Hochschule Bremerhaven

University of Applied Sciences

Cruise Research Society

Institut für Maritimen Tourismus

Cruise Market:

Vision Today and Future Perspectives

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Cruise Management &

E-Tourism

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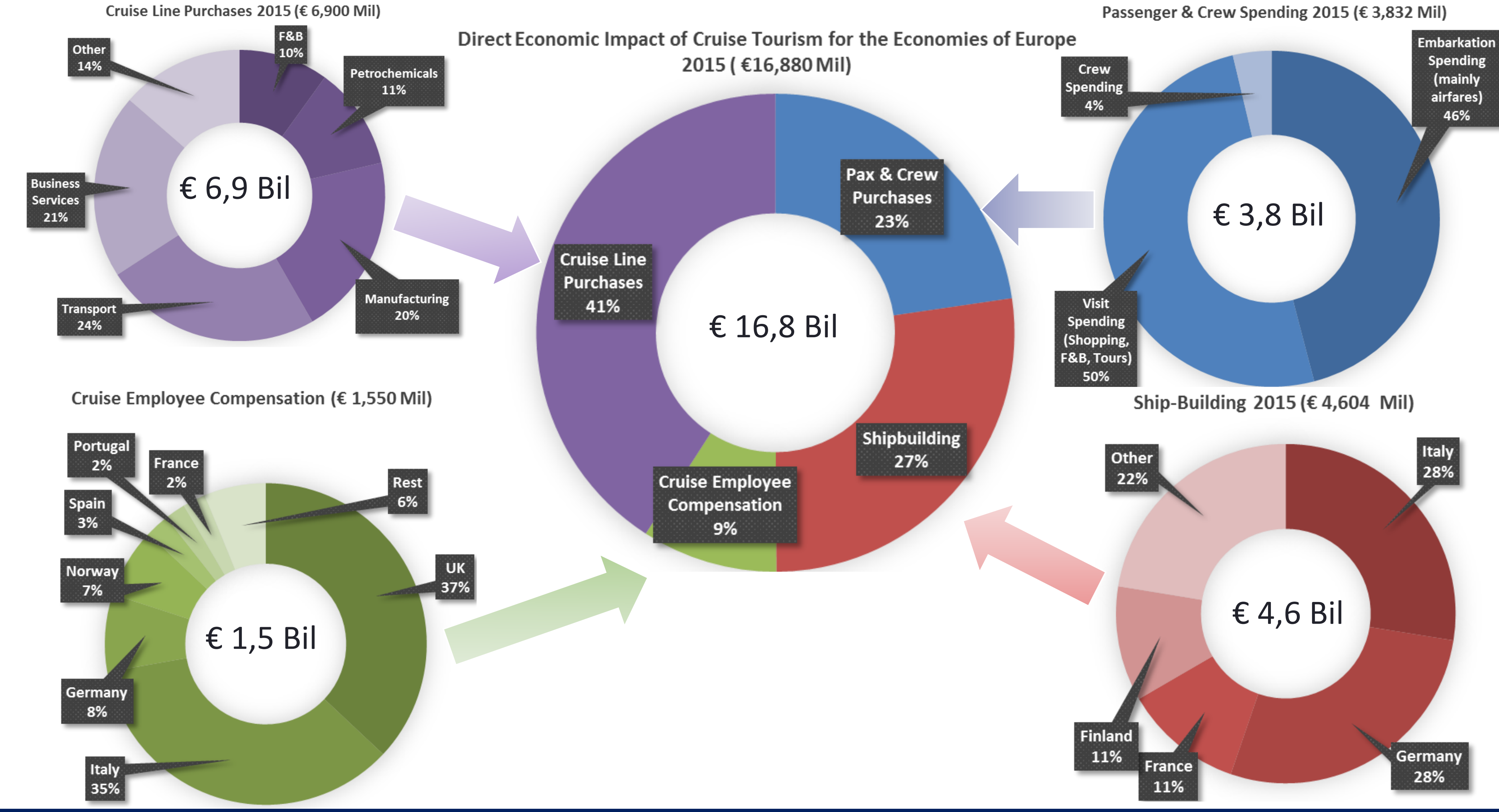
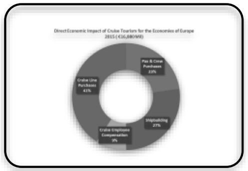
AGEPOR – Oporto (Portugal), 9th October 2016

Direct Economic Impact of Cruise Tourism for the Economies of Europe 2015

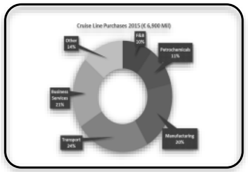


* Data Source: CLIA Europe Economic Impact Reports 2012-2016 – Online: http://www.cliaeurope.eu/media-room/clia-europe-economic-contribution-report

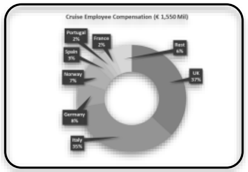
Some Simple Observations…
'Big Business benefits Big Business'



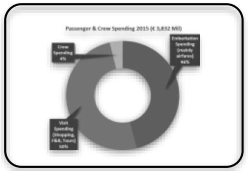
Ship-Building and Cruise-Line Purchases = € 11.5 Bill. (68% of Total Impact)



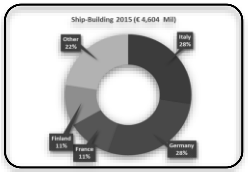
Petrochemicals, Manufacturing and Transport / Logistics = € 3.8 Bill. (55% of Cruise Line Purchases / 23% of Total)



Germany, UK, and Italy = € 1.2 Bill. employee compensation(80% of the total of compensation)



Airfares and Embarkation = € 1.8 Bill. of Pax & Crew Spending (46% of Total Pax and Crew Spending)

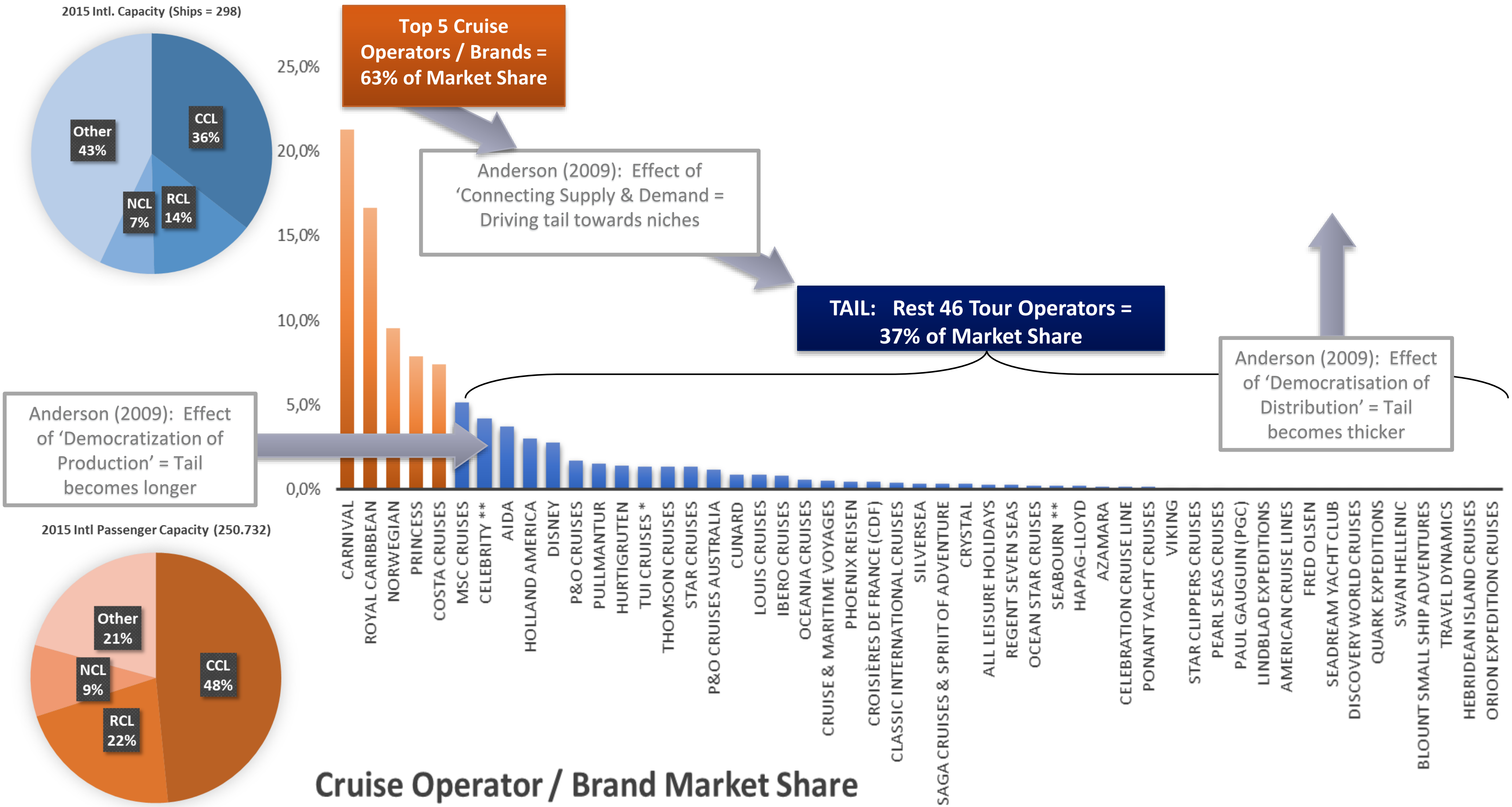


Germany, Italy and France = € 9.8 Bill. of Ship-Building (67% of Ship Building / 58% of Total Impact)

