

## Segmentation and targeting in the cruise industry: *an insight from practitioners serving passengers at the point of destination*

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### Keywords

Segmentation, Targeting, point of destination, cruise industry

### Abstract

*Cruising is a fast growing and increasing part of the tourism industry, attracting a wider range of customers than in the early days, when it was mainly for the wealthy and higher class. Following these changes, companies in the cruising industry as well as tour operators are offering more variety of tours and services. Cruising is in many ways quite different from other types and more conventional tourism industry, particularly due to the limited time the tourists stay in each destination. This also complicates the decision making process of the clientele regarding products and services they buy at the point of destination, making it difficult and challenging for those servicing the passengers to reach them with their offerings. Although knowledge on this sphere of the industry is increasing, there is still scant research on how to segment and target customers at their point of destination. To gain an insight into factors having an impact on segmentation, a qualitative research was undertaken, based on in-depth interviews with ten participants in Iceland, offering a variety of services for the cruise industry and cruise passengers at the point of destination. The research revealed that Nationality was the strongest factor that distinguishes the passengers, but other strong factors were the length of stay at the point of destination as well as the star ratings of the ships the passengers were travelling with. The research offer important contributions for practitioners and academics by offering an insight into an approach that caters for a better understanding of segmentation that will affect target marketing in this particular sector.*

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### Introduction

Cruise tourism is generally defined as time spent on a waterborne vessel for leisure purposes (Nilsson, 2007, citing Cartwright, 1999; Sillignakis, 2007). The cruise industry is a relatively young and, undeniably, a strongly growing segment of tourism (Weeden, Lester, & Thyne, 2011). Along with its rapid expansion, the cruise industry is undergoing constant transformation. In the beginning, cruising was an exclusive luxury for the rich, famous and mostly elderly members of society. With time, however, interest has been growing among wider circles of the population and so has competition (Weeden et al., 2011). Together, these trends have resulted in the introduction of more diversified products serving various customer categories, including younger people, families and multi-generation groups (Gulliksen, 2008). The average age of a cruise passenger dropped from 65 in the 1970s down to 46 in 2008; prices have become more affordable as well (Elliot & Choi, 2011). Cruise lines pay close attention to their customers' vacation desires and develop new itineraries and destinations, innovative ship designs, constantly introducing new services, facilities and entertainment. They also provide a wide choice of cruises varying from a few days to a few weeks in duration; the average was 7.2 days in 2013 (FCCA, 2013). Another relevant change is that a cruise trip is no longer considered a once in the lifetime experience, as 85% of cruise passengers have cruised before (Elliot & Choi, 2011).

North American passengers still constitute the largest cruise market segment, although markets in Europe, Asia and the rest of the world are showing strong growth tendencies (CLIA, 2015). Table 1 represents how cruise passengers are divided between source markets.

Table 1: Cruise Passengers by source market 2014

Source markets	Passengers (millions)	Source markets	Passengers (millions)
World		Europe	
North America	12.16	Germany	1.77
Europe	6.39	UK/Ireland	1.64
Asia/Pacific	2.40	Italy	0.84
Rest of the World	1.09	France	0.59
		Spain	0.45
		Europe, other	1.10
Total	22.04	Total	6.39

Source: CLIA, 2015

### New trends

Ever-changing customer tastes and preferences apply to cruising as much as any other industry, calling for the emergence of new trends and tendencies. At least three distinct recent trends can be identified for the cruise industry.

The first concerns the size of cruise ships. Since the very dawn of leisure cruising the majority of cruise lines were in a “race” for the largest ship. Innovative technologies and huge resources were dedicated to creating more spacious vessels, constantly increasing the number of amenities and entertainment facilities, thus turning ships into “floating hotels”. Nevertheless, recently this concept seems to have become less popular, as cruise passengers are looking for more sense of privacy and new, different experiences and entertainments (Harpaz, 2014). It is possible that this shift in priorities has to some extent stimulated the considerable increase in demand for river cruises as well (Cruise Critic, 2014).

The second trend touches upon ships’ qualities and facilities. Two evaluation criteria for cruise ships and lines have gained considerable importance – the quality and originality of dining options and availability of technical equipment. The former has become a famous self-sufficient entertainment and the latter is a strong factor of convenience (Harpaz, 2014). As, for example, the Internet becomes accessible to people nearly everywhere, surely cruise ships should be no exception (Sloan, 2014).

The third trend is mostly due to external influence. The highly competitive environment in the light of galloping globalization causes companies from various spheres to take on more social responsibility and become notably environmentally aware and health conscious. The cruise lines follow this pattern: they are constantly working on technologies of waste filtering and minimizing the volume of refuse. They also enlarge non-smoking areas on board, although this is primarily for reasons of comfort, as cigarette fumes might disturb non-smoking passengers (Cruise Critic, 2014).

