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The dilemma of charter sales in the Chinese cruise market: Formation mechanisms and countermeasures

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Abstract
The rapid development of its cruise market has made China a shining star all over the world. The average annual growth rate of over 30 % in the Chinese market has been achieved by the charter-based sales system. However, in recent years, there has been a repeated occurrence of market crises, which has given rise to low-price competition. The charter sales model has, thus, been cast into serious doubt. In this study, through the combined methods of literature review and interviews, we carried out an in-depth investigation, with a view to revealing the formation mechanism and the characteristics of the sales model, as well as its impact on the market. The study found that the supply-demand imbalance, policy constraints, the lack of related regulatory systems, the imperfect sales system, the sensitive market, and weak risk tolerance, together with other factors, all combined to lead to the frequent occurrence of market crises. With respect to cruise sales in China, the research puts forward the corresponding countermeasures and suggestions from the perspectives of cruise companies, travel agencies, administrators, and policy-makers.

1. Introduction

The sudden outbreak of COVID-19 has drastically hit the global tourism industry like never before. Affected by the discovery of the New Coronavirus infection on the Diamond Princess and several other cruise ships, the world's cruise companies have entered a trough, and most cruise ships have been suspended. However, CruiseCompete.com, an online cruise marketplace, has seen a 40 % increase in bookings for 2021 compared with 2019, said Heidi M. Allison, president of the company. Only 11 % of the bookings are from people whose 2020 trips were canceled; "People are still booking cruises and are anxious to sail again when this is all over," she said. Cruise Guy President Stuart Kellon said the cruise industry is not facing the problems that there were after 9/11. At that time, people worried about their safety and reduced travel abroad. Once the timetable for restoring services is clear, many people are ready to join cruises (Eben, 2020).

For over 30 years, cruising has been one of the fastest growing segments of the tourism industry (Gibson, 2006; Korbee et al., 2015). Indeed, passenger numbers, cruise line revenues, and the number of cruise ships and their berthing capacities have been increasing enormously since the

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late 1970s. The global cruise tourism industry has grown at an annual growth rate of more than 7 % since the 1980s and is still in the golden stage of steady growth (Vogel & Oschmann, 2012). In recent years, in order to increase the number of their passengers, international cruise companies have shown a great passion for emerging markets outside Europe and North America. Because of its favorable geographical position, the charm of unique oriental culture, rich tourism resources, and huge potential of the tourist market, China is attracting more and more attention from international cruise lines and has become one of the focuses of the Asian cruise market (Sun et al., 2014).

China’s position in the global cruise market is rapidly rising due to the fast development of its market scale in the past decade. According to the statistics from the China Cruise & Yacht Industry Association (CCYIA), the total number of Chinese cruise passengers reached 4,886,700 in 2018. As a result, China has jumped into the second largest cruise market in the world. China’s cruise market is expected to maintain a rapid development trend over the next 10 years.

Among the various reasons, charter sales, as China’s major market sales model, are generally considered to have been the most important factor in promoting the market surge in recent years. For newly developed markets, the proportion of direct sales will be lower because the role of travel consultants is very important. Tour operators purchase a large number of cruise cabins through the charter and then distribute them in the market. According to the charter sales model, the cruise company sells most or all the tickets to the charter agent, which in turn packages and sells the cruise products. Since 2011, the charter sales model has been widely adopted by cruise companies operating in China and the market has entered into a golden period of rapid development. However, the sales model has also gradually revealed some noticeable shortcomings over the last several years. Beneath the surface of the market boom, the continuous low-price competition and fragile anti-risk ability of the market have seriously undermined the normal price system and the market order. It is noteworthy that the market crisis triggered by the South Korean MIRS in mid-June 2015 culminated in a substantial loss of all charter agents. Nevertheless, charter sales still account for more than 80 % of China's cruise market sales at present. The sustainability of the charter sales model has aroused widespread suspicions in the industry.

Therefore, the purpose of this paper is to explore the formation mechanism and characteristics of charter sales and its impact on the market. Through in-depth investigations, this study tries to answer the following questions: first, what caused the charter model to be used in the Chinese cruise market? What role did it play in the market development? Second, what is the reason behind the charter crisis? How can it be solved? Third, can the charter model last into the future? What kind of market sales model is needed in the next phase of the Chinese market?

The rest of the paper is structured as follows. In Section 2, we provide a literature review. Section 3 shows the method employed in this study. Section 4 identifies the results and discusses the reasons for them. Finally, we conclude the study and propose suggestions for the healthy development of the market.

