

# **Characteristics of Demand on Medical Tourism from the Republic of Karelia, Russia, to Finland**

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Bachelor's Thesis

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<p><b>Abstract</b></p> <p>Medical tourism is currently an industry that entails a huge potential and thus draws the attention of governments and companies worldwide. On these grounds, Finland is now concerned with providing health services for foreign patients, especially from the Russian Federation, and endeavors to increase the medical tourism flow to the country. Nevertheless, unstable economic conditions of the Russian Federation represent an obstacle for the industry's development.</p> <p>The purpose of the thesis was to investigate the characteristics of the demand on medical tourism, to discover which measures for customer attraction to Finland could be proposed. Hence, the study aimed at revealing the most important motives behind engaging in health travelling, the most demanded fields of medicine, alterations in the demand since the beginning of 2014 as well as the possible methods to obliterate problems in the industry. The most significant feature was income elasticity of demand, which allowed comprehending the tourism flow's sensitivity to the Ruble fluctuations. The research subject was the residents of the Republic of Karelia, one of the proximate territories to Finland.</p> <p>The theoretical framework presented an overview of the tourism industry as a whole and medical travelling as its element. Furthermore, the Russian medical tourism market and the special characteristics of Finnish healthcare were elaborated in the paper. The practical research utilized quantitative methods, namely structured questionnaires, which were later analyzed with Webropol tools.</p> <p>The study discovered that the medical tourism development in Finland was rather extensive. Remarkably, the demand on the service appeared highly elastic; consequently, it was advised to postpone promotional activities until the international climate stabilizes. The investigation may serve as a basis for marketing plans of Finnish hospitals and medical subsidiary companies.</p>			
<p><b>Keywords</b> Tourism, medical tourism, Russian customers, characteristics of demand, income elasticity of demand</p>			

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## 1 INTRODUCTION

The idea for this thesis originated from the researcher's basic internship accomplished in 2013, which implied developing an effective marketing plan for a medical tourism subsidiary company located in Finland, Kuopio. The project aimed at promoting the enterprise's services in the Republic of Karelia, Russia, as the proximate territory to Kuopio; therefore, market opportunities were carefully investigated along with the level of competition in the area. As long as work placement facilitated a prior research and the topic has become even more perspective since 2013, it was adjudicated to study this field further. The target of the current research is investigating characteristics of the demand on medical tourism from the Karelia Republic to Finland.

The significance of the research project is substantiated a variety of factors. Firstly, health tourism is nowadays an industry covering a huge potential and thus draws attention of governments and medical institutions worldwide. Secondly, the number of investigations and statistics regarding the business field is not large enough since the phenomenon is relatively recent. Thirdly, Finland is the nation which is now on the initial stage of medical tourism development and is concerned with attracting foreign patients to the state. Apparently, the Russian Federation represents one of the most considerable business partners of the country; thus, it may also become an important consumer of health services. Nevertheless, the economic conditions of Russia are unstable at the moment and require gathering the recent data in order to predict the business field's future growth and determine the possible promotion tools. Therefore, the research revealing short- and long-term perspectives of the industry's development will be demanded by Finnish medical institutions, which increases value of the study.

Thus, the major research problem is to investigate characteristics of the demand on medical tourism, of which the most significant is income elasticity of demand. Based on the research results, measures to increase the tourism flow from the Republic of Karelia will be suggested. Therefore, research questions of the thesis are the following:

1. What are the main motives behind the decision to obtain medical treatment in Finland?
2. What medical spheres are the most demanded among Russian clients?
3. How has the demand for medical tourism altered over the last year?
4. How elastic is the demand and why?
5. What may change the current situation on the market?

Hence, the thesis presents an investigation of the market potential of the Karelia Republic as well as definition of the most significant factors shaping the demand on healthcare procedures in Finland. Furthermore, it evaluates and analyses demand alterations along with their causes. Additionally, the study proposes a number of measures to obliterate the present problems in the industry. Thus, the paper may be utilized by medical institutions and subsidiary companies located in Finland as a basis for marketing and promotion plans or projections of the revenues generated by the tourism flow from the Russian Federation.

The study discusses the historical roots of medical tourism, its development worldwide and in Russia particularly, and the current state of the phenomenon with respect to economic and political situation in Europe. The theoretical framework covers nuances of the terminology, types of tourism and links between them, global figures related to medical travelling, and general characteristics of the demand on the service. The empirical part comprises Russian medical tourism market overview and description of Finnish health care along with its advantages significant for foreign patients. Additionally, peculiarities of Karelian market are contrasted to all-Russian features in order to provide a deeper insight into the topic. The practical part refers to analysing the results of the survey conducted in Karelia, which reveals people's opinions on the opportunity of obtaining treatment in Finland. Finally, the conclusions are drawn and measures to increase the tourism flow from Russia are suggested.

The study utilizes quantitative methods of data collection since it requires generalizations about the entire population, namely concerning eagerness to receive medical services in Finland as well as estimation of the demand income elasticity. According to the research questions selected, two questionnaires were created and distributed to people living in the Republic of Karelia. All the questions were multiple-choice thus reducing the time needed to answer them and increasing the number of responses attained. Afterwards, the results were analysed and presented in the graphs, which simplified drawing conclusions and suggesting measures to resolve the problems.

The thesis is divided into eight parts. The first chapter sheds light on the research significance and structure and presents a literature review. The second chapter provides background information about tourism industry as a whole and medical travelling as its part including definition of the term, historical development of the phenomenon, and its current state. The third chapter focuses on the Russian health tourism market as well as economic conditions of the country. In addition, it describes the peculiarities of the Karelia Republic and compares it to the all-Russian characteristics. The fourth chapter discusses

Finland as a medical tourism destination and reveals advantages of the nation's healthcare. The fifth chapter explains the methodology and elaborates implementation of the research. The sixth chapter states the results of the survey and analyses the received responses. The seventh chapter includes the conclusions based on both primary and secondary data and proposals concerning the future policy. Finally, the eighth chapter presents a discussion with respect to the thesis implementation, its limitations, and opportunities of a future research.

## 1.1 Literature review

The study is provided with a large body of literature on the subject; however, in this chapter, light is going to be shed on the major sources. Here, the information employed in the research is divided into groups according to the whether it is incorporated in the theoretical part or in the description of the Finnish and Russian markets.

### Theoretical sources

A great deal of theoretical data supporting the study is found in publications of global organizations, such as the World Tourism Organization (UNWTO), World Health Organization (WHO), and Organization for Economic Co-operation and Development (OECD). UNWTO is one of the most important enterprises controlling and promoting tourism industry; thus, it serves as the major source of information regarding terminology and peculiarities of the field. In addition, it provides worldwide figures and trends that are useful for assessment of the field's significance and perspectives. WHO is an authority of United Nations, which does not only regulate medical aspects worldwide and establish corresponding standards, but also monitors the trends in this sphere; its report of 2013 is utilized in description of global demand on the health travelling services. Finally, OECD is concerned with various international economic problems and promotes social wellbeing of the population; the study employs its scoping review of 2011 in order to investigate characteristics of medical tourism.

Furthermore, three books form a basis for theoretical part of the research. The following works: "Tourism Management: Analysis, Behaviour and Strategy" by Woodside & Martin, "Tourism: Economic, Physical and Social Impacts" by Mathieson & Wall, and "Tourism: Principles, Practices, Philosophies" by McIntosh & Goeldner provide background of tourism industry and explain essential concepts, on which further explanations and conclusions are drawn.

Moreover, educational institutions provide valuable information incorporated in the paper. The most important ones for the study are PSS Central Institute for Vocational Education and Penang Institute. The former is employed when researching the concept of tourism product and its characteristics whereas the latter is the source of statistical data with respect to medical tourism development.

Finally, the theoretical core of the study is supported by the information presented on websites of medical associations and centres, for instance, Medical Tourism Association and Patients beyond Borders. They provide industry-specific material and statistics; however, one of the major limitation of global statistics on health travelling is that the data differs dramatically among measuring agencies due to a lack of concrete standards.

#### Sources of market data

Firstly, national authorities represent a reliable source of statistical data serving for various purposes. In the research, information provided by Finnish Ministry of Social Affairs and Health and Russian Federal Agency for Tourism is relevant. The data from publications of Finnish Ministry is utilized to evaluate the quality of the country's healthcare. Russian Federal Agency for Tourism is one of the essential sources of the statistics referring to movement of people within the state and overseas. The paper employs its regular reports for estimating the currency fluctuations' influence on travelling and monitoring alterations in an outbound tourism flow. In addition, the most common destinations for travelling among Russian residents are discovered there.

In addition to the above-mentioned sources, the research utilizes national statistics and investigations of several analytical centres. Firstly, information provided by Russian Federal State Statistics is widely applied in the study. The data involves economic indicators of the country and its regions and thus serves as a basis for describing the state's performance during the last years. Furthermore, the research incorporates materials of Yuri Levada Analytical Center, which press release published in 2014 regarding the people's satisfaction with the Russian healthcare sheds light on the motives behind outbound medical tourism. Finally, the investigation of Yandex International Business Development completed in 2014 describes the current trends in health travelling from the Russian Federation.

Moreover, two scientific articles are examined by the researcher. The first one, "National Development Program for Finnish Hospital Facilities" by Reijula et al., sheds light on quality of the clinics' premises and thus substantiates attractiveness of Finland for foreign

patients. The second article, "Tendencies in Development of Medical Tourism" by Karimova describes health travelling trends in Russia and CIS and compares the performance of the industry in the mentioned countries with other parts of the world.

Furthermore, the market data is found in a great number of medical portals and organizations, newspapers, encyclopaedias, etc. Nevertheless, listing all of them is irrelevant and distracts from the main purpose of the study. Therefore, only the main sources of information are mentioned in the chapter and briefly described to provide a general comprehension of the research's basis. The full list of the sources may be found in the chapter "References".

## 2 MEDICAL TOURISM

The following chapter includes general information regarding terminology, types of tourism, factors facilitating the industry's recent rapid development as well as more specific data regarding health travelling and its peculiarities. The mentioned facts provide the reader with a basic knowledge of the entire field and medical tourism in particular and explain why the researched industry is so perspective nowadays. The covered aspects aid deeper comprehension of the theoretical country-specific material and analysis of the collected primary data, which provide grounds for drawing conclusions on the research topic.

### 2.1 Tourism as a term and its significance nowadays

Nowadays tourism is a huge industry involving transportation, accommodation, food and drink facilities, excursion organization, and a great deal of other aspects. Undoubtedly, as the field is very wide, numerous definitions of it exist. Some of them refer to tourism as an economic industry while several sources regard it as an activity of people presenting the phenomenon from its participants' point of view. However, the most thorough and substantial interpretations endeavour to cover the majority of the aspects involved. For instance, Mathieson and Wall (1982, 10) define the term "tourism" as a "the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs". Despite the fact that the statement is found in a rather old publication, the definition is utilized even now because it provides a wide perspective of the subject. The second explanation that is frequently cited is the one created by McIntosh & Goeldner (1986, 8) stating that tourism is "the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments and host communities in the process of attracting and hosting these tourists and other visitors." Its advantages include the fact that it describes not only the activities of businesses and individuals but rather focuses on relationships between the parties. However, one of the clearest interpretations is provided by United Nations World Tourism Organization (UNWTO) since this explanation is utilized in daily operations of this enterprise. According to it, tourism is a social, cultural and economic phenomenon which covers the movement of people to nations or places outside their routine environment for personal or business/professional goals (UNWTO 2010). The latter definition is employed as the basis for the current thesis.

As reported by UNWTO (2014b), tourism turnover is nowadays equal to or even higher than the one of oil exports, automobile industry and food production. Thus, it may considerably influence world nations' economies; this impact is especially notable in developing countries, for which tourism presents one of the major income sources (UNWTO 2014b). Furthermore, the business field is projected to grow by an average of 3.3% a year from 2010 to 2030. In the meanwhile, tourism activities strongly affect environment; on these grounds, work of UNWTO regarding promotion of sustainable travelling is especially relevant in the 21<sup>st</sup> century. (UNWTO 2014a.) For the mentioned reasons, tourism is nowadays of the utmost importance for a great number of governments pursuing generation of higher profits from the industry as well as reducing its impact on nature. Remarkably, this fact substantiates the choice of the thesis subject area.

## 2.2 Factors influencing the tourism flow

From 1990 to 2013, the number of international tourist arrivals has grown by approximately 250% from 434 million to 1 087 million tourists a year, which is stated in UNWTO report (2014a). Obviously, such growth must have been facilitated by numerous factors. Opinions on what aspects are the most influential in this process vary. For instance, Travel and Tourism Industry (2013) states on its website that the trends currently affecting the industry are flexibility of booking due to ubiquity of the Internet and mobile phones, growth and expansion of international airports, and tendency to independent travelling. Therefore, tourism to almost every country of the world becomes increasingly accessible for people with the development of infrastructure and technologies. A similar viewpoint is expressed by Luc Chomé (2012) in his article regarding competitiveness factors and the role of ICT in European tourism industry. There he claims that the most significant reason for modern growth of travelling is effective communication and tools for information exchange. He explains the point by noting that tourism is a business field that comprises a large number of services and products and depends on various independent parties that should constantly contact each other for well-coordinated work. From the thesis researcher's point of view, technology development is indeed a factor boosting international travelling nowadays.

Besides the global trends, some national or local characteristics may be significant for travelling development. Robert Morello (2012) specifies the aspects that may influence tourism in a certain area either in a positive or in a negative way. The first of them is events; undoubtedly, such events as world championships, festivals, and concerts attract global attention and cause an increase in the tourism flow. In the meantime, occasions

related to rebels, political conflicts, etc. lead to a dramatic reduction in tourism revenues. Secondly, seasons are a well-known aspect that may serve in favour of travelling in periods of good weather conditions or force people to delay their trips in the opposite case. Thirdly, currency rates may impel a tourism flow to a country: the number of people coming will raise if the national currency is cheap and reduce if it strengthens against the main world currencies or against the currency of the country from which the largest number of tourists arrives. The fourth point is development projects. If they are successful as well as the marketing campaign associated with them, they will aid development of the industry in question. Nevertheless, a lack of promotional efforts or an inefficient marketing strategy may spoil the image of the territory; the same situation will happen if the project is unsuccessful. Government support, which is partly connected with development projects, is the fifth factor in the list. Here, the core is sufficiency or insufficiency of financial resources devoted to tourism development. Finally, Morello (2012) states that tourism industry may be affected by travel trends, which vary from top destinations to types of trips that are currently fashionable and thus demanded.

However, certain factors definitely prevent development of international tourism. Travel and Tourism Industry (2013) names the following ones: natural disasters, recession and increasing costs of travelling, and epidemics. Moreover, fear of terrorist attacks, especially after some incidents occurring, should be mentioned here. All these factors reduce the tourism flow at least for a short period of time but may also deteriorate the role of the industry in the state's economy in a long perspective.

Overall, travel industry is constantly influenced by numerous economic, political, and socio-cultural processes. These trends and factors cause the intensity of the tourism flow in different territories to fluctuate. Notwithstanding, the global tendency is a continuous stable growth of the business field's volume, which is gradually slowing down. As mentioned above, for the next fifteen years, the turnover is projected to rise by approximately 3.3% a year providing countries with various opportunities to increase their incomes (UNWTO 2014a).

### 2.3 Tourism resources

In addition to general trends in travelling industry, experts determine specific aspects that may attract people to a territory. These features forming a base for tourism and representing the destination's uniqueness are called tourism resources. They are traditionally divided into two types: natural and cultural. The former category, also named physical, involves climate, beautiful sceneries and landscape, beaches and marine areas,

national parks and conservation areas, flora and fauna. Furthermore, it refers to environmental peculiarities, such as extraordinary or rare geological formations and objects. Cultural resources are multifarious and include archaeological, historical and cultural sites, diverse art forms and handicrafts, customs and traditions, and curious activities and urban areas. Curious activities imply extraordinary agricultural techniques or plantations, which are usually appealing for people not familiar with them. These resources are an important element of tourism and may be transformed into a tourism product. (PSS Central Institute of Vocational Education 2014.) Thus, an area should obtain some prominent characteristic distinguishing it from the other places in order to become a common tourism destination.

## 2.4 Tourism product

One of the most important concepts of the industry is tourism product. The phenomenon is rather ambiguous from the first sight as it differs from a traditional understanding of a product as tangible and easily measurable. According to PSS Central Institute of Vocational Education (2014), tourism product is something that may be suggested to travellers visiting a destination or service consumed by them while in a trip. Thus, it should meet various needs of a tourists outside their places of residence. Gautam (2014) defines the term as a set of components that are offered for attraction, acquisition or consumption to satisfy clients' needs. He claims that tourism product is an augmented product implying a sum of benefits and experiences that a visitor obtains. Both definitions comprise similar aspects essential for the phenomenon: being offered at a tourism destination, satisfying diverse needs, and presenting a service consumed.

### Tourism product features

In addition to the mentioned concepts, several features of a tourism product exist. Firstly, the product cannot be transferred to the traveller's home as it reflects only the customer's emotions and impressions. Secondly, it may not be stored; this statement implies that if, for instance, the plane is not fully occupied, the loss from free places in it may not be compensated later. Thirdly, it is not possible for tourists to actually own a product for they attain solely feelings and memories of their trip. (PSS Central Institute of Vocational Education 2014.) Fourthly, it is an augmented or composite product thus representing a set of activities, ideas, services, and people's perceptions (Mahajan 2014). Fifthly, a tourism product as any other one is marketable, i.e. offered for people with a cost. Finally, it is heavily dependent on people providing it and people consuming it. A prominent example concerning the former category is when a guide is not competent and thus the

excursion is not useful for the visitors. Furthermore, each person perceives the information differently, which conditions a variety in tourism product descriptions and explains why it is difficult to evaluate its quality. (PSS Central Institute of Vocational Education 2014.)

#### Tourism product classification

Tourism products are classified according to their sort and the resource they are based on. As reported by PSS Central Institute of Vocational Education (2014), four categories of the product exist: natural, manmade, site based, and event based. Natural tourism products represent various geographical objects and landscapes attractive for travellers. Manmade products are the ones built by people either especially for visitors or not. The objects initially intended to attract travellers are museums, parks, entertaining zones for children, etc. The ones that were not originally aimed at tourists are e.g. palaces, churches, forts, and historical prisons. Site based products are partly similar to manmade ones; however, they are referred to when tourists are attracted not to one object but to the entire site, which may be cultural, archaeological or historical. Finally, event based tourism products are related to occasions where visitors act as participants or spectators, such as festivals, carnivals, and sport championships.

