

Cruise Market: Vision Today and Future Perspectives

Papathanassis

Prof. Dr. Alexis

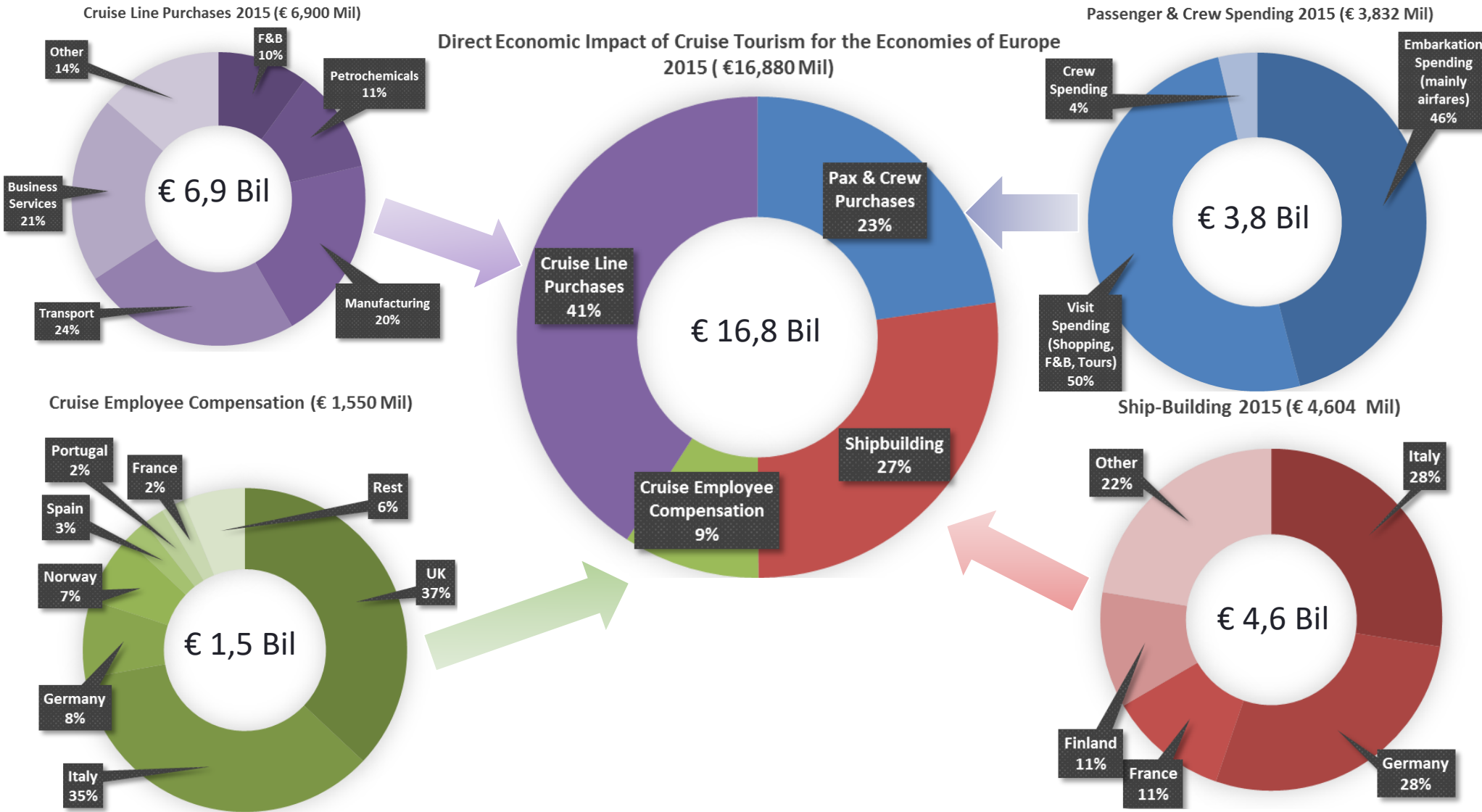


Cruise Management &

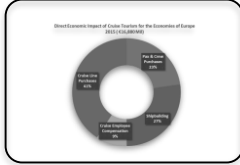
E-Tourism

Prof. Dr. Dr. h.c. Alexis Papathanassis
AGEPOR – Oporto (Portugal), 9th October 2016

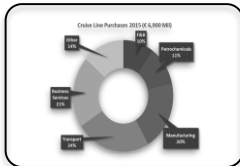
Direct Economic Impact of Cruise Tourism for the Economies of Europe 2015



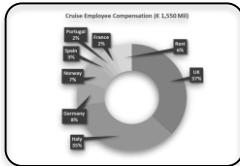
Some Simple Observations... 'Big Business benefits Big Business'



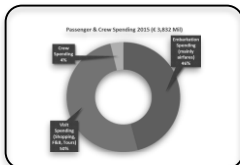
Ship-Building and Cruise-Line Purchases = € 11.5 Bill.
(68% of Total Impact)



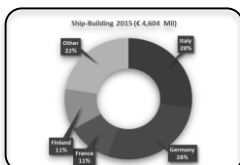
Petrochemicals, Manufacturing and Transport / Logistics
= € 3.8 Bill. (55% of Cruise Line Purchases / 23% of Total)



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)



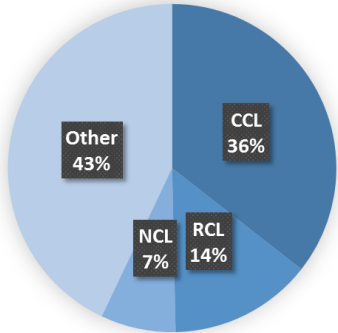
Germany, Italy and France = € 9.8 Bill. of Ship-Building
(67% of Ship Building / 58% of Total Impact)

Source
market-
economies
benefit the
most

The Cruise 'Long-Tail'

Understanding & Predicting Sector Development

2015 Intl. Capacity (Ships = 298)



Top 5 Cruise Operators / Brands = 63% of Market Share

Anderson (2009): Effect of 'Connecting Supply & Demand = Driving tail towards niches

TAIL: Rest 46 Tour Operators = 37% of Market Share

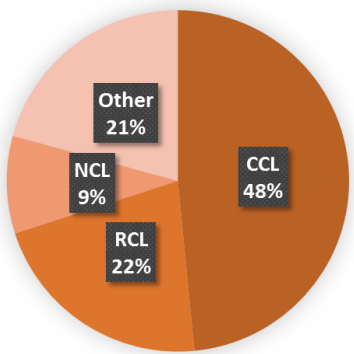
Anderson (2009): Effect of 'Democratisation of Distribution' = Tail becomes thicker

