THE EFFICACY OF CRISIS MARKETING METHODS IN THE CRUISE INDUSTRY

Joelle Soulard
Department of Recreation, Park, and Tourism Sciences Agriculture and Life Sciences Building

Dr. James Petrick
Department of Recreation, Park, and Tourism Sciences Agriculture and Life Sciences Building

Follow this and additional works at: https://scholarworks.umass.edu/ttra
THE EFFICACY OF CRISIS MARKETING METHODS IN THE CRUISE INDUSTRY

by

Joelle Soulard (Corresponding Author)
Master Student
joelles3849@tamu.edu

and

James F. Petrick, Ph.D.
Professor
jpetrick@tamu.edu

Department of Recreation, Park, and Tourism Sciences
Agriculture and Life Sciences Building
600 John Kimbrough Boulevard
College Station, TX 77843
(979) 845-5411

Abstract submitted as
Work in Progress

for the

Graduate Student Colloquium
2014 Annual Travel and Tourism Research Association International Conference
THE EFFICACY OF CRISIS MARKETING METHODS IN THE CRUISE INDUSTRY

ABSTRACT
Cruise lines have recently faced numerous and severe crises such as food poisoning, power failure and even capsizing. Recovery messages could be used to mitigate the negative impacts these crises have on cruise lines’ brands. Thus the purpose of this study is to further understand which recovery messages are the most effective in improving a negative brand image and in convincing cruisers to book a cruise after a crisis. An experimental design will be used which will include four types of recovery messages and four types of crisis scenarios. The impact of recovery messages will be measured both in terms of behavioral loyalty (e.g.; purchase intent) and attitudinal loyalty (e.g.; brand image).

Key words: cruise, recovery messages, crisis communication, behavioral and attitudinal loyalty

INTRODUCTION
In the past 20 years, the cruise industry has experienced tremendous growth. The Cruise Line International Association (2011) reported a world passenger growth rate of 7.6% per year from 1980 to 2010. Yet, this steady growth can be threatened when cruise lines are confronted with severe organizational crises. Barton (2001) remarked that cruise lines have faced recurrent crises which have been extensively covered by the media. Examples of recent crises include cases of food poisoning (Lehman 2010), fires (Sloan et al. 2013) and grounded cruise ships (Blitz and Wright 2012). Numerous studies have focused on safety design (Sigua and Aguilar 2003; Vassalos 2013) as well as emergency evacuation and risk assessment (Lois, Wang, Wall and Ruxton 2004; Vanem and Skjong 2006). Yet, current research on emergency preparedness has not explored how crisis marketing practices could be practically applied by cruise lines.

PURPOSE OF THE STUDY
During an organizational crisis, it is likely crucial to convey the right recovery messages to the selected market segments. Otherwise, these crises can lead to decreases in customers’ purchases and significant financial loss. Howard and Stephenson (2013) reported that in the nine days following the Costa Concordia tragedy, Standard and Poor’s stock index recorded a 13.7% loss for Costa. Interestingly, their study also suggested that other cruise lines were also negatively affected because customers questioned the overall safety of all cruise ships (Howard and Stephenson 2013). Recovery messages could be used to positively impact, not only the brand image of the incriminated cruise line, but also the customers’ general opinion about cruising. However, it is believed by the current researchers that no studies have yet attempted to measure the effectiveness of cruise lines’ recovery messages. Knowing which recovery messages are the most effective would likely allow cruise lines to save precious time, money and effort.

One solution may be to comparatively analyze different recovery messages in order to measure which ones are the most effective in convincing tourists to book a cruise. The majority of the research in this area has focused on destinations rather than on private companies. For example, Walters and Mair (2012) compared the effectiveness of recovery messages after a series of bushfires had ravaged the area of Gippsland, Australia. They suggested that the most effective recovery messages were ones endorsed by celebrities. In addition, they found that visitors were more likely to come back if they had visited the destination at least twice in the past 10 years (Walters and Mair 2012). Thus, in order to measure the effectiveness of recovery
messages, it is likely important to take into account both the customers’ behavioral (e.g.; purchase/visit intent) and attitudinal loyalty (e.g.; brand/destination image).

Other studies have pointed out that recovery messages could be easily misconstrued by the viewers and could fail to convince tourists to come back to the destination (Muralidharan, Dillistone and Shin 2011). Therefore, the purpose of this research is to measure which recovery messages are the most effective in generating behavioral and psychological loyalty among cruise passengers.

