



High Stakes on the High Seas: The Online Cruise Marketplace

Is there a cruise vacation in your future? If the cruise industry continues on its current growth trajectory, chances are there could be. After a relatively flat period from 2000 to 2003, the industry is experiencing a virtual tidal wave of growth, sailing from \$14.73 billion in revenue in 2003 to \$20.64 billion in 2006.ⁱ More than 12 million people went on cruise vacations in 2006, and it is expected that 2007 will finish with an additional half a million cruisers. Yet even with such impressive stats, there's plenty of room for the industry to expand, as some 83 percent of U.S. adults have never set sail on a cruise vacation.ⁱⁱ



The cruise industry has fueled that growth at least in part by reaching out beyond its traditional audience of the “newly wed and nearly dead,” to use the industry’s own vernacular. Gen Xers are being lured by shorter, three-day trips heavy on parties and music, such as Whet Travel’s “Groove Cruises.”ⁱⁱⁱ Cruise lines are expanding beyond the traditional honeymoon business by catering to bachelor parties and destination weddings. And a host of new amenities, from wi-fi zones to rock-climbing walls to luxurious new spas, are being brought onboard to appeal to a broader audience.

The cruise lines are also reaching into more upscale demographics with special accommodations and services for wealthier cruisers, from private sun decks and VIP pools to private dining rooms and even private elevators, so well-heeled cruisers can avoid rubbing elbows with the masses in the steerage. Norwegian and Cunard consistently sell out their upscale offerings; similar exclusive accommodations are being planned by Celebrity and Carnival.^{iv}

SURFING BEFORE YOU CRUISE

While the Internet has become a hugely important tool for researching and planning cruise vacations, still only about half of cruisers are comfortable with actually booking a cruise online. The Cruise Lines International Association estimates that 90% of all cruise vacations are booked through travel agents. According to the association’s research, 43 percent of cruisers and 33 percent of potential cruisers believe travel agents provide the best service for cruise vacations. However, the majority — 54 percent of cruisers and 60 percent of non-cruisers — believe that they will get the best cruise price from an online travel retailer. The vast majority — 86 percent — are comfortable with planning their cruise online, but just less than half indicate they would be comfortable booking online.^v

Still, half of a \$20+ billion market is a significant e-commerce opportunity. Online travel agencies and the cruise lines themselves are aggressively courting this lucrative and fast-growing market, focusing more and more resources on the design and functionality of their sites. This past spring, Keynote Systems completed a new annual Customer Experience Rankings study of the online cruise industry to see how successful the leading sites are in attracting and serving cruise shoppers. *Benchmark* takes you inside the study here to look at the Internet’s leading cruise portals of call.

