

A smaller world creates a bigger agenda for business. There are more cultures to understand, more social responsibilities to master, more time pressures to juggle, and more relationships to rethink.

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Transcending Business Boundaries*

1. INTRODUCTION

Cross-border consumption all over the world is not an innovative wave nowadays, people from various foreign countries daily cross the national borders for different purposes, such as shopping, leisure activities, business trips, and tourism. A number of studies (e.g. Sullivan and Kang, 1997; Bygvra, 1999; Dimatteo and Dimatteo, 1996.) have been conducted in order to examine cross-border consumption and shopping in many European countries, resulting in numbers of literature on the nature and motivation of cross-border consumption and its impacts on the economy of the concerned countries. The outcomes have shown that customers from the different countries have distinctive values and perceptions depending on the particular country.

For example, Bygvra (1999) who investigated cross-border shopping between Denmark and Germany found that Danes shop in Germany for lower prices, while Germans do the same in Denmark for better quality and more variety. Then, not less interesting case occurs between Finland and Russia. Cross-border consumption and shopping activities between these countries are growing rapidly every year.

The phenomenon that many Russian people cross the border to shop and spend holidays in Finland has recently drawn the interest of both Russia and Finland. At the moment, the role of Russian tourists in Finnish economy is very significant. According to the Finnish Ministry of Finance, Russian customers spent about 600 million Euros in 2008, and already

500 million just during the summer 2009. Last year, Finland issued 750 000 visas to Russian people.

In 2008, 2.3 million, or a third of all foreign visitors, in Finland came from Russia, and every year, the number of Russian visitors is increasing. Almost a half of the travel was in the form of short shopping hops. In accordance with the border interview survey, visitors from Russia made the highest number of same-day-visits to Finland, 67% of them did not stay overnight.

Finnish Frontier provinces, or towns which are located close to the border, have benefited considerably from cross-border shopping. Most Russian tourists visit Southern Finland, as the result of the southern location of significant cities - Helsinki and St.Petersburg. A lot of researches have been conducted in relation to Russian customers in Helsinki and Lappeenranta, since these are the most visited areas in Finland, but there is a lack of studies made in smaller towns and regions.

The same phenomenon as in the South of Finland frontier points, although maybe not of the same magnitude, has occurred along the Russian-Finnish borders in Northern parts, where Finland is bordering with the Russian Republic of Karelia.

This survey focuses on the cross-border consumption within the Kainuu region in Finland and Karelian town Kostomuksha in Russia. The distance between Kajaani and Kostomuksha is 155 km, which allows people to travel back and forward in one day. In accordance to Lytta cross-border point statistics, the average number of people crossing the border in one day is 125 persons.

The purpose of the research is to study Russian consumption patterns in this specific area, to characterize the cross-border consumption, and to examine consumers' activities in the Kainuu region. The survey outcomes give general characteristics and notions of the cross-border consumption, and the Russian consumer in the target area.

There are three main parts in the work; it includes the theoretical framework part, the target area review, and the empirical quantitative research with the final results and conclusions.

The theoretical framework concentrates on the concepts of international marketing subject and international environment. This part covers the main definitions and views on the international marketing concepts and core principles, obstacles and barriers for the international trade, international research principles, and markets' mobilization.

The target area review deals with the researched area giving a brief introduction to the Republic and Kostomuksha. Core demographical, geographical, and economical data is introduced in this part. Moreover, information about cross-border points and customs restrictions are described in this chapter. Statistical data about Russian visitors to Kajaani is included. The information was received from a representative of the Russian cross-border point Lytta in private communication.

The last part of the paper reports the results and outcomes of the research by presenting charts and tables analyzed by SPSS program. The thesis is concluded by summarizing the main findings of the research and discussing the possible implications of the findings for future research.

2. THEORETICAL FRAMEWORK

The theoretical framework outlines the main concepts of international marketing and gives a brief summary of the subjects concerning the survey. The subjects in this part correlate to the empirical part and target area's description further described in the thesis. The main topics that are touched upon in this part are international environment, international marketing research, legal aspects in the international trade, and cultural features of the customers.

2.1 International Marketing Definition

Many American and European authors have diverse views on international marketing, some see it as a simple extension of exporting, and others consider international marketing as the adaptation of marketing principles taking into account cultural differences and consuming patterns.

According to Doole and Lowe (1997, 13-14) international marketing, at the simplest level, involves a company in making one or more marketing mix decisions across national borders. At its most complex level, international marketing involves a company in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe.

Marketing is a range of business activities which company undertakes in order to gain a profit. These activities include analysis of the market, development, pricing, promotion and distribution of products and services. International marketing has the same objectives but undertaken from the global perspective. The international marketing dimension involves marketing across national borders (Cateora & Graham, 2007, 9; Czinkota & Ronkainen, 1990, 6).

According to Cateora and Graham (2007, 9) from the international perspective, marketing does not become different, the main concepts remain the same, but environment is changed within which these concepts and plans must be implemented. In every new market, the range of uncertain and unfamiliar problems would arise, and the variety of marketing approaches would be necessary in order to cope with all new obstacles.

2.1.1 International Marketing Involvement

When a company has decided to enter the international market it needs to make an analysis and research of the potential market of the country it is interested to do business in, in order to decide the level of involvement which that company plans to commit.

Cateora and Graham (2007, 18-20) suggested five stages of international marketing involvement, which are not necessarily followed by one another by companies, a firm may begin its international involvement at any one stage or be in more than one stage at the same time. These stages are:

- No direct foreign marketing
- Frequent foreign marketing
- Regular foreign marketing
- International marketing
- Global marketing

The company at the first stage does not treat customers outside its domestic market directly, but the company's products and services reach foreign markets. Foreign customers could come directly to the firm or sales could be made by other trading companies. Besides, many companies develop their Web sites, where products are ordered via internet by customers all over the world. In addition, products may reach foreign markets via wholesalers and distributors who sell products abroad.

At the second stage the company may be involved in international marketing infrequently depending on when there are temporary surpluses of their production. In this case the company does not focus on the international demand, but on the domestic demand. When the surpluses of the production occur after distributing products to the domestic market, then company would sell to overseas.

The next stage is regular foreign marketing. At this level the company has the intention to do international business and has permanent productive capacity allotted according international demand. The firm may have subsidiaries or intermediaries overseas. However, the sales of the company still depend on the domestic market.

The next stage is international marketing, where the company is fully involved in international trading. Companies seek potential markets all over the world and sell their products special to the existing markets in different countries. Besides, companies not only set up their subsidiaries overseas, but also could have production plants in foreign countries. The company may stay at this stage, as usually most companies do, or go further and become a global company.

Global marketing is the final stage of marketing involvement, where the company treats the world market as one entire market. At this level the market segmentation and planning activities are no longer concentrated on the national borders (Cateora & Graham, 2007, 18-22).

2.2 Challenges of International Marketing

In every country marketing has the same tasks and aims, to get profit by pricing, promoting and distributing the products and services. The key elements of marketing process are still applied in international environment, as mentioned above. But in international markets, companies should prepare themselves and develop active responses to unforeseen influences of foreign markets. In modern business conditions, firms need to participate in

changes that take place and respond creatively and innovatively (Czinkota and Ronkainen, 1995, 11-12).

Figure 1 shows the basic controllable and uncontrollable elements in the international marketing process. Generally speaking, companies need to manipulate the controllable elements of marketing within the uncontrollable marketing environment.

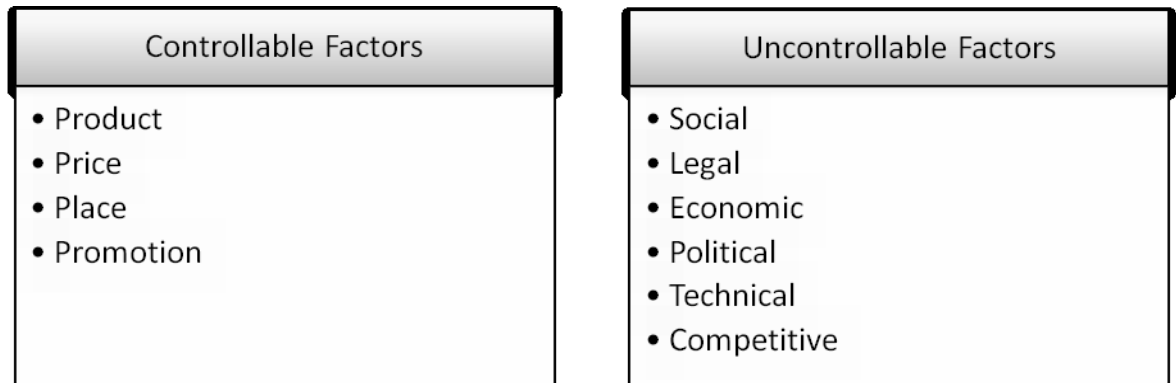


Figure 1: The marketing process (Doole and Lowe, 1997, 13.)

Some uncontrollable elements in foreign environment, such as competition, government controls, legal restrictions, consumer behavior, and so forth, affect profitability and success of a company. Furthermore, marketing cannot control or change these uncontrollable elements, but could adjust and adapt to them. In other words, international marketing objectives are to mould and develop its controllable elements (product, price, promotion, distribution and research) within the environment of uncontrollable elements in a new marketplace. However, general marketing principles and concepts are applicable to every market.

Besides, authors describe the domestic uncontrollable environment, where local political forces, the economic climate and the competitive structure of the domestic market also play an important role in the marketing process.

The key to successful international marketing is adaptation to the environmental differences. Firms need to anticipate influences of both the foreign and domestic

uncontrollable elements and react adequately to changes to minimize effects (Cateora & Graham, 2007, 10-15).

2.3 International Environment

Whilst companies have many reasons for international trading, it is true to say that there are different barriers and obstacles in the internationalizing process. International trade is dealing with different political unit, where diverse laws established by particular sovereign country. Besides, such characteristics as culture, consuming behavior, infrastructure, and geographical and demographical features affect international trade (Czinkota and Ronkainen, 1995, 53, 101, 128).

Therefore, international marketing environment envelops economical, political, legal, cultural, and financial factors, which have to be taken into the consideration when a company enters any new market.

2.3.1 Trade Barriers

To encourage the development of domestic industry and protect existing ones, governments usually establish such barriers to international trade as quotas, tariffs, nontariff barriers, limitation of imported goods, and market barriers. Such barriers are imposed against import and foreign business.

Tariffs are direct taxes and charges imposed by government on imports, and in general tariffs: 1) Increase government control, the number of tariffs, and inflationary pressure; 2) Weaken balance-of-payment, international relations, and supply-and-demand patterns; 3) Restrict choices available to consumers and competition.

