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Princess Cruises

Marketing Strategy Proposal

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PRINCESS CRUISES
Executive Summary

Since its inception in 1994, Princess Cruises has been a pioneer in the industry, and a leader in customer service and onboard experience. The line's innovative and updated fleet, coupled with cutting edge technology allows for further success. This is fostered by the line's association with Carnival Corporation as a parent company, offering necessary resources and support.

The industry as a whole is in a period of growth, as brands expand into the Asian market. As millennials concentrate their discretionary spending on experiences rather than material objects, the market for travel and tourism continues to expand. While the cruise industry is seeing growth, there are still concerns on behalf of consumers and environmental activists. Health and safety onboard the ships are of rising concern based on illnesses and accidents that have taken place across a variety of cruise lines, Princess included. Additionally, sustainability is a concern, as environmental friendliness becomes a growing trend. Activists and legislators have a growing interest in the levels and impact of cruise ship emissions on the environment. Another trend impacting the industry is multigenerational living. Homes consisting of three or more generations are growing in popularity, and spilling over into the travel industry. Associated with this new market segment are travel groups consisting of grandparents, parents, and grandchildren, all who have different interests and ways of spending downtime. While the older generation enjoys spending quality time with family, the younger generation tends to spend time multitasking, by utilizing their mobile devices in addition to other activities.

Princess attracts a broad demographic of travelers varying based on the destination and itinerary of the cruise. Cruises that are longer in duration and travel to more exotic areas attract the older generation, while shorter trips to Alaska and the Caribbean attract couples and families. This is similar to the customer base of the company's top competitors, Royal Caribbean and Norwegian Cruise Line. With similar offerings and target markets, the lines differentiate themselves through level of service quality and overall theme and lifestyle of the cruise.

Princess has an opportunity to expand their market share by entering the multigenerational market segment. As the trend of multigenerational living flows into the travel industry, there is a need for products and services that can accommodate a variety of age ranges in one experience. This opportunity can be successfully executed through the use of market research, product development, and communication and promotion. Conducting primary and secondary research on the multigenerational market segment to understand their wants, needs, expectations, willingness, and ability to pay, can then inform decisions to be made in reference to product development. By identifying consumer preferences, the product offering can be altered and packaged to best fit the new market segment Princess is targeting. After completion of product development, Princess must inform the segment of this new product that suits their needs. Communication and promotion allows Princess to control the message of the brand, and disperse information effectively through proper mediums and channels.

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1.0 Introduction to the Organization

Princess Cruises is one of ten cruise lines under the larger umbrella organization Carnival Corporation & PLC (Carnival Corporation & plc., 2016c). The corporation came to its inception in 1994, after the creation of its flagship Carnival Cruises in 1972. The company decided to make 20% of its stock public in 1987 after being named "The World's Most Popular Cruise Line." This move allowed the company to gain the influx of capital necessary to expand and acquire more lines. These purchases included the Holland America line in 1989, Seabourn in 1997, Costa Cruises in 1997, Cunard Line in 1998, and merging with P&O Princess Cruises PLC in 2003 (Carnival Corporation & plc., 2016a). The Carnival Corporation now consists of some of the most widely recognized cruise brands in North America, the United Kingdom, Germany, Italy, and Australia, areas that account for 85% of the world's cruise passengers (Carnival Corporation & plc., 2016c). The corporation consists of the following cruise lines:

- Carnival Cruise Line
- Princess Cruises
- Holland America Line
- Seabourn
- Cunard
- AIDA Cruises
- Costa Cruises
- P&O Cruises (UK)
- P&O Cruises (Australia)
- Fathom

Between these ten lines, Carnival Corporation is able to suit a wide variety of cruise travelers, ranging from contemporary, to premium, to ultra luxury (Carnival Corporation & plc., 2016c). Carnival's success is attributed to their ability to maintain each line as their own distinct brand.

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Each line has sales, marketing, and reservation offices, allowing operation as independent organizations, despite being a part of a much larger corporation. The lines, however, operate under the same mission statement, which is "to take the world on a vacation and deliver exceptional experiences through many of the world's best-known cruise brands that cater to a variety of different geographic regions and lifestyles, all at an outstanding value unrivaled on land or at sea" (Carnival Corporation & plc., 2016a).

The Princess Cruise brand takes this mission statement and personalizes it with individual brand philosophies via Core Values. The Core Values include their passion for serving, respect for their team, constant innovation, emphasis in consistency, accuracy in accountability, a drive to do it right, and the goal of gaining the trust of their customers. Overall, Princess prides itself in being skilled hosts no matter what any employee's official job title is (Princess Cruise Lines, Ltd., 2016c). This commitment to service has earned the brand a 77% overall "Loved It" rating from over eleven thousand reviewers on the popular review website CruiseCritic.com (The Independent Traveler, 2016a). While following the mission of Carnival Corp., it is clear that the Princess Cruises brand has been able to use their core values to guide their actions in creating satisfied passengers, as well as to help differentiate from the other organizations within the Carnival portfolio.

2.0 Situational Analysis

A situational analysis is the methodical gathering of information used to evaluate present and historical economic, political, social, and technological data in an effort to identify internal and external factors influencing an organization's performance and business strategies. This information also helps to examine the organization's strengths, weakness, opportunities and

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threats (WebFinance, Inc., 2016b). Through utilization of internal and SWOT analyses to identify key factors and understand the state of the organization, marketing plans and decisions can be made (Kotler, Bowen, & Makens, 2014, p. 75).

2.1 Internal Analysis

An internal analysis reviews a company's strengths and weaknesses by focusing on factors within the organization itself. An internal analysis should give the company insight into areas of success as well as improvement, in an effort to meet the expectations and requirements of its target market (WebFinance, Inc., 2016a).

2.1.1 Overview of Organization

Princess Cruises began in 1965, with an inaugural cruise sailing to Mexico. Today, the line is the third largest in the world, serving 1.7 million guests per year, taking them on trips lasting from three to 114 days, sailing to six continents, and more than 300 ports. The company had its moment in the spotlight when one of its ships, Pacific Princess, was "cast" in the 1970's television show "The Love Boat". The show has been credited with introducing a wide audience to the wonders of a cruise vacation and the company name. In addition, the company's widely recognizable logo has remained synonymous with the industry ever since (Princess Cruise Lines, Ltd., 2016a).

As a pioneer in the industry, Princess was the first to offer affordable balcony rooms, with a fleet that offers one of the highest percentages of balcony cabins, the most sought after luxury requested by passengers. Princess was also the first to offer 24 hour dining on board, as well as the ability for guests to be in control of their own vacation. By introducing a wide variety

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of flexible onboard activities, facilities, amenities, and services, including an onboard wedding chapel and poolside movie screens, customers are able to customize their experience to meet their needs (Princess Cruise Lines, Ltd., 2016a). While some activities and events are dependent on the specific ship or destination, there are activities for cruisers of all ages and interests, including spa packages, performances, casinos, gyms, shops, auctions, youth and teen centers, books clubs, and more (Princess Cruise Lines, Ltd., 2016d).

