

# FUTURE OPPORTUNITIES OF RIVER CRUISING





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## A GROWING SECTOR

According to latest reports in the industry, river cruising is booming! In 2014, the UK river cruise market increased by 6% to 139,400 passengers<sup>1</sup>. Growth in European river cruise passengers increased by 10%, supported by an increase in capacity and awareness of river cruising.



Despite this, the river cruise market currently equates to only 0.4% of all international holidays from the UK<sup>2</sup>. Beach and city breaks continue to attract the largest proportion of international bookings from the UK, at 38% and 27% respectively<sup>3</sup>. This therefore suggests a huge opportunity for growth. We know that the river cruise offer is appealing to a large proportion of travellers, with over 50% booking an activity or experience whilst they are on holiday. Further, visiting a city, town or local cultural attraction topped the list of popular activities<sup>3</sup>.

So, the questions we need to ask are: How does the river cruise sector increase its share of the UK's international holiday market further? How should it branch out and attract a new type of customer? What will encourage new people to consider river cruising and thus ensure the sector growth continues for years to come?

Together with Accord, the UK's leading travel marketing agency and CLIA, the cruise sector trade association, GfK have embarked on a study to provide responses to the most recent and relevant questions in the river cruise market today. Consulting with industry representatives, GfK, Accord and CLIA provide an understanding of the challenges facing the industry, explore these findings and ensure recommendations are as pertinent to the industry as possible.

But before we explore new opportunities for river cruise operators and agents, there are a number of challenges we have uncovered in our recent research conducted on the *Future Opportunities of River Cruising*.

## CURRENT CHALLENGES

### 1. River cruising – a well-kept secret

Our research indicated that general awareness and familiarity of the river cruising experience is low. If consumers are unaware or even just unfamiliar with the product or service on offer, you are most likely never going to have them as a customer. River cruise companies are operating in a highly competitive marketplace and one in which consumers have a better knowledge of other types of holiday on offer. Consumers know what to expect from a beach holiday or city break; they have likely experienced one already and, if not, they will certainly know someone who has and/or will be familiar with the companies offering those types of holidays.

Therefore, building knowledge of the river cruising experience among a wider audience is extremely important. Of the consumers interviewed, 65% did not recall seeing specific advertising related to the holiday they booked most recently<sup>1</sup>. However, advertising played a much bigger role across the cruise sector (ocean and river) where, among those who booked in the last 12 months, 67% were exposed to relevant advertising. That advertising helped them decide where to go and what to do when they got there.

### 2. Rarely the 'first' holiday of the year

River cruising is a relatively new type of holiday, especially compared to beach holidays and city breaks. Arguably therefore, it will not be top of mind for the majority of consumers when they look to book their holiday. Those who take just one holiday are far more likely to take a beach holiday, still the mainstay of the British travellers' holiday plans<sup>2</sup>.

However, when we look at the spectrum of holidays taken, particularly by those who take more than one holiday a year, we see a much broader portfolio of destinations and holiday types. City breaks, activity holidays and ocean cruise all start to feature more strongly. This diversity of holiday types reflects the increasing trend toward personalisation that we see across so many sectors, with travellers choosing their destinations and itineraries to meet their individual tastes and requirements.

**3. Proving the value**

Price is one of the biggest barriers for attracting new customers to the river cruise market. Data from our research highlights that many consumers, even those who have taken a river cruise, see it as an expensive holiday option. The current price sits high on the spectrum (see figure 1).

On the one hand, this helps to reinforce messages of exclusivity and luxury, but on the other this can be extremely prohibitive for those who don't fully understand the package they may receive from a river cruise operator (for example, all-inclusive itineraries, door-to-door transfers etc). It also carries with it the burden of ensuring that the experience delivers on the promise that the price implies. In comparison to other second holiday options, river cruise needs to convey the value it delivers over and above more traditional holiday options.



Figure 1: Average Selling Price per Person by Holiday Type - 2015 Departures to end of October 2015  
Source: GfK Ascent's Leisure Travel Monitor

**4. Broadening the appeal**

Our research also highlighted that other perceptions of river cruising are mixed. While 65% see it as relaxing (most consumers want a relaxing holiday), only 37% believe it is 'for people like me' – and this is perhaps one of the biggest challenges for the river cruise sector. There are some areas which operators may find harder to address, for example, catering for those with children. While other areas may be slightly easier, for example combating perceptions that river cruising is for the older generation, that it is slow paced, and does not allow flexibility or freedom of choice. Doing this will broaden the appeal of river cruising to a wider market.



