

Marketing Strategy of and Prospects  
for the Cruise Market to Asia

by

WOO, SEUNG-HWA

Department of Logistics in North-East Asia

The Graduate School of Korea Maritime University

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## DECLARATION

This is to certify that dissertation was submitted  
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Approved by

Course Supervisor at Korea Maritime University  
Prof. Dr. Kyu-Seok, Kwak

Thesis Promoter at the University of Antwerp  
Prof. Dr. Chris Peeters

Thesis Supervisor at the University of Antwerp  
Prof. Patrick De Groot

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**Author: WOO, SEUNG-HWA**

**Promoter: Prof. Dr. Chris Peeters**

**Supervisor: Prof. Patrick De Groot**

*Institute of Transport and Maritime Management Antwerp (ITMMA)  
at University of Antwerp, Belgium*



## **ABSTRACT**

Cruising is one of the fastest growing sectors of tourism. Since the 1990s, the cruise industry has become highly concentrated, with the world market dominated only by a handful of large players, such as Carnival Corporation, P&O Princess Cruises and Royal Caribbean Cruises. Also, for the maritime sector, the cruise is important because the industry attributes to economy growth and brings much profit as a lucrative business.

Currently, big cruise lines of North America and Europe are also exploring ways to go toward Asia and Australia since the market for tourism is maturing. Therefore, it is necessary to study the Asian cruise market at this point of time. This dissertation examines the overview of the cruise industry based on international studies. Subsequently, it studies the Asian cruise market by SWOT-analysis including prospect and failure examples of the market.

Lastly the purpose of this study is to present some marketing strategies focusing on several factors such as product, price, promotion, facility, system, and technology to be developed on the cruise industry.

## **KEYWORDS**

Cruise, Asian Cruise market, Cruise Industry, Cruise Lines, SWOT-analysis, Marketing Strategy

# CONTENTS

<b>Chapter 1 Introduction</b> .....	1
1.1 Background .....	1
1.2 Purpose and Structure of the Dissertation.....	3
<b>Chapter 2 Basic Overviews of the Cruise Market</b> .....	4
2.1 Situating the Cruise Market.....	4
2.1.1 Cruise Definition.....	4
2.1.2 Cruise Segmentation.....	5
2.1.3 Relationship with Shipping.....	8
2.2 Supply of cruises.....	11
2.2.1 Main players in the Current Market.....	12
2.2.2 Trend towards Larger Cruise Ships.....	14
2.3 Demand for Cruises.....	15
<b>Chapter 3 Type and Character of Cruise Ports</b> .....	19
3.1 Home Port .....	19
3.2 Regular Ports-of-Call.....	20
3.3 Multipurpose Port.....	22
<b>Chapter 4 Economic Impacts on Cruise Industry</b> .....	23
4.1 General Effects.....	23
4.2 North America / U.S.....	25
<b>Chapter 5 Asian Cruise Market as it is Today</b> .....	27

5.1 Overview -----	27
5.2 Cruise Market per Country-----	29
5.2.1 Japan -----	30
5.2.2 Singapore -----	32
5.2.3 Malaysia -----	33
5.2.4 China -----	33
5.2.5 Korea -----	34
A) Star Cruise Line -----	34
B) Hyundai Cruise Line-----	35

## **Chapter 6 Proposed Strategy for Developing Asia Cruise Market----- 38**

6.1 SWOT-analysis of Asian Cruise Market -----	38
6.1.1 Strength -----	39
6.1.2 Weakness -----	41
6.1.3 Opportunity -----	41
6.1.4 Threat -----	42
6.2 Proposed Marketing Strategy for Cruise Lines-----	44
6.3 Proposed Facilitating Strategy for the Countries-----	49

## **Conclusion----- 52**

## **Bibliography----- 56**



## List of Tables

Table 2.1 Cruise Segment .....	5
Table 2.2 Cruise Line's Merger and Acquisition .....	12
Table 2.3 International Cruise Ships on Order as at 3/2/06.....	13
Table 2.4 Comparison of the Number of Remains of Order of Vessels with Current Vessels ----	15
Table 2.5 Cruise Market Development in Key Regions-1992-1997.....	16
Table 2.6 Region Market Share Rate of Cruise Lines.....	18
Table 3.1 Selection Criteria for Home Ports.....	20
Table 3.2 Port Selection Criteria for Regular Ports-of-Call.....	22
Table 4.1 Cruise Expenditure .....	24
Table 4.2 Economic Contribution of the North American Cruise Industry.....	26
Table 5.1 Overview of Yokohama International Passenger Terminal .....	31
Table 5.2 Dimension of Star Cruises .....	35
Table 5.3 Results of Hyundai Cruise Ships Yearly and Quarterly.....	36
Table 5.4 Dimension of Hyundai Cruise Ships .....	36
Table 6.1 SWOT-analysis on Asian Cruise Market .....	43

## List of Figures

Figure 2.1 Fundamental Market Structure and Relationships .....	9
Figure 2.2 Maritime Tourism-an Examination of Market Links .....	10
Figure 2.3 Stages in the Cruise Market Cycle of the World.....	18
Figure 5.1 Position of Asian Cruise Port .....	29
Figure 5.2 Singapore Cruise Hub (Port of Embarkation: Singapore) .....	32
Figure 6.1 Geographic Positions of Asian Ports by the Climate .....	46

## List of Graphs

Graph 1.1 Future Prospect of Passenger in International Cruise Market .....	2
Graph 6.1 GDP Growth Rate in Selected Developing Economies of Asia.....	40



## **Chapter 1 Introduction**

### **1.1 Background**

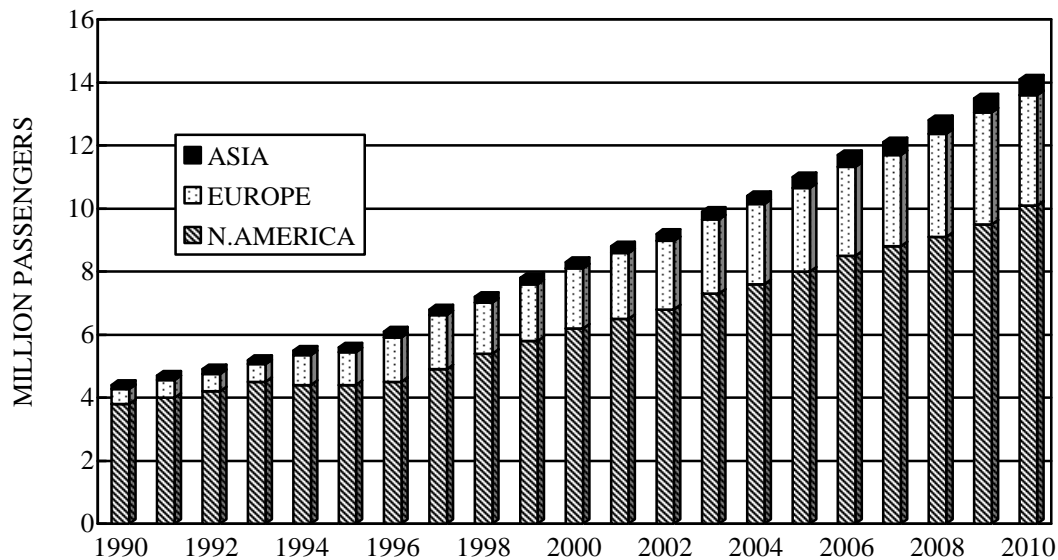
The cruise industry is evolving at a more rapid rate than in the past. The demand for cruises is expanding almost exponentially in several areas around the world, and new cruise facilities are being built at an accelerated rate.

At the same time cruise ships tend to become bigger and carry a greater diversity of passengers. These and other trends currently have a major impact on the cruise industry and are shaping its configuration. (De Monie, G., 1998:143)

Apart from cargo, it is worth noting that in the cruise sector passenger demand has been growing at some 8% per annum, although unlike the other sectors of shipping which are demand led, the cruise market has been supply driven. That is, operators have stimulated demand by adding increasing numbers of larger cruise ships (The European and Worldwide Shipbuilding Market; 2001).

The cruise industry has recently been focused as one of the fields in which both maritime and tourism is simultaneously interesting. The growth rate of international tourism industry is average 4.3% per year but, cruise industry rate is over 10% for a decade. Cruise Industry is evaluated as the core of maritime passenger transport since the demand of cruise is extremely growing besides, it makes high value.

Graph 1.1 illustrates a number of passengers in world cruise market, not only in North-America but also in Europe and Asia.

**Graph 1.1 Future Prospect of Passenger in International Cruise Market**

Source: Ocean Shipping Consultants Ltd. (1999), *Cruise Shipping Industry Prospect to 2010*, p.172.

As international tourism mid-long term keeps growing, it is prospected that the fast-growth is for East Asia and the Pacific islands. WTO (World Tourism Organization, 2001) expects that the tourism demand of East Asia and Pacific areas will quickly grow above twice than the whole worlds' average for the coming 20years.

Asia has been focusing on container business related such as ships, ports and cargo. Nonetheless, at the present day, Asian countries are beginning to recognize the benefits toward the cruise industry and its economic effects. Hence, by going along with this trend, this dissertation takes strongly into account the necessity for cruises in the Asian market.

This study is supposed to illustrate some marketing strategies to analyze Asia, being that the area is in its beginning evolution towards a profitable market.

## **1.2 Purpose and Structure of the Dissertation**

The purpose of this study is to analyze the Asian cruise industry market by focusing on its prospect and marketing strategy so that it can append with changes in international shipping of the cruise market. Besides, this study is of great need to have more empirical research for the development of the Asian cruise industry due to the lack of information about the Asian cruise market.

The following is the organization of this research. Chapter 1 introduces the background of the cruise business and the structure of this study. Chapter 2 defines what a cruise is, illustrates the different kinds of cruise segments by diverse criteria and represents the role of cruise market between the tourism and shipping sector. And, describes main players in the current market, the trend towards larger cruise ships in the supply of cruises view and expresses the demand for cruises. Chapter 3 defines the type and character of cruise ports such as home port, regular ports of call, and multipurpose port.

Then, Chapter 4 details the economic impacts of the cruise industry. Chapter 5 explains the general situation of the Asia region's situation as cruises prospects in the market.

