

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

Degree Program in International Business / International Marketing

Polina Racheeva

NEW SUSTAINABLE TOURISM PRODUCT DEVELOPMENT FOR RUSSIAN  
CUSTOMERS

Bachelor's Thesis 2015

## ABSTRACT

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

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New Sustainable Tourism Product Development for Russian Customers

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Supervisor

Ulla Puustelli, Senior lecturer

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Sustainable tourism is a new concept for tourism sector; it is tourism that reduces negative tourism impacts and brings benefits instead. The current problem of sustainable tourism is lack of attractive tourism products. Their development is crucial since customers seek for experiences at a destination. Russians are an important segment for Finnish tourism, therefore their consumer behaviours has to be studied.

The aim of this research is to find how to develop a tourism product for sustainable tourism and make it attractive to Russian customers. The concept of sustainable tourism is introduced and explained. The development models of tourism products are described. Russian consumer behaviour regarding sustainability is reviewed.

The semi- structured interviews were done with representatives of five different tourism companies in the areas of Kymenlaakso and Uusimaa. Detailed and up-to-date view on sustainable tourism was obtained. Literature review comprises of information from books, conference papers, official reports and websites.

New tourism products are developed by applying Gustafsson and Johnson's New Service Development model. The research on Russian service expectations should be implemented via Russian speaking social media. The target market would comprise of Millennials, because they are more aware of sustainability trends. Introduction of affordable options is essential in response to the recent burst of the Crimean Crisis.

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## LIST OF ABBREVIATIONS

BRIC = Brazil, Russia, India, China

BRICM = Brazil, Russia, India, China, Mexico

CIS = the Commonwealth of Independent States. Republics of former USSR: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Ukraine, Uzbekistan.

ETC = European Tourism Commission

EU = European Union

NGO = Non-governmental Organization

TALC = Tourism Area Life-Cycle

TCC = Tourism Carrying Capacity

UNEP = United Nations Environmental Program

UNESCO = United Nations Educational, Scientific and Cultural Organization

UNWTO = World Tourism Organization

WCED = World Commission on Environment and Development

WTO = World Trading Organization

WTTC = World Tourism and Travel Council

## 1 INTRODUCTION

This thesis focuses on creation of a new tourism product for sustainable tourism orientated to Russian tourists. The idea of the topic was born during the author's practical training in the Finnish Environment Institute (Suomen Ympäristökeskus, SYKE). They had a Finnish-Russian –Estonian project called The Gulf of Finland Year 2014 dedicated to sustainability in the Gulf of Finland region and which included some extent of sustainable tourism, like expeditions and eco-camps for children (*Gulf of Finland Year 2014*, n.d.).

Sustainable tourism is the topic receiving a lot of attention nowadays. Finland needs to develop in that direction, because cleanliness and untouched nature are the few trump cards making Finland competitive as a tourism destination. There are numerous destinations that outweigh Finland in rich cultural experiences, cuisine, cheaper prices, and better infrastructure and are easily accessible. Russians appear to be an important group of tourists: the largest in size, they are also interested in nature experiences. However, in order to attract them, new tourism products need to be developed.

Tourism is traditionally defined as “the sum of relations from the activities of people, who travel to and stay in places outside their usual environment for one consequent year or less for business, leisure and other purposes”.(Wall and Mathieson, 2005; cited in McCabe, 2009:2). The rapid growth of tourism has awoken a lot of concerns on the destructive impacts on the environment, especially since the publication of “*Our Common Future*” (Brundtland) report in 1987 by World Commission on Environment and Development (WCED). (Björk, 2001:331; Leslie (ed.), 2012:16; Higham, 2007:35.).

Tourism brings a wide range of negative tourism impacts. Environmental pollution from tourism activities leads to depletion of ozone layer, climate change and loss of natural habitats and biodiversity. Negligence to the needs of local population results in loss of integrity in cultures and lifestyles. Poorly organized infrastructures and management lead to social inequalities and declining local businesses. However, if managed efficiently, tourism can bring a range of benefits. Conservation of nature and raising environmental awareness is vital for environment, while conservation of cultures and enhanced intercultural exchanges are the main socio-cultural benefits. The socio-

economic benefits include earnings of incomes and foreign exchange, employment and improvement of infrastructure and quality of life. (UNESCO, 2009:5-6, 8.)

## 1.1 Research methods

Five qualitative semi-structured theme interviews were carried out between 25<sup>th</sup> May and 13<sup>th</sup> June 2014. The reason for choosing semi-structured interviews was to get full and detailed responses from the interviewees. According to Ghauri and Grønhaug (2005:109), qualitative research is applicable when different perspectives of knowledge are needed. Sustainable Tourism is a complex area where the discussion occurs on different levels and where the detailed descriptions are essential. (Björk, 2001:336.) The questionnaire is attached as an Appendix.

The respondents were representatives of Cursor Oy, Kotka-Hamina regional development company, marketing and communications assistants from VisitHelsinki, VisitEspoo, the project manager of SouthEast135 and Haltia Finnish Nature Centre. The main selection criteria were the location in Southern Finland and direct relation to tourism development. Haltia Finnish Nature centre (further referred to as "Haltia") awakens interest in the research, because it aimed at becoming a sustainable tourism attraction, representing all Finnish nature and is built in a sustainable way (Haltia, 2015). The results of the interviews contribute to different sections of the thesis and are cited in Harvard Author-Date style.

## 1.2 Research question

The research question of the thesis is: "How to develop New Product for Sustainable Tourism so, that it is attractive to Russian customers?"

This work seeks to answer also the following questions:

- What is sustainable tourism?
- What makes a tourism product sustainable?
- How to develop a New Tourism Product?
- What are the behavioural characteristics of Russian tourists?
- What do they appreciate in a tourism product?

- Are they interested in sustainable tourism?
- Who are the potential customers?
- How to get Russian tourists interested in sustainable tourism product?

### 1.3 Conceptual basis

The key concepts are *Sustainable Tourism Development*, *Russian Consumer Behaviour* and *New Tourism Product Development* which are related in the following way. According to Rio Declaration of 1992, the change towards *sustainable tourism* is only possible if *consumer behaviour* shifts towards sustainability (Leslie, 2012; Khalili *et.al*, 2011), thus creating the demand for green tourism. In turn, sustainable tourism companies try to attract new customers by developing *new tourism products* that comply with the principles of *sustainability* (UNWTO and ETC, 2011). Development of *new tourism product* attractive to customers is impossible without knowledge of their behaviour (Choibamroong, n.d.:1-2), which gives the ideas for development direction (Susman, Warren, Ding, 2006:28). *Russian* tourists are the main target market for Finnish tourism, thus studying their *behaviours* is crucial.

## 2 SUSTAINABLE TOURISM

The first essential step for the research is to discuss what exactly sustainable tourism is. The United Nations Environmental Program (UNEP) and UNWTO (2005:11-12) define *sustainable tourism* as “the type of travelling that takes the responsibility for current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities”.

Sustainable tourism follows the principles of *sustainable development* or *sustainability*. (Björk, 2001:330; in Higham, 2007:35). *Sustainable development* aims at harmonization of relationships between human and environmental systems, reduction of impact on environmental, economic and socio-cultural systems and preserves those systems to fully meet the needs of society and individuals (Khalili, 2011:7). The prior definition by UNWTO (1998, cited in UNESCO, 2009) specifies the needs of each side involved in tourism. According to UNWTO, *sustainability* satisfies aesthetic needs of visitors, provides community with cultural integrity and life-support systems. Also it provides



economic benefits, maintains ecological processes and biodiversity in natural environment and protects the destination for future use.

By definition, sustainability integrates three main systems, known as *Three Core Thrusts of Sustainability: economic, environmental and social*. Briefly, *economic sustainability* seeks for provision of long term economic benefits for present and future by efficient use of resources. *Social sustainability* aims at human development, wellbeing and poverty alleviation. *Environmental sustainability* maintains both previous systems by efficient use of environmental resources and life support systems for long-term service capacity. However, the systems are divided only approximately. The dimensions often overlap, and elements influence each other reciprocally, one being a cause and the result of change in another. (Khalili, 2011:7.).

Notably, there is still no clear definition for sustainability. The reason for that is the complexity of the concept: the three systems influence each other reciprocally, when a crisis in one system is both a result and a cause of crises in others. Moreover, the dimensions of one system can overlap with dimensions of the others. (Khalili, 2011:7.)

