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The Comeback Kid: What to Expect from the Cruise Industry in 2024



Introduction: Setting the Stage for Resilience

In the early months of 2020, over 32 million cruise passengers expected to set sail.¹ Imagine their surprise when only a fraction of the 400 cruise ships prepared to hit the water left port.² As the COVID-19 pandemic swept across the globe—and passengers forewent travel experiences to shelter in place—the cruise industry suffered a whopping \$60 billion in losses.³

Fast-forward to 2022, and a new phrase emerged: **revenge travel**.⁴

After months of staycations and local getaways stifled by the pandemic, consumers were eager to splurge on trips. With a vow to make up for lost time (and make new memories in exotic locations), consumers flocked to airports and flooded cruise ship ports to finally travel again. By 2024, revenge travel will power \$30 billion in cruise industry revenue, nearing pre-pandemic levels.⁵

Now that the waters have calmed, it's clear as day—the cruise industry has proven to be the ultimate comeback kid. Nearly two dozen new vessels are slated to hit the water in 2024, equipped with updated amenities, unrivaled itineraries, and innovative solutions to handle whatever the year has in store, from managing inflation to boosting consumer spending.

Are you curious about how the cruise industry is maintaining its comeback trajectory or how industry players can align with the primary trends and market forecasts that are shaping the travel landscape in 2024? In the following pages, we'll address these questions and more, showcasing how cruise brands are charting turbulent waters and navigating economic headwinds like pros.

Take a lesson from the cruise industry to achieve financial resilience in 2024 and beyond:

- Gain insights into the latest cruise industry trends, market outlooks, and itinerary schedules, including the five most luxurious cruise ships taking their maiden voyage.
- Examine the strategies the cruise industry has deployed to mitigate current economic challenges, including rising prices, limited spending, and supply concerns in airline travel.
- Harness travel loyalty programs to enhance ancillary revenue generation, streamline supply management, and sustain business growth, despite unpredictable times.



Navigating Economic Challenges: Financial Resilience Amidst Challenges

Like solid sea captains, the cruise industry continuously remains ahead of rough waters. First, it was the COVID-19 pandemic that turned the tide of profits from \$27 billion in 2019 to just \$3 billion in 2020.⁶ After an 88% plunge in global revenue and an 80% dip in cruise ship passengers, the cruise industry came back swinging in 2022 to reignite consumer travel purchases.⁷

And reignite travel purchases it did: consumer spending on airfare, lodging, and cruise packages experienced a significant uptick in 2023. Then, when an increase in demand began to combat travel providers' limited inventory post-pandemic, the cruise industry was prepared for that, too. Here's how the cruise industry is successfully addressing potential 2024 economic challenges.

Managing Inflation Perceptions

'Inflation' is a term that's been hard to avoid lately, no matter your industry. The American dollar had an average inflation rate of 5.20% per year between 2020 and 2024, producing an eye-watering cumulative price increase of 22.49%.⁸ As per the U.S. Bureau of Labor Statistics, the consumer price index for all urban consumers (CPI-U) rose 3.7% over the last 12 months.⁹

Concerns surrounding raised prices have compelled various travel providers, particularly cruise lines, to manage customer inflation perceptions. Fortunately, there is more interest than ever before among Millennials and Gen-X travelers (aged 27 to 42 and 43 to 58, respectively) to take their first cruise, with **73% of first-time passengers considering a cruise vacation in 2024.**¹⁰

Dealing with a Slowing Economy

They arrive once every four years, yet the onset of election-year economic slowdowns still paralyze organizations that rely on travel and leisure purchases. As the ultimate comeback kid, it's no surprise that the cruise industry is poised to tackle the 2024 election year with grace. An incredible 85% of previous cruisers will set sail in 2024, a 6% higher metric than pre-pandemic.¹¹

Among travel brands, marketing narratives with the phrases 'rejuvenation' and 'wanderlust' had the highest engagement and conversion rates in 2023, indicating consumers' desires to still travel despite a slowing economy.¹² In the finance vertical, 'convenience' and 'community' were the top narratives to acquire customers, proving that even inflation won't interrupt consumer preferences.¹³

Boosting Consumer Spending

Among inflating prices and a slowing economy, consumer spending has become a point of contention for travel providers. In June 2023, growth in personal consumption expenditures (PCE) was 5% year over year versus 9% in June 2022.¹⁴ However, there's a twist: Consumer spending is slowing, but not because people are buying less—they're simply paying less for what they buy.

