
COMPETITIVENESS IN GLOBAL HOSPITALITY AND CRUISING INDUSTRY

Carmen Florentina Vlăsceanu¹ and Gabriela Țigu²

¹⁾²⁾ *The Bucharest University of Economic Studies, Romania*

E-mail: carmen_vlasceanu@yahoo.com; E-mail: gabriela.tigu@ase.ro

Please cite this paper as:

Vlăsceanu, C.F. and Țigu, G., 2020. Competitiveness in Global Hospitality and Cruising Industry. In: R. Pamfilie, V. Dinu, L. Tăchiciu, D. Pleșea, C. Vasiliu eds. *6th BASIQ International Conference on New Trends in Sustainable Business and Consumption*. Messina, Italy, 4-6 June 2020. Bucharest: ASE, pp. 1117-1124

Abstract

The purpose of this research is to examine the competitiveness within the hospitality industry, particularly as it relates to the market race within the touristic sector, as well as the competing aspect and the destinations attractiveness. Our study reflects that rising competition within the hospitality industry besides a series of factors, it is also linked to the average pricing decrease responsible for attracting a broad customer base. Today, business brands have to poses knowledge and abilities that are relevant to the market, helping them identify future opportunities. Analytical capabilities of the overall global business environment as well as customer metadata provides hospitality brands with valuable insights pertaining to the expectations, motivations and intentions of their clients – vital to the evolution of the business on which the organizations' future will depend.

The methodology focuses on reviewing the dimensions of the competitiveness, analyzing various aspects relevant to the key factors responsible for the dominance of the major hospitality players present on the global tourism market scene. The relationship between aviation industry, hotels, global cruise operators, destinations and market clustering represent an important catalyst responsible for facilitating decisions on diversification and innovation, ultimately allowing a better market positioning and expansion through connections within the industry.

The findings of this research conclude that the world's interconnectedness favored by the technology developments affected the hospitality industry competitiveness by shifting the influence and power from the institutions to the individuals and influencing the evolution of the markets and increasing the competition levels at global dimensions.

Keywords

Competitiveness, hospitality industry, innovative business strategies, clustering, blockchain, learning organizations, user experience (UX), user intelligence (UI).

JEL Classification:

L1

Competitiveness within the global hospitality context

The hospitality industry has been the fastest growing and by far the most profitable economic sector, as leisure and business tourism have been commonly embraced by various market segments. Defining hospitality competitiveness is rather difficult and unlike other economic sectors as it integrates many other industries, such as, logistics, air, ground and maritime transport, accommodation, entertainment, etc.

The increasing competitiveness within the hospitality industry had made the subject of many headlines drawing attention on the brands and the primary beneficiaries of the exponential increase of this industry. On academic grounds the focus of attention has been drawn towards research topics investigating market segmentation, revenue management, marketing strategy, demand forecasting, destination management, economic and environmental issues, itinerary design as in the case of cruising sector in the context of global tourism industry.

Millions of tourists across the globe have been enjoying the services of the airlines industry, hotels, motels, ground transportation, cruise ships, visiting the most remote places on earth. Last year's (2019) tourism industry's contribution to GDP was approximately 2.9 trillion U.S. dollars, out of which a total of 580.7 billion U.S. dollars came from the United States' tourism industry. In 2018 the commercial airlines' revenue alone contributed with approximately 812 billion U.S. dollars from international tourist arrivals (Statista, 2020). As the number of tourists grew year on year, created the need of more accommodation establishments which triggered the inevitable competition among the hospitality brands. As a consequence, the role of hospitality management had become crucial, being confronted with tremendous challenges, to create innovative business strategies, optimize hospitality services and internal processes aimed at improving the effectiveness of operations and gain market share. Academic research proposed a series of measuring methods addressing competitiveness from the comparison perspective of hotels within the same category and similar market conditions, however the service sector lacks an index guide designed to compare brands at different levels in hospitality and various locations. Development of a complex index and a competitiveness measuring model has to consider many variables that allow for an equivalent and objective comparison among the hospitality brands, taking into consideration the differentiating local norms and culture as well as the surrounding economic conditions of the region. Hospitality brands compete on all levels taking into account all the dimensions of service quality SERVQUAL, tangibles: food quality, reasonable price, entertainment quality, as well as intangibles: reliability, responsiveness, assurance, empathy (Parasuraman et al., 1988).

