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RECENT DEVELOPMENTS IN INBOUND TOURISM IN NORTH KARELIA

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Abstract

This research focuses on the situation of inbound tourism in North Karelia as well as derives suggestions from the made analysis. The research was conducted according to the commissioner's guidelines.

The paper utilizes secondary data in the form of statistics and primary data as interviews that were conducted during the research process. The report consists of separate written parts regarding adjustment to changes, recent development, interviews, findings and suggestions.

The research resulted in three suggestions regarding the tourism industry in North Karelia. Suggestions were designed according to the analysis of primary data, secondary data and a comparison. The ideas revolve around co-operation between tourism service providers in the area in the form of sales and marketing. Additionally, suggestions include market and product development. The research concludes that inbound tourism in North Karelia is a developing business with the potential to expand.

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tourism, North Karelia, analysis, development, Karelia Expert, Ansoff Matrix, SWOT
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1 INTRODUCTION

1.1 Background

This paper focuses on the development of the tourism industry in North Karelia. The global and domestic economic situation has an impact on the demand for tourism services. Tourism services, after all, are luxury products. Finland showed growth in terms of GDP up until 2008 (Trading Economics 2016). In 2009, the beginning of financial crisis took place. Between 2008 and 2009, Finland’s GDP decreased by approximately 11%. Signs of stable growth can be found starting from 2012.

Another essential factor to describe is Russia and its economic development. The Russian border is located approximately 73 kilometers from Joensuu, the “heart” of North Karelia. Russians make up a large portion of tourists in North Karelia (Statistics Finland 2016). However, the decline in Russia’s economy has had an impact on tourism in Finland and North Karelia. Russia’s GDP decreased from 2008 to 2009 by 27% (Trading Economics 2016). Additionally, the decrease in the value of the Russian ruble have had the most impact on Russian tourism in Finland. In 2014, a decrease in the value of ruble took place, and the value has remained at a lower point than it previously held, albeit some fluctuations have happened (XE Currency 2016).

Several changes regarding inbound tourism in North Karelia have taken place, the first one being Russian tourism in the area. Due to a decrease in the Russian ruble’s value, the number of Russian tourists has decreased. Beforehand, Russian tourists were the lifeblood for many tourism companies in the North Karelia Region. To combat the decrease, Karelia Expert has organized a project in which tourism companies co-operate in marketing North Karelia and its possibilities to Middle Europe. Another important change was the advancement in technology. When a person is arranging a trip somewhere, it is very likely that they first read reviews of the services in the area, after which they book their accommodation of
choice online. A company’s website is often times a potential customer’s first contact with a service provider. This, in turn, means that not only the service has to be appealing, but so does the digital content. (Litja 2016.)

1.2 Aim

The aim of this research is to study the current state of affairs in North Karelia’s tourism industry in terms of demand. This paper’s goal is to answer three research questions: how has inbound tourism developed in recent years? What has affected the development? What steps of improvement could be taken?

Factors regarding the suggestions of this research paper were given rules by Karelia Expert. It was stated that the suggestions that results of the research are necessary to be realistic. Most tourism-related companies in North Karelia are small, which, in turn, means that the recommendations need to be adjusted accordingly. It was also stated that the single largest issue currently for tourism companies in the area is visibility (Litja 2016).

1.3 Methodology

This paper utilizes secondary data, primary data and two tools that are used to assess the gathered data. The secondary data used in this research was obtained from databanks. This data consists of statistics regarding inbound foreign and domestic tourism in North Karelia as well as information regarding border activity and changes in tax free sales. Statistics were used to understand the development in inbound tourism in North Karelia during previous years.
Primary data was gathered through face-to-face interviews that were conducted between the April 11 and May 19, 2016. Eight companies were interviewed. The personnel that were interviewed were directors and CEOs of activity-based or accommodation-based companies, aside from one company; in this company’s case, a sales secretary was interviewed. The interviews were conducted in order to understand what has happened with inbound tourism recently from a company’s point of view. The Ansoff matrix was used to understand the companies’ adaptation strategies towards the development in tourism. A SWOT matrix was used as a risk assessment tool.

1.4 Outline

The first part of the paper describes how the companies’ strategies for coping with a decrease in the demand were analyzed. The second part of the research focuses on tourism flows with an emphasis on the demand of tourism services in North Karelia. Data is used to analyze the fluctuations in demand in recent years and to compare the statistics to interviews conducted for the research. The third part describes the consequences of the decrease in demand from the two main tourists groups, Russian and Finnish tourists, on a company level. The fourth part of the paper consists of suggestions that were made according to the found development in inbound tourism in North Karelia. Lastly, conclusions are made.
2 ADJUSTING TO CHANGES IN DEMAND

2.1 Ansoff Matrix

In this paper, the Ansoff Matrix will be used to analyze the consequences of the decline in demand on the company level. The four dimensions of the Ansoff Matrix are demonstrated in Figure 1.