LITERATURE REVIEW

At some point in their history, all organizations are likely to encounter crises. Fink (1986) declared that “any time” an organization is “not in a crisis,” it is “in a precrisis mode” (p. 7). Seeger, Sellnow and Ulmer (2003) defined an organizational crisis as “an unusual event of overwhelmingly negative significance that carries a high level of risk, harm, and opportunity for further loss” (p. 4). Thus, recovery marketing is likely to be an important part of companies’ recovery plans (Sönmez, Apostolopoulos and Tarlow 1999; Barton 1994).

While all organizations are susceptible to encounter crises, cruise ships possess certain particularities which make them more prone to encounter certain types of predicaments. Indeed, Lois, Wang, Wall and Ruxtion (2004) argued that cruise lines have to manage more potential hazards than hotels because cruise ships are also transporting guests to the destination. The design of cruise ships can for example facilitate the propagation of virus (Minooee and Rickman 1999; Verhoef et al. 2008). Miller et al. (2000) remarked that “passengers and crew of several nations intermingle for extended periods in semi-enclosed compartments, which facilitate the transmission of virus” (p. 443). Moreover, cruise ships’ environment could also facilitate food and water borne diseases (Daniels et al. 2000; Azara et al. 2006). Food poisoning could specifically occur if seawater got in contact with the food areas. Thus, Rooney et al. (2004) suggested that using seawater to clean the galley could be potentially hazardous.

The large size of cruise ships can also make them vulnerable to mechanical issues and collisions (Vanem and Skjong 2006). Indeed, Weaver (2005) argued that the large atriums could make it difficult to contain a fire. Another issue is that fire can lead to power failures. As an example, fire in the Carnival Triumph was quickly contained but the ship was left without power (Christian 2014). Passengers had to stay for several days on board the ship without working toilets or air conditioning.

Additionally, cruise ships are vulnerable to collisions and groundings. Because cruise ships welcome a large number of passengers, it can be difficult to quickly evacuate everyone if and when a ship is grounded (Vanem and Skjong 2006). Moreover, some itineraries are more dangerous because there is an increased risk of collision with icebergs (e.g.; Antarctica). Stewart and Draper (2008) recommended stricter regulations for cruise ships which are sailing in iceberg prone areas. To further lower the risk of collision, Vassalos (2013) suggested to conduct risk assessments which would take into account the probability of having multiple technical issues (e.g.; a collision followed by a fire). Thus, cruise lines have to manage many threats all while conducting multiple operations.

During a crisis, marketers also need to develop a set of marketing tactics which can help them to restore the public image of their company. Indeed, Barton (1994) stated that “effective crisis management and marketing planning can be the first step on [the] road to recovery” (p. 65). Likewise, Sönmez, Apostolopoulos and Tarlow (1999) argued that tourism businesses “must
conduct recovery marketing” which is “fully integrated with crisis management activities” (p. 15).

However, few studies have addressed the effects of organizational crises within the cruise industry. Petrick, Tonner and Quinn (2006), provided valuable insights about the influence of negative incidents on the cruisers’ satisfaction. They suggested that negative incidents that occurred during a cruise greatly outweighed positive incidents (i.e.; as suggested by prospect theory) when making future purchase decisions. A company’s image can thus be deeply impacted by passengers’ perceptions. Hence, recovery marketing is likely to be an essential part of companies’ recovery plans (Sönmez, Apostolopoulos and Tarlow 1999; Barton 1994).

More recently, Volo & Pardew (2013) conducted a study in the aftermath of the Concordia tragedy. They argued that it is essential for cruise lines to convey recovery messages which are both coherent and accurate. Recovery messages have also been argued to be more likely to be successful if they are consistent (Combs 1999; Massey 2005) and tailored to specific segments of customers (Barton, 2001). Unfortunately “there is little agreement on how best to achieve these goals” (Walters and Mair 2012, p. 89). Hence, there is a need to further research to determine which recovery messages are the most effective in restoring customers’ trust and satisfaction.

One goal of successful recovery messages is to generate loyalty. Loyalty can be defined as a “committed behavior that is manifested by a propensity” to participate in certain activities or to purchase specific products (Backman and Veldkamp 1995, p. 32). In a series of interviews with customers, Fournier (1998) observed that loyal customers tended to develop a strong level of intimacy with their favorite brand. For the interviewed customers, their beloved brands were nothing short of “superior and irreplaceable” (Fournier 1998, p. 365).

