Saimaa University of Applied Sciences Faculty of Business Administration, Lappeenranta Degree Programme in International Business

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Analysis of Russian consumer buying behavior Case company: Rajamarket

#### Abstract

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Analysis of Russian consumer buying behavior, Case company: Rajamarket, 54 pages, 6 appendices

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Chain Manager Marko Ek, Rajamarket Lappeenranta

The purpose of the study was to develop a set of certain activities in terms of improving the product range and customer satisfaction management that can be utilized by the case company Rajamarket to improve the existing business strategy.

The theoretical part concentrates on studying the general concept of consumer behavior, buyer decision making process, purchase decision contributing factors and types of buying decision behavior. The first step of the empirical part of the study focuses on collation of consumer behavior theory with a typical Russian customer. Then, it was followed by a customer survey and the shop's management interviews implementation. A questionnaire was answered by 50 respondents and enough data to analyze were gathered. It was followed by interviews with three representatives of the management. Enough empirical data was collected.

As a result of this thesis, a set of suggestions and conclusions concerning improvements in current product range, marketing tools, customer relationship management, competitors and customer satisfaction was created. It is supposed that having implemented outlined recommendations the case company Rajamarket will eventually increase sales and customer satisfaction level.

Keywords: consumer behavior, Russian reseller, decision making process, contributing factors

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#### 1 Introduction

A significant collapse of the Russian domestic currency (rouble), which happened in 2014, led to a sharp decrease in a number of tourists travelling to Finland. Compared to 7,3 million Russian tourists visited in 2014, the year 2015 showed the number of 5,1 million, representing 30% reduction. Such a fall also resulted in a double deduction of the profit received from Russian travelers. (Fontanka 2015). It forced a lot of shops in Lappeenranta and Imatra to shut their doors (Yle 2014).

Nowadays, the situation has improved. The number of Russian people, visiting Finland, is gradually rising, as well as an average travel budget, 235 euro, compared to 175 euro during two previous years (RBC 2017).

Against the background of the crisis, Russian tourists became more conscious about their buying choices in Finnish stores. It stimulated companies to study carefully consumer behavior to understand how to build customer relationship management to promote their sales growth.

The author of this thesis wants to help one of the biggest supermarkets in the city and conduct an analysis of the shop's product range and partially study the shop's key consumers' buying behavior. The analysis findings will be based on a customer survey and management interviews. The case company is Rajamarket located in Lappeenranta. The thesis author is working for the company in the position of a salesperson for the period of one year. The research will touch a real shop's business operations, its selling processes and shop's customer data. It means that results and conclusions of the thesis will be fairly objective, relevant and can be finally applied to improve the existing business company's model in the future. Moreover, hopefully the results of this work may eventually expand the shop's product range, leading to an increase in overall customer satisfaction level.

However, due to the thesis cooperation agreement made between the researcher and the case company, internal data concerning Rajamarket operations will not be included in the final thesis version to be published.

#### 2 Structure of the thesis

The thesis consists of eight chapters. In the first introduction chapter, the common situation concerning Russian tourists is being explained and the general researcher motivation to study the subject is formulated.

The case company Rajamarket is described in the following chapter. The general information related to company's shops' network, product range, its customer focus and future development plans are represented there.

Objectives and sub-questions together with delimitations are specified in the next part, including sampling issues as well.

The research question and related sub-questions are formulated in the subsequent section.

In the theory part, basic concepts related to consumer behavior, buying decision process, purchase contributing factors and types of buying decision behavior are described using reliable and authentic literature sources.

The chapter is followed by outlining collations between theoretically studied concepts and actual studied customer type of a Russian reseller. The key features concerning consumer buying behavior are interpreted.

The next chapter indicates the key research methods (interviews and questionnaires) utilized in the research. The methods are both revealed theoretically and practically.

In the results section the researcher describes in detail the received outcomes from the conducted customer survey and management interviews.

In the final part of summary and conclusions the researcher compares the research results, answers the research question and sub-questions formulated in the beginning of the thesis and provides final suggestions for the case company.

## 3 Case company presentation

Vaalimaan Kauppakartano Oy, whose auxiliary business name is Rajamarket, is a low-cost retail and wholesale business established in 1997. In October 2017 the company celebrated its 20 years anniversary. The organization has a network of seven stores operating in the Southeastern Finland: two stores in Lappeenranta, two in Imatra, two in Vaalimaa, and one in Kotka. Its product range contains groceries, textiles, household items, motoring accessories, chemicals, washing and cleaning products. (Rajamarket 2017.)

Rajamarket mainly focuses on Russian customers, coming from abroad in order to make large bulk purchases of Finnish and other European items to resell them further in Russia. Every store also pays attention to Russian and Finnish individual customers, constantly organizing various discount offers for them.

The latest store was opened in 2014 near the border crossing point Nuijamaa / Brusnichnoye. It has the largest warehouse in the entire network, from where the goods are distributed to the other points of sale. The company is actively planning to develop and expand its business further in the future.

## 4 Objectives and delimitations

The main purpose of the study is to develop a set of certain activities in terms of improving the product range and customer satisfaction management that can be utilized by Rajamarket to improve the existing business strategy.

The objectives of the thesis are:

- 1. Explore the main features of Russian consumer behavior
- 2. Study customers' opinion regarding the range of products
- 3. Grasp the vision of the shop's top management concerning their view on the current customer relationship management
- 4. Compare customers' view with the management's view

The study will concentrate on the concrete business case in the certain company. It indicates that the research and its results will be only fair and applicable for Rajamarket supermarket located in Lappeenranta.

Time is another delimitation. It was planned to complete the writing process by May, so the time frames were from November 2017 to May 2018.

The thesis will not cover the whole population. But it is based on a sample of Russian people. Non-probability sampling method was used, meaning that members were picked up in a purposeful way. Logically follows that purposive sampling will be applied. It concentrates on specific population characteristics that are of a researcher's interest. Homogeneous sampling method is going to be utilized, because it focuses on the items sharing similar characteristics. (Ilker, Sulaiman & Rukayya 2016, pp. 1-4.) The target group was Russian tourists, who visit Rajamarket and buy a lot of products from the different departments of the store (textile, chemistry and food) and intend to resell the products further in Russia using different ways. It is required in order to concentrate on the shops' target customers and get the most efficient and reliable results. The sampling would be required when conducting a customer survey.

# 5 Research question

The main research question of this thesis is: "What changes are required to potentially stimulate the shop's sales and increase customer satisfaction level?"

Sub-questions include important aspects to study during the thesis research part that initially helps to give a reliable answer to the final question:

- 1. How Russian consumer behavior is classified according to existing consumer behavior theories?
- 2. What weaknesses does the current product range have according to shop's customers' opinion?
- 3. What aspects hinder the management of the store to develop the current product range?

#### 6 Theoretical framework

#### 6.1 Consumer behavior

Generally, consumer behavior is the study of the processes engaged where individuals, or groups of people choose, acquire, utilize, or dispose of products, ideas, services, as well as experiences to meet their needs and desires. At the same time, the expanded view on this concept covers not only studying what and why consumers acquire, but also focuses on how sellers influence their consumers and monitor the ways consumers utilize the purchased products and services sold. (Solomon 2013, pp. 31-32.)

The exchange is a transaction process where two or more companies or people get or give a value, which is a significant part of marketing. Exchange theory is an essential part of consumer behavior, it is a process that happens any time when two or more people or organizations trade goods or services, where every exchange is assumed to bring "utility", meaning the value of your deal is less than the value you get from the whole trade process. The expanded view on the exchange theory lays stress on the entire consumption process, containing different issues influencing the consumer before, during, and after a purchase. (Solomon 2013, pp. 31-32.) Figure 1 shows the keys positions addressing during every step of the consumption process.

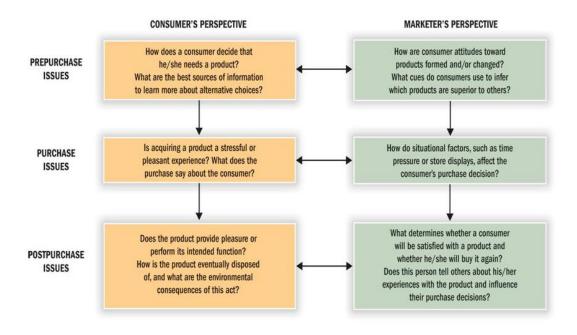


Figure 1. Stages in consumption process (Solomon 2013, p. 31)

A consumer is a person who distinguishes a need or desire, produces a purchase, and after that disposes of the item amid the three phases of the consumption process. Moreover, consumers may be formed of groups and organizations. One or several people may decide to buy products or services that many of them will utilize, as when a purchasing agent purchases office supplies for his company. (Solomon 2013, pp. 31-32.).

It is highly important to pay increased attention on studying consumer behavior, since one of the key thesis objectives is to study customers' opinion regarding the range of products, which would be impossible to carry out without comprehensive understanding the features of the decision-making process and purchase decision contributing factors.

## 6.2 The buyer decision process

The actual purchase decision is only a part of the complex and large buying process, which starts from need recognition and lasts through how a customer feels after making an acquisition.

Every decision process consists of five steps according to Kotler and Armstrong (2010c):

- 1. need recognition
- 2. information search
- 3. evaluation of alternatives
- 4. purchase decision
- 5. post purchase behavior



Figure 2. Buyer Decision Process (Askew n.d.)

