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**INDUSTRIAL MANAGEMENT**

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**Feasibility of Mega Spa Hotel and its Cash Flow in the**  
**Routakallio Area**

Master's Thesis in  
Industrial Management

Master of Science in Economics and  
Business Administration

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**ABSTRACT:**

Hotel industry and tourism business is the backbone of economy in most of the fast growing countries. Due to ever increasing competition in the market, hotel groups vie for customer appeal in an over saturated industry. This thesis investigates the feasibility and business opportunities of Mega Spa project in the Routakallio area near Seinäjoki, Finland. During the research emphasis is also given to the cash flow, which is crucial for the establishment of any business. Qualitative analysis of the official statistical data of tourism in Finland and the specific region of Seinäjoki found that there is significant evidence in the favor of development of Mega Spa Hotel project. The findings further reveal that the selected location is logistically very strong, natural beauty with attractive sceneries; first Spa hotel for the tourists of Routakallio area and higher tourism revenues of Finland every year clearly supports the development of the project. This is first study in this field and explores the area specific feasibility of Routakallio area for Mega Spa hotel project to enhance the tourism development in Seinäjoki region and in Finland. A long and detail study considering weather of Finland, Tax policy, labor law is found to be useful. However, this thesis is assumed to be useful in decision making in terms of future investment in the field of Spa hotel industry.

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**KEYWORDS**

Industrial management, product development, spa and hotel industry of Finland

## **Acknowledgement**

This thesis has been prepared to fulfill the requirement of master's degree in business administration and economics (Industrial Management) at university of Vaasa, Finland.

I would like to thank to all those people who provide me the opportunity to write and complete my thesis work named **FEASIBILITY OF MEGA SPA HOTEL AND ITS CASH FLOW IN ROUTAKALLIO AREA, SEINÄJOKI**. The concept of this thesis is based on the development of Routakallio area as a future tourism place in Finland. The thesis tried to analyze that up to what extent the area is feasible for construction of Mega Spa hotel. Thesis comprehensively covered all steps starting from the location analysis to the official working costs for first five years.

The complete thesis is based on the information and knowledge gained during master degree studies, articles, reports, official statistical data base of Finland, research work of similar type of projects published in form of books, internet and a self-designed interview questionnaire among the managers of multinational hotel chains in Finland. I have tried my best to cover all aspects of project. I am very thankful to all those writers, publishers, web sites hosting companies, hotel organizations and managers whose work was a key for completion of this thesis.

Additionally, I am grateful to Professor Jussi Kantola for being my supervisor and providing valuable suggestions on each and every step during thesis writing. I am also thankful to invest in Seinäjoki team who invited us to visit the area and provide the key information about the Routakallio area.

During my thesis work I have studied various stages and aspects of product development and project management. I am very much hopeful that this thesis can contribute in the overall development of Routakallio area itself along with Seinäjoki region. Thesis will also contribute to the segments such as industrial management, product development and Spa and hotel industry in Finland.

Thank you!

Afnan Zafar



# 1 Introduction:

## 1.1 Project motivation and background

The state Govt. of Seinäjoki wants to develop the state owned area of Routakallio located in Seinäjoki in Southern Ostrobothnia. Quarrying of this area started in 1965 and it will last until 2019. The quarrying results in the big lake as the mining of the three of the main areas will be over till the end of this decade. As the work is in progress and the project engineers left the space in the form of cliff for the divers to do diving into the lake which is expected to 50 meters deep. Quarrying of whole area also give rise to hundreds of hector of free area available for housing, recreation activities, sports services, traveling points, shopping malls and Mega hotel project for tourists of the area.

Project in charge Jukka Pajunen assigned a task to prepare the feasibility report in the form of thesis under the supervision of Prof. Jussi Kantola of university of Vaasa in writing from 20<sup>th</sup> July 2013.

The thesis is mainly focused on the feasibility of Mega Spa Hotel in the Routakallio area. The frame work of the Mega Spa Resort project includes is the feasibility of Mega Spa Hotel in Routakallio area and managing the cash flow for the project. The overall project is expected to contain the following elements;

- Spa facilities inside the hotel
- Indoor shopping mall for the customers
- Inside casino
- Luxury residential facilities

At the moment of the thesis writing the project is in stage of planning.

The type research method used in this thesis is the **qualitative research** and the outcome is **exploratory**.

## 1.2 Research question

This study investigates;

### Research Question 1 (RQ1)

Primarily, how we can able analyze the feasibility of Mega Spa hotel in Seinäjoki?

### Research Question 2 (RQ2)

Secondly this study will try to find that how we can manage and check a cash flow for modernized Mega Spa Hotel in the Routakallio Area for tourists and visitors?

The different measures of market requirements of the present market considered for thesis are as follows;

- a. To prepare for best customer experience
- b. To provide best customized customer care services
- c. To respond to already existing competitive hotel market in the area
- d. To use latest technologies and innovations in Mega Spa hotel
- e. To estimate the working costs of hotel

The frame work to answer this research question and hypothesis is as follows;



**Figure 1.** Research concept

### **1.3 Scope of the project**

The scope of this thesis is developing a business plan and feasibility of the mega spa hotel project in Routakallio area. The actual plan is mapping of the area for business in hotel market and cash flow for the project.

If the investment and weather conditions seem to be like steady than it takes about 3-4 years time to build a four or five star hotel of our required standards. Some important parameters that are covered in this thesis for development of the project are as follows;

- a. Project management of according to the market of the locality for new build hotel
- b. History and statistics of the current market scenario to check either it's in the favor of the new build hotel project or not
- c. Comparison of facilities and services of the main business competitors in the market
- d. Cost estimation and cash flow possibilities for the project
- e. Assessment of potential and locality of the project by using SWOT
- f. Estimation of training costs and wages of the staff

Moreover, a market analysis of hotel industry in Finland is also done to support the business plan and the main elements related to the development of Mega Spa Hotel are also elaborated. Project description, feasibility according to specified area, elements that should be included inside the mega Spa Hotel and financial aspects of the hotel sector were taken in consideration.

### **1.4 Aim of the project**

The main aim of the whole study is to evaluate whether the development of such a project would work out in Routakallio area in Seinäjoki and how to proceed towards the eventual establishment of the Mega Spa Hotel.

Item of analysis in the thesis are following elements;

- Location for the project

- Market feasibility
- Cash flow for the project
- Expected customer flow

The project analysis was conducted in August 2013. The research of the Finnish hotel industry market and proposed location in Routakallio area was conducted during September 2013. The visit is done with Mr. Alpo Kitinoja Project Manager at Levon Institute for Energy and Environment, Ms. Satu Alapiha Project Manager at Frami and the guide for the area Mr. Hannu Martikkala on 13th of September 2013. The market survey is done in september to November 2013. The study covers the market site and market situation at the time of market reserach. The bases of this research is the recent updated data available to date.

The legal requiriement related to audit at corporate level is not the part of the thesis at this time of writting. The overall analysis of the feasibilty is based on general terms and conditions of the hotel business in the Finnish market. Due to the dynamic ever changing hotel market, the results of the study can not be guaranted for a long time.

### **1.5 Limitations of the project**

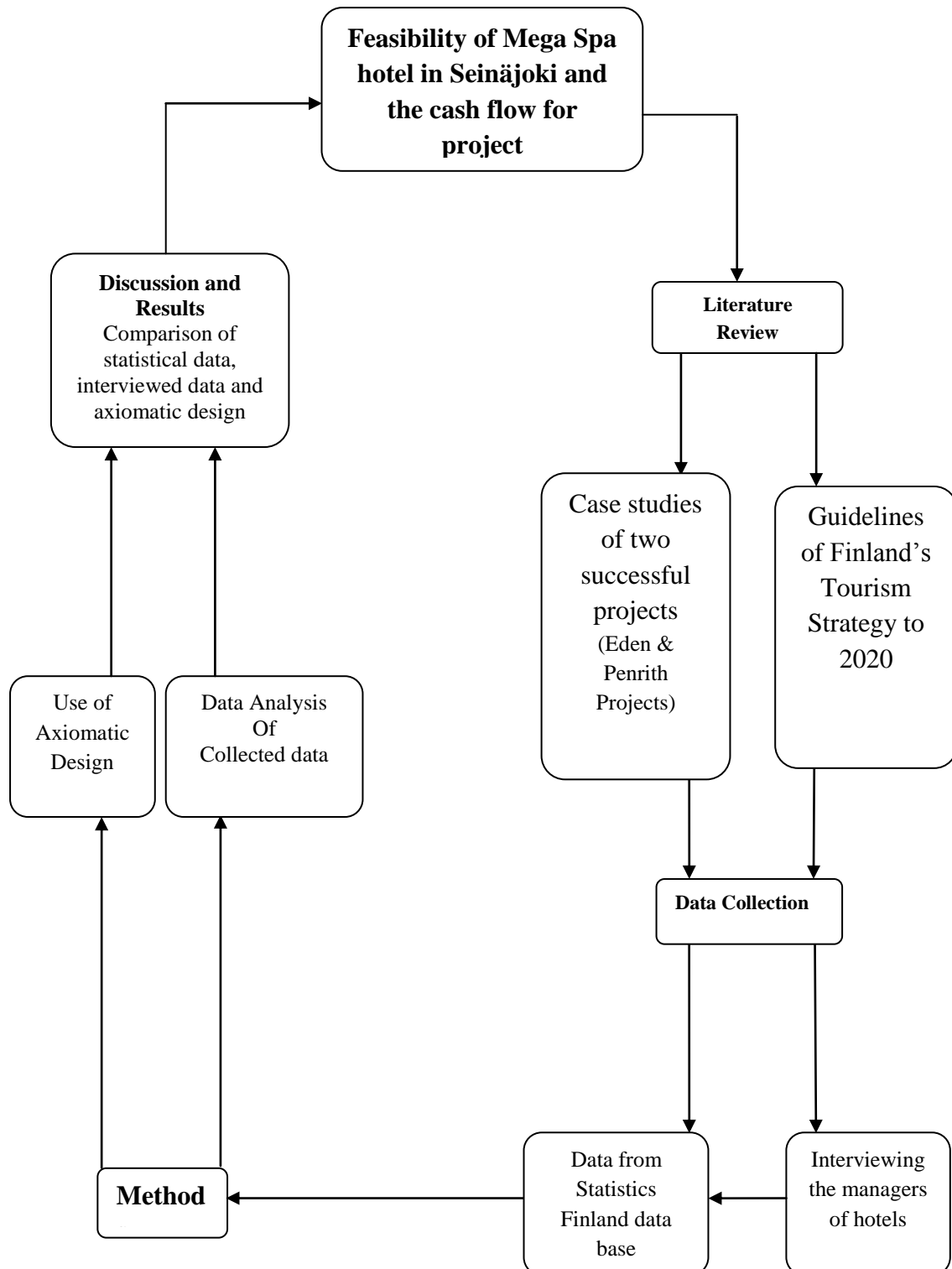
Every research work has it own constraints and limitations. This thesis tried much to address all the expected issues in the project with assumed results. But still there are few limitations in the research work that are as follows;

- a. The project frame work mainly based on the already success projects as mentioned in the literature review this the result of the project analysis based on the information provided in previous projects.
- b. The project success is directly based on the tourism statistics in Finland that are extracted from the official statistical data of Finland.
- c. Axiomatic design matrix is used which is assumed to be correct for the results of our project.
- d. It is really difficult to set the standard procedures in development of hotel project that always lead to success.

- e. Interviews are done mainly from management of already working hotels but it does not represent the situation of all types of resorts and hotels working in Finland.
- f. Management of most of the hotels are strict for sharing the company information and data due to highly competitive market.

## 2 Literature Review

The success in the Mega Spa hotel project is directly dependent on the comprehensive development of the Routakallio area and its surroundings. Before approaching towards the feasibility analysis for the project a comprehensive frame work is given in figure 2 which shows an over view of project preceding to words a successful mega spa hotel.



### **Figure 2** Frame work of Materials studied

Similar type of success project was done in the Cornwall, United Kingdom. The area is now famous with the name of Eden project completed in 2001. Tim Smit is the man who proposed the idea to divide the whole area in three big biomes. The mission of the project is to build a strong relationship among people, plants and resources. The development in the area was in the way that it will educate the people visiting the Eden project about environment and nature.

Moreover, Nicholas Grimshaw who is one of the best architects of that time put great efforts to materialize this innovative idea of architecture. The team of planners divided the area in three biomes of humid tropics, warm and moderate temperature areas. All the natural structures including plants from all over the world, waterfalls, trails and different temperature environments enclosed in beautiful web net like structure made of pavillionssteel with polymers. Two main challenges that were faced by engineers and architects at that time to create such a roof on long distance without any single support and maximum exposure to the natural light. As solution for these challenges Grimshaw decided to make structure like a honey comb of bees. This type of shape is very effective in solving light weight roof and natural light exposure. (edenprojects.com)

The success of Eden project gives a real boost to the hotel market in the area like Cornwall which actually situated 270 miles west of central London and in east of St. Austell. There is efficient logistics support till Eden project like from London to St. Austell there is train connection and than from St. Austell to Eden project direct bus transport is also available. Moreover, the developments of Eden project the results in many international standard Spa and residential facilities in the form of hotel projects.

The Cornwall Hotel Spa & Estate is one the biggest hotel equipped with all international facilities situated near the Eden project. It is fabulous four stars hotel with five stars additional woodland holiday homes for renting and buying purpose. The room rent range vary between 140 £ to 240 £ depending upon the type of the room. The hotel has complimentary Spa facilities. Additionally for food and coffee there are around four

restaurants inside the hotel separately for breakfast, lunch, dinner and coffee times<sup>1</sup>. There are many other hotels available but list of few hotels is as follows;

No.	Hotel Name	Star Rating	Average price per night
1.	The Cornwall Hotel Spa & Estate	Four Stars	155
2.	Boscundle Manor	Four Stars	143
3.	Kernow Homes	Three Stars	95
4.	Rashleigh Arms	Four Stars	72

**Table 1.** Comparison of four main hotels near Eden Project<sup>2</sup>

Similar type of another project in Australia is an excellent example to create a land of dreams just about a drive of 55 minutes from the centre of the Sydney. The area named Penrith is full of natural beauty including rivers, mountains and amazing lakes. The most attractive things in Penrith are the Blue Mountains and whitewater at Penrith's white water stadium. Total land of Penrith Valley is about 407kilometer square with around 180,000 residents in the valley<sup>3</sup>.