Problem Statement: Determining factors linked to hospitality competitiveness: human talent, customer experience, technology innovations, learning organizations

The concept of competitiveness such as its application is characterized by complexity in the context of global tourism, being defined by a series of conglomerated factors that ought to be investigated individually and subsequently analyzed together as a giant business puzzle.

Determinants that project the organizations' strengths and weaknesses related to the internal stakeholders, such as: strategies, capital, physical characteristics of fixed assets, human capital, education level and training, process management, productivity, operational costs, pricing, marketing, technology, brand image, service quality have become the focus of research, being identified as key factors that contribute to the hospitality organizations' competitiveness. Competitive strategies in the international hospitality industry relay unquestionably on close examination of the external conditions of the local and international market, customer demand, customer satisfaction, as accurately as possible with the assistance of technology innovation and systematic metadata reports analysis.

For this reason, measuring each of the competitiveness indicators becomes essential in the decisional process affecting performance and profitability of the hospitality business. (Juhasz-Dora, 2015) emphasizes the importance of defining „a complex measurement method to

indicate the level of business efficiency, profitability and guest satisfaction at the same time which allows the comparison of hotels of the same category”.

These determinants form a complex framework providing guidance to executive management to objectively evaluate the operational activities and better rationalize their strategic approach and tactical alliances. Process design specialists create touristic products and bundle services that provide meaningful and relevant experiences to customers, referred to as *user experience* (UX) a complex process combining aspects of branding, design, usability and function with acquisition and product integration. At the forefront of the design engineering process is UI *user interface* expressed through the content, images, sliders, text entry fields, and the simplicity of the acquisition process. Performance indicators reflecting either the occupancy rate, or gross operating profit per available room GOPPAR, total revenue per available room also known as Trev PAR, average daily rate or ADR, revenue per occupied room or RevPAR, revenue per available room RevPAR, earnings before interest, taxes, depreciation and amortization referred to as EBITDA, Average revenue per account, or ARPA - all these revenue management kpi's have registered dramatic increase in values over the past decade. (Chen et al, 2016) developed a path model of the determinants of cruising industry demand, stating that different cruisers motives have a significant positive or negative effect on specific cruise preferences and intentions, highlighting the significant relationships between cruise preferences and intentions. The authors employed the analysis of variance ANOVA based on a collection of statistics to compare and identify the differences of cruise motivations and cruise preferences specific to the Asian market further establishing determinants, differences and similarities of cruise competitiveness in different regional markets. Along with the attractiveness of the region as primary inputs, competitiveness is also influenced by the local institutional and networks capacities in addition to economic and business-related contributing factors. Fair consideration should be attributed to “critically important variables, such as location, overall costs, and safety, which are beyond the control of the tourism sector but which play a major role in destination competitiveness” (Enright and Newton, 2004). Clustering blockchain data allows gathering the information related to behavioral patterns into categories, and the analysis of perceived value had become a form of competitive advantage, provided that that companies have sharp abilities to understand their customers and adopt a high degree of product and service customization. To achieve this, a multidimensional measuring tool had been developed based on primary data and complex algorithms that allow a measurement of the service perceived value (SERV-PERVAL) and from its inception it had been intended to serve the purpose of evaluating customer service satisfaction in order to elaborate predictions and forecast re-purchase (Petrick, 2002).

