Hochschule Bremerhaven

Cruise Research Society

Institut für Maritimen Tourismus

Cruise Tourism Lab

MS ‘Crisis of the Seas’:
Cruises, COVID19 and the Future

Prof. Dr. Dr. Alexis Papathanassis

(Gdynia, PL) – Oct 18th 2021

Papathanassis

Prof. Dr.Dr. Alexis

Cruise Management &

E-Tourism

The End of Cruising?

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Coronavirus: is this the end of the line for cruise ships?

Operators aim to rebuild trust with health measures but still face calls to improve conditions for their crews

18 Months Pandemic and "No Sail"

Is this the End of the (Cruise)Line?

Been there before…

After a crisis is before a crisis!

2009 Economic Crisis

2020 Pandemic Crisis

Been there before… Lessons learned from the past!

The Crisis will pass, the Problems remain…

Much has changed in the travel industry since 2008. In the immediate **aftermath of the crisis**, consumers pulled back on discretionary spending, cancelling or downsizing planned vacations; businesses tightened their belts and cut corporate travel expense accounts… **Over the same time frame, airline stocks declined 68 percent while hotel, resorts, and cruise lines fell 74 percent…** But in the years after, some industries, such as hotels and airlines, have seen **cyclical recoveries** in-line with the broader U.S. business cycle. While other areas of travel have experienced **new growth** — such as online bookings or emerging market outbound travel — that took place seemingly uninterrupted by the Great Recession. On the other hand, **some sectors**, such as offline travel agents, are in a **broader decline**. Lastly, there are entirely new **startup-led markets**, like apartment sharing, that only sprung up in the aftermath of the crisis.

Borko, S., September 14th, S. R., & EDT, 2018 at 8:00 AM. (2018, September 14). *10 Years Later: How the Travel Industry Came Back From the Financial Crisis*. Skift. https://skift.com/2018/09/14/10-years-later-how-the-travel-industry-came-back-from-the-financial-crisis/

CRUISES AND THE AFTERMATH OF COVID19

COVID19 and Cruise Sector:
Obviously Resilient!

AS-IS Situation	2019	*Pandemic Impact*	2020	*Recovery*	2021	Comparison 2019
Million Passengers (% of Global):	**27,5**	***-74%***	**7,09**	***25%***	**13,9**	**-49%**
United States of America	*13,1*	*-77%*	*3*	*28%*	*6,67*	*-49%*
Asia	*3,8*	*-83%*	*0,66*	*44%*	*2,32*	*-39%*
Germany	*2,23*	*-76%*	*0,531*	*24%*	*1,06*	*-52%*
United Kingdom	*2,01*	*-87%*	*0,259*	*37%*	*1,01*	*-50%*
Rest of the World	*6,36*	*-58%*	*2,64*	*3%*	*2,84*	*-55%*
Global Cruise Fleet (Num. of Vessels):	**323**	**-10%**	**292**	***3%***	**300**	**-7%**
Total Capacity (Num. of Passengers):	**581.202**	**-108%**	**-49.105**	***34.312***	**566.409**	**-3%**
Cruise Sector Revenue (Billion $):	37,9	-49%	19,5	*82%*	23,8	-37%
Employment Impact (Million FTEs):	**1,17**	**Job Losses**	**-0,51**	**"Brain Drain"**	**0,66**	**-44%**
Total Average Pax Spending / Day:	228 €		**Reduced Demand**		208 €	-9%
Average Onboard Spending / Day:	63 €		**Onboard Consumption Restrictions**		60 €	-5%

Cruise Sector (Top 3 Cruise Operators):

2019: Profit ≈ $ 0,5 B / Month***

2020-21: 'No Sail Cash-Burn' ≈ $1 B / Month**

2020-21: New Debt and Equity Capital ≈ $12 Month ***

Demand?

Economic?

