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Title of doctoral thesis:

REENGINEERING BUSINESS MODELS CENTRED ON
CUSTOMER EXPERIENCE AND INNOVATIVE APPROACH TO
SERVICE EXCELLENCE IN CRUISING INDUSTRY

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ABSTRACT

Over the last decades the cruise industry has been the fastest growing sector within the global tourism being attributed a major importance in the development of the hotel and airline industries due to their interdependency and the close connection of cruise tourism with the other adjacent industry sectors. Cruise ships offer an abundance of amenities and activities that entice their guests with exceptional travel experiences that promises relaxation and enjoyment, from luxurious spas and gourmet dining options to thrilling water slides and live entertainment, cruise ships cater to a wide range of interests and preferences.

The exponential growth of the cruise industry can be attributed to several factors, with the primary driver being the increasing demand for convenient and unique travel experiences. Modern-day cruise companies aim to broaden their global client base by catering to a more diverse demographic, as families, couples and solo travelers. The emergence of diverse cruise packages and itineraries tailored to varying interests and preferences highlights this phenomenon. Technological advancements have been identified as a contributing factor to the growth and development of the cruise industry, as contemporary cruise enterprises have begun to employ cutting-edge technologies with the aim of amplifying the quality of the onboard experience for customers, strengthening safety and security measures, and mitigating their environmental footprint. An illustration of the current practices of various cruise ships reveals that some entities have adopted advanced wastewater treatment systems to mitigate their effect on the marine environment, while others are leveraging the capabilities of artificial intelligence to optimize inventory levels and minimize waste. As these determinants undergo further modifications it is highly probable for the cruise industry to persist in its growth trajectory and expansion in the foreseeable future. The expansion of the cruise sector can also be ascribed to the rising availability of ports of call and docking facilities across the globe and in the recent years cruise lines introduced travel packages that incorporate cruises to distant and previously inaccessible locations. The increased accessibility, the expanded range of destinations and newly developed tourism infrastructure in remote destinations promotes the possibility to explore various regions of the globe allowing the tourists to immerse themselves in novel culturally abundant traditions. The integration of technological advancements in the industry significantly enhanced the operational efficiency and concurrently raised customer satisfaction levels. The popularity of cruise industry has significantly increased its global reach and attractiveness generating significant employment opportunities and economic benefits for local communities.

The global outbreak of the SARS-CoV-2 pandemic had a profound and extensive impact on numerous countries impeding the wellbeing, financial stability and way of life for billions of people. The tragic events posed a direct threat to the worldwide economy and disrupted international markets as well as various industry sectors in a manner that cannot be easily undone. The emergence of SARS-CoV-2 pandemic also exerted a significant influence on the global cruise industry prompting a sudden stop of the hospitality operations. More than any other tourism and hospitality sector, the cruise industry witnessed severe adverse effects due to the travel restrictions and border closures imposed by the pandemic, culminating in a dramatic reduction in foreign tourism. This necessitated the reevaluation and business model reengineering and in order to maintain financial solvency cruise operators were obliged to liquidate some of their assets, specifically many older ships. Consequently, the industry was compelled to implement pioneering strategies to facilitate the feasibility of cruising while simultaneously prioritizing customer safety and wellbeing. Many of the cruise hospitality enterprises have redirected their attention towards the promotion of domestic tourism and the exploitation of local markets as a means of ensuring the continuity of their business activities.

