Hochschule Bremerhaven
University of Applied Sciences

Cruise Research Society

Institut für
Maritimen
Tourismus

Cruise Tourism DNA:
Making Sense of Current Developments and Challenges

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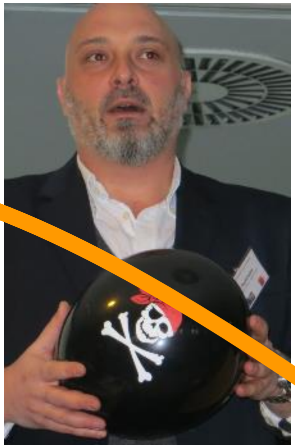
Deutsche Städtetag – Bremerhaven (Germany), 19th September 2018

Oh my… He has grown!
The Question is What and How?

Lucky to live in a safe and positive environment… And being reasonable with my choices!



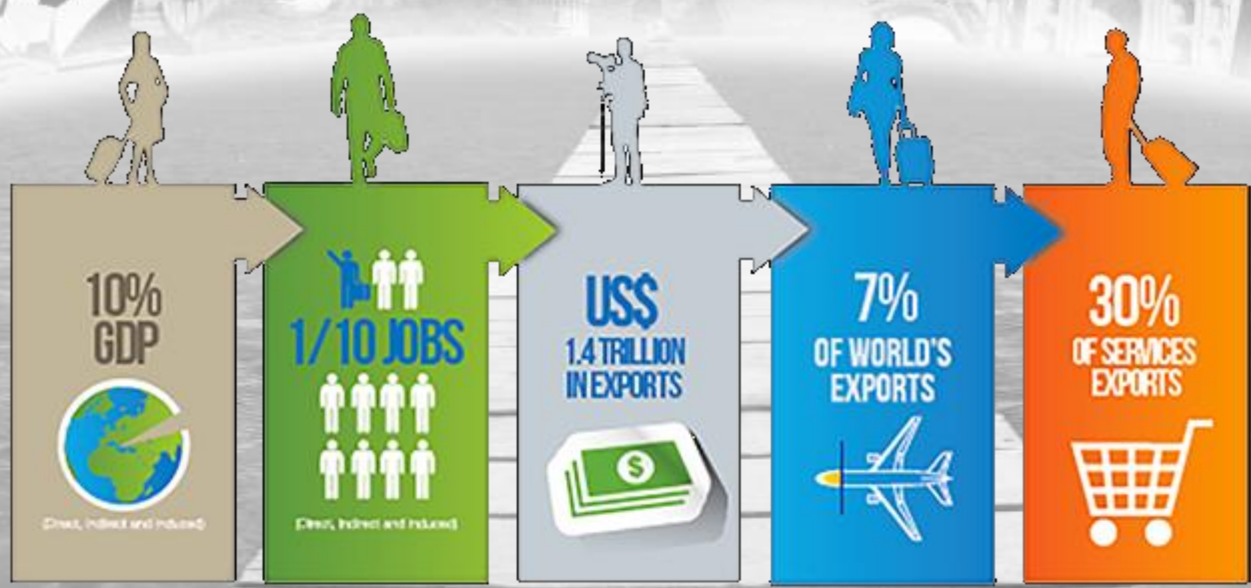



But how and what exactly grew is another story ☺

THE 'ENVIRONMENT'

World Tourism - UNWTO



2018 CLIA Cruise Industry Outlook Report

2016 GLOBAL ECONOMIC IMPACT

24.7 MILLION	1,021,681 JOBS	$41.1 BILLION
PASSENGERS	FT EQUIVALENT EMPLOYEES	WAGES + SALARIES

$126 BILLION
TOTAL OUTPUT WORLDWIDE

“Oh my! … he has grown!”

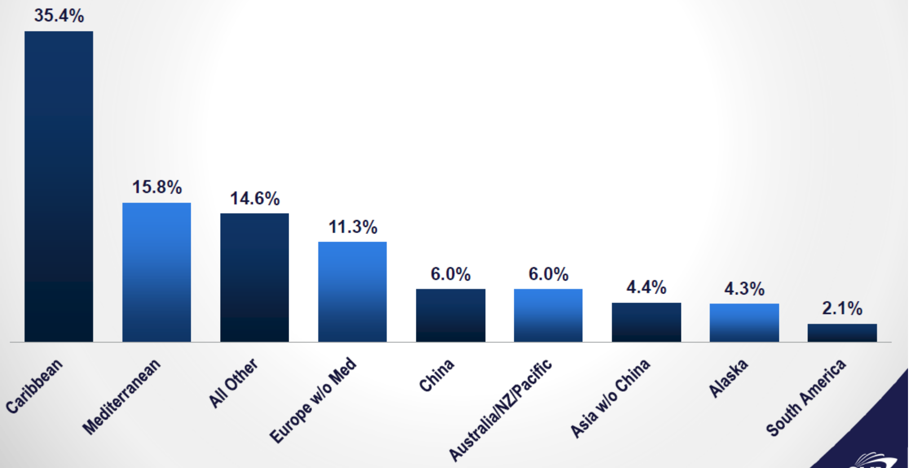
MORE SHIPS, MORE OPTIONS

449 CLIA Cruise Line Cruise Ships in 2017

27 New Ocean, River and Specialty CLIA Cruise Line Ships Scheduled to Debut in 2018

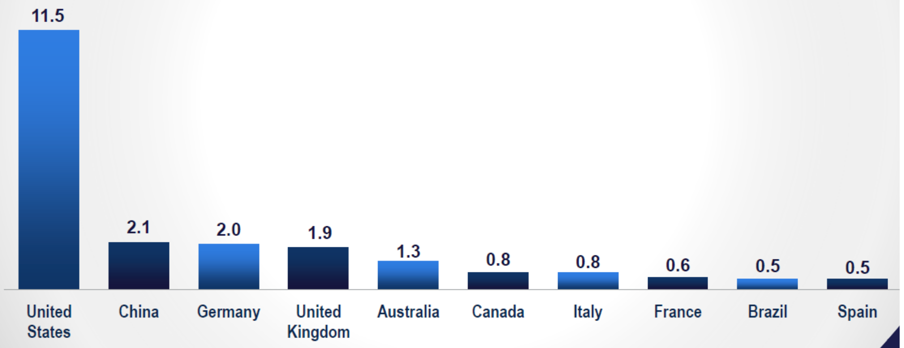
DEPLOYMENT

2017 Cruise Line Deployment by Region – % ALBD*



WHERE ARE PASSENGERS COMING FROM?

