

# The 'Cruise Apple'

## Cruise Travel – Which Challenges Lie Ahead?

Papathanassis

Prof. Dr. Alexis



Cruise Management &

E-Tourism

*Prof. Dr. Alexis Papathanassis*

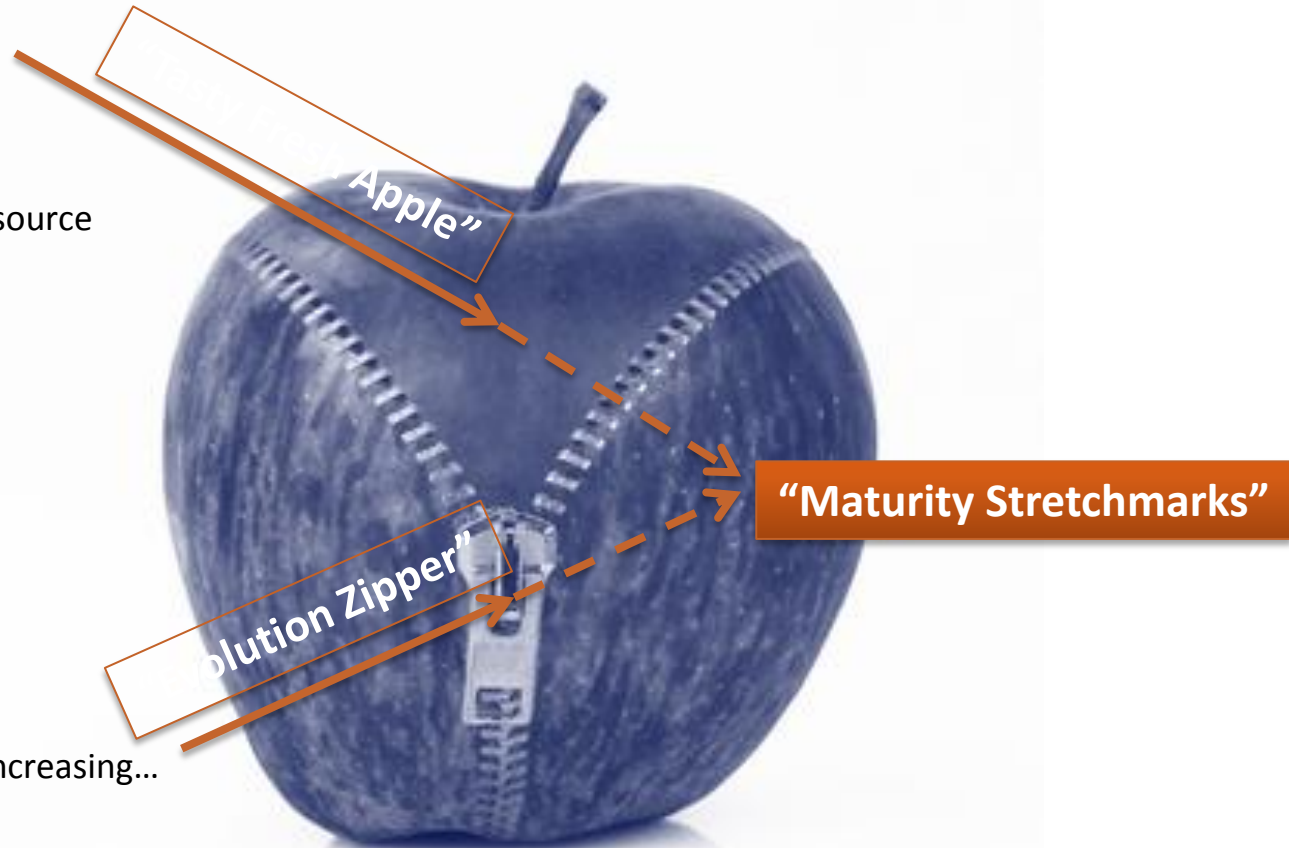
20<sup>th</sup> World Travel Monitor® Forum

30<sup>th</sup> – 31<sup>st</sup> October 2012, Pisa, Italy

# Beyond the question of cruise sector growth duration... to its 'Stretchmarks'

## ► Cruise Sector evolving, with increasing...

- Passenger numbers
- Variety of offerings
- Fleets & capacities
- Size of Vessels
- Importance for tourism (source markets & destinations)
- Presence in the media



## ► Cruise Sector evolving, with increasing...

- Cost pressures
- Competition
- Scrutiny from critics

# Last Year...

... We talked about:

- Environmental Responsibility ('Clean Ships'?)
- Sustainability of Growth (Pax Growth indefinite?)

Since then...

- The question of 'responsibility' has 'stretched' to other areas:
  - Safety (Concordia Accident)
  - Social responsibility (Employment conditions)
  - Economic responsibility (Taxation, profitability, contribution to local economies)

What does this mean for successfully selling the "Cruise Apple"?

- Sector public image and reputation management
- Sustainable quality of service

**Larger vessels** mean  
more opportunities to  
capture a larger share of  
**cruiser wallet...!?**

## Cruise sector profitability...

# DIE WELT

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zur Startseite machen Suchen.....

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27.07.12 | Kapitän Jungblut

## "Man wechselt die Flagge nicht wie ein Unterhemd"

Die Reederei Deilmann will die "MS Deutschland" unter der Fahne Maltas fliegen lassen. Der Kapitän wehrt sich – nun sagt er, er sei wegen seines Widerstands von Bord geworfen worden. Von S. Beutelsbacher und S. Seiderer



© DAPC

Ausgerechnet die "MS Deutschland". Gerade jenes Schiff, das den Namen des Landes

**WEITERFÜHRENDE LINKS**

- Reederei Flaggens-Zoff um "Traumschiff" – Kapitän schreibt Gauck
- Flaggensreit: Reederei jagt Kapitän von Bord des "Traumschiffs"
- Königinntreffen: ...

"Traumschiff" bekämpft handfesten Streit z

Er sei von der Unterwurdloser Fall in wird", schimpfte davor Anker, weil sie Sportler nach Hau drohten es Fährge

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**USA TODAY Travel**

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### The Cruise Log

with Gene Sloan

Your port of call for cruises

**WEITERFÜHRENDE LINKS**

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- Königinntreffen: ...

