

# **The Financial Impact of Covid-19 on Tourism in Lapland**

Emma Rekilä



<b>Author(s)</b> Rekilä, Emma	
<b>Degree programme</b> International Business	
<b>Report/thesis title</b> The Financial Impact of Covid-19 on Tourism in Lapland	<b>Number of pages and appendix pages</b> 36 + 5
<p>This thesis is about the financial impacts that have been caused by coronavirus on companies in the tourism industry in Finnish Lapland. Many companies in tourism have been impacted by coronavirus and the different restrictions set on travel and tourism as its result. This has meant a loss in demand for their services and thus a decrease in their revenue.</p> <p>The objective of this thesis is to find out about the financial impacts caused by coronavirus on companies in the tourism industry in Finnish Lapland. The research question was <i>What are the financial impacts of Covid-19 on tourism in Lapland?</i> This was supported with the following investigative questions: what are the main financial impacts? What is the impact from reduced foreign tourism? What has been done to reduce negative financial impacts? What can be further done alleviate negative financial impacts? Thus, a survey was sent out to companies providing services in the tourism industry, located in Finnish Lapland.</p> <p>The survey was in Webropol and the sample size was quite small making this study a pilot study due to the small sample size. Primary and secondary data were used for research for the thesis.</p> <p>Many companies have relied heavily on foreign tourism and the lack of it has caused severe financial losses for them. Not only is professional staff being lost but also the future of the companies is uncertain. Some companies will not be able to survive with only domestic tourism. This is viewed through for instance, supply and demand of tourism. This was a key finding.</p> <p>Companies in the tourism industry in Finnish Lapland have also incurred different costs because of the virus, however the biggest issue lies in lost profits while costs remain somewhat similar. Additionally, different measures have been taken to reduce the financial impact of coronavirus. These measures include for instance, government support, reductions in staff, and increasing borrowing.</p> <p>Overall, demand for the services of the companies have decreased as a direct result of coronavirus. Companies have been taking different measures and trying to sell their services to the domestic market. Modifying their services to appeal to the domestic consumers as well as divulging further into digitalization are recommendations to companies.</p>	
<b>Keywords</b> Coronavirus, financial impact, tourism	

## Table of contents

1	Introduction.....	1
1.1	Background.....	1
1.2	Demarcation.....	2
1.3	Research Question .....	2
2	Impact on Tourism in Lapland Through Theory .....	4
2.1	Key Concepts.....	4
2.2	Supply and Demand in Tourism.....	5
2.2.1	Supply and Demand in Tourism During Covid-19 .....	6
2.3	Expectations and Business Confidence.....	6
2.4	Foreign Overnight Stays .....	7
2.5	Service Modifications .....	8
3	Methodology.....	11
3.1	Research and Design .....	11
3.2	Population and Sampling .....	11
3.3	Data Collection.....	12
3.3.1	Primary Data .....	12
3.3.2	Secondary Data .....	12
3.4	Reliability and Validity .....	12
3.5	Limitations .....	13
4	Results .....	14
4.1	Companies .....	14
4.2	Impact on Sales .....	15
4.3	Business Status .....	17
4.4	Costs.....	18
4.5	Matters That Have Risen .....	19
4.6	Measures Taken .....	19
4.7	Service Modifications .....	20
4.8	Foreign Tourism.....	20
5	Discussion.....	21
5.1	Impact on Supply and Demand.....	21
5.2	Costs Incurred and Impact of Covid-19 .....	25
5.3	Reducing the Financial Impact.....	27
5.3.1	Service Modifications .....	28
5.4	The Status of the Business .....	29
5.5	Summarizing Findings .....	31
5.6	Further Research and Suggestions .....	32
5.7	Learning Process and Evaluation .....	32

6 Conclusion.....	34
6.1 Key Findings .....	34
6.2 Recommendations .....	35
6.3 Further Research .....	35
6.4 Reliability and Relevance.....	35
6.5 Reflection on Learning .....	36
References.....	37
Appendix 1. Survey .....	42

# 1 Introduction

This thesis is a research bachelor's thesis for the degree program in International Business taught at Haaga-Helia University of Applied Sciences, in the major specialization of financial management. The purpose of this introductory chapter is to allow the reader to gain knowledge and insight on the background of the thesis as well as introducing the topic.

## 1.1 Background

As the world has been hit by a storm with the new pandemic, coronavirus (Covid-19), the tourism industry, like many others suffer from negative financial impacts (Jones, Palumbo & Brown 2021). Tourism in Lapland has had repercussions and will continue to face them as the pandemic continues to shake the world (YLE News 2020). This thesis will focus on what kinds of financial impacts have been caused by Covid-19 on the tourism industry in Lapland, specifically the impact on the companies providing services.

Globally tourism is around ten percent of gross domestic product (GDP) by 2019 figures, Covid-19 has caused havoc and lead the industry into crisis. Around the world, hundreds of millions of jobs are at risk (Constantin, Saxon & Yu 2020). The World Tourism Organization has announced that globally foreign arrivals dropped by 74 percent in 2020 in comparison with 2019 (UNWTO 2021). This has had great impact in Finland as well as, according to Ostbaum (2020) the economic recession was more moderate than expected. Ostbaum (2020) additionally predicted that if the pandemic cannot be contained during winter there may be permanent scars left onto the economy, in the worst-case scenario. Economies in recession see increases in their unemployment rates, which can also be seen in Finland (Global Economy 2021 & Syvänen 2021).

Furthermore, the Ministry for Employment and Economy (TEM) has evaluated that expenditure on tourism, including accommodation and any services linked, decreased as a direct result of Covid-19 by 60 to 70 percent (Yle 3 2020). Tourism in Finnish Lapland faced an unfortunate decline of 45 percent of non-residential tourists during March 2020 in comparison to the prior year (Statistics Finland 2020). Implying that tourists not living in that specific area have declined.

It has been forecasted by analysts from TEM that demand for tourism will not return to levels of 2019 before 2022. Domestic tourism declined by 50 to 60 percent and will play a key role in increasing demand for tourism (Yle 3 2020). As projected by analysts from the

TEM, it will take time to increase demand for tourism back to the level it has been. Moreover, companies are facing difficult times in the tourism industry due to the lack of demand caused by the pandemic. (Yle 3 2020.)

## 1.2 Demarcation

The thesis will focus on Finnish Lapland in order to be able to focus on a specific area. Thus, the scope will not include Swedish and Norwegian Lapland. This thesis will focus on companies providing services and experiences to customers and therefore, companies selling products are excluded.

## 1.3 Research Question

This thesis aimed to find the significance of the impact caused by Covid-19 on companies within the tourism industry financially. The focal point will be on companies that operate in Finnish Lapland. Furthermore, seeing what kinds of measures have been taken and will be taken were of interest in the thesis.

The main objective of this thesis was to indicate how Covid-19 has financially impacted tourism in Lapland. What the impact for companies has been and what kinds of measures they have already taken to fight against the consequences of the pandemic.

The research question (RQ) for the thesis will be as follows ***“What are the financial impacts of Covid-19 on tourism in Lapland?”*** Investigative questions (IQ) to support the research for this question have been listed below:

**IQ 1.** What are the main financial impacts?

**IQ 2.** What is the impact from reduced foreign tourism?

**IQ 3.** What has been done to reduce negative financial impacts?

**IQ 4.** What can be further done alleviate negative financial impacts?

The overlay matrix in table 1 below displays the investigative questions and research methods for them. Additionally, the results in which they can be found are displayed. It displays the theories and methods that were used for the research.

Table 1. Overlay matrix

Investigative question	Theoretical Framework*	Research Methods	Results (chapter)
IQ 1. What are the main financial impacts?	Theory, supply and demand applied to survey	Survey, applied theory	4
IQ 2. What is the impact from reduced foreign tourism?	Service Modifications, layoffs. Survey analysis. Supply and demand.	Survey, applied theory	4
IQ 3. What has been done to reduce negative financial impacts?	Survey	Survey, applied theory	4
IQ 4. What can be done to further alleviate negative financial impacts?	Theory, service modifications, survey analysis	Survey and theory	4

## 2 Impact on Tourism in Lapland Through Theory

This chapter will analyze the impact that Covid-19 has had on tourism in Lapland through different tools and theories. Firstly, key concepts will be discussed. Secondly, the impact will be analyzed through supply and demand and illustrated through graphs (Hillman 2014 ch.7). This will be followed by service modifications, to see what companies have done and if they have for instance introduced virtual tourism to their consumers.

### 2.1 Key Concepts

**Coronavirus disease (Covid-19)** is a disease that is infectious. Most infected people recover without serious illness. The spreading of the disease happens through droplets for instance, saliva when one sneezes or coughs. (WHO 2020.)

**Tourism** defined by Oxford Advanced Learner's Dictionary (2020) is "the business activity connected with providing accommodation, services and entertainment for people who are visiting a place for pleasure."

**Break-even point** is the point at which total costs equal total revenue. Meaning the point within a specified period at which revenue covers the costs. Thus, no loss or profit is being made at this point. After this point a company will begin accumulating profit. (Bankrate 2021.)

**Non-essential commodities** are goods/services that are not considered a necessity for the consumer (Ross 2020). Tourism fits into this category. During financially trying times consumers decrease their demand for non-essential goods and services (Ross 2020).

**Demand** can be defined as the quantity demanded by consumers of a good or service and their willingness to pay a price for it. Ceteris paribus, the law of demand refers to all else being equal to quantity demanded is in relation to the price. Therefore, in the case of a price increase, quantity will decrease. (Hillman 2014, ch.7)

**Supply** on the other hand refers to the quantity of the product or service the seller is willing to and able to sell at a given price (Tushar 2020). The law of supply discloses that when the price of either a good or service increases, the quantity of a good or service will too increase, ceteris paribus (all else being equal) (Hilman 2014, ch.7).



**Market equilibrium** is the point at which supply and demand equal in terms of both price and quantity. Equilibrium price is referred to as the only price both suppliers and consumers agree to and equilibrium quantity is the amount consumers are willing to and want to buy and suppliers are willing to produce. (Khan Academy 2020.)

**Costs** two different types of costs that will be examined in this thesis include **fixed costs** which are costs that do not change even when output does. Examples of fixed costs include rent, salaries, insurance. **Sunk costs** are costs that have been paid and cannot be reimbursed. An example of sunk costs are costs spent on advertising. (Pettinger 2019.)