Anderson (2009): Effect of 'Democratization of Production' = Tail becomes longer



Cruise Operator / Brand Market Share

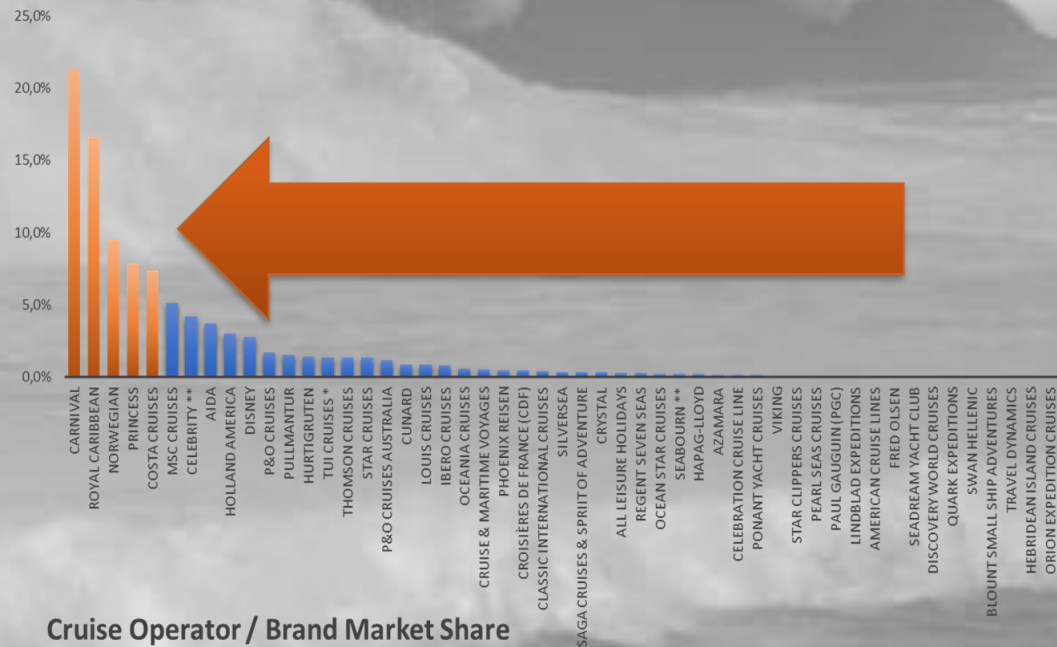
2015 Intl Passenger Capacity (250.732)



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

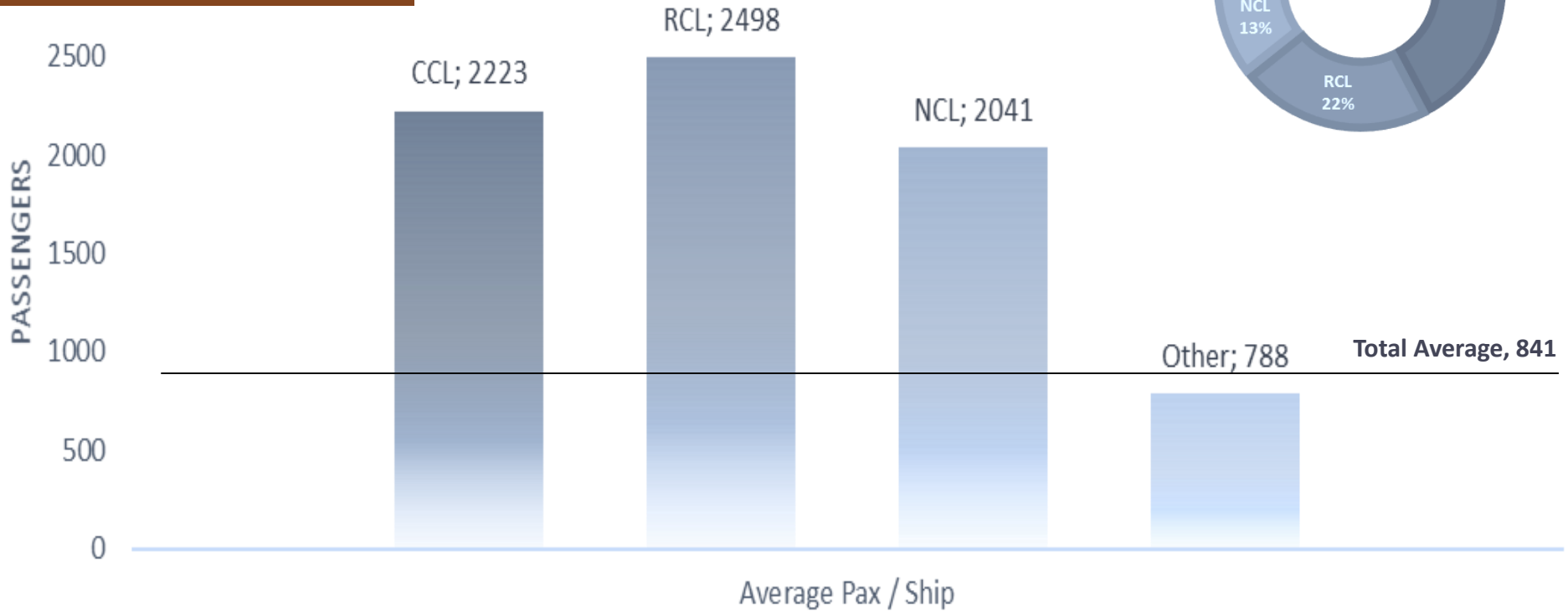
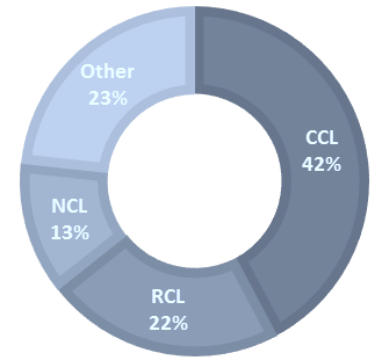


Intl. Cruise Capacity 2015: Big 3 = 57% of Vessels / 79% of Pax Capacity

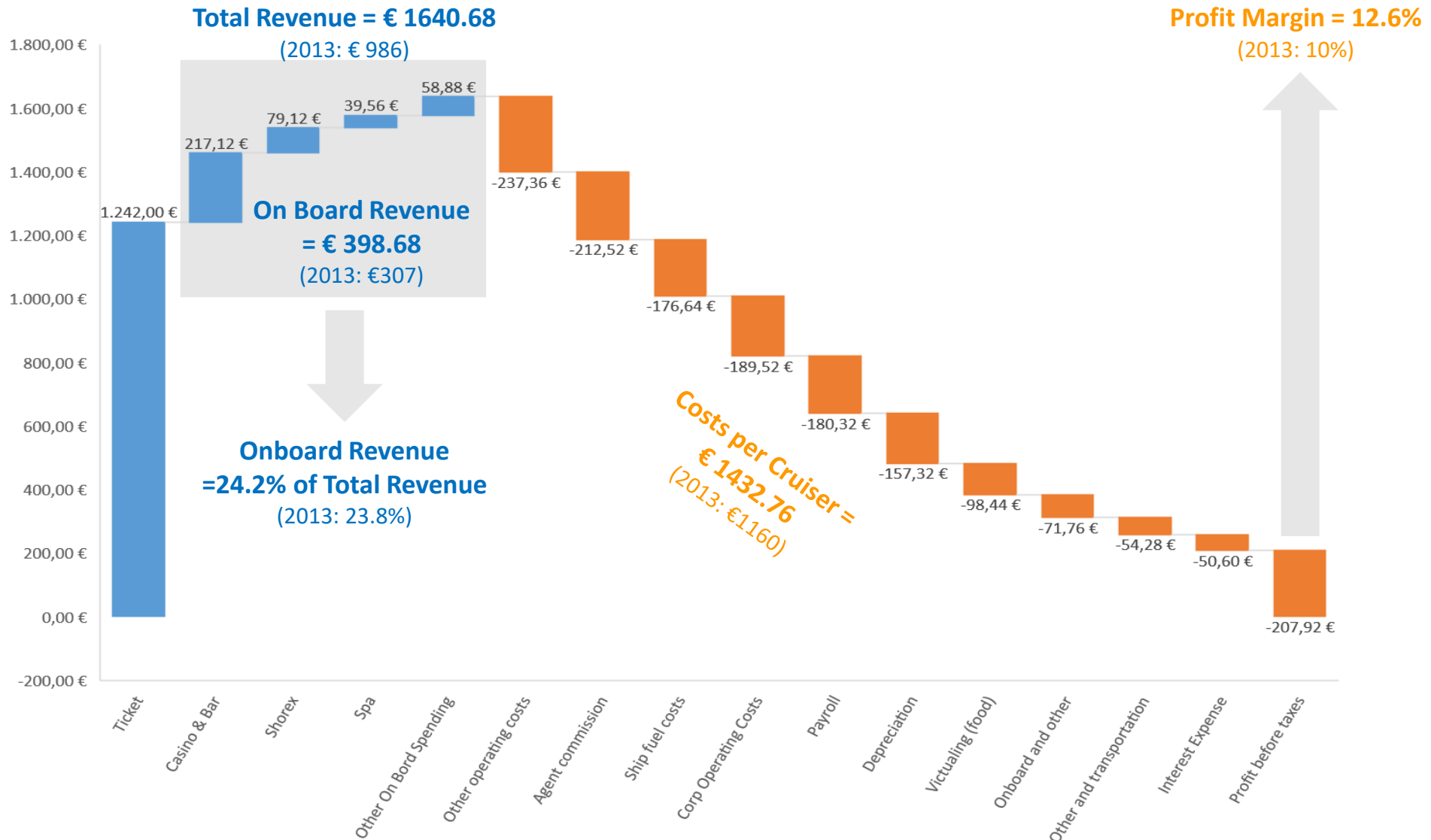
Size Matters!!!

