



INVEST IN FINLAND

# Travel and Tourism in Finland

EXECUTIVE SUMMARY OF THE RESEARCH BY SYNERGOS, THE RESEARCH AND  
EDUCATION CENTRE AT THE UNIVERSITY OF TAMPERE

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Invest in Finland is a national organisation promoting foreign direct investment in Finland. Funded by the Ministry of Trade and Industry, we work closely with the Finnish business community and provide a link for foreign investors who are looking to establish ventures in Finland.

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# Travel and Tourism in Finland

## Statistical information about tourism in Finland

In recent years, tourism in Finland has developed positively. According to interview-based research conducted at ports of entry, in 2000 a total of 3,789,000 foreign travellers came to Finland. In 2005, the corresponding figure was 5,038,000, representing an increase over 2000 of 33%. According to Statistics Finland, in 2005 Finns made a total of 30,931,000 domestic trips including an overnight stay, which is 42.6% more than in 2000. Trips including paid accommodation increased by about 16%. According to predictions by the World Travel & Tourism Council (WTTC), the total demand for travel in Finland will grow by 33.7% between 2006 and 2016.

In 2004, the total expenditure on tourism in Finland was about 9 billion, which corresponds to approximately 2.4% of the country's gross national product. In the same year, the number of people employed in the industry was about 60,000.

According to tourism satellite accountancy, in 2002 the province of Uusimaa benefited from the greatest tourism expenditure (3.1116 billion), representing a 37.6% share of the whole country. Other provinces benefiting from large amounts of tourism were Southwest Finland (573.1 million), Lapland (551.1 million), Pirkanmaa (504.3 million), Northern Ostrobothnia (455.5 million) and Ahvenanmaa/Åland (445.6 million).

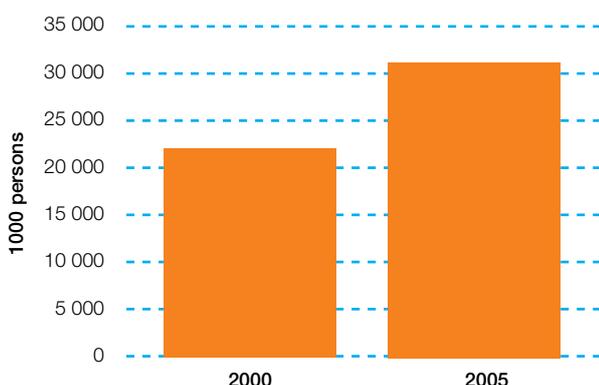
Relatively speaking the greatest increase has taken place in tourism programme services, where jobs and turnover have increased by about 60% and the number of personnel by 30%. The amount of jobs of and turnover in the field of accommodation services also rose slightly between 2000 and 2004.

According to Statistics Finland, on 1st January 2006, Finland had a total of 1,406 businesses specialising in accommodation, operating 62,235 rooms/cabins with 211,731 beds. Since 2001, particularly significant growth has occurred in the number of holiday villages (+12%), their rooms (+32%) and number of beds (+35%). Slight growth has also been discernable in the number of hotel rooms and hotel beds. In January 2006, the greatest accommodation capacity belonged to the Sokos Hotels chain with 38 hotels containing a total of 6,462 rooms and 12,347 beds.

Sales of ski-lift passes at the key ski centres have been steadily growing for the past ten years. The clear market leaders in the 2005/2006 season were Ruka (6.2 million) and Levi (5.9 million). The next best ski centres in terms of sales were Tahko, Ylläs and Himos.

Domestic trips including an overnight stay in Finland (1000 persons)

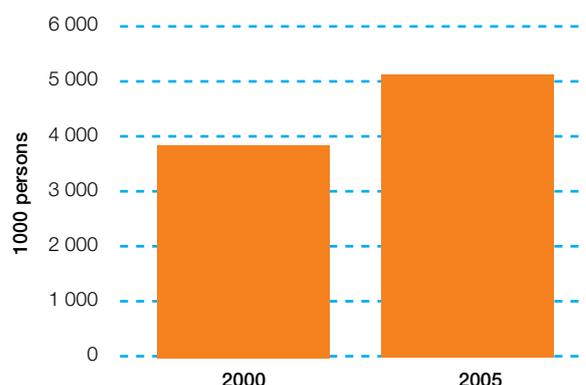
2000	2005	
21 688	30 931	42,60%



Source: Statistic Finland

Foreign travellers in Finland (1000 persons)

2000	2005
3 789	5 038



Source: MEK

## Strengths and structures of the tourism business in Finland

The Finnish tourism business has many clear competitive advantages and strengths compared with other market areas. These factors can be summed up as follows:

