

# Cruise Ships:

## Where are They Headed Now?

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## Introduction

Founded in 1972, Carnival Corporation & PLC remains established as one of the world's most recognizable brands in the cruise line segment of the hospitality industry. With a fleet spanning over twenty-seven ships globally, Carnival Cruise Lines served over 5.4 million guests in the year 2018 and currently employs over 100,000 crew and personnel worldwide. In addition, Carnival Corporation serves as a parent company owner and operator for many subsidiary brands, including Princess Cruises, Holland America Line, Costa Cruises, Seabourn, Cunard, P&O Cruises (the United Kingdom and Australia), and AIDA Cruises.

The research contained within this paper takes the format of past, present, future, and comparative analysis of Carnival Corporation with a primary focus beyond the year 2000. In this paper, the researcher(s) attempt to assimilate and convey an accurate and comprehensive study of the industry through an objective approach. Primary information presented includes a holistic view of the industry in response to global economic factors, relevant industry statistics, and a deeper inquiry into the philosophical question of "where are cruise ships headed now?" Through this research, it remains vital to note that this information was gathered during the global COVID-19 pandemic in the year 2020 where much information was rapidly evolving at the time of its authorship. Due to the nature of this setting, the reader may additionally consider consulting external resources for further knowledge of such evolving material.

## Carnival Corporation: The Past

### Introduction

The first Carnival cruise ship set sail nearly forty-eight years ago (“Corporate Information,” 2020). Carnival has seen many highs and lows throughout the years. This includes impressive annual revenues despite the impact of the terrorist attack that occurred in American in 2001, multiple technical and physical issues, and many poor health inspections. Once all of these issues are considered, it is most evident why Carnival, and many other cruise lines, had an extremely slow response to the Coronavirus outbreak.

### The Numbers

Since 2007, Carnival has seen a steady increase in annual passengers, although that does not mean they have seen an increase in revenue each of those years (Lock, 2020).

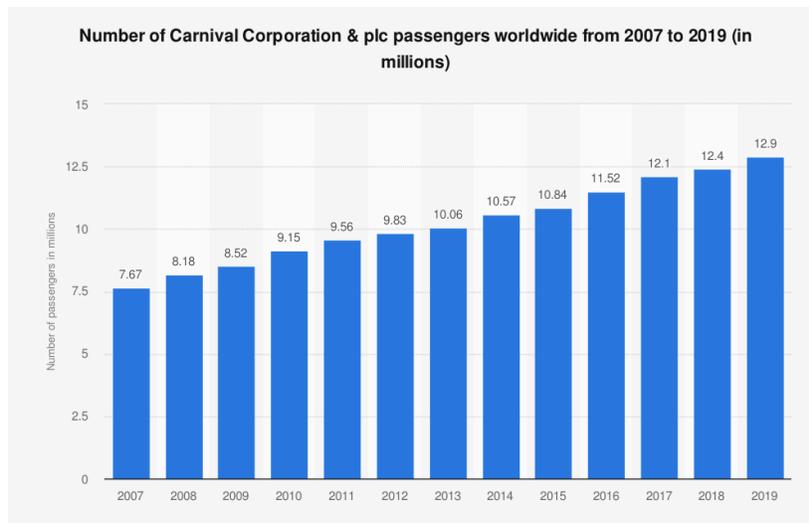


Figure 1. Number of Carnival Passengers Annually Worldwide 2007-2019. Reprinted from Statista, by S. L.,

Retrieved April 30, 2020, from <https://www.statista.com/statistics/266274/passengers-of-cruise-operator-carnival-corporation-und-plc/>.

As it can be seen from figure 1, over the past thirteen years, the company has gone from about seven and a half million passengers annually to nearly thirteen million.

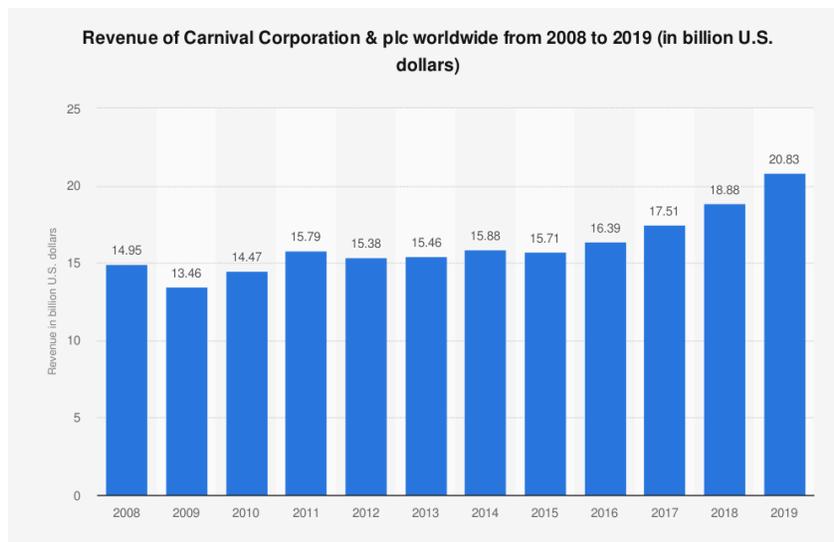


Figure 2. Annual Revenue of Carnival Corporation from 2008-2019. Reprinted by Statista, by S. L., Retrieved April 30, 2020, from <https://www.statista.com/statistics/266272/revenue-of-cruise-operator-carnival-corporation-und-plc/>.