Figure 2 suggests that potential consumers go through all the steps with a purchase. A consumer might skip several steps during a routine purchase. However, when a potential customer faces an unexplored and complex purchase situation, every buying decision step has to be passed. The buying process begins long before the actual purchase and proceeds long after. It might result in a negative decision concerning a potential purchase. That is why it is highly important to pay attention to every step of the process. (Kotler & Armstrong 2010c, pp. 177-181)

#### 6.2.1 Need recognition

The buying process initially starts with the need recognition step, when a buyer recognizes his/her need or problem. It might be induced by some internal stimuli, when one of a person's needs – thirst, hunger, etc. rises to a significant level, that in turn becomes a drive. It might be also triggered by external stimuli – related to a person's senses and individual reaction to them. (Kotler & Armstrong 2010c,

pp. 177-181) At this stage it is important to find out what kinds of needs or problems appear, how they developed and how they led that consumer to the specific product. According to Perreau (2013), there are three main consumer needs: functional need, referring to main product features, social need, arising from a desire to achieve a social recognition or integration, and a need for change. Moreover, recognizing of a problem can be divided into two different types of situations between consumers. The first is actual state type, when a person understands that his/her old purchases do not function in the way they expect and thus a need to explore something new to replace the current one occurs. Another type is a desired state type, when consumers intend to purchase a product in case he/she wishes something new. (Schiffman 2012, p. 70)

#### 6.2.2 Information search

An interested consumer may either search for more information or not. In case the consumer's drive is keen and a valuable and satisfying product is on hand, he/she is most likely tending to buy it. However, if not, that consumer can keep the need in memory or launch an information search associated with the occurred need. (Kotler & Armstrong 2010c, pp. 177-181)

Customers can obtain information from different types of sources:

- personal (family, neighbors, friends, etc.)
- commercial (salespeople, advertisements, Web sites, etc.)
- public (mass media, Internet searches, consumer rating organizations, etc.)
- experimental (examining, handling, utilizing of a product).

According to Boundless Marketing (2018), information search can be described as:

Internal research that refers to a consumer's recollection or memory of a product, often guided or triggered by his/her personal experience. It occurs when a person tries to search memory to identify whether they remember past experiences associated with a product, brand, or service. In case the product is viewed as a staple or something that is constantly purchased,

- internal information search might provide sufficient foundation to trigger a purchase.
- External research is carried out when a person was not familiar with a product before, which then drives them to search information using personal sources (e.g. word of mouth from family) and/or public ones (e.g. online forums) either using marketer dominated sources (e.g. sales persons or advertising) particularly when a person's previous experience is bounded or considered inefficient.

Search process complexity is highly dependent on several factors. Market evaluation is the first one, that relies on the available alternatives number and nature. Another point is the importance and complexity of product features. Quality evaluation process, personal characteristics of consumer and situational characteristics play an important role as well. (Perner 2010).

When a consumer obtains more various information, his awareness and knowledge concerning available brands and features increases. All information researched assists consumer to strike out some brands when outlining the final selection for a desired product. (Kotler & Armstrong 2010c, pp. 177-181).

#### 6.2.3 Evaluation of alternatives

Different consumers process information concerning brands and final purchase decision in different ways. Although there are several various processes, however, the most actual models describe this process as cognitively oriented. That means that the customer chooses and substantiate his decision on a conscious and rational basis. The most valuable point is to understand that consumer tries to satisfy his need. (Kotler 1997, p. 193)

When a consumer reaches the point to compare alternatives, he already has enough information about the different options provided. Different alternatives can reflect different things. Commonly it represents a choice between competing brands, however, not always. After comparing possible choices, the consumer usually ends up with a rank order, either with no satisfying solution. The choice criteria are composed of those factors a consumer identifies important in a product. Criteria can be the price, quality, status, durability, color, safety, guarantee,

etc. The significance of the criteria distinguishes between different customers and situations. (Bergström & Leppänen 1999, p. 98.)

It is highly important to study consumers at this step of their purchase decision process via better understanding and analyzing of the way consumers evaluate brand alternatives, since in that case marketers can take steps in order to influence the consumer's future purchase decision. (Kotler & Armstrong 2010c, pp. 177-181)

#### 6.2.4 Purchase decision

In the evaluation stage, the consumer creates preferences of brands and forms his purchase intentions, representing wishes to buy the most preferred brand. However, there are two different factors that can come between purchase intention and purchase decision. Purchase decision is the buyer's decision concerning which particular brand to purchase. (Kotler & Armstrong 2010c, pp. 177-181.)

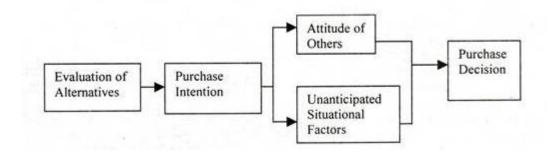


Figure 3. Steps between evaluation of alternatives and purchase decision (Robinson, Faris & Wind 1967, p. 40)

The first factor is attitude if others, meaning an extent to which some other's person's attitude decreases another person's preferred alternative, which depends on two key points:

- The extent of the intensity of the other person's negative attitude towards the consumer's preferred alternative.
- The consumer's motivation to obey to the other person's desires.

Purchase intention is highly influenced by unanticipated situational factors as well. The consumer generates a purchase intention based on such factors as the family income, expected price and assumed product benefits, etc. When consumer is about to operate and decide, unanticipated situational factors may arise and change the purchase intention. That is why preferences and purchase intentions are not solid predictors of purchase behavior. (Smriti 2014)

A consumer's decision to change, postpone or even avoid a purchase decision is strongly influenced by a perceived risk. Expensive purchases involve taking a risk. Consumers cannot be confident about the purchase outcome. It produces anxiety. The amount of perceived risk varies in relation with the amount of money, attribute uncertainty and the consumers' self-confidence. A consumer develops certain patterns to reduce the risk, such as decision avoidance, gathering additional information from friends, and putting preference for national brand names and warranties. (Smriti 2014.)

The steps in the buying process represent a range of possible activities that might occur when consumers make purchase decisions. Consumers may spend different portion of time in any of the certain stages, so that they can stick to the stages in or out of sequence, either they are able to even pass the stages completely. Possible buying process scenarios range is always different due to changing consumers, products and situations they are being involved in. (Pride & Ferrell 2018, pp. 280-282.)

#### 6.2.5 Post purchase behavior

Post purchase behavior is the stage of the buyer decision process, when consumers perform further action after making a purchase according to their satisfaction or dissatisfaction. Consumer's satisfaction or dissatisfaction entirely depends on the relationship of consumer's expectations and the product perceived performance. If the product fails fulfilling customer's expectations, the consumer tends to become disappointed; however, if meets, a consumer is satisfied or delighted. Bigger gap between expectation and performance causes greater consumer's dissatisfaction. (Kotler & Armstrong 2010c, pp.177-181.)

However, unfortunately, most of major purchases result in cognitive dissonance, or discomfort induced by post purchase conflict. Cognitive dissonance is type of

a state of a consumer's discomfort derived by a post purchase conflict. Even feeling satisfied after the purchase, consumers still seek compromise, because they still feel awkward concerning drawbacks of the purchased product and the fact of losing benefits of not purchased brands. (Kotler & Armstrong 2010c, pp. 177-181.)

Customer satisfaction is the key to build profitable and stable relationships with consumers. Satisfied customers tend to buy product from that company again. At the same time, dissatisfied customers behave oppositely, and a bad word of mouth travels faster and farther than a good one. It may significantly damage consumer attitudes concerning company and its products. It forces companies to set up systems, encouraging their customers to complain and thus measure customer satisfaction level and further build stronger customer relationship management. (Kotler & Armstrong 2010c, pp. 177-181.)

#### 6.3 Purchase decision contributing factors

Consumer purchases are significantly influenced by cultural, social, personal and psychological characteristics, as they are shown in Figure 4.

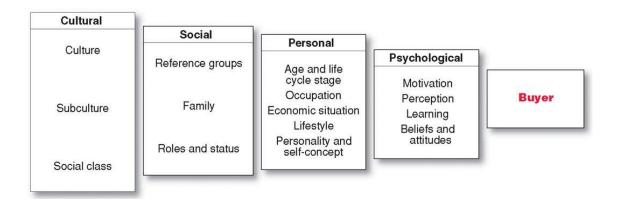


Figure 4. Purchase decision contributing factors (Kotler & Armstrong 2010a, p. 162)

#### 6.3.1 Cultural factors

Cultural factors affect consumer behavior deeply and broadly. Every marketer should understand and study the role playing be consumer's culture, subculture and his/her social class. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.1.1 Culture

Culture most basically causes person's wants and behavior. Culture can be described as a set of basic values, perceptions, wants and behaviors studied by a society member from a family, as well as other important institutions. Human behavior is substantially studied. Each group or society to which a person belongs, has a different culture. Culture differences concerning buying behavior varies significantly from country to country. That is why a failure to adapt to these differences may eventually result in inefficient marketing and unpleasant mistakes associated with it. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.1.2 Subculture

Every culture is composed of smaller subcultures, either of groups of people sharing same value systems based on common situations and life experiences. They contain nationalities, racial groups, religions, as well as different geographical regions. A lot of subcultures form important segments of a market, so marketers design their production and marketing programs in respect to their desires and needs. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.1.3 Social class and status

Nearly every society has a definite social class structure form. Social class is a comparatively constant and ordered society division, where its members share cognate values, interests, and behaviors (Kotler & Armstrong 2010a, pp. 161-175). There are three different social classes in society: upper class, middle class and lower class. They differentiate in their buying behavior. Upper class consumers wish high-class goods in order to maintain their status in the society. Middle class consumers buy gently and pay more attention to information search and evaluation of alternative steps during decision making process, whereas lower class consumers mostly purchase on impulse. (Ramya & Ali 2016, pp. 78-79.)

Therefore, it is necessary to carefully study the relationships among those social classes and their consumption nature and adopt corresponding measures to ar-

range better understanding of people belonging to those social classes and identify the ways to interact and influence their consumer behavior concerning specific products. (Ramya & Ali 2016, pp. 78-79.)

Consumers can also be observed according to their social status. Social status is a relative position an individual has in accordance with attendant rights, lifestyle and duties in a social hierarchy based on privilege or prestige (Encyclopedia Britannica 2002). It does not always match with wealth or income, but can also be based on behavior, manners or power (Foxall, Goldsmith & Brown 1994, pp. 208 – 209).

