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A FINNISH BRAND IN THE SOUTH KOREAN MARKET
Case analysis of Finnair in Korea

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ABSTRACT

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Until recent years, South Korea has been a fairly unknown and overlooked market for many international enterprises. In recent years, however, the number of foreign companies entering the Korean market has grown exponentially, opening a healthy and growing market for potential international trade opportunities. Finnish companies are no exception, and one of the leading Finnish companies operating in Korea is the national Finnish airline, Finnair.

The main objectives of this thesis are to analyse the Korean business environment and Finnair's operations in the market. The information the study seeks to discover includes Finnair's business strategy in Korea, the awareness of the brand among Korean consumers, main strengths and weaknesses, potential threats and growth prospects.

The empirical research is implemented through a mass-survey targeted towards Korean consumers to evaluate the awareness of Finnair in Korea, gathering 208 respondents from several different demographic groups. Qualitative research methods include several interviews of experts from different fields. SWOT-analysis is used to evaluate the state of Finnair's position in the market.

The results of the research show that Finnair offers competitive and advantageous services, and possesses a strong market position with potential for growth. However, Finnair suffers from the lack of brand awareness and a shy marketing strategy, which does not highlight the main strengths of the company. The research results suggest that the consumers have a mostly positive attitude and willingness to try Finnair, but achieving this requires the consumers to be better informed of the advantages Finnair is offering.

Further study could be conducted to analyse and improve Finnair's marketing strategy in order to better highlight their advantages. The slowly growing tourism between Finland and Korea and how to boost it is another subject that offers potential for Finnair, as well as the Finnish companies in general.

Keywords: Finnair, Korean market, brand awareness, market environment, marketing communications, Korean consumer behaviour

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1 INTRODUCTION

The economies of highly populated countries such as China and India are developing rapidly in today's world, providing companies with exponentially growing markets and nearly limitless possibilities for expansion. Along with the existence of old economic giants, namely Japan, Hong Kong and Singapore, entering the Asian markets is no longer considered as a risk-taking adventure, but rather a norm for many multinational enterprises. There is, however, one market that seems to have been fairly unknown and overlooked by many companies until the recent years – the South Korean market.

The South Korean economy is the fourth largest economy in Asia and can be considered one of the gateways to other Asian markets for Finnish companies. (Hatanpää 2014, date of retrieval 5.5.2015). According to Statistics Finland, 27 Finnish companies operated in the Korean market in 2012, generating a turnover of 493.3 million euros (Statistics Finland 2012, date of retrieval 5.5.2015). While the amount of Finnish companies in Korea has surely increased in the past few years, the amount can still be considered rather small in relation to the size of the market.

Finland has a very positive image in the Korean society as a Nordic welfare country, yet it is still considered quite an unknown country in comparison to many other European countries. Especially when it comes to Finnish companies and products, it can be said that the general populace do not know which companies are Finnish. Despite the unknown image of Finland, several Finnish companies are considered successful in the Korean market.

South Korea has considerably many large conglomerates operating worldwide, such as the likes of Samsung, LG or Hyundai. Companies like Samsung and Hyundai are conducting construction projects in various countries around the globe, making Korea an even more important partner since it can act as the gateway for Finnish companies to enter those third markets beyond the Korean market itself. Entering those third markets straight is difficult, which is why the easier way is to have reference projects in Korea and then enter together with those Korean companies (Korhonen 26.6.2015, interview.)

1.1 Objectives and limitations

The main purposes of this thesis are to analyse the Korean business environment, consumer behaviour and the operations of a Finnish company currently operating in Korea. The Finnish airline company Finnair is used as a case analysis company, and is analysed in-depth concentrating on their awareness and business strategy in Korea.

Finnair was chosen as the case analysis company due to several factors; their relatively longer history of operating in Korea compared to most other Finnish companies, their position as a company representing Finland abroad, and their competitive advantages. The fact that they operate worldwide also creates a great opportunity for comparison of their operations in Korea with other countries in Asia. The research problems when analysing Finnair are to learn the types of business strategy Finnair is currently executing in Korea, the strengths and weaknesses of their current position, the effectiveness of their marketing, and potential future prospects.

However, in order for the readers to gain a better understanding of the topic and the overlaying background details, the thesis begins by providing an overall picture of the Korean market environment and the Finnish companies operating in it before delving deeper into the case analysis. This is achieved by giving an introduction to the governmental, cultural and economic factors forming the Korean business environment and entry strategies on how to enter the Korean market.

Operating in any market naturally requires an understanding of the consumers, which is why an analysis of Korean consumer behaviour is necessary for this thesis as well. Explaining the Korean business environment would already be a large enough topic for a thesis on its own, thus this thesis aims to give a mere basic understanding of it from a sales and marketing point of view.

Several limitations exist on the research process, such as the lack of solid data regarding Finnish companies in the Korean market, as well as the possible unwillingness of Finnair to give information concerning their accurate business

performance and strategy. The language barrier is another considerable limitation as a lot of related information is found only in Korean language, causing time consuming work for thorough translations.

1.2 Research process and methodology

The research methods used in this thesis combine both quantitative as well as qualitative methods in order to gain diverse information from various different perspectives.

The main quantitative method utilized is a mass-survey targeting Korean consumers of different target demographics. Utilization of a mass-survey data collection method serves both as an indicator of the awareness of Finnair among the general Korean populace, as well as an indicator of the effectivity of Finnair's marketing strategy.

The surveys are conducted towards people from several different demographic groups for maximum diversity and minimum bias, as targeting only a certain group such as young people or business people may easily lead to biased results. However, the surveys are conducted in a way that allows us to unveil whether Finnair brand is more known among certain demographic groups more than the others, which can provide very useful leads to discover the potential development areas.

Personal interviews are used as the main qualitative data collection method in order to gain in-depth information on certain areas which requires more concrete knowledge. Interviews are conducted towards consumers, experts of different fields, as well as Finnish diplomats. These interviews are conducted mainly through face-to-face personal meetings, but also through emails and phone calls in some cases.

Concerning the knowledge base of the research, a solid basis is formed through several respected academic sources in relevance with cultural differences and consumer behaviour. Additionally, the thesis uses various statistical databases,

market analyses created by business consulting companies, Korean news articles and other Korean sources, as relevant and up-to-date data regarding the Korean market is often not available in English language.

2 BACKGROUND

The background chapter provides the basic information regarding the country South Korea and its economy, information about the relations between South Korea and Finland, as well as the tourism and trade statistics among the two countries. Additionally, the chapter explains about both the current Finnish companies operating in the Korean market, and the Finnish public organizations vice versa. The last section of the chapter offers brief entry strategy suggestions for companies wishing to enter the Korean market, and explains potential key success factors.

The Republic of Korea (aka. South Korea) is a democratic east-Asian country of nearly 50 million residents, bordering People's Republic of Korea (North Korea) to the north, China across the Yellow Sea to the west, as well as Japan across the East Sea to the east. The official language is Korean and the currency used is Korean won (KRW). South Korea is well known for its incredible economic growth over the past 4 decades, during which it grew from an extremely poor country in the 1960's to become the high-tech industrialized economic power it is today.

In 2014 South Korea's gross domestic product (GDP) was an estimated 1.41 trillion US dollars, making it the 14th largest economy in the world by the Central Intelligence Agency's World Factbook rankings. The industries South Korea is most famous for are electronics, telecommunications, automobile production, chemicals, shipbuilding and steel. While Korea is limited by its small size, its economy is well-developed and still growing steadily at an approximate 3% annual rate (World Bank 2015, date of retrieval 9.8.2015).

The challenges Korean economy is currently facing are its rapidly aging population, reliance on exports, large conglomerates dominating the markets and an inflexible labour market. These long-term challenges have led the Korean government to prioritize various structural reforms, deregulation, the competitiveness of small-and middle-sized companies, as well as the promotion of creative industries and entrepreneurship (Central Intelligence Agency 2015, date of retrieval 24.9.2015.)

2.1 Relations between Finland and Korea

Diplomatic relations between the Republic of Korea and Finland were established in August 1973, four months after Finland recognized the Republic of Korea in April 1973 (Embassy of Finland Seoul 2015, date of retrieval 13.6.2015).

Korea is the 3rd most important trading partner in Asia for Finland in terms of imports and exports, behind China and Japan. This makes Korea an even more important trade partner for Finland than some considerably larger countries such as India. One of the reasons for this is the fact that Finland is able to export many high technology products and services to Korea that could be considered too costly for India and many other developing countries. Similar to other Nordic countries, Finland has an overwhelmingly positive image in the Korean society as a clean welfare country with a beautiful nature.

In 2014, the exports from Finland to Korea amounted to nearly 859 million euros, while imports from Korea to Finland were approximately 481 million euros. Worldwide Korea is the 17th largest exports country, and 23rd in imports for Finland. The main exports from Finland were machinery, metal, and chemical industry products as well as paper and wood products. The main imports from Korea are electronics, cars, machinery, plastic products, and pharmacy products.

South Korea was added by the Finnish government as a target country of public diplomacy, becoming only the third country in Asia, after Japan and China, to be promoted as a target country. This means more funding towards public diplomacy operations, improving the image of Finland in Korea and supporting cultural events. The promotion becomes effective in 2016.

A Free Trade Agreement between the European Union and Korea was signed in 2011, and it is one of the most comprehensive among the FTAs signed by the European Union. The FTA eliminates customs by 98.7% over a period of 5 years. After the Free Trade Agreement between Korea and the European Union was made in 2011, trade between Finland and Korea has already risen by

approximately 30 percent (Ministry for Foreign Affairs 2015, date of retrieval 31.8.2015; Korhonen 26.6.2015, interview.)

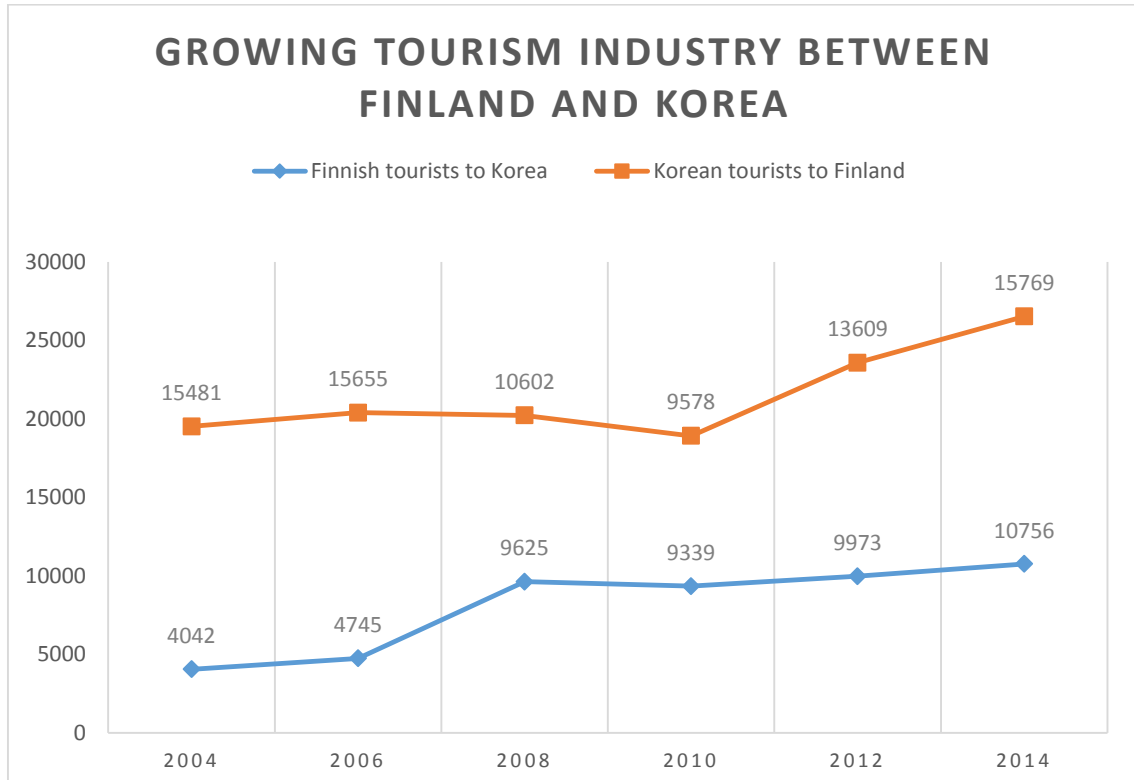


Figure 2.1. Tourism statistics between Korea and Finland.

