

Southeast Asia Cruise Marketing

A Review Paper, in addendum to the ASEAN Tourism Marketing Strategy & Plan

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For the ACE Project, July 2009

Introduction and Objectives

Cruising was identified by the recent USAID-sponsored study into the branding and marketing of the tourism sector in the ASEAN region as a segment with significant growth potential. This brief paper is based on further discussions with cruise operators and distributors and seeks to identify practical opportunities for the development of cruising in Southeast Asia in 2010 and beyond.

Specifically, it focuses on the following two outcomes:

- To identify an affordable and effective co-operative marketing program that the ACE Project team can implement in partnership with the Asian Cruise Association.
- To source appropriate Southeast Asian cruise information and product from partners which can be offered to consumers through the new Southeast Asia travel portal, www.southeast-asia.travel.

Both outcomes are important elements of the launch and roll out of the Tourism Marketing Strategy and Plan in 2010.

Cruising in Southeast Asia: A Brief Recap

Cruising is one of the travel segments which have best weathered the global economic recession. The Passenger Shipping Association says that despite the toughest market conditions the industry had seen for years, a combination of increased capacity, strong repeat business and consumer recognition of cruising's value for money will result in global growth in 2009. It reports that 10 new cruise ships will be launched this year, with another 29 on order through to 2012.

In Southeast Asia, the segment is dominated by the mass-market operator Star Cruises, which caters to both locally-sourced and regional customers. Hubbing out of Singapore, Star offers a combination of short-duration destination cruises (typically to nearby ports in Malaysia and Thailand) as well as gaming-oriented "cruises to nowhere". In recent years, traditional cruise operators, such as Royal Caribbean, Costa Cruises and Silversea, have become more active in the region, to cater for the rapidly growing demand from Western markets for Asian cruises.

According to trade media reports, there were more than 1 million cruise passengers sailing Asian waters in 2008. The Singapore Tourism Board (STB) suggests that Asia can expect a 1.5 million cruise passenger throughput by 2010. In Australia, an important source market for Southeast Asia, the cruise industry is booming, with the number of Australians taking a cruise holiday in 2008 surging by 26 percent to a record 330,949 passengers. Singapore will double its current cruise handling capacity when it opens a new International Cruise Terminal at Marina South at the end of 2011. A Singapore delegation recently visited Vietnam to discuss potential cooperation on cruise development.

The Asia Cruise Association

In recognition of the region's potential, the four major cruise operators – Costa, Royal Caribbean, Silversea and Star – signed a Memorandum of Association (MOU) at Seatrade in Shanghai, China, in October last year, committing themselves to work together to establish the Asian Cruise Association (ACA).

Although the association's geographic focus encompasses all of Asia, the signing of the MOU had also been encouraged by the ASEAN Cruise Working Group (ACWG), chaired by the STB's Kevin Leong.

Since then, a Singapore-based company, Virtual HR, has been engaged to help coordinate the formation of the ACA. Virtual HR Senior Manager, Industry Services, Goo Yen Peng says that while a constitution has been drafted, there is still much work to be done in key areas such as association structure and management, membership categories and fees, associates and partners. Nonetheless she is hopeful the ACA can be up and running by early 2010.

Ms Goo and acting ACA Chair, Melvyn Yap, of Silversea Cruises, says the association's goals are to build awareness of the cruising in Asia and to lobby national governments to create a more cruise-friendly environment throughout the region. Mid to long-term goals include the development of adequate port infrastructure and improving customs, immigration and quarantine (CIQ) facilities.

They are looking at the International Cruise Council Australasia (ICCA) as a model. A non-for-profit membership-based organisation formed in 1996 to represent the cruise industry in Australia and New Zealand, the ICCA says its two major functions are to "train the travel industry in understanding the cruise concept and raising the awareness of cruising to the consumer". (More information at www.cruising.org.au)

Cooperative Marketing Opportunity

Joint ACA / ACE Training Program

Cruise operators and the ACA alike believe that agent training is the most useful joint initiative that the ACE Project could undertake in partnership with the ACA. There are several reasons:

- There is a clear need to boost travel agents' awareness of, and ability to package, promote and sell cruise holidays.
- It is a practical activity which can be achieved within ACE's planned budget (ideally matched with ACA funds) and within a sensible timeframe (first half of 2010)
- It could, in time, extend into a more comprehensive accreditation program, managed by the ACA.

