

Cruise Bookings, Pricing Plateau, Costa Accidents a Nonissue

Companies: CCL, LON:CCL/CUK, RCL

March 8, 2012

Research Question:

How does the 2012 wave season compare with 2011 in terms of bookings, pricing and incentives, and how has the *Costa Concordia* grounding affected the cruise industry?

Summary of Findings

- Compared with our Feb. 7 report, bookings, pricing and incentives continue to trend positive but appear to be hitting a plateau.
- Bookings year to year have increased for four of our 10 sources, have been flat for four and down for two others. In our February report, five of six agents said bookings had increased.
- Bookings for the second half of February compared with the first half of the month increased for three sources, declined for two and were stable for three. Two sources had no comment.
- Year-to-year prices increased for two sources, were flat for five and were lower for three. In our February report, four of six sources said prices were higher year to year.
- Prices during the last two weeks of February were in line with the first two weeks of the month for six sources. Four sources had no comment.
- Incentives have increased for three sources, remained steady for three and declined for two year to year. Two sources had no comment. Meanwhile, two sources said promotions were being offered in shorter windows than in past years. Five of six sources said incentives during the second two weeks of February had declined or held steady compared with the first two weeks of the month.
- Eight of 10 sources said the *Costa Concordia* accident (Carnival Corp./Carnival PLC/CCL/LON:CCL/CUK) had no effect on bookings as of the last two weeks of February. Two sources have seen an effect on the industry, but one of the two said travelers simply have had more safety questions and that most still were proceeding with their travel plans.
- One agent said cruise lines are aggressively trying to bypass travel agents, even to the extent of offering incentives to customers to cancel bookings with travel agents and to rebook directly through the cruise line.

	Bookings YY	Pricing YY	Incentives YY	<i>Costa Concordia</i> Hurting Bookings
March 8 report	↑	→	→	↓
Feb. 7 report	↑	↑	↓	→

Cruise Lines Survey: Travel Agents

Background

In Blueshift Research's [Feb. 7 report](#), five of six travel agents said cruise bookings had increased year to year. Four of six agents said prices were higher than in the 2011 wave season, and five of six said incentives were flat or had decreased. After an initial bookings decline, sources who were interviewed at the end of January and beginning of February said the market had already started to recover.

CURRENT RESEARCH

In this next study, Blueshift asked travel agents about *Costa Concordia's* more recent effects on industry bookings, prices and incentives. We also compared year-to-year booking, pricing and incentive trends to our Feb. 7 report. Finally, we assessed trends for the second half of February compared the first half of the month. We employed our pattern mining approach to establish and interview sources in two independent silos that comprised 10 primary sources, including four repeat sources, and three of the most relevant secondary sources focused on bookings in light of Carnival's [Costa](#) accidents and other challenges facing the company:

- 1) Travel agents (10)
- 2) Secondary sources (3)

Silos

1) TRAVEL AGENTS

Year-to-year bookings have increased as much as 25% for four of our 10 sources, have been stable for four others and have decreased for two sources. Bookings for the last two weeks of February compared with the first two weeks increased as much as 25% for three sources, were stable for three sources and fell as much as 25% for two sources. Two sources had no comment on bookings for this period. Prices have increased for two sources, have been steady for five and have decreased for three year to year. However, prices for the last two weeks of February compared with the first two weeks were stable for six sources. Four sources had no comment. Incentives increased for three sources, were steady for three and decreased as much as 50% year to year for two sources. Two sources had no comment. Two sources said promotions were being offered in shorter windows than in past years. Incentives in the past two weeks have stable for three sources; seven others had no comment. Eight of 10 sources said the *Costa Concordia* grounding has not affected overall bookings. The remaining two sources reported some effect on bookings, but one said travelers simply had have more questions and eventually have followed through in booking. Meanwhile, one source said cruise lines were aggressively trying to bypass travel agents, even offering incentives to customers to cancel their bookings with a travel agent and rebook through the cruise line.

➤ CEO and founder of a cruise-only travel agency that books more than 1,000 cruises annually; repeat source

In our February report, this source had reported steady bookings, pricing and incentives year to year, but more recently he said bookings had increased during the last two weeks of February. Incentives have not changed, and prices fluctuate depending on the cruise line. The *Costa Concordia* has had no tangible effect on the U.S. industry; Carnival's *Costa* ships typically do not carry many U.S. travelers.

