

The competitive nature of the cruising industry tourism essay



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Abstract

Since the last ten years the market has seen an extensive growth in the contemporary cruise industry and there has been an increase in customer research on the innovative naval design ideas, lengths of the cruising ships, including splendid destinations on the global scale, including on-board and on-shore activities, as these are the plans that can help the people in getting the vacations they want.

OBJECTIVES

This paper will attempt to explore “Cruise Market Timesharing” along with important market predispositions, and important and valuable markets for the cruising business. The paper will also explore the competitive nature of the cruising industry along with the major competitors in the cruising industry also taking into account the leading business strategy.

INTRODUCTION

Development of Cruise Industry

Cruise industry symbolizes a small part of the vacation business environment which itself is a very small portion of the leisure business. The cruise industry is attributed by extraordinary value proposition, great demand, favorable guest demographics, high guest fulfillment rate and positive supply vs. demand balance. The business has seen a large development over time and it is anticipated to grow more in the following years. Though, “ in 2009, the development in business has turned down, but it is anticipated to lift up again as the global economy improves progressively from the recession. Seeing the development potential in cruise industry, the number of competitors has raised and the existing competitors will be growing their capabilities in the following years.” (Middlemiss & McNulty, 2007)

The cruise industry has its roots dating back to the 1970s and this is the era that has been seen an enormous growth in the North American industry. It has been seen that there has been an increase of popularization that is considered as a key factor in the tourism sector with an increase in the cruising business becoming an important economic factor.

Cruise industry is an important example of the globalization having many destinations all around the world, the customers of cruising industry belong to various countries as well as the employees of the cruising industries are from various continents. In addition to this an important fact is that in the past there was an increased level of detachment from the rest of the societies and the countries that are now reduced along with an increase in

an economic, legal, ecological and social implication. A crisis-resistant industry with a varied offer of airlift choices and ports that are more modernized have made people choose cruising as an option for having vacations as there is an increase in the consumers knowing the fact that cruising is more relaxing, eventful and an adventurous choice for more than a million consumers coming in to cruise from global destinations.

Cruising is now considered as a dynamic business that has been known for an increase in the products that it has offered with a development in potential markets. As observed there has been an average 8.5% increase in the annual growth in cruising industry since the last 20 years, with an addition of almost 90 million passengers since the 80s. The reports have suggested that more than 60% of the current customers have been generated in the last ten years. Since that time there has been no slowing down as there were more than 13 and 13.5 million passengers between 2008 and 2009 as compared to 13 million in the year of 2007, and these increases are also being observed in the coming years.

An important part to be considered in the case of cruising industry is the capacity and since the last ten years and more there has been an increase in the capacity of cruise industry. The history has it that there were only 40 cruise ships in 1980s, with an addition of 80 vessels in the 1990s, with a 40% increase between the years of 2000 and 2005. These years these fleets have joined newly designed ships that have caused a 25% increase in the cruise ships.

Recently there has been an increased investment in newer and more innovative ships that have a capacity of more than 3, 000 passengers. These ships promise to offer lower shipping and cruising rates thereby helping in developing a better economy of scale . Some of the activities that are offered by these ships include multi-story shopping centers, cafes, restaurants, art galleries. Thereby these ships offer more than just the cruising experience to the customers.

In the case of cruising ships it has been seen that there is a fleet that has a capacity to carry more than hundred cruise ships having the capacity of carrying more than millions of passengers. These ships travel and cruise through many geographical locations on the global scale that can cover more than 500 destinations worldwide. Of these, these days, Caribbean cruises are the most popular ones, than the Mediterranean cruises and European cruise ships that have reached destinations that include Barcelona, Athens and the Greek Islands, Amsterdam, the Scandinavia Fjords, Helsinki, and San Petersburg.

However, the North America is the main market for cruise trade. Though the area signifies the most mature marketplace of cruise business, with mainstream of travelers originating from the United States, it is still immature with large potential. Therefore, business players are working to raise their ship capabilities and lower berth capabilities to fulfill the increasing need of the business. “ Europe is the 2nd largest marketplace after North America, symbolizing the fastest developing marketplace. The European cruise business continues to boost its share of the international cruise marketplace, with United Kingdom being the biggest shareholder in the European marketplace.” (Anonymous, 2006)

The major strengths of the cruise line market are its extreme desirability among customers. Cruises attract to the US citizens desire of adventure. The 2nd strength is that cruise lines industry has demonstrated a great capability to modify their product to fulfill famous social trends and extend into untapped marketplaces. The current trend to present a large range of entertainments and the current fame of “ Theme Cruises” has been a worthwhile asset. The presenting of different priced cruises is also sign of the industry’s capability to change and as a consequence expand their marketplace. The spreading out into foreign marketplace is further proof of this strength (Mancini, 2003). The cruise line market has shown the capability to not only discover new marketplaces, but to take over them as well. And the final benefit is that the cruise line business operates at 100 percent capacity.

