

Barbados in the Cruise Tourism Global Value Chain

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Acronyms

ABTA	Association of British Travel Agents
BIDC	Barbados Investment & Development Center
BPI	Barbados Port Inc.
BTII	Barbados Tourism Investments Inc.
BTMI	Barbados Tourism Marketing Inc.
BTPA	Barbados Tourism Product Authority
GVCC	Global Value Chain Center
GVC	Global Value Chains
DMC	Destination Management Companies
GDP	Gross Domestic Product
ILO	International Labor Organization
ISTU	Independent Sea-port Taxi Union
IT	Information Technology
MTI	Ministry of Tourism and International Transport
SBC	Small Business Center
SME	Small and Medium-sized Enterprise
STA	St. Maarten Tourism Authority
WTTC	World Travel & Tourism Council

Executive Summary

This report uses the Duke Global Value Chain (GVCC) framework to examine Barbados' position in the cruise tourism global value chain (GVC) and identify opportunities for small businesses within the sector. While cruise tourism remains a small niche within the broader tourism industry—its 24 million passengers constitute just 2% of worldwide travelers—it is a critical economic activity in the Caribbean. More than two-thirds of the tourists in the region are cruise-ship passengers. Although cruise ship tourism is not as lucrative as other forms—tourists on cruise ships spend as little as one-tenth the consumption of stay-over visitors—it still accounts for an aggregated US\$3.1 billion in expenditures in 2014-15 and supported roughly 75,000 jobs in the Caribbean.

Barbados conforms to this regional trend. Cruise tourism has a large footprint on the island, contributing 54% of the 1.3 million tourists who visited the country in 2015. While the total number of cruise passengers arriving in the Bridgetown port has increased in recent years, the average amount of money they are spending is declining. This report identifies some of constraints associated with Barbados' cruise tourism products and outlines potential upgrading strategies to boost passenger expenditures.

The Cruise Tourism GVC

Cruise tourism can be separated into three categories of actors: consumers, distribution intermediaries, and service providers. **Consumers** historically have come from the United States, with the Caribbean being the primary source of supply. Global demand for cruises increased from 17.8 million passengers in 2009 to 24.2 million in 2016, which is a total jump of 36%. One of the emerging trends in the industry is its shift away from its traditional North American-Caribbean axis, with Asia-Pacific supply and demand driving much of the change.

Distribution intermediaries describes the category of actors that coordinate, package and sell individual services. These businesses include travel agents and cruise companies as well as Shore Excursion aggregators that bundle domestic activities. The industry is notable for its consolidation. Three companies—Royal Caribbean, Carnival and Norwegian—control more than 80% of the market. Most recently, these companies are investing in larger ships with enhanced onboard entertainment while also diversifying their onshore product offerings.

Popular **service providers** in the cruise tourism GVC include excursions to local attractions, dining at local restaurants and bars, and shopping. Estimates suggest 94% of all visitors get off the ship in Caribbean locations. For smaller businesses that wish to integrate into the chain, the most straight-forward strategy is to connect with domestic Shore Excursion aggregators, although lobbying cruise lines directly is also a possibility. Even when that approach is successful, cruise companies still retain significant control, capturing as much as 70% of the value of consumers' shore excursions through commissions and sub-contracting relationships with Shore Excursion aggregators and other ground handlers.

Beyond the general industry trends, a number of strategies among the leading firms can be observed, including many that have relevance for local businesses in individual locations. These include the following:

- **Ocean-bound cruises are enhancing on-board amenities.** Cruise companies are improving entertainment on the ship to keep consumers on board, even during port calls.

While passenger tickets generally account for 70-75% of the revenue for the three leading companies, the share of onboard entertainment revenue has trended upward in recent years for all cruise lines. There is geographic disparity as well—Carnival reported that passenger income represented 72% of its revenue for North American operations in 2016 and 82% for European consumers.

- **Cruises are expanding shore offerings in integration efforts designed to capture increasing shares of passengers' money.** Cruise companies' drive toward integration also includes the development of resorts and private ports in locations throughout the Caribbean. Norwegian owns Great Stirrup Cay, which is a private island in the Bahamas, and developed the Harvest Caye destination in Belize. Carnivals owns Mahogany Bay in Honduras while Royal Caribbean has a similar venture in Mexico.
- **Cruise companies attempt to contain costs through reduction of port fees and other taxes.** Cruise companies use their negotiating power to drive down costs at ports. Expenditures at each location include passenger-based fees, navigation fees, port taxes, and charges for utilities, such as water, power and sanitary services. The leverage of individual countries to negotiate higher fees is limited by the substitutability of ports and the low levels of sunk costs made by cruise companies in the form of capital investments. Attempts by individual countries to increase fees have largely been unsuccessful.
- **In considering new locations, cruise companies prioritize overall itineraries, not individual destinations.** Cruise companies' negotiating power is further strengthened by their emphasis on selecting destinations based on overall itineraries rather than individual attractions—each piece must fit into a coherent package (Rodrique & Notteboom, 2013). While there is not complete substitutability of port calls, cruise companies must balance the selection of destinations against operational considerations such as the sequencing of stops, the sailing schedule of ships, and the size and quality of port infrastructure. The overall implication is that the power of individual locations is often constrained by factors other than quality of tourism attractions.

Barbados in Cruise Tourism GVC

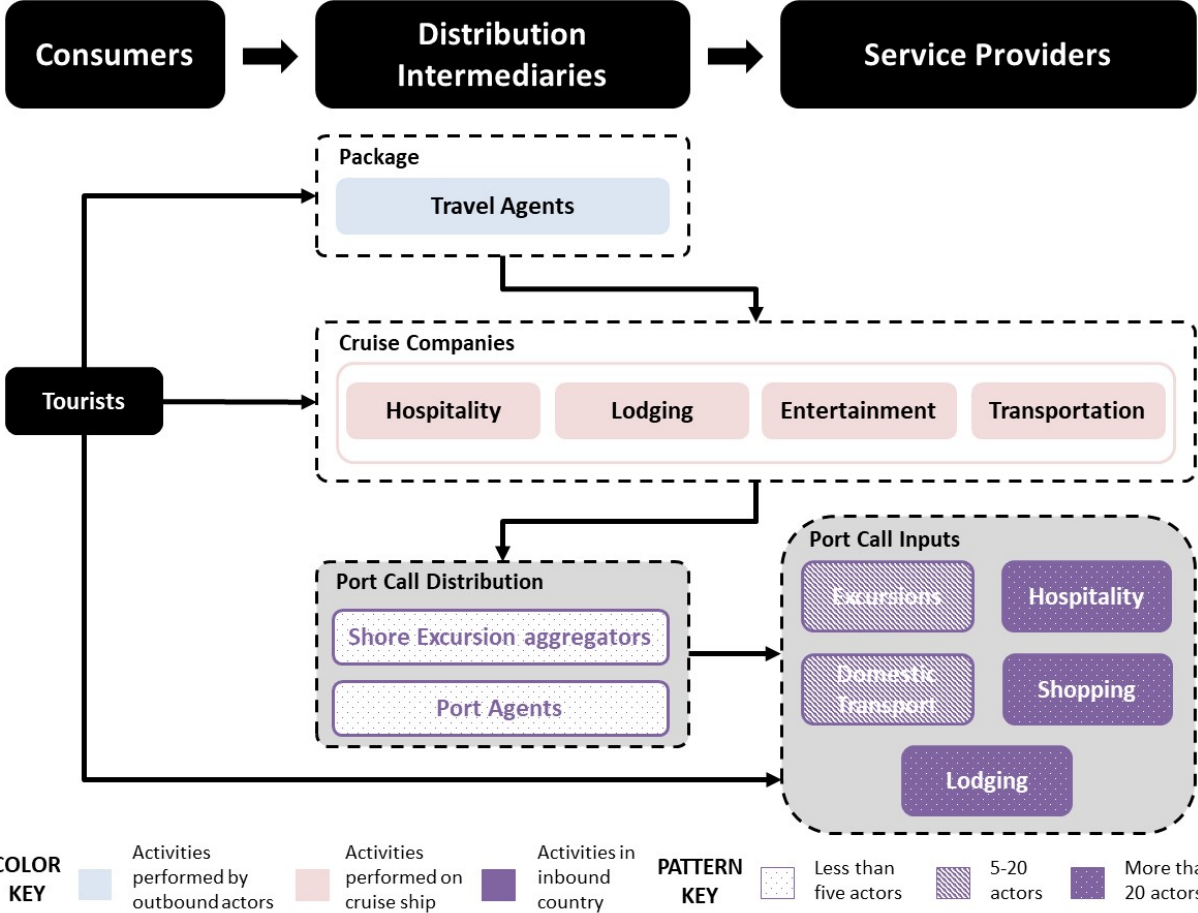
Tourism is among the most significant economic activities in Barbados. In 2016, tourism's direct contribution to GDP was 12.9%, and it accounted for 62.1% of the country's exports. The industry provided direct employment for 17,000 people and indirectly supported the jobs of as many as 51,000, which is roughly 40% of the country's total labor force. Cruise tourism's contribution to the broader tourism portfolio depends on the metric: it provided more than half of the country's overall visitors in 2016 at the same time the number of port calls reached a recent historical apex. On the other hand, cruise tourism only accounted for roughly 9% of total tourism employment.

The most prominent recent trend associated with cruise tourism on the island has been the fact that more passengers are coming onshore yet spending less money. The total number of onshore visits from cruise customers increased 33% in the period from the 2005/06 cruise season to 2014/15, from 405,300 to 554,400. However, the average expenditure per passenger fell 30% during that same period, from US\$111.82 to US\$78.03. At the same time expenditures have declined, the perception of Barbados' tourism products have slipped. The most dramatic regression is associated with satisfaction of purchased tours (Barbados ranked 24th of 35 in the 2014/15 season compared with 10th in previous years), although the quality of port infrastructure also remains a concern.

Barbados is notable for the low volume of cruise passengers who purchased organized shore excursions. Domestic stakeholders estimated that 30-40% of passengers have pre-purchased tours while 60-70% do not. Surveys conducted in the 2014/15 cruise season suggested 46% of visitors ultimately purchased organized tours, whether through the cruise line, travel agents or local providers. That percentage put Barbados behind 29 of 35 destinations in the Caribbean; the country also ranked last in percentage of tours purchased from onshore tour operators.

Both the minimal demand as well as the poor perception of the country’s tourism products may reflect of the lack of diversity and small numbers of businesses engaged in the sector. On the supply side, Barbados’ local industry is controlled by Foster & Ince, a domestic enterprise that offers integrated services across the chain, including transportation, shore excursion and logistical options. While its history and successes affords the company advantages that benefit the country, it has also helped it accumulate significant market power, which can be an impediment to smaller operators, who often must compete or partner with Foster & Ince to remain economically viable. While there are opportunities for local businesses to surmount this challenge, there are other considerations that limit participation, including insurance coverage, underdeveloped business skills and market linkages as well as a failure to recognize crucial differences between cruise and conventional leisure tourism.

Figure E-1. Barbados Participation in Cruise Tourism GVC



Source: Authors.

Given its importance to the Barbadian economy, tourism is a source of interest for multiple government institutions. To boost the sector's competitiveness and assist small businesses attempting to enter the sector, stakeholders can attempt to harness the following advantages:

- 1. Familiarity of Barbados among cruise consumers:** An estimated 50% of cruise passengers visiting Barbados in the 2014/15 season had been to the island previously, which is one of the highest percentages in all the Caribbean—the regional average is 37%.
- 2. Favorable language and crime profile:** The United States, Britain and Canada are Barbados' largest source of overall visitors. Barbados' English language skills make the island an easy destination to visit for these passengers, especially since there are direct flights from those markets. Furthermore, the island's comparatively low crime rates also strengthen the country's appeal.
- 3. Bridgetown serving as home port for Carnival:** Carnival Cruise Lines brands have used Barbados as a home port in recent years. During the 2014/15 cruise season, an estimated 119,760 passengers embarked and disembarked at Bridgetown, providing Barbados with an opportunity to showcase more of its tourism product offerings while also engaging accommodation providers in the cruise tourism GVC.
- 4. Extensive industry experience among some private sector actors:** Barbados' roots in the cruise sector trace back to the 1970s. Some of the most prominent local businesses have been actively engaged in the industry for a similar duration, affording the companies a high degree of experience, technical proficiency and familiarity with leading cruise companies.
- 5. Established government institutions:** Barbados has multiple government institutions devoting attention to the sector. The split of the Barbados Tourism Authority into BTMI and BTPA created two agencies that can service the sector with initiatives.

At the same time, Barbados has location-specific impediments that limit the country's competitiveness. The most pronounced include the following:

- 1. Lack of new tourism products:** Many of the tourism attractions that are featured regularly as shore excursions are long-standing options that have been marketed for extended periods. The result is that cruise passengers appear to have tired of some of the products, which is partially reflected by the fall in satisfaction with purchased tours.
- 2. Aging and aesthetically limited infrastructure:** The Bridgetown Port, which opened in 1961, has both functional and aesthetic limitations. The Sugar Point development was formulated to address its shortcomings and provide capital improvements; however, there are financing challenges that may prevent the project from proceeding as planned.
- 3. Uncompetitive shopping environment.** Beyond the quality of tours, Barbados' lowest survey marks are associated with its shopping experiences, overall prices and courtesy of store employees. Local stakeholders in the handicrafts and cruise industry lamented lack of marketing associated with general shopping and Barbados being a duty-free environment. Additionally, Pelican Village is relatively old and in need of general reinvigoration.

4. **High degree of power among limited number of domestic distribution intermediaries:** Foster & Ince holds significant power, with observers of the local industry estimating that it controls 60-65% of shore excursions offered by cruise lines coming to Barbados while also handling roughly 95% of port agency responsibilities for the ships. Although Foster & Ince's technical acumen provides the country with advantages, its command presents obstacles for small businesses attempting to integrate into the chain.
5. **Limited implementation of strategic objectives by government institutions:** The Master Plan identified actions that would enhance the competitiveness of the cruise sector with implementation timelines of 2014-18. There has been little progress toward the articulated goals; moreover, a repeated theme of interviews with stakeholders is that top-down implementation and vision for the industry could be enhanced.
6. **Uneven focus on small business development and human capital development:** Government expenditures related to the cruise sector have concentrated on trips to trade events and incentives provided to Royal Caribbean to guarantee a minimum number of passengers. There are human capital considerations and soft skills that warrant further development. Specifically, Barbadian small businesses need to fully understand the nuances of the cruise sector compared with conventional stay-over tourism. These include: 1) Insurance requirements; 2) The importance of business plans and completing required paperwork to submit proposals to cruise lines; 3) Volume vs. value dynamics; and 4) Overall consistency.

Barbados' upgrading path in the cruise tourism GVC should serve to address these challenges. The most immediate upgrading trajectories that will accomplish these aims include:

Short-Term Process Upgrading to Strengthen Backward Linkages with SMEs: Barbados' government has taken important steps in recent years to boost the competitiveness of the cruise sector. The focus moving forward should be to continue to bolster the capabilities of Barbadian businesses with the goal of increasing backward linkages. Both passengers and cruise companies have indicated there is a clear need for Barbados to refresh onshore experiences. This provides opportunity for new SMEs to engage in the sector. There are different strategic areas the government can concentrate its efforts to allow for this upgrading trajectory to emerge, including: 1) Human capital development within SMEs; and 2) Cultivating greater links between cruise companies and SMEs; and 3) Expanding cruise passengers' access to SMEs.

Short-to-Medium Term Product Upgrading to Improve Infrastructure: The products available to cruise consumers visiting Barbados require reinvigoration. Some of the potential improvements have been identified by government stakeholders, with the Sugar Point development being the most obvious example. In the absence of immediate funding for infrastructure, Barbados can concentrate on economical upgrades that nonetheless enhance tourism products.

