



One step ahead -Royal Caribbean Cruise

Report

Module :Problem Solving and Decision Making

Name of the Lecturer: Ze Zook

Name of the Student/ID: Ludmila Otgon 1906085

2020

1.Introduction.....	3
2.Problem Statement	3
3.Previous State.....	3
4.Furure State.....	7
4.1 Specific.....	7
4.2 Measurable.....	7
4.3 Attainable.....	7
4.4 Relevant.....	7
4.5 Time/Based.....	7
5.Root cause analysis.....	8
5.1 Fishbone.....	8
6.Determine countermeasures.....	9
6.1 Implementation plan.....	9
7.Pestel Analysis.....	10
8.Evaluation or results and progress.....	11
9.Conclusion.....	11
10.References.....	12
11.Appendix.....	13

1.Introduction

In this report I will analyze a big problem of Royal Caribbean International which was about to bankrupt these cruise line. And I will relate what changes it went through and how it became a model for the others

Founded in 1968, it has so far hosted 50 million guests in more than ports of call. Entering history as one of the largest and most successful cruise lines. Only all this was not the case from the beginning 15 years ago it was considered one of the weakest companies with a terrible company environmental record. All this because of infections with norovirus.

The term *problem solving* has a slightly different meaning depending on the discipline. For instance, it is a mental process in psychology and a computerized process in computer science. There are two different types of problems: ill-defined and well-defined; different approaches are used for each. Well-defined problems have specific end goals and clearly expected solutions, while ill-defined problems do not. Well-defined problems allow for more initial planning than ill-defined problems (Schacter et al,2009)

2.Problem Statement

At each cruise an impressive number of passengers get sick with this infection. Which leads to the return of the crew, layoffs and more. Affecting the reputation of Royal Caribbean International. And reaching the top of the preferences in the field of cruises.

3.Previous State

Norovirus infections occur during cruises, but sometimes even during it. When a passenger or crew member gets sick on a Royal Caribbean ship, it's a real problem for everybody, including the company. A norovirus outbreak on a week-long Royal Caribbean Cruise, let's say in the Caribbean--the cruise has to be canceled and the ship returned to port prematurely.

Cruise Critic Staff says “Norovirus has been a particular problem of late for cruise ships because passengers and crew typically occupy close -- and closed-in -- quarters, such as casinos, theaters and banquet-style dining rooms. However, Norovirus has been known to close schools, attack college dormitories and even infect a Hollywood Academy Awards party.

According to a spokesman at the CDC, "The reason you hear about Norovirus on cruise ships is because they are required to report ... gastrointestinal illness. Nowhere else in the public health system of the United States is Norovirus a reportable illness. Norovirus is not a 'cruise ship' illness, but an illness commonly seen in many settings throughout the United States."(2020)

Thus, the company registered extremely high losses financially, socially, but also in terms of reputation.

According to statistics conducted between the years and analyzing the data between 2006 and 2005 we analyzed that most cases of illness were due to this virus. Thus recording many losses every year.

For 2005

Outbreak Updates for International Cruise Ships

Cruise Line	Cruise Ship	Sailing Dates	Causative Agent	Case Counts (Passengers)	Case Counts (Crew)
Royal Caribbean Cruise Line	Splendour of the Seas	11/12-11/26	Norovirus	135 of 1,592 (8.48%)	12 of 729 (1.65%)
Royal Caribbean Cruise Line	Empress of the Seas	1/17-1/28	Norovirus	72 of 1,544 (4.6%)	5 of 685 (0.7%)
Royal Caribbean Cruise Line	Mariner of the Seas	1/16-1/23	Norovirus	276 of 3,465 (7.9%)	27 of 1,190 (2.2%)
Royal Caribbean Cruise Line	Enchantment of the Seas	1/3-1/8	Norovirus	103 of 2,136 (4.82%)	8 of 756 (1.06%)