2. Literature review

2.1 The cruise market in China

After 4 decades of development, cruise tourism has become one of the most active sections in the world’s tourism industry (Cooper, 2008). In 2015, there were 421 cruise ships operating in the world, and the total capacity reached 482,000 beds. The number of cruise passengers reached 23 million. Cruise industry expenditures generated $117 billion in total output worldwide, supporting 956,597 full-time equivalent employees, who earned $38 billion in income in 2015 (CLIA, 2016).

China’s cruise tourism market has developed rapidly in recent years. Since the opening of the first homeport cruise line by Costa in 2006, the major cruise companies in the world, such as Carnival Cruise Lines, Royal Caribbean International Company, Princess Cruises, Star Cruises, and MSC have entered into the Chinese market. At present, the Chinese market exhibits the following features:

First, the Chinese cruise consumers are younger than those of Europe and the United States (Sun et al., 2014). Most range from 30 to 50 in age, and they are well-educated employees who prefer family travel. Chinese cruise tourists are more concerned about cruise routes and destinations rather than the cruise ship, and some people still regard cruise ship as a means of transportation. Affected by geopolitical factors, the cruise market is vulnerable to political and economic relations with Japan and Korea.

Second, Chinese cruise tourists exhibit the characteristics of delayed decision-making and short scheduled periods. According to "With the way tourism" (one of the largest of Chinese online travel agents (OTAs)) statistics in 2015, bookings made 90 days ahead accounted for about 38 %, while the remaining 62 % of the tickets sales was completed within 90 days. The main reason for the delayed decision-making is the imperfect holiday system in China. Compared with tourists from Europe and the United States, Chinese tourists are short of planning in travel (Sun et al., 2016).

Third, Chinese cruisers preferred shorter cruises. In the North American market, the average length of cruises was over 7 days (CLIA, 2011a). According to Royal Caribbean International's (RCI's) study of 2013, the average cruise duration in Chinese market is 4.5 nights. Cruises less than 6 nights is more welcomed by Chinese tourists. The reduction of cruise duration is reasonable due to the holiday institutions in this country. The majority of cruise passengers in China are employees since the paid holiday system is not yet popular or mature. Except for the holiday issue, high price sensitivity in Chinese tourists is another important constraint for cruise lines offering longer cruises (Sun et al., 2014).

Fifth Chinese tourists prefer modern cruise ships. Previous study revealed that, for Chinese customers, 2 important major attractions on cruise ships were shopping and gaming. To meet the purchasing desire of Chinese cruisers, Costa dedicated more than 50 % of the shopping space by removing the sunbathing area on their Costa Allegra, since the attraction for sunbathing and swimming was limited, and offered more duty-free items on board and shopping opportunities during excursions ashore(Sun et al., 2014). Most Chinese passengers like participating in various entertainment activities and seeking fun (animations, games) on board (Mondou & Taunay, 2012); the quality of entertainment and gaming are essential for the success of cruises in China. Additionally, the study of RCI in 2013 indicated that almost 100 % of Chinese passengers took onshore excursions.

Sixth, there is a strong demand for Chinese-style products and services on board. Western catering and entertainment cannot fully meet the requirements of Chinese tourists. They prefer traditional Chinese food to international dishes. The study of RCI reported that less than 30 % of Chinese passengers were completely accustomed to western food; 17.4 % could only bear to eat western-style food for 2 - 3 days (RCI, 2013). Therefore, in order to attract Chinese customers, international cruise lines should adjust their strategies to meet the expectations of Chinese customers. For instance, Costa and RCI have employed more crew members who could provide Chinese language service (Sun et al., 2014).

2.2 Cruise sales

Traditionally, cruise companies have primarily depended on travel agents as a distribution channel while concomitantly selling directly. Pricing strategies are carefully considered to encourage early action by promising discounts for early booking. Low season pricing is adjusted to appear less costly than high season pricing. Lead-in prices relate to basic cabin accommodation, and supplements are payable for attractive alternatives such as outside cabins or sea view cabins with balconies (Gibson, 2006).

The internet is used predominantly as a complementary marketing tool (Mondou & Taunay, 2012). A website can be a point where information is presented to potential and actual customers to help them find out more about the cruise package in a way that brochures never can (Berger, 2004). For example, customers can view product evaluations from previous customers, obtain more information about travel, and directly book products online. Cruise companies can also easily collect customer information (Gibson, 2006).