Demand for Cruising has INCREASED 20.5% in the Last Five Years (2011-2016 in Millions)

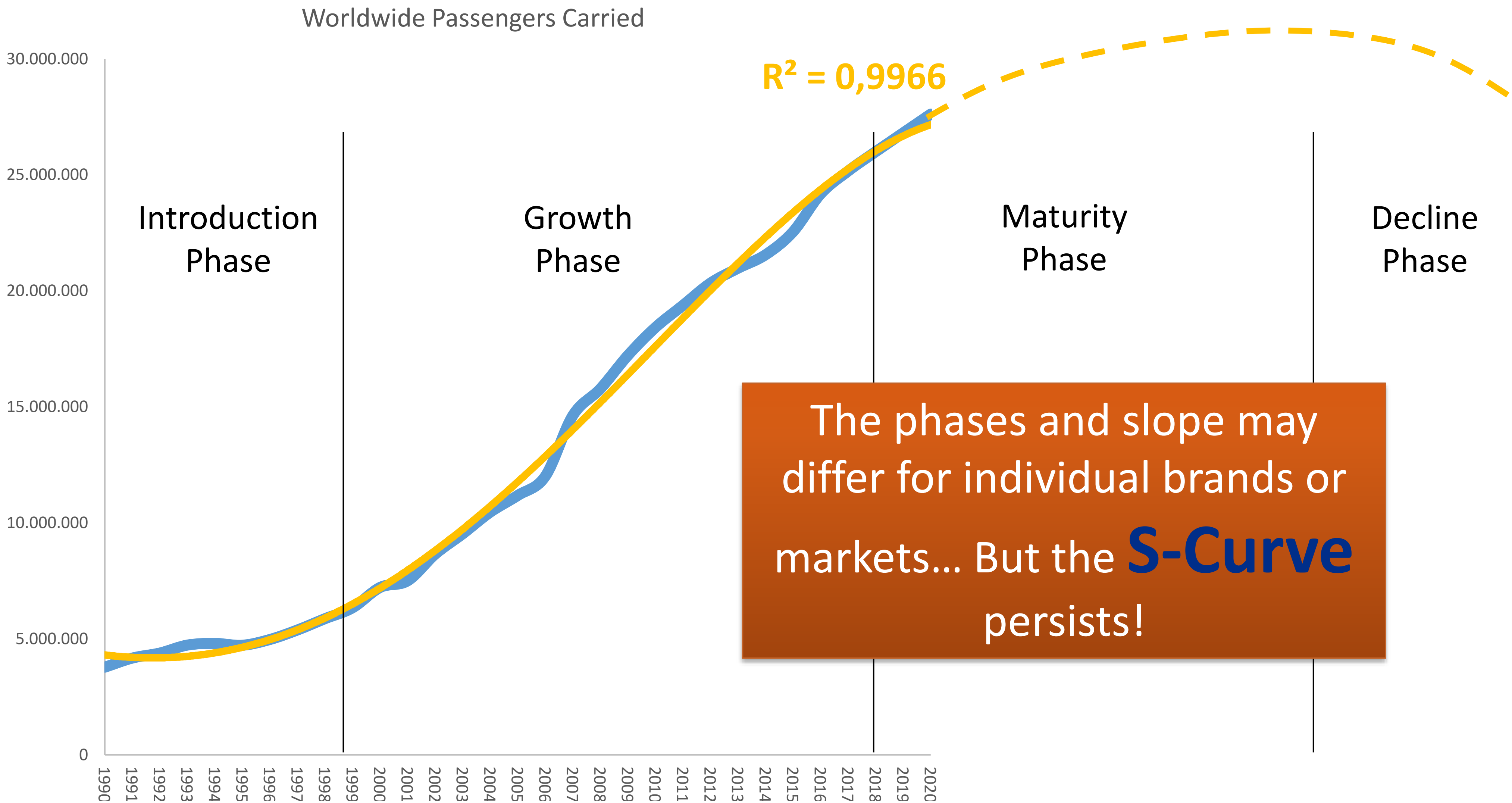


*Represents 2016 total ocean cruise passengers

Source: https://cruising.org/docs/default-source/research/clia-2018-state-of-the-industry.pdf?sfvrsn=2

Cruise Sector Growth

A Typical Product Life Cycle… S-Curve Logic!



The phases and slope may differ for individual brands or markets… But the **S-Curve** persists!

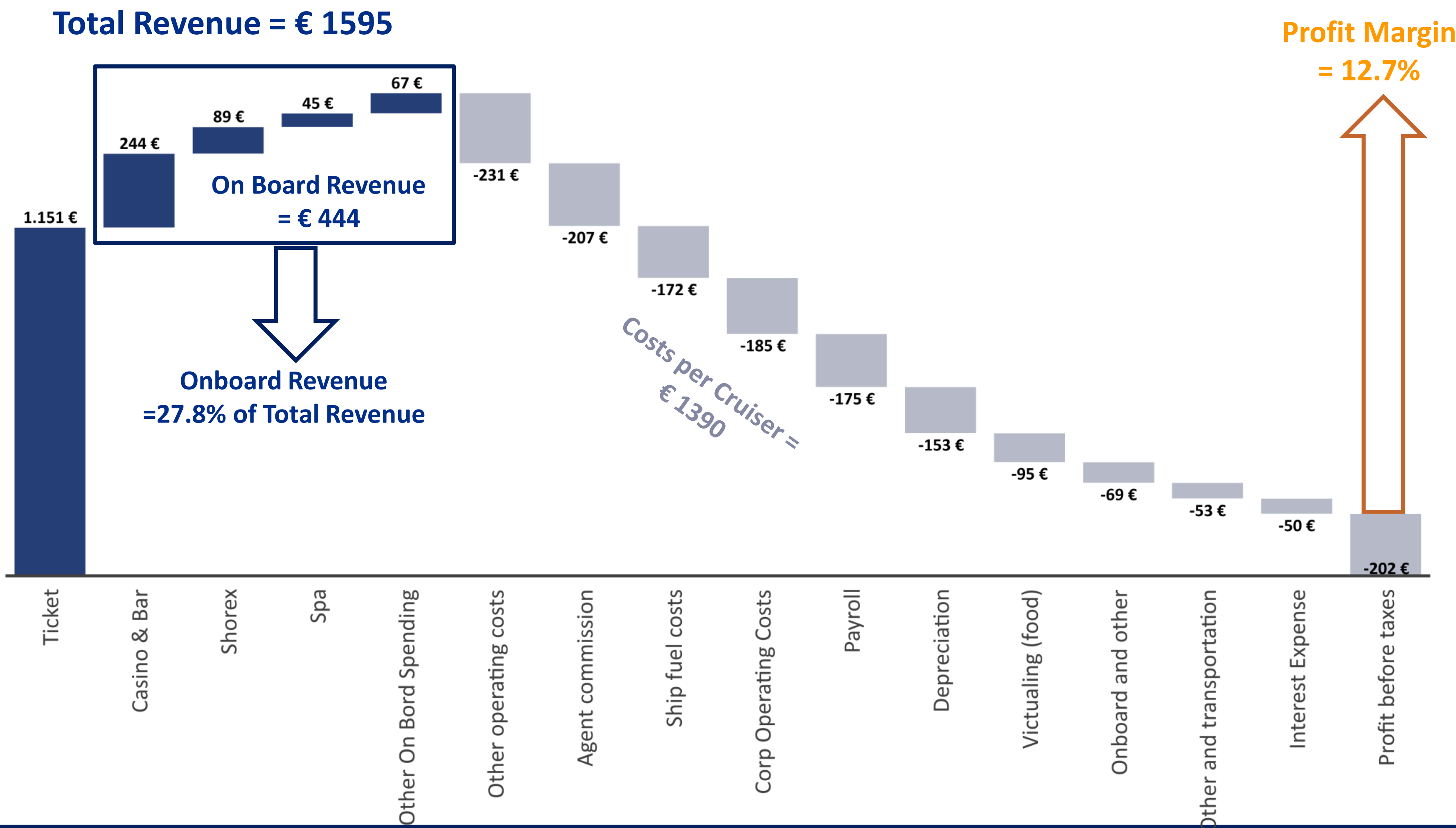
Data Source: https://www.cruisemarketwatch.com/

