Cruise tourism shore excursions: Value for destinations?

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Abstract

Very complex yet highly integrated business logics characterise cruise tourism with shore excursions frequently identified as a key source of value. This paper presents a case study of cruise tourism and shore excursion planning in Copenhagen, Denmark. The aim of this paper is to investigate the characteristics of cruise tourism, itinerary and shore excursion planning with a view to understanding the value generated from cruise tourism shore excursions. We argue that economic value is a blunt measure, and there are other types of value, positive and negative, that are also generated. This research reveals that a range of local conditions and structural characteristics create barriers and opportunities for generating different types of value. Using a case study of shore excursions in Copenhagen, the Baltic’s most important port, this paper explains the dynamics between cruise tourism and shore excursions. The study highlights that destination managers and port authorities cannot assume the monetary and non-monetary value generated from shore excursions automatically flows on to, and throughout, destinations. Destination managers can make better decisions and engage in more targeted and informed strategies to optimise value for local destinations if they understand these dynamics.

Keywords: cruise tourism, destination management, policy, shore excursions, valuation

Introduction

Globally, cruise tourism has shown exceptionally strong growth in passenger numbers in recent years (CLIA, 2017; Lee & Lee, 2017). This growth can be attributed not only to the development of the cruise tourism product including technological advances in ship design and building and onboard services and experiences, but also the expansion of port facilities and on-shore tourism opportunities (Peisley, 2010; Vogel & Oschmann, 2012). Together these factors have led to an expansion in itineraries, the emergence of new market opportunities such as fly-cruise packages, and diversification in the experiences and opportunities available for cruise tourists at cruise destinations (Klein, 2011). As a result, the complexity and extent of the global cruise sector has changed dramatically over the last decades. There has been a sharp decline in average ticket prices, passengers are increasingly price-sensitive, and onboard sales and shore excursions make up an increasing part of the business model relative to cabin sales (Vogel & Oschmann, 2012). Destination managers and politicians, enthused by the local economic development potential of cruise tourism, are often
keen to attract cruise tourism operators and can agree to significant financial commitments in order to secure the commitment of cruise operators to visit their destinations (Bampakou & Koutoulas, 2009; Manning, 2006).

Yet despite these undertakings, little is known about the design of shore tourism activities and the value created by shore excursions (Klein, 2011; Ferrante, De Cantis, & Shoval, 2016). A few studies discuss the economic expenditure of cruise tourists with a view to better understanding how shore excursion design can maximise cruise visitor spending (e.g. Stefanidaki & Lekakou, 2012; Lee & Lee, 2017). Castillo-Manzano, Lopez-Valpuesta & Alanis (2015) argue that the benefits a destination receives from cruise tourism are mostly derived from the expenditure of tourists and cruise workers, and that different types of stakeholders (e.g. cruise lines, travel agencies, restaurants, hotels, souvenir shops) perceive these economic benefits differently. Torbianelli (2012) argues that shore tour expenditure (monetary value) is only one measure of value, and that unpacking the notion of value, positive and negative, is important. Moreover, the underlying “structure of the local economy (sectors involved, interconnectivity of the local economy, etc.), and the type of activity which takes place” are important factors in understanding the broader concept of value (Torbianelli, 2012, p.141).

In an attempt to develop further insights into the value created by cruise tourism, this paper presents a case study of cruise tourism and shore excursion planning in Copenhagen, Denmark. The aim of this paper is to investigate the characteristics of cruise tourism, itinerary and shore excursion planning in Copenhagen with a view to understanding the value generated from cruise tourism shore excursions. In addressing this aim, the paper first briefly examines cruise tourism and itinerary planning in an effort to understand the factors influencing cruise planning. We then examine the factors affecting shore excursion supply and demand. After presenting this background, a mixed method case study of Copenhagen cruise tourism shore excursions is presented. The study draws upon secondary data, an analysis of shore excursions and semi-structured interviews with shore excursion experts.

Independent, critical, qualitative case study research is much needed in understanding cruise tourism. Papathanassis and Beckmann (2011) observe that cruise tourism research often takes place in very controlled environments where cruise operators maintain oversight over, and access to, research opportunities. The industry cooperates to produce research that focuses on managerial and market issues and is generally supportive of the cruise industry. This asymmetric framing of cruise tourism as unproblematic has been shown to influence the contracting behaviour of cruise operators and port authorities (Wang, Pallis & Notteboom, 2014); in the flagging of vessels (Standenes, 2000); and in consumer decisions about cruising routes (Seric & Rakusic, 2014). With respect to destination planning and the attraction of cruise business, much of the current data quantifying the size and economic impact of the cruise industry at both global and regional levels have been being generated by consultants working for cruise operators such as BREA (www.breanet.com). Within the academic arena, cruise tourism research is gaining ground but remains relatively fragmented and dominated by market, managerial and economic impact studies (Papathanassis & Beckmann, 2011). According to these authors, critical, qualitative inquiry is particularly challenging due to lack of access to fieldwork sites, key industry actors’ lack of willingness to engage, and the cost of research. Case studies provide important opportunities to interrogate detailed issues and challenges with respect to how destination managers might harness multiple kinds of value.
generated from shore excursions.

Conceptualising Value

Literature often converges around the idea that the value created by cruise tourism in a destination is predominantly an economic construct. Economic cost-benefit analysis and other methods are used to estimate the direct and indirect economic value, employment, investment and so on. Ren, Petersen & Dredge (2015) argue that economic value, as a blunt set of indicators is often pitted against social, cultural and political value. However, different types of value can be generated and one category of value cannot easily be traded off against another. Their view is that valuing is a social practice and value is socially constructed from the perspectives of multiple actors. When value is constructed using this post-structural lens, it can shine a light on the various types of value that are simultaneous being created by, in this case, shore excursions. This study adopts this more complex conceptualisation of value to include social, economic, cultural, environmental and/or political value, which is shaped by dynamic social valuing processes and by the structural characteristics of the local tourism industry. Accordingly, it is difficult to generalise across destinations (Stefanidaki & Lekakou, 2012; Ferrante, De Cantis, & Shoval, 2016).

