

Carnival competition and swot

Life



COMPETITION Carnival Corporation is part of different industries and sectors: on one hand we have the cruise industry, which is the fastest growing segment of the travel industry. Carnival is the largest cruise operator in the world, so it's the most important player of the cruise industry. On the other hand the company is also part of a bigger sector: Hotels, Resorts and Cruise Lines, in which the competition list grows, having hotels and motels and the largest segment with 92.4% share of the sector's value. As a company Carnival has 11 brands distributed among the segments of the cruise ship industry.

These segments are based on class, average price and number of passengers per ship. The mass-market segment also known as contemporary consists of 45 ships, an average of 2,400 passengers and a price of \$114.87. As company Carnival has the largest share of this segment with two different brands, Carnival Cruise Lines and Costa Cruises with 21 and 2 ships respectively, a share of 52%. Royal Caribbean, has 9 ships and a total of 21% of share in this segment, the company has a total of 40 ships that are operated under five different brands.

Norwegian Cruise Line takes third place in the segment with a share of 18% and a total of nine ships, it is jointly owned by Star Cruises, the dominating company in the Asia-Pacific Market. Norwegian is known for its Freestyle Cruising concept, with little requirements. MSC Cruises is fourth with four out of a total of 12 ships, and a share of 9%, it sails throughout the Mediterranean and offers a wide range of itineraries in Northern Europe, the Atlantic Ocean, Caribbean, South America, among others.

Carnival also plays an important role in the also known as premium segment, consists of 54 ships, an average of 2,390 passengers and a price of \$167.50; with four brands and a share of 54%, a total of 28 ships. Princess Cruises, holds 26%; Costa Cruises, 18%; Holland America Line, 8%, and Carnival Cruise Lines, only one ship and a share of 2%. Second places goes to Royal Caribbean and three of its brands, Celebrity Cruises, 18%; Royal Caribbean International, 14% and Pullmantour with 3% and two ships.

MSC Cruises is third with only 6 cruises and 11% of share. As part of the Hotels, Resorts & Cruise Lines sector, Carnival's competition increases. The rivalry level is high thanks to the dependence of intense characteristics of the sector capital, management, marketing, personnel, energy, maintenance, and technology, affect the final result. Worldwide the sector reached a value of \$623.2 billion in 2011 with a growth of 8.2%. Hotels and motels is the largest segment of the sector, it accounts for 92. % of the total value, followed by cruise lines with 4.7%, and resorts with 2.9%. Even though Carnival Corporation is part of a smaller segment, it still is the leading player in the sector, generating 2.5% share of the total value. Competing with Marriot International who holds 2%, a diversified hospitality company with a broad portfolio of hotels, lodging facilities, corporate housing properties and timeshare properties under various brand names.

Marriott Hotels & Resorts, JW Marriot, Renaissance Hotels, The Ritz Carlton, among others, are part of the portfolio that recorded revenues of \$12,317 million during the financial year ended December 2011. Accor comes in third place with a share of 1.4%, French hotel group, which operates in over 91 countries with 4,426 hotels ranging from economy to luxury, some of its

brands includes, Motel 6 and Sofitel Hotels and Resorts. Starwood Hotels & Resorts Worldwide holds 0.9%, with 1,103 properties in nearly 100 countries.

Westin Hotels, Sheraton Hotels and Resorts and W Hotels, are among the diverse portfolio that recorded revenues of \$5,624 million. Carnival Corporation & plc is one of the largest cruise and vacation companies in the world, operating through four segments: North America, Europe, Australia and Asia cruise brands. The company is the most important player in both the Cruise Industry and in the Hotels, Resorts & Cruise Lines sector, in a market where buyers and consumers are price sensitive and willing to switch to a new player if a better offer is presented. SWOT ANALYSIS Strengths:

Carnival has the largest fleet and passenger capacity in the cruise industry, being the largest operator in the world operating 99 cruise ships, 2.4 the number of ships of its closest competitor Royal Caribbean. Being the world's largest cruise operator enhances the company's bargaining power with suppliers, which results in large economies of scale and significant cost advantage over competitors. The large portfolio of widely recognized brands, which cater to different lifestyles and budgets, also targeted to different cultures and demographic groups addressing people's diverse entertainment and preferences.

The company has a solid marketing strategy that communicates the value proposition of each brand to the target audience intended. Having as the main theme 'Fun Ships'. Investing heavily in print and television media, to project itself as the ultimate entertainment destination. In addition to advertising, Carnival uses different methods to encourage new customers

and travel agents with discounts and commissions, this aggressive marketing and promotion techniques highlights the different brands in a highly competitive industry and sector.

Weaknesses: Even though Carnival is the leading provider of cruise vacations in the majority of the largest markets, it shows an overdependence on the North America region because it's the originator of most of the company's revenues. Creating vulnerability to the economic situations and uncertainties of the American economy. **Opportunities:** As an industry there is an opportunity to further penetrate into the European cruise market.

Although the cruise industry has grown significantly over the past decades it still occupies a very small proportion of the global vacation market, 4.7%. With more opportunity to further penetrate the European cruise market, especially in Western European countries where the trend is moving in favor of cruise vacations. In addition a change in demographics has been seen, with a growth in population of over 65. Marking the importance of the general trend where the majority of cruising passengers ranged from 45 to 65 years. **Threats:**

New tax regulations announced by the United States, as a measure to address offshore tax avoidance, Carnival Corporation would be affected because it is incorporated in Panama and Carnival plc in the UK, so its exempt from taxation earnings because they come from operations of a ship documented under the laws of a foreign country. As cruise line company it also pays minimal corporation tax because it holds overseas status. Around 48% of the company's revenues are generated from non-US regions and are

reported in US Dollars, as a result there is a large dependence on the fluctuations of the dollar against all other major currencies.