### Target Marketing in Tourism

Target marketing is an essential part of the complex marketing activities in the tourism industry (Bhadauria & Sanjoy Ghose, 2014; Bowen, 1998). There are numerous reasons for that. One of the most important is the fact that only a small, but growing, fraction of the world population can afford and chooses to conduct an international trip in any single year. Besides, this small percentage of the population is neither distributed evenly, nor randomly (European Travel Commission, 2007). The situation is most often the opposite: minorities within groups of the population account for the highest demand rates on tourism products and services. This phenomenon is sometimes called the Pareto principle (after the Italian social scientist who discovered it). Tourism propensity is a term usually applied in the tourism industry, meaning the variation existing between segments or groups of people with regard to their likelihood to take an international trip. For example, North America and Western Europe have a higher tourism propensity than Africa and South America, which means that a larger percentage of the population of the former two continents travels abroad in any single year. Tourism propensity also varies between different segments within a region or a country. For

example, people with higher incomes have a higher tourism propensity than those with lower earnings and people with longer paid vacations are more likely to travel abroad than those with shorter paid vacations (Seaton & Bennett, 1996).

### **Target marketing in the cruise industry**

As a branch of the tourism industry in general, the cruise industry benefits greatly from the application of target marketing; in the process of segmenting cruise passengers, when targeting passenger segments and adjusting products to them, general segmentation theories and techniques are widely used (Bowen, 1998). The specifics of the industry nevertheless call for changes and improved precision in target marketing practices (Bhadauria & Sanjoy Ghose, 2014). Some of the most useful segmentation methodologies in the cruise industry include three aspects of socio-demographic segmentation:

- a) Geographic segmentation is necessary because any single cruise trip starts at a specific port, and in most cases the passengers come from surrounding regions (at least from the same or neighboring country), but of course in order to take a cruise, passengers sometimes arrive in the port city by air or some other mode of transport. It is also often the case that the company's entire cruise portfolio departs from ports in one or a few countries in one region
- b) The family cycle stage is extremely relevant in the cruise industry. This variable greatly influences passengers' requirements as to a ship's facilities, activities and entertainment on board. There are ships that cater for the needs and interests of several groups, or all, to some extent, within this classification, but there are also the ships focusing only on one or two groups (for example, adult only ships or, the opposite, family-friendly ships)
- c) Income is significant because cruises still largely pertain to a luxury product category, even though recently cruise companies have paid increasing attention to the middle class and to younger, less affluent customers

Socio-demographic segmentation is often used by organizations in the cruise industry, such as Cruise Lines International Association (CLIA), GP Wild, and the cruise companies (Gross & Lueck, 2011; Vogel, Papathanassis, & Wolber, 2012).

Wood (2004) distinguishes between four segments according to similar criteria. First, he divides the passengers into three main groups and then describes the fourth one separately. The first segment caters for budget passengers, who intend to travel cheap and accept such trade-offs as older and less luxurious ships. The next group comprises contemporary passengers, who tend to travel with large cruise lines, and covers a rather wide range in terms of prices. The third segment is for premium passengers, who can afford and buy expensive trips; they are often older than those in the other segments. The fourth group, separated from all other cruise passengers, comprises the elite, who actually own cruise ships and sail frequently.

There are other types of segmentation according to socio-economic variables. For example Cruise Planners divide cruise lines into four groups according to these criteria (including not only price and quality, but the lifestyle on-board and the general vacation experience as well) and then segment passengers on a product basis. The groups are: (1) first class, (2) premium, (3) luxury and (4) specialty cruise lines (Cruise Planners, 2014).

- 1) The first class cruise lines are characterized by large ships but small cabins, one week and shorter trips, more family friendly and activity oriented
- 2) Premium cruise lines are characterized by medium-sized ships and large cabins, one week and longer trips, often mostly for adults, relaxation-oriented
- 3) Luxury cruise lines are characterized by small ships and very large cabins and suites, relaxation-oriented, long trips of 10 or more days. These are less likely to be family friendly

- 4) Specialty cruise lines are characterized by very small ships, few sports and entertainment facilities, usually not family friendly, but adventure-oriented

Apart from socio-demographic and product segmentation, many other methodologies from general marketing theory can be used, such as 'first time' versus 'repeat cruisers' segmentation, benefit segmentation and lifestyle segmentation, for example. Two of the most recent interesting works dedicated to market segmentation of cruise passengers were about passengers' motivations and the reputation of cruise lines.

According to Petrick (2011) a cruise line's perceived reputation has a very strong impact on cruise passengers' perceptions of price sensitivity, quality, value, satisfaction, word of mouth and repurchase intentions. In the course of his research, passengers were divided into perception groups, then the latter were compared on the variables listed above. The difference between groups proved to be significant.

The motivation subject was investigated by Jones (2011). Three motivation aspects were studied: information sources, vacation attributes, and motives derived from the Leisure Motivation Scale. The research concluded that knowledge of passengers' motivations gives cruise companies good insight into the reasons for passengers' decisions to cruise and their choice of a specific cruise trip or itinerary.

### **Segmentation of cruise passengers by cruise lines**

Often cruise passengers are referred to as one particular segment of tourists coming to a destination. Indeed, they have a lot in common and differ from other tourists in some respects. For example, they do not need accommodation at destination ports and only spend limited time on shore, almost in all cases under 12 hours (Associated Icelandic Ports, 2016).

