

# **How Did the Lack of Russian Tourists Affect Tourism in South Karelia Region**

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## Abstract

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Title of the thesis <b>How did the lack of Russian tourists affect tourism in South Karelia region</b>		
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<p><b>Abstract</b></p> <p>The purpose of this thesis is to examine the impact of the decrease in Russian tourists in South Karelia, Finland, which is attributed to Russia's invasion of Ukraine. Russian tourists have historically been the primary international group visiting the region. However, due to conflict, the tourist flow from Russia has changed significantly. This study was initiated to evaluate how geopolitical crises can affect cross-border tourism regions. This research focuses on how destination development organisations and tourism companies adapted to the changing market. The results are presented through the ADKAR model, one of the change management frameworks.</p> <p>This study utilises a qualitative method, incorporating literature reviews and semi-structured interviews. The literature review establishes a theoretical framework and destination overview. Simultaneously, interviews with local experts in the tourism and marketing industry provide valuable insights into the specific changes and effects resulting from the decrease in Russian travellers.</p> <p>Furthermore, the research shows that the consequences of the Russian-Ukraine war affected the tourism industry, leading to changes in tourist flow, decreased profits, shutdowns and tactics. The study showcases the strategies and new directions that regional DMOs employed, such as diversifying the tourist demographic and implementing alternative marketing activities.</p> <p>The thesis concludes by demonstrating the interdependence between regional tourism and global crises, shedding light on South Karelia's response to tourism's evolving landscape. Although the region still faces uncertainty, its proactive measures have already yielded positive outcomes through new strategies.</p> <p>Given the ongoing nature of the conflict, further research is necessary. The author suggests developing customised tourism experiences and offering various tourism products in the area. Further study is needed to fully understand the consequences of the conflict on tourism, examining the overall effects of war from multiple perspectives and delving into specific changes in business models for organisations in the affected region.</p>		
Keywords South Karelia, tourism, destination management, change management		

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## 1 Introduction

### 1.1 Background of the study

There is a significant correlation between tourism and short- and long-term economic development. Consequently, tourism is a pivotal tool in enhancing the country's gross domestic product. Governments actively promote tourism and create a conducive environment for its growth. (Ohlan 2017; Khan et al. 2020.)

In Finland, tourism significantly impacts the national economy, employment, the food and construction industries, etc. In 2019, tourism's GDP share was 2.7%, and turnover reached nearly 21 billion euros. In 2020, the Covid-19 pandemic reduced GDP and tourist demand. However, due to the growth of domestic tourism, the industry has shown positive results in recovering and returning to pre-COVID numbers in 2021. (Ministry of Economic Affairs and Employment of Finland 2023.)

The country has great peculiarities for tourism development as its strengths are modern infrastructure, quality of life, and physical attractiveness. In the global market, Finland is "a country of thousands of lakes" and "the happiest country in the world". Finland aims for sustainable tourism development. Thus, introduced in 2022, the strategy focuses on becoming the most sustainably growing destination among the Nordic countries (Ministry of Economic Affairs and Employment of Finland 2023.).

Finland has emerged as a highly attractive destination for Russian tourists owing to the strong geographical and cultural ties between the two countries. The historical exchange of culture and economic interdependence has played a vital role in making Russians a significant tourist group in Finland. Over the years, Finland has effectively catered to the wants and needs of this segment by offering high-quality products, cultural experiences, and a European lifestyle. This has consistently appealed to Russian visitors and contributed to their growing interest in Finland.

South Karelia, a region in Eastern Finland, utilised the border as its competitive advantage. Consequently, Russian travellers formed a significant segment of the destination. The region's border location ensured a stable flow of tourists and incomes over the decades. The destination offers high-quality products and goods, nature and recreation.

The change in tourist flow in South Karelia began during the COVID-19 crisis and worsened after the Russian invasion of Ukraine. As a result, the region encountered the negative consequences of the Russian-Ukrainian war.

The travel and hospitality sector has undergone significant transformations in recent years due to various global events, including economic crises, pandemics, and political instability. Among these factors, the invasion of Russia into Ukraine has significantly influenced the tourism sector. The global crisis has pronounced adverse effects on Finland's tourism industry mainly because Russian travellers are the most loyal visitors due to the common border of 1,340 km, shared history and interest in European goods (UNWTO 2023.). In South Karelia, the decrease in Russian tourists was caused by Covid-19 and the Russian-Ukrainian war. The consequences of war have reduced tourist arrivals and caused revenue loss, employment issues, and setbacks in tourism-related businesses and sectors.

As an individual who has been influenced by the situation from both sides, as a Russian and a tourism student in South Karelia, the author is committed to exploring this topic. The purpose is to gain a comprehensive knowledge of the issue and present it in a way that reaches a broader audience.

## 1.2 Research objectives

The research aims to study the impact of the dwindling presence of Russian tourists caused by the conflict between Russia and Ukraine in the border region of Finland. In order to attain the research aim, the following research objectives were established:

1. To investigate the impact of the Russian traveller's deceleration on the tourism sector of the South Karelia region
2. To conduct a comparative study of tourism pre-war and current time study and compare the tourism in South Karelia
3. To determine the areas that had a negative impact on the decrease in Russian tourists
4. To identify the reasons for the decrease in Russian tourist flow
5. To study tourism-related businesses in South Karelia and the impact of the changing market on them.

## 1.3 Research questions

In order to reach the objectives, the thesis will focus on answering the question: How has the decrease in Russian tourist visits affected tourism in the South Karelia region, and how have businesses and the local economy responded to these changes?

Supporting questions are also determined to discover the solution to the primary research question:

Sub-question 1: What factors contribute to the decrease in Russian tourist arrivals?

Sub-question 2: How have local tourism businesses adapted their strategies and operations or struggled due to reduced Russian tourist arrivals?

#### 1.4 Previous research

To establish a strong foundation for the thesis, it is essential to undertake a comprehensive study of the existing research that focuses on tourism in Finland and South Karelia, as well as the Russian market. Such an approach will provide an academic basis for this research.

The master's thesis by Ella Könönen provides a comprehensive analysis of the latest research on how businesses in Lappeenranta have adapted to the decline in Russian tourists. The study sheds light on the border region's challenges and examines companies' responses to global crises. The research is done by applying crisis management as a tool, providing valuable insights into the region's business landscape.

The phenomenon of tourism in the South Karelia region has also been examined. Thus, South Karelia is introduced as a competitive tourist destination in Roman Fedorov's master's thesis. The destination is studied and evaluated through SWOT analysis with Porter's model approach.

Moreover, Jarkko Kääriäinen, in his research, utilises Saila Saraniemi's destination culture framework to create a destination culture of the Great Lake Saimaa region, in which South Karelia is included. The paper formulates the Lakeland destination identity and highlights natural diversity as a region's value.

As for the target segment, Russian tourists in Finland have also been studied. Research focuses on understanding and marketing significant customer segments in Finland. Consequently, Jakosuo investigates the Russian market in Karelian regions, highlighting the considerable role of Russian tourists in cross-border regional development. Additionally, Anna Olme provides an informative presentation on the evolving patterns of Russian tourist flow. While the Russian market was once rapidly expanding, recent economic crises in Russia have reduced the number of visitors.

## 1.5 Limitations and delimitations

The author sees two main limitations to the study. Firstly, the need for Finnish language proficiency might cause challenges when studying reports, statistics, and papers. Secondly, there are resource limitations, including the scarcity of data sources concerning the correlation between tourism in South Karelia and the conflict between Russia and Ukraine.

Moreover, several delimitations of the study were identified to ensure that the study's focus is well-defined. First of all, the study solely considers changes in tourism from February 2022 onwards. The second delimitation determines a geographical border. The impact of the absence of Russian travellers is analysed in South Karelia, Finland. It is a cross-border region with two main cities: Imatra and Lappeenranta. The geographical location of the South Karelia is illustrated in Figure 1.



Figure 1 South Karelia and its municipalities (Regional Council of South Karelia 2023)

The third delimitation is the potential for changes in the current situation arising from the ongoing Russian-Ukrainian conflict. The study acknowledges the potential impact of geopolitical conflict on tourism in the region but does not aim to provide a comprehensive analysis of the war's impact. The fourth delimitation is that the research does not primarily focus on analysing Covid-19's impact on tourism. Instead, it considers the pandemic a factor that could potentially affect the region's tourism industry.

It is also essential to eliminate the confusion between the name of the region and Lakeland. The Finnish Lakeland is a prominent tourist destination encompassing Eastern Finland, Southern Finland, and Central Finland. South Karelia, in turn, is only a sub-region of the Finnish Lakeland.



## 2 Theoretical framework

### 2.1 Tourism

Tourism is considered one of the fastest-growing sectors in the global economy. Tourism represents a complex phenomenon that entails social, cultural and economic aspects. The act of travelling refers to the process of visiting foreign countries or other locations for either personal or business purposes. (UNWTO 2023.) Typically, it provides opportunities for individuals to take a break from their daily activities and enjoy leisure activities. The tourism industry is a complex sector that is tangled with economic, social, environmental, and technological elements.

Several conditions identify tourism nature. Thus, travelling to the destinations and staying at the destination are two crucial elements of tourism. The minimum length of stay is considered one night, while the maximum is one year. The World Tourism Organisation (UNWTO) determines a considerable journey distance as 160 km. Travelling always has a specific purpose, whether for vacation or a family member's visit. The tourism industry comprises various services, including transportation, lodging, travel trade, catering, and attractions.

### 2.2 Tourism industry in Finland

Tourism plays a crucial role in the Finnish market, contributing to an average of 1.7% of the Gross National Product (GNP) annually between 2015 and 2020. In 2019, before Covid-19, Finland welcomed over three million tourists (The World Tourism Organisation 2021.). According to Björk (2014), the country is divided into four distinct areas - the capital area, coastal region, Lakeland and Lapland - each possessing unique features and strategies.

The organisation that is responsible for tourism development is the Ministry of Economic Affairs and Employment. Moreover, the Ministry of Agriculture and Forestry plays a role in tourism development, specifically focusing on rural and nature-based tourism. The Regional Council supports tourism development projects and marketing strategies at the regional level. Finland's seasonal tourism emphasises both summer and winter, showcasing the country's unique culture, nature, and sustainability (Björk 2014; Fayose-Sola et al. 2014.).