« More cruise lines drop calls in North Africa »

## Costa Cruises sailing back to profitability

By Gene Sloan, USA TODAY

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Bookings at Costa Cruises are bouncing back from the sharp drop seen in the months after the Costa Concordia accident, and the brand should be back to profitability by next

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## Carnival Profit Slips, Hurt by Lower Cruise Prices

Article [stock Quotes](#) [Comments](#)

By TESS STYNES

[Carnival](#) Corp.'s **CCL -1.50%** fiscal third-quarter profit slipped as the world's largest cruise operator's cost controls and lower fuel consumption helped offset lower ticket prices.

For the current fiscal quarter, forecast per-share earnings of seven cents to 11 cents, below recent estimates of analysts polled by Thomson Reuters, who expected 16 cents a share.

The company, which runs cruise lines such as Holland America, Cunard and Carnival, has reported stronger booking volumes as it gradually recovers from negative publicity following the shipwreck of its Costa Concordia off the coast of Italy in January.

For the fiscal year, Carnival narrowed its per-share earnings estimate to between \$1.83 and \$1.87 from its prior estimate for between \$1.80 and \$1.90. The company said improved yield expectations and costs were offset by unfavorable changes in fuel prices and currency-exchange rates.

The company now expects net-revenue yields will be flat to down slightly for the year excluding the impact of the Costa Concordia incident. Including costs, it forecast a decline of 3%. Carnival previously estimated that net-revenue yields would decline 3% to 4%, but on Tuesday said they would fall slightly, excluding its Costa cruise business.

Net-revenue yields are a key cruise-industry indicator that measures revenues in

## Costa Cruises sailing back to profitability

By Gene Sloan, USA TODAY

Bookings at Costa Cruises are bouncing back from the sharp drop seen in the months after the Costa Concordia accident, and the brand should be back to profitability by next year, according to executives at the line's parent company.

Carnival Corp. vice chairman Howard Frank told Wall Street analysts Tuesday that consumer research shows the perception of the Costa brand is gradually improving in each of the line's major markets.

"While our business planning for 2013 is still a work in progress, we are expecting that Costa Cruises will swing back to solid profitability in 2013, after a very challenging 2012," Frank said during a conference call to discuss Carnival's third quarter earnings.

Carnival Corp. is the parent company of nearly a dozen major cruise lines including Costa, Carnival, Princess, Holland America and Cunard. Even with a downturn at Costa, the parent company on Tuesday reported profits for the third quarter of \$1.3 billion, or \$1.71 per share, about even with the same quarter a year ago. The number included an unrealized gain from fuel hedges of \$136 million.



**CAPTION** Vincenzo Pinto, AFP/Getty Images

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# Cruise ships sail with cash, bling

CBC News Posted: Sep 23, 2012 4:52 PM NT | Last Updated: Sep 24, 2012 12:04 PM NT 22

A large white cruise ship with multiple decks is seen from a low angle, moving through a harbor. In the background, a densely built-up hillside city is visible under a hazy sky. A play button icon is overlaid on the bottom right corner of the image.

Cruise ship leaves 9:35

Cruise ship leaves 9:35

Two large cruise ships were in port in St. John's Harbour on Saturday, bringing in more than 5,000 passengers and at least 1,200 crew members.

The Emerald Princess made an unexpected stop in the harbour, after bad weather forced the vessel to cancel a visit to Greenland.

The ship was carrying over 3,000 passengers and 1,200 crew.

Meanwhile, the Artania was also in port, carrying close to 2,000 people on a tour of the Atlantic provinces.

The city estimates each person who comes in generates \$100 of income.