Last but not least, chapter 6 considers the existing problem of cruise lines in the Asian cruise market and explores it through SWOT-analysis. Eventually, finds the ways to go into the Asian Market and plans marketing strategies such as product, price, promotion, facility, system, and technology in details. To finish chapter 7 draws a conclusion on the Asian cruise market.

## **Chapter 2 Basic Overviews of the Cruise Market**

This chapter gives a definition of a cruise on existing literatures and sorts cruises into segments, for instance by area, type and its different markets. Lastly, it will differentiate the role of cruises between the tourism and shipping sector.

### **2.1 Situating the Cruise Market**

#### **2.1.1 Cruise Definition**

The definition of a cruise has definitely not been prescribed so far on the academic circles or by legal terms, however it has been defined by various independent users.

Ditter & Griffin (1995) defined as *“Floating resort”* with onboard trip that made a resort environment structure fit.

The origin of a word ‘Cruise’ in English is derived from ‘Kruisen’ which Holland’s seamen who used as the same mean of ‘Cross’ or ‘Traverse’ (HalGold;1990).

Kendall (1983) referred *“It is to sail around coast to make recreation travelers visit several attractive ports.”*

Wild, P. (2000) defines as *“Any fare paying voyage for leisure onboard a vessel whose primary purpose is the accommodation of guests and not freight normally to visit a variety of destinations rather than to operate on a set.”*

There are several definitions for a cruise as mentioned above, nonetheless, this study identifies a cruise ship as a more luxurious and elegant ship with own special feature than the average ship and it can be employ as a hotel and resting place with family and friends on the sea.

### 2.1.2 Cruise Segmentation

As seen in Table 2.1, cruises can be subdivided into by place, area, type and service.

The cruising place is on mainly the lake, river and sea. The cruising area is in internal or external of a country. The cruising type is depended on the operation purpose. The section of service means cruise kinds by dimension, distance and cost.

**Table 2.1 Cruise Segment**

<b>Section</b>	<b>Segments</b>	<b>Mark</b>
Cruising Place	Inland Cruise	Lake, river cruising
	Sea Cruise	Sea cruising
Cruising Area	Domestic Cruise	Domestic cruising by the sea laws
	International Cruise	Internal, external cruising
Cruising Type	Bay Cruise	Main bay(harbor) cruising
	Island Cruise	Beautiful islands tour
	Party Cruise	Special event, party
	Restaurant Cruise	For purpose of meal, meeting
	Leisure Cruise	Large vessel, long-term cruising, long-distance
	Ocean Cruise	A ship for overseas service has recreation facilities
Service	Contemporary or mass market	Differentiation by ship size, distance, cost and dimension
	Luxury market	
	Premium market	

Source: “Kim, C.J., 1999, The basic of Cruise Industry, p 11-12” is translated with English by this author

The Inland and Sea Cruise are divided by the cruising place.

The Sea Cruise is to sail on the sea. It is subdivided into small, medium and large cruise by size. The small cruise accommodates less than 500 persons, the medium cruise accommodates from 500 to 1,500 persons, and the large cruise accommodates more than 1,500 persons.

And, the Domestic and International Cruise are divided by the cruising area.

The International Cruise is any international voyage for leisure, normally to a variety of destinations, lasting 2 or more nights on board a seagoing passenger carrying vessel that can accommodate fare paying guests.

Cruising can sort out Bay-Cruise, Island-Cruise, Party-Cruise, Restaurant-Cruise, Leisure-Cruise and Ocean-Cruise by type.

The Bay-Cruise is the most popular cruise as it sails toward main ports in the US, UK, France and Germany. These cruises are generally small size vessels which the number of seats is from 50 to 100, and sail for one or two hours. Mainly such a business is run by one's own small vessel.

The Island-Cruise is able to sail freely for one day and one night, two days max because of its regular operating schedule. It sails around beautiful islands, can reserve hotel accommodations for the enjoyment of the islands such as walking around coast, water skiing and fishing.

The Party-Cruise is a charter vessel, operated accordingly to different needs. Small vessels can take accommodate 50 to 70 persons, middle vessels put up 100 to 150 persons and large vessel can take more than 500 to 600 persons. The price system varies according to cruising course and service quality. Party-Cruise's program consists of meals, dance, live music, and all of sort entertainments. The major customer for this cruises are corporations with their promotion events such as birthdays, graduations ceremonies, wedding ceremony and so on.

The Restaurant-Cruise prepares meeting for lunch and dinner time with family or friends, in addition music and a movie is added. This is similar with Party-Cruises except it is not a



charter boat and people who want to be in the ship need to personally buy the ticket by scheduled route and service.

The Leisure-Cruise is operated by excursion companies which have larger vessels with prosperous facilities on board. Most of them are in the US, Europe and South America. Principal attraction is natural beauty such as glacier, and coastline.

The Ocean-Cruise is across big oceans tour ship with prepared onboard activity like recreation facilities, events that have such functions to be tedious off for long sailing hours. This type includes the main world luxury cruise ships. There are also tours on fresh water rivers in which ships are able to sail for long-distance in the places like the Rhine, the Nile, the Amazon and the Mississippi River where there are plenty of flowing water (Park;1999).

The cruise's cost is different depending on the size of the ship or the sailing distance. Generally, it can be classified by ship, distance and cost. Taking this into account, it can be divided into the Contemporary or Mass, Luxury and the Premium market.

The Contemporary or Mass market is for everyone. It appeals to first timers, families, couples, and younger people. It focuses on mainstream destinations such as the Caribbean, Alaska, Mediterranean, and Northern Europe. It consists of large ships which most are Post-Panamax size. It has lots of activities, good food and services on board.

They belong to companies such as Royal Caribbean International Carnival Cruise Lines, Norwegian Cruise Lines and P&O Cruises.

The Premium market consists of middle-aged to older passengers, often professionals. It is designed with toned down colors interiors, less “tacky” than ships in contemporary market. This market has more cruises of more than seven nights than contemporary segment. Currently they are no post-Panamax ships in service. They belong to companies such as Celebrity Cruises, Holland America Line and Oceania Cruises.

The Luxury market is for couples and singles accustomed to top-class resorts ashore. It has interiors featuring genuine antiques and valuable art collections. There are no facilities for children. These are small ships. The itineraries focus on rarely visited ports and locations off the main track and its duration time is of ten day-plus.

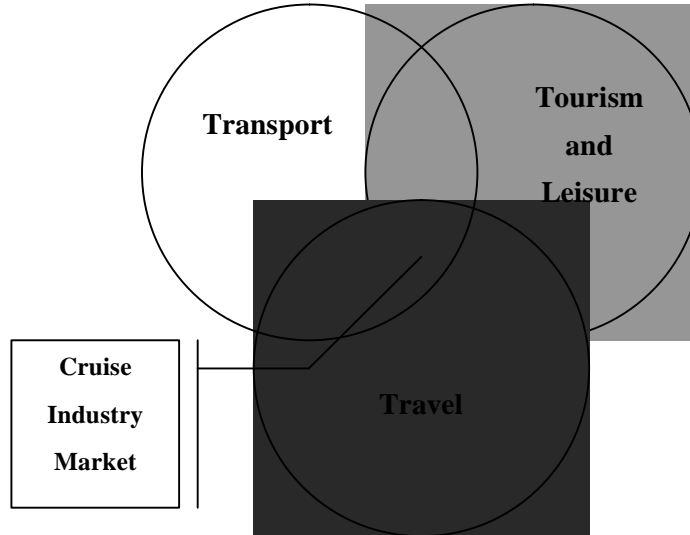
Companies are like Silversea Cruises, Seabourn Cruise Line, Crystal Cruises, Hapag-Lloyd Kreuzfahrten (Europa), Peter Delimann Kreuzfahrten (Deutschland) and Hebridean Island Cruises operates them (Fairplay; 2005, 9).

### **2.1.3 Relationship with Shipping**

The cruise industry is an interesting maritime sector including all functions such as tour, leisure and travel.

It can be easily understood as Figure 2.1 gives the cruise industry market’s structure. Fundamentally, the market structure for cruising is comprised of three basic elements.

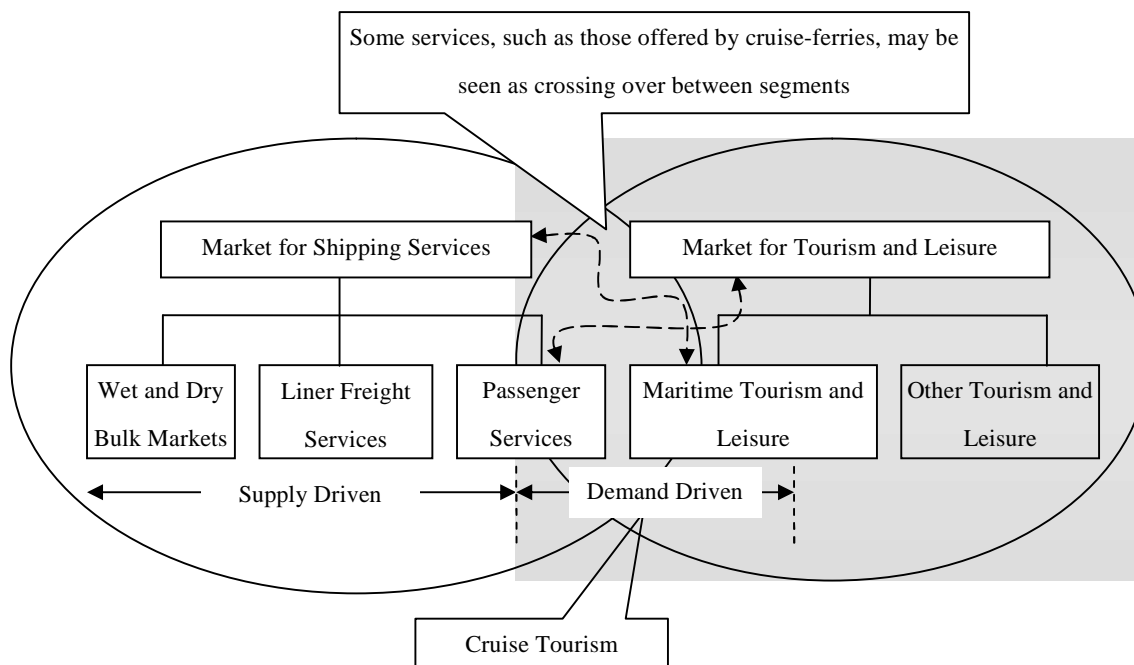
In this figure, the cruise industry market includes transport, tourism and leisure and travel industries as the mid-section.