Short-to-Medium Term Functional Upgrading to Increase Number of Stay-Over Visitors from Cruises: Barbados has engaged in product and functional upgrading through its position as a home port for Carnival Cruise Lines. However, the benefits associated with this upgrading have been muted since only 8% of home port passengers spend at least one night in Barbados. Increasing the number of both home-port passengers who stay on the island for an extended period can further engage businesses and categories of actors who do not currently participate in the cruise tourism chain.

I. Introduction

The cruise sector constitutes a small but growing pocket of the global tourism industry. What was once an activity characterized by American consumers sailing to Caribbean locations to soak up the sun has expanded to new destinations, first in Europe and then in the Asia-Pacific region. At the same time that the geographic profile has diversified, the ships themselves have become larger with more elaborate entertainment features as leading companies attempt to capture more revenue from their consumers. The pursuit of new destinations and onboard amenities led to 25.3 million global passengers in 2015, supporting some 956,000 jobs and generating an estimated \$117 billion in total worldwide economic output (CLIA, 2017).

As a 166-square mile island in the southern Caribbean, Barbados' tourism industry relies heavily on visitors arriving by ship. Cruise passengers accounted for 54% of total arrivals to the country in 2015. Growth in the number of arrivals has been strong, with a 200% increase in the 20-plus years since a new cruise terminal opened in 1994 (Business Barbados, 2017). But while the overall number of passengers has increased steadily, and those visitors are spending less money on the island, thereby muting the sector's economic benefits.

This report uses the Duke GVCC Global Value Chains (GVC) framework to assess how Barbados can increase domestic linkages to the cruise tourism industry with the goal of boosting passenger expenditures, thereby providing increased benefits for its small and medium-sized enterprises (SMEs). It first examines the global sector, identifying key trends, important actors and the ways these features influence local enterprises in individual locations. It then shifts its focus to Barbados, where companies such as Carnival Cruise Lines and Royal Caribbean have strong presences, delivering more than 85% of the island's 730,000 cruise passengers in 2016. After an analysis of the domestic landscape for both the private and public sector, it identifies advantages and constraints that influence the country's participation in the chain.

After the analysis of Barbados' role in the sector, the paper then examines St. Maarten's and Puerto Rico's experiences to extract useful lessons for the country's growth. St. Maarten is notable for the critical infrastructure improvements it has made through partnership arrangements between its government and cruise lines that have allowed the country to increase average passenger expenditures. Puerto Rico, meanwhile, has changed its incentive regime to assist domestic businesses in the sector. The report then concludes by identifying upgrading trajectories for Barbados.

2. The Cruise Tourism Global Value Chain

Tourism is a dynamic source of economic growth throughout the world. The industry indirectly supported an estimated 292 million jobs in 2015 and indirectly accounted for 10.2% of global GDP.¹ Its direct effect to global GDP was estimated at 3.1%, and tourism's growth rate—also 3.1%—was higher than many other sectors, including agriculture, manufacturing, retail and financial services.² Because of the expansion, tourism generated close to 7% of the world's total exports in 2015

¹ Unless otherwise specified, the global and regional statistics cited in this section are compiled by the World Travel & Tourism Council (WTTC). The WTTC data can be accessed through the WTTC website: <http://www.wttc.org/datagateway/>.

² The WTTC defines direct contribution to GDP as follows: "GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists (WTTC, 2017a)."

(UNWTO, 2016). The vitality of the industry is not confined to any one region; while Europe remains the most visited continent in the world, Asia Pacific and Africa had the highest growth rates in visitors over the decade from 2006-2015.

With its idyllic beach settings and unique cultural experiences, tourism is a significant economic activity in the Caribbean. All forms of tourism accounted for 15% of the Caribbean’s GDP in 2016, which was the largest share of any region in the world (WTTC, 2017c). Buoyed by a 7% growth in visitor arrivals in 2015 (CTO, 2015), tourism also accounted for the highest share of total employment, capital investments and visitor exports in the Caribbean of anywhere in the world (WTTC, 2017c). Table I provides a summary of tourism’s contribution to various regions and highlights many of these trends. The table is ordered by the direct contribution to GDP, and global rankings are listed while the share is in parenthesis.

Table I. Regional Rankings for Tourism’s Direct Contribution to Economies, 2016

	Direct Contribution to GDP (%)	Direct Contribution to Employment (%)	Share of Total Investments (%)	Share of Visitor Exports (%)
Caribbean	1 (4.7%)	5 (4.2%)	1 (12.3%)	1 (20.7%)
Southeast Asia	2 (4.7%)	7 (3.6%)	4 (6.8%)	4 (8.6%)
North Africa	3 (4.4%)	6 (4.2%)	2 (7.3%)	3 (10.7%)
European Union	4 (3.7%)	1 (5.0%)	9 (4.9%)	11 (5.9%)
Oceania	5 (3.5%)	3 (4.9%)	7 (5.5%)	2 (12.5%)
Middle East	6 (3.3%)	8 (3.1%)	3 (7.2%)	7 (8.0%)
Latin America	7 (3.2%)	10 (2.9%)	5 (6.0%)	8 (7.3%)
South Asia	8 (3.2%)	2 (5.0%)	8 (5.4%)	10 (6.1%)
North America	9 (2.9%)	4 (4.6%)	11 (4.3%)	6 (8.0%)
Sub-Sahara Africa	10 (2.6%)	11 (2.4%)	6 (5.6%)	5 (8.6%)
Other Europe	11 (2.6%)	13 (1.8%)	10 (4.5%)	9 (7.0%)
Northeast Asia	12 (2.5%)	9 (2.9%)	13 (3.1%)	12 (5.6%)
Central Asia	13 (1.6%)	12 (1.9%)	12 (4.3%)	13 (0.4%)

Source: WTTC, 2017a. **Note:** The table is sorted by direct contribution to GDP.

Cruise ship tourism provides for the largest share of tourist arrivals, and is an important foundation for much of the economic activity in the region; however it is not profitable as conventional tourism. More than two-thirds of the tourists in the Caribbean are cruise-ship passengers (Briceño-Garmendia et al., 2014). Although cruise ship tourism is not as lucrative as other forms—tourists on cruise ships spend as little as one-tenth the consumption of stay-over visitors (Briceño-Garmendia et al., 2014)—it still accounts for an aggregated US\$3.1 billion in expenditures in 2014-15 and supported roughly 75,000 jobs in the Caribbean (BREA, 2015a).

The following section of the report concentrates on the cruise tourism global value chain. It starts by discussing relevant features of the sector, including overall size and prominent industry trends. It then outlines the value chain, examining how each segment links with one another before analyzing the governance of the industry and assessing how lead firms such as Carnival and Royal Caribbean

have leverage over smaller actors in the chain. The global section concludes by briefly examining human capital characteristics of the industry.

2.1. Global Cruise Tourism Industry

The cruise sector is a niche within the broader tourism industry. In 2015, there were almost 1.2 billion worldwide travelers compared with just 23.19 million cruise ship passengers, which means the cruise industry has less than 2% of the volume of participants as conventional tourism (CLIA, 2017; UNWTO, 2016). The economic contribution of cruise tourism to local economies is similarly muted. Estimates vary in terms of the discrepancy between the economic benefits associated with cruise tourism and stay-over visitors; however, the body of research clearly indicates cruise tourism does not generate the same financial returns. Cruise passengers spend 30% less than conventional tourism (Brida & Zapata, 2010); other estimates have suggested cruise tourism only generates 10% of the overall revenue (Briceño-Garmendia et al., 2014). While the industry is relatively small with limited economic benefits transferring to local economies, there are favorable growth trends. Global demand for cruises increased from 17.8 million passengers in 2009 to 24.2 million in 2016, which is a total jump of 36% (CLIA, 2016a).

If these are two of broad characteristics of the cruise industry—a small yet increasing facet of the tourism industry—there are also pronounced characteristics and trends that can be observed. These include the following:

- **The cruise market is diversifying away from its traditional North America-Caribbean foundation, with Asia-Pacific supply and demand driving much of the change.** The cruise industry's roots can be traced to the late 1960s and early 1970s. Carnival Cruise Lines incorporated in 1968 with Miami as its home port. North America demand for Caribbean cruises remained the industry's defining characteristics in its incipient phases. As recently as 2005, North American consumers still accounted for 70% of cruise consumers while the Caribbean region attracted approximately 50% of all available lower berth days on all cruise ships (Gui & Russo, 2011).³

By 2016, however, the North American and Caribbean position had deteriorated to a degree—North American customers represented roughly 50% of all cruise consumers, while the Caribbean accounted for 34% of all cruise bed nights, which was a 3.6% decline from five years earlier. Interest in cruises in Asia and Australia drove much of the change. Chinese demand for cruises jumped from 700,000 customers in 2015 to 986,000 in 2016, and Asia had the highest growth in available of lower berth days (5.6%) in the period from 2012-2016. Meanwhile, Australia's demand for cruises increased six-fold in the period from 2004 to 2014, and the country has the highest market penetration of citizens taking cruises of anywhere in the world (4.2%) (CLIA, 2017; Dowling & Weeden, 2017).

³ Lower berths refer to beds available on a ship cruise ship.

Table 2. Cruise Line Deployments by Regions (% of Available Lower Berth Days)

Region	2012	2013	2014	2015	2016	Change
Caribbean	37.3%	34.4%	37.3%	35.5%	33.7%	—3.6%
Mediterranean	19.9%	21.7%	18.9%	19.5%	18.7%	—1.2%
All Other	16.5%	15.8%	14.5%	15.0%	13.8%	—2.7%
Europe (w/o Mediterranean)	9.8%	10.9%	11.1%	10.6%	11.7%	+1.9%
Asia	3.6%	3.4%	4.4%	6.0%	9.2%	+5.6%
Australia	4.1%	5.0%	5.9%	6.0%	6.1%	+2.0%
Alaska	5.4%	4.8%	4.5%	4.5%	4.1%	—1.3%
South America	3.4%	3.9%	3.3%	2.9%	2.7%	—0.7%

Source: CLIA, 2017.

Cruise companies have responded to the changing supply and demand demographics. From 2014 to 2016, Carnival Cruise Lines' worldwide revenue increased 3.2% across all regions; during the same time period, its revenue from Asia-Pacific increased by almost 20%.⁴ As a response to the changing demand demographics, cruise companies have prioritized opening new regional headquarters in Asia and Australia and expanded efforts to connect with travel agents and tour operators in emerging markets (Carnival Cruise Lines, 2017; Dowling & Weeden, 2017; Norwegian Cruise Lines, 2017). Table 2 above lists the supply associated with the global cruise industry as well as the percentage change in the period from 2012-2016. Table A-2 in the Appendix includes worldwide demand in 2015 and 2016.

- Cruise companies are investing in larger ships with increased capacity.** The three most prominent cruise companies in the world had 175 ships in operation at the end of 2016 (Carnival Cruise Lines, 2017; Norwegian Cruise Lines, 2017; Royal Caribbean, 2017). The three largest ships currently in use—all operated by Royal Caribbean—have all made their debut since 2009. *Harmony of the Seas* is the biggest—the 227,000 ton ship that can carry 5,496 passengers was launched in 2016 (Dowling & Weeden, 2017); second largest is *Allure of the Seas* (225,282 gross registered tons, launched in 2010, 5,400-person capacity), while the third is *Oasis of the Seas* (225,282 gross registered tons, launched in 2009, 5,400-person capacity). Expansive additional capacity is scheduled to come online soon, with total investments of more than US\$6.8 billion expected to come online in 2017 (CLIA, 2017). There are 17 new cruise ships that have been ordered for 2018, 22 for 2019 and 32 for 2020-2026. Table 3 below lists the projected capacity for new cruise ships expected to come online between 2017 and 2026. The average capacity of ships coming online in 2017 is 1,154 lower berths per ship and 1,732 in 2018; in 2019, it is slated to be 2,355, while from 2020-2026, it will be 3,734 lower berths per ship.

⁴ During the same period, revenues from North America increased 7.3% while falling 7.4% from Europe and 13.5% from the rest of the world (Carnival Cruise Lines, 2017).

Table 3. Projected New Cruise Ship Capacity, 2017-2026

Year	Ocean	River	Ships Ordered	New Capacity (Lower Berths)	Average Capacity Per Ship
2017	13	13	26	30,006	1,154
2018	15	2	17	29,448	1,732
2019	20	2	22	51,824	2,355
2020-2026	32	0	32	119,510	3,734
Total	80	17	97	230,788	2,379

Source: CLIA, 2017.

- Cruise ship companies are diversifying product offerings.** At the same time Asia and Australia have become increasingly important markets, the product options in traditional markets are diversifying. River cruises have had success attracting customers, especially in Europe. River products have different profiles than ocean cruises, with education and cultural opportunities in ports ranking as more significant attractions (CLIA, 2016b). Within ocean cruises, culinary offerings, stateroom amenities and entertainment options are major selling points, with destinations de-emphasized in favor of on-board amenities (CLIA, 2016b). To take advantage of the interest in onboard entertainment, cruise companies are improving stateroom and dining options in ways that appeal to younger consumers while also offering themed cruises that are capitalize on popular media and show-business trends (Kasriel-Alexander, 2016). The governance section below analyzes product offering trends in further detail while also extrapolating regional-level implications.

2.2. The Cruise Tourism Global Value Chain

The GVC methodology has been used to analyze the tourism industry in various regions of the world.⁵ The focus, however, has been on different types of leisure travel and the cruise industry has been studied under the GVC lens less frequently.⁶ Building upon distinctions of tourism actors outlined by Christian & Nathan (2013) and used by other value chain researchers (Daly & Gereffi, 2017; Daly & Guinn, 2016), the cruise tourism value chain can be divided into three categories of actors: consumers (or tourists), distribution intermediaries, and service providers. Figure 1 below provides an illustration, tracing both the communication flows and tourists' expenditures and experiences through the chain.