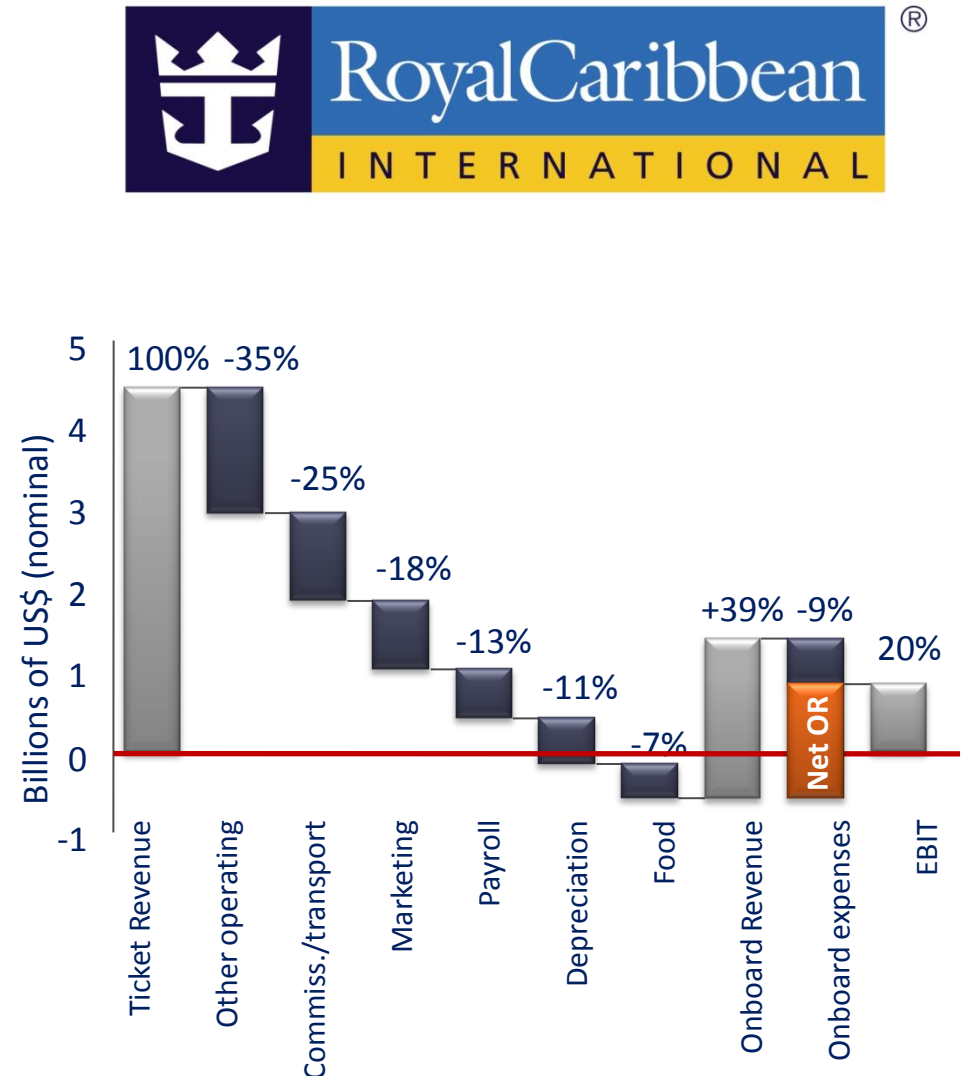
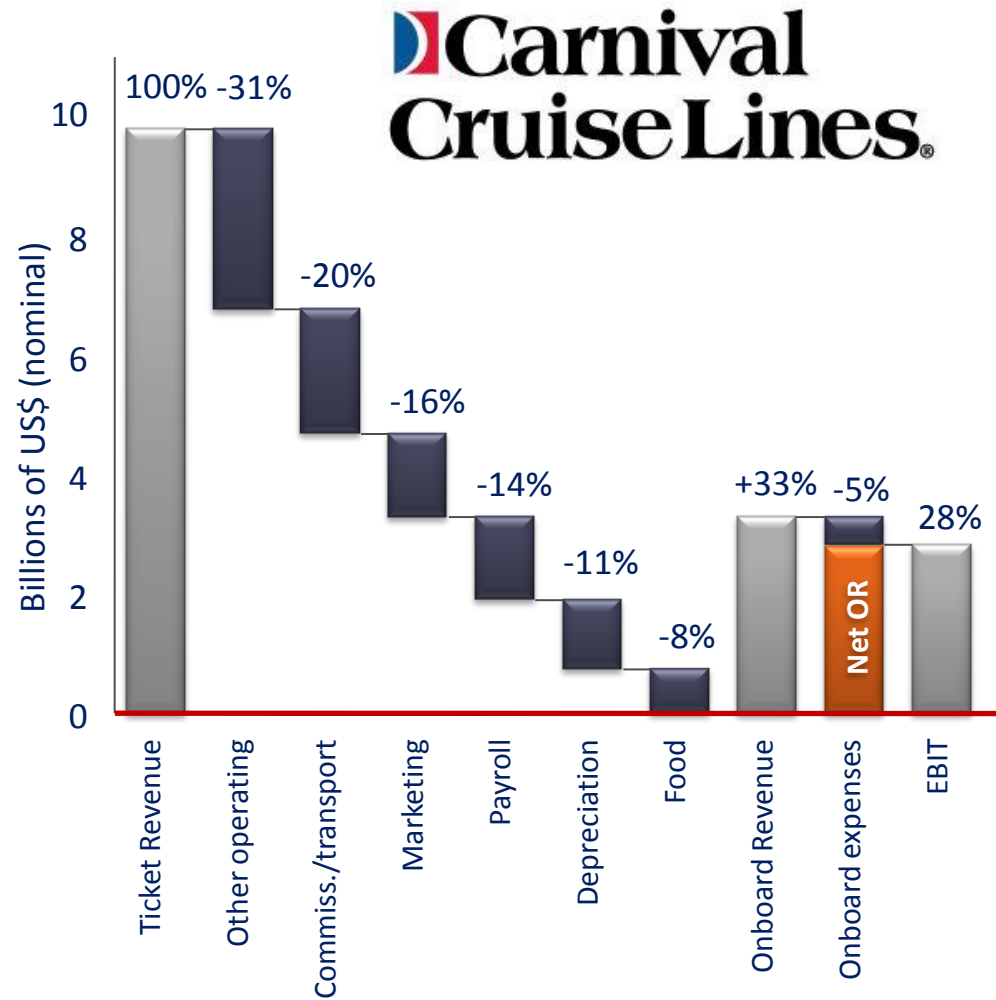
"My wife is doing the retail therapy and supporting your economy," said Randy Webster, a former



The Emerald Princess is 20 storeys high (CBC)