The structural conditions shaping a holistic valuation of shore excursions include the characteristics of local-global supply chains, local tourism market and industry conditions, regulations and policies affecting cruise tourism and factors that affect the soft regulation of tourism activity in a destination (e.g. social and cultural factors, conditions for entrepreneurial activity, innovation, etc.). Research suggests that cruise tourism value chains are highly concentrated (Estevez-Perez & Garcia-Sanchez, 2014), local destinations have little power in the cruise development process (Jordan & Vogt, 2017), and that cruise operators offer shore excursions as a means of recuperating profit margins reduced through the discounting of cabin fares (Torbianelli, 2012). Some remain optimistic that destinations can tap into cruise value chains arguing that awareness of the opportunities to link cruise tourism with non-cruise related sectors such as arts, culture, heritage and urban tourism, commercial and personal services is needed. Ports and cities need to position themselves in order to maximise this value creation potential, which in turn, requires a sophisticated understanding of the cruise tourism industry, value and valuing processes and local structural conditions (Torbianelli, 2012).

Cruise Tourism

Despite massive growth over the last decades, cruise tourism is a relatively small but fast growing segment of global tourism activity. According to cruise industry peak advocacy group CLIA, there were 23 million cruise passengers in 2015, direct, indirect and induced global output was estimated at US$117 billion and 956,000 full-time equivalent jobs were generated (CLIA, 2017). Based on these figures, and despite a small drop in growth caused by a decline in consumer confidence after the Concordia accident in 2012, cruise tourism grew at over twice the rate of land based tourism between 2000 and 2010 and the cruise industry has emerged as a competitive alternative to land based resorts such as Las Vegas or Orlando (Brida & Zapata, 2010; Rodrigue & Notteboom, 2013; UNWTO, 2010).

Cruise tourism growth has been propelled by transformations in both the product and the
business models that characterise the industry (CLIA, 2017; Rodrigue & Notteboom, 2013). The construction of larger and more technologically advanced ships, incorporating a wide range of on-board commercial, entertainment, recreation and personal services, has revolutionised the cruise industry (Vogel and Oschmann, 2012), with the largest cruise ships accommodating 5,000+ passengers (Cruise Critic, 2017). Yet while the cruise industry and trade associations continue to repeat the message that the cruise industry is the fastest growing segment of the tourism industry and on-board revenues have surged (Gui & Russo, 2011), it is important to understand the nature of the business model that underpins this growth and how these factors affect the ability of destination managers to create/leverage value for destinations.

Cruise tourism exists on a spectrum of industrialisation, and this paper deals with the highly industrialised end of this spectrum, which is often what destination managers are most acutely interested in. Over the last 30 years, the average price per day for a cruise product has fallen dramatically and various marketing, pricing and discount strategies are needed to fill the capacities of larger and larger vessels. As a result, while cruise tourism might be considered supply-led on account of the increases in vessel size, it also requires an active, targeted and multi-pronged approach to stimulate demand (Vogel & Oschmann, 2012). Strategies have also focused on attracting a diversity of tourist segments, innovating not only in itineraries, destinations, ship design, facilities and services, but also in the range of shore excursions available (Lee & Ramdeen, 2013).

The profiles of cruise passengers have also expanded in terms of age, economic status and the characteristics of group or individual travel have also diversified (London, 2012). The ship is increasingly the attraction itself, with its bars, casinos, restaurants, entertainment facilities and so on adding product depth and diversity. The closed operating environment of the ship enables a high level of control over sales and marketing activities, as opposed to land-based tourism destinations, which operate in a less controlled and more open marketplace. This has allowed the cruise lines to control the market within their ships, including the marketing of shore activities, which are sometimes offered by affiliates of the cruise line company itself (Lee & Ramdeen, 2013; Rodrigue & Notteboom, 2013).

The cruise industry is also characterised by high ownership concentration. The largest companies (Carnival Corporate & plc, Royal Caribbean Cruises, Norwegian Cruise Line Holdings and MSC Cruises) represent 96% of the market (Rodrique & Notteboom, 2013). The biggest companies tend to acquire smaller cruise lines, but keep the individual names for brand differentiation. This means that the cruise industry appears to offer a high diversity of brands, but these are, in fact, all in the hands of a small number of big players (Bjelicic, 2012). This diversity or markets and the closed operating environment discussed above are two factors that have contributed significantly to the growth of the cruise product (Rodrique & Notteboom, 2013).

**Itinerary Planning**

The itinerary planning process takes place two to three years prior the cruise season with revenue optimisation being the key focus (Sun et al., 2011). Many stakeholders influence the process, the main ones being inbound tour operators, local customs and immigration, the cruise ship’s agent, and the port authorities. The inbound tour operators, also called ‘incoming
agencies’ or ‘ground handlers’, are the local experts who put together the shore tours. These shore excursions are then offered to the cruise lines, which are in turn on-sold to cruise guests. The cruise guests may purchase shore excursions up to 24 hours prior to arrival in port. The incoming agencies further arrange all the supporting services and infrastructure necessary at the destination to make sure cruise guests have a pleasant experience at the destination, they manage embarking and disembarking processes, transfers from the airport to the ship and vice versa, they handle passengers at the airports and check them into the ship at turnaround destinations (Henry, 2012).

