

A Case Study: Will Sinking Ship, Costa Concordia Cripple Carnival Cruise Lines, or will Successful Crisis Communications Buoy Cruise-Consumer & Capital Markets Confidence?

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There have been many “signature” disasters with significant consequences and critical import to both the public, (read “consumer”) and the companies’ on whose behalf these crises occurred. A few brief examples will provide historical context and appropriate background to the topic.

Let’s go back just about thirty years to the granddaddy of “modern day” public relations crisis incidents – the “Tylenol Tampering” case of 1982 when 6 people died of Cyanide poisoning. Johnson & Johnson removed its “Tylenol” product from the shelves immediately and then went on to create the “triple tamper proof cap.” For all practical purposes, the way the company handled their crisis had, at the time, and to a great extent today, continues to serve as a public relations industry model for dealing with a crisis communications situation.

There have been numerous “corporate disasters” in the interim, but let’s fast forward to 2010 with the Toyota Camry/Corolla/Lexus brake failure car recalls – handled “text book” brilliantly by the way – both during the incident and during the “post recall” resolution stage. The post incident television commercials campaign focusing on company employees professing the need for safety, the fact that they drive the cars themselves and reminding consumers (of the former “popularity and quality of the vehicle” as a consistent best seller and car industry awards winner). All of these tactics went a long way toward resurrecting the tainted vehicles return into consumer’s good graces and a place in their driveway.

BP -- Big Oil, Big Disaster: A Very Big Deal Public Relations Crisis Boondoggle

Last year of course was the biggest man-made ecological disaster of all time, the BP oil-rig explosion. *(Note: this was handled not so brilliantly for many reasons, but conversation is not the major thrust of this article. It is however worthwhile to point out, purely from a public relations perspective, that what compounded that disaster for BP was the “live underwater video cam” of the punctured oil pipe spewing hundreds of thousands of gallons of oil per day that we were able to see live and real time on TV – which we did).* It was this 24/7 visual bombardment of that flowing oil into the Gulf, intercut with images of oil soaked birds, dead fish on shorelines and a tarnished eco-system along all the Gulf Coast states that imbued the public (and rightly so by the way) with heavy negative sentiment of the situation (in other words – we are angry at BP and what where they going to do to fix this?). BP was at both the nexus of a new world of instant media communications (social media, internet, text, tweet,

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Facebook, etc), serving to propel their situation to the apogee of negative conditions that any company could conceivably endure. Lives lost combined with a continual stream of an incessant stream of crude oil poisoning our ocean, the fish stock and destroying generations of livelihoods fueled an insatiable news media in an emotionally charged powder-kegged situation. CNN has a satellite outpost there for about 8 months broadcasting from the banks of the Mississippi.

Post Script on BP: As a company, BP was only able to survive this quintessential public relations debacle for two reasons:

- a) It is a global company so it did not have to rely exclusively on the American consumer for the consumption of its product, and
- b) The American consumer, if it wanted to, could have demonstrated its true outrage toward BP by boycotting the company.

Yes, there were spontaneous and brief Flash-Mob flares of anger here or there throughout the country, with a “one day boycott” but at the end of the day, the fact that there was no truly organized concerted effort or cohesive outrage toward BP is a deeper reflection of the following:

- a) The country’s dependence on and need for oil/fuel and further, the consumer commitment to BP brand loyalty.

In other words, customers generally buy their goods and services at places they are accustomed to buying their goods and services – because people in Mississippi, Florida and Texas weren’t able to enjoy their beaches or had tainted eco systems or a tarnished fishing environment, or couldn’t fish or sunbathe doesn’t mean that folks in Montana, Utah and Idaho felt, or feel the same way about a/the situation. Consequently, their actual physical “distance from the situation” made them either completely immune from, or inoculated them to the pain their fellow American’s were feeling. Had other citizens across the U.S. coalesced their feelings, BP certainly would have felt the sting in the right place, at the pump and on their bottom line. Imagine if someone had managed a Facebook, Twitter and MeetUp campaign similar to what inspired the Arab Spring. There is no reason the very same template could not have been initiated here, and for which there could have been equally as powerful results. The problem, there was not enough true resonant sentiment, and as long as most everyone elsewhere were not affected, then it did not matter.