# Balance Sheet Analyses (RCL & Carnival) 2007\*

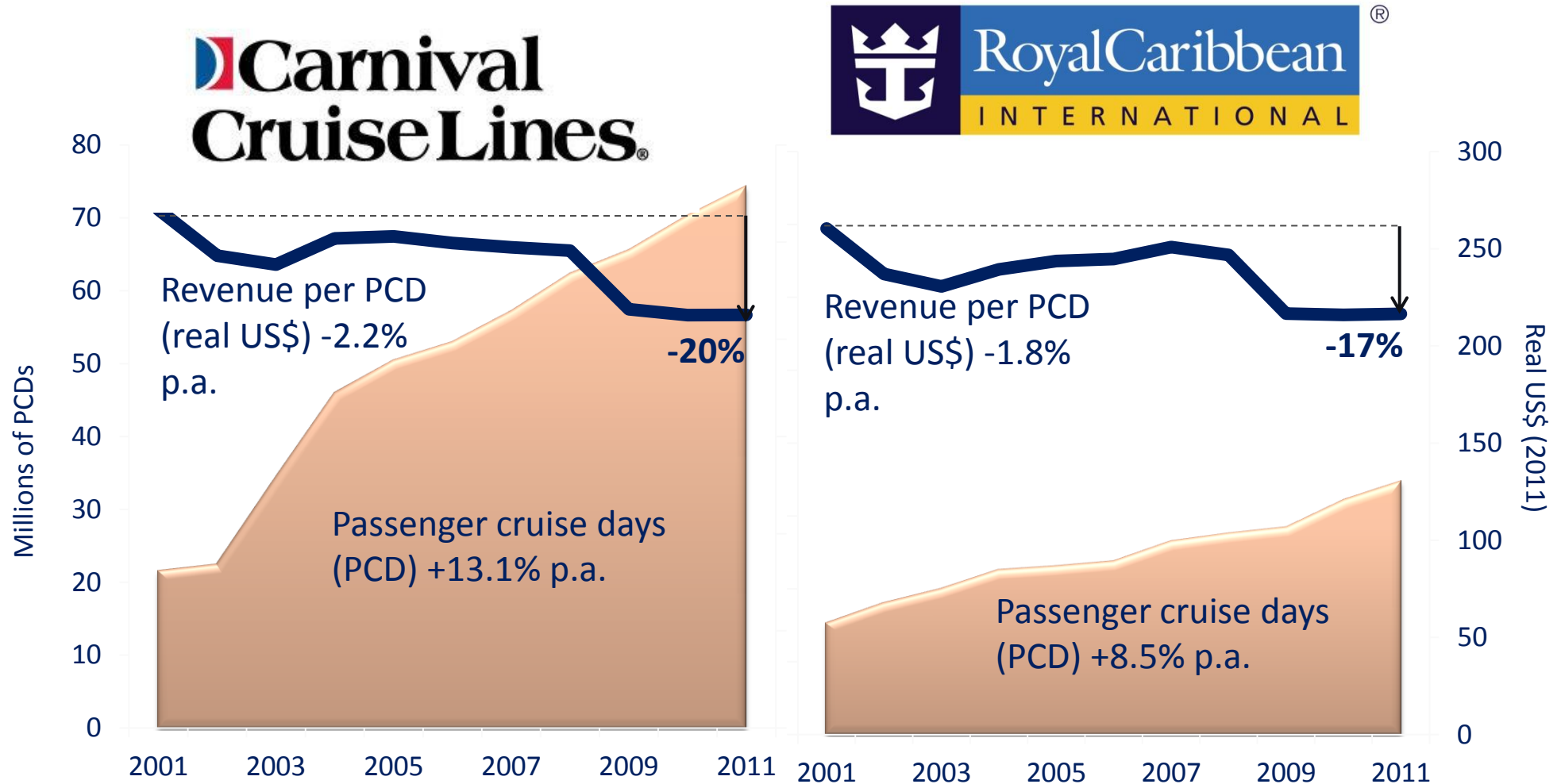
## *Dependence on Onboard Revenue*





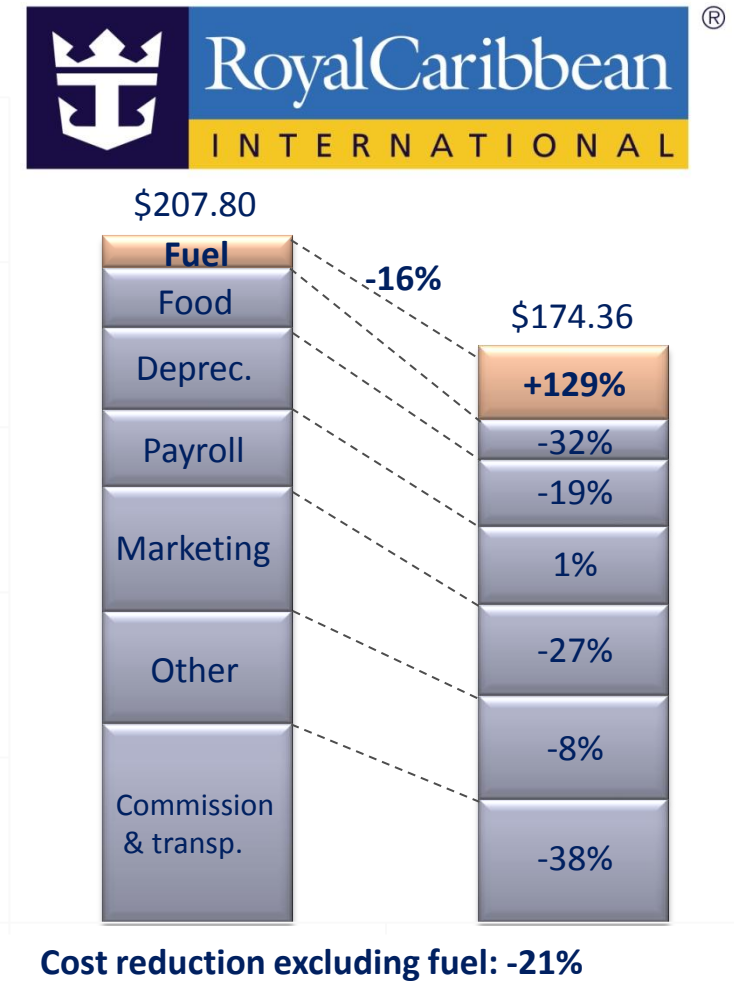
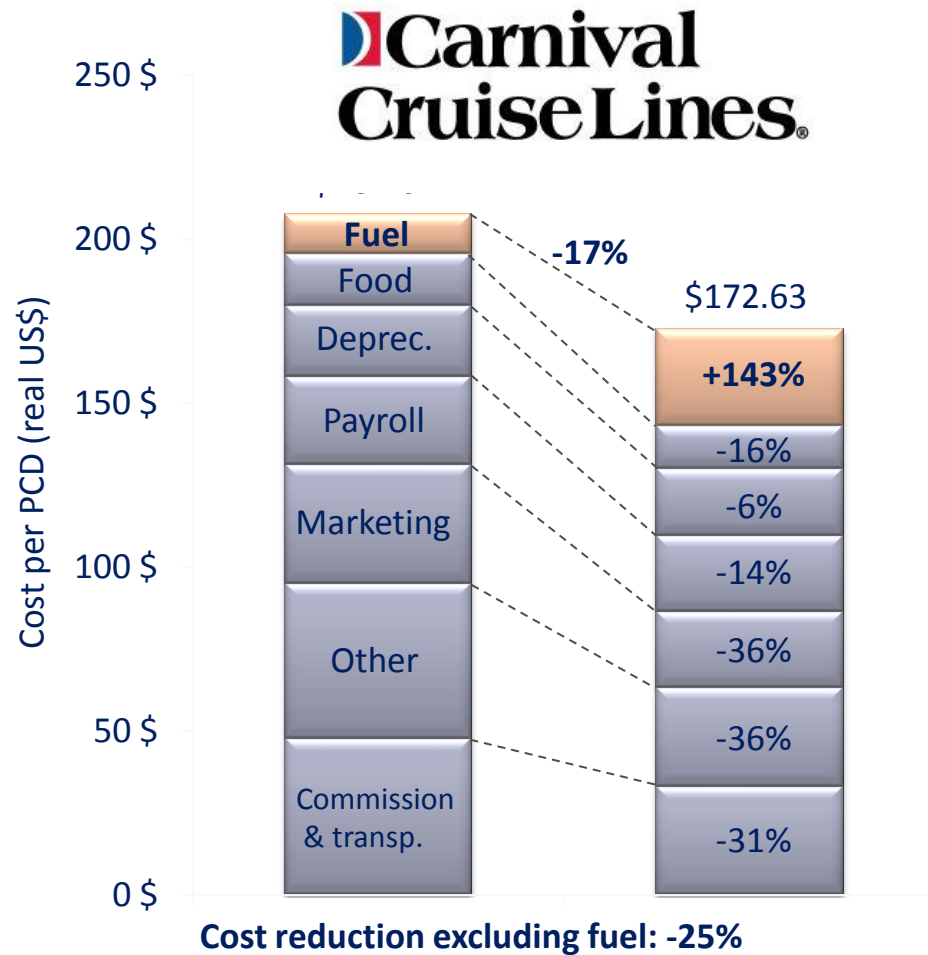
# Balance Sheet Analyses (RCL & Carnival) 2011\*

