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# Digital Marketing in the Knitting Business with Russia as a Target Market. Case: Novita

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Market. Case: Novita

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### Development of Digital Marketing Campaign in Russian Market for Novita

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Novita is a family-owned company and the largest yarn manufacturer in Finland, with a factory located in Korja. The company is interested in exporting its products to Russia. Despite the considerable advantages of accessing the Russian market, various challenges and difficulties also exist, which can make it risky to enter the market.

The main objectives of this thesis were to collect information on Russia in order to propose an efficient digital marketing campaign plan for examining possible digital marketing channels to help the company enter the target market successfully. The purpose of this plan includes increasing customers' awareness of Novita Company and its products, as well as engaging more customers. These goals could be achieved by using digital marketing channels which are relatively low-risk and resource-saving.

Different research methods were used in collecting data. At the early stage, small interviews were conducted by email and through phone calls with the marketing manager from the Novita group, in order to receive necessary basic information about their perspective and goals. Then, comprehensive investigations on Russia and the outlook of this market were conducted, using a PESTEL analysis and SWOT analysis as tools. The PESTEL analysis highlighted important political, economic, social, technical and environmental issues, while the SWOT analysis presented the strengths, weaknesses, opportunities and threats faced by Novita in the Russian market. Questionnaires were also developed to gather information from Russians. The analysis of the collected data contributed to defining the most effective, efficient and suitable digital marketing channels, to target the potential customers in Russia in the best possible manner. Possible channels were outlined through those research analyses.

Based on the collected results, there is great potential for Novita Company entering Russian market; the suggestions mainly relied on digital marketing channels such as Facebook and Vkontakte campaign.

Key words: digital marketing channels, PESTEL analysis, SWOT analysis, development, knitting

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## 1 Introduction

### 1.1 Introduction and background of the thesis

The idea of this thesis came from the previous cooperative experience with Novita Company, in which a strategic plan was created for entering Russian market in a course study unit. Novita dominates the Finnish yarn market and it is a well-known supplier with high-quality products. According to Susanne Ranta-Kiiski, who is the marketing manager in Finland, Novita has been always planning to expand their products to other countries and making the company become more internationalized. Russia is considered as the prior targeted market. In addition, Novita has had an unsuccessful experience of entering Russian market before since the profit was not considerable, so that despite Russian's geographical proximity, the company somewhat unsure about how to realize its marketing potential. On the basis of the company's prospective, the study is made for proposing an efficient digital marketing campaign plan for digital marketing development.

### 1.2 The purpose of the thesis

The purpose of the thesis is to study and based on that develop a proposal how Novita could expand their business in Russia using digital marketing. The study will to start with by analysing Russia as business environment, i.e how potential the market is as far as the opportunities and challenges are concerned. The next vital research objective is to evaluate the potential of digital marketing in Russia, which assists the audience in understanding what can be achieved through digital marketing campaign with the assistance of modern social media.

The main objective can be concluded as follows:

- to form an overview of Russia business environment based on such critical aspects as cultural, economical, political and social situation
- to design a of realistic suggestions for Novita how to approach the market using digital marketing that are beneficial to Novita Company

### 1.3 Research problems

For the purpose of achieving the previous mentioned objectives, a series of relevant important issues required to be solved:

- is Russia feasible as a target market?
- how is the utilization level of digital marketing in Russia?
- how do social media affect customer behavior in Russia?

- what are the social media that Russian people use most frequently? (evaluation)
- how do handicraft community operate inside of Russia and in what form?

#### 1.4 Research methods

In this research based study both quantitative as well as qualitative methods have been used. Quantitative research is a logical and data-based approach that offers a way to figure out what people think through statistics and numbers. The data for the quantitative study has been collected with the help of a questionnaire. The approach starts from collecting data after people's involvement, afterwards analysis of the statistics will be conducted in order to gathering findings and all data will be put into SPSS for better results. (Business & IP Centre 2014)

Qualitative research methods is more concerned with what people think, how they feel and why they make certain choices. The most common form of quantitative research method is interviewing focus groups relevant to target market and it is used for the aim of achieving better explanation through two-way communications (Business & IP Centre, 2014). In this study face-to-face and telephone interviews have been conducted to collect information.

#### 1.5 Theoretical approach

The approach of searching and selecting literature is suggested by the book "Research methods for business students" (Mark Saunders, Philip Lewis and Adrian Thornhill 2003). To access the wide range of existing knowledge in relevant field, the electronic resources on the Internet and literatures used. The book resources are mainly found from the Laurea Library. As the resources that are available in English were limited, literatures from the Internet such as E-books from Google Book and Google Scholar were collected for broadening the relevant knowledge base for this study. The key search items for both books and internet resources were: digital marketing, marketing channels, social media, cultural influence and customer behavior.

## 1.6 Structure of the study

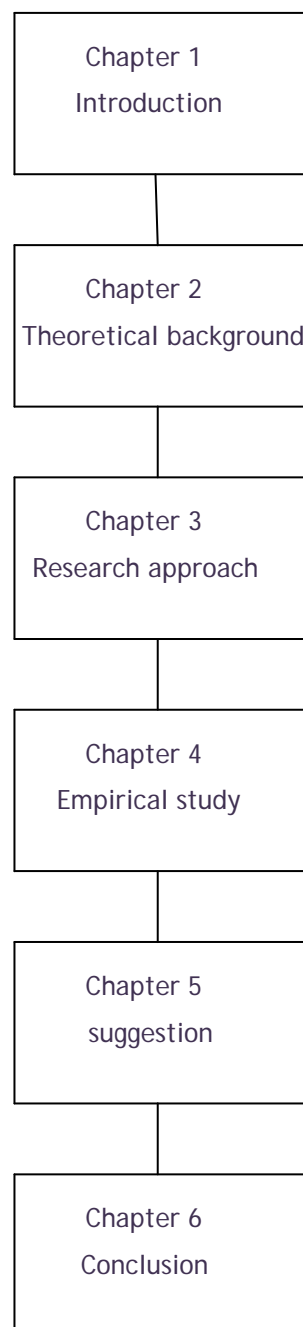


Figure 1: Framework of thesis

The main bond of the thesis consists of six elements which is shown in the figure above, including introduction, theoretical background, research approach, empirical study, suggestions as well as conclusion. Simply put, the main struture can be concluded as "theory+product+conclusion". The theory section starts with general marketing theory, which serves as fundamental background for the whole chapter, and various literatures that linked to emprical study such as digital marektinga are covered in this section as well. The second



so-called section “product” cover description about a series of basic information collection, which provide a clear image of the company profile and country profile. After those, results of researches on hand-knitting market in Russia, social media channels, potential possibilities are presented in detail through data collection. The last but not the least, together with suggestions, conclusion of findings has been placed in the end of the thesis.

## 2 Theoretical background

In this chapter, theories that support this study will be introduced in detail. The section starts with description of general marketing theory as a foundation, since the study paper is connected tightly with the theory, such as social media marketing, which is one part of promotion strategy. Then after the establishment of the basic in theoretical section, one of the main concepts: digital marketing communications is emphasized through describing in greater detail. As the basic element of e-commerce and online advertising for involving customers, digital marketing is thoroughly examined in this section. For the purpose of providing readers with a better understanding of the different possibilities, digital marketing channels are described in detail.

What is more, for the reason that understanding cultures in different regions acts as a premise of all additional concerned areas, the theories in relation to cultural aspects such as Hofstede’s 4+1 dimension models and cultural influence on customer behavior.

### 2.1 Marketing

Marketing is defined as a multidimensional concept and involves a company undertaking the activities associated with buying and selling products or services. According to Kotler (2009), it is the action and process of advertising, communicating and delivering offerings with value to target groups, such as customers. Marketing is also a way of creating and designing products over time in order to satisfy customers’ needs, wants and expectations, many facets and actions are undertaken by companies to generate added value for their customers and stakeholders. To conduct effective and efficient marketing activities, marketing managers and decision makers are required to be able to read customer’s minds; and it is considered as the essential part of marketing. People who work in the marketing department in a company attract attention of target audience through implementing such as package design, celebrity endorsement or social network exposure. For being flexible to changes in different marketplaces, companies need to have the abilities of adjusting themselves for meeting the requirements of customers and changeable marketing environment. (Armstrong & Kotler 2009)

It is important for companies to develop marketing strategies by setting up a detail marketing plan, which acts as a structure of marketing and guides the companies to serve targeted audience in the most appropriate way. There are some variables that determine the success of companies' marketing activities, when companies plan their marketing, the marketing mix is used. Those are known as "Four Ps": Product, Price, Place and Promotion, these factors contribute to dividing companies' marketing actions with more concreteness. (Armstrong & Kotler 2009)

### 2.1.1 Marketing communication

Marketing communication is a fundamental and complex part of a company's marketing efforts. It is described as all the messages and media, which are employed to communicate with the market. Marketing communication is also related to explaining, predicting and affecting customer behavior. In this specialization, the central part is to understand the effects of advertising and marketing stimuli. It helps companies to develop brand awareness. (Armstrong & Kotler 2009)

Companies use marketing communication for two main purposes, one is generating and sustaining demand and preference of products or services on a long-term basis and second one is to shorten the sales cycle. Creating preference is an effort which aims at positioning the product offered by a company in the minds of targeted customers. The goal of establishing preference is to make customers particularly satisfy a firm's products, it has positive impact on market share, profitability and even the access to talent, therefore brings long-term value for the company. (Armstrong & Kotler 2009)

Marketing communication contains different terms: advertising, branding, direct marketing, packaging, online presence, printed materials, public relations activities, sales presentations, sponsorships, trade show appearance and others. (Armstrong & Kotler 2009)

What's more, the following graph illustrates the process the customer goes through when buying a products, which contains: problem recognition, information search, evaluation alternatives, purchase decision and post-purchase evaluation. Marketing communication helps the companies identify approaches for speeding up the process. (Armstrong & Kotler 2009)



Figure 2: Process of buying products

## 2.2 Digital marketing

### 2.2.1 Definition of digital marketing

Digital marketing has contents in common with internet marketing, online marketing or web marketing, but digital marketing is not completely synonymous with those three concepts since it is a broader discipline than others. There is no single definition of digital marketing. The term exists in any form of marketing that is carried out digitally. Digital marketing communication (DMC) can be defined as communication, connection and interaction between a company and a brand with its customers. At the most basic, there is no difference between digital marketing and traditional marketing since both of these two concepts refers to trying to offer the information they need to support the decision on making an informed order from you. What make difference are the channels used in digital marketing. Traditional ways of marketing: such as newspapering and other traditional media are replaced by information technology and digital channels such as e-mail, internet, mobile phones and digital television. What is more, differentiates with conventional forms of media marketing, the uniqueness of internet lie on its capacity of broadening the scope marketing reach and narrowing its focus at the same time. (Michael Miller 2012, Damian Ryan 2009)

Digital marketing communication (DMC) takes a variety of forms; marketing messages can be presented to audiences through different forms of available channels. Customers and prospects can be reached via email, company websites and campaign websites, podcasts and videos, blogs and social network, as well as mobile phones with internet connection. To sum up, there are many digital ways of reaching business customers. There are also some digital marketing forms, which are less known by people such as interactive television and adverts made into games. (Michael Miller 2012)

When it comes to reasons why digital marketing is needed in a business, the first motivation comes from customers. Nowadays, more and more business buyers preferring searching new purchase online. It is not only an effective way of shopping, but also an option, which allows do things quicker and easier. Furthermore, digital marketing continuously enlarged the competitiveness to the potential complexity of any digital marketing campaign for customers. The

last but not the least, digital marketing plays an important role in improving customer relationships, since it creates a two-way communication between companies and their customers. (Michael Miller 2012)

The study paper concentrates on the forms of digital marketing that are carried out through the Internet. (Michael Miller 2012)

### 2.2.2 Components of digital marketing

#### **Website marketing**

Website marketing is the most essential and the most important digital marketing tool utilized by marketers. A website not only acts as a vital part of digital marketing mix, but also operates as a "container" of all online activities and marketing; because the subsidiary components such as company's blog, Facebook page, Twitter feed and YouTube video built through companies' activity on the website. (Calvin Jones 2012)

A website is tightly linked with all information about the company, brand, organization or products. It is the online presence of those items. Websites can help customers find companies and all the information about their work is showcased on the websites; at the same time, contact details are also provided. The internet offer opportunities for creating high potential and more trustworthy customers through improving consumer service. Successful improvements are allowing and supporting customers to give feedback. (Internet Marketing 2014)

The key of website marketing is building an effective website for business. Both the contents and design of a website should be established towards the purpose of supporting the products and services that the company offers to its customers. In addition, a website's contents and design should be matched with all other marketing activities. For example, a similar experience should be given to customers when they access to the website as they so when they view an advertisement in other place. An integrated marketing plan should be established for ensuring everything will work in concert. (Internet Marketing 2014)

#### **Search engine marketing**

In addition to serving as an online home base, websites need technical function. Search engine marketing requires companies' website have the function of search instrument which is specified for business buyers searching topics in relation to their products and services, and meanwhile searching results need to be highly ranked on the website. New potential customers are often attracted directly from Google and other search engines. (Internet Marketing

2014)

Search engine optimization (SEO) is a major factor for website design, content creation and it is a term used for optimizing and featuring a company's website for Google and other search engines for gaining higher position and achieving better awareness on search result page. The higher position appeared in the result page can be achieved through better optimization on website design and contents. (Internet Marketing 2014)

Search results can be viewed as "organic" or "natural". Organic search results are near to the top of the first page so that it is important for Google users to see a company's website in organic search results. The higher position a website in the results, the more it will be clicked, since it is known that researcher and business buyers are more likely interested in the first few websites(which are listen in the search engine) (Internet Marketing 2014)