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For the purpose of this analysis however, these examples serve not only as reminders of what a true and major public relations crisis communications situation looks like, but equally as well to properly define an example of a major corporate disaster so that we – professionals as well as non-professionals - are better able to put into perspective the presently unfolding Costa Cruise Line Concordia Sinking Ship disaster.

It is against this backdrop, that as a public relations practitioner and professional, it is always interesting if not fascinating to witness first-hand how the world's largest corporations deal with the "media" in the moments of a true public relations crisis communications event.

Setting Sail on a Crisis Communications Public Relations Journey

While this journey will not require us to meet at a muster station nor don a bright orange life preserver, we will set our bearings for a crisis communications examination involving drama at high seas. Through finely focused binoculars, we will take a public relations peek inside the (still unfolding) Costa Concordia Ship Sinking disaster. Before launching into our analysis, it is worth christening this document with an opening salutation to the Public Relations Society of America's number one "tenet" concerning the top 6 issues when involved in a crisis communications scenario. As espoused by the PRSA -- the highly credible public relations industry professional trade association), asserts the following first premise of a crisis communications goal:

Bring the situation under control: Ensure the safety of those involved in the crisis. Always protect people first and property second.

The Third Element: The Unspoken "P" Word

Clearly, while it is the most important covenant to follow, lurking just underneath the surface not unlike the jagged jetty reef or rock that ripped a 165' gash into the hull that maimed the 114,500 tonnes Italian-registered cruising vessel, there is a third hidden and mostly unspoken element. **It is this third element around which all other matters revolve.** And it is this third element that is fundamentally never discussed. **It is the conversation of "profits."** Yes, while "people" and "property" are tantamount to this tenet, the company's future, its financial performance and ultimately its profits not to mention its very survival, may reside singularly on

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one thing -- how well the company prepares, presents, positions during a crisis situation. This company, any global company, has numerous audiences and constituencies; but all of these audiences, constituencies, stakeholders and stockholders ultimately circle back to the following four items:

- 1. How will the public (initially) react (to the crisis)?**
- 2. How will you (the company) present and mitigate within the bounds or legitimate argumentation the circumstances?**
- 3. How will (loyal) consumers of the company's product/service react?**
- 4. How will shareholders (initially) react?**
- 5. Can the company sustain itself during a downturn in stock prices and lost revenues?**

Always start with the Facts (As You know them, When you Know them)

Let's start with what we know as of right now. It's important to make that distinction because as time passes, as events unfold and as inquiries commence – media, legal, internal/external, government agencies, and other interested parties, the “facts,” will change.

Collecting facts from various of the major news sources and media entities, such as AP, Reuters, PR Newswire (the Private News Syndication service utilized by Carnival Cruise Lines and Costa Cruise Lines) as their “media distribution entity,” coupled with accounts from the New York Times, the Washington Post, CNN, and MSNBC, and other online media sources and websites, bullet-pointed below are (some early) key facts that are being reported; they are as follows:

As of this writing, approximately 3 days from the date the 951 foot long ship began taking on water, listing quickly in the shadow of picturesque Giglio, Italy, a Southern Tuscan Oceanside town whose residents regularly wave to cruise-ship passengers, in broad strokes, here's what's being reported.

- The ship was too close to the shoreline. As a result the ship came into contact with a “reef, rock or rocks.” (The actual “object(s) are as of this writing still unidentified and undetermined) This caused a tear in the hull that caused the ship to flood and sink.***

