AAPA CRUISE SEMINAR

Cayman Islands
January 10, 2007

MICHELE M. PAIGE
PRESIDENT

I AM TRULY PLEASED TO HAVE BEEN ASKED TO BE WITH YOU HERE TODAY -

BUT BEFORE I START - I'D LIKE TO TELL YOU A LITTLE ABOUT THE FLORIDA-CARIBBEAN CRUISE ASSOCIATION – WE ARE A TRADE ASSOCIATION CREATED IN 1972 TO EXCHANGE VIEWS ON ISSUES RELATING TO TOURISM DEVELOPMENT, PORTS, SAFETY, SECURITY, LEGISLATION AND OTHER CRUISE INDUSTRY ISSUES.

MY ASSOCIATION REPRESENTS 12 MEMBER LINES WITH MORE THAN 140 VESSELS SAILING IN FLORIDA, CARIBBEAN AND MEXICAN WATERS. THESE SHIPS CARRY OVER 95% OF THE CRUISE VISITORS TO THE PORTS IN OUR AREA OF INTEREST.

THE CRUISE INDUSTRY IS THE MOST EXCITING GROWTH CATEGORY IN THE ENTIRE LEISURE MARKET. OVERALL, SINCE 1980 THE INDUSTRY HAS HAD A COMPOUND ANNUAL PASSENGER GROWTH RATE OF 8.5% PER YEAR. THIS CONSUMER RESPONSE RESULTS FROM THE FACT THAT CRUISING DELIVERS A HIGH QUALITY AND VERY SATISFYING VACATION EXPERIENCE. PLUS THE CRUISE PRODUCT IS INCREDIBLY DIVERSIFIED WITH LITERALLY A CRUISE VACATION FOR EVERYONE.

THE CRUISE PRODUCT IS DIVERSIFIED. THROUGHOUT OUR HISTORY WE HAVE RESPONDED TO THE VACATION DESIRES OF OUR GUESTS & EMBRACED INNOVATIONS TO DEVELOP:

- **NEW DESTINATIONS**
- **NEW HOMEPORTS**
- **NEW SHIP DESIGN CONCEPTS**
- **A WIDE RANGE OF NEW DIVERSE ON-BOARD ACTIVITIES**
- **NEW SHORE EXCURSIONS**

- **NEW THEME CRUISES**
- **NEW CRUISE LENGTHS**
- **NEW ENTERTAINMENT AND DINING OPTIONS**

ALL TO REFLECT THE CHANGING VACATION PATTERNS OF TODAY'S MARKET.

REMEMBER THE WORD "OPTIONS" - OUR MEMBER LINES ARE CONSTANTLY REEVALUATING THEIR PRODUCT AND OFFERING MORE AND MORE OPTIONS TO THEIR CRUISE PASSENGERS. THAT'S WHY WE EXPECT OUR DESTINATION PARTNERS TO DO THE SAME – TO CONSTANTLY IMPROVE AND TO OFFER MORE AND MORE SHORE EXCURSION, TRANSPORTATION AND SERVICE OPTIONS.

THE TWO MAIN FOCUSES OF THE FCCA ARE PORT IMPROVEMENTS AND SHORE EXCURSION OPTIONS (AND THEY ULTIMATELY BENEFIT PASSENGERS AND DESTINATIONS ALIKE).

THE FCCA'S MEMBER LINES' IN-HOUSE MARINE, TECHNICAL AND SHORE EXCURSIONS DEPARTMENTS COLLABORATE TO PROVIDE THEIR KNOWLEDGE AND EXPERIENCE TO ANY CARIBBEAN, MEXICAN/LATIN AMERICAN PORT THAT SEEKS INDUSTRY ADVICE.

