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EXPLORATION OF A RUSSIAN CONSUMER ON AN EXAMPLE OF RUSSIAN TOURISTS IN SPAIN

Bachelor’s Thesis 2013

ABSTRACT

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This thesis represents an intent to get an insight into the market with one of the biggest potential for today – the Russian market. The purpose of the research was to make a profile of the Russian consumer. The study of a Russian consumer and a Russian tourist should be able to help companies understand better the market, draw attention to the need of giving more importance to creating consumer profiles based not only on demographics but on mentality as well. The case company is a technological company situated in Valencia Spain, which owns a tourism portal dedicated to holiday accommodations rentals online.

Primary data analysis consisted of telephone interviews with the Russian clients of the case company and reservation data analysis for the period exceeding 1 year. The research helps to construct a Russian consumer profile and adds to the belief that a unified marketing strategy for all the international markets does not work anymore as consumers have become more segmented, more demanding and more sophisticated.

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1. INTRODUCTION

1.1 Case company

Internet Tourism Solutions (ITS) is Valencia (Spain) based small company, which was founded in 2001. As the name says it, the company operates in the industry of tourism, which is one of the most profitable industries in Spain. Only in 2009 more than 52 millions of tourists visited the country which put it on the 3d place in the worldwide ranking of countries with most tourist arrivals (Pocket world in figures 2012).

ITS offers technological solutions to various companies dedicated to holiday accommodation, such as hotels and rental agencies. Generally speaking, ITS helps companies improve their performance online or even build it from scratch, providing all the necessary technology and services. The company also owns its own online portal Muchosol, available in Spanish, Russian, German, English, Dutch and French. This is portal of holiday accommodation rentals in Spain, Andorra and France.

As for the company's products, it mainly offers services but also has technologies, such as software. In general, we can define the following products by ITS:

- Resmanager, a software and online system which handles all the bookings and updates automatically the website to reflect the latest changes. Consider reducing space between items of the list for more style.

- Web design and web promotion. The company has at its disposal various designers who create websites with high potential for good positioning in search engine results and, if the service is bought, also make a promotion of the website in the internet.

- ITBookings, an online booking net which consists of more than 50 portals dedicated to holiday rentals. By connecting to this net, a company can choose a portal where it wishes to place its offers of accommodations and at the same time, provides its own portal for the others to follow suit. The administration of bookings in this case is carried out by ITS.

- Smart Channel, a service very similar to the one mentioned above. The difference is that when you contract the service of Smart Channel you get access to the network but it is your own staff who has to deal with clients and process the requests and reservations.

1.2 Research problem, objectives and questions

As an increasing number of small businesses have gained access to international markets via Internet, it has become evident that competition has grown exponentially. It is no longer sufficient to have a good product and an attractive price but it is of paramount importance to understand the target markets. Many Spanish companies, the case company being one of them have discovered the potential of the Russian market and started competing for the Russian consumer. Unfortunately, with the toughening competition it is not enough to apply the same strategy for all the markets the companies cater to. Attracting and retaining a Russian consumer requires certain knowledge which many Spanish companies do not possess.

The research objective of this thesis is to study a Russian consumer on the example of a Russian tourist on vacation in Spain. By meeting the proposed objective, the behavior of Russian consumers will be explained which will help in adjusting the strategies of companies planning or already operating on the Russian Market.

A research questions of the thesis are “What are the habits of Russian tourists on vacation in Spain?” and “Can companies culturally adapt their strategies?” For the purposes of this research primary and secondary data analysis will be employed. The secondary data analysis will include the study of already existing research papers on cross-cultural strategies, Internet marketing and small business in tourism as well as global reports on consumer behavior. Primary data analysis will include a telephone survey with the Russian tourists which aim to undercover their habits.

2. CULTURE AND ITS IMPORTANCE FOR THE E-COMMERCE

Kotler & Armstrong (2004:6) describe services as "activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything". This mentioned intangibility together with heterogeneity, perishability and inseparability of services led to the appearance of the service marketing, marketing which takes into account all of the characteristics of the services and its differences from the tangible products.

With the appearance of the Internet many brick-and-mortar shops started migrating to the virtual world and companies producing services were not an exception. Setting up an e-commerce website might seem easier and less expensive than operating a traditional shop or a service encounter but it is only a tip of the iceberg. As Mamaghani (2009:6) states in his article about the impact of e-commerce on tourism:

> Internet trends include increased consumer knowledge about product offerings, higher customer expectations of convenience, added value through the customization of offerings, increased consumer affluence and the more intense exploitation of leisure time to "get away" (2009:6).

From that we can conclude the price competition is a tough way to go because a consumer will always find in the Internet a place and a way to acquire a product or a service easier and cheaper. For that reason, service providers in the Internet have to find creative and more elaborate ways to cater to a new type of the customer (Mamaghani 2009). The author continues:

> Opportunities around the globe for those in the travel and tourism industry as well as consumers have vastly improved with the advent of E- commerce technologies. The consumer has vast amounts of information at their fingertips. The competition for consumer travel

> dollars is increasingly intense since comparison online shopping is simple and free. Therefore, travel and tourism businesses are forced to become more customer focused in attempt to attract and maintain consumers (2009:10).

Customer-focus accompanied by the entrepreneurial orientation represents an important combination for the survival of small tourism business in the Internet. It was proved empirically the positive influence of the first factor on the success of Internet Marketing. Furthermore, it was brought to our attention the significance of “taking a pro-active orientation towards meeting customer needs, which businesses use to identify and respond to long-term trends in customer demands” (Elliot & Boshoff 2005:11).

For companies to be able to cater to growing demands of their target market, it is quite obvious that they need to invest in research of customer needs and behaviour and closely monitor the appearing trends before they become obvious to all the competitors. Nonetheless, according to the latest survey by Marketing Sherpa for the “MarketingSherpa 2013 Marketing Analytics Benchmark Report”, 20% of marketers lack data and 40% answered they had an average amount of data at their disposal (Burstein 2013). This revelation is quite striking knowing how important is information for the company´s strategy elaboration.

