

Saimaa University of Applied Sciences  
Tourism and Hospitality, Imatra  
Degree Programme in Tourism

Margarita Guskova

# **Assessing Business Opportunities for Initial Hotel Concept in Imatra Region**

Bachelor's Thesis 2012

## **Abstract**

Margarita Guskova

Assessing Business Opportunities for Initial Hotel Concept in Imatra Region

Saimaa University of Applied Sciences

Tourism and Hospitality/ Imatra

Degree Programme in Tourism

Bachelor's Thesis 2012

Instructor: Senior lecturer Marja Antikainen

Launch of a new company has always been considered as a challenge. In order to respond to this challenge, an entrepreneurial team should start their business from the right angle. The purpose of this thesis is to outline the initial steps of business concept development in tourism industry. Readers will get acquainted with the necessary preparatory issues that precede work on company's business plan. A new hotel concept located in the town of Imatra was chosen to be the case for this thesis.

Research method that was used in this work was a desk-study. It included various secondary sources such as books, statistics, articles, Internet publications, etc. A face-to-face qualitative interview was a part of the research too. It provided with valuable insights into the research issue.

Results of the research indicated favorable factors that could be used for further development of the selected business concept. However, research testified to the fact that major obstacles have influence as well. By means of further research, future progress with this concept was stated to be possible.

Keywords: hotel concept, accommodation, business opportunity

## Table of contents

1 Introduction .....	4
2 Methodology .....	5
3 Assessing opportunities .....	6
3.1 The seven domains of attractive opportunities.....	8
3.2 The difference between markets and industries .....	9
3.3 Macro- and micro-level considerations .....	11
3.4 The team role.....	12
4 Challenges of tourism industry.....	14
5 Competitor analysis .....	16
6 Finland as a tourist business location .....	17
7 South Karelia and Imatra as a destination for the case-company .....	20
8 Presentation of the case .....	25
8.1 Concept testing.....	28
8.2 Market attractiveness.....	28
8.3 Industry attractiveness.....	31
8.4 Characteristics of the team .....	32
8.5 Potential competitors .....	34
9 Conclusions .....	40
References .....	44
Appendix      Interview questions	

# 1 Introduction

Nowadays tourism has become one of the fastest growing industries in the world. That certainly facilitated some destinations on the world map to become known to public. Development of this industry usually brings to region new workplaces, improved transportation system, flow of investment, etc. changing the face of the area significantly. Thus tourism could be called the major driver for regional development.

These positive factors refer mostly to the large industry enterprises while for small start-up businesses it sometimes appears to be almost impossible to survive the competition and return the investment. Nevertheless, the potential of small business should not be underestimated by any means. Starting up a new small business gives possibility to fulfill the niche that was not fulfilled before or even noticed by the larger competitors.

Launch of a new venture has always been considered as a challenge, as something that consumes time, energy and financial resources. Great number of inspired entrepreneurs absorb themselves in developing a new idea without a proper analysis of it. Occasionally at this point they reach a deadlock when their own idea cannot be anymore developed while resources have been already invested.

The most common mistake that these entrepreneurs make is underestimating the importance of preliminary planning. As it comes from the name, this type of planning should be carried out far before the actual business plan is presented. Considerable investment of time at this point is vital for creation of an effective business plan and therefore venture's success in future.

Hence, this thesis aims to introduce the basic principles of compulsory preparatory work and considerations that need to be carried out by a starting accommodation company. Readers will get acquainted with the first steps of establishing a company in tourism sector, particularly a small bed-and-breakfast hotel and chances of this company to survive the competition.

The case company used for this thesis will be based on a new hotel concept that will be presented and analyzed for feasibility. Location for the case was chosen to be in the town of Imatra, Finland or its outskirts.

First of all, information from several books, Internet sources and articles will be presented in order to form a framework for the empirical part of the research. This framework will give overview on initial development of a new company, i.e. steps that precede work on actual business plan. Readers will get acquainted with one of numerous theoretical approaches used for evaluating a new business idea. What is more important: it will show the direction from where to start approaching a company's goal.

The empirical part will concentrate on presenting a business concept itself, its main characteristics. After description of the concept, theory will be applied. Testing of the business idea will be done by presenting the facts and justifications gathered from secondary sources. This report will look into major trends of South Karelia region and their possible impact on selected business concept.

In conclusion the list of favorable factors and evaluation of the chances to proceed with this business concept will be stated. Additionally, a guide for further actions will be outlined. In the end, this work aims to create a ground base for further development of company's business plan.

## **2 Methodology**

This report will incorporate two research methods: desk-study and qualitative interview. Combination of these two types will give a more profound look into the research problem.

Desk-study, often referred to as secondary data analysis refers to the *analysis of information collected for a purpose other than that of the researcher – in this sense the researcher becomes the secondary user of the data* (Finn et al. 2000, p. 40.) In this report secondary data will be gathered from diverse sources of information in printed and electronic form such as theoretical books, newspaper

articles, e-publications, official statistics, presentation slides and companies' web-sites. Sources are also diverse by their language: English, Finnish and Russian publications are used in order to create comprehensive framework viewed from several cultural perspectives. It is important to note that analysis of the secondary data does not include only collection and reproduction of the same ideas on paper. It rather means processing of this data to better fit the objectives of the work (Finn et al. 2010, p. 41.)

Another valuable source of qualitative information is the results of a face-to-face interview with Suvi Ahola, Project Manager of GoSaimaa Oy. This interview was conducted on 5<sup>th</sup> April in the office of the company and it lasted for one hour. Results were recorded as a survey with open-ended questions that are presented in the appendices. Results of the interview will not be introduced separately, rather they will be presented along the course of this report and be used as a reference.

The reason for choosing interview as one of the research methods is that it gives an opportunity to explore the reasons for a person's responses. Questions can be rephrased and conversation can be easily led to the desirable direction (Keats 2000, pp. 3-4.)

According to Kvale (1996), the interview type that was used in this research is a professional interview. It concerned particular subject which was very much known to the respondent due to her field of profession. Open-ended questions allowed to get as much information from the respondent as possible. Additionally, while interview was conducted in open form letting the respondent express her own opinion freely, some new valuable data occurred. Part of this data would not be possible to attain in closed fixed-response interview type.

### **3 Assessing opportunities**

Nowadays business environment in most of the countries is quite favorable for starting a company. Such factors as low level of corruption, easy access to

funding, transparent taxation policy, etc. facilitate healthy development of businesses. However, entrepreneurs who have idea and desire are faced with the most important task: launching and managing their own company.

Usually these newly-formed entrepreneurs start to count revenues in their minds even before setting the project to action. Disappointment comes when business does not bring expected profit or even bankrupts the entrepreneur. The whole purpose of any business is certainly to generate revenues, though not immediately but over time.

The first thought that may justify the failure is “Perhaps my idea was not good enough?” It may be partially true, but not necessarily. Often interesting ideas remain unfulfilled due to entrepreneur’s lack of profound thinking. A perspective entrepreneur may for example have great knowledge of the area, local specialties and customer demand, though he/she gives up on a halfway to the goal due to overwhelming amount of problems that occurred on the way. These problems can be solved if more time for proper consideration and preliminary work is spent.

According to Mullins (2010, pp. 3-4) the most common reasons why new ventures fail are related to:

- market reasons – perhaps market is not interested in buying the products;
- industry reasons – market is overwhelmed with suppliers of the same products;
- entrepreneurial team reasons – the team is not organized well enough to cope with severe competition.

Therefore, the first and most significant step to be accomplished is to be able to find a fatal flaw in one’s own business idea. Following actions are very much at entrepreneur’s discretion: either to develop the idea to better fit the competitive world or abandon the idea altogether before it is too late.

Though, apart from finding a flaw, the entrepreneur should be able to find opportunities as well because they are the driving forces of any starting venture. If an entrepreneur can notice them in business environment and

use correctly in his own favor, the sooner the company starts to grow (Mullins 2010, p.3.)

### 3.1 The seven domains of attractive opportunities

John Mullins suggests that successful entrepreneurship comprises of three crucial elements: markets, industries and the one or more important persons who build up the entrepreneurial team (Mullins 2010, p. 6.)

In order to assess the opportunities and answer the vital question “Why will or won’t my idea work?” Mullins suggested for every entrepreneur to carry out a feasibility study based on the seven domains (Figure 1 below).