Search engine marketing is a relatively low-cost activity, because companies have no need to pay for the placement of most search engines. It is also an ongoing tool of digital marketing. Companies can consistently optimize their website to gain or maintain high research ranking. (Michael Miller 2012)

### **Online advertising**

Online advertising also can be called online marketing or Internet advertising. It is one effective way of letting potential business buyers know key information about a company and involving those customers. In addition, it is a broad category that includes various forms of online outreach such as :search engine marketing (SEM), search engine optimization (SEO) and banner advertising. To maximize the effectiveness of online advertising, advertisements appearing in the right place need to be ensured by choosing websites, that can deliver the right audience for companies' products and services. For example, place to put advertisements is in consideration by marketers. (Online Advertising: how to Create Effective Online Advertising 2012)

There are different ways to advertise on the internet, one way which is frequently chosen by marketers called pay-per-click (PPC). That refers to doing advertising with search engines such as Google, Yahoo! and Bing or other major search engines. By using PPC advertising, advertisers only need to pay for a user actually clicks on a banner ad. Another alternative which called cost-per-action (CPA) is a buying method similar to PPC. Differentiates from PPC, the advertiser uses CPA approach is required to pay the publisher every time a researcher has completed a desired action on the advertiser's homepage after interacting with a banner. (Online Advertising: how to Create Effective Online Advertising 2012)

### **Email marketing**

Email marketing occurs when a commercial message is directly sent out to a group of people who use email. It serves the function of maintaining customer relationships. Once a relationship is established between a company and a customer, the former can use email to reach out to the customer on a regular basis. For instance, a weekly or monthly email can be sent out for informing the current specials or new products. In this process, email recipients agree to receive marketing messages and those messages will not be ignored, because customers are interested in reading them. The method called opt-in marketing. (Michael Miller 2012)

### **Blog marketing**

Blogs are tools in which companies used to announce new products, promote products, as well as establish more direct connections with most loyal customers. Through this platform, customers can be familiar with company's employees, as well as to know the internal work of the company. (Michael Miller 2012)

Blogs acts as a promotional channel for a company. It can enhance public relations, and the most effective way to achieve the goal is updating blogs regularly and frequently because this activity helps a company to emerge business buyers to observe new posts. (Michael Miller 2012)

### **Social media marketing**

Social media marketing (SMM) refers to the process of gaining website traffic and attention through social media networks. In order to achieve marketing communication with customers and branding goals, diverse social media networks are implemented in this form of internet marketing. Social media marketing can help with a number of areas that include: website traffic, conversions, fostering brand awareness, creating a brand identity and positive brand association, increasing communication and interaction with key audiences, as well as improving customer service. (Social Media Marketing 2006)

Regarding to platforms of social media, the most common ones are: Facebook, Instagram, Google+, Twitter, LinkedIn, and YouTube. Certainly, there are some social media platforms used mostly inside of a country. For example, Facebook, as the biggest social network in the world, has helped companies to keep in touch with their clients and communicate with them for receiving customer feedback. Users create "friends" or "followers" that they connect with and through own profile page and status updates, Facebook users and businesses are network-

ing with each other. Companies also do advertising on this platform by posting and updating information of new products, tools and services. (Social Media Marketing 2006)

Those platforms need to be known by marketers in order to have better advertising result of using social media as a tool. The strategies of social media marketing need to be developed tailored each platform since various social marketing sites require different techniques. Before creating social media marketing campaign, an integrated plan required to be developed on basis of companies' goals. (Social Media Marketing 2006)

### **Audio and video marketing**

It is known that web-based communication for companies is done with sight and sound through digital videos and audios. Podcasts, which are short audio broadcasts can be downloaded from companies' website or from third-party provider are taken as the form of audio marketing. As for video marketing, it takes digital video as the form such as videos on YouTube. (Marketing Strategy 2013)

### **Mobile marketing**

Mobile marketing is a term of cooperation with mobile devices. More and more business buyers are getting comfortable with accessing related information on their mobile phones. Compared with checking marketing messages on computers, mobile marketing is more time freely because it will not limit customers to computer screen; customers can check it anytime time even anywhere. (Marketing Strategy 2013)

## **2.3 Ecommerce**

Ecommerce (Electronic Commerce) is often thought simply refer to selling and buying through the Internet, such as purchasing from companies such as Amazon. In fact, ecommerce involves not only electronically financial transactions between companies and customers, but also includes mediated non-financial transactions such as requests for further information from customers. Simply put all electronically mediated exchanges of products or information between companies and its external stakeholders. (Dave Chaffey 2002)

## **2.4 Cultural influence**

### **2.4.1 Cross-culture consumer behaving**

It is an act of difference in culture on the consumer behaviour. The motives, concepts, views on the same products by different cultures are universal. Nowadays the global perspective was used widely and in some cases it was followed by successful international marketing strategies. According to Hirschman (1985) the ideological step of American consumer is the detailed analyses of the market information and making personal decision individually. At the same time Europeans are waiting for the promotion and selling results from the companies, that makes their decision more reliable on different aspects.

#### 2.4.2 Intercultural communication

The impact of globalization on the nowadays business market has significant impact. Professor Saint Jacques explains that theoretical concepts of culture changed by the past decade. Currently people should reconsider the usual cultural attitude and be more flexible as the globalization changed the world. Intercultural communication and approach is based on the cultural understanding, it cannot be realized without a purpose. Culture cannot be described as property of individual nation, as humans are living in the same time decade with particular based settings of living. More countries are developing new approaches and methods to create a better environment for different nations. Globalization provides opportunity to develop business and make it efficient by the tools of international enterprise. Many years internationalisation is developing and it is becoming essential to learn understanding the other cultures. (Larry A., Richard E., Edwin R. 2012)

#### 2.4.3 Cultural influences

Developing companies are always aware of new opportunities. Product expansion and growth may demand a product to be introduced on an international level, so company has to be ready for working in intercultural environment. In order to achieve better marketing communication organization has to develop new internationalization and development plans and cultural influences. Consumers based their buying decision based on the cultural flexibility in the company. (Demand Media 2013)

#### 2.5 Customer behavior

The main focus is describing customer behavior on digital shopping in detail. The whole structure consists of three elements: five main perspectives on consumer digital behavior considered by marketers, culture influence on digital marketing and customer-company interactivity. (Philip Kotler 2009)



### 2.5.1 Consumer digital shopping behavior

#### **Perspectives on consumer digital shopping behavior**

When marketing managers make marketing strategies, it is important to understand the factors which have impact on consumer online shopping behavior in order to satisfy their needs and wants. There are five perspectives needed to be considered: the theory of reasoned action and the theory of planned behavior, the technology acceptance model, the theory of adoption of innovations, the trade-off/transaction costs perspective and the perceived risk perspective. (Philip Kotler 2009)

The theory of planned behavior (TPB) works in which customers have positive attitudes towards online shopping. According to TPB, consumers are persuaded that buying the product or service is worth trying because one of their closest friends had successfully experienced it before. Regarding to the technology acceptance model (TAM), it indicates the degree of acceptance in terms of technology from an individual's psychological side. It suggests two variables which are perceived comfort of use and perceived utility separately, to explain attitude towards system-using intention. Those two terms are used to predict consumer online shopping behavior. For instance, perceived utility predicts the competitive advantages are provided by online shopping when compared to offline online shopping. What is more, both of them have positive influence on customers' adaptation of online shopping. The third perspective reflects adaptation of innovation since digital shopping is regarded as one form of innovation. The acceptance of innovation depends on several factors including: perceived compatibility, perceived relative advantage, perceived complexity, friability and observability. Then the theory of trade-off and transaction costs considers how customers make evaluation among different shopping channel alternatives and then make a final decision. Trade-off and transaction costs are taken into consideration when people make a choice. Last but not least, the perceived risk perspective occurs in which consumers face uncertainty and potential undesirable consequences that result from their decisions made on buying behavior. One of the typical examples of uncertainty is a high transaction cost. (Philip Kotler 2009)

#### **Cultural influence on digital shopping behavior**

Consumers' behavioral decisions on digital shopping are influenced by their personal values such as occupation and economic circumstances, personality and self-concept, as well as lifestyles. Marketers who have better understanding with different cultural values can reach out customers easier and more successfully. (Philip Kotler 2009)

#### **Company-customer interactivity**

Interactivity between companies and their customers is of great importance for digital shopping. Two of the most popular approaches of improving interaction between companies and business buyers are used by most of marketers. First of all, marketers are suggested to make companies' websites more "human". The term is defined to facilitate and develop websites' sociability. Furthermore, there are four social cues that serve as powerful marketing tool in website design: language, social role, voice and interactivity. The other approach is related to online personalization, which is the ability of a company treats its customers as individuals through personalized products, service design or other personal transactions. Online personalization can be measured in five strategies which contain product and service versioning, mass customization, one-to-one personalization, customization and reverse marketing. Among these five strategies, customization is the most common-used one. Customization allows consumers modify their products and services on the basis on individuals' preferences on characteristics. This term is tightly associated with customers' needs and wants and it might affect the increase of satisfied customers. (Philip Kotler 2009)

## 2.6 Planning phase

The planning phase requires that, the project manager of the company have to study and analyze before developing activities to launch their business idea. Through collecting information, it will enable the firm has better understanding of its future position in the market place. At the same time, crucial information needed in establishing the business plan can be revealed by using planning phase. (Planning Phase 2014)

### 2.6.1 SWOT analysis

SWOT analysis is a method used for developing strategic business plan through evaluating the strengths, weaknesses, opportunities and threats. The SWOT matrix enables the managers to determine what measures should be taken to reach internal or external objectives. The strengths and weaknesses refer to the company itself, and are originated from characteristics of the business. The opportunities and threats are concerned with external environment. Strengths and opportunities are considered helpful for achieving the company's objectives while weaknesses and threats are considered harmful aspects. (Businessball-SWOT analysis 2013)

### 2.6.2 PESTEL analysis

PESTEL analysis is also known as PEST analysis, which is one of concepts the marketing principles. The macro-environmental factors that the company has to consider, including political, economic, social, technological, environmental and legal factors, are analyzed

through using this tool. Conducting this strategic analysis enables the company has better understanding of market growth or decline, its business position as well as direction for operations. When it comes to more detail explaining, the political factors are coordinated to governments' policies such as fiscal policy and trade restrictions. After that, the economic factors cover the areas such as exchange rates, inflation rates and interest rates. Regarding to social factors, cultural aspects, safety and health consciousness, population growth rate are all contained in this part. Technological factors are in line with technological aspects such as Research & Development and technological change. The last but not the least, legal factors are concerned with various laws such as consumer law, employment law, discrimination laws, while environmental factors take care of ecological and environmental aspects such as climate. (Strategic Management Insight- PEST & PESTEL analysis 2013)

## 2.7 Summary of the theoretical discussion

Initially, concept of marketing was essential part in the theoretical discussion, and it assisted the authors to have conceptual basis since digital marketing is one part of marketing. According to the contents, marketing is a multidimensional concept and companies make investment in the sectors relevant to their objectives. The previous theoretical discussion highlighted the importance of digital marketing especially various components implemented in digital marketing campaign activities. Digital marketing is marketing communication in which information technology and electronic channels are used. There were eight elements described in great detail in the last chapter, including website marketing, search engine marketing, online advertising, email marketing, blog marketing, social media marketing, audio and video marketing as well as mobile marketing. Those channels play vital important role in undertaking digital marketing activities. Understanding cultural influence on consumer behaving is an essential step of when entering a new market. In the previous section, the significance of intercultural communication was emphasized. In order to successfully enter new markets by using digital marketing methods, cultural influence on customer buying behavior need to be considered by marketers.

### 2.7.1 Summary of the theoretical framework

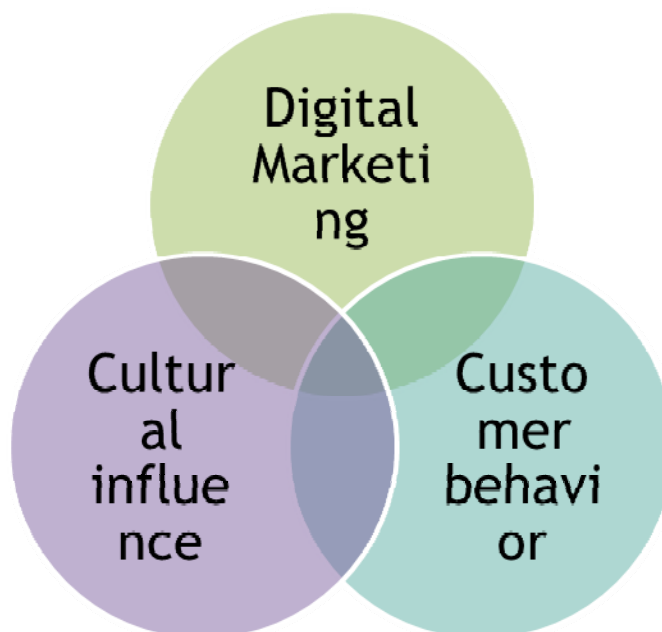


Table 1: framework of theories

Based on the theoretical discussion following theoretical framework can be developed covering the essential overlapping theoretical areas that are vital for this study.

