‘Income Lighthouses at Sea’: The Potential of Cruise Tourism for German Destinations

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TASH Fachtagung „Kreuzfahrt“ - Kiel – 9th September 2011
The Potential of German Cruise Tourism
- Germany as a Cruise Source Market
- Germany as a Cruise Destination
- Economic Potential

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

Conclusion & Discussion
THE POTENTIAL OF GERMAN CRUISE TOURISM

Source Market & Destination Perspectives
Source Market Perspective: Cruise Sector Growth & Pax Developments

**European Pax Development (’000)**
- UK; 1622
- Germany; 1219
- Italy; 889
- Spain; 645
- France; 387

**German Pax Development (’000)**
- Cruisers = 1.5% of Total Population
- 2003: 537
- 2004: 583
- 2005: 639
- 2006: 705
- 2007: 763
- 2008: 907
- 2009: 1027
- 2010: 1219

**European Average Growth Rate**
- 2006-2010 = 11.8%
- 2009-2010 = 10%

**German Average Growth Rate**
- 2006-2010 = 13.9%
- 2009-2010 = 19%

* River Cruises are not included in the data

Base data: European Cruise Council (2010a: Online)
Source Market Perspective:
Cruise Tourism as the ‘Growth Lighthouse’ of the German Tourism Sector?
Source Market Perspective: Cruising is a Niche in Germany

Holiday Trips

Organised Holiday Trips

Cruise Holidays

Ocean Cruises

- Pax: 49 Million
- Tourist Spending: 63.3 Billion
- Av. Spending per Pax = €1,291

- Pax: 24.5 Million
- Revenue: 21.3 Billion
- Av. Revenue per Pax = €871

- Pax: 1.6 Million
- Revenue: 2.6 Billion
- Av. Revenue per Pax = €1,556

- Pax: 1.2 Million
- Revenue: 2.1 Billion
- Av. Revenue per Pax = €1,722

* Source Data: DRV Fakten und Zahlen zum deutschen Reisemarkt 2010
(http://www.drv.de/fileadmin/user_upload/fachbereiche/Fakten_und_Zahlen_zum_deutschen_Reisemarkt_2010.pdf)
Source Market Perspective:
... The Answer to this Question is Relative and a Matter of Perspective!
Source Market Perspective: Key Developments

Product-Related Preferences
- German-speaking cruise brands
- Popularity of club cruises
- Focus on itinerary
- Dominating distr. channel is the stationary travel agency
- Above average day rates (2009: € 183 / EU Average: € 149)
- Above average cruise duration (2009: 9.3 nights / EU Average: 9.0)

Itinerary-Related Preferences
- 35% Med
- 16% Scandinavia
- 15% Caribbean
- 14% Atlantic Islands
- 9% Baltic

Market Developments
- Deployment of US cruise products in Northern Europe (2009: 25 Vessels / 35345 LBs), representing a cruise supply increase of 58%

Base data: European Cruise Council (2010a: Online)

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Destination Perspective: Cruise Pax Visits 2010

- Mediterranean & Atl. Islands: 60%
  - 15% Pax increase since 2009

- Caribbean & Rest: 23%
  - 3% Pax increase since 2009

- Northern Europe: 17%
  - 5% Pax increase since 2009
Destination Perspective: Germany as a Cruise Destination... A Simplistic Calculation

Cruise Pax Visits (2009) in '000

- Greece: 4973
- Italy: 4956
- Spain: 4118
- France: 1851
- Norway: 1672
- Other EU: 1239
- Portugal: 825
- Denmark: 524
- Sweden: 514
- UK: 454
- Estonia: 416
- Malta: 414
- Gibraltar: 348
- Finland: 329
- Germany: 328
- Cyprus: 225
- Ireland: 160
- Poland: 153
- Iceland: 144
- Netherlands: 113

Average Cruise Pax Spending / Visit at Port of Call = € 98
Average Crew Spending / Visit at Port of Call = € 16

Annual Incoming Revenue approx. € 32 Million*

* This is a very simplistic calculation based on 2009 figures for illustrative reasons. Base data: European Cruise Council (2010b: Online)
Does this mean that Germany should not invest too much in attracting intl. cruise operators and their customers?
Economic Impact of Cruise Tourism in Europe
An Overview

Direct Economic Impact of Cruise Tourism in Europe (Total € 14.1 Billion)

1. Cruise Line Purchases in Europe (€ 5.4 Billion)
   - F&B: 9%
   - Petrochemicals: 12%
   - Equipment: 9%
   - Transport: 15%
   - Business Services: 22%
   - Other: 33%