THE FIRST SIGNS OF LIFE CYCLE MATURITY

Cruises more affordable… but cruising not necessarily!

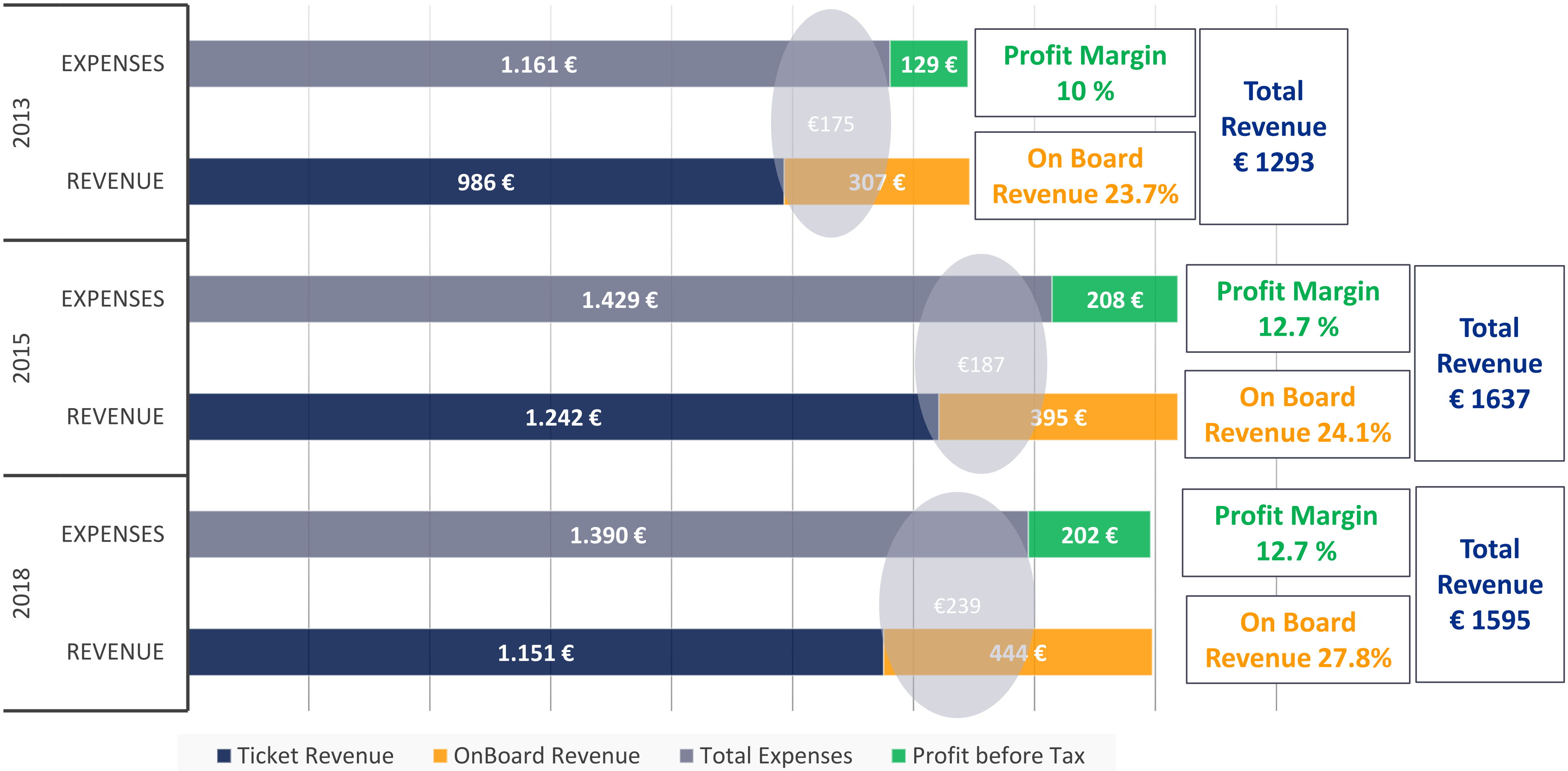
Average Cruiser 2018

Financial Breakdown



On Board Revenue – Captive Pricing Model

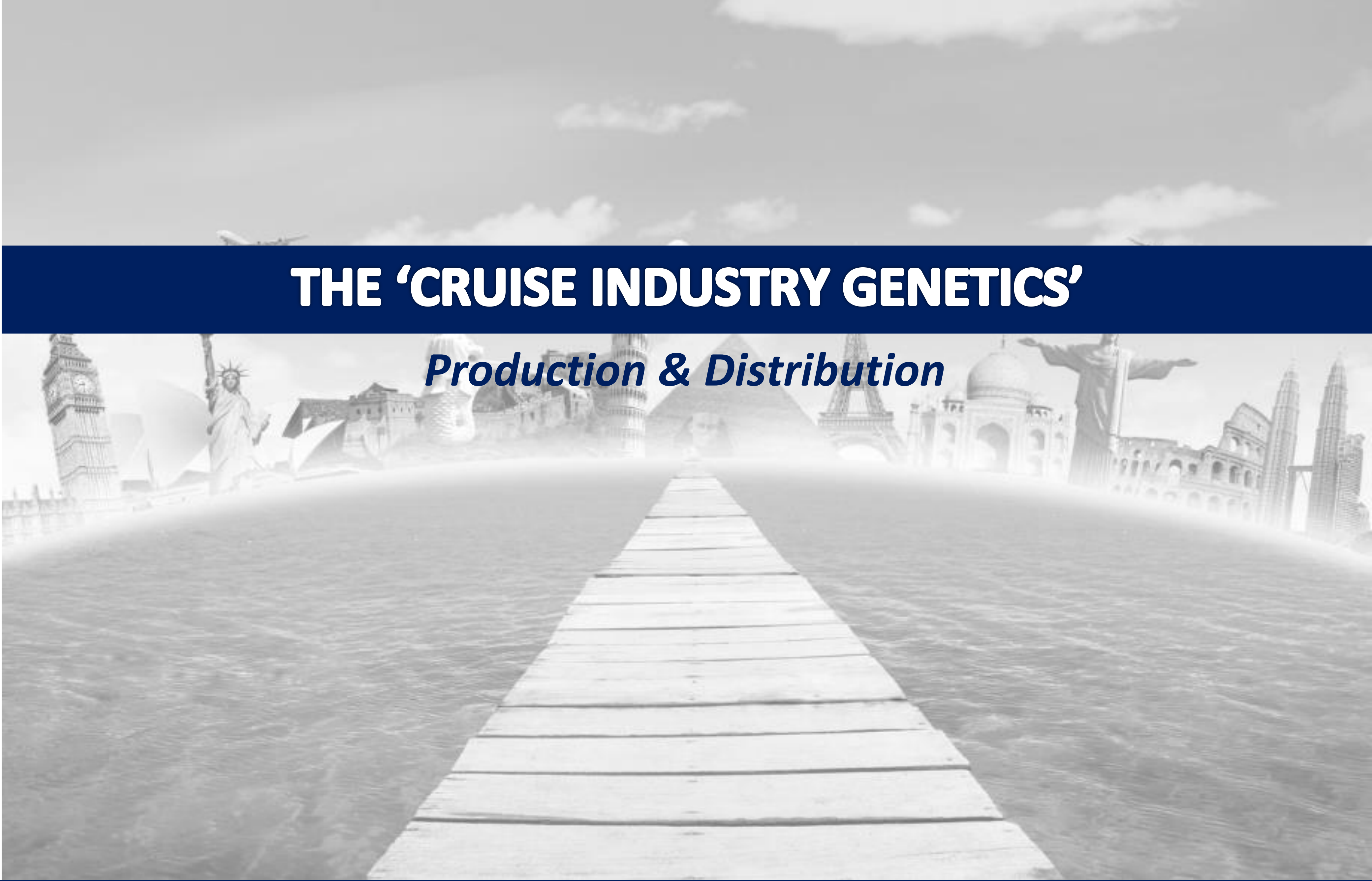
Average Cruiser Financial Breakdown 2013-2018