In addition to the amenities offered through Princess Cruises, the line also focuses on exceptional customer service and experience. Through the implementation of the longest running customer service training program in the industry, Princess is able to offer a "remarkable cruise experience" by ensuring that all onboard staff delivers the same level of service, creating a cohesive product (Princess Cruise Lines, Ltd., 2016a).

2.1.2 SWOT Analysis

A SWOT Analysis examines the internal strengths and weaknesses of an organization, as well as the external opportunities and threats that are faced (WebFinance, Inc., 2016b).

Strengths

One of Princess Cruises' many strengths is the association with Carnival Corporation, the largest leisure company in the world. Carnival Corp. carries 47% of global cruise passengers, assisting Princess in attracting both returning and new passengers (Carnival Corporation & plc., 2016b, p. 4). Having the backing of a large corporation means that the brand is supported by the overall marketing efforts of the parent company, and also invites strong strategic partnerships for collaboration. In February 2016, Carnival Corp. partnered with AT&T for a marketing promotion using a new Virtual Reality headset product from Samsung Electronics. The

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promotion launched a virtual reality campaign in hopes that letting consumers "experience" what

their cruise ships are like would convince them to experience it in reality (Gaudiosi, 2016). A

relatively small percentage of North Americans have actually been on a cruise vacation. With

this campaign being launched in over 133 AT&T stores across the US, the corporate marketing

team at Carnival is seeking to attract the younger age demographic to the cruise industry, through

their interest in new technology. The goal is to encourage more people to consider a cruise

vacation by giving them a taste of what they can expect to experience (Gaudiosi, 2016). The

reach of the Princess Cruise brand is extended by utilizing the resources of corporate marketing

and its resulting impacts.

Another brand strength is the upgrading and expanding the fleet. In early 2016, new

designs were revealed for the upcoming Majestic Princess ship, featuring the famed logo across

the bow, replacing the traditional white hull. Princess Cruises has one of the most widely

recognized logos in the industry, and this plan to put it at the forefront of ships will make the

fleet instantly recognizable as part of the Princess line (Princess Cruise Lines, Ltd., 2016e). This

design is said to symbolize the ocean waves and represent the excitement of discovering what a

Princess Cruise vacation has to offer. As the current white hull design is seen as outdated, the

new design will help to modernize the fleet of ships (The Independent Traveler, Inc., 2016b). By

continuing to innovate and improve on what has worked for over 50 years, Princess stays

relevant and competitive in the cruising industry.

Princess Cruises is innovative in terms of dining experiences as well. In February 2016,

Princess announced a new option for guests who sail their popular Alaskan voyages. Passengers

are now able to "Cook My Catch," a program that occurs after guests fish in Juneau and/or

Ketchikan where they catch salmon or halibut from the Alaskan waters. Their fish are then

prepared to their specifications by the onboard culinary team and served. (SCV-TV, 2016). This way guests get to enjoy their very own Alaska seafood and promote a more local and authentic experience in the destination.

Princess Cruises has adapted and continues to adapt to the increased expectations of today's technologically savvy and driven traveler. The company now offers new and complimentary stateroom television programs, with a variety of on demand movies, a library consisting of hundreds of movies and television shows free to passengers and a live feed from the ship's television studio (Princess Cruise Lines, Ltd., 2016f). Princess has also launched the "Princess@Sea" app. Since its debut in 2013, the app has been made available on all ships. With the app, passengers can create calendars of official onboard activities as well as their own personal events to share with their group. In the near future, guests will be able to rate and review the ship's restaurants and features through the app (Viveiros, 2015). This makes the onboard experience interactive for passengers and lets them use technology to enhance their cruise.

Weaknesses

While the line has been updating some of their ships, there are still ones in service that have not been revamped since the late 1990s, meaning that they may be outdated in terms of decor and upkeep that travelers have come to expect (Cruise Mapper, 2016). One passenger who sailed on the Dawn Princess claimed that the walls in his suite creaked all night like a sailboat, and that most of their balcony was covered in rust (Dollycat, 2015). To maintain levels of quality and overall guest satisfaction, deep cleanings and regular upgrades must be made to consistently impress customers and ensure that the older ships meet the same standards as the rest of the fleet.

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Princess Cruises has experienced bad press regarding violating international pollution laws. In order to comply with legislation, Carnival had agreed to install equipment on all of its vessels in order to cut pollutants that create smog and produce particles that are dangerous to human lungs. The U.K. Maritime & Coastguard Agency launched an investigation in the summer of 2013 to see if Carnival had complied. (Callan, 2014). Another violation was issued to all of the major cruise lines, including Princess, who had operated in the state of Alaska for violating the Alaska Marine Vessel Visible Emission Standards Act (Carnival Corporation & plc., 2016b). With Alaska being one of Princess' top itineraries, it is important to keep good relations with the state. In order to do so the proper equipment must be installed to reduce air emissions of the ships and ensure the preservation of the natural Alaskan environment (Walker, 2015a). In order to stay relevant, up to date, as well as within environmental standards, Princess must invest in and evaluate the current fleet of ships. This will ensure that guests and destinations are being served to the best degree possible, while also maintaining a favorable public image.

Another significant threat to the Princess brand is the amount of bad press experienced recently due to accidents and illnesses onboard the vessels. Two passengers have recently died during their cruise, one drowning in a pool and another drowning while snorkeling at an excursion. The Maritime Accident Investigation Branch determined that the pool drowning resulted in part from the line's subpar use of warning signs stating that there is no lifeguard on duty. While the signage was present, it was determined to be an inadequate measure for passenger safety. It was also revealed that once crew members and other passengers noticed the victim in distress, the medical team did not respond fast enough and the present crew members were not trained in CPR and had trouble communicating with the emergency dispatcher, resulting in the delay of assistance (Walker, 2015b). In the case of the recent snorkeling incident,

the passenger was rescued after she suddenly went underwater but was unresponsive to emergency assistance. The cause of death is currently unknown, but for Princess to have two separate passenger deaths both due to drowning in the past two years has their commitment to passenger safety called into question (Humes, 2016).

Princess also experienced an outbreak of a norovirus on a recent Australian voyage. More than 150 passengers and a number of crew members on the Diamond Princess were seen by the onboard medical clinic during the trip with symptoms of gastroenteritis, a virus that causes symptoms of abdominal cramps, diarrhea, and vomiting. According to passengers guest were vomiting in the ship's pools, many of the staff wore face masks and gloves to protect themselves from the outbreak, and the ill guests were confined to their staterooms in order to minimize the virus' spread. As this is not sole occurrence of outbreak, it brings into question how sanitary Princess's ships are and if the proper measures to ensure a clean ship before, during, and after each voyage are in place (News Limited, 2016).

