

SAIMAA UNIVERSITY OF APPLIED SCIENCES

Faculty of Business and Culture, Imatra

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Marjukka Kivelä

# **PROFILING THE MARKET OF GERMAN CUSTOMERS FOR SOUTH KARELIA REGION**

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## ABSTRACT

Marjukka Kivelä

Profiling the German Market for South Karelia Region, 38 pages, 3 appendices

Saimaa University of Applied Sciences, Imatra

Unit of Tourism, Degree Programme in Tourism

Instructor: Mika Tonder, Principal lecturer SUAS

Germany as a country has enough people to travel also to Finland. The task is to find the right channels for it. The business culture of Germany is promising good relationships because the cultures are facing well each others. The statistics shows the changes during the years and the number of people who travel to Finland is growing. South Karelia would need new innovations to enhance visibility among other places in Finland.

A distribution channel by Kalakota and Robinson is connecting all the business actions. Keeping contact with the consumers is important because the money that you are spending to get a new customer is higher than amount of money keeping existing ones. Distribution channels to the tourism industry are extremely vital, even more vital than in other trade industries due to the fast changes in the field. The Internet has impact and is impacting the tourism industry in a hard way, companies must be available online.

The consumers are demanding, but the consumers are also them which behaviour is interesting companies the most. The needs and desires of the consumer must be known before the product or service is produced to the public.

The main aim of this thesis is to get to launched the tourism profile of German market, to know how the customers are behaving, what they are looking for when travelling to South Karelia, and to know ways of distributing the information and which channels are the important ones. The results of the research show that nature and quietness of South Karelia attracts the Germans. The Internet is the way how consumers are finding the companies and the companies are finding the new resorts by touring in Finland and using the help of hotel chains and national tourist offices.

Keywords: Germany, South Karelia, Distribution Channels, Consumer Behaviour

# CONTENT

|  |    |
|--|----|
| 1 INTRODUCTION.....  | 4  |
| 1.1 Justifications for Researching the Topic.....                  | 4  |
| 1.2 Aims and Delimitations .....                                   | 5  |
| 1.3 Research Method .....  | 7  |
| 1.4 Research Interview Design .....                                | 9  |
| 1.5 Participants of the Research.....                              | 9  |
| 2 TOURISM BEHAVIOUR OF GERMAN CONSUMERS .....                      | 11 |
| 3 THE TOURISM OF SOUTH KARELIA REGION .....                        | 18 |
| 3.1 South Karelia Tourism Attractions .....                        | 18 |
| 4 DISTRIBUTION CHANNELS .....                                      | 20 |
| 4.1 Distribution Channels in General .....                         | 20 |
| 4.2 Business Tourism vs. Leisure Tourism .....                     | 21 |
| 4.3 Distribution Channels in Germany .....                         | 22 |
| 5 CONSUMER BEHAVIOR .....  | 24 |
| 5.1 Consumer-Driven Value Chain and Asset-driven Supply Chain..... | 25 |
| 5.2 Maslow's Model .....   | 27 |
| 7 PROFILING THE GERMAN MARKET .....                                | 29 |
| 8 CONCLUSIONS.....   | 33 |
| REFERENCES .....   | 36 |

# 1 INTRODUCTION

## 1.1 Justifications for researching the topic

The current situation of tourism industry in South Karelia is critical, a lot of money has been invested and soon results will be expected. For example the town of Joutseno (nowadays part of Lappeenranta) has invested over 10 million euros on the infrastructure and the public engineering of Saimaa Gardens. Without a proper research of possible customers, the tour operators, it is hard to know what the customers want for that place or region and why they would want to sell trips to there. Writer of this paper want to know more about the demand of South Karelia among tour operators and use that information for satisfying their needs and offer to them services what they are looking for.(Saimaa Gardens 2011)

The Saimaa region is growing and development has been occurred. Saimaa Gardens will offer services especially to families due to the fact that in the area will be cottages and apartments which can be rented, or even holiday week-shares can be bought. Also in Saimaa Garden's area, there is a new Holiday Club spa hotel which will be offering services for later in this year and a lot of more beds in the South Karelia region later this year. Therefore even more tourists are heading to South Karelia. On Saimaa Gardens' web pages it is mentioned that the potential customers are coming from Russia. There are 8 million people nearby South Karelia. The area is situated between Imatra and Lappeenranta town centres, so Lappeenranta airport is not too far either. (Saimaa Gardens 2011)

This kind of research is needed to update the information that we already have, and to make a real profile of German customers which has not been done before. In South Karelia region, the Russian customer segment is well-known and profiled, but now we need information also of smaller customer segments

## 1.2 Aims and delimitations

The aim of the Thesis is to find out why German customers (tour operators and travel agencies) would like to start to operate trips to South Karelia and what their interest is in case they are already making trips there. The profile of German customer character is not familiar and that is opened up later on in this paper. It has been found out what Germans are looking for South Karelia. With this research the aim is also to help the segmentation work of regional marketing companies and South Karelia by providing information of the German customer area; what attracts them and how they find the tourism companies who organize trips to Finland?

The research problem led from the aim is why or why not German tourism companies would want to operate in South Karelia? South Karelia is situated at Lake Saimaa, can the tourist attraction factors be found there, and if they can, what attracts the tourism companies in South Karelia region.

The research problem can be divided into three research questions; what kind of travellers are German people, which things are affecting consumer behaviour and which are the issues that have an impact on operating to South Karelia? The distribution channels cannot be either forgotten; through which channels will TO's find the new destinations and resorts, and are TO's always using the same route for searching new places where they could operate.

In order to keep the thesis small enough and easy to handle, there are a few delimitations that had to be taken into consideration when doing this Thesis. By Concentrating on the Tour Operators who are already making trips to Finland and to South Karelia was the only way to get the answers from companies. The cooperation took place just with the Tour Operators, not direct with the end users. In order to narrow the paper it was wise to use just one country, Germany. To limit this further, by taking into consideration only free time travel, was a good choice. Business travelling and free time travelling have different meanings and also the time frame differs.

The main words are explained and (distribution channel, Germany, consumer behaviour and SK as a tourism destination). The issues are looked at from different aspects and concentrated on German point of view.

The thesis paper is contains 4 different sections in the theoretical part. First is presented Germany from the perspective of outbound tourism. Some knowledge of German culture is needed, how they behave and act in business life and some basic facts, such as population, structure of the country (religion, politics) and statistics from their tourism behaviour. What kind of things is the German customer area looking for in Finland? How is the cultural factor affecting?