**Figure 2.1 Fundamental Market Structure and Relationships**

Source: G.P. Wild (International) Limited

The cruise industry is unique in shipping as a directly demanded 'luxury' product in its own right. It is, therefore, much more closely affected by fluctuations in its market, since it is directly at the mercy of trends in disposable income, public perceptions and opinion when compared with other sectors of the shipping industry (Lloyd's shipping economist, 2001:8).

The basic relationship between maritime tourism and leisure and the shipping markets is identified in Figure 2.2.

**Figure 2.2 Maritime Tourism-an Examination of Market Links**

Source: on the basis of "G.P. Wild (International) Limited: WILD, G. P. and DEARING J. B., 2000, Development of and prospects for cruising in Europe, *In: Maritime Policy & Management*".

Maritime tourism and leisure is defined as 'any maritime based leisure activity engaged in by people in their no-working time that may include an element of travel on, below or immediately above water'. Cruise tourism may be defined as 'any maritime based tour by fare paying guests onboard a vessel whose primary purpose is the carriage of passengers' (Wild, P 2000).

As depicted in Figure 2.2, the cruise market has two sectors such as shipping and tourism market. The shipping service market can be divided into the wet and dry bulk, liner freight, and passenger services. The tourism and leisure market can be divided into passenger services, maritime tourism and leisure, and other tourism and leisure.

Some services, such as passenger services, and maritime tourism and leisure offered by cruise-ferries, may be seen as crossing over between segments. Cruise tourism is included in this cross part between segments. Maritime tourism and leisure, which encompasses cruise tourism, is also depicted as straddling the market boundaries between shipping and tourism and leisure, as its supply requirements are invariably satisfied by shipping assets.

The shipping sector essentially drives the supply and the tourism sector mainly drives the demand. In cruising, the supply is that the commodity offered for sale for a given price over a period of time is normally a berth or berths. And the demand is the number of berths that will be bought at any given price per unit of time.

## **2.2 Supply of Cruises**

The cruise industry has evolved remarkably as 'Cruise Revolution' in regard to a dynamic tourism product highlighted with a fast growing. The cruising anticipates the steadily increase of demand. A cruise tour is expanding toward the whole generations without limited ages on the market, and also expects that the demand goes on increasing further by creation of high quality & low cost products.

The competition is getting intense as the international cruise industry is moving up. Big ship lines are marketing a joint strategy in order to target customers.

### 2.2.1 Main Players in the Current Market

World cruise markets traditionally had been captured by 3 major cruise lines. They were Carnival, RCCL (RCI) and Princess (P&O). In 2004 April, Carnival took over P&O–Princess, it joined a marketing alliance organized by Carnival. The joint group is working as the world's leading cruise line as the 7<sup>th</sup> member of the whole Carnival. And, Star cruises line comes to around the region of Asian, is strengthening its activity as a new group.

As seen in Table 2.2, the sum number of beds is 167,000 for four groups corresponds to 65% of whole 272,000 beds.

**Table 2.2 Cruise Line's Merger and Acquisition**

Parent Company	Cruise Line	The number of Beds
Carnival	Carnival Cruise Line/ Cunard Cruise/ Seabourn Cruise Line/ Holland America Line/ Windster Cruise	61,400
RCCI	Royal Caribbean Cruise Line/ Celebrity Cruise	48,100
P&O	P&O Cruise/ P&O Swan Hellenic/ P&O Holidays Princess Cruise	33,300
Star	Star Cruise/ NCL/ Orient Lines	24,300
SUM		167,100

Source: composed with Cruise Industry News, Annual 2000 and each cruise lines news.

Recently, Gianluigi Aponte's MSC Cruise official anted its way into the sector's inner sanctum in November 2005 ordering for two 133, 500 gt mega-ships (Fairplay, 5 January 2006).

By that, the world cruise market is operated by major big four cruise lines including MSC cruise line.

**Table 2.3 International Cruise Ships on Order as at 3/2/06 (Confirmed orders)**

Owner Brand	Yard	Name	Pass cap.	Delivery	Cost (\$m)
Carnival Group					
Carnival	Fincantieri	Carnival Freedom	2,974	07	500
Carnival	Fincantieri	Unknown	3,006	08	580
Carnival	Fincantieri	Unknown	3,608	09	670
Costa	Fincantieri	Costa Concordia	3,004	06	550
Costa	Fincantieri	Costa Serena	3,004	07	610
Costa	Fincantieri	Unknown	3,004	09	570
HAL	Fincantieri	Unknown	2,044	08	540
Cunard	Fincantieri	Queen Victoria	2,000	07	560
Princess	Fincantieri	Crown Princess	3,100	06	500
Princess	Fincantieri	Emerald Princess	3,100	07	525
Princess	Fincantieri	Unknown	3,100	08	570
P&O Cruises	Fincantieri	Ventura	3,100	08	600
Aida	Meyer Werft	Unknown	2,030	07	380
Aida	Meyer Werft	Unknown	2,030	08	380
Aida	Meyer Werft	Unknown	2,030	09	380
Royal Caribbean					
RCCL	Aker Finnyard	Freedom of the Seas	3,600	06	720
RCCL	Aker Finnyard	Endeavour of the Seas	3,600	07	720
RCCL	Aker Finnyard	Unknown	3,600	08	820
RCCL	Aker Finnyard	Unknown	5,400	09	900
Celebrity	Meyer Werft	Unknown	2,850	08	640
Mediterranean Shipping Co.					
MSC Cruises	Chantiers	MSC Musica	2,550	06	490
MSC Cruises	Chantiers	MSC Orchestra	2,550	07	490
MSC Cruises	Chantiers	MSC Fantasia	3,300	08	550
MSC Cruises	Chantiers	MSC Sernata	3,300	09	550
Star/NCL					
NCL	Meyer Werft	Pride of Hawaii	2,400	06	395
NCL	Meyer Werft	Norwegian Pearl	2,384	07	500
NCL	Meyer Werft	Norwegian Gem	2,384	07	500
Total	27 ships		79,052		15,190

Source: G.P Wild (International)/LSE (cited in Lloyd's shipping economist, 2006)

Table 2.3 illustrates the increasing consolidation of the supply. Analysis of the ownership of the present fleet based on lower berth capacity show that Carnival Group and its various brands account for over 46% of capacity, with the two leading groups Carnival and Royal Caribbean taking about two-thirds of the total between them. With this, world cruise market has big four shipping lines: Carnival, Royal Caribbean (RCCL), Norwegian Cruise Line (NCL)/Star, and MSC.

These cruise lines nowadays consolidated between them and they had 50% share rates of cruise market. Besides, the leading five cruise lines are responsible for more than 80% of the total capacity (Lloyd, 2006:8).

## **2.2.2 Trend towards Larger Cruise Ships**

Currently in cruise shipbuilding, the most remarkable feature is getting larger size vessels. This means that cruise lines mirror the economies of scale of the other ship markets. It can reduce their operation costs. For example some cruise ships appear to be over the limitation of the Panama Canal.

As given in Table 2.4, the remains of ordered vessels are 45 vessels and 78,620 beds. This means to more supply the vessels equivalent to 28.9% of the current vessels which are 271,600.

And it mirrors the trend towards larger cruise ships why the ratio of the remains of order is approximately 67%, the ratio of the current vessels is approximately 28% on more than 2,000 beds.



Moreover, it shows the trend of larger ships that the vessels which have from 2,500 to 3,000 beds are ordered 24,660 vessels equivalent to 186.6% of the current vessels.

**Table 2.4 Comparison of the Number of Remains of Order of Vessels  
with Current Vessels (02')**

Size	Remains of Order (02')			Current Vessels (02')			Order/Curr ent (%)
(No. of Beds)	No. of Ships	No. of Beds (‘000)	Componen t ratio (%)	No. of Ships	No. of Beds (‘000)	Componen t ratio (%)	
<100	2	0.17	0.2%	37	2.9	1.1%	5.9%
100-500	5	0.95	1.2%	178	42.9%	15.8%	2.2%
500-1,000	4	2.62	3.3%	76	53.9	19.8%	4.9%
1,000-1,500	1	1.08	1.4%	37	46.9	17.3%	2.3%
1,500-2,000	12	20.96	26.7%	27	48	17.7%	43.7%
2,000-2,500	9	18.9	24.0%	26	54.4	20.0%	34.7%
2,500-3,000	9	24.6	31.4%	5	13.2	4.9%	186.8%
>3,000	3	9.28	11.8%	3	9.4	3.5%	98.7%
Sum	45	78.62	100%	389	271.6	100%	28.9%

Source: on the basis of “Ocean Shipping Consultants Ltd., 2002, Cruise Shipping Industry Prospect to 2015”

### **2.3 Demand for Cruises**

As given in Table 2.5, Demand is growing strongly in key markets in the US and Europe.

According to the US based Cruise Lines International Association (CLIA), the number of passengers taking a cruise in 2006 will rise by 4.5% to 11.7 m in the US to be a peak stage.

The hurricanes affecting the southern states in the US in autumn of 2005 caused some hasty rearranging of schedules and disruption, but there seems not to be very long lasting impact.

The UK to be a developing stage is the leading cruise market outside the US. The Passenger Shipping Association (PSA) forecasts continued rapid growth, with a rise of about 15% in 2006. PSA predicted that the UK cruise market could reach 1.5m by 2008, which would be a 50% rise from 2004 (Lloyd, 2006: 7).

**Table 2.5 Cruise Market Development in Key Regions-1992-1997**

Item/year	1992	1993	1994	1995	1996	1997
North America						
GDP per capita*	23.64	24.71	n.k	27.58	26.44	n.a
Population ('000s)**	283850	287080	289910	292724	295401	298640
Population cruising ('000s)	4136	4480	4448	4378	4656	5050
% Population cruising	1.14	1.56	1.53	1.50	1.58	1.69
Western Europe						
GDP per capita +	20.32	20.11	20.68	21.17	21.92	n.a
Population ('000s)**	379140	380982	382229	383004	384183	385972
Population cruising ('000s)	650	740	789	932	1082	1284
% Population cruising	0.20	0.19	0.21	0.24	0.28	0.33

\* Current prices in US\$ (USA only).