Quantitative restrictions such as quotas and embargoes are other barriers, these are limits on the amount of goods that may enter a country, or absolute restrictions against the

purchase and importation of certain goods from other countries (Cateora and Graham, 2007, 39-53).

Historically, tariffs and nontariff barriers have impeded free trade, but through the years they have been lowered by different kind of agreements and special organizations like GATT and WTO. Sometimes countries resort to the subtle mechanism of voluntary agreements for easing trade restrictions between them (Cateora and Graham, 2007, 39-53).

2.3.2 Culture

Culture is a set of beliefs, attitudes, behavior, and habits shared by a group of people. Cultures vary from country to country, but it is often that culture is absorbed by people that they believe that the rules of their particular society are natural laws everywhere. Thereby, culture is one of the main drivers of people's behavior, as well as purchasing behavior. Consumers' decisions to buy products depend on local tastes, behavior, perceptions, attitudes, and traditions. Style and taste perceptions could be totally different from one country to another, and it is crucial that marketers learn buyers' behavior patterns of the target market in order to meet customers' satisfaction in accordance with their preferences (Czinkota and Ronkainen, 1995, 269; Usunier, 2000, 5).

To quote Cateora and Graham (2007, 94-96) in order to satisfy consumer needs and wants at a profit, from the international marketing scope, the successful marketer should be an expert of culture. Cultural origins are formed by history, geography, political economy, technology, and social institutions. Besides, every culture includes elements such as cultural values, rituals, symbols, beliefs, and way of thinking. And these are core components of culture, which are the most important to know in gaining a foreign market. When designing a product, marketing activities, such as style, uses and other have to be culturally acceptable, moreover, culture is pervasive in all marketing activities like pricing, promotion, packaging, distribution, and styling.

There are two kinds of knowledge about cultures, one is factual knowledge, and other is interpretive knowledge. The first is usually the basic things about the culture, such as meanings of colors, different tastes, and other traits and facts which are usually obvious and need to be learnt by the marketer. The interpretive knowledge is a more deep understanding of nuances and cultural patterns. These could be, for example, attitudes towards other people or ethics, meaning of punctuality, and even meaning of life itself (Cateora and Graham, 2007, 113-114).

Besides cultural influences, consumers' behavior depends on social, personal, and psychological factors. Understanding of buyer's behavior is crucial in the whole process of marketing, and the main concepts and understanding of how consumers behave and what processes are involved in purchasing decisions could be applied internationally. If a company knows what drives and motivates people to purchase particular products and services, it is in a better position to ensure that its products have features and benefits that people want. If to learn and understand one's culture, company would better understand how to communicate with people, would anticipate particular reaction and behavior, and this company would be able to offer its consumers what they really need (Blythe J. 2008, 29, 191-193).

2.4 Product and Services for Consumers

The crucial decisions of companies in the marketing mix formulation concern companies' offerings. The offerings satisfy the target market's wants and needs, and they are priced, distributed, and communicated by the companies. These offerings consist of a tangible product or service (physical entity) plus related services, a brand name, guarantees, packaging, and things like that (Kerin and Peterson, 2007, 141).

To quote Cateora and Graham: "A product is more than a physical item: It is a bundle of satisfactions (or *utilities*) that the buyer receives." One product includes diverse meanings for a customer. Color, taste, label, odor as well as functional features are not the question of minor importance. Even such characteristics as the country of origin, after sale service,

the brand, the warranty and so forth are much of the importance for the customers. Generally speaking, the product is the set of various utilities both physical and psychological (Cateora & Graham, 2007, 343).

Figure 2 represents the elements of the product, which influence the customer's decision whether to buy or not the product. The product is multidimensional, and the sum of its features and characteristics determines the customer satisfaction.

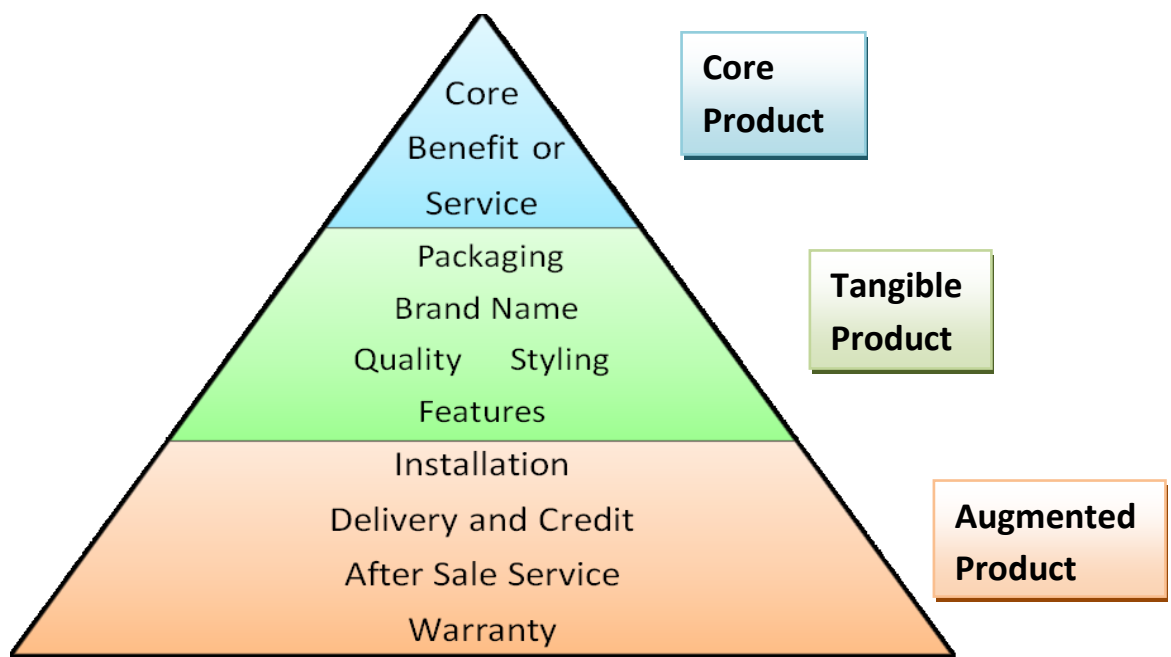


Figure 2: Elements of a Product (Kotler, 1986, 297).

Some elements of the product would need an adaptation according to local differences, though the major adjustments in the core components could be costly for the company, but alterations in design, functional features, flavors, color can be made to adapt the product to the cultural variations. The marketers must examine each element of the tangible product component, in order to be sure that it conveys the appropriate meaning and value to the target market. The products should be carefully evaluated on the three components including support service element, for the adequate and mandatory changes that could be needed (Cateora & Graham, 2007, 350-355).

Global competition puts more power to consumers' hands, in a competitive marketplace with a variety of choices, consumers expect good quality and products that don't meet the expectations are usually rejected. The consumers seek for the quality and low price, and companies that could offer both get business regardless its location. In our days, when customers' knowledge is not limited anymore, the customer knows what is the best, the cheapest and of higher quality. The motivations for the customers buying products and services abroad could be in some aspects different. They could not be satisfied with the domestic products quality or local variety of choice could be rather scant.

The marketers must pay attention to the variables that may call for an adaptation in the product offering, and that is the target market that would influence these decisions. Companies participating in the international marketing may find it difficult to cope with discrepant needs of both domestic and international markets. It is important to understand if the product requires adjustments and if it is worthwhile (Czinkota and Ronkainen, 1995, 287-288).

The international marketing of services is also becoming an important component of the world business. Service usually accompanies products and sometimes is closely associated with them. It is not necessarily that service is exported, but very often, domestic services become international while are consumed by foreign customers widely. The international tourism is the largest service opportunity for the international market. Tourists visiting various destinations spend on transportation, travel agencies, accommodation, restaurants, entertainment facilities, and many other services. And even some authors consider cross-border consumption just as an element of leisure or tourism-orientated trips (Cateora and Graham, 2007, 355-356).

2.4.1 Brands in International Marketing

Branding is one of the key elements of company's strategy. Strong brands impart products and services with the images and meaningful notions, and help to establish the firm's

identity in the market place. Without well-conceived international brand design the company would be at a competitive disadvantage, suffering from lack of a strong corporate or product identity in international markets (Czinkota and Ronkainen, 1995, 275-276).

Brands, country-of-origin, or global labels could be the core decisions to many customers' stereotypes about specific countries or products categories, such as French perfume, English tea, Chinese silk, and so on. Rather often brand is the determinant factor in purchasing decision making, as brand not only a name, but is also associated with quality, reliability, trust, and even safety (Cateora and Graham, 2007, 360-365).

Cateora and Graham (2007, 365) give an example of Russian consumers, who divide the world into two kinds of products: "ours" and "imported". The Russian consumers prefer the imported clothing and manufactured items, and furthermore don't trust foreign products which were produced in Russia. This appeared as the result of deficit times in the USSR period, and stereotypes of the unsatisfied Russian quality. Thus, many Russian people prefer foreign products and services to the Russian ones.

2.5 International Marketing Research

Information is a core component in developing successful and competitive marketing strategies, and escaping many mistakes and failures. General data is required for assessing opportunities in a new foreign market, and specific and deeper data is needed for deciding marketing strategy. To access such kind of information a marketing research is needed, and marketers should find most accurate and reliable data gathering. Traditionally, *marketing research* is defined as the systematic gathering, recording, and analyzing data to provide useful information for marketing decisions and planning (Cateora and Graham, 2007, 214-215.).

An international marketing research is more complicated than a domestic marketing research, and needs broader scope of data and information. The authors have divided

international marketing research into three levels: “(1) general information about the country, area, and/or market; (2) information necessary to forecast future marketing requirements by anticipating social, economic, consumer, and industry trends within specific markets or countries; (3) specific market information used to make product, promotion, distribution, and price decisions and to develop marketing plans.” (Cateora and Graham, 2007, 215).

The role of any kind of the research is primarily an aid in the decision-making, it is a tool that reduces risk and gives an opportunity analysis. Cateora and Graham (2007, 216) suggest marketing research process which consists of 6 steps:

- Define the research problem and establish research objectives.
- Determine the sources of information to fulfill the research objectives.
- Consider the costs and benefits of the research effort.
- Gather the relevant data from secondary or primary sources, or both.
- Analyze, interpret, and summarize the results.
- Effectively communicate the results to decisions’ makers.

According to this process, the core principles stay the same - defining the problem, planning research implementation and finding relevant data collection, carrying out the research, and then analyzing and interpreting results.