AVERAGE PAX / VESSEL

REVEVUE (% OF TOTAL)



Average Cruiser 2015 Financial Breakdown*

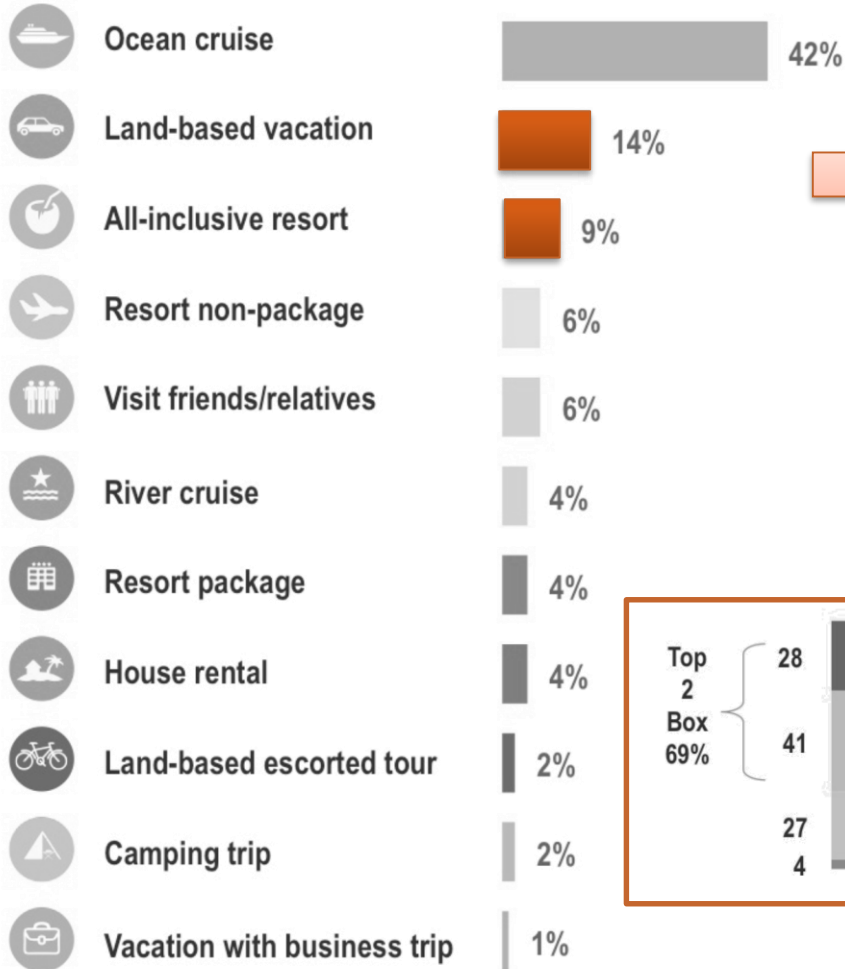


Cruise Guest Motives*

Challenges for Destinations - Competition

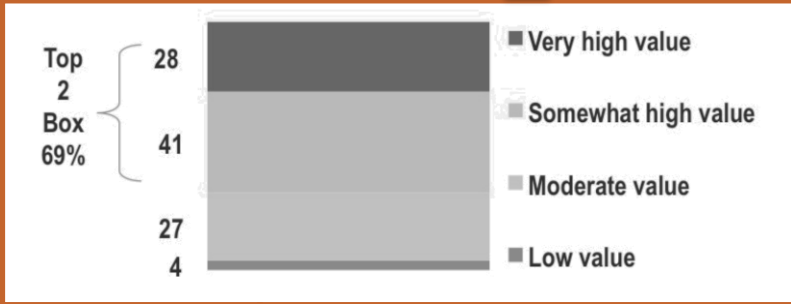
Ranking of Best Vacation Type

% of Cruisers, 2014



Ease of Travel

Value4Money



Cruise Value vs. Land Vacation

% of Cruisers, 2014

Factors Influencing Cruise Selection

% of Cruisers, 2014



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

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



High-Speed, Broadband Internet

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



Digital Dashboards

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



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 ONLY 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

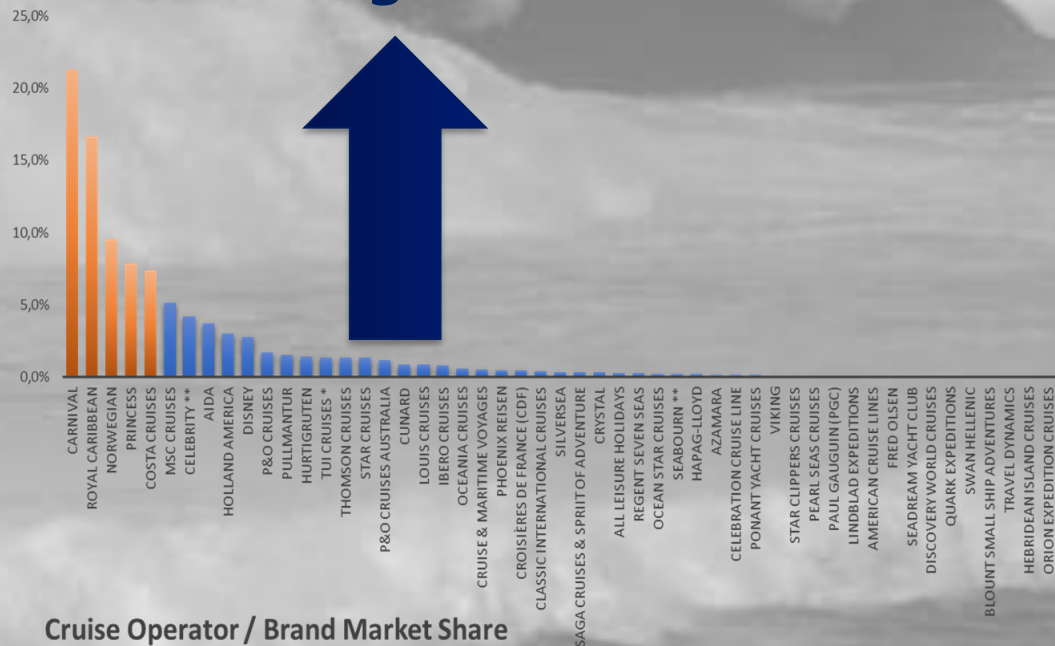


Meet Connie, the Hilton robot
concierge <https://www.youtube.com/watch?v=ghbS-aTYw14>

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

'DEMOCRATISATION OF DISTRIBUTION'

