January 2000

Cruise Brand Management

Laurence Miller

Florida International University, hospitality@fiu.edu

Follow this and additional works at: https://digitalcommons.fiu.edu/hospitalityreview

Part of the Hospitality Administration and Management Commons

Recommended Citation

Available at: https://digitalcommons.fiu.edu/hospitalityreview/vol18/iss1/6

This work is brought to you for free and open access by FIU Digital Commons. It has been accepted for inclusion in Hospitality Review by an authorized administrator of FIU Digital Commons. For more information, please contact dcc@fiu.edu.
Cruise Brand Management

Abstract
Brands have always been associated with cruise and line voyage operations, but the branding concept has taken on new meaning in the modern cruise industry. In the consolidation of cruise lines under a few major corporate structure today, the acquiring entity has most often chosen to invest in lines acquired under their existing names, retaining separate brand identity. The author summarizes industry experiences with the acquisition and management of multiple brands under a single corporate structure, together with the rationale and advantages, this article is an updated and expanded version of that first given at the Seatrade Cruise Shipping Convention March 11, 1999.

Keywords
Laurence Miller, Cruise, FIU

This article is available in Hospitality Review: https://digitalcommons.fiu.edu/hospitalityreview/vol18/iss1/6
Cruise brand management

by Laurence Miller

Brands have always been associated with cruise and line voyage operations, but the branding concept has taken on new meaning in the modern cruise industry. In the consolidation of cruise lines under a few major corporate structures today, the acquiring entity has most often chosen to invest in lines acquired under their existing names, retaining separate brand identity. The author summarizes industry experience with the acquisition and management of multiple brands under a single corporate structure, together with the rationale and advantages. This article is an updated and expanded version of that first given at the Seatrade Cruise Shipping Convention March 11, 1999.

A cruise brand today should mean that there are uniform standards of both cruise hardware (the physical surroundings) and software (the cruise experience) throughout a fleet sharing the same name, or brand name. With the most successful lines, this is the case.

There should be no surprises for the cruise passenger, or for the travel agent making the booking. The leading cruise brands, if they have not always attained this in the physical shipboard setting, are heading rapidly in the direction of both predictable hardware and software as new ships enter service. It can be argued that many cruise lines are rapidly achieving even greater product uniformity than has been characteristic of the hotel industry, thanks in part to the trend toward building numbers of ships to the same general design.

Today, cruise brands are frequently owned and managed as parts of larger corporations operating several brands. The Carnival Corporation has either purchased outright or owns a controlling interest in Costa Cruises, Holland America, Windstar, Seabourn, and Cunard, not to mention a major interest in Air-tours, a British cruise and tour company. Royal Caribbean International offers not only Royal Caribbean brand cruising, but Celebrity Cruises as well – two distinct types of experiences. The
world's oldest steamship company, P & O (Peninsular and Oriental), owns not only P & O Cruises, catering to a British market, but also Princess, one of the world's largest cruise brands tailored to the tastes of those in North America.

Travel agents have influence

Until about 25 years ago, travel agents had to be aware not only of the brand characteristics of an individual steamship line, but also what individual ships had to offer. This was true not only for the ship as a whole, but for each individual class of accommodation on board. In the late 1950s, for example, a good travel agent knew that tourist class aboard the old Queen Mary was equivalent to third class and had been designed as such, in spite of the elegant first class on board the same ship. They preferred to give tourist class clients a break by booking them aboard such vessels as German Atlantic's Hanseatic, the 1957-built Statendam, or the Bremen of North German Lloyd where the tourist class passenger had virtually the run of the ship. They did not book first class passengers on some of the so-called luxury tourist ships because, in a few cases, the class existed mainly to satisfy the requirements of the Transatlantic Passenger Conference.

Today, no cruise line can create or depend on the existence of that kind of product knowledge in most of today's travel agent community with its high turnover and low salaries. There are many exceptions to this statement, but in general, a revolving-door situation is a fact of life for today's travel agent community. Therefore, cruise lines today must emphasize the development of brand awareness – and then deliver a product consistent with what that brand is supposed to represent. None of the legendary steamship companies of a bygone age met this standard. Such companies as French Line, Italian Line, and North German Lloyd usually had both excellent and either mediocre or poor ships offering contrasting experiences in ocean travel.

Brand consciousness in the cruise industry was enhanced when major cruise lines began to acquire other brands in what has been a trend toward consolidation. True, sometimes brands were acquired for other reasons. For example, P & O purchased what was a small American company, Princess Cruises, to gain expertise and entry into the North American cruise market. Later, Princess acquired Sitmar Cruises to take advantage of the latter's building program and to speed growth and expand market share in a high-demand market. Under these circumstances, management felt the brand name could be sacrificed.