The most crucial step in the international research is to establish the specific research objectives. Some researches failed to anticipate the influence of foreign culture on the problem, besides, unfamiliar environment tends to cloud the problem definition. Common everyday things, even as drinking tea, could have totally different cultural meanings and views in different countries (Cateora and Graham, 2007, 216-218.).

The work of Burns and Bush (2008, 62-63) reveals an 11-steps marketing research process model. The authors point out that not all marketing researches need to follow the 11-steps process, furthermore it is not necessarily followed step-by-step. The next figure indicates Burns and Bush model of the marketing research process. The first three steps deal with

the problem definition and objectives. These are the crucial decisions, not all problems need to conduct a marketing research, and thus it is important to establish the need of the marketing research first.

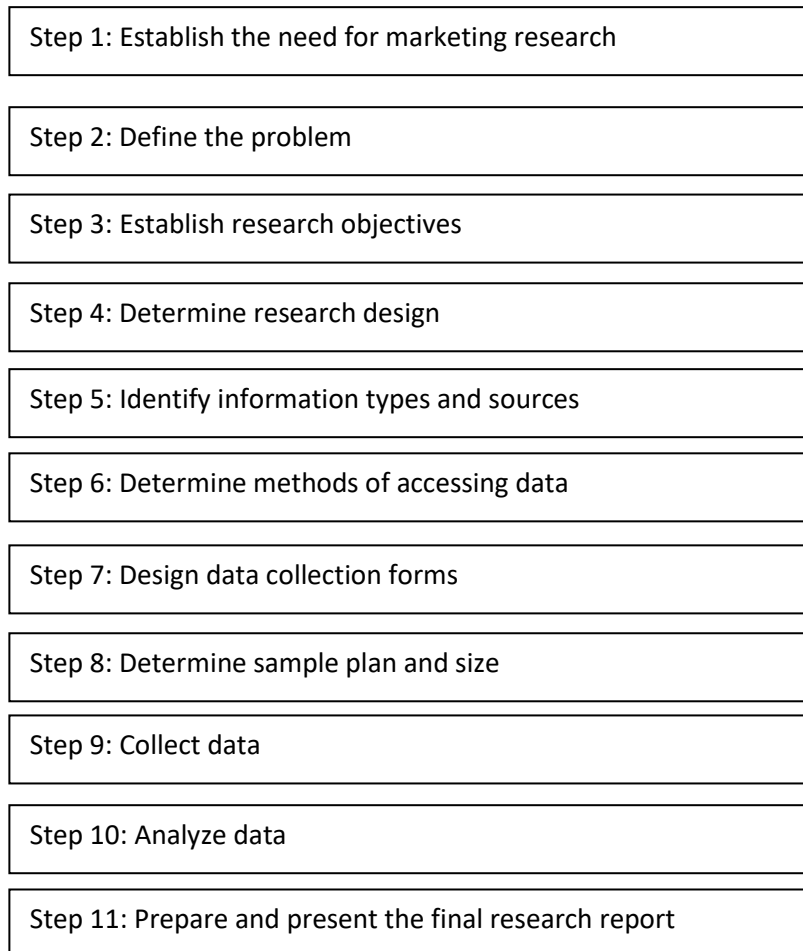


Figure 3: Eleven Steps in the Marketing Research Process (Burns and Bush, 2008, 63)

The definition of the problem also needs a careful approach, since an incorrectly defined problem is a wasteful effort of the research. The next step is establishing research objectives which state what the researches must do in order to achieve information needed to solve the problem indentified in step 2. In the next step a correct research design should be undertaken. The authors point out three widely known research designs: exploratory, descriptive, and casual. The names of the designs imply its meaning. Exploratory is an informal research that gives a general view on a problem, and allows learning more about the terms and definitions. Descriptive research describes the

researched phenomena as to find out the target group or to describe the customers' profile. The casual research approach uncovers the factors that cause an event, as for example what would be the result of any undertaken changes in the product appearance. The next step is information types and sources identifying. The second data is usually sought first, sometimes the previously needed researches have already been conducted; this type of information is cheaper and easier to collect. But when there is not enough information or the secondary data is inadequate, the primary data collection is needed. The sixth step is the determination of the methods of accessing the data. While the secondary data could be accessed faster and easier, the primary data collection is a more complex process. Depending on the research and its sample researchers must choose what way of communication would be more effective and meaningful. When all the previous steps are undertaken, the researcher needs to design data collection form. The correct questions and the methods of their collecting would provide the information needed to solve the research objectives. The next steps as determination of sample plan and size and data collection depend on the research and its methods. The survey population could be drawn by the age, and/or occupation, some demographic characteristics and so on. After the researcher has collected the data, in order to generate the results, the achieved data should be analyzed. It could be done by using different data analyzing software programs. And the final step in the research process is preparing and presenting the marketing research report and outcomes. (Burns and Bush, 2008, 62-69).

In the international marketing research, gathering primary data, quantitative or qualitative, also needs much attention. Since researchers deal with a foreign market, most problems in collecting primary data stem from cultural differences and respondents' inability to understand correctly translated questionnaire. Furthermore, cultural differences could be an explanation for unwillingness or inability to respond to the surveys. In some countries specific topics and questions could be unmoral and impolite.

Methods of gathering data also should be determined in accordance with the researched country features. For example, in many countries telephone ownership is extremely low, in this case telephone survey would be useless.

Moreover, language barrier is a widespread problem, difficulty in cultural idioms or translating exact phrases create extra uncertainties. Regardless of the way used in survey translation, perfect use of the local language in a questionnaire is of critical importance to successful research design and proper responses (Cateora and Graham, 2007, 224-227).

2.6 Marketing Communications

With the advent of diverse forms of retailing and communication, competition among companies is becoming more intense and aggressive. Due to such circumstances companies require marketing strategies that can differentiate themselves from the others. The increasing number of shopping venues available gives customers rights to choose and decide on their own. Besides, information technology and communications advances allow consuming goods and services all over the world. The competition in the modern world doesn't mean just shops in one street, but companies being far from a domestic country that deliver their goods faster and cheaper. Consequently, integrated advertisements and marketing communication are very important and effective tools in marketing management (Clow and Baack, 2009, 15-19).

The integrated marketing communications include advertising, sales promotions, trade shows, personal selling, direct selling, and public relations. The appropriate marketing communication is usually determined by the companies in accordance with their business and target market, but for most firms, advertising and personal selling are the most popular components of the marketing communications. Different marketing activities that stimulate consumers' purchasing are the sales promotions, which have objectives for immediate purchase, introduction to the store, or product trial (Cateora and Graham, 2007, 468-470).

One of the most spread components of the international marketing communications is advertisement, which needs an adaptation to a specific culture of a country where it would be distributed, as the consumers respond to the advertisement from the perspective of their culture, feelings, attitudes, beliefs, and perceptions. When a company decides to

launch an advertisement campaign, it needs to consider the availability, costs, coverage, and appropriateness of the target market media. Sufficient advertisement creates an interest and attracts customers and they make final purchasing decision (Cateora and Graham, 2007, 468-490).

When foreign customers come directly to the firm, marketers could use tactics and promotion strategies. For example, some consumer promotions programs can be highly effective, they increase awareness of any loyalty to the brand, build a favorable image, making sales more numerous. Promotions which are concentrated on sales implementing through discounts, prizes, coupons, and different kinds of bonuses and price-offs (Clow K.E. and Baack D., 2009, 91-94, 326-328).

The primary task in creating an effective communications strategy is examining the promotional opportunities, such analysis is a process which identifies target group and strategies to reach this group. One of the developing steps of the promotional opportunity analysis is a communication market analysis. This process discovers company's strengths and weaknesses in the area of marketing communications, and further combines that information with the opportunities and threats in the new market environment (Clow and Baack, 2009, 90-91).

2.7 Consumer Mobility and Markets Interaction

In the beginning of the twenty first century goods and services are freely flowing across the national borders, whilst people enjoy the similar freedom crossing the borders for different purposes like holiday, working, leisure activities, or just shopping. Regional and national integration is reducing the meaning of borders between markets, and is creating larger unified market entities. Such changes are shaping new patterns of consumer buying behavior, and suggest the fresh look at the cross-cultural changing behavior (Douglas and Craig, 1997, 379; Stone and McCall, 2004, XV).

Among the all challenges that companies are facing, globalization of the marketplace is one of the crucial one. Interaction between cultures and markets is growing in the world economy; in order to be ready for many opportunities and to avoid threats in such global conditions marketers should have broad and deep understanding of consumer behavior and cultural influences. At the same time, members of different cultural groups are moving from one country to another, bringing with them their interests, lifestyles, values, and behavior patterns, and as a result countries or cultures are no longer viewed as the separate entities in the isolation (Cleveland and Laroche, 2007, 249; Douglas and Craig, 1997, 380-381).

Not only immigrants bring their lifestyles to other countries, but many people are becoming more mobile and travelling more both for business and pleasure purposes. As a result people absorb lifestyles, products and behavior patterns of some other country after their visits. Besides, in some cases people take a job in different countries and commute regularly across the border; this changes lead to a new formed consumer behavior pattern, more flexible and easier adaptable in a foreign market (Douglas and Craig, 1997, 379).

Besides customers' mobility, people nowadays consuming online and find all necessary information about products and services through networks, the international marketing is reacting and responding to these changes. Transportation facilities, communications, marketing and advertising, simplification of borders crossing, shopping tours, networking communication and many others are dissolving national boundaries and barriers (Cleveland & Laroche, 2007, 249).

3. TARGET AREA

In this section the target area is introduced including legal aspects of the Russian-Finnish cross border activities. The main customers in Kajaani are citizens of Kostomuksha, the town which is situated in the Russian Republic of Karelia. Kostomuksha is the nearest Russian town to Kajaani and its region. In this chapter are very brief description of the Republic and more deep information about the town are introduced. In order to have clear view and understanding of the research problem such aspects and areas are touched upon as demographical, geographical, social, and economical ones. Tough points such as the market of products and services, the potential communication channels, and the cultural behavior in Kostomuksha are also described in the chapter.

The cross-border shopping is not the same, as consuming in domestic conditions. The diverse factors appear when we talk about international trade which could influence consumers' decision and choice. Crossing the national border involves not just transportation, but also particular restrictions, laws, conditions, and extra expenses. The information about border crossing points, legal aspects and some transportation issues in the target area are described further in this chapter.

The information introduced in this chapter was gathered by the means of various sources such as the secondary data, the private communications with organizations, the local media, and the local social and economical annual reports.

3.1 Karelia Region

The Karelian Republic is a part of the Russian Federation and is located in its north-western part, taking position between the basins of the White and the Baltic seas (the map of Karelia and Finland could be found in the appendices). It borders internally on Murmansk, Arkhangelsk, Vologda and Leningrad regions, internationally on Finland (border line is

798km long), and from the water side borders on the White Sea, Onega and Ladoga lakes (Kortelainen, 1997, 13).

