; 259)

### 2.3.2 Consumer decision making process

Kotler (2000; 179) presented a typical buying process model, which consists of five stages through which a consumer goes before making a final purchase. These stages are problem recognition, information search, evaluation of alternatives, purchase, and post-purchase behavior.

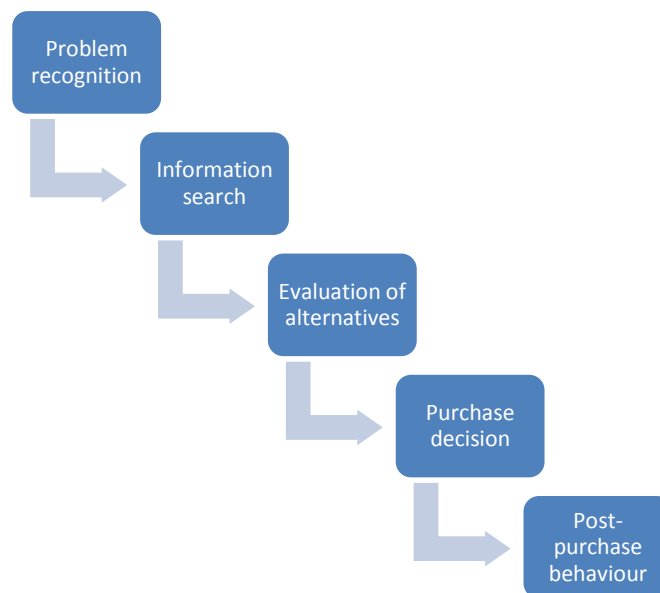


Figure 3 Buying process model

Geoff and Paul (1995; 265-268) explain the model presented in figure 2 that consumers first recognize the problem by feeling or identifying a need or want. Once the problem is recognized, the consumers then start searching for information regarding the needed products. After gathering the required information, at the evaluation of alternative stage, they assess the merits of an available alternative product. Finally, they expect to maximize satisfaction from the product and make a purchase. The chosen product might give satisfaction or dissatisfaction to the consumer on the basis of which the consumer will decide whether to buy the same brand again or not.

## 2.4 Summary of the Theoretical Background

The literature review looks thoroughly into the concepts and importance of tax-free shopping, its procedure as well as consumer buying behavior. More so, it critically discusses issues and difficulties related to tax-free shopping. It has also been argued that cross-border shopping is recently increasing rapidly among the tax-free shoppers which must be taken into consideration for further development.

To find feasible theoretical answers to the research questions, the theoretical part has been divided into three sections. The first section helps in understanding of Finnish legislations and points out issues related to the procedure of tax-free shopping. The second section defines shopping tourism and the third section of the theoretical background includes the theory of consumer. These sections answer the research sub-questions by understanding the types of shoppers and behavior of consumers. The consumer buying behavior changes due to the influence of other people and therefore, their product preferences changes from time to time.

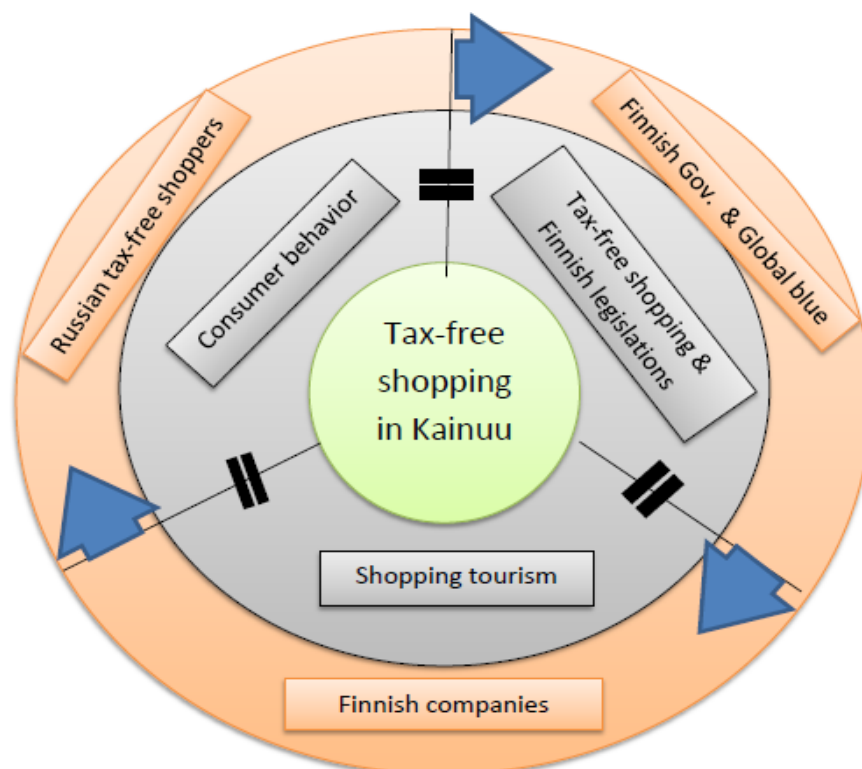


Figure 4 Analytical framework of the theoretical section

### 3 METHODOLOGY

#### 3.1 Research approach

According to Kwan (2009; 21), the scale of measurement determines the use of qualitative and quantitative methods in processing data and finding answers to questions such as how, what, when, who, why, and where. In the empirical part of the research, the researcher chooses an appropriate method to collect and analyze the data. To explain the concepts thoroughly, quantitative approach is a method used to collect data in a form of numbers and measurements and to analyze it, for example, in the context of this research, to measure how many Russian travellers visit Kajaani and want to shop tax-free. On the other hand, qualitative approach to research refers to the measurements of word of mouth, attitudes, opinions, and behavior rather than numbers. Qualitative research is more about depth rather than breadth.

Daniel (2004; 1) defines quantitative research as “Explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics)”. This definition has three elements, namely; explaining phenomena, numerical data, and using a mathematically based method (which refers to statistics). The first element is about explaining a particular thing to the target group by conducting a research. The second and third elements of this definition are inter-related as the data is collected in numerical form and then those numerical results (statistics) are analyzed. Kwan (2009; 21) mentioned that the results from quantitative research most likely contain descriptive statistics and inferential statistics. Measure of central tendency such as mean, median, and mode and variability about the average (range and standard deviation) are included in descriptive statistics. These statistics are used to draw charts and tables but do not draw conclusion about the sample or the population but give a clear idea to the reader about the data collected and used. Inferential statistics, on the other hand, are the outcomes of statistical tests that help in drawing a conclusion or testing a hypothesis solely based on the collected sample data.

### 3.2 Data collection method

The main reason behind the research is to gather information concerning Russian tax-free shoppers' product preferences and factors that affect the type of shopping in Kajaani. Furthermore, to find out elements or means that could be used to increase tax-free shopping in Kajaani. The target group of this research was Russian travellers/tourists visiting Kajaani.

Due to the nature of the study, the data for the research was collected through structured questions (questionnaire). The questionnaire was designed in such a way that only necessary data was collected and used to set realistic objectives for the research. During the process of questionnaire distribution, all the respondents were asked the same sequence of structured questions. The questionnaire was distributed among the respondents in grocery stores i.e. Prisma, Lidl, Maxi Makasini, and Maxi Kodintukku, as well as clothes/shoes shops (Erätukku, Seppälä, Jim & Jill, and Pajakka). The questionnaire was distributed during November 13-19, 2013 and 107 responses were acquired during that period.