Although Carnival has had such a seemingly successful journey over the past century, when the reader looks at the annual gross revenue for 2008-2019 as displayed in figure 2, it fluctuates quite a bit, although it has in fact overall increased by nearly six billion dollars over the past decade. When considering the state of the economy over the past decade, it makes sense that the revenue decreased significantly after the recession of 2008, then began building traction again as the economy recovered. This past year, Carnival saw its greatest spike in revenue by far, soaring up from 18.88 billion dollars in 2018 to 20.83 billion dollars. This was a promising statistic for years to come until the Coronavirus outbreak, which will undoubtedly change the industry forever. This pandemic is the first of its kind to hit the entire industry as hard as it has, however, there have most definitely been other major issues along the way in the past.

## 9/11 Terrorist Attack

One example of a catastrophe that affected the cruise industry is the terrorist attack that occurred on September 11th, 2001. Although it had a much greater impact on the airline industry, as the attack itself was carried out on passenger airplanes, the entire world now takes further security measures in all aspects of travel. For example, ever since that day, the Coast Guard now escorts every single cruise ship into and out of ports (James, 2011). Along with this, it is mandated that cruise lines submit a list of their entire crew and passengers for each cruise to various federal officials. Because of all of the fear of travel surrounding the devastating attack, many, if not all, cruises with stops in the Middle East were canceled, and multiple cruise lines had to file for bankruptcy. One of these cruise lines was P&O Princess Cruises, which Carnival Corporation then acquired in 2003 according to Princess Cruise Lines.

### **Technical Issues**

Aside from national and global catastrophes, Carnival has had its own fair share of massive physical and technical issues with their ships. In fact, their first ship to ever sail ran aground on a sandbar (Davies, 2013). In 2012, in what is now called the Costa Concordia Disaster, an Italian Carnival ship ran aground on a reef and overturned, killing 32 people and injuring 64 others. This was a complete public disaster which the company took no responsibility for, placing all of the blame on the captain himself. There have been four major fires on Carnival ships since 1998, along with other technical difficulties such as generator malfunctions and sailing speed issues (Davies, 2013). Each time this has happened, guests have received some form of onboard credit, a semi-refund, or a credit toward a future trip. These solutions seem quite abysmal when compared to what they are put through when these situations arise, sometimes having their vacation cut short or even being stuck on the ship with no hot water or power. Class

action suits have been filed in these cases, but they never win as they carelessly sign waivers before their trip without reading the fine print. This is quite similar to the subpar response that all cruise lines had to the onboard Coronavirus outbreaks, yet with much more attention from the media and public now, things may have to change with how these situations are treated in the future.

### **Health Inspections**

Another major issue which Carnival has faced in the past is extremely poor health inspections. In fact, in 2019, the *Carnival Fantasy* ship failed its Center for Disease Control and Prevention's health inspection with a disturbing seventy-seven out of one hundred points (Clarke, 2019). There was a visible film on the ship's main pool, brown water coming from the shower hoses, bread with flies on it, and improper sneeze guards. Unfortunately, this was not the first time a Carnival ship failed its health inspection miserably. In 1990, the same ship scored a seventy-eight, where the brown water was first noted (Gibson, 2019). In 2017, Carnival owned a staggering five of the seventeen ships nationwide which failed their health inspections (Passy, 2018). With such a multitude of health violations across the board over the years, it is no wonder such an incredible amount of their passengers contracted the Coronavirus.

## **Conclusion**

Though Carnival has seen such a multitude of issues over the years, they are still one of the most well known, successful cruise lines worldwide. Now more than ever, there is a considerable amount of focus being placed on health and safety guidelines. With the current circumstances, it is probable that people may be extraordinarily careful in choosing the cruise line they sail on, or if they will ever choose to sail again at all. These conditions could all mean tremendous trouble for Carnival in their recovery once things begin to reopen and vacationing resumes.

### Carnival Corporation: The Present

## **Introduction**

The state of affairs for Carnival Corporation in 2020 remained engulfed in the global COVID-19 pandemic crisis with only glimmers of light shining through a restless sea of uncharted waters. From suspended operations and entirely shut down ships to floating quarantine centers with deceased passengers, and a stock value that fell below seventy-six percent for the year 2020, few other hospitality industries were hit as hard and direct by the global pandemic as the cruise industry, specifically Carnival Corporation. For better comprehension and a picture of this evolving scenario to emerge, it becomes necessary to establish and evaluate a timeline of events for Carnival Corporation within the year of 2020.

**Onboard the *Diamond Princess* and *MS Zaandam***

On January 20, 2020, the *Diamond Princess* ship owned by Carnival Cruise Corporation departed from Yokohama, Japan on a roundtrip tour of South East Asia with over 3,700 crew and passengers onboard. On February 1<sup>st</sup>, 2020, an 80-year-old passenger from Hong-Kong disembarked from the *Diamond Princess* and tested positive for the COVID-19 virus at a medical facility. Subsequently, on February 4th, 2020, authorities in Japan began testing passengers and crew onboard the *Diamond Princess* and announced ten positive results for the virus on the vessel. From this point forward, the ship and its 3,700 passengers were forced to enter quarantine when the World Health Organization stated that the ship accounted for “more than half of the reported infections around the world outside of China.” It would be onboard Carnival Corporation's *Diamond Princess* that world views on the cruise line industry would permanently change following the outbreak of the global COVID-19 virus.

Fast-forwarding a few weeks to the date of March 7, 2020, the cruise ship *MS Zaandam* also owned by the Carnival Cruise Corporation departed from Buenos Aires with thousands of passengers and crew aboard, these passengers included Rick and Wendy de Pinho from New Jersey along with over 350 United States citizens and 49 Florida residents. Although Rick and Wendy noted that things felt “perfectly normal” upon their departure on March 7<sup>th</sup>, this would rapidly change in the approaching few weeks. According to Time Magazine, by March 13, every major cruise line had temporarily suspended its operations, leaving many ships mid-voyage, like the *Zaandam*, scrambling to find ways to get passengers home when multiple South American Countries rejected the *Zaandam*'s request to dock and allow passengers to disembark.