The population of the Republic is 784, 600, where 75% are urban inhabitants and the other 25% are rural ones. The main industrial centers in Karelia are Petrozavodsk, Kondopoga, Kostomuksha and Pitkaranta.

3.2 Kostomuksha

Kostomuksha is one of the biggest cities in the Karelia region, it numbers nearly 35 thousand people (Костомукшский городской округ, 2007, 7).

The city has exceptionally beneficial geopolitical location, it borders on the EU (Finland), has favorable infrastructure and is located near the main railway and automobile lines of the international importance. Perspective transport corridors are enabled to reach essential ports which lead further to the European countries and the Atlantic.

Kostomuksha is located at a 155 km distance from Kajaani, and it is the nearest Russian city to Kainuu region (Костомукшский городской округ, 2007, 8).

At the moment, the prosperity of the town depends on an enterprise, which has formed the company town, the public corporation "Karelskiy Okatish". Rich reserves of magnetic iron ore were founded already in 1964, and in 1973 the intergovernmental Soviet-Finnish agreement was signed concerning the ore-dressing and processing enterprise construction on the territory of modern Kostomuksha town. The first part of the "Kareskiy Okatish" started to operate in 1982 and already in 1984 the whole enterprise began its work (Костомукшский городской округ, 2007, 8).

The town has appeared as a result of developing of the new ore deposits and further construction of the ore-dressing enterprise which has become the center of the new territory development (Костомукшский городской округ, 2007, 9).

With the growth of the area and the population, new plants and companies have appeared during these years. Such aspects as strengthening of international competition, globalization of the economy, rising mobility of different industrial sectors have made Kostomuksha a competitive town attractive for investments and further development (Костомукшский городской округ, 2007, 12).

3.2.1 Economical Situation

The world economic crisis has greatly influenced the economy of Kostomuksha and its main enterprise. Comparing to the year 2008, the volume of output in “Karelskiy Okatish” has fallen greatly because of demand reducing in the metallurgical industry, and as a result demand-reducing for the iron-ore raw materials. These circumstances have led to staff reduction and salaries decreasing (Отчет о социально-экономическом развитии Костомукшского городского округа, 2009, 2).

The other enterprises have also reduced the volume of output suffering from the lack of customers’ demand. Consequently, during the first decade of 2009 products and services were dispatched to the amount of 6548, 8 million rubles (142, 4 million €), which is 2, 3 times less than during the same period in 2008 (Отчет о социально-экономическом развитии Костомукшского городского округа. 2009, 3).

The average salary per month in the beginning of 2009 was about 520€, and at the moment the rate is increasing slowly. Table 1 shows citizens’ income distribution in accordance with statistical center of Kostomuksha (Statistical center of Kostomuksha city, private communication, 3.11.2009, 12a.m.).

Table 1: Income Distribution

Expenses Type	%
Products and Services	50 %
Different Social Fees	9,6 %
Taxes	7,9 %
Euro Exchange	2,3 %

Another important change has happened in the currencies rates. Before the crisis euro rate according to the Russian ruble was 1€ = 36RUB in general, during the winter and spring 2009 the rate was dramatically increasing and at the moment the rate is 1€ = 46 RUB at an average.

In spite of all the changes and the crisis consequences, Kostomuksha stays economical center of the Northern Karelia. Important international projects and different developing programs are implemented in Kostomuksha which are financed both by the local and the Republic budgets and by the EU funds (Statistical center of Kostomuksha city, private communication).

At the same time the municipality of the town is developing various programs for the favorable conditions of the SME development and business climate which is forming an attractive image of the town. The geographical location of Kostomuksha gives perspectives for the further international projects and economical situation improvements (Отчет о социально-экономическом развитии Костомукшского городского округа. 2009, 32).

At the same time the phenomenon of cross-border consumption has impacted Kostomuksha economy, and the local retailing sector is suffering from the lack of demand of the local citizens, consuming mostly in Finland.

3.2.2 Culture and Consumer Behavior

Russia is a large country and local traditions and people attitudes vary from region to region according to the geographical location, the demographic features, the specific characteristics of the particular region, and the economical situation. The geographical location and closeness to Finnish border make people in Kostomuksha more culturally homogeneous to the Finnish culture. Many people in Karelia speak the Finnish language which is great advantage for both the Russians and the Finns. The similar climate and location make food habits and leisure activities perceptions of Kostomuksha people very alike to the Finnish tastes. Fishing, camping, winter sports, sauna, and gardening are the most popular ways of relaxing and time spending for the Karelia region inhabitants.

Some characteristics of consuming habits and behavior patterns are peculiar to Russian people in general. The Russians are much attached to their families, not only to the closest relatives, like brothers, sisters, and parents, but also to distant relatives. On public holidays, presents are usually given to numerous relatives and friends, and even some small symbolic presents to casual people. Such holidays as New Year and Christmas are usually celebrated in big companies with friends and relatives, unlike in many European countries, where the same holidays more family oriented. People in Russia prefer to go to public places on these days than to stay at their homes (Смирнов, 2006).

The highest number of the consumers crossing the Russian-Finnish border is usually recorded between the Finnish Christmas day and the Russian New Year – 24th - 31st of December.

In Russia there are no specific perceptions and stereotypes of the colors and/or shapes' variety of products, but in clothing the Russians like bright colors. In Russia rights of men and women are equal, but in consuming habits differences usually occur in the range of the products they buy. Women tend to buy groceries, beauty aids, presents and baby goods, whereas men buy equipment, construction materials, and car accessories (Смирнов, 2006).

The Russians usually shop unpredictably, spontaneously and disorderly, and have tendency to buy products at a discount price or “special offer” products. Very often the price is the decisive factor in the purchasing decision-making, even if the quality is suffering. Because of the long deficit time in the USSR period the Russian consumers are perceptive to innovations and various ranges of products.

Word-of-mouth communication is very strong in Russia, people tend to rely more on a persons’ experiences than on advertisements or other internal sources of information. Nowadays, there are more people is becoming to react to innovations and the number of economical customers is getting less. The economists suggest that it is the result of economy stabilization in Russia and income rate increasing (Смирнов, 2006).

3.2.3 Products and Services Market

While Kostomuksha has good perspectives and plans in relation to the economics, its retail sector is in the worse situation and cannot offer wide range of choices. The competition in the town is very scant, and retailers are not professionals or marketers and have no marketing strategies which could help them to grow and to develop.

There are several grocery markets and two supermarkets which are in comparison with the Finnish supermarkets are rather scanty. According to the local newspaper *News of Kostomuksha* a lot of people complain of the grocery stores in Kostomuksha, the customers are unsatisfied with the quality and the choice of the products. Moreover, many people were complaining of the atmosphere in those shops. The customers pointed out that it was difficult to find salespersons and necessary items (Берштейн, 2009, 1).

Furthermore, there are no specialized fashions stores in Kostomuksha, as a rule, the private entrepreneurs buy clothes in the bigger cities and sell them in small rented premises without any brand name or labels. That is why such clothes are usually very monotonous, have no seasonal coherence, and are lack of uniqueness. Besides, such small shops have no definite strategy and market research, every retailer offers goods according

to his/her personal choice, but not in accordance with customers' wants. Such unprofessional approach to the business led to mass bankrupts of such shops in spring 2009, as a result of the crisis (Берштейн, М., 2009, 3).

The worst situation is in the leisure activities services. At the moment, there is a lack of restaurants, cafeterias, and entertainment places in the town. Because of the crisis, some restaurants were closed this year, and the others, in insufficient competitive environment, offer unsatisfied quality of the products and services. A lot of people go to Finland in search of different kinds of entertainment, such as swimming pools, skiing, renting country houses on holidays, some people even go to Finland just for dining (Харченко, Е., 2009, 3).

3.2.4 Communication Channels

The objectives to establish marketing communication for Finnish companies could be the following, to develop awareness of the companies and their offers, to encourage repeat purchases, to increase sales, or to attract new customers. Kostomuksha customers, no matter what segment is targeted, could be reached by the traditional media and marketing methods - through newspapers, TV, radio, and cooperation with organizations whose business is related to the cross-border travelling. Comparing to Finland, prices for putting up advertisements in these sources are rather loyal.

There are several free newspapers for the citizens, which consist only of advertisements and announcements. Furthermore, there is a local TV channel, which shows only advertisements 24 hours a day. In recent times, there appeared some advertisements about some Finnish leisure time activities and services such as Katinkulta SPA and Vuokatti resort offerings. Besides mentioned above there are a local radio station and organizations that could spread information among the citizens.

As an example, Kotiranta is a company which specializes on the cross-border activities and in recent times is operating also as a travel agency. Mostly, Kotiranta deals with Finnish destinations and issues, with visas and legal documents for cross –border passing. Besides,

the company consults people in the questions of the Finnish holidays and places for leisure time activities. Further in the next chapter Kotiranta is described more detail, as the part of the questionnaires were distributed in the Kotiranta office.

3.3 Russian-Finnish Border

The Russian-Finnish border was an ideological divide and an effective barrier to cross-border interaction in the Soviet Era. Since that times important changes have undergone, the border is still strictly controlled but the rules and conditions of cross-border interaction have been normalized and adopted. The Russian-Finnish border territory is 1340 km long, where forests without any major human settlement cover most of the region (the map of Russian-Finnish cross-border points can be found in the appendices) (Kononenko V. & Laine J. 2008).

The total volume of passenger traffic across the Finnish-Russian border was growing rapidly during 1990's. The number of border crossing was 1, 33 million in 1991, and 6, 74 million in 2006. In the Soviet times, there were only four crossing points for passenger traffic; since then, five other such points have been opened for international traffic. In addition, there are also several temporary crossing-points available for special purpose traffic such as timber imports (Kononenko V. & Laine J. 2008).

In 2003 the share of the Finns crossing the Russian border was 39%, while the Russians accounted for 60 %, and 1% were the citizens of the third countries. Recent surveys have provided some factual information that most board-crossers are not tourists and business travellers, but they go for shopping commodities. As a rule, every Russian person stays in Finland only for one day and they are active tax-free trade and this is of economic importance (Kononenko V. & Laine J. 2008).

3.3.1 Vartius-Lytta Crossing Border Point

Vartius and Lytta are the cross border points from the Finnish and the Russian sides respectively which are the closest crossing points leading from Kostomuksha to Kajaani. The distance from Kostomuksha to Lytta is 36 km and from Vartius to Kajaani is 120 km. Kajaani is the most popular destination for Russian people crossing those particular points, but also Kuhmo, Sotkamo and Suomussalmi are the places that are visited rather often by the citizens of Kostomuksha town. Sometimes people visit Kuhmo and Kajaani on the same day for shopping, less frequently the customers go to Kuhmo solely, and more often people go just to Kajaani city (Lytta border point, private communication).