The initial questionnaire was made after a brief discussion with the commissioning party (KainuunetuOy), MikkoKeränen (supervising teacher) and also with JariJärviluoma (research expert in Kajaani UAS). The final version of the questionnaire was made in English by the author and after the approval; it was translated into Russian by Kirill Streltsov (Student of Kajaani UAS). It was later tested by two other fellow students IlyaSafrutin and IakovSamoylov who confirmed that the questionnaire is translated accurately.

#### 3.2.1 Research validity

Validity in educational research refers to the question "are we measuring what we want to measure?" and thus, it means "accurate measurement" on the basis of which a valid conclusion is drawn. Validity has three important aspects,

namely; content validity, criterion validity, and construct validity. Content validity refers to how well the content of the survey measures the latent concept (behavior, attitude . . .) that we want to measure. It can be seen as theoretically oriented issue where better understanding of the subject will help in designing the survey better that is content-valid. Similarly, criterion validity is also related to theory. It refers to developing a test or measurement to predict and obtain the desired outcomes. Nevertheless, construct validity, on the other hand, asks the question “valid for what purpose” and the purpose of the research would be to measure what it is supposed to measure by using accurate data and appropriate interpretations. Valid measurement is not possible if all the aspects of the validity are not mutually inclusive in the research questionnaire. (Daniel 2004; 65-70)

However, the survey was made to investigate the Russian tax-free shoppers’ product preferences and factors that affect tax-free shopping in Kajaani; the fact that this data was collected from a large group of Russian customers means that the information is a true reflection of what they feel and want.

### 3.2.2 Research reliability

In the context of academic research, reliability means stability of the measure. In other words, reliability is the degree to which repeated questionnaires, surveys and interviews produce stable and consistent outcomes under changing measuring techniques and environments. In this regard, if the outcomes from the repeated measurements are the same or most likely the same, then reliability of the research is higher. The use of similar questions in the surveys, interviews, literature and other reliable documents increase the reliability of the research. (Daniel 2004; 72-74)

Since the sample used in this research is considerably large enough and the results are based on the opinions and choices of different types of tax-free shoppers, therefore, the results are considered reliable.

### 3.2.3 Data analysis

The results from the collected data are analyzed by using Statistical Package for Social Sciences (SPSS) and Microsoft excel 2010 is also used in order to draw charts, tables, and bars to provide a clear idea of the research to the readers. There are total 23 closed questions and if the data was entered correctly into the computer programs, the output shall be correct.

However, the order of the questions differs in the analysis part than on the questionnaire. The author adopted this technique to combine two or more relevant questions for the analysis to present them in a more logical way.

## 4 EMPIRICAL FINDINGS

### 4.1 Background information of respondents

#### 4.1.1 Gender and age distribution

As can be seen from Figure 5, female respondents are a slightly bigger group than men respondents. During the interviews, 54.20% female respondents answered the structured questionnaire while the percentage of male respondents is 45.80. This seems a fairly normal distribution in shopping because generally women are considered to do more shopping than men. As shown in Figure 6, respondents aged between 41 and 50 are the biggest age distribution group of the respondents. One third of the interviewees are in the age group of 41-50. Similarly, 20.5% are 18-30 years old, 22.4% are 31-40 years old, and 23.3% are either 51 years old or more.

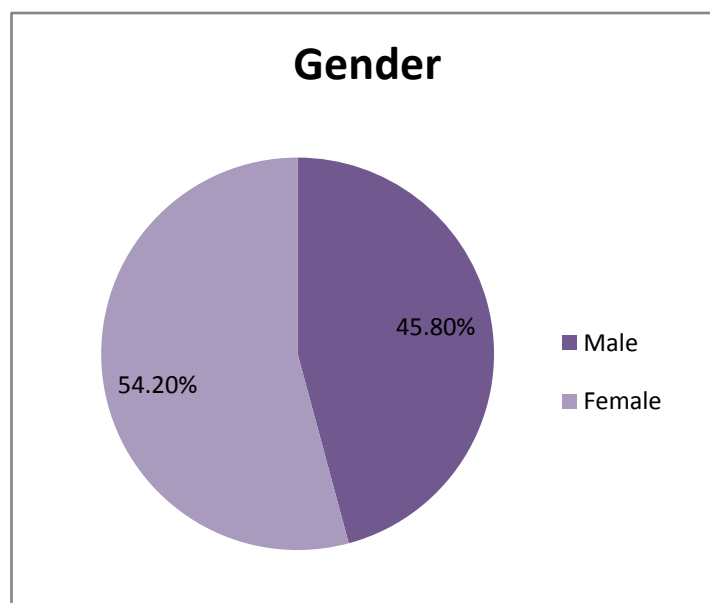


Figure 5 Gender



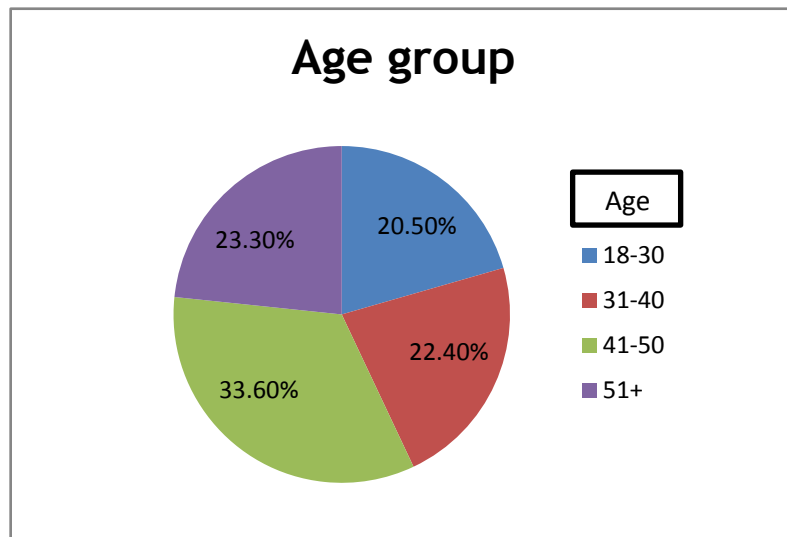


Figure 6 Age group of the respondents

#### 4.1.2 Home-town in Russia

According to Figure 7, 84.10% of the respondents travelled from Kostomuksha which is their home-town in Russia. On the other hand, only 15.90% people came from other cities in Russia. The reason that Kajaani receives more tax-free shoppers from Kostomuksha might be that it is very close to Kajaani. According to Google Maps, it takes about 1 hour and 42 minutes in car to drive from Kostomuksha to Kajaani. As discussed in the theoretical part, the number of day trippers is higher than those who live far away from the border.