Data Source: https://www.cruisemarketwatch.com/

The **Competition on Land** and **Monopolies on Board** create the premises for **Captive Pricing**.

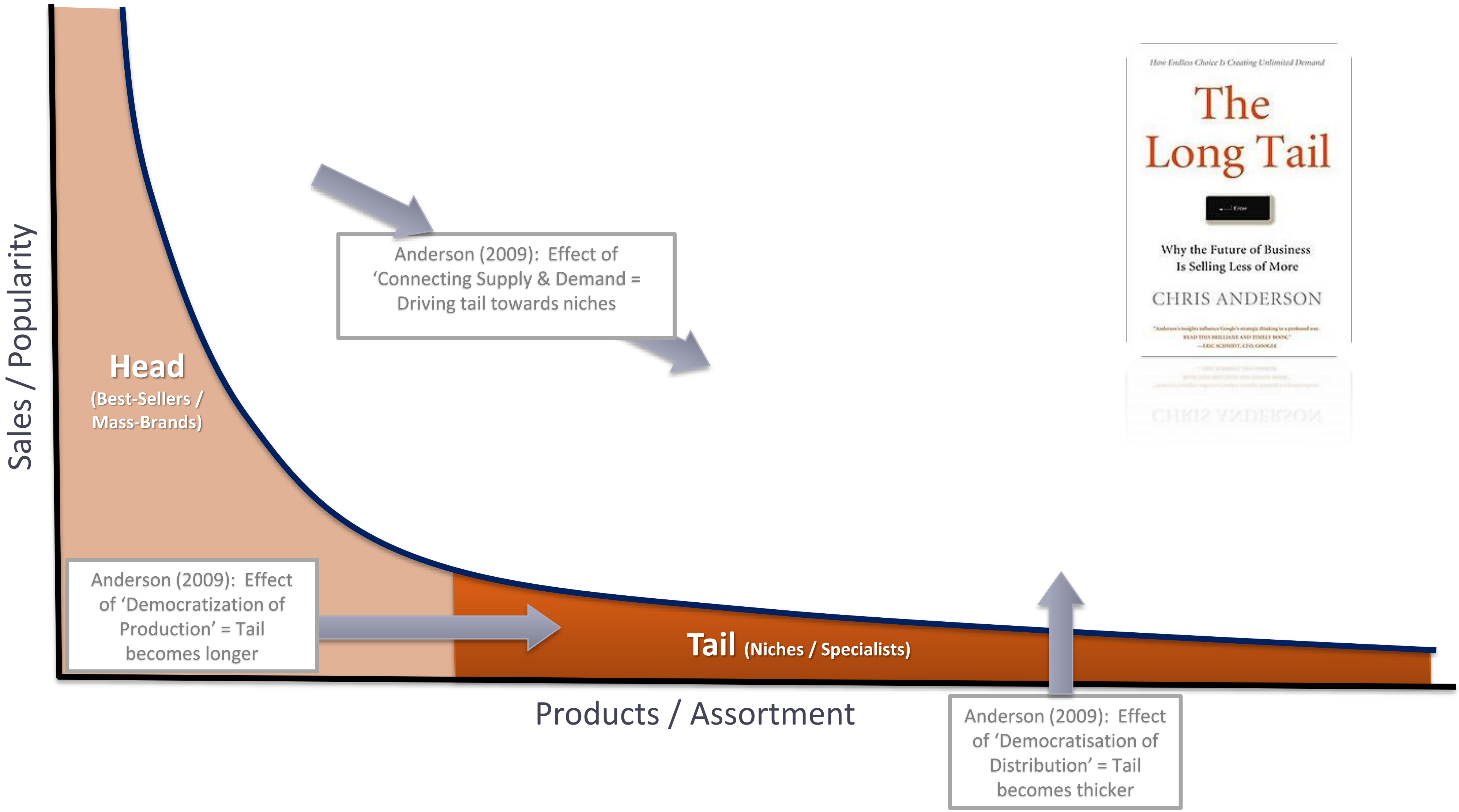
On Board Revenue is vital for **economic survival** and profitability!