#### 6.3.2 Social factors

Consumer behavior is also significantly influenced by various social factors, such as different consumer's groups, family, his/her social roles and status. From their birth, individuals become socialized regarding to the skill and knowledge required to be efficient consumers. When becoming an adult, consumers commonly show the brand and product preferences shared by their parents. (Ferrell & Hartline 2011, pp. 160-162.)

#### 6.3.2.1 Groups and social networks

Various small groups influence a consumer's behavior. Group as a term can be described as two or more people, interacting to fulfill individual or mutual targets and goals. Groups having direct influence on which a person belongs to are membership groups. On the other side, reference groups also promote direct (face to face) and indirect comparison points or refer in composing a person's attitude or behavior. People are often influenced by different reference groups to which they do not take part in. (Kotler & Armstrong 2010a, pp. 161-175.)

Reference groups stimulate a person to change and have a new type of behavior and lifestyle, affect his/her attitudes and self-concept, as well as produce pressures, influencing a person's product and brand choices. The importance of such group influence depends on product and brand, tending to be strongest when a product is visible to those whom buyer respects. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.2.2 Family

Family plays one of the most significant roles in every person's life. Family members significantly influence buying behavior. The family itself is the most considerable consumer buying organization in society. Marketers research this segment extensively and are interested in which roles and influence a husband, wife and their children have concerning different products and services. (Ferrell & Hartline 2011, pp. 160-162.)

Husband-wife involvement significantly depends on product category and step in the buying process. Buying roles alter with developing consumer lifestyles. In many different countries the wife used to be the main family purchasing agent in the food, household and clothing sectors. However, because women nowadays tend to hold jobs outside their home and husbands' willingness to do more of family's purchasing is rising, the situation changes. Such changes cause the marketers, who were concentrated to sell products to only men or women, to pay increased attention and change the vector of concentration to the opposite sex as well. (Kotler & Armstrong 2010a, pp. 161-175.)

Children play significant role in influencing family buying decisions. Children essentially affect family decisions concerning vacation destinations, car choice, as well as cell phones they acquire. As a result, marketers in the spheres of car manufacture, cell phones, full-service restaurants, travel destinations now conduct large marketing campaigns and place advertisements on child-oriented TV networks. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.2.3 Roles and status

Since a person belongs to various groups, like family, clubs, organizations, etc., his position in each group can be defined in scope of role and status. Role is composed of activities people are expected to do in respect with the people surrounding them. Each role has a status that reflects the general esteem afforded to it by society. (Kotler & Armstrong 2010a, pp. 161-175.)

People tend to choose products and brands suitable for their roles and status. Even the same person usually has different consumer behavior attitudes when purchasing clothes for different roles: he/she chooses strict clothing for work, while at the same time can buy convenient and simple clothes for home use.

#### 6.3.3 Personal factors

A buyer's purchase decisions are greatly influenced by various personal factors among which ones are purchaser's age and life-cycle stage, his/her lifestyle, working position held, economic situation, personality and self-concept.

### 6.3.3.1 Age and life-cycle stage

People transfer from choosing one product or service to other ones over their lifetimes. Food, clothes or cars preferences are most often age related. Purchasing is shaped by the step of the family life cycle – the steps passing which families over time. Moreover, consumers who experienced similar events and occasions tend to develop same understanding of the core values. Marketers define and target their markets related to life-cycle step and develop specific products, services and marketing plans for every step. (Solomon, Marshal & Stuart 2008b, pp. 501-504.)

## 6.3.3.2 Occupation

Person's occupation influences the products and services acquired. Blue-collar workers, who typically executes labor jobs and commonly work with hands, tend to purchase rugged work clothes, while executives acquire business suits (Scott 2018). Correct identification of customers' target groups based on their occupation provides companies with opportunity to design and tailor the product in respect with customers' needs and desires. Occupation indicate personal income level, which affects the preference of products, brands and interest in specific services. (Kotler 2002, p. 92-93.)

#### 6.3.3.3 Economic situation

Person's economic situation significantly influence product choice. It is important to monitor the trends concerning personal income, savings, as well as interest rates. In case of negative tendency in economic indicators, marketers take ac-

tions to redesign, reprice and reposition their positions attentively. It is also important to keep track of people with high incomes and charge prices to match consistently. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.3.4 Lifestyle

People who come from identical subculture, social class, as well as occupation may have similar lifestyles. Lifestyle is a person's living pattern which is expressed in his/her interests, opinions or activities (Kotler & Armstrong 2010a, pp. 161-175). According to Kotler and Armstrong (2010a) it embraces measuring consumers' main AIO dimensions:

- activities (working, sports, hobbies, shopping, social events, etc.)
- interests (family, friends, food, recreation, fashion, etc.)
- opinions (concerning themselves, products, social issues, business, politics, etc.).

Lifestyle is more than person's personality or social class, it outlines whole pattern considering persons' actions and interaction in the world (Kotler 2002, p. 92-93).

Lifestyle concept assists marketers to analyze and understand shifting consumer values and the ways they influence buying behavior. Consumers do not simply acquire products, they purchase the values and lifestyles those products depict. (Kotler & Armstrong 2010a, pp. 161-175.)

## 6.3.3.5 Personality and self-concept

Every person's distinct personality affects his/her purchasing behavior. Personality is a set of unique psychological features, leading to comparatively consistent and lasting responses to someone's environment. It is described from the traits point of view, such as self-confidence, sociability, autonomy, dominance, defensiveness, aggressiveness and adaptability. Understanding of a consumer's personality is always useful to analyze consumer behavior for specific product or brand choice. Brands can also have personality, representing a special human trait mix that might be assigned to the brand. (Kotler & Armstrong 2010a, pp. 161-175.) Wagner (2014) identified five major brand personality dimensions:

- sincerity (honest, wholesome, down-to-earth, cheerful)
- competence (intelligent, reliable, successful)
- excitement (spirited, imaginative, daring, up-to-date)
- ruggedness (tough, outdoorsy)
- sophistication (charming, upper class)

It is also very important to mention self-concept or self-image. Self-concept is frequently characterized as the totality of a person's feelings and thoughts concerning him/her self as an object. It is the form that people think about themselves formed up via beliefs and attitudes. In order to understand correctly consumer behavior, it is essential to study the relationship between consumer self-concept and possessions. (Kardes, Cline & Cronley 2011.)

## 6.3.4 Psychological factors

A person's purchasing choices are sequentially affected by four principal psychological factors: motivation, perception, learning, as well as his/her beliefs and attitudes.

#### 6.3.4.1 Motivation

Motivation is usually utilized to depict someone's behavior. If a person feels the need of something, then a definite tension degree is being developed. Motivation is a need, effectively pushing a person and forces to act to reach the desired target and reduce the tension level. If the need is powerful, it stimulates a person to realize the need and turns into a motivation. Motivation suits as an interpretation of someone's actions. (Solomon, Marshal & Stuart 2008a, pp. 126-127.)

Sigmund Freud supposed that people are significantly unconscious concerning their real psychological forces which shape their behavior. His theory suggests that a person's purchasing decisions are being influenced by subconscious motives that are not totally understood by the buyer. It means that the buyer might explain his product choice according to simply like the feeling of owning a certain product. However, at a profound level he/she just tries to impress other people by showing his success. At the same time his buying choice may be explained by the feeling to be younger, stronger or independent. (McLeod 2015.)

That is why a lot of companies employ psychologists', anthropologists' and other social scientists' teams to perform a motivation research. Such research refers to fulfilling a qualitative researched created to explore consumers' subconscious and hidden motivations required to uncover real attitudes and emotions concerning companies' products, and brands and buying situations in general. (Kotler & Armstrong 2010a, pp. 161-175.)

According to Griffin (2014), a famous American psychologist Abraham Harold Maslow tried to explain the reasons why people are driven by certain needs at specific times. The phycologist systemized his research findings in hierarchy of needs including psychological, safety, social esteem and self-actualization needs, as they are shown in Figure 5:

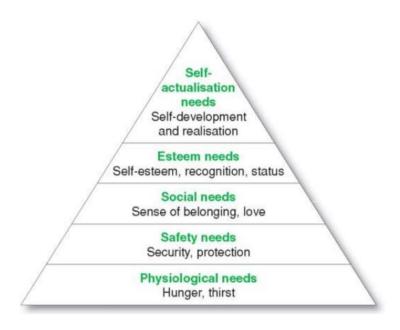


Figure 5. Maslow's hierarchy of needs (Kotler & Armstrong 2010a, p. 173)

Every person seeks to satisfy the most significant need primarily. When such a need is satisfied, it stops to force person as a motivator and he/she will consequently try to satisfy the following most considerable need. As an example, hungry people, having the first level physiological need, will not consider their interest on latest high technology happenings, as it represents self-actualization needs stage, neither they will be interested in others opinion regarding themselves (social or esteem level). However, as every important need is met and satisfied, the

next considerable need comes into operation. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.4.2 Perception

A motivated person is prepared to start acting. The way the person acts is affected by his/her own perception of some certain case. Perception is the process when people select, systemize and interpret information to form a significant world picture. Since people are subjected to a big number of stimuli daily, they should react differently and pay unequable amount of attention to those stimuli. (Kotler & Armstrong 2010a, pp. 161-175.) According to Kotler and Armstrong (2010), people create different perceptions of the similar stimulus due to three perceptual processes:

- Selective attention. Tendency for people to exclude the most amount of information to which they are subjected to. Marketers should work hard to attract buyer's attention.
- Selective distortion. Tendency to interpret information in a way of fitting consumers' preconception. Consumers tend to distort information to be consistent in relation to former brand and product opinions.
- Selective retention. Situation when people fail to perceive a lot of information to which they are subjected in memory, however, they tend to retain information supporting their beliefs and attitudes. In that case consumers are likely to keep in mind positive points concerning that product and forget competing product's positive features.

#### **6.3.4.3 Learning**

When consumers act, they learn. Learning is a process in changing of person's behavior occurring from his/her experience. It arises through the drives, cues, stimuli, responses and reinforcement interaction. (Kotler 2002, p. 92-93.)