## 2.1 Sustainable tourism – a new tourism type?

Because the sustainability concept is very complex and vague (Khalili, 2011: 7), the concept of sustainable tourism is often being misinterpreted.

To begin with, “is not in itself a unique form of tourism, but a philosophy and a set of guidelines (principles) which can be used as a framework when developing all types of tourism <...> towards sustainability” (Butler, 1993). Neither is it an alternative to mass tourism (Ceballos-Lascuráin, 1996; Butler, 1993). Instead, it is the tourism where “tourism activity, focused on natural or cultural heritage, can continue indefinitely” (Björk, 2001:331). Alternatively, sustainable tourism is called *responsible tourism*, firstly mentioned in Cape Town Declaration 2002 because of poor understanding and overuse of the prior term. Similar to sustainable tourism, it minimizes negative impacts on economy and society, contributes to conservation of natural and cultural heritage, provides employment and equal access to decision-making and alleviates poverty. (*Sustaining Tourism*, 2013.).

Sustainable tourism is frequently diluted with other types of tourism. For example, *ecotourism* is also believed to be just another name of sustainable tourism. According to Ceballos-Lascurain (1987), the author of the preliminary definition in 1983 (Ceballos-Lascuráin, 2008), *ecotourism* focuses on visiting relatively undisturbed and uncontaminated natural areas with the aim of appreciation and study of nature, minimising visitor impact, promotion of conservation and provision of socio –economic benefits. (Higham, 2007: 2; *Sustaining Tourism*, 2013.). Ecotourism is a sub-category of sustainable tourism that contributes to sustainable development. Sustainable tourism is neither *nature tourism* nor *culture tourism*, though it is related to it. Focus on conservation and provision of benefits to local communities is the core of sustainable tourism. Though all forms of tourism can become sustainable, not all forms of tourism can be ecotourism (Ceballos –Lascuráin, 1993). Moreover, it should not be seen as gimmick, or as a secondary market niche or antithesis to mass tourism, but as a complementary part of the responsible tourism management. (*Sustaining Tourism*, 2013; Higham, 2007:3, 9, 30, 34-35.)

Ecotourism could be the most common form of sustainable tourism for Finland. It is done in relatively undisturbed areas (Ceballos-Lascurain, 1987; in Higham, 2007:2 and in *Sustaining Tourism*, 2013), including national parks, which are the main protected areas in Finland.

## 2.2 Sustainable tourism is limited in growth

Even though sustainable tourism development is built around the idea of constant growth without bringing negative impacts to destination, in practice it always affects the destination viability and leads to destination' exhaustion and overuse because of pressure from tourism visits, adaptation of a destination and use of resources. In order to avoid this, the *limits to growth* need to be set. The traditions of limited tourism growth, offered by Saarinen (2013: 4-5) are based on three core thrusts of sustainability (see Khalili, 2011, 7): *community-based* (social), *activity-based* (economic) and *resource-based* (environmental), further presented in Table 1.

Table 1. Models of limited tourism growth based on different traditions (Saarinen, 2013: 4)

|                          | <b>Resource-Based</b>   | <b>Activity-Based</b> | <b>Community-Based</b> |
|--------------------------|-------------------------|-----------------------|------------------------|
| Origin/Manifestation     | Carrying Capacity Model | Product Cycle (TALC)  | Participatory Planning |
| Orientation              | Environment (physical)  | Industry              | Community              |
| Limits to growth         | Objective/Measurable    | Relative/Changing     | Constructed/Negotiated |
| Resource and system view | Static                  | Dynamic               | Dynamic/Static         |
| Time scale               | Long                    | “Now”                 | Short                  |

### 2.2.1 Tourism Carrying Capacity model (TCC)

Each destination, when used for tourism, might lose its capacity to absorb further tourism development. Therefore, a question raises what changes are acceptable and to what extent. This is the aim of *Tourism Carrying Capacity model (TCC)*, a *resource-based* tradition that searches for a specific tourists' number that cannot be overstepped in order not to cause serious negative impacts on the resources. (Saarinen, 2013: 4-5.). Notably, the identification of limits to growth is the number one aspect in sustainable tourism management. Sæþórsdóttir (2014: 66) wrote that the development of destination continues until the environmental, social and economic capacities are reached. Not respecting the impact on capacities contradicts the idea of sustainable tourism, thus tourism that does not recognise the limits to growth cannot be called sustainable.

### 2.2.2 Tourism Area Life-Cycle (TALC) model

Along with the intensity of tourism activities, the speed of development is an important factor to consider. The faster the destination develops, the harder it gets to control the environmental impacts (Kaur, 2006; in Jaafar and Maideen, 2011: 684), resulting in difficulties in expanding and maintaining the level of tourist activity and destination's exhaustion (Sansó and Alcover, 2009:2). Activity –based *Tourism Area Life-Cycle* model or *TALC*, focuses on the development of a destination as a tourism product (see Figure 1). Destination is understood as a tourism product, because it is modified and developed for customers. (Butler, 2011:4.).

Similar to any product, a destination passes all *Product Lifecycle Stages: exploration, involvement (introduction), development (growth), consolidation (maturity), stagnation and post-stagnation stage*. In the latter stage several scenarios are possible: decline, re-

juvenation (resurrection) or other intermediate solutions. Each stage has different rhythm of growth, natural and anthropogenic resources. The proportion of tourists, administration, entrepreneurs, international corporations, locals and immigrants also varies stage by stage. Evolution of a tourism destination is represented by the S shaped model in Figure 1. (Sansó and Alcover, 2009: 2-3.).

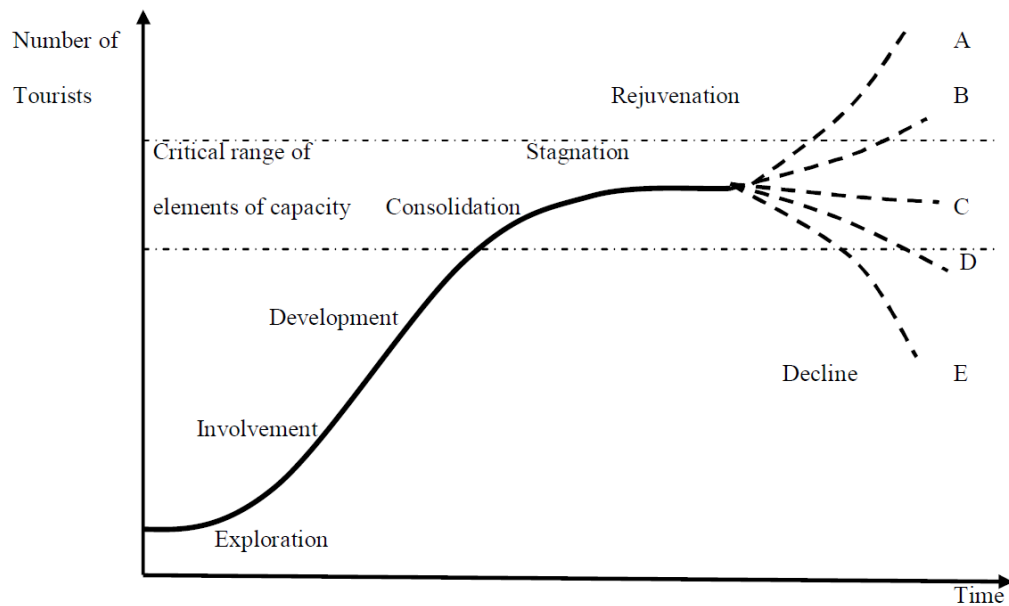


Figure 1. Evolution of a destination by TALC (Sansó and Alcover, 2009: 2-3.).

In the *introduction* stage customer gets to know about the new product. The knowledge of the product rapidly increases during *growth* or *development* stage, attracting more and more customers. In the *maturity* or *consolidation* stage the product has its loyal consumers. In the stage of *stagnation* the product struggles to remain profitable (Getz, 1992) because there are cheaper substitutes on the market. (Sansó and Alcover, 2009:4, 8-9.). *Decline* or *extinction* is a highly likely consequence if no efforts are made to keep the destination competitive (Butler, 2011:5).