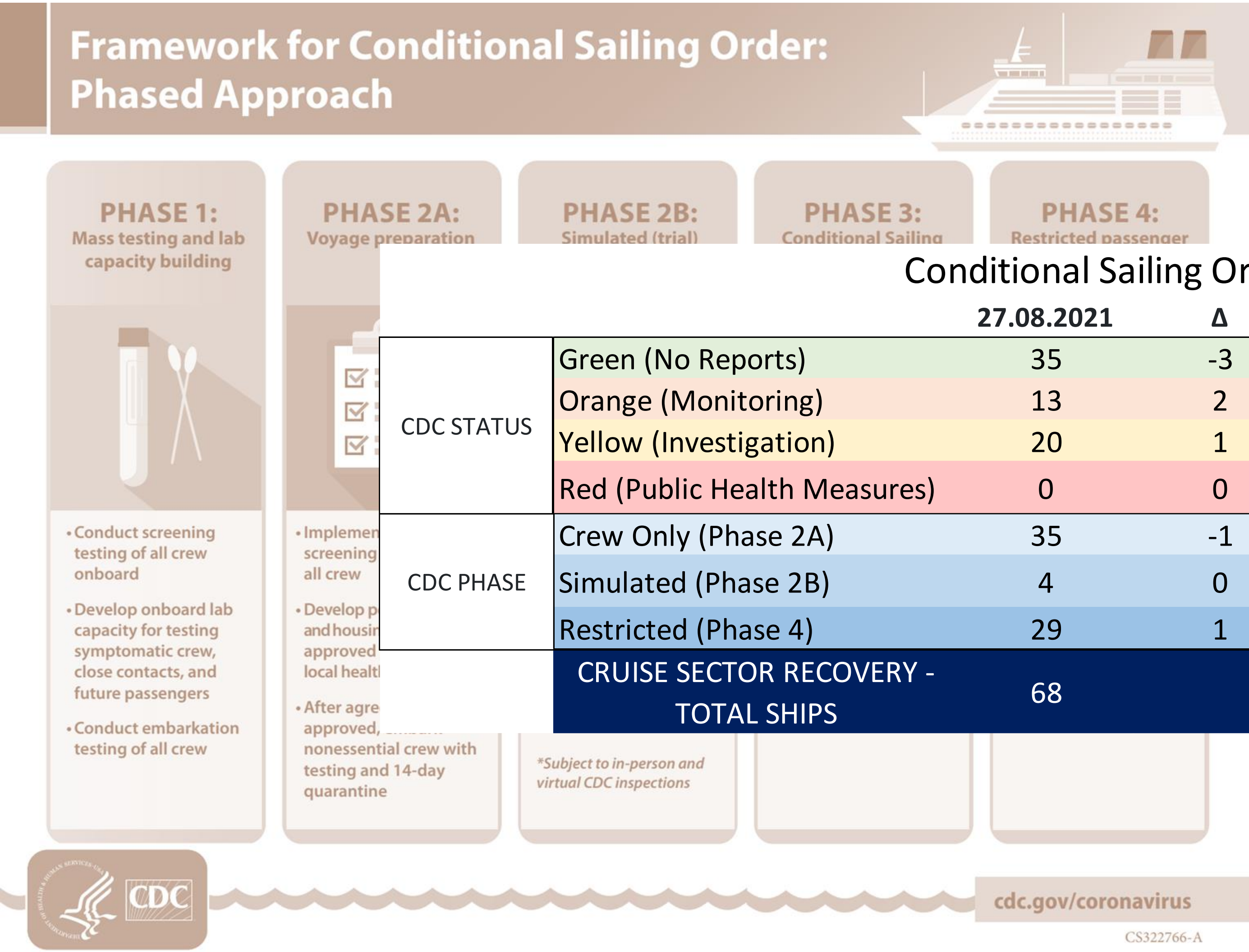
Employment?

Ports & Destination?

* Own Table - Data Sources: https://cruising.org/en-gb/news-and-research/research/2020/december/state-of-the-cruise-industry-outlook-2021, https://cruisemarketwatch.com/

** https://www.cruiseindustrynews.com/cruise-news/23839-here-s-how-much-cash-the-cruise-lines-are-burning-through.html

COVID19 and Recovery of the Cruise Sector:
CDC-Status Monitoring



Conditional Sailing Order

		27.08.2021	Δ	31.08.2021	Δ	15.10.2021
CDC STATUS	Green (No Reports)	35	-3	32	16	48
	Orange (Monitoring)	13	2	15	-9	6
	Yellow (Investigation)	20	1	21	-7	14
	Red (Public Health Measures)	0	0	0	0	0
CDC PHASE	Crew Only (Phase 2A)	35	-1	34	-5	29
	Simulated (Phase 2B)	4	0	4	-4	0
	Restricted (Phase 4)	29	1	30	9	39
	CRUISE SECTOR RECOVERY - TOTAL SHIPS	68		68		68

"We surveyed over **600 people in the UK and Australia**, both cruisers and non-cruisers, to ask them about their willingness to cruise and future travel intentions, to explore how COVID-19 has affected perceptions of travel and cruise risks. Nearly ***45% of interviewees had less belief than before the pandemic that cruise lines are transparent and honest*** about safety or health issues. Respondents were also fearful of going on a cruise, with ***47% saying they don't trust cruise lines*** to look after them if something goes wrong. We further found that ***67% of people are less willing to cruise*** as a result of the pandemic, while ***69% said they feel less positive about cruising now.***"

Stormy seas ahead: confidence in the cruise industry has plummeted due to COVID-19

March 16, 2021 10.41am GMT

Crises in Tourism and 'Forgetfulness'*

Cognitive Psychology Research

Trace Decay Theory

- Time is the main cause for fading memories

"Give it enough time"

Time

- Research suggests that travel will recommence when adequate time has passed from the occurrence of the crisis, leading to tourists to forget about it

Interference Theory

- Forgetting emerges as a result of old and new memories interfering with each other; particularly in cases of similar events occurring

"After a crisis is before a crisis"

Frequency of Crises

- Interference is more probable when events similar to the crisis take place
- The higher the frequency and severity of the interfering events, the greater the forgetfulness probability.

Retrieval Failure

- Individuals often fail to retrieve information in the absence of cues (emotional, semantic, context-specific) associated with the memory.

"Don't make it personal"

Personal / Direct vs. Impersonal / Indirect Effects:

- Media coverage
- Crisis management
- Severity of crisis
- Previous contextual experience

Repression

- Effort to forget a traumatic experience

"A bad memory is happiness"

Travel Motivation

- Travel to satisfy hedonic needs
- Travel as a defence mechanism to deal with the traumatic experience of a crisis

* Farmaki, A. (2021). Memory and forgetfulness in tourism crisis research. Tourism Management, 83, 104210. https://doi.org/10.1016/j.tourman.2020.104210

CNN travel

DESTINATIONS FOOD & DRINK NEWS STAY VIDEO

UNLOCKING THE WORLD

Cruising was a Covid disaster. Now it claims to be the 'safest vacation available'

Francesca Street, CNN • Published 27th June 2021

Cruise Sector and the Near Future

Walking on a tight rope!

