The Cruise Industry: Destinations, Opportunities, Innovations, and Challenges

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Abstract—Destination managers aim to increase tourists’ visits to natural and cultural cruise destinations. Many of these destinations are at pristine natural environments around the world, with many cruises sailing to the Caribbean. Therefore, before cruise travel packages can be designed, and promoted to international markets, the destination managers need to brand strong selling points to domestic and international tourists. The dominant number of cruise lines tourists’ is from North America. One of the biggest challenges for destination marketers it is to bring traffic online to new tourists’ destinations by creating attractive websites, and online tools where the tourists can observe, read, and learn about new tourist destinations. This paper aims to present the growing demand of the cruise industry as an opportunity for many tourists’ destinations to bring economic development, communities, sustainable development, create jobs for members in these local communities while protecting the global environment. Meanwhile, one of the challenges for the cruise industry is the lack of corporate social responsibility regarding sustainable tourism and ethics towards the conservation of the environment in the ports and communities it visits.

Index Terms—cruise, industry, demand, tourism, development, innovation, risks, environment

I. INTRODUCTION

This paper will discuss the opportunities, innovations, and challenges of the cruise industry to develop new tourists’ destinations, and the relationship that exists with the environmental policy to protect the natural and cultural areas near popular ports, of the tourists’ destinations of the cruise industry. An overview of the cruise industry will be explained to analyze the importance of the cruise industry for economic development, sustainable development of the communities, environmental protection needed at ports, and how environmental policy could protect the carrying capacity of the natural and cultural sites visited by cruises and its passengers. “The industry shows no signs of slowing down, with 24 million passengers expected to sail in 2016, a dramatic increase from 15 million just 10 years prior (2006), or even 1.4 million when CLIA began tracking passengers in 1980 (Cruise Lines International Association, 2014).” Destination marketing requires effective and highly integrative business strategies and at same time understanding of goals and objectives of the tourism industry. Tourism takes place when a person or people decides to visit a destination to enjoy the natural and cultural scenery that these places offer. It can mean that tourists travel a long way from their residences to reach the destination they would like to visit. For instance, North American tourists would like to take a cruise to the Caribbean. Therefore, they will require taking a plane from their home state to Florida to board a cruise bound to the Caribbean. “The cruise industry has a lot to offer to their passengers, some of the recreational activities are: “water parks, surf pools, planetariums, golf and skydiving simulators, ice-skating rinks, rock-climbing walls, bungee-trampolines, self-levelling billiard tables, demonstration kitchens, multi-room villas with private pools, and much more” (Florida-Caribbean Cruise Industry. Cruise Overview - 2014).

A. Research Questions

The research questions this paper will answer are: What are the economic development benefits of the cruise industry? What are the growing demand for new cruise ships and innovation technology? Why is it important for destination management and development? What are the environmental challenges and risks of the cruise industry? What is the carrying capacity management plans and development? Is there an environmental and cultural policy to protect destinations from tourists over capacity? How can natural and cultural destinations be better managed to increase the number of visits to the destination sites in a sustainable manner?

B. Research Objective

To determine the growing trends in the Cruise Industry. To define innovation in this fastest growing segment of the tourist industry. To analyze some of the challenges regarding capacity building in the tourist destination sites. To understand the carrying capacity of the tourists’ destinations. To mention the new destinations for the cruise industry. To describe the diverse activities that can take place inside the cruises.

C. Hypothesis

The rapid growth of the tourist industry represents an opportunity to bring economic development to the places and countries visited. Meanwhile, this growth does not consider the environmental impact it represents and the carrying capacity of tourists’ visits to the sites that can
have environmental and cultural sensibilities that have not been considered.

