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THE LOCAL ECONOMIC IMPACT OF CRUISES: FROM FIGURES TO THE ACTIVE POLICIES OF THE EUROPEAN HARBOUR CITIES

LOKALNI EKONOMSKI UTJECAJ BRODOVA ZA KRUŽNA PUTOVANJA: OD PODATAKA DO AKTIVNE POLITIKE EUROPSKIH LUČKIH GRADOVA

SUMMARY

According to some recent figures, the European cruise industry continues to increase its share of the global cruise market with 25.2 million passengers visiting a European port in 2010; 5.2 million passengers joined their cruise in Europe in the same year with the industry generating €35.2 billion of goods and services and providing almost 307,000 jobs. However, far beyond the “macro” figures, it is imperative to gain a better understanding of the relationship between these macro-data and specific city-related cases. The article points out that cities (as cruise destinations but also as efficient services bases for the ships) are becoming more important in cruise marketing and that the economic link between the cruising world and cities (with their local communities) is something which is at the least in part governable and should be the object of an active strategy on the part of the cities. These conclusions are confirmed by the results of an EU project (“Cruise Traffic and Urban Regeneration” – CTUR), recently developed within the “EU-URBACT Program” framework and focused on the relationship between “cruises” and “cities”. The project, leaded, as a “lead Expert”, by the author, provided guidelines to support harbour-cities to fully exploit the economic and social development opportunities offered by cruise traffic. Mainly through case studies and examples referred to the CTUR Project, the paper both focuses the “local economic impact of cruise traffic” and summarizes guidelines aimed at optimizing the harbour-cities strategic approach to the cruise business.

Key words: *cruise, economic impact, port*

SAŽETAK

Prema zadnjim podacima, krstarenje brodom u Europi neprestano povećava svoj udio unutar globalnog tržišta krstarenja brodom s 25,2 milijuna putnika koji su 2010. godine posjetili europske luke; 5,2 milijuna putnika otišlo je u Europu na krstarenje brodom, iste godine kada je industrija proizvela robe i pružila usluga u iznosu od 35,2 milijardi EUR-a, te priskrbila gotovo 307.000 radnih mjesta. Međutim, nužno je, daleko više od ovih makrobrojeva bolje upoznati odnos između tih makropodataka i analize specifičnih slučajeva vezanih za pojedine gradove. U radu se ističe da gradovi (kao odredišta za vrijeme krstarenja brodom, ali i kao baze za pružanje učinkovitih usluga tim brodovima) postaju sve važniji na tržištu krstarenja brodom, te da je ekonomska veza između krstarenja i gradova (zajedno s njihovom lokalnom zajednicom) nešto s čime se, barem djelomično, može upravljati i što bi, sa strane gradova, treba opostati cilj jedne aktivne strategije. Rezultati EU projekta (Promet od brodova za kružna putovanja i urbana obnova – CTUR) do kojih se nedavno došlo u okviru projekta EU- Urbact Programi koji su fokusirani na odnos između “brodova za kružna putovanja” i “gradova” su potvrdili te zaključke. Projekt kojeg je kao vodeći stručnjak predvodio sam autor, odredio je ciljeve koji će biti potpora lučkim gradovima kako bi se u potpunosti istražile ekonomske i društvene mogućnosti razvoja koje nudi promet ostvaren od brodova za kružna putovanja. Uglavnom je, kroz analize pojedinih slučajeva i primjera koji su obrađeni unutar projekta CTUR Project, rad usmjeren na lokalni ekonomski utjecaj prometa ostvaren od brodova za kružna putovanja i na objedinjavanju ciljeva usmjerenih ka optimizaciji strateškog pristupa lučkih gradova u poslovima krstarenja brodom.

Ključne riječi: *krstarenje brodom, ekonomski utjecaj, luka*

1. THE ECONOMIC IMPACT OF CRUISES ON HARBOUR CITIES

1.1. From “global” to “local”: values with which to measure the economic effect of cruises on harbour cities.

According to some recent figures, the European cruise industry continues to increase its share of the global cruise market with 25.2 million passengers visiting a European port in 2010; 5.2 million passengers joined their cruise in Europe in the same year with the industry generating €35.2 billion of goods and services and providing almost 307,000 jobs (European Cruise Council, 2011). As these macroeconomic data show, the role of the cruise industry in Europe plays a significant role within the tourist sector.

