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Bachelor's Thesis

Market potential of Lappeenranta Airport in
the North-West Region of Russia

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1. Introduction

My aim in performing this thesis was to evaluate the potential of Lappeenranta Airport on the North-western part of Russia. I chose this topic, as first of all it's an interesting business to analyze. I had to read through various articles and agreements that explain how that business environment operates, how low-cost airlines appeared and what are their core drives and rules. Moreover, that topic requires a thorough research of target groups. I had to use my skills and knowledge in marketing and statistics. That was profitable for my qualification and provided me with some practical new experiences and techniques. The second big reason was that I like marketing, I have always seen myself attracted by that discipline. With this research I had a chance to find myself my so far the biggest work in this field.

This research consists of 3 parts: theoretical, where I cover academic concepts, methods and theories I am going to use throughout my work; analytical, where I analyze the environment surrounding the airport; conceptual, where I draw out some marketing methods to develop the potential the airport possesses. The material I used was mostly from public sources such as online databases, various newsletters of respectable publishers, official web-sites of organizations related. Also I took an interview from a director of Lappeenranta Airport, who shed some light over the technical details of the affair.

Why could Lappeenranta Airport be interesting for Russians in Saint-Petersburg and Vyborg? To understand that we have to analyze the current state of public air transport aviation in these cities. Pulkovo Airport served 6.8m passengers in 2009, where 2.9m is for International destinations (See Appendix 1). That means, that in the city there is quite a customer base, which flies abroad. But on the other side, most of these flights are going through mid- or upper-class airlines. The only low-cost companies presented are AirBerlin, German Wings, Vueling and Norwegian. These airlines provide one of the cheapest tickets from Saint-Petersburg to Europe, but nevertheless they have to coop with Pulkovo's tax and service pricing, which leads to still quite high prices of tickets, around 100-250 EUROS in one way. My research showed that there are various web-sites in the Russian internet, which provide information and organize trips to foreign airports to provide better prices.

(Source: <http://www.pulkovoairport.ru/eng/partners/charges/>)

Until recently the main airports for such operations were in Helsinki, Tampere and Tallinn, where low-cost airlines are present. Distances between Saint-Petersburg and these destinations are the following:

- Saint-Petersburg - Tallinn - 330km
- Saint-Petersburg - Helsinki - 384km
- Saint-Petersburg - Tampere - 476km

As it's easily seen, Tallinn is the closest airport to Saint-Petersburg, nevertheless the Finnish ones are wider used, why so? Well for this there is at least one major reason. Visa. Most of Russian citizens travel to Europe with Finnish visas. Every year around half a million of them are issued by the Finnish consulate. Moreover, those living in Saint-Petersburg and Vyborg have a lightened procedure of receiving them. The main places of visit for such travelers are Imatra, Lappeenranta, Kouvola and sometimes Helsinki, in other words closest to border cities. That's why traveling to Tallinn requires whether an opened Finnish visa or an Estonian one. But because of the simplified execution of the Finnish ones the majority of people prefer to spend less time and get them instead. Moreover, as forum discussions say, queues on the Russian-Estonian border are intense, considered tougher than on the Russian-Finnish border. At last, the only advantage of Tallinn airport - shorter distance, is no more so, since Lappeenranta started to provide flights via RyanAir and AirBaltic to Düsseldorf and Riga.

Lappeenranta is only 220km away from Saint-Petersburg vs 330km to Tallinn. In the end, a trip from Saint-Petersburg to Lappeenranta by car takes around 3.5-5 hours. In addition, it's been spotted that some companies from Russia already organized transfers right for the airplane schedules. Ryanair's first flight from Lappeenranta was at the 4th of March 2010, and since then they are scheduled to fly 2 times a week. The only available destination till now is Düsseldorf, Weeze, which is known as one of the major Ryanair's hub airports. From there you may fly to any of hundreds of available destinations, or use other transport to travel to Amsterdam (170km), Antwerpen (200km) or other nearby locations. With unbeatably low ticket prices on Ryanair it may become the cheapest solution for citizens of Saint-Petersburg and Vyborg to travel to Europe. But how big is the actual market? What are the opportunities and threats facing

the airport? These and many other questions are going to be assessed in my further research.

2. Research methods

In order to perform this research, it was necessary to decide which research methods are going to be used. There are many books available discussing marketing theoretical frameworks, yet this research has a pretty specific goal - to assess market potential of a business project. Therefore, it led to a narrow choice of potential methods. Going through books on marketing research, and specifically the assessment of market potential, it was crucial to set the basement on whether it is going to be a quantitative or qualitative work.

2.1. Quantitative or Qualitative

There are two fundamentally different research strategies. In order to get a deeper understanding of these two concepts, their definitions are provided below.

Quantitative research:

***Definition:** use of sampling techniques (such as consumer surveys) whose findings may be expressed numerically, and are amenable to mathematical (statistical) manipulation enabling the researcher to estimate (forecast) future events or quantities. (<http://www.businessdictionary.com/definition/quantitative-research.html>)*

Qualitative research:

***Definition:** Research generated outside the framework of a quantitative approach. Collected data is not subjected to formulaic analysis for the purpose of generating projections.*

Generally, the difference is simply understood by looking at its measuring item, in quantitative approach it is measurable data (numbers, labeled set of qualities etc), while in qualitative it is words of expression (feelings, subjective opinions etc). To further study the difference, let's take a look at the following table:

Table 1. Fundamental difference between Quantitative and Qualitative

	Quantitative	Qualitative
Principal orientation to the role of theory in relation to research	Deductive; testing of theory	Inductive; generation of theory
Ontological orientation	Objectivism	Constructionism

(“Business Research Methods” by Alan Bryman, Emma Bell, p.28)

As we can see, quantitative approach is aimed at an objective, proven point of view, backed by measurable data. This method is widely used in statistical science in order to get, for instance, the average salary amount among a certain group. On the other hand qualitative method is used to get more individual results that are impossible to put in numbers, for instance customer behaviour pattern when shopping at the super market.

Considering the case of this research, sources that are going to be used mostly do not possess numerical data, but are based on people’s opinions, magazine and newspaper articles, the current situation on the market and overall demand for certain qualities on the Russian market. However, in order to prove some of the conclusions and hypothesizes, numerical data will be gathered and used.

2.2. Measuring market potential

Measuring the market potential of a business is a core for the successful maintenance and effective management of any kind of segment. Air-traffic is no exclusion. One of my first steps in order to start this research was arranging a conversation with the current Director of Lappeenranta Airport, Petteri Lehti. Here is what he had to say about measuring market potential in the air-transportation business, and Lappeenranta Airport specifically:

“The only reason to fly is if you have customers, who are willing to pay. For that Airlines usually calculate the area around the airport of about 200km (2 hours by car), with number the of people living, their income and travel potential. But also you have to consider other things, for instance, Helsinki is only 2 hours away, but there aren’t that many customers, unless there is something interesting, which is a cheap flight. At the moment, Airbaltic and Ryanair have potential to even attract some people from there. But mostly we have calculated these cities: Kotka, Kouvola, Mikkeli, Savonlinna,

Joensuu, which are easily accessible from Lappeenranta. But then of course, the Russian side. Last year, we had 5 million people crossing the border, which is a big flow of people. The psychology of them is such that if there is something of a worthy value, as for instance a 50 EURO ticket to Frankfurt and come-back, you will travel 200 km for this, if there are no better offers.”

So, Ryanair and Airbaltic, two big European airlines decided to fly to Lappeenranta, to a small Finnish town with a population of around 72,000 people at least twice a week. What’s the idea behind this extension? Could it interest Russian population? In order to answer this question we have to assess the market potential of Lappeenranta Airport and see whether there are enough “customers who are willing to pay”.

2.3. Marketing Information System (MIS)

In marketing theory there are many various ways to measure market potential. For this research the Marketing Information System framework will be used. It provides a well structured set of procedures, that will be used as a plan, helping to organize the findings and draw conclusions in relation to each other.

Definition: *set of procedures and practices employed in analyzing and assessing marketing information, gathered continuously from sources inside and outside of a firm. Timely marketing information provides the basis for decisions such as product development or improvement, pricing, packaging, distribution, media selection and promotion.*

(Source: BusinessDictionary.com, search entry: marketing information system)

Here I provide a graph, with parts to be used in this research highlighted, while the rest a bit dissolved:

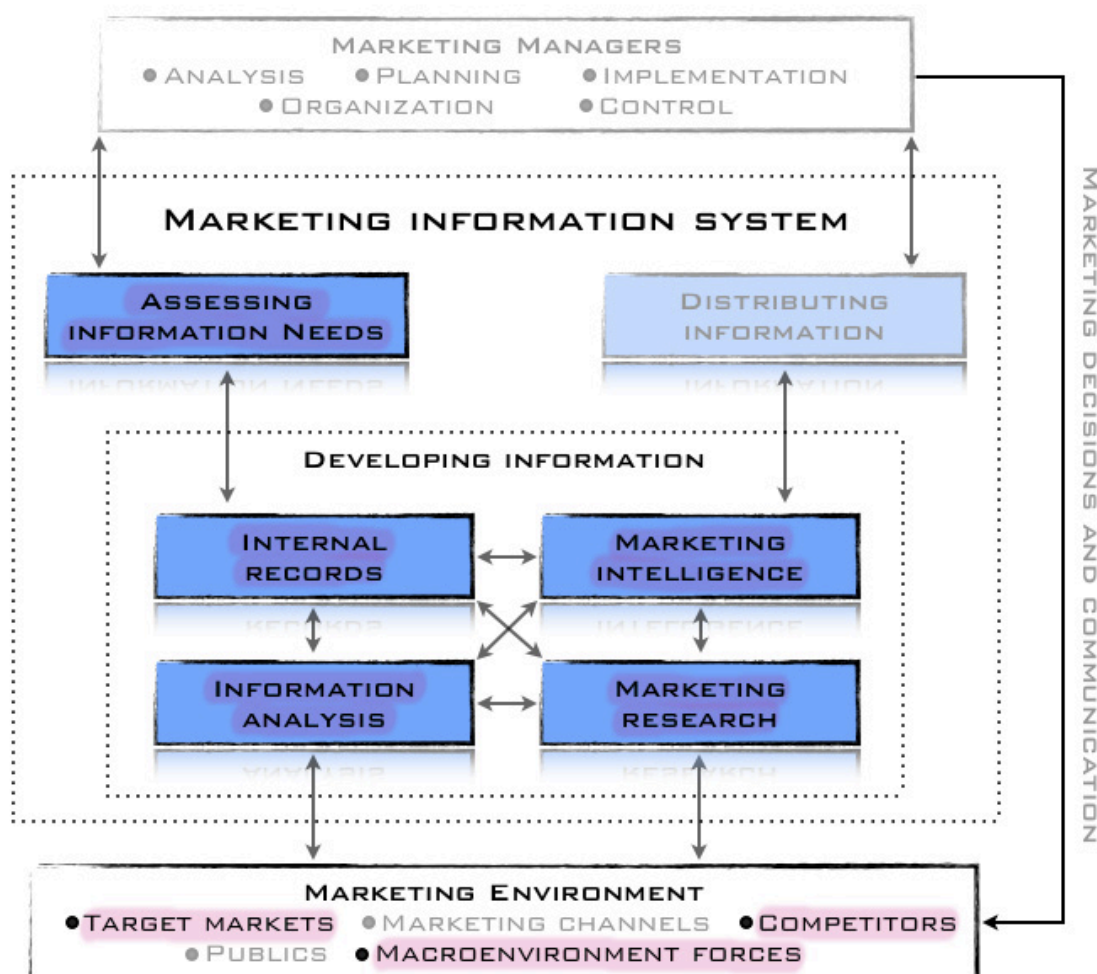


Figure 1. Marketing Information System (MIS)

The main aim of this research is to measure the market potential of Lappeenranta Airport, while the decision making process is beyond the goals of this work. That's why we will concentrate on the Marketing Environment part of the graph, including Target markets, Competitors and Macroenvironment forces. As well as Marketing Information System, including Assessing information needs, Internal records, Marketing intelligence, Information analysis and of course Marketing research. Based on these stages market potential will be assessed.

Leaving out some parts of this theoretical framework was necessary, as my research is made for an academic purpose and further use of the outcomes is up to the managers of the Airport.

2.3.1. Explanation of the framework

At the top of the framework we see a group of operations, related to managerial control. At this level theory proposes that marketing managers are analyzing, planning, organizing, implementing and controlling their sphere of business. Their decisions are built upon MIS, interpreted above. That is in other words information necessary for marketing managers to build deliberate decisions related to their group of operations: whether it is the amount of resources required for expansion, changes demanded by market for their existing products or services etc. Information within MIS is acquired through internal and external sources.

What is so called marketing environment is a set of various sources, describing a market's current state. It consists of information about competition, marketing channels, target markets, publics and macroenvironment forces. This is something a company cannot not affect directly, yet it affects the company in every sense. This may be seen as the world this living organism, i.e. corporation, is living in. In order to respond effectively, this living being must learn about it's environment as much as possible and ideally make decisions based on facts and research, rather than intuition or common sense. Of course, it's not the case in every situation as for companies, as well as for people. Nevertheless, knowing your environment is always advantageous when making a move.

Internal information is processed within MIS through two major parts: Internal records, which is information accumulated through previous business activity, or through internal contacts and experiences; Marketing intelligence, a systematic collection of publicly available information about competitors and developments in the marketplace. (Definition from "Marketing: an introduction" 7e International Edition, Armstrong/ Kotler, p.112) That information is analyzed and if something is still missing, MIS proposes a marketing research, which is performed upon information available in the Marketing Environment. As it may be seen in the graph, every piece within "Developing Information" group is interconnected, meaning that every piece may require or be required by any of other 3 operations.

In case of current research of Market Potential of Lappeenranta Airport, it's logical to start with an explanation of Marketing Research.

2.3.2. Marketing Research

When there is no necessary data available, marketing managers may decide to perform a separate market research. For instance what design of MP3 player is the most appealing on the current market, or as in case of this work, what is the market potential of the airport on the foreign market.

Definition: *The process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face. (Source: <http://www.entrepreneur.com/encyclopedia/term/82436.html>)*

The marketing research process consists of four major steps:

1. Defining the problem and research objectives
2. Developing the research plan
3. Implementing the research plan
4. Interpreting and reporting the findings

The first step is when marketing managers define the problem they want to be researched, while people executing this study have to decide on the objectives they are aiming to. A marketing research objective may be one of 3 types: 1) **exploratory research**, when preliminary information is gathered in order to better define the problem and suggest hypotheses; 2) **descriptive research**, is to describe things, considered the problem of research, i.e. market potential of a new product, or trends in consumer behaviour etc 3) **causal research**, is performed when cause-and-effect relationship must be studied, in order to test potential decision.

Concerning current research, it's easily a descriptive one, as it aims to describe and assess the market potential of a product, i.e. air transportation.

The next step is developing the research plan, which is a phase of determining the exact information needed, explaining the way it's going to be gathered and presenting the plan to the management. What kind of data does already exist and how it's going to be used,

has to be outlined as well as the methods (specific approaches, contact methods, sampling plans and instruments) to be used in order to obtain new data.

This method is going to be used in conjunction with the part of the MIS framework “Assessing Information Needs”, followed in the next chapter. Such merges are necessary in terms of this work, as in bigger scales, i.e. businesses, such research would cost not only time, but also money in order to gather some of the primary data (initially inexistent information, that you have to get through surveys, polls etc). Therefore, I chose a budget way of gathering it, as through internet. This method is going to be explained further in the text.

Now, after the research plan is set, the next stage begins “Implementing the research plan”. That is an active stage of market research, when information is being gathered. On this step information is collected and analyzed for accuracy and completeness. The researchers then tabulate the results and compute averages and other statistical measures.

The final step is interpreting and Reporting the Findings, when gathered information is given a practical use - it’s been analyzed in relation to the research problem in order to give a final conclusion. The researcher shouldn’t try to overwhelm managers with fancy numbers and statistical techniques, rather present the findings in a form practical to decision making. However, interpretation should not be left only to researchers, but better be developed or discussed with managers, who know the problem and the situation more closely.

2.3.3. Assessing Information Needs

Idea of this part is to assess what kind of information is required in the studied field in order to perform the market research. That is directly related to the items within “Developing information” group of the framework. Basically, the outcome of this is an executive plan of what kind of information has to be collected in order to perform an objective assessment. Now, what kind of information is needed in the case of Lappeenranta Airport?

First of all it’s necessary to understand the Macro-environmental Forces that affect this business, i.e. demography, economy, culture and political situation. That is done in order

to give preliminary details on whether there is any niche for Lappeenranta Airport on the Russian market.

The second step is an assessment of the business we are analyzing. So information about the Airport, its capabilities and current features is an important thing to study. Moreover, the City of Lappeenranta, precisely its infrastructure, capacity for hosting and amusing travelers should be researched.

The next step is to analyze the airport's product, i.e. air transportation, as it will be seen from a customers' view-point. That includes available airlines and routes they offer, what are their customer qualities and to perform a SWOT analysis of the Airport, targeted for Russian travelers. Additionally, we have to find information about service quality and understand how it might affect customers' decision making process, when planning their travels. Moreover, it is necessary to understand the needs of customers in Russia, for which a survey or a poll must be made, asking the question of the most desired destinations for them.

The previous step is directly related to competition and the current state of market of Air transportation in Russia, precisely in Vyborg and Saint-Petersburg. That leads to targeting and analyzing who are these people who may fall into the customer base for the Airport. In order to perform this research, it is necessary to hear what are these people thinking about the airport and the overall idea of traveling to Finland before the actual flight. All this is related to current Visa regulations and the Finnish government's position on such transit traveling.

Additionally, in order to get information needed and something extra, it was decided to get an interview from the director of Lappeenranta Airport, who is currently developing its potential from a managerial point of view.

2.3.4. Internal Records

Many companies hold extensive records of their business activities. Marketing managers can easily access this information in order to foresee opportunities and threats, as well as work on improvements within the organization, evaluate performance etc. This information is gathered from many various sources, that may be financial department with details on cash flows, sales and costs; operation reports with schedules,

shipments and inventories; sales force reports with information about resellers' responses and competitors' activities; the marketing department provides details on customers' demographics, psychographics and buying behaviour; at the end customer service branch provides records of customer satisfaction and service problems. (Armstrong/Kotler, p.111) Therefore, information from the entire organization may be helpful for its specific branches.

Talking about Lappeenranta Airport and its internal data, it's basically what I was provided during the interview, as well as some statistics available about Tampere Airport, which also has flights by Ryanair and it was registered that thousands of Russians flew through it last year.

