HURTIGRUTEN ASA

Real Experiences in Unique Waters

Date:
June 4th 2009

Program:
Bachelor in International Marketing

“This paper is done as a part of the undergraduate program at BI Norwegian School of Management. This does not entail that BI Norwegian School of Management has cleared the methods applied, the results presented, or the conclusions drawn.”
Introduction

This diploma thesis has been written in cooperation with Hurtigruten ASA.

The process of writing this thesis has given the authors valuable research and marketing education. Furthermore, the authors have gained great experience and insight of our research areas. Especially in the areas of; doing business in China, Chinese tourists’ preferences and creating a marketing strategy for Hurtigruten in the Chinese market.

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Executive summary

This thesis presents the findings from a research done on behalf of Hurtigruten ASA on the Chinese cruise market. The aim of the research was to explore and understand the characteristics of the Chinese market for explorer cruises, and suggest improved marketing strategy for Hurtigruten. The company is today established through a Representative Office, selling their products through travel agents.

The tourism industry in China is relatively young, just during the last ten years one has seen a development towards travel for leisure and outbound tourism. The market is still immature and cruise tourism is still at an infant stage. Due to little prior knowledge on the topic at hand, a qualitative research perspective was adopted. We conducted interviews with representatives of Hurtigruten both in China and Norway, as well as the agents distributing Hurtigruten’s products in China. To further broaden our level of insight, we also conducted interviews with several qualified people within the tourism industry.

In order to reach the research aim several objectives were developed on how the situation is for Hurtigruten in the Chinese market, who their customers are, what the cruise market look like, and the possible needs for any product adaption in order to be more suited for Chinese preferences.

Our findings show that there is currently limited competition for Hurtigruten in the Chinese market for explorer cruises. We could only identify two cruise lines operating within the same niche as Hurtigruten. Their customers are young, well educated, experienced travelers with high incomes. They are status oriented, though many within this segment have little prior knowledge of cruises. The research further showed potential for Hurtigruten within the B2B segments. Hurtigruten also faces some challenges in the Chinese market, especially in regards to the agents booking systems and the demand for more product adaption and more employees.
Acknowledgements

The authors would like to thank the following contributors to our Bachelor thesis.

First, the authors would like to thank Hurtigruten and Mr. Olav Lühr, who gave the authors the opportunity to write this thesis, and for being available for our questions during the process. Moreover, the authors express their gratitude to Mr. Liu Jie, whom patiently and professionally has assisted us with valuable information and establishing contacts within the industry.

Secondly, the authors would like to thank our supervisor Mrs Karin Bryntse, for all her advice, suggestions and feedback during supervision on this research. Her guidance and support has helped the authors write a better thesis.

Finally, the authors acknowledge all individuals that have contributed to this thesis, taking the time to answer our questions. Without whom this thesis could not have been made.
Abbreviations and definitions

CTS: China Travel Service Holdings
ADS: Approved Destination Status
GDP: Gross Domestic Product
MICE: Meeting, Incentive, Conference, and Events
NOK: Norwegian Kroner, Norwegian currency
RMB: Ren Min Bi, Chinese currency
INSEA: Institute of Sustainable Activities at Sea
ATCM: Antarctic Treaty Consultative Meeting
WTO: World Trade Organization
PPP: Purchasing Power Parity
IMF: International Monetary Fund
UNWTO: United Nations World Tourism Organization
FESCO: Foreign Enterprise Human Resources Service Co., Ltd
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This thesis is written on behalf of Hurtigruten ASA, as a bachelor diploma thesis in International Marketing at BI Norwegian school of Management at Fudan University, spring 2009.

1. Introduction

1.1 Background for the research

Hurtigruten ASA the Norwegian cruise line company started in 1893, in order to serve a demand for a faster way of traveling between the southern and the northern part of Norway. The route was established as a substitute for the poorly constructed narrow roads of the Norwegian coast line. From 1993, Hurtigruten has also offered tourist cruises to Svalbard, Greenland and Antarctica, serving a different kind of customer, whose preferences for cruises are to experience unique destinations.¹

Hurtigruten quickly saw the international potential of the unique cruises they offer, and has during the last 20 years developed more focus on foreign markets. Today the company has sales offices in several countries, with Germany and the United States being the most important markets outside Norway.² Hurtigruten started selling their products in the market in 2006. They quickly realized the market potential and opened a Representative Office in Beijing, employing one (1) person.

Hurtigruten would like to gain more knowledge about the Chinese market, and how their agents in China present Hurtigruten’s products to the Chinese customers, according to Hurtigruten's Marketing Director for the European, Middle Eastern, and Asian markets, Mr. Olav Lühr. He further states that it tends

¹ www.hurtigruten.com Date: 2009.02.20 Time: 14:35
² Hurtigruten Annual Report 2008
to be difficult to achieve correct information from their agents, and would like to
know more about how the different agents promote and sell Hurtigruten's
products. Mr. Lühr emphasizes that, due to its uniqueness, the explorer cruises
seems to have the biggest potential in China. To narrow the research focus the
authors therefore decided, in cooperation with Mr. Olav Lühr, that this thesis will
focus on the marketing of Hurtigruten ASA’s Greenland and Antarctica voyages,
with a somewhat larger focus on the Antarctica voyage.

1.1.1 Challenges in the Chinese market

Being relatively new in the Chinese market, Hurtigruten faces a number of challenges. It is these challenges that the research has been built around.
- Hurtigruten has limited marked information about Chinese preferences.
- China is an immature market where cruise tourism is at an infant stage.
- There is limited brand knowledge about Hurtigruten among Chinese consumers.

1.2 Problem statement

Based on Hurtigruten's situation in the Chinese market today, and the interests of the Marketing Director, Mr. Olav Lühr, the authors have developed the following problem statement for this thesis:

“What marketing strategies do the agents of Hurtigruten conduct in the Chinese market today? How can Hurtigruten improve its marketing strategies to better suit the Chinese preferences?”

1.3 Research aim

The aim of this thesis is to explore and understand the characteristics of the
1.4 Research objectives

In order to reach the main research aim, the following objectives have been identified:

- Describe and evaluate the present marketing situation for Hurtigruten in China, strategies and the relationship with agents.
- To explore the Chinese cruise travel market, to get a better understanding of the competition and trends in the market.
- To describe the Chinese explorer cruise customers and their preferences.
- Explore the need for product adaptation to suit the Chinese market, and Hurtigruten’s possibilities for adaptation.
- Develop guidelines of improved marketing strategies.

1.5 Research limitations

During the research process it proved to be rather difficult to gather concrete information in regards to the agents’ marketing strategies in the Chinese market. Through the process the focus therefore gradually shifted from being on the agents to a more general focus on cruise tourism and consumer preferences. Finding secondary research on tourism in China proved to be a challenge as well. This in large parts due to the infant stage of tourism and research on the tourism industry in China.

Due to Hurtigruten’s financial situation, per December 2008, they were not able to provide any financial resources to conduct the research in China. As a result, the authors had to find alternative ways of conducting the research, especially when interviewing agents spread all over China. Some of these had to be conducted by
In addition, when the agreement between the authors and Hurtigruten was made to do this research at the end of 2008, it was still somewhat unclear how the company structure would look in 2009. The financial turbulence which Hurtigruten currently finds itself in has naturally affected the outcome and recommendations of this paper. The structural changes that has taken place over the last 6 months has made it challenging to both make proper analyses of the company and make projections for the future, this both strategically and financially.

In regards to the research aim the focus was limited to involve two (2) products from Hurtigruten, the Antarctica and Greenland voyage. The reason for this is based on a request from Mr. Olav Lühr who perceives that the biggest potential for the company lies within the explorer cruises. Based on the complicity to equally give both of the two products the same amount of research and time, we chose to give the Antarctica cruise more focus.

Furthermore, the authors chose to mainly focus on an analysis of the distribution channels and agents, rather than on the end consumers. The reason for this was the costs involved in conducting consumer research, and the importance of having committed distributors when doing business in China.

In this research process the authors had to take into consideration that the opportunity to collect the required primary data in the Chinese market is difficult. Due to language barriers some interviews had to be conducted by email, in written Chinese. We had one person translating the questionnaire into Chinese, and another conducting a back-translation to be sure that the intended meaning of the questions were correct.
2. Hurtigruten ASA

2.1 Company history

“Hurtigruten’s vision is to offer real experiences in unique waters and its ambition is to be recognized as the world leader for explorer cruises by 2010.”

Hurtigruten is a Norwegian cruise line that offers daily sailings along Norway's spectacular western and northern coast, in addition to explorer cruises to some of the world’s most remote regions. The company traces its origins more than one hundred years back. It was established in 1893 by government contract to improve communications along Norway's long, jagged coastline. By delivering mail, cargo and passengers it provided a much needed way of tying together the country's many outposts. For more than a century, Hurtigruten has been the most important means of transportation for the coastal population of northern Norway; quick and reliable regardless of weather conditions.

Over the years, Hurtigruten began to realize that the beautiful Norwegian coastline had potential beyond practical day-to-day services. This, in combination with the development and improvement of transportation and infrastructure in Northern Norway, led to an increased focus on international markets and tourism. Through the last decades of the 20th century Hurtigruten’s role saw a change. From economic and practical to luxurious and spacious, from local to international customers. Today Hurtigruten is recognized internationally as an award winning cruise line that has specialized in cruises to polar waters.

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3 Hurtigruten ASA Annual report 2008
   Time:19:57
5 Hurtigruten ASA Annual report 2008
2.2 Company structure and change

During the last year the cruise line has upgraded a large part of their fleet to newer and more luxurious vessels. Since 2000 Hurtigruten has invested NOK 3 billion in new ships, mostly with borrowed money. This has led to higher capacity and more competitive ships. It has also led to the company being hugely in debt. Heavy upgrades over a very short period of time without any significant increase in demand almost lead the company to bankruptcy. In addition, the debt burden was supplemented by higher interest rates and an increase in oil prices that in turns led to a sharp rise in bunker costs. Thus, 2008 topped a number of years of substantial losses, and in order to survive the company had to take drastic but necessary measures. In order to create a slimmer and more focused company, everything that had no close relation to the core business was sold. This included a number of properties, the ferries and fast ferry business, hotels and travel agencies. Other activities outside the core business, such as the bus line, will also be divested when a reasonable price is achieved.\(^6\)

\[\text{Figure 2: Business areas of Hurtigruten}^{7}\]

As part of the restructuring program Hurtigruten has had to downsize its workforce. Their workforce on land is due to be halved from 400 to 200 by the end of

\(^6\) Hurtigruten ASA Annual report 2008

\(^7\) Own figure
2.3 Products

"Hurtigruten cruises are more than luxury vessels to beautiful destinations; they are windows on the world of exploration, knowledge, education and adventure." \(^9\)

A cruise could be defined as a trip by sea for pleasure, usually visiting a number of ports. Today’s cruise ships could be viewed as floating hotels, with restaurants, bars, casinos, shopping and sport facilities, and they tend to become even more luxurious. The cruise ship tourism is a small but growing part of the global tourism. \(^10\)

Today Hurtigruten offers two (2) types of cruises; The Norwegian Coastal Cruise and Explorer Cruises. Hurtigruten furthermore operates within a niche in the cruise industry, offering specialized cruises to polar waters. In contrast to many of the other cruise lines, Hurtigruten's cruises are without the clamor from casinos and shows. Hurtigruten's products are more aimed at those looking for an intimate, serene cruising experience, complimented by educational lectures and

8 Hurtigruten ASA Annual report 2008; 7
2.3.1 Norwegian Coastal Cruise

The Norwegian Coastal Cruise is Hurtigruten's most famous cruise. It is the company's core product as it accounts for about 80 per cent of Hurtigruten's total operating revenues. The service consists of 11 vessels that call daily at 34 ports between the city of Bergen in South-West Norway and Kirkenes in Northern Norway, only six miles from the Russian border. What makes this cruise so special, is the fact that it serves a dual purpose, the Hurtigruten service is vitally important as a carrier of passengers and freight to and from many local communities. At the same time it offers a unique experience for tourists, making this voyage along the Norwegian Coast a world-class cruise experience. Within the Norwegian Coastal Cruise, customers have the opportunity to choose from different cruise packages; specific distances or round trips.

2.3.2 Explorer cruise

During the last ten years, Hurtigruten's explorer cruise portfolio has seen steady growth. Even though it is a rather new priority area for the company, it has managed to build up a leading position relatively quickly in this segment. It now counts for around 15 percent of the company's total operating revenues, NOK 443 million in 2008. In addition to cruises, this business also embraces hotel and tour operations in Svalbard. The business is concentrated on three geographical areas: Svalbard, Greenland, and the Antarctic. Cruises are also offered between the Arctic and Antarctic in-between seasons. It today ranks as the market leader for cruising around Svalbard and Greenland, in addition, the company is reckoned

11 http://leisure.travelocity.com/Promotions/0,,TRAVELOCITY%7C5293%7C cruises_main,00.html

Date: 2009.05.28 Time: 15:27

12 Hurtigruten ASA Annual report 2008

13 Hurtigruten ASA Annual report 2008
as a substantial player in the Antarctic. Explorer tourism has seen substantial
growth over the recent years. As a niche cruise line, Hurtigruten has developed
over a short period into the market's largest cruise operator in Polar waters.  

![EXPLORER CRUISES](image)

[Figure 3: Explorer division](image)

2.3.2.1 Antarctica

“The surreal and beautiful landscape is given its life through penguins, elephant
seals, fur seals, mink whales, large flocks of sea birds and the drifting
albatross.”

Hurtigruten started offering cruises in Antarctica in 2002. Today it is the biggest
of the explorer cruises in terms of guest nights. Today three different cruises are
offered. Starting in the Argentinean city Ushuaia, these cruises run from 13 to 22
days. The biggest markets for Antarctic cruises have so far been Germany and the
US.

On this cruise passengers are taken to a continent of amazing proportions. To a
rarely visited area, the driest, highest, coldest and cleanest continent on earth.
Passengers will experience scenery of awesome grandeur, from ice-bergs to
glaciers. Escorted by the surpassingly diverse wildlife, from albatross and petrels,
to seals, penguins and whales. Along the way supplemented by presentations and

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14 Hurtigruten ASA Annual report 2008
15 Own figure
16 [www.hurtigruten.com](http://www.hurtigruten.com) Date: 2009.02.20 Time: 13:45
17 Appendix A, MAP
lectures on the geology, biology and history of Antarctica.  

2.3.2.2 Greenland

"Here the struggle for survival has engendered mankind with a healthy respect for his environment and we witness the quite unique interaction of man and nature as we sail through a landscape rich in culture, history and spectacular wildlife, into the northern lands of the midnight sun."  

Hurtigruten’s activities around Greenland originate to 1998 and have seen substantial development the recent years. The voyages to Greenland vary in both route, length and theme. From 8 to 16 days. The cruise brings the passengers close to both icebergs and impressive mountain formations. In addition to the beautiful scenery, this cruise also has a great focus on the local culture and history. While on the cruise, passengers have plenty of opportunities to get close to the local's traditions and every day life. Visits to local villages and settlements offers great insight to the Inuit's unique culture and history.  

2.3.2.3 Svalbard

Hurtigruten's operations on Svalbard include a number of activities. From hotel and restaurant services to explorer cruises. The business is largely focused around the corporate sector, with complete programs tailored for meetings, courses and conferences. Hurtigruten runs all its Svalbard operations through a company called Spitsbergen Travel, which in 2008 had operating revenues totaling NOK 205 million. As a destination, Svalbard primarily competes with northern Norway and Arctic destinations such as Greenland, Iceland and Northern Sweden and Finland.  

18 www.hurtigruten.com Date: 2009.05.24 Time: 17:15  
20 Appendix B, MAP  
21 Appendix C, MAP
3. Hurtigruten in China

3.1 Hurtigruten’s operations in China

In Chinese, Hurtigruten is referred to as Hai da lu de, which can be translated to: sea, reach, road and virtue.\textsuperscript{22}

Hurtigruten started selling their products in China in 2006. China was at this time under the supervision of one Norwegian employee with the responsibility of the whole Asian market. In order to gain better control over the Chinese market, Hurtigruten decided to open a Representative Office in 2006. As of August 2008, the company employed Mr. Liu to serve as Country Manager. His tasks include marketing, sales, supervision and training of agents, as well as translator and tour guide.\textsuperscript{23}

At present Hurtigruten has 20 agents focusing on the marketing and sales of the Norwegian coastal voyage, and seven (7) agents concentrating on the explorer cruises.\textsuperscript{24}

\textsuperscript{22} Appendix 2
\textsuperscript{23} Appendix 2
\textsuperscript{24} Appendix 2
In 2008, Hurtigruten had approximately 100 Chinese customers on the Norwegian coastal voyage, and 150 on the explorer cruises. Mr. Liu predicts that their sales will double in 2009, based on the number of Chinese tourists that have booked a voyage with Hurtigruten so far this year.

In China Hurtigruten's cruises are regarded as very high-end products. The cruises are priced between RMB 80,000 and 200,000, depending on length, cabin class and additional attributes, like an extra stopover in South America. The agents negotiate their commission individually, thus this lead to price discrimination between the markets. The number of elements included in the package makes it difficult to estimate an average price on the products.

3.1.1 Marketing towards the Chinese market

According to Mr. Liu, Hurtigruten has experienced increased demand in China. This is likely to be a result of several marketing efforts made by both Mr. Liu and

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25 Own figure
26 Appendix 2
27 Appendix 3
28 Appendix 3
Hurtigruten’s agents in China. They have promoted the explorer cruises as unique, luxurious and adventurous voyages to exotic places, targeting the high-end segment. Mr. Liu has used medias as the CCTV, cooperated with National Geographic in China and the high end travel magazine “Travel +Leisure”.

Mr. Liu was invited to join a 1.5 hours long talk show, broadcasted on the national CCTV, channel 10. He participated together with a photographer and a famous polar research scientist. This talk show, took place after the three of them had been on the Antarctica voyage with Hurtigruten in the beginning of 2009. This talk show was organized by the magazine called “Prestige”, and the talk show is still available on the CCTV website; Sina.com, and Tom.com (although the authors have not managed to view it). Mr. Liu is a personal friend of the deputy Chief Editor of “Prestige” magazine; Ms. Zhang Jun, thus Hurtigruten received this PR “pro bono”. Mr. Liu gave a description of Hurtigruten, emphasizing the focus Hurtigruten has on protecting the environment, and the high level of technology to be found onboard the cruise ship.

The Country Manager Mr. Liu has, so far, not encouraged the agents to follow one specific marketing strategy when promoting Hurtigruten’s cruises. Both the agents and Hurtigruten are responsible for conducting advertising. The Shanghai agent Mr. Gao has invested resources in publishing articles in magazines and newspapers. One (1) Beijing agent has promoted Hurtigruten at high-end theme clubs, for example The Jade Jewellery club.29 30

29 Appendix D, Ad
30 Appendix E, Ad
4. Methodology

To achieve our objectives the following tasks need to be completed:

- To carry out an academic literature review on the subjects of segmentation, positioning in international settings, targeting the right segments, service marketing, and cruise tourism in China.
- To conduct in-depth interviews with representatives of Hurtigruten, their agents and representatives in the Chinese tourist industry.
- To analyze the collected data and present the findings in a report, with recommendations of further actions, and an oral presentation.

4.1 Research design

The choice of design depends on how much knowledge the authors have within a certain field, and what ambitions we have regarding the analyses. There are three (3) main research designs, being exploratory, casual and descriptive.

**Exploratory design** is mostly used when the authors have little to no knowledge about the topic they are about to research. By using this design, the main motivation is to achieve better insight and understanding about the specific matter.\(^{31}\)

**Causal design** is being used when the goal is to determine a cause - and - effect relationships, in other words by using this design one may determine that a certain variable caused a certain effect. A research like this is usually performed through different types of experiments.\(^{32}\)

\(^{31}\) Gripsrud et. al 2006; 58-60
\(^{32}\) Gripsrud et. al 2006; 58-60
**Descriptive design** is suitable when the authors have some basic knowledge within the field. This design tries to describe a given situation in a certain field, as the coherence between one or two variables.  

Regarding the research methodology in this thesis, the authors have chosen an exploratory design based on secondary research and qualitative primary research. The main reason for our choice is due to our little prior knowledge about the foreign market to be examined, therefore we aim to develop a deeper understanding of explorer tourism in general in China, and better understand how Hurtigruten ASA is promoted in the Chinese market by the agents.

### 4.2 Primary research

As mentioned above, the authors of this thesis have chosen to use exploratory design, in addition qualitative methodology was chosen as it provides the researcher with insight at a greater depth than what is possible through quantitative data. Moreover, a qualitative research gives us the opportunity to use in-depth information from key decision makers in organizations and industry experts. In this thesis that would be sales agents, travelling experts in explorer tourism and Hurtigruten ASA.

The purpose with this research is not to generalize our findings, but to better understand how Hurtigruten’s is organized in the Chinese marked and if the explorer packages Hurtigruten offers have a promising future in the Chinese tourist industry.

The qualitative technique used in this research is in-depth interviews and interviews sent by e-mail.

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33 Gripsrud et. al 2006; 58-60
4.2.1 Critical evaluation of primary research

The authors’ primary research has been conducted through interviews, in order to collect information about the Chinese market and Hurtigruten’s operations in China.

The authors have tried to have a critical evaluation of the material collected through the interviews. Firstly, being aware of how we speak, and the given order the questions are represented to our interviews. This is to avoid leading the questionnaire in an certain direction. Secondly, the interviewer has to be aware of his or hers different attributes, which can affect the person being interviewed. Thirdly, generalizing the information collected is rarely possible. Lastly, select the right interview objects and be aware that respondents may answer differently to the questions in another context.34

Common errors and limitations, that are easily made, have been kept in mind for avoidance.

4.3 Secondary research

Secondary data is data that has been written and collected by others, usually as primary data for their own purpose.35

Secondary data can be collected through many sources. However, the most used data in this thesis have been collected through relevant literature in the field of business and marketing. In addition, several books, articles, internal information from Hurtigruten ASA and academic journals have provided us with useful information. These have been collected through Shanghai Library, The Nordic Centre and The World Wide Web.

34 Bryman et al 2007; 235
35 Gripsrud et. al 2006; 78
4.3.1 Critical evaluation of secondary research

Internet is an important secondary source which provides information fast and cheap, however one has to approach this media in careful manners due to the fact that Internet is an open source and continually changing. This can make it difficult to validate the accuracy of the information and where it came from.\(^36\)

In addition, secondary data has originally been primary data and will therefore contain the same kind of weaknesses as primary data. Moreover, the authors have to keep in mind that secondary data is conducted by other researchers, for other purposes. This fact makes it essential for us to be selective and critical when using secondary data.

Collected data in China should be used with caution. Chinese statistics are known to have been manipulated for many centuries and until this day to serve political purposes, rather than faithfully reporting the reality.\(^37\) Furthermore, in a vast and emerging country like China, reliable figures can be hard to acquire whether there are politics involved or not. For example, many data tend to be based on surveys with samples that for practical reasons, and out of necessity, are smaller than one per million in many cases.

According to Wolfgang Arlt “Central statistics are often revised backwards in later editions of statistical yearbooks without explanation. Percentages of growth often do not correspond with the actual figures given, provincial figures do not always add up to the figures given by the central government”.\(^38\) He therefore also recommends that statistical data and figures given about China should be treated as indicators of trends rather than hard facts down to the last digit.\(^39\)

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\(^{36}\) Bryman et al 2007; 662  
\(^{37}\) Arlt 2006; 11  
\(^{38}\) Arlt 2006; 11  
\(^{39}\) Arlt 2006; 11
4.4 Validity and reliability

Two of the most important criteria when evaluating research studies are reliability and validity. The reliability of a study is concerned whether the results of the study are repeatable. This means that if a research is repeated it should present the same results, with minimal errors, to be reliable. The validity refers to whether the findings reflect what they intended to measure. Bryman et al (2007), mention that there are several types of validity, measurement validity, internal validity, external validity and ecological validity. 40

According to Bryman et al (2007), many scholars agree that reliability and validity mainly are suited to quantitative, rather than qualitative research. They refer to Lincoln and Gubas alternative terms and ways of measuring the trustworthiness of a qualitative research:

Credibility
To measure how believable the findings are, it parallels to internal validity. For example, that interviews are carried out according to “good manners”, and to present the findings to the research participants for respondent validation. 41

Transferability
Measure whether or not the findings are applicable to other contexts. This is a parallel to external validity. One example is interviewing people outside Hurtigruten to get more knowledge of the industry and culture. This means there could be findings that are not transferable to our context. 42

40 Bryman et al 2007; 41
41 Bryman et al 2007; 411
42 Bryman et al 2007; 413
Dependability
This means the possibility of reaching the same results with a repetition of the research. This parallels with reliability. The authors’ primary research is interviews. Since these are mainly conducted once with the same person, it makes it difficult to predict if the answers will be the same if the question were to be asked again.43

Confirmability
This states whether or not the researcher’s personal values has affected the research process, and is seen as the parallel to objectivity. The authors have during this research tried to maintain objective throughout the process. However, the authors’ personal view, values and opinions might have affected the process of this thesis.44

43 Bryman et al 2007; 414
44 Bryman et al 2007; 414
5. Theories and models

5.1 Internal analysis theories

5.1.1 Resource theory

The resource theory is used as a tool to get a better understanding of the resources Hurtigruten possess. The essence of the resource based approach, is the focus it has on the uniqueness of a company, and how it highlights that "the key to profitability is not through doing the same as other firms, but rather through exploiting differences".\(^{45}\) The idea is that Hurtigruten by combining and exploiting the uniqueness of its resources and capabilities can develop a strategy that will give them a competitive advantage. However, the resource theory is not only about mapping, recognizing and developing a firm’s resources and capabilities; it is also about filling any potential resource gaps and building its capabilities for the future.\(^{46}\)

\(^{45}\) Grant 2008; 129
\(^{46}\) Grant 2008; 129
According to Grant (2008), it is important to distinguish between a company's resources and its capabilities. Whilst the capabilities are what the firm essentially can do, the company's resources on the other hand are the productive assets which it owns. Grant (2008) further emphasizes that the individual assets by themselves do not lead to a competitive advantage. If one manages to make these individual advantages work together, they will create organizational capability. "It is capability that is the essence of superior performance" 48

Grant (2008) further separates between three types of resources: tangible, intangible and human resources.

5.1.1.1 Tangible resources

The tangible resources can be found through Hurtigruten’s financial statement, and consists of financial resources and physical assets. Even though these resources might be the easiest to locate and measure, Grant (2008) warns not to rely on them too much. Assets in financial reports might be under- or overvalued. The primary goal with a resource analysis is not, however, to value a firm's assets. It is more a tool for understanding the assets potential, and hence be able to create a competitive advantage. 49

5.1.1.2 Intangible resources

Intangible resources tend to be, in large parts, invisible in a firm's balance sheet. The lack of representation or undervaluation of these types of assets tends to lead to a gap between balance sheets valuations and the firms valuation on the stock market. 50

47 Grant 2008; 131
48 Grant 2008; 131
49 Grant 2008; 128
50 Grant 2008; 132
According to Grant (2008), the most important intangible assets are reputational assets and technology. This could be Hurtigruten’s reputation, brand name and the confidence in which the customers have to the company. In regards to technological resources, one should look into elements such as intellectual property, patents, trade marks and trade secrets. These are resources where ownership is defined by law.\textsuperscript{51}

5.1.1.3 Human resources

Human resources are, in short, the people working within Hurtigruten. It is "the expertise and effort offered by its employees."\textsuperscript{52} According to Grant (2008) it is complex and difficult to identify and appraise the value of human resources within a firm. Though there are certain key issues one should look into. In particular positive organizational culture that promotes communication, motivation and cooperation. Grant (2008) further claims that "firms with sustained superior financial performance typically are characterized by a strong set of core managerial values that define the ways they conduct business."\textsuperscript{53} In other words, taking care of your employees pays off.

5.1.2 ACE- model

The authors will use the ACE- Model to get an understanding of the internal environment of Hurtigruten. There are several factors that may have an affect on a company’s capability of positive progress in international markets. Solberg (2006) states that it is the amount of internal involvement and support a company has to the internationalization process, which in turn will decide whether the company will succeed internationally. The internationalization process is the implementation of an international company culture through the three (3)

\textsuperscript{51} Grant 2008; 132
\textsuperscript{52} Grant 2008; 133
\textsuperscript{53} Grant 2008; 134
elements of the ACE-model, developing attitudes, competence, and a strong embodiment of these factors within the company.  

. Figure 6: ACE-model

5.2 External analysis theories

5.2.1 PESTEL- analysis

In order to analyze the external macro factors that have possible effects on Hurtigruten’s decision making, and the company’s Greenland and Antarctica tours, the authors will use the PESTEL analysis. Several factors may affect the organization, such as tax-changes, demographic-changes and new laws. The PESTEL framework consists of six (6) factors categorized into; Political factors, economic factors, social factors, technological factors, environmental factors and legal factors.  

54Solberg 2006; 144  
55 Solberg 2006; 145  
56 http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm Date: 2009.04.16 Time: 15:34
The PESTEL analysis has no effect if you just list the different external factors that may have an impact on the company. What each firm has to think of is which of these factors will have the biggest impact on them if they change. Also to keep updated on which ones are most likely to change in the near future.  