Furthermore, it is essential to note the impact of tourism on the region. According to Rangus et al. (2017), tourism is a crucial driver of the region's economic, environmental and socio-cultural development. The local community stands to gain significantly from creating job opportunities for its residents and the subsequent improvement of local commerce.

## 2.3 Destination

A tourist destination is described as an arrival point, a place that attracts and caters for tourists for a duration of time. The site usually has a form of boundary such as political, physical or market created (Kotner & Bowen 2017.). Destination resources are essential for developing tourism destinations. Resources such as accommodation, transportation, catering, people, and the environment generate the base for tourism destinations. Attracting travellers to a region or country is essential for economic growth, and successful destination development plays a crucial role in achieving this. Destination management involves implementing strategies, improving infrastructure, and promoting sustainable practices. In today's increasingly competitive tourism industry, organisations and businesses in the hospitality sector put significant effort into planning and promoting their destinations.

According to UNWTO, destination management involves managing all components of a travel destination. It is a process in which tourism and hospitality businesses, government and public organisations are organised in a collaborative network to plan and manage destination development. The organisations, known as destination management organisations (DMOs), regulate companies and communities to achieve the destination's goals. DMOs lead and coordinate shareholders' efforts, including local authorities, tourism businesses, and community groups. They also take charge of marketing activities, creating a positive image of the destination and building a favourable environment for tourists, including accessibility and resilience. (Morrison 2013, 5-6.) DMOs play a significant role in delivering the promised experience to tourists, ensuring visitors have a memorable and enjoyable stay that meets their expectations.

## 2.4 Destination marketing

Marketing is a subject of vital concern in the tourism industry. Kotler and Bowen (2017) define marketing as a systematic process that involves the creation and delivery of value by companies to their customers and society. Tourism is typically considered in demand and supply terms. Thus, there is a bridge between supply and demand. Supply refers to destination peculiarities, while demand is tourists' needs and wants. The number of visits is directly influenced by destination marketing.

Destination management and destination marketing are two distinct concepts that are often misinterpreted. While both are integral components of the tourism industry, they serve different purposes. However, destination management and destination marketing are interdependent. It is a persistent process whereby destination management organisations investigate, plan, monitor and assess activities tailored to meet the needs and wants of travellers

while aligning with DMO's visions, missions and objectives. The approach focuses on creating tourist appeal and economic prosperity of the place. (Morrison 2013, 6.) Destination marketing shapes tourist perceptions and enables memorable experiences. (Pike & Page 2014.)

Destination marketing involves analysing market data and customer segmentation to understand potential customers' characteristics and purchasing behaviour. The goal is to attract target markets by promoting an already established infrastructure and environment, referred to as the "product" in the marketing mix. (Middleton, V. et al. 2009.) Unlike traditional marketing, destination marketing focuses on identifying the target market first and then tailoring the promotion to fit the product.

The marketing mix concept is a well-established academic framework that identifies a set of decisions companies must make to position their brand effectively in the market. Regarding destination marketing, the marketing mix can be valuable for creating a compelling and competitive destination brand that appeals to target travellers. The traditional marketing mix was created by E. Jerome McCarthy in 1960. It includes four Ps: Product, Price, Place and Promotion. However, the framework is extended to the seven Ps model, involving People, Process and Physical evidence. (Figure 2) In today's more complex travel industry, paying attention to the people within the organisation that offer services and the delivery process is vital. This thesis employs the marketing mix with the seven Ps for destination description.



Figure 2 Marketing Mix (Professional Academy 2017.)

## 2.5 Change management

In today's complex and uncertain world, many companies have experienced significant changes, which caused the growing recognition of change management. Changes are expected in the tourism industry. Multiple factors, such as cultural changes, customer behaviour changes, and political instability, force businesses to adapt.

According to Moran and Brightman, change management is an ongoing process of consistently revitalising an organisation's operation structure to address customers' needs (Moran & Brightman 2001; Kovachevski et al. 2019.). Change management is also perceived as the organised management of a structured transition from situation A to B to achieve transformations within a company (BNET Business Dictionary 2023.). Additionally, Johansen (2017) notes that change management is linked with leadership styles, which involve teamwork flexibility to coordinate the business in a rapidly changing world. The approach ensures organisations shift smoothly during change by defining clear goals for change, planning and implementing strategies and evaluating.

Furthermore, change management has many models suitable for any situation. Among the most popular models, Lewin's model includes three stages: unfreezing, changing and re-freezing. The framework focuses on the company's readiness for change, implementation, and fixing new processes to make permanent adjustments. Another example is Kotter's model, which includes eight steps for managing change. The model mainly concentrates on leadership and communication.

## 2.6 ADKAR model

Prosci, the leading organisation in change management research, has developed yet another framework for change management. The model is called the ADKAR model, in which every letter stands for different stages: Awareness, Desire, Knowledge, Ability and Reinforcement. It guides organisations through the process of change by outlining five steps. The model can be applied to personal and organisational levels and utilised in the tourism industry. ADKAR provides a structured framework through which destination and hospitality management companies can manage and incorporate strategies for changes on organisational levels. (Hiatt 2006.)

In addition, this framework empowers managers to identify operational failures and implement necessary corrective actions effectively. The goal-driven methodology enables organisations to focus on aspects that are most likely to yield successful outcomes, thereby pro-

moting overall efficiency and effectiveness. It aims to guide and point out any missed components that are needed for the company's strategy. (Prosci 2023, 13.) This thesis leverages the ADKAR model as a crucial instrument to thoroughly examine and obtain insights into the strategies taken by South Karelia in response to the challenges posed by the decline in its primary customer segment.

The first phase of change management is Awareness. It represents the organisational culture, vision and mission. The understanding of the necessity of change is introduced during the initial stage. The importance of this stage is that Desire and Knowledge cannot come before Awareness since recognising the need fuels motivation to adapt or shows our resistance. There are several tactics for building awareness successfully. It includes effective communications, sponsorship, training and information gathering. ( Prosci 2023, 5.)

Next, Desire focuses on building the willingness to assist change by discussing the positive results that change can lead to. The second stage is considered the most difficult. Influencing the willingness to change needs a proper change management strategy that aligns with the organisational environment. ( Prosci 2023, 4.)

The third phrase, Knowledge, searches for information and practices that are needed to incorporate change. It includes training and education that help to understand how to change and operate in the long term. Change requires new behaviours, processes and responsibilities. ( Prosci 2023, 4.)

The Ability stage transforms knowledge into actions. It ensures that understanding applies to the work environment. Ability includes resources, time and training in order to develop new processes and skills. (Prosci 2023, 3.)

The last stage, Reinforcement, is crucial. It evaluates the outcomes of the changes by rewarding and celebrating. In addition, it focuses on continuous actions that are needed to prevent the old approach from returning. (Prosci 2023, 3.)

### **3 Tourism in South Karelia and Russian outbound tourism to the region**

It is vital to study tourism in the region and examine Russian tourists' behaviour. Thus, a marketing mix of the seven Ps is utilised.

#### **3.1 South Karelia as a tourist destination**

South Karelia is a province situated in the southeastern part of Finland. The area is traditionally the land of the Karelian people. It is considered one of Finland's most important growing regions (Etelä-Karjalan Liitto 2016.). The region consists of eleven districts, of which two are cities: Lappeenranta and Imatra. The Lappeenranta area consists of Lemi, Luumäki, Savitaipale and Taipalsaari. The second city, Imatra, includes Parikkala, Ruokalahti and Rautäjarvi. Due to its location next to the Finnish-Russian border, the region has undergone various cultural, trade and political conflict changes ( Regional Council of South Karelia 2022.).

##### **3.1.1 Product**

South Karelia region is situated on the shores of Saimaa Lake, Finland's largest lake. The region is diverse as it offers a wide range of tourism products suitable for different types of tourists. South Karelia has a long-standing history in the tourism industry, dating all the way back to the 1800s. Imatra's rapids, in particular, became a beloved attraction, making it the oldest of its kind in Finland. Recently, Imatra celebrated the 250th anniversary of tourism, solidifying its place in the region's rich history.

As a year-round destination, South Karelia offers natural and adventure tourism, emphasising landscapes and activities such as hiking, biking, kayaking, skiing, etc. The destination caters to a diverse group of individuals, including families with children and nature enthusiasts. The most attractive natural feature of the region is the lake landscapes of Lake Saimaa and its geopark. Among 26 Karelides mountains in South Karelia, the largest is Haukkavuori. South Karelia offers a wide selection of natural parks, trails, waterfalls and rapids. The most admired tourist places are Imatrankoski Rapids, Roukalahti church hill, Kuivaketvele hill fort in Taipalsaari, Keltavuori and traces of the Ice Age in Savitaipale. There are also Saimaa ringed seals that represent South Karelia. Tourists visit the region to see seals on lake tours and in the National Park located in the neighbouring area. (Kuznetsov 2023.)

The region of South Karelia is noteworthy for its rich cultural and historical heritage, which is deeply rooted in the unique and distinct culture of the Karelia region. Architecture also

plays a vital role in tourism attractiveness. Wooden houses from the eighteenth and nineteenth centuries can be found and explored. South Karelia offers a variety of historical sites and museums, including the old fortress area of Lappeenranta, the fortress of Kärnäkoski, and Salpalinjia in Ruokalahti. These locations allow visitors to immerse themselves in Finnish history, spanning from ancient times to recent days. The concept of rural tourism, as defined by the UNWTO, involves travelling to non-urbanized areas where tourists can learn the local lifestyle and traditions through activities related to nature, agriculture, and culture. Rural tourism has gained popularity in recent years due to a growing desire for authentic and sustainable travel experiences. (Etela-karjalanliito 2015,8.) Moreover, the region's wellness and spa tourism is famous for its luxury resorts and other businesses specialising in relaxing activities. Notably, Finnish spas are celebrated for their authentic saunas and massages that are designed to promote rejuvenation and relaxation.

South Karelia serves as an excellent destination for those seeking international educational tourism (IET) or edutourism. IET focuses on integrating a global and intercultural perspective into higher education (Knight 2004; McGladdery & Lubbe 2016, 7.). LUT University and LAB University of Applied Sciences attract students from 80 countries to complete degree programmes, exchange studies, research or short-term projects. Lappeenranta is considered a vibrant and international student city. The population of Lappeenranta in 2022 was 72,650, with 9% (6,583) being international people (Tilastokeskus 2023.). It is worth mentioning that both universities prioritise sustainability and environmental conservation.