+ Constant 1990 prices.

\*\* 1997 figure is estimated.

Source: G.P.Wild (International) Limited Cruise Industry Statistics.

The other potentially major market for cruising, Asia is still the trough stage. But, cruise ship lines are interested towards there due to a few potential.

That is the why some cruise lines' target market has ever taken a cruise, revealing how much potential exists.

Other operators harbour ambitions to generate business there. Carnival Ceo Micky Arison said to LSE: *“Carnival sees Asia as a growth opportunity for one or more of Carnival’s brands. Plans are very preliminary at the moment and it is too early to say which brands will be involved or the exact strategy.”*

Table 2.6 shows the market share rate to have in each region. The three markets are the Caribbean, the Mediterranean and Alaska market.

Caribbean market includes the regions such as the Caribbean Sea, Western Mexico and Panama Transcanal. Caribbean is first cruise market of three markets. It has the highest share rate as 53.2 %. Western Mexico is 9.6% and Panama Transcannal is 4.9%. So, the Caribbean cruise market has approximately 70% as the market share rate. It is operated by mainly big cruise lines such as Carnival, Celebrity, Princess, Cunard, Rcccl, Radisson, and Renaissance.

The Mediterranean market is the second cruise market. The market includes the regions such as Mediterranean and Europe. Its market share rate is almost total 13% including 9.6% of Mediterranean and 4.1% of Europe.

The Alaska market is 6.7% as the market share rate. If the Caribbean market and the Alaska market are considered as North America market, its total market share rate is nearly 74%.

The Asian market share rate is 2.0% of whole cruise market. It is the trough stage as a cruise market. At present, the cruise lines which are operated there are Princess, Showa line, NYK and Star Cruises.

**Table 2.6 Region Market Share Rate of Cruise Lines**

Region	Market Share Rate	Cruise Shipping Line
Caribbean	53.2%	Carnival/ Celebrity/ Princess/ Cunard/ Rcccl/ Radisson/ Renaissance
Western Mexico	9.6%	Carnival/ Celebrity/ Princess/ Cunard/ Rcccl/ Radisson/ Renaissance
Mediterranean	9.0%	Cunard/P&O/ Seabourn/ Seven Seas Star Clippers/ Wind Star
Alaska	6.7%	Carnival/ NCL/ Costa Cruise Line/ Holland America/ American Hawaii Cruise
Transcanal (Panama)	4.9%	Carnival/ Celebrity/ Princess/ Cunard/ Rcccl/ Radisson/ Renaissance
Europe	4.1%	Cunard/ Princess/ Seabourn/ Wind Star
Asia	2.0%	Princess/ Showa line/ NYK/ Star Cruises

Source: Chang, C.S., 2000, the possibility of cruise industry in world cruise market and Northeast Asia market, *In: Ocean Korea*.

**Figure 2.3 Stages in the Cruise Market Cycle of the World**

## **Chapter 3 Type and Character of Cruise Ports**

A cruise port needs to be located nearby tourist resorts to attract customers as well as on the cruise routes. This is the main factor to be a home port or a purpose port (MOMAF, 2002:118).

Thus, it needs to understand the character of cruise port with the main types. As classified cruise ports, there are three of classified cruise ports: home port, a regular ports-of-call, and a multipurpose port.

### **3.1 Home Port**

Home ports need to have the facilities where passengers can get on and off and also where freights is loaded and unloaded.

Due to problems like wasting too much time in logistics when many passengers are getting on and off with a very short time in hand.

Ports must have the capacity on size regarding facilities, so passengers are also much more comfortable. Home ports must be located near airports since many customers enjoy good discounts packages including Flight and Cruise Fare ticket (MOMAF, 2002:118).

It belongs to some ports such as Miami, Tampa, Everglades, Barbados, Boston, Vancouver, Singapore, Hong Kong, Bangkok, Sydney, Auckland, Bremerhaven, Hamburg, Copenhagen, London, Barcelona and Piraeus port.

Table 3.1 shows such selection criteria for home ports.

**Table 3.1 Selection Criteria for Home Ports**

Home-port-related attributes	
1	Airlift capacity/cost
2	Airport terminal facilities
3	Bunkering facilities
4	Connection between the air and sea terminal
5	Crew recreation facilities
6	Dry-dock facilities
7	Fresh water replenishment/waste treatment facilities
8	Hotel availability

Source: Policy Research Corporation N.V

### **3.2 Regular Ports-of-Call**

A cruise port is not only resting place that offers the necessary facilities such as water, bunker and foods before going sailing, but also a touristic place where cruise travelers get off and enjoy port facilities. For that, reason ports must have the following characteristic (MOMAF, 2002:118).

As shown in Table 3.2, first of all, a port must offer the adequate services for the vessel. It needs to have some attributes such as the accessibility of the port, berth availability, berth facilities and tender service.

Second, the vessel must be able to go in and out smoothly with the respective authorities such as in Customs including port dues and head taxes, smooth immigration process for Immigration and Quarantine (CIQ) , reliability of sailing schedule and vessel security.

Third, it must have the place where to be important for history and for the culture as uniqueness or cultural diversity in favor of special attractions such as casinos, fun-fairs.

Fourth, it must be situated in excellent weather conditions to attract cruises throughout the whole year.

Fifth, the local transportation modes must be efficient and well coordinated, so the vessel does not take a long time moored. As demonstrated ports need to have essential advantages strategies, so vessels continuous calling their base.

Sixth, it will help if the port is located close to an international airport. It has various international air flight routes as conveniently as a home port.

Finally, it must be ready for tourist who will get off in island on facility, system side such as political stability, tourist safety, tourist information provision, restaurants, bars, shopping, shore excursions, and sport facilities.

For example, there are some calling ports such as Cape Canaveral, Corpus Christi, Houston, Long Beach and so on in the US, Nassau, St. Thomas, Grand Cayman, Bahamas, Bermuda, Puerto Rico and so on in the Caribbean Sea. And Stockholm, Helsinki, Amsterdam, Antwerp, St. Tropez, and Sorrento port in Europe, Nagasaki, Klang, Busan, Shanghai and Bali Port in Asia.

**Table 3.2 Port Selection Criteria for Regular Ports-of-Call**

Port-related attributes		Island by location-related attributes	
1	Accessibility of the port	1	Beaches and water ports
2	Berth availability	2	Cultural diversity
3	Berth facilities	3	Popularity of the destination/promotion
4	Passenger reception facilities	4	Friendliness of locals
5	Port dues/head taxes	5	Local transport
6	Reliability of sailing schedule	6	Political stability
7	Smooth immigration process	7	Restaurants/bars
8	Tender service	8	Shopping
9	Vessel security	9	Shore excursions
		10	Special attractions (e.g. casinos, fun-fairs)
		11	Sports facilities (e.g. golf courses)
		12	Tourist information provision
		13	Tourist safety
		14	Uniqueness
		15	Weather conditions

Source: on the basis of "Policy Research Corporation N.V.: De Monie, G., et.al.,1998, *Strategies for Global and Regional Ports-The Case of Caribbean Container and Cruise Ports*"

### 3.3 Multipurpose Port

This type of port is a mixed between the home port and the regular ports-of-call. This port provides the service for the vessels and becomes the home port or the purpose port for passengers. This port is not as different in size as home port. However, it provides more comfortable and convenience facilities (MOMAF, 2002:119).

For example, there are some ports such as Miami, Singapore, Sydney, Barcelona, Copenhagen, and Hamburg port.



## **Chapter 4 Economic Impacts on Cruise Industry**

This chapter gives an economic impact on cruise industries. Countries like Hong Kong, Singapore, Japan, and the regions of Europe, and America are not only developing on a maritime sector and port industry, but also are striving to develop the marine tourism industry by constructing cruise dedicated terminals (MOMAF, 2002:29).

In particular, the cruise industry leads to a high effect on growth for related industries such as shipping, port, and island industry. Also, it has set much value on the effect for the associated industries with the local economy.

### **4.1 General Effects**

If it makes a part its home port, it influences to not only the tourism industry such as air, accommodation, and travel industry, but also maritime industry.

For instance, first of all, the acquisition of foreign currencies and the contribution to a regional economy; the effects generate through using other terminals for a cruise entrance, piloting, tug, stevedoring, need goods, and the service purchase.

Second, revenues from taxes and exchange of money: in case of a port of call, the taxes variously consist of direct tax, indirect tax, and an offer of administrative service by increasing the internal revenues related shipping in the country and the local public organization. Moreover, it is expected the revenue by the exchange rate.

Third, employment's generation: there is the effect on an employment by producing goods within the local, because of promoted services.

Finally, improvement of the level on culture: it can raise the culture level through improvement of the local people's consciousness and of life quality by visitors from overseas.

The cruise industry brings a burgeoning maritime economy to many ports around the world. It has an effect on all sectors in the port city and country.

The cruise lines' presence, even on a seasonal basis, in port cities strengthens the economy for many local elements. In addition to local port user fees and head taxes and surcharges, cruise ships purchase supplies and services such as pilots, tugboats, waste disposal services, fuel and fresh water at ports of call worldwide as demonstrated in Table 4.1 (UNEP, 2002;25).

**Table 4.1 Cruise Expenditure**

Passengers Expenditure	
Air-flight Cost	
Tour in an Embarkation Country	
Additional Expenditure	Accommodation / Meals / Shopping / Tour
Expenditure in a port city	Meals / Tour / Shopping
Cruise lines Expenditure	
Port	Port uses (including a terminal) Tugboat fee Surcharge on the national tax
Supply	Supply of Fuel Service purchase (fresh water, waste disposal) Shops
Crew Expenditure	Local crew's expenditure Expenditure by foreign crews in a port
Ship's Repairing	
Marketing	
Taxes	Entry tax / Exit tax / Head tax

Source: Dwyer & Forsyth, 1998, Economic significance of cruise tourism, *Annals of Tourism Research*, Vol. 25, No 2, p. 395 (cited in Ha, 2001)

## **4.2 North America / U.S**

To analyze more in detailed these impacts, this section explains the economical effects of the cruise industry in North America as an example. Because its market still looks bullish, that is the biggest market of the world.