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- *6 persons are confirmed dead, 29 missing and 60 injured – the extent of the injuries varies, but of the 60, none seem life threatening.*
- *With regard to the missing, generally, and sadly, these folks will likely not be recovered alive; consequently, the final death toll figures will likely increase.*
- *There are accusations about the quality of the crew's preparedness with regard to evacuation protocols.*
- *There was no lifeboat drill after the ship's departure from Civitavecchia (Rome), and passengers complained that the crew failed to give instructions on how to evacuate.*
- *Further, ship crew/personnel delayed lowering the lifeboats until the ship was listing too heavily for many of them to be released.*
- *There are accusations about the ability, or rather the inability, of crew to manage and operate the life boats properly once they were lowered.*
- *It has been asserted that the captain left the ship early – a major breach of maritime rules and regulations.*
- *The ship's captain, Francesco Schettino, is currently being held in jail on charges of manslaughter, failure to offer assistance and abandonment of ship.*
- *The incident took place at approximately 10:00 PM on Friday, January 13th.*

On Saturday, January 14th at 3:45 PM EST, Carnival Cruise Lines, the parent company of Costa Cruise Lines, issued its first statement through PR Newswire: Below is the release in its entirety. You'll notice its brevity.

Highlighted in yellow following the release is footnotes that correlate to the "statements" within the company's press release. These statements are designed and intended to achieve the following:

- a. Attempt to neutralize, or mitigate (any) responsibility,
- b. reflect the appropriate sentiments for the families of those who have lost loved ones or to those who may be injured,
- c. Confirm cooperation with all appropriate entities in the ensuing investigation
- d. Offer" assistance" to all those on board – guests and crew members whose lives may now be changed forever as a result of this incident.

This is where the spin commences. This is where early positioning, benign statements and neutral or neutralizing messaging takes shape.

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PRESS RELEASE:

MIAMI, Jan. 14, 2012 /PRNewswire/ -- 3:45pm EST -- This statement is from Carnival Corporation & plc in Miami, FL. Carnival Corporation & plc is the parent company of Costa Cruises.

On January 13, 2012, Costa Cruises' vessel, the Costa Concordia, departed from Civitavecchia, Italy with approximately 3,200 passengers and 1,000 crew members on a seven-day voyage. At approximately 10:00pm CET, the vessel struck rock off the coast of Isola del Giglio, Italy and sustained significant damage causing the ship to list severely¹. The order was given to abandon ship and deploy the lifeboats².

Tragically, there are reports of some deaths and injuries. This is a terrible tragedy and we are deeply saddened. Carnival Corporation & plc offers our sympathies and heartfelt condolences to all of the Costa Concordia guests, crew members and their families. Carnival Corporation & plc and Costa Cruises are committing our full resources to provide assistance and ensure that all guests and crew are looked after.³

We want to express our deep gratitude to the Italian Coast Guard and local authorities and community members who have gone to extraordinary lengths to assist in the evacuation of the ship and provide support for our guests and crew.

We are working to fully understand the cause of what occurred.⁴ The safety of our guests and crew members remains the number one priority of Carnival Corporation & plc and all of our cruise lines.⁵

Costa Concordia was sailing on a Mediterranean cruise from Civitavecchia (Rome) with scheduled calls at Savona, Italy; Marseille, France; Barcelona, Spain; Palma de Mallorca; Cagliari and Palermo, Italy. Friends and family members may use the following country-specific contact numbers to reach Costa Cruises:⁶

¹ This sentence includes two statements of fact; it does not acknowledge or attribute responsibility of any sort.

² A further statement of fact; this attempts to convey the notion that the company "acted appropriately and in accordance and compliance" with maritime rules and regulations

³ Both sentences combined acknowledge the tragedy, offer condolences to the families and further acknowledge its vague "support" without being too specific. – how much support, what kind of support? Putting up people, families, friends, at hotels, other travel arrangements, the transport and of bodies – this could/would but most importantly should reflect ALL of these issues.

⁴ Given that this is the company's "first statement" there is nothing more they could say, nor is there a position, one way or another they could take. However, as a matter of PR protocol, they appropriately advised, again, with innocuous language their interest in "figuring out what happened."

⁵ This is the critical "call to action" as a reminder of "what is important to the company" – its customers/guests and the company employees.

⁶ They included an excellent "actionable" element that demonstrates the need for "families" to find out the "status" of their friends and family members" by including this phone number, it reflects concern and responsibility.

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As facts emerge the company will respond as best it can. It will strive to provide and deliver timely information helpful to families and useful to all news media.