**5. Changes to the social and political environment**

Unfortunately, travel doesn't exist in a vacuum. Terrorism, armed conflict, economic uncertainty, political turmoil and natural disasters can all influence overall business performance. Recent terrorist events are impacting holiday choices, with the long-term popular destinations seemingly becoming targets for attack. GfK Ascent's *Leisure Travel Monitor* has seen significant reductions in bookings to destinations such as Tunisia and Egypt, both in the short term immediately after an attack and in the medium-longer term as well. GfK's *Roper Reports Worldwide 2015* has also seen people in the UK showing a greater concern about terrorism when compared to two years ago (with 14% in 2013 and 34% in 2015 saying they are personally most concerned about this). The heightened sensitivity will prompt travellers to consider other destinations and holiday types. River cruise has the potential to be a suitable alternative, in which greater safety and security can be offered and demonstrated.

# THE FUTURE CUSTOMER – SEGMENTING THE OPPORTUNITY

The *Future Opportunities of River Cruising* research identified three potential groups of travellers who might be future river cruise customers – if they are able to access the right information and can be inspired when planning a holiday. By looking at groups of people in this way, we are able to explore what they want from their holiday as well as their expectations of river cruising.



**1. Active cultural junkies**

**Who are they?**

The first group, who are most likely to consider booking a river cruise, are those we are calling 'active cultural junkies'. These are the most experienced travellers, who are passionate about travel and are likely to influence others.

Being kept busy and entertained is important to them. They actively immerse themselves in culture and could be considered sight-doers rather than sightseers. They will favour and prioritise 'experiences' when creating or reviewing holiday itineraries. In particular, historical, adventure, food or cultural demonstrations will resonate amongst this segment.

On average, they take two to three holidays per year which are often a mixture of holiday types; from cruises, city breaks through to adventure holidays as well. If it involves an activity or an adventure, they are likely to be interested.

Before going on holiday, they will conduct lots of research (mostly online) and will pore over price comparison or review sites before largely booking online as well.

**What do they think about river cruising?**

In their own words, active cultural junkies feel river cruising is:

- relaxing
- fun
- a good way to discover multiple locations

Out of all the groups, they are most likely to find the range and types of excursions offered on-board appealing. In-room entertainment and land programmes are also seen as important.

When booking a holiday in general (not necessarily a river cruise), 'culture and activities', 'all-inclusive', 'type of food' and 'standard of service' would be key messages to convey through advertising.

This is an experienced audience that have been on many holidays in the past, so you're going to have to set yourself above the rest to entice this savvy traveller. Given they holiday at least two to three times a year, their ROI potential is definitely worth the effort however. If you can convert them into avid promoters of river cruising, they have the potential to consume this holiday type multiple times a year, as well as influence others to try it in the process.



**2. Cost conscious free timers**

**Who are they?**

The second most likely group to consider booking a river cruise are those we're calling 'cost conscious free timers'. Similarly to the active cultural junkies, experiencing culture is very important when on holiday, but this group has a distinct need for free time.

Conversely to the active cultural junkies, this group could be considered the 'sightseers' of the segments (as opposed to 'sight-doers'). They are also likely to be influenced by others.

They show a desire for tailoring holidays to their own needs and like to book direct with a company or travel agent. Being able to travel at their own pace and to their own itinerary is important to them. It's all about choice and flexibility with this segment.

They are, on average, likely to spend less on their holidays compared to other segments and are also less likely to take as many holidays (one to two a year). Price is important to them and is something that should play an important role when thinking about communications with this group.

**What do they think about river cruising?**

In their own words, cost conscious free timers feel river cruising is:

- relaxing
- a fun way to go on holiday
- expensive and not hassle-free

Features this group are likely to find most appealing include the standard of food available, expertise of staff and the size of their room. Key messages should focus on price and the ability to tailor holidays (be it before embarking or whilst on-board) and the range of facilities available. It is important this group knows they have the option to pick and choose what they would like to do and, ideally, when they would like to do it.