Apart from the itinerary, the duration of the cruise is another fundamental issue that affects the cruise experience at the destinations of call. A cruise lasts typically seven days and includes three to five ports of call. Consequently, the length of stay at each port is normally very short, typically eight to nine hours, and overnight stays are very rare in seven-day cruises (Henry, 2012). Seven-day cruises are the most common as they allow the filling ships easier by synchronizing with international air transfers on weekends, and allow the cruise product to be sold as fly and cruise packages. A cruise itinerary will, for instance, finish on a Saturday morning, check out its passengers who will then fly home, check in the new ones who have arrived at the airport, and leave the port in the same day. This operation is commonly called turnaround or turn. It is important that the turnaround port offers three main characteristics: efficient airline connections, substantial airlift capacity and that it be a tourist destination in its own right (Rodrigue & Notteboom, 2013).

Although the onboard experience plays an increasingly important role due to the size of the ships and consequently all the activities they offer, the destinations included in the itinerary continue to be a central element in consumers’ choice of the cruise product (Johnson, 2006; Esteve-Perez & García-Sanchez, 2014). The destinations included in the itinerary have typically been the primary motivation to take a cruise, but in 2014 this was replaced by price, demonstrating the growing price sensitivity of customers (Sun et al., 2011; Esteve-Perez & Garcia-Sanchez, 2014). In 2014, CLIA (2014) stated that the primary motivation to cruise is Price/Value (87%) and the second is Destination/Itineraries (78%).

The cruise product consists of an itinerary and not a series of isolated or independent destinations (Rodrigue & Notteboom, 2013). The choice and sequence of ports is crucial for successful sales of a cruise holiday (Sun et al., 2011). Apart from choosing an itinerary that is commercially interesting, cruise lines will take into account factors such as market circumstances, seasonality, optimal duration of a cruise vacation, balance between time at sea with time at the destination, the inclusion of ‘must see’ or iconic places, and general guest satisfaction. At the same time, operational factors must be added to the equation: berthing capacity and nautical distance of a port, distance between destinations and the existence of suitable flight schedules (Esteve-Perez & García Sanchez, 2014). Therefore, the choice of itinerary is based upon a fine balance between minimising operational costs and/or maximising revenue per passenger (Klein, 2011; Rodrigue & Notteboom, 2013).

With the growing capacity of cruise ships, the increasing price sensitivity of passengers and the rippling effects of consumer uncertainty since the economic crisis of 2008, the importance of minimising operational costs and maximising revenue per passenger has assumed ever-growing proportions (Sun et al., 2011). Profit margins have reduced and volume of sales is the key to success. For that reason, itinerary planning has become a management science
characterised by highly detailed analytical processes in which ship speed, fuel cost, tour revenue and port charges (or incentives) all play a fundamental role in decision-making (Peisley, 2014).

The promise of the growing cruise industry, often driven by research about the economic and employment impacts, and that is largely dominated by consultants paid by the cruise companies, frequently stimulates the interest of destination managers in attracting cruise tourism. However, destination managers often have little understanding of cruise industry dynamics and business models. The approaches adopted by destination managers in securing cruise business can ignore the need to capture value, and assume instead that value will somehow trickle down to destinations (Weaver, 2005; Klein, 2011). As a result, large scale public investment is used to attract and subsidise cruise tourism, but identifying and strategising to optimise value for destinations is not part of the negotiation process and is not explicitly secured. Moreover, Brida & Zapata (2010) observe that because these large cruise ship terminals are often supported by foreign capital, these investments are not subject to proper scrutiny such as cost-benefit analysis and are, instead, politically-motivated decisions. On-going maintenance and upgrading land-based infrastructure such as roads, transport networks and public facilities can also become a ballooning public cost over time that is never entirely taken into account in upfront negotiations. This leads to questions about how informed decision-makers are when it comes to whether or not to attract and support cruise tourism (Brida & Zapata, 2010).

**Shore Excursions**

Shore excursions are one of the main ways that destinations can capture the benefits of cruise tourism (Johnson, 2006). However, the above discussion leads us to question how destination managers can better leverage cruise tourism to benefit local destinations. As a starting point, understanding the characteristics of shore excursion planning, and unpacking the role of shore excursions in cruise tourism provide important background information. According to Klein (2011), the value of cruise tourism falls unevenly across destinations. Brida and Zapata (2010) argue that not only most of the economic value generated stays with the cruise lines, but that local destinations are subject to costs and problems (e.g. crowding, seasonality induced overloading of infrastructure, etc.) that produce negative social value. An examination of the issues and challenges of shore excursions provides important insights into shore excursion business logics adopted by cruise operators, it reveals the opportunities and constraints for destinations to leverage cruise tourism, and it can help destination managers make more informed decisions about how to position themselves to maximise different types of value to local destinations.

Gui and Russo (2011) identify a range of linkages between various actors involved in the global cruise tourism value chain. With respect to shore services, they draw particular attention to the role of Destination Management Companies (DMCs) and incoming agents who design shore excursions by assembling a range of products attractive to passengers. When in port, cruise passengers are given the choice of staying aboard the ship, visiting the destination on their own or joining an organised excursion (Gui & Russo, 2011; Mancini, 2000). These shore excursions are by design safe, time constrained and variable (Johnson, 2006), and form a memorable and an important part of every cruise.
Shore excursions can be sold by the cruise line before the cruise, mainly on their website, and aboard the ship, normally up to 24 hours before departure. Due to the price sensitivity of cruise tourists (Sun, Jiao & Tian, 2011), excursions are not included in the cruise package as this would increase the overall price of the cruise and negatively affect passenger sales. Moreover, being offered separately, each guest may decide how many and what type of shore excursions they will purchase (Dickinson & Vladimir, 1997; Esteve-Perez & Garcia-Sanchez, 2014). Cruise passengers can also buy excursions from vendors who generally await them near the dock. In this case they may be faced with two problems: it is very hard to evaluate the quality of these tours and they are not guaranteed to be back on the ship prior to departure (Mancini, 2000). Passengers are often subtly dissuaded from these ‘non-approved’ shore excursion operations as demonstrated in the cruise operators’ promotional material:

All our operators are safe, reliable, licensed and insured and will pick you up and drop you off right at the pier. In the event of unexpected itinerary changes, there's no need to worry as we will suggest alternative excursions. And, what's more, the ship won't leave port until all shore excursion guests are back on board (NCL, 2014).

