Research of Cruise Industry Development Bottlenecks In China

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Abstract

Cruise industry is a comprehensive new industry, which has a strong impetus to the development of other industries. In recent years, as the explosive growth in cruise market, China has become a global rapidly-growing emerging cruise market. The cruise industry has begun transiting from infancy to the development phase, in all likelihood facing a number of bottlenecks problem. In this paper, the development trend of the cruise industry is first analyzed, then the bottlenecks of cruise industry are studied and finally some reasonable countermeasures and suggestions are put forward. By perfecting policy and legal, expanding industrial chain, diversifying investment mode, cultivating the market of consumer subjects, and establishing a scientific talents training mode of enterprise, the bottlenecks of cruise industry can be solved. This will consequently promote healthy and rapid development in cruise tourism industry, and give full play to the role of joint economy.

Keywords: Cruise Industry, Tourism, Bottlenecks, Countermeasures.

1. INTRODUCTION

Cruise was originally the transport carriage of goods or passengers. With the development of aircraft manufacture, role of transport heads rotation to the declining. In early 20th century, some cruises started to offer a limited number of basic facilities such as hotel rooms and restaurant services, turning direction of cruise to vacation. Therefore, the cruise is defined as a kind of travel mode, which is based on the traditional ocean liners, and gradually developed to the tourism tool and main destination of large cruise ship[1]. Cruising has recently gained significant importance as one of the fastest growing niche sectors within the tourism industry [2]. Cruise tours in Europe and America are very huge, over 300 to 400 cruises sailing in Caribbean, Mediterranean and Northern Europe over more than 100 countries and regions every year. In the Asian region, Singapore and Hong Kong are cruise visitor's two largest ports. International luxury liner docked at Chinese ports for the first time in the 80s of the last century. During the last 10 years, the number of international cruise arrived in Chinese ports continues to increase. According to the white paper from ACA statistics, in 2012 the number of cruise passengers from main tourist source countries and regions in Asia was about 1.3 million, and China took the most share, about 39%, followed by Japan 17% (as indicated in Figure 1). It is expected that by 2020 the major tourist source countries and regions in Asia will reach 3.8 million passengers, and China will account for 42.6%.

Modern cruises with ever-larger vessels have transformed the ship from merely transporting tourists to various destinations to become a resort in its own right [3][4][5]. Cruise is known as the "Sea Floating Resort ", the important growth pole of the port city, which can promote the development of local tourism and business, improve local revenue growth, enhance the local service standards of cruise ship harbors. Cruise industry can also accelerate local economic development, increase the level of employment scale, thus evolving demographic agglomeration effects and promoting local urbanization. Overall, the scale factor produces drive ration from 1:10 to 1:14 so that the cruise industry has become extremely sunrise industry with promising development potential [6]. It is estimated that in 2020, the cruise market will reach 51 billion RMB contributions to the economy, becoming new point of economic growth of China's shipping industry and tourism industry.