Enter the role of co-branded credit cards. When consumer spending is down, co-branded credit cards provide travelers exclusive financial benefits to drive new purchases, as seen by spiking interest among airline, hotel, and retail bank customers.¹⁵ Several cruise lines have already deployed a co-branded credit card, like the Holland America Line Rewards Visa Card.



Seizing Opportunities: Tactics to Maintain Buoyancy in the Cruise Industry

Cruise ships are built to withstand rough seas and large waves. That design is evident among today's financially flexible cruise lines that have managed to maintain buoyancy despite economic uncertainty. Fellow travel providers, mainly airlines, have struggled to support consumer demand post-pandemic, tasking several cruise line port cities (and providers) to pick up the slack.

So, what strategies and approaches has the cruise industry employed to mitigate supply concerns in airline travel and adapt to rising prices?

- 1. More cost-effective redemption solutions**
- 2. Newer itineraries and tactical scheduling**

Consider the solutions deployed by the cruise industry to help cruise lines more effectively navigate economic hurdles, all while ensuring travelers continue to have seamless experiences.

Cost-Effective Redemption Solutions

The term 'redemption' can have different meanings for service-based industries—like travel, hospitality, and finance. For instance, there is offer redemption, in which consumers access a promotion or discount in exchange for payment. There's also loyalty redemption, an essential aspect of loyalty rewards programs in which continued customer loyalty provides access to exclusive perks.

In both these scenarios, redemption solutions enable consumers to access a service for a better traveler experience more easily. However, they also empower businesses to forge new revenue streams during economic slowdowns. Cost-effective redemption solutions, like no cancellation fees for travel plans or complimentary upgrades on travel purchases, encourage consumers to increase spending.

New Itineraries and Tactical Scheduling

The pandemic impacted airline travel, creating supply concerns due in part to limited staffing and driving ticket prices through the roof. High airfare prices have troubled several travel providers, from hotels and resorts to cruise lines. Many executives have noted that travelers have been forced to reconsider their vacation options—not if they’re going, but where they’re going.¹⁷

As such, updated cruise itineraries with strategic scheduling have arrived. For example, river cruise line AmaWaterways will launch its 2024 European season early, with exclusive cruise redemption offers for the Rhine and Danube beginning February 11, when airfares are typically lower.¹⁸ This tactical scheduling helps limit the all-in cost for (and reallocates spending towards) cruising.





Case Study: 'The Comeback Kid'—2024's Cruise Industry Resurgence

There's a good reason why the cruise industry is referred to as 'the comeback kid'—few verticals have achieved and maintained the same level of resurgence post-pandemic, especially with the above economic challenges. The global cruise industry has rebounded faster than the entire international tourism industry, which spans a myriad of travel services and providers.¹⁹

Ocean-going cruise passenger volume alone is projected to reach 106% of 2019 levels, with 31.5 million passengers planning to set sail in 2024—a figure that will climb to 39.5 million by 2027.²⁰ According to Phocuswright's U.S. Cruise Market Report 2022-2026, the cruise market will continue to show double-digit growth, **with gross bookings skyrocketing more than 500% year over year.**²¹

Here's how cruise lines have introduced luxurious ships, focused on strategic partnerships, and leveraged travel loyalty programs to revitalize their businesses—and how your business can, too.

Introducing Luxurious Ships

The comeback kid has some pretty expensive tastes. Though 72 new cruise ships were manufactured during the industry lull in 2021²²—to the tune of **\$600 million in building costs per ship—another 19 ships are expected to debut in 2024.**²³ **In fact, a total of 75 new cruise ships will be delivered throughout 2027**, accounting for 38,000 additional berths and 2 million additional passengers.²⁴

So, what innovative features and experiences have cruise lines introduced to ensure passengers a luxurious and memorable journey in their new ships in 2024? You can expect these three perks:

- **Solo Traveler Accommodations.** Sometimes luxury simply means giving passengers what they want, as demonstrated by the vast array of river and ocean cruise lines constructing more single cabins as more passengers cruise alone.²⁵
- **Advanced Dining Options.** With dining as the highlight of many cruise packages, more lines are beginning to introduce ships with rotating dining options, such as the luxury cruise line Silver Nova, which offers a daily-changing menu inspired by the upcoming local port.²⁶
- **Data-Driven Personalization.** Even premium cruise lines, such as Holland America, have embraced data-driven customizations to provide passengers with personalized itineraries and tailored redemption offers for dining, onshore excursions, and onboard amenities.²⁷