2.3.5. Marketing Intelligence

This part of "Developing Information" group refers to any kind of publicly available information on competitors, that may be used in order to counter-react or copy some of their techniques or findings. That is for instance rivals' web-sites, that contain information to attract customers and partners to work with them, such as their strategic goal, financial information, plans for future etc. Learning about your competition is a very effective way to differentiate your product or service, find undeveloped niche and in the end get advantage.

In terms of this research, it is necessary to go through information available about the main competitor of Lappeenranta Airport: Pulkovo Airport and other potential rivals. That will help to understand what are their current weaknesses and how they build opportunities for Lappeenranta's Air traffic.

2.4. Conclusion on research methods

In this chapter I went through several major theoretical schemes, that are going to be used throughout the whole work. In order to keep this work in a more diversified and logical structure, additional chapters explaining what research methods are going to be included later in the text.

To start the actual research, first it is necessary to analyze the current situation on the macroenvironment scale. That will help to get an overall picture of what is currently

happening on the Russian market, as well as will outline opportunities it opens to Lappeenranta Airport.

3. The Company's Macroenvironment

“There are three kinds of companies: those who make things happen, those who watch things happen, and those who wonder what's happened.”

Anonymous

The company and other participants on the market operate in a larger macroenvironment, which both provides opportunities and poses threats. Modern marketing theory classifies these forces in 6 sections:

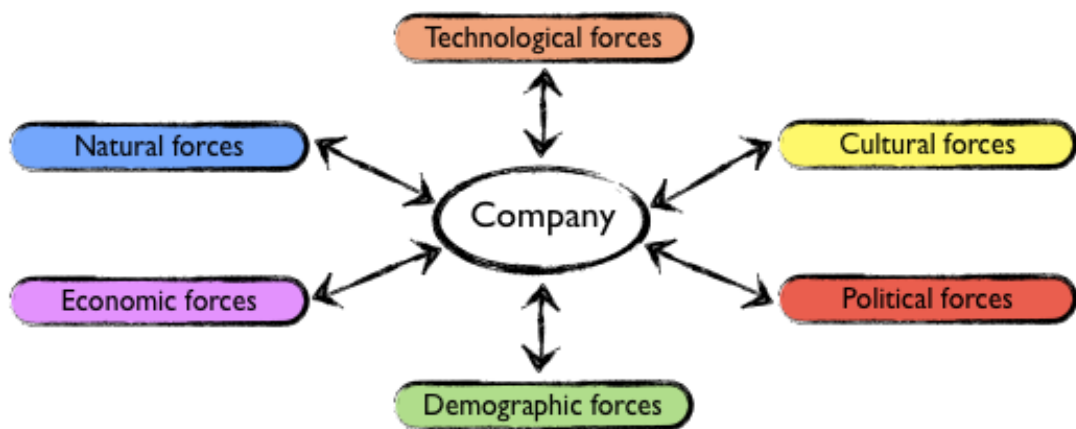


Figure 2. Company's Macroenvironment

In this section, we will study only these forces, that affect the most current situation in the specified field of business, i.e. low-cost air-transportation for Russians through Lappeenranta. Therefore, natural and technological forces will be excluded from further analysis. (Armstrong/Kotler, p.73)

3.1. Demographic environment

Definition: *the study of the characteristics of human populations, such as size, growth, density, distribution, and vital statistics. Markets are made of people, that's why knowing about them is of high importance to marketers.*

(The American Heritage Dictionary of the English Language, Fourth Edition)

The current world population is growing at tremendous rates, totaling now to 6.3 billion people. Such reality both provides opportunities for new products, services, niches etc,

while also posing threats as this population is so diversified and multi-layered. To give an example, here is a passage from “Marketing: an introduction 7e” by Armstrong/Kotler, p.73-74:

If we reduce the world to a village of 1,000 people representative of the world’s population, this would be the reality:

- Our village would have 520 females and 480 males including 330 children and 60 people over age 65, 10 college graduates, and 335 illiterate adults.
- We’d have 52 North Americans, 55 Russians, 84 Latin Americans, 95 Europeans, 124 Africans, and 584 Asians.
- Communication would be difficult: 165 of us would speak Mandarin, 85 English, 83 Hindi, 64 Spanish, 58 Russian, and 37 Arabic. The other half of us would speak one of more than 5,000 other languages.
- Among us we’d have 329 Christians, 178 Moslems, 32 Hindus, 60 Buddhists, 3 Jews, 167 nonreligious, 45 atheists, and 86 others.

This statistically depended picture of the World helps us to understand how different is the population on the Earth. However, only huge companies operate on such a big market, with the help of their excessive resources. Most of the smaller businesses have their country or even niche within it to work on. This nevertheless doesn’t mean it’s an easier business, in relation to their resource power it is pretty comparable. Let’s study further about demography and it’s characteristics, as it’s important for our business, Lappeenranta Airport to be in touch with the target markets it is aiming at and study it thoroughly.

3.1.1. Population size and growth trends

Population size and its growth trends are used in evaluating the potential for a wide variety of goods and services. Growing population means growing needs to satisfy, indicating marketers a demand for certain goods and services. Depending on purchasing power, it may also mean growing market opportunities. A declining population on the contrary may be an outcome of poor economic and cultural values of the country and poses threats for steady growth of companies in there. For example, nowadays in China because of Governmental regulation of population, by issuing fine for the second of

more born child, families usually have one child. According to analysts the young generation of Chinese is growing more spoiled than they used to, due to increased attention from their parents and relatives, who tend to fulfill any single desire of their only child. That resulted in extended profits of toy companies.

(“For China, It’s the Year of the Spoiled Child”, New York Times)

3.1.2. Changing age structure of a population

The real question here is should marketers customize their products and services to every new generation? As we can see from the historical development of the Western World, various events affect differently its generations. For instance the so called “Generation Xers” of post WWII period posed a threat to the traditional marketing methods at that time. Having grown up during a time of recession and corporate downsizing, they developed a more cautious economic outlook. It has resulted in their increased skepticism for easy-marketed solutions and success. They liked lower prices and more practical approach and look of products and services. Moreover, they became more favorable to socially responsible companies. They became less materialistic and seek a better job satisfactions and better life than in sacrificing personal happiness and growth for promotion.

3.2. Economic Environment

Business requires buying power as well as people. Each country has its more minor or major differences from other countries in it’s citizens’ wealth. The economic environment is that characteristic that represents current trends, strengths, bottlenecks and spending patters.

Definition: *an amalgamation of various economic factors, such as total employment, productivity, income, wealth, inflation and interest rates. These factors influence the spending patterns of individuals and firms. (www.economywatch.com)*

The economic environment can be classified into:

Microeconomic environment: It includes the economic environment of a particular industry, firm or household and is primarily concerned with price determination of

individual factors. The main consideration from a microeconomic perspective is the efficient allocation of resources. This is necessary to maximize total output.

Macroeconomic environment: It includes all the economic factors in totality. The main consideration here is the determination of the levels of income and employment in the economy.

3.2.1. Factors Affecting the Economic Environment

The economic environment of a nation as well as the world is impacted by:

Inflation and deflation: Inflationary and deflationary pressures alter the purchasing power of money. This has a direct impact on consumer spending, business investment, employment rates, government programs and tax policies.

Interest rates: Interest rates determine the cost of borrowing and the flow of money towards businesses.

Exchange rates: This impacts the price of imports, the profits made by exporters and investors and employment levels (also through the impact on the tourism industry).

Monetary and fiscal policy: This helps in attaining full employment, price stability and economic growth.

(Description is taken from <http://www.economywatch.com/economics-theory/economic-environment.html>)

Although, economy itself is a system, engineered by people in order to somehow understand and predict the flow of money, therefore it is not only affected by natural factors, as stated above, but also by various political decisions, cultural changes and technological breakthroughs.

3.3. Political Environment

Definition: *system of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.*

Obviously, the political system affects business to some degree in liberal, free-market economies, or controls it in autocratic, closed markets. Nevertheless, laws draw borders

and limitations, within which an organization or an individual is allowed to operate or live. This system is both a set of “game rules” and a guardian of it’s compliance.

In the business world, such laws mean what is legal and illegal to do as a company. It could be marketing methods and information for customers. Laws can also create boundaries to prices, or “gray” activities in order to get unfair advantages over the competitors. Another way it may affect business - is prohibiting or limiting certain businesses activities of foreign companies, as it may affect local, tax-paying organizations and drive them to bankruptcy.

21st century is a time of huge corporations and daring business ideas, and a advanced, complicated system of various organizations operating within economies of countries, which in summary bases the global economy. In such conditions, some part of control is necessary. Even the most liberal advocates of free-market economies agree that the system works best with at least some regulation. Well-conceived regulation can encourage competition and ensure fair markets for goods and services.

3.4. Cultural Environment

Definition: *institutions and other forces that affect a society’s basic values, perceptions, preferences, and behaviors. (Armstrong/Kotler, p.95)*

Each person is grown in a specific cultural environment, which sets his/her beliefs about certain things, shapes behavioral patterns. Every one of us is affected by these forces in one or the other way. For a company that sells its products or services it is important to base their strategy on current trends, or predict where the next might be. In order to do so, there are several factors to take into consideration.

3.4.1. Persistence of Cultural Values

Every society has it’s own beliefs and values. Moreover, their core beliefs and values have a high degree of persistence. For instance, most Americans believe in working, getting married, giving to charity, and being honest (Armstrong/Kotler, p.95). These beliefs affect more specific attitudes and behaviors, found in everyday life. Such values are passed from generation to generation by families, schools, churches, businesses, and government.

Secondary or more specific beliefs are more open to change. Therefore, some companies might attempt to affect on them, for instance, to create a better market for their product. Such cultural swings take place for instance, with new popular music styles appearing, new movie stars, fashion changes etc. That all changes young people's hairstyle, clothing, sexual norms etc.

In the end, such changes form generations of people, concerned with similar questions, that they answer differently though. A set of such major questions or tastes of generation of people is a cultural power to be analyzed and taken seriously within the company. Therefore, it drives progress and constant development of new products, services and companies.

3.5. Responding to the Marketing Environment

Just as in normal life, there are some people who see their environment as something out of their control and they should just accept it and passively get along, eliminating the risks and taking opportunities which the environment provides. Some people behave in opposition to such views, and see their environment as something they may affect on, so they perform aggressive actions in order to shape it to their needs and plans. Just as this, there is the same kind of gradation between companies. In the end, they are all controlled by people's minds that are driven by knowledge, experience, fears and ambitions. That being said, not every situation is the same, and sometimes it's wiser to just sit and watch, reacting to whatever comes to you. Nevertheless, smart marketing managers prefer proactive approach, rather than reactive to the marketing environment. (Armstrong/Kotler, p.101)

4. Overview of the Saint-Petersburg Macroenvironment

St. Petersburg is situated in the North-West of Russia in the Neva River delta on the Eastern coast of the Gulf of Finland and occupies, together with the administratively subordinated territories, a territory of 1439 square kilometers. The city is located on 44 islands formed by the Neva River and 90 more rivers and canals. (Source: <http://petersburgcity.com/city/generalinformation/>)

4.1. Demographics

At the moment, Saint-Petersburg inhabits around 4,75 million people, ranked the 2nd biggest city in Russia after Moscow. The 2002 census recorded twenty-two ethnic groups of more than two thousand persons each. The ethnic composition was:

- Russian **84.72%**
- Ukrainian **1.87%**
- Belarusians **1.17%**
- Jewish **0.78%**
- Other ethnic groups **3.57%**
- **7.89%** of the inhabitants declined to state their ethnicity

and many other smaller ethnic groups. City's density is around 3,239 people for a km².

(2002 Russian All-Population Census. 2002. Retrieved 2006-07-20 <http://www.perepis2002.ru/ct/doc/English/4-2.xls>)

4.2. Economy

Talking about economic figures, one of the important ones for this research is the average income per capita. Average nominal wages, accrued for March 2009, the full range of organizations, including small businesses, amounted to 23805 rubles. The average wages adjusted to the index of consumer prices in March 2009 amounted to 93,9% in comparison to March 2008 year and 106.7% - in February 2009 (for more information see Appendix 2). 23805 rubles is approximately 610 Euros, which after income taxes (13%), amounts to 530 Euros.

According to paper "The Impact of Consumer Trends on Business in Russia" from U.S. - Russia Business Council Annual Meeting, 9th of October 2003 Washington, D.C. Here are statistics of How Moscow citizens spend their money:

How Moscow citizens spend their money?

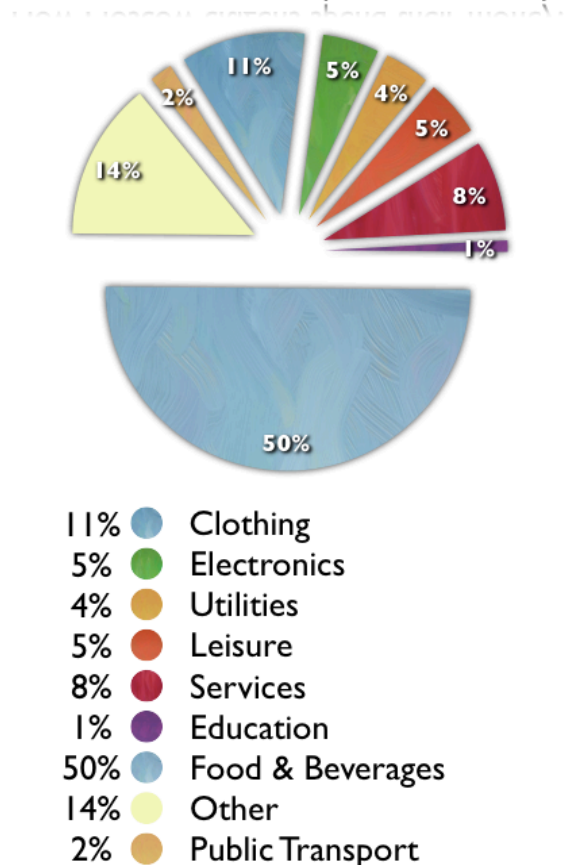


Figure 3. Percentage of money spent on various goods and services among Moscow citizens

Even though there are statistics for the Moscow city, Saint-Petersburg is the second biggest city, so in relation to the average income, we can assume that it won't be too drastically different. It is due to the shared culture between two cities, and the same set of values and beliefs. In Moscow the average income is around 31,156 rubles, which is 805 Euros (or 700 Euros after income tax).

Analyzing these statistics, we can see that most of Russians living in Moscow are spending 50% of their disposable money on Food & Beverages, while Clothing (11%), Leisure (5%) and quite debatable Other (14%), which is not such a big amount of spendings. Compared to such statistics from U.S.A. at \$10-15,000 income levels in selected industries:

Table 2. Comparison of spendings between U.S.A. and Moscow citizens

U.S.A.	Moscow
Food 16.5%	50% Food & Beverages
Clothing 4.2%	11% Clothing
Transportation 17.1%	2% Public Transportation
Utilities 9.7%	4% Utilities

We can see a huge difference in spendings. 50% on Food and Beverages, in Moscow means whether Russians are gourmets in their vast numbers, or, what's more likely, do not have enough money to spend on extra goods and services, as long as they need to fulfill their basic need in food. Therefore, Clothing in this respect in Russia is also a pretty big industry, in relation to the others. We can see that people in Moscow are more interested in spending money on themselves and living, rather than something extraordinarily expensive. That is on the surface. What this statistics doesn't provide us - is a real number.

The problem is that 40% of Russian money are not officially registered or paid for. In 2009 the official Russian GDP (PPP) is reported to be \$2.116 trillion (2009 est.), but some analysts believe that the real GDP is under-reported to about 40%. ("The Impact of Consumer Trends on Business in Russia", U.S. - Russia Business Council Annual Meeting 9 October 2003 Washington, D.C.). Even though this paper is pretty old, it's to be concluded from people living within the country, that this is still true.

Why is the Real GDP under-reported? Well, there are many possible reasons for that, including 40-45% of gray market according to the same paper. That is a huge amount of money, that is hard to trace and in the end include in statistics. The other reason is a high percentage of tax avoidance. That is perceived normal throughout Russian culture, since the beginning of the Russian Federation.

That being said, we can assume that in Saint-Petersburg the situation is almost identical, just with smaller amounts of money (judging from average income statistics) involved. Therefore it means that Saint-Petersburg citizens have money to spend on extra goods

and services, as travels, consumer electronics and leisure. Later in this research we will see other evidence of this assumption.

4.3. Overview of Russian air-transportation market

Earlier, we studied what is cultural environment within a certain society. This time let's look at core drives of traveling within the Russian Federation. The first fact to take into consideration is that during early 90s Russia has been through lot's of changes in its political, cultural and freedom system. At the dawn of the Russian Federation, back in 1991 until 1998, the country has been at the stage of drastic changes, that obviously brought rather basic concerns on population, instead of extra or luxurious - work, food, housing and security. Traveling around the Europe was cut down to selling of goods and buying them in order to export and import back to Russia. Majority of population had yet to learn what these new freedoms bring to them. That was a time of privatization of governmental property, initiation of new companies and businesses. Later the situation started to stabilize in some respect and people were ready to save money and travel on their vacations not only to the closest, inside Russia, resorts, but to Egypt, Turkey, Bulgaria etc. While the Government was strict about letting western competitors to enter the country, as they objectively feared of losing their domestic companies on a battlefield with more developed corporations from Europe and North America. Therefore, it led to the monopolization of air-traffic, by major Russian airlines, as Aeroflot, leaving out competition outside. Since then the situation changed, but the core didn't.

At the moment, the fact is that almost every airline in Russia is either owned by the Russian Government, or it keeps the majority or at least some stocks, or its owners are backed by the government (for example the biggest Russian airline "Aeroflot" has 51% of it's stocks owned by the The Federal Agency of Managing Federal Property (unofficial translation)). That leads to favoring conditions and deals, these airlines are given, in relation to western ones. If you look at the market, you can see that big traditional Airlines, as Lufthansa, British Airways, Finnair and so on, are present on the Russian market. Recently some upper low-cost carriers as German Wings, Air Berlin etc appeared as well. However, being put in such conditions, when, for instance they cannot set their prices lower than specified by the Government limit, or they are limited with

the amount of flights they may perform during a year and so on, there is no healthy competition present on the market. In the end, it all affects the Russian customer.

The point is that prices are not market driven, but are artificially tuned from above. That way new players are kept away, while the existing ones have to play by the rules. This leads to a more comfortable position for the Russian airlines to work in, which is also keeping them less attached to the reality of the market. Or if not, limitations and bureaucracy is keeping them in the borders of the current Federal Plan. Population in this situation has two choices - to go along and fly through Russian airports, or to find other solutions.

