

Cruise industry outlook for China

@ PECC Seminar: Managing The Blue Economy: Future of Ports and Shipping in the Asia-Pacific

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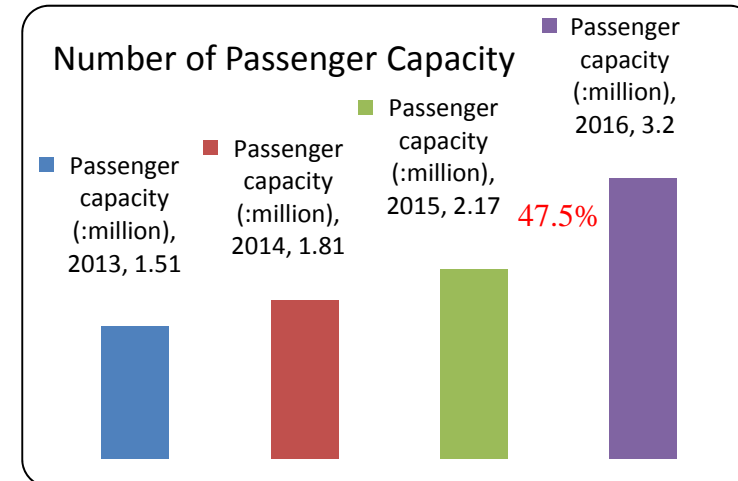
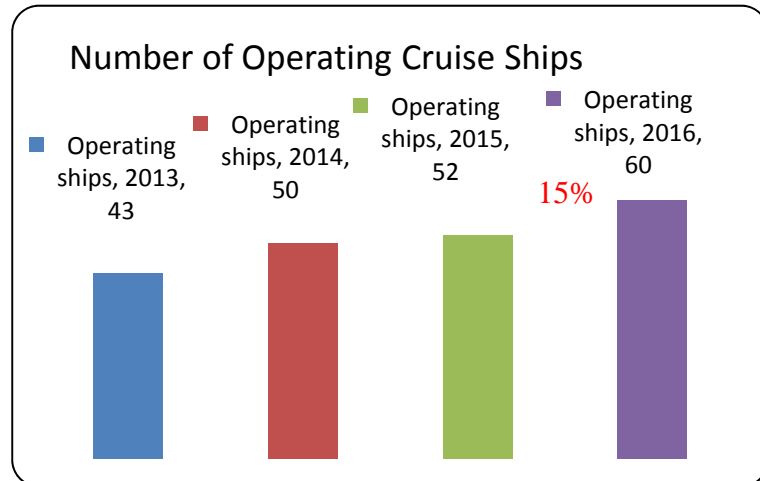
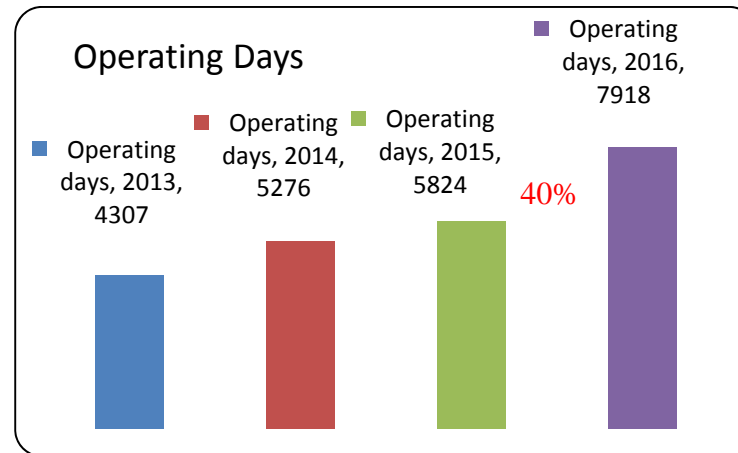
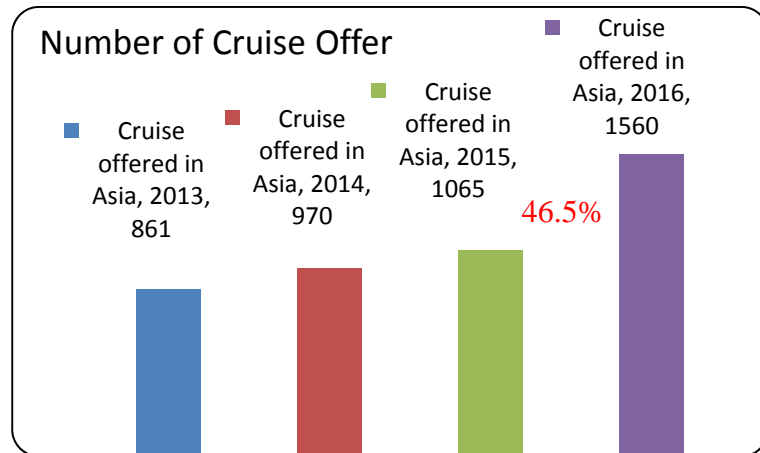


