

Doris Peručić, M.A.

Zagreb

THE SIGNIFICANCE OF EUROPE IN THE WORLD CRUISE INDUSTRY

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Summary

The cruise industry is the tourism sector that has experienced the most rapid growth of all. The industry's growth can be attributed to its offering the best value for money. The impacts of the tragedy on September 11th, 2001 were felt immediately, but the cruise industry recovered very fast and continued its growth. Domination of the cruise industry is held by North Americans due to the strong emphasis of product on the American market. The European market is still in its entry phase, and is still less developed as compared to the North American market. It has enormous potential for development as a cruise destination and a source market. Europe as a region allows consumers to experience a broad range of destinations during a single voyage in a relatively short period of time. Today, about three million Europeans sail on ocean cruises, and it is expected that the European market will be 10 million passengers by 2020. Remarkable growth in the Mediterranean occurred due to the revival of demand for European cruises in North America, and the growing demand of European cruise markets. The biggest number of operators comes from the United States. However, European-based lines are growing strong in Europe, which target the European market or only one European market. The preferred destination for Europeans is the Mediterranean. The European market has the highest potential rates for growth and it is headed by the United Kingdom.

Key words: *Europe, cruise industry, destination, source market*

INTRODUCTION

The cruise travel sector is still in a phase of growth. It offers countless possibilities for further growth, particularly in Europe, a destination and source market that is inadequately used. Up until recently, cruise travel as a tourist product was adapted and oriented exclusively towards the North American market, which is the largest and most developed market for cruise travel. Europe was marginalized in this sector for a long time. The European market, as compared to the American one, is complex and heterogeneous. Each market has its particularities and various demands, considering that we are dealing with countries having various cultures, mentalities and languages. The faster development of the sector, the increase in capacities and the ever-growing competition has promoted the quality of the supply and the search for new destinations. Europe as a region, which allows customers to simultaneously experience a broad range of destinations during a single voyage, is gaining in importance and popularity. The aim of the paper is to analyze the situation and

the latest trends in the world cruise industry, and to investigate the importance and potential of Europe as a cruise destination and a source market.

1. WORLD CRUISE INDUSTRY AND NEW TRENDS IN CRUISING

Tourism is the world's fastest growing and largest industry. Cruising has been one of its most aggressively expanding sectors since the 1980s. With the introduction of new ships and the significant increase of capacity, cruise lines are introducing new itineraries, expanding the choice of destinations and adapting the product to new market trends. Today, travelers can choose from between 2-night to 3-month cruises. The worldwide cruise industry is now valued at \$15 billion. Despite a recent slowdown in ship orders, worldwide cruise passengers are still projected to increase 60% from 10 million in 2000 to more than 16 million in 2009 (www.seatrade-global.com).

The cruise industry is the tourism sector that has experienced the most rapid growth of all at an annual cumulative rate of 7.9% during the period 1990-2000. In the same period, the world demand for international trips grew by 4.3% (World Tourism Organisation, 2003, 19). The end of the 20th century are marked by pronounced changes in cruising. Both generally and individually, cruising is becoming a mass phenomenon – grouped entertainment onboard ship. Changes in the structure of demand and its dynamic growth influence supply and encourage the direction of developing demand (Ban & Vrtiprah, 1999, 1035).

The cruise industry benefits hundreds of countries and their citizens. Research indicates that the total economic benefits of the cruise industry in the United States in 2003 were \$25.4 billion, which is an increase of 11 % over 2002. Passenger numbers increased to 9.8 million globally, and North American ports handled 80% of the global cruise embarkations. With the increasing number of passengers by 6.6% from 2002, the industry also increased its direct spending by 8.1% (www.iccl.com).

The industry's growth can be attributed to its offering the best value for money, with very high guest satisfaction. One price covers everything: accommodations, all meals, snacks and entertainment, as well as offering the opportunity of visiting several destinations in one vacation experience. Today's ships have facilities that are equal to those found in the best land-based resorts.

The main reasons for the increased demand in cruise travel are:

- value for money
- the inclusive nature of cruising
- the increase of domestic ports that brings down the cost of cruising along with the time spent on vacation.

However, changes in the directions of movement, demand structure and fleets are occurring in the cruise industry. Short and medium trends of the cruise industry are (World Tourism Organization, 2003, 14):

- The slowdown in the growth of US demand
- Strong growth of European demand, especially on German, French and Spanish markets

- Changes in the demographic structure of demand: a younger audience, with lower purchasing power, from all segments of the population. As repeat cruisers become more demanding, there will be greater demand for specialized products.
- Cruise package prices will fall due to economies of scale, technological advances and shorter duration of cruises.
- The commissioning of ships of ever-increasing size – tonnage, in nautical parlance – that are more technologically advanced, safer, more complex and with more on-board facilities will make it possible to generate larger on-board revenues. The modernization of fleets for technical and economic efficiency reasons will continue at the current pace.
- The horizontal concentration of the industry will accelerate since the investment required to build a standard modern cruise ship easily exceeds 300 million dollars

Besides the European markets mentioned, the Italian market has shown significant growth and development.