It is envisaged the training program would be produced in modules to be progressively completed by agents either online or in workshops conducted by the ACA. There would be basic introductory modules for agents totally unfamiliar with cruise holidays, through to more advanced modules for more experienced agents.

The introductory modules would also be more generic, focusing on the benefits of cruising and the ways it differs from other travel products. The following modules would then address issues such as product, service, distribution and sales.

While a digital production company will need to be engaged to create the program, it need not start from scratch. Most of the cruise operators have indicated a willingness to share their existing training materials, which include power-point presentations and collateral.

Mr Yap says the association would eventually like to expand the training program into a comprehensive accreditation scheme, along the lines of that developed by the ICCA. Under the ICCA scheme, participating consultants can attain two levels of expertise – Accredited Cruise Consultant and Master Cruise Consultant.

Recommended Actions:

1. ACE Project to contact Ms Goo at yenpeng@virtualhr.com.sg and reach agreement on scope, focus and timing of training program
2. ACE to engage digital production company to create modules for program

Sourcing Cruise Product

While there are multiple distribution channels for cruise product in Southeast Asia, most operators rely heavily on a network of GSAs (general sales agents) or preferred travel agents to drive business leads into their in-house reservation systems.

Some complement this with above the line marketing and public relations, with consumer inquiries being driven to the operator's website.

Although most operators' have the capability to handle direct consumer inquiries and bookings through their own websites, it represents only a small proportion of cruise sales in the region.

Online agencies, including leading local OTA, www.zuji.com, offer some cruise packages but again it represents only a small part of their overall business.

Online marketing of cruise is more developed in western markets such as the US and Australia. At the start of 2009, the leading Australia web-based cruise specialists, ecrusing (www.ecruising.travel) established an Asian regional office in Hong Kong, headed by its founder and chairman Brett Dudley.

Mr Dudley believes there is a growing market for web-based cruise marketing across Asia and is interested in co-operating with the ACE Project and the development of the new Southeast Asian travel portal.

The ACE Project is engaging a web development company to build the portal, leveraging technology and content from meta-search travel company wego.com. While wego does not currently offer any significant cruise content, it is keen to address the segment.

Wego CEO Martin Symes and Chief Product Officer Ross Veitch have been introduced via email to Mr Dudley and will pursue discussions regarding possible cooperation. If the discussions are fruitful, wego's technology platform for www.southeast-asia.com could incorporate cruise information and packages supplied by ecrusing. It may also be possible to incorporate cruise into the itinerary building program.

If a commercial alliance can not be reached, then the ACE Project team could talk with ecruising directly to source cruise content.

Similarly, the wego team will talk with individual cruise operators to explore the possibility of them uploading content for the new site. Much will depend on the ability of the operators to handle consumer bookings on line.

Recommended Actions:

1. Wego to discuss prospective cooperation with ecruising's new Asian operation (introductions have been made)
2. Depending on outcome, ACE to work with wego and web developer to incorporate cruise content into www.southeast-asia.com

Trade Shows

As part of its marketing program for 2010, the ACE Project will consider participating in trade shows such as ITB in Berlin, in March, PATA Travel Mart in Macau in September and ITB Asia in Singapore in October.

The ACE Project could include some images and collateral about cruising at its booth. It could also distribute information about the joint ACA / ACE agent training program.

Each year, there is a major travel industry show focusing exclusively on cruising – Seatrade in Miami in March. The organizers of Seatrade are also keen to develop regional shows and held an Asian version of Seatrade event in Shanghai in October 2008. Although there will be no Asian event in 2009, it is understood the organizers are likely to hold one in 2010.