- "[Bookings this wave season] are running about the same as they were a year ago. The months of February and January were running basically where they were a year ago."
- "February was fantastic, especially the last two weeks—almost double that of January, with no rhyme or reason. There are two sets of factors: first-time cruisers vs. repeat cruisers; the other part is the amount of business, the numbers of bookings we did and what it is in relation to the price."
- "New cruisers ... are low [in numbers], but how much are they dropping? I have nothing I can measure. We are dealing with an economy now that is a factor."
- "Europe is down in bookings."
- "[Incentives] are the same. They are marketing gimmicks, and [cruise lines] hope consumers do not catch on. Incentives over the past two weeks are pretty much standard."
- "[Cruise lines are offering] free air travel if you buy a balcony cabin. Balconies are becoming a stable commodity on all of these ships. Balconies used to be 10% of the cabins 20 years ago. Now 80% are balconies. [Cruise

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lines] are absorbing the cost of the air and looking to get you on the ship, and get the income from what you would spend onboard.”

- “For one of the cruise lines, I have never seen pricing so high in my life. Other ships are muddying along. Another cruise line has a new deal every day and is blowing it out to everybody, and you would almost think it is a real deal until you really look at it. There is no such thing as a free lunch, but a lot of consumers fall for that.”
- “I have seen a couple of price decreases and a couple of increases [during the past two weeks]. For cruise lines like [Royal Caribbean \[Cruises Ltd./RCL\]](#)—with the [Allure \[of the Seas\]](#) and [Oasis \[of the Seas\]](#), which are their two biggest that operate out of Miami—pricing keeps going up. It is unbelievable. But the ship out of San Juan is down. Another cruise line, [Norwegian \[Cruise Line Holdings Ltd.\]](#), [is offering a seven-day roundtrip cruise for] \$285 per person [out of New York].”
- “[The *Costa Concordia* grounding is not affecting pricing] because that is a European cruise line. On the [\[Costa\] Allegra](#), there were two Americans who had booked on that ship. They are not American-branded. They do not promote or advertise. The damage they are doing is to the cruise industry. Their market is Europe, and it does not really change.”
- “I hate to see what will happen now. ... There is a lot more going on than is meeting the eye.”
- “Costa is now admitting that business is down by as much as [35%](#).”

➤ Owner of a cruise-focused travel agency that books \$1.2 million in cruises annually, Canada

Bookings and prices for this wave season are in line with last year’s levels. The *Costa Concordia* grounding has not affected bookings, but cruise lines had launched more special offers for a short period of time following the accident.

- “Bookings for this wave season are about the same as last season.”
- “The *Costa Concordia* grounding is not having an impact on bookings.”
- “For a short while, [there were] more special offers from cruise lines [following the *Costa Concordia* accident].”

➤ Senior travel consultant who books more than \$1 million in cruises annually, Canada

This source said her cruise sales have remained the same in terms of dollar volume year to year but that she is booking more cruises at lower rates or for shorter periods. Her bookings during the last two weeks of February fell 20%. Prices are flat year to year, but vendors are offering more incentives, such as onboard credits. She does not believe the *Costa Concordia* grounding has affected bookings; her clients do ask if rates will drop because of the accident but then continue on with their travel plans. Carnival may be upping its incentives.

- “My sales have been about the same in dollar volume, but the trend has been for booking more cruises at a lower per-diem rate or shorter cruises.”
- “[Bookings] are down about 20% [during the past two weeks], but I attribute that to the fact that we marketed a huge travel expo sales event at the end of January. Most of my regular clients wait to book during that two-week period, leaving me with a lull in the two weeks after that.”
- “Many of my clients ask if rates will come down because of [the *Costa Concordia* accident], but it is not preventing them from travel.”
- “I do not see much change in prices, but many of the vendors are offering onboard credit as an added value to inspire bookings.”
- “The added values are coming up much more frequently in the form of onboard credit or discounted air upgrades in higher categories.”
- “[Incentives] have increased. Many are tagging the ‘Leap Day’ for incentives.”
- “I do not know if the incentives are directly related to the *Concordia*, [but] possibly those offered by Carnival since their name has been so strongly linked to Costa.”