Drive is a powerful internal stimulus calling for an action. A drive turns into a motive when it is forwarded to a certain stimulus object. As an example, an individual's drive for self-actualization may stimulate him/her to explore possibility of purchasing a new camera. The purchaser's response to the idea of acquiring a

camera is determined by surrounding cues. Cues can be described as minor stimuli that set the conditions (when, where and how) the person responds. The individual may identify some camera brands in some shop window, share ideas concerning camera with a friend, or hear about a special sale price. All of these cues might affect a buyer's response to his/her interest in purchasing the product. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.4.4 Beliefs and attitudes

People get beliefs and attitudes through doing and learning, and this in its turn, affects their purchasing behavior. A belief is an expository thought that an individual has concerning some issue. Beliefs are based on opinions, real knowledges or faith and may carry emotional charge, or may not. Marketers are interested in consumers' beliefs concerning their products, because these beliefs compose product and brand images influencing purchasing behavior. (Kotler & Armstrong 2010a, pp. 161-175.)

People behave differently regarding politics, economics, religion, music, food or clothes. Attitude describes an individual comparatively consistent feeling, evaluations, as well as tendencies towards an idea or object. Attitudes place people into a mind frame about liking or disliking things, of shifting toward or away from them. (Kotler & Armstrong 2010a, pp. 161-175.)

Attitudes are hard to change. An individual's attitudes transfer into a pattern, and the complex adjustments are required to change them. Different companies should attempt to fit their products into existing attitudes, but not to try changing attitudes. (Kotler & Armstrong 2010a, pp. 161-175.)

#### 6.3.5 Situational factors

There is a set of several situational influences that can influence consumer buying process.

| Situational Influences                    | Examples   | Potential Influences on Buying Behavior   |
|---|--|---|
| hysical and spatial influences            | Retail atmospherics<br>Retail crowding<br>Store layout and design              | A comfortable atmosphere or ambience promotes lingering, browsing, and buying.  Crowded stores may cause customers to leave or buy less than planned.   |
| ocial and interpersonal influences        | Shopping in groups<br>Salespeople<br>Other customers                           | Consumers are more susceptible to the influences of other consumers when shopping in groups. Rude salespeople can end the buying process. Obnoxious "other" customers may cause the consumer to leave or be dissatisfied.   |
| emporal (time)<br>influences              | Lack of time<br>Emergencies<br>Convenience                                     | Consumers will pay more for products when they are in a hurry or face an emergency.  Lack of time greatly reduces the search for information and the evaluation of alternatives.  Consumers with ample time can seek information on many different product alternatives.  |
| Purchase task or product usage influences | Special occasions<br>Buying for others<br>Buying a gift                        | Consumers may buy higher quality products for gifts or special occasions.  The evoked set will differ when consumers are buying for others as opposed to themselves.  |
| Consumer dispositional<br>influences      | Stress<br>Anxiety<br>Fear<br>Fatigue<br>Emotional involvement<br>Good/bad mood | Consumers suffering from stress or fatigue may not buy at all or they may indulge in certain products to make themselves feel better.  Consumers who are in a bad mood are exceptionally difficult to please.  An increase in fear or anxiety over a purchase may cause consumers to seek additional information and take great pains to make the right decision. |

Figure 6. Common situational influences in the consumer buying process (Ferrell & Hartline 2011, p. 162)

Figure 6 above indicates the major situational influences, most of which influence the time amount and effort consumers relate to the purchase task. As an example, hungry consumers in a rush grab the fastest lunch they can explore at that moment. Consumers who faced unexpected situations have less time to think about their product choices, or whether they do the correct decision. Consumers can dedicate less time and diligence to the purchasing process if they face unexpected situation. (Ferrell & Hartline 2011, pp. 160-162.)

## 6.4 Types of buying decision behavior

Usually more complicated buying decisions involve more purchasing participants and higher degree of buyer deliberation. There are four different types of buying decision behavior: complex buying, dissonance-reducing, habitual and variety-seeking one. (Kotler & Armstrong 2010b, p. 176-177.) Figure 7 represents them in correlation with the degree of buyer involvement and brand differences.

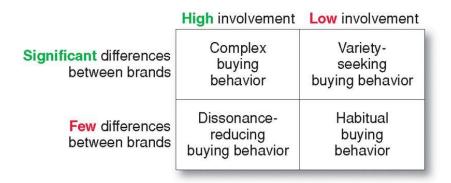


Figure 7. Four types of Buying Behavior (Kotler & Armstrong 2010b, p. 176)

#### 6.4.1 Complex buying behavior

Consumers fall into category of complex buying behavior when they are significantly involved in an acquisition and perceive essential differences among different brands. Purchasers might be significantly involved when some product is expensive, bought infrequently, risky or highly self-impressive, meaning that typically such a consumer makes a profound analysis to understand which product attributes to consider. A buyer develops beliefs concerning the product, forms attitudes and then makes a well-thought choice. (Kotler & Armstrong 2010b, p. 176-177.)

## 6.4.2 Dissonance-reducing buying behavior

In case consumers are significantly involved in an expensive, risky or infrequent purchase, however, they may not able to recognize brand differences, dissonance-reducing buying behavior occurs. After a purchase, a buyer might experience postpurchase dissonance, meaning that consumers would face specific disadvantages of the acquired brand product or hear positive features related to brand not purchased. (Kotler & Armstrong 2010b, p. 176-177.)

## 6.4.3 Habitual buying behavior

Under a low-consumer involvement together with a low essential brand difference conditions occurs habitual buying behavior. Consumers mostly have low involvement concerning low-cost and frequently acquired products. Consumer behavior in such cases does not go through the normal sequence of forming belief, attitude and then behavior. Buyers do not conduct extensive brand information search,

do not evaluate their features, and do not make a well-thought decision which brand to purchase. Instead, consumers tend to both active and passive information recipients while they watch television or see print advertisements. Advertisement repetition establishes brand familiarity, but not brand conviction. Buyers do not build a strong brand attitude, but choose it because of its familiarity. After completing the purchase, they might not even evaluate the product choice, as far they are not strongly involved with the product. (Kotler & Armstrong 2010b, p. 176-177.)

## 6.4.4 Variety-seeking buying behavior

Low consumer involvement together with significant perceived brand differences indicates variety-seeking buying behavior. Consumers tend to switch from brand to another one. It happens for a sake of variety, rather than due to a consumer's dissatisfaction. (Kotler & Armstrong 2010b, p. 176-177.)

# 7 Collation of consumer behavior theory with a typical Russian customer

## 7.1 General Russian reseller concept explanation

The Russian consumer in the research can be described as a reseller, acting individually and making bulk purchases of many Finnish and other European items with the intention of their further reselling in Russia. Usually such consumers do not consume or use the products themselves. The buyers' motivation in this case is to gain profit from purchasing for less price from Rajamarket and selling it to further resellers in Russia for a higher price. Another type of Russian resellers is those, who get a certain payment from his/her chief and execute a mission to buy a specific number of products to provide it for their chief, who proceeds the reselling process him/herself. In those cases, resellers receive a special sheet including information related to products' names, quantity to acquire and their EAN codes.

The product range in Rajamarket exceeds 30 000 articles, meaning that almost every reseller usually buys different products and it rarely happens that someone

buys absolutely similar products than another person. However, the most common products they acquire may be divided into three categories: textile, household chemicals and food sector. Since seasons change, the only category that is dependent on it is textile, which is mostly demanded during winter. According to confidential issues agreed with the Rajamarket Chain Manager Marko Ek, the specific brand names were removed from the public version.

- textile (Footwear during autumn and winter time, flip-flops and sandals during summer)
- household chemicals (Dishwashing tablets, washing liquid, dishwashing liquid and laundry soap)
- food (Finnish cheese, butter, different sorts of Italian coffee, as well as chocolate bars).

#### 7.2 Features of a general Russian reseller's buying decision process

Considering the buyer decision process, and the first step of need recognition, no internal or external stimuli causes Russian consumer's need recognition or problem to occur. It means that typically they do not go through this decision process step, because resellers always have a certain need far in advance, inextricably linked to the main purpose of their work – to generate profit from reselling goods.

However, information search is an important point for every Russian consumer, because they typically obtain special promotion information from Rajamarket official web site and a local Russian newspaper "Rekvizit" published in Vyborg, and that often force them to come to the shop during the period when different promotion offers are valid. However, they do not use personal, public or experimental types of sources also due to a specificity of their business – in particular, the point that resellers live and operate in Russia, and have a language barrier challenge. A few of them is able to speak English, which makes it harder to get reliable information from Finnish people, mass media, or by examining a product in the store.

The stage of evaluating alternatives also has its own peculiarity. Having enough information concerning different product options, Russian resellers come to the

shop and have a certain rank order and preferences to the brands and their products they intend to purchase in advance. However, it often happens so that having that rank order in their minds or written in the special sheet including all product information, it occurs that the wished product is not for sale, and only in that case resellers face problem of considering similar products and their comparison with the respect to price, quality, brand awareness in Russia and other factors.

Purchase decision step is adequately primitive in such case. Basically, Russian customers do not pay much attention to the possible negative attitude of others or different unanticipated situational factors. The customer has the goal to buy a certain set of products and the only problem he might face is its unavailability in sale or lack of money the customer has in disposal. Only if he/she has a little sum of money, he would concentrate his attention on purchasing products and brands they trust, that are usually successfully resold in Russia. Good examples of such products are various types of instant coffee, Finnish cheese, dishwashing tablets, that are usually being sold to every Russian reseller. So only in these cases a reseller might change his purchase decision, however, it is not dependent on the most common factors described theoretically.

Post purchase behavior can mainly be expressed in satisfaction or dissatisfaction from their sales volumes in Russia. The customer would most likely come back to Rajamarket and buy again a certain product only if it was resold out fast and with a sufficient margin that satisfies a reseller.

