The ‘Odessa Chandelier’: Black Sea Cruise Destination Management:

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CruiseT Workshop - Bremerhaven – 17th of June 2014
Table of Contents

- Some Cruise Basics
  - Cruise Tourism Economy
  - Average Pax Spending Breakdown
  - Average Pax Expenditure in Ports
  - Destination Content Management vs. Promotional Advertising

- Cruise Destination Development
  - Tourism Cluster Theory
  - Cruise Destination Positioning (PORT-Folio Management)

- Role of Port Alliances

- Conclusion & Discussion
SOME BASICS...

Cruise Tourism Economy & Market
The Cruise Economy 2012:
Direct Economic Impact of Cruise Tourism in Europe

Cruise Line Purchases in Europe (€6.4 Billion)
- Business Services: 21%
- Transport: 22%
- Other: 11%
- F&B: 9%
- Petrochemicals: 13%
- Manufacturing: 24%

Total Direct Expenditure (€15 Billion)
- Cruise Line Purchases: 42%
- Pax & Crew Purchases: 23%
- Shipbuilding: 26%

Pax & Crew Spending Breakdown (€3.4 Billion)
- Visit Spending (Shopping, F&B, Tours): 50%
- Embarkation Spending (mainly airfares): 47%
- Crew Spending: 3%

Cruise Employee Compensation Shares (€1.3 Billion)
- Italy: 35%
- Norway: 6%
- Germany: 8%
- Spain: 2%
- Portugal: 2%
- France: 2%
- Rest: 5%
- UK: 40%

Cruise Employee Compensation 9%

Shipbuilding Expenditures In Europe (€3.8 Billion)
- Italy: 32%
- Germany: 35%
- Other: 13%
- Finland: 13%
- France: 17%

Base data: European Cruise Council (2012: Online)
Cruise Income is primarily created by production at the source markets; not by consumption at the ports!
Onboard Revenue ≈ 25% of the Total Revenue

Cruise operators increasingly depend on Onboard Revenue to cover their operational costs!
Competition on land monopoly at sea
According to Cruise Market Watch 2013: The international average spending at port is € 43 / Pax

Base data: European Cruise Council (2012: Online)
Can cruise-generated income cover the corresponding operation costs of the host? How much economic benefit leaks outside the local community?
Online Cruise Content is Gaining Importance

From ‘Cruise Promotion’ to ‘Guest Consulting’

Cruiser Decision Influences*

<table>
<thead>
<tr>
<th>Influencer</th>
<th>2011 Cruisers (% Influenced by)</th>
<th>2004 Cruisers (% Influenced by)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word of Mouth</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>Spouse / Travel Companion</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td>Always Wanted to Go</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Destination Website</td>
<td>17</td>
<td>39</td>
</tr>
<tr>
<td>Cruise Website</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Travel Agent Recommendation</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Travel Magazine</td>
<td>9</td>
<td>10</td>
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<tr>
<td>Internet Advertisement</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Travel Guide</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Magazine Advertisement</td>
<td>6</td>
<td>7</td>
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<tr>
<td>Direct Mail</td>
<td>5</td>
<td>5</td>
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<tr>
<td>TV / Radio Commercial</td>
<td>4</td>
<td>5</td>
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Cruise-destination marketing is not a brochure or a TV commercial... It is effective Content Management and Reputation.
UNDERSTANDING CRUISE DESTINATION DEVELOPMENT

Cluster Theory & PORTfolio Matrix
Developing Competitive Cruise Destinations

*Cluster Theory & the 6As*

- **Accessibilities** (Transportation system, Travel infrastructure)
- **Attractions** (Natural & created)
- **Activities** (Special events, festivals, entertainment, shopping)
- **Availability** (Marketing the destination supporting domestic demand)
- **Amenities** (Accommodation, Catering, Tourist Info)
- **Ancillary Services** (Telecommunications, Banks, Medical services)

**Core Resources & Attractions**
- Local Authorities
- DMOs (Destination Management Organisation – e.g. Atlantic Alliance)
- TNCS (Transnational Corporations / Cruise Operators)
- Local Tourism Companies & Suppliers

**Complementary Conditions**
- Educational Organisations (e.g. Universities)

Cruise Destination Positioning and Development Strategy

PORT-Folio Matrix*

**Infrastructure Development**
- **Accessibility** (Transportation system, Travel infrastructure)
- **Ancillary Services** (Telecommunications, Banks, Medical services)
- **Availability** (Marketing the destination supporting domestic demand)

