

Market Outlook: Finnair Eyes Asia Growth

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After several years of sitting idle, Finnair is primed for expansion. CEO Pekka Vauramo is using the occasion of the carrier launching A350 service to talk about opportunities for the carrier and it is clear that the new aircraft will be a key factor in that expansion, “[W]e haven’t grown too much, basically nothing at all in about four years now. With the delivery of the 350s starting we start to grow again... new destinations or additional frequency.” The growth plans are prescribed in part by access to landing slots and bilateral treaties but also by geography and flight times. Vauramo is confident that his company can grow into a number of new and profitable markets in the coming year and a major focus for that expansion is Asia.

Finnair’s history of service between Europe and Asia is a pioneering one. Vauramo notes that his airline was the “first European to use the Siberian route to Beijing” and “first European to fly to Japan back in 1983, flying the North Pole [route] with the DC-10.” Recently announced growth into Fukuoka and Guangzhou continue those national relationships, adding service to regions where Finnair has a long-term relationship. And while the US market claims currency pressures in the Asia region are challenging fares and loads Vauramo believes that a long-term view of the market offers some stability, “There was a period of maybe two years when the yen was stronger and that of course in Japanese sales contributed to surplus, but now it’s a more normal level and is the level we need to be prepared to operate with.”

The combination of long-term service history and the geography combine to give Finnair a natural advantage in the North Asia markets. Vauramo notes that those routes see a significant portion of Asia-originating traffic who take a stop in Finland before continuing on to other European destinations. The carrier is working to expand its stopover package offerings and make them available through more channels to further bolster those markets.

Most significantly, however, Vauramo enjoys the geographic advantages the Helsinki hub offers, particularly for service to the “sweet spot” destinations in North Asia. Norwegian recently announced a major expansion of its long haul fleet, growing to 40 787s in the next few years. But the geography of those operations is just different enough to give Finnair an advantage, as Vauramo explains:

The sweet spot in Asia is the Northeast, and that is China, Japan, and Korea. So far we haven't seen Norwegian adding flights to those destinations. I think we have an advantage from Helsinki, because we can get the aircraft back in 24 hours and repeated even with the same aircraft to same destination day after day. If Norwegian starts those flights, either from Oslo or Stockholm or Copenhagen, they wouldn't be able to do that from most of the places where we fly in Northeast Asia.

Of course, the North American market is also a significant one for Finnair, with recent growth in [Miami](#) and [Chicago](#) plus the long-standing [New York City](#) service. Growth on that front is coordinated with joint venture partners American Airlines and IAG; expansion is possible but less likely at this point than in Asia. That said, Finnair wants to be the first to offer A350 service to North America, though no specific service date is on offer. Shanghai, Bangkok and Beijing are the first three destinations on the published schedule for the rest of 2015 with Hong Kong being added in early 2016. Assuming the carrier manages the four deliveries of the type scheduled for 2015 there is just enough flexibility in the plans to add New York City with the fourth frame, just ahead of Qatar Airways' planned service to [Philadelphia](#) beginning on 1 January 2016.



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