Moreover the valley has the world class facilities for its residents such as 1150km of roads for logistic movements, above 140 car parks, 360km of footpaths with cycle paths, 350 Parks including 123 play grounds, 104 sporting fields, 22 community centers, 2 old people center, 2 youth centers and 4 libraries. There are many public and private universities, schools, educational institutes and also Nepean Hospital with teaching facilities<sup>4</sup>.

<sup>1</sup> The Cornwall Hotel Spa & Estat. [Online] [Cited on 09 Nov. 2013] Available from World Wide Web: <<http://www.thecornwall.com/home.aspx> >

<sup>2</sup> Laterooms Booking Site. [online] [Cited on 09 Nov. 2013] Available from World Wide Web: <[ww.laterooms.com/en/k16863256\\_eden-project-hotels.aspx](http://www.laterooms.com/en/k16863256_eden-project-hotels.aspx) >

<sup>3</sup> Visit of Penrith Valley. [Online] [Cited on 09 Nov. 2013] Available from World Wide Web: <<http://www.penrithvalley.com.au/index.asp?id=65>>

<sup>4</sup> Facts sheet of Penrith valley in English. [Online] [Cited on 10 Nov. 2013] Available from World Wide Web: <<http://www.penrithvalley.com.au/index.asp?id=129> >



Additionally if we analyze the hotel market in the Penrith valley the facts are really astonishing. The comparison of few accommodation places according to the official facts sheet of Penrith valley accommodations is as follows:

<b>NO.</b>	<b>Name of Hotel with Stars</b>	<b>Number of Rooms</b>	<b>Rate per room</b>	<b>Main Facilities</b>
1.	Chifley-Penrith Panthers (Four Stars)	216	150-250\$	Car park, BBQ, bar, pool, games room, restaurants
2.	Quality Inn Penrith (Four stars)	60	120-230\$	Parking adjacent to rooms, Foxtel, family restaurant, A/c and Internet, Spa facilities
3.	Penrith Valley Inn (Three and half stars)	39	105-150\$	Heated swimming pool, conference facilities, street parking, A/C and TV, radio, Spa facilities
4.	St Marys Park View Motel (Four stars)	28	125-180\$	Garden and pool area, BBQ facilities, Spa facilities

**Table 2** Comparison of Accommodation availability in Penrith, Australia<sup>5</sup>

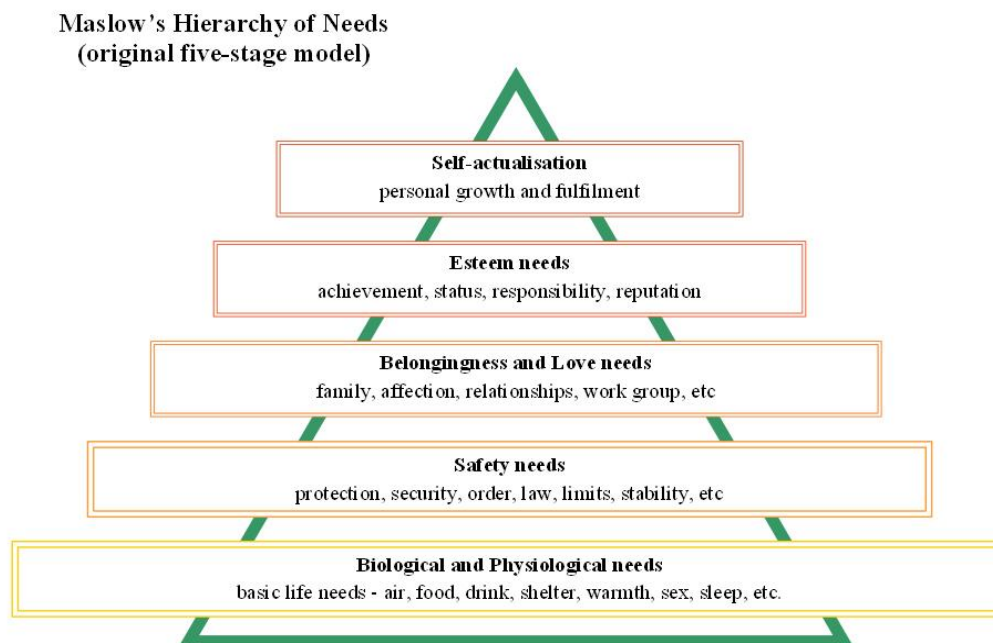
In brief the two successful projects as discussed above with facts and data showed that how the development of the locality directly generate the market for other business sectors. In our case as we are focused on the hotel industry so comparisons shown in tables 1 and 2 strongly support the Mega Spa projects for the areas which are supposed to be tourism points in future. Routakallio area which is situated on quite place same like Eden project and Penrith valley can be the ideal tourism point in upcoming decade.

Case studies of above mentioned two projects clearly show that the both of the projects created a huge hotel and accommodation market with world class residential and Spa facilities. Hotel standards vary between three stars to even 5 stars hotels. In similar manner the development of Mega Spa hotel in Routakallio area can be cash cow for future business in hotel market of Seinäjoki.

<sup>5</sup> Facts sheet of accommodation of Penrith valley. [Online] [Cited on 10 Nov. 2013] Available from World Wide Web: <<http://www.penrithvalley.com.au/index.asp?id=129>>

Some people consider the existence of hotels in the society as only luxury facility or in simple words not include the hotel market in basic needs of humans. Abraham Maslow introduced hierarchy of need model in 1950s which is still one of the famous models used by researchers for setting the hierarchy levels according to the needs. These levels were arranged in the form of pyramids starting from base with basic biological and physiological needs and the leading toward four more stages upwards. The pyramid is shown in the figure 4<sup>6</sup>.

The base of figure 2 shows that the first basic level includes the fundamental basic living needs such as air, food, drink, shelter, warmth, sex, sleep etc. The hotels also fall in this category as they provide food, shelter and sleep facilities for the people who are traveling for recreation, business assignments and sports activities. Hence if we are planning the development of new area like Routakallio area the development of accommodation project with international facilities should be future need for visitors.



**Figure 3.** Maslow's Hierarchy of Needs Model<sup>7</sup>

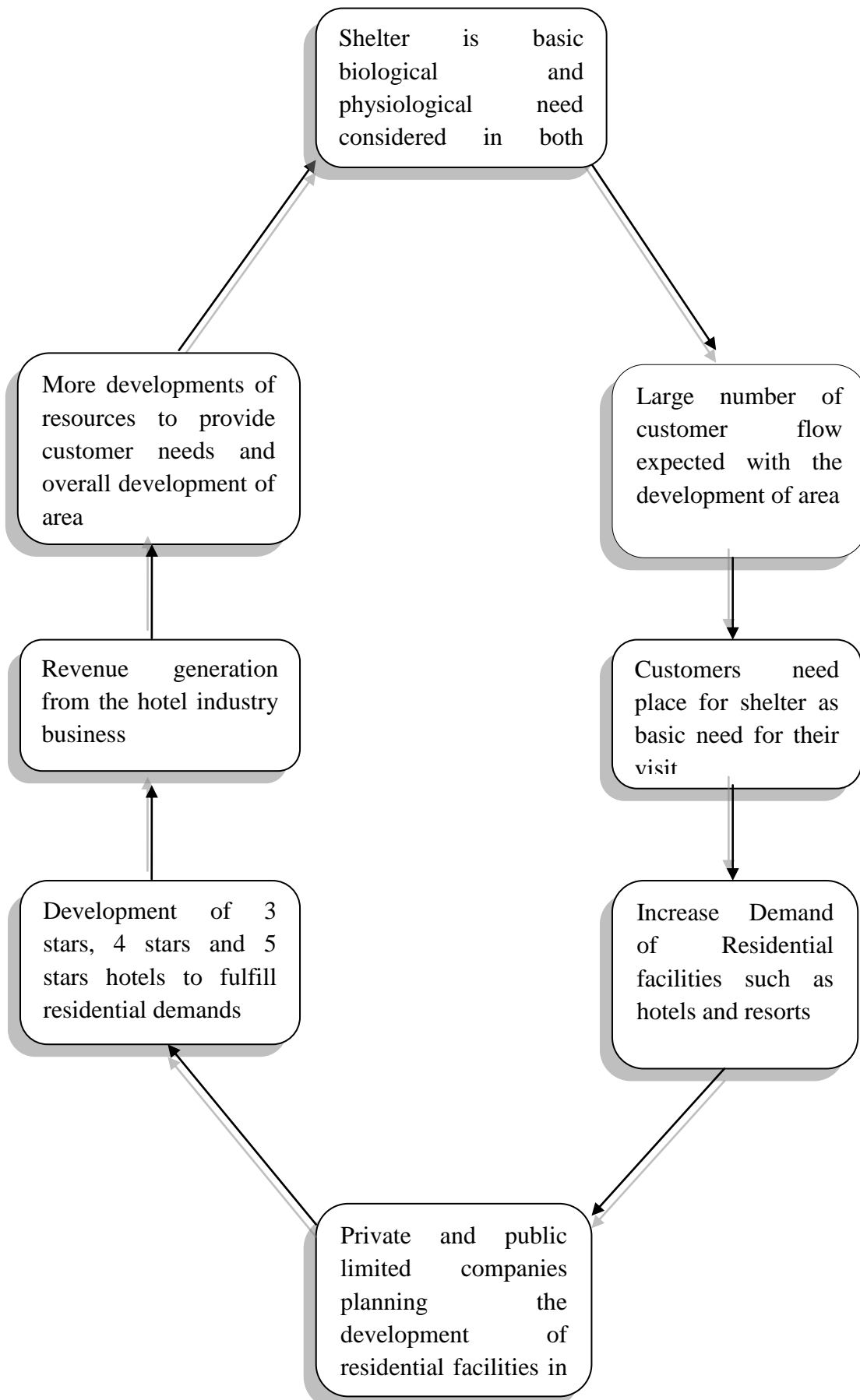
<sup>6</sup> Maslow, Abraham (1940-50s). Maslow's hierarchy of needs. [online] [Cited on 12 Nov. 2013] Available from World Wide Web: <<http://www.businessballs.com/maslow.htm>>

<sup>7</sup> Maslow, Abraham (1940-50s). Maslow's hierarchy of needs. [online] [Cited on 12 Nov. 2013] Available from World Wide Web: <<http://www.businessballs.com/maslow.htm>>

The above mentioned two projects were built on the huge areas which were not useful before. The idea to make these free lands to be revenue generating projects was the tough task at that time. But the step by step planning and development of the area resulted in real success projects. The working hotels in these areas are high business hub as they are accommodating thousands of visitors each year.

The figure 3 on next page clearly shows the flow of planning and development of two projects in United Kingdom and Australia. According to ministry of employment and the economy of Finland, the innovation department introduced tourism policy guidelines which are based on the “Finland’s Tourism Strategy to 2020”. These guidelines were published in 2010 and according to these guidelines the tourism will be the backbone of Finnish economy in future decade. The vision 2020 put emphasis on that the both public and private funding is needed for tourism growth in Finland. (Government Resolution on Finnish Tourism Policy 2011:03).

The development of Routakallio area as tourist spot and construction of Spa hotel is the depiction of the vision of Finnish Government. As the Eden project and Penrith project has given the boost to the hotel market in their respective regions it is also expected that the Mega Spa project in Seinäjoki will be future success for economy of the region and also a reflection of the vision of “Finland’s Tourism Strategy to 2020”.



**Figure 4** Extended Framework of Eden Project and Penrith Valley Project

## 2.1 Macroeconomic Analysis of Hotel Feasibility

### 2.1.1 Location

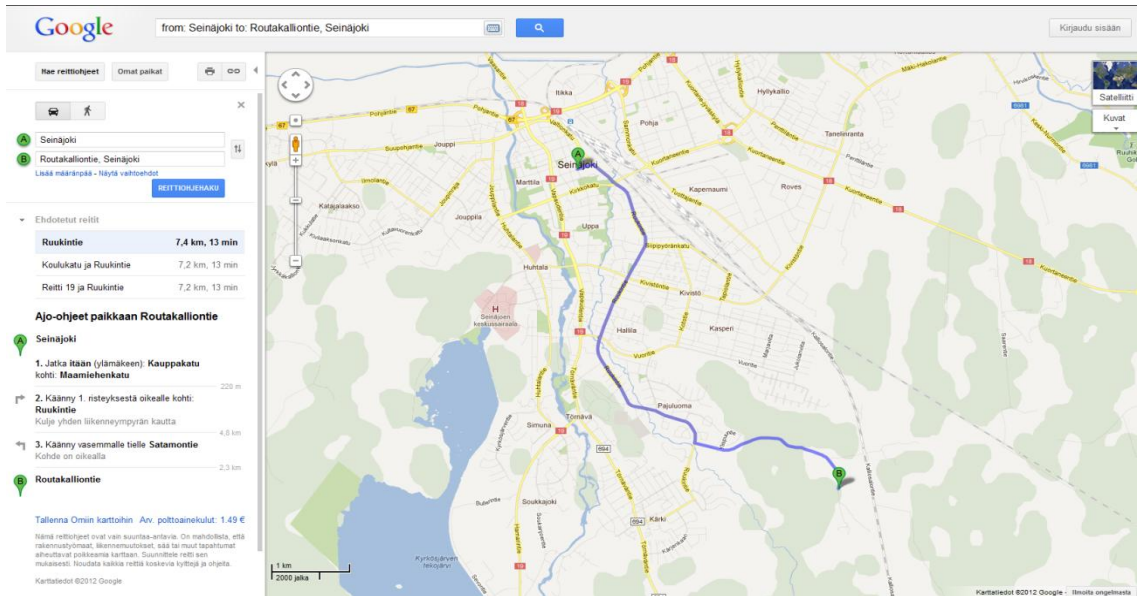
It is important to identify and discuss the location of the hotel so that the clear understanding of the project could develop.

### 2.1.2 Routakallio Area in Seinäjoki, Finland

Routakallio area is located in the town of Seinäjoki in southern Ostrobothnia, Finland. The Seinäjoki town is around 350 km far from the capital Helsinki. There are fine highway, train and airline connections from capital city to Seinäjoki. The municipality of Nurmo and Ylistaro also comes under Seinäjoki since 2009. Seinäjoki airport is located in the Ilmajoki neighboring town which 11 km from the centre of Seinäjoki.



