

Covid-19 And The Cruise Industry

An interview with Trey Hickey, GDS Operating Partner, Part 3

You lived in Asia for almost two decades, and ran lead on both RCL and Carnival plc's initiatives in the region. You were also the first cruise industry Expat based in Asia. How do you envision Asia playing out?

Buhy Bok, former President, Costa Asia

In 2020 Asia's GDP will overtake the GDP of the rest of the world combined.

By 2030, the region is expected to contribute roughly 60% of global growth. Asia-Pacific will also be responsible for the overwhelming majority (90%) of the 2.4 billion new members of the middle class entering the global economy.

These are staggering thoughts and especially mesmerizing for a long term Asiaphile like myself.

The bulk of that growth will come from the developing markets of China, India and throughout South-East Asia. It will give rise to a host of new opportunities for cruise lines that have the management capacity to understand and adapt to them.

Different countries, different prospects.

While these estimates paint a picture of massive growth in consumption, the reality is that consumption patterns will emerge differently across markets, with growth rates dependent on local demographics and other macro factors. China's aging population for example will negatively impact the population dividend, but rising wages, urban migration, service jobs and an anticipated drop in household savings rates will boost consumption and continue to fuel outbound travel.

India's massive demographic dividend and burgeoning middle class will spur consumption and aid economic growth. Meanwhile, Indonesia, the Philippines and Malaysia are set to grow their labour forces significantly, leading to a rise in per-capita disposable income.

All these macro forces are leading to a bi-polarization of consumption, where consumers will have more power and simultaneously demand both premium and value-for-money goods and services including cruises.

The Asian consumer of the future is likely to be far more discerning in everything, from what she consumes, to where she shops, and how she is influenced; certainly less by companies and brand campaigns and more by social networks, communities and local influencers.

In the Asian cruise sector leading brands have, historically, been Genting Group, RCL, Princess Cruises and Costa in no certain order.

The brands that continue to focus employment efforts on general managers who simply cycle through the region on career track will be overshadowed by those brands that take a long-term, dynamic, intimate, thoughtful and lasting approach to the Asian opportunity.

One thing is for sure: the Asian cruise competitive landscape is already deep in the throws of change that will rebase the region for many years to come.



Trey Hickey
Partner, GDS
Singapore



What more is on the minds of international cruise passengers?
Ryutaru Izumi, Director of Strategy, H.I.S. Japan

Global interviews with our Partners reveal what's on consumers' minds providing lessons for the entire cruise category:

1. People want to feel less anxious about cruise travel
2. People are now more mindful of their discretionary spending, reflecting on what is essential and what is frivolous but overwhelmingly the consumer views travel as essential to their desired lifestyle.
3. People are seeking a more balanced and healthy life
4. People want to feel more connected with others
5. People are seeking out "kindness and purpose"

Nobody knows whether these emerging priorities will stand the test of time. However, they are here now and look poised to endure for the medium term. By refocusing on what matters most to consumers today, the cruise community will have the best chance of post-Covid recovery success.

Looking back now, in the midst of Covid, what is the most compelling lesson of your experience in Asia?
Wang Zhuli, President, Caissa China

While Covid-19 may be among the most devastating of all black swan events to hit Asia, it is, by no means is the first. And like previous crises in the region, it is introducing long-lasting changes to the local cruise industry.

The SARS epidemic triggered travel e-commerce in China. The global financial crisis spurred the shared economy and service marketplaces, first in the US and then globally. MERS devastated South Korea but South Korea has lead by example through the current crisis.

Now, Covid-19 is devastating the Americas while Asia, based on its past experiences, has emerged relatively unscathed.

Like SARS, MERS and Swine Flu in the past, Covid should be showing the cruise community how to adapt their playbooks—and some are making the thoughtful, agile moves that will ensure they maintain strong footing today and in the post-Covid Asia centered world.

How has the pandemic changed consumer behavior particularly in ASEAN?

David Wu, President, Best Way Travel, Taiwan

COVID-19 will cause a significant economic impact with GDP contractions in 2020 and likely spilling over to 2021. The long-term fundamentals of the ten ASEAN member states are on the cusp of a tremendous leap forward in socio-economic progress.

Over the next decade, the ASEAN region will be the world's 4th largest economy with a \$4 trillion USD consumer market. While each of the ten member states will evolve differently, all of them will offer abundant opportunities for growth in cruise consumption, particularly within Asia on short-haul packages to Singapore, Japan and Taiwan as well as to long-haul destinations across Europe. And while the European River Cruise business is still highly under penetrated in Asia, GDS sees tremendous growth opportunity in this area.

Overall, we see at least eight consumption themes emerging across ASEAN, in the post-pandemic world with slight nuances in each country:

1. Consumer spending will double, driven by ASEAN's middle-class boom
2. Boundaries of premium and value shopping will blur
3. Digital ubiquity will become the norm
4. Local and regional competitive winds will intensify
5. The growing younger demographic will move beyond omni-channel to expect omni-presence across the entire digital eco-system



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