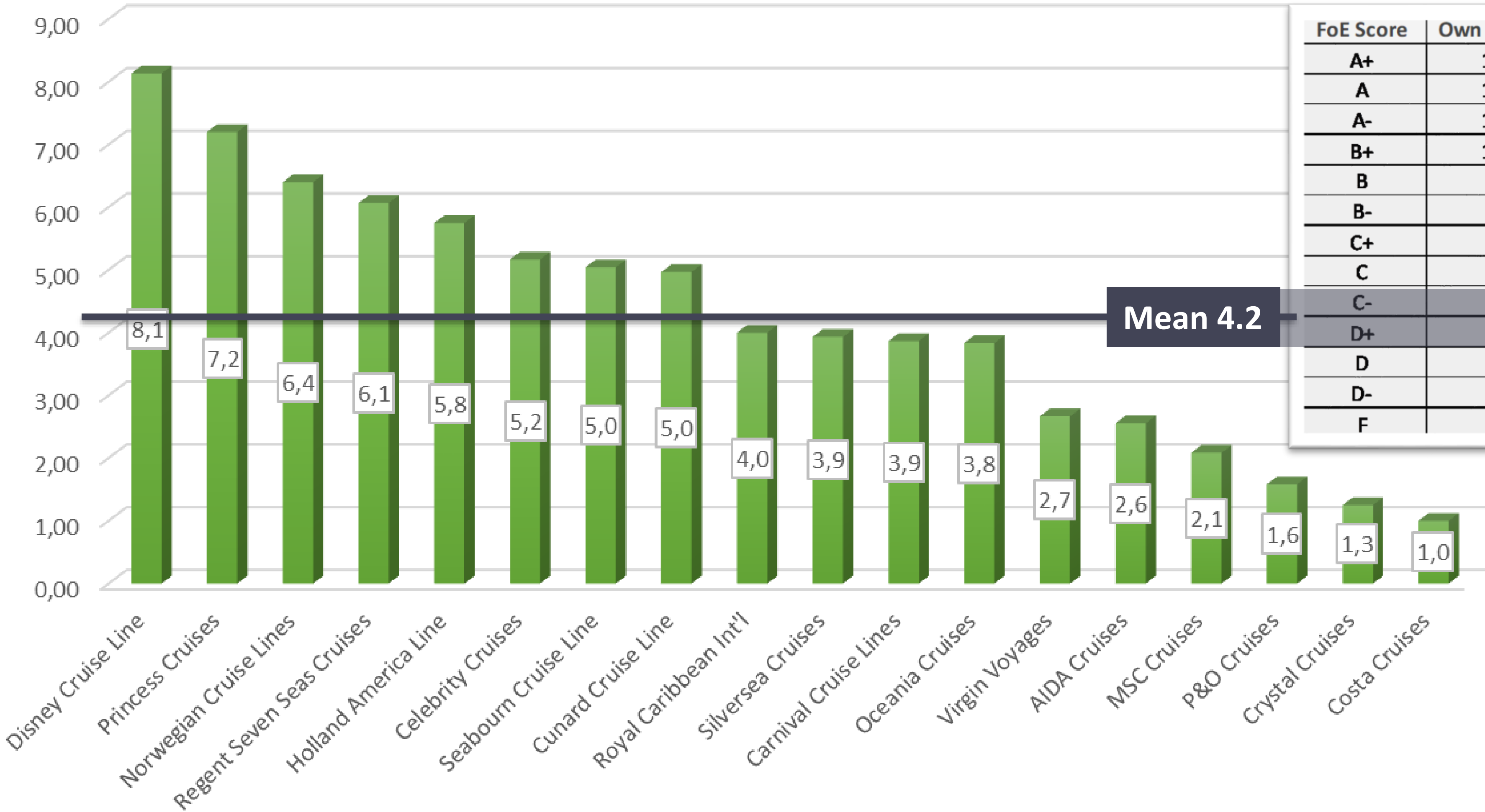
CRUISE SUSTAINABILITY

Environmental Dimension

The Critics see it differently…

Environmental Sustainability - FoE Scorecard 2009-2021 (Average)

FoE Cruise Line Score (2009-2021)



FoE Score	Own Points	Description
A+	13	Excellent
A	12	
A-	11	
B+	10	Satisfactory
B	9	
B-	8	
C+	7	Needs Work
C	6	
C-	5	
D+	4	Poor
D	3	
D-	2	
F	1	Unacceptable

Own Analysis - Source Data: Friends of the Earth Cruise Ship Report Card - http://www.foe.org/cruise-report-card

Evaluation of FoE-criteria according to Ship Class:
Large Ships score with Technology, the small ones Compliance

	Sewage Treatment (% of Total Ships)		Water Quality Compliance (% of Total Ships)					Air Pollution Reduction (% of Total Ships)				
Ship Class	Grade F (1)	Grade C (6)	Grade F (1)	D	Grade C (6)	B	Grade A (12)	Grade F (1)	Grade C (6)	B	Grade A (12)	*Ship Class % of Total*
Mega (>5000 Pax)	6%	94%	95%	2%	2%	0%	0%	51%	19%	26%	4%	26%
Large (3000-5000 Pax)	38%	63%	77%	16%	1%	0%	6%	56%	20%	22%	2%	47%
Mainstream (1000-3000 Pax)	25%	75%	58%	29%	4%	0%	8%	58%	10%	33%	0%	19%
Small (<1000 Pax)	29%	71%	25%	0%	0%	25%	50%	88%	0%	12%	0%	8%
Total	**26%**	**74%**	**78%**	**2%**	**2%**	**1%**	**6%**	**58%**	**16%**	**24%**	**2%**	**100%**

Sewage Treatment: Whether a cruise line has installed the most advanced sewage and graywater treatment systems available instead of dumping minimally treated sewage directly into the water.

Water Quality Compliance: To what degree cruise ships violated 2010-2019 water pollution standards designed to better protect the Alaskan coast. Ships were also failed for scrubber use since they generate toxic water pollution.

Air Pollution Reduction: Whether a cruise line has retrofitted its ships to "plug in" to available shoreside electrical grids instead of running polluting engines when docked. Or uses the lowest sulfur fuel worldwide or both.