Second is presented what South Karelia has to offer German tourists? Attraction, entertainment, facilities and programme services are in South Karelia. The basic facts of South Karelia as background knowledge will also be told

Third is the distribution channels' importance in the tourism business field. Thesis paper also explores the distribution channels and their interests to South Karelia. Are the same channels always used and done by following the same path every time or are Germans spontaneous about it? What are the channels what they use for searching new offerings for their customers and to their company profile? The writer is as well interested in consumers and what their interests are when they are choosing the trip.

Finally are explored the consumer behaviour and the importance to react fast to the upcoming changes; companies must be updated because consumers can change their minds rapidly. The trends of consumers in tourism and how the trends have been changing during the growth of the Internet are told as well. The interest in choosing a trip is also dealt with this research. Tourism industry is a fast changing industry and be ahead of trends is important, but without the basic knowledge of the needs and desires of customers and consumers (tour operators and travel agencies) we cannot do much.

### 1.3 Research method

The use of quantitative method would not have been wise in this case because not enough answers from potential tour operators is got or does there exist enough potential tour operators. Finland, and especially South Karelia as a market area is too small for Germany so that wider research could have been done properly and in the limited time. The method would not either reach the aim which was to get deeper information why tour operators and customers are choosing South Karelia as tourism destination. The qualitative method gives deeper answers of the behaviour; the questions are then more detailed and cannot be answered just by 'yes' or 'no' arguments, or using also questions such as 'why' and 'how' things are done. These factors were important in order to reach the aim of this research. That is why qualitative method is chosen. (Silverman 2004, 100-101)

The qualitative method is seeking answers to actions, problems and processes. This method is called subjective, flexible, speculative and political in the book of Interpreting Qualitative Data (Silverman 2006, 35 &19). It has been also stated that qualitative method could give deeper understanding of all the social phenomena. The four main methods that are used usually in the research are done by: video or audio recordings, analyzing text and documents, observation, and the last method is interviews and focus groups. These methods can be combined and it is also often done. By interviewing and having focus groups, the questions are open-ended and the sample of the focus groups is small. The outcome of this research is non-numerical and there is space for interpretation. It has always been argued the scientific reliability in qualitative research, but it is used in market research and in social sciences because some of relevant points can missed while using the quantitative research method. (Wikipedia 2011e); (Phillimore, Goodson. 2004)

The data is collected from the participants about their activities, events, occasions and behaviours. In the research of profiling the German markets, the method; interviews and focus groups, mentioned above, are used. The use of qualitative research in tourism is mainly the use of methods rather than lot of thinking tools, and then researchers are able to think of differences ways and

from different point of view to approach the issue. (Phillimore & Goodson. 2004, 3-5)

The Internet allows contact and the information is gathered from cross-cultural research participants easily by sending emails. The part of which is missed in email interview is the expression and the deeper knowledge of the participants. (Silverman 2004, 100-101)

There exist many tour operators which, for example organize bike tours and hiking in different countries in the world. At first those companies which were organizing winter holidays or skiing holidays are taken into consideration. The potential tour operators who would have the right customer segment for making trips to Finland and South Karelia have been contacted. By potential customers is meant the tour operators, which would fit the company profile by its offerings. Answers from the potential tour operators did not get, there is than taken into consideration also those tour operators who already are making trips to Finland and to South Karelia. This research has helped to find out what kind of services German speaking markets are looking for, and which the right customer group is by its age and other demographic factor like social class (wealth) for traveling to South Karelia region.

The cooperation is done with three different tour operators. The questions are about the customers' main reasons to travel South Karelia, what they are looking for in Finland, and especially in South Karelia. The demand and attraction of destination South Karelia is also found out by interview. Channels, and how companies find new destinations and resorts, is also one of the questions in the interview. The outcome of the questions and emails which were sent to the potential recipients did not give any results, so the decision to explore the already existing tour operators in the Finnish market, which organize trips to Finland and / or South Karelia, was needed. In total there are 11 Tour operators in Germany which organize trips to Finland. Three of them have been chosen to answer my questions. Those tourism companies, tour operators are handled in chapter 1.5.

The helping hand is given to the South Karelia region with this research, my own interests towards that country, language and culture, but also with my



knowledge of Germany, and also information which has been collected on the Internet; journals and articles and from literature books. With one and a half years living in Germany the writer has also empirical information about Germany and its culture.

#### **1.4 Research interview design**

Due to the changes that occur during the research project, questions are varied, but when sending the additional questions the information was received as wanted. The questions are developed and done beside other work. When it was time to start to make the questions, at first the language should be thought of carefully, whether writing in English or in German was the issue. German would have been, of course more familiar to the companies, there could have been misinterpretation if the interview had been done in German, so the interview was done in English.

The first model of the questions is concentrated mainly on the tour operators which are not yet making trips to South Karelia.

As mentioned already earlier this first question model did not give any answers. Some similarities of the questions can be found which could have been done in a better way. At that point it was thought what would have been useful from research point of view and how the wider answers could be obtained from the participants of the research. The interview design has to be thought of carefully and made as clear as possible. The importance to define chosen tour operators' distribution channels and consumer behavior was the main thing.

The first question of the interview schedules was taken away because the relevancy of this question was not huge due to the fact that the companies who are already making trips to Finland would be contacted.

## 1.5 Participants of the research

When thinking of how the companies are contacted, at first the language should be considered. The writers' German skills are at good level, which made it possible to contact the companies in German. What comes to German culture politeness, correctness and formality is the best approach when doing the first contact. (Wilson 2008, 395)

All the three companies which were already organizing trips to Finland were freely answering my questions, and also some of them know the Finnish language. Problems occurred when the time was limited.

The first company which is represented is specializing in Scandinavia, especially Finland. Their offerings provide different kind of possibilities from just flights to organized packages for individuals or groups. They are also offering summer houses and rental cars for their customers. They are also providing tickets for Finnish railway, VR.

The second tour operator, whose main offerings are: special trips to Finland, such as the cultural capital of Turku and the design capital of Helsinki, winter holidays and Finnish summerhouses. Their offerings are wide. They are providing special services, such as fishing permissions and animal watching safaris. Also trips for groups are in their programme. The company has online booking possibility on their website.

The third company is different from the two because the company was established by Finnish woman. On their homepage it is said that they are offering trips with quality and they want their customer to get familiar with the real Finnish culture. They are organizing trips to the Nordic countries. Their speciality is the trip along the coast of Norway up to Nordkap. They do not have possibility to direct online-booking on their website, but customers can send them requests via email.

