KARELIA UNIVERSITY OF APPLIED SCIENCES
Degree programme in International Business

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FASHION INDUSTRY AND CONSUMER BEHAVIOUR IN SAINT PETERSBURG: CASE STUDY ON FINNISH BAG COMPANY BORNEO COLOURS

Thesis
December 2013
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Title Fashion industry and consumer behaviour in Saint Petersburg: Case study on Finnish bag company Borneo Colours

Commissioned by Borneo Colours

Abstract

The aim of the thesis is to clarify Russian women’s attitudes towards the bags and purses of Borneo Colours and to find out if Saint Petersburg is a potential market area for the products. Concurrently, the thesis aims to invite reflection towards Russian markets.

The theoretical section of this paper offers information about consumer behaviour and provides a review on fashion industry both in Russia and at the global level. The theoretical sections are applied into practise with a case study example, a small Finnish bag company Borneo Colours that is interested in the possibilities that Russia is able to offer.

The empirical research is based on a qualitative method and the research was conducted in Saint Petersburg during spring 2013. In the research, opinions of Russian women and bag store managers concerning the products of Borneo Colours were studied in in-depth interviews. The sample consisted of ten Russian women aged between 30 to 50 years with middle or high level income and of five professionals working in the bag industry.

Based on the results, it is not reasonable yet for Borneo Colours to expand its business activities to Russia. The brand of Borneo Colours is unknown in Saint Petersburg and as a small company Borneo Colours does not have sufficed resources for expanding at this moment.

Language English

Pages 51
Appendices 2
Pages of Appendices 3

Keywords Consumer behaviour, fashion industry, bags, Russia, Saint Petersburg, Borneo Colours
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APPENDIX 2: Picture of Borneo Colours’ bags and purses
1 INTRODUCTION

1.1 Background

Russia is an emerging market with huge opportunities. A skilled and well-educated workforce, a growing number of affluent consumers, rich natural resources and investment-friendly reforms made in tax legislation are only some of the factors that make Russia an attractive market area for investors and companies planning export activities there. (PwC 2011, CMS Russia 2011.)

In recent years, the fashion industry in Russia has indicated unique growth patterns. According to the report of Grail Research (2009), Russia ranks high scores in demand for fashion apparel and awareness of international fashion brands. High consumption rates for fashion apparel and Russian consumers’ growing preference to purchase quality products are also encouraging pull factors for foreign enterprises (Murgulets 2001).

This thesis offers information concerning the consumer behaviour of Russian women and provides a review on fashion industry both in Russia and at the global level. The theoretical framework is applied into practise with a case study example, a small Finnish fashion apparel company Borneo Colours that is interested in the possibilities that Russia is able to offer.

Succeeding in Russia requires among other things careful planning, preparing of a comprehensive market analysis, having a wide network and some knowledge of business culture. This thesis plays only as a starting point for a possible project concerning export activities to Russia and its purpose is to invite reflection towards Russian markets.

Data for the thesis was collected by interviewing bag store managers and Russian women aged between 30 to 50 years. The planning and implementation process of interviews was prepared based on previous Innostudio research conducted in Saint
Petersburg in autumn 2012 (Piltti & Ylönen). For instance, the target groups for the interviews were selected on the basis of Innostudio results.

1.2 Aim of the thesis

The aim of the thesis is to invite reflection towards Russian markets, especially in Finland, and find out if Saint Petersburg is a potential market area for the products of Finnish case company Borneo Colours. The opinions of Russian women concerning Borneo Colours’ bags and purses are investigated and the market area of Saint Petersburg is briefly studied. The research aims to answer to the following questions:

1. What are the opinions of Russian women towards the products of Borneo Colours?
2. Is it reasonable for Borneo Colours to widen its business to Saint Petersburg in the near future?

1.3 Outline of the study

First, the theoretical section provides a summary of the main characters of consumer behaviour and fashion apparel industry. Needs of the case study company have kept in mind and therefore both sections examine the subject both globally and from a Russian perspective. Third theory part focuses on Russian consumer behaviour. The aims of sections will be presented more specifically in the very beginning of each section.

Second part of the study presents research methods; research design, sample and analysing of validity and reliability. Third, research results are presented. Lastly conclusions and suggestions for future are provided.

The literature covered in this review was sourced from textbooks, peer reviewed journal articles and publications from specific marketing departments and their experts. Some reliable and widely known organizations’ web pages are also used.
1.4 Case company: Borneo Colours

The case company Borneo Colours is a small Finnish fashion apparel company, whose design line consists of colourful bags, furnishing products and corporate gifts. The products are inspired by pictures that company's founder and designer-photographer Jutta Kuure has taken in the rainforests of Borneo. The prints are cheery, nature-themed and they include mostly plants and animals that live in Borneo’s rainforests (appendix 2). The products are designed and manufactured in Finland and the materials used are of high-quality, machine-washable and they repel dirt. (Kuure 2013.)

At the moment, Kuure works by herself. She has a vision about Borneo Colours to expand and to become an international company. The company is already on the way there: The Borneo Colours bag collection has been on sale since December 2011 and Borneo Colours web store was opened in March 2012. Many magazines have written about the company and Kuure has had several exhibitions over the years presenting her products and design. In 2013, Kuure has already had three Pop up Bazaar exhibitions in Helsinki. (Kuure 2013.)

Borneo Colours products can be found from their web store (http://kauppa.borneocolors.fi/) but also from some exhibitions and expositions that the company takes part in. In addition, Kuure designs products according to the customer’s needs; latest customer order was curtains with a rainforest landscape designed to a children’s room. Besides their own web page, Borneo Colours is found from Twitter, Pinterest, Facebook and VKontakte. (Kuure 2013.)

1.5 Innostudio

Innostudio was a preliminary study for the study presented in this thesis and it was conducted during autumn 2012 (Piltti & Ylönen 2012). The aim of it was to research the opinions of Russian students about Borneo Colours’ products and to find out the right target group for the company. The tasks included several innovative assignments. For instance, the students were asked to create a customer profile and a fictive story that tells how a customer ends up buying Borneo Colours products. (Piltti & Ylönen 2012.)
The students described possible customer as a young female aged between 15 to 25 years old. She was described as an active and social person who loves nature and belongs to middle or upper middle class. Most of the students did not like the products even though they belonged to the same age group. They told that bags were too expensive, too colourful and the design was seen childish. Soft material and the uniqueness of the bags were seen as positive aspects. The results were partly contradicting; for instance bright colours were seen both as positive and negative aspect. (Piltti & Ylönen 2012.)

The results revealed that students are not the right target group for Borneo Colours (Piltti & Ylönen 2012). The research sample used in the research of this thesis was finally selected based on the Innostudio research results.
2 FASHION INDUSTRY

2.1 Introduction to fashion industry

Fashion magazines are filled with advices on what to look like and how to look like it, plenty of fashion and clothing franchises can be found from nation’s high streets and glamorous-looking fashion designers are shown in media. This all reflect fashion’s significant role in contemporary Western society. (Barnard 1996, 1.)

Fashion is a tool in the sense that social, economic and cultural changes can be examined and explained with it. Dress and adornment are prominent means of expressing identity and therefore fashion gives an opportunity to observe changes in people’s attitudes and values. (Jackson & Shaw 2006, 1.) What else is fashion? Probably the most common definition is that fashion refers to “a style that is popular at a particular time, especially in clothes, hair, make-up et cetera” (Cambridge Advanced Learner’s Dictionary 2007).

In this section, a quick look into fashion industry will be taken and fashion trends of bags and purses in spring 2013 will shortly be presented. The theory part also focuses on state of fashion industry worldwide and in Russia. Finally, some trends about fashion industry’s future will be discussed.

2.2 Clothing and textiles industries

A journey to fashion industry is probably easiest to start by first studying the basic supply chain structure that is represented in figure 1. Basically, the textiles-clothing supply chain starts with primary producers that are located either in agriculture or in the chemical industry depending on the textiles and fibres needed. Outputs of these producers are inputs to the textile industry. Lastly fabrics become raw-material inputs to the clothing manufacturing industry and are converted into apparel. That is the point where clothing retail supply chain takes the control (Figure 2). Before a consumer gets
products, the chain involves for instance wholesalers, retail distribution firms, transportation and sales. (Jackson & Shaw 2006, 3-4.)