5.2.2 Michael Porter’s Five Forces

In order for Hurtigruten to successfully position themselves in the Chinese market, the authors have chosen to use Michael Porter’s five forces to analyze the competition and profitability of the industry. “Porter’s five forces of competition framework views the profitability of an industry (...) as determined by five sources of competitive pressure.” These five sources are competition from substitutes, entrants and established rivals, and the bargaining power of suppliers and customers.

![Figure 7: Porter’s five forces of competition framework.](http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm)  

The purpose of Porter’s model is originally to be a tool for investigating the competitiveness within an industry, between a company and its environment. To make this model applicable to the tourist industry, we here have to think of

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57 [http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm](http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm) Date: 2009.04.16 Time: 15.46

58 Grant 2006; 71

59 Grant 2006; 72
destinations as clusters,\textsuperscript{60} and think of competitive destinations in addition to advantages and prices.

**Rivalry among existing competitors**
For most industries this source determines the overall state of competition among companies, and the level of profitability in the industry. The attractiveness of the segment/arena depends on the rivalry between established firms. The rivalry is a result of concentration and size of firms in the market, diversity and product differentiation among competitors, capacity and exit barriers, and cost conditions.\textsuperscript{61} The competitive arena is the market situation at present with Hurtigruten and the existing competitors in the entire cruise industry. On this competitive arena there are smaller strategic groups\textsuperscript{62} of competitors, where Hurtigruten is competing directly with other companies in their niche, the explorer cruise niche.

**Supplier’s bargaining power**
The suppliers of different components, raw-material or services, can have power over a company. Factors that may affect the power are the number of suppliers in the market or the costs of switching to another supplier. For example, suppliers of food and beverages to Hurtigruten. Especially suppliers of complex technical components may be able to obtain considerably bargaining power.\textsuperscript{63}

**Customer’s bargaining power**
Just as the suppliers may represent a large bargaining power, so can Hurtigruten’s customers. The bargaining power of the customers rests on the refusal of dealing with the company, and putting them under pressure. Factors affecting customer’s

\textsuperscript{60} Vanhove 2006; 103
\textsuperscript{61} Grant 2006; 76
\textsuperscript{62} Randi Lunnan, September 2008 strategy lecture
\textsuperscript{63} Grant 2006; 79
power could be the size and concentration of buyers, existing substitutes in the market and the buyer`s information of prices and costs of the product. 64

**Threat of new entrants**

Barriers to enter the cruise-market in China are an advantage already established companies have over new entrants. This could be the costs of establishment, the requirements of large-scale operations, and the access to distribution channels for new entrants or governmental and legal barriers. These barriers should be relatively high, to keep the threat from new entrants low. 65

**Threat of substitutes**

The threat from substitutes depends on the availability of substitutes to Hurtigruten`s products. The existence of close substitutes means that customers are more price sensitive, and the absence of substitutes means that the customers are more insensitive to the price. 66 Therefore it is important to be updated on new technology, product improvements and price on similar products to minimize the threat.

**5.3 SWOT**

The authors use the SWOT analysis to measure Hurtigruten`s weaknesses, strength, opportunities and threats. These four (4) elements are used to review the situation of the company's internal and external environment. The SWOT analysis thereby gives a company valuable information regarding its competitiveness in a specific marked. 67

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64 Grant 2006; 78  
65 Grant 2006; 74  
66 Grant 2006; 72  
67 Kotler 2006:52
Further explanation of the elements:

**Strengths:** A company's strengths are things they do well. As an example, a company's strength could be its strong financial resources, its brand name or its highly skilled labour.

**Weaknesses:** A company's weaknesses are all the elements which it does not perform well or well enough compared to its competitors.

**Opportunities:** A company's opportunities are external forces that lie outside a company's ability to affect. However, these are factors that a company can take advantage of. External forces could be macroeconomic matters, consumer trends or political issues.

**Threats:** A company's threats are external forces that the company could face from possible new trends, macroeconomic matters or other events that lays outside of its control. As an example, one possible threat could be an economic crisis, political decisions that negatively interfere with the company's further strategy or income in a specific market.

5.4 Strategic analysis theories

5.4.1 Segmentation

“A market segment consists of a group of customers who share a similar set of needs and wants”

Kotler et al (2006) describes it as important to separate between segments and sectors. One example of this could be if Hurtigruten stated that they target people...
that are relatively young, middle- to high income and interested in travelling, there would be a large variation among these people preferences. This could be classified as a sector and not a segment.

There are five (5) criteria’s a segment must fulfil, in order to be a useful tool for a company’s market strategies:69

- **Measurable, Substantial, Accessible, Differentiable, Actionable**

A company may choose one or several segments to target. They could apply different marketing mix for the different segments. The most common segmentation variables are: geographic, demographic, psychographic and behavioural, used singly or in a combination.

### 5.4.1.1 Niche marketing

To identify different niches you divide the segments into smaller sub segments. Niche companies are in need of understanding their customers needs very well, in order to charge premium prices of their products. 70

A niche segment has different characteristics, and the customers in this segment have a different set of needs than other segments. Firstly, people in this segment tend to be willing to pay a company a lot of money to be satisfied. Furthermore, a company situated within a niche, has the ability to gain more money through being more specialized, they tend to be relatively small and do not attract that many competitors as other segments. 71

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69 Kotler 2006; 262
70 Kotler et al 2006; 242
71 Kotler et al 2006; 242
5.4.2 Targeting

When Hurtigruten has identified their segments and opportunities within each of them, they decide which one to target. Here they have the opportunity to use a need-based market segmentation approach. This is a way of targeting an even smaller segment group using other variables, such as, risk preferences and savings.\textsuperscript{72}

In order to choose which segments to target, the company have to evaluate the overall attractiveness of the segment, combined with the resources available. After this evaluation, the company may consider five choices of target market selection; single-segment concentration, selective specialization, product specialization, market specialization and full market coverage.\textsuperscript{73}

5.4.3 Positioning

“Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market.”\textsuperscript{74}

After the target segments and competition is evaluated the most effective points-of-difference and points-of-parity can be defined. The goal for Hurtigruten is to be in the position where their brand, destinations and image maximizes the benefits to their company, creating the impression of a higher value.

5.4.3.1 Points-of-Parity (POP)

Points-of-parity are attributes or benefits associated with a brand. They are not unique to one brand, but may be shared with other brands. Associations like this can be divided into two forms; category and competitive. Category POP is associations customers see as essential for a certain product or service. Competitive POP is associations originally designed to be another brands POD.

\textsuperscript{72} Kotler et al 2006; 262
\textsuperscript{73} Kotler et al 2006; 268
\textsuperscript{74} Kotler et al 2006; 310
The goal is to break even on attributes your competitors believe are their advantages.  

5.4.3.2 Points-of-Difference (POD)

Points-of-difference, on the other hand, is associations that are strongly connected to one (1) brand. Often the customer believes this is unique for this brand, and will not be found at competitors. It is seen as essential participating at a competitive arena.

5.4.4 Service marketing

“A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.”

Due to the intangible dimensions of a service, a customer will base his or hers evaluation of the given service, on the total experiences of the interaction between the customer and the service provider. The physical evidence of the service could be the interactions with the people in Hurtigruten and previous customers, equipment, office building, corporate image and so forth.

Purchasing a service, customer has to make other pre-purchase considerations, than with a product. First, the customers usually evaluate the perceived risk of purchasing the service. Perceived risk is seen as the combination of consequences and uncertainty of choosing this service. Second, the importance of personal information is evaluated. The “word of mouth” is perceived as more trustworthy than the company’s marketing campaign. Last, in contrasts to products, there are

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75 Kotler et al 2006; 313
76 Kotler et al 2006; 312
77 Kotler et al 2006; 402
78 Kotler et al 2006; 659
fewer alternatives to choose from, and the choice of self-provision is considered as an alternative.  

“There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Every body is in service.”  

There are several challenges with marketing a service as opposed to marketing a product. Service offerings contain several intangible elements, and there is no possibility for a trial of the service before committing to purchase, this presents a considerable challenge for the company to recruit new customers.

5.4.4.1 Service pyramid

The value experienced in a service product consists of four elements; making a service promise, implementing the service promise, delivering the service promise and the use of technology for implementing and delivering the service promise.

This model will show if all elements and activities within Hurtigruten are well functional, in order to deliver valuable experiences to the customers.

Figure 8: Service pyramid

79 Hoffman & Bateson 2006; 91
81 Andreassen 2006; 21
82 Andreassen 2006; 22
Making a service promise
An organization makes a service promise through advertising and branding of the product or service. The wanted effect from this action is to create awareness and expectations among new users to the service offerings in question.  

Implementation of service promise
The implementation of the service promise is conducted through internal marketing like the organizing structure of the corporation, developing a delivery strategy, the organization’s attitude towards market orientation and employee policies.  

Delivering the service promise
The corporation makes the delivery process possible through interactive marketing within the organization, to ensure that employees deliver the level of customer service, which has been stated by the management.

Technology
This describes all technical aspects that make the company capable of offering their products and services. This includes the technological systems that transfer information between the different departments within the organization. However, it also includes the technical aspects used to connect customers with the company, such as internet marketing, internet payment, order and so forth.

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83 Andreassen 2006; 22
84 Andreassen 2006; 22
85 Andreassen 2006; 23
86 Andreassen 2006; 21
5.4.5 Marketing mix

A marketer has a set of activities in which to achieve the wanted marketing objectives. These activities are meant to create, communicate and deliver a valuable solution to a customers need. In the classical marketing literature these activities are referred to as the four P’s; Product, price, place and promotion, and these activities are the core of the marketing strategy. In addition to resulting in a valuable solution of the customer’s problem or need, the same activities are used for influencing the trade channel through which the product is sold. By adjusting these activities, a company can attract the wanted target segment.  

Product

The product consists of the core product of Hurtigruten, which is surrounded by several dimensions of physical and intangible benefits for the customer, like brand image, delivery service, and so forth.  

Price

The price is another element of a marketing strategy, its purpose is not only to create a profit for Hurtigruten, but can also be used as a reference for promotional campaigns, moreover the organization can allow its customers to pay the price in installments.  

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87 Kotler et al 2006:19
88 Kotler et al 2006:19
89 Kotler et al 2006:19
Place

The place refers to finding the right distribution system in order to reach the right customers. This means the channel Hurtigruten makes its products and services available to the customers.\(^\text{90}\)

Promotion

The right promotion in the right media is intended to create awareness and capture the interest of the target customer. As well as creating a perceived positioning for the brand of the product in the mind of the consumer.\(^\text{91}\)

5.4.5.1 Extended marketing mix

The four P’s are sufficient for attracting a target segment of a product containing few intangible elements. However, when the core product becomes more intangible a market manager needs to be aware and control an additional three P’s; People, process and physical evidence.\(^\text{92}\)

People

The people in Hurtigruten, who interact with the customers, are an important factor influencing the customer’s experience of both the product/service, and the whole brand value of the organization, since distributing a service product contains a lot of intangible elements.\(^\text{93}\)

\(^\text{90}\) Kotler et al 2006:19
\(^\text{91}\) Kotler et al 2006:19
\(^\text{92}\) http://www.thetimes100.co.uk/theory/theory--the-extended-marketing-mix-(7ps)--319.php Date: 2009.05.02 Time: 16:29
\(^\text{93}\) http://www.thetimes100.co.uk/theory/theory--the-extended-marketing-mix-(7ps)--319.php Date: 2009.05.02 Time: 16:29
Process

The process is the activities and mechanisms that result in the deliverance of the product/service, to the customer.94

Physical evidence

The Physical evidence describes the surroundings of which the service product is delivered. It is the building facilities, the company car and the interior. In the case of e-commerce, the physical evidence is the software page where the interaction takes place.95

94 [http://www.thetimes100.co.uk/theory/theory--the-extended-marketing-mix-(7ps)--319.php](http://www.thetimes100.co.uk/theory/theory--the-extended-marketing-mix-(7ps)--319.php) Date: 2009.05.02 Time: 16:32

95 [http://www.thetimes100.co.uk/theory/theory--the-extended-marketing-mix-(7ps)--319.php](http://www.thetimes100.co.uk/theory/theory--the-extended-marketing-mix-(7ps)--319.php) Date: 2009.05.02 Time: 16:32
6. Research findings

In this part of the thesis, the authors will present the primary and secondary findings. This will be information collected through in-dept interviews and questionnaires, and through books, articles and websites. The most valuable and important findings, used to answer the authors objectives, will be summarized at the end of the chapter.

6.1 Secondary research findings

6.1.1 Tourism in China

According to Arlt (2006), the Chinese people are well known for enjoying travelling; particularly travel as a way to broaden one's mind. There is an old Chinese saying that goes; "travelling for one thousand Li equals reading ten thousand volumes of books". Doing so, however, has the last century not been quite easy. Movement out of the country, unless on official business, has been either restricted or forbidden for large parts of China's history.

In fact, "tourism as a concept did not apply to China before 1978 and was treated predominantly as international tourists' sightseeing visits to China for many years afterwards." 

Under the rule of Mao Zedong, tourism to other countries, even those who were equally socialistic, were viewed as an anti-socialist form of behaviour. Even leisure travelling within the country was regarded as wasteful behaviour and a sign of a bourgeois lifestyle, as a potential source of unrest and something "one should always guard against." Until the mid 90's, the government policy for domestic tourism was one of "no encouragement".

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96 Arlt 2006:22
97 Arlt 2006:37
98 Arlt 2006:26
99 Arlt 2006:27
The Chinese people however, had gotten a taste for travelling. During the end of the 80's, the government’s attempts to restrict the increasing demand for recreational tourism weakened even further. There was in fact a slow, yet significant change in the way tourism was looked upon from political stands. Like in many other areas in Chinese politics, capitalism was getting a stronger foothold. Tourism went from being something viewed as dangerous and suspicious, to something that could help increase the country's economic growth. One saw a change in government policies from "not to encourage domestic tourism for the time being" to: "vigorously guide and steadily develop tourism in accordance with local conditions."\(^{100}\)

The development in government policies towards tourism can be divided into three phases:

1 "politics only" 1949-1978  
2 "politics plus economics" 1978-1985  
3 "economics over politics" since 1986

6.1.1.1 Outbound tourism

Tourism in and out of China is still strongly controlled by the government. To be able to understand the underlying factors that affect Hurtigruten’s business here and predict the future environment for tourism in China, it is necessary to look closely at China’s tourism policies.\(^{101}\)

According to Arlt (2006), the development of China's outbound tourism, is a multi-faced phenomenon. "The general policy of the Chinese government for many years has been that inbound tourism should be developed rapidly, domestic tourism actively, and outbound tourism should be developed moderately."\(^{102}\)

\(^{100}\) Arlt 2006:27  
\(^{101}\) Arlt 2006:7  
\(^{102}\) Arlt (2006:40-41)
Practically this meant an official discouragement of outbound tourism, and limitation through visits only to the "Chinese world". The government had different reasons for leading such a policy. Originally, the biggest concern in regards to outbound tourism was the fear of wrong influence. One was afraid that the Chinese citizens travelling abroad might get "ideas" (read democracy) to how thing could be different in China. The second reason was the lack of hard currency, and that outbound tourists would spend too much of it abroad. Thirdly was the fear of illegal emigration.

Even after the opening of China in the late 70's, outbound travel, and especially to western countries, remained the privilege and field of official delegations and exchange students. The economic reform started to show results and the demand for outbound tourism grew with the improved living standards, individual freedom and changing lifestyles. One might say that travel began to take a higher place in consumer’s scale of preferences.

After the government realized that the demand for outbound tourism was becoming larger than they could discourage, different measures were taken to ensure that organized outbound tourism was being brought under government control. Out of this need for more control was the ADS [approved destination status] system developed. The ADS system is biased on bilateral tourism agreements whereby a government allow self-paying Chinese tourists to travel for pleasure to its territory within guided package groups and with a special visa. Only ADS countries can openly be promoted as a tourism destination in Chinese media. In regards to Hurtigruten this is not an issue. China has ADS agreement with all of Hurtigruten’s port-countries. Both Argentina and Greenland (Denmark) was approved in 2004.

Outbound tourism has seen significant growth in recent years. By 2003, China’s overseas travelers had already surpassed Japan’s, making China one of the biggest

103 Countries with a large population of Chinese immigrants, especially South-East Asian countries
104 Arlt (2006:40-41)
105 Arlt (2006:40-41)
106 Arlt 2006:40-41
“exporter of tourists”. Travel experts indicate that the Chinese impact on world tourism stands to be even bigger. In 1995, only 4.5 million Chinese travelled overseas. By 2005 that figured had increased to 31 million. Chinese and international travel experts forecast that at least 50 million Chinese tourists will travel overseas annually by 2010, and 100 millions by 2020.\footnote{http://www.nytimes.com/2006/05/17/world/asia/17travel.html?_r=1}{107}

However, for a western company operating in the travel industry, it is important to not get completely blinded by the huge number outbound tourists that statistics claims China has. This can be illustrated by looking at the number of outbound tourism from China in 2004. That year 28.88 million Chinese travelled abroad. However, by taking a closer look at the destinations where Chinese tourists travelled, one sees that Hong Kong and Macao alone counted for 71 percent of these tourists.\footnote{Lee 2007;148}{108} Wolfgang Arlt argues that if one looks at China's outbound tourism from a quantitative point of view, it is relatively minor phenomenon. If one extracts quasi-domestic tourism to Hong Kong and Macao from the equation, only 4 percent, or about 50 million of the Chinese population has ever travelled outside China.\footnote{Arlt 2006;19}{109} That means that the percentage of Chinese that travels to other destinations than those two, has yet to reach 1 percent of the total population. Even including the numbers from Hong Kong and Macao, still less than 200 million, or 15 per cent of the Chinese population has ever touched foreign soil.\footnote{Arlt 2006; 19}{110}

### 6.1.1.2 Cruise industry in China

According to a cover story done by the Shanghai Daily on the growing trend of cruise tourism in China, the China mainland market currently only takes a single-digit slice of the international cruise market at the moment. But that the China market has, however, become increasingly more attractive as the number of American and European cruise tourists has declined in correlation with the global downturn. As an example, they further mentions the Italian luxury cruise company

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\footnote{http://www.nytimes.com/2006/05/17/world/asia/17travel.html?_r=1}{107} Date: 2009.05.01 Time: 17:56
\footnote{Lee 2007;148}{108} 
\footnote{Arlt 2006;19}{109} 
\footnote{Arlt 2006; 19}{110}
Silversea, which saw a 15% increase in Asian customers last year.\textsuperscript{111} A declining global economy, resulting in fewer tourists from normally big markets combined with the increased wealth and economic growth in China, has led many of the worlds biggest cruise lines to establish themselves in China in the recent years. Significant international cruise giants such as Costa Cruises, Silversea, Carnival and Royal Caribbean International, all have offices in China now.\textsuperscript{112}

When it comes to the development of the international cruise industry, there is a regular pattern. When the per capita GDP of a country or a region reaches 6,000 to 8,000 USD, it is entering an economic level that has required conditions to develop its cruise economy. Regarding China, municipalities such as Shanghai, Beijing and Tianjin have all exceeded the 6,000 UDS limit.\textsuperscript{113} In addition there are several other big cities and regions that are closing on to this level of economic wealth.

6.1.2 The Chinese tourist

Chinese tourists abroad see themselves as part of the larger China: hence, every real or imagined slight against one of them is therefore also seen as an attack on the face of China as a nation. Every honour given to a symbol of China such as flags, language or culture, are honours also given to the individual traveller.

Wolfgang Arlt (2006) emphasizes the importance of providing information in written Chinese. The reason for this is not only for practical reasons, but also for cultural reasons. Reasons to complex to discuss in this paper. The essence is never the less that written information carries more importance and authority than in alphabet-based languages. The importance of this should therefore not be underestimated. According to Arlt (2006), written information is given precedence over oral information. This is due to a combination of the much stronger authority connected to a Chinese character in comparison to a western alphabetical letter, combined with the high power distance in China. He further states that what is

\textsuperscript{111} Shanghai Daily 28. March 2009 - Cruise woos Chinese but it's not yet anchors aweigh
\textsuperscript{112} Shanghai Daily 28. March 2009 - Cruise woos Chinese but it's not yet anchors aweigh
\textsuperscript{113} http://english.people.com.cn/90001/90776/90884/6595607.html Date: 2009.04.26 Time: 10:09
written should be clear, unambiguous and should preferably come from a higher authority, and not from peer group members.

However, the element of information in Chinese language goes deeper than just practical reasons. Providing written information and signage in Chinese is not only helpful to the individual traveller, *"but shows respect to all Chinese and to China in general by acknowledging its importance in the world"*.114 This might be explained as giving face to both the Chinese tourist and to China itself. The importance of giving face is not to be underestimated. Simple actions such as improving signs at tourist spots and increasing the number of qualified Chinese speaking guides would help the Chinese visitors feel more welcomed and boost the popularity of that destination. These elements of the product adaption gains even greater importance if seen in combination with word-of-mouth marketing.

6.1.3 Information sources of Chinese outbound travellers

In his book "*Chinese Outbound Tourism*", Wolfgang Arlt states that "*the lack of information sources is often named as one of the main reasons for the concentration of Chinese outbound tourists on a very limited number of destinations and sights*".115 This is however not as much due to strict censoring policies as much as lack of promotion. Access through for example internet to information about countries and international events that are not related to "sensitive" issues is possible. It is in fact rather encouraged by the Chinese government, as it is view upon as "*a way to raise the standard of general knowledge and international outlook*".116 Though much of Chinese media is both state owned and strictly censored, getting information about different destinations or marketing your own destination is possible. "*In contrast to an era when all public media were under the tight control of the Communist Party, the contemporary Chinese scene exhibits a bewildering number of new media. One*

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114 Arlt 2006:202
115 Arlt 2006:114
116 Arlt 2006:115
6.1.3.1 Internet

According to Arlt (2006) the internet is becoming their most important communication media towards their potential customers. Moreover, all destinations serious about the Chinese market also have websites of their own in Chinese. Most of those websites are, however, too often reduced versions of the main website, where they furthermore completely disregard any adaption needed for succeeding with cross-cultural internet marketing in the Chinese market. Apparently, 11 per cent of those who used the internet to search for information about tourism claims to be especially dissatisfied. Many companies and destinations have been slow in developing websites directed towards the Chinese market. A study found that Chinese outbound tourists used the internet more to gather information. Hence it is even more important to have a good website directed towards the Chinese market.\textsuperscript{118}

6.1.3.2 Printed media

Another of the biggest sources of information for Chinese outbound tourists is travel magazines. Available on practically every street corner in China's bigger cities, there is a wide variety to choose from. A mixture of national and international destinations can be found in a large selection of different glossy travel magazines that are published nationwide. Many of them target the upper classes of Chinese travellers. This is particularly evident through the advertisements from high end fashion brands, cars, and watches. What is particularly of interest with many of these magazines, is that they include sponsored article series. Either paid for by a destination or a travel agent.\textsuperscript{119}

In addition, many business magazines include travel sections, covering high end

\textsuperscript{117} Arlt 2006:115  
\textsuperscript{118} Arlt 2006:118  
\textsuperscript{119} Arlt 2006:118
destinations often to other continents. Travel in television programs is also becoming increasingly more popular. And as with the travel magazines, the program can often be sponsored by an air line or a destination. Furthermore, international travel guide books both translated or not, can easily be found in large bookstores in the biggest cities.\textsuperscript{120}

\textbf{6.1.3.3 The importance of the travel agent}

In order to attain information about potential travel destinations, the Chinese tourists currently rely on the media and word of mouth from their friends and relatives to provide them with the information about potential destinations. Though first-timer, or the more unsophisticated traveller tend to rely more heavily on the advice of travel agents. However, it is expected that with the continuous growth of the internet, more and more people will rely on the web as their main source to get the information they need.\textsuperscript{121}

\textbf{6.2 Primary research findings}

Here the authors will present a summary of our interviews, with the most important findings.

\textbf{6.2.1 Interview with Hurtigruten’s marketing director for the European, Middle Eastern and Asian markets Mr. Olav Lühr. (Appendix 1)}

Mr. Olav Lühr is the Marketing Director for the the European, Middle Eastern, and Asian markets. The aim for this interview was to get a clearer image of why Hurtigruten chose to enter China, and what strategies they used. Mr. Lühr has eight years experience working towards the Chinese market.

\textsuperscript{120} Arlt 2006:118
\textsuperscript{121} Arlt 2006:118
Mr. Lühr viewed China as a new and exciting market. However, he was aware of the challenges China presents, as the language and cultural issue. Due to the complexity of operating in China Hurtigruten felt the need for a closer supervision of the market. They chose to open a Representative Office in Beijing, hiring a Country Manager to oversee the China market.

One of the main tasks for the Country Manager is to supervise the agents in China, as well as develop marketing strategies for Hurtigruten. Mr. Lühr further explains that Hurtigruten received great help at the time when they decided to establish themselves in China. Innovation Norway and the Norwegian Embassy were of great assistance. Mr. Lühr is so far satisfied with the business in China, the goals have so far been achieved, and their vision is to triple their number of customers from China to Antarctica and Greenland over the next three (3) years. Furthermore, the goal is to be the leading Arctic and Antarctic provider.

Mr. Lühr believes the biggest challenge in China has been to hire the right people. He further emphasize that Hurtigruten’s biggest weaknesses are organizational, as the problem of retaining valuable employees and an on-line booking system that does not work.

Due to a unique sailing route and a new cruise ship, Mr. Lühr feels that they have great potential in China. He believes that the goals Hurtigruten have set themselves in China, which is to increase the amount of Chinese customers by three times the next three years, is fully feasible. Furthermore, Mr. Lühr states that the poor financial situation in Hurtigruten today (2009.03.20) will not effect their work in China, as this has been accounted for in the 2009 budget.

According to Mr. Lühr, the typical Chinese tourist who chose to travel with Hurtigruten would normally be an experienced traveller. Based on that, he believes the adaptation of Chinese food is not a critical factor, and there are however some elements of Asian food onboard to choose from, since there are Asian crew members on the ship.

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122 A Norwegian company with an office in Shanghai who specializes in helping Norwegian companies to enter markets abroad
6.2.2 Interview with Country Manager in China, Mr. Liu Jie (Appendix 2)

Mr. Liu Jie is the Country Manager for the Chinese market, at this time, the only employee Hurtigruten has in China.

The main aim of this interview was to collect first-hand information on Mr. Liu’s tasks for the company, and how he manage the agents.

The Representative Office currently consists of only one person, Mr. Liu. His main responsibilities are divided into two fields; operational, which is assisting agents with their sales of Hurtigruten’s services, and sales and marketing, that include running campaigns and finding the right agents. On some occasions, Mr. Liu has also participated on the voyages as an interpreter, since most of Hurtigruten’s Chinese customers do not speak any English.

Hurtigruten wants to keep the number of agents who sell the explorer cruises to no more than 8-10 agents in total. Mr. Liu explains that the agents Hurtigruten chooses to work with, have to show enthusiasm towards Hurtigruten’s products, be experienced, committed sales-people and have a good reputation in the industry. The agents have to invest in marketing and promotion material themselves, and they are responsible for targeting the right segment. Moreover, they are bound by a contract on how much they have to sell, and can be replaced if the sales numbers are insufficient. The contracts are under evaluation, and Hurtigruten is currently working on an improved commission system.

The agents are told to market the products as a unique travel, with fresh clean air. Other than that, the agents do not have any specific guidelines to how they ought to present Hurtigruten. Mr. Liu states that he believes the agents know the Chinese market well, and how to reach Hurtigruten’s segment.

Hurtigruten received approximately 150 Chinese customers on their explorer cruises last year. These were high end customers, mostly young people with an
interest in travelling. Mr. Liu explains that there are several segments within China. He believes the biggest market potential for the explorer cruises, is in the south of China, in the Guangdong province. People tend to have more money, and are at the same time more experienced travellers in this province. They seem to want a more active and adventurous vacation. In the north, in Beijing and to some extent Shanghai, people are more interested in culture, history and relaxed vacation. He explains that the Norwegian costal voyage seems more suitable to their preferences.

6.2.3 Follow-up interview with Country Manager in China, Mr. Liu Jie (Appendix 3)

The follow-up interview was to get a better understanding of what Mr. Liu sees as Hurtigruten’s potential in China, the company’s market strategies for the future, and how they can improve their products to better suit Chinese tourists.

Mr. Liu highlights three factors that are relatively easy, but important, to improve for Hurtigruten. The implementation of a Chinese website, information on lectures and seminars on board in Chinese, and some food adaptation to better suit Chinese preferences.

He points out that their biggest challenge is that this cruise is designed for European customers. As an example, the possibility of a casino on board, that would be appreciated by the Chinese customers, are impossible since it is against Norwegian law. However, he reflects that the Chinese market is too small for major adaptations, and he tries to keep a balance between the original product and the demand for adaptation. Another challenge is the price range on the products. The agents operate with different price calculations, from 80,000-200,000 RMB, depending on the travel package. Since customers have bought the voyage from different agents, in different regions of China, the prices on the trip will vary. The agents and Mr. Liu are concerned that the large price differences will harm Hurtigruten’s products and the customer’s experience of the voyage, if they receive information about other customers who have paid far less money.
At present time, Hurtigruten is working to launch a Chinese website. Mr. Liu explains that most of the translation is finished, and they are waiting for the right time to publish it. Mr. Liu is also preparing a conference to inform agents on planned adaptations, information about the ship, and the wildlife and culture at Greenland and Antarctic. This spring, he has been in contact with Air France, to establish a cooperation regarding their flights to South America. Air France is one of the few companies with flights to South-Argentina. Mr. Liu believes cheaper tickets could create an advantage for Hurtigruten in the China market.