However, far beyond the “macro” figures, it is imperative to gain a better understanding of the relationship between these macro-data and specific city-related cases: something which is of particular interest above all to many European harbour cities. For these cities, cruise tourism is not only an opportunity but also a source of commitments and costs (e.g. the opportunity costs of the use of a harbour space, the environmental effects, the drive towards the supply of mass tourism, etc.). In this respect, literature shows there were already opinions – dating back to the first stage of cruise expansion – which doubted the reality of the “full utility” of cruises at a local level from a social-economic-environmental perspective (Klein, 2006).

As McCarthy points out, the benefits of the cruise industry at a local level can be classified as: a) Economic Benefits, b) Environmental Benefits and c) “Planning gain” Benefits (McCarthy, 2009).

In a particular reference to the economic benefits at a local level, these are connected to the actions of some typical “drivers”: increased visitor spending, job creation, city image enhancement, attraction of new services industry, extension of the tourist season, revenues from ancillary uses in passenger terminals, repeat visits as a result of visitor “sampling” of destination.

However, regardless of what the specific driver may be, the local economic benefits de-

rive ultimately from the “income” spent within the local economy but originally earned elsewhere.

How can this impact be identified and measured at a local level? On the specific impact on harbours, the literature on cruise tourism tried to define general frameworks capable of application to estimate the economic impacts of cruise tourism in any port of call (Dwyer & al., 2004). In general, the need to resort to an impact analysis, based on an “input-output model”, is recognized (Fletcher, 1989). The analyses on the economic impact generally single out: a) direct effects, determined by the initial injection (e.g. spending by cruise lines and passengers); b) indirect effects; c) induced effect: the Keynesian “ripple” effect of broad economic interactions, generated by the expenditures made by the cruise industry translate into income for the affected local firms within the local economy.

There is a further pertinent question: the connection between “expenditure” in the regions and the “value added” actually generated. The total amount of cruise-related spending in a port may not have a very relevant economic meaning: the most important indicator of its economic effect is the value added (VA) and not the total spending. As mentioned, the value added can be found by identifying the total cruise-related spending and subtracting the amount of cruise-related purchases from non-local providers and the non-labour costs met by local sources to produce and distribute goods and services. In general, only a small portion of cruise line and passenger spending is given to “local providers” (ports), although the total spending can be considered as the “source” of the value added.

The USA port Canaveral case study – Table 1 – is an example of this: for every 100 euros of total spending, the direct value added at a local level is about 12 euros, while the indirect value added is about 6 euros: only 25% of the total cruise spending was estimated to affect the local economy (Bradley & Tramell, 2006).

However – as we will see further on – there are big differences between places, types of economic activities and economic contexts. The size of the cruise industry local multiplier and the value added in relation to spending depends, in reality, on the underlying structure of

Table 1 Port Canaveral case study (2006): the link between total spending and value added*Tablica 1: Analiza slučaja luke Canaveral (2006): veza između ukupne potrošnje i dodane vrijednosti*

Total cruise spending: cruise line, passengers, crew (€100)	
Purchases from local sources (“ports”) (€25)	Purchases from the “rest of the world” (€75)
Indirect and induced value added (multiplier) (€6)	Direct value added (€12)

Source: Bradley & Trammel 2006

Izvor: Bradley & Trammel 2006

the local economy (sectors involved, interconnectivity of the local economy, etc.) and the type of activity which takes place at the cruise harbour.

1.2. The local spending by people and cruise-lines in the European framework

Apart from shipbuilding, which is important, in absolute terms, but often has no local effects linked to the cruise destinations, in general, local cruise-related expenses (and thus their value added) can be divided into three basic categories: a) cruise line expenses; b) passenger expenses; c) crew expenses.

According to recent data (European Cruise Council, 2011), in 2010, the cruise industry impact in Europe (direct expenses) was divided into categories as seen in Table 2. The role played by categories other than “passenger and crew expenses” (21%) is striking, and, in particular, the expenditure of cruise lines (41%).

Therefore, it is important to understand, from the perspective of city strategies, which

kind of expense out of the three types identified above can produce the greatest local effect.

Expenses for goods and services acquired in situ by cruise lines concern a wide range of sectors. Such expenses involve port cities at varying degrees. Some expenses have to be met in every port city (e.g. the purchase of port services like mooring, etc.); some expenses arise only in some of the port cities where a cruise line calls at (e.g. supplies), and generally where a ship stops longer (home port). Finally, some expenses (i.e. advertising services) do not relate to a specific territory, but can be delivered in port cities for convenience.

1.3. Cruise lines expenditure: expenses on services and other costs

1.3.1. Expenses for port services

To some extent, expenses for port services (e.g. mooring, towing, anchorage, port tax, waste removal tax, terminal tax, etc.) constitute one of the “lighter” components of the economic impact of cruise lines.