In his study (Zhao, 2014) underlined that 4F marketing strategy was employed to change the traditional cruise consumption idea and make the corresponding analysis and countermeasures to promote the cruise. There are a number of methods that the academic world researched during the years proposing various applied models for hotel competitiveness measurement. (Juhasz-Dora, 2015) proposed a methodology and a business implementation of the index, testing the grey relational analysis, GRA on the basis of the competitiveness pyramid, situating the guest and the performance output at the top of the pyramid, followed by leadership performance in the middle position and at the base of the triangle left and right employee with its internal capabilities is delimited along with the ownership and management and the environmental output. Performance measurement methods such as Advanced Data Envelopment Analysis, known as DEA, Structural Equations Modeling, Factor Analysis known as CFA, Fuzzy number method based on a technique using multi-criteria decision analysis for Order of Preference by Similarity to Ideal Solution known as TOPSIS ranking, Performance Measurement Framework proposed by Phillips, P. in 1999 or Porter's Diamond Model also known as the theory of national competitive advantage of industries, addressing the demand and factor conditions, strategy, structure and rivalry along with related and

supported services – they all investigate the process of evaluation of the overall performance of the organization, proposing tools and algorithms to calculate the efficiency score and effectiveness of each department in relation with the comparable units from best practices.

Aims of the research: Examination of the competitiveness in cruising industry

The tourism industry has become an increasingly important factor in terms of economic development and the cruising sector by far has witnessed the higher developing trend providing new opportunities and upgrading the local environment and the visited communities. Ocean and coastal tourism received much attention in the last two decades being widely regarded as one of the fastest growing sectors of contemporary tourism with the biggest contributions to the global GDP. However, “despite increased awareness of the economic and environmental significance of marine and coastal tourism it is only in recent years that a significant volume of research has emerged, particularly focusing on the environmental” and socio-cultural impacts of tourism (Hall, 2001).

According to Statista, 2020 issued reports on a global scale in 2019 travel and tourism industry had an approximate direct contribution of 2.9 trillion U.S. dollars to the GDP, while the United States’ alone generated a total of 580.7 billion U.S. dollars, the highest amount contributed to the global GDP. United Nations World Tourism Organization recognizes that “robust growth in international tourism is continuing, 2018 witnessed the ninth consecutive year of growth in the sector, despite occasional shocks that have only served to demonstrate its stability and resilience” (UNWTO, 2019). Over the last years the concentration of the cruising industry gradually increased towards the Asian markets as every year additional ships have been deploying their voyages from Chinese ports of embarkation.

Since 2012 China maintained its leading position in the global tourism market with outbound tourists spending almost 277 billion U.S. dollars in 2018, around one fifth of the world’s total spending on tourism (McCarthy, 2019). In the recent years the emergence of Chinese middle class correlated with the facilitation of travel restrictions and simplified international transit procedures by the state authorities in addition to the increased volume of commercial flights, resulted in the development of a large-scale market eager to travel and experience the worlds attractions. All these aspects helped create the perfect conditions for a booming market of vast proportions, turning China into the largest contributor to the global outbound tourism market and the main source of financial currency across the world. Research reflected an increasing spending pattern of the Chinese tourists in high end products and luxury goods, especially good quality and expensive foreign brands. “In 2017 Chinese travelers turned more towards enjoying niche sectors like whisky tasting, aurora chasing, outdoor activities and other high-quality and less mass-oriented products and experiences” (McCarthy, 2019). Shanghai Wu Song Kou Lu International Cruise Terminal, world renowned and well-regarded key node city for national strategic deployments had seen a large development scale state of the art cruise ship terminal. Studies on destination, hotels and cruising industry had been advancing theories trying to forecast future directions and trends in tourism competitiveness research. Literature review revealed concepts, models and operational definitions that were used to analyze the performance of cruise tourism and aspects linked to competitiveness in this sector. (Brida and Zappata-Aguirre, 2008) considered that the decline of the passenger ship in competition with air travel in the 1960’s was caused by the modern cruising. Due to the magnitude and the variation within the cruising industry, the regional clustering of the destinations on one side and the lack of a universal index on the other side, accurately measuring aspects related to the competitiveness within industry brands becomes a daunting task. Relevant conceptual framework analyzing quantitative and qualitative factors integrated within the tourism value chain help explain competitiveness within the cruising industry in various geographical regions facilitating meaningful evaluation followed by significant operational decisions. Although the effect of rising competition in the cruising and hospitality industry leads to