The strategy of a company statement, whether delivered by a company spokesperson, the president, or the Chief Information or Communications officers, as well as through traditional media sources/outlets will, while being as truthful as possible, communicate information in as benign a manner as possible to “mitigate” its responsibility.

This is not saying that the company is shirking its responsibility in the incident. The company knows it has “a legal responsibility” to the families of those who lost their lives, those injured and certainly to a lesser extent (financially), to ship’s guests and employees.

Yes, there will be lawyers. Yes, there will be lawsuits. This is a given. Now, it is the issues below that must be addressed:

- A) **How to mitigate the future financial impact on the company based on the public’s perception (of it?)**
- B) **How (well, or not well) the public perceives the company handles the crisis/situation?**
- C) **How the company will ensure to the public that this type of thing cannot, will not happen again?**

Within the framework of the above, there are the following subsets of issues on the agenda.

The company knows it will take a short term financial hit. This has already been covered by industry analysts, reported in the news and even a separate statement issued by Carnival Cruise Company Chairman, Mickey Arison; this is addressed below. The next subset of goals for the immediate crisis communications strategy is to:

- D) **Soften that financial blow as much as is possible. For example, preserving their calendar of already “booked cruise reservations.” A massive cancellation of bookings would take on tsunami-like financial implications to the company. To achieve this goal takes on its on separate internal and external marketing and public relations agenda, which the company MUST be thinking about activating quickly.**
- E) **Minimize the potential negative consumer perception of the incident to reduce the length of the near-term rebound.**

In total, this is the immediate agenda of the Public Relations Crisis Communications Management Team. The company can indeed achieve these goals in various ways, and it has already begun employing communications tactics to do so.

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Barely more than 48 hours since the Concordia hit “reef or rock” and sank, today, Monday, January 16th, 2012, the President of Costa Crociere, SpA Chairman, and CEO Pier Luigi Foschi made the following statement. Foschi said:

The company would provide the ship’s Captain, Francesco Schettino, legal assistance, but he disassociated Costa from his behavior, saying it broke all rules and regulations.

“Capt. Schettino took an initiative of his own will which is contrary to our written rules of conduct,” Foschi said in his first public comments since the grounding.

At a news conference in Genoa, the company's home base, Foschi said that Costa ships have their routes programmed, and alarms go off when they deviate. Those alarms are disabled if the ship's course is manually altered, he said.

“This route was put in correctly upon departure from Civitavecchia,” Foschi said, referring to the port outside Rome. “The fact that it left from this course is due solely to a maneuver by the commander that was unapproved, unauthorized and unknown to Costa.”

These statements by company CEO, Pier Luigi Foschi are intended to demonstrate that “these are the actions of one man, one person who did not act in accordance with the standards, procedures and protocols of Carnival/Costa Cruise Line.”

Preserving the company’s image and reputation is literally its life- preserver for its future. The subconscious message by Foschi is: “don’t let one bad apple spoil the whole bunch” (for all of us in the cruise industry and for all of you as well, the consumer cruise-loving public).

The further underlying message here is also that “ this issue, this problem, this incident, is not a systemic or chronic problem with Costa Cruise Lines, and by subtle extension, its parent company, Carnival Cruise Lines. “They are the bad actions and poor judgment of one man.”

The above notions are further reinforced and evidenced by both the news headline and the opening paragraph on the Associated Press Website, Monday, January 16th, 2012, time stamped at 12:59 PM EST: The headline reads:

Costa CEO blames captain error for Ship Grounding

The first sentence and the opening paragraph of the announcement commences as follows:

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ROME (AP) — The jailed captain of the cruise ship that capsized off Tuscany made an unauthorized deviation from the programmed course, a blunder that led to its deadly crash against a reef, the ship's Italian owner said Monday.

Other Issues Costa Cruise Officials Must Address

Other matters have also been reported extensively in the news concerning “the crew and the poor manner in which they dealt with the situation.” Passenger accounts, for the most part, paint a picture of crew that was unorganized, uninformed, ill-prepared and inept at dealing with the entire evacuation procedure. This bodes poorly on many levels, including the potential legal ramifications at relates to “negligence” on behalf of the company which circles back to a) settlement amounts with passengers and b) the public’s perception of safety and its implication of their future plans of sailing on this cruise line.