Despite the frightening challenges encountered by the cruise industry due to the pandemic, it has demonstrated a remarkable ability to endure and adapt to the constantly evolving environment and restart their operations under uncertainty conditions. Safety and security of guests and crew has consistently been the primary concern for cruise ship operators, who during the last decades have developed strategies to effectively address and mitigate the spread of infectious diseases on board, such as norovirus, influenza, measles or H1N1 virus. Nevertheless, the SARS-CoV-2 virus outbreak required a notable and evident improvement of the existent health and safety procedures in place. These enhanced protocols incorporated mandatory testing before boarding, at some point in the ongoing pandemic even mandatory vaccination, along with but not limited to improved cleaning and sanitation measures, compulsory social distancing, etc. Cruise lines have been actively participating in close collaboration with the health authorities and local governments to ensure strict adherence to regulations and guidelines. In addition to that, technological solutions have also been implemented on board the ships which simplified contactless interactions between the guests and crew ensuring optimal security and convenience for all stakeholders. This innovation has effectively eliminated queues and touchpoints that could pose potential health risks, such as check-in counters and physical key cards. Guests nowadays use their smartphones to complete the check-in process and access their cabins, reducing the need for physical contact and minimizing the risk of transmission. These technological solutions also help the cruise guests to make reservations for onboard activities and dining options through mobile apps, further enhancing their convenience and overall experience on the ship.

Consequently, there could be a further necessity for the industry to exhibit greater flexibility in their protocols and methodologies to effectively adapt to the variable future circumstances. In the existing literature there are still limited studies on the subject of cruise customer experience therefore the present paper focuses on analyzing and explaining the concept and its determinants.

The research undertaken aimed to identify the newly developed dimensions of cruise customer experience in the SARS-CoV-2 pandemic context, particularly based on the guests' preferences, as well investigating the opportunities and challenges for cruise industry's reengineering business model towards the road to recovery. Besides the existing literature review, the thesis undertakes a dual investigation approach of qualitative and quantitative nature, analyzing the cruise customer experience topic and attempting to determine the effects and implications of the pandemic related restrictions upon the overall cruise experience of the guests.

Keywords: cruise industry, pandemic context, cruise customer experience, health and safety protocols, SARS-CoV-2 pandemic, innovation, resilience

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SYNTHESIS

In recent decades, the cruise industry has experienced significant growth, becoming the fastest-growing sector within the global tourism industry. This growth has had a profound impact on the development of the hotel and airline industries, as the interdependency and close connection of cruise tourism with these adjacent sectors has been widely recognized as significant.

The rapid expansion of the cruise industry can be ascribed to numerous contributing factors, with the predominant catalyst being the rising consumer demand for convenient and distinctive travel opportunities. Cruise companies have diversified their offerings by incorporating a greater variety of destinations, onboard activities, and dining choices in order to accommodate a broader spectrum of travelers. The increase in technological developments has facilitated greater accessibility and affordability of cruise experiences for a larger population. As a result, contemporary cruise companies have been able to expand their international customer base and effectively address diverse preferences and interests within this market. Placing the customers' feedback at the heart of the business strategies over the years enabled the industry to experience continuous development under the guidance of its well-informed guests. Cruise industry has also become increasingly popular due to its all-inclusive nature, making it a convenient and enjoyable option for travelers looking to explore multiple destinations in one trip. With a wide range of amenities and activities available on board, cruise lines can tailor cruise experiences to suit the preferences and interests of a various customer segments. The globalization had a substantial influence on the development of the cruise industry, by facilitating opportunities for unrestricted trade, enhanced

cross-border connectivity and the proliferation of diverse cultural experiences. In the last three decades, cruise tourism has undergone substantial and swift expansion, consolidating its prominent role in the hospitality sector and delivering significant contributions to its comprehensive advancement. From its original function as a means of transatlantic transportation, the cruise industry has undergone a major transformation, to its current iteration as a provider of attractive entertainment options catering to the a global demographic. The industry contributes to the global economy by generating significant revenue and creating employment opportunities. In 2019 the industry experienced a significant milestone, as it achieved unprecedented levels of volume, accommodating 29.7 million passengers, marking a 4% rise from the previous year.

