Cruise 4.0: A ‘Hands-On’ View on Current Trends and the Future

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8. Rittal-Branchentag Schiff & See 2017
Hamburg (Germany)
9th May 2017
Cruise Tourism... A Booming Sector!

2016 Cruise Industry Outlook

CLIA Global Fleet
471 Ships
301 Ocean  170 River

27 New Ships on Order
9 Ocean  18 River
28,566 New Beds

A total investment in 2016 of more than $6.5 billion for new ocean vessels alone.

Eight out of ten CLIA member travel agents stated they are expecting an increase in sales in 2016

Cruise Capacity Development

Europe (w/o Med) 11.7%
Caribbean 33.7%
Mediterranean 18.7%
South America 2.7%
Other Markets 13.8%
Alaska 4.1%
Asia 9.2%
Australia/New Zealand/Pacific 6.1%

2016 Forecast based upon historical relationship between yearly capacity increase and yearly passenger increase
CLIA 2013 - Capacity, Deployment & Orderbook Report – September 2013
Cruise Outlook Survey - Travel Agent Research Travel – November 2013
Cruising.org
Direct Economic Impact of Cruise Tourism for the Economies of Europe 2015

Cruise Line Purchases 2015 (€ 6,900 Mil)
- Business Services: 21%
- Transport: 24%
- Other: 14%
- Petrochemicals: 11%
- Manufacturing: 20%
- F&B: 10%

Portugal: 2%
France: 2%
Spain: 3%
Norway: 7%
Germany: 8%
UK: 37%
Rest: 6%

Direct Economic Impact of Cruise Tourism for the Economies of Europe 2015 (€16,880 Mil)
- Visit Spending (Shopping, F&B, Tours): 50%
- Embarkation Spending (mainly airfares): 46%
- Crew Spending: 4%
- Shipbuilding: 27%
- Cruise Employee Compensation: 9%
- Cruise Line Purchases: 41%
- Pax & Crew Purchases: 23%

Ship-Building 2015 (€ 4,604 Mil)
- Italy: 28%
- Germany: 28%
- France: 11%
- Finland: 11%
- Other: 22%

Passenger & Crew Spending 2015 (€ 3,832 Mil)

Cruise Employee Compensation (€ 1,550 Mil)

My ‘Hands-On’-Theory of Cruise Management

*Cruise Growth Sustainability*...

- Content Management
- Distribution Control
- Brand Protection
- Offering & Innovation
- Bargaining Power
- Capacity Risk Management
- Automation and Productivity
- Economies of Scope and Scale

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Cruise Guest Motives*

Value-for-Money PLUS Ease of Travel

Ranking of Best Vacation Type
% of Cruisers, 2014

- Ocean cruise: 42%
- Land-based vacation: 14%
- All-inclusive resort: 9%
- Resort non-package: 6%
- Visit friends/relatives: 6%
- River cruise: 4%
- Resort package: 4%
- House rental: 4%
- Land-based escorted tour: 2%
- Camping trip: 2%
- Vacation with business trip: 1%

Factors Influencing Cruise Selection
% of Cruisers, 2014

- Destination: 24%
- Overall experience: 20%
- Property/ship: 15%
- Cost: 29%
- Facilities: 13%

Cruise Value vs. Land Vacation
% of Cruisers, 2014

- Very high value: 28%
- Somewhat high value: 41%
- Moderate value: 27%
- Low value: 4%

Cruise Guest Motives*

Hybrid Customers... Competitive Scope Extension!