II. LITERATURE REVIEW

A. Growing Demand of the Cruise Industry

The cruise industry continues to grow and it is considering one of the fastest segments of the tourism industry. “The global cruise industry generated revenues of 37.1 billion US. Dollars in 2014, a figure which was expected to increase to approximately 39.6 billion by the end of 2016. The industry made a significant recovery after revenue fell below 25 billion during the 2009 global recession. The number of passengers carried by the cruise industry has grown year-on-year and is expected to exceed 25 million in 2019. The average cruise passenger brought a revenue of 1,799 U.S. dollars, but, with expenses per passenger also high, the average profit was only 226 dollars in 2015” (Statistics and facts on the Cruise Industry, 2014). This growing demand of the cruise industry represents an opportunity to many tourists’ destination as well emerging ones to bring economic development, communities’ sustainable development, and create jobs for the members in these local communities. Local communities located near ports of the cruise tourists’ destinations must create strong relationships with the international tourists to share and increase their knowledge, experience, and culture. The cruise industry chooses the destinations, local communities, and ports that facilitate the access and welcoming of large number of international tourists. Therefore, cruise managers and executives study the locations and establish strong relationships with the government, companies, and non-for-profit organizations that may get involve in the destination marketing of the port and community. Meanwhile, the environmental policy and sustainable tourism of the area is not being taken into consideration by the cruise industry creating concerns and questioning about its business ethics and corporate social responsibility with the ports and communities during its operations.

B. The North American Market

The North American market represents one of the growing markets in the world. North Americans are highly interested in exploring and experiencing the tourism industry. The cruise industry has a lot to offer to North Americans. “North America was the largest cruise market in the world in 2014, with a market size of 21 billion U.S. dollars. According to market research company Mintel, the revenue of the United States cruise market alone is expected to reach almost 50 billion dollars by 2018. The world’s largest cruise passenger source was also North America, proving 12.6 million guests for the industry in 2014. Most of these came from the U.S., constituting more than half of the global cruise passengers” (Statistics and facts on the Cruise Industry, 2014).

C. Revenue

“The global cruise industry generated revenues of 37.1 billion U.S. dollars in 2014, a figure which was expected to increase to approximately 39.6 billion by the end of 2016. The industry made significant recovery after revenue fell below 25 billion during the 2009 global recession. The number of passengers carried by the cruise industry has grown year-on-year and is expected to exceed 25 million in 2019. The average cruise passenger brought a revenue of 1,779 U.S. dollars, but, with expenses per passenger also high, the average profit was only 226 dollars in 2015” (Statistics and facts on the Cruise Industry, 2014). “With revenues, almost double that of its closest competitor, Carnival Corporation was by far the largest cruise company in 2014. This success came despite an incident involving one of the company’s top brands, Carnival Cruise Lines, early in 2013. The incident was the third of its kind involving the cruise line in recent years and left more than three thousand passengers stranded in the Gulf of Mexico after a fire in the engine room cut the ship’s power. This, and other controversies, may have contributed to negative feeling about the industry” (Statistics and facts on the Cruise Industry, 2014). “Cruise tourism generates an estimated $18 billion a year in passenger expenditure and has been the fastest growing sector of the travel industry in the last years. Arrivals in the Caribbean region increased from three million in 1980 to more than 25 million in 2007” (Brida & Zapata, 2010).

D. Opportunities to Continue to Growth

The cruise industry has a huge potential to continue to growth and develop new destinations. More cruises will be able to sail to Cuba, becoming a very popular destination in the Caribbean. Destination marketers can find the key strong selling points of a destination and promote and position the destination among tourists highly interested in cruising to these destinations and markets.

“Most of tourism activities take place at destinations, and destination forms a pillar in any modelling of the tourism system and has emerged as the fundamental unit of analysis in tourism (Pike, 2008). However, destination marketing and management is a complex issue which require a comprehensive, holistic and systematic approach to understand it. From the demand side, travelers have a variety of choices of available destinations; from the supply side, destination marketing, organization marketing organizations at different levels are trying their best to compete for attention from highly competitive marketplace (Heath and Wall, 1992). Therefore, destination competitiveness and attractiveness demand effective and integrative marketing and management strategies which are based on management strategies which are based on a sound understanding of the market condition” (Pike, 2008). Destination marketers require to develop new creative ways to increase the number of tourist visits to the local communities at international ports. Therefore, do it yourself marketing strategies will be necessary in this case, for example, the
destination marketer will be required to visit the destination before making any approaches to selling the key factors of the destinations. On size fits all, can be a dangerous approach because many destinations have different tourists’ products to offer. Therefore, product differentiation is key to determine the selling points of the destinations.