Furthermore, Mahajan (2014) separates two more categories of the concept. The first one is symbiotic and is connected with natural and manmade products united in one attraction. The second one is called "other" and comprises tourism products related to health, eco, rural, ethnic, and spiritual travelling and other unusual types of trips.

#### Converting tourism resources into a tourism product

Quality and nature of a tourism product is apparently dependent on tourism resources of an area. However, it is necessary to take efforts in order to convert the territory's resources into a product that will be appealing for clients. PSS Central Institute of Vocational Education (2014) claims that the first essential factor in the process is the interest of travellers. To increase the popularity of a destination, there should be extraordinary or rare objects that will cause curiosity among visitors; otherwise, people will not engage into travelling to the area. The second important element is geographical location; apparently, if the site is situated in remote places or the ones of difficult access, it will significantly reduce a tourism flow. Thirdly, historical and cultural development of a territory is considerable in assessment of its potential. Thus, the number of various attractions located nearby improve perspectives of travel development. Fourthly, the sites should be conserved and kept in favourable conditions. It frequently happens that certain historical

objects are not preserved and become damaged or ruined over time. After that, a visitors flow to the area stops due to a lack of tourism resources. Furthermore, availability of ancillary services, such as banking, post, the Internet, and hospitals, aid in converting a resource into a product. In addition, it should be remembered that the tourism product is to be offered to consumers; hence, it should be properly promoted. Finally, as one of the product's characteristics is its marketability, a cost is to be associated with the service.

Overall, converting tourism resources into tourism products requires costs, time, and efforts. Certain activities referring to this process should be preceded by initial evaluating the area's potential and planning a marketing strategy. A special attention is to be paid to the quality of a tourism product in order to attract a large number of travellers.

## 2.5 Types of tourism

UNWTO (2010) divides three basic forms of tourism according to the travel destination: domestic, inbound, and outbound tourisms. In the classification, domestic tourism implies travelling of residents of a country within the state. Inbound tourism defines movement of non-residents within some country. Apparently, outbound tourism comprises activities of residents of a country of reference in an outbound travel. When combined, these types provide a ground for new forms of tourism. For instance, internal tourism includes both domestic and inbound travels, thus activities of residents and non-residents within one country. National tourism focuses on trips of residents of a particular country; therefore, it is a unification of domestic and outbound travelling. International tourism involves inbound and outbound tourism; hence, it refers to travelling of non-residents within a certain state and residents of a country in a travel abroad. (UNWTO 2010.)The subject area of the current paper is international travelling and its peculiarities.

Furthermore, travelling may be classified in accordance with the main purpose of a trip. The two broad groups of targets are personal goals and business and professional goals. Business and professional travels are the ones referring to activities of self-employed people and employees and not including employer-employee relationships with a resident producer. Personal reasons include all the other types of purposes: holidays, leisure, and recreation; visiting friends and relatives; education and training; health and medical care; religion or pilgrimages; shopping; transit; and other targets. (Yorke 2013.) Though it is claimed that only one main purpose may exist, the groups are closely connected with each other (UNWTO 2010). It especially concerns personal goals; for instance, it is apparent that recreation may be accompanied by shopping or visiting friends and relatives. However, even business trips sometimes include visiting cultural places and shopping

organized by either an employer or employees themselves. The thesis focuses on medical tourism, which is a subcategory of health and medical travels. The nature of medical tourism along with its connection with the other types is elaborated further.

## 2.6 Medical tourism as a term

Medical tourism is a rather modern term that has risen from a rapid globalization process along with development of international health service. In general, medical tourism implies travelling outside one's own residence area to obtain health care (Medical Tourism Association 2013). The term is not related to a distance of the tour or the fact of crossing borders; however, it is most often used to describe a trip overseas. Encyclopaedia Britannica defines medical tourism as an "international travel for the purpose of receiving medical care" and suggests health tourism as a synonym (Rogers 2013). However, some sources distinguish medical tourism from health tourism stating that the latter involves also pampering and wellness services, which improve people's health but do not directly refer to medicine (Ross 2001). Nonetheless, in this paper, the terms will be used as synonyms according to the definition of Encyclopaedia Britannica for the purpose of simplicity.

## 2.7 Links between medical tourism and other types of travelling

As mentioned above, all the types of tourism are closely connected to each other. Medical tourism is not an exception in this respect. Sean Redlitz (2015) from CNN mentions in his article that the joys of travel are one of the five major reasons to engage in medical tourism. Indeed, people prefer not only to stay in a hospital but rather get acquainted with the foreign culture and do sightseeing or shopping if their state of health allows to do so. In addition, accomplishing a health procedure may be combined with visiting relatives who live overseas. Education and training is not frequently connected with medical tourism; however, such cases also happen sometimes if the person attends conferences, seminars, etc. Notwithstanding, the most common situation is when tourists decide to receive wellness and pampering services along with a medical procedure. All these services refer to the category "health and medical care" and reputedly supplement each other for wellbeing improvement (Johnston et al. 2011). Spa resorts are becoming increasingly popular destinations for people seeking medical care overseas. They offer a wide variety of procedures that may accompany treatment; moreover, they are generally located in territories with favourable environmental conditions, which is highly valued by customers. Thus, development of medical tourism may be connected with and facilitated by creation of Spa centres in the area. (Johnston et al. 2011.) Overall, the types of tourism

are related to each other due to people's desire to achieve several goals at a time and diversify their travel.

Remarkably, it is not only the clients' intention to combine their medical travels with pursuing other purposes. According to Woodside & Martin (2008, 235), a number of Asian countries deliberately associate their health services with tourism to attract more customers. As these countries, e.g. Thailand and India, have already gained popularity as holidays destinations, a great number of potential patients may be appealed by an additional opportunity of recreation during their stay. Thus, it is effective to refer the marketing strategy to the area's attractions. From the researcher's point of view, the mentioned tool may be utilized by European countries too provided that the emphasis is made on visiting cultural and historical objects.

Overall, strong links between the types of tourism provide an excellent opportunity to promote healthcare services. Generally, accessibility of places that generally attract tourists and concomitant activities is an advantage with regards to increasing a number of foreign patients. Particularly, development of Spa resorts may boost medical tourism in the area. Hence, knowledge of correlations between travel categories may be beneficial for controlling the tourism flow of a certain type in a country or municipality.

## 2.8 History of medical tourism development

Though the term "medical tourism" is relatively new, the phenomenon itself is not recent. The practice of travelling for health reasons was known even in ancient Greece and Rome, where the first forms of modern spas were created. In the 19<sup>th</sup> century, there was a fashion among Russian aristocracy to "take the waters" in Europe, while the Europeans started moving to the United States in order to treat tuberculosis there. (Meštrović 2014.) In the 20<sup>th</sup> century, health tourism was characterized by movement of patients from developing countries to developed ones for treatment that was inaccessible in their home states. However, there has been a shift in the term's perception over the last decades, which is currently underway. Nowadays the trend is the opposite: people in developed nations seek inexpensive services of high quality provided in less-developed states. (Lee & Balaban 2013.) As reported by CNBC (2015), the top destinations for medical tourism are Mexico, India, Thailand, Brazil, Singapore, Malaysia, the USA, Turkey, and Hungary.

The market for medical tourism has been growing over the last several years making this industry perspective for studying and investing in. Table 1 shows the number of foreign patients coming to Malaysia and its growth rate from 2001 to 2011 (Penang Monthly

2013). According to this data, the number of foreign patients in one of the top medical tourism destination countries has risen by 675% in ten years.

TABLE 1. Total number of foreign patients in Malaysia (Penang Monthly 2013)

Year	Number of foreign patients	Growth rate
2001	75 210	33.99%
2002	84 585	12.47%
2003	102 946	21.71%
2004	174 189	69.20%
2005	232 161	33.28%
2006	296 687	27.79%
2007	341 288	15.03%
2008	374 063	9.60%
2009	336 000	-10.18%
2010	392 956	16.95%
2011	583 296	48.44%

Undoubtedly, the table illustrates the situation in one single state; however, the global trend is similar: the practice of travelling abroad to seek medical care is becoming habitual for a large number of people worldwide (Patients beyond Borders 2014). Hence, medical institutions and subsidiary parties may benefit from the current tendency by efficiently promoting their services to the potential clients.

In Europe, the majority of the tourism flow, namely 77%, occurs within the union. The fact is partly explained by the absence of borders between the member states and excellent quality of treatment in the countries. (Medima 2014). Starting from 2011, this system is improved: patient mobility is regulated by the Directive on patients' rights in cross-border healthcare. The document declares the rights of medical tourists, various possibilities of health travelling as well as reimbursement policies. (European Commission Public Health 2015.) Thus, people obtain more comfortable conditions when pursuing medical procedures within the EU, which is supposed to increase mobility.

## 2.9 Factors facilitating medical tourism's rapid development

Since the beginning of the 21<sup>st</sup> century, medical tourism market has significantly grown. Apparently, the rise is conditioned partly by the trends mentioned in the chapter "Factors

influencing the tourism flow”, which affect the entire tourism industry. In addition, the major factors facilitating the increase in health travelling and the change in the travel directions are long waiting lists in nations where socialized healthcare is common, extremely high prices for medical services in developed countries as well as constantly improving healthcare technology. Furthermore, international accreditation of foreign hospitals play an important role in rising industry’s turnover. (Izadi et al. 2014.) One of the examples of international accreditation is Joint Commission International; more than 450 hospitals worldwide have already received it (Medima 2014). In 2014, health tourism market size is estimated to be USD 38,5-55 billion; it is difficult to derive the exact figure since even top research institutions are inconsistent in defining a medical travel and utilizing calculating methods (Patients Beyond Borders 2014). Howbeit, it is sufficient to see that the business field is enormous at present and, more importantly, it covers a huge potential. The abovementioned facts are closely related to significance of the thesis topic; since medical tourism is drawing more attention nowadays, investigating demand on it is definitely perspective.

#### 2.10 Characteristics of demand for medical tourism

The most essential concepts in characteristics of demand for any service is the object of demand and the reasons causing the demand. Undoubtedly, it is not possible to cover all the pursued medical treatments since they depend on the particular person’s health and needs, which may vary from simple cosmetic procedures to complex surgery. The same fact is true for the motives behind people’s decision to obtain treatment overseas: they are apparently determined by the person’s preferences, financial resources, environment, and other numerous aspects. However, general trends in the causes of medical tourism along with the most demanded medical services may be defined.

##### Reasons for choosing treatment abroad

The reasons why people choose to obtain treatment abroad are various and for the most depend on the person’s country of residence and the desired procedure. Typically, the major reasons for engaging in medical tourism include lower costs of treatment, higher medical standards in the destination country, and avoidance of standing in a waiting list. Figure 1 illustrates the main drivers of medical tourism in 2008 among 49980 patients from all over the world (Kelley 2013).

Relative size of medical-traveler segments  
(100% = 49,980 patients)

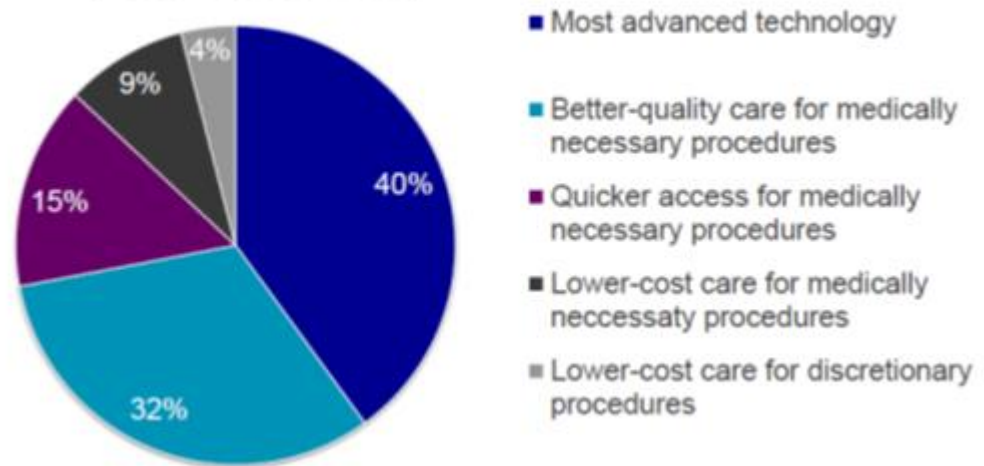


FIGURE 1. Main drivers of medical tourism (Kelley 2013)

It can be seen from Figure 1 that the most important factor influencing the decision to engage in medical tourism was advanced technology. Thus, though the medical tourism flow is nowadays more price-oriented and targeted at emerging markets, the level of technology and equipment is still a significant determinant in the decision-making process. The same is applicable to the quality of medical care and quicker access to the procedures needed. In general, high health care standards are accompanied by social insurance systems which require standing in a waiting list for a long time in order to receive quality medical service (Tanner 2009). Therefore, people are sometimes obliged to engage in medical tourism in pursuance of seasonable aid.

Remarkably, the prices for treatment, which are presently a sensitive subject affecting the directions of the tourism flow, appeared to be at the end of the influential factors list (Figure 1). Lower costs for particular services were mentioned by 13% of the respondents (9% and 4% for necessity procedures and discretionary procedures respectively). It is supposable that this aspect was emphasized by residents of the developed countries, especially the USA, since treatment in a less-developed state, e.g. Malaysia, may save up to 80% of costs for the same service in the USA (Mehta 2015). Moreover, company MedRetreat has developed a so-called “rule of \$6 000”, which states that if the necessary procedures cost more than \$6 000 in the home country, the resident of the USA will travel overseas for treatment (Medima 2014). A similar situation is faced by several European nations, such as the Netherlands, France, and Germany, which are among eleven countries with the highest prices for health care (The Commonwealth Fund 2014). Upon the information on the graph, it may be stated that the quality of procedures that have direct influence on health and wellness is considerably more important for people than the

associated expenditures. Additionally, unavailability of particular medical services in the home country, which is not represented in Figure 1, remains one of the critical aspects in developing nations (Lunt et al. 2011).

#### The most common treatments among medical tourists

When travelling as medical tourists, people may virtually seek any medical service that can be performed nowadays. There are several established medical tourism markets that specialize in particular procedures, e.g. Thailand and Brazil are famous destinations for cosmetic surgery; India and the UK perform highly complex cardiac surgical procedures with relatively low death rates; Mexico, Thailand, and Turkey experience a flow of international patients aiming for dental care, etc. In general, the most demanded categories of procedures that medical tourists pursue are dental care, cosmetic surgery, elective surgery, and fertility treatment. (Lunt et al. 2011.) These are in the meantime the most perspective areas since these types of services, especially cosmetic surgery and fertility treatment, are currently in demand and will definitely be attractive in the future.

### 3 RUSSIAN MEDICAL TOURISM MARKET OVERVIEW

This chapter presents an overview of the Russian market with reference to medical tourism. It involves statistics concerning recent travels abroad with the purpose of receiving treatment, factors motivating people to pursue medical procedures overseas instead of accomplishing them in Russian hospitals, the most common destinations for outbound health tourism, profile on typical medical tourists, and description of the current state of Russian economics. This information is useful for clinics since it allows understanding the market potential and paying attention to the mentioned medical services and procedures as well as elaborates the target group that promotion activities should be focused on. Additionally, the means of promotion preferred by perspective clients are stated here, which may be utilized by Finnish medical institutions as a basis for marketing plans.

#### 3.1 General facts and statistics

Over the last several years, the Russian Federation has been considered a perspective market for outbound medical tourism. With over 140 million people population and relatively low healthcare standards, it appears to be an attractive consumer audience for Asian and European medical centres. As reported by UNWTO (2014a), Russia's international tourism expenditure in 2013 amounted to USD 53,5 billion, putting it on the 4<sup>th</sup> place in world ranking. Although the practice of travelling abroad to obtain treatment is currently on its initial stages of development, medical tourism already represents 16.5% of the country's tourist market and the interest in foreign medical services is gradually increasing (Yandex International Business Development 2014).

Figure 2 represents outbound patient flow dynamics from 2010 to 2013 (Yandex International Business Development 2014). It can be seen from the graph that the number of medical tourists has risen more than twice in three years reaching the level of 300 000 patients in 2013. The data provides grounds to state that attracting customers from the Russian Federation is quite perspective in the given conditions.

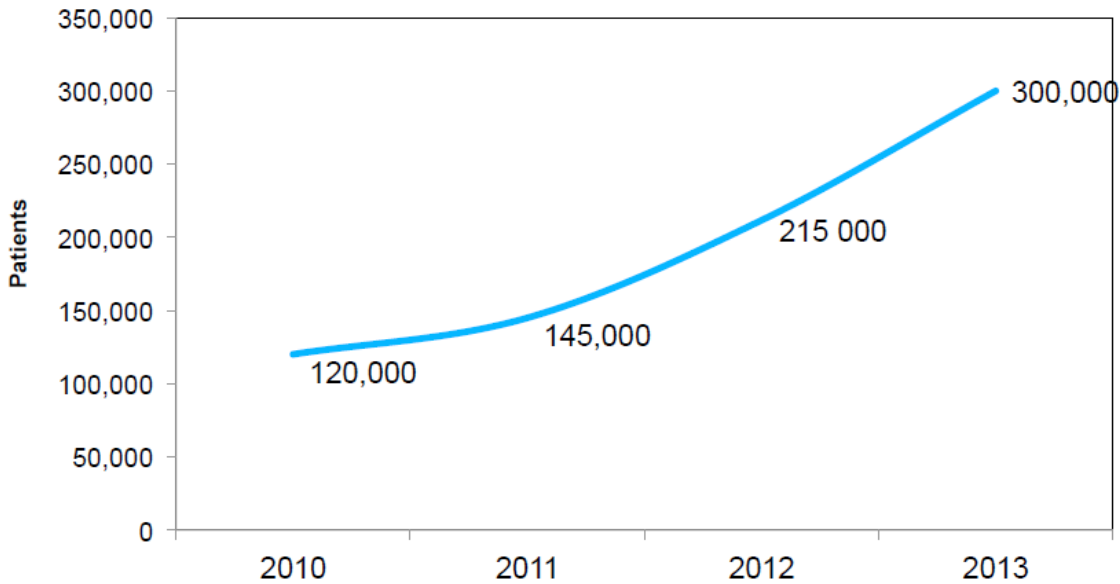


FIGURE 2. Outbound patient flow dynamics 2010-2013 (Yandex International Business Development 2014)

The above-mentioned report also contains information regarding Russian people's annual expenditure on medical procedures accomplished abroad. According to Figure 3, there was a gradual growth in total spending that amounted to more than EUR 800 thousand in 2013. In the first months of 2014, the number of Internet search queries rose by 23% in comparison with the corresponding period in 2013, which allows expecting a growth in expenditures provided the conditions of economic stability. (Yandex International Business Development 2014.)