The latest researches indicate that buyers are becoming more diverse and contradictory. This tendency means that marketers need to employ a much more sophisticated marketing, carry out segmentation based on a lot more than just demographics and even aim for niches. In order to grab the attention of such a diverse consumer who is constantly bombarded by advertising messages, companies need to pay a close look to tendencies, values of consumers and their lifestyles (Alcazar 2013). A good start in this rather complicated research is gathering information about the culture of your target market.

Psychologists found out that consumers see brands as extensions of themselves (Lovemarkscampus, 2013). If this is right then brands which are the most relevant to the target market will succeed and to achieve this relevancy, companies and their brands should know their target markets very well.

An expert in culture and its application in the business world is (Grant9 McCracken. He goes a long way explaining an importance of understanding of cultures and even suggests creating a new position in the company, a position of Chief Culture Officer.

> "Corporations have been notoriously bad at reckoning with culture. They manage the "problem of culture" with ad hocery of many kinds. They call on ad agencies, consultants, gurus and cool hunters and, when all else fails, the intern down the hall. But there is no single person and, worse, there is no senior manager. Even as culture grows ever more dynamic, various, demanding, and participatory. So that's my argument: there ought to be someone in the C-Suite whose job it is to reckon with culture and to spot the opportunities and dangers it represents" (Jenkins 2009:1).

McCracken points out that those companies need to monitor the cultural tendencies on on-going basis for which they need to incorporate a Chief Culture Officer who will be able to provide research and development strategies to use the research in company´s strategy. He addresses the problems of many companies operating in a global environment with a single marketing communications strategy. McCracken (quoted Jenkins 2009) explains his solution this way: "… the real opportunity for the world of communications is to move from the monolithic message to the nuanced, multiple one. We can speak to many communities with many voices, and this really takes a virtuoso control of knowledge and communication. The good news is that as we engage more consumers in acts of co-creation, they will help."

In the latest research by Luna, Peracchio and de Juan (2005:268), the effect of various cultural factors on the effectiveness of a website were explored. They came to a conclusion that cultural adaptation of a website is very important for the effectiveness. Among other situations they analysed the behaviour of a Spanish consumer looking for a camera on a website of a German e-tailer translated into English language. It was revealed that a consumer was more positive about the product displayed on the website if there was some content culturally related to him/her. In that case it was Spanish content.

> “Her (Spanish consumer´s) attitudes toward the products will be improved if some culturally-Spanish content is incorporated into the Web site. Finally, if her attitude is positive while visiting the site, she is more likely to have an optimal navigation experience, which will lead to her intention to revisit the site and to purchase a camera there” (Luna, Peracchio & Juan 2005:262).

The significance of information available on a website is confirmed by other studies. For example, the researchers from South Carolina University and University of Delaware (Kim & Lennon 2009) investigated the effects on consumers’ shopping of the information available to them on a website. They found out that an increased amount of information improved satisfaction of the consumers with their shopping experience and lowered the risk perception. The researchers suggest paying a lot of attention to providing the consumers with detailed product information, company, return policy and security/ privacy information together with the right amount of visuals. If these results are combined with the results of the previous study and culturally relevant visual content is employed, we will achieve the best results of our Internet Marketing Efforts.

Building a website which sends the culturally adjusted for the consumer messages is only a part of a marketing communications strategy of the company. The key to a successful marketing lies in consistency. Park &

Lennon (2009:157) who studied the effect of brand name on a results of a shopping experience state that “retailers need to ensure that there is consistency in a brand image, advertising messages, product characteristics, and store features over time to increase brand reputation and generate a positive impression of a store by reference to the brand. Creating strong brand reputation and brand familiarity is a competitive marketing strategy for online retailers as well as multi-channel retailers.” In other words, if a company decides to follow a road of cultural adaptation, it should be applied to all its marketing communications channels available to reach the target market.

The recent findings in marketing theory say that consumers prefer humanised brands in other words, brands that remind them of themselves (Hede&Watne 2013). The more consumers feel like brands are similar to them, the more brand images match their personalities, the higher levels of loyalty towards these brands are observed (Kressmann et al 2006). One of the ways to achieve this is to use the knowledge of a target market´s culture and apply it to a brand image and marketing communications strategy.

McCracken, earlier mentioned, goes further and claims that although we all understand that companies create value, our concept of value is still vague. In his book “Culture and Consumption II” (Mc Cracken 2005:175) he vigorously explores the values deriving from cultural meanings. He adds Culture to the model of John Deighton and Bob Dolan from Harvard University showing this way that cultural meanings should have the privileged position in strategy creation. Definition of the value based on culture should be done prior to any strategy development. According to the professor, “every product and service is made up of its physical properties, functional features and cultural meanings” (McCracken 2005:176).