Despite guarantees offered by the cruise lines, there seems to be a trend towards fewer cruise guests purchasing shore excursions from the cruise lines (London, 2012). The cost of shore excursions is a recurrent reason for dissatisfaction amongst cruise guests, which can lead to not purchasing the tours directly from the cruise line. According to London (2012), the general perception from passengers is that cruise lines inflate the excursion price, as there is little understanding of the direct and indirect costs the organising and delivery of a shore excursion. Direct costs include tickets for attractions, lunch, bus hire and driver, among others. Indirect costs may comprise insurance covering the guests, local guides and bus drivers, or an added cost for the ship to remain in its berth in case the excursion is delayed. These last costs are related with guarantees that independent shore excursion operators do not include in their tour prices (London, 2012).

After the global tourism recession caused by 9/11, cruise lines were forced to reduce ticket prices and depend more on onboard revenues, either taking place inside the ship or at destinations (Gui & Russo, 2011). The income from onboard entertainment and shore-excursions account for an important and growing part of cruise revenue (Johnson, 2006; Sun et al., 2011). They are also a significant part of the cruise experience, contributing to guest satisfaction levels. In most of the cases shore excursions are operated by local incoming agencies, but the cruise lines retain a high margin from the sales (Gui & Russo, 2011), mooted to be between 50% and 25% (Brida & Zapata, 2010). In some cases, cruise lines own the tour operators that develop the shore excursions, avoiding the intermediaries and therefore maximising profit (Gibson, 2006).

In many destinations, one or two incoming agencies have a monopoly, so cruise guests get exactly the same shore excursion program, no matter what cruise line they are travelling with. Some cruise lines try to customise their tours by, for instance, offering complementary drinks on the bus. Nevertheless, these monopolies frequently represent a problem as guides may not be particularly communicative or speak poor English, and cruise lines will not find alternative suppliers available. Some guides may insist on including stops at particular shops in the itinerary, as they receive commission on the souvenir sales. Complaints about the poor quality of shore excursions are common in many destinations (Dickinson & Vladimir, 1997; Esteve-
From the perspective of cruise destinations, the monetary and non-monetary value of cruise tourism is often not well understood. Cruise visitor spending can be made of micro payments for bus rides, attraction entries, food and beverage or, in a more substantial way, a full day shore excursion including lunch and stops at souvenir shops. Bearing in mind the short time cruise visitors have at the destination, a shore excursion is the most effective way to ensure visitors’ money is spent at the destination. This happens because the shore excursion environment is fairly controlled and visitors’ behavior can be managed and monitored. In the following case study, the characteristics and logics underpinning shore excursions are investigated with the aim of identifying the issues and challenges confronting destination managers in leveraging the benefits of cruise tourism.

**Approach and Methods**

A mixed method case study approach was adopted to investigate the characteristics and business logics underpinning shore excursion planning. The study sought to identify the issues and challenges confronting destination stakeholders in optimising the value of shore excursions to the local destination. Copenhagen was the most visited cruise destination in the Baltic in 2014 and was chosen as the case study because of one of the authors is affiliated with the cruise destination marketing network, Cruise Baltic. This affiliation enabled one of the authors to draw from a deeper emic perspective about the cruise industry, which was balanced against the etic or outsider perspective of the other author. This emic/etic approach is important in addressing researcher bias and improving the reliability of the research (Noble & Smith, 2015). The mixed method research approach combined a review of scholarly literature, the collection and critical analysis of industry related data (e.g. cruise industry consultants (e.g. Business Research and Economic Advisors (BREA)) and cruise peak body (Cruise Line International Association (CLIA)) and interviews with experts.

Primary data was collected via semi-structured interviews with five experts. While a greater number of interviews would have yielded more information, the difficulty of accessing cruise industry experts for qualitative research has been acknowledged (Papathanassis et al., 2012). Accordingly, the willingness of five experts to participate in interviews, when combined with other data collection methods, was considered adequate. Expert interviews are targeted interviews with those who have specific, specialized professional knowledge about shore excursion planning. Targeting experts through purposive sampling can often provide better quality data and insights than would be the case if a wider selection of interested individuals with some, but more limited knowledge, were to be interviewed. Based on Littig (2011), experts were chosen because they were able to offer three types of knowledge: specialist professional knowledge, knowledge of organisational processes and interpretative knowledge (i.e. they had sufficient background to be able to explain how and why things are). In addition, one of the author’s professional affiliations provided opportunities for participant observation at various tradeshows and meetings.

Five interviews were conducted in late 2014 and early 2015. There was considerable difficulty in finding cruise line representatives who were willing to participate in the research with most declining to elaborate their reason for not wishing to participate. Four interviews were conducted face-to-face and one by telephone. Due to the busy schedules of the
participants, a one-hour meeting was requested for each interview although some interviews were slightly longer and some slightly shorter. The interviewees included representatives of incoming agencies who handle shore excursions at the cruise destinations; cruise line representatives who are responsible for selecting shore excursions and selling them to the cruise guests; and cruise industry experts that work transversally with the different actors in the industry who are therefore able to provide insights into shore excursions. The small number of interviews might be considered a limitation of the study. However given that the sector is tightly integrated there are few experts in any given port to approach, and time and resource limitations did not permit wider multi-port data collection. As a result, other supplementary data, including secondary information and participant observation were also employed to assist in crystalising understandings (Ellingson, 2009) That said, given the very difficult challenges of getting cruise industry experts to participate (Papathanassis et al., 2012), it is still considered that this small study yields important insights that can be used to inform future studies.