# 7.3 Features of a general Russian reseller's buying purchase decision contributing factors

Cultural, social, personal and psychological factors were theoretically considered as the ones that significantly influence consumer purchasing decision. However, since the reseller peruses the goal to successfully implement his work consisting of phases of products selection and purchase with their further resale in Russia, none of those factors significantly affect his purchase decision.

#### 7.4 Russian reseller's consumer behavior type

Having studied four major types of buying consumer behavior, which are complex, dissonance-reducing, habitual and variety-seeking one, it is hard to entirely attribute a typical Russian reseller to any of these categories. The most suitable type is complex buying behavior, since such customers always know which brand they are willing to buy, its difference to other competing ones, price, positive and negative features, etc. Reseller develops beliefs concerning the product, forms attitudes and then makes a well-thought choice.

## 8 Research methodology

The whole study represents a mix of qualitative and quantitative research methods. Qualitative research is an approach that investigates people's experiences in detail, by utilizing in-depth interviews, observation, focus group discussions, visual methods, content analysis and biographies or life histories (Hennink, Hutter & Bailey 2011, pp. 8-9).

Relying on the main purpose of this study to develop a set of certain activities in terms of improving the product range and customer satisfaction management that can be utilized by Rajamarket to improve the existing business strategy and having analyzed different qualitative research methods, it was identified two most suitable methods: conducting customer survey using a questionnaire and implementing interviews with the shop's management.

Having utilized each of the chosen research methods and conducted the research steps it is planned to carry out consistent collation of the received results and find the final suggestions and conclusions on such grounds.

#### 8.1 Customer survey implementation

Questionnaires are used to collect first-hand information from a big audience and they are implemented in a form of survey. The method chosen is a face-to-face interviewer-administered survey. This way is usually more time-consuming compared to other ones, because it involves a direct presence of the interviewer. However, it allows the interviewer to control the respondent's insight and answer

before completing, which develops the accuracy of the received data. This method is also efficient because it allows to get hard-to-reach groups that can represent a significant part of a survey population. (Fellegi 2003, pp. 55-57.)

The questionnaire was developed with questions specifying customers' general information (place they come from, frequency of their visits and the time they have been coming to the shop), and questions to study their opinions concerning key criteria when making purchase decision, current product range, the key ways to further realize acquired products, satisfaction of organization of the selling space management, other competitor shops to visit, the ways to receive relevant offers information and finally general satisfaction level.

The questionnaire includes both closed-ended and open-ended questions. Closed-ended questions structure the answer by only permitting replies fitting into predetermined categories. Nominal data is the data type that can be placed into a certain category. The category can be restricted to a minimum of two options, representing dichotomous system, either contain complex alternatives lists from which the respondent can pick up the most suitable variant, which is called polytomous system. Closed questions also provide ordinal data that may be ranked. It often embraces utilizing a continuous rating scale to assess the strength of emotions or attitudes. Open questions allow respondents to express their thoughts in their own words. Open-ended questions allow the respondent to reply in detail to the question posed. This type of questions suits to get more in-depth answers from studied object. It gives no predetermined answer options and gives the respondents possibility to answer exactly what they would like. (Friedman & Rosenman 1974, pp. 108-122.) Closed-ended structure was used when creating the first 3 questions related to general respondent information and the last one concerning customer satisfaction. The rest of the questions fell under openended category, because it was required to get in-depth and well-thought answers.

## 8.2 Management interviews implementation

Interview is a qualitative research method, meaning the verbal conversation between two people with the goal to collect relevant information concerning the purpose of the research. There are three types of research interviews: structured, semi-structured and unstructured. Structured interviews are orally administered questionnaires, where there is a list of predetermined questions being asked, having little or even no variation and with no capability for follow-up questions to responses that ensure further elaboration. Therefore, they are relatively quick and easy to perform and may be of special use if clearing of specific questions are required or if there are likely to be numeracy or literacy problems with the respondents. As a result, they only allow for limited participant responses and are not useful in case deeper and well-thought answer is required. (May 1991, pp. 187-198).

Another type of unstructured interviews does not reflect any prejudiced ideas or theories and are executed with little or no structure. Unstructured interviews are typically time-consuming, lasting for several hours, and can be tough to control and to participate in, since the absence of predetermined interview questions gives little direction on what to discuss, which might be confusedly and unhelpfully perceived by many participants. In general, their use is only considered where considerable depth and thoroughness of a conversation is required, or where particularly nothing is researched about the subject area or a different view of a known subject area is necessary. (May 1991, 187-198.)

Consequently, semi-structured interviews are composed of several key questions that assist to determine the areas to be investigated, however, also let the interviewer or interviewee to diverge to pursue a response or idea in more detail. The versatility of this approach, especially compared to structured interviews, allows for the elaboration or discovery of information that is significant for participants but may not have preliminary been thought of as relevant by a researcher. (May 1991, 187-198).

The main target of the conducted interviews is to outline and study the shop's management vision concerning product selection processes, space management

organization, creating competitive advantage and efficiency of employed marketing tools. The interviews' questions were formed when having considered customers' questionnaire content, since it represents similar topics from customer point of view, that provides grounds to compare answers and make the most accurate conclusions based on both surveys.

Three representatives were interviewed: Chain Manager Marko Ek, shop's manager Juho Aapro and sales assistant Teemu Salonen. The main reason of selecting these people was the fact that they represent three various levels of the company's management. Marko Ek takes control over functioning of the entire chain of Rajamarket stores, the majority of products purchases for the whole network, recruiting new workers and building marketing management. Juho Aapro organizes the main working processes Rajamarket, controls procurement of goods and pricing of products. However, it must be considered that Aapro only started to work in the shop in the end of January 2018, meaning that he has implemented his duties for only a few months so far, which in turn signifies that he might be not familiar with some specificity of working with Russian resellers. Teemu Salonen has been working in the shop about 2 years and always keeps a direct contact with customers in the selling area, executes the tasks based on the consumers' orders and proceeds purchasing products for various shop's departments.

For Marko Ek, as the representor of the top shop's management, seven topics were prepared covering the main subjects needed to discuss. For Juho Aapro there were six similar topics to consider, having excluded question regarding utilization of various marketing tools, because it is not connected with his field of responsibilities. Teemu Salonen was used as an auxiliary respondent, having more objective view on organizing direct working contacts with the shop's customers.

The interviews were planned to be semi-structured. It allows the interviewer to be able to have a certain list and order of questions for each of the respondents, however, manage the discussion and ask clarifying questions arising during interviews.

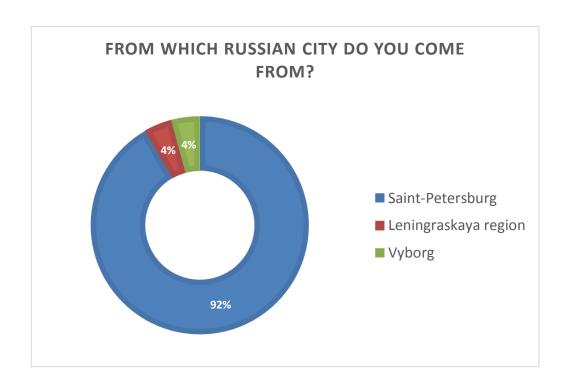
## 9 Results

#### 9.1 Questionnaire results

The results received from the conducted questionnaires turned out to be surprising. Many answers were unexpected and unique for the researcher, however, at the same time, from some of the questions it was expected to get more extensive and well-thought answers, and, logically, deeper acquired knowledge.

When the number of respondents reached the level of 50 people, it was decided to finish it, since data saturation occurred. It means that the researcher reached the point in the analysis that questioning more people from the selected sample did not lead to more and unique information (Seale 1999, pp. 87-105.). Even having implemented 10, then 20 and further 30 questionnaires, the researcher got similar answers and figures.

The first three questions were asked to represent the general picture of a typical Russian reseller in terms of from what city he comes from, frequency of his visits to our store and the time he has been coming to Rajamarket. It is logical to combine them together and analyze the data.



Graph 1. City



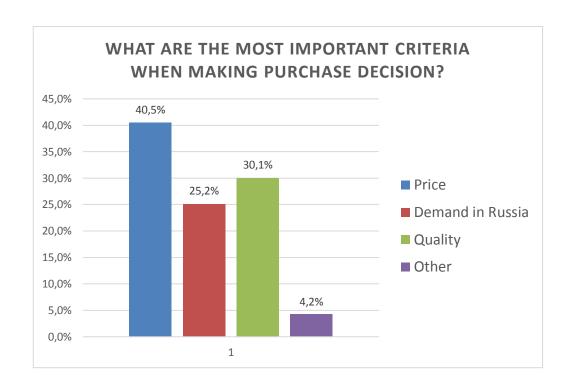
Graph 2. Visits' frequency



Graph 3. Time

According to the graphs 1, 2 and 3, based on the questionnaires' answers for each question category, 9 out of 10 customers come from Saint-Petersburg, and the number of other cities is not considerable. A half of all questioned resellers come to Rajamarket 2-3 times per week, a quarter comes one time per week and the rest visit the shop less regularly. Almost 2 out 3 people have been coming to our store more than 5 years, and only about a third began visiting in recent years.

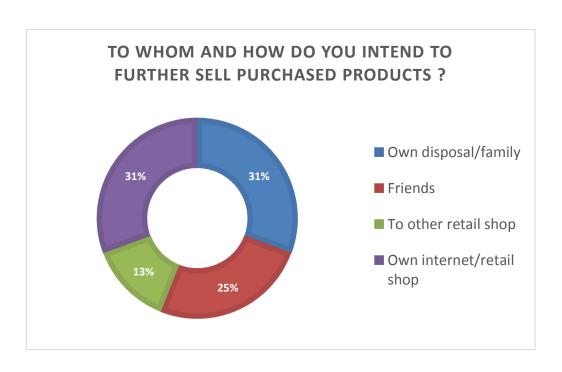
Having analyzed the first three graphs, we may form a picture of general consumer as a person arrived from Saint-Petersburg, coming 2-3 times per week already for more than 5 years.