**Figure 1.** Main stages in textiles-clothing supply chain (Jackson & Shaw 2006, 4)

**Figure 2.** Typical clothing retail supply chain (Jackson & Shaw 2006, 4)
Textile and clothing industries have some economic differences. The textile industry is based on efficiency, lowering unit costs and maximizing the output. This is due to the huge investments which are required to develop textile mills. Organisations want to produce a proper level of return on investments (ROI) and therefore they keep the plant running round the clock. On the contrary, clothing industry is labour-intensive and requires less capital investment than textile firms. It is also easier to move to new locations if needed. Typical requirements for today’s clothing industry is that clothing manufacture needs to fulfil customer needs while trying to achieve efficiency in production. (Jackson & Shaw 2006, 4-5.)

2.3 Contemporary global markets

Clothing industry’s footloose nature has been seen as substantial job losses during the 21st century as clothing industry has shifted its operations to lower labour cost countries. Germany, the USA and the UK have suffered most of these changes. What is more, prices of clothing and footwear in the UK have declined steadily since 1995. This price deflation in clothing can be seen as a result from clothing industry’s shift to lower labour cost countries. (Jackson & Shaw 2006, 12-13.)

In the UK, arrival of huge foreign retailers such as Zara, Next and H&M caused competitive pressures to the UK market in the beginning of 21st century. Volumes of apparel supplied increased while prices fell. Gained margins eroded and it was more and more difficult for new retailers to succeed in the market place and reach the price points being set. The elimination of Multi-Fibre Arrangement quotas (MFA) since 2005, the quota system that restricted the amount developing countries could export to developed countries, increased competition further. Partly due to the elimination of MFA, China has steadily increased its share of world markets. (Jackson & Shaw 2006, 14-15.)

The value of China’s textile industry’s exports was 95,450.2 million US dollars in 2012 and the clothing industry’s exports reached even 159,613.7 million US dollars at the same time (see table 1). China’s dominant position in a labour-intensive clothing industry is mostly explained with a huge population (Jackson & Shaw 2006, 15-16). In comparison, the value of clothing exports in European Union was 108,896.5 million US
dollars. Russian Federation’s clothing exports were only a small piece of these figures with its 172.7 million US dollars. (WTO, 2013.)

Table 1. Top 10 exporters in textile and clothing industries (WTO 2013)

<table>
<thead>
<tr>
<th>Top 10 exporters in textile industry</th>
<th>Million US Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>55,450.2</td>
</tr>
<tr>
<td>European Union (27)</td>
<td>69,366.2</td>
</tr>
<tr>
<td>India</td>
<td>15,273.9</td>
</tr>
<tr>
<td>Germany</td>
<td>14,438.4</td>
</tr>
<tr>
<td>United States</td>
<td>13,485.3</td>
</tr>
<tr>
<td>Italy</td>
<td>13,153.0</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>11,969.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>11,054.3</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>10,545.9</td>
</tr>
<tr>
<td>Taipei, Chinese</td>
<td>10,292.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top 10 exporters in clothing industry</th>
<th>Million US Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>159,613.7</td>
</tr>
<tr>
<td>European Union (27)</td>
<td>108,896.5</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>22,573.0</td>
</tr>
<tr>
<td>Italy</td>
<td>22,147.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>19,948.3</td>
</tr>
<tr>
<td>Germany</td>
<td>17,574.7</td>
</tr>
<tr>
<td>Turkey</td>
<td>14,289.6</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>14,068.3</td>
</tr>
<tr>
<td>India</td>
<td>13,832.7</td>
</tr>
<tr>
<td>France</td>
<td>10,301.5</td>
</tr>
</tbody>
</table>

2.4 Market area information

2.4.1 Russian Federation

Russian Federation is the largest country in the world and has population of 143 million people from which 74 per cent are living in urban areas (Rosstat 2012). Besides huge population, a growing middle class and extensive natural resources are strengths of Russia that attract investors (U.S. Commercial Service 2013).

Underdeveloped infrastructure and imperfect transition from central planned system to market economy are though market challenges that the country has. Corruption, deficiencies in legislation and the presence of large state-controlled firms in strategic places of the economy also hinder business activities. (U.S. Commercial Service 2013.)
Corruption is notable as Russia ranks 133\textsuperscript{th} out of 176 in the Corruption Perceptions Index (Transparency International 2013). Russia’s WTO membership is expected to solve these problems. Russia expert Timo Laukkanen at the Confederation of Finnish Industries EK says that as Russia has committed to the WTO’s agreements and rules, the development of its business environment will be easier to predict (Good News from Finland 2012).

Figure 3 describes the development of GDP per capita both in 27 European countries and Russian Federation. Gross domestic product is adjusted to purchasing power parity which takes into account the differences in price levels. The development has been almost identical, which reflects the general economic situation in the world and affects both European Union’s and Russian Federation’s economic situation. Since 1998, GDP per capita has steadily increased year by year which tells about economic growth both in Russia and in European Union. The economic growth of Russia has been steady with a few exceptions. (OECD 2013.) First, in 1998 a currency crisis occurred in Russia (Chiodo & Owyang 2012). That can be seen as a fall in the curve. Later, in 2008 the Global Financial Crisis caused a fall to both curves (OECD 2013).

Figure 3. Gross domestic product (expenditure approach), per head, US dollar, constant prices, constant PPPs (OECD 2013)
Regardless of Russia’s economic development it still comes far behind in purchasing power when compared to 27 European countries. In 2011, the GDP per capita in Russia was 14,714 dollars, whereas in European countries the sum was about 27,930 dollars (Figure 3). There has though been a steady growth in Russian GDP per capita (OECD 2013). The country actually has the highest GDP per capita among the BRICS countries - Brazil, Russia, India, China and South Africa (U.S. Commercial Service 2013).

2.4.2 Saint Petersburg

Population of Saint Petersburg, the second largest city in Russia, is 5 million people and from it 54 per cent are women (Solovjova 2013). Labour costs are relatively low in the city as the average salary there is approximately 700 euros per month. It is anyway expected that salaries will grow in the future. What is more, income distribution varies enormously. Top managers in the bank can earn million roubles (22,880 euros) while salary for cleaning services may be only 25,000 roubles (575 euros) per month. (Solovjova 2012.)

The research sample consists of Russian women aged between 30 to 50 years old with middle or higher level income. To get a picture about the income distribution in the city, some definitions need to be clarified – what are middle level and high level incomes? Table 2 shows average incomes of all Russians from 2008 through 2011. Therefore the statistics include pensioners, children and the disabled. The bottom three groups form the 29% of population that makes less than 230 euros per month. The top two groups, the 23.2% of the population makes more than 620 euros per month and they are the ones with the high level income. The group of people with middle level income is what stays in the middle. The group includes 47.8% of all Russians. (Rosstat 2013.)

Exact figures about Saint Petersburg were not able to be found. These statistics about income distribution in Russia and definitions about income levels are therefore used as a basis for the estimation of population’s income distribution in Saint Petersburg. As Saint Petersburg is the second largest city in Russia, the average incomes of citizens are higher than what is presented in the table 2. Based on the table 2, on the average citizens
of Saint Petersburg belong to the group of high level income as the average salary in the
city is approximately 700 euros.