![Ansoff Matrix Diagram](Source: Ansoff Matrix 2016)

Figure 1. The Ansoff Matrix (Source: Ansoff Matrix 2016).

The Ansoff Matrix is a tool with which companies can direct their future development. Companies can achieve growth and adapt to changes in the market with four different strategies: market penetration, product development, market development and product/market diversification. A strategy that utilizes market penetration focuses on improved or extended marketing. Product development is a strategy that uses product development: this strategy emphasizes developing the current product or launching a new product. Market development focuses on reaching new markets, leaving the product as is. Product/market diversification can be a “turnabout” for a company. This strategy focuses on both new and/or developed products and extending the target market to new market segments.

The usage of the Ansoff Matrix can be explained via an example. A company that took part in the research will be used. The company’s core service is services that relate to the outdoors and especially water, as in lakes and rivers. An example of their services is the rental of canoeing equipment.
In recent years, the company was focused on Russian tourists that visit North Karelia. Russian tourists made up a majority of the customer base. However, due to changes in Russia’s economy, the demand for the company’s services from Russian tourists has decreased. Therefore, the company shifted its focus to domestic customers as well as to customers from other countries.

The company’s focus being on bodies of water, high and low seasons are inevitable. Canoeing, for example, is impossible during winter. The company decided to expand their service offering to include a café and accommodation services in the form of cottages. Their accommodation services work year round, allowing for operations during winter.

In this company’s case, their target market has shifted from Russian tourists to other tourists as well as locals. According to the Ansoff Matrix, this is described as market development. However, they have also expanded their service offering with services completely new to their company. According to this information, the company is utilizing a product/market diversification strategy.
2.2 Risk assessment

Risk assessment is a part of risk management in which the focus is on finding what the risks are. In the case of tourism, which is affected heavily by trends and economic fluctuations, risk assessment is vital. This research uses the SWOT model in order to assess potential risks. The SWOT analysis has four factors which can be divided into two sections: internal (strengths, weaknesses) and external (opportunities, threats). Internal factors are factors innate to the company, while external factors are either positive or negative possibilities that the company cannot affect. The SWOT model allows the identification of risk factors that were previously unnoticed. The SWOT analysis model is seen in Figure 2.

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<td>External</td>
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Figure 2. SWOT matrix (Source: Pestle Analysis 2016).
3 RECENT DEVELOPMENT IN TOURISM IN NORTH KARELIA

Tourism is a section of business that is very sensitive to change. Leisure tourism is strongly affected by purchasing power, as it can be considered a luxury, not a necessity. Luxury products or services are affected most by economic downfalls, because they are not necessary for daily life and their usage can be reduced or halted if the economic situation is dire.

The next part of this paper will focus on statistical data involving the inbound tourism flows to North Karelia. However, it is important to note that none of the statistical data used in this research includes overnight accommodation services that have less than 20 beds available (Statistics Finland 2016). Furthermore, tourists that prefer to stay at a relative’s or a friend’s home are not included. It can be assumed that staying at a relative’s or a friend’s place is popular among the domestic tourists and travelers.

Figure 3. Total spent nights in accommodative services by all tourists per year, North Karelia area (Source: Statistics Finland 2016).

Figure 3 demonstrates that the use of accommodation services has seen steady numbers in terms of demand. The effects of the global recession can be seen
clearly – the years during which the recession began show a decrease in demand. The average nights spent during the period of a year totals up to 466,763 nights. When comparing this number to the years of lowest demand (2008 and 2009), a decrease of 7.75% and 10.8% is observed. When taking into account the “volatile” effect of economic change on tourism, it can be said that even during these two years, the total nights spent stayed at reasonable levels.

When considering the issue from the perspective of foreign tourists, the statistics look completely different. Figure 4 demonstrates the number of nights foreigners have spent using North Karelia’s accommodation services. It can be stated that the difference in the total amount of total nights spent in North Karelia is considerably large.

![Figure 4](image)

**Figure 4.** Nights spent in North Karelia’s accommodative services by foreign tourists per year (Source: Statistics Finland 2016).