Therefore loyal customers are also likely to be psychologically attached to their favorite brands. Petrick (2004) defined “psychological attachment” toward a brand as “the underlying cognitive process which predisposes consumers to behave in a certain manner toward the service or source” (p. 464). It has been suggested that customers, who are highly psychologically attached to a brand, identify with the brand’s image and demonstrate high levels of commitment (Pritchard, Havitz and Howard 1999; Chaudhuri and Holbrook 2001).

Loyalty is usually construed as having behavioral and attitudinal dimensions (Backman and Crompton 1991; Jacoby and Chestnut 1978; Backman and Vedhampt 1995; Opperman 2000). In the context of recreational activities, Crompton and Backman (1991) were likely the first to design a conceptual framework for both behavioral and attitudinal loyalty which could be applied to recreational programs. In their study, highly loyal participants were categorized as those with “strong psychological attachment and high intensity of participation” (Backman and Crompton 1991, p. 3). Spuriously loyal patrons were those who participated frequently but were not strongly attached to the recreational program. Latently loyal participants were those strongly attached to the program who did not participate frequently. The last category grouped participants with low attachment and participation.

It has also been recently suggested that the two dimensional model of loyalty is one of the most adapted to measure the loyalty of cruise passengers (Li and Petrick 2010). Petrick (2005) also used Backman and Crompton’s (1991) model but added a differentiation between first time visitors and repeat visitors. This offered a more effective segmentation of cruise passengers because first time cruisers have been found to differ significantly from repeat cruisers (Petrick 2005). For example, first timers have been found to be younger and have less cruise experience. Women have also been found to display a higher “attachment to the cruise line than
males” (Petrick 2005, p. 209). Moreover, Petrick (2004) suggested that loyal cruisers behaved differently in term of purchases, as they were found to be more likely to look for discounts. However, he found that first time cruisers generally spent more than loyal cruisers.

Additionally, loyal customers could also be strong defenders of their favorite brand. Oliver (1999) suggested that a loyal customer “is immune from competitive overtures, cannot be swayed from determined repurchasing, defends the brand fiercely, and probably promotes the brand to other with some fervor” (p. 38). Thus, loyal customers can be more likely to defend their favorite cruise line if another crisis arise in the future.

Loyal customers can also help a brand during a crisis by spreading positive word-of-mouth. Gremler and Brown (1999) suggested that loyal customers are more likely to provide positive recommendations about a service. Further, they found that loyal customers were more likely to provide recommendations “as the amount of money invested increases” (Gremler and Brown 1999, p. 281). This could have important implications for cruise lines. The loyal cruisers who purchased upscale services could be more likely to provide positive word-of-mouth.

The positive recommendations from loyal customers could also be used to reassure other clients about their purchases. Litvin, Goldsmith and Pan (2008) found that customer reviews “reduce pre-purchase doubt” and “mitigate post-purchase dissonance” (p. 446). Loyal customers are thus likely to be extremely valuable in time of crisis because they can help to reduce the consumers’ fears. Furthermore, Bansal and Voyer (2000) argued that customers who were a purchasing products with high-involvement (e.g.; travels and cars) were more likely to intensively search for reviews. This could have tremendous implications for the cruise industry since purchasing a cruise vacation is likely to be perceived as a high-involvement purchase. Therefore, there is a need to further investigate how recovery messages could impact attitudinal and behavioral loyalty after a crisis.

**PROPOSED METHODS**

This research will examine the effectiveness of recovery messages on customers’ purchase intent and brand image. The pre-test will include ten in depth interviews with cruisers and will utilize open-ended questions to further understand how negative events can impact the loyalty of customers. In the second of part of the study, an experimental design will be used. It will include four types of recovery messages and four types of crisis’ scenarios. Potential participants will be randomly selected from a population of undergraduate students. They will receive an electronic postcard which will invite them to take part in an on-line survey. The cruise line that will be used in the experiment will be fictitious so that the respondents’ answers will not be biased by any prejudices against a particular brand.

An expert panel composed of marketing specialists will determine the manipulations. The first manipulation that will be decided by the panel will be related to the types of crises. Possible types of crises that could be used in the experiment include power failures, cases of food poisoning and fires. These possible scenarios could also differ on the crises’ occurrence. One scenario could for example stress that is the first time that the cruise line has faced an issue (i.e.; either food poisoning or power failure). The other version could stipulate that it is the third time that the cruise line has encountered this issue.