Besides the growing trade between Korea and Finland, also tourism has grown exponentially in the last decade (see figure 2.1). Finnish tourists traveling to Korea have increased by 266% in 2014 compared to 10 years earlier in 2004, while the number of Korean tourists to Finland has recovered from the drop in numbers caused by the 2008 economic crisis.

Tourism both ways is expected to grow steadily as the economy recovers and the promotion of tourism in both countries increases. Despite the growth, however, the numbers are still rather low between Korea and Finland, making tourism to be considered as a field that could be improved (Korea Tourism Organization 2015, date of retrieval 20.6.2015; Visit Finland 2015, date of retrieval 20.6.2015.)

2.2 Finnish companies in Korea

According to Statistics Finland, Finnish companies had a total of 4883 subsidiaries in 119 countries worldwide in 2012. Roughly 20% of investments made by these subsidiaries were made in Asia and Oceania, with largest investment targets being from the fields of information technology and communications. The second largest investments were made to electronics and the electricity industry. As for the turnover, approximately 16% of the turnover was from Asia and Oceania, with the largest turnover coming from the electronics and electricity industry.

The total number of Finnish subsidiaries in Korea was 27, which ranks Korea as the 8th largest of the Asia & Oceania bracket, just below Japan which had 29 subsidiaries. In terms of turnover, Korea was similarly ranked 9th in the Asia & Oceania bracket, with a 493.3 million euro turnover (Statistics Finland 2012, date of retrieval 5.5.2015.)

According to these statistics, we could deduct that the operations of Finnish companies in the Korean market are still quite small compared to the other Asian economies like China, India, Japan, Singapore, Hong Kong, and such.

Some of the major Finnish companies operating in Korea currently include: airline Finnair, design company Marimekko, jewellery company Marja Kurki, machinery company Cargotec, mobile-gaming company Rovio, cosmetics company Lumene, consulting company Reddal, manufacturing company Wärtsilä, chemical company Kemira, piping company GS-Hydro and aviation company Sharp Aviation K (Finnish Chamber of Commerce and Industry in Korea 2015, date of retrieval 16.5.2015.)

In addition to the private companies, many Finnish public organizations and institutions operate in Korea. Team Finland would be the most important network among them, promoting Finland and its interests abroad. Team Finland assists with the internationalisation of Finnish enterprises, investments in Finland as well as the country brand. The Team Finland network consists of

publicly funded organizations, ministries, Finnish diplomatic missions, Finpro, Tekes, national culture and science institutes, and so forth.

In Korea, the Team Finland network includes the Embassy of Finland in Seoul, Finpro South Korea Trade Center, VTT Technical Research Centre of Finland, and the Finnish Chamber of Commerce and Industry in Korea (Embassy of Finland in Seoul 2015, date of retrieval 16.5.2015).

Currently green technology, arctic expertise, education, health care and Nordic design are among the fields that Finland has been able to attract interest in Korea. Additionally Finnish start-up ecosystem and entrepreneurship activities are held in high regard, culminating with the opening of Aalto University originating Design Factory Korea in 2015. Finland and Korea also have a strong trade relationship in the maritime and machinery industries. Cargotec Oy can be considered as a very successful Finnish company in the machinery industry, supplying their machines to Korean ships and ports (Cargotec 2015, date of retrieval 9.8.2015).

During the recent years, a phenomenon nicknamed “The Nordic Wave” has been in fashion in Korea, leading to many Nordic companies and products becoming highly popular. Several Finnish companies are highly successful in riding along this wave, such as Marimekko and Iittala, constantly expanding their presence in Korea. Moomin Characters Ltd. also successfully entered the Korean market in 2014 and has created a huge Moomin boom.

ICT and the mobile-gaming industry are huge in South Korea, providing many opportunities for Finnish companies. Rovio and Supercell are among the Finnish mobile-gaming companies currently operating in the Korean market. Especially Supercell has been extremely successful, with their mobile-game “Clash of Clans” being one of the most downloaded games of the year. Korea has a huge network on the ICT field, and it is considered as the top internet trendsetter in Asia; if a game becomes a hit in Korea, there is a high chance that it will become a hit in Japan, China and other Asian countries as well (Korhonen 26.6.2015, interview.)

2.3 Entering the Korean market and Finnish company support network

The Finnish government strongly promotes exporting Finnish products and expertise abroad. Large support network and considerable amount of free information are available for companies looking to enter foreign markets. Among the support networks can be mentioned:

1) Finpro is a public organization helping Finnish small-and-medium-sized companies to become more internationalized. Finpro encourages foreign direct investment and promotes tourism to Finland, and provides free business consultation for companies looking to enter a foreign market. Finpro operates not only in Finland, but they have an office in many countries abroad, including South Korea (Finpro 2015, date of retrieval 1.10.2015.)

2) The Embassies of Finland abroad can also provide credibility to the companies by the name of Embassy when dealing with the local organizations. If the company mentions that they are in cooperation with the Embassy, it can help to create trust and further raise the company's credibility in the eyes of the others (Korhonen 26.6.2015, interview.)

Entering any foreign market naturally requires the company to conduct extensive market research into the target market, and to analyse the local business environment carefully. Identifying potential competitors and thoroughly preparing an entry strategy is highly essential for achieving success. In addition, the company must identify their target market segments and conduct their marketing communications through the most efficient channels for those particular segments. The communication must be sustained and continuous. These rules apply to any foreign country market, but are emphasized in rather unique markets such as Korea.

One common point is shown in several of the Finnish companies that have eventually become successful in the Korean market; they entered the market by creating a branch office and are operating locally from those office. Finding the right local agent and adapting to the Korean business environment can be considered as a key to their success. Many factors may cause operation in the

Korean market highly complex, requiring a thorough understanding and consultation. Therefore, leveraging local experts is an essential factor that allows the company to adapt into the local environment (Shin 2011, date of retrieval 1.10.2015.)

A Finnish company wishing to enter the Korean market should conduct their own market research into the Korean market thoroughly and assess whether their product or service is suitable to the market as it is. The company should also identify the potential market segments where they have the most potential for success. They should utilize the free information available and the Finnish public support network by, for example, consulting Finpro's Korean office for potential networking opportunities, suitable business partner contacts and local agents.

Several different alternative strategies to enter a new market exist: e.g. Exporting, licensing, joint venturing or direct investment. The entry strategy should be created based on the company's competitive advantages and how to best utilize them in the new market. Several Finnish companies, such as Fazer, simply export their products to Korea through large retailers such as department store chains without having any sales office or point of operations in Korea.

According to Ernst & Young, three common types of corporate registration methods can be utilized in Korea: Representative company (Liaison office), registered foreign company (Branch office) and Korean incorporated subsidiary company.

- A liaison office is considered as a non-profit generating entity, thus not allowed to conduct sales or manufacturing activities. Can be used for marketing or other auxiliary activities.
- A branch office allows sales and manufacturing, operating as a revenue generating entity. However, it is unable to receive tax incentives.
- A subsidiary is established as a local company allowing a closer relationship with the local business community and opportunity to receive tax incentives.

In other words, a company wishing to register themselves in the Korean market has to create a branch office, or stick to exporting as a liaison office is not

allowed to generate profit according to the Korean business law (EY 2015, date of retrieval 22.10.2015.)

Unless the company wants to strictly export their products, the company should consider making an investment and creating a branch office (sales office) to Korea in order to maximize the efficiency of their communications. Naturally investing in such way leads to cost disadvantage; however, depending on the scale and form of a business, this could be offset by a viable business strategy based on competitive advantages. This investment strategy is also supported by the Korean consumer behaviour (see chapter 4), which emphasizes the importance of being able to communicate and operate locally.

In case of a service business, the same aforementioned advantages apply. A sales office for a service business would serve as the management operational centre and the marketing production centre. The cost disadvantages would naturally be lower as production plants or factories are not required.

3 KOREAN BUSINESS ENVIRONMENT & PRACTICES

This chapter analyses the Korean business environment by explaining the economic background of the market, and which factors can affect business operations. Moreover, the chapter suggests insight to the Korean business from a cultural viewpoint, firstly by comparing the cultural dimensions of Korea with Japan and Finland, and secondly by giving a brief instruction on the do's and don'ts of business practices in Korea.

The Korean market is an attractive growing economy with over 50 million consumers with a great potential for foreign companies. With a GDP over 24,000 USD, Korea is one of the world largest economies and the 4th largest in Asia, only behind China, Japan and India. Korea also markets itself as one of the world's top-10 economies in terms of foreign reserves, exports and total trade (Invest Korea 2015, date of retrieval 16.5.2015.)

One big advantage for companies from the European Union entering Korea lies in the Free Trade Agreement (FTA) between EU and South Korea, which came into effect in July 2011. Through the agreement, businesses from the EU countries, including Finland, have an easier accessibility and competitiveness when operating in the Korean market (Ministry for Foreign Affairs 2015, date of retrieval 31.8.2015.)

Like many other Asian markets, however, the Korean market also imposes many challenges for foreign businesses. In addition to tariffs and internationally divergent standards, the Korean authorities possess highly differing practices from what most European businesses are used to. The differences in business culture and etiquettes, a complex taxation system, as well as a language barrier can be considered as major turnoffs for foreign companies. All of these factors further promote the importance of local agents in conducting businesses with local companies (Embassy of Finland in Seoul 2015, date of retrieval 16.5.2015.)

According to the Ease of Doing Business –rankings examined by the World Bank Group, Korea was placed in the 5th out of a total 189 countries in June 2014 benchmarking. The rankings are based on 10 different topics, each consisting of several indicators. The results indicate Korea has a business

environment favorable for companies to operate in. Korea scored especially high in cross-border trading, enforcing contracts and resolving insolvency categories, being in top 5 of each category (World Bank Group 2015, date of retrieval 23.5.2015.)

3.1 Comparing cultural dimensions of Korea, Japan & Finland

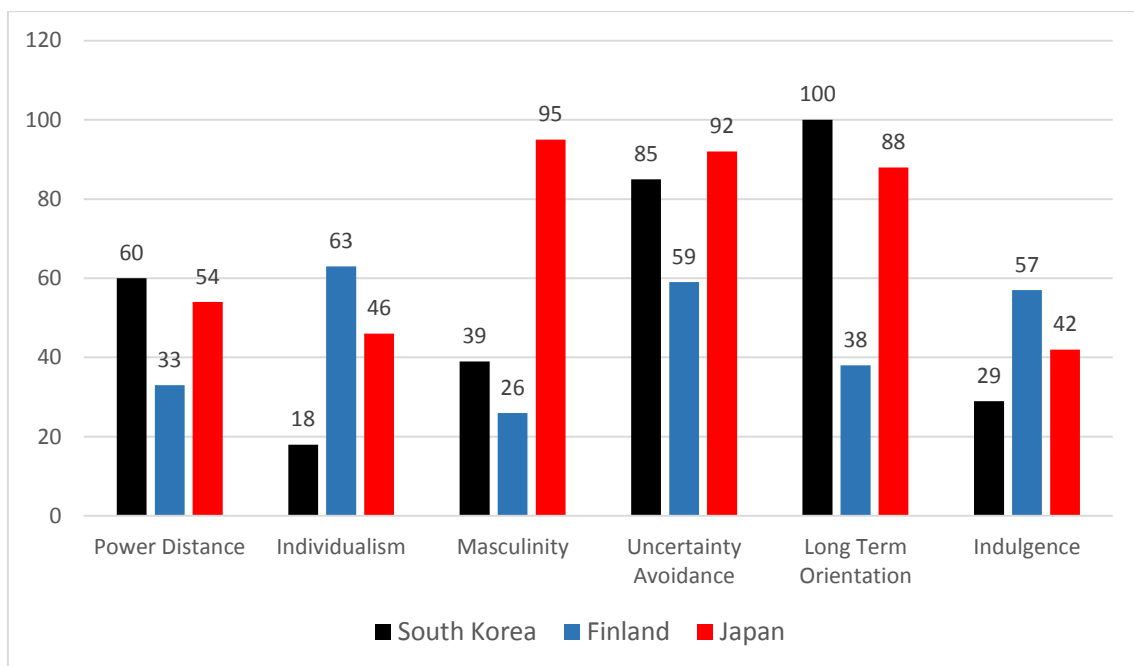


Figure 3.1. The Hofstede Centre Cultural Dimensions - comparing Korea with Japan & Finland.

