BACHELOR THESIS IN INTERNATIONAL MARKETING

Hurtigruten ASA

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We hope our thesis will help Hurtigruten ASA to get a view of the internal and external factors we believe having determined the stagnation of its company within the German market. In addition to this, we seek to outline the initiatives we find necessary for Hurtigruten to stimulate the demand in the German market.

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Executive Summary

Hurtigruten is a Norwegian cruise line that for over 120 years has been doing transport and travel related activities on the Norwegian coast, as well as offering explorer routes. For closely 100 of these years, Hurtigruten has been offering its products to the German market, and has for this time been experiencing steady growth within this market. The situation as of today is unfortunately slightly different. Hurtigruten is currently experiencing stagnation in its most important market. In this thesis the authors have presented possible external and internal factors that could have contributed to this stagnation. Further, we have discussed the possible changes Hurtigruten could implement, in order to improve this situation.

The thesis was based on both qualitative and quantitative research, with several depth interviews and a 110 respondent survey. These findings were used to back our argumentation throughout the thesis.

The internal and external analyses were made to detect the possible reasons for the slowdown of Hurtigruten in the German market. This mostly surrounded the growth of the cruise industry and the highly competitive environment. Together with the internal weak financial situation, this has had a negative effect on Hurtigruten. These two analyses have resulted in a SWOT, where the company’s strength, weaknesses, opportunities and threats are discussed.

The research and the analyses that were made in the first part of the thesis, lead to the suggestions presented in the strategy. In this part, we proposed ideas for the expansion of the marketing mix of Hurtigruten. Our emphasis was on product differentiation and a focused segment targeting to attract more German customers.

We have concluded the thesis with a final recommendation. This includes the recommendations of Hurtigruten to differentiate its product, in order to become more eco-friendly, and looked upon as a safe and responsible way of travelling. We believe that these initiatives could attract a greater part of the growing elderly population of Germany. In addition, we also recommend Hurtigruten to operate with more social media marketing and taking advantage of modern devices like smartphones.
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1. Introduction

1.1 The scope of the thesis
This market research report is the final work of our Bachelor thesis in International Marketing. It is written in conjunction with the University of Mannheim and BI Norwegian Business School. The thesis was conducted in a group of five students on behalf of the Norwegian cruise line, Hurtigruten ASA. The authors will from now on address Hurtigruten ASA as Hurtigruten.

1.2 Background of the thesis
Hurtigruten has for over 120 years been travelling the route of the Norwegian coast. The company’s traditions are deep and its experience is long, together this contribute to a cruise line out of the ordinary. Hurtigruten has managed to attract both Norwegian and international tourists, and has experienced a growth in demand.

Hurtigruten’s most important market outside of Norway is Germany. Today, German tourists constitute more cruise nights on Hurtigruten than Norwegian tourists. Looking at the overall cruise nights sold to international tourists, they do not exceed the number of cruise nights sold to German tourists. Hurtigruten has, despite these numbers experienced stagnation in the German market.

The situation for Hurtigruten in Germany is therefore more challenging than first assumed. Hurtigruten is now faced with stagnation in its most important market. In order to maintain its largest segment of customers, Hurtigruten needs to make a turnaround. Hurtigruten has to detect the reasons to the stagnation within and outside the company, together with developing a ramification of actions to better its situation.

1.3 Problem statement
Based on the situation Hurtigruten is facing in the German market, the authors decided on the following problem statements in cooperation with Dr. Alexander Hahn and Ragnar Norum, Communication Manager of Hurtigruten:
1: What are the internal and external factors that determine the stagnation of Hurtigruten in the German market?
2: How could Hurtigruten stimulate demand in the German market?
1.4 Research goal

The goal of our research is firstly structured in mapping the situation for Hurtigruten in Germany, with focus on both external and internal aspects. Secondly, the goal is situated around the need of developing a new strategy concerning the current situation.

1.5 Research objectives

The research objectives are to analyse the situation of Hurtigruten within the German market, concerning both internal and external aspects. Taking the German holiday preferences, and their associations towards Hurtigruten and Norway into account, we will develop a possible future strategy for Hurtigruten. The main emphasis will be on the targeting of consumers in the German market, and how Hurtigruten could best design its marketing mix to attract these.

1.6 Research limitations

In the research, we have conducted an analytical framework in order to develop the best solutions to the problem statements. We have to take into consideration that we have reached short on certain aspects due to limitations. These limitations and weaknesses include:

- The respondents of our survey had an average age on 48 years, whereas Hurtigruten’s current target group is 65+.
- The survey was exposed on web-based forums where the respondents knew they where answering Norwegian students.
- We had limited knowledge about the cruise line industry and Hurtigruten.
2. Hurtigruten

2.1 Company background
Hurtigruten is a Norwegian cruise line offering travel and transport cruises along the coast of Norway and explorer routes. It was founded in 1893 by the Norwegian government in order to connect the north and south of Norway. The first cruise of the steamship, DS Vesteraalen, travelling nine ports from Trondheim to Hammerfest with duration of 67 hours, was the launch of the route. 120 years since the establishment of Hurtigruten, the express route is still going strong.

2.2 Vision and values
“Real experiences in unique waters”.
The vision of Hurtigruten is to provide its guests with real experiences in unique waters, based on local culture and beautiful scenery (Annual Report, 2012). In addition, Hurtigruten’s long-term goal is to be considered as one of the world’s 10 most favourable tourist attractions. This also includes the ambitions to offer a product that provides the best way to experience the destinations of Norway, Svalbard, the Antarctica and Greenland.

“Hurtigruten’s cultural value is to be secure, generous and responsible”.
The values of Hurtigruten surround the adjectives secure, generous and responsible. Safety is a top priority for Hurtigruten. The conditions Hurtigruten is operating in are unpredictable and often tough. Providing a feeling of security to the travellers is therefore crucial. The second value of Hurtigruten is to stay generous, creating openness and a feeling of unity in the organisation. Thirdly, Hurtigruten aims to act responsible for travellers, culture, the economy and the environment (Vision, values and leadership principles, 2013).

2.3 Product areas
”Hurtigruten cruises are more than luxury vessels to beautiful destinations; they are windows to the world of exploration, knowledge, education and adventure”.
A fleet of 10 ships ensure that each of the 34 ports are visited twice a day, 365 days a year. In addition, MS Fram does explorer trips, making the total fleet consist of 11 ships. The current fleet consists of classic ships, ships built in the late nineties and ships built after the millennium (Hurtigruten’s ships, 2013). The complete list of
Hurtigruten’s current ships and fleet is to be found in the Appendix 2, as well as the map of Hurtigruten’s areas of operations in Appendix 3. Hurtigruten offers two types of cruises: the Norwegian coastal cruises and explorer cruises. Furthermore, Hurtigruten operates within a niche in the cruise industry, offering specialised cruises in remote waters. In addition it offers other activities, such as bus connections and hotels.

**Product areas of Hurtigruten**

![Diagram of Hurtigruten's product areas](image)

**Figure 1:** Hurtigruten’s product areas (Annual Report, 2012)

### 2.3.1 Norwegian coast

The product area Norwegian coast is the largest business in the portfolio, and this core product accounted for about 81% of the company’s revenues in 2012 (Annual Report, 2012). Norwegian coast operations consist of 10 of the ships listed in the “Hurtigruten’s ships and fleet table” in Appendix 2, excluding MS Fram, which is in service between Bergen and Kirkenes. The Hurtigruten vessels are purpose-built to travel along the Norwegian coast, gaining access to small ports and narrow fjords, where other cruise ships do not have the possibility to travel.

### 2.3.2 Explorer-products

Hurtigruten has long experience with explorer activities in remote waters, even though this is a relatively new focus for Hurtigruten. The company has during the last years managed to build a leading position in this area, and it has become an important business area, with a great potential of growth and profitability (Annual Report,
The vessel MS Fram is the expedition ship providing trips to spectacular destinations. The ship is purpose-built for travelling in polar waters, and to bring the passengers closer to nature and provide them with unforgettable experiences (Hurtigruten’s ships, 2013). MS Fram operates in Spitsbergen in the period July to September. In spring and autumn it arranges cruises to various destinations in Europe, in conjunction with the ship’s displacement from the northern polar waters to the south of the Antarctic and vice versa.

2.3.3 Spitsbergen

Hurtigruten’s operations in Spitsbergen are through Spitsbergen Travel AS, Svalbard’s oldest tour operator and a 100% wholly owned subsidiary of Hurtigruten. Its core activities are related to explorer sailing, adventure products, longer expeditions, boat or hiking trips, as well as meetings and activities for the business market (Annual Report, 2011).

2.3.4 Other activities

This product area includes Hurtigruten’s bus operations through Cominor AS. It is a bus company established in 1919, which has a large and modern park of tour buses. Due to these qualifications, it has been serving as a major player in scheduled bus services in northern Norway (Annual Report, 2012).

2.4 Hurtigruten’s operations in Germany

Hurtigruten has been present in the German market for close to 100 years, and the German travellers have been one of the biggest and most important passenger groups. In 2012, the German travellers accounted for 33.6% of all passengers travelling with Hurtigruten (Appendix 7). The German market proved itself of such importance that new measures were introduced. In recent years, Hurtigruten started chartering its own flights from Germany. In 2011, Hurtigruten chartered 58 flights, which departed from Düsseldorf to both Bergen and Kirkenes. This was an increase of 26 flights compared to 32 flights in 2010. The main sales office in Germany is located in Hamburg, with approximately 60 employees. The sales office is an independent company (GmbH), wholly owned by Hurtigruten. As the competition has toughened, the current main task of the sales office has been to sustain Hurtigruten’s current market share. In the rest of Germany, Hurtigruten is represented by up to 700 travel agents and a large number of travel agencies (Appendix 4).
3. Methodology

3.1 Introduction

In the following section, we apply the research process, which describes the stages of our research including the problem definition and the design of the research. The six stages in the research process are: purpose of analysis, research questions, design and data need, data collection, data analysis and report of findings (Gripsrud et al. 2011:36). We will describe and outline these stages according to what we believe is suitable for our thesis. Firstly, we will define the purpose of the analysis and the research questions, which will result in the problem statement of the research. Secondly, we will use this problem statement in order to outline the design for our research. Finally, we are going to present our findings. These findings will be used as background for the whole thesis, especially in the development of our final recommendations for Hurtigruten’s future strategy.

3.2 Research process

![Research Process Diagram](Gripsrud et al. 2011:28)

**Figure 2**: Research process (Gripsrud et al. 2011:28)

3.3 Purpose of analysis and research questions

The purpose of an analysis has two distinct aspects. The first aspect concerns the factors for the symptom that we have observed. The second aspect concerns the actions that should be chosen as a reaction for the symptom. These two aspects are carefully linked together and organised in these headlines: problem statement, research aim and objectives and research questions (Gripsrud et al. 2011:28).

3.3.1 Problem statement

1: What are the internal and external factors that determine the stagnation of Hurtigruten in the German market?
2: How could Hurtigruten stimulate demand in the German market?
3.3.2 Research goal and objectives

Our research goal and objectives are mainly structured in mapping the situation for Hurtigruten in Germany, with emphasis on both external and internal aspects. The company is also in a situation with the necessity of developing a new strategy concerning the current situation.

3.3.3 Research questions

1: How is Hurtigruten’s current situation concerning the internal aspects?
2: How is Hurtigruten’s current situation concerning the external aspects?
3: Which holiday preferences do German customers have?
4: Which preferences do German customers have towards Norway and Hurtigruten?
5: What segment should Hurtigruten focus on?
6: What marketing mix should Hurtigruten focus on?

3.4 Design and data needs

The research design includes a description of how the whole analysis process should be framed, in order to solve the actual tasks. The choice of the research design depends on how much experience we have with the subject, knowledge about the theoretical studies that identifies the different variables, and the level of ambition regarding the identification of the context between the variables. We have three main research designs, which are explorative design, descriptive design and causal design (Gripsrud et al. 2011:38,50).

3.4.1 Explorative design

The explorative design is used when the decision maker has little knowledge about the subject. This design gives the decision maker an overview of the subject, and it creates an understanding and interpretation of the subject. This is done through literary studies and use of secondary data. The two main techniques used are focus groups and depth interviews (Gripsrud et al. 2011:41). We use the explorative design when trying to answer our first problem statement and the two first research questions. We have restricted knowledge and experience about the reasons to Hurtigruten’s stagnation in the German market, and are therefore forced to explore the subject further. We are using reports from the cruise line industry and the German travel market, together with company web pages. In addition to this, we are
conducting a depth interview with the Sales and Marketing Director of Hurtigruten, in order to get the complete understanding of Hurtigruten’s current situation.

3.4.2 Descriptive design

The descriptive design is used when the decision maker has basic knowledge of the subject. This design gives the decision maker a description of the situation in a distinctive area, and includes testing of different hypothesis and quantitative analysis techniques. The main techniques used are surveys, observations and diary methods (Gripsrud et al. 2011:45). We use the descriptive design when trying to answer our second problem statement, and the last four research questions. By now we have basic knowledge of the subject, but we are in need of a further description on how Hurtigruten should stimulate the demand in the German market. Handing out a survey mapping the Germans travel habits and preferences to Norway and Hurtigruten as a holiday alternative, will give us the information needed.

3.4.3 Causal design

The causal design is used to study the causal explanation by executing experiments. There are four different experiments that can be used which are real experiments, quasi-experiments, laboratory-experiments and field-experiments (Gripsrud et al. 2011:45). We have chosen not to use this design, because it would go beyond the purpose of this bachelor thesis.

3.4.4 Validity and reliability

When measuring how good an analysis is conducted, validity and reliability are two main aspects. Validity concerns how well you measure what you intend to measure, and reliability concerns to what extent the results are reliable (Gripsrud et al. 2011:53). In order to make our research both valid and reliable, we have conducted different tests. These test have been done in our survey to weed out both the systematic and random errors. First of all, we did a pre-test on the survey, sending it out to 10 respondents asking them if the survey was understandable. After making some changes, the survey was made official, and we collected 166 answers. To make the survey more valid and reliable, we seeded out the answers that were not completed, and ended up with 110 respondents. To make the survey even more valid and reliable, we conducted a cleansing of our dataset, also called outsourcing. Doing
this, we replaced the missing values with an average, and traded the extreme values with neutral ones.

3.4.5 Research limitations and sources of error

There is a possibility that our research consist of multiple errors due to our limitations connected to the survey. These errors can be categorised in two main groups linked to lack of observations and errors with the measurements (Gripsrud et al. 2011:144). The errors due to lack of observations are coverage errors, non-response error and sampling errors. In our research we have collected answers from 110 respondents, and the error due to lack of observation is therefore limited. As the respondents were equally situated with a 25% representation in each region of Germany, it makes the survey even stronger. Having this said, we cannot exclude the risk that our analysis is based on an insufficient group. The population of Germany, which travel on international holidays every year was 73 million as of 2011 (Bastis, 2013), in contrast, our respondents were only 110.

The errors due to measurement faults occur when respondents answer the survey. They are either linked to the survey itself or how it interacted with the respondents. The first errors linked to the survey could be due to imprecise questions, leading questions and also the respondents giving incorrect information. The second errors linked to how the survey interacted, could be due to the respondent or the interview situation. The respondents could either have not understood the questions, not wanting to answer the questions truthfully, or be uncertain of their own position. The interview situation can also add errors if it is conducted at an unfortunate time, and the environment could also be inflicting. We detected some measurement faults when we handed out the survey to the pre-test group of 10 people. These respondents had difficulty with understanding certain questions, like how to evaluate AIDA when they never had travelled with the company. This question was therefore changed later on.

In addition to these errors, we also have to take into consideration that there could be errors due to the web-based solution we have chosen. Because of our limited time and resources we chose to distribute our survey through web pages, such as forums and social media. When using a web-based solution, errors like sceva in selection could occur and we can also end up with many partly finished answers. The fact that the
survey was exposed on forums, where most of the Germans had a positive affection towards Norway, could also be a factor of sceva. We therefore might not have the right population answering the questions, considering which country German travellers would like to visit.

3.5 Data collection

There are two sets of data sources that can be used when conducting an analysis, secondary and primary data. Secondary data is divided between internal and external sources, providing public information within external sources, literature and standardised researches. Primary data is collected using both quantitative and qualitative sources, where the first one is expressed in numbers and the other is not. Methods of collecting these data are through depth interviews, focus groups, observation and surveys (Gripsrud et al. 2011:57,58,93). In our thesis we are using both secondary and primary data. Our database with secondary data consists of mostly internal company information, but also external reports concerning the worldwide and German market. Our database with primary data consists of four depth interviews and a survey based on the Germans travelling habits, with preferences towards Norway and Hurtigruten as a holiday alternative.

3.5.1 Interview with Hans Rood, Sales and Marketing Director of Hurtigruten

We conducted a telephone interview with the Sales and Marketing Director of Hurtigruten, Mr. Hans Rood (Appendix 7). The main objective of this interview was to get a deeper understanding of Hurtigruten’s situation, including information on history, internal and external aspects together with the segmentation and marketing in Germany.

Hurtigruten has been operating in Germany for close to 100 years and it considers Germany to be its major foreign market, as it generates 33.6% of its business. Hurtigruten has throughout the years experienced steadily growth within the German market, but is today faced with the rather opposite situation of slowdown. A possible reason to this is the heavy competition within the German cruise market. Despite this slowdown, Hurtigruten has no intention of doing radical changes in order to turn the situation around. The company would rather like to maintain its position, looking towards other markets to compensate for the negative trend in Germany.
The product of Hurtigruten is described as unique, with both differentiated and customised attributes. The price however is rather high compared to its competitors, and is looked upon as one of its big challenges. Germans travelling with Hurtigruten are mainly placed in the 65+ age segment, with educational background having medium-high income. These passengers prefer travelling the Norwegian coastal route, in the summer-season, but the winter-season is also growing in popularity. In order to attract these customers, Hurtigruten is gaining most from the online advertisement.

3.5.2 Interview with travel agencies
We conducted two interviews with travel agencies located in Mannheim. The purpose was to get better knowledge of how the agencies distribute Hurtigruten’s products. The answers from these interviews were also used in the development of the survey. The agencies selling products from Hurtigruten in the Mannheim area are pleased with the product provided, but they find it harder to sell compared to the other cruise lines. The competitors of Hurtigruten offer a broad product line with a luxurious presentation at a low price. In comparison to this, Hurtigruten is looked upon as a cruise line with a niche product offered at a higher price. The basic assumption is that German travellers would prefer a holiday in warmer climate, at an affordable price, rather travelling to colder destinations to a higher price. Having this said, Hurtigruten is the only cruise line in consideration when travellers decide on going on a holiday to Norway.

3.5.3 Interview with passengers
We conducted three passenger interviews where two were mail-interviews and one was face to face. The purpose of these interviews were to learn how Germans perceive Norway and Hurtigruten. The answers collected from these interviews were also used in the development of the survey. The interview objects were asked multiple questions about their thoughts before the trip, during the trip and after the trip with Hurtigruten. The overall perception of Hurtigruten was very favourable. The issue of gathering information and booking the trip were found to be quite time consuming, even though the sources of information and booking were found to be very visible. The respondents were satisfied with the offering on the ships, but believed that there were some differences regarding to the standards of the ships. When asking them whether or not they would take the trip again, everyone answered that they most definitely would. Our overall assumption of the German travellers is that they do not consider a
trip with Hurtigruten as an ordinary cruise ship holiday, but on the other hand as an opportunity to experience the whole of Norway (Appendix 8,9,10).

3.6 Survey

In total we have collected 166 answers from our survey based on Germans travelling habits, and preferences to Norway and Hurtigruten as a holiday alternative. We received a total of 166 answers, where only 110 of these were fully comprehensive. To make the survey more valid and reliable we left out the 56 incomplete answers.

3.6.1 Respondent's demographics

The average age of our respondents was 48 years and evenly situated all over Germany. Their average net income was in the interval between € 45 000 – 65 000 annually, with a degree from Weiterführender, Abitur or Hochschule. Concerning gender, 60% of the respondents were men, and the other 40% women. Approximately 80% of these were either in partnership or married.

3.6.2 Traveling habits

Our survey revealed that the Germans prefer to go on holiday approximately two times a year (43.6%), and for a period of two weeks (53.6%). The respondents preferred going on holiday with their partner (59.1%), and second their family (44.6%). Our respondents evenly preferred to travel in the three first seasons of the year, but the winter season was slightly less attractive. On the topic of what kind of holiday they would prefer, vacation in cabins and holiday houses were the most favourable, followed by vacation in free nature.

Q5: On a scale of 1 to 5, where 1 is not at all preferable and 5 are very preferable, what sort of holiday do you prefer?
Our German respondents had different motives going on holiday. What seemed to be the biggest motive of them all was getting away from the stress of normal duties. When going on holiday, the Germans looked at themselves as mostly friendly and open, trying to escape the hectic daily life, as well as discovering local culture. Their perfect holiday destination has the characteristics with beautiful nature, friendly people and interesting places. At these destinations, they preferred activities like observing nature and relaxing.