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Senior Travel Consultant
Canada

➤ Co-owner and manager of a cruise-focused travel agency, Louisiana

This source, who booked about 1,900 passengers on cruises in 2011, said bookings for this wave season are terrible, largely because of *Costa Concordia* grounding and the poor economy. Prices were steady in the past two weeks, but she does not think cruise lines can hold out much longer and may need to raise rates. The *Costa Concordia* accident will put pressure on pricing though rising fuel costs will restrict cruise line discounting. Cruise lines continue offer incentives during short windows.

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- “[The *Costa Concordia* grounding] has made people who might have taken a cruise think, ‘Is this a safe situation?’ And then we had [Carnival *Splendor*] tourists in Mexico who were robbed on a shore excursion. There has been a whole series of bad cruise news. I think the well-traveled cruisers at first shrugged it off, but now I am not hearing from them either.”
- “[Bookings for this wave season are] not good. I think it is a combination of things. Writers in the industry have encouraged travelers to wait until prices come down, and we are seeing some of that. There is also some fallout from the economy. And I think the *Costa* thing was a biggie.”
- “It has been very slow [during the last two weeks]. Our wave season usually cranks up the third week in January, and that was right about when the *Concordia* capsized. It has been very slow ever since then. From what I am hearing, other people are experiencing the same thing.”
- “Right now ... we are only at half [the 1,900 passengers booked last year], with 950 guests booked for this year. By the end of June, our year will be done. It is not looking real good.”
- “Some of the cruise lines seem to be trying to hold the line on prices, but at some point I think they are going to cave. ... I really have not seen a whole lot of price changes. I did see a third and fourth passenger rate go down on a Carnival ship.”
- “I think the cruise lines are thinking they can hold out on this because once they lower those rates, it takes so long to recover from that. I have been trying to point out to people that the price of fuel is going up and that the cruise lines are not likely going to [significantly] reduce their rates.”
- “It seems like there have been different incentives. [Cruise lines] have been using the reduced deposit, which is only effective for a small percentage of guests. If a normal deposit was \$500, cruisers are only paying \$250. I do not know if that incentivizes people enough. These one-day sales just drive me crazy.”
- “I was hoping at this point [this year] to be hiring someone. Based on the slow start to the year, I am reluctant to do that.”

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Co-owner & Manager, Travel Agency
Louisiana

► Travel agent and cruise specialist in Portland, OR; repeat source from 2011 report

This source, whose company is ranked among the country’s top 50 travel management companies based on size and volume of business, said bookings are on par with last year. However, air fares to Europe are climbing and are prompting travelers to rethink travel dates. Cruise prices are down about 30% year to year. Her agency has already met its sales goals with cruise lines. Phone calls in the past two weeks are less about popular destinations and more about complicated itineraries. She said the *Costa Concordia* grounding has not affected bookings or pricing. Incentives have dropped by at least 50%. Customers get numerous offers every week to bypass travel agents and book directly through cruise lines. One cruise line has even encouraged customers to cancel reservations with travel agents and to rebook directly in order to receive an incentive.

- “Cruises are about 40% of my overall yearly sales, and I broke a million again for total sales in 2011.”
- “[Bookings for this wave season are] about the same [as last year] though Europe air prices combined with the Summer Olympics have prompted travelers to rethink travel dates.”
- “I’m just as busy with complicated itineraries, though the calls for the easy destinations are down by 25% or more. Alaska sailings are slow, as are fall Caribbean sailings.”
- “[There were] no questions or comments on [the *Costa Concordia*] after the first week of media coverage, [and] not a single comment on the second ship [*Costa Allegra*] that caught fire and was stranded near the Seychelles.”
- “Cruises are slow [in terms of prices], about 30% down. Air prices are 20% higher. That alone is impacting decisions to cruise because it costs more to get to the boarding location.”

Incentives are down by at least 50%. The cruise lines are not peppering my email with big offers. They must have had a great 2011. I know we made all our sales goals with the various cruise lines. However, I do know that clients are getting numerous emails every week with offers—offers that encourage the client to not book through a travel agent.

