

# **CRUISING TOURISM: DIFFERENTIATION THROUGH THE CHARACTERISTICS OF CRUISING ROUTE**

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## **Abstract**

The problem of the research is to evaluate the impact properties of cruising routes to its differentiation. Perceived characteristics of routes by the target clients are defining valuation of the service, and the resolving dilemma for prices. The subject is the evaluating determinants of the cruising route's characteristics (functional, social, and emotional). Cruising product is no longer selected primarily for the cruising service, but for the content of cruising route. The approach called "the land sea cruising in product development" is increasingly becoming an area of interest. The authors want to determine the affirmative characteristics that contribute the perception of cruising route. The main objectives of research were: determining the direction of the effects of the individual cruising route characteristics on service value's perception, and providing an evaluation model of the route's characteristics, explaining the cruising product value's perception, and indicating significance variables of attraction. The following questions are offered to answer: What factors of cruising tourism are determining the value's perception for a guest in the selection of cruising route; What are the determinants of cruising routes that prospective customers consider when assessing its value; How does each of the identified determinants affect the overall perceived value of the cruise route; How the overall perceived value of the cruise route affects customer behavior intentions. Based on the research work, authors have offered a new evaluation model of the cruising route differentiation, which represents a contribution to the research.

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**Keywords:** Cruising, value, perception

## **Introduction**

The reason for this research is the aspiration for defining characteristics and relationship variables of cruising routes as an integrated tourist product, for better differentiation. The research will identify important features of cruising routes, which determine its choice, or the skepticism by potential cruise guests.

Preliminary research made by the authors reveals that tourist destinations provided by cruising route present variable of great importance. Managing these variables can result in positive or negative repercussions in the guest's selection. Insights from the research could, also, be used in the evaluation of value determinants in destinations selection. It is important to recognize factors that determine the perceived value of cruising routes. Systematic analysis of the authors and other's previous research are going to be used (Šerić, Luković, 2010) for designing a new model that would better explain the layered causal relationships among these variables. Such model can explain the formation of perceptual value of the destination product from the point of cruising guests.

In the cruise tourism marketing goes through operational and tactical processes and becomes an important organizational function of the cruising company. Marketing in cruising tourism not only represents a driving force to attract clientele, but also a mean of communication with the target population, so that nautical products can be offered and introduced across all its peculiarities and the component variables. The ship has become only a tool, while the offered route whose attractiveness highly influences the impression of the guests has become crucial.

Marketing managers are now making important strategic decisions such as: selection and promotion of the destinations features that cruising route includes; Selection and promotion partial tourist products during the cruise; Balancing price policy for cruising route depends on destinations etc. A very important factor in understanding the competitiveness of offered cruising products is the guest's perceived value.

### **Perceived value when selecting a service provider**

Consumer behavior in cruising segment includes all the activities and influences in the selection of the specific cruise route. These activities result in decisions and actions related to a defined price, selection and reselection of cruising company (Cannot, Brink and Brijball, 2006). The findings on facts how the target clients think, feel and on what basis make decisions, allow accurate analysis, forecasting, control and influence on the process of making strategic business decisions (Crouch, Perdue, Timmermans & Uysal, 2004). Mudi and Pirrie (2006) argue that there are two concepts related to the consumption of services, expectations and perceptions. Expectations reflect the customer's expectations of "what will happen", structured as a pre-experience of the future. Buyer perceptions are subjective evaluation of services, particularly in relation to prior expectations. Because of these proven facts cruising companies should be of primary importance to ensure a continuous flow of information about the behavior of their guests. This behavior represents an effective starting point for developing appropriate marketing strategies (Cravens & Piercy, 2003). Imperative for any cruising company should be required to consistently differentiate, or distinguish itself from its competitors by offering higher value to their customers (Cannot et al. 2006). Previous studies from many marketing researchers (Cravens & Piercy, 2003) agree that knowledge about the perception of the value is a key instrument in attaining a competitive advantage based on the offer differentiation. Understanding the difference between consumers' perceptions and their expectations will significantly affect the effort to improve the perceived value (Mudi & Pirrie, 2006). Gallarza and Saura (2006) argue that consumer behavior can be understood better if analyzed through the perspective of perceived value. Such an approach enables further explanation of the products selection and repetitive purchases. De Bono (1993) states that the cognitive value presents the main motivator of purchase intentions. Since it is proven that the consumer behavior can be influenced by marketing activities, cruising companies should be focused on activities that may contribute to a higher perceived value of the cruising route. The perceived value significantly depends on the destination and destination's offer that route covers. According to Zeithaml et al. (1996), there are favorable and unfavorable behavioral intentions. They found that positive perceptions of customer value have a positive impact on their behavioral intentions. Ultimately, it is obvious that understanding of perceived value may have significant practical advantages for cruising companies. It is necessary to evaluate the perceived value through the position of the cruising customer in the focus of selected marketing strategies. This approach focuses on the process of creating value for clients in order to gain competitive advantage. Understanding how existing and potential guests evaluate offered cruising routes in relation to competition will ultimately influence defining their selection.