## 2.2 Supply and Demand in Tourism

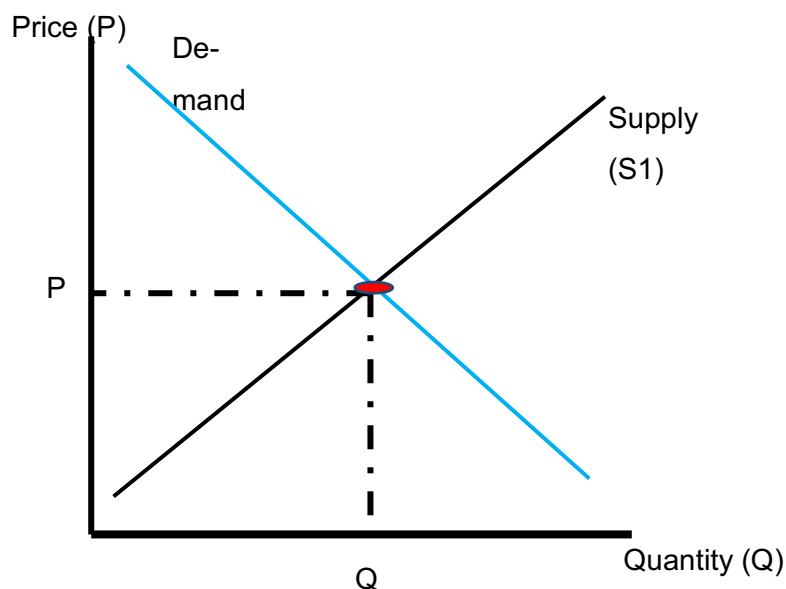


Figure 1. Market Equilibrium of Supply and Demand for Tourism Industry (Hillman 2014, ch. 7)

The equilibrium point of supply and demand is the point in the graph in which they meet. As seen above marked with the red dot. This means that supply equals demand, there is sufficient quantity of the product/service to the demand at the right price. (Hillman 2014, ch.7.) The graph above displays tourism at its market equilibrium.

Supply and demand curves can shift due to various reasons. Factors that cause shifts in the demand curve are relevant to this thesis. They include changes in income and changes in personal preferences. Whereas, for supply these shifts can be caused by for instance price of related goods and complementary goods, and resource prices. (Hillman 2014, ch.7)

### 2.2.1 Supply and Demand in Tourism During Covid-19

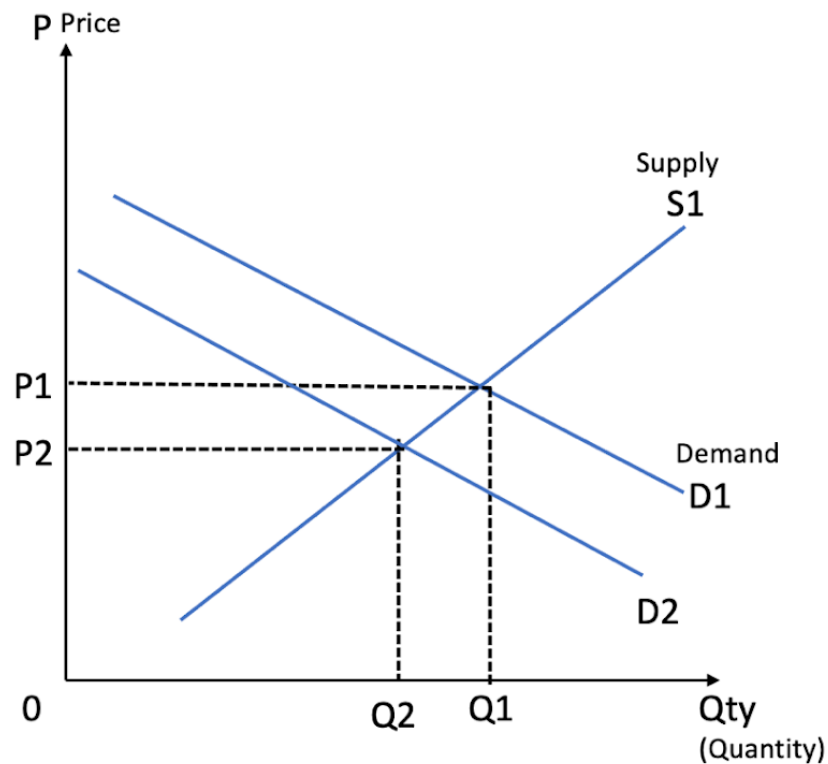


Figure 2. Reduced Demand in Market Equilibrium for Tourism (Bakar & Rosbi 2020)

Due to the ongoing Covid-19 pandemic, shifts in demand for tourism can be seen. Consumers are unwilling or unable to travel due to various reasons like travel restrictions, changes in income and changes in tastes e.g., favoring domestic travel. As in figure 2 can be seen the demand curve shifts to the left due to the aforementioned reasons. (Bakar & Rosbi 2020.) Covid-19 has caused a shift in the demand curve, decreasing demand and supply for tourism.

### 2.3 Expectations and Business Confidence

Having expectations during a crisis is common, and the ongoing pandemic is no different. Incorporating expectations within the demand side can be viewed as unemployment, conflicting psychological effects as a consequence of negative news, hence leading to a con-

traction in demand for tourism. (Perles-Ribes, Ramón-Rodríguez, Sevilla-Jiménez & Rubia 2016, p. 430.) As a result of recession unemployment often increases which can therefore lead to less money circulating in the economy (Tillers 2011).

Business confidence is greatly affected as well during crises. Losing business confidence can be considered on the supply-side as an equivalent to expectations on the demand-side. When business confidence is low it translates in the company through not making investments, hence reducing competitive advantages. Loss of business confidence together with negative expectations in demand multiply effects on competitiveness. (Perles-Ribes, Ramón-Rodríguez, Sevilla-Jiménez & Rubia 2016, p. 430)

It is vital to begin rebuilding consumer confidence early on to ensure consumers of one's services offered in order to secure continuation of operations. Promoting travel confidence and ensuring consumers and employees feel safe using services is highly important. (Sharma, Thomas & Paul 2021, Assaf & Scuderi 2020.)

## **2.4 Foreign Overnight Stays**

Overnight stays by foreign tourists have dramatically decreased in Finland, and naturally including Lapland. According to Statista, overnight stays by international tourists have decreased by 63 percent between January and October of 2020. Since March 2020 overnight stays from tourists coming from the most important countries of inbound tourism declined sharply. (Niinimäki 2020.)

Exchange rates are a variable that also play a role when international tourists book holidays. As such the pandemic has had an impact on this variable (Bianchi & Lopez 2020). When comparing the euro to foreign currencies, having the euro being stronger can make travel destinations such as Finnish Lapland more expensive than expected for foreign tourists and therefore unattractive (Amadeo 2021). This can also have direct impact on domestic travel, if travel restrictions are not followed or domestic tourists book international trips for further dates.

For instance, overnight stays by Chinese tourists shrunk by 77 percent in comparison to 2019. While Japanese tourist stays declined by 74 percent. The largest drop was overnight stays from Swedish tourists which declined 84 percent in comparison to 2019 figures. (Niinimäki 2020.)

## 2.5 Service Modifications

Service modifications or new ideas for how to revive business will be reviewed in this sub-chapter. For instance, companies within the same region could collaborate to develop an app that can allow tourists (domestic and foreign) to see what companies are up and running, their prices and services. Additionally, there could be labels or certificates created to ensure that the service is a safe and clean place. (Stacey 2020.) For reference AirBnb has enhanced their cleaning process due to the pandemic (AirBnB 2021).

Therefore, ensuring clients that for instance, equipment is cleaned or disinfected after use and that safety precautions and regulations are followed in the company (Assaf & Scuderi 2020). This would ensure clients that they would be safe going there and that the company is trying their best in terms of sanitary and precautions.

Furthermore, virtual reality (VR) in tourism can be further developed and integrated into companies. As such, it does not rake in the sales that the companies may usually make. However, it can alleviate from having further negative financial impacts. Selling experiences in Lapland that clients can enjoy from home all around the world increases the market potential as well. (Koiviola 2020.)

Extended reality (XR) could be a plausible option for companies to invest in. Especially with consumers wanting authentic, personalized and unique experiences tourism companies need to be able to provide for the wants of consumers. (Rao 2019.) XR can be considered an umbrella term under which contains the range of realities aided by immersive technologies. Examples of such include virtual reality (VR), augmented reality (AR), augmented virtuality (AV), and mixed realities (MR). (Kwok & Koh 2020.)

Figure 3 will illustrate different market-drive factors during Covid-19 alongside with tourism stakeholders and what their relationship with XR could potentially be. Tourists can have a tourist experience with XR as there is great potential for its use. (Kwok & Koh 2020)

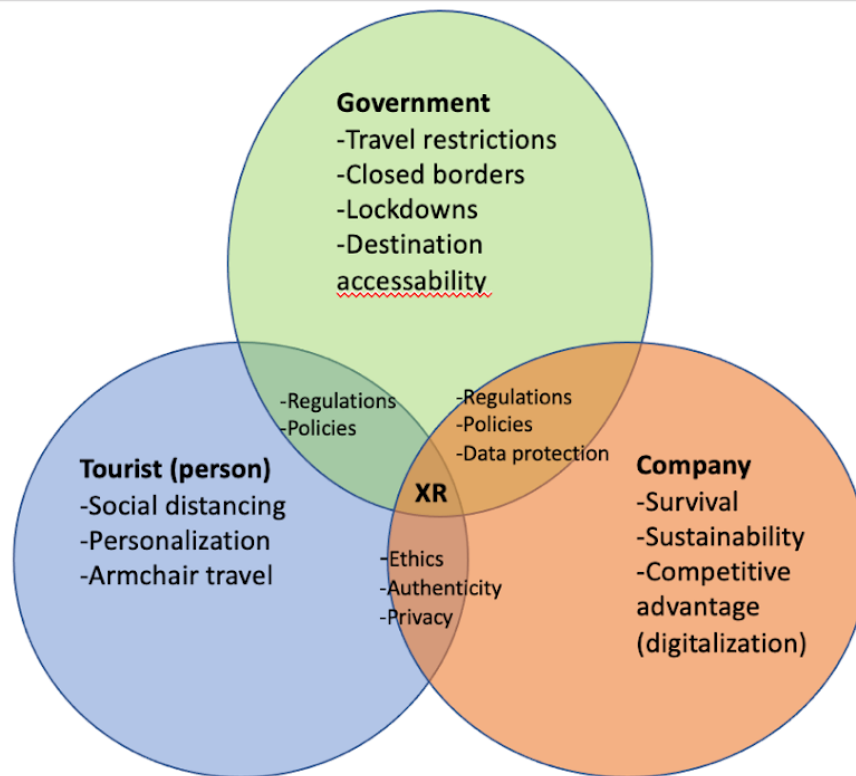


Figure 3. Market-Driven Factors During Covid-19 (Kwok & Koh 2020)

XR has the potential to overcome the challenges presented by travel restrictions. The effect of the pandemic on the stakeholders: government, tourist (person) and company will be briefly explained.

The tourist (person) will search for new or positive experiences during the pandemic even with travel restrictions in place. Therefore, because of either or both voluntary or mandatory social distancing due to government placed restrictions and regulations the tourist will look for alternatives or atypical methods to have tourism experiences. (Kwok & Koh 2020.)

Whereas the government places different policies and introduces new regulations and restrictions to reduce contact between persons. According to UNWTO in early December 2020 most travel restrictions remained in place globally. Which has a great impact on international tourism.

The impact on companies is their need to survive and potentially remain or become sustainable. The pandemic has caused their demand to decrease, which in turn reflects their supply as there are not as many opportunities to supply their services. (Kwok & Koh. 2020.)

Between all three stakeholders XR offers a solution specifically for tourists as it can be personalized, allows armchair travel and should satisfy travel desires. This in turn gives opportunity for companies to overcome travel restrictions and have a means of income, while also being sustainable. The government's role is quite large as they can make regulations and policies that could restrict or effect XR and is why the government should help create an environment for it. (Kwok & Koh 2020.)