The important issue for the cruise industry, as well as for the whole tourist sector, is that no terrorist attack targets a ship or cruise terminal. Any attack wherever it takes place would be seen as part of terrorist activity and would have an immediate effect on the industry. Therefore, much attention is paid to security in ports and terminals, as well as on ships. A crisis occurred after September 11th 2001, but it did not cause as much damage as it was expected. The impacts of the tragedy were felt immediately after, but the cruise industry recovered very fast and continued its growth.

September's immediate impacts on the worldwide cruise industry were threefold (Peisley, 2002, 1):

- A slump in the share prices of its main principals.
- A rise in normal cancellation levels and a slowdown in forward bookings.
- A restructuring of cruise programs to reflect the new travel requirements of in particular US passengers, suddenly reluctant to fly especially far away from their country.

These initial impacts were followed by the collapse of two cruise companies, Renaissance Cruises and American Classic Voyages, and the proposed merger of two (Royal Caribbean Cruises and P&O Princess cruises) out of the top three cruise companies. These developments were not entirely due to September 11th, but were undoubtedly accelerated by its impact on the industry. A large number of companies had certain losses, accepted new trends and soon regained the trust of their clients. One of the new trends was reluctance to travel too far for ship embarkation. Ports that could be reached with other means of transport besides airplanes thrived. People want to go to safe places and prefer to sail close to home. As a consequence of the September 11th crisis and greater competition on the market, companies became more flexible and accessible for their passengers both geographically and price wise. Greater competition, the entrance of companies that operated on the traditional holiday market and the trends coming from the fear of terrorism, resulted in the reduced prices of cruising trips, so their price range became accessible to almost everyone. The fear of travel could only be overturned by pricing. The only way to fill ship capacities was to drop the prices. This attracted a high proportion of first time cruisers, thus expanding the market instead of simply diluting the existing one (Peisley, 2002, 5). The long-term benefit from the heavy discounting, which will inevitably broaden the market by introducing new

passengers to cruising, has clear potential for repeat business, hopefully at more profitable prices in the future.

Another result of the existing crisis was that companies had to re-route ships away from danger areas and to re-deploy ships for 2002, in order to maintain the load factors and yields. There were two strands to this policy – firstly, to move ships away from “danger” areas; secondly to bring the ships closer to those generating markets in order that more passengers would be able to reach the ships without long or perhaps any flights at all. The main generating market is North America, and the second one is the United Kingdom. Prior to September 11th, the most obvious change in the operating/marketing emphasis was the move towards Europe as a destination and as a relatively untapped generating market. Those lines with North America as their prime market brought back ships to operate out of the United States rather than through European, Asian or Middle Eastern ports. This affected the summer of 2002, when there would otherwise have been a significant increase in capacity dedicated to Europe from the North American lines. There was unplanned extra capacity in the Caribbean that became over-crowded. As a consequence of the new trend, the Caribbean saw strong growth (with a 9.6% increase in passenger night) over the year 2002, as lines switched cruises closer to the US home market (Lloyd's, Issue 60, 27).

Table 1:

The top 20 world cruise ports and destinations 2001 – 2005

Port (Sector)	Rank 2001	Rank 2002 (total pax)	Rank 2003 (total pax)	Rank 2004 (total pax)	Rank 2005 (total pax)
Miami (Florida)	3.	3. (1,572,928)	1. (3,760,822)	1. (3,089,004)	1. (2,836,658)
Cozumel (W. Caribbean)	2.	1. (1,915,083)	2. (2,542,600)	3. (2,517,761)	3. (2,534,266)
St. Thomas (E. Caribbean)	1.	2. (1,629,220)	7. (1,663,731)	8. (1,765,869)	7. (1,569,062)
Nassau (Bahamas)	4.	4. (1,473,462)	6. (1,750,322)	6. (1,932,590)	5. (1,938,134)
Grand Cayman (W. Caribbean)	6.	5. (1,472,336)	5. (1,794,264)	5. (1,936,614)	6. (1,792,508)
Port Everglades (Florida)	7.	6. (1,274,094)	3. (2,416,404)	2. (2,611,778)	2. (2,606,055)
San Juan (E. Caribbean)	5.	7. (1,185,386)	8. (1,661,536)	7. (1,816,715)	8. (1,462,900)
Port Canaveral (Florida)	9.	8. (834,500)	4. (1,950,900)	4. (2,293,573)	4. (2,364,622)
St. Marten (E. Caribbean)	8.	9. (830,846)	9. (1,061,829)	9. (1,296,491)	9. (1,278,160)
Key West (W. Caribbean)	19.	10. (828,743)	10. (1,051,296)	13. (824,927)	-
Vancouver (W. Coast)	13.	11. (736,074)	11. (894,441)	10. (892,718)	15. (839,866)
Juneau (W. Coast)	10.	12. (645,274)	16. (718,491)	12. (828,880)	17. (813,854)
Ocho Rios (W. Caribbean)	11.	13. (604,546)	-	-	-
Ketchikan (W. Coast)	14.	14. (602,384)	17. (708,225)	15. (813,688)	13. (858,892)