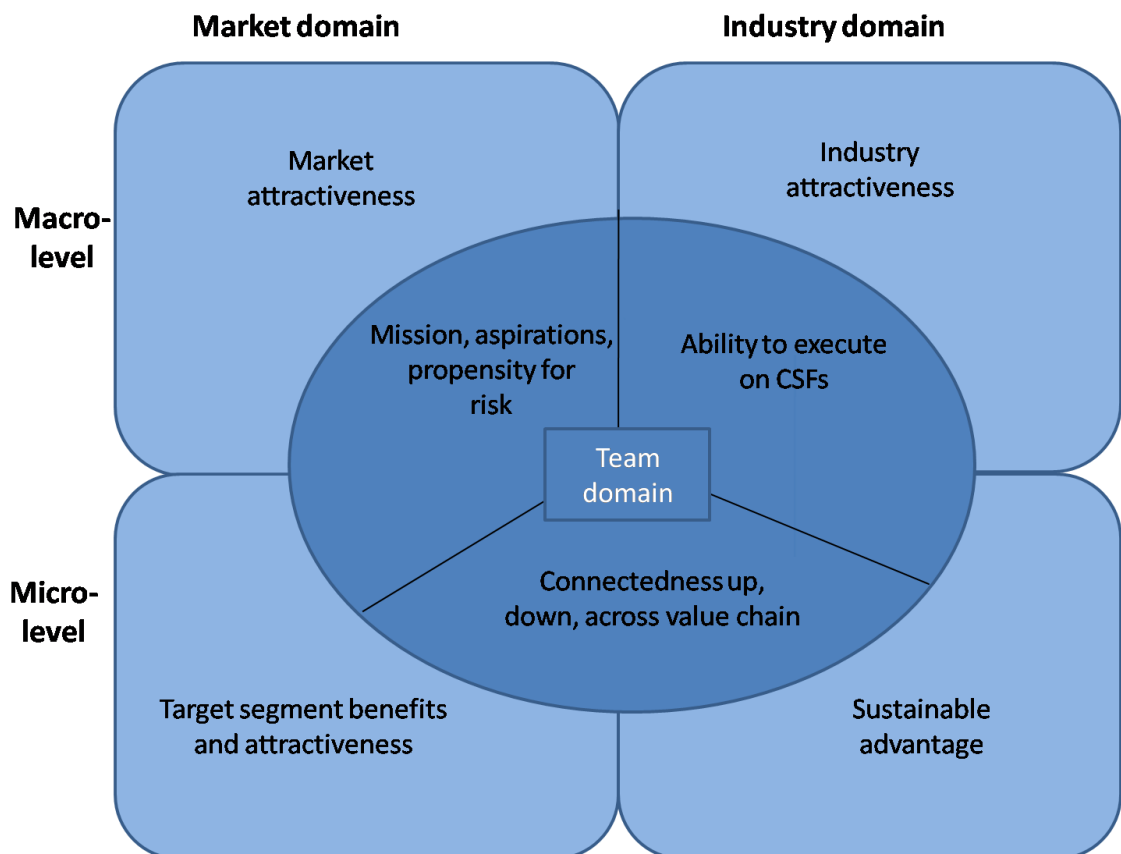


Figure 1. The seven domains of attractive opportunities (Mullins 2010)



The model comprises of four market and industry domains that are situated both on micro- and macro-levels. The other three domains that are in the middle of the model refer to team domain, i.e. internal decisions of the company that are carried out by the team of executives.

Hence, this model shows that in order to assess attractive opportunity for business, both external and internal domains of business environment should be involved.

Still, the idea of this model should be thoroughly studied in order to be applied in practice. Some definitions in this model are often confusing leading entrepreneurs to incorrect actions towards assessing opportunities.

Therefore, Mullins (2010, pp. 6-7) suggested that there are several crucial distinctions in this model that most entrepreneurs often overlook, such as:

- Markets and industries are not the same things
- Both macro- and micro- levels are equally important: markets and industries should be examined at both levels
- The keys of assessing success of an entrepreneurial team are not easily found

In the next chapter clarifications of these three distinctions can be found. It is crucial to comprehend them in order to understand the model of attractive opportunities.

### **3.2 The difference between markets and industries**

**Market** consists of a group of current or potential customers that have an ability and willingness to purchase goods or services.

**Industry**, on the other hand, consists of suppliers that offer goods and services. Companies within one industry are usually quite similar and provide relative products. This similarity generates competitiveness which

aims to differentiate company from another and competitiveness usually acts as a tool for healthy development of the industry.

Though hardly all entrepreneurs understand this distinction fully or their equal importance. Most companies start on a race for looking just into market demands and wishes, while more experienced ones examine the industry, its potential and fierceness of competition. Therefore, in order to satisfy the market with services and goods, a company must be sure it is located in the attractive industry in which it can compete and grow (Mullins, 2010, p. 7.)

So, initially entrepreneur should start thinking on at least a broad (macro) level about the attractiveness of the market and industry a company is entering into.

The importance of finding a proper niche for a company is discussed also by Kim and Mauborgne in their book “Blue Ocean Strategy”. They created two diametrically opposite definitions: red and blue oceans that all market space is divided into.

Red oceans represent all industries that exist nowadays. Boundaries and rules of competition are already known there and it is just a matter of time when this market will become over-crowded. Competition is usually rivaled leading to less possibility for growth (Kim & Mauborgne 2005, p. 4.)

Blue oceans to the contrary represent a new market space with growing demand and possibility for development. Blue oceans can be created outside usual industry boundaries; however they can also be the extension of existing red oceans. Competition in blue oceans is irrelevant because there is basically no one else to compete with yet (Kim & Mauborgne 2005, p. 4.)

Entrepreneur should decide what strategy he/she will chooses when thinking about launching a new venture: would it follow the rules of fiercely competitive existing market or “float” in the new market space under its own rules like some rare companies do. Both strategies have their pros and cons and can be shortly described in the Table 1 on the next page.

<b>Red Ocean Strategy</b>	<b>Blue Ocean Strategy</b>
Compete in existing market space	Create uncontested market space.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value-cost trade-off.	Break the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation <i>or</i> low cost.	Align the whole system of a firm's activities in pursuit of differentiation <i>and</i> low cost.

Table 1. Red Ocean Versus Blue Ocean Strategy (Kim & Mauborgne 2005)

### 3.3 Macro- and micro-level considerations

When planning on entering the market the entrepreneur should assess it gradually. In order to do that, the market should be considered on both macro- and micro-levels.

**Macro-level** stands for a large overview on a market based on several criteria such as for instance: number of customers, the amount of money spent by these customers and the number of units of the products they purchase (Mullins 2010, p. 9.) Another researcher, Dimitri Tassiopoulos (2008) considers macro-environment on much broader scale. He suggests that also political, socio-demographic and technological factors can affect the business. Most of these factors cannot be taken under control, so company's job is to create strategies to cope with this changing macro-environment. Therefore, conducting a macro-level market research is challenging but it gives useful information about the market in nutshell.

**Micro-level** stands for a specific group, or segment of customers to whom company is trying to target to. Importance of finding a target group on micro-level is significant: company can satisfy needs of a small but yet significant group and therefore leap ahead of competition. In future, this group could be a heavy user of company's products.

Mullins claims that macro- and micro-level consideration is vital for a new company's survival: "*It's important for the entrepreneur to know whether the opportunity is a substantial one, serving a large and attractive market, or a niche opportunity with limited potential. Either may be acceptable*" (Mullins 2010, p. 10.)

### **3.4 The team role**

Entrepreneurial team being the heart of any company plays an important role of delivering tasks. Together with favorable external factors internal environment within company should support the development of a venture, too.

Opportunity model by Mullins features in the centre three domains that comprise entrepreneurial team's main features. They are portrayed in the Figure 2 and can be found on the next page. In order to assess the opportunity these three domains should be examined.

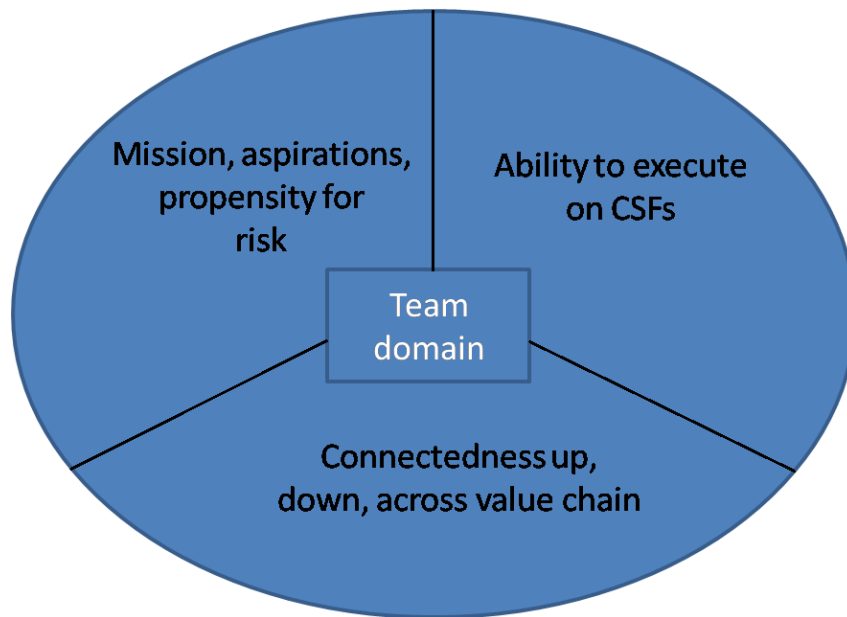


Figure 2. Team domain (Mullins 2010)

Each domain can be expanded to three following questions:

- 1) Does the opportunity fit the team's business mission, personal aspirations and risk propensity?
- 2) Does the team have experience and know-how to deliver superior advantage given its *critical success factors* (CSFs), i.e. those factors that if carried out correctly almost guarantee success?
- 3) Is the team connected well enough to be able to notice potential opportunity and be able to cope with it?

By assessing these three domains, management can make sure that the team is ready to assess an opportunity. Understanding of strengths and sources for team improvement should be realized before writing business plan. This enables management team to benefit from talents and perspectives of its members (Mullins 2010, p. 16.)

It is important to notice that further on in the empirical part of this research the whole "Seven domains..." model will not be applied. Only such domains as Market attractiveness, Industry attractiveness and Team role will be studied.

Reasons for such selection are that at the stage when company is still an imaginary one, only macro-level considerations are possible to be done as well as an overall view on characteristics of the team. More in-depth studies on for instance micro-level marketing and team's coherence are only possible when the company is about to be open and start operating.