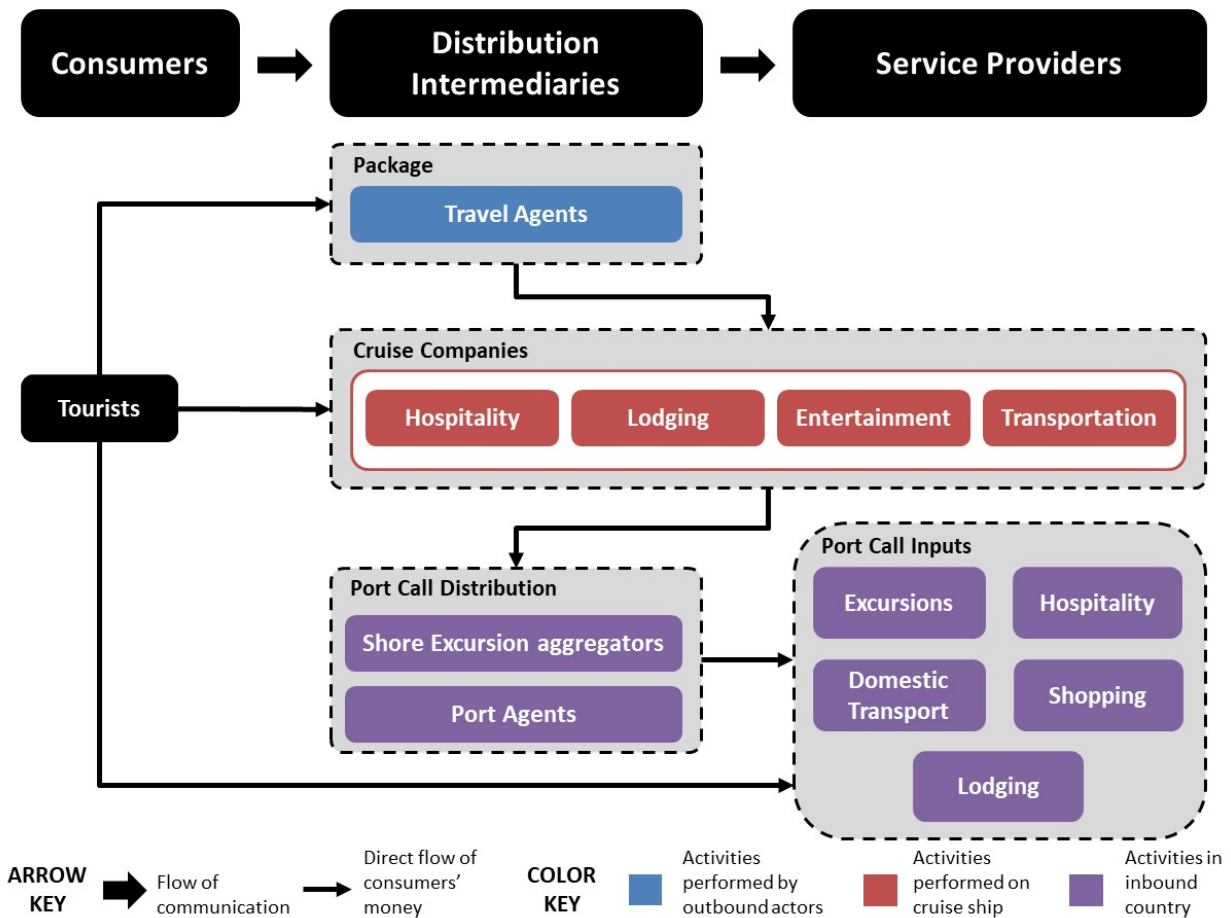
As can be seen in Figure 1, there are three possible distribution channels; identity, power, and linkages among actors depend on which of these three channel consumers use to access the product. The *package distribution channel* is depicted at the top of the diagram. In cruise tourism chains, the package channel captures the significant role played by travel agents; these actors largely sell already-assembled packaged tours or vacation experiences.⁷ As primary point of contact with consumers, a major value addition is that travel agents create trust that the experience will conform to travelers' expectations.

⁵ Michelle Christian has published many research papers on the tourism industry using a GVC lens (Christian, 2013, 2015; Christian et al., 2011; Christian & Nathan, 2013).

⁶ Exceptions include Clancy, who used a global commodity chain approach (Clancy, 2008). The global commodity chain framework preceded the GVC literature but has many similar features (Bair, 2005).

⁷ In traditional leisure tourism value chains, the package tour channel includes networks of travel agents, tour operators and Destination Management Companies (DMCs) that coordinate tourists' activities in a location.

Figure 1. Cruise Tourism Global Value Chain



Source: Authors.

Travel agents are particularly prominent features of the cruise tourism value chain, with as many as 70% of cruise travelers accessing cruise products through these actors (CLIA, 2016b). Norwegian Cruise Line—one of the largest three companies in the world—estimates it has a network of 23,000 travel agents worldwide that sell its products (Norwegian Cruise Lines, 2017). Royal Caribbean also relies on travel agents for most of its booking and cultivates strong links with these retailers (Royal Caribbean, 2017).⁸

Tourists who do not purchase cruise packages through travel agents can book directly through cruise companies. **Cruise companies** are analogous to integrated tour operators in conventional leisure tourism chains, aggregating individual services—hospitality, lodging, entertainment and transportation—and bundling tourism experiences. The governance section that follows provides further detail on the power they wield over domestic actors; however, two of the most prominent

⁸ In its annual report, Royal Caribbean characterized its relationship with travel agents thusly: “We believe in the value of this distribution channel and invest heavily in maintaining strong relationships with our travel partners. To accomplish this goal, we seek to ensure that our commission rates and incentive structures remain competitive with the marketplace. We provide brand dedicated sales representatives who serve as advisors to our travel partners. We also provide trained customer service representatives, call centers and online training tools (Royal Caribbean, 2017).”

characteristics when considering the dynamics of the chain are as follows: 1) Cruise companies are increasingly integrated, offering expanded hospitality, shopping and entertainment options in addition to lodging and transportation on the ship as well as pursuing direct ownership over shore attractions; and 2) Cruise companies often control consumers' access to services in ports, capturing as much as 70% of the value of consumers' shore excursions through commissions and sub-contracting relationships with Shore Excursion aggregators, Gate Agents and other ground handlers (Cheong, 2013).

Shore Excursion aggregators and **Port Agents** are the two most important domestic distribution intermediaries. *Shore Excursion aggregators* are similar to DMCs in traditional leisure tourism, interacting directly with the tourist while providing transportation, hospitality, excursion or shopping offerings. While they may be integrated and offer individual excursions themselves, these businesses can bundle various services into cohesive packages. They may also coordinate any transfer to local airports if passengers are permanently disembarking. *Port Agents* generally are not oriented toward customers, although they may provide transportation between airports and sea ports in locations where cruises commence and conclude. Although this provides value, their primary services relate to the ship itself when docked. In addition to booking berths and organizing the clearance of the ship through customs, *Port Agents* interact directly with the crew, handling any services that are required during the port call. They may also handle provisions and the loading of cargo containers. In smaller destinations, Shore Excursion aggregators and Port Agents are regularly integrated, although separate departments often concentrate on the different activities (Field Research, 2017).

Tourists do have the ability to direct their own sight-seeing activities once off the ship, a fact that is illustrated in Figure 2 with the bottom arrow linking directly with port call inputs. However, existing research indicates this distribution channel remains underdeveloped, with individual studies indicating that more than 50% of land-based activities being controlled by cruise companies (Brida & Zapata, 2010; Diedrich, 2010; IFC, 2014, 2016). In total, estimates suggest 94% of all visitors get off the ship in Caribbean locations (BREA, 2015a). Popular activities for cruise tourists in ports include excursions to local attractions, dining at local restaurants and bars, and shopping. In an economic analysis of consumer spending during the 2014/15 cruise season in 35 Caribbean locations, visitors spent at average of \$103.83 at each destination (BREA, 2015a). The only two categories that the majority of tourists participated in were shore excursions (53% of all disembarking passengers) and food and beverage at local establishments (51%). Table A-3 in the Appendix provides a detailed summary—watches and jewelry had the highest average spending (US\$187 per passenger).

2.3. Lead Firms and Governance

After a wave of consolidation in the late 1990s and early 2000s, the cruise ship industry today is highly concentrated around three leading companies—Royal Caribbean, Carnival and Norwegian—that control more than 80% of the market (Dowling & Weeden, 2017). With a diverse array of brands that appeal to different geographic locations and market segments,⁹ the companies generated more than US\$29 billion in sales in 2016. Carnival Cruise Lines is the largest of the three as measured by employees, annual revenues, number of ships and passenger capacity. The

⁹ Carnival Cruise Lines, for instance, has Carnival, Princess, P&O, Holland America, Aida, Seabourn, Cunard and others under its corporate umbrella. The Carnival brand has 25 ships and targets mass markets in North America. Princess Cruises has 18 ships and has more expansive upmarket and geographic options. Holland America has 14 smaller ships that provide a more intimate experience. Seabourn focuses on the luxury market while Costa and Aida have more narrow European focuses.

company’s 2016 sales were roughly double those of Royal Caribbean and almost four times greater than Norwegian. It also has more employees and ships than its two closest competitors combined. Table 4 below provides brief profiles of the leading companies. Together, the trio employ close to 190,000 workers.

Table 4. Profiles of Leading Cruise Companies

	Carnival Cruise Lines	Royal Caribbean Cruise Lines	Norwegian Cruise Lines
Headquarters	Doral, Fla.	Miami	Miami
Founded	1972	1968	1966
Brands	Carnival Cruise Line, Holland America Line, Princess Cruises (Princess), Seabourn, Aida, Costa, Cunard, P&O Cruises	Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises	Norwegian Cruise Line, Oceania Cruises, Regent Seven Seas Cruises
2016 Sales (US\$, millions)	\$16,389	\$8,196	\$4,874
Employees	91,300	66,100	30,000
Ships	102	49	24
Lower Berths	226,000	123,270	46,000

Sources: Company annual reports.

There are a number of entrenched advantages in cruise tourism that accentuate the power of lead firms. One is the high capital costs associated with building new ships—Royal Caribbean’s *Harmony of the Seas*, the world’s largest cruise ship, was completed in 2016 with a price tag of US\$1.35 billion (Smith, 2015). Another is the substitutability of destinations. In many locations, the low levels of sunk costs for cruise companies in terms of capital investments—port facilities are generally financed by the government, although this evolving to a degree—as well as the selection of new locations based on geographic considerations as much as local attractions (see industry trend #3 below) increase the leverage of the big companies. These characteristics are reinforced by current industry trends, the most prominent of which are detailed below. Aggregated, these features point to a relationship between major actors and small businesses that is increasingly ambivalent—a zero-sum rather than a positive-sum game.

I. Ocean-bound cruises are enhancing on-board amenities. The “internalization” strategy of cruise lines involves improving entertainments on the ship to keep consumers on board, even during port calls (Clancy, 2008). The Global Cruise Tourism Industry section of this report details the geographical distinctions associated with cruise products—ocean-bound cruises popular in locations such as the Caribbean emphasize attractions on the ship itself while river and other European attractions focus more on shore excursions. The implication of this trend is that cruise lines themselves have limited motivation to encourage customers to disembark during port calls, which means local businesses must have a compelling value proposition.

Table 5. Sources of Revenue for Leading Cruise Companies, 2014-2016

	2016	2015	2014
Carnival			
Passenger Tickets	73.8%	73.8%	74.8%
Onboard	24.8%	24.7%	23.8%
Tour & Other ¹⁰	1.4%	1.4%	1.4%
Royal Caribbean			
Passenger Tickets	72.0%	73.0%	73.0%
Onboard	28.0%	27.0%	27.0%
Norwegian			
Passenger Tickets	69.5%	72.0%	69.6%
Onboard	30.5%	28.0%	30.4%

Source: Company annual reports.

The revenue sources of leading cruise companies reinforce this point. Table 5 above presents a broad global overview of the share of passenger ticket revenue compared with onboard entertainment. While passenger tickets generally account for 70-75% of the revenue for the three leading companies, the share of onboard entertainment revenue has trended upward in the last three years for each. There is also geographic and longitudinal variance. For the Carnival Cruise Company, passenger income represented 72% of its revenue for North American consumers in 2016 versus 82% for European consumers, which reinforces the idea that European consumers are more likely to spend money off the ship. Across all geographies, Carnival's onboard entertainment revenues had increased 7.6% at the end of 2016 compared to two years earlier with 1.7% for passenger ticket revenue. Consumer spending on entertainment rose by US\$55 million in 2016 alone (Carnival Cruise Lines, 2017).

- 2. Cruises are expanding shore offerings in integration efforts designed to capture increasing shares of passengers' money.** Cruise companies' drive toward integration also includes the development of resorts and private ports in locations throughout the Caribbean where they receive all revenues. Norwegian owns Great Stirrup Cay, which is a private island in the Bahamas, and developed the Harvest Caye destination in Belize, which opened in 2016 (Norwegian Cruise Lines, 2017). Carnival owns Mahogany Bay in Honduras while Royal Caribbean has a similar venture in Mexico. Cruise ships dock at ports adjacent to these locations, most of which are remote and have limited connections with the broader local economy (Rodrigue & Notteboom, 2013).
- 3. Cruise companies are attempting to contain costs through reduction of port fees and other taxes.** If internalization is an industry-wide strategy for increasing revenue, cruise companies also use their negotiating power to drive down costs at ports. Expenditures at each location include passenger-based fees, navigation fees, port taxes, and charges for utilities, such as water, power and sanitary services (BREA, 2015a). Other categories of costs for the cruise companies include food and beverage purchases as well as payments to local tour operators. In the nine Caribbean countries where companies were

¹⁰ Carnival includes revenues from the following sources in its Tour & Other category: hotel and transportation operations; land packages; and long-term leasing of ships (Carnival Cruise Lines, 2017).

estimated to have spent more than US\$10 million during the 2014/15 cruise season, port and navigation fees were the largest single expenditure, often accounting for 90-95% of the total costs. Table A-4 in the Appendix provides further information and includes notes on significant expenses for cruise companies in each location. In total, cruise companies spent \$400.8 million in 35 Caribbean destinations in the 2014/15 season (BREA, 2015a).

The leverage of individual countries to negotiate higher port fees is limited by the substitutability of ports and the low levels of sunk costs made by cruise companies in the form of capital investments in individual locations (Clancy, 2008). Almost all destinations in the Caribbean charge less than US\$10 per passenger (Wood, 2004), although Bermuda is one prominent exception, implementing a tax of US\$60 per passenger plus an additional surcharge in high season (Cheong, 2013). Attempts by individual countries to increase fees have largely been ineffective, and collective negotiation by regional organizations has also been unsuccessful (Clancy, 2008).

4. **In considering new locations, cruise companies prioritize overall itineraries, not necessarily individual destinations.** Cruise companies' negotiating power is further strengthened by their emphasis on selecting destinations based on overall itineraries rather than individual attractions—each separate piece must fit into a coherent package (Rodrigue & Notteboom, 2013). While there is not complete substitutability of port call locations, cruise companies must balance the selection of destinations against operational considerations such as the sequencing of stops, the sailing schedule of ships, and the size and quality of port infrastructure. Despite the fact this nuance might afford individual locations increased leverage based on geographic considerations, the overall implication reinforces the governance structure of the industry—potential port calls' power is often constrained by factors other than quality of tourism attractions.
5. **FCCA, CLIA and others act as critical supporting institutions.** The Florida-Caribbean Cruise Association (FCCA) and the Cruise Lines International Association (CLIA) are two industry organizations that wield sizeable influence in the sector. The FCCA, which was created in 1972 and is based in Florida, is composed of 19-member cruise lines, including the three global leaders (FCCA). The organization regularly organizes trade shows that offer smaller businesses educational forums and access to decision-makers from the cruise companies. CLIA represents a broader base, including cruise lines, travel agents and local distribution intermediaries. There are also other important supporting institutions and companies. Aon, the insurance company, is one of the more significant—the US-based firm has developed a Tour Operators Liability Insurance Program and regularly offers training sessions in destinations to improve the competitiveness of local small businesses (Field Research, 2017).

The resources that organizations such as FCCA, CLIA and Aon provide to actors in the cruise tourism value chain can provide valuable background on some of the nuances of the industry compared with conventional leisure tourism. Box I below highlights some of the ways cruise tourism is differentiated from more conventional leisure tourism where visitors spend nights in local locations.

Box I. Significant Differences between Cruise and Conventional Tourism

While there are numerous similarities between cruise and conventional stay-over tourism, there are nuances that distinguish the dynamics in the cruise tourism chain. These differences, in turn, have implications for small businesses wishing to participate in the sector. Some of the more pronounced include:

- **INSURANCE:** While there are insurance considerations in conventional tourism, cruise lines demand shore excursion providers have high liability coverage to serve to act as protection from lawsuits.
- **CONSISTENCY:** Cruise passengers are rarely onshore for more than eight hours, and individual excursions typically last for 2-4 hours. The condensed time window places a premium on consistency: Whereas businesses engaging stay-over visitors may have multiple opportunities to correct mistakes, cruise businesses that do not meet customers' standards have little chance to change opinions. According to industry stakeholders, cruise companies are then quick to offer refunds to passengers without discussing with their domestic partners.
- **VOLUME vs. VALUE CONSIDERATIONS:** The strategies for businesses in conventional tourism chains often concentrates on either generating high volumes of visitors or establishing a high value that allows them to charge premium prices. In cruise tourism, high-priced shore excursions face challenges since: 1) Cruise lines often mark-up individual excursions by as much as 100%, inflating the price further; 2) Transportation considerations give economies-of-scale advantages to larger groups. As such, natural environment attractions and other excursions in other settings that are best experienced by low numbers of visitors are at a disadvantage when being evaluated by cruise companies.