“The development, marketing and management activities of destinations are very much in line with the development of the tourism industry at the global scale. Various sources have indicated that the tourism industry has the potential of keep growing for quite some time, driven by structural factors such as population growth, economic affluence, business expansion and age-related travel patterns, combined with social factors such as the globalization of cultures and electronic connectedness (DMAI, 2008). The United Nations World Tourism Organization (UNWTO; until 2003 the WTO) projects international arrivals to top 1.5 billion by 2020, with associated revenues of more than US$1 trillion (UNWTO, 2010). As a result, hundreds of businesses, large and small, play their parts in selling and delivering services to those who travel to various destinations (DMAI, 2008)” (Wang, 2011).

Destination marketing requires an effective and highly integrative business strategies and at same time understanding of the goals and objectives of the tourism industry. Tourism takes place when a person or people decides to visit a destination to enjoy the nature and cultural scenery that these places offer. It can mean that the tourists need to travel a long way from their residence to be able to reach the destination they would like to visit. For instance, North American tourists would like to take a cruise to the Caribbean. Therefore, they will require taking a plane from their home state to Florida to board a cruise bound to the Caribbean.

“Geographically the world can be mapped into cruise regions reflecting different destinies of demand. One result of the boom in cruise tourism, however, is congestion at traditional destination venues. In 1998, the Caribbean received 50% of the total capacity cruise tourism placement. Many established Caribbean destinations receive more cruises that stopover tourists. In response, cruises lines are considering multi-dimensional expansions in the future. Carnival Cruise Lines business development plans, for example, include: Development of ‘new geographical markets’- through Air tours and Costa Links; ‘Migrating to better products’ – through Holland America Line; and ‘Attracting new lifestyles’ – through Windstar cruises” (Johnson, 2002).

In a geographical and spatial perspectives, the tourism industry contributes to the understanding of the destination marketing and management. It is necessary to understand how the relationship of the diverse parties in determining the efficient and promotion of the tourist destination.

Transportation is another aspect to consider because travels move from one destination to another one, with the purpose of exploring a new natural and/or cultural attraction. Transportation generates, stimulates and motivates movement of people from the tourists’ residence to the tourist destinations. The tourist destination surrounding areas, the infrastructure, the quality of the service represents one of the most important aspects in the tourism process. The tourism planner develops many strategies to attract tourists.

The infrastructure offers the facilities, commodities, and tourists’ services the travelers are looking for, it serves as a stage to facilitate the tourists experience, cultural exchange, and natural exploration.

E. Customer Feedback

Tourists provide feedback about the recreational services and its providers find a way to improve the quality of the service and innovate according to the tourists’ feedback. Tourism can also be a highly intellectual activity because the tourists can acquire knowledge, exchange information with local people, and share their knowledge. and experience with friends, family and acquaintances. It is considered that doing research is important to determine what are the perspectives, experiences, and feedback of the tourists traveling to diverse destinations.

Economic, social, and cultural aspects have an important impact on the tourism industry. Tourists can be organized in several types depending of their interests, for example: recreation travelers, business, and travelers with the same interests.

F. Tourism Organization

The tourism industry is organized by the organizations and companies that help promote the tourist product. These are travel agents and tours operators, the hospitality industry. These companies organized tours packages to meet the needs, demands, and interests of the tourists. Government, companies, non-for-profit organizations can contribute with the community to bring a successful positioning of the brand, and recognition of these local communities by emphasizing on the tourists’ experience, therefore, these tourists will share the word with friends, family members, and acquaintances and get them motivated and interested in visiting these tourists’ sides.

“In developing a model of destination region, Dredge (1999) identified three characteristics: (i) that tourists-generating markets and destination regions are separate geographical entities; (ii) that the complex and multi-scale nature of destinations means that their conceptualization must be a flexible hierarchical structure adapted to suit different sales, locations and market characteristics; and (iii) that destinations can be single locations or ‘chained’ in that they can be a set of geographically separate locations linked through travel patterns or touring routes” (Wang, 2011).