## 3 Research approach

### 3.1 Market research

Market research is an organized effort involves the process of gathering and analyzing information about a targeted market. Market research offers the companies accurate and thorough information about products or services to be offered for sale in that market, and also in relation to past, present and potential customers for products and services. The researched areas are also concerned with characteristics in the market, market needs, market size as well as competition. (Armstrong & Kotler 2009)

Accomplishment of market research consists of several steps, those are: identifying problems and challenges, outlining the decision alternatives, setting research objectives, conducting researches, collecting and analyzing the information, presenting the results and findings, then the last step is to make the final decision. There are many effective forms of marketing research, those are: the in-depth interview, a group survey, public sources, commercial sources and educational institutions. Through market research, the companies can collect relevant data to help them solve marketing challenges in the business planning process. On

the basis of collected data, companies will estimate the group of potential customers, sales volume, market share and other variables. (Armstrong & Kotler 2009)

### 3.2 Market research methods in this study

Both quantitative and qualitative methods were used in this study. On the one hand, two questionnaires were created and distributed online. On the other hand, an in-depth interview was conducted with a Russian resident.

### 3.3 Methodology

For the research, two different surveys were conducted in order to ensure accurate information on the basis of collected data. Data was analysed in the SPSS, Excel and survey analyses software. The first survey is: the Social media preference in Russia, the most commonly used social media concerning to the fact of Novitas digital development in Russia are defined with this analysis. The second survey is: questionnaire of hand - knitting in Russia, in which the status of knitting in the country was researched. This type of quantitative research approach made significant contribution on defining targeted customers, the most efficient marketing channels, customer behavior in line with researched area

Surveys were distributed online till the moment when answers were not changing anymore. In the end there were 100 answerers for each survey and in overall 200 responses were collected. As the target group of people are Russian public the questionnaires were distributed through online Russian social media.

In the beginning online communities on the web site Vkontakte were found, but unfortunately just few members of the groups were answering for the questions, what made the collection of the data more difficult. Then creating a special account was considered as the resolution for the data distribution and surveys were distributed there in public, and many people who were interested in hand-knitting commented the post and answered the questionnaire. For the social media analysis, there was not made a special subgroup and questionnaires were spread to everyone, in order to see what social media people is the most commonly used. Another half of the surveys was circulated through common friends, who are living and studying in Russia. Those people sent the surveys to their friends and asked family members to fill in the application.

The questionnaire of knitting communities was focused on women of different ages and social statuses. As the first questionnaire it was distributed only in Russian social media as: Vkontakte and through friends and their relatives. As the most important point was to find out the age group of people who are using social media, there was big difference and most of the an-

swerers are from the age of 19 to 30. With this age group submitted in the survey, that older people do not use social media often.

The results of these two questionnaire are reliable since all the participants were Russian local people who exactly know well about their country and market. In addition, they are from different ranges of age as well as different gender, and stand for various groups of customers. The following is the findings from questionnaires, it is summarized in two main parts: results of Russian social media survey and results of hand-knitting survey.

### 3.4 Validity and reliability

Validity and reliability both are quite important to research. Validity refers to the degree of accuracy to which a study reflects specific concepts that researchers attempt to measure. It is concerned with the ability of researchers to measure what it is supposed to measure.

Validity is divided into internal and external validity. External validity is about generalizability and transferability of the results in a study while internal validity is more refers to the accuracy of the study was conducted. Compared with external validity, internal validity is more crucial. (The Writing Studio 2014)

There are four types of internal validity: face validity, criterion related validity, constructed validity and constructed validity. The first one, which is applied in this study, is connected with the appearance of a measure or procedure and it is based on the logical connection between research questions and objectives of the study. Criterion related validity is used to demonstrate the accuracy of a measure while construct validity asks for the linkage between theoretical backgrounds and a specific measurement (The Writing Studio 2014). The last but not least, content validity is based on the fact that, the full range of possible answers should be covered in the questions asked.

Reliability is an important concept which is related to the degree of consistency and stability. It is concerned with ensuring the methods used in gathering data lead to consistent results (The Writing Studio 2014). There are several factors that have impact on reliability of a research, which include the wording of questions, the physical settings, the respondent's mood, the nature of interaction as well as the regression of the instrument.

There are four types of estimators that may be encounter in research: inter-rater reliability - the degree to which different observers give consistent answers, test-retest reliability - refers to the repeatability, parallel-forms reliability - the reliability of two questionnaires constructed in the same content, and finally internal consistency reliability - the consistency of results cross items. (The Writing Studio 2014).

The results of research in this study exactly meet the demand mentioned above, those collected data were accurate and reliable since all respondents in the research were Russian local people and the answers that they offered were exactly the facts in Russian market.

## 4 Empirical study

### 4.1 An overview of the case company Novita

Novita is a family business that was started in 1928 and it has grown to the biggest supplier of knitting products especially for the production of yarn. Novita has a yarn manufactory that is located in Korja area in Finland and one million kilograms of yarn will be produced in this place in a year. There is over 100 employees work for Novita Company and their annual revenue is around 25 million euros. What Novita provides to their customers contains yarn and other knitting products, Novita magazines with instructions for knitting and some ready instruction of knitting such as designs of sweater and socks, as well as club memberships. (Novita Oy 2014)

The company occupies 90% market share in Finland and that places the company in a leading position in this business field. Their products are sold through hypermarkets, at the same time, consumers can also purchase from their online store and own store in Finland. What's more, the small size of the markets limits the further growth and that is one of the reasons Novita has always planned to enter international market instead of only staying in Finland. (Novita Oy 2014)

Novita has made full of the media in Finland for advertising and promoting itself. Digital channels and social media have been considered as opportunities for going abroad by Novita Company and this study paper concentrates on research of those potentials. (Novita Oy 2014)

#### 4.1.1 Products

10 million balls are produced by Novita per year along with other knitting tools such as yarns, knitting needles and textiles. Their products are trendy, variable in colors and designs and also in high qualities. The selling of Novita magazines is one of the resources of its revenue and those magazines are produced in order to offering instructions of different knitting styles to consumers. There are 20 different brand names with 150 different colors and shades, which are available in more than 2000 places around Finland. The most famous brands of Novita's knitting yarn products are named "The Seven Brothers" and "The Teddy Bear". Their brand shop is located in LankaDeli in which is in the center of Helsinki area. Furthermore, Novita also offers gift cards to their customers. Information related to the company and their

products are available in their website but only in Finnish language. Purchases can be done through the online shop as well. (Novita Oy 2014)

#### 4.1.2 Customers

In general, for Novita Company, their target customers are women who are into handicrafts. In Finland, The target group consists of women from age 24 to 54. (Susanne Ranta-Kiiski. Novita 2014)

#### 4.1.3 Current market area

Novita operates as a market leader with over 90% market share in Finland. In early time, Novita exported their products to USSR, Sweden and Central Europe. A shop was established in Tallinn in year 1995, which had a really good result for company's turnover, and shops in Saint Petersburg and Sweden were opened after that. Those countries occupied 60% of the market share in terms of exports in overall. The largest selling happens in Finland in current situation. Moreover, Novita also exports their products in some foreign countries, and the main important markets are Sweden and Nordic countries, Russia and the Baltic countries. But the company has not been successful in terms of selling their products in those countries because the export only accounts for 4-5% of their total sales. (Susanne Ranta-Kiiski. Novita 2014)

#### 4.1.4 Distributors in Finland

Instead of concentrating on opening shops, Novita focus on selling their products through different chains. Novita has long-term relationships with big scale of chains such as Prisma, Citymarket, Anttila, Sokos, Lähikauppa, Tokmanni (Tarjoustalo, Robin Hood, Valintatalo etc.), and meanwhile, the small chain shops such as Valintatalo, S-market and K-market are also important for them to cover Finnish market. Those supermarkets operates as partners that providing opportunities for Novita selling their yarn products and magazines. In addition, Novita has its own craft stores in Korja and Helsinki area and flagship retail outlets in Marttatalo in Kampi. Those stores provide face-to-face services to customers which contain not only selling but also solving problems. Furthermore, online store is one of distribution channels used by Novita Company. For a further improvement of on digital shopping services, Novita is now undertaking investment in developing its online store by allowing it in new language. (Susanne Ranta-Kiiski. Novita 2014)

### 4.2 Target country-Russia

#### 4.2.1 General information (Location)



Russian Federation is the largest country in the world by its surface. (Federal State Statistics Service 2013) The country is located in Eastern Europe and North Asia. In the year 2014, Russia enlarged its surface due to emergence of Crimea.

The area is about 17,126,000 million kilometers, representing 11.6% of world surface. That makes Russia become the largest country in the world and it is still growing (countries of the world by area 2014)

From North to south, country stretches for over 4,000 thousand kilometers; from western side to east measures 10 000 thousand kilometers. (General information about Russia 2014) Russia has borders with 16 countries, what is the largest index in the world: in the west with Belarus, Finland, Estonia, Latvia and Norway, in the South east with North Korea, in the South with Mongolia, Kazakhstan, China, Abkhazia, South Ossetia, Georgia and Azerbaijan, in the South west with Ukraine and the Kaliningrad region borders with Poland and Lithuania.

#### 4.2.2 Russian and Finnish cooperation

Among the years Russia is one of the most important partners to Finland. Finland is exporting wide range of assortment to Russia and raises the significant economical increase in countries budget. Russia is one of the fastest growing export markets for Finnish economy, and that makes demand for products and services increase dramatically. Although-, Finland is losing large amount of export on the Russian border due to the strict invoice. In year 2005 Finland was the largest share of exports to Russia among the other European countries. (Simon-Erik Ollus & Heli Simola 2013) Russia is second biggest exporter to Finland after Sweden. Russia's import demand has increased rapidly with large amount of Oil production. The reason of good cooperation between two countries is beneficial location and logistics opportunities. Most of the businesses through Russia going through Helsinki and Saint Petersburg, as both cities are located next to port.

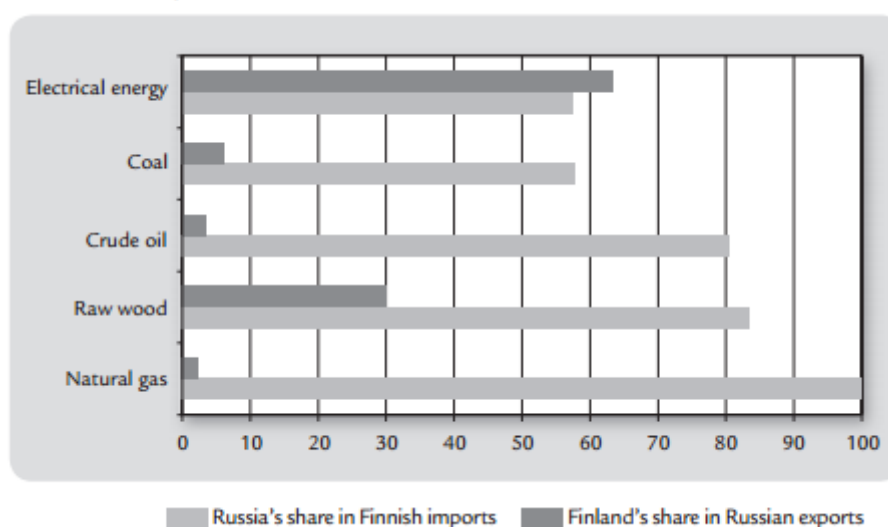


Figure 3: Finland`s share in Russian exports and Russia`s share in Finnish imports in some products in 2005,% (National board of customs 2005)

This table shows the importance for Finland cooperation with Russia as it has significant export production power. Consistent quarters of small and medium sized companies were cooperating with Russia and exported goods through its channels. Small companies had the best profit through making business with Russia, as the demand was increasing despite on minor company sizes. (Simon-Erik Ollus & Heli Simola 2013)

In the year 2000, foreign trade between Finland and Russia started to grow by approximately 25 % each year according to the professor of Aalto University Riita Kosonen. The reason of well-established cooperation among the countries through years is the location of Finland since around 30 % Russian imports are going through Finland to other European countries. (Riita Kosonen 2012)

In the overview, it seems that the cooperation with Russia is demanding and hard realisable, but on the other hand, It is a great opportunity for business expansion because of the nation`s surface, good location and wide range of resources. The millstones of achieving the goal and to have cooperation with Russia are quite demanding and risky at the same time.-Due to the totally different working methodology approach against the cultural background, investments should be made and business opportunities should be analyzed deeply. According to the "Business times" article, there is a big difference between Russian and European methods of doing business. For example Swedish model of business, mainly represents transparency, where working day starts at 8:30 am and ending at 17:00 p.m. Every meeting and conference is distinctly scheduled and clear. Russian way of working is totally different and has to be put more effort than usual. What make foreign companies struggle among working processes, are two negative factors: corruption and bribes (MVA, Business and education 2013)

Russian consumers are very clever due to the big variety and prospects offered by the market. Many businesses have been successful in line with diverse offers, products and services. It is challenging for foreign companies attempting to expand because the difference in legislation system or generally overprotected business operations by natives. The detailed list of potential expanding fields are: Engineering ( machine tools and equipment), Power and energy, Financial services, Airport, Creative industries, Construction , Sports and leisure activity, Rail , food and Biotechnology. (Expanding business in Russia 2013)

#### 4.2.3 PESTEL analysis

Beside of the countries internal analyses, there are different types of other macro- economic issues that may cause difficulties of entering a new market. In order to have high potential and succes deep market research should be done for being aware of all the crucial possibility that may appear during the process. One of the commonly used analyses for that is PESTEL analyses.

PESTEL analyses is a framework used by marketers for deep external marketing environment reasearch that has impact on the company or orgaisation. (Marketing theories- PESTEL analyses 2013) This tool gives a clear understanding of strenghts and weaknesses that used to indentify the target market, as well as scan all the necessary approaches which could be used. It helps to develop opportunities and trends for the new business enviroment, as well as to find main areas which can be controlled by the company. PESTEL letters stands for: P - political, E - environmental, S - social, T - technological, E - environmental, L - legal.