**Figure 5.** Map of Finland showing Seinäjoki Location



**Figure 6.** Google Maps view of Seinäjoki to Routakallio area



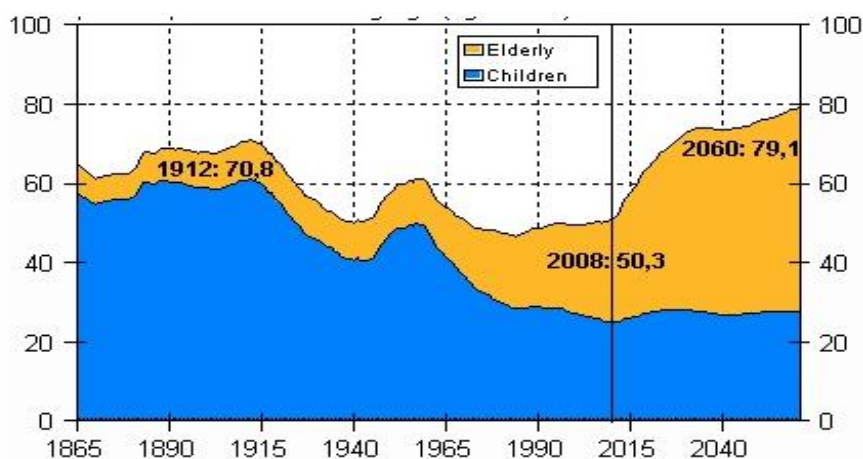
**Figure 7.** Overview of Routakallio area during our visit on 13<sup>th</sup> September 2013

## 2.2 Demography

According to European commission fact file of Finland published in July 2013 the population of Finland is around 5.4 million with the population growth of 3.8. Finland ranked worldwide number 114. In terms of area it's the eight largest countries in the European Union. The capital of Finland is Helsinki which has above one million populations.

The population projection by the statistics of Finland's official website projects that if present development in population continues then the in 2042 the population of Finland should be above 6 million. The projection is directly dependent on previous mortality rate, fertility and migration of people. The demography dependency ratio in Finland which is actually the number of children and retired pensioner will go up in near future. Following graph shows the demographic dependency ratio from 1865-2060.

In 2008 the proportion is around 50.3 which are expected to increase around 79.1 in 2060. These statistical figures are based on the assumptions that if the past conditions remained unchanged.



**Figure 8.** Demography Dependency Ratio of Finland from 1865-2060

(European commission fact files of Finland 2013)

## 2.3 History and General overview

From 12<sup>th</sup> to the beginning of the 19<sup>th</sup> century Finland was the part of the Sweden for around six hundred years. In 1808 Russians invaded in the Sweden with the support of Napoleon. Finland was handed over to Russia by Swedish people but the system of the Finns was remained autonomous. In 1812, Helsinki becomes the capital of Finland. In 1899 due to the unwanted steps of Russian Tsar Nicholas II campaign of civil disobedience begins in Finland. The main reason behind this Russians wants to change the official Finnish language to Russian language in Finland's territory. After the Russian revolution and civil war Finland appeared on the map of the world as Republic of Finland and Kaarlo Stahlberg took the oath as first president.

The mass increase in industrialization in Finland occurred after the Second World War and the GDP levels were equal to the Japan and United Kingdom in 1970's. The main two industries at that time were metal industry and forest industry. Still these industries are backbone of Finnish economy. According to recent Invest in Finland reports industry in Finland is at high pace of growth levels in the areas such as clean tech sector, healthcare and well being sector, ICT opportunities, manufacturing industry, favorable mining environment, R& D innovation strengths, retail sector, travel and tourism.

Seinäjoki is the fastest growing urban centre in Southern Ostrobothnia of Finland. It is the capital of Southern Ostrobothnia province. Seinäjoki city has the population of around 60,000. Routakallio is an area situated in this city. This area is used mainly for taking soil for different construction purposes in building industry. There is some specified area for motor sports such speedway tracks. Current activity lasts till the end of 2020s.

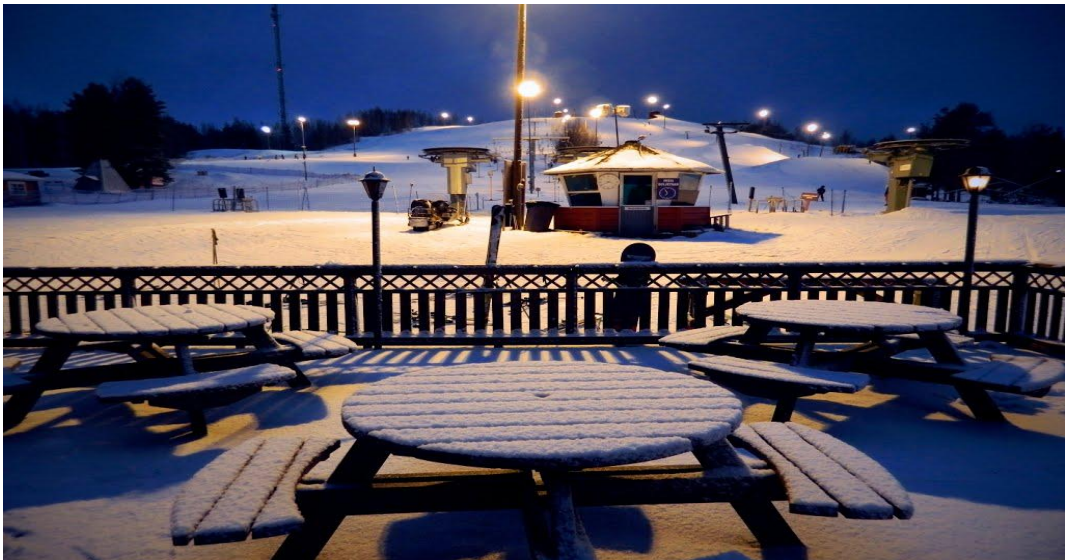
Routakallio area has the importance because of the strong logistic location of Seinäjoki in the western part of Finland. It is situated in the junction of five railway tracks and main central highway. The environment of Seinäjoki is the blend of urban and countryside touch. The busy city centre with various shopping places, offices, cafes, recreational activities and on the other hand the countryside area with peaceful residential houses with rocky scenery of Hallilanvuori.



Seinäjoki city is hub of leisure activities such as music, sports and theatres. In the city there is marvelous architecture by Alvar Aalto. Joupiska Park is made for ice sports activities with resort.



**Figure 9.** Restaurant of Joupiska Park in Seinäjoki



**Figure 10.** Ski view of Joupiska Park in Seinäjoki

The regional Museum South Ostrobothnia is also situated in Seinäjoki. This Museum is cultural heritage centre for Finnish speaking people of this region. The main aim for the museum is to keep intact cultural association of the regional people to history and cultural values.



**Figure 11.** Regional Museum South Ostrobothnia

Bio-Marilyn the 3 D digital cinema is also situated in Seinäjoki. Depending upon the seasons there are different types of film festival comprising of Finnish and English movies.



**Figure 12.** Bio-Marilyn 3 D Theatre Seinäjoki

## **2.4 Social Environment & culture**

Finland remained under control of Sweden and then Russian but from long time it has its own social and progressive environment and culture. The culture of Finland is named Finnish or *Suomalaiset*. The Finns are majority in overall population while Swedish speaking minority as well as Saami and Rom are two more minorities. Geographically Finland is surrounded by Russia, Estonia, Sweden and Norway. Finland is also included in Nordic countries which are Iceland, Norway, Sweden and Denmark.

The major areas of Finland contain dense forests, hundreds of lakes, rocky & rugged mountains, large rivers of Lapland and coastal waters. The weather of Finland is continental because of this reason winters are quite long lasting for around seven months or above. The population which is above 5.4 million comprises of 93% of Finns. 1.5 million Saunas are now considered as symbolism of Finland. The music of Finland is highly influenced by Karelian lyrics and melodies.



**Figure 13.** Forests and Lakes in Finland (<http://www.visithelsinki.fi>)

Food in Finland is different than other European countries traditionally as Milk is the major part of all food items and beverages. Bread is varied in different parts of Finland in makings mostly in western and eastern parts of Finland. Cheese bread is one of the specialties of Finnish food. Other food includes baked fish, barely bread, cheese; potatoes both boiled & baked cloudbberries, pickled vegetables & fruits and sauce. Coffee is national drink of Finland. Every family in Finland at least has one coffee maker at home.

## **2.5 Transportation**

### **2.5.1 Air Traffic**

Finland has 148 airfields in total and 76 of which have paved runways while 21 of those are served by scheduled passenger flights. According to Finavia the largest airport till now is Helsinki Vantaa Airport and the second largest is Oulu Airport. Finnair, Finncomm and Bule1 are major domestic carrier companies in Finland. Famous Airlines that normally access the Helsinki Vantaa Airport are as follows;

Aeroflot Russian Airlines

Air Berlin

Air Canada

Air Baltic

Belavia

British Airways

Finnair

Lufthansa Thai Airways

US Airways

Turkish Airlines

KLM Royal Dutch Airlines

Norwegian Air Lines

Japan Airlines

Malaysia Airlines

Singapore Airlines

**marimekko®** for ***FINNAIR***



**Figure 14.** Finnair Flying ([www.Finnair.com](http://www.Finnair.com))

Seinäjoki city also has its own Air port situated in Ilmajoki area which is around 11km southwest of Seinäjoki city centre. The main operation of the airport is under the control of Rengonharju Foundation. The main flights are connections to the capital Helsinki but air port also has direct flights to the famous destinations in European countries. The total passenger flow in 2010 was 33,920. So the city is mainly connected via this Airport to whole Europe.



**Figure 15.** Seinäjoki- Ilmajoki Airport (wikipedia.org)

### 2.5.2 Railway

The passenger carrier railway network in Finland is Veturi famous as the name of VR. According to inter Europe rail data base VR covers around 5867km. Helsinki is again the major hub for all train connections like for air transportation. The modern train system of Finland links all the major populated areas including towns and cities. During the entire train journey the scenery is very beautiful comprising of lakes, forests, rivers and mountains. The train service with the name allegro is also available from Helsinki to St.PetersBurg, Russia. The total journey is now three and half hours only. The trains that are mainly used in Finland are from Pendolino family of trains.

Seinäjoki train station is located in the centre of the city centre. It is the main junction pathways for most of the cities of Finland such as Helsinki, Tampere, Vaasa and Oulu. The railway track passes side by the Routakallio area.



**Figure 16.** Veturit and Allegro Pendolino Trains in Finland ([www.vr.fi](http://www.vr.fi))

### 2.5.3 Roadway

According to the liikennevirasto official data, an official website for roadway information, of road transport system the Finnish road network is approximately 454,000 km long. It includes both private and municipal areas. Highways comprise around 13000km while motorways cover the distance around 700km. There is one bus station in the same building of train station in Seinäjoki. It has express bus service available to all the major cities in Finland.

### 2.5.4 Shipping

There is huge traffic of ships both passenger and cargo ships on the different ports of Finland. Ferry routes are the most famous ones. These ferries connect Finland with Estonia, Sweden, and Russia. Helsinki to Tallinn is one of the busiest passenger routes in the world. Three main companies Viking lines, Silja lines and Tallink are operating for passenger transfer. The train and bus connections from Turku and Helsinki ports to Seinäjoki are easily available.



**Figure 17.** Silja line and Viking Lines Ferries

## 2.6 Politics

Finland has parliamentary democratic system with a political system that comprises of various parties. President is head of the state of Finland. On 6 December 1917 Finland appeared as an independent state on the map of the world. During this 19<sup>th</sup> century Finland passed through Second World War and become the member of European Union in 1995. According to ministry of Foreign affairs of Finland President is head of the state. Power is in hands of the people via their votes and elected parliament. Defense Forces are also under the command of President. Government comprises of prime minister and ministers. Right now in Finland there are 12 ministries in total.





**Figure 18.** Finnish Parliament house in Helsinki and Parliament Session in Progress ([www.formin.finland.fi](http://www.formin.finland.fi))

## 2.7 Economic Overview

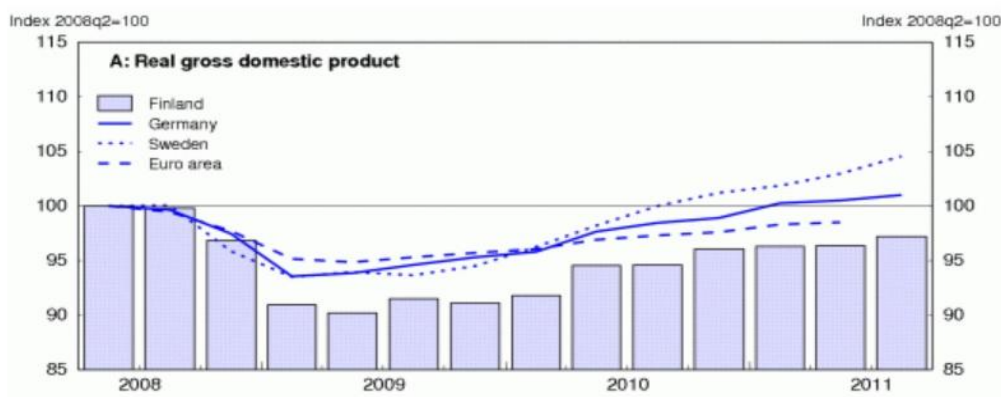
Finland is one of the Scandinavian countries with great potential of favorable development mainly due to mineral, forestry, fisheries, agriculture, power energy production and water resources available.

The trading economics official reports in 2013 showed that there is 0.20 percent growth in GDP in the second quarter of 2013 in comparison to the previous quarter. Statistics office of Finland clearly states that GDP of Finland Growth rate is 0.55 percent on average from 1975 until 2013. It was on peak in 1980 as 5 Percent and lowest in 2009 crisis which -6.30 percent.



**Figure 19.** Finland's GDP growth rates from 2008-12. (Source: [www.Tradingeconomics.com](http://www.Tradingeconomics.com))

According to the economic surveys and country surveillance of Organization for Economic Co-operation and Development (OECD) in 2012 Finland coming out from the 2008-09 recessions but still it is not fully recovered. Policy makers in the country have to take review and strengthen the labor market strategies and policies. OECD also showed the recent comparison of macroeconomic developments in Finland, Germany and Sweden according to Euro area.