Shopping is another well-developed tourism type in the region. The reason for highly established trade and services is Russian tourists. South Karelia offers high-quality goods, clothes, products, handicrafts and jewellery, all available with tax-free and invoice sales. Lappeenranta is considered a central shopping city for its exceptional shopping experience.

### 3.1.2 Place

Before crises, the destination was easy to access, providing different options for transportation and services. Thus, South Karelia can be reached by air since Lappeenranta has an international airport (LPP). Before the COVID-19 pandemic, the airport brought a considerable number of domestic and international passengers who stimulated the income flow to the region's economy. Ryanair offered direct flights to Berlin, Athens, Thessaloniki, Milano, and Budapest. Nowadays, there is only one connection with Milan Bergamo Airport, which Ryanair operates. Several European cities are connected with Bergamo and, therefore, with South Karelia.

Railway transportation is also well-developed. The region can be accessed within two hours from the capital area. The VR train provides the most convenient way to travel to and around South Karelia. Thus, travellers can use trains to visit Lappeenranta, Joutseno, Imatra, Simpele, Parikkala and Vainikkala (VR Group 2023.).

Furthermore, long-distance buses such as Matkahuolto and Onnibus connect the destination with major cities in Finland and South Karelia. The road network is accessible by the E6 European route, connecting Helsinki with other regions. The location boasts convenient accessibility to public transportation options.

The region under consideration also demonstrated a commendable level of accessibility for its primary international customer segment. Bus companies provided transportation services between Saint Petersburg and Vyborg, while train services connected Saint Petersburg and Moscow with Finland.

As for services and facilities, the region has a wide range of accommodations suitable for different needs and budgets. All hospitality businesses provide excellent customer service in Finnish, English, and Russian. Lappeenranta and Imatra also have tourist information centres that help tourists navigate the region by providing maps and information on local attractions and event activities. The destination is also accessible for people with disabilities since the cities have specially designed elevators and amenities.

### 3.1.3 Price

South Karelia can be both budget-friendly and luxurious. However, when compared to other competing destinations, prices in South Karelia tend to be higher. For instance, Lappeenranta has nine twin towns (City of Lappeenranta 2019,12.). Twin towns are defined as towns with similar features and tourism activities ( Pawlusinski & Kubal 2015.). These twin towns include Kolding in Denmark, Rakvere in Estonia, and Vyborg in Russia. A comparison of the accommodation prices in these destinations reveals the differences in cost. Figure 3 depicts the average accommodation price calculated from Booking.com top picks. The accommodation in Lappeenranta is more expensive than in Estonian Rakvere and Russian Vyborg but cheaper than in Danish Kolding.



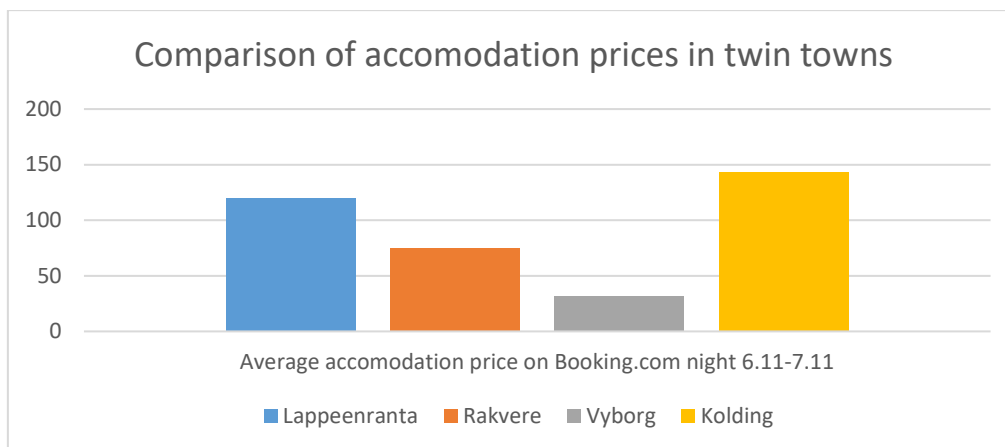


Figure 3 Comparison of accommodation prices in twin towns

South Karelia region offers various accommodation types, from luxury spas to budget-friendly guest houses and motels. The prices differ according to the time of the year. Summer is considered to be a peak season. From June to August, plenty of summer activities and festivals cause higher prices for accommodation and transportation. Autumn and spring seasons are low seasons. South Karelia is popular in winter, causing an increase in accommodation prices, especially during Christmas and New Year. (Booking.com 2023.)

As for activities, the price can vary. Thus, during low seasons, the cost of activities is scarce, and attractions' opening hours are reduced. Moreover, there are plenty of natural activities that are available for free.

#### 3.1.4 Promotion

The South Karelia Regional Council has taken significant steps to enhance the region's appeal, competitiveness, and ease of access through a range of programmes. The region, for example, is focused on sustainable tourism development in its tourism strategy, which is being carried out alongside GoSaimaa to raise tourism marketing. In 2020, DMOs began conducting training sessions to raise awareness about the concept of sustainability. The roadmap for sustainable tourism in the area specifies that the destination plans to achieve carbon neutrality by 2030 by undertaking initiatives, holding events, and enhancing accessibility (GoSaimaa 2023). As a result of this approach, numerous responsible travellers and corporate individuals have been drawn to the region over the past few years.

Moreover, some projects are executed explicitly to promote tourism types. For instance, the Food Province Now! project is designed to make South Karelia a compelling destination for food tourism by promoting the history of the region's food traditions from the Stone Age to the present. (HUMAK 2023.)

The regional council of South Karelia control the implementation of Southern Finland ERDF Programs. The project aims to promote destination development as a place with solid competitiveness, attractiveness and accessibility. Before COVID-19, there were also cross-border cooperation programmes that allowed for the economic and cultural development of regions.

DMOs also play crucial roles in destination marketing. VisitFinland, GoSaimaa, Lappeenranta and Imatra share articles and tourist information, which allows readers to discover the region's uniqueness.

Moreover, South Karelia is internationalising. According to the Regional Council of South Karelia, the higher education institutes of the region employ the largest group of international students and researchers in Finland. LUT University and LAB University of Applied Sciences are crucial in destination attractiveness. (GoSaimaa 2023.)

### 3.1.5 People

Next, it is vital to analyse South Karelia's target market. Market segmentation is defined as dividing the market into smaller segments by criteria. Typically, marketing specialists employ geographic, demographic and behavioural criteria to implement market segmentation. (Kotler 2000; Tsiotsou & Goldsmith 2012,4.)

Geographic criteria allow us to understand and segment tourists by country of origin. Both domestic tourists and international tourists travel to the region. According to the statistics, the total number of arrivals and nights spent was 399,078 in 2019. In Figure 4, we can see that the most significant group by country was Finland, therefore making domestic travellers the biggest customer group of the region. The share of domestic travellers is approximately 70%. As for foreign countries, the biggest group of tourists arrived from Europe. Thus, Russian visitors became the second-largest group and the biggest international market segment. Before the pandemic and political crises, South Karelia was visited by tourists from Sweden, Germany, Estonia, Italy, and China.

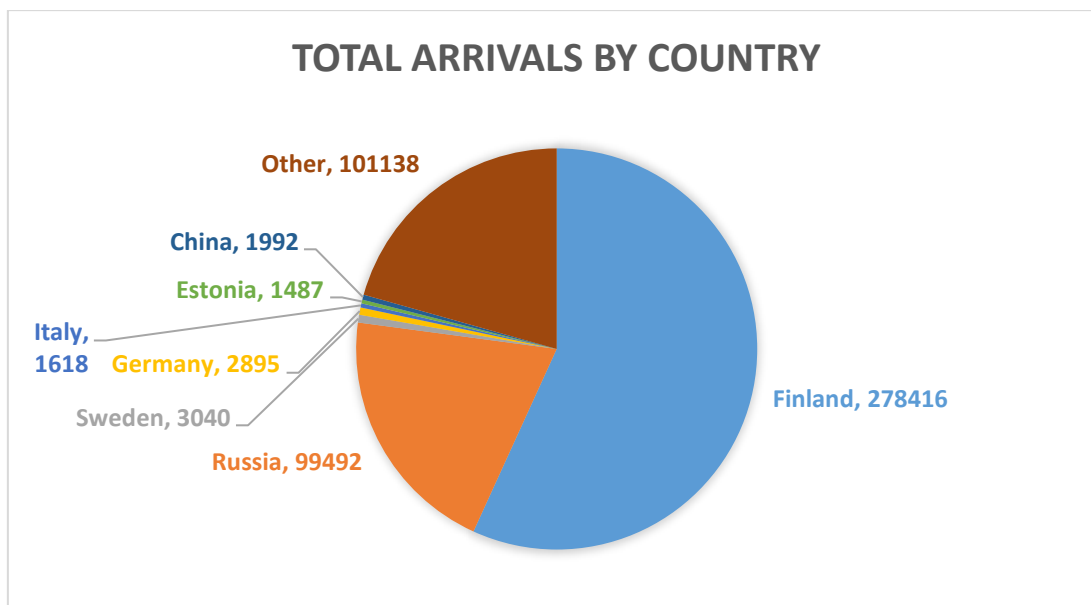


Figure 4 Number of arrivals by country in 2019 according to Tilastokeskus

Furthermore, demographic factors were included in the analysis of customer segmentation. Thus, according to age, there are three groups: young adults, seniors and families with children. Typically, young travellers are price-sensitive and open to new adventures. Families and seniors travel for recreation and exploring. These age groups seek quality and comfort and are willing to spend money.

With behavioural criteria, tourists can be divided by purpose of visit. Hence, there are leisure and rural, business and educational purposes for visiting South Karelia. While leisure tourists consider relaxation and sightseeing, businesses and students visit the region to participate in meetings and educational programmes at LUT University and LAB University of Applied Sciences.

### 3.1.6 Process

South Karelia advertises its tourism by highlighting the region's peculiarities, such as nature, culture and well-being. As mentioned, the destination attracts responsible travellers since the region's tourism strategy promotes sustainability and innovations. Region's tourism companies such as GoSaimaa and VisitLappeenranta execute different projects and marketing strategies for destination development.