Bridgetown (E.Caribbean)	12.	15. (577,704)	-	14. (814,137)	-
Barcelona (W.Mediterranean)	15.	16. (529,583)	12. (798,151)	11. (832,433)	11. (1,014,746)
Skagway (W.Coast)	18.	17. (521,508)	-	-	-
Aruba (E.Caribbean)	20.	18. (500,732)	-	-	-
St.Lucia (E.Caribbean)	-	19. (470,010)	-	-	-
Palma de Mallorca (W.Mediterranean)	-	20. (446,791)	15. (722,429)	-	19. (807,575)
Los Angeles (W.Coast)	-	-	13. (759,680)	16. (808,084)	10. (1,107,680)
Tampa (Florida)	-	-	14. (734,699)	19. (747,302)	-
Galveston* (Gulf of Mexico)	-	-	18. (704,570)	-	12. (1,000,000)
Piraeus (E.Mediterranean)	-	-	19. (694,751)	-	-
Genoa (W.Mediterranean)	-	-	20. (689,455)	-	-
New York (E.Coast)	-	-	-	17. (788,336)	20. (802,874)
Belize (W. Caribbean)	-	-	-	18. (787,639)	-
Long Beach (W.Coast)	-	-	-	20. (733,964)	-
New Orleans* (Gulf of Mexico)	-	-	-	-	14. (845,264)
Venice (E.Mediterranean)	-	-	-	-	16. (836,957)
Civitavecchia (W.Mediterranean)	-	-	-	-	18. (809,921)

**For the year 2005, the figures are estimates and some changes are possible, especially due to the damage caused by hurricanes that struck the Gulf of Mexico.*

Source: Lloyd's Cruise International (2002) Issue 57, Informa Publishing Group, London, p. 41

*Lloyd's Cruise International (2003) Issue 63, Informa Publishing Group, London, p.21,
Lloyd's Cruise International (2004) Issue 69, Informa Publishing Group, London, p.38,
Lloyd's Cruise International (2005) Issue 75, Informa Publishing Group, London, p.39,*

The United States dominates the sector. The Caribbean and Florida have provided leading ports and the majority of the Top 20 over the past 5 years. Miami has taken a

convincing lead over the last 3 years. It was ranked at the top in the previous years. There have been no changes among the top 4 world ports during 2004 and 2005. During the reviewed period, Barcelona has been the only European port that has been ranked among the top 20 world ports. During certain years, the number of European ports on the list increased to 4, which indicates that the oscillation in the European ports frequented is closely tied to the political situation of certain destinations and the stability of the region in question.

In 2003, two of the three leading companies (Carnival Corporation, Royal Caribbean International, P&O) merged. Market shares in July 2002 were 27.9% for Carnival Corporation, 22.2% RCCL, and 12.3% P&O Princess (Peisley, 2002, 10). The negotiations finished in April 2003 with the merger between P&O and Carnival, which made Carnival Corporation the leader in the cruise sector.

Domination of the cruise industry is held by the Americans due to the strong emphasis of product on the American market. Europe was marginalized in this sector for a long time and, in a way, ignored by large American cruise companies. As a consequence of the given state, the European market is less developed and still not properly exploited.

Together with the growth and expansion of Europe as a destination and source market, American companies saw the great potential offered by Europe and entered the market mostly through horizontal integration. The best example is given by Carnival Cruises, who entered the market by purchasing the Italian cruise company Costa Crociere in 1997. They also made a merger with the largest British company, P&O Cruises, in 2003. Newly formed giants have leading brands on all the major European and North American markets. Today, Carnival Corp. & Plc have 12 cruise brands in North America, Europe and Australia, operating 77 ships and totaling more than 132,000 lower berths. There are 12 new ships scheduled for delivery between April 2005 and April 2009 (Lloyd's, Issue 73, 5). The Carnival brands are:

in North America

- Carnival Cruise Lines
- Princess Cruises
- Holland America Line
- Windstar Cruises
- Seabourn Cruise Line;

in the United Kingdom:

- P&O Cruises
- Cunard Line
- Ocean Village
- Swan Hellenic

in Germany:

- Seetours (AIDA Cruises)

in Southern Europe:

- Costa Cruises

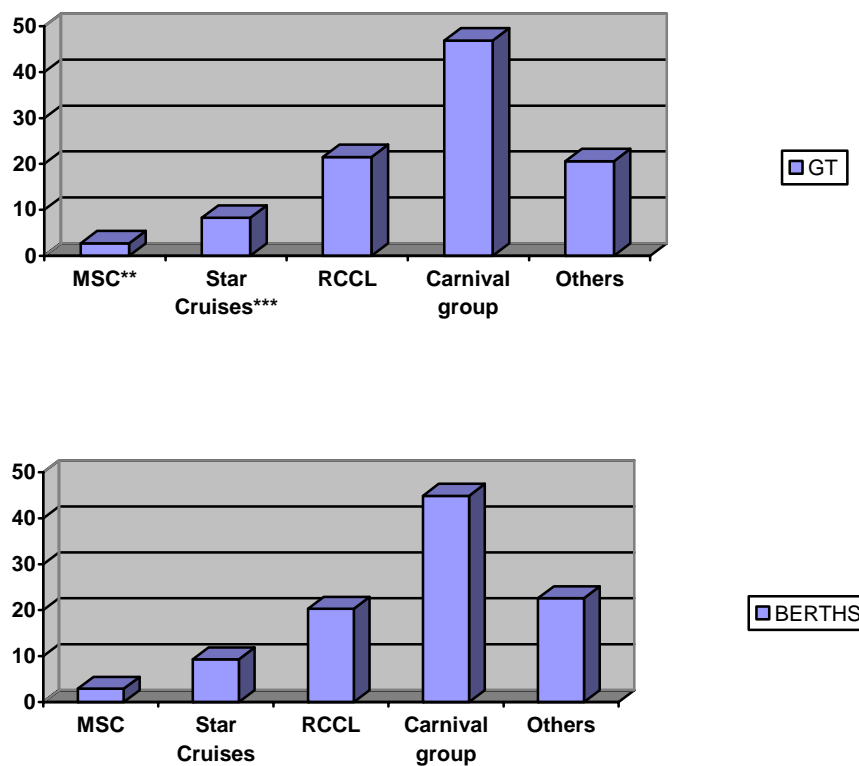
in Australia:

- P&O Cruises

Royal Caribbean International, the second largest company in the world, made a similar move. They entered the European market through horizontal integration, i.e. by becoming the owner of Greek Celebrity Cruises in 1998 (the former Chandris Lines re-branded as Celebrity in the 1990s). Their second move was in 2002 with *Island cruises*, a joint venture between Royal Caribbean Cruises Ltd. and First Choice Holidays. In 2005, Island Cruises will add a second ship to its one-ship operation Island Escape (ex-Viking Serenade of RC International). The second ship is Celebrity Cruises Horizon that will sail under a new name (Lloyd's, Issue 73, 9).

Figure 1.

Market shares of major cruise ship owners in 2005 (gt* – and berths- % share)



**MSC – one of the leading European-based companies

***Star cruises - specialised for Asia-Pacific as cruise destination and part of Norwegian Cruise Line

Source: *Shipping Statistics and Market Review (2005) Volume 49, Institute of Shipping Economics and Logistics (ISL), Bremen, 8*

It is expected that 11.1 million passengers will cruise on the fleet of the member cruise lines of the Cruise Lines International Association (CLIA¹) in 2005. In 2004, ships sailed at 105% capacity as compared to 102% in 2003. In 2005, the occupancy rate is expected to remain at 105%, but net capacity additions have slowed down to 4.6%, as compared to 2004 (www.cruiseindustrynews.com).

The Caribbean is the principal cruising-ground for North Americans and the principal year-round cruising region for the industry on the whole. Europe follows immediately after the Caribbean as the most desirable destination, with a special emphasis on the Mediterranean. Europe is ranked as the preferred destination for over 64% of Americans. Australia follows way behind with 20%. Italy was ranked the most favored destination in Europe, with England as a second choice (Lloyd's, Issue 75, 5). One of the reasons for the increasing popularity for European cruises is the high dollar-to-euro ratio, which makes this kind of travel the most affordable way to visit Europe. At the same time, consumers can experience a broad range of destinations in a single voyage.

The cruise industry has not reached its mature period yet and still shows a growth tendency, especially in the Mediterranean. New ships on order also support this conclusion, although capacity growth slowed from 13% in 2002 to 9.5% in 2003 (Lloyd's, Issue 71, 6). In 2004, the capacity growth continued to slowed down with a 6.5% net capacity increase (12 new ships entered the service), while in 2005, only 4 new ships entered the market. New ships on order are (www.cruiseindustrynews.com):

- Royal Caribbean Cruises will take deliveries of two new mega ships - Ultra Voyager, the first in 2006, and the second in 2007.
- Norwegian Cruise Line (NCL) has one more ship under construction for deliveries in 2006, and has promised to build one new ship each year.
- MSC has also confirmed its two new ships on order for deliveries in June 2006 and March 2007.
- Disney Cruise Line is also planning two new ships.
- Carnival Corp. & plc has new ships under construction for deliveries in 2006 for Costa, Holland America Line and Princess Cruises, and in 2007 for Carnival, Princess and Cunard Line, plus two ships that have not yet been designated to a brand in 2008. However, it is expected that the other two ships will go to Costa and AIDA cruises.

Among the new trends, mention should be made of the latest ventures launched by Stelios Haji-Ioannou, the serial entrepreneur and founder of the EasyGroup. The new product is called Easycruise, and it is based on a basic service concept, as with all his projects up to now. With this new venture, he has broken all the accepted rules of the cruise business. Easycruise targets a younger audience in their 20s, 30s and 40s, much younger than with the conventional lines. The holiday price is exclusive, not inclusive (ex. it will cost 10 pounds each time the passengers want their cabin made up), and the ship is very definitely not the destination (Lloyd's, Issue 74, 30). The vessel used for the venture is ex-Renaissance II, refurbished and the new name is EasyCruiseOne. Nearly all the bookings are expected to be

¹ CLIA -The organization is composed out of 19 cruise lines that represent 95 percent of the cruise capacity marketed from North America. and 16,500 travel agencies.

online. The ship's itinerary covers St. Tropez, Cannes, Nice, Monaco, Imperia (for San Remo), Genoa and Portofino – the French and Italian rivieras. During the winter of 2005/06, EasyCruiseOne will move on to sail Barbados and the surrounding Caribbean islands. Unlike traditional cruising, EasyCruiseOne stays in port every night so that passengers can enjoy the nightlife. In addition, passengers can join the cruise where and when they want, subject to a two night minimum, and a fourteen night maximum stay (www.easycruise.com).