Market share of Cruise market in term of regions



Source: Cruise Lines International Association

Rapidly Growing Asian Market



Source: Cruise Market Watch

Rapidly Growing China Market

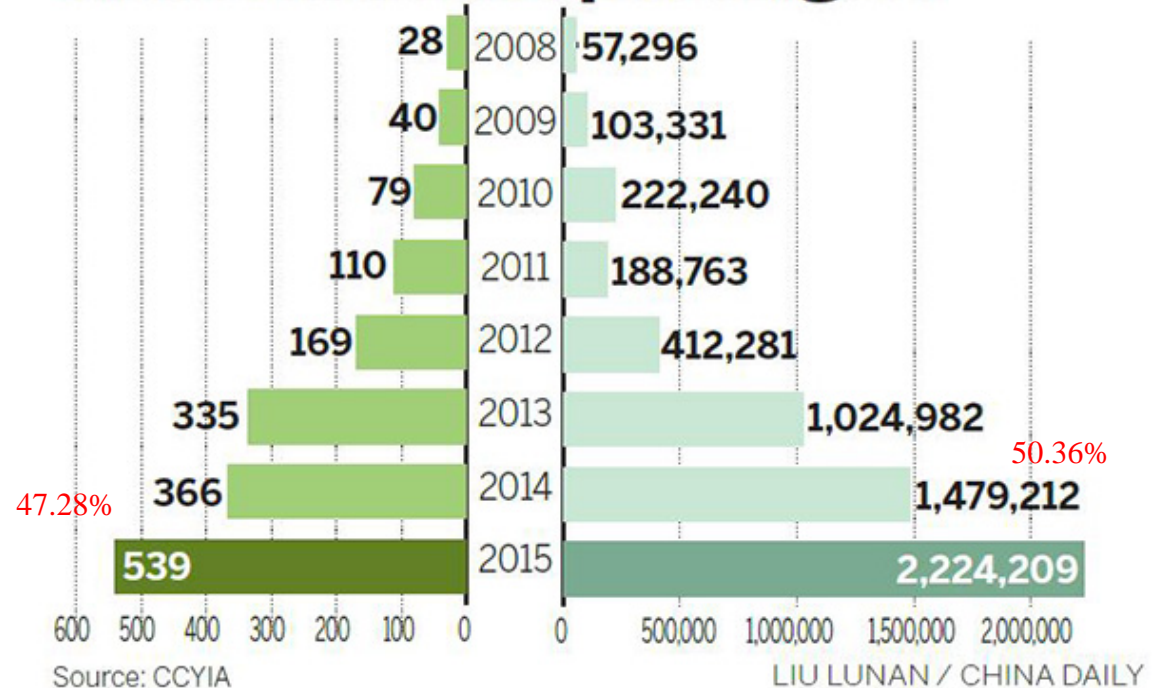
Begin ---- early 21st century

Past 10 years---- significant development

- ① Port construction
- ② Introduction of cruise ships, cruise trips and services
- ③ Policymaking