At the same time, however, they are not a homogenous group and vary greatly according to different factors. One might say that segmenting cruise passengers is, in a way, easier for National Tourist Offices (NTO) and local companies serving tourists, than it is with other tourists; the reason being that a large part of the work is already done for them. The lists of cruise ships arriving in the country are known far in advance. The group of passengers traveling on one ship is by no means completely uniform, but they have a lot in common. Each cruise line has its target market defined by multiple criteria (e.g., nationality, social status, family cycle stage, life style, benefits sought). The target market becomes even more narrowly defined at the level of each cruise ship. Therefore, by carefully studying arriving cruise ships and their owner companies, one forms an idea of what the passengers are like.

As a result of secondary research on the target markets of various cruise ships and their owner companies, the author noted the distinction between larger and smaller cruise lines. Larger cruise lines comprise all the brands included in the corporations of "The Big Four" (leading cruise line companies, including; Carnival corporation, Royal Caribbean Cruises, Norwegian Cruise Line, MSC Cruises), whereas cruise lines not found there are referred to as smaller cruise lines for the sake of simplicity.

### **Comparison of larger and smaller cruise lines**

In general, the ships belonging to large cruise companies have much in common as do the ships of smaller cruise companies. So, in what ways are the large cruise companies similar to each other from the point of view of a cruise passenger? They usually offer a well-packaged cruise vacation with the most common duration of one week, including time spent at sea and in ports (Ward, 2014). They provide passengers with a large variety of dining options and an extended range of round-the-clock entertainment, including large-scale Broadway-style shows, casinos and art auctions. They also have large shopping malls, water parks, fitness and wellness facilities. Some of the cruise lines are more traditional and stick to the conventional types of entertainment (such as mentioned above, or music concerts, or theater shows). Others are more innovative and adventurous offering first-time-at-sea activities such as surfing or rock climbing on board. Most of

the ships have entertainment facilities and programs for children, as well as access to the Internet. On the downside, the ships are often large, or sometimes medium sized, and crowded. This can result in the passengers spending their time waiting in lines or being unable to relax and rest calmly.

Although most of the ships belonging to the large cruise companies have much in common, they nevertheless differ in a number of aspects. They vary greatly, for example, in style and decor, dress code, availability and size of various facilities, crew-to-passenger ratio, service, food and maintenance of the ship (Ward, 2014).

Smaller cruise lines operate in a different way. Unlike the large corporations, many of smaller cruise lines are still family-owned or part of a tour operator's agenda. The owners usually operate a small fleet and ships are often chartered rather than owned by a company. Most of the companies run small or medium-sized cruise ships, but there are also those who charter large resort ships as well. Many of the smaller cruise lines serve small niche markets catering for passengers' specialist tastes and needs, some offering expedition cruises and exotic destinations (Ward, 2014). Small, boutique-sized ships have their own advantages, such as an informal, relaxing atmosphere and privacy. They can also visit smaller ports which are inaccessible to the large cruise ships.

To sum up: Firstly, large cruise lines usually have larger ships than smaller cruise lines; secondly, larger cruise lines have more variety of entertainment on board, but smaller ones often provide more privacy and a relaxing atmosphere; thirdly, smaller cruise lines often serve niche markets catering for customers' special needs while larger cruise lines target mass cruise markets.

Cruise passengers choose ships according to their tastes, requirements and purchasing capabilities, which means that by studying the features of a cruise ship some conclusions can be drawn about its passengers.

#### Research method

The main goal of this research was to gain an insight into cruise passengers through segmentation. A qualitative study among managers working in the tourist in Iceland was conducted, to gain an answer to the following research question: *How do people working with cruise passengers visiting Iceland experience differences between them?* A qualitative approach was found to be more suitable than quantitative, as it provides a deeper understanding of the behavior of cruise passengers.

A decision was made to collect data through personal interviews with people who work in the tourist industry, those serving cruise ship passengers, as opposed to the cruise passengers themselves. The reason was that cruise passengers would only have been able to reflect on their own experience, but not on differences between customers in different segments, which was one of the main objectives of this research. Furthermore, interviewing professional people in the industry was more practical, as it offered an opportunity to reflect the experience of professionals working with customers in many segments and the difference between them in a short time.

#### Participants

The sample was people working in the tourist industry in Iceland, which is fast growing sector in the economy. Two main requirements were established in choice of interviewees:

- They have to work on a regular basis with cruise passengers coming to Iceland, and that cruise passengers constitute an important part of the company's customers.
- They should occupy managerial and/or marketing posts in their companies and be able to see the big picture.

At first, the researchers intended to limit the participants only to those who work in local travel agencies or tour operator firms, but decided against it. Firstly, such a limitation would deprive the researchers of useful information from people who work in other companies which serve cruise passengers, such as harbour companies and stores that frequently sell products to cruise ship passengers. Secondly, there are not all that many travel agencies in Iceland which often work with

cruise passengers. Several agencies which answered the request had such a small number of cruise passengers among their customers, that they did not separate them from other travelers. Therefore, it was decided to omit such firms.

