Tourism Management 68 (2018) 168–176

Contents lists available at ScienceDirect

Tourism Management

journal homepage: www.elsevier.com/locate/tourman

Research note

Cruise homeport competition in the Mediterranean

Thanasis Karlis [a], Dionysios Polemis [b, *]

[a] Australian Maritime College, University of Tasmania, Swanson Building, Launceston, Tasmania, Australia
[b] University of Piraeus, Department of Maritime Studies, 21 Grigoriou Lampraki Ave, Piraeus, Greece

HIGHLIGHTS

- Two distinct cruise markets emerged in the Mediterranean Sea in the last 5 years.
- Several Mediterranean ports do not realise their competitive advantage.
- The ports of Barcelona in the west and Venice in the east capitalise on their competitive advantages.
- The research results indicate strategic priorities in investments and marketing focus in specific cruise ports.
- The prospects of Mediterranean ports to attract homeport traffic are identified.

ARTICLE INFO

Article history:
Received 1 September 2017
Received in revised form
4 January 2018
Accepted 5 March 2018

Keywords:
Benchmarking
Competitiveness
Home port
Shift-share technique
Cruise

ABSTRACT

The paper evaluates the competitiveness of homeports in the Mediterranean in the period between 2011 and 2016. It employs the shift-share technique that includes the competitive and allocation effects to evaluate the competitive advantage and specialisation of the top home ports in the Mediterranean area. The west and east Mediterranean area indicate different growth rates with the ports on the east side operating in a more turbulent environment. Also, certain ports apply a specialisation strategy that is not in line with their competitive advantages or suitable to address their disadvantages. The research provides an insight of the competitive forces in the cruise port market of the Mediterranean Sea which is particularly useful for investment decision making and marketing strategies of ports and prospective destinations.

1. Introduction

The cruise industry has recorded continuous growth since 1980, with an average growth of 7% per annum (FCCA, 2017). In 2016 the global cruise industry reached 27.5mil passengers (MedCruise, 2016) compared to 11.1mil in 2002, which is translated to a 148% growth within 15 years. This continuous growth is probably the reason why it has drawn considerable attention in the literature that mainly focuses on the marketing, economic, environmental and regional development aspects (Papathanassis & Beckmann, 2011).

In line with the global development of the industry, the Mediterranean area has grown considerably in the last ten years recording over 111% increase in passenger volumes. Although the market growth during the last decade is enough to attract academic interest, with a closer look in the data, it is evident that the Mediterranean cruise market undergoes a structural change in the last few years. Based on data for 68 Mediterranean cruise ports that represent around 65% of the total passenger throughput and more than 95% of homeport traffic, in the period between 2005 and 2016, there is an increase of 12% in ships calls and 95% in passenger throughput. This impressive growth is the result of significant increase between 2005 and 2010, with an increase of 20% in ship calls and 45% in passenger throughput. However, between 2011 and 2016 there is a decrease of 16% in ship calls and 4% in passenger throughput. This change in the trend is for the most part attributable to external factors such as the Arab Spring and the fiscal measures adopted in southern European countries. Nevertheless, it also suggests a differentiated spatial pattern in the traffic share of the cruise port system which deserves further examination.

In 2015, the Mediterranean was the second largest market in the world with 164 cruise ships of 1357 average berth capacity which represents a 5% increase compared to five years ago (CLIA Europe,

* Corresponding author.
E-mail address: dionpolemis@unipi.gr (D. Polemis).

https://doi.org/10.1016/j.tourman.2018.03.005
0261-5177/

2016). The increased capacity of ships is a trend in the industry in the search for economies of scale (Pinnock, 2014). Between 2008 and 2015 the number of ships increased by 3% while the number of ship berths in the same period increased by 27%. Based on the cruise ship orderbook, the trend for larger vessels will remain strong until at least 2019 (MedCruise, 2016). The increased size of ships allowed them to become the centre of the cruise product offering. The ship today is more than a means to a trip. The cruise product is a combination that includes the ship as a destination (Dowling, 2006; Erkoc, Iakovou, & Spaulding, 2005) as well as the itinerary, which encompasses the ports of call along the way (Esteve-Perez & Garcia-Sanchez, 2014). This could also suggest a reduced significance of individual destinations within the cruise offering. If this holds true, then new destinations can emerge which would lead to a further change in traffic share of cruise ports which requires evaluation.

On, top of that, the continued increase in the size of ships and the average number of passengers per call puts pressure on the Port Authorities to expand infrastructure in order to accommodate the new larger cruise ships. Investment in infrastructure plays a vital role in attracting cruise traffic and spreading the economic benefits of cruise calls to the port cities (Chang, Park, Liu, & Roh, 2016; Dwyer & Forsyth, 1996). Most ports aim to attract homeport operations that provide a higher margin and also have a higher economic impact on the local economies (Brida & Zapata, 2010; Castillo-Manzano, Lopez-Valpuesta, & Alanís, 2015). Thus cruise ports compete on two levels. On the first level, they try to be included in the cruise itineraries and thus attract cruise visitors. On the second level, they attempt to attract home port traffic; in other words, to become a point of origin or termination of the cruise trip in order to maximise the economic benefits for the port and the local community, as mentioned earlier.