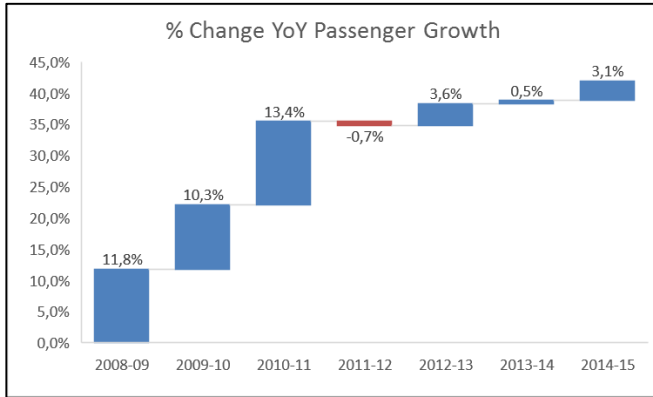
Cruise Market Growth, Hybrid-Cruisers, Theming and Digitalisation



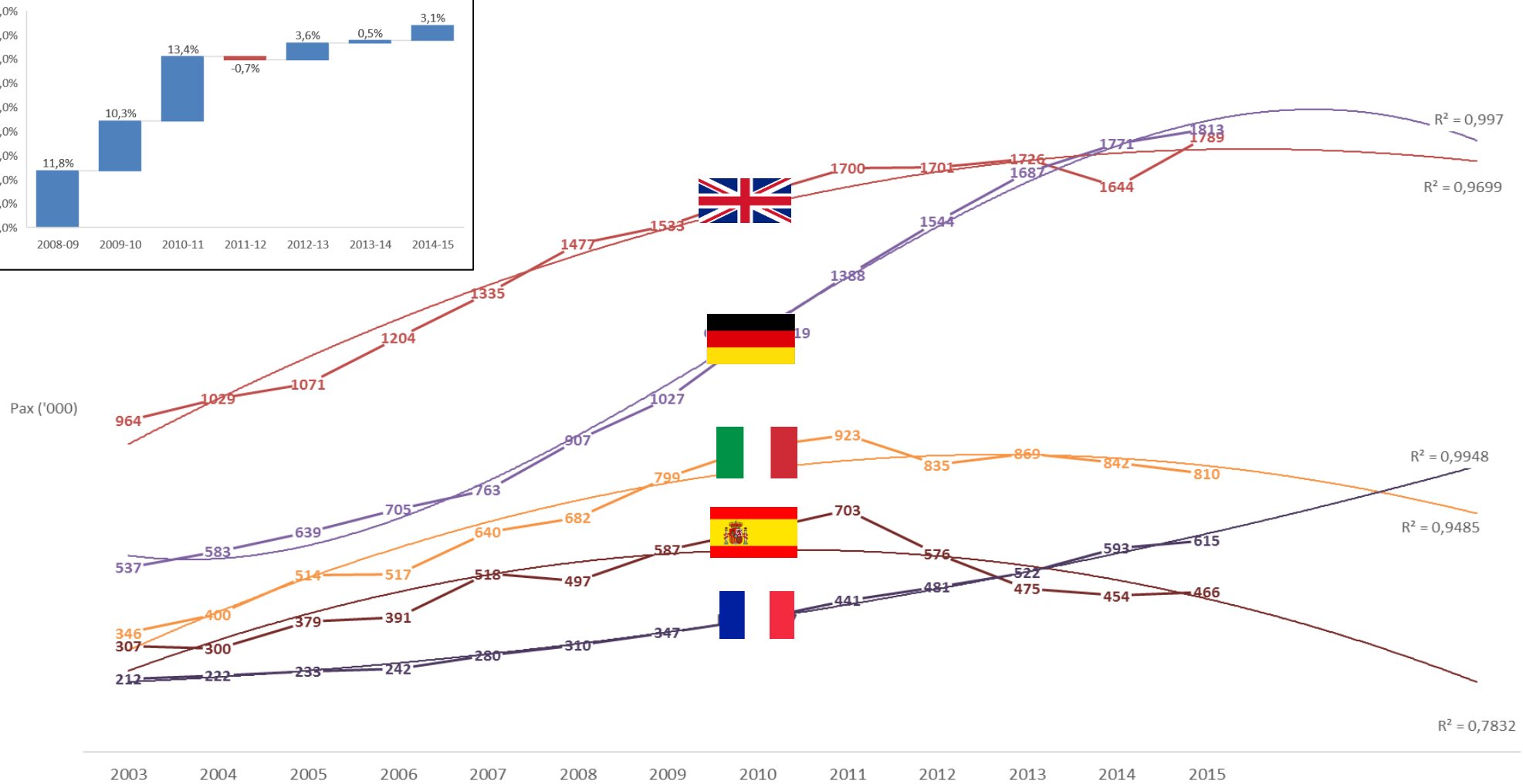
Cruise Operator / Brand Market Share

Cruise Passenger Development

Main European Markets



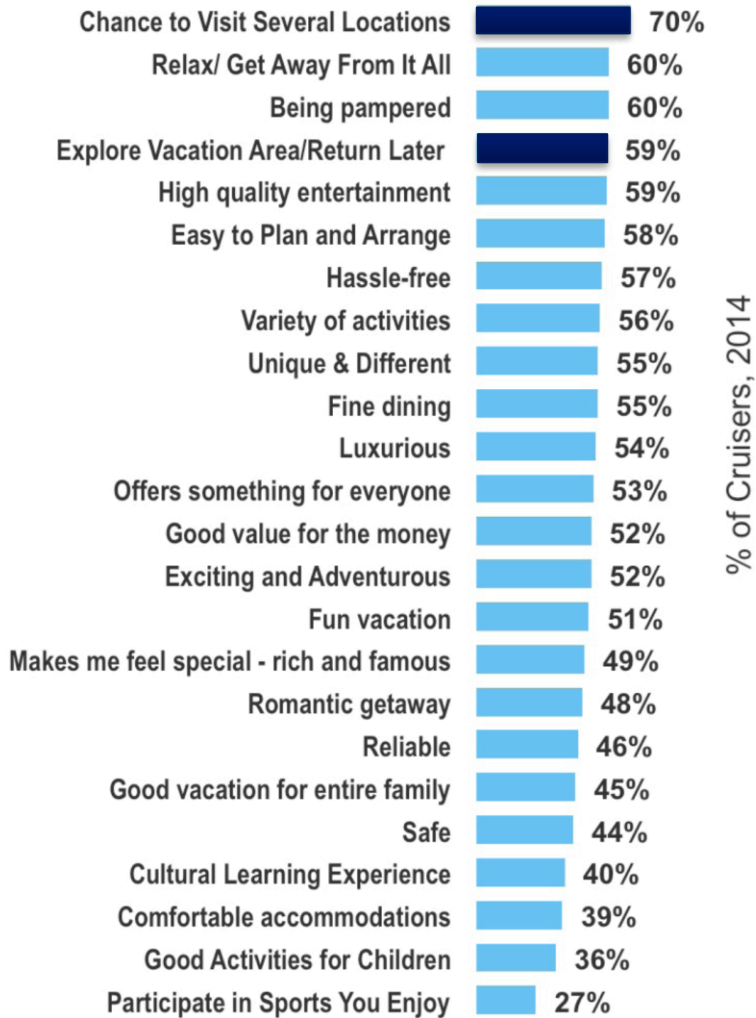
EUROPEAN PAX DEVELOPMENT



Cruise Guest Motives*

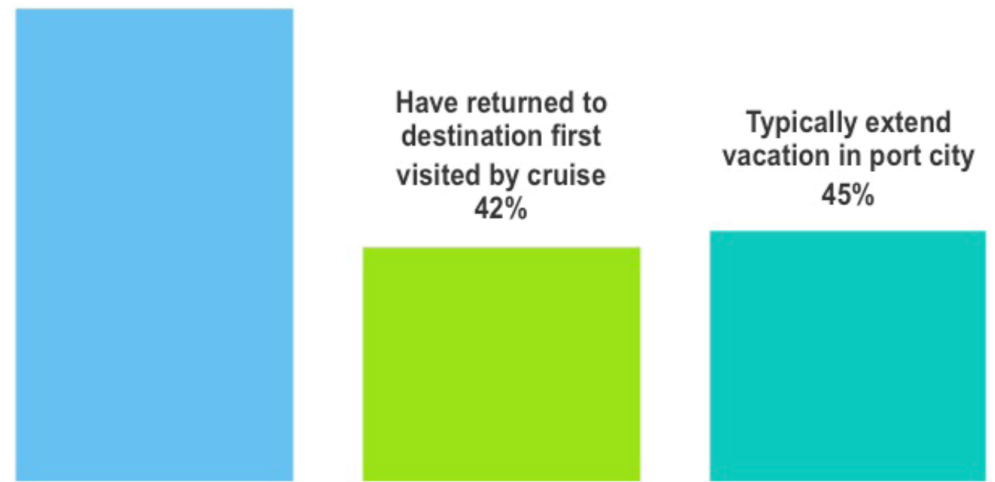
Hybrid Customers...