Q6: On a scale of 1 to 5, where 1 is not at all descriptive and 5 are very descriptive, what is your motivation for going on holiday?

The last section in this part of the survey, we asked about where the respondents collected information about their holiday, where they booked their holiday and how much they preferred to spend on a holiday. We gathered answers, which indicated most of them preferred to collect their information about holidays and also book their holiday on the Internet. The average amount of spending per person going on holiday was stated to be approximately €1500, which is the same amount needed to buy a trip with a standard Hurtigruten cruise. This indicates that the price on a trip with Hurtigruten is acceptable for the Germans answering our survey.
3.6.3 Preferences towards Norway and cruise ships

Based on our survey, many Germans are considering Norway as a holiday destination. One possible bias is that the survey was exposed on forums where the active users were Germans with a special interest in Norway. We can therefore acknowledge this, and not look at this finding as absolute. Further on, they also believe that a holiday in Norway will help them escape from the hectic daily life, which is correlated with what they would like to achieve from going on a holiday.

When looking into the section about the Germans preferences towards cruise ships, the answers were very clear. The respondents in our survey were most familiar with Hurtigruten and AIDA, not many other cruise ships were in close relation to these two. When comparing the two most known cruise ships, we also found some differences within the attitudes towards the two. First of all, Hurtigruten scored higher
than AIDA on every point except from the point about having luxury and showing of superior lifestyle.

![Comparison of AIDA and Hurtigruten](image)

17. On a scale of 1 to 5, were 1 is not at all descriptive and 5 is very descriptive, what would a holiday with AIDA give you?

18. On a scale of 1 to 5, were 1 is not at all descriptive and 5 are very descriptive, what will a holiday with Hurtigruten give you?

The respondents that had travelled with Hurtigruten were also asked whether or not they were satisfied with Hurtigruten as a holiday alternative. On a scale from 1 to 5, our respondents graded Hurtigruten with a 3.9 average. The respondents that had never travelled with Hurtigruten were asked why not, and the answer was mostly that the trip was too expensive.

3.6.4 Respondent split: Net income

We decided to split the answers from our survey in order to look for distinctive differences between the respondents with the highest and lowest net income. When we separately analysed these two groups, we found out that there were biggest differences when it came to general travelling habits and what they wanted out of a holiday. First of all, the ones with the highest net income preferred travelling for one week with their partner, mostly in the autumn. In contrast, the ones with the lowest net income would rather travel for two weeks in the summer with their family. In
addition, the ones with the highest net income favoured escaping the hectic daily life and going fishing. As of for the ones with the lowest net income, they would rather experience new things and be around beautiful nature. This shows that Hurtigruten could consider expanding its product portfolio, and differentiate it with varying price packages. Hurtigruten could develop extra products for the ones with willingness to pay more for an extended experience.

3.6.5 Respondent split: Regions

We decided to split the answers from our survey in order to detect distinctive differences between the respondents from the different regions of Germany. First of all, there were many similarities of the respondents. For instance, all the respondents favoured destinations with beautiful nature and cabins or summerhouses. The region that seemed to stand out was the northern part of Germany. The respondents in this region desired going on holiday with their family, with a relaxed attitude, mostly in the autumn, wishing to get new experiences. In contrast, the respondents from the other parts of Germany wished to go on holiday with their partner, with a friendly attitude, mostly in the spring, trying to escape the hectic daily life. Other parts of Germany also showed distinctive differences. For instance, the Germans in the west were the ones that would pay the most for a holiday, and they were also the ones with the highest income level. Further on, we found differences concerning the reason not travelling with Hurtigruten. In most parts of Germany, the respondents stated that the reason for this was because they considered it to be too expensive. The respondents from the south answered that they would rather travel to other places. This indicates that there are differences between travellers from the different regions of Germany, and this is something Hurtigruten should take into account when marketing its product. Hurtigruten should for instance consider opening sales offices in other parts of Germany. We have discovered that the people from the northern regions have slightly different preferences than Germans from other regions.
4. External Analysis

4.1 Introduction

In the following sections, we conduct the external analysis, which is a review of the company’s threats and opportunities. This include the cruise market in general, PEST analysis, Porters five forces and corporate social responsobibility. We will apply the findings from the analyses to discuss Hurtigruten’s position in each of them. Firstly, we are going to use our findings to get greater knowledge of the cruise market in different aspects. Then we will define the tools and describe the use of them. Further on, we are going to include Hurtigruten’s threats and opportunities. Concludingly, we will wrap up the main aspects of each section. These findings will help us gain a better understanding of Hurtigruten’s current external situation, and the company as a whole. The analytical findings in this section will together with the findings from the internal analysis be used in a concluding SWOT.

4.2 The cruise market

4.2.1 Introduction

In the following section, we look into the cruise market, which includes the worldwide cruise line market, the European cruise line market and Hurtigruten’s position within the two markets. We will describe and specify these markets in general. We will do this with up to date information and reliable knowledge about the cruise market. Then we will go into detail about Hurtigruten’s situation in these markets, regarding its favourable position and market share. We use the collected data to create an overview of the current market situation, and Hurtigruten’s position within it. The findings will be implemented in the section regarding the macro-environmental analysis of the SWOT.

4.2.2 The worldwide cruise line market

In the recent years, the cruise line industry has rapidly expanded internationally. Worldwide, the cruise industry has an annual passenger compound growth rate of 7% estimated from 1990 to 2017, as shown in the graph below. Growth strategies have been driven by larger capacity, in form of new builds, ship diversification, more ports, more destinations and new on-board/on-shore activities, which match the demands from the customers. Price has been driven down, due to the rapid growth and greater
competition. It is calculated in 2013, that six new cruise ships will be added with a total capacity of 14,000 passengers. From 2014 to 2015, around 13 more ships will be supplemented, adding another €2.5 billion in annual revenue to the cruise industry (Cruise Market Watch, 2013).

**Growth of worldwide passengers carried**

![Growth of Worldwide Passengers Carried](image)

Figure 3: Growth of worldwide passengers carried (Cruise Market Watch, 2013)

According to Christine Duffy, president and CEO of the Cruise Lines International Association, more than 20 million people will travel with a cruise line in 2013. This is a 3% increase from 2012. Based on current orders by 03.04.2013, the industry is expected to grow another 3% by 2013 (Cruise Industry Update, 2013).

4.2.3 Concerns

An increasing concern, which follows the growing trend in the cruise market, is the rising financial costs and the security issue when traveling on cruise ships. The ITB World Travel Trends Report 2012/2013, quotes Professor Alexis Papathanasssis, from the University of Applied Sciences in Bremerhaven, on what seems like clear signs of a negative trend in profit margins and rising costs throughout the industry. The profit margins have fallen approximately by 4% the last decade, due to lower on-board spending and higher fuel prices. Other concerns are scepticism towards on-board safety due to the Costa Concordia accident in 2012, the 2013 Carnival Triumph incident, and the fire on Hurtigruten’s MS Nordlys in 2011 where two crew members died. These incidents shed poor light of the safety of passengers, but there is currently a security satisfaction overall.
4.2.4 The European cruise market

Germany is the largest outbound tourist market in Europe, generating an estimate of just above € 2.3 billion in revenues for the cruise market annually. Reports show stagnation in the outbound travellers from Germany in 2012, regardless of the stable financial situation. In comparison, Russia recorded a 12% rise in outbound travel due to its strong economy and increasing prosperity, which combined generate more international travel. In addition, two countries with strong currencies, Switzerland and Norway, recorded a 10% and 6% increase. Due to the depreciation of the Euro, travellers were able to get extra value for money, especially in Eurozone destinations (Stark tourism, 2012).

European Outbound – Individual performance in 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>+12%</td>
</tr>
<tr>
<td>Norway</td>
<td>+6%</td>
</tr>
<tr>
<td>Sweden</td>
<td>+3%</td>
</tr>
<tr>
<td>France</td>
<td>+1%</td>
</tr>
<tr>
<td>Austria</td>
<td>+4%</td>
</tr>
<tr>
<td>Ireland</td>
<td>-3%</td>
</tr>
<tr>
<td>Portugal</td>
<td>-9%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>+10%</td>
</tr>
<tr>
<td>Belgium</td>
<td>+5%</td>
</tr>
<tr>
<td>UK</td>
<td>+1%</td>
</tr>
<tr>
<td>Germany</td>
<td>+2%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-5%</td>
</tr>
<tr>
<td>Italy</td>
<td>-5%</td>
</tr>
<tr>
<td>Spain</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Figure 4: Individual performances in 2012 (Stark tourism, 2012)

4.2.5 Hurtigruten’s position in the cruise market

Hurtigruten has marketed itself through its vision as an exploring and adventurous cruise line with “Real experiences in unique waters”. Hurtigruten provides genuine and cultural experiences to some of the most beautiful and exotic places on earth, including Norway, Svalbard, Greenland and the Antarctica. The company had a market share of approximately 1.3% of the total world market, which equals € 380 millions in the 2012 season. The market share of German passengers for Hurtigruten is approximately 33.6% (Appendix 7).

4.3 PEST analysis

4.3.1 Introduction

In the following section, we apply the PEST analysis. This is a major framework for analysing macro-environmental factors that may affect business strategies in the German market. It encompasses the separate analysis of the political, economic, social and technological environment factors (Kotler & Keller, 2012:96). We will specify and define each of these dimensions in general. Then, we are going to analyse the
German market according to each dimension, by applying secondary data. Finally, we will draw conclusions for Hurtigruten for each of the dimensions. We will seize on the findings from the PEST analysis when describing the macro-environmental analysis of the SWOT.

4.3.2 Political factors

Political factors consist of laws, government agencies and pressure groups that influence various organisations and individuals (Kotler & Keller, 2012:106). Political factors can contribute to giving organisations advantages and opportunities. It can also set barriers, which makes it harder for the organisation to reach its goals.

The policy changes that occur in Germany are not under Hurtigruten’s influence. The company must simply accept and abide those laws and regulations that are set. It is important to know that changes may occur and to be prepared to meet them. There are currently no political risks of doing business in Germany. On a ranking performed by AMB Country Risk Report in September 2011, Germany is ranked very low regarding political instability and risk.

Germany is a member state of the European Union, and the European Central Bank is based in Frankfurt. Because of this, Germany has the advantage of being the largest and most powerful economic center of Europe. Norway is not a member of the European Union, but it is a member of the European Economic Area. Norway can therefore still participate in free trade through European Free Trade Association (EU-Norway, 2011). Germany is also known for having a heavy bureaucracy in its public services and a strong labour union. This could be the reason why Germany has a more inefficient labour market than its neighbouring countries. The reason for mentioning this is that Hurtigruten adopts German labour in terms of employment in the various agencies and sales office in Hamburg. This has little influence on Hurtigruten due to the fact that the company has most of its operations in Norway.

4.3.3 Economic factors

Economic factors refer to areas unique to the economy and direct influenced by the economy, such as economic growth, an economic crisis or exchange rates (Kotler & Keller, 2012:99).
Germany is Hurtigruten’s most important market, followed by Norway, UK, USA, Sweden and France. Hurtigruten has its own sales offices and representatives in these markets (Annual Report, 2011). Germany is Hurtigruten’s biggest market with 81.7 million inhabitants. It is the largest economy within the euro area, and the fourth largest economy in the world. Germany is also the second largest exporter in the world and it account for more than 1/3 of national output (Trading economics, 2013).

It is important for Hurtigruten to have an overview over the private economy of its target group, and how it has developed knowing that the demand in the German market has decreased. The financial crisis in 2008, and the European sovereign debt crisis have been an issue over the recent years, and have created scepticism and depression worldwide. The German Travel Association (DRV) has done surveys for over 20 years on the cruise line industry, and present on its homepage analyses that the Germans spent more money in 2012 than ever on their holiday. They are also willing to pay more for quality and service. The DRV informed on March 7, 2013, that for the first time, nearly two million Germans spent their holiday on a cruise. Although the average price of a cruise has remained the same, as well as the average duration of the voyages, it has been an increase of 11.3% compared to the previous year. This indicates that the European sovereign debt crisis has not affected German consumer spending in a negative way.

Hurtigruten faces an economical risk in exchange rates including all the local currencies on point of sale. This concerns mostly The United States Dollar (USD), the EURO (EUR) and the British Pound Sterling (GBP), as the Norwegian Krone (NOK) has strengthened itself considerably against these in the financial turbulence stretching from 2008 (DRV, 2013). As transactions are made in local currencies, the customers are not strongly affected.

4.3.4 Social factors

Changes in social trends can have an impact on the demand for organisations products or services, and the availability and willingness of individuals to work (Kotler & Keller, 2012:100).
The average annually gross income for Germans are roughly € 45 000. The three most populated “Bundesländer” are Baden-Württemberg, Bayern and Nordrhein-Westfalen, with respectively 10.8, 12.5 and 17.8 million inhabitants. The average income per capita is higher in west Germany than it is in east Germany, and the highest income occurs around the big cities, like Hamburg, Frankfurt, Düsseldorf, Stuttgart and Munich (Destatis, 2012).

Germany is becoming an aging society, due to the fact that people live longer. This is a result of living a healthier lifestyle and less childbirth. As a consequence, the share of elderly people in the total population rises. However, it is not about an excess of elderly people, rather the fact that Germany is lacking youth (Ursula Lehr, 2003). The Government has implemented measures in order to rise the federal retirement age. It will be raised from 65 years to 67 years between 2012 and 2029, which is intended to increase the size of the working-age population. Other reforms that have been implemented are the increase of financial assistance to families with children, the subsidisation of childcare and immigration. However, these policies have not yet proven to considerably increase growth (Doug Murray, 2012).

People travel in order to obtain certain needs and the Germans are no exception. In the past years there have been a shift in the social trends, such as the focus on ecological travelling. The international Ecotourism Society define ecotourism as “Responsible travel to nature areas that conserves the environmental and improves the well being of local people” (Marie Molrooney, 2013). Germans have in the last decades become a front-runner in preserving their environment and protecting nature. In addition, Germans are well known for their heavy recycling (Frommer’s, 2013). Ecotourism deals with tourists wishing to have a positive impact on the environment and the people they visit, without harming the environment (Tricia Ballad, 2013). Hurtigruten recognises the importance of this, and through its activities it contributes to sustainable development in the areas it operates. The company ensures a healthy development of the communities along the coast of Norway, Greenland, Svalbard and other operational areas (Hurtigruten, 2013).
4.3.5 Technological factors

New technologies create new products and processes. Technology can reduce costs, improve quality and lead to innovation. These developments can benefit consumers as well as the organisations providing the products and services (Kotler & Keller, 2012:105).

For many consumer products and services, effective distribution channels are the key to a more profitable company, and can create benefits for the consumers. As markets evolve, distribution channels are also in a need for a change. It has been a shift in consumer behaviour, and the evolutions of multichannels are key drivers in the industry (Manu De Ros, 2013). Multichannel ways of marketing use different types of marketing channels to reach customers, such as web sites, retail stores, mail order catalogue, or direct personal communication by letter, email or text message (Business Dictionary, 2013). However, there are today even more customers using direct channels to get a hold of the products and services they want. This means that they buy from the manufacturer, with no intermediaries involved (Business Dictionary, 2013). The buying process is shorter, and since the information is easy accessible, it is simpler to purchase products and services on their own.

Hurtigruten’s customers order their vacation to a larger extent over the Internet, due to the opportunity to read upon the different offers and compare prices. Thereby they are cutting out the intermediaries, such as travel agencies. Our survey revealed that 80.9% of the respondents used the Internet as the most important channel when searching for information about holidays. Only 3.6% of the respondents stated that travel agencies were the most important channel when searching for information. In addition to the Internet, smartphones have also become an essential device of customer’s lives. They serve numerous purposes such as web browsing, mobile banking and different applications. These devices are already helping numerous companies and customers to improve their efficiency.
4.4 Porter’s five forces

4.4.1 Introduction

In the following section we will use the Porter’s five forces, which is an analytical tool to determine the competitive intensity of the market forces. This includes the force from rivalry among existing firms, threats of new entrants, supplier bargaining power, customer bargaining power and threats of substitute products. This model was developed by Michael E. Porter, published in the book “Competitive Advantage: Creating and Sustaining Superior Performance” in 1985. We are going to describe each of the five forces, and apply secondary objective data to analyse the current market situation. We use the market findings to map the attractiveness of the selected market, such as structure, opportunities and threats, and create an understanding of where the power lies in different business situations within the market segment. We are going to implement the findings in the external aspects of the SWOT-analysis.

4.4.2 Competitive rivalry of existing firms

The rivalry of existing firms and the competitive situation between the market players can be measured by uniqueness of the service and product, the amount of players and the amount of customers in the market (Porter, 1985:6). The rivalry faced in the cruise line industry, considering the tourism and travel industry in total, is a potential competition to Hurtigruten. On the other hand, this makes little or no sense to such a vast industry. The answers given by Hurtigruten’s Sales and Marketing Director, Mr. Hans Rood makes more sense. He stated that Hurtigruten roughly cuts the segment down to the cruise line industry, where the company has approximately 1.3% of the world cruise market share. The customers that did not want or even considered a cruise holiday never met the requirements of being included in this rivalry. Due to this fact, companies in other tourism and travel segments are irrelevant for this part of the study. The statistics below shows the total world market share as of the beginning of 2013 for the cruise line industry (Cruise Market Watch, 2013).
As the thesis is focused on the German market, it is relevant to know which cruise lines are in the closest connection to the German customers. The list on the next page is showing seven cruise lines operating from the coast of Germany, all of them rivalling for the German travellers. These companies are not necessarily operating in the same areas as Hurtigruten, but competing for the German customers, and are giving a close presence and exposure to the German market. All these cruise lines rival for the 20.9 million customers expecting to choose their services as a holiday.
option in 2013. Cruise line travellers in the world are expected to increase by 3.3% from 2012.

**Germany based cruise lines**

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDA Cruises</td>
<td>Rostock</td>
</tr>
<tr>
<td>Hapag-Lloyd</td>
<td>Hamburg</td>
</tr>
<tr>
<td>Peter Deilmann Cruises</td>
<td>Neustadt, Holstein</td>
</tr>
<tr>
<td>Phoenix Reisen</td>
<td>Bonn</td>
</tr>
<tr>
<td>Transocean Tours</td>
<td>Bremen</td>
</tr>
<tr>
<td>TUI Cruises</td>
<td>Hamburg</td>
</tr>
</tbody>
</table>

*Figure 6: Germany based cruise lines (self provided)*

The Norwegian market also experienced a steady rise in the number of cruise travellers in the 2012 season compared the 2011 season. This estimates approximately 100 000 new foreign travellers (Cruise Norway, 2012). The 2012 estimate for new German travellers displays an increase of around 13 000 from 151 000 travellers in 2011 to 164 000. This can be viewed as a toughening in the competitive market of the Norwegian coast, as Hurtigruten’s 2012 Annual Report states a decrease in number of cruise nights on its ships by 1.0%, even though the market is growing. When looking at the market situation, it is a competitive market with strong rivalry among the market players. The conclusion is based on the large number of cruise lines for customers to choose from, the easy access of sales and exposure through the IT-channels and low switching costs.

**4.4.3 Threat of new entrants**

The threats of new entrants depend primarily on the presence and magnitude of barriers of entry in the particular industry. The size of the barriers to trade is based on several sources, including switching costs, absolute cost advantage and government policy (Porter, 1985:6). The cost of establishing a new cruise line company, or production of new ships to enter the current market is considered very expensive and not very likely to be the main concern of the competing cruise lines. Construction costs for a new cruise ship stretches from around € 153 million to over € 769 million for the most prestige. Royal Caribbean International’s Oasis of the Seas, is an example of the most prestige, which when entering service in 2009 had an estimated
building cost of € 953 million (Ship-technology, 2013). The threat of new entrants are more likely to come from established cruise lines, currently operating in other market segments in the world, making the overall threat of new entrants low in the current situation.

4.4.4 Supplier bargaining power

The measurement of the bargaining power of the suppliers concerns how easy it is to affect the prices of the product. It also deals with how many suppliers offering the same product, how attached the company is to the suppliers, and how expensive it is for the company to switch between suppliers (Porter, 1985:6). The main supplier of customers and travellers to Hurtigruten in Germany is currently the travel agencies. Hurtigruten focuses on customers with an age of 65+, which indicates that travel agencies have been very important. Looking at the trend curve in the chart below of Internet users from Germany, and comparing it with the findings in our own quantitative survey, may imply a change in channels.