Cruise sales generally involve cruise companies, tour operators (TOs), and travel agencies (TAs), and their roles are shown in **Table 1**. The cruise company is the ultimate provider of cruise products and the operator of the ship. Traditionally, the pricing standards of cruise products are determined by the cruise company. As most product distribution depends on the travel agency, cruise companies take various policies to support travel agencies and do not take the initiative to carry out direct sales business. However, for regular customers, the internet has become an important tool for direct booking. In the United States, the proportion of direct sales accounts for 15 % in the major cruise companies. They not only open up new markets through other travel agencies, but also sell products through their own retail networks. As the main force in cruise sales, tour operators provide packaged products and will continue to be the matchmakers between travelers and cruise lines in 2017 (CLIA, 2017). According to Cruise Lines International Association (CLIA), there were 12,000 travel agents all over the world and more than 25,000 CLIA travel agents globally in 2016. The main business of travel agencies is to sell tickets, and their core role is "agent" without bearing the main legal responsibility.

Table 1 The roles of cruise companies, TOs, and TAs in cruise sales.

	Cruise companies	**Tour operators (TOs)**	**Travel agencies (TAs)**
Role	Ultimate provider of cruise products and operator of ship	Product packager	Retail agent
Main Business	Take various policies to support travel agencies	Buy a lot of cruise cabins or charter ships and then distribute them	Sell tickets
Means / Channel	• Improve systems of booking and accommodation management • Provide travel agencies with training and qualification certificates • Ensure the level of commission • Design bonus systems for sales growth • Provide products beyond customer expectations	• Bear risk of one-time or seasonal sales of stock through signing contract • Make travel plans for special customer groups, associations, and clubs • Develop incentive programs for the company • Sell packaged cruise products and other tourism products	• Understand cruise products • Participate in the training of cruise companies • Provide reasonable advice to customers and issue brochures/ information • Give priority to high-class cabins and long cruise products • Reserve cabins for interested customers • React to guests' consultations • Collect customer feedback

In the Chinese market, the proportions of direct sales and retail sales are low. However, charter sales are very common and accounted for more than 90 % in the Chinese market in 2015. In this charter model, travel cruise tickets and shore travel are packaged and then sold to customers in the package price (Cartledge, 2012). For tourism consumers, the package is highly efficient and inexpensive (Yong, 2007), because they do not have to spend time and effort to arrange their tour, can visit more attractions in a short time, and get low-price advantages, although the flexibility of the activities and destination is limited (Enoch, 1996). However, the package of tourism products contains standardized products that can be mass-produced, which has the characteristic of prominent homogeneity and strong substitutability (Urry & Larsen, 2011).

In this model, the pricing power of the cruise product transfers from the cruise company to the charter agents. Charter agents sell tickets through direct sales themselves and through partner agents (Urry & Larsen, 2011). It can be seen, once the travel agents charter a ship, to some extent, that it has already become half a cruise company for the voyage. In addition to being responsible for sales, they are also responsible for subdivision management. The difference between cruise sales systems in Europe/America and China can be seen in **Table 2**.

Table 2 Comparison between cruise sales systems in Europe/America and China.

	Europe/America	China
Product	Differentiation: tickets + personal choice	Standardization: ticket + unified shore tour
Sales channel	No large-scale charter ship Wholesaler + retailer system Cruise company pays commission	More than 80 - 90 % charter ship Retail products in self-employed agency and peers Settlement price buyout
Price system	Single-ticket-based Cruise companies provide price guidance Price level of cabins is clear The earlier, the cheaper	Package price based Charter agents develop the price system No price level standard of cabins- the agents can self-price The later, the cheaper
Travel model	FIT(Foreign Independent Tourist)	Team (sign “outbound travel contract” with travel agency)

3. Method

In this study, we conducted a 2-year market observation on this issue. During this period, we interviewed the managers of the marketing departments of cruise companies, the directors of Chinese cruise industry associations, and professors and scholars specializing in cruise research. According to its geographic location, Chinese cruise market can be divided into 3 parts: North China, East China, and South China. Cruise agencies are most concentrated in 5 cities: Beijing, Shanghai, Guangzhou, Shenzhen, and Xiamen. Therefore, we carried out a series of interviews on cruise travel agencies based in such cities. Most of these travel agencies have had experience of dealing with cruise charter sales for over 5 years, including 7 traditional travel agencies (TTAs) and 2 online travel agencies (OTAs). **Table 3** shows the subjects’ information from formal interviews. To gain a deeper understanding of the problems in the sales process, we also paid a visit to several travel agencies in Beijing and Xiamen and exchanged views with sellers and customers.