**Exclusive Cruise Destination**
- Competitive focus: Differentiation
- Critical resources: Unique POIs
- Strategic focus: Market penetration, strategic investment
- Risks: Antagonism (locals -> guests)

**Established Cruise Destination**
- Competitive focus: Reputation
- Critical resources: Image / Brand
- Strategic focus: Loyalty & Sustainability (Economic, Social, cultural Environmental)
- Risks: Exploitation (locals -> guests), Overcrowding

**Authentic Cruise Destination**
- Competitive focus: Cost leadership
- Critical resources: Gov. funding, Educ. facilities
- Strategic focus: Innovation, social investment
- Risks: Guest safety & security

**Gateway Cruise Destination**
- Competitive focus: Revenue maximisation
- Critical resources: Local economy
- Strategic focus: Public Private Partnerships (PPP), network-creation
- Risks: Apathy (locals -> guests), Overcrowding

Destinations Life Cycle
- **Growth**
- **Maturity**
- **Decline**

* Papathanassis (2011)
ROLE OF PORT ALLIANCES

Below the Tip of the Iceberg
Developing Regional Cruise Destinations

X-Clustering Challenge

Cruise Port
Cruise Tourism

Conventional Tourism
Infrastructure
Economy

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### Implications for Regional DMOs

**Destination Awareness & Image Campaigns are the Tip of the Iceberg**

<table>
<thead>
<tr>
<th>Destination Promotion</th>
<th>Content Development &amp; Management</th>
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<tbody>
<tr>
<td>End customers (pull) - Web-presence, Media campaigns, Trade fairs</td>
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<tr>
<td>Tour / Cruise Operators (push) - Key account man/t</td>
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<td>‘Alternative’ PR initiatives (e.g. destination ‘film’ placement)</td>
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<thead>
<tr>
<th>Destination Positioning &amp; Image</th>
<th>Data Collection &amp; Research Dissemination</th>
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<td>Destination branding</td>
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<td>Marketing research &amp; reporting</td>
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<td>Crisis management (Communication / PR level)</td>
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<tr>
<th>Destination Development Strategy</th>
<th>KPI Development &amp; Controlling</th>
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<td>Life cycle management &amp; regional capacity control</td>
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<tr>
<td>Pluralistic objective definition (i.e. sustainability, multi-stakeholder interests)</td>
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<td>Neutrality assurance and stakeholder commitment</td>
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<tr>
<th>Co-opetition Infrastructure</th>
<th>Syndication, Political Lobbying &amp; Promotion</th>
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<tr>
<td>Enable and support PORT-folio balance</td>
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<td>Facilitating PPP (Public Private Partnerships)</td>
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<td>Synergy identification and syndication</td>
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Cruise-port Alliances traditionally focus on promotion and forum facilitation... But this is just the tip of the iceberg!
Towards an Regional Development Architecture...
An Inspiration!!!
"The Odessa Chandelier": Proposed Architecture...

- **Syndication, Political Lobbying & Promotion**
  - Guidelines & reporting Standards
  - Consolidated Reporting

- **KPI Development & Controlling**
  - Data & Activity Reporting
  - Consulting / Support

- **Content Development & Management**
  - Research Projects
  - Data

- **Data Collection & Research Dissemination**
  - Empirical Data Collection

**Black Sea DMO**

- Guidelines & reporting Standards
- Consolidated Reporting
- Coordination / synergy projects

**CC1**

- Data & Activity Reporting
- Consulting / Support
- Data
- Research Projects

**CCn**

- Data & Activity Reporting
- Consulting / Support
- Data
- Research Projects

**Local DMO**

- Data
- Research Projects

**Uni**

- Empirical Data Collection

**Port**

- Empirical Data Collection

**Destination Promotion**

**Destination Positioning & Image**

**Co-opeition Infrastructure**

**Destination Development Strategy**

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Thank You for your Attention

Research Functions:
- Founder & Chairman of the Cruise Research Society (http://www.cruiseresearchsociety.com)
- Co-Director of the Institute for Maritime Tourism (IMT) (http://www.imt.hs-bremerhaven.de/)
- Editorial Board Member of the Journal of the European Journal of Tourism, Hospitality and Recreation (EJTHR) – (http://www.ejthr.com/)
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