PESTEL analyses will provide a solution of the most applicable approach of entering the Russian market and hughlight the main difficulties.

#### **Political factors:**

This section concludes the detailed information how government mediates the economy. The main issues addressed to: foreign trade, policy, trade restrictions, freedom of press, corruption level, environmental law, safety regulations, political stability, exports, imports and others. It helps to explore the ability of suitable development and predict the competence in the target market area. (Marketing theories- PESTEL analyses 2013)

Russia's government is federation. The head of the state consists of president and executive authority with multi-power system and they are chosen by Prime Minister of State. Prime

minister is elected by the president and the Duma in order to have the charge in case of president absence. The Duma is the lower party in National Assembly, but has strong influence on countries budget and money related issues. The Duma is headquartered in central Moscow. However Dumas authority has limited power, it can make the decision only by voting in the council. Duma has 450 members, who are well-known as countries deputies. Participants are elected by fair votes and qualification. ( R. Darlington 2014) The legislative party is divided into two sides: Russian Federation and Federal Assembly. The upper house in the Russian Federation Assembly is the Federation council, which contains of 168 members. There are 84 federal subjects in Russia and each sends two members to the council in order to take part in political life of the country. (Roger Darlington 2013) Members of the council are known as senator's .After the Soviet Union collapse, Russia was facing difficulties in making country into democratic frame of work.

There are many industrial and administrative barriers that restrains access to the distribution or communication channels. Typical examples are: frequent change in different regional mechanisms, complications in registration and legislation of items or goods and the most crucial problem: corruption and bribery.

Corruption is the main problem of establishing business in Russia. The business environment suffers from lack of transparency in public direction and irregular applications of laws. According to the BEEPS business and business environment characteristics research which was made by the World Bank 2013 and EBRD: examined companies consider corruption is as a major problem doing business in Russia. The public sector is highly corrupted and it is the consequence of state billions of rubles lose. The reason of growth on the cost of new business establishment is the weak procedures of laws and it leads to a damaging way on market competition. Owing to the weak bureaucratic procedures, new founded companies are facing difficulties with legislation and licensing approval. In the year 2013, some restrictions are created in anticorruption law by Russian Federal, and that determines more rigid regulations controlling the business. The law requires all public inhabitants to confirm their income from all the incoming sources and funds. Facilitation payments, presents and other kind of bribery are strictly forbidden. According to the GRECO Evaluation 2013: nowadays, appeared more of active anti- corruption campaigns, which continuously are trying to make country polices more restricted to influence the bribery. In the year 2012 Russia joined to OESR Convection to fight bribery and corruption, thereby made a big step towards observance with international anti-corruption standard. (GAN Integrity Solutions 2014)

Corruption and lack of trust in political authorities continue to lessen the confidence of foreign investors. Based on the Global Competitiveness Report 2013-2014 which released by the World Economic Forum, regular extortion and blackmeiling are shown during business

commitment. As well as bureaucracy is the major difficulty to do business in Russia particularly for SMEs companies. The reason why small and middle sized companies are in danger is that large companies have more resources and networks covered in all circumstances. The great officers of state keep to be unpunished. Political systems are particularly controlled by a number of powerful people. As a consequence of high and unfordable bribery charge, small companies more likely go bankrupt. Corruption and bribery is the cause of weak cooperation between Russia and foreign countries. (Business anti-corruption portal 2014) The common problem is the sudden changes in the legislations, and that causes companies bribery because there is no time for them to wait for acceptance of the new law and reschedule of planned company program.

According to the Investment Climate Statement 2014, owing to possible political influence on judges and the widespread corruption at the courts. Independent and objective decisions are rarely made. Usually foreign businessman in Russia, who have problem with bribery are referring to the International Court of Arbitration in Stockholm. Decisions that taken in this or any other foreign court in Europe have legal force in Russia. (Business anti-corruption portal 2014) Russia signed the New York Convention in 1958, and became a member of the International Center for Settlement of Investment, as well as company may apply to the Arbitration Court of Arbitration at the St. Petersburg Chamber of Commerce, for consideration of special cases. Unfortunattely according to information from the US State Department, sometimes there are problems in the case recognition or efficiency.

At the end of every year, corruption raking is made by all the countries in the world to serve as a reminder of secret dealing and bribery inside of counties. The index scale is ranged from 100 - very clean till 0- highly corrupted, and among the process, 177 countries and territories are analyzed. According to the corruption receptionist index In the year 2013, there was no any country with the score below 50, that illustrated a serious worldwide problem with corruption. Russia's position on the map took 127<sup>th</sup> place from 177 with the score 28. (Corruption receptionist index 2013) First place conquered Denmark with score 91 and last one Somalia with 8 points.

Legislation with the custom is strict and inconvenient. All the documentation and stamps should be prepared in a detailed and accurate way in order to avoid the delay of customs procedure. Changes can be made within one day for increasing bribery and taking more money from the organisation.

The most highlighted situation in this year is the political situation with Ukraine. That makes the most significant threat in order to cooperate with Russia, because of the restrictions and

cut of European exports to Russia. It results in decrease in demand and has negative impact on Finnish market as the cooperation with Russia is quite tight.

#### Economic:

Economic factors represent more detailed research in following area. It may include: interest rates and policies, taxes, level of employment and unemployment, labor costs, impact of globalization, labor supply, inflation and interest growing. What is more, the factors can have a major effect on of Novitas development entering the Russian market. (Oxford Learning Lab Ltd 2009 - 2012)

Russia is the fifth biggest of the economies in the world in terms of nominal GDP. Russia uses the Russian rouble currency. The exchange rate is 1 RUB = 0.017 euro. According to the statistics published by the Federal State, the income tax is 13%, corporate tax 20% and their value added tax is 22%. (Federal State Statistics Service 2014)

According to the Harry Broadman, there is a significant amount of barriers entering the Russian market. The most important one is the lack of innovative market entry for the new enterprises and organizations. There was a survey made by World Bank, out of which were indicated percent of the company ownership, numbers are following: 58% of the firms are owned by the managers, 26% by individuals while 6% by the workers. Mainly dominant operators are small and medium sized companies (SMEs) which are operating in public catering, service section and trading. Small and medium sized companies are employing around 13% of Russian labor force and produce 12% of GDP for the country. (H.Broadman 2000) However a large percent of small companies' operations are unreported when compared with other countries, Growth of SMEs was limited as the lack of information. The most common problem is the unlegislated processes in the country since the money laundered by the companies for hiding expanses. However, Moscow and Saint Petersburg have major account of SMEs. Moscow represents 22% of them while Saint Petersburg accounts for 10%, but other subjects of the Federation calculated as 0.5% for the total amount. Comparing to the national account of SMEs, Russia yields to most of the countries; SMEs account of employment in US is 53%, Czechs Republic 37%, 80% of Italy and 69% of France service. (H.Broadman 2000) In Finland SMEs produce about 50% of the total turnover of all Finnish businesses and 13 % of export revenue. The average number of entrepreneurs is much smaller than in other European countries. The same attempt is with people, who want to start their own organization. (Entrepreneurship in Finland 2014)

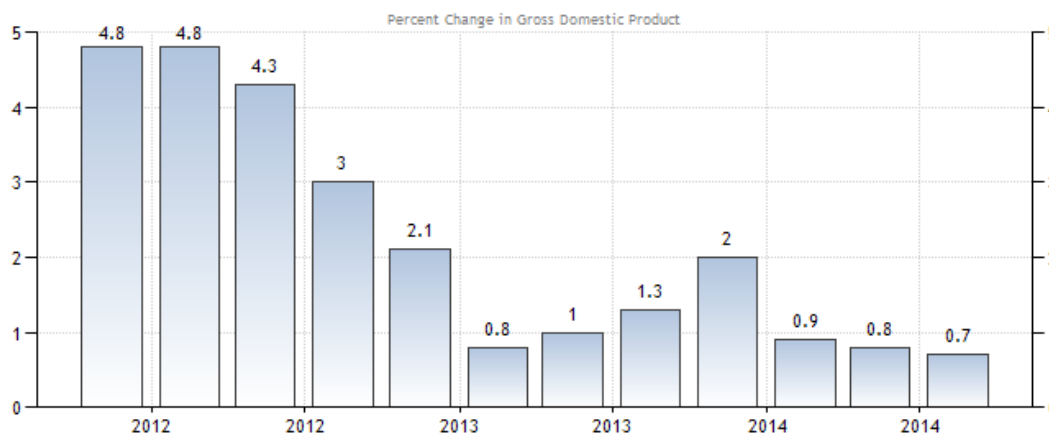


Figure 4: Russian GDP Annual growth rate ((Federal state statistics center 2014)

Table shows the growth of Russian gross domestic product (GDP) in the year 2013 was lower than it was predicted. Although in the year 2014 situation changed, GDP per cent stayed at 0.7% in the third quarter of the year. Average Annual growth rate in Russia is 3.6% from the year 1996 to the year 2014. Russia reached 12.1%, in the fourth quarter of the year 1999, what was the highest per cent of all time. (Federal state statistics center 2014) Economic position is changing all the time, what makes harder to predict the stability of the market position.

There is a threat of exchanging currency between Russia and any other country. To control potential risk coverage, it is highly important to consider a foreign currency's unpredictability. Exporting to different currency market may affect the price of transporting goods, as the price could decrease and provide unexpected profit. Foreign currencies' exchange rate in Russia is more unstable than that in other developed countries as Russia has different scale of sensitivity of market activities. Company should determine currency's value changes over time for being prepared for price changing. (Western Union 2013)

On the basis of the Russia Global tender article: as Russia is one of the fastest emerging countries in sense of having enormous number of technical and market opportunities. Russia, China and India are the fastest emerging countries, which give large opportunity for Eastern Europe countries. This potential increased through decades by the fast growing trades and innovation technologies. (GNU free documentation license 2013) The reason of high prospective is the countries location and size. Nowadays Russia increased number of cooperation with foreign countries and developing network through communication channels.

**Social:**

Social factors represent the culture and attitude of the population. They may include: population growth rates, living conditions and lifestyle, population growth and age profile, social- cultural changes, press attitude, public opinion and work attitude. (Oxford Learning Lab Ltd 2009 - 2012)

The population of Russia is around 145 050 000 thousand of registered people. Due to the fact that 74% of inhabitants live in urban areas and 24% in rural areas, the majority of the inhabitants are located in the European part of the country. (Embassy of Russian Federation 2013). The capital city is Moscow with population of 12,108,300, the second largest city is Saint Petersburg and 4,800,000 million people live in this city (E. Zaznobina 2014) Saint Petersburg is known as the second capital of Russia with port situated in Gulf of Finland, and that makes it become good business partner and main industrial center.

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The average salary index is 303 US dollars what is 8,655 thousand of rubbles, although the revenues are considered much lower than in Europe. Since 2007, the overall incomes in Russia have been increased gradually. Experts are rather optimistic in their forecasts and believe in growth of salary in near future. Financial coordinator Igor Polyakov have faith in that monthly wages of an average Russian inhabitant will reach 500 US dollars in 5 years. (Russian average earning 2005)

Russian people are very friendly and sociable. There are difference in behaviors as the size of the country. Russian person is skilled and hard-working. People's talents and abilities can be shown in different ways. The main quality of Russian people is freedom and that is above everything else. In order to have good relations with Russians, people should appreciate their freedom and time. If a person could build a trust through communication, Russian people are ready to help and make everything for friends comfort. The characteristics of the Russian people is kindness, humanity, the heart and soul elasticity. However security, stability and conservatism is held on a high regard. (V. Vorobjev 2002)

For foreign people, some facts are shocking and not understandable, because of difference in life concept. Russians tend to be pushy and try to get their own slice. Russians might seem



rude and unfriendly in public places, and often are not polite to unknown people. Drivers are very aggressive and might seem that there are no traffic rules applying to Russian people. There might be given different comments and advises, people with direct meaning. Russian people are opened and clear, what makes easy to deal business with them.

Russian people are strong and educated group. They love to go to theatres, operas and cinemas; sometimes they could be too curious about things that are unknown for them. Traditionally Russian people are friendly and soul matters for them a lot. The core values are: respect for the old, children raise, caution, to be as a group, generosity, friendship. Russians usually respect business expertise or foreign businesses and are interested to cooperate with them. They do not appreciate critics towards their country and may react aggressively to the opponent. Although the Russian generation is well educated there are some weak sides in working environment. Workers are not rewarded for their own initiative, but punished to be not dynamic. However, younger generation seem to be more effective and flexible, due to globalisation. Russian language is highly important for Russian people and most of Russians do not speak English, nowadays the number of people who study English is increasing. Young generation understand English language and can speak, however older people, do not know how to apply different language. (Barbara Spier 2014) Language is a common problem integrating business in Russia, to be more efficient there should be done translations to Russian language in any area of network. All websites mainly are in Russian, nowadays language barrier is becoming not that significant and people can see translations to English more often. In order to have strong and well established relations with Russia, foreign people should appreciate their culture and attitude.

Entering the Russian market for Finnish enterprises, it is important to establish well and trustful communication. Beforehand it is better to make a background research of the market and find the best way of communication. Best advice is to have employees with fluent Russian language, in order to avoid misunderstandings and document complications. It may help with personal relationships and precise work between countries.