Mr. Liu has experienced an increased demand for Hurtigruten’s products. More people have been in contact with his office for information about the different cruises. People that shows interest in Hurtigruten’s products tends to work in large Joint ventures in China, but we also find people from traveller- and photography clubs. He believes that this is an effect of their marketing efforts on CCTV, National Geographic and other magazines.

Mr. Liu states that they are trying to focus more on “green-tourism” in the Chinese market. In cooperation with Mr. Gao, agent in Shanghai, they are planning an environmental friendly voyage to Greenland this summer. Mr. Liu believes that this would be a good concept for the Shanghai market, since the Shanghai people are more innovative and open-minded. He further states that people in Beijing seem less price sensitive than in other parts of China. In Beijing, people seem to respond more positive to a product if famous and well respected people are using it. It means that if a famous athlete or a high rank politician is travelling on the cruise, they are more likely to book one for themselves. This has already been used as an incentive in the Beijing market.

Mr. Liu further explains that the main competitors of Hurtigruten at present time are as followed; Quark, Princess and Silver Sea. However, he believes they are not a real threat, since Hurtigruten has been better at adaptations to the Chinese market. There is however one point Hurtigruten has not yet focused on, that being a stop at the Chinese Great Wall station in Antarctica. Some of Hurtigruten’s competitors have included a stop at this station, and this has been popular among the Chinese guests. Mr. Liu believes that if their competitors get better at
adoptions to Chinese preferences, they will soon catch up with Hurtigruten, and the competition will get harder. Regarding market information about their biggest competitors in China, Mr. Liu states that because of his good relationship with the agents, this is not a problem.

6.2.4 Interview with Agent 1, Hong Kong 2009.03.16 (Appendix 4)

This was our first interview, and we wanted to know how the agent considered Hurtigruten’s cruises in the Guangdong province.

This agent started to provide Hurtigruten’s explorer cruises in 2007. The agency sell tours to both Chinese and foreign customers. He also provides cruises for Hurtigruten’s competitors like Quark expeditions and Polar Star.

The agent has experienced a growing demand for cruises in recent years, however, he believed the biggest challenge for Hurtigruten in China is the current financial situation, and how it might affect his business sector.

The agent further elaborate that Hurtigruten’s main segment is the growing middle class, they are educated, and there are both couples and singles that travel. This agent uses the internet to market Hurtigruten’s cruises. Hurtigruten’s cruises are introduced as unique, luxurious and as a comfortable adventure. The agent feels that it is easy to teach the customers about the service as he has visited the Polar Regions many times, although never with Hurtigruten.

His agency has provided Hurtigruten with more than 60 customers so far, and the most popular cruises for the Guangdong province are the Antarctica cruises. The aspects most appreciated by Guangdong customers are luxury, comfort and the status it gives you to travel to Antarctica. The agent has weekly and some times daily contact with Country Manager Mr. Liu.
Summary of interview with Hurtigruten’s Shanghai agent Mr. Gao Jie, General Manager of the CTS (China Travel Service Holdings) Shanghai.

We conducted this interview to get more information about how this agent markets Hurtigruten’s cruises in the Shanghai market.

Mr. Liu arranged an interview with Hurtigruten’s agent situated in Shanghai, Mr. Gao Jie. At the time when we arrived in the office of Mr. Gao, we noticed the huge amount of advertisement materials for Hurtigruten’s explorer cruises, particularly the Antarctica cruise, and the Norwegian coast line. This agent is described as a good friend, and a professional and a motivated man by Mr. Liu. Mr. Gao has offered Hurtigruten’s cruises since 2007; he specializes in Cruise travel, particularly with western cruise ship companies. CTS Shanghai, offers similar cruises from several different companies, where the Cunard, P&O Australia, P&O UK, Ocean Village and Princess cruises are seen as direct competitors to Hurtigruten.

Mr. Gao has had the pleasure to join one of the Antarctica cruises. Because he is a dedicated nature photographer he was able to capture a lot of beautiful pictures on this journey. He proudly showed us around his office where multiple pictures of Antarctic landscapes, penguins, seals and the cruise ship Ms Fram were displayed. Furthermore, he has provided the pictures for a four page spread, in the third edition of the magazine Travel +Leisure, which can be found in newsstands and kiosks, throughout China, and Hong Kong.¹²³

In the interview, Mr. Gao tells us that his agency has booked 10 customers with Hurtigruten’s Greenland cruise so far in 2009, in comparison they have booked 1000 customers on behalf of Hurtigruten’s competitor Princess. He tells us that the price of the Princess cruise to Antarctica is lower priced than Hurtigruten’s Antarctic cruise.

¹²³ Travel Leisure nb 3 2009
The biggest challenges Mr. Gao predicts for Hurtigruten in China, is the fact that most Chinese people have only one week continuous vacation time, the Greenland and Antarctica cruises range from the shortest voyages of 8 days, to the longest of 15 days in Greenland, and from 15 to 17 days in Antarctica. Moreover, Hurtigruten’s cruises are relatively more expensive than the competitor’s cruises and that is another challenge. Furthermore, Mr. Gao Jie emphasizes the importance of educating the Chinese cruise tourists, since this kind of cruise is a new niche in China. Regarding people’s associations to cruises, most Chinese people tend to draw on previous experiences with river cruises and ferries between mainland China and Japan. These boats are quite different than a cruise ship like Ms Fram, and some people might have unpleasant memories of seasickness and long boring voyages.

The main segment of Hurtigruten’s Greenland and Antarctica cruises are middle aged, singles and couples. They have high income, many have a high position within the company they work, Mr. Gao elaborates. Customers going to Antarctica are often interested in photography, while customers that chose Greenland are more interested in culture. However, both segments are looking for a relaxing vacation in a stunning environment, where they can read books and observe great scenery. He tells us that in comparison to the Chinese explorer cruise tourists, customers from most other countries have in general more knowledge about the sea, weather conditions, animals and the destination itself, and they are older, than the Chinese customers.

Mr. Gao is fully aware that the segment they attract is a very high end. That is why he has provided reports and pictures in China’s best traveler magazines, and in a government issued newspaper. He promotes Hurtigruten’s cruises as unique and adventures. Mr. Gao tells us, that in order to explain the cruises to his customers, he must experienced it first.

So far has Mr. Gao booked 10 people on Hurtigruten’s Greenland cruise in June of 2009, and he emphasize that this will be a special cruise. The Greenland cruise in June will be a “green cruise”, where the tour will mainly focus on climate and global warming. Furthermore, Mr. Gao is responsible for developing this “green
cruise” for Hurtigruten, which will be the first of its kind. He believes this coincides well with the trends of the market, and thinks that this idea has good possibilities in the market.

Moreover, Mr. Gao elaborate that Hurtigruten ought to provide more basic information about the destinations, the cruise ships and the different species of the regents in Chinese, also the seminars and a web page should be translated for the Chinese tourists.

6.2.6 Interview with Agent 3, Beijing, 2009.04.04 (Appendix 6)

We conducted this interview in order to reveal any differences in the marketing strategies between the different markets.

Katherine’s agency is a provider for several cruise companies who operates in Greenland and Antarctica. She points out that these competitors of Hurtigruten provide her agency with a higher provision per sale than Hurtigruten can offer. However, she feels that Hurtigruten’s products are unique, with few substitutes.

Katherine traveled to Antarctica with the cruise ship Ms Fram in 2008, where the Country Manager Mr. Liu was team leader/ guide, and translator. She further explains, since there is no information in Chinese on board the boat, the guide had to go from cabin to cabin during the cruise, and inform the Chinese passengers about the daily program, activities and the information onboard.

The segment for Hurtigruten’s explorer cruises is aged from 35-50 years. There are mostly couples traveling, and they have a very high income. This agent, advertize Hurtigruten in magazines, and also through special clubs that the agency has very good relations to, such as Land Rover car club, Mini Cooper car club and Jade Jewelry club. Katherine has so far sent 22 people to one of Hurtigruten’s explorer cruises.

Katherine markets Hurtigruten’s cruises as unique and beautiful. The current financial situation in China, is considered as the biggest external threat.
Katherine emphasize that it is sometimes challenging to sell the explorer cruises of Hurtigruten, based on the limited information Hurtigruten provides about their products. She further elaborates the importance of educating the travelers about the destination, the wildlife and the tour itself in advance. Moreover, all the lectures onboard the ship is only provided in German and English, and even the menus are only in English.

She indicates that both the Greenland and Antarctica cruises are selling well in the Beijing market. The advice for Hurtigruten is to address the language barrier, to offer Chinese food, and her biggest concern about sending more costumers on board Hurtigruten’s cruises, is that the emergency notice is not in Chinese.

6.2.7 Interview with Mr. Par Dong, Chief representative for Scandinavian perspectives 2009.03.27 (Appendix 7)

Scandinavian Perspectives is a travel agency, offering specialized tours for Chinese travelers going to Scandinavia. We conducted this interview to learn more about the preferences and characteristics of Chinese high-end tourists.

Mr. Dong can reveal that there are two segments of outbound tourists from China. The first consists of young professionals from the age of 30 to 45, they are white collar often in Western companies, with an income of about 15,000 to 20,000 RMB a month, and have the opportunity to take long holidays (10 to 15 days). The second segment is parents of the first segment, which are being treated to a paid vacation by their child(ren).

Mr. Dong believes that the most important preference for Chinese tourists is the food. Chinese customers want Chinese style food when going abroad. Furthermore, he sees it as important to provide relevant information in Chinese, since that will make the Chinese tourist feel honorable. The high end segment in China is looking for extraordinary activities and will gladly pay a handsome sum for special events. Activities like these will make the person feel special.
The biggest outbound travel markets in China are Guangdong, Shanghai and Beijing, in that order. Chinese tourists spend a lot of money when traveling. They buy gifts for their family members; and often they spend more on shopping than on the trip itself.

Onboard the ship, there should be a lot of activities to choose from, like swimming, blackjack and shopping. Regarding the most popular destinations to visit, USA, western and northern Europe are the most popular. Since it is tough to get hold of a visa from these countries, it gives a higher status. Most people book their travel needs through traveling agencies, finding them on the internet, this is cost saving for the companies as well. One of the things that give you the greatest status in China today is to travel abroad.

6.2.8 Interview with previous customer to Antarctica, 2009.04.22 (Appendix 8)

The authors conducted this interview in order to get a perspective from a passenger’s point of view, regarding Hurtigruten’s explorer cruises.

Wang Difei is one of the very few English speaking Chinese passengers that have been on one of Hurtigruten’s explorer products. Furthermore, she was the only English speaking customer we could get a hold of.

Ms Wang expresses how satisfied she was with the whole cruise. However, she is fluent in English and had no problem understanding the information in the brochures, or the lectures onboard the cruise. She traveled together with some friends and her parents, and for their part, the information onboard the cruise ship was not good enough. Country Manager, Mr. Liu had to help the passengers with some of the translation. She further explains that even though they were all satisfied, they would have appreciated the whole experience more, if they had been provided with information in Chinese. They were a bit uncomfortable with all of the broadcasts that were only in English, and could not understand any of the information during the lectures.
In advance, Ms Wang was promised an adventure with beautiful scenery and lots of animals. Furthermore, she also received information about the weather conditions and was told that this cruise was tough and a little bit dangerous. All together, she states that the tour was so enjoyable that she would love to do it all over again.

6.2.9 Interview with Rachel Xiang Feng, Institute of Tourism, 04.30.2009
(Appendix 9)

Rachel Feng is an assistant professor at Shanghai Institute of Tourism, Shanghai Normal University. The aim for this interview was to get a better understanding of tourism in China in general.

Rachel said that in order to understand tourism in China, it is important to also understand the history behind it. Tourism, and especially outbound tourism, is a very new phenomenon that is still under development. People are increasingly starting to travel for leisure and fun, but there is still a long way to go. It is also very important to understand that China is not one market. It should rather be viewed upon as the "United Nations of China".

In regards to the concept of cruise in general, she told us that it is relatively new in China. Not many people have been on cruises, which again makes it special and different. On a cruise, you are able to combine things. You can have both new and different experiences, see beautiful scenery, and relax. There are also party facilities for those who like to party. You have some shopping opportunities, and that is very important for Chinese. It is the combination that makes cruises so special. Also, many Chinese have travelled by airplane and railroad, but not many have been on a cruise yet. Chinese people like to try new things, so she indicates that there is a big potential for cruises in China.

In regards to the products Hurtigruten offers, she felt there were particularly two segments of interest. The first is groups travelling on company- or official money;
this might be what you can call a bonus or incentive trip. It could be big companies rewarding their top directors or executives for doing a good job, or companies wishing to show their clients that they are important to them. Another important element is that it is easier for a company to afford these trips than individuals. Many big companies in China have a lot of money, and they want to treat their employees to something special.

Companies buying these kinds of trips could be big state owned enterprises, or private companies. An example could be; China Telecom, or Baosteel. She also mentioned that before the financial crisis, Iceland was one of the most popular destinations for trips like these. Because it is very far away, and it is very far north, it is a very special and different destination. Not a very common place to travel to for "normal" Chinese. By arranging a trip like that, you make people feel special and important, and you give them something they can talk about.

Another important element which she believes could make cruises especially appealing to the business segment, is that on a cruise there are also possibilities to arrange some meetings or conferences. Moreover, most importantly, it is on a boat in the middle of the sea. People can not escape. Apparently it tends to be a problem in China when companies arrange some kind of trip out of town to have a meeting. If it is not too far away, people will drive their own car, and if they get bored they will just go home. Thus, it is very hard to keep everyone together. People will also just talk on the cell phone all the time, so a remote place where people cannot leave by themselves, and at the same time there is a limited cell phone signal, is the perfect combination, and a cruise offers all this. Also, she mentioned, the individual Chinese tourist that can afford these trips are very hard to find. There are a lot of wealthy Chinese, but they are spread all over, and it is very hard to locate and market to them.

Other segments of interest, though they are harder to reach, are some of the individual travellers, people who travel on their own money and on their own time. In contrast to many western countries where the elders are the main target, this is not the case in China. Yes, they might be able to afford it if one look at their bank account, but they are saving these money for emergencies and their
Within the segment of the individual traveller, she said there are basically three segments that should be of particularly interesting to look at in regards to the products Hurtigruten offers:

1. Young people between 20 and 30 years old. They might not have much money themselves, but they have parents that are very wealthy and can pay for them. They would like to see something different, go places where not so many have been yet.

2. Middle aged successful people. They have international education. They might be some sort of director or senior manager in a big international or Chinese firm. They have a lot of money and they are experienced travellers. They are living what might be called a "European lifestyle".

3. Newlyweds. Not the most obvious target group, but the wedding industry in China is very big and people spend a lot of money on their weddings. This kind of a trip will make the wedding very special, even more so if one could arrange for a "fake" ceremony on the ship.

It is important to notice however, she mentioned, that all of these groups are very different, and would need different kinds of adaption.

The individual traveller going on a trip like this will most likely not be an inexperienced traveller. It is a person who is used to travel abroad for vacation. However, it might be their first time on a cruise. It is never the less people with a lot of money, who seek something different. "Normal" Chinese are able to afford more and more. Going to for example Germany or France is not special any more. Many people can afford that now, and when it becomes normal to go somewhere, that destination is not special anymore. Hence, people start seeking destinations where not everyone has been or can go.

Rachel also explained that China is country of hierarchy, and so naturally there is
Bachelor in International Marketing Fudan University

A hierarchy within travel and therefore also cruises. She emphasizes that it is important to show your status, and by taking a cruise like Hurtigruten's, you will show where you stand in the hierarchy. It is very important to understand the importance of status and hierarchy in order to understand the Chinese market for outbound tourism.

In regards to product adaption, she felt that it would depend on the customer, since China is so big, and people are so different. It depends on whether people have travelled before or not, or if they have studied abroad, and how much international experience they have. Just because people have a lot of money, that does not automatically mean they are international and need little adaption. Many of the very rich do not even have high-school education, and does not speak English.

As to what adaptations she felt would be the most important, the food was probably among the most important. It is one area where many of the less experienced Chinese tourists have the biggest challenge when travelling abroad. As a minimum it should be possible to get rice to every meal. If you want to take it a step further, there could be some Chinese dishes on the menu that they could choose from, or for the really big cruise ships, maybe they could even have a Chinese restaurant. Then people would have a choice.

She also mentioned that a Chinese speaking tour guide is recommended, and that written information in Chinese would be positive. One of the more important things she emphasized was the shopping possibilities. Chinese people love shopping, so there should be some opportunity to shop both luxury products and souvenirs. This is indeed very important.

In regards to marketing, she recommended that Hurtigruten should use travel agents. They are very important in China, and the company should work them. By treating your agents well you can get them to promote your product more. She also mentioned that internet marketing is becoming increasingly more important, and that if a company is serious about China they should have a Chinese web-site. It is also important to tell people about the page. Chinese tourists often use the
internet to search for destinations and to read about products and destination. However, after they have searched the internet and read about different destinations, they go to the travel agent to get their opinion, and to make a purchase. It is important to focus on both the travel agent and the internet.

6.2.10 Email interview with Trip TM Agency, Head office, 2009.05.18, (Appendix 10)

Due to a lack of financial recourses, the authors were not able to interview all of Hurtigruten’s agents in China face to face. Hurtigruten’s Country Manager Mr. Liu was kind enough to help us with both the distribution and collection of the questionnaires to three of the agents located in the Guangdong and Beijing markets. Furthermore, these interviewees do not read or write English sufficiently enough, so the authors conducted a back translation on these questionnaires. Due to the lack of direct communication, some of the questions have been misunderstood, thus some of the answers provided us with irrelevant information, which the authors have decided to cut from the summaries.

The agent has provided Hurtigruten’s products for one (1) year, and has never been on any of Hurtigruten's cruises. In addition to Hurtigruten’s cruises, this agent provides cruises for MSC, Princess, Silversea and Royal Caribbean. This agent points out that the difference between Hurtigruten and its competitors is the unique sailing route, and that the competitors have bigger ships that offer more activities and facilities. The agent describes it as quite easy to introduce the cruises to the customers, and has provided Hurtigruten with two groups of customers. However, this exact number is not disclosed.

Based on this agents experience with Hurtigruten he has some recommendations for the Antarctic and Greenland cruises. To offer several Chinese style dishes, and to offer a Chinese speaking guide onboard. To translate the general information onboard to Chinese, like the signage. They should also offer activities that suit the Chinese customers (the Chinese enjoy karaoke, shopping and casino when on cruise). He also strongly recommend that all of Hurtigruten’s agents ought to be
offered a tour with one of Hurtigruten’s explorer cruises, since they would gain knowledge about the cruises, which again would make it easier to sell the explorer products to their customers.

The agent sees the segment to be high-end customers with a preference for luxury, and so markets the cruises as luxury and unique—due to the sailing route. Further it is implied by this agent that there should be more evidence of the luxury aspect during the cruise. However, the agent makes no recommendation here. The agent believes that Hurtigruten should conduct more collective marketing for the China market.

6.2.11 Email interview with Top Tour, 2009.05.18 (Appendix 11)

The agent has provided Hurtigruten’s explorer products for one (1) year, during this time the agent has provided Hurtigruten with six customers. The agent has not been to Antarctica or Greenland on Hurtigruten’s cruise. This tour operator does not offer any products for any of the competitors to Hurtigruten. The agent experience it as quite easy to market the cruises to the customers, and describes the different cruises as unique and adventurous, furthermore the agent has received notice to market the cruises as luxurious as well.

This agent sees the need for more adaptation to Chinese preferences, like offering more Chinese dishes.

The agent has experienced a mismatch in information provided in the different markets (read provinces), and encourages Hurtigruten to provide a more standardized information package. This package should include a complete description of the cruise and included activities, with prices. In addition Hurtigruten could recommend good locations for shopping and suggestions for activities.

The agent further points out that it is important to make the Chinese customer feel important, and though the sentence is a bit wage the authors interpret that the need
for information in Chinese and possibly also Chinese speaking staff, could be
helpful adaptations here.

6.2.12 Email interview with Trip TM, Guangzhou, 2009.05.18 (Appendix 12)
The interview-questions were translated into Chinese and back-translated into
English to ensure the right meaning of the questions. The authors were unable to
requiring information on the number of customers provided by this agent.

Trip tour agency started offering Hurtigruten’s products in 2009; this tour agent
says Hurtigruten provides them with a smaller incentive compared to other cruise
lines. However they make a good profit from Hurtigruten’s products. The agent
has never been on any of Hurtigruten’s cruises. Furthermore Hurtigruten’s
competitors are perceived to have a more efficient communication system,
between the agent and the booking department at the headquarter. Making a sale
is difficult, though customers are very interested in the product. It is difficult to
get the customer to take the step and book a trip. Compared to other cruises,
Hurtigruten’s are quite expensive. Many look at this tour as the trip of their life.
They feel they can choose other cruises first, and save this one until last.
Hurtigruten differ from their competitors by being very focused on one topic, and
adventurous. This agent feels that Hurtigruten tries to gain customer feedback and
adapt to preferences. The tour agent highlights customers need for safety and
uniqueness. Through this agent Hurtigruten’s cruises are marketed as unique,
adventurous, relaxing and unceremonious. “The most unique view in the world
and you will get many great surprises and experiences during the voyage.” The
agent receives information from the Head Office, and uses this information in the
marketing. The agents’ customers for Hurtigruten’s cruises are: high end and
adventurous, and people with children. The agent sees a big market opportunity in
China, however emphasizes the need to focus on marketing and building brand
equity.
Could you give Hurtigruten five (5) tips for improvements?

- Increased effectiveness on feedback: quicker confirmation when booking a tour for a customer, when we want to change a ticket and general information.
- The webpage should be open 24/7. So if we want to change or book a trip we can check for confirmation whenever.
- On the webpage there should be a map of the boat and all cabins, so that we can book the cabins the customer wants. (Just like on airplanes) then we can also see which ones that are booked already.
- Hurtigruten should increase promotion of the products, increase information and the possibility to seek information.
- They should work on making a brand name in China. This brand name should be looked up on as a unique product or brand.

6.3 Summary of findings

Objective 1: Describe and evaluate the present marketing situation for Hurtigruten in China, strategies and the relationship with agents.

Hurtigruten has established a Representative’s Office in China, employing one Country Manager. His responsibility is to choose, train, and oversee agents, in addition to developing the relationship with the agents. Since, the majority of Chinese cruise customers do not speak English, he also acts as translator and guide on the cruises. Country Manager Liu oversees 7 agents in three markets; Beijing, Shanghai and Guangdong. These agents distribute Hurtigruten’s explorer cruises, these being the Antarctic and Greenland cruises among several. He keeps the agents on a performance based provisions system, where agents that do not fill a quota are replaced regularly.

The agents are not given a strict unanimous strategy when marketing Hurtigruten’s services. This is due to the fact that different provinces are characterized by quite differing preferences. The only unifying characteristic
between the marketing strategies are that the cruises are being described as unique, luxurious and adventures, and the segments targeted are high-end, meaning high income. Mr. Liu has established guanxi with the agents, which comes in handy considering strategy development in reference to the competitors. The agents conduct individual negotiations in regards to their commission. Furthermore, the research shows that need for a Chinese webpage and an online booking system.

**Objective 2: To explore the Chinese cruise travel market, to get a better understanding of the competition and trends in the market.**

The Chinese explorer cruise market is highly competitive, however most cruise line companies offer cruises visiting several countries. Hurtigruten has at present only two (2) real competitors in the strategic group they belong. Offering one unique destination, focusing on a combination of luxury and education, separates these cruises from the rest. Outbound tourism is increasing in China. The authors find that outbound travel which was once prohibited is now considered the aspect giving Chinese the highest degree of status. The tourism sector is likely to experience an increase, it is however difficult to predict a certain percentage of growth due to China's unique situation regarding to the financial crisis. In addition to leisure travel, the MICE- industry is predicted a prosperous future in China.124

**Objective 3: To describe the Chinese explorer cruise customers and their preferences.**

The Chinese cruise tourist is fairly young, has a high income, and holds a white collar position, often in a Joint Venture company. To show status is important. These customers perceive cruises as being, luxurious with casinos and swimming pool on board, visiting several destinations in a short amount of time. These tourists expect high standards and high level of service. Hurtigruten's segment

124 MICE is a general term for business related travel packages. "Meeting, Incentive, Conference, and Events"
must have enough time, money and be experienced travelers; they often invite their parents along.

A characteristic for the Chinese market is that an increasing part of the population conduct information search online, however, the majority of the purchases is still conducted through the travel agent offices. Through secondary recourses, we learnt that translating the information into Chinese characters is essential, because most Chinese do not understand English, moreover, this is a way of giving face to the Chinese customers, making them feel respected. In addition to the Chinese cuisine, the Chinese tourists have a high preference for shopping as a way of clearing their guilty consciences towards the family members who have to stay at home.

*Objective 4: Explore the need for product adaptation to suit the Chinese market, and Hurtigruten's possibilities for adaptation.*

Marketing Director of Hurtigruten Mr. Lühr, admits to a conservative adaptation policy, and feels there is generally little need for adaptation due to the segments characteristics. Country Manager on the other hand, has a different opinion, and believes that food and language adaptation is important. This concern has been pointed out by all of the agents, and traveling experts we have interviewed also. However, both Mr. Lühr and the country manager agree that a web page in Chinese is essential. Agents are pressuring Country Manager Mr. Liu to arrange for more than one departure a year, since the agents operate in different price ranges for similar products. Having only one departure a year, increases the possibility that customers from different markets, can compare prices on the product they have bought.
7. Internal analysis

7.1 Resource analysis

7.1.1 Tangible resources

Financial resources

Hurtigruten ASA is a public company listed on the Norwegian Stock Exchange. On December 31st 2008, the company had a total of 6,252 shareholders: 6,142 Norwegians and 110 foreigners. The share capital was NOK 277,432,300, divided between 27,743,130 shares, with a nominal value of NOK 10 per share. In 2008, Hurtigruten had NOK 2,551 million in operating revenues. An increase in NOK 121 million from 2007. Throughout 2008 and continuing into 2009 the company has undergone extensive restructuring. The reason behind these actions were the persistent losses in recent years, that had eaten into the company's liquidity and capital adequacy, and it was thus impossible for the company to continue the business without making substantial changes. The critical financial situation is reflected in the accounts for 2008. After substantial losses, the outcome was a pre-tax loss of NOK 686 million. The main reasons for the big loss in 2008 were: loss on sales of ferries and fast ferry business (NOK 103 million), impairment of ships and goodwill (NOK 281 million), provision for the restructuring program (NOK million), rise in bunker costs from 2007 (NOK 111 million), and rise in finance costs (NOK 78 million).

As part of the measures taken to improve the financial situation, the company's extraordinary general meeting on February 20th 2009, resolved to carry out a private placement with the largest shareholders by issuing 313,850,000 new shares in the company. Through the private placement, Hurtigruten was able to raise 313 million in extra share capital. In addition, shares totalling roughly NOK 78 million have also been subscribed in subsequent issues aimed at shareholders, employees, and bondholders who were not invited to participate in the private placement.
Hurtigruten has also negotiated a bridging finance of NOK 300 million with its banks, and a three year instalment holiday for the NOK 3.3 billion syndicate loan, though with possible payments through a cash sweep solution. Further work is being done to ensure a more profitable company by developing programs to further help reduce annual expenses by NOK 150 million with full effect from 2010.

In regards to Hurtigruten’s operations in China, the financial restructuring will not have any impact on the operations in this market. The budget for 2009 has been approved, and the China office will not be affect, at least not in this years operations.\textsuperscript{125}

\textit{Physical resources.}

After the company restructuring, the physical resources has been limited down to only those that are important to the core business. This involves the thirteen vessels used for the Norwegian coast, and two used for explorer cruises. In fact, according to Hurtigruten’s annual report for 2008, the company has the worlds largest fleet of vessels specially tailored for cruising in Polar waters. In addition, Hurtigruten still owns 50 percent of Nor Ilnes AS, which operates 13 freighters along the Norwegian coast. This part of the business is however meant to be sold within a few years.

As for this thesis the authors regard Hurtigruten's ship MS Fram as their most important physical asset. This is the ship that is used for the cruises in both Antarctica and Greenland. It got its name from Norwegian Explorer Fridtjof Nansens' famous ship. Fram is purpose built for sailing in Polar waters, and it is among the newest in the world for this kind of sailings. It can take up to 400 passengers and has attributes like heated outdoor Jacuzzis and a glass-enclosed

\textsuperscript{125} Appendix 1
observation lounge. Its interior has a design inspired by the Arctic and Greenland regions.\textsuperscript{126}

Through its Explorer Cruise business, Hurtigruten also owns the subsidiary Spitsbergen Travel. This part of the company owns and operates hotels, and other tourist facilities. Hurtigruten also owns and operate offices in both Greenland and Argentina to better assist its explorer cruises. In Norway, the company has in addition to its headoffice in Narvik, offices in Tromsø and Finnsnes.