Forging Strategic Partnerships

Even in a busy and unpredictable industry climate, cruise lines have found paths to growth and diversification through strategic partnerships. One example is Resorts World Cruises, a luxury and lifestyle cruise brand that has partnered with IBS Software to launch iTravel Cruise Enterprise Reservation, a guest-centric reservation system with personalized promotions for passengers.²⁸

Another example is the arrivia travel rewards platform, which has partnered with travel providers across all commercial markets and categories.²⁹ Culminating in 30,000 worldwide itineraries for cruises alone, arrivia has negotiated partnerships with major travel brands to help maximize consumer engagement in travel loyalty programs and magnify potential perks for travelers.³⁰

Are you curious how strategic partnerships in the cruise industry create additional revenue streams and improve the overall value proposition for customers, members, and employees on a smaller scale? Cruise passengers spend an average of \$750 per person in port cities on a typical cruise, creating dozens of opportunities for local partnerships to tap into ancillary revenue opportunities.³¹



Leveraging Travel Loyalty Programs

In the 2023 Deloitte survey, the current macroeconomic environment—marked by higher interest rates and slower consumer spending—makes consumer loyalty programs more crucial than ever for brands.³² Loyalty programs are an efficient solution to enhance customer retention, acquisition, and ancillary revenue generation, all while streamlining inventory and supply management.

At a time when over one-third of loyalty members have switched primary programs to access better benefits—and another 27% have switched in search of more ways to redeem points—strategic partnerships have been a key approach to enhance cruise loyalty program value.³³ Partnerships between travel-adjacent providers (cruise lines and airlines) or complimentary services (like credit card lenders and travel loyalty programs) provide members with enhanced loyalty perks.

Even better, **60% of loyalty members express interest in partnerships to grow their rewards and redemption opportunities.**³⁴ Beyond partnerships, how can loyalty programs enhance customer retention, acquisition, and ancillary revenue generation within the cruise industry without compromising profitability? The answer lies in the member experience, rewards, and status tiers:

- **Guarantee Simplicity in the Membership Experience.** In 2023, consumers ranked “simplicity and ease” as one of the top two most important components of a loyalty program, focusing specifically on the ease of enrollment and the simplicity of use.³⁵
- **Develop Coveted Financial Rewards.** The “ability to earn and redeem financial rewards” was the other most important component of a loyalty program,³⁶ as every age group from Gen Z to Boomers leverages such rewards for travel upgrades and savings.³⁷
- **Provide Loyalty Status Tiers.** More than 60% of consumers agree or strongly agree that status tiers allowing members to earn exclusive rewards at higher levels are an essential part of a loyalty program and a valuable way to make members feel appreciated.³⁸

Charting the Course to 2024: Trends, Forecasts, and Unforgettable Voyages

So, what's next for the comeback kid in 2024? More than a half dozen of the 65 ocean cruise lines of 2022 will introduce new cruise ships in 2024, much to the delight of returning and first-time cruisers alike.³⁹ The global cruise capacity is now forecast to grow 19% from 2022 to 2028, and the cruise industry's ship passenger capacity is projected to reach over 38 million by 2027.⁴⁰

However, it's not just cruise volume in the green for the comeback kid in 2024. Another growth area for cruises has been gross bookings—a trend first noticed in 2021 that intensified throughout 2022. In 2022 alone, cruise gross bookings catapulted more than 500% year over year, indicating that passengers are more than ready to set sail.⁴¹ Here's what 2024 voyages will have in store.





Offering More Value for Passengers' Travel Dollars

Cruise lines conduct extensive marketing research by leveraging big data analysis to identify hidden patterns and market trends among customer insights.⁴² They've found a positive correlation between satisfaction from service quality and the intention to pay more—as in, a satisfied customer is more likely to tolerate price increases and is willing to pay for better benefits.⁴³

In a study that examined the connection between satisfaction and service quality in the cruise industry, four elements were found to be predictors: empathy, responsiveness, assurance, and tangibility.⁴⁴ What's something that can grant access to all four elements? **Personalization.** Cruise customers across age groups expect personalized experiences and rewards as a matter of course.

Today's consumers are willing to share preference data, like an inclination for a balcony cabin over an interior one, for brands that provide personalized experiences and rewards, such as flexibility of choice, special gifts, and relevant offers.⁴⁵ A quarter of consumers already purchased a personalized vacation to satisfy their traveler preferences, and another 58% have expressed interest in one.⁴⁶

The bottom line: Cruise lines that provide premium—or white-glove—services through tailored offers and personalized benefits can achieve higher levels of consumer satisfaction, engagement, and, arguably the most important, total spend.⁴⁷ Cruise lines (and adjacent businesses) offering more value for passengers' travel dollars are primed to succeed in 2024.

Providing Innovative Amenities and Experiences

As brands begin to deploy premium, personalized cruise packages, passenger attention has focused on the amenities and experiences available while planning the cruise and once on board. As such, luxury cruise lines have unveiled proprietary reservation and passenger technology. One example is MSC for Me, a mobile app developed for the Mediterranean Shipping Company (MSC) cruise line.

Available for Android and iOS devices, the MSC for Me app interconnects the guest, crew, and ship features aboard 15 “smart vessels” in the MSC fleet.⁴⁸ During the travel planning, customers can virtually explore their desired cruise ship, viewing various cabins and amenities. Once on board, passengers can use MSC for Me via in-cabin smart TVs and interactive touchscreens around the ship.

Another luxury cruise line that’s introduced similar amenity-amplifying technology is Viking Cruises. The line’s My Viking Journey online portal allows passengers to browse shore excursions and book pre-boarding dining reservations.⁴⁹ Once onboard, Viking’s TraceSafe wearable devices are equipped with radio-frequency identification to act as a room key, payment method, and more.⁵⁰



Unveiling the Most Luxurious Cruise Ships of 2024

Curious about the 19 cruise ships that are expected to debut in 2024?⁵¹ You've come to the right place! Family-friendly Disney Cruise Line will be unveiling the new Disney Treasure, Virgin Voyages is revealing the Brilliant Lady, the MSC brand Explora Journeys will launch the new Explora II, and Viking Cruises is premiering the Viking Vela, just to name a few.

However, there are a handful of ultra-luxurious vessels setting sail in 2024,⁵² including:

- **Icon of the Seas by Royal Caribbean.** As the first taste of a new Royal Caribbean ship before a sister vessel, Utopia of the Seas, arrives in summer 2024, Icon of the Seas features 20 decks with non-stop live entertainment, including Dueling Pianos, a first-of-its-kind bar. It also flaunts Category 6, the largest waterpark at sea with six record-breaking slides.
- **Ilma by Ritz-Carlton Yacht Collection.** Launched in 2022, luxury hotel brand Ritz-Carlton made waves with its Yacht Collection cruise line. Slated to hold 456 passengers, the new Ilma superyacht promises a white-glove crew-to-passenger ratio alongside fine dining options, private balconies for each cabin, and an inaugural voyage in the Mediterranean.
- **Silver Ray by Silversea Cruises.** The second Nova-class ship introduced by Silversea, the Silver Ray, is poised to mirror its sister ship, Silver Nova, with an updated S.A.L.T. Lab restaurant with an expansive 14-course tasting menu. The revamped Otium spa and newly introduced Otium suites will also include butler service for each cabin.
- **Sun Princess by Princess Cruises.** Soon to be the largest and most innovative ship in the Princess fleet, Sun Princess will feature a three-story dining room with three different dining options and new suite options with access to a private restaurant and lounge. It also boasts the upcoming Sea Breeze Rollglider, the first hang-gliding experience at sea.
- **Queen Anne by Cunard Line.** As the 249th Cunard ship but the first new vessel in 12 years, Queen Anne will accommodate up to 3,000 guests with amenities that include 24 sundecks and 15 dining venues. Cunard has partnered with Michelin-starred chef Michel Roux to develop custom menus for two dining venues, Queens Grill and the Golden Lion Pub.



Sail Toward a Brighter, More Resilient Future—*Together*

Well, there you have it: the 2024 trajectory of the cruise industry, which has continued to chart an impressive, awe-inspiring course of unwavering resilience! As passengers from across the country flock to port cities to embark on the cruise of a lifetime, businesses in adjacent industries should begin to take notes. You, too, can embrace the comeback kid spirit of modern cruise lines.

Unlock a new era of travel abilities and rewards with *arrivia*.

As the largest stand-alone travel loyalty provider around the globe, *arrivia* has powered travel loyalty and rewards programs for some of the world's most respected cruise, hotel, resort, and financial brands for over 25 years. We can elevate the cruise experience, enhance customer satisfaction and retention, and save consumers' travel dollars with turnkey technology.

Arrivia invites you to join us in charting a course toward economic resilience and unforgettable travel experiences in a year when cruising is making a significant comeback. To explore our features and embark on a journey to a new era of cruising, email letsconnect@arrivia.com to set up a demo.





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Appendices

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Cruising On The Data Wave: How Technology Shapes Personalized Experiences At Sea [Guest Post]

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