BY REPRESENTING AN INDUSTRY CONSENSUS, THE FCCA CAN PROVIDE INFORMATION THAT WILL APPLY TO ALL CRUISE LINE AND PASSENGER NEEDS. DESTINATIONS CAN ACCESS INFORMATION ON ALL OF THE FACTORS THAT WILL INFLUENCE WHAT IS NEEDED AT EACH PORT --- FUTURE CRUISE INDUSTRY GROWTH, THE NUMBER OF SHIPS DEPLOYED IN CARIBBEAN WATERS, THE SIZES OF THOSE SHIPS, AND PASSENGER DEMOGRAPHICS.

THIS LAST POINT IS IMPORTANT BECAUSE THE FCCA CAN PROVIDE CLEAR INFORMATION ON CHANGING TRENDS IN PASSENGERS WANTS AND NEEDS, SO THAT DESTINATIONS WILL NOT ONLY KNOW WHAT PASSENGERS ARE LOOKING FOR, BUT HOW THEY RATE EACH PORT.

PASSENGER FEEDBACK COLLECTED BY THE FCCA'S MEMBER LINES IS AVAILABLE TO DESTINATIONS TO HELP THEM MONITOR THE VISITOR EXPERIENCE AND MAKE SURE THEY DELIVER THE HIGHEST-QUALITY VACATION STANDARDS.

WITH THIS LEVEL OF CRUISE PARTICIPATION, THE FCCA IS THE PERFECT VEHICLE FOR BRINGING TOGETHER ALL PARTNERS WHO WILL BENEFIT FROM A CLOSER WORKING RELATIONSHIP WITH THE CRUISE INDUSTRY.

ACCORDING TO OUR FINDINGS THE AMOUNT OF MONEY THAT A CRUISE PASSENGER SPENDS AT ANY GIVEN DESTINATION IS DEPENDENT UPON SEVERAL FACTORS, SUCH AS:

- **OVERALL DEGREE OF SATISFACTION WITH THE DESTINATION EXPERIENCE; IN OTHER WORDS, HAPPY VISITORS SPEND MORE THAN UNHAPPY ONES.**

SOME FACTORS INVOLVED IN MAKING THE CRUISE PASSENGER HAPPY ARE:

- **BEING WANTED---NO ONE WANTS TO BE AN UNWANTED GUEST---CRUISE PASSENGERS WANT TO KNOW THAT THEY ARE WELCOME---IT'S THE FRIENDLINESS THAT'S EITHER THERE OR NOT.**

- **COURTESY AND RESPECT.**

- **CLEANLINESS.**

- **THE ABILITY TO UNDERSTAND AND BE UNDERSTOOD (THEY CAN'T BUY IF YOU CAN'T SELL OR TAKE AN ORDER).**

- **THE REPUTATION OF THE DESTINATION FOR SELECTION, QUALITY AND VALUE OF MERCHANDISE.**

- **THE TRANSPORTATION PROVIDED – IS THE SERVICE WARM, FRIENDLY AND INFORMATIVE --- IS THE PASSENGER GIVEN A FEELING OF COMFORT – BY HAVING RATES BEING POSTED AND A UNIFORM HASSLE FREE DISPATCH.**

- **THE AVAILABILITY TO BUY UNIQUE, ATTRACTIVE QUALITY ITEMS. EVERY CRUISE PASSENGER WANTS TO BUY SOMETHING THEY CAN'T GET AT HOME --- EVEN IF EVERY OTHER CRUISE PASSENGER BUYS THE SAME THING.**

- **BARGAINS, BARGAINS, BARGAINS --- OFFER A GREAT VALUE AND YOU ADD TO THE PASSENGER'S "BRAG FACTOR" AND HE WILL SELL YOUR SHOP, MERCHANDISE AND DESTINATION TO EVERYONE HE KNOWS.**

- **THE AMBIANCE OF THE SHOPPING EXPERIENCE. IS IT CLOSE AND CONVENIENT TO GET TO? IS THE AREA ITSELF, AS WELL AS THE SHOPS, AND MERCHANDISE PRESENTATION ATTRACTIVE?**

DOES IT FEEL SAFE AND COMFORTABLE? ARE THE HOURS OF OPERATION CONDUCIVE TO WHEN CRUISE PASSENGERS ARE IN PORT?