Benefits of Cruise vs. Other Vacations



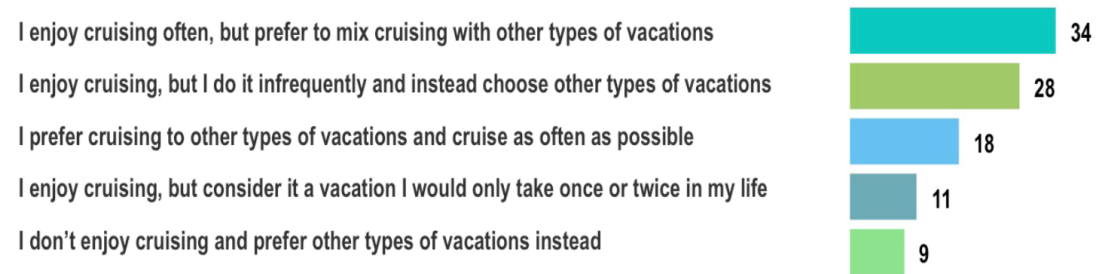
Cruising as a Source for Future Trips

% of Cruisers, 2014



Cruise Vacation Beliefs

% of Cruisers, 2014

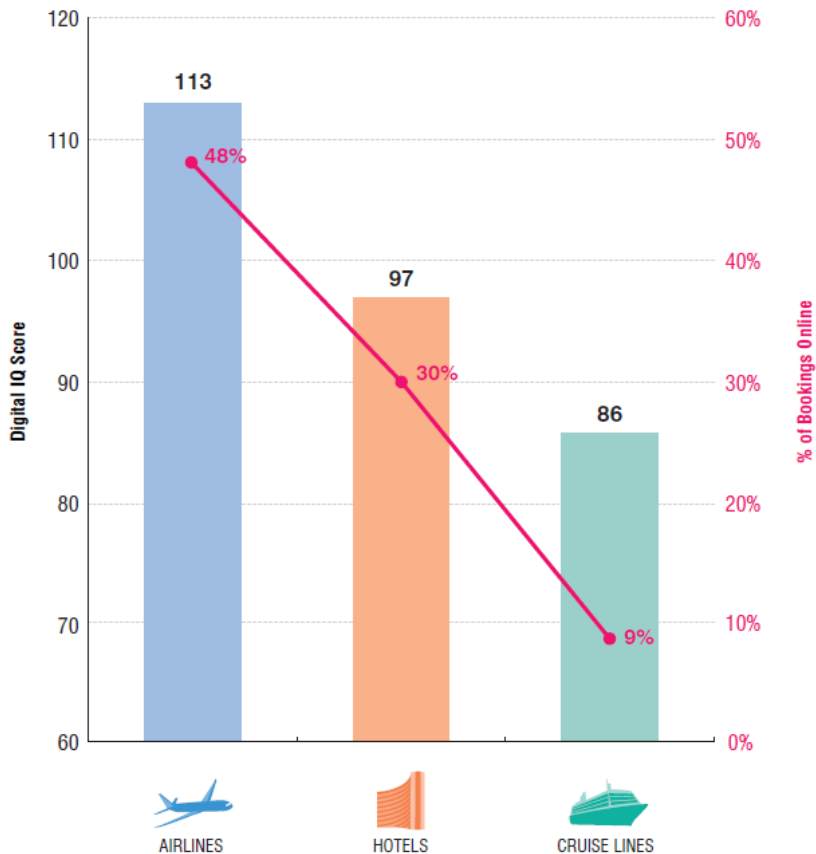


Cruise Sector Digital IQ

Content & Booking Process Complexity = Human Agents

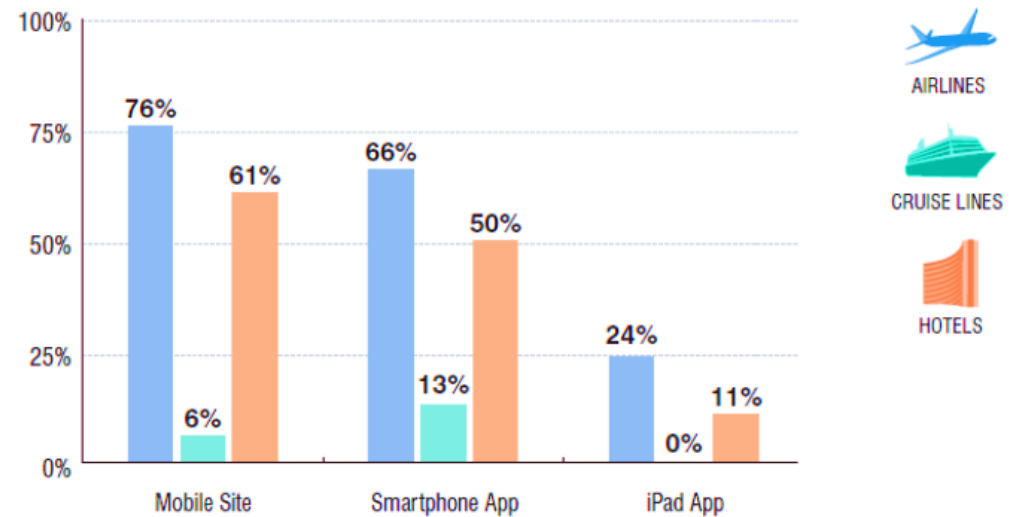
AVERAGE DIGITAL IQ & PERCENT OF BOOKINGS ONLINE