\textbf{7.1.2 Intangible resources}

\textit{Reputation and brand resources}

Hurtigruten is well respected as an international cruise operator. The combination of a century's experience in challenging waters and a high focus on quality and service has given Hurtigruten a strong brand name and god reputation within its industry. In addition to be called the most beautiful sea voyage in the world (the Norwegian Costal Cruise), it has also being named the cruise of a lifetime by reputable Time Magazine.\textsuperscript{127} Hurtigruten has also won many international prizes as a cruise operator. In 2006, Lonely Planet added the Norwegian Coastal Cruise to its highly acknowledged Blue List. Furthermore, in 2007 Hurtigruten won the award for "Best specialist Cruise Company" at the Travel Weekly Globe Awards. And they have two years in a row (2008 and 2009) won the award for Best niche cruise at the British Travel Awards.\textsuperscript{128}

Furthermore, Hurtigruten is a Norwegian company, and Norway has a strong reputation around the world as a seafaring nation, with long experience in rough waters. It is however questionable how this might affect the marketing of the products in China. Hurtigruten is relatively new in this market, and cruise tourism is still in an infant stage. Though, it is likely that this might have a positive effect.

\textsuperscript{126} \url{http://www.hurtigruten.com/Antarctica/Ships/The-Greenland-Ship/MS-Fram/} Date: 2009.06.01 Time: 12:19

\textsuperscript{127} \url{http://www.time.com/time/europe/wonder/hurtigruten.html} Date: 2009.05.11 Time: 09:49

\textsuperscript{128} Hurtigruten ASA Annual Report 2008:10
influence on customers familiar with Norway's reputation as a country with strong maritime traditions.

Logotype
Hurtigruten has a distinct and recognizable logo. It is made up of a red circle with a white H in it. It is clean and simple and clearly stands out from a white background. The logo is used on all the ships, and heavily exposed on the website and other promotional material.

7.1.3 Human resources
Qualifications of personnel
Hurtigruten operates in the service industry where the employees daily interacts with thousands of passengers, therefore it is no understatement that the human resources are of the highest importance to the company and its core business. In fact, in their annual report, Hurtigruten states that the company's workforce is its most important resource and strongest competitive advantage in the work of reaching its strategic goals.

In regards to China, Hurtigruten has as mentioned earlier one employee; Mr. Liu Jie. He is the one that runs all of Hurtigruten’s operations in China. During the interviews with Mr. Liu, it was clear that the amount of work that needed to be done during a regular day is a lot for only one person. Mr Liu stated that he frequently must assists the agents on requests after regular working hours. During the research process, the authors has gotten the impression that Mr. Liu has developed a very good relationships (guanxi) with Hurtigruten’s agents in China, an important element in order to succeed in the Chinese tourism industry. It should however be noted that this connection is on a personal basis, thus should Mr. Liu decide to leave the company, he would take all of the good guanxi with him.
7.2 ACE-analysis

We have used the ACE model to take a closer look at Hurtigruten's attitude and competence towards their internationalization process. Hurtigruten is also present in such markets as Germany, United Kingdom, USA, France, Sweden, and the Benelux countries, Switzerland and Denmark, with great success. For instance, Hurtigruten has based on the annual report of 2008, a market share of 55 percent in the German market. However, we will consider Hurtigruten's attitude and competence for internationalization, for the Chinese market only, in this thesis.

7.2.1 Attitude

To evaluate Hurtigruten's attitude and competence, we will consider their market orientation, risk assessment, cultural understanding and possibility orientation.\textsuperscript{129}

\textit{Market orientation}

As of today, Hurtigruten has only one person in the entire market to conduct agent supervision, agent training, collect information on the competition and market, and also for acting as translator and guide on the different cruises, due to a lack of translated information on board the ship. This is a drawback for Hurtigruten who emphasizes on the need for conducting market analysis. Any company in the process of establishing itself in a new market, is in need of market information in order to build a strong brand value in that market. Another negative aspect became apparent after we asked both Country Manager and Marketing Director for Hurtigruten's Asian, Middle East and European markets, about the need for adaptation of Hurtigruten’s cruises in China. While Country Manager Liu feels that it is essential to adapt the language and food, Marketing Director Lühr, says that they feel that additional adaptation is not very important to the Chinese customers, leading us believe that the communication flow between Mr. Liu and Mr. Lühr could be improved. Mr. Liu tells us how he is currently gathering information about the competitors in the market, through the agents selling

\textsuperscript{129} Solberg 2006; 144
Bachelor in International Marketing Fudan University

Hurtigruten's services in the Chinese market. Because these agents also sell the services of Hurtigruten's competitors and Mr. Liu enjoys a good relationship (read: Guanxi) with the same agents, keeping a close eye on the competitors is not a problem.

Risk assessment
When Hurtigruten decided to establish themselves in China, they chose to establish a Representative’s Office, this is an economically efficient strategy, and fits well with their particular kind of service offering. This allowed the company to enter the market fast with a lowered risk in case their efforts showed little promise. However, there have been no large investments, this shows that Hurtigruten has a moderate degree of risk avoidance, which they should considering the company’s limited recourses. (The authors have not been given permission to print the exact figures)

Cultural understanding
When asked about their experiences with the Chinese business culture, Mr. Lühr tells us he has eight (8) years of experience with conducting business in China. Moreover he says they have made good contacts with professional and reliable agents through Innovation Norway. In addition, Hurtigruten has been very fortunate in securing a committed Country Manager who has good knowledge about the industry. Even though, the authors experienced some contradictions during our interviews with Country Manager, Marketing Director and the agents, all agree on the need for adaption to the Chinese market.

Possibility orientation
Mr. Gao, Hurtigruten's agent in the Shanghai market has taken the initiative for developing the very first “green cruise” of Hurtigruten, which will have its maiden voyage in June of 2009, in Greenland. Mr. Liu tells us in his follow-up

130 General term used by the authors to describe a cruise with an enviromental freindly focus.
interview, that he is focused on Hurtigruten's ability to offer new services, and that this is most important in the Guangdong market, where the customers are particularly interested in the latest trends. Further he claims that being the first to offer a new service and being innovative is important for the future of Hurtigruten's image on the Chinese market.131

7.2.2 Competence

According to Solberg (2006), a firm has to conduct market analysis, manage their relationships with international partners, have a customer oriented product policy and be able to charge a high price for their products in order to succeed in an international market.132

Market Analysis

Hurtigruten has not yet conducted any market analysis regarding the size of the Chinese market. The fact that China is an immature market,133 and Hurtigruten’s products target a niche market, makes it more difficult to obtain correct information of market size and market share. Still, this is a growing market, and Hurtigruten seems to have an insight of its potential. The Marketing Director has an optimistic attitude towards the future of the Chinese market.

Relationship with international partners

The Country Manager in China, Mr. Liu, works in close cooperation with Hurtigruten’s agents in China. The frequent contact gives him a greater opportunity for being more market oriented, and updated on trends in the market. Since Hurtigruten’s agents promote and sell products from competing companies,

131 Appendix 3 (kan vi legge litt mere vekt på dette I interview teksten)
132 Solberg 2006; 144
Bachelor in International Marketing Fudan University

the authors feel it is of great importance to maintain a good relationship with the agents in order to succeed in the market.

One other important aspect is the contact and communication between the Chinese- and the Norwegian office. Mr. Olav Lühr has been in China two (2) times this year, both in March and in April, participating on conferences and work-shops were Hurtigruten and other Scandinavian companies have attended.

High Price
Hurtigruten manage to charge a premium price for their products. Researching the web pages to Hurtigruten’s competitors, the authors found that Hurtigruten’s products are of the highest in the market. Mr. Liu has, thanks to his good connections, convinced the agents that Hurtigruten has unique products, and because of this they can charge a higher price.\footnote{Appendix 4&5}

Customer oriented product policy
Through Hurtigruten’s web page and information from the agents, Hurtigruten promises the customer unique nature experiences combined with lectures and learning about the destination.\footnote{http://hurtigruten.com/Antarctica/} To the English speaking customers, the authors believe Hurtigruten is providing what they promise, however this is not true for the Chinese speaking customers. Due to a lack of Chinese translations, they are not given the promised information.

7.2.3 Embodiment
In order to succeed internationally, a company has to have internal support and involvement to the internationalization process. The most successful companies

\footnote{http://hurtigruten.com/Antarctica/ Date: 2009.05.14 Time: 15:19}
think of the whole world as their market, rather than their home market as the most important.\textsuperscript{136}

Hurtigruten has today agents in Africa, Asia, Australia and New Zealand, Europe, Eastern Europe, Middle East, USA, Canada and South America.\textsuperscript{137} This indicates that the Norwegian management believes that they have potential to succeed in an international market, and that they are interested in new markets and attracting foreign customers. The authors therefore believe the internationalization process has support in the Norwegian management. The internal involvement towards seeking new markets seems to be high. When they had to make cuts, they chose to sell off all activities not related to their core competence, instead of cutting in the use of recourses on the international markets.

\textsuperscript{136} Solberg 2006; 144
8. External analysis

8.1 Porters five forces

Michael Porter’s five forces is a framework that the authors use to analyze the competition and profitability in the cruise industry, and how this is affected based on findings related to the five forces.\textsuperscript{138} The threat from the five forces effect Hurtigruten’s opportunity to succeed in the Chinese market.

8.1.1 Established competitors

The competitor arena is where Hurtigruten and its competitors are located today. The aim is to get a better view of the rivalry among the existing competitors in the market.

There is heavy competition in the cruise industry in China today. This industry includes a lot of western cruise line companies like; Royal Caribbean, Princess cruises and Norwegian cruise lines, to name a few. These cruise lines offer cruises with destinations all over the world, calling at ports in numerous countries. Moreover, there are quite a few Chinese cruise line companies as well, offering cruises within China main land and to neighbouring countries like Japan and Korea. Examples of such cruise lines are; The President Cruise line, China Dragon Cruises and East Royal Cruise.\textsuperscript{139}

The cruises Hurtigruten offer belong to a \textit{niche market}, because these tours focus on one specific destination, namely Greenland and Antarctica. They offer customers exploration in icy waters, going ashore on the Antarctic continent and experiencing a close encounter with penguins, seals and sea-lions. In addition, they focus on educating their customers about Arctic destinations, the history, and wildlife. This niche can be described as a strategic group in the competitive arena in the \textit{Five Forces Model} of Michael Porter. While there are a lot of cruise lines

\textsuperscript{138} Grant 2006; 71
\textsuperscript{139} http://www.chinaspringtour.com/cruise2/ship1.jsp?id=1283 Date: 2009.05.11 Time: 19:11
that offer Antarctica or Greenland as one of several ports of call, only Quark, Silversea and Hurtigruten is present in China today offering these destinations as specialized cruises.

Hurtigruten’s main competitors in China at present are;

Quark Expedition
The American based Quark is specialized in adventure expeditions and they have several voyages to Antarctica. The customer can choose from three (3) different ships, all of them are smaller, and less luxurious, than Hurtigruten’s ship. On Quark’s website the voyages are promoted as active vacations, with the possibility to experience a unique wildlife. Just As Hurtigruten, Quark’s expeditions provide education programs on board, lecturing on different topics regarding the history and the environment in Antarctica.

In addition to several other languages, Quark’s website is also translated to Chinese, where they provide potential customers with much information about the voyage and activities on board. Furthermore, they highlight the risk of travelling to exotic destinations; “...participation in the tour arranged at the request of the passenger by Quark Expeditions may involve risk and potential exposure to injury and possibly death.” Former customers also have the opportunity to state their opinion of voyages they have attended, giving potentially new customers reviews from the different expeditions.

Quark offers three (3) different voyages to Greenland, where all of them are included in an Arctic expedition package, visiting different Arctic countries. This expedition is accomplished by a former polar and oceanographic research-ship.

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140 http://translate.google.com/translate?hl=no&langpair=zh-CN|no&u=http://travel.sina.com.cn/news/2009-02-24/091064224.shtml&prev=/translate_s%3Fhl%3Dno%26q%3Dantarctica%2Bcruises%26sl%3Dno%26tl%3Dzh-CN Date: 2009.05.04 Time: 14:05
141 http://www.quarkexpeditions.com/antarctic/antarctic-expeditions 2009.05.04
142 http://www.quarkexpeditions.com/antarctic/terms-and-conditions 2009.05.04
With this ship, carrying approximately 50 guests, Quark is selling the customers an expedition, rather than a luxurious cruise, in Arctic waters. At present, Quark is the only main competitor of Hurtigruten who has a web page translated in to Chinese.

**Silversea Cruise**

The Italian Silversea cruise line offers several cruises to Antarctica, both varying in route and length. They travel with a relatively small, but luxurious vessel, carrying approximately 130 passengers. According to their English website, Silversea promises the customers a travel to a unique part of the world. Silversea use endorsements as part of their marketing strategy, where you can follow in the footsteps of brave explorers like Roald Amundsen, James Weddell, James Clark Ross, and Ernest Shackleton. Furthermore, you are able to follow the last expedition day by day, reading an online journal written by the guests onboard.

According to Silversea’s website and 2009-10 voyage calendar, they do not have any explorer cruises to Greenland. Travelling to Greenland with Silversea is only part of a package, visiting other Scandinavian countries. The authors found it difficult to find information regarding the Greenland destination on their website, and came to the conclusion that Silversea does not give this destination the same attention as Hurtigruten does.

The authors found that the intensity of rivalry is different between the two destinations. At the Antarctica cruise, Hurtigruten has fewer competitors. There are several ships travelling to the area, but not of the same size and not with companies targeting the Chinese customers in particular. Hurtigruten seems to offer one of the most expensive voyages to the area, and provides a more

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143 [http://www.quarkexpeditions.com/arctic/spitsbergen-eastern-greenland-iceland/overview](http://www.quarkexpeditions.com/arctic/spitsbergen-eastern-greenland-iceland/overview) 2009.05.04


146 [http://www.coolantarctica.com/Travel/antarctica_travel_home.htm](http://www.coolantarctica.com/Travel/antarctica_travel_home.htm) 2009.05.05
luxurious trip. The competition at this destination could change. At present, there are other companies offering voyages to Antarctica, to customers in other countries than China. If these should choose to target the Chinese market, and adapt parts of their product to the Chinese preferences, the competition will get tougher.

At Greenland, the rivalry among the competitors seems to be harder. There are several other cruise companies providing similar voyages, both solely to Greenland and as part of a package. Moreover, the authors see that the price differences between the competitors are smaller, and the competitors try to diversify themselves by offering different excursions from the ships.

8.1.2 Threats of new entrants

As mentioned, there are many companies today offering trips to Antarctica and Greenland. However, searching through the webpage of companies operating in these areas, the authors found a limited number who compete in the same level of luxury as Hurtigruten. Building ships of the same size, with the same luxury standard and comfort, and with the same safety features demands a substantial amount of capital. It is less likely that someone outside the industry would build ships in order to compete in Antarctica and Greenland, at least not in the same category as Hurtigruten. The ship used by Hurtigruten in Antarctica and Greenland, Ms Fram, cost when it was built about 600 million NOK, or about 570 million RMB as of 04.06.09. According to Grant (2008), "the capital cost of getting established in an industry can be so large as to discourage all but the largest companies", as is the case with Hurtigruten. The authors see the cruise line company Abercombi and Kent as possible threat. This company offers a similar product to Hurtigruten, with a focus on luxury and knowledge, however they are not present in the Chinese market today.

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147 http://www.visitgreenland.dk/media(2519,1030)/Anloeb_09apr2009.pdf 2009.05.05
148 http://www.aftenposten.no/forbruker/article1522940.ece Date: 2009.04.18 Time: 19:07
Product differentiation barrier

Furthermore, Porter mentions product differentiation as another barrier of entry. By that he means that established firms in an industry possess the advantage of brand recognition and customer loyalty. Hurtigruten have a strong brand that enjoys high recognition within these types of cruises. A competitor that tries to enter this market will not enjoy the same recognition. The case is however somewhat different if one of the major cruise lines in the world, who is currently not in Antarctica or Greenland, decides to enter this market. They would most likely be able to draw a big customer base, based on their stronger brand value and recognition.

Barrier of qualified personnel

Another barrier of entering the market Hurtigruten is operating in, is to find people qualified to work under the special conditions. I.e. captains that have experience sailing in icy waters. According to the International Maritime Organization, they do not, at present, have formal competency training requirements for ice navigators working in Antarctica and Arctic waters. However, INSEA, the institute of Sustainable Activities at Sea, is one organization that provides staff members working in Antarctic and Arctic areas with useful training courses. Giving the staff information of the latest legal terms, local requirements, and the latest news from ATCM (Antarctic Treaty Consultative Meeting) and Arctic law.

Based on these findings the authors consider the treat of new entrants as moderate to low.

149 Grant 2008; 75
150 http://www.csmonitor.com/2009/0420/p06s08-wogn.html Date: 2009.05.11 Time: 16:37
151 http://www.inasea.de/mediapool/42/427153/data/Staff_Flyer09.pdf Date: 2009.05.10 Time: 11:11
8.1.3 Suppliers

As we are speaking of a service within the Cruise industry, there are several minor suppliers that take a part to deliver what is needed for a cruise ship to be fully operational in the arctic environment. That being fuel deliverance, food and beverages and permission to land to a specific dock. After an interview with Olav Lühr, the authors received information that Hurtigruten in cooperation with several Hotel chains in Norway, are being provided with food and beverage from the same supplier. Hence, Hurtigruten has got a strong bargaining power. Hurtigruten needs to go through specific docks in order to get on with their cruises. Being able to go through a dock one needs permission and must pay a certain fee to do so. Olav Lühr stated that the dock price is a high cost for Hurtigruten. However, the authors do not know the exact price. Furthermore, this also applies to the fuel prices. The price of oil, is basically decided of the worlds demand after it, therefore, one supplier does not have the bargaining power to significantly increase its oil prices. Ushuaia, the world most southern city is by far the most convenient dock for a cruise line company who is sailing to Antarctica, therefore this is the dock where basically all the arctic cruises starts from. This puts Ushuaia in a great bargaining position. They have the advantage of a critical resource that gives them a strong bargaining power, hence an incentive to push the dock permission price up for the Cruise lines coming through. However, we do not believe this is one major critical factor. Ushuaia might charge a higher price than many other docks in the world due to its unique location, but there is no reason to believe that the city will take this to its advantage and push the dock prices sky high as they could lose visiting ships and tourism that are an important part of their economy.

In Greenland the cruise ships dock to several ports along the country, but neither of them are uniquely located as Ushuaia, so there are no presumptions that any of these docks have much of a strong bargaining power in this case.

152 Appendix 13
153 Appendix 13
Date: 2009.05.10 Time: 13:45
**Agents**

The only critical supplier element for Hurtigruten could be their 7 agents that promote and sell their explorer products in the Chinese market. Without them, Hurtigruten is obviously helpless in China. In addition, the switching cost of agents is believed to be rather high, due to the criteria’s used for selecting the agents.\(^{155}\) This selection is time consuming, and the authors believe it is also time consuming to educate the agents. These agents also sell similar products offered by Hurtigruten’s main competitors. This could potentially be used as a bargaining trick by the agents – who do not need Hurtigruten as much as Hurtigruten needs them.

Based on these factors the authors see that there are not any particularly strong suppliers that could affect the business for Hurtigruten in Greenland or in Antarctica, besides the sales agents in China.

8.1.4 **Customers**

According to Grant (2008) the companies in an industry operate in to types of market; in the market for inputs and the market for outputs. The market for inputs is all the elements that are needed to deliver a product, whilst the market for outputs is the customers who buy the products.

In regards to the output market, there are mainly two elements that influence the buying power Hurtigruten face from their customer: buyer’s price sensitivity and relative bargaining power. How sensitive the buyers are to the price charged depends on a number of factors, among them the overall economic situation, how easy it is to switch to similar products and the relative importance of the product.

The customers in this analysis is the Chinese explorer cruise tourist. According to Grant (2008) there are several factors that affect a customer bargaining power.

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\(^{155}\) Appendix 2
Importance of the product

We believe the products Hurtigruten offers have a high level of importance for the potential customers. The argument for our believes, is due to the high costs for a single ticket, the luxuriously element to it, and the uniqueness of sailing far away to the arctic’s. Furthermore, a cruise to the Antarctica or Greenland is what we can call a high involvement product, due to its price level and complexity, which means that consumers put in a great deal of effort in the purchase process, that makes it an important product for the potential customer. Furthermore, the product Hurtigruten offers is a niche product, which makes it even more unique and special for the target group.

The differentiation of the product

As already mentioned, there are several ships sailing to the arctic area, but not of the same size and not with companies targeting the Chinese customers in particular. Hurtigruten seems to offer one of the most expensive voyages to the area, and provides a more luxurious trip. However, besides how the ship looks, most of the tour packages offered by Hurtigruten’s biggest competitors are the same.

Switching costs

Hurtigruten is obviously in the tourism industry, targeting end – consumers, they (the tourist) will not suffer a financial loss if they choose to switch to another cruise operator that offer similar products, hence low switching costs.

Size and concentration of buyers relative to suppliers

After statistics from the Antarctica Association, there were 264 Chinese tourists that made a landfall in Antarctica in 2008. That is not a huge number in a

156 http://www.coolantarctica.com/Travel/antarctica_travel_home.htm Date: 2009.05.05 Time: 15:31

157 http://www.iaato.org/tourism_stats.html Date: 2009.05.19 Time: 13:50
country of 1.3 billion people. Furthermore, 264 tourists divided on the 3 relatively big cruise line operators that provide tours to Antarctica, we can quite certain state that the concentration of buyers is relatively small. As earlier mentioned, we don't have any statistics on Greenland, but there are no indications that Greenland achieves more Chinese tourists than Antarctica.

The agents have a relatively small numbers of customers for Hurtigruten's products. Altogether, the authors believe that Hurtigruten’s target group has a limited bargaining power. This is mostly due to the fact that Hurtigruten offers a travelling product within the niche market, where it for the moment exist a limited amount of suppliers targeting Chinese tourists. Secondly, the target group has in general a high purchasing power. It is still rare to visit arctic destinations, and this kind of voyage gives status which is important for high end Chinese customers. In addition, we expect that the Chinese explorer tourists have a high motivation to visit these regions, these elements combined might give what we call low price sensitivity for this target group.

8.1.5 Substitutes

At first sight one might assume that a tour to Antarctica and Greenland is such a controversial choice that nothing could really substitute these two traveling products, but if we take a further look into what unique travel products that are being sold by cruise operators around the world, we see a somewhat different picture.

There are several cruises to Alaska, Canada, Iceland, Svalbard and Russia, that all offer much of the same attributes as Greenland and Antarctica. Bringing their guests to remote destinations, that offers spectacular and wild nature in the polar

158 Appendix 3 & 5
159 Appendix 9
It is realistic to assume that all of these destinations are potential substitutes to Greenland and Antarctica.

Trips to Antarctica and Greenland are targeted towards a high end segment with an extensive purchase power, the motivation to visit for example Antarctica, and only that place, might be so great that an increase in price does not really effect the decision to go, and based on the strong willingness to go there. Because of this, the Antarctica product might have what we call a fast falling price elasticity, which means that an increase in price will not affect the sales volume a lot, in other words, the product is not very price sensitive.

Greenland offers much of the same wild nature as Antarctica, but due to its location between America and Europe, a journey to Greenland is easer accessible. A trip to Greenland is adventurous, but might not be as adventurous as going all the way down to the South Pole, far away from civilization.

The authors regard that the Greenland cruise could be substituted by similar product such as Alaska, Russia and Svalbard. There are no cruises that can directly compete with the uniqueness of Antarctica. Based on this the authors believe the threat from substitutes is high for the Greenland product, and quite low for the Antarctica product.

8.2 PESTEL-analysis

PESTEL-analysis is used by the authors to analyze the external factor that may have an effect on Hurtigruten’s business in China.

160 http://www.search2cruise.com/cruise-area-list-ARCTIC.html Date: 2009.05.11 Time: 15:23
8.2.1 Political Factors

China has been through a massive change since Deng Xiaoping came to power in 1978. Several liberal reforms that were much needed for the chaotic and poor China took place in the years after. The political implementations have been successful, China is still governed by the Communist Party, a party with absolute rule and dominance in China. The politically situation is however stable in China, which is why foreign investors have favored China as an investment destination in the world the last two-three (2-3) decades.

China joined the World Trade Organization in 2001. As a result of the negotiations China agreed to undertake a series of important commitments. They had to open and liberalize its regime, in order to offer a more predictable environment for trade and foreign investments in accordance with WTO rules.\textsuperscript{161} China’s membership in the WTO is by no doubt reassuring for foreigners willing to do business in China. However there are still many potential obstacles that can occur in an immature market like China, much because of the political situation. An article from Harvard Business Review highlights some of the political risks. “The combination of political unrest and rapid growth poses risks such as; loss of assets due to land redistribution, widening wealth gaps and major industrial accidents. This volatility, creates a higher uncertainty with regards to potential force sweeping governmental action, such as large-scale social spending or systemic crackdowns, disrupt supply chains, endanger fixed assets and erode investor confidence.”\textsuperscript{162}

There will always be a certain level of political risk when doing business in China, since the market is still very immature compared to western standards. China deals with many social issues and it is never an easy job to anticipate what actions the Communist Party will implement tomorrow or the day after. However, it just

\textsuperscript{161} \url{http://www.wto.org/english/news_e/pres01_e/pr243_e.htm} Date: 2009.04.29 Time: 18:14
\textsuperscript{162} \url{http://hbr.harvardbusiness.org/2006/11/hedging-political-risk-in-china/ar/1} Date: 2009.04.29 Time: 18:53
makes it more important for a company to constantly collect market information and review the situation at all times to reduce the uncertainty to a minimum.

The political attitude towards outbound tourism

Overall, there have been major changes the past years regarding the political view towards outbound tourism. The strongest indicator on that is the unique policy adopted by the Chinese government, Approved Destinations Status (ADS), to control its outbound tourism. Only countries with ADS can be listed as group travel destinations and promote their tourism market in China. In prior to ADS, travelling abroad was only allowed for business purpose and official visits with government approval needed for every single visit. ADS policy was created to account for the growing interest of Chinese citizens in foreign travel and the fast increase in disposable income. One important purpose for this control is to have a control mechanism, on both sides, for China and the host country.

The ADS tells us that there is a political willingness in China to open up and let its citizens travel the world. The current positive trend of outbound tourism from China will most likely keep increasing in the years to come, as the government in China keeps relaxing its passports regulations. That is good news for the travel industry targeting Chinese tourist like Hurtigruten, as it will be a less of a burden to attract Chinese citizen to their different tour packages.

In year 2009, all Chinese residence shares the same rights to apply for a passport that further gives them the privilege to travel overseas, it does not matter where in China you are from, however there still exist several strict requirements for an individual to get a passport in China, leading us over to the next point.\(^\text{163}\)

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\(^{163}\) Appendix 9
Requirements in order to get a Chinese passport

According to Rachel Feng, Professor at the Institute of Tourism in Shanghai\textsuperscript{164}, it is not difficult to apply for a passport anymore, as long as you meet all the requirements that are demanded by the government. The major requirements are as follows; provide an income statement to prove that you can afford to travel abroad. You will also have to provide some of your personal background information, like education level or criminal record. Provide evidence that you are employed, furthermore provide information about when you were hired, the value of your total assets also affects the application.

Acceptance of Chinese Tourists worldwide

There has for long been implied tough visa restriction in many countries towards Chinese tourists. However in 2004, the ADS agreement came into effect allowing Chinese tour groups to visit 29 European nations.\textsuperscript{165} Today there are in total 96 countries and territories that have established this unique (ADS) policy with China.\textsuperscript{166}

The ADS has truly become an essential part for foreign countries to attract Chinese travelers. It is as earlier mentioned a bilateral tourism arrangement between the Chinese Government and a foreign destination. The increased number of countries that have accepted this agreement indicates a significantly more positive attitude towards Chinese tourists as an important source for the tourist industry worldwide. The fact that most of the biggest and wealthiest countries in the world (European countries, America and Australia/New Zealand), have all opened the eyes for Chinese tourists are tremendously, given the fact that most western countries for long had strict regulation on the Chinese traveler, much due to the threat of illegal immigration.

\textsuperscript{164} Appendix 9
\textsuperscript{165} \url{http://news.bbc.co.uk/2/hi/asia-pacific/3617310.stm} Date: 2009.05.02 Time: 20:37
\textsuperscript{166} \url{http://www.chinacontact.org/information/ads.html} Date: 2009.04.29 Time: 15:19
Overall, the ADS is as already mentioned, positive for the world tourist industry that either wants to attract or are already operating with Chinese tourists, and furthermore look at this huge and potential market of over 1 billion customers as very lucrative.

**Politics elements that can lead to limitations for the Chinese traveler**

For companies operating in China it is important to recognize the fact that China is not a democracy, but is controlled by a Communist Party that still runs the country with an iron fist. Furthermore, it is important to realize that a sudden political change can occur if the Communist Party feels it necessary. In worst case scenario for Hurtigruten ASA, China could forbid any outbound travel from China to Argentina or Denmark in the future. As far as we know there is no politically unrest between China and these countries, and we have no indications that there will ever be, however if things comes to worst and the politically relationship between China and these two countries gets bad, it might not be unheard of that the Communist Party would impose strict measures on Chinese tourists going to Argentina.

