Agenda

- Industry Overview
- Key Competitors
- Advertising Strategies
- Raw Data Analysis
- Bonus Analysis
- Outlook and Recommendations
Why the Cruise Industry?

- Huge growth in the industry over the past 10 years
  - Fastest growing category in the leisure travel market
  - Revenue will climb at an annualized 1.9% to $37.5 billion

- Cruise product is diversified
  - A few major players covering many target markets

- Firms use advertising to change the negative image of cruising
  - Image problems resulting from high-profile accidents and illness outbreaks
3 Industry Trends

1. **Increased amenities**
   - The ship now represents a destination in itself
     - Acts as a floating hotel/theme park with all the related facilities (bars, restaurants, casinos, spas)
   - Increasing amount of amenities

2. **Massification**
   - Deployment of larger ships to achieve economies of scale

3. **Concentration**
   - Carnival Corporation and Royal Caribbean make up most of the market
   - Mediterranean and Caribbean destinations account for nearly 70% of the global annual deployment of cruise capacity
Industry Challenges

- **New-to-Cruise**
  - Misconceptions of cruising creates barriers to entry
    - High Cost
    - Poor food quality
    - Fear of being trapped on a ship
    - Not having enough to do
  - Negative press about one brand negatively affects the entire industry

**Why Haven’t They Cruised?**

<table>
<thead>
<tr>
<th>Potential</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too expensive</td>
<td>56%</td>
</tr>
<tr>
<td>Concerned that there will be hidden fees</td>
<td>41%</td>
</tr>
<tr>
<td>Fear of feeling trapped on the ship</td>
<td>41%</td>
</tr>
<tr>
<td>I am afraid I will get sea-sick</td>
<td>39%</td>
</tr>
<tr>
<td>Health concerns</td>
<td>36%</td>
</tr>
<tr>
<td>Not as safe as other vacation options</td>
<td>35%</td>
</tr>
<tr>
<td>Low quality of accommodations/rooms</td>
<td>30%</td>
</tr>
<tr>
<td>Poor online reviews</td>
<td>25%</td>
</tr>
<tr>
<td>There’s no port close to my home</td>
<td>24%</td>
</tr>
<tr>
<td>I don’t know how I would spend my time onboard</td>
<td>24%</td>
</tr>
</tbody>
</table>
Major Players

49.2% Market Share
- Carnival Cruise Line
- Princess Cruises
- Holland America Line
- Seabourn
- Cunard
- Costa Cruises
- AIDA Cruises

23.8% Market Share
- Royal Caribbean
- Azamara
- Celebrity Cruises
- Croisiers en France
- Pullmantur Cruises
- TUI Cruises

8% Market Share
- Norwegian Cruise Line
- Oceania Cruises
- Regent Seven Seas Cruises

Other Notable Players: MSC Cruises, Disney, Viking

Industry Overview and Competition  Advertising Strategies  Primetime Data Analysis  Bonus Analysis  Outlook & Recommendations
Perception Map of Cruise Industry

- **Luxurious**
  - Holland America Line
  - Celebrity Cruises
  - VIKING CRUISES

- **Expensive**
  - Royal Caribbean International
  - MSC Cruises
  - Disney Cruise Line

- **Inexpensive**
  - Carnival

- **Family**
Carnival Cruise Corp.

“The Fun Ships”

- World’s largest cruise operator
  - 49.2% market share
- 11 different cruise brands
- Revenues of $15.8 billion in 2014
- 103 cruise ships in fleet
- “Land vs. Sea” ad campaign (2011-Present)
Royal Caribbean

- World’s second largest cruise operator
  - 23.8% market share
- Revenues of $8.07 billion in 2014
- Operates 40 cruise ships to over 400 destinations
- “Come Seek” ad campaign (2015-Present)
Norwegian Cruise Line Holdings

“Freestyle Cruising”

- Holds 8% market share
- Revenues of $3.1 billion in 2014
  - 21% increase
- 11 cruise ships in fleet
- “Cruise Like A Norwegian” ad campaign (2011-Present)
Disney Cruise Line

- 3% market share
- Revenues of $940 million in 2014
- 4 cruise ships in fleet
- Considered a segment of Disney Parks
  - Utilize Disney characters in advertising
- Family emphasis

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Porter’s 5 Forces Analysis

- **Medium barriers to entry**
  - Misconceptions about cruising

- **High level of ownership concentration**
  - HHI of 2995 without subsidiaries
  - HHI of 998 with subsidiaries

- **Threat of substitutes is a factor**
  - Similar products offered by Carnival and Royal Caribbean, for example

- **Optimal economies of scale may have been reached**
  - Leaves room for new entrants to explore new *niche markets*
Cruising Geographies

- North American remains the dominant region of embarkation and of destination
- Europe claims 40-50% share during the summer season
  - Both perennial markets, since they are serviced year-round

![Bar chart showing cruise source markets, 2010.](chart.png)

Source: adapted from Cruise Lines International Association (CLIA)
Cruise Like A Norwegian

Feel like following the stars instead of a schedule?