### 2.2.3 Community - Based Tourism

According to Rio Conference 1992, the community is the first to protect the destination's resources and benefit from them (Tosun, 2009, cited in Akdu and Pehlivan, 2011:76-77; UNESCO, 2009: 15).

*Community - Based Tourism (CBT)* tradition or *Participatory Planning* focuses on provision of benefits to local communities without damaging the environment. Benefits provided are fair distribution of power and opportunity to control tourism development, better living conditions, and possibilities for social capital creation without irreparable damage to the environment. (Ballesteros, 2011; in Akdu and Pehlivan, 2011: 80-81.). In addition, capacities are built to enhance the essential collaboration in decision making between stakeholders (UNESCO, 2009:15).

## 2.3 Sustainable tourism in Finland

Sustainable development became a crucial part of the Finnish politics since the publication of Brundtland report in 1987. After joining European Union (EU) in 1995 Finland harmonised community legislation with environmental legislation on nature protection and conservation, waste management and compensation for environmental damage. (Finnish Tourist Board, 2011:2-3.).

The empirical research has shown that there is still a lot of upcoming work (Somero, 2014) and the regions had not yet identified themselves as sustainable destinations (Stanley, 2014). Sustainable tourism, according to Gudym and Pohjalainen (2014), has a lot of perspectives for development, because it is very popular in Finland and in other Western countries.

### 2.3.1 Sustainably operating tourism companies

The primary focus of Finland's sustainable tourism policy is on enterprises, especially those working in nature attractions, because working in nature by itself requires sustainability in operations (Suni, 2014). A lot of those companies have already adopted sustainable practices (Rajala, 2014), though not all of them know, that they operate in a sustainable way (Suni, 2014). Some of them, according to the interviews, are Ihalines cruise ship company (Somero, 2014), Erämys (canoeing and rafting on Kymijoki river) and Vimpa islands with their eco- village (Suni, 2014) and Haltia Finnish Nature Centre. The latter appears to be an outstanding case: founded with the aim to represent all Finnish nature, it generates 100% cooling and 75% of heating from sustainable sources" and is built entirely of wood, the sustainable material. (Stanley, 2014.).

Finland strengthens tourism enterprises by supporting sustainable practices, such as planning efficiency, energy management, water supply, waste management and ethical attitude towards the choices of future consumers. In order to ensure the implementation of those practices, Finland provides training programmes, networking, funding, electronic systems and marketing the destination. (Rajala; Somero; Suni, 2014; European Commission, 2013:5-6, 9.).

### 2.3.2 Sustainable tourism projects

Tourism and development companies took proactive approach to sustainability in their businesses and initiated a number of projects. For example, the project *Sustainable Tourism in South-East Coast* seeks to create a strategy and actions concerning the sustainability. The key topics are sea and archipelago, Kymi River with canoeing, fishing and rafting, forests and Salpalinja Defence Line and developing services for them. (Rajala, 2014.) The projects are rather on national and interregional level, between the regions of Kymenlaakso, Southern Karelia and the Eastern Uusimaa (Sunni, 2014).

On the national level, a lot of projects are dedicated to *protection and conservation of natural and cultural heritage* (European Commission, 2013:7). This topic is vital for Finland, because the competitiveness of a destination is built around untouched and clean nature. Its damage can significantly undermine inbound tourism to Finland. (Vesterinen, 2011:14). Nature conservation is the primary task of Nature Heritage Services of Metsähallitus, the Ministry of Forestry. (European Commission, 2013:7, 10.). One of their big projects is Finnish Nature Centre Haltia. The centre has been in operation since June 2013. The idea of the centre is to represent all the Finnish protected areas (Gudym and Pohjalainen, 2014), natural features and biodiversity, thus providing people from Helsinki area with the access to Finland's nature attractions (European Commission, 2013:7). Its location near the Nuuksio national park gives visitors a wide range of options: they visit museum and exhibitions, the national park, do outdoor activities with rental equipment and make picnics in specially organized places. The number of visits reached 150 thousand in 2013, with even 400 visitors on some days. The centre is involved in a project on development of services for Russian speakers. All tourist information will be translated into Russian and some of the seasonal personnel will be Russian-speaking. (Gudym and Pohjalainen, 2014.)

### 2.3.3 Marketing of sustainable tourism

Mostly sustainable tourism is marketed to tourism companies, because sustainability is seen as primarily the way of leading business (Somero, 2014). For example the use of renewable energies, efficient management of spaces, out-of-season services and materials and reduction of waste are promoted to companies (Suni, 2014). Moreover, there are guidebooks on energy efficiency published for businesses (European Commission, 2013:9).

Marketing of sustainable tourism for customers is done in several ways. First of all, there are guides on how to behave in nature, for example “Act responsibly in Finnish nature - Environmental Guide for Tourists and Recreational Users of Nature” published by Metsähallitus (European Commission, 2013:9). The way “how tourists get the guides into their hands” depends on how actively Tourist Information Office distributes them. Web-pages, Word-of-Mouth, Social Media, specifically Facebook and Russian Vkontakte, guides and brochures in hotels and airports are the main promotion tools. (Rajala, 2014.). Companies emphasize own accessibility by public transport, even though there is not so much public transportation, and promote local products, like food and building material (Suni, 2014).

Another form of marketing sustainable tourism is eco-labelling. (Somero, 2014). The numerous eco-labels in Finland aim at efficient use of resource and the reduction of waste. The most well-known one is the Nordic Ecolabel, a voluntary scheme used in Nordic countries which assesses the environmental friendliness of hotels, restaurants and conference services. (European Commission, 2013:9.). The first hotel certified by Nordic Ecolabel was Scandic Espoo, followed by Sokos (Stanley, SouthEast, 2011).

### 2.4 Challenges for sustainable tourism

Even though the developments, mentioned in the previous parts, carry the positive message of moving towards sustainable tourism (Saarinen, 2013: 8), there is a number of challenges due to topic’s complexity and novelty (European Commission, 2013:7).

The initial challenge of sustainable tourism is the lack of clear idea on the topic, primarily due to the fact that there is no exact definition of sustainable tourism. The lack

of understanding redoubles by contradiction between sustainability and tourism: tourism is seen as an industry focused on gaining short-term economic benefits, while sustainability aims at long term benefits across economic, social and environmental dimensions. The ambiguity in understanding of the concept results in “localism” and inconsistency in tourism operations. Tourism impacts are global and affect the whole tourism system, destinations, generating regions of tourists and connecting routes. Nevertheless, management of tourism often misses the global understanding, applying sustainability solely to destinations or certain sub-parts and sites of destinations. (Saarinen, 2013:4, 6-7.).

#### 2.4.1 Reality versus practice

Complexity and contradictoriness of the topic also mean that ideals of sustainable tourism are very difficult to implement into practice. For instance, the principles of ecological, social and economic sustainability are overlapping and contradictory at the same time and are hardly ever in balance. If, for example, financial efficiency is prioritized, the three dimensions are already not equal (Eagles, 231). While the destination has not yet reached its final stage as tourism product, the resources of the destination might be already overused, so that the destination cannot develop any longer. (Saarinen, 2013:6-8.).

Some real-life factors, like transportation and city planning are also being omitted, though they create most of challenge when building sustainable tourism. Transportation, especially public one, is responsible for most of the uncertainties in sustainable tourism. Visit Espoo (2014) emphasized the significance of transportation: “Having some pure nature on side does not make the destination sustainable, if you think of how people get from place to place”. It is also uncertain whether transportation companies had thought about environmental questions (Rajala, 2014). Although, making more public transport would contribute a lot to sustainable tourism, it “would require quite a drastic change on how the city would be developed”, especially for Espoo with “satellite city structure” and “five centres instead of one”, where the distances between centres are large, and so are the carbon emissions from transport. (Stanley, 2014.).

The demand for public transportation remains low since most people prefer travelling by car. It is challenging to create more public transportation because main customers of



public transportation services are locals, but not tourists, and it depends on the amount of locals using it. (Stanley, Rajala, 2014.). Public transportation also includes marine transport (Rajala, 2014). Only Espoo has its unique boat transportation to recreational islands in archipelago (Stanley, 2014).

#### 2.4.2 Low awareness

The ambiguity and complexity of the topic affects the way sustainability is communicated to the customer. Often it results in lack of consistent information on what sustainable behaviour is, thus contributing to low awareness among customers (Rajala, 2014).