#### **Technological factors:**

Technological factors may affect the cooperation through the business. Its impact can make a significant development for the certain market area. It may include: new ways of production, distribution and communication the role of internet in society and innovations. (Marketing theories- PESTEL analyses 2013)

Russia`s significant economic growth and quick adoption in technology, receives major accomplishments. The nation is rich with different scientific fields. The advantage of technology in Russia is essential part for the countries national security. In the year 2008 to 2012

there was significant increase in information technology demand. The market interest almost doubled and reached more than 6 billion US dollars. Despite on impressive demand growth index of IT field remains quite low. IT market is only 1.4 per cent of GDP in Russia. Only 14 percent of the IT market capacity is exported. For comparison, to other countries, the fastest growing in the field of IT is Israel with 70% and China 80%. There is colossal difference in the structure of domestic IT practice in Russian comparing to other countries. Foreign companies turnover is from 5 till 10 times more than that in Russia- since lower demand of goods and services in domestic market. (Formation of the IT market in Russia 2012)

The level of information technology is still lower than more developed countries. During recent years, situation has been improved and rapid growth has been identified.

The Forbes magazine article "Russia`s internet use is expanding" declares: the use of Internet increased significantly since 2001 which explains the large expand of innovation technology. According to Sergey Navalny, it is shocking information of rapid change in using internet by Russian people. Comparing the situation is 2001 with that in 2013, more than half of Russians use internet once a week. For American people that number might seem not so visible as their usage is twice bigger.

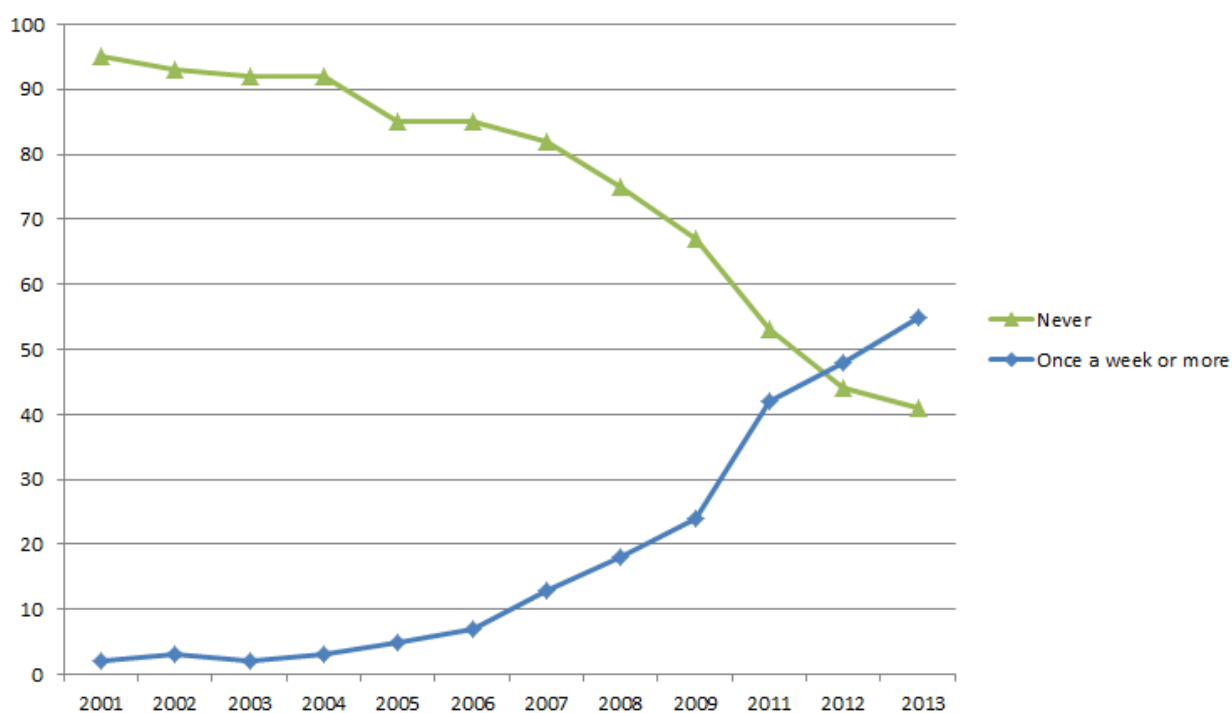


Figure 5: How often Russian people use internet. ( Forbs, 2014)

The table indicates rapid growth in technological progress that is the essential matter for future elopment. From hundred people, around 55 use internet once a week or more in 2013, while the number was only around 2% of all citizens in 2001.

In the past years, Russian government were restricting material for national citizens for hiding some facts and make people believe only to accepted material. For the purpose of getting information, the majority of people were watching television. However now Russians are aware of the situation in country and what is going on outside. Russian society are using internet more than ever before, most of the people go online every day for checking social network and news. However, even currently television is the most popular source of information for Russian people. (Forbes 2014)

#### **Environmental:**

Economic factors have become more relevant to political factors and changes. Nowadays it is one of the most important parts of business because of material extension and changes in climate or pollution. More consumers are expecting environmentally friendly material and sustainable source. (Marketing theories- PESTEL analyses 2013)

Because of the enormously large size Russia has several climate conditions in different parts of the country as well as 11 different time zones. The dominant is continental climate, which is mainly in European and North Asian part except Tundra. Due to influence from the Pacific Ocean, winters are very cold and summer usually dry and short. Cities in Northern area such as Siberia or Yakutsk have sub-arctic climate, where temperature in winter can reach  $-55^{\circ}\text{C}$  or  $-78^{\circ}\text{F}$  with short summer. Over 45 % of area in the country is covered by forests, 13 % by arable land, 4 % by water, 19 % by grazing land and 19 % by other. Because of the arctic climate, Russia had difficulties with the logistics, through the traveling and shipping items.

Significant climate deviations in various parts of Russia, the grounds of changes are air pollution and coal- fired electric emissions are observable. Oil and gas extractions: causing visible problems to nature and humans. In 2012, Russian suffered a severe heat wave which was followed by global wheat export increase and restriction. (Pwc 2013)

Russia provides large airstream power possibilities with the mountains and seacoasts giving greatest energy power potential to the different climate zones. What enables Russia to have a great opportunity and prospects in various fields of business is that Russia is one of the world's richest country of producing raw material, natural gas and oil. The production of gas and oil is equivalent to 20 % of the world's production, and it contributes to allowing Russia become an important partner and exporter of natural materials. (U.S. Library of Congress 2013) Russia is independent country with own energy and large scale fuel exporter worldwide. Gas and oil retailing is the primary currency earnings for the country's budget. Russia is operating worldwide as a result of the potential opportunity brought by wide range of resources.

**Legal:**

Regarding to legal factors, safety, consumer rights, polices, rights and laws and product safety are the main elements. These factors decide the political environment along with different laws and legislations in international market. (Marketing theories- PESTEL analyses 2013)

Russian legal system is based on civil law. In comparison with Soviet Union, nowadays Russia changed various laws and regulations for being equal with the new regime. The new law is more methodical and market oriented, through it is totally different from Nordic system. The new Russian law is mainly based on legislation, but it still weak and not fully trustful. The high corruption rate makes to consider foreigners to invest money in this country. In order to attracting more investors, government made the same rules for foreign and national stakeholders. Though, there are some variations, where foreigner must have improvement- to establish the business in Russia. Mainly those strategies include concentrating the investment of foreigner in the most needed sector. There are also some restrictions in expenses and ownership. According to International Economic Analyses - there are needed changes to reduce corruption and become more opened to foreign investor, as this would increase the budget in the country. (International Economic Analyses 2013)

Unfortunately there are many legislations, which may affect entering a new business in Russia. Government of Russia tries to bring modern standards for market development by Europe standards. Russia was approved to become a member of The World Trade Organization (WTO) on 16<sup>th</sup> of December 2011. Accession to WTO makes easier to enter Russian market by foreigners as the lower restriction on import tariffs and custom checking. Changes also made in quotas for attracting international investors and exploring opportunities in opening new branch offices. Russia's membership in WTO created more transparency and flexibility. (Hammond 2012)

The Foreign Investment rule regulation states that foreign investor should be treated in the same way as the local shareholder. In order to protecting Russia's constitutional system, restrictions and special regulations also are made in detailed description. (Hammond 2012)

Recently some changes are made on immigration laws in Russia. Now there are more possibilities to get Visa to Russia, and that brings more foreign employees for the country. Followed by the increase in the economy: through the foreign direct stock investment. (General Visa information 2014)

Currently Russia is interested in expanding businesses in different countries, this act is monitored by changes in legislations and polices. Nowadays it is much easier to cooperate with country than 7 years ago.

#### 4.2.4 SWOT analysis of Russia based on the Pestel study

SWOT analysis draws the overall evaluation of Strengths, Weaknesses, Opportunities and Threats. With help of this method it is monitored the external and internal marketing environment of certain area. (P.Kotler, 2009. Pp.101-102) SWOT analysis can be completed for market, company, product or any tool, which should be improved and examined. In this case there will be analysed Russian market as the main topic. In order to be aware of threats, that might be caused creating business with Russia.

##### **Strengths:**

Russia is rich with wide range of opportunities for business development. The most important are the emergence of middle class, large natural reserves: oil, gas, coal and minerals, high potential of education growth, established infrastructure of retail insurance and enlargement of cooperation with foreign investors. (Expert Ra 2013)

The fact that Russia had economic crisis in 2009 made a significant change in economy of the country. There were made new laws and regulations in order to control the budget sustainability. Russia is developing country which has large export impact on Eastern Europe market. Legislations are becoming more flexible for foreign investors, what makes market to expand and grow rapidly. The education system is increasing with enlargement of innovative systems and language opportunities. English language is expanding and more companies require employees with high level of English. (C.Dahlman 2003)

Russia has one of the best education systems in the world with 98% of literacy rate. Currently there are more than 1000 Higher Education Institutions with approximately 2, 763, 00 enrolled students. Nowadays there are made special international programs, where students go abroad to improve their language. (Education system 2012)

Technological progress involves new methods of organisation. Russian people started to use internet technologies more than In past decades. That is the cause of translation web sites to English. As there becoming more foreign investors, the ability to translate web pages from Russian to English might lead to break down the language barrier what separates e-commerce and social interaction among the countries. (The economist 2010)

### **Weaknesses:**

In line to strengths, weakness of the country makes crucial reflection to the overview. Main weak points are: weak purchasing power, high criminal and poverty rate cultural difference, political problems, corruption, limited access to foreign countries, poor investment approach, and weak financial investment. (C.Dahlman 2003)

After the fall of USSR (Union of Soviet Socialist Republics countries) country is still living in the same regularity. Even through regulations have changed, but there is high level of poverty and unemployment. Corruption and bribery rate ranks as 127<sup>th</sup> of 177 countries worldwide. (Corruption receptionist index 2013) Foreign investors are more in secured than local businessman. Laws and regulations are changing rapidly and in order to secure companies, investors have to give bribes.

Even through progress of the English language in the country there are still not that many people who can understand. Russian people rate native language very high and do all the operations and business in Russian. Establishing a new market it is crucial point to employ Russian speaking people, to avoid the misunderstanding.

Excessive bureaucracy is the next weak point. All the documentations have to be done in different forms, which are required by different institutions. The outline may change by different people and it is not checked by government institution. The reason of that is additional way to make money. The company owners cannot spend a lot of time on all the time changing documents, so bribery is the only way. (Russia economic forecast 2012)

The cultural difference also may affect the working ability, as there are different approaches in doing business. Russian people may seem aggressive towards future development as they are more interested to work by verified methods. It might be challenging to show new technics and can take some time to make them used. (C.Dahlman 2003)

Russian way of cooperation mainly based on networking, what is the object of low level of employees knowledge. Mainly work can be found through friends or connections even without certain degree certificate.

### **Opportunities:**

As Russia is a large country with fast emerging resources it is a big advantage to have own business there. The core opportunities are: internationalization, globalisation, growing

interest in the insurance industry by the state, low cost airline carries and reforms the high education to market needs. (C.Dahlman 2003)

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Currently there are developing improvements in legislations for foreign investors as well as simplification in visa requirements. Government is interested in cooperation with different countries and try to reduce high bureaucracy level. (The economist 2010)

Education level develops to more international and students are supported to go abroad to develop their knowledge. Universities have advanced level of language learning opportunities and are changing education system based on the worldwide market needs.

#### Threats:

There are major threats entering the Russian market, which might be caused by: high criminal rate, falling oil and gas prices, volatility in global financial market, lack of regulation supervision and racket. (SWOT analysis of Russian market 2012)

Since the oil prices are decreasing it is the major problem for Russian budget, as the lower it will be the less potential customers. A large amount of gross domestic product in Russia depends on the export of oil and gas, what causes the major threat.

Political factors are causing problems, where investors are scared to entry the market due to in secureness. The civil war with Ukraine restricted exports from Russia to Eastern Europe countries as Poland, Latvia, Lithuania and more. That affecting the relationships among the country`s and business cooperation. ( U.S. Commerce Department Expands Export Restrictions on Russia 2014)

The criminal rate is still high. Majority of reported crimes are mostly pick-pocketing and cheating in business fields. (Russia 2013 Crime and Safety Report: St. Petersburg 2013) Bribery and corruption rate are limiting the countries safety rate among the country.

#### 4.3 Knitting in Russia

Simply put away, Russian people are quite into hand-knitting, which is an advantage for Novita to enter Russian market. In addition to this, sharing knitting experience has been one part of Russian people's life, and they have their own way of knitting in terms of techniques, which makes Russia's knitting culture differentiate from other countries. In order to analyze Novita's strengths, weaknesses, opportunities and threats of entering Russian market, a SWOT analysis also has been conducted. What's more, for achieving better understanding with possibilities in Russian market, important factors that have impact on expansion of Novita's business are also presented in this section, which include fashion and style in Russia, Russian marketing channels as well as utilization of different social media.