## 2 TOURISM BEHAVIOUR OF GERMAN CONSUMERS

This part is dealing with this country's culture, behaviour and some facts and statistics. Germany is situated in Central Europe and it is one of the most powerful countries in the world, and it has the largest population as a country in Europe. It has grown through the Second World War and survived when the two states were united on 3<sup>rd</sup> of October in 1990. Industry in Germany is of high class and we can find products from all over the world. GDP (Gross domestic product) is one of the highest in the world, \$ 33,854. (4<sup>th</sup> highest), "Ruhr pot-area" is known by the mines for example coal mines. It is situated in the middle-West of Germany in the federal state of North Rhein Westphalia (Germ. Nordrhein Westfalen). There are over 5 million people, but the main industry is not anymore in so huge a role as it was decades ago. (Wilson 2008, 22)

Germany is the biggest consumer in tourism market in Europe if the money spent per capita is counted. Eighty-three million people are spending over 1200 million on over-night-stays travelling. A small amount of that is used in Finland. Thirty-five percent of these over-night-stays are done in the EU. The location of Germany is also beneficial for travelling. It has seven neighbour countries: Denmark, the Netherlands, Poland, the Switzerland, France, Belgium, Luxemburg, Czech Republic and Austria. (Destatis 2011:Tourismus in Zahlen 2007, 13)

Germans are using for outbound travel 80 billion euros annually. It has also the highest inbound trade (amount of money tourists spend in Germany), which is about 24 billion euro's. The German Travel Association (Deutsche Reiseverband) is an umbrella organization which is developing the outbound tourism and taking into consideration the SME's as well as large companies. The DRV is a connecting tour operator and help them with outbound tourism to being connected with foreign companies and it tells to the public of the advantages of tour operator travel. It is also helping the companies with tax-issues to DRV members and supporting unspoilt environment. For inbound tourism Germany has it own German National Tourist Board. (Wikipedia 2011d); (DRV 2011)

The connections to Finland are good, because Air Baltic flies now to Lappeenranta and the cruise ship company Finnlines, which operates well and departures from Lybeck, Travemünde and Rostock. From Travemünde the ship departures daily to Finland and from other harbours many times in a week. (Finnlines 2011 & Air Baltic 2011)

In German statistics (Destatis 2011: Tourismus in Zahlen 2001,174) Finland's popularity as travel destinations has been varied in years between 1996 and 2006. In the year of 2006 Germans visited Finland approximately 260 000 persons, but in 2005 it was 280 000. The Germans have 1 289 Million over-night stays in year 2007 and Thirty-five percent of those are made in EU. (ibid,13) Approximately 570 000 number of nights are made in Finland. The age between 25 and 44 years travel to abroad the most.

In statistics of German tourism (ibid, 16 &17) is shown how much people travel for holidays which lasts four days or more and who are the organizers of the trips. There we can see the German tourism high and low seasons as well as the inbound and the outbound tourism in euros. In Germany the holidays are in July-August and depend on the school it can last till October as well. As we can see in the statistics the highest number of travellers in outbound tourism is in July and August. Almost eight Million people were abroad tourism in July and eight Million in August in 2007. Figure tells the fact that in Germany the organizers of half of the trips are the travel by their own and half of they are taking contact to tour operators and such. To compare that number to international tourism the travellers are using a bit more of tour operators as organizers of their trips as average traveller.

Private travellers which stays four night or more, their general vehicle for their trips is told in the statistics of Destatis (2011, 13) in report of "Tourismus in Zahlen 2007". They are using airplane the most in the outbound tourism. In inbound tourism car is used the most. The connection and roads are high class in Germany. They have Autobahn, where the speed is not limited. In the figure we can wonder why people travel by bus more abroad than inside the country. Usually the connections abroad can be shorter than to domestic places, especially in the border area. School groups are using bus tours for their class trips.

When we think about how and where those travellers find their trips and how much money abroad is spent and when they are using services that a tour operator offers to them. There we can see that the money people use in tourism is mainly coming from outbound travellers, Germans use money abroad 18.6 million euros when the trip is booked via a tour operator or travel agency. For inbound tourism this amount is only 2, 5 million euros. (Destatis 2011: Tourismus in Zahlen 2007)

## **2.1 Business culture of Germany**

According to Wilson (2008, 394) German people are arrogant, conservative, workaholic, punctual, bureaucratic, intolerant, perfect, honest, ambitious, liberal, organized, proud and career-orientated people, to whom status value is in an important role. Usually there the bad characteristics of Germans are stated.

German people differentiate their business and their private life. In Finland companies have wellbeing- days to make their team more united, efficient and the office atmosphere better, but in Germany that kind of activity is hard to organize. Those kinds of events are held, but still Co-workers use formal language towards each other. Those who are not at the same level are calling each other with the last name and are using the formal "Sie" instead of informal "du". The organization map is hierarchical. Matrix organization, where tasks are divided without taking into consideration positions of workers, would not be accepted in Germany. International business environment is more relaxed with titles and such things. German can start to call you from your surname already after just a couple of meetings. (Wilson 2008, 395) According to the Marx (1999, 81) it is also important that the titles are used (Professor, doctor) if exist.

When doing business in Germany according to Marx (1999), speed is not considered a measure of good efficiency. For the Germans time- term is important and they assume punctuality from all the people. If you are not punctual, it tells that you are not respecting the people who have to wait for you. Effectiveness means that work is done inside the working hours, if you are

doing over time it is not seen as a good thing, but it tells that you have not been effective enough during the day.

Lord (2008, 244-245) has stated that customer-service is not at the same level as in other countries. People are use to service and they usually never complain direct to the company. They can talk about the bad service at home or with friends, but rarely speak aloud. This leads us what kind of is then German industry; mass-production and being effective are key points. If we are thinking about all the famous products that it exports; BMW, Mercedes, Siemens, Bosch to mention some, German industry is so called task-orientated. This can be seen in the business world, the relationships with partners are not in that big role, but the task should be done well and properly. This also reflects German character, the Germans are not risk-takers. They see the problem they wait that the problem will figure out itself.

Marx (1999, 82) has said that German business culture is a bit staid, because jokes are not accepted during the meetings. The older the person is the more serious he/she usually is. Therefore manners and being polite are valued, also being direct to people is playing an important role in business communications. There are also some minus points in German business communications, they are not making enough effort on networking and therefore the skills how to do it are also lost. Hofstede (2011) has made 5 cultural dimension models to measure character of cultures. Those 5 D's are Power Distance Index, Individualism, Masculinity, Uncertainty Avoidance Index and Long-term Orientation. Hofstede has born in 1928 and has collected the data in 1967-1973. Below in Figure 1 can be seen all these five dimensions.