Tourist services and information are also developed with sustainability and accessibility in mind. The rise of digitalisation stimulated the development of digital services as well. The destination offers a Digi Transit guide and Jouko brochures for transportation, itinerary and

maps. Also, many tourist attractions are well-maintained and easily accessed. South Karelia offers natural tours, tracks and activities for well-being.

Companies utilise service design to describe the process. In the dynamic tourism industry, this method of designing customer experience helps ensure service system improvement and enhance destination competitiveness. (Gao et. al. 2022, 226.) The tourist experience of South Karelia was created and shown in Figure 5. The customer journey map method was taken as the basis of Figure 5.

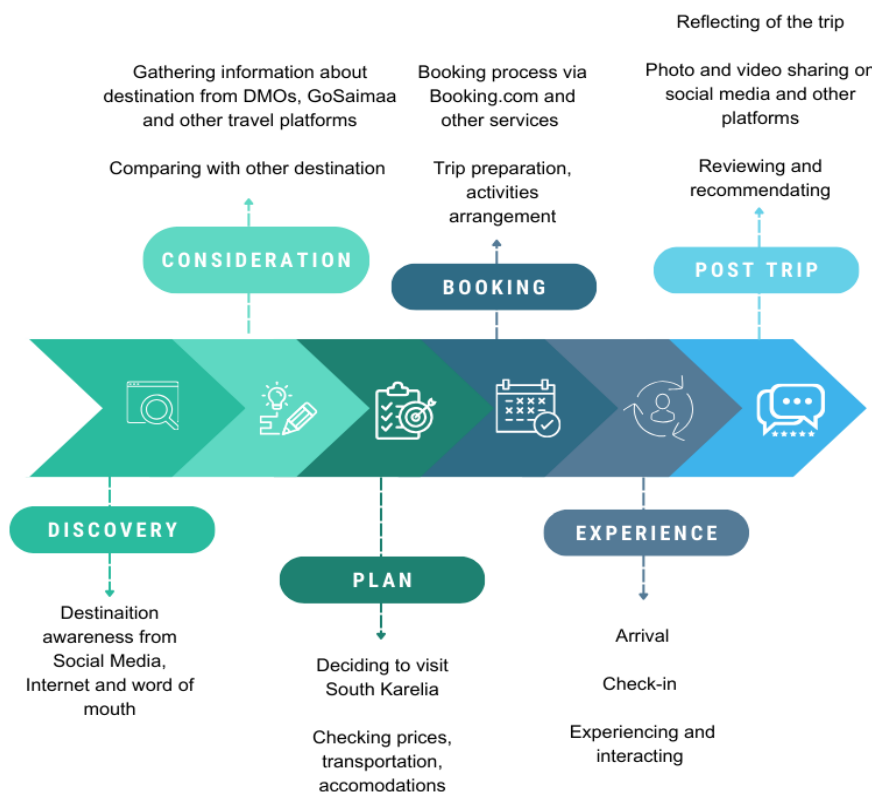


Figure 5 Tourist experience

### 3.1.7 Physical evidence

The region's infrastructure is well-developed and highly maintained by the Regional Council (Regional Council of South Karelia 2023.). Two main cities of the area concentrate on services and accommodations to maintain a favourable image of the destination. (Fedorov 2015, 49.)

The region aims to become carbon neutral by promoting low-carbon and regional environmental activities. Hence, GO to South Karelia! It is a project that was executed in 2020-

2022 and focused on such aspects as recycling, transportation and the use of renewable energy in Imatra and Lappeenranta. ( Imatra 2023.) Other municipalities are also taken into account. In 2022-2023, climate actions aimed to promote climate-friendly activities in Roukalahti, Rautijärvi, Lemi, Luumäki, Taipalsaari, Parikkala and Savitaipale.(Imatra 2023.)

Besides, Finland is known for its nature and safety. Finland has the best air quality in the world (WHO, 2023.). According to the 2017 Travel and Tourism Competitiveness Report, it attained the topmost position in the safety and security ranking.

## 3.2 Russian tourists in South Karelia before crises

### 3.2.1 Purpose and characteristics of visit

Since the 1990s, Russian tourists have made up the majority of international visitors in Finland (Statistics Finland 2023.). Over decades, the influx of Russian tourists has positively impacted the region's economic crisis (Yle 2009). Approximately 80% of the tourists who visited Finland before the pandemic came from nearby areas, primarily the North-West. Such visits were characterised as a one-day trip, typically by personal vehicles. (VisitFinland 2023.)

As South Karelia is a border region, it is vital to highlight the term cross-border tourism. Cross-border tourism refers to leisure and shopping activities, including crossing the national border between neighbouring countries. Cross-border tourism is often characterised as a one-day trip and shopping to purchase better quality goods and cheaper products. Another term is cross-border shopping, which implies that shopping is the main activity in cross-border tourism. In cross-border shopping, tourism can include overnight stays with hotels or other accommodations and catering. (Timothy 1995,531; Timothy 2001; Timothy et al. 2016; Leick et al. 2021, 675-678.).

Consequently, the cross-border tourism between Finland and Russia was organised by the border crossing points and good traffic connections. The major border checkpoint in South Karelia is Nuijamaa. The primary purpose of visiting the region was shopping (Regional Council of South Karelia 2023.). Therefore, Russian tourists stimulated the cross-border tourism development in the destination (Stepanova 2019, 92.).

The Russian market has seen the establishment of a variety of tours and services. The destination's focus was promoting tourism to its leading target group – Russians. The destination utilised its beneficial location as its main unique selling point. The tourism compa-

nies were spreading marketing messages such as “to Finland for one hour”, attracting Russians. Cross-border shopping tourism gave a unique opportunity to open a visa and shop for high-quality goods in big supermarkets.

Furthermore, Russian people visited the region for leisure purposes. Thus, VisitFinland identified three main target groups of Russian travellers applicable to South Karelia. The first group involved Russians who travelled to enjoy Finnish nature and spa. The second group was adventure lovers who travelled for such activities as skiing and snowboarding. The last group included Russians who preferred city activities such as sightseeing and excursions. The first and third groups were dominating in South Karelia.

Moreover, Russians preferred to travel to Lappeenranta as a transit city. The easily accessible Lappeenranta Airport is located within 30 kilometres from the international border of Finland and Russia and only two hours from Saint Petersburg by train. The airport connected several European destinations, making it convenient for Russians travelling to Europe within Schengen countries. Besides, flights from Lappeenranta airport tend to be more affordable than other airports as the low-cost airline Ryanair operates there. (Lappeenranta Airport 2023.)

### 3.2.2 Accessibility of the region from the Russian perspective

The accessibility of the region was well-organised before COVID-19 restrictions. The proximity from Saint Petersburg and Lappeenranta is approximately 200 kilometres, and from the border to Lappeenranta is 30 kilometres. The area has crossing checkpoints between Russia and Finland which are called Nujamaa and Imatra. Most Russian visitors heading to South Karelia crossed the border through Brusnichnoe-Nujamaa by car or bus. The bus operators offered route trips from Saint Petersburg and Vyborg to Lappeenranta, Imatra and other cities of South Savo. The most popular bus companies between Russia and Finland were SovAvto, Ecolines and LuxExpress.

As for the personal vehicle, it remained as the most common and the cheapest way to go to South Karelia. The European route E18 connects Saint Petersburg with other European cities. The route leads to the border, where travellers turn onto the Brusnichnoe-Nujamaa cross-border point. After the border, highway 13 can bring tourists to different cities in South Karelia and Finland.

In addition, the region was accessible by high-speed train Allegro. The service started in 2010 by cooperating with VR and RZD. The train was considered as convenient since the journey from Saint Petersburg to Helsinki took less than 3,5 hours. The Finnish border con-

trol was organised on board while travelling between Vyborg and Vainikkala. To South Karelia, the train stop was Vainikkala, the railway station 30 kilometres from Lappeenranta. From the railway station, Lappeenranta can be reached by bus or taxi.

Another connection was made through the Saimaa Canal. The canal has historical significance in Finland. It connects Saimaa Lake and the Gulf of Finland. SaimaaTravel organised cruises on the MS Carelia from Lappeenranta to Vyborg.

Furthermore, Russian tourists are required to get a visa before travelling to Finland or other Schengen countries. In order to apply for a visa, Russian citizens living in the northwest regions of Russia have to present the required documents, such as an application, international and internal passports, photographs, travel insurance documents, and documents justifying the purpose of the visit. (VFS 2016.).

## 4 Research methodology

This study investigates how the lack of Russian tourists affected tourism in South Karelia and how the destination managed the impact due to the war between Russia and Ukraine.

In order to reach the objective of the thesis, the empirical research is done through a qualitative research approach. The approach is advantageous for understanding the topic, mainly when the existing knowledge is limited. In qualitative research, an interview is conducted to collect empirical evidence. As a data collection method for this thesis, semi-structured interviews were selected. This type of interview enables flexibility in asking questions and dialogue-based interaction. The study's interviewees are individuals holding managerial positions from tourism organisations in the South Karelia region. The interview allows to gather valuable information about changes in tourism destinations and businesses from key actors with practical knowledge and experience of the existing crises.

The semi-structured interviews were conducted with representatives of tourism and hospitality organisations. The emails with interview requests were sent to multiple tourism-related companies in South Karelia in the summer and autumn of 2023. Three out of five professionals agreed to contribute to the research. Lately, in October, the interviews were scheduled.

There were three interviewees from tourism companies in South Karelia: City of Lappeenranta, GoSaimaa and Scandic Imatran Valtionhotelli. (Table 1). As a government administration, one of the City of Lappeenranta's responsibilities is managing tourism, branding, event strategy, and sustainable development. GoSaimaa is a regional tourism development organization that is jointly owned by the cities of Lappeenranta and Imatra. Its goal is to promote tourism in the region by collaborating with local businesses and promoting the destination domestically and internationally. Lastly, Scandic Valtionhotelli is a well-known historic hotel in Imatra that offers a wide selection of services.

Interviewee	Position	Organisation	Date of interview
Mirka Rahman	Director of Tourism, Marketing and Customer Service	City of Lappeenranta	30.10.2023
Katja Vehviläinen	Director	GoSaimaa Ltd	07.11.2023
Joni Erinko	General manager	Scandic Hotels Imatran Valtionhotelli	02.11.2023



Table 1 Interviewees contributed to the thesis.