First of all, sustainability is often presented as a sacrifice. Hotels say: “OK, these rooms are smaller and we do not have air conditioning, but by choosing this room you will make good impacts on the environment”. In practice, however, it is hard to make someone “pay money for a smaller room without air conditioning”, when they have an option of “huge rooms, plasma TV and air-conditioning running 24/7”. Because customers do not get any positive feedback for making environmentally friendly choices, they get annoyed with sustainability issues. The lack of trust into sustainability also adds to the point. A customer might refuse to buy a sustainable option, like “Why would I buy organic oranges instead of regular ones? They are anyway brought from somewhere else”. (Stanley, 2014.)

Another aspect to mention is the psychological set of a tourist. When they are on holiday, they do not want to think about negative things. Searching for information is seen as hard and time-consuming. They want easy solutions, and the easiest for them is to ignore the possible impacts of their choices. (Stanley, 2014.). As a result of lack of information and proper communication, the overall awareness of sustainability remains low (Saarinen, 2013:8). Such attitude lies in the image of Finland: people think that it is already sustainable, so they have nothing to care about (Stanley; Rajala; Suni, 2014). People are mostly happy with the packages they have, and do not look directly for sustainable options. Only ten percent of tourists, who visit a destination, would ask about sustainability. (Somero; Stanley, 2014.). The lack of demand for sustainability prevents from making the entire tourism chain sustainable (Suni, 2014).

### 2.4.3 Lack of tourism products and services

The lack of tourism products remains the main challenge for sustainable tourism. A visit to the nature attraction itself is free. The only way it will bring revenues is through sales of tourism products and services. (Rajala, Gudym and Pohjalainen, 2014.). The need for new tourism products becomes evident, because tourists are nowadays motivated by superior products and experiences rather than a destination itself (Weiermair, 2004:3; UNESCO, 2009:9-10; UNWTO and ETC, 2011). Because of the vivid need for innovative and customer-oriented high quality tourism products (Tekes, 2009; cited in Vesterinen, 2011:13) and growing concerns about environment and local population (Sunni, 2014), Finland gives development of new sustainable tourism products a priority (European Commission, 2013:5). This role is mostly given to Finnish Tourism Board, also known as Visit Finland, which collaborates with ministries, travel businesses, transport companies and Finnish regions (European Commission, 2013:4).

## 3 NEW TOURISM PRODUCT DEVELOPMENT

Before moving on to development of a tourism product, it would make sense to describe the core idea of a tourism product. A *tourism product* is defined as *bundles* of *tangible and intangible* components, based on an activity at a destination, which compose the *total travel experience* from home and back (Koutoulas, 2004). Tourism product is understood as *total product*. It should not be confused with its constituent part called *specific (discrete)* product, which is an individual offering sold by a single business, like accommodation or transport. (Komppula, 2001: 1; Koutoulas, 2004; Weiermair, 2004: 3; McCabe, 2009: 3).

Tourism product consists of inseparable *tangible* and *intangible* elements. *Tangible* elements of tourism product include infrastructure and natural resources. *Intangible (non-material)* are divided into *experiences*, like activities, community and entertainment, and *emotional responses*, like cultural experiences and hospitality. (UNESCO, 2009: 9-10; COMCEC and MacNulty, 2013; Koutoulas, 2004.).

Similar division was offered by Smith (1994). The tangible part is *physical plant*. The intangible elements include *services*, the specific tasks which satisfy the needs of tourists and make the physical plant useful, and *hospitality*, the fulfilled expectation of the

tourist or “the something extra”. In addition to those two dimensions, tourism product includes *freedom of choice*, the possibility to select a range of options. The crucial part is *customer involvement* in service process. (Komppula, 2001: 3-4.)

Kotler (1999) distinguished *three levels* of a product. The *core product* is the essential service or benefit for customer needs and the key message. The *formal product* means the specific offer in exchange for money. The *augmented product* is the combination of value-added services and products (Middleton & Clarke 2001). Also it encompasses brand, image, accessibility, atmosphere, customer involvement and interaction with the service provider. Those features are built into *formal product* and that help to differentiate from the competition. (Komppula, 2001:3-4.).

Because *tourism products* belong to service sectors, they share a lot of characteristics with *services*. Gustafsson and Johnson (2003) define *services* as activities of a more or less tangible nature directed at solving customer problems and occur during interaction between a customer and service employees, physical resources or goods and/or systems. (Susman, Warren, Ding, 2006a:1-2.).

Both tourism products and services are *compound by nature*: they contain both *material* and *immaterial elements* and involve *a lot of actors* in the process of product creation (Weiermair, 2004:3, Berno and Bricker, 2001: 6; UNESCO, 2009:27). However, tourism product cannot be called a service: a customer buys a bundle of services not an individual service offering (Kaspar 1991; cited in Weiermair, 2004:3; Komppula, 2001:2).

The *intangibility* of both tourism products and services is shown in the *lack of physical identity*. Although it increases the risk of imitation, it allows better adaptation to the needs of an individual customer and *greater flexibility* in bundling and packaging. Also they are *perishable* because they are consumed as they are created and cannot be “stored”. The customer is a user, but not the owner of the service. *Customer involvement*, expressed in simultaneous contact with service provider, is the condition of their existence. (Susman, Warren, Ding, 2006:21; Koutoulas, 2004; Komppula, 2001:3-4; Weiermair, 2004; Berno and Bricker, 2001:7.)

The main challenge is that tourism product innovation is quite minor or cosmetic, despite the rapid development of tourism and service economy (Weiermair, 2004: 3; Komppula, 2001:1). The next chapters introduce the characteristics of new tourism product development and represent the models for *New Tourism Product Development*.

### 3.1 Development of tourism product through service innovation

*Tourism product development* consists of processes where the resources of a destination are integrated to meet the requirements of international and domestic customers (COMCEC and MacNulty, 2013).

Considering that tourism products are analogous services and that service concept is the core of tourism product (Komppula in Tyrväinen et al. (ed.), 2011:14; UNESCO, 2009:27), *new service development* strategies can be applicable here. *New service development* combines “marketing and operating resources to design and implement the service process deemed by the customer to have value”. (Tatikonda and Zeithaml, 2002; cited in Chun-Chu and Chang, 2006:48).

*Service innovation* is a closely related definition and it means “the change of the process of delivering existing services and the generation of new services” (Leiponen, 2005; cited in Skaalsvik and Johannessen, 2014: 39). As de Jong (2003) noted, service innovations are fundamentally different from product ones: their development requires consideration of more factors. Service innovations are rather incremental than radical. *New service development* is highly reliant on human factor because of customers’ engagement into the development process and personnel responsible for idea generation and product quality. (Susman, Warren, Ding, 2006:21, 28.)

Returning to the definition by Gustafsson and Johnson, generation of customer value is in the heart of new service development (Tatikonda and Zeithaml, 2002). *Customer value* is a cognitive perception of enterprise’s products and services, need satisfaction, information relationships and experiences, price, brand, customization and customer orientation. (Chun-Chu and Chang, 2006:48.). There are three stages of value. *Expected value* is about how the desires will be satisfied before the service is performed. *Perceived value* is based on the assumptions and experiences mainly during the service

performance. The outcomes of the service performance are the final *experienced value*. (Komppula in Tyrväinen et al. (ed.), 2011: 14.).

The imperative need for value creation had led to creation of the so-called *value based services*. Traditional services equate pure need satisfaction and service quality with profitability. In contrast, *value based services* get competitive advantage by creating the value, which makes them drive the economy growth and enterprise's profitability in face of fierce competition. (Chun-Chu and Chang, 2006: 47.). In fact, delivering the value on the basis of traveller's needs and motives is the core of the tourism (Komppula in Tyrväinen et al. (ed.), 2011:14). The possibility to generate value was considered in several service development models, described in the next chapter.

### 3.2 Models for New Service Development

In order to keep the innovation process consistent and consequent, it has to follow some pattern or a model. *Stage-Gate process*, developed by Robert Cooper and co-workers (1994) is the most cited one in product development. However, its usability for services is arguable. Services are considerably different from tangible products, to which the Stage-Gate model is mostly applied. The reason for this is that services' success is conditioned by faster response to customers' needs, flexibility, higher customer involvement as well as fast response to competition and imitations. (Susman, Warren, Ding, 2006:32.).