## **4 Challenges of tourism industry**

Tourism industry definitely has its own unique characteristics that make this business sector different from others. According to Tassiopoulos (2008), tourism industry being a part of service sector comprises a large range of services, including food and beverage, accommodation, tourist attraction, etc. This industry is unique and differs from other industries characteristics that have to be assessed before any real-life actions. These characteristics are

- Intangibility
- Inseparability
- Variability
- Perishability

*Intangibility* stands for a fact that tourist services cannot be touched or tasted before they are actually purchased. As Rathmell points out “goods are produced, services are performed” (1974). Since tourist services are intangible, customers are most likely to share their experiences by word-of-mouth and usually negative memories prevail over positive ones. That is why it is extremely important to create a satisfying product right from the start and not to risk losing customers. If the first experience was not positive, there is always a chance the customer is not coming back and advising friends/relatives to do the same (Tassiopoulos 2008, p. 206.)

*Inseparability* means that unlike in manufacturing, tourism products are usually produced already in package. Either it is a guided tour or dinner in restaurant or

stay in a hotel: all the components of the package are strongly interrelated. If any of these components does not satisfy customer on proper level (e.g. hotel room is luxurious but quality of customer service is disappointing), it is very likely that the customer is not coming back (Tassiopoulos 2008, p. 206.)

*Variability*, sometimes referred as heterogeneity, means that tourist services cannot always be delivered in exactly the same way to every customer. Unlike goods, services are usually delivered by humans, service providers. Customer experience is very often dependent on how service provider does his/her job (Tassiopoulos 2008, p. 207.) For instance, one waiter in a restaurant is extremely polite and friendly, leaves positive memories in customer's mind. At the same time another waiter who is having a bad day and that is why s/he is being unfriendly, gives customer a message that the whole restaurant staff is this unwelcoming. Furthermore, customer's own perceptions affect the experience very much: someone concentrates mostly on positive sides while another one always sees drawbacks. In other words, customer experience is also very much dependent on one's own individual characteristics, that is why experience of the same service can vary significantly from a person to person.

*Perishability* means that tourist products can be consumed only on given time and cannot be stored or returned. There is always one chance to experience it as later it will perish. That is why it is important to make product initially worth customer's money and time (Tassiopoulos 2008, p. 206.)

Above mentioned characteristics make tourism industry challenging to operate in, still such challenges stimulate entrepreneur to work on initial planning of the company better. In order to do that, the entrepreneur should start observing what tourism market of particular region can offer and how to benefit from this competition.

## 5 Competitor analysis

*Competition refers to the act of competing, with the aim of being better than the opposition* (Lominé & Edmunds 2007, p. 28). In terms of business and economics, competition aims to generate maximum revenues through sales. For consumers, competition also has positive sides: it stimulates innovation, drives prices down and widens the variety of products on market.

For tourism industry competition is especially relevant: companies in this business tend to constantly improve goods and services they offer. Due to perishability that was discussed earlier, producers have limited time to sell their product before it expires. Hence, significant advantage over competitors will ensure company's profitability.

There are a lot of methods to study competition in particular sector, but this research will look into "Multi-level competitive analysis for small and medium-sized tourism enterprises" model presented by Laws & Falkner, an unusual approach that seemed particularly interesting to study. According to their work, competitive potential of a certain company can be studied in five different perspectives (Laws & Falkner 2005, pp. 333-334).

**Level 1** – competition with similar products and service providers at a destination; very basic level at which entrepreneurs first of all take a look at. Company on this level competes with other providers of the same services within same destination. Many entrepreneurs concentrate their attention on competing against neighboring companies forgetting that there are also competitors within whole destination.

**Level 2** – competition with similar or undifferentiated destinations. Some destinations throughout the world have similar characteristics apart from socio-cultural and geographical differences. It means that tourism companies within these destinations can offer similar products and therefore compete already on international level. For instance, beach vacations are successfully offered in Mediterranean region as well as in America's Florida leading tourist providers to compete on wider level.



**Level 3** – competition with differentiated destinations. These destinations provide services that are in a way unique and can be experienced only in one particular location. Such services are not easily substitutable; therefore company gets a significant competitive advantage.

**Level 4** – competition in the distribution channel. It refers to indirect type of competition when companies compete with other members of distribution channel and most powerful member can dominate the share of profit.

**Level 5** – competition with alternative leisure activities. Such activities might include educational element or be entirely recreational. Development of rural tourism, theme parks and sophisticated leisure activities on-spot may reduce willingness to travel to another destination. Technology and virtual reality may also be an encouragement for tourists to stay at home.

Therefore, this model demonstrates that tourist companies compete on several levels. Even though it is natural to compete between companies of the same sector, entrepreneur should not omit the importance of having a broader view on global business environment. Variety of services and products that are offered by different local enterprises affect overall tourist attractiveness of the region. Therefore, instead of just competing between each other, companies can co-operate in order to increase attractiveness of the region and fight against substitute tourism products. (Laws & Falkner 2005, p. 336.)

## **6 Finland as a tourist business location**

Finland being a member of Northern countries has outrun its neighbors in tourist growth in the past years. Thus, the number of overnight stays in Finland in 2012 was 10% higher than the previous year. This is the highest percentage among other Scandinavian countries, such as Denmark for example which had just 5.6% growth. (Vanhanen 2012.)

Data that is presented below gives a stable ground to consider Finland as a prosperous country for tourism investment. And in this matter we speak about pure facts, not just proper country branding.

In 2010, Finland received 6.2 million foreign visitors that is even more than the whole population of the country itself. Foreign visitors brought nearly EUR 2 billion which is EUR 460 million more than the previous year. (Statistics: Border Interview Survey 2010c.)

Table 2 indicates what kind of services and products tourists spent their money on in the year 2010.

<b>Expenditure item</b>	<b>Per visit, euro</b>	<b>Per day, euro</b>	<b>Total, million euro</b>	<b>Share, per cent</b>
<b>Advance payments excl. package trips</b>	18	3,3	110,4	5,4
<b>Accommodation</b>	80	14,8	492,1	24,1
<b>Restaurants, cafés</b>	65	12,1	403,9	19,8
<b>Fuel</b>	12	2,3	75,0	3,7
<b>Shopping and food</b>	125	23,2	771,8	37,8
<b>Taxi fares</b>	12	2,2	71,9	3,5
<b>Other expenditure</b>	19	3,5	117,7	5,8
<b>Total expenditure</b>	330	61,3	2 042,8	100,0

Table 2. Expenditure by foreign passengers in Finland in 2010 (Statistics: Border Interview Survey, 2010b)

According to the table tourists spent most of their money on shopping and food (771.8 million Euros) that gives almost 38% of overall tourist consumption this year. Second for popularity are accommodation services (492.1 million Euros) resulting into 24% percent of overall expenditure. The rest of expenses are shared between restaurants/cafes, fuel, taxi fares, advance payments and other expenses.

Number of overnight stays in January 2012 equaled to 607,000 and this number is rapidly growing every year. The amount of foreign tourists grows

significantly (+13% in December 2012/2011) while the number of Finns staying does not change (0%). (OSF 2012a)

By the region, the most significant increase of overnight stays in January 2012 was detected in South Karelia: up to 36 percent (OSF 2012a). The most common reasons for such popularity of this region are presumably closeness to Russian border-crossing points: one in Imatra (Svetogorsk) and one in outskirts of Lappeenranta (Nuijamaa), attractive shopping possibilities, developed network of accommodation services, beautiful environment and other reasons.

As we talk about diversity of foreign tourists visiting Finland, the main users of accommodation services in January 2012 were the Russians, followed by Swedes, Britons and Germans as it is shown below in Table 3.

<b>Country of residence</b>	<b>Visitor arrivals in all accommodation establishments</b>	<b>Nights spent in all accommodation establishments</b>	<b>Change of nights spent in accommodation establishments, %</b>	<b>Nights spent in hotels</b>	<b>Change of nights spent in hotels, %</b>
<b>Total</b>	677 563	1 381 770	5,0	1 217 717	5,7
<b>Finland</b>	451 782	774 519	-0,4	682 885	-0,3
<b>Foreign countries</b>	225 781	607 251	12,9	534 832	14,6
<b>Sweden</b>	14 381	22 853	1,9	21 828	2,1
<b>Germany</b>	10 817	30 708	7,6	28 916	9,4
<b>Russia</b>	107 271	314 021	15,6	270 140	17,0
<b>United Kingdom</b>	12 823	39 689	16,2	32 840	24,3
<b>United States</b>	3 866	9 457	-0,3	9 230	0,3
<b>Norway</b>	3 722	6 929	5,5	6 719	8,3
<b>Netherlands</b>	5 525	17 717	-2,3	14 981	-2,1
<b>Italy</b>	3 074	8 745	-7,2	7 933	-6,1
<b>France</b>	6 707	25 415	-2,7	24 219	-1,6
<b>Japan</b>	7 531	15 743	66,2	15 413	66,3
<b>Estonia</b>	7 473	19 145	6,1	14 472	12,4
<b>Spain</b>	2 441	5 563	-16,9	5 181	-19,2

Table 3. Visitor arrivals and nights spent by country of residence, January 2012 (OSF 2012b)

According to the book about the Russian outbound travel market Russians became fond of travelling to Finland quite recently, but popularity of this country as a tourist destination, especially its eastern part grows every year (The Russian outbound travel market... 2009).

Russians are acknowledged to be the most profitable segment of tourists in South Karelia region and Finland in general. Table 4 shows that Russian tourists spend quite a small amount of money per visit (255 Euros), only Estonians spend less. Still, costs per day are the highest among all other nationalities (107 Euros). It allows assuming that Russians who travel mostly for short-term shopping trips spend a lot during these visits. They mostly stay for a short period of time in Finland while spending significant amount of money - 653 million Euros were generated only in year 2010.

