



The geography of cruises: Itineraries, not destinations

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The cruise industry is a highly concentrated business in terms of players and markets. Vessel deployment strategies and itinerary design by cruise operators are primordial and are affected by market and operational considerations. This paper focuses on capacity deployment and itineraries in two major cruise markets: the Caribbean and the Mediterranean. We argue that the cruise industry sells itineraries, not destinations, implying a level of flexibility in the selection of ports of call, but still bound to important operational considerations. The paper also reveals that the two cruise markets are not functioning independently but are interconnected in an operational manner, particularly through the repositioning of vessel units to cope with variations in seasonal demand among the regional markets.

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Introduction

The modern cruise industry emerged in the late 1960s and soon developed into a mass market using large vessels and adding more revenue-generating passenger services onboard. It has become a salient symbol of the globalization of the tourism industry in terms of its market coverage, its practices (e.g. customer service) and the mobility of its assets (e.g. Chin, 2008; Weaver, 2005a; Wood, 2000). Still, the geography of cruises remains an under-researched academic field in maritime and tourism studies. In the past few decades, the industry has attracted a few researchers from various fields investigating the complexity of its operational and commercial dynamics. Dowling (2006) probably offers the most comprehensive overview of academic work related to the cruise industry: the edited volume covers nearly forty contributions dealing with topics such as the geography and seasonality of the world cruise market (Charlier & McCalla, 2006), the industrial organization of cruises (Papatheodorou, 2006), the demand for cruise tourism (see e.g. Petrick & Li, 2006), the supply of cruises in specific regions (see e.g. Wilkinson, 2006; Wood, 2000 on the Caribbean) and other economic, social and environmental dimensions of the cruise market.

Dwyer and Forsyth (1996, 1998) and Dwyer, Douglas, and Livaic (2004) analyzed the economic significance of cruise tourism and cruise ship calls, while Doublas and Douglas (2004) unraveled cruise

ship passenger spending patterns. Key operational research topics include the optimal routing of cruise ships (see e.g. Hersh & Ladany, 1989), the cruise ship port selection process (Marti, 1990) and the optimal cruise-liner passenger cabin pricing policy (Ladany & Arbel, 1991). The service offerings and locational qualities of cruise ports have also received attention in the literature. For example, McCalla (1998) examined the specific site and situation requirements of cruise ports, while Vaggelas and Pallis (2010) identified and classified the different services provided by 20 European passenger ports. Gui and Russo (2011) introduced an analytic framework that connects the global structure of cruise value chains to the regional articulation of land-based cruise services.

Building further upon the existing literature, this paper focuses on capacity deployment and itineraries in two major cruise markets: the Caribbean and the Mediterranean. We argue that the cruise industry sells itineraries, not destinations, implying a level of flexibility in the selection of ports of call, but still bound to important operational considerations such as sailing vs. port time. If this holds true, then a geographical perspective of the cruise network structure is particularly revealing of its operational characteristics. In spite of assertions that the floating assets of the cruise industry have a wide array of options (e.g. Patullo, 1996; Woods, 2004), operational and commercial considerations impose the careful design of itineraries that are offered to customers. The paper also underlines that the two cruise markets are not functioning independently but are interconnected in an operational manner, particularly through the repositioning of vessel units to cope with variations in seasonal demand. Next to analyzing itineraries and capacity deployment strategies, the paper proposes a classification of cruise ports based on the role they serve within their regions.

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Based upon the analysis of extensive cruise industry datasets² related to ports and itineraries the paper is structured as follows. In the first two parts we discuss the growth of the cruise industry and present key characteristics and recent developments in the cruise business. The third part provides a conceptual framework on ship scheduling by incorporating the specific realities in the cruise business, and offers an analysis of existing itineraries in the Caribbean and the Mediterranean cruise markets, the interlinkages between these markets (e.g. ship repositioning) and port of call considerations. We conclude the paper by highlighting the specific nature of ship scheduling and itinerary design in the cruise industry.

The origins and growth of the cruise industry

The era of the trans-Atlantic liners

From the mid-19th century liner services supported long distance passenger transportation between continents, particularly between Europe and North America. The need to accommodate a large number of passengers of different socioeconomic status for at least a week led to the emergence of specific ship designs radically different from cargo ships where speed and comfort (at least for the elite) were paramount. The emergence of the cruise industry can be traced to the demise of the ocean liner in the 1960s as it was replaced by fast jet services for which it could not compete. The last liners became the first cruise ships as it took more than a decade to see the complete demise of liner services with the final realization that long distance travel was now to be assumed by air transport and also considering the 30 years lifespan of a liner. The availability of a fleet of liners which utility was no longer commercially justifiable incited their reconversion to form the first fleet of cruise ships.