The total number of foreign tourists has seen unstable growth from 2004 to 2015. The total number of nights spent in North Karelia’s accommodation locations has nearly doubled when comparing 2004 and 2015. Additionally, a significant growth is observed in Figure 4 from 2011 to 2012. In percentages, the increase is approximately 43%. The growth during the period of 2004-2015 has been unstable,
however. A large decrease in foreign tourism in the North Karelia Region is demonstrated in Figure 4 from 2014 to 2015. During that same period, the external value of the Russian rouble fell. It is likely that the weakening of the rouble’s value is a driving factor of this decrease. Foreign tourists make up 10-20% of North Karelia’s tourists according to the nights spent in accommodation locations. In 2015, 18.3% of all tourists in North Karelia were foreign.

North Karelia’s tourism inflows categorized by country of origin are shown in more detail in Appendix 2. Russian tourists make up the greatest portion of North Karelia’s foreign tourists. One vital factor to note is North Karelia’s location next to the border of Russia – it is one of the closest areas to a Russian border crossing in Finland. The distance from the border is shown Figure 5. However, lately, the decline in the external value of the Russian rouble has made Finland a less appealing place to visit. When comparing the years 2014 and 2015, the number of nights spent by Russians in North Karelia were cut in half. Before that time, Russian tourism was on a steady rise in the area.

Figure 5. Distance from Joensuu to Niirala border crossing (Source: Google Maps 2016).

The next most important countries for North Karelia in terms of inbound tourists are Norway, Germany and Asian countries. In only one year, from 2014 to 2015,
the number of Norwegian tourist multiplied. This may be a result of special events, such as the Biathlon World Championships, which took place in North Karelia.

These figures show that the tourism industry in North Karelia is currently in a fluctuating state. The current development is instable growth. However, customer segments have changed to an extent – Russian tourists have become less relevant than they were before, while there is increasing interest from Scandinavian countries as well as Asia. Domestic tourism still makes up for the majority of inbound tourism in North Karelia. The percentage of Finnish tourists coming to North Karelia fluctuates on a yearly basis. Domestic tourism works in cycles with high years and low years, while the average stays roughly the same. Years of high and low demand in domestic, inbound tourism in North Karelia are to be expected (Litja 2016).

To understand the scope of North Karelia as a region for tourism, it is important to compare the statistics to another region. The number of nights spent in Finland by all tourists, domestic and foreign, can observed from Figure 6.

Figure 6. All nights spent in Finnish accommodation service companies (Statistics Finland 2016)
When comparing the statistics between Finland as a whole and North Karelia, a similarity in the development is revealed. Additionally, 70% to 80% of all tourism in Finland is fueled by domestic tourism. A larger percentage growth of foreign tourists can be observed in the North Karelia Region. North Karelia makes up for approximately 2.5% of Finland's total nights spent in accommodation service companies.

Tax free sales is an indicator which can be used to understand the shopping habits of foreign tourists when they are visiting Finland. Figure 7 is used to analyze the tax free sales in Finland as a whole as well as in specific regions. Tax free sales are specifically sales made to foreign tourists.

![Figure 7. Tax free sales in Finland, 2014-2015 (Source: Global Blue 2016).](image)

In Finland as whole, the tax free sales have fallen by a large margin. In one year, the tax free sales have been cut in half (-49%). What is more, the “heart” of North Karelia, Joensuu, has seen a decrease in tax free sales by nearly two-thirds (65%). This indicates that shopping tourism has seen a large downswing – less tourists visit North Karelia specifically to utilize the possibility to purchase products without tax. It can assumed that most of the tax free purchases in North Karelia are made by Russian tourists as it directly correlates to their nights spent in the region.
The number of nights spent in North Karelia by Russian tourists has plummeted as of late (Appendix 2). However, they are still a major source of tourism for the area. To demonstrate the seasonal fluctuations in inbound Russian tourism to North Karelia, Figure 8 is used.

![Figure 8](image)

Figure 8. Inbound Russian traffic to North Karelia in 2013 (Source: Rajavartiolaitos 2016).

The highest amount of incoming traffic from Russia to North Karelia takes place during July and August. These months are oftentimes the warmest months of the summer, and Russians time their visits accordingly. The other high season, December and January, can be assumed to originate from Christmas and Russian New Year festivities during which many have their holidays.
4 INTERVIEWS WITH TOURISTIC SERVICE PROVIDERS

4.1 Conducting interviews

This chapter focuses on the interviews that were conducted to attain company-level views of how the weakened economic situation globally has affected the touristic service providers in North Karelia. All of the companies that took part in this research are tourism, accommodation or activity-related service providers in the North Karelia region. The personnel that were interviewed were directors and CEO’s of the companies, aside from one company in which a sales secretary took part in the research. The interviews were conducted in between 11\textsuperscript{th} of April and 19\textsuperscript{th} of May. Eight companies took part in the interviews. The names of the companies have been omitted to preserve privacy. The interviews were conducted face-to-face and in a semi-instructed manner. The semi-structured outline of the interviews is shown in Appendix 1.