G. Travelers

Destination management and marketing must be developed to meet many values and needs that customers may demand of tourist products and services. Increasing number of tourists traveling domestically and internationality creates the need of research customer
changing needs and demand of new products and services, in other words, tourism innovation, and creating new technologies, tourism blogs to promote new destinations and markets. Government agencies, companies and non-for-profit organization must contribute together to maximize the tourists’ experiences and the economic development of the place visited. The tourist can highly contribute to the destination growth by sharing their experiences with family, friends, and acquaintances and motivating them to visit those places and increase the number of tourist visiting domestic and international destinations.

H. International Marketing

Countries, Cities, and Local Communities compete to develop new tourists’ destinations and increase the number of already established tourists’ destinations. Destinations marketers are constantly competing with online sources that can distract tourists from getting the real information of the destination marketing generated by the reliable sources, either the government, companies, and non-for-profit organizations. The economic opportunities: increasing terrorist attacks in the world is changing the economic environment in developed and developing nations. Creating economic scenarios that will contribute to the economic development of local and international destinations is essential because there is a strong need to create sustainable human carrying capacity in the tourist destinations. For example, Japan would like to increase the number of tourists in the country, meanwhile many of the tourists’ destination do not have the human carrying capacity programs to manage the numbers of tourists that visit cultural tourists’ attractions, art galleries, and museums in the host tourist destination. “Dealing with complex brands calls for brand managers to moderate the different interest groups (sub-brands) and mitigate interest conflicts. Building separate place sub-brands is paramount for place brand managers dealing with diverse target audience, as this action is bound to improve the stakeholder-specific communication. The core future is the place physics – the real characteristics of a place – because they strongly influence the perception of the place brand” (Zenker & Beckman, 2012).

“Brands have a remarkable ability to impact the way people view products. Consumers rarely just see a product or service; they see the product together with the brand. As a result, how they perceive the product is shaped by the brand. Perceptions, of course, matter most—how people perceive something matters far more than the absolute truth. The question generally isn’t which product or service is best; the question is which product or service people think is best. Is Dom Perignon the best champagne in the world? Does Tiffany sell the finest diamonds in the world? Does McKinsey do the best strategic thinking? Perhaps so, perhaps not; however, many people think so, and perceptions matter most. The presence of a well-known brand will dramatically affect how people view a product or service. If people see a premium brand name on a product, they will likely view the item as high quality, exclusive, and expensive. If people see a discount name on a product, they will probably perceive the item to be low quality and cheap” (Tybout & Calkins, 2005).

I. Technology Development

Technology plays and important role promoting the destination management because customers have access to internet, web pages, and online search engines and platform options where tourists can find detail information about diverse destinations. Creating cutting age technology for these emerging cruise destinations represent and growth market opportunity to bring new tourists to experience the lifestyle of the local communities. Repeat customers in the cruise industry would like to see new places and explore local communities in these new tourists’ destinations. Therefore, diversification of tourists’ products and services is important. There are many cruise industries out there, therefore, create uniqueness and specialization are key aspects for continue growth and development in the tourists’ destinations.

J. The Social Environment

Local communities at ports often visited as part of the tourist destination of the cruises have an important role in engaging in friendly and host relationship with international tourists is important in the sense of sharing knowledge and information about the local culture. International tourists feel are interested in learning about new cultures and way of life of the local communities. Gastronomy tourism is another important growing segment of the tourist industry.

K. The Political Environment

Government agencies and organizations have the role of promoting and creating business friendly environments to increase the number of tourist visits to the countries and share the culture of these places with the international tourists during their brief visits to several destinations. The government also have the opportunity of increasing economic development in the local communities by charging taxes and port fees. Therefore, governments can facilitate the relationship between the local communities and the international tourists by facilitating access to ports and increase wealth in the regions.