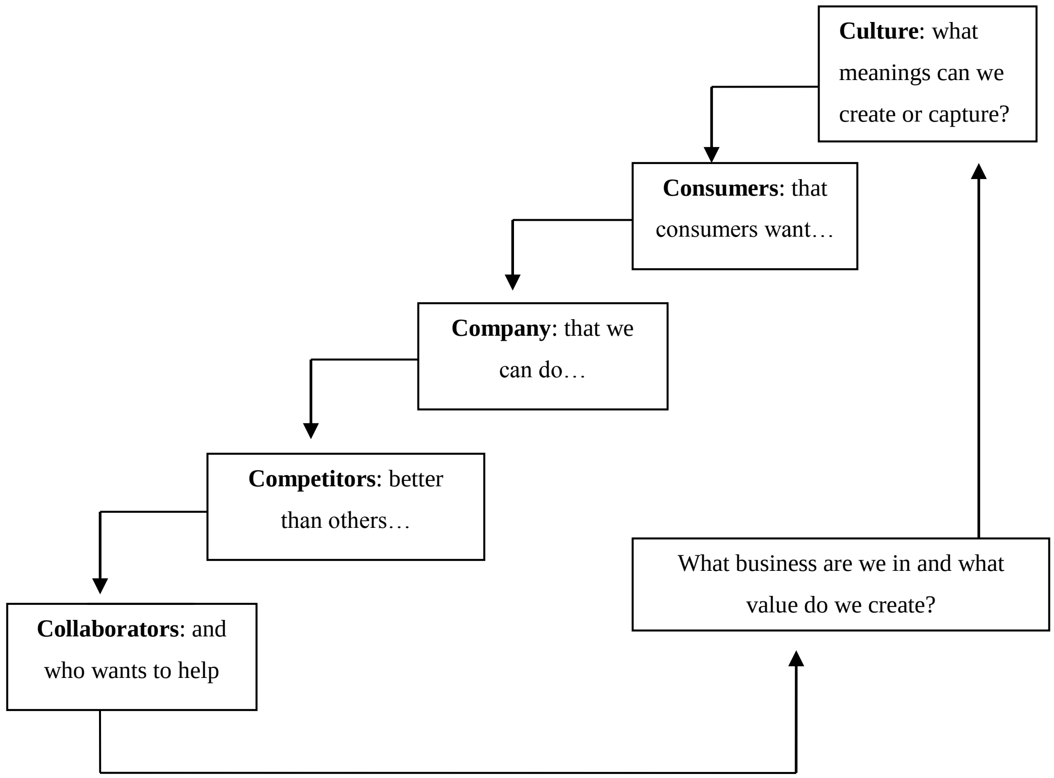

Figure 1 McCracken´s 5Cs (McCracken 2005:176)

As we can see from the model presented in Figure 1, all stages of meaning creation are important for the company to attract consumers and be well positioned. Although this holds to be true, Mr McCracken (2005:181). draws our attention to the fact that “without a precise understanding of the meanings customers care about, the rest of the meaning-management process must be compromised”. As we all know, values aka meanings vary across cultures therefore an elaborate study of values is of paramount importance.

3. ANALYSIS OF THE CASE COMPANY, ITS STRATEGY AND ENVIRONMENT

3.1 Environment analysis

Spain is among the countries which had to struggle a lot during the crisis. One of the reasons to that is the dependency of the Spanish economy on the real estate sector. It went well until the year 2008 when the real estate bubble burst and as a consequence the economy growth (GDP) decreased from an average 7.6% to 3.3% in 2008 and in 2009 to -3.1%. Government responded to the situation with direct stimulus measures such as increase of VAT and in 2010 GDP growth was at 0.6%. The unemployment rate before the economic crisis was at 8.6%, this figure reached 11.3% in 2008, 18% in 2009 and in 2010.The impact of the crisis was especially strong in the southern parts of Spain were unemployment rate climbed up to 30%.

The main industries in Spain, according to CIA (CIA, 2013) of the United States of America are textiles and apparel (including footwear), food and beverages, metals and metal manufactures, chemicals, shipbuilding, automobiles, machine tools, tourism, clay and refractory products, footwear, pharmaceuticals, medical equipment. Spain exports machinery, motor vehicles; foodstuffs, pharmaceuticals, medicines, other consumer goods to its partners with the corresponding shares France 19.9%, Germany 11.6%, Portugal 9.5%, and Italy 8.7% . The country imports machinery and equipment, fuels, chemicals, semi-finished goods, foodstuffs, consumer goods, measuring and medical control instruments from Germany 14.2%, France 12.9%, Italy 7.4%, and China 5.7% (Pocket World in Figures 2012).

The crisis made a special effect on businesses in Spain: those which before were growing just domestically started checking for the opportunities abroad and many recalibrated their efforts increasing the export to foreign countries. As for the markets, a lot of companies focused on emerging markets, the famous BRIC countries. In Spain still there are companies which managed to thrive in the times of depression and show a consistent growth. According to the professor of the University ESADE Xavier Mendoza, those are the companies which gave the priority importance to innovation and internationalization (Sanchez-Silva & Fernandez 2013).

The industry of tourism is one of the most important sources of income. Only in 2012 the country has received 57, 9 millions of foreign tourists, a figure 2.7% more than the previous year (Sanchez-Silva 2013). It is also worth mentioning that the expenses of foreign tourists in Spain have increased 5.9%. As you can see in Figure 2, Spain is also a country with the biggest number of income from tourism in the European Union, only in 2011 the income Spain received from tourism was more than 43.000 million euros ('España en Europa' 2011).

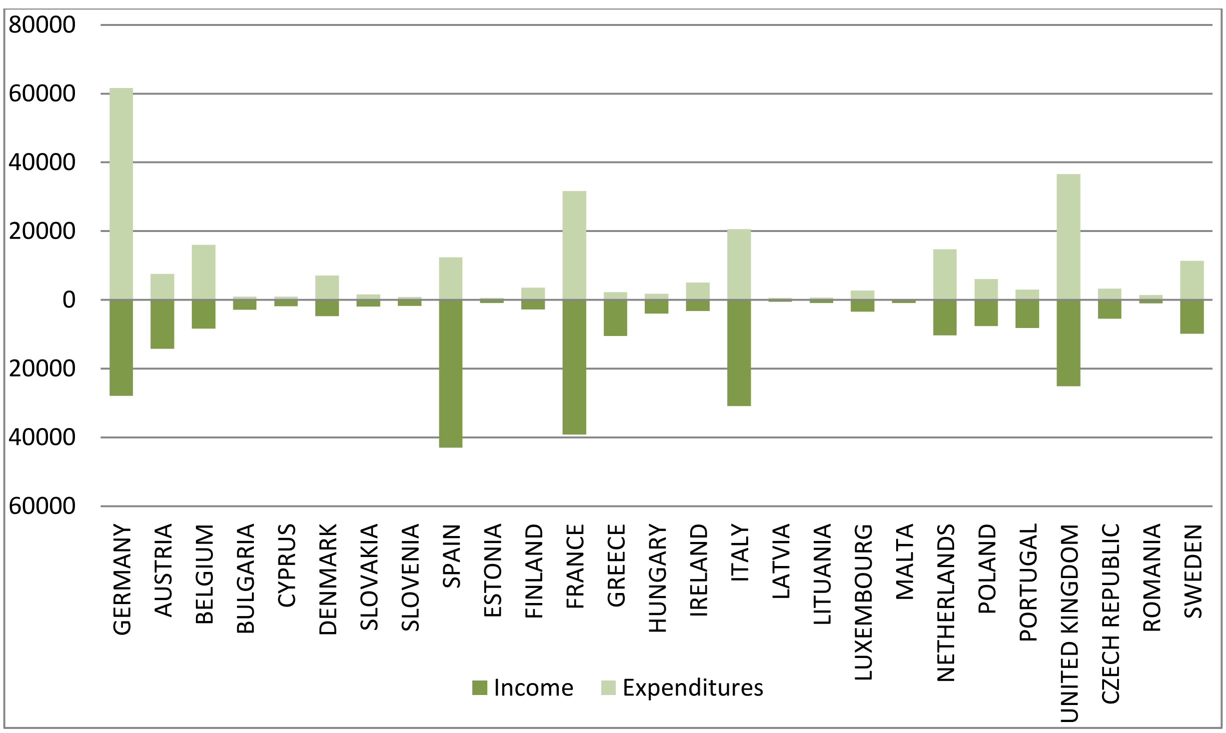

Figure 2. Income and Expenditures from Tourism (€ millions)

Russia, in contrast, shows totally different economic results. Therefore the sector of tourism in Spain has started paying special kind of attention to the visitors from Russia.