According to the Kostomuksha border point, the amount of vehicles passing the border each day has dramatically decreased comparing to the previous year. Such changes were caused both by the economical crisis and the Green Cards price advance.

In 2008 approximate number of cars passing the border on a weekday was around 30-40 ones, roughly twice as many on weekends and holidays (Lytta border point, private communication).

This year the same number of cars "30-40" occurred only on weekends, while on the weekdays the flow of the cars is rather scant, comparing to the previous years. But still there are always some vehicles passing the border each day. And even, the number of people crossing the border starts to increase gradually again (Lytta border point, private communication).

Besides, there are always more people on holidays and in summer time. The busiest days at the customs happen on Christmas and New Year days. The most important holiday for Russian people is New Year, while in Finland Christmas is more meaningful. Consequently, the most crowded days at the customs are usually between 26th of December when the shops begin to work after holidays, and 30th of December, the last day before the New Year night. Besides, on these days there is usually a discount period in Finland as the main holiday is over (Lytta border point, private communication).

3.4 Legal Aspects

In order to cross the Russian-Finnish border the range of rules and restrictions exists, besides every person has to produce the required documents allowing passing the border. The main document is international passport with valid visa inside. Every person has to have at least 45 Euro per one day of staying in Finland. For drivers it is also necessary to have the Green Card (Lytta border point, private communication).

The Green Card is an international insurance system of transport owner civil liability when entering foreign country. Also known as *International Motor Insurance Certificate*, this is an internationally recognized document (in countries in which the Green Card is valid) and acts as recognizable proof of third party car insurance in case of road accident while abroad.

Before, Russian insurance companies were selling the Green Cards as the intermediate sellers of foreign insurance companies. And from the 1st of January 2009 Russian insurance companies became the members of the international insurance system and started to sell the Green Cards independently. This influenced dramatically the price of the Green Cards, as well as the currency rate changes which happened during the last year.

The price of the insurance for the period of 1 month was about 14 Euros before the year 2009, and at the moment the same insurance costs 72 Euros. A lot of people in Kostomuksha, knowing that fact had bought Green Cards in December 2008 for the period of one year at the lowest price. Consequently, the customs expect decreasing of Russian people crossing the Finnish border in the next 2010 year. Still it is difficult to foresee the amount of people going through the border next year, as the economical situation in Kostomuksha and in the whole country is getting better and many citizens consider that products and services in Finland are much better than in Russia, and even the high price of trips is worth it (Lytta border point, private communication).

Besides the above laws, there are some tariffs and quotas imposed on goods which people bring in/bring out through the borders. Furthermore, standards for certain products are imposed in order to protect the safety and the health.

Russia's customs restrictions have decreased the number of the Russians who make shopping trips to Finland. Last year the travelers were allowed to pass through the Finnish-Russian border total 50 kilos of goods without any duty, but since February 2008 this limit is 35 kilos. Before this restriction, the Russian consumers could visit Finland once a week, whereas today it is allowed to make a tax-free visit only once a month. The most important reason why the Russians visit Finland is the lower price of the products. When the goods become more expensive, as a result of import custom duties, attraction to consume in Finland is bounded. But at the moment, the situation is getting better again, besides, many Russian travelers come to Finland on vacation.

According to the current restrictions, natural persons may import in their accompanied or unaccompanied luggage the goods (with the exception of transport means) with total price of not more than 65 thousand rubles (1 450 Euros) and with total weight not more than 35 kg once a month. Here a general rate of customs duties and taxes in the amount of 30% of the customs value of the above goods will be applied if the norms specified above are exceeded. In the case when total price of the goods imported exceeds 650 thousand rubles and/or their total weight exceeds 200 kg, there the rates of customs duties and taxes will be applied as established by the general procedure and conditions of tariff regulation and taxation, envisaged for the participants of foreign trade.

These measures shall be applied also in case when alcohol drinks are imported with 5 times excess of the existing limitations (to the goods in excess), or when a natural person is crossing the customs border of the Russian Federation oftener than once a month (Lytta border point, private communication).

In order to protect the domestic business, there are quotas imposed on some kinds of products which a person could bring from Finland to Russia. Some products are forbidden because of the sanitary norms. It is forbidden to bring to Russia any kind of raw and salted

fish, raw and uncooked meat and game, eggs, and butter, exceptions are only those who have special legal allowance, but there are usually organizations who resell these products in Russia. The cooked meat or sausages and fish in vacuum packaging for personal use are allowed to bring through the border (Lyttä border point, private communication).

3.5 Transportation

There is no public transport running between Kostomuksha and Kajaani, for this reason the Russian customers come to Finland by their own means. People driving to Kajaani usually take their friends or relatives, and as rule the cars passing the border has maximum number of passengers. The reasons are rather obvious for such occurrence - not every person has his/her own vehicle, then it is expensive to go often to Kajaani by own car, because of the Green Card and gasoline costs. For this reason some people pay for the gasoline together, for example, for one trip when they go together (Lyttä border point, private communication).

Furthermore, in 2007 the new wave of service appeared in different parts of Russia, as well as in Kostomuksha. Private drivers on mini-buses and vans started to offer trips to Finland back and forward for the certain fare. According to the operators, the number of travelers going between Russia and Finland rose tenfold within one year, and the majority of people travelled by such kinds of taxi.

According to the Russian legislation vehicles with a maximum capacity of up to eight passengers are permitted to provide commercial services, whilst in Finland the same service has the stricter legislation and empowers the Finnish customs to fine the Russian drivers on minibuses and vans charging passengers.

A law was passed in Finland in August 2008 making licenses compulsory for transport companies, individuals involved in to the taxi business and those who unofficially proved service in their vehicles, carrying up to eight passengers in addition to the driver (Rozhkov Y. 2008, 5).

4. METHODOLOGY

The international marketing research is a complex process which needs careful establishment of objectives and proper data collection methods determination in order to achieve the results that correspond to the preliminary objectives.

The knowledge and the understanding of the foreign customers that companies face are important for all business activities. To understand the nature of cross-border consumption and customers' behavior pattern marketers should know the goods that people buy, their frequencies of trips, and the amount of money they spend; besides, it is important to elicit the reasons that motivate customers to cross the national border for the consumption.

The aim of this research is to learn the Russian customer behavior pattern of consuming in Kainuu region. Since the majority of the Russian consumers in Kainuu are the citizens of the nearest Russian town Kostomuksha, the survey was carried out among this population. This research would help the local retail companies and organizations to know about their foreign customers, to understand their consumption habits, and to learn their purchasing behavior. This information could be used in companies' marketing strategies and planning, in order to attract more customers and to keep the existing ones.

The objective of this study is to characterize the nature of cross-border activities, and focus on why and how the Kostomuksha citizens consume in the Kainuu region. More specifically, the following objectives were set for the research: to examine the consumption patterns of the Russian consumers in terms of the personal characteristics, the products they buy, the reasons of consuming abroad, the frequencies of the trips, and the other characteristics. Moreover, the world economic crisis has affected consumers' behavior everywhere. In order to find out in what way it has influenced the Russian customers, the questions about the crisis influence were included in the survey.

This study does not investigate the Finnish consumers shopping in Russia, but focuses only on Kostomuksha visitors in Kajaani. And the survey is targeted at the visitors with shopping aims as the main purpose of coming to Kajaani.

4.1 Research Design

In order to obtain effective and trustworthy information the primary data was collected through a questionnaire survey. The methodology used in this research is a quantitative structured self-administered questionnaire with closed questions. The questions were initially developed in English and then translated into Russian.

There were difficulties in formulating the question 5 in English; its last version is “What drives you to take the decision to go to Kajaani for shopping...” in the Russian language it is rather easy to understand the meaning of this question, while the English version is, in some way, confusing. This question was designed to understand why customers feel that they need to go to Kajaani continually, basically, what drives their decisions to make every new visit for shopping.

The research population consists of the citizens of Kostomuksha older than 18 years old, with different income level, occupation and status. The respondents are only of one category – the consumers in the Kainuu region, since the research relates to the already existing consumers. A brief plan of the research is described in the survey framework which is introduced in the appendices.

The first part of the questionnaire includes the questions about basic personal characteristics of the respondents, including gender, age, and income level.

The survey’s questions were designed to understand consumer purchasing perceptions and behavior, concerned trips frequencies, leisure time activities, range of products, crisis influence, competitive towns, reasons of shopping in Kajaani, and barriers. Except the main

questions, the questionnaire includes “other” options after some points and the field “comments”.

The survey was designed and processed by a Russian person, a citizen of Kostomuksa, and a consumer of the Kainuu region in the past. Thus, the design of the questionnaire was based on the knowledge and experience concerning cross-border consumption within Kostomuksha and Kajaani.

Because of the facts above, some obvious and expected questions were not included, such as duration of visits, for example, the location of these two towns allows people to travel out and home during one day, and the small percentage of people going to Kajaani for more than 1 day are usually people coming on New Year holidays to Vuokatti and to other nearest resorts.

4.2 Research Process and Limitations

To obtain representative data 260 copies of the survey were printed out and distributed among the population in Kostomuksha. The data was collected during May-June 2009.

The forms were distributed in public organizations and offices whose business is related to the international travels. Most of the questionnaires were distributed in the Kotiranta company office. Kotiranta is the leading company in Kostomuksha which offers diverse services in travelling and documentation facilities. It helps to organize trips to Finland, and at the same time issues different kinds of papers which are required for the border crossing activities, such as insurances, travel visas and Green Cards. The company also consults its customers concerning Finnish holidays, working hours of shops, some resort information, and travelling through Finland.

The rest of the surveys were distributed in High Educational center “Humanity Academy”, in travel agency “Vizit”, and in the Migration Office of Kostomuksha. All these organizations more or less deal with people travelling to Finland, thus the target

population is the customers of the above organizations. Besides, issuing documents takes time and, as a rule, people coming there would be able to fill in the questionnaires during their waiting time.

Indeed, some limitations exist in the present research, mainly because of the time of administrating the questionnaire, as follows:

- Most customers have bought the Green Cards for the period of the whole year 2009 at the lowest price, which would not be available anymore. It might have affected the results in relation to the next year situation on manners of trips frequencies, for example
- The pick of the crisis consequences and worries among the citizens were most urgent in April-May 2009, during this period people tried to save money and be economical, and less frequently went shopping to Kajaani, comparing to the current period. According to the cross-border statistics department, the number of visitors has increased in the autumn 2009 comparing to the spring of the same year

Moreover, the current quantitative research could not give a deep view and understanding of the customers' buyer behavior, but gives the general characteristics of the behavior and motivations. The results of this study could be a foundation for the further research for deeper knowledge of this problem.