L. The Legal Environment

“Government at a variety of levels in many countries may increasingly impose taxes, laws, and other restrictions upon travel-related commerce, as part of their political, social, economic, and ecological agendas” (Wang, 2011). In one hand, laws and legislations can contribute to increase the number of international tourists to ports and local communities by facilitating easy access to these destinations. In the other hand, strict laws, and legislations can affect, and restrict the access of international tourism to these destinations.

M. The Sustainable Development

Increasing concerns with global warming, climate change, and environmental issues are increasing concerns for societies and governments to increase the sustainable
development and environmental conditions of ports. Eco-innovation, leading technology and cutting-edge search in the environmental field is providing with strategies to increase the sustainable development of the region.

“Alternatively, in theory, tourism can embrace sustainability principles, by having regard for environmental carrying capacity, social responsibilities and the integration of tourism with local peoples’ wishes. In 1992, Tourism Concern and Worldwide Fund for Nature defined sustainable tourism as tourism and associated infrastructure that both now and in the future: Operates within natural capacities for the regeneration and future productivity of resources –natural, social, and cultural; Recognizes that contribution that people and communities, customs, and lifestyles past and present, make to the tourism experience; accepts that these people must have an equitable share in the economic benefits of tourism; and is guided by the wishes of all stakeholders, especially local people and communities in host areas” (Johnston, 2002).

N. Carrying Capacity

“Carrying capacity (CC) refers to the number of individuals who can be supported in each area within natural resource limits, and without degrading the natural social, cultural, and economic environment for present and future generations. As the environment is degraded, carrying capacity shrinks, leaving the environment no longer about to support even the number of people who could formerly have lived in the area on a sustainable basis. No populations can live beyond the environment’s carrying capacity for very long. The concept of CC is an elusive tool for managing ecotourism, and its application can involve considerable subjectivity. The concept of human carrying capacity has become a major issue and concern for resource managers. Once a CC is determined, it can be used as a helpful tool to make important decisions. Recreational capacity decisions are decisions about people’s access to opportunities and the quality of their experiences there. The CC for any given area is not fixed. It can be altered by improved technology, but mostly it is changed for the worse by pressures which accompany a population increase” (Chougule, 2011).

O. Labor force in a Cruise Ship and Globalization

“Dickinson’s rhetoric of “free markets” triumphing over “restrictive policies” exemplifies the dominant economic discourse of globalization, defined and articulated by institutions such as the International Monetary Fund and the World Bank. And there is little question that the adjustment policies of these two institutions have helped generated both the climate of deregulation and the global pool of migrant labor on which the cruise ships increasingly rely. Furthermore, as will be seen, several states have become directly involved in promoting international labor migration for this and other maritime employment.

Cruises are floating resorts, and as such consist of two parallel occupational structures:grated on top of the traditional ship hierarchy of the captain, officers, technicians, and seamen is the complex structure of a resort hotel, with separate hierarchies dealing with food purchase and storage, the kitchen, the dining room, housekeeping, entertainment, concessions, and the purser’s office. A large ship may have over 1,000 employees aboard, in over 160 different occupational positions” (Wood, 2000).

III. DISCUSSION

A. Opportunities to Generating New Destinations

As the cruise industry continues to growth, cruise management destinations require to find new destinations to bring thousands of customers. Online technology can be a noise for destination managers to bring traffic to the destination website and key information. Therefore, destination managers must find a way to determine how the tourists will find information about the destination by creating attractive web sites that will increase key traffic to diverse tourist destinations.

B. Challenges for the Cruise Industry

The cruise industry faces many challenges, among these are: Building strong relationships with governments, companies, non-for-profit organization and community leaders in new destinations.

Providing the technology to access internet and communication technology on board. Creating environment safety programs and finding out ways to protect the costal reef of destinations visited.

Building an image of corporate social responsibility that contributes to the environment, and the local communities near ports. A business ethical corporate program can contribute to generate business opportunities and growth of future destinations.

C. Challenges for Destination Management:

The destination manager has the challenge to define the objectives and goals of promoting the destination in terms not only opportunities to increase profit for the cruise industry but also to increase the economic well-being of the communities, sustainable development of the communities, and its natural and cultural resources conservation. They should also be able to question how the cruise industry will be able to create a corporate social responsibility to help local communities to protect and preserve natural and cultural heritage, protect the environment, and its marine reserves.