<b>Country of residence</b>	<b>Per visit, euro</b>	<b>Per day, euro</b>	<b>Total, million euro</b>
<b>All passengers</b>	330	61	2 043
<b>Russia</b>	255	107	653
<b>Sweden</b>	254	49	181
<b>Estonia</b>	216	28	121
<b>Germany</b>	433	49	157
<b>Great Britain</b>	361	56	95
<b>Norway</b>	377	76	74

Table 4. Expenditure of foreign passengers in Finland in 2010, by country of residence (Statistics: Border Interview Survey 2010a)

## **7 South Karelia and Imatra as a destination for the case-company**

Town of Imatra will be chosen in this work to be the location for the hotel concept and the reasons for that will be justified later on. However, as we have to analyze business environment and demand for selected concept, the whole region of South Karelia will be selected, Imatra being a part of it.

Thus, nowadays South Karelia region is experiencing quite positive effects caused by development of tourism industry. In fact, some experts assume that cities of Lappeenranta and Imatra would not look like they do nowadays if tourism industry had not developed so well (Ahola 2012). Regional marketing company GoSaimaa in their marketing plan presented a SWOT-analysis (Figure 3, next page) that gives a diverse picture of what are the strong sides of the region are and where to find potential for perspective touristic company.

Analysis shows the strong sides of the region that may lead to prosperous future development such as companies with strong brand images, developed infrastructure and versatility of services in offer. At the same time “Weaknesses” part reflects the challenges that region has already faced: conflicts between tourists and local people, lack of sales force and limited skills to respond to the growing market. Lack of cooperation and political issues as threats could easily be transformed to weaknesses in future. Nevertheless, there are a lot of opportunities for the region that with proper approach and mutual interest of local companies can be turned into strengths.

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• New investmetns</li> <li>• Saimaa and the tourism history</li> <li>• Location (200 km radius)</li> <li>• New resort (Rauha)</li> <li>• Shopping tourism</li> <li>• Key companies with strong brand image</li> <li>• Quality, versatility, security and cleanliness</li> <li>• Infrastructure (roads, rails, airport)</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Tention between Imatra and Lappeenranta</li> <li>• Lack of cooperation</li> <li>• Limited skills</li> <li>• Lack of sales force</li> <li>• Lack of knowledge about new tourism resort (Rauha)</li> <li>• Domestic vs. Russian tourist</li> <li>• Lack of all-year round tourism services</li> <li>• Accommodation vs. Demand</li> <li>• Visa necessary</li> <li>• Lack of big events</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• New investments + several spas</li> <li>• Location</li> <li>• Tourism business taken seriously</li> <li>• Successful marketing</li> <li>• Developing infrastructure</li> <li>• Russia, esp. Saint-Petersburg area</li> <li>• Several golf courses</li> <li>• No visa necessary?</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Lack of cooperation</li> <li>• Lack of vision and strategy</li> <li>• Politics</li> <li>• Visa necessity remains</li> <li>• Russification of the area</li> </ul>

Figure 3. SWOT – analysis for South Karelia region (GoSaimaa marketing plan 2011)

As we look at the Imatra region, it is important to notice how considerably tourism business affects the development of this particular town. There are plenty of examples on this matter, but one that was noticed in the regional newspaper called UutisVuoksi states that nowadays economic interest in Imatra region grows due to tourism development. Kesko group regional manager states that closeness to Russia lures many representatives of large international market chains to establish businesses in Imatra. “Tourism brings to the region more purchase power which is also the reason why local K-citymarket is under renovation to satisfy the needs of growing demand”. (Manskinen 2012.)

Again in UutisVuoksi but in another article about considering the launch of visa-free environment between Russia and Finland, the executive of Imatra Regional Development Office states that “Growth of tourist flow and regional income anyway must be anticipated and striven for. Managers should develop their operations in order to let the money stay in the region”. (Sonninen 2012.)

Another example that is more related to accommodation sector is an article in local newspaper about plans on renovating a small hotel in Joutseno by one Russian entrepreneur. The reason is formulated as: “Spas are overcrowded. There needs to be a peaceful place where it is possible to go fishing etc.” (Tiusanen 2011.) It shows a great need for a small quiet place to stay at affordable rates. And what is more important: this entrepreneur being a Russian may also represent interests of tourists of his nationality. Apparently, his opinion is based on wishes and needs of Russian tourists.

Figure 4 (next page) shows the co-relation between tourism industry and other related sectors and institutions. On the top of the hierarchy there are tourists who arrive at the region and use diverse services, such as planes, trains, cruises, etc. Within outlined triangle there are three dimensions that the case-company will be related to: recreational vehicles, camping sites and accommodation – these are also in use by tourists. Importance of accommodation services in this model is also significant: without a place to stay there is not much possibility for tourists to experience what region offers them. Developed accommodation sector attracts tourists to stay longer, experience more and hence, purchase more products and services that are available. Revenues generated from customer service companies result in increasing profits of local economy, offering of new workplaces, healthy competitiveness, etc. All these directly or indirectly affect other social institutions such as banks, schools, museums, farms, theaters, etc. Some of them may try to be more involved in tourism industry that brings additional revenues.

For instance, according to Ahola (2012), museums, theaters and farms in South Karelia region realized the impact of Russian tourist flow and their growing interest in other sectors apart from shopping. Entrepreneurs of these companies are thinking of making their products and services more available for Russian

tourists. Nowadays, the main problem is the language and cultural barrier. Therefore, Wolkoff museum in Lappeenranta is now researching what Russians are interested in concerning museum expositions. Also growing interest in rural, farm tourism incites local farmers to target their services also on this particular sector of tourists.

The whole infrastructure of the region is undergoing rapid development too. In autumn 2011 the highway number 6 between Imatra and Lappeenranta was completed, that allows to increase the transportation flow and ease the traffic load. (Peltola 2011.) Airport of Lappeenranta experiences growing popularity as well: it is used as a transit point to European countries, especially by Russians. Airport is going to open new flight routes to Europe but what is still needs to be developed is to increase the amount of inbound flights to Lappeenranta too. Nowadays, the main challenge is to facilitate interest of foreign tourists to arrive at Lappeenranta by the same budget airlines, rather than use it as a gateway to Europe only. (Ahola 2012)

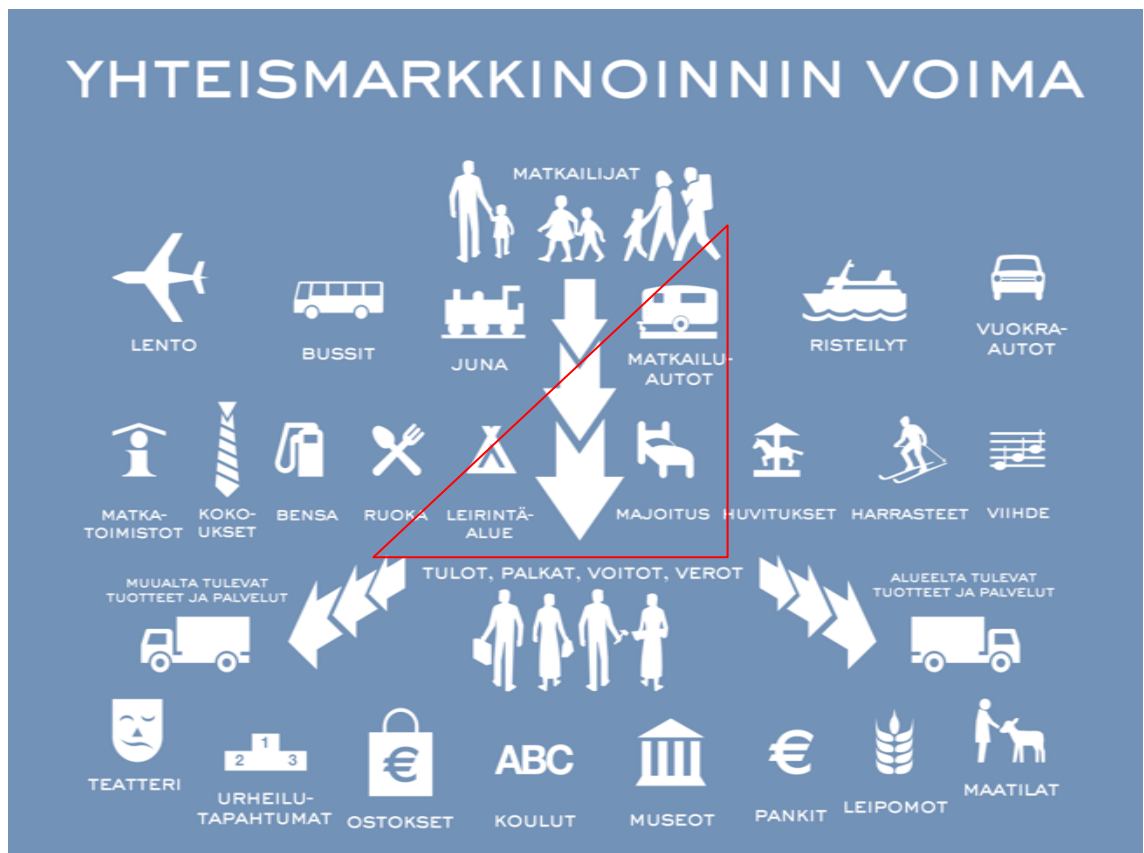


Figure 4. Power of joint marketing. GoSaimaa marketing plan 2011.



Therefore, according to the facts that were presented it is agreeable that Finland, particularly South-Karelia region showed itself as being a prominent destination for tourism business development. Region still has a lot of potential for expansion due to growing amount of travelers and positive effects on economic development of the region itself by tourism are considerable.