The potential to become the world's largest cruise market

Cruise calls and passengers



Cruise Ports in China

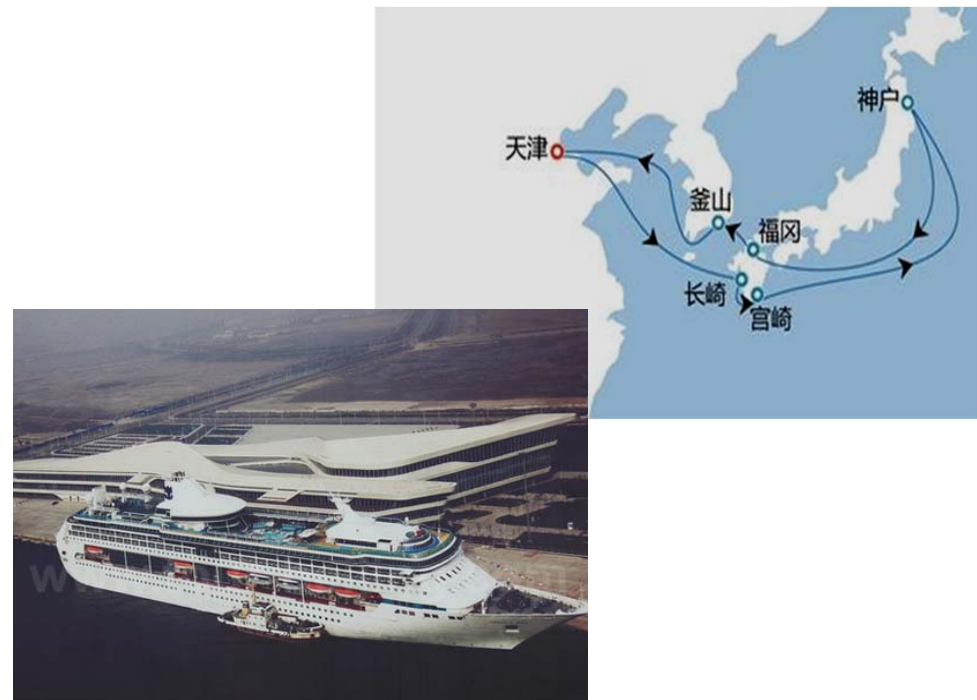
2015 MOT China issue

<The Layout Plan of National Cruise Port>



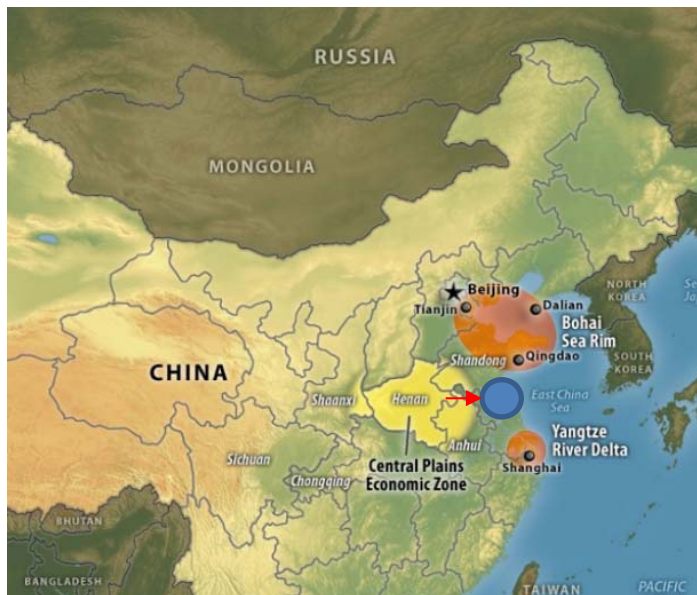
Cruise Ports in China : Tianjin

Tianjin can accommodate 225 thousands dwt ship, 45 cruise calls, 140 thousand person trips every year from 2008-2014. 55 ships visits and 224 thousands person trips in 2014. Not available in winter.