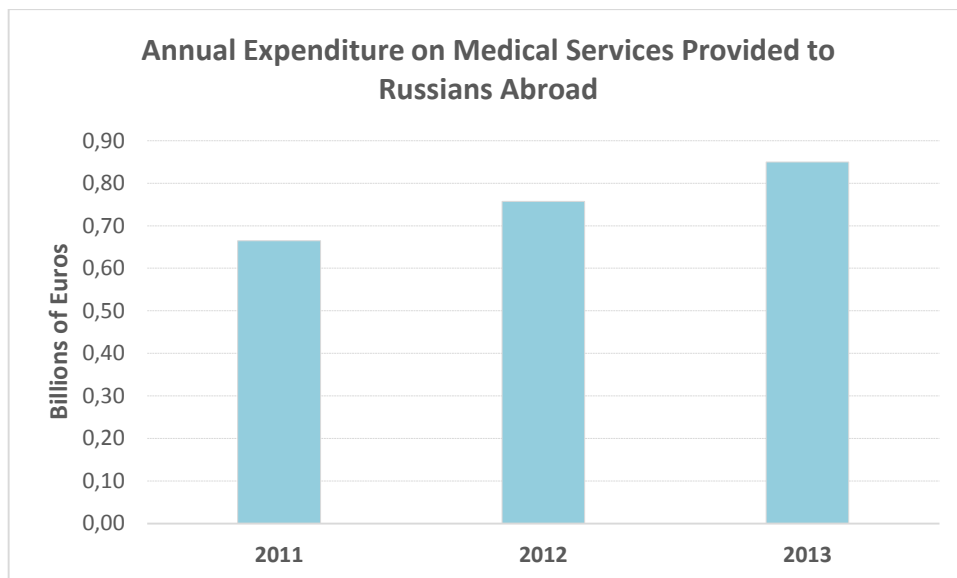


FIGURE 3. Annual expenditure on medical services provided to Russians abroad (Yandex International Business Development 2014)

Hence, Russian medical tourism market had been steadily developing till 2013 raising positive expectations as to its potential and prospective revenues. In 2014, the situation has considerably altered, which will be discussed in detail in the chapter “Current economic state of the Russian Federation”.

### 3.2 Motives behind outbound medical tourism

The reasons for growing popularity of medical tourism are similar to those worldwide. According to the overview conducted by Yandex International Business Development (2014), the major factor encouraging people to pursue medical procedures abroad is inability to obtain an appropriate treatment in Russia (72% of the respondents have mentioned this factor). This motive is intensified by the fact that only 33% of Russian residents are more or less satisfied by healthcare system in the country (Yuri Levada Analytical Center 2014b). The other reasons are an opportunity to combine both treatment and rest and reducing costs by seeking treatment in CIS countries (21% and 7% of the respondents respectively). (Yandex International Business Development 2014.) The possible explanation of why so few people, comparing to the worldwide figure 13%, have chosen saving money as an influential factor for medical tourism is that the prices for health services in CIS countries are generally higher than in Russia. Thus, the quality and accessibility of the necessary treatment become critical impetuses.

### 3.3 The most common destinations for medical tourism

According Karimova (2012), the market for outbound medical tourism from the Russian Federation is expanding, which is for the most part facilitated by the rising well-being standard in the country. Traditionally, top destinations include Israel and Germany, which are famous for their upscale healthcare procedures. These countries annually obtain approximately 45% and 20% of Russian health travelers respectively. Furthermore, some European states, such as France, Switzerland, and Austria, attract a great deal of consumers even notwithstanding expensiveness of the services. These countries' overwhelming advantages are exceptional diagnostic technologies and equipment that allow performing complex operations. Additionally, Singapore, Turkey, and Thailand have been gaining in popularity with Russian clients for the last years due to increasing confidence in their healthcare workers' professionalism and medical institutions' convenience. The above-mentioned states, considered as leaders in health tourism, expect a steady growth in a number of patients from Russia. (Treatment-Abroad.Ru 2014.)

### 3.4 The most demanded medical procedures

The most popular procedures demanded are generally dependent on the reasons why people prefer to travel abroad for treatment. Since the most influential factor appears to be inability to receive appropriate medical care in the home country while Russian health care standards are still below the European level, the services people select are the ones that require advanced technology and equipment (Yandex Business Development 2014). Thus, the medical tourism flow is predominantly orientated towards cardio surgery, eye surgery, organ transplantation, oncology, orthopedics, and reproductive treatment. These procedures are successfully accomplished in Israel, Germany, and Switzerland. Moreover, such rapidly evolving medical spheres as cosmetic and plastic surgery are demanded by a rising number of clients every year. Finally, people sometimes travel overseas for the purpose of receiving a diagnosis or confirming an existing one; then, they frequently prefer European countries to be medical tourism destinations. Despite the worldwide tendency, obtaining dental care abroad is not commonplace among Russian residents as the prices for such services in foreign states are considerably higher than in the Russian Federation whereas the quality is similar. (Treatment-Abroad.Ru 2014.)

### 3.5 Profile on Russian medical tourists

It is essential to understand the mentality and perception peculiarities of the target market in order to promote the services efficiently. Therefore, in this chapter, the Russian medical tourists' prominent characteristics, which may be referred to by various medical institutions, will be described.

In 2014, organization MedBe.RU conducted a research among people who came to a medical exhibition March Moscow Medshow in order to attain the information regarding health tourism possibilities from the Russian Federation and contact foreign hospitals' delegates. According to the survey results, the vast majority of potential healthcare travelers, namely 86%, are older than 30 years old with women representing 58% of the respondents. With respect to the services demanded, most of the people would like to diagnose their diseases and afterwards obtain an appropriate treatment abroad. Additionally, a considerable number of respondents pursue surgical procedures overseas including cosmetic surgery. (MedBe.Ru 2014.)

Undoubtedly, it is critical to comprehend which aspects of the client servicing may direct the tourism flow to captivate the potential customers' attention. Russian people do not

necessarily seek luxurious conditions and upper-class treatment when they engage in medical tourism. The most important criterion that they heed is value for their money, i.e. quality medical treatment and personalized care. Hence, prospective medical tourists search for the country and the clinic where the doctors' professionalism will be accompanied with the mentality understanding and Russian-speaking personnel or at least interpreters' provision. Moreover, as long as the current economic situation in the Russian Federation is not stable and the Ruble is depreciated, the prices for medical services are a significant aspect affecting the choice of the travel destination. (Popko 2013.)

The effective means of promotion also depend on the people's mentality, habits, perceptions, etc. Russian people's distinguishing characteristic is the fact that they rely upon the viewpoints and recommendations of doctors and acquaintances. Therefore, it is beneficial to establish strong relationships with partner clinics and improve reputation in order to attract patients from this country. In addition, Internet advertisement is nowadays an effective method of promoting one's services. On these grounds, it is advised to medical institutions and subsidiary companies targeted at Russian customers to consider the mentioned approaches of information dissemination. (Nikitin 2013.)

### 3.6 Current economic state of the Russian Federation

In the previous sections, the market potential of the Russian Federation until 2013 was described. However, in 2014, the economic conditions have dramatically changed due to a number of factors. In this chapter, the current situation and obstacles for medical tourism development will be outlined.

In March 2014, the European Union, the USA and several other states imposed the first sanctions against the Russian Federation, which started to affect the country's economy. From that moment, the national currency began to gradually depreciate; nevertheless, the Ruble exchange rate did not cause much anxiety among investors and citizens in spring. However, in autumn, the currency fall became dramatic. (Shokhina 2014.) On these grounds, the prices for flights and accommodation abroad significantly raised when calculated in Rubles causing the tourism flow to decrease considerably. As reported by Russian Federal Agency for Tourism (2014a), the number of outbound travels to the EU countries over the first nine months of 2014 was 5% lower than the same figure in 2013. Moreover, the number of Russian tourists crossing the border might have dropped more seriously during the last quarter of 2014; unfortunately, there is no exact data concerning that period at the moment. The current situation has definitely influenced the state of

medical tourism market too. For the prices for medical procedures in the majority of European countries were higher than in Russia even before the crisis, treatment abroad now, in the beginning of 2015, is unaffordable for a great deal of people. This fact constitutes a notable problem for European clinics planning to cooperate with Russian medical institutions and individuals.

Besides the obvious economic aspects influencing the customers' behavior, several moral factors determining the alteration of the travel direction exist. First of all, the constantly changing relationships with the Western countries has awoken fear of instability. Since Russian citizens feel uncertain about the future, they tend to save money or invest them in some, from their point of view, profitable projects. Travelling overseas is now regarded as luxurious by thousands of people and, definitely, does not represent a safe investment object during crisis. Secondly, the international relations tension assuming serious dimensions has caused a rise in patriotic spirit (Yuri Levada Analytical Center 2014a). It is not inferred that hostility against Western states is the major motive behind a decline in international travels; however, it is one of the factors shaping the demand that should be considered.

Overall, the current situation on the Russian market presents a number of obstacles affecting the development of outbound medical tourism. At the moment, it is difficult to draw conclusions with regard to the future conditions. The possibility of the future tourism growth depends on further introduction or abolition of bilateral sanctions as well as the Ruble exchange rate. Additionally, stable international relations may instill sense of security resulting in an increase in travels abroad. Nevertheless, it is advisable to wait until the circumstances gain perspective in order to draw reliable inferences.

### 3.7 Peculiarities of the Karelian market in comparison with the all-Russian one

The Republic of Karelia is situated in the north-west of the Russian Federation and borders with Finland (Image 1). Due to its historical relation to Finland and geographical location, the republic has gained several cultural and economic features that distinguish it from the all-Russian market. (Luventicus Academy of Sciences 2013.) In this chapter, these characteristics will be detailed to attain a deeper insight of the area's market potential, especially with respect to evolving medical tourism to Finland.



IMAGE 1. Location of the Republic of Karelia on the map (Luventicus Academy of Sciences 2013)

#### Cultural peculiarities

Historically, the Karelia Republic is closely connected to Finland, which determines a number of cultural features that differ it from the rest of the country. To be more specific, Finland, called at that time the Grand Duchy of Finland, was an autonomous part of the Russian Empire in 1809-1917. Afterwards, it became an independent state, the borders of which were declared by Tartus Peace Treaty in 1920. Nevertheless, in consequence of two wars in 1939-1940 and 1941-1944, some Finnish territories located in the modern Karelia Republic were gained by the USSR. As a result, a great deal of people living in Karelia now have Finnish ascendants. The outcomes of the two cultures' deep integration may still be noticed: for instance, the Finnish language is taught in a considerable proportion of schools in the republic. (Raunio & Tiilikainen 2003, 147.)

On these grounds, Karelian residents' comprehension of the Finnish culture is probably deeper than in other areas of Russia. Furthermore, a considerable number of people obtain relatives or acquaintances living in Finland who they frequently visit; therefore, travelling to this country constitutes an ordinary practice for the majority of the population. This fact is intensified by a mastery of the Finnish language, which simplifies tourism to the neighboring state.

## Economic traits

The economic condition of Karelia is also different from the all-Russian situation. During the last several years, a substantial part of production factories in the Republic was liquidated or temporarily closed eventuating in the fact that the economy entered a deeper crisis than before. In 2013, the average income per capita in the area was 21 494 Russian Rubles, which was 477 Euros assuming that 1 Euro equaled 45 Rubles, the approximate exchange rate at that period. Therefore, Karelia was on the 34<sup>th</sup> place among 83 federal subjects of Russia (in 2014, the number of federal subjects was increased as a result of introduction of the Crimea Republic and Federal City Sevastopol and amounted to 85). (Federal State Statistics 2014a.) Additionally, the income of slightly more than 14% of the population was less than the subsistence level in the same year (Federal State Statistics 2014b). The unemployment rate in the Republic reached the level of 8,2% while the average unemployment rate in Russia was 5,5% (Federal State Statistics 2014c). In 2014, the figures were rather similar to the corresponding indicators in 2013 though the official statistics on the economic performance of the regions is not published yet. Nevertheless, it is important to remember that, in 2014, the situation deteriorated due to the national currency fluctuations.

Based on these facts, it may be stated that the Karelia Republic is currently rather poor in comparison with the other federal subjects. Therefore, despite the costs on travelling to Finland being low due to the country's proximity (one of the cheapest means of transportation is a bus costing approximately thirty Euros), treatment abroad might be affordable for a relatively small proportion of the population. Additionally, depreciation of the Ruble affecting the people's purchasing power overseas is particularly noticeable among the residents of the Republic of Karelia because of the modest income level.

The above-mentioned facts allow concluding that though cultural similarities and perceptions indicate the Karelia Republic's potential in terms of travelling to Finland, the current economic factors encumber medical tourism from the area. It is possible that the situation will improve in the recent years provided the stable international relations positively influence economic conditions. Additionally, governmental support of production opportunities in the Republic may increase the standard of living and purchasing power of its residents. However, at the moment, the income level does not allow a considerable proportion of the population to afford obtaining healthcare services abroad.

## 4 FINLAND AS A MEDICAL TOURISM DESTINATION

Finland is not one of the world's top destinations for medical tourism despite its high standards of healthcare as well as availability of advanced technology and equipment. This fact may be explained by several reasons including its remoteness from Western Europe and the USA representing the major market for health tourism, relatively small size of the country, lack of promotional activity by medical institutions, historical directions of the tourism flow, etc. Additionally, Finnish governmental clinics have obtained a permission to form commercial organizations only recently (FinlandCare 2014). All these factors have contributed to the fact that a great deal of people are not aware of Finnish potential as a medical tourism destination and thus do not pursue healthcare procedures there. In this chapter, characteristics of Finnish medicine along with Russian tourism flow to this country will be described.

### 4.1 General facts and statistics

Finnish medical standard is acknowledged worldwide due to the services' quality, facilities' availability, accessibility of treatment, and other aspects. In 2014, Finland was ranked the fourth among thirty-five European countries in evaluation of the states' healthcare systems conducted by Health Consumer Powerhouse (Björnberg 2015). The study focuses on measuring Euro Health Consumer Index (EHCI), which implies scoring the countries based on forty-eight assessment criteria with the maximum number of points being 1000. Finland demonstrated a rapid increase in the overall quality of medical treatment obtaining a score of 846 points in 2014 while the nation's EHCI in 2013 was 773 points (Björnberg 2013). Additionally, Finnish healthcare is considered to be leading in terms of providing value for money, which further improves its already excellent reputation in Europe (Björnberg 2015).

To provide a general overview of the medicine level in the country, several key facts about it will be listed. In 2012, Finnish total health spending accounted for 9.1% of GDP, which was slightly less than the average spending of OECD countries amounting to 9.3%. Nevertheless, life expectancy at birth in the country was 80.7 years while the mean corresponding figure in OECD states was 80.2. Hence, a relatively low expenditure on medical institutions did not affect the people's level of health. Furthermore, the rate of mortality from cancer in Finland was remarkably low partly due to opportunities of modern technologies; the country was ranked thirty-second among thirty-four nations according to this criterion. Finally, the number of doctors per 1000 population represented a little

higher number than the average in the above-mentioned international organization. During the last two years, the indicators did not significantly alter; hence, the Finnish medical system frequently surpasses the average level of OECD countries, which implies that healthcare standards are sufficiently high to attract tourists from abroad. (OECD Health Statistics 2014.)

## 4.2 Advantages of Finnish healthcare

There are numerous advantages of Finnish healthcare, which may appear to be influential factors in choosing the country for obtaining treatment. Besides high standard of medical procedures' performance, Finland is known for short rehabilitation periods, clean environment, hospital facilities guaranteeing a comfortable stay, etc. However, a great deal of potential clients are not aware of these aspects due to the lack of promotional activities. In this chapter, factors distinguishing Finnish medicine are elaborated to prove that medical tourism to this country is reasonable and beneficial for foreign patients.

### Technology

Though medical tourism in Finland is not still developed, the country's trade in health technology has raised over the last several years with exports reaching the level of EUR 1.66 billion in 2013 (Figure 4).

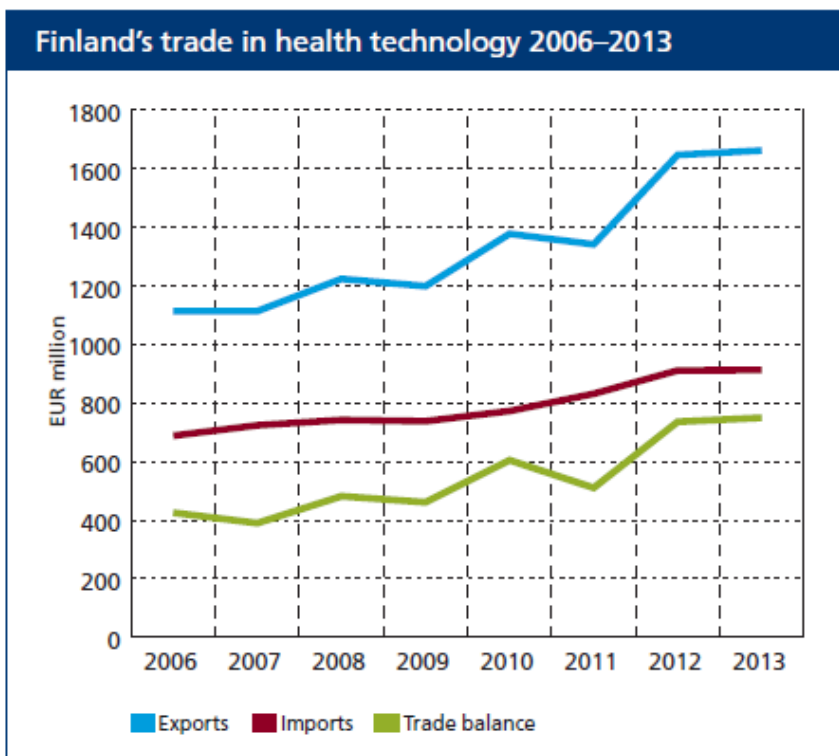


FIGURE 4. Finland's trade in health technology 2006-2013 (Donovan 2014a)

It can be seen from the graph that the country's technology exports were considerably higher than the imports in 2006-2013, which is not an ordinary situation. Indeed, only seven countries in the world report a surplus in health technology trade balance; furthermore, Finland managed to keep this surplus during crisis in 2008 (Donovan 2014b). The dominant segment in the industry is medical equipment production representing 71% of the technology exports; another successful export article is In-Vitro Diagnostics. (Donovan 2014a.)

