

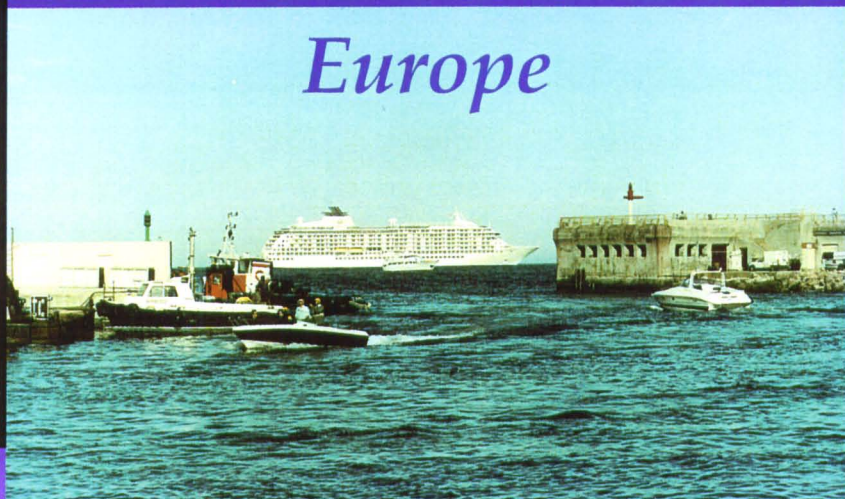
Cruise Industry News

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E D I T I O N

TECHNOLOGY IMPACTS PROFITABILITY

By Rob Marjerison

On his cell phone, cruise ship passenger John Doe calls his office to check his voice mail. On the same phone he then receives a call from a client in Europe and calls his son who is on sports deck. John reads that day's edition of the Wall Street Journal and logs onto a secure corporate website to check his e-mail and stocks. Later, he video conferences with his colleagues in Latin America and Asia.

On a rented laptop, John's children check the day's shipboard activities, learn about ports of call, "chat" with friends at home, play on-line games and watch DVD movies.

John's wife Jane is on the pool deck using a wireless web pad to book shore excursions, make dining reservations, and confirm their airline reservations for the trip home.

A waiter using a PDA takes Jane's drink order. He goes to the bar where the drink is already made and billed to Jane's account. Later, Jane e-mails a family portrait from the photo gallery to a friend and withdraws cash from an ATM.

In her cabin, Jane and John's cabin stewardess is using a web appliance to complete on-line safety training, check her work schedule and order that day's newspaper in her native language. It will be printed and ready for her in the crew lounge within five minutes.

In the crew area John's waiter is feeding his cash gratuities into a kiosk. The money goes into the same account where his salary has been directly deposited and the funds are available worldwide within minutes. On a crew-only website he checks his e-mail and shops for a laptop computer, the funds are taken from his account and the laptop is delivered to the ship when it returns to port.

Cruise of the future? Not really. This technology is available today, much of it in use playing an important role in the profitability of the cruise industry.

Telecommunications and related technology is a proven source of new revenue opportunities. Providing Internet access has quickly become part of the cruise industry business model and generates millions of dollars annually. Penny

Lesavoy, director of onboard product for Internet Café operator Digital Seas, reports that "expectations have changed; passengers and crew now expect to be able to send and receive e-mail quickly and inexpensively."

According to Armando Martinez, director of onboard revenue at Norwegian Cruise Line (NCL), passengers "don't want to be too far from what's going on in the world." NCL offers Internet Cafés and will begin roll out of wireless Internet access for passengers and crew in summer 2002.

Passengers increasingly expect Internet access for their laptop computers. More people telecommute than ever before and many dual career families find it difficult to schedule vacations. Allowing them to telecommute from a ship makes cruising an option.

Groups who require Internet access are another new opportunity. Recently, Holland America Line (HAL), working with Maritime Telecommunications Network (MTN), was able to provide wireless Internet access for a group of over 60 passengers on the Rotterdam.

"Corporations that require Internet access for their business or incentive meetings are finding that our ships provide an environment that is both productive and enjoyable," said Peter DeMilio, manager of marine technologies for Carnival Cruise Lines.

Providing Internet access on ships presents challenges. Installation can be expensive and because satellite bandwidth is costly compared to terrestrial bandwidth, it is necessary to charge for Internet access.

A less costly alternative to retrofitting ships with cabling is installing wireless networks. While most new ships are equipped with wireless networks, providing a convenient way to connect laptops to the Internet and a way to bill and post charges to passengers' onboard accounts has been challenging.

Cruise lines often print a daily news summary for passengers. This is an expense to the cruise line and doesn't provide the detailed information that many passengers seek.

NewspaperDirect, a global digital newspaper delivery service, offers passengers a selection of over 100 daily newspapers on ResidenSea's The World and on two HAL ships. It takes about three minutes to print a complete newspaper and prices range from \$3.50 to \$6 per copy.

Although a handful of ships support the use of GSM cell phones, most Americans use one of several non-GSM cell phone protocols.

Presently cell phone calls on ships are billed through roaming agreements with cellular carriers and the charges appear on the caller's monthly bill. It can take several weeks for the cruise operator to receive their portion of the charges.

At this time there is no cost-effective way to offer multiple cell-phone services on ships, or to bill cell-phone charges to passenger's onboard accounts. Three companies working together are close to providing a solution that would satisfy both these criterion. RadioFrame Networks, a wireless voice and data technology provider, working with MTN and Nextel, expects this service to be available by fall of 2002.

Technology can impact profitability through substantial cost savings by increasing administrative efficiencies. Royal Caribbean International (RCI) enables passengers to complete their boarding documents on the Internet prior to their cruise. This makes the boarding process faster and allows embarkation staff to be scheduled as needed. RCI also allows passengers to book shore excursions in advance via the Internet. This has increased revenue and helped avoid long lines on the ships.

Technology can also be used to help attract and keep qualified crew. A Port Canaveral-based cruise line is testing an onboard kiosk that allows crew to make inexpensive wire-transfers.

As innovative use of technology to increase profitability continues growing in importance, the early adopters will reap the rewards.

(Rob Marjerison has over 10 years experience working aboard cruise ships. He is presently director of business development for MTN in Miramar, FL.)