

# Legends & Leaders



Ted Arison with wife, Lin, on his left, and daughter Shari on his right, at the christening of the Carnivale in Miami in 1976.



Lin Arison, godmother of the Carnival Destiny; Captain Giovanni Gallo; and Ted Arison

## Creating the 'Fun Ships'

Carnival Corporation can trace its origins to 1972 when Ted Arison founded Carnival Cruise Lines with a retired trans-Atlantic liner, the Mardi Gras. Arison had entered the industry a few years before as the general sales agent for Klosters Rederi, operating as Norwegian Caribbean Lines, before he launched his own cruise line.

What made Carnival different was its target market, focusing on a young and fun-loving demographic. Soon the brand was known as the Fun Ships.

Step-by-step Arison grew the line, first by acquiring more older tonnage and by the early 1980s, newbuilds.

Upon taking the company public in 1987, Carnival had become the largest cruise brand in the world, and as the company continued to grow, a corporate



Ted Arison and Micky Arison

holding company, Carnival Corporation, was created in 1993.

Meanwhile, Carnival had started to acquire other cruise lines, so that today it has nine brands and a fleet of 101 ships, commanding more than 50 percent of the global cruise capacity.

Arison was born in Tel Aviv in 1924, moved to the U.S. in 1952, and eventually retired to Israel in 1990, turning the cruise company reins over to his son Micky.

Among his other ventures, he brought professional basketball to Miami in 1988 as the majority owner of the Miami Heat.

Arison and his wife, Lin, were also strong supporters of the arts and contributors to philanthropic and humanitarian charities both in Israel and the U.S. They created the National Foundation for Advancement in the Arts and Miami's New World Symphony.

Arison was 75 when he died of a heart attack. He was survived by his wife, two sons, Micky and Michael, and a daughter Shari. ■

## ► Micky Arison

# Exceeding Expectations

“The product has to be outstanding, meeting or exceeding passengers’ expectations every time,” Micky Arison, chairman of Carnival Corporation, answered when asked by *Cruise Industry News* what the industry’s key performance indicators are. “In addition, it is critical that the value relationship is outstanding. We are not the only ones doing this, every company does that as well; 90 percent of the guests who come off a ship have had a great vacation. That is critical to our future.

“We must also improve yields so we can continue to improve the product. We need to continue to innovate and adjust the product to the needs of our guests,” he added.

“If you compare the Carnival Vista to the ship I sailed on as assistant cruise director they are worlds apart. Back then, we had 700 passengers onboard, no spa, only a small gift shop, a small gym and a hairdresser, so you could get a haircut. Our entertainment staff included a pianist, a comedian, who also did other jobs, and Miss Kentucky, but people had a great time.

“Now, expectations have changed, people want spa treatments, lavish shows and different dining options. Back then, the Lido served hamburgers and hot dogs.”

### First Cruise

Arison’s first cruise was on the Sunward, which his father (Ted Arison, who later founded Carnival Cruise Lines) ran for Klosters Rederi. He said he had an “absolutely fun time.” He was 14, in high school, going to boarding school in Connecticut.

When he moved to Miami, he did odd jobs at Norwegian Caribbean Lines for which Arison Shipping was the general agent. He worked in reservations, berthing and embarkations.



Micky Arison,  
chairman  
of Carnival  
Corporation

“I thought the job was fun and enjoyed every bit of it. But at that time, I had no visions for the industry’s future. What I did see was once the ship let the lines go, people would relax and enjoy their vacation in a way they didn’t on land.”

### Carnival

When Carnival Cruise Lines was founded in 1972, he started out as a salesman, then worked in reservations and became reservations manager. At 25 he was named vice president of passenger traffic and at 30 became president (Ted Arison was chairman).

“At that point,” Arison said, “we had started to recognize the huge potential of the mass market, but we did not have the capital and were struggling for the first 10 to 12 years, before we were able to develop new capacity.

“As our company became a little larger and we got new ships, we started to invest in TV advertising. In those days, when we advertised on *The Today Show*, *Good Morning America* and *the Love Boat* we were able to reach the whole country and create more demand for our ships. Today, the TV market is much more fragmented.

“And when we took the company public, it gave us access to the capital we needed to continue to expand.”

### Ups & Downs

“We have had a perception and PR problem because of a few high-profile incidents which the media has not put in the proper perspective,” Arison said. “They have not put it in the context of us carrying 10 million passengers a year. In that context, these incidents are minute, but have been a big challenge.

“On the other hand, we are facing great opportunities as our business is becoming global. If you had asked me in the ‘80s and ‘90s if we were going to be global, I would not have believed you. I viewed the industry as principally a U.S. business and a little in Europe, in the UK.