Eventually, the respondents were chosen, and they agreed to arrange an interview. These included representatives of eight tour operators and travel agencies, one representative of a harbour company serving cruise ships and one of the tourist service center and stores at the harbour. All of the interviewees were employed in managerial and/or marketing positions with their firms and had a good understanding of the customers their companies serve.

Table 2 presents a list of all interviewees who participated in the research, their employment area and the type of companies they work for.

Table 2: Interviewees' pseudonyms and companies

<i>Pseudonym</i>	<i>Employment</i>	<i>Operation</i>
Interviewee 1	Marketing	Harbor service
Interviewee 2	Management	Tour/travel
Interviewee 3	Marketing	Tour/travel
Interviewee 4	Management	Store at the harbor
Interviewee 5	Management	Tour/travel
Interviewee 6	Management	Tour/travel
Interviewee 7	Management	Tour/travel
Interviewee 8	Management	Tour/travel
Interviewee 9	Marketing	Tour/travel
Interviewee 10	Management	Tour/travel

The interviews were conducted in Icelandic, then translated by a fellow student of the researcher into English. It was then translated back to Icelandic by another person and compared to the initial transcript. Afterwards, the translated version was sent back to the respondent, who either verified that the translation resulted in correct meaning and understanding, or provided corrections which were followed up.

### Data collection and analysis

Participants in the research were reached either by email or phone call. They were offered to choose a time and place for an interview which was usually conducted during office hours and at their workplace. This arrangement was for their convenience in order to increase the likelihood of obtaining a meeting, and to make them more comfortable in a familiar environment. Each interviewee was informed about the purpose of the interviews and the subject of the research. They were all asked for permission to record the interview for the researcher's use when analyzing data. The interviews were held according to an interview frame with slight variations according to the flow of conversation. They usually began with a short explanation of the research and then proceeded to ask questions and encourage participants to express their point of view. At the end of the interviews the participants were thanked for their time and effort and the promise made that they could see the research paper when completed. Generally, the participants seemed to have reacted positively to the interviews and showed an interest in the subject. The recording did not bother them, although a few did not want the full transcription of an interview to be published. The interviews were conducted during the period from February, 4<sup>th</sup> to April, 29<sup>th</sup>, 2015. The length of the interviews ranged between 25 and 50 minutes.

### Results

Three major themes were discussed in the interviews: nationality; other differentiating factors; and new trends. Among the first questions of the interviews were those focusing on differences the interviewees had noticed between cruise passengers and which factors could explain

these differences, in their opinion. In the majority of the interviews participants spoke about nationality, size and type of ship, its luxury level and the time of year when passengers arrive.

### **Nationality**

The theme of differences between cruise passengers of various nationalities came first in the majority of the interviews. In one interview it came up even before the question about differences was mentioned; the respondent started talking about nationalities while answering another question. This theme turned out to be much more strongly represented than the researchers had anticipated. While most of the respondents recognized that there were other factors influencing cruise passenger behavior and characteristics, most of them continuously stressed the importance of the nationality of a passenger.

It's just a totally different way of thinking. Very different knowledge of the Internet, computers. Different what they want to see, different how much money they want to spend, different what they want to buy. You need different guides for different nationalities. (Interviewee 6)

The interviewees divided cruise passengers roughly into four groups according to nationality. One group included Americans or cruise passengers from the USA. Another group – British cruise passengers. Although Great Britain is part of Europe, the interviewees felt that the British cruise passengers differed markedly from other European cruise passengers. The third group consisted of Europeans, or mostly Germans. Speaking about European cruise passengers interviewees often mentioned only Germans, since they were the largest segment; but also French, Italian and Spanish citizens. A few interviewees singled out a group of Asian cruise passengers as well. These mostly comprised Japanese and Chinese citizens.

### **Specific features and travel behavior of three nationality groups**

The researchers found a strong conformity in interviewees' descriptions of cruise passengers of different nationalities, their travel behavior and specific features. Below are profiles of each of three nationality groups of cruise passengers according to the interviewees' descriptions. The interviewees talked less about the fourth group, Asians, but there are some comments about them in conclusions and discussions.

#### **American cruise passengers**

American cruise passengers were in most cases positively described. Most of the interviewees considered them good customers who are easy-going, "shop a lot" and do not give too much consideration to the price.

The interviewees also stated from their experience that American cruise passengers were the highest percentage of those who look for excursion tours in Iceland by themselves instead of buying them on board. The respondents believed, the most important reason for this was the absence of a language barrier, as the majority of excursion tours in Iceland were offered in English and there was a much larger variety of tours for English-speaking tourists.

Two interviewees suggested an additional reason for American cruise passengers looking for excursions elsewhere. They argued that Americans prefer more variety, more interaction with local people and international tourist groups, instead of taking tours always with the same people from their ship.

On the other hand, almost all the interviewees noted that American cruise passengers go the least often on excursions. They thought, that only around half of the passengers arriving from the USA took an excursion. The other half either visited the port town (taking a walk, shopping maybe) or did not even leave the ship at all.