3.2 Analysis of the company and its brand Muchosol

As mentioned before, Muchosol is a brand owned by Internet Tourism Solutions. Muchosol portal acts as an intermediate between the agencies and tourists. Visitors coming to muchosol.com can do both: see the options for holiday rentals and actually purchase the whole service of accommodation in Spain. The difference is some of the visitors/tourists due to cultural differences still prefer just to take a look at possibilities but do the actual reservation by phone. This aspect will be discussed later on in the paper.

3.2.1 Porter´s five forces analysis

In general, competition in the Internet has its obvious advantages: it is possible get access to foreign markets quite easily; additionally to set up your company´s webpage also does not take as much financial resources as establishing typical brick-and-mortar office. Despite that, competition for the visitors to your website and potential buyers is very tough. Therefore the company´s online presence should be very well worked through and taken care of on a daily basis.

On the international arena Muchosol is competing against a well-known giant Interhome, locally its main competitors are Locasun and Rentalia, both having good brand awareness. The situation in the Russian Market is different. There is a strong leading presence of Interhome and a lot of companies competing for the second place in the race for visitors and clients. The peculiarity of a Russian consumer lies in his/her strong habit of using the services of tourism agencies. For that reason Muchosol, so far using a homogenised strategy for all markets it aims for, should adjust its tactics. The threat of substitution in that way is very high.

As for entry barriers, Internet has made it easy to do. There are a lot of specialists in web design and web maintenance nowadays and with the tremendous unemployment rate in Spain; acquiring such a specialist does not cost much.

Nevertheless, as easy as it might seem, the main obstacle is time needed to build a network of trust-worthy suppliers, strong internet presence and a solid reputation along with other aspects of a brand which will determine the final decision of a customer as to make an online reservation or not.

The above-mentioned suppliers are large in numbers. There are many property agencies willing to share their accommodation options with a strong intermediary. That said, it needs to be mentioned that it is a real problem to find good suppliers in the strategic, most popular touristic places, such as Barcelona province. Many of them are not willing to collaborate because they prefer working on their own or are already tied by the agreements with competitors.

When it comes to buying power, it is low because the pool of potential clients of Muchosol is very large. Nonetheless, it is worth mentioning that with the appearance of social media platforms such as Facebook where one negative opinion expressed on the corporate page may destroy the image of the company in seconds, the buyers’ power in general has increased over the Internet. The costs of switching between service providers are low and buyers move constantly from one to another.