After multiple countries turned away the *Zaandam*, this left passengers such as Rick, Wendy, and thousands of others stuck at sea and quarantined for multiple weeks on end. In the words of one passenger aboard the *Zaandam* as documented by Time Magazine, “It’s been a rollercoaster... Are we able to dock? Are we not?” Wendy de Pinho told TIME on March 31, adding that she and her husband “regularly call other passengers aboard the ship to check in with them. It’s the fear of the unknown. If you’re not already sick, this can really cause you to get sick.”

On March 28<sup>th</sup>, 2020, after weeks of uncertainty and fear aboard the *MS Zaandam* owned by operator Carnival Corporation, approximately 1,450 passengers and crew who passed health screenings were transferred to another Carnival owned ship, the *MS Rotterdam*, where both ships were finally given clearance to dock in Florida’s Port of Everglades. As quarantined passenger Rick de Pinho tells Times magazine, “some people came to greet the passengers as the ship pulled up to the dock, and the sight caused some passengers to cry. It made me feel proud of our country and people. One gentleman was saluting the ship.”

### **Crisis Response**

Upon an evaluation of the *Diamond Princess* and *MS Zaandam* cruise ships owned by the parent company of Carnival Corporation, it became boldly revealed that a crisis situation had unfolded following the global outbreak of the COVID-19 virus. In response to this crisis, Cruise Lines International Association (CLIA), which accounts for Carnival, Royal Caribbean, and Princess cruise lines among its members, announced on February 7, 2020, that it would be adopting enhanced screening protocols to protect its passengers, crew, and the global residents

who may interact with those passengers and crew. The measures, which were implemented following the CLIA statement, included the following:

- Deny boarding to anyone who has traveled from, to or through airports in South Korea, Iran, China, Hong Kong, Macau, and “any municipality in Italy subject to lockdown (quarantine) by the Italian government” within the last 14 days.
- Screen any passengers who have traveled from, to or through the airports in any country listed on the CDC’s “Coronavirus Disease 2019 Information for Travel” page within the previous 14 days. As of March 4, the list included China, South Korea, Japan, Italy and Iran. Passengers will undergo “symptom history checks” to check for symptoms exhibited within the previous 14 days.
- Deny boarding to anyone who was in contact or cared for a suspected or diagnosed coronavirus patient, or maybe under monitoring themselves.
- Conduct “pre-boarding screenings” in order to implement the above measures.

One of the most significant implementations in response to the evolving crisis situation was enacted on March 12, 2020, when Carnival Corporation announced that it had suspended operations of the Princess Cruises line of ships after two of them became hotspots for the spread of the novel coronavirus. The official statement by Carnival Corporation on March 12, 2020, was the following, “In a proactive response to the unpredictable circumstances evolving from the global spread of COVID-19 and in an abundance of caution, Princess Cruises announced that it will voluntarily pause global operations of its 18 cruise ships for two months (60 days), impacting voyages departing March 12 to May 10.” This news was published by the Carnival

Corporation just a few days after the US state department warned citizens against traveling on cruise ships in order to mitigate the risk of spreading the virus.

Testimony to this critical and unprecedented decision was provided by Carnival Princess Cruises president Jan Swartz in a seven-minute video posted on YouTube March 12, 2020, where she stated, “Never in [our] 55 years, and certainly not in the 20 years I have served in this company, have we been tested in the ways we have been tested over the past 40 days”. Swartz called the suspension “perhaps the most difficult decision in our history.”

According to an article published by the Miami Herald on April 24, 2020, after more than a month past the date the company paused cruising across its multiple brands, the Miami-based Carnival Corporation still had 100 guests and 72,000 crew members stuck at sea. The Miami Herald also reported Carnival is battling “tremendous logistical challenges,” travel bans, and rapidly changing COVID-19 protocols as it tries to return its guests and staff to their various countries.

Additional statements from Carnival regarding their course of action in the COVID-19 pandemic included, “Princess will do everything possible to return each guest home with the greatest amount of care possible. During this time, our operations and medical teams across the fleet will remain vigilant in their care and service for guests and crew on board.” Carnival also stated, “for those who are impacted by this business decision, Princess is offering guests the opportunity to transfer 100% of the money paid for their canceled cruise to a future cruise of their choice. To add a bonus incentive for guests to accept this offer, the company will add an additional generous future cruise credit benefit which can be applied to the cruise fare or onboard expenses departing through May 1, 2022.”

## **Implications**

On April 9, 2020, the U.S. Centers for Disease Control and Prevention issued a “no sail” order that will stay in effect through July 24, or until the COVID-19 pandemic is declared over. The order also requires companies to tell the CDC how they plan to sanitize ships, report the number of COVID-19 cases daily, test for COVID-19, staff ships with the appropriate doctors and equipment, privately transport critically ill people, and repatriate nonessential workers.

Carnival's official public response to this statement as published on [www.carnivalcorp.com](http://www.carnivalcorp.com) in April of 2020 reads, “Carnival Cruise Line’s highest responsibilities include the health and safety of our guests and crew. Coronavirus is a fluid situation and we continue to work closely with public health experts and the Cruise Lines International Association (CLIA), to monitor, screen, and implement best practices to protect the health of our guests and crew as it relates to COVID-19 (coronavirus). Our monitoring, screening, and operational protocols are designed to be flexible so that we can effectively adapt to changes as they occur.”