**Figure 20.** Comparison Recent Macroeconomics Development in Germany, Sweden, Finland and Euro area

According to the annual report presented in World economic Forum in Davous on November 2002, the report showed the ranking of the industrialized countries all over the world. Among the ten top ranked countries for most conductive growth US is at first position followed by Finland as second position from Scandinavian countries. The ranking was really astonishing as the general view about Scandinavian countries that they are higher in taxation, strong social security system and well trained organized labor markets. These are not normal indicators for favorable for rapid growing technological markets as this market needs excessive cash flow for R & D of Technological segment. (Benner 2003: 132)

The present socio-economic model was emerged after the Second World War. In the recent past history this socio-economic model faced many challenges such as crisis in production industry in 1970s, then internationalization of markets in 1980s and 1990s and finally the emergence of knowledge based economy in 2002. (Benner 2003: 133)

Comparison is done by OECD for the calculation of investments in Science, Technology and industry segments by Scandinavian countries from 1990 to 2001. The following table clearly shows that Finland doubled its investment in these segments during this decade. This comparison is done among Denmark, Norway, Finland, Sweden and EU. Research and Development investments in the industry are shown in brackets in percentage values.

<b>Country Name</b>	<b>1990</b>	<b>1995</b>	<b>2001</b>
Denmark	1.9 (0.9)	1.9 (1.1)	2.0 (1.3)
Finland	2.0 (1.2)	2.2 (1.4)	3.4 (2.4)
Norway	1.6 (0.9)	1.7 (1.0)	1.8 (1.0)
Sweden	2.8 (1.3)	3.5 (2.6)	3.7 (2.8)
EU	1.9 (1.3)	1.8 (1.1)	1.9 (1.2)

**Table 3.** Research and development investments as share of gross domestic product (Benner 2003: 135)

Finland has made a real effort to pace with new growth scenario and maintained its institutional structure according to the new era.

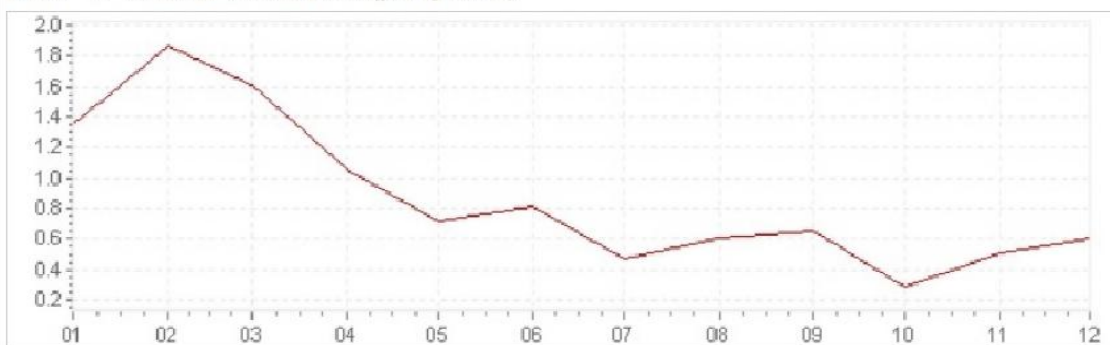
## **2.8 Inflation**

The increase in inflation is observed in last decade from 2003 to 2013. According to the official data base of inflation.eu<sup>8</sup> the world wide inflation data that is based on the consumer price index (CPI). CPI presented in the following two graphs is on monthly bases in 2003 and 2013. The average inflation of Finland in 2003 was 0.88% while it increased to 1.55% in 2013. In these ten years it did not remain stable like inflation average was highest in 2008 when it touched the mark of 4.07% and lowest in 2009 when it was around 0.1%. The main reason on this increase was instability of Euro especially in the recent crisis. But now the economy is moving towards stability although it is not like in 1990s but at least the downfall is static now. Therefore there will be increase expected in investments in tourism industry like in all other industries.

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<sup>8</sup> World Wide Inflation Data (2013). [online] [Cited on 05 Oct. 2013] Available from World Wide Web: <<http://www.inflation.eu/inflation-rates/finland/historic-inflation/cpi-inflation-finland-2013.aspx> >

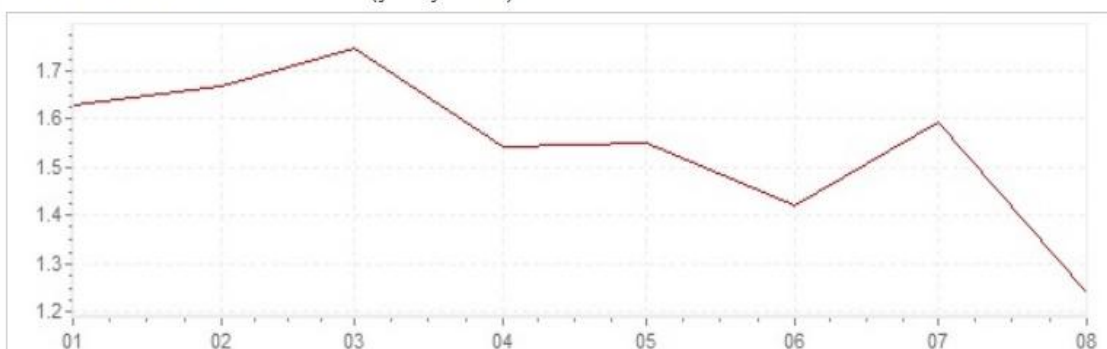
Chart - CPI inflation Finland 2003 (yearly basis)



The average inflation of Finland in 2003: **0.88 %**

**Figure 21.** Average Inflation in year 2003 (www.inflation.eu)

Chart - CPI inflation Finland 2013 (yearly basis)



The average inflation of Finland in 2013: **1.55 %**

**Figure 22.** Average Inflation in year 2013 (www.inflation.eu)

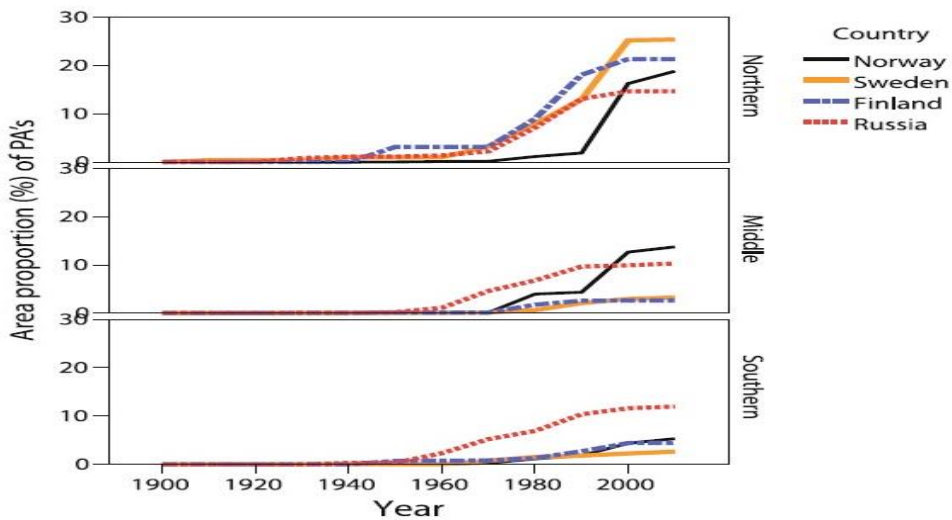
## 2.9 Natural Resources, Forestry and Natural Heritage

The gateway to Finnish forest sector (forest.fi<sup>9</sup>) that works under the control of Finnish Forestry and Natural Heritage Service that is known as Metsähallitus in Finnish. This official body manages all the natural resources that include forests, shores, waters and soil natural resources. The major resource in forestry is timber. The total volume of forests in Finland is 2,189 million cubic meters. The total growing season in Finland every year is around 80days and last year in 2012 the annual growth was 104 million cubic meters. The resources of timber in Finland are on huge growth. There is 60

<sup>9</sup> Gate way to Finnish forests (2013). [Online] [Cited on 05 Oct. 2013] Available from World Wide Web: <<http://www.forest.fi/smyforest/foresteng.nsf/allbyid/BE3C5576C911F822C2256F3100418AFD?Opendocument>>

percent increased observed compared to 20<sup>th</sup> century. The 75 percent of area in Finland is covered by Forests. All these forests have huge majority of Pine trees. These data facts clearly show that Finland is fully enriched with timber and wood resources.

Protected area (PA) is the term used as an indicator of the policies of any country on its ecological sustainability. According to Marine Elbakidze and his co-workers (2013) the Cumulative growth of the area proportion of PAs in three major parts of Europe is as follows;



**Figure 23.** Area of Proportion of forests in Europe (Marine et al. 2013: 206)

The blue line in the three graphs clearly shows the PA of Finland. In the Northern parts Finland has most area of proportion after Sweden. This proves the sustainability of timber resources in Finland which has positive impact on the growth of economy in long term policies.



**Figure 24.** Finnish Mixed Forest Overview (www.forest.fi)

Metsähallitus also manages the natural heritage and reserves such as national hiking areas, state-owned public waters, biological diversity, survival of threatened species, management of national parks, fishing in the national waters and development of projects like wise to create jobs.

## 2.10 Potentials in Tourism

Metsähallitus has made a separate web portal with the name of [julkaisut.metsa.fi](http://julkaisut.metsa.fi). This is an official data base containing every year's reports on overall heritage and tourism services in Finland. Finland is enriched with tourism places, sites, hiking mountains, dense forests and beaches. Finland is the four season country with urban and rural areas. Everything gives a marvelous unique view four times a year with the change of the season.

The official data base of [visitfinland.com](http://visitfinland.com)<sup>10</sup> provides tourism statistics after the year is closed for business. These statistics are in terms of foreign overnight stays and foreign arrivals in Finland. Tourism industry in Finland showed growth in 2012 exceeding the level of 20 million overnight stays. There is five percent increase in overnight stays recorded last year. The visitors are from different countries. In the following table there is statistics overview of visitors of few major countries in terms of overnight stays in 2012. The data is according to accommodation statistics;

No.	Name of The Country	Number of Visitor
1.	Russia	1.5 million
2.	Sweden	537,000
3	Germany	534,000
4	United Kingdom	405,000
5	Estonia	235,000

<sup>10</sup> The official travel site Finland (2013). Tourism Statistics. [online] [Cited on 06 Oct. 2013] Available from World Wide Web: < <http://www.visitfinland.com/travel-trade/tourism-statistics/> >

<b>6</b>	France	217,000
<b>7</b>	USA	198,000
<b>8</b>	Norway	182,000
<b>9</b>	Japan	176,000
<b>10</b>	Netherlands	164,000
<b>11</b>	Switzerland	132,000
<b>12</b>	Italy	130,000
<b>13</b>	China	100,000
<b>14</b>	Spain	96,000

**Table 4.** Statistics of Visitors in terms of Foreign Overnight stays in 2012 (Source: Accommodation Statistics by Statistics Finland in 2012)

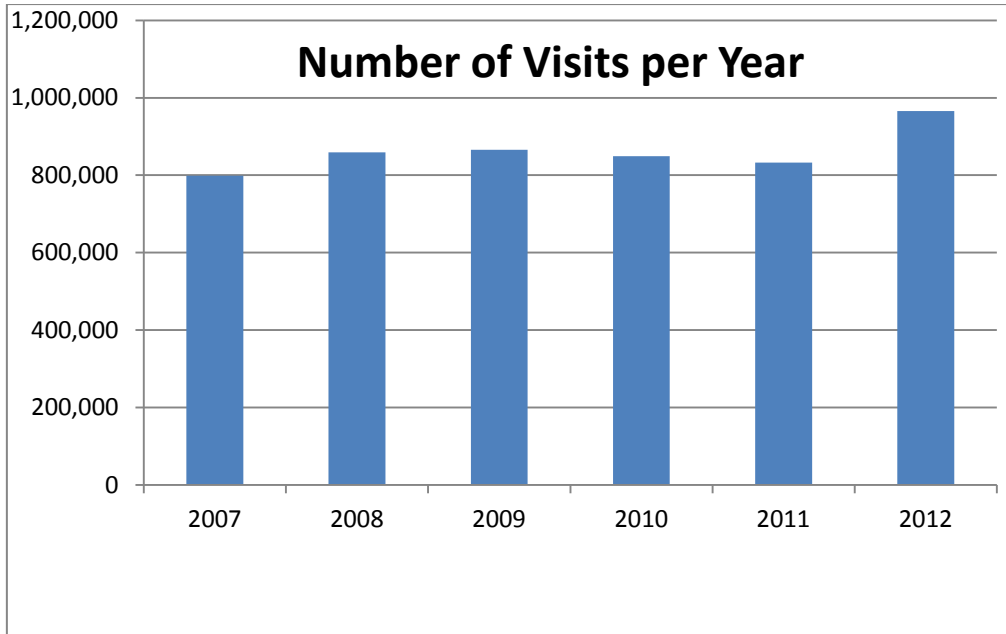
The foreign numbers of visitors in 2012 are around 7.6 million according to latest border interview survey. These visitors brought 2.3 billion Euros to Finland which is approximately three percent more than the 2011. (Source: Border Interview Survey by Statistics Finland and Finnish Tourist Board). According to data published by Statistics Finland in 2009<sup>11</sup> which states that 11 billion Euros was spent on tourism industry in 2007 in Finland. Additionally, in 2007 value added generated by tourism industry of Finland is approximately 3.6 billion Euros that is around 2.3% of total Finland's GDP. This generated value added was greater than food and agriculture industry.

The employment rates were really high in tourism sector according to the Statistics Finland data of 2007. Total of 63,944 people was calculated as employees in Finnish tourism sector. Metsähallitus<sup>12</sup> (NHS) gives an estimation of number of visits by local and foreign visitors to the customer information centers and visitor centers. The data of

<sup>11</sup> Statistics Finland, *via Stat.fi*. [online] [Cited on 10<sup>th</sup> Oct. 2013] Available from World Wide Web: <<http://www.stat.fi/til/>>

<sup>12</sup> Natural resources services of Finland. [Online] [Cited on 10<sup>th</sup> Oct. 2013] <<http://www.metsa.fi/sivustot/metsa/en/Sivut/Home.aspx>>

last five years clearly shows that there is stable visitor flow in the Finland with drastic increase of 965,500 visits in 2012 while this figure was 798,400 visits in 2007. In the following graph there is comparison of visits with respect to years passed.