Today, cruising companies are no longer passive observers trying to discover the intentions and desires of their clients relying on high quality accommodation and ancillary services offered. Increasingly, companies collaborate with the cruise guests as co-creators of the value of offered route. Acceptance of this concept has allowed the prediction of guest perceptions, analyzing their expectations and guiding their behavior to directly influence the decision-making processes (Lush & Vargo, 2006). Clients select a route (as a product) in order to meet some of their needs or desires, often without complete information about other similar products at the cruising market. Nevertheless, cruising customer is sometimes unsure of the overall quality of the product he evaluates if there is no experience with the same company. This uncertainty in the phase of selecting a product for purchase is a long-proven in the marketing (Nelson, 1970). Many decisions are taken as the optimization of some customer's dilemma. The customer is striving to achieve the highest possible value for money, and maximize benefits. In the cruising market, there are also imperfect and asymmetric information about the cruising routes, and the quality looking from the experiential aspect of perception. It is essentially important to perceive what cruising customer values, in order to recognize their intentions with respect to the selection offered cruising route. What does the cruising customer really expects of its overall shopping experience? Which offered attributes of cruising routes are the most important in perceptual evaluation of cruise offer? Some earlier studies (Luković, Šerić 2009) have indicated that the value perception of cruising routes is often related to the attractiveness of destinations and partial destination products that routes include.

### **Term of value in evaluation of cruising routes**

Primarily it is important to define what presents value for cruising customer, of what kind it can be, and how he perceives the value of cruising, while taking into account the advantages and disadvantages of particular choices. Many authors define the concept of value at a general level. So Woo (1992) identified four fundamental significance kinds of value for the customer:

Value is what presents a true value in terms of welfare and life of the individual and society as a whole. This value is reflected in what the customers are trying harder in life.

Value refers to what society in general is considered as significant, regardless the way those values actually contribute to the betterment.

The value can be related to what the individual is considered worthy to own, in fact, what he yearns for. This meaning is individual and subjective.

Value refers to the degree or amount of properties that buyers consider essential for the specific object of observation that want to maximize the pleasure of purchasing or using the same. This value is derived from the purchase.

Starting with the platform in the cruise tourism can also be spoken about four categories of value for cruising guests: internal value, exchange or transaction value, use value, and utilitarian value. In making strategic business decisions, it is necessary to analyze whether these values are based on subjective assessments, or object-oriented (individual vs. collective valuation), and take into account whether the value is measured in terms of market characteristics, or customer sacrifices. The internal value of cruising routes is based on an objective assessment of the route value, regardless of market conditions. In cruising tourism, this value can be evaluated as the attractiveness and perception of experiential destination that route covers (Šerić, 2009). When is measured, value of the internal gains. In the case of cruising tourism, it would cover the number of destinations included in the route, each destination attractiveness, diversity of partial tourist attractions of those destinations etc. The exchange value of cruising routes are also based on the objective characteristics, but is influenced by the market conditions. In this case the value characteristics of cruising routes

will be evaluated through the tourism constants, which greatly depend on the availability of funds for tourism products of the target population. Use value of cruising routes is based on the subjective experience, and shows how individuals assess the route during, or immediately after sailing. It is affiliated with the benefits that cruising guest realize by choosing a route, and it is subjective because it depends on the individual assessment (photos taken on the route for one guest presents just a family souvenir, and for professional photographers are embodied financial capital). The utilitarian value is also subjective-oriented, and is tied to the point where the inner and usability of cruising routes are compared with the sacrifice of the client (money and time). According to Woodall (2003), the utilitarian approach is based on balancing the positive and negative sides. The value is considered as the outcome of the comparison of sacrifices and personal benefits, which is resulted in essentially utilitarian nature. The utilitarian approach assumes that the value of each customer is often different, because of personal subjective valuation of each guest.