Table 2 Direct economic impact of cruising in Europe, according to expenditure categories – in 2010*Tablica 2: Izravan ekonomski utjecaj kružnih putovanja u Europi, prema kategorijama potrošnje – u 2010.*

Billion Euros	
4.2 (29%)	Shipbuilding and ship repair (European shipyards)
6.0 (41%)	Expenses for goods and services provided by European suppliers as cruise support (including travel agency’s fees)
3.1 (21%)	Passenger and crew purchases (local expenses)
1.2 (9%)	Wages and fringe benefits to European workers (cruise employees)

Source: data from European Cruise Council (2011)

Izvor: podaci iz European Cruise Council (2011.)

Table 3 shows cruise line expenses for port services in various French locations and for various types of ships and it indicates the average per capita (i.e. per passenger) port expenses (Conseil National du Tourisme, 2010).

The data listed in the table illustrates the specific situation of French ports and rather small ships (whose average impact is generally greater than the impact of larger ships). The data are rather interesting: a) in terms of the “difference” from port to port; b) because the highest value is about €23-24, whilst in a representative port with an average traffic like Marseilles, the average expense per passenger is €12.5 for all kinds of ships (including the larger ones).

In general, the French situation is considered to be indicative for other contexts also. The impact of standard port services (like towing, piloting, mooring and shipping agents) is not significant because not all of them are required in each situation.

In Ireland, for example, the percentage of port charges out of the total passenger and crew expenses (including expenses paid in advance through agencies, like excursions) is about 15% (Fáilte Ireland, 2010).

As far as the relatively low expense for port services is concerned, the following should be

taken into consideration. Those who point out the “low level” of average service expenses (authors critical of the cruising economy) tend to forget that port services should not be considered as a truly structural component of the potential impact. The truth is that in turnaround ports, where there is a low expense level for port services and a (relatively) low level of passenger expenses, the impact of cruising can be considered modest. However, in turnaround ports there are many other opportunities for producing revenue and an impact outside the realm of port services, as will be outlined below. Lastly, the limited economic impact of cruise operations on ports have led many ports to ask other local institutions (municipalities first and foremost) to co-invest in cruising facilities and in services for cruise passengers. Cruise lines’ capital has gained access to terminal management too.

1.3.2. Other cruise line expenses

As already seen above, at European level, the economic impact of cruising is determined by all kinds of services purchased by cruise lines, and not only by port expenditures. The geography of where these goods and services are acquired can vary and often has no relation to the home ports. Some services and products (i.e. advertising services, brochure printing,

Table 3 Direct port charges for cruise lines in some French ports (2010)

Tablica 3: Izravni lučki troškovi brodova za kružna putovanja u nekim francuskim lukama (2010.)

Ship	Port	Direct cruise line port expenses (in Euro)	Average expense for port services per passenger
160 pax (luxury)	Cannes	3,600	22,5
1.500 pax	Havre	36,000	24
1.350 pax	Marseille	18,000	13,3
530 pax	Nice	9,000	16,9
TOTAL ANNUAL PASSENGERS		TOTAL PORT REVENUES	
540.000 pax (2008)		6,700,000	12,4

Source: Conseil National du Tourisme Republique Francaise (2010)

Izvor: Conseil National du Tourisme Republique Francaise (2010) (Francusko državno vijeće za turizam (2010.))

Table 4 The average expenses in Ireland (2010)

Tablica 4: Prosječni troškovi u Irskoj (2010.)

Spent by disembarked passengers and crew	€14,7 m
Port charges (excluding provisions)	€2,4 m
Advanced payments pertaining to Ireland	€3,2 m

Source: Fáilte Ireland, 2010

Izvor: Fáilte Ireland, 2010

etc.) are not necessarily acquired near a port – even if at times this is convenient – whilst others (i.e. supplies, high consumption material, etc.) can conveniently be bought for logistical reasons, at ports (usually base ports) and can thus have a substantial economic impact in terms of “production” (i.e. services) or at least marketing.

All these cruise lines’ expenses can be a potential “target” for cities (home ports firstly), which should therefore be aware of the importance of such services in terms of the local economic impact. However, it is not easy “to bring in” the cruise lines’ expenses: passenger and crew expenses tend to remain within the local system (with a higher impact in terms of value added), while expenses for service made by cruise lines can reach very high quantity levels in absolute terms, although they tend to generate a lower local value added.