Although many aspects regarding the course of action of cruise lines in response to the COVID-19 pandemic continue to be researched and investigated, a Washington Post article dated March 20, 2020 reveals, “While cruise lines have seen only a small fraction of the pandemic, they have emerged as a particularly tricky battleground to fight the virus. Health experts said the industry’s initial resistance to taking drastic action — coupled with deference from government officials, who let the companies come up with their own action plan — put more passengers at risk.” While the crisis response from cruise line operators such as Carnival

Corporation remains under scrutiny and investigation by the media and the public in the year of 2020, a statement released by Carnival Corporation indicates the company is attempting to regain goodwill from the public by offering the use of their ships as temporary healthcare facilities in benefit of the global fight against the virus. This was communicated by the company in a press release that stated, “With the continued spread of COVID-19 expected to exert added pressure on land-based healthcare facilities, including a possible shortage of hospital beds, Carnival Corporation, and its brands are calling on governments and health authorities to consider using cruise ships as temporary healthcare facilities to treat non-COVID-19 patients, freeing up additional space and expanding capacity in land-based hospitals to treat cases of COVID-19. As part of the offer, interested parties will be asked to cover only the essential costs of the ship's operations while in port.”

## **Finance**

As a consequence of Carnival shutting down the majority of the company’s fleet operations, the company CEO Arnold Donald reported to CNBC news that it needs one billion dollars per month to survive. According to information published by *Business Insider*, Carnival Corporation has raised six billion dollars in stock and debt to help survive until cruising resumes. However, it is also noted that Carnival Corporation probably will not receive assistance from the government. According to *Fortune*, by setting up offshore operations to avoid paying U.S. taxes, cruise lines — including Carnival — made themselves ineligible for funds from the two trillion dollar coronavirus stimulus package enacted April 24, 2020.

As illustrated in the graph below, on April 21, 2020 shares of Carnival were down 76% year-to-date, following the global public health coronavirus crisis. Additionally, on March 19, 2020, Carnival also announced that its first-quarter earnings were halved to twenty two cents a share versus forty nine cents a year ago, citing a twenty three cent per share impact from Coronavirus related cancellations.



Figure 3. Carnival (CCL) Stock NYSE. Retrieved May 1, 2020, from <https://markets.businessinsider.com/news/stocks/carnival-stock-price-down-nearly-50-percent-since-coronavirus-outbreak-2020-3-1028970212>

**Conclusion**

Given the severity of the current health crisis as well as COVID-19 deaths and infections linked to Carnival Corporation’s *Grand Princess* and *MS Zaandam* cruise lines, research in 2020 suggests it will take additional recovery time for travelers to become fully comfortable with

cruising again as compared to other forms of travel. Although the Cruise Lines International Association established mandatory protocols in mid-March 2020 implementing new health and safety protocols aboard Carnival Corporation ships, this effort to attempt sustaining business would ultimately be overturned by the United States Center for Disease Control's "No-Sail" order that went into effect on April 9, 2020. While the strategic move of Carnival Corporation to offer its ships as hospitals provided a step in the right direction for Carnival to potentially regain goodwill from customers, public surveys and media consensus suggest much uncertainty still exists in the public's perception of cruise lines and Carnival Corporation for the year of 2020. While the past proves Carnival Corporation as a resilient company with numerous large-scale market rebounds after events such as 9/11 and the 2008 economic recession, experts and analysts agree that the present situation will be one of the largest challenges ever faced by the company. Although CEO Arnold Donald echoed the sentiment of an uncertain future in his statement, "As long as there is no large social gathering around the world, there will be no cruising, and without cruising there will be no revenue," Donald also stated in an interview that he believes the Carnival Corporation is well-positioned to survive the coronavirus outbreak and fully believes that customers will return in the future.

#### Carnival Corporation: The Future

Cruising is still one of the most sought-after vacations people are experiencing frequently throughout the years since the first Carnival ship sailed in 1972 as previously mentioned. The future for the cruise industry has always been positive, as Carnival has proven to be resilient even when several past events such as fires, capsizes, and even norovirus have caused some setbacks (Sigalos, 2020). Given the impact of COVID-19, there comes the uncertainty now of when and how Carnival Cruise lines will be able to fully recover from the crisis, as Tuna Amobi,

a senior analyst at CFRA research stated that “Even under the best-case scenario where there’s containment of this virus, it could take up to a year for things to get back to any semblance of normalcy” (Sigalos 2020).

The cruise industry took a huge hit when coronavirus hit a peak point in March 2020 as that is one of the busiest times of the year for cruise activity due to the large crowds on spring break. This caused many cancellations and created a difficult timeline of when ships would be able to sail again with many countries going into lockdown. There were predictions of reopening by mid-May, but due to the Center for Disease Control issuing a no sail order in mid-April 2020 that is expected to go through the next three months, it has caused Carnival Cruise Lines stock to drop nearly 77% and initiated a sailing delay that is going to last even longer (Owusu, 2020). On April 29, Carnival Cruise Line proposed a restore date of June 27<sup>th</sup>, 2020 but, ships will not sail from San Francisco for the rest of 2020, certain itineraries to New York are canceled through 2020, and some of the other Carnival Cruise ships will not sail until late October or early November 2020 (Lawrey 2020)<sup>1</sup>.