Source: (Field Research, 2017) .

6. **Cruise ships are often exempt from national regulations, influencing their labor, environmental and tax strategies.** Most cruise operators sail under “Flags of Convenience,” which allows companies to circumvent tax liabilities, safety standards and inspections as well as environmental laws (Cheong, 2013).¹¹ Despite the fact there is established international maritime law with conventions under both the International Labor Organization (ILO) and International Maritime Organization, it has proven near impossible for states to enforce domestic and international laws on cruise lines when they are in international waters (Hil, 2015) .¹² There are important consequences of this for labor conditions. Cruise ship workers typically work on six-month contracts, with an excessive workweek of 80 or more hours, seven days a week. Workers have little guarantees of future employment. Additionally, cruise workers are required to pay for transportation to the ship, any visas or work permits and medical or legal permits (Hil, 2015). Salaries range

¹¹ Flags of Convenience is a business practice whereby a merchant ship is registered in a country other than that of the ship's owners, and the ship flies that country's civil ensign. In these cases, the ship is governed by laws of the country where it is registered, as well as international conventions enforced by that country. For vessels that are registered in the United States, it is worth noting that the country has never ratified the United Nations Convention on the Law of the Sea (UNCLOS).

¹² In recent cases, cruise companies have re-routed ships that have been fined in particular ports without addressing abuses. For example, Royal Caribbean's *Oasis of the Seas* underwent labor inspections while docked in Rotterdam, in the Netherlands and Dutch labor inspectors ultimately fined Royal Caribbean €600,000 (\$760,000) for violating Dutch labor laws and the International Maritime Convention, citing that at least 85 employees, mainly from the Philippines and South America, lacked proper work permits and were working excessive hours (Hil, 2015).

from around US\$800-US\$8,000 per month, depending on the position and line (Morello, 2015). While officers, entertainers, and many retail workers that engage directly with customers earn equitable wages by North American standards, the majority of the ship's workers do not, earning most of their income through tips (Morello, 2015). Cruise companies also source workers from developing countries that are undergoing rapid development and producing fewer workers whose skills and goals align with the needs of cruise operators (Terry, 2009).¹³ Box 2 below has further details on the geographic component to cruise tourism's labor market.

Box 2. Pronounced Geographic Component in Cruise Human Capital

Operating a cruise is a labor-intensive activity, with passenger-to-crew ratios on mass market cruises as high as 2:1 and luxury cruises closer to 1:1. Globally, the industry supports as many as 940,000 jobs and generates approximately US\$39 billion in wages and salaries. There is a wide variance in the skill levels associated with each group of workers across the cruise tourism value chain. The highest employment opportunities are regularly found in the service-provider segment of each chain, although these jobs are often lower skilled.

There is a geographical segmentation to cruise labor. The highest-pay jobs are usually held by officers and crew from developed countries while workers from Asian countries such as the Philippines often dominate lower-paid positions. Nations such as Indonesia have cruise training schools, which provide companies such as Carnival with fertile recruiting ground. Cruise ships that traverse the Caribbean can be expected to conform to this pattern—oftentimes they have very few Caribbean nationals working the ships.

Sources: (Clancy, 2008; CLIA, 2016a; Wood, 2004).

3. Barbados and the Cruise Tourism GVC

Tourism is among the most significant economic activities in Barbados. With its warm weather and striking beaches as well as its historical ties to the United Kingdom and its close geographic proximity to the United States, the country attracts large number of British and American travelers.¹⁴ In 2016, tourism's direct contribution to GDP was 12.9%, and it accounted for 62.1% of Barbados' total exports (WTTC, 2017b). The industry provided direct employment for 17,000 people and indirectly supported as many as 51,000 jobs; accounting for roughly 40% of the country's total labor force (WTTC, 2017b). Barbados ranks ahead of the regional average in terms of the relative contribution of tourism to the overall economy in many key indicators. Table 6 below provides a summary.

Cruise tourism is a significant component of the overall tourism industry in Barbados, although its exact importance depends on the metric. **On the one hand, 54% of the 1.3 million tourists who visited the island in 2015 were cruise ship passengers.**¹⁵ In total, 731,137 passengers entered the port in Bridgetown (BPI, 2017). While that figure is down slightly from 2010 (745,175), it represents an 18% increase from 2012, when 617,438 cruise ship passengers visited Barbados. The number of port calls has followed a similar trend line, falling in 2012 before trending upward in

¹³ Filipinos represent roughly 30% of the total labor force on cruise ships (Terry, 2009).

¹⁴ It is also worth noting that Barbados is one of the few Caribbean locations with direct flights to Canada and the UK.

¹⁵ 2015 is the final year that international arrival data was made available to Duke GVCC.

recent years (BPI, 2017). The total in 2016 (424) represents a recent historical apex. **On the other side, cruise tourism indirectly employed as many as 1,845 Barbadians (Field Research, 2017), which is only roughly 9% of the total tourism workforce.**

Table 6. Relative Contribution of Tourism to Barbados Economy

Variable	Barbados	Caribbean Average	Global Average
Direct contribution to GDP	12.9%	4.7%	3.1%
Total contribution to GDP	39.9%	14.9%	10.2%
Direct contribution to employment	13.3%	4.2%	3.6%
Total contribution to employment	39.8%	13.4%	9.6%
Share of total investments	23.3%	12.3%	4.4%
Percentage of total exports	62.1%	20.7%	6.6%

Source: WTTC, 2017.

Most cruise consumers access Barbados via one of the three primary companies and their associated brands. While consolidation is a characteristic of the global industry, with the big three controlling approximately 80% of the market (see Global section), Carnival, Royal Caribbean and Norwegian’s reach is even more pronounced in Barbados. In 2014, 94% of all cruise arrivals visited Barbados on brands associated with Carnival, Royal Caribbean and Norwegian (BPI, 2015). In 2016, approximately 86% of all visitors arrived via Carnival and Royal Caribbean.

Beyond the industry’s general profile, there are recent trends and overall characteristics that are warrant accentuation. These include the following:

- **While more cruise passengers are coming onshore in Barbados, they are spending less money.** As can be seen in Figure 2 below, Barbados’ number of passenger onshore visits from cruise customers increased 33% in the period from 2005/06 to 2014/15 (BREA, 2015a), from 405,300 to 554,400.¹⁶ However, during that same period, the average expenditure per passenger fell 30% from US\$111.82 to US\$78.03 while the average expenditure per crew dropped 47% from US\$76.18 to US\$40.35.¹⁷ The fall in passengers’ onshore expenditures has kept Barbados’ overall cruise revenue relatively flat in the last nine years despite the growth in arrivals—total cruise expenditures in Barbados was US\$57.3 million 2005/06 and US\$57 million in 2014/15.¹⁸ Overall, Barbados ranked 14th of 35 destinations in the Caribbean for the total economic contribution of cruise tourism in 2014/2015, which was down from 10th in the 2011/12 survey (BREA, 2012, 2015a).
- **The perception of Barbados’ tourism products has decreased in recent years.** The most dramatic decline is associated with satisfaction of purchased tours. Barbados ranked 10th out of 35 destinations in the Caribbean in 2008/09 but fell to 24th in the 2014/15 survey (BREA, 2015a). Other drops were less dramatic, but the island ranked in the bottom half compared to peers in the following categories: satisfaction with shopping experiences (18th of

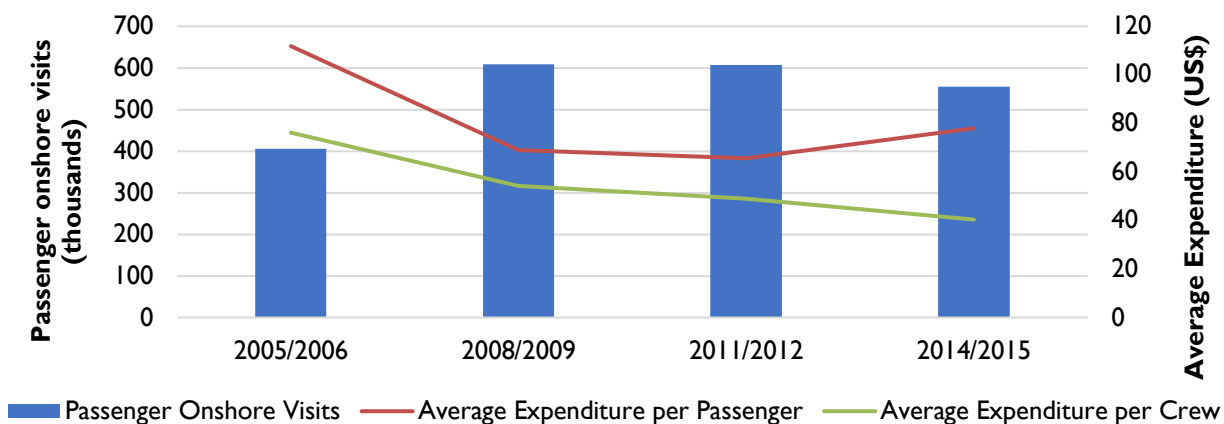
¹⁶ BREA publishes economic analysis on cruises to Caribbean destinations every three years. For its report, it uses cruises years to measure visitors and expenditures. The cruise year runs from the beginning of May to the end of April each year.

¹⁷ The BREA reports commissioned by the FCCA adjust dollars for inflation in each report.

¹⁸ BREA calculates total cruise expenditure by adding passenger and crew expenditures to the fees and taxes that ports collect along with cruise company expenditures for food and beverage and other provisions.

35 destinations); impressions of the initial shore side welcome (20th); overall prices (21st); and courtesy of store employees (25th). The low scores contributed to visitors spending less time away from the ship than in previous years in addition to purchasing fewer items. In 2008/09, Barbados ranked 12th in the region for onshore stays (4.4 hours); in 2014/15, it was 19th (4.3 hours). The individual activities where cruise visitors spend the most money were shore excursions, accommodations, watches and jewelry, and clothing (BREA, 2015b).

Figure 2. Passenger Visits and Average Expenditures for Cruises in Barbados



Source: BREA, 2006, 2009, 2012, 2015a. (BREA, 2006, 2009, 2012, 2015a)(BREA, 2006, 2009, 2012, 2015a)

- Despite the strong ties between Carnival and Barbados, the Royal Caribbean brand has had stronger growth in recent years.** Carnival Cruise Lines has significant ties to Barbados. The company has the highest share of Barbados cruise passengers (45% in 2016) and uses Bridgetown as a home port for some of its Southern Caribbean packages across brands.¹⁹ Despite these factors, the number of Carnival passengers to Barbados has decreased from 361,674 in 2012 to 330,000 in 2016. The government has a financial agreement with the company where it pays it US\$2 million annually to provide a minimum number of consumers each year (Field Research, 2017). Even with the linkages and financial incentives between Carnival and the Barbadian government, Royal Caribbean has been steadily increasing its numbers of passengers and is projected to have roughly equal passengers in 2017 as Carnival. The number of Royal Caribbean arrivals increased 86% in the five years from 2012 to 2016, driven largely by a significant jump in visitors on the Royal Caribbean International brand. Table 7 below (following page) provides a summary of the number of Carnival and Royal Caribbean passengers in Barbados from 2012-2016.
- There are low levels of engagement between cruise passengers and shore excursion providers, both on the demand and supply side.** Barbados is notable for the low volume of cruise passengers who purchased organized shore excursions on the island, ranking 30th out of 35 destinations in the Caribbean (BREA, 2015b). Both the minimal demand as well as the poor perception of the country's tourism products may reflect of the lack of diversity and small numbers of businesses engaged in the sector. On the supply side, Barbados' cruise industry is controlled by Foster & Ince, a domestic enterprise that offers

¹⁹ Home ports are where passengers start and end their tours.

integrated services across the chain, including transportation, shore excursion and logistical options. While its history and successes afford the company advantages that benefit the island, it has also helped it accumulate significant market power, which can be an impediment to smaller excursion operators, who often must compete or partner with Foster & Ince to be economically viable. While there are opportunities for local businesses to surmount this challenge and enter the sector, there are other considerations that limit participation, including insurance coverage, underdeveloped business skills and market linkages as well as a failure to recognize differences between cruise and conventional leisure tourism.

Table 7. Number of Carnival and Royal Caribbean Passengers in Barbados, 2012-2016

Brand	2012	2013	2014	2015	2016
Carnival					
Carnival Cruise Line	166,837	173,643	170,607	166,963	133,366
P&O Cruises	72,586	94,326	70,237	80,445	85,947
Princess Cruises	57,168	36,416	29,055	42,574	36,630
Costa Cruises	12,530	5,788	18,733	24,331	29,710
Aida Cruises	20,111	20,339	22,904	20,862	25,337
Holland America Line	29,324	20,387	20,622	21,761	14,753
Cunard Cruises	1,923	0	4,333	2,004	4,148
Seabourn Cruises	1,195	2,390	2,792	2,078	821
Carnival total	361,674	353,739	339,283	361,018	330,712
Share of total cruise arrivals	58.6%	53.3%	49.7%	50.7%	45.2%
Royal Caribbean					
Royal Caribbean International	64,842	114,579	115,565	160,306	151,590
Celebrity Cruises	72,711	76,927	79,748	80,080	78,110
TUI Cruises	18,520	18,895	22,652	22,916	27,434
Thomson Cruises	0	0	30,221	27,396	31,339
Pullmantur Cruises	0	0	0	0	2,600
Royal Caribbean total	156,073	210,419	248,186	290,698	291,073
Share of total cruise arrivals	25.3%	31.7%	36.3%	40.8%	39.8%

Sources: (BPI, 2015; BTMI, 2017).

This section of the report investigates Barbados' cruise tourism industry in further detail. It first examines the country's participation in the value chain, highlighting the segments where it is most active. It then analyzes the industrial organization, concentrating on the importance of both Carnival and Royal Caribbean to the local sector as well as domestic companies such as Foster & Ince. The industry upgrading discussion then outlines the value-addition prospects of the sector as well as its evolution. After assessing the institutional framework, it then examines the most prominent advantages and constraints for potential upgrading trajectories.