In order to play a role in providing services (and products) to cruise lines, it helps greatly to be a home port, however, this is not sufficient: home port cities should also try to make sure that the home port can act as far as possible as a platform for the delivery of goods and services to cruise lines – and this is not self-evident. Amid the home ports, larger ones are more adequate for activities like delivery of spare parts or for extraordinary maintenance.

A city can create this kind of a marketplace if it finds the right counterparts. It is true that sometimes deliveries are organized by cruise lines, which turn to specialised companies, not always located in the port, well integrated in the cruise supply-chain (Gui & Russo, 2011), which manage and optimize purchases and stocks. However, such companies have strong competitors in the local businesses which supply the largest ports (and not only the cruise line segment), which enables them to profit from local economies of scale.

Goods and services purchased by cruise lines from local providers can be a fundamental driver for the local “economic benefit” induced by the cruise liners. “Home ports” and “base ports” in particular, have a strong chance of developing a cruise line spending oriented policy. The aforementioned American Port Canaveral is an exemplary case: in port Canaveral the overall importance of passenger local spending has declined from 46% in 1994 to 35% in 2004, which shows the important potential of local

cruise line spending, “pushed” at a local level by a “base port” policy.

Italy also demonstrates how cruise lines’ spending can be proportionately very important: the case study of Savona, Italy – an important terminal base – (613,863 passengers embarked in 2008) shows €5,6 million in direct spending in the harbour by the main “cruise-line” passengers, and “only” €5,2 million spent in the city. To this we should add 156,947 transit passengers who in any case spent – in excursions and elsewhere – €2,1 million (SL&A, 2010).

The capability of delivering services, connected in general terms to the yachting sector, can also be very important in order to meet the specific demand of goods and services of some cruise segments. Some countries are structurally less strong in this area than others. The recent aforementioned study on cruising in France points out that a lack of real home ports (cruise line base ports) in the country considerably reduces the potential economic benefits generated by the presence of cruise liners.

1.4. Persons expenses: passengers and crews in cities

1.4.1. Refusing the “average expense” approach

Let us now analyse the expenses met by passengers and crews ashore: they are considered the key element of the local effect of cruising by administrations (which are not always right about this). The reason for this special attention is undoubtedly the fact that:

- as opposed to cruise line expenses, passenger and crew expenses are generated in any kind of a port (both turnaround and transit ports);
- this kind of expenditure can be exploited through policies which are often in synergy with “non-cruise” urban tourist policies.

Evaluating the direct effects on cities deriving from passenger and crew expenses is not easy: using average expense per capita values drawn from other ports (as often occurs instead) would be arbitrary since expenses and their effects differ depending on the:

- type of port function (turnaround, port of call) and the length of stay in turnaround (home) ports

- type of market segments involved in terms of ship, passenger and nationality type
- attractions/products/services offered in a specific area;
- ability to stimulate demand and satisfy it with the intermediaries/operators that provide services.

The above mentioned study on Italian port cruise terminals emphasizes the differences between ports both in relation to the activities which take place there (“home port” or “port of call”), as well as to the structure of the offer (touristic and otherwise) in the area (SL&A, 2010).

The ports and cities need to know how to “position” themselves correctly in the market, in line with their structural characteristics and potential (Policy Research Corporation, 2009).

The first difference between ports lies in the type of cruise tourism: different types of ships (mega or large, premium, luxury, destination/niche or exclusive) have different potential both in terms of passenger quantity and passenger profiles – and consequently in terms of total spending and expense patterns. The professionalism and commitment of operators and members of the local communities play a role in promoting and stimulating the offer and sale of the most appropriate products and services.

The matter of how a local community can offer services in a manner truly oriented towards the clientele is crucial; but this is not always taken as a standard. As already observed in the mentioned study relative to the French context “in various ports there are still local rivalries between institutions and professions involved and as a consequence the information is poor and there are still open issues (i.e. concerning timetables, routes, fees) in tourist transfers be-

Table 5 Differences in levels of passenger and crew spending in some European cruise ports

Tablica 5: Razlike u razini potrošnje putnika i posade u nekim europskim lukama za prihvat brodova za kružna putovanja

Port	Average direct expense per passenger	Total average economic impact per passenger (with indirect effects)
Marseille	€34	€135
Nice	€39	€210
Cannes		€165
Toulon		home port call: €110
Ajaccio		transit call: €30
La Rochelle		transit call: €75
Bordeaux		transit call: €80
Helsinki	€128 (for passengers who went ashore)	€30 (for every passenger: routing, piloting, harbor and other service fees)
Dublin	€100,10	
Cork	€67,71	
Waterford	€59,73	

Sources: Data from Helsinki Cruise Network Manager, PRESS RELEASE 30.11.2007; Fáilte Ireland (2010), Cruise Tourism Research Report 2010

Izvori: Podaci uzeti iz Helsinki Cruise Network Manager, PRESS RELEASE 30.11.2007; Fáilte Ireland (2010), Cruise Tourism Research Report 2010

Table 6 Venice – Average daily passenger spending (nights spent in Venice) – 2006

Tablica 6: Venecija – Prosječna dnevna potrošnja putnika (noćenja u Veneciji) – 2006.