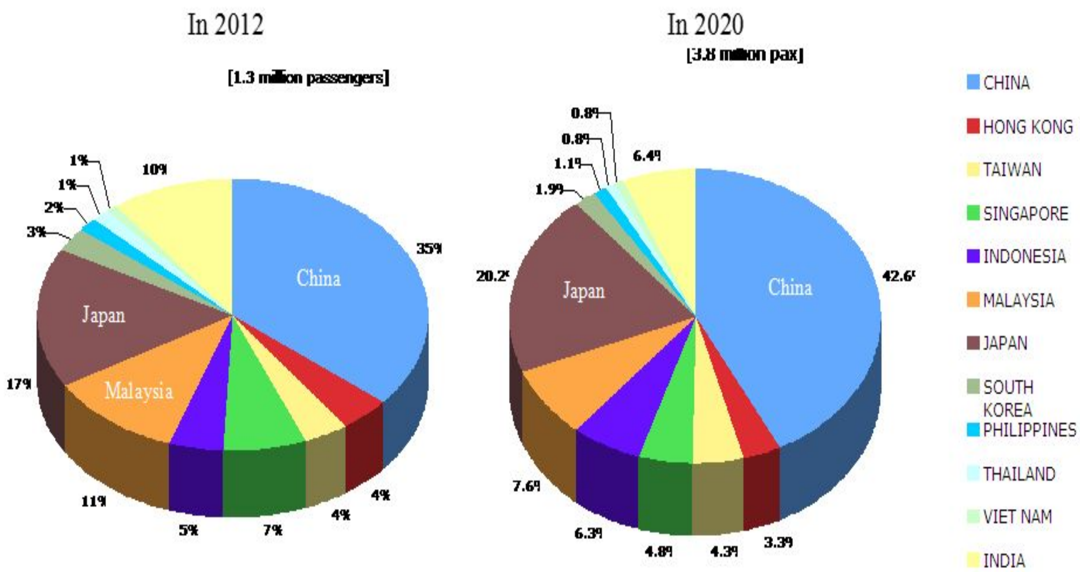

FIGURE 1: Comparison in Asian main international cruise country in 2012 and 2020 (Statistics from ACA White Paper2013).

2. DEVELOPMENT TREND OF CHINESE CRUISE INDUSTRY

As the global cruise tourism focused eastward, cruise travel is growing rapidly in China, showing a good momentum of development. In the "2012-2013 China Cruise Development Report", according to the China Cruise and Yacht Industry Association (CCYIA) Statistics: in 2012 Chinese cruise market accommodation had grown rapidly, and mainland China received total of 285 international cruise ships and an increase of 8.8%, the immigration cruise tourists 660,000 passengers, an increase of 31.9%. The number of cruise ships departing from Chinese coastal city was 170, with year-on-year growth of 19.7%, and the number of domestic exit and entry cruise passengers was 420,000. The number of cruise ships visiting Chinese coastal city was 115, with year-on-year decrease of 4.2%, and the number of international exit and entry cruise passengers was 240,000[7]. According to CCYIA statistical bulletin, till the end of December 2013, the three major cruise ports in China (Shanghai, Tianjin and Sanya) had hosted 377 international cruise ships, 55.8% higher than in 2012. Among them 195 cruise ships in Shanghai, with an increase of 61%; Tianjin, 70 ships, with an increase of 100%; Sanya, 112 ships, with an increase of 30%. A number of 1.168 million home and abroad cruise passengers were hosted in 2013, 97% higher than in 2012. Of which host 759,000 passengers in Shanghai, with an increase of 113%; 250,000 passengers in Tianjin, with an increase of 110%, 159,000 passengers in Sanya, with an increase of 36%[8]. As shown in Figure 2, the number of international cruise ships hosted in China increases gradually by a ladder trend, especially the growing number of international cruise departing from ports in China. While the number of international cruise visiting China in recent two years has decreased. By 2020 China's cruise immigration reception tourists is expected to reach 4.5 million passengers, and China will become the world's fastest-growing emerging markets in global cruise industry.