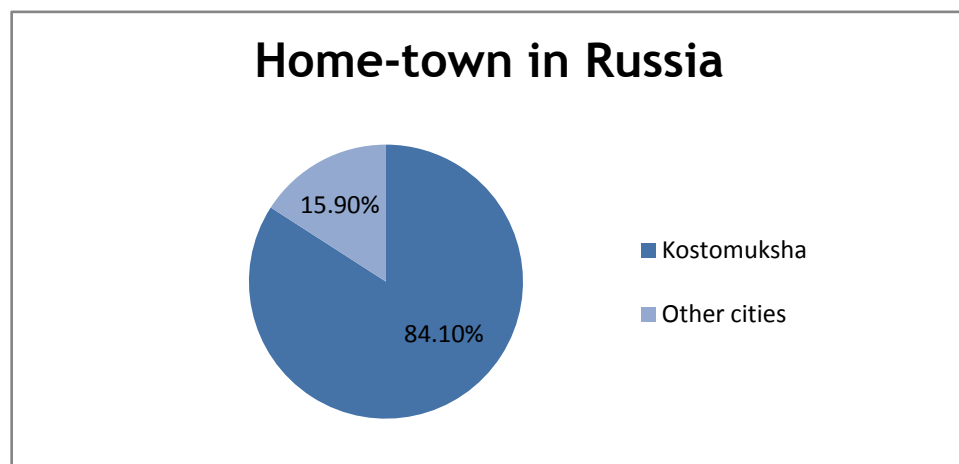


Figure 7 Hometown in Russia

### 4.1.3 Language skills

Figure 8 shows the percentage of Russian tax-free shoppers who were able to communicate either in Finnish or English. As we can see that 92.50% of the respondents could not speak Finnish but only 7.50% could. On the other hand, the percentage changes a little for English language as 30.80% of the interviewees answered that they are able to communicate in English. This percentage might help the companies in Kajaani so that they are able to communicate with Russian customers easily. The problem is not only Finnish but somehow it is the English language as well because 68.20% respondents could not speak English either.

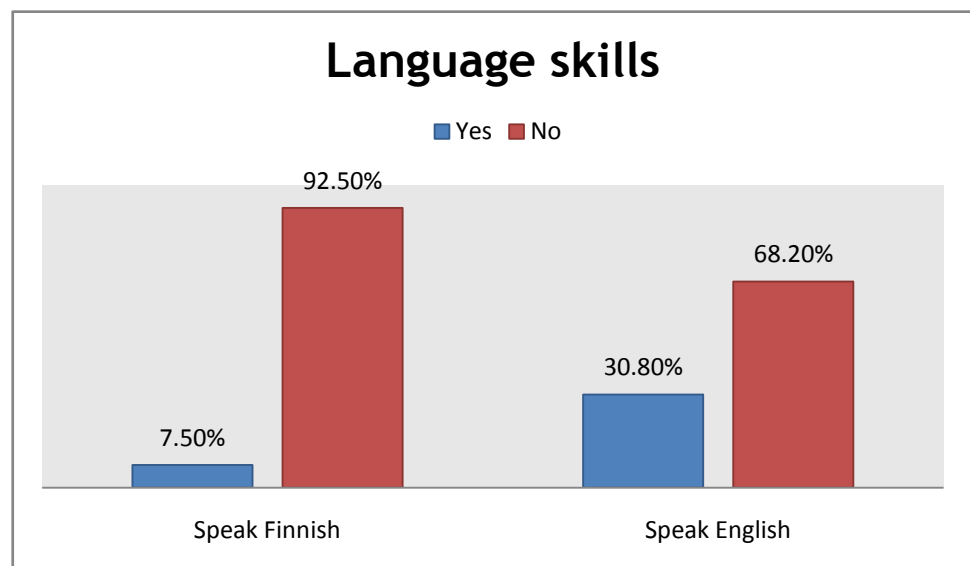


Figure 8 Language spoken

## 4.2 Travel and shopping

### 4.2.1 Travel to Finland (and Kainuu)

Figure 9 shows the comparison between two questions “How often did a person travel to Finland” and “How often did a person travel to Kainuu”. In both questions, we can see that about 90% of the respondents travelled to Finland in general or specifically to Kainuu once a month or more than once a month. The

reason behind this can be that most of the travellers come from Kotsomuksha (see Figure 7), which is near to Finland. One can assume that 7.5% of the respondents who visit Finland in general and 9.3% of the respondents who visit Kainuu, once in half a year might come from other cities in Russia, such as Moscow etc.

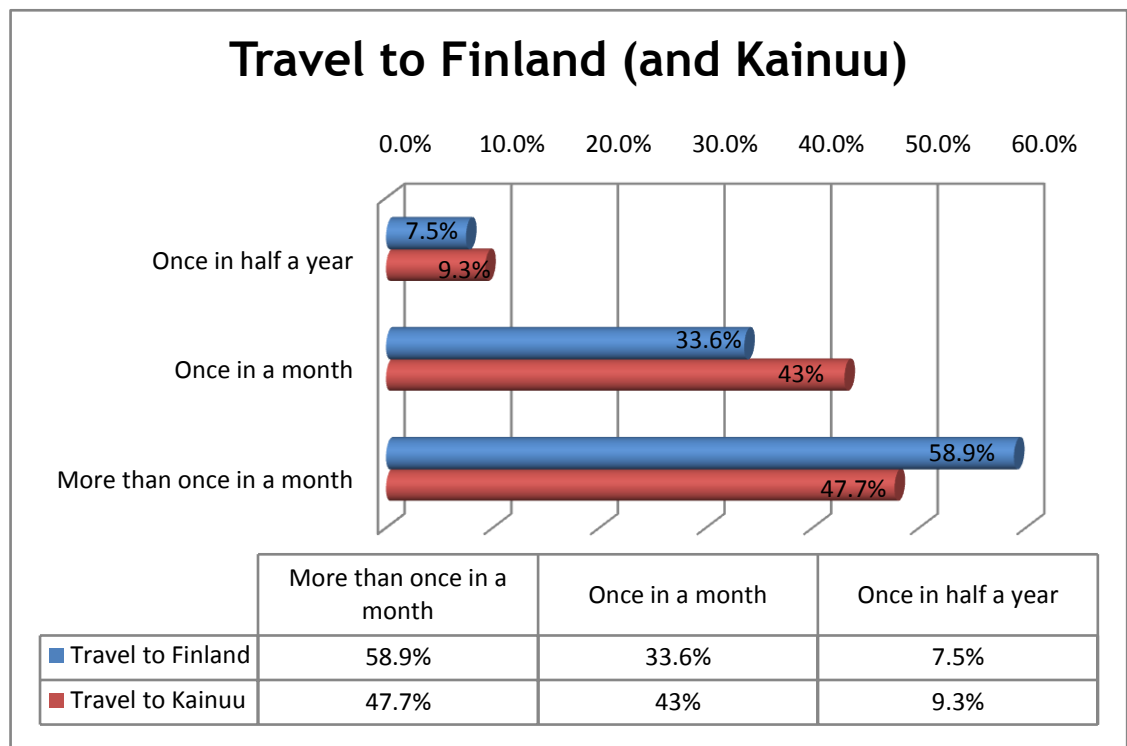


Figure 9 Travelling to Finland (and Kainuu)

#### 4.2.2 The main purpose of travel and brand preferences

One has to bear in mind that the primary reason for the trip might vary if the survey would not have taken place specifically among the tax-free shoppers in grocery stores and clothes shops, the results might have been different. For instance, the results would have been different if the researcher would have interviewed people in Hotels, ski resorts, and restaurants. From Figure 10, it is clear to understand that more than three quarters of the respondents (78.5%) visited Kajaani specifically for the purposes of tax-free shopping. Among those

78.5% tax-free shoppers, 55.1% people were interested in to buy Global brands and about 45% people were interested in Finnish regional products (See Figure 11). The numbers for Global products and Finnish products do not differ much because Russian people are aware of the quality of the Finnish brands and they value it. This number might be very low among the Japanese or Chinese customers, since they are not familiar with the Finnish brands.