#### 4.3.1 Knitting skills in Russia

Initially, in Russia, people use their unique traditional technique which is one part of the nation's knitting culture. Instead of using fingers to cast on stitches, Russian casting-on knitting technique relies on the grip of the needle (Traditional Russian Knitting Techniques, 2013). There are few ways for Russians getting their knitting skills. For instance, lessons of teaching people knitting skills are available either in form of online videos such as YouTube or courses at school in Russia. At the same time, Russian people also enjoy sharing experience of knitting in communities such as forums. It is commonly thought that sharing and discussing on topics related to hand-knitting contributes to development of skills. (Knitting in Russia-Tess travels 2013)

What's more, knitting is regarded as a bonding experience in Russia. Yarn is sold in very cheap prices that it is less expensive to knit sweaters than buy them. Females in Russia usually learn how to knit at some point in their life. (Knitting in Russia-Tess travels, 2013) There is a big group of potential customers since knitting is popular in this country. Moreover, one of the evidences which proves Russia is a good market for exporting yarn products relies on Russian people are confident with their national economy. Spending money on Russian cold weather including necessity such as accessories such as gloves, hats and scarves, is accounted for a big proportion of their budgets. (Trying to understand Russia 2011)

In addition to manufacturing yarn products in domestic industries, importing yarns from Asian countries especially in China also contributes to satisfying demand and ensuring sufficient supply of yarns products in Russia. When it comes to the field of marketing in Russia, it is an important but difficult mission for businesses. Unlike other European markets, most of firms in Russian market are not used to ready-made and well-defined distributions channels since there is no integrated marketing concept in this market. Another barrier for entering Russia market is that Russian people rarely use ecommerce such as online shopping which leads to



small internet potential (A glimpse of Russian's advertising and marketing 2011). For that reason, it is important to establish a detail plan before entering.

In regard to competitors in Russian market, there are 29 different main suppliers of yarn products. Most of them are located in central areas such as Moscow and St Petersburg (Russian Yarn Supplier 2014). Those suppliers' responsibilities are making sure the supply of yarn products in Russian market, as well as generating revenue by exporting their products to other countries. There are also manufactures from Asian countries especially from China. In Russian market, the largest manufacturer of yarn for hand and knitting machine is called Troitsk Worsted Factory, which was found in 1797 and is located in the central of Moscow (Troitsk Worsted Factory 2014). Troitsk Worsted Factory is the most powerful and typical example of how knitting business operates in Russia. In Russian market, the largest manufacturer of yarn for hand and knitting machine is called Troitsk Worsted Factory, which was found in 1797 and is located in the central of Moscow (Troitsk Worsted Factory 2014). Troitsk Worsted Factory is the most powerful and typical example of how knitting business operates in Russia. The company engages their customers through launching different campaigns, such as come competitions related to design of hand-knitting stuff and people who win from those will get prizes. This is considered as one of the loyalty programs by the company. (Troitsk Worsted Factory 2014)

#### 4.3.2 Fashion and style in Russia

Fashion and style in Russia varies from regions across the nation's enormous landscape and its mix of urban and rural areas. People in Russia have their own sense of style and more emphasized on warmth and bright colors (Russian Clothing Styles 2014).

Regarding to the field of handicraft, one of the most important classic symbols of Russian handicraft is called Orenburg Shawl which was originated in 18<sup>th</sup> century in Orenburg area. It is considered as a typical example in terms of Russian style in hand-knitting stuff. The other famous ones along with Orenburg Shawl include Tula Samovar, Gzhel, Palekh and Vologda lace. The well-known Orenburg woven shawls are completely made by hand. It is known that people in Russia are quite demanding on the quality of Orenburg Shawl especially the raw materials-yarn that is used to make those products. The main products of Orenburg Shawl, scarves, tippetts, and cobwebs are all knitted by hand and they are durable in wearing, warm and original. Each woman in Russia makes their own shawls with their own styles and patterns, which makes each shawls is different and unique. Russia is a nation with cold and long winter, so that women used to wear shawl every day especially in north area. (Russian crafts 2014)

The knitting stuff with various types in Russia are well-designed and in high-quality. A main reason why hand-knitting is very popular in Russia is that people in Russia seek special and unique design for those products. (Russian crafts 2014)

#### 4.4 SWOT analysis of Novita thinking of Russian as target market

##### 4.4.1 Strengths

Novita is a powerful family enterprise with a long successful history in knitting industry in Finland, which is seen as strength when entering a new market. Another competitive advantage is that the company is knowledgeable in the area of knitting. Furthermore, Russian people who appreciate Finnish products, come to Finnish stores to buy those stuff, and it can be used as an advantage when Novita entering the market.

##### 4.4.2 Weaknesses

When it comes to the weaknesses of Novita, the vital one is that all information about the company and its products offered on the website, social media pages, online knitting communities, Novita's magazines, knitting instructions are only available in Finnish language. It is important to translate all information to their language rather than English since the majority of Russian people cannot speak or understand Finnish or English.

##### 4.4.3 Opportunities

At first, one of the opportunities for Novita exporting yarn products relies on the cold weather in Russia, which may bring a big potential demand for those products; and meanwhile, knitting is popular in this nation that has the same influence on demand of yarn products. What's more, Russia is a large and powerful country, and it enables Novita to gain more publicity if it can enter this large market area successfully.

##### 4.4.4 Threats

One of the most important threats of entering this new market is that the cultures between Russia and Finland are totally different, which makes Novita threatened since it has impact on acceptance of their business concept and operational model by customers. Furthermore, there are many strong competitors in line with the same business field, which is considered to be threat for entering Russian market.

#### 4.5 Marketing channels

Russian people have diverse approach of providing marketing material. The delivery tools are different from European style. Russians try to analyse consumer groups and provide for each individual their own approach. Nowadays advertisements and marketing channels are developing and Russian people are not the exception. Each year there are different festivals for the advertisement companies where are researched the most successful, well designed, attractive, creative and social advertisements, where Russia takes the first place. (Brand region in Russia, 2013)

There are different ways of marketing channels, which could be totally not understandable for European consumer, but in large country as Russia with their multi culture it works well. To conduct the description there are contrasting advertisement approaches: television adverts which has high popularity among different ages of consumers, the video can preserve any kind of information as people have the opportunity to see, hear, and feel the suitable material. Next is radio advertisements as the big population of people are listening to the radio every day, the most common time for radio listeners is the way to the work and after work, as the traffic jams is the crucial Russian problem, people are staying in the jams up to 3 hours per day. The popularity of the radio was raised from the year 2000, when people could hear it everywhere in the car, buses, hospitals, and salons; the most positive thing about radio is the free use and no fees.

Followed by radio, goes printed press. Russia is the country of books, literature, newspapers and adverts. Newspapers and adverts lately counted as the most efficient way of marketing tools, it has a great demand among the reading population as the information delivery method. In reference magazines commonly are divided to subgroups, they are made for different target groups as: for parents, sports, garden, businessman or the fashion world. Usually the most efficient are magazines which refer to special category. It ensures the advertisements to hit the right target audience. (Brand region in Russia, 2013)

Next way of marketing is external or outdoor promotion. This method may appear as: billboard, poster, flyer, print, placard, displays, roof installation, transport advertisement and many more. This diverse and multifunctional way of advertising creativity in Russia which makes the promotion opportunities wide and creative.

Promotion in terms of hand- out material has the significant influence. Walking around the city center in the working hours, people might collect from 5 to 15 flyers or prints. (Marketing information in Russia, 2014) The variations are starting from leaflets, brochures, catalogs and ending with company pens, mugs, t-shirts, notepads calendars or covers for the mobile phone

with organisation logos and information about the company. This method is widely used as people like to have free products, which they can use in everyday life.

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The only issue is the Russian language; people are using usually only domestic websites where language is local. Banners and online advertisements are working well. For Russian people the most important factor is the design and the appearance of the advertisement.

The Brand Region conducted a research for the biggest cities with high potential advertisement campaign. First city is Moscow with the population of 10 million people, second goes Saint Petersburg with 4,5 million and third Novosibirsk with 1,5 million people. These three cities have the strongest marketing approaches among the country which are spread all over the country. (Brand region in Russia, 2013)

The most common way of company's promotion is: refer to the marketing agent company. Marketing agent company is the organisation of creative team people, who are using media resources in order to attract more people to new established companies. They carry the promotion of goods and services of the customer or service bringing the high potential interest for consumers. There are two different categories of advertisement agencies: creative and media agencies. Creative stands for creating and producing adverts and media outlooks for distribution. Also there are many agencies offering different ways of promotion as : interactive marketing , communication design , event-marketing, branding and so on.(Bradberry advertisement, 2014)

New established company in Russia has to have well based structure and creativity in order to avoid the broad competition market. The most commonly used is the Internet distribution of files and information.

#### 4.6 General analysis of social media in Russia

According to the com Score Data, Russian people use Social media more than other nationalities. Based on the conducted research Russians are the heaviest social networkers worldwide. In August 2010 74.5 % of Russian population what is approximately 34 billion

people visited at least one social media web site per day. With the average 9.8 hours during a month per one visitor. Russian people spent twice more time on the web than average European which has 4.5 hours per visitor on the social network. After Russia goes Israel with an average 9.2 hours and third Turkey with 7.3 hours per person. (ComScore Data 2010)

In the year 2013 there was made a project with the most widespread social media analyses. Research showed that currently there are 53% of the Russian population are checking their social media web sites once a day. Every six months the percentage is increasing. The most popular social network in Russia is Vkontakte.com each month it has around 50 million visitors. The web site is translated to different languages, so everyone can use it. Second place has Web site Odnoklassniki with 43 million visitors per month. The third place is taken by Facebook with 28 million visitors.

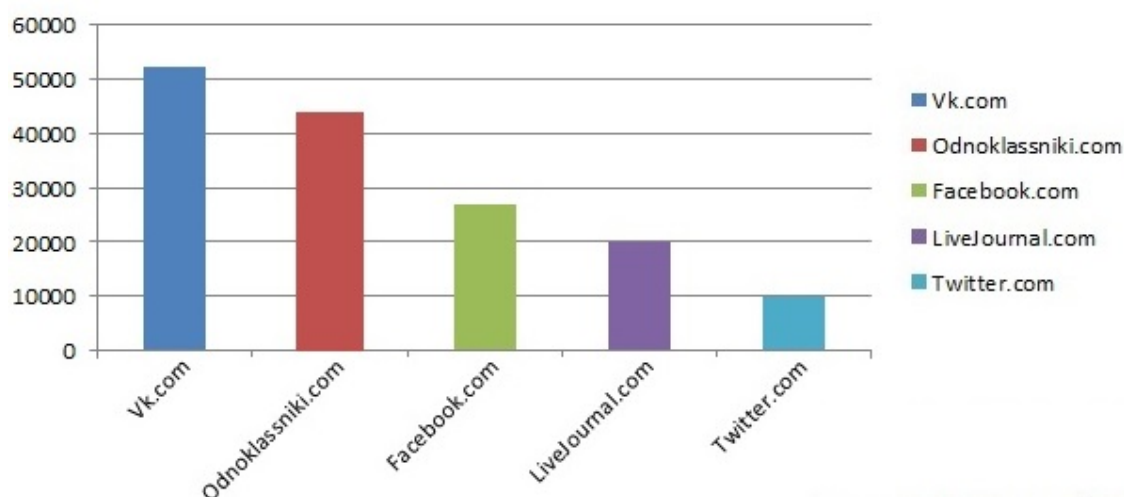


Figure 6: The most popular Russian social media (Social Network in Russia 2013)

The amount of opened messages and shared documents in Russian language rose up almost in one and a half times comparably with the year 2012. Each day is published 10 million posts, comments, tweets and other public messages. (Social Network in Russia 2013)

Weekly average number of visitors in May 2013:

Vkontakte web site is the market leader and is used more commonly than Facebook. This platform contains: file sharing, different site communities, advertisement, pirated music, videos and movies, which can be downloaded and used by everyone, games and more. The web site was launched in the year 2007 and is the major competitor to Facebook, as it is used by Russia and Russian speaking countries. The most active user are students and young people. The Vkontakte when site claims, that 60% of their users are people over age 25. This platform is still developing and more people are becoming members of the web site each year. Big number of users have Vkontakte website opened on a background while listening to

music or watching movies what is the cause of the raise in usage of the site. (Social media in Russia 2010)

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Second largest social media is Odnoklassniki which emphasizes on sharing pictures with schoolmates. It was founded in the year 2006 and is the part of Moi mir platform. It gives opportunity to rate pictures, to see who viewed your profile, online, chat and games. As well in Odnoklassniki people can give virtual gifts to their friends, which can be purchased by online banking. The web site has higher concentration of users that are older than age 35, what is older than average age in Vkontakte. Currently the popularity is decreasing, but platform still is developing new features. (Social media in Russia 2010)

Another social media is Moi mir and it is the part of Odnoklassniki platform. Moi mir is used as email application and is most popular email website used by Russian people from age of 28. Moi mir has standard features of social media, but members do not use this web site as networking tool that often.

Russian people use Twitter as well, what is surprise factor, as this platform is not local. It is not very common website, but it is mentioned as the one of the most popular. Research by Yandex indicated, that only 6,4 % of Russian Twitter accounts were active, but through the years number is increasing due to the internationalization and the fact that people starting to learn English language. It is 17<sup>th</sup> most popular web site in Russia. (Social media in Russia 2010)

Equivalent to Twitter Russians have LiveJournal platform and it is used more often. LiveJournal is not a social media web site in sense of sharing posts or pictures. This web site is a blogging opportunity; it was emerged for Russian journalists and intellectuals for seeking inspiration and news. This web site has around 30 million users and 250 posts monthly. (Social media in Russia 2010) There is seemed high expectation of social media increase, as users starting to read information in English more often.