Table 3 The subjects' information from formal interviews.

Category	Education/professional status/position	Working/research field	Years of experience
Directors of cruise industries	Director of CCYIA	Cruise industry policy	11
	Port manager	Cruise port operation	8
	Head of Tourism Administration	Cruise tourism policy	10
Scholars	PhD/Associate Professor	Cruise and tourism economy	16
	PhD/Associate Professor	Cruise and tourism market	7
	PhD/ Professor	Maritime policy and legal	11
Managers of travel agencies	Manager of TTA in Beijing	Cruise market sales in North China	8
	Manager of TTA in Beijing	Cruise market sales in North China	9
	Manager of OTA in Shanghai	Cruise market sales in China	8
	Manager of OTA in Shanghai	Cruise market sales in North and East China	4
	Manager of TTA in Shanghai	Cruise market sales in East China	6
	Manager of TTA in Shanghai	Cruise market sales in East China	8
	Manager of TTA in Guangzhou	Cruise market sales in South China	6
	Manager of TTA in Xiamen	Cruise market sales in South China	5
	Manager of TTA in Shenzhen	Cruise market sales in South China	5

A semi-structured interview technique was used to gain understanding of the strategic, tactical, and operational issues (Rubin & Rubin, 2011). Interviews typically lasted 60 min and focused on letting the subject elaborate on their perspective of the organization's dynamics. The interviews were all audio recorded and then transcribed to text. Themes that were touched on included: the subjects' past experiences in cruise charter sales; the current situation of cruise sales; consumers' awareness and attitude towards cruise products; the relationship between agents and cruise companies; market competition; risk perception; related policies and rules; and the state of the industry and the subjects' views of the near future.

Informal interviews of internal customers and employees in other functions were also carried out, both randomly and when specific information called for complementary data from a specific function (Flick, 2008). This proved to be the best option when dealing with busy people in the middle of their operations, such as sellers, consultants, and customers.

In the study, semi-structured interviews and non-structured/casual interviews both played very important roles and complemented each other. The research program was conducted using ethnographic techniques (Maanen, 2011), including lengthy observations and detailed note taking of the operations (Angrosino, 2007). Given the exploratory nature of this research, the scope for interviews and data collection was broad, allowing for the exploration of multiple perspectives, as well as ensuring that critical aspects were not excluded by too narrow a focus (Stebbins, 2001).

4. Formation mechanism of charter sales crisis

4.1 Imbalance between supply and demand

The balance between supply and demand and the leverage of price are essential conditions for the normal operation of charter sales. Charter sales in the early Chinese market enabled cruise companies and charter agents to obtain huge profits. Following the open and supportive attitude of the Chinese government toward the cruise economy and tourism, major cruise companies competed against each other to increase their deployment capacity in China after 2010. The total capacity of cruise ships has grown by more than 40 % per year.

The surge in supply also poses a potential risk. At present, China's homeport cruise routes are concentrated in Japan and South Korea, and the short-range characteristics lead to short cycles and large densities of voyages in the market. As a result, the marketers are confronted with huge sales pressure. Additionally, according to the average of 5-day voyages in the Chinese market, there will be 6 times the amount of all cruise capacity in a month.

However, the demand increase and the release of market potential is a gradual process. Influenced by the holiday travel habits and the delayed ticket-purchasing behavior of Chinese customers, market development cannot keep pace with the increased cruise capacity. On the other hand, Chinese tourists' awareness of cruises is still in the initial stage. The cruise brands operating in China have their own characteristics in terms of service, activities, ship facilities, and decorations, such as the American modern recreational style of Royal Caribbean Cruise, the Italian style of the Costa, and the traditional British aristocratic service experience of the Princess Cruise. However, most Chinese tourists, and even some travel agents and salespeople, do not really understand these differences among the brands. As the cruise routes and destinations are very similar, the price has become the first factor by which consumers choose products. When the market supply increases rapidly within a short time, market competition caused by little awareness of product difference evolves into a price war. In the process of low-price competition, consumers are reluctant to buy at higher prices. The price elasticity of demand is growing larger and larger. According to Zheng (the vice president of CCYIA), bargain sales not only eroded the interests of domestic travel agency, but also damaged the cruise price system.