## *Dependence on Onboard Revenue*



# Balance Sheet Analyses (RCL & Carnival) 2011\*

## Cost-Saving Pressures?!

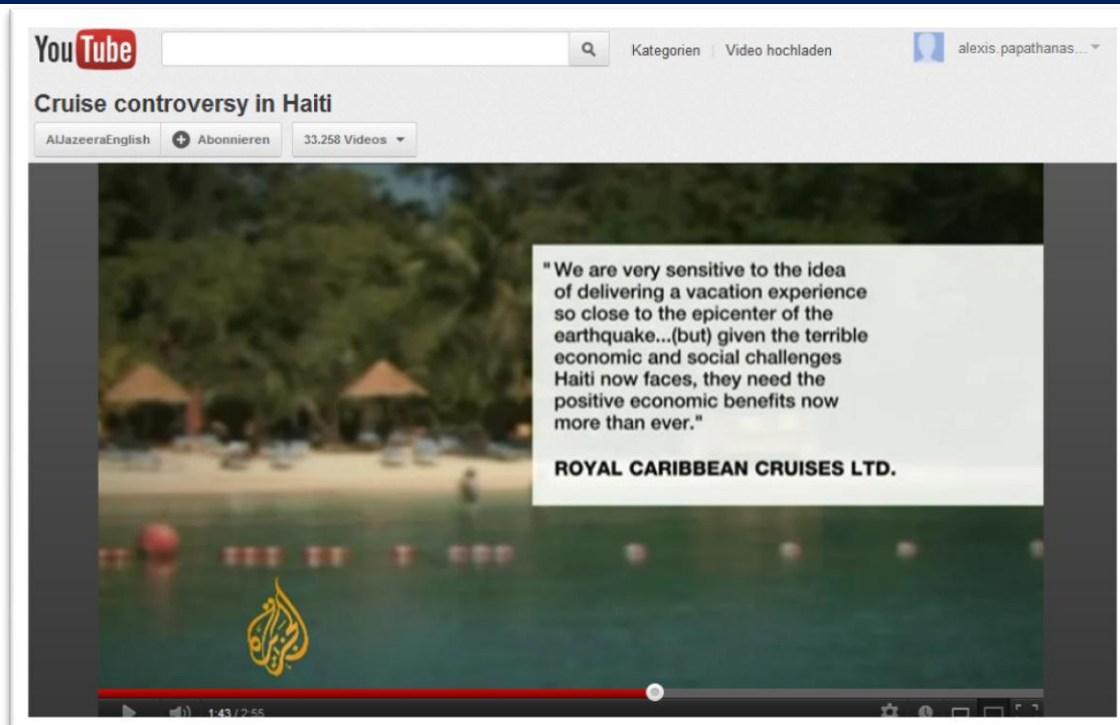


**Costs per PCD 2001 vs. 2011 excluding cost of onboard sales**



**Profit** margins have  
decreased by approx. **4%**  
over the last decade and  
are following a downward  
trend

# Cruise Contribution to Local Communities?



**Cruisers** may spend an average of **70 Euros** at the ports of call. Question is if the money spent at port covers the **indirect costs** and if it goes into the **wallet of the locals**

## The Telegraph

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### The crowd of cruise ships will damage Venice

Protecting Venice's historic buildings



Transporting tourists: gondolas are better suited to the Venetian lagoon than cruise ships  
Photo: All Canada Photos / Alamy

6:58AM BST 16 Oct 2012

28 Comments

SIR – We have just returned from a trip to Venice, a city that we love, and after only a three-year gap we noticed many changes for the worse ("Venice is cracking up, say gondoliers", report, October 12).

We felt that there were far too many cruise ships. Every day during our stay there were at least six cruise ships docked in the lagoon, four of which were so-called super vessels. Although the passengers do bring welcome income, the motion of the water dispersed by these liners must be having an adverse effect on the area.

By allowing such a vast influx of tourists from these liners, the Venice authorities may find that rather than keeping the city alive, they are helping to dig a watery grave. We hope campaigners are successful in limiting the number of cruise ships. They have our support.

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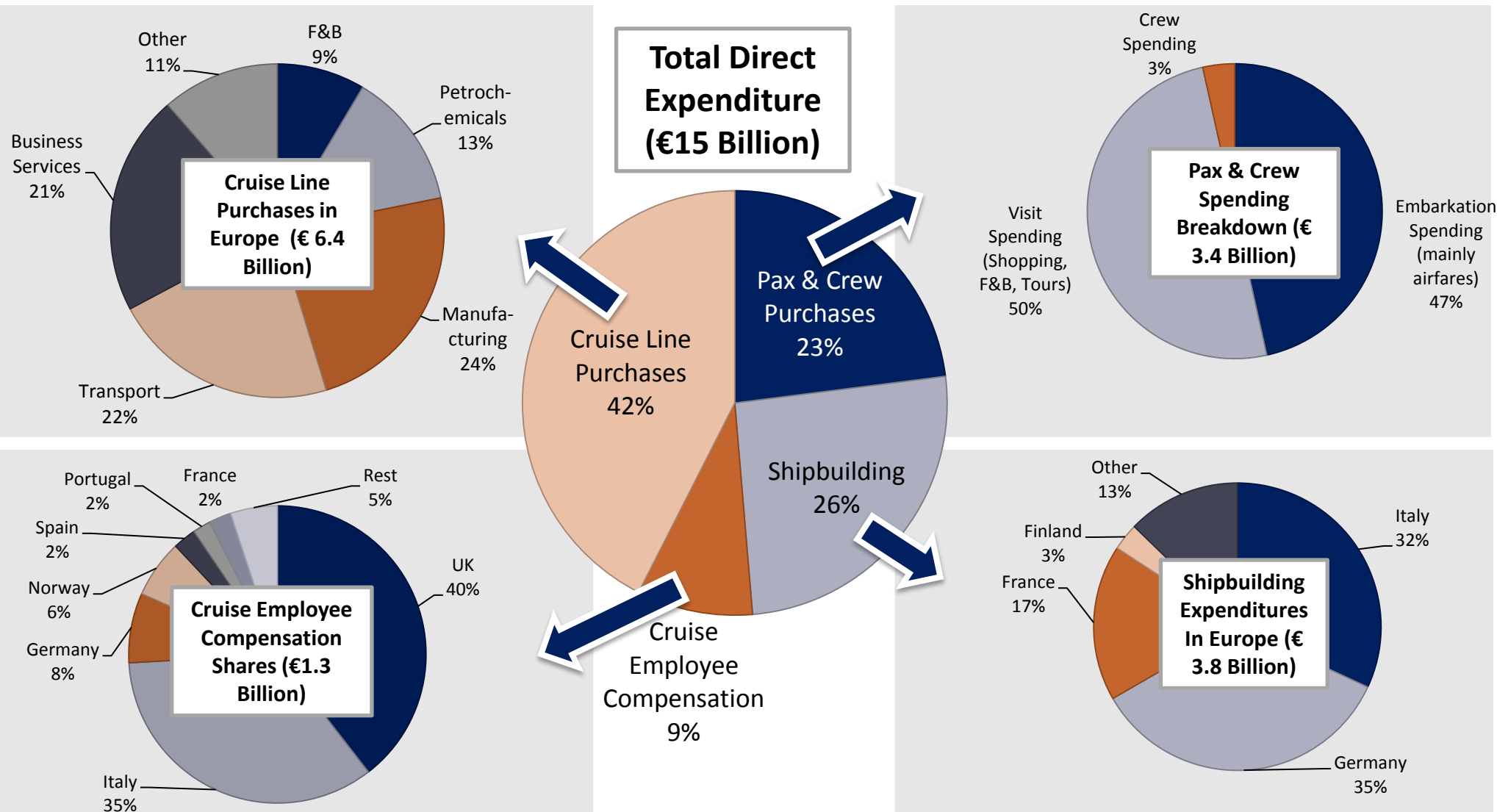
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# The Cruise Economy 2012:

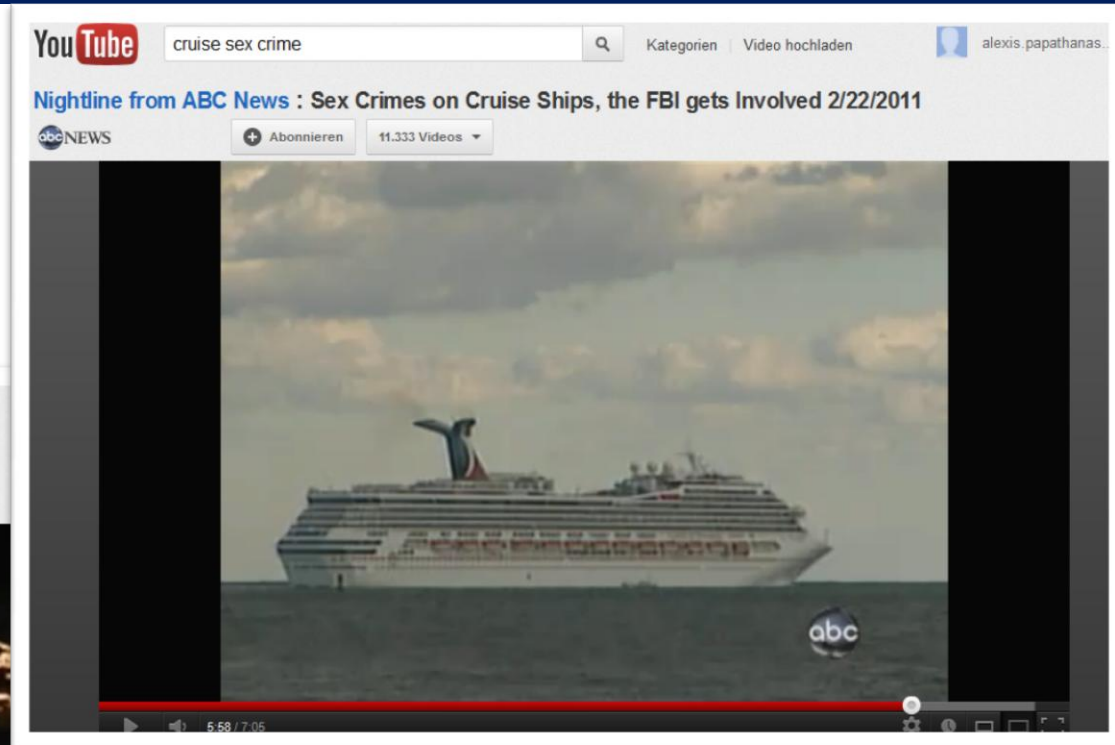
## *Direct Economic Impact of Cruise Tourism in Europe*



Cruise **Income** is primarily  
created by **production** at  
the **source markets**; not  
by consumption at the ports!