Number of nights	no night	1	2	more than 2
Average daily passenger spending	€25	€80	€245	€230

Source: Porto di Venezia (2006)

Izvor: Porto di Venezia (2006.)

tween port and cities, and thus in the pre-requisites for an adequate spending, but also, in general terms, in the whole development of the target product.”

In conclusion, cities should consider passenger and crew spending as variable, at least in the governable aspect, and that it is “segmented” into its various components. In any case, average indicators, taken from other contexts, should never be used nor averages of such indicators that are considered national indicators. Therefore, analysis campaigns should be carried out locally and with the application of the appropriate methodologies.

1.4.2. Some examples of differences in passenger expenses from port to port

On the basis of various recent sources, a model picture of the possible differences be-

tween locations and segments can easily be seen in Table 5 and Table 6. As illustrated, expenses change considerably depending on whether passengers are “home port passengers” or “transit passengers”.

The 2006 case study on Venice (Porto di Venezia, 2006) – despite the outdated figures – exemplifies very well how expense levels can vary depending on the type of tourist destination: in Venice even the average transit spending is proportionally high because of shopping and it is even higher than the average expenditure of embarking or disembarking passengers. However, the average daily spending of passengers who stay in Venice overnight (embarking or disembarking) is higher if the passengers spend two nights rather than one night or longer. The Venice example indirectly confirms that “short cruises” can be a very interesting nich market for cities: at home ports the shorter a cruise, the more

Table 7 Island of Chios (Greece) – Distribution of passenger expenses (Total average amount: €35.8)
Tablica 7: Otok Hios (Grčka) – Raspodjela troškova putnika (prosječni ukupni iznos: €35.8)

21 %	Food and beverage
27 %	Ground transportation
2 %	Museums/attractions
46 %	Souvenirs/clothes
4 %	Other

Source: Lekakou & al, 2011
Izvor: Lekakou & al, 2011.

Table 8 Ireland - average passenger spending on sell (per passenger type)
Tablica 8: Irska – prosječna potrošnja putnika pri kupnji (prema vrsti putnika)

AVERAGE (All Passengers)		Average Total Spending (Sell & Other) Incl. None
		€70.82
Gender	Male	€57.08
	Female	€85.14
Age	18 – 44	€98.58
	45 – 59	€83.33
	60 – 69	€65.68
	70 +	€38.72
Country of Residence	Any UK/IRL	€73.72
	Germany	€49.01
	USA/Canada	€74.76
	“Other” Europe	€67.59
Party Composition	Alone*	€35.58
	Other adult party	€67.58
	Family	€117.58

Source: Fáilte Ireland, 2010
Izvor: Fáilte Ireland, 2010

Table 9 Irish ports - Total average spending while disembarked at port (Base: No. Passengers 560 – No. Crew 160)

Tablica 9: Irske luke – Ukupna prosječna potrošnja nakon iskrcaja u luci (Osnovica: broj putnika 560 – broj posade 160)

	Average spend (inc. Zero)	Average spend (exc. Zero)
Passengers	€70.82	€81.75
Crew	€47.92	€55.67

Source: Fáilte Ireland, 2010

Izvor: Fáilte Ireland, 2010.

likely the passengers are to extend their stay in the local area.

1.4.3. How passengers spend? The differences

A survey on passenger expenses carried out in the island of Chios, Greece, in 2009 (Lekakou & al, 2011) highlighted the fact that each passenger spent on average of €35.8; the chart on the next page shows that the money spent on souvenir and clothing expenses, as well as on local transportation (i.e. taxis), was substantial. In contrast, museum or other cultural attraction expenses were rather low (but this is because access is generally free). Table 7 illustrates the distribution of passenger expenses on the Island of Chios (total average amount: €35.8). As far as restaurants are concerned, almost 75% of the passengers had zero spending (they preferred dining on board) and only 25% spent some money (€20-€60). The average amount spent on transportation was €52.5 per person, while the average amount for the whole sample of cruise passengers was €8.6. The most important outcome is that passengers stated that the price of excursions sold on board was much higher than the cost of hiring a taxi for touring. All passengers who used a taxi to tour the island were very satisfied with their experience since taxi drivers offered a basic tour guide along with transportation and the passengers could spend more time in each place. Only 2.2% of cruise passengers rented a car for their tour.