Opportunities

An opportunity for Princess Cruises is the rapid growth of the cruise industry as a whole, as well as the expectation that this growth will continue into the future (Cruise Market Watch, 2016). In 1995 there were just over 4.7 million passengers carried across all cruise lines. Twenty years later, the industry saw over a 350% increase, carrying over 22.2 million passengers for the year worldwide. This growth is predicted to continue, with an expected 25 million passengers by 2019 (Cruise Market Watch, 2016). As more people explore the option of a cruise vacation, operators will see continued success in the coming years, allowing for an expansion in market share and the potential for further growth.

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In addition to rapid growth, Princess and other cruise lines are expanding into the once untapped Chinese market. As a result of this segment growth, supply on ships serving the Asian market has grown 20%, reaching 2.2 million in 2015 (PR Newswire Association, LLC, 2016a). The passenger growth also in Asia increased over 30% in 2014, and Chinese passengers grew almost 80% from 2012 through 2014. The younger Generation Y in China is responsible for most of the country's outbound tourism, and this remained true in the cruise industry with more than four out of ten passengers being under the age of 40 (PR Newswire Association, LLC, 2016a). The growth potential of the Asian market leads Carnival Corporation to predict that Asian passengers will make up one out of every five cruisers by the end of 2020. In order to capitalize on this market, Princess will base its new ship solely out of China starting in the summer of 2017. This will help to strengthen growth potential in the market as well as enable the company to meet the surging demand for cruising in China (PR Newswire Association, LLC, 2016b).

Threats

The issue of sustainability is present in the cruising industry, as the sector is one of the biggest polluters in the travel industry. The industry is often unclear about the pollutants that ships are putting into the air and the ocean, as well as the possible harm that it can cause. Although Carnival Corporation did see a slight reduction in greenhouse gas emissions as well as energy consumption, the amount of waste sent to shore significantly increased from 2012 to 2014 (Sheivachman, 2016). With competitor Royal Caribbean partnering with the World Wildlife Fund in order to improve its sustainability efforts, Carnival and Princess must make sustainability a top priority, especially with their Alaskan cruises being investigated for environmental violations (Sheivachman, 2016).

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Issues of safety and hygiene can cause backlash on the cruise industry as a whole, impacting people's interest and trust of cruise ships, and diminishing their desire to vacation on one. The Carnival Triumph is now referred to as the "Poop Cruise" after the ship lost power while at sail in 2013, leaving passengers stranded at sea for four days without working air condition, electricity, or toilets (Harwell, 2014). The organization had to spend $300 million installing emergency generators and upgrading ships' safety systems, in addition to refunding passengers of Triumph their ticket amount plus 10%, proving that in addition to brand reputation and industry perception, it can greatly impact business goals and revenue. In the end, Carnival brought in revenue of $1 billion less than they did in 2008 (Hill, 2014). Similar incidents occurred onboard Norwegian Cruises, resulting in lowering prices and increasing marketing efforts to regain customer trust for both organizations (Hill, 2014). As incidents such as these occur across many cruise lines, it becomes an industry threat as travelers no longer see it as a problem isolated to one specific line, but rather associate the issue with the industry as a whole.

2.1.2 Customer Profile

Customer profile serves as a description of an organization's customer base, consisting of demographic, geographic, and psychographic characteristics, in addition to their buying patterns and purchase history (WebFinance, Inc., 2016d).

Princess's typical customer is a bit older, with a majority of guest ranging in ages from 40-60+. Older passengers tend to cruise on smaller ships with longer itineraries, such as the world cruises that can last upwards of 100 days. Meanwhile summer trips sailing to Alaska and the Caribbean are becoming increasingly more popular with cruisers in their 30's along with their children and families (Princess Cruise Lines, Ltd., 2016b).

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Princess Cruises customer base are cruisers who are seeking a casual, laid back, and low maintenance cruising and vacation experience without sacrificing luxury accommodations and service. The overall atmosphere, including dress codes, activities, and dining options, provide minimal restrictions and allow guests to comfortably enjoy their experience. This, along with kids' facilities and programming, gives families the flexibility to mix a traditional and contemporary cruise experience onboard (FrommerMedia, 2016) (Princess Cruise Lines, Ltd., 2016b).

The demographics of Princess Cruises customer base varies, and can be broken down based on the type of ship that they choose. The larger and mid-range ships tend to attract a widespread group of multiple generations and lifestyles ranging from solo travelers to family groups. In contrast, the smaller ships cater to older singles or couples seeking longer and more exotic trips with fewer family friendly oriented elements (Smarter Travel Media, 2016).

2.2 External Analysis

An external analysis examines a company relative to factors outside of the organization, such as the economy, competitors, and new opportunities that can impact its level of success (Cambridge University Press, 2016). Through examining environmental factors, influencers of the industry, competitive advantages or disadvantages, and target markets, the company can be better equipped to handle and understand developments external to the organization.

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2.2.1 Environmental Analysis (PESTE)

PESTE analysis is used to determine an organization's long term plans through the examination

of political, economic, sociocultural, technological, and environmental factors external to the

organization (WebFinance, Inc., 2016h).

Political

Political factors are very important to an organization's operation, and changes in laws

and regulations must be adhered to. In the cruise industry in particular, this often results in the

organization putting money into their equipment to upgrade it, or changing the supplies needed

to operate in order to comply with government legislation.

The rising concern on the negative impact of sulfur on the Baltic and North Sea's has

lead to an increase in legislation regarding the amount of the substance in cruise fuel. While the

previous sulfur limit was 1%, in 2015 new requirements were made limiting the pollutant to a

0.1% content level (Segal, 2014). Necessary compliance with this legislation requires cruise

operators to either switch their fuel to that of a lower sulfur content or install their ships with an

exhaust gas scrubber to clean up emissions, both of which options are very costly (Segal, 2014).

Due to the rising cost of cruise operations in the area, many lines ceased their itineraries there,

and those stayed are expected to raise prices over time to generate sufficient funds (Segal, 2014).

The United States relationship with Cuba is an additional political factor affecting the

cruising industry. The Obama administration in congruence with the Cuban government has

relieved tensions leading to the lifting of travel and trade embargos. Because of this cooperation,

direct commercial flights are legal for the first time since the 1950's leading to a future increase

in leisure travel (Jainchill, 2016). However, as the industry quickly noticed Cuba is not ready for

this increase due to a lack of infrastructure needed to support incoming tourism (Jainchill, 2016).

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Cruise companies as well as airlines are working to establish relations with the country, but Cuba is somewhat hesitant knowing that if a Republican President wins office in November, all the work that the Obama administration has done could be reversed (Jainchill, 2016).