Table 2. Average incomes of Russians per person per month (Rosstat 2013)

<table>
<thead>
<tr>
<th>Average income per person per month, RUB/euros</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 5000,0 RUB 114€</td>
<td>15.9%</td>
<td>12.2%</td>
<td>9.5%</td>
<td>7.3%</td>
</tr>
<tr>
<td>5000,1-7000,0 RUB 114-160€</td>
<td>12.5%</td>
<td>10.9%</td>
<td>9.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>7000,1-10000,0 RUB 160-230€</td>
<td>16.9%</td>
<td>15.8%</td>
<td>14.6%</td>
<td>13.5%</td>
</tr>
<tr>
<td>10000,1-14000,0 RUB 230-320€</td>
<td>16.9%</td>
<td>16.9%</td>
<td>16.7%</td>
<td>16.3%</td>
</tr>
<tr>
<td>14000,1-19000,0 RUB 320-435€</td>
<td>13.6%</td>
<td>14.6%</td>
<td>15.2%</td>
<td>15.6%</td>
</tr>
<tr>
<td>19000,1-27000,0 RUB 435-620€</td>
<td>11.6%</td>
<td>13.3%</td>
<td>14.7%</td>
<td>15.9%</td>
</tr>
<tr>
<td>27000,1-45000,0 RUB 620-1030€</td>
<td>12.6%</td>
<td>11.2%</td>
<td>13.2%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Higher than 45000,0 RUB 1030€</td>
<td>…</td>
<td>5.1%</td>
<td>6.7%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

2.5 Fashion apparel industry in Russia

The Russian retail industry is expected to grow. The industry was estimated to reach
total revenues of 55 billion dollars (42 billion euros) in 2012, being equal to a
compound annual growth rate (CAGR) of 6.6% between 2008 and 2012. The segment
of women’s wear was expected to be the industry’s most profitable, with total revenues
of 29.8 billion dollars (22.8 billion euros) in 2012. That covers 54.2% of the Russian
apparel retail industry’s overall value. The CAGR has been forecasted to be of 8% for
the period 2012-2017. This means that the value of industry would be 80.6 billion
dollars (61.6 billion euros) by the end of 2017. (MarketLine 2013.)
One of the main reasons for growth is increasing demand for luxury apparel. Due to that, many leading global luxury brands have expanded their business to Russia. The most prominent part of Russian fashion markets are large fashion events and actually Russia is among the countries that have the highest number of large fashion events held annually. (Grail Research 2009.) The Russian apparel market is attractive to companies as it promises higher growth and volume compared to Western European markets. The size of middle-class consumer segment is also growing which encourages apparel companies to further develop their business activities. In addition, despite low incomes Russian consumers prefer spending money on apparel rather than saving money. This is the case even in times of economic instability. (Euromonitor 2012.)

The Russian apparel market uses retail techniques known everywhere. Discounts are a common promotional tool and almost all major players in the market arrange discounts several times a year. Notable discounts of 70%-90% are used instead of smaller discounts because they attract customers more easily. (Euromonitor 2012.)

The number of consumers who make purchases online increases all the time. In 2011 online apparel sales nearly reached the second largest online category that includes computers and laptops. One of the reasons for the increase is that major players arranged advertising campaigns in order to attract new users for online stores (Euromonitor 2012.) As Russian online payment systems improve, apparel segment will further develop. Currently, most of Russian consumers prefer buying apparel through stores. (U.S. Commercial Service 2013.)

2.6 Recent fashion trends in bags and purses

Fashion cycle is a process that includes the steps that every product, for instance some apparel, goes through. The cycle that includes introduction, acceptance and rejection phases is known as Innovation Adoption Curve. The key concept used in this section is trend. It describes how the innovation moves through the steps in Innovation Adoption Curve. Therefore, a trend is “the general direction the innovation is heading” (Yurchisin & Johnson 2010, 3-8.) A trend can also be seen as something that can last for several
years or even decades, on the contrary to a fad which may survive only for a season. (Jackson & Shaw 2006, 1.)

This section presents bag and purse trends seen on the runways in the spring 2013. Here the concept ‘trend’ is used to describe adornment and bags that are seen fashionable at the moment.

2.6.1 Colour-blocked bags

Colour-blocking means wearing of two or more solid colours, usually courageous and bright ones, in an outfit. The style is ladylike so prints or patterns are not used in it (Nunez 2013.) The trend was first seen on the runways in Paris, New York, Milan and London in 2012. (O’Brien 2012.)

Chi Chau, the fashion editor of Popsugar Fashion, represents colour-blocked bags by Leghila, Rebecca Minkoff, Pierre Hardy, Diane von Furstenberg and Loeffler Randall and emphasizes that those are must-have bags for the summer. The bags are chic, elegant and bright in colour. Prices of colour-blocked bags range from 210 dollars up to 1195 dollars. (Chau 2013.)

2.6.2 Trends in luxury bags and purses

Creativity was the key word for the spring 2013 runways. Trends seen there were see-through bags, fringes, high contrast and large bags that can be tooted. (Broekema & Weiner 2013.)

See-through bags with the combination of colourful and see-through parts were presented by Stella McCartney, Gucci and Fendi. Kenzo proved that fringes are fashionable and introduced a black bag with them. Dolce & Gabbana, Bottega Veneta, Dior and Chloé brought onto the market large bags that can be tooted. Large bags were presented also by Georgio Armani, Miu Miu, Prada and Tommy Hilfiger. Besides these, high contrast was seen in several models; Proenza Schouler, Marc Jacobs, Marni and
Dries van Noten unveiled bags with black and white contrast. (Broekema & Weiner 2013.)

2.7 The future for fashion industry

Fashion has a tendency to constantly shift and therefore the burning question is what will happen for fashion industry next. What will be the role of consumer in fashion industry in the near future? To quote words of Nostradamus, a famous French apothecary who published collections of prophecies in the 16th century, “it is impossible to predict the future; all that I do is to project future possibilities out of current events.” This guideline will be followed in this chapter as well.

In recent years, the designers and couture houses have listened to consumers’ desires more and more, and no longer have designers told for the consumer what is and is not acceptable. Besides this, consumers mix up different garments and styles and therefore the latest fashion trends are often earlier seen in high-streets than in the catwalk. (Jackson & Shaw 2006, 206-208.) Based on these events, the role of the consumer will be more dominant in the future.

Matthew Jeatt, who has worked as Director of the world’s leading fashion research consultancy, forecasts that high quality clothes will cost more and low quality clothes less in the future (Jackson & Shaw 2006, 208). As learned earlier, the clothing industry has shifted its operations to lower labour cost countries and thus prices of clothing in the UK have declined steadily since 1995. (Jackson & Shaw 2006, 12-13.) That fact supports the prediction.

The author believes that the prices of all clothes will rise at some point. Probably Jeatt’s prediction will first come true but in the longer-term time the prices of low quality clothes will also increase. First of all, a reason for this is a rapid economic growth that faces some of the lower labour cost countries. Salaries in China have steadily increased in recent years and it is said that the rise will continue for the next 10 years (Lan 2012). This kind of trend makes foreign companies to rethink whether to relocate their operations to China or not. Second, the rights of employees in poorest lower labour cost
countries will come stronger due to the education and organisations that aim to improve working conditions in the countries. In the long run, these countries will follow China’s example and salaries in these countries will also increase which causes higher clothes prices.

What about brands and outsourcing to lower labour cost countries? According to a master thesis by Liisa Räty (2009) the country of origin is an important purchase decision factor. The study pointed out that especially under 20 year olds prefer Western made clothes and see that clothes made in Asia are generally lower quality. Based on these findings, outsourcing the production would make harm for brand image. It is though important to note that consumers are not always ready to pay extra for Western made clothes and therefore may choose Asian-made products despite the preference towards Western products. Zara is an example about a firm that already has outsourced some of the production to Asian and African countries due to lower labour costs (Antunes, A. 2011). The author believes that cheaper brands will follow Zara’s example. Anyway, luxury brands with a long history such as Giorgio Armani and Dolce & Gabbana will not outsource their manufacturing processes. This is because the country of origin, in this case Italy, is a central part of their brand image.
3 THEORY OF CONSUMER BEHAVIOR

Consumer behaviour is a much researched study field since a lot is written about it. Basically, publications provide more or less the same information described from different perspectives. As this is the case, the theory section of consumer behaviour presented here is mainly based on a comprehensive book *Consumer Behaviour: A European perspective* (Solomon, Bamossy, Askegaard & Hogg, 2002).

Studying theories of consumer behaviour from a European perspective is relevant here as Saint Petersburg is part of European continent. The city is seen as “a window to Europe” as Peter the Great desired.

3.1 Consumer behaviour

Consumer behaviour studies the steps leading to a buying decision, motives behind it and phases followed after a purchase. Researchers are interested in how groups or individuals choose, buy and use or discard products, ideas, experiences or services to satisfy needs and desires. (Solomon et al. 2002, 5.) As we can see, consumption is not just about exchanging money for goods. Before purchasing an item, for instance jeans, a consumer may have visited several stores. After paying, the consumer will cut off the price tags, wash the jeans and over time they will likely get worn out. All those stages are included to consumption. (Yurchisin & Johnson 2010, 13.) A consumer itself can be anyone, a child or a manager of a corporation and the item consumed can range from food to a massage. Needs and desires satisfied through consumption can be anything from hunger to love or spiritual fulfilment. (Solomon et al. 2002, 5.)