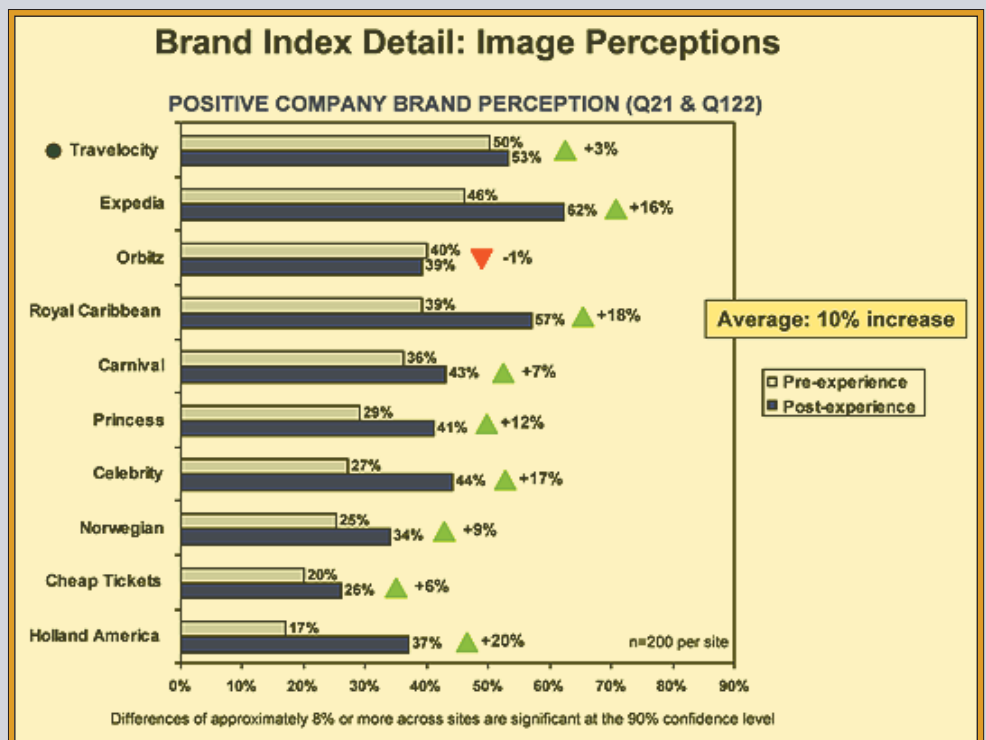
OVERVIEW: CUSTOMER EXPERIENCE RANKINGS

Expedia, Royal Caribbean, and Travelocity are the top performers in all key measures including overall customer experience, brand

impact, conversion impact, and customer satisfaction.^{vi} Carnival, Celebrity, and Princess cruise lines fill out the next tier of the rankings, with Holland America, Orbitz, and Norwegian clustering in the bottom third.

“Expedia is the one that’s made some of the biggest changes we’ve seen over the past few years,” says Steve Foster, director of competitive research for Keynote Systems. “People are always in search of a deal, and Expedia prominently displays deals on their home page, as well as very low-cost to free upgrades. But it’s really also the color, the flavor, the professionalism of the home page that makes a big difference.”

“Expedia is literally state of the art,” Foster continues, “and on the other front, the cruise lines themselves, it’s Royal Caribbean that has done the most to ‘modernize’ their site.”



Virtually all of the studied sites enjoyed an increase in positive brand perception post-experience, with Holland America, Royal Caribbean, and Travelocity enjoying the biggest brand boosts.



According to the Keynote study, honors for most-improved site go to Carnival Cruise Lines, which moved up from seventh to fourth place overall, year-over-year. Carnival made big enough gains in the booking process — the number one driver for brand perception and conversion — to move up in the rankings despite small slippages in the customer support and design and organization metrics.

DIRECT TO THE CRUISE LINE, OR STOP AT THE ONLINE TRAVEL AGENCY?

The first decision online cruise shoppers have to make is whether to go directly to the individual cruise line sites, or go instead to an online travel agency (an “aggregator”) such as Expedia or Travelocity.

“What you’re going to see with an aggregator is something all consumers are looking for,” Keynote’s Foster observes, “and that’s choice. Plus, what many consumers are ultimately looking for is that great American ideal of a ‘deal,’ a special, something better in terms of pricing. That’s a definite perceptual advantage for the online travel agencies.

“The cruise lines themselves, on the other hand, are able to provide something that’s more tailored and specific. They obviously have more information about what they offer on any of their cruises — the games and activities and things to do — than an Expedia or a Travelocity is going to have. It’s the personal touch side of the equation.”

In addition to the ability to shop multiple cruise lines for the best deals and destinations, the online travel agencies also have the advantage of being strictly in the business of e-commerce. They know and understand how travel shoppers navigate a site and go about completing tasks, particularly in the critical area of booking a trip.