THE ‘CRUISE INDUSTRY GENETICS’

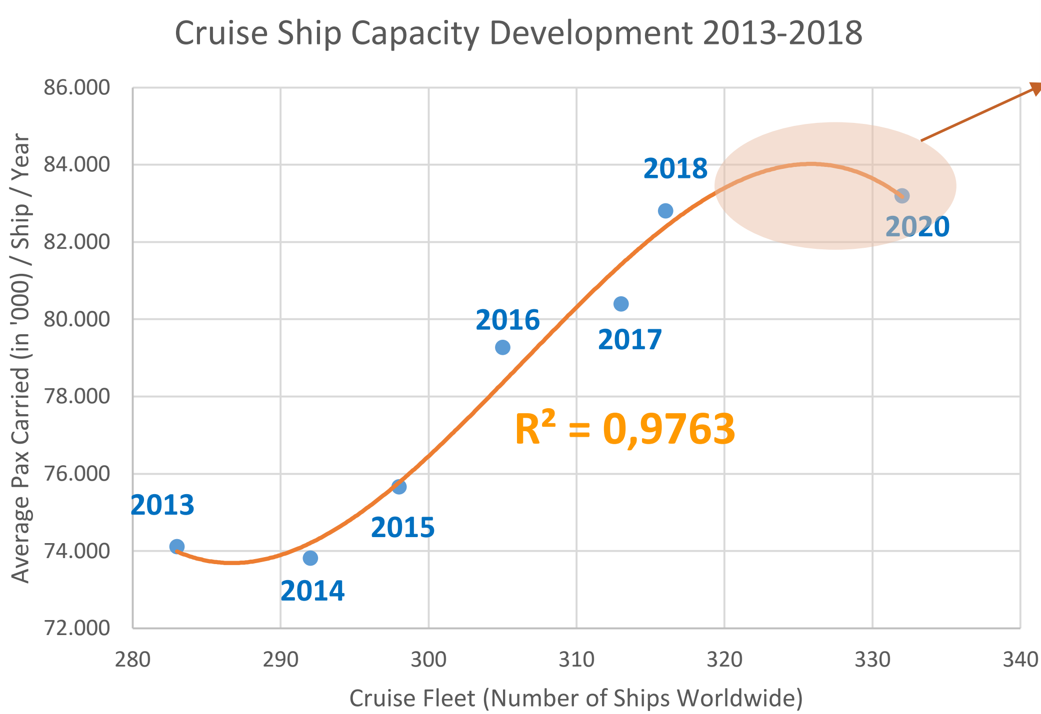
Production & Distribution

Anderson's Long-Tail (2009)
A Typical 'Power Distribution'



Cruise Holiday Production

'Ship Capacity Dictatorship'



Source Data: Cruise Market Watch

Have we reached the optimal cruise ship size?

Infrastructure & Logistics:

- Restricted Ship-Building Capacities
- Itinerary Limitations / Port Infrastructure Restrictions / Overcrowding
- Turnaround Logistics (i.e. passenger embarkation/de-embarkation, F&B stockpiling, re-fuelling)

Manageability:

- Safety and security
- Segmentation Barriers
- Sustainability and Image

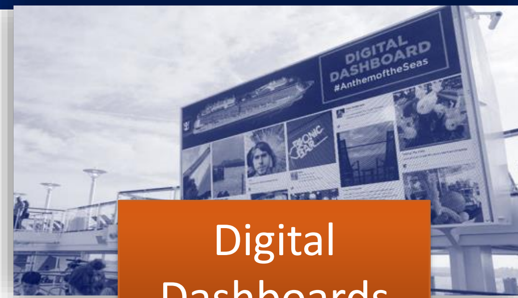
Over the last years we have seen a growth of cruise ship numbers, carrying more passengers. Since 2014, the average number of passengers carried has increased disproportionately to the number of ships = Cruise Ships have been getting bigger!

Next Evolution?!

Ship size equals more opportunities for creating **revenue on board**... And On Board Revenue is vital for **economic survival** and profitability!

Smart Cruise Ships: RCL Anthem of the Seas

http://pocketnow.com/wp-content/uploads/2015/11/AnthemoftheSeas__AZL2776.jpg



Digital Dashboards

High-Speed, Broadband Internet

https://secure.royalcaribbean.com/media/images/offers/featured/voom-sailings-support.jpg

Ship-Dedicated App

http://www.royalcaribbeanblog.com/2014/10/05/99-days-of-quantum-royal-iq

Robotic Bartenders

http://www.telegraph.co.uk/content/dam/Travel/leadAssets/32/61/Bionic-Bar_3261528a-large.jpg

Info Touchscreens

http://prevuemeetings.com/wp-content/uploads/2014/09/Royal-Caribbean-Digital-Signage.jpg

Robotic Entertainers

http://www.amptown-system.com/fileadmin/user_upload/News/20160219-Sinus-Award-2016/dancing-screens.jpg

Virtual Balconies

http://media.royalcaribbean.com/content/shared_assets/images/fleet/cabin_type/gallery_main/QN_studio_interior_305x202.jpg

RFID Services & Tracking

http://images.huffingtonpost.com/2014-11-15-1408793468_wristbandinusefinalcomposite.jpg

The current **Trend** of **Mega**ships and **'Smart'** vessels will persist. There are strong **competitive** and **economic** drivers for this!