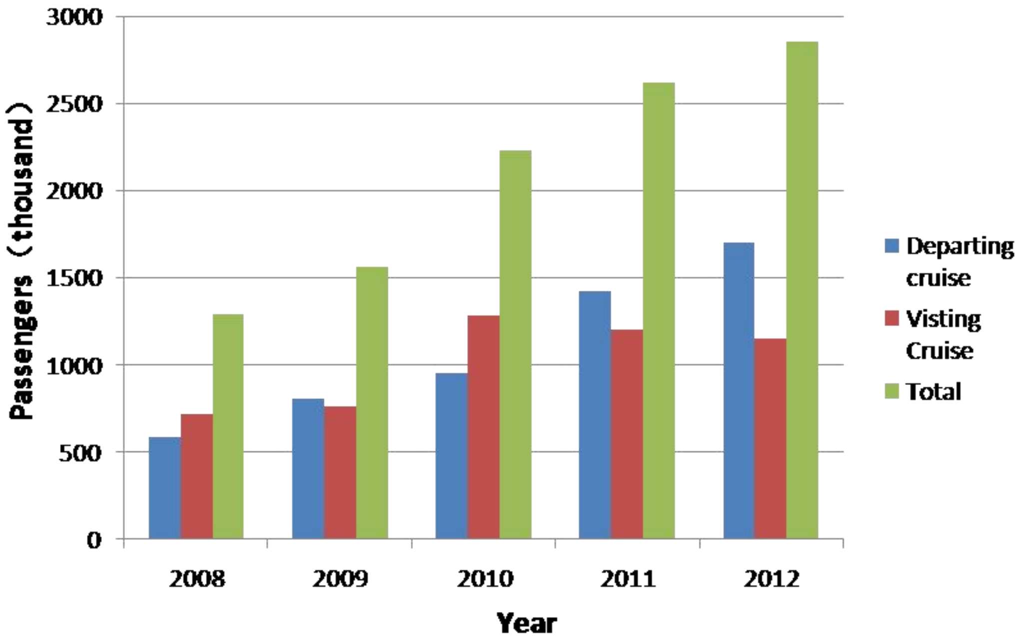

FIGURE 2: 2008-2012 year quantity change of China hosting the international cruise.

From an economic point of view, based on average per capita GDP in China, some of China's cities already have the basic conditions for the development of cruise tourism. International cruise development experience has shown that when a regional per capita GDP reached 8000-10000 dollars, cruise consumption started, and when reached 20000 dollars cruise consumption would reach its peak then slowed down. According to statistics, in 2013 the number of provinces in China which per capita GDP reached 10000 dollars was increased to 7, namely, Beijing, Shanghai, Tianjin, Inner Mongolia, Liaoning, Jiangsu, Zhejiang. Guangdong and Fujian are also close to 10000 dollars. The per capita GDP of Guangdong, Fujian, Shandong, is expected to exceed 10000 dollars in 2014, at that time, all China's eastern coastal provinces will enter 10000 GDP USD per capita rankings. Therefore, the development of China's economy with per capita GDP rising to cruise ship tourism development has laid a good economic base.

From the perspective of national policies, the government has promulgated a number of guidance which is conducive to the development of cruise tourism industry. In June 2008, the National Development and Reform Commission (NDRC) first proposed “the guidance on promoting development of the cruise industry in China”, which pointed out that the focuses of development of the cruise industry are strengthening the construction of infrastructure, breeding domestic consumer market, perfecting the relevant laws and regulations, and research and development in cruise technologies. In October 2009, the Ministry of Transport issued an announcement: “foreign ship chartered to carry out multi-point anchored business in China." Foreign ship may be approved more than two consecutive anchored Chinese coastal ports. December 1, 2012, the State Council issued “the Development of the Services Industry ‘Twelve-Five’ Plan”. The “Plan” called for the strengthening construction and management of passenger terminals, marinas and parking area, developing ro-ro transport, sea tourism and yacht economy of the straits and the islands, encouraging port develop cruise economy which contains entertainment, leisure, dining and shopping. On July 1, 2013, the new edition of the People's Republic of China formally implemented the law on exit and entry Administration. According to the new regulations, foreign cruise travelers in accordance with the law on exit and entry management-related conditions can enjoy 24-hours transit visa policy as long as applied to the border authorities. Therefore promulgated policies and legal regulations enhanced the confidence of developing cruise tourism industry in China.

From the enterprise perspective, the rapid growth of the Chinese market makes the world's major cruise ship companies accelerate significantly layout in China, at the same time Chinese companies begin to get involved in the cruise industry's core sectors. Currently three major international cruise companies Carnival, Royal Caribbean and Star Cruises have entered the Chinese market. In January 2013, the wholly-owned subsidiary of ICBC-ICBC financial leasing company and Silver Sea Cruises focusing on global high-end cruise markets announced that both sides would cooperate in a five-star cruise ship "Silver Shadow" financial leasing business. The deal is the first time that domestic financial institutions entered into international high-end cruise markets. On January 26, 2013, the first "Chinese Style Cruise", named "Henna" started her official maiden voyage at Sanya Phoenix Island international cruise port, indicating that the national brands of China formally entered the cruise market, which broke the monopoly of foreign cruise companies in the Chinese market. On February 10, 2014, Bohai Ferry Company of Hong Kong Limited, a wholly owned subsidiary of the Bohai Sea Cruises was allowed to set up. On February 12 Bohai Sea Cruises and Costa Cruises Ltd. signed a boat purchase contract at a price of $ 43.68 million to buy "Costa Voyager" cruise.[9]

