

INSIDE VIEW:

CUNARD TODAY AND TOMORROW

Part I of an interview with Peter Shanks, President and Managing Director of Cunard.

by

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Peter Shanks became the President and Managing Director of Cunard Line in July 2009. He originally came to Cunard in 2001 and was responsible for bringing the Queen Mary 2 into service. Subsequently, he was chief commercial officer for Carnival UK, which manages Carnival Corporation's UK holdings including Cunard. I had the opportunity to speak with Mr. Shanks about a wide range of topic in Cunard's offices in Southampton.

The vision going forward

Cunard is one of the oldest and most famous names in ocean travel. It was the first line to offer regularly scheduled transatlantic service in 1840, a service it refined to a fine art through the first high-speed express liners Mauretania and Lusitania in the early 20th Century and then with the original superliners Queen Mary and Queen Elizabeth. As the ocean liner era faded, the Queen Elizabeth 2 (QE2) emerged to become the most famous ship in the world through the second half of the century, setting the pace both in transatlantic crossings and cruises.

In 1998, Cunard was acquired by Carnival Corporation. This brought not only investment capital to the venerable line but also a decision to focus on what had made the line famous - - quality service in the tradition of the great ocean liners of the past. To achieve this objective, the company built the Queen Mary 2 in 2004, the largest ocean liner ever built, and the Queen Victoria in 2007, a large ship that evokes the style of the great liners. A third ship, the Queen Elizabeth, will join the fleet in October 2010.

"It is a hugely exciting time for Cunard Line. To think we have built three ships in six years is remarkable."

Going forward, Mr. Shanks' vision focuses on two areas. The first is to nurture and build upon Cunard's history and tradition. "As every day goes by, the heritage gets stronger and we intend to play more to that. The world is getting more modern and more people are hankering for the traditions of the past. We talk about having the youngest fleet in the world but I like to think when you come on the ships you are still seeing the history and heritage. We are doing it [however] in a really modern innovative environment. So to have the

history and heritage of the brand and the modernity of the hardware gives Cunard a very exclusive and unique positioning."

"The other thing that we are going to be doing more and more, which again is to our benefit and the customer's benefit, is our international sourcing of the brand. We are one of the few brands in travel, and certainly in cruising, that is truly international. In our sailings across the pond on Queen Mary 2, you can have a thousand Americans, a thousand British guests and then a sprinkling of Europeans, Japanese and Australians. We are really developing our presence in the United Kingdom, North America, Germany and Australia."

Catering to an international audience involves having the ships sail itineraries that are both interesting to and convenient for travelers from more than one nation. "We are different in our deployment - - the transatlantic run is ours and our world cruises are fairly unique. I mean a number of brands do world cruises but the world cruises on our ships still have that special appeal."

Furthermore, with the addition of a third ship to the fleet "we can now better deploy the ships. When we have had only two ships with the fleet, we have been quite sort of stuck - - we have transatlantics, [cruises from] Southampton, and we do a little bit of the Caribbean. With the three ships, we have: the transatlantics; a very strong Southampton program going to Northern Europe and the Med; fly-cruising in the Med; we have developed a good program for Queen Victoria in the Americas in the winter with the Panama Canal and the West Coast; and we have the World Cruises. So pretty much all of the deployments that people like to go to apart from Alaska Cunard now has covered."

While Cunard has an international appeal, it is a British line. Moreover, Southampton is the eastern terminus for most of QM2's transatlantic crossings and Southampton is the embarkation port for many of the line's cruises. "The UK market has been growing rapidly, roughly 10 to 12 percent per annum for the last five or six years and we believe that there is further growth to



Peter Shanks

come."

The other major cruise lines have also noticed this growth and are deploying more and more ships to Southampton. "We are not concerned about competition because we have a pretty unique position. Cunard's brand differentiation is probably the strongest of everybody because we are very distinct. We do have the most famous ocean liners in the world. We do have a very formal experience. We are proud of that and not looking to change that. We feel that the dining and the quality of the food are a step above all of the other cruise lines in Southampton by a considerable margin. Our insights program has well-known personalities and celebrities so people coming to Cunard can see something different. We were recently lucky enough to have

Desmond Tutu on [the Queen Mary 2] for four days. To be in the theater and listen to a one hour lecture by Archbishop Tutu was spellbinding. That is the sort of experience Cunard brings to people. So I think we have a pretty unique brand positioning."

In addition to maintaining a strong position in Britain, Cunard is also building its position in America. New York is the traditional western terminus of the line's transatlantic crossings. Plus "Queen Mary 2 does a couple of seven night Canada cruises out of New York, a couple of Caribbean cruises and she also does some quite popular four and five night cruises out of New York."

This presence on the East Coast will be supplemented when Queen Victoria does a series of cruises out of Los Angeles this winter. "The West Coast is such a huge opportunity for us."

Yet another market Cunard hopes to develop is Australia and so while the new Queen Elizabeth will be doing a traditional world cruise, Queen Mary 2 will spend a substantial portion of her upcoming world cruise cruising around Australia.

"We are confident of our growth. We had three ships in 2008 and that was our best ever year. So far, looking at our sales for 2011 and particularly the two world voyages, we are very pleased with how that is going."