4.3 Questionnaire Pretest

In order to ensure that the questionnaire is clear to the respondents and can be completed in a proper way, a pretest of the survey was done among some Russian customers of the Kainuu region. The respondents were not asked simply to fill out the questionnaires, but they were offered to explain their reaction and understanding of the questions' forms.

The formulation of some questions was changed during the pretest discussion for more clear understanding. When the pretest survey was administered, there were no questions about the respondents' personal characteristics, but after the discussion with the respondents such questions were added. These questions, basically, are needed for the full picture of the consumer, but not for the segmentation of the population. Besides, when analyzing the final results, it could be necessary to correlate the responses on specific questions and understand if there are differences in the purchasing behavior among some specific groups.

5. SURVEY RESULTS AND DISCUSSIONS

260 questionnaires were administered within Kostomuksha, 244 questionnaires were collected and analyzed by using SPSS program. In order to test correlations between some questions, a chi-square test was used. The results of the survey are given in the tables and charts. The detailed survey results can be found in the appendices.

Table 2: Profile of the Respondents

Characteristics	Number	Percentage
Gender		
Male	104	42.6
Female	140	57.4
Age		
18 – 25	19	7.8
25 – 35	57	23.4
35 – 45	80	32.8
45 – 55	56	23.0
55 and more	32	13.1
Monthly Income Level		
< 10 000 (223€)	0	0
10 000 – 25 000 (223 - 556€)	27	11.1
25 000 – 35 000 (556 – 778€)	90	36.9
35 000 – 45 000 (778 – 1000€)	71	29.1
45 000 – 55 000 (1000 – 1223€)	47	19.3
55 000 and more (1223€ and more)	9	3.7

As the table 2 shows, there are 57.4% females and 42.6% of males in the sample, most of the respondents are between 35 – 45 years old. In terms of income level about 37% have 556€ – 778€ monthly income level, and only 9% have income level higher than 1 223€ per month (Appendix 3/1 – 2).

5.1. Trip Frequencies and Consumption Patterns

The respondents were asked about the frequencies of their visits to Kajaani in the past 6 months. Six categories of answers were given. Figure 3 presents the percentage of respondents' trip frequency (Appendix 3/2 - 3).

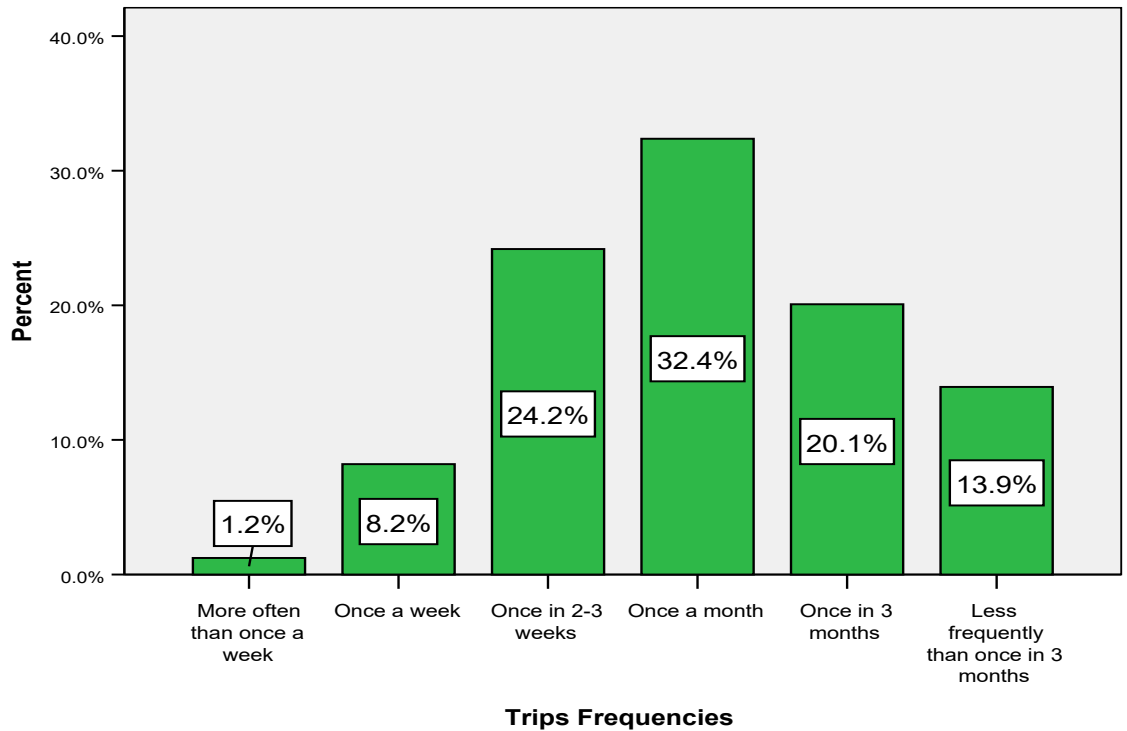


Figure 4: Trip frequencies to Kajaani in the past 6 months

As the figure shows, the most popular trip frequency is once a month (32.4%). Second popular answer is once in 2-3 weeks (24.2%), and the respondents that travel once in 3 months are 20.1%. Less popular answers are more or once a week and less frequently than once in 3 months. Males and females do not have a lot of differences in their trip periodicity (Appendix 4/1). The results show that the intensity of the trips is relatively high but still, the frequency is not high enough to assume these trips as regular shopping trips for the daily goods.

In some way, trip periodicity depends on customers' transportation abilities (Appendix 4/1). Those customers who have difficulties to get to Kajaani, as a rule, have less frequent

shopping trips. In relation to the income level, there is tendency for people with average income level to travel once in 2-3 weeks or once a month (Appendix 4/2).

The 5th question of the survey concerns customers' decisions to go to Kajaani, not in terms of motivational factors, but reasons driving them to go there (Appendix 3/4).

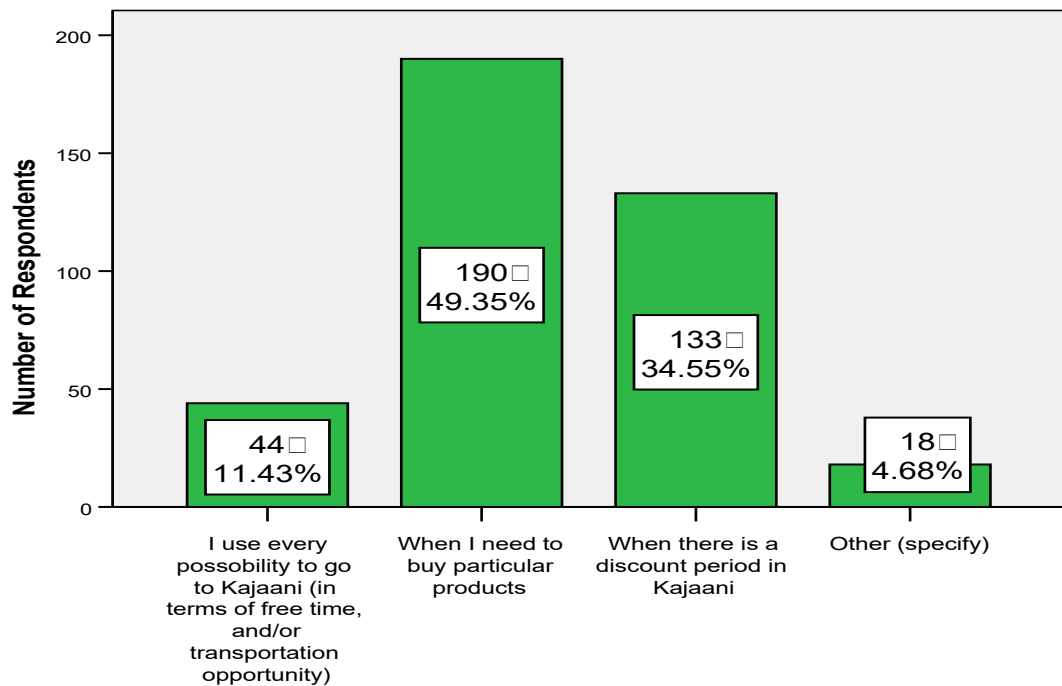


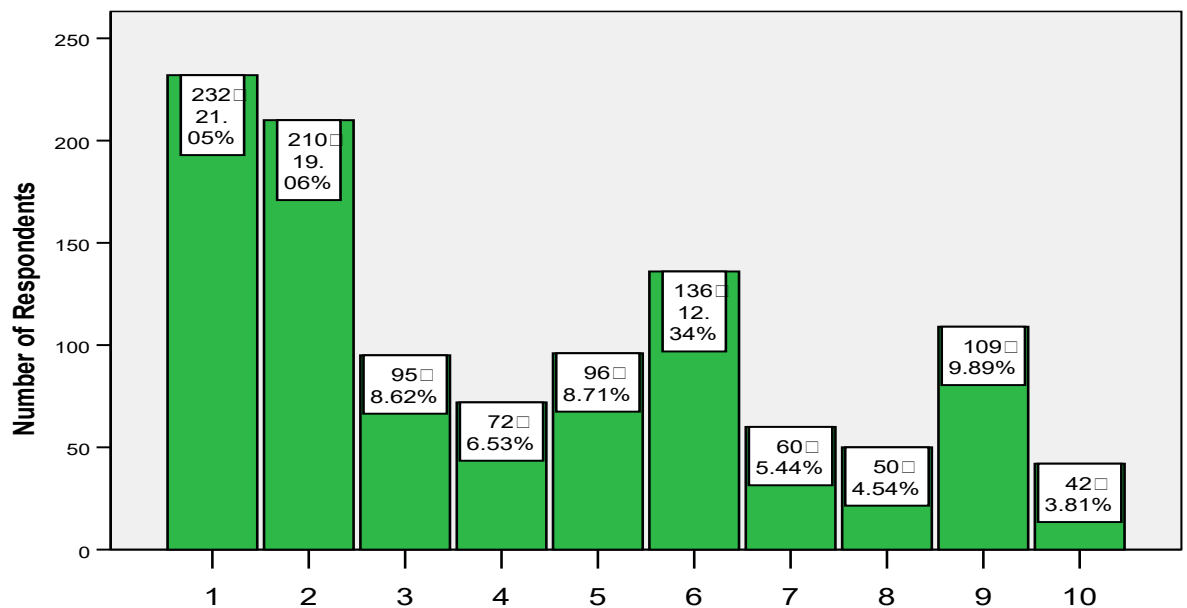
Figure 5: Trip Frequencies Decisions

Figure 5 shows that almost the half of the sample decides to go shopping to Kajaani when they need to buy some products (49.4%), and 34.6% go shopping when there are discount periods in Kajaani.

