Cruise ports: a strategic nexus between regions and global lines

Evidence from the Mediterranean

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Abstract

Tourism global value chains connect strategically to local operations; in the case of cruise lines, where most part of the experience happens in a ‘placeless’ environment, cruise ports embody this singular but fundamental connection. However, a third stakeholder should be taken into account in cruise product design, and it is the destination region.

This article introduces an analytic framework that connects the global structure of cruise value chains to the regional articulation of land-based cruise services, and reflects upon strategies by which local agents can enhance the generation of value at the local level. After discussing about possible strategies of port regionalization, we present a general framework to assess the competitive position of a cruise destination. A case study of Catalonia and its three main ports is used as an illustration.

Keywords: cruise industry, global value chains, ports

1. Introduction: cruise tourism between local and global

Tourism represents a key driver of globalization and has greatly benefited from it. For its nature the tourism industry is one of the most internationalized sectors of the world economy. Indeed, due to the fact that tourism attractions are found all over the world, the global decentralization of the chains of suppliers has occurred earlier than in other industries, and the process was only partially driven by cheap labour considerations. Although the tourism industry remains largely characterized by the presence of small businesses (SMEs), at least at destination level [1], the increasing power of organizations that follow strategies of global expansion is evident and local producers interrelate more and more with external players that integrate them into international tourism chains [2]. Especially in developing countries, the increasing power of multinational tourism groups raises concerns of cultural and economic dependency, homogenisation of tourism products and expropriation of locally owned SMEs [3]. Anyway, cross-border integration and quasi-integration of firms represent an intrinsic characteristic of the contemporary tourism supply and need to be studied in a more systematic way [4]. From the point of view of destinations and local policy-makers, the awareness of the influence and power of leading international tourism firms and intermediaries represents a precondition in the design of effective policies to reduce potential conflicts and develop upgrading strategies at the local level.

The global value chain approach (GVC) has been introduced since the mid-nineties as a key tool in analyzing economic transactions between global players and local/regional economic systems [5]. This framework has been recently updated and generalized, in order to account for new developments in the global economy, characterized by rapid changes of governance forms and new phenomena of vertical disintegration, integration and complex overseas inter-firm alliances [6]. According to GVC scholars, the global integration of companies and territories through the connection with global economic players may promote different types of ‘upgrading’. By learning to work with international leading firms, proactive local companies and institutions may enjoy ‘the acquisition of technological capabilities and market linkages that enable firms to improve their competitiveness and move into higher value activities' [7].

GVC analysis has been progressively applied to an increasing number of global industries, including tourism. Various researchers, international organizations and independent consultants argue that this tool appears particularly suited for the study of the tourism production system [8-10]. Indeed, a GVC perspective may be applied to global tourism processes from many points of view. We can question where and why global value chains 'touch down', which players are the leading actors within the chains, which is the governing structure at the global level and which upgrading outcomes it brings to suppliers, regions or cities. Anyway, due to the eclectic nature of tourism [11], it appears useful and empirically accurate to focus primarily on some individual sub-industries. In the next paragraphs we will then focus on the global cruise industry. Indeed, in the tourism production system it is difficult to find another industry that presents such a challenging relation between local and global, uniqueness and standardization, and such a complex array of players directly contributing to the final product.

The cruise industry offers a particular vantage point to understand the evolution of global tourism, and for many observers it represents a symbol of 'mass-industrialization' in leisure activities. Undoubtedly this industry is markedly capital-intensive and characterized by very high fixed costs for operators, who seek high volume and repeat bookings to fill their capacity [12]. The industry is also characterized by aggressive acquisitions, internationalization strategies and corporate concentration.

The shortage of research about cruise ship tourism in the academic literature appears unjustified in the light that, although worldwide cruise ship tourism accounts today for just about 2% of world tourism, over the past two decades this industry has been growing faster than many other segments, and its impacts for numerous maritime destinations and port cities are becoming relevant. Indeed numerous islands (especially in the Caribbean) already receive substantially more cruise tourists than stopovers [13], and in many other regions the market for cruising is beginning to develop at a fast pace [14]. The globalizing process in which 'the constraints of geography on social and cultural arrangements recede' [15, p.3], appears particularly evident in cruise activities. In this respect, Caribbean cruising represents an exemplary case: cruise operators in this area are entirely non-Caribbean, cruise destinations are increasingly controlled by foreign interests, their activity falls outside the jurisdiction of Caribbean states, and the labour force is overwhelmingly non-local [13]. Moreover, because of the great variety of amenities available onboard and the short amount of time spent in each port of call, there is increasing criticism about the net benefits of this business to local populations and governments [16].

This article introduces an analytic framework that connects the global structure of cruise value chains to the regional articulation of land-based cruise services. As home ports and ports of call provide the fundamental connection of the cruise industry to local economies, they should consider feasible strategies by which local agents can enhance the generation of value at destination level. After discussing about possible strategies of port regionalization, we present a general framework to assess the competitive position of a cruise destination. A case study of Catalonia and its three main ports will be used as an illustration.

2. Global cruising: a 'placeless' business?

Carnival cruise lines, established in 1972, was essentially the company that created the mass market cruise holiday, promoting itself as the 'Fun Ship' line. Indeed the marketing campaigns of Carnival began advertising the ships, and not the Caribbean ports of call, as the main product of US cruisers, stressing the 'fun' experience [17]. The development of a mass-market supply for cruises enabled also tourists that were not part of the wealthy elite, to enjoy an affordable pleasure travel by ship.

From the mid-1980s, the new trend of building 'supersized' cruise ships with more than 2,000 passengers allowed cruise lines to expand onboard revenues (see figure 1), introducing a whole new series of onboard activities like casino gaming, gift shop sales, entertainment arcades, art auctions, photo sales, spa services, bingo games and lottery tickets, enhanced dining experiences in alternative restaurants, video diaries, golf lessons, snorkel equipment rentals, internet, cellular phone and telephone usage.

These enormous – and mobile – vacation enclaves have been compared to theme parks [18]. In fact, US cruise executives clearly identify land-based resorts such as Orlando and Las Vegas as direct competitors, selling the ships themselves as 'themed' resort destinations [13]. This strategy had the effect to decrease cruise lines dependence on specific ports of call, which was further reinforced by the decision of major operators to directly operate some private island in the Caribbean. The use of private island destinations has been widely criticized by local ports, which, in this way, have been losing out their share of tourist expenditure. Pointing at the ship - and not the ports it docks at – as central to consumer choice and experience, raised the question if cruising can be today considered a sort of 'placeless' business where ports of call increasingly play a marginal role, suggesting that we may be witnessing the de-territorialisation of one of the most typical tourist landscapes.

Insert figure 1 about here

In reality, when one considers the data provided by the Florida-Caribbean Cruise Association on the vacation decisions criteria, the difference between cruisers and non-cruiser vacationers is negligible, with the destination steadily as the main important element, followed by price [19, 20]. As far as the European market is concerned, the destination criterion is even more paramount in the choice of a cruise vacation, possibly due to the cultural and historical richness of the continent. So, although the quality of the ship experience is clearly crucial, the different destinations touched during the itinerary remain inevitably at the heart of the cruise product. The possibility to visit several countries in one vacation continues to constitute a fundamental competitive driver of growth for the cruise business.

Thus, a 'semi-placeless', at best, tourist product gets 'territorialized' in the different destination regions of the itinerary; and ports embody the singular but fundamental connection between the ship and the territories visited. In this light, cruise lines, ports and cities are highly interrelated in the provision of the final cruise product. They establish a kind of 'joint venture' that needs to satisfy all the parties involved. Cruise lines invest in the ship, and destinations invest in port facilities.

After the terrorist attacks of 9/11, cruise lines tended to reduce ticket prices and to rely more on additional 'on-board' revenues, occurring either inside the ship or at port of calls (cf. figure 1). In particular, onboard sales of shore excursions offered at each port of call, including, among other things, sightseeing tours, adventure outings or boat and beach parties, represent increasingly crucial revenue sources for cruise lines [21]. Passengers can choose to join an organized tour of the port town (or more distant locations), or explore the destination on their own. However, by purchasing the tours offered onboard, passengers are guaranteed by the cruise line on the quality of the tour and ensured that they will get back on time to the ship; for example Carnival's website states: 'one of the many benefits of booking excursions through Carnival is a guarantee that the ship will remain in port until all guests are back onboard; Carnival will not be aware of shore excursions that are booked independently' [22].