3. BOTTLENECKS OF THE CRUISE INDUSTRY IN CHINA

The explosive growth of cruise tourism makes cruise industry begin transiting from infancy to the development phase. But in the process of industrial development, China's cruise industry is also facing many problems. These problems become the bottlenecks of the cruise industry in China's future development.

3.1 Imperfection of Cruise Industry Chain

Cruise industry chain includes the upstream industry like cruise manufacture, cruise ship operating company, and the downstream industry like port services, tourism and trade industry. China's cruise industry profits mainly come from port services, tourism and trade. Through attracting foreign cruise ships anchored and travel agency sale cruise tickets to gain profits, not through the production and operation of cruise ships. However, the barriers to entry the cruise industry are mainly in operating and shipbuilding.

Due to the large cost of cruise manufacturing and long period of payback, China has no self - made cruise fleet at present. All the time, the cruise industry was monopolized by European countries (mainly Finland, Germany, France and Italy). Although the shipbuilding industry in coastal areas of China has developed well, it is mainly responsible for the shipping manufacturing. The designing and building of advanced cruise ship in China are still in blank, which requires difficult technologies and stringent standards. China has no specialized cruise operate enterprise now, because of higher registration fees required for the cruise, high cruise imported taxes, and lacking of experience in the cruise business management. Comparing with Japan cruise industry, it is found that the advantages of Japan shaped at the beginning of industrial development. At that time Japan considered cruise manufacturing and operation as the development strategy[10]. As early as 2005, Japan had had 8 self-made cruises[11]. The driving role of cruise manufacturing and operation for the entire industry is self-evident, which will change the passive situation of cruise tourism market in China, boosting the growth of tourism, transportation, catering and trade. Therefore, the cruise industry requires us to develop the upstream industry, from top to bottom , to stimulate the vitality within the industry and achieve industrial chain multiplier effect of 1+1>2.

3.2 Simple Investment Model

Cruise port and dock construction scale of investment are very large and the payback circle is up to 10-20 years. The cost of a cruise ship construction needs at least 5-7 million, which brings high demanding in the related financial services. In China cruise port and dock construction are financed by the State and local governments, and there are no related businesses in the area of large cruise liner manufacture. Single investment pattern and the shortage of fund have become another bottleneck restricting the development of Chinese cruise industry. An industry's development is inseparable from the support of funds. If lacking of private capital injection, without good financial services supporting, and relying solely on the government's financial support, it is often not sufficiently stimulating market vitality. In 2011, Wenzhou private capital combined with Fujian, Hong Kong and Taiwan capital to purchase "stars of Asia" luxury liner, which marked the private capital first foray into the cruise industry. However, for the development of the whole industry, that capital is far from enough, needing greater range of capital strength, and improving cruise tourism industry's core competitiveness. Meanwhile, supporting financial and insurance operations should also be followed up in time.

3.3 Unsound Policies and Laws

Although it has promulgated some policies to support industry development, the macro-plan of whole industry as well as industry support policies are still absent. The cost of the cruise dock in China is 3-5 times higher than other Asian countries and European counties, which is one of the most important factors to prevent more international cruise ship docking in China. There are noticeable lag in the regulations. Most of the existing port fees are still in accordance with regulation in 1991, and some others reference to international standards for the transport of the goods. In the aspect of law, China lacks of unified international practice and security clearance procedures, besides the border inspection procedures vary in different port. At the same time, there are no relative behavior regulation involved in sightseeing, leisure, dining and other code of conduct when passengers on the boat. China's law largely relies on international practices, such as "Athens Convention 1974", and some laws to regulate the passenger transport operation[12]. As "Fighter ships" incident happens frequently, a very important reason is the lack of relevant legal norms. When majeure factors incident happens, the current laws cannot protect the interests of tourists, also cannot regulate visitor behavior.