Economic

The 2014 holiday season saw an increased spending in leisure, entertainment, and experience purchases, as opposed to the traditional physical gifts. In a spending report completed by MasterCard, casual dining and lodging were the highest grossing purchases during the holiday season, seeing almost "double-digit year-over-year sales growth" between Black Friday and December 24. The shift from purchasing goods to purchasing experiences is relatively new, and creating a new form of economic growth for the travel and leisure industry (Lydon, 2014).

Since beginning to collect data in 1992, the U.S. Department of Commerce notes that 2015 was the first year where Americans spent more money on dining out than they did buying groceries (Jamrisko, 2015). Millennials generally prefer to eat out, spending their money on fast food, deli food, and pizza over coffee shops or high-end dining. Meanwhile baby boomers continued to express less interest in dining out, and consistently spent more on groceries than other dining experiences (Jamrisko, 2015). This shift results in millennials overpowering baby boomers in the marketplace, and will likely continue as the population ages and gains more financial freedom.

The tourism industry has also seen a significant growth in the US business travel market in recent years. Expenditures for 2015 for this segment are an estimated $234.5 billion dollars and are forecast to rise 18% over the next five years (Mintel Group, Ltd., 2015a). As the economy since the recession has continued to grow, companies have been encouraged to invest in business travel, and having more meetings face to face, rather than using digital technologies

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to connect with one another (Mintel Group, Ltd., 2015a). This market is taking advantage of a

strong US dollar as well as low fuel costs and using it to seek new opportunities via travel, which

could mean that travel outlets outside of the typical hotel conferences could be seeing an increase

in business travelers (Mintel Group, Ltd., 2015a).

Socio-cultural

The leisure tourism industry is dependent on the discretionary time that transient travelers

have, as well as how they choose to spend that free time. The average US private sector worker

has about 16 paid vacation days, while one in four Americans have none (O'Donnell, 2013b). A

study conducted in 2012 by Expedia determined that employed people receive an average of 12.8

vacation days throughout the year. Cruises last on average seven days, not including time needed

to travel to and from the cruise port. This means that the cruise industry must adapt to the

availability and schedules of potential travelers. To combat this issue, many cruise lines have

began offering shorter duration cruises, lasting three to four days as opposed to the normal seven.

This makes it less of a time commitment when it comes to days off, and also allows the guest to

have over half of their paid vacation days remaining after their trip (O'Donnell, 2013b).

Recent media reports displaying potential unsafe or unhygienic conditions onboard cruise

ships have created a fear of cruising (O'Donnell, 2015). Many of these issues have arisen from

media exposure, as opposed to experience on a ship. Often these concerns stem from younger

travelers (18-34), who lack the experience with the cruise industry to make their own personal

judgments, whereas older travelers (55+) are less concerned about safety or cleanliness on a ship

(O'Donnell, 2015). While the concerns about the cruise industry vary by age, they also vary

based on gender and parental status. Mothers tend to worry more about hygiene and illness

onboard, while fathers worry more about safety. These concerns can also be broken down based

on race and ethnicity, as Hispanics are likely to be more concerned about health and safety over non-Hispanics. This is mostly attributed to the fact that most Hispanic travelers on a cruise are younger than the average cruise population, which ties back into the concern of younger travelers in general, as they have less experience with the cruise industry (O'Donnell, 2015).

A recent cultural trend is the practice of multigenerational homes, and the act of society moving away from the traditional nuclear family. In 2013, 4.3 million households were comprised of multiple generations, a 13% increase from the 3.8 million households in 2008 (Muhammad, 2013). This societal change can be attributed to the shrinking middle class, in addition to slow-rising wages, increasing debt, and growing wealth for the upper class (Muhammad, 2013). In addition to relieving a financial burden, moving in with family also allows people to have time to search for jobs or go back to school with less struggle to make ends meet. Because of this, multigenerational households tend to live in less poverty than other traditional households. This lifestyle brings the greatest benefit for groups who are disproportionately affected by recessions and economic downturns, traditionally black, Hispanics, and young adults (Muhammad, 2013).

Technological

Mobile app usage has increased 58% from 2014 to 2015, with 40% of the growth coming from existing app users (Perez, 2016). Personalization apps, such as emoji keyboards or android lockscreens saw the greatest growth with a 332% increase, followed by magazines and newspapers with 135%, utilities and productivity with 125%, lifestyle and shopping with 81%, travel and navigation with 54%, sports with 53%, health and fitness with 52%, messaging and social with 51%, and music, media, and entertainment with 21%. Games was the only category that saw a decrease throughout the year, with downloads decreasing 1% (Perez, 2016).

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Millennials prefer to spend their leisure time with technology as opposed to without, and are more inclined to spend this time on social media or gaming (Grabowski, 2013). Mostly, this comes in the form of multitasking and using the technology in addition to another form of leisure activity and on the go using smartphones. Millennials also are 12% more likely than other generations to be distracted by these devices and pay more attention to them than the people that they are with. Ultimately, the constant connection lessens the quality of their leisure time (Grabowski, 2013).

As technology becomes an increasingly large part of the everyday life of millennials, cruise lines are developing fleets to better support the needs of the ever-connected traveler. These technologies include cocktail-mixing robots, wristbands, and mobile apps, on behalf of Royal Caribbean Cruises, and the creation of the cruise industry's largest wi-fi network, coming from Carnival. In addition, Regent Seven Seas Cruises announced that they will be offering free unlimited wi-fi to every passenger starting in late 2016. While appealing to millennials, these changes are also expected to draw in conferences and meetings, a demographic traditionally off limits to the cruising industry (Elliott, 2015).

Environmental

Cruise ships are known to be one of the most polluting ways to travel, as the industry produces more carbon dioxide than any other travel method. The United States Environmental Protection Agency estimates that a 3,000 person ship generates 150,000 gallons of sewage weekly, all of which is put into ocean waters (Friends of the Earth, 2014). This adds up to over 1 billion gallons of sewage a year for the industry, suffocating fish, shellfish, coral reefs and other aquatic life due to the surplus of nitrogen and phosphorus that promotes excessive algal growth and decreases the amount of oxygen levels in the water (Friends of the Earth, 2014).

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The industry is seeing some trends that are environmentally friendly. Holland America Cruises has been committed to improving energy efficiency and waste reduction onboard. They have reduced their amount of waste generated, as well as ensuring that no waste goes overboard while at sea, and provides education on eco-friendly practices to onboard staff (Underwood, 2009). Environmentally friendly practices are vital for succeeding with consumers in today's overall market. Recently it was revealed that attributes related to socially responsible practices, including efforts focused on conservation, often have the greatest influence on purchase decisions. Older adults were also found to have stronger feelings about environmental responsibility because they lived through a time where the environment was not a priority, so now it is important to them and their buying decision (Mintel Group, Ltd., 2012). Cruise liners are continuing to adopt more environmentally friendly practices in order to please the consumers' interest as well as to improve and protect the environment.

