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# *THE CRUISE INDUSTRY: PAST, PRESENT AND FUTURE*

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## **ABSTRACT**

The famous Titanic is one of the ancestors of cruise ships today, which houses fine dining areas, well-appointed staterooms, and other amenities needed by the passengers on-board. This makes a cruise a vacation not only an escapade to remember but also as an excellent option for a family holiday. Cruise ships can now cost more than a billion dollars, the voyage itself and the amenities, which can be found on-board, are all essential parts of the cruise experience. The rapid growth of cruising over the last twenty years in the travel and tourism industry prompted cruise lines to build modern ships that cater to the needs of a growing number of cruise passengers. It includes itineraries to transatlantic destinations, where engineers and sailors designed cruise ships that can survive different sea-related conditions. Since 2004, there are several cruise ships which have a carrying capacity of over 3,000 passengers and displacing over 100,000 tons. Modern ships are also considered much of a “floating Resort” with a complete staff in addition to the regular cruise ship crew. The cruise market is expected to continue to grow in the future especially in Asia. Cruise ships are getting bigger and offering more amenities while the cruise market is expanding with

cruise companies placing more focus on the cruise experience. This paper examines the cruise industry's past, present and future.

**Key Words:** Cruising, cruise-experience, market, trends

## 1 INTRODUCTION

Cruise Tourism is becoming an increasingly popular 'leisure choice' worldwide. The global cruise industry generates an estimated \$38 billion a year in passenger expenditure and is the fastest growing sector of the tourism industry. Cruise tourism has experienced an important expansion over the past twenty years. Brida and Zapata (2010) reported an average annual growth rate of 7.4% in the number of worldwide cruise passengers taking cruises over the period 1990-2008. The participation of the cruise sector in the international number of tourists corresponds to approximately 2% and revenue of cruise corporations represents about 3% of the total international tourism receipts (Kester, 2002; Klein, 2005; Dowling, 2006). The World Tourism Organization stated that international tourist receipts in 2011 was US\$1.030 trillion. International tourist arrivals grew by over 4% in 2011 to 983 million, according to the latest World Tourism Organization Barometer (UNWTO, 2011). With growth expected to continue in the next few years at a somewhat slower rate, international tourist arrivals in 2012 reached a historic 1.035 billion globally as emerging economies regained the lead over advanced economies, with Asia and the Pacific showing the strongest results, (UNWTO, 2013).

Cruising is now well established as one of the most service-intensive sectors in the world, with ever more incredible state-of-the-art vessels being built each year. 'Pampered in luxury' accurately describes the cruise experience. In the early days, casinos, shore excursions, port lectures, cruise conferences, shopping programs and spa services were non-existent. The sector has evolved from a very small part of the oceanic passenger industry into a complete and complex vacation business, including all the different sectors of the travel industry. Cruise tourism as we know it today, can be traced back to the beginning of the 1960s coinciding with the decline of transoceanic ship travel and the introduction of the first nonstop air travel between the USA and Europe. The 1970s and 1980s were a period of moderate growth, increasing from half a million passengers in 1970 to 1.4 million passengers in 1980 and 3.8 million passengers in 1990. In the 1990s this kind of leisure tourism reached Europe, Asia and Oceania and started a period of high growth. Over 19 million people took cruises during 2011 with North Americans representing about 61% of the worldwide cruise market but the European and Asian markets promise great possibilities of future growth, see Table 2.