“Theoretically it should be possible to match the penetration level we have in the U.S. elsewhere. We have done so in Australia and I expect we will across Europe too. The only challenge is that these markets do not have a Caribbean next door with good year-round weather and embarkation ports you can drive to or fly to at a reasonable cost. Over time, though, I believe this will be overcome because the vacation value is so great and the satisfaction level is so great.”

### Fantastic Ships

Unlike hotels, Arison said cruise ships have a captive audience and can develop unique relationships between staff and the guests that cannot be found in hotels.

“Because we have a captive audience and control the environment, we have a much better opportunity to deliver. Luxury hotels cannot touch our service or our food and they cannot control the environment outside their doors. There is a huge difference in quality and cost. You can go to Harry’s Bar in Venice, for example, and spend as much on a meal as an entire cruise costs.

“We have a lot more work to do. We carry 10 million guests a year; we have a very good base, but we need to do a better job marketing.

“Continuing to build fantastic ships for different segments will help us grow the market. The new ships are also more efficient and consume less fuel,” he said. ■





**Knut Utstein Kloster (left) and Captain Torbjorn Hauge on the Norway**

## **Knut Utstein Kloster** A Man of Vision

“At the beginning of 1966 my perception of the cruise industry and my vision for its development was based on the course we were setting with the Sunward,” said Knut Utstein Kloster, founder of Norwegian Caribbean Lines, today known as Norwegian Cruise Line. “We offered a one-class, exciting and affordable vacation experience for Middle America. It truly was good value for money; luxury at an economy price; Norwegian seamanship; and the Caribbean for sun and fun,” he told *Cruise Industry News*.

“The ship was a medium of communication,” Kloster continued, “for all those who were ‘touched’ by it – the passengers, officers, staff, crew and

people in the destination communities.

“As the late scientist, writer and futurist Sir Arthur C. Clarke rightly wrote to me in a letter 40 years later: ‘There is nothing like a ship voyage to create a feeling of unity, as well as a better understanding of the wonderful planet on which we live.’”

### **Right Timing**

“Nothing breeds success like success,” Kloster continued. “We got a flying start in the late 1960s with new modern ships, doing three-, four- and seven-day cruises to the Bahamas and Caribbean destinations.

“We were making good money, telling

Americans that this was something they should want and be willing to pay for. The crux of the matter was that America was ready for it.

“Miami did its part by expanding their port and passenger services facilities. Our fly-and-cruise marketing and sales concept subsequently covered the whole country. And don’t forget the word-of-mouth support from happy passengers returning to their family and friends.”

Thus, expansion came naturally. Kloster said he just had to stay the course with more and bigger ships in a huge, untapped market. The timing was just right.

### **United Nations at Sea**

Kloster explained that the general arrangement plan of a cruise ship prioritizes its many functions, guided by stringent safety considerations.

“We had a community onboard with officers, staff and crew of many cultural backgrounds and from different countries. Unlike working ashore, the ship was both a workplace and a home away from home.

“When the S/S Norway came to Oslo on her maiden voyage in 1980, Chief Steward Wesley Samuels from Jamaica hoisted the UN flag. It was to mark the fact that some 30 different nations were represented onboard. Thus, the S/S Norway was like a little United Nations community. It also served to remind us of our responsibility to take good care of her and her people. We did all this in the context of running a profitable business from a global perspective.”

### **Norwegian Caribbean**

Kloster's Rederi in Oslo was doing business in America as Norwegian Caribbean Lines. The ships were Norwegian-owned and therefore Norwegian territory, subject to Norwegian law, Kloster explained. He said that in principle all people working aboard were supposed to be paid Norwegian wages and gambling was not allowed. A special agreement was made with the Norwegian Seafarers’ Union covering the foreign hotel and

catering crew. Slot machines, however, were considered to be part of the entertainment and not considered gaming.

Later on, the Norwegian Seafarers' Union played an important role calming national emotions in France, when Kloster acquired their national treasure, the trans-Atlantic liner S/S France, and converted her into the S/S Norway, a modern cruise ship.

## Bottom Line

"The name of the game is profit," Kloster stated. "Success is measured in terms of the return on capital, but with several interdependent bottom lines: money, human resources and the environment. We expanded the corporate agenda for the purpose of making the company profitable, respected and needed. This was free enterprise at its best.

"While it is hard to find destinations that can match the Caribbean with its many interesting and charming ports of call within comfortable reach, clearly, Europe, Asia and China are emerging markets with great potential that, combined with the Caribbean, will help propel the industry into the future." ■



The 255,000-ton, 5,600-passenger Phoenix

established World City Corporation as the parent company.