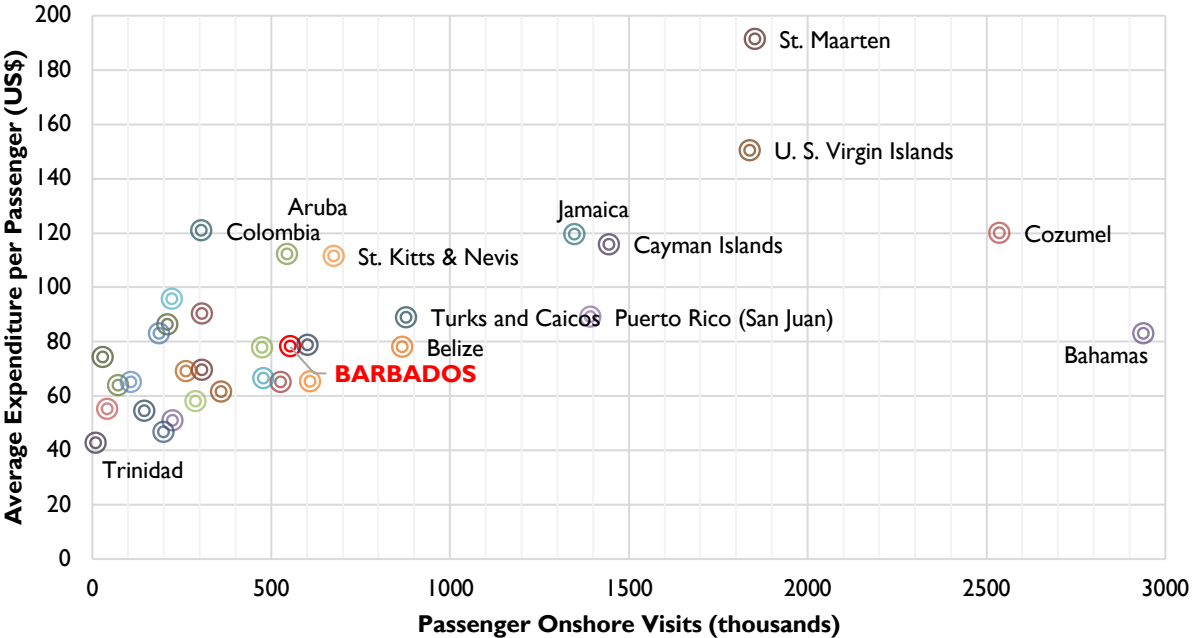
3.1. Barbados' Current Participation in the Cruise Tourism GVC

Barbados' profile in the cruise tourism value chain is well established, although the country lags behind many regional peers in terms of number of visitors and average passenger expenditure. **With 554,500 passenger onshore visits in the 2014/15 cruise season, the island ranked 14th in the Caribbean** in that metric, trailing behind leaders such as Bahamas (2.9 million onshore visits) and Cozumel (2.5 million). It should, however, be noted that the country was generally

competitive with Southern Caribbean peers such as St. Lucia (603,000 onshore visits), Antigua (527,000) and Aruba (546,000) (BREA, 2015a).²⁰

After the recent decline in average expenditure per passenger to US\$78.03 in 2014/15, Barbados’ ranked 18th in the Caribbean in spending. Regional leaders St. Maarten (US\$191.26), US Virgin Islands (US\$150.21) and Cozumel (US\$119.89) capture between US\$41-\$113 more per passenger than Barbados. Figure 3 below maps Caribbean countries for both data points. Barbados is part of the cluster of countries at the bottom left of the image, while St. Maarten, the US Virgin Islands, Cozumel and Bahamas are the outliers moving to the top right. Table 3 in the Appendix provides a table listing each country’s raw total.

Figure 3. Onshore Visits and Average Expenditures for Caribbean Cruise Passengers



Source: Authors based on BREA data.

Although cruise passengers spend less in Barbados than peers, there are multiple segments of the value chain where the country has measurable economic activity. These include the distribution of shore excursions as well as inputs such as ground transportation, the excursions themselves, hospitality, shopping and lodging. The discussion below outlines Barbados’ participation in the chain as well as the industry organization. It is based both on qualitative data collected during field research conducted during June 2017 as well as economic analysis compiled by BREA.

3.1.1. Industry Organization

A defining characteristic of the domestic industry is the power concentrated in the primary local distribution intermediary: Foster & Ince. The integrated company has a diverse array of operations

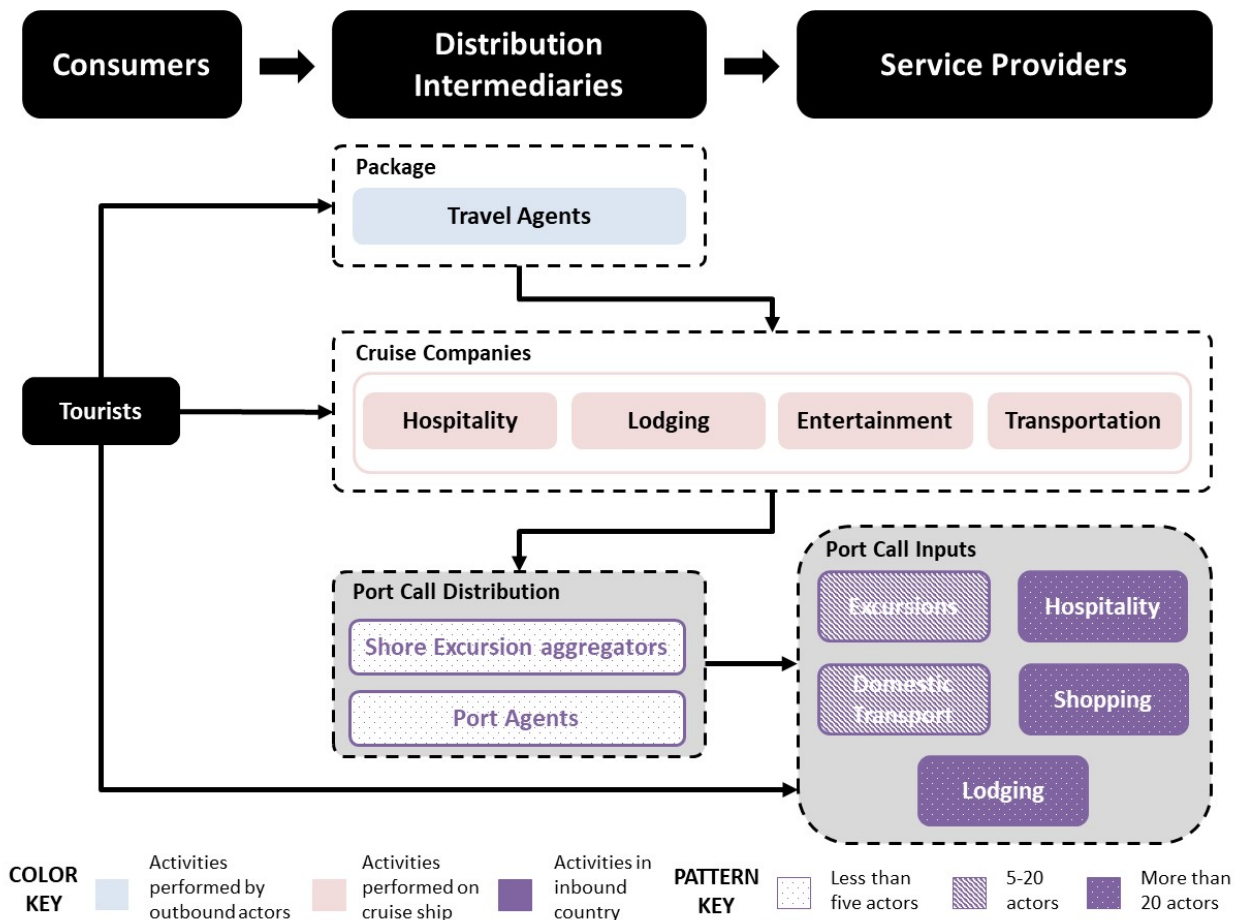
²⁰ There were 23.6 million onshore visits to the 35 Caribbean destinations surveyed by BREA for the 2014/15 cruise season. Barbados’ regional share of onshore visits was 2.3%.

and interests, including Shore Excursion aggregation, port agency services, transportation, real estate and tourism attractions. Otherwise, the industry is relatively segregated with few businesses participating in multiple segments.

Despite the minimal number of integrated firms, there are well-established linkages between some segments of the chain. The strongest can be found between the transportation sector and excursion sites; however, because cruise lines only market products from affiliated vendors, consumers do not always have easy access to this method of accessing Barbados' tourism products.

Further analysis on the industrial organization of the industry is embedded within the section that follows, which examines the linkages between critical distribution intermediaries and smaller businesses in product categories such as excursions, transportation, shopping, hospitality and other segments. Figure 4 below provides a summary of the cruise tourism GVC in Barbados. Activities depicted in purple represent segments where Barbadian businesses have the largest presence. The lightest shades of purple illustrate areas where there are fewer than five companies. While these segments have few actors, their power over SMEs is significant (see Barbados Distribution Intermediaries section below). The medium shade of purple represents segments where Barbados has 5-20 companies active in the industry. The darkest shades indicate activities where Barbados has the strongest participation.

Figure 4. Barbados Participation in Cruise Tourism Industry



Source: Authors.

3.1.2. Barbados Distribution Intermediaries

Carnival and Royal Caribbean generally account for 85-90% of cruise passengers visiting Barbados each year (see Table 7). As the primary source of consumers, these companies have significant power in determining how passengers engage with Barbadian businesses. Each features the products of Shore Excursions providers on the ship and facilitates pre-bookings with these actors. Tourists can also create their own experiences by exploring Bridgetown and surrounding attractions independently or through taxi services that are available. Different cruise companies place varying emphasis on pre-booking local packages, with domestic businesses reporting that Carnival was particularly aggressive (Field Research, 2017).

Compared to its regional peers, Barbados is notable for the low volume of passengers who purchased organized shore excursions on the island (BREA, 2015b). Domestic stakeholders estimated that 30-40% of passengers who get off the ship in Bridgetown have pre-purchased tours while 60-70% do not (Field Research, 2017). Surveys conducted in the 2014/15 cruise season suggested 46% of visitors ultimately purchased organized tours, whether through the cruise line, travel agents or local providers (Table 8). That percentage put Barbados behind 29 of 35 destinations in the Caribbean; the country also ranked last in percentage of tours purchased from onshore tour operators (BREA, 2015b). Of the 46% of visitors who purchase organized tours, 84% buy directly from the cruise company, 13% buy from travel agents and only 3% buy from onshore tour operators.

Table 8. Shore Excursion Purchases from Cruise Passenger in Barbados

	Percentage of Barbados Passengers	Ranking in Region* (35 Caribbean locations)
Passengers that Purchased Shore Excursions[^]	46%	30 th
From Cruise Company	84%	5 th
From Onshore Tour Operator	3%	35 th
From Travel Agent	13%	9 th
Toured Individually/Did Not Tour	54%	7 th

Source: BREA, 2015b. **Note:** * = rankings out of 35 Caribbean locations. ^ = The distribution intermediary that sold the shore excursions is presented in the rows presented immediately below in the table.

For smaller businesses that wish to integrate into the chain, the most straight-forward strategy is to connect with domestic Shore Excursion aggregators. Foster & Ince is the most prominent local example and the most powerful local business active in the industry. The company has a diverse portfolio of subsidiaries that offer integrated services across the value chain, including transportation, excursions and logistical services and as well as Port Agent services for the crew and cruise companies, and DMC offerings for stay-over tourists. Founded in 1967, the company enjoys significant market power, with observers of the domestic industry estimating that it controls 60-65% of shore excursions and more than 95% of port agency responsibilities (Field Research, 2017). In cases where it does not own the excursion experience directly, Foster & Ince will enter partnership arrangements with smaller businesses, using its transportation assets to shuttle passengers to sites. The company also recently expanded to St. Lucia.

Other prominent distribution intermediaries include Island Tours, which provides shore excursions and tours. Sunlinc, a notable DMC, is expanding into the sector through its St. James subsidiary, although its cruise presence is still small. There are a handful of other small tour operators that are active, but it is important to note that Shore Excursion aggregators cannot partner with taxi services and sell their services in the port because of contractual arrangements with the cruise companies (Field Research, 2017).

3.1.3. Port Call Inputs

In addition to declining passenger expenditure, Barbados also ranks in the bottom third in the region for percentage of passengers making purchases on the island (62%, which is 26th out of 35 surveyed locations) (BREA, 2015b). For consumers that do participate in local economic activities, the categories that capture the highest expenditures are excursions (weighted average spend of US\$20.89 per passenger)²¹, watches and jewelry (US\$16.54), clothing (US\$10.21) and local crafts (US\$7.14). Table 9 below charts passenger expenditures in Barbados in the 2014/15 season compared to regional averages. Since Barbados is a home port for some Carnival cruises, **lodging** providers also interact with the chain in the country; however, destination specific estimates for travelers using specific locations as home ports were less reliable and are thus not included in the table.

Table 9. Cruise Passenger Expenditures in Barbados by Category, 2014/15 season

	Barbados	Caribbean
Shore Excursions	\$20.89	\$23.33
Food & Beverage	\$4.72	\$8.01
Ground Transportation	\$4.91	\$3.64
Watches & Jewelry	\$16.54	\$37.11
Clothing	\$10.21	\$10.08
Entertainment	\$0.24	\$0.51
Other Purchases	\$8.17	\$8.44
Perfumes & Cosmetics	\$0.86	\$1.02
Local Crafts & Souvenirs	\$7.13	\$7.13
Liquor	\$1.84	\$2.25
Electronics	\$0.28	\$0.38
Telephone/Internet	\$0.03	\$0.15
Total Spent Per Person	\$75.85	\$103.83
Total Expenditures (US\$m)	\$32.9	\$2,452.8

Source: BREA, 2015b. **Note:** Each category is the weighted average spent in US\$, which captures the average spent per passenger measured against the total number of passengers purchasing goods in that category.

The major cruise companies feature 15-25 **shore excursions** in Barbados, although the actual number of attractions and businesses that regularly engage in this segment is less than 20. The Barbadian excursions that most consistently attract cruise passengers include Atlantis Submarines, Harrison's Cave, Mount Gay Rum distillery, George Washington House, Jolly Roger Pirate Cruises, Andromeda Botanic Gardens and Tiami Sailing. There are also a number of beach and general island

²¹ Weighted average is the average spent per passenger measured against the total number of passengers purchasing goods in that category.

tours. Many of these individual excursions have ties to Foster & Ince, with the company either owning a subsidiary that provides the service (Tiami Sailing) or providing transportation to the attraction (Andromeda Botanic Gardens, Harrison's Cave, others).

Individual excursion providers can also seek access to passengers by engaging with the cruise companies at FCCA or CLIA trade shows or through more organic strategies by building reputations on sites such as Trip Advisor or by registering with Barbados Tourism Product Authority's (BTPA) Island Treasures program. Success through the more formal channels—trade shows or direct pitches to cruise lines—is often predicated on a range of factors beyond the marketability of the attraction, including the presence of liability insurance and the ability to fashion a financially literate business plan (Field Research, 2017).

While companies such as Foster & Ince have their internal **transportation** capabilities, there are taxis available in Bridgetown for cruise passengers who wish to explore the island independently. There are approximately 30 taxi unions on the island, two of which serve the port area: the Bridgetown Port Taxi Co-op and the Independent Sea-port Taxi Union (ISTU). There are roughly 225 vehicles available in the port area, and the number of members of the ISTU have increased from 50 to 75 in the last eight years (Field Research, 2017). For both co-ops, cruise customers represent the majority of overall passengers. The drivers receive some training, with the Barbados Port Inc. offering sessions and the Hospitality Institute at the Barbados Community College providing annual workshops.