The recovery is a painstaking process, as the founder and CEO of Chantico Global, Gina Sanchez states that “If you look at the whole tourism segment, I think that this is going to be painful for all of them, but airlines will likely recover. People will get back on planes. I think that hotels will also recover. But I think cruises may have a hard time,” (Sigalos, 2020). That being said, medical protocols have already become stricter as they have been enforced more even as

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<sup>1</sup> New developments in an article posted on CNBC, Carnival Cruise Lines announced on May 4th, 2020 that they would begin with 8 ships returning to sailing on August 1st, 2020  
<https://www.cnbc.com/2020/05/04/coronavirus-carnival-cruise-line-says-it-will-sail-again-august-1.html>

the pandemic was only beginning to spread. These protocols will continue to improve and be gradually implemented as cruise lines begin to reopen for future endeavors.

Carnival Cruise Line along with Royal Caribbean has already begun creating better quarantine arrangements and executing temperature screenings as another stage in the process in implementing the new guidelines. They have even taken the measures of requiring documents for elderly people to make sure they are “fit to travel” and meet all of the proper criteria prior to boarding (Gilchrist, 2020). A research analyst at Euromonitor International named Clare Lee suggested that the cruise line could go even further by implementing more modern technologies such as sanitation robots like some hotels and other areas of the travel industry have already been utilizing. Lee also speaks about how this pandemic has only encouraged cruise lines to put these higher hygiene standards as a top priority to be incorporated and to increase the industry’s level of safety along with increasing people's belief in returning to cruising once we enter that post pandemic state (Gilchrist, 2020).

In addition to these stricter sanitation protocols, future cruise guests will also see a change in their dining experience as a reflection of the COVID-19 impact. Buffets, for example, could become a thing of the past as some ships will be moving to more crew-manned stations, along with creating more dining and entertainment reservations to comply with capacity regulations (Gilchrist, 2020). Any further changes will come gradually but are intended to be in place by the time travel returns.

Although the cruise industry is facing the negative impacts on sales due to COVID-19, UBS still predicts cruise operations to resume by 2021. In fact, according to the booking site called CruiseCompete, reservations are up 40% from 2019 due to guests rescheduling and even

planning future trips (Gilchrist, 2020). Though those statistics are not with only Carnival specifically, it is a positive affirmation that the cruise industry will come back from this.

Before the hardships of COVID-19 began, the future of cruising was looking bright. In an article written back in May 2019, President and COO of Vacations to Go, Emerson Hankamer says that the industry has \$65 billion in ships on order over the next 10 years (Thompson, 2019). In addition, Royal Caribbean International has predicted that its Caribbean cruise business will grow by 50 percent by 2030, providing the cruise line with an overall economic benefit of \$6 billion (Christoff, 2019). Even right before the pandemic spread across the country, in February 2020, Carnival Cruise Line announced that it has signed a five-year agreement with the City of Norfolk to operate seasonal cruises from the Half Moone Cruise Center through 2025. In addition, they announced that 130,000-ton Carnival Magic will become the largest cruise ship to ever sail from Norfolk when it launches a series of 12 cruises from the port in 2021 that will carry nearly 50,000 guests (Carnival News, 2020).

With the future of the cruising industry, cruise lines are always looking towards what is coming next while staying committed to more environmental practices. In a report for the Miami Herald back in April 2019, CEO Arnold Donald of Carnival Corporations, was quoted on the environmental efforts being done by the industry. Donald stated that “We sail responsibly,” followed by, “Nobody wants to go to a polluted marine environment. Sustainability is imperative to our business.” (Thompson, 2019). The cruise industry as a whole has become more cautious of fuel consumption, while assessing the effects of their carbon footprint.

According to Cruise Lines International Association, the industry is working to cut per ship emissions by 40% by 2023 (Thompson, 2019). In an article written on Forbes website, 44%

of new ship construction relies on liquefied natural gas fuel for primary propulsion while cruising. More importantly, roughly two-thirds of all cruise ships now utilize exhaust gas cleaning systems (ECGS), which results in a significant reduction in sulfur and nitrogen oxides as well as total particulate matter (Micallef, 2020). With the reduced emissions, the first hybrid cruise ship launched by MSC cruises set sail in fall of 2019, and as battery power improves, the industry may even have its first all-electric cruise ship by 2030 (Christoff, 2019). Though there is no specific data to when Carnival will be implementing these procedures, some cruise lines such as Royal Caribbean, are also adapting to reducing paper and plastic waste as some ships have already eliminated plastic straws much like we have begun to do on land already.

In a survey done by Euromonitor's latest Megatrends Shaping the Future of Travel, the global travel industry is expected to top almost \$3 trillion sales by 2024 (Christoff, 2019). This correlates with the 2018 Cruise Industry News Annual Report, that predicts the increase in passengers cruising in the future. The report states that by 2027, 51% of cruise passengers will be from North America (up 14% in 2019), 31.5% from Europe (up 7.17% in 2019) and 17.5% from Asia-Pacific (up 5.7% in 2019). According to the report, ocean cruise ship capacity will increase by 48% from 2018 to 2027, from 26.7 million to 39.6 million passengers (Harper 2020).

Overall, even with the uncertainty of when sailing can begin again looms overhead, people are still looking forward to getting back on cruise ships. Colleen McDaniel, the editor in chief of the website called CruiseCritic, says "in a recent forum poll among members, 66 percent report that they'll continue to cruise the same as always. An additional 10 percent said they'd cruise more than ever," (Golden, 2020). This leads the way for even more potential success for not only the cruise industry, but also with the entire travel industry as it continues to grow and improve.

### Comparing the Industries

As described above, the cruise industry is a lucrative business that is often heavily swayed by its environment but manages to stay afloat through the storms. Lodging is not just cruise lines it is hotels, casino hotels, and AirBnB. These are the main industries that are thought of when looking at the lodging and all have some major similarities for the differences they have. Looking at these industries some of the main things that will be considered are total revenue, occupancy, ADR, and regulations on the industries. These areas are going to be looked at because they are areas that the industries all take into account and are easily compared. These areas also give valuable insight into how well the industry is doing. The values will also be looked at over the course of 2005-2019 for a majority of the variables that will be looked at because the years have been completed and the values will not change and give a broad look of change over the industry.