The book traces the efforts that were made to build the ship (first in Germany and Japan) in the U.S., even creating the concept of a virtual shipyard. But the investment of \$1.5 billion was considered too much for its time. Other cruise lines also lobbied against the project, and when MARAD loan guarantees were pursued, those were instead given to American Classic Voyages, which turned into a fiasco and basically shut the door on the Phoenix.

## Conscious Capitalism

Kloster's business model is described as "conscious capitalism," taking *all* the stakeholders into account, including the *environment* and the global community at large. The Phoenix, for example, claimed to burn 50 percent less fuel per passenger (in 1988!).

Kloster started Norwegian Caribbean Lines in 1966, which grew into the then largest North American cruise company, which also owned Royal Cruise Line and Royal Viking Line, and eventually was publicly traded in Norway and the U.S., before being sold to Star Cruises.

## "True North"

Some 30 years before the current generation of megaships, there could have been another, even bigger ship. And the same visionary shipowner was concerned about the environment back then, before it became popular, and supported programs and activities to promote environmental awareness.

The shipowner was Norwegian Knut Utstein Kloster, now 85, who is credited with having launched the modern-day cruise industry. His foresight and idealism, as well as some of his many projects, are described in the book *True North*, by the late Stephanie Gallagher, published by iUniverse Books.

## Phoenix

First presented in the mid-1980s, the first envisioned megaship by today's standards would have been the Phoenix at 255,000 tons and able to accommodate 5,600 passengers. It featured a number of ideas and concepts that are still unique today and all of its designs were approved by the class society and the U.S. Coast Guard.

Originally intended to be part of Norwegian Cruise Line, the board rejected the giant ship as too risky, according to Gallagher, and Kloster took on the project on his own and

## Gaiaship

Gallagher also focuses on Kloster's many other engagements. He played an important role in the 1994 Winter Olympic Games in Lillehammer, Norway; he was the driving force behind the creation of the Norwegian pavilion at Epcot; and he sponsored a 15,000-mile voyage of a replica Viking ship, the Gaia, named after Mother Earth, to deliver messages from thousands of children around the world to the 1992 Earth Summit in Rio de Janeiro.

Kloster has also been the driver behind Gaiaship, intended to travel the world, representing all nations; its mission being to simply bring people together to search for solutions to humankind's problems.

*True North* gives a glimpse into the life of Kloster, whose ideas and idealism were often ahead of their time and are very much relevant today and as we move forward. ■





**Arne Wilhelmsen, cofounder of Royal Caribbean Cruises**

## ▶ Arne Wilhelmsen Next: Sensible Growth

“My initial perception of the industry was that it had great potential being the fastest growing segment in a growing vacation industry in which the cruise market constituted a very small part of the total,” Arne Wilhelmsen, one of the cofounders of Royal Caribbean Cruises, told *Cruise Industry News*.

“The focus at the time was on cruising in the Caribbean in older converted trans-Atlantic liners with 80 percent of the voyages starting in New York, which indicated there was a great need for innovation and new thinking in the development of the modern cruise industry.”

### Forward Looking

Wilhelmsen, who served on the board of Royal Caribbean until 2003, said that the main drivers of the industry’s growth was the development of Miami as a modern cruise port and the building of modern vessels tailor-made for the Caribbean trade.

“At the time, there were some forward-looking people in Miami who believed very strongly in the potential development of cruising in the Caribbean. One was Ed Stephan, a young hotel executive with a small cruise operation, who came to us in Oslo with a proposal. The other was Admiral Stevens, the port director of

Miami, who had plans to develop Miami as a major cruise port.”

### Initial Concept

“Our initial concept was very simple,” Wilhelmsen continued. “Three vessels – two on 14-day and one on seven-day itineraries with two sailings every Saturday, which was easy to communicate to travel agents.”

Royal Caribbean also chartered Boeing 747 planes with 460 seats, which gave it the lowest seat cost between Los Angeles, San Francisco and Miami, which allowed the cruise line to tap the lucrative California travel market.

“The first ship, the Song of Norway, became very popular and after the first 10 years we had to double the capacity of our fleet by lengthening two of the ships and building a new vessel, which was twice as big as the first one, which was the Song of America,” Wilhelmsen explained.

### Industry Drivers

He said that the main drivers for the industry’s continued expansion are the development of ever bigger and more sophisticated cruise ships, the opening up of new markets and new destinations worldwide.

“Being a great believer in the merits of economies of scale, my initial challenge was to convince my partners and management in Miami to build bigger and more efficient ships in order to grow the company.

“A big challenge for me personally was to have my two partners over 20 years sell their shares of Royal Caribbean to Carnival in 1988. Having the first right of refusal, I succeeded in raising the necessary funds to buy them out and find new partners, all in a very short time.”

### Growth

Wilhelmsen added that the industry has seen phenomenal growth and that Royal Caribbean has made a substantial contribution. “A major challenge for the industry now is not only to continue to grow, but to grow in a sensible way. Quality in management and staff at all levels ashore and aboard will be a critical precondition for healthy development.