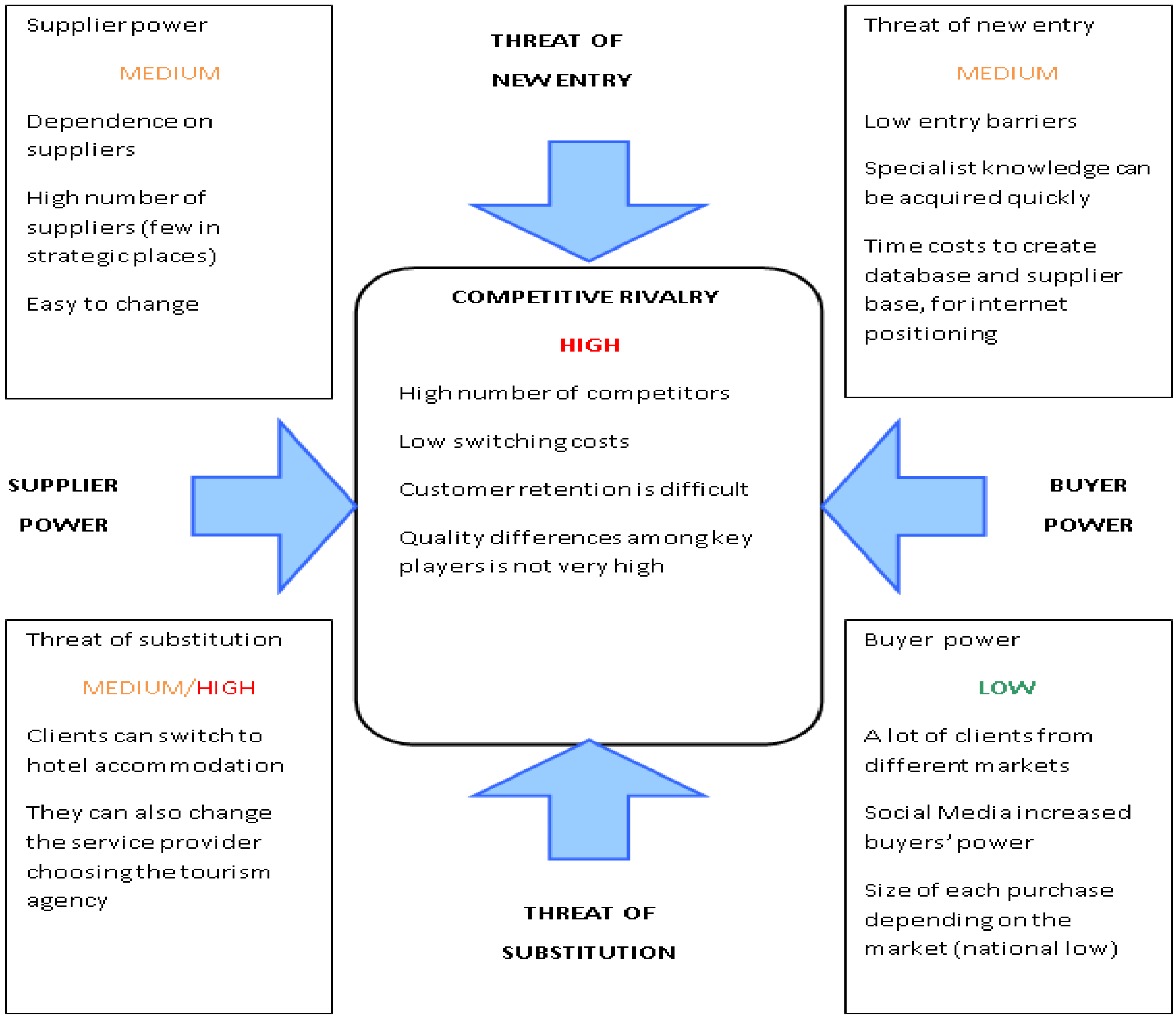

Figure 3 Porter´s five forces

3.2.2 *Marketing mix*

Product: Company offers holiday accommodation rentals mainly in Spain and Andorra (with expansion to France plans). Muchosol mainly focuses on Beach vacations, having as well some options for skiers and urban travellers. The rental process is done online, the client support in various languages is offered by online chat, by phone and by email. The product simplifies the process of the vacation planning and organization; moreover with e-commerce gaining more and more share of customers, these kind of online services are totally on demand. The brand itself Muchosol has a distinctive logo which is duplicated on various corporate sites and pages. Company does not provide a wide range of complimentary services which are though constantly asked for. For instance, there is a clear lack of collaboration with companies offering transfers from the airport to the destination, especially for the Russian customers. The product is not very much differentiated from competitors.

Price: The price offered is the same as the one stated by suppliers making better conditions for competition. The company gets around 15-17% from the margin of accommodation agencies which is already included in the price. In some rare cases the company makes increases to the price, for instance, when collaborating agency does not want to split the margin. Being an intermediary Muchosol can´t offer discounts on their own, only when the client is really important and losing a margin at all will not hurt the financial situation. Discounts and special offers are usually made together with suppliers, in the majority of the cases they are simply communicated to Muchosol.

Promotion: Unaggressive promotion through the techniques of Inbound Marketing. Company employs Social Media Marketing and Search Engine Marketing. It also carries out from time to time some PR campaigns in press with the goal to increase brand awareness. The company bases its promotional strategies on the grounds of Permission Marketing meaning that they advertise to those who are potentially interested in acquiring the service.

Place: The direct channel with the final customer is used. The service is offered online on the booking portal.

3.2.3 SWOT Analysis

ITS is a financially stable company with very good results at the end of the year. In general, the number of confirmed bookings through Muchosol has grown 40.49% in comparison with 2011 and the turnover has increased 60.40%. The company as well is very profitable; the investments are mainly made in technological development with very small costs on marketing and research which in the Internet do not require large sums of money anyway. Being a small but highly technological company allows a lot of flexibility in decision making and gives an advantage of making personal connections with the suppliers and buyers. ITS has presence in various markets including Russian. ITS also has a clear advantage in the latter: the majority of the competitors being Russians do not have “the aborigine’s knowledge” of destination (Spain) and their portals are not as developed as the one of ITS. But one of the main strengths of ITS is its wise move to turn its competitors into suppliers. All of the accommodation agencies could be on their own but by joining forces they get access to bigger markets and gain a good distribution channel.

As good as the financial situation might seem, there are also strategic weaknesses, which are described in the Table 1. First of all, ITS is an intermediary which means that it does not have full control over the quality of the tangible part of the service. For example, the quality of accommodation can be judged based on its photos but the end result always has a little possibility of a “surprise”. ITS cannot run promotional campaigns on their own and offer discounts without making significant sacrifices in the form of its own profits. The size of the company puts a restraint on the amount of employees. The company has to look for a compromise between the quality of customer service and the right amount of specialists it can afford. Apart from occasional researches aimed for being published in online newspapers and magazines, the company does little to increase its brand awareness and it certainly has an effect at least on its presence in the Russian market. Also the company has a low conversion rate which means that they are doing a good job of making them easy to find but are failing at convincing the visitor to actually make a reservation which might be as well connected to low brand awareness.

As the main customer is local, the primer threat is the economic situation in Spain. For that reason, entering into the new market and exploring further the possibilities in the existing ones such as the Russian market presents a major opportunity for the company. Despite the fact that already mentioned e-commerce is gaining more and more ground, the number of competitors follow suit, which makes the competition tougher.

Table 1. SWOT Analysis

Strengths	**Weaknesses**
Competitors made collaborators Flexibility Financial heath Presence in various international markets Great knowledge of the destination Lower costs on running the online "shop" than a traditional	The size of the company Low brand awareness Low conversion rate Vaguely defined positioning
Opportunities	**Threats**
Foreign markets especially developing ones E-commerce gaining ground	Economic crisis in Spain Growing number of competitors

3.3 Present situation and current strategy

In present the strategy of ITS is focused on both market development (acquiring presence in new geographical markets) and market penetration (strengthening its position in the existing markets). The growth in the existing markets is achieved by winning the market share from tourist agencies and by attracting the non-users. The latest strategic plan of the company concentrates primarily on French, Russian and German markets.

ITS has very ambitious goals of turning into a company of reference in the tourism sector for the French and Spanish markets. The plan for the Russian market is to become a useful source of information about Spain and go beyond being solely a service provider. To crown it all, ITS wants to work on its brand image and increase its brand awareness especially in the Russian market where it has encountered certain obstacles due to the lack of familiarity of media agencies with the brand. Additionally, ITS hopes to get away from its blurry positioning and make a clear impression on the minds of its target audience.

The company employs a unified strategy for all its markets with different sets of goals for each. It aims at 15% growth in sales for the Spanish market, 75% for the French, Russian and Dutch, and 50% for the British. They also plan to get 80% more confirmed Spanish reservations, 75% more French and Russian, and 70% Dutch. As for the conversion rate, the desired rate for 2012 is 0.29% for Spain, 0.75% for France, 0.25% for Russia and the same for Holland.

From the Table 2 below we can see why Russian market opens up great opportunities for the company. All the important corporate indicators sky rocketed in 2011 and the market showed outstanding growth, this growth was sustained in 2012 but at a different level. The conversion rate which is low across all markets grew only 4.35% and reached the level of 0.24%.