4.2 Cruise charter agents: Adventurous Nuggets

In the emerging Chinese market, the cruise travel agency's role lies not only in ticket sales and product customization, but also, more importantly, in spreading cruise culture and promoting the market (Morgan & Pritchard, 2000). Thus, it is undeniable that the charter model directly stimulated the rapid growth of the Chinese market. The early charter agents obtained a very good profit, and some of them even took the opportunity to expand. Despite various risks, and enormous pressure, many Chinese travel agencies are still very keen to be charter agents. According to our interviews, the major contributing reasons are as follows:

First, since the cruise companies entered China, the demand has continued to grow through a certain period of market cultivation. Meanwhile, as far as outbound tourism products are concerned, Chinese traditional travel agencies are in the bottleneck stage. High-quality and standardized cruise products have just become a new round of market growth points. Therefore, a large number of travel agencies have embarked on the new chartering business.

Second, when travel agencies become cruise agents, the after-sale service of cruise product is relatively simple compared with that of other travel products. Major service quality on the whole journey is monitored by the cruise company. Therefore, attracted by relatively high commissions, travel agencies are willing to involve themselves in charter sales.

Third, the cruise product supply is rich, and the booking cycle is long, typically 3 to 5 months in advance. The pre-paid ticket costs can bring a large money flow which enables travel agencies to carry out short-term capital investment and obtain extra profits.

Fourth, different from other countries and regions, Chinese charter agents not only sell tickets, but also sell shore travel. Therefore, the charter agents can obtain some additional income besides the ticket commission from cruise companies. It is worth noting that Chinese tourists are keen on overseas shopping (Tse & Hobson, 2008; Pearce et al., 2013). According to the statistics of the China Tourism Research Institute (2016), the average amount of overseas shopping consumption per capita amounted to 11,624 RMB (1717$) in 2015. Not only does it bring huge profits to the ports, but it also brings considerable bonuses to the charter agents.

4.3 Problems in the Chinese charter sales system

First, the sales channel is limited. Only those travel agencies with outbound travel certificates are qualified to sell international cruise tickets. However, at present, there is a limited number of outbound travel agencies in China. At the same time, almost every agent has their own charter cruises, sometimes more than a dozen. Each cruise has thousands of tickets to sell and, generally, the time pressure in ticket sales is much higher. Unavoidably, these agents invest all their energies in the sale of their own charter cruises. Consumers tend to be deliberately guided to certain charter cruises or are bluntly rejected when asking for other cruising needs.

Second, the price is not stable. Under the charter sales model, the cruise companies lose the pricing power, while the charter agents can set the price. Even the price levels of cabins are prone to be disrupted. No one knows what the price of each product is, or whether the price will fluctuate significantly. There are no means for the market to check the prices of cruise lines in real time. Under the present charter sales system, the packaged products of each agent are not the same. For example, the “Flying +cruise” product is influenced by the packages of individual travel agencies.

Third, the products don’t exhibit striking differences and can easily be replaced. On the one hand, under the Chinese charter model, the packaged products is “ticket + shore travel”. For the same cruise, the product for cruise tourists is exactly the same. For example, when the cruise moors on Jeju Island, the shore destinations are invariably the duty-free shop and the Teddy Bear museum, which cannot satisfy all consumers’ needs. Simultaneously, because 90 % of the Chinese homeport routes are targeted at Japan and Korea, there is not much difference between the ports of call and destinations. As a result, the tourists are faced with a limited choice of cruise products, and their intentions of repurchasing within a short time afterwards will be affected accordingly.

Fourth, information is scattered. Large travel agencies are engaged in the business of cruise sales through charter or part charter, while medium or small-sized travel agencies obtain information and prices of cruise products through the QQ platform, calling, etc. There is no effective correspondence between buyers and sellers. Due to the loose management and inefficient operation of some Chinese travel agencies, they cannot finish such stressful sales tasks, frequently resulting in huge losses.

4.4 Policies and regulations: either biased or missing

Before 2011, charter sales were not popular in the Chinese market, and many international travel agencies sold tickets for cruise companies. Since then, the market has gradually developed, and has been in good order. However, in order to reduce sales risks, cruise companies have begun to resort to large-scale charter sales. Zheng (the Vice President of CCYIA) pointed out that charter sales are a transitional form in the early stage of the Chinese cruise market, and this form is more conducive to cruise companies.