By Category



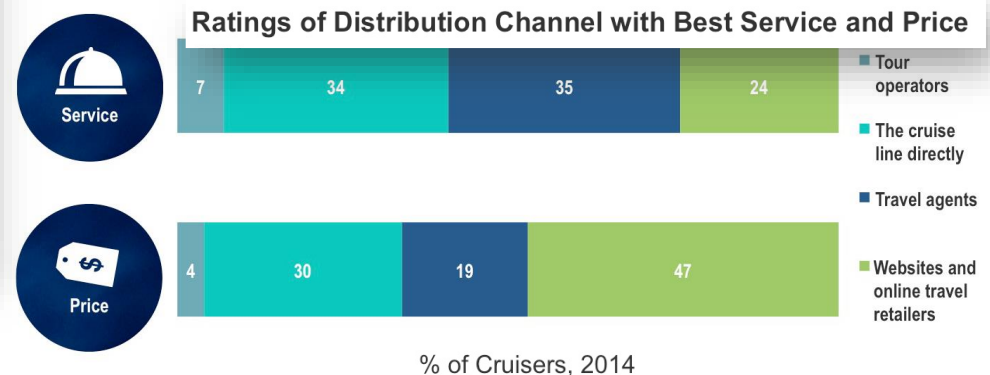
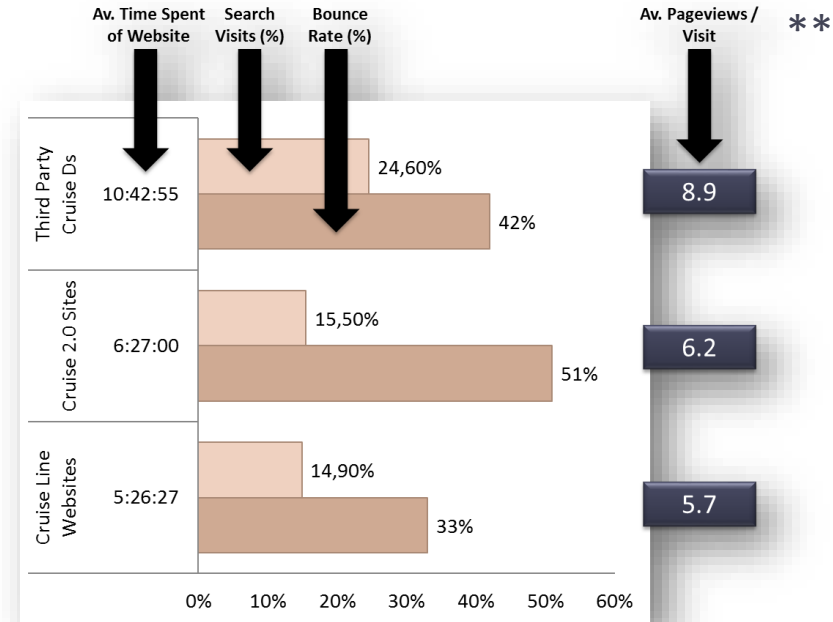
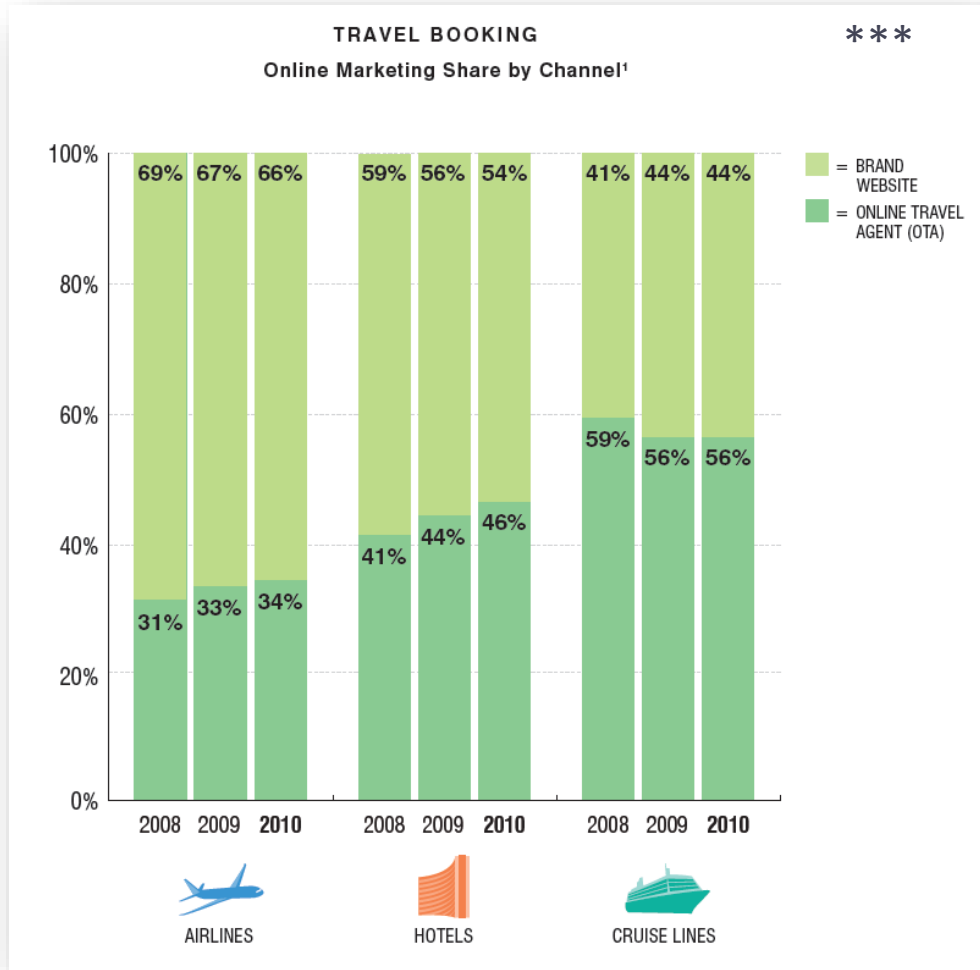
MOBILE PRESENCE BY CATEGORY

% of Brands with the Following:



Distribution Democratisation

Cruise Booking Process Complexity & Third Parties



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 Breakaway. Painted by Peter Max. Love it or hate it? <http://bit.ly/OMY5aa>



