Exploring the Impact of the Epidemic on China's Cruise Tourism Industry and Countermeasures based on Stakeholder Perspective

Nuoqing Zhou, Shengjun Gan

School of Economics and Management, Shanghai Maritime University, Shanghai, China.

Abstract

The Chinese tourism industry faced a serious challenge when the General Office of the Ministry of Culture and Tourism, a central state agency, issued an emergency notice on January 24 on "Suspending Tourism Enterprises' Business Activities for the Prevention and Control of the New Coronavirus Infected Pneumonia Epidemic" during the Spring Festival 2020. Cruise tourism, a fast-growing sector of the modern tourism industry, known as the "industry floating on the golden waterway", has also been hit hard by the outbreak. At present, major cruise lines have suspended cruise operations, and Asia-Pacific countries have issued port bans, and the domestic cruise tourism market has come to a complete standstill. In this paper, we briefly explain the recent epidemic, analyze the huge impact of the epidemic on cruise lines, cruise ports, cruise consumers and other related auxiliary services based on the stakeholders' perspective, and propose corresponding theoretical guidance suggestions, in order to effectively reduce the losses brought by the epidemic to the stakeholders through prevention and control measures, and provide reference for the possible emergencies in the future. The aim is to effectively reduce the loss of stakeholders through prevention and control measures, and to provide reference for possible subsequent emergencies.

Keywords

Cruise Tourism; Stakeholder Perspective; Countermeasures.

1. The impact of the epidemic on stakeholders in the cruise tourism industry

1.1. For Cruise Lines

1.1.1. Shipping suspension of operations

The domestic cruise tourism market has come to a complete standstill with major cruise lines suspending cruise operations and Asia-Pacific countries issuing port bans one after another. Between January and March, Costa Cruises’ Selena suspended seven cruises from Tianjin. New Romance suspended a total of nine cruises. Venetia suspended eight cruises from Shenzhen. Royal Caribbean Cruise Line’s Spectrum of the Seas suspended eight cruises from Shanghai. MSC Cruises’ Splendor suspended a total of four cruises from Shanghai. Star Cruise Line announced the suspension of its operating plan, with an estimated total of twenty affected voyages, all departing from Guangzhou. Star Cruises announced the cancellation of Xiamen voyage operations, with an estimated total of thirty-four affected voyages. Star Cruises suspended eight cruises.

1.1.2. Economic loss of cruise lines

Cruise lines lost money in several ways during the epidemic: firstly, the revenue from tickets was reduced due to a sharp drop in orders from tourists. Secondly, the reduction in spending by tourists on board. Finally, the costs that must be paid for the suspension of cruise ships, including the operating costs of the cruise lines and the depreciation and amortization of the ships and other facilities on board. During the epidemic, cruise ships were also required to stop...
sailing, but on the other hand the prolonged operating situation without income made their costs relatively at a supreme position, including the costs of company operations, routine maintenance of the ships, ship docking, depreciation of fixed assets, etc. Cruise lines also have to pay for costs incurred in responding to epidemics, costs arising from passenger complaints, and costs arising from contractual breaches with upstream and downstream industry chains. [3]

1.1.3. Plunge in cruise line share prices
The epidemic has caused a serious impact on the performance of the shares of major cruise companies, major cruise companies ushered in an ice age, according to relevant information, from mid-February to mid-March 2020, Royal Caribbean Cruises (NYSE:RCL) shares fell more than 70%, hitting a new low in nearly six years; Carnival Corporation (NYSE:CUK) shares plunged nearly 65%, hitting a new low in nearly 10 years; Norwegian Cruise Line (NYSE:NCLH) shares fell more than 76%, hitting a record low, with Carnival’s market value having shrunk by nearly $20 billion. On March 5, shares of Carnival Corporation (NYSE:NCLH), the parent company of the Supreme Princess, plunged 14% to $27.87, almost a cut from mid-January. The other two international cruise lines, Royal Caribbean and Novelty, also fell 16 percent and 13 percent, respectively.

1.1.4. Cruise line orders plummeted
During the epidemic, major cruise lines have responded to the policy of prevention and control of the epidemic, one after another announced the suspension of shipping, just in time for the Chinese New Year and winter holiday golden holiday, a rough estimate, this initiative caused by the surge in cancellations and a sharp decline in advance orders will bring cruise companies hundreds of millions of dollars in ticket losses; and ticket revenue accounts for the bulk of cruise company revenue, it can be seen that the epidemic to cruise companies to bring the loss of revenue is large.