North America also has such economic effect in terms of the expenditures by the cruise lines for goods and services necessary for cruise operations, including food and beverages, fuel, hotel supplies and equipment, navigation and communication equipment and so forth; spending by the cruise lines for port services at U.S. ports-of-embarkation and ports-of-call; and expenditures by cruise lines

In Table 4.2, passenger embarkations are increasing, the average annual growth is about 14% in 2004. Likewise, the direct economic impacts are increasing as well.

Specially, the expenditures by the cruise lines and their passengers generated employment. In 2004 the average annual growth of an employment increased 15.2% more than previous year.

Recently, when considers the problem of unemployment in Asia, this effect will bring better economic benefits. The benefits of the North American cruise industry in the U.S. economy in 2004, totals \$ 30.06 billions, its direct spending of the cruise lines and passengers on the U.S. goods and services are \$ 14.7 billions, its total jobs generated by these expenditures are 315,830, and total wages generated for the U.S. employees are \$ 12.4 billions.

**Table 4.2 Economic Contribution of the North American Cruise Industry**

						Average Annual Growth			
	2000	2001	2002	2003	2004	2001	2002	2003	2004
U. \$. Passenger Embarkations (Millions)	5.31	5.90	6.50	7.11	8.10	11.1%	10.2%	9.4%	13.9%
Direct economic impacts									
Passenger and cruise line spending (\$ Billion) *	\$ 10.30	\$ 10.98	\$ 11.95	\$ 12.92	\$ 14.70	6.6%	8.8%	8.1%	13.8%
Employment	95,592	101,638	109,553	117,353	135,197	6.3%	7.8%	7.1%	15.2%
Wages and Salaries (\$Billions)	\$ 2.87	\$ 3.50	\$ 3.92	\$ 4.29	\$ 4.80	22.0%	11.9%	9.6%	11.9%
Total Economic impacts									
Total output (\$ Billions)	\$ 16.64	\$ 18.60	\$ 20.40	\$ 25.44	\$ 30.06	11.8%	9.7%	24.7%	18.2%
Employment	257,067	267,762	279,112	295,077	315,830	4.2%	4.2%	5.7%	7.0%
Wages and Salaries (\$Billions)	\$ 8.72	\$ 9.72	\$ 10.56	\$ 11.62	\$ 12.42	11.5%	9.7%	9.0%	6.9%

\* Includes wages and salaries paid to U.S. employees of the cruise lines

Source: ICCL, August 2005, The Contribution of the North American Cruise Industry to the U.S. Economy in 2004, International Council of Cruise Lines, p 101 pages.

## **Chapter 5 Asian Cruise Market as it is Today**

### **5.1 Overview**

Asia is a land of hidden treasures. From India to the Philippines, there are dozens of port cities, gateway to the lands of the Orient. Cruise to Asia is a fun and easy way to get around and explore everything that this alluring continent has to offer. From Turkmenistan in the west to South Korea in the East, this continent is home to the plateau of the world.

There are a number of port cities where somebody can depart from on an Asia luxury cruise, a good choice being Bangkok, Thailand. This city is overflowing with cultural riches. Its miles of temples and sacred structures will simply astound cruisers.

As Ocean Shipping Consultants reported, Asian cruise market seems to be consistent growth, the weight of all of the world's passengers will be 3% according to forecast 2010, it is prospected that 470,000 of Asian people will attend to cruise traveling.

Excerpt from the Cruise Industry News Quarterly fall 2005 issue the cruise industry may be sailing in the wake of a tremendous growth forecast for the Asia/Pacific region predicts by the World Tourism Organization (WTO), which estimates that Asia/Pacific will see nearly 400 million international tourist arrivals annually by 2020, compared to 153 million in 2004.

Anticipated to increase at a rate of 6.5 percent per year, the WTO predicts that the region will be second only to Europe in terms of foreign visitors and that the world's top destination will be China. The next most visited destinations in the region will be Hong Kong, followed by

Thailand, Indonesia and Malaysia, then, Australia, Singapore, Vietnam, Philippines, South Korea and Japan, according to the WTO.

In 2004, China ranked fifth with 42 million tourist arrivals, with Hong Kong in seventh with 22 million. In addition, the WTO forecasts that Asia/Pacific will be generating more than 400 million outbound tourists annually by 2020 again only second to Europe.

The five largest outbound markets in the world will be Germany, Japan, the United States, China, and the United Kingdom. Thus, according to the WTO, Asia/Pacific represents huge potential whether in terms of generating its own cruise passengers or attracting visitors. But while the potential is there, cruise lines, however, have so far not been able to tap into it on a significant scale, although that may be about to change.

Caribbean Sea has been the biggest destination so far, but Cruise lines turn their attention to Asia region because they get slightly lost tour attraction. Even Asia countries have focused on a cruise travel as the new tourism industry that has growing potential. The expectation is created to be active in a cruise travel within Japan, Singapore, Malaysia and Korea.

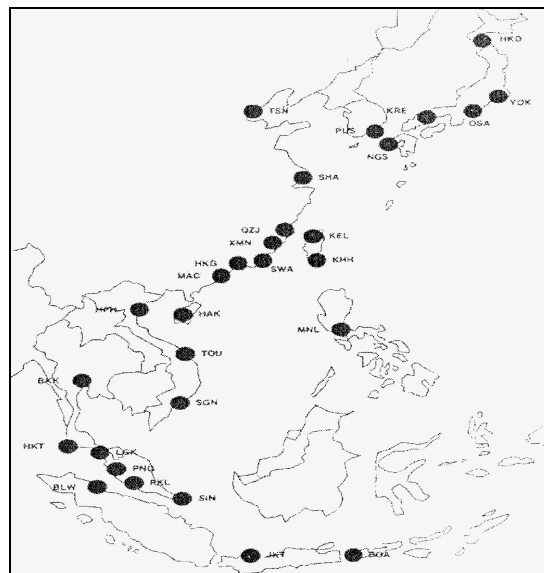
Currently an Asian own ship appeared in Singapore, Hong Kong and so on where it was convenient in some steps and procedures for in-port and out-port were based on international ports of Asia. Likewise, Asia region has been performing the sales of cruise product and all sorts marketing for Asian customers, not western customers.

Also, not only Asian own cruise ships, but also Royal Caribbean and Seaborne Cruise Line, Western large cruise lines, reported their plan what own ships to sail with long-term or short-

term in Asia region since latter half of 1994. Like this trend means what to offer some cruise products to Asia region in near future.

## 5.2 Cruise Market per Country

At present, Asia has been high attractive from not only ship lines but also customers who are interested in cruise from Japan to China, Korea, Taiwan, Hong Kong and so on as short-time sailing, and many maritime companies have shown several products such as airline or ship to origin on Guam, Saipan, and Singapore. Even international ferries or liners offer the route linked with Korea, China and Taiwan that are different in excursion boats. It has high growth possibility because the zone where from Hokkaido in Japan to Bali island has distinctive resources, Polynesian and Micronesian islands.



**Figure 5.1 Position of Asian Cruise Port**

Source: Tea-Woo Lee (1996), *Shipping Development in Far East Asia* (England: Ashgate)

This chapter is supposed to describe several examples as follows. They are main countries for the cruise port which have possibility of Asian countries.

### **5.2.1 Japan <sup>4)</sup>**

Japan market has comparatively high share rate in Asia region, the number of cruisers is increasing rapidly as well. While starting the powerful promotion and advertisement since 1989, Japan has begun to recognize that cruise is not just as a transportation mode, but as a composite tour product. In 1996, Japanese travelers were over 70,000 persons to travel toward overseas by this impact.

The Port of Yokohama of Japanese ports was opened in 1859 as Japan's first modern international trade port and has now become the No.1 cruise port in Japan. The port, conveniently located within Tokyo Bay and surrounded by a rich assortment of tourist attractions, both modern and cultural, plays a vital role as the gateway port for metropolitan Tokyo as well as Eastern and Northern Japan.

With the completion of state-of-the-art International Passenger Terminal in 2002, which also has easy access to expressways and airports, this port is now committed to welcoming and capable of accommodating almost all cruise ships.

The high potential of Japan cruise market is appreciated by the various impact of internal and external environment such as economy growth, income rise, encouragement to travel toward overseas and so on.

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<sup>4)</sup> <http://www.japanwelcomesyou.com/cssweb/ports/port/html/yokohama.html>



**Table 5.1 Overview of Yokohama International Passenger Terminal**

(1) Location	1-1 Kaigandori, Naka-ku, Yokohama	
(2) Nearest Station	Minatomirai Subway Line , Nihon-oudouri Station (only 5-minute walk)	
(3) Access	Station	Tokyo Station: Approx. 40 minutes by bus or train
	Airport	Haneda Airport: Approx. 30 minutes by bus Narita Airport: Approx. 90 minutes by bus
	Shinkansen	Approx. 25 to JR Shin-Yokohama Station by bus
(4) Facilities	Facility Overview	Basement: Machine room 1st Floor: Parking (400 standard-sized cars or 28 buses) 2nd Floor: Passenger Terminal (1) Traffic Plaza (2) Lobby (Information desk, ticketing counters, waiting lounges, cafe, shops)-> Approx. 6,500m <sup>2</sup> (3) CIQ Plaza (Customs, Immigration, Quarantine) -> Approx. 2,000m <sup>2</sup> (4) Cruise decks (5) Osanbashi Hall (Hall, restaurant) -> Approx. 2,000m <sup>2</sup> Rooftop: Rooftop Plaza, Visitor's Decks, Outdoor Event Plaza
	Length	Approx. 430m
	Height	Approx. 15m at highest point
	Width	Approx. 70m
	Total Floor Space	Approx. 44,000m <sup>2</sup>
(5) Capacity	Length	Berths A & B: 450m, Berths C & D: 450m
	Water Depth	Berths A & B: 12m, Berths C & D: 10-11m
	Apron Width	Berths A & B: 20m, Berths C & D: 20m
	Boarding Bridges	4 (mobile)
	Tidal Range	2m
(6) Notices	Yokohama Bay Bridge	To come to the International Passenger Terminal vessels must pass under the bridge (56m air draft at spring high tide). We can offer other berths for the vessels exceeding 56m air draft.
	Bay Pilot	The Pilotage Law requires compulsory bay pilot for vessels with 10,000 gross tonnages or more.
	Harbor Pilot	The Pilotage Law requires compulsory harbor pilot for vessels with 30,000 gross tonnages or more.
	Tugboat	Pilot has the authority to determine how many tugboats are necessary.