boosting sales, it does not always translate in increased revenues and a higher profit margin as often the competitive industry structure implies dramatic price drops and alongside push and pull strategies, service diversification and other strategies work together to enhance and stimulate external tourism demand. The competitiveness degree of a hospitality organization whether a hotel, cruise line or a destination is essentially illustrated by the quality of services provided in conjunction with the integrated infrastructure and related services along the tourism value chain, every single one of them having a significant contribution to the destinations' long-term sustainable competitiveness. The below survey conducted by Statista reflects the degree of interest in hotel/cruise hospitality services based on the customers preferences. The figures are concluding to the fact that 80 percent of respondents ranked the internet access as being by far the most important, followed by the other features and amenities.

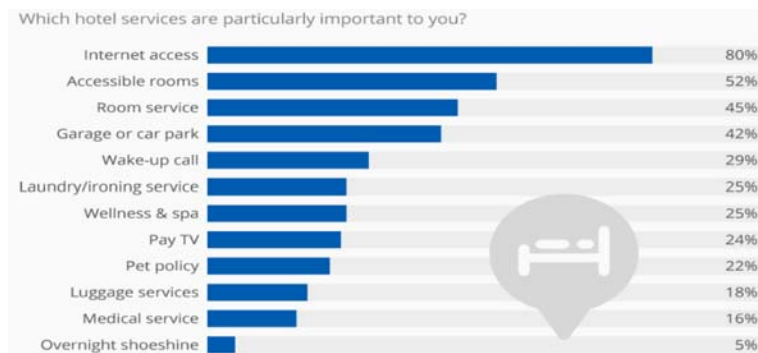


Fig. no. 1 Tourists' importance ranking of hospitality services

Source: Retrieved from: <https://www.statista.com/chart/9620/hotels-just-give-me-wi-fi/>

The millennial generation seems to be motivated by the desire to travel to various world destinations and meet new people; they have working and learning aspirations and often chose to have an attractive lifestyle comparing to other generations who were more concerned and prone towards financial investment and savings.

1. North America / 14,240,000
2. Western Europe / 6,731,000
3. Asia / 4,240,000
4. Australasia/New Zealand/Pacific / 1,460,000
5. South America / 883,000
6. Scandinavia/Iceland / 225,000
7. Eastern Europe / 213,000
8. Africa / 154,000
9. Middle East/Arabia / 111,000
10. Caribbean / 56,000
11. Central America / 47,000



Fig. no. 2 The origins of cruise passengers in 2018

Source: CLIA One Resource – retrieved from: <https://cruising.org/-/media/research-updates/research/state-of-the-cruise-industry.pdf>

The above infographic illustrates that most cruise passengers originate from the United States, justifying the geographical allocation of majority of cruise capacity to the Caribbean ports. The Mediterranean appears to be the second most popular destination for tourists, followed by the non-med European and South Pacific destinations in third place and fourth place.

A number of published empirical studies aimed at investigating existing knowledge of destination and hotel competitiveness making use of the availability of the meta-data and the advanced technology conferring an important advantage to the marketing services within the cruise corporations. (Kuwornu et al, 2013) emphasized the importance of the “complex task of generating compelling reports that allow for accurate interpretation of results with direct implications on the future marketing strategies and the overall decision-making process.” Seeking to attract new customers and convince the existing ones to re-purchase their customized and bundled services, cruise lines analyzes their travelers profile, their intrinsic motivation and behavioral aspects that differentiate the new cruisers from the repeaters (Kwortnik et al, 2018). Depending on the market segment and the nature of their services cruise companies differentiate in either river, canal and lake cruises, special interest, extended ferry mini-cruises, short ocean cruises, long-distance ocean cruises (Bull, 1996; Hall, 2004). (Cudahy, 2001) classifies cruise operators in upscale companies, mass-market cruise companies, niche market cruises and bargain basement cruise companies, while CLIA categorizes cruise brands into: budget, contemporary, premium and luxury.