However, the cruise industry, a prominent component of the global tourism sector, has encountered substantial challenges as a result of the SARS-CoV-2 pandemic. The unprecedented state of emergency in 2020 resulting from the outbreak of Sars-CoV-2 had devastating effects on the cruise industry, marking a significant turning point for the sector. The cruise industry experienced significant detrimental effects as a result of travel restrictions and border closures implemented during the pandemic, leading to a substantial decline in international tourism incomparable to other sectors within the tourism and hospitality industry. In 2020, cruise industry witnessed a substantial reduction in embarkations, of only 5.8 million passengers, signifying an 81% decrease in comparison to the previous year. This decline also had an impact on the industry's workforce, with 576,000 cruise-supported jobs being affected and the total economic contribution to the economy indicating a significant decrease of 59% from the preceding year. The emergence of the SARS-CoV-2 pandemic had a significant and immediate effect on the worldwide cruise industry, resulting in the sudden suspension of its hospitality operations. This was primarily attributed to the perception that cruise ships have the highest transmission rate compared to other forms of transportation.

In the context of the global easing of COVID-19 restrictions, the cruise industry has embarked on a process of revitalization and redefinition. The industry's crowd and crisis management was effectively demonstrated, as it skillfully reorganized its activities and integrated innovative technological developments to enhance the overall customer experience.

The cruise industry witnessed a slow beginning in the spring of 2021, with passenger numbers reaching 4.8 million, in contrast to the pre-pandemic levels of 29.7 million passengers in 2019.

Despite facing challenges, the cruise industry has persistently adapted to current circumstances by utilizing the most recent innovative contactless technologies. Through the strategic implementation of contactless technology, the cruise industry managed to effectively improve the safety and overall well-being of their guests, thereby positioning themselves for success in the aftermath of the pandemic.

Given the limited literature on the topic, this thesis seeks to address this gap by identifying the current challenges and opportunities faced by the industry in the midst of a novel pandemic context. It aims to examine the effects and characteristics of this unique situation, and consider its potential evolution in the future. The primary objective of this thesis research was to evaluate the efficacy of the strategies employed by the cruise industry in responding to and recuperating from the pandemic and to analyze their influence on the overall satisfaction of cruise guests.

The present research aims to examine factors associated with the customer experience on cruises and to ascertain whether the changes resulting from the implementation of sanitary crisis management protocols have had an impact on the overall experience of cruise guests.

The thesis is organized into six chapters, incorporating a comprehensive literature review and original research conducted by the author.

The *first chapter* presents a comprehensive overview of the global cruise industry. The primary emphasis is placed on the cruise industry and the factors that contribute to its advancement. The study also seeks to examine the pre-pandemic condition of the industry and chapter provides a thorough review of the existing literature concerning the following topics:

- The evolution of the cruise industry
- Dimensions related to customer experience
- The global cruise industry prior to the outbreak of the SARS-CoV-2 pandemic.
- The impact of the COVID-19 pandemic on the cruise market and the global hospitality industry.

The existing literature was researched on these topics to provide a comprehensive understanding of the subject matter. This allowed for a thorough analysis of the current knowledge and gaps in research that needed to be addressed. In addition to researching the global context leading to the expansion of the cruise industry, the topic of customer experience was also explored in depth. Understanding how customer expectations and preferences have evolved over time is crucial for

businesses to stay competitive in the market. Identifying the intrinsic motivation of the customers is essential for the cruise industry to tailor their products and services to better meet their customers' needs and desires, ultimately leading to increased customer satisfaction and loyalty. This provides valuable information for the industry, to better anticipate future trends and stay ahead of the competition.

In terms of the global cruise industry prior to the outbreak of the SARS-CoV-2 pandemic a thorough review of the state of the industry and its growth strategies provided valuable insights.