4.4. Conclusion

Saint-Petersburg is a big diversified market of different nationalities, religions and economic levels, that poses various threats and of course provides big opportunities for any business to attract it's population. With non-taken niche of low-cost air-transportation in the country, as it may be seen from the average income of the citizens, there is certainly a market for such business. Is Lappeenranta a good place to fulfill this market and attract people to taste no-frills, yet cheap air-transport?

5. Lappeenranta city and it's region

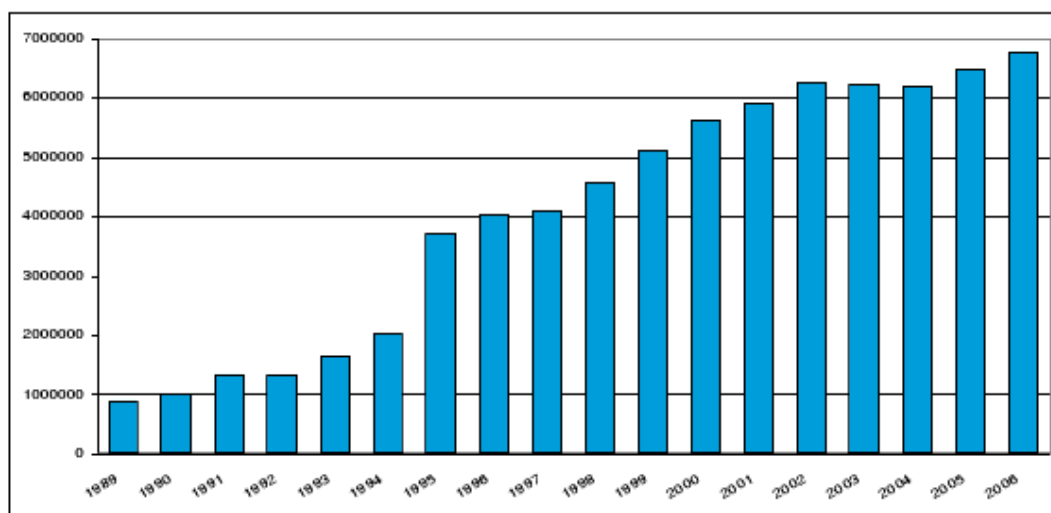
Lappeenranta is a considerably small city in the south-east part of Finland. Its population is around 72,000 people, with 95% of Finnish citizens, 0.1% Swedish and 4% others. It's the 13th largest city in Finland. Only about 30km from the city is the Russian border. Vyborg (80,000 inhabitants) is around 50km away, while Saint-Petersburg is about 215km.

Lappeenranta is connected to neighboring cities and municipalities by road, railway and airport. Local buses provide convenient transportation throughout the city, due to relatively short intervals between departures. Two easiest ways to travel to nearby Finnish cities is whether by ExpressBus or by train.

(Source: <http://www.lappeenranta.fi/?deptid=10973&languageid=4>)

5.1. VISA

Most of russian travelers from Saint-Petersburg and Vyborg favor the current Finnish visa rules for them. The situation is such that close to border cities as Lappeenranta, Imatra, Kouvola and some farther ones as Helsinki and Tampere receive a lot of money into their economy from Russian tourists. In 2009 year alone around 7 million people crossed the Russian-Finnish border. The number has grown from under 1 million back in 1991, when the Russian border was opened with about 60% of crossings by Finnish population, to almost 7 millions with more than 60% of Russians crossing. Here are the statistics taken from the official web-site of the Finnish Border Guard:



Border crossings at the Finnish-Russian border. Source: Statistics of the Border Guard, Finland.

Figure 4. Border crossings at the Finnish-Russian border

Many of these people travel to do shopping, visit Finnish spas and aqua-parks. Most of them stay for a weekend, which generates income for hotels and private renters.

Nevertheless, some that are crossing the border, travel to Finland not for its quality food and leisure activities, but to travel further in Europe. According to some figures, told by the director of Lappeenranta's airport in a second conversation we had, Tampere airport served around 80.000 Russians last year. For most of them Finnish airports are preferred to the one in Saint-Petersburg, why?

(Statistics available at The Border Guard, Finland official web-page <http://www.raja.fi/rvl/home.nsf/pages/511F6B6682407327C22572FE0025455B?opendocument>)

As implied earlier, Russians living in close to border cities, such as Saint-Petersburg and Vyborg, had received a simplified procedure of application for Schengen visa through Finland. It's done due to develop relations between the two countries, partly described in the "Intergovernmental Russo-Finnish Agreement on Cooperation in Murmansk Region, the Republic of Karelia, St. Petersburg, and Leningrad Region" from January 1992. This agreement describes the current development plan of border territories and cities by two countries. The main outcome of this is such that these territories are discussed, developed and sponsored by the two sides, which helps developing overall relations between the two countries and interconnect businesses together.

For Russian citizens it led to simplified Visa application, which gives them an opportunity to get a Schengen visa in a matter of 1-2 weeks with very few papers to fill, compared to other embassies. That of course generated the development of tourism to Finland, as well as opened transit routes and opportunities through Finland. For instance, many agencies and individuals organize their routes through Finland to Helsinki or Turku, take a ferry there and continue further to Europe. Others started using more diversified air-routes, available in airports of Helsinki and Tampere.

(Source: http://www.sptimes.ru/index.php?story_id=30684&action_id=2)

One key driver in this is that people who opened for instance a 1 year Schengen visa through the Finnish embassy have to open it in the issuing country. Because otherwise the Finnish side will have to question your true intentions on using VISA compared to the ones you wrote. So the rule is that the number of entries through the Finnish border versus other European countries should be equal or in favor of Finland.

5.2. Getting to the Airport

There are three major ways to get to the airport:

1. Private automobile
2. Public transport (buses, railways)
3. Private buses

The first way is the most flat - you simply take your own car, drive it through the border and leave on parking, whether by the airport or in some other place. For a Russian person, driving a car from Saint-Petersburg to Lappeenranta and back would cost around 25 Euros (average price on 95 Petrol in Russia is 24 rubles (0,62 Euros), average fuel efficiency of cars older than 3-4 years is around 9L/100 km, and distance between Saint-Petersburg is 220km), which is a pretty reasonable price. Especially, considering the opportunity to take more than one person in a car, gives even more advantages to that way of travel.

The second way is the most difficult, considering the schedules, which may be seen on the web-site www.matkahuolto.fi for buses, and www.vr.fi for trains. Considering the time of most flights (mornings and evenings), taking a hotel or hostel is necessary. That

adds extra costs to the trip, as each ticket already costs around 30-50 Euros for an adult. It will also mean that people would have to somehow get to the airport at the morning flight. Adding everything up, it certainly is not a preferred solution.

At last, the third way is on par with the first one. There are some companies in Russia that understood that transferring people through the border to Finland may be a good business. In that sense, some companies appeared and started their operations. Their advantage is shaped for specific needs in time-tables and more democratic prices than public transport. Since the announcement of Lappeenranta Airport operations with Ryanair, one major company was organized in order to work on that destination. Their idea is to pick up people at three specified locations in Saint-Petersburg and then continue to Finland. Prices on one of such companies "Euro Light" is 900 rubles one-way and 1,400 rubles return ticket, which is 24 and 37 Euros accordingly. In this case you don't have to spend additional money on housing for a night or two and will be delivered right at the flight check-in time.

5.3. Conclusion about Lappeenranta City

Lappeenranta City gains a lot of money from Russian travelers with their SPAs, shops and special Finnish tourist attractions (fishing, saunas, clean lakes etc). So far it was only this, but further development of the region may lie in the hands of new opportunities with their Airport, providing international flights to Europe with low-cost prices. The city itself is already living and developing mostly on Russian money, therefore further developing this bond is only a plus to the city economy.

Another advantage of Lappeenranta is that it is close to the Russian border, that is something not to be underestimated. 7 million people every year are passing through the border, with 60% of Russians (around 4.2 millions) - close to Lappeenranta. If marketed correctly to that big number of people - Lappeenranta may gain a big advantage and raise its volume of passengers.

As we can see from these numbers Lappeenranta is in a unique position, that opens up big opportunities for its development. The question is - does it have something good to offer to Russians?

6. Overview of Lappeenranta Airport

6.1. Historical background

It may be not the biggest airport in the country, but it is one of the oldest. Currently it is placed where the original airport was built back in 1918. It was during the revolution in Russia, that Whites organized flights from Lappeenranta. The reason for this exact spot was that it was a flat area, very hard ground, due to 100 years of being Russian Cavalry Training grounds. Therefore many horses hardened the ground, so it was very good surface to place an airport. It was a spring time and they had to park planes somewhere, during winter they were using ice, as it was very flat, but in spring it was melting and they had to find another place. They moved them here, for only a few months, but then traveled west to Kouvola. And flights stopped for many years. Next time when this place was used for airplanes was during the Winter War and WWII. However, the real traffic started in 1951, it was "AERO" (later renamed to Finnair) who organized flights from here. It was one plane in the morning, one plane in the evening, all flew to Helsinki. It went like this for about 30 years. There were attempts to fly to other cities, but they were never very successful.

In 1994 a flight to Saint-Petersburg was organized. For 4 years flights were scheduled once a day. But it was a bad luck, as in 1998 an economic crisis started in Russia, the ruble fell down and many businesses were moved out from there, so as Lappeenranta connection to Saint-Petersburg.

In 2008, in about 4-5 months the management of the airport set up a new airline Fly Lappeenranta, which is operating for 2 years now. Its only destination is to Helsinki. During the summer of 2009 it was decided that AirBaltic will use Lappeenranta Airport. Soon Ryanair announced their operations.

6.2. Technical details

Lappeenranta Airport is a small domestic airport with only one single runway. Its length is 2,500m, which is enough for almost any kind of airplane to land. The facility is relatively small with only few gateways for passengers' check-in and registration. Inside the building there is a canteen which serves coffee, snacks and sandwiches.

Outside of the facility there is a parking area, prices are the following: 1 hour 1 €, 1 day 4 €, 1 week 28 €. I was unable to find it's actual capacity, but from eye-sight it's fairly small and won't keep more than 50 cars.

Currently only 3 airlines are using this airport:

airBaltic (Kuopio, Kuusamo, Riga, Tallinn), Fly Lappeenranta (Helsinki, Stockholm-Bromma) and Ryanair (Düsseldorf-Weeze). Even though airBaltic and Fly Lappeenranta have a little more destinations, Ryanair is the most potential player in the airport traffic generation.


Distances: Lappeenranta Center 2 km

Nearest harbour: Mustola 12 km

Nearest railway: Lappeenranta 2 km

The actual capacity of the airport is fairly limited, approximately to 1 plane an hour maximum, otherwise there won't be enough place for passengers inside the building to get their luggage and leave. To shed more light on the actual operations within the airport I provide a fragment from an interview I took from the director of the airport Petteri Lehti:

“Right now we have about 3-4 planes a day. Which means, there is a plane, then for next hours it is empty. Then another plane and another hour empty. So in this 3hour slots we can easily fit another 3 planes and nothing would change. It is just that

Lappeenranta Airport Lappeenrannan lentoasema			
IATA: LPP – ICAO: EFLP			
Summary			
Airport type	Public		
Operator	Finavia		
Serves	Lappeenranta		
Location	Lappeenranta, Finland		
Hub for	<ul style="list-style-type: none"> Fly Lappeenranta 		
Elevation AMSL	106 m / 349 ft		
Coordinates	 61°02′45″N 028°08′55″E		
Website	www.finavia.fi 		
Runways			
Direction	Length		Surface
	m	ft	
06/24	2,500	8,202	Asphalt
Statistics (2008)			
Passengers	23,221		
Landings	1,824		
Source: AIP Finland ^{[1][2]}			

everybody will have to work a little more, but runway is here, building is here, air-traffic control is here - we have all the necessary equipment and staff ready. Someone asked me - how many planes we can take and I said it's one an hour, so basically 24 planes a day. Okay, that would be a hard work, but technically we can. The only bottleneck we have is our building. It's very small. Ryanair now use planes with 190 seats, Airbaltic has 120. 120-150 is okay, but 190 is already starting to be too much. But Ryanair is flying only 2 times per week, so that is not too much. Also we have charter flights with Boeings 757, which have 220 seats, and that is very much. Because the area is very small. Such flights we can do once a day or once a week. But if that would be happening all the time - we will have to do something."

6.3. Lappeenranta Airport Destinations

At the moment, there are three major airlines using Lappeenranta Airport for their operations. Here you may see a table with Airlines in the left column and their Destinations in the right:

Table 3. Lappeenranta Airport Destinations

Airlines	Destinations
Ryanair	Düsseldorf (Weeze)
airBaltic	Riga, Tallinn, Kuopio (begins 3rd of May), Kuusamo
Fly Lappeenranta	Helsinki, Stockholm-Bromma

As you may see each of these three airlines positioning itself for a different market. Fly Lappeenranta, being an air-carrier organized by the airport managers it looks at the market within Finland, or precisely Lappeenranta and nearby cities. The majority of flights are driven by this population directed on outgoing destinations in Finnish and Swedish markets. It is debatable whether there is a big potential to attract customers from these cities to Lappeenranta, excluding single business or transit travels. So it is a pretty solid assumption that target market for them is population wishing to visit these capitals and not vice versa.

On the other hand, Ryanair seems as the player for yet another niche. According to information from the press, in the past 2 months since the establishment of air connection between Weeze and Lappeenranta, 90% of all sold tickets were purchased

by Russian travelers. From that we may safely build a conclusion that no matter the theoretical opportunity of Finnish people to use this destination on a bigger scale, Ryanair is definitely building its strategy and development plans in Lappeenranta out of the market demand in Saint-Petersburg and Vyborg.

(More information is available in Appendix 5)

At last, airBaltic operations seem a safe mix of both. Riga and Tallinn destinations are aimed at Russians, willing to Travel around the globe, as these airports provide a wide scale of further routes. However, it's probably not that much oriented on simple Lappeenranta-Riga or -Tallinn trips for Russians, as both of these cities are easily available via on-ground transport from Saint-Petersburg. Its inside Finland destinations on the other hand will mostly work for the Finnish population.

Concluding the points stated above, we are coming to a question: which one of these destinations, therefore companies, has a bigger potential among Russian travelers? For that let's take a closer look at them.

6.3.1. Research methods

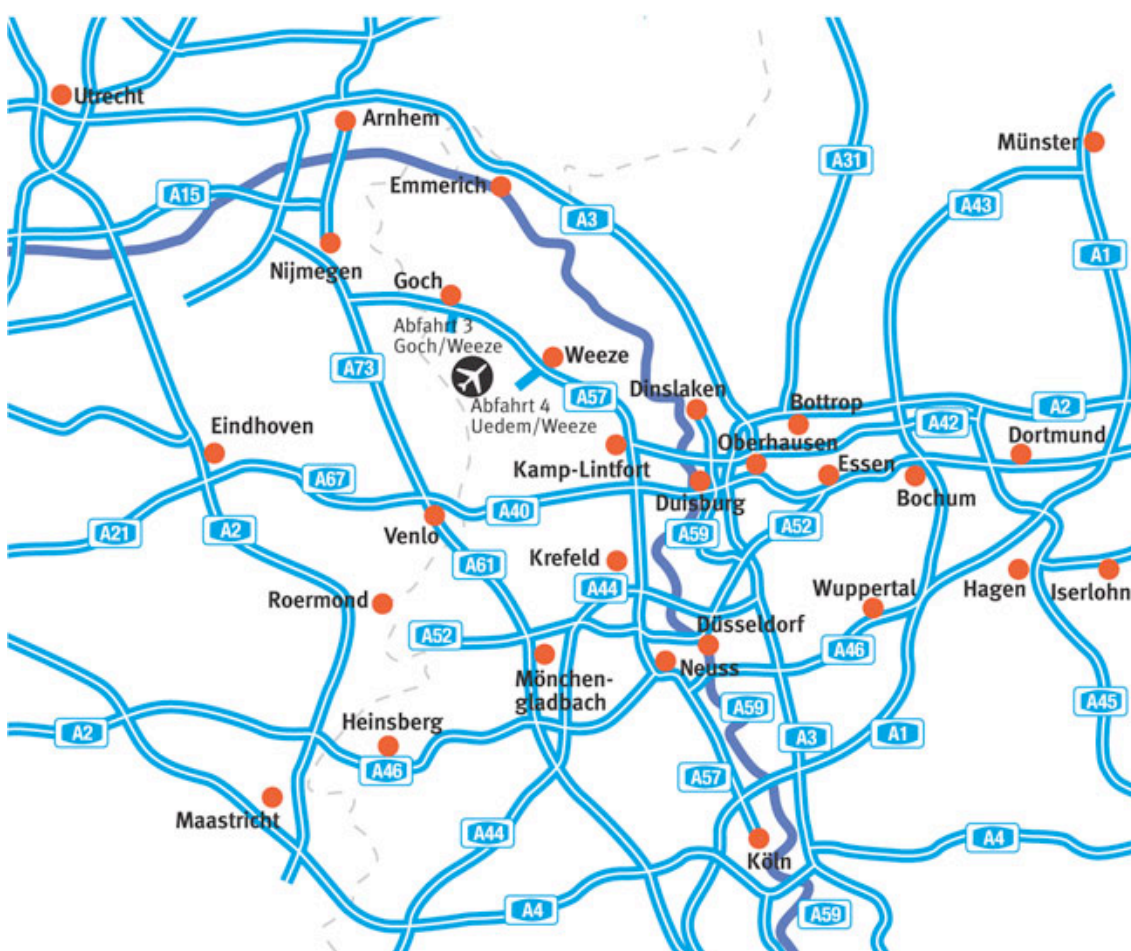
This research relies on data from the official web-sites, press-articles and interview with the director of Lappeenranta Airport. Due to specific topic of this research, only Ryanair's operations are going to be assessed. This is due to the fact, that destinations from airBaltic are only to close Baltic cities, which are more easily accessible through other means of transport for Russians than Lappeenranta Airport. That may be railway connection or buses, but going to Lappeenranta over 200 km just to fly to another city nearby seems not very likely and logical for a Russian traveler.

At the moment, only one destination from Ryanair is available through Lappeenranta - to Düsseldorf (Weeze). In order to get a deeper understanding what this destination offers and why it was chosen by Ryanair we will first of all assess what is this Airport. With numerous destinations available there, it may be an interesting choice for continuing flight further from there, or not. Then Ryanair's business model and ticket pricing will be analyzed in order to understand their history and principals. At the end, customer satisfaction will be assessed by using web-based services from Microsoft.

6.3.2. Düsseldorf (Weeze)

Currently the only destination by Ryanair Airlines from Lappeenranta Airport is to their big hub airport in the city of Weeze, Germany.