2.2.2 Industry Analysis

Industry analysis is an assessment tool used to provide an organization with an understanding of their industry, and as a result, how the organization should behave within the marketplace. Industry analysis is divided into competitive rivalry, bargaining power of suppliers, bargaining power of customers, threat of new entrants, and threat of new or substitute products (WebFinance Inc., 2016e).

Competitive Rivalry

Competition within the cruise industry lies not only between different cruise lines, but also between the cruise industry and other land-based vacation options as a whole. When looking at why customers are choosing cruising over land based vacations, many believe that the ability

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to see several destinations in one trip is a great benefit and 42% of cruisers later returned to a destination they first visited during a cruise vacation. Additionally, 86% of cruisers planned to take another cruise in the next three years, showing a strong inclination for repeat business (Florida-Caribbean Cruise Association, 2015).

Bargaining Power of Suppliers

The amount of bargaining power that suppliers to the cruise industry have varies based on the supplier type. When looking at third party excursions, the supplier bargaining power is relatively low. Cruise guests have the option of booking excursions either on their own through onshore suppliers, or through the cruise lines. It can be more expensive to book excursions through the cruise line, however doing so can offer cruisers a feeling of safety and security, as well as assurance that the ship will not leave without them when it is ready to disembark (The Independent Traveler, Inc., 2016e). While the demand and interest in cruising is increasing, these benefits are most felt by the cruise line itself, as more than 50% of the excursions within the destination are booked on board the ship, with the local operators seeing between 25-50% of the value. In addition, local operators must pay for on board advertising of their activities, such as being featured in brochures, videos, etc. Tour operators are also impacted by the presence of wholesale operators, who are able to underbid these smaller, local businesses and obtain the bulk of the business, recommendations, and referrals from the lines. Not only are the operators left with whatever percentage of income the cruise lines decide are fit, but they are also left to deal with passengers who have complaints or are displeased (Zapata-Aguirre, 2008).

When looking at the host destination as the supplier of the offboard experience, much of the power remains with the cruise industry. The average amount of profit that local operators or businesses saw from guest expenditures in 2011 were $14.69 per passenger on food and

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beverage, $17.53 per guest on shore excursions, and $37.77 per passenger on watches and

jewelry (BREA, pg. 8-9). Most expenditures and additional purchases made by cruise travelers

are not actually made with the host destination or their local businesses, lowering the economic

impact felt by the industry in these local areas, and diminishing the power of the suppliers.

Contrastly, travel agents however have a higher bargaining power. While travel agents in

most aspects of the tourism industry are becoming overshadowed by the increased presence of

online travel agents, the cruise industry still relies on their support to continue thriving.

Currently, 70% of cruise bookings are done via travel agents, further proving their remaining

importance within the industry. Due to the immense amount of options in the cruise industry,

combined with the need to plan onshore excursions and transportation, the use of travel agents

for cruise bookings makes the process less daunting for the traveler (Sampson, 2016a).

Bargaining Power of Customers

Recent trends suggest continued growth throughout the cruise industry, giving high

bargaining power to customers. In 2014, a record 22.1 million passengers cruised globally, and

the estimates from 2015 indicate that an additional one million was added to the previous year's

figure. This makes the cruise industry the fastest growing category in the leisure travel market as

it experiences an annual passenger growth rate of 7.2% each year (Florida-Caribbean Cruise

Association, 2015). The high demand is dictating the growth of cruise capacity, as lines are

adding capacity at a rapid pace to accommodate growth.

Multiple market segments in the industry are growing, including North America and

Asia. Growth in North Americas is largely attributed to an increase in the frequency of cruising

by core consumers who are typically in the 55+ age range, rather than being increased by the

number of customers (Mintel Group, Ltd., 2015b). Future cruise line growth will be largely

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impacted by the wants and needs of the growing Asian and millennial markets, as the industry

works towards gaining them as customers (Mintel Group, Ltd., 2015b).

It is also expected that trips will be booked between six and twelve months out.

Generally, last minute bookings of 3 months or less before the trip have seen a decrease,

allowing cruise lines to move away from the practice of last minute price drops in the future

(Sampson, 2016b).

Threat of New Entrants

Through looking into the expansion of the cruise industry, increases in its customer base,

the use of travel agents, and the various challenges facing the industry, we are able to analyze the

state and future of the cruise industry as a whole. The expansion of the cruise industry into the

Chinese market is leading some organizations to change their business models or build specific

fleets to accommodate the new demographic of traveler they are seeking out. Cruise capacity is

expected to grow, mainly in Asia, as a result of increased demand by the Chinese middle class.

Other companies, such as Carnival Corp. will be launching exclusively Chinese-only brand, as

well as bringing in 12 new ships to its other brands (Sheivachman, 2015).

Threat of Substitute Products or Services

There is expected to be a boom in cruise travel, with increased bookings to destinations

such as Alaska and the Caribbean, and increased travelers from Canada and New England. It is

estimated that river boat cruises will see the largest jump in bookings, while boutique yacht trips

will see the smallest (Sampson, 2016b).

Riverboat cruising is not a new product, however has seen a spike in popularity in recent

years. People who were once loyal to the cruise industry are now trying riverboat cruises as a

change of pace and to see what the trend is about. The smaller size of the ships allow it pass

through inland waterways and take a different route than the larger cruise ships, providing an

overall different view and experience for frequent cruise travelers (Kennedy, 2015). The target

market of riverboat cruises are well traveled, 60+ people with enough discretionary income, but

the industry is seeing an increase in young honeymooners and family reunions onboard. As the

ships do not contain activities for children, they do not serve the family market segment

(Kennedy, 2015). The increasing popularity of riverboat cruising is a threat to the cruise

industry, as they go after a similar market segment, and can offer a product and service that

cruises cannot.

2.2.3 Competitor Analysis

Competitor analysis is used to evaluate the standing of the companies within the

organizations competitive set. This analysis seeks to learn the strengths and weaknesses of other

organizations in order to improve their own efforts and assist the company in making strategic

decisions and predicting the next moves of their competitors (WebFinance Inc., 2016c).

In recognition that in competing with other Carnival brands, Princess Cruises would be

minimizing the total revenue and market share gain of Carnival Corporation, therefore brands

under this larger company would not be considered competition (Sheivachman, 2015). Carnival

Corporation's top competitors are RCCL, which owns Royal Caribbean International as well as

NCL which owns Norwegian Cruise Lines (Carnival Corporation & plc., 2016, p. 32.).

Royal Caribbean

Royal Caribbean consists of 26 ships, often referred to as "Cities at Sea" due to

their large size and surplus of activities and amenities (Northstar Travel Media, LLC, 2016).

When it comes to expanding and growing their brand, the company constantly asks "what if?"