In 2006

Outbreak Updates for International Cruise Ships

Cruise Line	Cruise Ship	Sailing Dates	Causative Agent	Case Counts (Passengers)	Case Counts (Crew)
Royal Caribbean Cruise Line	Freedom of the Seas	11/26-12/3/06	Norovirus	338 of 3,823 (8.84%)	46 of 1,402 (3.28%)
		12/3-12/10, No sail recommendation	Norovirus	85 of 3,907	11 of 1,399 (0.84%)
Royal Caribbean Cruise Line	Serenade of the Seas	11/18-11/25	Norovirus	101 of 2,241 (4.51%)	3 of 848 (0.35%)
Royal Caribbean Cruise Line	Adventure of the Seas	11/5-11/12	Norovirus	129 of 3,260 (3.96%)	1 of 1,174 (0.08%)
Royal Caribbean Cruise Line	Serenade of the Seas	10/29-11/11	Norovirus	68 of 2,023 (3.36%)	9 of 854 (1.05%)
Royal Caribbean Cruise Line	Radiance of the Seas	9/2-9/9	Unknown, negative for norovirus	227 of 2,131 (10.65%)	12 of 870 (1.38%)
Royal Caribbean Cruise Line	Mariner of the Seas	7/23-7/30	Norovirus	248 of 3,671 (6.8%)	6 of 1,206 (0.5%)
Royal Caribbean Cruise Line	Explorer of the Seas	4/23-4/30	Norovirus	117 of 3,292 (3.6%)	15 of 1,188 (1.26%)
Royal Caribbean Cruise Line	Grandeur of the Seas	3/6-3/11	Norovirus	130 of 2,263 (5.74%)	11 of 754 (1.46%)
Royal Caribbean Cruise Line	Explorer of the Seas	2/26-3/5	Norovirus	243 of 3,245 (7.5%)	19 of 1,184 (1.6%)

All of those people on the ship, their cruises have to be rescheduled. They have to be compensated for the loss of the cruise and given the makeup cruise. And the cost of the airfare to get back home, that also has to be compensated. And it's not just the folks on the ship.

Everyone who was scheduled to get on that cruise ship the following week, now they can't get on it because the ship will be in port being fumigated during that following week. So they will have to be compensated as well. Royal Caribbean's insurance will pay for everything. But even with all the insurance they have, if this kind of thing happens, an outbreak will cost them between 1/14 and 1/18 of their annual profits. Beyond this are even more serious impacts. Lost trust among their consumers. Reputational damage. Concerns about the health and safety of their vessels. Worries on the part of the communities their ships visit, and so on and so on.

This annex from the Annual Finance Report shows us that the norovirus problem has affected the budget.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for the years 2002 through 2006 and as of the end of each such year, are derived from our audited financial statements and should be read in conjunction with those financial statements and the related notes.

(in thousands, except per share data)	Year Ended December 31,				
	2006	2005	2004	2003	2002
Operating Data:					
Total revenues	\$ 5,229,584	\$ 4,903,174	\$ 4,555,375	\$ 3,784,249	\$ 3,434,347
Operating income	858,446	871,565	753,589	526,185	550,975
Income before cumulative effect of a change in accounting principle	633,922	663,465	474,691	280,664	351,284
Cumulative effect of a change in accounting principle ¹	—	52,491	—	—	—
Net income	633,922	715,956	474,691	280,664	351,284
Per Share Data – Basic:					
Income before cumulative effect of a change in accounting principle	\$ 3.01	\$ 3.22	\$ 2.39	\$ 1.45	\$ 1.82
Cumulative effect of a change in accounting principle ¹	\$ —	\$ 0.25	\$ —	\$ —	\$ —
Net income	\$ 3.01	\$ 3.47	\$ 2.39	\$ 1.45	\$ 1.82
Weighted-average shares	210,703	206,217	198,946	194,074	192,485
Per Share Data – Diluted:					
Income before cumulative effect of a change in accounting principle	\$ 2.94	\$ 3.03	\$ 2.26	\$ 1.42	\$ 1.76
Cumulative effect of a change in accounting principle ¹	\$ —	\$ 0.22	\$ —	\$ —	\$ —
Net income	\$ 2.94	\$ 3.26	\$ 2.26	\$ 1.42	\$ 1.76
Weighted-average shares and potentially dilutive shares	221,485	234,714	234,580	211,175	209,565
Dividends declared per common share	\$ 0.60	\$ 0.56	\$ 0.52	\$ 0.52	\$ 0.52
Balance Sheet Data:					
Total assets	\$13,393,088	\$11,255,771	\$11,964,084	\$11,322,742	\$10,538,531
Total debt, including capital leases	5,413,744	4,154,775	5,731,944	5,835,804	5,444,838
Common stock	2,225	2,165	2,012	1,961	1,930
Total shareholders' equity	6,091,575	5,554,465	4,804,520	4,262,897	4,034,694

¹ In the third quarter of 2005, we changed our method of accounting for drydocking costs from the accrual in advance to the deferral method (see Note 2. Summary of Significant Accounting Policies to our consolidated financial statements.)