- *Nature-based factors*  
Cleanliness and purity, northern location, the rhythm of the seasons, bodies of water, archipelagos, fells and forests
- *Developed tourist centres and urban centres*  
Diverse range of services and tourism infrastructure
- *Distinctive Finnish culture*  
Local cultural environments, cultural destinations, special regional characteristics such as the Sàmi culture and the meeting of east and west.
- *A high level of safety, both indoors and out*

The increase in wealth of consumers in Russia and the Baltic countries and the strengthening of their middle class have opened up for Finland new local market areas in tourism. At the same time, the position of the whole Baltic region in the international tourism market is strengthening because of its diverse and increasing range of tourist services, the development of which Helsinki has shared. It is located just a short distance from many other attractive capital cities, such as Tallinn, Stockholm, Riga, the metropolis of St Petersburg, and a host of other tourist destinations. It also has good traffic connections with these places

The service structures in the field of tourism in Finland are in the midst of a strong stage of development. So far the industry has consisted of only a relatively limited number of credible tourist brands. On the other hand, the number of small players at micro-level is very high, which attracts new operating models and chains to enter the Finnish tourism market Today only about half of the hotel accommodation industry is controlled by hotel chains.

Many development trends in tourism favour Finland. For example, the growth in wellbeing tourism, the increase in the significance of nature activities and an emphasis on safety and security all go to strengthen Finland's competitive position in the international tourism market. Developing transport connections such as Finnair's strong investment in Asian traffic and the significant growth in budget airline operations in Finland, improve the accessibility of Finnish tourist destinations for international travellers.

## Foreign investments in Finland

The Finnish tourism sector offers many interesting opportunities for foreign investors. More and more international players have come to Finland in recent years. The most significant investments already made include the involvement of property investment company, London & Regional Properties, in the Finnish market, in the shape of the purchase of Finnish hotel property company, Dividum. As far as hotel operators are concerned, for a long time Scandic was the only significant international hotel chain with wide-ranging operations in Finland, but now other international chains have sounded out the possibilities of establishing a business in Finland.

On the operational business side, the purchase of Matkavekka Oy by Icelandic owners and the Finnish subsidiary set up by STS Alpresor AB are individual examples of foreign investment in Finland.

In particular, property dealings by Russian-based companies and private individuals in such places as Tahko, Koli and Vuokatti have increased considerably in recent times. This has mainly covered the construction of hotel premises, holiday villages and individual holiday apartments, both in the form of property investments and, in some cases, also the practice of operational business.

The following are some targets for foreign investors, which are acknowledged in the Finnish tourism sector as being concrete, interesting and influential:

- *Property investments in growing tourist centres and urban centres and accommodation service business there*

Accommodation services, both in the form of operational business practice (hotel operators) and property ownership, are investment targets with a great deal of potential for foreign investors in the Finnish tourism sector. At the forefront of this are the most significant and growing tourist centres, the major urban centres and an ever increasing number of developing and pending provincial centres.

Potential and already operational targets of investment include 'wild' accommodation businesses that do not belong to a chain, which have a competitive advantage concerning, for example, location and/or a developed service concept.

#### *Levi, Ruka and Ylläs*

Looking centre-by-centre, Finland's largest ski centres, Ruka and Levi, as growth-seeking clusters, are investment targets with very high potential for foreign investors. After a 'peaceful season' lasting many years, Ylläs is aiming seriously to challenge the higher-volume Ruka and Levi tourist centres, through a major investment programme. Levi, for its part, has presented even greater property investment plans than Ylläs.

#### *Vuokatti, Tahko and Himos*

The next category in terms of volume, the tourist centres of Vuokatti, Tahko and Himos, are, like Ylläs, tourism clusters aiming at strong growth, the development of which is supported by the driving force of a so-called common will and strong stakeholders (for example, hotel chains).

#### *Koli*

Koli is an exception to the group of strong ski centres yet possesses development potential. Its challenge is its profile as a distinctive tourist cluster located in the midst of the typical Finnish landscape, the development of whose attraction is based largely on experiences made possible by nature, and which requires significant investments in tourist infrastructure and thus the creation of a new range of services.