Another manipulation that will be decided by the marketing panel concern the types of advertisements that will be used in the experiment. Each advertisement could display a specific type of recovery message. Walters and Mair (2012) conducted a study which was specifically aimed at measuring which recovery messages were the most effective for a destination. Among
the recovery messages used in their study, the strategies of price reductions, special events, celebrity endorsements and customer testimonials could also be applied to the cruise industry.

Price reductions cannot always be a viable solution because they might lead to significant loss. Indeed, Walters and Mair (2012) suggested that price reductions could impose another economic burden to small tourism businesses. Moreover, they suggested that price reductions were the least effective method to encourage visitors to come back. Interestingly, after the Costa Concordia crisis, Costa’s ads focused mainly on price reductions (Tuttle 2012). Mishra (2009) also argued that thanks to price reductions, the customers were more likely to feel that the overall value of the product has increased. Thus, including price reductions in one scenario could be useful to further understand how discounts can impact cruisers.

Conversely, Walters and Mair (2012) suggested that celebrity endorsements were the most effective type of recovery messages for destinations. Yet it is important to note that in this study the endorser had a direct connection with the destination because she was a resident of the area. It can be easier for potential clients to establish a link between the destination and the celebrity when the two of them are clearly connected (McCraken, 1989; Erdogan, 1999). Likewise, Van der Venn and Song (2014) suggested that choosing an endorser who is a native of the destination can make an ad more convincing. Indeed, native celebrities were perceived to have more expertise about the destination. If the manipulation include a celebrity endorsements, the message will be more likely to be effective if the participants could easily established a connection between the cruise line and the endorsers.

The attitude of participants toward the cruise line could be also be influenced by customer testimonials if these reviews are perceived to be genuine. Indeed, customers who read positive reviews from satisfied customers are more likely to feel like they could trust the reviewed products (Garbarino and Johnson 1999). Several researchers have also suggested that patrons are likely to believe that reviews are a trustworthy source of information (Smith, Menon and Sivakumar 2005; Ye, Law, Gu and Chen 2011). Thus customers testimonial could be an interesting recovery message to include in one of the scenario.

In time of crisis, cruise lines can also concentrate on offering new entertainment in order to keep the passengers satisfied (Mungin and Morgenstein 2013). Recently, McElroy (2014) suggested that cruise lines had readjusted their marketing strategies to focus more on entertainment. Indeed, a number of cruise lines have created partnerships with Broadway musicals. In addition, he reported that cruise lines were searching for innovative ways to co-create a spectacle with the passengers. As an illustration, cruise lines can implement “immersive production”, in which actors do not stay on the stage but freely walk inside the ship and interact with the passengers (McElroy 2014). Hence, special events could be a relevant scenario of recovery message to include in the manipulations.

To increase validity, an expert panel of marketing specialists will also be consulted for the design of the advertisements. Each advertisement would have the same background and logo in order to ensure that the participants’ answers will not be influenced by a change in design (Walters and Mair 2012). The recovery messages will be located in the center of the ads in order to be the focus of attention. The effectiveness of recovery messages is also likely to be influenced by the credibility of the advertisements and the crises’ scenarios (Till and Shrimp 1998). A pretest will thus be conducted in order to measure their credibility.

The crises’ scenarios could be presented to participants under the form of mock newspaper articles that will describe a crisis situation onboard a cruise ship. Till and Shrimp (1998) used mock newspaper articles to measure the impact of negative celebrity endorsements.
The participants were first given verbal information about a fictitious bicycle brand and its endorser. Then the attitudes of the participants toward the brand and the endorser were measured prior to a crisis. In the second phase of the experiment, one group of participants was provided with a mock newspaper article that explained that the endorser had been accused of taking illegal steroids during bicycle races. The other group received a newspaper article, which did not contain any negative information about the endorser. Lastly, the attitude of all participants toward the brand and the endorser was again measured in order to determine the impact of the crisis.