The participation of the cruise sector in the international worldwide tourism corresponds to 1.6% of the total tourists and 1.9% of the total number of nights. Revenue of cruise corporations represents the 3% of the total international tourism receipts (Kester, 2002). For many destinations and in particular small Caribbean islands, cruises constitute more than 50% of the total of tourism arrivals providing jobs and generating important receipts through the services supplied by the port and expenditures of passengers and crew. It is expected that the cruise industry will continue to grow regardless of being perceived as a direct contender of sun, sea and sand stay-over tourism. Cruises have become resort-destinations in themselves and, viewed in this way the cruise sector is between the top ten destinations both in number of arrivals and receipts. According to Kester (2002), the average revenue per cruise trip is almost as high as the average receipts per international tourist arrivals. But the distribution of income from the cruise industry is not equitable. Most ports obtain small contributions from the use of the port as a cruise destination and cruise tourism provide few real jobs and business opportunities for local residents. Even though cruise tourism is an important segment of the tourism sector in the Caribbean, there is a lack of information regarding the real economic aspects of this activity. The economic, social, cultural and environmental impacts of cruise ship tourism have been studied very little. For this reason, many island destinations do not have the tools to establish strategies and policies to manage cruise tourism in an efficient manner.

While developments of the cruise business signify an extremely successful business model, the cruise sector also faces several significant challenges, such as an exceptionally competitive commercial environment, concerns about over-capacity and destination ability to cater for larger ships. Similarly, while destinations seek to embrace the industry's expansion, they also have to manage the often-diverse needs of communities at the same time as protecting the local environment and minimizing any costs associated with being a sustainable cruise destination (Lester & Weeden, 2004). Of further consideration here is the relationship between the number and size of vessels, with effective port planning and collaborative harbour expansion hugely important for managing cruise activity, especially in popular destinations (McCarthy, 2006). Moreover, the industry's continued investment in resort-style ships highlights the enclave nature of these leisure spaces (Wood, 2000), calling into question whether it is the ship or the destination that is important to passenger satisfaction. Indeed, while destinations are integral to the cruise concept and remain a prominent factor in consumer decision-making when selecting a cruise vacation (CLIA, 2008), it is argued by some that itineraries and ports of call are playing a reduced role in the overall consumer experience (Keynote, 2008).

## 2 The cruise ship

Cruises as we know them today are really only about 50 years old, but the tradition goes back more than a hundred years when passengers started booking travel on mail ships crossing the Atlantic. These cargo vessels evolved into the grand ocean liners, now the cruise lines are competing to have the newest, the best, the biggest, and the most exciting ships at sea, morphing them into massive floating resorts where the on-board experience is just as important as the ports themselves. The first transatlantic cruise took place in 1840, a record number of passengers lined up for the crossings from England to New York because the boats were faster than previous vessels. Those paying customers came to expect more comforts than the crew so the on-board amenities got an overhaul, including the addition of a cow to provide fresh milk daily. The first over-the-top luxury ship set off on its maiden voyage on April 10, 1912 with new features like a shipboard swimming pool, a la carte dining, a Parisian café, and a Turkish bath. Competition between the lines had become fierce, and the White Star Line sought to challenge Cunard, whose ships the *Mauritania* and *Lusitania* held the record for fastest Atlantic crossings. The *Titanic* and her sister *Olympic* trumped them in size and lavish amenities in first class, even featuring running hot water in some of its cabins. The modern cruise era was born when the first passenger jet took off from London heading to New York 1928, this caused a sharp decline in the popularity of Transatlantic cruising. Air travel was not only much faster, but also took on the glamour and prestige that had formerly been associated with ocean liners. By 1958 the ocean liners found a new purpose plying the Caribbean waters.

During 2010 nine cruise lines launched new ships that were all ordered before the recession. Norwegian Cruise debuted the *Epic*, which offer the first studio cabins for people traveling alone-without the onerous single-supplement fare add-on. The ship also have the *Epic Plunge*-a 7-deck tube waterslide, 20 restaurants, and an Ice Bar made of ice. Seabourn debuted the *Sea Cloud Hussar*, the largest masted sailing ship in the world. Cunard's *Queen Elizabeth* brought back the Art Deco décor of the grand old passenger ships of the 1920s to the 1940s. *Princess*, too, returned to the nostalgia of the grand passenger lines, offering *Bon Voyage* parties. For four hours before the ship's departure, passengers can bring friends and family on board for a tour and lunch. Generally, today cruise ships are designed with serious comfort in mind, so they have a lot of amenities and a lot of staff to oversee those amenities for cruise passengers. These thousands of passengers are spread out over the ship's multiple decks. Cabin size is typically 155 square feet to 250 square feet and contains a bed, side stand, closet, television, phone, small table and chair and bathroom. There are different types and size of cabins; suites with private balconies are more expensive.