Table 8 illustrates the case study for the whole of Ireland and shows that passenger categories can spend in very different ways. Women tend to spend more, although younger passengers spend more (contrary to thought) than older passengers; this may offer new prospects if the trend towards a lower average passenger age continues as expected. Passengers who

have been identified as the greatest spenders in Irish ports include the following: aged 18-44, travelling in family groups, travelling on shorter cruises and those who are half way through their itineraries. When targeting cruise companies, shorter cruises and cruises for those half way through their itineraries should be the main focus since they provide the greatest value. Furthermore, promoting activities/culture that appeals to 18-44-year olds and families should be considered in order to attract such cruise passengers. National differences matter too: for example, German passengers spend much less than USA passengers.

1.4.4. Crew expenditures ashore: a specific potential to be developed

Crew expenditures are extremely interesting and, as was pointed out elsewhere, they can be adequately stimulated with a target-specific offer.

In general, crew members are interested in goods and services that differ greatly from those that passengers prefer. Crew members tend to spend more on food and beverages at restaurants and cafés and on “standard” goods. In the above mentioned case of Chios, the average crew member expenditure is €46.6 (higher than the average passenger expenditure). In the Irish case study, in terms of overall expenditure, the direct impact of crew expenditures in Dublin is 15% off the impact of the overall direct expenditure (passengers and crews), whereas it is about 13% in Cork. Crew spending appears greater in larger Irish cities. In reference to the Irish survey, Table 9 (port average), reveals in any case that crew spending is lower than that of passengers.

2. LOCAL POLICIES FOR A GROWTH IN THE ECONOMIC IMPACT OF CRUISE LINES: THE DEMAND FOR A STRATEGY

2.1. The local strategy as an “action plan”

The previous paragraph not only hinted at how the spending, which the cruise industry brings about in different territories, can vary wildly, but also how the spinoff can be increased if an “active” policy can be implemented by identifying the potential and the most interesting

market segments, both in terms of the “cruise line” client as well as “passenger” and “crew”.

Cities could gain greatly from improving their knowledge and understanding of the complex nature of cruise tourism and its organization. This would allow each destination to fulfil its potential. Every city should know how to “position” itself correctly within the cruise market.

Following on, there will be some guidelines of a general interest, which can help cities mostly in adopting a professional approach and in strengthening the local economic effects of cruising in cities in the long-term. The contents are mainly derived from the documents which were developed in an advice context (De Carvalho, 2011), but which were available in the outputs of the “Cruise Traffic and Urban Regeneration” Project carried on within the framework of the EU-URBACT Program (CTUR, 2011).

At the core of every local policy for the development of cruising opportunities, there should be a well-devised and possibly formalized strategy. This strategy should have the characteristics of a real business plan that can help in: establishing goals, educating the people involved (also at community level – taxi drivers, e.g.), joining efforts to supply the best services and manage the system at a local level.

As de Carvalho points out, the questions which local administrations should be able to answer, with respect to the challenges posed by the cruise industry value chain, are mainly: “How can we turn our destination into a favourable destination for cruise lines”? “How can we maximise our chances for profits and spread them throughout our destination”? “How can we get passengers and crew to spend in our city”? “How do we make them return and talk about the destination to friends”?

2.2. The guidelines: some key strategy points for a cruise destination

A general scheme devised on the cruise port destination city should be in line with some general principles, which will be listed consequently.

2.2.1. Stimulate awareness and market-segmentation

Initially, behind strategic choices, there should be a sound knowledge of the market,

which can be acquired through surveys. Awareness translates into the possibility of launching a segmentation strategy and gaining the highest return from each segment with the greatest customer’s satisfaction. To establish a suitable strategy to optimise the relationship between cruise and city, one must be aware of the following: general characteristics of the cruise tourism market and its components (cruise lines, tourist operators and linked sales, passengers etc.) and of new trends; profiles of “expectations” and of requests (explicit and implicit), of “demand” and availability to pay; knowledge of the fundamental role, which the local supply of “complex services” to the cruise lines can have on the economic impact. For example, cities should always ask themselves if they can create a more targeted offer to some cruise segments that use smaller ships, but whose passengers can request services (i.e. excursions) that are highly customized and have a high value (i.e. a car with a driver, leisure activities with a personal guide, etc.). In general, the following questions should be considered: Which kind of differentiated and personalized offers could cities make to potential customers? Which professionals can organize and support such activities? Which marketing circuits can advertise and sell them? As for segmentation, it is very important to understand specifically which offers could raise more interest and generate more value in terms of potential spending with respect to the passengers involved (i.e. different nationalities, socio-economical classes, etc.).