With respect to ethics, issues of commercial confidentiality were raised with some interviewees concerned over how the findings might be presented. To address this issue, interview data were de-identified (codes E1 to E5 were substituted for names) in order to maintain confidentiality with regard to the identity of the interviewees and their employers. In terms of secondary data, both statistical and documentary sources were used to gain a deeper understanding of the object of study. In addition to supporting the contextualisation of the study, secondary data was used to critical question the views uncovered in the primary data, by contrasting the statements of the interviewees with the information provided by the secondary sources.

Shore Excursions: A Copenhagen Case Study

Copenhagen and the Baltic Cruise Context

The Baltic is included in the ‘Northern Europe’ cruise region, and comprises more than 30 destination ports in 10 countries (i.e. Norway, Denmark, Sweden, German, Poland, Lithuania, Latvia, Estonia, Russia and Finland) (CB, 2015). The total estimated economic impact of cruise tourism in the Baltic was €685.9 million in 2013 made up of cruise line, passenger and crew expenditure, and an estimated 6,155 direct jobs were created (Wild, 2014). Copenhagen, the capital of Denmark, is a major destination and turnaround port in the region. In 2014 Copenhagen welcomed an estimated 739,000 cruise passengers out of a total 4.4 million cruise visitors to the Baltic region. A total of 313 cruise ships called into Copenhagen in this same year (including calls and turnarounds), representing 17% of the total calls in the Baltic region. Table 1 shows the number of calls by the five largest cruise lines. Together these five companies make up 45% of all calls, while the remaining activity is shared among 36 other cruise lines.

Table 1 Top Cruise Lines in Copenhagen based on Number of Calls 2014

<table>
<thead>
<tr>
<th>Calls per cruise line 2014</th>
<th>Number of calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDA</td>
<td>37</td>
</tr>
<tr>
<td>Costa</td>
<td>36</td>
</tr>
<tr>
<td>MSC</td>
<td>31</td>
</tr>
<tr>
<td>Holland America Line</td>
<td>19</td>
</tr>
</tbody>
</table>
Copenhagen is, and has been for many years, the Baltic cruise destination with the highest number of turnarounds mainly because it possesses all three criteria identified by Rodrigue and Notteboom (2013) as being important for turnaround ports: efficient airline connections, substantial airlift capacity and that it be a tourist destination in its own right. In 2014 Copenhagen received 129 out of 416 turnarounds, almost one third of total turnarounds in the Baltic (CCN, 2014). This suggests that the destination offers particular advantages to local businesses, as cruise passengers may spend time in the city before or after their cruise. This also translates into potential opportunities for local incoming agencies that can earn significant income operating the turnarounds including managing passenger arrivals and departures both at the pier and airport, arranging transportation between the two, and selling shore excursions in the extended period of time passengers stay at the destination. That is why many ports are eager to become turnaround ports (Rodrigue & Notteboom, 2013).

In terms of economic impact generated by the cruise business, the most recent study undertaken in 2013 estimated that expenditures by passengers and crew in Copenhagen totaled €72.7 million in 2013 (CCN, 2013), which represents 21% of the total €346 million spent in the whole Baltic Region in the same year (CB, 2014). Transit passengers spent an average €76.74 per passenger in each port (tours and retail shopping accounted for 80% of their expenditures). The average turnaround passenger spent €115.35 per day at Baltic ports (75% on accommodation and food and beverage); crew visiting these ports spent an average of €25.97 per day (73% on food and beverages, entertainment and retail shopping).

The five cruise lines with highest number of calls in Copenhagen in 2014 were used for this research. A website analysis of these five cruise lines shows a total of 57 shore excursions for the cruise season 2015 in Copenhagen. (Data for the previous period in 2014 is not available on the website as only the most up-to-date schedule for the current or next season is available). The number of shore excursions offered by each cruise line varies widely, from the six tours offered by MSC to the varied offer by Royal Caribbean International with 21 different options (See Table 2).

Table 2 - Shore excursions offered by top 5 cruise lines in Copenhagen

<table>
<thead>
<tr>
<th>Cruise line</th>
<th>AIDA</th>
<th>Costa</th>
<th>MSC</th>
<th>Holland America Line</th>
<th>Royal Caribbean Int.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of tours offered (on the cruise line website)</strong></td>
<td>11</td>
<td>7</td>
<td>6</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td><strong>Type of transportation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bus</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Walking only</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Bicycle</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Bus + boat</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Bus + Walking</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Walking + boat</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Electric bicycle</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

London (2012) argues that the typical shore excursion consists of taking a bus with 50 to 60 guests to the scenic and cultural highlights of a destination, having a picture stop, sometimes lunch or a shopping stop included. London (2012, p.187) calls these types of excursions “cookie-cutter coach tours”. As shown in Table 2, the shore excursion offered by the five top cruise lines in Copenhagen are not particularly diverse. All the cruise lines offer a highlight tour and a canal tour, which also includes the destination’s highlights, and three out of the five cruise lines offer a tour called “Royal Copenhagen”. Only three of the cruise lines offer alternative excursions, which could perhaps be considered different from the “cookie-cutter coach tour”. Royal Caribbean International is the one investing in a varied choice of themes, including creative ideas as a tour that crosses the bridge to Sweden or a more in-depth historical tour such as “Jewish Copenhagen”.