4.Future State

2006 Period

For the future, the decrease in the number of infections is the primary goal increasing the number of passengers and regaining the reputation. To prove this was used SMART goals method.

4.1Specific

- Creating a stable health environment for passengers, staff and all who come in contact with Royal Caribbean Cruise Lines
- Sustainability into the center of business
- Reduction of greenhouse gases

4.2Measurable

- Searching for solutions to prevent diseases
- Reflection to find concrete solutions to treat passengers while they are on board
- Reduction of greenhouse gases (CO₂) by 25%

4.3Attainable

The first step would be to hire medical specialists in the staff or to have employees with medical training

The second step will be to work with sustainability specialists to find solutions and reduce the CO₂ gases.

4.4Relevant

- If we can achieve these goals the company will grow.

4.5Time/Based

In 10 years to be one of the best cruise companies in the world, without virus on board, and with low CO₂ emissions (2006 to 2016)

5.ROOT CAUSE ANALYSIS

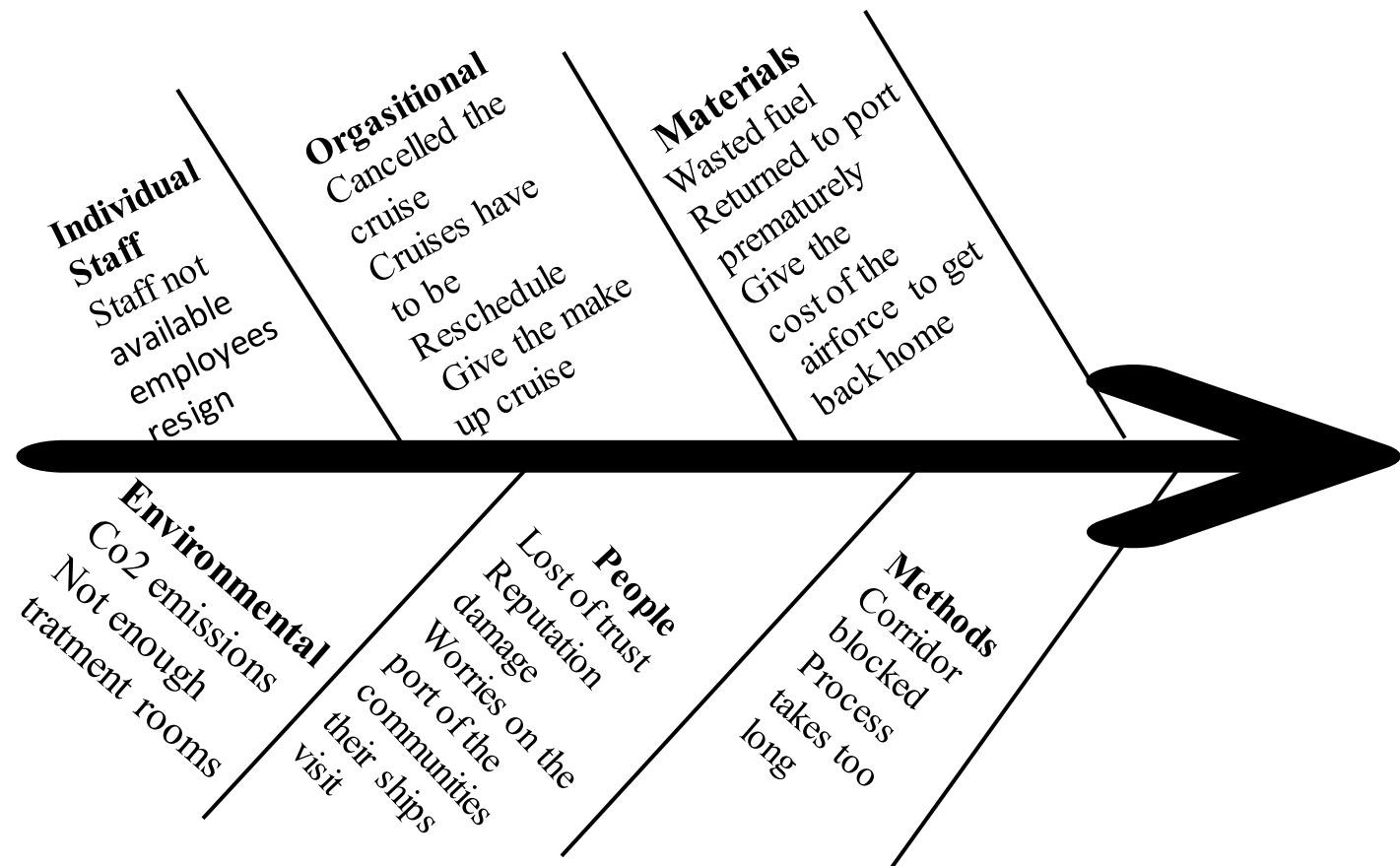
Fishbone (Ishikawa)