Additionally, utilizing XR in any form can help reduce costs, better liquidity as well as strengthen flexibility. Moreover, it helps with social distancing practices as human contact is limited. (Sharma, Thomas & Paul. 2021.)

### **3 Methodology**

In the following chapter the research and design will be gone through, followed by the population and sampling. After which, data collection methods in regard to both primary and secondary data sources are presented. The reliability and validity as well as the limitations of the chosen method will be discussed as well. The survey is attached in the appendix.

#### **3.1 Research and Design**

A descriptive research design was implemented to pursue to describe a situation, persons or events (Saunders & Lewis 2018, p. 116). Although, elements of an exploratory research were also employed to support the descriptive research design. An exploratory research design is employed when there are few past studies for reference and in pursuance of new insights (Saunders & Lewis 2018, p.115). The questions for the survey were built upon the theoretical framework.

According to Saunders and Lewis (2018) working with various methods and different types of knowledge as well as aiming to find practical solutions to the most important determinants of the research, the research question and the investigative questions describe pragmatism, which is a philosophical approach to research fit this thesis.

Induction is a research approach in which theories are built from data that has been collected. Whereas deduction according to Saunders and Lewis (2018) is “a research approach which involves the testing of theoretical propositions by using a research strategy designed to perform this test.” This research uses an abductive approach, hence combining induction and deduction. (Saunders & Lewis 2018, p.112-113.)

#### **3.2 Population and Sampling**

The population and sample for the survey was quite broad as during these trying times it is difficult to get companies, employees and entrepreneurs to answer. The link for the survey was distributed through SMAL's monthly letter in December, they also shared the link on their social media, in LinkedIn and Facebook. However, due to the minuscule amount of answers the survey was then sent out by email to 117 different companies in Finnish Lapland.

### **3.3 Data Collection**

Data is collected through primary and secondary data collection methods. Triangulation is used to increase the validity of the research as there is heavy focus on the primary research (Carter, et.al. 2014 pg.1).

#### **3.3.1 Primary Data**

The primary research was conducted through a survey. The survey had a total of 15 questions out of which the first was optional for the respondent to leave their contact details. The survey had eight multiple choice questions. One follow-up question for a “yes” answer only and four open ended questions. The survey was conducted through Webropol. The survey was created by the author of this thesis and it was validated and revised with the help of the Finnish Travel Association (SMAL). The objective of the survey was to get companies within the field of tourism in Finnish Lapland to respond in order to get answers for the investigative questions, which then aid answering the research question.

#### **3.3.2 Secondary Data**

Secondary data has been observed in the form of regular surveys conducted by organizations in Finnish Lapland. These regular surveys do not have the intent of collecting data from the whole population. The surveys can be conducted by the government, for the government or by non-governmental bodies, for instance private organizations could conduct these. They can be conducted annually or periodically throughout the year. (Saunders & Lewis 2018, p. 88.)

### **3.4 Reliability and Validity**

Due to the lack of responses the data is not as reliable as it could be. However, one can get a good overview on the situation with the results and this can be thought of as a pilot study. For more accurate and reliable data one could focus on specific groups within the tourism industry. Furthermore, this would give a reliable picture on that specific group.

This research can be considered a pilot study for further research. It is a directive and gives a clear illustration of the overall financial situation within the tourism industry in Finnish Lapland. The research itself is relevant as the battle between companies surviving against Covid-19 and the restrictions and regulations along with it are ongoing.



Reliability can be seen through internal consistency of the results of the survey conducted. Overall, the results indicated the same thing for the responding companies, their sales and revenue decreased, whilst costs somewhat remained the same. Most of the companies responded in having taken similar measures to fight against the negative financial impact as well.

### **3.5 Limitations**

Time constraints are a liability in the research in gathering and interpreting data. The ever-changing nature of Covid-19 impacts the tourism industry in various ways depending on the situation of the pandemic and what restrictions are in place at the given times, which has a direct impact on the research. The survey was open for six weeks during which responses were received, therefore the restrictions and Covid-19 threat could have varied.

Voluntary response sampling has downfalls because it can be considered a biased method of sampling, furthermore under coverage and nonresponse bias occur as the sample in the sample the range is wide and inadequately represented in addition to a small sample size (Stat Trek 2021). Additionally, as the survey is web-based the researcher is unable to oversee data collection or interact with the respondents (Cooper et al. 2006). Having a broad range of companies within different sectors of the tourism industry can play as an unrepresentative in the sample group.

## 4 Results

This chapter will present the results of the primary research, the survey conducted. The survey itself can be found in the Appendix (see Appendix 1). The results will be further analyzed and thoroughly gone through in the discussion of this thesis.

### 4.1 Companies

Out of all the companies the survey was distributed to, 14 answered the survey fully. The survey was opened 258 times by potential respondents and 18 began answering. Naturally, having a greater sample size would give more robust and reliable data that could be used to generalize the situation more thoroughly. However, considering the tough time with the pandemic it is a positive sign there are some respondents. Hence, making this research more likely to be a pilot study for further research.

Out of the 14 respondent companies ten were accommodation service providers, six were activity and experience service providers, three were travel agencies, three were restaurants, two were tour operators and one company each in the fields: incoming agency and other (bus company). One should note that most of these companies offer more than one of these services for instance, they can offer both accommodation and be activity or experience service providers.

Table 2. Company Fields

<b>Field</b>	<b>n</b>	<b>Percent</b>
Tour Operator	2	14,29 %
Travel Agency	3	21,43 %
Incoming Agency	1	7,14 %
Accommodation Service Provider	10	71,43 %
Activity/experience service provider	6	42,86 %
Restaurant	3	21,43 %
Other:	1	7,14 %

The sizes of the businesses in turnover for 2019 can be seen in figure 4 below. Out of the 14 companies the largest groups with four companies in each category were located in turnover between 50,000€ and 250,000€ in addition to 250,000€ and 700,000€. Three companies had turnover over 1,000,000€. Whilst two of the companies have turnover between 700,000€ and 999,999€. Only one company had turnover less than 50,000€.

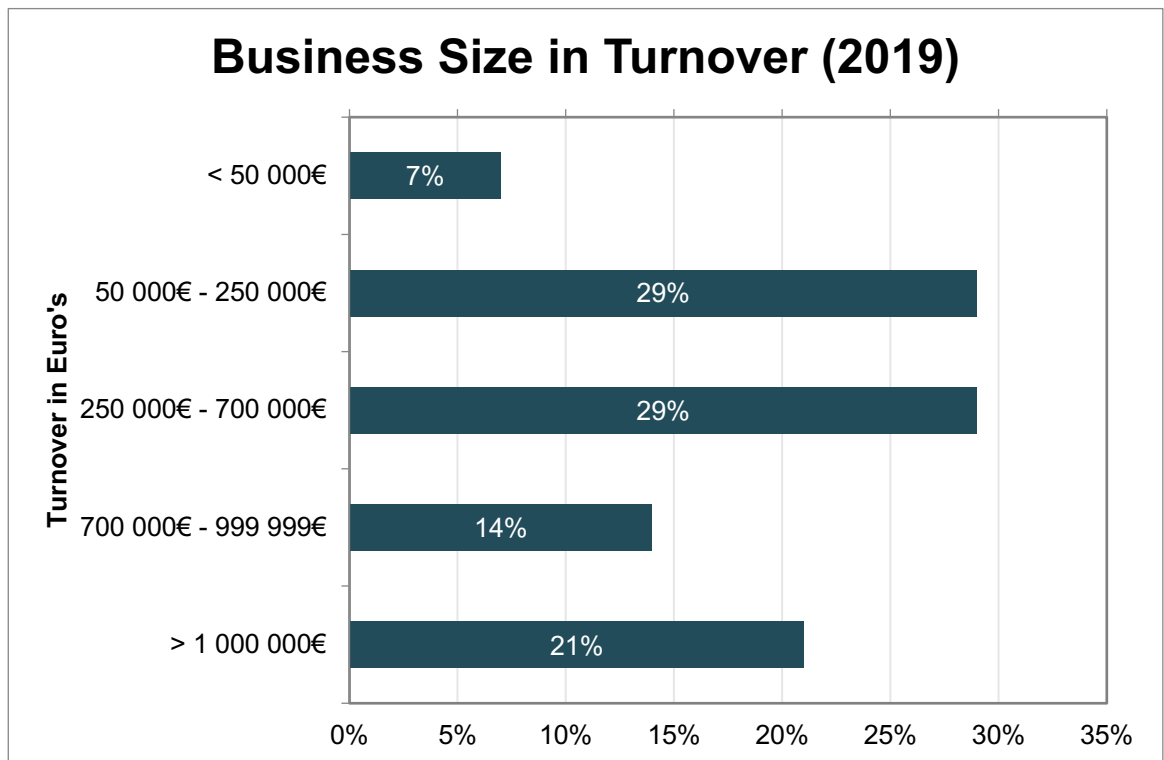


Figure 4. Business Size in Turnover (2019)

#### 4.2 Impact on Sales

The effect of Covid-19 on the sales of each company that responded to the survey has been a decrease. The companies were also asked in comparison to 2019 how much the demand for their services had decreased, which naturally correlates with the impact on their sales. Figure 5 demonstrates the overall impact on sales, while table 3 illustrates the decrease in demand for services provided by the companies.

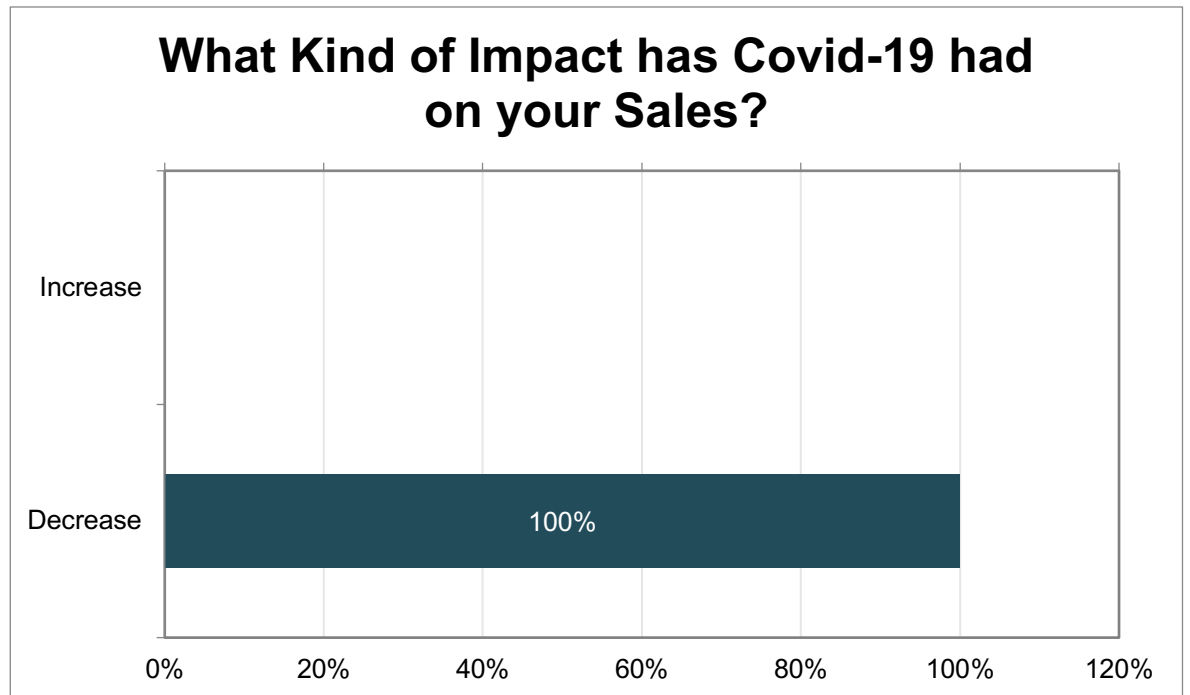


Figure 5. Covid-19 Impact on Company Sales

Table 3 presents the comparison to 2019 figures and supports figure 5. This question was asked to help bring insight to investigative question one *What are the main financial impacts*. Table 3 represents the decrease in demand in their services comparing 2019 figures with 2020 figures.