Value in the case of cruising tourism is primarily determined and analyzed from the aspect of observed customer, and exists only in the terms of customers (Piercy 1997). Woodall's (2003) conceptual model represents different kinds of value and impact of human values on these types of values. It is assumed that consumers are leaded by human values (eg, quality of life, origin) in their daily decisions that affect the criteria by which decisions are taken. Human values defined in this kind are considered as factors affecting the valuation (Woodall 2003). These four types of values illustrate the differences in the meaning of value and difficulties in developing the concept of value. For the cruise tourism industry, different types of value may have more or less significant role in creating the total value of cruising routes, depending on various factors in the environment, but also the value systems of targeted guests.

### **Research: perceived value of cruising routes**

The perceived value of cruising routes is a fundamental starting point for research that aims to improve the competitiveness of the cruise company. Perceived value of cruising route is one of the main determinants in the selection of cruise products, based on what is considered. It is important to create a superior perception of product value as an imperative of effective marketing communication. In order to make specific cruising route accepted on the market it is important that the value perceptions of the target clientele are based on its actual superiority. The same is, in addition to variable of quality and variety of accommodation on the boat, achieved through the components of the destination route. Incorrect perceptions regarding the selection of cruising routes as well as an excellent perception of the value of a new cruise route will not result in a long-term market success of the route, neither of cruising company.

There is always present a dilemma: how to recognize the value for cruising guests? Perceived value is a multidimensional concept that is difficult to define and measure. The perceived value of the cruising routes is affected by many variables that are part of the benefits perceived by the cruising guests. In a marketing theory, the compilation of Woodal (2003) about the evaluation value for the consumer is very interesting. The most commonly used terms for perceived value are: “perceived value” (Chang & Wildt 1994, as cited in Woodal 2003), “the value for the client” (Anderson & Naruse 1998; Holbrook 1994, 1996; Oh 2000, as cited in Woodal 2003), “value” (Berry & Yadav 1996; De Ruyter et. al. 1997; Ostrom & Iacobucci 1995, as cited in Woodal 2003), and “value for money” (Sirohi et al 1998; Sweeney et al. 1999, as cited in Woodal 2003). Somewhat less used terms are: “the value for the customer” ( Reichheld 1996, as cited in Woodal 2003), “the value for customers” ( Treacy & Wiersema 1993, as cited in Woodal 2003), “customer perceived value” (Grönroos 1997, as cited in Woodal 2003), “perceived customer value” (Chen &

Dubinsky 2003; Lai 1995, as cited in Woodal 2003), “customer value” (Holbrook 1999, as cited in Woodal 2003), “the consumption value” (Sheth, Newman & Gross 1991, as cited in Woodal 2003), “the value of services” (Bolton & Drew 1991, as cited in Woodal 2003), “the transaction value” (Grewal et al. 1998; Parasuranam & Grewal 2000, as cited in Woodal 2003), “the net value for the client” (Butz & Goodstein 1996, as cited in Woodal 2003), “the perceived value of the service” (LeBlanc & Nguyen 2001, as cited in Woodal 2003), “the consumer benefits” (Brynjolfsson et al. 2003, as cited in Woodal 2003) and “the expected value” (Huber et al. 1997, as cited in Woodal 2003). By analyzing these approaches it can be well developed a potential cruising route that would be innovated, differentiated and competitive product on the cruising market.

In the conducted research of the author (Šerić, 2011) in the context of the open questions about the concept of the cruising routes value, which was conducted at the specialist sample (40 women and 40 men who were at least 5 times the visitors of different cruising routes) of reputable cruise company answers can be grouped as follows:

- The value of cruising route presents its content that attracts me (25 responses);
- The value of cruising route is the amount of new experiences and adventures (15 responses);
- The value of cruising route is its originality (14 responses);
- The value of cruising route is covered by the attractiveness of the covered destinations (12 responses);
- The value of cruising route is the quality of accommodation and experience for its price (6 responses);
- The value of cruising route is a lower price with more destinations covered (4 responses);
- The value of cruising route is the quality of accommodation and meals on boat (2 responses)
- The values of cruising route are the facilities for the passengers on board (1 response);
- The values of cruising routes are the facilities for the passengers on board and on land (1 response).

