

# **Customer Loyalty Enhancement with Social Media in the Cruise Industry**

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# 1 Introduction

Over the years, Social Media became more important due to the enhancements of information systems and the growth of the internet. Since the beginning of the 1990s, there has been a structural change in society and economy. Twenty years ago, merely specialists owned a computer. Nowadays, they are important elements of everyday life in the majority of countries. In addition, smart phones are very common and they are spread faster and further than in the past. The foundation for this development is the improvement of the performance in terms of progress of memory chips, miniaturization, digitalization and software development. The cost reduction of information transfers, the growth of the internet and the possibility to transfer broader data volume play an important role as well.<sup>1</sup>

For this reason, internalization and globalization were assured and the competition for companies is growing. Accordingly, the business environment changes and they have to alter to save competitive advantages.

Therefore, organizations have to invest in different kinds of technologies to improve their performance and increase the efficiency of their business process regarding their relationship with their customers.

Social Media offers multiple possibilities for companies in various areas like advertising, distribution, public relations, human resources, product development and customer loyalty. The use of Social Media to enhance customer loyalty is one possibility to be competitive, because companies can save money in advertising, target focus groups, be interactive and respond to the needs of customers. Therefore, the concentration is on customer loyalty.

Customer loyalty is defined in this paper as the systematical analysis, planning, implementation and control of all actions regarding the (potential) customer to enhance and to intensify the relationship between the company and customer. It also can be divided into the actual behavior, e. g. buying frequency and recommendations, and the behavioral intention, e. g. intention of buying or recommendations.<sup>2</sup>

For companies, it is significant to know what kinds of Social Media Channels are available, what kind of advantages and disadvantages exist and how they can use them to enhance customer loyalty.

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<sup>1</sup> Cf. Kollmann (2011), pp. 1-10; AGOF (2012a); AGOF (2012b); Merz (2002), pp. 41-44; Laudon, Traver (2004), pp. 120-124, 136-138, 150-164

<sup>2</sup> Cf. Greve (2011), p. 273

This thesis focuses on the cruise industry whereas it is the fastest growing sector in the leisure travel market. Between 1990 and 2015, the annual growth rate is predicted to be 7.38% worldwide<sup>3</sup> and in Germany; there was an increase of 13.8% in 2011 compared to the previous year.<sup>4</sup>

In this paper, the focus is on the biggest cruise line worldwide, Royal Caribbean International with approximately 62,000 berths and the largest one in Germany, AIDA Cruises, with 16,442 berths.<sup>5</sup>

The purpose of this paper is to explain Social Media, to state a global overview about the cruise industry and to examine Royal Caribbean International and AIDA Cruises in more detail, especially the use of own or other as well as the use of moderated and unmoderated Social Media Channels. This research is conducted by a literature review, an online research and a case study. The use of Social Media Channels of the two cruise lines will be compared with the help of selective criteria. Furthermore, chances and risks for the cruise industry will be presented. In detail, how and why cruise lines are using Social Media for sales approach and what are chances and risks of the use of Social Media for the cruise industry is investigated.

In the following, the treatise is diversified into six additional sections. Firstly, Social Media is defined and different types of Social Media will be stated. After illustrating the cruise industry in general, Royal Caribbean International and AIDA Cruises are outlined in more detail. In part four, the use of own or other Social Media Channels as well as the use of moderated and unmoderated Social Media Channels are presented and compared with the help of selective criteria. After presenting and discussing the findings in chapter five, chances and risks for the cruise industry are outlined. In part six, recommendations for customer loyalty enhancement with Social Media in the cruise industry are given. This paper concludes with limitations, conclusions and an outlook.

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<sup>3</sup> Cf. CruiseMarketWatch (2012a); Florida-Caribbean Cruise Association (2010)

<sup>4</sup> Cf. Deutscher Tourismusverband (2012)

<sup>5</sup> Cf. Carnival Corporation & plc (2012a); Royal Caribbean Cruises Ltd. (2012a)

## **8 Limitations, Conclusion and Outlook**

After an introduction of the topic, Social Media was defined and explained. Moreover, different types of Social Media, the success factors of Social Media and Location Bases Services have been presented. Before illustrating AIDA Cruises and Royal Caribbean International in more detail, the Cruise Industry in general was outlined. In part four, the use of own and other channels as well as the use of moderated and unmoderated channels were stated and compared with the help of selective criteria. At the end of the chapter, the Social Media Channels have been classified in the matrix. After presenting and discussing the findings, chances and risks for the cruise industry have been stated. In the last part of chapter five, the Social Media Channels were classified in a matrix with potential on the x-axis and acceptance on the y-axis. In chapter six, recommendations for customer loyalty enhancement with Social Media in the cruise industry were given.

There are limitations in this paper and especially in the research part. Firstly, the focus relies on the biggest cruise line in the World, Royal Caribbean International, and also in Germany, AIDA Cruises. Hence, only two large companies have been analyzed and no small or medium sized companies. Furthermore, the focus was on oceanic rather than on river cruises. Due to these facts, it is very difficult to project the results onto small companies or river cruise operators. For these kinds of enterprises, other recommendations may apply.

Secondly, only two companies in the field of oceanic cruises on the German and the US market have been examined. It is also crucial to generalize the findings for other markets.

Thirdly, the Social Media Channels of Royal Caribbean International and AIDA Cruises only have been surveyed for two weeks regarding the use of own and other channels. Moreover, the field research only included four different posts on each channel within a period of four days. In addition, the posts differed in language, because the AIDA posts were in German and the Royal Caribbean International posts in English. Other users could also see the posts and may influence the behavior of page owners. In order to gain more significant results, the field research has to be conducted over a longer period of time as well as more different kinds of posts have to be used.

This paper is based on a literature review, internet research and a case study. It was simple to find material about Social Media, the cruise industry in general and the two presented cruise

companies, but it was very difficult to find any detailed studies about the customer loyalty enhancement in the cruise industry. Nevertheless, it has been tried to give an overview about customer loyalty enhancement in the cruise industry and to classify the found information. The lack of detailed studies results in the necessity of research in the cruise industry, particularly in the field of acceptance and potential of methods to enhance customer loyalty on the long-term.

To enhance customer loyalty and sales approach in Social Media is one possibility to be competitive due to the fact that companies can be interactive, respond to needs of consumers or target on special focus groups. Therefore, companies in the cruise industry need to know what kinds of Social Media Channels are available, what kinds of advantages and disadvantages exist, how they can use them to enhance customer loyalty, what are the chances and risks of Social Media and which channels correspond best to the company.

The research showed that Royal Caribbean International and AIDA Cruises already use different Social Media Channels such as You Tube, Facebook and their own homepage. Both companies are presented very well on Facebook; although, Royal Caribbean International still has to improve their involvement. On You Tube, both companies need to be more active and reply to customer needs. AIDA Cruises already has a very good community on their own page, which Royal Caribbean International also could establish.

Moreover, it is necessary for both companies to state a long-term Social Media strategy and to measure their success. In addition, they have to consider the success factors of Social Media like authenticity, personalization, openness, honesty or transparency for their strategy. For the reason that Social Media is very fast moving regarding number of users and importance of certain channels, a mix of different own and other channels should be used. Furthermore, moderation on channels is essential to control contents to a certain extent, answer to questions and be interactive with consumers.

In conclusion, Social Media is very relevant topic in today's dynamic and complex business environment. Companies in the cruise industry have to pay attention to this important topic to state competitive and to enhance customer loyalty on the long-term.