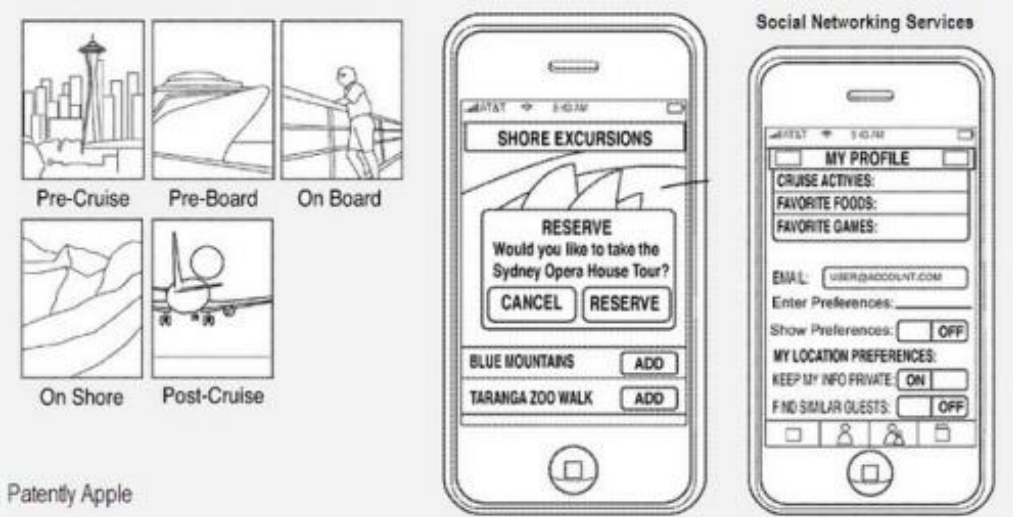
Like · Comment · Share

 100

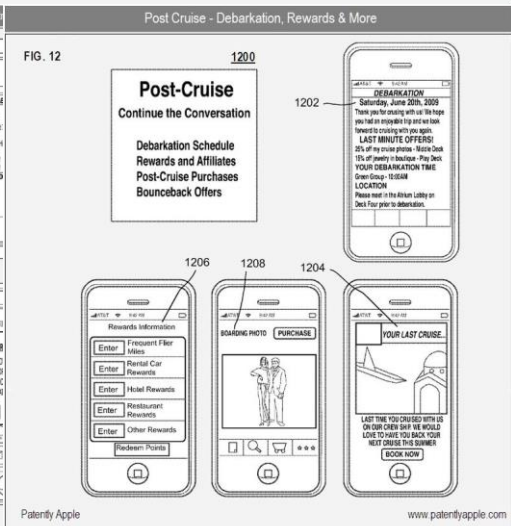
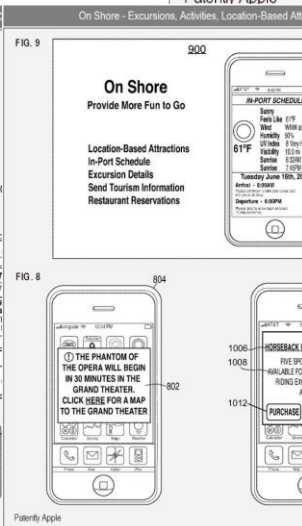
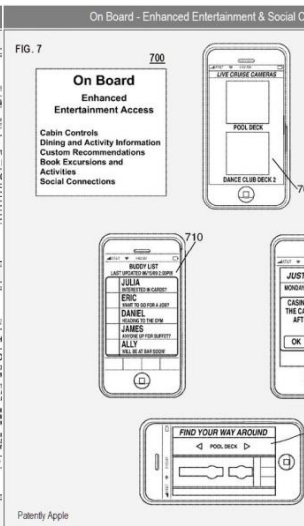
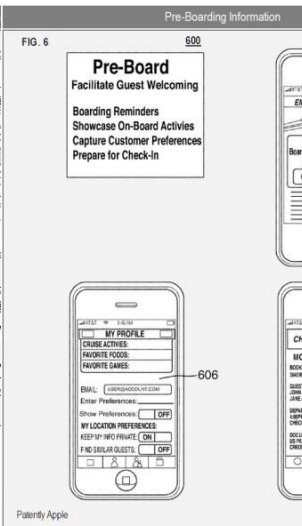
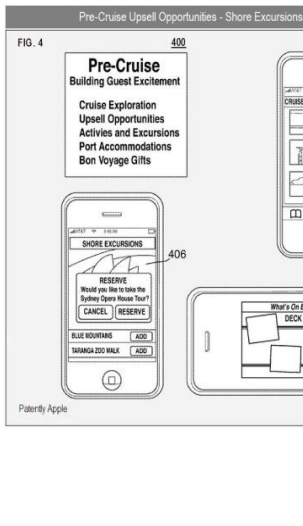
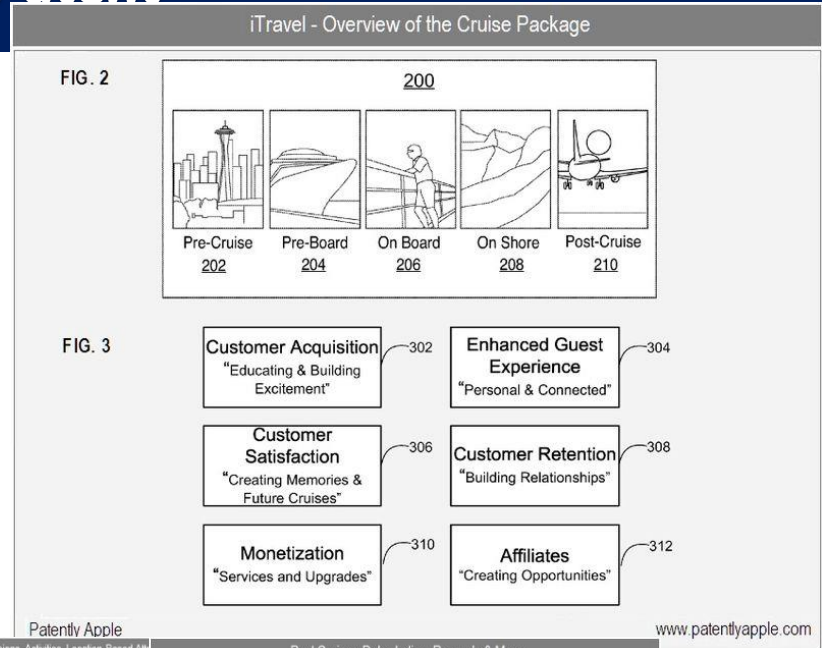
 744 people like this.

 View all 263 comments

New Players Examples... Apple iTravel Cruise Patent



Patently Apple



New Players Examples...

Cruise.Me Startup*

<http://cruise.me>

29 cruises found

Traveling to: Asia X

From: Choose Departure Port

When: Choose Departure Month
Choose Departure Date

Ports To Visit: Choose Ports

With: Choose Cruise Line

On: Choose Ship

Passenger Capacity: Choose Passenger Capacity

For: About a week X

Price: Choose Budget

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.

From \$622

Day 1: Hong Kong, HONG KONG

1 of 8

7 nights Hong Kong to Singapore

VOYAGER OF THE SEAS / CHINA & HONG KONG

5 PORTS - 4 COUNTRIES

SAILING DATES

From \$636

Day 1: Singapore, SINGAPORE

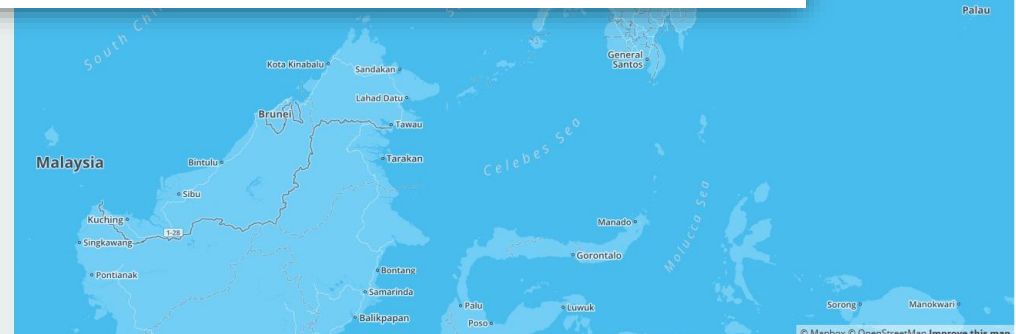
1 of 8

7 nights Singapore (Roundtrip)

MARINER OF THE SEAS / INDONESIA, MALAYSIA & PHILIPPINES

5 PORTS - 3 COUNTRIES

SAILING DATES



New Players... Shore Excursions Italy*

CRUISE EXCURSIONS

ITALY



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PRICE LIST

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Group Tour Prices

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- ▶ Rome Sightseeing Excursion from Civitavecchia
- ▶ Rome Highlights Excursion from Civitavecchia
- ▶ Rome at Your Own Pace

Shore Excursion

FROM NAPLES

- ▶ Pompeii and Vesuvius Excursion
- ▶ Sorrento, Positano and Amalfi Excursion
- ▶ Naples and Pompeii Highlights

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.

Shore Excursions Italy

Quality Small Group and Private Tours From the Ports of Italy

If you are planning to visit Italy aboard a cruise ship, you probably want to explore various parts of Italy. We offer the best of both worlds.

Each of our shore excursions is a small group tour with excellent feedback from our customers.

Private Tour Experience, Group Tour Prices

When traveling in a small group each passenger receive a

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.

- ✓ The most comprehensive tour plans
- ✓ Expert tour guides to each region
- ✓ Skip the line entrances for

New Players Examples...

ProPublica Database*

Cruise Control

Your one-stop shop for health and safety data on cruise ships

By Lena Groeger, ProPublica, May 21, 2015

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.



