



Why Risk Matters: Insights for Tourism, Hospitality & Leisure

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Session outline

- **What is risk and why is this important?**
- **What does research tell us about how the perception of risk has changed because of Covid-19?**
- **Why did the cruise industry struggle when they were so prepared?**
- **The importance of trust**
- **How do we get more people travelling and consuming more leisure and hospitality?**
- **Risk reduction strategies**

Introduction

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- BA in Recreation Administration (Canada)
- Masters in Tourism on Heritage Tourism (New Zealand)
- PhD focusing on Cruise Research (UK)
- Lectured across Canada, the UK and New Zealand
- Hospitality roles with Sheraton and Fairmont
- Worked onboard for Royal Caribbean and Princess Cruises
- Retail travel sales with Expedia Cruiseshipcenters
- Led research project for Cruise New Zealand on port strategy
- Social Media Editor for journal Tourism, Hospitality & Research
- Research Fellow, Royal Geographical Society
- Secretary for Geographies of Leisure & Tourism Research Group
- Research team on Australia & UK project on Covid-19 & Cruise Tourism





**What is risk
and why is it
important?**







(Image credit: Kylie Morrow)



Began with definition of risk as:



“The potential of losing something of value”

A value includes:

- **physical health**
- **social status**
- **emotional well-being**
- **financial wealth**

Every purchase we
make involves risk....

Because we have limited information
and no guarantee of success



Different types of consumer risk



Financial

Chance of losing money or wealth if the item does not work



Performance

Likelihood of the item not working properly or meeting your expectations of how the item should work



Physical

Chance that the item may not be safe, or be harmful or injurious to health



Psychological

Chance that the item will not fit in well with self-image or self-concept



Social

Affecting the way others think about you by association to the item



Time-Loss / Opportunity-Loss

When a product fails, the consumer wastes time, convenience and effort to repair, replace or adjust the item

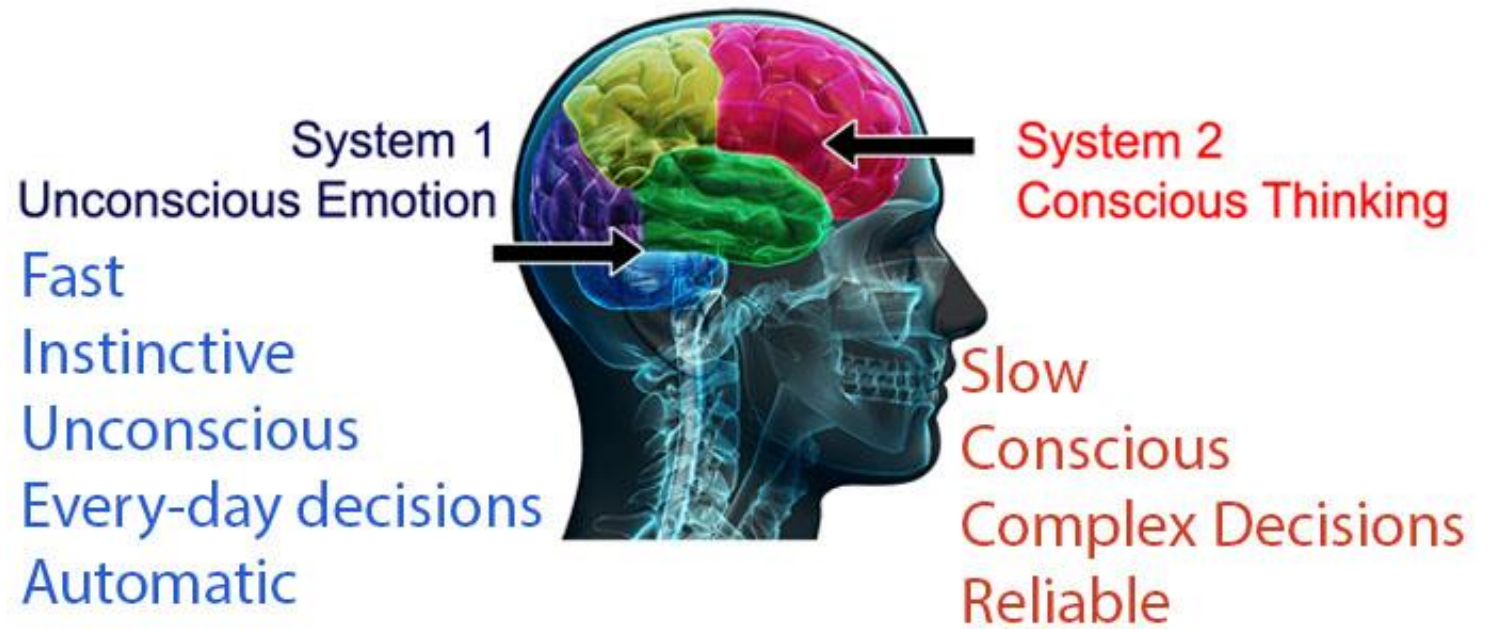
We perceive and act
on risk in two ways:

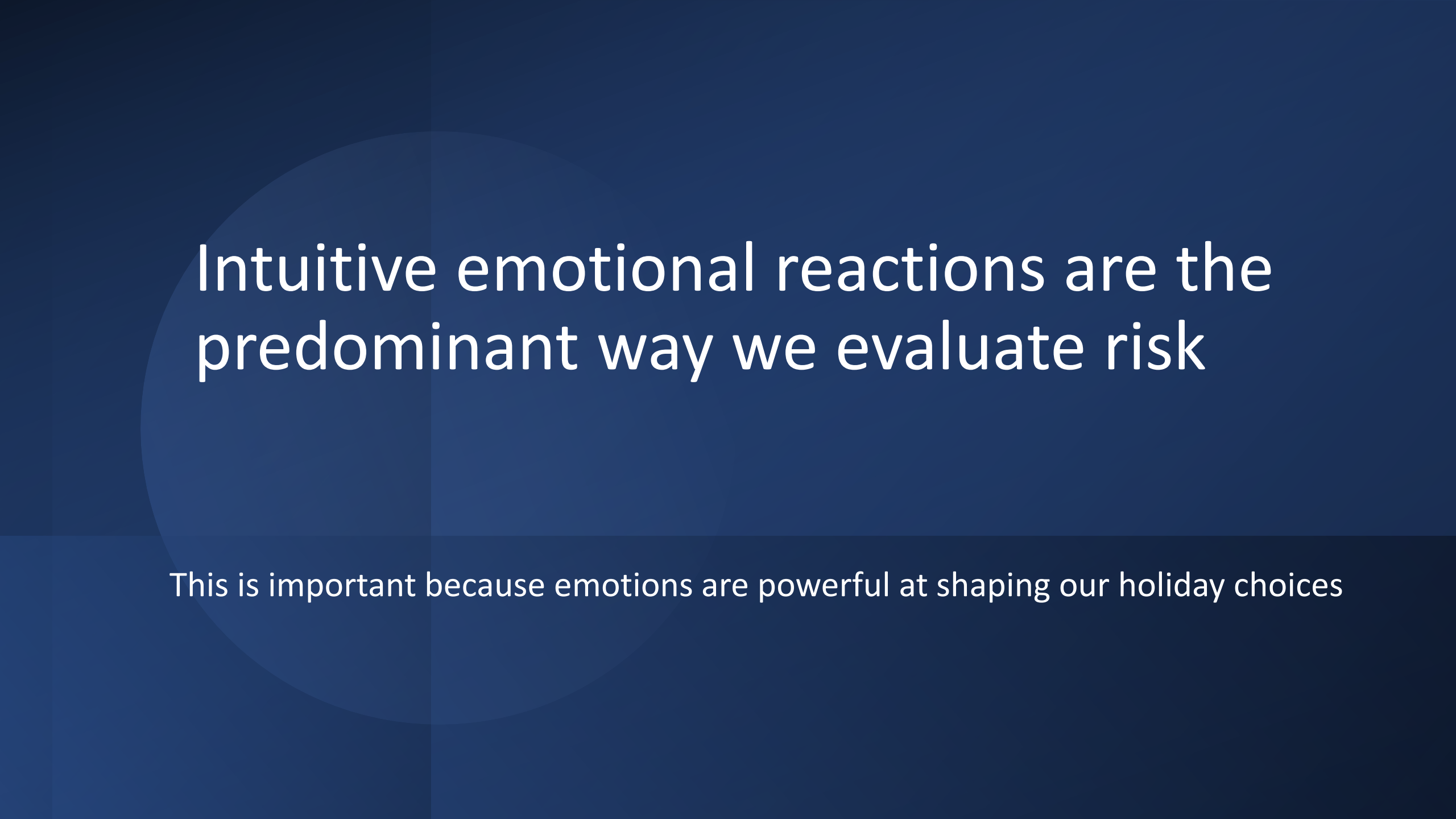
Risk as feeling
(emotional, intuitive)

Or

Risk as analysis
(rational, logical)

Two Decision Making Routes





Intuitive emotional reactions are the predominant way we evaluate risk

This is important because emotions are powerful at shaping our holiday choices

People judge a risk not only by what they think about it, but also how they feel about it

- Negative feelings have been shown to be more influential on decision-making than positive or neutral attitudes towards a destination
- If feelings towards something are favourable, an individual will tend to judge the risks as low and the benefits as high
- If the feelings are unfavourable the individual will tend to make the opposite judgement and judge the risk as high and the benefits low
- The Dread Factor



When dealing with uncertainty (risk) in decision-making, people rely on **heuristics to reduce the complex task of assessing probabilities and predicting outcomes**



Heuristics are quick mental short-cuts people use intuitively when making decisions

We make quick assessments and judgments based on our previous experience and acquired information

Availability Heuristic

Information we can more easily recall feels more likely even if not accurate



(Cherry, 2019)

What influences how we interpret and perceive risk?

- Age (actual/chronological)
- Gender
- Socio-economic status
- Education level
- Motivations
- Nationality
- Personality traits
- Culture

- Biology
- DNA
- Neural chemistry
- Physical environment
- Ideological context
- “Risk trait”
- Tolerance for risk
- Previous experiences



Travel is inherent with risk...