**Percentage of Internet users in Germany from 2001- 2012**

![Percentage of Internet users in Germany from 2001-2012](image)

*Figure 7: Percentage of Internet users (Statista, 2013)*

As of 2012, approximately 75% of the German population use Internet in different degrees. Of the population between 50 to 59 years of age, 76.8% uses Internet, an increase of 7.7% from 2011. In the age group 65+ approximately 39.2% are Internet users, also an increase from the prior year (ARD-ZDF-Onlinestudie, 2012). In the survey conducted for this thesis, it reveals that 70.9% of the respondents find the use of Internet as a very important channel for purchasing holidays. Only 6.4% finds the physical travel agencies very important. This indicates a shift from the physical travel agencies importance and towards their online options. These travel agencies can be a
part of driving up Hurtigruten’s prices. If the focus of sale mainly had been the online booking service of Hurtigruten, the company would be able to offer its product at the absolute price premium. The travel agencies drive up the prices with their commission (10-50%). Hurtigruten is clearly dependent on these agencies in the German market, not only for physical presence, but also as online purchasing channels for the customers. Based on the dependency, agencies have moderate to strong bargaining power.

4.4.5 Customer bargaining power

“Uniqueness does not lead to differentiation unless it is valuable to the buyer” (Porter, 1985:130). The opening words of Michael E. Porter in the part of buyer value and differentiation, give a perfect reflection of Hurtigruten’s situation. When considering Hurtigruten’s products and services in the buyer’s value chain, we need to determine if Hurtigruten provides a differentiated price premium product to the German travellers. As Hurtigruten is just one of the cruise lines travelling the Norwegian shores, does the travellers experience the price premium expected (Celebrity Cruises, 2013)? Does Hurtigruten possess the qualities to justify the price of their services? The travel agencies promoting holidays to the Norwegian fjords can only do so much. If the travellers return without perceiving the expected price premium, it would not only create a bad reputation, but also stop others from taking the risk of using the services. The point being, the actual experience should meet the perceived expectation of the marketing.

The customers travelling with cruises have over 50 different cruise lines to choose from (Cruise Market Watch, 2013). A number of these cruise lines are travelling the fjords and ports of the Norwegian coast. Hurtigruten’s fleet consists of older and smaller ships, often charged at a higher price than its competitors. In the interview with Hurtigruten’s Sales and Marketing Director Mr. Hans Rood, he made it clear that the price was one of Hurtigruten’s negative differentiators in the competitive market. On the other hand, Mr. Rood directed the view towards some of the company’s differentiated strengths, such as its small ships, which allow visits to minor ports and narrow fjords, where the larger ships cannot reach.
4.4.6 The financial situation of the buyers

The current German economic situation has not been affected in the same negative way as many other Eurozone nations due to the European sovereign debt crisis, rather the opposite. Compared to the struggling nations such as Greece and Italy, the bond yields of Germany has been maintained and lowered after the eruption of the crisis. Shifting the European bond investment from the struggling markets to Germany, France and the United Kingdom, boosting their economy. This is not an indicator of an increase in the German spending, but displays how the German situation has differed from other Eurozone countries (OECD library, 2013).

German public spending increased by 0.8% in 2012 from 2011 (Benjamin Spier, 2013). In addition, the German Statistisches Bundesamt states that the trend in German spending has a steady increase. These numbers are showing that the German public has not lost their purchasing power, rather the opposite. The trend report from the German Statistisches Bundesamt also indicates a positive trend in German spending. It is therefore not the same issue in Germany as in the rest of the world, as Cruise Norway forecasted unstable economic factors to be one of the biggest threats to the industry (Cruise Norway, 2012). This is a clear indicator of the fact that customers have not decreased their purchasing of Hurtigruten’s products because of the individual financial situation in Germany.

With many options for the travellers, and not a very distinctive differentiation from other cruise lines travelling to the same destinations, the customers have a distinctive power of choice. Combined with a stable economic situation, a vast array of locations and cruise lines to choose from, the German travellers enjoy a market with low switching costs, giving the customers high bargaining power.

4.4.7 Threats of substitute products

The measurement of the threats of substitute products or services are made by looking at the different alternatives the customers have to achieve the same emotional and physical experience that Hurtigruten offers (Porter, 1985:274). The German travellers are like the rest of the world, looking for an “escape from the daily life”. The 2012 report made by Ipsos MMI for Innovation Norway, displays that Norway as a destination does not have a significant motivational segment of its own, and is usually
associated by Germans as a place of exploration and a place to broaden their horizon. The report also reveals the importance of versatility and accommodation comfort for German travellers. This is also coherent with our own survey, where the respondents indicate the importance of getting away from their hectic everyday life.

Other substitutes for experiencing the Norwegian landscape and coastline, include cabins, summerhouses, camping, caravan travels, automobile holidays and hotels. The threats made of substitute products and locations are also based on travel trends. The report made by Ispos MMI indicates a higher percentage of German travellers wishing to travel to warmer countries, such as Spain and Italy. Further, the report indicates that Norway as a tourist destination is more considered by the population of the north and east Germany. In addition, the report states that cruise holidays are 3% more popular in the north of Germany compared to the country average (sample size 6205). The survey conducted for this thesis reveals something different. It is higher cruise travel popularity in the south compared to the other regions of Germany. This can of course just be a coincidence as our survey was based on a sample size of only 110 respondents. The threat of substitute products in the travel and holiday industry is considerably large. This is due to the low switching costs and all the different options travellers are faced with, which all can grant the same escape from the everyday life. Both the Ispos MMI survey and our own survey reveal that this factor is significant.

4.5 Corporate social responsibility

4.5.1 Introduction

In the following section, we examine the corporate social responsibility (CSR), which is a corporate initiative to assess and take responsibility for a company’s effects on the environmental, social and economic performance. A company’s goal is to succeed simultaneously in all of these three performances (Thompson et al. 2012:360). We will describe and specify the social responsibilities in the cruise line industry. We are going to focus on the environmental performance and create an overview of the current situation in the cruise line industry. The findings will be implemented in the section regarding the macro-environmental analysis of the SWOT.
4.5.2 Environmental responsibility

Today, more than ever, companies are focused on environmental and social responsibility as a strategic objective. In order to be sustainable, businesses are optimising their own operations to improve environmental and social outcomes in a way that increases overall performance of the company (IBM, 2009). Stakeholders, such as the consumers, governments and investors have a larger demand and greater expectations of the industries environmental performance, and additionally the social responsibility.

Maritime transport accounts for roughly 3% of world emissions of greenhouse gases (The Mercury, 2011). Germany takes these emissions seriously, and it is something that they have devoted a great time and money on. Germany has pledge to reduce greenhouses gas emissions by 40% below 1990 levels by 2020 and by 80-85% by 2050 from 1990 levels. The motivations for these reductions are both economic and environmental (Stephanie Hanson, 2010).

Hurtigruten’s product is mainly delivered at sea, and is therefore in direct contact with the environment and a part of the earth’s critical natural resources. Managing and maintaining these natural resources is one of Hurtigruten’s most important tasks, since it is critical for the long-term economic interests of the cruise industry (Thompson et al. 2012:360).

Hurtigruten’s activities involve significant fuel consumption and subsequent emissions of greenhouse gases such as CO2 (carbon dioxide) and NOx (nitrogen oxides). The company's activities contribute on the other hand to a significantly reduction in the number of vehicles on the roads. Hurtigruten gives great priority to these issues, and has solid and binding goals for the safety of the travellers and the environment, through different contracts regarding reduction of emissions. Hurtigruten’s membership of the Confederation of Norwegian’s enterprises (NHO) Nitrogen Oxide (NOx) is one example of this. Here the main objective is to reduce emissions of nitrogen oxide (Annual Report, 2012).

Hurtigruten’s safety visions incorporate zero tolerance of accidents, including personal injuries and loss of human lives. 2011, was therefore a challenging year for
Hurtigruten. The fire on MS Nordlys was the worst accident to hit the company for over 50 years, and resulted in the deaths of two crewmembers (Annual Report, 2012). When we conducted the survey, we discovered that most of our German respondents considered safety to be an important factor in their holiday experience. To prove this, they rated the attribute of security with a score of 3.95 out of 5. Security is one of Hurtigruten’s top priorities.

It is also important to mention that Germans are very eco friendly, something they have been known for when it comes to preserving their environment and protection of nature (Frommer’s, 2013). This makes it even more important for Hurtigruten to focus on the environmental aspects, since this has a large focus of their biggest market.

4.5.3 Conclusion

The companies need to see the CRS as a responsibility that guides them to perform the best practices of giving back to the environment, the society and the people. Doing both CSR and environmental sustainability strategies, companies provide valuable social benefits and fulfil customer needs, something that may contribute to the company’s competitive advantage (Thompson et al. 2012:364). Creating a positive eco-friendly company profile is also important for Hurtigruten, since this has a great significance in its biggest market, Germany. The company makes a point of citing the beneficial outcomes of their CSR strategies, in press releases and issue special reports for consumers and investors to review (Thompson et al. 2012:361).
5. Internal Analysis

5.1 Introduction

In the following sections we conduct the internal analysis, which is a review of the companies’ strengths and weaknesses. This include the use of five important tools: key financial ratios, tangible and intangible resources analyses, value chain analysis, VRIO analysis and the Bakka model. We find these tools the most relevant to analyse the internal situation of Hurtigruten. We will firmly apply and define these tools and discuss Hurtigruten’s position in each of them. First we will define the five tools and describe the use of them. Further on we are going to bring in Hurtigruten’s strengths and weaknesses within them all. To conclude, we will sum up the main aspects of each section. We will use these findings to gain a better understanding of Hurtigruten’s current internal situation and the company as a whole. The analytical findings in this section will together with the findings from the external analysis be used in a concluding SWOT.

5.2 Financial situation

5.2.1 Introduction

In the following section, we will discuss Hurtigruten’s financial situation, looking at development in the financial results, balance sheet and cash flow over the last 5 years. We will consider the financial accounts and key ratios to get an impression of Hurtigruten’s development over the years and its present position. First we will present its financial accounting from 2007 to 2012, to get an overview of its financial position. Secondly we will analyse and discuss financial figures more in detail to get a deep understanding of Hurtigruten’s financial situation. We apply these findings as a part of the company’s internal analysis. These internal findings will together with the external findings act as a background for our concluding SWOT.
5.2.2 Hurtigruten’s financial result 2007–2012

Financial result 2007 – 2012

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<tr>
<td>Revenue</td>
<td>474</td>
<td>444</td>
<td>515</td>
<td>461</td>
<td>347</td>
<td>330</td>
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<tr>
<td>Operating profit</td>
<td>7</td>
<td>-6</td>
<td>30</td>
<td>13</td>
<td>-39</td>
<td>-10</td>
</tr>
<tr>
<td>Net profit</td>
<td>-45</td>
<td>-9</td>
<td>4</td>
<td>-1</td>
<td>-62</td>
<td>-24</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>22.13%</td>
<td>25.95%</td>
<td>26.11%</td>
<td>26.56%</td>
<td>16.77%</td>
<td>23.02%</td>
</tr>
<tr>
<td>Liquidity ratio</td>
<td>0.83</td>
<td>0.9</td>
<td>2.1</td>
<td>1.9</td>
<td>0.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>78</td>
<td>5</td>
<td>45</td>
<td>32</td>
<td>63</td>
<td>79</td>
</tr>
<tr>
<td>Cash flow from investments</td>
<td>-16</td>
<td>14</td>
<td>-20</td>
<td>41</td>
<td>-21</td>
<td>-65</td>
</tr>
<tr>
<td>Cash flow from financing</td>
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<td>-55</td>
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<tr>
<td>Net cash flow</td>
<td>6</td>
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<td>23</td>
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<td>Currency gain/loss</td>
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<td>1</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cash beginning of the year</td>
<td>58</td>
<td>67</td>
<td>76</td>
<td>49</td>
<td>112</td>
<td>89</td>
</tr>
<tr>
<td>Cash end of the year</td>
<td>63</td>
<td>58</td>
<td>67</td>
<td>76</td>
<td>49</td>
<td>112</td>
</tr>
</tbody>
</table>

Figure 8: Financial result 2007 – 2012 (Annual Report, 2012)

5.2.3 Recent years

Hurtigruten has been through some challenging years historically. It started with a restructuring in 2007 and 2008, which came to a close in 2012 with a new and improved state aid contract and a restructuring of its bank debt (Oslo Stock, 2012). The company is now repaying debt and has disposed some of the non-core assets. The new state aid contract has significantly improved the terms for Hurtigruten than the last contract, which ended in 2011. It will give the company a solid foundation for further growth over the next 5-year period. Hurtigruten has over the last years had a negative result before tax due to various causes, such as different accidents and impairment charges on contracts. As the company has restructured its debt, and the new state aid contract came in full effect in 2012, we have focused on the development from 2011 to 2012 to be able to show the improvements and also how the financials will look going forward.

5.2.4 Described key figures

Hurtigruten showed a growth in operating profit of €10.5 million from 2011 to 2012, and the turnover has also increased with €29 million. Still, the company had higher turnover and operating profit in 2009 and 2010. The improvements from 2011 to 2012 are due to the increased income from the state aid contract, a general increase in
prices, simplified distribution and reduction of sales provision. Hurtigruten had per 31.12.2012 a cash balance of € 63 million, long-term debt of € 389 million and short-term debt of € 47 million. The equity ratio was stable around 26% from 2009 to 2011, but fell to 22.13% in 2012 mainly due to impairment charges of € 13 million on the contract for MS Finnmarken in Australia (Annual Report, 2012). Hurtigruten rented out the ship MS Finnmarken as an offshore hotel in Australia to Boskalis, the payment for the contract has been disputed, but was settled in the end of 2012 (Oslo Stock, 2012).

The company had a positive cash flow of € 6 million in 2012 compared to a negative cash flow of € 10 million in 2011. The company also had a positive cash flow from operations of € 78 million in 2012, compared to € 5 million in 2011. This positive change is mainly due to higher operating results and the settlement of the payment for the contract on MS Finnmarken in Australia. Cash flow from operations was solid in 2012, compared to the period from 2008 to 2011. Besides from 2011, which was a special year, Hurtigruten’s cash flow from operations has had a positive development since 2009. Cash flow from investments was negative with € 16 million in 2012, compared to a positive cash flow from investments of € 14 million in 2011. This is mainly due to a larger upgrade of the vessel MS Nordlys that had a fire accident the same year. Hurtigruten has also sold shares in Nor Lines, which is considered a non-core asset. Cash flow from financing was negative with € 56 million in 2012 compared to a negative € 29 million in 2011.

Hurtigruten increased its debt payments and also made some extraordinary debt repayments in 2012, compared to 2011. 2012 was the first year since 2008 that Hurtigruten had paid any significant instalments on its debt. Initially it does not look like the results in 2012 are that much better than the previous years. If the company had paid the same amount of instalments in 2009-2011, the net cash flow would have been significantly worse those years. As displayed in figure 8, the liquidity ratio is slightly below 1, indicating that the company does not have the short time obligations fully covered. In addition, in the first quarter of 2013, Hurtigruten continued to increase its profitability on the operational side, showing for the first time in since 2006, a positive operating profit for the Norwegian coast segment (Q1 Report, 2013).
5.2.5 Conclusion

Hurtigruten is not in a satisfactory financial position, the equity ratio and liquidity ratio shows that the company has some challenges, but it has a positive cash balance. Although the net profit is negative, the company has shown improvement in cash flow from operations over the last couple of years, and has recently ended a financial restructuring process. The new state aid contract provides the company a stable fixed income over the next years. In addition, Hurtigruten has a credit rating of B+ with a stable outlook from Nordea Markets; the credit analyst assessment reflects the company’s strong markets position, long history, its importance as infrastructure provided and a more favourable government contract (Appendix 11). Despite a positive development over the last year, Hurtigruten has had a difficult 5-year period prior. The company is still not delivering a positive net profit, but this has been mainly due to one-off events in 2012. Going forward, Hurtigruten’s main challenges are to keep cost levels at a reasonable level along with a growth in turnover. The financial results over the last couple of years have not been good enough for the company and its shareholders, but with the new efficiency program and the new governmental contract the outlook is positive, which was showed in the results for first quarter 2013.

5.3 Tangible and intangible resources

5.3.1 Introduction

In the following section we will present the resources of Hurtigruten, which are the productive input or competitive assets that are owned or controlled by a company (Thompson et al. 2012:145). We are going to specify and define the different types of resources and assets Hurtigruten holds. The resources are divided into two main categories: tangible and intangible resources. We apply these findings as a part of our company internal analysis. These internal findings will together with the external findings act as a background for our concluding SWOT.

5.3.2 Tangible resources

Tangible resources are the most easily identified assets, since these resources are touchable and quantified. Examples of tangible resources are physical resources, financial resources, technological resources and organizational resources (Thompson et al. 2012:146). The tangible assets of Hurtigruten are fixed assets, investments in
associated companies, goods and cash. Fixed assets consist of real estate and buildings such as hotels, offices and workshops, and its ships. The ships are Hurtigruten’s most important fixed assets. According to the Annual Report of 2012, the ships have a book value of € 446 million. Hurtigruten’s ships are also a unique resource within the industry, as no other cruise line has a fleet that can access the narrow Norwegian fjords. The total value of the fixed assets is € 492 million. The gain on sale of fixed assets in 2012 relate mainly to the sale of properties in Hurtigruten Property AS and bus operations. It also includes the loss related to the sale of MS Nordstjernen, and the gain on sale of fixed assets in 2011 relate mainly to the sale of properties in the bus business (Annual Report, 2012). Investments in associated companies, consists of the companies Funn IT AS, Senja Rutebil AS and ANS Havnebygningen. Investments in associated companies, have a book value of € 5 million. Goods consist of goods for resale, spare parts for the ships and fuel. The total value of the goods is € 10.1 million in 2012, compared to € 9.7 million in 2011. Hurtigruten has per 31.12.2012 a cash balance of € 71.8 million (Annual Report, 2012).

5.3.3 Intangible resources

Intangible resources are harder to discern, but they are often among the most important of a company’s competitive assets. Examples of intangible resources are various sorts of human assets and intellectual capital, as well as a company’s brands, image and reputational assets (Thompson et al. 2012:146). The intangible assets of Hurtigruten are goodwill and other assets like brand and organizational knowledge.

Goodwill has increased in combination with acquisitions, and it is related to the property Hurtigruten has in Spitsbergen. The goodwill of Hurtigruten has a total value of € 19 million. Other intangible assets consist mainly of capitalized development of IT systems, such as booking and inventories, with a limited lifespan. The assets are depreciated over 3-10 years. The total value of other intangible assets is € 17 million (Annual Report, 2012). Hurtigruten is also in possession of resources that cannot be valued in money. Its brand and organisation knowledge, are among the resources that empowers Hurtigruten with a possible competitive advantage.
5.3.4 Conclusion

Hurtigruten is in possession of important tangible and intangible resources. The most important tangible resource is Hurtigruten’s ships. They are of great value, both in terms of economic value, but also in operational value, enabling Hurtigruten to provide its unique product. Some of the intangible resources Hurtigruten possesses are providing a possible competitive advantage. We will go more in depth in these, and some other important resources in the value chain analysis.

5.4 Value chain analysis

5.4.1 Introduction

In the following section we apply the value chain analysis, which identifies the primary activities that create customer value and the related support activities. A company’s value chain consists of two broad categories of activities, the primary activities and the support activities (Thompson et al. 2012:157). We will specify and define each of these activities in general. Then we will analyse Hurtigruten’s position within these value chain activities. Finally, we will draw a conclusion for Hurtigruten’s value chain. We will seize on the findings from the value chain analysis when describing the internal analysis of the SWOT (Homburg et al. 2013:45).

The value chain

![The value chain](image)

**Figure 9:** The value chain (Porter, 1985:37)

5.4.2 Primary activities and costs

The primary activities and costs consist of six components, supply chain management, operations, distribution, sales and marketing, service and profit margin. All these
components concern activities, cost and assets associated with creating customer value (Thompson et al. 2012:157,158). We will discuss upon Hurtigruten’s primary activities and costs with collected information from the company’s web page.

**Ships:** Eleven ships make up Hurtigruten’s fleet, the oldest was built in 1964 and the newest in 2007. The ships have different qualifications concerning size, passenger capacity, speed, facilities and activities. The oldest ships have kept a traditional style with a relatively simple, but good standard, whereas the most recent built ships offer such as a fitness room, hot tub, sauna and library. Hurtigruten’s ships offer different types of cabins: suites, superior and standard. All the ships except from the oldest one have at least one cabin that is suited for handicapped persons. Most of the ships are built in Norway except from two, which are built in Germany and Italy. Hurtigruten is keeping continuously maintenance to its fleet in order to provide its customers a safe product (Hurtigruten’s ships, 2013). There are at all times ten ships operating from Bergen to Kirkenes. Additionally, MS Fram does explorer trips in domestic and international waters (MS Fram, 2013).

**Ports:** Hurtigruten’s ships are daily travelling to 34 different ports along the Norwegian coastline. The ports are being visited twice a day, once by southbound and once by northbound ships. This is a unique offer, which no other cruise line provides. Hurtigruten offers both trips along the Norwegian coast, as well as expedition trips to exotic and remote places. When Hurtigruten is in port, the passengers have the opportunity to participate on different excursions on land (Hurtigruten-web, 2012).