In *the second chapter*, the focus is on the cruise industry's determinants and their interdependency. This chapter also consists of a review of the existing literature on the following topics:

- The contribution of the cruise industry to the world economy
- The impact of Covid-19 pandemic on the global cruise tourism
- Determinants responsible for the exponential growth of the cruise industry
- Sustainability performance and corporate social responsibility

An extensive evaluation of the ongoing events, news bulletins and statements of industry leaders prompted an understanding of the impact of Covid-19 pandemic on the global cruise tourism industry. The analysis revealed a significant decrease in bookings, cancellations of scheduled trips, and financial losses for major cruise companies. In the incipient stage of the pandemic, findings revealed that the industry was facing challenges to ensure the well-being of passengers and crew members. Understanding how the industry responded to this crisis, provides important lessons for resilience and recovery strategies in the face of future unprecedented challenges.

An investigation was conducted on the various facets pertaining to the sustainable development of the cruise industry. Recent research has found that the cruise industry has emerged as a prominent advocate for demonstrating corporate social responsibility in recent years. The industry endeavors to continually improve its practices by employing a range of strategies such as the integration of clean technologies, the establishment of sustainable waste management protocols, and the promotion of environmental consciousness among cruise guests.

The third chapter of this research offers a comprehensive analysis of customer experience and innovative approaches to service excellence within the cruising industry.

The research delves into the following subjects:

- Defining service excellence and elaborates on aspects related to the customer experience in cruise industry

- Human talent and hospitality skills in customer experience management
- Transformational effects of creativity and business model innovation upon the customer experience
- Competitiveness overview in cruise industry

The subchapters are dedicated to examining the various dimensions associated with service excellence and customer experience within the cruise industry, as well as exploring how innovative strategies can be employed to further improve these elements. By analyzing the existing literature and industry trends, valuable insights were gained into the challenges and opportunities facing cruise companies in today's competitive market. The examination of factors that contribute to service excellence and customer experience, such as human talent and hospitality skills in the context of customer experience management, is crucial for cruise companies in formulating strategies that not only align with, but also exceed their customers' expectations. The transformative impact of creativity and business model innovation on the customer experience is evidenced through heightened levels of customer engagement, loyalty, and satisfaction. The implementation of creative and innovative strategies can ultimately result in increased profitability and market dominance for cruise businesses.

The *fourth chapter* portrays the aspects which determine the effects of SARS-CoV-2 pandemic on the cruise customer experience, with the aim to further identify which are the factors driving the resilience and recovery of the industry. The existing literature is limited in this field and by investigating customer feedback in this chapter a better understanding on the customer's perceptions can help the cruise companies to better adapt their services to meet the changing demands of consumers in a post-pandemic world.

An introspective analysis into the cruise industry enhanced health and safety protocols implemented in response to the COVID-19 pandemic reveals a shift towards prioritizing passengers' well-being. These measures include increased sanitation practices, mandatory mask-wearing and reduced capacity to allow for social distancing. The results suggest that cruise operators have implemented rigorous contingency plans to address the potential occurrence of Covid-19 related illnesses during a voyage. The present study aims to provide a comprehensive analysis of the essential elements that form the health and safety procedures within the context of cruise travel.

The analysis will encompass three primary dimensions:

- pre-boarding preparations at the cruise embarkation terminal
- on-board health and safety measures enforced during the voyage
- protocols implemented at ports of destination.

In addition to that, a qualitative investigation was performed with the implication of the cruise industry experts (top management and cruise industry professionals) organized in a form of an interview addressing questions related to the customer's perceptions about cruising in a post-pandemic context. The study employed structured interviews as the most suitable method for gathering and analyzing crucial qualitative data within its methodological framework. The practice of conducting interviews with shore-side company experts and shipboard senior management was found to be particularly advantageous for obtaining a comprehensive understanding from distinct perspectives. The inquiries were specifically crafted to address current industry-related issues and to procure precise feedback from representatives within the field. This study comprises a set of 16 questions specifically crafted to obtain comprehensive insights into diverse facets of the cruise industry, encompassing areas such as customer experience, operations management, and state of the industry. The conducted investigation facilitated the acquisition of knowledge and perspectives provided by the cruise industry experts regarding the guests reaction to the COVID-19 related health and safety protocols and the potential course of action as operations were gradually resuming. Understanding these key factors will be crucial for the industry's long-term success and ability to bounce back from the challenges posed by the global health crisis.

