

Prof.Dr.Dr. Alexis Papathanassis

THE BUSINESS CYCLE IN THE CRUISE INDUSTRY: A Short Cruise across the Blue Ocean



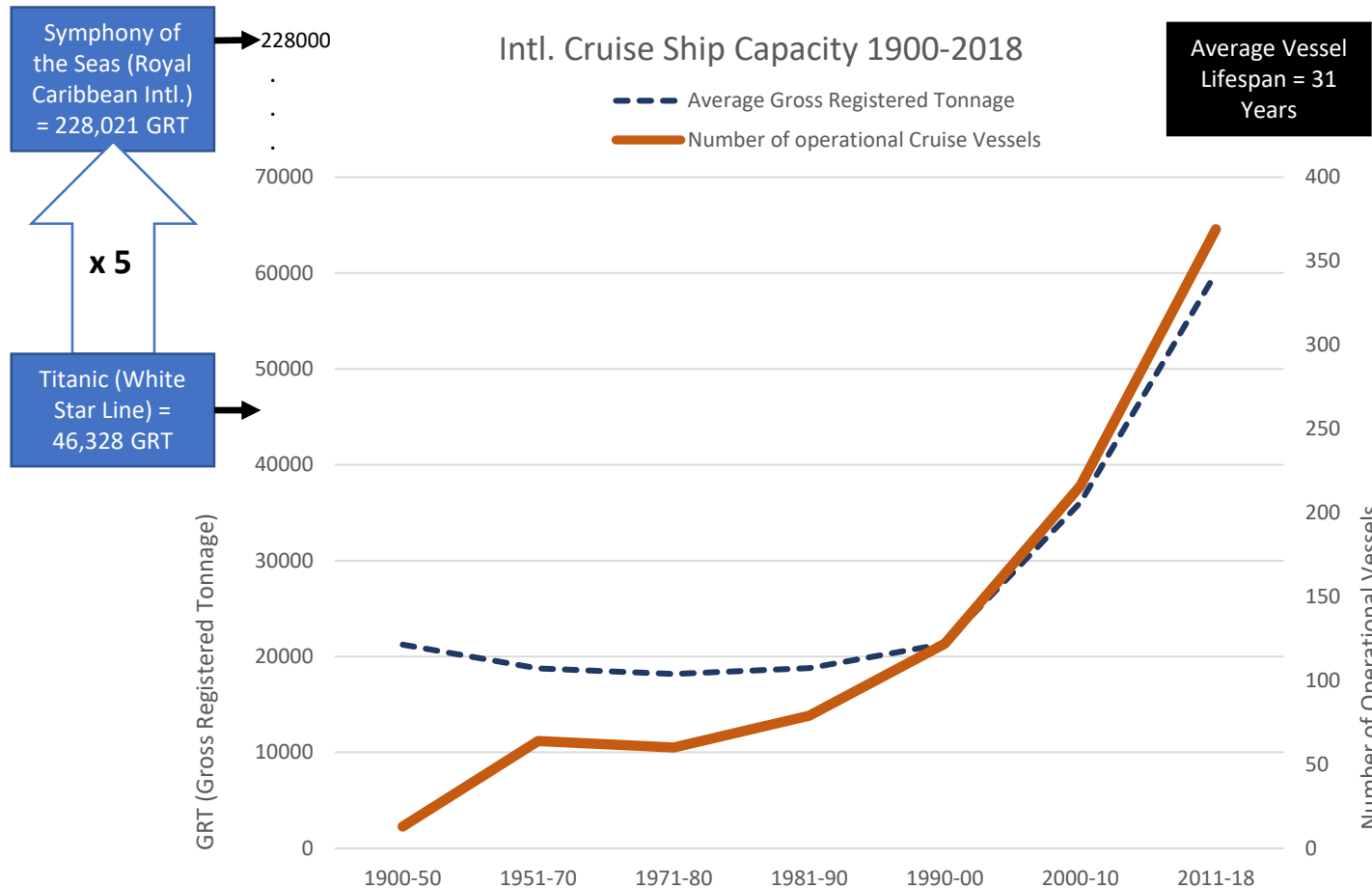
Institut für
Maritimen
Tourismus



Cruise Research Society

A Short History of Cruising

A History of Crisis and Technology-enabled Transformation



Source: Papathanassis, A. (2019). The growth and development of the cruise sector: A perspective article. *Tourism Review*.