Source: <http://www.japanwelcomesyou.com/cssweb/ports/port/html/yokohama.html>

### 5.2.2 Singapore <sup>5)</sup>

Port Authority Singapore (PSA) built International Cruise Terminal in 1991. The cruise passenger capacity has rapidly increased from 900,000 persons to 1,300,000 persons. Cruise lines via Singapore have increased by 10 times from 3 lines to 30 lines for 5 years since December of 1991. Moreover, the number of port management companies related to cruise industry increased from 5 to 30. That means that cruise industry would be able to develop with the completion of an International Cruise Terminal.

**Figure 5.2 Singapore Cruise Hub (Port of Embarkation: Singapore)**



Source: SuperStar Virgo - Straits of Malacca Cruises (<http://www.asiatravel.com/Singapore/starcruises/itinerary.html>)

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<sup>5)</sup> MOMAF, 2002, Development direction of exclusive terminal for cruise ships and proposals for development of ocean tourism industry, Korea: MOMAF.

### **5.2.3 Malaysia <sup>6)</sup>**

Set in the heart of Southeast Asia, Malaysia is easily accessible from most parts of the world by air, surface and sea links.

Own-Malaysian Star Cruises has invested over US\$ 50 million in building the Star Cruises Terminal building and jetty in Port Klang of Malaysia.

Port Klang is Malaysia's largest modern sea port. And it is one of the few dedicated cruise terminals in this region that specially caters for cruise travelers.

Star Cruises Terminal boasts the longest dedicated cruise berth in Asia Pacific. It is equipped with a T-shaped jetty comprising three berths, providing a total berthing space of 665 meters. The berths at the terminal are capable of handling up to four passenger cruise ships at any one time, and can even accommodate the cruise ships up to 100,000 gross tonnages.

Besides, Star Cruise is a major international leisure cruise line that calls at Penang, Port Klang, Malacca and Langkawi in Malaysia.

### **5.2.4 China**

China is the world's third largest country and has the most people. The country is extremely diverse, with deserts, jungles, mountains, great plain, major rivers, and a long coastline. The last decade has seen a tremendous upheaval in China, with the Chinese leaders trying to

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<sup>6)</sup> <http://www.starcruiases.com/News/1998/980618a.pdf> + <http://www.tourismmalaysia.gov.my/en/essentials>

balance the old socialism with the new capitalism.

It's an exciting time to visit China and to witness this revolution. China has a lot of seaports such as Hong Kong, Shanghai, Tianjin, Shenzhen, and so on.

Beijing of China will be hosting the 2008 Summer Olympics, so the spotlight on China will continue to get even brighter over the next few years. Although Beijing is not a seaport, the ancient capital of China is within easy reach of land excursions from ships calling at Tianjin.

### **5.2.5 Korea <sup>7)</sup>**

A “Poong-Ak” ship of Hyundai Line on 9<sup>th</sup> of March in 2000 and a “Super Star Taurus” ship of Star Cruise Line on 12<sup>th</sup> of March in 2000 started the fundamental cruise business to the Busan port as their home port.

However, those were not as successful as expected. Cruise business requires enormous initial investment for operators and cruising is relatively new and expensive on users. This paper examines the two case studies, Star Cruise Line and Hyundai Line.

#### **A) Star Cruise Line**

The Star Cruise line, is a typical cruise shipping company in Asia, put a ship called the Super Star Taurus in the Korea-Japan route including Busan port with its route expansion policy in March of 2000.

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<sup>7)</sup> Lee, I., H., 2005, Overview of the Cruise Industry and Problem to vitalize the Domestic Cruise, *In: Monthly Maritime Korea*, No. 383, p 24-28

Although the Star Cruise line had high potential to an Asian market since it gained about us\$ 1,900 million as the gross profit, us\$ 28.20 million as a net profit in the third quarter of 1999, the results of Super Star Taurus did not reach the expectation and Super Star Aries quit the cruising after 5 months, its inaugural cruise service, in the end of March of 2001 (Cho, 2000).

This is why the ships of Star Cruise line failed to sail as scheduled and its cruising record was low due to insufficient infrastructures for the cruise port.

**Table 5.2 Dimension of Star Cruises**

Unit \ Ship	Star Cruises			
	TAURUS	VIRGO	GEMINI	LEO
Gross Tonnage	25,000 tons	76,800 tons	19,089 tons	76,800 tons
Length	159 feet	268 feet	164feet	268 feet
Width	25 feet	32feet	23feet	32feet
Capacity Persons	960 persons	2,800 persons	900 persons	2,800 persons

Source: [http://nicetrip.co.kr/oversea/cruise\\_company5.asp](http://nicetrip.co.kr/oversea/cruise_company5.asp) is rearranged with Table

## **B) Hyundai Cruise Line**

In 1996, Hyundai cruise line opened the service to the KUM GANG Mountain through South Korea to North Korea. This company chartered two vessels so-called Superstar Sagittarius and Superstar Capricorn from Malaysian-owned Star Cruise (Han, 1998).

As given in Table 5.3, it sees that the results of cruising decreased as tourists experienced less than 40%, even if the number of 147,460 in 1999 to 212,228 in 2000 increased about 30%.

The reasons are, according to MOMAF (2002); it was low for accessibility to link with other transportations and could not expect supports from Hyundai group. Furthermore the most important factor is that it did not consider several customers' segments not just people but for visiting hometown.

This results from the analysis lack of customer's need and satisfaction, big investment on early stage, and economic crisis at that time.

**Table 5.3 Results of Hyundai Cruise Ships Yearly and Quarterly**

Year	Quarter				Total
	First	Second	Third	Fourth	
1998	-	-	-	10,543	10,543
1999	36,173	39,597	29,470	42,220	147,460
2000	49,044	52,645	53,119	57,420	212,228
2001 (end of Feb.)	13,822	-	-	-	13,822
Total	99,039	92,242	82,589	110,183	384,053

Source: Hyundai line Ltd. Internal data (cited MOMAF, 2002)

**Table 5.4 Dimension of Hyundai Cruise Ships**

Unit \ Ship	Hyundai Cruises			
	KUM GANG	BONG RAE	SOL BONG	POONG AK
Length	205.5 m	171.6 m	114.5 m	168.75 m
Width	25.2 m	24.0 m	20.0 m	24.9 m
Room	405	364	89	330
Capacity persons	1,305	894	780	1,000

Source: [www.ilovecruise.co.kr](http://www.ilovecruise.co.kr)

Even though some cruise lines fail such this, cruise lines are trying to enter Korea where has a high possibility for the cruise industry. Korea is impossible to travel via land due to the limitation of geography. For that, it has the air route as the only way for overseas traveling. Therefore, it can introduce the cruising as a substitute to the only way. This is expected as the primary effect by the share of tourism demand on a high demand season of airlines.

According to a recent OECD territorial review on the Korean port of Busan, cruises hold potential benefits for ports, but they have to be properly managed and planned.

Busan is Korea's second largest city and a major shipbuilding port, yet it still faces competition not just from abroad, but from expanding Korean ports like Gwangyang.

The OECD review suggests that Busan can exploit the potential of the cruising industry, but it also offers some realistic advice to help the city keep its feet on firm land.

Now Korea is to move ahead with a construction plan of the dedicated cruise terminal to vitalize of the cruise industry, and is reducing 50% for the mooring fees, ship's clearance fees and berth ages.

Busan port is building the one berth which can accommodate approximately 80,000 tons. It is scheduled to open in 2006. Jeju port also has a plan to build the one berth which can accommodate approximately 80,000 tons up to 2007.

## **Chapter 6 Proposed Strategies for Developing Asian Cruise Market**

Asian cruise market can be divided into *Far-East market* including Korea, Japan, China and Taiwan, *South-East market* including south areas of China, Hong Kong and ASEAN (Association of Southeast Asian Nations) countries, and the *South Pacific market* consisted of Australia, New Zealand, New Guinea, Polynesia and Micronesia areas.

Hereafter, it is optimistic about the prospect for the Asia-Pacific cruise industry. Cruise lines regard this region as the alternative of the Caribbean Sea, the Mediterranean Sea, and Alaska cruise market.

The prospect is quite high for Asian cruise market by the reasons that the demand increase of the cruise as a result of the economic growth of Asia, and an excess of bottoms as the three cruise markets such as the Caribbean Sea, the Mediterranean Sea and Alaska supply large cruise ships.

Accordingly, this chapter shows the prospect and marketing strategies to analyze the Asian cruise market by SWOT because of not to find the SWOT-analysis for Asian cruise market in the existing other literatures.

And then, it will find the way to enter Asia market and to work out the marketing strategy on various sides such as product, price, and promotion on the cruise lines of view, and facility, regime, technology on the country of view more specifically.



## **6.1 SWOT-analysis of Asian Cruise Market**

Asia has plenty of tour's resources, the good geographical location and fulfills shipbuilding, repair shipyards. In addition it is sharply growing shapely as 3<sup>rd</sup> cruise market of the world. It is advanced by airline routes between Asia and other countries such as Europe, America.

For these reasons, it has so high potential demand of the cruise. Cruise lines are looking for the new market instead of the Caribbean, Alaska, and others where there are had been the golden age.

Cruise lines are scheduled to expand to Asia as a new market. Even Asian cruise route is expanded and lengthened. Cruise industry will be given more expectations related to the tour industry, port, air, logistics, and shipbuilding.

### **6.1.1 Strength**

In Asia, there are not only 5 of the biggest ports in the world, but also there is a great interest in the maritime world since the best shipbuilding and ship's repairing yards are in this continent.