The role of customer value in services has led to emergence of tools for developing value – generating services (Rungtai and Chun-Liang, 2012:121). Alam and Perry (2002) emphasized the importance of customer involvement all throughout the ten steps of the process (See Table 1), the strongest in idea generation, service design and process/system design, service testing and pilot runs. In the same year, Tatikonda and Zeithaml (2002) divided the development process into three major stages: *front-end*, *back-end* and the *product introduction*, with marketing research crucial to front-end. (Chun-Chu and Chang, 2006: 49- 50.).

Gustafsson and Johnson (2003) created the *New Service Development model* by re-adapting Cooper's Stage-Gate model based on a belief that the same development

methods can be applied to both products and services. The model is introduced in Figure 2. (Susman, Warren, Ding, 2006:32; Gaus *et al.*, 2013:11-12.).

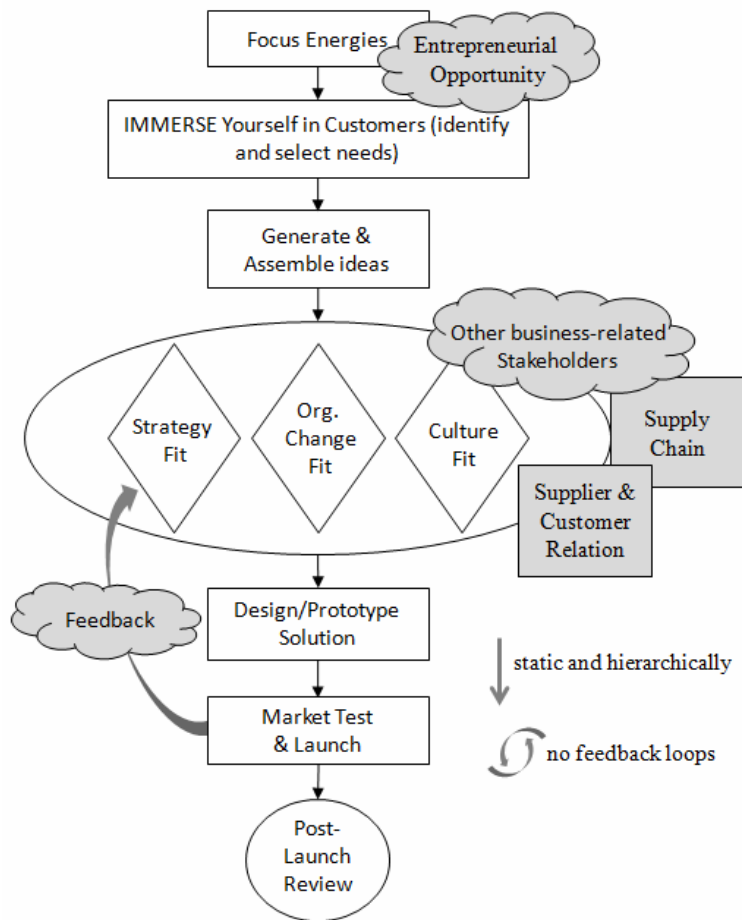


Figure 2. New Service Development Model by Gustafsson and Johnson (Gaus *et al.*, 2013:12).

The stages in Figure 2 represent the steps in service innovation process, described by Gustafsson and Johnson (2003). They shortened the five stages of the initial model to three, since the development of services requires fast reaction to changes. The gates, are the control points located after each stage, responsible for moving the project to the next stage (*Stage Gate Inc.*, 2014), were replaced by *organizational*, *cultural* and *strategic fit*. (Susman et al, 2006:32; Gaus et al., 2013:11-12.).

Gustafsson and Johnson's model deserves attention for having considered social dimensions, respectively, customers, organization, culture, personnel and value, along with technological potential (Rungtai and Chun-Liang, 2012:119-120). In their model

customers are involved in the entire development process, so the feedback on customers' potential needs and preferences is received. (Gaus *et al.*, 2013:12-13; Susman, Warren, Ding, 2006:32.)

All the mentioned models are compared in Table 2. The comparison is done in order to see which model or mix of the models will be more viable for tourism product development.

|   |  |                               |              |
|---|--|-------------------------------|--------------|
| Gustafsson and Johnson (2003)   | Alam and Perry (2002)  | Tatikonda and Zeithaml (2002) | Type         |
| “Focus energies”:<br>Identification of direction of innovation  | Strategic planning:<br>Identification of market opportunities, analysis of competition, available new and latent existing services (T&Z)   |                               | Front-end    |
| “Immerse Yourself with Customers”<br>Includes the research on customers and their needs                                   | Idea generation<br>Creation and alteration of new service concepts (T&Z)   |                               |              |
| Stakeholders: investors, suppliers, competitors, employees, customers, markets, “think-tanks” (G&J)                       |  |                               |              |
| <i>Gate- strategic fit</i> – company’s strategy based on high quality empirical data about the market                     | T&Z:<br>Market opportunities are compared with corporate strategies and abilities. In this stage, the embryonic concept is discussed with stakeholders, ideas are developed from abstract to concrete. |                               | Front-end    |
| <i>Gate- organizational and cultural fit.</i> Personnel training and cross-functional teams is the most vital step (A&P). |  |                               | Back-End     |
| Designing and Prototyping solution and service process  | Service process is designed and tested the service process. Develop, improve and confirm service transmission process  |                               |              |
| Feedback for Strategy change  | Pilot runs in a real or simulated environment  |                               |              |
| “Market Test and Launch”  | Test marketing and commercialization   |                               | Introduction |
| Post-Launch review for new strategies.  | Performance evaluation: sales, business operations. Continue to improve the service transmission system (T&Z)  |                               |              |

Table 2. The stage-by-stage comparison of New Service Development Models. (Gaus *et al.*, 2013:12-13; Susman, Warren, Ding, 2006: 32; Chun-Chu and Chang, 2006: 49-50)

In sum, the steps in all three models are very complementary and should be used together. Tatikonda and Zeithaml explain the detailed steps in Gustafsson and Johnson. However, the steps in Alam and Perry's model are similar to ones used in Gustafsson and Johnson and Tatikonda and Zeithaml.

The model, offered by Tatikonda and Zeithaml is more focused on the strategy and development process, whereas Gustafsson and Johnson emphasize higher extent of customer involvement. By using them together, a company gets more detailed vision on the development process. Last but not least, is that the division into front-end, back end and product introduction appears to be strategically useful: in the front-end stage more focus is given to customer involvement, while the back end is responsible for development, tuning, designing and testing the service concept. This division also corresponds with the modern service structure.

To sum up, the suggested models emphasize market orientation in process development. The essential part of market orientation is seeing the market opportunities and trends. Therefore, the role of market research is crucial for service idea generation. Market opportunities basically mean the potential customers. Therefore, market research on potential customers has to identify market segments and customer profiles and their trends. (Weiermair, 2004:3; Posselt and Förstl, 2011:9,11; UNWTO and ETC, 2011; UNESCO, 2009:27; COMCEC and MacNulty, 2013.). In order to be competitive, a service has to create customer value. It is a part of augmented tourism product, according to Kotler's (1999) model (Komppula, 2001, 3-4) and, unlike core or formal products, is the main condition of competitive advantage can be built on solely. (Tyrväinen *et al.* (ed.), 2011; Komppula, 2001: 3-4.).

Consequently, the research on Russian consumer behaviour becomes crucial, considering the fact, that they are the largest, and, therefore, the most significant for Finnish tourism. They are responsible for most of Finnish tourism income's growth and for 22% (2012) of overnight stays. (Liikainen, 2013:14-15.). Thus, the next chapter is



dedicated to Russian consumer trends in sustainable tourism. The key role is given to behavioural patterns, governed by culture and social events.

#### 4 RUSSIAN CONSUMER BEHAVIOUR IN SUSTAINABLE TOURISM

According to the official definition by the American Marketing Association (AMA), “Consumer behaviour is the dynamic interaction of affect, cognition, behaviour and environment by which human beings conduct the exchange aspects of their lives”. In other words, it explains the influence of emotions, thinking, environment and behaviour on customer’s purchasing process. (Peter and Olson, 2008:5.). Russian consumer behaviour is a hard topic to study, primarily due to scarcity of empirical data on Russian behaviour and service expectations (Ahola, 2011:92; Cohen *et al.*, 2014:27; Kaufmann *et al.*, 2012:210-211). This is mainly because Russians are still a novel market for international travel (Petra 2011; cited in Kiilunen, 2013:28), with only 15 percent of Russians who had ever been abroad (ETC, 2013:5, 21).