Company 1 – theme park

Company 1 is a theme park located approximately 50 kilometers from Joensuu. The company’s service offering consists of specifically mining-themed activities. Company 1’s target audience is children, making elementary school classes and families with children its target market. However, with plans for additions to its service offering, the company’s aim is to expand the target market to young adults as well. Company 1 has been working only since 2014 with two summer seasons behind it. During the interview, Company 1 noted that weather is a “make-or-break” factor when it comes to demand. The bad weather of summer 2015 did not yield the wanted growth when compared to the sales of 2014. For Company 1, private customers make up for a major part of the customer base, whereas business-to-business (B2B) customers are less relevant. However, during special occasions, such as May Day, organizations have rented the park for everyone to
visit for free. The number of foreign customers to Company 1 has been very minor so far.

In terms of the Ansoff Matrix, Company 1 has focused on market penetration so far. It has paid the most attention to marketing efforts and continuously improving them. Plans are to also develop market and product-wise by developing new services for a different target market, as in services directed at young adults.

Company 1’s most distinguished strength is its unique service offering in the area thanks to its theme. Additionally, it is one of the very few theme parks in North Karelia. Additionally, Company 1 is located next to a bundle of other leisure time service providers with which the company co-operates. The small size of the company is a strength – it allows the company to maneuver in a quick manner when making changes and developing services. The weaknesses of Company 1 are a lack of marketing and therefore a lack of visibility. This echoes from the common issue of many small and recently started companies – a lack of resources. Another weakness of Company 1 is that its service is, for the most part, a one-time experience. Constant service development has to be made in order for most of its customers to come visit again.

Opportunities for Company 1 come in the form of trends and improvements in the economic situation. If the economy is to improve, the consumption of luxury products and services increases. Free time activity services and touristic services are a part of luxury products, and one of the categories that is affected by the economic situation the most. Improvements in the economy may result in increased demand in Company 1’s services. Shifting trends are an opportunity as well as a threat to Company 1. Trends in how potential customers spend their free time may either attract or repel them. One of the main threats to Company 1 is new entrants to the market. As of now, theme parks in the North Karelia Region are rare, which may result in an increased interest of entering the theme park market.
Company 2 – tourism center and museum

Company 2 is a tourism center and a museum in North Karelia, 50 kilometers away from Joensuu. The tourism center is a bundle of companies working in tandem with each other, allowing for joint operations. The co-operation between the companies started in 2015. The company’s service offering consists of a mining museum, conference rooms and different sports activities. Due to the company’s variety in services, its target market is wide. For Company 2, B2B customers make up for approximately 20% of all customers. Foreign customers account for ~5% of all customers per year. Company 2 has run tests regarding target segments, specifically targeting a niche segment and seeing how the segment responds – for example, such a test was run using hunting unions as the target segment.

Company 2’s adaptation strategy in terms of the Ansoff Matrix can be defined as product/market diversification. Company 2 has made clear efforts in expanding to other market segments as well as developing its services further.

Company 2’s most important strength is its strong co-operation with the local companies. It allows for bundles and packages of services at the customer’s convenience in addition to visibility. Company 2 has sufficient resources for future development as well. Company 2 is in a market which is hard to enter; therefore being rather well protected from new entrants. Its marketing strategy of targeting very specific audiences is a strength, too, as it allows them to see which target segments work out the best for them. Furthermore, the company’s mining-themed museum is a unique service in North Karelia. Company 2’s weakness is its lack of visibility. The lack of visibility makes it tough for Company 2 to actively attract new customers aside from those who become customers through its specified marketing efforts.

Company 2’s opportunities and threats are similar to those of Company 1. As for opportunities, if the economy is to improve, the consumers’ ability to spend more on free time activities increases. This, in turn, is very likely to result in increased demand in the company’s services. Foreign customers are an opportunity for the
company, too – as of now, the company has had an emphasis on the domestic market. Trends play a large role in the spending of free time, either having a positive or negative impact on the demand of the company’s services.

**Company 3 – theme park and indoor activities**

Company 3 is a producer of leisure time activities. It consists of two separate entities: a climbing-themed theme park and a “room escape”-themed area of puzzles. Company 3 has a unique service offering in the North Karelia Region – however, it decided to focus on the local market at the expense of tourists. This results in the number of foreign customers being near to none. B2B-customers make up the majority of the customer base during spring and autumn, whereas summer is dominated by private customers. Due to the nature of the services provided, Company 3 strives towards having constant development to keep its offered activities fresh.