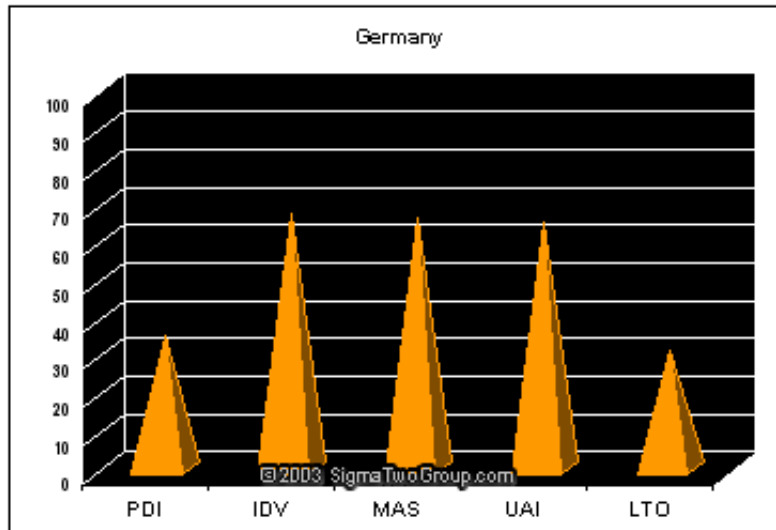


Figure 1 Five Dimensions model of culture behaviour (Hofstede 2011)

In Figure 1, Power Distance Index means, how well people in organizations and in families accept and expect inequality. Hofstede is saying that there is always inequality, but the amounts of it can vary in different countries. In some countries more inequality is accepted than in other countries. This can be seen in business world, in families and in different kind of organizations. In Germany the power distance is 30, which is almost at the same level than Finland, it is not low, either high. People accept that there is inequality, but in small amount. In all countries this is not at this way, there are countries where the power distance index is high and usually there the leader of those countries has the power and the political situation or laws of those countries can change rapidly. Tourists would need comfortable feeling and stable surrounding when they are travelling to another country. There will be told needs in the chapter Maslow's pyramid. (Hofstede 2011)

Next model in the figure is Individualism. The reverse to individualism is collectivism. That model describes how people are doing their decisions for example which people are their closest family. Southern countries closest family covers also aunts, uncles and cousins, and in another for example northern countries only parents, children and grandparents. With higher individualism people are except to survive alone, in collectivism people need support from group members or their families. In Germany the individualism is high (~62).

Comparing Finland and Germany, Germany has even higher Individualism than Finland. It can be seen in their business culture where group works are not done often. Everyone in the business has taken care of his/her own tasks. (Hofstede 2011)

Model of Masculinity is the opposite of femininity. This model tells the differences in people, not necessarily compares the genders. In masculine countries all people (men and women) see competitiveness, ambition, assertiveness as important values. In feministic countries values such as relationships and quality of life are in key role. In Germany masculinity is high, over 60. German people are really competitive and the importance of status is in key role. Everyone wants to be the best. Finland has 20 in masculinity, actually that is called femininity already. This is the biggest difference among all these 5D-models. Finnish people value more relationships than competition and status value. (Wikipedia 2011e); (Geert-Hofstede 2011)

Hofstede explained the model of Uncertainty Avoidance Index is the tolerance of uncertainty, the need of knowing things beforehand and importance of planning are important. The opposite is spontaneous behaviour. Different situations can cause either comfortable or uncomfortable feelings depending on how well that certain culture is dealing with new situations. Some cultures have more regulations and laws for avoiding uncertain situations. Cultures with uncertainty avoidance there is "only one truth". Cultures with low uncertainty avoidance are more phlegmatic and are not expected to show their motions. In cultures who are accepting the uncertainty, people are more tolerant and also accept different aspects one's issues. In Germany as it has been told in previous chapters, planning is one issue they are good at, and they do not want to change their plans easily. Such as in meetings, they are always scheduled beforehand and those are not the situations where you discuss things, it is more improving, comparing when it is just told to people what to do and workers obey the orders. According to Lord (2001, 245), Germans need to know the rules. It can concern a board game, EU-regulations or just a housing company. The explanation to this is that Germans just want to have everything under their control. All the things have to be proved, in tourism business this is a vital issue



between the partners and the possible new partnership. Finnish society is also organized and the number was a less than in Germany.

The last model is the Long term orientation model versus short term orientation model. Cultures where the short-term orientation is more respected, the traditions are more important than new ways to act. Also important is not to lose faces. Long term orientation is valuating the things which happen in future, such as perseverance. In Germany this number is under 30, which means that people respect traditions. As told in previous chapters, to Germans the status is important and the short term orientation reflects it. (Hofstede 2011); (Wikipedia 2011c)

### **3 THE TOURISM OF SOUTH KARELIA REGION**

South Karelia is situated in south-eastern Finland near the Russian border at lake Saimaa. South Karelia consists of 10 municipalities and two of them are towns: Imatra and Lappeenranta. Other municipalities are Joutseno, Ruokolahti, Parikkala, Rautjärvi, Lemi, Luumäki, Savitaipale, Suomenniemi and Taipalsaari. The population of the area is not huge, only about 134 000. The area is about 7236 km<sup>2</sup>, of which about 1600 km<sup>2</sup> is water. That is approximately 25 % of the whole area, which leads to tourism attraction factors in South Karelia region which are nature and waters. (Wikipedia 2011f)

#### **3.1 South Karelia tourism attractions**

As I told in previous chapter lake Saimaa has a big role in South Karelia's tourism. Nature has potential for various kinds of possibilities. So called lake tourism consists of many different activities, experiences and different ways for accommodation.

South Karelia offers different kind of activities during winter and summer time. During warmer months canoeing, hiking, sailing, climbing, and Nordic-walking, backpacking, channel cruises, fishing, tenting, Salpaline (war history), Imatra's Big Band Festival, cottage-holidays, riding are good activities to visit and to do. Winter time activities can be down-hill skiing, 4-wheel driving, skating, snow-shoe walking, skiing, snowmobile driving, and trip skating. (GoSaimaa 2011a)

Lappeenranta is the biggest town in South Karelia. It has a harbour area, spa, huge sand castles, Lappeenranta fortress and the Saimaa channel. From the harbour you can travel all the way to Vyborg. In Lappeenranta is the oldest airport in Finland and nowadays there is a connection to Riga by Air Baltic and from Riga many destinations can be reached.