OXFORD ECONOMICS
CLIA
AUGUST 2020 CLIA HIGHLIGHTS
ENVIRONMENTAL COMMITMENT, INNOVATION AND RESULTS OF THE CRUISE INDUSTRY
$23.5 BILLION
Invested in new ships with energy efficiency technologies and cleaner fuels
40% TARGET
Reduction in rate of carbon emissions by 2030 (compared to 2008)
We are reducing the rate of carbon emissions across the industry fleet 40% by 2030.
View Press Release

Cruise Ship - Orderbook 2021-2027:
Commitment to Sustainability or merely 'Organic Modernisation'?

	TOTALS	*%*
Ship Orders (2021-2027)	**107**	
Small and Expedition Vessels	34	32%
Maistream Vessels	27	25%
Mega Ships	46	43%
LNG Powered Vessels	22	21%
Total Inv. Cost (M $)	62.474	
Total Inv. Cost / LNG-powered Vessels (M $)	21.424	34%
Average Inv. Cost / Vessel (M $)	584	
Average Inv. Cost / LNG-powered Vessel (M $)	931	+59%
Total Tonnage	9.222.705	
Total LNG-powered Vessel Tonnage	3.640.150	39%
Average Tonnage / Vessel	86.194	
Average Tonnage / LNG-powered Vessel	158287	+83%
Total Pax Capacity	215.151	
Total LNG Powered Vessel Pax Capacity	89.851	42%
Average Pax Capacity / Vessel	2.011	
Average Pax Capacity / LNG-powered Vessel	3906	+94%

Data Source: https://www.cruiseindustrynews.com/cruise-news/cruise-ship-orderbook.html

Sustainability and CSR are not just ensuring Demand…
… *Also for Supply of HR!*

CURRENT ISSUES IN TOURISM
https://doi.org/10.1080/13683500.2020.1816930

Routledge
Taylor & Francis Group

Check for updates

Cruise tourism 'brain drain': exploring the role of personality traits, educational experience and career choice attributes

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ABSTRACT
While tourism in general, and cruise tourism in particular, have been steadily growing over the last years, industry bodies and associations have reported and warned against the first signs of labour shortages. Indeed, a relatively high proportion of tourism and hospitality students opt out of the tourism sector within the first years after graduation. The research presented in this paper aims at exploring the factors affecting the career choices of cruise-tourism students ($N = 167$) and comparing the findings with those of the wider research in the tourism and hospitality domain. Our findings underline the role of the cruise sector's reputation, as well as its perceived growth as central for attracting 'young talents'. Entry-level employment conditions play a secondary role and personality profiles do not appear to influence the students' intention to pursue a career in the cruise sector. Research implications and practical recommendations (also considering the post-COVID19 implications) are drawn.

ARTICLE HISTORY
Received 24 June 2020
Accepted 26 August 2020

KEYWORDS
Career choice; corporate social responsibility; cruise tourism; HEXACO personality dimensions; hospitality education; study satisfaction

"Our findings underline the role of the cruise sector's reputation, as well as its perceived growth as central for attracting 'young talents'."

"While the aftermath of this crisis and business realities of the **'day-after'** and not yet visible, one thing is arguably certain. The 'givens' of tourism and cruising are expected to permanently **change**, rendering innovation crucial for business recovery and continuity. In the **post-COVID19 'new normal'**, ***attracting well-qualified and motivated personnel will be more vital than ever before*** for the cruise sector." (p.12)

CRUISE SUSTAINABILITY

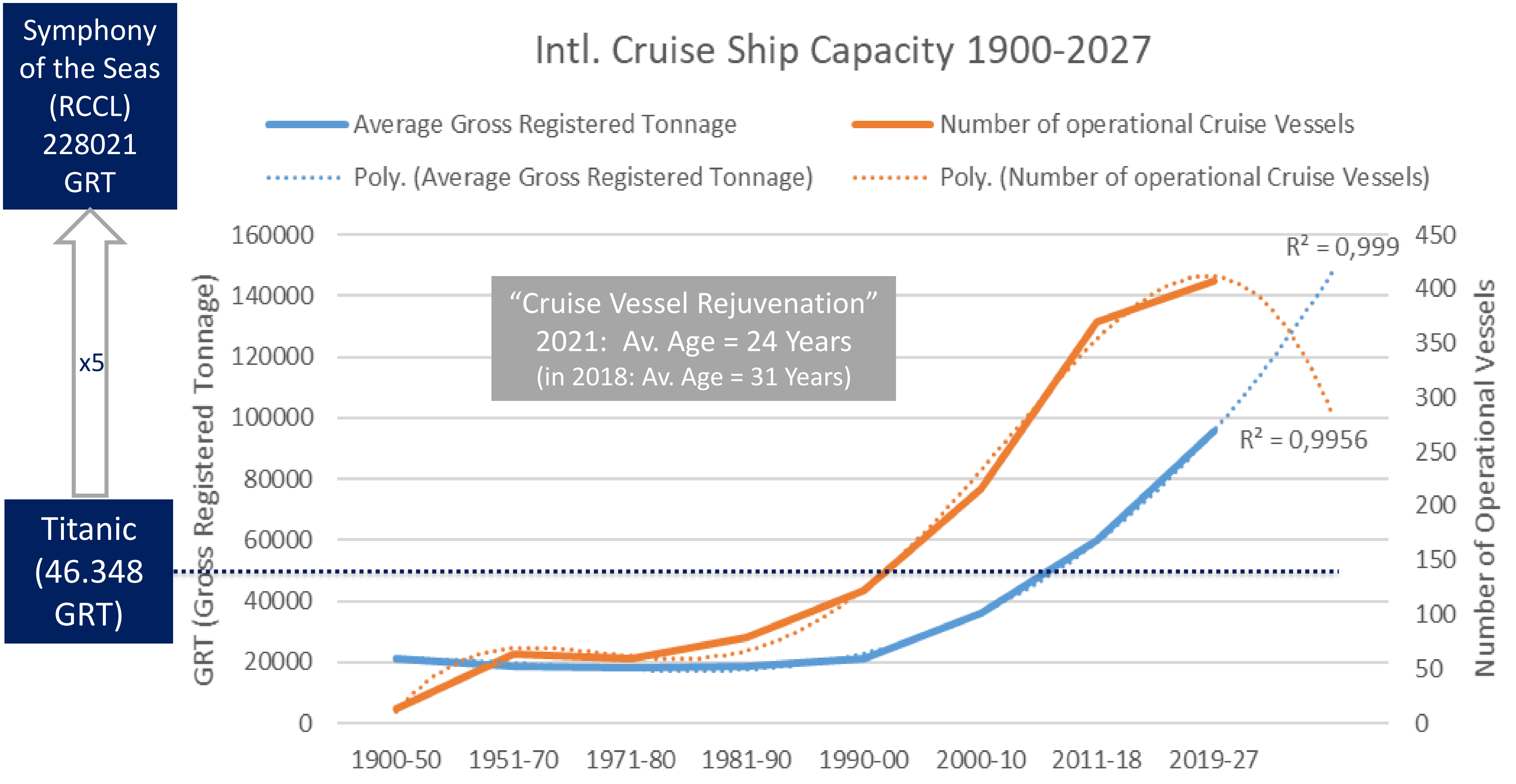
The Economic Dimension (On Board)