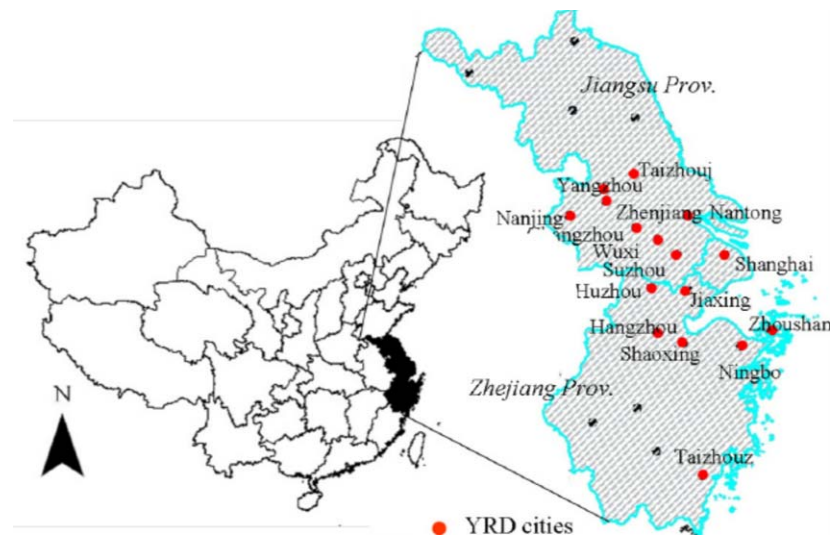
Cruise Ports in China: Qingdao

Qingdao can accommodate 225 thousands dwt ship. 13 cruise calls, 12 thousand person trips every year from 2008-2014. Not available in winter.



Cruise Ports in China: Shanghai

Shanghai has two terminals, 157 cruise calls, 514 thousand person trips every year from 2008-2014.



Cruise Ports in China : Hong Kong

Hong Kong 120 cruise calls, 410 thousand person trip every year from 2008-2012. 85 ships visited HK in 2014.



Cruise Ports in China: Sanya

Sanya 10 thousand dwt terminal, 81 ship visits, 20 thousand person trip every year from 2008-2014. 85 ships visits in 2014.



Cruise lines to tap the Chinese market

- In the late 1990s ---Star Cruises had started building an Asian cruise holiday market .From its base in Hong Kong, the line took a step-by-step approach to unlocking the Chinese market.
- In 2006--- Costa Cruises deployed its first vessel to the Chinese market, using shanghai as its home port.
- In 2008---Royal Caribbean Cruises Ltd. today announced it is opening two new offices in China, in the cities of Beijing and Guangzhou.

The Chinese Cruise Liner

- Yangtze River Cruise Liners

4 liners, more than 20 cruises, mostly one week, 300-700 US dollar



The Chinese Cruise Liners

- Shanghai Wanbang: Shanghai - Mount Putuo
- Beihai Xinao: Two cruises, Beihai - Vietnam



The Chinese Cruise Liners

- China Cruises Company Limited:
found in 2011, “China Star”: 172 rooms and 395 passages, Zhoushan to Taiwan, plan to buy 4 – 5 more cruises, open service to Japan, Korea and Russia. Not formally operate yet.



The Chinese Cruise Liners

- Xiamen Global Cruise Limited

“Legend of the seas”, first voyage on 2011, 2000 passages, from Xiamen to Keelung. From 2012, provide regular service. Managed and operated by Royal Caribbean.



The Chinese Cruise Liners

- Hainan Airlines Group Cruise limited (2012)

“Henna”: Tianjin to Japan and Korea, Shanghai to Taiwan, Haikou to Vietnam from 2012, provide regular service. Operated by STAR CRUISES LIMITED. Operation ended in 2015.



