Competitive Landscape of Asian Cruise Ports

Cathy HC Hsu
The Hong Kong Polytechnic University

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The cruise industry has experienced a stable growth with an average of 7.2% annual growth rate of passenger numbers since 1990 (Cruise Lines International Association [CLIA], 2010). The popularity of cruise vacation among the public can also be reflected in the full occupancy of cruise lines and the continuous increase of supply (CLIA, 2013a). Data from the 26 member cruise lines of CLIA indicated that 13 more ships were introduced in 2012, with 17,774 new beds (CLIA, 2013b).

Despite the increased revenue of cruise tourism, only a very small percentage of people in the world have cruised. Taking the U.S. for an example, only 3% of Americans traveled with cruise in 2011 even with the country’s dominant role in the global cruising arena. Therefore, there is ample room for further development of cruise tourism in the global market. Although the development of cruise tourism is not a recent phenomenon, the focus of development has been on North America followed by Europe. In 2012, as much as 68% of cruise passengers were sourced from North America (CLIA, 2013c). The European cruise source markets also maintained a double-digit annual growth rate between 2007 and 2011 (European Cruise Council, 2013).

While remaining active in North America and Europe, the cruise industry has started to explore new markets in Asia in recent years. The rising role of Asia in the global economy has drawn much attention to the Asia Pacific region. Although Asia comprises of only a small portion of the current cruise tourism business (representing merely 3.4% of global itineraries and deployment), its growth potential can be reflected in the 302% increase of ship deployment in the Asia Pacific region between 2008 and 2013 (CLIA, 2013c). Cruise Industry News (2013) reported that, compared with the previous year, the worldwide market share of Asia Pacific increased from 6% to 9.1%, a more than 50% increase. Take Mainland China as an example, China Cruise and Yacht Industry Association (CCYIA, 2013) reported 285 cruise ship arrivals in 2012, an 8.8% growth over the previous year. The number of cruise passengers reached 660,000, a 31.9% increase over 2011. The number of cruise ships using Mainland China homeports increased to seven. In 2013, the cruise ship arrivals were expected to increase 34% in Shanghai and 289% in Tianjin (CCYIA, 2013).

Seeing the business opportunities in Asia and the huge potential demand from Asian tourists for cruise travel, governments and industry partners including cruise companies, port authorities and travel agencies are eager to form strategic alliances for exploring and attracting new Asian customers on board. Consequently, several facilitating tactics have been initiated to nurture such collaboration including building homeports to accommodate cruise ships, formulating more encouraging policies to attract international cruise companies, and strengthening the social networks among industry partners. The recent cruise conferences and forums in Tianjing (7th China Cruise Shipping and International Cruise Expo in September 2012), Shanghai (The 3rd Seatrade All Asia Cruise Convention in September 2012), and Hong Kong (Hong Kong Cruise Forum in January 2013) demonstrate the interests of destinations and industry partners in developing cruise tourism in Asia. Participants are eager to strengthen the regional collaboration to respond to the rising demand of cruising.

**Competitive Landscape in Asia**

The newly completed HK$8.2 billion Kai Tak Cruise Terminal in Hong Kong, for example, represents the government’s determination to establish Hong Kong as a regional cruise hub (Hong Kong Tourism Commission, 2013). Both Singapore and Shanghai have also declared their plan of being a regional cruise hub. Beside Shanghai, at least 15 other ports in Mainland China (i.e., Yingkou, Tianjin, Dalian, Weihai, Yantai, Qingdao, Zoushan, Ningbo, Xiamen, Shantou, Guangzhou, Zhuhai, Beihai, Haikou, and Sanya) have hosted international cruise ships (CCYIA, 2011). To become a cruise hub, the port needs to attract cruise lines to operate their cruises using the city as a base, or a homeport. For example, Miami is the homeport of 30 ships from 13 cruise brands (Port Miami, 2014). Homeports have the advantages of a constant flow of visitors, stable revenue for cruise terminals, and significant impacts on local economies. For instance, cruise industry generated 11,017 jobs, US$1.6 billion business revenue, and US$4.3 million of state and local taxes for Port Canaveral, another popular homeport in the United States (Martin Associates, 2013).