## **8 Presentation of the case**

Hotel industry nowadays offers a wide range of different accommodation possibilities, from camping-sites to luxury hotels. All accommodation companies target their services to a specific segment of customers taking into consideration their motives to travel and money expenditure.

One particularly interesting type of accommodation is “bed and breakfast” (B&B) hotels. Since these small, usually family-owned enterprises very often do not belong to any major hotel chain, they draw particular attention due to their peculiarity and knowledge of local cultural environment. These hotels usually consist of a small amount of rooms and offer basic overnight stay with breakfast included in the rate. Travelers and small groups usually choose this type of accommodation due to its simplicity and affordable price. (Arduser & Brown 2004, p. 10.)

Another type of lodging which is also interesting is camping-site. Initially planned as location for nature lovers to gather up to spend a vacation within some closed area, camping-site industry continues to expand world-wide. Due to rapid growth of big cities, people strive to run away to quiet places and spend time in nature. Camping sites offer several types of accommodation: in own mobile homes, tents or in small cabins. Common facilities and kitchen are usually in a separate building and those are included in basic services, still the range of services depends on the camping site’s class. Therefore, camping sites continuously develop their facilities in order to respond to basic customer

needs and provide with peaceful, yet memorable holiday experience. (Finnish Camping site Association 2012.)

Having combined those two accommodation types, we can witness an interesting phenomenon, which can be given a name “cottage-hotel”. The idea of this concept is to create a closed area in some tourist attractive destination and accommodate guests on the basis of camping cabins, though offering additional to usual services. And these additional services will first of all include breakfast included in the price of stay as it is practiced in all B&Bs.

After researching it still remains unknown to the author if such accommodation concepts exist somewhere else in the world, but it could be particularly interesting for Imatra region.

The fact is that town of Imatra belongs to Saimaa region that has experienced tourist interest throughout the years. Saimaa, being the fourth largest lake in Europe attracts a lot of nature-lovers each year. There are plenty of possibilities for active summer holidays in this region: hiking, cycling, swimming, water sports, etc provided by local companies. In winter and off-season time tourists can spend time shopping in local city-malls or in several small water-parks and other recreational establishments. (GoSaimaa 2012.) Therefore, the spot for the hotel should be somewhere in immediate proximity to Saimaa shores.

Idea of accommodating guests in cottages comes from the fact that the main tourist attractions in this region are peacefulness and quietness, therefore closeness to nature can be completed by creating sort of Finnish “mökki”. Customers can have their own space not separated by just a wall from other guests, still they can get quality accommodation and breakfast according to Finnish style.

Distance between cottages should be approximately fifteen meters and they should be equipped with modern, still basic equipment: beds, shower, toilet, TV, wireless internet, refrigerator, stove. Amount of cottages should not exceed the amount of fifteen in order not to make the area over-crowded and still gain revenue. Separate building will be organized for breakfast and social gatherings

during other times when meals are not served. Reception and small kiosk can be organized also in the same building.

Apart from cottages that will need a great deal of investments, another income item can be slots for motor homes and tents that are usual to camping sites. By developing those also, both nature lovers and tourists with more sophisticated demands can satisfy their needs while visiting the same place. Motor home owners as well as tourists with tents need separate hygiene and kitchen buildings, therefore it could be wise to create these basic facilities for them first and then to concentrate on construction of the cottages.

In the end, “cottage-hotel” will be able to synchronize the functions of a camping-site together with a bed-and breakfast hotel. Tourists could be able to combine a pleasant stay in quiet Finnish nature with decent accommodation. This could give a different perspective on the stereotype that holiday in nature always means insufficiency of every-day conveniences.

The main idea of the concept is to provide tourists with budget accommodation. Hotel should be modest, yet comforting for mean-time travelers as well as for vacationers. Further, in chapter of “competitor analysis” we will look into accommodation that Imatra region has to offer and how this new concept can bring something new and valuable for tourism sector in this area.

These are the main characteristics of the concept that are meant to be revealed as a part of this thesis. The main task onward is to contemplate whether this concept has possibility to provoke interest in customer’s minds and survive the competition. In order to find it out, the presented concept will be applied to the platform of Seven Domains of Attractive Opportunities model that was discussed earlier.

## **8.1 Concept testing**

Following the framework, what initially needs to be done is to find out a *fatal flaw* of the presented concept (Mullins 2010, p. 3). It can be formulated as: demand for quite large investments for such a small hotel. Even without any calculations it is obvious that cottages need to be constructed from scratch and due to their quite modern equipment can be expensive. Customers have to experience comfort already on the first day of hotel opening, therefore entrepreneur's task is to provide them with this pleasant atmosphere.

Construction will most probably take a significant amount of time and cause some problems with collecting monetary resources. Still, this flaw of a concept can be turned into positive side in a way that by following the timetable of construction, working thoroughly on each step and launching of all services at one time, company can prevent customer dissatisfaction. It is a common fact that guests who arrive in a just opened hotel and still witnessing construction process and unfinished work, become very frustrated and in a way cheated. They feel as if they have been used for testing and for the same money next time other guests will get a much more complete image of a company and could use more services. Such customers probably are not coming back – this is not a risk that a small hotel can undertake. Valuing each customer and making him/her feel welcome at all times helps in creating a small but loyal group of customers.

## **8.2 Market attractiveness**

This hotel will be targeted on the market that includes travelers who arrive at Imatra for certain purposes. First of all, as it was discussed earlier the biggest share of foreign tourists in this region is Russians who come here for purposes of shopping and leisure activities. (Tendencies of hotel business development in Finland 2011.) Great share of tourists come from North-Western region of Russia, meaning Saint-Petersburg (around 80%), Vyborg and also from

Moscow (Tendencies of hotel business development in Finland 2011). Length of their stay does not usually exceed one weekend, average 1.4 nights were spent in accommodation facilities in 2010 to be more precise (Statistics: Border Interview Survey 2010d). Therefore budget accommodation can attract those who do not have high requests for accommodation. Important is to be able to operate all-around the year, because the amount of Russian tourists stays generally the same, increasing before and during official holidays.

What is important to notice is that Russian customers are not very used to staying in tents (apart from young people and campers) and motor-homes are not popular among them, so cabins are a much more attractive accommodation type for this segment. Reliable profound studies about accommodation preferences of Russian tourists in Finland were not found, still there are many secondary sources that state that cottage holidays are widely popular among them. So, Suvi Ahola from GoSaimaa pointed out that popularity of cottage holidays among Russians is experiencing continuous growth, moreover cottages are equally popular not only in summer time but all year round (Ahola 2012).

One Internet source cites the interview with the manager of the travel agency “Russian express” in Moscow who contemplates the trends among Russian tourists who travel to Finland. The interviewee states: “The majority of tourists come from Saint-Petersburg, but Moscow residents also keep the pace. Very popular are cottage vacations close to water, fishing tours and excursions”. (Russian tourists are leading in Finland 2011.)

Another secondary source presents data gathered in the interview about what are the preferences of Russian tourists are in North Karelia. Even though it was conducted in North Karelia while this thesis is concentrated on South Karelia, it can be assumed that tourist preferences remain the same and destination does not play role on it. So, according to this interview that took place in four different locations: Kitee, Koli, Ilomantsi and Joensuu in graph “preferences of Russian tourists” there is word “cottages” mentioned almost in all four boxes. Moreover, research in Ilomantsi showed the need to “extend the cottage amount” as a challenge for the region (Dahlem et al. 2011). Significant demand for cottages in

North Karelia allows to presume that in South Karelia the demand is even stronger due to closeness to Russia and much larger tourist flow – that is another favorable factor for the case-company.

Additionally, what was noticed to be regularly mentioned in relation to preferences of Russians is the need for program services and activities. This tendency was also mentioned by Ms. Ahola in the interview: Russians would like to spend holidays more actively outdoors, but the lack of information sources and language barrier are the reasons for dissatisfaction in this area (Ahola 2012.)

Another market segment that could be interested in using the services of presented company are Finnish customers. During summer vacation the amount of them travelling, especially to lake region of Saimaa increases. Summer time is also very much full of different events in this region: at least Big Band Festival each summer attracts thousands of people and creates a huge demand for accommodation (Ahola 2012.)

Finns usually travel by motor-homes in small groups or with families. They value peacefulness, quietness and enjoy spending time in nature. Therefore, it is arguable that camping houses could be an interesting idea for this segment of customers: they are located too close to each other from the point of view of Finns. Slots for motor-homes could be a better idea: tourists could enjoy privacy on affordable price. Motor-home accommodation is generally also suitable for tourist of other nationalities because this type of traveling is originally very popular in Europe.

Therefore, we can separate services of the case-company by their popularity: cabins are planned to attract Russian tourists all the year round, while tent and caravan places are more attractive for Finnish tourists and only in summer time.

Apparently, early spring-autumn and summer seasons will be the most profitable ones for this company, yet the idea is to operate all the year round. Then the biggest effort will be on full occupancy of cottages during off-season by help of shopping and business travelers. Still winter time in Finland provides with other also popular activities: cross-country and downhill skiing, skating,

fishing, safaris on snowmobile (GoSaimaa 2012). Demand for accommodation services also grows within such dates as New Year, 23<sup>rd</sup> February, 8<sup>th</sup> March (official holidays in Russia) skiing holidays for Finns.

As we can conclude, formulation of micro-level targeting of this company could be the following: this "cottage-hotel" would target on short-term travelers who have pretentious demands for accommodation and still would like to experience something cozier and more Finnish-style than an ordinary hotel. The main users of company's services will be the Russians who arrive at Imatra for several purposes. During summer time demand will evidently grow and include also Finnish tourists with motor-homes.