Royal Caribbean's new *Oasis of the Seas* (2009) and sister ship *Allure of the Seas* (2011) are the largest, widest, tallest, most expensive cruise ships afloat. The \$1.4 billion *Oasis of the Seas*, the world's biggest cruise ship of 2009, is a floating resort that eclipses the condo towers it sails past at

its new home, Port Everglades in southeast Florida. The 225,282-gross-ton ship has 16 passenger decks and can carry 6,292 passengers plus 2,165 crew. It has rock-climbing walls, a basketball court, FlowRider pools that simulate surfing, an ice skating rink, a carousel with hand-carved wooden animals, a shopping promenade lined with cafes and bars, cantilevered whirlpools overlooking the sea and a Central Park with 12,000 live plants and trees. An amphitheatre surrounds a deep-diving pool on the stern, where high-divers and synchronized swimmers perform. Passengers can harness themselves onto the "zip line" and soar across the ship above an open-air atrium nine decks high and lined with balconied cabins. One of its many bars, the Rising Tide, floats up and down between three decks, while a touring company performs the Broadway musical "Hairspray" in the 1,380-seat theatre.

When RMS Titanic sailed out of Southampton on April 10 1912, she was hailed as the world's most luxurious liner. Her state of the art features surpassed those of competing vessels, cementing White Star Line's status as Britain's finest shipping company. Yet like any industry, there have been some significant developments over the past nine decades. In fact, 2014 saw the launch of Royal Caribbean's Quantum of the Seas, a vessel that has been pegged as the world's first 'smartship.' Packed full of next generation technology from bow to stern, it offers passengers an at sea experience like never before. Despite a name that means 'gigantic' in Greek mythology and a reputation as 'the biggest ship ever built', Titanic was relatively modest in size compared to today's ultra-modern megaliners. Measuring 882 feet in length and weighing just over 46,000 tonnes, Titanic was a giant of her time. Yet today, Allure of the Seas blows her proportions out the water, measuring in at 1187 feet in length and a huge 225,000 tonnes in weight. Allure also towers above Titanic, clocking in at 236 feet spread across 19 decks. That's a huge 124 feet taller than the Eiffel Tower! In comparison, Titanic was 175 feet tall and housed just nine decks.

## **2.1 The Cruise market**

Tourist cruises are a relatively modern activity, originating in the early 1960s in Miami, United States of America for cruises throughout the Caribbean. Their development coincided with a transformation of the transatlantic passenger business resulting from competition with the airline industry. The cruise line industry has been able to create a new market where none existed before. Since that time, North American and subsequently global demand for tourist cruises has been growing at a very strong pace, accounting for robust annual growth over more than 20 years, see Table 1. The strength of this subsector is reflected in the fact that the largest cruise lines now occupy the highest ranks of the tourism and leisure sector, as measured by shareholder capital and annual profits. The Caribbean is the world's largest cruise shipping market, representing over 42% of the worldwide annual cruise supply (FCCA, 2011).

Table 1 Worldwide Cruise Passengers Market

Year	North America	Europe	Asia & Rest of the World	Total Cruise Passengers	% Growth Worldwide
2000	4,364,470	1,947,780	901,750	7,214,000	22.94%
2002	5,882,000	2,162,500	605,500	8,650,000	19.91%
2004	6,328,300	2,824,200	1,307,500	10,460,000	20.92%
2006	7,263,630	3,241,620	1,500,750	12,006,000	14.78%
2008	9,546,295	4,260,330	1,972,375	15,779,000	31.43%
2010	11,144,705	4,973,670	2,302,625	18,421,000	16.74%
2012	11,616,000	6,284,000	2,160,000	20,060,000	8.90%
2014	12,632,000	6,570,000	2,354,000	21,556,000	7.46%