Table 2. Results comparison general vs. Russian market

	General		Russia	
	CRE 2011	CRE 2012	CRE 2011	CRE 2012
Total visits to the web	25.44%	51.97%	153.16%	55.77%
Unique visitors to the web	20.25%	41.14%	146.09%	41.35%
Number of confirmed reservations	58.83%	40.49%	463.64%	62.90%
Amount confirmed reservations	43.14%	60.40%	541.27%	16.81%
Conversion rate (confirmed reservations/ total visits)	26.62%	-7.56%	130.00%	4.35%
Average amount of reservation	10.96%	14.17%	13.77%	-28.29%
Total number of reservations	-18.88%	75.70%	140.74%	59.23%

Even with the growth slowing down Russian market is still the market with the second largest average reservation amount per tourist, as shown in the Figure 4. This has a logical explanation: Russians travel to Spain to spend their vacations, not just weekend getaways as in the case of many other countries situated close to Spain, the trip itself takes longer time and requires larger investments. It is simply not worth it coming to Spain just for 4 days.

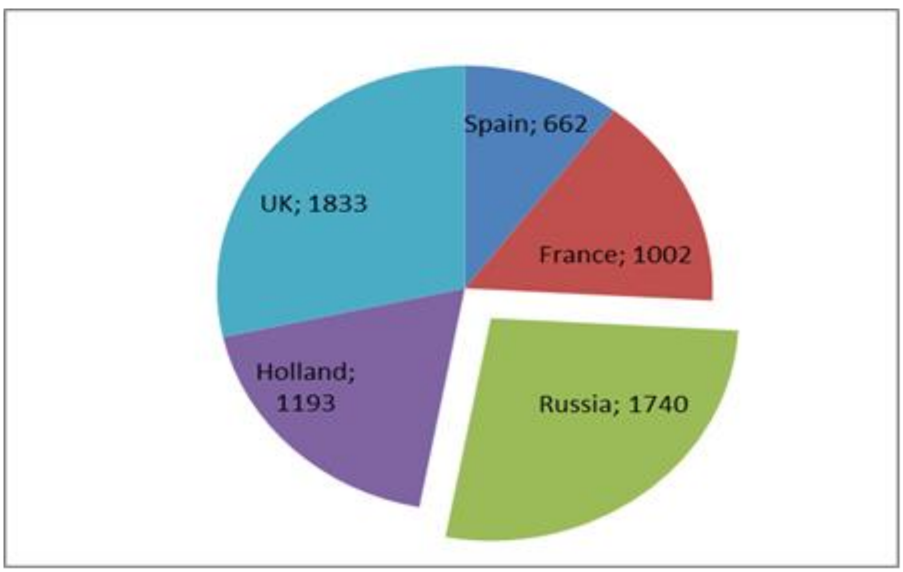

Figure 4. Average reservation per Country

The table shows that an average reservation for the Russian tourists is 1740 euros, more than for tourists from France, Holland or Spain.

4. MARKET RESEARCH USING SECONDARY DATA

It is no secret that the main source origin of GDP in Spain comes from services, including, in 2011 Services were accountable for 71% of total GDP (Pocket World in Figures 2012). A huge contribution to the economy is made by a tourism sector. With the economic crisis slowing down local consumption and production, Spain felt really fortunate to be one of the countries with the most tourist arrivals; only in 2009 it received more than 52 millions of tourists (Pocket World in Figures). In 2011 the figure reached the number 56,6 million with 858 545 being tourists from Russia. Though the share of Russian tourists in Spain was in 2011 just 1.5%, the impressive growth of this market (in 2011 came 41.8% more tourists from Russia than the previous year) does not leave room for doubts that this market will continue to expand (Observatorio turistico de la Comunidad Valenciana 2012). It is estimated by the Secretary of the State of Tourism of the Minister of Industry, Energy and Tourism of Spain that the Russian Market will grow at 20% in 2013 (Borrego 2013).

It is estimated that an average stay of a Russian tourist lasts 10,6 days which is a little above than average (9,5 days). According to Observatorio turistico de la Comunidad Valenciana (2012:4), an institution in Valencia region which studies tourism in the area, and as we can see in Figure 5, the ranking of destinations within Spain preferred by Russian tourists starts with Catalonia, which is followed then by Canary Islands and Balearic Islands.