### **8.3 Industry attractiveness**

Obviously this company would act as an accommodation provider in Imatra region. According to statistics, it is clear that the number of nights spent by tourists in Imatra and South Karelia continuously grows, so is the number of tourists themselves (OSF 2012a). As for Russian customers, it used to be very expensive and almost unaffordable to stay in a hotel in Finland. Reasons for high hotel rates were presumably because of the lack of competition between developing hotel sector and general high pricing level in European countries. Nowadays, prices in Finnish hotels are still relatively high, but as the income level of Russian people is growing, they became more and more interested in travelling to Finland for longer time, which of course would include a stay at the hotel. (Price for overnight stay in Finland significantly increased 2012)

Though nowadays there is a positive tendency: Russian tourists in 2012 are estimated to stay in hotels 22% more frequently than during previous years. (Tourists love Finland 2012) Much wider usage of Internet and reservation systems also facilitated this tourist segment to prefer staying overnight in Imatra or Lappeenranta, rather than travelling back home the same day.

Apparently, all those assumptions present the leading powers for inevitable and continuous growth of demand for accommodation services in this region.

Yet, in order to comprehend the role that this company would play within tourism industry, theory of “red” and “blue” oceans can also be included here. On one hand, “cottage-hotel” concept is a symbiosis of the two well-known definitions: hotel and camping site. Anything similar, at least on the level that it is meant to be, does not exist in the surroundings of Imatra. Such presumption may allow to state that this concept could create a “blue” ocean in this industry. Still, this hotel would aim at providing accommodation services as well as others and join quite a rivaled competition. This makes it clear that “cottage-hotel” will still be located in “red” ocean being an extension of it. However, this does not mean a failure: by joining the competition the entrepreneurial team could learn a lot about their own chances, realize exactly what niche of customers they are going to satisfy and how to differentiate their own products better.

Hence, we can state that “cottage-hotel” has propensity to be a valuable part of local tourism industry. This sector is all the time expanding as a response to growing demand and therefore demands new and diverse modes of accommodation for tourists. Need for budget accommodation that would combine modesty and quality – is a current trend in South Karelia region (Ahola 2012).

#### **8.4 Characteristics of the team**

People, being the main production and intellectual source of any company, play an important role in delivering tasks. Some small companies may have one employee and entrepreneur in one person but usually larger companies present a team. Following the mission of a company means to unite skills, abilities and personal visions of each partner of entrepreneurial team. Company success then depends on this united power.

Case-company could be either a partnership between friends, business representatives or then a family business. Family type of business has one major advantage: members help each other out usually because of family



bonds and do not necessarily demand a payback. Family members could be shareholders as well as partners in the team.

Whatever the type of a relationship between team-members is, it is important that each one of them would necessarily have skills for a specific task and be an expert in some field. Versatile skills of each member save also the money on hiring staff from somewhere else. Ideal combination for hotel entrepreneurial team would be if there are specialists who would cover all four major fields: construction, hotel operations, advertising and legal assistance (permits, etc). Of course, these four domains do not cover all aspects of a new venture, still this could be a basic division of labor.

All actions carried out by a team member should follow the mission that the company set – well co-ordinated work always brings desired success. Hence, the role of the leader should not be underestimated, though opinion of other team-members should also be taken into account.

At this point it is not possible to state more clearly about the team that this case-company is going to consist of. Moreover, team's abilities and individual talents are usually discovered only in the meantime after company started operating. But what comes to the entrepreneur, he/she should realize that even such a small-scale company demands readiness to interact with customers and respond to their wishes continuously. (Arduser & Brown 2004, p. 11.) Together with co-operation within the team, company has possibility to provide with excellent customer service.

## 8.5 Potential competitors

South Karelia region offers tourists a great variety of accommodation services throughout the year. To be more specific, in this region there are 28 accommodation establishments with overall amount of bedrooms that equals to 1598 (OSF 2012c). Imatra's hotel sector has been gradually expanding in the past years keeping the pace with the whole region.

In order to face potential competitors and realize their specialties, a "pyramid" model of Laws & Falkner (2005) will be applied here. We will look into competition nuances on different levels, as it was discussed previously and then findings will be summarized into a chart. While presenting the examples of competitors on each level, in the end case-company will be justified for its own success factors.

In order to sort out local providers of accommodation services, web-pages of GoSaimaa will be used for analysis. As is stated on their webpages, GoSaimaa Ltd. is "*a corporation founded by the local cities, municipalities and travel companies*" in order "*to boost tourism in South Karelia by marketing the diverse product selection by the travel service providers*". (GoSaimaa 2012.)

According to their webpages, accommodation services that they promote could be divided into Hotels, Cottages, Bed&Breakfast, Camping and Other Options.

**Level 1.** Below providers of similar services at the destination are classified according to their type of services. As for classic hotel accommodation, there are Hotel Imatra, Cumulus Imatra, Imatran Kylpylä Spa, Rantasipi Imatran Valtionhotelli. These companies are all located within 5-7 km from Imatra town centre. Their main strong sides are: closeness to town-centre and main attractions (activity centers, shopping malls, historic landmarks); closeness to Russian border and good road-connection to that direction; high-quality and diverse services apart from accommodation. Cons: overcrowded space by tourists, high prices, lack of local peculiarity and tranquility.

One major emerging competitor nowadays is located in Rauha – Holiday Club Saimaa. Being officially a part of Lappeenranta region, general public already

associate this company with the town of Imatra. (MasterChef Suomi 2012) It is a new spa-hotel with villas and holiday apartments for rent – all located within some hundreds of meters from each other. Even though the infrastructure and accommodation possibilities offered by HC Saimaa are continuously expanding, it is still considered to be more of “upper-class” choice with average room-rate starting from 120 Euros (Holiday Club Saimaa 2012) Also the surroundings cannot be generally referred as “quiet and peaceful” due to construction works and other future plans for expansion.

Hostel Mansikkala and Hostel Ukonlinna are closer to the selected concept due to relatively low rates, closeness to nature and small size of accommodation facilities. These companies play more significant role in competition but are mostly popular only during summer time (Hostel Mansikkala 2012). Still, hostel Ukonlinna being open for tourists all year round and located right on the shore of Saimaa could be a potential competitor (Hostel Imatra – Ukonlinna 2012).

Variety of cottage-holiday companies is presented by following: Hugon Huvilat, Imatran Kylpylä Spa Holiday Apartments, Patalaiska Cottages, Muikkulahti Farm Accommodation, Pistoniemi Holiday Cottages, Summer Home Hakala , Saimaa Gardens Holiday Apartments, Pajuranta Holiday Homes. Even though the selection is quite wide above mentioned cottage-providers can be referred to different accommodation classes. Imatran Kylpylä and Saimaa Gardens are considered to be “luxurious” while Summer Home Hakala is in rather poor condition and located too far from touristic flow (Hakala Summer Home 2012).

Camping site services in Imatra are offered by Vuoksi Fishing Park and Imatra Camping Ukonniemi. Providing accommodation services that comprise of motor-home slots, tent-places and cabins, these two companies are the most closest to the case-company concept. Imatra Camping Ukonniemi has a wide territory with 42 cottages and 170 sites for tents and caravans. Though, this company is debatable to continue operating in the nearest future, because its former owner Imatran Kylpylä Oy terminated the offer of camping services to tourists (Imatran Kylpylä 2012). From now on the property is given out for rent to other camping-owners.

Vuoksi Fishing Park seems to be the only camping service provider in Imatra region and it has also seemingly developed infrastructure: 20 caravan and tent-places, 5 cottages, beach sauna, fishing pool, equipment for rent, restaurant, etc. (Vuoksi Fishing Park, 2012). Nevertheless, this is not enough for providing all tourists coming to Imatra with camping services: the area is quite small and dense with other tourists, moreover it is open only during summer time. Finally, located on a small peninsula this camping-site has limited potential for future physical growth – it simply has no space to grow to.

As for B&B in Imatra region, the only option that GoSaimaa webpages presented was: Maatilamajoitus Muikkulahti. This private farm located in a small village of Melkonieni could be an interesting choice for those who look for peacefulness and family vacation: this guest-house provides accommodation near to the lake and light breakfast. Still, the main disadvantage is the location – it is too far from touristic traffic and problematic to access. Even though it is included to Imatra region, geographically it is not attractive for tourists. Though apparently, this small family-company simply do not target on large amount of tourists. (Maatilamajoitus Muikkulahti 2012.)

Hence, after researching the selection of accommodation offers in Imatra online, we can conclude that the main competitor for the case-company could be camping Vuoksen Kalastuspuisto due to company's diverse services and affordable prices. However, this company has limited potential for growth and therefore does not act as a threatening competitor. Another conclusion is that B&B-type of hotels are definitely lacking in Imatra region being suppressed by larger hotels or by widely popular cottages. The idea of the case-company maybe interesting for tourists because it would bring something new and unusual, fill in the gap of nature holiday providers, but readiness to purchase the services of the company should be studied thoroughly.

However, another local newspaper Etelä-Saimaa has recently reported on the decision about developing the recreational area of Ukonniemi in Imatra. According to Ojala (2012), program includes a construction of so called "hirsitalot" – wooden cottages and a mini-hotel close to camping of Ukonniemi. The idea is to provide conference groups as well as visitors of nearby ice- and

tennis-halls with cheap accommodation. This piece of news shows that the new potential competitor for the case-company has emerged. Their similarity may lead to the conclusion that the selected concept is actually attractive for some businessmen to invest in.

On **level 2** there could be companies from neighboring region of Lappeenranta. This region is similar to Imatra and also has partial access to Saimaa Lake. Range of accommodation companies in that area is much larger than in Imatra region due to its wide geographical extent.