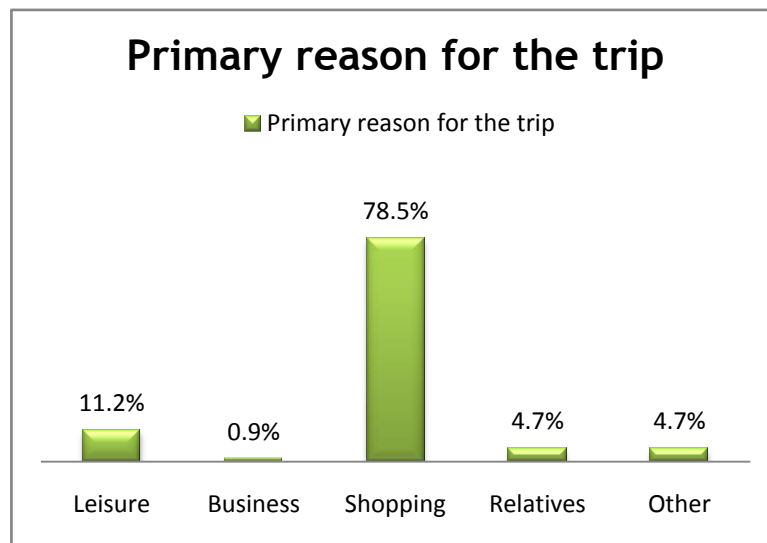


Figure 10 Primary reason for the trip

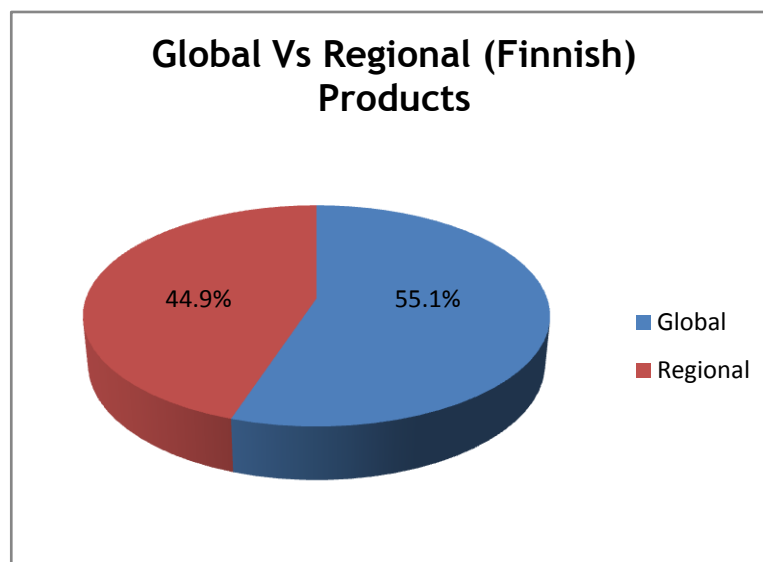


Figure 11 Global Vs. Regional (Finnish) products

### 4.3 Product preferences

#### 4.3.1 Selection of products

In Figure 12, the comparison of Russian tax-free shoppers' product preferences is shown. The bar chart shows the percentages of the products that Russian shoppers generally want to buy and the products they bought by the time the survey was conducted. In these questions, the respondents had the possibility to choose multiple answers. The purpose of these questions was to understand whether the product preferences of Russian shoppers have changed or not. There are slight differences between the percentages for each product. As can be seen that clothes and shoes are the products with high demand where 95.3% respondents said that they generally want to buy clothes and shoes in Kajaani while 77.1% were still looking for it by the time the survey was conducted.

Similarly, food and household supplies fall in the second place and 90.7% people generally want to buy these products while 81% were looking for it. Other major products are candies/chocolates and electronics/hardware/car parts with (50.5% and 32.4%) and (41.1% and 17.1%) for each question respectively. The difference might occur in the products' percentages which they normally want to buy and the products they were now looking for; because the respondents might be loyal to other shops where they buy certain products and not in the shop where the survey was conducted. On the other hand, 6.7% respondents mentioned that they were looking for the products which were not included in the questionnaire. These products include New Year's accessories, toys, decoration accessories, and furniture.

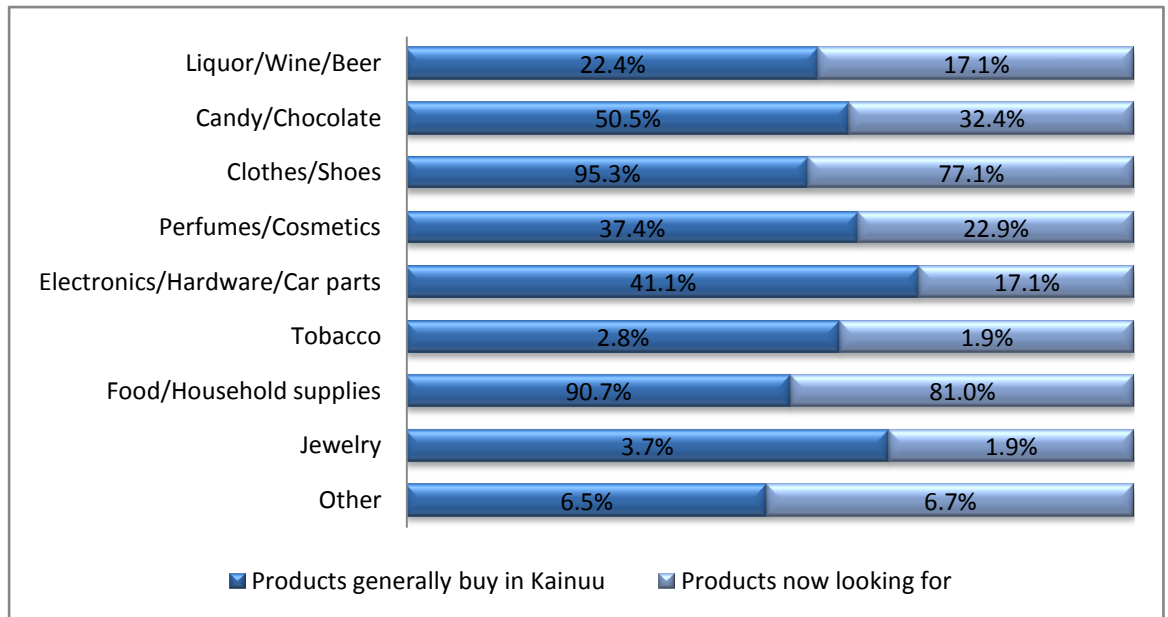


Figure 12 Product preferences

#### 4.3.2 Products wanted to buy but couldn't find

In addition to the specific product categories mentioned above in Figure 12, 18.70% respondents said that they would have wanted to buy leather and fur jackets, reindeer leather boots, men's shoes, fishing rods, vacuum cleaner hoses, women's fancy clothes, fishing suits, and sweet poppy seeds (for baking) but they could not find these products in the shop. However, 81.30% respondents were satisfied and they found products they were looking for (See Figure 13).