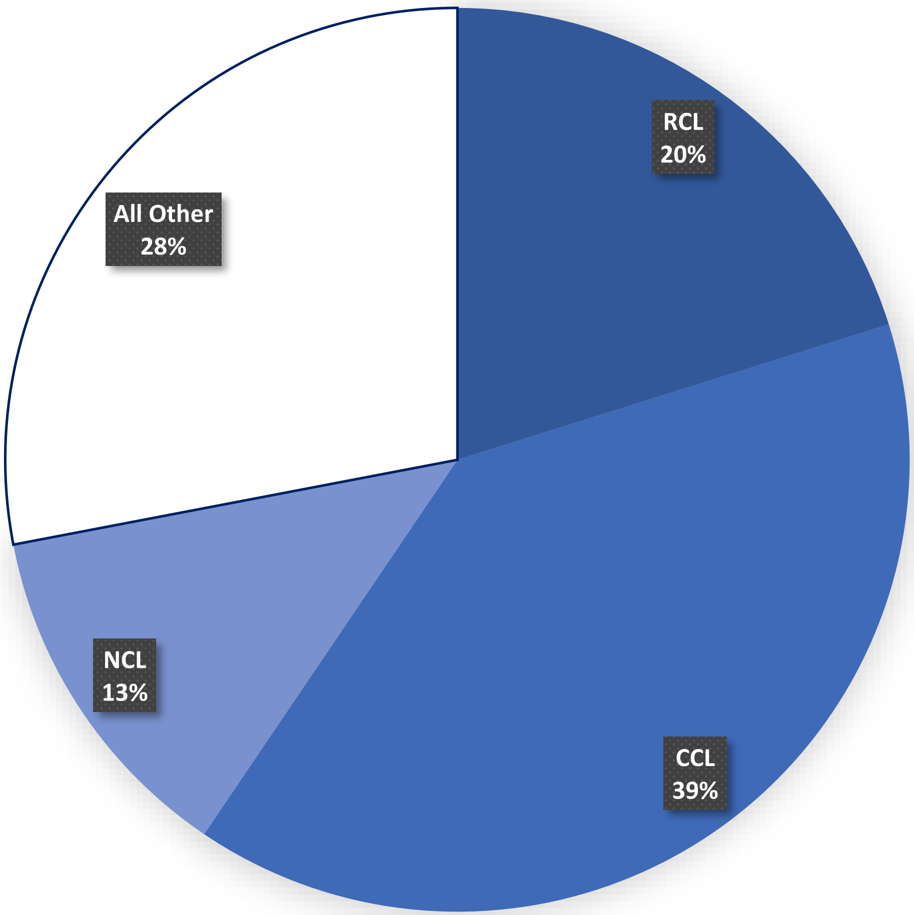
So where does this leave us?!
Cruise Business 'Techno-Oligarchy'

Cruise 4.0 Effects:

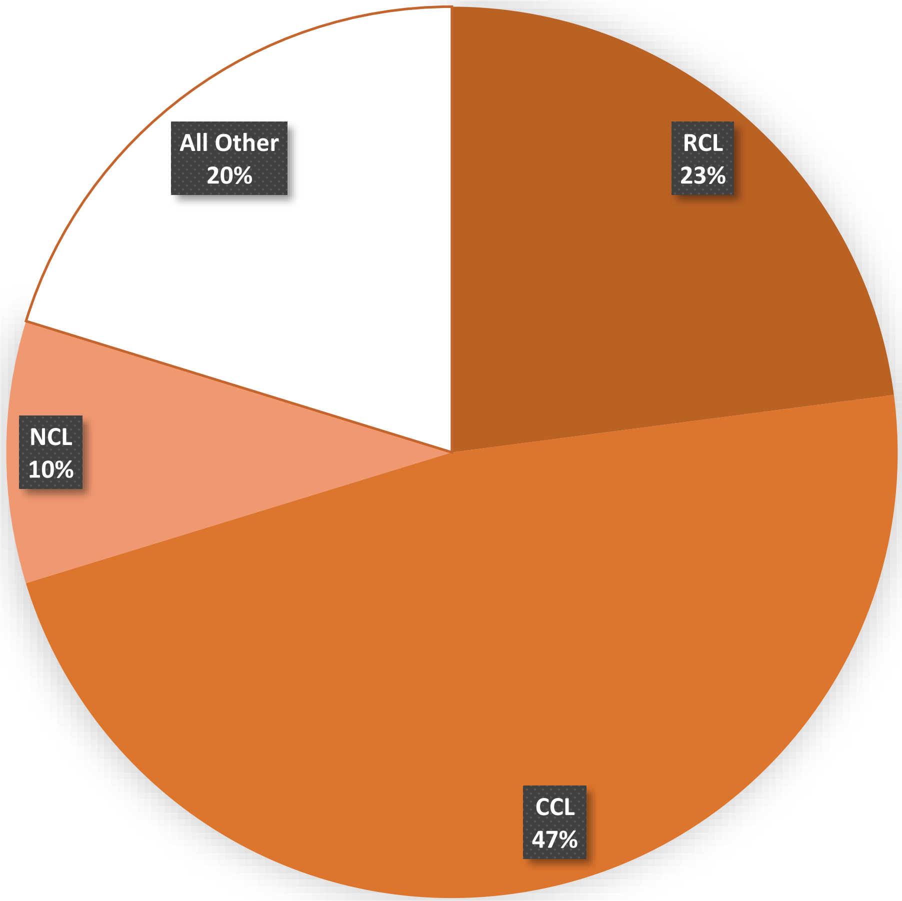
- Supply-Side:
  - *Mega-Smart Ships:*
    - *Technology and Ship-building Barriers*
    - Capacity - Space Optimisation
    - Revenue – Cost Optimisation
  - *Downward Vertical Competition (esp. Ports) – To maximise 'share of wallet' / Onboard revenue*
- *Demand-Side:*
  - *'Shake out' of SME Cruise Operators ('differentiate or die')*
  - *ICT-enabling of distribution and reduction of capacity risk (for large vessels)*
  - *Upward Vertical Integration (esp. Online Retail) – To capture market share*

The Big 3… and All the Rest!
Many Brands BUT Few Players

Cruise Revenue 2018



Cruise Passengers 2018

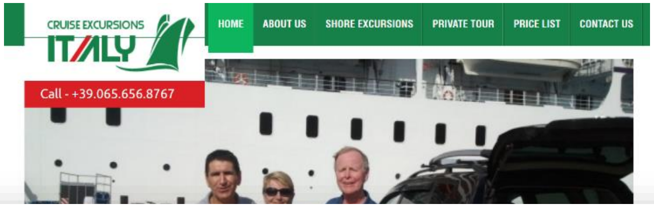


Data Source: https://www.cruisemarketwatch.com/

The current **Status Quo:** Highly-**concentrated** sector, focusing on **mass**-tourism and competing on **cost**-reductions achieved through **economies of scale** and **negotiation power**!