#### **Revenue**

Total revenue is a major component when comparing businesses within an industry let alone comparing industries. IBISWorld provided insightful information into the hotel industry, the casino-hotel industry, and the cruise line industry. When comparing just the 3 industries there is one major difference, hotels have a significantly larger total revenue in comparison to the two others. From the data provided by IBISWorld displayed in figures 4, 5, and 6, the average revenue from 2005 to 2019 for hotels is \$166.8 billion, casino hotels are \$60.8 billion, and cruise lines are \$35.9 billion. AirBnB had fewer data spanning over a shorter time this is partly because the company started in 2008 and did not have to publish records publicly. According to data found on Craft, Air BnB's average from the years 2010-2019 excluding 2012 is \$1.6 million rounded up. The data was not available for the year 2012. For a company that has just started out

their growth has had a major impact on the lodging industry. This is clearly shown in all 3 graphs created from IBISWorld data based on the decrease in revenue going from 2008 to 2009 and then an increase in revenue going back into 2010. This likely occurred due to the introduction of AirBnB and then the strategy adjustment by managers and industry executives. This information also shows these industries have increasing trend lines which often means stable growth that as the years go on revenue increases.

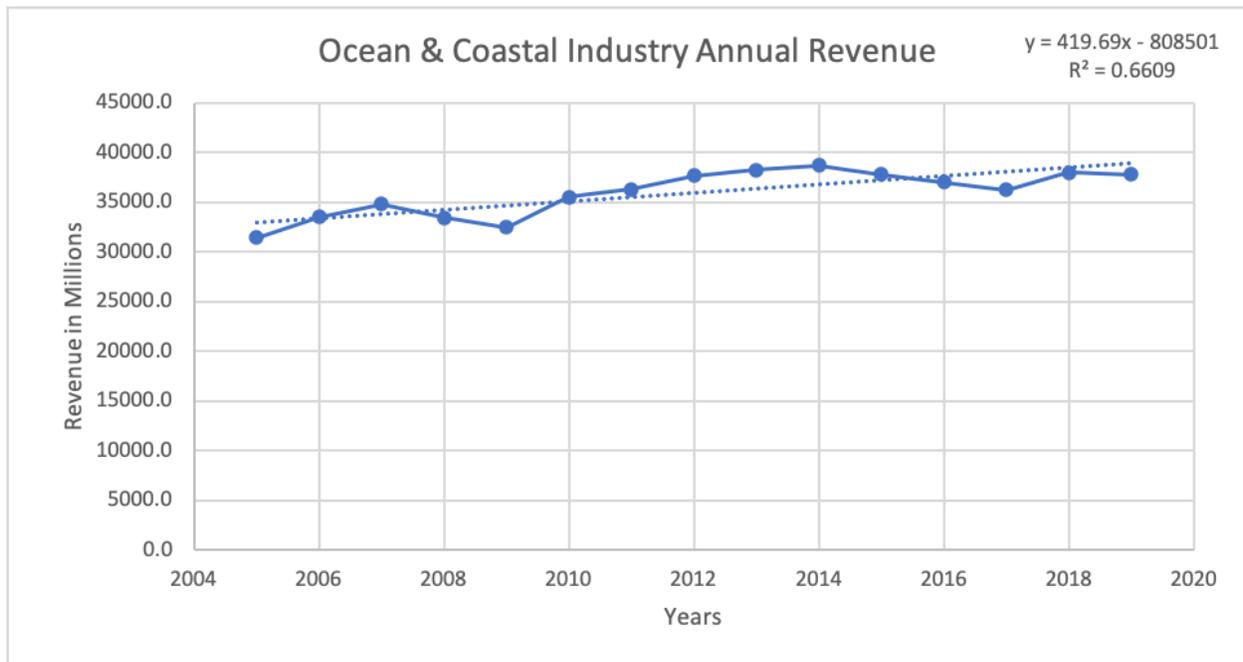


Figure 4. Cook, D. (2020, January)