Passengers: Cruise Market Shares 2013-2018

'Cruise Tail' becoming shorter and thicker

100 Years of Cruising: Fleet Trends

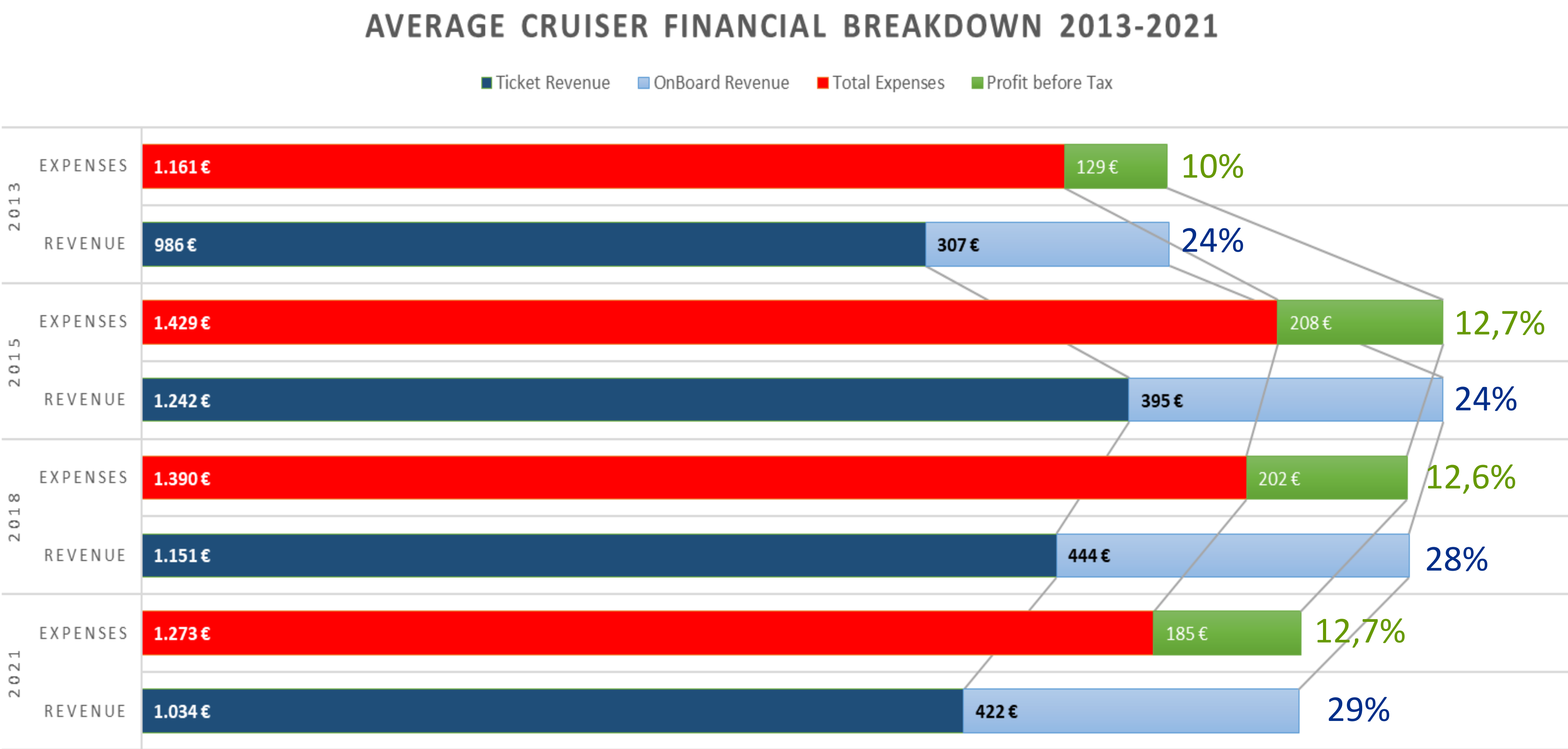
Fewer but larger Vessels!