Weeze Airport or Niederrhein Airport (IATA: **NRN**, ICAO: **EDLV**) is an airport situated 3.7 km southwest of the small city called Weeze. It is 7 km away from Kevelaer, 33 km from Nijmegen, Netherlands, 170 km from Amsterdam, 200 km from Antwerpen and 78 km from Düsseldorf. It uses facilities of former military base RAF Laarbruch, and began operations as a civil airport in 2003. (Source: http://en.wikipedia.org/wiki/Weeze_Airport) The airport is mostly used by low-cost carriers, mainly Ryanair.



Title of the airport has undergone several name changes. The operators wanted to name it after Düsseldorf, for marketing reasons, but the name was blocked by a court ruling that it was likely to mislead passengers. However, Ryanair still refer to it as “Düsseldorf (Weeze)”. In 2008, with 1.52 mil passengers, which represented a growth of 80% on the previous year, it was among Europe’s fastest-growing airports.

People flying from Lappeenranta or any other city will happen to see a small airport, which nevertheless provides an opportunity to fly to any of dozens of destinations, by Ryanair and other airlines. Here is the list of the most interesting ones:

Table 4. Destinations of Weeze Airport

Airline	Destinations
Ryanair	Almeria, Berlin-Schonefeld, Edinburgh, Ibiza, Krakow, Las Palmas de Gran Canaria, Londo, Malaga, Milan, Oslo, Palma de Mallorca, Porto, Riga, Stockholm, Tenerife, Valencia, Venice, Wroclaw and many others.
Other	Sharm el-Sheikh, Hurghada (by Hamburg International); Antalya (Pegasus Airlines, Sky Airlines, SunExpress, XL Airways); Budapest, Mallorca, Monastir, Rhodes (by XI Airways).

For more information on available destinations from Weeze Airport, see Appendix 4.

Moreover, there is a variety of connections to nearby cities by train, bus and taxi. Bus stop is nearby to the airport. Most of routes are towards cities in Netherlands and in Germany.

Routes are the following:

Amsterdam, Arnhem, Boxmeer, Duisburg, Düsseldorf, Eindhoven, Essen, Oberhausen, Goch, Kevelaer, Cologne, Nijmegen, Utrecht, Venlo and Weeze.

For instance, a trip from Weeze to Amsterdam costs 31 EUROS one-way and 57 EUROS for a round-trip. So taking into account Ryanair prices, it is still giving a good opportunity to save around 100-150 EUROS on the air-ticket.

In the end, Weeze itself is a small city with no particular interest for people on vacation, or young adults, or students. However the availability of such air and on-ground routes means that Weeze may not be the final destination. Therefore, it may be a good solution for people traveling further.

6.3.3. Other destinations by Ryanair, or Market demand

As you may see, so far there is only one destination available through Ryanair in Lappeenranta Airport. However, during the conversation with Petteri Lehti, it was mentioned that at the moment the Airport is in a trial period and the management of the airline is now checking if personnel and facility can handle their 25 minutes turn-around. At the same moment, by the end of April they've already worked for almost 2 months and as it may be seen in the press, they are planning to open 3 new routes before summer of 2011 to Milan, Paris and London, although one of these routes may start in 2010. That is due to outstanding results, as according to the article, almost all the planes are fully booked and 90% of travelers are Russians.

(See Appendix 5)

Looking at the perspective of further development of the airport, it is necessary to understand what customers want. Vkontakte.ru, a Russian analog of Facebook, has a feature to create groups for people sharing common interests. Since its creation, groups of Low-cost flights appeared as mushrooms after the rain, attracting thousands of people to discuss opportunities to fly cheap. For this research, I studied these groups closely and found out that at the time when Ryanair announced their operations in Lappeenranta, many discussions and even separate groups appeared concerning that extension.

In cooperation with the creator of the group about Lappeenranta Airport, which by that time had around 12,000 people registered, we created a poll to get first-hand information about people's desired destinations. The question we asked was formed in such respect that it will provide a realistic (by that time) offer for holidays in May:

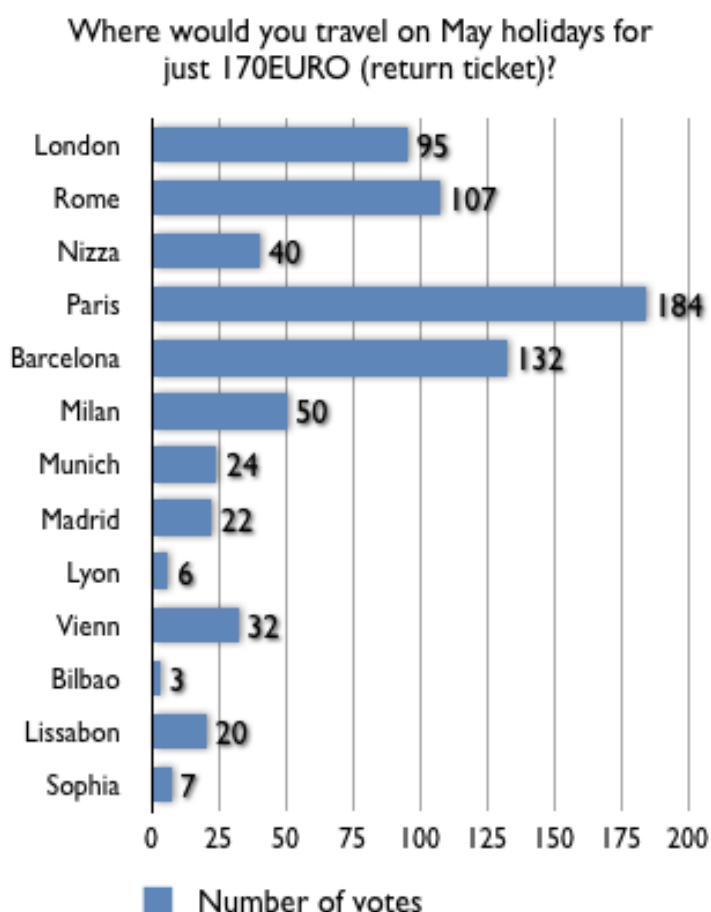


Figure 5. Poll about the most desired travel destinations of Russian people

We picked the cities of choice according to currently most popular European destinations, taken from travel agencies, various travel web-sites and our own understanding of this question.

Exactly 722 people voted. We were more than satisfied with this result, as we had limited time, and yet 722 opinions is a pretty big sample. Concerning the result's objectivity, it is necessary to mention that votes were collected from people already aware of such opportunity as low-cost flight from Europe, probably even those who already flew with one of these air-carriers in the past. On one hand, it is profitable to get results from people that are "in the topic" so to speak, but on the other hand it may not represent possibly a bigger scale of the population, that may even never have heard of such opportunity. In this case, the results may differ slightly, from the ones we collected. Nevertheless, what do these numbers tell us?

First of all, we can see that the most desired destination for holidays in May is Paris. 184 people voted for it, which is approximately 25% of all the votes. That is due to the

unquestionable cultural values of the city, as well as due to its perfectly engineered image as the city of love and gourmet food.

The second place is taken by Barcelona, the Spanish cultural capital, that has been attracting travelers for generations. The third city of interest is Rome, the Italian capital with over 2 thousand years history, is interesting for its shops and warm welcoming weather. Inevitably, London would be in Top 5 cities, with 95 votes, it is 4th most attractive city for Russians. As it may be seen, these four cities have a big advantage in terms of votes, compared to other cities in the list. The next city with the most votes is Milan, which is considered a shopping capital for Fashion clothing and accessories. It is logically not on the first place, as some of the people on discussion boards may suggest. That is easily explained by two things: 1) People who travel by low-cost airlines are willing to cut costs on transportation and pay less, it's logical to assume that they wouldn't spend vast amounts of their money on expensive fashion clothing; 2) The way we formed the question was about May holidays, which is still a relatively cold month in Saint-Petersburg and people would better travel to places of great Tourist values, rather than fulfilling their shopping needs. Therefore, Milan is still in Top 5, but only on the 5th place with almost half the votes of upper standing city.

Putting together the two pieces of information - plans of Ryanair to open routes to London, Paris, Milan and our research of actual demand on the Russian market, we can see that the Airline is aware of the current demand in Russia. And by opening these routes they will definitely attract more people towards their offers and the Airport itself.

7. Overview of RyanAir airlines

7.1. Historical background

Ryanair - is an airline which determines the current direction of low-cost air-transportation companies in Europe. Its first flights started in 1985, when it was a small business of the Ryan family. For the first 5 years its destinations were from Irish cities to London, when they almost went bankrupt, not being able to make profit in any of these years. In 1990 they hired a new director, talented innovator and orator Michael O'Leary, and that was a turning point for the whole organization. O'Leary and his colleagues had closely studied the operations of Southwest Airlines. (Pioneer in low-

cost air-transportation, founded in 1971 in U.S.A. Nowadays it's the largest airline in the world by number of passengers carried per year (as of 2009). Source: http://en.wikipedia.org/wiki/Southwest_Airlines) Ryanair became the first low-fare/no frills air company in Europe, and started low-cost revolution on the continent. Following the principle "it's not enough to be just 10% cheaper, we have to be 90%" new team of Ryanair performed a total reorganization, which led to dramatically lower costs. They changed it's entire airplane base towards one type of Boeing, cancelled 14 non-profit destinations and focused on 5 remaining ones. Additionally they revised it's tariffs, by making them simpler and reducing prices. In the course of one year, Ryanair became profitable.

Since 1990 Ryanair is constantly increasing it's volume of air-transportation for 20-30% a year, by remaining profitable. Nowadays, Ryanair is second in the World and largest in Europe low-cost airline, a leader of intraEuropean air-traffic. Their strategy of development is to increase frequency on existing destinations, opening 4-5 new ones from each base airport and addition of one new base each year. Low operating costs is Ryanair's main competitive advantage and a core element of its business model. The airline is strictly controlling their spendings, by using only secondary, e.g. cheaper airports, using single air fleet consisting of Boeing 737-800, and providing only paid services on board and in airports.

For the years of it's existence, Ryanair proved to be a wise strategic company, bringing in a big profit for the airline. One of such most impressive decisions was an order of 100 airplanes from Boeing in 2002, right at the peak of a crisis in air-transportation business, when terrorists attacked New York on 11th of September in 2001, which resulted in decline of demand on air-transport and significant slump in prices. Other examples of such wisdom of Ryanair's management was pre-paying for oil by fixed prices, which later has risen in a few times and entrance to Eastern Europe market right after these countries joined E.U.

Talking about Ryanair it's hard not to mention one more detail. Almost 20% of all the income company receives comes from selling additional services, which is the highest result in the whole World. Selling insurance contracts, lottery tickets, rooms in hotels, food on board, car renting, additional charge for over-sized luggage, selling advertisement space inside their airplanes and lot's of other things - all this is just an

important source of income as air-transportation itself. The steady growth of such additional income provides O’Leary with confidence to make such daring announcements as to predict that with time all air-tickets on Ryanair destinations will be free, while company will be making it’s profit from other sources. So far we may be confident that Ryanair’s forecast to transfer 70 million passengers by 2012 is going to be met.

7.2. Open Sky Agreement, a starting point of Low-cost traveling

In 1994 most of the European countries signed an agreement, so called “Open Sky” agreement. It’s idea was to give the freedom of air-traffic around Europe as well as to drive it’s market growth. Here I provide a paragraph from an interview with Petteri Lehti, director of Lappeenranta Airport:

“...but then 90s came, capitalism and competition: air states got freedom, EU realized new rules for cross-country air-traffic. One of them was that any European Union airline can fly to any airport within Europe, without any special permission. So that was the birth of low-cost airlines, because up till then air-fares were to be agreed, they were fixed for any airline, there was no real competition. IATA, International Air Transport Association, had to agree on prices for every route and set fixed fares. There was no real competition, and it was like that just 15 years ago. So the idea of Open Sky was agreed in Europe and everyone had to agree on their own prices and details. That’s why it all started to depend on “how cheap can you fly?” Big air companies as British Airlines, Aeroflot or Finnair - they all have the same problem: size. That’s why Finnair is on strike, and Lufthansa is on strike, and everyone is on strike. This companies are so big, they need a lot of money to pay salaries to all their employees, but they cannot just throw these people out. That’s why low-cost airlines started to grow - they don’t have such organization and they can sell cheap. Ryanair in Finland is basically one man, same as Airbaltic. This one person does all marketing, all paper work. Of course there are also pilots and the crew, but they fly wherever they have to. But the ground organization in Finland is basically one man...”

7.3. Ticket pricing

So, the Open Sky Agreement gave companies an opportunity to take control of their operations on a new level, granting an ability to cut the costs and spread their net of routes more dynamically. Let's examine, how cheap did Ryanair manage to operate?

In order to understand what is the real price of fair from Lappeenranta to Düsseldorf (Weeze), Ryanair web-site was visited. It was 6th of May that day, and ticket for 30th of May was chosen, while return ticket was due to 10th of June. Luggage and web check-in were included, it was a ticket for 1 Adult.

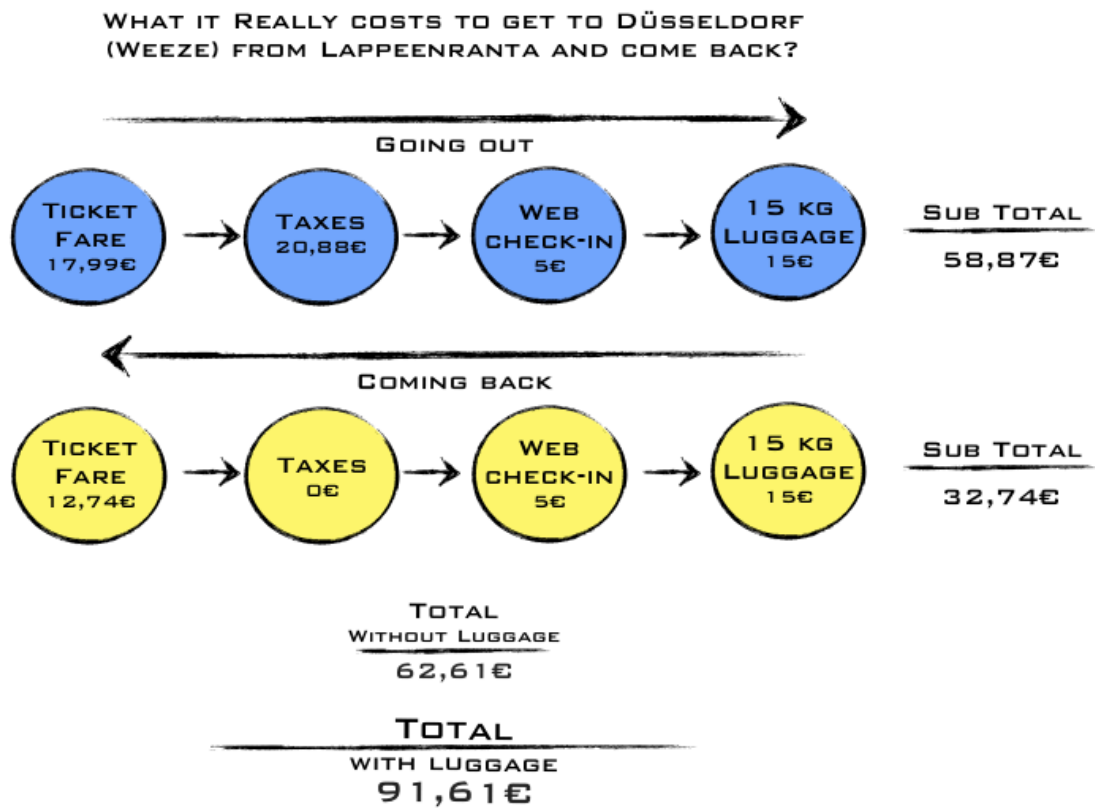


Figure 6. Example of Ryanair ticket cost calculation

As we can see Going out (departure) sub-total is 44% more expensive in this case than return ticket. That is due to closer to today's date, as in Ryanair - pricing is calculated in such way, that fare is getting bigger with closer departing date. Additionally, when the Airplane is filling the prices are also growing, meaning the more popular is the flight, the more you have to pay for it. That means it is better to purchase tickets in advance, while it's still a free plane.

In addition to the basic fare, the next thing calculated is Taxes/Fees, which in an outgoing flight are even bigger than the fare itself. That happens quite often though, as in the case of special offers fares might go down to 5€ or even 0,01€, while Taxes and Fees might go more than 20€. That has to be never underestimated and studied by the customer, as Taxes/Fees even differs from price - sometimes it happens that with bigger price of a fare - price of taxes is way less than of fares that costs less. For the end user it means that initially this system must be studied in order to get the best offer.

Web check-in is nowadays a compulsory part of a ticket price. It provides customer with the opportunity and also necessity to check-in before coming to the Airport - it may be done some days in advance and helps to reduce time in the airport both for the customer and for Ryanair itself. The web check-in amounts to 5€.

Additionally, it was decided to try and see what is the price for taking a luggage on a plane. Price for 15 kg bag is 15€, while for 30€ two bags for one seat might be taken with overall weight of 30 kg.

At the end, we can see that the Total price of travel with luggage is 91,61€, while without 15 kg luggage per seat it's reduced to 62,61€.

In addition to that it is necessary to mention that according to Ryanair, the average fare on tickets is around 32€.

(Source: http://www.dp.ru/a/2010/03/11/Ne_znaju_pochemu_oni_tak)

7.3.1. Prices on-board

According to some articles (Source: <http://www.eyefortravel.com/news/europe/ryanair-most-expensive-airline-onboard-food-and-drinks-survey>) Ryanair serves one of the most expensive on-board food and beverages among air-carriers. Is that so?

As it was mentioned earlier, meals and drinks are not included in the fare. In case a customer wants to eat something there is food and beverages available on-board. In various sources it's been said that the prices on these items are pretty high on Ryanair. Information about on-board food is not available on their web-site, so other sources were used. In one of the reviews (Source: <http://student.mikkeli.amk.fi/index.asp?language=2>) such numbers were found:

1.80 Euros: On-board soda

3.00 Euros: On-board water

2.20 Euros: On-board Pringles (chips)

5.00 Euros: On-board sandwich

As we can see the prices are pretty high, compared to normal fees at cafeterias and so on, yet taking into account that this is an airplane with such a low-fare, it's quite obvious that the price on food will not necessarily be so low-cost. On the other hand, travelers are allowed to take food with them on-board, while drinks according to current security measures in most parts of the World are not allowed in bigger than 100ml quantity. In the end, with such low-fares the company has to find a way to stay profitable, so making food on-board that expensive may seem as "rip-off" for customers, but it is a necessity.