**Food:** On board on every ship there are several experienced chefs that cook both traditional Norwegian food and modern cuisine. The menu varies from season to season, and from place to place. Everything is, as far as possible, made from fresh and local ingredients, to satisfy a wide variety of customers (Coastal flavours, 2013).

**Workforce:** Hurtigruten has all together some 1900 employees at sea and on land. There are between 54 and 74 experienced and service minded employees at every ship. Hurtigruten has its own carefully picked expedition team. This team is traveling with the expedition ship, MS Fram, and consists of experts from numerous fields and
backgrounds. On board they give lecturers on different topics, and will always be able to answer any questions the passengers may have.

**Distribution:** Hurtigruten has several agencies worldwide. Many of them are certified Hurtigruten agencies, while others are external, independent agencies that Hurtigruten cooperates with, in order to reach customers. BI-reiser and VisitNorway are external agents that sell trips for Hurtigruten online (VisitNorway, 2013). In addition, booking is available online and by phone.

**Sales and marketing:** Hurtigruten’s marketing is done through TV commercials, posters in agencies and it has its own Internet page in several languages. Hurtigruten has presence in numerous social media forums, such as Facebook, Twitter and YouTube. In addition, it has its own marketing branch with competent staff, which is working towards reaching out to customers and providing a good product suitable for the customers.

**Service:** On Hurtigruten’s web and Facebook page travellers can ask questions by e-mail, find contact information, and order brochures. When on board a Hurtigruten ship, additional services such as a wake up call from the cabin radio during nights when passing different attractions are being provided.

5.4.3 Support activities and costs

The support activities and costs consist of three components: product R&D, technology and system development, human resource management and general administration. These components concern activities, costs and assets that facilitate and enhance the performance of the primary activities (Thompson et al. 2012:157,158). We will discuss upon Hurtigruten’s support activities and costs with collected information from the company’s web page.

**Product R&D, Technology and Systems Development:** Hurtigruten has been, and is doing changes to keep up with the increasing competition, but it will never change its product completely. The company’s product has been developed through a long period of time and is truly unique in its kind.
Human Resource Management: Hurtigruten is currently establishing a new business structure. With the new ship MS Fram, which is being used in excursions, the company has recruited a number of experts for making sure of a one of a kind experience. Hurtigruten has some agents who travel to its agencies for monthly follow-ups, contributing to a well-run business.

General Administration: Hurtigruten has currently a decentralised management. Most of them are situated in three different cities in Norway, but some are operating abroad. Hurtigruten is now in a process of centralising in order to gain a more efficient and profitable business. It is moving all headquarters to Tromsø, and several positions are being cut in order to save money. In October 2012 a new CEO, Daniel Skjeldam, was appointed to contribute to further development of Hurtigruten’s operations. Previously, he worked as director of commercials in Norwegian airlines. He has also been a board member in Fjord1, a transportation company operating at sea, which contributed to the motivation of working in sea-based business.

5.4.4 Conclusion

We have identified the primary activities that create customer value, and the related support activities of Hurtigruten. The ships, ports, food, workforce, distribution, sales and marketing, and service make up the primary activities, while the support activities and costs consist of product R&D, technology, and systems development, human resource management, and general administration. On the basis of this, and the previous analysis, we are going to perform a VRIO analysis. The VRIO analysis goes more in depth, and evaluates Hurtigruten’s most important resources, in addition to determine if they are basis of gaining a competitive advantage.

5.5 VRIO Analysis

5.5.1 Introduction

In the following section we apply the VRIO analysis, which is a theoretical framework that explains and predicts firm level competitive advantage. A competitive advantage is when a firm is implementing a value creating strategy that is not simultaneously being implemented by any other current or potential competitors (Barney, 1991:102). In order to evaluate if a company has resources that could be the basis for a competitive advantage, it has to fulfil the criteria of being valuable, rare,
costly to imitate, and the company must organise to capture the value of the resource. This is a sequential process, and the resources evaluated need to fulfil each criterion to continue to the next step in the process. If all steps are fulfilled, the resource is a basis for gaining a sustained competitive advantage (Rothaermel, 2013:91). We will evaluate Hurtigruten’s most important resources and capabilities that can create a competitive advantage according to the VRIO analysis. We are going to put emphasise to the findings from the VRIO analysis when describing the internal analysis in the SWOT.

5.5.2 Definitions

A firm resource includes all assets, capabilities, organisational processes, firm attributes, information, knowledge, and so on, controlled by a firm (Barney, 1991:101). As mentioned, a resource has to be valuable, rare, costly to imitate and the firm must organise to capture the value of the resource, in order for it to be a basis of a competitive advantage (Rothaermel, 2013:91). A valuable resource is valuable if it helps a firm increase the perceived value of its product, or service in the eyes of customers. This is obtained either by adding attractive features, or by lowering price, because the resource helps the firm lower its costs. Resources are rare if only one or a few firms posses them, or can perform the capability in the same unique way. Resources are costly to imitate if firms that do not possess the resource are unable to develop or to buy the resource at a reasonable price (Rothaermel, 2013:92).

5.5.3 Physical resources

A physical resource is ownership of, or access rights to natural resources, state-of-the-art manufacturing plants, equipment, and/or distribution facilities (Thompson et al. 2012). In the analysis, we have chosen to focus on what we think are the most important physical resources. These are: the ships, the geographical location and the product.

Ships:

Q: Are the ships a valuable resource for Hurtigruten? The company’s ships are perfectly adapted to their purpose for travelling in the narrow Norwegian fjords. Due to Hurtigruten’s relatively small ships, it allows them to access all the small ports along the coastline. This is a feature that no other competing cruise line has, and therefore it does bring value to Hurtigruten’s customers. Its ships are designed to
travel in rough weather, which is important when operating in an environment that can have shifting and demanding weather conditions. This provides the customers with security; both in the sense of being safe on board, but also in knowing that even if the weather is bad, the ship can depart as scheduled. This is therefore a valuable resource for Hurtigruten that adds value to its customers. Its most recent built ship, MS Fram is purpose-built to do expeditions trips. Such an addition to Hurtigruten’s offer brings value to its customers.

**Q: Are Hurtigruten’s ships a rare resource?** None of Hurtigruten’s competitors are in possession of ships that can perform the same travelling route. Therefore the resource is rare.

**Q: Are Hurtigruten’s ships a resource that is costly to imitate?** It would demand a large investment for other cruise lines to obtain the same fleet as Hurtigruten. It would be reasonable to claim that it would come at an unreasonable price, and by that the resource meet the last criterion and is costly to imitate.

**Q: Is the firm organised to fully capture the potential of the resource?** This is definitively a resource Hurtigruten exploits. It has developed its organisational structure and coordinating systems through 120 years, in order to take advantage of its product.

**Geographical location:**

**Q: Is the geographical location a valuable resource for Hurtigruten?** The company is mostly operating in familiar waters, where it has 120 years of experience, and has been, and still is the only cruise line that operates. There is no other way than to choose Hurtigruten to be able to experience this product, and this provides its customers with increased perceived value.

**Q: Is the geographical location a rare resource?** Only Hurtigruten possesses this resource, and competitors are unable to perform in the same unique way, which means that this is a rare resource.
Q: Is the geographical location a resource that is costly to imitate? It is impossible to buy this kind of resource, because it demands years of tradition and experience in Norway.

Q: Is the firm organised to fully capture the potential of the resource? Hurtigruten has operated in this environment for 120 years, and has of course the organisational structure and coordinating systems to capture the value of this resource.

Product:
Q: Is the product a valuable resource for Hurtigruten? Hurtigruten offers a variety of different products. The two core services are cruises along the Norwegian coastline and explorer trips. In addition, it offers whale watching, dog sledging and excursions in every city where it stops.

Q: Is the product a rare resource? The one core service cruises along the coastline, is a resource that only Hurtigruten possesses and that no one can perform in the same way. This is therefore a rare resource. The other product areas however, do not meet the criteria to be regarded as rare resources. Both the explorer trips and the activities on land are resources that competitors possess and can perform in the same way.

Q: Is the product a resource that is costly to imitate? Concerning the coastline cruise, there is none of Hurtigruten’s competitors that offer the same product. It would be of great cost to be able to imitate it, if it is even possible. The other products are products that several other competitors already offer, and do naturally not meet the criteria to be costly to imitate.

Q: Is the firm organised to fully capture the potential of the resource? Through 120 years of experience, Hurtigruten has developed its organisational structure and coordinating systems to fully exploit their product.

5.5.4 Intangible resources
Intangible resources are human assets and intellectual capital, brands, company image, and reputational assets, relationships and company culture and incentive system (Thompson et al. 2012:145). We have chosen to focus on the most important
intangible resources for Hurtigruten in this section. These are: the customer knowledge and association towards the brand, which creates brand equity, the top management, the organisation knowledge, the workforce, the relationships and the state aid.

**Brand Knowledge:**

*Q: Is the brand knowledge of customers a valuable resource for Hurtigruten?* The company has a strong brand. It has high brand equity and is well known both in Norway, Germany and other countries. Hurtigruten has been rewarded with several awards, which increases the perceived value of customers. The more famous and reputable the brand is, the more the customers are willing to pay.

*Q: Is the brand knowledge of customers a rare resource?* No one but Hurtigruten can own the brand name “Hurtigruten”. This is a resource that only Hurtigruten is in possession of, and must therefore be considered as a rare resource.

*Q: Is the brand knowledge a resource that is costly to imitate?* Although the brand “Hurtigruten” is a protected name and cannot be copied, this does not indicate that it is a costly resource to imitate. Other competitors also have strong brand knowledge, which means that it is not only Hurtigruten or a few companies that possess this resource. It would be unreasonable to say that Hurtigruten’s competitors are unable to develop strong brand knowledge, or that it would cause unreasonable expenses. Therefore, having strong brand knowledge is not a resource that is costly to imitate.

*Q: Is the firm organised to fully capture the potential of the firms’ resources and capabilities?* Hurtigruten’s organisational structure and coordinating systems are well developed to be able to fully exploit its brand name. This reflects in the way Hurtigruten has been able to win several awards, and by that increasing their brand equity.

**Brand Association:**

*Q: Is the association of customers a valuable resource for Hurtigruten?* The company has a brand that is strongly associated with Norway and with unique experiences. Norway is often associated with expensive prices, but also with good service and
friendly people. Customers, especially Germans, are being more and more conscious of the increasing climate changes. Norway is also known for its positive attitude towards protecting the environment, which contributes to positive associations. In addition, travelling along the Norwegian coastline provides experiences that cannot be obtained anywhere else. This combination provides increased perceived value to customers when it adds attractive features to Hurtigruten’s product.

**Q: Is the association of customers a rare resource?** Many cruise lines are in possession of customers associating their product with good experiences, but only Hurtigruten is in possession of this specific combination described. No other cruise line can perform in the same way Hurtigruten can, and therefore we will argue this resource being rare.

**Q: Is the association of customers a resource that is costly to imitate?** This resource is intangible and cannot be developed or bought by competitors. It is not only costly, but also impossible to imitate.

**Q: Is the firm organised to fully capture the potential of the firms’ resources and capabilities?** Hurtigruten has been developing its product around the image of Norway for many years, and it has absolutely the organisational structure and coordinating systems to exploit this resource.

**Top management:**

**Q: Is the top management a valuable resource for the Hurtigruten?** Hurtigruten’s top management consists of well-educated individuals, with relevant experience both from Norwegian, German and international companies. Hurtigruten’s CEO has worked as commercial director in Norwegian airline, and has been a board member in numerous travel- and transport companies. Several of the other members of the top management have also experience from service related companies. Whether or not this resource is valuable, is a topic of discussion. Initially, it would not seem to be a source to increase the perceived value for customers, because they are not in direct contact with the customers. At the same time, it is the top management that give guidance and guidelines to the company’s workforce, and provide them with
knowledge and competence to perform their job in an outstanding way. Therefore it is arguable that the top management is a valuable resource.

*Q: Is Hurtigruten’s top management a rare resource?* Having a competent top management is not uncommon. Other cruise lines have also very well educated and experienced top management, and are equipped with great competence. It does not fulfil the criteria of being a rare resource.

*Q: Is Hurtigruten’s top management a resource that is costly to imitate?* As mentioned, this is not a resource that few companies are in possession if, or are unable to develop. It can no be considered to be costly to imitate.

*Q: Is the firm organised to fully capture the potential of the resource?* The top management team has a large influence on the organisation, per definition; the organisation captures the value of its top management team.

**Organisation knowledge:**

*Q: Is the organisation knowledge a valuable resource for Hurtigruten?* As mentioned earlier, Hurtigruten is a company with 120 years experience and tradition. The company is in possession of a lot of knowledge about the environment it is operating in, and in the industry in general. Having such a unique historical background must be considered to be a feature that increases customer’s perceived value of the product. When boarding traditional ships, which many of them have been operating since Hurtigruten’s beginning, they provide a sense of travelling back in time, and the feeling of experiencing something that they cannot get anywhere else.

*Q: Is Hurtigruten’s organisation knowledge a rare resource?* No other cruise line is in possession of this historical resource, and it would be impossible for competitors to provide the same unique offer.

*Q: Is Hurtigruten’s knowledge a resource that is costly to imitate?* This is an intangible resource that only Hurtigruten possesses, and it is impossible to buy.
Q: *Is the firm organised to fully capture the potential of the resource?* Hurtigruten’s long historical experience makes its organisational structure and coordinating systems able to fully exploit its knowledge.

**Workforce:**

Q: *Is the workforce a valuable resource for Hurtigruten?* Hurtigruten’s captains have wide maritime experience, and make sure of transporting passengers and goods in a safe way. The rest of Hurtigruten’s staff are very service minded and are always available to help or answer customer’s questions. The chefs on board are competent and with fresh and local ingredients, they make sure of a good culinary experience. Having such competent staff is definitely increasing customers perceived value. The sense of feeling safe and being provided with good service is a very attractive feature for Hurtigruten.

Q: *Is Hurtigruten’s workforce a rare resource?* Having a competent workforce is not a resource that can be dedicated only to Hurtigruten or a few competitors.

Q: *Is Hurtigruten’s workforce a resource that is costly to imitate?* It is not obtainable to an unreasonable price, and cannot be categorised as costly to imitate.

Q: *Is the firm organised to fully capture the potential of the resource?* Hurtigruten’s organisational structure and coordinating systems are not able to fully exploit the resource.

**Relationships:**

Q: *Are the relationships a valuable resource for Hurtigruten?* Hurtigruten’s partners contribute to its product and add value to its customers. For instance, Hotel Express is a partner of Hurtigruten that provides its members with free car on board and with 10% discount on distance trips (Hotel express, 2012). In 2004, the Norwegian airline Widerøe and Hurtigruten signed up as partners, securing Hurtigruten with a flow of British tourists starting their trip in Bergen (Widerøe, 2005). RSPB is another of Hurtigruten’s partners, which is a charity working for wildlife conservation. If customers book their trips using the RSPB code, which is provided on Hurtigruten’s home page, they will enjoy a 5% discount (with limitations). Hurtigruten will donate 8% of the voyage’s cost to RSPB to help its invaluable work (RSPB & Hurtigruten,
With an increasing concern about the environment, this particular partner provides important increased value for Hurtigruten’s customers.

**Q: Are Hurtigruten’s relationships a rare resource?** Additional features such as Hurtigruten provides, are in possession of many other competitors. Every cruise line has additional products, similar to Hurtigruten’s, in order to add value to their customers. Therefore, this resource does not qualify of being rare.

**Q: Are Hurtigruten’s relationships a resource that is costly to imitate?** The resource is in possession of many companies and it would take an unreasonable price to acquire.

**Q: Is the firm organised to fully capture the potential of the resource?** Hurtigruten’s organisational structure and coordinating systems are not fully able to exploit the resource.

### 5.5.5 Financial resources

**State aid:**

**Q: Is the state aid a valuable resource for Hurtigruten?** Hurtigruten receives around €83.7 million annually, and provides the company with important and stable annual income. This enables Hurtigruten to conduct scheduled departures, even if it is not beneficial due to few passengers. This is an attractive feature for customers, as they can feel confident that their departure will not be cancelled. This kind of trust provides Hurtigruten with higher perceived value from customers, and must therefore categorise as a valuable resource.

**Q: Is the state aid a rare resource?** Only Hurtigruten possesses this resource, no other cruise line has the same contract.

**Q: Is the state aid a resource that is costly to imitate?** The state aid was out on tender in 2010 and will not come up for renewal before 2020. As such there is no possibility for any of the competitors to obtain a similar agreement with the government as long as Hurtigruten upholds their obligations in the contract.
Q: *Is the firm organised to fully capture the potential of the resource?* Hurtigruten has received state aid since the beginning of 1893, so the organisational structure and coordinating systems is fully able to exploit this resource.

### 5.5.6 Conclusion

Hurtigruten has several resources that can create a competitive advantage. Its brand equity, ships, location, organisation knowledge and state aid are all resources that fulfil the criteria of being basis of a competitive advantage. Hurtigruten’s brand is renowned and tends to be associated with the image of Norway. It is an increased concern worldwide, and especially in Germany concerning the environment. This is proved when looking at the recycling rate, which in Germany was the second highest with 62%, only 1% behind Austria, in 2010 (European Environment Agency, 2013). Norway is known for its environmental concern, and Hurtigruten is cooperating with institutions working towards this cause. Hurtigruten’s use of local and seasonal food ingredients amplifies the image of being aware of the issues concerning the environment. Hurtigruten’s ships serve their purpose perfectly, and give customers access to a product no other cruise line can provide. Hurtigruten’s location, knowledge about its surroundings and its organisation knowledge are very important resources to the company. Hurtigruten has a historical legacy that no other competitor can buy nor imitate, and provides the company with resources that can create competitive advantages. The state aid is also a resource providing Hurtigruten with the opportunity for a competitive advantage. In addition, the state aid contributes to departure safety, which is an important feature for the customers, and to the company in order to be financially able to services all the 34 ports twice a day, the year around in all weather conditions.

### 5.6 The Bakka model

#### 5.6.1 Introduction

In the following section, we apply the Bakka model, which is an internationalisation model. Bjarne Bakka was among the first to show an internationalisation model in distinct phases, from what he called the trial export, via extensive and intensive export to multinational and global marketing. This model describes the factors believed to influence corporate decisions in the various stages (Solberg, 2009:119). The model is displayed in Appendix 5. We will specify and define where Hurtigruten is located in
the internationalisation process, and where the company is likely to be headed. We will do this using the seven factors of export motive, choice of market, market share, organisation, entry strategy, market mix and economic result. We are also going to draw conclusions for Hurtigruten for the chosen phase. This tool can help us to get a bigger picture of where in the internationalisation process Hurtigruten is, and which factors Hurtigruten need to improve on to better itself. Pointing out which stage Hurtigruten is situated in, we can find the steps Hurtigruten needs to take in order to reach the next level. We apply these findings as a part of our company internal analysis. These internal findings will together with the external findings, act as a background for our concluding SWOT.

5.6.2 Export motive: Intensive export

In the export motive factor, Hurtigruten is situated in the intensive export phase. This is due to Hurtigruten’s export motive is both strategic and operative. Hurtigruten gets most of its revenues through the domestic market, but revenues are also increasing from international markets. An example on this is within the German market, where the number of cruise nights has exceeded the number of cruise nights from the Norwegian market, as illustrated in the figure below. This proves that Germany is Hurtigruten’s most important market and that it is critical that the company penetrate this market even further. No other market can give Hurtigruten the same advantage. All together, the German market constitutes of 33.6% of Hurtigruten’s turnover (Appendix 7). Then again, Hurtigruten also gains revenues from the export in other important markets like the UK, USA, France and Sweden (Annual Report, 2011).

Number of cruise nights per market 2010-2011

![Number of cruise nights per market 2010-2011](image)

**Figure 10:** Cruise nights 2010-2011 (Annual Report, 2011)
5.6.3 Choice of market: Intensive export

In the choice of market factor, Hurtigruten is situated in the intensive export phase. This is because Hurtigruten operates in a concentration of markets. As we mentioned in the previous paragraph, the most important markets for Hurtigruten are mainly placed in the Nordic countries and central Europe, including the US. Its biggest focus is naturally situated here, even though the company in the latest period has tried to play a bigger part in the markets surrounding the UK, US, Asia and Australia. Hurtigruten is showing increased success in the UK, but have had some difficulties entering the Asian market. This is mainly due to the poor relationship between Norway and China with regards to the Nobel Peace Price awarded to the Chinese dissident, Liu Xiaobo in 2010. Currently Hurtigruten has no plans to enter any new markets (Appendix 7).

