

BRINGING AMERICAN LUXURY TO BRITAIN

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The British cruise market doubled in the last decade. In 1997, 522,000 Britons took cruises but by 2006, the number had risen to 1.2 million and is expected to be over 1.3 million in 2007. While the majority of these passengers embarked on fly-cruise vacations where they fly to ships positioned in the Mediterranean and the Caribbean, 450,000 Britons embarked last year from ships leaving ports in the United Kingdom.

This growth, which is one of the largest among European countries, has not gone unnoticed by the American cruise lines. As a result, while the top cruise provider in the U.K. is P&O Cruises followed by Fred Olen Cruises, the next two are Royal Caribbean International and Princess Cruises.

At first glance, it seems odd that Princess is even on the list. In 1974, P&O purchased Princess in order to enter the American cruise market. Even though both companies are now subsidiaries of Carnival Corporation, they are still managed as part of the same group of subsidiaries within the Carnival family. Why then is Princess operating on P&O's home turf?

"Princess started off here to try and sell the type of cruise that P&O did not offer," explains Pieter van der Schee, Head of Brand Marketing, for Princess Cruises UK. Princess went to destinations such as Alaska and the Panama Canal that P&O did not. In addition, British passengers were flying to the Mediterranean to join Princess cruises there. "What they developed was quite a loyal group of people who liked Princess."

"Princess is quite different from P&O. P&O has quite a few traditional elements to it. There is a demand in the UK for a different style of cruise from P&O. In a way, it is a great way for us to actually compete with RCI as well with a more lively, more younger-style product."

Princess' promotional literature in the U.K. tells prospective passengers that: "With Princess Cruises, you'll experience American-style luxury." Indeed, even though the officers on the Princess ships are British and Italian, the style is more cosmopolitan American than European. According to van der Schee: "The great thing is, the UK passengers who go on Princess absolutely love the product. We have found that the Brits and the Americans on the typical sort of Caribbean or Alaska cruise score them the same [on their cruise questionnaires]. Some things like the boutiques and the casino,



SEA PRINCESS is being targeted at the British market (Photo R.H. Wagner).

the Brits are not so interested in. The service, the food, the entertainment, all those things are very similar in scores."

Still, van der Schee points out: "The success that we have had with Princess in the UK is also because of the fact that in the typical Princess ship, although geared toward the American market, it is not as brash and American as maybe RCI. Princess is a bit more restrained. In that sense, we think it is a bit more British."

In 2005, RCI deployed LEGEND OF THE SEAS (69,130 tons) to Britain to provide cruises from Southampton. Princess countered this move by positioning SEA PRINCESS (77,690 tons) in Southampton. SEA PRINCESS is one of four sisters that began with SUN PRINCESS, which when she went into service in 1995, was the largest cruise ship in service. The ships were built in Italy by Fincantieri.

SEA PRINCESS was a logical choice to deploy to Britain. In order to bolster the P&O fleet, SEA PRINCESS and her sister OCEAN PRINCESS were transferred to P&O before the Carnival acquisition. In order to make her fit in with the P&O fleet, where she operated as ADONIA, certain interior modifications were made. For example, the size of the casino was reduced. When Carnival acquired P&O, Carnival's plan to turn its Cunard subsidiary into a direct competitor for P&O was discarded. Accordingly, the Vista-class cruise ship that Carnival had ordered for Cunard to be the QUEEN VIC-

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TORIA was felt to be better positioned in the P&O fleet. When ARCADIA, as that ship is now known, went to P&O, SEA PRINCESS was returned to Princess. However, some of the modifications made to make her more attuned to the British market remain. In addition, the ship is familiar to British passengers.

For the most part, SEA PRINCESS presents the same American style of cruising as the other ships in the Princess fleet. There is an informal ambience and the passengers are given a variety of choices to chart their holidays. With sophistication in the service and décor, the idea is to present an up-scale American resort. Even the onboard prices are denominated in dollars. Still, "there are a couple of things on SEA PRINCESS in summer and also in the Caribbean that they do change. They have English tea rather than American tea onboard. They have British sausages and British bacon onboard. Some of the comedians, because comedy is quite linked to where you come from, your frame of reference, are typically British."