Additionally, Finland is widely acknowledged by the worlds' medical community as an innovator in health care. For instance, various types of equipment including the one for brain and craniofacial imaging, laboratory sample processing, diagnostic mapping, etc. were developed there. Additionally, a number of recent elaborations in biomaterials for orthopedic implants belong to Finnish researchers. Furthermore, panoramic dental imaging was invented in this country. These technological advances constitute significant results for a relatively small country with limited human and financial resources. (Finnish Health Technology Association 2014.)

Finnish doctors are expertized in a great deal of medical spheres; nevertheless, the priority fields for overseas tourists are ophthalmology and dentistry. In particular, Finnish professionals mastered treatment of cataract by ultrasound using FACO technology and quick implantation of an artificial tooth root. Additionally, Finnish surgery is famous for utilizing the newest and safest operation methods, one of which is endoscopy. This technology facilitates avoiding large wounds and scars hence reducing the patient's rehabilitation period. Overall, the mentioned facts do not leave any doubts in quality of medical equipment and the level of technology in the state. (Intmedtourism 2011.)

#### Quality of clinics

Nowadays the hospital system in Finland is rather complex though efficient. The overwhelming majority of the clinics are public with only 3%-4% of the services provided by private medical centres. The public sector includes five university hospitals, sixteen central hospitals, district hospitals, and health centres. (Saarivirta, Consoli & Dhondt 2010.) Finnish governmental hospitals are not currently able to accept patient from overseas. However, starting from 2013, public clinics obtain a permission to form commercial structures aimed at foreign people too. Thus, the most advanced technologies along with the most professional doctors are available for medical tourists from all over the world. (FinlandCare 2014.)

The quality of hospital facilities and equipment conforms the high standards imposed by the government. In 2007, a national development programme for Finnish hospital facilities was launched. It implied assessing the clinics' premises and technical systems as well as management of properties; the programme was financed by Ministry of Social Affairs and Health. The research results provided the basis for hospitals' renovation and alterations in some premises' design. (Reijula et al. 2008.) Nowadays the quality and convenience of the vast majority of hospital buildings in Finland is comparable to the level of European clinics.

### Short rehabilitation periods

Rehabilitation is the process of recovering the person's physical and mental capacity and wellbeing. Additionally, it may also refer to psychological aid or social rehabilitation, where the latter implies improving the bases of the person's social interaction. However, medical tourists generally pursue only medical rehabilitation and, more frequently, from severe disabilities. (Ministry of Social Affairs and Health Finland 2014b.)

Finland is acknowledged worldwide as a country with an outstanding ecology. Clean environment aids rapid recovery process and in the meanwhile attracts tourists eager to admire beautiful scenery and engage in activities, such as fishing, sports, etc. (Clinic Finland 2014.) Furthermore, several centres, such as Lappeenranta Kuntoutus, Fysio-Eskola, and TreeniX operate in the country. They provide information and medical services for people with various illnesses. All the mentioned organizations treat patients from abroad as well; however, the procedures are payable for foreigners (FinlandCare 2013). Hence, it may be seen that rehabilitation possibilities are on a high level, which appears to be one of the significant advantages of Finnish healthcare.

### Transparency

Finland is ranked the third among 174 world countries in the Corruption Perceptions Index, which implies that public sector in the state is highly transparent (Transparency International 2014). It also refers to the state's healthcare. Thus, when patients arrive at the hospital, they are informed about the costs incurred prior to treatment. Therefore, anxiety connected with payment for services and unexpected expenditures is avoided, which is generally important for clients. (Clinic Finland 2014.)

Overall, Finnish healthcare is advantageous according to numerous aspects. All of them facilitate development of medical tourism since the country obtains sufficient resources to attract travellers. Thus, customer awareness regarding possibilities of Finnish hospitals should be increased to condition the growth of revenues in the business field.

#### 4.3 Disadvantages of Finnish healthcare

Nevertheless, Finnish healthcare is not perfect. One and the most significant disadvantage is relatively high prices for medical procedures. The comparison of the price levels for hospital services in several countries is presented in Table 2.

TABLE 2. Comparative price levels for hospital services and GDP, 2007 (Koechlin et al. 2010)

Price levels by country												
	AUS	CAN	FIN	FRA	ITA	ISR	KOR	POR	SLV	SWE	USA	Group
Inpatient												
medical services	122	125	91	140	158	60	37	90	65	112	173	100
Inpatient												
surgical services	124	113	99	114	132	65	66	81	56	116	163	100
Total												
inpatient surgical services	123	113	98	121	140	62	57	85	59	114	164	100
GDP	104	101	118	112	103	120	73	83	79	121	90	100
Reference:												
per capita real GDP	115	118	108	99	95	82	81	69	81	113	142	100

Table 2 indicates that in 2007, Finland was ranked the seventh among eleven nations researched. The comparison included Austria, Canada, Finland, France, Italy, Israel, Korea, Portugal, Slovenia, Sweden, and the USA. The position was rather favorable; remarkably, the price level was lower than the average data of the states. Notwithstanding, the costs for healthcare procedures were considerably lower in Korea and Israel representing popular destinations for medical tourism and thus competitors of Finland. Furthermore, health care in the Russian Federation, one of the most important potential consumer of Finnish medical services, was noticeably cheaper. The described proportion is approximately the same nowadays as it was in 2007. (Koechlin et al. 2010.) Therefore, it may become an obstacle in developing medical tourism in the country. According to the other criteria, Finland is an expedient destination for travelers pursuing treatment overseas with the major competitive advantage being advanced technology and comfortable conditions in clinics.

#### 4.4 Characteristics of Russian tourism to Finland

The Russian Federation represents one of the most important business partners of Finland, which has developed historically (The Observatory of Economic Complexity 2014). However, trade co-operation is not the only type of interaction between the countries. In addition to that, a great number of Russian residents consider travelling to Finland on holidays and even weekends as a common practice. As reported by Russian Federal Agency for Tourism (2014b), during the first nine months of 2014, more than 3.5 million people travelled from Russia to Finland for various goals putting the latter on the second place among popular tourism destinations for Russian residents. Additionally, Finland is on the 13<sup>th</sup> place in the ranking regarding the number of tourists arriving from Russia for leisure purposes, which implies approximately 300 thousand people in the first nine months of 2014. (Federal Agency for Tourism 2014.) The amounts of money spent in the country also indicate the significance of a tourism flow. According to travel agency Antalia (2015), Russian citizens have spent more than 960 million Euros in 2014 in the neighboring state. Thus, interaction between nations is considerable for their economies.

Such an active co-operation is substantiated by several reasons. Firstly, the countries were closely connected to each other historically; Finland was even a part of the Russian Empire, which is described in the chapter “Cultural peculiarities” referring to the Karelia Republic. Secondly, means of transportation provided for travelling between the countries are versatile: people may move to the neighboring nation by planes, trains, buses and even taxis. The cost of a trip by bus from the capital city of the Republic of Karelia, Petrozavodsk, to Joensuu, one of the proximate cities, is only 810 Rubles for an adult or

approximately 12 Euros if 1 Euro equals 70 Rubles (Petrozavodsk Transport 2015). Thus, such a variety of possibilities available for people with different incomes conditions an intense tourism flow. Thirdly, the fact that a great number of people in the north-west of Russia have relatives in Finland explains the co-operation between countries. Language may be referred to the same category: it was mentioned in the chapter “Cultural peculiarities” that a considerable proportion of the Karelian people speak Finnish; some of them even use Finnish as the native language. Overall, links between the two nations are strong allowing to expect that the Russian Federation may also appear a major consumer of health tourism services organized in Finland.

Unfortunately, the Finnish government does not gather any statistical data regarding the number of foreign patients arriving in the country (Yle 2014). The investigation by Yandex Business Development (2014) indicates that according to the number of Internet inquiries regarding medical tourism, Finland does not enter the top fifteen popular destinations for Russian customers (Figure 5). Nevertheless, as reported by news agency Yle (2014), it is known that the majority of Russian patients receive treatment in clinics Orton and Docrates. In 2014, the revenues of Orton generated from Russian health travelers was estimated at approximately 1 billion Euros, or 5-7% of the hospital’s total revenues.

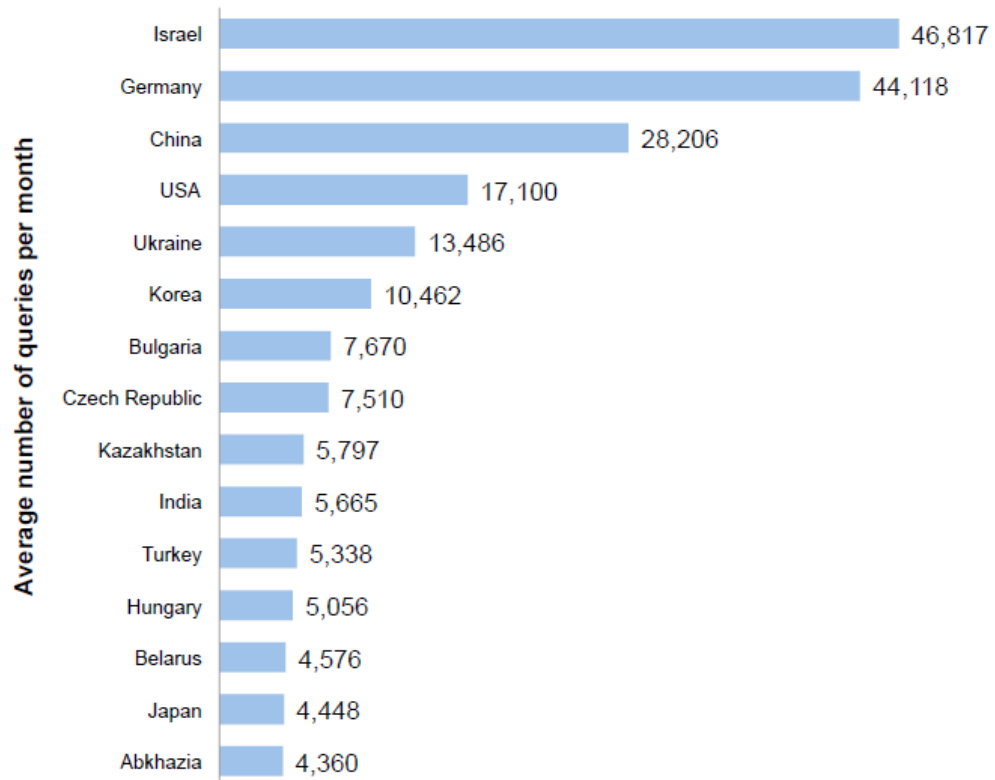


FIGURE 5. Health Treatment Abroad: Top Countries (Yandex Business Development 2014)

Hence, medical tourism co-operation between Russia and Finland is not currently developed. It is partly substantiated by the fact that foreign patients may be treated only in private clinics and, starting from 2013, in commercial structures of governmental hospitals. In addition, the lack of consumer awareness with respect to Finnish healthcare influences people's decision when selecting a country to obtain treatment in. Notwithstanding, provided that Finnish medical institutions promote their services, the tourism flow to the country may increase owing to Russian customers in particular.

## 5 METHODOLOGY OF THE RESEARCH

The practical part of the thesis aims at investigating if residents of the Karelia Republic are eager to pursue treatment in Finland as well as if they have a financial ability to do it. The objectives include estimation of the number of people inclined to obtain medical services in the country and purchasing power of that segment; determination of the most important factors influencing the decision to travel abroad and the most demanded spheres of medicine; and discovering approaches to attract more consumers. The results of the study may be utilized by governmental and private hospitals in Finland along with subsidiary companies organizing the whole process of medical tourism. The paper might be incorporated in real-life context as a basis for marketing and promotion plans and budget projections of the aforementioned companies for the next several years.

When investigating the subject, quantitative and qualitative research methods are generally applied. They differ in terms of data collection and results attained; therefore, the choice of the method is dependent on the aim of the study. Quantitative research focuses on classification of characteristics, calculations, and generation of statistical models with the purpose of explaining the observed facts (Neill 2007). Its methods involve questionnaires and surveys with multiple-choice questions where the respondents may select the answer (British Library 2013). Such surveys provide the analyst with numerical data; hence, the attained results may later be coded as variables and statistically evaluated. Qualitative research targets at obtaining a detailed description of a sample group; the results frequently present people's opinions and emotional reactions. Generally, qualitative research utilizes interviews, discussions or focus groups to receive the necessary information. (British Library 2013.)

Since objectives of the study require analyzing numerical data and calculating several indicators, quantitative research methods are incorporated. After carefully studying advantages and disadvantages of various means of data collection, it was adjudicated to utilize questionnaires. The most influential factors were that they were among the most appropriate tools of gathering generalizable information with respect to large populations. Moreover, they were considered to be efficient in collecting data concerning customer expectations, relevance of a service to user needs, and changes in consumers' attitudes. (Evalued 2004.) Several types of questionnaires exist, which are classified according to different criteria, namely, how they are applied and what questions they include. Questionnaires may be divided into structured and unstructured, where the former is based on predetermined and concrete questions whereas the latter is flexible and

ordinarily adopted during interviews. Additionally, questionnaires may be classified by the question type as open-ended, close-ended, mixed, and pictorial. Open-ended questions allow the respondents to express their thoughts and ideas in the manner that they consider the most suitable for them. Close-ended questions provide a number of alternative answers that the respondents are limited to. Mixed questionnaires involve both types of questions in order to gain diverse and comprehensive information. Finally, pictorial questionnaire is the rarest kind, which includes a large number of pictures and is thus incorporated when researching topics connected with children. (MBA Official 2012.) In the current study, it is required to receive numerical data that may be transformed into variables, statistically assessed and generalized over the entire population; hence, structured questionnaires were chosen as the most adequate tool. However, the survey contains several mixed questions with the alternative answer “other”, where people may state their own opinions differing from the alternatives provided. This type is utilized to attain thorough and broad answers on the most critical questions of the research. Therefore, the questionnaires employed in the study are structured and mixed.

In order to collect the necessary data, two questionnaires were created. The first questionnaire (see Appendix 2) was distributed personally to the clients of a medical laboratory Invitro Spb, the researcher’s professional internship company. The reason why this particular sample group was chosen is that people coming to a private laboratory are willing to pay for medical services at least in their home country. Thus, the probability that they positively treat receiving medical services abroad is rather high. The survey responses were collected in summer 2014 when the study did not focus on financial ability to pursue healthcare procedures overseas; therefore, the results of the first questionnaire serve as supplementary data in the research. The second questionnaire (see Appendix 3) was designed after final determination of the thesis topic in January 2015 and was additionally related to respondents’ income level and changes of attitudes over the last year due to economic or noneconomic factors. An elaborated description of the questions may be found in the following chapter. This survey was created in Webropol program and delivered to residents of the Karelia Republic via the Internet. A public group of Karelia called “All announcements blackboard Petrozavodsk” in a Russian social network vk.com was selected as a means of collecting information; therefore, the link to the survey was located in that group while the administrators controlled that it was accessed only from the mentioned area. The data received from the second questionnaire presents the major source of information regarding people’s current opinions on receiving treatment in Finland.

The gained results were afterwards analyzed in Webropol program, which provides a variety of basic and professional reporting tools. The major methods utilized in data analysis are cross tabulations, statistical significance tests, percentiles, averages, etc. The findings are presented in forms of tables and graphs in order to visualize them and thus expedite their comprehension.

### 5.1 Research hypotheses

The essential stage of questionnaire design is stating hypotheses based on research questions (FAO Corporate Document Repository 2001). The major research problem of the thesis is to investigate the characteristics of the demand on medical tourism from Karelia to Finland and suggest measures to increase the tourism flow based on the results. As it was mentioned before, the research questions established are the following:

1. What are the main motives behind the decision to obtain medical treatment in Finland?
2. What medical spheres are the most demanded among Russian clients?
3. How has the demand for medical tourism altered over the last year?
4. How elastic is the demand and why?
5. What may change the current situation on the market?

On these grounds, hypotheses were framed, which aided in further analysis of the results. Firstly, it was expected that the most important reasons for receiving medical services in Finland were high quality of healthcare procedures and comfortable conditions in the hospitals. Secondly, three most demanded medical spheres were supposed to be cardio surgery, ophthalmology, and gynecology. Thirdly, the demand for health travelling was presumed to reduce by 20%. This figure of the initial demand might be derived by the number of people who were financially able to obtain treatment in Finland in January 2015 and whose attitudes towards such an opportunity had changed due to various reasons. Fourthly, the demand was expected to be elastic, which could be generally explained by the fact that medical tourism was an expensive, luxurious service. Finally, the tourism flow to Finland was anticipated to raise provided that the prices for medical services fell or the information about the hospitals and procedures became more available. Moreover, researching the market implied expecting that people who consumed payable medical services in the Russian Federation or who had ever received treatment overseas were more eager to travel to Finland than the others; this statement was a sub-hypothesis since it did not refer to the major research objectives. The advanced hypotheses served as a foundation for designing questions in the survey.