Americans, however, usually have the lowest participation rate on tours, while Germans have the highest participation rate. On US ships we find the highest number of guests who actually don't go on any tour. The pricing and mark up on-board are also often

higher on the US ships. Therefore, the guests decide to go downtown and check out the shops, or do their own individual tours or something of the kind rather than join group tours. (Interviewee 2)

### **British cruise passengers**

The attitude to British cruise passengers was mostly neutral, in a few cases a little positive, and in a few cases even somewhat negative. This can be explained by the respondents' assumption that the British cruise passengers spend considerably less money in Iceland than other major nationality groups. Some respondents also felt that the British cruise passengers are very price sensitive, considering their wealth and financial capability.

The British are not spending much money, you see, and they find that things that cost 1000 ISK expensive. [...] British would say "What? 10 pounds? Are you joking?!" And then I sell some helicopter tour to an American for half a million [ISK]. Just "Here you go", you know, no problem. (Interviewee 4)

The British cruise passengers were also said to be the oldest, with the great majority of them over 60 years old, and considerably fewer families traveling compared to other European citizens.

### **European cruise passengers**

All of the interviewees mentioned German (or sometimes they referred to them as German-speaking) cruise passengers as a significant segment. Some also spoke of French, Italian and Spanish passengers, but only briefly, referring to them as other European cruise passengers (with a native language other than English). It will be noted below in each case whether the description is related to German or other European cruise passengers.

The interviewees' general attitude to European and specifically German cruise passengers was either neutral or positive. Most respondents regarded them as good customers, although somewhat price-sensitive in the sense that they look for value for money. Here the interviewees sometimes compared German cruise passengers to American ones.

Many Germans are like, you know, "Nah, we don't want to spend money on unnecessary things." Then some people come, and yes, shop a lot. Buy expensive tours, and clothes, and everything. It is just that Germans are more like "What am I going to get for the money?" more about value, value, you see. Not to buy just because. You know, if he wants something, then he buys it, but he gives it more thought than someone who comes and just sweeps up lots of stuff, "Hey, I'm going to take this here..." (Interviewee 4)

The respondents unanimously agreed, that the German cruise passengers are the highest percentage of those who took excursions in Iceland. The estimates ranged from 80% up to 95% of passengers. Another point is that the majority of European cruise passengers bought excursions on board a ship. The interviewees believed that mentality might be one of the reasons. In their opinion, the Europeans (especially Germans) were usually less interested in "breaking away from the crowd" than the Americans, for example. They appreciate more order and careful planning as well and preferring "to know what's going on". So even if Germans find and buy a tour by themselves, they "read the tour description well and know what they are buying". Nevertheless, respondents saw the language barrier as the main reason for this difference.

### **Different trips for different nationalities**

Another topic which came up during the interviews, while discussing various nationalities and languages and their impact on travel behavior and experience, was that it is better to arrange trips differently and separately for each nationality group. Although not all of interviewees' companies did this, the majority were trying to separate passengers according to nationality. The language barrier was not the only issue as to why most of the interviewees felt it was better to step away from generic tours for everyone, mixing people of different nationalities together. They argued

that there were many other issues that make a difference. For example, Interviewee 2 suggested an idea of organizing the same trips (or trips to the same places) differently for each nationality group.

There are many different tours, but we also make the same tours in various different ways. For one, the Golden Circle, which is the most common tour from Reykjavik. We would organize that tour differently for an American group than a German or English group. You still visit the same main sight, but a German guest doesn't want to spend much time at all at restrooms or shops. He would complain if there were too many technical stops like that, while an American guest would probably complain if he did not get an opportunity to do some shopping. It is just like that, people have different expectations. The Germans want to learn about our nature, while the Americans are more interested in the people living in the country. Therefore, our tour could be to the same places but organized very differently. (Interviewee 2)

The interviewees explained that various characteristics of cruise passengers, such as mentality and cultural issues, strongly shaped their travel behavior and their expectations from tours. For example, Interviewee 5 underlined the relevance of the time factor when organizing a tour. Everyone knows, that German people are very punctual. While it can be called a stereotype, it is in most cases very true; at least, when dealing with German customers, one must fulfill their expectations of punctuality. At the same time, Asian people frequently have a completely different understanding of time. For them, for example, a schedule merely performs a guiding function.

Asians are like, their understanding of the time factor is completely different. Europeans, and especially Germans, are quite specific about time. If we stop somewhere for 20 minutes, then it should be 20 minutes. And many had an experience that Germans, or Europeans, were always waiting for Asians. And even had to send someone for them. It's probably also because of languages and misunderstanding. And we had an experience as well that people just walked out of the coach when they saw there were Asian passengers. They didn't want to bother waiting for them. It is just like that. Being aware of that we try to manage them between different coaches. (Interviewee 5)

For these reasons, several, although not all, interviewees claimed they were trying to separate passengers of different nationalities.

### **Other differentiating factors**

While the nationality factor turned out to be the one most frequently highlighted by the interviewees, they mentioned three more.