Graph 4. The most important criteria when making purchase decision

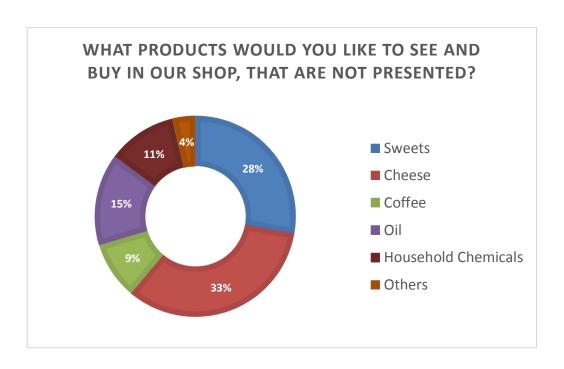
The most important criteria customers consider when making a purchase decision at the store, the top ranked was price with 40%, followed by quality representing 30% and the demand factor in Russia gained 25%, while the other criteria were not considerable.

A lot of respondents indicated the most or least important factors and sometimes shared the first place according to its significance between the price and quality, or price and demand, however, still more people voted for price as the most valuable factor.



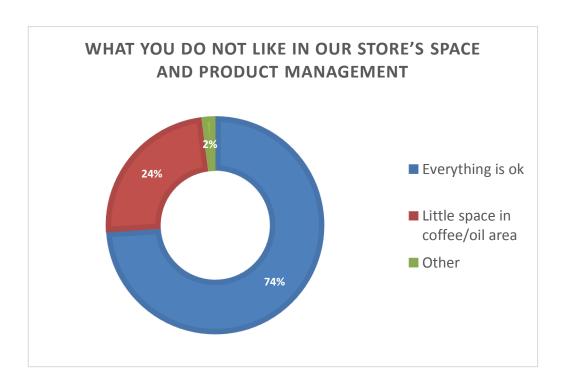
Graph 5. Further ways for selling products

The question related to the way customers resell purchased products further in Russia was a very difficult one, because a lot of customers are reselling the purchased products unofficially to the other third parties, which contradicts with Russian laws. That is why even though the answers received from customers distributed in such a way, that the most common ways to sell goods were through own internet/retail shop and for own disposal or for family members composing 31% each, it is obvious, that when every reseller buys a basket full of huge number of butter, household chemicals, coffee and cheese, it is absurd to believe in the honesty of his/her answer. Friends, as a category by which resellers meant people to whom they resell those goods with a small margin, was mentioned by a quarter of respondents. The least popular response was that resellers provide products for other retail shops, however, as it was mentioned before, the "real" percentage must be much higher and it should be the most or second popular way to resell products further.



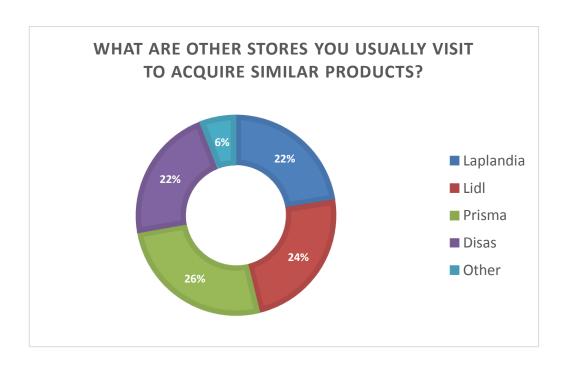
Graph 6. What products to include into sale

Initially when it was planned to ask question concerning what products Russian resellers would like to see and purchase in our Rajamarket that are not presented, it was expected to receive information about concrete brand names and specific products' descriptions, since it was understood, that people coming to the shop always have a certain list of specific goods they acquire not only in our store, so the researcher wished to know their specific product preferences, because every competitor's shop's product range is different. However, the researcher got only replies about different products' categories, and the majority of replies were requests to expand sweets and cheese range, received 28% and 33% respectively. Less significant products were oil (15%), household chemicals (11%), coffee (9%) and others (4%). The results did not surprise the author, because it is definitely clear that Rajamarket has a small number of food products in sale, so the options with such categories were the most popular among respondents. However, it is also important to consider that most of the customers expressed full satisfaction of the current product range, even if they further indicated specific product categories to include.



Graph 7. Space and product management

The question related to customers' attitude to the store's space and product management surprised a lot, since 3 of 4 respondents stated that they are more than satisfied with the space management and product layout in Rajamarket. About a quarter pointed out the problem of narrow passageways between shelves, while only 2% stated other problems, like illogical location of shelves and storefronts and the goods positioned on them.



Graph 8. Other stores

The answers connected with the other shops respondents usually visit with the intention to buy similar products, were distributed quite equally among four shops: Prisma (26%), Lidl (24%), Laplandia (22%) and Disas (22%). Among other stores like K-Citymarket, Biltema and Tokmanni received only 6% in total and were not highly considerable.



Graph 9. Ways to receive information about special offers

Another key point to find out was to identify the ways customers get the latest information about Rajamarket's special offers and products. Unfortunately, 3 out of 4 resellers do not get any information through any channels and only understand all the relevant information about offers while they personally visit the store. Only 14% obtain information from newspaper advertisements, and 10% from the official web-site.



Graph 10. Salespersons' assistance

The last question in the questionnaire evaluated salespersons' general salesperson assistance. The results were positively surprising, indicating 94% of resellers to vote for a "good" option assessing the service. None of the respondents pointed out a "bad" level of service, and only 6% said it was fair, since they faced small problems, however, they did not reflect much their buying choices, and all of the studied resellers were generally satisfied.

#### 9.2 Interviews results

Three interviews with the Chain Manager Marko Ek, the shop's manager Juho Aapro and the sales assistant Teemu Salonen were successfully conducted. All the interviews proceeded in a calm and comfortable manner. Answers were com-

plete and profound, which helped to get the required information from the interviewees as it was planned to obtain initially. The respondents were open and enthusiastically answered the questions.

The detailed description of the interviews' results was excluded from the public version of the thesis according to the thesis cooperation agreement confidential terms, because it contains the company's internal information.

## 10 Summary and discussions

#### 10.1 Russian customer as a consumer

There was a sub research question required to answer: how Russian consumer behavior is classified according to existing consumer behavior theories?

Having analyzed the theory of general buyer decision process, purchase decision contributing factors and common types of buyer decision behavior, it should be concluded that it is hard to classify a "reseller" type of Russian consumer into some specific category, or characterize it according to established consumer hierarchy. Russian resellers share their own buying principles, driven by specific motives and has a different value system.

# 10.2 Comparison of the shop's management views with observed customers' opinions

The researcher collected enough data both from customers and the shop's management to be able to make reasonable comparisons and thorough conclusions associated to it.

When making general collations between studied views, the focus will be mainly concentrated on Ek's view in case of disagreements among shop's management respondents, since he represents the highest management level and has deeper understanding of the core processes happening in ongoing business processes.

The company's management clearly understands the general picture of their key Russian customer, indicating correctly the place he comes from, that is Saint-Petersburg or Vyborg, while in reality 9/10 people come from Saint-Petersburg and only 4% are from Vyborg. The frequency of customers' visits was answered as once or twice a week, which is true, since it accumulated 72% replies. The time they have been coming was also specified properly as more than 5 years, that is 64% out of all studied customers.

The price and quality were the key criteria named both by management and customers. Moreover, Ek as the Chain Manager responsible for huge product procurements paid increased attention to price that is most important point for customers as well representing 40,5%, only further followed by quality, which is also ranked second by customers with 30%. Aapro noted the importance of brand awareness when selecting products for the shop, however, when conducting the questionnaire, respondents very rarely indicated it as some important criteria, and even if they talked about the importance of brands, they discoursed it in terms of products' quality.

There were two sub research questions concerning current product range formulated from two different sides:

- 1. What weaknesses does the current product range have according to shop's customers' opinion?
- 2. What aspects hinder the management of the store to develop the current product range?

Studied customers are generally satisfied with the current product range according to survey results. They suggest expanding the food area, composing sweets, cheese, oil and coffee, which together received 85% of their replies. The main idea concerning expanding product categories was shared both by the management and customers. There is a planned rearrangement of the store selling space, and Marko Ek wishes to significantly expand food sector area without mentioning what specific products to include so far. Moreover, according to Ek's opinion it is essential at the same time to decrease the amount of textile, kitchen stuff and work tools items in each area. However, according to received answers, possible changes in car parts category formulated by Juho Aapro do not meet with customers' preferences.

Considerations related to space management turned to be slightly different from the management side, since Marko Ek noted that the main emphasis should be made on providing opportunity for customers to logically collect required, despite little space in various selling areas. This idea was also shared by Teemu Salonen, who believed that the main target is to fit the product into selling some place. On the other hand, Aapro indicated high importance of efficient space management. Anyway, 3 out of 4 studied customers marked total satisfaction concerning space management, and only 1 out 4 indicated selling space difficulties.

The main competitor according to Ek's and Aapro's opinion is Laplandia Market, followed by Disas and Prisma. In reality it was discovered that even though the results vary very slightly, Prisma is still the most popular customer option, followed by Lidl and only then by Laplandia and Disas. However, it was explained by Ek during the interview that Lidl should not be considered as a competitor. So, it turns out that the main competitor according to conducted questionnaires is Prisma, but not Laplandia that was indicated by the management's side.

Ideas formulated by Marko Ek and Teemu Salonen that it is important to keep customers informed about new product offers, and seek for new efficient marketing channels are shared by customers' side as well. The existing ways (through official web-site and local Russian advertising paper) do not work properly, since only 1 out 4 customers receive relevant offers' information from that channels.

Both Marko Ek and Juho Aapro classified customer satisfaction as having key importance when organizing shop's functioning processes. Moreover, the management believes hard that it has to be improved all the time and there are still a lot of dissatisfied customers. However, according to customers' answers, more than 9 customers out 10 are absolutely satisfied with the salesperson assistance and service level, meaning it is not required to undertake prompt actions and pay most attention on improving the situation.