7.3.2. Special equipment

In addition to normal fares and luggage, each passenger might take special equipment. Here is the list of possible items and prices to carry them on-board:

Table 5. Special equipment possible to transfer on Ryanair flights with description and price per item

Item	Description	Price per item
Large Sports Item	Canoe/Bicycle/Other (Maximum 20 kilos per item)	€80
Sports Equipment	Golf Bag/Clubs/Fishing Rod/Other (Maximum 20 kilos per item)	€80
Skis	Skis/Pole/Boots/Snowboards (Maximum 20 kilos per item)	€80
Musical Instruments	Guitar/Speakers/Drums/Other (Maximum 20 kilos per item)	€80
Baby Equipment	Travel Cots/Child Booster/Car Seats (Maximum 20 kilos per item)	€20

As we can see the prices per item are pretty big, compared to the fare. It is done because any additional weight means more fuel spent during the flight, more time has to be spent at the airport to pack it inside the airplane. Therefore, prices are not so low-cost. On the other hand, any of such equipment means you really need it on your trip, therefore, it might be charged, as still the total price will be smaller than on traditional airlines.

In addition special assistance for handicapped people might be offered for no additional fees.

Concluding these facts from above we may see that flying with Ryanair is a lot cheaper than with traditional airlines, unless you wish to take additional luggage or services on-board.

7.4. How do they operate so cheap?

One could start wondering how is it possible, that an airplane ticket cost is so low, compared to traditional airlines. Well, in order to maintain such performance on a profitable level, such companies shall execute many cost-cutting procedures. Ryanair business model consists of the following basic practices:

- **A single type of aircraft**

That helps to reduce the costs of maintenance, as you should store parts for only a single type of aircraft instead of multiple ones. Additionally, it helps to reduce training costs and guarantees interchangeability of pilots.

- **A single passenger class**

It provides a better usage of inner aircraft interior and helps to fit more passengers into one single airplane.

- **Flying to cheaper, secondary airports early in the morning or late in the evening**

It provides opportunity to take advantage of lower taxes and landing fees.

- **25 minutes turnaround**

Allows maximum usage of airplanes.

- **Modern air fleet**

It helps to reduce costs on maintenance as well as on fuel.

- **Passengers are paying for extras, such as luggage, credit card use, online check-in etc**
- **Employees working in multiple roles**

Steward-s/-ess also responsible for cleaning the passenger compartments, and/or work as gate agents. That is easily cutting the costs of personnel.

- **Ticket direct sales**

It's mainly done over the internet to avoid additional fees paid for travel agents and other reservation systems

- **Meals are not included**
- **No refunds in case of missed flight**
- **A minimum set of optional equipment on-board**

It helps to further reduce costs of maintenance and keep aircrafts' weight on minimum, which saves additional fuel.

- **A simple fare scheme**

Fares increase as the plane fills up, which rewards early reservations. Simplified routes, providing point-to-point transit, which helps to cut additional time on luggage transfer from a flight to flight.

- **Planes are cleaned only once a day**
- **Paid training**

Training is done so that future personnel has to pay 1400 Pounds for their training.

- **Differentiated salary**

The crew (stewards) is paid only in the air 14 Pounds per short flight and 19 Pounds per a long one.

7.5. Ryanair's customer service analysis

Ciao! service from Microsoft provides web-space for people to speak up about companies and products all over the World. I went through hundreds of reviews about Ryanair and made a list of Advantages and Disadvantages of it's customer service and overall perception from the eyes of end-users. To the point of objectiveness, it's a valuable source of information - people are free to tell what they feel about an organization and its service. But of course there might be overestimations and underestimations of some specific characteristics by one single person's opinion. Therefore, I went through over 100+ different reviews on Ryanair, which definitely raised the objectiveness of such a research.

Almost every customer said something about the price. Some said it's really cheap and you get what you've paid for. Others say that it's actually not that cheap if you add all taxes and fees you will have to and might have to pay. With Ryanair it's pretty debatable on whether the price is really that cheap, because it's actually depends a lot on the way you can handle their web-site and understand the rules. So for instance, many reviewers mentioned hand-luggage weight restrictions, which are very strict and leave no room for discussion. It's whether 10 kg maximum and doesn't exceed 55 cm x 40 cm x 20 cm, or you will have to pay for it as for luggage, but because you didn't register it through the web in advance, you will have to pay 30 EUROS instead of 15. It's very simple and straightforward in a way - you have to pay literally for every little mistake or service, that is usually considered free on traditional airlines. Needless to say, some people will find that irritating. Especially, talking about Russian travelers, who will have to first travel by bus to get to the airport, then the meet strict and fast way of Ryanair's business model, then most probably use another transport to get to their main destination. That doesn't sound as an easy and relaxed trip.

Here is one comment, I found the most expressive on the web-site: "My friend flew with me to Italy via Ryanair recently, and having never succumbed to its horrors asked me apprehensively: "What's it like?" My reply: "Do you know how they transport cattle?"

Table 6. Customer reviews summary of Ryanair Airlines

Advantages	Disadvantages
<ul style="list-style-type: none"> • Cheap tickets • Easy booking system, due to easy web-site design • Wide range of destinations • One of the safest airlines, due to modern air fleet • Wide variety of discounts • Regular scheduled flights • Quick turnaround in airports • Special offers for hotel bookings and car rent available on their main page 	<ul style="list-style-type: none"> • Expensive on-board and additional services, such as food, luggage carrier, credit card use for booking, changing flights etc • Possible delays and cancellations • No ticket return • Flights to secondary airports, means additional expenses in time and money • Additional and quite unexpected costs for unprepared traveler • Rushed boarding time • Apparent uncaring attitude of staff • Price curve is quite aggressive for late ticket purchasers, meaning you have to be flexible on dates • Cramped seating • No seat allocation • Tough weight restrictions on luggage • “The customer is NEVER right” • Not very relaxing atmosphere • Tricky and not very customer friendly terms and conditions on deals

Analyzing Ryanair’s customer qualities it’s easy to see that the only reason to overcome many difficulties merged with it’s operating principles is its price level. As many reviewers say “You get what you paid for”, and by having very low, sometimes next to nothing prices it’s hard to ask for more. Attitude of board crew may be quite harsh sometimes, or some people call it basic. If you have problems, they will try to help, but not more. Like there was a situation, when all the passengers took their places in the airplane, the flight was scheduled to departure in a few minutes when engineers found some minor breakdown in undercarriage. Passengers had to sit and wait inside the plane for a few hours. Some hours passed and one of them asked to open the bar and offer drinks for free from the captain due to delay and overall inconvenience. Captain had to say no, because these are the rules and terms of Ryanair. Another interesting thing about this situation was that the captain was thinking of landing at a different to their original

route airport, because the one planned was already closed by that time. That could happen when you are flying with this Airline, so customers should be ready for this. Ryanair's web-site is presented in many languages, while still lacking Russian. It is an obstacle for those who do not know any foreign language in Russia, as booking a ticket is becoming quite a difficult thing. Moreover, reading and understanding the rules and terms of use is even more tricky, while it's quite important to understand what is this "no frills" airline. (Source: This scenes are taken from a documentary film called: "Ryanair Caught Napping" made by Channel 4: <http://www.youtube.com/watch?v=ZkKPIrksymQ>)

Looking at the airline itself we can see that their business model is to sell tickets as cheap as possible, by cutting the costs on everything that is possible. On the other hand, prices are quite different depending on how much time in advance are you purchasing them. Starting from the basic price of 0.01 to 5 Euros on special offers and going all the way up to 20-30 Euros when about 1-2 months left until departure, it may rise until 70-90 Euros one-way if you buy just 1 week in advance. Moreover, as it was shown earlier in the research, you have to add taxes and additional fees to these basic prices. Therefore, understanding of these rules and limitations is crucial.

7.6. Ryanair for Russians

What is the biggest advantage of Ryanair Airlines for Russian people? Price. Me being from Russia, gives me an inside understanding of customer-behaviour among the majority of population. It's easy to see that people do know the cost of money, therefore they are willing to spend it practically. A trip to European best tourist sights and events for under 100 EUROS is an unbeatable bargain, in relation to the current offers on the Russian market. Even though they will have to travel to Finland first, such opportunity is not to be underestimated.

Ryanair's web-site is available in most of European languages, but yet lacks Russian. That is of course due to the unavailability of any routes to Russia or from Russia by this airline. On the other hand, in 2009 alone around 70.000 Russians flew from Tampere through Ryanair. That is of course not a drastic number, compared to approx. 50 mil. travelers a year, but may very well be increased by Lappeenranta's Airport. That's to my

view is improvident to lack Russian language on their web-site, as they know people do fly, and some, if not many, may not be able to speak English.

Looking at Ryanair's customer qualities, it's easy to see that of course its very basic service is not for everyone, but while being so cheap, it's still for many.

As people will see that they have to plan their travel a long time before they will actually do that. Because otherwise, there is really no point flying with Ryanair. It's price advantage loses it's value with the less time you have until departure.

Nevertheless, being a low-cost alternative to Pulkovo's quite expensive airlines, Ryanair will serve those who have time and are flexible on dates, those who wish to save on their travel expenses.

8. Competition

According to offers on Russian internet web-pages, there is not much competition available for Lappeenranta Airport, as other closest airports are even further than 220 km, except from one. That is Pulkovo Airport in Saint-Petersburg. Let's evaluate it and see if it can compete with Lappeenranta in terms of low-cost traveling, or at least how far are prices of it's destinations from what Lappeenranta has to offer.

8.1. Pulkovo Airport, Saint-Petersburg

8.1.1. Overview

Pulkovo Airport (LED) in St Petersburg opened in 1932. The airport offers connections to most European capitals. There are two passenger terminals. Terminal 1 is for domestic flights and services to the Commonwealth of Independent States. Charter flights to international destinations depart from the terminal also. Terminal 2 serves international destinations. Pulkovo Airport is a public airport, positioned 17km from the center of Saint-Petersburg and has highway connections as well as regular bus lanes and taxi links to the city centre and metro stations. 15 minutes by public bus to the nearest metro station.

8.1.2. Vital Statistics

Total 2008 throughput **7.1m (+15.2%)**

- 82% domestic
- 53% international

76 regular airlines inc:

- 41 international airlines; 12 from CIS countries
- 35 domestic airlines

139 regular destinations inc:

- 92 international; 26 from CIS countries
- 47 domestic

Flag carrier – STC Rossiya, 45% of total St Petersburg traffic, 86 regular destinations in 2008, inc:

- 25 domestic
- 21 to CIS countries
- 40 other international destinations

(Source: <http://www.therouteshop.com/pulkovo-airport/#factsTab>)

8.1.3. Airport Facilities

Money and communications: Bureaux de change, ATMs and a post office are available in both terminals. The post offices offer photocopying and various telecommunication services. Wireless Internet access is available in both terminals.

Eating and drinking: There are restaurants, cafés and bars situated throughout both terminals.

Shopping: Shopping includes duty-free. A newsagents and convenience store are located on the first floor of the Pulkovo 2 Departures.

Other facilities: There are First Aid posts in both terminals and a mother and child's room is available. There is a pharmacy and a hairdresser's in Pulkovo 1. Showers are available.

(Source: <http://www.cheapflights.com/airports/pulkovo/>)

8.1.4. Prices

With almost hundred international destinations available in Pulkovo and 41 international airlines operating through it, isn't there any good bargain for the end-customer? Well, if talking about long-distance trips as Egypt, Turkey, Asia and so on, there is not much choice around - you will have to pay good money. Therefore, many of such destinations are interesting for those who have money to pay for such trips. On the other hand, what about those customers who would like to travel but do not have enough resources to spend on traveling costs? In order to get a deeper insight, we will assess some of the cheapest offers available in Pulkovo.

First of all, Rossiya Airlines holds 45% of the total traffic of the airport. Let's start with them. A ticket on the same dates, as when we were looking at Ryanair's prices, to Düsseldorf from 30th of May till 10th of June costs 900€! For one person, with luggage, insurance and meal on-board. While this price is extraordinary bigger than the one of Ryanair (with luggage 91,61€ and 62,61€ without), web-sites shows other available offers with days around the initial date. So when we changed our date to 2nd of June until 14th of June (end date was changed to compensate 4 days change of departure), price became 315€ for one person. Which is still 342% bigger than what Ryanair is charging in Lappeenranta. That is a big difference, considering that average salary in Saint-Petersburg is around 600€ (See Appendix 2). At the end the best price we could get on the web-site was 230€, yet it meant that trip had to shrink into 7 days from 2nd of June until 9th of June. (Source: <http://www.rossiya-airlines.com/en/> ticket search)

Another airline, this time considered as budget air carrier, Air Berlin is going to be analyzed. We took the same conditions and initial price for the trip from 30th of May until 10th of June was 388€. Then after finding the best prices, it came down to 244€, which is again pretty close to what Rossiya is offering. (Source: <http://www.airberlin.com/>)

After going through various airlines, it was found out that the average ticket price is somewhere around 250-330€, if you are looking for the cheapest fare available and flexible on dates. On the other hand comparing to Ryanair's offer of 91,61€, and even adding the price of transportation on private bus of 36,20€ for both ways, we end up with 127,81€ price, which is at least twice cheaper than the average in Pulkovo's available offers.

On the other hand, most people are not traveling by their own in Russia. Most of Russian people use travel agencies to find the best place and offer for their vacation. In there prices for airplanes are already included in the package, which at the end doesn't mean they are that cheaper. Average price on the most popular destinations in Egypt, Cyprus, Turkey and Spain is around 900€ or even more, meaning you will have a hotel of most probably 3*. That is compared to what you might get through Lappeenranta is pretty straight forward and easy, but just as air carriers were granted with an opportunity to fly as cheap as they can, so are Russian travelers now with availability of cheap flights from Lappeenranta to Düsseldorf (Weeze) and then continue to further destination. That makes it possible for travelers to save as much money as can manage - due to their own research of best offers in hotels, transportation and so on. (Source: <http://www.nevatravel.ru/tours/search/spb/esp/05.2010/all/all/all/all/all/all/price/all/all/rubspb/#forma>)

8.2. Low-cost airlines on the Russian market

Most of the air-flight companies present on the market are middle- or upper-class airlines, such as British Airlines, Lufthansa, Aeroflot and others. Even though there is a high potential market for low-cost air-traffic, only few are operating through the city. That is Air Berlin, German Wings. But those are upper-low cost companies with tickets higher than 100 euros, however RyanAir and EasyJet - biggest low-cost airlines in EU do not fly through Pulkovo. What is the reason? Why wouldn't they cover such a big potential market?

One reason is high taxes. Pulkovo's management team for both political and business reasons don't want to change the current maintenance prices.

Russia isn't included in the European Union's open skies agreement. That's why Lappeenranta, a small town on the Finnish side of the border has good chances as an entry point. It is pretty consistent with the habits of Russian passengers - they have accepted somewhat longer travel from the airport to their destinations due to the culture of saving. As a passenger they could save a lot of money. There are no real discussions nowadays that any company will start real low-cost connections directly to Russia any time soon. The location of Lappeenranta is unique (St. Petersburg is so close). Even the

new EU members like Poland or Hungary are still many hundreds of kilometers away from any bigger Russian town.

8.3. Open skies in Russia

There is not so much information available on the internet about Russia and Open Skies treaty with EU. But nevertheless, what are the possible reasons for not signing it in the near future?

First of all, the Open Skies treaty means that a government will intrude no more in the procedure of approval of international flights. In other words, to set a new route between Novgorod and Riga, airlines will need only to negotiate with these two airports and then start to fly between them according to a set schedule. On the contrary, nowadays such affairs on international routes are regulated with cross-country agreements, and sometimes arranging a new route can take months. Conditions of open skies will also extend to Russian airlines, which will also be granted with the ability to fly to any European airport.

However, according to experiences of other companies in other businesses, it's highly unlikely that Russian airlines will be able to compete with the leading European airlines, whether in the low-cost segment, where the prices per one flight start from 9 euros, or in the traditional segment, where the air planes of Russian airlines are old, they will be forced to renew them. In addition the service quality requires significant enhancement.

Objectively, the conquest of Russian airspace by foreigners is inevitable in this case. Moreover, taxes and money of it's citizen will be going abroad, which may seem unimportant for them, but not such for the government and the country as a whole. A solution for this may be to attract airlines willing to create subsidiaries, paying taxes in Russia and performing so called "social" flights, where profits are close to zero. Who would agree on such terms depends on the attractiveness and potential of the Russian market, which is big. But until the government and the heads of major airlines are ready for such dramatic changes, it won't happen. Considering today's political situation and overall world-view of people in charge of this question - Open-skies agreement and therefore low-cost airlines as Ryanair won't be available on the Russian market anytime soon.

9. Evaluating the target groups of Lappeenranta Airport

9.1. Characteristics affecting consumer behaviour

In order to get a better understanding of Russian customers and what might affect their behavior, the Customer-Delivered Value model is going to be used. It provides an outline for researchers to get inside consumers' minds and come to interesting and necessary conclusions what has to be taken care of in order to provide better customer satisfaction and gain more customers.

9.2. Customer-Delivered Value

Marketing is about meeting the needs of your targeted market, but also providing them with a value. This value is determined when subtracting the benefits a customer gets from the product with the the customer costs he does to get it. (WikiAnswers, http://wiki.answers.com/Q/What_is_customer_delivered_value). Here is the graph based on Kotler's:

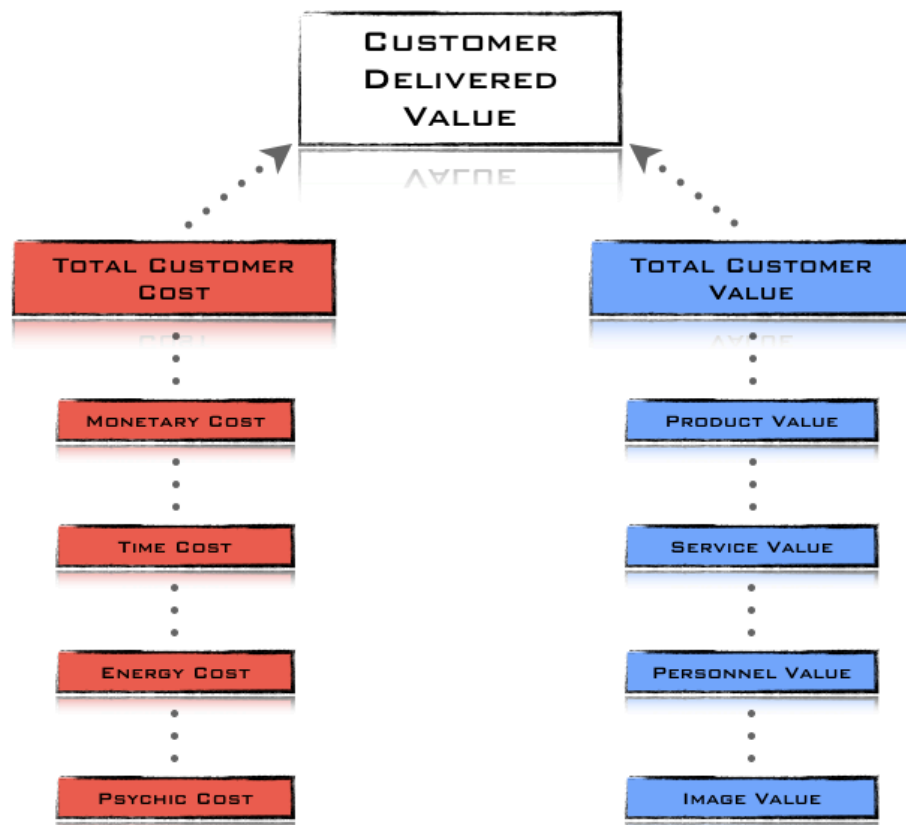


Figure 7. Customer-Delivered Value framework

Easily this graph means, that there is a direct correlation between what customer is paying for the product, and what this product delivers him, that affects his/her decision to purchase it or not. (Kotler/Keller 2001, 64)

9.2.1. Total Customer Cost

This side of the graph states the most common costs affecting customers' decision making, that are correlated to the purchase. Basically, here we see what is considered as a price that person is paying to obtain a product or service.