Moreover, Instagram is one of the most popular online photo sharing applications. This social network system gives opportunity to take pictures and videos creating individual online gallery. Currently there are 200 million active users, who are checking news feed every day and uploading pictures. Nowadays Instagram became one of the most important social media for the young Russian people generation. Russia is among the leaders in terms of growth audience of photo services in Instagram. Global audience Instagram has more than 100 million active users. (RIA news, 2013) Almost all Russian stars and companies have their own account on Instagram with big amount of followers what raises the company's productivity and popularity.

#### 4.7 Results of Russian social media survey

In this section, the main findings from the survey related to hand-knitting in Russia are described in detail through presenting the main points which matters most for strategic suggestions.

##### 4.7.1 Customer analysis

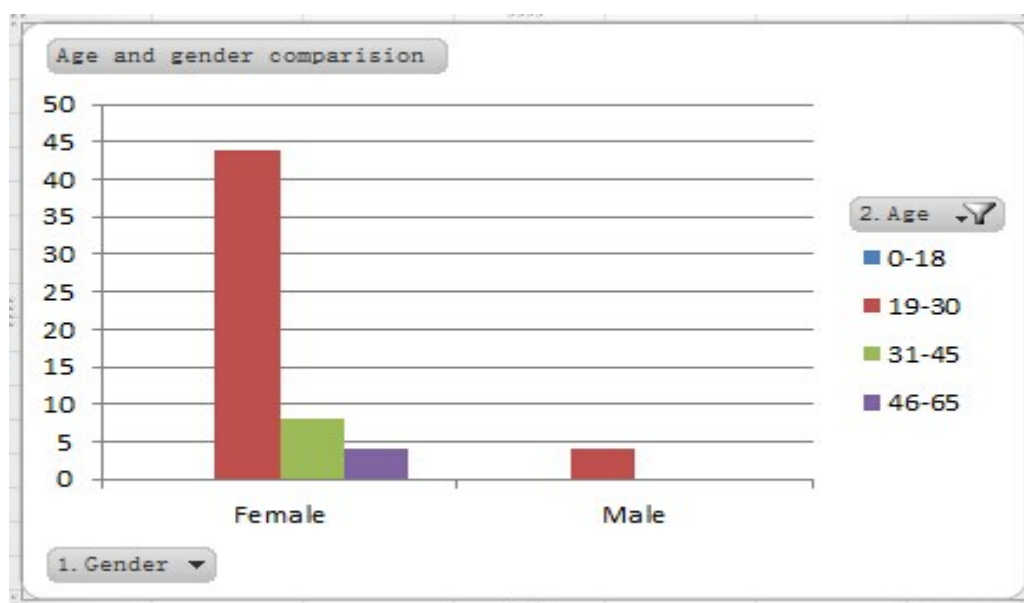


Figure 7: frequency of doing hand-knitting in different ages and genders

The above chart shows one of the results from survey related to Russian people's behavior on hand-knitting. It presented the frequency of doing hand-knitting from people in various ages and even in different genders. People were classified in four different ranges, which was a measure used for exploring the most potential groups. As it states in the figure, there is huge numeral difference between male and female in usage of hand-knitting. Compared to men, women are much more into hand-knitting since this group of people accounts for approximate 90% in all responses. On the other hand, reflection on hand-knitting is also different from ages. In Russia, people in the age of 19-30 are the group who do hand-knitting most

frequently in comparison with other ages' of groups. This trend exists in both female and male, and it is the only similarity they allied with each other on the field of hand-knitting. Based on the collected data, the main potential customers are defined; those are women from age 19-30 and followed by older Russian ladies who are also interested in knitting stuff. Through calculating the results, around 63% percent of the respondents pointed out that they do hand-knitting at least once a month and some of them make knitted stuff even once a week. Although the others do hand-knitting less frequently, but they still do somehow in their life. This consequence exactly indicates the popularity of hand-knitting in the Russia.

Among all the participants, around 45% of them regarded experience from parents as a very important resource of learning hank-knitting skills. Then online videos and special knitting magazines also make difference on their hand-knitting knowledge in some degree. But unfortunately, most of people thought that communities play the least important role in enhancing their hand-knitting skills since people in Russia use communities for sharing special knitting ideas, designs and experience instead of teaching basic knowledge of it.

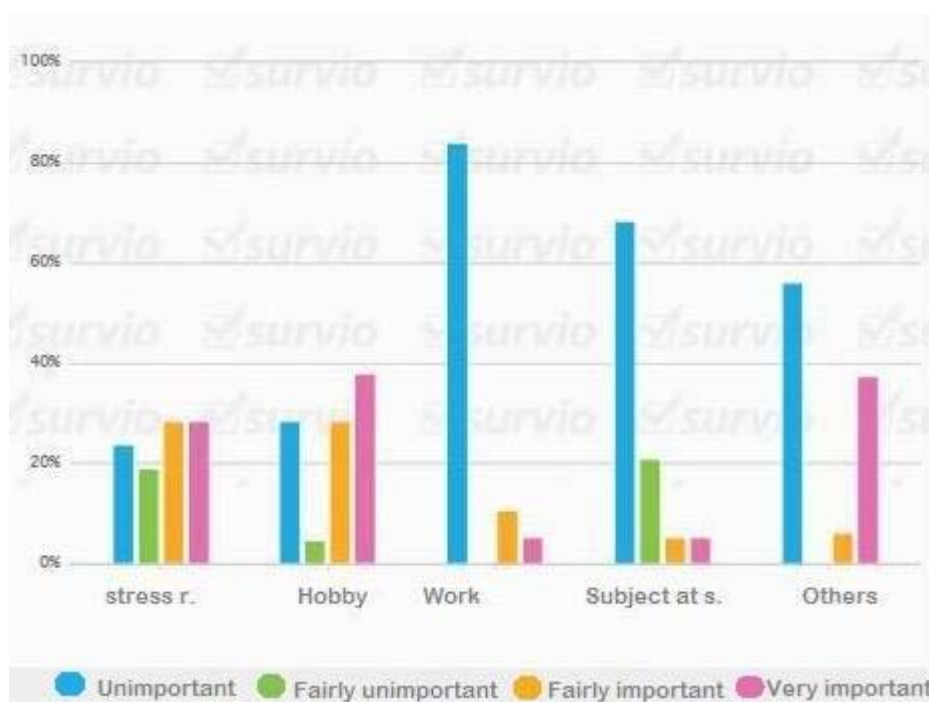


Figure 8: reasons for doing hand-knitting

When it comes to the why people doing hand-knitting, individuals have their own reasons. From the results of research, a big proportion of participants do hand-knitting because of their interests and it is regarded as an efficient way of reducing stress. As it showed in the figure above, there is also other important reasons drive people start knitting, including save money as it is cheaper than buying knitting stuff from store, as well as pass time. What is more, working requirement is almost excluded from the groups of important reason, even



fairly important reasons by most of them. It indicates that more than 80% of these people's career does not cover knitting field.

Then when take a look at where Russian people buy knitting materials, the most outstanding resources are small stores located in central cities such Moscow since about 63% respondents selected them as the prior resource for purchasing knitting materials. In addition to this, market place and super markets are considered relatedly important on the basis of the results. There were just small amount of people thought online shops are important to them which indicate the relative small potential of online shopping in Russian in some degree.

People in Russia purchase knitting material from various resources, and meanwhile, there exist some factors which have impact on their decisions. On the basis of the research, quality was chosen as the most important factor by more than 80% of people who answered the questionnaire. According to the findings, price also has significant effect on their buying behavior, but it was surprised that brand does not make big difference compared with other factors.

#### 4.7.2 Channels of information distribution analysis



Figure 9: resources of information about knitting

When analyzing the possibilities of marketing channels, studying the most frequently used information distribution platforms is crucial part for entering a new market. The result of these responses shows that most of information related knitting comes from internet, which also indicates Russian people use the Internet frequently. Based on the statistic, magazines

were thought as the second important channel of information distribution. Few comments were made below the post Vkontakte by some Russian people; according to the contents, those people are quite interested in reading magazines with pictures and instruction of fashionable designs. However, although newspapers and TV advertising are widely used in Russia, there were 60% of participated people thought they were unimportant resources for searching information about knitting.



Figure 10: Handicraft communities

In regard to importance of diverse communities in Russia, people have different reflection on them. Among all alternatives offered in the question related to this topic, the respondents highlighted three most important handicraft in their life, which are forums, blog and group meetings separately. As stated by the figure above, around 45% respondents thought communities in the form either forums and groups meetings are quite important. According to collected statistic, blog was regarded as the most important community for people sharing knitting experience while the community in the form of groups in social media was in the least important position.

Communities are widely used in Russia, and when checking on search engine such as Google, plenty of results in relation to knitting communities in the forms of forums and blog exist there.

#### 4.8 Results of hand-kitting survey

This part is set to presenting results from Russian social media survey, and the main findings are summarized in relation to the current situation in usage of difficult social media in Russia,

which contributes to indicating the importance of those networks and which are the most effective and efficient ones for reaching customers.

#### 4.8.1 Users analysis

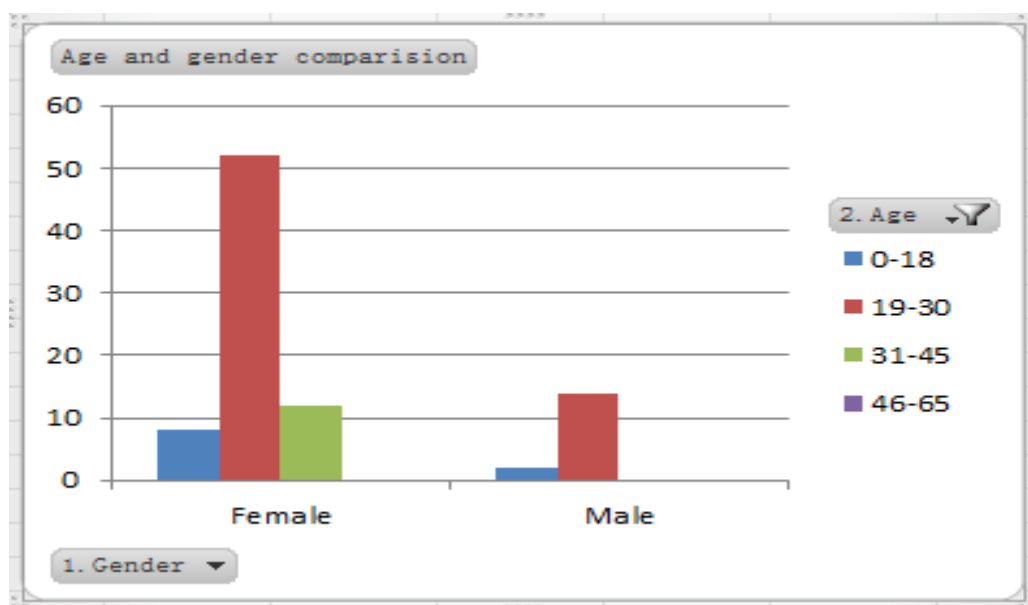


Figure 11: Frequency of using social media

Primarily, regarding to the question about importance of social media in people's life, the answers can be concluded as: social media is in the position of 3.5 which stands for "fairly important" in the scale from 1-5. Then around 80% of them use social media daily while 10% of them use social networks few times a week. That highlighted the role of social media in Russian's life in some degree. Then figure 9 shows the repartition of research participants according to their age and gender, at the same time, frequency of using social media is combined with those terms. As women are more interested in hand-knitting and other related topics, more than half of the respondents were female among the research process. Although there was big numeral difference between these two genders, it does not mean that female use social media more often than male group. Participates in the age of 19-30 use social networks the most frequently, but in regard to older people, although they do hand-knitting more often than younger groups, it is difficult to reach them since social media is not used widely by these individuals.

In current situation, diverse types of social media are being used in Russia. The most common varieties include international social networks such as Facebook, Twitter and Instagram, as well as special Russia-owned types such as Vkontakte and Odnoklassniki. Although they all used in Russia, people have different level of acceptance to them.

When it comes to the motivations of using social media, most of them use those networks for communication and maintain connections with others. Some other reasons also play important role in stimulating people use social media such as educational and working purpose.



Figure 12: Preference of social media in Russia

Figure 10 outlines participants' preference on different social media : including Vkontakte, Facebook, Live Journey, MoiMir, Odnoklassniki, Instagram and Twitter. As it showed in the graph, the most widely used social media in Russia is Vkontakte since around 65% of respondents pointed out that it is very important in their life; and that indicates the big potential of conducting campaign through this platform in some degree. Instagram, Facebook and Twitter also have relative important positions among all social media in Russia, and there are still some of participants prefer using Live Journey and Odnoklassniki although the amount is small.

Based on the collected statistic, about 73% of those respondents are now in online groups created on social media. A big proportion of this group have found online groups through following pages on social networks, word of mouth as well as banners published on different social media. What is more, the amount of participants who often click banners accounts for about 40%, and they click when they find banners that are visible, placed in correct place, written in good text, and especially in attractive designs. Among people who answered this questionnaire, around 40% of them can read information in English especially younger people, and this situation is considered when resolving language barrier.