5.6.4 Market share: Extensive export

In the market share factor, Hurtigruten is situated in the extensive export phase. This is because Hurtigruten’s market share is looked upon as insignificant. Hurtigruten operates in the worlds 3rd most popular market Europe/Scandinavia with a total of 8.47 million cruise nights in 2011 (Cruise Industry Update, 2013). Further on, Hurtigruten has only a 1.3% market share in the global cruise industry (Cruise Market Watch, 2013), and a 4% market share in the German cruise market (Appendix 7). Compared to the market leader Carnival, which has a global market share of over 21%, it is true to say that Hurtigruten has an insignificant market share.

5.6.5 Organisation: Multinational marketing

In the organisation factor, Hurtigruten is situated in the multinational marketing phase. This is due to the fact that Hurtigruten has an international division and sales offices. The company’s headquarter is situated in Narvik, but a great part of the organisation is managed from its office in Tromsø, both situated in Norway. Further on, Hurtigruten is represented with sales offices in Hamburg, London, Paris, home offices in USA, Nordic countries and Beijing. The fact that Hurtigruten has only three sales offices in its most important markets is an area the company could consider expanding in order to broaden its organisation. Finally, Hurtigruten has a booking-centre with 200 representatives in Tallin together with agents in more than 20 other countries (Hurtigruten, 2013).
5.6.6 Entry strategy: Intensive export

In the entry strategy factor, Hurtigruten is situated in the intensive export phase. This is because Hurtigruten has sales offices in main markets. Much of this is due to the reasons mentioned in the paragraph above, Organisation. Hurtigruten operates with sales offices in Norway, Germany, UK and France, which all are countries within its main markets. These offices are intended to ensure a broad distribution of Hurtigruten’s products, with a particular focus on the service and activities it provides.

5.6.7 Market mix: Multinational marketing

In the market mix factor, Hurtigruten is situated in the multinational marketing phase. This is because Hurtigruten use cultural adaption, profile building and high price. When it comes to cultural adaption, we can state that Hurtigruten’s product always will be imbedded in the Norwegian culture, because this is an essential part of its product differentiation. Hurtigruten adapt its product to different cultures through its web page, where customers can choose from 15 languages. Hurtigruten has also built its profile and brand through many years of experience in the market. The newest addition to this was the media phenomenon in 2011 with the world’s longest live broadcast, “Hurtigruten minute by minute”. This showed a complete journey from the ship MS Nord Norge’s voyage from Bergen to Kirkenes, lasting for five and a half days. This was seen on television by over 3.2 million viewers and streamed on the Internet by 3 million people from 179 different countries (Hurtigruten, 2013). Further on, Hurtigruten operates with a premium price on its products that is considered to be higher than its competitors. We have made a price example to illustrate the differences in prices between Hurtigruten and its biggest competitor, AIDA. The price examples provided in the table below, is made for two persons with one cabin for seven days travelling a similar route, with both Hurtigruten and Aida at the same time. AIDA does not have sailings in the northern parts of Europe during the autumn and winter, and we can therefore not provide any price example for these two seasons.
### Price example of Hurtigruten and AIDA

<table>
<thead>
<tr>
<th></th>
<th>Summer</th>
<th>Autumn</th>
<th>Winter</th>
<th>Spring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hurtigruten</td>
<td>€3360</td>
<td>€1846</td>
<td>€2144</td>
<td>€2616</td>
</tr>
<tr>
<td>AIDA</td>
<td>€2558</td>
<td>N/A</td>
<td>N/A</td>
<td>€1890</td>
</tr>
</tbody>
</table>

**Figure 11:** Price differences between Hurtigruten and AIDA (Buchen Sie Ihre Reise, 2013) (Buchen Sie Ihren AIDA Traumurlaub, 2013)

#### 5.6.8 Economic result: Extensive export

In the economic result factor, Hurtigruten is situated in the *extensive export* phase. This is because Hurtigruten’s economic result is *marginal or negative*. As concluded in the *Financial situation*, the overall conclusion is that the company is in a sound financial position, with a strong cash balance. The net profit is negative, although the company has shown improvements in the turnover over the last couple of years.

#### 5.6.9 Conclusion

In conclusion, Hurtigruten is closest linked to the *Intensive export* phase. The description of the intensive phase is: the domestic products are being sold with few adjustments, the domestic organisation seeks out to the international markets, and the organisation moves further towards primary market concentration (Solberg, 2009:120,121). We place Hurtigruten in the intensive phase due to the fact that three of the factors *export motive, choice of market and entry strategy*, are located in this phase. In addition, the remaining factors are located close to the intensive phase. We have to mention that Hurtigruten has some characteristics leaning against the multinational marketing phase.
6. SWOT Analysis

6.1 Introduction

In the following section, we apply the SWOT analysis, which describes the overall situation of a company’s internal strengths and weaknesses and macro environmental opportunities and threats. We will define and discuss Hurtigruten’s position within the SWOT. By this we will carefully go through the company’s strengths and weaknesses and the cruise markets opportunities and threats. After this we will make our assumptions on how Hurtigruten could navigate its strengths and weaknesses, in order to harvest the opportunities and reduce the threats in the cruise market (Kotler and Keller, 2012:51). We are going to use the findings from our comparison of the company-external opportunities and threats to the company-internal strengths and weaknesses further on in our strategy section in our thesis. These findings will help us to get a structured development process in the making of a future marketing strategy for Hurtigruten (Homburg et al. 2013:60).

6.2 SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable income</td>
<td>High debt repayments</td>
<td>Growing German economy</td>
<td>Germany’s heavy bureaucracy</td>
</tr>
<tr>
<td>Decent cash balance</td>
<td>Negative cash flow from investments and finance</td>
<td>Growing German market</td>
<td>Germany’s strong labour laws</td>
</tr>
<tr>
<td>Safety from Government state aid</td>
<td>Weak equity ratio and liquidity ratio</td>
<td>Expanding cruise market</td>
<td>Risk in exchange rate</td>
</tr>
<tr>
<td>Lucrative core product</td>
<td>Price is considered high</td>
<td>Popularity of eco friendly travelling</td>
<td>Strong competitors</td>
</tr>
<tr>
<td>Favourable brand association</td>
<td>Lack relationships with other</td>
<td></td>
<td>Lower priced competitors</td>
</tr>
<tr>
<td>Good reputation</td>
<td>Concentrated export</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favourable geographical location</td>
<td>Insufficient international division</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High number of booking centres</td>
<td>Dependent on two markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Insignificant global market share</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 12:** SWOT analysis (self provided)
6.3 Inferences from SWOT analysis

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>How do I overcome the weaknesses that prevent me from taking advantage of these opportunities?</strong></td>
</tr>
<tr>
<td>The strengths of a lucrative core product, great brand association and good reputation, can be used to take advantage of the growing German economy and market, in order to expand its business. With stable income, decent cash balance and the safety from the government state aid, Hurtigruten could benefit from the expanding cruise market, and invest in eco-friendly travelling.</td>
<td>The weaknesses due to the high price consideration and that the international division is low, need to be changed in order to take advantage of the expanding cruise market, together with the eco-friendly travelling. The weakness within the financial situation also needs to be strengthened in order to take advantage of the growing German economy and market.</td>
</tr>
<tr>
<td><strong>How do I use these strengths to take advantage of these opportunities?</strong></td>
<td><strong>How do I address the weaknesses that will make these threats reality?</strong></td>
</tr>
<tr>
<td><strong>Threats</strong></td>
<td></td>
</tr>
<tr>
<td>With a lucrative core product, favourable brand association, good reputation and favourable geographic location, Hurtigruten can differentiate itself and reduce the threats from strong and lower priced competitors. Hurtigruten’s high number of booking agencies, which it has a good relationship with, indicates that it does not need many new distributions centres. Threats from Germany’s strong labour laws are minimal.</td>
<td>The weaknesses that come with the financial situation concerning high debt, negative cash flow, weak equity and liquidity ratio, need to be stabilized in order to prevent the threats from competitors. The high price Hurtigruten offers on its products also needs to be justified in order not to loose its passengers to the competitors.</td>
</tr>
</tbody>
</table>

Figure 13: Inferences from SWOT analysis (self provided)
7. Strategy

7.1 Introduction

In the following sections, we conduct the strategy outline. This includes the use of the following tools: Solberg’s nine windows, five generic competitive strategies, segmentation, marketing mix and critical success factors. We have chosen these tools because we believe these are the most critical instruments to use, in order to provide Hurtigruten with the best recommendations. We have divided this section into five parts, one part for each tool. In each part we will firmly apply the tools and discuss Hurtigruten’s position in each of them. First we are going to define the tools and describe how it is efficiently used. Secondly, we will explain where Hurtigruten is positioned in the tool, with the use of our findings in the analysis and the research that we conducted. Thirdly, we are going to provide a recommendation for Hurtigruten to improve its position using the tool. We will use these findings to create a complete future strategy for Hurtigruten, summed up in a final recommendation. We hope that these recommendations and initiatives could be an example on how Hurtigruten could stimulate its demand in the German market.

7.2 Solberg’s nine windows

7.2.1 Introduction

In the following section we apply Solberg’s nine strategic windows framework, which is the analytical framework of strategic behaviour in global markets. The framework consists of a three-by-three matrix with the two following dimensions: the global structure of the industry and the firm’s preparedness for internalisation (Solberg, 2009:149). These two factors, together with the management’s goals and ambitions, determine what strategic options that are appropriate for a company. We will present the framework of the nine windows and go in depth of the two factors. Then we will discuss the cruise line industry’s globality and Hurtigruten’s internationalisation capability. We are going to use these findings to specify and define where Hurtigruten is located in the framework. Further, we will conclude on what future strategies the company should choose, in order to provide Hurtigruten with a framework to better penetrate the German market.
7.2.2 The nine strategic windows

The nine strategic windows

<table>
<thead>
<tr>
<th>Preparedness for Internationalisation</th>
<th>Mature</th>
<th>Adolescent</th>
<th>Immature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enter new Business</td>
<td>Prepare for globalisation</td>
<td>Strengthen your global position</td>
</tr>
<tr>
<td></td>
<td>Consolidate your export markets</td>
<td>Consider expansion in international markets</td>
<td>Seek global alliances</td>
</tr>
<tr>
<td></td>
<td>Stay home</td>
<td>Seek niches in international markets</td>
<td>Prepare for buy out</td>
</tr>
</tbody>
</table>

Local | Potentially global | Global

Industry Globality

Figure 14: The nine strategic windows (Solberg, 2009:149)

7.2.3 Industry globality

In principle, the company cannot influence the degree of industry globalism, as it is mainly determined by the international marketing environment. The strategic behaviour of companies depend on the international competitive structure within an industry. In high degree of industry globality, there are many interdependences between markets, customers and suppliers. The industry is also dominated by a few large powerful players. In low degree of industry globality, the market is characterised with a multidomestic environment where companies act independently from each other (Hollensen, 2007:6). In the recent years, the cruise line industry has been expanding rapidly internationally. A major cruise line industry trend has been the globalisation of destinations and itineraries, as cruise lines open new geographic markets. The cruise lines operate in ports and seas all around the world. In addition, in the years to come, there will be a global expansion of destinations. The global passenger forecast in 2013 is 20.9 million guests (Cruise Industry Update, 2013). Having this said, we therefore consider the cruise industry to be global.
7.2.4 Preparedness for internationalisation

The dimension of preparedness for internationalisation is mainly determined by the company. The degree of preparedness is dependent on the company’s ability to carry out strategies in the international marketplace, such as the actual skills in international business operations. These skills of organisational capabilities may consist of personal skills, the managers’ international experience or financial resources (Hollensen, 2007:6). Hurtigruten is represented in different markets around the world. In 2012, the company was present in the following countries in Europe: Germany, Norway, UK, France, Switzerland, Spain, Netherlands, Belgium, Finland, Denmark, Sweden and Italy. In addition, the company was located in the US, Australia and South Africa. The share in the market indicates where Hurtigruten gets most of its business from. Hurtigruten’s share in market and cruise nights in 2012 is displayed in Appendix 7. Further on, in the interview with Mr. Rood, he stated that Hurtigruten’s plan for 2013 was to strengthen its position in Australia and the US, in addition to consider a market expansion in Asia. The company has also an international division with sales offices and representatives in Hamburg, London, Paris, Beijing, Tallinn, the US and Scandinavia. In addition to this, Hurtigruten has agency agreements in nearly 20 other countries (Company presentation, 2012). To sum this up, we can easily state that Hurtigruten operates in many different countries with highly competent representation. We therefore position Hurtigruten’s preparedness for internationalisation as high.

7.2.5 Conclusion

After having discussed the industry globalism of the cruise line industry and Hurtigruten’s internationalisation capability, we position the company in window 9: *Strengthen your global situation.* This window is characterised by the following factors (Solberg, 2009:154,155): First of all, the company must be located in a global market, which is consistent with Hurtigruten’s position in the global cruise line market. Further on, the company needs to secure its position in key markets, be sensitive to changes in customer preferences and new technologies. We assume Hurtigruten will do this in the years to come. Another key element of this strategy will be to build an organisation that can quickly adapt to changes in these conditions. As Hurtigruten will strengthen its position in key markets and existing markets, the
company match these characteristics of this window. We assume Hurtigruten will be sensitive to the conditions just mentioned. We recommend Hurtigruten to be flexible, adaptable and having a clear vision of the role it will have in the global cruise line market.

7.3 Five generic strategies

7.3.1 Introduction

In the following section, we will discuss the five generic competitive strategies. These five strategies display what it would take to gain a competitive advantage towards the competitors in a market (Thompson et al. 2012:183). We will present all five different strategies and more thoroughly explain the strategy most relevant. We are going to assess the theory of the selected strategy against Hurtigruten’s situation. The main aspects of its best fitting strategy of the five generic strategies will be connected and discussed in a conclusion. The findings of the strategy assessment will be used to examine Hurtigruten’s strategic position and options. Drawn from the conclusion, a set of recommendations of action will be made.

7.3.2 Definitions

Five Generic Strategies Model

![Five Generic Strategies Model](image)

**Figure 15:** Five Generic Strategies (Thompson et al. 2012:184)

A low-cost provider strategy: striving to achieve lower overall costs than rivals on products that attract a broad spectrum of customers
A broad differentiation strategy: seeking to differentiate the company’s product offering from rivals with attributes that will appeal to a broad spectrum of customers.

A focused, or market niche differentiation strategy: concentrating on a narrow customer segment and outcompeting rivals on costs, thus being in position to win buyer favour by means of a lower-priced product offering.

A focused low-cost strategy: striving to achieve lower overall costs than rivals on products that attract a narrow spectrum of customers.

A best-cost provider strategy: giving customers more value for the money by offering upscale product attributes at a lower cost than rivals. Being the “best-cost” provider of an upscale product allows a company to under-price rivals, whose products have similar upscale attributes. This option is a hybrid strategy that blends elements of differentiation and low-cost strategies in a unique way (Thompson et al. 2012:184).

7.3.3 Hurtigruten and a focused differentiation strategy

The focused differentiation strategy contain strategic target, basis of competitive strategy, product line, production emphasis, marketing emphasis, keys to maintaining strategy and resources and capabilities required (Thompson et al. 2012:208,209).

Strategic target: Michael Porter stated in his book Competitive Advantage: Creating and Sustaining Superior Performance from 1985; “If a focuser’s target segment is not different from other segments, then the focus strategy will not succeed” (Porter 1985:16). The market, which Hurtigruten operates in, is the Norwegian coastline and the explorer routes. It provides a considerable narrower market segment than the Caribbean and the Mediterranean cruises, and is clearly differentiated. The Norwegian market is also growing, with a steady increase of both travellers from the UK and Germany, showing a positive trend in Hurtigruten’s market (Cruise Norway, 2012).

Basis of competitive strategy: Hurtigruten must offer attributes that customers cannot find at many or any other competitors. An example of this is Hurtigruten’s ability to gain access to the small ports, where larger ships from competitors cannot reach. Hurtigruten must search for new attributes complimenting its on-going strategy and offerings, in order meet a toughening market without a decline in travellers.
Product line: Hurtigruten must offer products differentiated from its competitors. Currently it offers Norwegian coastal and explorer cruises. The explorer cruises travel to remote destinations with extreme conditions not found anywhere else in the world. The Norwegian coastal cruise is also a unique product, offering a rare experience with narrow fjords, high mountains running all the way into the sea, wildlife and the Norwegian culture.

Production emphasis: Production emphasis consists of the small-scale production or custom-made products that match the taste and requirements of niche members. These are important factors for Hurtigruten to understand, in order to successfully reach its niche customers’ demands.

Marketing emphasis: Hurtigruten must communicate its product with its segment customers. It must be kept in mind that the actual experience must reflect the promised experience from marketing campaigns.

Keys to maintaining the strategy: Hurtigruten must stay committed to serving the niche better than its rivals, and not blur the company’s image. It can weaken the image by entering other market segments of adding additional products to widen market appeal.

Resources and capabilities required: The market leaders make more money on their current cruise locations in warmer waters, as these are larger in customer size, compared to Hurtigruten’s segment. Market leaders will also meet barriers such as specialised ships and personnel training to enter the more demanding seas of the explorer routes.

7.3.4 Conclusion

There are risks connected to this generic strategic choice, but compared to the others, it is the most attractive for Hurtigruten. Risks may include the shift of customer preference, entrance of new competitors and evolving competitors that may offset the strengths of the focuser. Hurtigruten’s operating markets are growing, with a more narrow customer segment than the main markets, such as the Caribbean and the Mediterranean. Hurtigruten has to meet the personal requirements of its segment, and
give a personal experience if it wants to keep the price premium currently charged. To meet the toughening and growing cruise market, Hurtigruten should focus on an upscale in marketing efforts to better communicate its niche treats. A number of adjustments in specialised offerings should also be considered, in order to stand out as the best provider of products and services in the niche market. By doing so, Hurtigruten will stand out from the crowd of different competitors, and strengthen its brand name as a differentiated product provider.

7.4 Segmentation

7.4.1 Introduction

In the following section we will discuss our segmentation of Hurtigruten in the German market. Market segmentation divides a market into well-defines slices. A segment consists of a group of customers who share a similar set of needs (Kotler & Keller, 2012:236). The attractiveness of a segment is a function of its structural attractiveness, its size and growth, and match between a company’s capabilities and the segment’s needs (Porter, 1985:256). First we will define the criteria’s of effective segmentation, and why these are preferable. Secondly, we are going to discuss the four different variables of segmentation and how they are used. Finally, we will apply these variables to suggest the segment for Hurtigruten we believe to be suitable. The background for our conclusions will be founded in the results collected from our survey. We are going to use these findings to evaluate and define a conclusion for the preferable market segment of Hurtigruten, and make this as a part of our final recommendations.

7.4.2 Criteria’s for segmentation

Market segments must rate favourably on five key criteria, these are: measurable, substantial, accessible, differentiable and actionable. First, a segment needs to be measurable so the purchasing power and characteristics of the segments can be measured. It also has to be substantial, as the segments need to be large and profitable enough to serve. A segment should as well be the largest possible homogeneous group worth pursuing, with a tailored marketing program. It is also important that the segment is accessible, as the segments need to be effectively reached and served. Another criterion is differentiable, which means that the segments are conceptually distinguishable and respond differently to different marketing-mix elements and
programs. The last criterion is actionable, meaning effective programs can be formulated for attracting and serving the segments (Kotler & Keller, 2012:253).

7.4.3 Four variables of segmentation

In addition to the criteria’s for segmentation, we use two broad groups of variables to segment the customer markets. The first group defines segments by looking at descriptive characteristics: geographic, demographic and psychographic. The other one is based on defining segments by looking at behavioural considerations (Kotler & Keller, 2012:236). Geographic segmentation divides the market into geographical units such as nations, states, regions, cities or neighbourhoods (Kotler & Keller, 2012:236). In demographic segmentation, the market is divided into variables such as age, family size, family life cycle, gender, income, occupation and social class. Demographic variables are often associated with consumer needs, and are easy to measure (Kotler & Keller, 2012:238). In psychographic segmentation, customers are divided into different groups on the basis of psychological/personality traits, lifestyle or values. Individuals within the same demographic groups can exhibit very different psychographic profiles (Kotler & Keller, 2012:247). In behavioural segmentation, marketers divide customers into groups on the basis of their knowledge of, attitude toward, use of or response to a product (Kotler & Keller, 2012:249). This method of separating and defining the variables of segmentation also correlates with Gilligan and Wilson (Gilligan & Wilson, 2003:406,407).

7.4.4 Segmentation of Hurtigruten

After having defined the four different variables and described the characteristics of each and one of them, we will now find the most suitable segment for Hurtigruten. Three of the main questions regarding segment strategy are: which segments are most profitable? Which segments should be prioritized? Which segments have the greatest potential? In addition, all the criteria’s for effective segmentation should be fulfilled. We have made a segmentation-table based on the findings in the survey. Doing this, we have filtered our answers and analysed the respondents that on a scale from 1 to 5 rated cruise holidays on a score of 5. These consumers are the ones that already consider going on cruises when evaluating their holiday destination. We believe Hurtigruten has a greater chance on convincing the consumers that already prefer cruise holidays to choose Hurtigruten, rather convincing the consumers that do not prefer cruise holidays to choose Hurtigruten. The figure below describes the
characteristics of the consumers that prefer going on cruise holidays and the
consumers we believe are the best segment for Hurtigruten.