##### 4.1 Green trends in Russian consumer behaviour

*Green or sustainable consumption* focuses on bringing up environmental and social benefits and protecting the quality of life and environment by using goods and services without compromising the lives of future consumers (Khalili *et al.*, 2011, 208).

For Russian segments, sustainable consumption appears to be a complex issue. On the one hand, Russian consumer behaviour changes in congruence with global environmental trends and made a significant shift to environmentally friendly consumption, according to Greendex, a sustainable consumption indicator. (Khalili *et al.*, 2011:222.). In 2014 Russia managed to be the eighth out of 18 surveyed countries for sustainable behaviour, leaving Germany, Sweden, USA and Japan behind. (Clapper, 2014.)

On the other hand, the reliability of Greendex results is disputable, because they just considered consumption habits, not regarding the environment, culture, climate, religion and availability of green products (Khalili *et al.*, 2011: 222). Theoretical and empirical data indicates that Russians lack awareness of sustainability and do not consider environmental aspects in their product choice (Ahola, 2011: 92; Suni, Rajala, Stanley, 2014).

To begin with, Russian understanding of sustainability is rather economic: sustainability is seen as constant increase in GDP, often achieved without proper consent to environment and local people. The Soviet concept of “conquering nature for people” is still alive, and thrives because of abundant natural resources, which “will not be exhausted for long time”. Low awareness does not seem surprising, taking into account the “big country factor”: the majority of people live in European part, whereas Siberian sparsely populated and vast territories are used for extraction resources, particularly oil and gas. (Davydova, 2013.).

The lack of visibility of impacts also contributes to low awareness. For instance, environmental accidents do not receive much public attention. NGOs are responsible for promotion of eco-friendliness, but in practice they get very little public support and awareness. In addition, NGOs face repressions, police checks, fines and over-bureaucratization of everyday activities comes from the Russian state, motivated by “political stability” and taught by “colour revolutions” in CIS (Commonwealth of Independent States). (Davydova, 2013.).

The empirical interviews helped to disclose more factors contributing to low awareness. The main problem, indicated by Gudym and Pohjalainen (2014) is unavailability of information especially in Russian language. Russian education does not include any guidance on environmentally friendly behaviour. Thus, even highly educated middle class Russian travellers lack the knowledge about the impact of individual choices (Stanley, 2014). For example, a group of Moscow tourists was asked about ecotourism. They said that they “did not know what is actually ecotourism, it is something new for us”. (Gudym and Pohjalainen, 2014.).

In comparison to Finland, Russia is far less advanced in dealing with sustainability issues (Davydova, 2013; Stanley, 2014). Handling environmental hazards and environmental monitoring are still the stumbling blocks for Russian realities (Ahola, 2011:79). For example, waste management is not well-developed in Russia (Davydova, 2013) as in Finland and other European countries. That is why Russians do not understand why they need to sort the trash or recycle (Rajala, 2014). Returning to the topic of ecotourism, differences in infrastructure also play a crucial role. Finnish national parks are open for visit and free of charge. They have “equipped trails, information boards and places for bonfires and tents”. Also entrepreneurs develop new activities there. In con-

trast, Russian parks are closed and located in very remote areas with «lack of roads, telecommunications and equipped paths» and are not free to visit. Because of this, many Russians had never been to a national park and often perceive it as a luxury. (Gudym and Pohjalainen, 2014.).

Nevertheless, Russian tourists still represent a significant group for sustainable tourism in Finland. They are interested in nature experiences, such as fishing, staying in cottages in silence and escaping from big city fuss (Rajala, 2014) and visit national parks, like Nuuksio (Stanley, Gudym and Pohjalainen, 2014), Valkmusa and Eastern Gulf of Finland (Sunni, 2014). Some positive trends were also noticed in political and social life. The years of 2011-2012 saw a new wave of environmental NGOs, comprised of students, young professionals, mid-level managers, creative classes and highly educated society group “intelligentsia”. Owing to global media and international tourism, environmental trends were integrated in political agendas, business and everyday life practices. (Davydova, 2013.). Having joined World Trade Organization also made Russia consider sustainability in common strategies (Kankkunen *et al.*, 2011: 2).

The next step is to define the possible customer segment for sustainable tourism. An empirical research in the next chapter introduces you with the potential target groups and their behavioural and cultural characteristics.

## 4.2 Target groups

Two major groups of visitors emerged from the research. The largest target group consists of people aged 30 or younger, usually families with small children, who travel with their own car. Those are independent budget travellers who organize the trips themselves. Visiting Nuuksio National Park and nature centre is popular among them, because the visit is free and in close proximity to Helsinki and there are a lot of opportunities for children like “interactive exhibitions and nature school”, or a “room with a sleeping bear”, also popular among adults. (Gudym and Pohjalainen, 2014.).

Another group consists of package tour buyers from big cities like Moscow and Saint-Petersburg, who have the visit of the centre in their program. Usually package tour buyers have high income, because tour packages are expensive. Aged forty and older,

those visitors also encompass professionals, like architects, representatives of tourism agencies, or journalists. (Gudym and Pohjalainen, 2014.).

#### 4.2.1 Generation Y – the modern sustainable generation

The two target groups, described by Gudym and Pohjalainen (2014), belong to different generations, distinct by lifestyle and mentality. In order to define which of them is more likely to expose sustainable behaviour, Mannheim's Generational theory (1928) is applied. The theory seeks to understand the values of certain generations. According to Generational theory, human values are formed during years of childhood and adolescence under influence of economic, political, demographic and social events. (Kiilunen, 2013: 20-23.)

The target group of individual travellers, mentioned by Gudym and Pohjalainen (2014), chronologically belongs to Generation Y or Millennials, born between the years of 1982-2003. Since this generation is entering the adulthood, bringing their values as consumers and employees, it awakes a lot of interest among modern researchers. (Benckendorff *et al.*, 2010; cited in Kiilunen, 2013: 23; Pesu, 2013:4). Generation Y are the largest demographic group since Baby Boomers (Kiilunen, 2013: 18), and the second largest generation in Russia (see Figure 3).

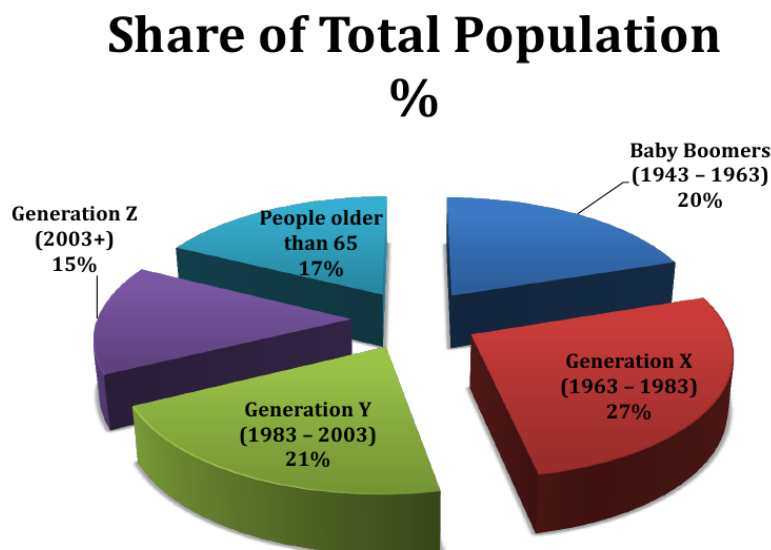


Figure 3. Russian total population by generation (Pesu, 2013: 5)

Generation Y are said to be strikingly different from the previous generations, also because their consumption habits are sustainable. Millennials are not likely to make unnecessary purchases and are restrained from large spending. In contrast, they would invest into themselves rather than into material things. The reason for this lies in the childhood. Having grown up in an era of child psychology, Millennials felt supported by adults and even special. The support and protection delayed their financial independence and entry to family life. Belated self-financing, and also living in times of great financial instabilities, restrained them from large spending, thus becoming a fertile ground for sustainable consumer behaviour. Tightened budget restrained Millennials from buying green products, unless they offer mutual benefit. (Kiilunen, 2013:20, 25.). What is more, their travelling habits are also noted as sustainable. This is seen in willingness to make contribution to the places they visit, like volunteering and au pair. This segment is enthusiastic about interaction with local communities and helps them to overcome economic hardships. Generation Y has other distinctive travelling habits, like going on shorter but more frequent vacations, and preferring individualized experiences to mass tourism. (Kiilunen, 2013:26 -28.)