Destination managers are responsible for: Creating an image, advertising, marketing, promoting existing, and new destinations. Persuading travels to take cruise packages over other destinations. Defining strategies for destination marketing and new destination development. Determining the differences in marketing the country versus the city and the local community. Persuading stakeholders about new destination potential opportunity. Demonstrating destination competitiveness and advantages over other destinations. Creating management strategies to prevent environmental disasters.
D. Capacity Building: The Cruise Industry and the Environment

It is necessary to create a team from the local communities near the ports that the cruises visit to look after the relationship of the cruise industry and its contributions to the environment. How can the cruise industry can contribute to build a sustainable environment in the local communities near the ports? For example, Holland America has created an environmental program to contribute to rebuild the reef in the coastal areas.

E. Carrying Capacity

Human carrying capacity refers to the number of people that can visit a place at the same time. For example, in Costa Rican National Parks a limited number of people can visit the parks at the same time and there is a strict control about the number of people that can be in the park at the same time. There also human carrying capacity plans for the natural heritage side of the Galapagos Islands in Ecuador and the cultural heritage site of the Alhambra in Spain.

F. Corporate Social Responsibility and the Environment

The cruise industry should have environment programs to help the conservation of the natural and cultural environment of ports, and local communities nearby as part of their program for good business ethics. The environmental plans design by the cruise industry must provide guidelines on how it will provide better environmental management, sustainability, and business responsibility to the local communities. The cruise industry has ignored to provide corporate social responsibility and business ethics that contributes to the conservation and the economic, social, and environmental development of the local communities near the destination ports.

IV. Conclusion and Implication for Future Studies

Destination marketing requires an effective and highly integrative business strategies and at same time understanding of the goals and objectives of the tourism industry. Tourism takes place when a person or people decides to visit a destination to enjoy the nature and cultural scenery that these places offer. It can mean that the tourists need to travel a long way from their residence to be able to reach the destination they would like to visit. For instance, North American tourists would like to take a cruise to the Caribbean. Therefore, they will require taking a plane from their home state to Florida to board a cruise bound to the Caribbean. It is considered that doing research is important to determine what are the perspectives, experiences, and feedback of the tourists traveling to diverse destinations.

Economic, social, and cultural aspects have an important impact on the tourism industry. Tourists can be organized in several types depending of their interests, for example, recreation travelers, business, and travelers with the same interests.

One of the biggest challenges for destination marketers is to bring traffic online to new tourists’ destinations by creating attractive websites and online tools where the tourists can observe, read, and learn about new tourist destinations. Product differentiation is key to determine the selling points of the destinations and emerging ports and its attractions, diversification of tourists’ products and services is important because there are many cruise companies in the market; creating uniqueness and specialization are key aspects for continue growth and development in the tourists’ destinations.

Creating cutting age technology for these emerging cruise destinations represent and growth market opportunity to bring new tourists to experience the lifestyle of the local communities.

The cruise industry should have environmental programs to help the conservation of the natural and cultural environment of the ports and nearby local communities as part of their program for good business ethics. An Environmental policy in ports’ communities should be in place as key strategy of the destination management. Eco-innovation, leading technology and cutting-age search in the environmental field is providing with strategies to increase the sustainable development of the communities and its natural and cultural resources; destination managers should also think about how the cruise industry will be able to create a corporate social responsibility to help local communities to protect and preserve natural and cultural heritage sites, protect the environment, and its marine reserves.

The cruise industry needs to: Building strong relationships with governments, companies, non-for-profit organization and community leaders in new destinations.

Providing the technology to access internet and communication technology on board.

Create environmental safety programs and finding out ways to protect the costal reef of the tourists’ destinations visited.

Building an image of corporate social responsibility, its contribution to the environment, and the local communities. A business ethical corporate program can contribute to generate business opportunities, and growth of future destinations because it contributes to the conservation and the economic, social, and environmental development of the local communities near the destination ports.

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