2. Cruise Ports
2.1. Operational difficulties
According to the measurement, the capacity adaptation of Chinese cruise ports is 2.39, which is already far more than the capacity redundancy that should be available for moderate overtaking. In such a situation only a few ports can reach an inbound tourist charge of 100 per person. The 2020 epidemic will undoubtedly add to the already bleak operational situation.

1.3. Cruise consumers
The epidemic has caused a certain degree of panic among cruise consumers, especially those who have been affected by the epidemic are prone to stage resistance and shadow to cruise tourism. For the potential cruise consumers who have not yet been affected by this epidemic, they are also prone to doubt and worry about the safety and reliability of cruise tourism due to the negative news and reports of cruise tourism during the epidemic in 2020.

2. Countermeasures of cruise tourism industry stakeholders in the face of the epidemic
2.1. Government departments
2.1.1. Enhanced policy support
Give cruise ship enterprises income tax and VAT concessions to alleviate their current plight. In addition, the government can appropriately extend the validity period of tonnage tax and extend all days during the epidemic period on top of the original tonnage tax validity period, and introduce preferential policies on tonnage tax during the resumption of operation. It is
suggested that the relevant government departments should support the tax policy. As a result of the epidemic, it is hoped that cruise terminal enterprises will be granted property tax exemptions (ad valorem) and land use tax exemptions, etc.

2.2. Cruise Lines

2.2.1. Free refunds and changes
All major cruise lines have enacted free refund and change policies in response to the outbreak to compensate for consumers’ inner trauma. Costa is offering refunds to guests who have already purchased a February sailing to sailings departing from Shanghai/ Tianjin/ Shenzhen before December 31, 2020. Royal Caribbean is offering a preferential change and free cancellation policy for guests affected by the cancellation of home port sailings in China and for guests on overseas sailings who are unable to travel or board the ship due to the policy. MSC and COSCO offer a two-for-one option of cash back or free rescheduling, and other cruise lines have been issuing relevant refund and change rules to appease guests affected by the epidemic.

2.2.2. Cruise lines improve their business capabilities and give confidence to the market
It is suggested that cruise companies should start from themselves, strengthen their own operational capacity and anti-risk ability, establish a sound early warning mechanism for cruise accidents, improve emergency response measures, do a good job on the epidemic, and rebuild market confidence.

2.2.3. Cruise lines do prevention and control work and resume operations with caution
At present, the epidemic alarm has not yet been completely lifted. It is recommended that cruise lines must do a good job of prevention and control when the conditions and standards for resuming flights are met, resume operations cautiously, and try to select short-period and simple schedules for buffering and give the order volume a slow recovery process.

2.2.4. Cruise companies optimize their expenditure structure and improve the efficiency of capital use
During the 2020 epidemic, the operations of major cruise lines were basically at a standstill, with revenues plummeting while fixed costs remained to be paid, leaving cruise lines in debt crisis and some on the verge of bankruptcy. It is recommended that cruise lines optimize their expenditure structure, use this time to conduct online prevention and control training for staff on board, rationalize the management system and optimize the schedule of cruises to enhance the professionalism and attractiveness of cruises, in order to compensate for the “wasteful” cost consumption during this period.

2.3. Cruise Ports

2.3.1. Establishment of emergency planning system
The port should set up different risk level disposal guidelines according to the different types of viruses and the different stages of virus outbreaks. Establish a risk early warning assessment system to deal with possible future major disasters and mitigate the impact of disasters. The specific operation of the port can classify the risk factors of emergencies, such as the comprehensive quality of personnel, facilities and equipment factors, environmental factors and management factors, etc.; secondly, the factors for the risk of cruise ship emergencies are subdivided into specific content, such as the quality of personnel into port staff, cruise ship employees, passengers, facilities and equipment factors into waiting hall, channel, control building escalator building, fire fighting system, port equipment control, etc. Environmental factors can be divided into port surrounding environment, waiting hall environment, working environment, etc. Management factors are divided into management of staff, facilities and equipment, passenger transportation organization, rules and regulations, etc. These factors are
interrelated, once any part of the problem will lead to the generation of a chain reaction. Cruise ports can centralize the management of unexpected event system and change the static risk assessment of unexpected events into a real-time dynamic management method.

2.3.2. Hold regular prevention and control drills
The port employees coordinate the communication between cruise workers and tourists, and communicate more frequently on a daily basis. From the perspective of risk prevention and control, the first thing that should be done is to provide regular guidance and training for the comprehensive quality of port employees. Cruise ports should cooperate with cruise lines in a targeted manner and conduct regular epidemic and terrorism prevention drills for port employees. To enhance the crisis response ability of port employees, cultivate their professional quality of handling crisis incidents, and provide personnel protection for cruise activities in times of crisis.

References


