Mixing business with pleasure

Emerging technology and M.I.C.E. present the next opportunity in cruising

A joint Amadeus North America / Cruise Lines International Association study on opportunities for the cruise industry

Independent research commissioned with Schwartz Research & Consulting, Inc.
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Overview

A year ago, the Cruise Lines International Association (CLIA) and Amadeus North America commissioned a study to examine how cruise lines, cruise travel agencies and cruise customers are adopting emerging technologies and social media. The results were published online in a study that was widely distributed.

Due to the rapidly changing nature of emerging technology, Amadeus and CLIA decided to commission a follow-up study with a similar set of respondents and, once again, partnered with Schwartz Research & Consulting, Inc., a Tampa, Fla.-based marketing research consultancy with expertise in travel and emerging media research.

CLIA and Amadeus polled more than 1,400 respondents online, categorized as follows:

- The majority are travel agency owners/managers and hands-on selling travel agents (54%)
- Nearly one-third (30%) are independent contractors
- About 1-in-7 (15%) are travel agents working in an agency
- The remaining 2% consist of corporate travel managers, agents, consultants, and travel agency owners/managers who are not a selling travel agent

The majority of respondents are from home office-based travel agencies (64%), followed by storefront offices (24%). Online travel service employees working for companies such as Expedia or Orbitz account for 4 percent of the respondents, followed by host agencies (3%) and other (3%).

All participants provided their input regarding cruise industry trends related to the following:

- Awareness, usage and growth predictions for Meetings, Incentives, Conventions and Exhibits (M.I.C.E.) on cruise ships
- Passenger booking methods
- Demographic/segment makeup of passengers
- Growth/use of social media and other technology by agencies and passengers

Consistent with last year, Amadeus also supplemented the quantitative survey results with a series of qualitative interviews, which were conducted with cruise line executives and cruise line meeting planners.
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By all accounts, social media continues to grow leaps and bounds — both as a consumer connector and as a tool for businesses to connect with their customers.

In 2012, 71 percent of travel agencies use social media for business purposes. By comparison, in 2011, 54 percent of agencies that participated in the study actively used social networks to generate cruise customer leads. This is a 17 percent increase in one year.

The primary reasons travel agents use social media to connect with their customers reveal double-digit growth from last year, as displayed on the chart below.

These were: to engage their customers (45%), to post offers or discounts/advertising (40%), to promote new products or services (38%) and to provide travel advice to their customers (38%). Especially impressive is the growth that occurred in just one year: providing travel advice has jumped 28 percentage points, allowing customers to share experiences jumped 19 points, while promoting new products or services jumped 17 points.

Social media and the cruise market: A lot can change in one year
Also, just like last year, travel professionals who responded to the survey are optimistic on the use of social media for business purposes. Three-in-four predict an increase in the use of social networks in the next three years.

Most commonly known as a relationship-building tool, social media is expanding to a transaction/sales medium. And, not only do agents expect the use of social media to increase, they also expect it to have an increasingly larger impact on lead generation and sales. Three-in-four travel professionals (74%) expect the influence of social media on cruise and travel sales to increase either slightly more or significantly more. These rankings are similar to those seen in 2011.

Influence of social media on cruise and travel sales is predicted to grow
The emergence and growth of M.I.C.E. on cruise ships

Social media is not the only forecasted growth area for the cruise/travel industry.

One emerging area that shows significant promise is the business segment, specifically in the area of Meetings, Incentives, Conventions and Exhibits, typically referred to by industry insiders as M.I.C.E.

Back in 2009, when the nation’s economy went into a deep recession and our financial infrastructure was brought to its knees, there was a sharp decline in corporate travel, junkets and other business-centered travel. Companies were publicly scrutinized and/or criticized for conducting off-site events, conferences and some business travel. Especially under scrutiny were companies that were receiving taxpayer-supported T.A.R.P. (Troubled Asset Relief Program) money as part of the federal relief assigned to large financial services companies and the auto industry.

Since then, financial markets have stabilized, the economy is improving, T.A.R.P. funds have been paid back to the federal government, and corporate business environments and profits are more positive. Corporate travel is back, and there is anticipation of regaining growth.