Starting from these insights, the perceived value of cruising routes can be defined as an overall assessment of its benefits through the all new experiences and costs. This definition is consistent with a universal definition of perceived value (Al-Sabbahy et al, 2004; Gallarza & Saura, 2006; Petrick, 2004). It is important to emphasize the importance of a destination as a partial variable that significantly determines the perceived value of cruising routes. Especially it is necessary to take into account the current trends in the cruise tourism industry, because the concept of cruising product quality that were used primarily (which was based on the higher quality of accommodation and related services) is today transformed into the content of cruising routes. Considering that the understanding of cognitive value is closely associated with understanding of consumer behavior, perceived value of cruising routes should be evaluated through the benefits and the price. That is also directly pointed as one of the prevailing responses in the conducted survey (Šerić, 2011). From the obtained responses, it is evident that the cruising customers evaluate a combination of perceptions about cruising route quality with the perception of prices for what it offers. Perceived value of cruising routes thus, greatly depends on the attractiveness of destinations and facilities that cruising route includes. In the context of the arguments that may result in unacceptance of the specific cruising route offer, conducted research (Šerić, 2011) obtained responses that can be summarized as follows:

- The distrust that the promised facilities of the route would be completely satisfactorily realized (26 responses);

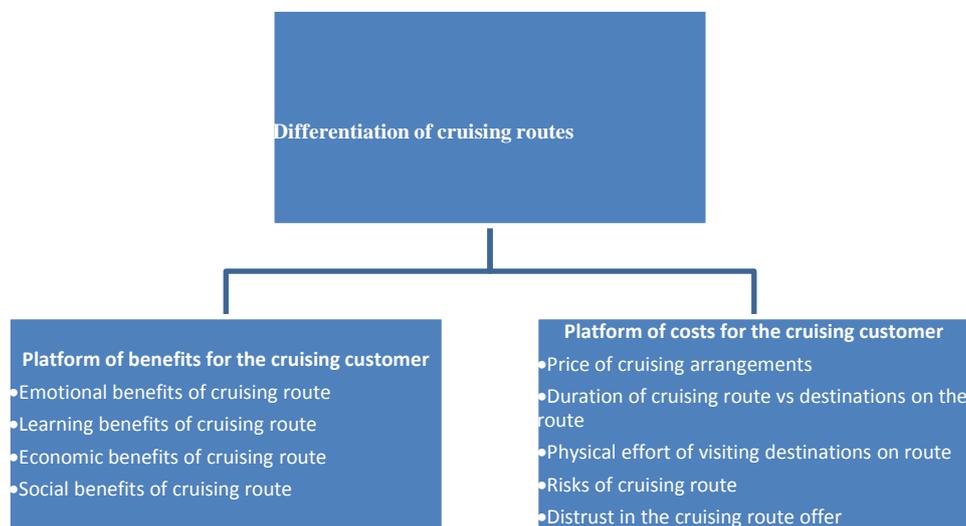
- Insufficient communication and responses to the customer queries about the route (18 responses);
- A small number of route destinations and additional contents considering the price (16 responses);
- Selecting a cruising route from a new cruising company for the first time (8 responses);
- Fear that the planned destinations tour and its facilities would be physically exhausting (6 responses);
- Various risks associated with cruising route (navigation conditions, bad weather, etc.) (6 answers).

It is interesting that in the explanation of these responses, destination was a very significant variable. Thus, the most common response to the argument of not accepting a certain cruising offer is that the program seems as inconclusive due to overly destinations that the route provides. The argument related to inadequate information in the communication about the route is often stated that they did not receive concrete answers to questions regarding the route of the destination. Apparent paradox is that some respondents emphasize a fear that the route would be exhausting due to a number of planned destinations, and for others disincentive acts too few destinations that the route provides.

### Evaluation model of cruising routes differentiation

Starting from the findings presented in the designed model of estimating the perceived value of cruising routes it is necessary to evaluate two platforms: platform of benefits and the platform of costs for the customer. It is important to note that the cost platform for the customer should include the opportunity costs as well (time spent on the cruising route, physical effort, etc.).

Figure 1. Evaluation model of cruising routes differentiation



Source: Author's analyses, 2013.

