EasyCruise: why did the business model fail?

Business model of cruising
Strategic failure of adaptation of low cost formula to cruising
Difficulties to enter an oligopolistic market
EasyCruise

Did it succeed to establish itself in the cruise ship industry?
• Cruise ship market
• EasyCruise before 2008
• EasyCruise 2008-2009
• EasyCruise vs traditional cruise company
• Conclusion
• Growth: 7.4% per year vs. 4.2% of world tourism

• 80% of the market in the USA

• Growth in Europe: 11% vs 5% in the USA
• Growth sector
• Difficult market entry
• Profile:
  o 46 years old
  o Income: $93,000
  o Couples: 75%
  o 94% are satisfied
• 320 boats all over the world
• 90% of the market in the hand of 4 groups

• Associations
  o CLIA
  o FCCA
  o ACA
EasyCruise before 2008

• Flexible stay: 2-13 nights

• Arrival at the ports each day at noon, departure at 4 o’clock in the morning

• Target: young people 20-40 years

• Cost reduction strategy ➔ 50%

• Prices from €25/ nuit
EasyCruise before 2008

Boats and itineraries

*EasyCruiseOne*: South of France, Caribbean, Greece

*EasyCruiseTwo*: Amsterdam-Bruxelles

Services

- Room 10 m²
- No room service
- No restaurant
- No pool
• Stay: 3-4 nights

• Two visits a day: 7h00-12h00 and 16h30-21h00

• Target: young people 20-40 years old

• Price for 4 nights in July: €170/night
EasyCruise 2008-2009

Boats and itineraries

*EasyCruise Life*: 2 itineraries in the Aegean

- 574 passengers and 150 staff members

Services

- Rooms of 9-40 m²
- Room service
- Restaurant, Bar and Spa
- Pool and 3 jacuzzis
<table>
<thead>
<tr>
<th></th>
<th>EasyCruise before 2008</th>
<th>EasyCruise after 2008</th>
<th>Carnival</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length of stay</strong></td>
<td>2-13 nights</td>
<td>3-4 nights</td>
<td>3-8 nights</td>
</tr>
<tr>
<td><strong>Destinations</strong></td>
<td>South of France, Carrebean, Greece, Amsterdam-Bruxelles</td>
<td>Aegian</td>
<td>All over the world</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td></td>
<td>€415.000</td>
<td>€1,75 billion</td>
</tr>
<tr>
<td><strong>Price/night</strong></td>
<td>€25</td>
<td>€170</td>
<td>€122</td>
</tr>
<tr>
<td><strong>Types of rooms</strong></td>
<td>Compact and suites</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>suit, double superior</td>
<td>Interior, simple with</td>
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<tr>
<td></td>
<td></td>
<td>simple with window,</td>
<td>windows, with balcony and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>simple without</td>
<td>suites</td>
</tr>
<tr>
<td></td>
<td></td>
<td>window, compact</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>inside</td>
<td></td>
</tr>
<tr>
<td><strong>Services available in the</strong></td>
<td></td>
<td>TV and minibar for suites and</td>
<td>TV, minibar and safe in each</td>
</tr>
<tr>
<td><strong>rooms</strong></td>
<td>nothing</td>
<td>double rooms, cleaning</td>
<td>room, cleaning service</td>
</tr>
<tr>
<td><strong>Catering</strong></td>
<td>Breakfast and snacks</td>
<td>Breakfast, dinner</td>
<td>Breakfast, lunch, dinner</td>
</tr>
<tr>
<td><strong>Services available</strong></td>
<td>Jacuzzi and bar</td>
<td>3 jacuzzis, pool, spa, fitness</td>
<td>spa, casino, bars, shopping</td>
</tr>
<tr>
<td></td>
<td></td>
<td>room and disco</td>
<td>mall, pools, mini-golf, basket</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ball ground, giant screen,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>discos and event each</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>evening</td>
</tr>
</tbody>
</table>
Conclusions

- Easycruise succeeded to enter the cruise ship market
  - €415,000 profits in 2008
  - Important investissements

- Easycruise did not succeed with its low cost business model
  - Supply more and more near to the traditional
  - Confrontation strategy failed
In February 2008 EasyCruise made public their plans to sell the *EasyCruise One* due to "not having enough space", and replacing her with a ship of similar size to the *EasyCruise Life*.[3]

In August 2009 the single-ship cruise line was sold to Greek ferry operator *Hellenic Seaways* for £9 million. Their sole ship was moved to Blue Ocean Cruises to operate as the *Ocean Life*.