#### 4.2.2 Cultural and behavioural characteristics

Undoubtedly, each generation has its own unique set of characteristics. However, the representatives of a single generation vary from region to region. Even though the world is more interconnected, thus events and trends on one side of the world affect the other, the behaviour of individual is still governed by cultural background (Hofstede, Hofstede and Minkov, 2005, 2010; Kaufmann *et al.*, 2012:214). That is why this chapter is dedicated to cultural and behavioural characteristics typical for Russian customers.

Russia is a *collectivistic* culture (score 39 on Individualism), in which group values are prioritized over individual and establishing rapport is important before handling the task. (Hofstede, Hofstede, & Minkov, 2010; Ahola, 2011:88). When making a holiday decision, they rely mostly on Word –of- Mouth. The influence of social media and other user generated content is very strong. (Fotis, Buhalis, Rossides, 2011:1; ETC, 2013:21.)

Russia is one of the most *uncertainty avoidant societies* (score 95 on Uncertainty Avoidance Index). It is seen in the most complicated bureaucracies in the world, rigidity in following rules, being distant and formal with strangers and desire for preparation. (Hofstede, Hofstede, & Minkov, 2010). The latter is expressed in scrupulous information seeking. Russians do not easily trust the information provided and use Internet to for advance holiday information. Interesting note was made by Pesu (2013:24): Russians read labels more often than anyone else in the world. (Ahola, 2011:75, 92; Pesu, 2013:24; TAK 2013; in Liikainen, 2013:15-16.). High reliance on travel agencies is also common for Russian tourists, primarily due to lack of independent travel experience (Petrač 2011; in Kiilunen, 2013:28; Doğan *et al.*, 2012: 389-390).

Russian culture is one of the most *power distant societies* (Power Distance Index score 93) where highly uneven power distribution is acceptable, authorities are inaccessible and status is actively sought and demonstrated. Nevertheless, Russia is a *feminine society* (Masculinity score 36), where family values and modest living are prioritised over achievement and standing out. (Hofstede, Hofstede, & Minkov, 2010).

Russians adapt to changes in the society quickly, thus being very *pragmatic* (score 81). Russians are a restrained society (*indulgence score* 20), where people feel that their actions are controlled by society, they feel uncomfortable yielding to their desires and impulses. (Hofstede, Hofstede & Minkov, 2010).

After having assessed the cultural and generational drivers, raises the question of what behavioural modes are most common for Russian consumers. Specifically, it is necessary to know, what behaviours are most likely to occur among the target group for sustainable tourism. The types of consumer behaviour are introduced in Figure 4 (Pesu, 2013:7).

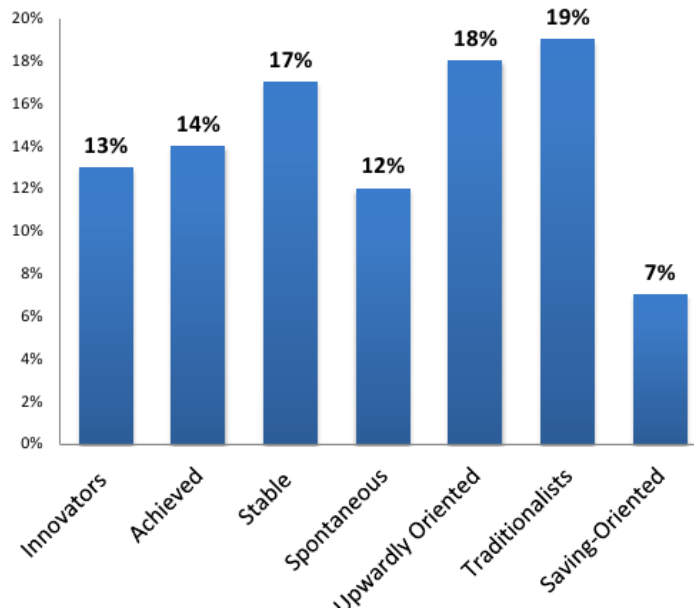


Figure 4. Russian consumer behaviour types. (Pesu, 2013:7)

Having reviewed each of them, it is more practical to focus on the two large groups of *Upwardly Oriented* (18%) and *Stable* (17%). The reason for it is that smaller segments do not share the characteristics of the target groups for sustainable tourism. However, the group of *Traditionalists* was omitted as well, because they spend a very minor share on tourism and leisure. (Pesu, 2013:7.)

The group of independent travellers, described by Gudym and Pohjalainen (2014), is more likely to be equivalent to *Upwardly Oriented* consumers. Aged 30 or younger, they are often single, self-confident and dynamic consumers, who actively purchase over the Internet. They are quite prestige orientated, they are more likely to prioritise the product image over its quality. Their income levels are usually average or above the average. (Pesu, 2013: 10- 13.).

Package tour buyers could demonstrate the characteristics of *Stable* consumers. They have the income above the average. They are very quality driven, and keep the standards of living high. This allows them to buy tour packages, where everything is included. Quality orientation is expressed in buying established brands, or buying natural and healthy food. Aged around forty, they plan their expenses to maintain the quality of lifestyle, not indulging into spontaneous purchases. (Pesu, 2013:10- 13.).

#### 4.3 From a luxury consumer to restrained – the impact of the Crimean crisis

The demand for tourism and other kinds of leisure consumption grows in proportion with the income (*Global Sherpa*, 2011). With the triple increase of disposable income, Russians became a well-paying and even luxurious customer segment (Pesu, 2013:23-24), known for abundant spending (Kaufmann et al., 2012: 216).

Russians understand luxury as the evidence of success and belonging to upper class, “external splendour and wasteful abundance” (Wiktionary, 2012; in Hallott, 2013:5, 22). They use expensive goods to show their status. This type of behaviour is termed as *conspicuous consumption* (Kaufmann et al., 2012:216). According to Thorstein Veblen in *The Theory of Leisure Class (1899)*, it is “the practice of using goods of higher price, quantity and quality than considered essential for status seeking behaviour” (Encyclopaedia Britannica, 2014). This behaviour is not surprising in tourism, because “tourism is the most conspicuous form of consumption” (Leslie (ed.), 2012:16). A perfect example of Russian conspicuous consumption is the use of well-known and expensive Western brands for social demonstration and self-expression. (Järveläinen, 2012:20; Kaufmann et al., 2012:216). Russians are very aware of brands, and are very loyal to premium internationally recognised brands. Superior quality would make a Russian pay premium price, instead of saving up and getting less. High quality of services, personnel, food and beverages and reputation of a tourism company are the attraction point for Russian tourists. (Hallott, 2013: 74; Pesu, 2013:24-34; Järveläinen, 2012:19; Ahola, 2011:92.).

The situation when Russians spent a lot of money abroad drastically changed with the burst of Crimean crisis in February 2014. The depreciation of rouble against euro made a lot of destinations unaffordable to them, especially when their disposable income fell by 17.4% (Ostroukh, 2014). The impact was the strongest for Finland. It is one of the most expensive countries in Europe, which was gaining most of the revenues from North-Western Russia. Finnish tourism income fell sharply because Russians switched to cheaper destinations, like Greece, Turkey and Hungary. (ETC and Tourism Economics, 2014:8.).

Rouble depreciation and Western sanctions had led to bankruptcies of major tourism agencies such as Neva and Labirint. As a result, tens of thousands tourists ended up



stranded abroad in their vacation spots. Due to currency fluctuations, the trips became more expensive, resulting in hotel bills and airfare being unpaid. (Ostroukh, 2014.).

Many Russians took the sanctions personally. The uncertainty of travelling abroad was mainly based on the fear of visa rejection. Some blogs had been reporting that a few embassies, especially American, stopped approving visas for Russian citizens. Some, specifically, the British embassy, made the application process more complicated and reduced the number of application desks. Some posts even referred that British embassies were intentionally losing applicants' documents. Together with language barriers, the fear of anti-Russian sentiment and hostility retrained many Russians from European trips. (ETC and Tourism Economics, 2014:9.).