“The ships will be subject to more demands not only from passengers but also from regulatory authorities and will be more technically sophisticated.”

The most interesting and sensational market development at this time, according to Wilhelmsen, is the growth of the Chinese market and the revival of the U.S. economy.

### ‘Good Business’

Founded in 1939 by Anders Wilhelmsen, the family-owned company today known as Awilhelmsen is involved in shipping, offshore, cruise, real estate, retail and capital management.

According to the book *The Eternal Hunt*, which traces the company’s history, its growth is partially attributed to the success of Royal Caribbean.

The story is about Anders, who shortly after launching his company lost his brother Karsten, serving as captain on their first ship, when it was torpedoed by German submarines. And it is about Anders’ sons, Arne and Gjert, and the third generation, Arne Alexander, son of Arne, and their focus on “doing good business and being willing to make commitments where others dare not go.” ■

## Edwin Stephan Great Future

“The industry is on a great road to the future,” said Edwin Stephan, cofounder of Royal Caribbean Cruises. “The big companies are global and if there are places they don’t go to yet, they soon will.

“And the biggest ships will be the biggest moneymakers.”

Stephan held various positions with other shipping companies in the 1960s, including the Yarmouth Shipping Company and Commodore Cruise Line, which he also cofounded. He set his sights higher, however, and saw a bigger potential for new ships. He eventually got the support of Norwegian shipowner Sigurd Skaugen (I.M. Skaugen and Company), who agreed to build three ships. He also brought in two other Norwegian shipping companies, Anders Wilhelmsen and Gotaas Larsen.

“I was looking for safety first and foremost,” Stephan said, “and (ship) culture, which the Norwegians had.”

### ‘Overcompensate’

In 1968, Stephan said the market was wide open. The trans-Atlantic liner companies were trying to convert to cruise service, but had old ships and soon ran into union and flag problems, before going out of business.

“So we stepped in and filled the gap with new ships,” he said. “I knew the demand was there, at Commodore we sold out our entire summer season in one week. But I was not interested in running the Boheme, unless we could improve the safety.”

Stephan said while watching out for weather, disease outbreaks onboard, collisions and fire, his policy was to overcompensate passengers whenever there was a rare incident.

“We had a ship that got caught in a hurricane once,” he said. “We gave people another free cruise and everybody was happy.”

### Economies of Scale

Economies of scale are key to driving earnings, according to Stephan. “Larger ships offer better economies of scale and give better margins. In addition, we had a captive audience onboard and all their onboard spending goes to the bottom line.

“Another benefit the industry has,” he added, “is that ships can move. And our occupancy was always 100 percent or better. Even great hotels don’t achieve that.

“At the same time, as the ships have gotten bigger, operating expenses have come down. We used to pay travel agents 16 percent. Now the cruise lines are telling agents they love them, but still give passengers the option of booking directly. Fuel costs have come down, too.

“On the whole, the future is looking very good for the top brands. Once people are on the ocean, they relax and start enjoying themselves.”

### \$3 Billion

“The barriers to entry are high,” Stephan continued, “but if you have \$3



Edwin Stephan, cofounder of Royal Caribbean Cruises

billion and are willing to build a fleet of ships right away, a startup can still do it. One billion dollars for a newbuild is no big deal based on the return you get.

“Word-of-mouth is the most important advertising you can get. When people get off a cruise, they are happy. And chances are it cost less than going to Disney World.”

Stephan retired from Royal Caribbean’s board of directors as vice chairman in 2003 at the age of 71. ■



The Sun Viking was one of Royal Caribbean’s first three newbuilds.



## John Chandris

# Innovation is Key

Describing his involvement as that of an observer in the 1970s, John Chandris said he became hands-on in the 1980s after his uncle became ill. At that point the Greek Chandris shipping family was running Chandris Fantasy Cruises with Harry Haralambopoulos as executive director.

“The oil crisis in the ‘70s put the nail in the coffin for turbine ships,” he told *Cruise Industry News*. “Our ships were old, and we clearly saw the benefit of diesel powerplants. The industry was already moving into a second generation of cruise ships, and the scene was set for bigger, better and more efficient ships.”

He continued: “At that point, we were not yet in a position to order new ships, and we were still able to make good money with our turbine ships as long as we planned our itineraries carefully.

“But it became clear that if we were to continue, we needed a new platform. We had the choice of staying at the Fantasy level or doing something better.”

### Celebrity Cruises

Thus, the Chandris Group created Celebrity Cruises. “We decided not to build to replace Fantasy, but instead to introduce something new.”