Types of Tourist Risk

- Equipment
 - Potential for mechanical failure
- Health
 - Potential for negative outcomes related to well-being
- Crime
- Political Instability
 - Chance of disruption due to events happening in the destination
- Satisfaction
 - Overall perceived enjoyment or fulfilment of vacation
- Terrorism
 - Chance of harm or disruption due to violence related to political aims
- Piracy
 - Economically motivated attacks or thefts
- Discrimination / Racism / unfriendly locals – Overtourism concerns
- Communication
- Environmental
- Access and inclusivity



**What does
research tell us
about how risk
perceptions
have changed
because of
Covid-19?**

Pre-Covid tourism in the UK

By 2025, Britain's tourism industry was forecast to be worth £257 billion

3.1m
total jobs in 2013



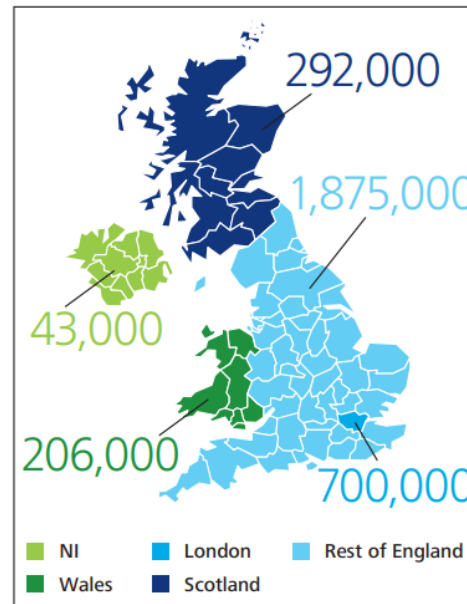
9.6%
of total UK jobs

£126.9_{bn}
UK GDP in 2013

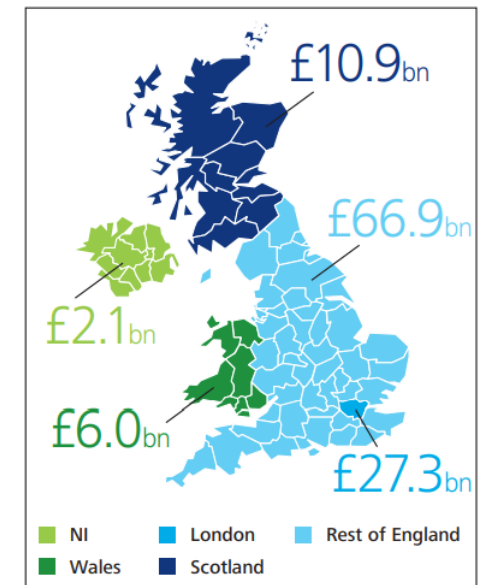


9.0%
UK GDP in 2013

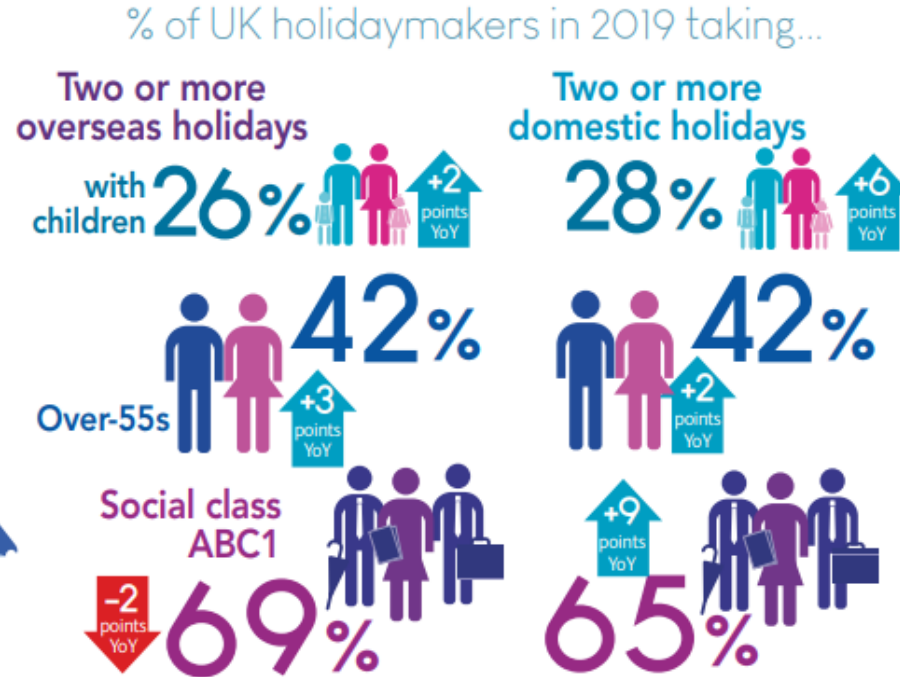
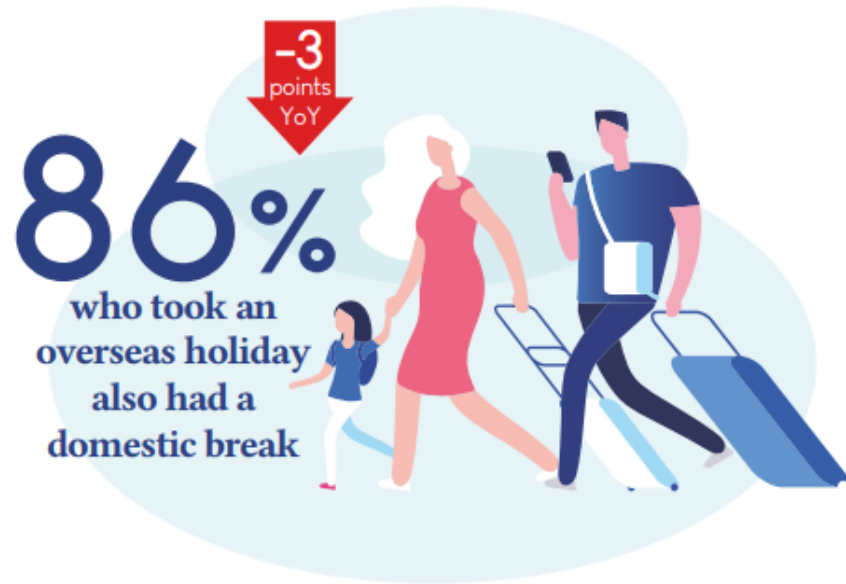
Number of tourism economy jobs