Why not vacation far far away from the everyday?

Carnival

Fun for all, all for fun.
Persuasive Advertising: Increasing consumer demand and willingness to pay

“Come Seek” Campaign
- Launched in October 2015
- Targeted at millennials, attracting the next generation of cruisers
- Tackling the misconception that you can’t have unique experience while on a cruise
- [https://www.youtube.com/watch?v=qvuenTpNStg](https://www.youtube.com/watch?v=qvuenTpNStg)
Product Differentiation

Norwegian’s “Freestyle Cruising” Model versus other companies models (2006 and onward)

- Brand identity that focuses on its relative lack of structure on its cruises
- No dress codes or set dining times on its cruises
- $100 million advertising and promotional effort
- Battling Royal Caribbean and Carnival, going against their more rigid schedules and structure on board
- [https://www.youtube.com/watch?v=QsvIGF73GMA](https://www.youtube.com/watch?v=QsvIGF73GMA)
Combative Advertising: shifting consumer demand and redistributing customers among brands

- **Disney’s** competitive advantage: Disney Characters
- **Royal Caribbean**’s counter move: Dreamworks experience
Co-branding:
Partnerships with well-known brands to strengthen their own brand

- Serves as a familiar bridge to land-based comforts
- Help to rebuild their reputations
- Expanding marketing reach
- Invests in activities that will appeal to both kids and adults
Carnival’s Two Pronged Approach
Carnival Strategy #1

- Humor
- Family
- Bonding
- Upbeat music
- Slow motion clips
- Waterslide
- Carnival brand mentioned
- Information about package prices flash at the end
Carnival Strategy #2

- Beautiful visuals
- Exotic locations
- Elements of luxury
- Serenity
- Emotional/Serious tone
- Deep, broader message
- Does not mention brand/cruise at all
Social Media Visibility

- Which cruise line would you think has the highest social media visibility?
Twitter

Carnival
• 172,800 followers

Royal Caribbean
• 176,000 followers

Princess
• 113,200 followers

Viking
• 28,000 followers

Disney
• 344,800 followers
Instagram

Carnival
- 236,000 followers

Royal Caribbean
- 261,000 followers

Princess
- 87,100 followers

Viking
- 10,000 followers

Disney
- 539,000 followers
Facebook

Carnival
- 3,768,342 likes

Royal Caribbean
- 3,479,423 likes

Princess
- 1,776,773 likes

Viking
- 564,470 likes

Disney
- 1,824,339 followers
Primetime Data Analysis
Our Expectations

- Carnival and Royal Caribbean
  - We expect the data to exhibit that these companies employ similar advertising frequency and strategies throughout the year of 2014 as well as target the same demographic of young millennials and families, trying to increase the “new-to-cruise” segment

- Viking and Disney
  - We expect the data to exhibit clear differences between the advertising frequency and strategies of these companies
  - We believe Viking will clearly target an older/more sophisticated consumer base, and that Disney will target young families and
Ad Frequency and Expenditure
Cost Per Ad Breakdown

![Cost Per Ad Breakdown Chart]

- Carnival Cruise Lines: $300,000
- Disney Cruise Line: $250,000
- Princess: $150,000
- Royal Caribbean: $100,000
- Viking River Cruises: $50,000
Ad Length Breakdown

- Industry standard of 30 seconds
- Royal Caribbean used 15 second ads for 73% prime time ads
Advertisement Breakdown

Network Breakdown for Industry

- ABC: 38%
- CBS: 27%
- FOX: 11%
- NBC: 24%

Industry Overview and Competition
Advertising Strategies
Primetime Data Analysis
Bonus Analysis
Outlook & Recommendations
Network Breakdowns

Ad Breakdown by Network

<table>
<thead>
<tr>
<th>Cruise Line</th>
<th>ABC</th>
<th>CBS</th>
<th>FOX</th>
<th>NBC</th>
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</thead>
<tbody>
<tr>
<td>Carnival Cruise Lines</td>
<td>90%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Disney Cruise Line</td>
<td>40%</td>
<td>30%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Princess</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Royal Caribbean</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Viking River Cruises</td>
<td>20%</td>
<td>80%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Breakdown by Program Type

Ads by Program Type

- Drama/Adventure: 28%
- News Magazine: 7%
- Olympics: 7%
- Police/Suspense/Mystery: 5%
- Situational Comedy: 7%
- Slice-of-Life: 20%
- Other: 22%
Competitive Comparison

Carnival
- DRAMA/ADVENTURE: 26%
- OLYMPICS: 7%
- POLICE/SUSPENSE/MYSTERY: 17%
- SLICE-OF-LIFE: 6%
- SITUATION COMEDY: 15%
- OTHER: 29%