This would most certainly cause a headache for Hurtigruten since they could no longer fly Chinese tourists to their cruises starting in Argentina. To prove how easily one single episode can cause damage in the relationship between two countries, there is no need to look hard. As an example, we have the Chinese – French episode that happened right before the Olympics in Beijing, where Beijing’s city government told travel agents to stop arranging tours to France. This specific incidence proves how quickly the political situation can change in China. In Hurtigruten case it would be important to be aware of these “potential politically threats” that could arise in the future, and prepare for them to some extend.

**Political attitude towards tourism in the financial crisis**

A publication from the World Tourist Organization confirms the positive attitude the authorities in China currently have regarding outbound tourism as well as
inbound tourism. According to The Chairman of China’s National Tourism Administration, Shao Qiwei affirmed that China’s action to counter the financial crisis would help global tourism. He further says that “policies from both central government and local government to boost consumption will sustain domestic and outbound tourism.” He added that “reviving global tourism needed efforts from all countries and regions. China would contribute its part, with other nations, to help the industry recover.”

8.2.2 Economic Factors

Background

Since opening in 1978, China has had one of the highest rates of sustained economic growth in the world and lifting more than a quarter-billion people out of poverty. During the period of 1981 -2005 as a whole, real GDP grew at the trend rate of 8.3 percent per year. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2008 stood as the second-largest economy in the world after the US, although in per capita terms the country is still lower middle-income.

Is the growth sustainable?

For anyone operating in a developing country, the question of sustainable growth should be taken in consideration. For Hurtigruten’s point of view, operating in the high end segment, it is essential to know whether the economy will continue to grow rapidly. Hence potentially producing a large amount of purchase strong Chinese, or if the economy will reverse.


168 [http://www.worldbank.org/oed](http://www.worldbank.org/oed) Date: 2009.05.05 Time: 19:34


To sustain this rapid growth is a challenging task according to IMF Managing Director Rodrigo De Rato. He believes in order for China to keep up its rapid growth, the country most rebalance the economy. From its current heavy dependence on foreign investment and export, towards consumption, something the authorities agree on. To increase consumption and reduce savings, Chinese household’s need to be reassured of adequate provision of health care, education, and pension. However, the IMF Director seems confident that China will continue on its path to achieve greater economic prosperity.171

The well known Economy Magazine The Economist, also seem to share a positive opinion regarding China’s continued grow, at least on a short term. In the magazine’s latest addition the authors forecasted real GDP in China to grow with an average 7.8 percent the next 4 years, which is impressive due to the current financial crisis. Furthermore, the Economist Intelligence Unit experts anticipate domestic demands to remain strong in 2009 – 13.172

The Financial Crisis in China
According to World Bank China quarterly update (March, 2009) the global and financial crisis intensified in the fall of 2008 and China’s economy has been hit hard by the global crisis, but has been holding up. Although China’s economy growth is set to slow, it is still likely to outgrow most other countries. However, the continued global crisis is bound to sustain China’s growth in 2009 and 2010, especially due to weaker export and market based investment. Both the World Bank and IMF, projects a GDP growth of 6.5 percent in 2009, which is significantly lower than potential growth, but still strong given the global context.173 This is however an significantly downturn in comparison with China’s

13.0 GDP growth in 2007, but in comparison with the rest of the emerging Asian economies, China still leads the way as Asia’s new horsepower.\textsuperscript{174}

\textit{Political measures to sustain domestic demand during the crisis}
China decided in early November to loosen credit conditions, cut taxes and embark on a massive infrastructure spending program in an effort to offset adverse global economic conditions by boosting domestic demand. A stimulus package estimated at 4 trillion RMB (about 570 billion U.S. dollars) will be spent over the next two years. The policies include a comprehensive reform in value-added taxes, which would cut industry costs by 120 billion RMB.\textsuperscript{175} Having a strong domestic demand in China is assuring for the world economy, because of its big impact. For industries selling their products or services to the Chinese market like Hurtigruten, these political decisions could be good news. They can continue to target this potentially lucrative market, while the rest of the world is experience a significant economic decline.

\textit{The Financial Crisis impact on the tourist industry}
The world economy and tourism demands is inseparable, if the world economy booms so will the tourist industry. Tourism demand depends, above all, strongly on the economic conditions in major generating markets. When the economy grows, levels of disposable income will usually also rise. A relative large part of discretionary income will typically be spent on tourism, in particular in the case of emerging economies. A tightening of the economic situation on the other hand, will often result in a decrease or trading down of tourism spending. In general, the growth of international tourism arrivals significantly outpaces growth of economic output as measured in Gross Domestic Product (GDP). In years when the world economic growth exceeds 4 percent, the growth of tourism volume tends to be higher. When the GDP growth falls below 2 percent, tourism growth tends to be

\textsuperscript{174} http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/text.pdf Date: 2009.05.02 Time: 10:39
\textsuperscript{175} http://english.gov.cn/2008-11/09/content_1143763.htm Date: 2009.04.28 Time: 20:06
even lower. In and GDP at 3.5 percent, tourism grew on average 1.3 faster than GDP.  

With an anticipated 1.3 percent decline in the global GDP in 2009, it is fair to believe the global traveling industry will experience a significant decline in activity, and it already has. According to the UNWTO World Tourism Barometer, the slowdown of international tourism since mid – 2008 is being confirmed, reflecting the current slowdown in the world economy. In accordance with previous crisis, travelers tends to travel to destinations closer to home, which means domestic travels is expected to be preferred to long haul travels. Destinations offering value for money and with favorable exchange rates have an advantage as price becomes a key issue. 

However, China seems not to follow this worldwide trend. While the number of western tourist traveling around the world has shrunk substantially, the number of Chinese travelers in the international market increased this year. At the recent opening of the 43rd session of the Berlin Tourism Fair, the organizer announced a report on "World Tourism Trends". It predicted that China's outbound travel will continue to increase in 2009 and China will continue to be a "widely popular" tourist-exporting country.

China's outbound travel increased 14 percent last year, according to a Chinese Official that was interview by Peoples Daily. Another article published by China Daily also confirms the anticipation of an increased outbound tourist trend from China. Dai Bin, the deputy chief of China Tourism Academy says; “Westerners are mostly used to credit consumption. Since most of them don't have much savings, the credit crunch has forced them to drop their travel plans, but Chinese people are used to saving for emergencies, so people can still use money one travel". Another essential factor which could make outbound travel more

178 http://english.peopledaily.com.cn/90001/90782/92900/6642363.html Date: 2009.05.02 Time: 17:13
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attractive for Chinese in these financial times, is the significant appreciation of the Chinese currency RMB compare to US dollars, Euro and several other currencies in the world. Due to this, traveling to the US or Europe has become a lot more affordable for the middle class, making the tour packages cheaper and more attractive. As for Hurtigruten, this could be a good time to get an even stronger foothold in China, as this market has increased its potential value for outbound tourism, given the current situation.

The Currency Exchange Rate

The RMB has already appreciated quite significantly since the government abandoned the fixed peg in 2005 – in that time, it has risen about 21 per cent against the dollar. And as the RMB trades in a tight range against the dollar, it has appreciated substantially in recent months against most other currencies, including the euro, on the back of the dollar’s surge.

8.2.3 Social Factors

Guanxi

“The Chinese term for relationship is “guanxi”, one of the most important cultural traits of the Chinese people. The term “guanxi” may be better translated as personal contacts” or “personal connections”. “Guanxi” can also be understood as “reciprocal obligation”, i.e. “a special relationship individual has with each other in which each can make unlimited demand on the other”, “friendship with implications of a continual exchange of favors”, or “the


180 http://www.ft.com/cms/s/0/b6dbac38-1d95-11de-9eb3-00144feabdc0.html Date: 2009.05.12 Time: 22:00
establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transactions”\textsuperscript{181}

If you are a Westerner you will prosper from building a guanxi network, doing business in China without guanxi tends to be harder and more expensive than without. The business relationship is to be considered as something reaching beyond a formal relation. You are expected to maintain the relationship outside business hours.\textsuperscript{182} The importance of guanxi cannot be over-emphasized when doing business in this culture, the Chinese believe that the relationship is not only between the businesses but also between individuals on a personal level. Translating guanxi, it refers to friendship, bond or trust originating from a previous dealing with each other. When you have established guanxi with a Chinese partner, he has accepted you and is willing to introduce you to his network of friends. You should accordingly conduct moral integrity and not abuse this partner’s reputable name and if you only contact this partner when you need him or her, you will not be respected.\textsuperscript{183}

As for Hurtigruten, it is important to be aware of this cultural element in the Chinese business environment, since it gives valuable indications on how Chinese do business between themselves. Furthermore, how foreigners are expected to adapt to the same rules if they want to achieve success in the Chinese market. Mr. Liu, the Country Manager is the only link between Hurtigruten in Norway and the sales agents that promotes Hurtigruten’s products in the Chinese market. As earlier mentioned, a big part of Mr. Liu’s job is to maintain the relationship with the agents. If Mr. Liu is not given enough resources or time to handle this job, and maintain the relationship with the agents, it is reasonable to believe that this can affect Hurtigruten’s total sales volume in China.

\textsuperscript{181} \url{http://www.chinesefolkculture.com/Info_View.asp?id=6096} Date: 12.01.2009 Time: 13.42

\textsuperscript{182} Lee 2007; 78

\textsuperscript{183} Lee 2007; 78
Consumer behavior in China

As for Hurtigruten, an important factor to be aware of is that the consumer behavior in terms of age, differs significantly in contrast to the Western world. There are two (2) aspects of China’s emerging middle class that are already particularly notable. First, it will be, compared with most developed markets, unusually young. If ones looks at other more developed countries, their highest earners tend to be middle aged. Take the United States for example, there the income generally peaks between the ages of 45 to 54.9. “Since higher paying jobs on average require a higher level of education and training than what older generations have obtained, the Chinese government currently makes substantial investments in a higher education for the younger cohorts.” Which in turn means that the countries wealthiest consumers will be from 25 to 44 years old.

Secondly, people born before 1960 felt the impact of the Cultural Revolution – many missed out on a decent education and are now unable to participate meaningfully in the economic boom around them. Shaped by their harsh experiences, they hang on to a conservative view of life. While there are exceptions, generally speaking these relatively older people have neither the means nor the mindset to indulge in luxury goods. However, exactly the reverse holds true for the younger generation, for whom recent years have been a time of untold opportunities. They have more money in their pockets and are extremely optimistic about the future. Moreover, luxury goods or services should target a relatively young age group: 25 -35 as the main segment. Rachel Feng confirms this trend, in our interview. She further elaborated on the contrast between the young and the elderly consumer behavior in the West, in contradiction to China. While older people in the West that have been saving money for their whole life, might now like to spend some of those money on themselves, this is not the case in China. There the elders have been saving money as well, but not for themselves, but for their children, a traditional behavior in China. As for Hurtigruten, she further points out that old people would not directly be our main

http://www.mckinseyquarterly.com/The_value_of_Chinas_emerging_middle_class_1798 Date: 2009.05.11 Time: 13:12
Status obsessed China

"In today's China luxury brands perform the necessary task of unmistakably marking you out as someone who has made it. You are no longer a faceless statistic, you are an individual with a success story." 186

The authors Chadha and Husband comment on the underlying reasons behind the huge hunger for consumption of high-end luxury brands in China; "Taste is not part of the equation - conspicuous consumption is an end in it self. The more you spend and the more you flash the cash, the higher your status in society." 187 In comparison to many Western cultures, were over-flaunting and obviousness of new money is frowned upon. There are no social norms or unspoken rules on what is appropriate spending behavior in China. 188 Because in China, all money is in fact new money.

According to Rachel Feng, the obsession with status can be linked to the travel industry as well. As an example, rich and experienced Chinese travelers tend to prefer to visit “special destinations”, in that sense that the destinations are expensive and out of reach for the average Chinese tourist. Rachel further mentions that China is a country of hierarchy, and so naturally there is a hierarchy within travel. For the Chinese tourist it is important to show his or hers status, and by taking an expensive and untraditional cruise like Hurtigruten, you will show where you stand in the hierarchy. 189

185 Appendix 9
186 Chadha et al 2007; 139
187 Chadha et al 2007; 144
188 Chadha et al 2007; 144
189 Appendix 9
The middle class in China

The middle class is a growing group in China and that signalize a healthy economy. In the industrialized economies, the middle class makes out the biggest social group and are literally the engine that fuels the economy with their strong purchase power, creating a healthy and sustainable demand in the economy. There are many ways to describe the middle class in China, however according to Henning Kristoffersen (2008); the Chinese middle class can be generalized as the Chinese man or woman that can purchase products or services as easy as a Norwegian man or woman in Norway.¹⁹⁰ In other words, the middle class is mainly referred to a group of people that have a stable income who are capable of purchasing private houses and cars, and can afford the cost of education and holidays. As for a developing country like China, knowing the size of the middle class can give Hurtigruten valuable information, as it gives the big picture of the shape or the health in the economy as already mentioned.

According to the Chinese National bureau of Statistics, they expected the middle class to increase to the amount of 25 per cent in 2010, indicating 57 million households with 170 million people will be classified as middle class. Five categories of people are expected to represent the new middle class: entrepreneurs in high-tech companies; managerial staff working in foreign firms in China; middle and high-level managerial staff in State-owned financial institutions; professional technicians in various fields especially in intermediary firms; and some self-employed private entrepreneurs.¹⁹¹ The French bank BNP Paribas Peregrine estimated that the number of "middle class" households in China stood at 50 million in 2002, with each having an annual average income of 75,000 RMB (US$9,068) and assets of 310,000 RMB (US$37,485). The figure is expected to

¹⁹⁰ Kristoffersen 2008; 61

¹⁹¹ http://english.peopledaily.com.cn/200410/27/eng20041027_161762.html Date: 2009.05.03 Time: 16:49
rise to 100 million in 2010, with each household having an annual average income of 150,000 RMB (US$18,137) and assets of 620,000 RMB (US$74,969).\footnote{\url{http://english.peopledaily.com.cn/200410/27/eng20041027_161762.html} Date: 2009.05.11 Time: 21:47}

*The cream of superrich*

According to the China rich list by Rubert Hoogewerf, the cream consist of 400 superrich with a combined wealth of US 75 billion, equivalent to 7 percent of China’s GDP in 2004. Moreover, not quit in the same league, but another 320 000 Chinese is estimated to have financial assets in excess of US 1 million, over and above of what they may have in hard assets. Needless to say, each one is a potential luxury gourmand.\footnote{Chadha et al 2007; 140}

8.2.4 Technological Factors

*Internet trends in China*

There is an ongoing trend in the world where online shopping or the usage of Internet as an information resource has become increasingly more important in the daily life of the ordinary man and woman. In China, these trends follows the same pattern, but according to authorized government portal site; China Internet Information Center, the present scale of pay – per click search services remains relatively mute, at only about one – tenth strength of China. From another perspective, this also reflects the fact that the Chinese e – commerce market remains at the very early stages, and these numbers also reveal the enormous potential offered by the search market.\footnote{\url{http://www.china.org.cn/english/China/233128.htm} Date: 2009.05.02 Time: 09:34}

According to the iResearch data which track the visitor counts of search engines in China during the first three months of this year, Baidu captured 66.7 percent of the market share, followed by Google and Yahoo, the latter two collectively accounting for 24 percent. This, to some extent, reflects the competitive status of
China’s search market. Baidu is today the leading web portal operation in the eastern hemisphere, and, quite clearly, its rapid growth has impressed the capital market.195

In July 2008, The New York Times could report that China had surpassed the United States in number of internet users. That means that China is the country with the largest number of people online, a staggering 250 million users. By contrast, the U.S. has 220 million users. According to the same article, the internet is clearly dominated by the younger generation. As much as 70 percent of internet users are 30 or younger. The number of Chinese online users is growing very fast, and so it has also become increasingly more attractive to advertisers. Online advertising in China is now growing by as much as 60 to 70 percent a year, and it will soon be a $1.7 billion market.196 For Hurtigruten’s point of view, these facts give several new marketing opportunities. The increasing amount of Chinese web users means that there has been created a new and unique way to approach potential customers. However, if Hurtigruten does not pay attention to these changes, but the main competitors do, Hurtigruten might experience a decline in Chinese tourism in the future. A Hurtigruten webpage in Chinese would be a good start to adapt to these changes.

8.2.5 Environmental Factors

Climate Change and Tourism

“The world community has charged the United Nations with framing a strategic response to the challenge of climate change, coherent with the Millennium Development Goals. The Davos Declaration is our commitment that Tourism will be at the leading edge of the global response to climate change.” (Francesco Frangialli Secretary – General)

195 http://www.china.org.cn/english/China/233128.htm Date: 2009.05.02 Time: 13:59
One of the hottest topics for the travel industry today is the global climate changes and the impact these changes will have on the world and the traveling industry in the time to come. There is a growing international awareness about the fast pace of climate changes taking place on our planet. The impacts that such changes are having on the natural environment, on humans, and the economic activities, have become evident. For the tourism industry, climate change is not a piece of new information. This is a phenomenon that already affects the sector and certain destinations in particular, mountain regions and coastal destinations among others. Climate is an essential element for tourism and especially for the beach, nature and winter sport tourism segments. Changing climate and weather patterns at tourist destinations can significantly affect the tourist comfort and their travel decisions. Changing demand patterns and tourist flows will have impacts on tourism businesses and host communities, as well as domino effects on related sectors, such as agriculture, handicrafts or construction.

There is now a wide recognition of the urgent need for the tourism industry, national governments and international organizations, to develop and implement strategies to face the changing climate conditions. Furthermore, taking preventive actions for future effects, as well as reducing tourism’s environmental impacts is necessary. 197

The Polar areas
The Polar Regions are feeling the full heat of global warming as these regions are warming faster than scientist predicted they would. The polar region that is especially melting rapidly, is the western Antarctica. According to a survey done by British Natural Environment Research Council, they claim that large changes have occurred in the ice of the Peninsula. Many glaciers have retracted and around 10 ice shelves that formerly fringed the Peninsula have been observed to retract in recent years, and some have collapsed completely. Furthermore, 87% of glaciers

along the west coast of the Antarctic Peninsula have retracted in the last 50 years, and in the last 12 years have accelerated.\textsuperscript{198}

Over the past few decades, the annual average arctic temperature has increased at almost twice the rate of the rest of the world. Without changes in global emission patterns, climate change is expected to accelerate in the Arctic in this century, contributing to major physical, ecological, social and economic changes.\textsuperscript{199}

Significant natural hazards have already started; the global warming has yield glacial earthquakes in polar areas. Seismologists at Harvard University and Columbia University have found an unexpected increase of global warming: "glacial earthquakes" in which Manhattan-sized glaciers broken lose unexpectedly, yielding temblors up to a magnitude of 5.1 on the moment-magnitude scale, which is similar to the Richter scale. In Greenland glacial earthquakes have doubled in numbers since 2002.\textsuperscript{200} It is also expected to see more extreme weather in these areas as well.

\textit{Tourism in the Polar Areas}

Global warming has given rise to a new niche in tourism: ‘climate tourists’. As icecaps are melting and coral reefs are vanishing, people are rushing to see the natural wonders of the world in increasing numbers -- afraid to miss out on the disappearing beauty of towering glaciers, rugged snow-covered mountains and icebergs. The new found eco-consciousness has caused a surge in eco-tourism, particularly to the Antarctic.\textsuperscript{201} The increased tourist activities in the vulnerable polar areas, in particular tourism to Antarctica have been criticized by many. The Obama Administration recently called for enhanced protection of the Earth’s Polar Regions, proposing mandatory limits on Antarctic tourism. Moreover on the

\textsuperscript{198} \url{http://www.antarctica.ac.uk/bas_research/our_views/climate_change.php} Date: 2009.05.05 Time: 16:45
\textsuperscript{199} \url{http://www.norway.go.ug/Development/climate/climate+-+polar.htm} Date: 2009.05.05 Time: 15:34
\textsuperscript{200} \url{http://www.news.harvard.edu/gazette/daily/2006/03/23-glacial.html} Date: 2009.05.05 Time: 15:35
\textsuperscript{201} \url{http://www.un.org/works/sub3.asp?lang=en&id=36} Date: 2009.05.03 Time: 16:18
Antarctic Treaty conference, Hillary Clinton said the recent collapse of an Antarctic ice bridge was a strong reminder that the poles were gravely threatened by climate change and human activity.\(^\text{202}\)

However, the Antarctic is not a country and therefore there is no single nation that has the right to claim governance of it. This makes it a challenge to protect the South Pole from any tourism restrictions. There was established an Antarctic Treaty in 1959. Its main goals are to create a region of peace and cooperation, and to deal with the issue relating to claims of sovereignty. There are currently 47 countries that have signed up for the Treaty.\(^\text{203}\) Among several aspects the Antarctic Treaty controls are as followed; Scientific cooperation, protection of the Antarctic environment, designation and management of protected areas, management of tourism. The treaty parties have put in place rules relating to specific issues. The development of these agreements has allowed the implementation of, with greater precision, and legally binding provisions for the regulation of activities in Antarctica. Apart from the legal instruments and measures outlined above, a number of specialized bodies assist the Treaty parties in the conduct of their work. Specific tasks may be directed to these bodies, or they may be invited to provide observers or experts to participate in Treaty forums. The International Association of Antarctic Tour Operators is an industry body representing the interests of the growing tourist trade in Antarctica and they have already implemented several regulations for visiting cruise ships and other tour operators on the Antarctica.\(^\text{204}\) It is not unlikely that these associations might enforce strict regulations on tourism in the future, based on the escalated concern over the vulnerable environment in Antarctica.


\(^{203}\) [http://www.ats.aq/index_e.htm](http://www.ats.aq/index_e.htm) Date: 2009.05.02 Time: 12:32

\(^{204}\) [http://www.antarctica.ac.uk//about_antarctica/geopolitical/treaty/explained.php](http://www.antarctica.ac.uk//about_antarctica/geopolitical/treaty/explained.php) Date: 2009.05.04 Time: 20:12
What is China’s opinion?

The Chinese government has warned its citizens to "think carefully before signing up for a trip to Antarctica." China currently has no regulations about Antarctic tourism, but the government has been drafting a regulation on tourist activities, including tourism in the Antarctica, but it is not known when the regulation will be issued. The main reason to tighten control over commercial tours to this region is due to environmental protection. It is said that the regulation would be drafted in accordance with the Antarctic Treaty, which requires its members to administrate tours to Antarctica and bans any activities that may harm the ecological system of the region.205

8.2.6 Legal Factors

China has become an important economic force that can no longer be ignored. Indeed, for many companies, it is no longer a question of “if China”, but “when China”. Unfortunately many fail to ask the question: “How China” 206 We will here try to illustrate the most essential legal factors that are important for Hurtigruten to know about, when they are doing business in China.

Representative Office

“A representative office is an office for liaison purposes only and is not entitled to carry out direct business activities”. 207 Hurtigruten has direct engagement in China through their Representative Office in Beijing.

In other words, a Representative Office is merely established to provide a presence for the foreign company, supervising the activities of the distributors. It further means that the Representative Office shall not interact in any kind of payments or sign contracts.

205 http://www.china.org.cn/archive/2007-01/19/content_1196735.htm Date: 2009.05.04 Time: 20:02
206 Schaub 2006; 2
207 Schaub 2006; 93
According to Schaub, he has seen foreign investors make the most incredible mistakes when establishing a Representative Office, even though establishing a Representative Office are relatively foolproof. In our case there are two factors of significant importance: 1; Representative Offices are not permitted to directly employ local employees, to get around this issue employees will need to be employed via an employment agency such as FESCO. As Mr. Lürh emphasizes, hiring the right people has been one of the biggest challenges in China. 2: A common misunderstanding among many foreign companies is the fact that it is not necessary for a Representative Office to pay tax as they do not engage in direct business activities. This is however wrong, and it is important to ensure that the Representative Office is tax compliant.

A representative office does not have a separate legal identity and the parent company is liable for the obligations of the representative office, as lease, fees and employees salaries. The chief representative of a representative office is the legal representative.

In other words, the parent company will always be regarded as legally responsible for the actions taken by the representative office. It means in case of involvement in China, it is particularly wise for the management in the parent company to go through a detailed operation plan with the Country Manager, make sure that the daily operations follows Chinese Law.

As in Hurtigruten’s case, successful business operations in China might lead Hurtigruten ASA to look at the possibilities to expand business in China in the future. That means that it can possibly be lucrative for Hurtigruten to open several Representative Offices in different areas in the vast market of China. Given the possibility of this scenario occurring, it would be important to make sure that each and every Country Manager does his or hers job to follow the requirements China has decided foreign Representative Offices must follow.

208 Schaub 2006; 97
209 Schaub 2006; 98
210 Schaub 2006; 93
9. SWOT-analysis

We use the SWOT-model to sum up Hurtigruten's present marketing environment in the Chinese market. Through our primary and secondary research we have identified the company’s most important strengths and weaknesses for the China market. Furthermore, will we identify the opportunities and threats that are most likely to affect Hurtigruten. Moreover, by using a score system on Hurtigruten’s competencies, and evaluate these factors against the actual importance they have in the market, this will give us a clearer picture on where Hurtigruten must focus their recourses. However, we are aware of the limitation with the SWOT – model, mostly because of the fact that the whole model relies heavily on our subjective opinion.

The strengths and weaknesses will be given a score between 1 and 5, where 5 is the highest value. Furthermore, we will score these capabilities both according to the importance in the Chinese market, and to which extent the company holds the competencies. Threats and opportunities will be valuated by seriousness and attractiveness respectively, and the probability of these scenarios occurring.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Importance</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Guanxi with agents</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>B: New ship adapted to Polar Regions</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>C: International recognition</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>D: Knowledge of Polar environment and wildlife</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>E: Opportunity oriented</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>F: High focus on core competence</td>
<td>3</td>
<td>4</td>
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</tbody>
</table>

The authors identified Hurtigruten’s biggest strengths as; being an international recognized brand, even though they at present do not use this strength when marketing Hurtigruten in the Chinese market. Furthermore, the guanxi network...
the Country Manager has with the agents and having *knowledge about Polar environment* is considered the greatest strengths.

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Importance</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Communication between the Norwegian Head Quarter and Chinese market</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>2: Adaption towards Chinese preferences</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>3: Unknown product</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>4: Brand value in China</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>5: Financial resources</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>6: Knowledge of the Chinese market</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>7: Chinese website</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>8: Booking system</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

Hurtigruten’s most critical weaknesses is considered to be the *problem with online booking system* and having *no Chinese website*. Moreover, having little to *no brand value in the Chinese market* are weighted as one of Hurtigruten’s biggest weaknesses.

*Figure 9: Strengths and weaknesses matrix*\(^{211}\)

\(^{211}\) Framnes et al 2006; 143
Having found that MICE-trips are a growing trend among companies in China, one of the biggest opportunities for Hurtigruten is the Business-to-Business segment. Furthermore, arranging “green cruises” is seen as an opportunity, when there is a threat from Chinese government of limiting tourism to vulnerable regions, as Antarctica and Greenland. In general, there is a great opportunity for Hurtigruten to take advantage of the growing cruise market in China.

Figure 10: Opportunity matrix

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\(^{212}\) Framnes et al 2006; 144
**Threats**

| A: Risk of losing guanxi network | 5 | 4 |
| B: Threats of new entrants       | 4 | 5 |
| C: The Chinese government advises against Antarctica travel, due to pollution | 4 | 3 |
| D: Increased bunker costs (rising oil price) | 3 | 5 |

**Figure 11:** Threat matrix

The authors found that one of the most serious threats for Hurtigruten, to be the risk of losing their guanxi network in China. At present, there is only one person, the Country Manager, responsible for maintaining the contacts within the Chinese market. If he were to leave, Hurtigruten would be in a very vulnerable situation. Secondly, there is the threat of new entrants. These would be cruise lines, already operating with cruises to Antarctica and Greenland, who could decide to target Chinese customers. One example of this would be the German cruise line Abercrombie & Kent.

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213 Framnes et al 2006; 144
10. Strategic Problem Definition

In this part of the thesis the authors will present the Strategic Problem Definition (SPD). The SPD is based on the findings in the SWOT-analysis. Further the authors will outline the future goals and critical success factors most important for Hurtigruten’s success.

“How can Hurtigruten target new segments in a growing cruise market, using their guanxi and internationally recognized brand, despite the lack of a Chinese website and brand value in China, while at the same time securing guanxi, improving their online booking system and make it less appealing for new entrants?”

10.1 Goals

The authors have divided the future goals for Hurtigruten into operative- and strategic-goals. The purpose is to present short-term and long-term objectives that are important for Hurtigruten to succeed in the Chinese market.

10.1.1 Operative goals (Short-term 1-3 years)

- Improve online booking system between agents and Hurtigruten. To ensure a more effective communication strategy.
- Launch the Chinese website. To enhance information accessibility for agents and customers.
- Employ one more person to enhance Mr. Liu’s focus on strategically important tasks.
- Adapt food and language to Chinese preferences.
- Triple the number of Chinese passenger within three years.
10.1.2 Strategic goals (Long-term 5-10 years)

- Strengthen brand equity in the Chinese market.
- Retain guanxi network.
- Educate agents and customers about Hurtigruten’s products.