The Hofstede cultural dimensions theory has been criticized by some scholars, presenting a highly subjective view of cultures. Therefore the values given by the Hofstede Centre should be carefully looked at with critical points of view; however the dimensions are still useful in getting a generalized perspective into how the Korean culture differs from those of the Finnish and Japanese.

Korea can hold a hierarchical culture similar to Japan, scoring high in terms of power distance (see figure 3.1). This result shows that the less powerful individuals in Korean society accept the unequal distribution of power and

wealth significantly more than the Finnish people do. The hierarchical social system in Korea is believed to be a remnant of the Confucian beliefs existed in Korea for hundreds of years in the past. The effects can still be seen in today's Korean society and especially in company culture (Hoare 2010, 133).

Due to this phenomenon, many companies have a clear company hierarchy in which the supervisors are autocratic and the subordinates are supposed to believe and obey without questions. Like China and Japan, however, this hierarchical way of thinking is slowly, yet gradually changing. Western system of low power distance is greatly affecting due to the high influence of western companies and the globalization of the country.

Consequently whereas Finnish are highly individualistic, Korean society is a highly collectivist type in which everyone is interdependent on each other and family is a highly prioritized value. Also, Koreans are extremely long-term oriented and wish to avoid uncertainties by all means. This means that they do not prefer taking risks or trying new unorthodox methods, which may restrict business dealings and might frustrate the generally more innovative and risk-taking Finnish businessmen.

According to the Hofstede Centre, similar points are observed as well; similar to the Finnish, the Koreans are a more feminine society and value equality, well-being and quality in working life, rather than being the best or striving for success. While many Koreans are highly likely to disagree with the Hofstede Centre's views, a hint of truth lies in this. Many Koreans undoubtedly do value equality and well-being, but the Korean society is highly competitive and promotes striving for success on the cost of well-being and balanced life. Therefore it can be said that the attributes Koreans generally value do not necessarily reflect the reality of the society.

The last dimension is indulgency. The low score of Koreans shows tendencies to practice restraint which could contribute to pessimism and cynicism. In most of the cultural dimensions, Koreans are similar to Japanese, and quite different from Finnish. While opposites can sometimes be used to complement each other, this can also pose a problem in business dealings, causing misunderstandings with different mind-sets and goals. The Finnish way of

working, communicating and solving issues can be incomprehensible to the Koreans and vice-versa (The Hofstede Centre 2015, date of retrieval 23.5.2015; Lee 25.6.2015, interview).

3.2 Do's and Don'ts of Korean business practices

Behaviour and business practices in the Korean society are similar to those of Chinese and Japanese, highly differing from the western practices in several ways. The importance of group identity and personal relationships, social networks and connections are emphasized and thus, meetings are often organized through a common acquaintance. Due to this emphasis on personal relationships, meeting the other party in company dealings is highly desirable in most cases (Hoare 2010, 38.)

In Korean language, several different levels of formality exist in every sentence, with their use depending on the hierarchical difference among the speakers. Due to these levels, Koreans are naturally careful with their word choices and the way they speak, as it can highly affect the opinion of the other party. Therefore even when conversing in English, it is important to speak in a rather formal manner, and to use titles such as mister or miss when addressing the other party. An elder person or a person of a higher rank in the same company is respected and should always be addressed in a more formal and respective manner (Hoare 2010, 41).

Body manners are also considered important and can make a great impact on one's personal image. Among these manners, especially bowing is a common manner in Korea and used commonly when greeting, thanking, or saying goodbye to another person. When handshaking, as well as when giving or receiving any items, both hands should be used and the item should be given with the correct side towards the other person.

Business meetings are considered rather formal and wearing a suit is still the norm for most companies. Having a personal business card for a company representative is a must, and the cards are always exchanged at the beginning

of the conversation when meeting a person one has not yet introduced himself to. By doing this, the different parties are immediately able to evaluate the position and rank of the other in their company, and thus are able to address them appropriately. Having a business card is highly essential, and having the business cards made in both English and Korean languages is recommended.

Alcohol is one aspect of company life in Korea and it's common for company employees to consume alcohol together while celebrating successful deals, or as a team spirit building rite. The same is applied to business meetings and it is a common practice for the business partners to enjoy drinks after meetings or as an attempt to form a more personal contact. Rejecting the offer for drinks can be considered improper, giving a bad impression to the other party.

Business gifts are another common practice and small gifts are often exchanged when meeting between different companies. While expensive gifts are also appreciated, it is more important to leave a souvenir for a good memory. Appropriate gifts can be, for example, the company's own products or snacks like rice cakes.

Some topics of talk are suggested to be avoided with Koreans due to historical malignity or sensitivity of the issue. Especially topics such as comparing Korea with Japan, Korean political matters, religion or sensitive family matters should be avoided. Instead, good topics for friendly small-talk are the richness of Korean cultural heritage, their fast economic growth, or sports (Aaltola et al. 1993, 103-104.)

4 KOREAN CONSUMER BEHAVIOUR

This chapter attempts to analyse the Korean consumer behaviour by giving generalized examples of the types of products and services Korean consumers prefer, as well as the qualities and attributes Koreans value in contrast to their dislikes. The chapter explains the background and reasoning for the Korean consumers' way of thinking towards brand image, product or service origins, service quality, and other related attributes.

Generally, Koreans are considered to be very conscious of their own appearance in front of others. This is one of the main reasons why foreign luxury brands sell relatively well in Korea. Wearing expensive high-end brand products such as Gucci, Louis Vuitton, Chanel, Armani, and so forth is regarded as a status symbol representing the social status. Hence, for the same reason, the origin of the brand is important for the buyers; for example, a European or American brand would be considered relatively higher quality and value than a South-East Asian or Chinese product, which are thought to be of lower quality. Domestic brands are also highly regarded over other "3rd world country products". This same way of thinking applies to both products and service industry.

Due to their high brand consciousness and price sensitivity, Korean consumers often thoroughly research the brands prior to the purchase, especially through blogs in Korean portal websites, such as Naver. Excluding cheap everyday-products, the product quality and price are very important, and the consumers need to be convinced of the value and distinctiveness of their products. While luxury still retains its social value and the "heavy-buyer consumers" are willing to pay the full price of luxury items, the general Korean consumers have been showing a trend of becoming more and more price sensitive and look for cheaper alternative products of similar quality (McKinsey&Company 2011, date of retrieval 4.10.2015.)

A purchased product or a service is not considered simply as just a product or a service; every purchase is considered as a package which includes after-services such as repairing, as well as customer support. Therefore the

evaluation process before making a purchase decision includes weighing all aspects and extra services of the product.

As seen in the Hofstede's cultural values, Koreans want to avoid uncertainty and are extremely long-term oriented (see figure 3.1), therefore Korean consumers are generally considered less adventurous when it comes to new products. While the younger generations tend to be generally more open-minded regarding new products and technologies, the older generations are rarely early adopters of new products or services due to the brand image value. Once a new product becomes a mainstream-product, however, the product would be popular among all consumers regardless of their generation; the Apple Iphone is a prime example of this (The Hofstede Centre 2015, date of retrieval 23.5.2015.)

Partly attributed to their highly developed IT infrastructure, Koreans have one of the highest rates of internet and smartphone usage in the world. Being highly tech-savvy, the consumers loathe inefficient ways for shopping, and thus tend to use technology such as mobile applications and social media to aid their purchasing and good deal-findings. Koreans have a high usage rate of internet banking transactions and mobile payment applications; e.g. Kakaopay. Majority of consumers tend to do online research for reviews and opinions regarding the product or service they are planning to purchase, emphasizing the importance of brand awareness and positive reputation (L.E.K. Consulting 2013, date of retrieval 4.10.2015.)

According to a Korean customer experience specialist, Korean consumers have three values considered important: accuracy, promptness and price. Korean consumers demand accurate information on the product or service, and it must be easily found on the internet. The consumers have a low tolerance for inaccurate or unclear information, and are used to the so called "bballi bballi - culture" (translated directly as "fast-fast culture"), in which products are delivered and services are conveyed in a prompt manner. Furthermore, the prices must be clearly shown including any possible extra costs. Refundability is an important and highly used function.

Particularly in the service industry, Korean standards differ from the western equivalent. Similar to the Japanese, Korean consumers demand services in their own language and with a highly customer-friendly approach. The manners and attitude of a service person are important qualities to provide a lasting impression. Customer service is a highly utilized service for both products and in the service industry. The standards that consumers demand from these customer service representatives are high, and serve as an important part of the whole brand image (Lee 25.6.2015, interview.)

A prime example of this different way of thinking is found in the case of airline companies' flight attendants. In Europe, the flight attendants are thought to be the workers taking care of passengers' safety on-board. For Koreans, however, the flight attendants service people whose main purpose is to serve the passengers and make their flight as enjoyable as possible (Yeo 2015, date of retrieval 28.9.2015.)

According to McKinsey & Company, five priorities should be established for a company to operate in the Korean market. The first priority is to create excitement through innovation, as simply being a prestigious brand is no longer enough for the Korean consumers. Therefore a company must continuously keep innovating their image, marketing, and products and services. The company is encouraged to create a product-price portfolio, with multiple levels of products and pricing.

Another priority is to make the company's brand image clarified and distinct, so that the consumers notice a clear and convincing brand message, while not losing grasp of what the company stands for. The company's marketing should invest into multiple different channels, while making sure that the marketing communications are delivering the same message both online and offline, and internationally. McKinsey & Company also encourages to treat the high-value customers different through special promotions and services, as well as aspirational products since the heavy buyers are an ever-important customer group (McKinsey&Company 2011, date of retrieval 4.10.2015.)

5 FINNAIR

This chapter delves deeper into the airline company Finnair, explaining the basic company information and history, their current state of affairs, business strategy and goals. Afterwards, the chapter concentrates on Finnair's operations particularly in Korea, as well as the separate business strategy for the Korean market. The last section of the chapter explains Finnair's marketing communications in the Korean market and how Finnair aims to distinguish itself from the competitions.

Finnair Plc is the flag carrier and the largest airline of Finland, with headquarters in Vantaa, Finland. Originally founded in 1923 under the name 'Aero O/Y', it is also the fifth oldest airline in the world which has had no interruptions during its existence. The Finnish government is a controlling major shareholder of Finnair, owning 55.8% of the total shares. As of the end of the year 2014, Finnair Group employs over 4400 personnel and operates a total fleet size of 67 planes. Finnair flies to over 70 destinations around the globe, including 13 destinations in Asia. Finnair is currently a member of the Oneworld airline alliance (Finnair 2015, date of retrieval 14.5.2015.) According to the 2014 Airline Safety Ranking conducted by Jet Airliner Crash Data Evaluation Centre (JACDEC), Finnair is also ranked the third safest airline in the world (Jacdec 2014, date of retrieval 14.5.2015) and thus has a strong safety reputation internationally.