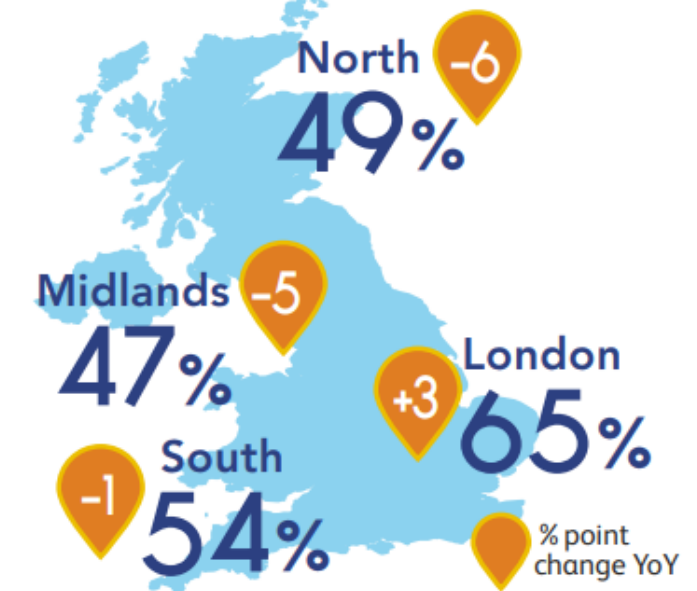
Total tourism spending



UK Holiday Market Pre-Covid

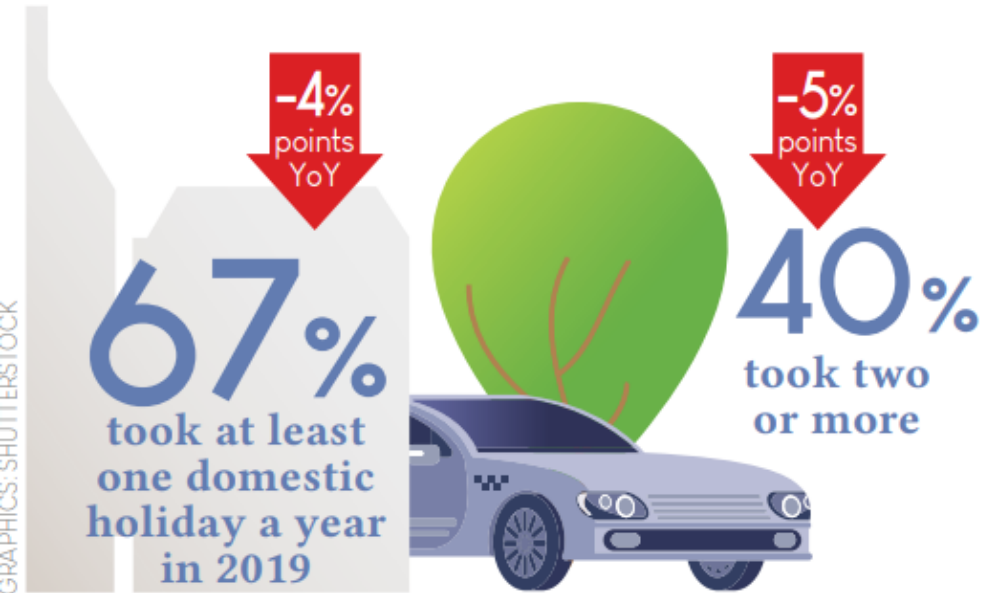


% UK adults taking at least one overseas holiday in 2019, by region

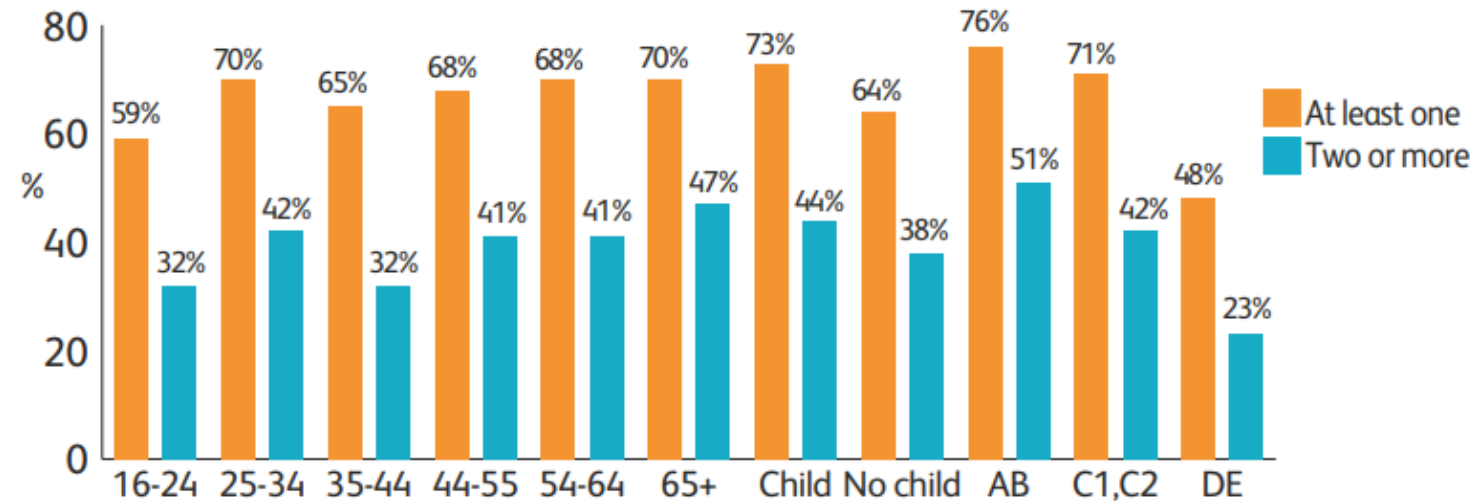


Source: Service Science/Kantar

UK Domestic Holiday Market Pre-Covid

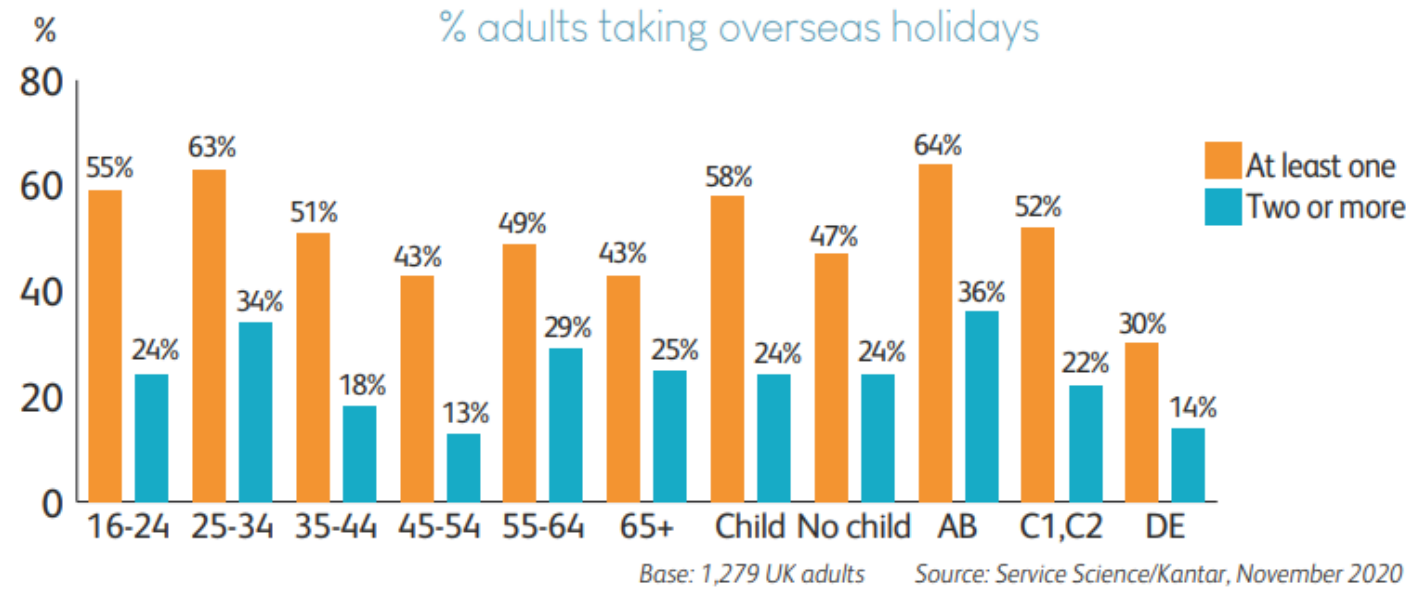
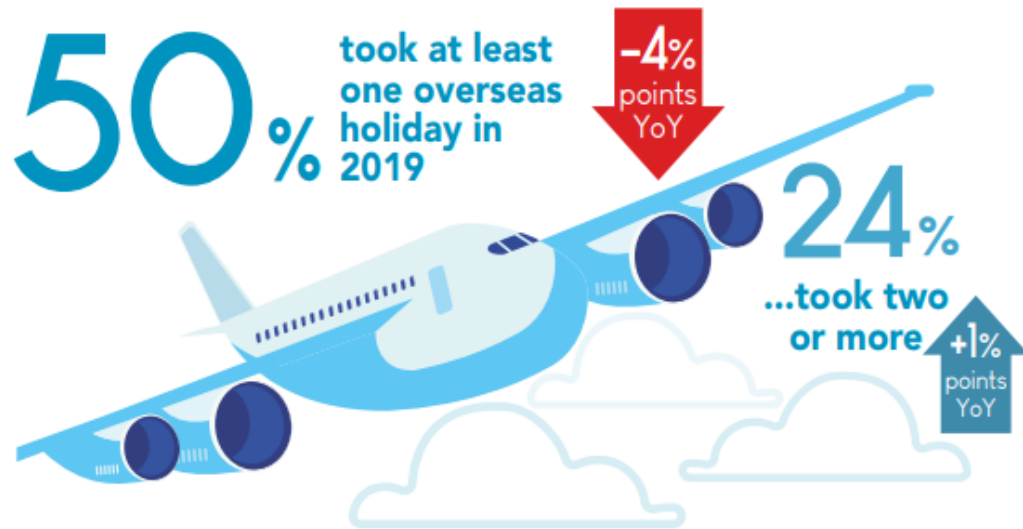


% adults taking UK domestic holidays in 2019



*November 2020 data: reflects respondents' holidays in 2019. Year-on-year comparisons are with holiday behaviour in the previous 12 months of November 2019 respondents. Base: 1,279 UK adults Source: Service Science/Kantar, November 2020

UK Outbound Holiday Market Pre-Covid



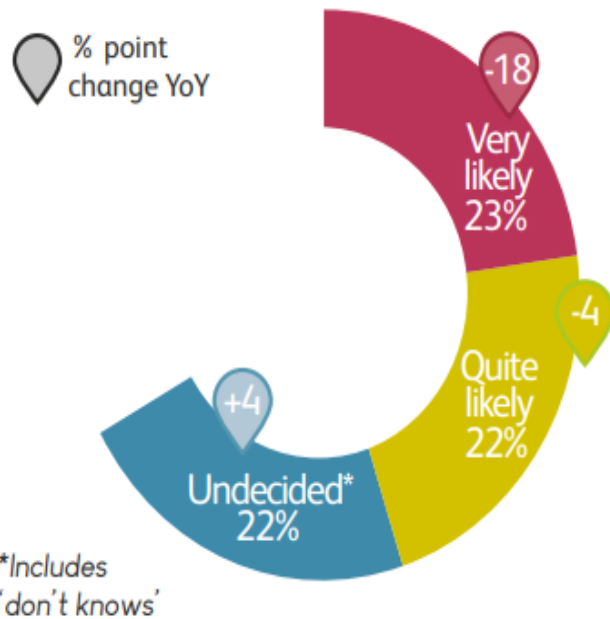
UK Holiday Market for 2021



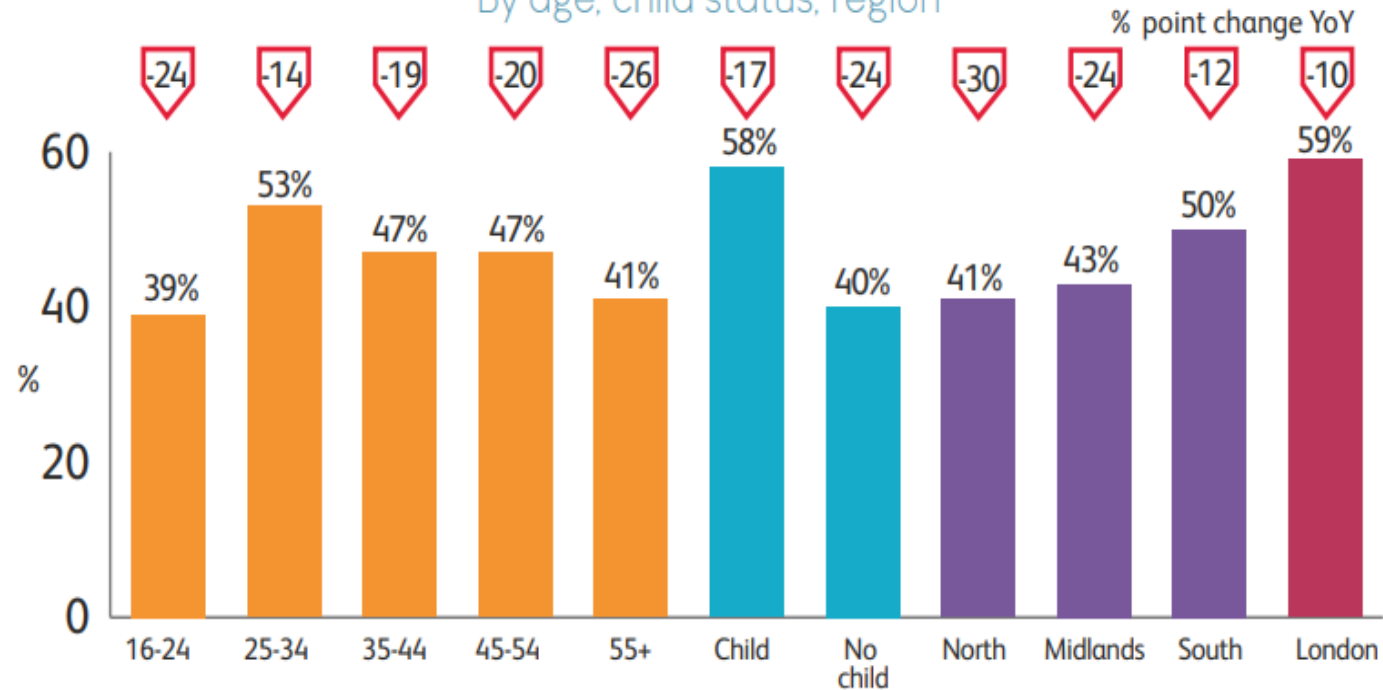
Source: Service Science/Kantar

UK Domestic Holiday Demand for 2021

LIKELIHOOD OF DOMESTIC HOLIDAY



ADULTS LIKELY TO TAKE DOMESTIC HOLIDAY By age, child status, region



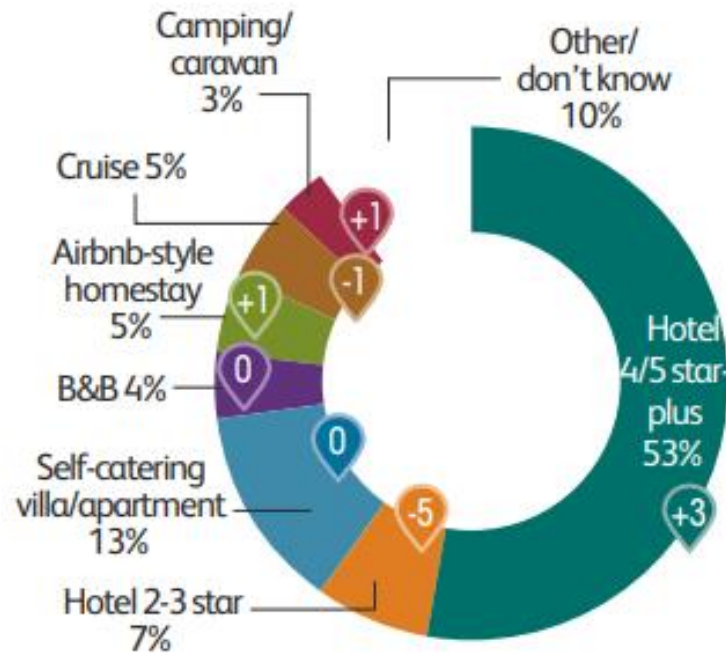
Not quite half (45%) of UK adults intend to take at least one domestic holiday in 2021 (Figure 20) – a good proportion but down by the same amount as those likely to travel overseas