Segmentation of Hurtigruten

<table>
<thead>
<tr>
<th>Behavioural</th>
<th>Psychographic</th>
<th>Demographic/Geographic</th>
</tr>
</thead>
</table>
| • Often: Two times a year  
  • Duration: Two weeks  
  • Travel company: Spouse/partner  
  • Season: Spring  
  • Info search: Internet  
  • Booking: Internet  
  • Average spending: € 1950 | • Motivation: Opportunity to get away from the stress of normal duties  
  • Personality: Harmonious  
  • Important: Escape from my hectic daily life  
  • Destination: Beautiful nature  
  • Activity: Observe nature | • Age: 50 years  
  • Gender: Both sexes  
  • Status: Married/partner  
  • Education: Qualified degree  
  • Net income: € 20 000-39 999  
  • Region: South |

Figure 16: Segmentation of Hurtigruten (self provided)

7.4.5 Behavioural

The behavioural description of the segment characterises the consumers as the ones travelling two times a year with duration of 2 weeks. This suits Hurtigruten as it offer trips with approximately the same duration. Further on, 63.6% of the respondents in this group answered that they preferred going on holiday with their spouse or partner. This characteristic also fits Hurtigruten, since it offers trips without any special attributes to appeal to children, rather for couples travelling together. In addition, the respondents answered that they preferred travelling during the spring, and gave the season a 4.1 rating average out of 5.0. This is a season that is not very popular among travellers with Hurtigruten, this segment therefor gives the company a great potential of expanding its cruise nights. The same segment also stated that it used the Internet for both searching and booking holidays, with a preferable rating average of 4.4 and 4.3. The fact that this segment prefers going online also creates a great potential for Hurtigruten, when it are considering expanding its marketing using social media. The last aspect that we included was the average spending on a holiday trip among these consumers. On this point the consumers stated that they on average spent € 1950 on a holiday vacation. This amount is higher than the amount needed to book a trip with Hurtigruten, and this makes the segment even more preferable since the issue of a too high price is considered to be critical.
7.4.6 Psychographic

The psychographic characterisation of the segment describes the customers as travellers searching for the opportunity to get away from the stress of normal duties. This main motive had a rating average of 4.1, which indicates that they prefer holidays in a relaxed atmosphere. The segment also stated its personality to be harmonious with a rating average of 4.2. Further on, the respondents believed that the escape from the hectic daily life was the most important factor for going on holiday, with a rating average of 4.6. The most significant findings in this part of the segmentation were the respondents’ favour towards nature. 72.7% of the respondents stated that the most important attribute of the holiday destination was that it needed to have beautiful nature. The same respondents also stated that observation of nature was the most favourable activity when going on holiday, with an average rating of 4.6. The fact that this segment favours beautiful nature is very important for Hurtigruten, since this is a part of its main product and gives the company a reason to pursue this customer group.

7.4.7 Demographics/Geographics

The demographics and geographics of the segments reveal a population of travellers with an average age of 50 years. The fact that this age is beneath Hurtigruten’s original target of 65+, gives Hurtigruten the opportunity to attract a larger group of travellers. Further on, both female and male customers who prefer travelling as couples characterise this segment. This suits Hurtigruten perfectly as it offers attributes to attract the same customer group. The fact that this segment holds a lower degree and income is not of significant importance, since it stated that it prefers spending above average when going on holiday. Finally, 40.9% of this group is mainly situated around the area of south Germany. This indicates that Hurtigruten has potential customers in the south, and should consider opening up a sales office in this part of Germany.

7.4.8 Conclusion

Having conducted the segmentation based on the findings from our survey, we also believe that this segment is acceptable, according to both the questions regarding segment strategy, and the criteria’s of effective segmentation. First of all, we have to state that we believe this segment to be profitable with a great potential, and should
therefore be prioritised. Secondly, we also consider this segment to meet the criteria for effective segmentation, believing that it is measurable, substantial, accessible, differentiable and actionable. The reason for this argumentation is that this is a segment that is big enough, profitable enough, reachable, distinguishable and actionable. Important aspects that need to be taken under consideration are the segments’ emphasis on beautiful nature, development of the spring season and introduction of new marketing in the form of social media.

7.5 Marketing mix

7.5.1 Introduction

In the following section we apply the marketing mix analysis. According to Kotler & Keller (2009), the marketing activities can be classified as marketing mix tools, called the four Ps of marketing. These four Ps are positioning, product, price, and promotion (Kotler & Keller, 2009:62). From the sellers’ point of view, the four Ps represent tools to influence buyers. From a customer’s point of view, the four Ps are designed to deliver customer benefit. Marketers make marketing mix decisions for influencing their trade channels as well as their final customers (Kotler & Keller, 2009:62,63). We will define each activity, and describe Hurtigruten’s position within each of them. First, we will describe the positioning of Hurtigruten, secondly we are going to define Hurtigruten’s product, and then describe Hurtigruten’s current price strategy. Finally, we will outline Hurtigruten’s promotional efforts. We are going to use the findings from the marketing mix to give recommendations to which strategies Hurtigruten should implement within each of the tools, in order to improve its marketing mix. The strategies we suggest will be based upon our survey, and a number of tests we have conducted.

7.5.2 Positioning

Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the minds of the target market. A good brand positioning helps guide marketing strategy by clarifying the brand’s essence, what goals it helps the customer to achieve, and how it does so in a unique way (Kotler & Keller, 2009:308). Within this marketing tool, points-of-difference and points-of-parity are crucial (Kotler & Keller, 2009:309).
**Points-of-difference:** Points-of-difference are attributes or benefits customers strongly associate with a brand, positively evaluate and believe to be better than any competitor brand. Associations that make up points-of-difference may be based on virtually any type of attributes or benefits (Kotler & Keller, 2009:309). According to the SWOT analysis, Hurtigruten has a lucrative core product, which is to travel to all the small ports along the Norwegian coastline. No other cruise line can provide customers with this unique experience, which indicates points-of-difference for Hurtigruten. The SWOT also enhances the strong brand association towards the image of Norway, and Hurtigruten enjoys a favourable reputation. In addition, Hurtigruten’s long experience, history and country of origin are factors indicating points-of-difference. The SWOT reveals a large opportunity for the company, concerning the eco-friendly aspect, which is of increasing importance in Germany. Hurtigruten has a great focus on this aspect, which provides another point-of-difference. According to our survey, German customers are highly considering Norway as a holiday destination, and they also believe that going to Norway will provide what they want from a holiday. We have conducted a test, comparing holiday motives to motives going to Norway, which is shown in the chart on the next page.
The overall tendency we can draw from the comparison is that motives for going to Norway on a holiday, score the same or higher compared to German preferences of going on holiday. The most important criterion for going on a holiday is, “opportunity to get away from the stress of normal duties”, with a score of 4.5 out of 5.0. Norway as a holiday destination scores 4.7. In addition, Norway as a holiday destination scores significantly on the criterion “opportunity to participate in novel experiences”. The exception is the holiday criterion “experiencing exotic places”, where Norway as a holiday destination scores a few points below the initial motive. We have conducted a second test, comparing the difference between AIDA and Hurtigruten, which is shown in the chart on the next page.
The chart above shows that our respondents overall rate Hurtigruten higher than AIDA, on the matter of holiday preferences. Hurtigruten scores considerably higher than AIDA on several aspects. The criterion of “escape from my hectic daily life” is the most striking. The aspects of “discover new and interesting places”, “create precious moments of togetherness”, and “discover local culture” are criteria where Hurtigruten outcompetes AIDA in an extraordinary way. This provides Hurtigruten with a competitive advantage in the German market, as it offers the most preferred preferences of German customers. The exception on this matter is the criterion “indulging in a bit of luxury” and “show my superior lifestyle”. We consider these findings very positive for Hurtigruten. Hurtigruten is neither known, nor trying to be, a luxury provider. Its main focus is to give its customers unique experiences on the matter of nature, wildlife and Norwegian history, using traditional ships. An area of improvement is the criterion “keep everything under control”, although this is not the highest rated criterion, it is an area of improvement.
Points-of-parity: Points-of-parity are associations that are not necessarily unique to the brand, but may be shared with other brands (Kotler & Keller, 2009:310). The types of associations come in two basic forms: category and competitive.

Category points-of-parity are associations customers view as essential to a legitimate and credible offering within a certain product or service category. They represent necessary, but not sufficient conditions for brand choice (Kotler & Keller, 2009:311). Points-of-parity within Hurtigruten’s category are the customers desire to escape the stress from the everyday life, and enjoying a relaxing time off, with their family and friends. We have conducted a test giving us proof of this, showing the following percentages: 71.8% answered: “opportunity to get away from the stress of normal duties” as the most important motive of going on a holiday. 73.6% of the respondents answered, “escape from my hectic daily life” as the most important criterion.

Competitive points-of-parity are associations designed to negate competitor’s point-of-difference (Kotler & Keller, 2009:311). Hurtigruten’s competitive points-of-parity is its differentiated product, extraordinary ships and environment. By this it provides customers with a travel through history and spectacular scenery found nowhere else in the world. Hurtigruten should emphasise these factors in order to negate competitors’ benefits. According to the chart, which compares AIDA with Hurtigruten, AIDA scores higher on providing luxury and showing superior lifestyle. In order to negate AIDA’s benefits, Hurtigruten should make improvements in this area. Hurtigruten has the ability and means to provide small additions to the product, to create a feeling of luxury. This matter will be discussed further in the section regarding price.

7.5.3 Product
A product is a bundle of different features that aim to create customer benefit (Homburg et al. 2009:108). According to Kotler (1994) a product can be divided into four levels: core, physical, extended, symbolic. We will focus on Hurtigruten’s core and physical product, as we find these the most important to implement new features to. The core product reflects the need the product should meet; Hurtigruten provides transportation, and is a holiday provider for tourists. The physical product is what is actually being sold; holiday cruises (Solberg, 2009:328). We merge the core and physical product of Hurtigruten, as they match each other very well. Hurtigruten
should meet the needs of being a holiday provider, which it does with its physical product. This consists of mainly Norwegian coastal cruises, which is a strongly differentiated product that Hurtigruten specialises in. We have conducted a test comparing important factors of going on holiday and important factors obtaining travelling with Hurtigruten:

![ chart showing comparison of important factors going on holiday and travelling with Hurtigruten ]

This chart shows that important factors gained with Hurtigruten, score below on almost every important factors going on holiday. The most important factors, “escape from my hectic daily life” and “discover local culture”, are areas that definitively have to be improved. The reason why we highlight these two factors are due to the fact that Hurtigruten strives to provide exactly these features. A trip with Hurtigruten should be all about escaping the hectic everyday life, by being on a ship surrounded by beautiful nature. Discovering local culture is provided for in every port visited, and also on board the traditional ships. The factor “broaden my horizon” is an area Hurtigruten should make effort to improve. To counter argue on the matter of luxury
and superior lifestyle discussed in the previous section, concerning the comparison of Hurtigruten and AIDA, this test shows that these criteria are the least important to customers. The customers still feel a sense of this being provided for by Hurtigruten.

In addition, we can also draw recommendations from the external analysis that emphasise that Hurtigruten should extend its product line. The growing elderly population of Germany should be met with a product that fulfil their needs, and this may include the expansion of health care on board the ships. The fact that Germans are very environmental-friendly also indicates that this is something Hurtigruten should emphasise more strongly. Hurtigruten could implement an emission quota that makes the holiday on Hurtigruten free from CO2 pollution.

7.5.4 Price

Price is an instrument that contributes to promote export, but at the same time is considered as the foundation for profitability and competitiveness (Solberg, 2009:375). Hurtigruten is a high price brand compared to its competitors. AIDA, which was the second most known cruise line among our respondents, can provide its customers with a cruise for less than €500, while a trip with Hurtigruten will cost the customers more than €1500 per person. Our survey reveals that German customers spend on average €1500 per person going on holiday. This indicates that German customers have the means and willingness to pay, and that Hurtigruten’s current pricing is not offsetting. Hurtigruten has high brand equity in Germany. According to our survey and internal analysis, German customers have good knowledge and associations towards the brand. This creates high brand equity. The findings in the internal analysis are being enforced by the chart below, which shows customer familiarity of different cruise lines.
It is obvious that Hurtigruten and AIDA are the most well-known cruise lines to our survey respondents. We argued in our internal analysis that both the brand knowledge, and the brand association are resources, which can create a competitive advantage for Hurtigruten. Having a strong brand name is important in price decisions. When having existing and potential customers with good associations and knowledge to the brand, they are more likely to be willing to pay a higher price. Due to the fact that Hurtigruten is far more expensive than its competitors, it is important for Hurtigruten that the customers perceive that the product is worth the money, and that it is not too expensive compared to quality or similar products. To further reinforce such a customer perception, it would be a good idea for Hurtigruten to offer its customers extra services for an additional fee. It could be to offer food delivery to the cabin, own private guide on excursions or extra room service. These are simple additional features, but they would highly contribute to increasing the customer perception of quality of the product. Hurtigruten would not suffer any considerable extra cost providing these services, whereas the staff and relationships are already in place.

7.5.5 Promotion

Promotion concerns the measures a company implements in order to create demand of its products (Solberg, 2009:347). When purchasing a high price product, customer involvement tends to be high. They will actively search for information before deciding to buy or not. The first step to consider is the matter of exposure, deciding which cannel is most likely to generate customer exposure.
Hurtigruten has marketed itself with the slogan: “the world’s most beautiful voyage”. The company has used different channels including TV commercials, poster ads, social media such as Facebook, Twitter and YouTube, and also via its own web page. On the web page, Hurtigruten offers a newsletter sign-up option. This provides customers with a monthly e-mail with promotions, offers and up to date news. When signing up, customers can achieve discounts, no invoicing fees when booking online, last minute deals on short-term departures, and invites to Hurtigruten events and travel fairs (Hurtigruten newsletter, 2013). Hurtigruten also uses the image of Norway as a promotional effect. Jonathan Tourtellot from National Geographic has stated: “Hurtigruten is uniquely identified with the country it operates in. That is not true with conventional cruise liners” (Hurtigruten, 2013). Norway is often associated with good service, friendly people and also the aspect of being conscious of the increasing environmental problem. As environmental consciousness is increasing, especially in Germany, this aspect is something to be especially aware of.

Our survey reveals that the Internet is the most used media to collect information. 80.9% of the respondents state the Internet as the most utilised source to collect information about holidays. Further, 70.9% of the respondents state the Internet as the most important channel to book their holiday. This is unfortunate according to our face-to-face customer interview (Appendix 8). It revealed that Hurtigruten’s web page is not satisfying and that is is confusing and slow. This is a source to problems. It is important for Hurtigruten to continuously improve its web page, in order to satisfy the customers. Social media is continuously increasing in importance, and it is a crucial channel for Hurtigruten to continue utilise. Hurtigruten is currently using different social media, but what the company lack of, is a smartphone application. Implementing a Hurtigruten application that consumers either could buy, or download for free would be a welcome addition in its promotion efforts. This would enable customers to easily access information regarding booking, weather forecasts, tips for packing and weekly updates on Hurtigruten’s internal and external activities on their smartphone. An application could increase Hurtigruten’s brand loyalty and create positive word of mouth. Also, being more active in all social media aspects, providing information, special offers, video clips and news would contribute to increased media presence and customer attention.
7.5.6 Conclusion

We have discovered areas where Hurtigruten performs well and areas of improvement. In the area of positioning, Hurtigruten has an overall good performance. To keep and enforce its good positioning, Hurtigruten should implement efforts to even further utilise the image of Norway as a holiday destination. Promoting Norway as an exotic destination would increase Hurtigruten’s attractiveness towards German customers. The company should also emphasise that choosing Hurtigruten as a holiday provider will deliver the feeling of having control and being secure, using its competence and experience as arguments. The area concerning the product is an area of great improvement. Hurtigruten must most definitively take action to increase the customer perception of the factors described. We would recommend Hurtigruten to make efforts, especially on increasing the customer perception of escaping their hectic daily life, and experience beautiful nature and local culture. These additional features could also contribute to the perception of taking a trip with Hurtigruten, will broaden the customer’s horizons. On the matter of price, we recommend Hurtigruten to enforce the customer perception on getting value for their money. Utilising its brand equity and having an eco friendly perspective, Hurtigruten can achieve this objective. Also, adding additional service features, creating a feeling of extra treatment, will increase customer’s perception of value for their money. The final marketing tool, promotion is also a matter of improvement. Hurtigruten’s web page must become even more user friendly, making it easier to find relevant information and book a trip. Also, we believe that adding virtual tours of each of Hurtigruten’s ships will be a good idea, in order to rise customers understanding of the product. Increasing usage of social media, in order to getting more attention and awareness around the Hurtigruten brand, should be implemented. Developing an application for smartphones will contribute to easier access on information for customers, and also provide the opportunity to implement advertising.

7.6 Critical success factors

7.6.1 Introduction

In the following section, we will discuss the critical success factors (CSFs) of Hurtigruten in Germany. CSFs are those product features that are particularly valued by the customers, and are factors of key importance for the success of Hurtigruten in the German market (Johnson et al. 2008:79). We will define the objectives and name
the critical success factors of Hurtigruten drawn from the SWOT-analysis findings. We have reached four objectives with respective CSFs, and we will sum these up in a conclusion and apply them in our final recommendation.

7.6.2 Objective 1

*Gain higher market share in the German cruise market.*

CSFs: Increase marketing budget and take advantage of modern marketing channels. This means adjusting the promotion using social media marketing and introducing an Hurtigruten application for smartphones.

7.6.3 Objective 2

*Gain higher brand awareness.*

CSFs: The promotion of the company is focused on the unique experience of travelling with Hurtigruten, but it should also be focused on the security and eco friendliness provided when travelling with Hurtigruten. The reason for this is because these are the factors that the segment of Germany emphasises and requests.

7.6.4 Objective 3

*Attract more customers from targeted segment.*

CSFs: Extend the product in order to meet the needs of the growing elderly population of Germany. This includes a greater focus on security and health care. To reach out to this segment, social media should have a greater focus due to the increased Internet usage among elderly people in Germany.

7.6.5 Objective 4

*Justify price.*

CSFs: Use promotion to enhance the concept of providing a unique experience that is both eco-friendly and secure. In addition to this, an extension of the product with extra services and features could increase the customer perception of a justified price.
8. Final recommendations

In the beginning of this thesis we introduced two problem statements that we have tried to answer when writing this paper. These problem statements were:

1: What are the internal and external factors that determine the stagnation of Hurtigruten in the German market?
2: How could Hurtigruten stimulate demand in the German market?

Concerning the first problem statement, we believe that there are mainly external factors that have contributed to the stagnation of Hurtigruten in the German market. Most of all, we consider the growing and expanding cruise line industry to have a negative impact on Hurtigruten, because of its highly competitive market. Carnival, AIDA and Royal Caribbean are strong competitors with high market share that Hurtigruten should pay extra attention to. We consider the internal factors to have reinforced this further. The poor financial situation of Hurtigruten could also have played a part making Hurtigruten more reversed to act upon these changes, and not being able to stay ahead with its competitors, as the focus over the recent years has been to restructure the company.

Regarding how Hurtigruten can stimulate the German market in order to gain a larger position, we have reached several recommendations. These ideas are mainly situated around updating its marketing mix. First of all, it is critical for Hurtigruten to justify its high product price. This is doable with the right promotion focused on its differentiated product, including playing a greater role on social media. The product itself can also be extended further, focusing on eco-friendliness and security to fit their target. When implementing this, Hurtigruten has a greater chance attracting more travellers from the growing segment of the elderly generation of Germany.

Hurtigruten has experienced stagnation in the German market. Since Germany is considered to be one of the most important markets for Hurtigruten, this can at first sight be looked upon as a critical situation to be in. We believe that Hurtigruten could turn this trend around with the right initiatives and firm execution. In other words, we believe that this could be seen as a temporary situation for the company. We trust Hurtigruten to execute the necessary changes that can contribute to a greater demand in the German market.
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Appendix

Appendix 1

Tourismus und Kreuzfahrten


Wir danken Ihnen für Ihre Hilfe bei unserer Bachelor-Arbeit bereits im Vorau.

