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Review

The cruise industry in China: Efforts, progress and challenges

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ABSTRACT

The cruise industry has evolved considerably and in recent years emerged to become one of the most rapidly developing segments of the global tourism industry, with millions of passengers cruising each year. On a global basis, the cruising sector is overwhelmed by North America. During recent years above average growth rates are reported in emerging cruise markets in the Asia Pacific region. As one of the core elements of the Asian cruise market, China is undergoing rapid growth in terms of both cruise ship visits and cruise tourists. However, limited research has been undertaken in regard to growth of cruising industry in China. The purpose of this article is to report current development of the cruise industry in mainland China. First, we briefly provide an overview of the worldwide cruise industry. Then, we summarize the history and the growth of the cruising sector in China; report characteristics of Chinese cruise passengers and compare them with others; highlight information on geographical distribution, berthing capacity and cruise business performance of each cruise port along China's coastlines; and introduce various cruise policy documents issued by Chinese governments. Finally, we discuss some issues, challenges and relevant managerial implications for developing this niche form of tourism in this country.

Contents

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1. Introduction

In recent years, we have witnessed a period of rapid growth and remarkable change in the cruise industry, which is one of the fastest growing and most dynamic segments of the entire tourism and leisure travel market (Dwyer and Forsyth, 1998; Wie, 2004; Marti, 2004; Sun et al., 2011b). Annual passenger data from the Cruise Lines International Association (CLIA) indicated that the industry had grown at an annual rate of over 7% between 1990 and 2011, with 13.44 million passengers in 2009, 14.82 million in 2010 (CLIA, 2011a), 16.32 million in 2011 (see Fig. 1), and estimated 17.2 million in 2012 (CLIA, 2013). As measured by total capacity, the North American market alone increased from around 41,000 berths in 1981 to over 340,000 berths in 2012 at an average annual growth rate of over 7%, with 221 ships in 2012 (CLIA, 2013). For an industry with "explosive growth", however, the cruise tourism sector has "surprisingly little" academic literature (Wood, 2000; Lee and Ramdeen, 2013). Very limited research has touched this thriving tourism sub-sector. Recently, a large group of researchers have lamented the lack of research attention to this niche form of tourism (Teye and Leclerc, 1998; Marti, 2004; Toh et al., 2005; Biehn, 2006; Scantlebury, 2007; Papathanassis and Beckmann, 2011; Sun et al., 2011a,b). Particularly, as a foundational issue in developing the industry in emerging markets, research on cruise ports and cruise terminals has been neglected by the international literature (Lekakou et al., 2009).

In the cruise market, North America is acknowledged to be the largest in the world, with an average market share of over 90% before 2000 and over 70% between 2001 and 2011, in terms of cruise passengers (see Fig. 1). Although the cruising industry is dominated by the North American market, the Asia Pacific region is recording above average growth. In 2011, this market generated approximately 780,000 cruise passengers, and in total, represented 6% of the worldwide cruise capacity in 2012 (CINQ, 2012b). In Asia alone, the volume of cruise passengers increased by 40% in 2010, topping 1.5 million, and expected to climb to two million by 2015 (Goldstein, 2011). Many of the world's largest cruise companies (e.g. Royal Caribbean, Princes and Costa Cruises) have started deploying bigger ships in the Asian market (USA Today, May 20, 2014). In North America, statistical data from the CLIA demonstrated the phenomena that the number of cruise passengers is still increasing but at a sharply declining rate in recent years. This may be due in part to the global recession and financial crisis of key source markets starting in 2008, as well as the effect of cruise lines' focusing more outside of North America in last few years. These data suggest that this cruise region, to some extent, is starting to enter a maturing phase (Weeden et al., 2011; Jones, 2011).

Beyond the traditional areas in Europe and North America, the cruise sector has experienced exceptional growth rates to become a global industry. In recent years, in order to increase their passengers, international cruise companies are showing a great passion for emerging markets outside Europe and North America. One of these emerging destinations is the Australia and New Zealand region, which is undergoing rapid growth in both demand and supply (Dowling, 2011). For example, in Australia the cruising tourism grew by 26% in 2008, compared to 5% in the US and 12% in the UK (Dowling, 2011). Because of diverse culture and exotic destinations, cruising in the Asia-Pacific region has become more and more regular (Qu and Ping, 1999). In particular, due to great economic progress, various tourism options and huge market, the Asia region provides a concentrated cruise experience, and with no doubt, will become another new growth point of this industry. Although the North American cruise market shows continued growth, market share of this region is suffering a sharp decline since 2005, with proportions deceased from over 90% before 2000 to less than 70% in 2011 (see Fig. 1).

In the emerging cruise regions, cruise ports and cruise terminals play an important role in attracting visits from cruise ships especially as the industry is evolving. There are several potential benefits of cruise tourism for cruise ports and related regions. Possibly, this is the reason why destinations in these newly emerging markets strive to construct and improve their port infrastructures, in order to be chosen as part of the selected group of ports by major cruise lines (Brida et al., 2012a,b). To do so, in recent years, ports in Asia have stepped up to provide the cruise industry with new facilities to accommodate more and bigger ships, especially Singapore, Shanghai, Beijing (Tianjin) and Hong Kong (CINQ, 2012a).

For China, the cruise industry is experiencing the early growth stage. Projects of infrastructure constructions are approved all over the country. From now on, there are more than 20 ocean ports in China targeting cruise tourism. In order to promote the cruise sector, departments and ministries of China approved and issued a large number of cruise policies. Also, the Chinese academic community relating to tourism and hospitality expressed a great passion for this industry. Recently, Sun and Feng (2012) probably offered the most comprehensive overview of academic studies related to the Chinese cruise industry. From a macro-viewpoint, recent scholarship has examined the basic characteristics, development trends of the cruise tourism sector and relevant implications for China (Zhang et al., 2010a,b; Xu and Gao, 2010), the cruise tourism features from the viewpoint of supply chain (Xu and Gao, 2010), industrial cluster (Hu and Chen, 2004), industrial ecosystems (Li, 2009) and global value chain (Li, 2007), the contribution of cruise port to regional economy (Luan, 2008), the relationship of cruise economy and coastal regions (Wang, 2010), the economic effect of cruise tourism and its conduction mechanism (Zhang, 2008), the space strategy of the Chinese cruise industry from perspective of cruise ports and cruise cities (Yang, 2009) and the development of cruise ports in China from policy-making perspective (Liu, 2011). From a micro-view of point, Chinese researchers have studied some specific cruise issues, including the marketing and operating pattern of a given international cruise company (Wang, 2009), cruise ship inspection (Shao and Zhang, 2007), cruise shipbuilding (Sun and Wang, 2009), cruise port planning and design (Wang, 2008a,b), cruise counselor education (Ge, 2010) and several similar studies, to be discussed later in details, on competitiveness of cruise ports and cruise cities from different viewpoints (Chen, 2008; Wang, 2008a,b, Yu, 2008; Zhu, 2010a,b; Cai and Niu, 2010; Nie and Dong, 2010; Liu, 2010).

China has a cruising history of only around 10 years. Since 2002, cruising in China is attracting more and more attention from both researchers and practitioners. However, case and industry-based research is rare in existing literature. Therefore, the purpose of this paper is to report general progress in promoting the cruise industry in China, by bringing together the industry data and then raising some issues and challenges impacting the industry at this time. In