This diagram illustrates the causes main and secondary aspects of the problem of the Royal Caribbean Learnind method (Appendix1)

The main purpose of the fish bone diagram is the graphic illustration of the connection between a result and the factors that led to its appearance. This instrument has the following main objectives:

- ☐ Determining the root causes of a problem.
- ☐ Directing attention to a specific problem, without resorting to complaints and irrelevant discussions.
- ☐ Identifying areas with insufficient information.

As Kaoru (1976) notes "The *defect* is shown as the fish's head, facing to the right, with the *causes* extending to the left as fishbones; the ribs branch off the backbone for major causes, with sub-branches for root-causes, to as many levels as required"



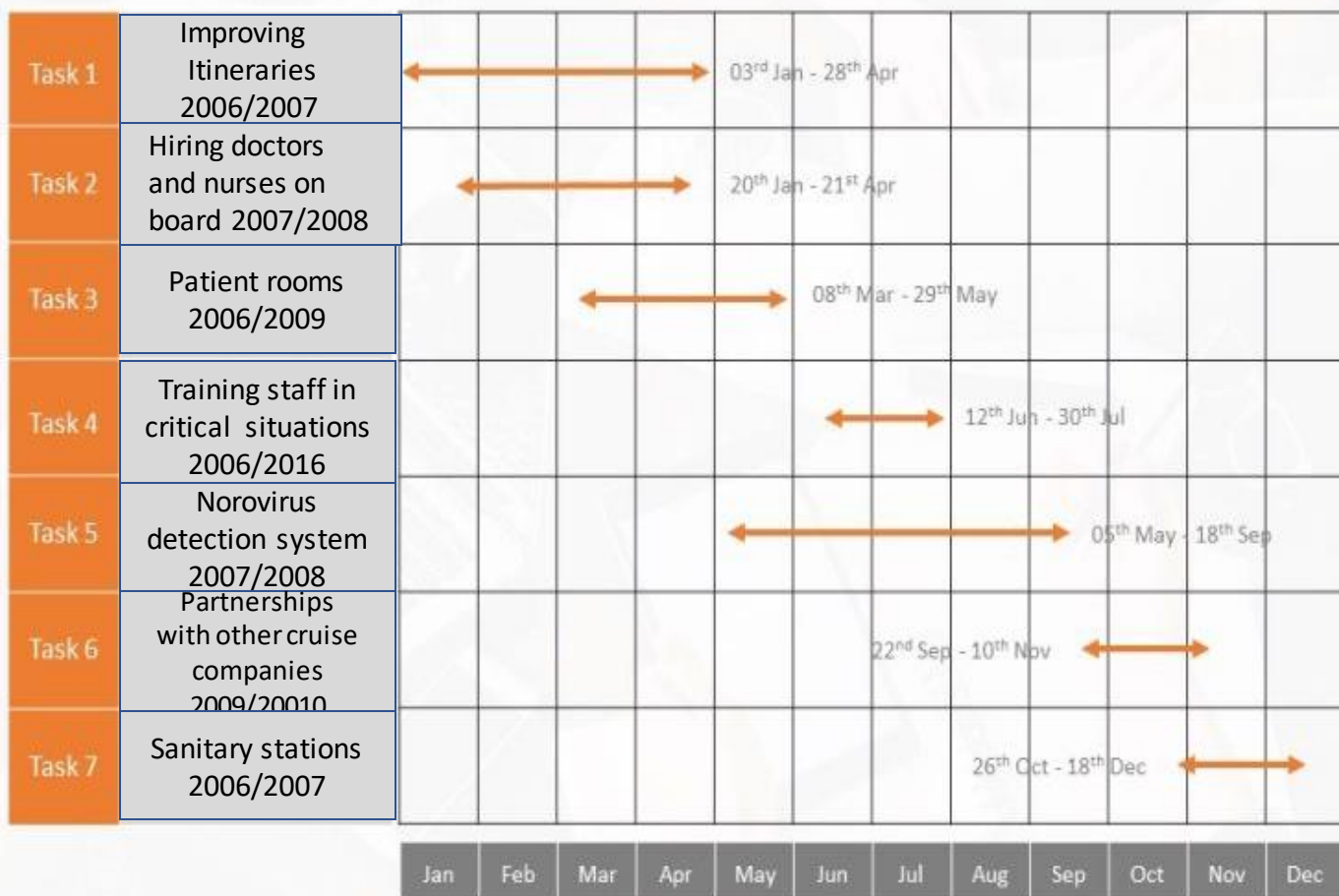
6.DETERMINE COUNTERMEASURES

Determination of measures

In this context, an 8-step plan was established prevention plan to contain and treat norovirus virus and other diseases. During boarding, staff monitor passengers for any signs of illness and can deny boarding to any passenger believed to pose a medical risk. Each Royal Caribbean ship has a medical facility with up to 3 doctors and 5 nurses. Royal Caribbean is one example of a company that has adopted a strong culture of health.