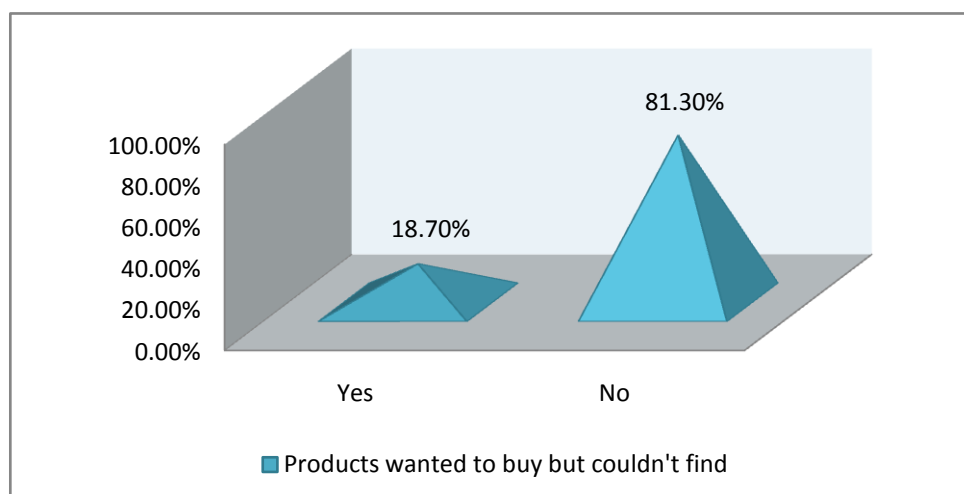


Figure 13 Products wanted to buy but couldn't find

#### 4.4 Bargain price

As can be seen in Figure 14, 91.6% respondents are looking for products on sales. This result makes it clear that the companies in Kajaani will sell the products on sales more quickly to Russian customers if these products meet their preferences. On the other hand, only 8.4% respondents said they would want to buy the products even if they are not on sale but meet their product preferences.

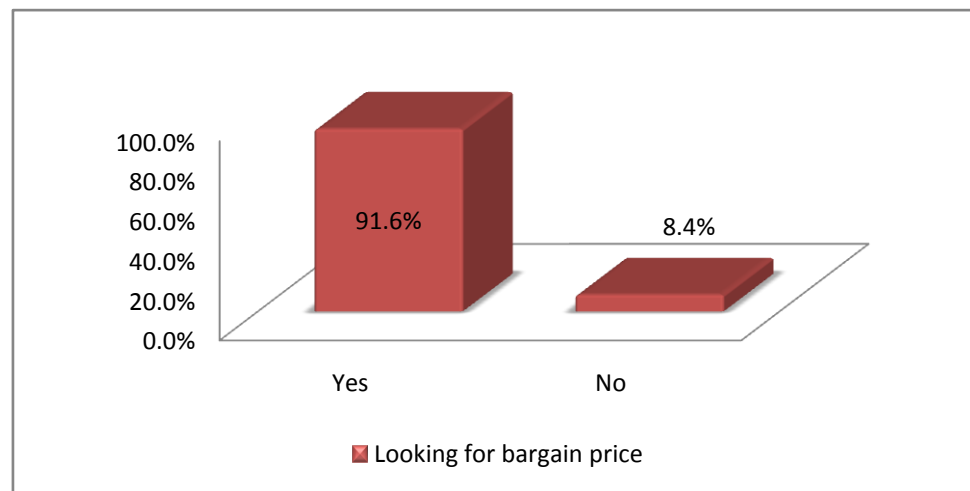


Figure 14 Bargain price

#### 4.5 Factors affecting tax-free shopping

##### 4.5.1 Language and shopping in Kajaani

The column chart (Figure 15) is based on two different questions “customer faced language problems” and “staff speak English or Russian”. As it can be seen in the first half of the chart that 55.1% respondents faced language problems which means they were not able to communicate with the staff. On the other hand 44.9% respondents did not face any problems concerning language. It is amazing to see that in the second half of the chart, 79.4% respondents talked with the staff either in English or Russian. Similarly, 19.6% respondents did not know if any

of the staff members speak English or Russian and those who said that staff did not speak English or Russian is almost equal to 1%.

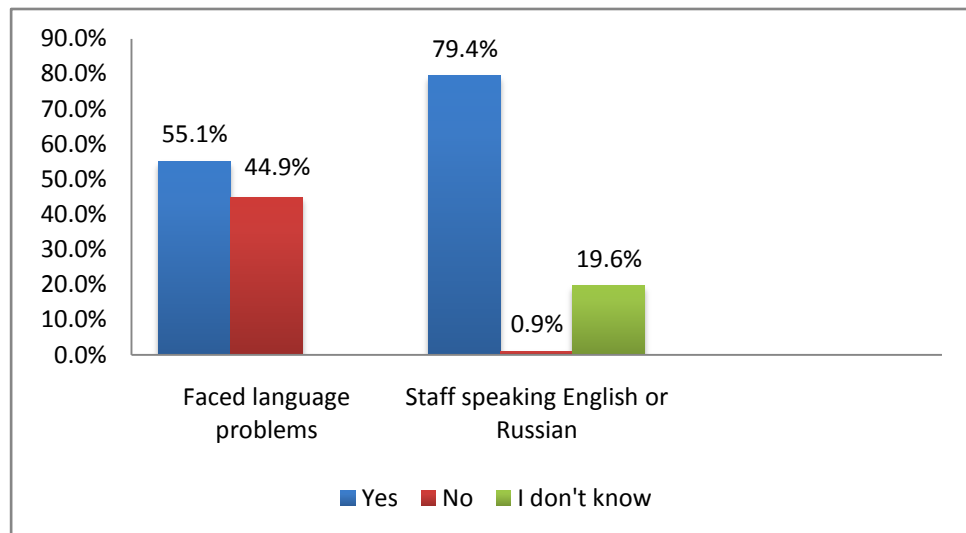


Figure 15 Language and shopping in Kajaani

#### 4.5.2 Customer service

Customer service always plays an important role in the businesses. It is shocking to see in Figure 16 that 68.2% respondents said “it was easy to ask for the needed information from the staff” even though in Figure 8, 92.50% respondents said they do not speak Finnish and 68.20% said they do not speak English. Furthermore, only 31.8% respondents found it hard to ask for the needed information from the staff and 97.2% respondents were satisfied with the customer services offered in shops in Kajaani.



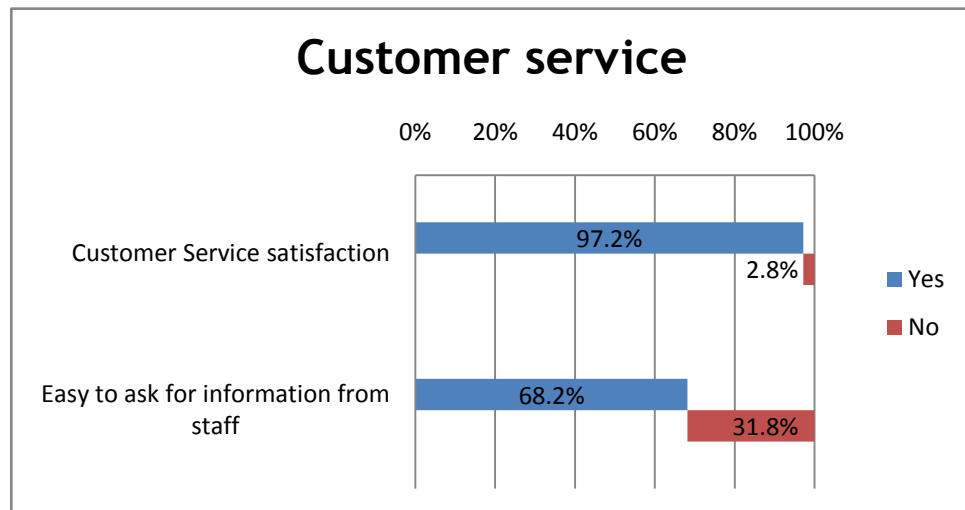


Figure 16 Customer service

#### 4.5.3 Shopping with Russian currency

According to Figure 17, little more than three-fourths of the respondents would want to shop in Kajaani with Russian currency in the future. The use of Russian currency for shopping in Kajaani would increase the rate of sales. There might be cases that some Russian shoppers run out of European currency (Euro) but still want to shop more and there is no currency exchange office nearby. However, among the respondents, 23.4% did not agree with the idea of using Russian currency for shopping in Finland.