The platform of benefits for the cruising guests that are associated with the perceived value includes:

- Emotional benefits (affective uses) of the cruising route - new experiences and adventures, attractive destinations, attractive partial destination products;
- Educational benefits of cruising tours (tours of new and unknown destinations, getting to know the local customs and cultural heritage of destination on the route);

- Economic benefits of cruising routes - the total cost of the destinations tour on the route compared with the same experience achieved from a different form of tourist travel and stay;
- Social benefits of cruising routes - the benefits associated with the recommendations of acquaintances to select route, tourism trends and fads, meeting new people with similar values and attitudes, etc.

Cost platform associated with the customer perceived value of cruising routes in the proposed model includes:

- The cost of the perceived cruising route price - the perception of potential cruise guest whether the price is higher than expected for the presented content (number and attractiveness of the destination that the route provides);
- The cost of the perceived duration of the cruising route compared with the destinations and facilities that the route assumes. In addition the customer evaluates the perception of time spent on transfers to certain destinations, etc.
- Perceived physical strain of a tour for the planned destination and destination content on the route - in accordance with the age of a target customer;
- The perception about different risks on the cruising route - internal (related to the cruising company, and the ship) and external (related to the environment along the route, weather conditions at sea, and all tour planned destinations);
- Perception about the lack of confidence in cruising route offer - confidence in the cruise company, lack of confidence in the quality of content implementation that the route provides (inconclusiveness regarding the amount of questionable quality and content of cruising route).

This variable has a significant relationship with previous negative experiences of the individual. The definition and evaluation of the cruising route value perception suggests a relationship between benefits and costs. In accordance with the findings of the study and proposed model, it is important to emphasize, that the price is not the only sacrifice that cruising customer pays for. In addition to monetary and non-monetary costs, the reputation of the cruise company and the expected quality of the cruising route are also important variables that affect the perceived value of specific offer. One of these special variables is also an emotional attitude of guests towards the offered cruising route (encouraging feelings, which are often connected with the destinations that are included in the offer and already experienced pleasure). Emotional reactions, costs, reputation and perceived quality of services are one of the most significant variables that affect the perceived value of the specific cruise route.

## **Conclusion**

Influence of the cruising routes characteristics certainly affects its differentiation and competitiveness in their selection. These features are closely related to the perception of what is offered. Cruising route is no longer perceived only through the quality of the ship observed as an accommodation unit which includes related services, but primarily through the total experience of all cruising route components. In the totality of the content that the cruising route comprises, attractiveness and a number of destinations that the route includes have a particularly significant role in the selective decision making process.

Potential cruising customer is cognitively balancing between personal perceptions of the quality and the perceptions of costs in order to estimate the value of the tourism product. In other words, a potential customer's decision depends on the marketing communication that can significantly contribute to increasing the perceived quality of cruising route (by increasing the perceived benefits, or reducing the perceived costs). Different combinations can be used to increase the perceived value, but the most desirable is the one that involves

increasing the perceived benefits at the lowest level of perceived cost. Increasing the quality is the surest way to create superior value of cruising routes. The increase in quality should be implemented in the content of cruising routes. But also, it is necessary to be careful in order to avoid the complex and too rich content that could be rejected from certain segments of the route for which the unfolding dynamics of these contents can leave a negative impression. Benefits and costs are two mutually dependent elements in cruising tourism, because the perceived increase in benefits means reducing the perceived cost for the customer, but only to a certain extent, observing in the terms of specific cruising route content. Taking into account the aforementioned, it is recommended to make an evaluation of cruising route differentiation according to the proposed model. It can be stated that human mind perceives what it wants to look for, and decisions are usually made on perceptions rather than facts. Therefore, the evaluation of the target clientele perceptions is of crucial importance to the efficiency of operations.

The perception of the target customer is the process of interpreting stimuli and giving meaning to these stimuli. Each stimulus is received by some of the sensors. The level of influence on the customer's perception depends on the characteristics of a targeted customer, environment influences, and his mental condition. All these factors, and diversity of expectations, can explain variations in perceptions among the target customers. In the case of the cruising tourism, target clients need to compare the offered alternative options. Conducted study proposed in the context of cruising routes indicates that one of the most significant variables that influence the differentiation and competitiveness of cruising route are the number and specificity of destinations involved in the route. Finally, if it is not understood how the target clientele perceive offered goods despite the accepted standards of business, the final potential of success will be questionable.

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