The deal includes the ship “easyCruise Life” along with the exclusive license to use the easyCruise brand for all Mediterranean destinations and follows Stelios investment, via easyGroup, in Sea Star Capital, one of the main share holders of Hellenic Seaways.

Source: www.easycruise.com
Question to be discussed

- Why did the business model of EasyCruise fail?
- Is it possible to leave a niche?
- Can a successful airline business model be applied to cruising?
- Is cruising more transport or more incoming oriented accommodation?
Dolomiti Superski: Why is this strategic marketing alliance a success?

- Horizontal cooperation
- Strategic marketing alliance
- ICT multimedia marketing
- E-commerce
Dolomiti Superski

1.220 km of runs >> 450 lifts >> 12 valleys >> 630‘000 persons/h>> 1 chip-skipass>> 3‘000 square meters slopes>> 4‘600 snow machines

South Tirol - Trentino - Veneto
• Cortina d'Ampezzo
• Kronplatz
• Alta Badia
• Val Gardena/Alpe di Siusi
• Val di Fassa/Carezza
• Arabba/Marmolada
• Alta Pusteria
• Val di Fiemme/Obereggen
• San Martino di Castrozza /Passo Rolle
• Valle Isarco
• Tre Valli
• Civetta
Pearls of Dolomiti

01 Cortina d‘Ampezzo
02 Plan de Corones
03 Alta Badia
04 Val Gardena / Alpe di Siusi
05 Val di Fassa / Carezza
06 Arabba / Marmolada
Facts and Figures

3.5 mio Ski passes sold in winter 2004 / 05
9.5 mio Ski days sold in winter 2004 / 05
138.0 mio Ski days flow in winter 2004 / 05
300 000 Staff
230 000 Guest beds 04 / 05
1.9 mio Arrivals 04 / 05
138 Ski lift companies
90% Snowy slopes
220 Snow vehicles
5-6 Stay (average)
55 % Home country
45% Foreign country
A rigid separation of roles

1. Consortium

12. Valley Consortia

135. Lifts (private ownership)
Consortium

- Overall strategic policies
- Executive and control function
- Operational functions
- Long term goals

Valley consortia

- Executive function (in the area)
- Local strategic policies
- Local operational functions

Lifts

- Technical / Industrial management
- Customer care
A price cartel

Non-price competition:

"a selling strategy, in which one firm tries to distinguish its product or service from all competing products on the basis of attributes like design and workmanship “

(McConnell-Brue)
The marketing formula (1/2)

A synthesis of opposites:
local culture & vision
competition & co-operation
integration & private ownership
The marketing formula (2/2)

AREAS OF CO-OPERATION

Marketing

- USP
- Price
- Mass communication

Public relations

- Opinion makers management
- Press tours

Image

- Single Brand
Co-operation

“an association formed and operated for the **benefit** of those using it”
## Key factors of success (1/2)

### Quality

<table>
<thead>
<tr>
<th>Year</th>
<th>92/93</th>
<th>04/05</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabin lift with automatic coupling</td>
<td>22</td>
<td>49</td>
<td>↑</td>
</tr>
<tr>
<td>Chair lift with automatic coupling</td>
<td>23</td>
<td>77</td>
<td>↑</td>
</tr>
<tr>
<td>Chair lift</td>
<td>142</td>
<td>141</td>
<td>↓</td>
</tr>
<tr>
<td>Cable cars</td>
<td>25</td>
<td>24</td>
<td>↓</td>
</tr>
<tr>
<td>Ski lift</td>
<td>248</td>
<td>156</td>
<td>↓</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>460</td>
<td>448</td>
<td></td>
</tr>
</tbody>
</table>
Key factors of success (2/2)

Technological innovation
“The Dolomites are truly one of the most fascinating mountain ranges on the earth” (Reinhold Messner)

“The Dolomites are the most beautiful examples of architecture in the world” (Le Corbusier)
Cooperation between the marketing partner through internet

Dolomitisuperski - hot.net:

The 4’000 Hotels, ski schools, ski renting companies and skipass selling offices can manage their data themselves through intranet (prices, rooms, comfort, availabilities).