Again, in a statement, CEO Foschi seeks to subconsciously subvert and counter these criticisms; A Reuters story included the following:

Foschi defended the conduct of the crew, while acknowledging that passengers had described a chaotic evacuation where crew members consistently downplayed the seriousness of the situation as the ship lurched to the side.

"All our crew members behaved like heroes. All of them," Foschi said.

Revisiting the Notion of “Profits” and “Financial Performance” as it relates to the Crisis Communications Public Relations Agenda

Let’s circle back to the “third” unspoken “P,” the letter that stands for the most unseemly capitalistic word -- “Profits.” “Profit” is the near, dear, unmistakable and unavoidable Siamese twin to the shareholder/ stakeholder/stockholder constituency triumvirate. You cannot separate any of these audiences – they are blood relatives joined literally by the DNA that runs as much through human veins as the DNA that runs through the capital markets – profits are simply what drive big business, global corporations.

Global corporations are in the business of making money, pure and simple. Anything that can be an obstacle to generating revenues, producing income, improving bottom line, or alternatively harming, hindering or hampering it must be handled in the proper way.

In a crisis situation where revenues, both short term and long term are threatened, actions must be taken. Make no mistake about it, Carnival Cruise Lines and Costa Cruise Lines are at the threshold of a real income-interrupting situation. Crisis communications is that tactic essential to employ to stem the tide of potential losses, near term as well as long term.

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Carnival Cruise Lines is a Public Company: CCL

Carnival is the largest company in the cruise industry, operating 11 distinct global brands that include Cunard, Costa, AIDA, and Seabourn, among others. Below is a reproduction of the company's stock performance for the week ending Friday, January 13th. During the week the stock rose from nearly \$33 per share on Monday, January 9th, and then peaked by week's end, on Friday, January 13th to \$34.28. In afterhours trading the stock went to \$34.16, dropping .86 % on the day but this had nothing to do with the sinking Concordia Ship, that didn't happen till around 10:00 PM. The company's average trading volume is 4.1 million shares.



Carnival Cruise Stock Ebbs and Flows on News of Sinking Ship

By Monday, January 16th, the stock market and stock analysts have already begun to react to the shipping disaster.

Two reporters, Roger Blitz, writing for the Financial Times in London, and Guy Dinmore in Rome, teamed up for an article that appeared on the *Financial Times'* website, titled, "**Carnival Estimates Disaster to Cost \$95 million.**" Below are some key excerpts from their jointly produced piece. The article leads with the following sentence:

Shares in Carnival slid by around a fifth on Monday as the owner of the cruise liner that ran aground off Italy's west coast over the weekend estimated the initial financial impact of the disaster to be up to \$95million.

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The company, which owns the Costa Concordia through an Italian subsidiary, Costa Crociere, said the ship was expected to be out of service for the remainder of the year. Analysts warned of the potential impact on already subdued reservations during the busiest part of the bookings season after the death toll from the ship, carrying more than 4,000 passengers and crew, rose to six after it [hit submerged rocks off the Italian island of Giglio](#) in the Tyrrhenian Sea on Friday.

The article goes on to quote various cruise industry financial analysts, including their prognostications about impact on Carnival, and ramifications to the industry and issues that might unfold in order for it all to “rebound and return to normal.”

Jamie Rollo of Morgan Stanley cut Carnival’s estimated earnings per share by 30 per cent.

“Cruising is a safer way to travel than air but the investigation may take time, the story is getting global publicity and people are unlikely to book until confidence returns,” he said. “An apparently disorganised evacuation may lead to tighter regulation.”

Greg Johnson of Shore Capital said each 1 percentage point of Carnival’s revenue yields was worth \$0.15 in earnings.

Wyn Ellis of Numis said the negative implications for the company would prove short-term. “There will, justifiably, be questions about the adequacy of management and emergency operational procedures on board which may have longer-term cost implications,” he said.