According to Finnair's estimations, approximately 26 million people travel between their current destinations in Europe and Asia. Among these 26 million people, nearly 65% are transfer-customers who transfer flights in-between to get to their final destinations. The traffic between Asia and Europe is already representing half of Finnair's worldwide total traffic (Finnair 2015, date of retrieval 14.5.2015.)

In 2015, Finnair operates flights to 13 different destinations in Asia with 15 fleets in total. In addition to Incheon in South Korea, these destinations include: Nagoya, Osaka, and Tokyo in Japan; Chongqing, Beijing, Shanghai, Xian, and Hong Kong in China; Delhi in India; Bangkok in Thailand; Hanoi in Vietnam; and Singapore.

5.1 Finnair's business strategy

Finnair's current business strategy is centred on the growing demand for flights between Europe and Asia. The basis of its growth strategy is created by the growing Asian markets, quick and convenient flight connections between East Asia and Europe, high quality services with cost-effective and pinpoint operating, as well as competitiveness.

The convenient geographical location of Helsinki provides Finnair with a significant competitive advantage, as it allows the fastest flight connections between many of Europe's destinations and Asia's large cities. Finnair is looking to attract business and leisure customers, as well as freight customers from the rapidly growing economies in Asia, Finnish domestic market, and those European cities which are not offering any direct flights to Asia.

Finnair's business strategy consists of three main strategic objectives:

1. Double the flights operated between Europe and Asia from the 2010 level by the year 2020
2. Provide a unique customer experience and achieve world-class quality of operations,
3. Create profit for its shareholders.

Finnair has a vision to provide its customers a unique "Nordic experience", and their mission is to provide through Helsinki the quickest and most convenient flight connections on the northern side of the globe, as well as the best local flight network to the world.

In order to achieve the strategic objectives they have set, the Finnair's board has set itself six focus areas to concentrate on during the 2015-2017 period: the growth of their long-haul flights (particularly East Asia), unique customer experience, personnel and the 'Finnair culture', digitalization, finances & capital structure, as well as world-class operations (Finnair 2015, date of retrieval 16.5.2015.)

5.2 Finnair in Korea

The first direct flight route between South Korea and Finland was officially opened in June 2008 as the 11th Asian destination for Finnair. The route flies between Helsinki-Vantaa International Airport and the Incheon Airport, offering the shortest route from Korea to Europe. Thanks to the favourable wind cycles, the short flight time and easiness of flight transferring attracts both Korean business and leisure travellers heading to Europe.

According to Finnair's Korean country sales manager Kim, Finnair has been riding high on its safety track record and reputation as one of the most reliable and safest airlines in Europe, making it very successful in the Korean market. Moreover, Finnair's competitive pricing, customer-friendly in-flight services and efficient connecting flights to over 60 European destinations at Helsinki-Vantaa International Airport are some of the elements contributed to Finnair's success.

When viewing Finnair's strategy through the perspective of Michael Porter's generic competitive strategies, it can be deduced that Finnair is aiming for a differentiation strategy instead of cost leadership or focusing on certain segments. While Finnair has competitive pricing, it is by no means the cost leader of its field. By contrast, Finnair has several competitive advantages through differentiation, including the fastest flights and being the only company to fly daily between Korea and Northern Europe. Additionally Finnair is looking for more differentiation through Nordic design and special catering towards the Korean consumers (Porter 1985, 11-15.)

Currently, Finnair is the only airline flying non-stop from South Korea to northern Europe, providing a daily flight with their Airbus 330-300 plane capable of accommodating 297 passengers. According to the Korea Tourism Organization, a total number of 16,298 Koreans travelled to Finland in the year of 2014 (Kang 2015, date of retrieval 4.10.2015). As for Finnair, according to Manager Kim, the booking rate of their flights averages 80% on yearly basis, with peak summer season bookings averaging as high as 96% of maximum capacity.

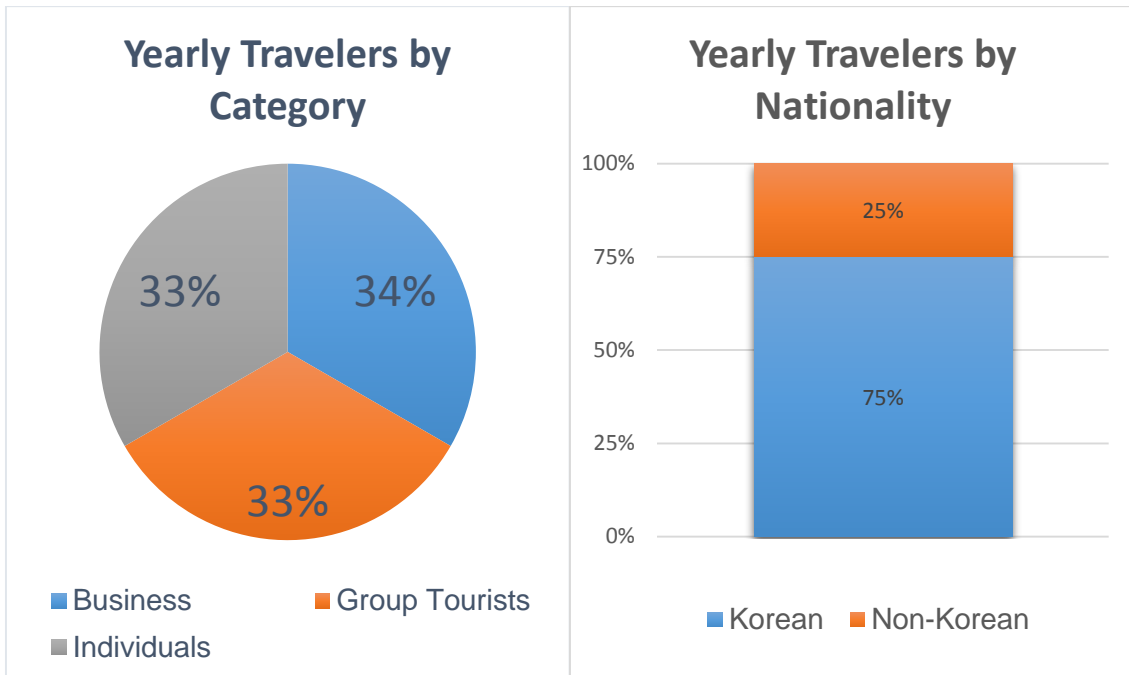


Figure 5.1. Finnair's Incheon-Helsinki 2014 yearly travellers' demographic breakdown (values: Lee 2014, date of retrieval 14.05.2015).

On average three out of four travellers on the Incheon-Helsinki line were Korean customers in 2014 (see figure 5.1). Business travellers, group tourists and individual travellers each group occupied one third of the traveller numbers in the statistics (Lee 2014, date of retrieval 14.05.2015.)

In order to expand their operations in Korea, Finnair made a code-sharing pact with Japan Airlines in 2015 to provide flights from Busan to Helsinki through Tokyo. Through this code-sharing deal, Finnair is able to go around their restriction of not being able to fly straight from Busan, attracting travellers from the 2nd most populated city of South Korea (Choe, D 2015, date of retrieval 4.10.2015.)

The tourism between Japan and Finland is already in a saturated state, while China is in the beginning stages. In this respect, Korea is gaining more awareness and attention as a strategic market with high potential, and Finnair has plans to invest more to Korea in the future. While Finland is still considered generally unknown to Koreans, the number of travellers from Korea to Finland is gradually increasing as the Finnish design, white night, midnight golf and

northern lights (aurora borealis) are gaining more interest and awareness. In fact, Korean travellers on Finnair's flights to Finland increased by 30% in 2014.

Finnair's separate strategy in Korea is to pursue the goal of becoming more like a Korean airline in the eyes of the local consumers. This in effect means catering more to the Korean consumers' needs and demands by providing more services in their own language, and initiating services on the standards that Korean consumers are used to.

The most concrete new policy Finnair has set requires all flights to and from Korea to have up to 4 Korean speaking flight staff on-board in 2015. This new staffing regulation is practiced to minimize the friction that may be caused by different languages. Finnair has also begun providing Korean food as an in-flight meal choice on these flights, and is increasing the scope of services provided in Korean both online and at the airports. Additionally, Finnair is developing a program that would allow converting the Finnair mileage points into Korean department store coupons (Yeo 2015, date of retrieval 28.9.2015.)

Furthermore, Finnair released their mobile phone application nicknamed "Apple Watch" in the summer of 2015 to better cater to their tech-savvy customers (Jeong 2015, date of retrieval 4.10.2015).

5.3 Finnair's marketing communications in Korea

Finnair concentrates a large part of their marketing communications in Korea around their slogan "the shortest route to Europe" and their comprehensive flight connections network in Europe. Also, they put emphasis on Finland-travel by utilizing Finland's most known tourist attractions, such as the white night, northern lights, Lapland travel, and so on in their marketing. Most of the Finnair marketing is executed through online advertisements in webpages and social media, participating in large events, and sponsor deals; Finnair has no television or radio commercials in Korea.

Finnair is trying to increase travellers to Finland through various promotional campaigns, such as their most recent campaign “Polar Night Magic”, which is a campaign in which the customers can apply to be chosen for a 3-month Lapland experience sponsored by Finnair (Finnair 2015, date of retrieval 4.10.2015). The introduction of their new A350 XWB fleet as the first airline has also been featured heavily in the media. Finnair uses this new modern plane in their marketing as well (Kwon 2015, date of retrieval 4.10.2015).

Finnair actively participates in Korean travel fairs and exhibitions such as the Hana Tour Festival in 2015. They occasionally sponsor events, such as the Study and Research in Europe fair in 2015 where they sponsored a lottery for one winner to receive a round-trip ticket to Europe among other smaller prizes (Choe, S 2015, date of retrieval 4.10.2015). Finnair also held a Finland Travel Workshop in cooperation with several other Finnish tourism-related companies and organizations in the autumn of 2015 (Kang 2015, date of retrieval 4.10.2015).

In order to differentiate Finnair from the other airlines, they are attempting to ride on the high popularity of Nordic design in Korea by cooperating with the Finnish classic design brand Marimekko, providing their design in Finnair’s colours to Finnair’s in-flight cups, napkins, plates and other items. According to Finnair’s Korean country manager Kim, they are utilizing a strength of the Finnish culture, the emphasis on efficiency. Therefore they are pursuing practicality and effectiveness over luxury or flashiness in their design and brand image (Yeo 2015, date of retrieval 28.9.2015.)

Finnair’s promotional campaigns and the promotion of travel to Finland are well executed and eye-catching, even gathering attention from the Korean media. However, their marketing communications seem to be lacking the emphasis on the advantages which Korean consumers generally value the most, such as their excellent safety reputation and short flight durations combined with a wide network of connections. This point could be easily rectified by simple measures, for example, Finnair could add slogans promoting their safety reputation on their banners, commercials and so forth. Finnair’s strategy of making the company more “Korean” in the consumers’ eyes is an effective way of attracting more

Korean consumers, yet this line should also be included in the marketing communications or the changes won't be noted as widely as they could be.

Finnair's marketing seems to suffer from similar issues as Finland itself, a shyness problem. The main benefits that they are offering need to be actively marketed by highlighting them in headlines instead of briefly mentioning them in the body text (Kalb 2014, date of retrieval 21.10.2015.)

6 SURVEYING KOREAN CONSUMERS' AWARENESS OF FINNAIR

The author has conducted a survey (see appendix 1) regarding the awareness of Korean consumers towards Finnair, and the survey results are analysed in this chapter. The chapter provides an overview of the questions asked in the survey, the relevancy, and the implications of the results. The results are analysed from several angles by observing various affecting factors and differences among different demographics for optimal results.