Another option would be for the ACE project to partner with ACA and take a combined presence at either the global or regional Seatrade event.

Conclusion

Cruise is a growing, high-yield travel segment which will continue to deliver multi-destination travelers to Southeast Asia.

The meetings conducted to generate this paper have:

- a) alerted the main players in the cruise industry to the desire of the ACE Project to work cooperatively with them and the nascent ACA to foster the development and growth of the segment, and
- b) triggered recommendations for practical actions, within the context of the ASEAN Tourism Marketing Strategy and Plan

Notes of the discussions held in Hong Kong and Singapore between 15 and 23 July 2009 are attached (Appendix A).

Appendix A: Highlights from discussions with key operators

Steve Odell

Senior Vice President, Asia Pacific, Silversea Cruises (Sydney)

Wednesday 15 July 2009

Defines market segments as follows:

- Mass market: 3-star, 3-5 day tours, domestic markets of Asia (Star)
- Premium market: 4-star, bigger ships upwards of 2000 pax, lower fares then charge (RC, Costa)
- Luxury market: average spend of US\$500+ a day

Acknowledges Asians want shorter cruises (less than 7 days), but Silversea model is A to B to C, not A to B and return. Given distances involved between Asian ports, shortest itineraries are 7-9 days. Asians also prefer to cruise in foreign waters (ie Europe)

Silversea's customers are looking for unique experiences, away from the crowds. For Asian cruises, the key source markets are as follows:

- Europe 40%
- North America 35%
- Australia 15%
- Others 10%

ACA: appointed company in Singapore to manage the secretariat (Virtual HR: key contact Ms Yen Peng).

Seatrade: Main event in Miami in March. Also regional events: Shanghai in Oct last year, no Asia event planned for 09 but likely to return in 2010

Silversea distribution:

- High-end, lower volumes, so less reliance on major distribution channels
- Network of preferred agents, CRM with repeat customers
- Regional PR
- In-house reservations system

Braydon Holland

Director of Sales and Marketing, Star Cruises (Hong Kong)

Thursday 16 July 2009

While Star was created by Genting casino operators to sell gaming tours to Singapore and Hong Kong residents, it grew into a genuine cruise line, with destination-based itineraries

Ex-Hong Kong, still primary focus on open-water cruising and onboard entertainment (ie gaming). From Singapore, it now offers a variety of 2,3,4 and 5-night programs with stopovers at Malacca, KL (Port Klang), Langkawi, Phuket, and Redang.

Asia's challenge from an operator's perspective: catering to the diverse cultural needs of its clientele. That is also Asia's strength from a passenger's perspective: each stop offers a different cultural dimension, with food, language, shopping etc

Distribution through

- Star sales office network – 16 offices or rep offices throughout Asia Pac
- Preferred agents who log into Star's web-based real-time reservations system
- Leads from owner Norwegian Cruise Lines and its sales / rep offices

Star has a website that can take direct consumer bookings, however this accounts for only a small percentage of bookings. Braydon is Interested in Southeast Asia website /wego opportunity. Re ACA, recommends I talk with colleague Michael Goh in Singapore.

Brett Dudley
Founder and Chairman, eCruising Asia Pacific (Hong Kong)
Friday 17 July 2009

- Established eCruising in Australia, it has operated successfully for more than 10 years
- Web-based specialist selling international cruise holidays to Australia / NZ
- Represents major cruise brands Costa, MSC, Norwegian, Orion, Viking, Star
- Established Asia business in 2009, with regional office in Hong Kong
- Has developed specialist technology for online cruise sales
- Provided the “back-end” for cruise sales for leading regional online travel agency, Zuji.com
- Interested in providing technology and content for www.southeast-asia.com either in partnership with wego.com or directly

Kelvin Tan, Regional Sales Director
Koh Peck Yan, Marketing Director, Royal Caribbean Cruises (Singapore)
Tuesday 21 July 2009

Infrastructure development is critical: Asian ports, as they stand today, would not be able to accommodate most of the 30+ new cruise ships under construction between now and 2012

Noted the good work of the ASEAN Cruise Working Group (ACWG) in pushing for the progress on port development, as well as regulatory issues (such as visa processes) and boosting government recognition of the importance of the cruise sector. ACWG was a strong proponent for the formation of the ACA.