Brands increase market

Most often, however, brands have been acquired to broaden the range of products as well as to increase market share. Through acquisition and operation of mult-
multiple brands, cruise lines have had a strong incentive to maintain brand identity, product uniformity, and product differentiation – more so than if the lines operated independently. Another advantage is that brands in contiguous market segments also tend to reinforce each other as clients “trade up.”

There were some good lessons early on in the case of Princess’ acquisition of Sitmar. A price was paid for the growth spurt and the acquiring company ended up with a disparate fleet of ships – in many ways, a lesson in how not to do it. In the long term, the acquisition was successful and, today, former Sitmar service staff work side by side with those who gained promotion on the Princess side of the fleet.

**Decisions involve personnel**

In the short term, however, achieving product uniformity was impossible. Both Princess and ex-Sitmar ships had Italian dining room staffs, but the latter had large blocks of Italian officers and service crew, as would, through agreement, the new ships under construction. During this acquisition, Princess accepted a diverse fleet of traditional ships such as *Fair* and *Dawn Princess*, ships with a distinctly British ambience such as *Pacific, Island*, and *Royal Princess*, and those with more of a Mediterranean atmosphere – *Fair* and *Dawn Princess* – as well as the vessels then under construction for Sitmar. On the personnel side, the line in the long run gained strength in its diversity with two staffs of major nationalities serving alongside each other. However, not all companies could have survived the transition.

The Princess/Sitmar merger succeeded because the P & O had the resources, patience, and long-range vision to see this project through, not, as has been noted, because this was a match made in heaven. It was an expedient for growth, not an example of how brand acquisition ought to take place in today’s cruise market. A more contemporary approach would have been to operate and market Princess and Sitmar separately. This might have exploited the different ambience of the two lines and, perhaps, expanded market share to an even greater extent.

If newly-acquired ships are to be operated as part of the same brand as the parent, a sharp look at the resulting brand congruence needs to be taken. Otherwise, a line is likely to have some of the same problems now being encountered by hotel chains where, in many instances, it is no longer possible to predict the accommodation by the name of the brand.

When it comes to brand acquisition, it is easier to judge the suitability of the ships being acquired than the people and organization that go with them. How well the personnel side is handled is a major determinant in how successful the brand acquisition and management is. This is all the
more true under conditions where cruise fleets are expanding, and where experienced shipboard and shore personnel are at a premium.

It is easy to be wise after the fact and not repeat past mistakes. Cross-country moves of organizations that are, in fact, winning teams must be undertaken with care lest an important resource be compromised. It can be done well, but must be done carefully. A related issue is that successful brand acquisition has to involve recognizing talent and ability even when it does not originate in the culture of the parent organization. Appropriate delegation of major decisions is important and even more critical when the cruise experience being marketed is different from that of the parent.

A phenomenon present in the operation of multiple brands under a single umbrella organization is the culture clash between units with contrasting traditions and ways of doing things. The clash of cultures can be creative or problematic. But it must be expected.

**Holland America is example**

Perhaps the best recent example of brand acquisition, successful for both parties, was that of Holland America Line by Carnival Corporation. The Holland America product embraced a style totally different from Carnival's, and appealed to a different clientele. A line rich in tradition, it had a well-developed and successful infrastructure in most areas. According to Carnival Cruise Lines President Bob Dickinson, it was a profitable company at the time of acquisition. Through its entire previous history, however, it had remained a small line on the passenger side. In spite of very differ-
ent corporate cultures, Carnival Corporation respected the integrity of the acquired company which, to this day, is headquartered in Seattle as it had been before the acquisition.

At the same time, Carnival has made it possible financially for HAL to do what, in the minds of many, it could never have done for itself, including growing rapidly and taking major risks, such as the large-scale return to extended cruise itineraries, in addition to its traditional world cruises, for the Rotterdam, risks that often bring major rewards. As the company changed from a small to a large cruise line, Carnival allowed it to maintain its own unique identity and culture in the process of very rapid growth.

Holland America also gained access to an excellent team experienced in the design of ships, supervision of their construction, and, in consort with Carnival Corporation management, negotiation of extremely favorable building contracts. The Holland America acquisition continues to be successful because two separate cultures are allowed to do what they do best, even with some competitive rivalry between the two strong unit identities and those who make them successful. Uniformity of the cruise experience within the Holland America brand is equal to the best in the industry at this point.