Normally shore excursions are operated by locally-owned operators, but the margin obtained by the cruise line is substantial. Unsurprisingly, due to the clear interest to make profitable calls at glamorous locations, there is intense competition among cruise lines to get preferential access to marquee ports and at the same time add new exotic destinations to itineraries. On the other hand, ports and cities are struggling to increase cruise calls in order to maximize the economic value of cruise tourism to the local community.

3. Local ports and global lines: a complex relationship

Since major cruise lines clearly point at land-based resorts as direct competitors, but at the same time need many land-based services to complete their tourist supply, it is evident that the relationship between ports, cities and global lines is remarkably complex. We can say that in some sense destinations and global lines collaborate and compete to serve cruise tourists and get hold on their expenditure.

To understand the complex interaction between local and global actors, it is useful to go back to the global value chain of the industry. Following the tourists through all the sequence of travel-related activities, we can better understand the productive interactions associated to the vacation experience. In figure 2 the cruise global value chain is depicted from a functional point of view, highlighting in particular (in black) the activities that normally link cruise lines with visited destinations. Following the tourists through all the sequence of travel-related activities permits to better understand the productive interactions associated with the vacation experience. The chart provides a clear – albeit simplified – representation of the complexity, variety and number of actors and relationships that substantiate this tourism product. Transport, hotel, port and onshore services have evident linkages with the visited destinations and so the relationship between lines and ports of call is normally focused on these functions (cf. figure 2).

Insert figure 2 about here

In analyzing the relation between a port city and cruise lines many different dimensions have to be considered.

On one side, in choosing and adding a new port of call to their itineraries, global lines consider the prospective improvement in the tourist experience supplied, and the related variation in profitability in the short and long run. Apart from port charges (the traditional cause of conflict between ports and lines), cruise companies are extremely concerned with quality and security issues for passengers. Their requirements regard a wide range of dedicated infrastructures and services like port entry features, customs and immigration handling, docking or anchorage facilities, service and port area infrastructure, airports, taxi fleet, coaching services, high quality shore excursions, shopping areas, etc.

On the other side, cities and ports are concerned about the total economic impact of the cruise business (direct and indirect impacts, like directly generated and other leveraged economic effects, plus negative effects like price inflation), its social impact (hassle and traffic, cultural confrontation, and quality of life considerations for the local community), its environmental sustainability, the touristic impacts in the long run (accessibility, repetition), and the global impact on the site image [23].

In this light, a port destination faces different dilemmas. First of all, favouring passenger ship tourism may harm the cargo ship activity of the port, because normally the docking or anchorage facilities area limited and the coexistence of the two businesses gets complicated in terms of safety and cleanliness requirements for the passenger ships. If for a destination as a whole shifting to cruise and yacht tourism can be beneficial (on average cruise passengers spend around €50 at each port visited) [24], from the point of view of the port, cargo shipping provides far greater revenues [25]. So normally ports are very cautious in increase the cruise traffic in the presence of a limited docking area used for both passenger and commercial activities.

The next issue is who is paying for the infrastructure improvements required by the cruise ship activity. In fact, the increasing size of ships and the growth of the business put great pressure on ports, and cruise lines are constantly pushing for better facilities. Normally the port is in charge of investing in maritime facilities but, as was pointed out, the major beneficiaries of the investments are, realistically, the city, the region, or the private cruise operators. Furthermore, cruise lines, as they operate movable assets, can easily switch to other home ports or ports of call, leaving the port that has spent in the enhancement of its cruise facilities with great uncertainty about the return on its investments. The point here is to manage a fruitful partnership relation with global lines, without ending up subsidizing with public money their private cruise operations.

Ports worldwide tend to adopt different strategies to finance and manage facilities. Private funding is normally associated with different kind of concessions and management agreements. At present, for example, of the 60 main ports or terminals in the Mediterranean sea and in Northern Europe, 40 are state managed, four are directly operated by Cruise Lines (Savona, Barcelona, Civitavecchia, Naples), three are partially operated by Cruise Lines (Genova, Kusadasi, Tunis) and the others are operated through private company concessionaires (some with public shares) [26].

Indeed, in the last years we are witnessing a much greater involvement of global cruise lines in land and port development: cruise lines are directly investing in building and improving existing docking and commercial facilities [21]. Generally the port maintains landownership rights, and investing cruise lines get a long term concession (25 years or more) to exploit the new facilities. In this way, referring to the value chain depicted in figure 2, global lines are vertically integrating the provision of different port and onshore services, like cruise terminals and commercial/entertainment areas, previously managed by port authorities or independent operators. For example, Carnival

Corporation & plc, the largest cruise line group in the world, is currently operating port facilities in Barcelona, Cozumel, Grand Turk, Juneau, Long Beach, and Savona, and is developing or co-developing port facilities in Marseilles, Civitavecchia, Naples, and Roatan, pursuant to concession and other agreements [21].

There are different reasons that push lines towards a vertical integration of port services. Although port authorities usually keep fares low, cruise lines often express their dissatisfaction with port visits: either because port authorities often do not have the financial resources required for structural improvements, or because they lack of the dedicated and skilled human resources needed for cruise operations. By directly enhancing and managing port facilities, cruise lines may exert deeper quality control, ensure priority berthing to their ships, and enjoy other benefits or incentives, like the retention of a share of port charges paid by passengers. On the other hand, by encouraging privatization among cruise lines, port authorities minimize risky investments, at the same time improving port facilities and guaranteeing to the destination the passenger traffic of at least the investing lines. That is why Marseille, Palermo, Larnaka, Dubrovnik, Izmir, Istanbul, and St. Petersburg among European ports are currently encouraging a larger involvement of cruise lines [26].

However, although expanding, vertical integration by global lines into local port facilities remains a controversial issue, especially in the extreme case of Caribbean private islands, where the entire destination is privatized. In fact, critiques highlight the loss of control on cruise traffic by the local community and the further loss of monetary contribution of the global cruise business to local economies [27]. Cruise lines, especially in exotic destinations, aim to minimize the chances of passengers having unpleasant encounters on shore, but their vertical integrating strategies are generating increasing concerns at the ports of call: 'if the same company owns the cruise ship, owns the pier, owns the village, owns the bus company, owns the taxi operations, takes a disproportionate cut from the tour, charges an on-board marketing fee, then there is little or no trickle down' [28, p.6].

The relationship between ports/destinations and cruise lines is normally mediated by different maritime and tourism intermediaries, such as ship agents and incoming agencies. Ship agents (also called Port Agents) are companies that represent and transact all business in ports on ship's behalf, preparing the documents required for docking, arranging shipping space and dealing with insurance and customs matters. Incoming agencies (also called Local Tour Operators) are companies that provide destination-based tourism services: they arrange 'meet'n'greet', hotel accommodations, ground handling operations in the case of home ports, and they organize transfers, medical assistance, local tours and excursions in the case of ports of call. The impressive growth of the cruise business has favoured the emergence of specialized intermediaries serving exclusively cruise ships and passengers. Information and advices coming from these actors, that somehow work to smoothly connect ship operations with ports/destinations, are highly valued by cruise lines in the itinerary planning stage: 'our appointed Port Agents and Tour Operators are our eyes and ears on the ground as they are familiar with our product, therefore we value their input and recommendations' [29, p.2].

Insert figure 3 about here

As graphically described in figure 2, in the cruise industry today shipping agency and incoming agency services tend to be unified in companies integrating shoreside tourism and port operations. This happens either through ship agents diversifying their activities entering into incoming operations, or through incoming tourism agents entering into port agency operations. Furthermore, in the last years these integrated cruise shoreside and port service providers - some of which have become part of major international tourism groups (like TUI) - are increasing the number of destination served, creating real global networks. In this way, they can offer to cruise lines a single bargaining contact (pointed out in figure 3 by an arrow) for multiple destinations, easing the itinerary planning process and reducing transaction costs. With the emergence of global integrated networks for incoming operations, both travel (outgoing) as well destination (incoming) activities appear more and more controlled by large and global tourism operators. Thus, the whole business arguably becomes a game between giants, further increasing concerns for the role and decision power left to local communities.

Figure 3 provides a simplified representation of the evolution of the cruise value chain, from a model in which incoming services at ports of call are mainly provided by local actors (in Europe until about the end of the 1990s), to a new model in which also incoming on-shore services start to be arranged by integrated operators. Although the local community is losing control on part of the incoming functions, there is still much room for local businesses to collaborate with global players, both cruise lines and international on-shore operators. But destinations need to deepen their knowledge of cruise operations if they want to take advantage of the entrepreneurial opportunities that the arrival of thousand of cruise passengers entails.