Although no longer one of the world's largest, SEA PRINCESS is a big ship with a lower berth capacity of 2,016 passengers. However, according to Princess' advertising, the ship offers "big ship choices with a small ship feel." To do this, the space is divided into more small venues than one would typically encounter in a ship of comparable size. Van der Schee explains, "the philosophy on Princess has always been that we keep the space quite intimate and we use the space to create more options, more variety, and more choice. So, [for example] there isn't one big dining room, there are two dining rooms."

SEA PRINCESS attracts the typical British cruise customer. "Over the last ten years, the average age of the cruise market [55] hasn't really changed. But the market has grown very rapidly. There are a lot of people coming into the market for the first time when they have a special occasion to celebrate, they might have a 25th wedding anniversary, or a 50th birthday or 60th birthday, and that tends to be a reason for them to try cruising out. Once they have discovered how wonderful it is, then they come back again and again."

In the summer, SEA PRINCESS mostly does two-week Mediterranean cruises. "Eighty percent of the passengers are Brits, probably find some Australians and a few more Americans, but overall, it is very much a UK market. There are also one week cruises that go to Scandinavia - - Oslo, Amsterdam, Copenhagen - - that attract quite a lot of Americans who like to come over

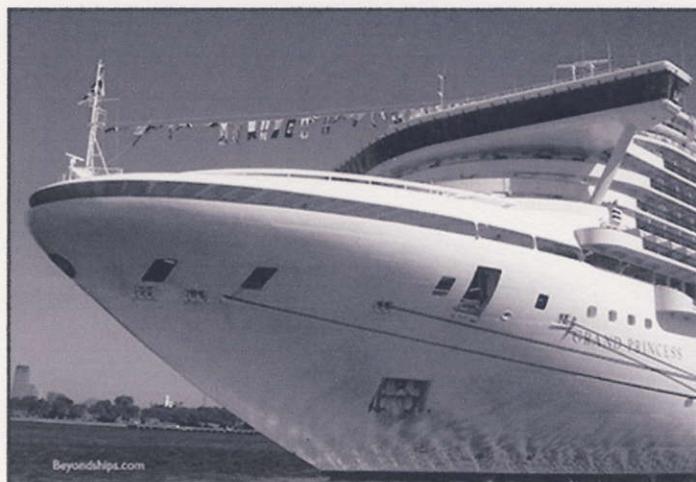
here. It is quite a nice way of going through Northern Europe. Still, this is very much British."

In the winter, the ship is re-positioned to the Caribbean. Because of the rough weather in the Bay of Biscay, "the journey from here down to the Med would not be very nice. Also, the best area to go in the winter is all the way down to Cyprus and from here, you would have to do at least a three week cruise, so that would not work really well either."

Success in the British market led RCI to position the Voyager-class NAVIGATOR OF THE SEAS (132,276 tons) in Southampton this year and when she is completed in 2008, the Freedom-class INDEPENDENCE OF THE SEAS (158,000 tons) will be homeported there. "The average age they attract is quite a bit lower than the average of the UK market. So, it is good for us as well because it is bringing new people in and it is not competing head-on for the traditional UK cruise market."

In addition, Princess has its own mega-ship operating in these waters, albeit aimed at a somewhat different market. "During the summer, GRAND PRINCESS [108,865 tons] comes over here as well." However, her Around-Britain cruises and Scandinavian Norwegian fjords cruises tend to attract Americans. "There are people that want to do Europe in a month, two months, they go to the UK, they go cruise the fjords, probably go to Paris; make it a whole European vacation."

Perhaps more germane, is the popularity in Britain of fly-cruises to join the latest Grand-class ship EMERALD PRINCESS in the Med. In its first season, about half of the passengers were Americans with British passengers making up the next largest contingent.



Grand Princess has been sailing out of Britain in the summers but attracts largely American passengers (Photo: R.H. Wagner).