The challenge, but at the same time richness, of this area, as all over Finland is the seasonality. According to the Finnish Tourist Board summer activities, winter, Christmas, culture and wellness are the major marketing product themes. (Mek 2011)

## **4 DISTRIBUTION CHANNELS**

### **4.1 Distribution channels in general**

This term is often used when talking about logistics, but it is also used in tourism industry. Distribution channel is defined in different ways in different industries. In logistics the chain needs the physical moving, but in tourism industry it is usually via emails.

“It is defined as a chain of intermediaries; each passing the product down the chain to the next organization, before it finally reaches the consumer or end-user.” (Wikipedia 2011b)

Kracht and Wang (2009, 2) have stated that the effective use in distribution channels has effect on how well you understand the evolution and transformations on such channels in tourism industry. Studies have been done that consumers use distribution channels to get information from products that they would want to purchase. The Internet makes also better connection to the suppliers.

Wang and Kracht (2009, 3) states that when we are thinking about the distribution channels in the past, the change has been huge because of the Internet revolution. That has also had impact on tourism business. Consumers have now better access to the information of the resorts and therefore they can book their trips on their own without any help of the travel official. According to Wang and Kracht (2009, 3) we can forget neither the history nor future factor when thinking about the distribution channels.

During the last years the progress of distribution channels has been huge. The more the technique is going forward the more things are on the web and companies have online services. First companies had Internet pages; companies homepages, with different functions. Usually first step of having own homepages was just to present all the resorts and destinations, but later on also online-booking was possible via websites. Customers used also search engines

such as Google and Yahoo for looking for those homepages. (Kracht and Wang 2009, 4)

Second, in online-agents started to be companies. They were just working online. Agent use the information what she/he got from the consumer via online reservation system. Third, nowadays there are plenty of travel agencies which are working only online and on the Internet surroundings such as lastminute.com and ebookers.com. (ibid)

Buhalis and Laws (2001, 7-13) write that distribution channels in tourism are more vital than in other trade industry. The distribution channels have an impact on consumer behaviour and the question is how fast industry is capable to answer consumer requests where trends changes rapidly. The tourism distribution channels can be complex due to the variation in different countries and products. In the next paragraph I will concentrate on German distribution channels and how it has changed during the tourism history.

#### **4.2 Business tourism vs. leisure tourism**

Business and leisure travellers have different kind of needs and desires. For business travellers the programme is usually settled beforehand already, but in leisure travel the traveller is the end-user as well as the programme planner. The payment of the business travel comes normally from the company so the traveller himself is not using his/her own money for the trip. Business travellers usually have more money to use, or the company highly supports them. The business travel market has many good qualities businesswise. For example, in leisure travelling the seasons are limited, there exist the high season and the low season, but in business travel that phenomenon is not seen. (Buhalis & Laws 2001, 76-77)

The number of paid holidays enables leisure travelling. In western developed countries people have annually 4 weeks of paid holiday, that is the outcome of establishing the rights to have leisure time and justified need of recreation. Leisure travellers in northern Europe are mainly travelling to the south to enjoy the warm weather and the sun. Southern Europeans and Northern Americans

are consuming domestic tourism services. In recent years tourists have been looking for their trips on their own, and environmental aspects are more on the surface in their consuming behaviour. Consumers are starting to use their leisure time also for educational purposes, for developing themselves. This “edutainment” phenomenon is a sign of that people wanting different kind of activities on their holidays and combining leisure time for learning new things as well. (Wahab & Cooper 2001, 71, 77)

Business travel and tourism is a great business. Nowadays new networking has been formed and companies have become more international. One factor which affects more international and multicultural partnership is the fact that many products are cheaper to produce abroad. Business travel and tourism cover also study and sport tourism. A few good points of business tourism are mentioned in the book of Business Travel and Tourism (Swarbrooke & Horner 2001, 9). The expenditure of a day is high, the behaviour of the tourists is relatively good, and not a lot of harm is caused. Business tourists do also visit during off-seasons and many other companies are getting revenue from business tourists. (Vuoristo, 2003, 26)

The differences between leisure and business tourism is usually the season and the money which is spent in the destinations. The length of stay, and the time of planning the trip (leisure travel; the trips are planned well in advance) and the fact that money is not coming from the person himself, but the company whom the business tourists works for are also the things which varied comparing leisure and business tourism. (Buhalis & Laws 2001, 76-77); (Vuoristo, 2003, 26); (Swarbrooke & Horner 2001, 10)

#### **4.3 Distribution channels in Germany**

Germany is the largest tourism market in demographics and the country where there are the most holidays per person. During the 1990's the expansion of markets and the political unification opened possibility for tourism consumption and the distribution channels have been developing towards the east. (Buhalis & Laws 2001, 142)

The main networking in Germany has been done in history through the largest tour operators (Neckermann or TUI); just in the late 90's, after the deregulation, bigger travel agencies want to make their own agency networks by using franchising. (Buhalis & Laws 2001, 143)

Companies who first invented the customer loyalty programme or started to use it, have been strong. When TUI and LTU started their customer loyalty programme by being the first ones, with the customer cards, the benefit of it was seen quite fast. With the help of the customer card they can be more in contact with their customers and can fulfill their needs and requests better, when they are searching for a new package trip to book or a flight. The customer card was a good way in order to create better channels between the customers and companies. Those tour operators who have the customer loyalty programme will benefit. The customers' actions were recorded on the cards, which makes the next year's marketing mix easy to do based on those last purchases. (Buhalis & Laws. 2001, 144)

According to Buhalis and Laws (2001, 143-144) in Germany in 1998 they had 14 000 travel agencies and 47 percent were still independent. They had anyway just 20 percent of the market share. The turnover of these companies decreased from 4.5m to 4.4 m (German marks). They were not handling the business travel market, and distribution channels were weak, which caused that the travel agencies decreased even more.

## 5 CONSUMER BEHAVIOUR

Consumer behaviour is vital in tourism business because customer needs is the important issue. In the figure below can be seen the differences between the supply chain to value chain, the key points of both chains and how the customers' position is changed.