3.4 Immaturity of Main Cruise Consumers

Cruise travel is the emerging forms of tourism in recent years, just as a supplementary form of outbound tourists in China. Its main consumers still not mature. Derived from European aristocratic lifestyle of cruise travel, cruise culture in China is difficult for visitors to understand and get used to. Chinese tourists like venue wonders of sightseeing, and pay less emphasis on leisure, it is difficult to adapt to the relatively closed space in cruise. The habit of outbound tourism consumption is still delighted in luxury purchases. This mainly because that the ideology of visitors and spending habits are different from western country, meanwhile the current vacation system is not suitable, and the development of the relevant routes and advocacy efforts is far from enough. In addition, from abroad experience in the development of cruise industry, civil society organizations can play a contributing role for the cultivation of main consumers and industrial development. However, China lacks of civil society groups and organizations. In China, Shanghai is the Center of cruise routes, headed north for "CJK" route, and south for Hong Kong, Macao and Southeast Asia. The product is relatively simple, relatively short range, lacking of attractiveness, so that the advantages of tourism resource in China's coastal city do not play well. When the form of leisure tourism in Western countries collide with traditional Chinese consumer attitudes and behavior, it is very difficult to fit in, hence hinder the development of the cruise industry. Therefore, an urgent measure to foster positive market consumers is really necessary.

3.5 Acute Shortage of Professional Talents

Along with the world's leading cruise companies to seize the Chinese market, China cruise businesses sprout. The shortage of cruise professional talents has become an important bottleneck restricting the development of cruise tourism industry in China. At present, the gap of cruise talents is very huge, not only lacking of personnel and management team, but also lacking of cruise management experience. While facing difficulties in recruiting and training talents, the talent turnover is also serious. Just from the cruise service aspect, it requires a lot of highly qualified service personnel, who know foreign languages well, to realize staff and passengers matching ratio 1.5:1, even 2:1. The talents of cruise trade, marketing, manufacturing, and design are even more difficult to obtain. Foreign cruise lines often hunt talents from hotels and travel agencies or labor dispatch companies, or cooperate with counterpart school to train talents, but it is still struggled to meet the demand. The reasons include three aspects. First, Chinese traditional ideology; secondly, there is no good mechanism of training talent; thirdly, lacking of management experience and weak faculty.

4. COUNTERMEASURES AND SUGGESTIONS

4.1 Policies and Legal Norms

By Learning from foreign advanced experience of development in cruise industry, China can introduce the macro planning of the cruise industry. First of all, in terms of port development, China should form cruise home ports which take Shanghai as the center, Tianjin, Xiamen and Haikou as support ports. Meanwhile a number of ports of all should be developed, to encourage the economic development of the port and avoid duplication. Secondly, the government should introduce some relevant preferential policies, such as reducing requirements for cruise ship docked, optimizing the border clearance process, shortening the access gateway. Thirdly, taking full use of tax for whom plays a catalytic role in industrial development, at the same time expanding the scope of tax exemption and reducing procedures of tax rebates, cutting down the required import tariffs on the cruise ship.

Drawing from international current management practices, in line with China's national conditions, government introduces cruise tourism management regulations to regulate the tourism business behavior and protect the interests of tourists. Cruise tickets should join the system of compulsory insurance and financial guarantees, thus clarify areas the responsibility of each other. In the aspects of cruise security management, the recommend is referring to "America 2010 Cruise Safety Act": Installing peephole, cameras and electronic delay door locks on the door of the passenger room; railing height is set on a cruise to reach at least 42 inches; issuing safety manual to cruise passenger; medical personnel must have higher education and formal qualifications, and also have received training in dealing with handling sexual assault cases[13].