- **MEMORABLE MEALS AND DRINKS --- NO MATTER HOW MANY TIMES THEY CAN EAT ON THE SHIP --- CRUISE PASSENGERS GET HUNGER AS SOON AS THEY GET ASHORE. OFFER THEM SOMETHING TO EAT THAT THEY CANNOT GET AT HOME OR ON THE SHIP.**

- **ATTRACTIONS AND SIGHTSEEING --- NOT EVERY DESTINATION CAN HAVE VOLCANOES, GLACIERS, CASTLES OR MAJOR MAN-MADE ATTRACTIONS. ALL DESTINATIONS CAN HOWEVER MAKE THE BEST AND MOST OF THOSE ATTRACTIONS THAT THEY DO HAVE.**

- **SPORTS AND RECREATION --- CRUISERS APPRECIATE BEACHES, GOLF, TENNIS, HORSE-BACK RIDING, HIKING, JOGGING AND ANYTHING ELSE THAT MAKE THEM SWEAT.**

ACCORDING TO AN ECONOMIC IMPACT STUDY CONDUCTED BY BUSINESS RESEARCH AND ECONOMIC ADVISORS (BREA) WHO WAS ENGAGED BY THE FCCA, IN PARTNERSHIP WITH 19 PARTICIPATING DESTINATIONS DURING THE 2005-2006 CRUISE YEAR - CRUISE TOURISM GENERATED SIGNIFICANT ECONOMIC BENEFITS TO THE 19 PARTICIPATING DESTINATIONS:

- **GENERATING NEARLY $1.8 BILLION IN DIRECT EXPENDITURES**
- **$41,500 JOBS**
- **$600 MILLION IN EMPLOYEE WAGES**

WITH THE AVERAGE PER PASSENGER EXPENDITURES RANGING FROM A LOW OF $39.35 IN MARTINIQUE - TO A HIGH OF $176.69 IN THE U.S. VIRGIN ISLANDS. WITH THE AVERAGE AT $98.01 ACROSS THE 19 DESTINATIONS.

THE ANALYSIS OF THE PASSENGER SURVEYS SHOWED MAJOR ATTRIBUTES OF PASSENGERS ON SHORE SPENDING:

- **OVER 75 PERCENT OF PASSENGER EXPENDITURES WERE MADE IN FOUR CATAEGORIES: WATCHES AND JEWELERY, SHORE EXCURSIONS, CLOTHING, AND FOOD AND BEVERAGES. COMBINED, CRUISE PASSENGERS SPENT AN ESTIMATED $1.0 BILLION IN THESE FOUR CATEGORIES.**
- **THE MOST POPULAR EXPENDITURE WAS FOR SHORE EXCURSIONS WITH TWO-THIRDS OF ALL PASSENGER MAKING SUCH A PURCHASE. LOCAL TOUR OPERATORS RECEIVED AN AVERAGE OF $29.72 PER PASSENGER DIRECTLY FROM CRUISE PASSENGERS AND CRUISE LINES.**

- **PASSENGERS THAT PURCHASED WATCHES AND JEWELRY SPENT AN AVERAGE OF $160.45 ON SUCH PURCHASES. SINCE ONLY 23.6 PERCENT OF PASSENGERS PURCHASED WATCHES AND JEWELRY THE AVERAGE JEWELRY EXPENDITURE PER PASSENGER WAS $37.81. TOTAL EXPENDITURES ON WATCHES AND JEWLERY WERE AN ESTIMATED $517 MILLION.**
- **APPROXIMATELY HALF OF THE CRUISE PASSENGERS PURCHASED CLOTHING AND FOOD AND BEVERAGES. ON AVERAGE, VISITING PASSENGERS SPENT $7.10 ON FOOD AND BEVERAGES AND $11:08 ON CLOTHING AT EACH PORT CALL. COMBINED, PASSENGERS SPENT A TOTAL OF $249 MILLION IN THESE TWO CATEGORIES.**

THE ESTIMATED 2.6 MILLION CREW MEMBERS THAT VISITED THE 19 PARTICIPATING DESTINATIONS SPENT JUST OVER $194 MILLION FOR GOODS AND SERVICES DURING THE 2005-2006 CRUISE YEAR.