#### 4.9 Interview with Ekaterina Pavlenkova

One private interview was conducted with Ekaterina Pavlenkova, she is a book-keeper in Saint Petersburg. Ekaterina asked to make information confidential, so personal detailed information would not be published. The respondent who took part in the questionnaire is a mother. Ekaterina's hobby is hand-knitting and the reason of conducting a small interview in order to see the actual Russian methods and popularity of knitting, as she knows the assigned material quite well.

Based on the information given by respondent, Russian people are eager to use knitting material and the most common age group are senior age people. Unfortunately older people do not use technology that much. Almost all Russian women know how to knit, as the knitting skills were taught in elementary school as compulsory lesson of housekeeping or by parents. In the housekeeping lessons girls will learn how to cook or different types of hand-knitting skills. Commonly, Russian people usually go the small stores or supermarkets to buy knitting material and special patterns for knitting. What is more, middle aged people learn new knitting designs from the online videos or forums while people in older age just use the old methods or magazines. The reason of knitting usually is a hobby. Young mothers have plenty of spare time, and they make use of it to knit for their children. There are also many women do hand-knitting in order to reduce stress. Furthermore, older people often sell their hand knitted stuff in the markets for making profits.

Ekaterina is one of the members of different knitting groups such as V Kontakte and she always uses the Youtube tutorials. According to the interview, there is not sufficient information online and resources for online purchasing, but people who work in knitting industries usually order online since the price is cheaper there and amount needed to be pre-ordered since it is relative big.

The interview helps to specify the target group for Novitas digital marketing development by collecting specific information. The reason for younger participants are targeted in the questionnaires is that young people use Internet more often than older people. The positive side of the interview is the evidence of popularity of knitting among women of different ages, as it is tough in the elementary school. People in Russia use internet more frequently than before and they have started to search for hand-knitting material online. Magazines and newspapers are still popular source of information although is stepping back. The online and small store purchasing method is used as common priority. There is a big amount of groups and online communities in which people can share their thoughts.

The collected information contributes to the wide view for the hand-knitting popularity in the targeted country. Unfortunately Ekaterina was the only participant who agreed to answer the interview questions. The information is relevant to the study research and helped to come up with the suggestion.

## 5 Suggestions based on the empirical study

Russia is a big country with different culture and business approaches. Entering digital marketing campaign might be challenging as the approaches are various. Relying on the conducted research, there are positive assumptions that might work in the Russian market system.

### 5.1 Vkontakte & Facebook campaign

As most of the Russian people use the social network-Vkontakte more frequent than others, one of the suggestions is to launch marketing campaign in the web-site. It could be special group with detailed description of the information and relevant adding's as: patterns or online videos. By conducting this activity, people will have the opportunity to communicate through this type of social media what will raise the interest towards company. In order to be unique, Novita can show the Finnish innovative approaches of working for existing knitting groups. According to the survey-Preference of Social Media, 72% of respondents answered of participation in different entertainment and interest group. As well as: Facebook campaign with special page and almost the same information as on the Vkontakte website. The reason of launching the page in two websites is the popularity of the sites and usage by the local people. Despite on the fact that Russian people are using Vkontakte website more, young people are becoming a members of Facebook page more frequently. On the Facebook page there could be made competition campaign each month for people who are knitting daily. This approach would make people excited due to the fact of winning prizes or lotteries. The age of the target group is 19-30, those are people who use internet more often and know how to find information online. So the digital marketing would attract that group more than others.

### 5.2 Language translation

The most important step is to resolve the language barrier. Even through the fact that internationalization and globalization is expanding in Russia as well, people are most likely to read and rely on information in Russian language. As Novita is entering the Russian market it will be more trustful to people reading material in native language. Due to the fact that Novita's website provides information only in Finnish it should be translated to Russian and

English as well. With translation of the website and Vkontakte campaign It will be more visible for the Russian people and there is more positive result to make people interest. Language barrier is the crucial matter for foreign companies entering the market. One of the solutions is to hire Russian speaking employee in order to be more sufficient and relative to the market demand.

### 5.3 Blog marketing

Good opportunity to make people more interested is to have a company's blog with all the new trends, patterns and opportunities of knitting. As Novita has special magazine, which is quite popular in Finland the magazine topics could be translated and put into a blog. The reason of having a blog is the help of driving a traffic to the own website, as the blog will be mentioning the company's name and web address. The more people would read a blog the more would know the name of Novita. Blog would help to establish the authority and answer any kind of questions what followers would have asked and be helpful to the target customers. The detailed descriptions and some new way of knitting would attract young people, as the approach is universal and progressed. Of course it is important to have a special person for blogging and making people interested with the strong Russian language skills.

### 5.4 Instagram marketing

As the Instagram power is rising it would be beneficial to make a Russian version of Novita's fashion. To make a special gallery with knitting related information and pictures. It would not be a significant problem as Novita has fashion magazine, so there are no extra spending on models photo-shoots. Instagram is mostly common for young and middle aged people what raises the productivity of Novita and makes interest more powerful. The better gallery the more followers there will be. Adding Instagram to the digital campaign generates the excellent companies approach with innovative and trend ideas.

The Vkontakte campaign, Instagram and Blog raises the awareness of the customers and moreover they all can be linked to each other, what allow customers to check all three perspectives. The positive point is that all the software's are free to use, the only point that should be covered is the special person who will keep track of the sites and update the information to the Russian language.

### 5.5 Online banners

Different marketing methods in terms of social media were found through conducting researches. One of the most effective approaches is creating online banners on the website

since Russian people are quite interested in reading those. Online banners could be placed on hobby, housekeeping or clothes web sites. The following links to Instagram or blog should be attached with eye-catching pictures in order to attract customers. The more people will click on the banner the more traffic will be to the website.

## 6 Conclusion

The research study raised the opportunity of developing business in Russia. All the conducted and analysed material shows the strategic approaches for entering the digital market with a positive result.

Based on gathered material, there are optimistic indicators of digital marketing development for Novita Company in Russia. Questionnaires showed the capability and importance of social media for the Russian people, what is the main aspect of the research. Grounded information on the internet showed mostly the same result as the questionnaires. Faced problem was the unwillingness people to answer the questions. The research conducted average age of people who are using internet more among the others, the group is people from age 19 to 30, who are frequently surfing internet and checking their social media. Unfortunately senior aged group people use knitting material more often than younger generation, but they do not use modern technologies and have their own knitting methods, what excludes them from the target group of digital marketing campaign.

One of the most important factors is that Russian people (female usually) all know how to knit, as it is the compulsory course in the elementary school. By this fact there might be more opportunities to attract people to knit and purchase knitting material. More young and middle aged people are checking information online as it is the easiest way. Launching the blog, Instagram and V Kontakte campaign might raise the interest towards company and introduce Novita to Russian people.

Problems that might occur include the cultural difference and misunderstanding of important facts. There is number of political and economic problems, what are explained in PESTEL analyses, which company might face cooperating with Russia. Novita has to analyse all the material related to Russia followed by translation of the website and offering all the suitable information in the necessary language. Conducted country research gives wide and detailed observation of all weak and strong sides, what will help to develop business and establish strong company`s policy. Due to the different culture Russian people might be aware of the foreign company, in order to prevent this factor Novita has to be innovative and observe Russian culture more.



The research showed the positive attitude by Russians towards new technological progress. Most of the people are interested to learn something new. Difficulty might cause the significant difference in social media, as Russians use their own internet links and social media. Blog, Facebook and Vkontakte campaign might raise the interest and productivity of the company. It might be challenging step for Novita to change the marketing approach.

As Russia is a big country with cold climate zones, knitting industry is highly developed. People know how to knit and fashion industry includes a lot of knitting material. Entering Saint Petersburg and Moscow as the largest cities in Russia might raise the interest towards other cities as well. The fact as Novita was cooperating with Russia before, makes it easier to start up the digital marketing campaign because of the knowing the company.

All the necessary information of launching the digital marketing campaign was collected by conducting research. All the important: facts, problems and opportunities. This strategy would provide a successful beginning of wide development of Novita in the Russian country.

## 7 Theoretical linkage

The theoretical background has enabled the writers use different theories related to digital marketing and social media channels. Through presenting a wide ensemble of digital marketing channels, the authors of this study paper were able to conduct detail investigation on research from a broader point of view. Moreover, the theories related to the cultural influence specified on customers' online shopping behavior supported as fundamental concepts for the authors analysing the totally different cultural background of new market, and meanwhile allowed better understanding of targeted audiences' reflection on online information searching and purchasing channels.

The theories related to PESTEL and SWOT analysis, which have given chance to the authors to conduct the series of research on various issues from different aspects.

In conclusion, the selected theories have been indispensable and appropriate to the authors since the researches and the digital marketing campaign plan would not have been delivered as accurate and detail without using these theories. The theory has been well utilized by the authors of this study paper in overall.

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## Appendix 1: Questionair 1

## Survey for hand-knitting in Russia

We are third-year students making a research based project for our thesis. We would kindly ask to answer our questions in this questionnaire.

1. Gender:
  - a) female
  - b) male
  
2. Age:
  - a) 0-18
  - b) 19-30
  - c) 31-45
  - d) 46-65
  - e) 66-
  
3. Do you do hand-knitting?
  - a) Yes
  - b) no (If no, please return the questionnaire now)
  
4. How important is knitting to you? Please give your answer on a scale from 1-4 (1= unimportant, 2= fairly unimportant, 3= fairly important, 4= very important)
 

1   2   3   4
  
5. Why do you do hand-knitting? Please rate the following factors on a scale from 1-4. (1= unimportant, 2= fairly unimportant, 3= fairly important, 4= very important)
 

|                      |   |   |   |   |
|----------------------|---|---|---|---|
| a) Stress reducing   | 1 | 2 | 3 | 4 |
| b) Hobby             | 1 | 2 | 3 | 4 |
| c) Work              | 1 | 2 | 3 | 4 |
| d) Subject at school | 1 | 2 | 3 | 4 |
| e) Other, what_____  |   |   |   |   |
  
6. If yes, from where have you got your knitting skills? Please rate the following source of learning knitting techniques on scale from 1-4. (1= unimportant, 2= fairly unimportant, 3= fairly important, 4= very important)
 

|                                     |   |   |   |   |
|-------------------------------------|---|---|---|---|
| a) Parents                          | 1 | 2 | 3 | 4 |
| b) Special knitting magazines/books | 1 | 2 | 3 | 4 |
| c) Videos online                    | 1 | 2 | 3 | 4 |
| d) Communities                      | 1 | 2 | 3 | 4 |
| e) Teaching course                  | 1 | 2 | 3 | 4 |
| f) Other, what_____                 |   |   |   |   |

7. How frequently do you do hand-knitting?
- a) Daily                      b) Once a week                      c) Once a month                      d) Less
8. How important to you are the following place of purchase of knitting material? Please rate the following places of purchasing on scale from 1-4. (1= unimportant, 2= fairly unimportant, fairly important, 4= very important)
- |                           |   |   |   |   |
|---------------------------|---|---|---|---|
| a) Market place           | 1 | 2 | 3 | 4 |
| b) Small stores           | 1 | 2 | 3 | 4 |
| c) Supermarkets           | 1 | 2 | 3 | 4 |
| d) Online shops           | 1 | 2 | 3 | 4 |
| e) Television commercials | 1 | 2 | 3 | 4 |
9. How important to you are the following factors when buying knitting material? Please rate the following factors on a scale from 1-4. (1= unimportant, 2= fairly unimportant, fairly important, 4= very important)
- |                     |   |   |   |   |
|---------------------|---|---|---|---|
| a) Price            | 1 | 2 | 3 | 4 |
| b) Quality          | 1 | 2 | 3 | 4 |
| c) Brand            | 1 | 2 | 3 | 4 |
| d) Other, what_____ |   |   |   |   |
10. How do you find information about handicraft? Please rate the following information sources on scale from 1-4. (1= unimportant, 2= fairly unimportant, fairly important, 4= very important)
- |                     |   |   |   |   |
|---------------------|---|---|---|---|
| a) Magazines        | 1 | 2 | 3 | 4 |
| b) Newspapers       | 1 | 2 | 3 | 4 |
| c) Online           | 1 | 2 | 3 | 4 |
| d) Other, what_____ | 1 | 2 | 3 | 4 |
11. Are you in any handicraft community?
- a) Yes    b) No
12. How important are the following handicraft communities to you? Please rate the following alternatives forms of communities on a scale from 1-4. (1= unimportant, 2= fairly unimportant, fairly important, 4= very important)
- |                           |   |   |   |   |
|---------------------------|---|---|---|---|
| a) Forums                 | 1 | 2 | 3 | 4 |
| b) Blogs                  | 1 | 2 | 3 | 4 |
| c) Group meetings         | 1 | 2 | 3 | 4 |
| d) Groups on social media | 1 | 2 | 3 | 4 |
| e) Others, what_____      | 1 | 2 | 3 | 4 |

13. How did you find the community? Please rate the following alternatives on a scale from 1-

4. (1= unimportant, 2= fairly unimportant, fairly important, 4= very important)

- |                          |   |   |   |   |
|--------------------------|---|---|---|---|
| a) Friends               | 1 | 2 | 3 | 4 |
| b) Visual advertisements | 1 | 2 | 3 | 4 |
| c) Online searching      | 1 | 2 | 3 | 4 |
| d) Other, what_____      | 1 | 2 | 3 | 4 |

Thank you for your time!







### Appendix 3: Interview

1. Name/Age/City/Occupation?
2. Do you know how to knit?
3. If yes, where did you learn for it?
4. If yes, where did you learn for it?
5. Is it popular to knit in Russia?
6. What is the target age of knitting?
7. What is the usual reason of knitting?
8. Where can be found knitting materials?
9. Do you check knitting information online?
10. Are you interested in ordering online?