Source market-economies benefit the most

The Cruise 'Long-Tail'

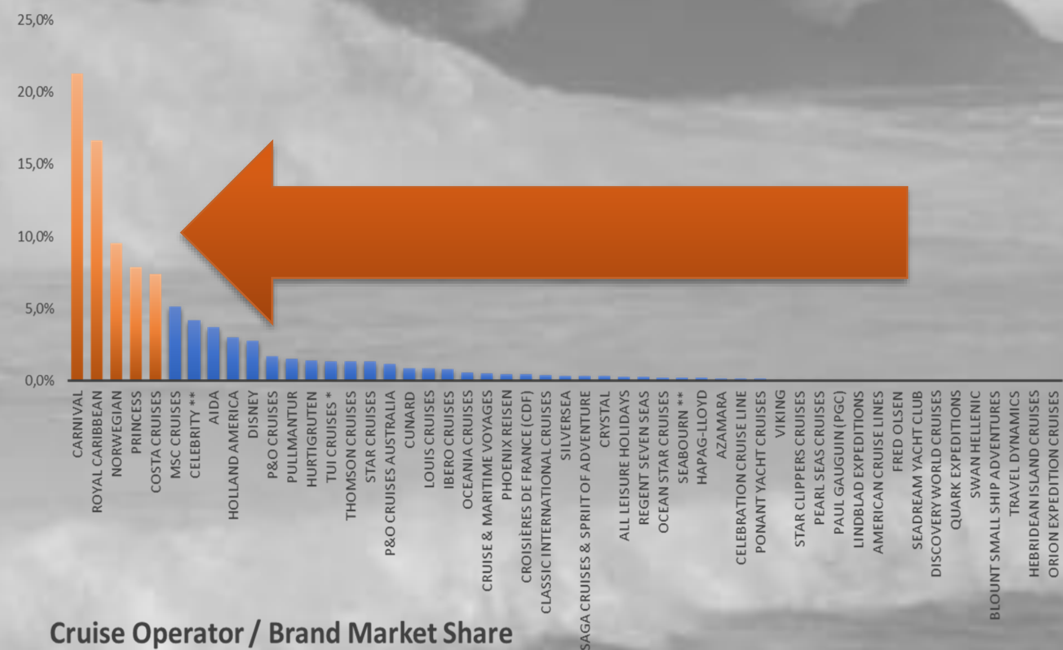
Understanding & Predicting Sector Development



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

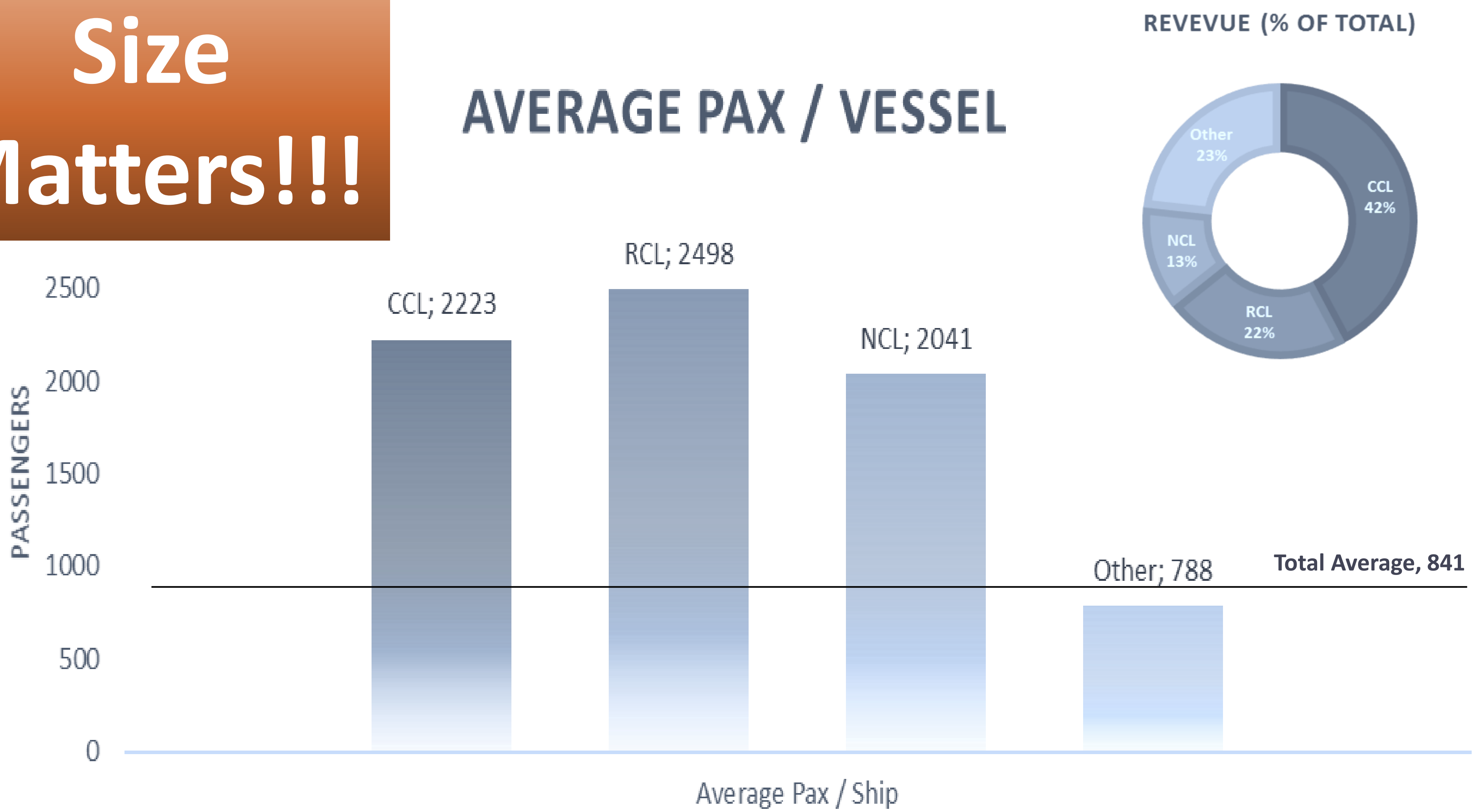
‘DICTATORSHIP’ OF PRODUCTION

Ship-Building Restrictions – MegaShips



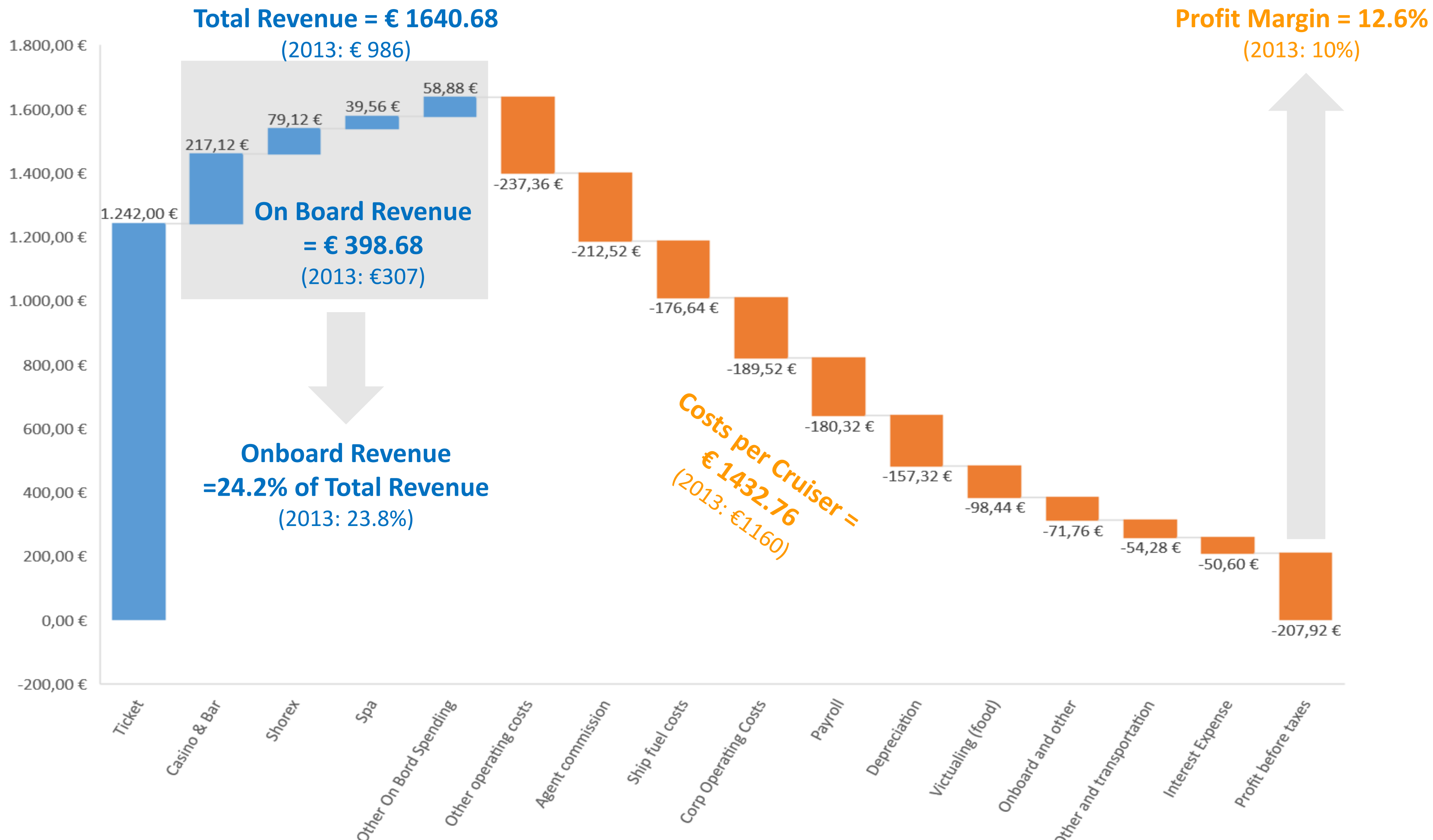
Intl. Cruise Capacity 2015:
Big 3 = 57% of Vessels / 79% of Pax Capacity