Data Sources: https://en.wikipedia.org/wiki/List_of_cruise_ships, https://www.cruiseindustrynews.com/cruise-news/cruise-ship-orderbook.html


Fewer but larger ships and increasing market share concentration shift the balance of power in the supply chain. For ports this means higher regional competition

Wallet-DNA of the Average Cruiser
Financial Breakdown 2013-2021



Own Figure - Data Source: https://cruisemarketwatch.com/financial-breakdown-of-typical-cruiser/

The **Competition on Land** and **Monopolies on Board** create the premises for **Captive Pricing**. On Board Revenue is vital for **economic survival** and profitability

CRUISE SUSTAINABILITY

The Economic Dimension (On Land)

Deconstructing the Economic Impact of Cruises on Destinations

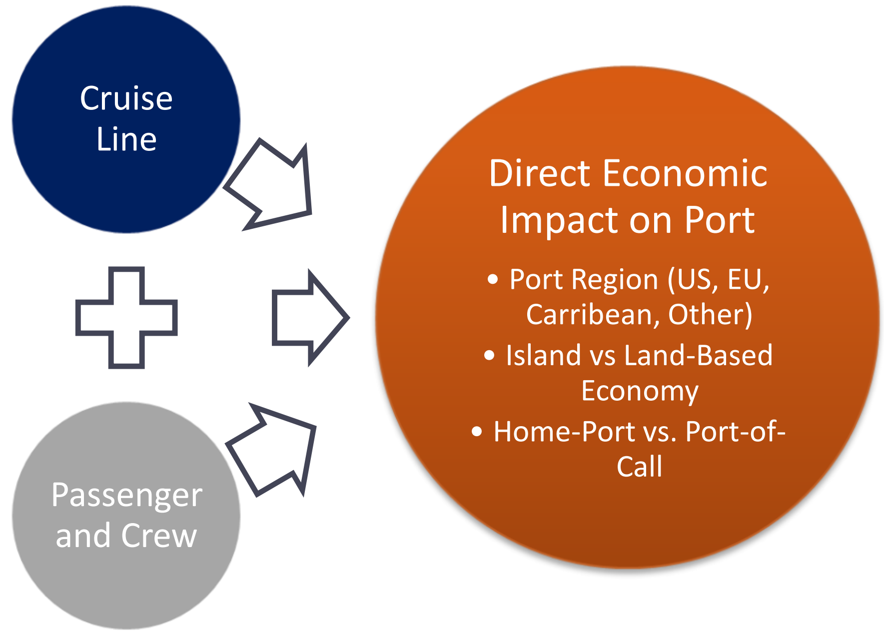
*A Meta-Analysis**

Meta-Analysis of 30 Studies:

- Quantitative data extracted and coded from:
  - 17 Scientific Journal Papers
  - 4 Conference Papers / Working Papers
  - 9 Industry Reports (e.g. CLIA, BREA

OLS-Regression Model of 8 Observed variables:

- INDEPENDENT VARIABLES:
  - Cruise line expenditures
  - Number of cruise line calls
  - Cruise passenger length of stay
  - Cruise passenger expenditures
  - Number of cruise passengers
  - Crew expenditures
  - Number of crew members
- DEPENDENT VARIABLE:
  - Direct economic impacts on port communities



Summary of observed variables.

There are 81 observations and the monetary value has been converted into US dollars ($).

Observed variables	Mean	Std. Dev.	Min.	Max.
Expenditures per passenger	164	198	19	896
Number of passengers per port visit	1928	693	208	4875
Expenditures per crew member	53	26	5	189
Number of crew members per port visit	498	348	146	1846
Expenditures per cruise line visit	123079	192929	8953	864450
Number of cruise lines	1951	8983	1	57450
Length of stay in hours	5	1	3	10
Direct economic impacts on ports per year	1270,000,000	6,080,000,000	79546	49,300,000,000

* Chen, J. M., Petrick, J. F., Papathanassis, A., & Li, X. (2019). A meta-analysis of the direct economic impacts of cruise tourism on port communities. *Tourism Management Perspectives*, *31*, 209–218. https://doi.org/10.1016/j.tmp.2019.05.005

Determinants of Direct Cruise Economic Impacts on Ports:
OLS Model Testing Results

Independent Variables (X)	OLS model *p < 0.1. **p < 0.05. ***p < 0.01	Impact of 10% increase on Direct Economic Impact:
H1a: Expenditures per passenger per port visit	0.80 (0.06)***	Significant -> +10% X = +8% Y
H1b: Number of passengers per port visit	0.52 (0.13)***	Significant -> +10% X = +5.2% Y
H1c: Expenditures per crew member per port visit	0.06 (0.05)	Not significant
H1d: Number of crew members per port visit	0.20 (0.08)**	Significant -> +10% X = +2% Y
H2a: Expenditures per cruise line per port visit	0.21 (0.05)***	Significant -> +10% X = +2.1% Y
H2b: Number of cruise calls per port	1.01 (0.01)***	Significant -> +10% X = +10.1% Y
H3a: Cruise lines' mediation effects on passenger expenditures	0.24 (0.35)**	Significant -> 0.24 times more
H3b: Cruise lines' mediation effects on crew expenditures	0.62 (0.30)**	Significant -> 0.64 times more
Port location (North America, benchmark)+		
Caribbean markets	-0.37 (0.23)**	Significant -> 0.37 times lower
European markets	-0.11 (0.12)	Not significant -> No difference
Other emerging markets	-0.26 (0.12)**	Significant -> 0.26 times lower
Nature of port economy (Island, benchmark)+		
Land-based economy	0.12 (0.06)	Not significant -> No difference with Benchmark
Port typology (Port of call, benchmark)+		
Home port	0.03 (0.01)	Not significant -> No difference with Benchmark