Similarly, the participants could receive information about a crisis on board a cruise ship. As previously discussed, a mock newspaper article could be used to describe in details a crisis. The participants’ intent to vacation with the cruise line (behavioral loyalty) and their perception of the cruise line (attitudinal loyalty) could be then measured prior to vision the recovery messages. Then different scenarios of advertisements and their recovery messages could be randomly assigned to participants. After viewing the ads, the participants’ behavioral and attitudinal loyalty will again be measured so that the recovery messages’ effectiveness could be assessed. A seven items scale, which was developed, by Li and Petrick (2008), will be used to measure attitudinal and behavioral loyalty. This scale has been shown to be both valid and reliable. The dimension of attitudinal loyalty comprised five items on a seven-point Likert scale (Li and Petrick 2008; Back and Parks 2003). Behavioral loyalty was measured using purchase frequency (Li and Petrick 2008; Iwasaki and Havitz 2004).

EXPECTED OUTCOMES

From the literature review, it can be hypothesized that the effectiveness of recovery messages is likely to differ depending on the type of recovery messages that will be used in the advertisements. Walters and Mair (2012) suggested that the most effective recovery messages are likely to be the ones that contain guest testimonies, celebrity endorsements and highlight special events that will take place at the destination. Special events, can for example, prompt visitors to return to a destination after a crisis because these events can provide a sense of novelty and uniqueness (Murphy and Bayley 1989; Sander, Laing and Houghton 2008).

Special events can also be used a way to generate positive media coverage in the media. In 1993, Miami experienced a crisis because nine international tourists were murdered in what appeared to be hate crimes that were specifically directed against the tourists (Ryan 1993). To resolve this crisis, Tilson and Stacks (1997) mentioned that the CVB of Miami partnered up with local businesses in order to create special events that could shed a positive light on the city. For example, a grand total of “$2.2 million” was invested in the creation of Pow Wow, “an annual conference of 5,000 tour operators” (Tilson and Stacks 1997, p.107). Such events can be used as an occasion to create positive word-of-mouth about a destination. Cruise lines could also incorporate special events as part of their recovery messages. In their recovery messages, cruise lines could for example promote the creation of new shows or could invite renowned chefs to their restaurants.

Guest testimonials have also been found to be especially effective in limiting hotel cancellations in the few weeks following a crisis (Carlsen and Hughes 2008). Moreover, customer reviews could be used to reinstate the positive image of an organization after a crisis. When firms effectively used positive word-of-mouth to promote their brand, they are likely to benefit from increased brand awareness (Ang, Leong and Kotler 2000; Bennett and Rundle-Thiele 2004), satisfaction (Hocutt, Bowers and Donavan 2006) and loyalty (Miller, Craighead
and Karwan, 2000; Gil, Hudson and Quintana, 2006). It is possible that similar outcomes will be observed if guest testimonials are selected to be part of the experiment.

Studies on crisis communication have also suggested that celebrity endorsements are one of the most effective methods of recovery messages (Chacko and Marcell 2008; Walters and Mair 2012). If celebrity endorsements were selected to be part of the manipulations, it seems likely that the same effects will be observed for cruise lines. Indeed, a cruise ship can be considered to be a destination in itself. Conversely, Tripp, Jensen and Carlson (1994) argued that celebrity endorsements have only an indirect effect on purchase intent. However, their study was not focused on tourism products and services.

This research possesses several limitations. The use of mock advertisements has been frequently used in experimental design for marketing studies (Till and Shrimp 1998; Van der Veen and Song 2014). However, experimental settings are likely to control for external factors (e.g.; emotional stress caused by a severe crisis). Therefore the results are likely to differ according to the severity of the event in a real-life crisis situation. The results might also be difficult to generalize because the sample will be composed of undergraduate students. In case of tragic events, which led to the death of passengers, it is important that the recovery messages are perceived to be genuine by the customers (Volo and Pardew 2013). Future studies might be needed in order to further understand how the effectiveness of recovery messages can differ depending on factors such as honesty, trust, and reliability.

Another limitation is that each advertisement displays only one type of recovery message. However, certain cruise lines might use a combination of recovery messages in a single advertisement. Cruise lines also have diverse target markets which might react differently to recovery messages. To counter this problem, participants could be clustered into groups that reflect different market segments. Future research could investigate if certain combinations of recovery messages are more effective than others.

In conclusion, the research faces limitations due to the diversity of the cruise lines’ target markets. However, this study will provide new foundations for future research about cruise lines and crisis marketing. It is believed to be important to extend the current literature on crisis marketing so that cruise lines are better equipped to design and implement effective recovery methods.
REFERENCES:


Barton, L. (2001). Crisis in organizations II. Cincinnati, Ohio: South-Western College Pub


