Cruise Destination Management
The ‘Growth Cruise to Ithaca’

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Summary & Discussion: At the End of the Day
CRUISE SECTOR GROWTH

Understanding its Nature

Growth for the sake of growth is the ideology of a cancer cell.

Edward Abbey 1927-1989
Cruise Demand Indicators
Growing passenger numbers and increasing capacities

- **Passenger Growth:**
  - North America ≈ 6%
  - Europe ≈ 10%
  - Rest of World ≈ 7%

- **Capacity Growth:**
  - 2005: 317,000 LBs
  - 2010: 407,511 LBs
  - Capacity increase of 28%
  - Approx. 40% of capacity serving European source markets

Base data: European Cruise Council; GP Wild Ltd (2005: 107); GP Wild Ltd (2007: Online)
International Cruise Growth
German Market Development

Revenue
- 2010: € 2.1 B.
- 2009: € 1.9 B. (+€ 0.2 B. / +10.05%)
- 2008: € 1.7 B. (+€ 0.2 B. / +11.7%)
- AIDA:
  - 2010: € 883 Mil. (42% of the total German Cruise Revenue)
  - 2009: € 722 Mil. (38% of the total German Cruise Revenue)

Average Ticket Price
- 2010: € 1,696
- 2009: € 1,881 (-€ 185 / -9%)
- 2008: € 1,868 (+€ 13 / +0.7%)

Passengers
- 2010: 1,219,473
- 2009: 1,025,968 (+193,505 / +18%)
- 2008: 906,620 (+119,348 / +13%)
- AIDA Pax
  - 2010: 511,000 (41.9% of the total German Cruise Pax)
  - 2009: 414,000 (40.3% of the total German Cruise Pax)

Average Cruise Duration
- 2010: 9.3 Days
- 2009: 9.7 Days (-0.4 Days / -4.1%)
- 2008: 9.37 Days (+0.33 Days / +3.5%)

Quelle: DRV Zahlen & Fakten 2009; DRV Zahlen & Fakten 2010
The ‘Cruise Growth Motor’

Growth is neither Good nor Bad. It is a Journey! The question is: Where does it Lead?

Challenging Mass-Market

- Reduced Itinerary & Overcrowding
- Profitability Pressures (Medium-Term)
- Ticket Price Competition
- On-Board Revenue (Dependence)
- ‘Software’ Comparability
- Port / Infrastructure Restrictions

Wider Customer Base

- Economies of Scope
- Economies of Scale
- Port / Infrastructure Restrictions

Promising Niche

- Standardisation (Vessels)
- Capacity Investment (Ship Orders)
- Capacity Growth (Short-Term)
- Management Costs
- Differentiation Shift
- ‘Hardware’ Compar mass

Pressures

- Capacity Utilisation Pressures
- Cost Pressures
- Economies of Scale
- Economies of Scope
- Limited Shipbuilding Capacity

Challenges

- Revenue Focus (Long-Term)
- Economies of Scope

Pressures

- Profitability Pressures (Medium-Term)
- Profit Margins
- On-Board Offers

Pressures

- Economies of Scope
- Elasticity of Demand
- Reduced Ticket Prices
- Fuel Costs
- Regulations

Challenges

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IMPLICATIONS FOR CRUISE DESTINATIONS

Co-Opetition & Measures
Cruise Visit = Temporary Destination Co-Opetition

“Floating Destinations”
- Fewer ports of call
- Over-Crowding (Many visitors at one time)
- Infrastructure Stress (both Public & Private)

On-board Revenue (All-Inclusive at Sea)
- Destination income mainly from excursions, cultural experiences
- Cruise operators promote destination services that generate a profit for them!

“Hybrid Cruisers”
- Profile of cruise visitors near that of package tourists
- More price-sensitive / More ‘Do-It-Yourself’
- Assess destination for a ‘future land-holiday visit’
Recommendations for Destinations

Governance & Infrastructure

- Cruise-port alliances (easier to promote an itinerary than a port of call)
- Destination capacity management
- Infrastructure investments (not just at port but also surrounding area)

Off-board Revenue (All-Exclusive at Land)

- Invest in ‘Heritage & Nature’ not just ‘Commerce’
- Public-Private-Partnerships with cruise operators
- Key Account Management (Excursion Managers)

“Pure Hosts”

- Fair pricing
- Destination content management (B2C, Online)
- Focus on authenticity & ‘philoxenia’
TOWARDS & DESTINATION POLICY

Becoming the ‘Cruise Ithaca’
Rhodes was probably a great place to visit before the cruise ships began to stop there, because the old buildings and walls are quite interesting. It is just overloaded with gift shops and bars (and tourists) now, so there is no charm left.

We were taken around to some very pretty areas of Rhodes and ended at lunch with red or white Greek wine out of a box... the shore excursion was not represented accurately at all. Rhodes would be a nice getaway if you lived in Europe. However, to fly there from the U.S. doesn't seem to make much sense as there wasn't much to do there but enjoy the beaches.

Rhodes, is a neat little place the old city which is walled is basically another tourist trap but it's fun to walk around see the castles and streets and enjoy a good Greek meal.
Cruise Destination Development Agenda
Cruising as a ‘Seasonality-Smooother’ and ‘Infrastructure-Enabler’

Short-term objectives
- DMOs (Public) key account management
- Content availability (to cruise visitors, source markets and cruise operators)
- Encourage off-peak tourism for cruisers (e.g. Theme-ing, pricing)
- Online Marketing Initiative

Mid-term objectives
- Form / participate in regional cruise port alliances
- Invest in port and port-area infrastructure (Nea Agora, Palia Poli, Kentro)
- Reduce traffic, parking congestion (Pedestrian zones)

Long-term objectives
- Reduce ‘tourist expenditure leakages’ (invest in heritage, promote local products)
- Segment-based diversification (not just on the basis of national source-market)

- Season extension
- Reduced dependencies
- Economic & cultural sustainability

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Our islands can benefit from the cruise sector’s growth if we see it as a infrastructure catalyst and integrate it with our overall tourism offer.

For the Private Sector:
“We are all ‘Xenoi’... Even at home!”
- Cruise visitors (and tourists in general) appreciate what WE appreciate, and complain about what WE complain
- We don’t just sell accommodation & catering, we SHARE our daily lives with tourists

For the Public Sector:
“We should collectively benefit from (cruise) tourism... Not just individually profit”
- Need for a regional tourism sustainability strategy (beyond a promotion strategy)
- Infrastructure-investments and smoothing seasonality benefits the locality as well
- Public policy to reduce ‘leakages’, directly subsidise local attractions (not just beds)
Thank You for your Attention

Research Functions:
- Founder & Chairman of the Cruise Research Society (http://www.cruiseresearchsociety.com)
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