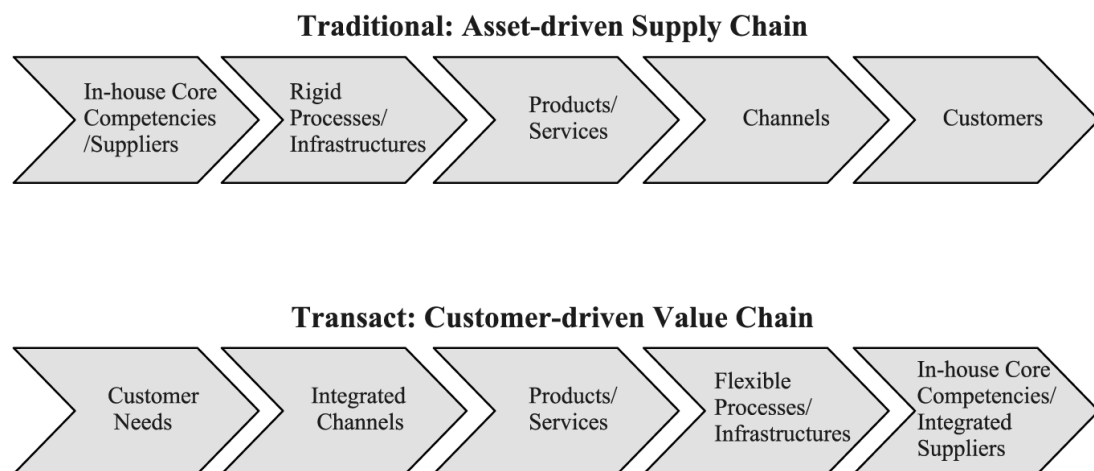


Figure 2 Supply and value chains (Kalakota & Robinson 2001, 114)

The most challenging task is to predict, assume or even guess what the next coming trend among consumer would be if you can assume that you are going to earn a lot of money. If you can guess the trends of consumers, there can be still open questions, such as why consumers are behaving that way. We have to know first their behaviour before it is worth even guessing what their needs might be. (Higham, 2009, 15)

How do we then know what customers want? Kalakota and Robinson (2001, 13-14) state in their book a few things which should be taken into consideration when trying to challenge the traditional value and contribute their business performance. The first is speed of service; it can never be done too fast, the second is convenience; hypermarkets and shops where you get everything at the same time. The third is personalization; customers want to have good service as individuals not as a mass, and the last is price; the cheapest price is



not always good. Some people can think product is not quality, and left product “on the shelves” thinking that lot of money have to be invested in order to get a good product or service

As Kalakota and Robinson (2001) states, consumers are individual persons. They have their individual needs, wants and desires. They can also change their minds easily. We have to think about the demographical and economic - factors: the age, place of living, male or female, wealth. We cannot either forget the culture factor, which can also change, even if we are just talking about it at Europe level.

Figure 2 shows the value chain driven by suppliers and by customers. As Higham writes in his book, we have to understand the customer and their needs. We also have to understand the changes in their attitudes and reasons behind them. These days environmental things are in an important role. That is one change that has happened. People who are thinking more of environmental issues are also bringing into consideration when travelling as well for example by paying consumptions fees. (Higham, 2009, 15-16) ;( Gonzáles & Bello 2000, 36)

### **5.1 Consumer-driven value chain and asset-driven supply chain**

Gonzáles and Bello (2000, 37) state that although consumer behaviour is covering all the purchases, it is vital to understand the differences in different markets. Tourism is a fast-changing industry. There are variables in tourism behaviour, like different characteristics in tourists and in tourist’s demand. The huge variation of different possibilities in tourism business is making the work even difficult. Consumers can pick their destination, accommodation, and means of transport, services and other activities. They include a wide range of products and every time new forms of demand are appearing. Also other people and society can influence the decisions in purchasing behaviour.

Figure 2 shows what is in transact: customer-driven value chain at first the customer’s needs, requests and desires have to be known before can be known the consumers requests. It is no use to try to guess it or make a product which

may get consumer interested. That can cause a lot of profit loss and waste of time. As we all know, especially in business world; time is a valuable thing that cannot be bought. In figure 2 seen that the customer is the chains' first link so the importance of customer's is enormous. Customers are even more demanding and hate delays. The company range is that huge that if the service is not good enough in the company, customers can easily find and change to another. The economy is changing fast as well and from this point of view customer-centric thinking is essential. The priority number one is then the customer. (Kalakota & Robinson 2001, 113)

The next link in the chain (Figure 2) is integrated channels. Which people would be interested in our ideas that customers are keen on? Through which channels could the customers tell about their interests and via which channels could we find the right way to act. The channels in tourism business can be the feedback box, which should be in every company even in physical shape. These channels can be also physical, but more often they are in digital form.

What is the actual product or service that the customer wants? In this part of the chain we have to think how to make customer needs into a product or to service, which would also benefit the whole customer segment.

This customer-driven value chain (Figure 2) is called transact the book (Kalakota & Robinson 2001, 113-114) in E-business design. The asset-driven supply chain is called traditional business design. Supplier-driven value chain is the other way to think issues, because the first link is not the customer but the product. In the book of e-Business 2.0 written by Kalakota and Robinson supplier-driven value is shown in a nutshell: "The right product, in the right location or channel at the right time at a reasonable price with the right incentives to the right customers." This means that the company is effective, competitive and putting on the markets products which are known beforehand will sell. Those products are often called daily products. No niche products exist in supplier- driven / traditional chain.

### 5.3 Maslow's model

Customer needs can be measured with the help of Maslow's hierarchy for needs in Figure 3, Higher needs in the steps cover all the needs also below. (Gonzales & Bello 2000, 4) In Figure 3 you can see that the steps are done from bottom to top. The first step has to be fulfilled before going to the next step. (Wikipedia 2011a) This figure can also be used in tourism. Generally speaking the flow-moments and experiences can be seen also in tourism. Why do people travel? People travel because it is one way to get already fore mentioned moments and experiences.

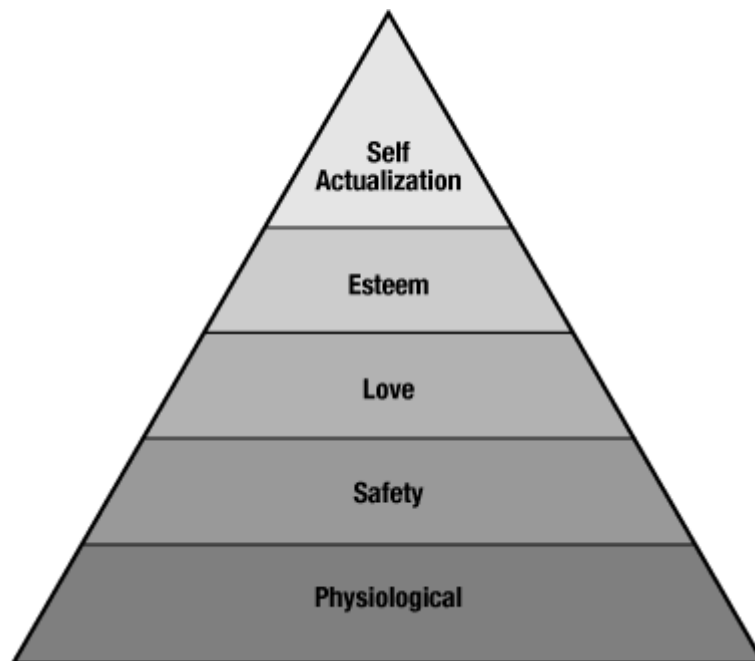


Figure 3 Maslow's pyramid of needs (Randsinrepose 2011)

The First step in Figure 3 is physiological needs. These are the basic needs for survival in this world. In the journal it is divided into two parts: externally and internally orientated needs. People have need for sleep, food, sex, and breathing, which are the internally orientated needs, and externally orientated needs like curiosity, excitement and activity. (Gonzales, Bello 2000, 4) When we are thinking about this first step, tourismwise, we come to tourism behaviour which is called the four S's; sand, sea, sex and sangria. We cannot either way talk about the tourists, who go for 4 S's holiday, look for warm places and are

mainly come from countries which are situated more in the north. (Wahab & Cooper 2001, 77).