# Are Cruises Safe?

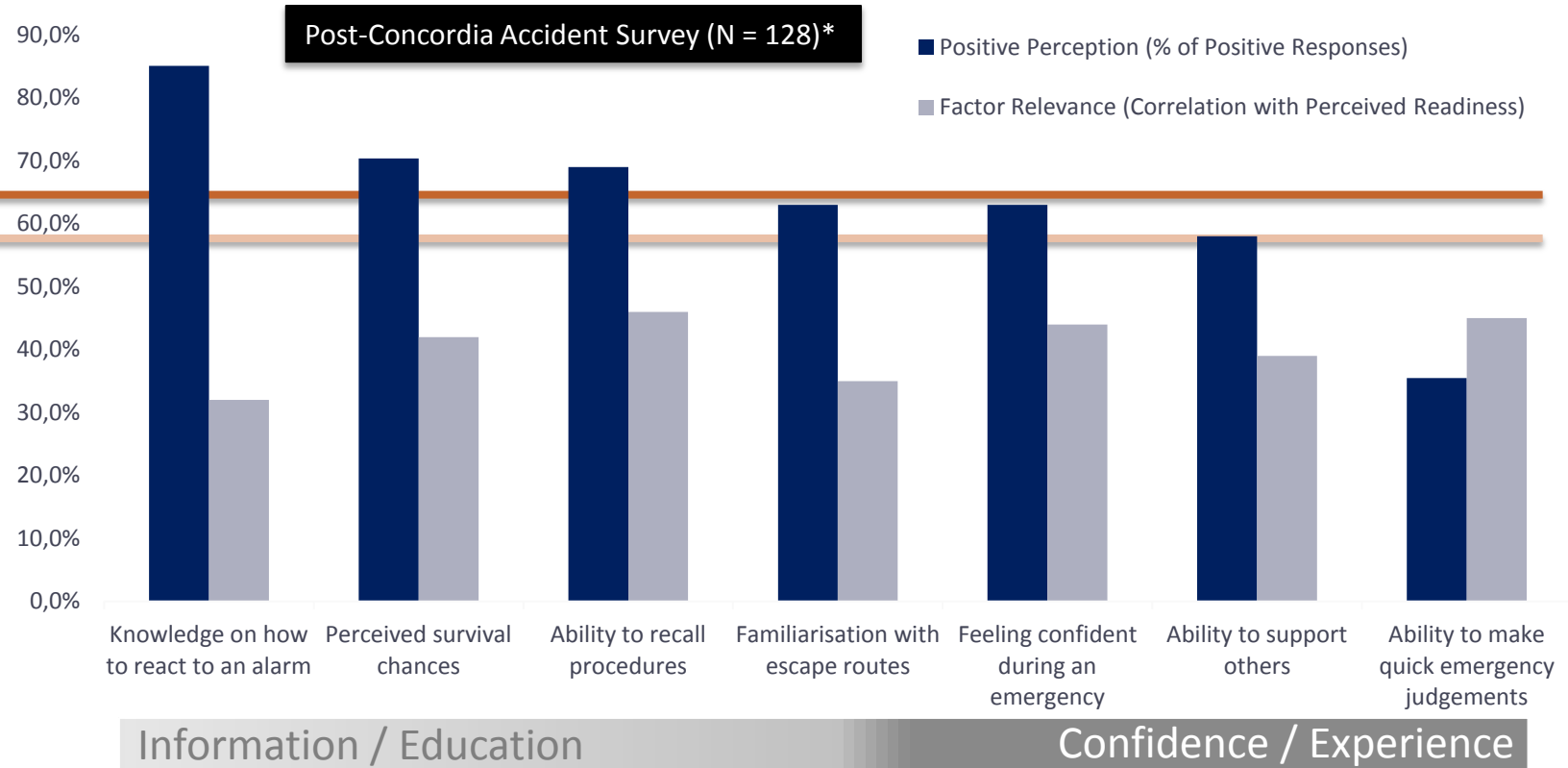
**Cruises** are generally and comparatively (to other holiday forms) **safe**. Although there are several incidents at sea every year, the amount of injuries and death are relatively low...



... But the question is not whether cruises are safe or not! It about how can they become even **safer**?

# Cruises & Safety Perceptions

## Do Cruisers feel able to deal with an onboard emergency?



**54%** of respondents view safety as their **own responsibility** especially when travelling with their family?

**53%** of respondents do **not trust (or cannot assess)** the **crew's ability** to deal with an emergency... Staff perceived as highly motivated and willing to help, but less highly as able to provide information and communicate emergency info...



**Safety** is a state and not a  
**Procedure**... dependent  
on the **attitudes and**  
**abilities** of the people on  
board!

# Employment Conditions on board... Media Dramatisation?

theguardian

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## Cruise ships are a floating microcosm of our global economic hierarchy

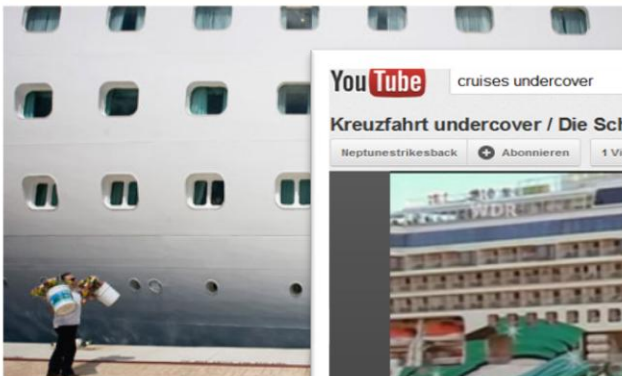
Titanic-style divisions below deck on luxury cruises are still evident 100 years on, exploiting an international workforce



Paul Mills

guardian.co.uk, Monday 1 October 2012 14.53 BST

[Jump to comments \(92\)](#)



A vendor offers flowers for sale outside Royal Caribbean ship of the Seas. Photograph: Reuters

The Titanic, and its striking imagery of opulence, champagne and chandeliers, Italian waiters, the toil and trouble of later, the luxury is no longer so exclusive. Certainly aren't European – but not a

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Perhaps, maybe for a number of crew, the **wages and life on board are better than at home...** But are they fair? For how long? With what implications?

# Cruise Employment

## *"24/7 for 500 Dollars a month!?"*



### Costs of getting a

### Cruise Job\*

Applicants from poor countries (Philippines, Indonesia, India)  
 Between \$1500-2000 to get the job  
 Job start with a credit  
 Money sent home = \$300 / month (7 months' work + 2-3 months' lay-off)

### Indicative Wage levels\*\*

F&B: Low paid, non-customer facing staff = \$350-500 / month  
 Housekeeping: Low paid, non-customer facing staff = \$600-800 / month  
 Cruise staff: Staff organising activities for passengers = \$1800-2100 / month

### Working Conditions:

Long-working hours

- ... But tax free income!?

Private quarters & crew facilities – quality of life

- ... But no extra living costs (accomm & catering)

Long absence from family & friends

# Statement extracts from Cruise Corporate Websites...

“Our vision is to **empower and enable our Employees** To deliver the best vacation experience for our Guest, thereby generating **superior returns for our Shareholders** and enhancing the **well-being of our Communities**.”

“We recognize that our success is tied to **protecting the environment**, safeguarding and developing **our workforce**, strengthening stakeholder relationships, **enhancing the port communities** that we visit and maintaining **our fiscal strength**. We also recognize that, in today’s business climate, the viability of our business as well as our **reputation** depends on being more sustainable and transparent.”

The age of digital  
transparency has  
arrived...What happens  
at sea does not stay at  
sea anymore!