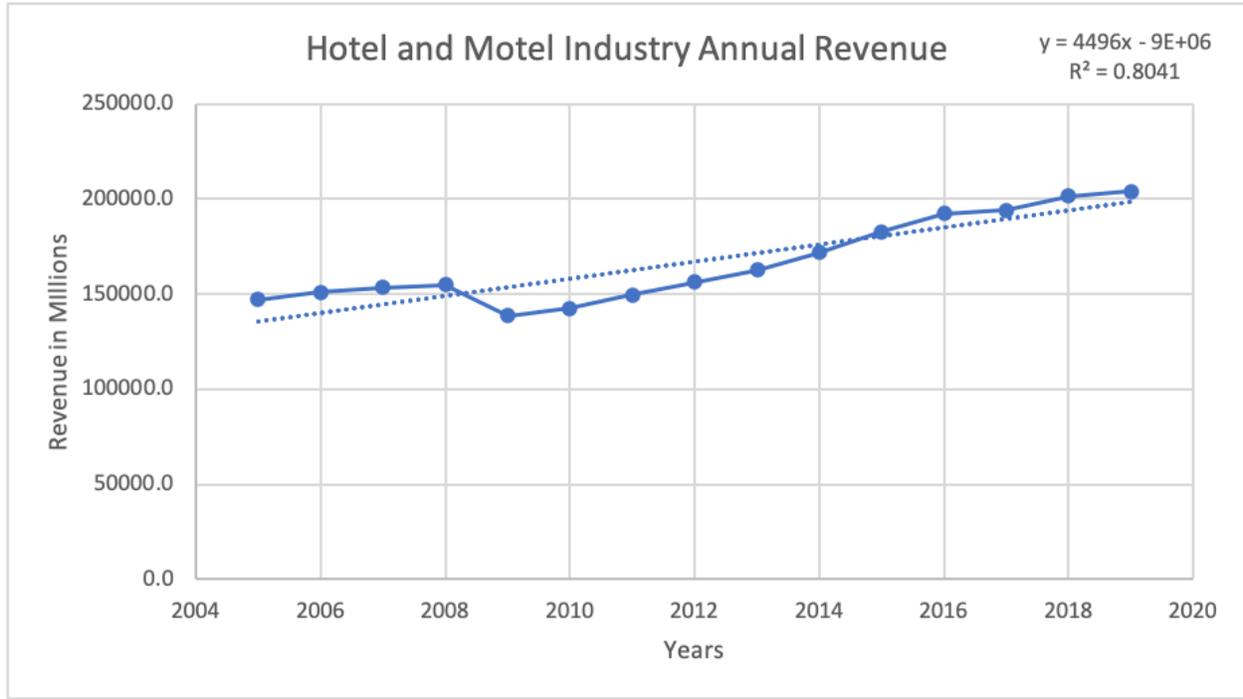


Figure 5. Hyland, R. (2020, April)

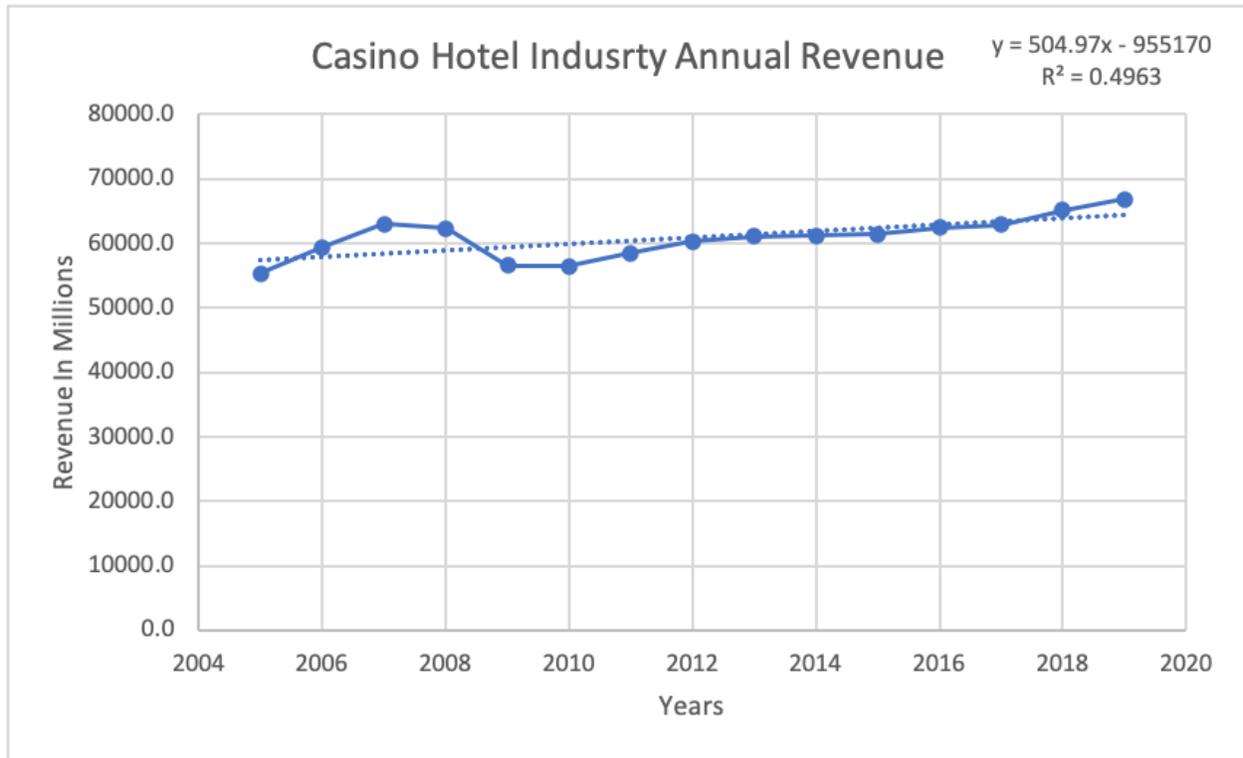


Figure 6 Le, T. (2020, March).

### **Average Daily Rate**

Another important piece of data to look at is ADR or average daily rate. This is important to take into consideration because it breaks down how much a customer visiting the hotel will spend on a room. This takes into account all different types of rooms and locations across industries. There was limited data available for some of these industries for a wide range of time but looking at the industries in 2018 the average daily rates were \$161.26 for Cruises, \$128.75 for hotels, \$129 for casino hotels in Las Vegas, and \$185 for AirBnB. These numbers make sense and correlate with the industries individually.

When looking at hotels there is a wide range of locations and a level of exclusivity but a majority of hotels are lower priced and not geared toward large spenders. Cruise lines might book you for a low-cost ticket but they make their money on the additional purchases like food or activities. Cruise lines are willing to lose some money on the room because customers have an average stay of 8 days and will likely spend just over \$60 a day on on-board purchases. Casino hotels are similar to cruise lines, they bring you into the hotel with appealing room rates and then expect guests to go and gamble in the casino. There is an expectation for guests to do onsite spending. AirBnB is largely different in this arena. AirBnB offers a range of locations and onsite amenities, guests can stay in a castle, a treehouse, or in a spare bedroom. These are all rental properties or people's homes and no onsite amenities or house cleaning. The expense is often slightly more so due to the individual ownership of these locations.