**Overall Economic Benefits**

The Copenhagen Cruise Network (CCN) is the network of approximately 70 Danish cruise stakeholders whose aim it is to attract international cruise business, and together with the support of the local destination management organisation, they produce data about the economic impact of cruise activity. This data reveals that out of the above-mentioned €72.7 million spent in Copenhagen in 2013 by cruise passengers and crew, €18.76 million were spent in Tours and Local Transportation (CCN, 2013). An estimated 97% of transit passengers went ashore in Copenhagen in 2013 and spent an average of 5 hours in the city. The average length of a purchased shore excursion was 3.9 hours. Some 55% of the transit guests that went ashore purchased a shore excursion, of which 89% purchased it directly from the cruise line (CCN, 2013).
Transit passengers in Copenhagen in 2013 who purchased a shore excursion spent an average of €111 per party and an average of €55 per passenger on their tour. Apart from the amount spent on tours, passengers reported spending an extra €33.32 per passenger/per day ashore for various goods. An estimated 40% of passengers reported purchasing food and beverages while ashore, an average of €16.10 per purchase and €6.48 per passenger. Some 40% also made purchases of crafts and souvenirs in an average of €13.14 per purchase and €5.30 per passenger (CCN, 2013). These figures, and the relatively small average expenditures per passenger observed, are likely explained by the fact that cruise passengers are increasingly price sensitive. Moreover, the economic impact of expenditure on transport, food and souvenirs depends on the extent to which these services are locally owned, sourced and/or produced. This issue is further discussed below.

In 2013, those passengers with a pre-cruise or post-cruise stay in Copenhagen reported spending an average of two nights in the city. Turnaround passengers spent an average of €226.37 per passenger/per day during their stay in Copenhagen. Approximately 77% used accommodation in an average of €100.57 per passenger. Moreover, 78.8% spent an average €63.24 at restaurants and bars and 63.6% spent an average €19.79 per passenger in taxis/ground transportation. Purchase of tours represented 19% of all onshore purchases for turnaround passengers, with an average €11.08 per passenger (CCN, 2013).

Klein (2011) argues that cruise tourists spend less than a half as much as land-based tourists at the destination. DMO data regarding leisure tourist spending in Copenhagen in 2011 indicates that land-based leisure tourists spend approximately €196 per person/per day, including accommodation, food, shopping, transport and other experiences (VisitDenmark, 2014). According to the CCN, turn-around passengers spend slightly more per day on their stays: €226.37 per passenger/per day (CCN, 2013), which also includes accommodation. This raises question with Klein’s (2011) claim that cruise tourists spend less than land-based visitors. In Copenhagen, with a high number of turn-around cruise passengers who choose to stay overnight, cruise visitor spending does not appear inferior to leisure land-based tourists. Moreover, apart from the €72.7 million spent in 2013 in Copenhagen by cruise passengers and crew (CCN, 2013), we have to add cruise line spending, including provisions, hotel supplies, fuel, equipment used aboard the ships, port fees, etc., which accounted for €73.4 million in 2013. Furthermore, this cruise line spending and their passengers and crew generated an estimated 2,254 seasonal jobs in Copenhagen in 2013. But these figures are still quite blunt measures of value, and important questions remain about the distribution of value generated by cruise tourism and how much of this value stays in the destination.

Shore Excursions

One criticism regarding the economic benefits of cruise tourism is leveled at the profit margin of shore excursions sold by cruise operators. Brida and Zapata (2010) argue that the incoming operator receives between 25% and 50% of the price paid by the guest for a shore excursion, and the remainder stays with the cruise line. These figures seem to be supported by the experts interviewed. One of the interviewees stated that it is common knowledge that cruise lines charge guests two or three times as much as the cost price they pay to tour providers (E1), another states that it is common that an excursion provided by the incoming agency to the cruise line for €60 gets sold to the guest for €180 (E2). A third interviewee states that
cruise lines will add a 40% to 70% markup to the cost price, and underlines cruise lines need at least a 40% to 60% to make a profit, as shore excursions, gambling aboard and other onboard sales are where they earn the most money currently, and not from selling cabins (E5). A fourth expert interviewed indicates that currently tour operators hold 10% to 12.5% of the selling price of the excursion and that some incoming agencies don’t make money at all, they just work to keep the offices open (E4).

The pressure for providing a quality shore excursion product, which lives up to cruise lines’ and customers’ expectations and at the same time is inexpensive (Klein, 2011), is felt both by the incoming agents and the other industry experts interviewed. There is also a common belief that this pressure is created by two main external threats: the general decrease in the overall cruise price caused by the global crisis, and the independent operators that sell their shore excursions online at a lower price – the so called “pirates” (E1, E2, E4, E5). This problem is well explained by E2:

Ten years ago it was very expensive to go on a cruise. Today you sell cruises going out of Copenhagen for 7 days for under €500. That price was not there 10 years ago, so of course cruises have been pushed to the basic price where the cruise is now, which means they have to find other areas of revenue. In other areas of revenue, one of the most important is shore excursions, and that means that the shore excursion needs to provide a high revenue, that’s one thing. The other thing is because they push the prices up for the guests, that means that a tour that we might sell for €60, it’s not unusual that it gets sold by cruise lines to guests for €180. That actually makes the market very prone to what people call pirates - competition. Other shore excursion providers offer tours directly on the Internet at other rates (E2).

Apparent in all the interviews, price (and the markup added by cruise operators) has become an increasingly important factor that restricts the distribution of economic benefits of shore excursions back into destination communities. Due to the lowering of cruise ticket prices, cruise lines need the income from shore excursions on their balance sheet in order to optimize revenue. Furthermore, according to E5, independent operators are selling their shore excursions online for lower prices which in turn places pressure on cruise lines and incoming agencies:

They are not always the best but every destination has got something you can find online, cruise lines won’t earn anything if customers are buying something at a better price somewhere else, so of course they want to keep them inside their own cruise line, their own ship, their own revenue centre. To do that they have to be cheaper. To be cheaper is to squeeze us [the incoming agents] (E5).