What is surprising is that consumption does not necessarily have to include purchasing. Besides tangible matters, like apparel, an individual can consume intangible things such as entertainment experiences or political thoughts. Reading fashion magazines, watching a fashion show on television or window shopping are ways to consume fashion. (Yurchisin & Johnson 2010, 13.)
Theories related to psychological or sociological influences on consumer behaviour are often whether culturally specific or common to all Western cultures. Particular segments of consumers have similar kinds of behaviour without regard to national borders (Solomon et al. 2002, 3-5.) For example, Western cultures place on emphasis on individualism and thus many people living in United States or United Kingdom will likely appreciate buying styles that not everyone is wearing. On the contrary, people in collectivist cultures such as in Korea and China prefer wearing the same styles (Yurchisin & Johnson 2010, 99).

Understanding the behaviour of customers is a prerequisite to successful business since a basic marketing concept states that firms exist to satisfy customers' needs. Data about consumers help marketers to get a clear picture about the market and to identify threats and opportunities related to customers' possible reactions towards the products both in marketers' own and other countries (Solomon et al. 2002, 7).

3.2 Market segmentation

Companies need to know to whom they are marketing to. Market segmentation helps to clarify it and divides individuals into different segments based on their characteristics. A company may concentrate on just one segment or several, depending on the company's aims and resources. The companies may also completely ignore the differences between segments by following a mass market strategy. Anyway, it is advisable to target several market segments in the sense that this way the companies reach more potential customers. Besides, none of the customers will fit any given segment description perfectly. (Solomon et al. 2002, 8-9.)

The segmentation variables can be grouped into four categories which can be seen from table 3. Demographics are statistics that measure perceptible aspects of a population. (Solomon et al. 2002, 8-9.) Variables such as age, gender or income are important information for consumer behaviour researchers (Yurchisin & Johnson 2010, 86-87). The category of psychographics indicates differences in consumers’ personalities and tastes. Those cannot be measured objectively and are not thus easy to measure.
While demographics concentrated on who buys products, psychographics study why they buy (Yurchisin & Johnson 2010, 96).

In purchase processes the roles that products play and the meaning that they have for consumers' lives are often more important than products' primary functions. In the case that there are many similar products available in the market, people prefer to buy such items which have an image consistent with his or her thoughts. (Solomon et al. 2002, 14.) These issues are behavioural characteristics. Variables for market segmentation include also geographic characteristics.

Table 3. Variables for market segmentation (Solomon et al. 2002, 8)

<table>
<thead>
<tr>
<th>Category</th>
<th>Variables</th>
</tr>
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<tbody>
<tr>
<td>Demographics</td>
<td>Age</td>
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<tr>
<td></td>
<td>Gender</td>
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<tr>
<td></td>
<td>Social class</td>
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<tr>
<td></td>
<td>Occupation, income</td>
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<tr>
<td></td>
<td>Ethnic group, religion</td>
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<td></td>
<td>Stage in life</td>
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<td></td>
<td>Purchases vs. user</td>
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<tr>
<td>Geographic</td>
<td>Region</td>
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<tr>
<td></td>
<td>Country differences</td>
</tr>
<tr>
<td>Psychographic</td>
<td>Self-concept</td>
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<tr>
<td></td>
<td>Personality</td>
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<tr>
<td></td>
<td>Lifestyle</td>
</tr>
<tr>
<td>Behavioural</td>
<td>Brand loyalty, extent of use</td>
</tr>
<tr>
<td></td>
<td>Usage situation</td>
</tr>
<tr>
<td></td>
<td>Benefits desired</td>
</tr>
</tbody>
</table>

3.3 Consumers as individuals

People are all the time under the influence of different sounds, tastes, sights, textures and smells. These stimuli are noticed first by our sensory receptors, then they get our attention and finally, after interpretation and response, affect to our perceptions. Not all of the information though will be processed in our minds – only a small number of stimuli are noticed. Advertisements, radio and television commercials and product
packages are stimuli, created by marketers, which compete of our attention. Visual elements are strongly used by marketers, especially colours which have strong cultural meanings and symbolic value. Smells and sounds are also exploited in the marketing activities; background music in the stores influence in customers’ moods and odours are the heart of some perfume stores. Evaluations of products are based on stimuli and assessments can be different according to consumers’ experiences, unique needs, beliefs and feelings. In the end of this complicated process a decision about to buy or not to buy is made by a consumer. (Solomon et al. 2002, 35-59.)

Besides needs, feelings and stimuli, memory and learning also affect consumers’ behaviour. Learning means a relatively permanent change in behaviour which happens as a result of experience. Memory then is the storage of learned information. Learning has both negative and positive impacts on consumers’ buying behaviour; for instance, a consumer who gets food poisoning at a new restaurant will not be willing to try the restaurant again. In turn, those who find their purchase pleasing, will more likely to buy the same brand again. Memories are effectively used by marketers. Consumers remember several brand jingles and information about certain products learned from advertisements. During the consumer decision-making process, these pieces of memory affect to product and brand choices. Nostalgia is also used in marketing strategies; nostalgic advertisements retrieve memories about past experiences and may make consumers to buy. (Solomon et al. 2002, 65-87.)

3.4 Attitudes

The concept of attitude is defined in the context of consumer behaviour as “a lasting, general evaluation of people, objects, advertisements, or issues” (Solomon et al. 2002, 127-133). It is lasting because it can endure for a long time and general because it can be applied to several events. Consumers have attitudes towards product-specific behaviours and more general consumption-related behaviours. A consumer who prefers to purchase Pepsodent rather than Colgate toothpaste shows an example of product-specific behaviour. An example of consumption-related behaviour then is how often you should brush your teeth. Attitudes help people with decisions regarding music preferences, career choices or recycling. By studying consumers’ attitudes towards
products marketers can highlight this information in their advertising and packaging. They though need to remember that in decision-making situations people form attitudes also towards other objects than the product itself which may affect to consumers’ ultimate selections. For instance, consumers may have positive or negative attitudes towards the advertisement of a product. (Solomon et al. 2002, 127-133.)

Attitude consists of three important elements; beliefs, effect and behaviour. All of us have lots of attitudes but no one of us is born with them. Forming attitudes is basically learning and there are several ways how an attitude can form. First of all, attitude can emerge because of classical conditioning; for example the name of a product is time after time linked with a catchy jingle. Secondly, in instrumental conditioning consumption of the attitude object is strengthened. For instance, it is advertised that drinking “Pepsi quenches the thirst”. Finally, attitude can be formed in the result of complicated cognitive process. A child may learn attitudes from his older brother and a teenager may follow the behaviour of her friends. Assessing attitudes can be challenging. For instance, the opinions of some people can have so strong influence on consumer’s buying decision that he will behave against his attitudes. (Solomon et al. 2002, 129-134.)

3.5 Values

Values are principles or standards of behaviour and one’s judgement of what is important in life (Oxford Dictionaries 2013). According to Salomon et al. (2002) values are general. They differ from attitudes in the sense that they do not fit only to some certain situations. Values have important role in a person’s consumption activities since many products and services are purchased in order to help achieving value-related goals. As an example, someone may be a vegetarian because of animal rights and for another person healthy issues may be the reason to refuse eating meat. (Solomon et al. 2002, 109-110.)

Social, individual and cultural forces determine the scope in which people share belief systems. Within each culture, most of the people share common values that motivate them and are considered to be important. These values are called core values, such as
individualism vs. collectivism, and they can differ between cultures. Some values are common for all cultures. Differences in values between cultures are seen in a study concerning industrial buying behaviour; in Europe development of relationships are seen as the key values, whereas in North America, competitiveness and toughness are more important factors. (Solomon et al. 2002, 109-110.)

Values are important but still they are not widely used to direct examinations of consumer behaviour. The reasons for that are broad-based concepts such as security and freedom; they can be valued and understood differently between different cultures. For this reason, some researchers have made distinctions among broad-based cultural values, consumption-specific values such as prompt service and product-specific values such as ease of use. In point of fact all kinds of consumer research are connected to the identification and measurement of values since values are the most central part of consumer behaviour. (Solomon et al. 2002, 110-112.)