November 2020 Base: 1,279 UK adults Source: Service Science/Kantar

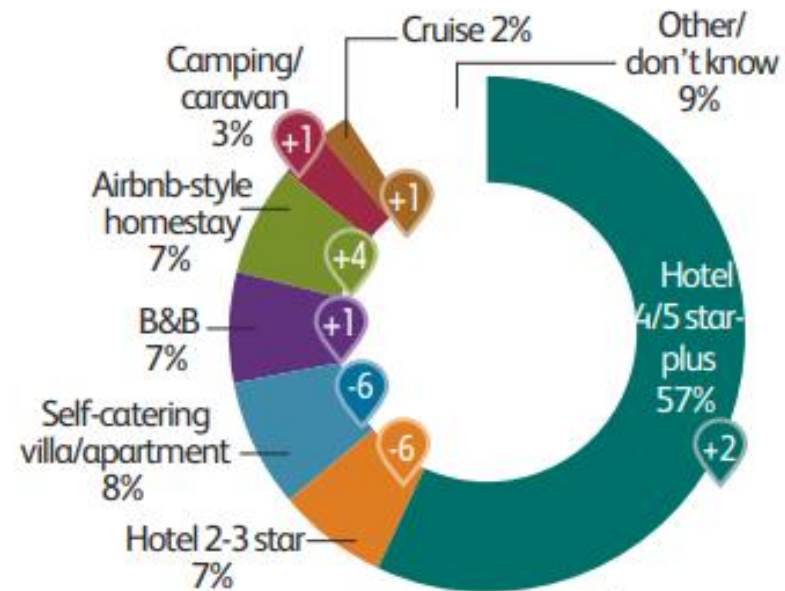
No big changes in types of accommodation

LIKELY ACCOMMODATION NEXT OVERSEAS HOLIDAY

All holidaymakers



Those with children

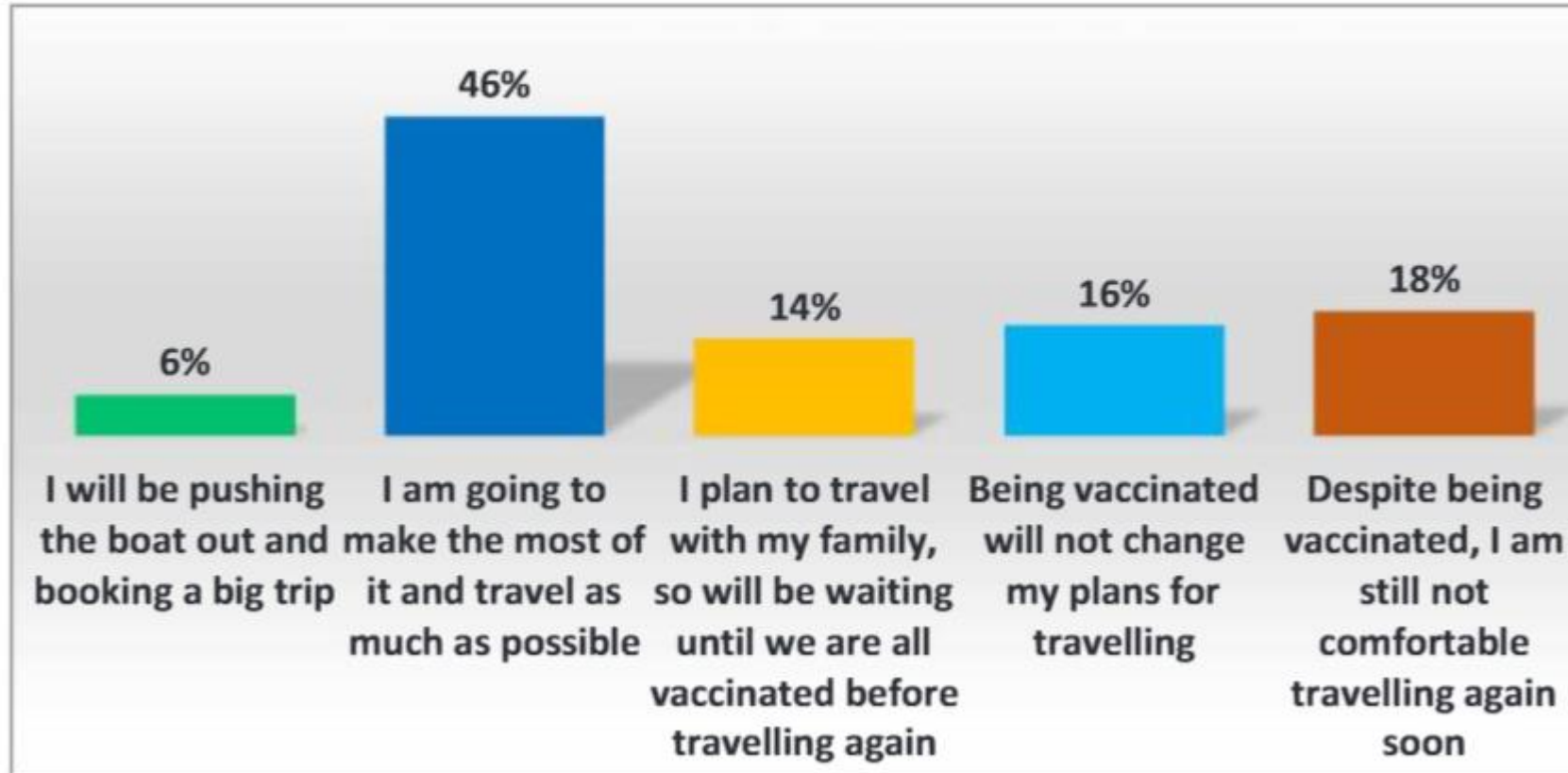


By age

% point change year on year



How will having the freedom to travel safely, once vaccinated, affect your travel plans?



86% of Silver travellers say they will spend as much as or more on travel in the next year

(Silver Travel Report, February 2021)



**Why did the
cruise industry
struggle when
so prepared?**



SPECIAL COVERAGE

SPECIAL COVERAGE

**THE
MORNING
SHOW**

RUBY PRINCESS DEATHS

INVESTIGATION LAUNCHED OVER TROUBLED CRUISE LINER

Pre-Covid

- Robust growth
- Key decision-making factors for consumers were price, itinerary and self-congruity
- More about educating consumers about all the different kinds of cruises
- Health & safety were not a big concern
- People accepted risk is inherent in travel but people choose to cruise **especially because they see it as safe and they trust the cruise lines** to look after them
- Cruise industry leader in prevention and management of health risks
 - Legionnaires, measles, H1N1, influenza, norovirus

71% of people feel a cruise is the safest form of travel

(G.P. Wilde for CLIA, 2017)

How has the cruise industry previously handled outbreaks?

- Every ship has an Outbreak Prevention Plan
- Installed hand washing stations near dining outlets
- Hand sanitizers
- Quarantine of passengers
- Medical centre onboard
- Hit Squad – specially trained crew to deal with incidents
- Medical questionnaires prior to boarding
- Special reporting line onboard
- Reporting an outbreak if more than 2% are ill with gastro symptoms
- Strict United States Public Health and Centers for Disease Control (CDC)
- Temperature checks for H1N1 outbreaks

COVID-19

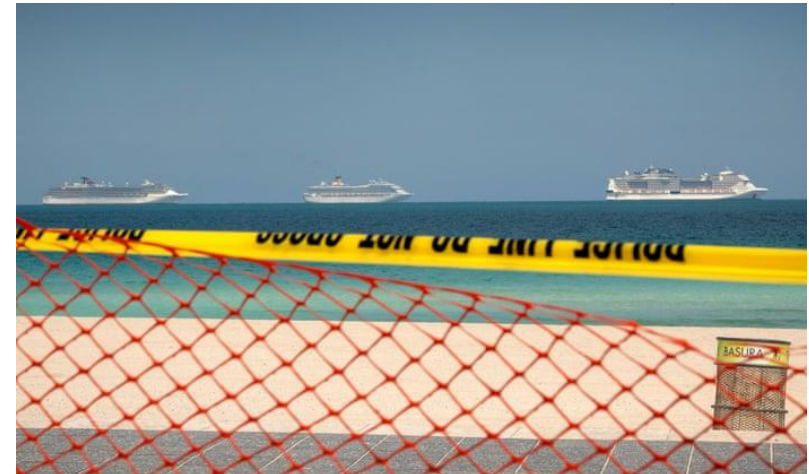
- As the coronavirus outbreak spread in February, ships in the Asian region were quarantined or blocked from entering ports
- By mid-March many ports around the world were closed to cruise ships
- Itineraries were thrown into chaos
- Through March cruise companies proactively shut down their cruising operations
- First ship to have a confirmed case was the Diamond Princess
- High infection rates among passengers and crew
- Ships lacked testing kits (Ruby only had 6 kits onboard)
- Slow to react in many cases
- By May 2020, an estimated **54 cruise ships** had confirmed cases of COVID-19 documented, which was one fifth of the global ocean cruise fleet (Dolven et al., 2020)



Overall 83 deaths directly related to a cruise ship + 22 crew suicides



- By February 20 2020, the World Health Organisation announced that the *Diamond Princess* accounted for more than half the then 1000 cases of coronavirus outside China
- 705 people were infected onboard the *Diamond Princess*, with 14 deaths (Leffler & Hogan, 2020)
- Australian, UK and other governments send chartered flights to ‘rescue’ its citizens
- Regular news updates featuring travellers stranded aboard cruise ships
- In the UK news featured David & Sally Abel almost daily with updates and stories



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British coronavirus cruise couple back in UK

🕒 15 March

Coronavirus pandemic



PA MEDIA

Sally and David Abel spent several weeks in a Japanese hospital

Impacts of the pandemic on the cruise industry

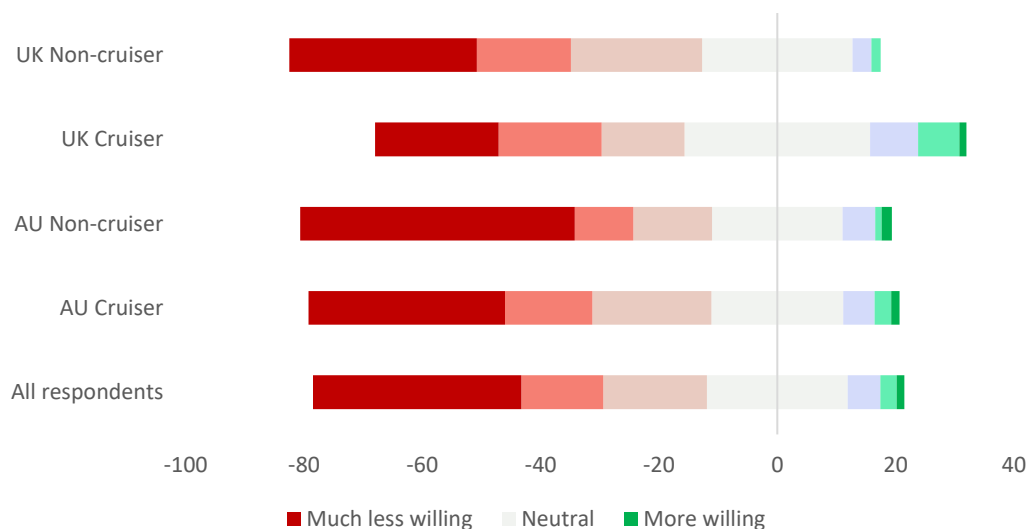
- Catastrophic losses
- All operations ceased for months
- 2020 should have seen 32 million passengers take a cruise
- Industry was worth \$150 billion before COVID-19
 - €10.4 billion for the UK economy in 2017 (CLIA, 2018) with 2 million cruising out of the UK
- Thousands stranded onboard for weeks
- At least 3 cruise lines have gone out of business
- Several lines restructuring
- 18 cruise ships at least have been sold
- Widespread cancellations
- Refunding and issuing vouchers
- Reputational loss