## 5.2 Description of questions

The survey distributed in January 2015 (see Appendix 3) consists of fourteen questions intended to determine various characteristics of demand on medical tourism from the Republic of Karelia to Finland. The first five questions aim at collecting general information about the respondents, i.e. their gender, age category, level of education, professional activity, and income level. The following two questions refer to whether the respondents consume payable medical services in Russia and overseas. The objective is to identify the target group of people who consider obtaining payable treatment acceptable and compare their answers with those of people who visit only governmental hospitals with all the procedures covered by a compulsory insurance. Additionally, the researcher intends to observe the difference in the responses of people who have received treatment in a foreign country and those who have not. Questions eight, nine and ten are related to the sample group's eagerness to pursue healthcare procedures in the neighboring country. Therefore, they ask if people would like to travel to Finland in order to gain medical services, why treatment in this country attracts them, and what may make healthcare in the mentioned state more appealing to them. The subsequent two questions are connected with financial resources to afford such procedures: question eleven asks if people have financial opportunity to obtain treatment in Finland whereas question twelve inquires whether the respondents have changed their attitude towards healthcare in the country over the last year suggesting several economic and noneconomic reasons. Finally, the perspectives of health tourism development are determined. The respondents are requested to select the medical sphere that interests them and the means of promotion that they believe to be the most reliable. Thus, all the objectives of the study are covered in the survey providing the researcher with comprehensive data to analyze.

The first questionnaire designed and incorporated in summer 2014 (see Appendix 2) did not involve questions regarding the respondents' income level, financial opportunity to travel to Finland and pursue treatment there, changes of attitudes over the last year as well as aspects that may increase Finnish healthcare's attractiveness. Additionally, it lacked the question related to the fact of utilizing payable medical services in the Russian Federation since the survey was distributed personally to a private laboratory's clients; therefore, the whole sample group represented consumers of payable health services. Nonetheless, for the first questionnaire missed some significant data, its results are used as supplementary information in the study.

### 5.3 Description of analysis methods

The majority of the results with respect to people's opinions are presented in bar charts so that it is simpler for the reader to comprehend their interpretation. Thus, they are not further assessed via various statistical tools since attitudes may not be transformed into numerical variables that may be contrasted to each other. The reason is that viewpoints are too different from each other and in the meanwhile independent; therefore, deriving the average or the mean of the values is impossible and does not explain the findings. Nevertheless, one supposition in the research requires utilizing more complex methods. It is presumed that the people who consume payable medical services in Russia or have obtained treatment overseas are more eager to engage in health travelling to Finland than the others. This sub-hypothesis implies testing the correlation between two variables: the fact of receiving payable treatment in the Russian Federation (or overseas in the second case) and eagerness to pursue health procedures in Finland. Hence, the statement is verified by constructing a crosstabulation and conducting a chi square test.

According to Robert Michael (2003), a crosstabulation is a joint frequency distribution of measurement objects, which bases on two or more variables. Thus, it allows defining how people related to a certain group are likely to respond similarly. Therefore, the researcher is able to determine whether belonging to the mentioned category influences people's decision. In the paper, two crosstabulations are created. The first one divides residents of the Karelia Republic into utilizing and not utilizing payable medicine in their home country. The second table categories the respondents into people having obtained treatment overseas and those having not. The table indicates how opinions on medical tourism are distributed within the sample.

Nevertheless, in order to generalize the data over the entire population, it is necessary to verify statistical significance of the results. For this purpose, chi square test is employed in the research. The tool measures whether the selected variables are independent; furthermore, Webropol derives a  $p$ -value when conducting the test (Michael 2003).  $P$ -value is an indicator of the results' statistical significance: the data is generalizable if the figure is less than 0.05 (StatsDirect 2004). The prerequisites for the test are the following: the population is at least ten times larger than the sample group, not more than 20% of expected counts may appear less than five and all the chosen counts ought to be greater than one (Stat Trek 2007). Hence, the investigation incorporates tools of basic and professional reporting in order to interpret the results as carefully as possible.

#### 5.4 Research ethics, reliability and validity

The researcher ensures reliability, validity and ethics of the study as part of the investigation process. Research ethics is defined as ethics of planning, implementation, and reporting of a study (Resources for Research Ethics Education 2013). A number of rules referring to ethical conduct of a study are generally applied; the major principles are honesty, openness, confidentiality, carefulness, responsible publication, etc. (Resnik 2011). Undoubtedly, these norms are incorporated in the present research. Firstly, the survey does not request the respondents to state their names; therefore, the results are anonymous. Secondly, all the data is secured in Webropol account, which no one besides its owner may access and modify the answers in. Thirdly, the respondents were informed about purposes of the study and possible application of the results either personally or in the cover letter (see Appendix 1) prior to starting the questionnaire. Hence, they were definitely aware of the fact that their answers were confidential and utilized in researching demand peculiarities of the Karelia Republic. As long as questions related to medical procedures and financial welfare represent a sensitive topic, it is rather difficult to include them in the survey in an appropriate way; however, the research was successful due to its confidentiality and avoidance of personal contact when conducting the second questionnaire, which aided preventing negative reaction. Thus, the study conforms ethical norms of a social research.

Reliability and validity of the research are two essential concepts that are closely connected to each other. Reliability implies that the responses to the questionnaire or another means of data collection represent the real situation. It can be tested by consistency of the results along with their repeatability (Institute for Work and Health 2007). In the current study, reliability may be assured when comparing the results of the two independent surveys conducted in the Karelia Republic. Validity is a quality indicator proving that the researcher measures the variable that was intended to measure (Institute for Work and Health 2007). In order to strengthen validity of primary data, it is necessary to control the sample group and maximally increase comprehension of the questions. In the first survey, the respondents were selected and addressed personally in the company Invitro Spb; therefore, no opportunity that people younger than 18 years old or the ones not using payable medical services answered the questionnaire existed. The second questionnaire was distributed via the Internet to residents of the Karelia Republic. The sample was controlled by the administrators of a Karelian group "All announcements blackboard Petrozavodsk" in a Russian social network vk.com, so that only people living in the Republic and not younger than 18 accessed the survey. In that survey, a question was added asking whether people had ever obtained payable treatment in the Russian

Federation. Hence, the respondents may afterwards be divided into groups according to this criterion and compared, which offers a wide perspective for a study. The majority of the questions in the survey attain detailed descriptions in order to avoid misunderstanding by the respondents. The aforementioned measures are effective to increase and assure validity of the research.

## 6 ANALYSIS OF THE SURVEY RESULTS

This chapter presents the results of the questionnaire distributed to residents of the Karelia Republic and analyses them. The findings serve as a basis for drawing conclusions on the demand characteristics and suggesting measures for attracting customers to Finnish medical institutions.

### 6.1 Demographic profile of the respondents

The sample of the survey comprises 114 respondents with the largest age category presented, namely 41%, being 18-25 years old (Figure 6). The least group is 55-65 years old (less than 1%), which may be explained by the fact that the link to the survey was left in a Russian social network vk.com and people of an older age do not often use social networks. This fact also clarifies why the number of respondents reduces with an increase in age.

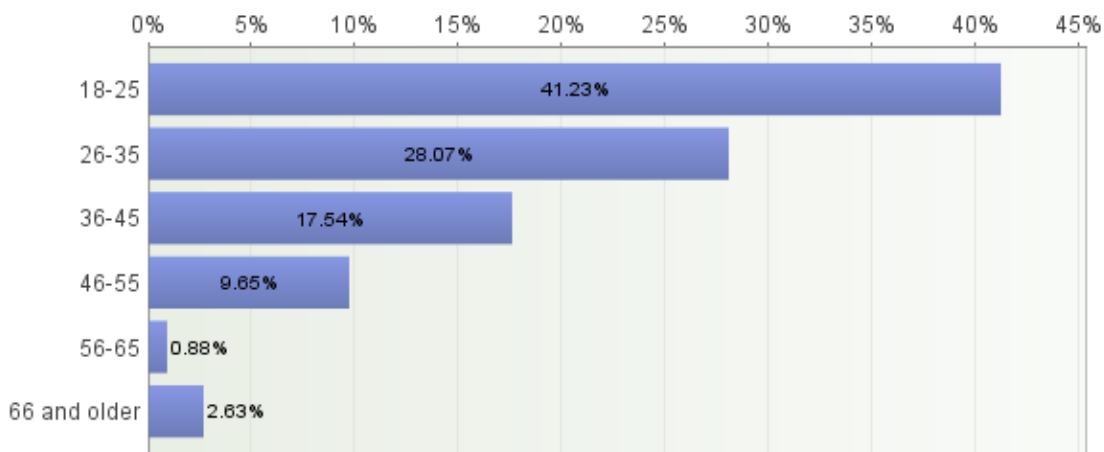


FIGURE 6. Age category of the respondents ( $n=114$ )

The majority of the survey participants are female (approximately 66% or 75 people). Men represent the rest 34% of the sample. More than half of the respondents have a Master's degree and one person even obtains two Master's degrees. The same number of people have high school and technical college education, 6% in both categories. The residual 30% are undergraduates (see Appendix 4).

With reference to professional activity, the predominant categories are employees and students (37% and 34% of respondents respectively). Roughly a quarter of the sample is presented by workers in various fields. Finally, self-employed people, retirees and people without a professional activity account for approximately 4% each (see Appendix 4).

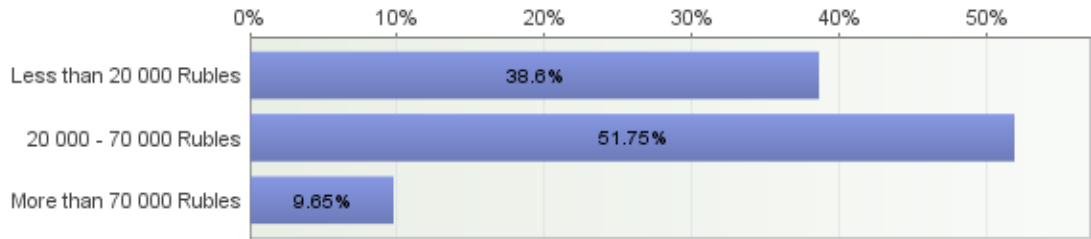


FIGURE 7. Respondents' income levels ( $n=114$ )

One of the most significant aspects in this research is the respondents' income levels. The chosen categories are less than 20 000 Rubles, 20 000 – 70 000 Rubles, and more than 70 000 Rubles, which equals to 286 Euros, 286 - 1 000 Euros, and more than 1 000 Euros respectively assuming that 1 Euro equals 70 Rubles, the approximate exchange rate at this period (Figure 7). These figures are selected since people obtaining a salary of 20 000 – 70 000 Rubles may be referred to middle class in the Republic of Karelia; therefore, the respondents are roughly divided into people with a relatively low income level, middle class, and upper class. It can be seen from Figure 7 that a little more than a half of the respondents belong to middle class while almost 10% of people obtain higher income. These groups represent the main target market for medical institutions and subsidiary companies; however, some people with an income less than 20 000 Rubles may also afford treatment abroad provided that e.g. their spouses obtain a higher salary. Financial ability to receive medical services in Finland will be checked further.

## 6.2 Using payable medical services domestically and abroad

The following two questions refer to the fact of using payable medical services in Russia and abroad. The purpose of these questions is to determine whether people who consider payable treatment to be a common practice are more eager to pursue medical procedures in Finland. It is expected that people who prefer to be treated in private clinics in Russia or who have for some reason obtained such procedures overseas are more likely to answer "yes" in the question "Would you like to receive medical services in Finland?". The correlation between these statements will be tested further.

It may be seen from Figure 8 that two thirds of the sample are clients of private clinics in the Russian Federation. The rest 34% of people, who prefer free treatment, will probably not be interested in foreign services either.

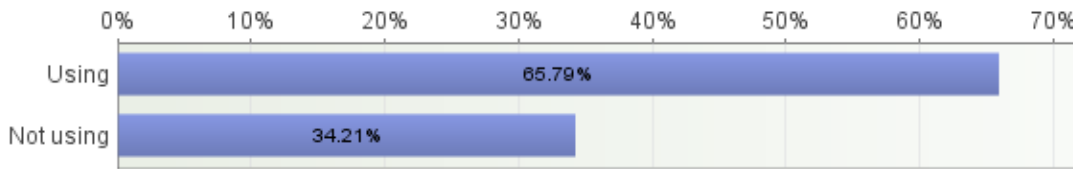


FIGURE 8. Distribution of the respondents by using payable medical services in Russia ( $n=114$ )

The proportion of respondents who have obtained treatment overseas is undoubtedly much lower than those who visit private clinics in Russia, only 19% of the sample (Figure 9). Twenty-one people specified either the country where they received it or the procedure accomplished or both since it was asked in the questionnaire (see Appendix 5). The services pursued vary among respondents; overall, seven medical spheres are referred to in the answers. These fields are traumatology (six respondents mentioned it), dentistry (five respondents), therapeutics (four people), ophthalmology, cardiology, urology, and oncology (one person each). Nevertheless, traumatology procedures are generally covered by an insurance since people often need a visit to such a doctor in emergency cases. Therefore, it is not a field common for medical tourism. A vast majority of the group having obtained treatment overseas, namely twelve people, state Finland as the place where the service was received. Services in all the above-mentioned fields except for oncology and urology were pursued in this country. The other noted nations include Turkey (two respondents), Israel, Norway, Italy, Germany, Sweden, Ukraine, and Latvia (one respondent each). However, the services consumed in Italy and Norway were only connected with traumatology; hence, they cannot be regarded as medical tourism destinations.

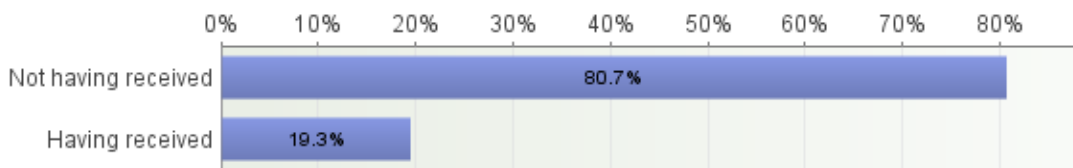


FIGURE 9. Distribution of the respondents by having received medical services abroad ( $n=114$ )

### 6.3 Attractiveness of Finnish healthcare for residents of the Karelia Republic

One of the objectives of the study is to determine whether Finnish healthcare seems to be appealing for customers from Karelia and why. Additionally, it is necessary to obtain

information on what may increase attractiveness of medical services. For this purpose, corresponding questions are included in the survey.

#### Eagerness to receive medical services in Finland

It may be seen from Figure 10 that slightly more than a half of the respondents is eager to receive medical services in Finland. It is a positive indicator; however, it is necessary to remember that the question does not imply that people obtain sufficient financial resources to do it.

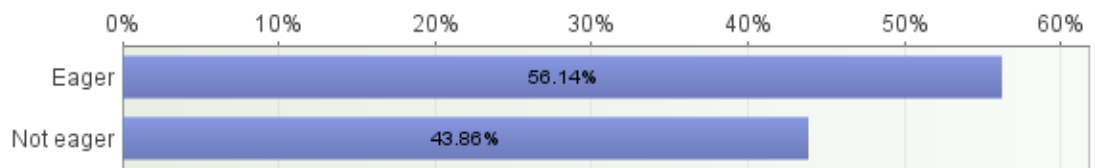


FIGURE 10. Distribution of the respondents by eagerness to receive medical services in Finland ( $n=114$ )

The next step involves testing the hypotheses concerning people who use payable medical services in the Russian Federation and those who have obtained treatment abroad. Table 3 illustrates how eager are people visiting private clinics in Russia to receive medical procedures in Finland in comparison with those who consume only free services in their home country. According to the results, almost two thirds of private hospitals' clients consider treatment in Finland attractive. On the contrary, only 44% of respondents who consume fully insurance-covered services would like to engage in medical tourism. The difference in figures is not dramatic but it is significant enough. Thus, the hypotheses is confirmed among respondents: people who consider payable medicine to be a normal practice are more eager to pursue health procedures abroad than those who are used to free services. Furthermore, in order to assure reliability of data, it is advisable to compare the results of several investigations; thus, the findings of the summer questionnaire may be included (see Appendix 2). According to the answers to the first survey, 62% of the people are eager to engage in health tourism to Finland. Since that questionnaire was distributed solely in medical institutions providing payable services, the information is similar in both researches and hence reliable.

TABLE 3. Influence of using payable medical services in Russia on eagerness to obtain treatment in Finland (%)

	Using payable services in Russia	
	Yes (n=75)	No (n=39)
Eager to receive medical services in Finland	63	44
Not eager to receive medical services in Finland	37	56

Nevertheless, in order to generalize the data over the entire population, it is required to accomplish a chi-square test. It is done with methods of professional statistics in program Webropol (see Appendix 6). According to the results of this test, all the prerequisites are fulfilled; however,  $p$  value is 0.051, which implies that the results are not statistically significant (StatsDirect 2004).

The subsequent hypothesis states that people who have obtained treatment abroad are more eager to engage in medical tourism to Finland than those who have never done it. Table 4 illustrates the findings of the survey. According to the results, a vast majority of the people who have ever been treated in a foreign country would like to pursue health procedures in Finland (77%). This figure is considerably larger than the proportion of respondents not having attained treatment overseas who are eager to receive medical help in Finland (only 51%). Therefore, the hypothesis is verified for the sample group. The result of chi square test indicates that all prerequisites are fulfilled and the data is statistically significant (see Appendix 6).

TABLE 4. Influence of having received medical services abroad on eagerness to obtain treatment in Finland (%)

	Having received medical services abroad	
	Yes (n=22)	No (n=92)
Eager to receive medical services in Finland	77	51
Not eager to receive medical services in Finland	23	49

## Aspects of Finnish healthcare that attract consumers from Karelia

Those respondents who state that they want to travel to Finland with the purpose of obtaining treatment are required to specify the aspects influencing their decision. Sixty-four people have answered this question, which allows selection of more than one alternatives. As shown in Figure 11, the most important reason for choosing the country where medical procedures will be accomplished is high quality of services and technology, which absolutely matches worldwide trends (Kelley 2013). This aspect is selected by 85% of respondents leaving no doubts in its significance. The second factor affecting the decision is comfortable conditions during treatment; approximately two thirds of the sample noted it. Convenient facilities of Finnish hospitals are now rather well known in the Republic mainly due to word-of-mouth since a great number of residents of Karelia have relatives living in Finland. These facilities are definitely superior to the ones in the majority of Russian governmental hospitals and sometimes even to private clinics' conditions. Therefore, people are eager to endeavour treatment in the neighbouring state. The third important aspect is geographical proximity. Presumably, it is selected by people who seriously consider treatment abroad and are probably ready to obtain medical procedures overseas. In this case, Finland will be the closest foreign country to Karelia thus attracting customers from there. Remarkably, only 16% of the respondents claim that availability of information concerning medical services is a positive issue of Finnish healthcare. This situation may be explained by two facts: firstly, availability of information might be considered as insignificant in choosing the hospital; secondly, Finnish clinics do not actively promote their services hence reducing the amount of data that people are able to find.