Xtend new media:

The self developed e-commerce tool for online booking of the whole ski holiday includes the booking of hotel rooms, ski passes, ski school and ski renting and online paying by credit card with securitized data protection.
Why is such a large cooperation possible?

Why is the cooperation “strategic”?

Is the price cartel positive for all participating companies?

How can one explain the success of this long lasting cooperation?
The „Golden Eagle Express“: A new product on the Trans Siberian Railway itinerary

Luxury trains for tourists
Heritage trains
Joint venture between railway company and tour operator
The Golden Eagle Trans siberian express:

CAN RUSSIA BECOME A LUXURY TRAIN CRUISE DESTINATION?

Elmira Gazizova, 2012
The experience value of passenger transport differs from the urban transport system to the heritage train.

- **AS UTILITY**
  - Taxi
  - Urban bus and metro
  - Inter-city rail
  - Flights

- **AS TOURISM**
  - Scenic car trails
  - Coach tours
  - Cruises
  - City walking trails
  - Walking & Cycling
  - Heritage Railways
  - Ballooning

Low intrinsic value as a tourism experience

High intrinsic value as a tourism experience

Les Lumsdon, Stephen J. Page, 2004
Key FACTS

- One of the largest network in the world with 85,200 km of track
- Carries over 0.95 billion passengers and 1.2 billion tones of freight annually across 11 time zones
- Employs over 976,116 people
- State-owned joint-stock company & a major contributor to the Russian economy
- One of most profitable companies – net income over RUB 78.5 billion in 2010
- A highly developed railway system is vital to Russia
- Rail connect 85 of Russia’s 89 regions
- Planned total investment in developing rail transport in Russia up to 2030 is 450 billion USD
- By providing attractive rail alternatives to many air routes, Russian Railways reduces the air pollution resulting from air travel
- The corporation was registered by the State on 23 September, 2003
The Transsiberian is a strong brand based on a monopolistic structure.

**Russian Railways**

**Supply**
- Vast network
- Labour intensive
- Variety of routes
- Life time experience

**Demand**
- All year round
- Normal/Luxury good
- Relatively inelastic
- Increasing tourist traffic

**Market**
- Monopoly
- High fixed cost
- High barriers to entry/buy slots
- Cooperation with SME’s

**Strategy**
- Internal growth: diversification
- External growth: joint ventures
- High speed networks
- Market innovations

**Performance**
- Gaps for improvements
- Worldwide acknowledgement
- Potential to sell/earn

**Policy**
- Strong government support
- State regulations
- Memberships & Affiliations
Trans-siberian railway is a traditional tourism itinerary or route. More than 9,000 km in length, the railway was constructed between 1891 and 1905.
The „Golden Eagle Express“ is the first private trans-siberian train

- First luxurious private tourist train with carrying capacity of 180 people
- Commitment to excellence, unique experience
- High quality service
- 15 days: Moscow - Kazan - Yekaterinburg - Novosibirsk - Irkutsk - Lake Baikal - Ulan Ude - Ulaan Baatar (Mongolia) - Vladivostok
Some of the World’s heritage trains

