



# Cruise ship suppliers: A field study of the supplier relationship characteristics in a service supply chain<sup>☆</sup>

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## ABSTRACT

Given the significance of the service industry, the role of global service supply chains is becoming an important new area of research. This paper examines the ways suppliers positively contribute to service quality in the cruise industry and defines the nature of the relationships between a major cruise line corporation and its suppliers. The data stems from a 4-year field study of a large cruise line corporation and twenty-one semi-structured interviews conducted on board and shore-side with senior management. Additionally logistics processes were observed and analyzed through an ethnographic lens. The characteristics of the relationship are described and hence enabling a better understanding of the service quality creation among suppliers. The results have implications for service and hospitality supply chains in such settings as large resorts and humanitarian logistics.

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## 1. Introduction

Cruise ships typically sail weekly from departure ports around the world toward various foreign and exotic destinations (see: Véronneau & Roy, 2011). The ultimate goal of the cruise company is to deliver to its guests a perfect vacation experience focused heavily on onboard service quality (Brejla & Gilbert, 2014). This onboard service quality is supported by the company's supply chain, which is responsible for the on-time replenishments of ships and the availability of supplies onboard (Véronneau & Roy, 2012). In this paper we consider a service supply chain (SSC) to be a supply chain supporting service rendition. Cruise ships today are not just a mode of transport ferrying travelers to exotic destinations and equipped with various and numerous amenities (Xie, Kerstetter, & Mattila, 2012), but have grown to become a destination themselves (Papathanassis, 2012; Véronneau & Roy, 2011) like many other modern hospitality and resort settings. The food and beverage offering is therefore an important part of the onboard experience (Erkoc, Iakovou, & Spaulding, 2005; Qu & Ping, 1999), and while it constitutes a majority of the supplies loaded for the duration of the week, other, various supplies also need to find their way on board (Véronneau & Roy, 2009a). All these supplies uniquely contribute to the support of the high-quality onboard service delivery.

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One of the recurring themes evident during the field study was the devotion of employees within the supply chain department to support the service delivery. Without hesitation, employees of various levels and backgrounds were keen to point out the paramount importance of the supply chain in providing a great vacation experience to passengers, and this principle seemed to guide their daily activities. It was also found that some suppliers consistently showed deep commitment to the relationship between them and the cruise company, as well as to the satisfaction of both cruise line employees and onboard customers.

This paper reports on part of the findings of a 4-year field study, carried out equally on board and shoreside, of a cruise corporation's supply chain (see: Van Maanen, 1988; Yin, 2003). The study included twenty-one semi-formal interviews of senior supply chain management managers and supervisors, which were conducted both on board ships and at the head office as well as nine supplier representatives. The goal of this paper is to look at the specific nature of the relationship between the cruise ship company and its suppliers. It also answers numerous calls for more research on the cruise industry (Gibson, 2008; Marti, 2004; Papathanassis & Beckmann, 2011; Sun., Jiao, & Tian, 2011; Teye & Leclerc, 1998; Toh, Rivers, & Ling, 2005) as well as the call for more research into tourism supply chain management (Zhang, Song, & Huang, 2009).

The main research questions addressed are as follows: What is the nature of the relationship between the supplier/service provider within a cruise ship company and its environmental factors? Does the relationship dynamic differ across supply categories? And what is the degree of

interdependence between suppliers/service providers and cruise organizations?

This article is divided into five main sections: The first is the above introduction; the second reviews the relevant literature; the third delineates the study's methodology; the fourth reports on the findings from the field study, covering several aspects of the relationship, and introduces a supplier classification; the fifth section expands on the importance of the supplier relationship in providing service quality; and the last discusses implications and directions for future research.

## 2. Background on SCM and supplier relationship

Supply chain management is now considered a research discipline in itself (Burgess, Singh, & Koroglu, 2006), which can be further divided into different research themes and sub-disciplines. If one considers only the sub-discipline of purchasing and supply management thousands of peer reviewed journal articles can be found between the years 2002–2010 (Spina, Caniato, Luzzini, & Ronchi, 2013). Furthermore the management of the supplier relations is considered to be central to the discipline and an important area in need of further understanding of the supply chain management dynamic in organizations (Burgess et al., 2006; Chen & Paulraj, 2004; Co-Editors: Benn Lawson, Squire, Cousins, Lawson, & Squire, 2006).

The relationship between an organization and its suppliers is often looked at with a binary perspective (Wagner & Boutellier, 2002). On one side the enterprise can be seen as having antagonist arm length relations based on the short-term horizon for the exchange of a product or specific service where information is kept to a minimum and the focus is on reducing transaction costs. In this type of relations, the buyer wants to avoid any form of long term commitment to the relations (Dyer, Cho, & Chu, 1998; Svahn & Westerlund, 2009). On the other end of the spectrum we can see relations that center on cooperation where information is shared in order to achieve a common objective. This information sharing can go up to the strategic level taking a long-term horizon perspective to the relations in order to reduce total cost for both firms. This is also known as a partnership model (Dyer et al., 1998; Marc Day, Magnan, & Moeller, 2010).