2.2.2. Creating and communicating the local offer

The second point is that, for a city to be attractive, the local system should offer basic facilities starting with infrastructures, competitive prices, flexibility, continuous product development but also attractions, programs, products, services. Such a pro-active offer, capable of adjusting to specific needs, is important: it can make the destinations more appealing, but also increase the average spending. Obviously, behind this approach, there is the idea that “*Passengers are not prisoners of the ship, but they need to know what you can offer*” – as pointed out by De Carvalho – and consequently the first thing to do is to communicate appropriately and ensure that there is an information network in a place that everyone can reach. Collaboration and integration are fundamental in this picture, for example, passengers who book excursions on

their own through local tour operators. In general, cruise companies are not against this, but operators may not be insured or able to provide services and if a passenger misses the cruise-ship because of a local operator, huge problems may arise. If there is a greater integration (i.e. service standards, information sharing), risks decrease greatly. Everything should be done in a systematic way: for example, the availability of well-organized shuttle buses to visit the city should be integrated in a circuit planned so as to maximize value creation (for example including market places or highly retail-oriented areas). This is also very important to actively drive the demand components (transportation and tours, attractions, venues and services, information, promotion and assessment). Besides free shuttle buses, which are a must and should include a tourist guide on board, there is a need for passenger and crew surveys, while steps should be taken to make it easier for passengers to pay. In fact, the supply can vary depending on the targeted activities. A city could plan and advertise services for specific segments, while bearing in mind that cruising also provides the opportunity for fun. In order to do so, sound information on passengers' preferences and expectations should be available along with highly qualified professionals who have to select the most suitable offers.

The possibility of providing convenient options at profitable prices is rather wide: options range from alternative rental transportation modes to personalized excursions by plane or motorboat. This can happen if the system in the place is capable of reaching potentially interested customers, no matter if the information is delivered through the cruise line system or agents. Some passengers, who arrive before the departure and stay in a city, will take part in extended programmes: these opportunities must be exploited and this can be done also by informing cruise lines about all the opportunities available for passengers.

2.2.3. Highlighting local features and involving the community

There should be an analysis of the specific products that could be sold to passengers at a location, with a special attention to music, events and handicraft. This should be done on the basis of specific surveys for passengers in order to understand what their expectations are. It is important to launch strategies that concern even sec-

tor-specific aspects like quality enhancement in some categories of providers: for example taxi drivers can be educated on the cruise market potential and encouraged to "behave properly" and have a thorough knowledge of the business. Developing local markets (starting from handicraft) with a good location with respect to on-shore passengers and crew flows is a smart move because it helps to differentiate a destination profile with regard to other destinations on the itinerary. "Vitalisation" of the cruise terminal areas with "events" and activities (e.g. artistic/cultural) organised not only for cruise passengers, but also for the local community or, in general, for other tourist flows and for the crews close to the ship, is a good solution for increasing opportunities for local spending. To reduce the risk of excessive "souveniring", cities "could take into consideration the opportunity to provide souvenirs in specific, easily identifiable, shopping areas for cruise tourists, and – on the other hand – traditional artisan products, also of high quality, and gastronomic specialities". Therefore, it is useful to imagine the creation of "markets" specially geared towards the "souvenir culture" for cruise passengers in the specialized areas near the terminals, thus avoiding the overlap of this sales offer with the traditional one in the historic city centres.

2.2.4. A target-specific example: marketing for crews

Marketing policies aimed at increasing the economic impact deriving from crew spending ashore (which is rather high) should be clearly defined. As pointed out before, shopping (and souvenirs in particular) is extremely important for crew members too. However, crew members also want to have fun. Crew members often hang out on the quay and so the possibility of offering something to them along the quay should be considered. A small marketplace for crew members who disembark (where clothes shops or second quality outlets of big labels, but also postcards and bars can be found in a multicultural atmosphere) could be an interesting option.

Short visits and excursions can be organised for crew members too. Anticipating the people's needs with creativity (and this includes commercial needs) is part of an approach that must be explained to all stakeholders: for example, as far as crew members are concerned (whose needs are completely different from the

passengers' needs), various incentives can be offered: "special prices, promotion, wireless at the pier, phone cards, retail, food". Even organizing a social lunch ashore for the crew is an opportunity to generate values ashore.