In order to get a better picture of the awareness of Finnair in Korea among different Korean demographic groups, the use of a wide-scale qualitative research method, such as a mass-survey is necessary. The survey results can also be used to evaluate the effectiveness of Finnair's marketing towards different demographics. The objectives of the conducted survey were to discover the values of following variables:

- 1) whether the respondents were familiar with the Finnair brand,
- 2) awareness of the fact that Finnair provided the fastest flight between Europe and Korea (main unique selling point),
- 3) the top two qualities considered when choosing an airline to use on a Europe travel,
- 4) willingness to use Finnair when traveling to Europe, if Finnair offered both the fastest flight and lower prices than domestic carriers.

Ideally, the survey would have a balanced ratio of respondents from several demographics, including a variety of different age groups and different occupations.

The survey was conducted mainly in the Korean language to avoid any possible misunderstandings, but the survey also had English translations of the questions and answers. The survey's body is built up by a total of 7 questions. The first three questions are general questions to determine the respondents' gender, age group and current occupation. These questions are necessary to find out whether Finnair is more known among certain demographic groups than

others. For example, whether students are generally more aware of Finnair than employed people, or whether the older generations are more aware than younger generations.

6.1 Survey respondent demographics

The survey was conducted electronically using Webropol survey tool and gathered 208 responses in total. Although a large difference between the amounts of responses from the different demographic groups exists, each groups had enough amounts to serve as a sufficient sample. Among these 208 respondents 106 (51%) were males and 102 (49%) were females.

Age group (years old)	Respondents	Percentage %
Under 18	2	1%
18-29	35	16.8%
30-40	65	31.3%
41-52	82	39.4%
Over 52	24	11.5%

Table 6.1. Age group categorization of respondents.

The respondents were classified into 5 different categories based on their age (see table 6.1). The largest amount of respondents came from the 41-52 year olds group with 82 responses, 30-40 year olds being the second largest group with 65 responses, and 18-29 year olds taking the third place with 35 responses. The survey also received 24 responses from the over 52-year olds and 2 from under 18-year olds. Due to the low amount of under 18-year old respondents, in the results analysis they are unified with the 18-29 year olds group.

Occupation	Respondents	Percentage (% of total)
University student	27	13%
Employee	112	53.9%
Unemployed	4	1.9%
Other	65	31.3%

Table 6.2. Occupation group categorization of respondents.

The third demographic categorization of respondents was divided by their occupation into 4 different categories. The largest group was company employees with 112 (53.9%) respondents and “other” was the second largest group with 65 (31.3%) respondents. The third group was university students with 27 (13%) respondents, while the fourth group was unemployed consisting of 4 (1.9%) respondents. The “other” -group includes answers from those working in the public sector (e.g. government officials), as well as housewives, entrepreneurs and freelancers, which explains the large amount of respondents in the category.

6.2 Awareness of the Finnair-brand and their unique selling point

The first question after the demographics part was related to awareness. Respondents were asked whether they had heard of the Finnair-brand, and if aware, had they used it or not. The respondents were given three choices for an answer: 1) Never heard of it, 2) I know of it, but never used it, 3) I have used it before.

Among the respondents (see figure 6.3), a majority of 117 responded that they had not heard of Finnair, gathering 56% of the votes. However, 66 (32%) responded that they were aware of the brand, while a small minority had experienced Finnair at least once before. The result that majority of the total respondents were not aware of Finnair was to be expected, however it is also

important to analyse and compare which demographic groups were the most aware, and which were the least.

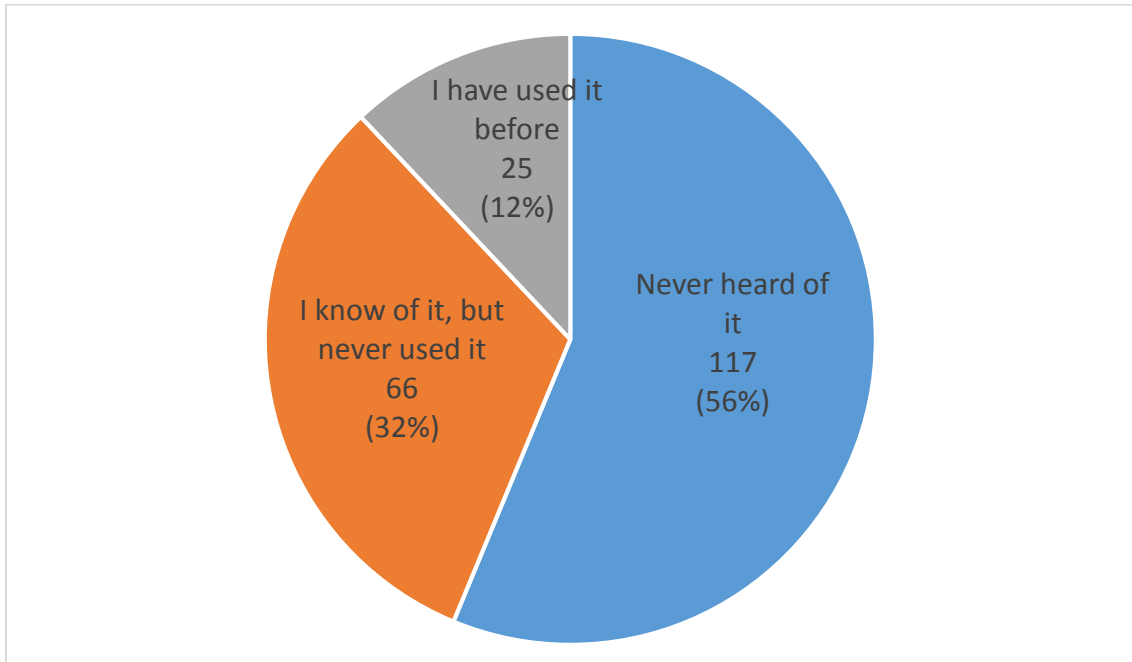


Figure 6.3. Awareness of Finnair-brand results

Firstly to compare the genders, the results were extremely even. Among those who knew Finnair, or had an experience of using Finnair, 52% were males and 48% were females.

Analysing the answers given by different age groups, Finnair was most well-known among the under 29-year olds (65%) and the over 52-year olds (62.5%), whereas the percentage among the 30-40 year olds was only 38.5%, and 33% among the 41-52 year olds. The under 29-year olds also had the highest percentage (27%) of respondents who had used Finnair before.

Among the different social groups, Finnair was most well-known by the students group, in which a large majority of 81.5% knew the company and 33% had experience of using it. However, among both company employees (60.7%) and the others-group (63.7%), majority were not aware of the company. Among the company employees merely 10.7% had experience of using Finnair, while among the others-group the percentage was even lower at 5.8%.

The results of this question were in line with the pre-expectations; the students and younger generations seem to be more aware of international companies in general. The older generations buying behaviour tend to favour domestic airlines (see chapter 4) and are not exposed to foreign companies as much as the youth. It could be considered that Finnair has made itself well-known amongst the youth, but they need to put more effort into making themselves more known amongst mid-aged company people who are a very large market for them.

The second question was related to Finnair Korea's main unique selling point, the fact that they provide the fastest flight to Europe from Korea at the moment. The aim was to find out whether the respondents were aware of this fact. The overall result was that the number of negative answers largely dominated the answers, with 180 (86.5%) answering that they were not aware of this point, while only 28 (13.5%) were aware of it. Among those who answered that they were aware of Finnair, only 31% knew about this fact, and even among those who had actually used Finnair before, a third was not aware of this fact. The students and younger generations were the most aware of this point among the different groups.

The results of the second question are rather alarming, as the fact that Finnair provides the fastest flight to Europe should be one of Finnair's main advantages compared to other airlines. This result clearly shows that Finnair needs to rethink their marketing strategy and focus on making this point more known to the consumers, as flight duration is one of the most considered criteria when choosing an airline among the consumers (see chapter 6.4). The result that only a third of those who had experience of using Finnair before knew this point shows that most of them chose the airline for another reason, or simply without comparing the flight duration times.

6.3 The most important qualities when choosing an airline

The next question aimed to find out which qualities the respondents considered the most important when choosing an airline for a flight between Europe and

Korea. The respondents were asked to select the two most important qualities among the following options: 1) Price, 2) Flight duration, 3) Mileage, 4) Brand, 5) Other, specify.

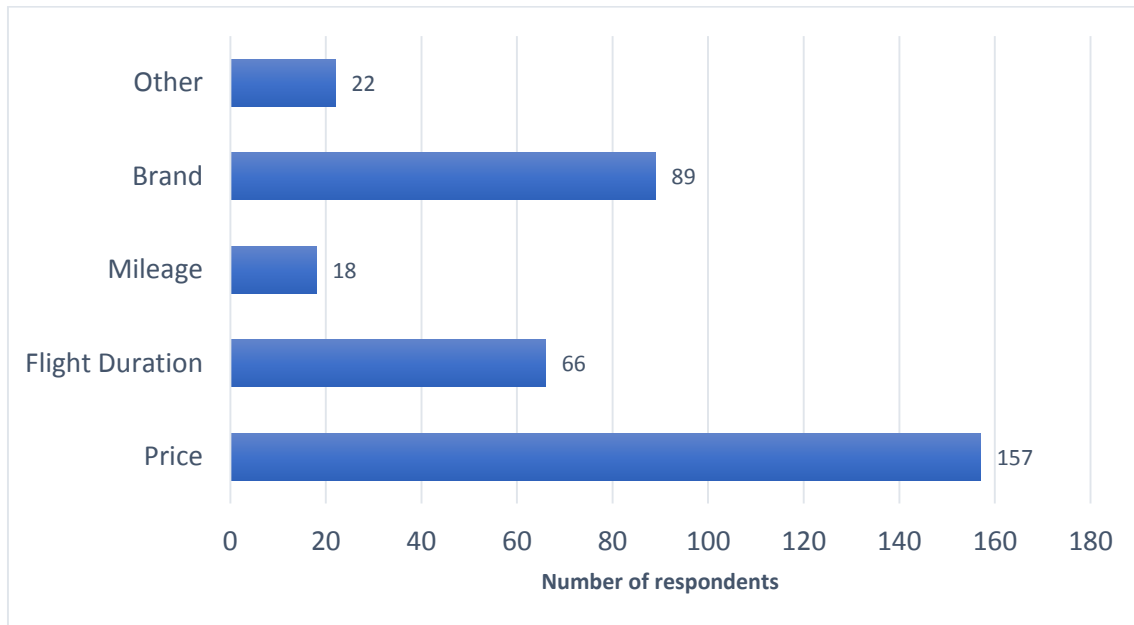


Figure 6.4. Most important qualities when choosing an airline results

Among the answer choices, price was the most sought after attribute with 75.5% of respondents selecting it. Brand was the second most selected attribute with 42.8% of respondents, and flight duration taking the 3rd place with 31.7%. Mileage was the least selected attribute with 8.7%, while other was selected by 10.6% of respondents.

Among the 22 respondents who answered “other”, most specified their choice as the safety or safety reputation of the airline, while a few also specified various other attributes such as the service, layover time, meal or cabin air quality as their pick.