5% of the respondents marked their own answers where four respondents said that they had come to Finland on holidays like Christmas and New Year, and the same amount said that they had come to Kajaani for shopping when they had decided to visit their friends in Finland (Appendix 5/1).

The respondents were asked to report what products they usually bought during their cross-border shopping trips. The items were classified into nine categories where the respondents could choose more than one category (Appendix 3/3-3/4). Because of the

close location, the Russian people do not have much cultural differences with the Finnish people. Their choices and perception in consuming are rather the same; the customers from Kostomuksha buy a general set of products - groceries, clothes, households, cosmetics, baby commodities and other specific goods. Figure 6 shows products that the customers usually purchase.



Notes: 1=groceries; 2=clothes; 3=households goods; 4=presents; 5=beauty aids; 6=baby goods; 7=electronics; 8=technical equipment; 9=construction materials; 10=other

Figure 6: Goods purchased

According to Figure 6, the most frequently purchased items are groceries and clothes. It is not surprisingly, according to the fact that many citizens complain about the scant choice of the products of these categories and the discrepancy of quality – price in Kostomuksha. 12.4% of the respondents buy baby goods in Kajaani, which is also explained by the lack of variety of baby commodities in Kostomuksha and their high price.

In terms of the gender, the women buy more groceries, clothes, and baby goods, while the men buy technical equipment, construction goods, and electronics. Table 2 in the appendix 5/1 shows what products the respondents purchase except those included in the questionnaire. The results show that footwear, gardening goods, and equipment are not less frequently purchased products in Kajaani.

The respondents were asked if they used services or leisure time activities in Kajaani and its region and 59% answered positively; the further question for this category about particular services and activities they use was asked. Figure 7 indicates the results. 31% visits restaurants and cafeterias in Kajaani and the majority 43% go to Katinkulta swimming pool.

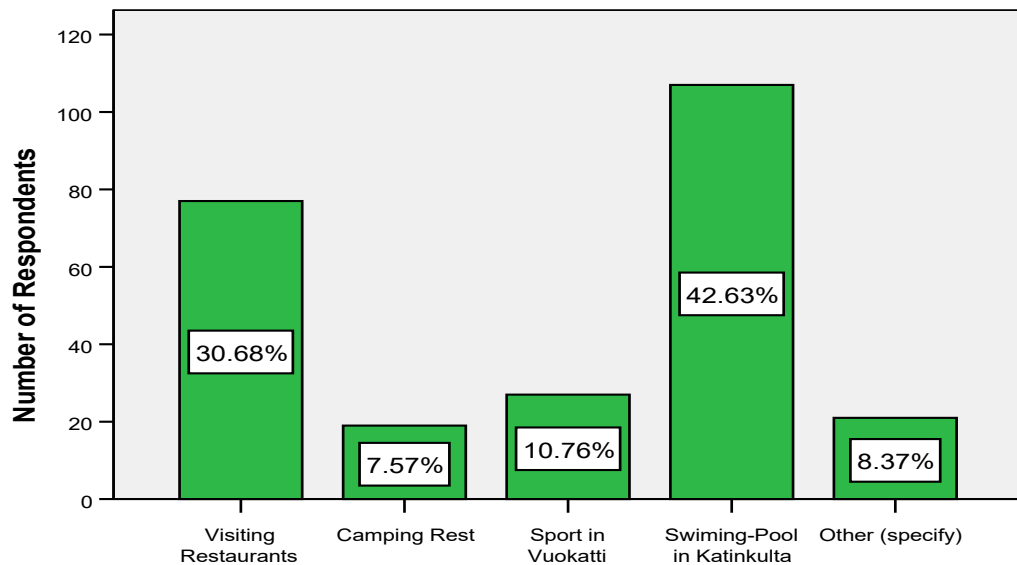


Figure 7: Free Time Activities

The most popular answers in the field for the own variants were fishing, visiting concerts, and car services. In relation to the income level, the results showed that most of the customers using services in Finland had higher income level than those who usually did not buy services.

The respondents were asked if they tended to purchase unplanned goods or make impulsive purchases when there were discounts or special offers and 60% responded negatively, while 40% said they tended to buy unplanned goods. The results emphasized that there was a dependency between gender and impulsive purchases in this manner (Appendix 4/3).

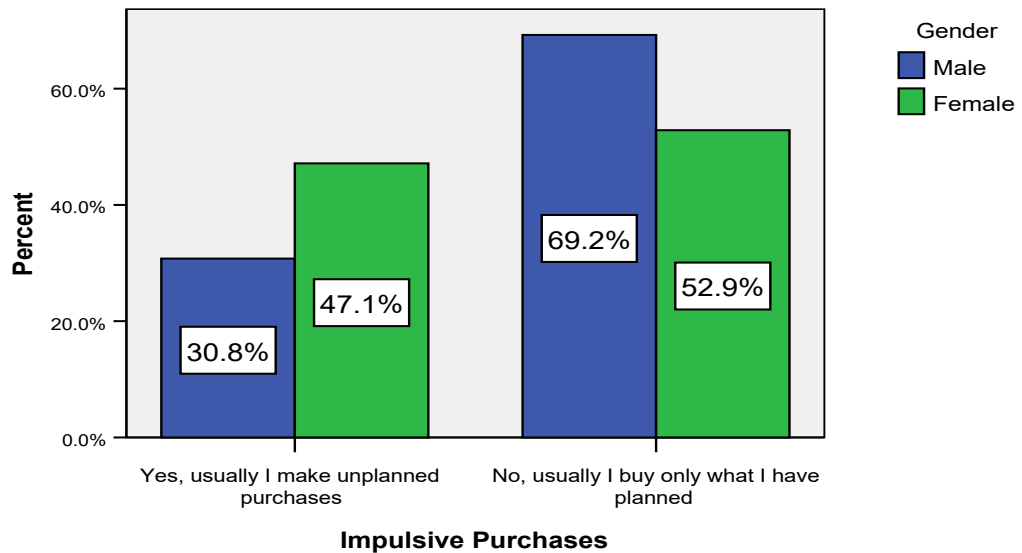


Figure 8: Impulsive Purchases clustered by the gender

Figure 8 shows the dependency, the women (47%) tend to be more impulsive and make purchases because of special offers, while only 31% of the men behave the same way. Moreover, there is a dependency between income level and impulsive purchases (Appendix 3/4-4). The findings demonstrate that the customers with the lowest income level are more likely to buy products just because of discounts, and people with the highest earning level make impulsive purchases less frequently.

The next figure represents the amount of money that customers usually spend during their one visit to Kajaani, the majority of the customers (72%) spend 51-250 Euros. 51% of women spend 51 – 150 Euros during their trips to Kajaani, while the men spend more – 38% spend 151- 250 Euros, moreover, there are no women spending more than 351 Euros, but 11% men say that their expenditure per trip is more than 351Euros. It could be explained that the men comparing to the women usually purchase more expensive goods such as equipment and technical goods.

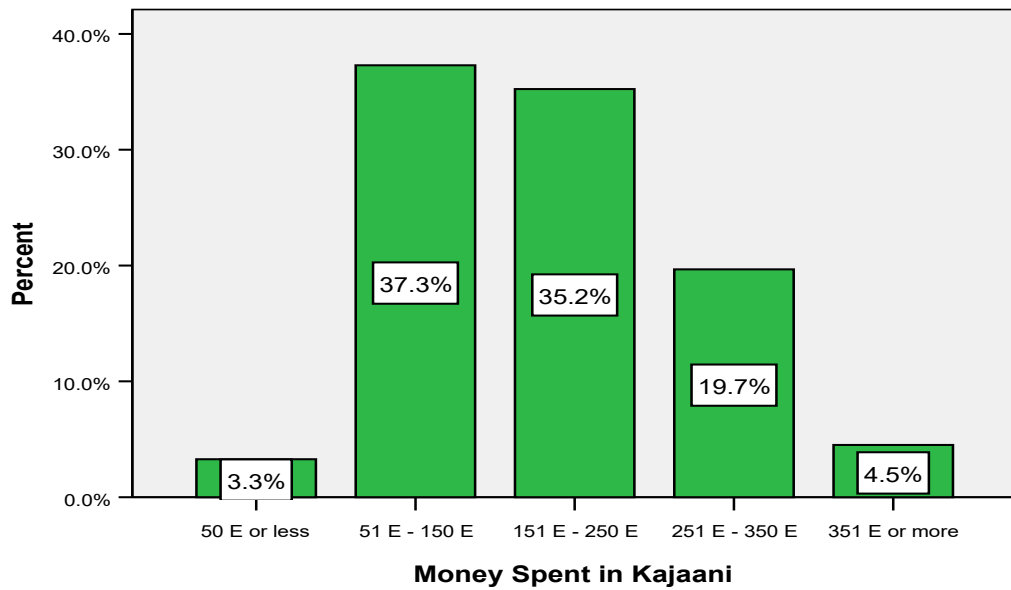


Figure 9: Expenditures in Kajaani

To find out if the customers also go to the other towns in Finland the respondents were asked if they visited other places. The variants of the most expected cities were included in the answer variants. The findings emphasize that 75% of the customers visit more places than just Kajaani. The most popular destination is Kuhmo, 46% visit this town. Because of the close location of Kajaani and Kuhmo, the customers usually visit both places at one shopping trip. The second destination is Oulu (35%). Oulu is more long distance from Kostomuksha, but its popularity can be explained by the variety of choices which is also higher than in Kajaani.

5.2 Motivations

In order to understand motivations for the cross-border consumption, the respondents were asked why they shopped in the Kainuu region, a list of possible motivations was included in the questionnaire: 1) better service of salespeople 2) better quality of products and services 3) lower price 4) goods and services in Kajaani which are not available in Kostomuksha, and a field "other" was included, so that the respondents could point out their own motivation if any.