### **Occupancy Rate**

Occupancy rates are an important area to look into to determine if the industry is doing its best, if all the rooms are booked and the revenues are poor then rates need to be increased

significantly to compensate. For example, according to All the Rooms.Analytics, from October 2018-September 2019 AirBnB's average occupancy rate in 500 U.S. cities is 48%, not taking season or location into account. In comparison to hotels this is low. According to Statistica, in 2018 the hotel occupancy rate was 66.2% and 2019 66.1%. This is an increase from previous years, 2008 started a major decline from years prior and reached the bottom of the decline in 2009 at 54.6% and has been increasing since. That bottom is above where AirBnB was even last year. For being as young of a company as they are it is considerable but the company still has some hurdles to face. Casino hotels did better than both hotels and AirBnB. According to Statistica in 2018 the occupancy rate in Las Vegas was 88.2% and in 2019 88.9%. Although this is not the entirety of casino hotels this is the majority. Cruise lines are a different animal all together. The average occupancy rate for cruise lines is generally 105%-108%. The occupancy rate is that high because when counting occupancy cruise lines often count for 2 people per room even if some rooms can accommodate 3 or 4 with 2 people to a bed.

These differences in occupancy rates are vast and many things go into the data. Hotels operate in seasons. These are not the traditional seasons like fall, summer, spring and winter but the busy season and the slow season. This often means for hotels that they are booked solid some weeks or months and others they have a few guests throughout the week. It is similar for AirBnB, they operate on season but also on events. The company started because hotels were booked for large scale events and the company founders had to couch surf. When large events like the Olympics, sporting events, or even concerts and conventions are happening many people will not want to drive home or will make plans for the next day in the vicinity of where the event was and will need a place to stay. People often turn to hotels or AirBnB rentals in that situation which will drive occupancy rates up for a weekend. Cruise lines operate on long term vacation

stays and with their calculations even if all rooms are not filled multiple people in one cabin for multiple cabins often make up for the empty rooms. Hotel occupancy rate is calculated by dividing the total number of rooms occupied by the total number of rooms. These differences make the comparison more difficult to determine than other comparison methods.

### **Laws and Regulations**

There are different regulations when it comes to lodging industries. This is largely because even though at its core these industries and businesses all provide a room with a bed to sleep on there are many differences that occur and change the way the business needs to be run, protected or the consumers need to be protected. One of the most intriguing legalities found was on cruise lines. Cruise lines fall under an old tax code called the “flag of convenience”. The flag of convenience allows a cruise line to sail under the country of its choosing to allow more lenient tax laws. This means that cruise lines pay taxes to the flag country as well as abide by that country's labor and wage laws and even health codes. This makes cruise lines one of the most unregulated businesses in the industry next to AirBnB.

AirBnB is a company that does not have much regulation. Due to the fact that AirBnB is a middleman company that connects hosts with guests there are many issues that have arisen many of these would tank the most established hotel, secret cameras, property damage, personal injury, general lack of security, and many more specific issues. Their website asks hosts to refer to state guidelines and regulations. There have been many issues with hosts not following those laws. According to a CNBC article Miami beach has laws against short term rentals under 6 months and a day. This means that any residential rentals less than 6 months and a day, like most AirBnB rentals, are illegal in that area. This is similar for other towns and cities that have to

enforce similar short term rental restrictions. There are other issues with AirBnB when it comes to guest and host issues. Through the end of 2019 AirBnB has been involved in around 230 cases according to Bloomberg. The company has faced other issues as well as the ones listed these ultimately make the company unregulated and a large liability for not only consumers but renters and the home company.

The regulations that AirBnB lacks hotels and casino hotels pick up. There are a multitude of regulations that hotels have to follow from guest safety, accommodations, health codes, and many others. One that separates hotels from AirBnB greatly is their requirement to be held responsible for guest reservations. If a hotel overbooks they are often responsible for finding accommodation for the guest elsewhere. In Florida specifically hotels are responsible to find accommodation for a guest with \$500 per guest fine. Though there are no federal laws there are often state legislation like in Florida to attempt to prevent this from happening. Hotels also have to abide by health codes by providing house cleaning. This is not regulated when it comes to AirBnB. It is something that the company expects hosts to provide although it is not a requirement. Hotels must follow OSHA or Occupational Safety and Health Administration guidelines. This is enforced by OSHA inspections of the hotel.

One law that cruise lines, hotels, casino hotels and even some AirBnB locations must follow is the ADA or Americans with Disabilities Act. This has provided accessibility to those with disabilities in many hotels in which they might not have been able to stay at a hotel. This does not affect hotels that started building before March 15 2012. There are regulations for modifications such as, wheelchair accessible bathtubs or showers, communication features, and mobility accessible rooms. There are regulations for how many modifications are needed based on total number of rooms.



## Conclusion

Overall, with the negative impact that Carnival and the entire cruise line industry has been enduring with our present situation, they have learned from experiences in the past and now have even more ways to improve moving into the future. The cruise line industry is highly unique from the way they operate business to how they are allowed to operate. There is room for growth in the cruise line industry especially after this pandemic by improving health standards and increasing revenue. Though it may ultimately take some time to get back to the normal cruising that people have been doing in the past, with the right implementation of standards and procedures, the cruise line industry will recover. In the words of Carnival CEO Arnold Donald, “Travel is going to return ... and when it does, we’ll return with it” (Gilchrist, 2020).

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