Exploring behavioral differences between new and repeat cruisers to a cruise brand

Xiaodong Sun a,1, Robert Kwortnik c,1, Dinesh K. Gauri b,*,1

a School of Business Administration, East China Normal University, Shanghai 200241, China
b Sam Walton College of Business, University of Arkansas, Fayetteville, AR 72701, USA
c Cornell University, School of Hotel Administration, Ithaca, NY 14853, USA

ARTICLE INFO

Keywords:
Cruise industry
Cruise loyalty
Behavioral segmentation

ABSTRACT

The modern leisure cruise industry is one of the most dynamic and profitable sectors of the global tourism industry. However, the cruise industry has entered a maturity stage in North America, the largest cruise market in the world, as growth of the new-to-cruise segment diminishes. Industry analysts emphasize that cruise lines need to not only attract new customers, but also to motivate existing ones to repurchase. Achieving these dual goals demands a better understanding of the differences between these market segments. This study used proprietary reservation data containing more than one million individual records of cruisers’ demographic and behavioral information. Analysis showed that compared with new cruisers, repeat cruisers to a cruise brand are less price sensitive, live closer to embarking ports, are more likely to choose longer cruises and better cabin types, and to book cruises further out from the sailing date; in addition, there are notable behavioral differences between first-time and multi-time repeat cruisers.

1. Introduction

As one of the most dynamic and fastest-growing sectors of the global hospitality and tourism industries, the modern leisure cruise industry welcomed more than 24.2 million cruisers in 2016, with North America comprising 52.1% of this passenger volume (CLIA, 2017). As the largest cruise market in the world, North America’s share of the global cruise market was more than 90% before 2000, and more than 70% from 2000 to 2011 (Sun et al., 2014). Researchers have identified a maturing phase in the North American cruise region (Jones, 2011), indicated by continued passenger growth, but a declining growth rate, decreasing global market share, and cruise lines moving ships to other regions, most notably Asia, to develop new markets where growth potential is stronger (Sun et al., 2014).

Despite this slowing growth in North America, only 20% of this market has taken a cruise (CLIA, 2011; Sun et al., 2011) and only 3% cruises each year (Rodrigue and Notteboom, 2013; Sun et al., 2014). While these figures should indicate potential for market development, industry leaders have raised concerns about the decline in new cruisers (Sampson, 2014), which comprised more than half the market in the early 2000s (Jainchill, 2006), down to 45% by the middle of the decade (CLIA, 2008), and to 38% in 2014 (CLIA, 2015). On the other hand, the growing repeater market (62% of cruisers in 2014) presents opportunities for market penetration as cruise lines strive to encourage these customers who have taken 3.8 cruises on average (CLIA, 2015) to cruise more.

How cruise lines should allocate resources between market development and market penetration is both a strategic and analytic question; however, little empirical research exists in the cruise industry context to inform strategy (Petrick, 2005a). Academic research points to the benefits of repeat customers, including reduction of marketing and operational costs, generation of positive word of mouth (WOM), and growth of revenue streams (Oliver, 1980; Reichheld and Teal, 1996; Brunner et al., 2008). In tourism contexts, repeat patrons are important for destinations and suppliers (Fakeye and Crompton, 1992; Petrick and Backman, 2001; Petrick, 2004a; Chen and Chen, 2010). However, these benefits can be context dependent; in some industries and situations, loyal customers have higher expectations and actually cost more to serve than new customers, whereas some new customers who never rebuy can be highly profitable (Reinartz and Kumar, 2002).

The limited research on cruise loyalty has examined differences between new and repeat cruisers, though typically using self-report measures (e.g., Li and Petrick, 2008; Petrick, 2004b, 2005a; Jones, 2011). For example, Petrick (2004a), using self-report data from one...
cruise line sampled across two sailings, found few clear differences in terms of WOM, future intentions, price sensitivity, and money spent between new and repeat cruisers based on how often they had cruised with the brand. In follow-up analyses of this data, Petrick (2005a) found that new cruisers tended to be younger and that satisfied new cruisers and loyal repeaters had greater intentions to cruise again with the brand and to provide positive WOM (Petrick and Sirakaya, 2003). Jones (2011) studied self-reported influences on the decision to cruise by sampling from six cruises of one cruise line and found that new and repeat cruisers are influenced by different information sources, cruise attributes, and cruise motivations.

In terms of methodology, studies of new and repeat cruisers have largely used surveys and qualitative approaches, methods that may not reflect actual behavior. For instance, Petrick (2005b) reported that new and repeat cruisers do not differ in terms of self-identified price sensitivity, though actual cruise price paid and choice of cabin category may indicate otherwise. To the best of our knowledge, no research has used objective behavioral data to examine the differences between new and repeat cruisers. As such, this study offers a systematic, albeit exploratory, comparison of new and repeat-cruiser segments using actual bookings from a cruise line’s proprietary reservations database consisting of more than a million records.