A theory of consumer value says that “value for a consumer is the consumer’s evaluation of a consumer object in terms of which general benefit the consumer might get from consuming it” (Solomon et al. 2002, 112.) According to the theory, the consumer experience may generate eight different types of consumer value:

- Efficiency: the aim of products is to provide convenience for the consumer
- Excellence: the experience of quality is the prime motivation
- Status: a consumer seeking for success, making a hit and a striking consumption
- (Self-)Esteem: the satisfaction of possessing and materialism are in focus
- Play: having fun with consuming
- Aesthetics: searching for beauty in consumption with fashion or designer products
- Ethics: motivations behind consumption choices are taken into account; are they morally or politically correct
- Spirituality: magical transformations or sacredness experienced in the consumption e.g. devoted collectors. (Solomon et al. 2002, 112.)
3.6 Needs

Motivation makes people to reach desired end-states, in other words goals, and it occurs when a consumer has some need that he wants to satisfy. A need may be hedonic or utilitarian. Hedonic need responses to experiential needs that involve emotional reactions or fantasies, such as buying a sports car. Utilitarian need then again is a desire to achieve some practical or functional benefit, for instance buying a pair of durable blue jeans. Drive means the degree of motivation which a consumer has in order to satisfy a need. Cultural background and consumer’s set of experiences affect to his or her ways to satisfy needs. (Solomon et al. 2002, 93-96.)

People have two basic types of needs; biogenic and psychogenic needs. Biogenic needs are vital in maintaining life and psychogenic needs help a person in becoming a member of a culture. Water, food and air are examples of biogenic needs, whereas status and power belong to psychogenic needs. What is more, psychogenic needs are influenced by the surrounding culture and thus their effect on consumers’ behaviour will vary in different environments. The distinction between needs and wants is difficult to make. First of all, it is challenging to study what part of motivation is a want and what part of it is a psychogenic need and besides, both of them are formed by culture. Marketers are much more interested in the ways consumers want to eat, drink and dress than the need to do so. (Solomon et al. 2002, 95-96.)

Motivational conflicts are situations where consumers have different goals. In a most common case, they are motivated to reach goals that satisfy their needs. Sometimes consumers may want to avoid negative outcomes and will structure their purchases so that the negative end results will not happen. It is also possible that both positive and negative motives of consumers conflict with one another. Three general types of conflicts that can occur are approach-approach conflict, approach-avoidance conflict and avoidance-avoidance conflict. In approach-approach conflict a consumer has to choose between two desirable alternatives. Approach-avoidance conflict occurs when a consumer desires and wants to avoid the product or goal at the same time. A situation where consumer has to make decision between two undesirable choices is called avoidance-avoidance conflict. (Solomon et al. 2002, 96-98.)
Maslow’s hierarchy of needs (figure 4) is one of the researches that study consumer needs. In the study certain levels of motives are specified. The hierarchical approach of the Maslow’s hierarchy implies that a certain level must be reached before the next one is activated. The levels of the model consist of needs that develop step by step, starting from basic psychological needs and ending to needs of self-actualization. In each level there are different products that a consumer is looking for. Even though Maslow’s hierarchy of needs is a theory known commonly among marketers, it has received several critics. Maslow’s hierarchy is bound in culture and especially restricted to Western culture. Therefore, it does not necessarily fit to every culture as people from other cultures may see for instance the order of the levels differently. What is more, the theory does not take into account that one product or action can satisfy many needs. Some actions, such as eating, fits into several levels – eating is necessary for survival but it can be seen as a social action too. (Solomon et al. 2002, 98-100.)

Figure 4. Maslow’s hierarchy of needs
3.7 Consumers as decision-makers

The consumers have various roles that have an effect on their consumption decisions in the marketplace. The criteria they use to evaluate services and products sometimes differ a lot from a role to another. The customers may take a role of a chooser, identity-seeker, pleasure-seeker, victim, rebel or an activist – or all of these simultaneously. A consumer is defined as a person who identifies a need or a desire, purchases the product and afterwards discards it. There may be more people involved in the play and the buyer and user is not always the same person. In addition, people acting as influencers may only give some recommendations concerning certain products without buying or using those. (Solomon et al. 2002, 5-7.)

Consumers’ purchases are solutions to problems that they may have; as an example, if a TV set breaks a consumer needs to buy a new one. In order to make a purchase, a consumer will go through several steps. This consumer decision-making process includes four stages that are problem recognition (TV set is broken), information search (e.g. discussions with friends about televisions), evaluation of alternatives (comparing different TV sets) and product choice (acquiring a model that pleases a consumer most). In the end of the process, a consumer evaluates the product while using it and learns if the decision to buy it was right or not. The opinion formed will affect his or her future purchasing decisions. The amount of effort put into purchase decisions differ. Some of the decisions are based on scarce information and are made almost automatically whereas some important purchasing decisions require weeks of time to think, such as purchasing a new home. (Solomon et al. 2002, 235-236.)

Three types of consumer decisions exist in the decision-making process; extended problem-solving, limited problem solving and habitual decision-making. Characterizes are based on the amount of effort that is needed for each purchasing decision. Extended problem-solving refers to careful analysing of alternatives. The consumer collects as much information as possible and uses a lot of time to evaluating different alternatives. Limited problem-solving is a lighter version from the previous one; decision-making is straightforward and mainly based on simple decision rules. With the help of decision rules a consumer does not have to take every step in the purchasing decision-making process. In turn, when purchase decisions are made as a matter of routine, without
conscious control and with minimal effort we are talking about habitual decision-making. Even though this consumer decision type seems slapdash it is efficient in the sense that a consumer is able to minimize the time and energy spent on purchase decisions. (Solomon et al. 2002, 237-261.)

Consumers often use decision rules that simplify the decision-making. Heuristics are so called mental rules-of-thumb that vary from very general rules, such as that a higher price is a sign of high quality product, to very specific ones such as some certain famous brand is worth of purchasing and of good quality. Consumers has tendency to deduce hidden dimensions of products from attributes that can be seen; when buying a used car, potential buyers often judge the mechanical condition of the car by its appearance. Judgements can also be done with the influence of perceived associations among events; a consumer may for instance draw conclusions between product quality and the amount of time a manufacturer has been in the markets. Besides these examples and heuristics, consumers have decision rules that can be divided into two groups, non-compensatory and compensatory decision rules. When following non-compensatory decision rules, consumers eliminate all options that do not meet the specific standards they have set for some certain products. This basically means that here consumers are not likely to try new brands. Compensatory decision rules are more open-minded and give a product a chance to make up for its shortcomings. Consumers are more involved in the purchase and see a wider picture of alternatives available; a consumer may as an example choose a product that has the largest number of positive features and thus does not follow some certain brand as the previous consumer did. (Solomon et al. 2002, 254-261.)

3.8 Conclusions

As already mentioned, understanding the behaviour of customers is a prerequisite to successful business (Solomon et al. 2002, 7). This can be understood more profoundly with the help of marketing mix, so called 4P’s that consists of price, product, place and promotion. Every company has competitors that may be able to offer similar or even better products, with the same or even lower prices. Besides, competitors also make use
of advertising and have different kinds of logistics solutions on how to deliver products to customers. Therefore studying and understanding the behaviour of customers and developing services from a consumer’s point of view is crucial for every company if it wants to differ from its competitors; especially for small companies such as the case company Borneo Colours is.
4 RUSSIAN CONSUMERS

This section provides a short overview of Russian consumer behaviour. Evolution of Russian consumers will shortly be discussed. Lastly a research about consumer experiences regarding clothing consumption practices in Russia will be studied.

4.1 Evolution of Russian consumers

During Soviet period the life of citizens and also self-expression was restricted. Hence even clothing had to be consistent (Gavra 2013). Women worked in factories and on construction sites which also had a strong effect on design tradition. During Perestroika, in the late 1980s, the selection of fashion products was very limited. Chinese products were sold in the street markets and western fashion brands were sold illegally. One quarter of women was able to make clothes for a family by themselves. (Yudina 2013.)

Customers that are willing and able to make free choices are a necessary requirement for an effective market economy. The dissolution of the Soviet Union in 1991 resulted to the state’s transformation from a previous command economy, where manufacturing was centrally-planned, into a current market economy. (Ennew, Filatotchec, Wright and Buck 1993.) The collapse of Soviet Union ended shortages and economic reforms made in the 1990s privatised most of the industries. Russians were able to purchase an array of diverse consumer products, both some locally produced and products imported from abroad. Russian consumers used to examine imported products carefully before the purchasing decision; products’ appeal was neither guaranteed nor self-evident. In the early 1990s, new imports and brand-name items were first tried but quite fast consumers continued buying familiar, locally produced goods which were less expensive. (Patico 2008, 102.)

Russian consumers nowadays have started to look for long-lasting goods and prefer quality products. Day-to-day products though are an exception to the rule for consumers are ready to purchase lower quality products if prices are low. (Murgulets, Eklöf,
High brand consciousness and unstable consumption patterns are typical consumption characteristics in Saint Petersburg (Solovjova 2012).

4.2 Russian consumers’ experiences in clothing consumption practices

A publication “Making sense of the market: An exploration of apparel consumption practices of the Russian consumer” examines consumer experiences regarding clothing consumption practices in post-socialist market in Russia. The researchers point out that the consumers of post-socialist market have unique views of clothing attributes such as quality, brand name, country of origin and retail channel compared to consumers in an established market-based economy. Besides, clothing industry play a special role in the emerging Russian market because the consumers are able to express their identities with clothing better than with any other product category. (Karpova, Nelson-Hodges & Tullar 2007, 106.)

In general, Russian consumers are dissatisfied with the selection of products available in Russia today. They feel that there are only extremities in the marketplace: marketers offer them either very expensive high quality products or inexpensive low quality items. The lack of reasonable priced, quality apparel is therefore seen as a major problem in the Russian market. Many customers mention that they do impulse buying because they cannot find products they would like to acquire. As a solution, those who can afford prefer to purchase clothing abroad, most often from European countries. Apparel is seen significantly cheaper abroad. (Karpova et al. 2007, 111-112.)

For Russian consumers, quality seems to be a prevailing and critical factor in buying decisions. A clear connection between quality of clothing and social status can be found, for the respondents mention that clothing can reveal one's financial status, social status and position. Quality is evaluated by the participants according to brand or manufacturer's name, the country of origin label or retail channel. (Karpova et al. 2007, 112-113.)
Quality is thought to be poor in the street markets and many have negative attitudes toward shopping there. The respondents prefer buying garments from stores even if they are much more expensive there than in the street markets. A nicer environment of stores is also seen as a pull factor for them. (Karpova et al. 2007, 113.)

Most of the participants in Karpova’s study reported that they do not pay any attention to the labels. Several respondents declared that they evaluate clothing quality with the help of brand or company name. The research points out that the prevalence of counterfeit apparel sold in Russia is seen as one reason for the low importance of brands. Clothing may be labelled both with a fake brand and a false country of origin. (Karpova et al. 2007, 113.)

Country of origin was also used in assessing the quality of clothing even if respondents thought that labels in the clothing may not be original. Garments made in China were seen as low-quality whereas clothing from Italy as sophisticated and high-quality. Towards Russian-made clothing people expressed different attitudes. Some of the respondents indicated that the range of Russian-made products was very broad. They were satisfied with the quality, prices and the limited quantities of products with unique styles. In turn, several respondents claimed that Russian-made garments are mostly targeted to less fashion-conscious, middle-aged women. (Karpova et al. 2007, 114.)

Lower-priced goods were bought by the respondents who had limited amounts of money to spend. The consumers, who adopted this strategy, were able to renew their wardrobe more frequently. Many of them rationalized buying of low-quality products with a desire for change. The majority of respondents invested in quality. They preferred buying less but with more quality and higher prices. (Karpova et al. 2007, 114-115.)

Several female respondents indicated that the opinion of their boyfriend or husband has a significant influence in the decision process. In some cases, boyfriend's influence was so strong that the respondents felt themselves restricted. In Russia, boyfriends may be engaged in shopping and pay for the entire woman's purchases. (Karpova et al. 2007, 115.)
Apparel shopping is thought as time consuming and unpredictable by the respondents. Despite this, shopping is seen as an important activity and prominent amounts of time and effort is invested for it in order to find appealing garments. The needs for uniqueness and to communicate status were seen as possible reasons for why Russians are so conscious about how they look. The respondents mentioned that they try to avoid wearing similar clothing that everyone else has. (Karpova et al. 2007, 115-116.)

Clothing can position an individual in the society. Russian respondents indicated that they draw conclusions about others’ financial and social status by observing outfits that people are wearing. Due to this phenomenon, some people deliberately acquire better quality and more expensive garments in order to create an image of higher status. (Karpova et al. 2007, 116-117.)
5 RESEARCH METHODS

This section describes the characteristics of applied research methods. A qualitative research method has been used in this thesis. According to Bryman & Bell (2007, 402-409), the qualitative research is based on inductive theory and aims to provide descriptions of social world and people living in it. The qualitative research method gives the opportunity to study phenomena which are simply unattainable elsewhere (Silverman, 2006). The process of qualitative research usually proceeds from research questions to collecting data and finally forming conclusions (Bryman & Bell 2007, 405-406).

Professionals may possess silent information, so called tacit-knowledge, such as personnel’s experience, know-how and skills that may be elusive with quantitative research (Lotti 2001, 11). More profound results that could make use of that kind of information were looked for and therefore the qualitative research method was selected.

5.1 Research questions

The two main research questions that form the basis for the study are:

1. What are the opinions of Russian women towards the products of Borneo Colours?
2. Is it reasonable for Borneo Colours to widen its business to Saint Petersburg in the near future?

These two main themes were studied with the help of more detailed research questions (appendix 1) that were dealt with in interviews of bag store managers and Russian women aged from 30 to 50 years. Separate key research questions were designed for both groups. In-depth interviews were used so the questions were only a starting point for the interviews.
Research questions designed for Russian women concerned consumer behaviour, for instance personal taste in bags and purses, previous purchases and aspects that affect to their purchasing decisions. Their opinions about Borneo Colours’ products were also discussed. Russian bag store managers again told about market situation, consumers’ preferences, about competitors and provided their opinions and suggestions concerning Borneo Colours’ products.

5.2 Research sample

The primary research data of the thesis consists of in-depth interviews held for professionals that work in the fashion apparel industry and consumers that are expected to be a potential target group for Borneo Colours’ products. Five professionals interviewed consist of managers working in bag stores whereas the group of consumers includes ten Russian women aged from 30 to 50 years. Additional requirement for interviewees was the middle or high level income. According to Rosstat’s statistics, the middle level income is more than 230 euros per month. That was used in the research, though the respondents easily earned more than that. The target groups for the interviews were selected based on Innostudio results (Piltti & Ylönen 2012).

Observation, analysing documents, interviews and focus groups and audio and video recording are four major methods used by qualitative researchers (Silverman 2006, 18). In this thesis, both analysing documents and interviews are applied. Key research questions were designed for the interviews beforehand but the role of questions was mainly to give guidelines for the interviews. The interviews were conducted in Russian and afterwards translated into English. In interviews, notes were used instead of tape recording. Therefore, the interviewer had to listen to respondents carefully and write down the answers literally.

The bags and purses of Borneo Colours were presented in the interviews for each respondent. The interviewees were able to touch the products and to examine them more specifically while discussing about the products. In this thesis, pictures about the bags and purses are presented in appendix 2.
5.3 Validity and reliability of the primary data

In the primary research, five professionals working in the bag industry and ten Russian women aged between 30 to 50 years were interviewed. Two years’ experience in the bag industry was required from the professionals. The Russian women were considered as potential customers and the additional requirement for them was the middle or high level income. The respondents were interviewed with in-depth interviews that were conducted in Russian and later on translated to English. Bags and purses of Borneo Colours were represented in the interviews and the respondents were able to touch them and keep them in their hands.

Usually in-depth interviews are recorded so that the reactions of the respondents could be evaluated later on. In this research, writing down the reactions to the notes was used instead of recording. The results of the interviews conducted in Saint Petersburg can be considered reliable as the answers of interviewees were carefully written down and the results corresponds the secondary data findings. What is more, the results of Innostudio research conducted in 2012 and the research conducted for this thesis indicate similar findings. In addition, the question themes were translated both from English to Russian and again from Russian to English to be sure that there are no misunderstandings in them. The answers of respondents concerning bags and purses are reliable as they were able to touch the bags.

The research sample in the qualitative research is quite small and that should be taken into account when analysing the results. While Innostudio research (Piltti & Ylönen 2012) indicates similar findings with the primary research of this thesis, the results can be considered reliable.
6 RESULTS

In this paragraph findings of the study will be presented. The collected data consists of interviews for managers of bag stores and potential female customers aged between 30 and 50 years with middle or higher level income. The prerequisite for the professionals was two years’ experience in the field. The interviews were held in Russian.