The economic benefits of cruise calls for the port cities create an argument for investments in cruise infrastructure through public funding. With that in mind, policymakers need to decide the viability of the investment but also, and possibly more importantly, to identify the most promising port in which to direct the limited public funds. Even when cruise ports are privatized, and port development is funded through private funding, there is a need to evaluate the economic return on the investment and the prospects of capacity utilization that is dependent on the competitiveness of the port. Therefore, both port managers and policymakers in the process of decision making require information on the market competition forces and port competitiveness.

With the above in mind, this research focuses on the shifts in cruise traffic in the Mediterranean in the period between 2011 and 2016 by applying the shift-share technique. The shift-share technique allows to break down the impact of internal and external factors. The cruise port market is affected by external factors as well as port competitive factors which make it difficult to separate the impact of each factor on the traffic changes in a port. Thus, the adopted technique is invaluable for port managers and Port Authorities that are usually confronted with data providing mixed signals.

The findings of the analysis are important in identifying the main competitors in the area. Based on the identification of the competitors and subsequent benchmarking analysis, decision makers can focus on the competitive aspects that need improvement. More importantly, the analysis applies a model that allows identifying if a port indicates a competitive advantage and whether this is consistent with its specialisation. This additional aspect of the adopted model provides added value as it allows for an additional level of input during the decision-making process. Thus, policymakers and port managers can undertake a more informed decision when it comes to investment and strategic focus of the cruise traffic.

The following parts of the paper include a short overview of the Mediterranean cruise market and previous research on the topic. These are followed by a section focused on the shift-share technique and the methodology undertaken for its application in the present research. The last two sections incorporate the analysis and the discussion of the results and the conclusion of the study.

2. The Mediterranean cruise market

The largest ship deployment area is the Caribbean, which accepts 33.7% of cruise ship capacity in lower beds. The Mediterranean is the second largest cruise market with 18.7% of the cruise berth supply (CLIA, 2017). The majority of the passengers taking a cruise in the Mediterranean and North Europe (83%) are sourced from within Europe (CLIA Europe, 2016). Thus the Mediterranean cruise market is important on a global scale in terms of size but is mainly a European focused market.

The ranking of the Mediterranean cruise ports in 2016 in terms of homeport, ship calls and passenger traffic is displayed in Table 1. The top 3 ports in terms of ship calls are located in the West Mediterranean area, as do the four (4) out of five (5) of the top home ports. Interestingly, Civitavecchia is the largest port in terms of ship calls, but only the 3rd largest homeport. Whereas, Venice is the second largest homeport, but ranks 9th in terms of ship calls, indicating that Venice accepts larger ships. Last but not least, there are four (4) ports (Dubrovnik, Mykonos, Madeira and Santorini) within the top 10 ports in terms of ship calls with minimal or no home port operations, which indicates that they are significant touristic attractions but lack the facilities to operate as home ports as well.

On the supply side, the global cruise market is highly concentrated and operates under monopolistic competition or oligopoly market models (Bull, 1996; Langenfeld & Li, 2008). Three corporations (Carnival Cruise Lines -CCL, Royal Caribbean Cruise Lines-RCCL and Norwegian Cruise Lines-NCL) dominate the market and operate through 18 brands in order to adapt to local demands (Gui, 2010). The Mediterranean area is also highly concentrated on the supply side with CCL and RCCL controlling 60% of the market and MSC Cruises holding another 20% (Cusano, Ferrari, & Tei, 2017).

The market concentration identified in the cruise industry is the result of extreme consolidation that took place between 1995 and 2005. Although the market doubled in terms of passengers in the period between 1995 and 2005, not all cruise lines were able to follow the investment race in larger cruise ships in search for economies of scale. (Dickinson & Vladimir, 2008). As a result, some cruise lines disappeared, and others were acquired by rival groups.

Given the consolidation in the industry, ship deployment in an area to a large extent determines the cruise market growth for this geographic area. After the ship is deployed the cruise operator utilises pricing and itinerary promotion strategies in order to achieve the desired berth occupancy and profitability (Toh, Rivers, & Ling, 2005). The attractiveness of ports of call (Toudert & Bringas-Rábago, 2016) and the perceptions of passengers (Chua, Karim, Goh, Huffman, & Jai, 2016; Petrick, 2011) impact the success of the promotion effort and the occupancy levels achieved.

2.1. The shift-share technique

The shift-share analysis has been widely applied by geographers, regional and industrial economic growth planners (Chun-Yun & Yang, 2008) and marketing researchers (Oyewole, 2016). Traditionally, the shift-share technique aims to answer how much of an economic variable's change (employment, trade volume, economic development etc.) can be attributed to the national trend