Figure 17 Shopping with Russian currency

#### 4.5.4 Tax-free forms

As shown in Figure 18, a huge portion of respondents i.e. 90.7% did not find filling in the tax-free forms difficult which is a part of the tax-free shopping procedure run by Global blue. Only 9.3% respondents complained about it. Despite that, 95.3% respondents would still want an electronic source such as a card to be used by the time of purchases which can fill-in the needed information for them automatically. This method might help in increasing tax-free shopping in Kajaani because the shoppers will not have to wait long even after they make the original purchase of the products and they already pay on the cashier desk.

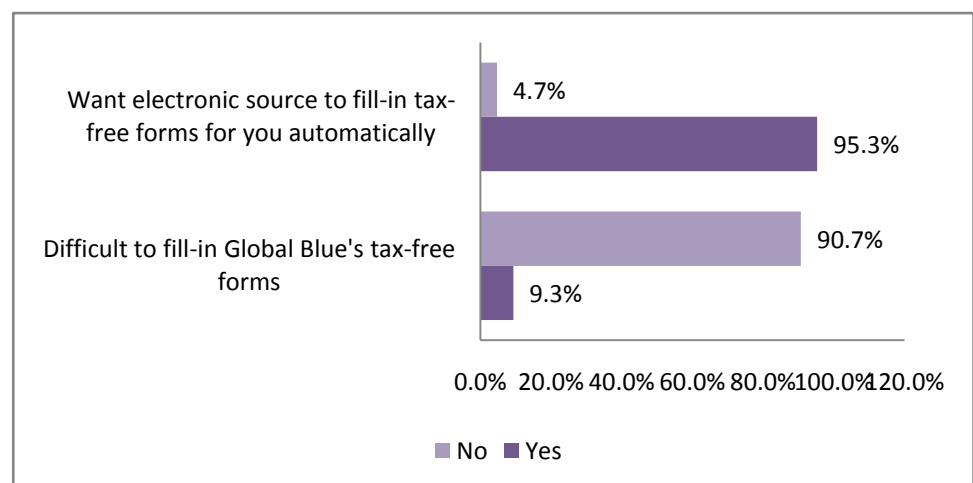


Figure 18 Tax-free forms

#### 4.6 Shopping recommendations

Figure 19 shows that tax-free shopping in Kajaani has built a very impressive image in Russia as 63.6% respondents admitted that shopping in Kajaani was recommended to them by someone. On the other hand, 36.4% respondents shopped tax-free in Kajaani without any recommendation made to them. However, if we look at the succession rate, we can see that the satisfaction level of tax-free shoppers in Kajaani is very high as almost 100% respondents would be

happy to recommended tax-free shopping in Kajaani to other people back in Russia. This huge success might be possible because of the good customer service, as shown in Figure 16 that 97.3% respondents were satisfied with the customer service provided in stores in Kajaani.

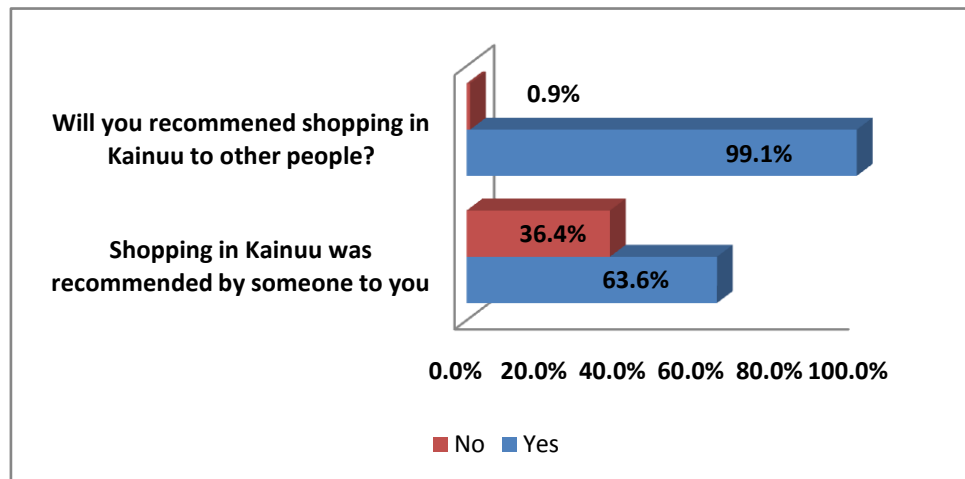


Figure 19 Shopping recommendations

#### 4.7 Tax-free shopping event

As can be seen from Figure 20, Russian tax free shoppers are whole heartedly willing to visit Kajaani if there would be a tax-free shopping event. Tax-free products but more specifically, tax-free products on sale would fascinate majority of the Russian shoppers to travel to Kajaani for the sole purposes of shopping. This kind of events would help companies in Kajaani to increase tax-free selling to Russian tourists because as shown above in Figure 14, a huge portion of respondents (91.6%) said that they look for products that are offered on discounted rates.

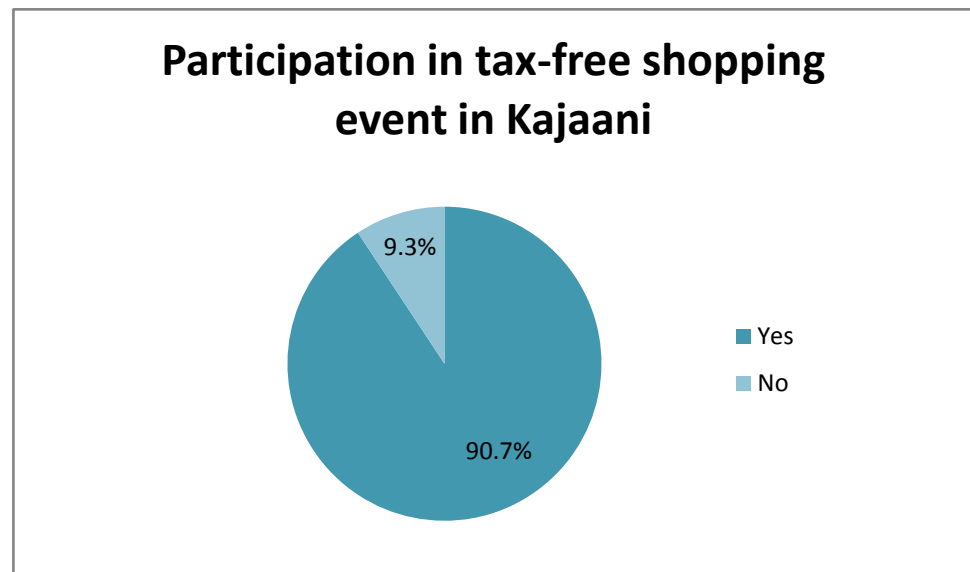


Figure 20 Tax-free shopping event

#### 4.8 Summary of the findings

The previous analysis section focuses on different units of analysis individually to find feasible answers to the research sub-questions separately. In this summary, based on the empirical findings, the overall research question is answered by combining different units of analysis.