He said that innovation was a key driver for the new brand – from the structural elements of the ships to the onboard product. “The Horizon and the Zenith were the first ships to feature show lounges without columns for up to 1,000 people. We also introduced better food, private butler service and genuine onboard art collections.”

The biggest challenge was to find enough passengers to fill the beds every week. “It was us versus the 800-pound gorillas,” he noted.

Founded in 1988, nine years later Celebrity was sold to Royal Caribbean.



John Chandris founded Celebrity Cruises with the Chandris Group

### Challenges

Looking forward, although no longer involved, Chandris said the industry faces a number of challenges, including the sheer size of the ships from a safety point of view.

“We were the first company to double the number of life jackets we kept at the muster stations,” he said. “Dimitrios Kaparis (senior vice president of corporate development and newbuildings) was a great protagonist of safety.

“I am concerned today after I saw people airlifted two at a time in a basket from the burning ferry in the Adriatic last December. Obviously, the bigger the ship, the bigger the challenge.

“Another issue is to maintain product quality with the larger volume of passengers (and crew), while also taking cost out of the product.”

Chandris said he was also concerned that the big publicly traded cruise companies have board members that have little or no understanding of the industry.

“Look at the share price for Royal Caribbean today,” Chandris said during a January interview, “it is finally where it should have been 10 years ago.

“Now, I hope they will be conservative with the number of ships they build and continue to focus on innovation and safety.”

### Tomorrow

As for where tomorrow’s passengers will come from, he said: “China is clearly an incredible market, but will require a specific set of operational criteria. Just look at the number of quality cars being sold in China; it shows the market’s appreciation for quality.

“But America still leads the world and will continue to do so. Americans are hard working and take shorter holidays. For them, the seven-day product is ideal.”

Cruise may be a tougher sell in Europe, he said, because many Europeans can easily just drive and visit destinations within a few hours or even less. “It comes down to location and habits.”

### Fundamentals

“Fundamentally, the key driver for the industry is product delivery. The objective must be to deliver the best possible product at a sensible price and produce a sensible margin,” he said.

“In addition you have to be innovative or you become stale. Richard Fain (chairman and CEO of Royal Caribbean) has been more creative than anybody else. With more brands it is harder, because you have to spread your focus so much. But unless you innovate, you become stale, and some brands have become stale.

“We did not just put our money to work, but also intelligence and ideas behind the scenes. For example, our ships had a trunk duct for piping running front to aft so all the piping could be easily inspected. We also had a track rail in the engine room for moving heavy components.”

Chandris added that the cruise industry has sourced a lot of ideas from the hotel industry and from each other. “I did quite a lot of cruising on competitors’ ships before we placed our newbuild orders. I saw what I liked and what I thought was missing: a touch of luxury, finesse and excellence. Our tagline for Celebrity was ‘exceeding expectations.’” ■

# Helge Naarstad

## The Ultimate Experience

Sea Goddess introduced the yacht-like luxury experience in 1984, created by Norwegian Helge Naarstad. After a stint with a mass market brand, he said he wanted to create the kind of cruise experience that he personally would like to take.

“This led me to invent the yacht cruisers and with them a lot of new developments in the industry, like all inclusive, one price, all staterooms equal, first class cuisine and an atmosphere where passengers regarded each other as interesting and pleasurable to spend some time with,” he told *Cruise Industry News*.

“And, of course, smaller ports of call, more shore experiences and sports from the aft deck of the ship were part of the package. This concept is still viable, and the more and bigger ships the mass market operators are building, the more they are helping to create a market at the top as well.”

### First Mega Ship

“When I entered the cruise industry in 1978, I saw a mass market fueled by affordable prices and reaching far out into almost all income brackets and all geographical areas of the U.S. The market was in the early stages of development and it was quite clear to me that bigger and more cost-efficient ships would help to expand the market, while onboard entertainment would attract new users,” Naarstad said, who then was president of Norwegian Caribbean Lines.

“The answer to these trends was to build bigger ships,” he continued. “As this would take time, we found that converting an obsolete, but not too old Atlantic liner, would bring us faster into a position to serve this market. So we found the S/S France and converted her



The two sister ships Sea Goddess I and Sea Goddess II in Monaco in 1985

Helge Naarstad (right), founder of Sea Goddess, and Martin Saarikangas, CEO of the Wartsila Helsinki Shipyard

into the S/S Norway, taking the leap from 700 passenger ships to 2,200 passengers in one jump. It worked remarkably well, and the ship was paid for in three years.

“Now our major competitors saw the threat that this ship, and its possible followers, would pose for them, so in turn they contracted for new big ships to fight for their position in the market. They all understood this, except Norwegian, which had then changed management. The new guys took the company in a different direction.”