Source: Cruise Line International Association, Florida Caribbean Cruise Association  
Cruise Market Watch

Given the state of the economy on a global scale, growth has slowed in the cruise sector as seen in Table 2. The number of cruise passengers worldwide has been increasing every year but at a slower pace since the downturn of the economy in 2008. The North American market in particular has seen much slower growth. Cruise tourism is a capital intensive industry and the strategic deployment of vessels is driven by the need to maximize yield year round. Augmented by the trend towards construction of larger vessels for carrying larger numbers of passengers and the imperative need to derive the economies of scale, it is estimated that at current cost levels, break even requires load factors of at least 80% and a strong reliance on the revenue from on-board activities, and the sale of shore excursion products. These trends require cruise lines to establish itineraries that appeal to a large population base. This is supported by the current strong focus on US market which accounts for 61% of the total cruise passengers worldwide, considerable growth opportunities exist within the US market because less than 4% of the population has ever taken a cruise. There are also opportunities for the expansion of the cruise market in Asia, China and India

in particular. Overall, less than 1% of the world population has ever taken a cruise. If this template is used when writing the paper, headers and footers will be set automatically.

## **2.2 The Cruise Passengers**

The demographic of the cruise market have changed with the new demands of a rapidly evolving world and social network forcing cruise companies to be aware of the motivations of four consumer segments; Generation Y, Generation X, Baby Boomers and the Mature Generation. Over the last decade, the average age of cruise passengers has dropped of those potential customers of this service from North America, Europe and emerging Asian markets interested in spending their income in enjoying luxurious vacations. What was traditionally a market for an elite class, seniors and retirees with stable income, and newlyweds, has become a luxurious travel and holiday option available for the family market; mostly through the attraction of budget vacation holidays, with more and more people interested in this offer in a growing tide that underpin the optimism that the cruise industry will maintain an increasing occupancy rate and future profitability. Actual guests taking cruises tell the real story; the 25-39 age group are taking about 29% of the cruises. The 40-59 group take about 36% of the cruises while the 60 plus group take approximately 35% of cruises. 31% of cruisers are in the 20-39K income group, about 30% are in the 40-59K income bracket, 28% are in the 60-99K bracket while about 11% of cruise purchasers earn 100+K. Over one-half of the cruises purchased are in the 6-8 day range, just over one-third are in the 2-5 day cruise range with less than 10% in the 9-17 day range of cruises and only about 1% are in excess of 17 day cruises. Typical, cruise passengers travel in pairs, usually with spouses or significant other (80%), with a 29% (2008) of people travelling with kids under 18 years old (from 13% in 2002), and a 25% enjoying this sort of offer in the companionship of friends.

Sampling destination and geographical areas before visiting them on a future land-based vacation is one of the most influential aspects when choosing a cruise vacation aboard a cruise ship, and most cruise passengers frequently name the Caribbean, Alaska, Hawaii, Bahamas, Europe and the Mediterranean Sea as their favourite options in descending order. On a comparative basis versus other tourism categories, and whether a first-time or frequent cruiser, the cruise experience consistently receives top marks from customers on a wide range of important vacation attributes, with an increasing number of people indicating the intent to purchase a cruise. Cruise prospects recognized the high value of cruise vacations, and people who have already experienced this service consider it as providing the best value for their leisure money. The cruise industry for years has enjoyed a high percentage of customer satisfaction rating with about 97% of all cruisers rate their experience as "Satisfied" or "Extremely Satisfied." There is also a high level of repeat cruise

passengers, with around 55% of customers taking a cruise yearly, and around 30% interested in repeating the experience in the future.