Size Matters!!!



* Data Source: Cruise Market Watch (2016) - http://www.cruisemarketwatch.com/market-share/
** Data Source: Cruise Market Watch (2016) - http://www.cruisemarketwatch.com/capacity/

Average Cruiser 2015
*Financial Breakdown**

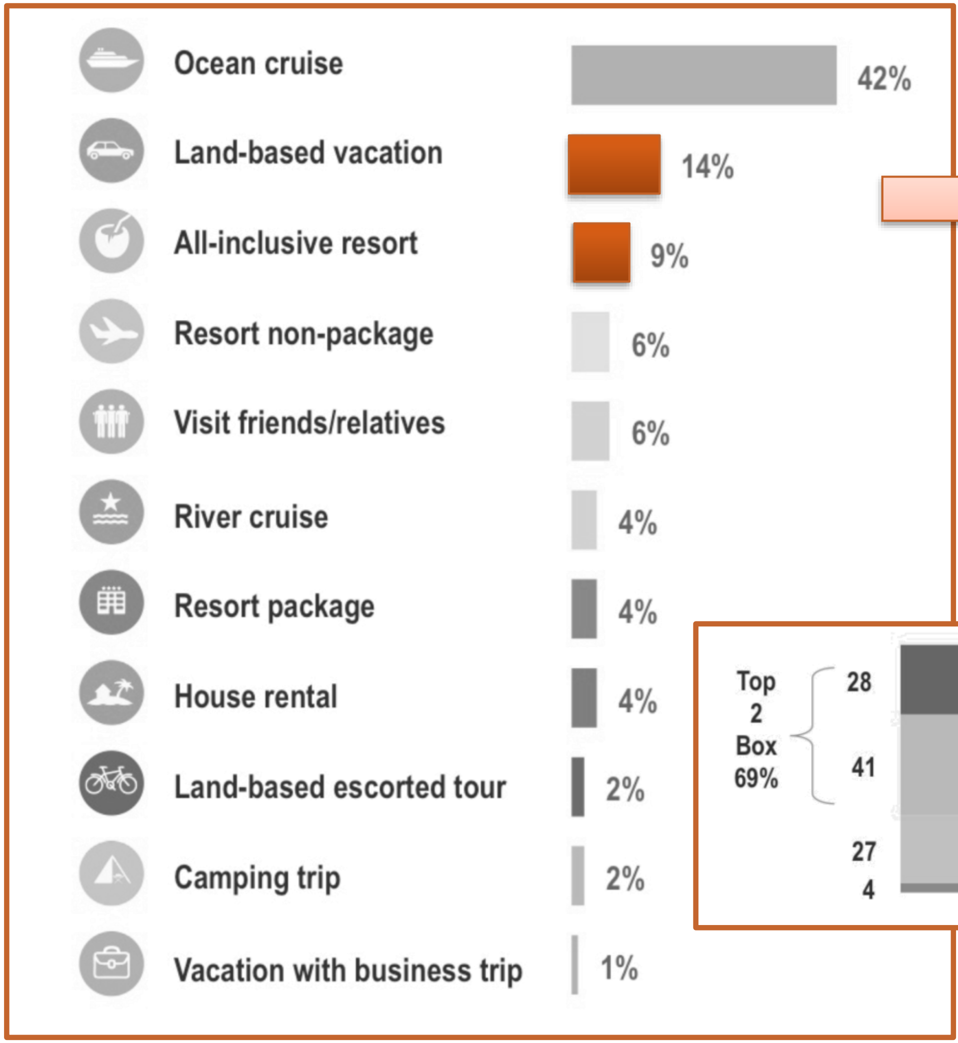


* Data Source: Cruise Market Watch (2016) - http://www.cruisemarketwatch.com/home/financial-breakdown-of-typical-cruiser/

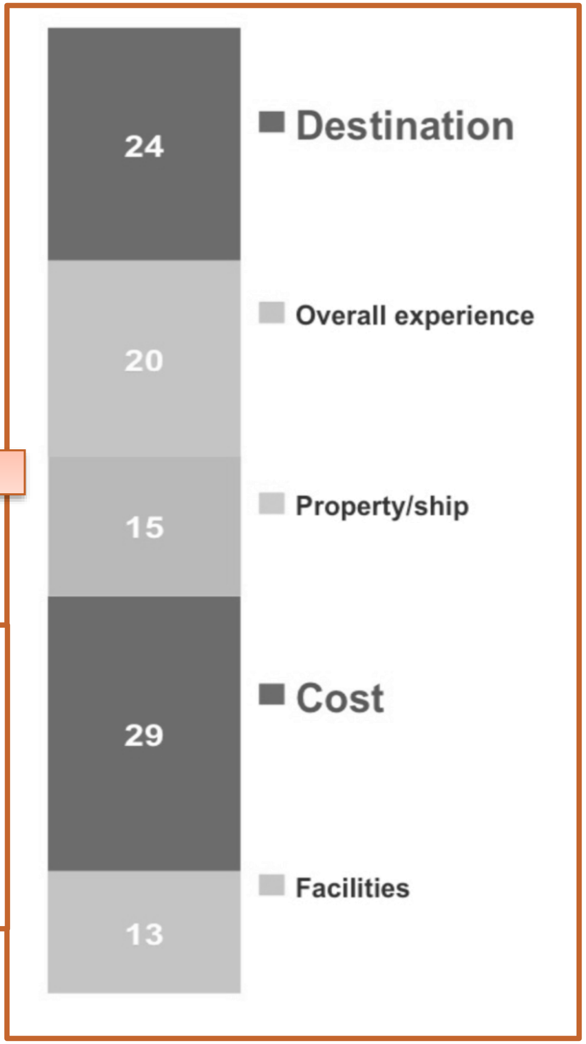
Cruise Guest Motives*

Challenges for Destinations - Competition

Ranking of Best Vacation Type
% of Cruisers, 2014

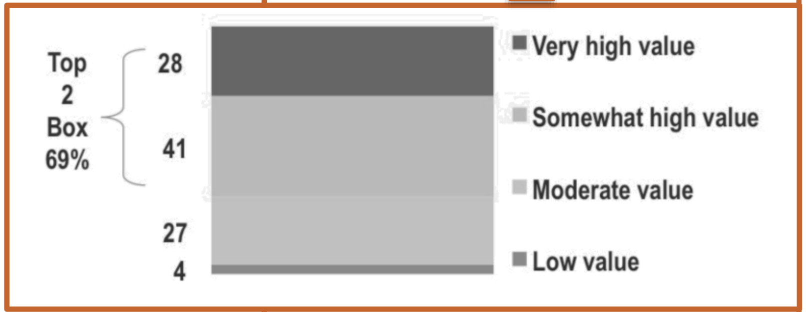


Factors Influencing Cruise Selection
% of Cruisers, 2014



Ease of Travel

Value4Money



Cruise Value vs. Land Vacation
% of Cruisers, 2014

* CLIA (2015). 2014 North American Cruise Market Profile Report. Online: http://www.cruising.org/docs/default-source/research/clia_naconsumerprofile_2014.pdf

Friends of the Earth Scorecard

The Smaller the Better?