The interview aimed to assess the current situation in the destination, investigate the changes that occurred due to the primary customer segment decrease, explore the knowledge and ability of adaptation, and identify the long-term strategies of the destination and organisation.

The interviews were held online on Teams. The language of the interview was English. Every participant consented to recording and transcribing the meeting for further analysis and results. Interview findings were used for the ADKAR model. The list of interview questions is attached in Appendix 1.

In addition, the author undertook qualitative research through a literature review to deepen the understanding of the subject. This method provides an analysis of the texts and papers to capture a variety of perspectives on the current topic. The literature review process involved searching various sources such as books, articles, press releases, and governmental statistics and reports. An analysis was done on the literature to gain valuable insights into the situation and provide theoretical frameworks.

Furthermore, the thesis involved analysing statistical data provided and sourced from reputable government and tourism organisations. This analysis aims to provide insightful and scholarly perspectives on the tourism industry in the border region.

The combination of interviews and literature review offers a comprehensive understanding of the research topic. Interviews provide diverse opinions and valuable knowledge on the current situation in South Karelia from tourism and hospitality specialists. At the same time, a literature review involves examining existing research and relevant resources.

## 5 Current situation of tourism in South Karelia

### 5.1 Factors contributed to the reduction of Russian tourists

The reduction of Russian tourists in South Karelia began at the beginning of 2020. The global COVID-19 pandemic has significantly affected international tourism. In response to the global pandemic, countries around the world implemented travel restrictions and lockdowns. Moreover, safety and health concerns acted as a further warning to tourists. However, with the pandemic coming to an end, tourism has shown a strong recovery in the year 2022.

The European Union has responded to the Russian invasion of Ukraine in the form of sanctions. Finland took severe action to support Ukraine. As a Member State of the EU, Finnish authorities implemented economic sanctions and travel restrictions against Russia. (Tulli 2023.) On 28 March 2022, Finland cancelled the rail connection between Russia and the EU. The Allegro train service from Saint Petersburg to Helsinki was discontinued until further notice. (VR 2022.)

Moreover, Finland continues to restrict Russian citizens' non-essential travel to Finland and other Schengen areas through Finland. On 30 September 2022, the Finnish authorities banned the entry of Russian tourists into Finland and other European countries due to changes in the security situation caused by the Russian-Ukrainian war and Russian mobilisation. According to the statistics, Russian mobilisation significantly impacted the increase of tourists from Russia. The resolution involved not only border restrictions but also restrictions on visa applications. (Ministry for Foreign Affairs 2023.) From 30 September 2022, Russian tourists are not allowed to enter Finland for tourism or transit, except for particular groups. Raja, the Finnish border guard, announced ten special groups:

1. Family members of citizens of Finland and family members of foreigners with a permanent residency in Finland
2. Family members of citizens of an EU Member State, European Economic Area Member State or Switzerland
3. Work visa
4. Transport and logistics personnel exercising their duties
5. Business travellers
6. Students

7. People arriving for treatment
8. Owners of an apartment or property
9. Personnel of diplomatic missions and consular representations
10. Other special reasons.

The decision to allow entry is assessed individually during the border inspections. Refusal of entry, in some cases, results in visa revocation. (Finnish Border Guard 2023.) Moreover, visa applications from Russia were limited to 100 per day. Visas for tourism purposes are no longer granted to citizens of the Russian Federation.

On July 10 2023, restrictions have been reinforced for business tourists, property owners, and students until further notice. Business travellers are no longer available to transit to other countries through Finland. Property owners are required to provide evidence for their presence. Entry permission is only granted to students who have completed a degree or studies equivalent to a degree. (Ministry for Foreign Affairs 2023.)

Furthermore, restrictions on importing vehicles which are registered in Russia were implemented following the European Commission's guidance. Starting from 16 September 2023, cars with Russian license plates are prohibited from import into the European Union. (Ministry for Foreign Affairs 2023.). The ban on travelling to Finland does not apply to the vehicles owned by the citizens themselves. Also, it does not apply to individuals who hold citizenship in either an EU or EEA country and Russia and who have permanent residence in Russia (Tulli 2023.).

The restriction on entry and visa granting has led to fewer tourists arriving from Russia. Primarily, the ban on vehicle imports significantly impacted the number of Russian arrivals, as cars were their primary means of transportation to South Karelia.

The news of restrictions caused concerns and shock in Russia. The Russian embassy recommends not to travel to Finland. Although the border is closed, there is still traffic flow at the Vaalimaa and Nujamaa crossing points.

Economic sanctions are another reason for the decreasing tourist flow from Russia. The sanctions have impacted Russia's financial crisis. The consequences of economic sanctions include a decrease in the value of the rouble, initial exchange rate fluctuations, inflation, and reduced consumer spending. These sanctions packages have affected Russians' living standards, including Russian citizens' incomes. (Korhonen 2023.) Due to financial

constraints, individuals with valid reasons for travel cannot make necessary trips. In addition, the sanctions and economic crises in Russia and Finland have made currency exchange challenging, resulting in decreased affordability of travel to South Karelia.

## 5.2 Changes in the flow of Russian tourists in South Karelia

To investigate the change in tourist arrivals, the VisitFinland database was utilised. In Appendix 2, the data from VisitFinland is shown. Based on the VisitFinland tables, Figure 6, Figure 7, and Figure 8 were created to show the changes in arrivals in South Karelia and the whole country.

According to Rudolf's statistical database from VisitFinland, foreign visitors to South Karelia and Finland decreased significantly in 2020 and 2021 due to COVID-19-related travel restrictions. (Figure 6 and Figure 7) However, a positive trend in the recovery of the tourism industry in 2022 and 2023 (January-September) is perceived. The number of foreign visitor arrivals, excluding Russians, gradually returns to the levels seen in 2018 and 2019. The most prominent foreign visitor groups come from Germany, France, the Netherlands, and the United Kingdom.



Figure 6 The change in number of arrivals in Finland based on the VisitFinland data

Conversely, Russian tourist arrivals have not yet returned to pre-pandemic levels in 2022 and 2023 (January-September). The number of arrivals is lower in 2023 (January-September) compared to 2020, during the peak of Covid-19 restrictions. The observed reduction in numbers is attributed to the recent implementation of stricter regulations governing border crossings, which is a direct consequence of the ongoing Russian-Ukrainian conflict.

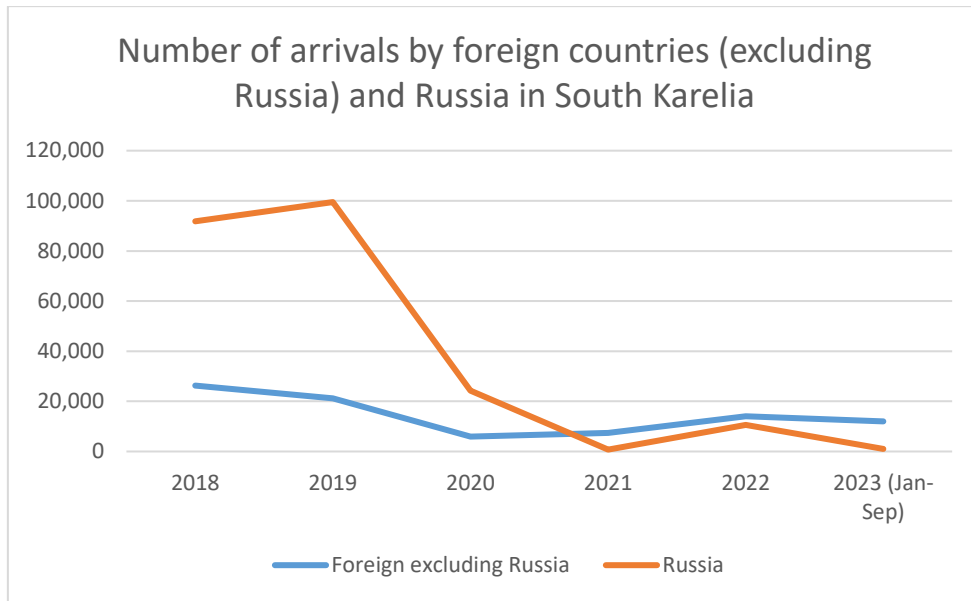


Figure 7 The change in number of arrivals in South Karelia based on the VisitFinland data

It is also worth mentioning that there are distinct statistical differences to consider. Figure 6 displays the country's overall statistics, showcasing a contrast of variables. From January to September 2018-2023, Russian arrivals were fewer than foreign countries. On the other hand, in Figure 7, arrivals to South Karelia by Russians were higher than by foreign countries. This explains the significance of Russian tourists in South Karelia and the impact that sanctions related to the Russian-Ukrainian war have had on regional tourism.

The border closure has also affected the nights spent in the region. Thus, Figure 8 shows the change of nights spent in percentages. The negative changes in 2020 and 2021 contributed to the unprecedented COVID-19 pandemic.

However, in 2022, there is a surge in arrivals and nights spent by foreign countries and Russia. The atypical rise in the number of nights spent by Russians in 2022 can be attributed to the flight and border-crossing restrictions imposed by the European Union and Finland in the same year. In 2023, the decrease in both groups is evident. However, the statistical analysis cannot provide a clear picture since Russian tourists are included in some of the foreign nationals group statistics.