The rapid growth of the cruise industry in Asia provides great opportunities as well as raises big challenges to all ports in the region. On one hand, the development of port infrastructures in Asian cities and the growth of the Chinese and other travel markets can enhance the region’s ability and need to have several regional cruise hubs. On the other hand, the region is facing fierce competition from major neighboring ports. Collaborations have also taken place among governments. For example, the formation of the Northeast Asia Cruise Circle (China-Korea-Japan) and the Southeast Asia Cruise Circle (Southeast Asian countries with Singapore as the core port) and the launching of the Asian Cruise Fund, demonstrate the willingness of destinations to work together to develop the industry for the region.
The Asian cruise industry is now exploring more fresh and exotic destinations and itineraries to attract more people on board. The industry is also expanding the customer base by promoting cruise vacations to different segments of Asian travelers. With more and more Asian countries and regions joining the cruise tourism business including Indonesia, Japan, Korea, Mainland China, Malaysia, Singapore, Taiwan, Thailand, and Vietnam, destinations need to develop new product offerings, supporting services and other competitive advantages to expand its customer base and consolidate its position as a preferred port for cruise travel.

For cruise lines to commit to a homeport, comprehensive analysis of the port and the city needs to be done. Due to the competitive landscape now with many cities in the region trying to establish themselves as the regional cruise hub, only the most competitive few will succeed in this regard. Supportive host government policies have been highlighted as an important criterion in considering future growth by cruise lines (Tercek, 2013). Thus, governments need to have a complete understanding of the cruise operators’ decision making criteria and challenges, consumer market characteristics, and the competitive landscape in Asia to draw policy implications to support the development of the cruise industry. Without proper government policy support (e.g., visa, cabotage and subsidy), the goal of becoming regional cruise hubs may have difficulty to be realized, and the multi-billion dollar investment in the terminals and related infrastructure may be scrutinized.

**Proposed Analytical Framework**

To assist governments in devising proper support policies to achieve the goal of establishing various cities as regional cruise hubs, the study takes a systematic and scientific approach to evaluate various ports' competitiveness as a homeport and the potential to develop into a regional cruise hub. Because cruise is a component of the bigger tourism industry and pre-cruise or post-cruise portion of the travel is just as important as the destinations (ports of call) of cruise travel, a broader perspective is taken to review their potential based on a sustainable tourism destination competitive framework (Figure 1), adapted to the cruise context. The task of becoming a cruise hub is even more challenging than becoming a successful destination due to the multiple “customers” involved. Not only does the cruise hub need to attract travelers to the city, which is a primary aim of destination management organizations, a cruise hub also needs to attract cruise lines to use its facilities and services.

![Figure 1. The Proposed Analytical Framework](adapted from: Dwyer and Kim (2003)).

**Objectives and Methodology**
The specific objectives of the project are:
1. Conduct forward-looking analysis on key attractions in Asia for future cruise tourism and port infrastructure developments in coming 5 to 20 years
2. Create an inventory of existing/new potential cruise homeports and evaluate their competitiveness as home ports and regional cruise hubs
3. Make policy recommendations on the development of effective strategies for various governments to develop their ports into regional cruise hubs
4. Identify sample itineraries to showcase the attractiveness of Asian cruise offerings
The project was completed in two phases. Phase one involves desktop research to collect background information about the demand and supply of cruise tourism and forecast future cruise and port development in the region. Phase two includes field visits and interviews with tourism officials, tourism practitioners, and cruise company representatives to assess the potential of various ports and the attractiveness of proposed itineraries. Based on primary and secondary data, conclusions were drawn to formulate policy and strategy recommendations.

**Results**

The study compiled an inventory of new and existing ports, assessed their strengths and weaknesses in being a cruise hub in Asia based on the evaluation framework developed, and identified several ports as having superior competitive advantages. Policy implications are developed and strategies to position various ports as cruise hubs are suggested. Sample itineraries with different characteristics and themes are developed using both new and existing ports (see Figure 2).

![Figure 2. Sample itineraries](image)

**References**