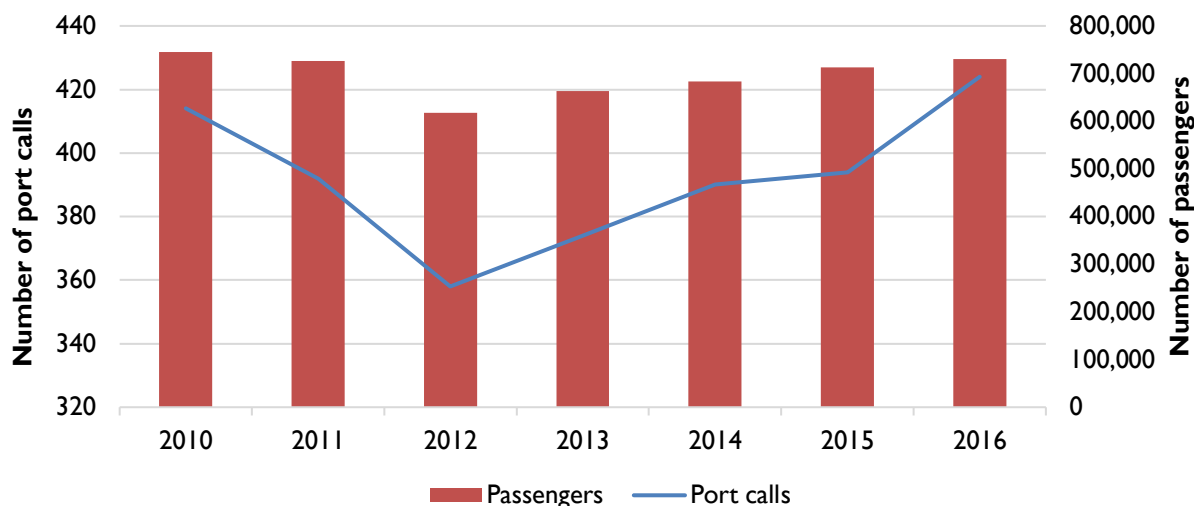
Shopping includes the handicraft vendors in Pelican Village, the duty-free shopping in the port terminal as well as storefronts in Bridgetown (Field Research, 2017). Pelican Village, which opened in 1964, features 25 small businesses that are featured prominently on the walk from the cruise terminal to downtown Bridgetown. Bridgetown Cruise Terminals is a joint venture between the government and private businesses that features more than 60 vendors directly adjacent to the cruise dock. Among the options are duty-free alcohol, food, jewelry and clothing. Finally, **hospitality** captures food and beverage options. There are hundreds of options available on the island, with Barbados Tourism Marketing Inc. (BTMI) featuring 177 restaurants on its website alone. Barbados has worked to strengthen its reputation as a culinary option, and rum distilleries such as Mount Gay and St. Nicholas Abbey are featured in shore excursion itineraries.

3.2. Upgrading and Industry Evolution in Barbados Cruise Tourism GVC

Although the cruise industry has a decades-long history in Barbados, the most prominent recent trend in the mature market has been the increasing volume of visitors balanced against declining expenditures. The number of cruise passengers coming to Barbados has been increasing steadily in recent years after a brief decline from 2010-2012. In the four subsequent years with available data, the number of port calls (358 to 424) and passengers (617,438 to 731,137) visiting Barbados both increased 18% (BPI, 2017).²² Figure 5 below charts this trend. At the same time, there has been the previously discussed fall in average expenditure per passenger from US\$111.82 in 2004/05 to US\$78.03 in 2014/15.

²² An important difference between data collection between different sources cited in this report: BPI tracks total passengers arriving and port calls in Bridgetown in a calendar year, including passengers who do not leave the ship. BREA tracks passenger onshore visits in a cruise year (May 1-April 30).

Figure 5. Number of Cruise Passengers and Port Calls in Barbados, 2010-2016



Source: BPI, 2017.

The following section analyzes some of the underlying features that are driving these trends. It uses the conception of upgrading advanced in the GVC literature to frame the developments in Barbados' cruise sector.²³ It also focuses on advances made in the last decade. While the opening of the cruise terminal in 1994 was a noteworthy product upgrade that has helped the country increase its annual cruise passenger arrivals close to 200% over the last two-plus decades (BPI, 2017), there have not been substantive infrastructure improvements in more recent years.

- PRODUCT AND FUNCTIONAL UPGRADING: Carnival Cruise Lines adding Barbados as a destination where some of its itineraries commence and conclude.** Barbados has been a home port for Carnival brands such as Carnival, P&O Cruises, Aida and Seabourn for the last five years (Field Research, 2017). The arrangement, which has been partially facilitated through an agreement where the government pays Carnival US\$2 million each year for a minimum number of passengers, has supported both functional and product upgrading—functional upgrading because accommodation and logistical services businesses participate in the cruise tourism GVC in areas where they were previously excluded; product because stay-over passengers have opportunity during longer stays to engage with higher number of domestic attractions and increase spillovers into conventional land-based leisure tourism activities, which have elevated economic benefits for the local economy.

²³ Upgrading in the GVC literature describes how actors can improve competitiveness and increase benefits from participating in global industries. There are both economic and social dimensions to upgrading: economic upgrading describes how firms or countries can add value to production or move into higher value activities, while social upgrading encapsulates improvements in measurable standards and the enabling rights of workers (Barrientos et al., 2011). Economic upgrading includes a variety of different forms. *Product upgrading* describes the shift into the production into higher value products or services. *Process upgrading* includes improvements in the efficiency of the production systems such as incorporating more sophisticated technology. *Functional upgrading* is when actors acquire new functions or abandon existing ones to increase overall competitiveness. *Chain upgrading* is when firms or countries move into new—but often related—production activities by leveraging existing capabilities. Finally, *end-market upgrading* describes incursion into new market segments (Gereffi & Fernandez-Stark, 2016).

- **INTERSECTORAL UPGRADING: Increased linkages between cruise tourism and rum sector.** Mount Gay Rum is featured on Carnival and Royal Caribbean’s shore excursions in Barbados, while St. Nicholas Abbey and other distilleries report regular cruise customers (Field Research, 2017). The linkages have provided benefits for both value chains, allowing the cruise industry to augment its product offerings while the domestic rum industry strengthens its international reputation and individual sites use increased revenue to facilitate process upgrades.

3.3. Industry Institutionalization

Given its importance to the Barbadian economy, tourism is a source of interest for multiple government institutions. The Ministry of Tourism and International Transport (MTI) is the lead agency; it coordinates policy and strategic initiatives for the industry. In 2014, MTI commissioned a six-volume Master Plan authored by HLA Consultants that offered goals, strategic imperatives and timelines for improving the island’s tourism’s competitiveness.²⁴ Although that document focused on the entire industry, one of its strategic aims was enhancing cruise tourism products and experiences and its recommendations were designed to accomplish that goal (Environment Planning Group & HLA Consultants, 2014).

In 2014, MTI split the Barbados Tourism Authority into BTMI and the Barbados Tourism Product Authority (BTPA). BTMI’s mandate is to promote the tourism industry, while BTPA concentrates on licensing, registration and capacity building with the goal of ameliorating the product stagnation that is reflected on the rankings of cruise passengers’ impressions of excursions on the island (Field Research, 2017). BTMI also has a unit that focuses specifically on the cruise sector; it has undertaken strategic initiatives such as formulating a marketing plan that analyzes the strengths and weaknesses of the country’s cruise products while also offering a development plan to address some of the shortcomings and an implementation timeline.

There are other agencies that regularly interact with the sector. With its day-to-day management of the port facilities, Barbados Port Inc. is a particularly significant actor. The agency participates in long-term planning and has helped formulate the Sugar Point development plan, which is the name for a series of ambitious infrastructure improvements to the port (BPI, n.d.). It also coordinates with the Ministry of Finance to set the tax rate on the head count for cruise passenger arrivals (\$6 per passenger) as well as engaging with the cruise ship companies about logistical and environmental considerations (Field Research, 2017).

Barbados Tourism Investments Inc. (BTII) acts as a facilitator for investments. The government organization has roughly US\$1 billion in tourism investments, supporting the sector through: 1) loan facilitation, customs support and fiscal incentives; 2) public-private partnerships; and 3) straight investments (Field Research, 2017). However, BTII’s current portfolio is oriented toward conventional land-based tourism, with investments in the accommodation and tourism attraction segments of the chain. It has not engaged on the Sugar Point development (Field Research, 2017).

Table 10 below lists the key stakeholders in the cruise tourism in Barbados as well as their primary role.

²⁴ The Master Plan can be accessed through the Barbados Hotel & Tourism Association website: <http://www.bhta.org/index/resources/tourism-master-plan.html>

Table 10. Key Stakeholders in the Cruise Tourism GVC

Actor	Description	Role
Barbados Tourism Marketing Inc. (BTMI)	Marketing agency for entire Barbados tourism	Promote and raise awareness of entire Barbados tourism industry, with emphasis on cruise sector. Helps assist with human capital development.
Barbados Tourism Product Authority (BTPA)	Government agency that works to improve tourism products in Barbados	Primarily focused on licensing and regulation of industry, primarily focused on accommodation sector. Helps assist with human capital development.
Barbados Port Inc.	Management for cruise and cargo port for island	Oversees the island’s cruise port and helps develop long-range plans for infrastructure development as well as policy toward port fees
Bridgetown Cruise Terminals	Private company that manages cruise terminals	Joint venture between government (Barbados Port Inc.), private business and general public; oversees vendors and improvement to terminal facility
Barbados Tourism Investment Inc. (BTII)	Government agency that coordinates investments in tourism projects	Engaged in overall tourism sector more than cruise tourism with US\$1 billion in projects; provides loans through: 1) loan facilitation (fiscal incentives); 2) PPPs; 3) straight investments
Barbados Hotel and Tourism Association	Tourism industry association with over 300 members	Provides communication forum for all stakeholders in the tourism industry, including the cruise sector
Ministry of Tourism and International Transport	Government agency charged with overseeing policy to tourism industry	Sets policies and collects information relating to tourism industry; Oversees BTMI, BTPA and BTII

Source: Authors.

3.4. Advantages and Constraints

Barbados’ cruise tourism industry is characterized by increasing numbers of overall visitors balanced against stagnant products, aging infrastructure and diminishing returns. Despite these and other challenges, the sector generates measureable economic activity, both in terms of jobs—cruise tourism indirectly employed as many as 1,845 Barbadians and generated US\$19.5 million in wage income during the 2014/15 season (Field Research, 2017)—and revenue.

Because of its prominence, the sector offers further potential for small businesses located on the island. In order to maximize that opportunity, however, the government will have to address some of the more entrenched challenges. Table 11 below summarizes both the advantages and constraints associated with the industry, with the most pronounced outlined in the section that follows. The ensuing potential upgrading section then expounds further on opportunities.

Table II. Advantages and Constraints of Cruise Tourism in Barbados

Advantages	Constraints
<ul style="list-style-type: none"> • Familiarity of Barbados among cruise consumers • Favorable language and crime profile • Bridgetown serves as Carnival home port • Extensive industry experience among some private sector actors • Established government institutions 	<ul style="list-style-type: none"> • Low passenger spending • Lack of new tourism products • Aging and aesthetically limited infrastructure • Uncompetitive shopping experience • Concentrated domestic market for shore excursion aggregation • Limited implementation of strategic objectives by government institutions • Uneven focus on small business development
Opportunities	Threats
<ul style="list-style-type: none"> • Large number of cruise passengers arriving to the country • Bridgetown serving as home port • Government linkages with Carnival (incentives) • Linkages with rum industry 	<ul style="list-style-type: none"> • Emerging destinations (Cuba, South Asia) • Low coordination exacerbates competition among Caribbean countries • Less passengers disembarking from ships due to onboard entertainment • Cruise companies acquiring private islands in the Caribbean

Source: Authors.

3.4.1. Advantages

Barbados' advantages in the cruise industry revolve around its reputation for safety and friendliness, its international airport, its brand awareness in key source markets, its strong links with Carnival Cruise Lines as well as its long-standing history in the sector. The following sub-section expounds upon these features.

1. **Familiarity of Barbados among cruise consumers:** An estimated 50% of cruise passengers visiting Barbados in the 2014/15 season had been to the island previously, which is one of the highest percentages in all of the Caribbean—the regional average is 37%, and only Cabo San Lucas (66%), the US Virgin Islands (63%), Puerto Vallarta (60%), Cozumel (60%), St. Maarten (58%) and the Bahamas (51%) had higher repeat visitor percentages (BREA, 2015).
2. **Favorable language and crime profile:** The United States, Britain and Canada are Barbados' largest source of overall visitors, with the US being the No. 1 market for cruise arrivals. Barbados' English language skills make the island an easy destination to visit for these passengers, especially since there are direct flights available from Canada and the UK as well as the US. Furthermore, the island's comparatively low crime rates—it had the lowest murder and robbery rates per capita in 2016 of any islands in the Eastern Caribbean (OSAC, 2017)—also strengthen the country's appeal.
3. **Bridgetown serving as home port for Carnival:** Carnival Cruise Lines brands have used Barbados as a home port in recent years. During the 2014/15 cruise season, an estimated 119,760 passengers embarked and disembarked at Bridgetown, providing

Barbados with an opportunity to showcase more of its tourism product offerings while also engaging accommodation providers in the cruise GVC. General estimates suggest the country's position as a home port generated as much as US\$10.3 million during the 2014/15 cruise season, although there is reason to question such evaluations—the methodology used by BREA only allows for generalized estimates across the region, and local research suggests 92% of home-port passengers did not stay even one night on the island (BREA, 2015b; Field Research, 2017).

4. **Extensive industry experience among some private sector actors:** Barbados' roots in the cruise sector trace back to the 1970s. Some of the most prominent local businesses such as Foster & Ince and Atlantis Submarines have been actively engaged in the industry for a similar duration, affording the companies a high degree of experience, technical proficiency and familiarity with leading cruise companies.
5. **Established government institutions:** Barbados has multiple government institutions devoting attention to the cruise sector. The split of the Barbados Tourism Authority into BTMI and BTPA created two agencies that can service the sector with initiatives. BTMI has led strategic reviews while also engaging global stakeholders such as FCCA and Aon in efforts to increase the capabilities of small domestic businesses. BTPA, meanwhile, has created the Island Treasures database to link local enterprises with international consumers. While these efforts are in their nascent stage, they represent meaningful initial steps.

3.4.2. Constraints

Although the island has a number of strengths and advantages in the cruise sector, there are multiple challenges, some of which have become particularly pronounced in recent years. The most immediate of these are expounded upon in the sub-section that follows. Aggregated, these challenges contribute to the one of the most significant features of Barbadian cruise tourism sector: the decline in shore expenditures by cruise passengers.

1. **Lack of new tourism products:** Many of the tourism attractions that are featured regularly as shore excursions are long-standing options that have been marketed for extended periods. The result is that cruise passengers appear to have tired of some of the products. In recent years, Barbados' ranking in the satisfaction with purchased tours has dropped from 10th out of 35 destinations in the Caribbean in 2008/09 to 24th in the 2014/15 survey (BREA, 2009, 2015a). The island appears to make no better than an average impression on visitors, with it ranking in the middle of peers for likeliness of visitors to return or recommend a visit to family or friends (BREA, 2015a).
2. **Aging and aesthetically limited infrastructure:** The Bridgetown Port, which opened in 1961, serves both cargo and cruise customers. The functional and aesthetic limitations of the facility have been widely noted by domestic stakeholders as well as cruise customers—Barbados ranks 20th in the region for its initial shore-side welcome (BREA, 2015b). The Sugar Point development was formulated to address these shortcomings; however, there are financing challenges that may prevent the US\$300-500 million project from proceeding

as planned (Edward, 2016; Field Research, 2017; Maddon, 2017).²⁵

- 3. Uncompetitive shopping environment.** Beyond the quality of tours, Barbados' lowest marks are associated with its shopping experiences (18th of 35 countries), overall prices (21st) and courtesy of store employees (25th) (BREA, 2015b). Local stakeholders in the handicrafts and cruise industry lamented lack of marketing associated with general shopping and Barbados being a duty-free environment. Additionally, Pelican Village, which is the shopping area located close to the port and downtown Bridgetown featuring the products of 25 local handicraft makers, is relatively old, located on the opposite side of the road of the walkway from the port to downtown and in need of general reinvigoration (Field Research, 2017).
- 4. High degree of power among limited number of domestic distribution intermediaries:** More than one local stakeholder compared Foster & Ince's control of the local industry to a "monopoly" (Field Research, 2017). The integrated company holds significant power, with observers of the local industry estimating that it controls 60-65% of shore excursions offered by cruise lines coming to Barbados while also handling roughly 95% of port agency responsibilities for the ships (Field Research, 2017). Although Foster & Ince's technical acumen provides the country with advantages (see above), its command of the domestic sector presents obstacles for small businesses attempting to integrate into the chain.
- 5. Limited implementation of strategic objectives by government institutions:** The Master Plan sponsored by MTI identified actions that would enhance the competitiveness of the cruise sector with implementation timelines of 2014-18. Those included: 1) Improving the cruise visitor experience at Bridgetown Port; 2) Creating a Southern Caribbean Cruise Association; and 3) Targeting new source markets for cruise tourism (Environment Planning Group & HLA Consultants, 2014). While this report is agnostic about the efficacy of such strategies, it is worth noting there has been little progress toward the articulated goals. Moreover, a repeated theme of interviews with stakeholders is that while there is overall government commitment to the sector, top-down commitment and vision for the industry could be enhanced.
- 6. Uneven focus on small business and human capital development:** Government expenditures related to the cruise sector have concentrated on incentives provided to Royal Caribbean to guarantee a minimum number of passengers and trips by BTMI and other stakeholders to FCCA and other trade events (Field Research, 2017). While such line items hold value, there are human capital considerations and soft skills that warrant further development. Specifically, external and internal stakeholders have identified the need for Barbadian small businesses to fully understand the nuances of the cruise sector compared with conventional stay-over tourism. These include: 1) Insurance requirements; 2) The importance of developing business plans and completing required paperwork to submit proposals to cruise lines; 3) Volume vs. value dynamics; and 4) Overall consistency (see Box 1). BTMI has engaged with industry stakeholders such as FCCA and Aon to help bridge these gaps, although further work remains.