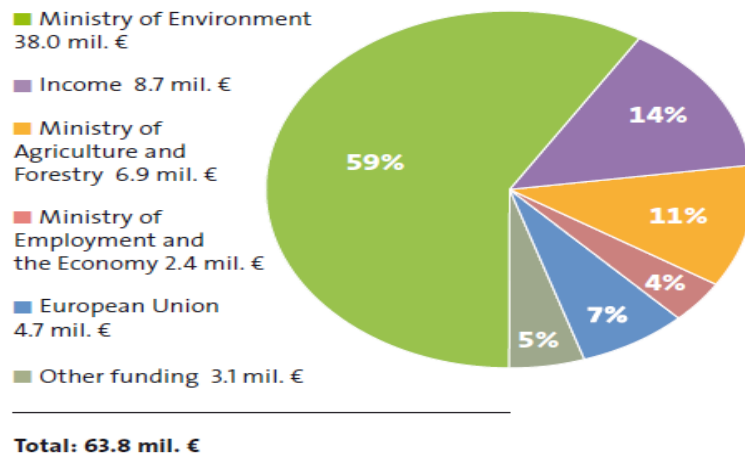
**Figure 25.** Comparison of visits in last five years (Source: Metsähallitus)

The graph clearly shows that above 8 million visits are done each year to visitor center and around 20 million overnight stays are recorded in 2012. These statistics are strong indicator of ever growing and stable tourism industry in Finland. Finnish Govt. is well aware of this fact and considers tourism as the back bone of Finnish economy. This is the reason NHS is largely financed from the national Finnish government budget. Additionally fees paid for hunting, rents and fishing permits are the major contributors to tourism industry of Finland. Following figure shows the breakdown of 63.8 million Euros finances spent in 2012.



### NATURAL HERITAGE SERVICES' FINANCES IN 2012

*Metsähallitus Natural Heritage Services' activities are largely financed from the national government budget. Additional income is obtained from fees paid for hunting and fishing permits, and rents.*



**Figure 26.** Break down of Finances spent on Tourism in 2012 (www.metsa.fi)

From the various points of tourism interest, following are some key attractive ones:

#### ✚ Beach

- Beach Hotel and resorts
- Fishery sport
- Ice sports

#### ✚ Natural Parks and Game reserve

- Snow safaris in Lapland
- Animal Hunt



**Figure 27.** Koli National Park (www.metsa.fi)

- **Landscape**
- Mountains
- Lakes
- Waterfalls
- ✚ **Historical Tourism**
- Monuments
- Architecture
- Archaeology

Following is list of major tourism and travelling places and points in Finland.

<b>Beach</b>	<b>Natural Parks</b>	<b>Historical Tourism</b>	<b>Lakes</b>
<ul style="list-style-type: none"> <li>• West Finland's Ytterri Beach</li> <li>• Helsinki's Hietaniemi Beach (Hietsu)</li> <li>• Suomenlinna Beach</li> <li>• Seurasaari Beach</li> <li>• Pihlajasaari nude beach</li> </ul>	<ul style="list-style-type: none"> <li>• Archipelago</li> <li>• Bothnian Sea</li> <li>• Eastern Gulf of Finland</li> <li>• Ekenas Archipelägo</li> <li>• Helveltinjärvi</li> <li>• Hiidenportti</li> <li>• Isojärvi</li> <li>• Kauhaneva-Pohjankangas</li> <li>• Koli</li> <li>• Kolovesi</li> <li>• Leivonmäki</li> <li>• Lemmenjoki</li> <li>• Valkmusa</li> </ul>	<ul style="list-style-type: none"> <li>• National Museum of Finland</li> <li>• Museum of Finnish Architecture</li> <li>• Finnish Museum of Natural History</li> <li>• Finnish National Gallery</li> <li>• Military Museum of Finland</li> </ul>	<ul style="list-style-type: none"> <li>Saimaa</li> <li>Päijänne</li> <li>Inari</li> <li>Kallavesi</li> <li>Orivesi</li> <li>Keitele</li> <li>Pihlajavesi</li> <li>Oulujärvi</li> <li>Haukivesi</li> <li>Pielinen</li> </ul>

**Table 5.** List of major tourism points in Finland

## Assessment of Potential by SWOT

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Growing economic development</li> <li>• Appealing cultural norms in the area</li> <li>• Numerous future opportunities</li> <li>• Beautiful sceneries, attractive lakes, marvelous parks</li> <li>• Marvelous summer climate conditions</li> <li>• Major logistics connections of trains, highway and express bus services</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Flights on main destination are limited</li> <li>• Tourism a little expensive in the region</li> <li>• Still the limited infrastructure around the Routakallio area</li> <li>• In Finland tourists flow is good but limited around Seinäjoki</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Due development of area increase in number of international flights on Seinäjoki Airport</li> <li>• More flow of tourists from abroad</li> <li>• Intercultural skills</li> <li>• International events can be organised (concerts, cultural festives, etc.)</li> <li>• Improvement of infracsture has positives affect on over all region</li> <li>• Tourism is natural</li> <li>• Cultural gifts, tourisms products can improve the industry nearby</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Competitive market in future</li> <li>• Different project plans are still under discussion</li> <li>• Real business profit will be after 2019</li> <li>• Legislative regulations for area</li> <li>• Investment risks</li> <li>• Natural weather condition problems</li> </ul>

### 3 Methods and Data about Project Site

As mentioned above that planning and execution methods of this project are based on the qualitative analysis of successful projects of similar type and statistical data extracted from the official data base of Finland. So the method is purely qualitative and exploratory research.

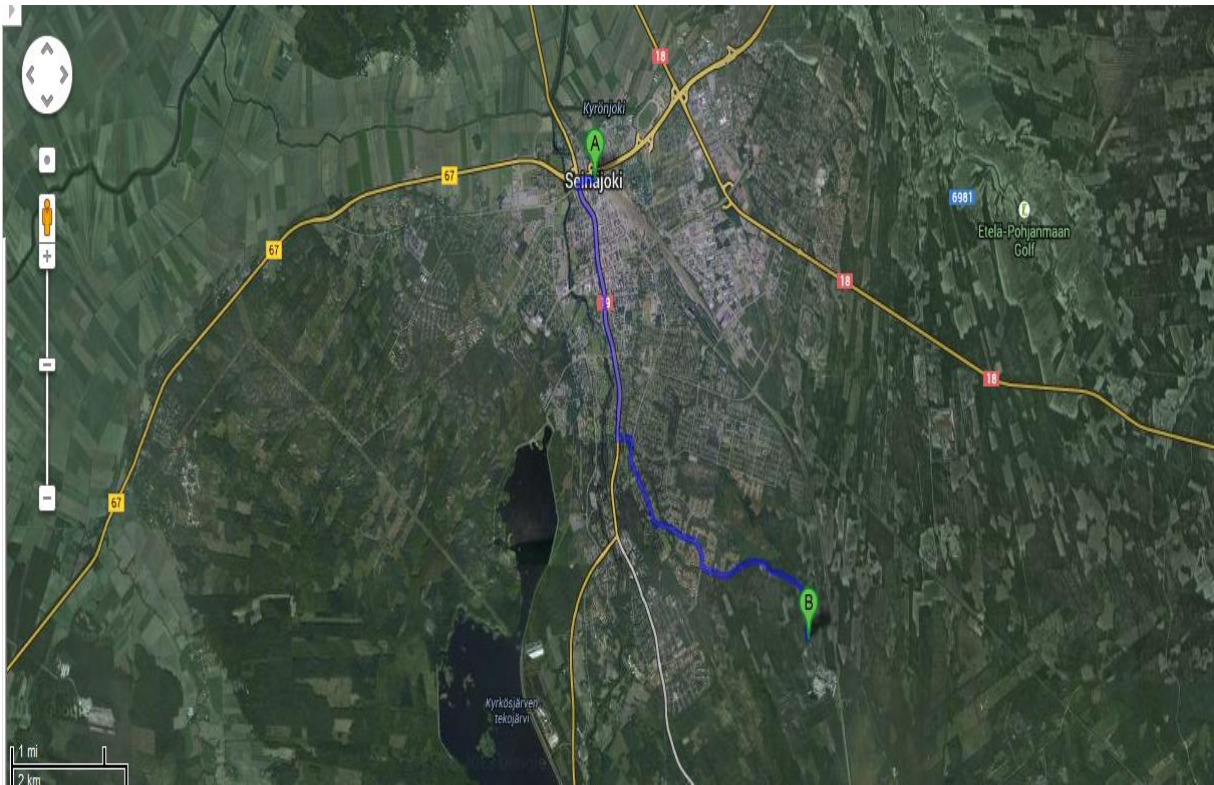
**Population sample** of hotel industry is very large comprising of different types of hotels depending upon the facilities they provide. In this thesis the main **dataset** that is targeted are four and five stars hotels. Additionally those hotels are used as reference in literature review and comparison of hotels which are equipped with Spa facilities.

A self designed interviewing questionnaire is prepared for collecting the opinion about the success of our project at managerial level. The questionnaire mainly covered the areas such as organization information, exploration of feasibility/planning of mega spa hotel, exploration of spa & inside shopping mall and last segment was exploration of outcomes of the project. All of these segments of questionnaire have given a deep practical inside by the experienced hotel managers.

Mainly two interviews were conducted from multinational hotel chain managers. Their names and organization names should be kept confidential in this thesis as it is their company policy. We will analyze in the end of this chapter the valuable information provided by two managers, data extracted from literature, data from statistical data base of Finland, competitor analysis and customer trend in the specified area.

#### 3.1 Location

Routakallio area is located near Seinäjoki. The area is approximately 7 km drive from the main Seinäjoki city centre. The region consists of 18 hectare water-landscape (capacity of 4 mille m<sup>3</sup>). The beach in the area will be 100 m long, and there will also be 100 shore lines.



**Figure 28.** Routakalliontie, Seinäjoki satellite view from Google Maps

The driving route from Seinäjoki city centre to the Routakallio area is full of scenery. It is well constructed conformable pathway. Seinäjoki appeals itself with variety of bars, clubs, shopping centers, local and multinational food chains, theater and cinemas.

### 3.2 Visibility

According to the present situation the visibility of the site is very limited. There are not much developed areas around the actual location such as cottages, apartments, supermarkets etc. But as the hotel is one part of the bigger picture so in future visibility of place will be high. The main reason of this the main highway that will going to bypass the main Routakallio area. Also in future if the flow of the visitors will exceed there can be expected train stop. But the main key for the business improvement is the marketing. From the start till the launch of the project the Mega Spa hotel should be marketed well via media campaign, news papers, internet, and advertisement at public and tourist places.

### 3.3 Accessibility

As already mentioned above, the Mega Spa Hotel project is located at Routakallio area. The location is bid far from city centre, train station and intercity bus station. So the main dependency of the customer's access to the area is by public transport system. The local public transport system is well developed in Seinäjoki same like it is well managed in all over the Finland. There is around 24/7 taxi and cap facility available around the main train and bus station. From airport in the morning time public local transport available and taxi booking facility is also well managed via online numbers.

### 3.4 Assessment of Location by SWOT

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Good accessibility from airport associated with Seinäjoki, train and bus stations</li> <li>• Surrounding lake and water areas</li> <li>• Quite and calm location</li> <li>• Numerous bars, pubs, restaurants and clubs in the center</li> <li>• Historic places and city center is just on 10 minutes drive</li> <li>• Speedway tracks</li> </ul>	<ul style="list-style-type: none"> <li>• Place is not popular till yet and limited visibility</li> <li>• The development take long time till 2012 so it's a challenge to intact the investors</li> </ul>

<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Development of first Mega Spa hotel in the surrounding region</li> <li>• Due to the promotion and marketing of Routakallio area increased recognition of the district at national and international level</li> <li>• Integration of local and multinational companies in the development of concept</li> <li>• Increase in the attraction of district for tourism</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive hotels in surrounding areas of Seinäjoki</li> <li>• general project planning and completion risks</li> <li>• general political, natural and cash flow and economic risks</li> </ul>

The site of the Mega Spa Hotel project benefits from its good accessibility to Seinäjoki airport, train station and the main city center. Moreover the advantage of the locality is the presence of multinational and local food chain restaurants and clubs. Due to these facilities tourists can closely enjoy the Finnish lifestyle. The site is naturally blessed with fresh lake water, sceneries and calm location. The only disadvantage at present is bad visibility.

### 3.5 Assessment of Micro Site of Mega Spa Hotel

No.	Assessment Criteria	Assessment Level				
		- -	-	0	+	++
1	Visibility and Location			●		
2	Approach by car					●
3	Approach by public					

	transport					●
4	General transportation accessibility				●	
5	Image of the district					●
6	Scenery and site view					●
7	Weather situation			●		
8	Security					●
9	Cleanliness					●
10	Tourists interests and attractions					●
11	Shopping facilities in the city center				●	
12	Entertainment facilities				●	
13	Investors Attractions					●
14	Cost and Expenditures in surroundings				●	
15						

**Table 6.** Assessment criteria of Micro site of the project

The major edges of the project site are the natural attractions, the image of the Routakallio area and Seinäjoki, accessibility of the main points and cleanliness. Similarly, shopping facilities, entertainment facilities and general transportation accessibility are good. On the contrary the visibility and weather situation are the limitations.

### 3.6 Suitability for Hotel

The following table 5 shows the suitability of the micro site on the bases of customer segments:

No.	Customer Segments		Assessment Level for the suitability for particular customers				
	Reason for Travel	Class and Category	- -	-	0	+	++
1	Tourism	Individual Guests					●
		Group Tourism					●



2	Business	Business Travelers					●
		Seminar/ Conference Travelers				●	
		Airlines crews					●
		Site developer staff					●

**Table 7.** Assessment criteria of Micro site of the project

Due to the fact that Routakallio area going to be in immense development in upcoming next decade so there will huge flow of developing companies, workers, developing staff, investors and government officials so the hotel is quite suitable for these travelers. Moreover, the site will fully equip with leisure activities, speedy tracks, deep Lake Swimming, beautiful sceneries so the hotel will be ideal place for the stay of these people.

No.	Hotel Categories		Suitability of the project site for particular hotel category				
	Reason for Travel	Class and Category	- -	-	0	+	++
1	City Hotel with Spa	Five star					●
		Four star					●
		Three star			●		
		Low budget		●			
2	Motel		●				●
3	Holiday resort type						●
4	Suites hotel				●		

**Table 8.** Suitability of the site for different types of resorts and hotels

The hotel site is well suited for the business, elite class customers and travelers. As the location is not very far from the main center and situated at very calm point. Similarly it is a luxury hotel with Spa facilities, due to this reason it is not targeted for low-budget customers.