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As in "what if we could blow glass at sea?" or "what if we could build an ice rink on a cruise ship?" and a wide array of other questions designed to enhance the experience of their guests (Motter, 2011)

Royal Caribbean International cruise line has a slightly larger fleet than Princess, but the lines attract many of the same clientele, sourcing from families as well as middle aged couples, and therefore being a viable competitor for Princess (The Independent Traveler, Inc., 2016d). Royal Caribbean is a strong competitor because they are also fighting for the business of Chinese passengers along with Princess as the Asian cruise market expands. A year after Royal Caribbean announced the decision to commit one of its ships to serve the Asian market full time, Princess followed suit establishing a year round presence in the region (Stieghorst, 2015). The Carnival Corporation decided to relocate the company's Chief Operating Office to China in order to oversee the expansion operations in this fast growing market, as well as keep a watchful eye on Royal Caribbean's developments (Kelly-Barton, 2014).

Royal Caribbean attributes their success amongst their competitors to the size of their ships, their technological advancements, and strategic partnerships. Not only does the line boast one of the largest ships in the industry, but they also consist of the most technologically inclined fleets. In terms of strategic alliances, Royal Caribbean has partnered with DreamWorks, and brought 3D movies, ice shows, and other character-based experiences to their ships. Royal Caribbean is also working towards attracting a new target market. The company's plan to target single travelers is being supported by creating an increased amount of singles cabins on their ships (Motter, 2011).

Norwegian Cruise Line

Norwegian Cruise Line consist of 14 ships, the smallest line of the competitive

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set, however has the largest amount of U.S. ports. Known for its "freestyle" cruising

concept, Norwegian offers flexibility to guests and allows them to partake in dining and

other onboard activities whenever they please (Northstar Travel Media, LLC., 2016).

Norwegian and Princess have a similar number of ships in their fleet as well as the

amount of passengers that they can carry. The lines also have like itineraries when sailing to the

Caribbean Islands and the Bahamas, as well as Alaskan cruises. Popular demographics for the

Norwegian Cruise Line include families and middle aged couples (The Independent Traveler,

2016c). Focusing on the line's Alaskan cruise operations, they both offer a variety of

entertainment options, including flashy show productions, as well as flexible eating options.

Both lines are very popular, stopping at a few of the same ports, increasing competition among

them (Alaska Channel, 2016). Although some consider Norwegian Cruise Line to still be laying

their foundation in the cruise industry, they did see a stock jump at the end of 2015, showing that

they are gaining momentum and credibility (Yurieff, 2016).

Norwegian Cruise Line acknowledges three items that give their company a competitive

advantage amongst their competitive set. These advantages include the youthfulness of their

fleet, the practice of "freestyle cruising," and finally their crew. Norwegian has the youngest

fleet in the industry, in addition to adding thirteen new ships to their fleet in recent years, a

positive for most of today's travelers who are attracted to new and up to date ships.The theme of

freestyle cruising ultimately means freedom, flexibility, and choice, as well as a casual, resort

style vacation experience. Norwegian does not have a set dining or activity schedule, giving

power to the customer to choose what they want to do and when they want to do it, unlike the

regimented cruise itinerary used by most other cruise lines (The Wall Street Transcript, 2014).

Norwegian has also implemented a training strategy to decrease the impact of language barriers

between employees and guests. The company's primary language is English, however as it operates all over the world it is important that crew members and passengers can communicate with ease. To close this gap, Norwegian Cruise Line has partnered with Rosetta Stone and implemented an initiative called "Crew 2.0," a program providing crew members access to Rosetta Stone's three language learning software to utilize in on-board training computer labs (Rosetta Stone, Ltd., 2016).

Both Royal Caribbean and Norwegian are strong competitors for Princess, especially in the United States and Asian markets, and Princess must differentiate itself from these lines in order to retain adequate market share.

2.2.4 Target Market Analysis

A target market analysis examines the group and breakdown of customers that a company seeks to sell their product or service to, and therefore direct their marketing towards (Investopedia, LLC., 2016).

Cruise Demographics

The chart below displays the demographics of people that have taken a cruise either three years prior or plan on taking a cruise 12 months after the survey date of February 2014 through March 2015. People ages 55 and up are the most likely age bracket to cruise, while Asians are more likely to cruise over other ethnic demographics (Mintel Group, Ltd. 2015c).

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	Cruise ship vacation taken in the last three years	Index to all	Plan to take cruise in the next 12 months	Index to all
18-34	8%	71	9%	95
35-54	11%	97	10%	102
55-64	14%	123	11%	108
65+	15%	132	10%	98
<$50K	7%	64	7%	71
$50K-99.9K	11%	96	11%	108
$100K-149.9K	14%	127	11%	108
$150K-249.9	21%	184	15%	158
$250K+	20%	176	14%	148
White	11%	99	9%	88
Black	13%	120	15%	156
Asian	16%	141	18%	180
Other	6%	57	8%	77
Hispanic	6%	57	8%	86
Not Hispanic	12%	108	10%	103
Married	14%	121	11%	109
All: 11%			All: 10%	

The trend of families and groups taking cruises together will continue to increase, as well as multigenerational trips. A major advantage for the cruise industry is that people who take cruises generally become huge proponents of them, leading to future business and referrals (Sampson, 201a). By capturing the multigenerational market, the cruise industry is obtaining the interest and loyalty of potential future customers beginning at a younger age.

Princess Cruise Market

The target market Princess Cruises focuses on varies depending on the destination of the trip. The Caribbean and Alaska trips tend to draw families, friends, and groups in any and all age brackets. Meanwhile, ships with exotic itineraries tend to attract travelers in the 55 or older age range (The Independent Traveler, Inc., 2016). This difference can likely be attributed to the needs of groups traveling with young children, who may not have the interest or desire to experience some of the activities on the exotic itinerary, whereas the older market, traveling without children, has more freedom to do the activities that they want rather than younger family

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members (Dooley, 2011). Looking at the markets travel preferences, seniors are often more

interested in experience and destination based journeys that take them to new parts of the world.

This market is also much more flexible with their travel plans enabling them to take longer trips

than younger travelers and are open to all kinds of travel experiences, such as tropical locations

(Dooley, 2011).

While the traditional trend of cruisers are often senior citizens or families with young

children, the growing industry is beginning to see an increase in multigenerational travel, and the

merging of these previously divided market segments. In 2005, 32% of grandparents traveled

with their grandchildren, and within seven years the number has risen to 41% (Mintel Group,

Ltd., 2015c). This is a potential opportunity for cruise lines because grandparents and the older

generation often have the necessary funds to travel, versus their younger adult children (Mintel

Group, Ltd., 2015c). This also opens up cruise lines to customers who would not have been able

to afford to cruise on their own, but can afford to travel if some of the financial burden is taken

on by the grandparents. This leads to an increase in both the number of bookings as well as the

amount opportunities to expose younger customers to brands, preparing the future customer base.