2.2.5. Starting from local "cruise cluster"

The local offer system should be considered as a cluster that aims at creating services and values. Information and experience should be shared within the cluster. Some cities have focused on creating formal clusters that can generate networks of operators and increase the value generation potential. Thinking in terms of clusters helps to create an informative platform specialised in the cruise sector that acts as a reference point for each type of customers, starting from cruise lines to individuals (for example passengers), besides partners. Such local cruise-cluster should manage an information system updated on the offers of tour operators and, in more general terms, of each potential service provider (restaurants, taxi companies, etc.); it should communicate what is going on and should play this role with a customer-oriented and neutral approach. It should also be extremely market-oriented in order to be a reliable reference point for all tourism components; it should involve the municipality and, if appropriate, the Chamber of Commerce. The idea of setting up a body that acts on behalf of a city would facilitate meeting the requirements of cruise lines, which would like to meet with a single counterpart for each city, instead of having contacts with multiple stakeholders. Organizing "civic tables" for cruising that include all stakeholders is an interesting option. An example of this kind of cluster is the Copenhagen Cruise network, founded in 1992. The mission of this cluster, which is made up of 50 leading players (ranging from Copenhagen to other locations) is offering access to more business opportunities to partners and the city within a business perspective oriented towards maximizing profit in the long term and maintaining results. The stated values are: customer orientation, open-mindedness and innovative approach, commitment and quality. The target groups are cruise lines, agents, media, guests. Copenhagen Cruise network takes care of networking and knowledge sharing and it carries out the role of a marketing platform and education platform on the relationship between the

city and cruising both for its members and the whole community. The main goal must be the service efficiency: an excellent quality at competitive prices since the role of prices has become more important, especially since the crisis set in, and cruise lines often carry out price and quality comparisons among service providers.

2.2.6. Exploiting synergies

An integrated local strategy for the development of the spinoff from cruising activity in a city should be far-reaching and should include – with a view to a broad cluster – both structural and service aspects if cruising is integrated with other systems (tourism, trade, venues, etc.). This needs to be in place to create economies and synergies. A successful plan for cities that host cruising should create clustered tourist activities and explore and link business opportunities to generate economic benefits. When planning the infrastructures, for example, cities should make sure that every facility for cruising (typical terminals) includes complementary uses, which provide significant opportunities for year-round productivity (marina, entertainment, residential, offices and others).

3. CONCLUSIONS

The economic link between the cruising world and cities (with their local communities) is something which is at the least in part governable and should be the object of an active strategy on the part of the cities. It should be based on the knowledge of the market and all its potential, in addition to an approach of "local network supply" (cruise cluster). This is even more pertinent than before, since cruise tourists' demands of the "city resources" are growing notably in respect to the past (evolution of the tourist profile). Cities (as cruise destinations but also as efficient service bases for the ships) are becoming more important in cruise marketing. This would maintain a higher rate of added value in the urban areas, moreover within the framework where the cruise-lines continue to maintain control of the value chain, through their own operators, not always located in the same city. There is also a particular possibility of increasing (also notably) the territorial impact, by offering services for the operators of that sector (cruise lines etc.) and not only to the passengers or crews.

At times, an active city policy in terms of “maximizing the local spinoff” can collide with the particular interests of the cruise line. One aspect remains often very problematic in the “struggle” for the added value among cities and cruise lines: the “economic control” of the expenditures connected with shore visits. Cruise operators often offer excursions on land (even giving the passengers the possibility to make purchases), frequently through the intermediary of connected operators, in order to preserve the value chain of their companies (Torbianelli, 2011) Nevertheless, the possibility for the cruise operators to recuperate sales margins from the onshore excursions (but also from the “controlled” shopping) remains a strategic element of their activity. In fact, as the cruise sector’s operators unanimously assert, the cities should not be authorised to try to attract the average 40% of passengers who could opt for the purchase of an

integrated excursion on board, by proposing seductive offers destined to take the passengers away from the companies. Specifically this means, for example, removing the opportunity for cities to promote their excursions directly on board the cruise liners, or free buses – possibly proposed by the cities – arriving directly alongside the cruise liner to take passengers, thus competing with the organised excursion coaches. The stance of cruise operators can, however, be justified in several ways considering the high cost of investments and the notable rigidity of the offers, in addition to the fact that the economic spinoffs for the port regions are still considerable, if well managed. Moreover, the cities can always count on the 60% off the “free” passengers who represent a large number of potential visitors. By signing appropriate agreements, cities and cruise operators can thus develop mutually profitable strategies.

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