10.2 Critical factors of success

Critical factors of success are factors that are critical and important for Hurtigruten in order to succeed in the Chinese market. The authors identified the following three (3) through the SWOT-analysis, the SPD and the short- and long-term goals:

- Establish a Chinese webpage to improve customers’ access to, and possibility of information about the cruises and the company.
- Improved information in Chinese to the end-user, both before and during the cruise.
- Employ one more person in China to build guanxi in the B2B-market, and allow Country Manager shift focus from administrative to strategic tasks.
- Improve booking system, and the communication between agents and the Norwegian office.
11. Strategic analysis

11.1 Segmentation

Geographic sectors
Hurtigruten has chosen three main areas of China in which to advertise and sell their cruises, they are Guangdong province Beijing and Shanghai. As stated by Hurtigruten’s Country Manager Mr. Liu, these are big markets that differ in characteristics and tourism preferences.

Guangdong has been the market most influenced by Western culture due to the colonization of Hong Kong and Macao, furthermore this province is the most urbanized with 21 cities consisting of more than one million inhabitants each. Typical characteristics for this region is as followed; a hunger for new experiences, entertainment, good food and night life. Since Guangdong is located in the subtropics, warm climates is not a selling point for the inhabitants of this province, however, good service rather than low prices is said to be of higher value here.

The inhabitant of Beijing, is said to have a higher concentration of government officials and administrators, and is therefore supposedly more conservative and bound by traditions than people from Shanghai and Guangzhou. Moreover, they are seen as having a greater interest for history and culture, giving a higher value to relations with family and friends.

Shanghai is the biggest commercial city and the industrial and financial center of China, it contains the largest population as well. Inhabitants in Shanghai are the

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214 Appendix 2
215 Arlt 2006; 95
216 Arlt 2006; 95
richest in terms of GDP per capita.\textsuperscript{217} Shanghainese are said to be economically rationale, cost and benefit calculating, inhabitants here are not easily enthusiastic and convinced. The region exhibits the largest number of white-collar workers, employed by Chinese and foreign companies, as tourists they are known for expecting value for money, appreciating shopping opportunities and for being more risk averse than inhabitants of other regions.\textsuperscript{218}

According to Schiffman and Kanuk (2007), there are nine (9) categories in which to segment a market, these are: geographic, demographic, psychographic, psychological, socio-cultural variables, use related, use situations, benefits and finally hybrid segmentation which means to segment by using two (2) of these categories simultaneously. Since the literature describes segmentation based on just one category to be insufficient and difficult, we will base our segmentation of Hurtigruten’s Greenland and Antarctica tours on hybrid segmentation.

- \textit{We have arrived at the conclusion that the segments can be divided into two groups: the individual tourists going on a cruise as a leisure experience, and groups of professionals from wealthy companies going on incentive cruise or MICE-cruise.}\textsuperscript{219}

\textbf{Demographic and psychographic segmentation}

\textit{Segment one: Individual leisure tourists for Antarctica and Greenland}

Hurtigruten’s cruises are luxury products, and this is why we chose to segment by demographic criteria’s such as income. These customers have a higher education, University or post-graduate, and possess high ranked positions in wealthy companies. China’s wealthiest consumer is in the age group between 25 to 44 years old;\textsuperscript{220} they are more willing to try new products and are well traveled. The

\textsuperscript{217} Arlt 2006; 95  
\textsuperscript{218} Arlt 2006; 95  
\textsuperscript{219} \url{http://www.micehordaland.no/om-mice-hordaland.asp} 06.05.2009 Date: 2009.05.06 Time: 14:39  
\textsuperscript{220} \url{http://www.mckinseyquarterly.com/The_value_of_Chinas_emerging_middle_class_1798} Date: 2009.05.11 Time: 16:27
most popular destinations for this segment are the ones that are least similar to the customers’ daily environment. This customer segment prefer to travel to clean, relaxing surrounding with beautiful nature scenes, preferably there is some historic sights or unique culture to experience as well. Furthermore, this target group is motivated to show status. Rachel Feng points out that China is a country of hierarchy, and so naturally there is a hierarchy within travel and therefore also cruises. Since it is important to show your status, taking a cruise like Hurtigruten, will show where these tourists stand in the hierarchy.

The authors have through primary research, found that this segment is also likely to purchase a cruise like Hurtigruten, as a gift to their parents. These indications lead us to believe that Hurtigruten’s second segment is from the age 50 to 70 years old; they are retired and have the time to go abroad. However, it is important to keep in mind that it is the younger segment that purchases the service, not the elderly, even though they might be the user. That is why we choose not to change the characteristics of the segment in which to attract.

**Demographic and usage situation segmentation**

Segment two: B2B

Here the authors have chosen to segment using the demographics of the company (income) and situation for use. This segment consists of companies with high “income” successful businesses both Western and Chinese, such as China Telecom and Baosteel. The companies would be located in either the Guangdong province, Beijing or Shanghai. As earlier mentioned, these are large and wealthy markets that differ in characteristics and tourism preferences compared to the rest of China.
We have also identified two possible usage situations for business purposes. According to Rachel Feng, one usage situation is “bonus or incentive trip”. It is rather common for Chinese companies to reward their top directors or executives for doing a good job, or companies wishing to show their clients that they are important to them. On a cruise you have the opportunity to combine pleasure and business, whereas the possibility to arrange meetings and conferences. This segment consists of the very top management. Who are in need of an enclosed area in which to conduct their meetings and mingling, so the participants can not “hide away” from the rest of the group. She further explains that China is a very hierarchical culture, and by inviting people on a unique and expensive trip such as Hurtigruten offers, you make them believe they are very important. The second situation is for companies planning for their next MICE, event. Hurtigruten has conference rooms on board the cruise ship with the latest technology.

The Antarctica and the Greenland cruises are both cruises focusing on a single destination to Polar Regions. The cultural aspect that can only be experienced in Greenland is the main aspect separating the two cruise destinations. This is why the authors have chosen to conduct one (1) segmentation for both destinations. However, Hurtigruten can emphasize on the cultural aspect of the Greenland cruise in markets such as Beijing, where inhabitants have a slightly greater preference towards culture experiences. (See above, geographic sectors).

11.1.1 Targeting

Based on our segmentation criteria’s on the demographic and psychographics variables, the authors found two (2) potential target groups that could be lucrative for Hurtigruten in China.

226 Appendix 9
Date: 2009.05.06 Time: 14:21
228 http://www.hurtigruten.com/norway/Voyages/meetings/
Date: 2009.05.06 Time: 14:34
229 Appendix F, Conference room
The authors believe that both the individual segment and the B2B segment are the most effective for Hurtigruten to target in China. For the B2B segment the authors see that the Greenland cruise, with the duration of eight (8) days, as best suited. Both segments can be measured by size and income through sources such as China National Bureau of Statistics\textsuperscript{230} and the Merrill Lynch Wealth report. The segments are substantial compared with similar segments in other world markets. Whereas China has a low GDP per capita, the differences between the classes in this society are huge, to illustrate this; according to the Merrill Lynch Wealth report there are as many as 320,000 Chinese millionaires.\textsuperscript{231}

The Individual segment is not too easily accessible, however the customers in this segment represent the largest group in which conduct their research through the internet. This will further enhance the accessibility when Hurtigruten's web page is launched in Chinese. Both segments are differentiable as the individuals are experienced travelers who are looking for new and unique destinations. The B2B segment is also differentiable as this segment is in need of high-tech conference rooms, luxury facilities in regards to catering and accommodations. This is a segment that also is looking for a way of gathering their network in an enclosed area, leaving little room for separating participants during the cruise. Finally both individuals and B2B segments are actionable, as they have the means and the need, to pay for premium products.

Even though the high-end segment is small compared to the total market, this segment is large compared to wealthier markets such as Scandinavia. Furthermore, Chinese consumer markets are currently increasing in wealth, making it a very attractive market for Hurtigruten to build their equity. The degree of risk for Hurtigruten is at present small, they only need a Representative Office as Chinese tourists still prefer to purchase their trips through an agent. Hurtigruten is currently only employing one person, which presents concern to the authors with regards to the possibility of losing the good network he has build up, should he decide to leave.

\textsuperscript{230} \url{http://www.stats.gov.cn/english/statisticaldata/} Date: 2009.05.30 Time: 16:36
\textsuperscript{231} Chadha et al 2006; 140
11.1.2 Positioning

“Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market” Kotler et al 2006; 310

The unifying marketing strategy given to agents in different markets about Hurtigruten’s products is that they should be conveyed as luxury products. The authors feel that in the China market this strategy is very important. The authors of "The cult of the luxury brand", write in their book why luxury brands are such an important factor of the daily life in Asia. “The answer lays in the massive changes- political, social and above all economic- that have steadily transformed Asia, in the process dismantling centuries-old ways of denoting who you are and your place in society. From frigid social orders defined by birth, caste, family position or profession, you suddenly have a free-for-all where how much money you have is the key classifying criterion.”232 They further elaborate on how the Asian consumers are projecting their own image through the brands they buy.233

In addition Hurtigruten should position their brand on the qualities of knowledge and status. This was elegantly conveyed on an event held for the maiden voyage of Hurtigruten’s “Green cruise” to Greenland, held by the Shanghai agent Mr. Gao, on the 30th of May this year. In his introduction Mr. Gao told the participants that “…this special cruise was only available to customers who had enough money, time and knowledge.” (Freely translated by the authors). Through his statement he conveys the qualities of status, a higher hierarchical position and face to these customers. The authors believe that these qualities are the most important to the high end segment, and should therefore be linked to Hurtigruten’s brand in China.

232 Chadha et al 2006; 2
233 Chadha et al 2006; 3
Points of difference

Compared to Hurtigruten’s two competitors within the niche market, Hurtigruten should use their combination of knowledge, environmental friendliness and luxury to differentiate themselves. Hurtigruten’s competitor Silversea has the attribute of luxury, however with limited focus on knowledge. Quark can offer the attribute of knowledge however does not have a luxury image.

11.2 Service pyramid

11.2.1 Making a service promise

This is where the company consciously or unconsciously makes a promise to the market, regarding what the customers may expect if they chose to buy a product from the company.\(^{234}\)

Hurtigruten has chosen to use agents as their distribution channel in China, and so we had to find out what kind of promises the different agents were giving their customers. We discovered that due to the diversification in the huge China market, Country Manager Mr. Liu had put little pressure on the agents to follow one particular strategy. In fact, he has discovered that different markets, or provinces, responds positively to different measures. One marketing strategy that works well in one market might not work as efficiently in another. This means that the agents can choose which channel they believe are most effective, and how they will introduce the products.\(^{235}\) However, all of the agents promote Hurtigruten as a unique, luxurious and a comfortable adventure trip.

According to Marcus Lee, the biggest mistake a Western company makes when first starting up in China, is to view the entire country as one market with one set of preferences. However, we noticed some regional differences in the way the agents choose to emphasize on different selling points in the promotion of the explorer cruises. As an example, does the agents in Shanghai and Guangdong,

\(^{234}\) Andreassen 2006; 42

\(^{235}\) Appendix 2
emphasize on Hurtigruten’s explorer products to be innovative, while the agents in Beijing rather focus on culture and learning. These differences in the communication mix can be justified out of the simple reason, that people in the different regions have slightly different incentives when choosing their travel package.

**Brand equity**
Because Hurtigruten is newly established in China an important aspect is to create a brand value, at present Hurtigruten is unknown to most of the market. The segment Hurtigruten targets in China, consists of high end customers. This segment is hard to reach, they are often member of special clubs, and seek advice on travel destinations from people with a higher status. Conventional marketing efforts will not be as effective on this segment because the experiences expressed by opinion leaders of a higher hierarchical status are more valuable. That is why building a positive word of mouth in these circles is very important for Hurtigruten’s future brand equity.

**Educate the customer**
Cruise is still a new way of travel in China, however, explorer cruise is even more unique, and we find it wise to educate Chinese tourists about the explorer cruises Hurtigruten offer. It shall not be taken for granted that Chinese tourists know what Hurtigruten’s explorer products involve, due to its uniqueness. The explorer cruises Hurtigruten’s offers differs in many aspects from most cruises, not only in terms of destinations, but onboard the cruise itself. They do not focus on entertainment, gambling, show and glamour as most cruises, but rather on a quiet tour where learning, activities and luxury is put in the centre.

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236 Appendix 9
All together, it is all about influencing the customer’s expectations to your service. The customers level of overall satisfaction is influenced by the customers expectations to the given product or service. Many companies experience that their customers gets dissatisfied due to the fact that they have expectations that the company does not manage to deliver. For Hurtigruten, it is particularly important not to get a negative word of mouth, as it currently lack’s brand equity in China. By educating and leading the customers’ expectations, one can avoid certain misunderstandings and expectations that could lead to dissatisfied customers.

11.2.2 Implementation of service promise

Describes how the front stage and back stage facilities, including the human resources, are adapted to deliver the promises given to the customers by the agents.

Because of the intangible aspects of services the human recourses becomes even more evident here. The customers get their first meeting and impression with Hurtigruten through one of the agents in China. We believe it is essential that the agents must have enough knowledge about the products, in order to offer the customer the amount of information needed.

We have an impression that Hurtigruten could do more to improve the education level of their agents. As an example, several of Hurtigruten’s agents have never been on one of Hurtigruten’s voyages, but have attended on several of the explorer products to Hurtigruten’s competitors. In order to educate the agents better, we believe Hurtigruten ought to invite all of their agents to experience the product for themselves. This could create more motivated agents as they would have a first hand experience about the products, thus making it easier for them to both sell and target the right customers for these cruises. Furthermore, the agents’ attitude towards the product can affect the customers purchasing decision.

237 Framnes; 2006; 275
238 Andreassen 2006; 42
239 Appendix 5
The physical facilities must meet the customer’s expectations. Hurtigruten is communicated as being a luxury cruise, hence the customers have certain expectations. Hurtigruten ship to Antarctica and Greenland is the Ms Fram, which is the newest addition to the fleet. The ship is perfectly adapted to the arctic environment, is luxurious and has the latest technology. Moreover, the cruise is marketed as a unique experience for wild life and Arctic discovery, which means that Hurtigruten has designed the cruise to provide the customers with new and specific knowledge about these topics. Here lays a challenge for Hurtigruten because the seminars on board are not translated in to Chinese. The food onboard is a part of the physical facilities, and Hurtigruten should to some extend offer some Chinese dishes.

Retention of employees in China
Acquiring talented employees is a challenge in China. Companies that are looking to hire for finance, technical, or managerial openings have a difficult time finding and retaining employees. The competition for talent means turnover rates are high and wage levels are rising. Talented employees frequently cite two reasons for leaving a company, a higher salary, and more career opportunities elsewhere. Certainly, salary levels are important. However, recent surveys indicate that a better working environment and more career opportunities are also heavily factored into a Chinese employee’s decision to switch jobs. Through this research the risk of losing Mr. Liu has been pointed out. With all his knowledge and the good relationship he has with the agents, Hurtigruten would lose a very important resource.

We believe retention of employees is such a critical factor in China, and the fact that Hurtigruten has only one employee the company should develop a strategy on how to best retain him. Instead of emphasizing on cash bonuses, Hurtigruten should focus on offering incentives to ensure their employees personal development.

240 http://www.uschina.org/info/chops/2006/hr-best-practices.html Date: 2009.06.01 Time: 23:00
11.2.3 Delivering the service promise

To what degree the agents and staff onboard are able to deliver the promises given to the customers.\textsuperscript{241}

Through an interview the authors found that Hurtigruten has one member of the staff onboard the ship, with knowledge in the Chinese language. The authors see it as a challenge that the staff in general are unable to communicate with the customers. Mr. Liu claims that the tourists have expressed that they feel very well taken care of, and complements the staff’s ability to attend to them. However when Hurtigruten have not provided the needed information in Chinese, such as menus, seminar information and general information, it becomes apparent that the promises can not be fulfilled.\textsuperscript{242}

11.2.4 Technology

At present Hurtigruten have no web page in Chinese, and no functioning online purchasing system. This is a great disadvantage for the company because accessible information offering an introduction of the company can strengthen its credibility towards the customers. Furthermore it shows the degree of commitment that the company has made to the particular market. The translated version of Hurtigruten’s website has been postponed, and is now due to be launched in July of 2009.\textsuperscript{243}

It is important for the Chinese tourists to be able to receive some general background information about the destination and the tour in advance.\textsuperscript{244} This could be a helpful tool for the agents marketing efforts. Through a direct booking system online the Chinese agents can to conduct booking reservations and receive confirmation more effectively.

\textsuperscript{241}Andreassen 2006; 42
\textsuperscript{242} Appendix 8
\textsuperscript{243} Appendix 13
\textsuperscript{244} Appendix 5
12. Recommendations

The research aim of this thesis was:

“To explore and understand the characteristics of the Chinese market for explorer cruise, and suggest improved market strategy for Hurtigruten.”

The authors believe Hurtigruten has great potential in the Chinese market. The cruise market in China is immature, but growing. Moreover, Hurtigruten has established themselves within a niche in the market. Even though the management in Norway believes in a bright future within China, the authors believe there are several challenges Hurtigruten must overcome in order to succeed in the market.

The authors are however aware of Hurtigruten's wish to balance adaption and keep the product as original as possible. Hence, a consideration for Hurtigruten’s limited recourses has been made, when writing these recommendations.

12.1 Product adaption

With regards to Hurtigruten’s cruises in China, our findings reveal that some adaptation is required in order to satisfy the Chinese preferences and to make Hurtigruten more accessible for Chinese tourists.

12.1.1 Information onboard translated to Chinese

The first and most important aspect of adaptation is the language barrier. Many of the Chinese tourists that buy Hurtigruten's cruises do not speak much English. This was also mentioned by Mr. Liu as one of the most important adaptations to be made. The authors believe that this is both necessary and economically feasible. Hurtigruten must offer more information about the ship, the cruise in general, the seminars and what to experience along the routes in written Chinese. In regards of the seminars the authors recommend, in order to make them more
accessible for Chinese with limited English skills, that Hurtigruten could provide the lectures in written Chinese, a tape recorder or a video. The latter is seen as a substitute for a translator. The authors realize that adding a translator to the seminars could lower the quality of the seminars due to the presence of other nationals, and reduce the effectiveness. In addition a translator would represent a higher cost, than a digital media. This will in addition to serving a practical aspect, be regarded as “giving face” to China and Chinese culture.

The authors also recommend that Hurtigruten should provide an emergency instruction either in Chinese, or illustrated. Additionally a recorded notice (announced on speaker) should be implemented, and these measures should be thoroughly conveyed to all agents. This recommendation is based on an interview with one of the agents. The authors were told that the agent was reluctant to refer additional customers to Hurtigruten’s products, due to a lack of emergency notice in Chinese. The authors believe this dilemma could be easily eliminated through a recorded message and a reassurance of Hurtigruten's focus on security.

12.1.2 Food
Furthermore, to a certain level Hurtigruten must present more Chinese dishes on board the ship. The Asian style food currently served is not up to the expected standard, and Chinese tourists expect some Chinese style cuisine when traveling. Most of the Chinese tourists like to try local dishes, however for trips of a longer period of time, Chinese customers expect a variation. According to Mr. Liu it is not much adaption that is needed, but that it would make a big difference if the Chinese had the opportunity to order some Chinese-style dishes. This could for example be dishes like; fried rice or noodles. In addition, the menu should also be available in written Chinese. This is also a feature that could have a very positive effect of the overall experience for the Chinese customers.

12.1.3 Shopping
During the research the authors found that shopping is very important to the Chinese tourist. In regards to Hurtigruten, where there are limited shopping
opportunities, the authors recommend offering more special products originating from the destination visited as there is a large interest for this. Typically this could be souvenirs made of seal and reindeer skin. The tourists, as Mr. Liu states: *do not want to buy "made in China"*. They rather pay more for something that is original and unique.

In addition to souvenirs, they like to buy expensive and renowned products such as Bache Gabriele XO cognac. There could be a potential for Hurtigruten to increase onboard spending among Chinese customers, by offering international brands.

12.2 Marketing

The authors recommend that the agents will continue to have some freedom in regards to the marketing strategy, due to differences between markets. However, Hurtigruten should communicate a unifying positioning strategy to be implemented by all agents. The strategy should emphasize Hurtigruten's attributes namely the luxury, environmental friendly and knowledge aspects.

12.2.1 Chinese web-site

A website translated in to Chinese is crucial for Hurtigruten's success in China; and again is the repeatable issue of lack of information in Chinese. Our research shows that the majority of Chinese tourists search the internet for information before completing the transaction through an agent. Silversea, who the authors consider to be the strongest competitors in China, does not have a translated page. This is an opportunity for Hurtigruten to grab a first mover advantage. Moreover, to have a website in Chinese, will give Hurtigruten’s presence in China a stronger credibility. It also proves that Hurtigruten is serious and ambitious about the Chinese market.
Because Hurtigruten's cruises are quite different than traditional cruises, the agents’ most important task is to educate the customers. Having a website in Chinese would help Hurtigruten in educating its customers in what their cruises are like, in order to attract the right customer segment and secure their satisfaction. Through an interactive application, such as a website, Hurtigruten has the opportunity to customize the information based on the customer’s level of experience. For instance, the customer with no previous experience with Hurtigruten can take a basic cruise tutorial. While a more experienced customer, can receive a more specialized information package. (1: I have never been on an cruise. 2: I have been on a cruise, but never on an explorer cruise. 3: I have been on a Hurtigruten cruise.) We further recommend that Hurtigruten to revising and update the page frequently, as several of the agents contact information is outdated on the current English site.

12.2.2 Agents

In order to ensure qualified and motivated agents, the authors believe it is important to raise the level of knowledge about the company and products they are selling. In order to do so, we believe all agents at one time should be given the opportunity to attend one of Hurtigruten’s explorer cruises. Either fully- or partly sponsored. Through interview with the agents, it was revealed that not all of them had been on a Hurtigruten cruise. Being a niche cruise, it is important for the agents to know exactly what kind of product they are selling. Partly or fully sponsoring a trip for the agents could furthermore increase motivation and priority among the agents. Hurtigruten get the chance to teach the agents about their unique product and Hurtigruten as a cruise line in general. Thus, the agents get firsthand experience with the products, and this could result in a higher loyalty and commitment towards Hurtigruten.

An effective and cost efficient method to communicate information, and educate the agents is through an interactive website. This site should provide standardized information to all agents. Through this site the online booking should be available. The online booking tool must provide the agents with instant confirmation and reply. Considering the time differences between Norway and China, a more cost
efficient solution could be to locate this booking application in Tallinn, in order to offer this service around the clock.

12.3 New Segments

Through our research, we have found that the market for MICE is growing in China. Given the benefits of the new explorer cruise ship Ms Fram and Hurtigruten's unique products, we believe it is fair to anticipate that Hurtigruten can grab a significant share of this market. Hurtigruten, unlike their main competitors, already offer two separate conference halls with state of the art technical amenities. The authors would like to emphasize that the B2B segment is better suited for the Greenland cruise, with duration of eight (8) days. The reason for this recommendation is that the authors see that the operation on Svalbard and Norway is already in large part built up around the B2B market with conferences and meetings.

12.4 More employees

We recommend Hurtigruten to hire at least one more person at the Representative Office in Beijing. There are several reasons behind this recommendation. Targeting new segments would require even more work thus; this will require an additional employee, to focus on developing contacts in the B2B segment. Furthermore, another argument for hiring an additional employee is to ensure the guanxi Hurtigruten has in the China market. The authors believe that by introducing an additional employee, this could ease the transition if Hurtigruten should, for some reason, a valuable human resource. The benefit of an increased workforce would be for Mr. Liu to change the focus from administrative to strategic tasks. Allowing him to give more attention to important tasks, such as retaining guanxi and marketing development.
12.4.1 Employee retention

Through hiring an additional employee for the purpose of securing guanxi, is a questionable measure, Hurtigruten should attempt to reduce the risk of losing valuable employees through incentives. Hurtigruten should look into other incentives than strictly financial. Through casual conversation Country Manager in China revealed that he would like to gain some additional education, through MBA programs. Providing opportunities for Mr. Liu to grow and expand his knowledge we believe that it would benefit both Mr. Liu and Hurtigruten.

As opposed to offering cash bonuses, the following aspects to increase the employee’s satisfactions working environment and company loyalty could be implemented.

- Training seminars and education; to improve skills of employees while at the same time creating motivation for retention.

- State health insurance for urban residents in China, the primary concerns are, health care costs for aging parents and education opportunities and costs for children.

- Design packages for estimation of wages and bonuses according to a mix of both performance and skill development245

There are different measurements that can reduce the turnover rate. We will list the ones we find best matches the economic situation of Hurtigruten.

245 http://www.uschina.org/info/chops/2006/hr-best-practices.html Date: 2009.06.01 Time: 23:00
12.5 Future development

12.5.1 Incentive system

In this thesis we chose not to give the incentive system between Hurtigruten and the agents a big focus. Even though most of the agents indicates that the main competitors to Hurtigruten pays a higher commission per sale. However, the agents emphasize the fact that due to Hurtigruten’s unique products there are few substitutes at present. In the future, the competitions might be tougher for Hurtigruten, based on this, the authors recommend Hurtigruten to review their commission system in the near future.

12.5.2 The newlywed segment

Through our interview findings we also consider the newlywed couples as a possible segment for Hurtigruten. Newly wedded couples in China, tends to spend a huge amounts of money to make the event special and unique. We believe Hurtigruten could offer a special and unique honeymoon. Moreover, a “honeymoon cruise” with Hurtigruten to polar destinations could give valuable media attention for Hurtigruten. For example, one promotional idea could be to invite a Chinese camera team onboard to film some selected wedding couples on their journey, and if published on TV the marketing value of it could be substantial. The authors see this as a possible long term opportunity. Further marketing research should be done to ensure preferences and characteristics of this particular segment.
Appendix A:

Appendix B:

Appendix C:
Bachelor in International Marketing Fudan University

Appendix D:

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南岛邮轮探险指南

最新时间
11月到2月

联系方式

Peng Wei
lameswzc9323@hotmail.com

推荐邮轮

挪威海洋线路（Hurtigruten）公司
www.hurtigruten.com

挪威海洋线路公司中国市场推广机构负责人：Jerry Liu
010-58621519
Liu.jie@hurtigruten.com

挪威海洋线路公司产品体验与旅游服务有限公司
021-52567666
Gao.Jie
gaoj0317@hotmail.com

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漫长的岛上生活枯燥而孤独。Vennikide（南北65° 15’，西经64° 16’）上的爱尔兰科考站的科学家们才发明了自我乐子的方法，造访他们生活中的女性。只要拿出一块方便面、一杯咖啡和一瓶香槟，然后在熨斗下烤，发出爆鸣，咋选它。

还要记住，如果被蚊子攻击，请把手举起，在手套外再套一把绳子，慢慢住后退。

我登陆的第一个南极岛屿叫欺骗岛（Deception Island，南纬59°，西经60° 34’）。由火山喷发形成，岛中海湾实际上是环火山口，这里有冰川、温泉。岛上到处可见火山口、火山坑。由于不知什么时候会火山爆发，给探险队员突然打击，因此它被称为“欺骗岛”。

由于岛内冰川附近有温泉的遗迹，探险队员在近海水的沙滩里捡个水池，就会立刻出现一个小小的温水池。我赤身裸体泡在这个水只有7.8°C、8°C的温泉水里泡下海前的适应，头和身体浮在水面上，与周围穿着潜水衣、大棉裤的游客一起承受下近20°C的温差。冷水，海水因为气温太低，不会结冰。但还是在冰冷刺骨的海水里3分钟的停留，让我获得了“南极游泳A”证书，也给了我一次刻骨铭心的“寒冷”。

如果说人类南极探索活动更多地表现为不畏艰难、百折不挠的精神，那么他们的信念也还在于对这片未被人类的好奇和征服。那么，星罗棋布于极地的科考站担负的则更显隐藏白色世界秘密，使世界更加美好的使命。
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Appendix F:

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Hvorfor ønsket Hurtigrutens i utgangspunktet å etablere seg i Kina?
Grunnen til at vi etablerte oss i Kina var på grunn av at det kinesiske markedet er relativt nytt market. I tillegg er det et komplisert market, og vi gikk inn med nye produkter, og ønsket da å ha muligheten for en tettere oppfølging. Det er både språk og kultur utfordringer og vi føler derfor at det var riktig å være stasjonert i landet for å ha bedre oppfølging.

Hvor mye kunnskap hadde dere om det kinesiske markedet før dere entret markedet?
Jeg har fra tidligere åtte (8) års erfaring med å jobbe mot det kinesiske markedet. Dette var med et annet norsk reiselivsprodukt.

Hvordan etablerte dere kontakter i Kina? (brukte dere innovasjon Norge, norske ambassaden eller andre kinesiske kontakter i etableringsfasen?)
Har dere hatt noen samarbeidspartnere på det kinesiske markedet? (for eksempel andre cruise skip selskap)
Her har Innovasjon Norge, reiseliv avdelingen, vært til stor hjelp for oss. I tillegg har Den Norske Ambassade vært en viktig partner for oss i forbindelser med visum søknader.

Har dere hatt noen samarbeids partnere på det kinesiske markedet? (For eksempel andre cruise skipselskap)
Nei, ingen andre cruise skipselskap. Men vi har hatt samarbeid med noen flyselskaper, for eksempel SAS og Finnair.