RCC is actively involved in setting agenda for ACA: sees the key focus areas as infrastructure, training and public awareness. Of those, training would be the best area for cooperation with the ACE Project

ACE could draw from training modules that RCC and other operators are now using. First stage is to talk about cruise generally; then focus on product, itineraries, sales techniques, etc. Important for ACA to have a “neutral” approach

RCC has a B2C website but it is “early days” in its development. Preferred travel agents are the main sales channel. Suggested that wego.com speak with Peck Yan re the SEA portal.

Michael Goh
Senior Vice President, Sales, Star Cruises (Singapore)
Tuesday 21 July 2009

Defined Star’s customer mix for ex-Singapore destination cruises as follows:

- 60% inbound, 40% local
- Of the inbound, 80% from Asia Pac and broadly spread: China, HKG, Japan, Korea, Australia, Indonesia, Malaysia, India
- Strong growth from North Asia: China and Japan

Star is happy to be part of ACA, to create more noise about cruising opportunities in Asia and to “grow the total pie”

Agrees that agent training would be a useful area for a joint program between ACA and the ACE Project. Discussed the idea that if the ACA was established by year-end, ATF in Brunei in January could be an appropriate launch platform.

Interested in boosting web-based sales. To this end, Star has developed a relationship with www.asiatravel.com. Would be interested in talking with wego.com re the SEA portal.

Melvyn Yap, Acting Chair, ACA
Goo Yen Peng, Senior Manager, Industry Services, Virtual HR (Singapore)
Wednesday 22 July 2009

ACA was founded by the four key players: Costa, Royal Caribbean, Silversea and Star, all of whom are regionally based

Geographical focus: Asia (wider than ASEAN)

Virtual HR appointed with an operational focus initially: to get the ACA up and running hopefully by end of 2009

Drafting constitution, articles of association, reviewing membership categories, fees etc
Agreed that training was a) an important priority for ACA and b) a practical and achievable joint program with the ACE Project

In time, would like to further develop the training modules into a full certification and accreditation program. Refer to that developed by the ICCA

Chew Tiong Heng, Director, Destination Marketing & Cruise
Remy Choo, Deputy Director, Cruise, Singapore Tourism Board (Singapore)
Wednesday 22 July 2009

Tiong Heng explained he was moving on from the cruise portfolio, and introduced Remy Choo as the new deputy director for cruise.

Both reconfirmed the importance of the sector and Singapore's commitment to it, evidenced by the building of the new cruise terminal and a recent delegation from Singapore to Vietnam to review cruise development between the two destinations

Other personnel changes at STB

- Kevin Leong: now covering the 'Western' hemisphere which includes the Americas, Europe, India, the Middle East and Africa.
- Soo Siew Keong: responsible for the Eastern hemisphere, which includes China, Korea, Japan, Southeast Asia and Oceania. Siew Keong continues to oversee ASEAN matters, including chairmanship of ACWG.

Martin Symes, CEO
Ross Veitch, CFO, Wego.com (Singapore)
Thursday 23 July

Acknowledged that the wego site did not include much information or product on cruise; however they're keen to address this

Needed to review how best to incorporate cruise given that:

- Most cruise lines sold through preferred agent networks into their own reservation systems, rather than through B2C websites
- Cruise was an unusual product to sell... it had multiple price points (like airlines) but fixed itineraries that were released well in advance

Martin is familiar with ecruising in Australia; interested to discuss opportunities for cooperation with Brett Dudley

Wego are also interested in talking with the key cruise operators directly to explore partnerships. Agreed to follow-up on email introductions.