The Chinese Cruise Liners

- SkySea Holding International Ltd (2013)

Invested by Ctrip and Shanghai Panshi Investment Management Co., Royal Caribbean Cruise line (2014)

“Celebrity Century” – “Skyline Century”



The Chinese Cruise Liners

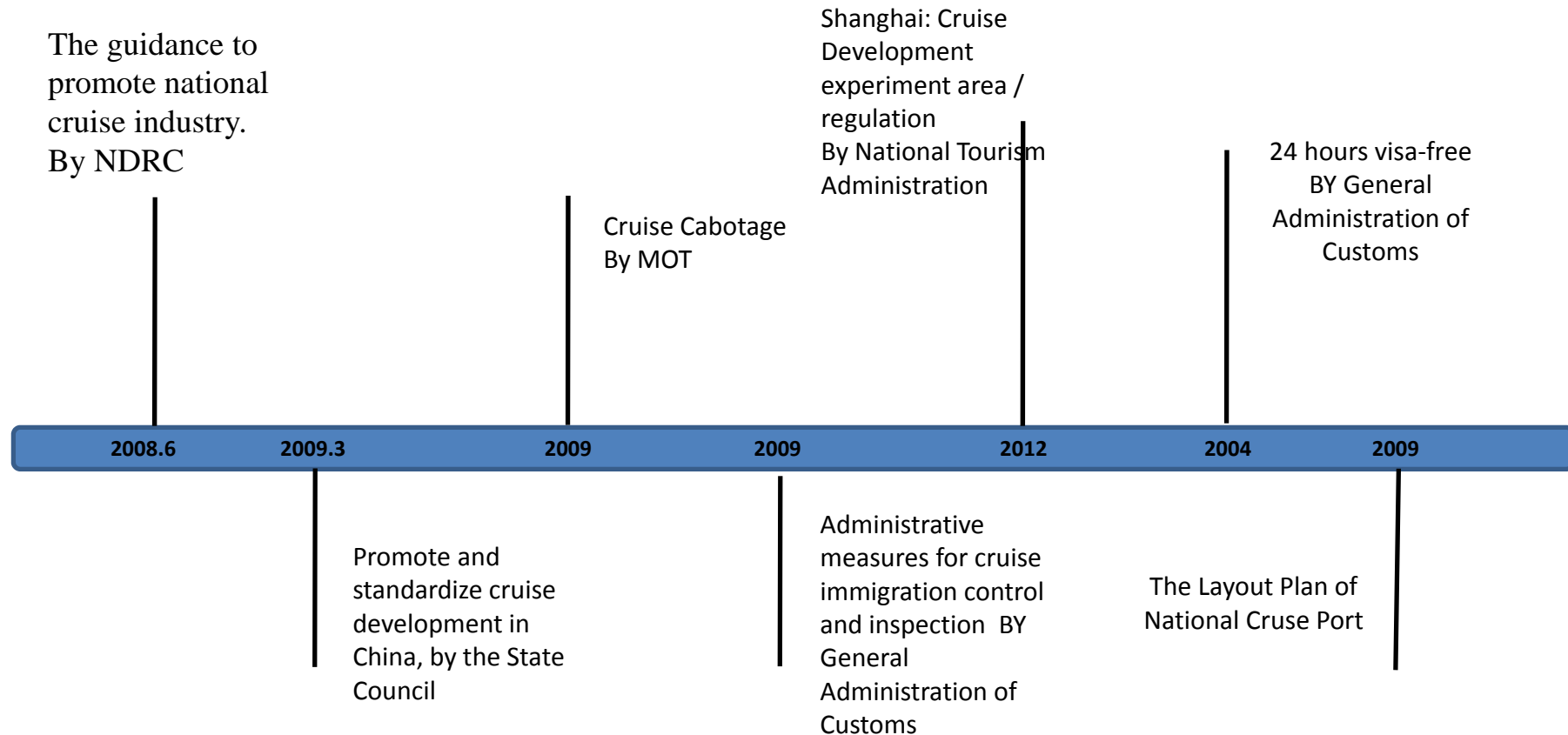
- Bohai Cruise Limited (2014) wholly own by Bohai Ferry Co.ltd. Based in HK.