### **The size and type of a cruise ship**

The size and type of a cruise ship are interconnected. The majority of respondents singled out "small expedition ships" against the large "floating hotels". What is interesting is that many of the interviewees themselves, or their companies, more often dealt with passengers from the larger ships. Nevertheless, they tended to speak more positively about smaller exploration ships. They described the passengers from such ships as "well educated", "active" and closer to nature, "people who want to see and learn" instead of "just chilling".

Although we get more passengers from the larger ships, we see great potential in passengers that travel on smaller expedition ships. The groups on board those ships are smaller and they go ashore on more locations across Iceland than passengers on the bigger ships. Passengers that can go ashore in rubber boats can dock at smaller harbors and explore the country in a more intimate way and get closer to nature. (Interviewee 3)

It was also mentioned, that the small ships usually have many more trips organized in advance. They booked excursions and activities at the destination well before arrival and rarely left it until the last moment.

### **Star ratings**

One more issue about different types of ships came up concerning the number of “stars”, or star ratings, a ship has, which is usually proportional to the price of the cruise trip tickets. Interviewee 2 suggested that the level of luxury on board correlated with the level of luxury (and price) of the service on shore.

The cruise passengers are quite different among themselves. Some ships have maybe 3 stars, then 4 and 5, up to 6 star ships. And the guests on board are different according to that, how the ship is. Some guests have saved for many years for their cruise, while others spend a good part of the year cruising the world on the most expensive ships. Often, in such fine ships, they have smaller groups and more individual personalized tours. Meanwhile, if the ship is of lower quality, then guests are happier with a less varied tour selection and the focus is on a few main tours. Then also groups can maybe be larger, giving the opportunity to bring the prices further down. (Interviewee 2)

A few more interviewees expressed similar opinions. Interviewee 10, for example, spoke about *space on board a ship per passenger*. The more the space was per person, the more the passengers were likely to order expensive private tours instead of cheap tours in large groups.

### **The time of year**

The third differentiating factor was mentioned by roughly half of interviewees and concerned the difference between cruise passengers coming at different times of the year. From their point of view, there were more young people and families coming on cruise ships during the high season – from June to August. At the same time, the older cruise passengers constituted the great majority in the off season – May and September. Also, wealthier passengers came during the high season and spent more money on shore, while those who travelled off season chose more “budget” options.

There is the difference, though, between cruise passengers at different times of the year. So in late May, early June, which is kind of off season for the cruise ships, you get the budget people. You get the low income people. And by the middle of July throughout August, early September, you get the high ends. It’s the high season, it’s the people that have more money. People with higher incomes also tend to have better education. But that doesn’t always help, depending on where they come from of course. But, I do notice the big difference between early summer and late summer in type of people. (Interviewee 7)

Although interviewees considered these differentiating factors less influential than differences in nationality, they were nevertheless deemed significant. And they concerned cruise passenger segments specifically, while nationality segments were generalized for all tourists visiting Iceland.

### **New trends**

Discussion of new trends and changes in cruise passengers’ behavior was initiated by the interviewees themselves in most interviews. They felt that it was a significant issue to mention and that the changes were really noticeable and fairly rapid.

### **The Internet: independence and variety**

The interviewees spoke about the Internet and its impact on tourism and the cruise industry specifically. The Internet provides cruise passengers with a wide range of information concerning available services at destination ports, the variety of these services, and, of course, prices. Nowadays, cruise passengers are usually well aware of what is available there and can make their own decisions about what they would like to do at the destination. They do not always have to choose from a few excursion options offered on board any more.

[...] just like everywhere else in tourism service, the Internet is becoming much more important and people have also become much more independent. And there are some

people who do not choose to go on the tours sold on-board. There is always a certain number of people who want to do their independent tours. (Interviewee 2)

In the past years we have seen changes in the way passengers book their tours. The ships all have an internet connection, so that the passengers are well informed about their next destination and can make the choice of booking with the local travel agencies as well as the on-board agency. (Interviewee 3)

Therefore, the interviewees continued, thanks to the Internet, the cruise passengers became more independent. Although the majority of cruise passengers still “go the traditional way”, the percentage of those who look for other options is increasing. The interviewees suggested two main reasons for that. One is a financial consideration: it is known, that the cruise lines sell excursion tours at higher prices than they usually cost when bought from tour operators themselves (Huijbens & Gunnarsson, 2014). It is curious, that the respondents seemed to be more interested in the second reason. They believed, that this is the reason for cruise passengers to look for tours elsewhere; it is the variety itself, the variety of choice, the variety of people (opposed to the same set of fellow passengers), and more possibilities of interacting with locals and having a different experience.

In most cases, the passengers can purchase their tours at a better rate when buying straight from the local travel agency. But more than that, passengers on board the cruise ships also seem to want to travel with other people at each destination, get a taste of the local culture and then meet up with their cruise group on board the ship again. (Interviewee 3)

One of the attractive arguments in favor of separate tours is often group size. Traveling in smaller groups has multiple advantages. The service is more personal, more attention is given to each passenger and his/her special requests, and the schedule is more flexible. Some cruise passengers prefer to take it one step further and order a “private” tour for only a few people. On such tours they do not have to accept a standard itinerary within a fixed schedule or wait for someone. They are free to decide what places they visit and what they can skip and how much time they want to spend at each point of interest.