### Ultra Luxury

After leaving Norwegian, Naarstad said his next goal was to create the ultimate cruise experience, with two 120-passenger, 4,000-ton vessels, Sea Goddess I, introduced and christened by Princess Caroline in Monaco in 1984, and the Sea Goddess II in 1985.

But to introduce a new product and concept was easier said than done. Creating the product was one thing, getting paid for the product in a reasonable time frame was a different ball game, and

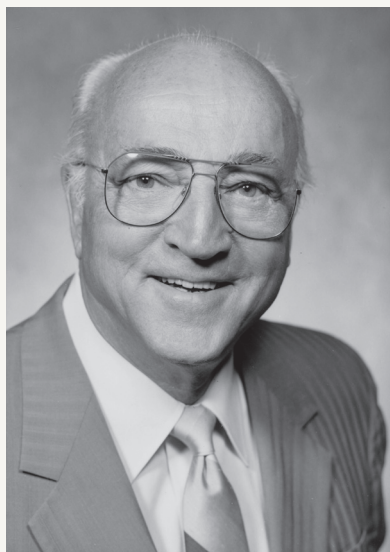
high-end operators today are building bigger ships to make ends meet, according to Naarstad. (In addition, the 1985 hijacking of the Achille Lauro wiped out the profitable Mediterranean summer season.)

“This (bigger ships) would not satisfy the customers we attracted to Sea Goddess and it leaves a market opportunity between these operators and the mega yachts for rent,” he said.

“To satisfy this market you need to deliver quality in details that is possible only if you know how to do it. I do not see any operators in this category today. I see a certain tendency that mega yachts will be more organized, so in the future we may see a company offering several mega yachts in different locations, and operated more efficiently and in better alignment with the product experience. This way it could possibly bridge the gap between today’s high-end operators and the rented yacht at a competitive price per diem.”

The Sea Goddess vessels today sail as SeaDream I and II, still offering an ultra-luxury experience. ■





**Stanley McDonald, founder of Princess Cruises**

## Stanley McDonald Full Ships From Day One

When Stanley McDonald, who founded Princess Cruises in 1965, last spoke with *Cruise Industry News*, he was upbeat on the industry. “We saw the growth potential already back then,” he said. “We started with a 400-passenger ship, moved up to 600 and then 900 and still sailed full.”

He said word-of-mouth was the best advertising he ever had. “People were so satisfied after cruising with us that they came back. And they told their friends.”

In addition, *The Love Boat* television series helped give Princess an identity in the cruise market. In fact, *The Love Boat* helped the entire industry, according to McDonald. “The series created awareness about cruising as a fun and enjoyable vacation.”

McDonald’s interest in cruising stemmed from a successful charter to the World’s Fair in Seattle in 1962. Seattle was short of hotel rooms and he chartered a ship and organized a 10-day roundtrip cruise from San Francisco.

He launched Princess with a ship chartered from the Canadian Pacific Railroad, which he refurbished and ran two winter seasons from Los Angeles to Mexico. The name of the ship was Princess Patricia, and McDonald liked it so much he named his cruise line Princess Cruises.

Three years later he sold Princess to Boise Cascade only to buy it back when that company ran into financial difficulties. In 1975, he sold Princess again, this time to P&O, but stayed on until 1980.

Another cruise venture followed, Sundance Cruises, which was designed to allow passengers to bring their cars to Alaska in the summer and Mexico in the winter. Sundance was later merged with Eastern and Western Steamship Lines, which eventually became Admiral Cruises, a short-lived division of Royal Caribbean. That was in the late 1980s, when McDonald cashed in. (From *Cruise Industry News Winter 1999/2000*.)



**Nicola Costa was at the helm of Costa Crociere.**

## Nicola Costa Developing Europe

Europe has strong potential, but is more fragmented than the North American market, according to Nicola Costa, when he was still chairman of Costa Crociere. His approach was to use Italian style and flavor to tie the cultures together, he said.

The Costa family had been involved in passenger shipping and later developed its cruise business in the 1960s and 1970s, mainly focused on the Mediterranean, which back then was seasonal and not perceived to be able to sustain big ships.

“At the time, the only opportunity we saw to develop big ships was in the United States market,” Costa noted. But that perception soon changed, as Costa made its first big jump from 950 to 1,400 passengers in the Mediterranean, “and we saw that the market was still there.”

“The next big jump was to 2,000 passengers and the market continued to be there,” he added. “From there, we moved up to even bigger ships.”

The Costa family sold its interest in the cruise line to Carnival Corporation and Airtours in 1997. Costa retained his position as chairman, while also serving as general manager of the Genoa Opera Company. Carnival subsequently obtained full ownership of the Italian brand. (From *Cruise Industry News Winter 1999/2000*.)