The Taishan, 24500 dwt, 396 room and 900 passengers.

Yantai to Korea, Shanghai to Taiwan. Operated by themselves



National Policies



From March of 2015, Japan allow passenger from 5 ports (Shanghai, Tianjin, Xiamen, Zhoushan, Yantai), 13 cruises to exempt visa to enter Japan. 。

Market Trend Analysis (Scenario 1)

The per capita disposable income of China in 2020 will reach the same level of US in 1977. The number of cruise passengers account for 0.45% of total population of US in 1977. The urban population of China in 2020 will be 850 million. Further considering the deviation of consumption preference between US and China, we can estimate:

- ❑ The market size of home-port cruise will be **3.55** million.
- ❑ The market size of visiting cruise will be **0.2** million
(estimated with time series data)
- ❑ So, the total market size will be **3.75** million.

Market Trend Analysis (Scenario 2)

It is noted that when the per capita disposable income reaches 8000 US Dollar per year, the consumer is capable to afford a cruise trip. In US, 130 million people had more than 8000 US dollar disposable income per capita in 1977, the number of cruise passengers accounted for 0.8% - 4% of this number in term of years.

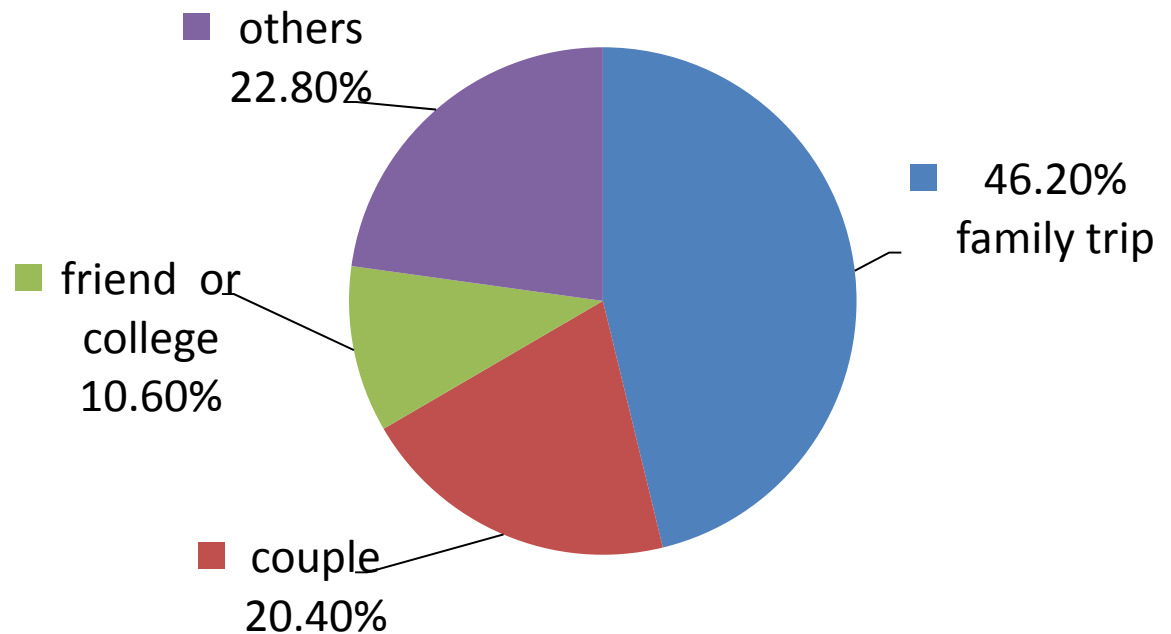
Based on Chinese data, we can calculate

- ❑ The market size of home-port cruise will be **1.60 – 8.20** million (average **4.4** Million).
- ❑ The market size of visiting cruise will be **0.2** million (estimated with time series data)
- ❑ So, the total market size will be **4.2 million**.