2. Cruise Line Purchases 38%
3. Pax & Crew Spending Breakdown (€ 2.9 Billion)
   - Crew Spending: 3%
   - Embarkation Spending (mainly airfares): 46%
   - Visit Spending (Shopping, F&B, Tours): 51%

4. Pax & Crew Spending Breakdown
   - Visit Spending: 51%
   - Crew Spending: 3%
   - Embarkation Spending (mainly airfares): 46%

5. European Cruise Employee Compensation Shares (€1.18 Billion)
   - UK: 37%
   - Italy: 36%
   - Germany: 7%
   - Norway: 7%
   - Spain: 2%
   - Portugal: 2%
   - Rest: 6%

6. Cruise Employee Compensation 8%

7. Shipbuilding Expenditures In Europe (€ 4.6 Billion)
   - Italy: 33%
   - Germany: 21%
   - France: 18%
   - Other: 13%

8. Shipbuilding 33%

Base data: European Cruise Council (2010b: Online)
Cruise Sector as a European Job Motor? For Germany Indirectly!

Total Number of European Jobs (Direct, Indirect, Induced)

- **Italy**: 32%
- **UK**: 19%
- **Germany**: 11%
- **Spain**: 8%
- **France**: 5%
- **Finland**: 5%
- **Netherlands**: 2%
- **Portugal**: 2%
- **Norway**: 4%
- **Greece**: 4%
- **Rest**: 8%

Total = 31,395 Jobs

Directly Employed by Cruise Lines = 3,600 Jobs

Importance of indirect impact of shipbuilding and transportation services as income and employment generators for Germany.

Total = 296,288 Jobs

Directly Employed by Cruise Lines = 143,233 Jobs

Base data: European Cruise Council (2010b: Online)
International Competitive Potential:

- Indirect and Induced Economic Benefits (Income & Employment)
  - Ship-building / Technology supply
  - Transportation services / Logistics
  - Business services / Educational Infrastructure

Domestic Competitive Potential:

- Indirect Benefits from Regional Marketing
  - Promotion of the Northern European cruising region (Marketing synergies)
  - Focus on cruise segment niches and regional positioning

- Direct benefits from German outgoing cruisers
  - Home-porting & Land-sea products
  - General tourism development / infrastructure enabler
UNDERSTANDING CRUISE DESTINATION DEVELOPMENT

Cluster Theory & PORTfolio Matrix
Developing Competitive Cruise Destinations

Cluster Theory & the 6As*

Accessibility (Transportation system, Travel infrastructure)

Availability (Marketing the destination supporting domestic demand)

Attractiveness (Natural & created)

Activities (Special events, festivals, entertainment, shopping)

Amenities (Accommodation, Catering, Tourist Info)

Ancillary Services (Telecommunications, Banks, Medical services)

Complementary Conditions

Local Authorities

DMOs (Destination Management Organisation – e.g. Atlantic Alliance)

TNCs (Transnational Corporations / Cruise Operators)

Local Tourism Companies & Suppliers

Educational Organisations (e.g. Universities)

* Adapted from Kim & Wicks (2010) and complemented from Buhalis (2000)
Cruise Destination Positioning and Development Strategy

**PORT-Folio Matrix***

- **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

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**Tourism Development**

- Attractions (Natural & created)
- Activities (Special events, festivals, entertainment, shopping)
- Amenities (Accommodation, Catering, Tourist Info)

**Infrastructure Development**

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

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* Papathanassis (2011)
** Life Cycle Concept originally discussed by Butler (1980)
IN A NUTSHELL...
For Germany, supplying the cruise business is more economically beneficial than attracting its passengers!

- Leading source market with relatively good margins
- Secondary importance as a cruise destination
- Destination development investments need to be economically-driven (not just politically)
- Indirect income and employment potential (Shipbuilding, transportation / logistics, business services)

A destination is not a product... It is a complex value-chain / socio-economical system

- Interplay of environmental, social, economical and infrastructural factors
- Multiple stakeholders with various interests – coordination challenge

Cruise tourism requires ‘tourism’ and ‘tourism’ can benefit from Cruising

- Cruise tourism development cannot (should not) be planned and implemented in isolation to other service areas
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/)
- Reviewer of the Tourism Management Journal (http://journals.elsevier.com/02615177/tourism-management/)

Administrative Functions:
- Dean of Studies – Faculty of Business & Economics
- Chairman of the CIM Examinations Committee
- Member of the CIM Study Affairs Committee
BACKUPS

- Pax Throughputs in Europe
- References
Cruise Passenger Throughputs in European Ports

Base data: European Cruise Council (2010b: Online)

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References

• Porter, M. (1990). The Competitive Advantage of Nations,