Royal Caribbean
- DRAMA/ADVENTURE: 31%
- FEATURE FILM: 28%
- SLICE-OF-LIFE: 24%
- SITUATION COMEDY: 11%
- OTHER: 6%
Competitive Comparison

Viking
- CONVENTION/ELECTION: 6%
- DRAMA/ADVENTURE: 8%
- NEWS MAGAZINE: 6%
- POLICE/SUSPENSE/MYSTERY: 11%
- OTHER: 69%

Disney
- DRAMA/ADVENTURE: 26%
- FEATURE FILM: 11%
- GAME SHOW: 8%
- POLICE/SUSPENSE/MYSTERY: 6%
- SITUATION COMEDY: 23%
- SPORTS ENTERTAINMENT: 11%
- SLICE-OF-LIFE: 9%
- OTHER: 6%
Ad Count by Primetime Time Slot

Breakdown by Time Slot

- Carnival Cruise Lines: 30%
- Disney Cruise Line: 50%
- Princess: 35%
- Royal Caribbean: 45%
- Viking River Cruises: 20%

Industry Overview and Competition
Advertising Strategies
Primetime Data Analysis
Bonus Analysis
Outlook & Recommendations
Yearly spikes in google searches for Royal Caribbean, Carnival, and Norwegian cruise lines each January
Seasonality Trends

- Higher ticket prices correlate with higher advertising frequencies
  - Pricing jumps in the summer months and mid-December
- Royal Caribbean is an outlier with more consistent year-round ads and a spike in May that is uncharacteristic to the industry
Explanation for Seasonality

- The Caribbean and Mediterranean are complementary markets
  - Accounts for more than 70% of the global capacity of the cruising industry
- Caribbean is dominantly serviced during the winter (December peak), while the Mediterranean experiences a summer peak season (June-July peak)
Temporal Pricing

- As the cruise date approaches, consumer demand becomes increasingly more inelastic, allowing cruise lines to raise prices.
- Immediately before the departure date, cruise lines attempt to maximize capacity, leading to last-minute price decreases.

![Seasonal Variability in Pricing](chart.png)
Seasonality in Pricing

Price Range for Carnival, Disney and Royal Caribbean (Interior Rooms) - Caribbean
Bonus Analysis
Bonus Analysis: Carnival PR Crisis

- On January 13th, 2012, the Costa Concordia capsized off the coast of Isola del Giglio.
- This led to the death of 32 people on board.
- Carnival Triumph caught fire, which resulted in loss of power and propulsion and raw sewage began to back up into the passenger deck area creating serious health hazards.
- Several other ships in Carnival’s fleets made headlines in 2012 and 2013.
## Carnival’s Financial Performance

<table>
<thead>
<tr>
<th>Year**</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>6,655.7</td>
<td>3.0</td>
<td>1,064.4</td>
<td>8.7</td>
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<tr>
<td>2010-11</td>
<td>6,948.9</td>
<td>4.4</td>
<td>986.1</td>
<td>-7.4</td>
</tr>
<tr>
<td>2011-12</td>
<td>7,075.7</td>
<td>1.8</td>
<td>964.9</td>
<td>-2.1</td>
</tr>
<tr>
<td>2012-13</td>
<td>6,800.6</td>
<td>-3.9</td>
<td>694.3</td>
<td>-28.0</td>
</tr>
<tr>
<td>2013-14</td>
<td>6,830.1</td>
<td>0.4</td>
<td>758.1</td>
<td>9.2</td>
</tr>
<tr>
<td>2014-15</td>
<td>7,068.6</td>
<td>3.5</td>
<td>763.4</td>
<td>0.7</td>
</tr>
</tbody>
</table>
Carnival’s attempt to broaden its target market failed.

Combined with the 2008 recession, their stock plummeted.
Carnival’s New Campaign

- Carnival launched the “Great Vacation Guarantee,” which promises passengers a 110% refund on their fare and passage home free of charge.
- Carnival launched their new campaign called “Moments that Matter”:
  - Focused on pools, fancy drinks and dinner buffets.
  - They want to create lasting memories created by families on vacations.
  - Heartwarming campaign to get past negative publicity that has been plaguing the brand.
  - Primetime appearances on: “How I Met Your Mother”, “Parks and Recreation”, “Big Bang Theory” and “The Voice.” They also are on cable networks including Bravo, TNT, TLC, ABC Family, TBS, and Food Network and spots will be online as well.
Industry Outlook

- Industry revenue growth is expected to accelerate
- Rising per capita disposable income will allow consumers to spend more on cruise travel
  - Increased demand for cruises in coming years
- Combination of increased demand for cruising and healthier capacity will lead to increased profits
- Apprehensions about flying could lead to more cruisers
Recommendations

- Industry should continue to launch new ships to increase capacity
- Further attack the misconceptions and myths about the cruise industry through positive advertising
- Continue to target new-to-cruise, millennials, and retired individuals
Questions?