During the interviews, most travel agents believed that the contracts with cruise companies and customers are disadvantageous for them in the charter model. Because the contracts signed between charter agents and cruise companies are dominated by the cruise companies, the contents of the terms are favorable for cruise companies. According to the experiences of cruise industry operations, cruise companies can make up for operating costs only when the ships are fully occupied (Vogel et al., 2012). Therefore, the cruise companies require charter agents to achieve certain occupation rates. Generally, such a rate is more than 90 %; otherwise, a penalty fee will be paid according to the number of passengers who failed to embark. This means the charter agents have to pay not only tickets at wholesale prices, but also dead freight for unsold cabins. For example, the occupation rate of “Princess Sapphire” on September 26, 2015, was only 76.4 %. The losses of charter agents added up to millions of dollars.

The contracts signed between travel agencies and tourists are established under the framework of the Chinese “travel law”, according to which a cruise company is exonerated if there are changes of routes or other issues because of force majeure; however, travel agencies must bear part of the liability for the breach of contract. However, agencies are often unable to bear the consequences. When such situations occur, “refusal to disembark” easily occurs.

“Refusal to disembark” means that tourists refuse to disembark when they are not satisfied with the route changes or compensation conditions provided by cruise companies or travel agencies. According to international practice, in the event of force majeure, the captain has the right to change the route (Dickerson, 2003) while providing compensation of some coupons for visitors in their next consumption. However, Chinese tourists think that the destination is very important, may not receive information on the change of route or port, or display excessive behaviors concerning their rights, such as “refusal to disembark”. Under this situation, standing between the cruise companies and tourists, travel agents are very passive, and their rights and interests are difficult to protect.

Therefore, the interests of the parties to the Chinese charter sales system are not well protected because of the lack of related policies or regulations. There is no standard for market behavior. The rights and obligations of all parties are not clear. As a result, the risk tolerance ability of the market is weakened under vicious competition.

4.5 Frequent cruise tourism risk

Tourism activities are subject to various conditions and environmental factors, such as weather change, political instability or war, regional economic and financial conditions, sudden infectious diseases, and other factors (Martín, 2005; Freitas, 2003). Cruise tourism is also influenced by the above factors of the tourist source and destination. In the Chinese charter model, once the risk event occurs, the charter agent is required to bear virtually all of the market risk.

For example, when the South Korea MERS virus struck East Asia in July, 2015, nearly 50 percent of the routes were affected. COVID-19 in 2020 has also brought heavy damage to the cruise market. This coincided with the sinking of the Yangtze River cruise “Oriental Star” in July, 2015, resulting in the loss of about 400 lives. As a result, the market had a loss pf confidence in terms of navigation safety and rescue technology. Under the impact of the financial market and other factors, tourists gave up cruise tourism, and cruise sales plummeted. The reduced demand also led to a sharp decline in price. The cruise market has fallen into a situation of vicious competition, and the charter agents’ loss has been very serious.

Because China's homeport cruises are mainly bound for Japan and South Korea, the political and economic relationships between China and these countries becomes an important factor affecting the operation of the cruise industry in China. Due to political and territorial disputes between China and Japan, the tourism industry is frequently affected. In early 2017, the THAAD incident in South Korea triggered the dissatisfaction of the Chinese people with the South Korean government. Chinese tourism sectors began restricting Chinese tourists’ travel to South Korea for some time, which caused the cruise companies to temporarily change the route and cancel calling port stops in the country. According to statistics (CCYIA), the incident affected more than 300 cruises.

To sum up, the mutual interaction and influence of the above factors has led to the market crisis under the Chinese-style charter sales, as shown in **Figure 1**. The contradiction between market supply and demand is the core factor, while the environment and policies are external triggering factors. Under the influence of these factors, the imperfect charter sales system is very prone to crisis, leading to losses of the 3 stakeholders’ (cruise companies, travel agencies, and tourists) interests and affecting the healthy development of the market. We try to outline some specific countermeasures below.