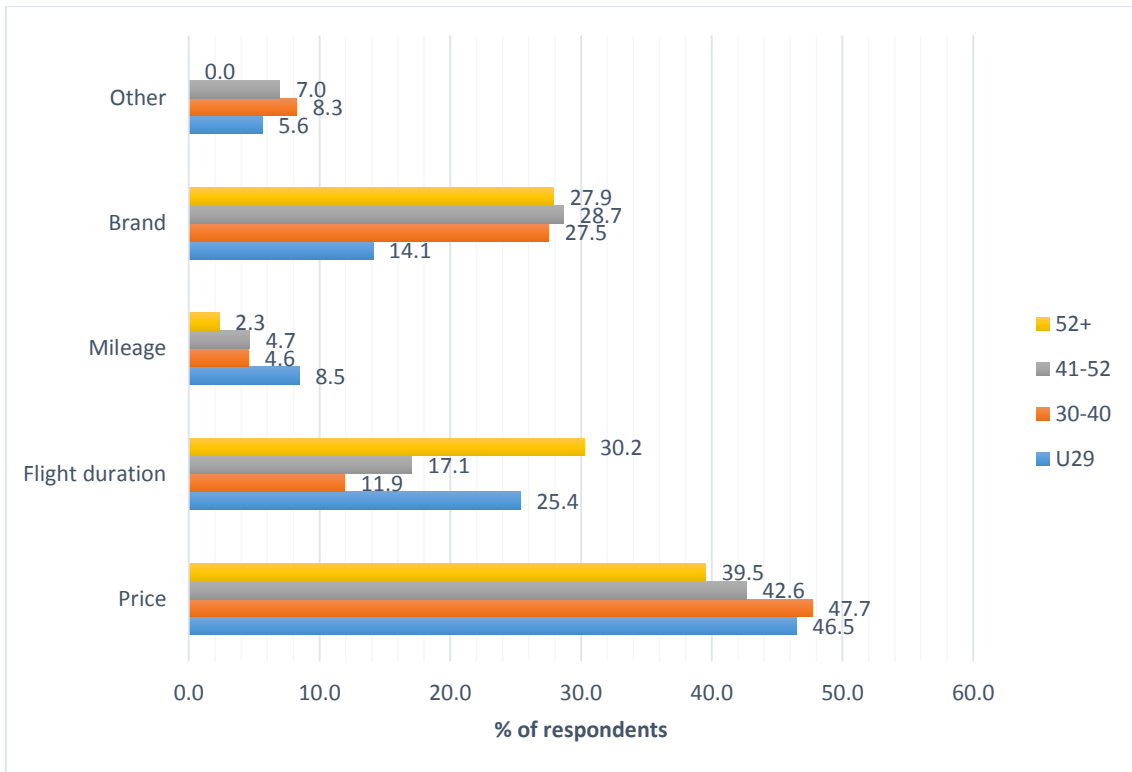


Figure 6.5. Most selected qualities by age group classification

Analysing the survey results by age group classification (see figure 6.5 above), nearly a half (46.5%) of all respondents from the youngest age group (under 29-year olds) selected price as one of the most important attributes, while 25% chose flight duration and 14% brand. Among both the 30-40 year olds, as well as the 41-52 year old groups, price was still the most selected attribute, but instead of flight duration (12% and 17% respectively) they saw brand as a more important attribute. Among the over 52-year olds group, the results were much more balanced with price getting selected by 39.5%, flight duration 30% and brand 27.9% of respondents.

Nearly half of the students (47%) selected price as one of their important qualities, with flight duration gathering nearly a quarter (22.6%) of the votes. Brand was also chosen by 15% of the respondents. Price was similarly most selected among the employees and others-groups, however these groups considered brand as a more important point (27%) rather than flight duration (employees 16.5%, others 20.5%). The result has no noticeable difference between the genders among the selections.

These results show the Korean buying behaviour and changing trends well, with the older generations emphasizing brand and its reputation over practical matters such as flight duration. Most of the answers from the “Other” choice were specified as safety and airline safety reputation, and was mostly answered by the 30-40 year olds and the 41-52 year olds. The airline safety reputation directly correlates to brand as well, making the brand an even more important for the older generations. This mind-set is gradually changing among the youth who are starting to care more about practical points like the price, flight duration, mileage, comfort, etc.

The more balanced results among the over 52-year olds shows the same brand importance, but also shows that in their age the practicalities are becoming more important again and that they are willing to sacrifice their money for it. This is apparent in the results, which show that the importance of price drops among the two oldest age groups while the importance of flight duration becomes considerably higher.

Mileage received the least votes among all categories, but this should not be misinterpreted as a non-important point. While mileage may not be among the two most important factors, the consumers definitely will consider it in their purchase decisions. This is a weakness for Finnair, as they are part of the Oneworld airline alliance, which is different from the airlines that Koreans use the most. Among the domestic airlines Korean Air is part of Skyteam, while Asiana airlines is part of Star Alliance. This fact denies the Koreans from combining their mileage points with the domestic airlines and can affect negatively in the purchase decision.

6.4 Willingness to choose Finnair among respondents

The last question in the survey asked for the level of willingness to choose Finnair as the airline when flying to Europe in the future, assuming Finnair’s ticket prices are cheaper than the domestic airlines and the flight duration is lower. The survey asked the respondents to choose their willingness level

between numbers 1 through 10, with 1 being the lowest (definitely will not use) and 10 being the highest (will definitely use).

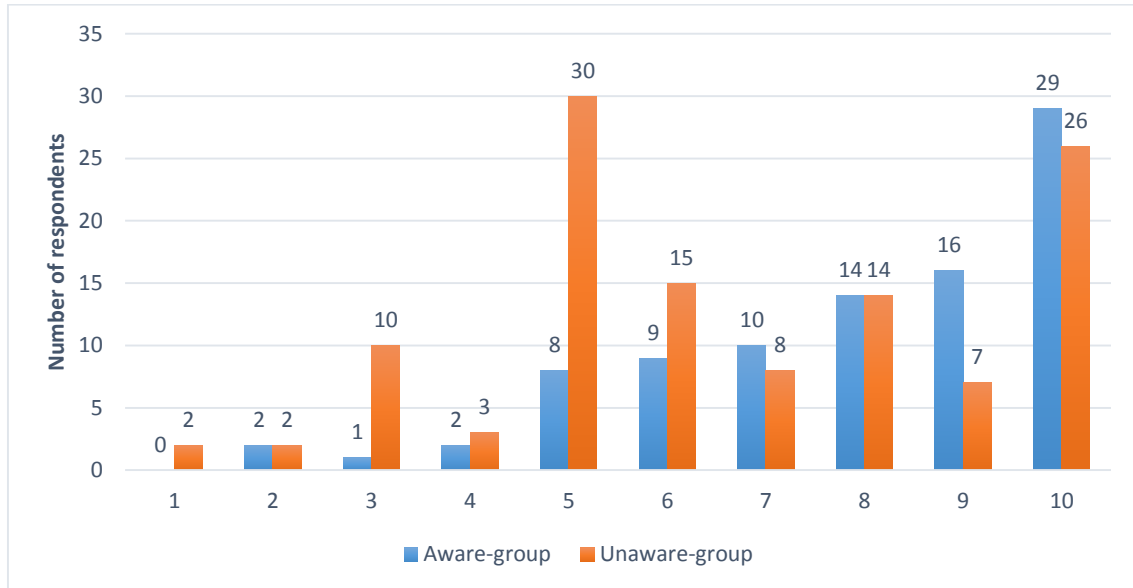


Figure 6.6. Willingness to use Finnair results.

The overall results were mostly positive (see figure 6.6) between grades 6 to 10, but many uncertain (grade 5) responses were observed as well. Among those who were already aware of Finnair before (named aware-group), only 5% chose a grade less than 5, while the low-grade percentage was a considerably higher 15% among those who did not know Finnair from before (named unaware-group). Additionally, the uncertain grade 5 answers were over a quarter of total (25.6%) among the unaware-group, while for the aware group the percentage was only 9.8%. The most positive grade 10 received similar amount of votes from both groups, however among the unaware group it received less votes than the uncertain grade 5, whereas among the aware-group it was the most dominant selection.

Analysing the results by occupation group classification, the students group were overwhelmingly positive regarding the use of Finnair, with over 92% of respondents in the group selecting a grade between 6 and 10. While the employees and others-group were also more positive than negative in their ratings, the others-group was the most uncertain among the three groups, with

26% choosing grade 5. As for the most positive grade 10, it received 40% of votes among the students and 27% among the employees, while it received a bit lower 19% of votes among the others-group.

The results are similar as with the occupation classification when looking at age-group classification. However, the noticeable difference is that the positive 6-10 grade answers had the lowest percentage among the 41-52 years old age group, where the positive grades received 59% of votes. Comparing this to the other age groups, under 29 year olds 92%, 30-40 year olds 73%, over 52-year olds 75%, the percentage is considerably lower. The result yielded no distinct difference between the answers of different genders.

These positive results are encouraging for Finnair as they show that Finnair will be considered as a strong choice for Europe travel under the current conditions. Those who knew Finnair were highly positive about using their services, while the uninformed ones were more uncertain. This is why the consumers need to be made aware of both the company, and its strong points to make them consider Finnair. While many of the consumers may find out about Finnair through online price comparison tools, such as Skyscanner or Expedia, they will not be aware of the advantages unless they search by themselves. This is where Finnair's marketing should aim at, better informing the consumers of the reasons why Finnair is a better choice than the other airlines.

All in all, Finnair has performed well to make the students and younger generations aware and be interested in their services. However, their weakness lies among the older company employees who do not know about the company. While these older company employees are generally more conservative and may prefer domestic airlines, they can surely be interested once they learn about Finnair. As seen in the figure 7.5 results, brand is a highly important criteria for these consumers, and Finnair has a very good safety reputation along with the fact that they originate from a Nordic company.

7 SWOT-ANALYSIS OF FINNAIR KOREA

This chapter attempts to analyse Finnair's strengths, weaknesses, opportunities and threats through SWOT-analysis. The analysis is created by the author based on interviews, academic material, personal observations and critical thinking. The points are analysed critically and the reasoning behind them explained in detail. The author's ideas and suggestions are explained in each point of the analysis.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Currently the only airline to fly daily between Korea and northern Europe - The fastest route to Europe from Korea - Strong safety reputation - Youngest fleet - Price competitiveness - Flight transfer network - Special privileges and services for Korean passengers 	<ul style="list-style-type: none"> - Short history & latecomer in Korea - Small profit margins - Rather low brand awareness - Oneworld -alliance not popular in Korea
Opportunities	Threats
<ul style="list-style-type: none"> - Growing importance of China - Finnish Tourist Board in Korea - Growing popularity of Korea as a tourist destination - Growing demand for air travel to Europe - Large companies starting to favour foreign airlines - Codesharing with other airlines - Global megatrends - Shifting of economic & political centre of gravity to Asia - Winter Olympics 2018 	<ul style="list-style-type: none"> - Governmental restrictions on air traffic - Brand loyalty to national carriers - Protectionism of national carriers - High competition - Global megatrends - Growing importance of environmental responsibility - Sensitivity to cycles of global finance - Expansion of low-cost carriers and Middle-Eastern airlines - Cost of air petroleum - Highly vulnerable to what happens in the Korean economy - Dependant on the permission to fly over Russian airspace

Table 7.1. SWOT-analysis of Finnair Korea

7.1 Strengths

Finnair in Korea has two strong unique selling points that gives them a clear advantage over the competition. The first is that they are currently the only airline to fly a non-stop daily flight from South Korea to northern Europe, which attracts customers heading to the Nordic countries and especially to Finland.

The second is that the flight route between Incheon and Helsinki-Vantaa is the fastest air route from Korea to Europe. Thanks to the favourable wind cycles, the normal flight time from Helsinki to Incheon via Finnair is approximately 8 hours and 55 minutes, while from Incheon to Helsinki takes 9 hours and 50 minutes. In comparison, it takes 12 hours to fly from Incheon to Paris, or 11h 25min to Frankfurt via the Korean national carrier Korean Air (Korean Air 2015, date of retrieval 30.5.2015). The Helsinki-Vantaa airport provides connections to over 60 different destinations in Europe, allowing the passengers from Asia to easily transfer into a connecting flight to their final destination in Europe. This clearly shorter flight time and the easiness of transferring to continuing flights attracts both Korean business and leisure travellers heading to Europe.