Grandparents are also more likely to choose premium cruise brands, such as Princess, rather than

budget brand options that a the nuclear family is typically choosing. This is reflected in the

higher number of passengers traveling with family on the premium brands (Mintel Group, Ltd.,

2015c).

When grandparents and their children or grandchildren travel together, it is generally the

grandparents, or the baby boomer generation, paying for the expense (O'Donnell, 2013a). While

the amount of baby boomers are declining, they continue to have a prominent buying power and

are a main economic driver. The discretionary income of baby boomers exceeds all other age

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groups, with annual spending around $2.3 trillion, about $400 billion more per year than other

generations on consumer goods and services (O'Donnell, 2014). As the trend becomes for baby

boomer discretionary income to be spent on generational family travel, there is the creation of a

new, multigenerational market segment for industries to take advantage of.

2.3 Summary

Princess Cruises' wide array of amenities as well as a variety of destination allows the

company to appeal to a broad range of travelers. Varying based on destination, itinerary, and

length of trip, Princess Cruise attracts the older, 55+, market as well as the family and group

travel segment. To accommodate the variety of market segments, Princess implements a mixed

atmosphere of contemporary and traditional experiences. By utilizing new technological

advancements, updating the fleet, and progressively improving the onboard experience, Princess

Cruises is able to maintain a strong market share as one of the top lines in the industry.

A universal trend influencing the cruise industry is the prominence of the

multigenerational lifestyle. Homes comprised of three generations are becoming increasingly

more common, as well as vacations funded by grandparents, consisting of children and

grandchildren. The discretionary income of baby boomers continues to rise, in addition to the

increasing market share of millennials as they age, enter the workforce, and spend their money

on experiences rather than products and goods. Companies must adapt to incorporate the new

millennial expectation, while also maintain the service that the older markets are accustomed to.

To better attract millennial travelers, industries must understand the association between leisure

time and technology usage, and incorporate it into their overall product and experience. Princess

Cruise's competitor, Royal Caribbean, is already accommodating this need and expectation, as

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their fleet boasts some of the most technologically advanced ships. As the cruise industry is the

fastest growing sector of the leisure travel market, many lines are looking toward the Asian

market to expand and fill their trips.

3.0 Marketing Opportunity

A marketing opportunity is a newly recognized need, want, or demand trend on behalf of

customers and potential customers, that an organization can utilize to their advantage before it is

addressed by their competitors (WebFinance, Inc., 2016f). This opportunity allows that company

to perform profitably in the marketplace (Kotler, 2014, p. 689).

Target marketing involves breaking up the market place into market segments, or groups

of people with like habits, interests, buying patterns, geographic, or psychographic qualities, and

then deciding which segment best fits the product or service that a company offers (About.com,

2016). It is essential for a company to target a market segment where there is not only need and

demand, but also where the company is able to fulfill the desires and expectations of that

segment. Proper target marketing zeros in on how the company can best serve the customer,

while also obtaining the most benefit for themselves. A strong target market with successful

service delivery will help the company build strong and lasting relationships with the right

customers (Kotler, 2014, p. 209).

Socio-cultural trends suggest continuation and growth in multigenerational living. This

trend has spilled over into the travel and tourism industry, as these groups travel as large family

units. The marketing opportunity for Princess Cruises is target marketing, as the emerging

multigenerational market segment continues to grow. Princess Cruises already has the foundation

of being able to appeal to each age group in the multigenerational segment, through pre existing

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onboard amenities and activities. By targeting the multigenerational market, the cruise line is able to make lasting impressions on a younger generation of future cruises, creating brand loyalty, while also capitalizing on the discretionary income available through targeting the baby boomers.

4.0 Proposed Marketing Strategies

Having determined the marketing opportunity for Princess Cruises is expansion into the multigenerational target market, the necessary strategies for successful implementation are market research, product development, and communication and promotion.

4.1 Marketing Strategy 1: Market Research

Market research involves identifying a specific market segment and measuring its size, buying power, motives, and characteristics. Doing so allows the company to better understand the segment as a whole, as well as how to deliver the product or service that they want and need, and understand the best ways to communicate the product to the segment (WebFinance, Inc., 2016g). Market research is completed via a four step process. Initially, the researcher must define what the problem and research objectives are. This is then followed by the development of a plan to find the information, through secondary or primary research. The researcher should then implement the plan and interpret and report the findings. Use of this process can ensure that the correct research is completed, resulting in useful results that the company can use to inform the marketing decisions that follow (Kotler, 2014, p. 132).

Market Research allows for decision makers to understand what the consumer prefers as well as to understand where the company stands in relation to competitors in the customer's

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mindset. Results from market research can guide a company to it's next steps, perhaps creating

new product versioning options or repositioning themselves against their competition.

Princess Cruises can use market research to better understand the amenities and activities

that each generation of the multigenerational segment would enjoy onboard the ships. It will also

be beneficial in determining the price points that families in the market segment are willing and

able to spend within. Through market research, the company can determine the channels and

mediums that will give them the best access to the target market as a whole, as well as the

decision makers of the groups. Market research can allow the company to understand that

millennials and the grandchildren of the multigenerational segment can be accessed through

social media and online sources, however the grandparents, who are often the decisions makers,

still book using travel agents.

4.2 Marketing Strategy 2: Product Development

Following market research, and obtaining an understanding of the characteristics, needs,

expectations, and purchase power of the multigenerational market segment, we are then able to

determine what changes must be made to our product offering to better service potential

customers.

Product development is the creation of new products with altered characteristics,

changing it from its original form. This is done to add value by providing new or additional

benefits to the consumer. Successful product development can be accomplished by either

modifying an existing product or creating an entirely new product, satisfying the wants, needs,

and expectations of consumers (WebFinance, Inc., 2016i). Utilizing product development will

allow Princess to keep the product and service new and fresh in the marketplace, in an effort to

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stand out amongst competition and meet changing wants, needs, and expectations of current and potential consumers.

When implementing a product development strategy, Princess Cruises must consider whether an entirely new product is necessary, or if changes can be made to current products to suit customer needs (WebFinance, Inc., 2016i). Given the already existing products and services offered by Princess, it is possible to repackage and bundle the services and accommodations that are currently offered on a Princess cruise in a manner that will appeal to all age ranges of the multigenerational segment. By taking luxury elements from the cruises that are longer in duration and attract the older demographic, and coupling it with the onboard activities and events that the younger generation participates in, we are able to produce a product that appeals to a wide age range, while still being cohesive and true to the Princess brand. For example, showcasing elements such as art classes or live shows as a group activity, while offering spa days and nightlife as possible individual activities to enable multigenerational guest to envision their onboard experience.

Through utilizing the information gathered in strategy one, market research, we can better understand what specific elements and onboard activities each generation participate in, as well as what they would like to see in the future. This can then be implemented on cruises targeting the multigenerational market.