6.1 Potential customers

6.1.1 Consumer behaviour

The aim of the research was to study the consumer behaviour of Russian women. As learned earlier, consumer behaviour studies the steps leading to a buying decision, motives behind it and phases followed after a purchase (Solomon et al. 2002, 5). The consumer decision process model describes these steps (Figure 5).

Figure 5. The consumer decision process model (Blackwell, Miniard & Engel 2001 cited in Yurchisin & Johnson 2010). Picture © Jenni Ylönen, 2013.
The women described the previous time they had bought new purses. The steps of the model were mentioned in the responses, such as problem recognition and information search. It seems that women aged between 30 to 50 years know what they want and influencers have only small effect on their purchasing decisions. The following quotations were taken from in-shop interviews.

“The last time I bought a bag, I needed some spacious and practical one. I went to the store where from I usually buy my bags and just bought the model I wanted.”

“I needed some nice-looking purse to my father’s birthday party. I asked my mother for advice, but it really did not affect to my decision. I went through several stores before I found a bag that I wanted.”

“There was one reason why I bought a new bag. My friends told me that there is a clearance sale in some store so I went there. I got 70% discount about the bag that I liked and so I decided to buy it.”

Companies need to know to whom they are marketing to. Market segmentation helps to find out the characteristics of customers and divide them into different categories (Solomon et al. 2002, 8.) In this research, especially psychographics and lifestyle were discussed among market segmentation variables. The respondents described their style by words casual, classical, business, elegant, sporty and active. Casual and classical styles were mentioned most frequently. One of the respondents mentioned two different styles.

“I work in the office, so I have two different styles. At work I prefer business style and in my free time casual style.”

Behavioural variable and brand loyalty were also discussed. Half of the women told they do not have preferences in brands while another half told they always purchase some certain brands such as Isabella Adams, Bric’s, Lancel, Bench and United Colors of Benetton. For many, brand is a guarantee about quality.

“I prefer Italian brands, especially Bric’s. It is a wide-known brand and I know that I can trust the quality of it.”

The answers were in line with the perceptions that the author did about women’s clothing in Saint Petersburg during the spring 2013; Russian women dress in style.
Furthermore, many Russian consumers want to create an image of a high status, so they are interested in better quality and more expensive garments (Karpova et al. 2007, 115-117).

A theory of consumer value says that “value for a consumer is the consumer’s evaluation of consumer object in terms of which general benefit the consumer might get from consuming it” (Solomon et al. 2002, 112). The interviewees mentioned different kinds of reasons to buy purses and bags. For some, shopping was a hobby and purchasing new item gave pleasure. Others bought only for practical reasons – for instance, the previous bag might already be scuffed and old. The women mentioned that product-specific values such as practicality, aesthetics, brand, style, quality, size, design, appearance, price and colour affect to their buying decisions. For each interviewee different aspects were appreciated, but in general quality was mentioned most frequently.

“For me brand is not important. Quality, design and price are aspects that I evaluate when I am buying a new purse. The bag should also be made of leather.”

“I want to get value for money. Design and colour are aspects that I think most.”

The research showed that Russian women buy new bags or purses quite often. Half of the women had purchased a new bag within two months and an interviewee even told she had bought a new purse in the same day she was interviewed. Only one of the respondents told she had bought a new purse a year ago. The fashion industry in Russia has displayed unique growth patterns during the last few years (Grail Research 2009) and the results of the research support this. In addition, despite low incomes Russian consumers prefer spending money on apparel rather than saving money (Euromonitor, 2012).

The shopping centres were the most common place where from to purchase bags. Those who had not any preferences concerning brands most likely used shopping centres. One respondent mentioned preferring Italian brands and told that she usually acquires her bags from Italy while she is having her vacation there. According to Karpova, apparel is seen significantly cheaper abroad and therefore those who can afford prefer to purchase clothing abroad (2007, 111-112). It seemed that online stores are becoming more
common. According to U.S. Commercial Service, currently 60% of Russian consumers prefer buying apparel through stores. A respondent told that she often uses internet shops in order to purchase new bag because she does not have time to visit shopping centres during the week. She explained that she wants to use her weekends to something else than shopping. In addition, she thought that it takes too much time to search for some suitable item in the shopping centre. It is expected that the number of consumers who make purchases online increases all the time (Euromonitor 2012).

6.1.2 Opinions about the bags and purses of Borneo Colours

The bags of Borneo Colours were presented to the interviewees and their opinions were asked. Some of the women fell in love with the bags whereas one of the respondents did not like them at all. Material was pleasant for many, but bright colours divided opinions even though most of the interviewees liked them.

“These products could be used in summer and on holiday. A bag or purse can be bought for a gift or for a journey. The bags are attractive and eye-catching.”

“The material is very pleasant to touch but the prints are too bright and the price is too high. These products are good for young people and not for classic style.”

The price was concerned too high by many and one of the women even had some suggestions on how to market the products.

“I think that these bags are hard to sell at such price. Some campaigns should be done. For example, buying these products one will get a gift. Another option is to sell them in lingerie stores and beauty salons to advertise them better. By themselves, they are difficult to sale.”

The women mentioned some reasons why they could purchase the products. Many of them told they could buy the products for someone else.

“The bags are bright and could be nice presents. I like the design of some of the products. Besides, the fabric is very pleasant to touch and it feels good.”

“I like the colours of the bags. The products are unusual and could be nice presents.”
“Colours are nice. Anything else I cannot figure out.”

One interviewee had really strong opinion about the bags and she did not mention any positive points.

“I do not really like the quality, colour, design or the price. These products are definitely not for me.”

Finally, the respondents were asked to think if they bought the products and to explain their answers.

“No, they are not for my age and not my category. Some of them are not practical, for instance the purse is too big. I would though like to know better about them, for instance about the material.”

“No, these are too colourful for me and the form of bags is too simple. They are also really expensive. I cannot imagine myself with such bags.”

“No, I have no need for such goods and the price is too high.”

“I wouldn’t use these in everyday life but maybe on holiday.”

Based on these answers, the respondents would not purchase the products. It often seemed that the bags and purses were not compatible with the style of female respondents.

6.2 Professionals in the bag business

6.2.1 Discussion about fashion industry and consumer behaviour

Professionals evaluated the recent situation in the market of fashion accessories, and believed that the demand for bags and purses is increasing.

“I believe that it [demand] is increasing or stays at the same level. Women in St. Petersburg buy often bags, follow fashion and want to look good.”

“Demand is increasing. Especially medium priced bags are in high demand. Customers appreciate good quality and they buy also luxury brands.”
MarketLine’s industry report agrees with the managers. The Russian retail industry was estimated to reach total revenues of 55 billion dollars in 2012, and the value of the industry is forecasted to be whopping 80.6 billion dollars by the end of 2017 (MarketLine 2013).

The competition in the shopping centre where the bag stores are located appeared to be at the normal level. The managers told that there has not been any prominent change in the amount of competitors.

“As our store locates in a shopping centre, there are sometimes new stores coming here. Usually new competitors are some foreign companies. There are mainly bag stores in this floor so if some of the bag stores move off, it will be replaced by a new bag store. Thus we always have somewhat standard amount of competitors here.”

“Our competitors are quite successful and they have been in this shopping centre for a long time. Not lately we have got new competitors.”

It seemed that some of the managers were not fully aware of their competitors. Examples about competitor types were given for each interviewee; retail outlets, direct mail catalogues, e-commerce, online stores and some specific brands.

“We are in the mall, so our direct competitors are nearby shops. Other well-known Italian brands within the same price range are also our competitors.”

“Our shop has different brands so we do not have competitors like some specific brands. Online stores are neither our competitors because our brands are not well-known and it is difficult to find them in the internet. Basically, our main competitors are stores like we are.”

“Our main competitors are the online stores as our clients are women who do not have lots of free time to shop. Therefore it is easier for them to buy handbags online.”

The influence of seasonality in fashion apparel market and the sales of stores were also studied. The respondents had different kinds of ways to approach the subject.

“In winter, women prefer dark shades and bags made of leather and suede. In summer, light colours and smaller size bags sell better.”

“During seasonal discounts, customers often buy not just one but a couple of bags. The seasonal sales attract a lot of customers. In addition, in the beginning of each
season the demand of bags is higher. For example, before summer we have more sales.”

“We have no seasonality; people buy bags when they need it.”