The higher the Passenger Capacity, the higher the Air Pollution Reduction Score

(i.e. correlation significant at the 0.01 level)

The higher the Passenger Capacity, the higher the FoE Total Score

(i.e. correlation significant at the 0.05 level)

		Passenger Capacity	Sewage Treatment	Air Pollution	Total FoE Score
Passenger Capacity	Correlation Coefficient	1,000	,143	,227**	,194*
	Sig. (2-tailed)	.	,062	,003	,011
	N	171	171	171	171
Sewage Treatment	Correlation Coefficient	,143	1,000	,184*	,831**
	Sig. (2-tailed)	,062	.	,016	,000
	N	171	171	171	171
Air Pollution	Correlation Coefficient			1,000	,677**
	Sig. (2-tailed)			.	,000
	N			171	171

FoE Grading System correlated with stated criteria

(i.e. correlation significant at the 0.05 level)

Newer-Vessels tend to be Larger and more technologically-advanced... Hence more environmentally-friendly!

Smart Cruise Ships: RCL Anthem of the Seas

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

High-Speed, Broadband Internet

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

Digital Dashboards

Ship-Dedicated App

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

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

Robotic Bartenders

Info Touchscreens

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

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

Robotic Entertainers

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

Pax-Space & Pax-Crew Ratios…
A Look through 264 Vessels!

RCL's Anthem of the Seas and Quantum of the Seas are the <u>ONLY</u> Megaliners with a Space-Service Ratio of over 10

Space-Service Ratio (Average 10)

- Boutique: 19,7
- Mainstream: 9,9
- Superliner: 8,4
- Megaliner: 8,5

Pax/Crew

- Average 1 Crew to 3 Pax:
  - Boutique: 1,79
  - Mainstream: 2,71
  - Superliner: 3,04
  - Megaliner: 3,14

Space/Pax

- Average 26 GT per Passenger – Guest or Crew:
  - Boutique: 31,01
  - Mainstream: 24,28
  - Superliner: 24,86
  - Megaliner: 26,16

Mario… Robotic Cruise Host

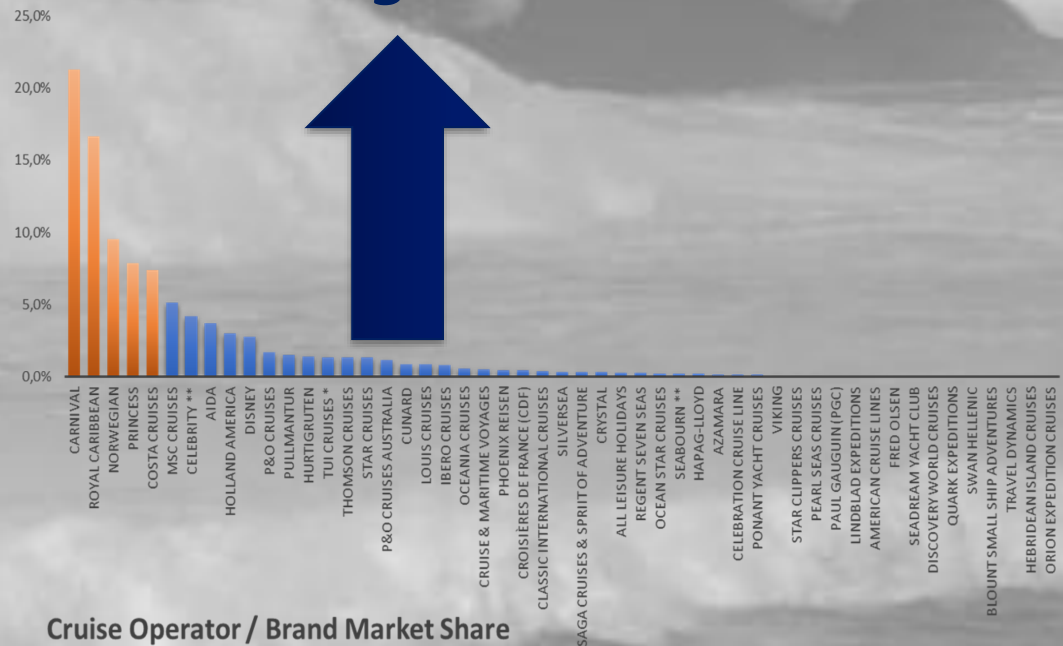
Robot hostess puts IT in international Tourism Fair https://www.youtube.com/watch?v=fljHh__UnPA

Meet Connie, the Hilton robot concierge https://www.youtube.com/watch?v=ghbS-aTYw14

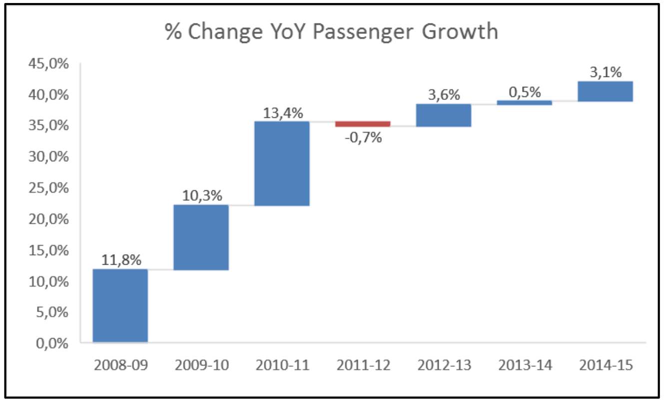
The current **Trend** of **Mega**ships and **'Smart'** vessels will persist. There are strong **competitive** and **economic** drivers for this!

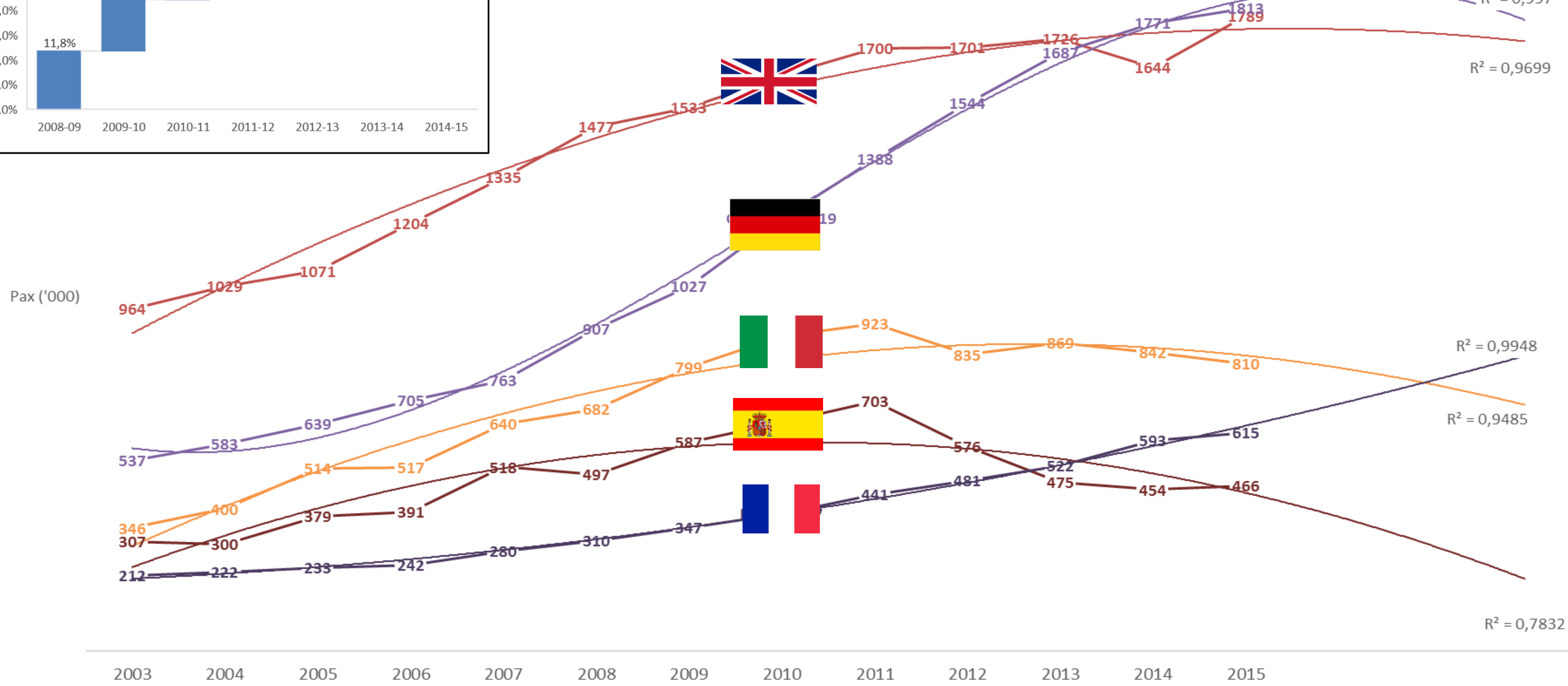
'DEMOCRATISATION OF DISTRIBUTION'