### **3.7 Axiomatic Design and its relevancy to our Project**

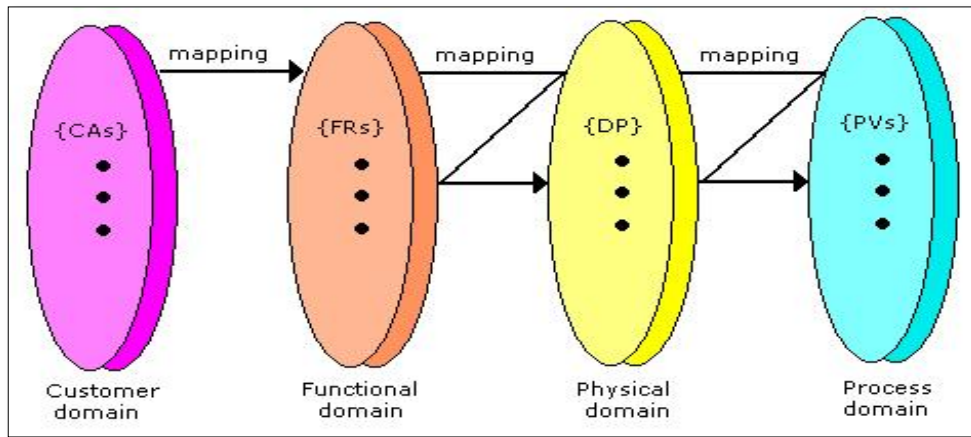
Axiomatic design system has been developed by Dr. Nam P. Suh in late 1970's. According to him one can systematically analyze the transformation of customer needs into functional requirements, design parameters and process variables (Suh, 2001). His system has been used to develop high quality products in the past, because one can analyze the design and predict if the design would be successful in the market or not from design point of view. But there isn't much information about axiomatic design concept in the field of Hotel industry and Spa market.

But there are few projects in which the re design of the buildings and projects used the axiomatic designs. Every project and product has its own requirements and demands so the axiomatic designs can also be applied in our project to improve the sustainability and success for the project.

### **3.8 Design**

Dai Gill lee and Nam Pyo Suh define the as "interplay between what we want to achieve and how we want to achieve it" (Dai Gil Lee, Nam Pyo Suh. 2005). Therefore, a rigorous design approach must begin with the clear/bold statement of what we would like to achieve and the end description should be clear on how we will achieve it (Dai Gil Lee, Nam Pyo Suh. 2005).

In our case we need to be working on the two aspects 1) how we can implement a Mega Spa Project in the Routakallio area in Seinäjoki and 2) how we can manage the cash flow of the project in order to satisfy the customers and the stakeholders. In previous pages how we are planning to work on the development of Mega Spa Project and we have analyzed the history, location, demography, economic and financial aspects, culture, potential of tourism, natural resources and assessment via SWOT analysis.



**Figure 29.** Axiomatic Design ([www.axiomaticdesign.com](http://www.axiomaticdesign.com))

**Functional Requirements:** Functional requirements (FRs) are a minimum set of independent requirements that completely characterized the functional needs of the products in functional domain (Suh. 2005).

In case of our project the functional requirements are as follows:

- Spa facilities inside the hotel
- Indoor shopping mall for the customers
- Inside casino
- Luxury residential facilities

**Constraint:** Constrains (Cs) are bound on acceptable solutions. There are two types of constraints: input constraints and system constraints (Suh. 2005).

- Input constraints are imposed as a part of design specifications (Suh. 2005).
- System constraints are constraints imposed by system in which design solution must function (Suh. 2005).

In case of our Mega Spa Hotel project the constraints are as follows:

- The success of the project directly dependent upon the overall development of the Routakallio area
- To attract and arrange the investors for cash flow

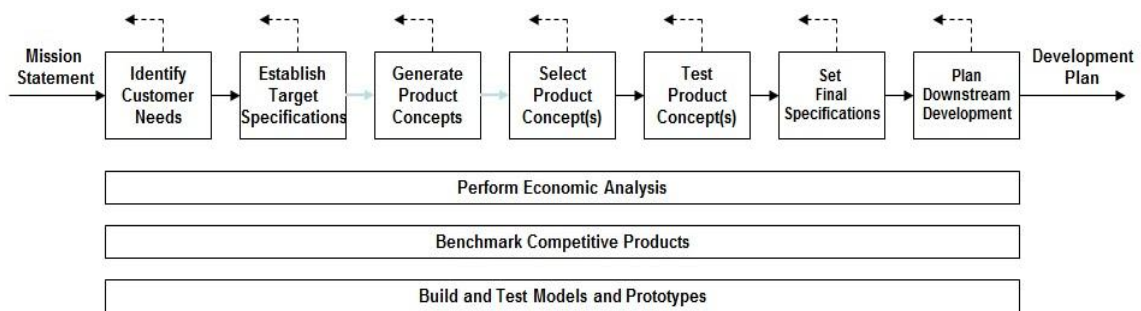
**Design Parameter:** (DPs) are the key physical variables (or other equivalent terms in case of software design etc...) in physical domain that characterize the design that satisfies the specified FRs (Suh, 2005).

In case of our project the design parameters are as follows:

- Area of the hotel
- Spa facilities of international standards
- Casino and Shopping facilities of international standards

**Process Variables:** Process variables (PVs) are the key variables (or other equivalent term in the case of software design, etc.) in the process domain that characterizes the process that can generate the specified DPs (Suh, 2005)

### 3.9 Concept Development Process



**Figure 30.** (Karl T. Ulrich, Steven D. Eppinger, 2000)

### 3.10 Design Concept and Design Matrix for Mega Spa Hotel Project

The definition of the design concept is to find the solutions or the answers for the given problem, in case of our Mega Spa Hotel project the development of such Spa resort which has unique Spa facilities and high standard residential living for all customers should remain constant or may be higher in all standard than already available choices in the Seinäjoki and Finland hotel market.

Design concepts are generally represented by functional solutions (FRs) and physical solutions (DPs), in oral insulin project case, they are as follows:

- Functional Requirement 1: Development of unique Mega Spa hotel
- Functional Requirement 2: Continuous cash flow for the project
- Design parameter 1: Equipped with best Spa facilities
- Design parameter 2: Additional indoor shopping mall and casino

### 3.11 Design Matrix

Path 1: is ok

FR#1: Development of unique Mega Spa hotel

FR2#: Continuous cash flow for the project

DP#1: Equipped with best Spa facilities

DP#2: Additional indoor shopping mall and casino

$$\begin{Bmatrix} FR1 \\ FR2 \end{Bmatrix} = \begin{bmatrix} X & O \\ O & X \end{bmatrix} \begin{Bmatrix} DP1 \\ DP2 \end{Bmatrix}$$

**Equation 1.** Design Matrix for path

### 3.12 Hotel Availability

According to the scope of our research question the Mega Spa Hotel should be positioned in the middle and elite class sector. The region of Seinäjoki has already the availability of different hotels but all the hotels don't have any extra ordinary quite locations and facilities. Furthermore these hotels are situated in the main city center of Seinäjoki and are for the general travelers.

The customers that are being targeted by our criteria as mentioned above have limited options in the city and more precisely with no option of luxury hotel in Routakallio area. The plan under discussion is to build a hotel with Spa, Casino and indoor shopping facilities which are unique and first in the area and also around the city.

### 3.13 Available Hotels in the Vicinity

No.	Name of the Hotel	Number of Rooms
1	Original Sokos Hotel Lakeus Seinäjoki	150
2	Original Sokos Hotel Vaakuna, Seinäjoki	146
3	Hotel Cumulus Seinäjoki	135
4	Hotel Soranpesa Seinäjoki	70
5	Omena Hotel Seinajoki	49
6	Hotel Foonki Seinäjoki	28
7	Hotel Alma Seinäjoki (Hotelli-Ravintola Alma)	17

**Table 9.** A comparison of Hotel availability in the region of Seinäjoki (data from all the official websites of hotels)

The above table 7 shows the main hotels available around the Seinäjoki locality. Starting from the biggest hotel Original Sokos Hotel Expanse with 150 rooms and ending with Hotel Alma with around 17 well furnished rooms. The hotel range in the city is quite competitive as the small city has more than seven choices including multinational and local brands.

The major player in the hotel market of Seinäjoki is Sokos group same as all over in the Finland. It is the biggest group of hotels which is operated by S-Group<sup>13</sup> (S-kanava in Finnish). It is the network of companies at cooperate level. It has around 1.9 million cooperative members. This cooperation was founded in 1904 and its head office located in Helsinki. Sokos group has above 50 hotels all over Finland, Tallin and Russian state St. Peterburg. The other main hotel is Cumulus with 135 rooms and another famous brand but not as Sokos group.

### 3.14 Key Competitors in Seinäjoki

#### 3.14.1 Original Sokos Hotel Lakeus Seinäjoki

Original Sokos Lakeus is the branch of Sokos Hotel group that works under S-Group business cooperate. As the hotel is part of Sokos so the main standards of Sokos are maintained same like in other branches of the chain. The hotel is situated at 300m from the main railway station of Seinäjoki. There are several meeting rooms also available which can accommodate up to 150 participants. For private events like weddings, parties or any other gathering there is capacity of about 300 people as well. Private sauna is also attached with around 64 rooms<sup>14</sup>.



**Figure 31.** Original Sokos Lakeus Seinäjoki ([www.sokoshotels.fi](http://www.sokoshotels.fi))

<sup>13</sup> S- Group official website (2013). [Online] [Cited on 10 Oct. 2013] Available from World Wide Web: <<https://www.s-kanava.fi/vk/asiakasomistajalle/ketjut/en/501>>

<sup>14</sup> Sokos group of hotels website of S-group (2013). [Online] [Cited on 12 Oct. 2013] Available from World Wide Web: <<http://www.sokoshotels.fi/en/hotels/seinajoki/lakeus/>>

Facilities inside the rooms	Overall all hotel facilities in hotel bound area
<ul style="list-style-type: none"> <li>• Air-conditioning and heating systems</li> <li>• Radio and TV systems</li> <li>• Free wired and broad band connection of internet</li> <li>• Telephone facility</li> <li>• Mini bar</li> <li>• Safety vault locker</li> <li>• Attached private sauna</li> </ul>	<ul style="list-style-type: none"> <li>• Restaurant Matador</li> <li>• Pub and bar</li> <li>• Three main saunas with private lounges</li> <li>• Several adaptable rooms for meetings</li> <li>• 24 hours room service</li> <li>• Laundry services</li> <li>• Pets keeping facility</li> <li>• Free outdoor parking quipped with engine heating outlets</li> </ul>

**Table 10.** Facilities inside the hotel rooms and hotel bound area of Sokos Lakeus ([www.sokshotels.fi](http://www.sokshotels.fi))



### 3.14.2 Original Sokos Hotel Vaakuna, Seinäjoki

The Sokos Vaakuna hotel is located in the city center of Seinäjoki. It is also equipped with all basic facilities. The hotel also has good meeting rooms with seating arrangement of around 10-28 persons. The private saunas also have the capacity of 6-10 persons. (www.sokos.fi)



**Figure 32.** Original Sokos Vaakuna hotel (www.sokoshotels.fi)

Facilities inside the rooms	Overall all hotel facilities in hotel bound area
<ul style="list-style-type: none"> <li>• Air-conditioning and heating systems</li> <li>• Radio and TV systems</li> <li>• Free wired and broad band connection of internet</li> <li>• Telephone facility</li> <li>• Mini bar</li> <li>• Safety vault locker</li> <li>• Attached private sauna</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting rooms</li> <li>• Restaurants such as Fransmani. Amarillo</li> <li>• Karma Bar, Night club and Cafe</li> <li>• Parking per day is at 8 Euros</li> <li>• 24 hours room service</li> <li>• Laundry services</li> <li>• Pets keeping facility</li> </ul>

**Table 9.** Facilities inside the hotel rooms and hotel bound area of Sokos Vaakuna (www.sokoshotels.fi)

### 3.14.3 Hotel Cumulus Seinäjoki

The hotel Cumulus is situated at 300m distance from Seinäjoki bus station. Airport is at 10 km distance. As mentioned earlier hotel have total 135 rooms with 16 balcony rooms. Meeting rooms are fully equipped. Theater for around 150 people and classroom can accommodate approximately 100 people. Breakfast is always included in room rate at cumulus hotel<sup>15</sup>.



**Figure 33.** Hotel Cumulus Outside night view (www. cumulus.fi)

Facilities inside the rooms	Overall all hotel facilities in hotel bound area
<ul style="list-style-type: none"> <li>• TV (18 channels)</li> <li>• Minibar in some of the rooms</li> <li>• Hair dryer</li> <li>• WiFi</li> <li>• Pillow menu</li> </ul>	<ul style="list-style-type: none"> <li>• Sockets for car engine heaters</li> <li>• Parking space</li> <li>• Elevator</li> <li>• Children's playroom</li> <li>• Room service</li> <li>• Car rental service</li> <li>• Laundry service</li> </ul>

<sup>15</sup>City of Seinäjoki [online] [Cited on 23 Sept. 2013] Available from World Wide Web: <<http://www.oecd.org/eco/surveys/economicsurveyoffinland2012.htm>>

	<ul style="list-style-type: none"> <li>• Ironing room</li> <li>• Saunas 2 (1 -10 persons)</li> <li>• Service languages (Finnish Swedish English German)</li> <li>• Swimming hall 1 km</li> </ul>
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**Table 11.** Facilities inside the hotel rooms and hotel bound area of Hotel Cumulus ([www.cumulus.fi](http://www.cumulus.fi))

#### 3.14.4 Hotel Soranpesa Seinäjoki

The Hotel Soranpesa a Duck's nest shaped hotel is refurbished in 2010. The hotel has 70 elegant and well furnished rooms.



**Figure 34.** Hotel Soranpesa ([www.soranpesa.fi](http://www.soranpesa.fi))

The hotel is located between the airport and city center. The hotel fully equipped with comfortable beds guest saunas and private saunas. There are three conference rooms with 300 people seating arrangement for gala dinners.