As the pressure grows, E5 states that some cruise lines tend to forget the quality side adding “this is not a pleasant development”. Shore excursion providers struggle to deliver quality at a lower price and this means that their local suppliers are also affected (Klein, 2011). For instance, coach companies have felt a price pressure (E2). When before incoming agencies would choose to rent an excursion bus for a whole day, perhaps now they will prefer to rent it for a half day to keep the overall cost lower (E4).

The cruise line representative (E3) interviewed had a different approach on the above-
mentioned pressure for keeping shore excursions prices low. He considers that this pressure comes from competition between the different incoming agencies, a context in which cruise lines take the opportunity to ask for biddings and get the best price possible (E3). The high level of competition in Copenhagen was confirmed by one of the incoming agencies: “Copenhagen has a problem: being so big that competition is really, really hard, I think it’s eight providers of shore excursions, which is extremely high for a port the size of Copenhagen” (E2).

**Distribution of Benefits**

The development of shore excursions is very controlled as the incoming agencies usually choose which businesses are included in the shore excursion activity (London, 2012), and consequently, where the money is left at the destination. In Copenhagen local suppliers (bus companies, restaurants, shops, among others) are mostly locally or regionally owned, which is confirmed by most of the interviewees (E1, E2, E4, E5). Nevertheless, a problem is identified by two of the experts interviewed regarding buses in high season. In high season, there are not enough buses in Copenhagen, so buses and drivers are brought from foreign countries such as Poland (E4). E5 claims that some incoming operators that are not locally based tend to bring coaches from countries such as Belgium and Germany for lower prices (E5). Cruise lines have little direct impact on which local businesses are included in the shore excursions, as they leave this decision to the local incoming agencies (E3), which suggests that there is no direct concern on the economic sustainability for the local communities from the cruise lines’ point of view.

When asked if the economic value left in local community in Copenhagen by the undertaking of shore excursions is reasonable or could be improved, the responses were varied. E1 considers that there is definitely a lot of money left in the community: it keeps all the local guides occupied for the whole summer, some attractions receive approximately 30% cruise visitors and a lot of the organized tours are done with cruise guests. E1 considers nevertheless that a better understanding of the cruise business and how cruise guests behave differently from land-based tourists can improve the value left in the local community. This statement supports Klein’s (2011) theory that by having little understanding of the cruise industry dynamics and business models, destinations often leave space for cruise lines to capture most of the value generated. E1 gives the example of the Copenhagen attraction Tivoli, which has taken the initiative to directly contact the cruise lines and create their own offer thereby cutting out the incoming agency as intermediary. Tivoli has embraced a business opportunity by understanding the needs of the cruise lines and their guests (E1). This does not necessarily mean that the economic benefits are better distributed, but the initiative surely guarantees that the income stays in a locally owned company – in this case Tivoli. It is important to underline however, that due to Tivoli being one of the most visited iconic attractions in Copenhagen (Visit Denmark, 2014), the attraction has the possibility to negotiate directly with the cruise lines, whereas other smaller attractions possibly would not be able to do this.

E2 considers that there is some space for improvement regarding the economic value left in the local communities, for instance, by creating more shopping opportunities. This interviewee mentioned that the shops are now open on Sundays, when many ships call into Copenhagen, but he suggests that arranging free transportation from terminals located out of town to the city center would actually improve the probability of visitors’ spending. Although
the interviewees representing incoming agencies state that when shore excursions include shopping stops or cruise lines recommend certain shops, they do include local shops and national brands (E2, E5), shopping tours could perhaps be promoted more actively in Copenhagen (E2).

Furthermore, most interviewees consider that guests do not actually spend a lot in local businesses when given the opportunity because the time allocated during excursions for souvenir shops tends to be shorter because of traffic problems (E5), and people do not therefore have a lot of time to shop (E4). But once again opportunities must be embraced, although how much people spend depends on which segment and their nationality, “if you offer the right thing to the right group of guests, they will all spend money” (E2).

Another expert interviewed considers that bus companies, guides and other local systems used by incoming agencies in the process of delivering shore excursions do get value out of it. Nevertheless, the above mentioned price and cost pressures makes the business “tougher” and, for instance, incoming assistants tend to receive lower wages over the last years in order for incoming agencies to be able to accept cruise line offers. One interviewee (E5) considers that a certain standard has to be kept and that local companies should not be dragged into a “money war”. Yet, he added that Copenhagen and Denmark are in a far better position than other countries that depend on cruise income to survive, whereas in Copenhagen the local businesses will not go bankrupt if they lose the income derived from cruise tourism (E5).

The emergence in Copenhagen of incoming operators that are globally owned is another issue identified in the interviews. Not only can cruise lines operate as multinational companies in which the resources used during the ship call do not necessarily come from the destination visited (Brida & Zapata, 2010), but there is also a tendency for incoming agencies to be part of global companies. As a result, profits are captured and off-shored, which goes against the principle of support for local economies (RTCT, 2006).

Local incoming agencies feel threatened by these global companies, which by not being based in Copenhagen, respond to different laws and tax rules and benefit from strong economies of scale. These companies are based in places such as Malta and operate shore excursions all over the world, from Miami to Southampton, to the Mediterranean. Doing so, they can have global contracts with cruise lines, in which they offer shore excursion packages covering different destinations worldwide and are therefore able to offer a better price than individual local incoming agencies (E4, E5). One of the experts interviewed suggests that to face this threat local incoming agents need to become specialized and change their strategies in order to differentiate their offer from the global shore excursion providers (E4).

