



Wave Report: Troubles In The Air

With Wave Month winding down, numerous retailers tracking sales figures are reporting year over year decreases in sales averaging between 5-10%. Not surprisingly, the biggest culprit cited is the economy. Says one top-producing agent: "The economy is so bad, people are just not spending like usual, and it's being felt now by a lot of agents. Our summer months are still good, but fall is lightly booked by our standards."

Another factor being cited is rising airfares impacting long haul trips to Alaska and Europe. Says a large East Coast retailer: "The airline fares are unbelievably high. From the East Coast to Seattle. Even on Southwest, it's now \$600 on average, and that puts a dent in people wanting to take a cruise to Alaska. And let's not even talk about Europe--typically rates are \$1,200 to \$1,300 during the summer, and that's making people pause before purchasing."

Some lines are doing their best to ease airfare sticker shock. For instance, numerous agents say Regent Seven Seas' free air program to Vancouver for numerous Alaska departures this summer is helping.

Mitigating Factors

What's also helping business is January is going out like a lion. Veteran agent Patricia Neidhardt, of Cruises-N-More in Lake Mary, Florida, says, "Wave may not be as good this year as last year, but with all the bad weather around the country, it started picking up quite a bit in the latter half of the month, as people got to thinking, 'I want to at least plan my vacation.'"

And Neidhardt also sees hope due to upcoming government plans to stimulate the economy. "One reason it's been a slow start is the economy itself, but now that people are noticing the government is going to bail us out, some are saying, 'Let's go for it,'" she notes. "Americans do take their vacations regardless, but it looks like some are more cautious than normal when it comes to planning their vacations."

Also on the positive side, several leaders of agency groups say business is good, and they see the whole year as panning out well.

"With all the dark clouds out there with the economy, we've been preparing for the worst," says Peter Thomson, VP/COO of Cruise Holidays. "Our December was the weakest in two years--the first month in two years that we haven't had year over year growth (down 6-7% compared to December 2006)."

But January panned out better than expected, with solid booking numbers from the franchisees. "Looking back, the problems with December could be because where the holidays fell, an unusual number of people effectively took that half of the month off," says Thomson.

"But we did make a couple of real critical changes in marketing this year; our Compass magazine went out on December 26, we did a lot of direct mail promotions, more than usual from a marketing standpoint. I'd like to think that helped, but to be honest, I can't be sure."

Thomson cautions that about 30% of the Cruise Holidays system is in Canada. "That's a factor because of the strength of the Canadian dollar and less talk of a recession there," he says. "But even the U.S. franchisees reported good business overall."

There's more good news from another Canadian retail giant: Cruiseshipcenters. Earlier this month, President Mike Drever predicted a 25% increase in bookings for same store locations during the same month. It appears he was correct: "As of Jan. 21, CruiseShipCenters is now up 23% and continuing to trend in a very positive direction. We are certain we will exceed our growth target of 25% for the month."

NCL's New Resolution

This past week, retailers expressed concern to Cruise Week about the NCL America product in Hawaii, noting inventory for the months of May, June, and July were pulled in what amounted to a stop-sell of a key product during the busiest booking period of the year. Some wondered if it meant NCL was preparing to move to a one-ship operation in Hawaii.

It winds up that's not the case. Exec VP Andy Stuart explains: "We have been carefully managing inventory on the NCLA product post-*Pride of Hawaii* withdrawal and have held back some inventory and re-priced (upward) other inventory. We are adjusting from week to week. The inventory that is available is what we have to sell. Just this week, we are re-opening groups in the fall, and we are making more inventory available on some [June] sailings. Beyond that, we don't discuss our pricing strategies."

Stuart explained the issue well, but agents say their confusion typifies a bigger problem with the line. "To me, it's disheartening now working with NCL," said one agent calling in on the issue. "The onboard product is spectacular, but they have problems with Hawaii and problems in terms of being easy to do business with."

Crane Gladding, NCL's senior vp of passenger services, tells Cruise Week true empowerment at the resolution desk, which has its soft opening this week, should help.

He gives an example: "Depending on the situation, it will work in different ways, but basically, say a travel partner calls into the res team with a situation. At this point, the front line res agents will have more empowerment to solve issues than they do currently. As part of the program, all res agents have gone through a training pro-



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gram to better deal with the issues being raised. But if the res agent encounters a situation that they couldn't resolve on the phone, they would immediately escalate it to the new resolution desk."

By the time the resolution desk is fully rolled out by March 1, it will have 15 full-time staff. "We want to be better partners with the agents," says Gladding. "We heard a lot of feedback from our travel partners--when we run into a problem, it takes hours, days, and multiple phone calls to resolve an issue. We want to compress the time and give them a particular point of contact to resolve the problem."

Other changes are already taking place including the simplifying of price quotes. "We've eliminated over 950 promo codes, an immense percent of our overall promo codes to help agents better shop our rates," he says as one example. "If agents don't have to research hundreds of promo codes or worry about the terms and conditions around a promo, they'll have more time to sell."

Then there's price quotes. "We'll have six full time people who do nothing but shop us to get price quotes," he says. "If they get wrong price quotes that res agent is flagged by the supervisor. They are called back within the day to see if they learned what the errors was. If that happens again there is disciplinary action."

And finally the policies themselves are under review to make sure they're consistent. And, yes, Gladding says some inconsistencies were found.

Soft Med? Depends Who's Talking

Sure, Europe cruises are priced in dollars and not Euros, so they should be in high demand, but there will be a big increase in Mediterranean capacity this summer, and a lot of lines are wheeling and dealing to sell open space.

Execs emphasize they're not desperately dropping prices; instead, they're rolling out offers of extensive shipboard credits and numerous agent incentives like bonus commissions. "Travel agents are doing good in Europe this summer, because they're selling more than last year, but for cruise lines, the business is spread out over more lines, so we have to sell a lot, lot more," explains Crystal Senior VP Bill Smith. "There's a softness coming in the Med this summer that all of us are experiencing, or we wouldn't be doing the things you're seeing in the marketplace now. If the capacity wasn't up over 23% in the Med, maybe we wouldn't be feeling the softness."

Filling Ships

One way Crystal is dealing with the challenge is filling cabins with agents, but doing it in a way that gets more clients on as well. The Sell Three, Sail Free promotion enables any agent booking any three new state-rooms on most Crystal Med and Baltic cruises to sail free with a guest in a verandah stateroom. "Whatever the combination the agents sell, they will earn a free category B verandah on Med '08 sailings," says Smith.

At this time of year, all the lines have some sort of agent or onboard incentives for Europe. In some cases, the incentive may not be labeled as such. MSC USA kept its 10% air commission in place for its bookings, and that's essentially a big bonus for agents booking Europe at this point.

How Brands Are Faring

Meanwhile, agents report a mix of business trends in Europe, varying by line. In Barcelona, for instance, numerous retailers say Royal Caribbean and Princess are doing very well; their pricing started low and moved higher.

NCL had the biggest increase in capacity in Europe for summer for the North American market, and perhaps not surprisingly, given the laws of supply and demand, agents report the new *Norwegian Gem* is having problems going head to head against Princess and Royal ex-Barcelona. But lowball pricing is sparking movement there. Similarly, with Europe bookings for the *Norwegian Jade*, bookings started slow--a bad sign, because it needed to be filled quickly with the relatively short notice of the ship entering the market (the announcement that *Pride of Hawaii* would become *Jade* occurring just last year). However, since NCL rolled back the prices in November for *Jade*, substantial booking improvements are being seen.

The news is good from MSC Cruises USA. "We are 80% booked for 2008 Med with total volume up year over year by 50%," reports President Rick Sasso. "The winter Euro bookings from U.S.A. are strong, and we are at 85% of target for spring/summer from North America. In fact, we're only doing limited promotions at this time, as our year over year for bookings originating in the U.S. shows very strong improvement."

The best barometer of Europe booking trends will be this week's Royal Caribbean's year-end earnings call; expectations among the trade are that the reports pertaining to Europe will be solid.

Retailers report both Royal and Celebrity's Europe biz is moving well, but the big challenge is Azamara, because it's the newcomer in the marketplace. Helping Azamara is the increasingly positive feedback on the product and some unusually large onboard credits agents can push during cruise nights and other venues.