Double !!!

Aimed Market and Customers

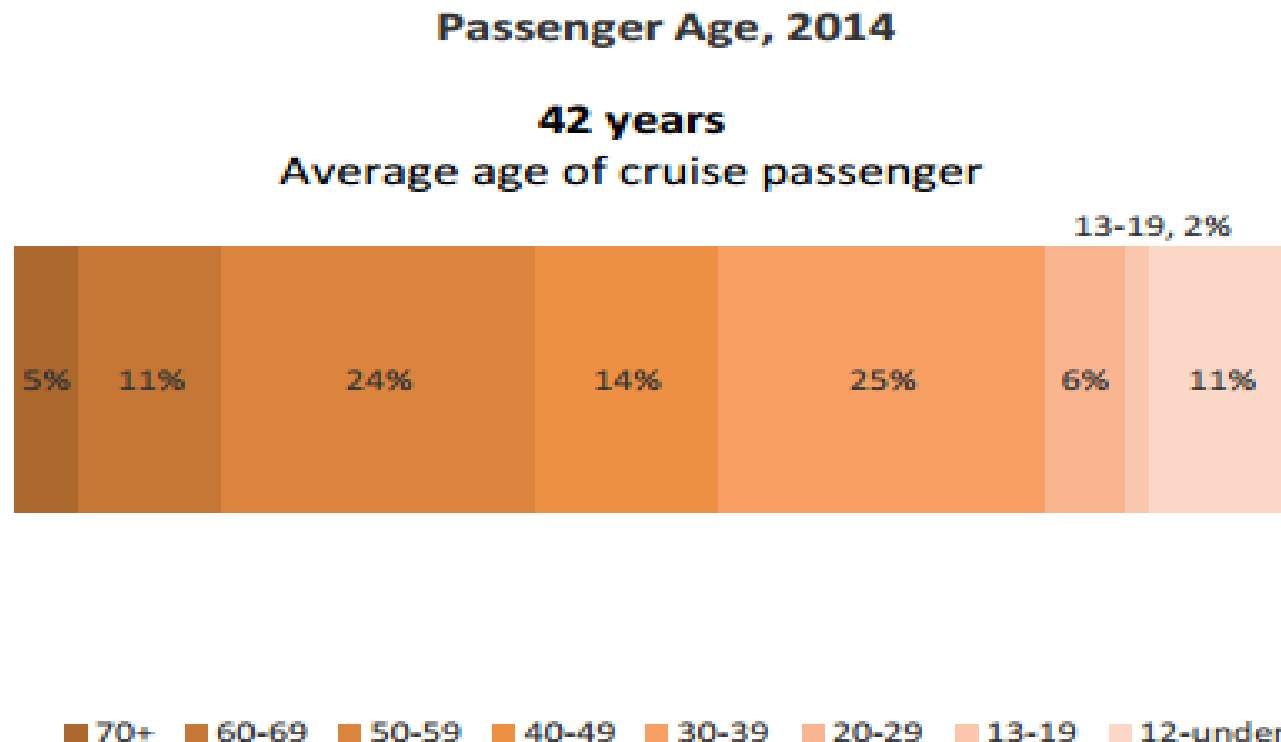
- Main stream customer group : middle or high income families
- 70% family's monthly income : more 3000 US dollars
- Main type :
Family trip 70%



Source: Cruise Market Watch

How to open the potential market?

- Target customers



How to open the potential market?