# Information Management in a Wider Context

## *“Cruise Leaks” – Big Brother is being watched!*

### Critics & Interest Groups

- Tax avoidance – Flags of convenience
- Environmental Externalities (Friends of the Earth Scorecard)

### Suppliers

- Economic Impacts at Source Markets
- Destination limitations (Seasonal, infrastructural)

### Investors

- Pax Numbers vs. Profitability
- Risk of over-capacities
- Critical profitability dependencies (Regulatory environment and fuel prices)

### Customers

- Mass Cruising
- Overcrowding
  - Safety
- Criminality on board (Balancing security with recreation)

### Employees

- Image issue (‘Sweatships’)
- Intl Transport Workers’ Federation (ITF)
- International Labour Organisation (ILO)
- Crew living & employment conditions

### Competitors

- Fusion packaged tourism – cruise tourism (extended competitive scope)
  - New players



# Traditional Onboard Practices & Communication Policies and Platforms need to be revised

travelweekly

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## Celebrity Cruises saddened over 'biased' documentary

Sep 27, 2012 08:29AM GMT  8 Comments and 10 Reactions

Celebrity Cruises has said it is saddened by the imminent airing of a Channel 4 programme about the cruise industry which it fears will be "biased and unbalanced".

Channel 4's investigative programme *Dispatches* sent an undercover reporter on board a Celebrity Cruises ship to conduct an expose on the cruise industry.



The documentary, due to air on Monday, has been described by the makers as a look at the "reality of life below deck for the multinational workforce who toil behind the scenes of glamorous ocean-going holidays".

*Dispatches* reporter Tazeen Ahmad travelled as a passenger on a cruise ship, and also went undercover working as an assistant waiter to "discover working conditions below the legal minimum in the UK".

Jo Rzymowska, associate vice-president and general manager for Celebrity, told *Travel Weekly* the cruise line had taken "immediate steps" to investigate the claims made by the undercover reporter.

"On Thursday, September 20, we were informed by producers for Channel 4 *Dispatches* that covert and unauthorized filming took place on *Celebrity Eclipse* by one of their reporters who was hired as an assistant waiter," she said.

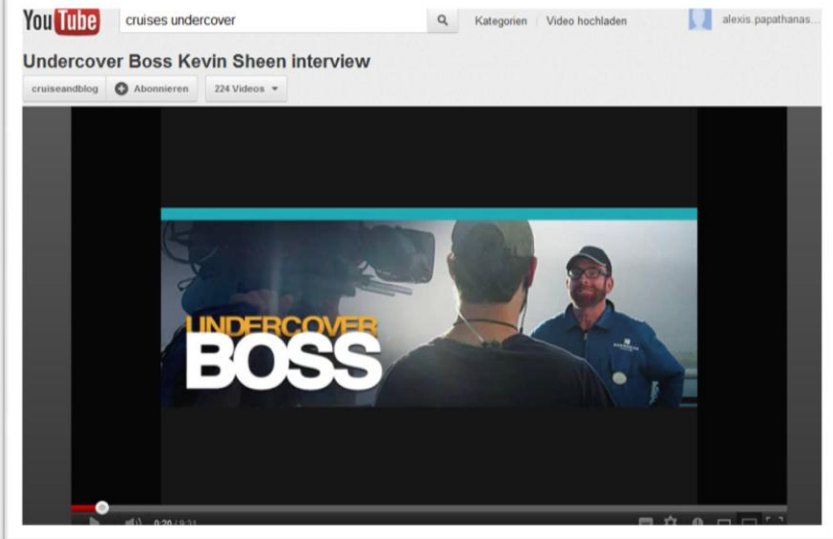
"Sadly, we are anticipating a biased and unbalanced programme about the labour and wage issues in the cruise industry – with *Celebrity Eclipse* as the show's primary example.

Rzymowska added: "We are committed to our employees, both shipboard and shoreside. Celebrity Cruises has taken immediate steps to investigate all of the allegations made by the undercover reporter to determine their basis and validity.

"If we discover that anyone within the company, or at the hiring and placement agencies we work with, violated our procedures and requirements, we will take swift and corrective actions.

\*\*\* believe in the hard work and dedication of the thousands of crew members on board our

OR



# Some Recommendations...

## *“Inform and Communicate” vs. “Promote and Advocate”*

“Actions speak more than Statements and Reports”

- ‘Acting responsibly’ is not the same as ‘Responsible action’

“Internalise the notion of a ‘Chinese Contract’”

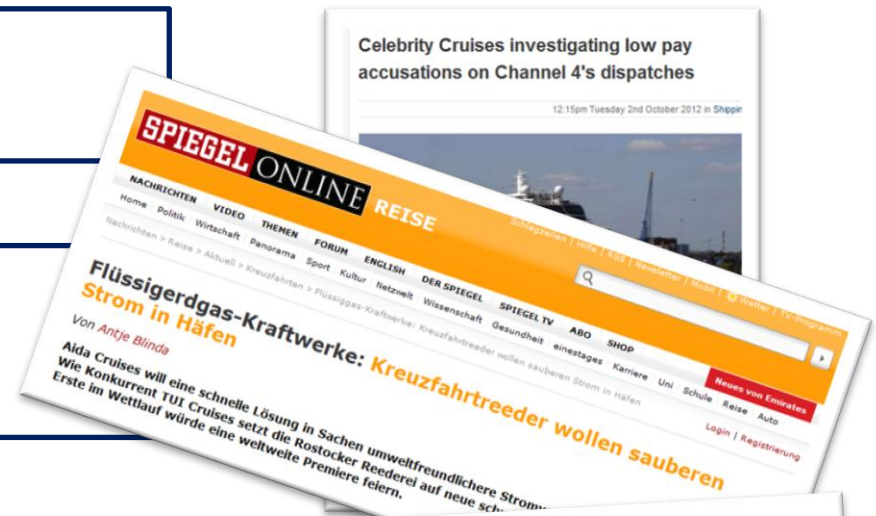
- Aim for win-win agreements with stakeholders (Destinations, retail partners, special interest groups)

“If you trust your offering, trust the judgement of your customers”

- Customers are increasingly experienced, well-informed and media-competent. They are sophisticated with filtering information, can relativise public criticism and media-shows

“Utilise sector critics... It is quality control for free.”

- Criticism is not to be silenced or debated against
- Criticism is to be explored, understood and reacted upon
- Frequently, dealing with the criticism is more cost-effective than dealing with the critic



Caribbean cruises leave wave of bitter merchants in ports



**Reputation** is about  
'meaning what you say'  
and 'saying what you  
mean'!

# An 'Apple' cannot stay indefinitely fresh... ... *But a 'ripe apple' can be a business success!*



... Nobody expects it to either! Selling it as such raises **concerns and suspicion**.

Perhaps a 'ripe apple' is attractive not due to its appearance, but due to its **consumption value** (e.g. best for apple pie) and **reputation** (e.g. organic).

For the maturing cruise sector, the greatest challenge ahead lies with **socio-economic responsibility** and action-focused **reputation management**



# 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