* Chen, J. M., Petrick, J. F., Papathanassis, A., & Li, X. (2019). A meta-analysis of the direct economic impacts of cruise tourism on port communities. *Tourism Management Perspectives*, *31*, 209–218. https://doi.org/10.1016/j.tmp.2019.05.005

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H1c: Ex		nt
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H2b: N		+10% X = +10.1% Y
H3a: C		0.24 times more
H3b: C		0.64 times more
Port lo		
Caribb		Significant -> 0.37 times lower
Europe		nt -> No difference
Other		0.26 times lower
Nature		nt -> No difference with
Land-b		
Port ty		nt -> No difference with
Home port	0.03 (0.01)	Benchmark

Cruise calls and average expenditure per passenger > Visitor numbers

Length of stay -> The cruise company matters

The general degree of economic development -> Economic Impact of Cruise Tourism

* Chen, J. M., Petrick, J. F., Papathanassis, A., & Li, X. (2019). A meta-analysis of the direct economic impacts of cruise tourism on port communities. *Tourism Management Perspectives*, *31*, 209–218. https://doi.org/10.1016/j.tmp.2019.05.005

Cruise Tourism and Economic Impacts:
Critical Success Factors and Strategic Drivers

Cruise calls and average expenditure per passenger > Visitor numbers

“Pull Strategy”:
Investment in overall tourism attractiveness – Create the destination vs. Selling the Infrastructure

Length of stay -> The cruise company matters

“Vertical Integration”:
Create incentives for ‘staying’, not ‘prices for visiting’

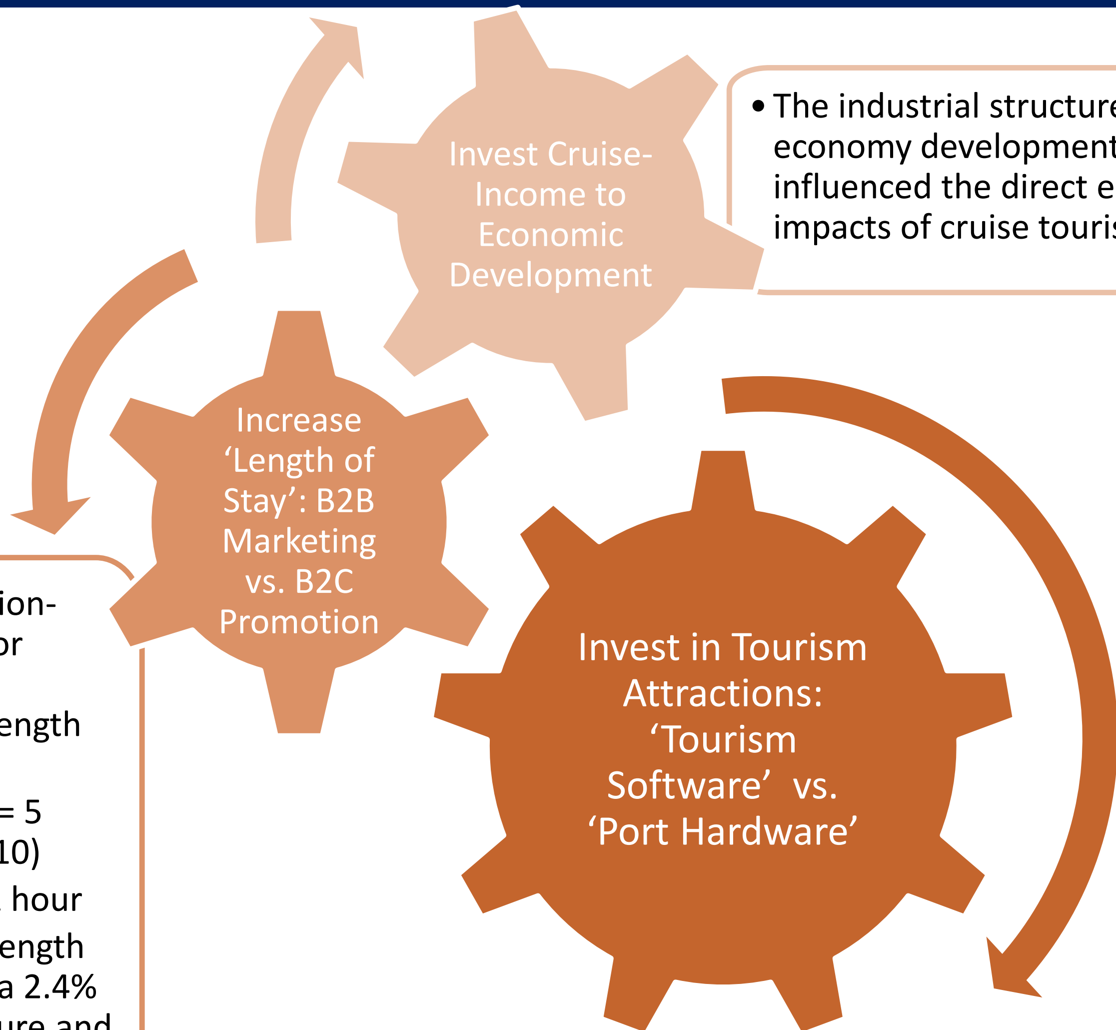
The general degree of economic development -> Economic Impact of Cruise Tourism

“Manage the ‘Beach Disease”:
Minimise tourism income leakages and invest in improving the local economy indicators

* Chen, J. M., Petrick, J. F., Papathanassis, A., & Li, X. (2019). A meta-analysis of the direct economic impacts of cruise tourism on port communities. *Tourism Management Perspectives*, *31*, 209–218. https://doi.org/10.1016/j.tmp.2019.05.005

Implications for Port- and Destination Management

Pull Strategy: "Attract instead of Selling"



- The industrial structure and regional economy development have influenced the direct economic impacts of cruise tourism on ports

- Cruise operator's decision-making are a catalyst for passenger and cruise spending on port (i.e. length of stay at port)
- Average length of stay = 5 hours (Min = 3, Max = 10)
- Standard deviation = 1 hour
- A 10% increase of the length of stay corresponds to a 2.4% on passenger expenditure and a 6.2% on crew expenditure

- Especially for emerging cruise markets: Investments on tourist attractions and marketing characterizing ports of call are a preferable alternative to the significant infrastructure investment (incl. capacity utilization risks) required to become a home port.