The second step is safety and security, which includes health, well-being, secure-feeling in personal and in financial issues, and safety: no accidents or illnesses. People need also to be aware of things which can occur in the future and try to predict them. Right away tourists are also looking for places where they can feel safe and comfortable although the surroundings are not familiar to them. (Wikipedia 2011a); (González & Bello, 2004, 4)

The third is love and belonging, which covers family, friendships and intimacy. Love is giving and getting love. People also need to take care of others to fulfil their needs. Tourists are not going abroad to look for this, but some travellers are going alone in a trip and they easily find company to talk with. Travellers may not be looking for friendships when travelling, but usually people need other people around so that they would feel important and loved. (Wikipedia 2011a)

The fourth step is esteem. People who have low esteem can have problems to improve their skills. There are two esteems; the lower and the higher one. Lower esteem is the need of respect of others. It includes the need of status, self-confidence, attention. The higher esteem is need of self-respect. (Wikipedia 2011a)

The last one is self-actualization. When a person is on that last step of Maslow's hierarchy of needs, she / he can use the full potential of what she/he has. People need to have the flow-effect and to make them feel good about themselves. This is the feeling that tourists usually are looking for. Tourists want to explore something new that they have never seen or experienced before. (ibid)

The Maslow's pyramid is the first factor where we can explore the action of consumers and the reasons for those actions. (González & Bello 2000, 37) With the help of Maslow's pyramid we can also see how culture is affecting business ethic, especially in international business. In the first chapter business culture in Germany, Hofstede's cross-cultural communications measurements; the 5D-model are explained.

## 7 PROFILING THE GERMAN MARKETS

The final questions formed after the two respondents answered. The final question form looks like this:

1. How do customers find your company?
2. How do you pick new destinations to your offerings and do you always use the same channels to find them?
3. What are the distribution channels that you use for getting the information from possible new resorts and countries for your active holidays?
4. What is the most popular trip in your company? Why? What is the age group of these customers?
5. What are your customers' main reasons for choosing a trip? Price? Destination? Something else? What?
6. What difficulties do you see in South Karelia area?
7. Why would you / would you not start to operate trips to South Karelia? Or if you do so already: What attracts you as company in South Karelia?
8. What are the activities which would interests or are interesting customers in South Karelia?

Figure 4 Final questions

The result of this research has brought information of behaviour, habits and attraction factors of South Karelia, but also the difficulties in the region has been found. The first question in the research was; how does the customer find their company. Many different channels and even events were mentioned. Nowadays the Internet is the major search engine where people start to seek the possible new companies and tour operators. There the search engine such as Google is used. In Germany the advertising in newspapers and magazines are still in an important role according to the results. All the terms in the answers were not clear enough to open the answers up more. General advertising can include many different kinds of advertising, and it was not clear which advertising form was used to have the potential customers' attention towards the company. A few people find companies from the tourism exhibitions

that they are usually due to the fact that they are in a physical place and not everyone can reach them easily. The word-of-mouth can be the advance of exhibitions. Also a few people get a hint of the company due to a mailing list. That can be considered a good way to keep the existing customers. It is assumed that emails are given when customers purchase their first trip from that company.

The second and third questions were: how are the new destinations picked for their offerings and via which channels are the new offerings found, and are the same channels always used for searching new destinations.

The destinations are not picked based on perfect location, but the based on the regions where the right products to the company are found. The partners are in key-role. For example, the national tourism offices around Finland and in the specific regions have valuable information which may not be found on the Internet. Especially the private cottages are hard to find. The good cooperation between the hotel chains and regional tourism offices ensure the information that the companies get from the hotel chains. The cooperation can also step up a smaller region to compete with bigger and more famous parts of Finland. To find the contacts some companies stay every year in Finland up to even three months, and companies also tour in Finland and search new possible destinations on their trips around Finland. Companies attend fairs also to search new the possible partners not just to get new customers. From hotel owners and Safari companies (husky, snowmobile and such) hints of new resorts or destinations are also given to some companies. In Berlin the ITB trade show is organized every year where the partners could meet each others as well. The marketing company which works under MEK, Visit Finland has also been one channel to find the possible new destinations for company offerings.

The fact that arises from the questions was the age group (question number 4) which was rather high. As in the previous chapter about Germany, the statistics are shown. The biggest group of travellers who travels abroad are of the age between 25 and 44. The age of customers which the companies mentioned was mostly 50 years. The question is then, is Finland amusing older people more. Considering the high standards of Finland, it is not the cheapest country to travel to and it is not offering huge metropolis cities or long sand beaches

through the year. Some of the participants answered their average to be age above 60 years, which I see rather high. The age of course has an effect to the place where to travel, but the average age of people who travel to Finland can be limited to ages between 20 to about 60 years. In the cities can be visiting younger people than in the countryside. The winter time travellers are usually above 30 years with higher income.

The favourite destinations in these companies vary. Not everyone of research participants has a trip to Finland as their favourite destination. Helsinki is obviously one of the favourite destinations, due to the fact that it is the capital of Finland. During the summer time German tourists are making car trips and cottage holidays. The winter time is often used for snowmobile and husky safaris. Both summer and winter time holidays are wished to be spent in a cosy, not too crowded place.

The next question is the reasons for choosing a trip. When we think about the nature of Finland, and for example South Karelia, the landscape is in a big role. Customers choose their trips mainly based on price, but destinations are also important. The quietness and the calm atmosphere, and exploring a new part of Europe are things which fascinate the German tourists. The lakes, nature in general and exotic parts of the winter such as Lapland are also what the tourists are interested in.