The price categories of the stores’ product selection started in most cases from 50 euros. In overall, cheapest models cost approximately 40 or 50 euros, medium prices ranged from 75 to 150 euros and the luxury brands were sold by over 250 euros depending on the brand. The manager of a store where widely-known luxury brands are sold told that the demand for luxury products has slightly increased and added that the luxury brands have their own loyal customers regardless the economic situation. The report by Grail Research (2009) agrees that the demand for luxury apparel has increased.

The bag stores sometimes have models that are not very successful. The managers mentioned that unattractive details are often a reason for lower demand.

“These products sometimes appear in our store. Typically, buyers may not like some detail of the product, for example zip, a sling or something else.”

“We closely monitor what products are in demand and which are not. Those bags that have low demand are taken away from the range of the store. Often products that do not have demand may have for example an odd colour or the customers do not like the design of the bag.”

The most common age group of customers varied depending on the bag store and its products. Some managers said their customers are of different ages, from 20 years and more while for others the customers were most often a bit older, 30 years or more.

The preferences of customers were also discussed. As I assumed, it seems that a bit older women prefer classical models.

“We have noticed that older people prefer classic models whereas young women may choose very bright and unusual models.”

“It depends on the tastes and preferences of each customer, what kinds of models they like. Our products are mainly luxury products. Many different customer groups buy classical models, regardless of age. Also young people know how to dress in style.”
The customers were estimated to buy new purses on average 1-3 times a year. This correspond the previous interview results of Russian women aged between 30 to 50 years.

“Women buy new bags on average 1-2 times a year. Of course, there are women who buy bags more often than that but also those who use the same bag for over a year. Older women can use one bag for more than 4 years. When a customer comes to the store, her bag does not necessarily look out of fashion but the look of the bag may be suffered or dirty.”

The most surprising finding in the research was that none of the Russians, not customers or managers, had heard about Marimekko or their products. The purpose was to study customers’ opinions about Finnish bags and purses but it found out that Russians do not know any Finnish brands that produce such items.

6.2.2 Borneo Colours’ bags

The managers had similar kind of opinions about the products of Borneo Colours than the potential customers had. Many of them thought that colours are too bright and will likely to be of interest to young girls. Besides, the price was seen as too high for such products that are not made by famous brands. Some of the managers suggested changing the price in order to make success in Saint Petersburg. Quality, prints and the material that is washable and pleasant to touch were praised.

The managers were asked to guess if women in St. Petersburg would buy or like the products of Borneo Colours.

“In my opinion, women in St. Petersburg prefer something less flashy. Of course it is possible that someone will like them. These bags are light, bright and easy to clean.”

“Well, why not? I think that young people will buy such bags. Besides, these bags are well suited for summer holidays.”

“I think that such products are only likely to be interested by young people. Middle aged women will not probably be interested of these.”
Lastly, the managers were enquired if they sold the bags of Borneo Colours in their stores. There were both negative and positive answers.

“I do not think so, as most of our clients are business women and they do not really fit these colours and prints of the bags. What is more, business women usually prefer leather.”

“I am not the owner of the shop but maybe it is possible.”

“Well, why not? These bags are something unusual and interesting.”

The managers of the bag stores seemed to be more open-minded than the potential female customers as most of them were eager to hear more about the products. The professionals though kept their customers in mind and mentioned what their customers would think about the products. In some extent, the answers of managers were in line with the opinions of Russian female customers aged between 30 to 50 years.
7 CONCLUSIONS

7.1 Conclusions

The purpose of the thesis was to find out answers to two main research questions. First of all, the opinions of Russian women towards the products of Borneo Colours were studied. The second question, on which the whole thesis is crystallized, asked if it is reasonable for Borneo Colours to widen its business to Saint Petersburg in the near future. These two main themes were studied with the interviews conducted for bag store managers and Russian women aged between 30 to 50 years. The themes and questions in the interviews are related to themes that are presented in the theoretical sections; fashion industry, consumer behaviour and Russian consumer behaviour. The theory is applied to the study but also to the results.

What about the answers to these questions which were presented? The research results show that Russian female consumers aged between 30 to 50 years are not the right target group for Borneo Colours. Many of the managers and consumers considered colours too bright and the prices too high. The respondents mentioned that middle-aged Russian women with middle or higher level income prefer classical style in which bright colours are not included. The prices were considered too expensive mainly because the brand is not well-known in Russia. Many comments referred to younger target groups but as the pre-study (Piltti & Ylönen 2012) revealed, they are not either the right target group. What was surprising is that bag stores managers did not mentioned colour-blocked bags that were the trend of spring 2013 even though colourful bags and purses were seen in the streets of Saint Petersburg during the spring.

In Russia, some people deliberately acquire better quality and more expensive garments in order to create an image of higher status. The products of Borneo Colours have the quality and also relatively high price. What is missing is that the company is unknown in Saint Petersburg and in Russia. The company should create a brand that is known in Saint Petersburg but as Borneo Colours is a micro-company, it does not have possibilities to do it by its own. Based on these findings, it is not reasonable for Borneo
Colours to widen its business to Saint Petersburg at this moment. It is better first to focus on business at home and from there later on expand abroad.

7.2 Recommendations for future research

This far, the tastes and opinions of young people (Innostudio 2012), bag store managers and Russian women aged between 30 to 50 years have been studied. To explore the future perspectives of Russian fashion industry better and to get a wider sample of consumer age groups, more research will be needed. During the study, a particular interesting topic for future research found out. The owner of Borneo Colours Jutta Kuure is interested in both ecological and sustainable development issues: for instance, the products are made in Finland for a reason. Next, ecological issues should be researched; do people care about ecological issues and do ecological factors effect on consumers’ purchasing decisions? These aspects could be researched among Russians but also other consumers.

In the case that Borneo Colours would plan expanding activities to Russia in the future, Saint Petersburg as a market area has potential for it. Russia is seen as one of the emerging global fashion markets (Grail Research, 2009) and Russia has a growing number of affluent consumers that may attract Borneo Colours (PwC 2011, CMS Russia 2011.) One of the respondents of the research study suggested that there could be prints designed for Russians and their tastes. If expanding to Russia becomes more realistic, that should be considered. This far, it is not reasonable for Borneo Colours to widen its business to Russia.
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IN-DEPTH INTERVIEW: THEMES AND QUESTIONS

Professionals

Theme 1. Fashion industry and consumer behaviour

How long have you worked as an entrepreneur? How long have you been working in the industry?

Let's talk about the recent situation in the market of fashion accessories. What is your opinion is the demand for bags and purses increasing or decreasing?

Have you got new competitors recently? Which kind of?

What new brands are coming to the market? Do you see them successful?

Have some competitors had some financial difficulties? If yes, for which reasons?

Theme 2. Consumer behaviour

Which age group of women most common visit your shop?

Which models are chosen by women of each age group and why?

Are there any models which are not in the demand? What women dislike in these models?

How does seasonality influence this market?

What are the price categories?

Do seasonal discounts attract a lot of customers?

Do women buy new bags often? What is the average time of usage for bags? When customers come to the shop, how does their previous bag look like – is it old-fashioned?

What are the strongest competitors for this shop (for instance retail outlets, direct mail catalogs, e-commerce, online stores, some specific brands)?

What segments of customers will buy bags in other types of online and offline shops?

What do Russians think about bags and purses of Marimekko (a Finnish company)?
Theme 3. Borneo Colors

Here we will introduce the products of Borneo Colors.

What do you think about different aspects of the product (name, packaging, features, advertising, pricing...)?

What improvements could be made to the product to meet people's needs even better?

If you should sell these products for Russian women, how would you do that?

What do you think would people in St. Petersburg buy/like these products?

Would you sell these products in your store?

Customers

Theme 1. Consumer behaviour

Which words would best describe your style?

When was the last time when you bought a new bag or purse?

Which brands do you like? Which brands do you use?
Where from do you usually buy bags?

Think about the previous time when you bought a new bag or purse. How did you end up buying it? Where from did you hear about the product? Who decided which kind of purse you are going to buy? Did anyone help you selecting it?

Which aspects of products affect most to your buying decision? (Practicality, esthetics, a brand, something else?)

Theme 2. Borneo Colors

Here we will introduce the products of Borneo Colors.

What do you think about these products? Please, tell your opinions and thoughts about them.

Mention three things, why you would use these products.

Would you buy these products? Why/why not?
APPENDIX 2

BORNEO COLORS’ BAGS AND PURSES