“However, we expect that in due course trading will return to normal and, in our view, longer-term valuation fundamentals will not be materially impacted.”

The shares, which had fallen by almost a third in the last year, fell as much as 28 per cent on Monday morning to £16 before recovering in afternoon trading to £18.64, down 17 per cent from Friday’s close or a £2.5bn lower market capitalisation. New York, where the company also has a listing, is closed for a public holiday.

Carnival estimated the impact of the accident on this year’s earnings would be between \$85m and \$95m, or \$0.11-\$0.12 a share, but added it expected to record other costs that are not yet possible to determine.

Note that in all of the above, the analysts are essentially outlining, or echoing, the sentiments of a concerned consumer public and what action steps will be necessary in order for either or both Carnival/Costa as well as perhaps the cruise ship industry at large to maintain market share and profits. A negative hit is still yet to be determined for the industry at large, but in

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either case, all arrows point back to the importance of the strategic crisis communications process that officials of Carnival/Costa must take to ensure that they, and everyone else, protect the unspoken “P” word.

Strategies for Shoring up Sinking Consumer Confidence

Broadly speaking, what will happen going forward? While there is never a “clear and set plan or path” that any person or company should take in the aftermath of a crisis situation, because all of the circumstances and situations are not just dynamic and unique unto themselves, there has nonetheless emerged various patterns of post incident activities that reflect a new set of protocols to ensure incidents and instances (regardless of the crisis/tragedy/incident) do not repeat themselves.

These assorted post-incident tactics are intended to further demonstrate to the various publics/constituencies, that the company/the government/the entity at large at the heart of the “crisis” - is cognizant of “what went wrong” how to “make it right” and “ensure to the best of its ability that it will not happen again.

This is the mission of the Public Relations Crisis Management team -- to begin to set the tone for this conversation, set the stage for the company rebound through an effort of instilling consumer confidence (reducing anxiety in the consumer and the marketplace) so that the company can continue to carry on its business.

For Carnival Cruise Lines and the Cruising industry in general, safety issues, procedures and protocols, including evacuation plans, will be examined, reevaluated and revamped as necessary, perhaps, and most likely, made even more stringent for the consumer/ customer to adhere to, abide by and take more seriously.

Note: Consumers will, for the most part, find any new proposed “safety procedures and enhanced evacuation plans” acceptable in the light of the recent disaster. In other words, “oh, this really can happen, I/we should take this seriously.” For example, prior to 911 Terrorist Attacks, had any airport attempted to implement the same safety and security measures currently in place, there would be consumer pushback, backlash and ultimately the “implementing airline” would lose market share to competitors who ‘made it easier/less difficult’ to board a plane.

Enlist credible support by independent or quasi-independent credible third parties endorsing the new “standards and procedures,” whatever they may be.

A parallel discussion concerning safety against the backdrop of the conversation and concerns that have emerged given the gargantuan size of the ships and the city-like populations on these floating behemoths at sea.

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Arriving at Port, Concluding our Crisis Communications Public Relations Journey at Sea

As a company, will the Concordia ship disaster cause the collapse of Carnival Cruise Lines, and by extension Costa Cruise Lines? Not likely. Yes, their stock will sink, as evidenced by consumer reaction when the stock market opened in London the following business day (Monday, January 16th, - the accident occurred after the close of the markets on the prior Friday, January 13th).

But, right now, one of the big questions is, how long will the company's earnings remain in shallow waters? The answer to how low it drops, how long it stays there and when it rebounds is not nearly as certain or as precise as when equatorial tides rise and fall, but it is inevitably tied to how well the company deals with their messaging to their various constituencies. Just as the sun will come up tomorrow, the stock market will open, and consumers will decide whether or not they feel it is safe to take a cruise. Carnival Cruise lines as well as Costa will sink or sail based upon how well company officials and their crisis communications professionals do their jobs. Hopefully it will be a better job than that performed by captain Francesco Schettino performed, otherwise consumers and capital markets regarding the cruise industry will be abandoning ship.

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