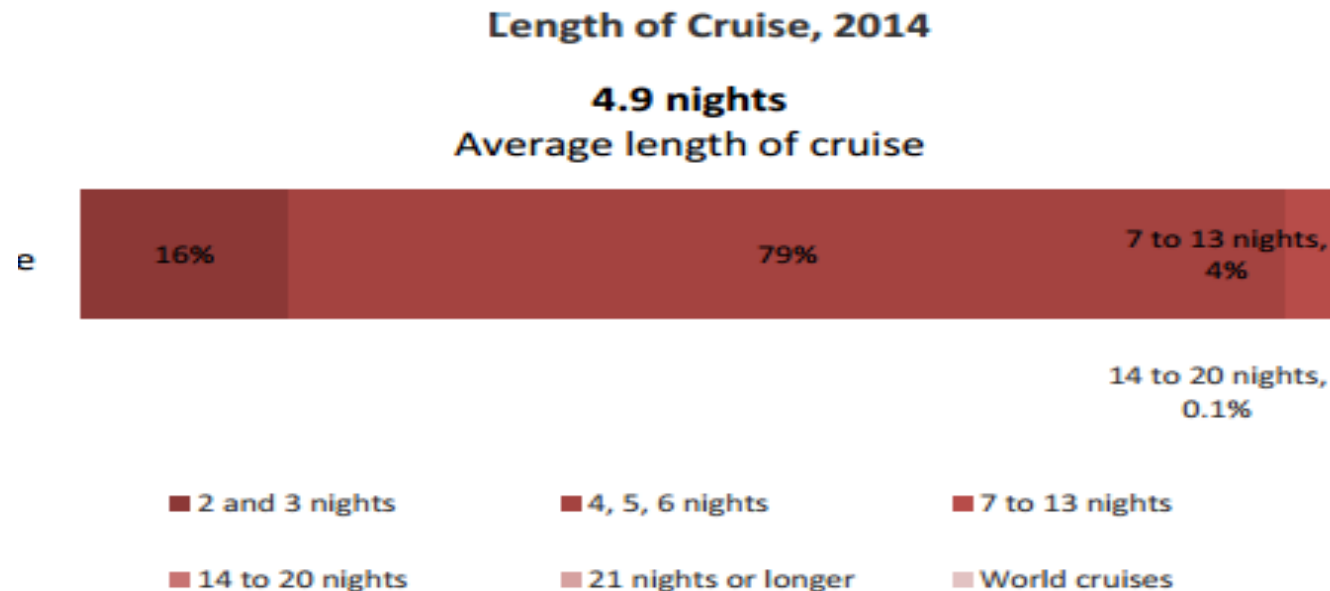
- Middle-aged customers' travelling time is limited.
- Young customers can't afford too expensive trips.
- Target customers : retired people aging from 50-69
- Reasons :
 - No job --- sufficient time
 - Certain economic base
 - Safer and more comfortable way

How to open the potential market?

- Diverse lines

Average length of cruise is 4.9 nights

Most focus on Japan or Korea, Asian countries



How to open the potential market?

- Inland market
 1. More marketing ---Many people in inland China still don't know much about cruise. And the sea is something they are quite curious about.
 2. Inland lines --- coastal cities and inland cities along the Yangtze River and the Yellow River
- Longer lines--- the Caribbean and the Mediterranean

How to open the potential market?

- Catering to Chinese preference

Duty free shops, Chinese cuisine and language services, mah-jong rooms, designed dining rooms, tea houses.

More shore excursion

How to open the potential market?

- Lower the price??
- In short term: it works
 - Customers who are sensitive to price enter the market
 - The number will increase
 - The quality of service will go down
 - Customers keep looking forward to low price
 - Market price will be difficult to go up again
- In long term:
 - Customers who are not sensitive to price will leave the market
 - Overall revenues decline
 - Companies won't have enough money to update their product and service
 - The quality of service keep going down
 - Cruise industry will be in recession

Problem to be solved

- How to find potential market niche
- Policy limitation
- Business model
- Lack of management and operation personnel
- Marketing strategies



Question?



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