2. EUROPE AS A CRUISE DESTINATION

Europe has numerous advantages over other cruising areas, with its diversity of cultures, languages and history. There are so many interesting ports ideally suited to cruise passengers. Europe offers an array of culture and history in a relatively small area. Europe is one of the rare regions where one can cruise to so many different countries within a short period of time. One of Europe's traits as a cruise destination, which should be mentioned, is its seasonality in all regions. The season in the Mediterranean lasts from spring through autumn, although the trend exists among some European-based lines to extend the Mediterranean season to year-round. In northern Europe, the season is even shorter, from the second half of May until the end of September.

The growth in worldwide capacity and the simultaneous emergence of pan-European cruise brands has stimulated the increase in bookings coming from European markets, which have an enormous potential and which are still less developed as compared to the North American market. Although the immediate impact of September 11th caused most North American-based cruise brands to switch some ships previously scheduled to cruise in Europe back to North America, their long-term plans continue to build up their presence in the region. There are two reasons: firstly, with the rapid expansion in the cruise fleet increasing berths by a projected 78% between 2000 and 2010, there is a growing need for wider-ranging deployment; secondly, all have identified the clear potential for developing Continental Europe as a major source market (Peisley, 2004, 1).

In Europe, the Mediterranean is the leading destination. The year 2005 is undoubtedly marked by a remarkable growth in the Mediterranean due to the revival of demand for European cruises from North America, and the growing demand on European cruise markets. The Mediterranean was the original, and remains the second-most popular, cruising destination in the world.

According to the association of Mediterranean Cruise Ports (MedCruise²), there are enough reasons to be optimistic, as is shown by (www.seatrade-med.com):

- A 14% increase in the number of ships operating in the Mediterranean
- Three out of the four deliveries of this year will operate in the region: Carnival Liberty, Arcadia and Norwegian Jewel

² Medcruise – is the association of Mediterranean Cruise Ports that aims to promote the interests of Mediterranean ports while developing and fostering good relations and collaboration among all cruise ports of the world through the exchange of information. The association has 45 members representing 62 ports around the Mediterranean region.

- New entrants: Easycruise and Carnival Cruise Lines
- Several of the ships from the former MyTravel and Festival will be operated by other companies (MSC, Louis Cruise Lines, Thomson, Iberojet) in the Mediterranean
- Optimistic cruise ship order book
- Cruise lines 2004 results are showing record figures
- Big investments in Mediterranean cruise ports.

Table 2:

Capacity deployed in the Mediterranean

	Vessel	Cruises	L. berth	Pax-night
2001	122	2,538	85,242	12,194,407
2002	99	2,409	75,996	11,875,959
2003	110	2,083	91,907	13,740,460
2004	111	-	92,520	-
2005	126	-	113,074	-

Source: Lloyd's Cruise International (2002) Issue 57, Informa Publishing Group, London, 21

Lloyd's Cruise International (2005) Issue 73, Informa Publishing Group, London, 35

A significant decrease in the Mediterranean capacities that occurred in 2002 can be explained as a direct consequence of September 11th, 2001, and by the decision of companies to bring ships closer to bigger source markets due to the fear of terrorism. Fortunately, the trend in capacity-drops did not continue. On the contrary, a growth in capacities was noted in the Mediterranean in 2003. This can be accounted for by the stabilization of the political situation, a greater demand on the US market for cruise travel in Europe, and the growth and development of the European market, which also demands for embarkations closer to home. In 2004 and 2005, capacities were on the rise in the Mediterranean.

North American-based lines have increased the number and the size of the ships that operate in Europe. The Carnival Cruise line is operating its first-ever Mediterranean cruises on Carnival Liberty (delivered in August 2005). Celebrity Cruises (Royal Caribbean International) have placed four ships in Europe this summer due to a strong demand for more Celebrity vacation options in Europe (Lloyd's, Issue 73, 7). In 2006, RC Int.'s Voyager of the Seas will operate seven-day cruises from Barcelona - the first time a Voyager-class ship has been based in the Mediterranean (Lloyd's, Issue 75, 8).

The largest number of operators comes from the United States. However, in Europe, they are strengthening European-based lines that target the European market or one European market exclusively, considering that it is not homogenous like the American market. These operators offer a product that is specially tailored for a client of a one language area and mentality. One of Europe's leading companies is the Mediterranean Shipping Cruises (MSC), whose principal markets are Germany, Italy, France, Spain and the

United Kingdom. As for operators who are directed towards only one market, mention should be made of Pullmantur, which offers a product adapted to the Spanish market, and Aida Cruises (a brand of the Carnival Corporation), which is directed towards customers on the German market.

The Carnival group, principally through its various European brands, including Costa Cruises, AIDA and P&O, is the leading group with just under 45% of capacity, followed by RCCL with 12,3% and MSC with 11,4%. Europe is divided into principal and sub-regions (West Mediterranean, East Mediterranean, Adriatic, North Europe, Baltic Sea, etc.). Carnival is also the leader in all the sub-regions other than the Baltic Sea. The Western Mediterranean represents 53% of capacity, with 33,4% in the Eastern Mediterranean. Although no comparable analysis was taken in 2004, the Adriatic, with 11,3%, is continuing to establish itself as an important sub-region in its own right (Lloyd's Issue 73, 39).