Cruise Port 2.0

The ‘Inside Out Terminal’

Paradigm shift from cruise ship **docking infrastructure** to destination **access and content hub**

So where does this leave us?!

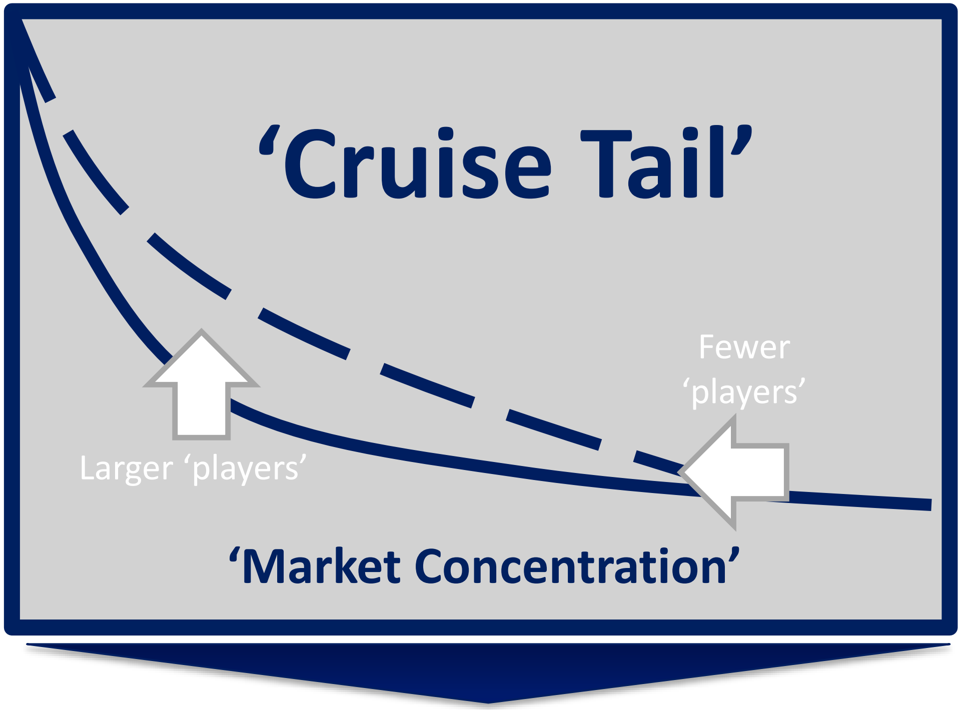
Cruise Business 'Oligarchy'

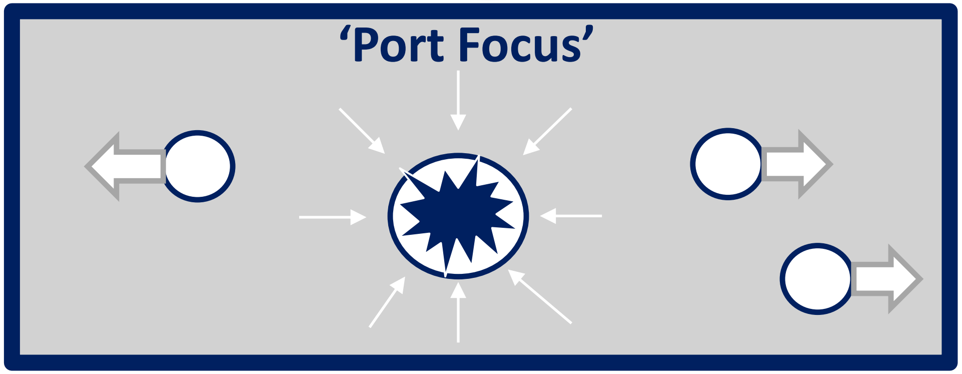
The 'Cruise Tail' will become:

- 'Shorter' (Dictatorship of Production):
  - *Mega-Smart Ships (Technology and Ship-building Barriers)*
  - *'Shake out' of SME Cruise Operators ('differentiate or die')*
- 'Thicker' (Democratisation of Distribution):
  - *ICT-enabling of distribution and reduction of capacity risk (for large vessels)*
  - *Upward Vertical Integration (esp. Online Retail) – To capture market share*
  - *Downward Vertical Competition (esp. Ports) – To maximise 'share of wallet' / Onboard revenue*

For Ports this means:

- Increased M&A and PPP activity at the destination-level
- Increased cruise passenger volumes (plus externalities) for 'primary ports'
- Decreased cruise passenger volumes and increased competition for 'secondary ports'





The Future in a Nutshell…

The cruise sector will bounce back to its pre-COVID19 growth by the end of 2022/ beginning 2023

Sustainability is going to be the big challenge facing cruise operators and corporate social responsibility a key strategic dimension

Mega-ship trend is expected to persist / Digitalisation and Robotisation on Board

Sector concentration imposes significant competitive challenges for ports

- For ‘primary ports’ -> challenges of regulation and of strategic tourism portfolio management
- For ‘secondary ports’ -> challenges of tourism attraction development and PPP Management

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