### **2.3 The Future of the Cruise Industry**

With some 360 cruise ships plying the international waters, competition remains fierce in the cruise industry. This means that cruise ships and their products are in a constant state of evolution. The following trends can be observed:

◇ Increasing embarkations from “close-to-home” ports:

The market is expected to see a marked increase in the number of ports playing an active role as embarkation terminals. This would imply that, in addition to the main cruise ports, the other domestic ports would also play supportive roles. This would make access more convenient and cheaper for tourists to drive instead of fly to the nearest port. For e.g. where Florida once reigned supreme as home port of choice, now more than 30 North American cities like Norfolk, Charleston, New Orleans, Galveston, Baltimore, Boston, Philadelphia and San Diego boast cruise ship embarkation terminals.

◇ Greater focus on family and family travel:

Cruise ships now carry millions of children each year. This has led to increasing focus on children in providing additional services and expansion of kids’ facilities on cruise ships. For e.g. Holland America offers “kids only” shore excursions in Alaska that include treasure hunts, tram rides and hikes. The Disney Magic and Disney Wonder have all-new teen-dedicated spaces in addition to age specific programs for the very young and the pre-teens.

◇ Increase in river cruises:

The river cruise sector is growing by about 16% annually and is impressive with both number of passengers and yields, especially on the market in Germany – the unquestioned river vacation



travel market's leader. River cruise ticket sales are growing faster compared to ocean-going ship vacations. Passenger capacity on the main European rivers is also increasing, new operators emerge, the old one (world's largest river cruise lines) renovate regularly or expand their fleets by building larger, new-generation boats. More than half a million passengers (80% of them European; and 20% from North America) enjoy European river cruising vacations annually. On the China's Yangtse River, the number of international passengers is nearly 150,000, with new operators and new and bigger river ships being built each year. The list of the world's biggest river cruise lines includes AMA Waterways, Avalon Waterways, Viking, Uniworld, Grand Circle Travel, Tauck. Cruise passengers will participate on river cruises mainly in Europe, China, Southeast Asia, Russia, Ukraine and Egypt.

◇ Exotic locales and itineraries:

In response to passengers continued demand for more and more new places to visit, cruise lines are looking for new and exotic locales to woo their customers. This has resulted in an explosion in itineraries with the cruise-lines today vying with one another in offering exotic cruise destinations. Radisson Seven Seas Cruises visit remote islands in Micronesia and Husavik in Iceland, whale-watching capital of Europe. Crystal Cruises can take you to Ho Chi Minh City or Split, Croatia. Cunard's Queen Elizabeth 2 docks at the Canary Islands and Dakar, Senegal.

◇ Growing Variety of Ships:

While on the one hand several mega-resort style cruise ships carrying more than 2,000 passengers apiece have been launched, there is also a trend towards a wave of small ships limited to between 100 and 250 passengers, such as "exploration" cruise-ships with the capability of entering small coves or rivers, sleek vessels such as of the Windstar Cruises, and a number of other smaller and elite ships. Though the small new ships aren't very competitive in pricing, they're generally less expensive than the larger luxury ships whose standards they emulate. Thus, the trend is now moving towards a choice of tiny, small, medium-sized, large, and monstrous vessels in just about any reasonable price range.

◇ Growth in Drive Market Cruises:

Following 9/11 many cruise lines have adjusted their itineraries to allow more ships to depart from drive-friendly ports to accommodate travellers who prefer not to fly. This has enabled the cruise lines to tap into an eager market who'd rather drive over than fly before hopping aboard a ship.

◇ Boom in Theme Cruises:

Along with the expansion in itineraries has come a vastly greater schedule of activities at sea, almost always at no extra charge to the basic tariff. Movies have been joined by full-scale stage shows; ocean skeet shooting now takes a rear seat to spa-style aerobics and yoga meditation; and "theme" cruises extra heavy attention to styles of music, historical periods, food specialties, murder-mystery, square dancing, and lectures by athletes, chefs, poets, and inspirational psychologists are numbered in the dozens.