#### *Meri-Teijo, Kilpisjärvi and Suomu as so-called 'wild cards'*

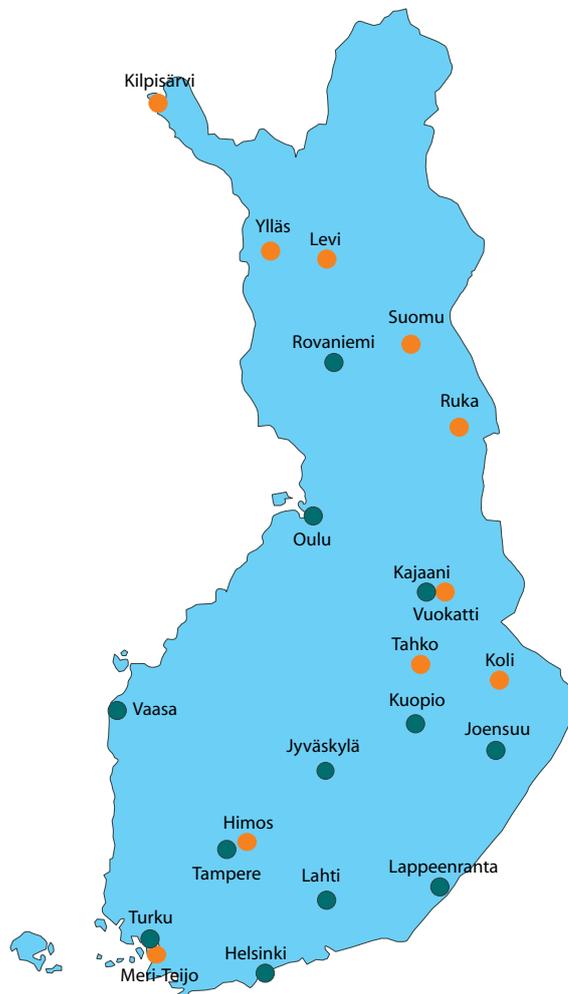
At Meri-Teijo near Salo, not far from Turku, an interesting and diverse package of services is being built, the clear attraction of which is its ideal location in southern Finland, near to Finland's major residential centres.

Kilpisjärvi, right on the border between Finland and Norway, offers an exceptionally fine framework for nature tourists. Kilpisjärvi is profiled as a destination different from the major targets of mass-tourism, which entices customer segments that value more peaceful surroundings and active nature tourists, and whose competitive advantage is its close proximity to Norway (Tromsø) and the Arctic Ocean. A question mark here is, to what extent can the expansion of services and such things as accommodation capacity in the area prove to be possible in practice.

A strength of Suomu has long been the especially beautiful profiles of its slopes. It is a compact area, which for a long time has been dormant. The centre has the prerequisites significantly to increase its powers of attraction, if it can find major key players to drive its growth. For example, for some time Suomu has been billed as a possible site for Finland's first ski-flying hill.

#### *Ski-slope company business at developing and major ski centres*

The turnover of companies in this field has grown strongly, but each company currently operates at only one or at most two tourism centres. In 2005, the combined turnover of the four largest companies was 6-10 million.



### *Safari-house business*

As far as tourism programme services are concerned, the purchase, for example, of more so-called 'safari-house' businesses might, in the long run, form a moderately profitable investment target, taking into account the general growth prospects of the industry. In the same way as the ski-slope companies, the industry has so far not experienced very significant centralisation, despite the high speed of its growth.

### *Investments in sport resorts*

The growth of wellbeing- and sports tourism is a major development trend. Some of Finland's sport resorts have particularly good locations in southern Finland or in major tourist areas, and they already have diverse sports and accommodation infrastructures and strong and complementary skills in training and different forms of sport. The lack of capital is a key factor restraining the development of many sport resorts. Examples of Finnish sport resorts are Vierumäki, Vuokatti, Kuortane, Eerikkilä, Pajulahti, Kisakallio, Kisakeskus, Solvalla and Tanhuvaara.

### *New or already existing wellbeing centres located at tourism centres and major urban centres and their surroundings*

The growing demand for wellbeing tourism favours the growth of small spas, treatment centres and other similar establishments, and also the setting up of new units, which can offer specialised alternative treatments. Examples of current established players in this field are the Haikon Kartano and the Siuntio Wellbeing Centre.

### *Special travel agencies*

The development trends in tourism favour specialised travel agencies profiled to their own special area of expertise. Currently operating examples of such companies include Alppimatkat Oy, which organises Alpine tours, and Event Travel Oy, which organises events-based tourism, both of which are backed by foreign capital.

## **Invest in Finland**

Invest in Finland (IIF) is an expert organisation whose primary goal is to help you in the process of setting up a business in Finland and to serve you once you have established a presence in the country. This covers all aspects of the investment process from choosing the right partners and location through to comprehensive information and advice on the business environment and investment conditions. IIF serves you through a vast domestic network and international partners in over 50 countries worldwide. The services are free of charge. Invest in Finland is funded by Finland's Ministry of Trade and Industry.

If you have any questions regarding establishing a travel and/or tourism business in Finland, please contact Sakari Penttilä tel +358 10 7730315 or sakari.penttila@investinfinland.fi.