In general, management's views correlate with customer ones. From that it can be logically concluded that the shop's management has a clear and correct view on organizing efficient Russian customer relationship management.

#### 10.3 Final suggestions for the shop's management

This chapter will give a clear answer for the main research question of this thesis: What changes are required to potentially stimulate the shop's sales and increase customer satisfaction level?

At first, since most Russian customers come from Saint-Petersburg, while Vyborg represents only 4%, it would be a good idea to pay deeper attention on creating more advertising distribution channels, like publishing in a local Saint-Petersburg newspaper a similar advertisement, as in Vyborg.

It is highly important to improve existing marketing channels, since they do not function efficiently according to the conducted survey. There is the most popular social network VK in Russia, where Rajamarket could create a public group and post information concerning relevant and upcoming products' deals. Website should be reorganized for Russian customers to get up to date information in easier and efficient way.

Another important point to recommend is to study local Russian market. It is clearly understood by both management and customers sides that price and quality are the key criteria, however, since demand in Russia is rated third, it would be efficient to for the shop's management to analyze the demand on certain products on Russian local market (especially in Saint-Petersburg) in order to be able to further provide it at Rajamarket and potentially increase the shop's sales.

Since a significant part of customers have their own internet/retail shops, it would be sensible to build additional individual relationship management with them via providing exclusive discounted deals, maintaining working relationships, and quickly notifying concerning new offers, in order to increase loyalty and thereby strengthening the existing client base.

For Marko Ek as the shop's Chain Manager planning rearrangement of the store and expanding food sector, the researcher would like to specifically suggest that cheese and sweets categories to be increased and diversified, as it was indicated by customers.

Considering the main shop's competitors, more emphasis should be paid on Prisma when making a competitor analysis, since it is the most visited store among studied customers.

Rajamarket's shop's management has a distinct and relevant opinion related to selling processes organization and customer relationship management. However, the researcher believes that having paid attention on conclusions and suggestions made by the researcher, Marko Ek and Juho Aapro will have better understanding of the current situation in the shop and will apply the research findings that would eventually lead to a development of Russian customer satisfaction level, marketing management and the shop's sales to increase.

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# **Appendices**

Appendix 1. Questionnaire form for Russian reseller customers

| 1. | From which Russian city do you come from?                               |
|----|---|
|    | ☐ Saint – Petersburg  |
|    | ☐ Leningradskaya region   |
|    | ☐ Vyborg  |
|    | ☐ Other:  |
| 2. | How often do you usually visit our store?                               |
|    | ☐ 2-3 times per week  |
|    | ☐ Once a week   |
|    | ☐ Twice a month   |
|    | ☐ Once a month  |
|    | ☐ Once in half a year   |
| 3. | How long have you already been coming to our shop?                      |
|    | ☐ Less than 1 year  |
|    | ☐ 1-3 years   |
|    | ☐ 3-5 years   |
|    | ☐ More than 5 years   |
| 4. | What are the most important criteria when making a purchase decision at |
|    | our store? Please rank each one according to its importance:            |
|    | □ Price   |
|    | ☐ Demand in   |
|    | Russia  |
|    | ☐ Quality   |
|    | ☐ Others:   |
|    | <b>-</b>  |
|    | <del>-</del>  |
| F  | To whom and how do you intend to further cell purchased products?       |
| Э. | To whom and how do you intend to further sell purchased products?       |
|    | ☐ Own disposal / family   |

|    | ☐ Friends   |
|----|---|
|    | ☐ Retail to other shops   |
|    | ☐ Own retail / internet store   |
|    | ☐ Others:   |
|    | -   |
|    |   |
|    | <b>-</b>  |
| 6. | What products would you like to see and buy in our shop that are not pre- |
|    | sented? Please, specify the category.                                     |
|    | ☐ Sweets  |
|    | ☐ Cheese  |
|    | ☐ Coffee  |
|    | □ Oil   |
|    | ☐ Household chemicals   |
|    | ☐ Others:   |
|    | <b>-</b>  |
|    | <b>-</b>  |
|    | <b>-</b>  |
| 7. | What you do not like in our store's space and product management?         |
|    | ☐ Everything is ok  |
|    | ☐ Little space  |
|    | ☐ Others:   |
|    |   |
|    | <del>-</del>  |
| _  |   |
| 8. | What are other stores you usually visit to acquire similar products?      |
|    | ☐ Laplandia   |
|    | Lidl  |
|    | ☐ Prisma  |
|    | ☐ Disas   |

| ☐ Others:  |
|--|
| <del>-</del>   |
| <b>-</b>   |
| <b>-</b>   |
| 9. Where do you get the latest information concerning our special offers and |
| products?  |
| ☐ Only while visiting our store  |
| ☐ Local Russian newspaper  |
| ☐ Official web-site  |
| ☐ Other:   |
| 10. How would you rate our salesperson assistance according to poor / fair / |
| good scale?  |
| ☐ Poor   |
| ☐ Fair   |
| ☐ Good   |