As cruise lines seem to be more and more interested in actively participating in port development projects and in-land operations (like terminal management), it is natural to wonder if, in this general trend towards vertical integration, they will acquire and operate also on-shore service providers, like port agents and tourism incoming agencies. Indeed in Alaska, because of the shortage of local entrepreneurs, major US lines directly operate on-shore excursions and hotel accommodation. However, realistically, a more attractive option for major cruise lines would be to group the business volume of all their brands and outsource on-shore operations to fewer suppliers, reducing transaction costs and gaining additional price concessions from contracted operators. Indeed, as major tourism groups, like TUI or Kuoni, are showing increasing interest in incoming operations, a probable future scenario could be the progressive division of the cruise value chain and the emergence of joint-ventures (already existing) between different type of ‘giants’: ship operations to major integrated cruise lines and on-shore tourism operations to major integrated tourism groups (see figure 4).

Insert figure 4 about here

4. Regionalization of cruise activities

It was argued before that the growth of the cruise industry has been characterized by cruise lines and international tourism groups taking control over increasingly large segments of the value chain. Vertical integration occurred in a context of even more intense phenomena of horizontal integration: mergers and acquisitions have paved the way to large multi-brand cruise operators that control many segments of the value chain and organize source passengers in different regions of the world. In this light we may question which is the role of ports, and how they can contribute to keep hold of their future development.

Global reorganization and consolidation strategies of major private companies are weakening the position of ports not only in the cruise business, but are affecting even more intensely ports in the commercial cargo segment [30, 31]. Indeed, the development of the logistics industry has enabled many freight forwarders to move towards a functional integration of land distribution. Today many distribution functions, once separated, tend to be controlled by few mega-carriers. These changes in logistics are challenging the functional role of ports in value chains, which are increasingly subject to decisions taken by private integrated carriers [32, 33].

Congestion represents another common issue that ports have to address, both in cargo or passenger business [30, 29]. With regards to cruise activities, many major ports (home ports as well as ports of call) are already saturated and the massive inflow of visitors is provoking congestion in destinations, especially at town centres and access roads. Congestion is today a major concern for ports as well as cruise lines, especially small luxury cruise operators [29], to the point that several ports are beginning to think about regulating the size and number of cruise ships docking at any one time and seek for ways to involve a wider tourism area in cruise operations, with the aim to relieve crowded attractions and valorise other regional locations.

The process of port regionalization, partly market-driven and partly planned, could provide some partial responses to these problems. In logistics and transport literature, the concept of *port regionalization* is described in slightly different ways. A first interpretation considers port regionalization as the combining or merger of two or more ports that occupy the same body of water, harbour, bay, or river [34]. A second complementary view considers port regionalization as that process in which a port seeks a closer integration with the supply chains of its hinterland [35, 36]. Many reasons may justify a process of port regionalization, like the expansion of space for growth, the convenience of sharing resources and coordinating investments, the benefits from marketing muscle, and the regulation of competition in and outside the region. On the other hand, regionalization is often opposed, because of the fear of losing individual identity, autonomy and jobs, as well as because of the lack of trust and the risk of a lopsided management decision process [37]. Anyway, it is a fact that the role of port-connected sectors are expanding well outside the physical boundaries of ports, with an increasing need of coordination and cooperation among a variety of government organizations, private operators and users involved in port activities.

The cruise industry is looking with increased attention to the opportunities offered by the regionalization strategies of ports, both in its meaning of increased coordination between them and in that of an expansion of the hinterland reach of the port. Increased coordination is mostly achieved through informal agreements, or, in some cases, through mergers and acquisitions. The results are a greater flexibility in berthing, the specialization of docking areas to specific types of ships, and the provision of multiple access ways to tourist attractions. Furthermore, the expansion of the hinterland reach of shore excursions provides new opportunities of involving a much wider regional area in cruise operations, decongesting city centres and promoting a more balanced tourism exploitation of regional attractions.

Some interesting experiences in the Mediterranean illustrate a move in this direction. The network of the French Riviera ports (Cannes, Golfe-Juan, Nice and Villefranche-sur-Mer), managed by the French Riviera Chamber of Commerce, possibly represents the best example of a regional management of cruise operations. However, in the last years the idea of building a coordinated network of cruise ports is gaining momentum all over the Mediterranean. Italy too provides some interesting examples. In 2003, with the extension of the territorial ward of the Port of Civitavecchia to Fiumicino and Gaeta the network *Ports of Rome and Latium* has been established. From a tourism point of view, the port network controls in this way the access to Rome, one of the most visited cities in the world, and shifts part of the cruise traffic away from the already saturated port of Civitavecchia. The case of the *Ports of Levante* in Puglia (Italy) follows the same path. At the end of 2007, the port of Bari has in fact expanded its jurisdiction to ports of Barletta and Monopoli.

In all the three cases described, the goal of diminishing port congestion comes together with the declared purpose of encouraging a broader distribution of tourist flows in the territory, expanding the hinterland reach of cruise operations, and promoting less known tourism attractions. Furthermore, regionalization prevents cruise lines to play off the ports to gain greater concessions, encouraging competition between neighbouring ports and communities that constitute alternative gateways to tourism areas [38]. Avoiding ‘divide and conquer’ strategies (as happened in the Caribbean), ports pursuing regional cooperation can work to maximize the local share of cruise tourism.

Cruise regionalization may involve the integration of smaller ports into cruise operations of larger ones, or it may point at the collaboration of a number of similar sized ports. In any case, from a tourism planning point of view, it is crucial to analyze the position and function that any port in the region enjoys with respect to the main tourism attractions of the area served.

Figure 5 proposes a typology of situations that may characterize a port with respect to its role in the regional tourism flows.

Black Hole. In this case the port destination is endowed by important tourism attractions and cruise passengers show no interest in moving from the core to visit the hinterland. Although interesting shore excursions can be planned to other areas, the attraction of the core port destination is so great that there is always the risk of cancellation because of lack of interest from passengers. This may result in high congestion levels of city centres. From a policy point of view it becomes crucial to promote a decentralization of tourism flows and a more balanced exploitation of regional attractions, expanding the hinterland reach of the port through joint tourism initiatives with inland stakeholders and authorities.

Insert figure 5 about here

Gateway. In this case the port is used mainly as a gateway to reach with shore excursions other main neighbouring tourism attractions (the black stars in figure 5). The port destination at first sight does not have much to offer to tourists and so tourism flows tend to just transit through it. In this way, the costs of port developments are local, but tourism benefits tends to leak over a much wider area that somehow ‘free rides’ on the port community. From a tourism policy point of view it becomes crucial to valorise the port site, promote its supply and so retain part of the cruise tourism traffic and expenditure locally. This could be achieved through innovative initiatives in tourist fruition and creative valorisation projects.

Semi-Gateway. In this case, because of their geographical closeness, flows tend to transit en route to the core destinations, yet the port area is endowed by important attractions that appear marketable. In this case the port destination can be promoted, leveraging on the closeness to major touristic centres and at the same time improving its visibility, establishing the port destination in the international tourism market with a distinguishable identity.

Balanced. In this last case there is a balanced sharing of tourists between the city-port and the surrounding area, because both enjoy important endowments in terms of tourist attractions. In this case, the port-city and the hinterland can easily look for synergy opportunities in promotion and destination management.

In all the cases illustrated, regionalization - in particular in its meaning of wider cooperation in expansion and balancing the hinterland reach of the port - appears of great interest. Anyway, to assess the competitive position of a cruise destination, the *regional* dimension is not the only one to look at. Indeed, it is crucial to understand which kind of *service* a port is able to offer to cruise lines, which cruise passengers *segment* can be best served, which stage of the *destination life cycle* has been reached, and how the destination is *marketed* by industry operators (figure 6). From a *service* point of view, a port destination can be a *home port*, i.e. a ship's port of departure, providing easy access to the piers (international airport, parking areas), a passenger terminal for check-in operations and a wide range of ship services from fuel supply to ship handlers and stevedores. A *semi-home port* is used for partial turnaround operations, and so has to provide at least easy access to the piers and a passenger terminal for check-in operations. A *port of call*, instead, represents an intermediate stop in a cruise itinerary; in this case the port has to provide an appropriate berthing facility, water supplies and parking areas for tourism buses. Finally a *call* represents an intermediate stop in a location (like a desert island) without any harbour or docking facility; in this case ships have to stand off and bring passengers on-shore with tenders.

Another important dimension that has to be considered regards the cruise *segment* that can be best served by a cruise port-city. Cruise lines offer a broad range of products to suit vacationing guests of different ages, backgrounds and interests. Cruise ships can be broadly categorized as offering contemporary (mass), premium, luxury and adventure cruise experiences. Contemporary cruises are less expensive than premium and luxury cruises, have a more casual ambiance and are generally provided in larger ships. Premium cruises emphasize quality, comfort, style, more destination-focused itineraries and are generally offered in intermediate-sized ships. Luxury cruises typically involve smaller vessel size and very high standards of accommodation and service. Finally adventure cruises offer exotic itineraries to ports which are inaccessible to bigger ships and are characterized by alternative and sporty shore excursions.

Insert figure 6 about here

As any other ‘product’, a cruise port/city has to consider its *lifecycle*. Butler [39] presented a widely-accepted model of the lifecycle of a tourist destination characterized by different stages: exploration (small numbers of visitors, lack of access and facilities), development (more people discovering the destination, improved attractions and destination amenities), stagnation/maturity (visitor growth close to carrying capacity), and finally decline or rejuvenation through technological developments, infrastructure improvements or new marketing strategies.

Finally a cruise destination should be aware of how it is viewed and *marketed* by cruise lines to their guests, in order to take into account these created expectations when planning new tourism initiatives. A *marquee* port is a well-known and highly requested destination; cruise lines want these ports because they help selling the itineraries and are visited by any kind of ships. A *cultural/discover* port-destination is not so well-known, but especially destination-oriented cruises are attracted to them because they permit to surprise guests with unexpected cultural experiences. *Exotic* port-destinations are located in countries perceived as outlandish; cruise lines like to call in these ports because they add an exotic flavour to the itinerary and normally provide interesting shore excursions. Finally, an *upscale* port-destination is generally a smaller exclusive harbour that provides a yacht-like experience to cruise guests; for its characteristics these ports are highly valued by luxury cruise operators.

In a particular region with different ports, each one should find its proper position in the growing cruise business, and through a regionalization process the respective specializations can be leveraged into achieving a superior systemic competitiveness and in maximizing the local share of this maritime kind of tourism.

5. Upgrading strategies at the local level

Destinations, also in the absence of a coordinated regionalization process, can individually do a lot to improve their supply and try to maximize the local benefits of cruise activities on their territory. There are two main upgrading directions that destinations can undertake.

The first one consists in proactively pursuing a fruitful collaboration with industry and tourism operators, both local and global, proposing new activities that valorise territorial quality and involve local entrepreneurs. The city of Naples offers a good example of a strategic collaboration between the Municipality, the local Chamber of Commerce and an important cruise line (MSC): in a joint operation named *Enjoy Naples* the city and the cruise lines presented a tourism agreed packaged to stimulate the pre-and post-cruise stay in the city: ad hoc packages have been set up, involving also the local theatre San Carlo and the urban network of museums and artistic attraction at discounted prices. MSC obtained some docking facilitations and the city managed to launch a program that somehow direct cruisers on the type of routes and local activities the city wanted to promote.

However, local communities don’t have to perforce seek the involvement of lines or their agents. Indeed a second direction that can be pursued is to focus on the cruisers that, arriving to the destination, don’t buy a shore excursion offered onboard the ship by the cruise line and explore independently the city or the region. These tourists for a while somehow ‘escape’ from the value chain controlled and managed by cruise operators and their agents and so the local community can autonomously design specific alternatives to serve them. In many cases the percentage of cruisers that decide to explore independently the different ports of call of the cruise itinerary can exceed 50%, meaning thousands of people: a cruise city should think about the more appropriate ways of taking care of them. At first, of course, a city have to give cruise lines what they seek in order to increase cruise calls, but then passenger satisfaction is greatly in the hands of the local community. For example, cities like Tarragona and Palamós, that today can hardly be used as home ports, could anyway even promote pre-and-post cruise stays in their territory, leveraging on the proximity with one of the major home port of the Mediterranean, Barcelona.

Internet represents a very powerful instrument for territorial marketing and can be leveraged both to promote local attractions and tourism proposal to cruisers (that today can normally enjoy internet access in the ships), and to better inform local businesses (through a reserved web site) about the cruise calls schedule, the type of ships docking and the main nationalities of its guests. For example in Catalonia like the rest of Spain, because of the typical Mediterranean working hours, shops close in the middle of the day, that is when ships tend to arrive. A relatively easy but far-reaching cruise program could address this problem, sponsoring some changes in the local business hours to attend cruise guests.

Another important upgrading strategy at the local level regards directly the relation between the city and its cruise port facilities: a passenger terminal separated from the port industrial operations, if design in a multifunctional way, can be used for many different purposes, like conventions, fair and exhibitions, contributing in this way to diversify the structure of the local economy.

An entrepreneurial destination can explore different alternatives to take advantage of the cruise flows that touch its territory, and many of these strategies don't even require any special agreement with cruise lines, just relying on local initiative.

6. The case of Catalonia

The Autonomous Community of Catalonia constitutes by far the major cruise destination in Spain [40]. Catalonia not only hosts the leading cruise port in the Mediterranean, Barcelona, but also enjoy other two maritime gateways to its territory, the ports of Palamós and Tarragona, which are on the rise newcomers in the cruise business [41]. Such coexistence of very different neighbouring cruise ports renders this region particularly interesting for studying the local implications of the current evolution of the global cruise industry.

This case study has been informed by qualitative on-site research mainly conducted in December 2008 and January 2009. The primary method of data collection consisted of in-depth face-to-face interviews with cruise ports, local service suppliers, and local government executives (see Appendix A). This heterogeneous set of players has been selected in order to have a comprehensive view about the local cruise governance. We use a semi-structured protocol with a mix of standard and open-ended questions. To document recent changes in the industry studied, we also used secondary materials, including industry association publications and specialized magazines.

As shown in table 1, the leading role of Barcelona cannot be questioned, but the development strategies of the other regional ports open interesting opportunities of redistributing part of the traffic to avoid congestion in the 'core' and promote a more diversified regional tourism supply.

Insert table 1 about here

The impressive growth of cruise business demands new governance structures to govern congestion and properly face the challenges posed by changing port–hinterland relationships. With regard to port management, Catalonia presents different models. In Barcelona, a public-private terminal management company was created in the year 2000, *Creuers del Port*, to operate five of the seven terminals exclusively dedicated to cruise traffic. The Port Authority owns 20% of this for-profit company, while the rest is owned by private investors. Interestingly, *Creuers del Port* is now also managing the new *Levante* Terminal in Malaga, so actually expanding its operations beyond Catalonia. Creuers del Port was created with the aim of increasing efficiency and market orientation in cruise terminal operations. However, it is not the only actor involved in cruise terminal management in Barcelona. Indeed, the new Terminal D (*Palacruceros*) has been completely financed by the cruise line Costa Crociere (Carnival Group), which invested 10 millions of euro in this new facility. Palacruceros is part of a wider strategy of vertical integration pursued by Carnival.

In Tarragona and Palamós, cruise operations are directly managed by the port authorities, but while Tarragona's port is part of the system of state-owned ports (like Barcelona), Palamós' is run by the Autonomous Regional Government of Catalonia through the public company 'Ports de la Generalitat'. Both in Tarragona and Palamós, the city government took some years to recognize the development potential of the cruise business, but recently they started a closer collaboration with the port to promote cruise tourism. City support is absolutely needed, because while ports have remarkable shipping experience, they are not the best entities to promote a destination for tourism.

In none of the three Catalan ports new entities have been set up, to formally bring together all the local parties involved in the cruise business. At this regard, some interesting experiences from other places could be taken as a reference, like the service organization *Amsterdam Cruise Port*, that supports cruise calls in Amsterdam, or *The French Riviera Cruise Club*, that promotes cruising in the French department of the Alpes-Maritimes. All these initiatives have in common the objective of enhancing the role of the territory and its qualities.

At present regionalization in Catalonia is mainly driven by market forces rather than by regional planning: Barcelona suffers congestion problems, cruise lines look for alternatives ports and search new tourism attractions for their shore excursions, and shoreside-port agencies and port authorities struggle to satisfy ships requirements. In this situation it is shoreside and port agents who suggest docking and visiting port alternatives to their clients that complain about the saturation of Barcelona. As already highlighted, premium and luxury ships are particularly worried about the congestion issue, and so there are good development opportunities for smaller Catalan ports. However a more consciously proactive role of the public entities would be needed in order to govern the growing regional extension of the cruise activity and to maximise territorial benefits.

Enhanced collaboration among the three Catalan ports could bring to an integrated regional system for cruise services. In table 2 we applied our scheme of cruise destination positioning (see figure 6) to the three port of Catalonia. They could be described as different, but complementary.

Insert table 2 about here

From a *service* point of view, Barcelona is one of the greatest home ports of the Mediterranean with an important international airport, seven passenger terminals and all the services a cruise ship requires from a base port. Tarragona and Palamós are young as cruise port of call. Tarragona needs urgent port facilities enhancement to growth; with a proper infrastructure Tarragona could even aim to become in the mid future a semi-home port for partial turnaround operations. With regards to the *segment* dimension, Barcelona is actually serving almost all cruise segments; anyway due to its outstanding infrastructure it is one of the best Mediterranean ports to receive the mega-ships that characterize the contemporary segment. Tarragona and Palamós tend to receive smaller ships, mainly luxury and premium. Barcelona is reputed as one of the Mediterranean marquee destination (like Venice, Rome, Istanbul), those that have a main role in selling the itineraries (*marketing* dimension). Tarragona represents a cultural/discover port-destination, not so well-know, but with a surprisingly rich historic heritage. Instead, Palamós may be classified as an upscale/yacht-like harbour, with the port close to the beach and the city, and a cosy maritime atmosphere. In terms of *life-cycle*, Barcelona is still growing, as is the European cruise industry in general: in 2008 the growth of cruise passengers that arrived in the city was about 17%, while in 2007 it was more than 25% [40]. Tarragona and Palamós are just starting to be known in the market.

The role played by the three Catalan ports in the geography of regional cruise tourism flows (*region_*dimension) is undoubtedly very different. According to our typology showed in figure 5, Barcelona can be classified as a *Black Hole* port destination: the city is endowed by outstanding tourism attractions (Temple of Sagrada Familia, Gaudi Houses, Gothic Quarter, etc.) and so it is difficult to convince cruise passengers to visit the hinterland. In high season this creates risks of congestion in the city centre, where the main monuments are located. The situation of Tarragona is quite different. We could classify the city as a *Semi-Gateway* port. Here, because of the geographical closeness to Barcelona (figure 7), part of the shore excursion offered tend to be directed towards the Catalan capital, but the cultural heritage of Tarragona and its surroundings are also much valued by agencies and passengers. In this case the Municipality has to improve the visibility and appeal of the city in order to create a stronger city name in the market. Finally Palamós can be considered a sort of *Gateway* port. Shore excursions to the hinterland sell very well. The city can boast its picturesque, maritime and relaxing atmosphere, but most guests of luxury vessels like to visit other cities to the interior where attractions like the famous Jewish District of Girona or the Dali Museum in Figueres are located. Although the Municipality is actively proposing new local activities for cruisers, Palamós risks to concentrate many of the negative externalities, like pollution from exhaust fumes by diesel engines, while port benefits tend to 'leak' to other inland locations. The Provincial Council could decide somehow to compensate the local community, for example contributing to enhancing port investments or helping to develop innovative local tourism products.

As our analysis shows, Catalonia possesses all the attributes to offer an integrated Catalan network of cruise ports, leveraging on its territorial specificities. The three ports potentially constitute a system of different accesses to the same region (figure 7), whereas planning could achieve a more balanced territorial distribution of tourism benefits. Now the question is about how the different ports and Municipalities can improve their collaboration and govern a new process of Catalan cruise regionalization. The issue is complicated by the fact that the three ports are managed by three distinct entities: two port authorities (Barcelona and Tarragona) and a regional management entity (Palamós).

Insert figure 7 about here

There are many different levels of enhanced collaboration that could be considered in this regard. A first option could be to invest in creating a joint regional brand for all the regional ports to drop promotion costs, but without a real operative coordination. A more substantial operational coordination could be achieved through the merger or unification of the port authorities of Barcelona and Tarragona, that are both State-owned ports. Of course an operation of this type would be driven by logistical considerations that transcend the cruise business, but that nevertheless are perfectly fit to its problems [42]. Deeper cooperation in cruise operation could also be achieved conceding, for example, the management of a hypothetical future passenger terminal in Tarragona to the same private terminal operator of Barcelona. In this way the coordination would regard just cruise terminals, without involving the whole port and maintaining the two port authorities separated. Palamós in this scenario could try to reinforce, without the need of huge infrastructural investments, its specialization in luxury and yacht-like ships, improving its local tourism attractions.

Anyway, moving towards a systemic approach does not necessarily require mergers or major concession agreements: a starting point could be a mere joint commitment to valorise and propose neighbouring regional ports in situation of saturated capacity and jointly promote the common hinterland. The French Riviera Cruise Club provides a possible model to follow. Federating all those concerned with the destination 'Côte d'Azur', the club raises awareness about the cruise industry, provides relevant information to local and global operators, and invests in designing new hinterland excursions from the ports of Cannes, Nice and Villefranche-sur-Mer.

In conclusion, in the context of the increasing concentration and globalization that characterize both cruise lines and shoreside operators, the process of port regionalization appears a kind of natural co-evolution, where the different gateways to a touristic region unify their forces to face common challenges and to re-balance their bargaining relationship with global tourism operators.

7. Conclusions: global companies and territories

In this paper we argued that the global value chains approach can be usefully applied to cruise tourism, in order to highlight the activities that have a clear connection to visited localities. In cruising, services mainly occur with the involvement of passengers: so using the consumer temporal participation as ordering criterion to map the value chain appears appropriate. Although generally described as a 'placeless' business, cruise tourism does heavily rely on local attractions, which besides provide substantial extra-revenues to cruise lines through the sale of shore excursions. In this light, cruise lines, ports and cities appear indeed highly interrelated and should establish a kind of 'joint venture', where cruise lines invest in the ships, and destinations invest in port facilities and tourism attractions.

In the analysis of the industry organization, we highlighted the increasing vertical and horizontal integration of the chain lead firms: cruise lines are penetrating terminal management, while shoreside tourism operators are expanding their incoming activities to a wider range of services and destinations. If this trend continues, a probable future scenario could present the progressive division of the cruise value chain between two different types of tourism 'giants': ship operations to major integrated cruise lines and on-shore tourism operations to major integrated tourism groups. This possible evolution is generating increasing concerns at ports of call, as vertical integration is considered likely to hinder trickle-down effects and positive spillovers to the local economy.

Global reorganization strategies of major private companies are indeed weakening the position of cruise ports, which in addition face increasing congestion of passenger facilities. To effectively tackle the increasingly crowded business environment, preventing cruise lines to play off ports that constitute alternative gateways to the same tourism areas, neighbouring destinations should consider responding through a strategy of *regionalization*, coordinating port operations and expanding the hinterland reach of the cruise ports. The goal of diminishing port congestion can be accompanied by a broader distribution of tourist flows in the territory, through the promotion of less-known tourism attractions.

From a tourism planning point of view, it is crucial to analyze the position and function that any port in a region enjoys with respect to the main tourism attractions of the area served. In the paper we proposed a typology of situations that may characterize a port with respect to its role in the regional tourism flows. But the sole regional dimension is clearly not sufficient to comprehensively assess the competitive position of a cruise destination. Indeed, it is also crucial to understand which kind of *service* a port is able to offer to cruise lines, which cruise passengers *segment* can be best served, which stage of the destination *life cycle* has been reached, and how the destination is *marketed* by industry operators. With respect to these five dimensions, each one ordered in four classes which represent different types of destinations, we propose a general framework of analysis of the market positioning of a cruise port within a regional system. We finally discuss also about some possible upgrading strategies that at the local level any entrepreneurial destination could strive to undertake.

The final step of our analysis has been the application of the proposed concepts and frameworks to the case of Catalonia. The three Catalan cruise ports all possess the attributes to integrate in a regional system, leveraging on their respective territorial specificities. The question is how the different ports and local governments can improve their collaboration and give way to an effective process of regionalization. We present some policy alternatives, still highlighting the fact that also individually a proactive destination may explore different actions to maximize the local benefits derivable from the cruise flows that touch its territory.

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24. Expenditure estimated by the European Cruise Council in 2007. For many cities this type of tourism has become an important source of jobs and local revenues: in Barcelona for example the average direct economic impact for the local economy has been estimated in 2006 at about 90 euro per passenger per day [23].
25. The port of Barcelona estimates that cruise ships utilize about 10-15% of berthing space, while contribute just about 3,5% to the total turnover of the port [23]. Indeed, port authorities - that are also the main organizations in charge of investing in cruise facilities - often remark that cruise tourism is not for the port, but for the destination.
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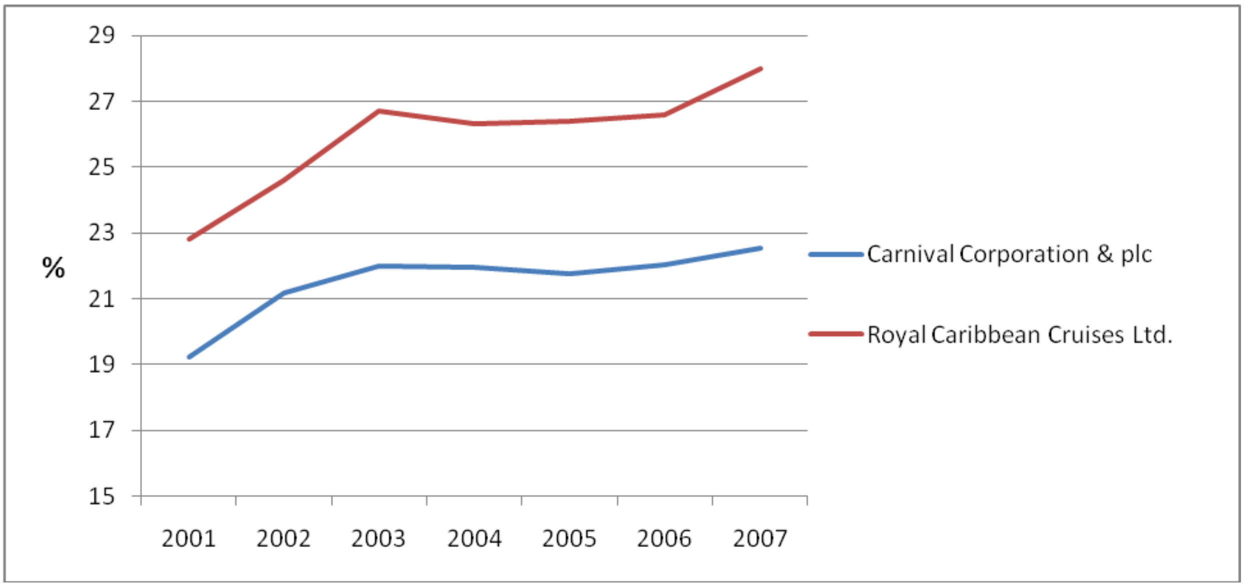
41. All three ports are connected to international airports in their proximity – Barcelona, Girona and Reus; respectively, they are the second Spanish airport for international traffic and an intercontinental hub; Ryanair's main southern Mediterranean hub; and an important charter destination from Northern and Central Europe.
42. To this regard it is worth quoting the words of Jordi Valls, president of the Port Authority of Barcelona: 'One final reflection has to be given to our dimension, and the need of coordinating the Catalan port system. We have to enhance the operative synergies between the port of Barcelona and the port of Tarragona. Our individual port size doesn't let us to be competitive in the global environment where we operate. […] Open the debate with respect to a merger of the two port authorities, of Barcelona and Tarragona, it is a necessary process for our future competitiveness' [40, p.57].

APPENDIX A:

DETAILS ABOUT CASE STUDY INTERVIEWEES

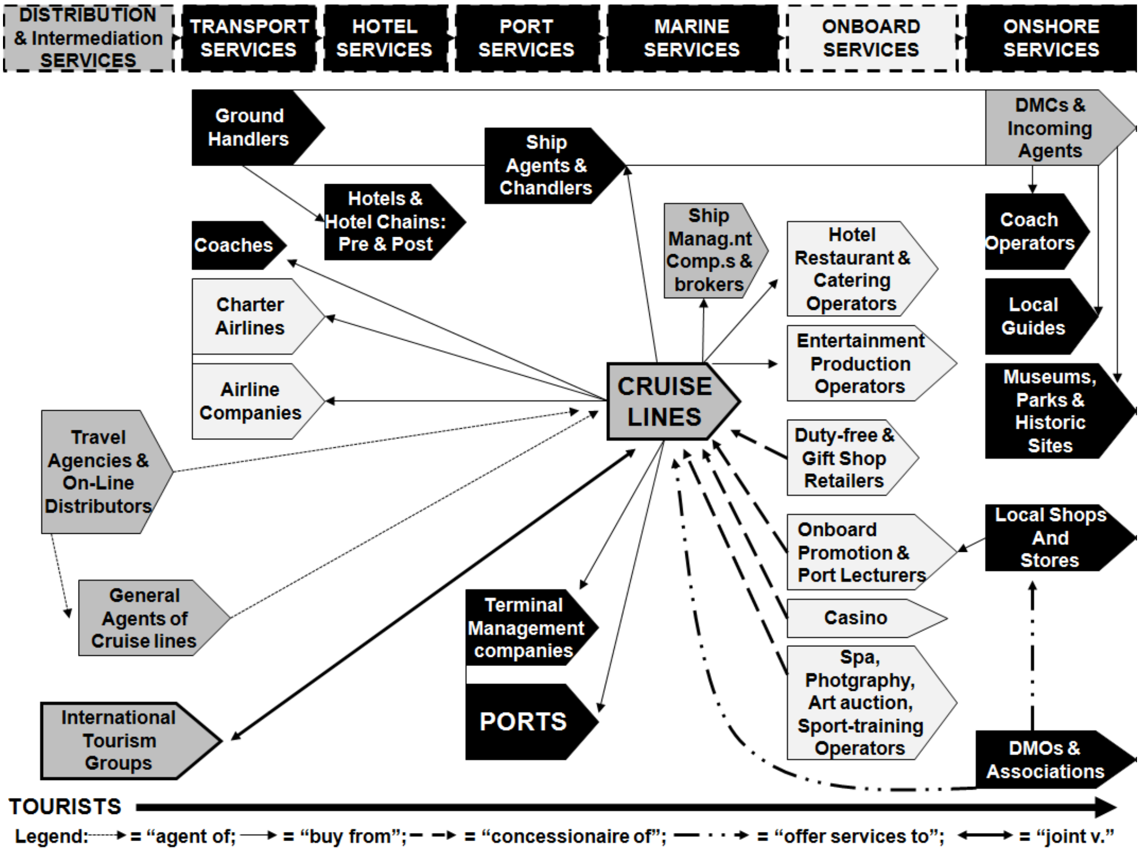
Organization	**Interviewee**	**Location**
1. Crucemar	Owner and Director	Madrid, Spain
2. Ports de la Generalitat de Catalunya (Ports of the Government of Catalonia)	Director	Barcelona, Spain
3. Port de Palamós (Government of Catalonia)	Port Director	Palamós, Spain
4. Municipal Government of Palamós	Economic Development and Tourism Director	Palamós, Spain
5. Chamber of Commerce of Palamós and Ship Agents FRyH	President and Ceo FRyH	Palamós, Spain
6. Hotel and Tourism Union of Central Costa Brava	President	Palamós, Spain
7. Port of Tarragona	Commercial Director	Tarragona, Spain
8. Municipal Government of Tarragona	Economic Development Director	Tarragona, Spain
9. Medcruise, Association of Mediterranean Ports	General Secretary	Barcelona, Spain
10. Latitud 4	President	Barcelona, Spain
11. P&B Agencies - Barcelona	Senior Executive VP	Barcelona, Spain
12. Intercruises (a subsidiary of TUI AG group, Germany)	WestMed Promotion Director	Barcelona, Spain

Figure 1: Onboard and other related revenues over total cruise revenues (in %)



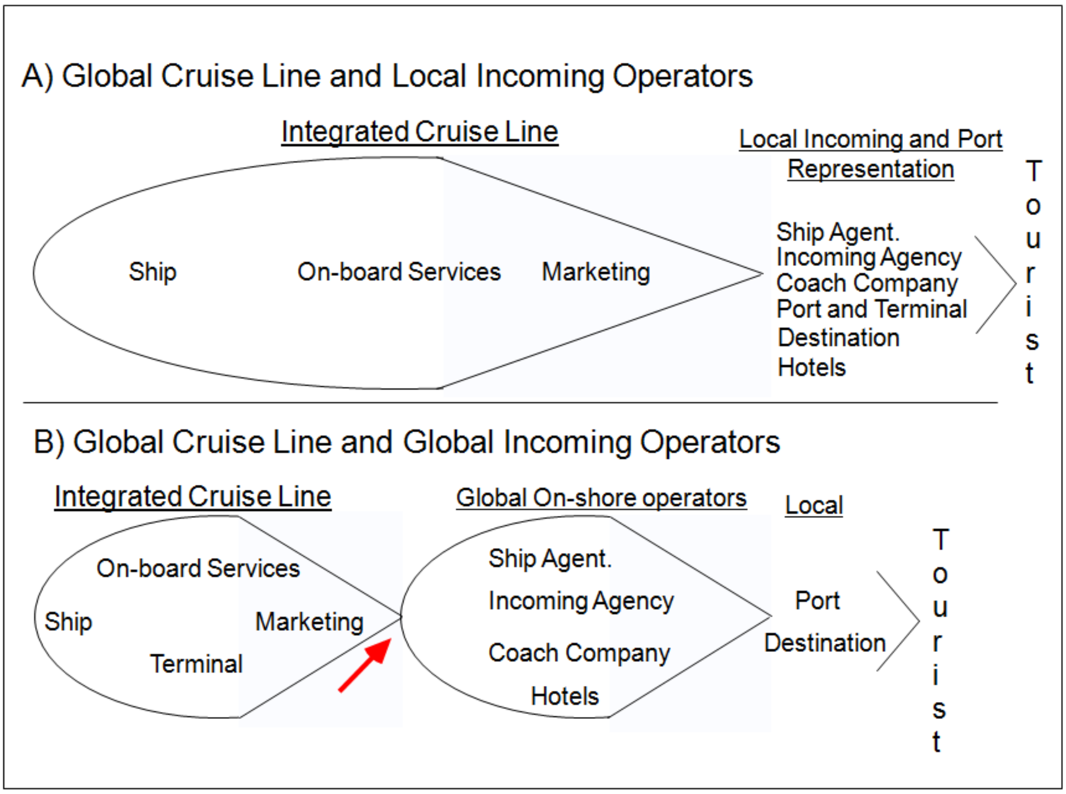
Source: Carnival Corporation & plc and Royal Caribbean Cruises Ltd. Annual Reports 2008, 2006 and 2003.

Figure 2: Cruise Global Value Chain (destination linkages)



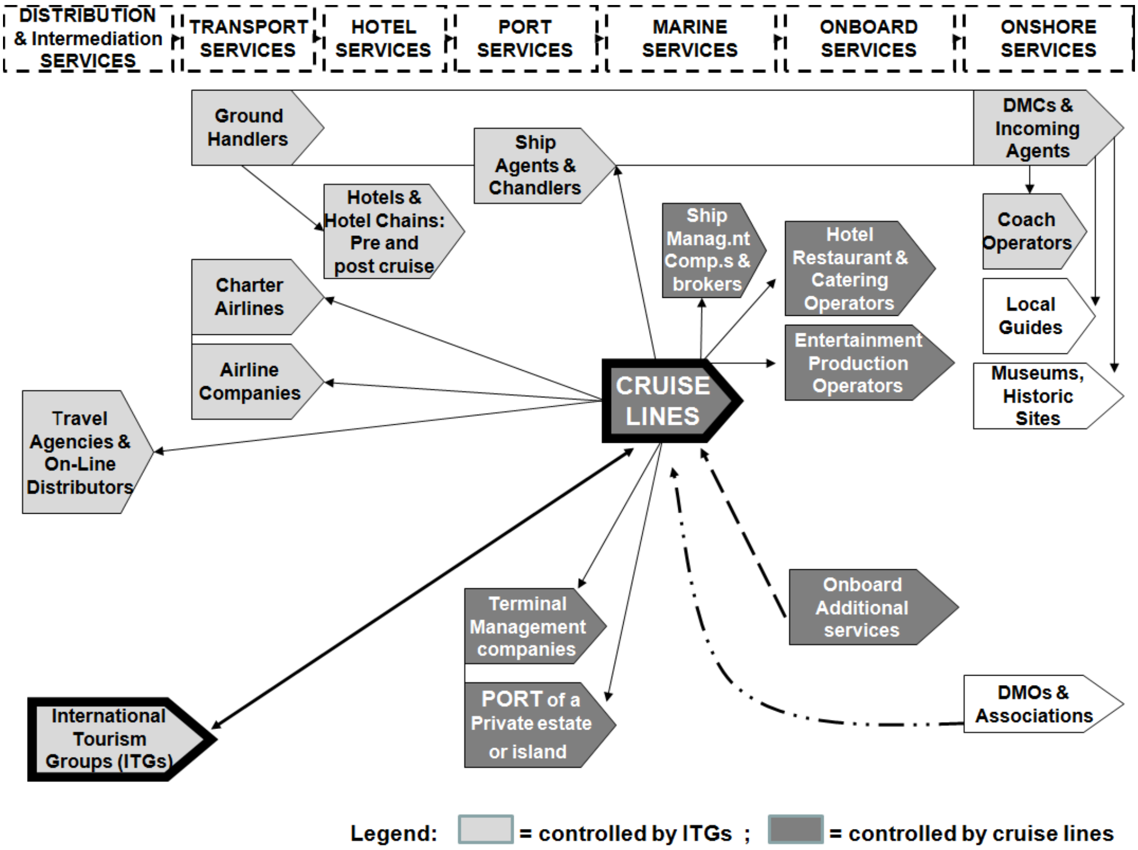
Source: author elaboration. Note: The value chain starts with the tourist order.

Figure 3: From local to global incoming operations



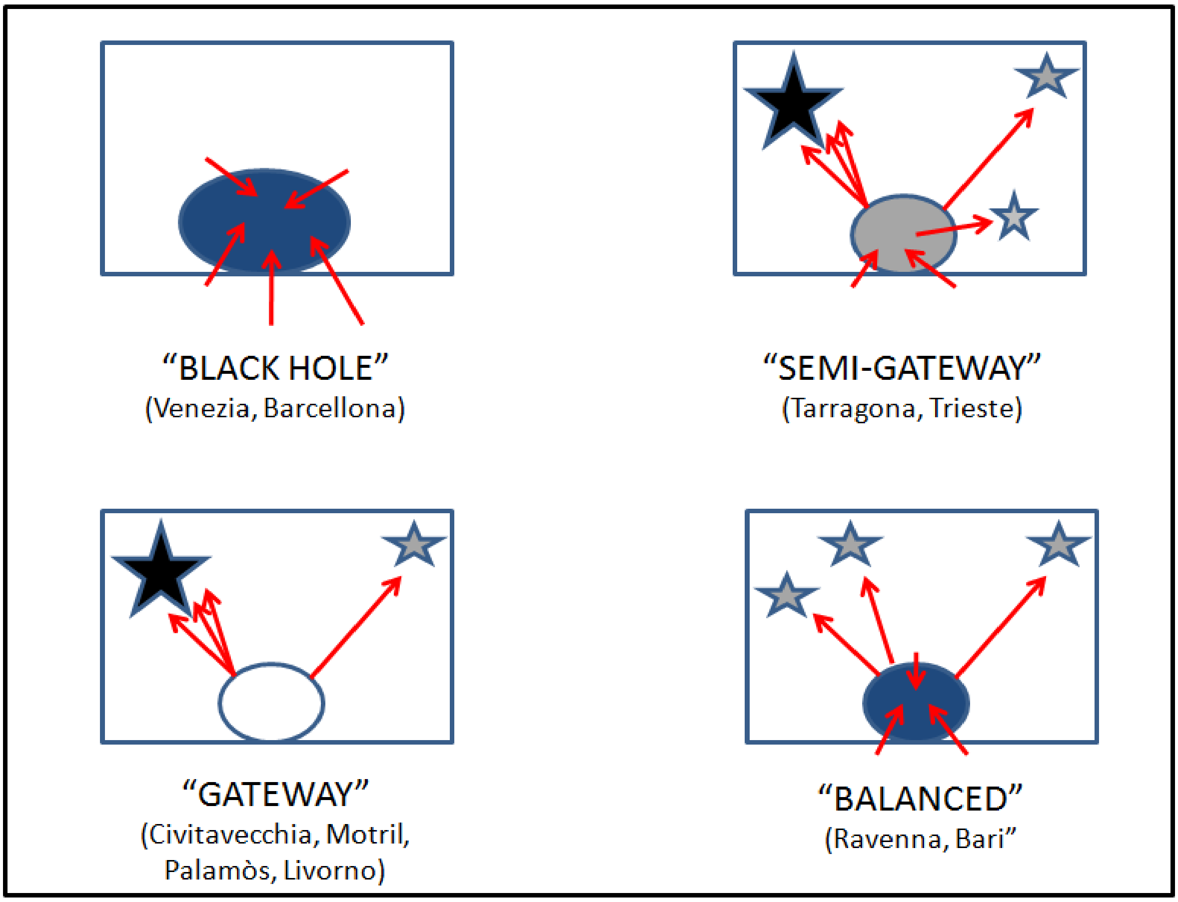
Source: author's elaboration.

Figure 4: Partition of the chain between cruise lines and major tourism groups



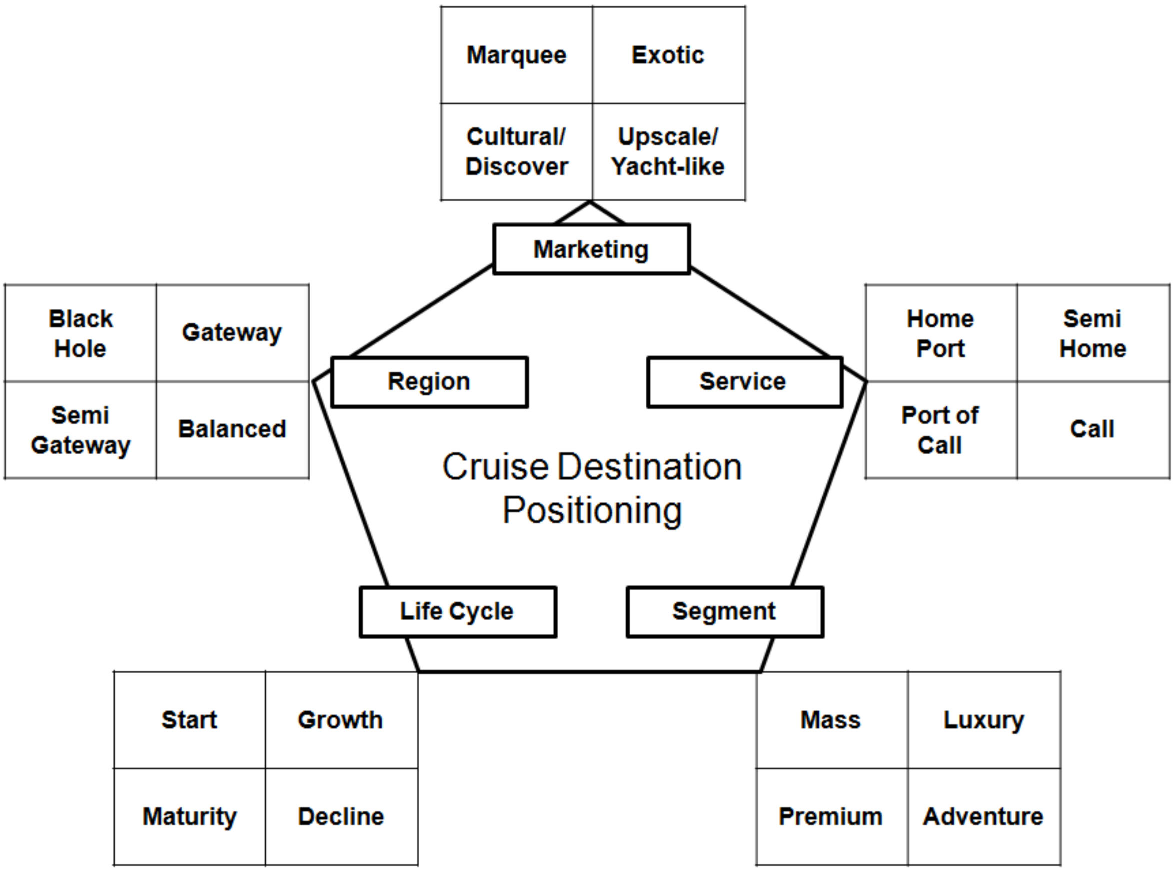
Source: author's elaboration

Figure 5: Typologies of cruise ports with respect to the regional tourism flows



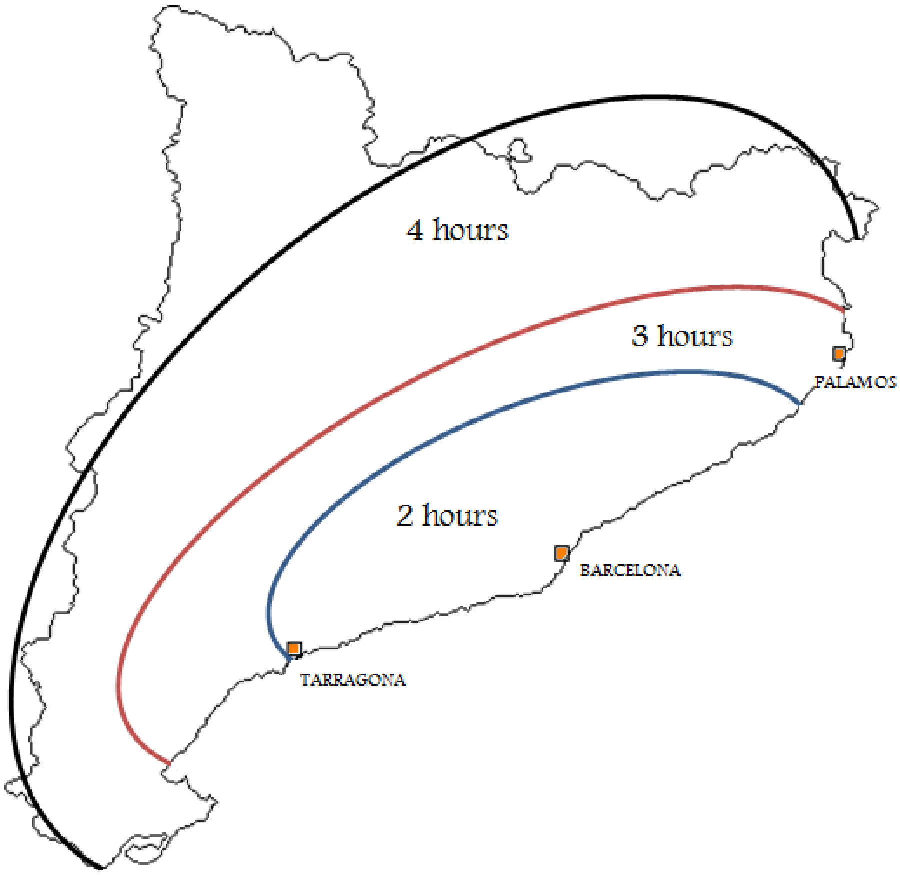
Source: author's elaboration.

Figure 6: Different dimensions of cruise destination competitiveness



Source: author's elaboration.

Figure 7: Stylized representation of the hypothetical reach of shore excursions from Barcelona



Source: authors elaboration.
Note: curved lines divide the region according to the time needed to go and come back to the ship.

Table 1: Cruise ports of catalonia

	Barcelona		Tarragona		Palamós	
Year	Total Passengers	Cruise Calls	Total Passengers	Cruise Calls	Total Passengers	Cruise Calls
2000	573571	495	1869	3	923	4
2001	654806	544	954	1	3391	0
2002	843686	633	5733	11	4981	14
2003	1054412	717	1727	5	167	2
2004	1024851	629	5444	9	5579	8
2005	1228561	689	11719	12	1187	7
2006	1407179	714	1273	4	12025	18
2007	1765838	817	4639	17	22184	30
2008	2066030	892	2847	14	4281	21

Source: Medcruise. Retrieved from www.medcruise.com (28-01-2010)

Table 2: Catalan cruise ports destination positioning

Ports / Dimension	Barcelona	Tarragona	Palamós
Marketing	Marquee	Cultural /Discover	Upscale/Yacht-like
Service	Home Port	Port of Call	Port of Call
Segment	Mass-Premium	Premium-Luxury	Luxury-Premium
Life Cycle	Growth	Start	Start
Region	Black-hole	Semi-Gateway	Gateway

Source: authors elaboration.