

## 5. Financial Communications: Royal Caribbean Group

### **Situation Analysis**

In March 2020, as the COVID-19 pandemic surged worldwide, Royal Caribbean Group (RCG) stock fell 80% from a near record high. Uncertain of a rebound, many speculated about the possibility of industry-wide bankruptcy. The Centers for Disease Control and Prevention (CDC) issued a “No Sail Order” to all cruising until Spring 2021.

In addition to the initial difficult communications around the safe return of guests and crew from ships to homes around the globe, RCG needed to diagnose the broader breach of trust with many stakeholders. Across RCG’s brands (Royal Caribbean International, Celebrity Cruises and others), the company had to engage media, consumers/guests, investors, policymakers/regulators, travel partners, and 80,000+ crew and employees.

From March 2020 through the return of U.S. sailing in Summer 2021, RCG’s Corporate Communications team, with agency partner Weber Shandwick, worked avidly to help restore an industry. This required regaining trust in the company and industry’s commitment to guest/crew safety, and an incredibly coherent communications machine.

### **Insights & Analysis – (APPENDIX A)**

Rigorous weekly primary research around the landscape and consumer insights (A8) ensured real-time access to sentiment and understanding of stakeholder groups. The data made clear that a credible, precise, higher standard for health and safety was the single most important factor in creating a plan to rebuild stakeholder trust.

The RCG Corporate Communications team conducted additional primary research through in-depth interviews with 60+ priority stakeholders (policymakers, investors, influential medical providers, local community leaders) across key international markets (A2). From these efforts, a list of critical public concerns and themes emerged:

- 2020’s outbreaks fueled lasting skepticism but did not inflict irreparable harm to industry credibility.
- Cruising’s core consumers never lost confidence, presenting an opportunity for continual encouragement specifically via travel partners who run independent businesses to book cruises.
- There was little brand differentiation within the industry’s COVID response, which was seen as too slow.

Specifically related to messaging focus, the primary research showed that RCG’s approach needed to encompass:

- Visualizing safety protocols, such as social distancing, to increase confidence in the viability of cruising.
- Showing that comprehensive health and safety protocols outweigh speed for returning to service.
- Expressing measured confidence in cruising’s future, particularly around innovation.

### **Planning – (APPENDIX B)**

As the pandemic continued, travel and cruise hesitation persisted. Without a precedent or roadmap forward from a complete operational shutdown, the communications team developed its “Regaining Trust” strategy (B2) – the focal point being the creation of the Healthy Sail Panel (HSP). The objectives were:

- Engage with key industry leaders, elected officials and stakeholders to develop CDC-accepted guidelines for the cruise industry’s COVID response and influence lifting the No Sail Order to permit sailing from the U.S. and allow global operations to resume as quickly as possible.
- Garner international, accurate and well-informed media coverage, and work with reporters to balance negative stories to establish the safety of cruising to regain consumers’ business through the end of 2021.
- Increase frequency of communications with and leverage key leaders and partnerships to serve as advocates, including travel partners and the Cruise Lines International Association (CLIA), by amplifying company and HSP efforts to instill investor confidence in the short- and long-term viability of cruising.

Teaming with competitor Norwegian Cruise Line, an unprecedented and challenging move for two of the industry’s biggest players, the communications groups helped recruit former Governor and U.S. Health and Human Services Secretary Mike Leavitt, and former U.S. Food & Drug Administration (FDA) commissioner Dr. Scott Gottlieb, to co-chair the panel. HSP members included scientific, medical, maritime operations, and former government leaders.

The panel had unfettered independence to make recommendations on how cruise ships could operate safely, even pre-vaccine. This impartiality was crucial to reinforce that the HSP’s work would not be a “rubber stamp” for the

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cruise industry. The HSP's recommendations, including 74 detailed best practices across five focus areas, informed the industry's robust set of health and safety protocols, in collaboration with the CDC. A key factor was engaging the CDC in this process, setting the stage for the standards to become regulation for lifting the No Sail Order.

The team also developed messaging (B46) around important and relevant actions to address key concerns identified in research, specifically: testing for all on board, highest cleanliness standards in travel, 100% fresh circulated air with upgraded and new technology, 360° expert medical care, safe destinations and others.

### **Execution – (APPENDIX C)**

With RCG's leadership and partnering with Norwegian's communications and operational teams, the communications team launched the HSP publicly, developing all materials such as Q&As, messages, releases, briefings, etc. and conducting media trainings, joint CEO prep sessions, customer-facing briefings, and more.

RCG's CEO Richard Fain, as the most experienced and accomplished leader in the cruise industry, was uniquely positioned to lead through the crisis and impel the cruise companies collectively to adopt the HSP's health and safety standards to provide the highest degree of assurance to the public, government officials and investors. Focusing communications on the validity and feasibility of the health and safety standards, stakeholders began to visualize what a safe return to sailing would look like.

Fain spoke out frequently and with measured optimism, backed by the medical experts serving on the HSP. He often cited that given the stringent safety standards being put in place, cruise ships would be "safer than Main Street." Fain's strong media presence proved beneficial, as industry coverage featuring him was 47% positive compared to the cruise industry's 43% (D8-10). Fain also earned industry awards for this leadership (C10).

Throughout, RCG rallied around its travel partners. With these partners facing the prospect of going out of business during the shutdown, RCG provided financial help to these small business owners, and Fain delivered regular updates (C2). This generated significant trade media coverage, driving larger media narratives (C4).

The result: The CDC accepted the HSP's recommendations as standards for a "Conditional Sail Order," permitting ships to sail for the first time since the pandemic started. RCG's Celebrity Edge was the first ship the CDC approved getting back in the water in June 2021, with paying guests, having met all new standards for providing a healthy cruise experience. Broadcast, business and trade media attended the inaugural cruise, with Fain conducting 100+ interviews (C6), including outlets such as Bloomberg and Yahoo! Finance to reach the investor community.

### **Evaluation – (APPENDIX D)**

The creation and implementation of the HSP solved several needs within the company and industry, and helped persuade external stakeholders with innovative solutions that cruising was viable.

- Helped regulators recognize the validity of the HSP's recommendations, leading to the CDC lifting the No Sail Order on May 26, 2021 and returning to sail beginning June 26, 2021.
- Guests from the first sailings reported record high satisfaction scores (D5).
- At launch (July 2020), 8% of positive coverage around the cruise industry referenced the HSP (D8). Since then, 70% of global media mentions of the HSP were positive, far exceeding the cruise industry (D12). Bursts of negative, event-driven coverage saw quick news cycles due to aggressive proactive media efforts with disciplined messaging, on-the-ground team support, and strong media relationships.
- Influential financial media cited RCG's stewardship during the pandemic in lifting the entire industry, further instilling investor confidence in the company's recovery and future. Increased confidence resulted in a nearly four-fold increase in RCG's stock price, which continued to sustain roughly in line with pre-pandemic performance (D3). Bookings for the second half of 2022 are within historical ranges (D5).
- RCG's \$40 million "Pay it Forward" loan program for travel partners helped them rebuild businesses (D6).
- Consumer interest in cruises nearly returned levels last seen at the onset of the pandemic, and hesitancy to travel on a cruise began returning to pre-pandemic levels from a high of 59% (A19).