Travel Agent & Cruise Specialist
Portland, OR

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- “Incentives are down by at least 50%. The cruise lines are not peppering my email with big offers. They must have had a great 2011. I know we made all our sales goals with the various cruise lines. However, I do know that clients are getting numerous emails every week with offers—offers that encourage the client to not book through a travel agent.”
- “The e-doc and pre-registration scheme is the worst thing to happen to travel agents since airlines stopped paying us commissions. Cruise lines have increased efforts to steer clients, who we brought to them, away from the travel agent channel. We have had far too many clients saying they are booking online. The cruise lines are marketing directly to clients after gathering all their contact information from their first cruise. I take calls from clients who want air or a hotel, or to pick my brain for information on a cruise that wasn’t booked through me. Only the most loyal of client will give me the opportunity to take over or convert an online booking. Even fewer ask if I can match the offer they got in an email. Every cruise line exclaims the travel agent is still a valuable piece of business for them. Yet they are ramping up call centers and online booking systems to work direct with the customers. I know of one cruise line that actually allows reservation agents to call clients and offer incentives to cancel an agency booking and book directly with the cruise line representative. As cruise travelers become savvier about ships and cruising, they will rely less and less on a travel agent to help with the reservation process.”

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*Travel Agent & Cruise Specialist
Portland, OR*

➤ Travel agent, Florida

Cruise bookings and prices are about the same year to year and for the last two weeks of February compared with the first two weeks. However, incentives have risen slightly. The *Costa Concordia* grounding has not affected bookings, prices or incentives.

- “Prices for this wave season compared with one year ago are approximately the same.”
- “I think [incentives] may have increased a bit [compared with the last wave season].”
- “There seems to be more incentives recently [in the past two weeks].”
- “The *Costa Concordia* grounding is not having an impact on bookings.”

➤ Branch manager for a high-volume travel agency in the Northwest; repeat source from 2011

This source’s cruise business is up slightly year to year but stable compared with the first two weeks of February. Prices are higher year to year, and deals are worse than in years past. Promotions tend to be offered during shorter windows. The *Costa Concordia* accident has affected some bookings: More travelers have become interested in safety precautions, but most still proceed with their trip plans.

- “Business is slightly better than last year.”
- “More people are asking about ... safety precautions, experiences on the cruise, retention of the crew, etc. Most are still proceeding with reservations but definitely are more inquisitive and have more questions.”
- “The prices are higher and the deals are not as lucrative as in years past. Many of the promotions are for a smaller period of time.”

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*Branch Manager Travel Agency
Northwest*

➤ Travel salesperson who books 50 to 100 cruises annually, northern Minnesota

Bookings for the current wave season were the same as or a little bit higher than last year, and were steady during the last two weeks of February compared with the first two weeks. Prices and incentives also remained consistent. The *Costa Concordia* accident did not affect this source’s bookings, prices or incentives though her clients grumbled a bit about Carnival’s *Costa* accidents and treatment of customers.

- “Bookings for this wave season the same if not a little bit more.”
- “I have not had anyone call me worrying about [cruising].”
- “[Carnival’s] [Princess](#) has a lot of sales going on right now. They have them all the time. I’m glad [cruise lines] have not put in that fuel surcharge yet. I hope they do not.”

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- “[Incentives] are the same [year to year]. Right now cruise lines are doing the balcony sales. Princess has a thing where you book an ocean view and they will upgrade you to a balcony.”
- “Years ago [Costa] was really good. We do not do a lot in Costa because they are based more in Italy.”
- “The *Costa Concordia* grounding is not having an impact on pricing.”
- “The only thing I have heard from people is that they are really disappointed in what Costa offered their people. That was pretty lame.”

➤ Travel agent who books 30 to 35 high-end cruises annually, North Carolina

Bookings, particularly for higher-end ships, were up about 25% compared with wave season 2011 and were good during February as well. The *Costa Concordia* did not affect bookings, but cruise lines did offer more incentives. Prices dropped year to year, even for top-of-the-line luxury cruises.

- “I usually do more high-end cruises, and I would say they are up about 25%.”
- “I just did a presentation at a big country club a couple weeks ago promoting [Azamara \[Club Cruises\]](#) cruise spaces that I have, and no one really said anything. Azamara is owned by Royal Caribbean. My clients prefer to go not on those large ships but on smaller luxury lines.”
- “I would say prices for wave season are down [year to year]. I am getting a lot of deals coming through.”
- “Cruise lines are giving onboard credits. They are lowering prices and giving incentives and amenities.”
- “I am [seeing more incentives this year]. Maybe [cruise lines] are concerned that cruise bookings are going down overall in the industry, and because of that they want to try to hook people in. [Carnival’s] [Silversea](#) is a top-of-the-line cruise company, and they just came out with an amazing price.”

