



Building Business: Princess and Cunard's Presidential Summit At Sea

Group Goals

There's a 45% increase in capacity for Cunard coming in 2008 and a 20% capacity increase for Princess this summer (thanks to the arrival of the new *Emerald Princess* and the addition of *Pacific Princess* to the fleet). So a major theme of the combined lines' first Presidential Summit with top-producing agents on the *Queen Mary 2* this past week was new programs geared toward moving sales. "A focus in 2008 is a modification to our pricing approach," said Princess/Cunard Senior VP Jan Swartz.

Princess is offering a significant pricing advantage for some groups off early booking discount rates. As one representative example, Swartz pointed to *Emerald Princess*' 2008 peak season with dollar discounts off of EBD at \$150 for minisuites and balcony, \$340 for outside, and \$450 for inside. "It's our most competitive group program ever," says Swartz, adding that the purpose of the larger group discounts on insides is to move that category's booking curve further out.

The group amenities package is beefed up with offerings ranging from Internet packages to chocolate strawberries. "There's going to be 40 different amenities to choose from," says Swartz.

Over at Cunard, it's also a strong message of savings for groups, with both a double amenities value package and appealing tour conductor ratios on many sailings.

Even more impressive is the TC ratios for 2008: 1 for 8 TCs on 11 *QM2* transatlantic crossings and 1 for 10 TCs for some *QM2* crossings in June, August, and September. "It's quite an expansion versus '07," says Swartz, adding there will also be 1 for 10 TCs on the *QM2* Caribbean program for January, November, and December. The usual ratio is 1 for 12 TCs. In addition, there will be discounts off of EBD pricing.

As for the double amenity value package, Swartz says: "It effectively allows you to offer double onboard credits. If you're promoting a group on *QM2* and used your points to get an onboard credit and your client booked an inside or outside, there's a \$75 credit. Onboard credit doubles to \$150 for balcony or Grill Class."

Previewing Queen Victoria

With the *Queen Victoria* arriving in late December, it's deemed critical to the new liner's success that more of Princess' top agents sell more of the Cunard product (50% of Cunard's passengers hail from North America). *Victoria*'s arrival is quite a jump in capacity historically for this well-defined line. More than 40 years passed between the launching of the *Queen Mary 1* in 1936 and the *Queen Elizabeth 2* in 1967. Then, it was another 40 years before the *Queen Mary 2* arrived in 2004. Now, a mere three years later, there's a new liner to sell.

Swartz said goals of the summit included familiarizing

key Princess producers with the Cunard product. "We knew many of our Princess [top producers] have not had the opportunity to experience Cunard first hand," she said at a press conference, adding the hope is to make Cunard a bigger part of these key retailers' portfolios.

The logic can be understood by comparing revenue production between Princess' top producers (currently selling 17 ships) and Cunard's top producers (currently selling three ships). Princess President Alan Buckelew said qualification for this trip was predicated on "a successful prior year in sales." But success was defined by far different production barometers; Princess' top producers onboard produced a minimum of \$1.3 million annually in 2006 while Cunard's top producers produced an average of \$200,000 in sales over a two-year period.

Retailers at the Presidential Summit not only experienced Cunard's *QM2* first-hand, they also heard and saw a lot about the *Queen Victoria* during presentations. And if *Victoria* is as good as Cunard told agents, it's going to be a very stylish vessel. The 90,000-ton *Victoria* nicely complements the *QM2*, most obviously in size. The *QM2* weighs in at 151,000 tons, which is attractive to the boomer generation, as it provides ample space for activities and exudes a grand sense of spaciousness. But, as we found on our sailing, it is that very size that causes grumbling from many of the seniors onboard.

Victoria, on the other hand, will be just shy of 1,000 feet long (compared to 1,132 feet long for the *QM2*). "Size is not what she's about," said Cunard President Carol Marlow. "*Victoria*'s about style."

That will be evident when passengers first enter *Victoria* through a three-deck-high Grand Lobby, which features a sweeping grand staircase. Another triple deck space can be found in *Victoria*'s Royal Court Theatre, featuring private boxes as the hyped, new feature. As explained during the Summit, the boxes are open to anyone on the ship and can be pre-reserved. If there's space at the start of the show, boxes will be available on a first-come, first-serve basis. There's a private lounge with items such as champagne and chocolates that are available exclusively for passengers using the boxes.

Other notable features include the Queen Victoria Library, with 6,000 books (*QM2*'s library has 8,000) and a spiral staircase linking the two decks of the library--the Queen's Room Ballroom (taking a design style from the real Queen Victoria's holiday house on the Isle of Wight) and a museum dedicated to the history of Cunard. As explained to retailers, the museum will feature a rotating exhibition featuring a particular period of the company's history complete with "amusing anecdotes."

As for the all-important lecture space on Cunard, the key room will be called Hemispheres; it's described as "a



Victoria

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new style of room for Cunard," with 270 degree windows that look down over the pool and ocean. Hemispheres will double as a nightclub at night.

As with all lines, the execs talk about how different their shopping area will be, but in this case, the ambience might actually live up to the hype, as Victoria's Royal Arcade will be modeled on the Burlington Arcade and the Queen's Arcade in London. Unlike QM2, there's no Canyon Ranch Spa on Victoria, but fortunately there will be another of the very well-received Todd English Restaurants (\$20 for lunch, \$30 for dinner); though it will be on deck 2 as opposed to its deck 8 spot on QM2.

Overall, one gets the sense that there will be a very unique atmosphere on board. "The QM2 represents liner history and heritage," notes Marlow. "Queen Victoria also represents history and heritage maybe in a more traditional way, though still full of modern conveniences."

Distribution Philosophy & Overview

Buckelew said Princess' policy is to build relationships that will weather the ups and downs of the industry. "We don't just love travel agents when business is slow, and we don't look the other way when business is good," he said. "Our goal is to have a consistent, supportive relationship that doesn't change with the business cycle. And we know you have a lot of choices."

New Alaska Deployments

There are numerous changes for Princess in Alaska for 2008, including a new nine-port, 14-day Vancouver roundtrip for 2008 aboard the *Tahitian Princess*. "She'll visit basics like Skagway, Juneau, Ketchikan, Glacier Bay, Sitka, and Victoria but also go further northeast to places like Kodiak Island to visit the bears and to infamous but absolutely spectacular Valdez," said Princess' Lisa Syme. "We're trying to position our smaller ships in markets where they really appeal to someone who's done it all, seen it all."

Since the *Royal Princess* leaves the Alaskan market in 2008, the overall number of Princess ships stays at eight, but the capacity will increase, as the *Star Princess* replaces the *Sun Princess* out of Seattle (the second Princess ship ex-Seattle in 2008 remains the *Golden*, which departs on Saturdays, while the *Star* will depart on Sundays).

Syme pointed out that there will be close to a million cruisers in Alaska for 2008--80% of Alaska's total visitors are now cruisers.

Marketing Strategies

We've all heard about weak response to newspaper advertising, but Princess reported a different trend for its co-op ad program, emphasizing that tagged ads now get

a better response than non-tagged ads.

Swartz explained: "We heard from a number of agents that newspaper ads weren't performing well because they weren't retail enough. So we changed the format and now have a tag program in 75 markets. We found there was 44% higher call volume vs. our previous layout and 42% higher call volume with tags versus no tags. And the combined effect of the changed layout and the increase tags resulted in a 110% increase in our tag volume, all diverted to agent tag partners."

Swartz said there are multi-agent tag programs (up to six agents) available in select markets.

Princess' primary marketing focus is direct mail and e-mail. "Many of our competitors invest significantly in television advertising," said Swartz. "We have found that for our largest market of mostly experienced cruisers, direct mail is the most efficient and effective means of acquisition. In all, we crank out over 90 million pieces of direct mail and e-mail annually, all with a very specific call to contact your travel agent."

E-Cruise Tickets

Agents contacting Cruise Week have expressed mixed opinions about Princess' new e-mail documentation program, mainly criticizing the lack of choice available--in that it *has* to be done via the web. However, Swartz said it's off to a strong start. "Close to 200,000 passengers have experienced this process, and satisfaction ratings compare favorably to our previous documentation," she said. "We have heard there are things we can do to improve it, and we're working on them now, with the large focus being on groups."

One plus cited by Swartz is that embarkation scores are up a full five to seven points on those cruises involving the E-tickets, indicating that all the processes being completed in advance leads to quicker movement in line.

News Shorts

⇒ A number of news reports from **Greece** say there are hundreds of tons of oil trapped in the sunken Louis Cruise Line vessel, threatening an environmental disaster off Santorini. Meanwhile, Princess has changed its plans to simultaneously christen the *Emerald Princess* and *Royal Princess* in Santorini next month citing "respect for the recent ship sinking." The *Emerald* will be christened in Athens; no plans yet for *Royal*.

⇒ Even with the **Pride of Hawaii** moving to Europe and being reflagged and renamed *Norwegian Jade*, the North American market will not see an increase in European capacity, as the line announced this week that the *Jade* will be geared to the U.K. market. Once again in 2008, NCL will have two ships geared to the North American market in Europe.