The international cruise business is now looking towards Asia as a key development engine. The Asian cruise industry is increasing at a good growth pace. With the increasing middle class group and the growing interest of individuals in cruising businesses, this area gives ample development potential for the players. Being among the top ideal destination for passengers, the Australian and Singapore cruise market can witness large development in upcoming years.

With an increase in the business of the cruising industry there has been an increase in the demand of better organizational structures and better planning and strategic structures that can increase competition on the global scale. These competitions are based on the potential markets that are being focused and that have been able to generate higher revenues with an addition of the markets from North America and Britain.

Safety and Security

Recently it has been found that the number of tourists worldwide who hire cruise vacations stands at approximately 13.4 million, symbolizing around 1.8 percent of the total global travel market, as anticipated by the World Tourism Organization. Roger Cartwright and Carolyn Baird, 2007 also mentioned that the far from being disheartened at this existing level of market portion, the business fully identifies the opportunities ahead as players expand into modern forms of cruises (containing the niche budget option); set their objectives on various demographic groups; and, head for new waters. (Cartwright & Baird, 2007)

Within one year there are more than 13 million passengers who enjoy the cruising each year and the main aim behind these cruises is to ensure the safety and enjoyment of the cruising customers. The help of extra protection provided by law enforcement agencies, FBI and U. S. Coast Guard, ensures the safety of the customers. In order to maximize the protection of the customers there are numerous codes that are to be followed by the cruise lines. CLIA policies have been recently approved that ensure an increased level of security. On an annual basis an examination known as Control Verification Certificate examination is conducted by the U. S. Coast Guard.

An important part of the cruising industry is a Security Committee that is composed of security officers. These security officers are responsible for meeting the law enforcement and intelligence agencies in order to discuss the issues that relate to ship security and intelligence assessments.

Competition in Cruise Industry

Currently the cruise line business has been undergoing a period of huge development over the last 10 years. By some calculations, the cruise market in US alone has earned over \$32 billion during 2005. Such income makes sure that the cruise business remains one of the very competitive across all marketplaces. Even smaller marketplaces have been experiencing a boost in cruise business operations. The Canadian marketplace has seen some ports increased over ninety cruise ship callings on a yearly basis and this is a large amount of traffic for a conventional smaller market. Therefore, the competitive profile for the business has boosted in terms of market share and competitive contention. (Dickinson & Vladimir, 2007)

These days it has been seen that the cruise shipping volume is smaller as there are barriers associated with the entrance and exits along with higher costs of selling and purchasing the cruise ships. In addition to this there are higher investments needed in the managing cruise lines as there are influences of these purchases on the multiple strategies related to organizational and management of these cruise lines.

Important actors that have been identified in the case of increased and changing bargaining power and capability of the cruise industries in order to gain advantages of better economies include the size of the market that is effective in two different ways;

a) There are a lesser shipbuilders and technology developers in the cruising industry that are able to accept the prices that are offered to them;

b) There are a large number of suppliers and equipment thereby there is a great choice of bargain;

Thereby there are a lesser number of companies left that are more vary of the potential threats that are faced by the companies for the clientele in order to provide the customers with options as improved vacation strategies, sightseeing vacations, including thematic parks. There are many opportunities that have caused planning diverse strategies that can help the specialization in specific areas of business. Newly designed strategies have also helped in the development of better cruising products that help to serve massive consumer markets. There has been a great change in the marketing strategy along with a great change in the brand image that has caused an improvement in the commercial environment.

DISCUSSION

The cruise industry has been seen to be threatened by such events as Achille Lauro hijack in 1985, the Iraq and Kosovo wars, and September 11 attacks, and these include the process of restructuration and merging in the cruising sector. Among the cruising companies, Renaissance Cruises was among the first ones to file for bankruptcy in 2001, after this American Classic Voyages and ten well-known brand names, a result of which there was a cease in operations thereby leaving the market open for the largest cruise companies that include Carnival Corporation, Royal Caribbean Cruise Limited and Star Cruises.

The Carnival Corporation, having a headquarterd in Miami and London is considered as a leader in the cruising industry. This is the company that has

over 12 cruise brands in North America, Europe and Australia operating more than 89 cruise ships, along with more than 65, 000 shipboard employees and 170, 000 guests all around the world.

It has been seen that the corporate offices of some of some of the cruise companies are located in the United States and Europe as the clients of these organizations. The companies have their fleets registered in the countries as Panama, Bermuda, Liberia, and Bahamas.

Some of the main revenues that are generated in this case are from the passengers and by the help of maintaining the clients that helps in the financial stability. On the other hand, it has been seen that the cruise fares play important roles in the commercial relations of the cruise industry.

These days there is an increase in the number of items and services provided by the cruising ships for the customers. For instance as compared to the older days there is an increased number of spa and personal care services, shipboard stores and boutiques, photography departments and art auctions at prices that have been the cause of an increased competition.