Hvordan har hurtigruten tilpasset produktene til kinesiske preferanser? (Mat, språk, guide)
Med henhold til mat, så har det vært minimal tilpassning. Vi føler våre kinesiske gjester er reisevant og gjerne spiser det meste. Vi har et service mannskap på skipet FRAM, som trafikkerer Grønnland og Antarktisk, som er fra Filippinene. Dette gjør at det er litt innslag av asiatisk mat ombord i FRAM.

Vi har fått inntrykk av at produktene til Hurtigruten er komplisert å selge i Kina. (mange elementer som skal kombineres til en pakke) Ser du noen muligheter for at dette blir forenklet i framtiden?

Jeg regner med du sikter til Hurtigruten som går langs norske kysten. Dette er vel den delen som blir sett på som mer komplisert å selge. Her prøver vi å lage pakker slik at disse skal bli enklere å inkludere i ”Skandinavias Turforslag”.

Hvilke mål og visjoner har Hurtigruten for det kinesiske markedet de neste årene?

Har dere oppnådd de målene som dere satte, før etableringen i Kina?
Ja, vi har oppnådd de målene vi satt oss før etableringen.

Hva har vært de største utfordringene ved etableringen i Kina?
Største utfordringen med det kinesiske markedet har vært å ansette de riktige personene. I tillegg har det vært en utfordring å etablere nettverk i Kina.

Hvilke områder ser du som Hurtigrutens styrker på det kinesiske markedet? Hvilke muligheter ser du for Hurtigruten i det kinesiske markedet?
Vi ser at vi har en unik seilingsplan i Arctic og Antarctica. Samtiding har vi et helt nytt skip som går på disse strekningene. Vi øyner også muligheten å kunne tre (3) doble våre kinesiske gjester på disse turene.

Hva ser du som svakheter ved organisasjonen eller produktet som kan gjøre videre ekspansjon i det kinesiske markedet utfordrende?
Svakhetene må være organisasjonsmessig. Vi mister verdifulle ansatte, i tillegg har vi et on line booking system som ikke fungerer.
Hvordan vil den finansielle situasjonen i Hurtigruten i dag påvirke videre satsing på det kinesiske markedet?
Vi tror ikke det vil påvirke videre satsing i det hele tatt. De nødvendige grep har blitt tatt og er nå innarbeidet i 2009 budsjettet.

Appendix 2: Interview with Country Manager in China, Mr. Liu Jie 2009.03.04

What is the company and products called/ referred to as, in Chinese?
Hurtigruten in Chinese is called; Hai da lu de. We are very happy with the Chinese translation. It means sea, road, reach and virtue.

When did Hurtigruten enter the Chinese market?
Hurtigruten entered the Chinese market in 2006. At that time they had only one person responsible for the whole Asian market, and they did not have any office in Beijing during this time. This was an enormous job for one person, and a test to see if this was a market worth further exploring.

When did you start working for Hurtigruten?
I have not been with the company that long. I started working in August 2008. At that time I took over mainland China. The whole Asian market as one was too big for one person to master. To day I am situated at our office in Beijing.

What are your daily tasks for Hurtigruten?
I can divide my tasks into to categories. One part is sales and marketing of Hurtigruten and its products. Here I run campaigns, have contact with the media, the responsibility to find the right agents, sell the products to them, and finding the right distribution channel in China.

The second one is operational. These products can be a bit difficult to sell. I often have to help agents calculate the price on packages. This because of several elements like flight, cabin class and activities, has to be calculated into the price. This extra work is mainly on the
Norwegian coastal trips. The explorer trips are easier. Often the agents have used more time getting to know these products and they do not need that much help. I believe this is because the agents feel this is a more exciting product, and because these trips give the agents a higher margin per sale.

The Chinese tourists travelling on the explorer trips do not speak that well English. I have therefore also attended some of the voyages as a guide and interpreter. The daily program on Hurtigruten, and messages over the speaker, are not in Chinese, that’s why I sometimes have to participate so that they get all information.

**What resources do Hurtigruten have in the China market? Financial and human recourses.**

At present, Hurtigruten is not doing that well. I believe it is especially the Norwegian coastal trip that is not doing good. I try to encourage for more sale on this trip, because I think this is the most critical voyage at the moment.

At the time, it is only me working at the office in Beijing.

**How many agents do Hurtigruten have in China?**

Today there are Twenty (20) agents selling and promoting the Norwegian coastal express and seven (7) agents responsible for the explorer cruises. Of the seven (7) agents, there are one (1) in Shanghai, one (1) in Shenzhen and five (5) in Beijing. We wish to keep the number of agents for the explorer cruises to no more than around eight (8) to ten (10) agents.

**How does Hurtigruten chose their agents?**

The agents we chose have to be officially registered agents. They also have to show enthusiasm towards Hurtigruten’s products. We are interested in agents that will sell the products aggressively, and who knows how to reach the right customers. We chose agents that are experienced; those we feel have a bright future, and those whom have a good reputation in the business.

**How is the relationship between the agents and Hurtigruten managed? How often do you have written, telephone or personal contacts?**
I often have contact with the agents, sometimes even daily, by MSN or telephone. The agents in Beijing I meet twice a month and those in other parts of the country approximately once a month, but someone around five (5) times a year.

**Are there formal contracts? What kind of training/information is provided? Incentive /bonus arrangements? Etc**

The agents sign contracts when starting to sell Hurtigruten’s products. Included in this contract, is how much they have to sell each year of Hurtigruten’s products. If the numbers from the agents are too low, they may not get another year contract. We replace agents that are showing poor sale results.

At present, I do not feel that the contracts we have are good enough. We are currently working on a new commission system that we hope will be better.

**How does Hurtigruten keep control over the marketing efforts of the agents? Have Hurtigruten developed a marketing plan the agents must follow?**

The agents that we chose are not given any directions on how to promote Hurtigruten’s products. We are marketing the explorer cruises as unique travel with fresh, clean air. This is because you do not experience that much fresh air in China. They can choose by themselves which channel they believe are most effective, and how they will introduce the products.

**Does Hurtigruten provide promotion material in Chinese to the agents?**

The agents we chose to work with have to invest some money themselves to promote Hurtigruten’s voyages. They have to do the advertising, and therefore they use their own money promoting the products in Chinese, in travel-magazines and brochures.

**Which market is the largest and sells the best, Hong Kong, Beijing, or Guangzhou?**

We see the south of China as the biggest market. There are more people there, with more money. This was the first part of China that experienced economic growth, and they have a larger income per capita.

**How many customers from China have traveled with the Hurtigruten’s cruises last year?**
Last year there were around 100 Chinese tourists travelling on the Norwegian coastal express, and approximately 150 on the explorer cruises. I believe that the number of tourists will increase this year. Maybe with as much as 100 percent on the explorer cruises.

**Who are the target customers of Hurtigruten, and are they the same all over China?**
We believe our target customers are of the high end segment, relatively young and interested in travelling, but we see some different customers in different markets in China. From there we are using diverse marketing strategies in the north of China in contrast to the south.

**How is it different?**
In the south of China, people tend to have more money. The tourists in Hong Kong or Guangzhou want to experience something new. They seem to want a more active vacation, more adventure and outdoor activities. The explorer cruises are selling best, and we try to give them what they want.

In the north of China like Beijing, but also Shanghai, the customers are more interested in culture experiences and a relaxing vacation. They are not that interested in adventures and outdoor activities. Here we sell the Norwegian coastal cruise the best. This is a more relaxing voyage that suits the northern part of China the best.

**Has Hurtigruten made any product adaptation when offering their products to the Chinese customers? For example by serving Chinese food on the cruises or providing special Chinese speaking guides? Do you think it is needed to adapt the cruises to the special preferences of Chinese customers?**
On the last cruise to Antarctica, Hurtigruten served some Chinese food to please their Chinese tourists. For example dumplings, noodles, rice and some meat. The food was maybe not prepared quite correctly, but the Chinese tourists were happy to receive some familiar food. Chinese tourists travelling that far are in need of some Chinese food. The personnel on board Hurtigruten also paid extra attention to the Chinese tourists, to make them feel comfortable on this long trip.
Appendix 3: Follow up interview with Country Manager in China, Mr. Liu Jie 2009.04.03

We meet with Mr. Liu in Beijing, we had prepared a few questions and emailed them in advance, however being very professional and in a good environment the questions automatically transformed in to a very fluid and natural conversation.

Mr. Liu Jie is preparing for a conference for the agents of Hurtigruten on the 17th of April, the goal for the conference is to inform the agents of the planned adaptations for Hurtigruten’s tours as they are being offered to Chinese customers. He has also invited representatives from Scandinavian tourist board (STB) representatives from the embassy and several media rep. Mr. Liu will at this conference introduce the aspect of providing information about the ship, the animals to be observed in the Antarctic and Greenland regent, information about the culture and settlements on Greenland. Further more Mr. Gao Jie is responsible for a theme tour for Greenland focused on the issues of environment protection, green cruises. He feels further that this will be a good opportunity to introduce Hurtigruten’s web-page in Chinese, as the media will cover the event.

Just recently Evinor, a Chinese travel operator has started to cooperate with Hurtigruten on providing direct flights to Norway for the experience of the Norwegian coastal voyage to Chinese consumers. Here the plan is to offer shorter trips from port to port 3 days, as well as long distance cruises like Bergen to Trondheim. There has been very little focus on the Norwegian costal voyage in China, and Mr. Liu is planning to start the marketing of this cruise shortly.

How do you think Hurtigruten can improve?

I feel that the areas where Hurtigruten can improve is first of all the fact that the customers is not being given information about the seminars held on board, and the information in the lectures are not presented in Chinese. On the other hand the food must be adapted to Chinese preferences, offering traditional Chinese food is very important. Also implementing the web-page in Chinese.
What are the biggest challenges for Hurtigruten in China? What are Hurtigruten’s strengths and weaknesses in China?
The biggest weakness for the cruises being offered to Chinese customers by Hurtigruten, is the fact that these cruises are designed for European consumers. Some adaptation is easy to conduct, like mentioned before, the food and language, however other aspects are impossible to change; like the fact that Chinese consumers would appreciate the possibility to amuse themselves in a casino while onboard, this is however impossible because gambling is against the law in Norway. Mr. Liu reflects further that the whole of the China market is too small for the product specter of Hurtigruten's to realize any greater gain by conducting a lot of adaptation. His job is to keep a balance between the original product and the adaptations demanded.

Mr. Liu states that the agents feel that Hurtigruten must provide more frequent departures that just once a year as the situation is today. This because the agents conduct price discrimination, and they are concerned that customers from different regions of China will come together on the same cruise and discuss the price they have paid. The prices range from eighty thousand (80,000) to two hundred thousand (200,000) Chinese Yuan. The agents can defend the price range because of the opportunity for specialization of the product. Some customers would like to go to Brazil during this journey.

Who is Hurtigruten’s biggest competitor in China? What are the biggest differences between Hurtigruten and the competitors?
Hurtigruten’s competitor in China today is among others Quark, Princess and Silver Sea, these cruise companies are not considered as a particularly big threats to Hurtigruten because Hurtigruten is the best in the market, and they are better adapted to the Chinese market, and Chinese preferences.

One selling point that has not been focused on by Hurtigruten yet is the fact that the Great wall stations is located in Antarctica, this is a Chinese station, and will most probably appeal to the Chinese sense of pride…. All depending on the weather conditions, and permission to visit this place. (Receive permission in advance). Allowing Chinese customers to take their picture in front of the station.
This year Mr. Liu has experienced an increase of demand, and people getting in contact with his office, with regards to curiosity about the cruises. More and more people working in Joint ventures here in China are taking an interest for Hurtigruten’s cruises. Other customers are travelers clubs, and photography clubs, Mr. Liu believes this is an effect of their efforts in marketing Hurtigruten in medias such as CCTV, a cooperation with National Geographic, and one of the biggest .com- company in China and several magazines.

A disadvantage for Hurtigruten is the products complicity, containing many variables; these cruises demand a lot of interest from the agents, in order for them to have complete knowledge about the products.

I have been in contact with Air France, with regards to cooperation between the two companies. It would be a win-win situation for both companies, as Hurtigruten wants to increase their sales during winter season, and so does Air France. Air France has no competition on their route to South America, have a good market share, experience….

Mr. Liu experiences the increased interest for Arctic destinations by increased demand and media coverage on the subject. Also there is an increased focus on Green tourism; here he refers to the planned Greenland cruises in June of 2009, initiated by Hurtigruten’s Shanghai agent Mr. Gao Jie. This cruise focuses on being environment friendly; it will be the first environmental friendly cruise and will be a bit more expensive than the traditional Greenland cruise. Mr. Liu feels that the Shanghai market will be a good market for this concept, because this market is always looking for new products and innovation. Although he feels that Guangdong province and Beijing are good markets for this concept as well. In Mr. Liu’s opinion the people of Beijing are not as price sensitive as other parts of China, and the people of Shanghai are more open-minded.

On previous cruises Mr. Liu has invited famous guests, this has had a positive effect on the demand, people from Beijing are interested in establishing contact with people of high rank in the political environment in China, and people in the athletic circles, if they hear that a famous person is going on the cruise, they are likely to book this cruise as well.

I feel that Hurtigruten has no real competition in China at the moment, because no other cruise company is better at adapting to Chinese preferences; however he feels that this
situation can be easily turned around just as soon as another company decides to adapt as well.

Mr. Liu enjoys guanxi with the agents operating on behalf of Hurtigruten in China. On the question on whether it is difficult obtaining information about the operations of Hurtigruten’s competitors, he says “not at all”, he is good friends with all of the agents, and makes sure to maintain the relationships by keeping in close contact often, visiting them when ever he can.

Appendix 4: Interview with Agent 1, Hong Kong, 2009.03.16  E-mail

How long has this agency offered Hurtigruten’s products? When did you start?
We have been offering Hurtigruten’s products for 2 years, started in 2007.

Do you sell similar products on behalf of other companies? Can you give some example?
Yes, we sell similar products, for example from Quark expeditions and Polar Star.

Do you sell both to Chinese and foreign customers?
Yes, our company have both Chinese and foreign customers.

What do you think about the market in China for Hurtigruten’s travel packages to Greenland and Antarctica travels? What are the biggest challenges?
We believe that the market for these travel packages is a growing market. The biggest challenge is the economic downturn we are in at the moment.

Who are the main customers of the Greenland and Antarctica tours, in terms of age, income, interests, marital status?
We see the main customer groups as the Chinese middleclass. Educated people, both singles and couples.
Who takes care of the advertisement of the travel packages? Hurtigruten or your agency or both? Which media is being used?
We take care of the advertisement ourselves. Here we use both the internet and brochures.

How do you present/introduce the travel packages to the customers? As Unique, luxury, adventure?
The products are introduced as unique, luxury and as a comfortably adventure trip.

Is the travel package easy to present to the customers, how do they perceive this type of cruise?
Feel it is easy to present the products to the customers, because I have experienced it. I have been 6 times to Polar Regions.

How many customers have you sold a Hurtigruten travel package to so far?
We have sold to over 60 persons so far.

Which of Hurtigruten’s travel packages sells the best in this market (province)?
The Antarctica package is the most popular.

Have you been on the Greenland or Antarctic cruise? If so, did you notice anything that could be improved with regard to Chinese preferences?
Have never been to Polar Regions with Hurtigruten.

Has Hurtigruten tried to adjust the travel packages to better suit the Chinese customers? – What is important for Chinese customers when they go for tours abroad?
Most important for the Chinese customers are luxury, comfort, and the prestige of going there.

This product contains several elements (plane tickets, cabin class, activities), is it difficult to combine all these elements in to a complete package for the customer? Has your agency received any training?
I do not feel that it is too complicated. Have had some training and I have been on family trips with other cruise companies.

How does your agency make a profit on the sales? - How do you report the sales?
Our agency gets commission of the sales. Report good sales.

**How often do you have contact with the representative of Hurtigruten?**
We have weekly contact with Hurtigruten, sometimes daily.

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**Appendix 5: Interview with Agent 2, Shanghai 2009.03.30 (English text)**

**How long has this agency offered Hurtigruten’s products? When did you start?**
We have been working with Hurtigruten since 2007, so it has almost been two (2) years now.

**Do you sell similar products on behalf of other companies? Can you give some example?**
Yes, we sell similar voyages to Greenland and Antarctica, on behalf of other companies. For example Cunard, P&O Australia, P&O UK, Ocean Village and Princess cruise.

**So your agency specializes on cruise travelling?**
Yes, we specialize in cruises.

**Do you sell both to Chinese and foreign customers?**
We mostly have Chinese customers. But if there are foreigners that live in China, they sometimes use us if they want to book a voyage. Usually the foreigners use the websites for booking, more than Chinese people do.

It is especially for the Princess cruise we sometimes have foreign customers. For the Princess cruise we have booked one thousand (1000) passengers so far in 2009. Princess is one of other cruise companies that travel to Antarctica. On this cruise you can travel by plane into Antarctica, and then board the ship. So the travelling time is shorter on this cruise, and the price starts around 120,000 RMB. While Hurtigruten’s Antarctica cruises are several days longer and costs around 137,000 RMB.
What do you think about the market in China for Hurtigruten’s travel packages to Greenland and Antarctica? What are the biggest challenges?

I believe it is a good market in China for Hurtigruten. They have good possibilities here. To be able to join this kind of cruise, you have to have a lot of time, since these are long voyages, you have to have enough money and be interested in culture. Also the customers have to be educated, have knowledge of nature, sea and animals. Therefore it is important to train the customers before they attend the cruise, because Chinese tourists do not seem to have this kind of knowledge on before hand.

Does your agency provide visa application service for customers?

Yes, we help the customers apply for visa to Denmark, Greenland and to Argentina. We have contact with the consulate.

Who are the main customers of the Greenland and Antarctica tours, in terms of age, income, interests, marital status?

The main customer to these destinations has a high income. They are middle aged, single or couples, probably with a high management position in a company. They can be interested in photographing, since you may get some unique pictures there. These trips are for the customers that like silence and relaxation, looking at the nature and reading.

The foreign customers I have seen on this trip, seems to be a litter older that the Chinese customers and they also seems to have more knowledge of weather, sea and the destinations in general in advance.

Who takes care of the advertisement of the travel packages? Hurtigruten or your agency or both? Which media is being used?

These are not available destinations to all Chinese tourists. We do not advertise everywhere. We take pictures and publish in travel magazines and newspapers targeting the high end segment. Here we have the contact information to our agency and some information of the destinations. We pay for the advertisement. The last one we published was in Travel & Leisure, the best travel magazine in China, and in Travel Daily, a newspaper owned by the government.
How do you present/introduce the travel packages to the customers? As Unique, luxury, adventure?
We present it as a unique adventure package.

Is the travel package easy to present to the customers, how do they perceive this type of cruise?
It is difficult to present to the customers. Before selling the product to Chinese customers, we have to have been on the cruise ourselves. This makes it easier to explain what kind of cruise this is. I have been a travel agent for seventeen (17) years and I have maybe been to one hundred (100) countries, but I find Antarctica to be a very different place than I have been before.

Have you been on the Greenland or Antarctic cruise?
Yes, as I said, I have been to Antarctica. I was there in December 2008. That was a unique experience. I took a lot of pictures, and as you see, we have published many of them in different magazines.

I have not been to Greenland yet, but I am going on the trip in June. This is our first trip to Greenland. We have been marketing this as a cultural experience and as an environment friendly trip. In co operation with a European company, situated in Shanghai, we are all going to pay environmental fee on how much carbon we use on this trip. The two (2) girls in this firm are going to travel with us, and they are going to calculate how much we use each day, and we pay the fee when we come back to Shanghai. During this trip I am also going to Finland, Denmark, Norway and Sweden, and I am going to be at the big environment meeting in Denmark later this year.

Was there anything on this trip you feel could be improved?
Language is one of the biggest challenges. The Chinese tourists are not that good in English. I saw they had translated brochures into English, German, and French, but the Chinese tourists can not read any of these. They also have some seminars on board, but the Chinese tourists could not understand these. So I believe that some of this information has to be translated into Chinese.
I also have to mention the webpage of Hurtigruten. This page has been translated into several languages. But I feel it is very important to get it translated into Chinese, and maybe Japanese or Korean. It is very important for our customers to be able to receive some information before the trip, and to be able to go to Hurtigruten’s web pages and read for themselves. I was told that it might come in Chinese from 2009, but it is not ready yet.

**How many customers have you sold a Hurtigruten travel package to so far?**
We are sending our first 10 persons to Greenland now in June 2009.

**Has Hurtigruten tried to adjust the travel packages to better suit the Chinese customers?**
I think we have to send some more customers on these trips and get some more feedback from them, before we know if there is something they want to change.

**This product contains several elements (plane tickets, cabin class, activities), is it difficult to combine all these elements into a complete package for the customer? Has your agency received any training?**
We do not find these packages so difficult to sell. Mr. Jerry Liu provides us with some training, and we can find some information through their website.

**How does your agency make a profit on the sales? - How do you report the sales?**
Of course, we get some profit from each trip we sell to Chinese customers.

**How often do you have contact with the representative of Hurtigruten?**
We have daily contact with Mr. Jerry Liu.

**If you should give some advice to Hurtigruten what would that be?**
One thing I believe could be improved with the product is that the customers on board, should be divided into several smaller groups, focusing on different aspects of the trip. When I go to Greenland in June, I will divide the people I have with me, into three groups. The first group will focus on the history, culture and settlement of Greenland and its inhabitants. The second group will focus on how pollution will affect the nature on Greenland, and the third group will focus on sun energy on Greenland. This way I hope the customers could get information on the topics they are most interested in and the possibility to go deeper into one topic and share
the information with the other groups. We will see on this trip to Greenland, if this is a good way of doing things.

Secondly the available Chinese information is not good enough. I feel that Hurtigruten need to provide some more information in Chinese to the Chinese customers. When you buy a trip like this, that costs a lot of money; you expect to see special things. But the Chinese customers do not get knowledge about all different animals and weather forecasts. If a Chinese tourist sees a penguin, he might know it is a penguin, but not what kind. They need more information of the wildlife and weather in the beginning of the trip, so that they have the possibility to recognize different animals during the trip.

It is too expensive to hire a translator to join the cruise, and much more effective to get all information translated into written Chinese. This way the Chinese customers feel they get their money worth and are able to enjoy all aspect of the voyage.

**Appendix 6: Interview with agent 3, Beijing, 2009.04.04**

**How long has this agency offered Hurtigruten’s products?**
The agency started providing Hurtigruten’s cruises in 2007, I am the only one responsible for Hurtigruten’s sales at my agency.

**Do you sell similar products on behalf of other companies?**
My colleges are responsible for similar products by other cruise companies like Princess.

**Do you sell solely to Chinese customers?**
Mostly just Chinese customers.

**What is your view on the future of Hurtigruten’s Greenland and Antarctica travels?**
I see a huge market potential in China in the future, if the services are adapted to Chinese preferences, like offering Chinese food on board the boat.

**Have you been on the Greenland or Antarctic cruise? If so, did you notice anything that could be improved with regard to Chinese preferences?**

I have gone on the cruise along the Norwegian coast- Hurtigruten, in 2007, and traveled to Antarctica with the cruise ship Ms Fram in 2008, where the country manager Mr. Liu was team leader/guide and translator. Because there is no information in Chinese on board the boat, the guide had to go from cabin to cabin during the cruise and inform the Chinese passengers about the unitary and the information on board. Good staff, one person speaks Chinese.

**What characterizes the target segment of the Greenland and Antarctica tours, in terms of age, income, interests, and marital status?**

The segment for Hurtigruten’s cruises to Greenland and Antarctica is aged from 35-50 years. There are mostly couples traveling, and they have a very high income.

**Who has the responsibility for advertisement of the products? Which channels is being used?**

I advertize in magazines, and also through clubs that our agency have very good relation to, such as Land rover car club, Mini cooper car club and Jewelry clubs Jade club.

**How do you communicate the products to the customers? Unique, luxury, adventure?**

I try to market Hurtigruten’s cruises as unique and beautiful.

**What are the biggest challenges for these products in the near future?**

The financial situation in China at the moment.

**Is the product easy to communicate to the customers, how do the customers perceive this type of cruise?**

I feel that selling the cruises present some challenges because the information provided by Hurtigruten is short. Before traveling the costumers must find information about the
destination and the different species of animal them selves, during the cruise, the information given in lecture is only provided in German and English. Even the menus are in English.

**How many customers have you provided Hurtigruten so far?**
Our agency has soled the cruises of Hurtigruten to 22 people so far.

**Which of Hurtigruten’s products sell the best in this market (province)?**
I feel that both these products are selling well in the Beijing market.

**How does your agency make a profit on the sales? - How do you report the sales?**
My agency is given a provision on the sales for Hurtigruten.

**Do you receive the same provision from Hurtigruten’s competitors?**
The provision is less than given by other cruise companies, however Hurtigruten’s products are unique. Princess cruises also travel to Antarctica, but this cruise boat can not offer to go ashore. This kind of product is special, not popular among most Chinese travelers, however it appeals to a niche segment.

**Has Hurtigruten attempted any product adaptation? – What preferences do Chinese customers have with regards to the products?**
The advice for Hurtigruten is, to address the language, and food, and my biggest concern about sending more customers on board is that the emergency notice is not in Chinese.

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**Appendix 7: Interview with Mr. Par Dong, from Scandinavian perspectives in Shanghai.**

**What characterizes the Chinese customer going abroad, in terms of age, income, marital status?**
I see that there are different categories of urban tourists going abroad in the Chinese market. Mostly they are from 30-45 years old, white collars, often working for Western companies, with an income of about 15,000 to 20,000 Yuan a month, and the opportunity to take 10 to 15
days of uninterrupted vacation time. Despite the fact that traditional Chinese holiday only consists of 7 uninterrupted days of leisure time. Other customers include the parents of these tourists, as they are being treated to a holiday by their children.

**What preferences do Chinese travelers have when traveling abroad, in terms of food, language and so forth?**

Chinese tourists prefer Chinese food when going abroad, this food is cheaper than most local dishes, and however the Chinese style food being offered abroad seldom holds the expected standard. The younger generation is more compelled to try local cuisine.

I feel that providing information in Chinese makes the Chinese costumers feel honorable and special.

It is difficult to find the high end segment in China; these costumers often have their own clubs, and special contact persons that they use when considering where to travel. I feel that this group of people is looking for extraordinary activities and will gladly pay a handsome sum for a special event, golf is no longer an exiting high end activity, and unique activities make the person feel unique.

**Which provinces do most outbound travelers come from?**

Most outbound travelers come from Guangdong and Hong Kong, people from this part of China is more interested in traveling, Shanghai is a good second market for outbound travel, Beijing is the third biggest and so on. These travelers often own their own companies, have rich relatives and family living abroad.

**In China the concept of the extended family have strong roots in the culture. How does the Chinese traveler relate to going on longer leisure trips with out their extended family?**

For most Chinese, traveling with the extended family is a dream. You need both time and money in order to achieve this. However because the interests of the younger generation and the older differ and young couples want to not have to consider the needs of everybody else, most prefer to travel just in couples with their closest family members. Chinese travelers appreciate to travel out of China, because China is always a very busy place, always being tuned in on the business transaction.
How much money does the Chinese traveler spend on the purchase of a trip abroad? And how much money does the Chinese traveler spend on additional purchases when traveling?
The most expensive travel destination is Western Europe; this is because the standard there is so high. Chinese tourists spend a lot of money on shopping gifts for family and friends back home, this is a way of ridding their conscious’s of guilt for the family members who can not come on the trip. Usually Chinese people spend more money on shopping than on the trip itself.

What are the most popular activities among Chinese travelers? Experiencing culture, shopping, adventure and so forth.
The Chinese most appreciate the shopping opportunity when going abroad.

How do Chinese travelers feel about traveling at sea?
The Chinese people like the idea of traveling at sea; they consider it to be romantic, and a special way to travel. There should be a lot of activities to choose from on board the boat, like swimming, blackjack and shopping. The boat should be big, because seasickness can ruin another wise good trip.

Which are the most popular destinations? Do certain destinations give a customer higher status or prestige?
The most popular destinations are USA and western and northern Europe, getting a visa to go to these destinations is hard, and therefore gives a higher status. Especially hard to get a visa right now, because some government officials were caught spending government money on leisure activities for themselves while on business. Right now very few people from high society in China dare to apply for a visa.

Where are most traveling agencies located in Shanghai? Is it typical for Chinese people to search on line before booking their holiday?
Most people book their travel needs trough traveling agencies, finding them on the internet, this is cost saving for the companies as well. Most travel agents are not located on the main street because of the high rental costs of these locations.

What does being able to travel abroad mean to a Chinese traveler, in terms of status?
Forty years ago the most important thing for Chinese people was to be able to own a TV-set or a sewing machine, 20 years ago it was important to own a flat TV, today one of the highest preferences for Chinese is being able to travel abroad.

Appendix 8: Interview with Wang Difei, 2009.04.22, customer from Hurtigruten’s cruise to Antarctica, E-mail

How did you hear about Hurtigruten?
I heard of Hurtigruten from the travel agent.

What information did you get?
I got information of what kind of cruise Hurtigruten is, Hurtigruten’s history and company scale. They also told me what voyages Hurtigruten can provide, information of the ship, and about the special voyage to Antarctica.