Table 3. Decrease in Demand for Services in Comparison with 2019

Decrease in Demand for Services
10 %
15 - 20%
25%
30%
50%
60
66%
70-80%
70%
70%
80-90%
90%
90%

### 4.3 Business Status

Table 4 represents what the respondents believe that the status of their business would be in four different scenarios: right now, with no foreign tourism, with limited foreign tourism and if demand does not increase by February 2021. The respondents were able to decide the status from six options: business as usual, moderate reductions, sharp reductions, need of capital, layoffs or terminations and threat of bankruptcy. It is important to note the respondents were able to choose more than one option in each scenario.

Table. 4. Business Status in Different Scenarios

<b>Scenarios</b>	<b>Business as usual</b>	<b>Moderate reductions in business</b>	<b>Sharp reductions in business</b>	<b>Need of capital to survive</b>	<b>Layoffs or terminations</b>	<b>Threat of bankruptcy</b>
<b>1. Right now?</b>	2	2	8	4	4	0
<b>2. If foreign tourism is gone?</b>	2	2	7	4	4	1
<b>3. With limited foreign tourism?</b>	3	3	8	4	2	0
<b>4. If demand does not increase by February 2021?</b>	1	3	9	5	2	0

With only domestic tourism four companies exclaimed they would not be able to break-even. Five companies were unsure of being able to break-even and thus responded maybe. Only five of the fourteen companies were sure they could break-even with only domestic tourism as can be seen in figure 6.

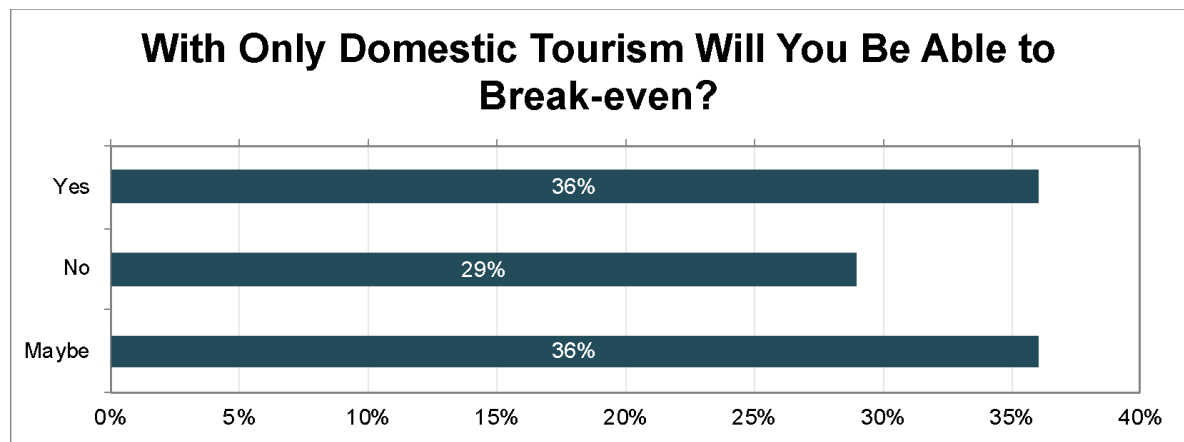


Figure 6. Break-even with Domestic Tourism

#### 4.4 Costs

Table 5 below shows the responses of respondents to the question what have the company's biggest costs been during the pandemic. This question was asked to help answer investigative question one *What are the main financial impacts?*

Table 5. Costs incurred

Responses
vehicle maintenance
-
Staff costs, rent.
Investments
Travel restrictions without sense.
We are not able to invest for the future: no new skis, snowmobiles, overalls etc. Next winter we start with old gear and equipments.
electricity, heating, insurance
Maintenance of the buildings
Not enough revenue to pay my own salary.
Increase in cleaning time and costs
Fixed monthly expenses (electricity etc)
Returning payments to the customers, in total about 650 000 euros
Having to layoff staff.
Loan pay back, staff, heating, electricity, insurance

Additionally, two companies have lost partner companies as a result of the pandemic.

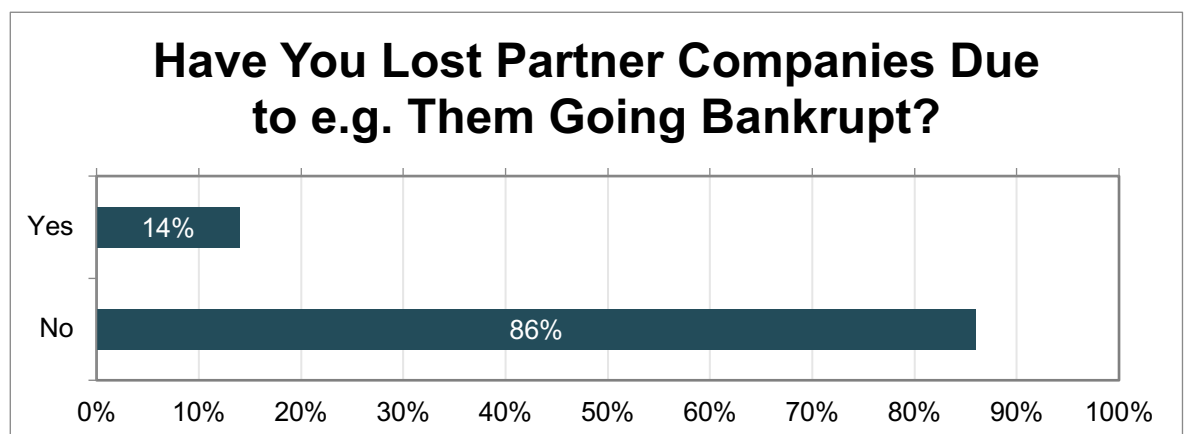


Figure 7. Lost Partner Companies

#### 4.5 Matters That Have Risen

One question in the survey covered if any new matters had risen during the pandemic. The question was in the form of multiple choice as seen below in figure 8.

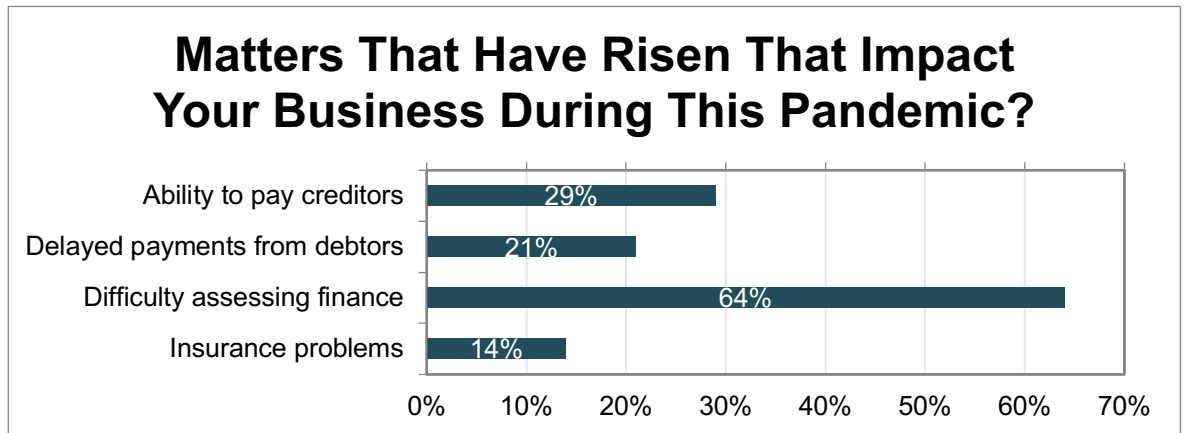


Figure 8. Different Things Impacting the Business During the Pandemic

#### 4.6 Measures Taken

To alleviate the negative financial impacts caused by Covid-19 companies have taken different measures. In figure 9 below one can see what measures companies have taken. Each company was able to choose multiple options, for an accurate illustration of the situation. This question was in the survey to answer investigative question three *What has been done to reduce negative financial impact?*

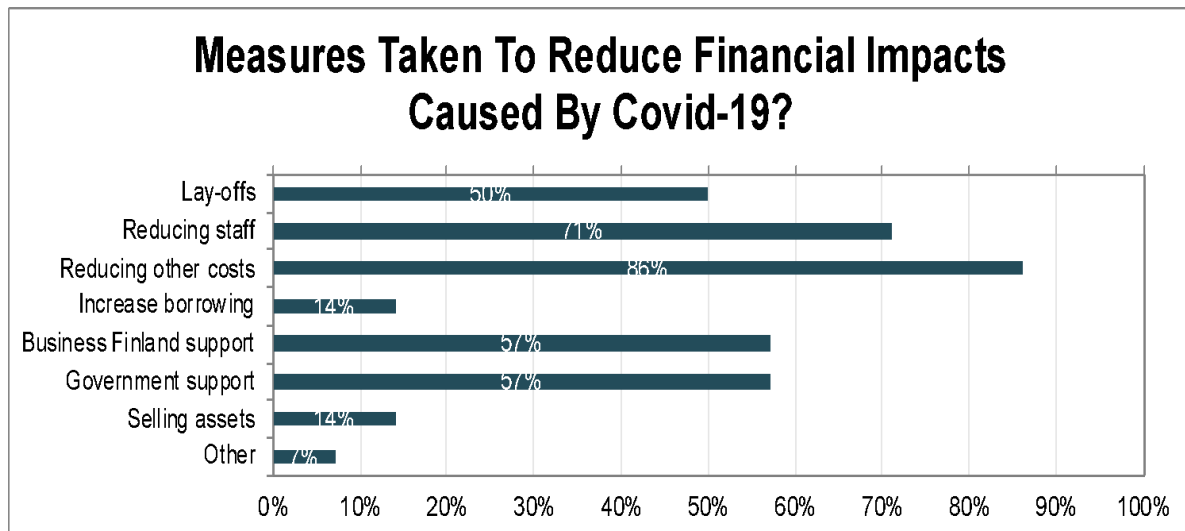


Figure 9. Measures Taken to Reduce Financial Impacts Caused by Covid-19

## 4.7 Service Modifications

Table 6 presents the answers of the respondents to the query on what service modifications they had already done. This question was presented to ease answering investigative questions three and four.

