

Essay on cruise liners in the tourism industry

[Business](#), [Company](#)



Market leaders

The modern cruise industry started to develop in the between 1960 and early 1970 where the establishment of Carnival Cruise Lines and Royal Caribbean International in 1972 and 1968 respectively. This two leading cruise liners have remained the largest cruise line and the market leaders in the industry. Since then, the cruise line services were considered as activities for the elite. It is due to this reason that the two leading companies came up with an idea to establish and enhance mass market. This was achieved through economies of scales where the large ships were developed to hold more passengers hence providing an opportunity to raise more revenue to these market leaders. For instance, the modern cruise ship is capable of accommodation around 6, 000 passengers.

The Carnival (CCL) is the leading cruise ship company in the market as it has the largest company of the retreat cruise ships globally. This is depicted by the fact that the company has around 80 cruise liners that accommodates more than 7 million passengers globally. Therefore, the company dictates almost a half of the market share in the world cruise ship. The source of revenue for this company is from bar, ticket sales, on-board transactions, gambling and shore excursions among other amenities.

Royal Caribbean Cruises is ranked the second world's largest cruise service providers with a noticeable number of ships following the leader carnival (CCL). The company has more than 92, 000 berths and more than 40 ships operating for over 400 destinations. The company serves more than 4 million passengers under different brand names such as Celebrity Cruises, Royal Caribbean International, Azamara Cruise, Pullmantur and CDF Croisieres de

France. The combination of these brand names constitutes more than 23.8% of the market share in the cruise industry around the world. However, this cruise operator faces a stiff competition from its rival, CCL, which the leading operator in the market.

Market size/demand domestic (UK)/international

The market dynamic for the world cruise industries accommodated more than 19.1 million passengers in the year 2011. This was significant increase from the year 2000 which attained an accommodation of 7.2 million passengers. The global market for the cruise industry has experienced stable and enduring growth rate at approximate of 7 percent per annum regardless of the economic cycles of recession and growth (Rodrigue, Comtois & Slack, 2009: 187). For example the financial crisis that was encountered between 2008 and 2009 brought about no effect in the demand for the cruises all over the world. This implies that the ship is strategically built to sufficiently meet the demand and customers need through the different discounting and markets strategies.

The Carnival (CCL) is the number one market leader in the industry occupying a 44% of the market share. This gives the company a competitive advantage over its competitors and also an absolute advantage in the economies of scale. The company owns the greatest capacity in the market due its large number of the cruise ships. This cruise operator has the heftier margins and is capable of distributing its corporate overhead to a bigger cruise liner base. This is because it is able to leverage the purchase of onboard supplies and equipment. On the other hand, the Carnival (CCL), as the market leader, is followed by the Royal Caribbean Cruises which shares

about 23 percent of the market share in the industry.

The cruise industry is characterized with a very high concentration ownership level, because the four leading cruise shipping operators constitutes for 96% market share. The market is also characterized by a horizontal integration where the cruise companies have obtained parent operators but still maintain the original brand name for the sake of product differentiation. For instance, as discussed above, the Royal Caribbean Cruises operates under six different brand names.

The United Kingdom provides the largest demand for the cruise services in the Europe because it is the largest source of the cruise passengers in the region. Over the past few years the demand for the cruise services has increase from 1. 35 million passages, in 2006, to an estimate of 1. 5 million passengers in 2011. In 2012 the demand was expected to reach 2 million passengers. The membership of Passenger Shipping Association illustrates a significant demand for UK cruise passengers. In 2006, the market of the cruise industry grew at a rate of 11% in that year.

Current performance of the sector

Currently, the cruise industry is taking the expansion measures to offer more positions for their customers and bridge the market niche. This is where the higher prices are introduced over the competitive mass market of the Mediterranean and Caribbean. In some cases, destination are considered to bring about more effects than the itineraries, thus, cruise liners are able to offer longer shore stay options. This is influenced by developing cruise ships into temporary hotel in closeness to major. This has increased the revenue that is generated by the cruise ships. For instance, in 2011, the average

cruise revenue per passenger (APCD) was projected to reach at \$218. 57, which was an estimation of 5. 2% growth over 2010 (Mancini, 2011: 56). The annual growth rate in the cruise industry is estimated to 7. 7% growth between 1990 and 2011.