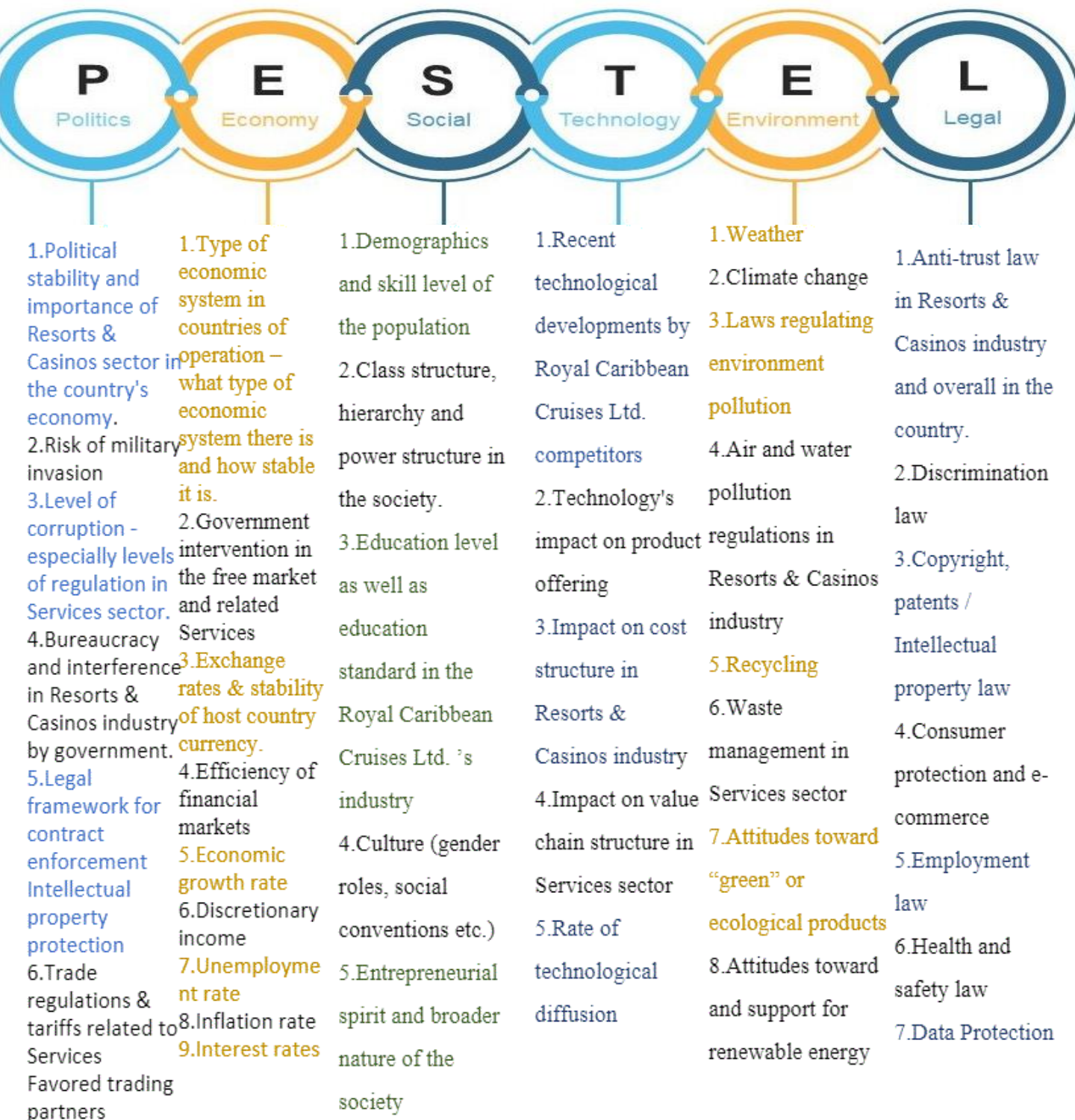
6.1 IMPLEMENTATION PLAN

Using the action plan (Gantt chart) was able to document how the improvements will be made. In this way, we will be able to track progress and maintain accountability for each action.



7. PESTEL Analysis

After the implementation plan we performed a pestle analysis to see how the Rpyal Caribbinian Cruise course went in 10 years 2006/2016.. The Oxford College of Marketing (2016) defines this analysis as "A PESTEL analysis helps an organisation identify the external forces that could impact their market and analyse how they could directly impact their business. It's important when undertaking such an analysis that the factors affecting the organisation are not just identified but are also assessed – for example, what impact might they have on the organisation?"



8.EVALUATION OF RESULTS AND PROCESS

Royal Caribbean Cruise LTD can be an extremely profitable industry, but if it is not located in a stable political environment then it can be ruined.

Just 15 years ago, they were considered a weak company with a terrible environmental record.

Since then, they've launched their Save the Waves environmental program that has become an industry leader in limiting CO2 emissions, expanding wastewater recycling, and partnering with the World Wildlife Fund.

What's most interesting is how they've committed to turning their problems into business opportunities, including the culture of health.

They've learned so much from cleaning up their own business that they've become expert consultants, offering help to other companies on how to address environmental problems.

9.Conclusion