The awareness of brands, trends and current political events was undoubtedly the significant behaviour changing factor. The awareness is a result of global Internet penetration, which gave access to a lot of information. In the next chapter the insight is given on how digital trends affected Russian behaviour in tourism. This gives a valuable view on how to market sustainable tourism products and on possibilities to get the marketing data.

#### 4.4 Digital trends and Russian consumer behaviour

Russian Internet market appears to be an interesting case study. Despite lagging behind its Western counterparts in digital trends, Russia already has the largest online market in Europe with 73.8 million users (Pesu 2013:38). The average Internet penetration rate is modest 58% (FOM, 2013), reaching 75% in Moscow and Saint-Petersburg, but it grows by 10%, the fastest growth rate in Europe (comScore, 2013). Russia spends the second largest number of daily online hours in Europe (eCultures Europe, 2012) after Romania. Digitalization of Russian consumer can be seen in rapid growth of mobile consumption. In fact, 10.4 percent of Russian Internet was accessed in 2012 via mobile and tablets, third after the United Kingdom and Ireland. Mobile payments start being a common place, owing to lower device prices and faster service. Russia also has perspectives for e-commerce growth: credit card usage and - signatures are becoming more commonplace and 50% of Internet users already pay online. However, Russia is still to novice for it, most of holidays are being paid in cash. (ETC, 2013:5-7; Pesu, 2013:38-40; East-West Digital News and Yandex, 2014: 3, 9-10, 13, 15.)

Russia is currently experiencing a rapid growth of social media, thus becoming the fifth largest socially connected country in the world in 2012. However, Russia is among those few markets where Facebook is not the top social network, taking only the fifth position (comScore, 2010). Instead, the pedestal goes to Vkontakte (also vk.com), the second most popular website after Russian search engine Yandex. (Pesu, 2013:37; Fotis, Buhalis, Rossides, 2011: 2-3).

Notably, Russian most active users are young tech savvy consumers, known as Generation Y or “digital natives”, who grew up in era of rapid technological development and transmission to information-based society. This gives an implication, new sustainable tourism products can be marketed to this specific group. (ETC, 2013: 6, 8; Kiilunen, 2013:15, 18, 20)

## 5 CONCLUSION

### 5.1 Main findings

To sum up, sustainable tourism is any kind of tourism that brings benefits for community and the environment, makes profit and reduces the negative impacts of tourism activities. Tourism product is sustainable if it follows the principles of sustainable tourism, and respects the limits of growth, especially Tourism Area Lifecycle (TALC), that controls the development of a destination as a tourism product. Not only TALC needs to be applied, but also three other traditions, Tourism Carrying Capacity and Community - Based Tourism when developing a tourism product.

According to the empirical interviews, more focus has to be put on development of tourism product in nature attractions, taking into account that most of the projects are currently focused on natural heritage.

Tourism Products are highly similar to services and are developed in the same way. Tourism product is not only a single business offer, but a total experience. A number of stakeholders need to be involved into development. Special attention has to be given to public transportation services. Tourism product aims at creation of experience and generation of customer value. Customer involvement is an indispensable condition for creation of value generation, customer knowledge and tourism product existence. The

New Tourism Product model is Gustafsson and Johnson's (2003) New Service Development model with the division of stages into front-end, back-end and product introduction as in Tatikonda and Zeithaml (2002). The largest role of customer involvement is in idea generation and screening, also being strong in front-end.

Russians are the largest and thus the most significant group of tourists. They are generally interested in nature experiences like fishing, visiting national park or staying in cottage, though they are a very new segment for sustainable tourism, primarily because they lack the awareness of sustainability. National parks are also among their favourite visiting spots. They are a culturally distinct segment. First of all, they are collectivistic and travel by groups or with families. They rely a lot on recommendations and Social Media, which they use daily. They also seek for prestige, quality and comfort. Russians are very uncertainty avoidant, thus they do not easily trust the information provided and always seek for information in advance.

The burst of Crimean crisis had a severe effect on Russian tourists. A lot of destinations became unaffordable due to devaluation of rouble and bankruptcies of numerous travels agencies. As a result, much fewer Russians travelled to Finland. The uncertainty about visa matters and customs also contributed to the drop of tourism.

The main target groups for a new sustainable tourism product development comprises of Generation Y or Millennials representatives. They are aged 30 or younger, mostly single or families with small children. They are mostly budget and individual travellers, who mostly travel with their own transport. Millennials are well-aware of trends, and are more likely to be familiar with sustainability, since they are ready to contribute to places they visit. They are educated, and they seek for advance information very thoroughly, mostly relying on user-generated content.

## 5.2 Validity and reliability

In sum, the results of the research can be trusted for the following reasons. To begin with, the empirical data was collected from experts. They were directly related to sustainable tourism, specifically, they were the representatives of tourist offices, a regional development company and a nature centre governed by the Ministry of Forestry. The theoretical information about the topic was empirically confirmed. This could be seen

in referencing: in some paragraphs both empirical and theoretical data are cited at the same time. Owing to interviews, the research took the direction of New Tourism Product Development, a relevant topic nowadays.

Interviews were qualitative, so they disclosed the problems, which are specific for Finland. What is more, the research defined the problems for the Southern Finland area. This area had not been getting a lot of attention, since most of the focus of Finnish studies is on Lapland. Concentration on development of tourism products is suitable for the ongoing projects on sustainable tourism, thus making this thesis practically valid.

Last, but not least, is that the research was unique in its combination of topics. This thesis work is one of the few to connect sustainable tourism, new tourism product development and Russian tourists. Again, the combination of topics was confirmed by interviews, that Russians are a significant segment for sustainable tourism, despite the lack of awareness. The development of services for Russians and Russian speakers is a viable topic, taking into account the development of new services in national parks for Russian speakers.

### 5.3 Suggestions for further research

The suggestions towards New Sustainable Tourism Product Development are described stepwise as in the New Tourism Product Development Model

The first step of New Sustainable Tourism Product Development is the evaluation of market opportunities. Basically, the market research on Russian consumer needs regarding ecotourism needs to be done.

Customer involvement is the most vital part of service development, especially for the idea generation. This could be done by blogs or Social media, where consumers can discuss the ideas with developers and other stakeholders. Gudym and Pohjalainen (2014) mentioned that they have webpages in Facebook and Vk.com (Russian analogue of Facebook), dedicated to all national parks in Finland. Those web-pages need to be administered by a Russian speaker. Those web pages can serve as a tool for customer survey. This can either be done through online survey or through blogs and discussions. The possibilities of mobile applications are also useful. Russians are very tech-savvy,

thus there are a lot of marketing opportunities, such as websites, social Media, mobile websites and application.

Russians cultural features need to be taken into account. Ideally, the product should be prestigious. Also it has to be secure and healthy, and provide high quality. Opportunities for young families and couples would be an advantage. Taking into account the burst of Crimean crisis, affordable options need to be introduced.

After the primary service concept is created, the research on destination's capacities needs to be done. Special focus needs to be put on locations such as Nuuksio national park, because it is among the top nature attractions in Finland (Metsähallitus, 2015) and might be enduring more pressure from tourism development. For this part, the main stakeholders for cooperation include environmental organizations, research institutions and local communities. The local businesses need to form a network in making new tourism product. Also the product needs to comply with regional and corporate strategy.

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## APPENDICES

## Appendix 1. The standardized questionnaire

The primary research was based on the topic “The Role of Russian-Finnish Sustainable Cooperation in Development of Tourism”. The questions below are for a standardised questionnaire, though the order of questions and the amount were amended on the basis of respondents’ answers and the background information.

1. How would you assess the situation with sustainable tourism in your region?
2. What forms of sustainable tourism do you have?
3. What are the companies that work for sustainable tourism? (Except for Haltia)
4. What kinds of customers visit sustainable tourism attractions? (“Do people ask for sustainable options?”)
5. Do you market the sustainable products to Russian tourists?
6. If yes, what kinds of Russian visitors are your target group? (Not asked from VisitHelsinki and Cursor)
7. How do you market sustainable tourism?
8. What kinds of challenges are there for sustainable tourism?
9. What sustainable tourism attractions are the most popular among tourists?
10. Have you heard about other Russian- Finnish sustainable cooperation projects?