<https://doi.org/10.1108/TR-02-2019-0037>

1960-70s: Crisis in passenger shipping

- Early 20th Century, mainly focused on Transatlantic crossings
- Crisis through the commercialisation of jet-engine flight transportation

1980s: Transformation of a cruiseline voyage to a cruise holiday

- Amenities and facilities on board
- Increasing vessel size – floating resorts, enabled by ship-building technological advances

1990s: Capacity investments and modernisation

- New-builds and capacity investments
- Gradual reduction of prices / 'democratisation of cruising'

2000s: Consolidation

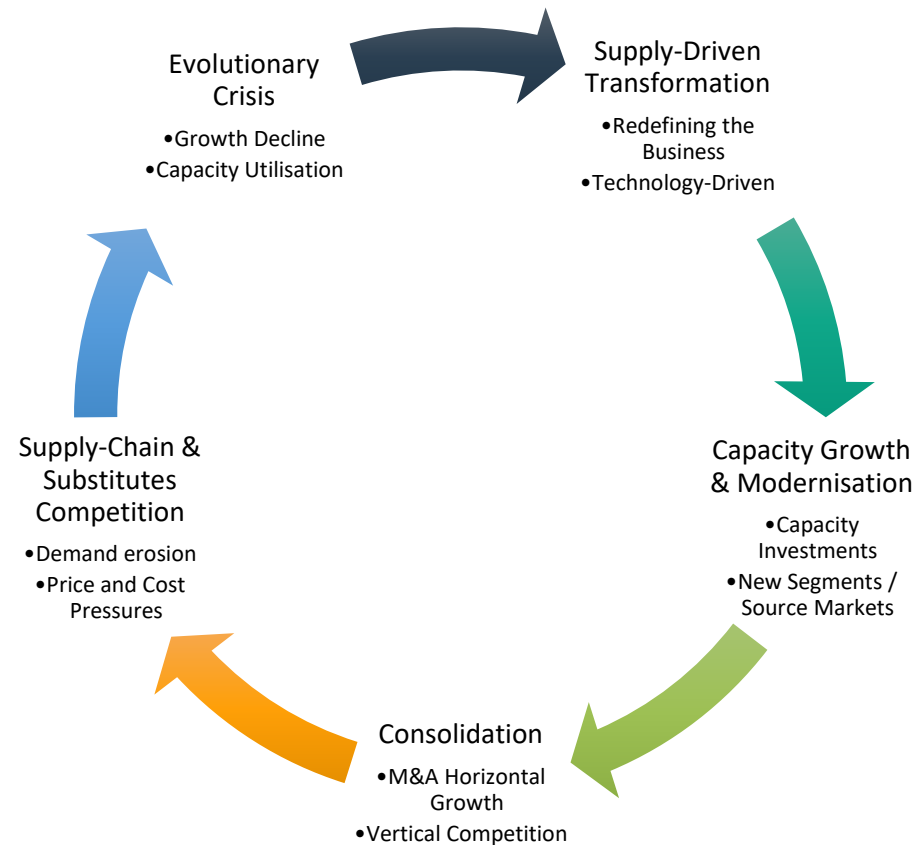
- Horizontal M&A resulting to high concentration

2010-Today: Crisis in Cruise Tourism's Supply Chain

- Maturity in main source markets
- Sustainability-, Health and Safety Regulations
- Overcrowding / Port infrastructure / Destination Carrying Capacities

Cruise Sector Development Blueprint

'Rather Sail than Swim' – Aggressive Blue Ocean Strategy



- Key Characteristics:

- Strategic Paradigm:

- Supply-Driven Growth

- Key Drivers:

- Capacity Utilisation
 - 'Share of Wallet' Maximisation

- Key Enabler: Technology

- Competitive Stance:

- Horizontal Concentration (Market Power)
 - Vertical Competition (Revenue Maximisation)

- Transformation Trigger:

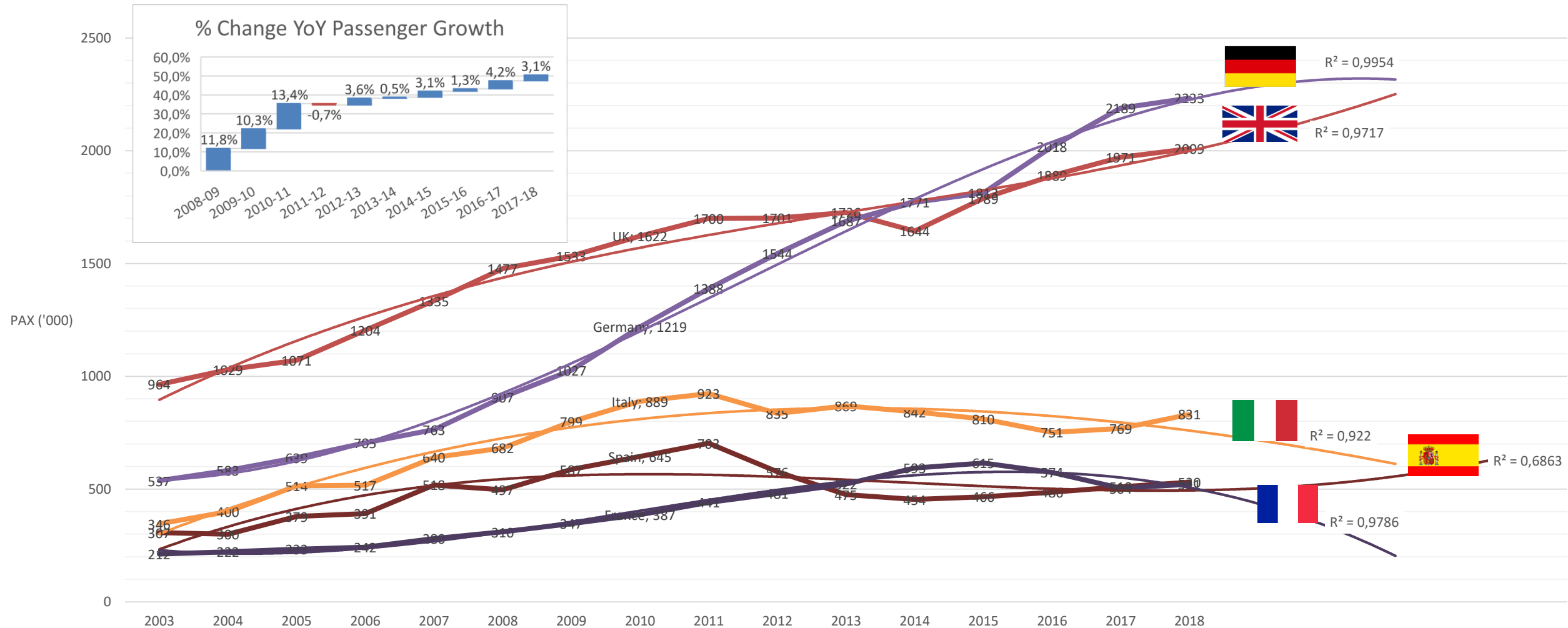
- Supply-Chain Challenges

“It is more imperative than ever for companies to move from red oceans of bloody competition to blue oceans of profitable growth..”

(Schawbel, D. (2014). W. Chan Kim: How Entrepreneurs Can Find Their Blue Oceans. Retrieved 17 November 2019, from Forbes website: <https://www.forbes.com/sites/danschawbel/2014/02/14/w-chan-kim-how-entrepreneurs-can-find-their-competitive-edge/>)

Demand and Cruise Passenger Development

Maturity in the Main European Markets



* Data Source: CLIA Europe Economic Impact Reports 2012-2018

The Asian 'Blue Ocean'

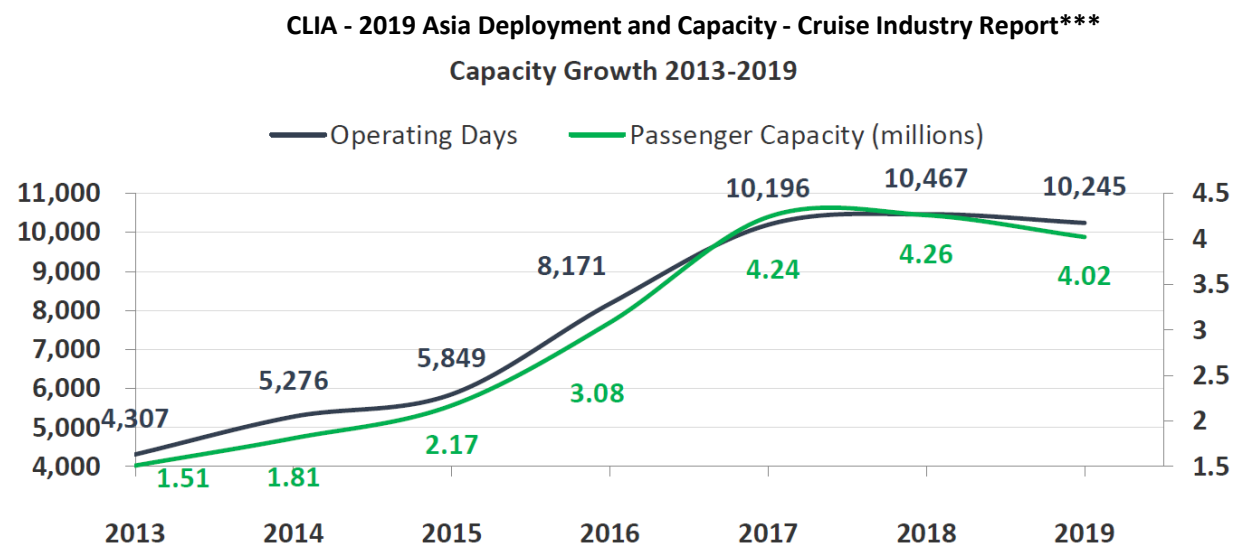
Current Size Comparable to Europe... Potential also?