Finnair's strengths also include their aircraft and reputation as a safe airline. The aircraft used by Finnair between their flights from Korea to Helsinki are currently only 4 years old; which on average is the youngest fleet flying between Korea and Europe. The modern fleet provides customers with a more comfortable and enjoyable flight experience. The safety concerns over air travel have considerably increased due to the amount of fatal accidents in recent years, which further emphasizes the importance of the safety reputation of airlines. Finnair has a strong reputation as one of the most safely operated airlines in the world; it is ranked the 3rd safest airline in the whole world, and it has not had any fatal accidents since 1963 (Jacdec 2014, date of retrieval 14.5.2015).

One important success factor is also Finnair's price competitiveness. Since majority of their customers are transferring passengers, they are able to provide ticket prices at a relatively low level, making them an attractive choice for the lower budget customers as well.

Finnair's strength is also how they treat their Korean customers. They provide customized services for the Korean customers: they have at least 4 Korean speaking crew members on-board of every flight between Korea, serve Korean in-flight meals and provide Korean language option in their in-flight entertainment systems. Not only their in-flight services cater to the Korean customers, but also the Helsinki airport does so; it is the very first European airport to provide signposts written in Korean language. The airport also provides announcements in Korean language and an express lane for the Korean passengers when leaving Finland. Currently among Asians only the Korean and Japanese nationals are allowed to use the express lanes (Lee 2014, date of retrieval 14.5.2015.)

7.2 Weaknesses

One of Finnair's greatest weaknesses is their short history of operations and rather low awareness in Korea. Finnair only started operating in Korea in 2008, which means they have a long way to catch the other European carriers such as Air France or Lufthansa who have been in Korea longer than Finnair.

Other weaknesses include the fact that while they are competitive in terms of ticket pricing, they are not the cheapest. For example, British Airways, Czech Airlines and some of the Middle-East based carriers offer cheaper tickets than Finnair. Additionally, in order to keep up the prices on a lower level than their main competition such as Air France or Lufthansa, they have to cut their profit margins to a very low level (Lee 2014, date of retrieval 14.5.2015.)

Finnair is currently part of the Oneworld airline alliance, which can be seen as a weakness from the perspective of Korean customers (Oneworld 2015, date of retrieval 30.5.2015). Korean customers tend to generally use their national carriers a lot more than foreign carriers, and both Korean Air as well as Asiana Air, the designated Korean carriers, are part of different airline alliances (Star Alliance and Skyteam). Therefore, the customers cannot take advantage of the airline mileage that they would receive from flying the long distance to Europe.

A round-trip to Europe would provide a significant amount of mileage for the customers to use, and the inability to take advantage of those miles could make them decide to use another carrier instead. While Finnair is trying to work their way around the problem by introducing a program where the mileage points could be converted into Korean department store coupons, the effectiveness of the program remains to be seen (Yeo 2015, date of retrieval 28.9.2015.)

7.3 Opportunities

Finnair expects the importance of China to keep growing in the near-future, providing potential for growth in the whole Asia. This expectation is supported by the air traffic growth forecasts made by Airbus; according to them the airline traffic between Asia and Western Europe is going to grow by approximately 4.3% per year for the next 20 years.

Besides China, the popularity of Korea itself as a tourist destination among Europeans keeps growing every year. The number of Finnish tourists to Korea are also continuously increasing, which is proven by the fact that the Finnish government decided to promote Korea into their public diplomacy target countries in May 2015, being only the third country in Asia to gain that status after Japan and China (Korhonen 26.6.2015, interview; Korea Tourism Organization 2015, date of retrieval 20.6.2015.)

According to Finnair Korea's country manager Kim, some of the larger Korean companies such as Samsung have recently started to favour foreign airlines over national carriers due to their more competitive pricing and convenient connecting flights. The increasing amount of Korean export companies doing business in Northern Europe also add to the amount of business travellers going to Europe and consequently traveling by Finnair (Lee 2014, date of retrieval 14.5.2015.)

Finnair is under heavy restrictions in Korea due to governmental regulations on air travel. Due to these restrictions they can only fly to and from Incheon Airport and not for example from the second biggest city, Busan. However, in 2015

Finnair expanded their codeshare service in cooperation with Japan Airlines to include Busan. Therefore now customers from Busan can fly with Japan Airlines to Narita Airport in Tokyo Japan and continue to Europe with Finnair from Tokyo. This kind of codeshare pacts can offer an opportunity for Finnair to expand temporarily until the regulations are loosened (Finnair 2015, date of retrieval 4.6.2015.)

Other possible opportunities are provided by things such as global megatrends and the gradual shifting of the economic and political centre of gravity to Asia (Strategy& 2015, date of retrieval 4.10.2015). Korea is also hosting the 2018 Winter Olympics in PyeongChang, which will increase the awareness of Korea to the world and help increase the amount of inbound tourists to Korea. This is another opportunity for Finnair to grab a share of the visitors flying from Europe to Korea.

7.4 Threats

Airline traffic is a field with an extremely high competition and generally rather low profit margins. The airline companies, including Finnair, have many external threats to consider and they are sensitive towards the ups and downs of global financial situation. Despite the positive forecast for growth in air traffic, the situation is looking difficult for most airline companies. The rise of Middle-Eastern airlines and additional competition by low-cost carriers add to the already fierce competition and force other companies to cut their profits in order to stay competitive. The low-cost carriers are already in control of 25% of world market share and constantly expanding.

The growing importance of social and environmental responsibilities for companies, as well as air petroleum is maintaining its high price levels are all external factors that force the airline companies to invest in a more cost-effective fleet and find new ways to make their flights more fuel-conserving and environmental-friendly (Strategy& 2015, date of retrieval 4.10.2015.)

One of the major threats for Finnair's operations in Korea is the heavy governmental restrictions imposed on them. Finnair is currently operating at their maximum capacity in Korea and they cannot expand without a more liberal agreement between the countries. While the Finnish government has made initiative moves to open up negotiations for this, the results are yet to be seen.

Due to the high majority of customers being Korean, Finnair Korea is highly vulnerable to what happens in the Korean travel market. Finnair should be aiming to attract more non-Korean travellers to make their flights more sustainable and less sensitive to the market situation in Korea.

Koreans have a strong sense of brand loyalty to national brands, and airline companies are not an exception. While the situation has slowly started to change, still many people choose to rather fly with the Korean designated carriers, Korean Air or Asiana Air, on their travels to other parts of Europe than the north.

Another large vulnerability for Finnair's operations in Asia is the dependency on a permission to fly over the Russian airspace. In recent years, the relations between Russia and the European Union has been strained and the risk is that Russia would close their airspace for European air carriers. The inability to fly over Russia would be disastrous for the flights from Europe to Asia since alternative routes would be considerably slower, more fuel-consuming and financially overall much less sustainable (Reuters 2014, date of retrieval 6.10.2015.)

8 CONCLUSIONS

The thesis set out to study the Korean business environment and the airline Finnair's operations in the Korean market. The study sought to unfold the activities Finnair is currently executing in Korea, the awareness of the brand among Korean consumers, main strengths and weaknesses in their services, as well as the current and future threats, potential opportunities and areas to improve.

The empirical research focused on the brand awareness of Finnair among the different demographics of Korean consumers. The main pieces information that the quantitative research sought to discover were:

1. the brand awareness level of Finnair in general,
2. differences in brand awareness between genders, age groups and occupational groups
3. awareness of the main advantage and marketing slogan

The purpose of discovering this information is to understand whether Finnair is aiming their marketing communications towards certain groups better than others, and whether their marketing has been successful in making the consumers aware of the brand. The research results act as potential leads in improving Finnair's marketing strategy to target the desired target audiences by delivering the correct messages.

Additionally, secondary information was gathered regarding the importance placed on different attributes by the consumers, as well as the willingness of the consumers to use the services offered by Finnair in the future. The secondary information was gathered in order to understand the Korean consumer behaviour, specifically their preferences and sought values, and to deduct whether the consumers would be more willing to use Finnair's services after becoming aware of the advantages they offer. By analysing the willingness levels among different demographics, it is possible to deduct the importance of marketing the correct points.

The results of the empirical study showed concretely that overall a majority of the consumers are still not aware of the Finnair-brand, nor the advantages they offer with their services. Clear tendencies are shown that Finnair has been successful in their marketing towards the younger (student) generations, who are mostly aware of the brand, while being less effective towards the working and elder generations. Despite making the brand name relatively known, Finnair has failed at relaying the information regarding their main advantages towards the consumers.

The research results suggest that the consumers have a positive attitude and willingness to try towards Finnair, but achieving this requires the company to make changes in their marketing strategy and relaying the correct messages to the consumers. Finnair is competing in Korea using a strategy focused on differentiation, but they need to be more aggressive in making the differentiating points more known. It is advisable for Finnair to adjust their marketing communications to better highlight their advantages.

Growing tourism between Korea and Finland is offering Finnair opportunities for growth, and helping to promote the tourism between the two countries offers the largest prospects for future profit. Albeit restricted by external factors, Finnair has expanded by offering more routes from Korea to Finland (such as the recently opened Busan-Tokyo-Helsinki route) and has promotional campaigns promoting Finland (particularly Helsinki and Lapland) in Korea. Now their focus should be actively seeking to maximize their capacity on the existing routes through aggressive localized marketing.

Finnair has many competitive advantages in the Korean market: the fastest route with a wide connection network, a modern fleet, an overwhelmingly positive reputation as a safe & high quality airline, as well as the willingness to adapt to the local market and effort in doing it. Finnair has also shown high creativity in their promotional campaigns.

While most airlines are struggling with similar threats and problems as Finnair does, Finnair's position can be considered strong and with a large potential to become even stronger. As proven by the thesis, Finnair's greatest struggle is in how to make the consumers better informed of the reasons why they should

use Finnair's services instead of the competitors. One of the most noteworthy points made by this study, is that the informed consumers show a highly positive attitude towards Finnair and this leads to potential for expansion and growth.

9 DISCUSSION

The original idea for this thesis subject was developed while completing my internship at the embassy of Finland in Seoul, Korea during the first half of 2015. After living in South Korea for 2 years, I felt that I would be able to utilize my insight into the Korean culture, language and other knowledge to create an insightful research paper. During my internship, I had the chance to meet several Finnish companies operating in Korea, among them Finnair's Korean office management personnel. Being able to witness Finnair's work first-hand, I thought it would make for a suitable company analysis subject.

While the thesis subject was narrowed down to focus on Finnair, instead of the original idea being Finnish brands in general, the subject covered is still rather wide and general. In order to gain more concrete results, a specific business area such as marketing communications could be analysed more in-depth.

The research objectives were to find out the activities Finnair is currently executing in Korea, the strengths and weaknesses of their current position, the effectiveness of their marketing, current & future threats, as well as potential future prospects. The research objectives were mostly met; the thesis results provide detailed information on Finnair's brand awareness in Korea among different demographics, and their current strategy in the Korean market.

Some difficulties in the writing process were met due to a lack of reliable sources on the subject. Despite personal knowledge and first-hand experiences on certain subject-related issues, no sources or materials were to be found, which could be provided as a proof. Finding information from sources written in Korean language also made the process more difficult and time consuming than expected.

The conducted survey on brand awareness received an abundance of responses from various different demographics, thus it can be considered rather successful in those terms. The survey results were mostly in line with the pre-expectations, but provided concrete data, especially from the older generations, who formed the majority of respondents. However, had the number of younger, student generation respondents been higher, the survey could have provided

information that can be considered more valid and reliable, reflecting the majority of the population.

The biggest weakness of the conducted survey was its lack of substance questions, which leaves the analysable results rather limited. The negative scenario was that a large-scale survey would not gather sufficient amount of responses due to its length, yet reflecting back there would have been room for more substance questions.

Through this thesis writing process, I have gained a better picture of the aviation industry and its challenges for the companies operating in the field. The aviation industry is no different from other service industries; it is constantly changing and requiring the companies to adapt to the latest trends and the changing economic situation. It is difficult for the companies to make any quick decisions as changes are generally long-term and require heavy financial investments. This subject has shown me clearly the importance of company's marketing communications, brand image development and constant innovation.