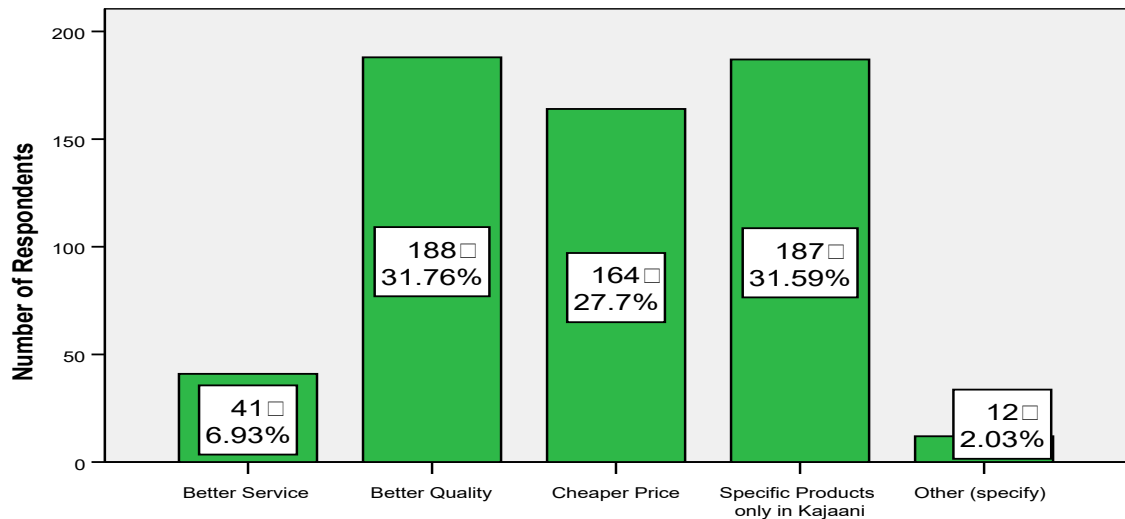


Figure 10: Motivations of Kostomuksha cross-border shoppers

Figure 10 shows that the most popular answers were better quality, cheaper price, and higher variety of products, and only 7% marked better service. The results indicate that competitors in Kostomuksha city cannot perform the expected quality and variety of choice for the customers comparing to the Finnish producers.

Table 5: Specified motivations

No	Motivation
4	Scant choice in Kostomuksha
3	Tax Free refund
2	The sizes of clothes better meet the requirements in Kajaani than in Kostomuksha
1	Products look much more esthetic and neatly in Kajaani
1	Discount periods in Kajaani
1	Change of impressions and relaxing

2% of the respondents have specified their own answers. Table 5 shows the results which represent almost the same reasons – higher variety of choice in Kajaani, better quality, and reasonable price.

5.3 Crisis Influence and Barriers

The empirical research was done at the same time when the financial crisis was at its peak, and also had influenced Russia and Kostomuksha. In order to understand if the crisis had affected people's cross-border shopping and in what way, the relevant question was included into the survey. The results are as follows - 88% of the citizens answered that the crisis had affected their cross-border trips. Besides, the findings show that the crisis's influence touched the respondents of different age at the same level (Appendix 4/5).

Further, those respondents who had answered positively about the crisis influence were asked how exactly the crisis affected their purchasing behavior. The findings indicate that 52% spend less money now and 47% answer they cross the border less frequently than before. Two persons said that they do not visit swimming-pool anymore.

Then the respondents were asked about the barriers that they experienced during their cross-border shopping trips to Kajaani. 84% of the respondents said that there had been obstacles that influenced their trips to Finland. Figure 11 represents the barriers and difficulties that customers face in their cross-border travelling.

The figure emphasizes that the most common obstacle for cross-border visits is the customs regulations. 27% have difficulties because of the foreign language in Finland, and 17% have a lack of knowledge about Finnish shops' working hours during the holidays, discount periods and so on.

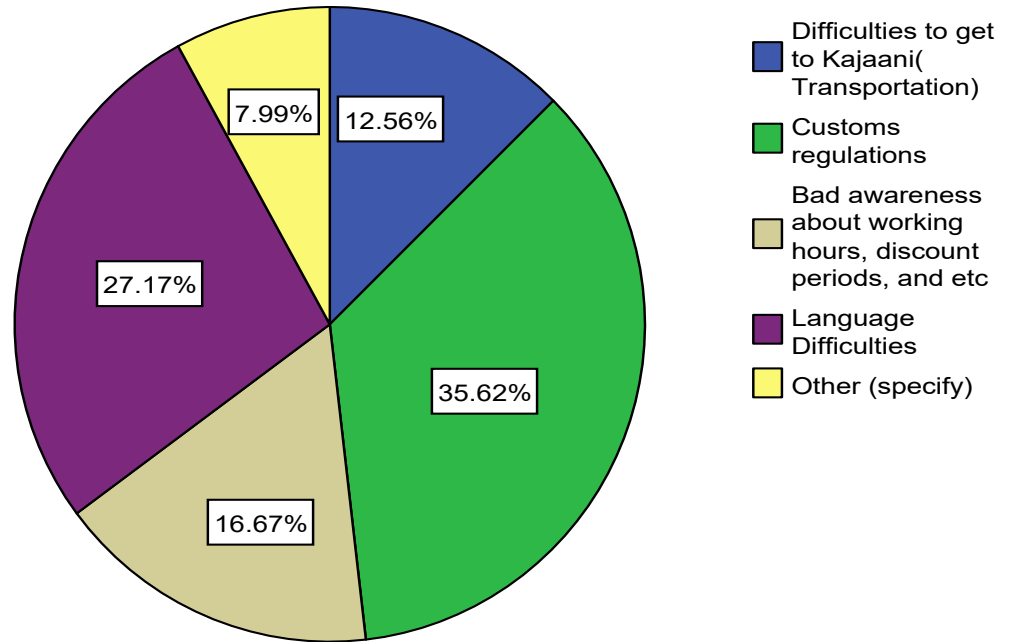


Figure 11: Difficulties and barriers in shopping border crossings trips

The last section in the survey was the optional comments field, 67% of the respondents left their comments concerning different subjects. The detailed answers can be found in Appendix 5/4 Table 8. Many people complained of the customs regulations and its operating. The customers indicated that the working hours of the cross-border points could be extended for more convenient timing of their trips. While the others said that they would like to bring more variety of products from Finland, meaning forbidden ones.

Furthermore, many customers wish that the items in the shops would have explanation in Russian, or at least, in the English language, since it is difficult to understand the characteristics of some products or even find the proper price. Some respondents said that they wished that Finnish shops would have Russian speaking salespersons, since Kajaani is the destination of many Russian customers.

The other tough point is a lack of knowledge and advertisement. Many respondents showed the importance of the advertisement about Kajaani and its region’s shops, sport activities, leisure time services, information about resorts, about discount periods and available products in Kostomuksha. Some people said that they would like to have a

swimming pool in Kajaani, while there is one, this shows that because of the lack of information people do not know that there is such activity in Kajaani.

Besides, the respondents said that they would like to make use of a transportation service between Kajaani and Kostomuksha, since many customers go to Finland by their friends' transport.

6. CONCLUSIONS

According to the conventional standards, international marketing is the marketing principles applied in different countries aimed at international market research and gaining profit in foreign market conditions. But in the modern world such settings have undergone changes and the meaning of borders and governments from the economical and communicational point of view is decreasing. People nowadays more often go shopping to other countries, consume online and find out information about new products through the networks. The international marketing is also evolved in all these changes and reacts to such phenomena as shopping tours, well-informed tourists, consolidation of the Europe, and network communications. In such conditions, international marketing sets an aim to analyze the consumers of other countries and cultures and adapt company's business not only in foreign countries but also in domestic countries in order to attract foreign consumers.

This paper studied the consumption patterns and motivations of the Russian cross-border consumers and shoppers within Kostomuksha and Kajaani and its region, as an attempt to provide insight into the cross-border consumption and cross-border activities. The study was positioned from the international marketing perspective, in this case Finnish companies' involvement stage is not a direct foreign involvement, and their foreign customers come directly to the firms. Moreover, the trade barriers, which affect customers' behavior, exist as in every international trade. The main objective was to get the knowledge about foreign customers and target area, in order the Finnish companies could apply their marketing strategies and planning, taking into accounts this additional knowledge about the Russian customers.

The findings of this study demonstrate that the citizens of Kostomuksha cross the national border for the purposes of shopping and leisure time activities. The findings emphasize the importance of quality and price for the respondents and demonstrate that cross-border shopping and consumption are primarily a rational choice, motivated by the economic reasons such as lower price, better quality, and higher variety. Besides, the study shows

that even customers with not so high income level prefer to shop in Kajaani, and many customers tend to buy discount products even if they did not plan to buy them.

The Russian customers expect better quality from the Finnish products than the Russian producers in Kostomuksha are able to offer. The various products produced by the Finnish companies known in Russia have a reputation for being high in quality, safe and pure.

The findings revealed that the Russian consumers' shopping perceptions in Kajaani vary from daily goods, such as food and households goods, to technical equipment and electronics. This fact proves that Kostomuksha companies cannot offer satisfactory products and services at a relevant price. Moreover, the results show that the shopping activities are often combined with visits to restaurants and other social activities in the Kainuu region which is also the result of the lack of such services in Kostomuksha.

The important finding shows that the customers in Kostomuksha have not enough information about Finnish shops and services activities, the only way they find this out is the word of mouth, and many shoppers would prefer to know more by different kinds of advertisement in Kostomuksha.

Moreover, there are some local competitors and customers who have a choice among various retailing outlets in Kajaani. These companies have to be creative and use marketing strategies to draw not only local but also foreign customers into their stores. It is recognized that the customers from Kostomuksha are price oriented, thus different price strategies approaches could be undertaken. Furthermore, it would make sense to communicate with the Russian customers to keep them aware.

The survey shows that the Russian customers are also interested in the loyal programs and would like to use discount cards which are available in some shops and services in Kajaani. It could be meaningful to make the application forms for such loyal cards at least in English so that the customers could fill them in. Besides, if the Russian customers would use those cards, the Finnish companies could track the customers' personal perceptions and use this information for their marketing purposes. Besides, the applicants' personal information could be used if they would wish to get more information via mail or post.

Finnish companies have a great potential and area for developing since Russian customers go shopping to Finland in spite of the crisis and trade barriers. It would make sense if Finnish companies would better communicate with the Russian customers, by giving advertisements in Kostomuksha, or distributing brochures or special periodicals. According to the survey the researched customers are rather spontaneous shoppers and tend to have weaknesses for the price discounts or special offers, these evidences could be used by the Finnish companies in their marketing planning and decisions.

On the basis of the research outcomes, it is inferred that the customers from Kostomuksha are important target group for the Kainuu region who willing to cross the national border for shopping and who are still wish to be better aware of the Finnish retailing sector. Moreover, there are many potential customers in Kostomuksha who can be attracted and treated by the Finnish companies if they take appropriate marketing strategies to attract them.

The results of this study gives characteristically general view of the Russian customers, for the deeper understanding, further segmentation, and learning specific target groups it would be reasonable to make a further qualitative research.

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