**3. Beach lovers**

**Who are they?**

Our third and final group in terms of those who would consider booking a river cruise are those termed 'beach lovers'. These are people who, perhaps unsurprisingly given the segment name, simply love sitting and relaxing on the beach!

They are the least likely to be interested in excursions, but are likely to go on two to three holidays a year and so are a good segment to target. Currently their holidays revolve around beaches in the first instance and, importantly, city break holidays after this.

As they are advocates of the beach, convincing them other holiday types are just as suitable will be a key challenge for the industry. They are, however, fond of city breaks and this is primarily where river cruising needs to focus its marketing and communication efforts.

**What do they think about river cruising?**

In their own words, beach lovers feel river cruising is:

- for older people
- expensive
- a good way to visit multiple locations

When it comes to what appeals most to this segment, in-room entertainment and room size are particularly important – this is a group that favours the hotel and beach holiday, so the 'hotel' (or ship, in this case) is going to have to match or exceed their expectations if we're to pull them away from their revered beach holiday.

In terms of communicating with this group, emphasise that river cruising is not just for older travellers and that ships offer a relaxing atmosphere in a luxurious setting. Build on their desires to visit multiple locations, whilst maintaining that element of comfort and luxury that you would normally find in a hotel.

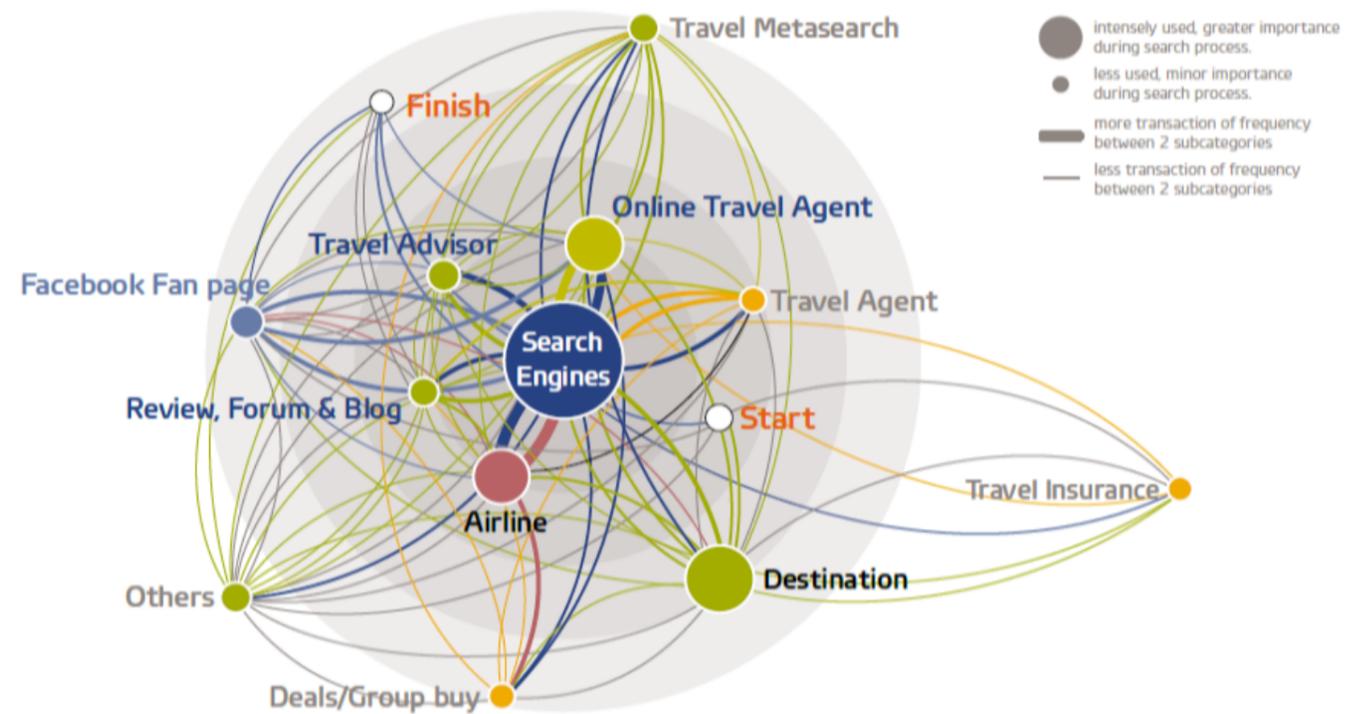
# REACHING NEW TRAVELLERS

Capitalising on the opportunity to grow requires focus on several key areas:

**Accessibility of information**

Because river cruising is new for so many travellers, there is a gap in their knowledge and understanding. Simple questions like "how do I get to the ship?" can rapidly become a barrier to travel if they are not quickly apparent to the holiday browser or if the solution is not simple and hassle-free.

Holiday purchase journeys are often complex and diverse with people browsing online for destinations, feedback sites, airlines, OTAs etc, and seeking out advice from friends and family. The final choice will start from the decision to river cruise rather than some other holiday type and so the positives of river cruising, compared to city breaks and other holiday types, are key things to communicate in order to bring new travellers to the sector.



**Communications**

Our research uncovered four key areas that really impact a person's decision to book a holiday.

These are:

1. **Destination** – is it going to a destination(s) I want to visit/find interesting?
2. **Experience** – does it offer the activities and excursions I want to experience?
3. **Accommodation** – does it offer the standard and type of service I would expect?
4. **Target market** – is it for people like me?

For river cruise operators to stand out in a crowded travel market and extend their market share, it is important that messaging clearly talks of the benefits river cruising offers in each of the four key areas. For example:

- **Destination:** River cruising provides access to multiple locations in a single trip, thereby offering something more than a one destination city break.
- **Experience:** Today's traveller is ever more focused on experiences and personalisation, as indeed we are across many aspects of life. A river cruise that offers choice and flexibility for travellers to increase or decrease the scale and type of excursions/experiences they want while on holiday will support that need.
- **Accommodation:** River cruising offers many benefits over a hotel-based holiday: being able to unpack once but visit multiple locations, on-board activities and entertainment and, of course, outstanding service and exceptional food. These all need to be communicated loudly to get new travellers on-board.
- **Target market:** Encouraging a broad spectrum of ages, both actual age and how people feel, is important for continued sector growth. River cruising has much to offer the younger, adventurous traveller.



# BEATING THE COMPETITION

Given the very nature of the travel marketplace, to increase share, river cruise operators need to think about the competition in two parts:

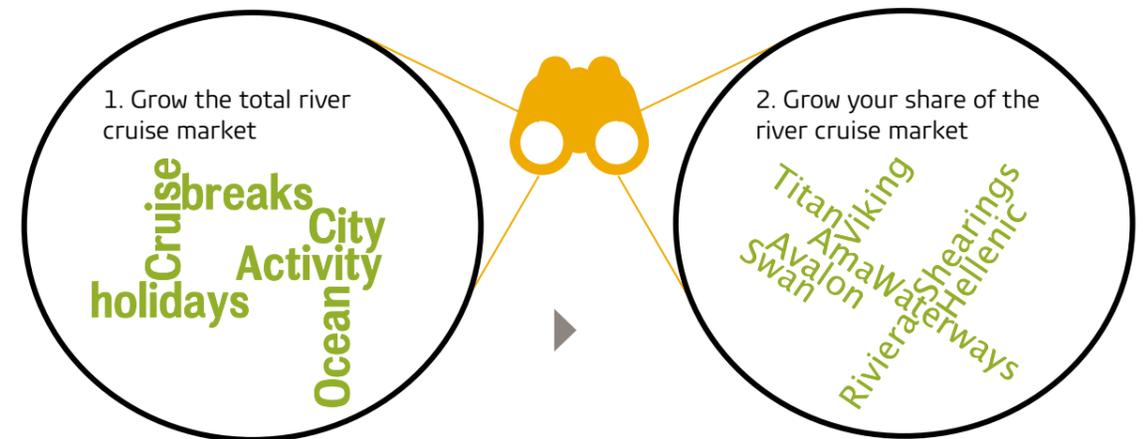
1. other river cruise operators and
2. other holiday types

Not only could a consumer pick another river cruise operator, they could also choose an entirely different type of holiday.