Company 3 was content with its current reach in the market, leaving out the market diversification strategy of the Ansoff Matrix. However, its constantly developing services directly point towards product development as an adaptation strategy.

Company 3’s strengths include a unique service offering and constantly developed services. Furthermore, Company 3 has the ability to change its services quickly. The company’s weakness is the service being a one-time experience – it will require constant development and effort to have returning customers visit regularly. The company’s opportunities and threats are very similar to Company 1 due to its core service being a theme park. The company’s opportunities rise from trends in spending leisure time and the potential increase in customers’ capability to spend more on free time services. As for threats, Company 3 has to watch out for new entrants in the market as well as its customers’ interests – in order to develop a service, the company needs to know what the customers want.
Company 4 – hotel, restaurant and activities

Company 4 is a provider of accommodation, free time activity and restaurant services. Company 4 was founded in 1978 and its core services have stayed the same ever since. The service offering has been expanded to some degree and there have been marketing campaigns directly aimed at specific crowds, e.g. Russian tourists. However, since the fall in the Russian ruble’s value, the company’s most important market segment is domestic tourists. Additionally, Company 4 noted that the effects of the financial crisis have directly correlated to the number of customers. Company 4 has kept up-to-date with the current and upcoming trends and its goal is to follow them, improving and expanding its service offering accordingly. Creating a weekly timetable for the activities that it offers has increased the demand of said activities substantially.

According to Ansoff matrix, Company 4 is a company that follows the product/market diversification strategy. It has implemented changes to its target market as well as its services according to current trends and are in the process of doing so in the future.

The strengths of Company 4 include a solid foothold in the market and a well-known name. Co-operation with activity service providers and transportation service providers allows them to efficiently serve its customers. Company 4’s weakness is its location – it is located quite a distance away from Joensuu. It has implemented co-operation with taxis and buses to combat this, however.

Opportunities for Company 4 come from market trends and potential expansion in co-operation. Trends are a very important opportunity for Company 4 as it actively follows the ongoing trends. In addition, the potential increase in the customers’ spending capabilities on luxury services is an opportunity for the company. Threats for the company are the risk of increased competition and new entrants. This is due to the company’s service offering not being unique.
Company 5 – hotel and restaurant

Company 5 is a hotel that focuses on restaurant and accommodational services. It is located in the center of Joensuu. Additionally, Company 5 is a part of a larger chain of hotels. According to Company 5, special events such as festivals and competitions have a large impact on the number of customers. Moreover, the company noted that year 2015 was very successful and that the reason behind it was the abundance of events in North Karelia. Approximately 10% of Company 5’s customers are foreign. Most customers of Company 5 are from the B2B side (85%). Company 5 has focused on the target segment of businessmen and personnel who often travel for work. The company’s chain has a loyalty program which allows its customers that travel for work to also receive complimentary or heavily discounted prices at the chain’s hotels when they travel for leisure. Company 5 has been working on package solutions with a third party to allow for a combination of accommodation and activities.

Company 5’s service development (as in combining activities and accommodation) is also targeted at a different crowd than its most important market segment. Company 5 noted that businessmen are increasingly busy and barely have any time to do anything aside from work and sleep. This renders a package with accommodation and activities unfit for them. The Ansoff Matrix indicates that Company 5 is utilizing a market/product diversification strategy for adaptation.

Company 5’s strengths include a vital location in Joensuu, a loyalty system, a well-known brand and a respected name. The company’s weakness is its non-unique service offering that can be easily replicated. Opportunities of the company include events that take place in Joensuu and potential co-operation with activity service providers. Company 5’s most important threats are increased competition and new entrants in the market.
Company 6 – caravan, cottage and apartment accommodation

Company 6 is a company very close to the center of Joensuu. Company 6’s service offering includes accommodation services that consist of apartments and areas for camping and caravans. Company 6 noted that the decrease in Russian tourism in Finland has had an obvious effect on the number of yearly foreign customers; however, special events such as Russian New Year still bring Russian tourists to Joensuu. Currently, approximately 5% of Company 6’s customers are foreign. Company 6 has made changes to its marketing operations, paying it much more attention than previously. Additionally, Company 6 has improved its service offering by keeping the camping sites open for the whole year. Approximately 50% of Company 6’s customers are from the B2B sector. During special events, private customers are a majority. According to Company 6, customers currently are more wary of expenditures than previously. The company also noted that it is likely linked to the current economic situation.

Company 6 focuses on improving its services at a constant rate, the newest one being an extension to their season of service – the company is now open year round. Furthermore, the company always tries to go “the extra mile” for its customers. A shift of target market from Russian tourists to a wider audience was made when the ruble became unstable and lost nearly half of its value. The Ansoff Matrix indicates that Company 6’s adaptation strategy is product and market diversification.