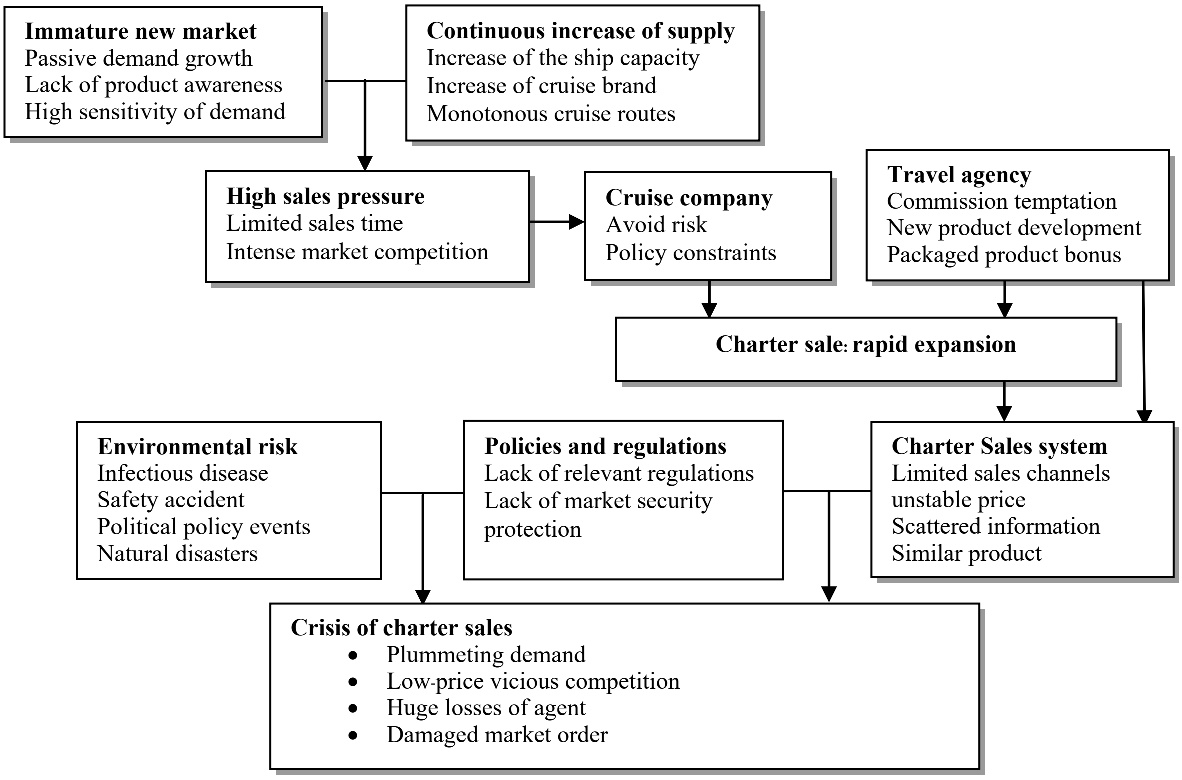

Figure 1 The formation mechanism of charter sales crisis in China.

5. Conclusions and countermeasures

5.1 Cruise companies: Reduce the ratio of charter sales and diversify sales channels

Not only do the charter agents bear enormous pressure and risk, but also the long-term interests and prestige of cruise companies are affected in the wake of vicious low-price competition. In a bid to solve the above problems, cruise companies should reshape the sales channel system and reduce the reliance on tourism intermediaries and the proportion of charter sales. The cruise companies should use their own cyber resources to establish prestige. As a matter of fact, cruise companies are beginning to realize this and trying to reform the current sales model. For example, Royal Caribbean has been trying to sell through its own channels and reduce the ratio of charter sales in China in 2016.

The cruise companies can launch more modularized products on the basis of current packaged products. Hopefully, this can avoid the homogenization of the current packaged products and result in their differentiation and diversification. In the planning of cruise routes, it is important to enhance the attractiveness of the cruise product though differentiation of calling ports and shore destinations. On the other hand, themed cruises should be designed. As an insider said: “Cruise companies should take this opportunity to design shore products that are more in line with China’s consumer psychology and gradually regain control of shore travel”. Only in this way can the demand for more diversified and liberalized products be met.

Although the major cruise lines have established official Chinese websites, these just serve as venues for introducing voyage information and cruise facilities. In order to better use these online sales channels, cruise lines can do the following. First, the companies should do e-mail marketing and establish cruise sales websites / homepages to publicize brand image, release news, and promote products. Second, cruise companies should pay attention to the application of new internet platforms (micro-blog, QQ, WeChat, APP). Among them, WeChat, as the most popular platform in

China in recent years, can become a direct channel. At the same time, the companies should attach priority to cooperation with B2B cruise ticket distribution.