There are plenty of hotels in Lappeenranta and neighboring towns, though the most interest for this research still stands for B&Bs and camping-sites. There is one B&B family hotel, The House of Thousand Tales and two camping-sites: Huhtiniemi Tourist Resort and Taavetti Holiday Centre & Camping. Apparently, Huhtiniemi Camping is quite popular among tourists who come to Lappeenranta due to its developed infrastructure: camping, cabins, hostel and a café-restaurant (Holiday center Huhtiniemi 2012). Though as it has become known, this company is not going to provide camping services after summer 2012, shifting them to another location and some other company is going to build a spa there. It allows assuming that large investors are attracted to the region and they are no longer interested in less profitable accommodation types such as camping, though still ignore complaints of the general public. People are still interested in holidays in nature, preferring the location to be closer to town-center as it was with Huhtiniemi (Ahola 2012).

Another major competitor could be Saimaanranta Holiday Center, located only twenty-five kilometers north from Lappeenranta town-center. It is a quiet place on lake shore where there are several accommodation types available for customers as well as conference facilities and equipment for active holidays. (Saimaanranta Holiday Centre 2012.)

Evidently, there are strong competitors in neighboring Lappeenranta region too. However, case-company would be aiming at attracting tourists particularly to Imatra and its sights, representing this relatively small but interesting region. This town is closer to the border and its main attractions (historic places, shopping malls, quiet forest area, activity companies, etc.) are not scattered on

several kilometers as it is in Lappeenranta, rather are concentrated within some few kilometers from each other making them all accessible by own vehicle or public transportation.

**Level 3.** As Laws & Falkner (2005, p. 334) stated this level of competition stands for companies that are often based distantly from each other but still manage to compete offering unique, not easily substitutable products. In our case, as the main idea of “cottage-hotel” is to provide customers with peaceful holidays in Scandinavian nature, competitors on international level could be other Northern-European countries such as Sweden or Norway for instance. They are located in relatively similar climatic zone still having their own cultural characteristics and local attractions.

For example, Norway is famous for their fjords that attract thousands of tourists each year. South Karelia does not possess such unique natural treasures, therefore it could be problematic to target to customers based just on natural attractions of the region. Probably, while other Scandinavian countries serve great amount of Central European tourists who come to experience Nordic nature, South Karelia may serve a great potential of Russian customers who come to destination not only for relaxation but also who include shopping in their touristic program.

**Level 4.** On larger scale, companies can also compete while being within the same distribution channel. It means that some members will strive to increase their own revenues against the revenues of other members. (Laws & Falkner 2005, p. 336.) So, our case-company would probably compete with e.g. local restaurants for the profit margin. Restaurants and bar selection in Imatra become more diverse these days as a response to growing demand, especially during summer time when lots of such companies are open till late. Some tourists may choose to spend more money on fine dining and drinks, rather than on accommodation and therefore profit would go to another member of distribution chain.

Moreover, during summer time many restaurants open their terraces, attracting customers to stay longer, consume their products and socialize rather than spend time in accommodation facilities and consume services offered there.

Hence, such indirect type of competition should be taken into account. Even though there is not so much that could be done on initial phase of a venture, a possibility to diversify services in future should also be considered by an entrepreneur.

**Level 5.** Our motives to travel are usually related to wish of experiencing new places, meeting new people and getting acquainted with different culture. Still, nowadays there are plenty of activities that could be more interesting for some people and less money-consuming than travelling. Laws & Falkner (2005) suggested as an example the industry of video games, theatre, sports, agricultural activities, etc. – the list is endless.

Competition on this fifth level consists of the most broad range of companies that could *indirectly* affect the success of the case-company. Potential customers may choose to stay at home or in the same city and entertain themselves the usual and more economic way. Especially popularity of Internet may affect propensity to travel. There is a possibility to get acquainted with many destinations and attractions via web pages and read the reviews about them. Usually unfavorable reviews may also result on staying at home and therefore, Internet resources may act as obstacles for attracting the customers.

Competitor analysis that was introduced in this work is summarized into a pyramid model on the next page (Figure 5).

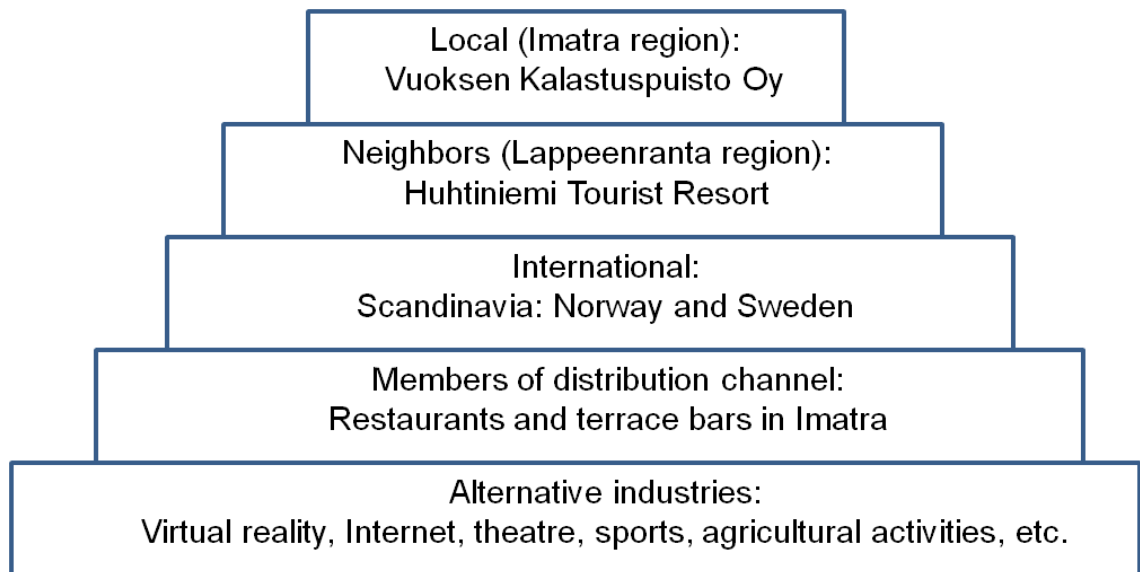


Figure 5. Competition pyramid for case company “cottage-hotel”, 2012. Based on “Multi-level competitive analysis for small and medium-sized tourism enterprises” model by Laws & Falkner, 2005

This table concludes the research among Internet sources and the author’s own assumptions and is designed specifically for the case-company. It is clear that competition for the company is spread upon several levels starting from very basic and obvious to the broadest and most immense. Competition is a very versatile term that goes far beyond geographical borders.



## 9 Conclusions

Based on presentation of the hotel concept and research on its feasibility, several conclusions about possible success of the company can be outlined.

First of all, research has shown that tourism industry of Finland plays an important role in national economy. Statistics show that South Karelia acts as a prominent region that particularly benefits from this industry due to its location. This statement could be supported by evidently developed infrastructure, investor interest and wider global recognition of the region.

Secondly, growing demand for accommodation services is caused by expansion of services provided by local companies. As it was discussed earlier in the empirical part, local authorities acknowledge the fact that shopping possibilities are growing as well as the industry of activities: spas, winter sports, safaris, etc. It allows to state that in order to allow customers to experience more of the region, accommodation industry will continue to flourish at least for the next several years.

Competitor analysis showed that the region offers a very versatile range of accommodation services: from small budget companies to big tourist chain-resorts. Therefore, competition for the case-company seems to be quite rivaled. Nevertheless, research of secondary sources allows assuming that the concept has possibility to survive the competition.

For example, Ms. Ahola in the interview after being introduced to the concept did not show particular disinterest in it. Rather she pointed out that South Karelia really needs budget, simple, affordable, yet quality accommodation, which “cottage-hotel” is actually supposed to be. She was certainly not ready to discuss this concept more due to its basic formulation at the current point.

Another factor for possible success of the concept is the potential of Russian tourists in South Karelia region. Their impact on local economy is widely acknowledged in media and needs of this tourist segment must not be underestimated by any means. There are not enough qualitative studies about

preferences of Russian tourists but secondary sources show that “cottage-hotel” concept could provoke interest in them. Reasons for this statement are popularity of cottage-holidays, unsatisfied demand for those cottages, also their location is usually too distant from the main tourist attractions.

Positive signs show that it is possible to advance with this concept further on: currently it is a peak of tourism industry development, demand is quite high and consumption is all the time growing giving space for the new suppliers. Many institutions are ready to assist new companies with consulting and starting money. However, there are also certain pitfalls and issues that need profound studying.

First of all, as it was discussed, there are not enough qualitative studies on preferences of Russian tourists. Their culture and customer behavior should be studied in order to realize what kind of accommodation is currently interesting for them. It is essential to be done if a company is going to target mostly on this particular segment of tourists, otherwise lack of understanding of customer behavior may lead to undesirable consequences for the entrepreneur.

Finnish tourists play an important role in local tourism, however their number is not as impressive as of Russians. Yet, Finnish tourists and particularly local people face some inconveniences in every-day life when interacting with growing amount of tourists. It raises discussions in media and may damage the image of the region. Therefore, it is important to study the opinions of local people more, understand what particularly irritate them and try to create a solution for the company to harmoniously co-exist with local environment.

There are more specific obstacles for concept development as well. Thus, on the final stage of production of this thesis, local newspaper reported on future construction of same kind of cottage-village and a mini-hotel in the recreational area of Imatra. Certainly this news could be rather frustrating for a starting entrepreneur: similar idea has been developed and large investors are involved in this project. Nevertheless, positive side of this situation is that it gives some significant value for the concept presented in this work. If large investors were interested participating in someone’s similar project, there is a possibility also for the case-company to be developed further. Observation on competitor’s

development can give valuable tips on whether this idea could be improved and maybe implemented one day.