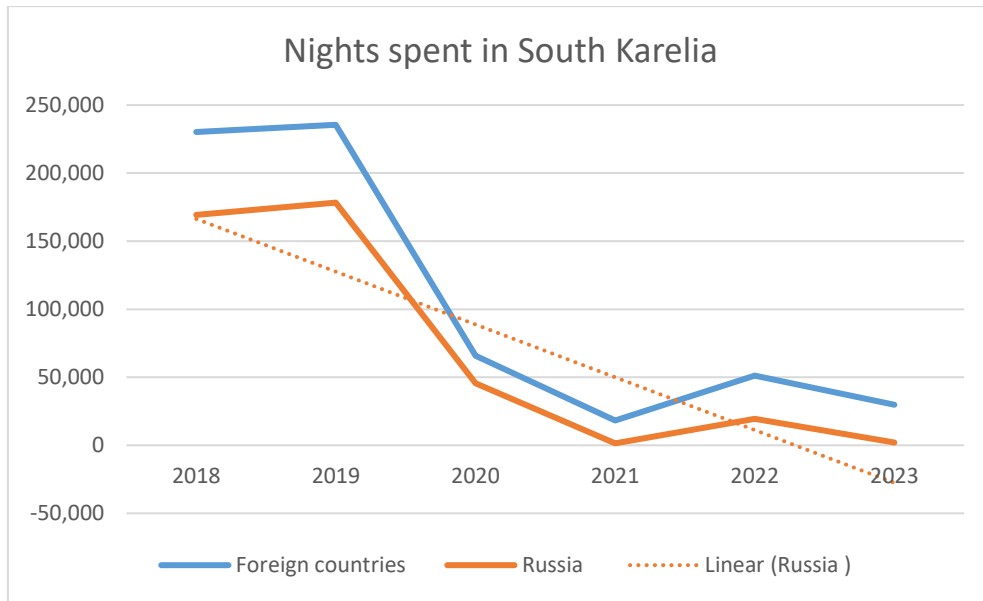


Figure 8 Nights spent in South Karelia by country, based on VisitFinland data

It is also important to note that there was an increase in Russian tourists after the beginning of the war. Ukrainian and Russian people travelled to Finland seeking protection. In September 2022, the border traffic was heavier than usual. The increase in Russian can be explained as immigration and the desire to evade the partial mobilization decree that was simultaneously announced in Russia. Finland has also become a transit country as many Russians travelled to Vantaa airport for further travelling. (CE Noticias Financieras 2022.) South Karelia has also served as a transit region. For instance, Russian tourists travelled by bus from Saint Petersburg and Vyborg to Lappeenranta, where they transferred to a train running to Helsinki and Vantaa airport. As for 2023, we can see an adverse change in the number of nights spent since the borders were shut down for tourists arriving from Russia.

Furthermore, as the car ban was implemented in September 2023, media sources analysed how it influenced on border traffic. Hence, RBC examined the data from FSB border services in Russia. Russian car trips to European countries decreased by 45% compared to last year (RBC 2023.). As for entry to Finland, the decrease in car trips is estimated at 52%. A significant reduction was noticed at the Nujamaa border crossing point.

## 6 Interview findings

The present study aims to shed light on the evolution of the tourism industry in South Karelia amidst the current global circumstances. Through a series of interviews conducted with professionals in the field, the author gained in-depth, personal insights into the changes employed by the industry during the years 2022-2023. This chapter serves as an overview of the strategies and modifications as well as a personal observation of the situation in regional tourism in South Karelia.

### 6.1 Destination and tourism companies' reactions to the changes

The region of South Karelia has undergone significant changes, as noted by the interviewees. Notably, these changes were already underway during the COVID-19 pandemic, which prompted earlier reactions from destination and tourism-related companies. Hence, the tourism industry turned its attention towards domestic visitors, which helped survive COVID-19 and the war in Russia and Ukraine.

Despite considering risk management strategies, the destination management organisations were surprised to see such significant transformations. The destination attracted Russian tourists and strived to develop a new direction, for example, drawing the Asian market before the COVID-19 pandemic started. The region established a strong partnership with Russia, encompassing the exchange of tourism-related information and services and mutual promotion of the border areas. The Russian-Ukrainian conflict resulted in the Lappeenranta City Board's decision to terminate all communication and agreements with twin cities, Vyborg and other nearest big city of Saint Petersburg. As a result, several projects, including the CPC programme and the development of the Saimaa-Saint Petersburg trip route, were forced to cancel.

The dwindling number of Russian tourists has significantly impacted local companies and the range of services the region provides. According to a recent investigation by GoSaimaa, the area is losing over one million euros in tourist revenue every day. The decline in demand for tourist services has also impacted the economy and job market, leading to unemployment. Despite these challenges, the region is not solely reliant on tourism. It has mitigated some adverse effects by expanding into other industries, such as social and healthcare services, manufacturing, and sustainability.

The region's hospitality industry has various enterprises, from small independent establishments to large chains and franchises. Each business has responded to the challenges differently, depending on its size and customer group. Thus, the companies primarily focused

on Russian tourists or utilised an advantageous proximity to Russia were severely affected. Many small businesses had to shut down their operations. For instance, SaimaaTravel, which operated through the Saimaa Canal, went bankrupt due to the lack of tourists and the inability to perform in the closed canal. Conversely, the larger chains catering to diverse customers, including domestic and European tourists, did not experience major setbacks due to the border closures. This emphasises the importance of catering to different customer segments to ensure business stability rather than relying on one customer group.

Furthermore, the border closure brought some unexpected positive outcomes to the region. As the area developed a regional roadmap for sustainable tourism 2020-2030, the absence of Russian tourists contributed to the effective implementation of the plan. This is because Russian tourists typically travel by car, which causes a substantial carbon footprint and poses challenges to sustainability. Although vehicles are still on the road from the capital area, the overall carbon footprint decreased, signifying a positive step towards achieving sustainability objectives. The crises served as a unifying force for the region and its community, driving them towards a common objective of achieving regional development goals.

Moreover, South Karelia used to be a famous destination in Russia, thereby making marketing and services more straightforward. However, the conflict prompted companies to develop their services and ramp up their marketing constantly. Hence, they started focusing more on service design, diversification of operations and enhancement of the quality of their services to meet the expectations and satisfaction levels of new target groups, whose preferences and needs differ from Russian consumers and who are ready to spend more money. Overall, the changes brought new business opportunities, and companies became more aware of the importance of providing superb customer service and applying more comprehensive marketing strategies.

## 6.2 Strategies applied for changes

The pandemic-induced travel restrictions and the conflict between Russia and Ukraine changed its development. However, despite these challenges, the destination remains committed to finding new ways to grow and promote regional tourism. Many big companies continue implementing strategies that facilitated their adaptation to COVID-19. During the pandemic, the region redirected its focus towards domestic tourists. After the restrictions were eased, the destination started actively attracting the European market.

After the Russia's invasion of Ukraine, the DMOs of South Karelia had to rebrand slightly. South Karelia changed its target customers and positioning in the market. The unique selling point (USP) slightly changed. The advantageous location next to Russia is no longer in



use. Instead, the region promotes Saimaa Lake and the Finnish lifestyle. The new USP signifies the Finnish lifestyle and Lakeland nature that can be conveniently accessed in just two hours from Helsinki, proving to be a significant attraction for tourists.

Marketing also changed as it required more effort, resources and creativity. The regional tourism company GoSaimaa implemented a revised marketing strategy for the company and region. The updated approach was necessary to foster the recovery and development of the regional tourism sector.

The destination started focusing more on targeting domestic and European tourists. Finns now find the region more attractive since it is less crowded than before. As for international tourists, people from Germany, Italy, Switzerland, France, the UK, and Benelux countries are customer segments. The biggest number of European tourists, Germans, especially from North and Eastern Germany, are interested in Finland as a tourist destination. They see Finland as the most sustainable and unique destination. The new target market consists of tourists with different profiles, meaning their consumer behaviour differs from that of Russian tourists. While Russian tourists typically spend more on services and products, Europeans are more concerned with the quality of their experiences at their destination. This implies that the region's revenue stream varies depending on the type of service and product offered.

Consequently, the competitive landscape evolved with the shift in target customer groups. While the region previously competed only with other Finnish destinations during the peak of Russian tourist travel, it now faces competition from other European destinations vying for the attention of German and Benelux tourists. DMOs strive to solve issues such as differentiating the region from other Finnish regions and providing compelling reasons for tourists to choose South Karelia for their travel experiences. The region strives to create a persuasive narrative that showcases the region's rich culture, natural beauty, and diverse activities.

The regional airport is an essential factor in drawing tourists to the region. Lappeenranta Airport had to discontinue flights to multiple destinations due to insufficient funding caused by the COVID-19 pandemic and the Russian-Ukrainian conflict. Currently, the airport provides one connection to Bergamo, Italy. However, South Karelia and the Saimaa region plan to invest in another destination in Benelux or Germany by 2024-2025. Moreover, they aim to develop direct and charter flights to further advance tourism in the area.

It is noteworthy that luxury tourism is also developing. This leads to an increasing number of people flying in their jets from other parts of Finland or Europe for business and leisure

purposes. In 2023, Lappeenranta Airport served 80 private jets. The focus on luxurious villas and authentic natural experiences has contributed to this trend.

DMOs intensified their marketing efforts, collaborated with VisitFinland, and utilised their materials. Moreover, GoSaimaa cooperates with European tour operators to promote the region's brand and provide valuable area knowledge. The objective is to enhance sales by establishing a strategic partnership with tour operators to create and market regional packages. Through joint promotions with tour operators and strategic marketing campaigns, DMOs aim to draw more visitors to the region.

Moreover, DMOs acknowledged the significance of collaboration during hard times. As a result, the region started cooperating with nearby regions: South Karelia, North Karelia, North Savo, South Savo, and Kainuu. Over the past few years, the structure of DMOs in South Karelia has changed substantially. It is characterised as a complex structure where all layers are interdependent. Figure 9 illustrates the author's interpretation of the structure of DMOs, formulated after a discussion with GoSaimaa.

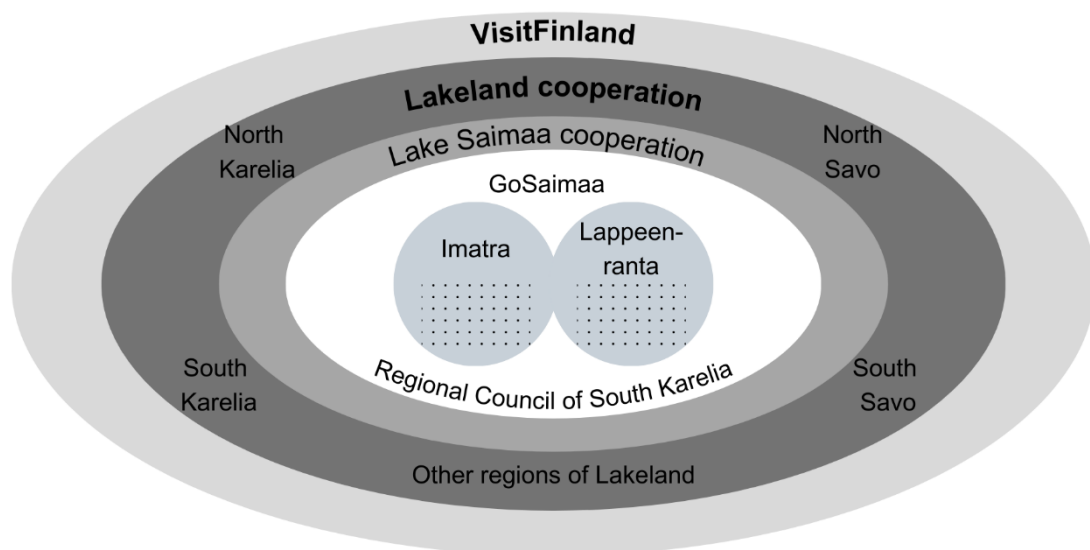


Figure 9 DMOs structure of South Karelia and its cooperations

The first component of this structure comprises regional companies operating in Lappeenranta and Imatra. Then, the City of Lappeenranta and Imatra coordinate through GoSaimaa. The regional council of South Karelia also provides financial and project support for tourism development. The third layer includes the whole Lake Saimaa cooperation. The next layer represents neighbouring and other Lakeland regions, such as Pirkinmaa, Central

Finland, and Hame, which collaborate to create marketing content and combine their products and services into a single package. Finally, VisitFinland strategically manages, develops, and promotes Finland as a destination.