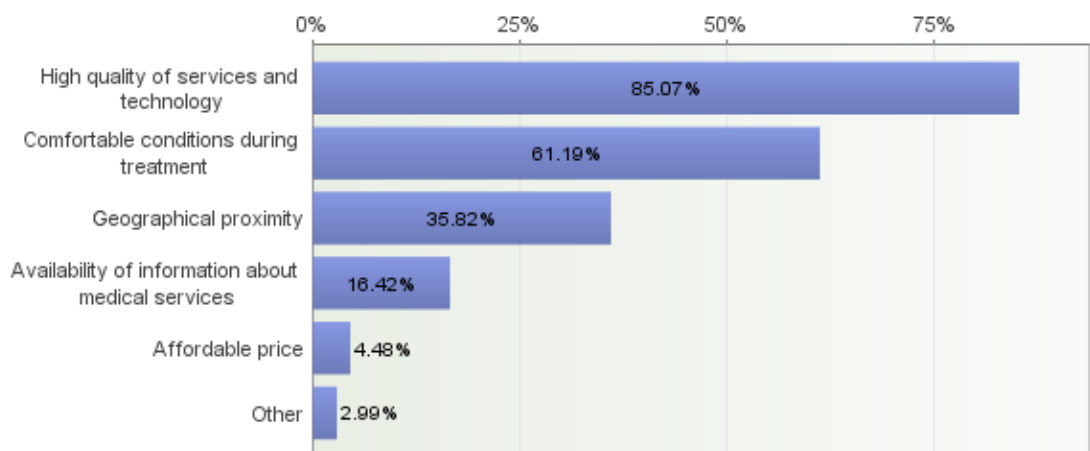


FIGURE 11. The reasons for treatment in Finland being attractive for the respondents ( $n=64$ )

The alternatives chosen by minor proportions of respondents are “affordable price” and “other” (5% and 3% of the sample respectively). It is evident that low costs for procedures will not appear the major reason as long as medicine in Russia is generally cheaper than in Finland. However, price for certain services may be lower than in the Russian Federation or other European nations; hence, for people comparing possible expenditures in various foreign countries, affordable price is an influential factor. Finally, two respondents select the option “other” and elaborate their answer. One person explains that trust in non-Russian services is now unfortunately higher than in Russian ones; the other claims that he or she has not been treated yet. Apparently, the first statement may be referred to quality of services and technology for trust is usually based on confidence that the procedure will be accomplished appropriately. The second statement does influence the results of the questionnaire since the person answering the question is not certain about the factors motivating him or her.

Overall, the major factors that attract Karelian clients to Finnish hospitals are high quality of treatment, comfortable conditions during stay, and geographical proximity of the country. Thus, the hypothesis set at the beginning of the study (it stated that the most important factors would be high quality along with comfortable conditions) is confirmed. The measures that may increase interest in the country’s medical tourism services will be discussed further.

#### 6.4 Financial ability to obtain treatment in Finland

Perhaps, the most important part of the research is investigation of financial ability of the population to utilize Finnish medical services. Apparently, due to low income levels in the Republic along with a high Euro currency rate, the proportion of people who are able to obtain treatment abroad is relatively small. Notwithstanding the fact that 62% of the sample is associated with a middle or superior class with respect to average income in Karelia, such amount of financial resources may be insufficient to afford foreign medical services.

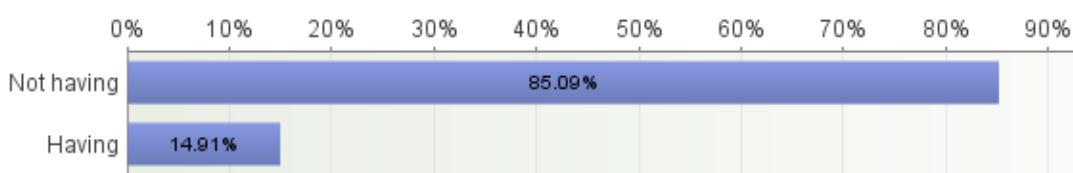


FIGURE 12. Distribution of the respondents by having a financial ability to get medical services in Finland ( $n=114$ )

The survey results indicate that only 15% of the sample, or seventeen people, believe that they obtain a financial ability to engage in medical tourism to Finland (Figure 12). Undoubtedly, this percentage is not high; however, the figure raises positive expectations for the future. Firstly, economic conditions in the Russian Federation and Karelia in particular now arouse anxiety among the country's residents forcing people to reduce their investments and save money. Secondly, the state's currency rate is instable with the Ruble having recently reached its historic lows. Albeit it has recovered, people manage their funds carefully. Hence, if in such difficult times, during a political and economic crisis, 15% of people attain a financial ability to utilize expensive foreign medical services, it is a positive sign. Moreover, though it is challenging to predict future currency fluctuations, some economists anticipate that the Ruble will stabilize against the Euro and USD (Yudaeva 2015). At least, it is not supposed to devaluate as dramatically as it did in the last quarter of 2014. Thus, if the currency strengthens, the proportion of Finnish hospitals' potential customers is expected to increase further.

#### 6.5 Alterations in people's viewpoints on treatment in Finland over the last year

One of the major research questions of the thesis is alterations of the demand on medical services over the last year. Finding the answer to this question allows calculating income elasticity of demand and thus predict the future trends in the industry development. Moreover, the results will aid determining whether the tourism flow may increase when international relations of the Russian Federation stabilize.

According to the survey results, almost a half of the respondents (46%) have changed their opinion on treatment in Finland due to the rise of the Euro exchange rate against the Ruble (Figure 13). The figure is considerable though predictable since the Euro has strengthened against the Ruble by more than 53% in December 2014 in comparison with December 2013; moreover, on 18.12.2014 it was 88% higher than the average rate in December 2013 (Finmarket 2015). Hence, it was supposed at the beginning of the study that a significant proportion of people who had been able to afford foreign treatment a year ago would consider it unacceptable in 2015.

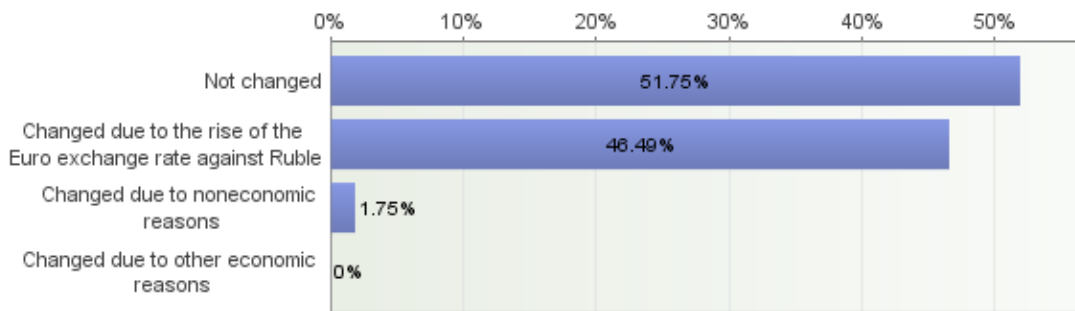


FIGURE 13. Negative changes in the opinions on obtaining treatment in Finland ( $n=114$ )

Two respondents, or approximately 2% of the sample, answer that their opinions has changed due to noneconomic reasons. However, only one person states the reason, which is “Incompetence of Finnish doctors”. This person has visited a dentist and a therapist in Finland; therefore, he or she is dissatisfied with the services provided. Nevertheless, this figure is not significant for the rest of the sample is almost equally divided into two parts: those who have altered their viewpoint due to currency rate fluctuations and those who have not changed the opinion at all.

It may be seen from Figure 13 that the opinion of slightly more than a half of the people has not been affected by any reasons. This category includes people who obtain a financial ability to engage in medical tourism to Finland since their income allows affording it even in such economics conditions as well as the ones who do not have sufficient resources implying that they did not own them in the previous year. The same is true for respondents who are eager to receive medical services in the neighboring country and those who are not. Though representatives of all the mentioned categories are among the people having answered “No” to this question, 88% of them do not have sufficient financial resources for health tourism and 64% of them do not want to engage in it. Thus, the major reasons for not changing the viewpoint on treatment abroad are either continuous lack of financial resources or general reluctance to pursue medical procedures in Finland.

## 6.6 Elasticity of demand

Elasticity of demand is one of the major aspects that allows understanding nature of demand and its responsiveness to various factors. Typically, three kinds of elasticity are defined: price elasticity, income elasticity, and cross elasticity (Rodda 2010). According to Hubbard & O’Brien (2012, 172), price elasticity of demand is “the responsiveness of the quantity demanded to a change in price, measured by dividing the percentage change of the quantity demanded of a product by the percentage change in the product’s price”. Income elasticity represents dependence of quantity demanded on the change of

consumers' income. In cross elasticity of demanded, two goods are considered. Thus, the change in quantity demanded of one product is divided by the change in price for the other product. (Rodda 2010.) In this case, alteration of demand is determined by the nature of goods hence whether they are substitutes, complements or unrelated products. If the commodities are substitutes, it implies that they are interchangeable for customers; thus, an increase in price for one of them will raise the demand for the other one. Complements are the goods that are generally consumed together, e.g. computer software and hardware. Therefore, when the price for one commodity grows, the demand for its complement falls. Finally, unrelated products are the ones that do not affect each other. The demand alteration in this case may vary; for instance, when housing and chocolate are considered, it may appear that a dramatic rise in prices for housing reduces customers' real income and thus chocolate quantity demanded shrinks. Nevertheless, these commodities will still be regarded as unrelated. (McEachern 2012, 76.) Basically, all the types of elasticity measure the responsiveness of demand to changes in a number of factors. In this report, only income elasticity is considered since the real purchasing power of residents of the Karelia Republic has reduced due to currency fluctuations. On these grounds, their income measured in Euros has fallen, which has affected demand on foreign travels including medical tourism. Cross elasticity is irrelevant in the study for no other product is researched; price elasticity is not in question either because prices for medical procedures in Finland remain at the same level.

#### Income elasticity of demand

Income elasticity of demand measures how the demand alters with a 1% change in consumers' income. Thus, the formula for calculation is:

$$E_y = \frac{\%D \text{ Quantity}}{\%D \text{ Income}}$$

Here,  $E_y$  is income elasticity of demand,  $\%D \text{ Quantity}$  is the percentage change of quantity demanded and  $\%D \text{ Income}$  is the percentage change in the income. In the current situation, the change in the consumers' income is calculated as the change in the average income in the Republic converted into Euros. The change in the quantity demanded may be derived only from the results of the empiric research; thus, the change in the number of people who attain sufficient financial resources to engage in medical tourism to Finland is considered.

Various views on types of income elasticity and products associated with them exist. According to McEachern (2012, 117), income elasticity may be positive for normal goods and negative for inferior goods. Keat & Young (2009) add one more category to this classification: a superior, or luxury, good. Income elasticity for this type is higher than 1, whereas for normal goods its value is between 0 and 1 and for inferior goods it is negative. The most detailed classification was found on the website Managedstudy.com (2014); there, commodities with a negative elasticity value are inferior, products with a zero elasticity are called cheap, goods with an elasticity varying between 0 and 1 are normal or necessity, and luxury commodities obtain an elasticity that is higher than 1. However, the latter source is not so reliable to consider it in the thesis. On these grounds, classification suggested by Keat & Young (2009) is selected as the most appropriate for this research.

The percentage change of the quantity demanded and the income are calculated with the following formula:

$$\%D \text{ Quantity} = \frac{\text{New Quantity} - \text{Old Quantity}}{\text{Old Quantity}} * 100\%$$

$$\%D \text{ Income} = \frac{\text{New Income} - \text{Old Income}}{\text{Old Income}} * 100\%$$

To calculate the income of the Karelia residents in Euros, the average incomes in 2013 and 2014 are converted according to the average exchange rates in December 2013 and 2014. At the end of 2013, 1 Euro equaled approximately 45 Rubles; the minimum rate for 1 Euro was 44.64 Rubles, the maximum rate was 45.37 Rubles, whereas the average rate calculated was 45.03 Rubles. In December 2014, the minimum rate for 1 Euro was 63.24 Rubles, the maximum rate was 84.59 Rubles, whereas the average rate calculated was 68.76 Rubles. (Finmarket 2015.) In 2013, the average income per capita in the area was 21 494 Russian Rubles equaling 477 Euros according to the average rate in December. (Federal State Statistics 2014a.) In 2014, the average income per capita was 22 504 Rubles, which equals to 327 Euros when converted with the average exchange rate in December of the same year (Area Department of Federal State Statistics in the Republic of Karelia 2015).

The quantity demanded is derived from the results of the survey. Undoubtedly, it is impossible to calculate the total cost of the medical procedures pursued by the respondents since the prices for different services vary dramatically. Thus, the number of potential patients is considered assuming that the expenditures on treatment are equal

for every person. According to the current survey, seventeen respondents out of total 114 are financially able to obtain treatment in Finland. This figure represents the new quantity demanded. Secondly, it is necessary to determine the old number of potential patients, which is calculated by adding the current figure to the people who now do not attain sufficient resources for such procedures and whose opinion on treatment in Finland has altered due to currency fluctuations. By setting a filter in Webropol, it is possible to see that there are ninety-seven people now lacking financial resources for medical tourism, of whom forty-four have altered their opinion because of the rise in the exchange rate of the Euro against the Ruble (see Appendix 7). Hence, the total old quantity demanded is sixty-one persons.

Finally, income elasticity of demand may be determined on the basis of the above-mentioned findings. The percentage change of the quantity demanded according to the formula is -72%. Thus, the hypothesis noted in the chapter "Research hypotheses", which states that the demand was supposed to reduce by 20%, is incorrect. In fact, the decrease is much more considerable. The percentage change of the income in the Republic converted into Euros is -31%. On these grounds, income elasticity of demand is calculated by -72% divided by -31%, which equals 2.32. It implies that the demand is extremely income elastic hence confirming the corresponding hypothesis set at the beginning of the research; the logical conclusion of this calculation is that medical tourism refers to the type of luxury goods, which is true.

Thereupon, a rise in people's income or stabilization of the Ruble may influence the tourism flow from Karelia to Finland. For this reason, the Ruble exchange rate is a significant factor that medical institutions should pay attention to. Stable international relations between countries and improving economic conditions are beneficial not only to residents of the Karelia Republic but also to Finnish hospitals targeted at serving more patients from the Russian Federation.

## 6.7 Perspectives of medical tourism development

Investigation of the market involves evaluation of the most perspective fields of medicine as well as the approaches to increase the tourism flow. To research this subject, questions regarding medical spheres that customers are interested in, possible methods to attract clients along with preferred means of promotion are included in the questionnaire. The results of the mentioned questions are presented below.

## Medical spheres that customers are interested in

At the beginning of the research, it was supposed that the most demanded fields of medicine would be cardiovascular surgery, ophthalmology, and gynecology. In order to test this hypothesis, a multiple-choice question is included in the survey; respondents obtain an opportunity to select several alternatives. According to the results of the questionnaire, the most common answer chosen by 36% of the sample is “I do not know”, which is easy to explain since people generally do not pay attention various medical procedures until they need to accomplish them (Figure 14). This response may be neglected in the research for it does not provide medical institutions and other stakeholders with the information on which sphere is prospective and should be specially considered. The option is added to the second questionnaire due to many complaints from the people responding to the first questionnaire distributed in summer 2014, who claimed that they could not answer this question correctly.

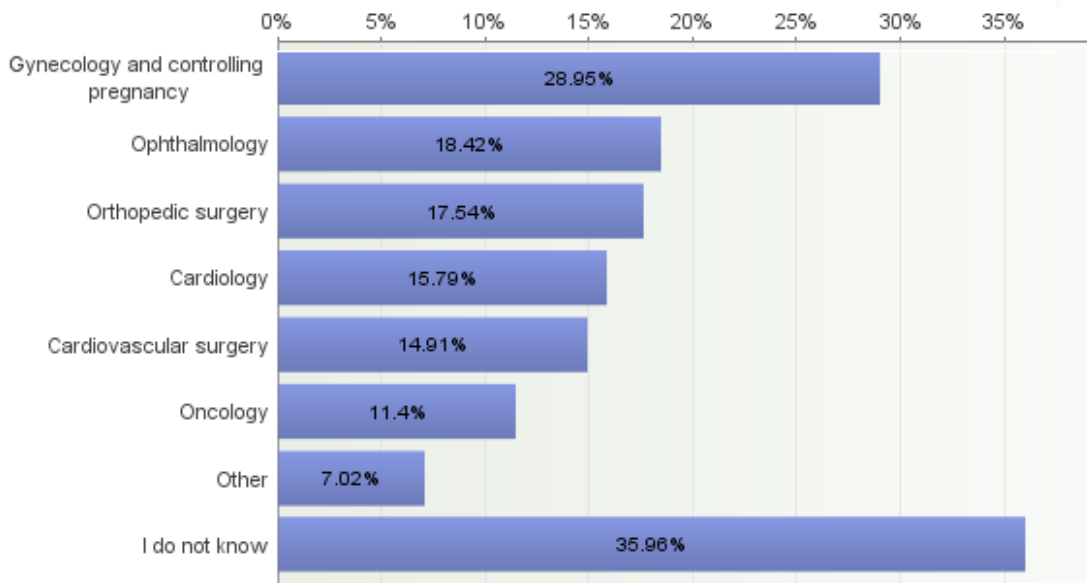


FIGURE 14. Medical spheres the respondents are interested in ( $n=114$ )

Among the rest of the alternatives, the most common is gynecology and controlling pregnancy (29% of respondents). This fact corresponds with the set hypothesis and is logical since an increasing number of women pursue the best possible conditions for childbirth and high quality procedures during their pregnancy nowadays. Fortunately, Finland is a country where such conditions are available and medical treatment in this sphere is definitely of the highest quality. The fact that Finland is placed on the first

position among 178 countries in the world according to mothers' and children's state of health proves this opinion (Ministry of Social Affairs and Health Finland 2014a).