Our research shows that of those who actively looked into booking a river cruise holiday in the last 12 months but did not book, 42% ended up booking a city break instead. There are clearly similarities between a city break and a river cruise: cultural immersion, variety, excursions etc. But knowledge, price and a better understanding of the city break made them choose this over a river cruise.

- "Food and cultural activities which help you really experience the countries you are travelling through."
- "Too expensive at the time."
- "We weren't sure what we had to do to get to the river boat."

River cruising can offer the city break considerer so much more, enabling them to visit multiple destinations without having to move between hotels and, of course, the ship offers so much more than the typical city break hotel destination.



# CONCLUSIONS

In summary, there is huge opportunity for growth in the river cruise sector, especially among those who want new and different experiences. But you need to think about how you communicate to new travellers and continue to educate them on what river cruising has to offer. And remember, the competition is not just the other river cruise operators, it's the entire travel market!



## COMMENTS FROM THE INDUSTRY

In response to the themes raised in the study, we sought the views of several industry experts. A small selection of commentary is featured here:

### Broadening the appeal of river cruising to the family market

**On this subject, Hugh Clayson, Pandaw's Commercial Director said:**

"Pandaw ships are ideally suited to families as there is so much of interest for all age groups in the exotic and remote regions we visit." He continued "Pandaw already attracts family groups on its river cruises in Burma and Indochina as these destinations are ideally suited to family adventures. To capitalise on increased interest, Pandaw has just launched four dedicated family friendly departures in 2016/17 in school holidays, with excursions and shore challenges with kids and teenagers in mind, bikes on board for cycle adventures, on-board activities and entertainment including movie nights and cooking classes for kids. Pandaw has also new family pricing with the age limit for kids (who get a 50% discount) increasing to 18 years old."

### Moving to a more energetic and fun positioning David Binns, General Manager from Avalon said:

"The slow pace of a river cruise naturally creates a very relaxing feel and ambiance on board the ship. However, for guests looking for more energetic activities, many river cruise operators offer the option of exploring by bike as a number of bikes are stored on-board. In addition there are a wide range of fun activities offered, such as wine and beer tasting."

**Andy Harmer, Director at CLIA UK & Ireland added:**

"Ships are being built now with pools and cinemas, they have bicycles on-board, new excursions and so on. That being said, the size of river ships dictates that it is very difficult to add too many 'fun/energetic' activities and facilities on-board. River cruise has a real destination focus – it is with on-shore activities where we can reflect this new positioning a little easier."

### The ability of river cruising to provide 'cultural immersion'

**Andy said:**

"Many do offer longer stays, most offer overnight stops so guests can stay late in cities and ports. Itineraries could be altered further for even longer stays, but this must be balanced against the multi-destination benefit of cruising."

**David Binns said:**

"Cruise itineraries are being refined all the time to offer the best individual cultural experience. Many Avalon itineraries feature overnight stays in towns and city centres, providing the flexibility for customers to immerse themselves in the culture, history and atmosphere of a destination. Dining options on-board have been adapted to offer relaxed dining with a lighter menu so that visitors can enjoy the local restaurants and cafes. A high number of cruise itineraries include pre- and post-hotel city breaks to complement the river cruise experience. This is definitely a consideration for first-time river cruisers to experience a taster of the river cruise experience. Avalon's 7-night 'Taste of the Danube' includes 2-night city stays in both Budapest and Vienna."

### Educating customers on the whole holiday

**David Binns said:**

"Avalon Waterways (UK) has focused its marketing strategy on highlighting that we offer the most relaxing way of joining a river cruise. For Avalon Waterways, a river cruise starts from a customer's front door with a privately chauffeured home pick-up service (on a return basis) which is included in the cruise holiday as standard. This is available within a 100-mile radius of the departure airport or Eurostar rail station."

"This is combined with the flexibility of offering flights from 24 UK airports or Eurostar train travel to join the cruise. Only one of a few river cruise operators to do so, we work with European rail operator Voyages-SNCF to provide another option of travelling by train from the UK all the way to join a cruise, even as far as Budapest."

If you would like learn more or have any questions about the findings in our research, please do not hesitate to get in touch.

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