²⁵ The Sugar Point port project includes the construction of separate cruise piers as well as food, entertainment and shopping facilities and a possible hotel (Edward, 2016).

4. Lessons for Barbados Upgrading in Cruise Tourism from Global Experiences

As Barbados seeks to improve its competitiveness in the cruise tourism GVC, the Caribbean provides tangible examples of success. Upgrading has taken various forms in different countries. Because tourism composes diverse niches, there is no single trajectory or pattern. The multi-sectoral nature of tourism allows for multiple upgrading paths to be pursued simultaneously. Some avenues are more accessible based on the global arrangement of the sector and local capabilities. Domestic policies, access to international markets via tour operators and travel agents, human capital, and a strong brand all help determine country-level tourism success. Table 12 summarizes the key upgrading trajectories that have been pursued by countries in the cruise tourism GVC.

Table 12. Selected Upgrading Strategies in the Cruise Tourism GVC

Upgrading Trajectory	Description
PRODUCT UPGRADING	<p>Improving the tourism offerings to make a country more attractive for cruise lines and cruise passengers. Investments in infrastructure, specifically port infrastructure, are common strategies. Strong private/public coordination between cruise companies and governments is key for a successful product upgrading.</p> <p><i>Example:</i> St. Maarten completed the construction of a second pier in 2009 to support larger ships. The project was developed and financed by a partnership between cruise lines and the Harbour Group of Companies (Port St. Maarten).</p>
PROCESS UPGRADING	<p>Improving efficiency in the production system of cruise tourism results in increasing passenger and crew onshore visits, as well as passenger, crew and cruise lines expenditures. It can involve designing attractive incentive schemes for cruise lines and visitors, implementing innovative methods of processing passengers (for example, expediting arrival procedures) or strengthening coordination among stakeholders amongst others.</p> <p><i>Example:</i> In 2013, Puerto Rico launched the “Puerto Rico Cruise Industry Promotion and Development Act.” It featured several incentives packages to boost the sector: 1) Tariff incentives to cruise lines that manage passengers and home port in the country; 2) Cash incentives for time in port; 3) Incentives for purchases of goods and services; and 4) Incentives for tour transportation providers (Business Puerto Rico, n.d.)</p>
CHAIN UPGRADING	<p>Chain upgrading entails moving into or creating strong linkages with other industries. In the Caribbean, the cruise ship industry has developed strong linkages with the rum industry.</p> <p><i>Example:</i> The Rum Renaissance Caribbean Cruise offers a seven-day journey through the Eastern Caribbean, departing from San Juan (Puerto Rico) and visiting other five destinations (St. Maarten, St. Kitts, Antigua, St. Lucia, Barbados). These countries offer full “rum experience,” offering packages where passengers visit rum distilleries and sugarcane facilities, plantations and museums (Dreisinger, 2014).</p>

Source: Authors.

4.1. Case Studies

This section examines the upgrading experiences of two countries: St. Maarten and Puerto Rico. Each represents a successful case of upgrading trajectories in the industry. St. Maarten ranks first amongst 35 Caribbean destinations in terms of average expenditure per passenger, total passenger expenditures, and total tourism expenditures. Puerto Rico ranks first in average expenditure per crew and second in cruise lines expenditures (see Table 13).

Table 13. Profiles of Cruise Tourism in Barbados, St. Maarten and Puerto Rico

Destination	Barbados		St. Maarten		Puerto Rico	
	Value	Rank	Value	Rank	Value	Rank
Indicator (Value/Rank)						
Passenger Onshore Visits (thousands)	554	14	1,854	3	1,394	6
Average Expenditure per Passenger (US\$)	78	18	191	1	88	11
Total Passenger Expenditures (US\$ millions)	43	14	355	1	124	7
Crew Visits (thousands)	110.5	9	377	3	234	6
Average Expenditure per Crew (US\$)	40	27	119	2	144	1
Total Crew Expenditures (US\$ millions)	4.5	14	45	2	35	4
Cruise Lines Expenditures (US\$ millions)	10	11	23	8	39	2
Total Tourism Expenditures (US\$ millions)	57	14	423	1	198	7
Total Employment	1,845	10	9,259	2	5,209	6
Total Employee Wage Income (US\$ millions)	19.5	11	189	1	75	5

Source: BREA, 2015a.

Both St. Maarten and Puerto Rico also rank highly in visitors' satisfaction in different indicators. For instance, while St. Maarten ranks first in happiness with shopping experience and second in probability of returning for a land-based or resort-vacation, Puerto Rico ranks third in satisfaction with the variety of things to see and do and fifth in satisfaction with taxis and/or local transportation, well before Barbados in both indicators.

When analyzing different prospective paths for upgrading for Barbados in the cruise tourism GVC, the steps that both St. Maarten and Puerto Rico have taken offer insights on how to increase economic returns from the industry. The key takeaways from each location include:

- St. Maarten made critical **product upgrades** through capital investments to its port infrastructure and surrounding areas through partnership agreements between cruise companies and government organizations
- Puerto Rico made significant **process upgrades** through the Puerto Rico Cruise Industry Promotion and Development Act, which has allowed for targeted incentives to the sector.

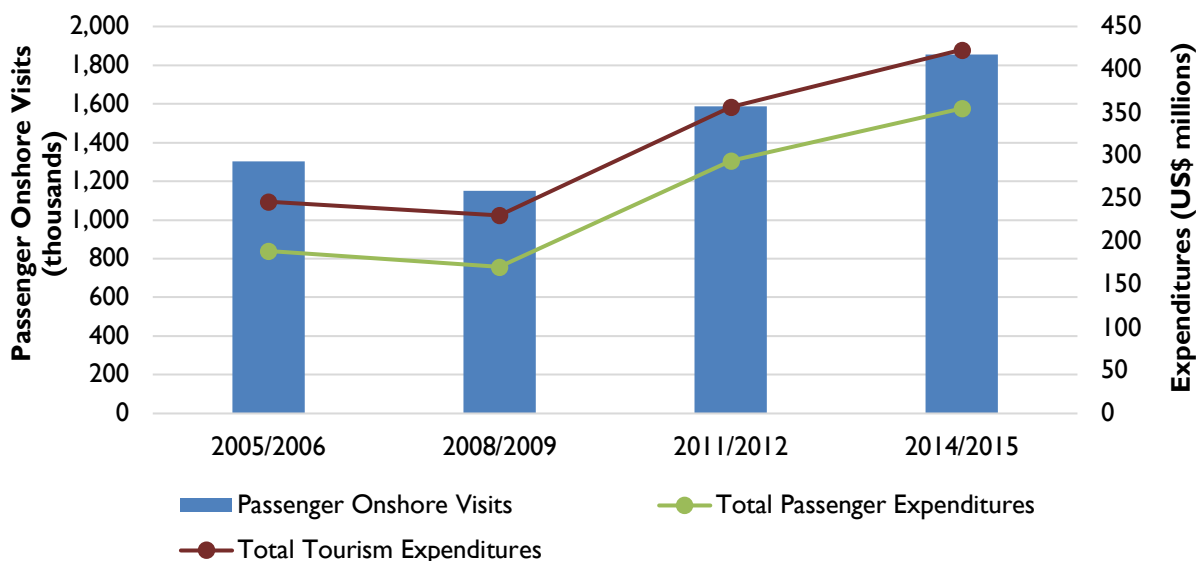
Further analysis about the strategies each destination has used is discussed in the sections that follow.

4.1.1. St. Maarten

Supported by several public-private investments, the cruise industry has been a major pillar of St. Maarten’s development, especially since the country opened its first deep water port in 2000. The sector has a broad economic footprint, providing an estimated 9,259 jobs in 2014/2015 (66% more than in 2005/2006) and generating the second highest total expenditure among the Caribbean’s destination (US\$45 million). As a result, St. Maarten ranks first in the Caribbean in terms of direct cruise tourism expenditures, with nearly US\$423 million in the 2014/2015 cruise year.²⁶ It was also third in passenger onshore visits (1.85 million) after Bahamas and Cozumel.

St. Maarten offers a range of products to appeal to diverse groups of travelers. The island has built a reputation as a duty-free destination, with arts and crafts, jewelry and international brand clothing options (St. Maarten Harbour Group, 2003). Visits from passengers generated an average total expenditure of US\$355 in 2014/15, which is the highest average in the Caribbean, accounting for 14% of total passenger spending in the region. The country also ranks first in per passenger expenditures, with US\$191 per visit, second in average expenditure per crew visit (US\$119) and third in number of crew onshore visits (roughly 377,000) (BREA, 2015a).

Figure 6. Economic Profile for Cruise Tourism in St. Maarten



Sources: BREA, 2006, 2009, 2012, 2015a.

St. Maarten’s organized tours also attract interest. An average of 52% of all passengers purchased shore excursions in the 2014/2015 cruise year, approximately 6 percentage points above Barbados’ average (BREA, 2015a). The majority were purchased from the cruise line (72%), while 15% purchased their tour directly from local tour operators and 13% bought their tour through a travel agent or some other means (BREA, 2015b). The rate of tours purchased from local tour operators

²⁶ Direct cruise tourism expenditure is made from passenger, crew and cruise lines expenditures.

in St. Maarten is 12 percentage points above the Barbados' average, which suggests that St. Maarten's cruise industry has stronger linkages with local SMEs.

Aggregated, the vibrant individual segments of the cruise value chain in St. Maarten promote spillovers into more traditional leisure tourism and functional upgrading. In the 2014/2015 cruise season, 62% of visitors said they were likely to return to the island for a land-based or resort vacation, which was the second-highest ranking in the region (BREA, 2015a). Table A-5 in the Appendix provides further detail on upgrading observed in St. Maarten. From 2005/06 to 2014/15 passenger and crew onshore visits increased by 42% and 26%, respectively, while average expenditure per passenger grew from US\$145 to US\$191. The higher passenger expenditures supported increases in the total number of jobs (up 66% in the period from 2005/06) and wages (up 90%); overall, St. Maarten ranks first in the Caribbean in income impact and the second highest employment impact (BREA, 2015a).

Upgrading Trajectories and Policies

St. Maarten entry and upgrading in the cruise tourism GVC took place after significant capital investments and attention to the sector from the government. Broadly, three upgrading trajectories can be observed: 1) *Product upgrading*, with the construction of various infrastructure improvements; 2) *Process upgrading*, with establishment and strengthening of agencies and other bodies designed to enhance visitors' land-based experiences; and 3) *Functional upgrading*, with the development and exports of IT services related to the cruise and tourism industry. The following section explores the development of the St. Maarten industry in greater detail, providing relevant details on government policy that supported the upgrading.

- **Product upgrading with construction of various infrastructure improvements.** St. Maarten opened its only deep-water port in 2000.²⁷ Nine years later, the island completed significant investments in a second pier and the development of a successful waterfront boardwalk and pedestrian shopping district. The project started in 2002 when the cruise lines operating in St. Maarten partnered with the government owned company Port St. Maarten Harbor Group of Companies (PSGC) and co-financed the second pier, which now accommodates the largest cruise vessels in the world.²⁸ The St. Maarten Harbour Group of Companies invest not only in the port itself, but also in its surrounding community—in 2013, the group finalized the construction of the Simpson Bay Lagoon Causeway, a US\$50 million bridge built over an adjacent lagoon to alleviate traffic congestions for tours and improve the area that surrounds the main street of the island. The causeway was also built with the intention of lessening the impact of the cruise industry operations on the environment.
- **Process upgrading with establishment and strengthening of agencies, instruments and other bodies designed to enhance visitors' land-based experiences.** The construction of the second pier was accompanied by the installment of two booths for passenger screening, which expedites passenger disembarking. These developments enhance St. Maarten's ability to maintain long-term business relationships with major cruise lines while also nurturing cooperation between local stakeholders and global companies. More recently,

²⁷ Unless otherwise cited, the information in this section has been retrieved from the Port St. Maarten website: <http://www.portstmaarten.com/>.

²⁸ The PSGC is a wholly government-owned group of companies, which owns and operates a diverse range of maritime-related facilities across the island.

the government established in 2016 the St. Maarten Tourism Authority (STA). The organization consists of a board with industry representatives and supervisory council whose main responsibilities are destination marketing and product development (St. Maarten Today, 2016). STA's primary purpose is to assist temporarily in carrying out the tourism policy of the Government of St. Maarten as a tourist destination; to support the growth of St. Maarten's land- and sea-based tourism by providing the public and private sectors with focused, sustainable and productive marketing; and to enhance overall visitor experience. In addition, the St. Maarten port launched a survey of customer satisfaction in 2017 to better understand at a local level what is important to the customer and enhance destination experiences.

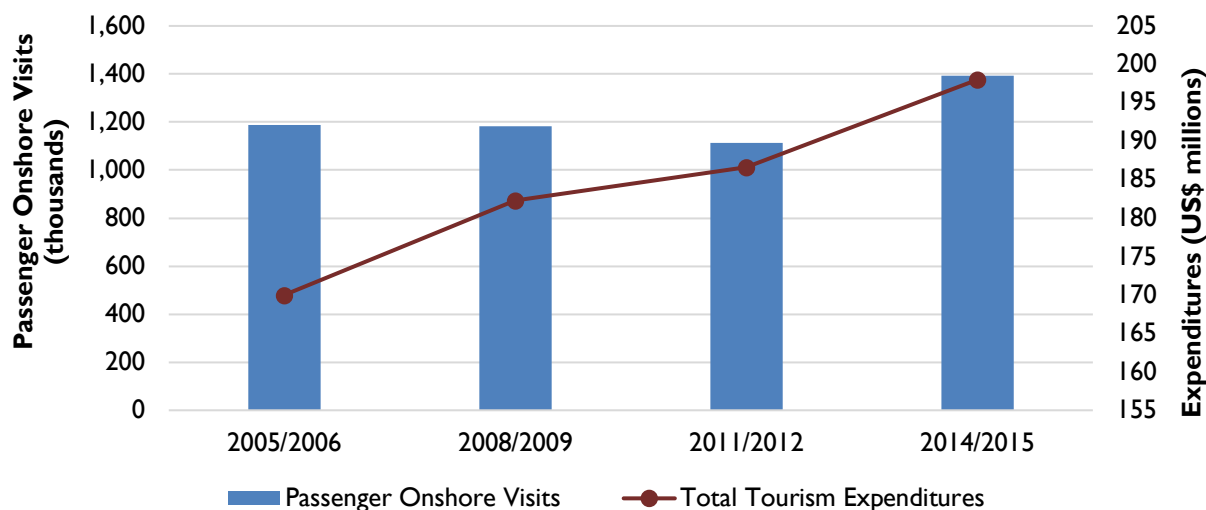
- **Functional upgrading with the development and exports of IT services related to the cruise and tourism industry.** The upgrading in the cruise tourism GVC of St. Maarten has been further accomplished by the development and implementation of the GLS software at St. Maarten's cargo handling in cooperation of a Dutch-based IT firm, which led to the birth of the SMHC Consultancy Company. This firm provides the Caribbean area with port consultancy software and services, such as fueling operations and terminal management, as well as skill outsourcing of St. Maarten's highly trained mechanics to other regional ports having similar equipment, which entails services exports.