“Our study shows that **blue ocean strategy** is particularly needed when supply exceeds demand in a market. This situation is applying to more and more industries today and will be even more prevalent in the future.”

(Schawbel, D. (2014). W. Chan Kim: How Entrepreneurs Can Find Their Blue Oceans. Retrieved 17 November 2019, from Forbes website: <https://www.forbes.com/sites/danschawbel/2014/02/14/w-chan-kim-how-entrepreneurs-can-find-their-competitive-edge/>)

- Cruise Market Potential: Approx. 400 Million middle-class Chinese
- Cruise Deployment: 4.9% Share of Capacity (Europe w/o Med = 11.1%)*
- Cruise Market Penetration: 0.06% (2.4 Million Chinese Pax in 2017)**



* Data Source: CLIA (2018). 2019 Cruise Trends and Industry Outlook: <https://cruising.org/news-and-research/research/2018/december/2019-state-of-the-industry>

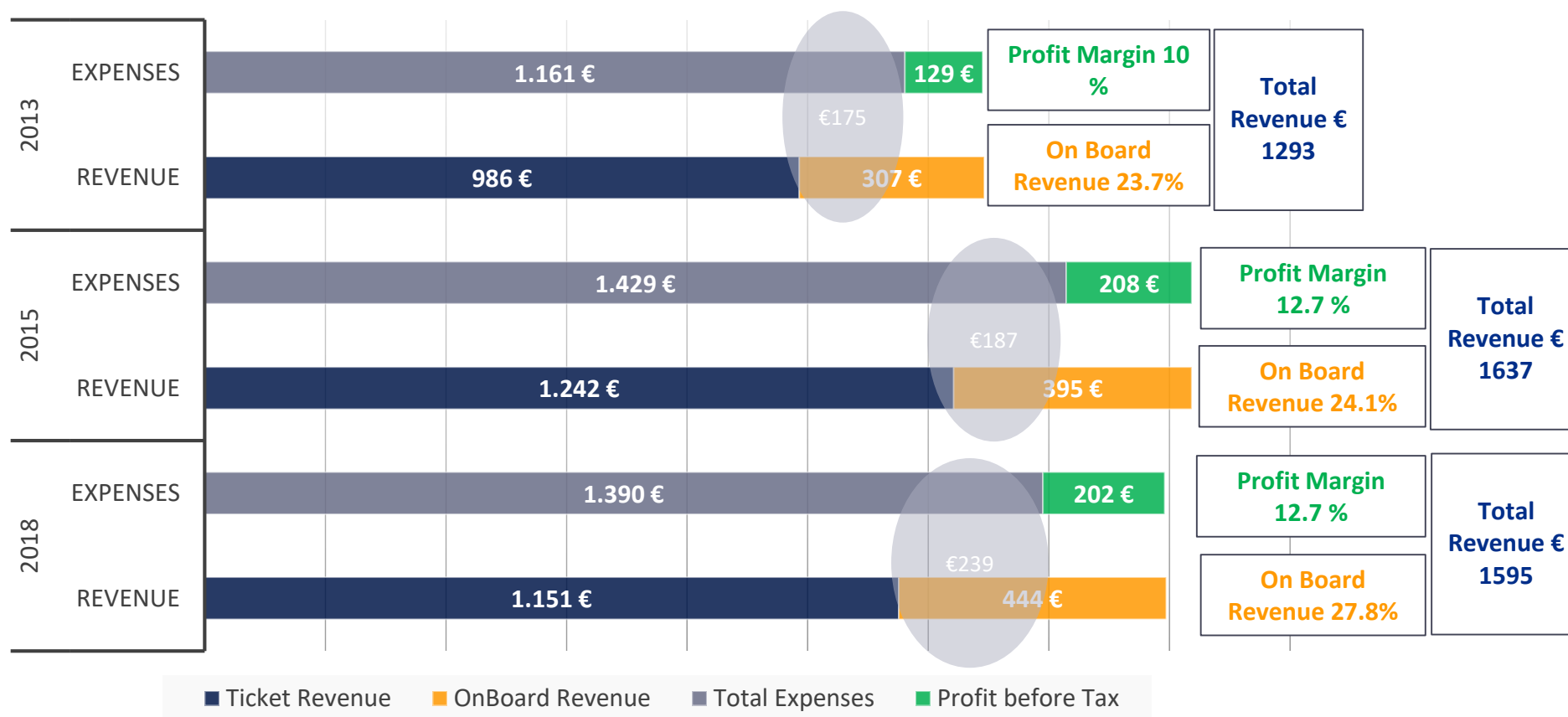
** Data Source: CLIA (2018). The Global Economic Contribution of Cruise Tourism 2017: <https://cruising.org/news-and-research/research/2017/december/the-global-economic-contribution-of-cruise-tourism-2017>