South Karelia possesses some resources that can be utilised for marketing purposes, as funds that were previously allocated for projects related to the development of Russian-Finnish tourism relationships were redirected towards other initiatives and projects. The new projects aim to foster sustainable tourism and increase tourist flow to the region. Thus, South Karelia collaborates and builds relationships with Estonia and other European countries. South Karelia is seeking investments and advocating for more efficient government decision-making processes to ensure the continued prosperity of the border area.

One example of a project that has been invested in is Saimaa Cycling. The region became popular among Germans for its scenic cycling routes around Lake Saimaa. This has created a niche that is attracting like-minded people who come to enjoy this natural activity. Cycling on Saimaa has become part of the region's unique selling proposition. In addition, the region organises various events that bring people to visit the area. Hence, the Saimaa Cycling Tour is an annual event organised by South Karelia and South Savo in July, attracting around 3,000 enthusiasts to challenge themselves while distinctively exploring nature. By 2024, the number of participants is expected to increase to 4,000-5,000.

In today's market, digitalisation has become crucial for companies. The majority of customers prefer to research online before making a purchase. South Karelia's DMOs understand the importance of having a solid online presence. DMOs develop digital services in the region. Besides, they assist and invest in companies in making their services available in the digital world.

Moreover, sustainability continues to be a key driver for the region's development, emphasising the need for companies and destinations to adopt sustainable practices. The City of Lappeenranta, Imatra, GoSaimaa, and Sustainable Travel Finland (STF) from VisitFinland have jointly crafted a sustainable tourism strategy to reduce individual carbon footprint and enhance the city's greenery. By adopting sustainable practices, the region aims to improve the experiences of locals and tourists in South Karelia while promoting environmental conservation.

### 6.3 The ADKAR model

The ADKAR model was selected to interpret and summarise the knowledge obtained through qualitative research. It illustrates the change management of the region and provides a framework for understanding how changes were managed and incorporated.

#### **Awareness**

The regional companies and DMOs immediately recognised the need for change due to the ongoing conflict between Russia and Ukraine, which was expected to impact the tourism industry. The primary demographic targeted was Russian tourists. However, due to the imposed sanctions, the influx of tourists was limited. The region had to redirect its focus towards previously studied but not adequately developed markets.

To address the need for change, the cities of Lappeenranta and Imatra created informative materials that highlighted necessary actions and regional focus in the future. GoSaimaa, with the Board of Directors, updated their marketing and organisation's objectives and effectively communicated these changes to the regional companies to ensure they aligned with the latest market trends and demands.

Since the Russia's invasion of Ukraine, the region has consistently developed its tourism sector by targeting other markets, improving services, and marketing itself more effectively. Large hotel chains like Scandic have successfully applied risk management strategies to their operations, allowing them to adapt to changes quickly. However, small, privately-owned businesses have faced more significant challenges and have struggled to stay competitive. Without proper actions or strategies, many of these businesses have been forced to shut down or declare bankruptcy.

#### **Desire**

The goals of the changes were clear to everyone. DMOs expressed that changes were necessary to maintain a sustainable region and support the survival of regional companies. Bridging the gap caused by the loss of Russian customers is crucial. Therefore, it is necessary to make changes to attract as many travellers as possible.

The changes were well-received by the residents and companies. As a result, the region has been developing continuously with a diverse range of services and businesses focusing more on service design, quality, and customer relations. Tourism experts find it incredible to witness an increasing number of Finnish visitors exploring the region. The rise in domestic tourism indicates the destination's appeal to international travellers. This trend is a pos-

itive sign for the region's economy. On the organisational level, the changes were understandable. Big companies did not experience significant impacts as they were well-prepared and provided training to their employees.

### **Knowledge**

DMOs collaborate with businesses to provide training and workshops to help implement the latest digitalisation and sustainability practices. DMO specialists also offer expert advice and support companies to help them adapt to changing market trends. However, external support is often unnecessary for larger chains as they already have access to all the necessary information through their headquarters.

There were no new insights on previously unexplored markets as the destination had already worked with other demographics. These changes led DMOs to shift their focus away from the Russian audience and start developing services based on other groups' consumer behaviour.

The region is currently facing challenges while navigating through changes. Previously, it accommodated many tourists, but now it has become difficult to draw in customers and operate business profitably without incurring high expenses. The prices of raw materials and assets increased, while the region's purchasing power has not kept up with the pace.

In addition, competition is challenging in today's market. South Karelia competes with not only Finnish regions but also European destinations. It is observed that other Scandinavian destinations are more successful in attracting tourists, mainly due to their higher investment in marketing campaigns. New competitions require more effort from DMOs and regional companies.

### **Ability**

Developing new processes and skills requires resources, time, and training. The region seeks more funding and investments to create an appealing destination for European markets. The EU projects and the Finnish Tourist Board are actively engaged in developing regional areas. GoSaimaa has undergone several changes since its establishment. Initially, the organisation focused on marketing activities but expanded its operations to include tourism development functions. Their role involves advising regional companies on consumer preferences. The organisation required additional human resources and funding to facilitate its expansion and to meet the challenges of the tourism industry during the period of change. DMOs are enhancing their capabilities to equip tour operators with the most up-to-date and valuable market information, thus improving their industry knowledge.

Regional companies did not require notable changes in personal and professional skills. Knowledge of the Russian language was seen as an advantage in the workplace. Although marketing activities in Russian were cancelled, the language has remained the same since the region sees many Ukrainian and Russian tourists. In addition, there is a large Russian community in South Karelia and other surrounding regions. South Karelia continues to draw domestic and international Russian tourists who use the region as a transit point to return to Russia. The region also attracts German tourists, so German language proficiency is now considered an advantage in hotel enterprises.

### **Reinforcement**

In the last phase, the focus is on continuous actions to ensure the changes are sustained. The region is experiencing a positive increase in tourists from Italy and Germany, and the numbers are gradually returning to pre-COVID levels. DMOs constantly monitor the statistics of regional tourism. However, in 2022, the borders were opened at some point, and as a result, the statistics on international tourists are only partially reliable, as they include Russian visitors. VisitFinland's Rudolph services found a solution to provide international data excluding Russians, but not all statistics have been modified accordingly. The region is also attracting media attention, which positively impacts brand awareness. Regional companies are applying risk management techniques and shifting their focus towards services that customers demand.

Experts in the tourism industry are optimistic about the region's ability to adapt to changes and emerge successfully. The ultimate goal is to become the third most popular travel destination. South Karelia offers the opportunity to experience the purest Finnish lifestyle and the joy of spending time in nature. Escaping the routine and hustle of big cities to embrace the present moment has become a trend. Finns teach us how to appreciate nature, and as a result, the Lake Saimaa region has become a unique and attractive destination. This area has played a large role in Finnish history as the birthplace of tourism. Furthermore, the region strives to become a year-round destination catering to locals and visitors alike. DMOs aim to develop event tourism and organise 35 events annually to draw tourists to Lappeenranta and Imatra areas. Sustainable development is a vital part of the region's unique selling point, as Lappeenranta is the climate capital of Finland. DMOs continue working towards achieving a plan for sustainable development by 2030.

Figure 10 illustrates the summarised concepts of how changes have been managed by the destination since 2022.

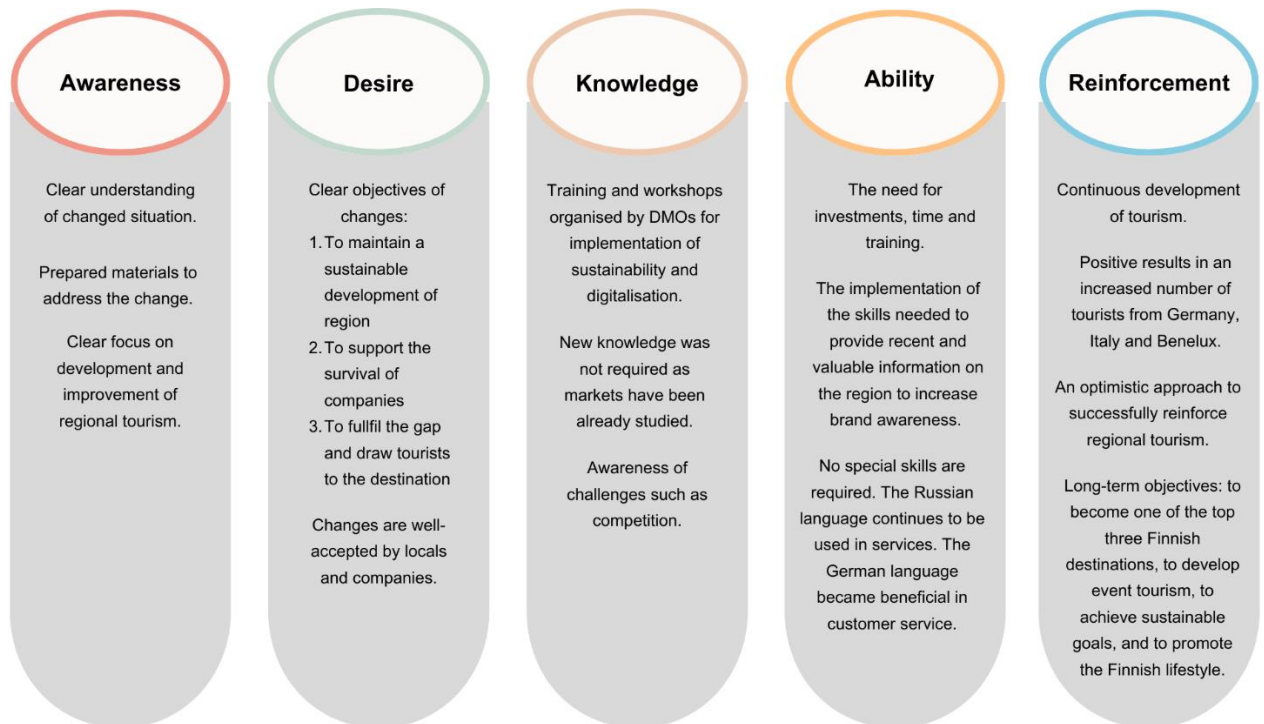


Figure 10 Summarised ADKAR model

## 7 Conclusion

### 7.1 Answers to research questions

The author presents the answers to the sub-questions that contribute to answering the study's main research question. The answer to the primary research question of the study is provided last.