- Ingvild, Hanne, Åshild, Max und Lute
Tourismus und Kreuzfahrten

Ferienpräferenz

1. Wie oft machen Sie Ferien?
   ☐ Einmal im Jahr
   ☐ Zweimal im Jahr
   ☐ Drei mal im Jahr
   ☐ Viertal im Jahr
   ☐ Öfter als vier mal im Jahr

2. Wie lange ist Ihr Urlaub üblicherweise?
   ☐ Kürzer als eine Woche
   ☐ Eine Woche
   ☐ Zwei Wochen
   ☐ Drei Wochen
   ☐ Länger als drei Wochen

3. Mit wem fahren Sie gern in den Urlaub?
   ☐ Alleine
   ☐ Mit dem Partner/der Partnerin
   ☐ Mit der Familie
   ☐ Mit Freunden
   ☐ Mit einer Tourismus-Gruppe

   (1 = ungern / 5 = sehr gerne)

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Tourismus und Kreuzfahrten

### Ferienpräferenz

5. Bitte bewerten Sie anhand einer Skala von eins bis fünf wie gerne Sie die folgenden Ferienarten mögen.

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# Tourismus und Kreuzfahrten

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<td>Gelegenheit, neue Menschen kennenzulernen.</td>
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<td>Gelegenheit, von verschiedenen Menschen und Orten etwas zu kennen.</td>
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<tr>
<td>Gelegenheit, sich zu entwickeln und neue Fähigkeiten zu erlangen.</td>
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<td>Um aktiv und fit zu bleiben.</td>
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</table>
### Tourismus und Kreuzfahrten

#### Ferienpräferenz

7. Bitte bewerten Sie auf einer Skala von eins bis fünf, welche Persönlichkeit Sie am besten beschreibt wenn Sie Urlaub machen.

(1 = vollkommen unzutreffend / 5 = vollkommen zutreffend)

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## Tourismus und Kreuzfahrten

8. Bitte bewerten Sie auf einer Skala von eins bis fünf was Ihren wichtig ist, wenn Sie Urlaub machen?

(1 = überhaupt nicht wichtig / 5 = sehr wichtig)

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<td>Neue und spannende Orte entdecken</td>
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<td>Ein sicheres Gefühl haben</td>
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<tr>
<td>Neue Leute kennenlernen</td>
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<td>Mich selbst ein bisschen verwöhnen</td>
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### Tourismus und Kreuzfahrten

#### Ferienpräferenz

9. Bitte bewerten Sie auf einer Skala von eins bis fünf, welche Eigenschaften ein Reiseziel haben sollte?

(1 = überhaupt nicht wichtig / 5 = sehr wichtig)

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## Tourismus und Kreuzfahrten

10. Bitte bewerten Sie auf einer Skala von eins bis fünf, welche Aktivitäten Sie gerne im Urlaub unternehmen würden? 

(1 = nicht wichtig / 5 = sehr wichtig)

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</table>
## Tourismus und Kreuzfahrten

### Ferienpräferenz

11. Bitte bewerten Sie auf einer Skala von eins bis fünf, wie wichtig die folgenden Informationsquellen für Sie sind, um sich über Ihr Reiseziel zu informieren? 
   (1 = überhaupt nicht wichtig / 5 = sehr wichtig)

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<tr>
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12. Bitte bewerten Sie auf einer Skala von eins bis fünf, auf welche Weise Sie Ihre Urlaube typischerweise buchen?
   (1 = überhaupt nicht wichtig / 5 = sehr wichtig)

<table>
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<th>Buhe-Weise</th>
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</table>

13. Wie viel Geld geben Sie durchschnittlich pro Urlaub aus? (Wenn Sie mit mehreren Personen verreisen geben Sie bitte den durchschnittlichen Betrag pro Person an.)

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## Tourismus und Kreuzfahrten
### Norwegen und Ferien auf Kreuzfahrten

14. Welches Land würden Sie für Ihren Urlaub wählen? (Mehrfachnennungen möglich)
- Frankreich
- Spanien
- Italien
- Österreich
- Türkei
- Griechenland
- Schweiz
- Dänemark
- USA
- Norwegen
- Andere Länder

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Page 10
### Tourismus und Kreuzfahrten

**15. Bitte bewerten Sie auf einer Skala von eins bis fünf, wie Sie Norwegen als Reiseziel beschreiben würden?**

(1 = überhaupt nicht zutreffend; 5 = sehr zutreffend)

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</table>
### Tourismus und Kreuzfahrten

#### Norwegen und Ferien auf Kreuzfahrten

16. Welcher der folgenden Kreuzfahrtanbieter ist Ihnen bekannt?

- Carnival
- Costa Cruises
- Princess
- AIDA
- Royal Caribbean
- Celebrity
- MSC Cruises
- Norwegian Cruise Line
- Hurtigruten
- Saga cruises
- Hapag-Lloyd
- TUI Cruises
- Viator
- Phoenix Reisen
- Andere

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</tr>
<tr>
<td>Mich selbst ein bisschen verwöhnen</td>
<td>o</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Tourismus und Kreuzfahrten

18. Bitte bewerten Sie auf einer Skala von eins bis fünf, welche Aspekte Sie einem Urlaub mit Hurtigruten zuordnen?

(1 = trifft überhaupt nicht zu / 5 = trifft vollkommen zu)

<table>
<thead>
<tr>
<th>Aspekt</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eine nette Zeit mit anderen Menschen verbringen</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Abstand vom Alltagsstress gewinnen</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Neue und spannende Orte entdecken</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Unvergessliche Momente mit anderen erleben</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Etwas Luxuriöses erleben</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Meinen Wohlstand zeigen</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Meinen Horizont erweitern</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Meine Kenntnisse erweitern</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Weitreichende Erfahrungen sammeln</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Zu viele Überraschungen vermeiden</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Alles unter Kontrolle haben</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Ein sicheres Gefühl haben</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Neue Leute kennenlernen</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Die lokale Kultur entdecken</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Mich selbst ein bisschen verwöhnen</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
### Tourismus und Kreuzfahrten

#### Norwegen und Ferien auf Kreuzfahrten

19. Wenn Sie bereits mit Hurtigruten verreist sind, wie zufrieden waren Sie mit Ihrem Urlaub?

(Auf einer Skala von 1 bis 5: 1 = vollkommen unzufrieden / 5 = äußerst zufrieden)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Wenn Sie noch nie mit Hurtigruten verreist sind, bitte bewerten Sie die folgenden Gründe dafür:

(Auf einer Skala von eins bis fünf: 1 = trifft überhaupt nicht zu / 5 = trifft vollkommen zu)

<table>
<thead>
<tr>
<th>Grund</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zu weite Anreise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andere Urlaubsorte sind attraktiver</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zeitmangel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schlechtes Preis-Leistungsverhältnis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weltbewerber waren attraktiver</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Es gibt andere Orte, die ich besuchen möchte</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zu teuer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keine besonderen Gründe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21. Haben Sie bereits eine Reise mit Hurtigruten gebucht?

- Ja
- Nein
## Tourismus und Kreuzfahrten

### Demographische Angaben

#### 22. Geschlecht
- Männlich
- Weiblich

#### 23. Wie alt sind Sie?

- 100 000 Euro pro Jahr oder mehr
- 80 000 – 99 999 Euro pro Jahr
- 60 000 – 79 999 Euro pro Jahr
- 40 000 – 59 999 Euro pro Jahr
- 20 000 – 39 999 Euro pro Jahr
- Weniger als 19 999 Euro pro Jahr

#### 25. Sind Sie...
- ...Single
- ...Verheiratet/in Partnerschaft lebend
- ...Geschieden
- ...Witwer/Witwe

#### 26. Welche Ausbildung haben Sie?
- Hauptschule oder vergleichbar
- Weiterführender oder qualifizierender Schulabschluss
- Abitur / Fachabitur
- Hochschule / Universitätsausbildung
- Andere

#### 27. In welcher Region in Deutschland wohnen Sie?
- Norden: Schleswig-Holstein, Hamburg, Bremen, Niedersachsen
- Westen: Hessen, Nordrhein-Westfalen, Rheinland-Pfalz, Saarland
- Osten: Berlin, Brandenburg, Mecklenburg-Vorpommern, Sachsen, Sachsen-Anhalt, Thüringen
- Süden: Baden-Württemberg, Bayern
Appendix 2

Hurtigruten’s ships and fleet

<table>
<thead>
<tr>
<th>Ship</th>
<th>Year of construction</th>
<th>Beds</th>
<th>Passenger capacity</th>
<th>Width</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS Fram</td>
<td>2007</td>
<td>276</td>
<td>318</td>
<td>20,2</td>
<td>114</td>
</tr>
<tr>
<td>MS Midnatsol</td>
<td>2003</td>
<td>638</td>
<td>1000</td>
<td>21,5</td>
<td>135,75</td>
</tr>
<tr>
<td>MS Trollfjord</td>
<td>2002</td>
<td>640</td>
<td>822</td>
<td>21,5</td>
<td>135,75</td>
</tr>
<tr>
<td>MS Finnmarken</td>
<td>2002</td>
<td>628</td>
<td>1000</td>
<td>21,5</td>
<td>138,5</td>
</tr>
<tr>
<td>MS Nordnorge</td>
<td>1997</td>
<td>451</td>
<td>623</td>
<td>19,5</td>
<td>123,3</td>
</tr>
<tr>
<td>MS Nordkapp</td>
<td>1996</td>
<td>458</td>
<td>622</td>
<td>19,5</td>
<td>123,3</td>
</tr>
<tr>
<td>MS Polarlys</td>
<td>1996</td>
<td>473</td>
<td>619</td>
<td>19,5</td>
<td>123</td>
</tr>
<tr>
<td>MS Nordlys</td>
<td>1994</td>
<td>469</td>
<td>622</td>
<td>19,2</td>
<td>121,8</td>
</tr>
<tr>
<td>MS Richard With</td>
<td>1993</td>
<td>474</td>
<td>622</td>
<td>19,2</td>
<td>121,8</td>
</tr>
<tr>
<td>MS Vesterålen</td>
<td>1983</td>
<td>294</td>
<td>510</td>
<td>16,5</td>
<td>108</td>
</tr>
<tr>
<td>MS Lofoten</td>
<td>1964</td>
<td>153</td>
<td>340</td>
<td>13,2</td>
<td>87,4</td>
</tr>
</tbody>
</table>

(http://www.hurtigruten.no/Distansereiser/Hurtigrutens-flate/Hurtigrutens-flate/, 07.05.2013)
Appendix 3

Map of the areas of Hurtigruten’s operations

(www.hurtigruten.de, 30.05.2013)
Appendix 4

Hurtigruten’s certified travel agencies

(http://www.hurtigruten.de/Utils/ihre-reisebueros/, 05.04.2013)
Appendix 5

The Bakka model

<table>
<thead>
<tr>
<th></th>
<th>Trial export</th>
<th>Extensive export</th>
<th>Intensive export</th>
<th>Multinational marketing</th>
<th>Global marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export motive</td>
<td>Operative</td>
<td>Operative</td>
<td>Strategic / Operative</td>
<td>Mainly strategic</td>
<td>Mainly strategic</td>
</tr>
<tr>
<td>Choice of Market</td>
<td>Neighbour countries random</td>
<td>Many markets</td>
<td>Concentration of markets</td>
<td>Market expansion</td>
<td>Consolidation in the triad</td>
</tr>
<tr>
<td>Market share</td>
<td>Company is “invincible”</td>
<td>Insignificant</td>
<td>Increasing</td>
<td>Big in selected markets</td>
<td>Big in key markets</td>
</tr>
<tr>
<td>Economic result</td>
<td>Marginal or negative</td>
<td>Marginal or negative</td>
<td>Positive contribution</td>
<td>Mutual dependency on the home market.</td>
<td>Price leader. Main income source.</td>
</tr>
</tbody>
</table>

(Solberg 2009:122)
### Appendix 6

**VRIO table**

<table>
<thead>
<tr>
<th>Resource / Capability</th>
<th>Definition</th>
<th>Valuable?</th>
<th>Rare?</th>
<th>Not easily imitable?</th>
<th>Exploited by the organization?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ships</td>
<td>Ships, which are adapted for travelling in the narrow Norwegian fjords. Provides a unique experience. Designed to manage rough weather: Security to customers. MS Fram is specially designed to do explorer trips.</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Small ships provide access in waters no competitor can reach. Adds attractive features to existing product.</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Location</td>
<td>Familiar Norwegian waters. Provides the passengers with unique experiences, both on board and on land, where Hurtigruten offer guided trips.</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Familiar waters, 120 years of experience. No competitor can offer the same product. Hurtigruten is alone of being in possession of this resource. Impossible to buy.</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Product</td>
<td>Core service</td>
<td>Additional</td>
<td>Brand – brand equity</td>
<td>Knowledge</td>
<td>Association</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>------------</td>
<td>----------------------</td>
<td>-----------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>Their main two products are cruises along the Norwegian coastline, and explorer trips.</td>
<td>YES</td>
<td>The brand equity is well known and has been rewarded with several awards.</td>
<td>YES</td>
<td>The brand is associated with Norway and unique experiences.</td>
</tr>
<tr>
<td></td>
<td>YES</td>
<td>Only Norwegian coastal cruise provider. Explorer trips add value to customers.</td>
<td>YES/NO</td>
<td>Increases customer perceived value, and willingness to pay.</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>YES/NO</td>
<td>Coastal: Only provider Explorer: Several other providers.</td>
<td>YES/NO</td>
<td>No one else can own the brand name.</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>YES/NO</td>
<td>Coastal: Competitors are unable to buy the resource at a reasonable price Explorer: Not unable to obtain to a reasonable price.</td>
<td>YES</td>
<td>Protected brand name. Cannot be copied.</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>YES</td>
<td>Coastal:</td>
<td>NO</td>
<td>In possession of several others.</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>NO</td>
<td>Explorer:</td>
<td>NO</td>
<td>Yes</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>YES/NO</td>
<td>Coastal:</td>
<td>NO</td>
<td>Yes</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>YES</td>
<td>Explorer:</td>
<td>NO</td>
<td>Yes</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>YES</td>
<td></td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Organization knowledge</td>
<td>international experience. 120 years in the industry. Geographical knowledge.</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>Impossible to provide same unique offer.</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Workforce</td>
<td>Competent crew. Service minded.</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>Many others possess this resource.</td>
</tr>
<tr>
<td></td>
<td>Provide safety and unique experiences.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationships</td>
<td>Partners, which provide the passengers with increased perceived value.</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>Many companies are in possession of this resource.</td>
</tr>
<tr>
<td></td>
<td>Add attractive features to the existing product.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State aid</td>
<td>Hurtigruten receives NOK 640 mill annually.</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>None of Hurtigruten’s competitors have the same deal.</td>
</tr>
<tr>
<td></td>
<td>Contributes to make Hurtigruten able to complete all departures. Fewer cancellations – security to customers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 7
Interview with Hans Rood, sales and marketing director of Hurtigruten

A telephone interview was arranged 06.03.2013 with Mr. Hans Rood, sales and marketing director of Hurtigruten. The main objective of the interview was getting information regarding Hurtigruten’s history, internal aspects, external aspects, agencies, segment and marketing. Due to different circumstances, the scheduled meeting at Hurtigruten’s office in Hamburg was unfortunately cancelled, and it was set up a telephone interview instead. We recorded the call, but due to short of time, there were some changes in the structure of the interview, and some questions were excluded.

History
1. When did Hurtigruten enter the German market?
   We have been operating in Germany for close to 100 years, and this is our major foreign market. Approximately 33-35% of our business is generated in Germany. The growth of the German market has been steadily increasing, and a 3-5% annual growth would secure our German market share. We are hoping to have a solid growth in other markets to compensate for a possible downturn in the growth here in Germany.

2. What are the main tasks for Hurtigruten in Hamburg concerning sales and marketing?
   Our main ambition is to maintain our share of the market in Germany. We would like to continue having 3-5% growth annually, and finally we would like to grow in other markets, as well to compensate for a possible decreasing in growth in Germany.

Internal aspects
3. How would the financial situation within Hurtigruten today influence further investments within the German market?
   The German market is a concern to us, as there are a number of economical indicators that are worrying. We actually look at more dollars in marketing than in the past, just to maintain market share, because of the toughening in the market.
4. What physical, financial, technological and organisational resources do Hurtigruten have in Germany?

*We have our own Gmbh in Germany for marketing operations. This company is totally owned by Hurtigruten ASA. The Hamburg Gmbh then purchases the Hurtigruten product, and all German investments go through the Gmbh.*

5. Will Hurtigruten enter new markets in 2013? Or will you remain in the existing markets and concentrate on these?

*Hurtigruten will not enter new markets in 2013. The company will concentrate on the US market, and also the Chinese and the Australian market.*

6. When did Hurtigruten establish sales offices and departments outside of Norway?

*Hurtigruten has existed for almost 120 years, and the company has had offices outside Norway since the beginning, but in cooperation with other companies. The wholly owned sales offices have existed for the last 20 years in Germany.*

External aspects

7. Who is Hurtigruten’s biggest competitor in Germany? What are the biggest differences between Hurtigruten and the competitors?

*Our main competitors are cruise lines like AIDA, Costa Cruises, and Hapag-Lloyd. They are in a position to offer lower prices because they mainly operate in international waters, where sailing is free of charge. Lower prices and going to international ports, are the main competitive advantages these cruise lines have.*

8. What are the biggest challenges of Hurtigruten in Germany?

*Prices are the unquestioned challenge for Hurtigruten.*

9. What are Hurtigruten’s strengths in the German market?

*We have smaller ships that can carry the passengers to stopping in small ports. We can thereby access the fjords and be more flexible. We can have a closer contact with the passengers, and since we have a 365-day schedule, we have a product for every season.*
10. What opportunities do you see for Hurtigruten in the German market?
*We need to focus on the good and positive aspects, and try to improve the less positive ones.*

11. What is the market share of Hurtigruten in Germany?
*The market share of Hurtigruten in Germany is about 4%.*

**Agencies**

12. How many agencies do Hurtigruten have in Germany?
*We have about 700 travel agents in Germany.*

13. How is the relationship between the agencies and Hurtigruten managed?
*This relationship is managed on a commission basis, and it depends on the level of performance. The more they sell, the more we are willing to pay. The commission could vary between 10% and 50%. There are totally six persons visiting and checking the sales agencies in Germany. These people also do the same routines in Austria and the Netherlands.*

**Segment**

14. Who are the target customers of Hurtigruten in Germany? In terms of age, gender, income, interests, material status?
*The target customers are mainly 65+. They are well educated, used to travelling the world, and have been around for a while. They belong to high medium to high-income groups.*

15. Which alternative is the most attractive, explorer route or Norwegian coastline route? And which is the most profitable one?
*The German passengers choose the Norwegian coastline route, but there are those who set out for Antarctica and the Svalbard as well. Since we have 10 ships travelling the Norwegian coast, sailing by one of them is more profitable for our passengers as we only have two ships sailing the explorer routes.*
16. Which season is the most popular for the German tourists?

Right now as we can see, the most popular one is the winter season, but also the midsummer is popular among German passengers.

Marketing

17. How does Hurtigruten market itself in Germany to attract German customers?
We are known in Germany for being the “postal” ships, but we have not promoted us like that, I think the Germans did. Hurtigruten is known as ”the world’s most beautiful voyage” here in Germany, and Germans now are familiar with that slogan. What gives the best response, are still advertisements in newspapers and direct mailing. In the north of Germany, the Netherlands and in the US, online advertising is becoming increasingly more important.

18. Which channels are more profitable for Hurtigruten?
That would be online advertising.

19. Do you see any possibilities for marketing improvements in 2013?
We would spend more money on advertising to maintain our market share in an ever-increasing competitive market.

20. How do you see the year 2013 for Hurtigruten?
There will be more challenges. We have to work harder to make up for the declining market in Germany. I think the company will do fine. The German market will prove to be more challenging, and we will have to work harder and increase our efforts to fight for the market shares.
Mr. Hans Rood provided us with an overview over share in market and cruise nights of Hurtigruten in 2012:

<table>
<thead>
<tr>
<th>Per 15. Dec. 2012</th>
<th>Share in market</th>
<th>Cruise nights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td>Germany</td>
<td>33.6%</td>
<td>364,789</td>
</tr>
<tr>
<td>Norway</td>
<td>30.6%</td>
<td>332,651</td>
</tr>
<tr>
<td>US</td>
<td>4.6%</td>
<td>49,421</td>
</tr>
<tr>
<td>UK</td>
<td>13.8%</td>
<td>150,358</td>
</tr>
<tr>
<td>France</td>
<td>2.6%</td>
<td>28,537</td>
</tr>
<tr>
<td>Australia</td>
<td>1.4%</td>
<td>14,815</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3.0%</td>
<td>32,379</td>
</tr>
<tr>
<td>Spain</td>
<td>0.3%</td>
<td>2,734</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.9%</td>
<td>20,739</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.8%</td>
<td>8,381</td>
</tr>
<tr>
<td>Finland</td>
<td>0.3%</td>
<td>2,815</td>
</tr>
<tr>
<td>Denmark</td>
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<td>25,274</td>
</tr>
<tr>
<td>Sweden</td>
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</tr>
<tr>
<td>Italy</td>
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<tr>
<td>Rest of the world</td>
<td>1.1%</td>
<td>12,325</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.2%</td>
<td>1,154</td>
</tr>
<tr>
<td>Total</td>
<td><strong>100.0%</strong></td>
<td><strong>1,085,798</strong></td>
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Appendix 8
Passenger interview with Thomas Neumann and his wife Selke

An interview was arranged 07.03.2013 in Mannheim, with Thomas Neumann and his wife Silke. We came in contact with the couple via the Facebook page of Hurtigruten Deutschland, and they volunteered to be interviewed. The main objective of the interview was to get a deeper insight and understanding of Germans perception of Norway and Hurtigruten.