The *fifth chapter* is dedicated to examining the effects of the Covid-19 pandemic on the cruise tourism industry, with a specific focus on an analysis of customer feedback from cruise guests.

Given the unprecedented character of the pandemic context, the existing literature is limited in terms of the effects generated upon the overall cruise experience, therefore, in this chapter, quantitative research was undertaken to explore some of the potential impacts of the pandemic on cruise passengers' satisfaction levels and future intentions. The findings of this study provide valuable insights for cruise companies to adapt their services and policies in response to the changing needs and expectations of passengers in a post-pandemic world.

This study aimed to evaluate the experiences of cruise customers during the Covid-19 pandemic, considering the unique nature of the events. In order to ascertain the relationship between heightened health regulations on cruise ships and the overall experience of cruise customers, it was

necessary to directly obtain their perspectives. The quantitative research employed a questionnaire type of survey, involving 954 participants, familiar with the cruise tourism.

The objectives and main topics discussed were:

- The customer sentiment towards cruising in the months ahead
- Perceived performance and customer expectations in cruising industry
- COVID-19 health protocols to ensure a safer cruise environment
- Modifications introduced on board to existent services and activities
- The impact of the enhanced Covid-19 health protocols upon the cruise guests experience
- Innovation approach and the importance of AI (artificial intelligence) in cruise customer experience.

Aligned with the research objectives and in efforts to delineate and nuance the perspectives of the studied populace, the research incorporated five demographic characteristics: gender, age, educational attainment, occupation and geographic location.

The survey was conducted to evaluate the impact of COVID-19 on cruise tourism through a quantitative analysis of guests' opinions. The survey encompassed inquiries regarding the frequency of cruising, the predisposition to engage in future cruises considering the pandemic context, the perceived efficacy of safety measures enacted by cruise lines and the general contentment with the industry's handling of the crisis.

Numerous conclusions were derived from the examination of the respondents' feedback pertaining to the tactics utilized by the cruise industry in their concerted endeavors to attain operational transformation. Furthermore, the analysis conducted targeted the effects of the improved health and safety measures on the overall experience of cruise passengers, taking into consideration their collective viewpoints. The data obtained from the survey has the potential to offer valuable insights into the distinct impacts of COVID-19 on cruise tourism, and to guide the development of strategies for recovery and adaptation in the future.

In order for the cruise industry to regain its prosperity, it is imperative to establish the balance between the implementation of heightened sanitary protocols, aimed at safeguarding the health and safety of both passengers and crew, and the adoption of measures designed to uphold a superior standard of cruise experience and authenticity.

Based upon their opinions and relying on the overall results of the research, conclusions and recommendations have been drawn in *the sixth chapter*, with emphasis on: cruise companies to continue to prioritize health and safety along with the provision of outstanding services and experiences that have the capacity to appeal to customers looking for unforgettable cruise holidays. Further to the qualitative and quantitative investigations performed, a *cruise customer experience management guide* was developed to use as reference for enhancement of overall satisfaction and loyalty among passengers. The guide includes recommendations for improving services related to customer service interactions. The management guide outlines elements of the cruise experience and offers suggestions for each touch point: the time leading up to reservations, the cruise itself, and the follow-up period afterward.

The results of this study could help cruise industry stay competitive and improve customer satisfaction because they offer valuable insights for academics and cruise lines navigating the difficulties of operating in the post-pandemic environment. The cruise customer experience management guide may be used as a comprehensive resource that provides recommendations for enhancing customer service interactions at every stage of the cruise experience.

Enclosed to the research thesis following the Cruise Customer Experience Guide, the *Bibliography* along with all the *Appendix* were included.