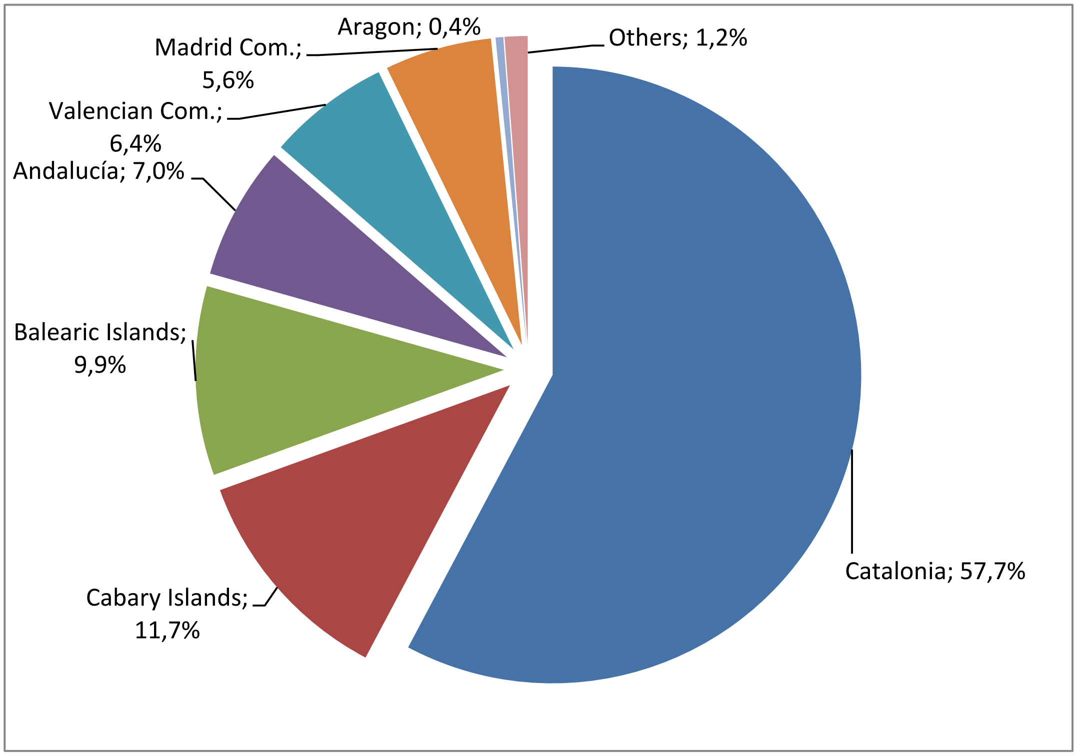

Figure 5. Share of Russian tourists by region

Observatorio turistico de la Comunidad Valenciana (2012:4) also says that Russia is the European issuing country with the biggest growth and the third in the world after China and India. The same source states that in 2010 Russian tourists spent 578 million euros in Spain. The average expenditure of Russians per day is 120,4 euros, a number bigger than the average of all the foreign tourists in general (97,6 euros). Moreover, ”Between 2010 and 2020, as the Russian economy rebounds and grows, annual disposable income per capita is projected to rise by an impressive 74.3% (in real terms), reaching RUB 305,931 in 2020”- says Euromonitor International (2011:27). From this we can conclude that expenditures of Russian tourists abroad will continue growing. High expenditures are no wonder if we take into consideration the fact that tourists feel more free on vacation, less serious, they are not tied by work issues, feel relaxed and more optimistic. Moreover, people feel the urge to bring the tangible evidence about their holidays (Fang Meng & Yingjiao Xu 2012:251-252).

A very important impact on the increased outflow of tourists from Russia made a growth of middle class which used to represent a very small segment of population. Euromonitor International describes the situation this way:

> “Growth in annual disposable income resulted in the growth of the middle class. These households are able to sustain high levels of spending, often financed through credit. They are young professionals, managers in large, state- or foreign-owned enterprises, or entrepreneurs. In general, they enjoy foreign travel, foreign cars, and foreign brands which are perceived as offering more comfort and quality, not to mention status. Russian consumers have already rearranged their expenditure, spending more on communications, transport, leisure, hotels and catering. Transport expenditure increased by almost 75% over the review period. There was slightly less growth at 62.3% shown by expenditure on miscellaneous goods and services. Leisure, recreation, hotels and catering, in line with education, grew by approximately 35% from 2005 to 2009 “(2011:3).

As we can conclude from the information, Russian market is a growing market with a lot of potential and in order to satisfy the needs of this particular market and thus get the most of its potential, the general strategy of the company should be carefully adjusted and polished. For the mentioned purposes, an analysis of the market with the objectives to pinpoint its characteristics, needs and the best way to satisfy them is essential prior to any strategy adaptation.

5. MARKET RESEARCH USING PRIMARY DATA

During the practical training at the company, the researcher had an opportunity to carry out a marketing research of Russian market and get an insight to the preferences of consumers in Russia in general and Russian tourists on vacation in Spain in particular. In order to analyse the market both a secondary market research was conducted based on the official studies of Euromonitor and Spanish Institutions of tourism, research done by companies, various scientific articles and articles from business magazines. The researcher relied on primary market research which consisted of telephone in-depth surveys with 42 participants from Russia. Apart from that, the reservation data of Russians from the period 16 April 2011 – 29 May 2012 was analysed.

5.1 Analysis of reservation data

5.1.1 General settings

As for the reservation data analysis, 474 reservations by residents from Russia were at the researcher´s disposal. These data includes confirmed, unpaid and cancelled reservations. Dates of actual reservations, the dates of “check-in” the holiday accommodation and the dates of “check-out” were available in the date. If assumed that the dates of “check-in” coincide with the dates of entry to the country and thus the beginning of vacation, the preferred months for holidays become visible. Adding to this information the date when the actual reservation was made, the time needed for Russian tourists to organize the trip is gained.

It is also worth mentioning that the favourite holiday type of accommodation is visible, in this case, apartment or a stand-alone house/villa but these results are not totally reliable because initially the supply of apartments totally outweighs in numbers the supply of houses/villas. In other words, all types of accommodation are equally promoted on the web, which means that a client sees more incentives to rent an apartment unless he has made up his mind before entering the web.

5.1.2 Findings

This analysis provided the following results. First, an average stay of a tourist is 17 days. We saw earlier that an average was 10.6 days. This gap can be explained by looking at the accommodation chosen by tourists. An average stay of 10.6 days included stay in the hotels, as well as accommodation rental, whereas 17 days refers solely to the accommodation rental. If we think about the main motives of renting an apartment or villa for the holidays versus staying at the hotel, we will definitely see a financial motive here among the others. Hotels are costly and those who are planning to use their services for more than a week might find themselves running out of money. To put it in a different way, when you are planning rather long holidays, it becomes wiser financially to consider an accommodation rental, of course if money is a case. For that reason, an average stay in my analysis is higher than the one calculated by official tourism institutions in Spain.

Additionally, Russian tourists book with about 3 months in advance. This rather long time is needed for Russian tourists to do all the paperwork related to the trip. Though the official procedures of applying for the Spanish visas have been reduced in time recently in order to make more favourable conditions for the Russian tourists, it still takes time. And because having a certificate proving the rental of accommodation in Spain is needed prior to visa application, it is totally logical that Russian tourists decide to make a reservation in good time in advance.

As for the months chosen for the holidays, the favourite month is June, which is followed by July. Surprisingly, the third place in the ranking was occupied by September rather than August which stands on the fourth place. May and October are on the 5th and 6th places accordingly.

As for the preferred type of accommodation discussed above, the results showed that 71% of tourists choose apartments over villas. This insight is interesting but questionable in reliability for the reasons stated before.

This stage of market research provided me with the general statistical results but as what I was looking for was more insights into consumer behaviour, I proceeded to the second stage of primary market research which consisted of telephone surveys with the Muchosol clients.

5.2 Telephone survey

5.2.1 General settings

For the purposes of the market research there have been made in general 42 phone calls to the Russian clients of Muchosol. From these 42 people called, 7 did not want to participate in the survey (17%) and 10 people (23%) did not pick up the phone or could not be reached. All in all, I have managed to collect 25 answers (60%).