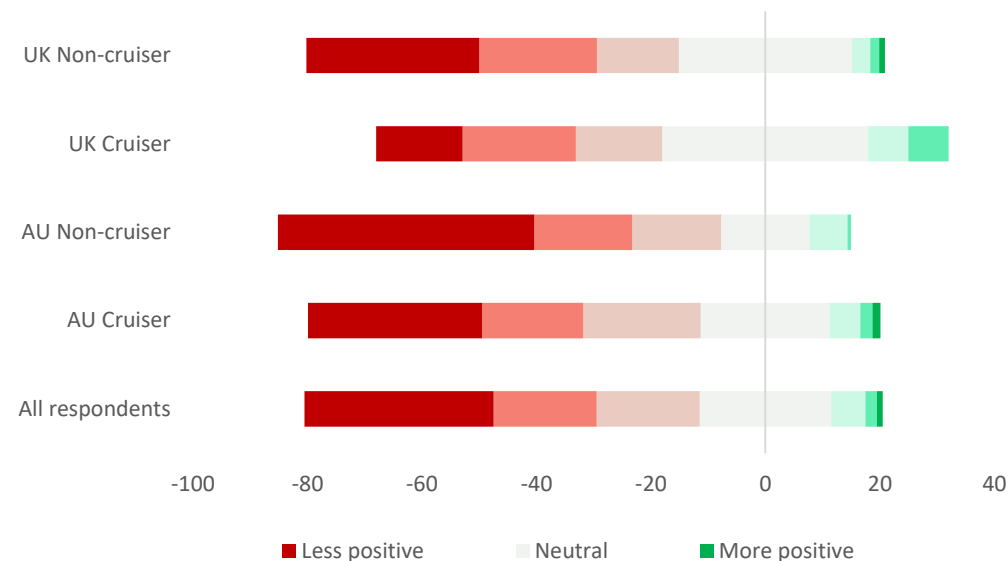
- The outbreak of COVID-19 onboard significantly affected the perception and promotion of cruising as a 'safe' holiday
- This is important as cruisers are generally thought to be risk-averse (Tarlow, 2006)
- In the short term, tourists are fearful of traveling by cruise ships, and worried about being exposed to COVID-19 in the enclavic environment onboard
- The cruise industry has also been affected by a narrative in the wider media of cruise ships as 'petri-dishes'
- **This lasting negative image of cruise ships may be difficult to overcome**
- More consumer awareness of the industry practises around employee working conditions, environmental sustainability and overall trustworthiness of the industry

Perceived risk of cruising

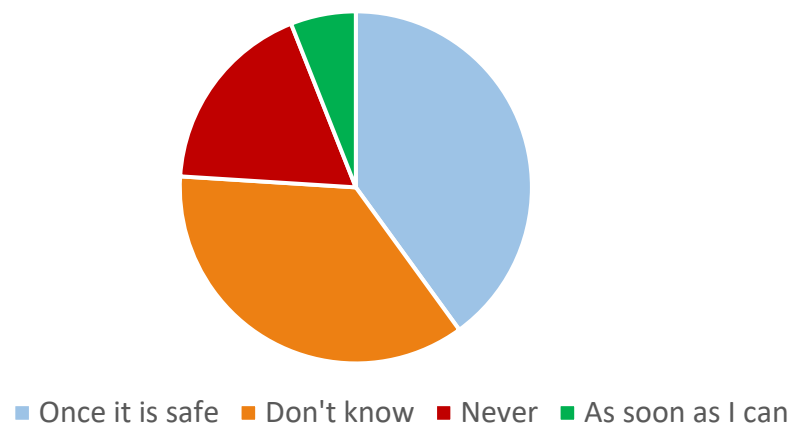
Willingness to cruise



Attitude towards cruising



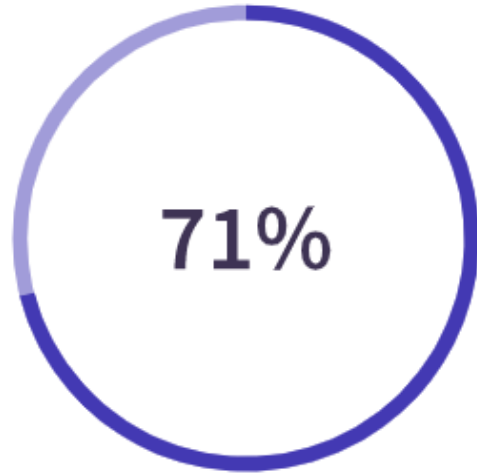
How soon do CRUISERS expect to cruise again?



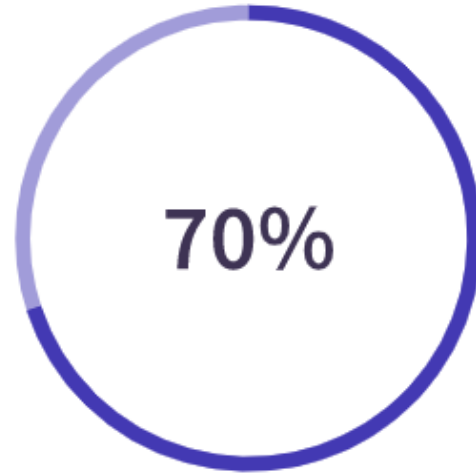
(Holland et al., 2021)

Changes in consumer sentiment

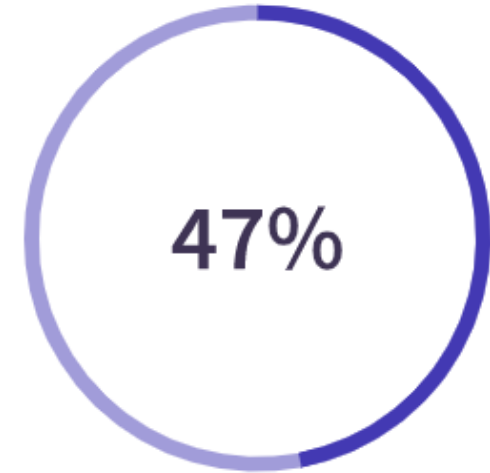
Based on survey of 613 respondents in the UK and Australia - July 2020



Less willing to cruise



Feel less positive about
cruising

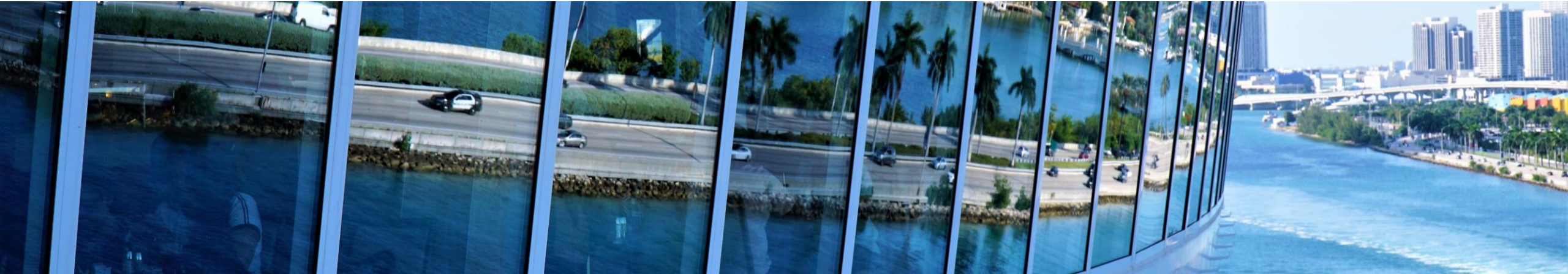


Have less trust in the
cruise lines looking
after them if something
went wrong

*60% of respondents had cruised at least once

Perceived risk of cruising

Study found increased anxiety about ALL travel, but greater perceived risk for international travel & cruising



Where you live makes a difference

If you live in Australia you're more likely to think cruising is risky – and less likely to be willing to cruise

Prior cruising experience doesn't reduce perceived risk

Unlike previous studies, having cruised before did NOT mitigate the perceived risk of cruising or result in greater willingness to cruise again

Media coverage & government statements matter

The media coverage of cruise-related COVID deaths, the *Ruby Princess* debacle and negative government statements amplified the perceived risk in Australia

Stability and resilience

April 2020 CruiseCompete

40% increase in bookings

Spring 2020 CLIA

75% of cruisers very likely/likely to cruise again
(compared to 79% pre-covid)

May & June 2020 Silver Travel

25% say never travel long haul again
30% don't plan to travel until 2022

74%

of cruisers are likely
to cruise in the next
few years

2 out of 3

cruisers are willing
to cruise within a
year

58%

of international vacationers who
have never cruised are likely to
cruise in the next few years



Cruisers' perceived risk: 5 market segments



Travel is **NOT** that risky

- More likely to be male and from the UK
- The most experienced group of cruisers (some with 10+ cruises)
- Less likely to have changed their attitude to cruising
- **Half reported the pandemic HADN'T changed their willingness to cruise**



Domestic travel is **LOW** risk. Other travel is **moderately risky**

- More likely to work full-time
- Highest % holding bookings when COVID hit
- 58% will cruise again when safe – even though half the group is less willing to cruise than before



ALL travel is **MODERATELY** risky

- 45% will cruise again 'when it is safe'
- 59% less willing to cruise than before and 54% less positive about cruising
- Domestic travel seen as almost as risky as international and cruising




All travel, except for domestic, is **VERY** risky

- This group **sees cruising as the riskiest form of travel**, followed closely by international travel
- Members more likely to be in full-time work
- Second-highest proportion of people who will never cruise again (24%)



ALL travel is **VERY** risky

- Most risk avoidant
- More likely to be retired
- Most likely to say they'll never cruise again (30%)
- Reported greatest negative change in sentiment: **85% feel less positive about cruising** and also less willing to cruise following pandemic



Interviews with cruisers were who onboard that were quarantined on the *Diamond* or stuck at sea on other cruise ships **told me they felt safe at the time** and most still believe the cruise lines did everything they could to protect them even after testing positive for COVID-19