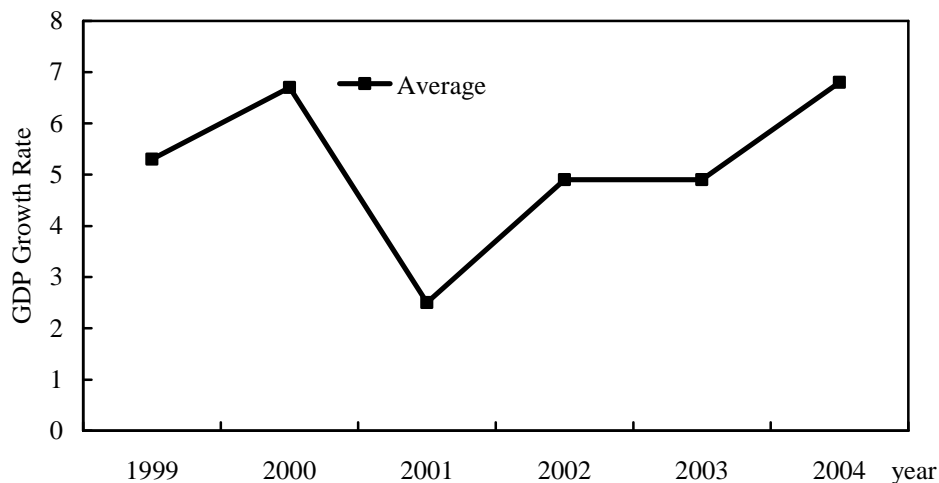
This region is the place where the most important sea routes for international seaborne trade. Asia has good conditions of location as cruise destinations. These are some strengths of Asian cruise market.

Asian economy keeps growing sharply, moreover China's effect. It has high population rate. Segment of 45 years old people is a major potential customers for cruise (Cho, 2000).

There are a plenty of marine resources and unique history, culture. Besides, Korea and Japan are the best of world in the cost competitiveness, technology power on the shipbuilding of general ships.

As can be seen in Graph 6.1 can see, Asian average GDP growth rate is increasing, however it decreased in 2001 when occurred on the 9/11 terror of USA.

**Graph 6.1 GDP Growth Rate in Selected Developing Economies of Asia**



UNCTAD secretariat calculations, based on UNCTAD *Handbook of Statistics 2004*; ESCAP, *Economic and Social Survey of Asia and the Pacific 2005*; ESCWA, *Survey of Economic and Social Developments in the ESCWA Region 2005*; national sources; IMF, *World Economic Outlook*, April 2005; JP Morgan, *Global Data Watch*, various issues; EIU, *Country Forecast*, various issues; and OECD, *Economic Outlook No. 77*, is recomposed with a graph by this author

### **6.1.2 Weakness**

There are some weaknesses of Asian cruise market. This market share is still less than 10% of the world. Dedicated cruise terminals are weak to attract large cruise ships, e.g. last year, for 113,000gt Sapphire Princess and Diamond Princess were too large to be handled at the Ocean Terminal and had to tie up at Kwai Chung's container berths instead (Hong Kong, 2006).

And it should be taken into account to keep repairing both in Korea and Japan still. Others show in Table 6.1 as follows.

### **6.1.3 Opportunity**

As seagoing vacations continue to grow in popularity, cruise lines have introduced new ports of call around the world and next year will be no different.

In 2006, travelers will find a portfolio of new cruises to the far reaches of the globe.

The 19 cruise line members of the Cruise Lines International Association (CLIA) take travelers to 1,800 ports of call on more than 150 ships of varying styles, from yacht-like luxury ships carrying 150 passengers to mega vessels carrying more than 3,000 guests *"Today's cruise destinations appeal to first-time travelers in search of new experiences and veteran cruisers pursuing a true wanderlust,"* said Terry L. Dale, president and CEO of CLIA, the leading marketing organization for the cruise industry.

*“In 2006, travelers are bound to find something that perfectly fits the bill – from shorter Caribbean voyages to extended sailings from Asia to Alaska.”*

Furthermore, recently, Asia has the opportunity to evolve as a cruise market. Big cruise lines located on North America and Europe are groping to enter Asian based on the attraction and the market growth rate.

American customers who used to cruise are loosing a little bit of interest in Caribbean area. And then, it expects even cruise’s shipbuilding through the technology of container and LNG’s shipbuilding in countries to the Korea and Japan.

Also, those can attract many customers from China which is the most populated country of the world and the fastest growing economy as well. Others factors of SWOT analysis show in Table 6.1 as follows.

#### **6.1.4 Threat**

There are some factors of threat of Asian cruise market. Major cruise lines sailing around Caribbean Sea are affiliating with existing European cruise lines while developing new destinations of Europe. And, it is a little bit hard to attract the customers within Asia due to the lack of efficiency of Asian cruises.

European companies command an overwhelming majority in shipbuilding of cruise ships, its repair and its mending. And, a terror threat exists as well as North America and Europe. Others show in Table 6.1 as follows.

Table 6.1 SWOT-analysis on Asian Cruise Market

Segment	Strength	Weakness	Opportunity	Threat
<b>Economic Growth</b>	To be strong all over the world for a cruise		To go on the economic growth of Asia by China's effect	
<b>Location</b>	Feasibleness for shore excursion and cruising in the whole Asian country by ships		Potential with home ports as many beautiful islands	
<b>Dedicated Terminal</b>		The lack of berth capacity for large size ships	Under it's construction in major Asian countries such as Hong Kong, Singapore, Busan	
<b>Shipbuilding</b>	The best of world in the cost competitiveness, technology power on the shipbuilding for general ships in Korea, Japan		Possibility of even cruise's shipbuilding with existing ability of trade ship's shipbuilding	The barrier with major cruise lines by long proficient ability of shipbuilding of European countries
<b>Ship Line</b>		The failure of leading lines despite several efforts	To get lost the interest in Caribbean is lost	The insufficiency of general notion about a cruise
<b>People</b>	High population rate of more than 45 years old people as major customers for cruise		High potential customers of Chinese cruise	
<b>Transport Connection</b>		Traffic congestion in major ports	Development of international air-network between Europe and Asia	A terror's threat as well as North America and Europe
<b>Others</b>		Unreliability of sailing schedule by a climatic change		

## **6.2 Proposed Marketing Strategy for Cruise Lines**

The awareness about a cruise has been changing more and more, the need of people for leisure or travel is diversifying much more as well. The demand for cruise tours is continuously increasing.

Likewise, it is mostly accepted that the industry growth is supply driven, meaning that providing the cruise lines continue to increase capacity offering the right itineraries and products at the right price they will continue to attract increasing numbers of passengers.

Therefore, this paper describes some ways how Cruise lines enter Asian market.

First, in order to penetrate Asian cruise market, a potential manager will need a more knowledge on the effective operation ability of the cruise business because it is not mature yet in Asia.

Second, the strategies which can implant strong awareness should be developed against customers who have insufficient understanding about cruises. They may use a marketing strategy by using the Relationship Marketing and Customer Relationship Management (CRM). They also need to benchmark against Malaysian-owned Star Cruise Line which has been the most successful cruise line in Asia, despite several failures in the region.

Third, by shortage of dedicated cruise terminals that are capable to accommodate large vessels, cruise lines had better use small and middle size ships than large-size ships in. That should be the preference in the interior of Asian market. After strengthening realization of the cruise terminal capacity in Asia, lines need to increase capacity of ship and its size.

Fourth, nowadays, big four cruise operators such as Carnival, RCCL, NCL, and MSC have big market share in the world cruise industry.

Therefore, smaller operators have a burden and risk in new cruise market. By this, they should collaborate including consolidation and integrate their Supply Chain Management (SCM), then attack the niche market in Asia. On the other hand, the big four cruise operators can enter Asian market with much cheaper cost and better quality service than others.

Finally, all cruise lines that want to enter Asian market should follow the Asian culture and the trend. Asian prefer to travel with their families, short-term for 3~7 days, the differentiated quality then its price, package goods linked with the land, excellent foods, the quick and simple booking, the performance on the board, enough duty-free shopping, and the movement of a several of regions (Cho, 2000: 10).

One are the factors from outside, others are factors from inside. Then, when cruise lines call ports, which of conditions and factors of a port will be considered? Here, this paper suggests several marketing strategies.

On the **product** side, recently Asian countries are trying to integrate on economy side in terms of Asian Currency Unit (ACU), Asia Pacific Economy Corporation (APEC) and so on. However, the problem is that each country has its own distinctive culture, conception, and social system.

The new player who wants to enter Asian market should pursue diverse ways by taking into account marketing strategy as the character of each country.

Furthermore, the world market exploits to economies of scale or scope. Even Asian cruise market follows such tendency as it has lots of products.

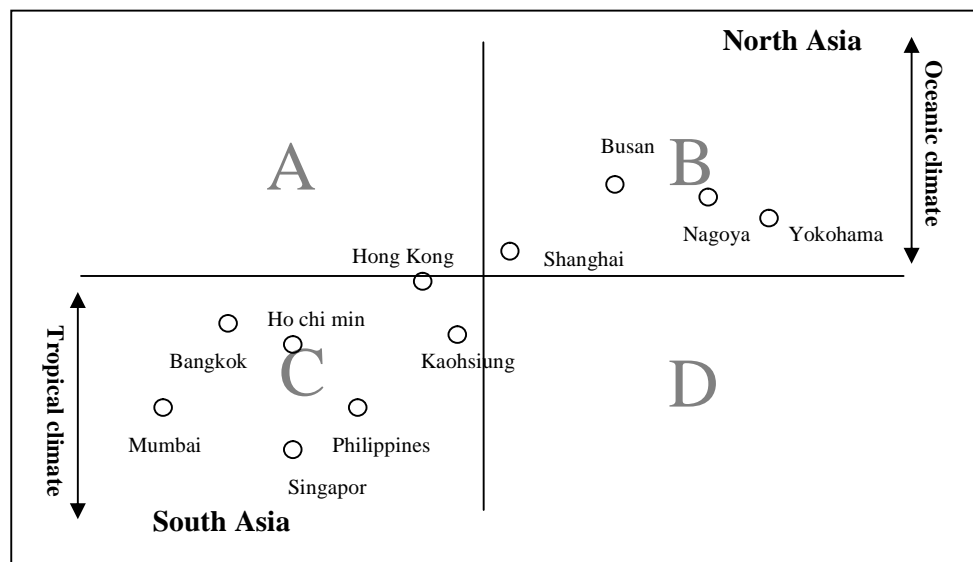
The product strategy can be arranged in several markets in Asia. Asian market has the different features in each area.