The key strength of Company 6 is a centrally located accommodation service with several accommodational options to choose from. Furthermore, yearly events take place just next to where the company operates. Weakness of the company is general visibility; however, improving marketing is an ongoing development for the company. An important opportunity for Company 6 is to exploit any and all new special events and festivals that take place in Joensuu due to its location and variety in accommodation. Additionally, potential co-operation provide opportunities for the company. Threats in regards to Company 6 include competition and the possible lack of events.
Company 7 – activities and accommodation

Company 7 is a producer of experience and activity services. Its main focus is on activities that can be done on water, such as canoeing and fishing. As of late, it has also expanded into accommodation services by offering cottages for rent. The company has been working since 2013, so it is rather new. When Company 7 was founded, its main target segment was Russian tourists. However, shortly after the value of the Russian ruble dropped, it was necessary to focus on other market segments instead. Currently, a total of 25% of all customers are foreign. Most of the foreign customers are either from Middle Europe or Asia. Company 7 noted that since Russian customers became rarer, the average expenditure per person fell down significantly. Approximately 40% of all customers are from the B2B sector. Company 7’s plan for the near future is to improve marketing and expand the service offering so that there are more services available during winter.

Company 7 has had to shift its market due to the financial issues in Russia, pointing towards market diversification. Additionally, to improve the company’s winter season, it is planning to add services that fit the season – currently, the season is rather strictly from spring to autumn. The Ansoff Matrix defines Company 7 as a company that uses product/market diversification growth strategy.

The company’s key strengths are flexibility and a service that is unique for tourists and travelers who rarely visit North Karelia. Additionally, its ability to make changes to its services and its target segments allows them to react to market trends quickly. Company 7’s flexibility and small size comes with a weakness, though – it may lack resources at high demand seasons. Company 7’s opportunities include co-operation and improvements in Russia’s economy – Russia was its most important customer segment previously. Threats include negative trends in activities and competition in the activity service market in North Karelia.
Company 8 – hotel and restaurant

Company 8 works in the accommodation and restaurant industry. It is the largest company interviewed for this paper and it has two hotels in Joensuu. Company 8 stated that the most differences in demand of its services comes from events that are hosted in the North Karelia Region. Outside of events, the number of customers for its services stays roughly the same every month. Approximately 8% of Company 8’s customers are foreign. Furthermore, 70% of its customers are from the B2B side. In turn, this makes special holidays troublesome for Company 8: if, for example, a week is cut from the middle so that the only working days of the week are Monday, Tuesday and Friday, the business travelers often arrange their trips for another week. Also, a new customer segment of personnel working on longer projects in North Karelia is emerging. As of late, Company 8’s services have remained the same. However, the company is planning a larger marketing campaign aimed at international customers. Company 8 stated that it will market the chain’s services in combination with one of its hotels, so that the customers may choose which fits them the best. All of the hotels are located in North Karelia.

In addition, Company 8 has plans to develop co-operation within the region in order to offer packages that combine activities with its accommodation services. This form of development is to be tied together with the focus in international marketing.

Company 8 is currently using a growth strategy that focuses on improving and expanding its marketing operations. This indicates that Company 8’s strategy is, according to the Ansoff Matrix, market penetration. Company 8 is one of two companies that focus solely on market penetration.

Company 8’s key strength is a very strong chain and brand. A major strength is also its marketing and resources. Furthermore, the company’s location is excellent. Weaknesses of Company 8 include a lack of flexibility and a service offering that has no unique attributes.

An opportunity for Company 8 is in regards to what was mentioned in the interview – business travelers who stay a longer while to work on a project. If their
needs can be catered to, Company 8 has the opportunity of seizing a customer segment. A threat to the company is mostly competition with other similar service providers in the Joensuu area.

4.2 Findings

All of the companies that have had Russian customers have noted that Russian tourism in the North Karelia region has substantially decreased during the last few years. This complements the findings in the statistics about Russian tourists visiting North Karelia less and spending less in the region. This has driven many of the companies that earlier relied more on Russian tourists to shift their focus into other markets.

According to the interviewed companies, a majority of the tourists in the region are domestic. Many of the interviewed companies had decided that before focusing on foreign customers, they would like to have a solid foothold on the domestic market first. This can also be seen in the numbers of foreign customers the interviewed companies provided: 5% of all customers were foreign as a median.