Table 6. Service Modifications Companies Have Done

Responses
N/A
New kind of packages
Cheaper cakes and Lunch to domestic tourism. Only problem is, there is about 80 % less clients comparison 2019
Accommodation
More effort on Finnish summer tourists.
Our programs are suitable also for Finnish customers but prices are lower
nothing
Adding new rooms
We have been hosting mostly long-term guests since November.
We extended the period where we took reservations for less than a full (Saturday to Saturday) week. Increased cleaning services to disinfect all surfaces and better ventilate cottages between customers.
None
Domestic tourism is enough for us to preserve our market status in Ylläs.
Changed early on to target the Finnish market. Have re-marketed some products and adjusted others to fit the new market. Lots of advertising and marketing.
95% staff lay offs, bank loan postpones & new loans if possible

## 4.8 Foreign Tourism

In table 7 the answers to the question *What kind of impact does the reduced foreign tourism have for you?* This question is used in order to help see the international aspect and ease in helping to answer investigative question two which is *What is the impact from reduced foreign tourism?*

Table 7. Impact of Reduced Foreign Tourism

Responses
Slowing down business especially during December
90% of winter guests are gone.
This is our biggest focus and clients, so katastroff.
60%
Keeps people laid off, economical and mental problems to them and their families. We lose professional staff permanently.
We are not hiring any staff, we are not able to get payment as an entrepreneurs
not much, we have only few foreign customers
Postponement of improvement of the facilities
Serious loss in revenue.
Less than we expected. After many cancellations from foreign tourists, the majority of the reservations were taken up by domestic tourists.
It have decreased revenue dramatically
40 %
Our entire business was based on foreign tourism so we lost a lot. We quickly moved to the Finnish market and had a trickle come in, but not quite enough to cover all expenses or rehire any staff.
Will survive still 2-4 months, not longer without help



## **5 Discussion**

The companies that answered the survey are from different fields within the tourism industry. As the number of answers for the survey is 14 the reliability and accuracy of the results are not prosperous and generalizable. However, as there are seven different fields: tour operator, travel agency, incoming agency, accommodation service provider, activity and experience service provider, restaurant and other within the industry that answered it shows how the tourism industry in general has been affected by Covid-19. In addition, ten out of the 14 companies were accommodation providers and six were service and experience providers. It is important to bear in mind that most of these companies offer more than one service, thus implying that they may for instance, offer accommodation and be service and experience providers.

### **5.1 Impact on Supply and Demand**

The impact on sales for the companies can be seen in chapter 4.2 from there it can be deduced that the smallest decrease was a mere ten percent, however the largest decrease reached up to 70 percent. Five of the companies said their sales decreased by over 50 percent of which two companies responded, sales decreased by half, one respondent reported a 60 percent decrease and another a 66 percent decrease. The last two companies that responded with the percentage of the decrease in their sales expressed 20 and 30 percent decreases.

Coming to the comparison on the decrease in demand for their services with 2019 figures, the largest decrease in demand for services was 95 percent. Which essentially means that most of the demand for the company's services is gone. Four other companies responded that their demand had decreased by over 70 percent as well, as can be seen in table 2 in chapter 4.2. Four companies responded that their demand has decreased by 30 percent or less, with the lowest decrease being 10 percent. One company responded that the demand for their services decreased by half. The remaining two companies reported a 60 and 66 percent decrease.

The impact of the pandemic on the revenue of businesses is great. Some companies have lost all of their usual income. The number of customers both domestic and foreign decreasing as a consequence of the pandemic impact revenue directly. Especially having no foreign tourism has impacted their sales and thus the revenue of these companies. Additionally, potential new and old customers do not make bookings due to uncertain times.

In accordance with a recent survey conducted by Finnish Lapland Tourist Board (LME) the financial situation of companies in the industry is becoming alarming. Additionally, the loss of foreign tourism is so great that the slight increase of domestic tourism is not enough to compensate for the loss. In the survey 83 percent informed the drop in foreign tourism being between 75 and 100 percent for the 2020-2021 winter season. (LME 2021.)

In the survey conducted for this thesis one company expressed that the number of their clients has dropped by 95 percent. With the current travel restriction even vaccinated tourists are unable to travel to Finland, even though such a clientele would exist according to another respondent. Moreover, as the restrictions continuously change it makes it impossible to book trips, and as a direct consequence staff is laid off and the business continues being in danger.

Another company is in a similar situation, with about 70 percent of their usual clientele being foreign. The company is unable to operate as usual as there is little to no revenue coming in. In addition, their catering business is frozen, and weddings have been cancelled leading their usual business operation to be at risk. The company's only revenue being generated from small events, such as memorial services.

The overall impact for each company that answered the survey has been a decrease in their sales, resulting in a decrease in demand for their services. This is in reference to the question of what the impact of Covid-19 has been to the company's sales. Moreover, the almost non-existent foreign tourism has great impact for several companies within the tourism sector. The graph below demonstrates the impact of reduced demand from both domestic and foreign tourism on the basis of the responses for impact on sales. This is supported by the results of a regular survey conducted by LME, which was presented earlier in this chapter.

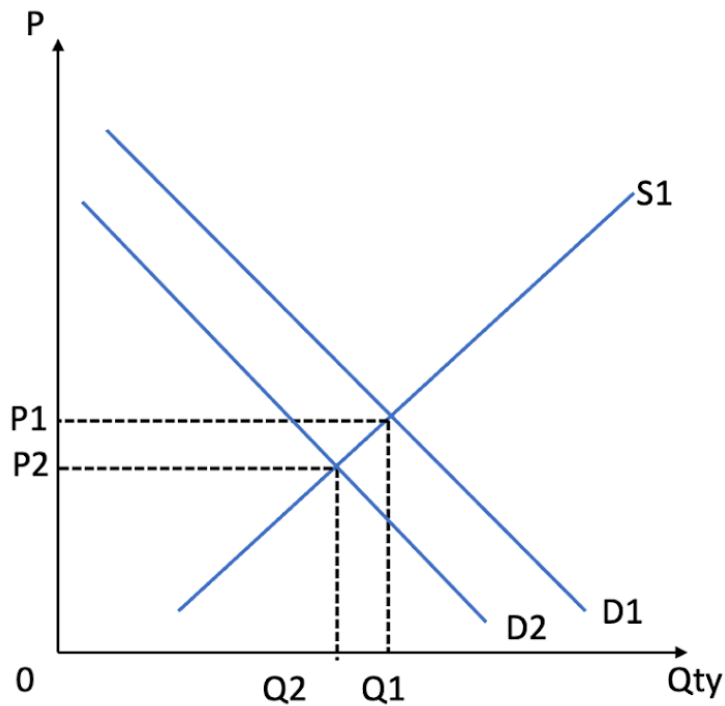


Figure 12. Shift in Demand (Bakar & Rosbi 2020)

Initially supply and demand are at equilibrium at  $Q_1$  and  $P_1$ . However, due to the pandemic and its restrictions, demand for services have drastically decreased. Resulting in a shift in the demand curve. This in turn causes a contraction to occur in the supply curve. The new equilibrium point is where  $Q_2$  and  $P_2$  meet. The supply will contract to a level at which demand is, as they will only supply what is demanded. As mentioned priorly, in research done by Bakar and Rosbi (2020) there can be a shift in demand for tourism due to for instance, travel restrictions or change in travel preferences implying that foreign tourists favor domestic travel, which is illustrated in the graph above.

Figure 12 illustrates the case for companies that answered the survey who have accommodated their pricing or services for domestic tourism. It also represents those who have lost demand due to reduced foreign tourism, relating to investigative question two showing the impact of reduced foreign tourism. This is due to the fact that many of these companies rely heavily on foreign tourism, which became visible through the survey and was further supported by the regular survey conducted by LME. With no certainty on when foreign tourists will return the demand for such companies' services decreases. These companies are bound to be frustrated with travel restrictions limiting their customer base and reducing their sales as is echoed by the general consensus in Lapland (Koskenranta 2020).

Moreover, as a contraction in demand would lead to an increase in price, the shift to the left for the demand curve is inevitable. Therefore, the shift in the demand curve keeps the prices from rising to levels at which domestic tourists would not buy and lowers the price to a level at which consumers domestically are willing to pay. (Amadeo 2020.) Additionally, from the survey conducted it can be seen that companies have reduced their pricing for e.g., rental equipment and overall reduction in prices for domestic consumers.

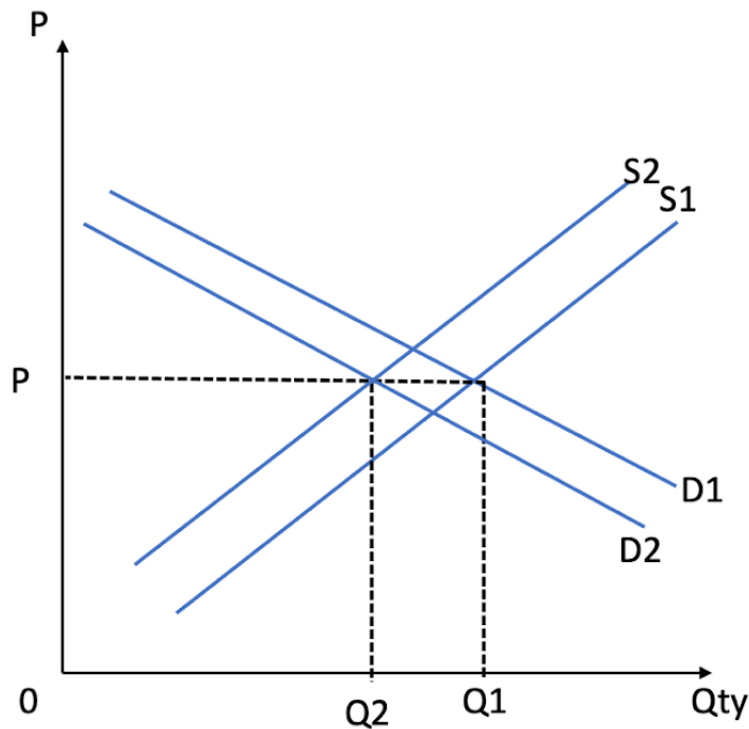


Figure 13. Shifts in Supply and Demand (Bakar & Rosbi 2020)

Initially supply is at S1 and demand at D1 where they meet at quantity Q1 and price P, their equilibrium. However, as a result of Covid-19 demand has shifted to the left to D2 and supply has shifted to the left to S2. The new equilibrium is at price P and quantity Q2.

Figure 8 illustrates the case for companies whose sales have not dramatically decreased and those whose consumer base is mostly domestic tourists. They have not wanted to, nor had to change their pricing due to the pandemic and therefore figure 13 represents these companies. The price of the services sold in figure 12 decreases, and not all companies are willing or able to sell their services at this price and that is why figure 13 represents them. As can be noted from the survey three companies have not made any service modifications as domestic tourism is enough for them. Thus, figure 13 illustrates the impact on their supply and demand.

It can also be noted that due to the contraction in demand there is a loss of business confidence, this can be seen in the sense that companies are not willing to invest in for instance, new equipment or they are halting investment projects that were meant to happen. (Perles-Ribes, Ramón-Rodríguez, Sevilla-Jiménez & Rubia 2016 p. 430.)