Where did you book the trip?
I booked the trip through the travel agent.

Did you get information about the trip before going on the cruise?
Yes.

What expectations did you have before going on the cruise?
I though it would be novel, exciting and expectative, but tough and a little bit dangerous. The weather would be heavy and very cold, but the scenery would be perfect. After landing, there should be thousands of penguins around me, like staying in fairy tale.

What did you think of the cruise? About the boat, the activities, the food and the staff?
I thought it was excellent! The only thing is that my parents and friends can’t speak neither English nor Deutsch. Mr. Liu Jie himself, tried to help them get a better understanding of all that happened. If any staff whom may speak Chinese mandarin, especially in broadcast, that
would be very helpful for Chinese passengers. For the same reason, if the key information of
the ship and the voyage were printed in Chinese, and the lecture may be added some Chinese
slides, they would enjoy it more.

Did you see any animals during the cruise?
Oh yes, I have seen thousands of penguins who belong to more than 3 different kinds, 2 sea
dogs, 1 sea lion and 1 whale! Of course there were lots of seabirds, but it is pity I could not
recognize each kind of them.

Did you get any information about these animals before or during the cruise?
Yes. I got a lot of information from the lectures on the boat.

If you could change something about the cruise, what would it be?
The languages. I hope there would be some more choices for passengers from different
countries.

I enjoyed the trip so much, and hope to travel Antarctica with Hurtigruten again.

Appendix 9: Interview with Rachel Xiang Feng 04.30.2009, Institute of Tourism
Rachel Xiang is an assistant Professor at Institute of Tourism, MICE Economics and
Management Department, Shanghai Normal University. She is also the Managing Director of
Sino-Europe Comparative Urban Research Centre.

Could you give us a brief overview of Chinese tourism and outbound tourism?
Yes, but first I would like to give you some history of tourism in China, because if you want
to understand tourism today, you need to understand its development in China. The history of
tourism in China can be divided in 3 stages. The first stage started with the opening of China,
in 1978, and lasted until around 1990. What you need to understand, is that before the opening
in 78, China was a closed country. No one knew what was happening on the inside. It was
almost how North-Korea is today. Then came the opening and we entered the first stage of
tourism in China. During this period, people did travel within the country. It was
however not for leisure. The domestic "tourism" consisted largely of people travelling for practical reasons. It could be business, visiting family or friends, travel like that. You see, during this time people in general was very poor. People did not have money to travel for fun. So you see, since people did not even have money to travel within the country, they certainly did not have money to travel abroad. There was however some inbound tourism during this period. It was however restricted, and it was allowed and encouraged in large parts because the Chinese government saw it as way of getting hard foreign currency.

The second stage lasted from around 1990 until only a few years ago. During this period China became even more open and people began to afford to travel for leisure and fun, however mainly domestically. The outbound travel was starting to develop, but like domestic travel in the first stage, it was mainly for practical reasons. For example government officials, people doing business or students studying abroad.

Now we are entering the third stage. People are becoming wealthier, they have more time (vacation) and they want to see and experience more. Both within China and abroad. We see quite clearly now that more and more people travel for leisure and fun. It is also important to understand that China is not one market. It makes more sense to view it as many markets. In terms of tourism it can almost be view upon as the United Nations of China. The regional differences are so large that looking at China as one big market is no point.

Could you give us a general picture of the Chinese outbound tourist, who travels abroad?

The Chinese outbound tourist can roughly be separated in two categories. The first is what you might call the normal tourist, or leisure tourist. Those who travel for fun. The second category is what we call business tourists. People that travel abroad on for official or business reasons, or they study abroad. And at they want to do some sightseeing/travelling while they are there. Like me and the Director of this institute, we just spent three months in the Netherlands, studying at the Erasmus University in Rotterdam. We went abroad on official business, however, while we where there we wanted to see more of Europe, so we also travelled to Germany and other countries nearby to see more and experience new countries.

Like I mentioned before, China is more like the United Nations of China, so people are very different. There are big regional differences.
Who do you think will be the potential customers for these types of cruises?
I think for your type of product, you will be looking at two kinds of types of segments. Groups and individuals.

In regards to groups, I am here talking about official or company groups. This might be what you call a bonus or incentive trip. This might be big companies rewarding their top director or executives for doing a good job. Or companies wishing to show their clients that they are important to them. Now, I do understand that in many Western countries you have a different view upon this kind of behaviour than we do in China. I know that like in countries like Norway this might be viewed upon as corruption. But you have to understand that this is different in China. Here people realize that not everyone can on the top, and that if you do a good job you should be rewarded. Chinese people don't think about it too much. Because many of the leaders do a good job in making China, and thereby also the average Chinese, wealthier. So you might say they deserve it. They do good business, which is good for China. And it is especially important now that it is the financial crisis. Businesses need to keep their customers happy, and if a sponsored trip to the Arctic might help, then they should do that.

You also need to understand that China is a very hierarchical culture. And by inviting people on a trip such as your product, you make them think they are very important. Because this is a very expensive trip, to a very unique are, not many have been there, and that make people feel very special and important if they are invited.

An other element is that it is easier for a company to be able to afford these trips than individuals. Many big companies in China have a lot of money, and they want to treat their employees for something special.

Could you give us examples of who might buy a group tour on a cruise?
The companies buying these kinds of trips could be big state owned enterprises, or private companies. For example China Telecom, or Baosteel. A business that should be of interest is especially the pharmaceutical industry. Big international companies that have offices in China. The reason these companies are especially interesting is because it is illegal to advertise for many of the drugs they sell, so
for them it will be perfect to invite potential customers on trips like this, to promote their products. Their customers could for example be doctors or hospital managers.

You know, before the financial crisis, Iceland was one of the most popular destinations for trips like these.

**Why?**
Because it is very far away, and it is very far north. It is a very special and different destination, not a very common place to travel to for "normal" Chinese, so again, you make people feel special and important, and you give them something they can talk about.

**Why do you think cruises are so well suited for bonus/incentive tours?**
Well, first of all, the concept of cruise is relatively new in China, not many people have been on cruises, which again make it special and different. Second, on a cruise, you are able to combine things. You can have both new and different experiences. See beautiful scenery, and relax. There are also party facilities for those who like to party. You have some shopping opportunities, and that is very important for Chinese. There are also possibilities to arrange some meetings or conference. And most importantly, it is on a boat, in the middle of the sea. People can not escape. Because that is a problem in China, when businesses arrange some kind of trip out of town top have a meeting or do some networking. If it is not too far, people will drive their own car, and if they get bored they will just go home. It is very hard to keep everyone together. People will also just talk on the cell phone all the time. So a remote place where people cannot leave by themselves, and there is a bad cell phone signal is the perfect combination, and a cruise offers all this. That’s why I think the companies offering the kinds of product you are talking about should view this segment as their most important target.
Also, the individual Chinese being able to afford these trips are very hard to find. Yes, there is a lot of wealthy Chinese, but they are spread all over and it is very hard to locate and market to them.

Because you know in China, networking is very important; Guanxi is a large part of Chinese business culture. And by inviting people on a cruise, you are able have both fun and work. And since people cannot go any where, they are "forced" to network with each other. So for networking purposes a cruise is perfect.
But how about the length of these kinds of trips. They are can be from 10 to 20 days. Will people have time to be away for such a long time?
The length is of course a challenge with your type of cruises. It is of course possible to make the trip around one of the national holidays in China; Chinese New Year or the national holiday in September/October. Or the company could offer shorter trips to suit the segment better.

You mentioned that there were two segments that would be of interest, what is the other one?
The other segment is the individual traveller. Now, I know that in many Western countries the natural target group for this kind of product would be older people. Maybe couples that has kids who are now grown up and can support themselves. Older people that have been saving money all their life, and now they would like to spend some of that money on themselves. In China however, that is not the case. In China, the elders will not be your main target group. Yes, they might have been saving money as well, but not for themselves, for their children. In China, when a young couple buy their first home, they do not do like their equals in the west and go to the bank to borrow money, they might borrow a small part, but most of the financing they will get from their parents. In addition, in China there is not a good social security system. So people save in case they get sick. So you see, the old people don't spend money on travel. They save for emergency and their children.

Then who should we target?
In the segment of the individual traveller, I think there are three groups that would be of particular interest; rich kids, middle aged senior management and newlywed.

Could you elaborate? Who are the rich kids?
The rich kids are young people between 20 and 30 years old. They might no have so much money themselves, but they have parents that are very wealthy and can pay for them. They would like to see something different, go places where not so many have been yet.

How about the middle aged then? Who are they?
In this group I see people who have international education. They might be some sort of director or senior manager in a big international or Chinese firm. They have a lot of money and they are used to travel. They are living what might be called the "European life".
The last group is the newlyweds. What do you mean with newlywed?
I know this might not be the most obvious group to target. But you should remember that in China there is put a lot of money into weddings. And by targeting this group, you could offer a unique honeymoon. Different from the usual places. You could also make a thing out of it buy offering a fake ceremony on the boat. The real (legal) wedding would of course happen in China, but you could have some sort of ceremony on the boat as well, which would make it even more spectacular.

If you really want to go for this kind of group, you could see if you found several couples that would go on the same trip, and you could make some arrangement with a television station, and get a TV crew to follow the couples as they get "re-married" in for example Antarctica. It would make a very unique program. There are some couples that would love to be on TV, and it would make a unique program for the TV station, and of course it would be very good PR for the cruise company.

It is important to notice however, that all of these groups are very different, and would need different kinds of adaption.

I know this might be difficult, but if you were to give a general description of the Chinese tourist that would go on such a cruise, to let's say Antarctica, who would that be?
I don't think it would be a first time outbound traveller. It is a person who is used to travel abroad for vacation. But it might however be their first time on a cruise. It is of course people with a lot of money, who seek something different.

The thing is, "normal" Chinese are able to afford more and more. Going to for example Germany or France is not special any more. Many people can afford that now, and when it becomes normal to go somewhere, that destination is not special any more. So people start seeking destinations where not everyone has been or can go.

Just going to destinations like Germany or France used to be called luxury, but now many people can afford that, so what is luxury now?
Like I said before, China is country of hierarchy and so naturally there is a hierarchy within
travel and therefore also cruise. It is important to show your status, and by taking a cruise like yours, you will show where you stand in the hierarchy. It is very important to understand the importance of status and hierarchy in order to understand the Chinese market for outbound tourism.

Also there are different stages in the development of the tourist. The first stage is what I call sightseeing. People want to see some famous building or landmark, they take a lot of pictures (taking pictures is very important to Chinese), then they get in the bus and go to the next sight or landmark, take a lot of pictures, get in the bus to go to some shopping place to buy souvenirs, then it is of to the next sight. It is all about seeing as much as possible, taking a lot of pictures and shopping. You know, at the international airport in Amsterdam, when you shop at the tax free, you the plastic bag you get to put all your goods in, it has three very big letters on it: SEE - BUY - FLY. I think this is a very good picture of many of the Chinese tourists today; they see, they buy, they fly. They are at the first stage as tourists.

The next stage I like to call deep tourism. Deep tourism is when you want to stay in one place, get to experience that place and just relax, like lying on the beach. Now I think your kind of tourist is a combination of this. Luxury tourists that want to experience both many new and different places, but that also want to relax. And a cruise offers both of these elements.

So how about product adaption in regards to Chinese tourists?

Again, China is very big, and people are very different. It all depends on the customer. Have they travelled abroad before or not? It all depends. For example, people like me and the director here, when we travel abroad, we would not like any adaption at all. We have both studied abroad, and travelled to many places, so for us it is no problem trying different food for example. I personally do not want to see any signs in Chinese, and I don't need to have rice to every meal. I want to experience the local traditions, the local food. I want to experience the place as it is, I want originality.

On the other side, you have people who have not travelled abroad at all or very little. Now they would need some product adaption. You should know that many off the rich people in
China, like factory owners and directors do not have much education. Many of them do not even speak English. So for this kind of people, adaption is very important.

**Could you give any examples of adaptations that could be done?**
Food, for example, is one area where many of the less experienced Chinese tourists have the biggest problem when travelling abroad. As a minimum, there should be possible to get rice to every meal. If you want to take it a step further, then there could be some Chinese dishes on the menu that they could choose from, or for the really big cruise ships, maybe they could even have a Chinese restaurant. Then people would have a choice. But, if nothing else, at least have rice, this is very important.

Since there are many Chinese that does not speak English very good, a tour guide that speaks Chinese would also be recommended. In addition, written information in Chinese would be positive. So they are able do know what is going on and learn about the destination. Chinese people also love shopping, so there should be some opportunity to shop both luxury products and souvenirs. This is very important.

**So how about marketing? How would we reach the different segments we have talked about?**
I recommend that you use the travel agent. They are very important in China, and the company should work them. By treating your agents well you can get them to promote your product more.

**We heard that internet is becoming more and more important in marketing destinations; you think that is the case?**
Yes, definitely. Internet is becoming very important for marketing in China. Having a web page for you product is very important. It is however also important that you tell people that you have a web page. There is no point otherwise. People have to know about it. Tell them the address.

**We also read that people often use the internet as a source of information, and then they got the travel agent, do you know anything about that?**
That is correct; the trend is that people now go on the internet to search for destinations and to read about products and destination. That is why it is important to have a web-site for your
product. But after they have searched the internet and read about different destinations, then they go to the travel agent to get their opinion and to make a purchase. So you see, it is important to focus on both the travel agent and the internet.

**What do you think of the potential of cruises a product in general in the Chinese market?**

Like I mentioned earlier, cruises a tourist product is very new to China. It is new and it is different. Many Chinese have travelled by airplane, of railroad, but not many have on a cruise yet. Chinese people like to try new things, so I think there is a big potential for cruises in China.

**We have heard that it can be somehow difficult to get a passport in China, is that true?**

**And is there any regional differences in regards to how could get a passport?**

There are no regional differences in regards to passport. It does not matter if you live in Shanghai, Beijing, Yunnan, North-West China or any where else. It is not difficult to get a passport at all as long as you meet all the requirements. Like you have to provide an income statement to prove that you can afford to travel abroad. You will also have to provide some of your background information like education level and criminal record. You have to bring evidence that you have a job, how long you have worked there and what your job instructions are. Personal assets matter too.

**Why do you have to provide all this information in order to get a passport?** The main reason is because the government is afraid that many will try to emigrate. That people will use travelling as a cover to move to another country. By requiring all this information, they want to make sure that you have your life in China, and that you are planning on staying here.

**How about visas, is it hard to get visas to different countries?**

Normally the travel agency takes care of the visa process, so it's no problem.
Appendix 10: Email interview with Trip TM Agency, Head office, 2009.05.18

The interview-questions were translated into Chinese and back-translated into English to ensure the right meaning of the questions. The answers came back in Chinese and were translated into English. However, since the questionnaires were send through several people, and that the interview itself did not happened face to face, we are aware of the chance, that the questions might have been misinterpreted. These questions have however been deleted, and will not be taken into consideration in our analyses.

Could you give Hurtigruten five (5) tips for improvement?

1. There should be more Chinese food onboard.
2. There is need for a Chinese guide.
3. There should be more information onboard in Chinese
4. More activities onboard that suits the Chinese customers.
5. Send the agents on a trip with Hurtigruten, so that we learn more about the product we are selling.

How long has your organization sold Hurtigruten’s products, and when did you start?
We have sold Hurtigruten’s products for one (1) year.

Do you still sell similar products on behalf of other companies besides Hurtigruten? Please illustrate them.
We sell products from four (4) other companies. MSC, Princess, Silversea and Royal

What do you see as the difference between Hurtigruten’s products and Hurtigruten’s competitors?
Hurtigruten has a different route than their competitors, but the competitors has better ships.

Beside Chinese customers, do you have any customers from abroad?
We only have Chinese customers.

According to age, wage, interest and material condition, who do you think are the main customer for the Greenland and Antarctica tour program?
High end customers, luxury customers.
Who plays the responsible role in advertising the tour products? Hurtigruten, your company, or both sides? Which media have been used?
We both have the responsible for advertising, but it has to be invested more in advertising from Hurtigruten.

How do you introduce the products for the Chinese customers?
As unique and luxury

Is it easy to introduce these products to the customers? What do the customers opinions?
It is quite easy to introduce to the customers, it is important that the whole service is luxurious.

How many travel packages from Hurtigruten have you sold so far?
We have sent two (2) groups with Hurtigruten.

Have you ever joined any tours to Greenland or Antarctica? If you have, which aspects do you believe should be strengthen in order to call more interest of Chinese people?
I have never been on the tours, but I believe there should be more activities onboard, more Chinese food and language.

Appendix 11: Email interview with Top Tour, 2009.05.18
The interview-questions were translated into Chinese and back-translated into English to ensure the right meaning of the questions. The answers came back in Chinese and were translated into English. However, since the questionnaires were send through several people, and that the interview itself did not happened face to face, we are aware of the chance, that the questions might have been misinterpreted. These questions have however been deleted, and will not be taken into consideration in our analyses.
Could you give Hurtigruten five (5) tips for improvement?

1. Services: There should be more Chinese services.
2. The food onboard: There should be more Chinese food.
3. The things that not are included in the package should be specified, and Hurtigruten should make suggestions on what the customers could do on the free-time. For example where you should go for the best shopping and so on.
4. There should be given the same information to the agents all over China, so that all agents have the same information about the company and he boat.

How long have your company sold Hurtigruten’s products? When did you start?
12 moths, started last May.

Do you sell similar products from other companies?
No.

What are the difference between Hurtigruten and its competitors?
Hurtigruten’s tours are closer to the pole, and are more arctic.

Do you sell to other than Chinese customers?
No, only to Chinese customers.

What do you think of Hurtigruten`s Greenland and Antarctica tours being sold in the Chinese market?
Believe these tours have big potential in China.

How do you introduce these tour products to Chinese customers?
As unique, exploring and adventurous. But we also has to describe it as luxurious.

Is it easy to introduce these tours to your customers? What are the customers opinion?
It is not difficult. The customers are often curious and show interest in the products.

How many travel packages of Hurtigruten have you sold so far?
Six (6) packages.
Have you ever joined any tours to Greenland or Antarctica? If you have, which aspects do you believe should be strengthen in order to call more interest from Chinese customers?

No, I have not been on any tours.

Do you think Hurtigruten have made any adjustments with the products in order to satisfy Chinese customers? What are considered the most important factors for Chinese people travelling abroad?

They should offer more Chinese services, because this will give the Chinese customers positive feelings. It will give the customers some added value to the products, give the customer the feeling of being important.

Appendix 12: Email interview with Trip TM, Guangzhou, 2009.05.18

The interview-questions were translated into Chinese and back-translated into English to ensure the right meaning of the questions. The answers came back in Chinese and were translated into English. However, since the questionnaires were send through several people, and that the interview itself did not happened face to face, we are aware of the chance, that the questions might have been misinterpreted. These questions have however been deleted, and will not be taken into consideration in our analyses.

Could you give Hurtigruten five (5) tips for improvements?

1. Increased effectiveness on feedback: quicker confirmation when booking a tour for a customer, when we want to change a ticket and general information.
2. The webpage should be open 24/7. So if we want to change or book a trip we can check for confirmation whenever.
3. On the webpage there should be a map of the boat and all cabins, so that we can book the cabins the customer wants. (Just like on airplanes) then we can also see which one that are booked already.
4. Hurtigruten should increase promotion of the products, increase information and the possibility to seek information.
5. They should work on making a Brand name in China. This Brand name should be looked up on as a unique product or Brand.

How long have you sold Hurtigruten’s products?
Started in 2009.

What is the difference between Hurtigruten’s products and its competitors?
The tours from the competitors are not that adventurous as Hurtigruten’s. They are nighters so focused on one topic. The competitors have larger ships with more focus on activities onboard.

Do you sell to others than Chinese customers?
Until now, we have only had Chinese customers.

What do you think about Hurtigruten’s tours being sold in the Chinese market?
It is a big market for this in China, but you have to work hard. In the years to come it is very important to focus on the marketing of the products, to increase the knowledge of the brand and the products.

According to age, wage, interest, who do you think are the main customers for the Greenland and Antarctica tours?
Mainly they who have money. High end people. Those who take their family on vacation, therefore there will be some children onboard. People that are adventurous.

Who plays the responsible role in advertising the tours? Hurtigruten, your agency or both? Which media have already been used?
Until now it had mainly been the agents responsibility to promote, but it is controlled by the Head Office in Beijing. (Representative Office) We receive information from the Head Office and use this information in the marketing. The goal is to use little money promoting, like flyers and online marketing. Large promotion campaigns demands a lot of money, and this is not possible at this time.

How do you introduce the products to Chinese customers?
Unique, adventurous, relaxing and unceremonious. The most unique view in the world, and you will many great surprises and experiences during the voyage.

**Is it easy to introduce these tours to the Chinese customers? What do the customers think?**
It is not difficult, and the customers are very interested in the product. It is more difficult to take the step and book a trip. Compared to other cruises, these ones are quite expensive. Many look at this tour as the trip of their life. They feel they can choose other cruises first, and save this one until last.

**Have you ever joined any trips to Greenland or Antarctica?**
I have been on something similar before.

**Have Hurtigruten made any adjustments on their products to satisfy the Chinese customers preferences? What are considered the most important factors for Chinese people travelling abroad?**
Hurtigruten tries to collect all the wishes from the different customers and make adjustments according to these. For those travelling abroad, it is important that the place you go to brings you pleasure. Safety is also a high priority, but it is important that the product are unique and satisfying.

**How do you make profit during the sales? How do you project the sale status to Hurtigruten?**
We make a profit on the difference between the actual costs and the retail price. The customer segment for these cruises are quite small, however the profit margin on each customer is high. Making a sale is a challenge.

**Are there any differences between the incentive systems that Hurtigruten uses, compared to what Hurtigruten’s competitors uses?**
What we know is that Hurtigruten’s competitors offers a slightly higher incentives. The more you sell the more you earn. They also have a more effective communication system if there are any changes.
Appendix 13: Additional questions to Hurtigruten`s Marketing director for the European, Middle East and Asian markets Mr. Olav Lühr. 2009.05.30 (Norwegian text)

Når åpnet Representasjons kontoret i Beijing?
Kontoret i Beijing åpnet høsten 2006.

Vi har hørt at det er en kinesisk internettside for Hurtigruten under utvikling, når regner dere med at denne vil bli lansert?
Internettsiden er dessverre forsinket, men vi håper på at den skal være klar for lansering Juli 2009.

Har agentene mulighet til å påvirke provisjonen sin, eller er prisene på turene til Grønnland og Antarktis fastsatt?
Vi opererer med brutto priser, eller ”Gross på engelsk”, disse inkluderer provision til agenten. Agentens prosisjon forhandles individuelt. I prinsippet kan du si at desto mere agenten gjør (trykker brosjyre, info på web holder seminarer) desto høyere provision får han. Alt fra mellom 5-20% av ”gross price”.

På hvilke språk blir viktige beskjeder lest opp over høytaleranlegget?
På alle våre turer blir beskjeder lest opp på norsk, engelsk og tysk. De blir lest opp på kinesisk, japansk og russisk, av deres guide hvis det er grupper fra de landene ombord på turen.

Betales det avgift for å legge til kai, og representerer denne avgiften en høy kostnad for Hurtigruten?
Vi betaler avgift i hver havn. Denne beregnes i tonnasje eller i antall passasjerer.

Har Hurtigruten flere suppliers som kan levere de råmateriell som trengs, slik som mat og drikke?
Dette kan jeg ikke svare konkret på, men jeg vet at vi samarbeider med flere store hotellkjeder som samlet kjøper inn råvarer.
Appendix 14: Summary of Hurtigruten’s event in Shanghai for the “green” cruise. On the 30th of May.

Country Manager Mr. Liu was kind enough to invite the authors to an event for Hurtigruten’s customers to Greenland. This “Green cruise”- Hurtigruten's first environmentally friendly cruise to Greenland, taking place on June 6th of 2009. (see interview with Shanghai agent). The event is sponsored by Hurtigruten's agent in Shanghai, Mr. Gao Jie. At this event the ten (10) participants from China were gathered at the URBN hotel in Shanghai- the first environmentally focused hotel in Shanghai. (All the participants were given a tour of the hotel, (indeed a hotel for the high end customer!) Here the participants were given information about the low carbon focus of the trip, which is to learn about the different effects of carbon pollution on the global environment. An expert on polar research from China was present, Mr. Wang Jianzhong, giving the participants information about the Arctic regent. He shared information on a number of topics, varying from the changes in the climate, to what kind of equipment the participants should use when walking on the inland glaciers on Greenland. This low carbon trip has been made possible through the cooperation with the Beijing based carbon consulting company Seal Carbon Ltd. Who is responsible for keeping track of the amount of carbon released during the trip, and for calculating the “environmental fee” to be paid post trip. These fees will be forwarded to the research on “green power” and planting of trees.

While at the event the authors took advantage of requiring some additional information from the participants working in the industries of environment protection, environment research and tourism.

Appendix 15: Summery of questions at the “green” cruise event.

Summery of questions for Mr. Liu.

While talking casually during the breaks, Mr. Liu expresses how he would like to broaden his academic background, by entering education programs through one of Chinas finest schools; Fudan University.
How do you regard the risk of the Government advising against tourism in Polar Regions?
So fare the Government has not put forward neither arguments for, or against such matters.

What are the opportunities for shopping like, onboard Hurtigruten's ship?
The opportunities are limited.

What kind of merchandise does the Chinese tourist want to by when traveling to Antarctica and Greenland?
Famous brands such as Bache xo brandy is popular. They want originality, not “made in China”. Preferably some souvenirs made from seal, reindeer and from bones, these merchandises should be made by the locals and originate from the destinations. Mr. Liu states that the souvenirs should be unique, and typical for the region.

Is there a possibility of implementing a KTV- activity onboard Hurtigruten’s cruises?
Chinese view KTV as best in China, the attraction of KTV is the atmosphere, which will be hard to implement onboard Hurtigruten.

Does there exist procedures for reporting market information to the Norwegian headquarters? How often i.e.?
Yes, I rapport to Mr. Lühr once a month, sometimes even more often. I provide him with the information I have gathered in the Chinese market.

You have earlier mentioned the importance of adapting to Chinese preferences, which factors do you find most essential?
First of all, the most important factor is to provide information on Chinese. That is a number one priority. It is important since most Chinese on Hurtigruten’s voyages does not speak any English. I give especially thoughts to the education seminars, which are a big part of Hurtigruten’s products. It is a must to offer these seminars in Chinese, whenever Hurtigruten have big groups of Chinese onboard. I currently work on this issue, and hope to develop an own seminar onboard only for Chinese passengers, where we would have an own interpreter. Secondly, some food adoptions are necessary. We don't ask for much, but only two or three dishes to choose between. It would have to be simple dishes for the kitchen to make;
nonetheless, it would matter for our Chinese customers. Dishes like noodle soup, fried rice and dumplings would by far, be enough.

**How would you further develop the Representative Office?**

Well, in order to develop further business strategies for Hurtigruten, I need more employees. Mr. Liu indicates that his work task is above the top for one man to handle. Ideally, three to four employees would be perfect. That way the office could specialize into different tasks. As an example, I could need one person to deal with the bookings, as the Representative Office receives quite a few requests from people being interested to buy one of Hurtigruten’s products, even if we as a Representative Office cannot interact in any sales, we can do the bookings. Furthermore, I need one person to take care of the daily operations and an assistant to do the basics.

**Information obtained from Mr. Wang Jianzhong, Captain of the Chinese polar research ship; Snow Dragon.**

**The Chinese Government has debated to forbid tourism to the Antarctica. Do you see this as a real threat to Hurtigruten?**

No, it is just an ongoing debate, like anywhere else in the world. I don't believe there is going to be enforced a law in which to forbid outbound travel to the Polar Regions. Actually, by my knowledge, the Chinese Government is in fact discussing to establish tours to Antarctica themselves.

**Mr. Dong TieBing, the Regional Manager of Oriental Travel. (Providing Chinese customers for Scandinavian companies. Norwegian text, as he both understood and spoke Norwegian very well.)**

Hei, er dere fra Norge? Jeg snakker litt Norsk, jeg har bodd i Norge. I dag kjenner mange Kinesere til Norge gjennom internett.

**Hva synes du om dette Cruise? (Henviser til Grønlands cruiset)**

Det ser kjempe spennede ut, men det er ikke for menigmann i Kina, det er veldig dyrt! Denne turen ville nok passe for store bedrifter, i det selskapet jeg jobber sender vi stadig forretningsfolk på liknende turer.( Skandinavia)
I dag er Grønland og Svalbar veldig populære reisemål, fordi det er så anderledes og spesielt. "Alle" har vært i Frankrike for eksempel, men nesten ingen har vært på Grønland. I tillegg kan alle kjøpe seg tur til Europa, men det er bare noen utvalgte (priviligerte) som kan komme seg til polare strøk.

Ms Amanda Cui, employee of Seal Carbon Ltd.

What are your views on the Chinese Governments part in the debate on the impact of tourism in the Polar Regions? I believe that the Chinese government has joined the debate, and that they are preoccupied with the environmental issues.

Does the Government advice against travel to these regions? No, Chinese government has not advised against travel here.

Do you think it is likely that the Chinese government will advice against such activities? I believe this is not so likely to occur in the very near future.