For example, North-east area has distinct four seasons like as spring, summer, fall and winter.

By contrast with, South-east area has almost one season, summer. It is a considered geographical nature of Asia.

Thus, it can distinguish the market by season and need to serve new service or product in each such area.

**Figure 6.1 Geographic Positions of Asian Ports by the Climate**



The area of “A” is almost part of Chinese continent, has a continental climate.



The area of “B” area is South of China, Korea and Japan as represent countries. That has an oceanic climate and has distinct 4 seasons.

The area of “C” has a tropical climate, mainly one season, summer. Also this area is many countries and ports such as Singapore, Malaysia, India, Vietnam, Philippines and so on. The area of “D” is the Pacific Ocean.

And, suitable local products need with Asian fascinating traditions, stunning beauty, rich history and rich cultural heritage. The diverse countries and cultures of this area of the world encompass a vast area and countless ports of call from Japan to the Indian subcontinent.

Those who journey here can experience the wonders of some of the oldest known civilizations - and delight in the region's unique architecture, cuisine and art. Moreover, some products need to be created for only Asian customers.

On the **price** side, this strategy can classify its price as a service quality. Until now, a cruise has meant a “luxury” thing. But, suppose a cruise ship put into Asian market with such this concept, the cruise business could fail. Asian countries are growing the economy but still the GDP rate of all Asian countries is not that high.

This means that Asian people don't have sufficient money to spare for enjoying their life.

Unlike existing cruise business in North American or Europe, cruise line will have to attract not only non-Asian users, but also Asian customers. It can expect more stable growth of cruise industry in Asia.

Thus, this price strategy should be sectioned on service quality. Of course, the lower service is cheaply, the higher service is expensively.

Crystal Cruises Line shows that their cruise fare includes all normal shipboard services and facilities plus all non-alcoholic beverages, but does not include port, security and handling charges, fuel surcharges, airfare, transfers, shore excursions, sightseeing or meals ashore, taxes, gratuities, liquor, wines, laundry or valet services, telephone, internet and e-mail communications, or any items or service of a personal nature such as massage, spa services and hairstyling. That is general fare policy.

On the contrary, the cruise price can include almost the charges or fares for easy process, and then that should package the price in Asian cruise market. This will not only make cruisers to simplify the process of embarkation, but also connect the air, cruising, hotel, tour and such a related price, the price could be lower. The lower price attracts many first timers.

On the **promotion** side, Sea Trade Cruise Shipping Convention is held on every February in Miami of Florida under the joint organization of Florida Caribbean Cruise Association, (FCCA) and International Council of Cruise Lines (ICCL) (Noh, 2001:51). Cruise lines interested in Asian market and Port Authorities of some Asia countries need to join this convention for Asian cruise promotion.

Asian people are used to flying than the cruise so far. So, first of all, cruise lines must promote toward airlines. After cooperating between airline and cruise line, they can make the package product, 'flying & cruise'. The airline which the Asian people are usually used to, will promote the package product to customers and then the cruise will attract the customers.

In addition, cruise experts and agencies require such promotion and business.

And cruise lines have to keep attracting existing customers. The cost of attracting a new customer is 5 times the cost of keeping an existing customer happy.

Hence, they need the membership strategy, the mileage service, and discount for long-time customers to keep them. Cruise operators can invite some actors, actress and singers for the advertisement of their new film and an album inside cabin to approach more Asian modern culture as a kind of promotion strategy.

Recently, Asian people are apt to move to go after the stars by Korean-Waves. It generates tourism profit.

On the one hand, cruise lines can make an aggressive strategy to segment the market by dividing it into a personnel market, a group market. A personnel market has people who intend to develop the social relationships and use frequent trips.

In this point, the market needs to create the demand by oral transmission. It could be the most effective means of a promotion. A group market needs to be promoted mainly in a periodical or a journal through continuous advertisement. It is one of the effective promotions.

Furthermore, the group market had better make the good use of the way out of a slack season.

### **6.3 Proposed Facilitating Strategy for the Countries**

The cruise demand is influenced by many factors. Especially, it is important to be able to develop various management strategies driven demand from a cruise operator view. Namely, the demand is not to give from outside, but to be created from the management strategy. Overall cruise decision factors are as follows (Chang, 2000:40-41).

Travel expenditure's increase of the world

The positive imagination of the cruise tour to be made by developed countries

The various ship design to emphasize on environment, safety and art

A differentiated price policy by each target market

A differentiated cruising schedule by the market's nature

The exploitation of new ports of call

The product development for environment-friendly cruise

Cruise product's development toward the adventurous and safe untapped interior

Then, what should Asian countries prepare to be a cruise port, which of conditions and factors of a port itself will be considered? And, what strategies should they make to attract cruise lines? Hereby, this paper suggests several strategies.

On the **facility** side, Asian ports have the poor infrastructure as a cruise port. Particularly in the port view, the port must build a dedicated cruise terminal and take into account the accessibility to international airport and have abundant tour resources, comfortable or convenient cruise port's facilities for development of a cruise port. What is more, currently cruise ports need such facility for safety from disasters and security from terror threats.

The existing port needs to redevelop. Main ports of the world are making the local economy revive through the port redevelopment on a grand scale to offer citizens the pleasant environment.

For example, the Barcelona port in Spain and the Sydney port in Australia reconstructed old ports completely. They attracted millions of visitors toward the ports and raised the tourism revenue.

The new-born port is working on carrying the city development.

Consequently, some Asian ports need to reconstruct existing ports. The infrastructure like port and dedicated terminal requires large investment for a long-time as the social overhead capital. It has to inevitably take a support from public sector because it has a limitation on the investment from private sector.

On the **system** side, it should prepare measures for the legal system to vitalize related cruise industries.

Preferentially, Asian ports should have a legal basis for a cruise business, because they can not politically take a support on the ineffectual law for cruise. Besides, the procedure was complicated and a little bit idealistic to approve for the cruise operation. In addition, the government organizations must work on in collaboration with one another.

On the **technology** side, first of all, Asia has the shipbuilding technology for container ships. Two represented countries are Korea and Japan by the shipbuilding.

Two countries exercise the shipbuilding. Based on such technology of container's shipbuilding, it needs the development of cruise's shipbuilding in Asia as well. The cruise ship is more elegant and luxury than the container ship. It might be no problem to build cruise ships in Asia if combined with an exquisite design.

The state-of-the art cruise shipbuilding technology shows the innovative changes on Hardware and Software side. It means the high-tech cruise will be realized. To go with such this change, Asian countries should have eye to the new technology for the cruise ships industry.

## **Conclusion**

The purpose of this study is to find the success factors for thriving Asian cruise market after analyzes Asian cruise market with SWOT-analysis and specifies marketing strategies.

The cruise is not simply the tourism sector, but has evidently relation with the shipping sector. In shipping, the liner services divide into freight and passenger. The passenger is a part of the liner service and is also a part of the maritime tourism.

The cruise which is a part of shipping has nowadays an increasing trend in the world. It is not only spending of visitors directly, but also drives the acquisition of foreign currencies, the increase of hire, the growth of a regional economy, the internal revenues by taxes, and international trade. In a point of country's view, the cruise industry should be developed for the growth of economy.

Nevertheless, the Asian cruise market and the cruise business activity were not relative high enough. It has focused on the container industry so far and the lack of the infrastructure and knowledge of the cruise.

At present, Asian countries are realizing the cruise industry how much it contributes to the country's economy.

Moreover, cruise lines begin to be interest in Asian cruise market as a new cruise market. It is the reason why the Asian market is important has the high potential.

Some cruise lines, which lost interest in Caribbean Sea booming, target to Asian markets by

alternative strategy, but first leading lines did not have much success as it was expected in an early stage in Asia. This was generated by a lack of specific analysis on Asia which has a totally different culture with Westerns'. That is the difference of thought.

Nonetheless, even Asians people are beginning to have an interest in cruises instead of existing air-travel now. Asian economic sharp growth and the income of Asian people are getting higher. Besides, Cruise lines want to enter Asian market as well following vitalization of the world cruise business.

For these reasons, this paper presents the ways that cruise lines should enter the Asian cruise market, it is simply as follows.

To have an internal potential manager who has strong knowledge about running cruise lines.

To make a marketing strategy, such as Relationship marketing, CRM, and Benchmark, that can implant the strong awareness for a cruise to Asian

To cooperate among cruise shipping smaller operators against big four cruise lines

To follow the Asian culture, trend, and preference

This paper also gives the marketing strategies for both the cruise lines and the country affected by SWOT analysis of Asia in chapter 6.

The critical success factors for Asian cruise market are as follows.

In cruise lines view, they have to consider the economic growth of Asia. The current Asia countries are sharply growing, besides, Asia has the China impacts. China has remarkable high

population. It expects that Chinese people will become future customers of the cruise.

But, Asian people don't have the information for the cruise much. It means they are the lack of knowledge for the cruise. Moreover, Asia area has the different weather in each country. The cruise lines need to control the schedule by season or place.

Namely, the cruise line to come in Asia should impress Asia people as strong promotion and as diverse products, commodities.

In the view of country, Asian countries should need the infrastructure for a cruise port behind recognize the lack of berth capacity. And they have to attract big cruise lines which recently have consolidated as merge and acquisition. For that, Asian counties should improve the system related to the taxes and the customs.

Furthermore, they should support the technique for the shipbuilding since Korea and Japan have respectable technique of the shipbuilding.

Asian counties must solve the settled problems as soon as possible and make a plan by various marketing strategy to grow up, as cruise ports. Such this strategy is fulfilled by public sector in cooperation with private sector.

Ultimately, this paper described various product strategies like differentiated price strategy, aggressive promotion strategy, facility strategy for cruise port, system strategy on the legal, and technology strategy for the new shipbuilding.

In the coming future, it should also be considered the need to study more systemic strategies based on the information mentioned above.



This paper does not focus too much on the strategies regarding the environment side. However concerning this and for the benefit of all, it can not be ignored.

Subsequently, future studies need to evaluate the impact of cruise port and terminal on the environment. Also the studies should keep on collecting information to attract cruise lines and cruise customers. That is why the cruise business brings a few of countries profit.

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