*** CLIA (2019). Asia Deployment and Capacity – Cruise Industry Report. <https://cruising.org/news-and-research/research/2019/september/2019-asia-deployment-and-capacity---cruise-industry-report>

From 'Cruise Holidays' to 'Floating Resorts'

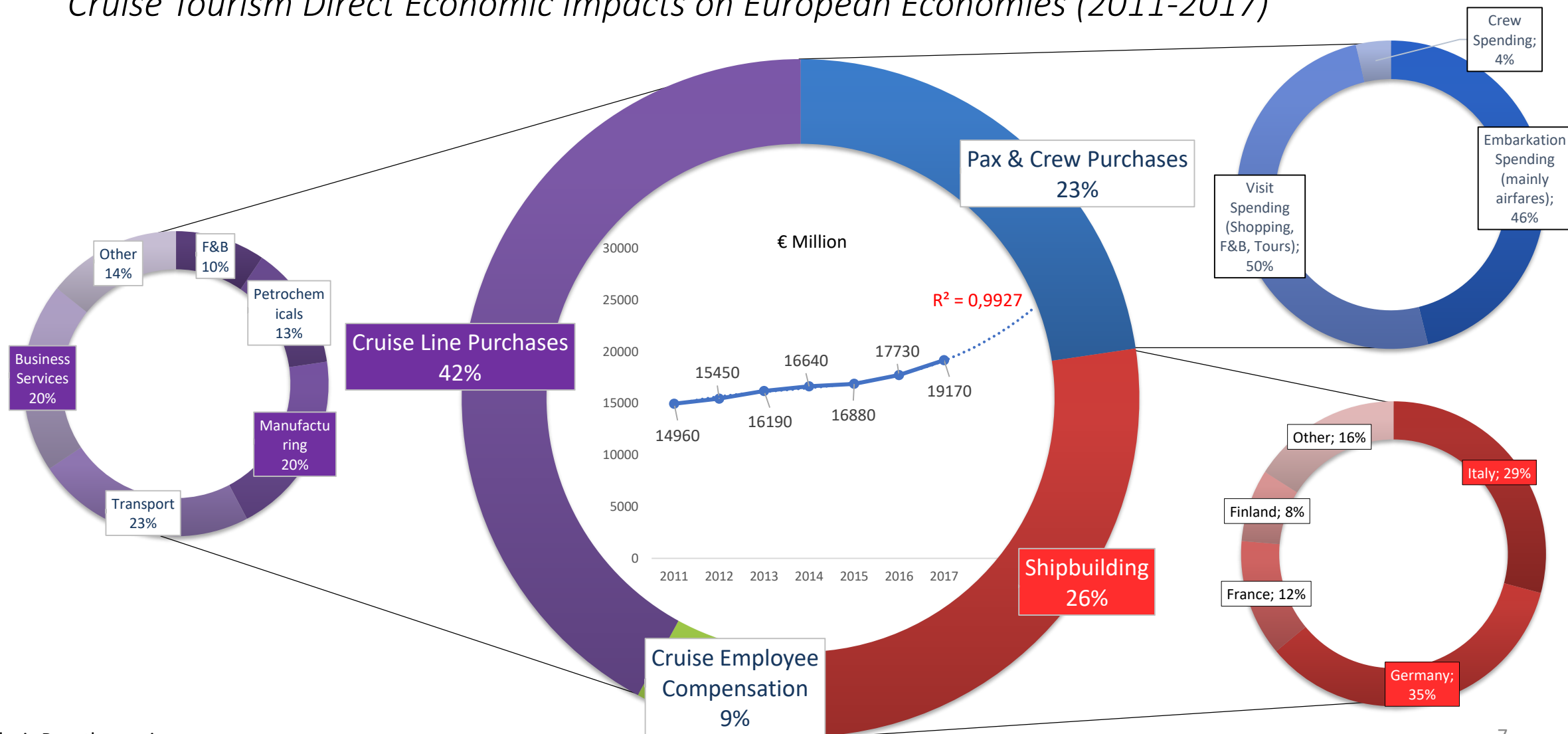
Transformation driven by On-board Revenue and Scale Economies