Illustrations by Josh Cochran, special to ProPublica

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'

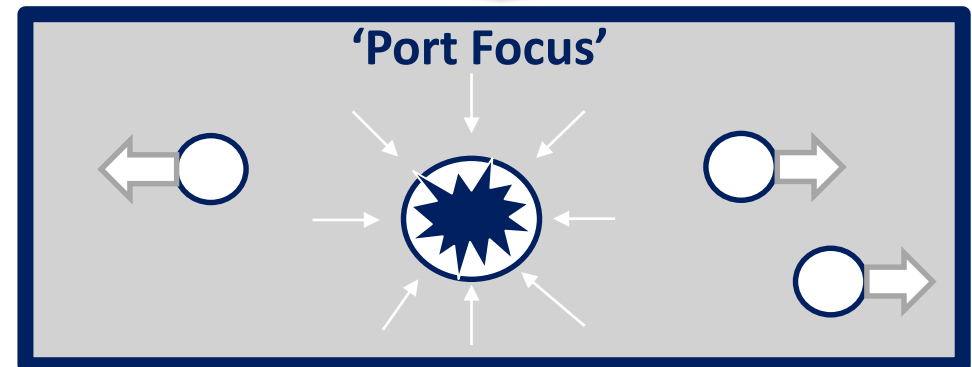
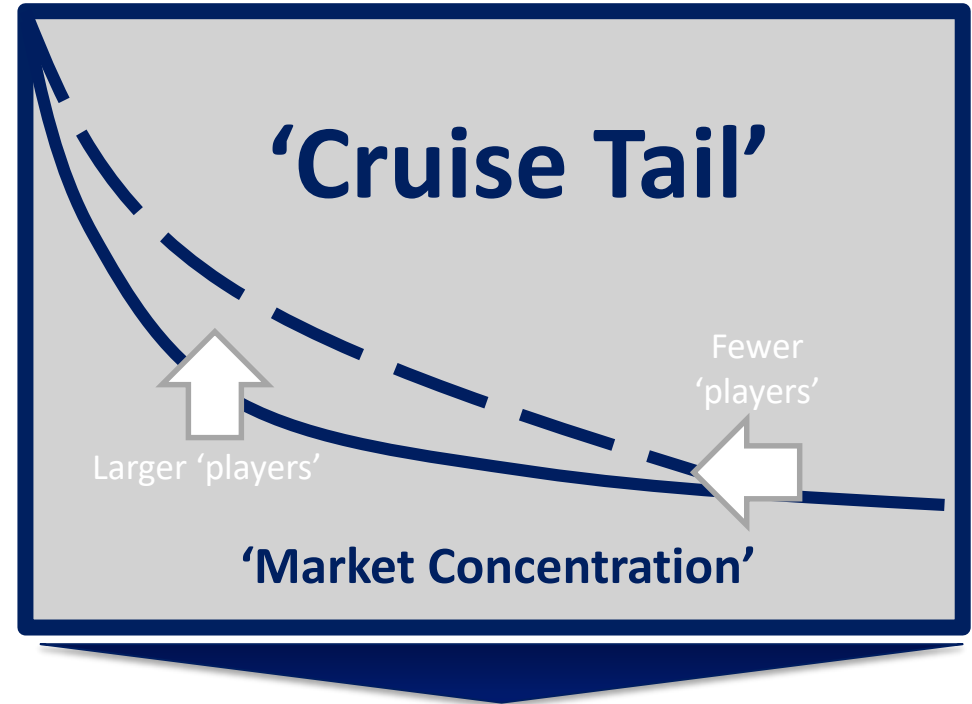
The 'Cruise Tail' will become:

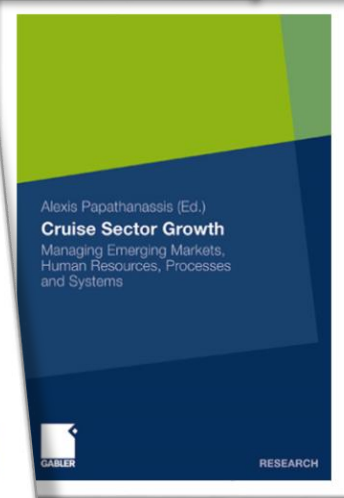
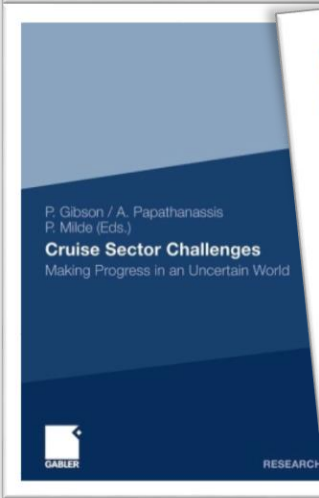
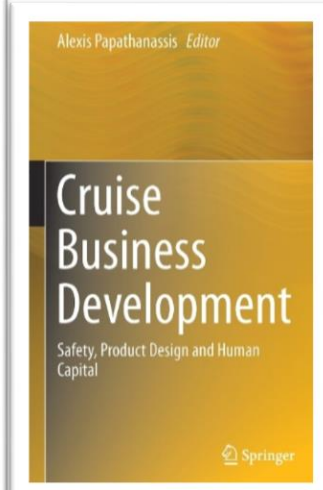
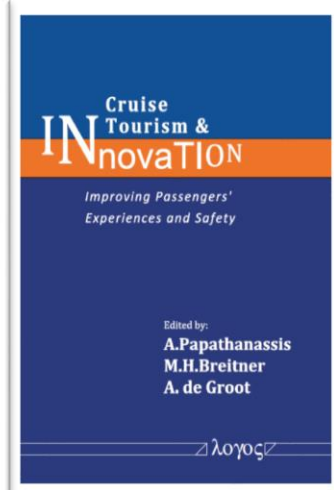
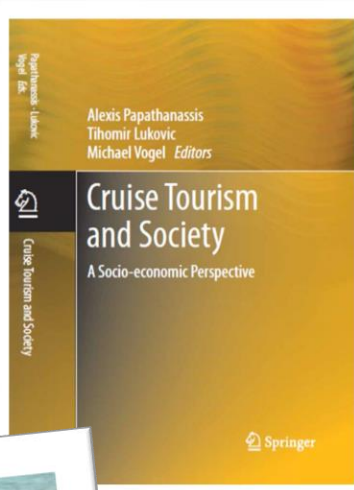
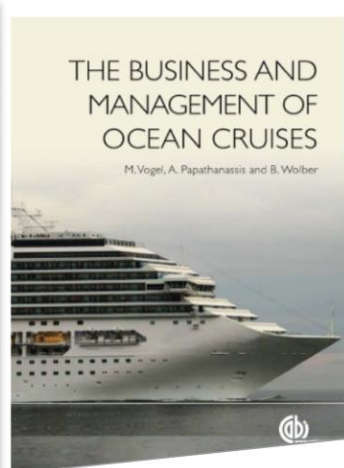
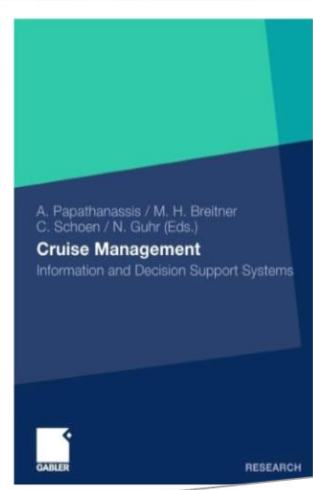
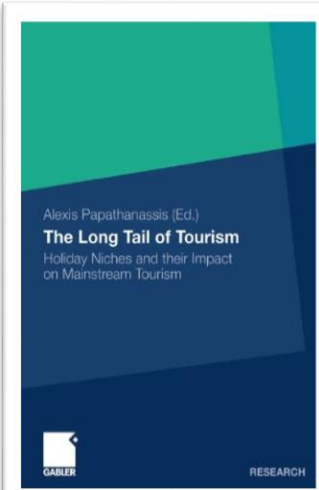
Shorter' (Dictatorship of Production):

- *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'





Hochschule Bremerhaven

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- ▶ **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