The study addresses limitations of past research, namely self-report and qualitative data collected from relatively small samples across at most a handful of cruises, by analyzing more than one million records of actual cruiser behaviors across hundreds of sailings and diverse itineraries for one cruise brand, making this study the first of its type in the travel and tourism literature. Results highlight a number of important differences between new and repeat cruisers to a brand that both clarify and extend past research, and that offer practitioners insights for behavioral segmentation for attracting new and retaining customers. The study’s results also offer insights for revenue management based on segment differences in reservation timing, cabin-type selection, and prices paid. In sum, this research contributes to the literature by showing the value of using actual behavioral data for understanding segment differences, which offers implications for similar rigorous market analysis in other travel and tourism verticals.

In the next section we review relevant literature on tourist segmentation and develop hypotheses based on past research. We then discuss this paper’s methodology for reorganizing reservation records and identifying new and repeat cruisers, followed by the statistical methods used for examining differences between groups. We then present results obtained from a two-step framework about testing differences between new and repeat cruisers and then discuss the results for sensitivity analysis for a three-group comparison that splits repeat cruisers into first-time repeaters and multiple-time groups. We close with a discussion of the study’s findings, implications for researchers and practitioners, and consideration of limitations and directions for future research.

2. Literature review and hypothesis development

Tourism researchers have identified a variety of differences between new and repeat customers in terms of demographic, psychographic, and behavioral factors, such as motivations (Fakeye and Crompton, 1992; Lau and McKercher, 2004; Lim et al., 2016), preferences and expenditure patterns (Lehto et al., 2004; Shani et al., 2012; Chang et al., 2013), satisfaction and loyalty (Chi, 2012; Morais and Lin, 2010), and perceived value and risk (Fuchs and Reichel, 2011; Karamustafa et al., 2013). However, cruisers differ from other travel and hospitality products, making it challenging for consumers, especially novice buyers, to comprehend the cruise product during the choice process—a main reason why travel agents still sell the majority of cruises (Mancini, 2011).

The cruise product is complex, consisting of itineraries of varied lengths and multiple ports of call, dozens of cabin categories, various onboard amenities and activities, numerous dining and entertainment venues, different kinds of shore excursions, and many spending opportunities, including alcohol and specialty dining, art auctions, gambling, and spa treatments; indeed, modern cruise ships are floating resorts—destinations unto themselves (Kwont, 2006). Given this complexity, we expect that cruisers with differing levels of product experience will also differ in terms of key buyer behaviors, such as when they will buy (reservation timing), how long of a cruise trip they will buy (trip duration), how far they will travel to a departure port (travel distance), and how much they will spend on their cruise vacation (cruise spending).

2.1. Reservation timing

In addition to the complexity of the cruise product, cruising has long suffered from a variety of real or perceived objections to the experience that are especially prevalent among non-cruisers, such as high cost of cruising, worries about seasickness or ship safety, concerns about being confined on the ship, beliefs about regimentation and forced socialization, and a general lack of knowledge about cruising (Mancini 2011). Such objections exacerbate decision uncertainty. Travel risk has been identified as a major concern for tourists when planning a vacation (Lo et al., 2011; Reisinger and Mavondo 2005), particularly when knowledge about the tourism product is low (Wong and Yeh, 2009). Travel-product information is important for reducing purchase uncertainty (Gursoy and McClery, 2004). Lo et al. (2011) showed that search for the latest information about a destination was a primary method that tourists adopted to reduce purchase risk. Furthermore, in the trip-planning phase, perceived risk can result in tourists delaying their final decision (Wong and Yeh, 2009). Accordingly, compared to repeat cruisers with more knowledge about cruising and fewer objections based on prior experience, new cruisers face a higher level of uncertainty and will require more time to obtain relevant product information before reserving their cruise. Thus, it is hypothesized that:

**H1.** New cruisers will book their cruises later (i.e., closer to the trip) than repeat cruisers.

2.2. Trip duration

In terms of travelers’ length-of-stay choices, previous research offers mixed findings. Oppermann (1997, 1998) reported that compared to new visitors, repeat visitors to New Zealand stayed longer in the country. Similarly, Tiefenbacher et al. (2000) found that repeat visitors to small towns in Texas stayed in the location longer than did new visitors. Wang (2004) likewise found that repeat tourists from mainland China to Hong Kong were more likely to stay longer than new visitors (see also Lau and McKeercher 2004). However, Li et al. (2008) reported the opposite—that new visitors were more likely to stay longer than repeaters (see also Shani et al. (2012)). In the cruise industry, CLIA (2011) reported that novice cruisers generally allocate less time for their first cruise than for subsequent cruises in order to “test” the cruise vacation experience; thus, it is proposed that:

**H2.** New cruisers will purchase shorter cruises than repeat cruisers.

2.3. Travel distance

In tourism geography, research on the impact of distance on tourist behavior generally finds that demand declines with distance to the destination (McKercher, 2008). In the cruise context, the need to travel further to reach departure ports would also increase the overall trip cost and associated purchase risk. However, research shows that new visitors to a destination tend to travel greater distances than do repeat visitors (Tiefenbacher et al., 2000). Li et al. (2008) noted that repeat visitors were more likely to drive to their destinations, whereas new
دریافت فوری

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات