



Commissions Trending Up, But....

Carnival Corp. recently reported a 7.1% increase in "Commissions, Transportation and Other" payments for the fourth quarter of 2010 vs. 2009 (\$561 million vs. \$524 million). For the 2010 fiscal year, the company reported a 2.34% climb in "Commission, Transportation and Other" payments: \$2.272 billion for 2010 versus \$2.220 billion for 2009.

Royal Caribbean has yet to report their fourth quarter earnings, but in their most recent report for the third quarter, "Commissions, Transportation and Other" payments totaled \$350 million, up 15.1% versus the \$304 million paid out for the third quarter of 2009.

Commission Crunch

While it appears commissions overall are climbing, challenges persist for North American cruise sellers. For one thing, the lines don't break down payments by North American agents versus European agents, and it's safe to guess percentage growth for Europe agents is higher than growth for North American counterparts.

And then there are direct bookings. NCL has indicated greater percentage growth with direct-sourced business than Carnival Corp. or Royal Caribbean of late, but the latter two have cited gradual growth in direct bookings that they expect to continue.

Travel agents used to hear things like "9% of our bookings are direct" from cruise lines, but Carnival Corp. Chairman/CEO Micky Arison recently told Wall Street that direct revenue was in the "high teens." Since cheaper cruises are more likely to be booked direct (according to agency group leaders), one can assume the percentage of direct bookings is even higher than the percentage of direct revenue.

Economic Issues

Arguably, the biggest challenge facing North American agents is the continued sluggishness of the North American and European economies--around 3% GDP growth. Indeed, during Carnival Corp's recent earnings call, Howard Frank referenced the GDP and noted, "We do think Europe may be a little bit more challenging, but that's factored into our guidance right now." And that's combining with ongoing expansion by the lines in Europe. For example, Royal Caribbean International has a record 11 ships in Europe this summer.

And, of course, cruise lines and agents are still flummoxed by low Caribbean rates. Frank noted, "Right now, North American brands are flat year-over-year pricing."

But there are some positive signs for commission growth. Carnival Corp. reported upward pricing for Alaska this summer, which is particularly good for North American agents, as that's primarily a North American market, and the rates are above average.

And even with the ongoing exodus of mass market

ships from the West Coast (most recently, the move of *Mariner of the Seas* to Europe), more high-end cruises are moving in: *Crystal Symphony* roundtrips from San Francisco to Alaska this summer; the *Queen Victoria* is out of Los Angeles, mainly for a series of Hawaii runs; the *Disney Magic* has an extended series; and Holland America Line is increasing its long cruises departing from Seattle for the South Pacific.

All these additions are aimed at relatively big spenders by cruise standards, and those are the ones that tend to book through retailers at the highest levels and rates.

Linking to the "Essentials"

Carnival Corp. players were unusually active marketing over the holidays. Over on the West Coast, Cunard featured an elegant Rose Bowl float in Pasadena, a logical promotion given *Queen Victoria's* West Coast entrance. On the East Coast, Carnival sponsored confetti at Times Square on New Year's Eve, because that's, well, Fun.

But perhaps the most logical promo for agents to link with was Princess' New Years Eve at the Edge of Time blog, part of that line's ongoing 50 Essential Experiences blog. Some twelve blogs have been posted so far, and all are well written, personal, and interesting. The New Year's entry was written by an experienced employee of the company about his memories of the New Year's Eve fireworks display in Sydney Harbor. It made you want to experience the thrill, perhaps next New Year's Eve.

"You are more than welcome to link to the blog from your website or your Facebook pages....and we encourage you to use those stories to help sell these destinations," Exec VP Jan Swartz recently told agents during a webinar. The website, 50EssentialExperiences.com, is separate from the Princess.com site.

She added that agents can access the blog through the homepage of Princess.com or Onesourcecruises.com. The latter link tells about the blog and also gives agents customizable email templates and banners to promote the blog.

Findings Of NCL's Undercover Boss

CEOs of cruise lines going on their ships is nothing new, but NCL's Kevin Sheehan took this process to a whole new level by posing as a low-ranking employee for the CBS TV show Undercover Boss this week. Sheehan (and NCL) came off great, but it soon became evident that the show was more about the crew.

There were the usual comic scenes of an inept boss, for instance, carrying a tray full of dirty dishes or teaching basic dance steps. But there was a touching moment when he sat down with a crewmember who actually did know his identity. CEO Sheehan kind of patted himself on the back when he mentioned changing employees' contracts from 10 months to nine.



Undercover

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Employee Silvia Veigas, a waitress in the Manhattan Room restaurant of *Norwegian Epic*, quickly shot back, "If it were eight months, it would be really good." She explained the difficulties of being away from her family and loved ones for so long. "It can be hard for me as a life sometimes," said Veigas. "It's tough, it's very tough."

Afterwards, Sheehan told the TV cameras, "I was absolutely humbled by the effort, hard work, dedication, caring of our crew....It's not one person, it's all of our employees." The whole episode seemed far more meaningful than the usual paeans we hear from cruise execs about dedicated crew.

But what about those execs who aren't visiting ships for the cameras? We asked Princess President/CEO Alan Buckelew why he visits the crew of all Princess ships every year. "We are a service business; our ships are beautiful and luxurious, but it is our crew that defines our brand," he replied. "We use video and teleconferencing to communicate with our ships, but there is no substitute for face to face meetings.

"By spending time on each ship I have the opportunity to talk about the success of Princess and how it's tied directly to the individual efforts of each employee--I can't think of a better way of doing that than in person.... And finally, they have the opportunity to ask questions--I answer all questions and give them frank, honest answers."

Like Sheehan going undercover, Buckelew learns from the interactive process of listening to the officers and the crew. "Every visit provides new insights into how we can improve our operations, our service, and our esprit de corps," he reports.

Navigating An Epic Cruise

Like other publications, we've covered the main features of Norwegian Epic, but a mid-December trip gave us a chance to see how NCL's largest, most advanced Freestyle Cruising ship was actually operating. The seven-night Western Caribbean cruise carried 4,129 guests (500 under 18) with a lower bed capacity of 4,100. Florida correspondent Art Sbarsky reports.

With three days at sea and three days in port (Costa Maya, Roatan, and Cozumel), there was plenty of time to enjoy all of the ship's facilities. For the Caribbean, it was quite chilly, with daytime highs mostly in the very breezy 70s, so the pool facilities never did get overcrowded; conversely, inside events, such as a midday movie screening on the two-deck-high atrium video screen, were very heavily attended.

It all ran exceptionally smoothly. Two of the options that sell out quickly, partially due to limited seats, are the

Teppanyaki Restaurant and the Cirque Dreams/Dinner show. The latter was sold out for every performance by the first day of the cruise, even with the recent price increase. I noticed the food has significantly improved since the original menu.

NCL says all guests are able to book reservations up to 45 days prior to the cruise by going online or by calling. The entertainment that can be prebooked ranges from Blue Man Group to Nickelodeon Breakfast to Murder Mystery. Guests are also able to prebook dinner reservations in any of the specialty restaurants as well as shore excursions.

Reservations can also be made onboard by calling or visiting the box office, various restaurants (there are also host stands stationed throughout the ship to take dining reservations), or through the interactive reservation system on the stateroom television. Reservations can be made any day of the cruise. I found the stateroom television booking system easy to follow.

One evening around 7ish, I stopped at the Manhattan Room when I saw a lot of folks milling about. I checked in at the podium (there are three active at peak times) to see what the waiting time was for a table for two. I was told it would be 15-20 minutes for those without reservations; not bad for a small table at prime time, especially since there would also be live music. Those with reservations were seated immediately. At the same time, there was no waiting at the Taste Restaurant. Neither of these two spots has an extra fee.

The dining options typify the Freestyle experience. Those passengers who like everything planned out ahead of time can do so. Those who are a little less regulated can book that first night after they've scoped out the venues, and those who like to play it by ear will still have options open to them.

For instance, there were plenty of no-shows for many of the events, so guests willing to take a chance can just show up close to show time to see if there's room. Fellow cruisers I chatted with did this on various evenings for Blue Man Group, Legends, and Second City and had no problem getting in. The seats were not near the front, but none of the show lounges are that big, and there are no obstructive pillars for the main seating area of the Epic Theater.

Those worried about making changes to reservations needn't worry. Cruisers have up to two days prior to sailing to change their reservations; otherwise, they can do it onboard. Agents booking groups also can make reservations up to 50 days prior. At 50 days, the group must guarantee the space if it is a show with a charge, like Cirque. For their more anxious individual guests, agents can provide a valuable service booking the more popular venues in advance.