Facilities inside the rooms	Overall all hotel facilities in hotel bound area
<ul style="list-style-type: none"> <li>• Wonderfully soft wide beds</li> <li>• Free of charge extra bed for a child</li> <li>• A flat-screen TV</li> <li>• A kettle and tea bags</li> <li>• Two bottles of spring water</li> <li>• Safety deposit box for valuables</li> <li>• Mini-bar</li> <li>• Bathrobes</li> </ul>	<ul style="list-style-type: none"> <li>• Ala Carte restaurants</li> <li>• Bar</li> <li>• Wake alarm by alarm</li> <li>• Wireless LAN complimentary access</li> <li>• Saunas</li> <li>• Swimming pool</li> <li>• Spa facilities</li> <li>• Ironing</li> </ul>

**Table 12.** Facilities inside the hotel rooms and hotel bound area of Hotel Soranpesa ([www.sorsanpesa.fi](http://www.sorsanpesa.fi))

### 3.15 Analysis of Data

In the previous chapters all the supported data is presented that can be helpful for planning and execution of the project. In this analysis mainly the comparison of statistical data, competitor's data and practical opinion obtained by managers of the hotel will be compared. With the help of this comparison we will be able to identify that either managerial practical opinion is supported by the statistical data and vice versa.

The persons who were interviewed are the manager of hotels which are part of multinational hotel chains. Both of the organizations are working about ten years in the market. The managerial experience of both of them is around five years. Both of the hotels have basic facilities such as comfortable beds, internet, TV and coffee making facilities at room level. But the one hotel has some extra attractions as the hotel situated along the river side, customized rooms and beauty salon. The feedback about basic facilities is practical confirmation of competitor data that we already mentioned above about basic facilities.

One of the manager put emphasis on the adoption of technology and innovation in all parts of hotel to compete the market. Manager further recommends Spa facilities as highly demanded. Both of the managers endorsed mega spa hotel business as good in their opinions. According to one manager big area and high quality products should be the main factors for success of Spa business. Both of the hotels have sufficient marketing team according to their overall capacity the bigger hotel has overall team of nine people out which four are in head office handling overall company strategy and three of them are working at local levels while the second hotel has team of two people. Both managers are satisfied with the performance of their marketing team and according to them this team plays a vital role for their survival in highly competitive market.

In the segment of competitor orientation, one of the managers was reluctant to answer clearly but the second one answered well. Both of them mentioned same Medias that their competitors used for advertisement mainly internet, newspaper but one manager also mentioned the radio media on special occasions such as new years and Christmas is much effective.

About revisiting the service improvement and service development policy both were very conscious one mentioned that they revisit policy after every season and the other hotel manager said that they revisit it twice a year. One of the managers described their source for getting competitor information is STR system it is called as Reunite System controlled by third party who shared competitor market information on daily bases with their clients. Price war in the market is a challenge mentioned by both of the managers. About the language preference Finnish, Swedish, English were indicated by both of them but one of them also added Russian language in others.

In their opinion for development of Mega Spa Hotel in Seinäjoki region we should be well aware of competitors around the area. According to them locality is very nice and quiet. Additionally they said the area is historically and geographically well suited. They further recommended the Spa facilities of high standard to be pioneer in Spa business in surrounding area.

In the second part of interview questions were purely asked to determine the potential of Spa and indoor shopping facilities. One of the managers explained about the new

introduced facility based on customized sleeping pillow selection service in which customer can select his/her own type from eight types of pillow available. Moreover manager also described the special bath facility with high standard cosmetic and herbal products available. According to her these services introduced in recent past and customers are really attractive towards them.

Both of them mentioned the peak business season is about four months. One of the managers did not mention the average customers in peak season but the other manager told that every year in peak season it's about 10,000 customers on an average which clearly showed the potential of hotel business in Finland as explained earlier in this thesis from official statistical data base of Finland. About the cost and quality inquiry they have contrast opinion according to one, customers are cost conscious while other remain neutral on this point. But both of them agreed on the point that all the customers are brand conscious for selection of hotel stay.

Additionally they said that if the Spa facilities are available in the hotel it is an additional benefit for the overall business of the hotel. But the indoor shopping facilities are not favorable as visitors try to go out in city and shop outside. In the third and last segment which is about the revenue and business outcomes the bigger hotel manager is much satisfied about the last five year business and revenue goal achieved than the smaller hotel manager. This outcome clearly shows that the project should be at Mega level which has the ability to catch the major market share with high quality facilities.

## **4 Results of Product**

### **4.1 General**

The Finland is one of the developed countries in Europe with strong infrastructure at national levels. There are main solid benefits to run hotel industry business in Finland but also there are some risks in the business in Finnish context. Following are some benefits and risks that can affect the overall success or failure of project.

#### **Key Benefits**

- Finland has powerful and sustainable energy system available for electricity supply. The energy sources include wind, water and nuclear energy. So there are no special arrangements needed for any kind of power cuts. This is positive point in starting a business here Finland.
- The telephone services, mobile phone networks, broad band, DSL, wireless and wired internet systems are very efficient in working. Satellite systems are also available. So these facilities are extra edge for comprehensive working of Mega Spa hotel.
- The supply chain for daily supply of goods and operations is very regular due to efficient logistic systems available around the region. All the Routakallio area is well connected to Seinäjoki city and other nearby municipalities.
- Transportation facilities like shuttle service can be purchased from nearby countries like Sweden and Germany to be cost effective.

#### **Key Risks**

- Weather is mostly very cold for about six months in a year with heavy snowfalls. It is one of the key risks faced by all hotels due to less customer flow in those months.
- Taxation rate is very high as compare to other European Union countries. The tax rate directly affects all the facilities that will be planed to provide in the hotel.
- The labor and staff cost is high because most skilled people are needed for extraordinary customer care services.

- There should be well maintained record of accounting and reports to avoid any kind of legislative problems that can be caused by government officials.
- As the area is out of way from main population so for saving the logistics costs additional spaces for warehouse and storage area are required. This should also bind the investment capital.
- For the transportation of staff there should be separate transport is needed to assure the punctuality between changing shifts.

#### **4.1.1 Positioning**

As mentioned earlier in project site analysis that the major advantage of the site is the locality and accessibility from railway and bus stations, airport and city center of Seinäjoki. Moreover beautiful sceneries and quite environment of Routakallio area have an additional edge. Keep in view all the factors mentioned above regarding the location the planned site is very suitable for five or seven stars Mega Spa hotel based on the international standards of hotel ranking. The hotel will be the pioneer in the region with such comprehensive facilities.

The following parts highlight the targeted segments where the hotel can be positioned:

##### **Business travelers**

Finland is famous for its technology business. Many multinational firms have their offices in different cities of Finland. Seinäjoki is very fast growing city now. Main attentions of governmental bodies are towards the industrial and tourism development. High occupancy is expected by official business travelers in future. This elite class required high level of facilities and quiet environment which is the main aim of our Mega Spa project.

##### **Individual Tourists**

The quiet and calm position of Mega Spa hotel is also attractive for the individual customers traveling for leisure purpose. Furthermore the countryside look of the area is attractive for the foreigners who want to feel a real Finnish weather and culture. The biggest segment of customers expected who wants to see the natural beauty, enjoy deep lake diving and speedy tracks.



### **Tourist groups**

Tourism groups from Russia, Poland, China, USA, Japan and Thailand are another targeted group of Mega Spa Hotel project in Routakallio area. Usually groups of 50 to 100 travel via ferries and ships to Turku and Helsinki if there are direct train connections to Seinäjoki huge business can be expected but the only condition is that the intensive marketing of facilities and leisure activities in local and international media.

### **Seminar and conference guests**

Due to growing industrial segment in Seinäjoki seminars and conferences attending customers can also be expected. If hotel have big seminar and meeting rooms available like for 500 people than it can easily compete with other resorts in Seinäjoki who don't have capacity more than 300 people.

### **Guests of incentive travelers**

Due to limited professional activities like fairs and congresses throughout the year this segment can provide small number of incentive travelers.

#### **4.1.2 First Phase Planning**

The project area that is available for Mega Spa Hotel can be varied as still all the plans are relative.

According to our research question and assignment following elements should be consider to be integrated in the final project.

- Lodging area with above 200 keys- about 100 guest rooms and 20 suites
- Welcome area with reception front counter and bar
- Restaurant with about 500 people seating arrangements
- Swimming pool with pool bar
- Meeting rooms with about 500 people capacity
- Fitness club, private and public saunas
- Indoor shops for shopping facilities for customers
- Fully functioned casino with bar

- Spa area equipped with latest machinery and staff

#### **4.1.3 Recommendations**

Now the positioning is done but the next step is recommendation for the structure of the hotel if we want to position the Mega Spa Hotel in the above range of positioning.

#### **Rooms**

The hotel is mainly aimed on the upscale tourism business with high focus on quality that cannot be experience before in the region of Seinäjoki. The standards of the hotel should be far above the already available choices. The plan should include about 160-170 standard rooms. All rooms should be of equal quality. About 30-40 executive rooms and suites with high level of five stars hotel facilities.

Interior designing and furnishing should cover all the standards of a five and seven star hotels such as:

- The interior design of the rooms in the Mega Spa hotel should be evocative. It should represent the contemporary Finnish historical designs and fantasy.
- The feature design should be combination of east and west designs, colors in some suites to attract the foreigners from different countries.
- Attractive furniture of international designs should be used
- Enough seating arrangement with comfortable couch and chairs
- Bathrooms can be equipped with newly introduced walk-in showers, shower tub, standard washbasin, illuminated lighting system, hairdryer
- Centrally automated air condition and heating system with self controlling options
- Sound proof walls and roofs
- Mini bar and safe box
- The room should have electronic lock system of codes so to avoid the tension of losing card or key for the customers
- Safety measure should be well managed and in working condition such as fire alarms and efficient smoke detectors

### **Restaurants and Culinary facilities**

The hotel should have 3 to 4 different taste and level restaurants available indoor and with outdoor eating facilities in summer season. These restaurants can be situated at different floors with unique theme in each restaurant. The seating arrangement in each restaurant is about 300 to 400.

As the hotel is situated near the lake so the sea food restaurant can also be included to give a shore touch to the tourists. Seasonal specialties in the food should be given importance. In the summer the open air lunch in moon light provide an everlasting relaxation to the customers.

### **Luxury Spa Facility**

The Spa is the key attraction in the hotel for the customers from around the world. Detoxifying steam rooms with herbal massage. The Spa should include Sauna and Cold Plunge pool. A wide range of treatment with well trained staff should be available such as:

- Aromatherapy for body
- Relaxing massage
- Swedish massage
- Detoxifying treatments
- Thai herbal treatment
- Fish massage
- Facial treatments
- Water therapy
- Hot stone massage
- Foot massage and reflexology

### **Indoor Shopping Mall**

Shopping mall with wide range of shops one of the main attractions for the customers. It can be built on the first or second floor of the hotel. It not only attracts the residing

customers but also the people who just came specifically for shopping. This can be a marketing key for the customers who only come to buy the things can get introduced by the hotel and its facilities.

Shops in the mall are both from national and multinational companies. The companies who will rent out the shops can be the sources of revenue for hotel. Also they will do their own marketing that will enhance the hotel and Spa business also. Indoor shops such as:

- Garments and Clothing
- Jeweler's shops
- Sports equipment shops
- Hair dresser shops
- Traditional goods selling shops

### **Casino**

Casino is the major revenue point for every five and seven star restaurant. The casino in the Mega Spa hotel should have all the international casino gaming facilities with highly trained staff. Casino must have facilities like:

- Table games
- Poker games
- Poker room in private environment
- Latest casino slots
- Race and sports book
- Mobile casino gaming
- Video poker

## **4.2 Strategic Plan of Mega Spa Hotel**

Every project has few fundamental bases and patterns to become a successful project. The following part of the thesis discusses different applicable strategic components which can be helpful in the development of successful Mega Spa Hotel.

### **4.2.1 Mission**

The main target of the project is to facilitate the tourists coming for recreation activities in Routakallio area. In the following few points mission of Mega Spa Hotel is summarized:

- Customer care in all services with sustainable quality, smooth functioning, comfort of rooms
- To provide the first ever hub of facilities under one roof as a Mega Spa Hotel
- Customers can avail best Spa facilities and spent their time in quite environment
- Contribute to the development of Routakallio area and Seinäjoki. Hence contributing to the state economy
- Creating employment opportunities from wide spread fields

### **4.2.2 Vision**

According the research plan the objectives are as follow:

- To be the pioneer in five star Mega Spa hotel in the state and surrounding areas
- To make a successful project as backbone of the development of Routakallio area

### **4.2.3 Values**

The proposed Mega Spa Hotel project has following values:

- Customer care and Professionalism in work- Any service oriented business always directly dependent on the customer satisfaction level. For generation of revenue active customer flow should be ensured only by high level of customer care with courtesy and zeal.
- Implementation of latest technology for management issues- For controlling business and management of the big hotel fast technological integrated systems

should be adopted. These systems can be used for reservations, billing, budget, accounting, salaries etc. A most popular example at present is enterprise resource planning application systems and management (SAP ERP).

- Environmental Friendly- While getting the Hotel and Spa business in the Routakallio area we should strictly respect the natural beauty and environment of the whole area as all those natural sceneries are the bases of our business.
- Indoor Shopping facilities- The brands and shopping inside should be of world class standards so to attract equally all the tourists from different nationalities.

#### **4.2.4 The Main Objectives**

After deciding about the vision and mission of the hotel project above the next step is to target the actual objectives of the Mega Spa project. These guidelines will be the standard operating procedure (SOP) for hotel activity. These objectives can be sub divided into strategic and economic objective as follows:

##### **a) Strategic objectives of Mega Spa Hotel**

- To lead the tourism travelers segment based on high level of customer care services and unique facilities
- To enhance the development of Routakallio area by improving the national and international tourism segment
- To establish loyal customers for utilizing Spa facilities
- To reach the Spa and hotel utilization by overall customer up to 75 percent within three years of activity
- To become a landmark hotel in the area and Finnish hotel market
- To become an attractive place for the local Finnish customers to visit its restaurants and indoor shopping facilities
- To generate maximum business from world class casino

##### **b) Economic objectives of the project**

- To achieve the positive growth in terms of profits and financial conditions after the 3<sup>rd</sup> and 4<sup>th</sup> year of launch

While summarizing the mission of Mega Spa hotel project is to provide all the world class facilities of Spa, rooms, indoor shopping and casino under one roof. Also contribute in the development of Routakallio area and Seinäjoki. The focused vision of the project is to become pioneers in the Mega Spa Hotel business in the Routakallio area and in the vicinity of Seinäjoki. The main values include customer care, implementation of latest technologies for management, environmental friendly and best indoor shopping facilities. The major strategic objective is to facilitate the development of Routakallio area and sustain loyal customers. From economic view point it should be ensure that after 3<sup>rd</sup> year of launch the growth rate should be positive with 75 percent booking of hotel rooms, Spas and restaurants.