Cruise Market Growth, Hybrid-Cruisers, Theming and Digitalisation



Cruise Passenger Development
Main European Markets

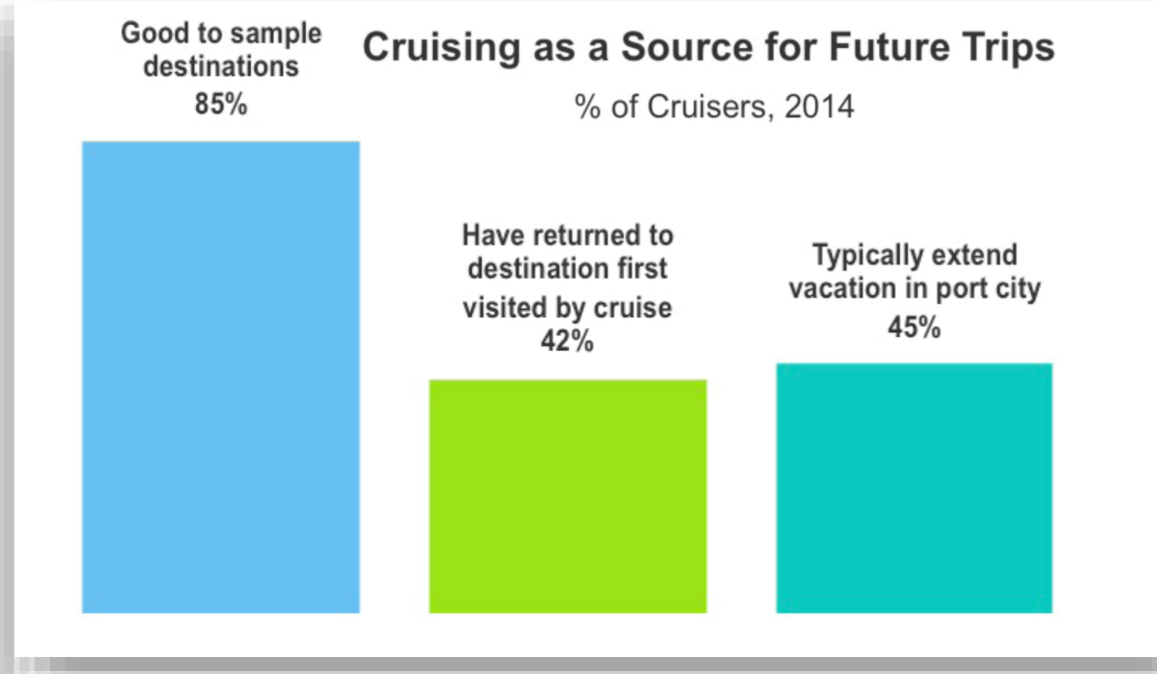


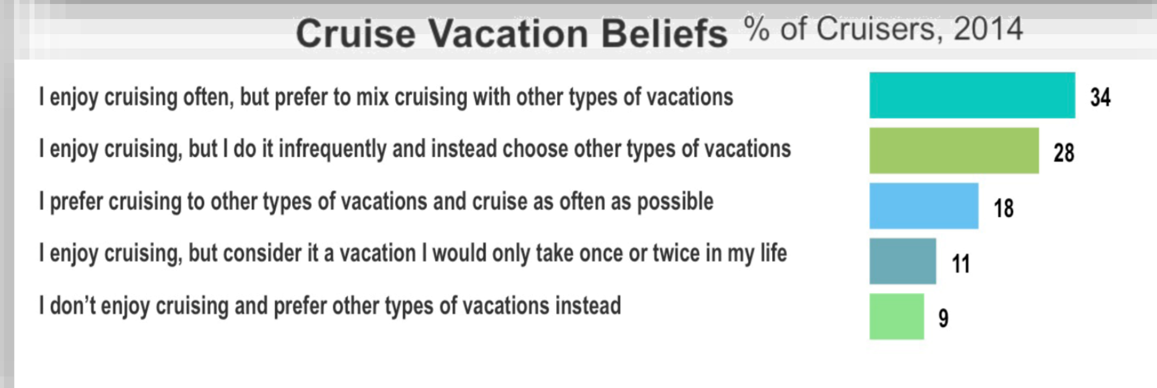


* Data Source: CLIA Europe Economic Impact Reports 2012-2016 – Online: http://www.cliaeurope.eu/media-room/clia-europe-economic-contribution-report