First, it is looked into, whether there is a big or small difference of tax-free shoppers by gender and age. As it can be seen from the findings that the gender distribution is fair and there is no need for the companies in Kajaani to target Russian “female” shoppers specifically. On the other hand, people between 41-50 years old are the biggest target group as their number is apparently larger than any other age groups. Similarly, the findings also shows that majority of the Russian tax-free shoppers are day-trippers and travel from Kotsomuksha.

Furthermore, the product preferences of the customers are evaluated and the mostly bought products are identified. These findings will help the companies in Kajaani to offer even more variety of the highly demanded products. However, the empirical findings also show that there are certain factors that affect tax-free

shopping in Kajaani city. These findings include issues such as language problems faced by Russian tax-free shoppers, customer service, use of Russian currency for shopping in Kajaani, as well as issues related to tax-free forms. Hence, to answer the overall research question “how to increase tax-free shopping in Kajaani”, the companies have to find out solutions for language issues by hiring one or more Russian speaking individuals. Furthermore, also increase the sales campaigns as noted in the findings that Russian customers would want to buy more products offered on sale prices.

## 5 DISCUSSION AND SUGGESTIONS

The research reveals that most of the Russian tax-free shoppers visit Kajaani from Kotsomuksha, Russia. According to Google Maps, Kotsomuksha is about 116 km from Kajaani. These respondents are frequent shoppers who visit Kajaani either once a month or more than once a month. These results help to state that companies in Kajaani should work together and provide more information regarding Finnish shops and services to the citizens of Kotsomuksha by different kinds of advertisements to increase tax-free sales. These tax-free shoppers cross the border for the primary purpose of shopping tax-free products. From the results, it can be assumed that the motivational factors for the respondents are better quality, wider variety and lower prices (after taxes) of the Finnish products. Since Russian customers come to Kajaani for shopping, therefore, they are most likely happened to be the same-day travellers. The majority of them tend to be middle aged between 31 to 50 years old and the reason behind this can be that young people do not know or understand the idea of tax-free shopping or they simply do not have enough money to travel to Kainuu region.

Moreover, it is recognized from the findings that Russian customers are “active” or “economic” shoppers, which means they are price oriented and willing to spend more time in the shops; looking for different products, comparing prices, and variety. Therefore, different price strategies approach could be adopted by the companies in Kajaani to keep them attracted.

The important findings show that Russian tax-free shoppers generally want to buy alcohol beverages, candies and chocolates, perfumes and cosmetics, and electronics and car spare parts. However, clothes and shoes, and daily goods such as food and household supplies are the most wanted Finnish products among the Russian customers. Besides the fact that respondents have pointed out what category of products they mostly buy, they have also mentioned some other products which they could not find in the shops by the time of making purchases. These products include leather and fur jackets, reindeer leather boots, men shoes, fishing rods, vacuum cleaner hoses, women fancy clothes, fishing suits, and

poppy seeds for baking. As it is observed during the research that Russian tax-free shoppers visit the shops most likely in groups; therefore, the companies in Kajaani should keep large stocks of those items so as to satisfy the need of an entire group. However, Russian shoppers value Global products a little more than the Finnish domestic products. The reason behind this could be the lack of information in Russian but the sale of Finnish products could be increased if the advertisements or product catalogs also include Russian language.

The results revealed that Finnish companies in Kajaani have greatly succeeded in providing good and appreciated customer service. As almost all the respondents expressed satisfaction toward the customer service delivered by the staff personnel. As a result, a great portion of the respondents found it easy to communicate with the staff members and ask for the needed information; even though the biggest factor affecting tax-free shopping noted is language barrier. Language seems to be one of the obstacles in the way of tax-free shopping, as in this case, it is most likely that Russian customers do not speak Finnish or those who speak English are in very small numbers. However, the results show that they are satisfied because mostly the staff members either speak Russian or English.

Furthermore, the outcomes from the empirical research also indicate that Russian customers are happy with the tax-free shopping procedure monitored and run by Global blue as the respondents did not find it difficult to fill-in the tax-free forms after the actual purchases are made. However, they did express the desire for an electronic source which could help them in filling-in the tax-free forms automatically. This source will be highly appreciated among the Russian shoppers if they could use it by the time they are making actual purchases so they will not have to go to the info desk for filling-in the tax-free forms. It will be time saving and will motivate the shoppers to spend more time in the shops looking for products rather than standing in line for info desk to fill-in the tax-free forms. In addition to the convenience mentioned above, the respondents also want to see the possibility of using Russian currency in all the shops in Kajaani.

On the basis of the research results, companies in Kajaani have built a successful image in Russia. Shopping in Kajaani was recommended to most of the

respondents but the better achievement is that almost all of the respondents are willing to recommended shopping in Kajaani to other people in Russia. From the results, it is also a known fact that customers from Kotsomuksha are an important target group for the Kajaani city who are willing to participate if there was a tax-free shopping event such as tax-free shopping week or weekend, organized by all or a group of companies offering products on sale. Therefore, appropriate marketing strategies should be used to keep the customers informed about the products and sales and tax-free shopping events. On the other hand, it is also a great opportunity for the tour operators in Kajaani to develop a product by introducing shopping trips to Kajaani from Kotsomuksha.



## 6 CONCLUSION

The study aimed to investigate “how to increase tax-free shopping in Kajaani”. After a literature review, an analytical framework was formed that summarized the primary findings of the theoretical section in regard to the research aim. The data was collected through a structured questionnaire for the analysis. The unit of analysis, Russian tax-free shoppers and respectively their product preferences and factors affecting tax-free shopping, has been investigated by making use of the quantitative method. The outcomes of the analysis have been combined with the theoretical findings in the discussion section. The aim of the research was fulfilled by answering the overall research question in the following way.

Research question: How to increase tax-free shopping in Kajaani?

In order to find a more convenient answer to the overall research question, research sub-questions were used. Language barriers, customer service, prices, information about the products in Russian, and staff capability of communicating with Russian customers have been the focus point of the first sub-question. These issues are rather important and greatly affect tax-free shopping. As all the customers want to save time, value good brands available on sales, easily find what they need, and most importantly; seek information, therefore, the shop personnel need to be connected with the customers. Hence, it is highly recommended that the companies in Kajaani should hire one or more Russian speaking individuals, or organize Russian language training programs for the existing employees to have at least some knowledge about Russian language in order to connect with them. However, product preferences of the Russian tax-free shoppers have been discussed in the second sub-question. The findings of this research, regarding Russian tax-free shoppers’ product preferences, do not vary much from the findings of previous researches mentioned in the literature section. The most wanted items are basically the products and strength of Kajaani city that attract cross-border shoppers. The companies should not only fulfill the demand for these products but also provide a wide variety to maintain good selling relationship with the customers.