Appendix 2. Table with all the answers received

| 50 | 49 | 48 | 47  | 8    | 3               | ;   | 2   | 43 | 42 | 41 | 46 | 39 | 3 8 | 2   | 37 | 36 | 35  | 34 | 33 | 32 | 31 | 30 | 29  | 8   | 3 [2       | 3 6 | 36  | 25       | 24 | 23 | 22 | 21 | 20 | 19 | 18 | 17  | 16    | 15  | 14 | 13 | 12 | 11 | 10 | 9 | ∞ | 7 | 6 | 5 | 4  | ω | 2 | 1  |                |                    | Z  |           |
|----|----|----|-----|------|-----------------|-----|-----|----|----|----|----|----|-----|-----|----|----|-----|----|----|----|----|----|-----|-----|------------|-----|-----|----------|----|----|----|----|----|----|----|-----|-------|-----|----|----|----|----|----|---|---|---|---|---|----|---|---|----|----------------|--------------------|----|-----------|
| 1  | 1  | 1  | ь   | . 12 |                 | ۰ ۲ | ا د |    | 3  | ъ  | 1  | 1  | ۰ ۱ | ا د | 1  | ₽  | 1   | 3  | 1  | 1  | Þ  | 1  | 2   | · 1 | <b>,</b>   | ٠ - | ، د | ₽        | 1  | ₽  | 1  | 1  | Ľ  | 1  | 1  | . р | . 12  | 1   | ב  | ₽  | 1  | 1  | ω  | 2 | 1 | 1 | з | ₽ | ₽  | ₽ | ב | 1  |                | Which city?        | 1  |           |
| 2  | 3  | 1  | Н   | 4    |                 | 2 1 | 2   | _  | 3  | 5  | 1  | 2  | 2 1 | 2   | 1  | 4  | 3   | 1  | 1  | 2  | Н  | ω  | 1   | u   | <b>2</b> F | ۱ د | 2   | ı        | 1  | 2  | 1  | 1  | ב  | 1  | 2  | 2   | 2     | 1   | 2  | ь  | 2  | 3  | ↦  | ω | 1 | 4 | 1 | л | ₽  | ь | 3 | ω  |                | How often come?    | 2  |           |
| 4  | 3  | 4  | ω   | - 4  | . υ             | 4 د | 4   | 4  | 4  | ь  | 4  | 4  | - 1 | 4   | 4  | 1  | 4   | 4  | 2  | 4  | ω  | 4  | . 1 | 4   | 4 4        | 7 1 | 4   | 4        | 2  | 4  | 2  | 4  | 4  | 2  | 1  | 1   | 4     | 4   | ω  | 4  | 4  | 3  | 4  | 4 | ω | 4 | 4 | 4 | 2  | ь | 4 | 4  | 0.             | How long?          | 3  |           |
| 2  | 2  | 1  | 1   | Ъ    | · u             | ۱ د | 2   | 1  | 1  | 1  | 2  | 1  | ٠ + | 4   | 1  | ъ  | 3   | 1  | 1  | 1  | ω  | 1  | ω   | ı   | ۰ ۲        | ۱ د | ٠ د | ω        | 2  | ב  | 1  | 1  | 2  | 1  | 1  | 2   | ) 1   | 1   | ω  | 1  | 1  | з  | 1  | 1 | 1 | 1 | 1 | 1 | 1  | 1 | ω | ω  | -              | Im <sub>B</sub>    | l  | 1         |
| 3  | 1  | 2  | 3   | 3    | ī               | ١ ١ | 2   | 3  | 3  | ·  |    | 3  | ٦ - | 1   | 3  | 3  | 1   | 3  | 2  | 3  | 1  | 3  | 1   | 2   | ט נ        | o u | 2   | 1        | 1  | 3  | 2  | 1  | 3  | 2  | 3  | 1   | 3     | 3   | 2  | 3  | 3  |    | 3  | 2 | 3 | 2 | 3 | 3 | 2  | - | 1 | 3  | Dem            | ortar              | 4  |           |
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|    | -  |    | -   | -    | -               |     |     |    | -  | 3  | 1  |    |     |     | -  | ı  | 2   |    |    |    |    |    | -   |     |            | 7   | 2   | -        |    | -  | ı  |    |    |    |    | -   | -     |     | -  | -  |    | 1  |    |   |   |   |   | - | -  | 2 |   |    | Oth            | eria               |    |           |
| ×  | -  | -  | ×   |      |                 | >   | × : | ×  | -  | ı  | ×  | ×  | <   |     | -  | ×  | -   |    | ×  |    |    | ×  | ×   |     | >          | <   | -   | -        |    | ×  | ×  | ×  |    |    |    | ×   |       |     | -  | -  |    | ×  | ×  |   |   |   | × | × | ×  | × | × | ×  | Sel/F          |                    |    | Ī         |
|    |    | -  | ×   |      | >               | <   |     |    | ×  | ı  | ×  | ×  | < 1 |     | -  | ı  | -   | ×  | ×  |    |    | ×  | ×   |     |            |     | -   | -        |    | ×  | ×  | ×  |    |    |    |     |       |     | -  |    |    |    | ×  |   | × | × | × | - | ×  | × | × |    | Frie           | whon               |    |           |
|    | ×  |    |     | ×    | : .             | Ť   |     |    | ×  | ı  |    |    |     | . : | ×  | ı  | -   |    |    |    | ×  |    |     |     | ١.         | >   | ×   | -        |    | -  |    |    |    | ×  |    |     |       |     | ×  | ×  |    |    |    |   | × |   |   |   |    |   |   |    | tealiz         | and                | 5  |           |
| ×  | ×  | ×  |     |      | >               | <   |     |    |    | ×  |    |    | >   | ×   |    | ×  | ×   |    | ×  | ×  |    |    |     | ×   | ۱ ،        | >   | × : | ×        | ×  |    |    |    | ×  |    | ×  | ×   | : ×   | ×   |    |    | ×  |    | ×  | × |   |   |   | × |    |   |   |    | Shop           |                    |    |           |
| ×  |    | -  | ×   | ×    | : .             | Ť   |     |    | ×  |    | ×  |    |     | . : | ×  |    | -   |    | ×  |    |    |    |     |     | ١.         | >   | ×   | -        |    | ×  |    |    |    | ×  | ×  | ×   |       |     |    | ×  |    |    |    |   | × |   |   |   | ×  |   |   |    | Swe            |                    | İ  | , Cue     |
|    | ×  | ×  |     |      | >               | < > | <   |    | ×  | ,  |    |    | >   | × : | ×  |    | -   | -  | ×  |    | ×  |    |     |     | 1.         | >   | × : | ×        |    |    |    | ×  |    |    | ×  | ×   | : 1   |     |    | ×  |    | ×  |    |   | × |   |   | × |    |   |   |    | Chee           | 1                  |    | Questions |
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|    |    | ×  | -   |      |                 | t   |     |    | _  | ,  |    |    |     |     | _  | ,  | ×   | -  |    |    |    | ×  |     |     | >          | ,   | _   | _        | _  | ×  | -  |    | -  | ×  |    | ×   | :   - | ×   |    |    |    |    |    |   |   |   |   |   |    |   |   |    | <u>+</u>       |                    | 6  | 1         |
| ×  | _  | -  |     |      | -               | t   |     | ×  | _  | ,  |    |    |     |     | _  | ,  | -   | -  | -  |    |    |    |     |     | +          | ,   | ×   |          |    |    |    |    |    |    |    | ×   |       | ×   |    | Ι. |    |    | ×  |   |   |   |   | - | -  |   |   |    | Che            | a                  |    | 1         |
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| ×  | ×  | -  | ×   | ×    | : >             | <   |     | ×  | ×  | ×  | ٠  | ×  | ٠   | . : | ×  | ×  | -   | ×  | ×  | ٠  | ×  |    | +   | ┿   | ‹ >        | < > | ×   |          | ×  | ×  | ×  | ×  | ×  | ×  | ×  | ×   | ×     | ×   | ×  | ×  | ٠  | ٠  | ×  | ٠ | × | × | × | × | ×  | × | × | 1  | Lap I          | Ļ                  |    |           |
| 7  | ×  | ,  | - ~ | +    | +               | +   | +   | -  |    | ×  |    | ۲  | +   | +   | 7  | ×  | ×   | ×  | H  | H  | ×  | +  | +   | +   | +          | +   | +   | -        | -  | -  | ×  | ×  |    | ×  | H  | ×   | +     | +   | +  | +  | +  |    | ×  | + | + | + | + | + | ×  | ٠ | + | ×  | <del>I</del> ∓ | ther               |    |           |
| +  | ×  | -  | ×   | ×    | +               | +   | +   | +  | ×  | ×  | -  | ×  | +   | +   | +  | ×  | × - | ×  | H  | H  | ×  | +  | +   | ×   | +          | +   | ×   | +        | ×  | -  | ×  | ×  |    | ×  | H  | +   | +     | +   | +  | ×  |    | ×  | ×  | × | Н | + | Н | Н | Н  | ٠ | × | ×  | ris Dis        | Other stores       | 00 |           |
| +  | -  | ×  | H   | +    | +               | +   | +   | -  | ×  |    | ×  | +  | +   | +   | -  | 1  | -   | 1  | 1  | ×  | +  | +  | 1   | +   | +          | +   | × ; | -        | 1  | 1  |    | 1  | 1  |    | 1  | 1   | +     | ×   | +  |    | ×  | H  |    | 1 | × | + | , | , | ×  | + | 1 |    | s Oth          | Š                  |    |           |
| 1  | 1  | 1  | 1   |      | ) <sub> -</sub> | ٠ ٢ | ۱ د |    | 2  | _  | 1  | 2  | 2 1 | 2   | 1  | ъ  | 1   | 1  | 1  | 1  | ω  | 2  | 1   |     | , ⊢        | ٠ ( | ا س | 1        | 1  | 1  | 1  | 1  | 1  | 1  | 1  | . 1 | . ш   | . 1 | 1  | 1  | 1  | 2  | 1  | 1 | 1 | 1 | ω | 1 | ω  | 1 | 2 | 2  |                | Latest offer info  | 9  |           |
| 3  | 3  | 3  | 3   | ú    | , ω             | ى د | J.  | ω  | 3  | ω  | ω  | 2  | ی د | υ ( | 3  | ω  | 3   | 3  | 3  | 3  | 3  | 3  | 3   | u   | ی د        | U 1 | 2   | 3        | 3  | 3  | 3  | 2  | 3  | 3  | ω  | 3   | o W   | 3   | 3  | ω  | З  | 3  | ω  | ω | ω | ω | ω | 3 | ω  | 3 | ω | ω  | assistance     | Salesperson        | 10 |           |

Appendix 3. Interpretation of answers and its total number received for each question

|    | 10    |      |    | 9     |                      |    | ∞     |           |    | 7     |                  |    | 6     |                     |    | 5     |                      |     | 4     |                  |    | ω     |                   |    | 2     |                     |    | 1     |                    |         |
|----|-------|------|----|-------|----------------------|----|-------|-----------|----|-------|------------------|----|-------|---------------------|----|-------|----------------------|-----|-------|------------------|----|-------|-------------------|----|-------|---------------------|----|-------|--------------------|---------|
| 0  | 0,0%  | Poor | 38 | 76,0% | While visiting store | 38 | 22,5% | Laplandia | 37 | 74,0% | Everything is ok | 15 | 32,6% | Sweets              | 23 | 30,7% | Own disposal/family  | 124 | 40,5% | Price            | 6  | 12,0% | Less than 1 year  | 24 | 48,0% | 2-3 times weekly    | 44 | 91,7% | Saint-Petersburg   |         |
| 3  | 6,0%  | Fair | 7  | 14,0% | Ad newspaper         | 40 | 23,7% | Lidl      | 12 | 24,0% | Little space     | 18 | 39,1% | Cheese              | 19 | 25,3% | Friends              | 77  | 25,2% | Demand in Russia | 5  | 10,0% | 1-3 years         | 12 | 24,0% | Once a week         | 2  | 4,2%  | Leningrask. region |         |
| 47 | 94,0% | Good | 5  | 10,0% | Web-site             | 44 | 26,0% | Prisma    | 1  | 2,0%  | Other            | 5  | 10,9% | Coffee              | 10 | 13,3% | To other retail shop | 92  | 30,1% | Quality          | 7  | 14,0% | 3-5 years         | 9  | 18,0% | Twice a month       | 2  | 4,2%  | Vyborg             | Ans     |
|    |       |      | 0  | 0,0%  | Other                | 37 | 21,9% | Disas     |    |       |                  | 8  | 17,4% | Oil                 | 23 | 30,7% | Own shop             | 13  | 4,2%  | Other            | 32 | 64,0% | More than 5 years | 3  | 6,0%  | Once a month        |    |       |                    | Answers |
|    |       | ı    |    |       |                      | 10 | 5,9%  | Other     |    |       |                  | 6  | 13,0% | Household chemicals |    |       |                      |     |       |                  |    |       |                   | 2  | 4,0%  | Once in half a year |    |       |                    |         |
|    |       |      |    |       |                      |    |       |           |    |       |                  | 2  | 4,3%  | Others              |    |       |                      |     |       |                  |    |       |                   |    |       |                     |    |       |                    |         |

#### Appendix 4. Interview questions for Chain manager Marko Ek

- 1. How would you generally describe the shop's key Russian customer (in terms of the place he comes from, frequency of his/her visits and time has he/she been coming to the store)?
- 2. What are the most important criteria for you when carrying out procurement of products for our store?
- 3. Are there any product categories you would like to expand in the future? Why? Are there any ones planned to stop selling?
- 4. How important is the organization of the efficient selling space management for you?
- 5. Who are the main shop's competitors and how do you create Rajamarket's competitive advantage?
- 6. What are the marketing tools for Russian customers the company utilizes and how would you like to improve it in the future?
- 7. How important is the customer satisfaction?

#### Appendix 5. Interview questions for the shop's manager Juho Aapro

- 1. How would you generally describe the shop's key Russian customer (in terms of the place he comes from, frequency of his/her visits and time has he/she been coming to the store)?
- 2. What are the most important criteria for you when carrying out procurement of products for our store?
- 3. Are there any product categories you would like to expand in the future? Why? Are there any ones planned to stop selling?
- 4. How important is the organization of the efficient selling space management for you?
- 5. Who are the main shop's competitors and how can you state Rajamarket's competitive advantage?
- 6. How important is the customer satisfaction?

### Appendix 6. Interview questions for the shop's worker Teemu Salonen

- 1. How would you generally describe the shop's key Russian customer (in terms of the place he comes from, frequency of his/her visits and how long does he/she come to the store)?
- 2. How do you arrange selling space management and what are the key points for you?
- 3. What customer communication channels for Russian customers do you use and how would you like to improve them?
- 4. What and how efficiently marketing tools for Russian customers work in our Rajamarket?