#### **Sub-question 1: What factors contribute to the decrease in Russian tourist arrivals?**

The decline in tourism can be attributed to a series of measures imposed by the European Union and Finnish authorities in response to Russia's invasion of Ukraine. Initially, Finland terminated its business and economic relations with Russia. Subsequently, in 2022, Finland implemented restrictions on Russian citizens' non-essential travel to Finland and other Schengen countries. Moreover, Finnish authorities limited visa applications from Russian citizens, allowing only special groups to receive visas and enter the country. This excluded a large number of people who were travelling to the region for vacation and shopping purposes. In the summer of 2023, entry restrictions were further tightened. By September of the same year, vehicles with Russian license plates were prohibited from entering Finland, in line with Europe's sanctions. As a result, traffic at the border crossing points declined significantly. The EU's economic sanctions caused inflation in Russia, which made it difficult for Russian citizens to convert Rubles into Euros or US Dollars. This discouraged people who had visas and special reasons to enter the country to visit South Karelia.

#### **Sub-question 2: How have local tourism businesses adapted their strategies and operations or struggled due to reduced Russian tourist arrivals?**

A decrease in customer numbers impacted the businesses in the region. Although COVID-19 had affected business operations before, the government had provided exceptional support at that time. Conversely, nowadays, no such support is available for the current situation. Local DMOs are stepping up to monitor and assist small enterprises. It is essential to distinguish between large chain companies and small businesses. The decline in Russian inbound tourism had less affected big chains with well-established headquarters, business models, and revenue management strategies. Moreover, the adapted strategies during COVID-19 made it easier for enterprises to adapt to new changes, including the closure of borders and decreased tourists. Those relying heavily on Russian customers or the Finnish-Russian border have been hit particularly hard, with some forced to declare bankruptcy. DMOs are working to provide training and support to small businesses, fostering a sense of community and cooperation as the region strives to become an attractive destination for local and foreign tourists.



In addition, the region has experienced positive consequences of the changes. These challenges have highlighted the importance of diversifying the tourism market and services rather than relying solely on one target group. The study has revealed how these changes have prompted a revolution in marketing and business strategies that were previously overlooked. As a result, the region is developing in a multilateral way, allowing for a more diverse range of visitors and fostering more inclusive tourism development. Socially, the changes have led to multiple collaborations and cooperatives that promote the resilience of the tourism industry. Moreover, the impact of these shifts has also positively contributed to the environment, aligning with the sustainable objectives of the region.

**Main research questions: How has the decrease in Russian tourist visits affected tourism in the South Karelia region, and how have businesses and the local economy responded to these changes?**

Previously, South Karelia was a preferred destination for Russian tourists visiting Finland. However, the recent Russian-Ukrainian conflict has brought about several negative outcomes, including the shutting down of the Finnish-Russian border. Data shows that there has been a noticeable decrease in both the number of tourist arrivals and the duration of their stays in 2022, with an even steeper drop in 2023. This decline in the region's primary customer base has led to a lack of activity, with very few visitors frequenting the streets or shops. The area is losing out on one million euros in revenue daily, as Russian tourists played a significant role in supporting the local economy.

South Karelia has been proactive in adapting to recent changes. The local DMOs have acted promptly to provide comprehensive information and establish tailored regional development goals. As a result, previously overlooked tourist groups are now being considered more. The region is actively obtaining to attract domestic and European visitors, focusing on those from Germany, Italy, and the Benelux countries, who have come to appreciate the unique Finnish nature and lifestyle.

The DMOs partner with European tour providers to boost brand recognition and create tailored services for European travellers. Moreover, they maintain close relationships with neighbouring DMOs to promote the Lake Saimaa region and the wider Lakeland area of Finland. Collaboration and networking are essential for navigating dynamic markets, so the region has established numerous partnerships. To revitalise its tourism industry, the region is making strides through EU projects and development initiatives, such as the Roadmap for Sustainable Tourism. These strategies have already yielded positive outcomes for local businesses and the destination. Tourism experts remain optimistic about achieving their objectives in attracting and cultivating new tourist markets. The region develops not only

responsive strategies to current challenges but also sustainable and forward-looking strategies that ensure the long-term prosperity of the destination.

## 7.2 Discussions

The primary objective of this study is to examine the effects of the decline in Russian tourists due to the Russian-Ukrainian conflict and how the tourism sector coped with these consequences. The economic challenges, changes in market demand, and the need for adaptive strategies are among the most significant impacts. The findings of this thesis offer valuable perspectives for students of tourism and businesses in South Karelia actively seeks to comprehend the effects of global crises on tourism, specifically how it affected Russian inbound tourism in the border region of South Karelia, as well as how regional DMOs responded to the market fluctuations.

As part of a theoretical gathering, the thesis describes the terms of tourism, marketing, and change management. It also provides a seven-Ps marketing mix description of the destination before the conflict between Russia and Ukraine. The thesis presents changes and responses in the tourism industry in South Karelia through qualitative research. However, it is crucial to note that the author faced limitations during the thesis writing process. Due to the significant impact of COVID-19 on tourism in South Karelia and the incomplete recovery after the pandemic, it is difficult to evaluate the overall effect of the war.

The author believes that additional research is necessary to deeply comprehend the effects of sanctions stemming from the conflict between Russia and Ukraine on the tourism industry in South Karelia. Given that changes in the tourism sector are inevitable, adapting and implementing necessary measures to foster the region's development is imperative. The topic can be studied and analysed deeper or from another perspective. Additionally, broadening the scope of the study by incorporating other border regions could yield valuable academic insights.

The study is carried out at a time when the situation continues to persist. Organisations are still recovering and developing new possibilities. When writing the conclusion, it is worth noting that Finland imposed new restrictions and closed seven out of eight land border crossing points with Russia to prevent the influx of migrants from third countries. This is a significant modification to consider in the context of further research in the region's tourism industry, as it may impact the market and its changing dynamics more. Specifically, in South Karelia, it is necessary to understand how these changes might affect the overall correlation of the tourism industry.

To improve the travel and hospitality sector in the border region, it is essential to prioritise research and development of business plans towards creating custom-tailored tourism opportunities. This can be achieved by attracting new target markets through specialised offerings or by enhancing the quality and services of current enterprises. Marketing activities that contribute to brand awareness, sustainable tourism practices, infrastructure and accessibility improvement, and implementing technology and innovations can make this possible. The ultimate goal is to develop unique experiences specific to South Karelia while complementing the destination's unique selling proposition, thus improving the tourism industry.

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## Appendices

### Appendix 1 Interview Questions

Background information:

1. Introduction of the interviewee and their organisation ( position, history, customers)
2. What is the interviewee's opinion about tourism in South Karelia before the crises and at the current moment?

Current situation review:

1. How has the decrease in Russian tourists affected local businesses and the economy of South Karelia?
2. Are there any actions or steps taken to anticipate potential crises? What kind of actions?
3. Are there any specific examples or cases that illustrate the impact of the loss of Russian tourists on a particular aspect of the tourism industry in South Karelia?
4. Have there been any positive outcomes or unexpected benefits resulting from the decrease in Russian tourists?
5. How has the marketing or promotion of South Karelia as a tourist destination changed in response to the decline in Russian visitors?

Questions for the ADKAR model: There are five stages of the ADKAR model. The questions were created according to each phase.

Awareness:

1. What strategies or changes have been implemented to mitigate the effects of the loss of Russian tourists?
2. How were employers and stakeholders informed/ educated?
3. Was there a change in focus on the target customer?

Desire:

1. What were the goals of recent changes?
2. How did customers/ employees react to changes?

Knowledge:

1. Were any training or information provided to adapt to the changes?
2. What challenges occurred because of the new processes?

Ability:

1. Did the changes require any resources?
2. Did the current situation require any skills to be replaced or developed?

Reinforcement:

1. How is the situation maintained after changes?
2. How have these changes impacted the destination's appeal to tourists?
3. How does the organisation guarantee business continuity?
4. What objectives does the organisation set for its future?
5. What long-term strategies are in place to revive the tourism industry in South Karelia and attract visitors from other markets or demographics?

## Appendix 2 Statistics used for graphics

Arrivals in Finland	2018	2019	2020	2021	2022	2023 (Jan-Sep)
Foreign excluding Russia	2,846,531	2,902,823	789,344	791,781	2,039,227	1,886,732
Russia	377,633	387,415	106,233	15,181	88,248	21,080

Arrivals by country in Finland, according to VisitFinland.

Arrivals in South Karelia	2018	2019	2020	2021	2022	2023 (Jan-Sep)
Foreign excluding Russia	26,292	21,170	5,936	7,347	14,031	11,949
Russia	91,877	99,492	24,215	747	10,619	1,014

Arrivals by country in South Karelia, according to VisitFinland.

	2019	2020	2021	2022	2023
Foreign countries	2.3	-72.1	-72.3	180.8	-31.4
Russia	5.3	-74.4	-96.9	1,263.1	-89.3

Change of nights spent in % according to VisitFinland.

	2018	2019	2020	2021	2022	2023
Foreign countries	230,322	235,516	65,788	18,207	51,125	29,804
Russia	169,362	178,338	45,623	1,435	19,560	1,950

Nights spent according to VisitFinland.