The forthcoming questions are only asked of one company. The question was: what difficulties do they see in South Karelia region. The first thing is the distance, although new flight routes are done, but they are difficult to make profitable to the companies. The customers are not willing to drive the distance between Helsinki and South Karelia. The problems are also seen the lack of winter offerings of South Karelia. Although it is closer than Lapland it is hard to compete with it. Also the area is not known as well as the Lakeland or the archipelago in south-west Finland.

The obscurity of the area is one thing which can be changed, other things are harder to compete with. Lapland cannot be brought to South Karelia, but our own "Lapland" has to be created. To make the flights from Germany profitable, the Russians are in a key role in this, not the Finnish people. Air Baltic flies from

Lappeenranta and Saint Petersburg is just a couple of hours away of Lappeenranta. The Archipelago attracts tourists, lake Saimaa has same kind of potential, but other ways than only good rates have to be found. Solution to this is the way of enough effective promotion has to be only founded. There is also missing marketing money in German tourism in order to make the region visible beside other regions.

The next question deals with the reasons why the company has South Karelia in their programme, why it attracts them. To the specialists of Finland trips South Karelia in their programme is a must because it is important and interesting part of Finland. The products that the region offers are good but not so inexpensive. Problems can occur with the price regarding the fact that travelling from Germany takes a part of the budget already. The border and near location of Russia is seen as a good thing. The main attractions are then the good products and the wild nature which can be found in South Karelia region.

Interesting information is that money is needed also in Germany that they could market this are more widely. As is said in previous paragraphs, we have to invent new things all the time, and keep up the same speed as the changes or predict the changes which are coming.

The last question is, how the customers like South Karelia or what interests them in the region. Nature activities in the South Karelia region, the countryside, B & B with good standards of bathrooms, and the private cottages, where the neighbours are not too close are the biggest interests among the German tourists. Also the activities on the lake, like fishing and canoeing and the cottages which are located at the lake interest. During winter time customers are keen on Lapland activities, like husky-rides, with a bit more of ecological approach. Better rates and prices, more quietness are the main points.

As is mentioned in the previous paragraph already, the changes are a necessity. Higham states (2009, 15-16) that the environmental issues are vital, could there be a thing how South Karelia could step up from other regions and be more visible in the competition of regions in Finland.



## 8 CONCLUSIONS

Why or why not to operate South Karelia? This region is providing lot of nature activities both; summer and winter time, like in the web pages of GoSaimaa (2011) is told that they have lot of nature activities and cottages which are also the things the companies of the research are attracted by. Due to the fact that price is important to the consumer it is also to the companies. Kalakota and Robinson have been stated (2001, 13-14) that price is important factor, but too cheap is never seen as a good offering. In the results is said that the region cannot be competing just by the rates more development should be done. This development has been started in Saimaa Gardens (2011), itself Lappeenranta (previously town of Joutseno, before joining to Lappeenranta) has invested over 10 million euro's for this travelling centre of wellness and innovation.

What are the distribution channels that are used? The Internet is the biggest channel, when talking about the how people find the companies. Due to the German tourism statistics in 2007 (Statistisches Bundesamt 2008) the number of tourists who organize their trips abroad themselves without help of the tour operators is 20 % less than the number when the tour operators are used. The number of tour operators existing in Germany can be the reason why the customers use more tour operators than plan the min. 4-day trips by themselves. Advertising is also one of the things how customers find the company. The cultures can also be affecting consumer behaviour. As mentioned in the chapter of 'culture of Germany', the Germans want everything well planned to them is could be then easier and more safe solution to give the planning job the professionals than to plan trips themselves. According to Lord (2008, 244-245) Germans are not risk-takers in business life, but that can be also seen as one factor in the behaviour when trips are purchased.

One of the ways the companies contact and the customers find the companies is via mailings. Mailing list is the fast service that Kalakota and Robinson point out (2001, 38-39), the customer gets new information of the company and the search is then avoided. Also this affects the product choice (41-42) which is done by the customers. The company is affecting the customers by providing them new products.

The ways how the companies find the new destinations to their offerings is a different matter and needs deeper investigation. The Internet is also one of the ways in business to business cooperation; as Buhalis states (2001 7-13) distribution channels are vital information in tourism field, those channels in tourism are even more important than in other trade industry. Due to consumer-driven supply chain a customer has the main role in this change of business culture and the channels are the next important thing in the value chains, but the companies also use personal and closer approaches when cooperating with the companies. Physical visits to the destinations and also time spent at the destination are needed and the surroundings should be explored carefully.

In Germany the statistics (Destatis 2011: Tourismus in Zahlen 2007) shows that also older people travel abroad. The age categories of 45-64 travellers, who are staying for four nights or more, travel more than age group 15-24. South Karelia offers activities especially for those who want to do different kind of sports; for example fishing and canoeing. (GoSaimaa 2011) This age category also travels to Finland. The main things of the travellers are not just the age but the wealth as well. The conclusion of this is that money plays one role also.

The German customers, the tour operators and their customers have many reasons why South Karelia and Finland is in their offerings, due to the fact that South Karelia is a must in the programme to some of the tour operators which are concentrating on Finland's tourism. This leads us to the use of privileges of the region, which the participants have mentioned as attraction factor also, the nature of South Karelia. Twenty-five percent of the total area is covered by water. The nature activities and the near location of Russia are attraction drivers. The good rates interest the customer as well as the companies who operate the trips. In the total area of South Karelia there are only 134 00 inhabitants leave a lot of free space and possibility to experience the wild nature and to be surrounded just by nature. (Wikipedia, 2011 & GoSaimaa 2011)

The outcome of this research was not totally expected but some issues may have been also thought of before. The information obtained shows the situation of South Karelia region: Investments are a necessity. The important knowledge which was received from the respondents of my research was the age group,

the difficulties of the location of the region due to the limited budget (the distance to Helsinki), and too little to offer in order to compete and step up among other regions. Finland attracts older people; could we also have younger ones? How could we have a wider age range? How to make connections from Helsinki to South Karelia region? This research left some questions open. The region should develop its services and products offered to tourists.

This research was harder to do than I first thought. The simplicity of the question design was the hardest thing to do. The prediction of the answers should have been done even more carefully. How the questions should have been done in order to get answers longer and deeper from respondents. The time limit was also affecting the outcome of this research. Along the way the main problem was not the technical matters but the activity of the respondent parties. First the plan was to contact the tour operators and travel agencies which are not yet making trips to South Karelia and to Finland. Several emails were sent to the chosen companies but no answers were received. The participants of the research now are the companies who already organizing trips to Finland. They were helpful and their answers were delivered fast. Contacting them could have been also in English, but contact was done in the German language.

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