9.2.2. Monetary Cost

Money. This is easily one of the most effective and forceful criteria for decision-making in many industries. High prices may attract rich and wealthy customers, that probably made their fortune to be able to buy such expensive products and services. For such, prices seem as an indicator of it's outstanding qualities and on some psychological level makes them trust this product or service more. Companies working in this branch have to invest into safety of their products or services, as well as the quality and additional values or know-how, as their potential customers are very demanding. Low prices on the other hand attract those who have limited or average income, and wish to save their resources. Such customers will sacrifice quality in the face of more favoring prices. On this level, companies compete on the production and logistics side, trying to find out the way to cut the costs to the extreme, or next to minimum. Middle-class customers probably won't think about the price in the first place, rather than other qualities, but more importantly they will want to buy a better quality product or service, paying premium for better customer service and some additional perks. So, money will mean different thing in each customer-level, for some it's important and means they want maximum, for some it's even more important - because they have so limited resources, that they wouldn't spend more than the lowest, on the other hand middle-class will look differently at the price at all, and will be driven by other forces more than monetary.

9.2.3. Time cost

Time means different things to people. For some it's a very valuable resource of their everyday life, and every minute costs money. For some, time is a variable unit, their time at work is paid, then later in the day they are too tired to wish for anything else, while holidays for them are rare and valuable. Some have a lot of free-time that they don't think about time's value at all. That's why time cost is a complicated measure, as it is relative to different type of people or target markets. For instance, let's take as an example movie screening in the local cinema. A person who works 5-6 days a week, receiving an average salary and having a family to look after will look differently at the time costs, connected with visiting cinema, compared to a student studying at school or university. For a "family person" going to cinema may seem as an extra, as there are things to do about the house or family or work. While for a student it may seem as the only thing to do at the evening with his/her friends and nothing else disturbs it.

9.2.4. Energy Cost

Energy is something that a person spends of his own time and strengths to do something. So if a person wants to purchase something he has to do some actions. That is for instance taking a car, driving it to the shop that possibly has the desired item, finding it, paying for it, driving back, installing it if necessary. All those actions spend our personal energy, time and emotions. So for example, buying oranges in a close-by convenience store and finding a rare artifact from Maya civilization would be two different things talking about energy one will have spend to obtain these objects.

If we look at the history of late-90s and especially 00s, we will see how the internet changed the way many people perceive energy costs related to their purchase. Before, it was a lot harder to find special, rare items, now with the availability of such web-sites as Amazon.com and eBay.com - just type in search what you are looking for. That changed customers' behaviour a lot. Now they will look differently at local shops, for instance selling electronics, DVDs and computers, because nowadays these stores are competing not only with other local ones, but also with online-shops. Because of lower operating costs, online-shops may offer lower prices on the same items that may be priced more in traditional stores. In the end, people are no longer forced by inevitability to actually walk or ride on transport in order to buy something - they can do that online.

Another point is that not all the countries have such a wide spread of the internet, making such online shops unavailable. For example, in small Russian cities you won't see people thinking about internet purchases even once, they will still be limited in choice by local shops' offers. Therefore, energy costs may be perceived differently depending on the country.

9.2.5. Psychic Cost

The psychic cost is related to a person's psychology, more precisely to his/her emotional and psychological state. This characteristic is very relative, as some people are like "hard rock" - their level of intolerable or stressing situations is way higher than the average and not much would upset them. But most of the people have their limit and some things may easily stress them. So this characteristic measures how much stress and negative emotions, time, misunderstandings etc may using the product or service generate. For instance, buying coca-cola in a nearby convenience store may be very easy. The customer will remember short queues, fast service, easy payment method and will consider buying a bottle as an easy task that doesn't bring much stress, except from the fact that you should walk there. But what if the weather is bad? Or there is only one cashier working, while many customers are standing in the line. These few, quite minor changes may actually have a dramatic impact on some customers. Some will feel that they are exhausted after this small purchase and will consider that shop stressing, or slow and will decide not to use anymore. Some may find it stressing standing in the line. Some will enter, see long queues and leave the shop immediately. In the end, every manager has to think about this characteristic of their product or service, as it may affect drastically on sustainable contact with their customers and make them wish to come back or never see them again.

9.2.6. Total Customer Value

This side of the graph tells us the opposite - what customers obtain by paying all these costs.

9.2.7. Product Value

That is what the product or service is actually providing in terms of use and practical qualities. For a soccer ball it would be its durability, grip, size, weight, air-dynamic qualities etc. Taking these characteristics into account, a person may weight its value in comparison with its rivals. Product value is commonly a very exact estimation of measurable qualities, therefore its easier to see and feel the difference. That's why, still arguably, for most of the products it is one of the most important characteristics.

On the other hand, many customers may be blinded by other qualities, advertised or heard somewhere, which won't necessarily be related to its product value, decreasing its importance.

9.2.8. Service Value

"Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation."

Jamier L. Scott.

(Turban, Efraim (2002), *Electronic Commerce: A Managerial Perspective*)

According to definition *customer service* is the provision of service to customers before, during and after a purchase. (http://en.wikipedia.org/wiki/Customer_service) In case of Customer-delivered value model, service value stands for importance of provided services, i.e. how useful or attracting or even important is it for the end user. For instance, when people are going on a concert of their favorite band, there might be long lines and bad logistics in cloakrooms, but does it really matter while its a quite rare occasion and not the main feature of the whole evening? On the other hand, for people that came to spend a good time with their friends, who probably are not even so familiar with the band - such quality of service might look different to them. Of course, service value differs from business to business, from market to market, and from person to person, therefore its quality and price for the company must be calculated in relation to the image, target market and overall ethics and laws.

9.2.9. Personnel Value

Very closely related to the service value is the value of personnel, that is how well-trained, i.e. welcoming, nice, knowledgeable, assisting etc staff of the company appear to be when they are giving the service to the end customer. This characteristic is ranging from very important to hardly matter, depending on a business and target group. Obviously, a good individually provided service is a plus in almost any kind of company, but the problem is that it costs money, as it implies answering and assisting any kind of question from the customer, which means that if there is another one, or even more - ideally every one of them has to be met with a selling person who will guide and explain the details of their products and services, or just be right there to be asked. Therefore, every company has to decide how much personnel they need in order to balance the Cost & Value ratio. Some emphasize it in their balance sheets and invest additional funds for a bigger staff, while others try to cut the costs and decide to have very little people to work with the customers. Moreover, personnel needs training in order to be working within the company's mission and vision, or at least meet certain qualification criteria. Some organizations keep their own human resource managers, whose job is to make sure every person within the company is well-prepared for the job. Therefore, each company has different Personnel Quality, resulting in different Value in the minds of customers.

9.2.10. Image Value

For some people that may be one of the most important characteristic of their purchase, Image value is the way the product is perceived in the mind of the person purchasing, as well as how will it appear in the minds of his/her friends, colleagues, family etc. Image is about whether the product/service is something to be proud or ashamed of, if highlighting the extreme values. For instance, some items are considered to be necessary or revealing in certain groups, for instance, a wrist watch among rich people is considered as an indicator of wealth and prosperity. Therefore, such person wouldn't buy a wrist watch of a poor image value, as it will also represent him/her as of such level. There are many examples, when image is the main value that the customer gets with the purchase. Nevertheless, if a product or service fails to deliver what it's image is proposing, then it might lead to dissatisfaction and in long-period of time, if the image

of a product is out-dated and doesn't represent the actual value, it might make the company to lose its customers.

9.2.11. The actual value

After every item of the Customer-Delivered Value model is properly assessed a company or a researcher comes to a deeper understanding of what the customer gets and what he loses, after the purchase. The outcome of this might be that the researcher may propose certain changes or enhancements in their product or service values, i.e. propose a better logistics of delivery methods, or decide to lower costs of personnel etc.

However, let's not forget that initially this framework is about Customer, and is constructed to propose you are the person, choosing where to spend, or better invest his/her earned money. "Invest" because you as a person is driven by certain desires and fears, likes and dislikes, plans and obstacles, and money is a general resource in our society to balance these forces, while also being so exacting on your work. So depending on what you want at this specific moment or period of your life, whether it is a new iPod, or car, apartment, or haircut - you have your own understanding of what you want to get for your money. The job of a Marketing Manager is to provide a holistic set of values that will convince you that this is a place to invest your money, time and energy.

9.3. Customer Delivered Value of Lappeenranta Airport

Finally, we come to a the point when we will crash together the Costs & Values of Lappeenranta Airport as it is perceived by Russian customers, and will get to a conclusion whether it has that "holistic set of values" to attract their money, time and energy.

Talking about the airport's Customer Delivered Value, we cannot forget that it's qualities are tied to airline companies, travel destinations, city, facility, price, distance, time costs etc. So calling it the Customer Delivered Value of Lappeenranta Airport, does actually imply an analysis of the sum of all of these qualities.

9.3.1. Lappeenranta Airport Customer-Delivered Values

At this point we are going to assess the customer-delivered value of Lappeenranta Airport in the eyes of a Russian citizen. What might be an obstacle, or a gain, when using the airport's service.

9.3.2. Product Value

Product of the airport is its transportation from point A to point B. Its qualities are speed, security, included services, comfortability, available destinations.

Table 7. Product values and description of Lappeenranta Airport

Values	Description
Price	Low transportation costs for extensive travels, or opportunity for more frequent trips
Transportation	Opportunity to visit Europe for low amount of money
Destinations	Ability to reach far-out locations and European capitals
Security	Ryanair has one of the highest security rate, due to its modern air fleet and low crash report
Included services	Nothing except the most necessary services
Comfortability	Low-cost/No frills airlines provide very basic level of comfort

In case of Lappeenranta Airport's product value, we can see that it's easily the most straight-forward characteristic of that business project. Easily the price is the most important value here, as according to previous chapters it's unbeatable on the Russian market, and Russian customers simply have no better alternative for cheap travel to Europe. On the other hand, this model helped to distinguish another value, that is not to be underestimated - the opportunity to travel to far-out locations, as small European towns, which helps to explore countries more profoundly and get richer experience of learning about the culture of other nations. The thing here is that with Ryanair you may choose to travel to so many destinations on such low prices, that you may decide to visit really rare and exotic tourist locations, as for instance South-West coast of France etc. That combined with the necessity of planning your own trips, when traveling through

Lappeenranta, it pushes the customer to explore the web for the best places to visit in a country, that might be totally unavailable among Russian tourist agencies.

Another point in here is that Lappeenranta's destinations and prices opens up an opportunity of not only traveling to rare destinations, but also having trips more often! That could lead low- or mid-class Russians to decide to visit long-desired, but until recently just dream events like Football matches of European best teams, or even Championships, that with the popularity of this sport in Russia might generate hundreds of customers. Or it may also be a concert of the favorite band, or exhibition of favorite artist, or hobby related event somewhere in Europe. Such prices and the availability of cheap routes from Lappeenranta (through the hub-airport in Weeze) is not only fulfilling current needs of traditional travelers, but also might generate a new trend in Saint-Petersburg and a new customer group for the Airport.

9.3.3. Service Value

Service that is merged with the airport is transportation, reservations, before the flight waiting lounge, availability of cafeteria, toilets, understandable instructions and assistance at the Airport, as well as on-flight service and it's quality.

Table 8. Service values and description of Lappeenranta Airport

Values	Description
Transportation	Comfortable and relatively cheap transport is available from Saint-Petersburg and Vyborg
Reservations	Effective and fast online reservations of air tickets and transfer to the Airport
Waiting lobby	Availability of cafeteria, toilets, seats and TVs in a waiting lobby of the Airport
Understandable instructions and assistance	Availability of Russian speaking person at the airport is still undeveloped, but there is a Russian tourist guide, who may assist
On-flight service	Meals and beverages are not included, but are available on Ryanair's flights, as well as on-flight shop
Quality of service during the flight	Basic but efficient service, considering the price

Service Value of Lappeenranta Airport is basic, but nevertheless all necessary features are at place and available. The point of Ryanair's flights and service is providing low-cost, no-frills air-transportation, therefore you cannot ask for too much. From that point of view, it shouldn't be a problem, while people, willing to pay less are aware of the fact, that better things cost money, while cheaper and yet still good things may lack some of the features. That means, that there shouldn't be any cultural shock from the customers, as they are aware of what they are doing. On the other hand, if Ryanair or the Airport, or the transportation company is unable to provide the promised level of quality, then of course customer satisfaction falls and that could pretty much lead to business decline, if not taken care of.

9.3.4. Personnel Value

In case of the Lappeenranta Airport for Russians personnel we have to consider that the first person customer sees is the transportation staff, i.e. driver of the bus, then when they enter the Airport it is that they see Airport staff and then on-flight staff. Each of these steps has to be evaluated separately, and yet it's all connected under overall Personnel Value of the Airport.

Table 9. Personnel values and description of Lappeenranta Airport

Values	Description
Transportation staff	Bus driver, or additional personnel
Airport staff	Person meeting travelers, assistance people, check-in staff, cafeteria staff
On-flight staff	Stewards and air-plane captain
Language	Language barrier when speaking to the staff

According to the results of a research of transportation companies from Saint-Petersburg to Lappeenranta's Airport, it is seen that they are trying to enhance their business qualities with being better at delivery, picking up every person individually, providing free internet connection while on the road and so on. The personnel is limited

to 1-3 people in each bus, while transfer arrangements are done over the phone or by internet. No real complains were found while reading people's reviews.

The airport staff is a little more complicated, as Lappeenranta is a Finnish city, therefore most of the staff out there is speaking either Finnish or English. That may be an obstacle in case of trouble or questions, especially considering the fact that there are no sign or instructions in Russian inside the facility, so some kind of guidance will be required. While speaking to the Airport director, I was told that they are now thinking of hiring a Russian speaking person, who will be welcoming incoming travelers from Russia.

Speaking of on-flight staff, it's Ryanair's stewards, which basically means that there are most probably no Russian speaking staff on-board. As though it may seem as an obstacle, it's not really a big one, as most of such low-cost travelers have already used airplanes before and understanding the rules on-board shouldn't be a problem, as basically they are still quite standard. Except from hand-luggage rules though, which are anyway should be explained before boarding.

Concluding facts from above we may see, that personnel is probably not the core value in case of flights from Lappeenranta, yet it is a quite important feature in case of troubles or misunderstandings from the customer side.

9.3.5. Image Value

One of the most interesting findings about Customer-Delivered Values came when analyzing the Image value of Lappeenranta Airport. First of all here are the values with it's descriptions:

Table 10. Image values and description of Lappeenranta Airport

Values	Description
Perception of Europe	Russians perceive Europe as a place to learn from and have bigger trust in it's way of life, political and cultural values than the ones of their own country
Perception of Finland	Calm, peaceful country with very comfortable and risk-free conditions for life

Values	Description
Opportunity to feel as a smart consumer (Psychic Value)	Being able to feel as a person who spent his/her holidays in Europe for a lot cheaper, than others
Image of finding the best price behaviour	Russian people look at ability to get the same for lesser amount of money as being smart
Image of rare destinations travels	Russians are curious for all the beauty around the Europe, yet didn't have an opportunity to get there for cheap until recently
Ability to overcome unfairness on Russian market (Psychic Value)	Many Russians believe that business in their country is corrupt and not fair, therefore using better Western products and services is the ability to punish bureaucracy and unfairness
Affection on Russian government (Psychic Value)	Somewhere deep in their subconsciousness people wish Russian government to evolve faster, therefore showing them their point of view like that

One may wonder what might be an image value of low-cost travels, but as we may see in this table here, it can be different. Many of these values are taken from my personal experience of living inside the country, based on conversations with friends, family, teachers etc.

So first of all, what is so good about traveling through a cheaper airline for Russians? The point is that they watch TV news and are aware of life in Europe. They know that life in Europe is more stable and wealthier. Nevertheless, they also know that people are still people and nothing is ever so good, as it may be seen. Therefore, Russians assume Europeans are not all rich and wealthy, so they also like to spend money accurately. Then they hear that there is a big Airline with extremely cheap tickets, they are not aware how they achieve such prices, but know that it exists. Then they see, that it's not operating in Russia, and will not operate in near future. But out of nowhere they find out that there is a way to use it - through airports in Finland, or other countries. They check forums, or special web-sites about it and understand, that that is an opportunity. They count their money and understand that it's cheaper, and yet delivers almost the same value - it's an airplane, it transfers them to the destination. At the end of the day - they've found out something curious, and while none of his/her friends heard about it - it makes them feel as a smart customer and person.

Low- or Mid-class Russians would perceive ability to find the best solution for even cheaper than the average as being a smart person. That being said, it is pretty reasonable to say, that people won't look down at you, as at the end you get to travel to Europe by airplane. Moreover, with such variability of various destinations the trip might contain memories of not only lying on a beach, but also exploration of the Western European countries, special places of interest visited and so on. Talking about the image value of such low-cost traveling - in Russia it will be perceived as a good thing, good finding and smart decision.