*Butt and Nickie says : "The impact of cruise ship generated waste on home ports and ports of call"*As of 2008, Royal Caribbean had 22% of the market share in cruise line operation. Cruise line operators are criticized for using this large economic impact to cut deals with home ports, ports of call, and agencies."(2007)

The norovirus problem was extremely complicated, which also had a positive impact on the company, so that more shortcomings could be discovered and the company could develop, being a top one.

Applied methodology, we managed to solve the problem and find a good environment for future passengers, but also for the environment.

10. References

Frican G.(2018) *"How to use the fishbone diagram to determine data quality root causes"*

Available at: <https://www.lightsondata.com/how-to-fishbone-diagram-data-quality-root-causes/#:~:text=Description%3A,a%20fishbone%2C%20hence%20its%20name.>

Accessed at:29/08/2020

n.d,(2016)*What is a PESTEL analysis?*

Available at: <https://blog.oxfordcollegeofmarketing.com/2016/06/30/pestel-analysis/#:~:text=A%20PESTEL%20analysis%20is%20a>

Accessed at: 16/08/2020

Butt R. and Nickie T. (September 2007). *"The impact of cruise ship generated waste on home ports and ports of call: A study of Southampton". Marine Policy. 31(5): 591–598. doi: 10.1016/j.marpol.2007.03.002. ISSN 0308-597X.*

Royal Caribbean Financial Report - Royal Caribbean Cruise Lines 2006
Annual Report

Available at: <https://sec.report/Document/0000884887-07-000043/>

Accessed at:30/07/2020

Cruise Critic Staff(2020)*Norovirus: What You Need to Know*

Available at: <https://www.cruisecritic.co.uk/articles.cfm?ID=71&sr=2&sd=1>

Accessed at:30/07/2020

[Schacter, D.L.](#) et al. (2009). *Psychology*, Second Edition. New York: Worth Publishers.
pp. 376

Sources of all diagrames

Available at: <https://www.cdc.gov/nceh/vsp/surv/gilist.htm>

Accessed ad:30/07/2020

11.Appendix