<table>
<thead>
<tr>
<th>Expensive</th>
<th>Low quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The Golden Eagle, Russia</td>
</tr>
<tr>
<td></td>
<td>• The Glacier Express, Switzerland</td>
</tr>
<tr>
<td></td>
<td>• Deccan Odyssey, India</td>
</tr>
<tr>
<td>High quality</td>
<td>Expensive</td>
</tr>
<tr>
<td>• Royal Canadian Pacific</td>
<td>• Orient Express, Asia</td>
</tr>
<tr>
<td>• Venice-Simplon Express, Europe</td>
<td>• El Transcantabrico, Europe</td>
</tr>
<tr>
<td>• The Ghan, Australia</td>
<td>• The Golden Eagle, Russia</td>
</tr>
<tr>
<td>• Blue train, South Africa</td>
<td>• Deccan Odyssey, India</td>
</tr>
<tr>
<td>• British Pullman, Europe</td>
<td>• The Golden Eagle, Russia</td>
</tr>
</tbody>
</table>
The heritage train is a Russian-British joint venture

- Joint Russian –British project, launched in 2007
- Exclusive
- Long years of cooperation among the same partners
  - Russian Railways
  - Russian Railways Tours
  - State Company "Trans-Siberian Express"
  - UK based tour operator “GW Travel Limited”
  - LLC “Zircon Corporation”
  - Prince Michael of Kent
- Total value- 25 000 000 USD → break even in 7-8 years

- STRATEGY: PROVIDE MAXIMUM COMFORT WHILE RETAINING A SENSE OF ADVENTURE
The marketing strategy focuses on incoming tourism

- Exclusively promoted abroad only
- Clientele: retired and semi-retired people from New Zealand, Australia, Canada, USA
- Group customers: private and corporate entertainment, private travellers - for pleasure or business, promotional tours, special interest groups
- For 2012-2013 all journeys are fully booked*
- Prices for 2012-2013 (twin/per person)

<table>
<thead>
<tr>
<th>Type</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver Class</td>
<td>14,395</td>
</tr>
<tr>
<td>Golden Class</td>
<td>17,795</td>
</tr>
<tr>
<td>Imperial Suite/Heritage</td>
<td>27,995</td>
</tr>
</tbody>
</table>

* Reservation Department of GW Travel, May 2012
The „Golden Eagle Express“ is an innovative product

• For Russia the luxury long-distance train for tourists is innovation on its own
• Advantages: all-inclusive, speed, frequency, service, reliability, safety

The Golden Eagle Train Innovations

✓ Luxurios and spacious cabins
✓ Privately owned steam locomotive
✓ Authentic Russian cuisine (bio, fresh products)
✓ «State of the art» amenities in 12 fully en-suite sleeping cars (TV, air condition)
✓ Freedom of Choice Touring - tailor made excursion experience, organized itinerary

Coming up

✓ Packages, f.i. «The Golden Eagle Opera&Ballet Tour»
✓ Transparent roof
✓ Diversify eno-gastronomic menu, cooperation with «Pushkin» Moscow Restaurant
✓ Mobile interactive exhibition about Trans-Siberian railways across Europe
GW Travel has no foreign competitors so far

However

Virtual Journeys

http://eng.rzd.ru/vtour/index.html

Independent Journeys
Upgrade & development of new routes

by GW Travel

- **Golden Eagle** Trans-Siberian Express - Naadam Festival (Mongolia)
- **Golden Eagle** Trans-Siberian Express - Winter Wonderland (once per season)
- **Golden Eagle** Trans-Mongolian Express (to Beijing)
- **Caspian Odyssey** (Almaty - Tashkent - Samarkand - Bukhara - Urgench - Darvaza - Ashgabat - Turkmenbashi - Baku - Tblisi - Borjomi - Kutaisi - Gori - Uplistsikhe - Mtskheta – Yerevan)
- **The Crimean Express** (Southbound)

by Russian Railways

- **Golden Ring**
- **Visiting Russian Santa Claus**
- **Baikal Railway**
- **Popular international routes** (Moscow-Prague, Saint Petersburg-Helsinki, etc)
Conclusions

- Trans-Siberian Railways is well-known «brand»
- No better way to experience Russia
- High willingness to pay for a «once in a life time travel experience»
- Successfull Russian – British cooperation brought innovations into transport sector
- Development of new routes and packages
- Russia has a potential to become a train cruise destination
Question to be asked

- Which are the key factors of success of a heritage train?
- To which other special interest form of tourism can heritage trains be associated?
- Can such a product be exported to other countries?