It goes two ways. On the one hand it’s mostly that people are looking for smaller coaches rather than large ones. There you can have a bit more time and not wait in the long line to the toilet, and be in a small group. Then, it is also increasing, we now have as well, so to speak, individual tours. There are just 4, 8, 10, 12 that come together and order a car. There were many such individual tours last summer. This is also increasing. (Interviewee 5)

Obviously, however, the flexibility is limited by the time their cruise ship is scheduled to call in at a destination port, and, needless to say, such private tours cost more per person.

### **Younger passengers**

Another trend noticed by the interviewees was that on average cruise passengers were becoming younger. Although the average age of a cruise passenger is still quite high, more and more young people and families with children are cruising each year. Interviewee 2 explained that according to the old model, only older generations went on cruises, and there was even a joke that those who go on a cruise are “the old people and their parents”. Nowadays, however, this is changing.

### **Increased popularity of smaller expedition ships**

According to the interviewees, the expedition ships described above are gaining more popularity, at least with Iceland as their destination. Until recently the tendency in the cruise industry was towards larger and more luxurious ships, but now it seems to be changing direction.

The interviewees noted that the number of smaller expedition ships coming here is increasing and there are more passengers coming here who are interested in Icelandic nature and things to explore rather than passive entertainment.

### More active passengers

An increased level of activity of cruise passengers is not only connected to the expedition ships. Interviewees believed that the behavior of cruise passengers was changing in general towards a more activity oriented experience. This might be partially connected to cruise passengers' age, but not entirely. For example, Interviewee 2 said older passengers tend to be more active as well.

### Ships staying overnight

Interviewee 1 mentioned that there was an increasing tendency for cruise ships to stop in Iceland overnight. Schedules of ships arriving in the capital area support his argument (Associated Icelandic Ports, 2016). Interviewee 1 claimed this makes a big difference for local companies catering for cruise passengers. Firstly, it gives the passengers more time to spend in Iceland. Secondly, usually on the first-day, the majority of cruise passengers visit the most popular tourist attractions, the "Golden Circle" for example. On the other hand, if they have two days, they are more likely to visit other, less popular destinations.

### Discussions and conclusions

The objective of this research was to identify the difference between tourists coming on cruise ships; what the distinguishing factors are and how products and services are marketed towards cruise passengers. A qualitative study was conducted among participants serving this specific group of customers as it provided an understanding of the experience of marketing products towards them.

The research was guided by the following research question:

- 1) How do people working with cruise passengers experience differences between them?

An analysis of interviews conducted revealed that cruise passengers were certainly not considered as one homogenous segment; on the contrary, they felt that cruise passengers differed and could be segmented according to several factors. In general, interviewees had a fairly clear idea about cruise passengers as part of their clientele - who the passengers actually were and what they were after. Usually, however, the participants singled out cruise passengers from the others. This was mostly because they were constrained by strict time frames and of a higher age on average. Other than that, interviewees thought, cruise passengers had their similarities and differences just like other tourists. As one of the first questions was about how the interviewees experienced these differences, they explained which factors they felt contributed most to the distinction and what the implications were.

The differences between passengers of various nationalities were given the most attention by interviewees. They believed that the passengers' nationality had an influence on their expectations and travel behavior. In fact, as a result of such considerations, many interviewees, mentioned that their companies offered specially created excursion tours, tailored to the needs of passengers of different nationalities. They suggested this created higher value for customers and saved trouble for the company. This differentiation factor was completely in accordance with theoretical knowledge on segmentation in tourism. Country of origin segmentation is one of the few most used ways of segmenting incoming tourists (McCleary, Weaver, & Hsu, 2007) and it is probably even more useful for segmenting cruise passengers, because, on board a ship, they usually travel in large groups of the same nationality.

However, nationality, or country of origin of cruise passengers was not the only factor the interviewees found important in differentiating between them. The respondents felt that size and type of ship, its level of luxury and time of year for travelling also played important roles in differentiating one cruise passenger from another. Smaller ships bring more active, independent and adventurous passengers than larger ships, while more expensive ships bring more affluent, and

usually more demanding, clients than the low-cost ones. The high season of mid and late summer is characterized by more families and young people cruising, as well as more high-end customers. At the same time, the low season – May, early June and late September – attracts more budget travelers and retirees. All in all, these differentiation factors can be attributed partially to behavioral factor category which includes, for example, such variables as types of trips taken. In part, they are explained by other variables such as price sensitivity, benefits sought and values. These results concur with the market segmentation proposed by both Ward (2004) and Cruise Planners (2014) who split the cruise ship market in segments based on the size of ships, offering different facilities, programs, amenities, etc., each attracting a different type of customers.

Another important theme that interested most of the interviewees covers recent changes concerning the cruise industry and cruise passengers. The research showed there were noticeable changes in this sector in recent years. There were a couple of interviewees who did not have an opinion about these changes because their companies only started serving cruise passengers a very short time ago. The rest of the participants felt there are relevant changes going on and suggested their views on a few of them.