Average Cruiser Financial Breakdown 2013-2018



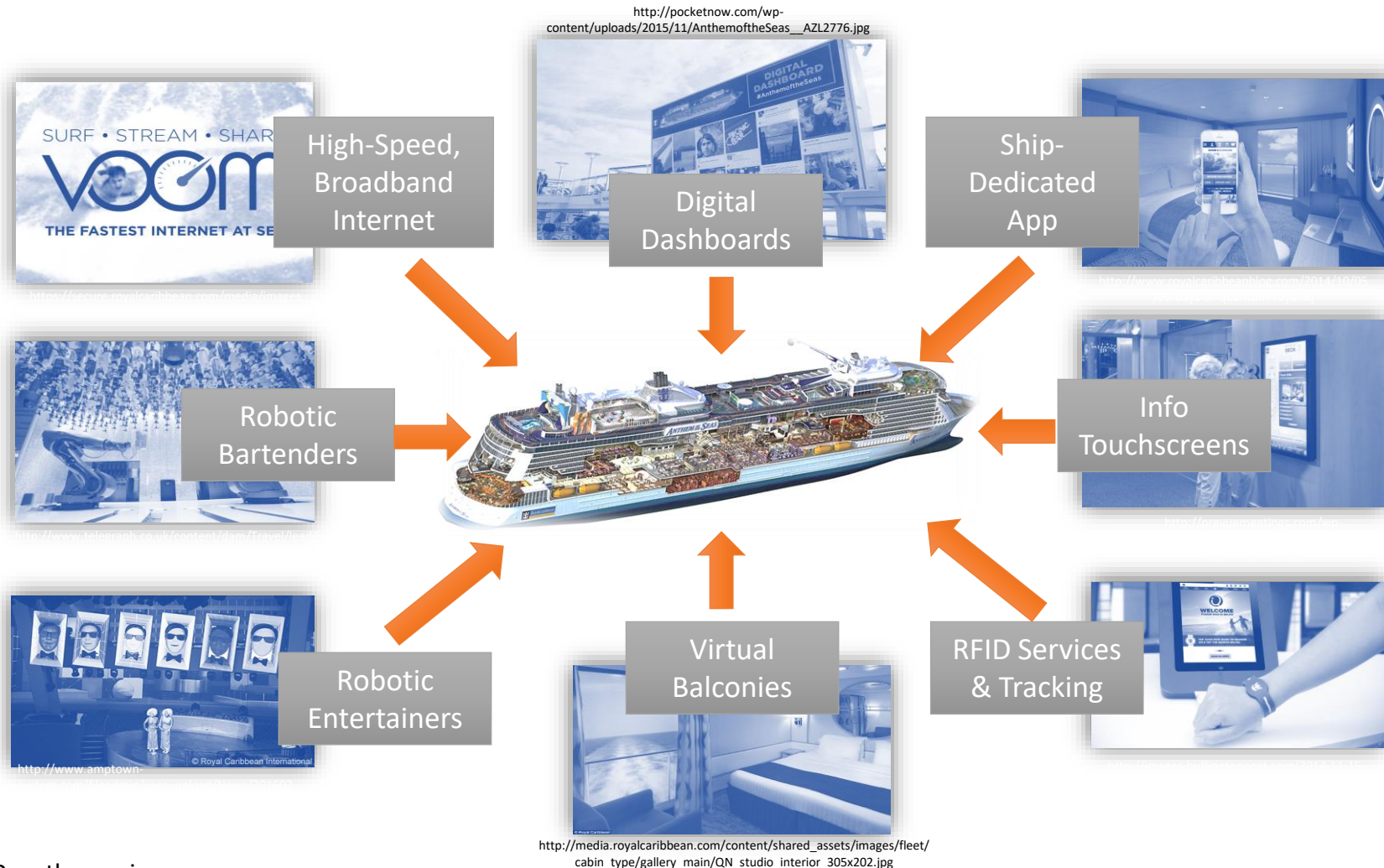
Capacity and Technology Investments – B2B Focus

Cruise Tourism Direct Economic Impacts on European Economies (2011-2017)



Technology-enabled Modernisation – ‘Smartness’