Main trends within the sector

Currently, the industry has developed to become an important niche to the tourism industry in the world. The selection of itineraries and ports of call are sufficiently considered to capture more commercial potential and sufficiently utilize the assets of the ships. In the market structure, the cruise industry has developed unique characteristic that keep the industry on top of the tourism industry.

The industry has formulated and implemented a supply push strategy to all cruise operators. The strategy helps the companies involved to generate demand by establishing new capacity and making the marketing strategies to capture the customers to fill the gap. The industry has also offered itineraries where it is wholly fundamentally greater than the sum of its segments. Through this trend, specific cultural and regional experiences are being provided through a combination of choice of ports of call and sailing time.

The industry has also adapted the fundamental and seasonal changes in demand by relocating their cruise ships and changing the pattern of the port calls. One of the noticeable changes is the alarm of the increasing fuel prices which covers about 15% of the industry's operational expenses. For example, in early 2012, Cunard announced that it will improve the crossing time of transatlantic cruise by a day to operate in eight days despite of

seven days.

However, the cruise industry is fundamentally influenced and driven by supply saturation rather than demand saturation. This will result to future challenges in the development and impose the industry maturity, which has rapidly grown over the past years. Despite the fact that the industry have large hub ports, that are capable to hold extra port calls, the smaller exotic ports , that are currently visited by seekers, places constraints to the additional capacity. In the future, the fragmentation of itineraries is probable to emerge, therefore, a closer incorporation between the cruise shipping industry and cruise port is anticipated to rise.

Political, Economic, Social, Technological and Environmental change in the cruise industry

The cruise sector has faced challenges due to the political crime, unrest and natural disasters that threaten the sector. These challenges include political instability and rioting, mainly in the European countries, Mexican crimes to the horrific earthquake in Japan, nuclear disaster and tsunami. This has contributed to changes on the itineraries in Europe, Asia and Africa. Port calls have also been concealed which has adversely affected the operation and performance in the cruise industry.

The cruise industry is evolving especially in the economic sector. In every year, many competitors are introduced in the open sea and many clients spend a lot of their money on cruise ships. The different cruise liners covers similar destinations but their difference comes according to the services that the company offers. The services that are offered determine the type of cruise that a customer will book in his vacation. New trends have been

introduced and they lead to reshaping the mentality of marketers in their effort to convince potential customers so that they can board for their services.

The environmental changes in cruise ship management involve the municipal services like: the supply of water, generation of electricity, sewerage and waste management. The CO₂ emissions to the environment depend on the size of the cruise ship on board. The age is also a factor that contributes to the amount of CO₂ gas that will be emitted to the environment. It is evident that large ships have a low output of CO₂ and this is because of the high tenancy rate. Cold ironing is installed on the terminals of the cruise and this reduces the environmental effect of the docked ships. The 21st century has led to the introduction of modern technologies and innovations. The technological advances in cruise ship include: operation improvements, facial recognition technology, celebrity cruises-interactive menus on Ipads, carnival cruise lines-EA sports bar, celebrity cruises-luxury ' smart glass' shower, royal Caribbean international-way finder and carnival cruise lines-5D theater. The cruise industry is adopting the latest technologies therefore improving on the services and features of the cruise ships.

In a nutshell, the cruise ships trade has been achieved through economies of scales where the large ships were developed to hold more passengers hence providing an opportunity to raise more revenue to these market leaders. The cruise sector has faced challenges due to the political crime, unrest and natural disasters that threaten the sector and solutions to this must be worked on. The cruise industry is taking the expansion measures to offer

more positions for their customers and bridge, the market niche. The cruise industry has led to the growth and development of the tourism industry hence increasing revenue to the subject countries.

References

Jean-Paul Rodrigue, Claude Comtois, Brian Slack, (2009). *The Geography of Transport Systems*. London: Taylor & Francis

Lennon, J. John; Foley, Malcolm (2001). *Dark Tourism*. London: Continuum.

Urry, John (2003). " Social Networks, Travel and Talk". *British Journal of Sociology*

Marc Mancini, (2011). *The CLIA guide to the cruise industry*. Cruise Lines International Association. Clifton Park, NY: Delmar Pub

Bob Dickinson, Andrew Vladimir, (2008). *Selling the Sea: An Inside Look At the Cruise Industry*. Hoboken, N. J.: Wiley

Ross, Kingston, Dowling, (2006). *Cruise ship tourism*. Wallingford: CABI