Cruise Guest Motives*

Hybrid Customers…

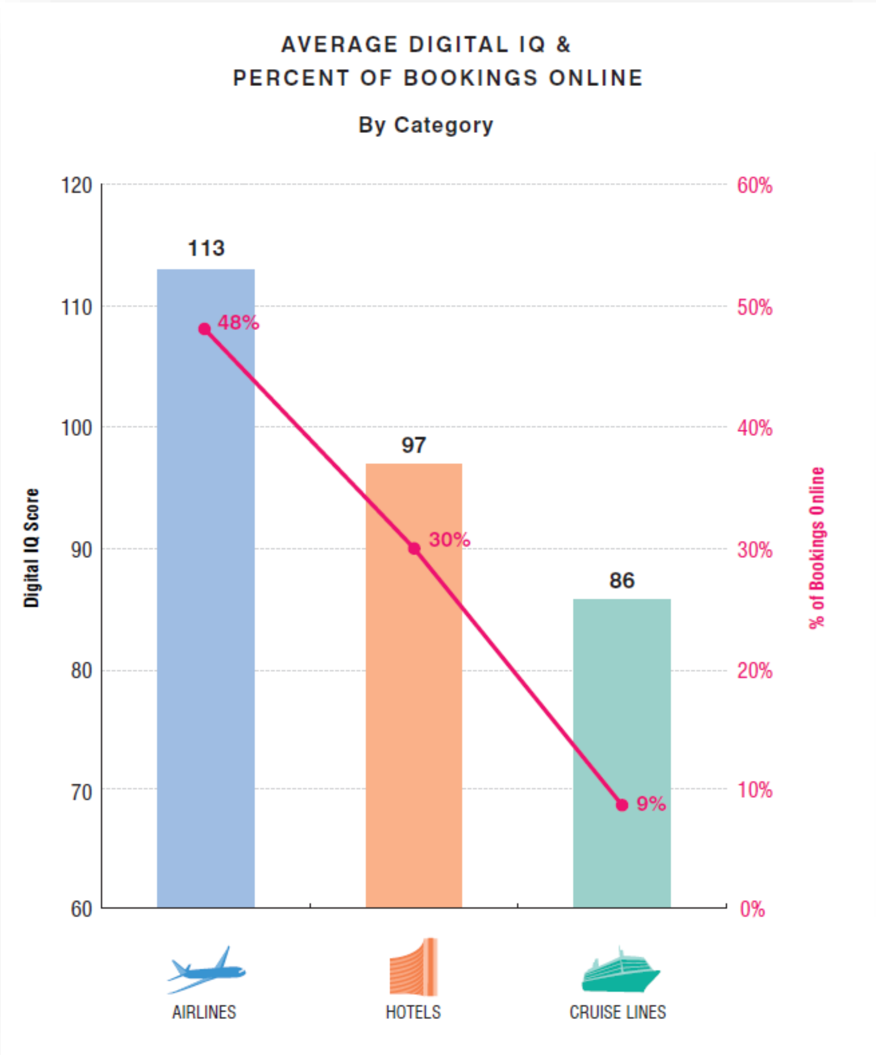


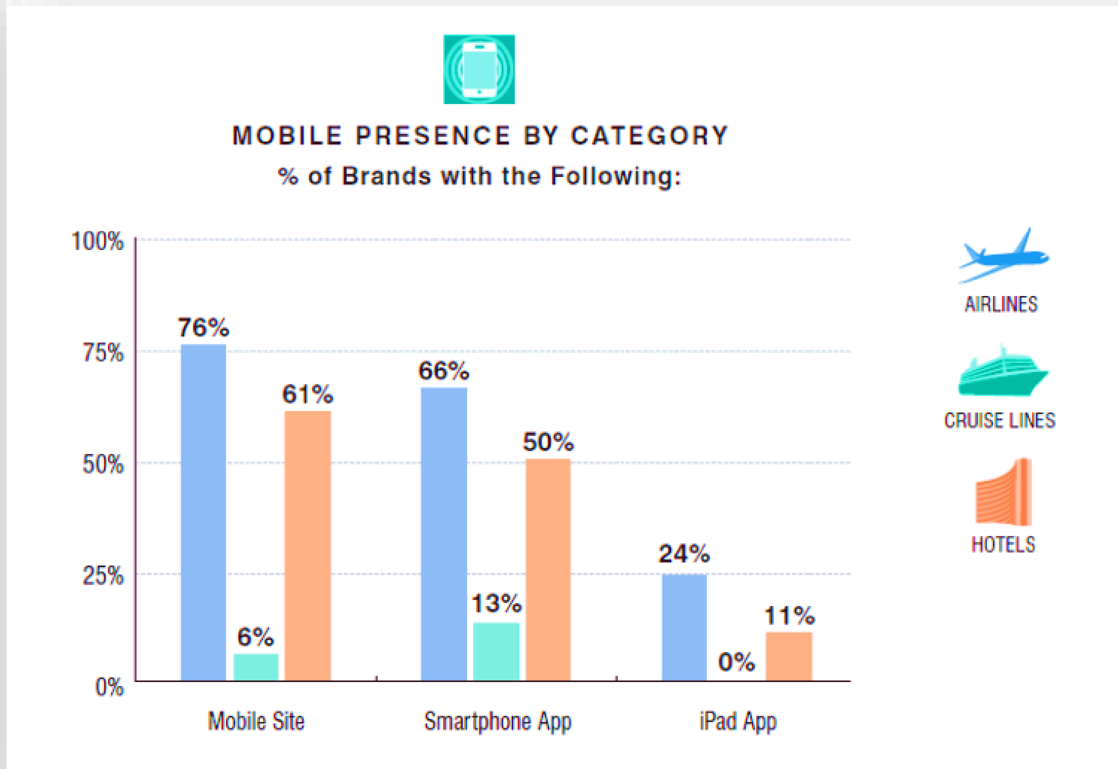


* CLIA (2015). 2014 North American Cruise Market Profile Report. Online: http://www.cruising.org/docs/default-source/research/clia_naconsumerprofile_2014.pdf

Cruise Sector Digital IQ

Content & Booking Process Complexity = Human Agents

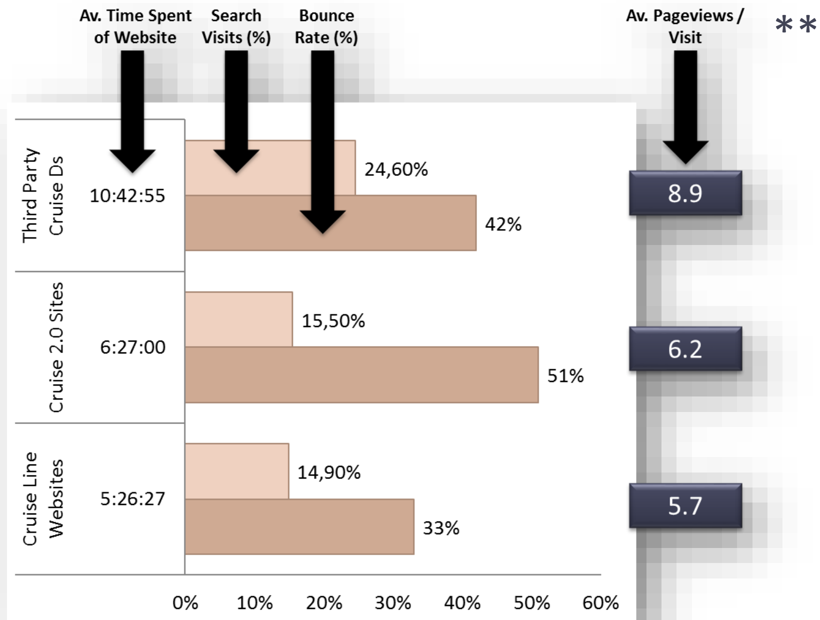


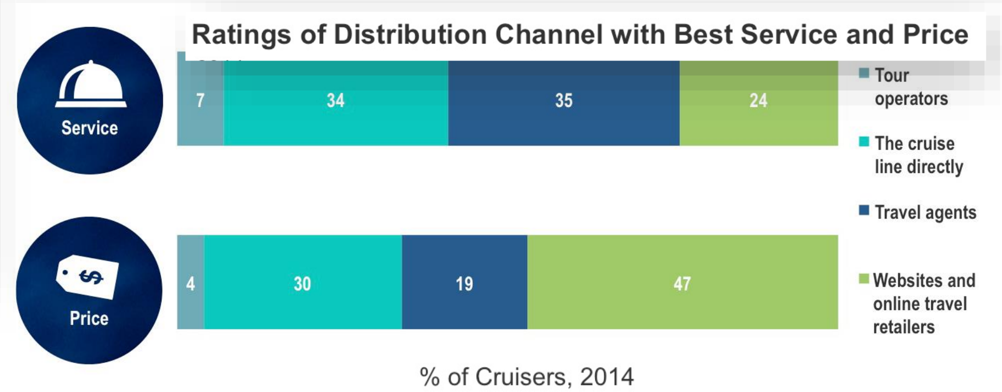


* Galloway, S. (2011). L2 Digital IQ Index: Travel. Available Online: http://www.l2thinktank.com/research/travel-2011. Access Date: 12.06.2011

Distribution Democratisation

Cruise Booking Process Complexity & Third Parties





* CLIA (2015). 2014 North American Cruise Market Profile Report. Online: http://www.cruising.org/docs/default-source/research/clia_naconsumerprofile_2014.pdf

** Source Data: Alexa.com

*** Galloway, S. (2011). L2 Digital IQ Index: Travel. Available Online: http://www.l2thinktank.com/research/travel-2011. Access Date: 12.06.2011

Brand Development… For Free!

Social Media!

263 comments,

744 people 'Likes'…

since **yesterday!**

Cruise Critic
Yesterday

A big 'ol tip of the hat to Captain Greybeard for revealing the hull design for Norwegian Cruise Line's Breakway. Painted by Peter Max. Love it or hate it? http://bit.ly/OMY5aa

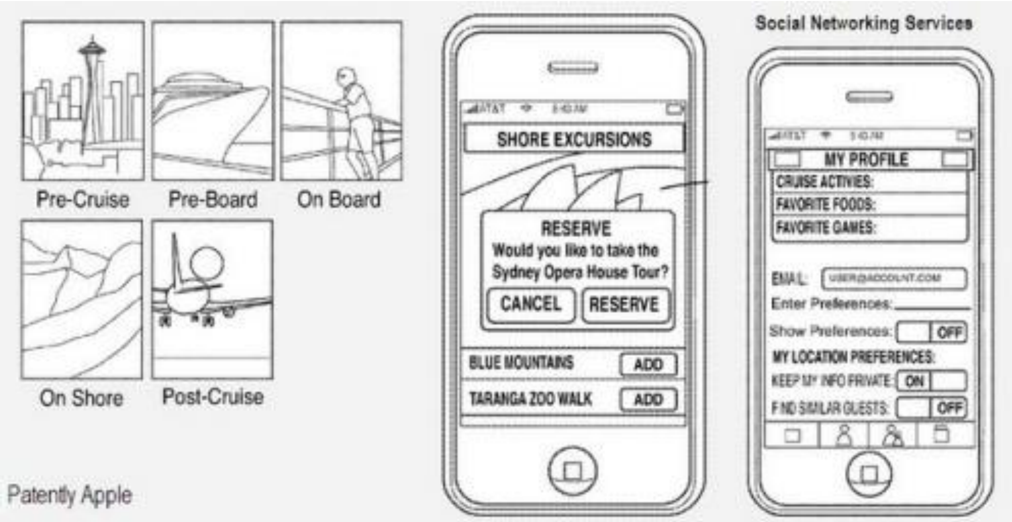
Like · Comment · Share 100

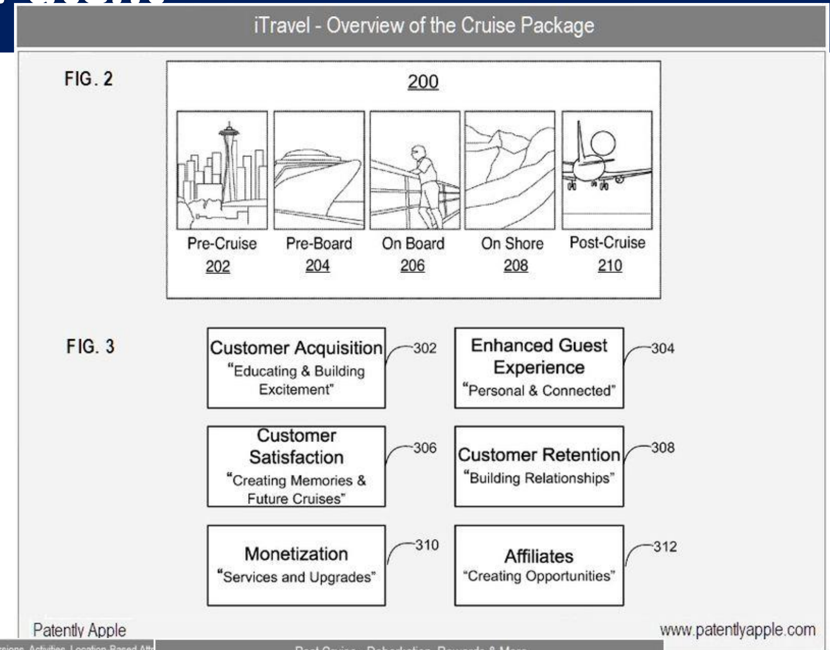
744 people like this.