Table 3:

The top 20 European ports and destinations 2001 - 2005

Port (Sector)	Rank 2001 (total pax)	Rank 2002 (total pax)	Rank 2003 (total pax)	Rank 2004 (total pax)	Rank 2005 (total pax)
Barcelona (W. Mediterranean)	4. (538,309)	1. (569,369)	1. (798,151)	1. (832,433)	1. 1,200,000
Palma de Mallorca (W. Mediterranean)	5. (537,200)	2. (446,791)	2. (722,429)	2. (664,568)	4. 807,575
Piraeus (E. Mediterranean)	1. (733,949)	3. (397,326)	5. (594,751)	7. (485,521)	8. 571,174
Genoa (W. Mediterranean)	10. (388,284)	4. (324,672)	3. (689,455)	-	16. 354,844
Rhodes (E. Mediterranean)	11. (378,014)	5. (319,769)	10. (370,661)	15. (292,998)	-
Civitavecchia (W. Mediterranean)	7. (434,113)	6. (316,798)	6. (432,811)	6. (520,356)	3. 809,921
Limassol (E. Mediterranean)	2. (625,628)	7. (313,856)	9. (386,513)	20. (224,566)	14 386,000
Mykonos (E. Mediterranean)	8. (401,502)	8. (295,313)	18. (267,373)	16. (263,417)	17. 354,171
Santorini (E. Mediterranean)	13. (340,910)	9. (283,397)	16. (281,168)	11. (345,039)	12. 399,784
Naples (W. Mediterranean)	9. (397,559)	10. (272,369)	8. (413,135)	4. (534,330)	5. 652,148
Venice (Adriatic)	3. (587,114)	11. (271,536)	4. (669,566)	3. (633,813)	2. 827,053
Kusadasi (E. Mediterranean)	6. (536,299)	12. (235,602)	15. (296,607)	17. (252,992)	20. 285,116
Dubrovnik (Adriatic)	-	13. (228,597)	12. (364,677)	9. (369,357)	9. 506,000
Marseille (W. Mediterranean)	18. (209,814)	14. (216,385)	13. (349,176)	19. (230,364)	18. 349,250
Southampton (British Isles)	12. (359,000)	15. (215,187)	7. (418,629)	5. (532,800)	7. 641,270
Corfu (E. Mediterranean)	-	16. (201,475)	20. (248,637)	18. (240,348)	-
Palermo (W. Mediterranean)	-	17. (184,041)	-	-	-

Valleta (W. Mediterranean)	20. (199,799)	18. (181,287)	-	-	13 386,400
Katakolon (E. Mediterranean)	-	19. (171,167)	-	13. (336,104)	19 334,845
Livorno (W. Mediterranean)	14. (278,539)	20. (163,898)	14. (311,906)	10. (360,753)	10. 450,000
Helsinki (Baltic)	-	-	11. (364,807)	-	-
Copenhagen (Baltic)	17. (218,383)	-	17. (271,582)	-	15 385,000
Istambul (E. Mediterranean)	15. (254,496)	-	-	-	-
Stockholm (North Europe)	16. (233,579)	-	-	-	-
Nice-Villefranche (W. Mediterranean)	-	-	19. (253,142)	14 (301,983)	-
Savona (W. Mediterranean)	-	-	-	8. (468,876)	6. 644,060
Heraklion (E. Mediterranean)	19. (204,833)	-	-	-	-
Tunis* (W. Mediterranean)	-	-	-	12. (336,850)	11. 440,226
Tallin	-	-	-	-	20. 300,000

*Even though Tunis is not in Europe, it is in the table as it is on the itinerary of the West Mediterranean

Source: *Lloyd's Cruise International (2001) Issue 52, Informa Publishing Group, London, 50,54*

Lloyd's Cruise International (2002) Issue 58, Informa Publishing Group, London, 21,31

Lloyd's Cruise International (2003) Issue 64, Informa Publishing Group, London, 10

Lloyd's Cruise International (2004) Issue 68, Informa Publishing Group, London, 37

Lloyd's Cruise International (2005) Issue 76, Informa Publishing Group, London, 29

The leading port in Europe is Barcelona and the leading sector is the West Mediterranean. In 2002, there was a growth in the demand for cruise travel in the West Mediterranean, following the crisis of September 11th, as the West Mediterranean was considered a safe destination. However, the increasingly greater interest shown for cruising in the East Mediterranean supports the fact that Venice is once again ranked among the top 10 leading ports (going from 11th in 2002 to 2nd place in 2005), and as a home port for cruises along the East Mediterranean. In 2004, Savona entered the list of top 20 European ports as Costa Cruise co-financed a new terminal, and so Savona became the home port for Costa ships in the Mediterranean. The increased interest for certain destinations is closely related to the increased capacities being offered by companies with these itineraries.

Northern Europe is one of the European regions that are gaining in greater popularity. The main shortcoming is the short season. There are indications that the year 2005 will be a bumper one for Northern European cruising. It appears that the region will benefit from the greater numbers of North American-based ships visiting the continent for the summer season, as well as important developments in the European market. An 18% increase in capacity is scheduled, as compared to 2004. As a result, the region is set to

achieve a market share of 6.54%, a not unimpressive achievement in view of the relatively short optimum cruising season. In terms of lower berths deployed, an increase of 20.5% on 2004 (Lloyd's Issue 74, 37).