AVERAGE EXPENDITURES PER CREW RANGED FROM A LOW OF $18.23 IN BELIZE TO A HIGH OF $159.55 IN ST. MAARTEN AND AVERAGED $74.56 ACROSS ALL DESTINATIONS.

UNLIKE PASSENGERS, SHORE EXCURSIONS ARE NOT A FOCUS OF CREW SPENDING; RATHER, CREW EXPENDITURES ARE MORE HEAVILY WEIGHTED TOWARD FOOD AND BEVERAGES, LOCAL TRANSPORTATION, RETAIL PURCHASES OF CLOTHING AND TELEPHONE AND INTERNET SERVICES.

THE MAJOR ATTRIBUTES OF PASSENGER VISITS ARE:

- **OF THE PASSENGERS WHO WENT ASHORE, 75% MADE AT LEAST ONE PURCHASE WHILE ASHORE.**

- **TWO-THIRDS OF THE PASSENGERS THAT WENT ASHORE PURCHASED A SHORE EXCURSION. SEVENTY (70) PERCENT OF PASSENGERS WHO PURCHASED A TOUR DID SO THROUGH THE CRUISE LINES AND 30 PERCENT PURCHASED THEIR TOUR ONSHORE OR THOUGH THE INTERNET.**

THE PASSENGER SURVEY ALSO ASKED THE PASSENGERS TO RATE THEIR SATISFACTION WITH THEIR DESTINATION VISIT ALONG A NUMBER OF PARAMETERS. A 10-POINT SCALE WAS USED WITH 1-BEING THE HIGHEST SCORE, I.E. EXTREMELY SATISFIED, AND 1 BEING THE LOWEST SCORE, I.E. NOT AT ALL SATISFIED.

PASSENGER SATISFACTION WITH DESTINATION VISITS-AVERAGE FOR ALL DESTINATIONS

VISIT ATTRIBUTES	MEAN SCORE
INITIAL SHORESIDE WELCOME	7.2
GUIDED TOUR	8.2
SHOPPING EXPERIENCE	6.6
HISTORIC SITES/MUSEUMS	7.0
BEACHES	7.6
FRIENDLINESS OF RESIDENTS	7.7
COURTESY OF EMPLOYEES	8.1
VARIETY OF SHOPS	6.8
OVERALL PRICES	6.5
TAXIS/LOCAL TRANSPORTATION	7.4
FEELING OF SAFETY ASHORE	8.2
VISIT MET EXPECTATIONS	7.2

IN ADDITION, THE CRUISE-INDUSTRY SPENDS ALMOST $400 MILLION IN MARKETING DOLLARS TO PROMOTE THE CARIBBEAN DESTINATIONS ALONE ON THEIR ITINERARIES.

AND IN ADDITION – NOW FOR WHAT MAY BE THE BEST NEWS… CRUISE PASSENGERS DO COME BACK AS LAND BASED VACATIONERS!

THE LASTEST, "CRUISE INDUSTRY OVERVIEW" CLIA REPORTS THAT:

> **85% OF CRUISE PASSENGERS AGREE THAT, "CRUISING IS AN IMPORTANT WAY TO TRY OUT A VACATION SPOT TO RETURN TO FOR A RESORT VACATION" AND NEARLY 50% FULLY EXPECT TO RETURN TO THE DESTINATIONS VISITED FOR A LAND BASED VACATION.**

TO SUPPORT THOSE FINDINGS THE FCCA BREA STUDY FOUND:

DESTINATION	LIKELIHOOD OF RECOMMENDING RESORT VACATION	LIKELIHOOD OF RETURN FOR RESORT VACATION
	SCORE	SCORE
Antigua	6	4.3
Aruba	8	6.3
Bahamas	6.4	5.4
Barbados	6.5	4.7
Belize	5.6	4.3
Cayman	6.8	5.3
Cartagena	4	2.3
Costa Maya	5.7	4.2
Cozumel	6	4.8
Curacao	5.4	3.7
Dominica	5.6	3.7
Grenada	5.2	3.2
Key West	7	5.5
Martinique	3.8	2.6
San Juan	5	3.2
St. Kitts	5.8	4.5
St. Lucia	6.2	4.2
St. Maarten	6.9	5.4
U.S.V.I.	6.5	4.8
AVERAGE	**5.9**	**4.3**
HIGHEST	**8 IN ARUBA**	**6.3 IN ARUBA**
LOWEST	**3.8 IN MARTINIQUE**	**2.3 IN CARTAGENA**

CRUISERS ARE NOT EXCLUSIVELY CRUISERS, THEY ARE FREQUENT VACATIONERS THAT CRUISE AS PART OF THEIR VACATION MIX. THEY AVERAGE OVER THREE (3.3) TRIPS EACH YEAR, TAKING ONLY ONE CRUISE IN A THREE YEAR PERIOD. THEREBY TAKING NINE OTHER TYPES OF VACATIONS IN THAT THREE-YEAR PERIOD.

I'M PLEASED TO QUOTE VINCENT VANDERPOOL WALLACE, CTO'S SECRETARY GENERAL WHO DELIVERED THESE WORDS AT THE FCCA CARIBBEAN CRUISE CONFERENCE AND TRADE SHOW 2005-

"...IN FACT, THE CONVERTIBLE PASSENGERS IS A SUBSET OF ALL PASSENGERS ON EACH SHIP AND THE REMAINDER DELIVER INCREMENTAL REVENUES TO OUR DESTINATIONS MEANING THAT THEY (THE CRUISE INDUSTRY) DELIVERS REVENUES, JOBS AND RENDER OPINIONS ABOUT OUR DESTINATIONS THAT WE WOULD NOT HAVE RECEIVED WERE IT NOT FOR THE PRESENCE OF THE SHIP."

SO IN CLOSING – I'D LIKE YOU TO ASK YOURSELF QUESTIONS WHERE INVESTIGATION MIGHT BE WARRANTED:

- **WHAT DOES THE CRUISE INDUSTRY IN GENERAL, AND SOME SPECIFIC TARGET CRUISE LINES, THINK AND FEEL ABOUT YOUR DESTINATION AS A PORT-OF-CALL?**

- **WHAT IS UNIQUE, DISTINCTIVE AND MOST APPEALING ABOUT YOUR DESTINATION, AS A PORT-OF-CALL?**

- **WHAT ARE THE SPECIFIC REACTIONS OF CURRENT CRUISE PASSENGERS TO YOUR DESTINATION? WHAT DO THEY LIKE LEAST, AND HOW COULD WE ELIMINATE THE NEGATIVES/ WHAT DO THEY LIKE MOST AND HOW CAN WE ENHANCE THE POSITIVES?**

- **HOW CAN YOUR PRIVATE SECTOR GENERATE MORE REVENUE WHEN THE CRUISE PASSENGERS ARE IN PORT?**

- **ARE THE SHOPS OPEN WHEN THE SHIPS ARE IN PORT?**

- **ARE THERE AN OVERWHELMING LIST OF OPTIONS ….. MORNING, AFTERNOON AND EVENING FOR PASSENGERS TO DO.**

- **HOW CAN WE GET MORE OF THESE VISITORS TO RETURN AS STAY OVER VACATIONERS?**

- **WITH THE BOTTOM LINE OF…WHAT SHOULD YOU BE DOING TO INCREASE THE CRUISE CALLS AND CRUISE VISITORS TO YOUR PORT?**
- **THE FLORIDA-CARIBBEAN CRUISE ASSOCIATION IS AN IMPORTANT RESOURCE THAT CAN HELP YOU.**

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