Cruise Holiday Distribution

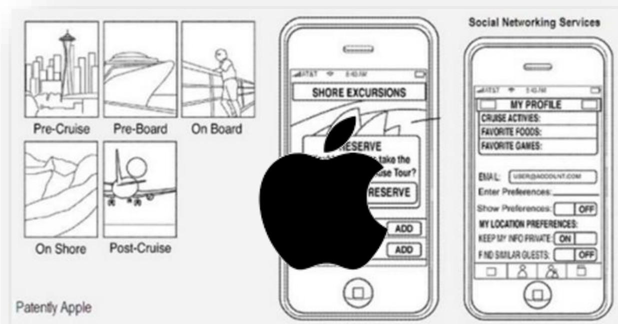
'Online Democracy'



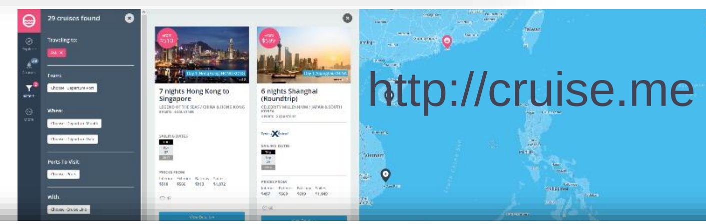
Cruise lines had kept the shore excursions business under strict control; it was in fact their most profitable ancillary product. Exclusivity contracts with travel agents and on-destination companies closed the circle, making it impossible for local operators to reach the cruise customers before they got off the ship.

More and more cruise passengers are doing their own research online and booking their shore excursions independently, skipping the travel agent and the cruise line.

Unsurprisingly, cruise lines have started to lose ground to local operators as standard, 45-passenger, over-priced excursions seem obsolete and unappealing compared to more local, personalized and economical independent operators tours.



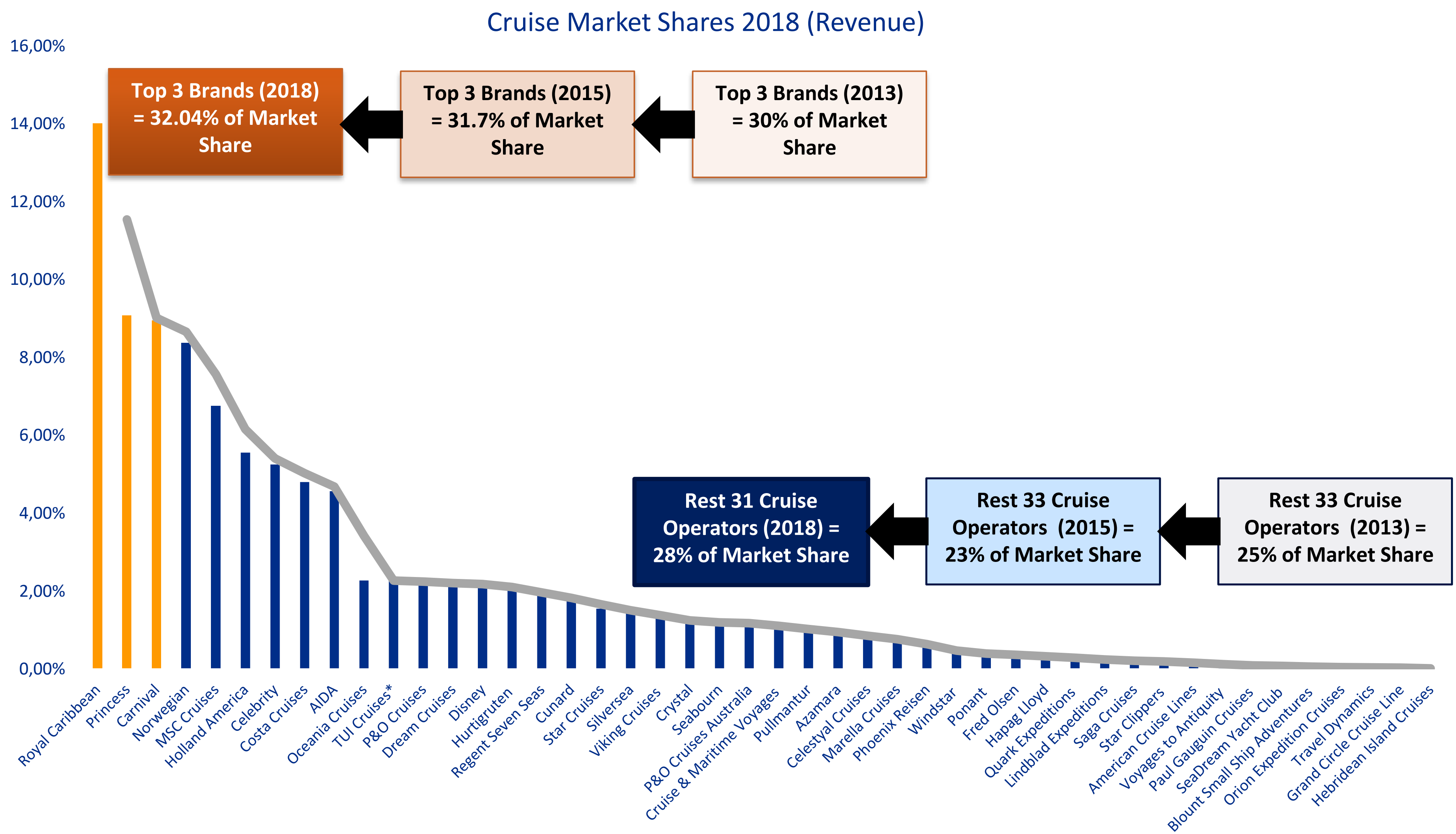
ProPublica includes a ship-by-ship accounting for about 300 vessels. For any specific ship he or she might sail, a traveler can see a track record dating back to 2010.