4.3 Marketing Strategy 3: Communication and Promotion

After altering the product offering, it is necessary for Princess to communicate and promote the new experience to consumers. Communication is ultimately putting together the work done in the previous two strategies to explain the new product offering, and distributing it

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in a manner where the information can be accessed by the right consumer. Through

communication and promotion of products and services customers will have a better

understanding of not only what the product or service is, but also how they can go about

purchasing or booking it. Proper communication allows the company to control the message and

image that is put out, as opposed to leaving it to chance or consumers to control. Building and

maintaining good communication with customers will help to build profitable consumer

relationships (Kotler, 2014, p. 362).

There are six steps to effective communication, including identifying the target audience,

determining communication objectives, designing the message, selecting channels, selecting the

message source, and collecting feedback (Kotler, 2014, p. 268). Through the use of market

research and product development we have determined the target audience and objectives. Once

those phases are complete, a message can be put together and then dispersed through various

channels and sources. It also essential to obtain feedback, in order to understand where the newly

improved product falls in the marketplace as well as its position in the minds of consumers.

Through mediums such as advertising, we can depict families and multiple generations

enjoying the setting together. This would be done in contrast to the typical cruise or vacation

advertisements that show either a younger or older couple, or a family. Most advertisements

display only one segment or generation, seemingly separating and isolating all others from the

experience. By incorporating each demographic into one image, or a cohesive series of

advertisements, it can be made clear that the ship has something for all to enjoy.

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<u>Conclusion</u>

The strategies of market research, product development, and communication and promotion assist Princess Cruises in successfully addressing the marketing opportunity of target market expansion. By utilizing market research, the company can better understand the wants and needs of the segment, in addition to their buying power and the price that they will be willing to pay for the overall product and service. Once market research has been completed and an understanding of the segment has been obtained, Princess can then better tailor their existing products to the new market segment. By taking our newfound knowledge and understanding of the growing segment we can use product development to execute the expectations of the group. After revitalizing the product and making it appropriate to the needs of the multigenerational segment, it is then essential to communicate the new product to the consumers. Through communication and promotion of the product consumers can better understand how Princess Cruises can meet their multigenerational vacation needs, and serve as an experience all ages can enjoy together.

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Appendix A

SWOT Analysis

Strengths	*Weaknesses*
● Owned by Carnival ● Upgrading and Expanding Fleet ● Constant Onboard Innovation	● Old and outdated ships ● Violation of Pollution Laws ● Bad press because of accidents and illnesses
Opportunities	*Threats*
● Rapid Growth of Cruise Industry ● Asian market expansion	● Environmental Sustainability ● Safety and Hygiene

Appendix B

PESTE Analysis

Political ● Laws and regulations ● Relations with Cuba
Economic ● Increased leisure spending ● More money spent on dining out than on groceries ● Growth of the business travel sector ● Strong U.S. dollar
Socio-Cultural ● Varying amount of vacation days provided by employers ● Fears associated with cruise travel ● Increasing trend of multigenerational living
Technological ● Increasing use of mobile apps ● Millennials preferring to spend leisure time with technology ● Increasing technology in an effort to impress and accommodate millennial travelers
Environmental ● High pollution and harmful emissions ● Growth in being environmentally friendly

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Appendix C

Industry Analysis

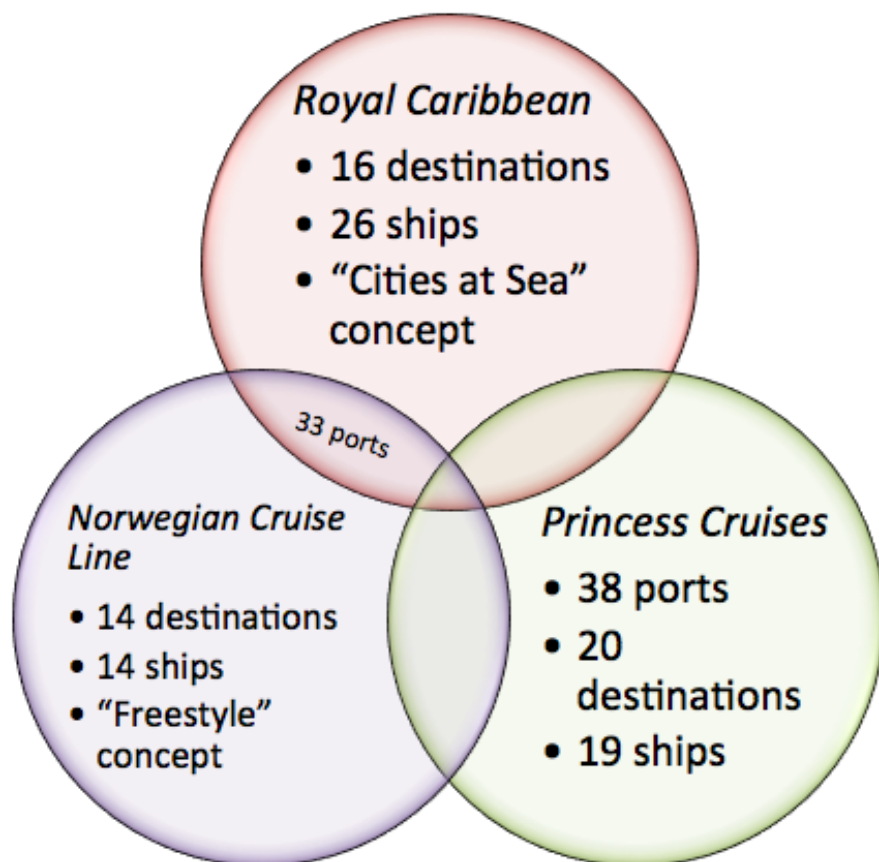| |
|---|
| <u>*Competitive Rivalry*</u>
● Aside from competitors within the cruise industry, there is competition faced within the tourism industry in general, as the organization has to convince potential guests to take cruise vacations over land vacations. |
| <u>*Bargaining Power of Suppliers*</u>
● Suppliers of cruise excursions have little to no bargaining power, as the cruise lines have control over who is referred and marketed on the ship and through the organization. |
| <u>*Bargaining Power of Customers*</u>
● Customers have high bargaining power, as their demand and desire drives the industry. |
| <u>*Threat of New Entrants*</u>
● The expansion of the cruise industry into the Chinese market expands the demographics and presence of the cruise industry, leading to many cruise lines expanding their fleet to better incorporate and capitalize on the new market segment. |
| <u>*Threat of Substitute Products or Services*</u>
● The River Boat Cruising sector of the cruise industry is seeing the most substantial growth in the marketplace. |

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Appendix D

Competitive Analysis

Royal Caribbean
- 16 destinations
- 26 ships
- "Cities at Sea" concept

33 ports

Norwegian Cruise Line
- 14 destinations
- 14 ships
- "Freestyle" concept

Princess Cruises
- 38 ports
- 20 destinations
- 19 ships

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