Benefits of Cruise vs. Other Vacations

- Chance to Visit Several Locations: 70%
- Relax/Get Away From It All: 60%
- Being pampered: 60%
- Explore Vacation Area/Return Later: 59%
- High quality entertainment: 59%
- Easy to Plan and Arrange: 58%
- Hassle-free: 57%
- Variety of activities: 56%
- Unique & Different: 55%
- Fine dining: 55%
- Luxurious: 54%
- Offers something for everyone: 53%
- Good value for the money: 52%
- Exciting and Adventurous: 52%
- Fun vacation: 51%
- Makes me feel special - rich and famous: 49%
- Romantic getaway: 48%
- Reliable: 46%
- Good vacation for entire family: 45%
- Safe: 44%
- Cultural Learning Experience: 40%
- Comfortable accommodations: 39%
- Good Activities for Children: 36%
- Participate in Sports You Enjoy: 27%

Cruising as a Source for Future Trips

- % of Cruisers, 2014
- Good to sample destinations: 85%
- Have returned to destination first visited by cruise: 42%
- Typically extend vacation in port city: 46%

Cruise Vacation Beliefs

- % of Cruisers, 2014
- I enjoy cruising often, but prefer to mix cruising with other types of vacations: 34%
- I enjoy cruising, but I do it infrequently and instead choose other types of vacations: 26%
- I prefer cruising to other types of vacations and cruise as often as possible: 18%
- I enjoy cruising, but consider it a vacation I would only take once or twice in my life: 11%
- I don’t enjoy cruising and prefer other types of vacations instead: 9%


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**Average Cruiser 2015**

*Financial Breakdown*

**Total Revenue**

- **€ 1640.68**
- (2013: € 986)

**On Board Revenue**

- **€ 398.68**
- (2013: € 307)

**Onboard Revenue** = 24.2% of Total Revenue

- (2013: 23.8%)

**Profit Margin**

- **12.6%**
- (2013: 10%)

**Costs per Cruiser**

- € 1432.76
- (2013: € 1160)

Int'l Cruise Capacity 2015:
Big 3 = 57% of Vessels / 79% of Pax Capacity

Size Matters!!!

AVERAGE PAX / VESSEL

- CCL; 2223
- RCL; 2498
- NCL; 2041
- Other; 788

Total Average, 841

** Data Source: Cruise Market Watch (2016) - http://www.cruisemarketwatch.com/capacity/
Cruise Growth is mainly supply-driven and sustaining it requires ‘buying’ demand!
Royal Caribbean Courts Millennials by Promising Them an Anti-Cruise That Won’t Suck
Because this is not the Caribbean. Or is it?

By David Gianata | October 19, 2015
Cruise Demand
Brand and Image Protection

Too Big to Sail? Cruise Ships Face Scrutiny

To save their sinking city, Venetians are dressing like pirates and chasing cruise ships

Do cruise lines have a crime problem?

Ex-Disney Cruise officer: I was ordered not to report molestation
New Disney policy requires captain’s staff to consult security before departures

No police, no body: why cruise ships suit the perfect crime
Nearly 200 people have vanished from cruise ships this century, but arrests rarely follow

Woman claims she was ‘brutally’ raped on Miami-based luxury cruise line

Princess Cruise Lines fined $40M for dumping waste into ocean, cover-up
By Susan Heavey  Reuters

Another job Americans won't do: Work on a cruise ship

Tempers flare in Venice as angry protesters block cruise ships

Cruise ships: a paradise of fun or floating killing machine?

How environmentally friendly is your cruise holiday?

Princess Cruises to pay record-breaking criminal fine for ocean pollution
Cruise Sector Digital IQ

Content & Booking Process Complexity = Human Agents

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Distribution Democratisation
Cruise Booking Process Complexity & Third Parties

** Source Data: Alexa.com
Cruise Demand

Distribution Control and Content Management

Cruise lines had kept the shore excursions business under strict control, it was in fact their most profitable ancillary product. Exclusivity contracts with travel agents and on-destination companies closed the circle, making it impossible for local operators to reach the cruise customers before they got off the ship.

More and more cruise passengers are doing their own research online and booking their shore excursions independently, skipping the travel agent and the cruise line.

Unsurprisingly, cruise lines have started to lose ground to local operators as standard, 45-passenger, over-priced excursions seem obsolete and unappealing compared to more local, personalized and economical independent operators tours.