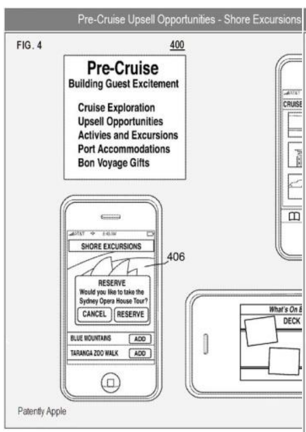
View all 263 comments

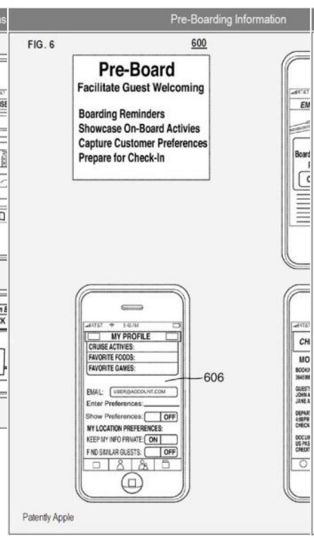
New Players Examples…

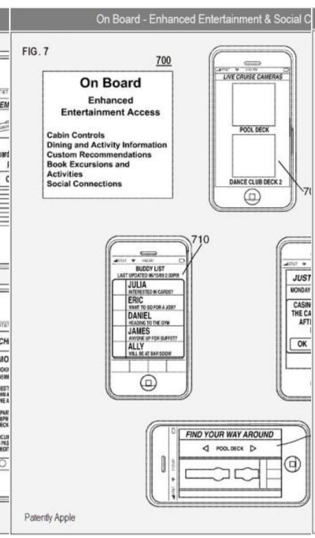
Apple iTravel Cruise Patent

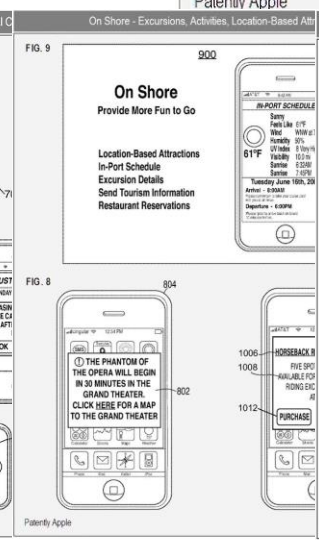


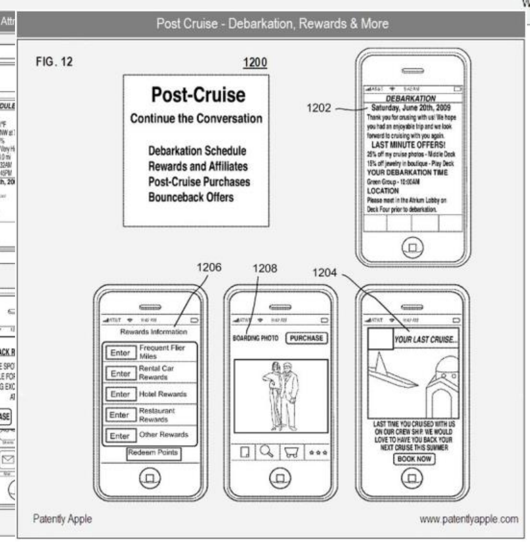








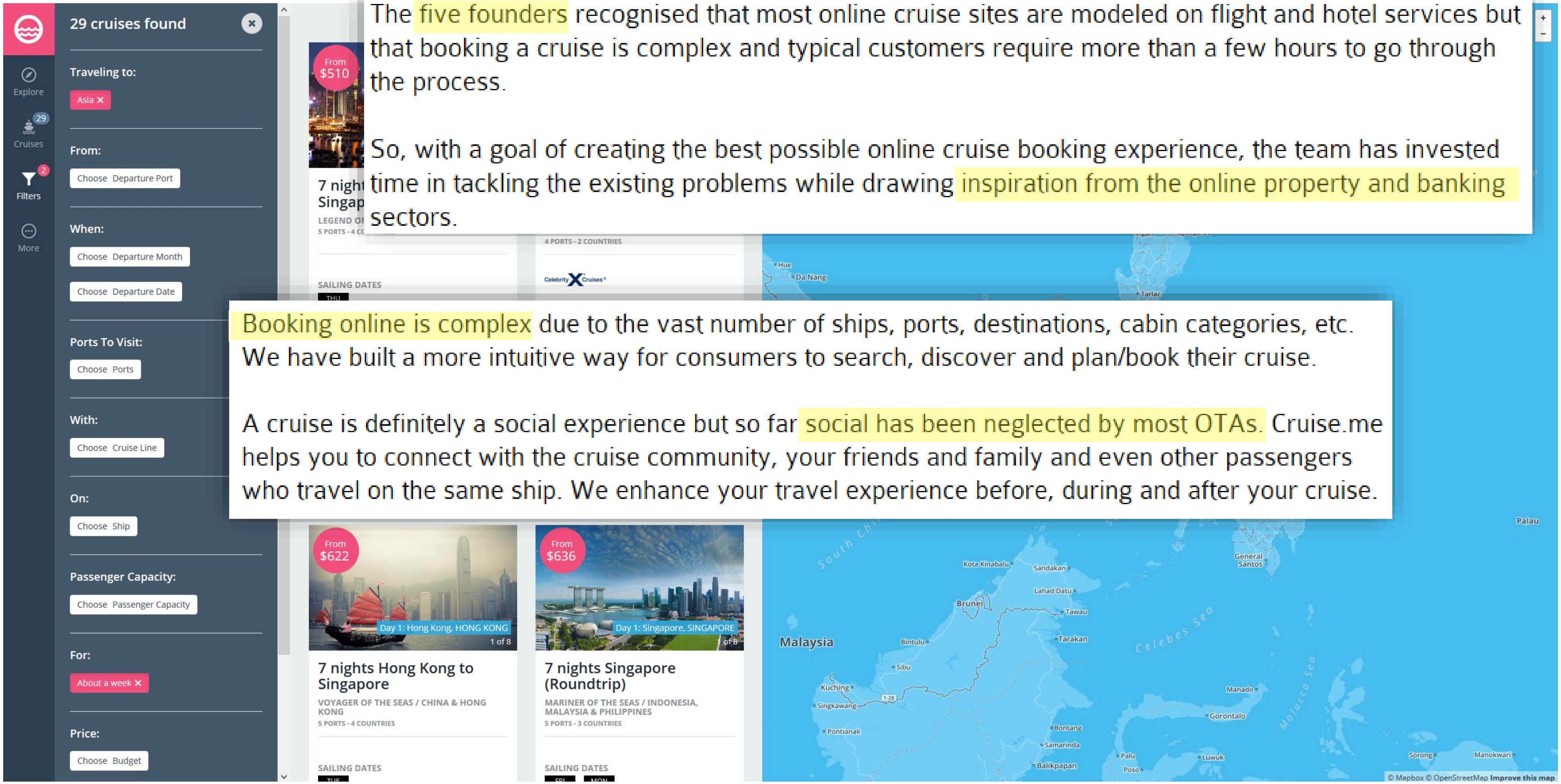




New Players Examples…

*Cruise.Me Startup**

http://cruise.me



The five founders recognised that most online cruise sites are modeled on flight and hotel services but that booking a cruise is complex and typical customers require more than a few hours to go through the process.