With Norwegian Cruise Line’s recent acquisition of the Orient Lines brand, it will be interesting to watch future developments in this small but excellent company which offers a product in a different market niche than its parent. The product is a fine one and offers a good basis for growth. It has been highly profitable in spite of its status as a one-ship company.
that occasionally leases space in other vessels. Usually, more than one ship must be operated by a brand for significant profitability. In April, NCL announced the transfer of Norwegian Crown to Orient. The maiden voyage as part of the Orient brand will take place in May 2000. Interestingly, the vessel was acquired through what proved to be an unsuccessful acquisition of the Royal Cruise Lines brand by NCL. Designed for worldwide operation, the ship will revert to its original name, Crown Odyssey. The ship is sufficiently similar in standard of accommodation to Marco Polo, Orient’s existing ship, as to reinforce rather than blur brand identity.

Marketing plans differ

In multi-brand situations, most marketing efforts, including advertising, brochures, and the initiation of marketing campaigns in keeping with the image of the brand, are kept separate. There has been varied experience in merging field sales forces. Carnival experimented with combining those of its several brands, but then reverted to separate sales agents by brand.

Royal Caribbean International is combining Royal Caribbean and Celebrity field sales forces, and it will be interesting to see how this works. Travel agencies frequently do not have core clienteles embracing more than one brand, especially where there is great differentiation of product and fare levels. In addition, brand loyalties of field sales agents die hard. One may find oneself in the position of saving money in the number of field salesmen to be hired, but forfeiting market share. Having separate field sales forces does not mean that there cannot be cooperation between the forces serving individual brands and agencies with a given territory. RCI may find advantages in combining field sales efforts for two brands where the socioeconomic and age characteristics of passengers are somewhat similar. In any case, there are savings to be realized in the ordering of media space backed by the purchasing power of more than one brand.

A recent development is Carnival Corporation’s inter-brand advertising effort: “Leading Cruise Lines of the World.” The occasional advertising of all Carnival brands presents to the reader a complete menu of brand choices, something for every taste and purse. Each contributes a portion of the cost. Results are difficult to measure, but the strategy, on the corporate rather than on the brand level, is an interesting one.

As a general principle for any business, it is best to choose a brand name that will grow with the company - regardless of the business one is in. In cruises, it is best to choose a brand name that will accommodate worldwide operation before one has to sacrifice familiarity of a known label in order to have a name appropriate for marketing extended cruises. No doubt, Royal Caribbean Cruise...
Lines engaged in extended internal conversations before electing to retain the "Caribbean" portion of its brand name in undertaking the change from Royal Caribbean Cruise Lines to Royal Caribbean International.

When bargain hunting for additional ships, cruise lines need to ensure that acquisitions strengthen and do not dilute brand identity unless they are prepared to reconstitute their fleet. Through refurbishing and new construction, NCL currently seems to be in the process of doing this after some varied acquisitions. The economies of joint purchasing are massive, an advantage that can be reaped without blurring brand identity. This can and does in some instances make the difference between profit and loss.

Consolidation is strength

The consolidation of cruise lines into a smaller number of well-known brands has enormously strengthened the industry by making it as easy for the average travel retailer to book a cruise as to book a tour or hotel stay. It has helped to make it easier for the travel agent to place the passenger on the right cruise line for the experience desired by the client. The creation of fewer, and stronger, companies has created the marketing clout to engage in national advertising campaigns, including those on network television, and to bring word of the cruise experience to the living room of the average person. This national advertising has had an impact much like that of the TV series "Love Boat." Further, the support that wealthy corporations have been able to give to excellent, but financially weaker brands in the form of new ships and operating capital has undoubtedly strengthened the cruise industry and improved its product. Very real economies of scale have helped to keep the cruise experience affordable. That this consolidation has also deprived cruising of some of its diversity seems like a small price to pay for the emergence of fewer, but stronger brands.

Addressing the National Association of Cruise-Oriented Agencies recently, former Disney Cruise Line President Art Rodney predicted, "I believe that in the next decade you will see brand names becoming... more important than the name of the ship or even the ports of call." Many would argue that the first part of that prediction has already come true.

References

1 This trend has been encouraged by the major cost advantages of ordering ships to the same general design. Interiors are most often adorned differently, but furnished to the same standard as others built to the same design. Such groups of ships are referred to as "classes" and the vessels themselves as sister ships.
2 Based on travel aboard both ships by the writer.
3 Based, in part, on conversations with reliable sources at Carnival Corporation.

Laurence Miller is executive director of libraries at Florida International University and lecturer in cruise line management for the university’s School of Hospitality Management.