◇ China:

The number of cruise ships entering Chinese waters is rising and global players in the cruise sector are focusing on the country. The number of such vessels received at ports on the Chinese mainland increased from 223 in 2010 to 262 in 2011. China is at the primary stage of its cruise economy and is poised to enter the cruise line business building cruise ships within five years, thus owning cruise ship companies. China aims to become a cruise ship owner and operator, initially in its own waters and Southeast Asia. In time, Chinese cruise ships will operate globally and maybe even come to challenge the pervasive influence of the largely US-operated cruise ship companies. China is building homeports to provide comprehensive services, including berthing, replenishment and maintenance for large cruise liners. Several cities, including Shanghai, Tianjin, Xiamen and Qingdao, have been equipped with international homeports to attract major cruise liners to locate there for the long term, from China to India. The Asian market has cruise executives excited about the potential growth in business because of the rapidly growing middle class there, especially in China, Japan and India. The increase of cruisers there could provide new destinations for American cruisers.

◇ Asia:

Asia's region has become the "new world" of travel's biggest growth sector as is evidenced by its double-digit growth, more ships than ever before, and explosive investment in ports and destinations. With cruise lines hosting nearly 1.4 million Asian guests in 2014, a 34 per cent annual increase in just over the two years since 2012, the global cruise industry has recognized that Asia is quickly becoming a major international market in its own right.

◇ New destinations:

To attract repeat cruisers and lure first-timers, itineraries will grow. There are some 300 cruise ships in the world, and it's becoming more difficult to differentiate between them, especially the ships carrying 4,000 or more passengers. Itineraries are a way to do that. Places that destination developers are excited about include:

- The coast of west and central Africa, a spread across 20 countries from Mauritania to Namibia.
- The northeast coast of South America, plus the Amazon River across the continent to the Atlantic Ocean.
- The multitude of islands of Indonesia.
- Madagascar, the island off the south-eastern coast of Africa, has the world's most diverse flora and fauna.

### **3 Conclusion**

When cruise passengers cruise ship pulls away from some exotic port, they wish for just a few more hours or even a second day to explore the art of Rome, the beaches of the Caribbean or the glaciers of Alaska. The cruise industry is as robust as ever despite the Costa Concordia disaster in January 2012 and subsequent troubles, including several norovirus outbreaks and the robbery of cruisers on a shore excursion outside Puerto Vallarta, Mexico. The Concordia grounding caused bookings to fall immediately, but the numbers are back. For consumers, cruise ships 2013 troubles may mean a continuation of two-for-one deals, free airfare and on-board credit. The cruise lines were beginning to eliminate those at the end of last year, anticipating a healthier economy and

more people back at work. Cruisers leaving from U.S. ports will find mostly Americans on-board, but that is changing with a more international market of passengers Britain, Germany and Australia. As American cruisers venture to other countries, beginning trips from European or Asian ports, the demographics of passengers have changed. Itineraries out of Barcelona will have more people from the United Kingdom and Spain. Asian ports will attract more Australians, and Brazilians, cruising's newest demographic superstars, embark from South American ports. The globalization of the passenger list is a good thing for cruisers looking for a more international experience. These passengers like sharing a dinner table with people from other countries. The cruise lines welcome the diversity, too, mostly because it means more people in the world are cruising. Perhaps, but as cruising grows globally, passengers seeking a broader connection with people around the world will enjoy the cruise experience even more. Rather than building brand-new vessels, Cruise lines are focusing more on improving their existing fleets with major refurbishments, better use of existing on-board spaces, telecommunications upgrades and renewed focus on humanity's age-old love affair with the sea, translating into more outdoor spaces on ships and expanded uses of deck space. Cruise lines are bringing more and more brand names on-board and updating their menus for the realities of 21st-century dining. And as the world seemingly gets smaller, look for more standardization across worldwide cruise companies and a more international passenger base. Cruise ships are getting bigger and offering more amenities while the cruise market is expanding with cruise companies placing more focus on the cruise experience.

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