Traditional, not old-fashioned

As noted earlier, Cunard seeks to build upon the reputation it has developed during its 170 years of providing passenger service. The onboard experience seeks to evoke the elegance and glamour of the 20th Century transatlantic liners. "If you go into the Queens Room for a Cunard World Club party and you see everyone dressed in back tie, champagne, cocktails and a speech from the Commodore, that is just a wonderful experience and that is timeless. That happened 50 years ago, that will happen today and that will happen in another 15 or 20 years. People just really get a thrill out of it, that tradition in a modern facility."

"The accommodations are beautiful on all three ships. The quality of the dining rooms, the whole phys-



Queen Mary 2

ical experience around the ships is very modern yet beautifully designed - - traditional, not glitzy, no climbing walls, just a beautiful experience. It is very modern but it looks timeless - - very traditional."

Yet, Cunard is working to evolve the onboard experience to ensure that it remains vital and relevant. "We could have been accused a few years ago of just having stuffy lecturers and scientists talking on quite cerebral topics." Now, however, Cunard has enhanced its enrichment program with things such as the Royal Academy of Dramatic Arts program on QM2. "It is great fun. You can watch a beautiful Shakespeare performance or you can learn how to act, how to present, how to talk and interact [with the RADA actors]. We have just introduced the Julliard Academy of Music, which brings brilliant musicians into the ship to play wonderful jazz and also look at classical music. In May, we had the National Symphony Orchestra from London. They did workshops and performances. Last year, 150 of our guests took part in a choral piece. So that is fun, that is different, all participative."

"We are trying to have a mix of lecturers. We will have some really interesting intellectual speakers, be it science, be it astronomy lectures, but we also have [best selling writers] talking about their experiences as authors. We still like to have people like John Cleese because he is great value and great entertainment."

"We had that wonderful experience last year with James Taylor and his band. For people who experience James Taylor doing two concerts on the Queen Mary 2 that is what Cunard is all about."

Another area that is evolving is the length of a transatlantic voyage. When ocean liners were the only way to cross the Atlantic, speed was very important to passengers, particularly to business travelers. In their heyday, liners could make the crossing in just under five days. With the advent of the jet airliner, speed is no longer as important. As a result, in the mid-1990s, Cunard increased the length of a crossing from five to six nights. This reduced fuel costs and gave the ship more flexibility to avoid storms. In 2010, Cunard introduced some seven night crossings to Queen Mary 2's schedule.

"We looked at two things. First, the customer experience. Even with six days we did have people who were saying: 'Gosh, are we here already?' Six nights believe it or not, fly by because there is so much to do and you are so relaxed. We haven't had any feedback that the extra night is going to upset any people. It is just another day to spend on the ship. We are flexing our entertainment program to make sure that we have additional things to do so that you have a good range of things to do across the week."

"Also, with the increasing cost of fuel, you have to look carefully at the speed which the ship has to go to do six nights versus seven nights in order to keep prices as competitive as possible." The seven-night crossings sold just as well as the six-night crossings in 2010, "so for 2011, it is all seven nights."

While Cunard seeks ways to improve its onboard experience, some innovations that are being made by other lines are not being adopted because they do not fit with the overall Cunard experience. For example, while many other lines are introducing flexible dining options, Cunard has no intention to do so. I have experienced flex time or Anytime dining on brands like Princess where it works extremely well. The difference with Cunard, however, is that dining is an experience. Imagine the main Britannia dining room, particularly on a formal night, the whole experience of arriving, being seated in the dining room, seeing all our waiters go to work, seeing the sommeliers come out, watching from afar or even taking part in the captain's table - - the whole thing is an experience right down to being offered some ginger before you retire from the dining room. That is a great dining experience. If we had anytime dining in the main Britannia Restaurant, that experience would be lost with people coming in and out on a constant basis. So we don't intend to make any changes to that"

"But what we have done is to increase the Britannia Club, which is a single seating dining any time you like experience [that is] linked to the best premium balcony cabins." The Britannia Club is a separate sec-

tion of the main dining room on QM2 and on Queen Victoria. It will be a separate room on Queen Elizabeth.

"The other thing we are doing is up in the King's Court on the Queen Mary 2 and in the Lido on Queen Victoria and Queen Elizabeth. We are introducing three or four different dining concepts for the evening. It gives you variety - - you can go and have a really nice British Carvery or an Italian experience etc. What we are trying to do is add other dining opportunities but not interfere with our classic dining experience. It is too special to mess with."

One link with tradition that occasionally causes some controversy is that the restaurant that one dines in is linked to the passenger's cabin category. Thus, guests in the top suites dine in the Queens Grill, those in the other suites dine in the Princess Grill while the vast majority of the passengers dine in the main dining room, the Britannia Restaurant. Some people perceive this as a perpetuation of the class system as seen in movies such as Titanic. "We don't have barriers up. Really, it is just the accommodations, the restaurant and the Queens Grill lounge whereas everyone has access to the rest of the ship be it Canyon Ranch, the theater and everything else. I think it works well onboard and we are not shy about it. But it is no different than getting onboard a British airways plane and having economy class and first. It is no different than hotels that have exclusive bars and floors and suites."

In fact, some of Cunard's competitors are introducing similar concepts on their ships. While flattered by the imitation, "I think other lines having some spa suites and separate restaurants does not quite capture the special-ness of the Queens Grill and the Princess Grill."

In Part II, Mr. Shanks speaks about the new Queen Elizabeth and Cunard's place in the Carnival family of companies.