## **5.2 Costs Incurred and Impact of Covid-19**

When analyzing the results of the survey, all the companies had different costs which they responded as their biggest costs during this pandemic. As the companies are from slightly different fields within the industry their biggest costs vary accordingly. A few of the companies said the biggest costs are in the fixed costs they have such as, paying rent, electricity, salaries, overall maintenance and insurance. One company mentioned increased time and cleaning costs due to the pandemic.

Investments were mentioned by two companies. For instance, the other company is unable to invest for the future. They cannot buy new skis, snowmobiles, overalls and so forth. Implying they will need to start the new season with old gear and equipment. One company answered that their biggest cost was laying off staff.

Travel restrictions that are futile were mentioned as one cost, which can involve both domestic and foreign travel due to the restrictions placed by the government. Hence, why also the executive director Forsell of LME has also voiced out wishes for the government to make clear policies of how entry to Finland will be permitted once the pandemic situation allows (LME 2021). Also, a big cost mentioned by an entrepreneur was due to the lack of revenue being unable to pay one's own salary. Additionally, having to pay back their loans without much income coming in.

For the regular survey conducted by LME around 68 percent of the respondents have informed of needed additional funding as approximately 58 percent of the respondents expressed that their cash and net operating result are not sufficient to cover their costs. (LME 2021.) This is also visible and supports the findings from the research conducted for this thesis.

Overall, the biggest costs for companies are their operating costs, as these costs do not change although demand for their services have decreased. Companies must still pay rent, electricity and any other fixed costs that they may have. This subchapter helps resolve the first investigative question *What are the main financial impacts?*

Furthermore, a cost pointed out was travel restrictions. This is considered a cost to companies as for some companies their largest clientele group is unable to physically travel to Finland and buy their services. This restriction directly impacts the companies' sales additionally, they may have heavily invested in marketing to foreigners and as a result of the pandemic and its travel restrictions they are now bearing a heavy cost. These costs can be considered sunk costs (Pettinger 2019).

For good measure, the result of the travel restrictions is dramatically reduced sales, which translates little to no revenue. Hence, for smaller entrepreneurs the consequence is not paying salary for themselves. Not to mention, in the open-ended question about their costs during this pandemic one respondent expressed that as travel restrictions were placed one company had to return their customer's payments, which totaled up to 650,000€. It can be deduced that this has a great impact on the liquidity of the company and makes it difficult for them to operate. Besides impacting the company's liquidity, it can also hinder assessing the company's finances, and put pressure on their cash inflows and outflows.

Additionally, as revenue is lost companies have had to temporarily lay-off employees and even terminate employment. This results in a loss of professional staff for the company and could be a big cost in the future, such as financial losses if staff is incompetent and inefficient (Jane 2019). This can also be mentally taxing for both the entrepreneur and employee that has lost their job. The impact is negative both economically and mentally. Furthermore, the result of unemployment leads to negative demand expectations, which can be portrayed in the demand curve as it contracts and shifts as seen in figure 12 (Perles-Ribes, Ramón-Rodríguez, Sevilla-Jiménez & Rubia 2016. p. 430).

Although some companies were able to move from their focus on foreign customers to the domestic market, even with the trickle of domestic tourists it still does not generate enough revenue to cover all of their expenses and allow them to rehire their staff.

For the companies that have priorly been solely focused on foreign tourism, the travel restrictions have meant they have had to increase spending in marketing to the domestic market in addition to already suffering from cancellations. Marketing to the domestic market is validated through the survey conducted by LME and they report that approximately 71 percent of the respondents have begun to market to the domestic market (LME 2021). This resulted in one of the companies saying they will only survive from two to four months without receiving help in the form of capital.

The widespread suffering of the pandemic has resulted in only two out of the fourteen companies to lose partner companies. Companies that lost partner companies have as anticipated to experience a loss in revenue from it.

### **5.3 Reducing the Financial Impact**

Covid-19 has impacted most companies' revenue and sales by over 50 percent, as was discussed in subchapter 4.2. The most common measure taken by companies was reducing other costs. This means that companies have reduced costs that do not relate to their core business. Reductions can for instance have occurred in the following: they did not advertise, they reduced fuel expenses, repairs were not done, and employee benefits were reduced (Collins 2021). This subchapter elucidates investigative question three on *What has been done to reduce the negative financial impact?*

As can be seen in figure 11 (see 4.6) reducing other costs is a measure taken by most companies. Twelve out of the fourteen companies chose this option. Reducing other costs, means all costs that are not essential for the business to operate. This claim is validated through the research by LME in which they report that 93 percent of the companies had cut their costs (LME 2021). Reducing staff was the second most selected option being chosen by ten companies. Eight companies applied for either (or both) support from Business Finland or government support. In addition, seven companies had lay-offs. Two companies increased their borrowing and another two companies also had to start selling their assets while one implemented different sales techniques.

According to the survey conducted, following the reduction of other costs, the second most popular measure was reducing staff. Savings occur for the employer as salary is not paid, insurance does not have to be provided and any benefits they provide for the employee (s) are not paid. Although financially the company spends less, for the employee this means they no longer have income and no way to provide for themselves or their family. In addition, permanent staff that have competencies in the field are lost, which in the future can turn out to become a big cost for these companies. This measure being the second most popular is visible in research by LME as well as in their research they report that around 76 percent of the companies have had terminations or furloughs that have potentially led to terminations of employment (LME 2021).

Similar to reductions in staff, furloughs were another common measure taken. Furloughs are not as permanent as reductions in staff; however, ultimately furloughs can also turn into terminations of employment and this may have been the case for some of these companies.

According to a survey conducted by the Finnish Lapland Tourist Board almost 60 percent of the companies that answered said they would not be able to continue their operations after the next ten months. According to Passoja over 75 percent of the companies have implemented furloughs and terminations, while half have had to sell their assets. (Passoja 2021.)

Surprisingly, only eight companies received support from Business Finland, the government or both. As stated on Business Finland's (2020) website on what the supporting funds can be used for, in tourism funds are commonly used for new accommodations, on services in direct association with tourism which has been affected by reduced tourism, and service development. Which fits the description of most of the respondents as their businesses have been directly impacted by reduced tourism.

### **5.3.1 Service Modifications**

Most of the respondents also answered the question what kinds of service modifications they have done due to the pandemic (see 4.7). One company has begun offering completely new packages to consumers. While another has begun offering accommodation. Related to accommodation, one company has added new rooms. While another has extended the period for bookings to less than one week at a time. On the other hand, another company is mostly hosting long-term guests.

Two companies find that domestic tourists are enough, and for the other it is enough for them to maintain their market status in Finnish Lapland, whereas the other one is able to sell their programs to Finnish customers for a cheaper price. Meanwhile, one company has set their focus on Finnish summer tourists already.

One restaurant has begun selling cakes for cheaper prices and offering lunch to domestic tourists and locals. However, their biggest problem is that there is an 80 percent decrease in clients coming in. Three companies have done no service modifications.

According to the research conducted by LME (2021) 68 percent of the respondents have been investing in product or service development. This could be a chance for companies to invest in XR as well and potentially have revenue streams coming in throughout the year in the future (Kwok & Koh 2020). Even investing in just virtual reality could work throughout the year and it (also XR) could be developed in collaboration with other companies to offer various options for consumers to experience from home and cut down the costs for a single company (Koiviola 2020).



Another aspect companies could ponder upon is getting together to develop an app that would allow them to promote their businesses together and make it easier for tourists to find them based on location. The app could include companies that have proven to be safe and clean for clients. (Stacey 2020.)

#### **5.4 The Status of the Business**

The companies answered what their businesses status would be in four different scenarios and were given six different statuses to choose from, the statuses were given to ease making clear choices and so that each company could choose from the same options. The statuses are as follows; business as usual, moderate reductions in business, sharp reductions in business, capital needed to survive, layoffs or terminations, and threat of bankruptcy.

Table 3 (see 4.3) represents what the respondents believe that the status of their business would be in four different scenarios: right now, with no foreign tourism, with limited foreign tourism and if demand does not increase by February 2021. The respondents were able to decide the status from six options: business as usual, moderate reductions, sharp reductions, need of capital, layoffs or terminations and threat of bankruptcy. It is important to note the respondents were able to choose more than one option in each scenario.

The first scenario in the survey was what their business status is right now. Six companies said they are experiencing sharp reductions in business. The biggest surprise was that two companies were continuing to operate as business per usual, though considering domestic tourism is the biggest market for these companies it is understandable. None of the companies were in threat of going bankrupt at that moment, although two of the companies did express a need for capital to survive. This proves that the situation may turn worse unless they are able to open their revenue streams or get investments or capital in.

The second scenario considered in the survey was what if there was no foreign tourism, in this scenario one company would be on the brink of bankruptcy, while five companies would continue to see sharp reductions in business. As seen in the previous scenario, two companies would continue having business as usual. Meanwhile two would face moderate reductions in business. The need of capital to survive remains at two companies as well as layoffs or terminations.

Having limited foreign tourism is the third scenario in the survey, which brings business as usual up to three companies. Moderate reductions in business remains at two companies, while sharp reductions in business bumps up to seven companies. This indicates that even having a slight amount of foreign tourism eases up business for the companies. Two companies remain at need of capital, whereas only one company needs to incorporate layoffs or terminations to continue operating.

The final scenario is what the status of their business is if demand does not increase by February 2021, out of all the companies only one will be able to operate as usual. Three companies will face moderate reductions in their business, whilst seven companies will have sharp reductions in their business. Three companies will be in need of capital to survive and one will still be laying off or terminating employees. This shows indication of the severity of the situation for companies within the tourism industry and their financial situations are portrayed as well through the answers for this question. Meaning, if only one company will be able to operate as per usual there is negative financial impact on the other companies due to Covid-19.

This question on the status of the business in different scenarios, was one which the respondents could choose multiple options, and as such it can be analyzed that the companies that chose sharp reductions in business also chose either in need of capital to survive or temporary layoffs and terminations. Naturally, this is logical if the business is facing a large decline in sales and business is not flourishing.

The companies were also asked in the survey whether or not they think they will be able to break-even with only domestic tourism, four companies were sure that they cannot break-even without foreign tourism. Interestingly enough five companies were unsure if they could break-even with merely domestic tourism. This showcases the importance of foreign tourism for businesses in the tourism industry in Lapland. This question also provides insight for investigative question two *What is the impact from reduced foreign tourism?*

The impact of reduced tourism is greater for some companies. Nine companies out of the fourteen responded that reduced foreign tourism is problematic for them. For instance, one company said 90 percent of their winter customers are foreign tourists, therefore the impact is severe. Another company expressed it is their biggest focus and client group, hence the result is a catastrophe. Three respondents answered that the consequence of reduced foreign tourism would result in a serious loss of revenue for them. The reduction

in foreign tourism is visible in statistics as well from Statista, there was a 63 percent decrease of foreign overnight stays in 2020 in comparison to 2019 (Niinimäki 2020). Two respondents said they cannot hire staff, and have to layoff permanent staff, which results in economical and potential mental issues for these employees. This also implies that professional staff is lost permanently. One respondent emphasizes that facility improvements are postponed.