Table no. 1 Cruise lines revenue comparison report 2015-2019 (in Millions of \$)

Carnival Annual Revenue		Royal Caribbean Cruises Annual Revenue	
Year	(Millions of \$)	Year	(Millions of \$)
2019	20,825	2019	10,951
2018	18,881	2018	9,494
2017	17,510	2017	8,778
2016	16,389	2016	8,496
2015	15,714	2015	8,299

Source: Macrotrends, 2020- Retrieved from:

<https://www.macrotrends.net/stocks/charts/CCL/carnival/revenue>

(Table no. 1) presents a comparison report between two similar competing cruise lines namely CCL, Carnival Cruise Lines and RCL, Royal Caribbean Cruises illustrating the scale of the annual revenue recorded during five referenced years, respectively 2015 through 2019. (Macrotrends, 2020) defined revenue as the money a company receives from its customers in exchange for the sales of goods or services and represents the difference between the income and expenses. Carnival Corporation & plc is the largest cruise company in the world, with a portfolio of 10 cruise brands with cruises in North America, Europe, Australia and Asia. (Schaefer, C., 1998; Carnival, 2008). To enhance a cruise line’s competitive advantages many strategic options are taken into consideration, such as the growth concept pursued to generate optimal revenues, which customers in terms of various customer segments that the cruise line will cater to, the type of services rendered on board, etc.(Gross, S., Luek, M., 2012). Carnival Corporation & plc represents the perfect example of a large number of cruise companies competing under the same ownership umbrella, although they are all sister companies sharing the same goals.

Conclusions, Forecasts & trends in sustainable business and consumption

Global cruise travel is continuing to grow at a steady pace around the world. The traditional North-American and Mediterranean cruise markets are being overtaken by the unexplored destinations that have embraced innovation at every level of their development. Over the last five years the focus of cruise lines has shifted towards the fast-developing South-Asian market, with its’ attracting travel destinations that feature more accessible and eco-friendly transportation methods, essential to drawing a diverse range of people choosing a modern and comfortable traveling style. There is a visible ascending trend in tackling head on the environmental, social and economic impacts of the cruising operations as to ensure business

continuity goals in this intensive competing race. The leading cruise companies' adherence to the UN 2030 Sustainable Development Goals highlights their commitment towards environmental sustainability specifically designed and incorporated into the business strategy as to confer competitive advantage and effectively communicate the brand values.

As cruise companies have increasingly embraced the sustainability doctrine, they have also been very selective with all the partners along the cruise logistic chain based on the shared commitment and compliance, reflected in sound sustainability strategies and practices along the entire value chain.

The factor that will dramatically impact the global tourism industry in 2020 and possibly for the following years, is the current coronavirus pandemic, known as (COVID-19). According to the World Travel and Tourism Council this pandemic could result in 50 million jobs cuts in travel and tourism industry worldwide, a global revenue drop by approximate 17 percent, with the Asian continent being the most affected. The world is now witnessing the highest employment loss in the industry caused by the implementation of severe travel restrictions in the attempt to curb the spread of the disease bringing the global tourism to a drastic halt. Although the long-term economic impact remains unknown and impossible to assess, the immediate effects are brutally experienced as shock waves in all the world's industries: international trade, travel and tourism, restaurants, retail, finance & insurance, real estate, construction, agriculture, manufacturing, mining, oil & gas, caused by the state of emergency declared in countries around the world and the standstill of everyday life. The level of success of the cruise companies depends on their ability to respond to the critical circumstances determined by the latest unfortunate turn of events while tackling critical factors tied to the financial fluidity and efficiently managing capital, human talent and inventory assets. In lieu of recent global events, adaptability becomes increasingly important in managing risk and reputation. The world's cruising companies have reconsidered their current approach towards sustainable business in times of global pandemic crisis, re-shuffling strategies whether they might downsize or retain position within the competitive marketplace.

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