Not only is the globalization of incoming companies representing a threat for local tour providers, as cruise lines themselves seem to be recognising the opportunity to eliminate the middle-men. One of the major international cruise lines has already started their own shore excursion company, selling their excursions online and taking the responsibility of the whole value chain to make sure they benefit from the business (E1, E5). Copenhagen will probably “reach the size to make sense for cruise lines to go directly into the market”(E2), that is, cut the intermediary and deliver their own shore excursions. It remains to be seen if this will become a trend and other cruise lines will follow this development. However, if this happens, the economic benefits derived from shore excursions will almost certainly be negatively affected.
Conclusions

The aim of this paper was to investigate the characteristics of the cruise industry, itinerary and shore excursion planning in Copenhagen with a view to developing a deeper understanding of the value of cruise tourism shore excursions. In order to address this aim we needed to better understand what value is created and how it is created. The investigation started from the position that shore excursions can generate both monetary and non-monetary value for local destinations, but this value is little understood and its optimisation is little strategised. The literature suggests that while port authorities and destination managers are eager to attract cruise business, they often have little knowledge about the industry itself and, in the process of securing cruise business they can overlook how best to secure and optimise value for the destination (e.g. Estevez-Perez & Garcia-Sanchez, 2014; Penco & Di Vaio, 2014). The contribution of this case study has been to unravel the value of shore excursions in the case of Copenhagen, which can help to frame larger and more comprehensive future research into the value (monetary and non-monetary) of shore excursions.

The research for this paper renders a complex picture of the pressures on shore excursion planning within the overall context of cruise itinerary planning and product development. The study shows that the positive monetary value of cruise tourism is somewhat easier to identify than non-monetary value. Secondary data revealed that the expenditure of turnaround passengers is slightly higher than land-based visitors to the City (€226.37 compared to €196 per person per day) and that transit passengers spent an average of €55 on their tour and an additional €33 per passenger per day on extras (food, souvenirs, transport, etc.). In 2013, an estimated €72.7 million was generated by cruise tourism in Copenhagen. But this economic value is a blunt measure, and there are other types of value, positive and negative, that are also generated.

The interviews revealed that measuring only economic contribution hides a very uneven landscape in terms of the different types of positive and negative value created by shore excursions. Focused only on shore excursions within ‘industrial’ cruise tourism, this research revealed that incoming agencies experience significant pressure on pricing from cruise operators demanding high quality low cost products and tight timelines. At this industrial end of the cruise tourism spectrum, cruise tourists are increasingly price sensitive, and companies are engaged in a range of revenue optimisation practices across the value chain. Moreover, shore excursion sales are increasingly important in clawing back revenue reductions resulting from discounted cabin pricing. Consistent with the findings of Penco & Di Vaio (2014) and Klein (2011), in Copenhagen, cruise lines place significant mark ups on local excursions between 40% and 60-70%. Incoming agents and independent operators vie for shore excursion business, and the high level of competition empowers cruise lines to demand competitive pricing for the shore excursions they on-sell. Subcontractors contributing shore excursion components, such as transport companies, food and beverage suppliers, guides and other personal services are in turn pressured to reduce their costs. So, while overall monetary value is positive, it appears that cruise companies engage in practices that pressure the margins of local players in the destination. One interviewee estimated that tour operators keep 10-12.5% of the selling price while another indicated they are working at cost. This finding appears to confirm the findings of previous studies that cruise companies engage in rent seeking strategies that capture economic value for themselves while minimising economic
value to local actors (Klein, 2011; Rodrigue & Notteboom, 2013). This in turn may have implications for investment back into local suppliers’ new product development, innovation and overall business confidence, and may be considered a negative value generated by cruise tourism shore excursions on local destinations.

The research also revealed that structural characteristics of the sector create barriers and opportunities for creating different types of value. The cruise lines and globalising incoming agencies are able to maximise economies of scale and they can move parts of their operations to take advantage of economic, taxation and labour conditions elsewhere. In Copenhagen, a destination with high taxes and labour costs, the liquidity associated with globalisation creates advantages and disadvantages for different types of value creation. Bus companies from elsewhere in Europe fill seasonal demand that local companies cannot, and in the process, the monetary and non-monetary value generated by shore excursions is liquid and mobile.

Given the complex relationships and cost pressures described above, shore excursion providers struggle to offer quality at lower prices. While incoming agencies are responding to these pressures by globalising their operations, this research revealed that local tour operators can feel threatened by these developments. Lack of business confidence from local suppliers may result in a scaling back of their involvement in the industrial cruise market, further reducing flow-on of monetary value to the wider community. Furthermore, not only are destination service providers and workers affected by downward pressure on costs, but tourists also presumably miss out on high quality hospitality and service. The potential of a negative value associated with a lower quality shore excursion experience was not investigated in this study, but repeat visitation and word-of-mouth recommendations may be affected if this was to occur. Further research is needed to ascertain what these potential impacts might be.

This paper has investigated the characteristics of the cruise industry, itinerary and shore excursion planning in Copenhagen and has generated a more complex understanding of the value of cruise tourism shore excursions. This value may be positive of negative and it can be understood as existing across a number of registers besides economic value although our respondents focused on this. As a result, the limitations of this study should be acknowledged. As a case study, the results are unable to be generalised across all cruise destinations as contextual and structural conditions vary. The study focused on industrial cruise tourism shore excursions only and smaller operators may be subject to other drivers, business logics and structural conditions. The small number of participants willing to be interviewed also limited the study. Extended research across multiple destinations and a larger participant pool is needed to corroborate these results. However, the study does support findings of earlier studies and contributes to a more critical understanding of cruise tourism shore excursions. Finally, the study underscores the observation that destination managers and port authorities cannot assume the monetary and non-monetary value generated from cruise tourism automatically flows on to, and throughout, destinations.

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