Several of the companies mentioned that visibility is a major issue. Additionally, most of the interviewed companies mentioned that they have just begun or started focusing on improving their marketing. In regards to marketing, all of the companies recognized that the advancement in technology has had an impact on the industry. There are several websites that allow customers to review places that they've visited, such as hotels, cottages, theme parks, restaurants and so on. Potential customers may look up their services of choice and see how well other users have rated them.

All of the companies that were interviewed have taken part in some co-operative actions with other companies in the North Karelia region. So far, the co-operation has been limited to e.g. marketing and packages of services from several service providers. In addition, all of the companies have had some co-operation with
other companies before. The companies agreed that co-operation is vital for tourism in North Karelia to flourish.

Five out of eight of the companies that were a part of the research were utilizing the market/product diversification adaptation strategy. This iterates into several points: first, the North Karelian market of accommodation, leisure time and tourism services may require rapid overhauls to their target market – a prime example is the change from Russian customers to domestic customers and other foreign customers. Additionally, the research showed that many of the North Karelian tourist service providers are constantly developing their services: six out of eight of the companies taking part in the research had either expanded or improved their services consistently. Figure 9 demonstrates the spread of companies in the Ansoff Matrix.

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Figure 9. Companies involved in the research placed on the Ansoff Matrix.

Competition and new entrants are a threat to three of the companies due to the nature of the companies’ service offering – their services have no unique attributes. Furthermore, many of the companies that took part in this research, especially the companies with a customer base of mostly private customers, are susceptible to fluctuations in the economy as well as shifting trends. Opportunities rise from the development in co-operation and special events in the region.
The majority of the companies interviewed had noted a steady yearly growth in their customers, even though some negative effects have been in play as of late – take, for example, the decrease in the Russian ruble’s value.

5 SUGGESTIONS

The goal for this research paper was set to find viable and realistic recommendations for companies that work in the tourism, accommodation and leisure time service industries in North Karelia. Several weaknesses and opportunities were found when conducting the interviews according to which the suggestions were designed.

5.1 Emphasis on co-operation

Co-operation was found to be a factor that many of the companies have utilized to some extent, but it is a work in progress. The first recommendation is to increase co-operation among the companies working in the area. Having tied-up service packages that consist of several activities and accommodation all wrapped up together provides convenience for customers to purchase said services. Additionally, if a potential customer notices that there is a package with e.g. two nights at a hotel and a day at a theme park, they might hear about the theme park for the first time, promoting the company that is not directly linked to the hotel service. This strategy can be utilized to a larger degree as well, making it possible to for the customer to tailor a set of wanted activities into their accommodation of choice. This could yield positive results for the smaller, less-known companies by increasing awareness and for the larger companies by being able to combine several activities into a package.
Co-operation of this sort has been done information-wise in the form of Visit Karelia (visitkarelia.fi 2016). The addition of being able to reserve and book activities, services and accommodation through such a website could increase the comfortability of organizing a trip to North Karelia. A joint marketing plan for advertising services through Visit Karelia could potentially increase awareness as well as attract more tourists.

5.2 Comparing Visit Karelia to Visit Estonia – points of development

To further explain the idea of a joint marketing program, a comparison was made between two very similar websites: Visit Karelia and Visit Estonia. The idea behind both of these websites is to provide a potential tourist, foreign or domestic, with information of the area they are going to or planning to visit. The information on these websites is focused on accommodation, activities, events and even guides on what to do and where. However, Visit Estonia differs from Visit Karelia in a few distinct ways. When browsing, for example, for accommodation, Visit Estonia allows the customer to see reviews of the service providers as well as to make a reservation for the chosen accommodation option. This allows the customer to easily compare and choose the option they would like to have. This increases customer convenience and is a feature that is missing from Visit Karelia. This also compliments the fact that some of the companies that are listed in the website have mediocre websites and booking, or reserving something is difficult – making it even more so important to have a convenient alternative.

Another feature that Visit Karelia could benefit from is the possibility of seeing the traveling options to and in the area. Visit Estonia features options that allow the user to find out ways to get there, as well as with what to move when there – such as, car rentals, buses, trains and so on. For Visit Karelia, the option to see the possible means to get to North Karelia may not be feasible; however, how to move in the region could very well be.

Customer convenience and being able to find nearly everything important from one place is the aim of these improvements. The current Visit Karelia website is
a start and it helps a potential tourist to find information regarding the area, but there is room for improvement. These improvements have the capability of tying the services together even better by being available for rent or purchase at one place. The development of such a service could be implemented by co-operation of the involved companies.

5.3 Strategies and service diversification

According to the company interviews, most if not all the companies noted that there are specific high and low seasons during the year. This is an unfortunately usual case for tourism-related businesses. However, there are means to combat this effect. The first suggestion is to hold special campaigns during the off seasons. Offering discount packages often has an impact on sales – especially in the digitalized world of today. During the interviews, many companies stated that customers are very price-sensitive nowadays thanks to the opportunity of conveniently comparing prices online.