Corporations take business to high seas

Many of the cruise lines now provide business passengers and groups with more than just rest and relaxation. Cruise lines see the M.I.C.E. trend and are strategically ensuring their services meet the needs of this growing market. On-board Wi-Fi and the expansion of conference rooms have enabled the cruise lines to accommodate corporate audiences who, in the past, may have opted for a hotel or resort for their annual meetings, sales contest celebrations, conferences or exhibitor trade shows. Improved
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Emerging technology & M.I.C.E. present the next opportunity in cruising

Top 5 factors when choosing a cruise for a corporate event

1. Overall cost (42%)
2. Availability of meeting support services and equipment such as audiovisual (27%)
3. Number, size and quality of meeting rooms (25%)
4. Distance traveled by individual attendees to port of call (22%)
5. Activities and options for meeting attendee spouses, guests and children (17%)

The blurring of lines between work and play also affects the travel industry. Business professionals may attend a two-day conference at a resort with their colleagues and schedule important meetings with their clients. Upon concluding the conference, they fly their family down to the resort where the conference took place and the executives trade their power suits for tennis shorts and sneakers. Combining business and leisure is a growing trend among the modern professional.
This is why the timing is especially good for both cruise lines and travel agencies in terms of growing revenue from corporate/business customers as part of expanding their M.I.C.E. offerings.

Cruises gain appeal with corporate bookers

According to Maria Panizo, Ph.D, Director of Marketing Research for Amadeus North America, “M.I.C.E. represents a hidden treasure for the cruise lines, but also for travel agents and meeting planners. And the industry and the cruise lines are ready for M.I.C.E. Cruise ships are either already prepared or rapidly preparing to accommodate business passengers, from small teams to large groups.”

Cruise lines offer added value such as total package accommodations. On cruise ships, most features are all-inclusive – room and board, entertainment, conference rooms, use of technology and highly trained teams who can accommodate the needs of any group size.

According to an Odyssey Media Group article*, four of the world’s leading cruise lines participated in the 2011 GIBTM — the Gulf Incentive, Business Travel and Meetings Exhibition, which was held in Abu Dhabi. This was the first time this many cruise lines participated, and is a strong indicator of the growing interest in M.I.C.E.

Four of the participating cruise line operators — Costa Cruises, Silversea Cruises, MSC Cruises and Royal Caribbean International — indicated that cruises are gradually being recognized by corporate bookers as a new travel option.

According to Lloyd Kenyon, GIBTM’s exhibition manager, “You can think of cruise ships as floating conference centers, complete with state-of-the-art auditoriums and meeting rooms; and since your colleagues can’t stray too far when they’re on board, it is much easier for organizers to arrange last-minute changes to their program schedules.” Interviews with cruise line executives shared this perspective.

While the infrastructure to accommodate M.I.C.E. cruises is largely already in place, this year’s survey with travel professionals reveals that there is still work to be done in terms of

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*“Cruise Lines Recognize Business Opportunities At GIBTM” Published online, March 22, 2011 by Odyssey Media Group
www.odysseymediagroup.com
making the industry aware of the potential of M.I.C.E. and helping them get the message out to travel agencies, meeting planners and corporations.

The chart below shows that awareness of M.I.C.E. is split nearly in two halves. Also, while 44 percent of agents are “somewhat familiar” with M.I.C.E., only 9 percent consider themselves to be “very familiar” with this particular offering on cruise ships. This represents a very large opportunity for the travel industry, as M.I.C.E. on cruise ships is potentially a very significant source of new revenue for agents, meeting planners and the cruise lines themselves.

**Increasing awareness of M.I.C.E. as an opportunity**

![Chart showing awareness levels](chart1.png)

While nearly half of the travel professionals polled are not familiar with M.I.C.E, their lack of familiarity does not mean they don’t see the opportunity. In fact, one-in-five (21%) selected the top two ratings in terms of the business opportunity they see in M.I.C.E.

**One-in-five see great opportunity in M.I.C.E. on cruise ships**

![Opportunity levels chart](chart2.png)
While many see the opportunity that M.I.C.E. cruises represent, only one-third of travel professionals feel they are ready to book business-focused cruising. When it comes to having the in-house tools, expertise and information required to book these types of cruises, about half of the travel professionals polled said they feel improvement is needed in this area.

Are travel professionals ready to book M.I.C.E. cruises?

Travel professionals familiar with M.I.C.E. were asked to select the top five factors they consider when selecting a cruise ship for corporate meetings. Not surprisingly, overall cost was selected most often, followed by specific meeting accommodations.