Three companies expressed that reductions in foreign tourism have not had much of an impact on their sales and demand. One said the reductions were less than they expected as once foreigners cancelled, domestic tourists made reservations for a majority of the cancellations. One of the companies is overall more focused on domestic tourism, therefore not having a great effect on them. The last company expressed that the reduction was only 10 percent.

This uncertainty is visible as nine of the respondents answered that they have difficulty assessing finances during the pandemic. Moreover, four companies expressed having difficulty paying their creditors. This can have a direct effect on the credit rating of a company, which can then have an impact on payment terms or while applying for loans (Business Credit 2020). This was seen in their answer in the survey in matters that have risen impacting business during Covid-19.

Different things have had an impact on companies during the pandemic as demand for their services has decreased. Companies were able to choose more than one option in this question. Nine of the fourteen companies chose difficulty assessing their finances as a big new matter during the pandemic. The second most common answer was ability to pay creditors. Followed by delayed payments from creditors and insurance problems as seen in figure 10 in subchapter 4.5.

The uncertainty of whether they get revenue or not is an everyday struggle for some of these entrepreneurs. To add pressure on them three companies responded that they receive delayed payments from their debtors, which in the current situation certainly makes it difficult for them to assess their finances and plan ahead.

## **5.5 Summarizing Findings**

All of the companies (respondents) are facing a decrease in their sales. Thus, projecting a decrease in their revenue as a result of Covid-19. This means all of the respondent companies are facing negative financial impacts due to the pandemic. Further aggravating the

negative financial impact are costs that remain the same even though sales have dramatically decreased for most companies due to reduced demand.

Fixed costs and sunk costs are big costs the companies need to deal with although most of their revenue streams have decreased or have been cut off. Additionally, many companies have relied heavily on foreign tourism which has been restricted due to Covid-19. This has resulted in uncertainty in assessing finances within companies and out of the respondents five are uncertain if they can break-even while four know they cannot break-even with merely domestic tourism.

## **5.6 Further Research and Suggestions**

In order to garner sufficient and reliable answers, a focus group should be clearer. The best-case scenario would be having companies within the same field, such as only accommodation providers answering. Doing so would provide accurate and reliable answers for the specific field in tourism. Additionally, narrowing the geographical area down further would also give more reliable and robust results geographically.

As foreign tourism is a core customer group for several of the companies, having clear regulations on how foreign tourists could enter Finnish Lapland and enjoy touristic activities would be vital. Thus, as a suggestion the companies could attempt to request such regulations from the government, in order to keep their livelihood. This could be achieved through vaccinated tourists. This would ease the financial burden that the companies are facing at the moment.

Furthermore, heavy emphasis on the domestic market is vital for companies as the uncertainty of foreign tourism lingers. Understandably, it may be difficult for companies to put money into marketing and coming up with alternative packages and services to fit the domestic market, it can also be time consuming and strenuous without the usual workforce. However, for smaller companies this may be critical in order for them to survive and gain revenue streams.

## **5.7 Learning Process and Evaluation**

The overall learning process throughout working on this thesis has been difficult yet rewarding. Seeing how companies are coping and trying to make it through the pandemic has been very interesting and shown how vulnerable the tourism industry is to not just a pandemic which restricts travel but also to epidemics or other travel restricting reasons.

To better the thesis it would have been ideal to focus on a specific field within the tourism industry, however due to the nature of the pandemic the number of respondents willing to answer the survey was very minimal, resulting in an expansion of respondents being within the tourism industry.

Due to this, the reliability of the research is not of the highest quality originally aimed for, especially towards specific fields within the tourism industry. It merely gives an outlook on what the situation is within the tourism industry in northern parts of Finnish Lapland.

Additionally, to improve accuracy and reliability of the research the area of tourism could have been limited even more, other than just being Finnish Lapland to specific areas where there is a large focus in tourism. Although, even now most of the respondents were from near Kittilä and Ivalo areas.

The timing of sending the survey could have been planned out more thoroughly and it would have been the most ideal to send it out early December, instead of mid-December to mid-January. Moreover, having a larger group of respondents would have been the best-case scenario for this type of research. However, it proved to be more difficult than expected to get ten respondents to the survey after which a quick consultation decided that the scope of the research was to be broadened. Yet respondents still remained hard to reach.

## 6 Conclusion

To conclude, the overall financial impact of the ongoing pandemic on tourism in Finnish Lapland has been negative. More so for some companies than others. The biggest burden has been placed upon companies whose focus has solely, or greatly been on foreign tourism. None of the respondents had a positive financial impact as a result of the pandemic.

### 6.1 Key Findings

The main objective was to answer the research question which is *What are the financial impacts of Covid-19 on tourism in Lapland?* Which was answered with the help of four investigative questions.

The main financial impacts Covid-19 had on companies within the tourism field in Finnish Lapland, which was the first investigative question included, for most a drastic decrease in sales and therefore revenue. With their costs remaining stagnant and little to almost no revenue companies face serious financial problems. The loss of professional staff can hinder the company in the long run although cost savings are being made in the short-term.

Furthermore, to answer the second investigative question travel restrictions limited foreign tourism which had a great impact on several companies who have relied solely on foreign tourism for their income. Many companies are uncertain if domestic demand can fill the gap left by the almost non-existent foreign tourism, and thus are struggling to assess their finances building in uncertainty of whether they can break-even solely with domestic tourism.

The findings for the third investigative question included the companies taking initiative and trying to alleviate the negative financial impacts of Covid-19. The most common measures taken being reducing other costs and seeking or gaining financial support from either or both Business Finland and the government.

The findings can be of interest to companies within the field and geographical location. Additionally, other students and people interested in the ongoing topic may be interested. Travel associations may be interested in the findings as well.

## **6.2 Recommendations**

As mentioned in the previous chapter branching out to digitalization could be a solution for many companies. Putting focus in virtual reality can be a tool and service they sell all year round. Furthermore, having an app that has companies from the same location can make it easier for consumers to find the services they wish to do in an easier manner. It will also bring visibility to various companies this also plays as the finding for the fourth investigative question in what can be done to further alleviate the negative financial impacts.

## **6.3 Further Research**

As already mentioned, further research would need to be conducted for a larger sample size to gain accurate and reliable data. However, the research conducted for this thesis can be thought of as a pilot study giving direction to further research.

The sample size being larger and narrowed to certain fields within the industry would give an accurate representation on how Covid-19 has impacted the specific field financially and give a greater picture on what has been commonly done within the field to mitigate the financial impact.

Furthermore, the area in which the research is conducted could be further limited to certain areas within Finnish Lapland and eventually these different areas could be compared to one another to see if areas have had any impact on the companies.

An idea for further research could be can the companies survive with purely domestic tourism and for how long will they be able to operate solely on domestic tourism. This will give a clear picture on the actual impact foreign tourism has.

## **6.4 Reliability and Relevance**

This research can be considered a pilot study for further research. It is a directive and gives a clear illustration of the overall financial situation within the tourism industry in Finnish Lapland. The research itself is relevant as the battle between companies surviving against Covid-19 and the restrictions and regulations along with it are ongoing.

Reliability can be seen through internal consistency of the results of the survey conducted. Overall, the results indicated the same thing for the responding companies, their sales

and revenue decreased, whilst costs somewhat remained the same. Most of the companies responded in having taken similar measures to fight against the negative financial impact as well.

### **6.5 Reflection on Learning**

The topic itself is upon interest, and thus made research interesting. The planning phase of the thesis proved to be challenging in narrowing on a topic and finding one of interest. Once a topic was decided upon, it proved to be more than difficult to get respondents to answer the survey, which lead to lots of hours used to send out the survey to different companies and entrepreneurs.

Naturally, as companies are going through struggles with the pandemic it was very interesting to read through what responses were received for the survey. It also allowed for critical thinking and developing ideas. Making the survey allowed for skill development as well as one had to ponder how to get answers that were in relation to finance and for the survey to be appealing to answer.

Overall, the process was interesting and allowed one to develop critical thinking and hone existing skills. Additionally, the topic is relevant and continues to be an on-going matter for companies in the tourism industry.



## References

- Amadeo, K. 2020. Shift in Demand Curve. URL: <https://www.thebalance.com/shift-in-demand-curve-when-price-doesn-t-matter-3305720> Accessed: 12 April 2021.
- Amadeo, K. 2021. How Do Currency Exchange Rates Work? URL: <https://www.thebalance.com/how-do-exchange-rates-work-3306084>. Accessed: 20 February 2021.
- AirBnB 2021. What is AirBnB's 5-step enhanced cleaning process? URL: <https://www.airbnb.com/help/article/280....> Accessed: 15 February 2021.
- Assaf, A. & Scuderi, R. 2020. COVID-19 and the recovery of the tourism industry. *Tourism Economics*. Volume 26, Issue 5, August 2020.
- Bakar, N. & Rosbi, N. 2020. Effect of Coronavirus disease (COVID-19) on Tourism Industry. *International Journal of Advanced Engineering Research and Science (IJAERS)*. Volume 7, Issue 4, April 2020.
- Bankrate 2021. Break-even point. URL: <https://www.bankrate.com/glossary/b/break-even-point/>. Accessed: 07 February 2021.
- Bianchi, G. & Lopez, L. 2020. Economic theories on COVID-19's impact on hospitality and tourism. URL: <https://insights.ehotelier.com/insights/2020/08/12/economic-theories-on-covid-19s-impact-on-hospitality-and-tourism/>. Accessed: 20 February 2021.
- Business Credit 2020. Yrityksen Luottotiedot ja Maksuhäiriöt. URL: <https://www.businesscredit.fi/blog/yrityksen-luottotiedot-ja-maksuhairiot>. Accessed: 07 February 2021.
- Business Finland 2020. Funding for Business Development in Disruptive Circumstances. URL: <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/disruptive-situations-funding>. Accessed: 07 February 2021.
- Carter, N., Bryant-Lukosius, D., DiCenso, A., Blythe, J. & Neville, A. 2004. The Use of Triangulation in Qualitative Research. *Methods & Meaning*. Volume 41, No. 5, September.
- Collins 2021. Dictionary "Other costs". URL: <https://www.collinsdictionary.com/dictionary/english/other-expenses>. Accessed: 07 February 2021.

Constantin, M., Saxon, S. & Yu, J. 2020. Reimagining the \$9 trillion tourism economy – what will it take? URL: <https://www.mckinsey.com/industries/travel-logistics-and-transport-infrastructure/our-insights/reimagining-the-9-trillion-tourism-economy-what-will-it-take#>. Accessed: 07 October 2020.

Cooper, C., Cooper, S., Junco, D., Shipp, E., Whitworth, R. & Cooper, S. 2004. Web-based data collection: detailed methods of a questionnaire and data gathering tool. *Epidemiologic Perspectives & Innovations* 3, 1.

Finnish Lapland Tourist Board (LME) 2021. Lapin matkailuyritysten taloudellinen tilanne jatkuu vaikeana koko vuoden 2021. URL: <https://www.lme.fi/lme/ajankohtaista/lapin-matkailuyritysten-taloudellinen-tilanne-jatkuu-vaikeana-koko-vuoden-2021.html>. Accessed: 01 March 2021.