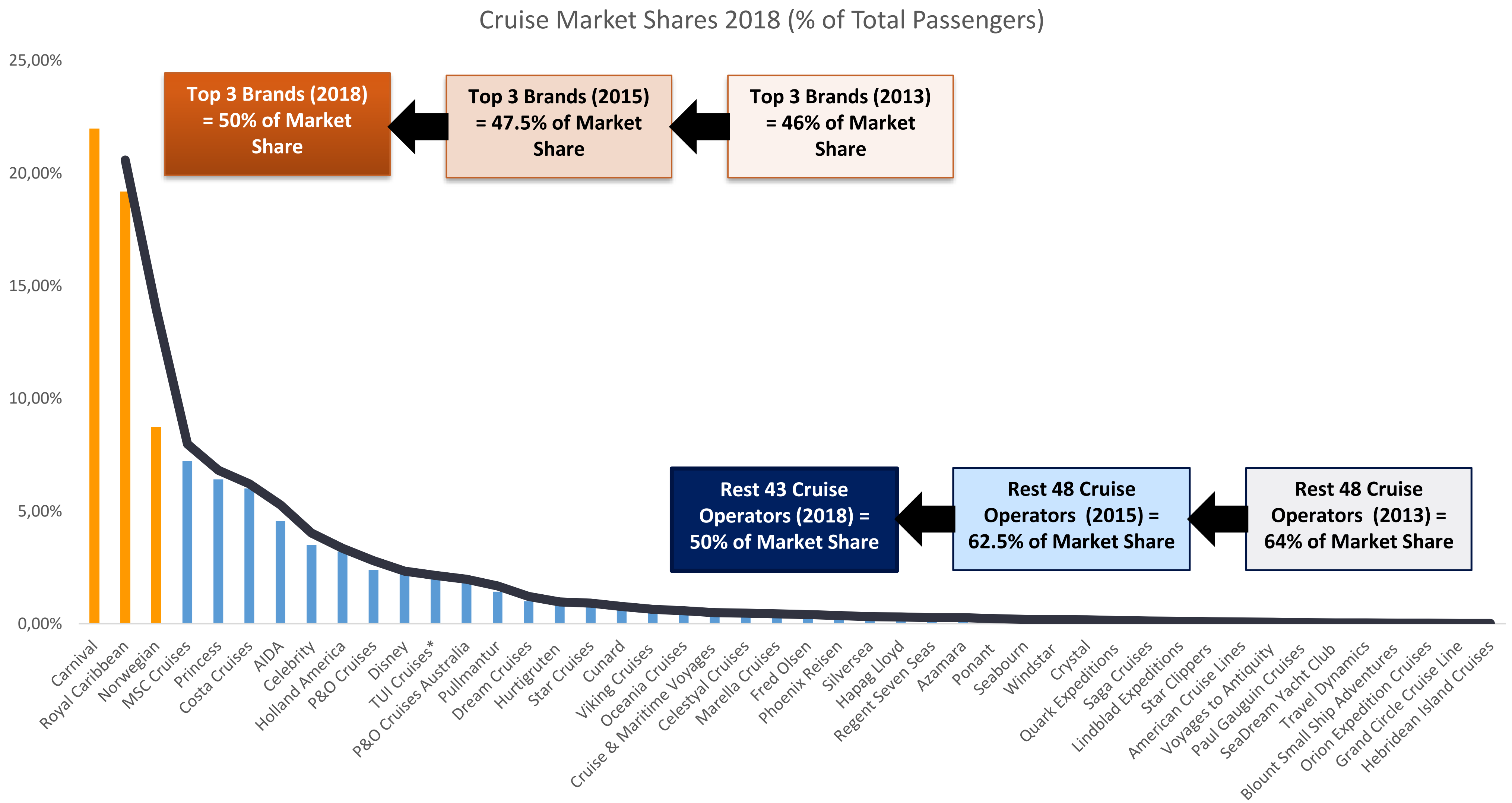
Booking online is complex due to the vast number of ships, ports, destinations, cabin categories, etc. We have built a more intuitive way for consumers to search, discover and plan/book their cruise.

A cruise is definitely a social experience but so far social has been neglected by most OTAs. Cruise.me helps you to connect with the cruise community, your friends and family and even other passengers who travel on the same ship. We enhance your travel experience before, during and after your cruise.

Revenue: Cruise Market Shares 2013-2018
‘Cruise Tail’ becoming shorter and thicker



Passengers: Cruise Market Shares 2013-2018
'Cruise Tail' becoming shorter and thicker



THE 'CRUISE-TAIL' REVISITED

Tendencies and Implications

So where does this leave us?!

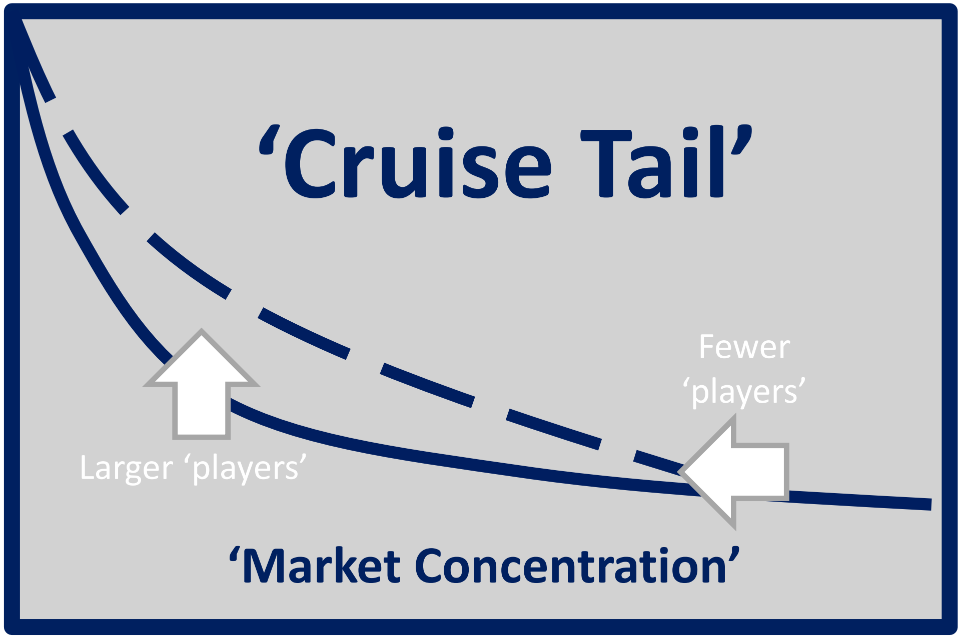
Cruise Business 'Oligarchy'

The 'Cruise Tail' will become:

Shorter' (Dictatorship of Production):

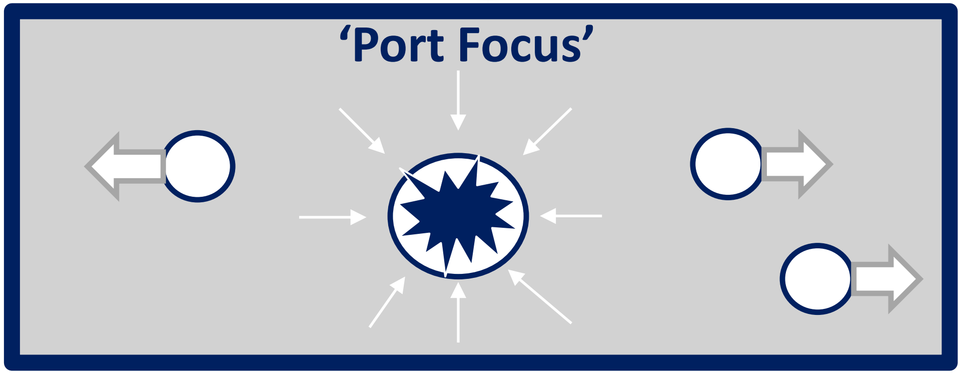
- *Mega-Smart Ships (Technology and Ship-building Barriers)*
- *'Shake out' of SME Cruise Operators ('differentiate or die')*

- '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'



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