‘Smartness’ equals more capacity for the same size

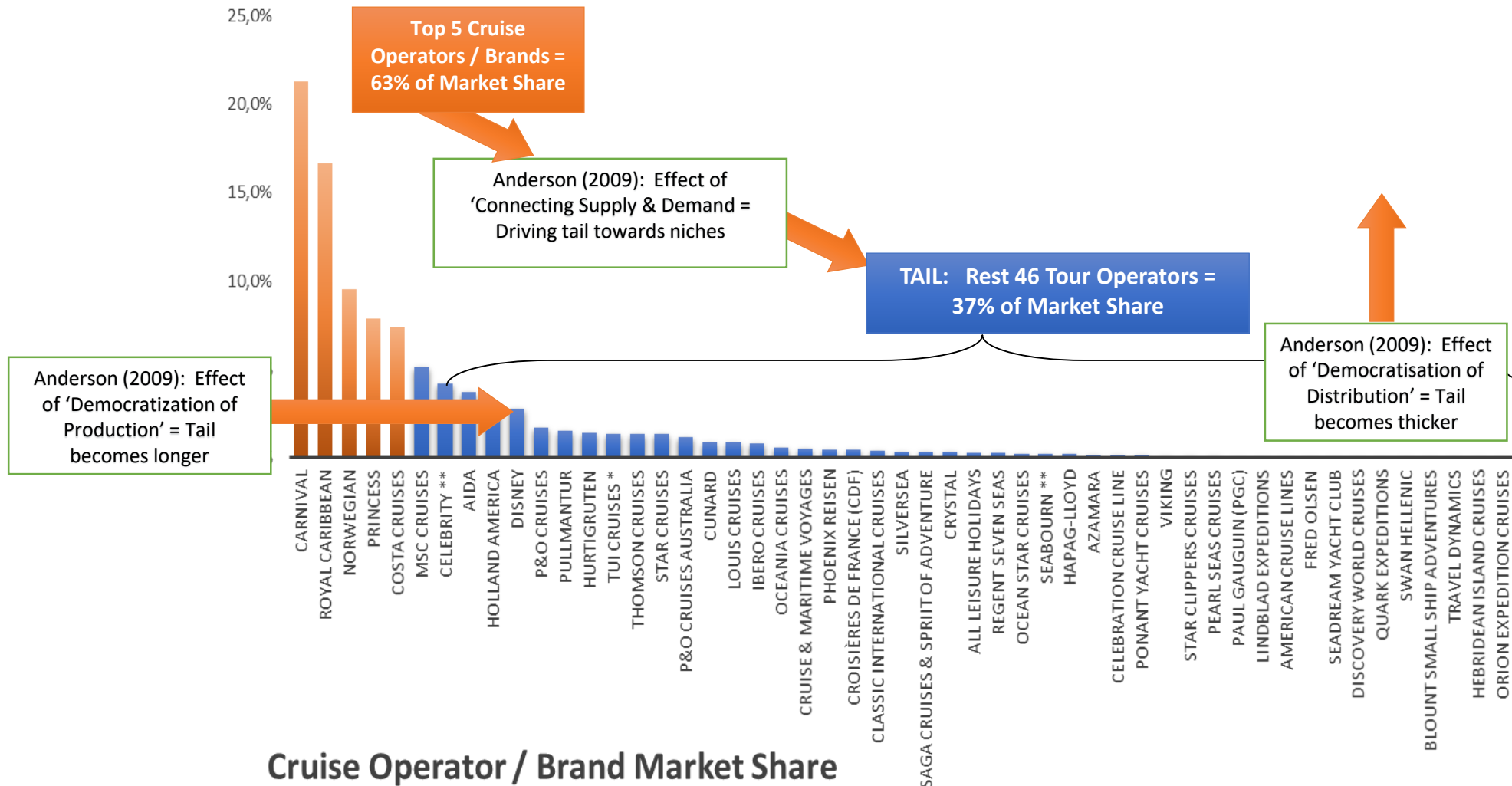


“A *blue ocean strategy* brings with it considerable barriers to imitation.”

(Schawbel, D. (2014). W. Chan Kim: How Entrepreneurs Can Find Their Blue Oceans. Retrieved 17 November 2019, from Forbes website: <https://www.forbes.com/sites/danschawbel/2014/02/14/w-chan-kim-how-entrepreneurs-can-find-their-competitive-edge/>)

Concentration and Consolidation

Ship-Building Restrictions and Barriers to Entry



*“A **blue ocean strategy** brings with it considerable barriers to imitation.”*

(Schawbel, D. (2014). W. Chan Kim: How Entrepreneurs Can Find Their Blue Oceans. Retrieved 17 November 2019, from Forbes website: <https://www.forbes.com/sites/danschawbel/2014/02/14/w-chan-kim-how-entrepreneurs-can-find-their-competitive-edge/>)