The medical sphere placed on the second position is ophthalmology selected by 18% of respondents. The reason for such an interest is that nowadays laser correction of eyesight is gaining popularity and is becoming safer. This procedure is demanded by people of almost all ages; hence, it should be treated seriously by medical institutions. As it was mentioned in the chapter "Advantages of Finnish medicine", Finnish doctors are experts in complex eye operations and are considered among the best in this sphere. Therefore, ophthalmologic clinics may attract foreign patients provided that they obtain the necessary permission.

Orthopedic surgery is selected by almost the same number of people as ophthalmology (slightly less than 18% while ophthalmology gains slightly more). This result differs from the initial hypothesis where the major spheres were cardio surgery, ophthalmology, and gynecology. Nevertheless, it is substantiated by the information presented in chapter "Russian medical tourism market overview" stating that Russian customer pursue medical procedures that require advanced technology and complex equipment. Orthopedics is one of such fields; additionally, it often involves operations with implants, in which Finnish doctors are also knowledgeable; this fact facilitates development of medical tourism in this field (Finnish Health Technology Association 2014).

The following field is cardiology, which unexpectedly gains more responses than cardiovascular surgery (16% and 15% of the sample respectively). It may be explained by the fact that cardiology is a wider sphere which is demanded by more people whereas cardiovascular surgery presents a specific kind of operations. Cardio surgery also refers to the fields requiring advanced technologies and is hence required by foreign patients. Overall, the two medical areas together attract a significant number of people. Thus, the hypothesis is not fully confirmed: only gynecology and ophthalmology appear to be among the leading spheres whereas cardiovascular surgery is placed on the fifth position.

Oncology was selected by 11% of the sample; the result is not surprising since this field is generally considered only by people who obtain an oncologic disease or whose relatives do so. Nevertheless, though the mentioned sphere is not demanded by the majority of the respondents, it is common to treat oncologic diseases overseas. Undoubtedly, there is a number of highly technological clinics in Moscow, Saint Petersburg and other huge Russian cities; however, trust in foreign doctors is generally higher than in Russian ones, which is frequently not without reason. It is important to remember that the main

destinations for Russian medical tourists in terms of oncologic treatment remain Germany and Israel. Hence, Finnish clinics should take efforts to promote their activities if they would like to receive more patients in the corresponding departments.

The minority of respondents, namely 7% or eight people, selected the option “other” and stated their preferences. Among these people, four persons claimed that nothing interests them; therefore, these answers may be neglected. The other mentioned fields are maxillofacial surgery, urology, dermatology, and plastic surgery. Nevertheless, these spheres do not represent the focus of Finnish medical institutions’ interest since they are not as perspective as the above-mentioned ones.

According to the results of the summer survey, the top three demanded fields of medicine are also gynecology, ophthalmology and orthopedic surgery (61%, 38% and 34% of the respondents respectively). This questionnaire did not include the option “I do not know”; therefore, the percentages associated with medical spheres are higher (see Appendix 2). The following categories are cardiovascular surgery and cardiology gaining approximately a third of the answers each. Oncology is selected by 12% of the sample while only 5% of the people select “other” and name urology, dermatology, and cosmetic surgery as demanded fields. Therefore, the results with respect to the people’s preferences are reliable.

Overall, the noted results indicate a long-term perspective in medical tourism development for they describe the preferences of all the respondents, of whom only 56% are now eager to obtain treatment in Finland. It is necessary to increase attractiveness of Finnish healthcare in order to improve people’s opinions and receive a greater number of patients than it is possible at the moment. In addition, a short-term perspective may be considered based on the results. For this purpose, the responses of people who are eager to engage in medical tourism to Finland and own sufficient financial resources are analyzed.

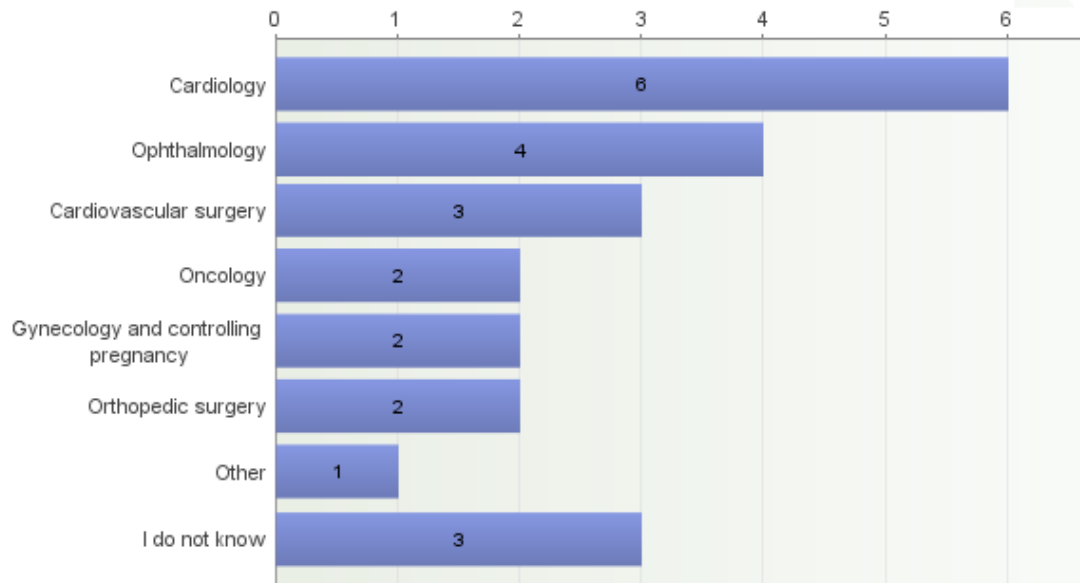


FIGURE 15. Preferred medical spheres among people eager to obtain treatment in Finland and owning sufficient financial resources ( $n=13$ )

Only thirteen people belong to this category; therefore, the results in the graph are not presented in percentages due to the small size of the group (Figure 15). It may be seen from Figure 15 that three people are not certain about the kind of treatment that attracts them. The leading sphere is cardiology selected by six respondents, which is followed by ophthalmology chosen by four people. Cardiovascular surgery is demanded by 3 persons. Orthopedic surgery, gynecology and oncology gain the same number of selections (two people each). Finally, one person chooses the alternative “other” implying urology. Hence, in the short run, Finnish hospitals will probably receive patients for the most part pursuing various cardiologic procedures or ophthalmologic services.

#### Methods to increase attractiveness of Finnish healthcare

At the moment, Finnish healthcare is rather attractive for residents of Karelia as 56% of the respondents would like to pursue medical procedures in this country. However, it is possible to make the services more appealing for customers. To gather reliable information, opinions of respondents concerning this subject are investigated. According to the survey results, the vast majority of the people (77%) prefer lowering prices; this figure is expected due to the current economic situation and high prices for medical procedures in Finland compared to those in Russia (Figure 16). Nevertheless, it is evident that Finnish governmental hospitals cannot reduce prices for their services unless some program is launched by the Finnish government, which is not likely to occur. Private clinics are not supposed to do so either since the prices are determined by expenditures that the

hospitals face including complex equipment, expensive medicines, etc. Therefore, the possibility of decreasing the cost burden for customers is weak.

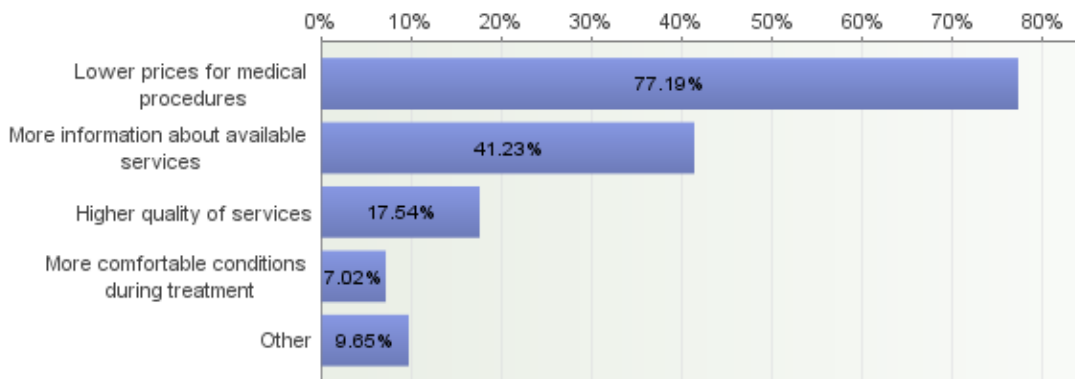


FIGURE 16. Preferred means of making treatment in Finland more attractive for the respondents ( $n=114$ )

The second alternative selected by 41% of the sample is a larger amount of data about available services. This feature may be improved and should be worked on; the most appropriate tools of promotion are discussed further. It will take some time to inform people about the quality of Finnish services and persuade that it is in most cases not worse than in Germany or Israel. Notwithstanding, it is worth doing for it does not incur extreme costs but may bring significant results.

The third common option is higher quality of treatment. Undoubtedly, it is always appreciated to improve the quality of services; nevertheless, it is evident that it is not simple to accomplish and causes such costs that may not be covered in the future by an increased demand.

More comfortable conditions during treatment are selected by 7% of the sample. The fact that a relatively low proportion of respondents consider it significant obtains two possible explanations. The first is that facilities in Finnish hospitals are generally excellent and do not require any improvement. Secondly, some people do not pay special attention to conditions and facilities, believing that only quality of treatment is important.

Approximately 10% of respondents choose the alternative "other" and state their personal opinions on the subject. Four people claim that nothing may alter their viewpoints while one person argues that he or she does not see any sense in treatment in Finland when medical procedures in Russia are available. Two respondents express their views that partially refer to the amount of information provided; these points are "Understanding that

treatment in Finland has advantages over treatment in Russia” and “Now I do not know which services may attract me in Finland”. One person suggests that foreign medical services are paid by Russian Ministry of Healthcare quotas; unfortunately, it is a decision that should be taken on the governmental level and that does not depend on Finnish medical institutions. One respondent proposes that the paper work required when engaging in health tourism is simplified. Presumably, it is a privilege of subsidiary companies to reduce the number of documents that ought to be gathered before treatment; the papers that are needed by hospitals are ordinarily determined by general rules and laws of the country. Finally, two people note that international relations play a role for them; namely, they mention “Stable relationships between Russia and Western countries” and “Mitigation of visa policy”.

Thus, the only aspects that might be altered and improved by Finnish hospitals and subsidiary companies are better promotion of their services and probably reducing the number of documentation required. Nevertheless, it does not imply that increasing the tourism flow will not incur much efforts and a carefully designed strategy. The means of promotion that are regarded as the most appropriate are discussed in the following chapter.

The most reliable sources of information for residents of Karelia

In order to advise on the promotion and marketing strategy, the sources trusted by respondents are investigated. The results of the research are presented in Figure 17. It may be seen that the most reliable sources of information about medical services from the respondents’ point of view are doctor’s recommendations and opinions of acquaintances selected by 71% and 70% of people respectively. Undoubtedly, opinions of friends and acquaintances depend on Finnish hospitals’ reputation and cannot be modified by other means. On the contrary, advice of doctors may be influenced. For this purpose, subsidiary companies should contact clinics in Russia and arrange cooperation with them implying that if a certain complex procedure may not be accomplished in Karelia, which occurs rather frequently, doctors will recommend not only to pursue treatment in Russian huge cities, but also in Finnish hospitals. The same sort of partnership may be organized between Karelian and Finnish hospitals directly.

Slightly more than a half of the respondents trust the information located on the websites of hospitals. Therefore, it should be made available for them. This goal may be reached by providing information about the medical procedures and possible ways to obtain treatment in the given clinic in the Russian language. Additionally, it is advisable to employ

a Russian-speaking person who will contact potential clients and aid in becoming a patient of a Finnish hospital.

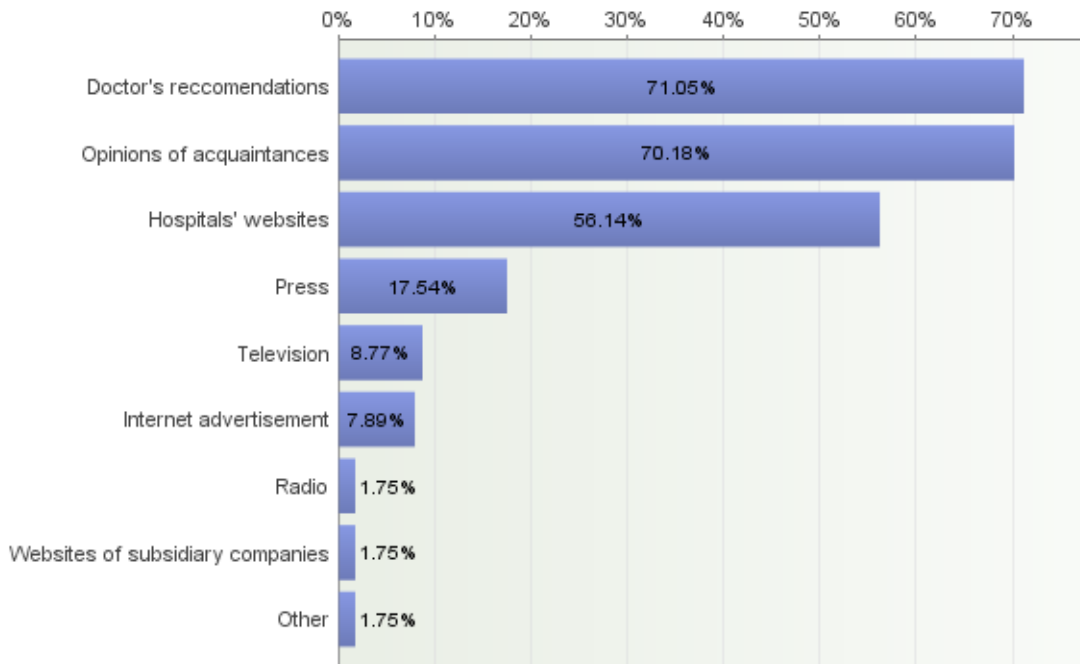


FIGURE 17. The most reliable sources of information from the respondents' points of view ( $n=114$ )

The following mean of promotion is the press selected by 18% of the sample. It is not expensive to create a short brochure regarding treatment in Finland or order an advertisement in one of the most popular newspapers. Admittedly, young people do not often read newspapers; nevertheless, such an advertisement will be targeted at the older generation, which presents the most perspective group of potential customers.

Television as a reliable source of information is chosen by 9% of the respondents. This proportion is not significant and advertisement on TV is considerably more expensive than in newspapers and magazines; hence, this marketing tool is not recommended.

Internet advertisement is a more affordable and appropriate means of promotion. Though it generally draws attention of a younger generation, it may be utilized as a supplementary tool in attracting customers. However, the advertisement should look trustworthy not to be considered as a virus banner. It may be located in social networks or some websites concerning health and medicine, which is preferable.

Radio and websites of subsidiary companies are selected by a minority of the people: approximately 2% each. Nowadays radio is listened to only in cars and despite cheapness of advertising via radio, it is not supposed to be effective. Notwithstanding, though

information on subsidiary companies' websites is presented as unreliable, this result may be affected by a negative nuance in the word's meaning. From people's viewpoint, subsidiaries are enterprises that earn money for virtually nothing by offering the same services for a higher price. However, in medical tourism, it is not the case. Medical subsidiaries organize the whole trip including gathering of the necessary documentation, translating it, making appointments to doctors, translating and interpreting during treatment, etc. Furthermore, it is sometimes impossible to address the hospital directly and visit it without a subsidiary arranging it. Thus, it is presumed that when people seek for the necessary services indeed and learn that they need an assisting enterprise, they regard the data on its website seriously. On these grounds, subsidiary companies' websites should also be carefully designed including all the required information about their services, prices, terms, etc. in the Russian and English languages. Finally, the opinions stated in the option "other" are "nothing" and "I am not interested in this field". Therefore, they are not significant in the study.

According to the results of the summer survey, the preferred means of promotion are the same (see Appendix 2). The most trustworthy sources of information appear opinions of acquaintances (73% of the answers), doctor's recommendations (69%), and hospitals' websites (58%). The press, Internet advertisement, and websites of subsidiary companies gain slightly more responds than in the new questionnaire – 20%, 9%, and 3% respectively. Finally, radio is on the last position with only 2% of the people trusting this mean of promotion. Only 1% of the sample select the option "other" and state that they do not rely on any of the data sources.

## 7 CONCLUSIONS

The collected primary and secondary data provides grounds for drawing conclusions and making proposals regarding future policies of Finnish medical institutions. The results of the research are elaborated in this chapter.

First of all, it may be seen that Finnish healthcare is attractive for Karelian customers even though the majority of health travelers from Russia prefer Germany, Israel, and other countries (Treatment-Abroad.Ru 2014). Thus, the Republic represents the target market for hospitals and subsidiaries located in the neighboring state. According to the survey results, more than a half of the respondents is interested in receiving treatment in Finland; this percentage is higher among the people who have obtained medical help overseas, which is generalizable over the entire population. Undoubtedly, the key element for offering any service is its consumers. In medical tourism case, a significant proportion of potential clients indicates that a market is rather perspective for further exploration and development.

Secondly, the residents of Karelia claim that lower prices for health services and an increased amount of available information about medical possibilities may attract them to Finland. At the moment, treatment of foreign patients may be accomplished in the country's private clinics or commercial departments of governmental hospitals (FinlandCare 2014). Thus, reducing costs for medical care is possible for them since they are not managed by the government; nevertheless, it is apparent that a certain level of prices is substantiated by numerous factors and that a significant reduction is not likely. On these grounds, more active promotion of existing procedures may be employed. It is adjudicated on the basis of the survey results that the most effective means of marketing services is partnership with Karelian hospitals regarding proposals to obtain complex treatment in Finland, translating the information on hospitals' websites into the Russian or at least the English languages, and creating brochures concerning advantages of medical tourism to Finland and procedures that may be accomplished there. The printed material may be distributed in various medical institutions in order to reach the target audience. As long as according to the answers, the most appealing treats of Finnish healthcare are quality of services and comfortable conditions in hospitals, the advertisement should emphasize these aspects. Furthermore, a number of the country's achievements in the most demanded medical fields, namely ophthalmology, gynecology, and orthopedics, may be stated. The mentioned promotion tools are not expensive but will draw people's

attention to possibilities of the mentioned country as a substitute for treatment in Germany or Israel.