**Barney Ebsworth of Royal Cruise Line and Clipper Cruise Line**

## Barney Ebsworth It's All About Marketing

"The industry is a lot stronger than I ever thought it would be," said Barney Ebsworth, founder of Royal Cruise Line and Clipper Cruise Line. "There will be more growth and it will be done by the big three."

Ebsworth recalled speaking to Ted Arison right after the Mardi Gras ran aground off Miami on its very first cruise. "Ted was always very upbeat, but he was down then and said to me he thought he was going out of business. I said he wouldn't."

"Do you know why? It was because the Greeks and the Norwegians thought they were in the shipping business but both Ted and I knew we were in the marketing business, and Ted was smarter than all the rest of us."

Royal Cruise Line launched service in 1974 with the 460-passenger Royal Odyssey, matching the capacity of a 747. This way, Royal only had to charter one jet to fly passengers to and from the ship.

Royal came about after Ebsworth founded Intrav, a travel company in 1959, and made so much money, he said, that his accountant advised him to find a new business.

"We were gutsy and opened offices next to Royal Viking Line in San Francisco and called the company Royal Cruise Line. And we hired Richard Revnes as president; he was an unbeatable sales and marketing man."

Ebsworth later sold his majority interest and went on to launch Clipper Cruise Line in 1981, which was eventually moved into Intrav, which in turn was sold to Kuoni.

"We had a good time. I loved it and always will," Ebsworth added. (*From Cruise Industry News Winter 1999/2000.*)



**Lord Sterling developed P&O's cruise interests**

## Lord Sterling Worldwide Outlook

The day will come when Asian markets open up, Lord Sterling, then chairman of P&O, told *Cruise Industry News*. He saw P&O's cruise interest growing on a global scale.

"We have always been worldwide and have known the world for more than 170 years," he said. "As a company, we like to say we invented cruising back in 1844."

Since Lord Sterling assumed executive control of P&O in 1983, the company grew its cruise interests through Princess in North America; P&O and Swan Hellenic in the UK, and P&O Holidays in Australia. In addition, P&O formed AIDA Cruises in partnership with Arkona Touristik to develop the German cruise market.

According to Lord Sterling: "Back in the early 1980s, cruising was at best a niche industry, but has since gradually grown to become mainstream in the United States." He added that the UK would develop in the same fashion.

In Germany, however, cruising is far from mainstream so the potential to grow the industry there is even greater.

Overall, Lord Sterling said that Europe has huge potential, because of its many countries with maritime cultures.

But his vision went far beyond Europe. "We have different products for different markets around the world," he said. (*From Cruise Industry News Winter 1999/2000.*)



## ▶ Art Rodney Launching New Brands

**When he first joined Princess Cruises** in late 1970, he knew then the industry was only in its infancy with 500,000 cruisers and with Princess the only regular West Coast cruise operation with one small ship (the Princess Italia) under charter, Art Rodney told *Cruise Industry News*. He later went on to launch Crystal Cruises and after that, Disney Cruise Line, and served as chairman and CEO of Ambassadors International, which owned Windstar Cruises.

### All About 'Love'

Rodney said the main driver in the early development and expansion of the cruise industry happened in the 1970s when Princess brought *The Love Boat* TV show to the public.

"This started a long relationship with the show, which not only helped Princess, but the entire cruise industry. Many people credit *The Love Boat* as a pivotal element in furthering the awareness and excitement in the cruise industry."

### Beyond Yields

Beyond maximizing yield and competitive marketing and sales objectives, Rodney said he believes additional significant challenges face the industry in the future. Safety and quality control is one. As the industry has grown and ships have become much larger it is easy to lose control over quality of food, entertainment and service, he said. Thus, it will be important for cruise lines to have enough supervisory staff to assure standards are being met.

"Since ships are carrying up to 5,000 passengers, it is also important to safeguard passengers, which means investing in security and technology," he continued.

"Another area of concern is port infrastructure. As ships have grown larger, ports have been under pressure to be able to handle the increased load. Cruise lines will have to continue to invest in ports to assure a good experience for their passengers."

### KPI

The key performance indicator, according to Rodney, is passenger satisfaction with the cruise product. This is reflected in continued high occupancies, along with rising per diems, expansion of ships, innovation of experience, support of distribution systems and giving back to the environment.

"Into the future I still see the U.S. as a key market for the cruise industry, but I believe Asian markets, particularly China, will become equally important over the next 10 years.

"Cruise lines will be deploying both new and older ships to this market, decreasing the available beds for North America causing net yields to rise in the U.S. market. Meanwhile, the Asian love for travel, gambling and shopping, will create a new, profitable market for the industry as the middle class and wealthy quickly grow."

He added that in developing Crystal Cruises, he used his past experience and knowledge of the luxury consumer to

create a product he felt would be well accepted and was innovative, such as offering the first alternative Japanese restaurant.