“I felt safer onboard than anywhere else on earth”

“This was my best cruise ever”

But this is now changing the longer the pandemic continues

Also because of the Dread factor

Risk communication

“Petri-dishes”

“Cesspool’s of filth”

“Giant incubators”

- Pandemic shows how important it is to communicate effectively
- Passengers onboard received very little information
- Captain and Hotel Manager gave daily updates - logistical nightmare as ports were closing rapidly
- Many cruise lines and CLIA did not counter the media narrative and were largely silent
- When an outbreak is not managed effectively this situation can become a crisis, and result in reputational damage increased risk perceptions, and ultimately affect purchase decisions (see Le & Arcodia, 2018; Liu-Lastres et al, 2019)
- In the case of Covid-19, cruise lines may be seen as negligent or ‘hiding’ something which leads many consumers to blame the company and causes reputation loss

Barriers to restart cruise operations

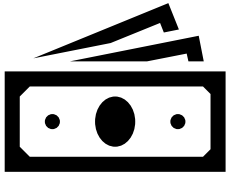
- Access to ports
- CDC requirements & “Safe to Sail”
 - RCCL & NCL developed 74 recommendations
 - Include more screening, testing onboard, labs installed on ships, better filtration on HVAC, social distancing, enhanced cleaning, agreements with ports to disembark positive cases, shore excursions must be organized, better repatriation processes, isolation, bigger medical facilities with more isolation rooms
- Legal implications
 - Who is liable if there is an outbreak or death?
 - Travel insurance validity?
 - Changing requirements
 - New US policy needs 30-60 days to enter / Malaysia needs 60 days

Framing the impacts from COVID-19 on the cruise industry



Loss of business

- Drop in demand
- Drop in consumer confidence
- Reputational damage
- Reputation of industry damaged, cruising no longer considered 'safe'



Financial loss

- \$150 billion globally
- Pause in operations for 15+ months
- Tertiary businesses
- Installation of modified HVAC systems, etc.
- Extra costs for health measures onboard



Regulatory constraints

- Ports and borders closed
- International travel restrictions
- CDC no sail order
- Ban on cruise ship arrivals in the US, Canada, and Australia



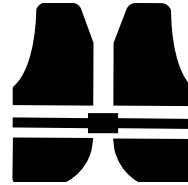
Organisational changes

- Consolidation and restructuring of brands
- 18+ ships sold
- Re-organising itineraries, policies and protocols
- Inability to get crew and passengers home
- Rise in suicide rate / mental health supports



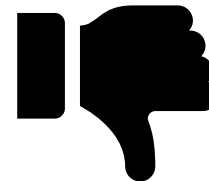
Litigation

- Legal action for perceived negligence and exposure to COVID-19
- Legal action to get monies returned and compensation for holiday plans ruined
- Class action lawsuit from officers and crew
- Company failing to take appropriate prevention



Decreased physical risk

- Safer onboard environments
- New HVAC systems will improve air quality and decrease risk of all airborne infections
- Better filtration and monitoring of environment



Loss of confidence in institution

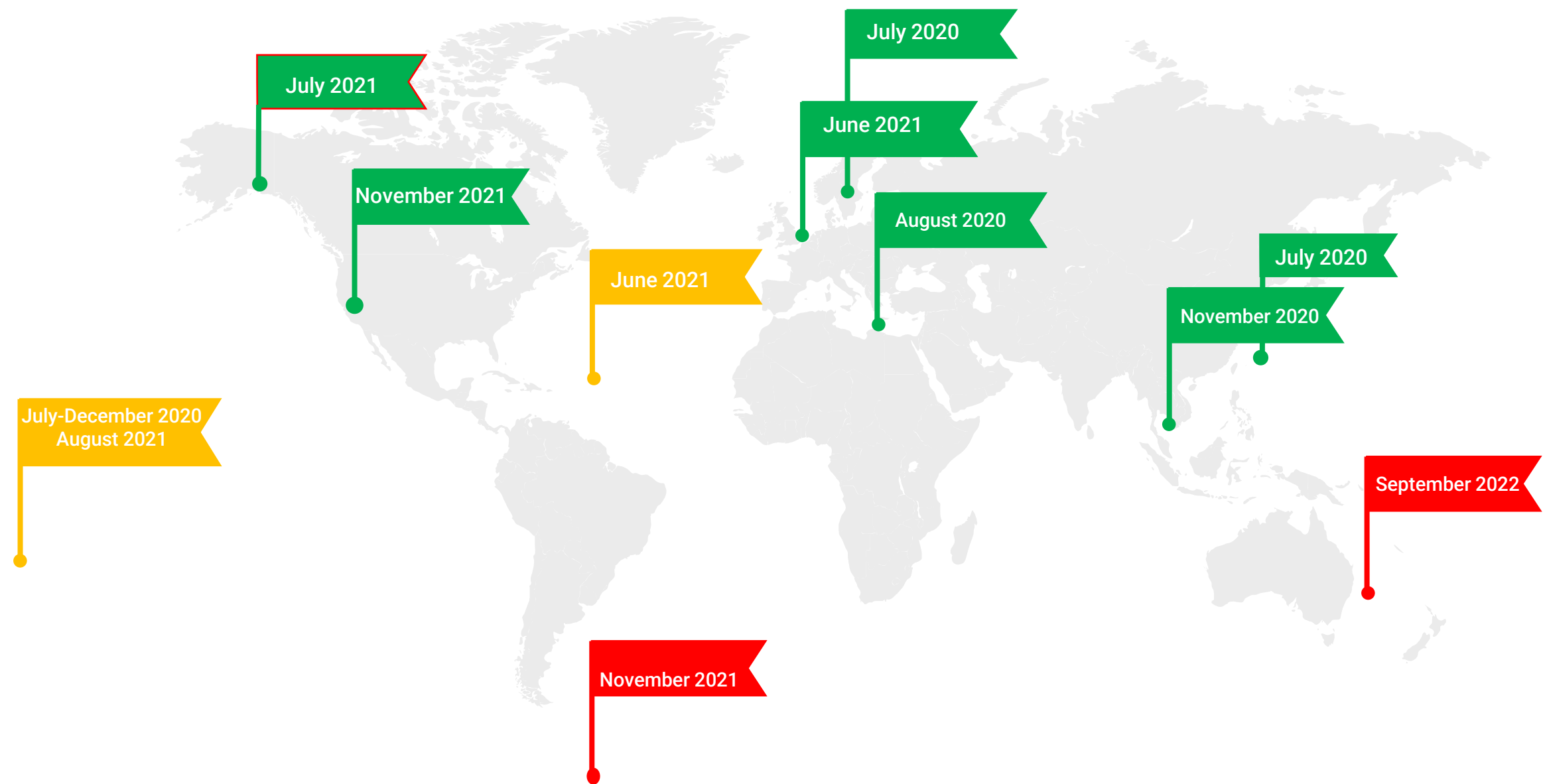
- Australians especially have lost trust
- Perception of the cruise lines to be dishonest and untrustworthy
- Increased focus on business practices
- Consumer pressure to re-examine environmental and tax practises
- Brings attention to stateless multi-nationals

Differing attitudes by regional market



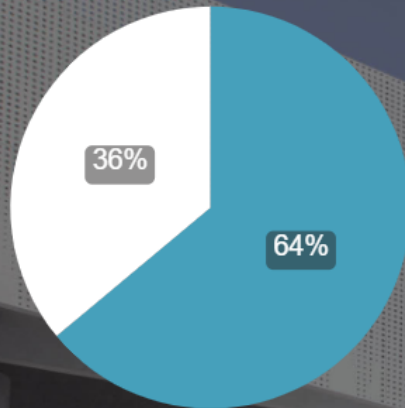
- Australia- more negative about cruise line transparency and honesty
 - West Australian Premier indicated cruising unlikely to return to Australia before 2023
- UK Silver Travellers – 83% want to cruise within the year (if vaccinated)
- Europe – Italy, Germany and Norway already cruising
- US – willingness but restricted
- Asia – demand from Singapore and Taiwan but not Japan or China
- Canada – hesitancy and fear driving attitudes

Cruising resumption



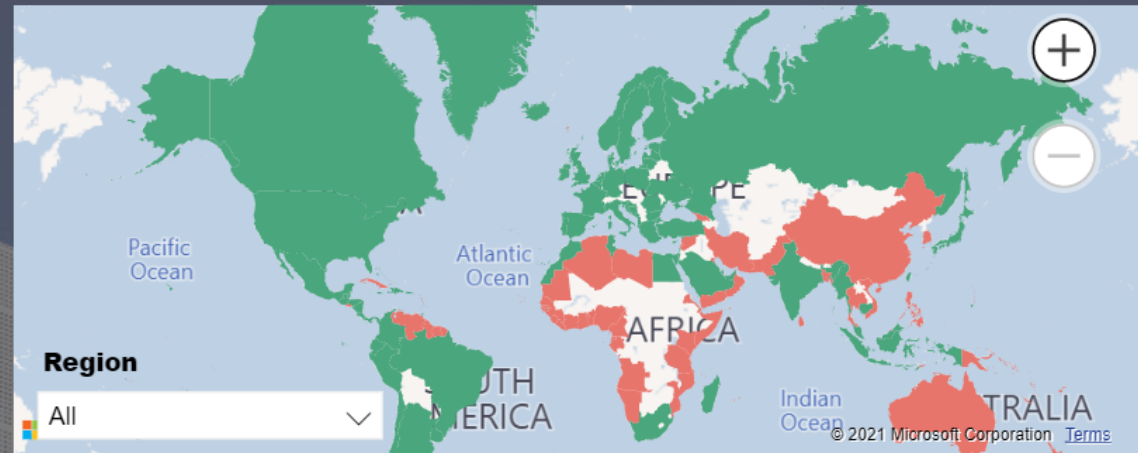
BERTHS SAILING IN NOVEMBER

● In Operation ● Pending Resumption



PORT / COUNTRY CRUISE RESUMPTION STATUS

● Closed ● Open (Restrictions May Apply)



STATISTICS (since resumption)