At last, there are two pretty debatable points that were labeled "Psychic Value", as it may be seen that their meaning doesn't really represent actual Image Value, rather than personal or Psychic Value, that corresponds to person's politic, social and overall view on life. As it was written in the chapter "Cultural environment, or overview of Russian air-transportation market", Russian government is controlling major airlines, or at least protecting them. In order to extend on that root it is necessary to tell that the general population of Russia has lived in 90s and knows how big money is made in Russia. Corruption, aggressive take-overs of businesses, unfairness and double-standard laws applied on citizens and business entities, many people are aware of that. They wish something would change, yet it's not in their powers. However, stating their point to the government and businesses through simply using their foreign competitors' products and services is something of a value, at least in the minds of people. That's why many people would consider Lappeenranta Airport's air-transportation as a possibility to state their point of view, that they are not willing to give their money to something that is wrong in their opinion, as for instance a controlled competition on the Russian air-traffic market.

In the end, Russian people are not so political, rather more concerned with their money to be spent in the best way. However, the point of last two values in the table were provided in order to give a little deeper understanding of Russian culture. Of course it's not possible and not necessary to go detailed on this matter, but still pretty important. As due to that point, it may be better understood until when Lappeenranta is going to be interesting for Russians - until their own city provides something of the same value.

9.3.6. Lappeenranta Airport Customer-Delivered Costs

9.3.7. Monetary Cost

One of the main advantages is hidden inside the Monetary costs, which is of course the price of a ticket, while additional costs and transportation have not been assessed much yet. Here is a table:

Table 11. Monetary costs and description of Lappeenranta Airport

Costs	Description
Price of a ticket	
Transportation costs	Around 36-40 Euros for return trip
Additional costs	Meal on the way, use of toilets, luggage on the plane, use of credit card etc
In-flight services	Meals are not included in ticket on Ryanair, use of credit card for ticket booking, luggage etc
On landing costs	Costs of getting to the Final destination from secondary airports Ryanair is using

Being able to fly for so cheap is unbeatable or hardly reached opportunity on the Russian market. On the other hand additional costs must be taken into account - such as transportation to the airport and back, meals on the way and so on. The trip from Saint-Petersburg to Lappeenranta is 220km, or 4-6 hours ride, meaning you will want to eat something on the way, which is an additional cost. Another factor here is additional costs from Ryanair, that are known upon ticket purchase, such as luggage carrier at the plane, use of credit cards and so on. With tickets on Ryanair being so cheap, it's understandable not to have any meals included. However, it means that if a traveler would want to eat - it will cost quite a lot, comparing to the average prices in the city. Another cost is getting from that secondary airport to your final destination.

Concluding the facts of Monetary costs we may see that with such low ticket pricing, additional costs do exist, but anyway keep the overall price of the trip on much lower levels than competition. That means that even though Monetary Costs are costs for the customer, they must be assessed in relation to the other products and services, so as

every air ticket cost something, lower than average price is of course an advantage, as in the case of the Lappeenranta Airport business model.

9.3.8. Time Cost

Considering the time cost in order to fly through Lappeenranta Airport, it's obvious that distance of 220 km is one of the major costs in this section. However, there are more time costs allocated to it:

Table 12. Time costs and description of Lappeenranta Airport

Costs	Description
Finding information	Finding necessary information considering the trip and it's details
Ticket Purchase	Getting to know the web-site of Ryanair, finding appropriate date and route, opening a bank account if necessary
Trip to the airport	Approximately 4-6 hours
Check-in and registration	Travelers have to be at the airport 2 hours prior to departure time
Turn-around of the aircraft	When airplane lands it takes 25 minutes before it takes off
Trip to the final destination	Depending on travelers' plan it may take from some minutes to few hours or even more (in case of using multiple flights)

As we can see first of all, before any kind of travel or even ticket purchase, there is a phase when a customer has to find information on how to perform such kind of trip. That is information about low-cost carriers limitations and disadvantages, then assessment, for instance, what low luggage allowance means for the proposed trip etc. After initial information is gathered - the ticket purchase comes in. Luckily, purchasing through the web is quite easy these days, due to the easy payment system through credit cards. On the other hand, considering Ryanair's web-site structure it may seem overwhelming to find the best offer. When ticket is purchased, transportation has to be settled, which means - customer has to find the best way to get to Lappeenranta, book seats or prepare a car. Next is 4-6 hours trip from Saint-Petersburg to Lappeenranta,

which in most cases will start early in the morning, or late at evening. Due to the rule that every traveler must be at the airport 2 hours prior to the departure, it takes another 2 hours before actual flight, when check-in and registration is performed. Then pretty fast boarding. Finally, upon landing a traveler will spend more time to get to the final destination, as Weeze most probably won't be the one.

Considering monetary costs and values of such trip, a traveler will be prepared for such a trip in advance. Nevertheless, for some group of people such conditions for traveling may seem too long and difficult. That is for instance families with kids, or older people. In the end, for some target groups such extensive time in traveling will not be a problem, while for some it might. At the end, such a trip is not for everyone, even though they are falling into that low- mid-class and have a will spend some good time in Europe.

9.3.9. Energy Cost

In a close relation to the previous paragraph is Energy Cost, which includes energy needed to spend on finding tickets, overcoming language barrier on Ryanair's web-site, arranging transportation, getting through the border, self-manage travel and finding information on ways to get to the final destination.

Table 13. Monetary costs and description of Lappeenranta Airport

Costs	Description
Finding tickets	It takes some skills and abilities to find best prices ticket
Language barrier	Ryanair's web-site is presented in many languages, but lacks Russian
Arranging transportation	It takes some skills and abilities to find best prices ticket
Getting through the border	It might take a while to pass border control
Self-managed travel	Reservations, preparations, finding information etc is all done by yourself

Many points in here are very close to the previous paragraph, but considering that this time it's Energy Cost, it changes their perspective slightly. For instance finding tickets is

not about time anymore, but rather the overall stress or emotional powers you as a traveler have to spend on getting to know and understand how Ryanair's web-site works, overcoming the language barrier, with means asking for assistance from a friend, or using online-translators, it takes emotional and intellectual powers. Then the next step is arranging transportation - travelers will have to understand where they are going to be picked, how much luggage they can take, at what time they have to wake up and so on. It is not necessarily unexpected, or even longer in relation to arranging a trip through a travel agency or Pulkovo Airport. Another energy consuming thing might be to pass through the border and the actual trip to the airport, as it most probably is going to be at not very comfortable time, it means a person will have to wake up early, sleep in the bus or drive a car to the airport, while spending some time on the Russian-Finnish border, which might be pretty long sometimes.

And the most important fact is that the trip is self-managed, in contrast to travel agencies, where most of the job of preparation phase is done for you. That takes time and energy, as it won't be the only activity during the day, meaning you will have to concentrate on planning everything right, so that no mistakes are made. How important or negative that might be for Russians, considering the price of a ticket, it's debatable, yet not to be underestimated. Especially, if the trip is during a holiday occasion, a person would probably prefer to take lesser risks in order not to ruin his/her holidays.

9.3.10. Psychic Cost

We came to probably one of the most important cost that person is paying when traveling through Lappeenranta - psychic cost.

Table 14. Psychic costs and description of Lappeenranta Airport

Costs	Description
Uncertainty	Worries about unknown, or unexpected difficulties
Language	Worry about language barrier on the way, as well as on-board, or even while purchasing a ticket
Foreign country	Unfamiliarity with Finnish customs or laws

Costs	Description
Unknown airline, with known peculiarities	Word of mouth about Ryanair, it's rules, myths, rumors etc that create negative image or worries in minds of customers
Requirement of Self-management	Necessity of making arrangements by yourself
Border-control	Uncertainty of how to explain purpose of going to Finland
Unexpected costs	Language barrier + unknown company + uncertainty = idea of possible unexpected costs
Speed	Quite big latency between ticket purchase and actual flight
Luggage	Inability to bring bulky items on a trip

As you can see the table is pretty self-explanatory and big, which is due to the fact, that people are emotional and worried species, that may feel insecure or uncertain about the unknown. For them going on a trip through another trip to Finland is a little bit weird, or unfamiliar. They don't know what could happen on their way and how it may affect their precious holiday. Therefore, no matter the value, uncertainty is present in such kind of deals. First, it starts to grow when Ryanair's web-site is seen, with it's overwhelming information in each corner and probably unfamiliar language. It seems strange to be doing something that they've never done before - to make their own travel, instead of being offered one. Second, they start to think that they've never been to Finland or foreign airport by themselves, without guidance. Third, they might read about Ryanair's strict rules for luggage, time and so on. It might scare them and make them think as too difficult and time-consuming travel. Additionally, they will rely on people's opinions on forums and web-sites, that might be pretty subjective, and create even more worries. Fourth, they will realize the fact that everything relies on them, so if they make a mistake there will be no one to ask for help from, except from finding solution by yourself. Fifth, they might wonder what to say on the border control, when they are asked: "What's the purpose of your travel to Finland?" - should they answer that they are just going to the airport with their Finnish visas to continue to Europe, or should they lie and say that they are planning to spend some time in finnish SPAs? It might seem as a difficult trip from many points of view, even though the price is good.

According to many forums - many people are considering to try Lappeenranta Airport for their next travel, no matter the difficulties, just because the price is good. Therefore, even though there many Psychic Cost that person has to overcome, avarice or natural greed of desire to get the most for their money might drive them to the decision to give it a try. However, as implied before it will probably not work for every customer target group.

(References: Research “Emerging Russian Consumerism: A Q Methodological Study of Consumer Attitudes After Perestroika”, October 1997)

9.4. Conclusion on Customer-Delivered Value of Lappeenranta Airport

Using Customer-Delivered Value model in case of Lappeenranta Airport helped to see what are the most important drives and barriers in the eyes of Russian customers.

Results are not to be underestimated.

As we may see the core values for Russians are in Product Value part, but also in Image Value. What it might mean for the Airport and Ryanair? Well, first of all it makes it easier to understand why do people wish to travel the long-distance between Saint-Petersburg and Lappeenranta. Therefore, if any kind of marketing is planned or will be planned in the future, my proposition would be to concentrate on these two advantages this opportunity offers - Best price to explore the whole Europe.

On the other hand, we may also see in this model, that the Airport’s main disadvantages are hidden in Energy and Psychic Costs for customers from Russia. Therefore, in order to reduce the effect of those - it is necessary to provide something that makes it easier for people to decide to take their chances and use that airport. It may be a Guide in Russian language, or set of Frequently Asked Question (FAQ) released from the Airport or Ryanair in order to help Russians to overcome obstacles and find answers on their questions easier, faster and from a respected source. That will make them feel, that they won’t be aliens when they come to the airport, that the company knows about Russians traveling through Lappeenranta and cares about them. As according to forums and discussion boards, many Russians are quite concerned about crossing the border with Finland just to get to the airplane, they are not sure what to say and how to behave, if they are asked by the border control. Somehow they feel that they are doing something that Finland doesn’t approve, therefore they might feel a little uncomfortable deciding

to travel in that way. In my opinion, such steps will help to enhance customer satisfaction and increase the volume of travelers in perspective of coming months and years. At the end, it's not an easy decision to travel with so many obstacles on the way, even with a good price. It is airport's, Ryanair's and Lappeenranta City government's job to build a relationship with Russian customers. That would be advantageous for both sides.

10. Target groups

Finally we come to a point, when we know that there is a certain demand and opportunity for Lappeenranta airport on the Russian market, but who will be these people, who would travel through the airport?

The initial idea of this part was to evaluate every different target group that may be interested in flying through Lappeenranta Airport from Russia. But is there a practical point for that? As it was understood from the interview with Petteri Lehti, they are not planning on doing any marketing abroad, as for the obvious reasons it is expensive and risky. Therefore, the main target group is already in Finland. Not necessarily at the moment, but over the course of a year it is. 7 million people, out of which 4.2 million of Russians is crossing the border every year. That is a significant number, bigger than the theoretical capacity of the Airport itself. Therefore, the main target group for the Airport is people who travel to Finland every year.

One may wonder if anything should be done about them, i.e. marketing, how to do that? Well, the idea is easy and basic in its strategy - provide information about the airport and its destinations, in accordance with the evaluated Product and Image Values, at the exits from border-control when entering Finland. Furthermore, the customer might be accessed while in city center of Lappeenranta with various marketing methods, depending on the marketing budget. According to the research - that may be the most available, active and potential target group for the airport. Other target groups are only appearing with the help of Internet social web-sites and specific web-sites, promoting low-cost traveling. Nevertheless, the most potential target group is already here in Finland, it's a matter of a well-placed billboard, that they will exploit their potential as customers.

10.1. Travelers from Europe

When talking about target groups for Lappeenranta Airport one cannot forget that there are travelers not only from Russia and Finland - could there be those who might come from Europe to Lappeenranta and then continue to Russia or to Helsinki?

Therefore we came to talk about yet another market for the airport - people visiting Saint-Petersburg or Helsinki. Imagine a family from Germany who thought about going to Russia for a short trip, they checked the prices on the traditional airlines and understood that it's too expensive for their family budget and anyway they want to make just a short trip. So then they see that there is Ryanair flying very close to Saint-Petersburg to someplace in Finland. Prices are a lot more democratic, but on the other hand you still have to take a bus from the airport to the city. Which might not be such a big issue, if marketed correctly.

In the end, the development of this target group relies on word of mouth or just some kind of marketing, so that Europeans know that there is a way to get to Saint-Petersburg from Lappeenranta.

11. Market Potential of Lappeenranta Airport

11.1. SWOT Analysis

In my research I will use some marketing templates to evaluate the marketing qualities of the Lappeenranta Airport. One of them is SWOT analysis, which is a strategic planning method to draw a critical view on the current state of the company's qualities in relation to the market.

In order to perform the analysis, the one has to identify an objective of business venture (or project). The next step is to collect data regarding internal and external market factors, relevant to one's business. Then one has to critically evaluate accumulated information and draw results sorted by 4 main factors:

[Internal; in direct relation to the organization]

Strengths - advantageous attributes helpful in achieving the goal

Weaknesses - missing or insufficient qualities that are harmful in achieving the goal

[External; environment to the organization]

Opportunities - external conditions (i.e trends, demography, politics etc) that create positive opportunity for the goal

Threats - external conditions that could do damage to the goal

Outcome of the analysis is understanding whether or not company's goal is attainable regarding current state of organization and environment. Thorough SWOT may lead to more efficient and proactive actions, as well as may highlight necessity of changing the course.

11.2. SWOT analysis of the Lappeenranta Airport

11.2.1. Strengths:

- Availability of low-cost air-connection with Europe
- Relatively short distance to Vyborg and Saint-Petersburg
- Opportunity to travel on rare destinations in Europe
- Big traffic of potential customers in the region
- Development plans for new destinations by Ryanair

11.2.2. Weaknesses:

- Small facility
- Currently low scarce of flight routes
- High Energy and Psychic costs for end customers
- Small and undeveloped idea of parking for private cars

11.2.3. Opportunities

- Become the main airport for low-cost air-traffic for Saint-Petersburg and Vyborg due to current inability to provide it through Pulkovo
- Become the cheapest air-connection to Saint-Petersburg from Europe
- Develop Lappeenranta City region
- Become one of the biggest airports in Finland in years to come

11.2.4. Threats

- Inert qualities of potential customers, which may result in slow development of potential air traffic through the airport
- Appearance of international true low-cost air carriers in Saint-Petersburg
- Ineffective logistics or delays at the border may result in decrease of customer satisfaction

11.3. Conclusion of the SWOT analysis

Lappeenranta Airport is a small airport with a capacity of only 1 plane an hour, small facility that is even small for one big airplane with a little over 200 people onboard. There is no duty-free shop, which could interest a lot of travelers from Russia. The only destination for Ryanair is to Düsseldorf, which is not particularly interesting for Russians, as they still have to take another plane from there or rent a car, or use other type of transport

The current statics of Lappeenranta Airport show it's yearly passenger volume accounts to only 20.000 people. That means that in average everyday only around 55 people are passing through. That is definitely unsatisfactory. As Petteri Lehti said in the interview, they can serve one plane an hour. So, to ruffly calculate their potential maximum volume of passenger traffic, I took a situation when the airport starts working at 8 a.m. taking 1 plane an hour with average number of passengers around 180 until 1 a.m. In a year, this airport will serve around 1.1 mil travelers. So talking about their possible volume - it is huge. Of course, the problem is to find that many people willing to travel, for everyday and every hour. That is of course far from reality, but knowing the current maximum capability of the airport, it's easier to think - what might be their goal. Are there at least 1 million people willing to travel throughout the year through Lappeenranta, taking into account the psychic and time costs studied before?

As studied in Border crossings chapter of this research, every year almost 7 million people are crossing the border between Finland and Russia. According to statistics around 60% of these crossings are done by Russians, meaning that ruffly 4.2 million of Russians are crossing it every year. This number is almost 4 times bigger than the current theoretical potential of Lappeenranta Airport, calculated above. It of course doesn't mean that all of these people are willing to travel to Europe, yet it means that

many Russians are traveling to Finland every year. And Lappeenranta being one of the closest biggest cities to the border with an international Airport gives pretty good chances, that more and more people will consider going through it on their travels. That information may also be used when developing marketing communication methods. As displaying marketing information in Russia may be expensive and ineffective, yet providing information about the airport at the border or on the road at exit from border control might be a good idea, because you target it exactly to those people who might be interested, as they are on their travel, while they see that. These people are already familiar with Finland and probably are not visiting it for the first time.

I remember during the conversation with Petteri Lehti, when we talked about marketing of the Airport in Russia, he told me that it's hard to decide what is the best way to market their airport to Russians. Now, I would say that marketing within Finland would be the best way, as there are many Russians there already, if at least that part of them would be taken care of - it would boost sales of tickets inevitably, as it's a good offer.

12. Conclusion about marketing potential

So answering the main question of this research: "What is Lappeenranta Airport potential on the North-West region of Russia?", I say: "It's big". First of all, real low-cost airlines are not coming to Russia anytime soon, which gives a chance to attract customers of that target by any close by airport outside of Russia. Second, Lappeenranta being the closest European city has an excellent opportunity to attract thousands of Russians. Third, studying through web-sites in Russian internet network, it's easy to see that there are many people willing to fly for cheapest to Europe. Forth, Ryanair provide travelers with a good opportunity to diversify your travels That being said, shows that Lappeenranta Airport has a big opportunity to grow rapidly and attract big volumes of travelers from Russia. On the other hand, as shown earlier, the Airport's size is a big bottle-neck for fast growth. If Ryanair will want to extend it's variety of routes, they will face a difficult problem, as the Airport won't be able to handle too many new flights. When that point is reached, the airport shall be already prepared for this, otherwise it will keep the airport from expanding.