Before the trip
1. Why and how often do you go on holidays?
   We go on holidays ten times a year, and we usually travel to northern Europe, Scandinavia and Great Britain.

2. How and where did you hear about Hurtigruten?
   We were on an Interrail trip, ending up in Tromsø, and we fell instantly in love with Hurtigruten.

3. Why did you choose Norway and Hurtigruten?
   It is basically the wonderful scenery with fjords, the Northern Light and a lot of interesting places along the coast.

4. In which season did you travel with Hurtigruten?
   We have travelled in all seasons, but we prefer the winter season. Then it is less crowded. Of course summer is also nice, but there are quite a few Germans travelling during the winter season.

5. Where did you book your trip?
   We booked directly from Hurtigruten, both by phone and online. The advantage of using phone is the possibility of getting better offers, and also getting your desired cabin. This is because all cabins are not available to be booked online. The phone staffs were situated in Tallin. Their English is absolutely adequate, but they lack basic knowledge about Hurtigruten. They do their very best, but that is
perhaps not good enough. Furthermore, booking from Norway and Germany tends to be more expensive than booking from Estonia.

6. Have you seen a lot of advertising of Hurtigruten in Germany? If yes, please explain.
In Grünstadt where we live, there is no advertising for Hurtigruten in the streets. Sometimes an occasional ad pops up when surfing on the net. Most advertising is found in northern Germany, in Hamburg for instance. You may also come across advertising in papers like die Zeit, die Welt and also in some travel magazines.

7. What do you think of the advertising?
The advertising is good, but it should be more of it, on TV maybe.

8. What is your perception of the image of Hurtigruten in Germany?
It is not well known by most people. One should emphasise that Hurtigruten is not a cruise, and there is a problem marketing the Hurtigruten as an ordinary cruise. The cruise competitors are Mediterranean ones, less expensive than Hurtigruten, but with more exclusive ships.

9. Which booking do you prefer and why?
We prefer the Internet. It is quite simple to book a package on the Internet.

10. Did you feel that it was a lot of work planning the trip, and why?
It was quite a process planning the voyage. For those not being familiar with Hurtigruten they may not know what concept Hurtigruten represents. It is not just another cruise.

11. What were your most important criteria for the trip? (Activities, sights, easy to travel around)
First and foremost the wonderful scenery. The ship itself is an attraction with an appealing atmosphere. The locals were friendly. There were always something going on that was interesting to witness.
12. What were your thoughts about Norway as a holiday destination before the trip?
We had in mind the beautiful country. We knew it is an expensive country. We expected people to be friendly and last, but not least, we knew alcoholic beverages were expensive.

**During the trip**

13. Who did you travel with?
We were travelling together as a couple. The other passengers consisted of groups of friends, and parents with children.

14. Did you travel the whole trip, or just a part of the journey?
We have travelled six times the entire journey. All in all, we have sailed with Hurtigruten 25 times. Bergen-Kirkenes and down to Trondheim have been sailed four times by us. We have been on board virtually all ships along the Hurtigruten fleet.

**After the trip**

15. If you could change something about the cruise, what would it be?
We think water, tea and coffee should be free of charge. They should definitely improve the quality of Wi-Fi on board the ships. The thermo-cup is a stupid invention. Get rid of it. The website needs to explain what is free of charge and what is not. In general the website needs to be upgraded. It is not user friendly. The postcards are dull. There are differences among the ships, as to what measures should be taken when it comes to hygiene and so on. It should be the same standard on all ships. We have missed information when bad weather is due, and information of the necessity to take sick pills in advance. In Trondheim, the distance from the port to the city centre is quite long. There should be a free shuttle service for the passengers. More information should be given out to the passengers, and it should be more smooth complaint management. The standard of cabins should be improved. The competitors (AIDA) are all less expensive than Hurtigruten in all kinds of services. If you accidentally embark on an old ship you may get disappointed. There is a big difference in standards, but price is identical.
16. What did you think of the cruise?

The food is very tasty and varied, including well-prepared fish. The staff, mainly Norwegian and Swedish, is very good. There might be variations from one ship to another, as far as service is concerned. On the smaller ships there are a cosier atmosphere. There are activities every day. Fishing on bard, and watching the “king crab” was interesting and fun. In general the staff is vitally important for creating a good atmosphere, and a nice experience sailing with Hurtigruten. It is possible to sit at the Captain’s table at dinner, and we find that really cool.

17. What do you think about the price? Do you think the cruise is worth the price?

In summer the prices are way too high. The port-to-port transports are excessively expensive. The booking system is confusing. You may get a discount varying from 5% to 25% depending on when you book. It is difficult to rely on what price you should pay. Considering what you get, the price is not that high, because the product is so good. The excursions are, as said, expensive. €10 for a coach trip to Nordkapp is expensive.

18. Would you take the cruise again in the future?

Yes. We are going on a voyage next week.

19. Would you recommend others to travel with Hurtigruten, and if yes, why? And if no, why?

For small kids it could be dangerous on board the ships. In addition, there is no playroom for them. All in all we have had nothing but very good experiences, sailing with Hurtigruten. There are fresh towels and good cleaning of the cabins. To sum it up: the tour guides and the ones in the reception are indeed very friendly and they do a very good job.
Appendix 9

Passenger interview with Gunni Sohn

An online-interview was arranged 06.03.2013 with Gunni Sohn. We came in contact with her via the Facebook page of Hurtigruten Deutschland, where she volunteered to be interviewed. The main objective of the interview was to get a deeper insight and understanding on Germans perception of Norway and Hurtigruten.

Before the trip

1. Why and how often do you go on holidays?

   *I go on holidays twice a year, but normally I can just leave for 1 week, because my husband and I run own companies. We go on vacation to relax, not by doing anything, but by getting new experiences.*

2. How and where did you hear about Hurtigruten?

   *I heard about Hurtigruten already 20 years ago. Friends went on holidays to Norway and found it very good. I saw photos, and since than I have dreamt of taking a trip on Hurtigruten.*

3. Why did you choose Norway and Hurtigruten?

   *It was a long-years dream to go such a far distance by ship. As we love the Northern countries, I also wanted to see the Polar lights. As a child and also later, I have been in Sweden quite often, and I also have been to Iceland, but Norway was a new experience.*

4. In which season did you travel with Hurtigruten?

   *We decided for winter (beginning to mid February 2013) because we wanted to see the Polar lights, and experience the country when it is not completely full with tourists. We also wanted to sail on a classical ship and not on a luxury-swimming hotel. Therefore we decided for MS Lofoten.*

5. What information did you get in advance? (Before booking and right before going on the trip)
We received a nice package of guides from our agency, Tuja Reisen in Germany. As we went through Oslo via “Bergensbanen” to Bergen, we got Oslo guide, Bergen Guide, information about “Bergensbanen” history and a schedule of MS Lofoten with all ports, arrival, departure times, optional excursions etc. Personally, I also did research on the web, and collected information about Norway’s history, the cities and villages we would see.

6. Where did you book your trip?
We booked our trip at Tujareisen. ([http://www.tujareisen.de/](http://www.tujareisen.de/)) We had a very good experience with Tujareisen, they were very friendly and gave supportive service. We also got valuable information, for example cabin recommendation, and help to organise the food for our vegetarian friend who was travelling with us.

7. Have you seen a lot of advertising of Hurtigruten in Germany? If yes, please explain.
I have seen advertising on the CMT fair in Stuttgart, and also some travel agencies are offering Hurtigruten trips. I have also seen Hurtigruten advertising on Internet and Facebook.

8. What do you think of the advertising?
Normally, I do not like ads, except when it is really a good product, and the ad is funny. I think Hurtigruten is a premium quality product, and ads in the right places (to meet the target groups) could be more helpful for Hurtigruten in Germany.

9. What is your perception of the image of Hurtigruten in Germany?
I believe Hurtigruten has a good reputation in Germany. On our trip we met many German and Swiss travellers, and I know many people who already have travelled with Hurtigruten or plan to do so one day. Of course, this holiday was quite expensive for us, and we would not be able doing this every year. From Hurtigruten, people do not expect typical cruising attributes, specially not when choosing an old ship.

10. Which booking do you prefer and why?
Normally, I book any travel activities private or business through the Internet. For Hurtigruten, I decided for an experienced agency, because I wanted to make the best
11. Did you feel that it was a lot of work planning the trip, and why?
Yes, I would have needed much more time and probably not get same results. For example: I did not have to search for hotels, shuttles and optional excursions. I felt we got quite good rates in the hotels. Also, the material we received upfront was helpful, otherwise I had to search for and order it myself.

12. What were your most important criteria’s for the trip?
We were able to see Norway from a "typical view": the seaside. We saw many different landscapes, colours and so on, and it were probably the most convenient way to travel 2600 km into the very North during winter. It is also comfortable to do sightseeing, or just shortly leave the ship in a port while leaving all your stuff in the cabin. If you do such a long haul trip by car, you always have to move in and out of sleeping places. I also liked to watch the on/offloading activities in the ports. In this way we had the feeling, Hurtigruten has a "real job to do", and not just transporting tourists from A to B. As the ship wasn’t so big, it also felt a bit adventurous. Watching the Polar Lights was gorgeous. From the activities outside the ship, we most liked the dog sledge riding with the huskies.

13. What were your thoughts about Norway as a holiday destination before the trip?
We liked Norway very much. It was the first time for us being there. We had the feeling it is more relaxed, than in Germany. The nature is absolutely great. We definitely want to go there again, maybe next time in summer to gain a new experience. However, the winter trip was wonderful and we had much better weather than at home (sun, blue sky) and even in the very north, like in Tromsø and Kirkenes it wasn’t dark as people told us. We did not have much time for sightseeing but my first impression was: there are many interesting and beautiful things to see in terms of culture and nature. Language wasn’t a problem at all, because English worked everywhere and we could read a lot of the Norwegian text (even though we did not understand).
14. What expectations did you have before going on the cruise?
I wanted to see beautiful landscape, Polar Lights, get a feeling for the far distances and the not so (as in Germany) overpopulated regions in Norway, eat fresh and tasty fish, relax on the ship (instead driving a car by myself) and I wanted to learn how people live there far in the north.

During the trip

15. Who did you travel with?
I travelled with my husband. This trip was my husband’s birthday gift for me, and a couple who have been our friends for more than 20 years.

16. Did you travel the whole trip, or just a part of the journey?
Yes, we travelled from Bergen to Kirkenes, but from Kirkenes we had to fly back home, as we did not have enough time for the southbound trip.

After the trip

17. If you could change something about the cruise, what would it be?
For me everything was fine. Our friends would have liked a larger cabin, but my husband and I had a good imagination what to expect, and can live well on small space.

18. What did you think of the cruise?
It was great. I believe, personally, I would not have been happier on a larger, newer, more luxury ship. The activities were very interesting (I do not need any animations on board), the food was very good and varied. They also were flexible and served extra vegetarian food for our friend. The staff was very friendly and professional as well.

19. What were the most outstanding features of the trip?
There were so many great moments, the further north we came, the more excited I got. Everything on the ship was cool, stopping in a ports during night, just get our for some minutes and walk around. Definitely the Polar Lights were something special. Tromsø Polar Museum was very interesting as we just read a book about Roald Amundsen. The trip to Nordkapp was really adventurous, as our bus got blown off the
The huskies in Kirkenes were great. Also walking through Ålesund and Trondheim was very nice, and shows a beautiful side of Norway’s city architectures.

20. What do you think about the price? Do you think the cruise is worth the price?
Yes, the trip was really worth the price, because it is so special.

21. Would you take the cruise again in the future?
I would not do exactly the same as I like new experiences, but I can imagine doing it once in summer. Maybe a part of it with some stay on land, and I would like to rent one of the cabins on the seaside. We also plan to go to Oslo for some days to visit all the nice museums, because this time we were just staying for one night and the Munch collection was closed. But we would like to visit Oslo as a separate city trip as well.

22. Would you recommend others to travel with Hurtigruten, and if yes, why? And if no, why?
Yes, I would recommend it, because I liked it so much. It is a combination of many positive good experiences everybody should enjoy at least once in life.
Appendix 10

Passenger interview with former passenger (Anonymous)

An online-interview was arranged 02.03.2013 with a former passenger of Hurtigruten who wished to be anonymous. We came in contact with the person via a man at a café in Mannheim when two of the group members were discussing the bachelor thesis. The main objective of the interview was to get a deeper insight and understanding of Germans perception of Norway and Hurtigruten.

Before the trip

1. Why and how often do you go on holidays?
   *Twice a year, for recreation and getting to know countries and people.*

2. How and where did you hear about Hurtigruten?
   *I heard about Hurtigruten through advertising, travel agencies and from friends.*

3. Why did you choose Norway and Hurtigruten?
   *Because for years I have been dreaming of taking the Hurtigruten up to North Cape.*

4. In which season did you travel with Hurtigruten?
   *I took the trip in September.*

5. What information did you get in advance?
   *I received information about the ship, the itinerary, the excursions, and the programme prior to and after the cruise.*

6. Where did you book your trip?
   *I booked the trip in a travel agency here in Mannheim.*

7. Have you seen a lot of advertising of Hurtigruten in Germany? If yes, please explain.
   *Yes, everywhere, in travel agencies, in newspapers and on TV.*
8. What do you think of the advertising?
I haven’t really ever paid too much attention to that.

9. What is your perception of the image of Hurtigruten in Germany?
Those who look into it find it very interesting.

10. Which booking do you prefer and why?
I prefer travel agencies, because I find them most convenient.

11. Did you feel that it was a lot of work planning the trip, and why?
Yes, because I had very thorough/explicit ideas what the voyage and excursions should be like.

12. What were your most important criteria’s for the trip?
The wonderful Norwegian scenery was what I had as the most important criterion.

13. What were your thoughts about Norway as a holiday destination before the trip?
It is an interesting country that I very much would like to travel around in, by other means of transport.

14. What expectations did you have before going on the cruise?
I expected to enjoy a quiet and relaxed atmosphere and at the same time, witness a lot of interesting sights.

**During the trip**

15. Who did you travel with?
I travelled with my friend.

16. Did you travel the whole trip, or just a part of the journey?
We travelled from Bergen to Kirkenes and back to Svolvær.
After the trip

17. If you could change something about the cruise, what would it be?
I wouldn’t change anything. It was just marvelous.

18. What did you think of the cruise?
I could have taken the trip again at any time.

19. What were the most outstanding features of the trip?
I was particularly impressed by North Cape, and the Raftsund leading up to the Trollfjord.

20. What do you think about the price? Do you think the cruise is worth the price?
It was expensive, but it was absolutely worth the money.

21. Would you take the cruise again in the future?
Yes. I would love to make the voyage in the month of March.

22. Would you recommend others to travel with Hurtigruten, and if yes, why? And if no, why?
Yes, I have already convinced quite a few to make this voyage.
Appendix 11
Nordea Markets Credit Research, 2012.

Hurtigruten ASA
Freight and Passenger Transport
Norway

Key Data
Ticker: HRG.M/HRG.OL
M Cap: NOK 1.32bn
Website: www.hurtigruten.no

Next report date (Q4): No announced date

Nordea Markets – Analyst
Lars Kirkeby
Chief Analyst, Norwegian Industrials
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Company Ratings
S&P: B+/Stable
Moody’s: -
Fitch: -

Largest Shareholders
Periscopus AS: 33.14%
Heidenreich Enterprise: 17.09%
MP Persjon: 6.90%
Skagen Vekst: 5.39%
Home Capital AS: 5.00%

Share Performance

Source: Nordea Markets

Bond Spreads (spread to swap)

Source: Nordea Markets

Still moving in the right direction
Hurtigruten posted Q3-12 earnings above our expectations, despite a NOK 106bn provision related to a final decision in the EFTA court, regarding ESA’s investigations in possible illegal state aid. As a consequence of the final judgement, Hurtigruten most likely needs to reverse public procurement income. However, we note that a possible reversion of income has no negative cash effect for Hurtigruten.

Q3-12 earnings above our expectations, despite provisions
Hurtigruten posted Q3-12 earnings above our expectations, helped by higher revenues per cruise night on the coastal service, as well as increased revenues from Fram and Spitsbergen. However, a provision totalling NOK 106bn has been set aside on the contractual revenues related to previous years following the decision on the ESA case in the EFTA court. As a consequence of the provision, the group’s turnover fell year-on-year. EBITDA on the other hand, grew year-on-year, and the overall EBITDA margin strengthened considerably.

Moderate credit profile improvement
The group’s net debt (adjusted for pension liabilities) declined by NOK 21bn during the quarter, reflecting continued positive free operating cash flow. The net debt to EBITDA (12-months rolling) and total debt to capitalisation ratios ended the quarter at 6.5x and 69% (Q2-12: 6.9x and 70%) respectively.

Financial covenant requirement from Q4-12
With effect from the fourth quarter of 2012, Hurtigruten needs to comply with a financial covenant requiring that the ratio of interest bearing debt to EBITDA (12-months rolling) shall be maximum 6.5x. At the end of the third quarter, we estimate that the ratio of interest bearing debt to EBITDA (12-months rolling) stood at 7.4x, well above the up-coming covenant requirement. However, based upon our forecasts for the remainder of the year, we estimate that the ratio of interest bearing debt to EBITDA will drop to 5.0x as of year-end.

We maintain our B+ rating with stable outlook
We maintain our view of Hurtigruten as a B+ credit with stable outlook. Our stable outlook reflects expectations of a gradually improving credit profile, mainly supported by higher payments under the public procurement contract.

Recommitments and trade levels
The group’s 2017 (HRG01) bond traded on OSE yesterday at 103.13 (spread to swap +61.5bp). We maintain our market perform recommendation on the group’s bonds.

Market Perform
Hurtigruten posted Q3-12 earnings above our expectations, helped by higher revenues per cruise night on the coastal service, as well as increased revenues from Fram and Spitsbergen. However, a provision totaling NOK 108m has been set aside on the contractual revenues related to previous years following the decision on the ESA case in the EFTA court.

The EFTA Surveillance Authority (ESA) opened a formal inquiry in 2010 to establish whether the supplementary agreement entered into with the Norwegian government in 2008 represents illegal state aid. Hurtigruten had recognised NOK 405m as income under the supplementary agreement as of 30 September 2012, and had received NOK 170m of this amount. On 8 October, the EFTA court ruled in favour of ESA and the judgement cannot be appealed. The judgement does not specify how much of the NOK 405m represents illegal aid, but the ESA clarified its own finding during the legal process and determined that about NOK 145m represented illegal aid in its view. Hurtigruten had previously recorded a provision of NOK 35m related to this inquiry and together with the new NOK 108m provision, the total impairments are now in the amount of NOK 143m.

As a consequence of the provision, the group’s turnover fell year-on-year by 14%, while EBITDA grew by 7% and the overall EBITDA margin strengthened to 24.9% (Q3-11: 20.0%). Operations during the quarter were stable, and the route variances because of technical faults or weather conditions maintained the good trend established in the second quarter.

The group’s net debt (adjusted for pension liabilities) declined by NOK 21m during the quarter, reflecting continued positive free operating cash flow. The net debt to EBITDA (12-months rolling) and total debt to capitalisation ratios ended the quarter at 6.5x and 69% (Q2-12: 6.9x and 70%) respectively.

With effect from the fourth quarter of 2012, Hurtigruten needs to comply with a financial covenant requiring that the ratio of interest bearing debt to EBITDA (12-months rolling) shall be maximum 6.5x. At the end of the third quarter, we estimate that the ratio of interest bearing debt to EBITDA (12-months rolling) stood at 7.4x, well above the up-coming covenant requirement. However, based upon our forecasts for the remainder of the year, we estimate that the ratio of interest bearing debt to EBITDA will drop to 5.0x as of year-end.

We maintain our view of Hurtigruten as a B+ credit with stable outlook. Our stable outlook reflects expectations of a gradually improving credit profile, mainly supported by higher payments under the public procurement contract.

Our credit assessment reflects the group’s strong market position, long history, its importance as infrastructure provider and a more favourable procurement contract. The credit is challenged by exposure to volatile weather conditions, risk of operational disruptions, historically weak financial performance, unsatisfactory operating cash flow, weak credit profile and risk of reversal of public procurement income due to an on-going ESA investigation.

The group’s 2017 (HRG01) bond traded on OSE yesterday @ 103.13 (spread to swap +615bp). We maintain our market perform recommendation on the group’s bonds.