For instance, one of the last purposely designed liners, the SS France, operating between 1961 and 1974, was mainly used for the conventional transatlantic service between Le Havre and New York. With rising oil prices and more efficient jet liners, including the Boeing 747 (introduced in 1970), the liner was no longer able to effectively compete over the transatlantic route. While a jet plane could link Paris or London to New York in about 8 h, it took about 4 days for a liner to cross the Atlantic, excluding a train segment between London and Southampton (or Paris and Le Havre). Unable to generate enough revenue to justify its operating costs the SS France was mothballed in 1974 and purchased by the Norwegian Cruise Line (renamed the SS Norway). Its final commercial years between 1980 and 2003 were spent as a cruise ship. However, liners were not particularly suitable to the requirements of the emerging cruise industry. For instance, since many liners were designed to operate on the North Atlantic throughout the year for scheduled passenger services, their outdoor amenities such as boardwalks and swimming pools were limited. Additionally, they were built for speed (which was their trademark) with the related high levels of fuel consumption.

The emergence and massification of the modern Cruise industry

The emergence of the modern cruise industry began in the late 1960s and early 1970s with the founding of Norwegian Cruise Line

(1966), Royal Caribbean International (1968) and Carnival Cruise Lines (1972), which have remained since the largest cruise lines (Garin, 2005). The early goal of the cruise industry was to develop a mass market since cruising was until then an activity for the elite. Economies of scale through larger ships able to accommodate more customers have created additional opportunities for onboard sources of revenue (Weaver, 2005b). The first dedicated cruise ships began to appear in the 1970s and could carry about 1000 passengers. By the 1980s, economies of scale were further expanded with cruise ships that could carry more than 2000 passengers. The current large cruise ships have a capacity of about 6000 passengers, but the bulk of cruise ships are within a 3000 to 4000 passengers range. The market for the cruise industry was by then established and recognized as a full-fledged touristic alternative directly competing with well-known resorts areas such as Las Vegas or Orlando.

The Caribbean remains the key cruise market, but its dominance is being slowly eroded by the Mediterranean market which offers a complementarity with its winter focused season. Furthermore, strong niche markets have developed focusing on, for instance, history (Hanseatic cities in northern Europe) or natural amenities (Alaska). Since the cruise industry is a relatively small segment of the touristic sector, it has so far been very successful at finding customers to fill ever larger ships. The cruise product has become diversified to attract new customers and to respond to the wide array of customer groups. In view of fulfilling the desires of its guests, the cruise industry has innovated through the development of new destinations, new ship designs, new and diverse onboard amenities, facilities and services, plus wide-ranging shoreside activities. Most cruise ship operators work around specific cruise themes and voyage lengths can vary to meet the changing vacation patterns of customers. The rising affluence and aging of the global population, the growing popularity of exotic and resort destinations and a growing diversity in the touristic sector have all contributed to the success of the cruise industry.

Market dynamics in the cruise industry

A growing customer base

The global cruise industry carried about 20.1 million passengers in 2012, up from 7.2 million in 2000 (Cruise Lines International Association, 2011). Since 1990, over 154 million passengers have taken a two or more days cruise. Of this number, over 68% of the total passengers have been generated in the past 10 years and nearly 40% in the past five years. The global growth rate of the cruise industry has been enduring and stable, at around seven percent per year in spite of economic cycles of growth and recession. The financial crisis of 2008–2009 has not impacted the demand for cruises in a discernible manner. The size of the global cruise industry is relatively small compared with the tourism industry. For instance, about 37 million people visited Las Vegas in 2010, while the global cruise industry carried about 18 million passengers. There is little evidence about the market potential of the cruise industry or when a saturation point could be reached.

Since the cruise industry is a relatively small, but fast growing segment of the travel industry, it has so far been very successful at finding customers to fill ever larger ships. Its highest level of market penetration is in North America with about three percent of the population taking a cruise each year (Fig. 1). This includes people who may take more than one cruise in a year so actual figures are actually lower.

The dominant source market for cruises remains North America with a penetration level of around three percent, but there is a gradually changing customer base toward developing countries,

² The two main datasets used include a dataset collected by the US Department of Transportation, Maritime Administration (MARAD) that collects the characteristics of all cruise ships calling an American port and a commercial dataset maintained by Cruise Market Watch that tracks 90% of the world's cruise ships and include their ports of call and passenger statistics.

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