"When I was recruited by Disney to design and introduce their new cruise company, we had the opportunity to leverage Disney's strong brand and standards to bring a new dimension in cruising."

Rodney is convinced the future is bright. He said: "Ships will continue to innovate, creating more great experiences for passengers. One very important point for the industry to consider is not to emulate but rather innovate, which is so critical for the future." ■



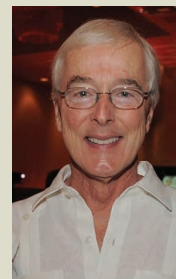
Art Rodney (left) and Corrado Antonini (right) of Fincantieri

## ▶ Bob Dickinson Vacation Market

"When I first got involved in the industry in 1972, I perceived it as a small, relatively undeveloped cottage industry here in South Florida," said Bob Dickinson, who retired as president and CEO of Carnival Cruise Lines in 2007.

"At that time, the existing cruise lines were defining themselves as being in the

cruise business. Our vision was that we were in the vacation business. Accordingly, rather than focus on increasing our share of the existing cruise business, we focused on increasing our share of the vastly larger vacation business."



Bob Dickinson helped develop "the largest and most profitable" cruise brand.

## Stein Kruse Global Expansion

“We are on a growth trajectory both earnings- and capacity-wise,” said Stein Kruse, CEO of the Holland America Group. “I see a well-managed and successful industry that will continue to grow.”

He said the demand side is solid. For the next few years, the baby boomers will continue to dominate, but the industry also has to prepare for the new generation of millennials.

### Since 1982

Kruse joined the industry in 1982 just out of college as a management trainee with Norwegian America Line.

He said that over the years he has learned never to underestimate the power of the cruise industry to innovate, offering more choices to guests and finding new destinations.

“Today the cruise industry is more mature; it is well managed and well funded. We also have a global presence and more global aspirations,” he said.

“I have been fortunate to play a small part in this. The risk-taking was done by some of the real founders that put their personal capital and borrowed money at stake. They realized quickly that there were two ways to go: first to have economies of scale by having many ships or bigger ships, or both; or smaller ships that could command a high (ticket) price.”



Stein Kruse, CEO of the Holland America Group

### Larger Audience

“We have opened the industry up to a larger audience,” Kruse continued. “Twenty million people are expected to take a cruise this year; when I started it was only a million.”

Driving this growth, the industry has expanded to different markets and destinations. Not only did it develop new ships, but destinations too. “As some ports in the Caribbean, for instance, became repetitive, we invested and created our own shoreside locations or private islands. In Alaska, we invested

ashore – in trains, coaches and hotels deep into the wilderness.

“Expansion on a global level has made the product more accessible, but also exposed us to world events. However, we have the advantage of being able to move our assets – we are not like hotels, once you build it, it is stuck forever.”

Size has also generated more visibility, according to Kruse, who said with that the industry has been able to enter into the vacation paradigm for people who previously may not have considered a cruise.

### People Are Key

In the end it all comes down to people, he added. “Great people, dedicated and committed people are behind our success. And we must make sure they are well looked after, well trained, well compensated and well motivated, and that we work in a transparent, legal and morally correct way.

“Even though people are our most valuable asset, we do not put them on the balance sheet, but they deliver our product.”

### Global Pie

As for future growth, Kruse said that North America will continue to be the most important market for some time to come, but its share of the pie will shrink as other markets grow at a faster pace, including China and Asia. ■

### Mass Market

Dickinson said by going after the larger mass vacation market, Carnival was able to drive the industry’s growth, as opposed to fighting over a smaller percentage of the market with other niche lines.

“The company’s willingness to invest in new tonnage (and profitably filling those new berths) allowed Carnival to become the largest, most profitable and most popular cruise line in the world,” he said.

All that, of course, Dickinson explained was based on guest satisfaction.

“If a cruise line under-delivers in this

area, its yields and profitability will inevitably suffer,” he added.

“The dominant challenges for the cruise industry are to create aspirational vacations which exceed customer expectations while, at the same time, aggressively marketing these vacations to the larger hotel, resort and destination marketplace.”

### Aspirational Vacations

Since vacations are an aspirational experience to most, Dickinson said the cruise industry must look at emerging trends to ensure that product design and execution have the maximum customer appeal.

“The global desirability of cruise vacations creates enticing market and product diversification,” he continued. “The inherent transportability of our ships allows us to move fluidly with market and cyclical change.

“The cruise industry, both in North America and worldwide, has an extraordinarily bright future. For example, for every American man, woman or child that has ever taken a cruise, there are at least four more who have the time and money to do so, and have yet to experience this fabulous vacation. Worldwide the numbers get really silly, as the industry is barely scratching the surface.” ■