3. EUROPE AS A SOURCE MARKET

Europe remains an underdeveloped market for cruising that still offers enormous potential for the industry. In the United States, 2.5% of people chose to go on a cruise in 2002, while in Europe it was only 1% (Lloyds, Issue 61, 9). Europe presents a big opportunity. The European market is still in the very early phase of expansion.

According to the European Cruise Council³ (ECC), 2.8 million Europeans sailed on ocean cruises in 2004 (an increase of 5% over 2003). Research indicates that while 2005 will see some increase, 2006 and 2007 will grow at a higher clip (www.cruiseindustrynews.com). Given the conservative annual growth of 6.5%, it is expected that the European market will be 10 million passengers in 2020 (www.seatrade-med.com).

The European market has the highest potential rates for growth. It is headed by the UK, largely thanks to its seafaring tradition, its business connections with the United States and the entrance of the large tour operators in the business.

The same trends are repeated in the European market, as in all the source markets:

- the lowering of the average age of the cruise passengers
- the high level of first-timers.
- possibility to join ships by road rather than by plane (which automatically reduces the package coast and increase the size of the potential market)

Another trend that exists among European cruisers is the demand for newer ships.

The top 5 European markets are:

- United Kingdom - the most developed European market and second most important market after United States. Following a quiet period, this market experienced growth once again in the mid 1990s with the entry of tour operator cruise lines (the vertical integration allows them to compete with the traditional cruise lines by offering lower prices) and the introduction of the first P&O mega –ship, “Oriana”, assigned to operate specially within the British market.
- German Market - the second largest European source market after the United Kindom.
- Italian market – has a great cruise tradition and some major cruise lines (Costa Crociere, MSC, etc.)
- French market – has not experienced the big growth of other European markets, although the market grew by 12% in the period from 1998 to 2004 (Tables 4 and 6).

³ ECC – The association aims to promote the interests of cruise operators with the EU institutions in all matters of shipping policy and ship operations and to promote cruising by the European public and encourage expansion of the European cruise market.

One of the reasons is the relatively small capacity offered by the domestic cruise lines, as the French market is looking for a product made especially for their mentality and language.

- Spanish market – the fastest growing European market. The remarkable growth can be explained by the emergence of Spanish cruise lines, with a product created exclusively for the Spanish market and the increasing number of Spanish home ports.

Table 4

European ocean cruise passengers, 1998 - 2002

Country	1998	1999	2000	2001	2002	2004/98 %
United Kindom	663,000	746,000	754,000	776,000	824,000	124.3
Germany	306,199	330,680	379,485	392,202	428,000	139.8
Italy	220,000	225,000	220,000	255,000	311,000	141.4
France	200,365	223,810	266,141*	274,111*	215,000	107.3
Spain	45,000	55,000	60,000	118,300	152,000	337.8
Others**	130,000	160,000	171,000	165,000	190,000	146.2
Total Europe	1,564,564	1,740,490	1,850,626	1,980,613	2,120,000	135.5

Source: Peisley, T. (2004) *Cruising in Europe, Travel & Tourism Analyst*, No. 2, Mintel International Group Ltd, London, 5,15

*Figures now believed to be over-estimated with about 200,000 for each year now considered more accurate

**Includes Switzerland, Scandinavia, Greece, the Netherlands, Belgium, Russia, Portugal, Monaco and Luxemburg

In the period from 1998-2002, the interest in European cruise travel increased by 35.5%. The United Kingdom leads the market convincingly, while the Spanish market shows the greatest growth, which has increased threefold during this period.

Table 5

European passenger numbers in regions, 2003

Country	Mediterranean	North Europe	Caribbean & other	Total	2003/02 %
United Kindom	428.507	190.914	343.005	962.426	116.8
Germany	278.539	133.120	116.908	528.567	123.5
Italy	250.105	19.614	75.920	345.639	111.1
Spain	274.252	12.408	30.700	317.360	208.8
France	135.600	17.300	59.500	212.400	98.8
Others	213.297	35.467	56.048	304.812	160.4
Total	1.580.300	408.823	682.081	2.671.204	126.0

Source: *Lloyd's Cruise International (2004/2005) Issue 72, Informa Publishing Group, London, 7*

The United Kingdom is the largest market, and the Mediterranean is the top destination. More than 2.6 ocean cruise holidays were taken by Europeans in 2003, which is an increase of 26% as compared to the previous year. The United Kingdom represented the largest market accounting for 36%, followed by Germany with 20%, Italy 13%, Spain 12% and France 8%. The preferred destination is Europe. 74% of European passengers choose Europe as their cruise destination (Mediterranean 59% and North Europe 15.5%), while 25.5% choose the Caribbean.