Another option to reduce the variance in seasons is to consider adding more services that are compatible to any weather and/or aimed at the lower seasons of the year. Two of the companies interviewed had deliberately created services to fill in the off seasons of the year, allowing the company to work year round. This is definitely an option as well, but it may require investments.

All tourists that visit North Karelia need a reason to visit the region. Some may come for activities the region provides, some for the landscapes and some for the events. Several of the interviewed companies mentioned that traditions and history are topics that interest tourists. These trending interests are utilized to some extent, but there’s potential to use them favorably when developing services further. Additionally, one company mentioned that there’s an uprising trend of “silent traveling” (hiljaisuusmatkailu). Silent traveling refers to traveling to a place where one can relax and enjoy the peace and quiet that the place offers. One of the companies had set their sights on seizing this opportunity, and it is an opportunity for touristic service providers in North Karelia. Areas of North Karelia, such as
Koli, can offer a haven of peace and quiet for those who want to escape the busyness and noise of a city. These trends are an opportunity for the touristic service providers, however, development has to be done in order to exploit them.

5.4 More focus on foreign tourism

According to the interviews, North Karelian tourism-related companies’ customers are mostly domestic. According to Karelia Expert, attracting foreign tourists to North Karelia is not an easy nor a quick process. However – if done right, it may prove very fruitful, as many tourist companies in North Karelia have generally disregarded foreign tourists aside from Russians. It is a long process that requires plenty of resources, but it may lessen the effects of low seasons. Additionally, the joint marketing strategy regarding digital marketing may be utilized in international sales and marketing.

6 CONCLUSIONS

The previous years in North Karelia in terms of tourism have had their ups and downs. As of 2015, there is a decline in total nights spent in the region. According to Karelia Expert (Litja 2016), the year 2015 was saved in terms of inbound tourism by the multitude of special events throughout the year – if they were not there, it would have been much worse. It is likely that as soon as the Russian ruble’s external value increases, the area will see more tourism from Russia. In addition, active development is being done to attract other parts of the international markets. Stabilization in the global economy will also benefit the tourism industry: traveling is, after all, a luxury service.

The research showed that tourism in North Karelia is a developing industry with opportunities to expand. Only a small percentage of tourism in North Karelia is foreign. Currently, the majority of companies in the industry are small-to-medium
sized. Hence, many have been reluctant to delve in to the international market. However, development is made to make that possible in the form of a co-operative project that is directed towards Middle Europe.

The interviewed companies that focus on B2B customers have had stability throughout. Both of these companies included in the research had interest in developing their service offerings for private customers as well.

The most important points that came up during this research were visibility and co-operation. All of the companies had previously engaged in some joint operations with other companies in the area. Larger-scale co-operation is one of the key recommendations that were found in this research. By doing so, it is possible to gain access to a larger crowd at the customer’s convenience. For example, booking/reservations, marketing and service packages are ways to co-operate. Additionally, marketing efforts were a future developing point for the tourism companies in the area. Seven out of eight companies stated that they have plans for improvement in their marketing. It was suggested that marketing efforts may also be done in a co-operative manner.

Company personnel. Several titles. Several companies. 11.4.2016-19.5.2016.


Google. 2016. The distance from Joensuu to Niirala border crossing. Google. https://www.google.fi/maps/dir/Joensuu/Niiralan-rajanylityspaikka,+Tohmaj%C3%A4rvi/@62.389766,29.9084501,10z/data=!3m1!4b1!4m13!4m12!1m5!1m1!1s0x469b8665df05a50d:0x601790016cff7e27!2m2!1d29.7635719!2d62.6010155!1m5!1m1!1s0x4699f4d08a2a63:0x62d9b7196c7ic150!2m2!1d30.6136656!2d62.1719819/. 25.4.2016.


Semi-structured interview outline

1. What is the main line of business of the company?
2. When was the company founded?
3. How many customers do you have per year, on average?
4. Have there been distinct differences in the demand for your services between years?
5. How many of your customers per year are foreign? (percentage)
6. How many of your customers per year are B2B? (percentage)
7. Have any major changes in the company’s service offering or marketing taken place?
8. Have there been any trends in the company’s customer base? (e.g. spending habits, high/low seasons, demographics, motives)
9. Has the company participated in any form of co-operation with other service producers in the area? If yes, what?
### Appendix 2

**Nights spent in North Karelia’s accommodative services by foreign tourists per year, sorted by country, years 2004-2015** (Statistics Finland 2016)

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