330
COVID Cases (Pax) ^

4.3M
Estimated Pax Sailing

0.008%
Pax Infection Rate

SHIPS SAILING*

● Ships ● Lower Berths

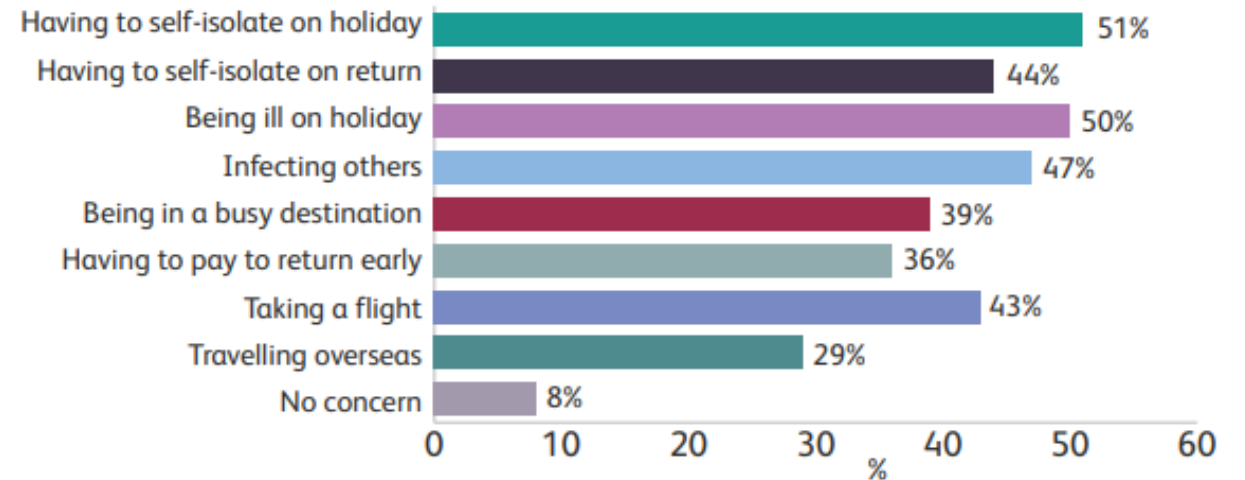
~ LB

*This doesn't include crew or the Hurtigruten outbreak (29 pax)

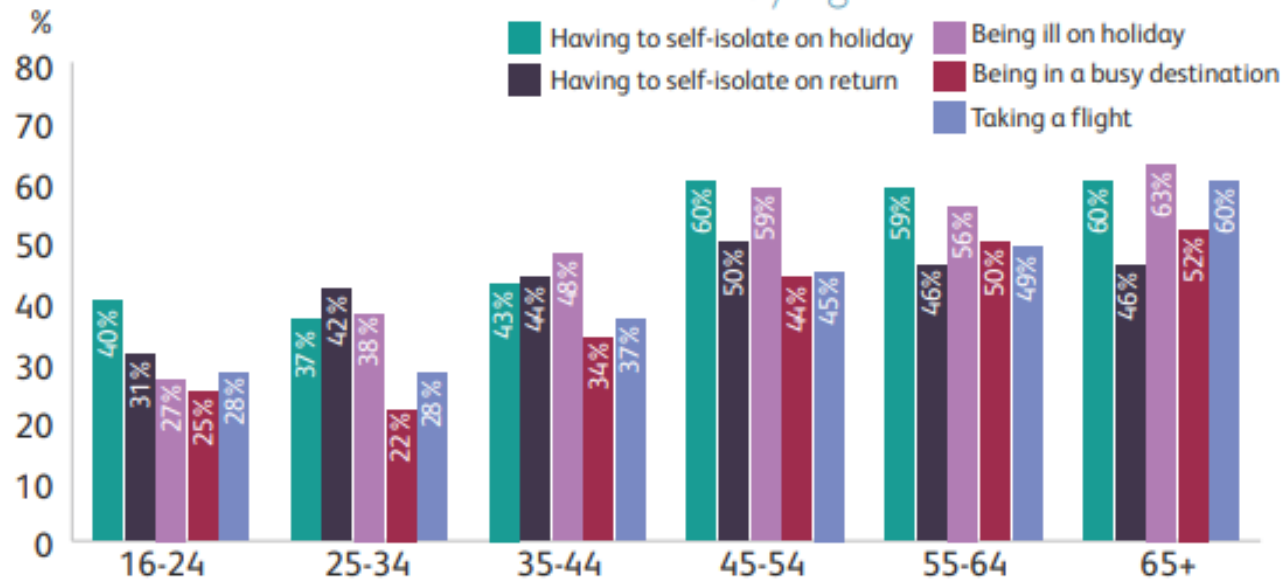
UK domestic sailings – only 50 confirmed cases out of 100,000 passengers (CLIA/TTG)

What are the main concerns for UK Holiday makers?

All UK adults considering a holiday, overseas or domestic



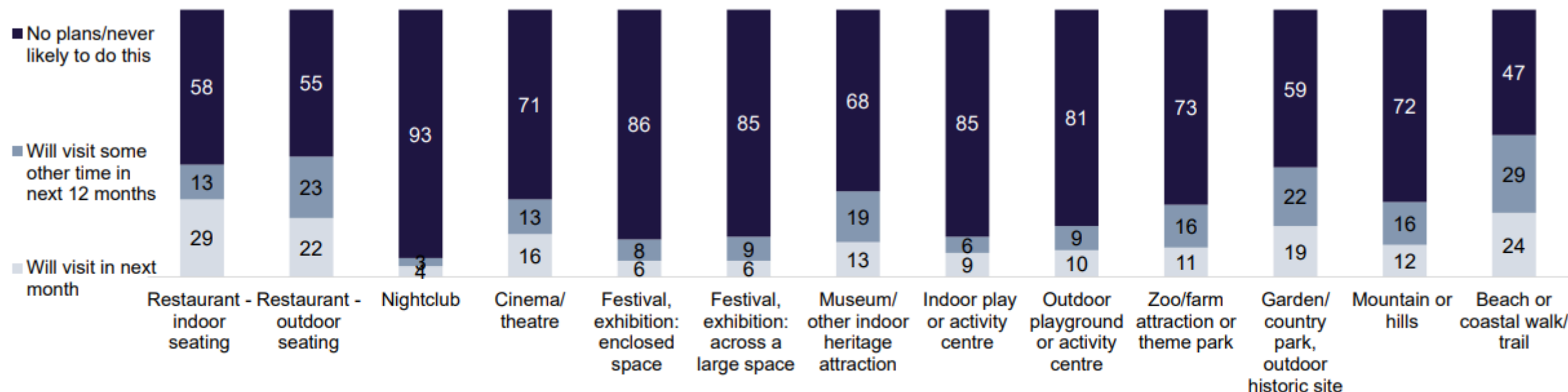
Rate of concern by age



Intention to visit leisure venues / locations in the UK

Of the leisure venues included, UK adults are most likely to visit 'restaurants with indoor seating' in the next month, 29% intending to do so. Of the outdoor areas included, 'beach or coastal walk/trail' is the most likely to be visited in the next month (24%).

Figure 3. Intention to visit leisure venues, Percentage, November 2021, UK



VB9a. Which, if any, of these types of places in the UK are you likely to visit in the next 12 months? VB9b. Which, if any, are you likely to visit in the UK in the next month? VB9c. And which, if any, are you never likely to visit in the UK?

Base: All respondents. November 2021 = 1,758

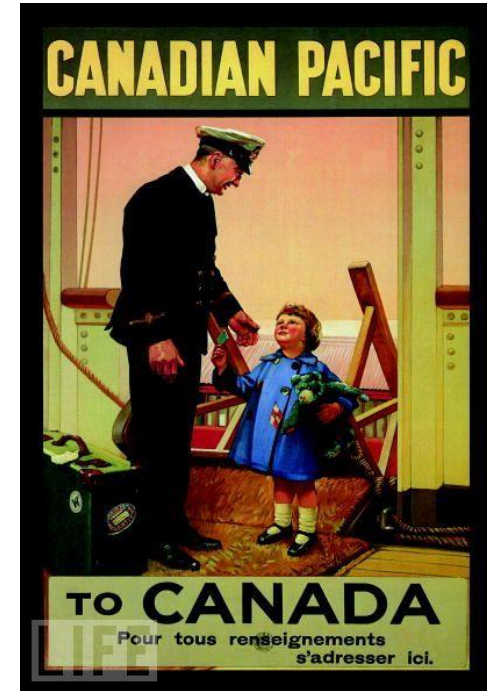


**Why is trust
so important?**

The importance of feeling safe

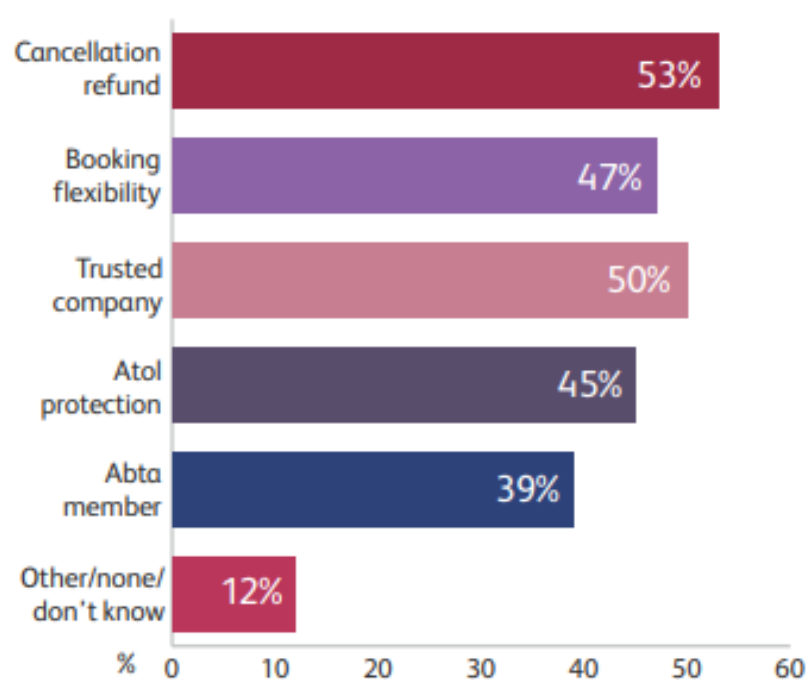
- The perception of risk, whether real or imagined changes travel decisions
- Emotion affects how risk is judged
- People accepted risk is inherent in travel but people have chosen to cruise **especially because they see it as safe and they trust the cruise lines** to look after them
- Overwhelming pre-COVID both cruisers and noncruisers viewed a cruise as a **safe holiday**
- The feeling of trust was reinforced by meeting crew/officers and seeing drills