Some of these services are offered by the concessionaires and subcontractors. Other than these there are some Cruise companies that have started to introduce varied practices in order to build the customer base that makes them spend more money. These services include cybercafés, satellite telephone services, restaurants and bars, and diverse revenue-generating schemes in passengers' cabins that include the interactive multimedia and TV, minibars.

One of the main aims that are linked with cruising includes relaxing and having a vacation whereas there is one class of consumers that are more into enjoying all kinds of services that are being provided along with enjoying all the destinations. Thereby there has been an increase in the kind of activities that are being offered at the cruise ships that include gambling, videogames, adventure sports, computers, culinary workshops, and virtual reality centers, theme nights and so on.

On the other hand it has been seen that passengers on the cruise ships are also encouraged to participate in an increasing number of onshore activities. The marketing campaigns of these activities on the ships began in the 1980s and since that time there has been an increase in the number of excursion tours and port lecturers, contracted with local concessionaires and tour operators so that later on it can be sold to passengers onboard.

Cruising may last for several hours as the time increase when there is anchoring and the ship is docked. These dockings also provide different themes and a number of activities that include sightseeing, as there are sites that include natural, ecological and bio spherical locations. Along with these the destinations include wildlife viewing; adventure sports excursions, adventure tours, along with diverse environments that include natural environments; and historical places and cultural tours, museums and monumental heritages.

It has been seen that these days the cruise industry has been able to maintain good relationships with the land-based tourism industry. In addition to this the bargaining power has also increased in the recent years and these

have impacts on the services and these bargaining powers have also provided additional income from selling of such products and services.

It has been estimated that there is an additional income associated with an arrangement of the On-shore excursions and visits to ports for many cruise companies. Thereby as a service it has been seen that passengers are provided with a map from which the passengers can select their destinations. These maps also include service shops that are associated with the cruise shops along with commercial establishments in a specific area..

In the year of 1990, it was seen that there were changes in these strategies provided to the passengers as there was an introduction of the concept of “ Private Island”. This concept was developed by Norwegian Cruise Lines and was later on adopted by other companies that were providing the cruising services in the Caribbean waters. These strategies have been the cause of additional incomes for these companies. Newer cruise companies have an additional control over some shops.

Other than onboard revenue, there are many alternative ways by the help of which cruise industries are making money having better economic results as there has been an increase in the economies of scale and there has been an improved in the management systems. Economic scales have also shown changes in the case of cruising industries as there has been an increase in the port-related activities with an increase in the port based activities.

Thereby ports are now the source of an increased incomes even since the 9/11 attacks, as there has been a redesigning of the cruise routes as these routes are now closer to United States. These changes in routes have now

caused a great change in the market trends in the case of Caribbean cities that have offered a reduction in the port charges.

One of the most important facts in this case illustrates the fact that cruise companies are now playing important roles in an economic development along with a port facilities and infrastructures.

Future Trends

Within a short time, there has been an increase in the potential growth of cruise industry with an increase in the capability to move ships and fleets with an increase in the cruising demands. There has been an increase in the fuel price in the face of economic crisis, an increase in the terrorism, along with an increase in the political instability have been some of the most important challenges that are being faced by the cruise industries.

Since the last ten years, cruise companies have ordered new and improved ships on the daily basis. On the other hand, the new ships that have been ordered are the ones that the new ships have added additional 20 billion dollars with an addition of 85, 480 berths in the cruising market. It has been estimated that until 2012 there will be an addition of 4. 2 million passengers.

On the other hand, cruising companies including Royal Caribbean International have been ordering more innovative and luxurious ships that have additional capacities that also include Genesis-class vessels, and these have the cost of around \$1. 65 billion. On the other hand it has been seen that these new ships have an additional capacity of 5, 400 passengers and 2, 100 crewmembers. However one of the main changes that have taken place

is that there are slower economic changes that have caused reconsideration in the business having a control over the costs and a reduction in the costs.

But there have been some studies carried out by the financial analysts and they have argued that there will be no effects of these economic changes on the passengers. There have been many arrangements made by these companies with additional fleets that are equipped with more innovative services and technologies. These services promise better services to the passengers as there has been an increase in the innovative ships that can offer better services and better environments to the passengers.

Many cruise executives are convinced that the current economic situation has an advantage on the cruise companies.

CONCLUSION

It has been seen that the cruise companies is now a more competitive market business. There has been an increase in the development of the cruise business with an increase in the business competition with latest and more innovative ships and improved technology. With this there is an addition of many clients and customers that have become more demanding with increased demands of 24 hour entertainment. There is an increase in the strains that are being faced.

There is a need to increase the clients as these clients are the only source of profits as there is a need to market share and sales volume. Thereby there is a need of new clientele that can help the cruise industry to compete with greater and better challenges. These days it has been seen that the

companies are now competing for new Asian markets , Middle East, Amazon
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and Brazil, Greenland and the Antarctic regions, as it has been realized that there are regions that offer better prospects for profits.