“The thing that really drives some of the power of the aggregators,” Foster points out, “is the bookings process, for one — the

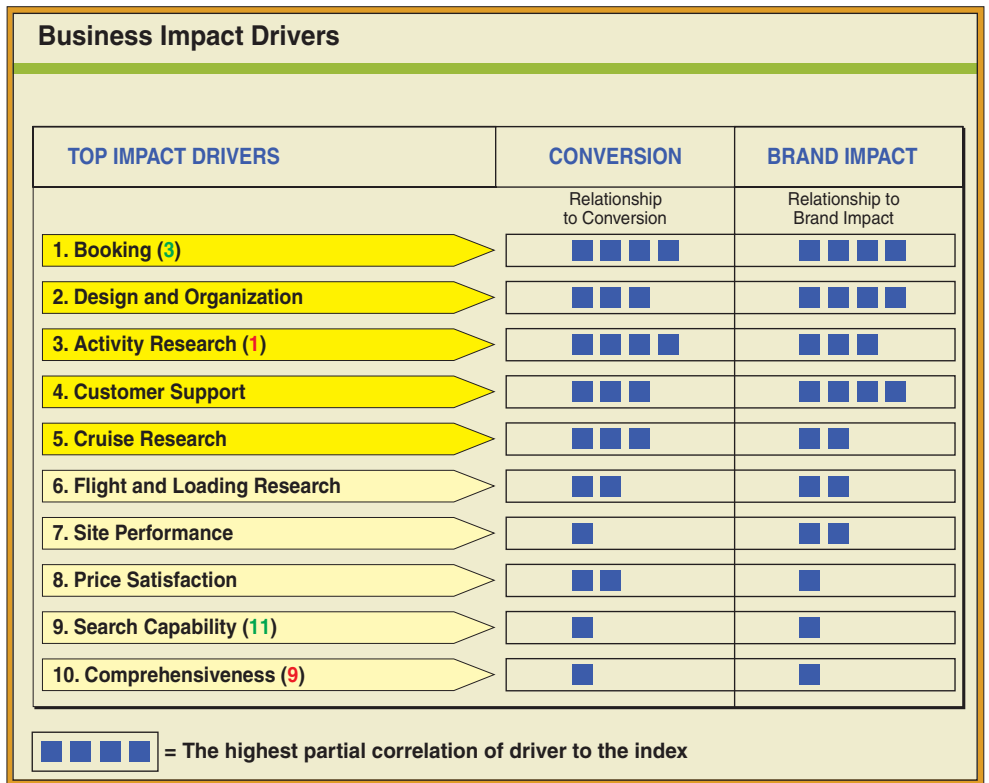
speed and efficiency and the perceived safety when you’re entering personal information on the site. The Expedias, the Travelocity’s are just more in tune with online activities just by the nature of their business.”

BOOKING PROCESS: THE #1 BUSINESS IMPACT DRIVER

The booking process has moved up from the number three spot, year-over-year, to become the number one success driver for the online

booking, followed closely by Royal Caribbean, Celebrity, and Carnival. While the online travel agencies would seem to have a clear edge in both experience and technology for booking, the margin between Travelocity and Expedia and the cruise sites themselves is not tremendous. The cruise sites are clearly looking, learning, and working quickly to close the gap.

Cruise shoppers participating in the Keynote study cited Travelocity for several



In 2007, booking replaced activity research as the #1 impact driver — a plus for the online travel agencies. The direct cruise line sites maintain their hold on top rankings for activities research.

cruise marketplace. A number of metrics go into the booking ranking, including ease/difficulty, instructions and help, clarity of the process, time to complete, ability to determine total price, and others.

Travelocity and Expedia took the number one and two spots, respectively, in

best practices for booking; they found the screens and process organized, orderly, and easy to complete. Shoppers also favorably commented on the ability to book everything, including airfare and any necessary hotel stays, right on the same site.

The cruise lines are not to be



outdone, however, and are responding with a similar ability to book all travel connections right on their sites. Top-performing Royal Caribbean received favorable comments for this functionality, as well as for their clear presentation of pricing and stateroom options.

ACTIVITIES RESEARCH: CLEAR EDGE FOR THE CRUISE LINES

Activities research — choosing that scuba expedition, booking that fitness class, or arranging to visit that archaeological site — is the number three impact driver for online success (moving down from number one in 2006). It's also the area where the online travel agencies get pushed all the way to the bottom of the rankings. Considering that each cruise line has its own extensive roster of onboard and on-shore activities for each cruise, and that many of those activities are negotiated with various, often small, providers, it's no surprise that the online travel agencies have a hard time keeping up.