The questionnaire designed for the telephone survey had two parts in it: one was related to the quality of service of Muchosol and another to the behaviour of Russian tourists on vacation and the reasons behind the choice of destination.

Clients were asked to evaluate their vacation in Spain in general and their satisfaction with the services of Muchosol in particular. Then asked which of the following activities the tourists practiced during their holidays: shopping, sport, cultural activities such as museums and exhibitions, beauty treatments, for example, visits to spa and if they participated in the celebration of the local holidays. One of the objectives of this questionnaire was to see to what extent Russian visitors get integrated in the life of the locals and if they are interested in exploring the country beyond its beaches. Clients were also asked for their opinions on local cuisine which used to be praised a lot and what keepsakes they bought to bring home as a reminder of their holidays in Spain. As said before, it was also interesting to know the reasons why Russians actually choose Spain for their holidays and if they have plans to come back in the future.

5.2.2 Findings

To begin with, the discovered level of satisfaction with the accommodation rental was lower than the level of satisfaction with the holidays in general. Accommodation provided by Muchosol and the related services got an average of 4,92 from the maximum of 7 points with 1 being horrible and 7 being outstanding. The number passes the middle line and almost reaches a 5-point level. The main complaints concerning the accommodation included that the pictures provided on the web do not reflect the real conditions of the apartments/villas, that the collection of the keys was complicated and that it was difficult to communicate with the agency dealing with the maintenance of the accommodation such as reparations and other services.

As mentioned in the description of the company, Muchosol being an intermediary does not have a full control on the quality of accommodation it offers which leads to the complaints. Also, it is the responsibility of a cooperating agency (the one which puts its accommodation options on the portal) to provide the tourists with the keys and resolve any on-going problems. If an agency does not do a good job, it has an impact on the image of Muchosol which is another disadvantage of intermediate companies. As for the language barrier, very few people in Spain speak English very well and not all the Russian tourists can speak either Spanish or English. To improve the level of service for the Russian customers across Spain in general, in various provinces special courses on catering to Russian tourists are organized by tourism organizations. For instance, an Association of touristic apartments in Costa Dorada offered last year a language course with information about Russian culture to all interested in this type of education (Hosterltur, 2012).

The surveys revealed some interesting habits of Russian tourists on holidays in Spain. It has been discovered that 64% of the respondents visited museums, exhibitions or participated in a similar sort of cultural activities. These results are in accordance with the results stated in the report by Observatorio turistico de la Comunidad Valenciana (2012) about Russian market. They say that Russian tourists when choosing destination for their summer holidays look for a cultural and urban components and a possibility to do shopping which is also reflected in the results of the telephone survey. Almost 50% of respondents have done shopping during their vacation.

When it comes to spa, it looks like Russian tourists do not perceive Spain as a SPA-destination or they simply do not feel the urge to relax in the beauty centres when they are already on vacation. Only 12% said that they attended any SPA or beauty treatments of any kind. The percentage of those tourists who took part in celebration of the local holidays was quite low as well-only 8%.

A surprising revelation about Russian lifestyle was to find out that 32% of respondents practiced sport during their holidays. This could mean that they wanted to keep fit or simply prefer to rest actively. During my interviews, many clients answered that they played tennis, did their runs, practiced diving or yachting. Moreover, as Spain has a great fame for raising tennis champions, many Russian tourists come on holidays to this country for their sons and daughters to practice tennis in local sport clubs. Spanish cuisine was praised by 84% of respondents. It was mentioned that local cuisine was a great combination of price and quality. Paella was named the favourite dish of the majority of Russian tourists.

When asked about the reason behind the choice of Spain as a holiday destination, all of the respondents named the quality and variety of its beaches. At a deeper level, 57% of respondents were guided by advice given by their friends. This result is not surprising at all taking into account the global distrust of consumers in the companies´ messages and the increased reliance on the opinion of friends or simply other internet users on forums and social media platforms (Alcazar 2013:80). Among the other reasons for coming to Spain, respondents mentioned that it was an economic option for holidays, good for family vacations, had good restaurants and many interesting places to explore and visit.

As for the way Russian tourists prefer to travel, 68% came on family holidays to Spain, 8% took their friends with them and 24% were in Spain with their families and family friends.

To crown it all, 96% stated that they were planning to come back to Spain for their next holidays. It is a very high level of loyalty to the destination which is confirmed by the previous research. For example, Instituto de Estudios Turísticos (2010) in its research found out that 86,5% of international tourists who came to Spain had not even considered another alternative for holidays rather than Spain.

6. CONCLUSIONS

6.1 Summary of main findings and implications for the commissioner

The research shows that Russian tourists come to Spain for their vacation and actively use their time on holidays. They plan the trip with sufficient time in advance and prefer a rather long stay. Shopping is an important holiday activity for this type of tourist.

These characteristics have certain implications for the companies willing to attract a Russian consumer or to be concrete a Russian tourist. First of all, it is highly important to make a consumer feel safe and secure about the purchase of the service over the Internet. Second, companies have to raise the level of services for Russian tourists if they want to satisfy this demanding consumer. Additionally, companies must provide quality information if not the complementary services themselves because as it was discovered, Russian tourists come for a full-package holiday and they are still very much used to using the traditional tourism packs from tourism agencies. To crown it all, companies should adapt their marketing if not business strategies for different cultures, especially when we talk about cultures defined by geography.

6.2 Limitations of the study and suggestions for further research

The main limitation of the study is that the sample group included already existing clients of the company who choose holiday rental accommodation. To see a broader picture which would reflect the reality of a Russian consumer on holidays, we would need to include those who stay in hotels, at friends´ places and other accommodations types.

Exploring the habits and mentality of a Russian consumer is a very interesting field of research which can be narrowed down to a Russian consumer on the Internet for further research. Internet has produced certain changes in the behavior of consumers across cultures thus it would be fascinating to see how Internet made an impact on a Russian consumer. For instance, it is already known that stimuli provided by companies to attract frequent shoppers and less frequent shoppers should be different (Burke 2002), thus a good field of research would be the division of Russian shoppers online into subgroups based on the frequency of purchases or other aspects of shopping behavior.

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