Table 6

European passenger numbers in regions, 2004

Country	Mediterranean	North Europe	Caribbean & Other	Total	2004/03 %
United Kingdom	487,000	147,000	393,000	1,027,000	106.7
Germany	253,000	136,000	175,000	564,000	106,7
Italy	289,000	30,000	34,000	353,000	102.1
Spain	274,000	15,000	45,000	334,000	105.2
France	151,000	24,000	50,000	225,000	105.9
Others	183,000	37,000	71,000	291,000	95.7
Total	1,638,000	389,000	768,000	2,795,000	104.6

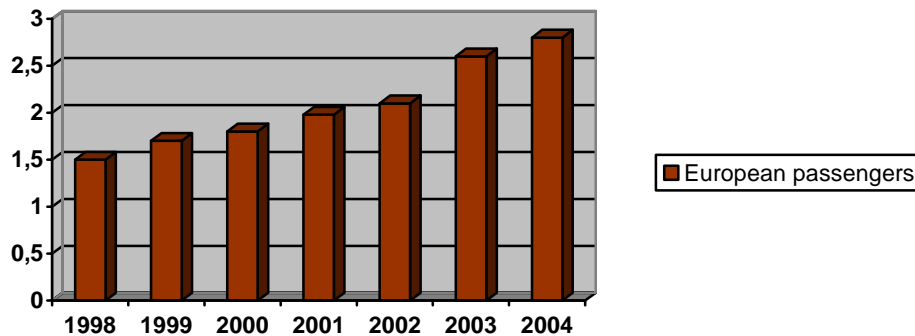
Source: *Lloyd's Cruise International (2005) Issue 74, Informa Publishing Group, London, 15*

The European market grew by 4.6% over 2003. The United Kingdom still remains the No. 1 source market in Europe at 1.02 million, followed by Germany, Italy, Spain and France. Each market noted growths as compared to 2003. As with previous years, Europe remains the favorite destination for European markets. 72.5% passengers chose Europe (Mediterranean 58.5% and North Europe 14%), while 27.5% chose the Caribbean as a cruise travel destination.

In the period from 1998 – 2004, the total number of European passengers on cruise travel increased by 78%.

Figure 2.

The growth of the European demand for cruise holidays



Source: Tables 4, 5, 6

This all indicates that the European market is only in its entry phase, and that it has great and endless potential for development. Besides the markets mentioned and analyzed, there are still a number of other significant markets in Europe that are just developing, and that have not been adequately evaluated. In particular, this involves eastern European countries, most of which have just become EU members. It is to be expected that their living standards will rise, as well as the interest for new methods of travel, particularly cruise travel, which was limited to wealthy and privileged clientele up until recently.

Following trends in the cruise industry, investment in capacity, the trends of demand for cruise travel in certain world regions and sub-regions, as well as the number of passengers, is extremely important for all commercial entities that are involved in the process of extending services to ships and cruise travel passengers. Such information is fundamental to making strategic decisions concerning the development and necessary adaptation of supply to demand. This form of tourist travel contributes to the economic development of a country, particularly the development of ports where cruise ships dock, and which have to be outfitted for the reception of mega-ships that bring increasingly more passengers on one-day tours. Larger capacity ships, and more dockings in certain destinations means more passengers, or greater consumption of local catering services, greater revenue from sightseeing excursions and transfers, and port and other taxes that benefit the state.

CONCLUSION

Investment in capacity and the increasingly greater number of passengers on cruise travel indicates that the cruise industry sector is in its entry phase, at world and European levels. Security and world political stability are extremely important for further development. North American-based companies dominate the cruise sector, and the North American market is No. 1 in the world. Europe, as the second most important world region for cruise travel, was neglected for a long time. It still offers endless opportunities for growth and development. The increase in the number of European passengers on cruise travel over the last 7 years (78%) indicates sharp interest for this kind of travel, and the need for investing in the popularization of cruise travel in Europe. Due to the heterogeneity of the European market, and the language and other barriers in the cruise travel supply targeting European consumers, it is important to differentiate and to adapt to the demands of each market. The potential offered by Europe as a destination and source market is exceptional. Considering that this kind of travel offers tremendous value for money, the quality of the product must be maintained and continuously improved by adapting to the new trends and demands of the market.

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M. sc. Doris Peručić

Zagreb

VAŽNOST EUROPE U SVJETSKOJ INDUSTRIJI KRSTARENJA

Sažetak

Industrija krstarenja je sektor turizma koji je doživio najbrži rast od svih ostalih turističkih sektora. Razlog tomu je njegova dobivena vrijednost za novac. Učinak tragedije koja se dogodila 11. rujna 2001. god. odmah se osjetio, no industrija krstarenja se vrlo brzo oporavila i nastavila rasti. Prevlast u industriji krstarenja drži Sjeverna Amerika zahvaljujući naglašenoj prisutnosti na američkom tržištu. Europsko tržište je još uvijek u svojoj početnoj fazi, i još je uvijek manje razvijeno ako ga usporedimo sa tržištem Sjeverne Amerike. Ono ima ogromni potencijal za razvoj kao destinacija i početno tržište. Europa kao regija omogućava potrošačima posjetiti veliki broj destinacija za vrijeme samo jednog putovanja i to u relativno kratkom vremenu. Danas, oko tri milijuna Europljana krstari, a očekuje se da će do 2020. godine europsko tržište imati 10 milijuna putnika. Značajan porast na Mediteranu dogodio se uslijed procvata potražnje za europska krstarenja u Sjevernoj Americi, i povećanoj potražnji tržišta europskih krstarenja. Najveći broj poduzetnika je iz Sjedinjenih Američkih Država. Ipak, linije bazirane u Europi jačaju u Europi, i ciljaju na europsko tržište, ili samo na jednu europsku zemlju. Destinacija koju Europljani najviše vole je Mediteran. Europsko tržište ima najveće potencijalne stope raste, a predvodi ga Ujedinjeno Kraljevstvo.

Ključne riječi: *Europa, industrija krstarenja, destinacija, emitivno tržište.*

JEL classification: *L83*