Concentration Implications

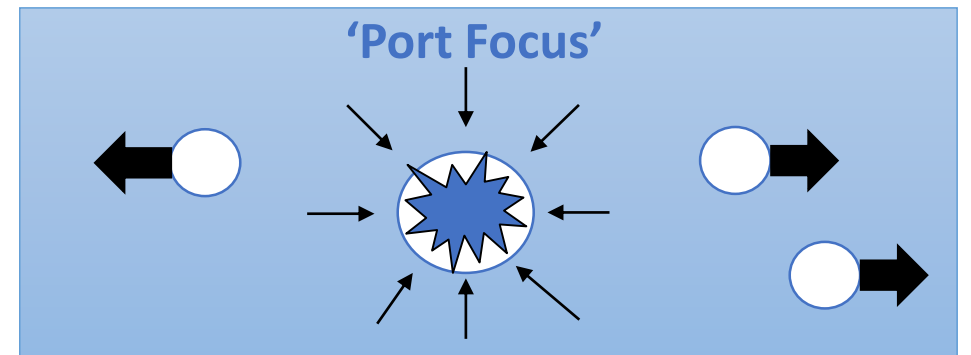
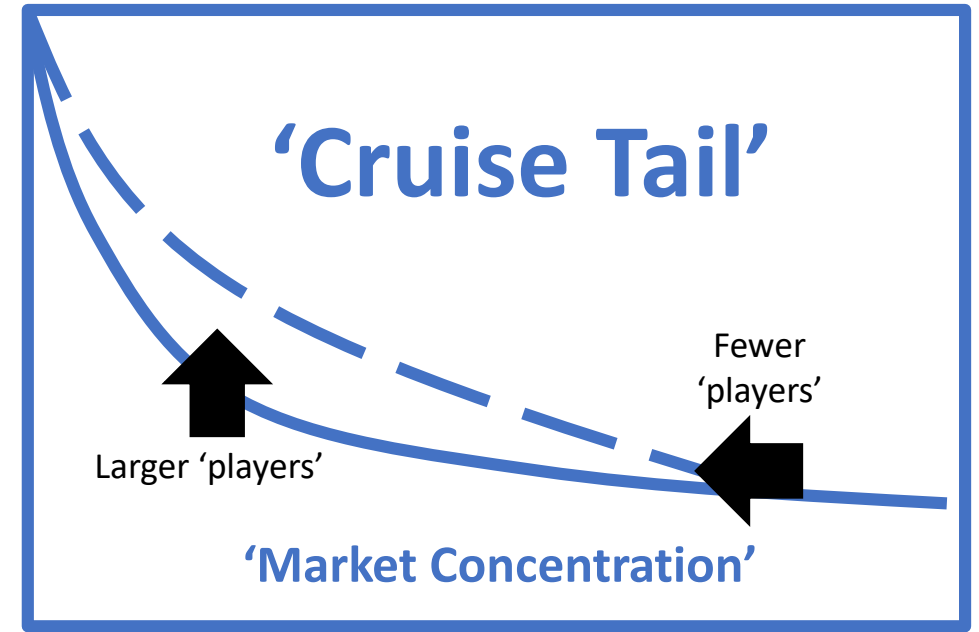
Cruise Business 'Oligarchy' and Ports

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'



Strategic Implications for Ports and Cruise Regions

Making Red Oceans Blue...

“Many industries are suffering from hastened commoditization of products and services, intensified price wars and contracting markets. **Competing head-on in these markets results in nothing but a bloody ‘red ocean’** of rivals fighting over a shrinking profit pool.”

(Schawbel, D. (2014). W. Chan Kim: How Entrepreneurs Can Find Their Blue Oceans. Retrieved 17 November 2019, from Forbes website: <https://www.forbes.com/sites/danschawbel/2014/02/14/w-chan-kim-how-entrepreneurs-can-find-their-competitive-edge/>)

- Shift from Cruise Destination **MARKETING** to Cruise Destination **MANAGEMENT**
- Shift from Cruise Region **PROMOTION** to Cruise Region **STRATEGY**
- Seamless Land-Sea **SMARTNESS** (Digital Holiday Experience)
- Tourism **PORTFolio** Management (Integration of Cruise Tourism in the overall tourism strategy)
- Beyond **short-term economic and political opportunism...** Towards long-term value-creation through **Public-Private-Partnerships and Profit-Sharing**



Hochschule Bremerhaven

Prof. Dr. Dr. Alexis Papathanassis
 Dean - Faculty of Management & Information Systems
 Chair - Cruise Management & e-Tourism

An der Karlstadt 8 · Raum S 5.33
 D-27568 Bremerhaven
 Telefon +49 (0) 471 48 23-532
 Telefax +49 (0) 471 48 23-285
 E-Mail: apapathanassis@hs-bremerhaven.de
<http://www.ctm.hs-bremerhaven.de>
<http://www.cruiseresearchsociety.com>

Privat:
 Lohmannstraße 16
 D-27568 Bremerhaven
 Telefon +49 (0) 173 613 25 65
 Fax +49 (0) 7211 5152 8170
 E-mail: alexis@papathanassis.com
<http://www.papathanassis.com>



For more info and for downloading this presentation pls
 visit: <http://www.papathanassis.com>

THANK YOU



Research Metrics:

- H-Index: 12
- 115 Publications
- 930 Citations
- 25357 Downloads

Review Activity:

- Editorial Board member of the 'Tourism Review'
- Reviewer for 'Tourism Management', 'Annals of Tourism Research', 'Intl. Journal of Hospitality Management'

Prizes and Distinctions:

- Paper in the Top 10 Most-Cited in Tourism Management (2016)
- Emerald Literati Prize (2018)
- Web-of-Science Top Peer Reviewer (2019)