In the end, taking into consideration that since the 4th of March almost every Ryanair plane was close to 100% full, with 90% of Russians, the process began, first customers

already tasted what means low-cost traveling to Europe, and more Russians will consider that opportunity just by hearing more and more about it. A challenge for the airport and Ryanair is to provide adequate service and available destinations in accordance with market demand. Then it's going to be a good and prosperous business for the whole Lappeenranta region.

13. Concluding remarks

This work took me about two and a half month to complete. Through these weeks I learned a lot. Writing such a big work on a single topic alone, without much directive from teachers is a test. In the end, this topic made me feel as a marketing executive, working on evaluation of marketing potential of a business. Planning, information search, methodology, decisions, conclusions etc - all this was on my shoulders. Some may think it is a hard task, for me that was an interesting experience, as probably only after this work, I understood the true meaning of what we were taught all these years in university. I didn't realize what is it like to actually assess business, or prepare a report on something that big. Now after finishing this work, I gained new skills, that have already made a better business thinker out of me. And that is priceless.

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15. APPENDICES

15.1. Appendix 1

KEY OPERATIONAL INDICATORS		
The basic operational activities at Pulkovo Airport during January 2010		
January	2010	2010 - 2009
Passenger movements (departures + arrivals)	481 717	27,6%
Including International	200 533	17,0%
Including Domestic	244 395	43,1%
Including CIS	36 789	4,0%
Takeoff and landing (takeoff + landing)	6 578	10,3%
MTOW (tons)	222 362	5,8%
The basic operational activities at Pulkovo Airport during the 12 months of 2009		
12 months	2009	2009 - 2008
Passenger movements (departures + arrivals)	6 758 031	-4,42%
Including International	2 933 497	-9,53%
Including Domestic	3 273 317	0,37%
Including CIS	551 217	-2,81%
Takeoff and landing (takeoff + landing)	87 594	-6,86%
MTOW (tons)	3 069 000	-9,01%

Figure 8. Key operational indicators of Pulkovo Airport for 2009-2010

15.2. Appendix 2

Average nominal wages, accrued for March 2009, the full range of organizations, including small businesses, amounted to 23805 rubles. Average wages adjusted to the index consumer prices in March 2009 amounted to 93,9% in comparison to March 2008 year and 106.7% - in February 2009.

Table 15. Average wages per employee in St. Petersburg, accrued for March 2009

	Average wages payment, rubles	As% of		
		February 2009	March 2008	average level
Total	23805	108.3	110.0	100
including by type of economic activity:				
Agriculture, hunting and forestry	19711	103.0	104.1	82.8
Manufacturing	24419	113.7	108.2	102.6
including:				
production of food, beverages and tobacco	37574	139.7	100.4	1,6 p.
from the production of foodstuffs, including beverages	36262	143.4	105.0	1,5 p.
Textile and clothing manufacture	13108	97.3	102.1	55.1
production of leather, leather products and footwear	9550	105.9	93.0	40.1
wood processing and production of wood products	16506	101.6	96.9	69.3
pulp and paper production, publishing and printing	23091	117.4	127.3	97.0
chemical production	24020	111.8	113.4	100.9
manufacture of rubber and plastic products	22738	119.2	128.3	95.5
Production of other nonmetallic mineral products	22131	102.4	91.6	93.0
metallurgical production and manufacture of fabricated metal products	19146	108.5	108.7	80.4
manufacture of machinery and equipment	23380	107.2	111.6	98.2
production of electrical, electronic and optical equipment	25108	107.9	110.9	105.5
production of vehicles and equipment	26165	112.1	120.1	109.9
production and distribution of electricity, gas and water	34289	124.3	119.5	144.0
construction	21568	109.0	96.1	90.6
Wholesale and retail trade, repair of motor vehicles, motorcycles, household goods and personal items	20289	106.4	112.7	85.2
Hotels and restaurants	14479	114.3	115.7	60.8
Transport and Communications	26082	106.9	111.9	109.6
including:				
land transport	22872	107.3	119.3	96.1
Shipping	23699	93.7	97.2	99.6
Air transport	53214	108.8	105.5	2,2 p.
Contact	33172	114.7	99.9	139.4
financial activities	42016	99.9	86.1	1,8 p.
operations with real estate, rent and services	26796	109.8	115.7	112.6
including				
research and development	28591	105.3	112.0	120.1

This statistics is taken from the official web-site of “Territorial office of Federal State Statistics Service of Saint-Petersburg and Leningrad region”.

Source: <http://petrostat.gks.ru/public/240809/ZARP0340.HTM>

15.3. Appendix 3

Interview with Petteri Lehti, Director of Lappeenranta Airport

Q: Could you tell a little bit about Lappeenranta Airport?

A: Well, it is the oldest airport in Finland. It is placed now, where the original airport was built back in 1918. It may be not the biggest one in the country, but was the first one to be build. It was during revolution in Russia, the Whites organized flights from Lappeenranta. The reason for this exact spot was, that for 200 years this place was used for Russian Cavalry Training grounds. The army barracks are still here. It was a flat area, very hard ground, due to many horses who were here, so it was very good surface to place an airport. It was a spring time and they had to put planes somewhere. During winter they were using ice, as it was very flat, but in spring it was melting and they had to find another place for planes. They moved them here, for only a few months, but then traveled west to Kouvola. And flights stopped for many years. Next time when this place was used for airplanes was during the Winter War and WWII. However, the real traffic started in 1951, it was “AERO” (later renamed to Finnair) who organized flights from here. It was one plane in the morning, one plane in the evening, all flew to Helsinki. It went like this for about 30 years. There were attempts to fly to other cities, but they were never very successful. But then 90s came, capitalism and competition: air states got freedom, EU realized new rules for cross-country air-traffic. One of them was that any European Union airline can fly to any airport within Europe, without any special permission. So that was the birth of low-cost airlines, because up till then air-fares were to be agreed, there were fixed for any airline, there was no real competition. IATA, International Air Transport Association, had to agree on prices for every route and set fixed fares. There was no real competition, and it was like that just 15 years ago. So the idea of Open Sky was agreed in Europe and everyone had to agree on their own prices and details. That’s why it all started to depend on “how cheap you can fly?” Big air companies as British Airlines, Aeroflot or Finnair - they all have the same problem: size. That’s why Finnair is on strike, and Lufthansa is on strike, and everyone is on strike. This companies are so big, they need a lot of money to pay salaries to all their

employees, but they cannot just throw these people out. That's why low-cost airlines when they started to grow - they don't have such organization and they can sell cheap. Ryanair in Finland is basically one man, same as Airbaltic. This one person does all marketing, all paper work. Of course there are also pilots and the crew, but they fly wherever they have to. But the ground organization in Finland is basically one man. On the other hand, Finnair still employs 8000 people, and they have to collect money for salary for every one of them every month. It is a big money.

Q: How do air-carriers decide on airports they will fly to?

A: The only reason to fly is if you have customers, who are willing to pay. For that Airlines usually calculate the area around the airport of about 200km (2 hours by car), with number of people living, their income and travel potential. But also you have to consider other things, for instance, Helsinki is only 2 hours away, but there isn't that many customers, unless there is something interesting, which is a cheap flight. At the moment, Airbaltic and Ryanair has potential to even attract some people from there. But mostly we have calculated these cities: Kotka, Kouvola, Mikkeli, Savonlinna, Joensuu, which are easily accessible from Lappeenranta. But then of course, the Russian side. Last year, we had 5 million people crossing the border, which is a big flow of people. Psychology of people is such, that if there is something of a worthy value, as for instance 50 EURO ticket to Frankfurt and come-back, you will travel 200 km for this, if there are no better offers. In any case low-cost airlines are quite tricky - if I drive to Tampere to fly to Frankfurt, that airport in there is not really in the city, so you are actually flying "from nowhere to nowhere", but if the price is good you will use it.

Q: Why Lappeenranta Airport is a good choice for low-cost airlines?

A: Well, low-cost carriers work that way - they don't want to fly in big airports or major ones, such as you have in Saint-Petersburg "Pulkovo" or in Helsinki. In Stockholm closest low-cost airport is 400 km away. If you say Germany, Frankfurt - it won't be Frankfurt main airport, it will be in Hahn, which is about 150 km away, or another one in Düsseldorf. They are all not big airports. Therefore, the idea is, that if you take Lappeenranta Airport, of course the buildings are not big, but the runway is good, technically all necessary things are here, but if you take infrastructure (that's the low-cost idea) it's low-cost. And nobody is saying: "Now that you have new airplanes, you

gotta build a new big airport”, that’s not the idea. The idea is to use existing facilities to let the planes fly for cheapest tax.

Q: You’ve said that your main target is Finnish cities, but how much potential do you see in Vyborg and Saint-Petersburg?

A: It’s a little bit difficult, because the Airport itself doesn’t do marketing. It is the city who is responsible for it. But I can say that most of the marketing effort is still done in Finland. It is because going abroad and marketing in Russia is a lot of money.

Moreover, it is hard to evaluate what is the best way to do it. Is it TV, magazines, newspapers? So the main ad target is Finland.

Q: Have you heard about discussions on Russian net about your airport? There are thousands of people, who are willing to use the airport. Moreover, there are some who already organized buses from Saint-Petersburg. What is your opinion about that?

A: It is actually quite funny how fast the word of mouth spreads the information. I remember in the Tampere airport, I’ve seen these Russian cars, bigger, smaller, even buses. We don’t know who they are, nobody really knows... who organizes them... If you are next to Oktyabrskaya Hotel in Saint-Petersburg with 10 buses all going to Finland. Nobody from here in Finland organizes them, and that’s what I was telling our people: “Don’t worry. We don’t have to organize. Someone else will do that.”

Q: What about the competition? Would you consider Tampere or Helsinki airports as your competitors?

A: Well, first of all Finavia owns all the airports. So basically we are not competing against each other, if we get the money in Lappeenranta or in Tampere, or in Helsinki - it comes to the same company. But usually what happens when a new air carrier enters in a new city - it increases the whole volume of traffic. If you take South-Carelia region, there could be people like me, who would drive to Tampere to fly cheap, now I won’t go there, I will travel from Lappeenranta, but there are many people who didn’t want to drive to Tampere, but actually didn’t want to drive anywhere. However, if it is here: “Okay, I might fly”. So usually expansion of regional small airports encourages new people to travel by airplanes.

Q: So basically you are generating new customers out of nowhere?

A: Well there are many things like that in this World. I always like to say about my mobile phone, I didn't want a mobile phone, I didn't know that they exist. But now they are here - it's very difficult to live without. I would say that this is exactly the case with the airport here. We've been always driving to Helsinki, or flying to Helsinki and then traveling from there. Okay, not many people really thought about this. But now, that we have cheap flights here - it's very nice. It's the same with Pulkovo. I've been in touch with a lot of travel agents in Saint-Petersburg, and of course it makes sense that a lot of people want to fly from close by Pulkovo. But then again if the price is right, that will drive people to spend more time on their travel, even going to another country first.

Q: Did you have to invest into the airport to work with RyanAir?

A: Actually, that's the whole idea of this project - we don't need anything else, anything new. We have been doing very minor investments, of about 10.000 EUROS, to upgrade some equipment at the entrance and bring some modern technologies in. But basically nothing, and that's the whole idea. On the other hand, I don't know what happens if it starts to go big. It's important to understand the passenger figures. Last year we had less than 20.000 passengers, very little. In Finland most of the airports have around 100.000 passengers, Helsinki airport has about 13 million people a year. So if you look at Lappeenranta airport figures - that's the scale, we are both airports, we are governed by the same rules, but of course the world is totally different. Anyway, if you run a small airport like ours and you get more planes, it won't require any additional force to run it. Right now we have about 3-4 planes a day. Which means, there is a plane, then for next hours it is empty. Then another plane and another hour empty. So in this 3hour slots we can easily fit another 3 planes and nothing would change. It is just that everybody will have to work a little more, but runway is here, building is here, air-traffic control is here - we have all the necessary equipment and staff ready. Someone asked me - how many planes we can take and I said it's one an hour, so basically 24 planes a day. Okay, that would be hard work, but technically we can. The only bottleneck we have is our building. It's very small. Ryanair now use planes with 190 seats, Airbaltic has 120. 120-150 is okay, but 190 is already starting to be too much. But Ryanair is flying only 2 times per week, so that is not too much. Also we have charter flights with Boeings 757, which have 220 seats, and that is very much. Because the area is very small. Such

flights we can do once a day or once a week. But if that would be happening all the time - we will have to do something.

Q: What are the plans of the Ryanair?

A: I would say that this is a trial period right now. They will see how the airport works. Our challenge of course is to cope with their speed. They cannot stay at the airport longer than 25 minutes, so all the job with luggage and passengers is on our shoulders. It is also very important for them, because the same airplane will then fly to Düsseldorf, from where it will have to travel further and further and further, and if it will be late on some point - it will delay all other flights. They cannot be late, otherwise it ruins the rest of the chain. So that's of course is our challenge to prove to Ryanair that we can do it in time.

Q: Do you have any plans on developing the building itself? Nearby facilities? Parking?

A: Actually, no plans at all. My first worry is to make sure, that the operations work. Let's say this year realistic number for number of passengers would be 50.000-60.000 people. So it's 3 times more than today, but still it's not very much. The record for our airport is 1998, when we had 80.000 passengers.

Q: What did you do to make it happen?

A: Nothing actually, it was just the last years of Finnair. And you have to understand that road connection, and railways were very much different 10 years ago. When I was young, a trip from Lappeenranta to Helsinki took about 4 hours. Because the roads were small and went through all the cities, cars were bad. :) So it was these last years of old-school aviation, when air transportation was a lot faster than on-ground transport. Another big issue was, that in 1998 we had a flight to Saint-Petersburg. For 4 years we flew there, once a day. But it was a bad luck, as in 1998 economic crisis started in Russia, ruble fell down and many businesses were moved out from there. So it was just bad timing, not anybody's fault. That's why we had such numbers at this year. Basically, since that year our figures were only going down, therefore if everything works well this year it will be the first time our numbers will start to grow.

Q: Now that you bring Ryanair here, hopefully numbers will grow - what are the next steps?

A: Right now I would like to stabilize the situation. Because the changes have been very fast, 2007 all flights stopped. 2008 in about 4-5 months we set up a new airline Fly Lappeenranta, which flew for 2 years. Then last year, in summer it was decided that AirBaltic will fly from here, so they started operations. Ryanair announced their operations. Our schedules were changed, then AirBaltic said they will fly more often. So from the airports point of view, from my point of view, from staff's point of view - the changes have been very fast. We were kind of lacking behind, trying to catch-up and see what happens next. That's why what I would like to see is a little bit of stabilizing the situation and not really wishing for even more traffic. Nevertheless, AirBaltic announced that since 1st of May they will fly to Riga daily, in addition they will also fly to Kuusamo, Kuopio. They will fly from Riga to here and then continue to somewhere else. Well, maybe if there would be something more is to organize flights to Saint-Petersburg. We've talked about this before, with people I know in that sphere, and they are now more interested in this than before. If you take a small plane, for short distances with about 30-50 seats. It would make sense, as it will make a connection from Saint-Petersburg straight to Ryanair, and I would say that would be a good business.

1st of March, 2010 Lappeenranta

15.4. Appendix 4



Figure 9. Available destinations from Airport of Weeze

15.5. Appendix 5

Article from Russian web-based news portal "Fontanka.ru", translated with Google Translate. Original source <http://www.fontanka.ru/2010/04/07/148/>

Lappeenranta to London will bring

Airport border Finnish city, which some have called Saint-Petersburg's "Western Pulkovo", is preparing to expand the geography of its flights. In May, AirBaltic is opening air connection from Lappeenranta to Riga, that will be "sharpened" to connect flights with Western Europe. While already operating there Ryanair plans to organize direct flights to Milan, Paris and London during the year.

Ryanair operates flights to Düsseldorf for more than a month (4 March), and the owners of the company to complain about the lack of enthusiasm about this among the people of North-West Russia (they constitute 90% of passengers in this direction). Occupancy 128-seater Boeing is close to a hundred percent, and has already bought all the tickets for the May holidays. But Ryanair initially considered this trend as a trial balloon, hoping, based on demand, to determine its future policy towards Lappeenranta. Apparently, the experience of recognized successful.

"The Irish airline is preparing to expand the geography of flights now on this issue, we are negotiating with them. The first in the queue will be Milan, then Paris, and, apparently, London. This is the most popular among Russians direction. While it is the summer of 2011, but it is possible that flights from some of these cities will be opened next winter, for example, on the eve of New Year's holidays ", - told" Fontanka "vice-mayor of the Finnish city of Volume Hultin. He added that apart from Ryanair flights from Lappeenranta interested in two low-budget airline, which is also under negotiation. But tell them the name he refused, stressing only that "it is mainly on flights to Europe, but Asian areas are also discussed.

However, fly away from Lappeenranta (located 200 kilometers from St. Petersburg and 25 - from the Russian border) in the major European and some North African and Asian cities will be in May. However, only in transit through Riga. The Latvian national airline will operate flights AirBaltic Lappeenranta - Riga every morning. Equally embarrassing for the St. Petersburg departure time (for the airport to get a few hours) by the necessity of joining with flights to other cities. "It is clear that our passengers will

fly mostly in Western cities, at resorts with a change in Riga terminal. And they are mostly daytime, that is, should arrive in advance ", - said the head of the St. Petersburg branch AirBaltic Marina Zabavina. By the way, get into the Riga the capital will be from Pskov. Since May 1, a Latvian company will make from the airport "Crosses" (which is not used for international flights for more than 10 years) 2 flights a week until October.

Due to airline discounters (besides the two mentioned, domestic flights in Finland and in Stockholm, the company performs Wingo) Lappeenranta authorities expect to raise its passenger airport is almost 5 times (from 14 thousand in 2009 to 60 thousand up to the current one) and the number of Russian tourists to bring up to a million (now 600 thousand per year). But do not forget the Finns and the reverse flow - the number of Europeans who have not yet visited the city on the Neva River from the high cost of tickets. It is about creating an integrated tourist product, which will include St. Petersburg, Leningrad Oblast and regions of Eastern Finland. The exact amount of investment in the project is not known, but it would be "several million euros". 20% of the EU will invest at 25% - Government of Russia and Finland, the remaining 30% will invest private investors. To realize these travel packages are in the biggest European cities as early as next year.

With regard to Pulkovo, the competition with the Finns are not afraid, even in light of its upcoming renovation. And, probably, correct. Anyway, until then, until the public policy in the sphere of air transportation. After all, airport charges in Russia is several times higher than in Europe. And the structure of their calculation does not even know the experts. So, tell the cost of landing in Pulkovo Airport could not even head of the local branch of AirBaltic (This company flies to and from our city), which is simply based on their positions would have to know it.

Pavel Ginev,

Fontanka.ru