"I think it's just content that the cruise lines have traditionally been very strong in," explains Joanne Kok, Travelocity's principal for customer research, usability, and insight. "They are the ones who either have the partnerships, or the activities are happening on their ship. It's their content and it makes it a lot easier for them to be able to leverage that, and highlight it a lot better than we can." (See *Benchmark's* complete interview with Joanne Kok, accompanying this article.)

Kok points out that, after a customer goes through the process of selecting and booking a cruise on Travelocity (or on any online travel agency), and receives confirmation, they are pointed directly to the cruise line's site for registration.

"And so they have the opportunity to book their activities then," she observes, "regardless of whether they book the cruise itself on us or whether they book on the cruise

line site. It's going to happen naturally in the process."

Princess, Carnival, Norwegian, and Celebrity took the top spots for activity research, in that order. Best practices for top-performing Princess Cruise Lines include an icon system indicating the relative difficulty of excursions; clear categorization of activities by type; comprehensive, detailed information about each activity; and sheer volume of activities offered.

Norwegian experienced the biggest year-over-year change in activity research rankings, leaping up from tenth place overall to third place. A major overhaul of their activity search function makes it simpler and faster to find activities, and to get more detailed information on each.

In spite of Royal Caribbean's stellar performance in almost all of the customer experience rankings, the line finished a lackluster fifth in the activity research rankings. In fact, it declined by 11 percentage points in ease of researching on-board and off-ship activities.

OTHER FACTORS FOR A SHIP-SHAPE ONLINE CRUISE SITE

Site design and organization is the number two impact driver, though in terms of the 2007 Keynote study, it is an area where all ships sank with the tide. Almost universally, scores for design and organization dropped from 2006 to 2007. Expedia and Travelocity took the top two spots; Royal Caribbean slipped to the bottom half of the ranking. Only Norwegian showed any improvement in design and organization scores, an eight percent improvement, but still not enough to move it out of the bottom two sites in this metric.

Customer support is a key factor for success in any online retail transaction, and online cruise is no exception; customer

support is close behind activities research as a business impact driver. Travelocity, Royal Caribbean, and Expedia earn the highest praise from cruise shoppers for support. Easy-to-find, comprehensive FAQs and prominent telephone support phone numbers are the most important factors determining a site's support success.

NAVIGATING TO A BIGGER SHARE OF ONLINE CRUISERS

Much is at stake in the competition for online cruisers. As with the rest of the travel industry, more and more of the \$20+ billion cruise market is expected to move online. Who will the winners be? The sites that offer a simple, intuitive booking process with clear pricing; that provide access to lots of information on activities; that are visually appealing and well organized; and that offer quick and obvious access to customer support.

For the cruise lines, providing flight and hotel booking on par with the online travel agencies is a key factor to optimizing the customer experience and boosting conversion. For the online travel agencies, the challenge is to overcome a deficit in activities information that is bound to persist; an obvious solution is to hand-hold customers throughout the process and continuously assure them that they will have the opportunity to book activities on the cruise site — *after* they book a great cruise deal.

More and more Americans are opting for the all-inclusive vacation on the seas, whether it's party-hearty Gen Xers, families with kids, or the traditional silver market. Whatever their destination, their first port of call is likely to begin with a "www" prefix.

Bon voyage!



FOOTNOTES

1. Cruise Lines International Association, "The Contribution of the North American Cruise Industry to the U.S. Economy in 2006," August 2007
2. Cruise Lines International Association, "Profile of the U.S. Cruise Industry," 2007
3. The New York Times, "A Dance-Party Niche in the Cruise Industry," January 25, 2007
4. The New York Times, "Paying a Premium Not to Mingle at Sea," November 11, 2007
5. Cruise Lines International Association, "CLIA 2006 Cruise Market Profile," April 2006
6. All Keynote references from the "Keynote Customer Experience Rankings: Cruise, Wave 4," May 2007