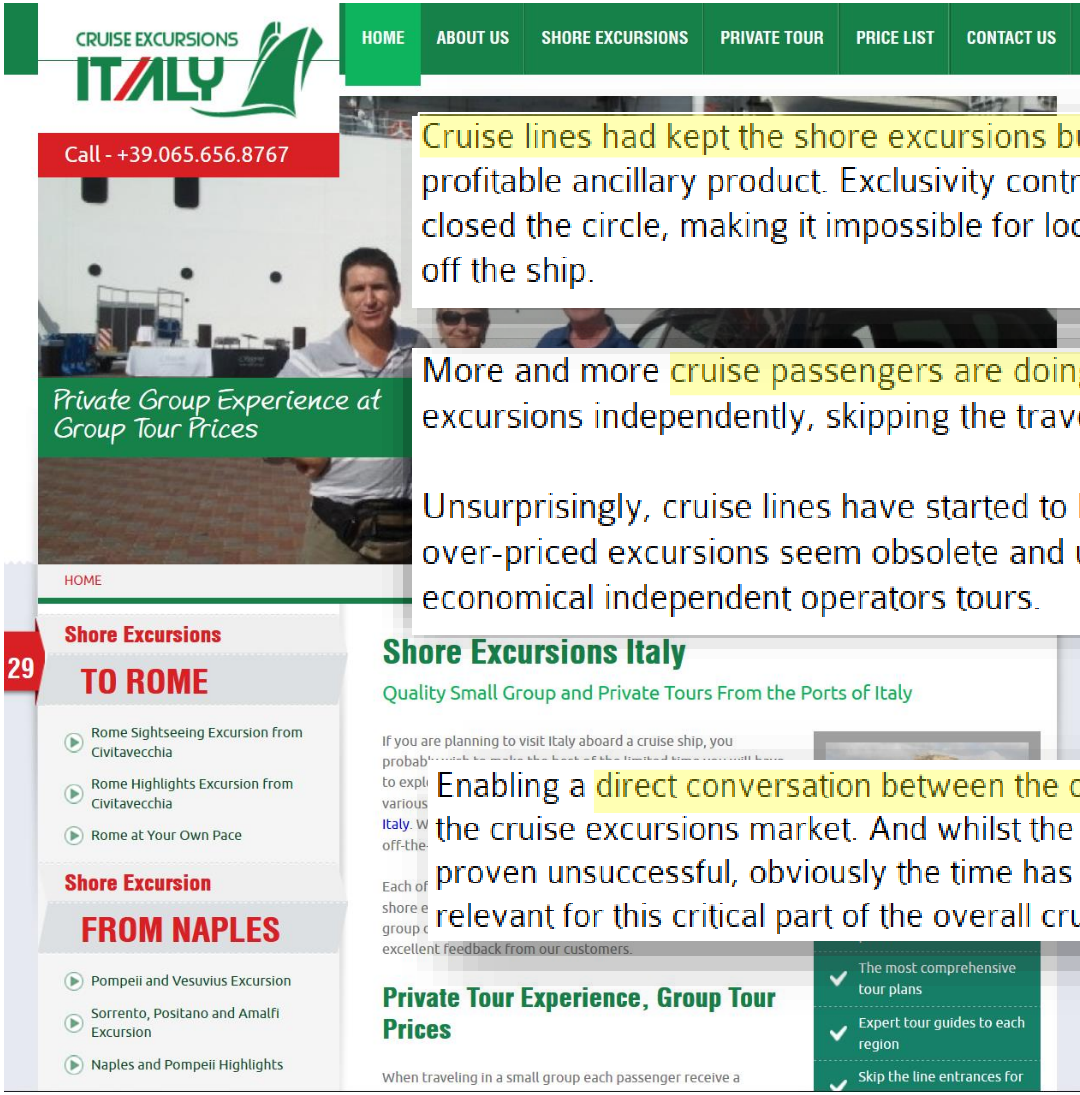
So, with a goal of creating the best possible online cruise booking experience, the team has invested time in tackling the existing problems while drawing inspiration from the online property and banking sectors.

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.

New Players…

*Shore Excursions Italy**



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.

Enabling a direct conversation between the customer and the local operator has essentially unlocked the cruise excursions market. And whilst the attempts of cruise lines to keep the gates closed has proven unsuccessful, obviously the time has come for them to rethink their strategy in order to stay relevant for this critical part of the overall cruise experience.

* https://www.tnooz.com/article/cruise-excursions-latest-tech-battle-battle-travel-ecosystem/

New Players Examples…

*ProPublica Database**

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.

* https://www.tnooz.com/article/propublica-launches-us-cruise-ship-health-safety-database-for-consumers/

The **Internet** will be the main **competitive arena** for the cruise sector… And the **`Share of Passenger Wallet'** will be the **prize**.

So where does this leave us?!

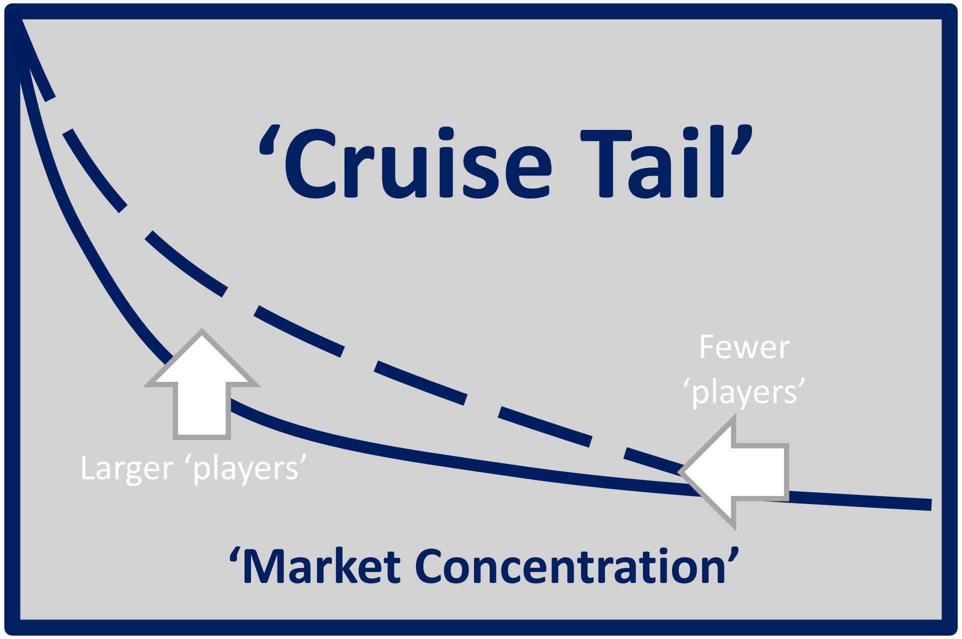
Cruise Business 'Oligarchy'

The 'Cruise Tail' will become:

Shorter' (Dictatorship of Production):

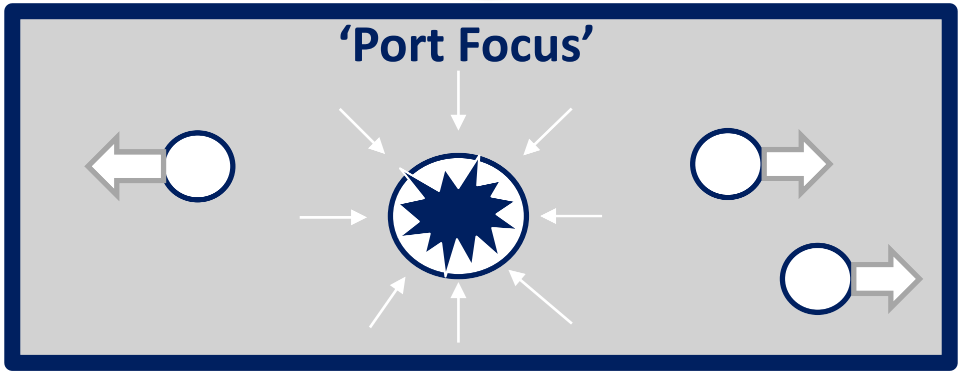
- *Mega-Smart Ships (Technology and Ship-building Barriers)*
- *'Shake out' of SME Cruise Operators ('differentiate or die')*

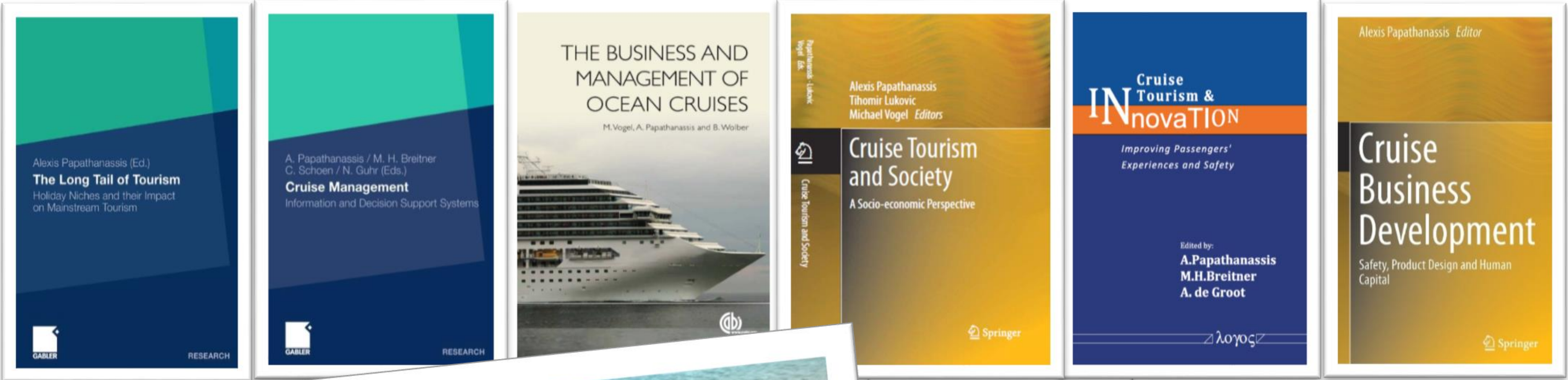
- 'Thicker' (Democratisation of Distribution):
  - *ICT-enabling of distribution and reduction of capacity risk (for large vessels)*
  - *Upward Vertical Integration (esp. Online Retail) – To capture market share*
  - *Downward Vertical Competition (esp. Ports) – To maximise 'share of wallet' / Onboard 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'





▶ *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/)

▶ *Administrative Functions:*

- Dean – Faculty of Management and Information Systems
- Member of the Research Committee of the Bremerhaven University of Applied Science
- Chairman of the CTM Examinations Committee
- Member of the CTM Study Affairs Committee