➤ Cruise counselor with more than 40 years’ experience selling cruises and a consumer of more than 100 cruises; repeat source

The *Costa Concordia* grounding still is affecting bookings, which have fallen 50% year to year. However, bookings for the last two weeks of February were up 25% compared with the first two weeks of the month. Prices have risen 10% since the last wave season, and incentives are unchanged year to year.

- “Bookings for this wave season compared with last season are about 50% less.”
- “Bookings over the past two weeks compared to two weeks prior have seen about 25% recovery.”
- “[There is] no change at all in prices for the past two weeks compared to the two weeks prior.”
- “The *Costa Concordia* grounding is not having an impact on pricing or incentives.”

Secondary Sources

Our first secondary source reported strong cruise bookings for the 2012 wave season despite the *Costa Concordia* and *Costa Allegra* accidents, and our second source also found few effects on U.S. cruise travelers stemming from Costa’s recent problems. Our third source discussed Carnival’s numerous challenges and a midteen decline in bookings.

➤ March 1 Springfield FOX News [article](#)

Travelers are not canceling cruises, and new bookings are going strong despite the *Costa Concordia* and *Costa Allegra* accidents.

- “The most recent [cruise ship incident] happened when a *Costa Allegra* ship had a fire break out in the engine room causing more than [1,000] passengers to be stranded for three days. Although people were shocked to hear the news, business has not changed yet for local travel agencies.”
- “‘People are still requesting cruises,’ said Diane Rudert, an agent for Burati Travel Inc. ‘They’re not hesitating booking them at this point.’”
- “‘Sales are actually fabulous,’ said Emerald City Travel owner, Janice Webb.”
- “Even though people have expressed concern about the potential problems, they’re not cancelling their vacations. Travel agents say that’s because people enjoy cruises and understand that unfortunate events can happen. Webb suggests that because the incidents happened overseas with a cruise line that’s not popular in the United States, some may feel it’s a problem only at a distance.”

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➤ **Feb. 29 Los Angeles Times [article](#)**

Industry observers have disputed a gloomy cruise industry forecast, stating the Costa incidents will have no effect on U.S. travelers.

- “Some cruise industry observers dispute the gloomy forecast. They say cruisers remain unshaken by recent problems involving Costa.”
- “Stewart Chrion of [CruiseGuy.com](#) said in an email exchange that he feels the Costa Allegra incident ‘will have no impact on U.S. consumers.’”
- “Arabella Bowen, executive editorial director of Fodor’s Travel, said cruisers who commented on the company’s website were aware of the Allegra incident but aren’t changing or canceling their travel plans. “There are safety issues everywhere you go ... but that hasn’t deterred anyone from traveling,’ she said.”
- “Travel industry observer [Mark Murphy](#) said only first-timers might hesitate to go on a cruise because of recent events. He also pointed out that the big cruise lines have sound safety standards derived from years of experience. ‘Over three or four decades, cruise lines have adapted,’ he said. ‘When there has been an incident, they looked at their safety practices and taken it up a notch.’”

➤ **Feb. 29 Montreal Gazette [article](#)**

Carnival has faced numerous challenges already in 2012, including the robbings of *Splendor* passengers and the Costa Allegra fire. Excluding Costa Cruises, Carnival has reported a midteen decline in fleetwide bookings.

- “In the past week, 22 passengers of the Carnival Splendor were robbed during a land excursion in Puerto Vallarta, Mexico, and two of the company’s British ships were turned away in Argentina after visiting the Falkland Islands, as part of a long-running dispute between the South American country and the U.K.”
- “Another of Miami-based Carnival’s Italian liners, the Costa Allegra, suffered an onboard fire Feb. 27 and is being towed to the Seychelles, where it is expected to dock tomorrow. Today, the U.S. House of Representatives begins hearings on cruise ship safety.”
- “Excluding Costa Cruises, [Carnival] fleetwide bookings declined in the mid-teens in percentage terms through Jan. 25, the most recent period for which information was available.”
- “Bookings at rival Royal Caribbean Cruises Ltd. fell by the low-to-mid teens afterward in percentage terms, the Miami-based company said in a Feb. 2 statement. Before the Concordia accident, bookings were running 5 percent ahead of 2011 levels.”

Next Steps

Blueshift will monitor cruise lines’ efforts to bypass travel agents and determine the effect on booking margins. We will continue to watch booking, pricing and incentive trends throughout the remainder of the 2012 wave season.

Additional research by Cheryl Meyer

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