Since marketing seems to be the current weak point of Finnair in Korea, further research could be conducted into how Finnair would be able to improve their awareness in Korea; in other words, developing their marketing strategy and marketing communications in order to make the consumers more aware of the advantages of flying with Finnair. Another interesting subject could be to study the tourism between Korea and Finland in-depth and research how to improve the cultural exchange. The development of the tourism industry between Korea and Finland would certainly affect not only Finnair, but all Finnish companies in Korea positively.

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APPENDIX 1 SURVEY TEMPLATE FORM

핀에어 설문지 / Finnair Survey

안녕하십니까? 설문에 응해주신 귀하께 감사드립니다. 본 설문지는 논문에 사용될 자료를 수집하기 위한 것으로서 ‘핀란드인 한공사 핀에어의 의식에 대한 통계조사’입니다. 응답해 주신 자료는 본 과제를 수행하는데 큰 도움이 될 것이오니 성의 있는 답변 부탁드립니다. 수집된 자료는 통계적으로 처리 될 뿐 개별적으로 공개되는 일은 없습니다.

This is a statistical survey regarding the consumer awareness of the Finnish airline Finnair in Korea. Please answer sincerely. This survey is conducted anonymously and your identity will be kept confidential.

귀하와 가정에 건강과 행운이 항상 함께 하시기를 기원합니다.

바쁘신 중에도 시간을 할애해주신 것에 대하여 다시 한 번 감사드립니다.

We thank you for your time during this busy period and wish you all the best in your future endeavors!

2015 년 09 월

오울루 응용대학교, 야니 토이바넨

Oulu University of Applied Sciences, Jani Toivanen

1. 귀하의 성별은 어떻게 되십니까? *

Please choose your gender.

- 남성/ Male
- 여성/ Female

2. 귀하의 연령대는 무엇입니까? *

Please choose your age group.

- <18
- 18-29
- 30-41
- 41-52
- 52+

3. 귀하의 직업은 무엇입니까? *

What is your occupation?

- 대학(원)생/ Student
- 회사원/ Employee
- 무직/ Unemployed
- 기타/ Other

4. 핀에어 항공사를 아십니까? *

Are you familiar with the Finnish airline company Finnair?

- 전혀 모릅니다/ Never heard of it
- 알고 있지만 이용해 본 적이 없습니다/ I know of it, but never used it
- 이용해 본 적이 있습니다/ I have used it before

5. 핀에어가 한국발 유럽행 최단 노선이란 점을 알고 있었습니까? *

Did you know that Finnair provides the fastest flight to Europe from Korea?

- 예/ Yes
- 아니오/ No

6. 항공사를 택할 시 고려하는 가장 중요한 두가지 특징은 무엇입니까? *

Personally, what are the two most important qualities when choosing an airline?

- 가격/ Price
- 비행 시간/ Flight duration
- 항공사 마일리지/ Mileage
- 브랜드/ Brand
- 기타/ Other
- _____

7. 핀에어가 유럽으로 가는 가장 최단 노선이자 국내 항공사보다 저렴하다는

가정 하에, 유럽여행 시 핀에어로 여행하실 의향이 어느 정도 되십니까? *

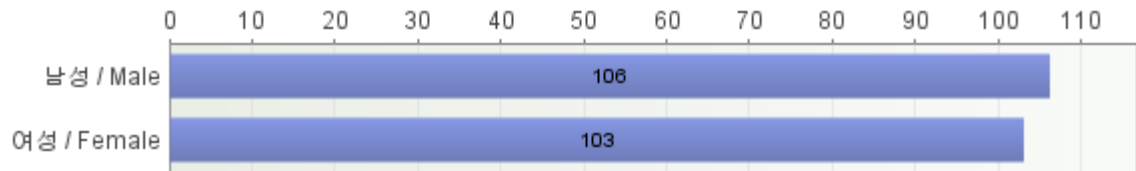
Considering that Finnair provides the fastest route to Europe, and the ticket prices are cheaper than Korean domestic airlines, how willing would you be to fly with Finnair when traveling to Europe? Please choose from scale of 1 to 10, with 1 being the least willing and 10 being very willing.

- 1 (절대 핀에어를 이용하지 않겠다)
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 (무조건 핀에어를 이용하겠다)

APPENDIX 2 SURVEY RESULTS SUMMARY

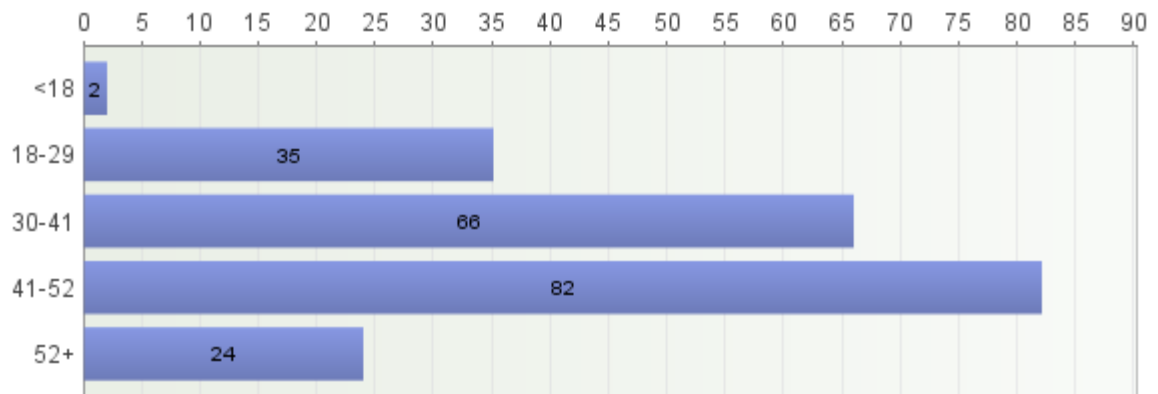
1. 귀하의 성별은 어떻게 되십니까?

Please choose your gender.



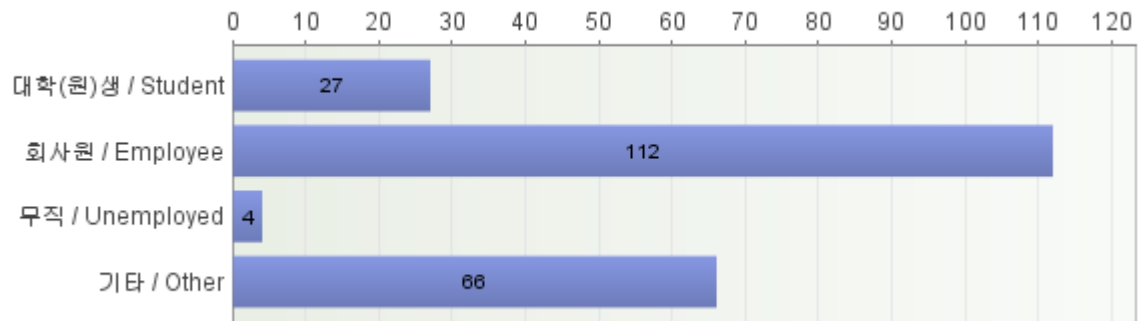
2. 귀하의 연령대는 무엇입니까?

Please choose your age group.



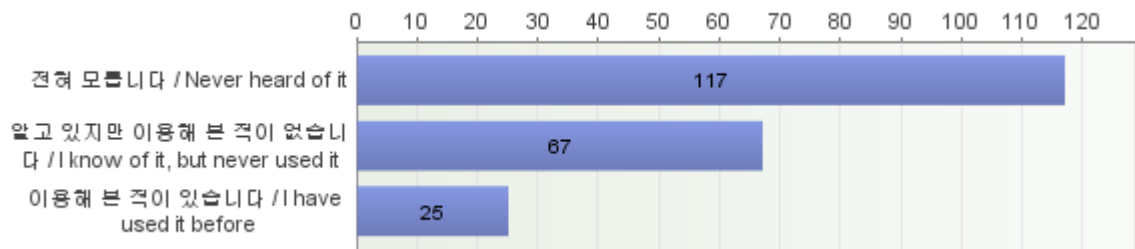
3. 귀하의 직업은 무엇입니까?

What is your occupation?



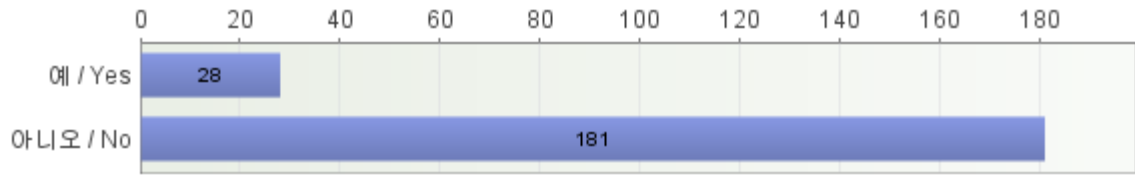
4. 핀에어 항공사를 아십니까?

Are you familiar with the Finnish airline company Finnair?



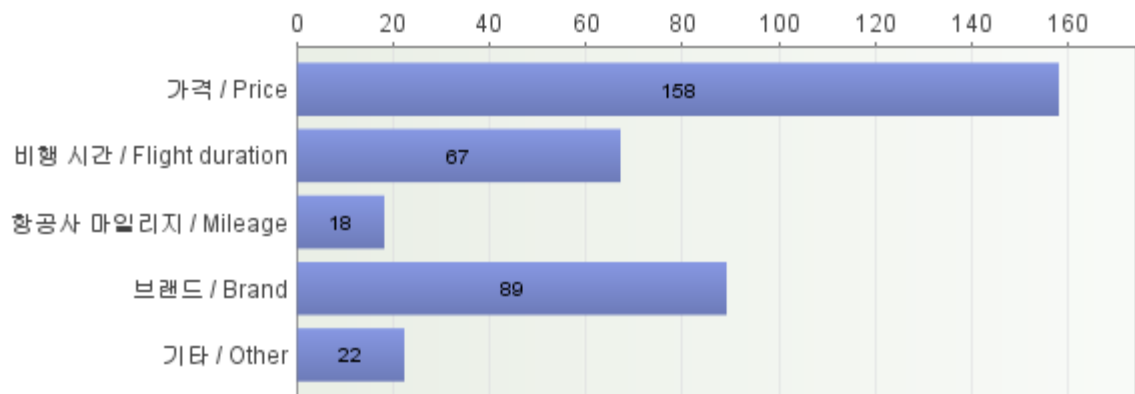
5. 핀에어가 한국발 유럽행 최단 노선이란 점을 알고 있었습니까?

Did you know that Finnair provides the fastest flight to Europe from Korea?



6. 항공사를 택할 시 고려하는 가장 중요한 두가지 특징은 무엇입니까?

Personally, what are the two most important qualities when choosing an airline?



기타 / Other answers:

- safe aircraft and trustful airline
- Safety.
- 안전성
- 기내식 Meal
- Waiting time to transfer
- inside air quality
- layover
- Safety
- 얼마나 안전에 신경쓰는지
- Service
- 안전

- 수화물초과금액
- 안전성
- 안전성
- 안전
- 안전
- 안전성
- 출항횟수
- 안전
- 서비스
- 안전
- 안전함

7. 핀에어가 유럽으로 가는 가장 최단 노선이자 국내 항공사보다 저렴하다는

가정 하에, 유럽여행 시 핀에어로 여행하실 의향이 어느 정도 되십니까?

Considering that Finnair provides the fastest route to Europe, and the ticket prices are cheaper than Korean domestic airlines, how willing would you be to fly with Finnair when traveling to Europe? Please choose from scale of 1 to 10, with 1 being the least willing and 10 being very willing.