5.2 Travel agencies:Form alliances and redesign theme products

After the cruise ship market crisis in the second half of 2015, most of the cruise charter agents have become aware of the risk of charter sales. How to reduce the market risk, or how to share the risk, is the main problem confronting China's charter travel agents. According to international industry experience, the establishment of a travel agency alliance is a more mature and effective approach (Holmberg and Cummings, 2009). On the one hand, an alliance organization can protect the agencies financial risk and provide business convenience. In the United States and Europe, most travel agents belong to professional associations that guarantee clients protection if the travel agents have serious financial problems. The American Society of Travel Agents (ASTA) and the Association of British Travel Agents (ABTA) are typical of such associations (Eben, 2020). On the other hand, an alliance organization can help agencies promote and sell cruises (Moynihan and Cassels, 2006). An agent alliance can increase the strength of negotiations with cruise companies, and agents can get more support from cruise companies to develop more reasonable contracts to share the risk of sales. Some travel agents specialize in the cruise industry, forming alliances with cruise brands to focus on selling their products (Gibson, 2006). In these circumstances, travel agents receive high levels of support from cruise operators, who provide specialist sales events, training for the sales agents (including orientation cruises), and customized marketing materials.

To better stimulate the potential of the market, some Chinese travel agencies have begun to consider redesigning themes to achieve the diversification and differentiation of cruise products. A travel agency manager, with rich experience in a number of charter ships, put it this way: "It is our advantage to design more suitable products for Chinese tourists, such as a Chinese medicine health theme for elder customers, or a parent-child theme for family customers, and so on. In addition, charter ships can ensure that we can get more high-quality market resources". The cruise market still has great potential by operating flexibly and by redesigning theme products for Chinese tourists.

5.3 Administrators and policy-makers: Establish and improve market regulations

"Only when the industry is standardized, can the customers better understand the concept of cruise travel and have more demands", a director of a cruise industry in China said. The establishment and improvement of market regulations is instrumental to solving the various problems of the current cruise sales system. In recent years, the relevant industry departments have exerted some influence. For example, the new "Travel Contract Law", published in 2016, clears up the responsibility of travel agencies and passengers in cruise tourism.

In addition, how can those concerned regulate and constrain the market behavior of the cooperation and competition between cruise companies and travel agents, and between travel agents? How can they share and avoid market risk? Currently, there are no relevant laws or regulations available that can be referenced in China. In the fast-growing Chinese market, while establishing and improving market regulations, not only should we make reference to the mature experience of the international market, but we also need to take into account the special situation of the Chinese market and the consumption characteristics of Chinese tourists.

5.4 Market stakeholders: Further cultivate the market

Although the early cruise ships were produced as a means of transport, modern cruises are a combination of leisure, entertainment, tourism, and other functions (Wood, 2004; Kwortnik, 2008; Kurtzman & Zauhar, 1997; Sun et al., 2011). Often referred to as a floating resort on the sea, cruise ships can provide all imaginable comfort and convenience facilities (Hunter Publishing, 2006;

Roemer, 2009). However, at an early stage of market development, Chinese customers still regard cruise ships as vehicles, focusing more on cruise routes and destinations than on the brand, facilities, or services of the cruise ship. They have not formed the concept of a cruise vacation, which has more or less affected the cruise sales habitat in China.

Therefore, in order to cultivate the market and educate customers, cruise companies should cooperate with travel agents. One of the biggest challenges facing cruise marketers is to overcome misperceptions about cruising and barriers to buying (Mancini, 2004). Dealing with these misperceptions requires an ongoing education campaign targeting travel agents (to give them the tools for countering the misperceptions) and the travelling public (to change attitudes toward cruising by first altering specific beliefs about the experience). Among the common misperceptions, there are: "Cruising is for old people and is expensive". "I will get seasick or feel confined on the boat". "There will be the occasional emergency- fire, rogue waves, on-board crime, intestinal illness (norovirus), and even ship sinking". "I'll get fat- all people do is eat". Addressing these misperceptions through image-based marketing communications, travel agent training, and consumer education is a significant component of cruise marketing. What is notable in these data is the gap between those who have cruised before and those who have not in terms of these beliefs, which indicates that the cruise industry must continue to focus marketing education efforts on non-cruisers to change their perceptions and build primary demand for cruising as a holiday alternative (Vogel et al., 2012).

During the process of publicity and sales, it is necessary to make customers understand the potential risks of cruise tourism and their possible solutions. Meanwhile, to make tourists better enjoy the cruise tourism, marketers should introduce to customers the western cruise culture and the way of life on cruises (Papathanassis, 2012; Ooi, 2002), which also helps to reduce cultural conflicts and unnecessary risks.

Technology to improve the safety of tourism will be a priority for companies to regain confidence from consumers after the COVID-19 outbreak (Hugo, 2020). These new cruise safety measures need to be timely and accurately communicated to the market and tourists, so as to eliminate prejudice and win the trust of more consumers. This is very important for the recovery of the market after the epidemic and for the cultivation of new markets.

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