Among those familiar with M.I.C.E. cruises, the outlook for business is quite good. Two-thirds of travel agents are likely or possibly likely to book a M.I.C.E. cruise in the next 12 months; this is a clear indicator of a growing and potentially very large market and new revenue stream to further energize the already successful cruise industry.

The biggest obstacles travel professionals face are cost, the low perception of technology aboard ships and access to prospect contact information, along with a lack of market knowledge about M.I.C.E.
Therefore, in order to grasp the potential size of this opportunity, travel industry leaders need to educate travel professionals about how cost-competitive M.I.C.E. cruises are in comparison to alternative land options. They also need to put good tools and technology in the hands of sellers in order to identify, actively prospect, and cater to corporate buyers. This includes establishing sales channels to help cruise travel agents actively market to corporate buyers and event/meeting planners.

Along similar lines, the industry needs to demonstrate and promote that cruise ships have the adequate space, infrastructure and technology to accommodate business groups of all types and sizes.

**Perceptions of cost, technology and access seen as biggest challenges to M.I.C.E.**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Very familiar with M.I.C.E.</th>
<th>Somewhat familiar with M.I.C.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>Technology on board ship</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>Access to corporate meeting and incentive prospect contacts</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>Access to information/M.I.C.E. market knowledge</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Lack of interest/market potential</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>Technology needed to book M.I.C.E. on board ships</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>15%</td>
<td>10%</td>
</tr>
</tbody>
</table>
In summary, a maturing and successful cruise travel industry is poised for growth and promises to be invigorated by advances in technology, especially social media as a way to engage with and attract customers. This is not only evidenced in the evolution of trends associated with social media in the travel agency business, but the emergence of new opportunities for the cruise segment.

The growth of new markets like M.I.C.E. cruises catering to corporations and business professionals represents a new opportunity for the industry – and an exciting way to get business done. In our interviews with cruise line executives responsible for catering to the M.I.C.E. segment, it appears they are anticipating that growth by aligning offerings, packages and solutions to support the market. The cruise lines have invested and are prepared to support and service this new opportunity.

The cruise industry, as referenced in last year's study, has been growing at an average annual rate of 7.2 percent every year since 1990 and only 10 percent of North American adults have cruised. All of these findings point to continued growth and opportunity in this important travel sector.

It’s definitely clear sailing from here!
About Amadeus

Amadeus is the leading transaction processor and provider of advanced technology solutions for the global travel and tourism industry.

We provide distribution, IT and point-of-sale solutions to help customers adapt, grow and succeed. Customer groups include travel providers (airlines, hotels, car rental companies, railway companies, ferry lines, cruise lines, insurance companies and tour operators), travel sellers (travel agencies) and travel buyers (corporations and travelers). We have a strong commitment to the North American market, which we support from our regional headquarters and state-of-the-art executive briefing center in Miami, Florida, and modern offices in Chicago, Illinois; Toronto, Ontario; Boston, Massachusetts; and Tucson, Arizona.

Our philosophy, approach and organization have evolved to better serve North American customers because we have a keen understanding of the unique challenges and opportunities ahead. Yet our presence in more than 195 countries gives us a global footprint and the breadth of an international perspective on this increasingly fluid and interconnected industry.

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About CLIA

The nonprofit Cruise Lines International Association (CLIA) is the world's largest cruise industry organization. CLIA represents the interests of 26 member lines and participates in the regulatory and policy development process while supporting measures that foster a safe, secure and healthy cruise ship environment. CLIA is also engaged in travel agent training, research and marketing communications to promote the value and desirability of cruise vacations with thousands of travel agency and travel agent members across North America.

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About Schwartz Research & Consulting, Inc.

Schwartz Research & Consulting, Inc. (SRC) is a full-service market research consultancy based in Tampa, Florida.

SRC provides qualitative and quantitative marketing research and is an industry leader in contemporary data collection methods, including online, mobile and social media research. SRC offers a full suite of quantitative offerings; including a proprietary in-house online survey platform known as JettSurvey™. We also offer JettSurvey Mobile™ for quick mobile phone and smart phone surveys. JettPoll™ offers quick and short flash polls with specific target markets.

SRC is also a leader in qualitative research methods, from traditional focus groups, in-home interviews and ethnographies to JettFocus™, our online virtual focus facility. SRC also offers a full service, state-of-the-art, stand-alone focus group facility in Tampa, Florida.

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