4.2 Multi-path Industrial Chain

Chinese cruise enterprises can be established through purchasing or chartering cruise. Government should reduce the opening fees of registration for cruise lines, pay attention to the cruise business qualification judgment, and encourage cruise manufacturing enterprises by financial support and preferential policies. China should actively learn shipbuilding technology and management experience of advanced countries; expand international exchanges, and strengthening the independent design and innovation. Cruise companies should cooperate with tourist attractions and travel agencies, making wide range of service like tourism, sightseeing, shopping, so that passengers can effectively enjoy the benefits[14]. Through the improvement of port facilities, to create well-developed transportation hub, to expand the scope of radiation tourism, this consequently attracts more foreign cruise tourists.

4.3 Diversified Investment Mode

It is really necessary to break the current single pattern of cruise tourism industry investment, creating a good investment environment, and setting development fund of the cruise industry. In result this industry will attract more funds and investments. Firstly, government should implement various preferential policies within the cruise development experimental zone, and encourage three types of mixed ownership companies. One is the combination of public ownership and private ownership, which includes Sino-foreign joint ventures, national or collective joint enterprises and the private sector of the economy. Another is the combination of public ownership and individual ownership. The last one is mixed ownership consisting by public ownership within State-owned enterprises and collective enterprises. Secondly, travel agencies and other travel businesses cooperate with international cruise companies to broaden cruise market scale. Thirdly, set up pilot leasing companies of cruise ship finance in Shanghai and Tianjin, where are the cruise tourism comprehensive development experimental zone in China. In order to solve the problem of financing, bank financing, the cruise ship industry fund or trust products can be useful methods. Meanwhile cruise finance leasing companies shall be exempted from business tax, giving them benefits of turnover tax, stamp duty, and depreciation tax in accordance with international practice[12].

4.4 Actively Cultivate the Market Consumers

The cruise market should actively foster the cruise consumer culture emphasizing on quality and fitting in tourists' vacation mentality. Careful market research is also necessary, thus developing cruise lines and tourism products in accordance with Chinese culture and the culture of cruise. Cruise enterprises need to increase cruise travel propaganda, popularize cruise travel knowledge, so that to improve the understanding of tourists about cruise travel. Besides, cruise companies should enhanced cruise travel marketing, focusing on the cruise market segments. In the meantime, government should encourage establishing civil society organizations, which will play the role of advocating cruise and establishing industry codes.

4.5 Establish scientific talents training mode and enterprise cooperation mechanism

As higher cruise personnel requirements, colleges and vocational training schools in China should lay emphasis on molding cruises staff with solid theoretical knowledge, excellent communication skills, smooth foreign languages and strong sense of service. Educational institutions should also pay attention to practice-oriented education, and cooperate with cruise companies to form coordinating relationship between the cruise talents and the demand of cruise enterprises. Implement "going out" and "bringing in" strategy. On the one hand, the managers, designers and constructor of cruise industry should learn the advanced theory and experience from Occident. At the same time, China should import experienced talents to guide the cruise operation, design and management. On the other hand, cruise staff in China should also actively explore and develop work methods and systems suitable for future.

5. CONCLUSIONS AND OUTLOOK

The ocean is a treasure given human nature by God, and the cruise is the perfect vehicle to explore the charm of the ocean. As international cruise market continues to shift towards Asia, China has become the fastest growing emerging markets all over the world. Along with opportunities, there are also challenges facing Chinese cruise, including unsound industry chain, imperfect policy and legal, single investors, immature consumers, extreme lack of professionals. In future, with the joint efforts of the government and society, relying on the abundant resources in China, Chinese cruise industry will overcome the bottlenecks in the development. During economic transformation and upgrading period in China, cruise industry should be a major bright spot of China’s economy.

6. THE LIMITATION OF THIS STUDY

This study aimed to analysis the bottlenecks of cruise industry that influenced the future developmentof China cruise.In order to understand the bottlenecks of this industry ,close attention was paid to the diffefent aspects which includes industry chain, talent, law regulation,consumer habit and investment.Further research is needed to adopte different sampling techniques, reaching a greater sample of the port city and utilising supplementary data collection tools. In that way, the development problem in cuise industry can be better illustrated.

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