Notwithstanding, owing to a difficult situation in Russia's economy, it is not advisable to start a marketing campaign now. As the financial ability of Karelia's residents to travel to Finland with the purpose of obtaining treatment there is heavily dependent on the Ruble exchange rate, it is safer and more beneficial to wait until the relations between the Russian Federation and the Western countries will stabilize along with the country's national currency. It may be seen from the respondents' answers that only 15% of the people obtain sufficient financial resources to engage in medical tourism now. Hence, promotional efforts will not bring desirable results until the people's real income increases.

With respect to long term projections, it is possible to say that the industry is supposed to develop. It is facilitated by a number of crucial factors that were noted in the paper. Firstly, Finnish medical services cause interest among Russian customers, which is stated at the beginning of the chapter. Secondly, the medical tourism flow from the Russian Federation grew steadily until 2013; hence, a rise in the future is expected provided that the economic conditions in the country become more favorable (Yandex International Business Development 2014). These reasons combined allow presuming that some proportion of the travelers will choose Finland as their destination. Thirdly, the recently introduced permission to Finnish governmental hospitals to form commercial departments and treat patients from abroad further facilitates the increase in medical tourism revenues (FinlandCare 2014). High quality of treatment in this country proves its ability to enter the international market as a health service provider. Therefore, the business field is expected to gradually develop after the international climate improves.

Overall, medical tourism is currently the industry that covers a huge potential. Nonetheless, the number of investigations on the subject is currently not large; the same is applicable to the amount of official statistics regarding international travelling for health purposes. Since Finland is the nation which is now on the initial stage of medical tourism development and is gradually starting to pay attention to the industry, a research concerning perspectives of the industry is necessary (FinlandCare 2014). It is obvious that the Russian Federation represents one of the most significant business and travelling partners of the country; thus, it may become an important consumer of health services too. These reasons along with the fact that the economic situation in Russia is unstable at the moment and requires collection of the recent data in order to predict the business field's future growth substantiate the choice of the research topic. The information obtained during investigation is essential to comprehend consumer behavior in the

nearest future and provide long-term projections concerning the subject. Thus, the thesis results are applicable in business context hence increasing value of the study.

## 8 DISCUSSION

Overall, the research concerning demand on medical tourism may be considered successful. Undoubtedly, several difficulties as well as positive aspects existed in the process. The advantages and disadvantages of the study are elaborated in this chapter.

To start with, the positive aspects are introduced. Thus, the research strongly aided the student's academic and professional development. Firstly, it improved the researcher's project and time management skills. It was necessary to meet the deadlines with respect to thesis writing and accomplish it on a decent level. In addition, the research was combined with preparing for the exams required for a Master's degree and application to universities; therefore, the task was not simple. Secondly, the student obtained a great amount of information regarding the subject area. During the research, a lot of data sources were inspected referring to theoretical overview of the industry and description of specific markets, namely Russia and Finland. The knowledge attained is beneficial not only in terms of academic proficiency, but also for future employment. Since medical tourism is rapidly developing in Europe and gradually growing in Finland too, it is not so difficult to find a job in this business field having a significant amount of knowledge about it and a corresponding investigation. Thirdly, business research skills connected with data collection and analysis were strongly improved. The student practiced creation and of distribution questionnaires along with further data interpretation in a real project. Furthermore, theoretical sources were carefully checked in order to ensure reliability and validity of information presented in them. Thus, the knowledge attained at university was applied in an independent research. Fourthly, market research skills were improved in the study since the investigation required assessment of the service, of the target market, defining the most and the least perspective fields, etc. Finally, the student enhanced her academic writing for it was the largest paper created at university, where the special attention should have been paid to the language.

Nevertheless, despite achievement of the research objectives and apparent benefit for the student, the investigation was not perfect. Firstly, though the primary data was valid and reliable, the amount of secondary information regarding medical tourism and reliable statistics was not sufficient. Thus, the research could be more thorough if the questionnaire results were supported by the corresponding secondary data. Secondly, the student would obtain an even larger amount of the information to interpret if the first questionnaire included questions regarding people's financial ability to engage in health travelling. It may be explained by the fact that the researcher initially aimed at revealing

the most effective means of promoting the services and did not expect such a fluctuation of the national currency. Nevertheless, it is a pity that this data was not received since in this case the responds could be compared. Finally, the research could include regressions, which would indicate the future revenues of medical companies. It was not done due to the absence of econometric studies at university. Regression models involve a great variety of factors influencing a variable; therefore, it was difficult for the student to master this tool without background knowledge of it. Notwithstanding, it is not certain that the tool will be useful since the situation on the market is so unstable that the factors are constantly changing. Hence, it would be probably hard to draw reliable conclusions based on the model.

Overall, the thesis process went smoothly. Co-operation with the supervisor was effective, and the university provided all the necessary information regarding the essential steps in final paper writing and graduation. The objectives were gradually reached providing grounds for advising measures to increase the tourism flow. However, several difficulties were encountered during the project.

Firstly, it appeared not simple to select an appropriate topic; it took approximately a month to choose the subject area and the research questions, which will imply a rather challenging but manageable and interesting investigation. Secondly, as it was mentioned before, the amount of secondary data regarding medical tourism, especially in Finland, was not so large. Therefore, it was a serious obstacle for the researcher seeking statistics on the subject. Nonetheless, after having browsed various sources, the student managed to collect the necessary information. Thirdly, there were several questions concerning people's income and financial ability to engage in medical tourism in the surveys. For the topic is relatively sensitive, it was difficult to formulate the questions so that they did not offend people. In the end, the problem was partly obliterated owing to confidentiality of all the responds; in addition, the questions were formulated as tactfully as possible.

Undoubtedly, the research is beneficial for Finnish medical institutions seeking approaches to attract customers. Moreover, the study provides grounds for future investigations. When the international situation stabilizes, it is possible to repeat the investigation concerning people's eagerness to receive treatment in Finland. Furthermore, it will be interesting to select, for instance, one hospital specializing in a particular field of medicine and conduct a detailed marketing research for it, on which a promotion plan and budget projections may be based. Hence, the data from the narrower research will be supplemented with the information from the present paper to derive reliable results and propose adequate solutions to problems.

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**APPENDIX 1 SURVEY COVER LETTER**

Hello!

My name is Sofia Silvanovich. I am a student of International Business program at Savonia University of Applied Sciences located in Kuopio, Finland. At the moment, I am working on my thesis project, which involves studying the demand on medical services provided in Finland. The research is targeted at residents of the Karelia Republic.

I will be very grateful if you answer the anonymous questionnaire as it will aid gathering essential information and improving the quality of the research. The questionnaire takes approximately five minutes to answer and includes only multiple-choice questions. All the results are confidential and will be used only for the thesis project.

If you have any questions, please send me an email to [sonya-sil@mail.ru](mailto:sonya-sil@mail.ru).

Thank you for your participation and co-operation!

Kind regards,  
Sofia Silvanovich

**APPENDIX 2 QUESTIONNAIRE DISTRIBUTED IN SUMMER 2014**

1. Your gender
  - Male
  - Female
2. Your age category
  - 18 – 25
  - 25 – 35
  - 35 – 45
  - 45 – 55
  - 55 – 65
  - 65 and older
3. Your level of education
  - High school education
  - Technical college education
  - Undergraduate
  - Graduate
  - Other: \_\_\_\_\_
4. Your professional activity
  - Employee
  - Worker
  - Self-employed
  - Student
  - Retiree
  - Without a professional activity
  - Other: \_\_\_\_\_
5. Have you ever received medical services abroad?
  - Yes (What services and in which country? \_\_\_\_\_)
  - No
6. Would you like to receive medical services in Finland? (The question does not imply receiving insurance-covered services)
  - Yes
  - No
7. If yes, why does treatment in Finland attract you (you can choose several alternatives)?
  - High quality of services
  - Geographical proximity
  - Affordable price
  - Comfortable conditions during treatment

- Availability of information about medical services
  - Other: \_\_\_\_\_
8. What medical sphere are you interested in (you can choose several alternatives)?
- Orthopedic surgery
  - Gynecology and controlling pregnancy
  - Oncology
  - Cardiology
  - Cardiovascular surgery
  - Ophthalmology
  - Other: \_\_\_\_\_
9. What sources of information about medical services do you trust (you can choose several alternatives)?
- Television
  - Radio
  - Press
  - Internet advertisement
  - Websites of subsidiary companies
  - Hospitals' websites
  - Doctor's recommendations
  - Opinions of acquaintances

Thank you for participation!

**APPENDIX 3 QUESTIONNAIRE DISTRIBUTED IN JANUARY 2015**

1. Your gender
  - Male
  - Female
2. Your age category
  - 18 – 25
  - 25 – 35
  - 35 – 45
  - 45 – 55
  - 55 – 65
  - 65 and older
3. Your level of education
  - High school education
  - Technical college education
  - Undergraduate
  - Graduate
  - Other: \_\_\_\_\_
4. Your professional activity
  - Employee
  - Worker
  - Self-employed
  - Student
  - Retiree
  - Without a professional activity
  - Other: \_\_\_\_\_
5. Your monthly income<sup>1</sup>
  - Less than 20 000 Rubles
  - 20 000 – 70 000 Rubles
  - More than 70 000 Rubles
6. Do you use payable medical service in Russia?
  - Yes
  - No

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<sup>1</sup> The used figures equal to 286 Euros, 286-1000 Euros, and more than 1000 Euros respectively assuming that 1 Euro equals 70 Rubles.

7. Have you ever received medical services abroad?
- Yes (What services and in which country? \_\_\_\_\_)
  - No
8. Would you like to receive medical services in Finland? (The question does not imply receiving insurance-covered services)
- Yes
  - No
9. If yes, why does treatment in Finland attract you (you can choose several alternatives)?
- High quality of services
  - Geographical proximity
  - Affordable price
  - Comfortable conditions during treatment
  - Availability of information about medical services
  - Other: \_\_\_\_\_
10. What may make treatment in Finland more attractive for you (you can choose several alternatives)?
- Lower prices for medical procedures
  - More information about available services
  - Higher quality of services
  - More comfortable conditions during treatment
  - Other: \_\_\_\_\_
11. Do you have now a financial ability to get medical services in Finland? (For example, MRI procedure in Finland costs approximately 600 Euros.)
- Yes
  - No
12. Has your opinion on the opportunity of obtaining treatment in Finland negatively changed over the last year?
- Yes, due to the rise of the Euro exchange rate against the Ruble
  - Yes, due to other economic reasons (What reasons? \_\_\_\_\_)
  - Yes, due to noneconomic reasons (What reasons? \_\_\_\_\_)
  - No
13. What medical sphere are you interested in (you can choose several alternatives)?
- Orthopedic surgery
  - Gynecology and controlling pregnancy
  - Oncology
  - Cardiology
  - Cardiovascular surgery
  - Ophthalmology

- I do not know
- Other: \_\_\_\_\_

14. What sources of information about medical services do you trust (you can choose several alternatives)?

- Television
- Radio
- Press
- Internet advertisement
- Websites of subsidiary companies
- Hospitals' websites
- Doctor's recommendations
- Opinions of acquaintances

Thank you for participation!

**APPENDIX 4 DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

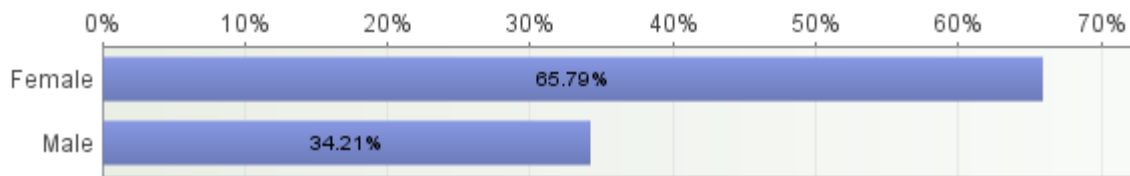


FIGURE 1. Gender of the respondents

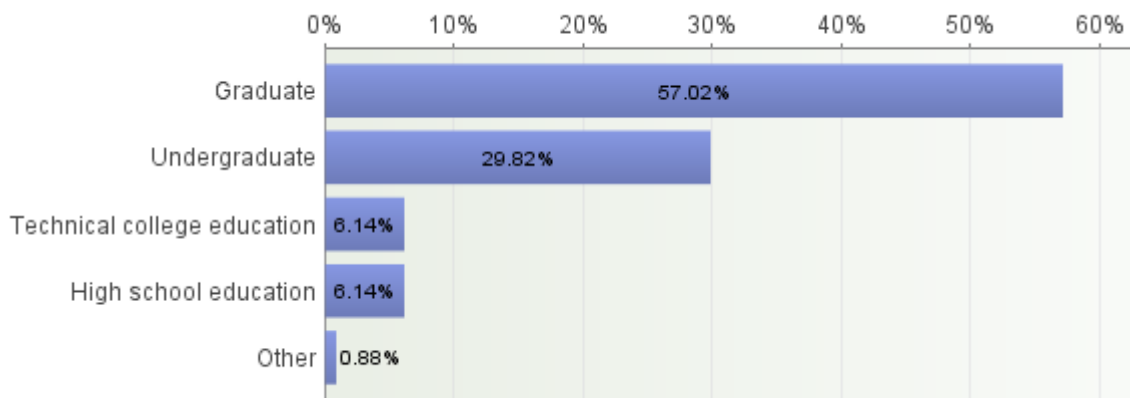


FIGURE 2. Respondents' level of education

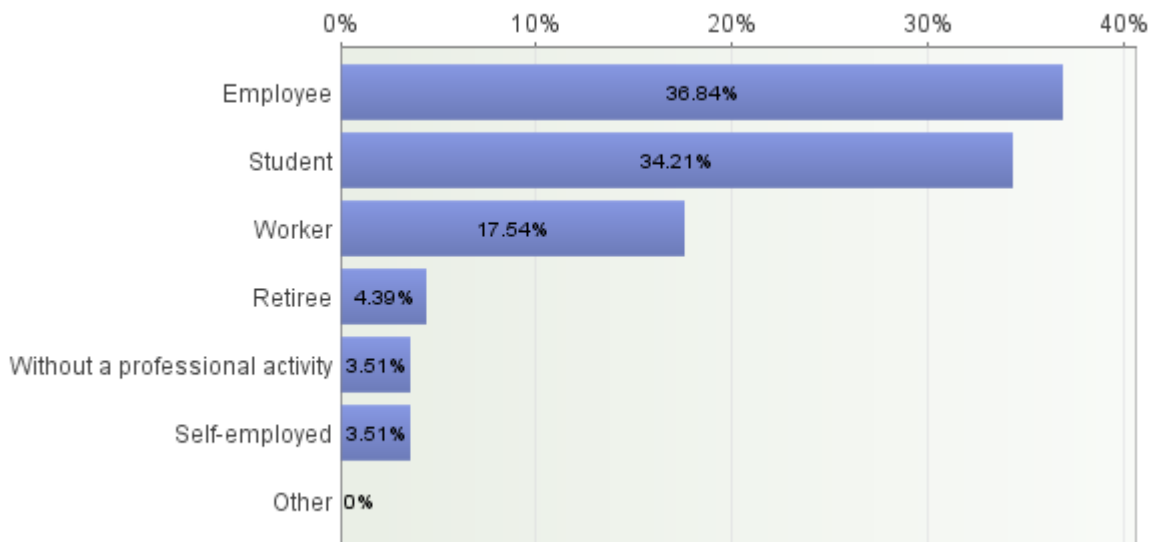


FIGURE 3. Respondents' professional activity

**APPENDIX 5 MEDICAL PROCEDURES PURSUED BY RESPONDENTS ABROAD**

Answers to the questions "What procedures and in what country have you received?":

- Finland, traumatologist
- Israel urology
- Norway traumatology
- Finland
- A dentist. A therapist in Finland
- Finland, traumatologist
- traumatologist, Italy
- bought an insurance-covered medicine, Finland
- eyesight laser correction, Finland
- Cardiologist in Finland
- dentist in Finland
- Germany, oncologic surgery
- Finland, traumatologist
- Sweden, dentist
- Ukraine
- Turkey
- Turkey, traumatologist
- Finland
- Latvia, dentist
- Full diagnostics, therapist, dentist - in Finland
- Finland

## APPENDIX 6 STATISTICAL SIGNIFICANCE OF RESULTS CONCERNING EAGERNESS TO PURSUE TREATMENT IN FINLAND

TABLE 1. Chi-square test for using payable medical services in Russia

Variables	Using payable services in Russia	P-value: Using payable services in Russia	Min Expected	Fraction < 5
Eagerness to obtain treatment in Finland	3.79 (p=0.051)	0.051	17.11	0

TABLE 2. Chi-square test for having received medical services abroad

Variables	Having received medical treatment abroad	P-value: Having received medical treatment abroad	Min Expected	Fraction < 5
Eagerness to obtain treatment in Finland	4.94 (p=0.026)	0.026	9.65	0

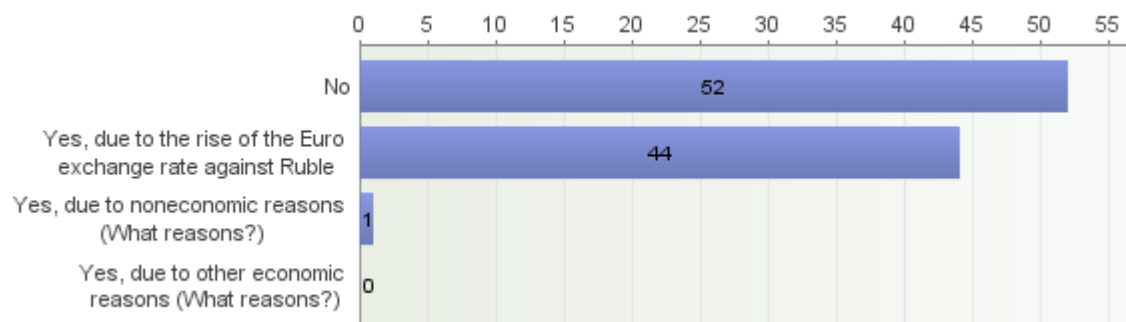
**APPENDIX 7 ALTERATIONS IN THE OPINIONS ON TREATMENT IN FINLAND AMONG THE PEOPLE LACKING FINANCIAL RESOURCES**

FIGURE 4. Alterations in the opinions on treatment in Finland among the people lacking financial resources