Therefore, the overall research question can be answered by arguing that all those companies that provide tax-free services to Russian customers could form a marketing strategy to advertise new products, sales and promotions to keep the current customers updated. These advertisements could also result in attracting more potential customers from Russia. Furthermore, sales can always be improved if better and convenient additional services are offered for free. In the perspective of tax-free shopping by Russian customers, it can be argued that accepting Russian currency in the grocery shops, clothes and shoes shops, electronics shop, and different other shops would motivate Russian shoppers to spend more money on shopping tourism. Nevertheless, other additional free services such as an electronic card for filling-in the Global blue's tax-free forms can also be very productive and will result in providing more time and relief to the Russian shoppers to shop more.

Shopping in Kajaani is gaining its popularity among the Russian travelers; therefore, the companies in Kajaani must take into consideration the factors that affect tax-free shopping mentioned above. By overcoming those problems and making a possibility to organize tax-free shopping events such as tax-free shopping day and/or week and/or weekend would certainly help in increasing tax-free shopping rate in Kajaani city.

For further research in the future, it is suggested to investigate other factors of Russian tax-free shoppers, including the concepts of shopping satisfaction and shopping loyalty toward Finnish companies. In addition, researchers should also focus on exploring the differences in the shopping characteristics between Finnish shoppers and Russian shoppers to justify shopping motivations and reveal other factors that affect their decisions to shop. Furthermore, identifying convenient marketing communication tools would also be a possible area of research in the future.

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## Appendix 1 Questionnaire in English

Hello! I am doing a survey about tax-free shopping and customer's product preferences in Kajaani (Kainuu). Customer's opinions are very important to evaluate and develop the quality and variety of products. In this regard, may I please ask you a few questions? It will only last for couple of minutes. Thank you

**Please tick in the correct box;**

1. Age \_\_\_\_\_
2. Sex \_\_\_\_\_
3. Your home-town in Russia \_\_\_\_\_
4. Do you speak Finnish?  
 Yes             No
5. Do you speak English?  
 Yes             No
6. How often do you travel to Finland?  
 Once in a year     once in half a year  
 Once in a month     more than once in a month
7. How often do you travel to Kajaani (Kainuu)?  
 Once in a year     Once in half a year  
 Once in a month     More than once in a month
8. What is the main purpose of your trip?  
 Leisure             Business             Shopping             Relatives             Other
9. What type of products do you generally want to buy in Kajaani?  
 Liquor/Wine/Beer             Candy/Chocolate     Clothes/Shoes  
 Perfumes/Cosmetics             Electronics/Hardware/Car parts             Tobacco  
 Food/Household supplies  Jewelry             Other, what \_\_\_\_\_?
10. What kind of products were you now looking for?  
 Liquor/Wine/Beer             Candy/Chocolate  Clothes/Shoes  
 Perfumes/Cosmetics             Electronics/Hardware/Car parts             Tobacco  
 Food/Household supplies  Jewelry             Other, what \_\_\_\_\_?
11. Is there any product you would have wanted to buy but couldn't find in the shop?  
 Yes             No             If yes, what product \_\_\_\_\_?

12. Do you look for the bargain price?  
 Yes       No
13. Did you have language problem when shopping here?  
 Yes       No
14. What kind of products are you more interested in to buy in Kajaani (Kainuu)?  
 Regional (Finnish)       Global
15. Did you find customer service satisfactory?  
 Yes       No
16. Was it easy to ask for the needed information from the staff?  
 Yes       No
17. Did any of the shop's personnel speak English or Russian?  
 Yes       No       I don't know
18. Would it be easier if you could shop in Kajaani with Russian currency?  
 Yes       No
19. Was it difficult to fill-in the Global Blue's tax free forms?  
 Yes       No
20. Would you want a source to fill-in tax free forms for you automatically?  
 Yes       No
21. Was shopping in Kajaani (Kainuu) recommended to you by someone?  
 Yes       No
22. Will you recommend shopping in Kajaani to other people?  
 Yes       No
23. Would you participate if there is a tax-free shopping event in Kajaani (Kainuu)?  
 Yes       No

**THANK YOU VERY MUCH FOR YOUR HELP!!!**



## Appendix 2 Questionnaire in Russian

Здравствуйте! Этот опрос посвящен системе возврата НДС (Tax-free) в магазинах города Каяни. Ваше мнение очень важно для нас и будет учтено при разработке новых программ и услуг для туристов ,совершающих покупки в городе Каяни. Пожалуйста, ответьте на эти вопрос. Это займет не более пары минут вашего времени. Заранее Спасибо!

**Пожалуйста, выберите подходящий квадрат;**

1. возраст \_\_\_\_\_
2. пол \_\_\_\_\_
3. Изкакого населенного пункта вы приехали \_\_\_\_\_?
4. Говорите ли Вы по-фински?  
 Да  Нет
5. Говорите ли Вы по-английски?  
 Да  Нет
6. Как часто вы путешествуете по Финляндии?  
 Раз в год  Раз в пол года  
 Раз в месяц  Чаше , чем раз в месяц
7. Как часто Вы ездите в Каяни ?  
 Раз в год  Раз в пол года  
 Раз в месяц  Чаше , чем раз в месяц
8. С какой целью Вы ездите в Финляндию чаще всего?  
 Туризм  Бизнес  Шопинг  К родственникам  Другое
9. Что Вы бы хотели купить в Каяни?  
 Алкоголь  Сладости  Одежда/обувь  Парфюмерия   
Электроника/Программное обеспечение /автомобильные запчасти  
 Табачные изделия  Продукты питания/и аксессуары для дома  
 Ювелирные изделия  Другое (поясните что, пожалуйста) \_\_\_\_\_?
10. Что Вы хотели купить в этот раз в Каяни?  
 Алкоголь  Сладости  Одежду/обувь  Парфюмерия   
Электроника/Программное обеспечение /автомобильные запчасти  
 Табачные изделия  Продукты питания/и аксессуары для дома  
 Ювелирные изделия  Другое (поясните что, пожалуйста) \_\_\_\_\_?
11. Есть ли какие-то товары, которые Вы бы хотели купить, но не смогли найти в магазинах?

- Да       Нет  Если «да», поясните, что это за товары \_\_\_\_\_?
12. Вы ищите скидки?  
 Да  Нет
13. Совершая покупки в Каяни , Вы когда-нибудь сталкивались с «языковыми» проблемами?  
 Да  Нет
14. Какие продукты Вы хотели бы купить?  
 Местную продукцию       Продукцию из разных стран
15. Довольны ли Вы качеством обслуживания клиентов в магазинах города Каяни?  
 Да  Нет
16. Было ли Вам легко получить необходимую информацию от работников магазинов?  
 Да  Нет
17. В магазинах , которые Вы посетили , говорил ли персонал по-английски или по-фински ?  
 Да  Нет  Я не знаю
18. Как Вы считаете , было бы хорошо если Вы могли совершать покупки в городе Каяни и расплачиваться Рублями?  
 Да  Нет
19. Было ли Вам сложно заполнять купон возврата НДС GlobalBlue'staxfree?  
 Да  Нет
20. Хотели бы Вы , чтобы информация в купон возврата НДС заполнялась автоматически, а не от руки?  
 Да  Нет
21. Рекомендовал ли Вам кто-нибудь съездить за покупками в Каяни ?  
 Да  Нет
22. Вы бы порекомендовали съездить в город Каяни своим знакомым (в том числе за покупками)?  
 Да  Нет
23. Хотели бы Вы посетить мероприятие посвященное беспошлинной торговле в городе Каяни , если бы такое проводилось ?  
 Да  Нет

**Большое Спасибо !!!**