The prevailing trend, in the interviewees' opinion, was the independence of cruise passengers, mostly gained with the help of the Internet (Sloan, 2014). They argued that more and more passengers were aware of services available at ports of call and they wanted to be more independent from cruise lines and travel agencies on board, find trips at destinations themselves and break away from the crowd. Apart from this trend, the majority of respondents noted that cruise passengers have been becoming younger, more active and more curious with time (Elliot & Choi, 2011; Gulliksen, 2008). The interviewees also had a feeling that recently smaller cruise ships were coming more often. This is either because Iceland is gaining more popularity among their passengers or because large ships are slowly giving way to smaller ones. It is interesting to note that these changes the interviewees noticed in their own customers, are very close to the new trends and changes in the world-wide cruise industry as described and discussed in the corresponding literature (Cruise Critic, 2014; Harpaz, 2014).

## Conclusion

All things considered, cruise passengers, both “are” and “are not” one segment of tourists coming to Iceland. On the one hand, they are, because they have important characteristics in common which differ radically from those of other tourists (length of stay and no need for accommodation, for instance). On the other hand, they do not all fall into the same category, because they are a heterogeneous group, and can be divided into segments according to several criteria. Consequently these segments can be approached from different angles, and therefore value propositions and marketing activities can be designed and delivered separately to each segment. Having this information at hand, it is then up to local businesses and national travel organizations (NTOs) to decide whether to address all of the segments or only some of them, and whether to address them in different ways or in the same way.

As for marketing, its improvement does not have to be directed at increasing the number of cruise passengers at the present moment; most of the respondents claim they have enough customers for the size of their firms. The question is rather how, and whether or not, to create an opportunity for cruise passengers to spend more money per person at the destination. There is no consensus regarding whether cruise passengers should spend more money on shore or not. Some argue that passengers stay for such a short time at a destination that they simply do not have the time to spend more; others say that services provided for them are already quite expensive and the prices should not be raised – as higher prices would lead to the country losing incoming cruise passengers. These arguments make good sense, one cannot take a cruise passenger on two long excursion tours within 8 hours and one cannot raise prices beyond what the product is actually worth. But there are other ways out.

The easiest way to acquire more for selling a product/service is to enhance it to create added value. If it is an excursion for example, a seller can offer extra comfort, personalized service, complimentary gifts, food, professional photography or some activity included in the price. There are no limits as to ideas in this sphere and the product/service can be made valuable and unique for each segment with the help of imagination and careful planning. These things, of course, are already done by some travel agencies and tour operators, but are still rare compared to generic excursion products. It is certainly possible to argue that many tourists still go for the cheapest and simplest tours, but the researchers are convinced that there is more demand for such unique tours than it is generally realized, and that this segment is growing.

Another issue is, that customers are staying only for a limited time at each destination and it would be valuable to have more time to approach the customer. When cruise schedules for the next season become available, and one sees that promising ships are staying in Iceland only for 6 or 8 hours, there is nothing that can be done at that point. All efforts, therefore, should be prepared much longer in advance and be directed towards both parties; cruise lines and cruise passengers. In order to make cruise lines more interested in staying longer at a destination, port authorities could create an appropriate price policy (for example, the longer the stay, the less is the payment per time unit). This planning is of course not all that simple, and a lot of issues should be taken into consideration, but the point is that port authorities should take an active part in the development of sustainable inbound cruise tourism instead of competing with one another for the cruise ships.

It is, however, probably even more important to make cruise passengers themselves interested in staying longer at the point of destination, because if they demand it, cruise lines will have to provide the service, a so-called "pull" approach to marketing. Most likely this will not work with all cruise passengers, as many of them cruise for the sake of cruising and do not focus on destinations. Nevertheless, as came up during the interviews, many cruise passengers "can't get enough of it" after spending a few hours in Iceland. This means that many of them would stay longer if they had the choice. So, if local tourism businesses and NTOs managed to make such cruise passengers more aware of the local attractions before they book a trip, the demand for cruises with a longer stay at a destination would increase, as would (supposedly) the supply. The final method of getting more time from cruise passengers is converting them to return tourists by motivating them to visit Iceland again, be it on another cruise or by air. Thus, persuading cruise passengers to spend more time at a destination is very important because this would contribute to the more even geographic distribution of tourism.

#### Research limitations and direction for further research

This research has provided valuable insight into an increasingly important part of the tourism industry, both for practitioners who can hopefully find an opportunity to direct their marketing efforts more efficiently towards this segment, and for academics who might identify areas of further research. This research is not without limitations; it provides an insight into cruise passengers from the perspective of those serving the customers, but not the cruise passengers themselves. The research was conducted at only one destination. There are however likely many similarities among markets as the same ship and passenger have stopovers in many destination. Although valuable, the results of this research are therefore only a step on the way to a more in-depth study of cruise passengers and their behavior. Further research could include studying cruise passengers, their segmentation and travel behavior through quantitative methods. It would also be valuable to conduct a similar study as this one at more points of destination.

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