Trust reduces the perception of risk

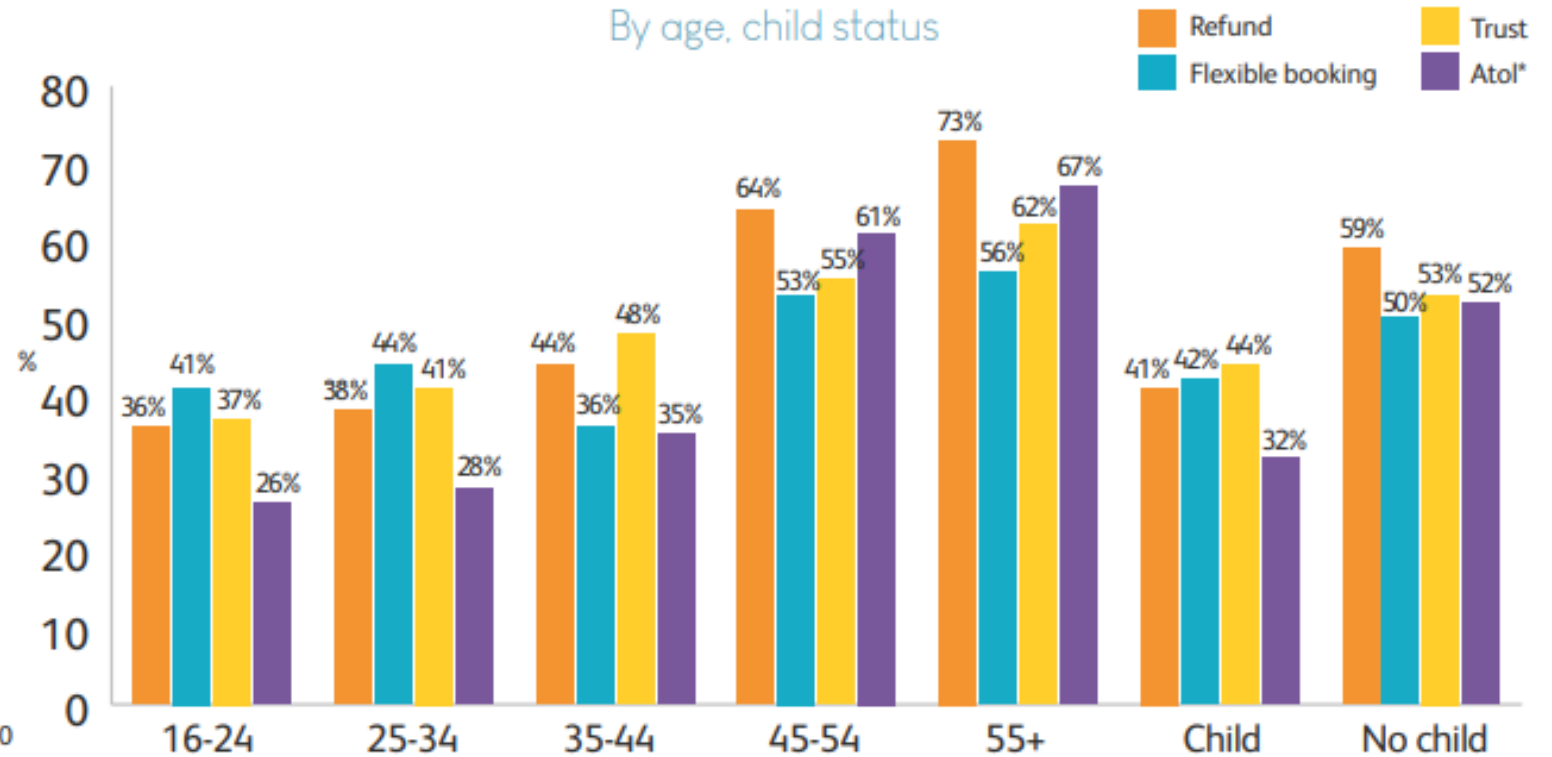


Key Factors When Booking Overseas Holidays for 2021

UK adults intending to take a holiday abroad



By age, child status



*Results for Atol protection and Abta membership broadly similar, but respondents identifying Atol exceeded those for Abta.
Source: Service Science/Kantar

4 Key ways you can build trust





**How do we get
more people
travelling and
consuming
more leisure
and hospitality?**

- Recognise people are anxious
- Build trust
- Offer risk reduction strategies
- Use risk tolerance in market segmentation

What activities will leisure consumers continue to do post-pandemic and what will they stop?



Net % of consumers participating more in leisure activities in the next 12 months compared to before COVID-19

4 types of leisure consumers



Reverters

Mainly want to return to pre-covid behaviours

Transformers

Want to maintain the lifestyle changes and want more flexibility and more digital services

Whatevers

Did not change lifestyle much during covid, less likely to engage in at-home leisure activities

Worriers

Concerned about the future and seek reassurance, affordability and convenience

(Adapted from Deloitte, 2021)

Make

Make the physical environments clean and stress-free as possible



Engage

Engage customers



Move

Move customer touchpoints online & expand the experience



Find

Find new ways to do business / Pivot towards new offerings



Risk Reduction Strategies

Travelers' risk reduction strategies



Risk mitigation (Changes in behaviour)

- Avoid flying
- Book direct
- Book last minute
- Choose river cruises as the ships are smaller
- Purchase better travel insurance

Risk relievers (Changes in decision-making)

- Choose larger rooms with a balcony for access to fresh air
- Travel closer to home - domestic travel is seen as 'safe'
- Travel on smaller cruise ships with fewer people
- Want a guarantee of money back if the trip is cancelled
- Research more to determine health measures and medical facilities
- Consider a brand's reputation
- Select different cruise brands and itineraries that are perceived as COVID-safe destinations

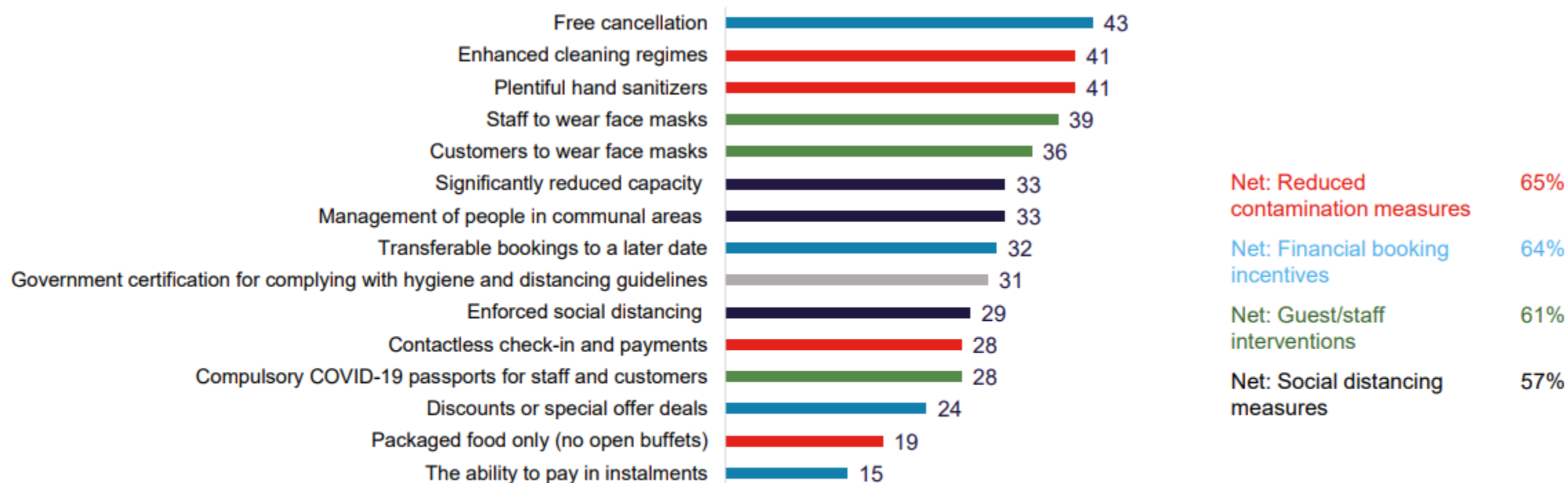
Risk avoidance

- Avoid all travel
- Delay purchase
- Wait until there fully vaccinated
- Wait until travel is deemed 'safe'

Required conditions for indoor leisure / tourism providers

'Free cancellation' is the leading condition that UK adults deem essential for indoor leisure and tourism providers to have in place to encourage a visit (43% stating this), followed by reduced contamination measures such as 'enhanced cleaning regimes' (41%) and 'plentiful hand sanitisers' (also 41%).

Figure 6. Conditions that are essential for indoor tourism and leisure providers to have in place to visit them in the next few months, Percentage, November '21, UK, Full list

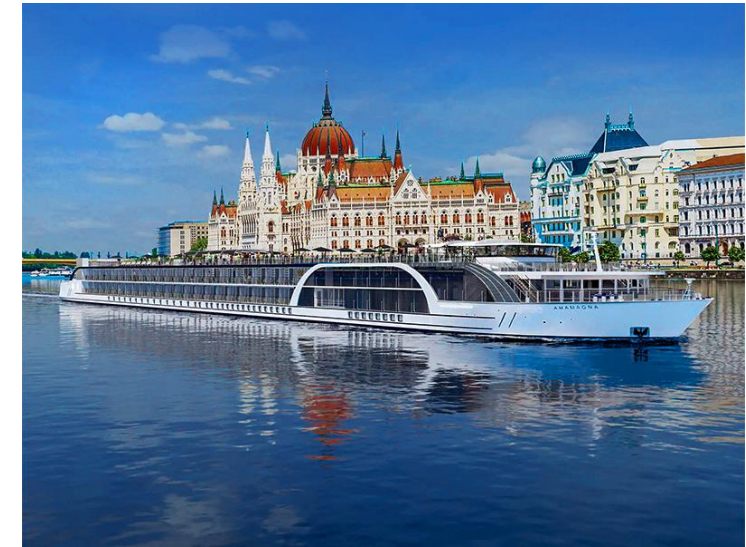


Key Points

- Significant pent-up demand
- Reputation will be more important - people plan to research more
- Domestic travel / travel closer to home – opportunities for regional markets
- Anxious about international travel
- People want to travel to “safe” destinations
- Want more reassurance
- Use risk reduction strategies
- Trust will be very important
- Marketing needs to consider risk perceptions
 - [Destination Analysts, Inc](#) found 42% of American travelers are uncomfortable with seeing large crowds of people in travel advertisements and 36% are uncomfortable seeing maskless people in ads

Shifting demand

- Choose larger and outside cabins & plan to upgrade to suites
- Willing to pay more for enhanced cleaning measures
- Plan to choose smaller cruise ships and resorts
- More AirBnB style accommodation
- Plan to try river and expedition
- Pricing and Incentives work to boost sales in a crisis
- Plan to book direct
- Book more last minute
- Opportunities for innovation and personalization



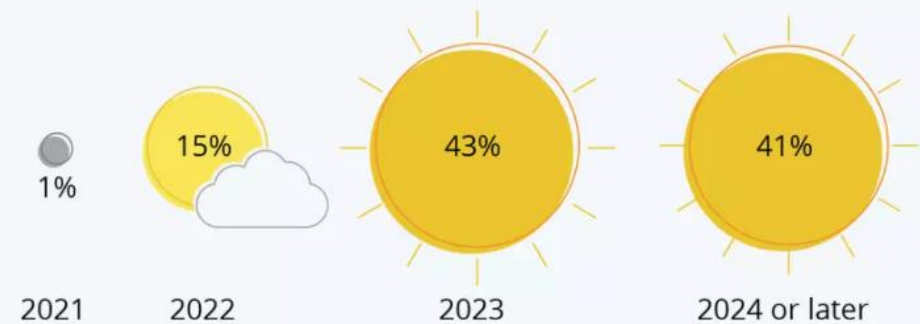
(AMA Waterways)

The big question...when will people want to travel?

- Long road to recovery
- New variants are a concern
- Forecasts suggest a return to pre-pandemic levels by 2024

Tourism Experts Fear Long Road to Recovery

% of tourism experts expecting international tourism to return to pre-pandemic (2019) levels by this time



Based on a global survey among the UNWTO's Panel of Tourism Experts conducted in January 2021

The cruise sector can lead the tourism industry and show how travel can be done safely



QUESTIONS?

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