Global Economy 2021. Finland: Unemployment Rate. URL: [https://www.theglobaleconomy.com/Finland/unemployment\\_rate/](https://www.theglobaleconomy.com/Finland/unemployment_rate/). Accessed: 20 February 2021.

Hillman, T. 2014. *Economics*. Penguin Group. London.

Jane, M. 2019. Effects of Lack of Employee Concentration on the Business: How to Deal with Them? URL: <https://www.namasteui.com/effects-of-lack-of-employee-concentration-on-the-business/>. Accessed: 15 February 2021.

Jones, L. Palumbo, D. & Brown, D. 2021. Coronavirus: How the pandemic has changed the world economy. URL: <https://www.bbc.com/news/business-51706225>. Accessed: 15 February 2021.

Khan Academy 2020. Market Equilibrium. URL: <https://www.khanacademy.org/economics-finance-domain/microeconomics/supply-demand-equilibrium/market-equilibrium-tutorial/a/market-equilibrium>. Accessed: 07 October 2020.

Koiviola, Z. 2020. Finnish Travel Industry Goes Virtual During Pandemic. URL: <https://www.goodnewsfinland.com/feature/finnish-travel-industry-goes-virtual-during-pandemic/>. Accessed: 07 February 2021.

Koskenranta, R. 2020. Lapin matkailuyrittäjät huolissaan – ”Nyt tarvitaan tietoa, millä tavalla matkailu mahdollistetaan” URL: <https://www.yrittajat.fi/uutiset/633026-lapin-matkailuyrittajat-huolissaan-nyt-tarvitaan-tietoa-milla-tavalla-matkailu#1347613a>. Accessed: 10 February 2021.

Kwok, A. & Koh, S. 2020. Covid-19 and Extended Reality (XR). Current Issues in Tourism. DOI: 10.1080/13683500.2020.1798896.

Niinimäki, E. 2020. Decrease in overnight stays of international tourists due to COVID-19 in Finland 2020. URL: <https://www.statista.com/statistics/1117048/decrease-in-overnight-stays-of-international-tourists-due-to-coronavirus-in-finland/>. Accessed: 18.01.2021

Ostbaum, M. 2020. Finland's economy will recover from the pandemic, but growth prospects are weak. URL: <https://www.suomenpankki.fi/en/media-and-publications/releases/2020/finlands-economy-will-recover-from-the-pandemic-but-growth-prospects-are-weak/>. Accessed: 20 February 2021.

Oxford Advanced Learner's Dictionary 2020. Tourism. URL: <https://www.oxfordlearners-dictionaries.com/definition/english/tourism?q=tourism>. Accessed: 06 October 2020.

Passoja, A. 2021. Tunnelin päässä ei vieläkään pilkota valoa Lapin matkailuyrityksille. URL: <https://yle.fi/uutiset/3-11784664>. Accessed: 15 February 2021.

Perles-Ribes, J. Ramón-Rodríguez, A. Sevilla-Jiménez, M. & Rubia, A. 2016. The effects of economic crises on tourism success: an integrated model. Tourism Economics 417-447. URL: <https://core.ac.uk/download/pdf/43566356.pdf>

Pettinger, T. 2019. Types of Costs. URL: <https://www.economicshelp.org/blog/4890/economics/types-of-costs/>. Accessed: 28 January 2021.

Pettinger, T. 2019. Types of Costs. URL: <https://www.economicshelp.org/blog/4890/economics/types-of-costs/>. Accessed: 07 February 2021.

Ross, S. 2020. Types of Consumer Goods That Show Price Elasticity of Demand. URL: <https://www.investopedia.com/ask/answers/012615/what-types-consumer-goods-demonstrate-price-elasticity-demand.asp>. Accessed: 07 October 2020.

Saunders, M. & Lewis, P. 2018. Doing Research in Business and Management: An essential guide to planning your project. Second Edition. Pearson Education Limited. Harlow, England.

Sharma, G. Thomas, A. & Paul, J. 2021. Reviving tourism industry post-COVID-19: A resilience-based framework. Tourism Management Perspectives. Volume 37, January 2021.

SMAL 2020. Association of Finnish Travel Industry. URL: <http://www.smal.fi/fi/topmenu/In-English>. Accessed: 05 October 2020.

Stacey, J. 2020. Tourism Policy Responses to the coronavirus (COVID-19). URL: <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/>. Accessed: 07 February 2021.

Statistics Finland 2020. Nights spent by foreign tourists in Finland decreased by 53 per cent in March 2020. URL: [https://www.stat.fi/til/matk/2020/03/matk\\_2020\\_03\\_2020-04-29\\_tie\\_001\\_en.html](https://www.stat.fi/til/matk/2020/03/matk_2020_03_2020-04-29_tie_001_en.html). Accessed: 05 October 2020.

Stat Trek 2021. Bias in Survey Sampling. URL: <https://stattrek.com/survey-research/survey-bias.aspx>. Accessed: 01 March 2021.

Syvänen, P. 2021. Työllisyys heikkeni selvästi joulukuussa. URL: [http://www.stat.fi/til/tyti/2020/12/tyti\\_2020\\_12\\_2021-01-28\\_tie\\_001\\_fi.html](http://www.stat.fi/til/tyti/2020/12/tyti_2020_12_2021-01-28_tie_001_fi.html). Accessed: 20 February 2021.

Tillers, I. 2011. Circulation of money during crisis: can “money printing” solve economic problems? URL: <https://www.macroconomics.lv/circulation-money-during-crisis-can-money-printing-solve-economic-problems>. Accessed: 20 February 2021.

Tushar 2020. Supply in Economics: Meaning, Law and Elasticity of Supply. URL: <https://www.economicdiscussion.net/elasticity-of-supply/supply-in-economics-meaning-law-and-elasticity-of-supply-with-diagram/1665>. Accessed: 07 October 2020.

UNTWO 1 2020. Impact assessment of the Covid-19 outbreak on international tourism. URL: <https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism>. Accessed: 28 February 2021.

UNTWO 2 (World Tourism Organization) 2021. 2020: Worst Year in Tourism History with 1 Billion Fewer International Arrivals. URL: <https://www.unwto.org/news/2020-worst-year-in-tourism-history-with-1-billion-fewer-international-arrivals>. Accessed: 08 February 2021.

World Health Organization (WHO) 2020. Coronavirus. URL: [https://www.who.int/health-topics/coronavirus#tab=tab\\_1](https://www.who.int/health-topics/coronavirus#tab=tab_1). Accessed: 06 October 2020.

Yle 2020. Record Number of tourists visit Finnish Lapland in 2019. URL: [https://yle.fi/uutiset/osasto/news/record\\_number\\_of\\_tourists\\_visit\\_finnish\\_lapland\\_in\\_2019/11186729](https://yle.fi/uutiset/osasto/news/record_number_of_tourists_visit_finnish_lapland_in_2019/11186729). Accessed: 07 October 2020.


Yle 2 2020. Finland turns to virtual tourism due to pandemic. URL: [https://yle.fi/uutiset/osasto/news/finland\\_turns\\_to\\_virtual\\_tourism\\_due\\_to\\_pandemic/11372602](https://yle.fi/uutiset/osasto/news/finland_turns_to_virtual_tourism_due_to_pandemic/11372602). Accessed: 15 October 2020.

Yle 3 2020. Virus crisis sees tourism spending in Finland plummet by up to €10b. URL: [https://yle.fi/uutiset/osasto/news/virus\\_crisis\\_sees\\_tourism\\_spending\\_in\\_finland\\_plummet\\_by\\_up\\_to\\_10b/11337949](https://yle.fi/uutiset/osasto/news/virus_crisis_sees_tourism_spending_in_finland_plummet_by_up_to_10b/11337949). Accessed: 15 October 2020.

Yle News. 2020. Half of Finnish Lapland's tourism businesses fear failure by winter. URL: <https://thebarentsobserver.com/en/industry-and-energy/2020/05/half-finnish-laplands-tourism-businesses-fear-failure-winter>. Accessed: 15 February 2021.

## Appendix 1. Survey

### The Financial Impact of COVID-19 on Tourism in Lapland

 Mandatory fields are marked with an asterisk (\*) and must be filled in to complete the form.

Hello,

this survey is being conducted for my Bachelor's thesis on the Financial Impact of Covid-19 on Tourism in Lapland.

I am a student at Haaga-Helia University of Applied sciences, doing my bachelor's degree in International Business with a finance major.

My target companies are tour operators/ travel agencies/ incoming agencies/ travel service providers/ hotels/ restaurants either located in Finnish Lapland or sell services to Lapland!

Answering this survey should take you around 15 minutes and I appreciate you taking your time to help me with my thesis, by filling it!

Company names will stay anonymous in the thesis, unless otherwise agreed upon, however to help me build a bigger and more accurate picture I would highly appreciate you stating the company's name :)

Thanks in advance,  
Emma Rekilä

#### 1. In case you are willing to provide additional information, or answer to additional questions, please fill this in! :) (optional)

First name	<input type="text"/>
Last name	<input type="text"/>
Mobile	<input type="text"/>
Email	<input type="text"/>
Company	<input type="text"/>

## 2. What field is your company in? \*

- ☐ Tour operator
- ☐ Travel Agency
- ☐ Incoming Agency
- ☐ Accomodation Service Provider
- ☐ Activity/experience service provider
- ☐ Restaurant
- ☐ Other:

## 3. Business size in turnover (2019) \*

- ☐ < 50 000€
- ☐ 50 000€ - 250 000€
- ☐ 250 000€ - 700 000€
- ☐ 700 000€ - 999 999€
- ☐ > 1 000 000€

## 4. What is the status of the business... \*

	Business as usual	Moderate reductions in business	Sharp reductions in business	Need of capital to survive	Layoffs or terminations	Threat of bankruptcy
Right now?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If foreign tourism is gone?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
With limited foreign tourism?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If demand does not increase by February 2021?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**5. What kind of impact has Covid-19 had on your sales? (in percentages, optional to add) \***

- ☐ Increase
- ☐ Decrease

**6. What matters have risen that impact your business during this pandemic? \***

- ☐ Ability to pay creditors
- ☐ Delayed payments from debtors
- ☐ Difficulty assessing finance
- ☐ Insurance problems

**7. What measures have been taken to reduce financial impacts caused by Covid-19? \***

- ☐ Lay-offs
- ☐ Reducing staff
- ☐ Reducing other costs
- ☐ Increase borrowing
- ☐ Business Finland support
- ☐ Government support
- ☐ Selling assets
- ☐ Other

**8. Which key areas in your P&L (profit and loss) have been most affected by Covid-19? \***





**9. What has been the biggest cost during the pandemic to you (company)? \***


**10. In comparison to 2019 how much has demand for your services decreased? (in percentages) \***


**11. Have you lost partner companies (service providers) due to e.g. them going bankrupt? \***

- ☐ Yes
- ☐ No

**12. If yes: What kind of impact has it had on your revenue?**


**13. What kind of an impact does the reduced foreign tourism have for you? \***



**13. What kind of an impact does the reduced foreign tourism have for you? \***


**14. With only domestic tourism will you be able to break-even? \***

- ☐ Yes
- ☐ No
- ☐ Maybe

**15. What kinds of service modifications are you planning on/ already doing?  
(If any) \***