ProPublica includes a ship-by-ship accounting for about 300 vessels. For any specific ship he or she might sail, a traveler can see a track record dating back to 2010.

Booking online is complex due to the vast number of ships, ports, destinations, cabin categories, etc. We have built a more intuitive way for consumers to search, discover and plan/book their cruise.

A cruise is definitely a social experience but so far social has been neglected by most OTAs. Cruise.me helps you to connect with the cruise community, your friends and family and even other passengers who travel on the same ship. We enhance your travel experience before, during and after your cruise.
Technological Innovation will be the main competitive arena for the cruise sector...

And the `Share of Passenger Wallet’ will be the prize.
(MONEY-) SMART CRUISE SHIPS

Just Gimmicks?!
Cruise Supply

Robo-Cruises!

Dancing Bionic Bar on Anthem of the Seas (Royal Caribbean)
https://www.youtube.com/watch?v=ABHuFv0sb3I

Fusing Technology & Entertainment: Inside Two70
https://youtu.be/Ns2QJk2--Rk
Meet Connie, the Hilton robot concierge  
https://www.youtube.com/watch?v=ghbS-aTYw14
Travelzoo Survey Results 2016
“Robophiles and Robophobes: Britons Divided over Use of Robots in Travel”

Comfortable with Robots in Travel

Across the markets the most upmarket respondents were the most comfortable

Advantages outweigh disadvantages

<table>
<thead>
<tr>
<th>Top 5 reasons to use robots in travel</th>
<th>% who see it as a reason</th>
<th>Top 5 reasons not to use robots in travel</th>
<th>% who don’t see it as a reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal with data faster</td>
<td>81%</td>
<td>They take away jobs</td>
<td>75%</td>
</tr>
<tr>
<td>Don’t tire</td>
<td>81%</td>
<td>Too impersonal</td>
<td>75%</td>
</tr>
<tr>
<td>Deal with languages</td>
<td>79%</td>
<td>Won’t get slang/irony/cultural nuances</td>
<td>70%</td>
</tr>
<tr>
<td>Save time for human colleagues</td>
<td>77%</td>
<td>Not creative enough</td>
<td>68%</td>
</tr>
<tr>
<td>Better memory/recall</td>
<td>76%</td>
<td>Make humans lazy</td>
<td>60%</td>
</tr>
</tbody>
</table>

However, in three European countries the main disadvantage is as strong as the main advantage
France: 80% said it was good they didn’t tire, 80% thought they were too impersonal
Germany: 88% said it was good they didn’t tire, 87% thought they were too impersonal
UK: 78% said their speed dealing with data was good, 78% thought they wouldn’t get slang/irony

And in unemployment hit Spain, fear of losing jobs to robots outweighed all advantages (so Spain is optimistic about robots overall but unemployment is a worry)

http://photos.prnewswire.com/prnh/20160303/340126-INFO

Pax-Space & Pax-Crew Ratios...
A Look through 264 Vessels!

Average 26 GT per Passenger (Guest or Crew)
Average 1 Crew to 3 Pax:

RCL’s Anthem of the Seas and Quantum of the Seas are the ONLY Megaliners with a Space-Service Indicator of over 10

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Cruise 4.0 Effects:

**Supply-Side:**
- *Mega-Smart Ships:*
  - Technology and Ship-building Barriers
  - Capacity - Space Optimisation
  - Revenue – Cost Optimisation
- *Downward Vertical Competition (esp. Ports) – To maximise ‘share of wallet’ / Onboard revenue*

**Demand-Side:**
- ‘Shake out’ of SME Cruise Operators (‘differentiate or die’)
- *ICT-enabling of distribution and reduction of capacity risk (for large vessels)*
- *Upward Vertical Integration (esp. Online Retail) – To capture market share*
The current Trend of Mega ships and ‘Smart’ vessels is a ‘Game-Changer’ and will persist. There are strong competitive and economic drivers for this!
For more info and for downloading this presentation pls visit: http://www.papathanassis.com