This binary perspective of supplier relation is although too simplistic. The two aforementioned options represent to the extreme end of the spectrum where multiple forms of combinations between the antagonist and the collaborative model may exist (Dyer et al., 1998; Gelderman & Van Weele, 2003; Olsen, 1997; Rezaei & Ortt, 2012). Naturally, some of these options are better suited to one firm or another depending on the market structure governing the respective sectors.

More than 30 years ago Kraljic (1983) already suggested that a matrix was necessary to separate purchases from organizations into different categories of products, each with its own unique strategy adapted to the given category purchased (Gelderman & Van Weele, 2003) and incidentally expanding this to also include a coherent alignment between the relation strategy and the product category (Lindgreen, Vanhamme, Van Raaij, & Johnston, 2013; Wagner & Boutellier, 2002). Hence, a first criterion to discriminate the supplier relations is the importance of the product being bought whether it is the actual monetary cost, and its strategic or overall importance to the final customer (Kraljic, 1983; Rezaei & Ortt, 2012). Wagner and Boutellier (2002) further add a characteristic to this: its commonality, where the product is not contributing to differentiating the end product, and where no customizing is required.

To these internal criteria Kraljic (1983) suggests that we must analyze the level of dependence between the organizations and the supplier market. Hence is the supplier in question part of a market oligopolistic or monopolistic, or does the supplier possess special technical knowledge or even benefits from strong brand equity? Therefore a buyer must weigh in these external criteria and adjust the overall strategy in line with these specificities (Lindgreen et al., 2013).

On the boundary between internal and external criteria, Wagner and Boutellier (2002) distinguish between discrete and relational exchanges. Wherein discrete exchanges all transactions between the contracting parties, both past and future, are assumed to be independent of one another. On the other end, the relational exchanges involve complex social relationships. In this latter case the organizations will be more inclined in fostering a collaborative framework. To these criteria we can add a final one: the allocation or resources to fostering the business relations (Dyer et al., 1998; Olsen, 1997). Therefore, even if the organization wishes to establish a collaborative framework with all its suppliers, the investment in resources and time that these types of relations require would render this solution counter-productive.

Whereas some argue that close relationships are beneficial (Goffin, Lemke, & Szejcowski, 2006), and others warn of their downsides (Erin & Sandy, 2005). While the two aforementioned paper views offer solid justification for their diametrically opposed positions, the authors still agree on the importance of those relationships and on which degree of closeness should be sought. While no papers directly relating to supplier relationships within the cruise industry were found, interesting elements from other sectors were explored and tested within the cruise supply chain paradigm. Some elements that were recently validated in a study by Goffin et al. (2006) include the following: commitment, delivery performance, joint problem solving, and long-term vision. Overall, it was found that there remains a paucity of research on specific attributes of close successful relationships and extant research calls for more study on the matter.

We conducted our field study through the lens of organizational socialization theory (J. E. Van Maanen & Schein, 1977), building on previous research on the impact of socialization on supply chain management from Cousins and Menguc (2006) as well as its impact on supplier relations from Cousins, Handfield, Lawson, and Petersen (2006) and service quality from the work of Cronin and Taylor (1992); Parasunaman, Zeithaml, and Berry (1985); Parasunaman, Zeithaml, and Berry (1988), and on SERVQUAL and its implications. The nature of these relationships and their attributes are however perceived with some variance. Needless to say, these constructs warrant further investigation and corroboration in order to ensure the level of external validity called for by all the above-mentioned researchers. Fundamentally, everyone concurs that good relationships are beneficial in any supply chain; however, proposals on how to achieve these harmonious relationships for the long term often depend on the flavor of the year in the academic literature. Following from and expanding on the aforementioned theories, this paper proposes new avenues to the securement of the kinds of relationships beneficial to service and tourism supply chains.

Finally, the literature discusses two types of socialization in organizations: formal and informal (Van Maanen & Schein, 1977). These socialization mechanisms can enable the creation of relational capital, strengthening the relation (Cousins et al., 2006) and promoting the integration of members in the supply chain (Cousins & Menguc, 2006), which then facilitates the transmission of the norms and practices of the parent company to the suppliers, allowing the culture to be absorbed by the supplier and potentially fostering understanding between actors.

## 3. Methodology

For this study, twenty-one directors and managers at various levels in the supply chain management department of a Miami based global reaching cruise corporation were formally interviewed both on board ships and shoreside. These sources also represented various classes of ships to control for ship- and class-specific issues, and were chosen for their critical role in the corporation and supply chain department. Furthermore nine supplier representatives serving the cruise company were interviewed. A semi-structured interview technique, as described in Rubin & Rubin (2005), was used in order to gain an understanding of

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