Finally, in order to realize real potential and feasibility of the concept, it should be developed more. At the moment it is difficult to define the main characteristics of the company that would differentiate it from the others in the area. Clearer competitive advantage of the company could be formulated only at the point of conducting a business plan. Marketing research and surveying should be carried out too in order to find the potential of the company in real life. These tasks are the following steps towards further development of the business concept.

The presented research was a remarkable and interesting experience for the author due to future plans in opening one's own accommodation company. In the process of assessing the aims of this thesis, it became possible to get acquainted with the initial actions towards launching one's own tourism company. Continuous work with secondary sources gave important skills of having a wide overview on the business environment the entrepreneur intends to operate in.

However, the biggest challenge in this research was to find valuable and reliable sources of information to support the presented statements. Language barrier was an issue for clear interpretation of the Finnish sources as well. Nevertheless, the author hopes that all new tourism entrepreneurs, particularly those interested in Imatra region could benefit from this work.

## References

Ahola, S. 2012. Project Manager of GoSaimaa Ltd., Personal Interview on 5 April 2012

Arduser L. & Brown D. 2004. How to open a financially successful bed & breakfast or small hotel. Ocala: Atlantic Publishing Group, Inc.

Dahlem, J., Nononen, K., Brejwo, L., Finance, O. & Remy, P. 2011. Preferences of Russian tourists in North-Karelia: qualitative case-studies from Joensuu, Kitee, Koli and Ilomantsi  
<http://ebookbrowse.com/preferences-of-russian-tourists-in-north-karelia-ppt-pdf-d60803393>

Finn, M., Elliott-White, M. & Walton, M. 2000. Tourism & Leisure Research Methods. Data collection, analysis and interpretation. Essex: Pearson Education Limited

Finnish Camping site Association 2012  
[http://www.camping.fi/template\\_page1.asp?sua=2&lang=3&s=113](http://www.camping.fi/template_page1.asp?sua=2&lang=3&s=113)  
Accessed on 16 April 2012

GoSaimaa 2012  
<http://www.gosaimaa.com/en/>  
Accessed on 17 April 2012

GoSaimaa marketing plan. 2011. Info open to the public. Imatra Spa 6.4.2011

Hakala Summer Home 2012  
<http://www.kesakotihakala.net/37>  
Accessed on 17 April 2012

Holiday center Huhtiniemi 2012  
[http://www.huhtiniemi.com/joomla\\_eng/servicescamp](http://www.huhtiniemi.com/joomla_eng/servicescamp)  
Accessed on 17 April 2012

Holiday Club Saimaa 2012  
[http://www.holidayclub.fi/vuokraaloma/hotelli/fi/selaa/saimaa?source=adwords&utm\\_source=google&utm\\_medium=cpc&utm\\_campaign=adwordsbyainoa](http://www.holidayclub.fi/vuokraaloma/hotelli/fi/selaa/saimaa?source=adwords&utm_source=google&utm_medium=cpc&utm_campaign=adwordsbyainoa)  
Accessed on 17 April 2012

Hostel Imatra – Ukonlinna 2012  
<http://www.hihostels.com/dba/hostels-Imatra---Ukonlinna-019026.en.htm>  
Accessed on 17 April 2012

Hostel Mansikkala 2012  
<http://www.hostelmansikkala.com/>  
Accessed on 24 April 2012

Imatran Kylpylä 2012

[http://www.imatrankylpyla.fi/page.php?page\\_id=21](http://www.imatrankylpyla.fi/page.php?page_id=21)

Accessed on 31 March 2012

Keats, D. 2000. Interviewing: a practical guide for students & professionals. Sydney: University of New South Wales Press Ltd.

Kim, W. Chan & Mauborgne, R. 2005. Blue ocean strategy: how to create uncontested market space and make the competition irrelevant. USA: Harvard Business School Publishing Corporation

Kvale, S. 1996. InterViews: An introduction to qualitative research interviewing. California: Sage Publications, Inc.

Laws E. & Falkner B. 2005. Embracing and managing change in tourism: international case studies. Taylor & Francis e-Library

Lominé, L. & Edmunds, J. 2007. Key concepts in tourism. New York: Palgrave Macmillan

Maatilamajoitus Muikkulahti 2012

<http://www.muikkulahti.com/maatila.htm>

Accessed on 24 April 2012

Manskinen, H. 2012. Kiinnostus Imatraa kohtaan kasvaa. UutisVuoksi 14.3.2012

MasterChef Suomi 2012

<http://www.nelonen.fi/ohjelmat/masterchef-suomi/media/uutinen/masterchef-suomi-olen-todella-todella-todella-pettynyt>

Accessed on 17 April 2012

Mullins, J. 2010. The new business road test. Third edition. Harlow: Pearson Education Ltd.

Official Statistics of Finland (OSF): Accommodation statistics [e-publication]. ISSN=1799-6325. January 2012a. Helsinki: Statistics Finland [referred: 14.4.2012].

Official Statistics of Finland (OSF): Accommodation statistics [e-publication]. ISSN=1799-6325. January 2012b, Appendix table 5. Visitor arrivals and nights spend by country of residence, January 2012. Helsinki: Statistics Finland [referred: 14.4.2012].

Official Statistics of Finland (OSF): Accommodation statistics [e-publication]. ISSN=1799-6325. January 2012c, Appendix table 1. Capacity and its utilization, January 2012 . Helsinki: Statistics Finland [referred: 24.4.2012]

Ojala, H. 2012. Tuhat petipaikkaa Ukonniemeen. Etelä-Saimaa 19.4.2012

Peltola, M. 2011. Vt 6 Lappeenranta- Imatra –tiehanke viimesitelytöitä vaille valmis. Kaakkois-Suomen ELY-keskus.

[http://www.ely-](http://www.ely-keskus.fi/fi/uutiset/uutiset_alueilta/Sivut/Vt6Lappeenrannanjalmatranv%C3%A4ill%C3%A4valmiinaKuutostienkulkijoille.aspx)

[keskus.fi/fi/uutiset/uutiset\\_alueilta/Sivut/Vt6Lappeenrannanjalmatranv%C3%A4ill%C3%A4valmiinaKuutostienkulkijoille.aspx](http://www.ely-keskus.fi/fi/uutiset/uutiset_alueilta/Sivut/Vt6Lappeenrannanjalmatranv%C3%A4ill%C3%A4valmiinaKuutostienkulkijoille.aspx)

Price for overnight stay in Finland significantly increased. 2012

<http://www.stopinfin.ru/news/10407/>

Accessed 16.4.2010. Translated from Russian language

Russian tourists are leading in Finland 2011

<http://www.atorus.ru/news/press-centre/new/12304.html>

Accessed on 18 April 2012. Translated from Russian language

Saimaanranta Holiday Centre 2012

<http://www.saimaanranta.fi/eng/>

Accessed on 17 April 2012

Sonninen, J. 2012. Viisumivapaus toisi Suomelle yli miljardi euroa vuodessa. UutisVuoksi 23.3.2012

Statistics: Border Interview Survey [e-publication].  
ISSN=1799-1722. 2010a, Appendix table 6. Expenditure by foreign passengers in Finland in 2010, by country of residence. Helsinki: Statistics Finland [referred: 17.4.2012].

Statistics: Border Interview Survey [e-publication].  
ISSN=1799-1722. 2010b, Appendix table 5. Expenditure by foreign passengers in Finland in 2010 . Helsinki: Statistics Finland [referred: 14.4.2012].

Statistics: Border Interview Survey [e-publication].  
ISSN=1799-1722. 2010c. Helsinki: Statistics Finland [referred: 14.4.2012]

Statistics: Border Interview Survey [e-publication].  
ISSN=1799-1722. 2010d, Appendix table 3. Foreign passengers' length of stay in Finland, by country of residence, in 2010 . Helsinki: Statistics Finland [referred: 17.4.2012].

Tassiopoulos, D. 2008. New tourism ventures: an entrepreneurial and managerial approach. Cape Town: Juta & Co Ltd

Tendencies of hotel business development in Finland 2011

<http://prohotel.ru/news-162108/0/>

Translated from Russian language. Accessed on 16 April 2012

The Russian outbound travel market with special insights into the Image of Europe as a destination. 2009. Madrid: World Tourism Organization

Tiusanen, H. 2011. Hotelli Joutsenrannasta kaavaillaan edullista majoituspaikkaa. UutisVuoksi 31.10.2011

Tourists love Finland 2012

<http://www.goodnewsfinland.ru/arhiv/novosti/3757a50c/>

Translated from Russian language. Accessed on 16 April 2012

Vanhanen, H. 2012. Suomi jyräsi muut Pohjoismaat matkailun kasvussa.

<http://www.kauppalehti.fi/5/i/talous/uutiset/etusivu/uutinen.jsp?oid=201202119615&ext=ltr>

Vuoksi Fishing Park 2012

<http://www.vuoksenkalastuspuisto.com/fi/Ravintola+ja+leirint%C3%A4alue.html>

Accessed on 31 March 2012

## **Appendix**

### Interview questions

1. Background information on professional career (of the interviewee)
2. How would you characterize current situation on tourist market of South Karelia in general? Trends and tendencies? Turnover and importance in local economy?
3. Who are the main leaders on hotel market in Imatra region? Why are they successful in your opinion?
4. How easy is it to launch one's own company within hotel industry in Imatra? Any information on successful private SME's?
5. What is your opinion towards presented business concept? Any chance for success? Why?
6. Who can assist in developing one's own tourism company in Imatra region? Particularly with financial and consulting issues of a starting venture.