## **5 Discussion**

### **5.1 Timeline**

The cash flow and economic forecast is estimated for a period of 10 years starting 2013 to 2023. These figures and values are forecasted on the basis of previous industry data and hypothetical assumptions, however actual occurrence may vary.

The forecast of the business is based on the following criteria:

- Positioning: five-stars category of hotels based on the international hotel and spa market grading
- Number of keys: above 300
- Management: Fully equipped with customer care and technological skills

### **5.2 Operative Segments of Mega Spa Hotel**

#### **5.2.1 Rooms**

Expected booking rate of hotel rooms in first year is about 50-60 percent and it may increase above 65 percent in second year of activity. For third year the booking rate may go as high as 70 percent. In 4<sup>th</sup> and 5<sup>th</sup> year this occupancy is expected to touch 75 percent at least. The expected booking rate for sixth and seventh year of activity should be between 80 to 85 percent. During last three years of forecasted decade the hotel booking rate is expected to sustain between 80 to 90 percent.

#### **5.2.2 Restaurants**

As planned above there are 3-4 restaurants should be available to accommodate around 400-500 people.

The average dinning rate for restaurants in first year will be around 60-65 percent and expected to increase up to 70 percent in second year of activity. The expected culinary rate in restaurants within third year is about 75 percent and in 4<sup>th</sup> and 5<sup>th</sup> year this is expected to touch 80 percent at least. In sixth and seventh year of activity the expected rate of table booking should be between 80 to 85 percent. In last three year of forecasted decade the dining rate is expected to sustain around 90 to 100 percent.



### 5.2.3 Spa Facilities

Spa facilities and usage is directly dependent on the room booking average. Higher the occupancy of the rooms greater will be the utilization of Spa facilities by the customers. But it is expected that about 60-70 percent of room booking customers will enjoy Spa facilities also. As marketing strategy attractive package should be offered along the room booking so it is probable that customer may use high quality Spa facilities and become loyal customers.

### 5.2.4 Indoor shopping

The concept of small indoor shopping mall will be very helpful to generate the additional revenues for overall business of the hotel. The indoor shopping mall may also help to increase the customer traffic towards other hotel facilities like Spa, casinos and restaurants. Moreover hotel will rent shops to national and multinational brands to ensure an optimum level of income. The presence of national and international brands in indoor shopping mall of hotel and their marketing activities increase the customer traffic from local market also.

### 5.2.5 Casino

The casino is thought to be an immediate source of income for hotel. Therefore we expect that walk in customer from restaurant bars, and local markets can also enjoy the casino facility. It is expected that casino will start with 70 percent of its capacity from day first.

## 5.3 Costs for Operation

### 5.3.1 Wages of Staff

The salaries and wages of staff are based on actual ability of the employees hired and confidential data base.

No.	Number of Employees	Segment or category	Euro/ month
1.	5	Manager	3000-4000 €
2.	20	Kitchen Staff	1500-2500 €

3.	20	Restaurant staff	1200-1500 €
4.	30	Housekeeping and cleaning	1200-1700 €
5.	6	Maintenance	1000-1200 €
6.	12	Reception	1500 €
7.	8	Drivers	1400 €
8.	30	Spa workers	1500-2000 €
9.	10	Casino	1200-1500 €
10.	8	Security	1200 €
11.	10	Other employees	1000 €

**Table 13.** Projected wages of staff based on average market rates of salaries to date

### 5.3.2 Miscellaneous Expenses

For efficient working of the hotel trained and skilled employees are the key. For this purpose 60,000 Euros are expected to be spending on the recruitment and training before hotel launch. During second year of activity this budget will be reduced to 30,000. In third year we expect to spend 15,000 Euros for training and development of existing and new staff members.

Success of Mega Spa hotel depends upon the successful and effective marketing. According to industry experts the role of marketing activities is vital for success of innovative project like Spa. During first five years we intend to spend 20 percent of revenue per year for marketing activities. For upcoming last 5 years of forecasted decade we will spend industry specific amount on marketing that is 5 to 7 percent of revenues.

Considering the size of project we expect a cost higher than normal therefore our estimated maintenance cost is about 20 percent of total revenues. Further we intend to employ an intensive Technology systems and it would cost around 15 percent of total revenues of the hotel. As Finland has better and cheaper power generation therefore

estimated electricity cost will be around 2-3 percent of total revenues. Similarly annual cost for water supplies will be 2 percent of total revenues. Estimated materials and supplies cost for Spa and Hotel will be about 10 percent of total revenues. Further the estimated inventory cost of food and liquors segment will be about 30 percent of total revenues. Remaining 5 percent is reserved for insurance processes.

#### **5.4 Investments and cash flow in the Project**

Investment could be arranged by private investors and banks or partially from each sector. The prospect to attract investment is very good. For example the logistic importance of Seinäjoki that is Finnish hub of road, railway and air transport could be Potential Avenue to attract investors. But as all the plans are in initial stages so there are also possibilities that multinational company can fully own the project. As mentioned above that the Seinäjoki is logistically important so it is the best place to invest in western Finland hotel business. Ongoing developmental projects of Seinäjoki infrastructure is the most attractive reason to invest in Routakallio area.

The main theme to maintain the investment and cash flow for the project is to attract the investor both local and international levels. Additionally, to support the argument “why to invest in project” can be answered by the valid data of visitor arrivals and night spend in hotels by year in Ostrobothnia region. For details see data below provided by stat.fi. Further we expect that presence of a Mega Spa Hotel in Seinäjoki could also increase in the frequency and number of tourist.

Visitor arrivals and nights spend in hotels by Year, Month, Region, Country and Data			
	Ostrobothnia		
	Finland		
	Arrivals	Nights spend	Change of nights spend, %
<b>2011</b>			
Whole year	176,090	266,297	-1.0

Description  
 Conceptions and definitions

Contain all hotels with more than 20 beds

Standard industrial classification TOL 2008 introduced in January 2009 Introduction has caused minor changes (number of accommodation establishments)

\*) Data is preliminary

..= Data is missing or too unreliable to publish

**Latest update:**  
 2013-10-24 09:00

**Source:**  
 Statistics Finland

**Copyright:**  
 Yes

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[Statistics homepage](#)

**Unit:**  
 number

**Figure 35.** Visitor arrivals and night spend in Ostrobothnia Region in 2011 (www.stat.fi)

Visitor arrivals and nights spend in hotels by Year, Month, Region, Country and Data			
	Ostrobothnia		
	Finland		
	Arrivals	Nights spend	Change of nights spend, %
<b>2012</b>			
Whole year	175,545	263,495	-1.1

Description  
 Conceptions and definitions

Contain all hotels with more than 20 beds

Standard industrial classification TOL 2008 introduced in January 2009 Introduction has caused minor changes (number of accommodation establishments)

\*) Data is preliminary

..= Data is missing or too unreliable to publish

**Latest update:**  
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[Statistics homepage](#)

**Unit:**  
 number

**Figure 36.** Visitor arrivals and night spend in Ostrobothnia Region in 2012 (www.stat.fi)

Visitor arrivals and nights spend in hotels by Year, Month, Region, Country and Data			
	Ostrobothnia		
	Finland		
	Arrivals	Nights spend	Change of nights spend, %
2013*			
Whole year	123,450	186,120	0.5

[Description](#)

[Conceptions and definitions](#)

Contain all hotels with more than 20 beds

Standard industrial classification TOL 2008 introduced in January 2009 Introduction has caused minor changes (number of accommodation establishments)

\*) Data is preliminary

..= Data is missing or too unreliable to publish

**Latest update:**

2013-10-24 09:00

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Statistics Finland

**Copyright:**

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**Unit:**

number

**Figure 37.** Visitor arrivals and night spend in Ostrobothnia Region in 2013 to date ([www.stat.fi](http://www.stat.fi))

The data shown above is from the official data record of statistics Finland tourism data base. The arrivals for 2011, 2012 and 2013 (six months only) to date are 176090,175545 and 123450 to date respectively which clearly shows fertile opportunity for the local and foreign investors in the area. The data clearly shows that the number of tourist did not increase over the years, interestingly the number of visitor per year remain stable. This stable trend shows a greater stability of visitor market in Seinäjoki Hotel business.

## **6 Conclusion**

In conclusion, the Mega Spa Hotel Project in Routakallio Seinäjoki is great opportunity not only in the hotel market of Seinäjoki but also the Finnish hotel and tourism industry. In addition there is huge focus on the development of Routakallio area and its surroundings, expected multinational companies projects and investments in industry, natural attractions for tourists. Further a deep lake project for swimming and jumping will result in increased demand of Seinäjoki hotel industry that seems to flourish in upcoming few years. Keeping in view all these opportunities a Mega Spa Project with unique facilities will be the cash cow for the economy of Seinäjoki. Additionally the tourism potential due to natural sceneries, quite smooth climate is the key for growth of tourism sector in the region.

The Routakallio area which is the suggested area for development of Mega Spa Hotel is the real site for leisure activities and tourism attraction. The main reason is that the area situated in the place that is very close to the natural landscapes and on the other hand it's just a few minutes' drive from downtown of Seinäjoki. The fact is that there are many hotels available in the Seinäjoki hotel market. But the missed opportunity is fully equipped indoor Spa, casino and shopping facilities in Seinäjoki region.

The financial estimations shown above that the hotel project can be fully implemented and profitable business. Though the competition will be high as there are few big hotels available from which some are mentioned above with their maximum capacity of facilities. But the implementation of the project is highly dependent upon the development of overall Routakallio area and tourism facilities available in the upcoming decade. Like every business has risks so do Mega Spa Hotel has its own but in our opinion it overweighs the cost and seems profitable.

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## Appendences

### Appendix 1: Questionnaire used for interview

## A few influencing factors of Development of New Mega Spa Hotel Project

### In Routakallio near Seinäjoki, Finland

#### Company's Information

**Organization Name:** \_\_\_\_\_

Please tick the appropriate checkbox below.

<p><b>Life of organization in years</b></p> <p><input type="checkbox"/> &lt; 10</p> <p><input type="checkbox"/> 10-20</p> <p><input type="checkbox"/> 20-30</p> <p><input type="checkbox"/> 30+</p>	<p><b>No. employee in organization</b></p> <p><input type="checkbox"/> -----</p>	<p><b>Highest Level of Education of employee</b></p> <p><input type="checkbox"/> Bachelors</p> <p><input type="checkbox"/> MS/M.Phil</p> <p><input type="checkbox"/> Masters</p> <p><input type="checkbox"/> PhD</p>
<p><b>Avg. income level of employees</b></p> <p><input type="checkbox"/> 1000</p> <p><input type="checkbox"/> 1000-3000</p> <p><input type="checkbox"/> 3000-5000</p> <p><input type="checkbox"/> 5000 +</p>	<p><b>Manager's experience in this organization</b></p> <p><input type="checkbox"/> Less than year</p> <p><input type="checkbox"/> 6-10 yrs.</p> <p><input type="checkbox"/> 1-5 yrs.</p> <p><input type="checkbox"/> 10 or above</p>	<p><b>Years in this industry</b></p> <p><input type="checkbox"/> Less than year</p> <p><input type="checkbox"/> 6-10 yrs.</p> <p><input type="checkbox"/> 1-5 yrs.</p> <p><input type="checkbox"/> 10 or above</p>

**Note:** Please encircle the appropriate number against each statement.

## Section 1

### Exploration of feasibility/planning of Mega Spa Hotel

#### Planning according to Market Orientation

What are the FIVE most demanding luxury facilities that customers expect and your hotel has those facilities.

- |    |    |
|----|----|
| 1. | 2. |
| 3. | 4. |
| 5. |    |

What are the FIVE most demanding luxury facilities that customers expect and your hotel does not have?

- |    |    |
|----|----|
| 1. | 2. |
| 3. | 4. |
| 5. |    |

What is your opinion about Mega Spa services in hotel business in Finland?

Average    Good    Very good    Excellent    other -----

What are three important factors that can influence the planning of successful Mega Spa project in your hotel?

- |    |    |
|----|----|
| 1. | 2. |
| 3. |    |



**It is quite usual to have price-wars in hotel market around your area of locality?**

Yes       No       To some extent       other .....

**What are the Customers preferences for languages? (Tick those which are applicable)**

Finnish       Swedish       English       other .....

**What are the three important factors in your opinion that can attract the investors to invest in Hotel industry in Seinajoki-Finland?**

- 1.
- 2.
- 3.

## **Section 2**

### **Exploration of the potential of Spa and inside shopping mall**

**What is the name of the new service for customers that your hotel introduced in recent past and its brief description with benefits?**

**Do you think that recently introduced service which you mentioned in above question creates value for customers?**

Yes       No       To some extent       other .....

**What media do you use for advertising of your Hotel? (Tick those which are applicable)**

Internet                      Newspaper                      Door to Door adds   Street  
Advertisements

All of above                       other .....

**How many months you consider peak season of the customers flow?**

Less than three months       four months                      6 months       other.....

**What's an average customer flow in your hotel in the Peak Season?**

-----

**In your opinion customers are costs conscious?**

Strongly Agree       Agree                       Neutral                       Disagree       Strongly Disagree

**In your opinion customers value quality of services rather than cost?**

Strongly Agree       Agree                       Neutral                       Disagree       Strongly Disagree

**Brand name matters for customers?**

Strongly Agree       Agree                       Neutral                       Disagree       Strongly Disagree

**To what extent customers favor Spa facilities inside the hotel?**

Very High    High                       Moderate    Low                       Very Low



**To what extent customers like to do shopping inside the hotel?**

- Very High    High         Moderate    Low         Very Low

### **Section 3**

#### **Exploration of Outcomes**

**Do you think your hotel has achieved the following goals in last five years (2009-2013?)**

**Number of customers achieved as planned.**

- Yes                       NO

(If NO then any single main reason in your opinion)

-----

**Met revenue goals**

- Yes                       NO

(If NO then any single main reason in your opinion)

-----

**Met market share goals**

- Yes                       NO

(If NO then any single main reason in your opinion)

-----

**Impact of Spa Services on overall revenue of your Hotel**

- Very much    Much         Less         No         other.....

**Impact of inside shopping facilities on overall revenue of your Hotel**

Very much       Much       Less       No       other .....

**Impact of inside casino on overall revenue of your Hotel**

Very much       Much       Less       No       other .....