Port St. Maarten is prepared to handle larger sized-vessels that cruise companies are adding to their fleets (see Global section). Additionally, the St. Maarten Port will develop a new attraction, "The Dutch Village" and expand both shopping and dining facilities to include more refined offerings; it will be constructed on 14,000 square meters and include cobble stone streets, water gates and bridges, as well as an authentic windmill. There will also be a fashion outlet with four stores, a trade house with five shops, an arts and crafts and building with ground floor shopping, a first-floor restaurant and a bar and lounge on the second floor, a chapel and an ocean side restaurant. The project is estimated at US\$40 million and it will be financed by the private developers of the Blue Mall and St. Maarten Port Services, as well as by stores involved in the project (St. Maarten Today, 2012).

4.1.2. Puerto Rico

The cruise industry is a major part of Puerto Rico's tourism profile and one of the biggest contributors to the local economy. Located in the center of the Caribbean in relatively close proximity to the eastern United States, the location offers a good port/harbor network and a highly attractive colonial and Hispanic cultural legacy (WTO, 2008). Puerto Rico ranks first in average expenditure per crew and second in cruise line expenditures, with US\$149 and US\$39 million, respectively, in 2014/15. Half of crew expenditures were concentrated on retail purchases of clothing, electronics and food and beverages, followed by jewelry, ground transportation and cosmetics. Additionally, its position as a major home port supports strong linkages with the local economy. Cruise line expenditures on the purchase of ship supplies is higher than in most other destinations, accounting for about one-third of the total expenditures made by cruise lines in the region (BREA, 2015a).

Figure 7. Puerto Rico’s Cruise Tourism Profile



Sources: BREA, 2006, 2009, 2012, 2015a

Overall, Puerto Rico ranks seventh in the Caribbean regarding direct cruise tourism expenditures, with nearly US\$200 million in the 2014/15 season (BREA, 2015a). The country is one of the eight Caribbean destinations that have annual combined passenger and crew arrivals of more than 1 million. It ranks sixth in passenger onshore visits with 1.35 million visits. These visits generated an average total expenditure of US\$124, the seventh highest average in the Caribbean (BREA, 2015a). Table A-6 in the Appendix provides further detail on the historical trends.

Upgrading Trajectories and Policies

Puerto Rico maintains its position as the Caribbean’s principal home port destination while recently developing other smaller, niche cruise opportunities. The upgrading in the cruise tourism GVC is based on infrastructure development and the creation and improvement of incentives schemes. Broadly, two upgrading trajectories can be observed: 1) *Process upgrading*, with the formulation of a cruise line incentive program; 2) *Product upgrading*, with infrastructure improvements in major piers. Puerto Rico’s experience serves as a model for countries such as Barbados that are looking to improve their position in the chain. The following section explores the development of the Puerto Rico’s industry in greater detail, providing relevant details on government policy that supported the upgrading.

- Process upgrading with the establishment of a cruise line incentive program focused on a local SMEs development.** In 2005, the country launched a cruise line incentive program that was originally intended to run for three years; however, it was extended in 2008 for another three years. In 2011, the government consulted the cruise lines about how the expired project could be improved when it was renewed, which suggests strong public-private cooperation among industry stakeholders (Peisley, 2012). In 2011, the “Puerto Rico Cruise Industry Promotion and Development Act” was created to increase both home port and transit cruise visits to Puerto Rico as well as passenger and crew expenditures and economic activity for the sectors connected with the cruise ship industry (Business Puerto Rico, n.d.). With the act, Puerto Rico became one of the few governments

to direct expenditures toward local communities. Even though the program's overall effect has not been evaluated, the increase in both passenger and crew visits, total passenger and crew expenditures and cruise line expenditures between 2012/13 and 2014/15 suggests country-level upgrading. The main components of the program are summarized in Table 14.

Table 14. Cruise Ship Incentives in Puerto Rico

Incentive	Description
Incentives for purchases of goods and services	Each cruise that berths in any port in Puerto Rico's jurisdiction will be eligible to receive an incentive equivalent to 10% of the cost of the purchases of provisions and/or the hiring of maintenance services or repairs of the cruise ships in Puerto Rico, excluding materials, products or equipment installed as part of the service. An additional 5% reimbursement applies to the purchase of products manufactured in Puerto Rico or agricultural products.
Incentives for tour operators to offer transportation from piers	Any tour company duly authorized by the Puerto Rico Tourism Company to offer tours or tourist transportation from the piers in Puerto Rico, where it picks up and drops off passengers, shall be entitled to provide its services and contract directly with cruise ship companies and may receive a US\$1 basic contribution per cruise ship passenger who purchases a tour in the ship.
Cash incentives for time in port	A cash incentive of US\$1 per passenger is provided by the Puerto Rico Ports Authority to cruise ships that berth in any port in Puerto Rico's jurisdiction for a minimum of 8 hours during a one-year period. If the ship docks before 11 am and has a minimum stay in port of 8 hours, the cash incentive increases to US\$1.50 per passenger.
Cash incentive for home port passenger movement	The homeporting incentive ranges from US\$1-3 per passenger depending on the size of the ship and number of berths. Additional incentives ranging from US\$0.50 to US\$1.50 are provided if: a) the home port ships sail on weekdays; b) the home port ship includes another Puerto Rico port during a weeklong itinerary; c) if the home port ship embarks/disembarks from a Puerto Rico port more than once in one week; d) if the home port ship sails before 4 pm.
Port tariff incentives	For the first 140,000 total passengers that a cruise line manages in Puerto Rico in a one-year period, a tariff discount or reimbursement of US\$4.95 is offered. Before 2013, the discount was US\$2.00. After 140,000 passengers, this incentive per passenger increases to US\$7.45, which is US\$3.25 more than the previous amount.
Bilateral marketing program	A Bilateral Marketing Program between the Puerto Rico Tourism Company and the eligible home port cruise ship company shall be created for positioning Puerto Rico as the base port of the Caribbean and incentivize its worldwide demand. The sum of US\$1 per passenger shall be contributed for cruise ships departing from any port of the jurisdiction of Puerto Rico, provided the cruise ship company shall contribute to its Marketing Program a percentage of the amount of the incentive claimed, as determined by regulation to be issued by the Tourism Company pursuant to this Act.
Academic internship program	The Academic Internship Program has been created to allow university students in Puerto Rico to serve internships required as part of their curricula in the cruise ships industry.

Sources: Business Puerto Rico; Peisley, 2012.

- **Product upgrading with infrastructure improvements in major piers and development of pre- and post-cruise tours.** The growth in cruise ship passengers experienced by the San Juan port in the last five years is a result of several other sets of strategies and investments. One of the most important was improvement to the San Juan port that allowed Disney cruise ships to dock at the facility. An additional critical expansion was the US\$8 million reform of Pier 3, which favored the visit of largest cruise ships (Business View Caribbean, 2016).

5. Recommended Upgrading Trajectories for Barbados

Barbados' upgrading path in the cruise tourism GVC can follow some of these examples. It is worth accentuating that upgrading in tourism is rarely linear; the government can pursue multiple strategies at the same time. The overarching goal of these efforts is to increase both passenger arrivals and expenditures, thereby providing increased economic benefits for small businesses. The most immediate upgrading trajectories that will accomplish these aims include:

1. **Short-Term Process Upgrading to Strengthen Backward Linkages with SMEs to Cruise Tourism:** Barbados' government has taken important steps in recent years to boost the competitiveness of the cruise sector. The former Barbados Tourism Authority was split into BTMI and BTPA, with BTMI having a unit that focuses exclusively on the cruise sector. While those and previous efforts have allowed the government to continue to engage important stakeholders such as Carnival, the FCCA and others, the focus moving forward should be to continue to bolster the capabilities of Barbadian businesses with the goal of increasing backward linkages with the local economy. Both passengers and cruise companies have indicated there is a clear need for Barbados to refresh its onshore experiences. This provides opportunity for new SMEs to engage in the sector. The Small Business Centre (SBC) that is a division of the Barbados Investment & Development Center (BIDC) can be an active participant—it engages with local entrepreneurs and businesses with workshops and other services designed to enhance their efficiency and innovation potential. There are different strategic areas the government can concentrate its efforts to allow for this upgrading trajectory to emerge, including the following: 1) Human capital development within SMEs; and 2) Cultivating greater links between cruise companies and SMEs; and 3) Expanding cruise passengers' access to SMEs.
2. **Short-to-Medium Term Product Upgrading to Improve Infrastructure:** The products available to cruise consumers visiting Barbados require reinvigoration. Some of the potential improvements have been identified by government stakeholders, with the Sugar Point development being the most prominent example. In the absence of immediate funding for port infrastructure, Barbados can concentrate on more economical upgrades that nonetheless enhance tourism products. Physical improvements or improved product offerings in retail spaces are the focus for this upgrading trajectory.
3. **Short-to-Medium Term Functional Upgrading to Increase Number of Stay-Over Visitors from Cruises:** Barbados has engaged in product and functional upgrading through its position as a home port for Carnival Cruise Lines. However, the benefits associated with this upgrading have been muted since only 8% of home port passengers spend at least one night in Barbados (Field Research, 2017). Increasing the number of both home port passengers who stay on the island for an extended period can further engage businesses and

categories of actors who do not currently participate in the cruise tourism chain because of time constraints. Additionally, expanding the number of visitors who return to Barbados after cruises can drive further economic spillovers into the conventional leisure tourism chain as well as strengthening linkages with related industries (rum, agriculture, etc.).

6. Appendix

Table A-1. Carnival Cruise Line Revenue by Regions, 2014-2016

Region	% Change 2014-16	2014	2015	2016
North America	7.3%	\$7,762	\$8,015	\$8,327
Europe	-7.4%	\$5,676	\$5,133	\$5,254
Asia-Pacific	19.5%	\$2,097	\$2,256	\$2,506
Other	-13.5%	\$349	\$310	\$302
Global Total	3.2%	\$15,884	\$15,714	\$16,389

Source: Company reports. **Note:** Revenues in US\$ millions

Table A-2. Global Demand for Cruises, 2015-2016 (thousands)

Country	2015	2016	Change
United States	11,210	11,280	+70
Germany	1,770	1,810	+40
United Kingdom	1,610	1,610	0
Australia	1,000	1,100	+100
China	700	986	+286
Italy	840	809	-31
Canada	800	724	-76
Brazil	—	618	—
France	590	615	+25
Spain	450	466	+16

Source: CLIA, 2017.

Table A-3. Cruise Passenger Spend Per Category, 2014/2015

Purchase Categories	Average Spend (US\$)	Percentage of Cruise Passengers Purchasing in Activity Category	Total Passenger Expenditures (US\$, millions)
Shore excursions	\$43.99	53.0%	\$551.2
Food and beverage at restaurants and bars	\$15.90	50.4%	\$189.3
Clothing	\$23.24	43.4%	\$238.0
Local crafts and souvenirs	\$16.07	44.4%	\$168.4
Taxis/ground transportation	\$15.36	23.7%	\$85.9
Watches and jewelry	\$187.64	19.8%	\$876.6
Other purchases	\$41.27	20.5%	\$199.4
Retail purchases	\$20.78	10.8%	\$53.1
Perfumes and cosmetics	\$30.09	3.4%	\$24.2
Entertainment/night clubs	\$33.92	1.5%	\$12.0
Telephone and internet	\$10.48	1.4%	\$3.4
Electronics	\$69.87	0.5%	\$9.1

Source: BREAA, 2015a. **Note:** Based on survey of 35 Caribbean countries.

Table A-4. Cruise Company Expenditures in Caribbean Ports, 2014/15 Season

Country	Total Expenditure (US\$, mil)	Notes
Bahamas	69.9	Port and navigation fees account for 95% of expenses
Puerto Rico	39.2	Ship supplies accounted for roughly 33% of expenses
Cozumel	33.5	Port and navigation fees account for 95% of expenses
Cayman Islands	29.6	Port and navigation fees account for 90% of expenses
US Virgin Islands	29.2	Ship supplies accounted for roughly 30% of expenses
D. Republic	27.0	Ship supplies accounted for roughly 50% of expenses
Jamaica	25.3	Port and navigation fees account for 95% of expenses
St. Maarten	23.3	Port and navigation fees account for 90% of expenses
Belize	14.1	Port and navigation fees account for 85% of expenses

Source: BREA, 2015.

Table A-5. Passenger Onshore Visits and Expenditures in Caribbean, 2014/15 season

Destinations	Passenger Onshore Visits (thousands)	Average Expenditure Per Passenger *US\$
Antigua & Barbuda	527.6	64.88
Aruba	546.6	112.1
Bahamas	2,940.0	82.83
Barbados	554.4	78.03
Belize	867.6	77.87
Bonaire	146.7	54.22
British Virgin Islands	307.8	69.43
Cabo San Lucas	211.4	85.98
Cayman Islands	1,446.3	115.6
Colombia	306.6	120.7
Costa Maya	361.7	61.47
Costa Rica	187.7	82.84
Cozumel	2,538.1	119.89
Curacao	476.7	77.55
Dominica	226.0	50.81
Dominican Republic	480.6	66.41
Ensenada	610.7	65.10
Grenada	201.5	46.55
Guadeloupe	308.2	90.06
Guatemala	73.4	63.62
Honduras	738.1	86.51
Jamaica	1,349.1	119.29
Martinique	263.7	68.99
Mazatlan	109.4	64.85
Nicaragua	43.0	54.94

Progreso	289.4	57.88
Puerto Rico (San Juan)	1,393.9	88.95
Puerto Vallarta	223.8	95.43
St. Kitts & Nevis	676.5	111.3
St. Lucia	603.2	78.44
St. Maarten	1,854.4	191.26
Tobago	30.9	74.18
Trinidad	10.8	42.58
Turks and Caicos	879.0	88.75
U. S. Virgin Islands	1,839.7	150.21
All Destinations	23,624.5	103.83

Source: BREA, 2015a.

Table A-6. Selected Indicators of the Cruise Tourism GVC in St. Maarten

Indicator	2005/ 2006	2008/ 2009	2011/ 2012	2014/ 2015	Change 2005/06- 2014/15
Passenger Onshore Visits (thousands)	1,304	1,152	1,586	1,854	42%
Average Expenditure per Passenger (US\$)	145	148	185	191	32%
Total Passenger Expenditures (US\$ millions)	189	170.5	294	355	87%
Crew Visits (thousands)	299	326	333	377	26%
Average Expenditure per Crew (US\$)	159.5	149	135.5	119	-25%
Total Crew Expenditures (US\$ millions)	46	49	45	45	-3%
Cruise Lines Expenditures (US\$ millions)	11	11	167	23	114%
Total Tourism Expenditures (US\$ millions)	246	230	356	423	72%
Total Employment	5,590	5,531	8,123	9,259	66%
Total Employment Wage Income (US\$ millions)	99	106	160	189	90%

Sources: BREA, 2006, 2009, 2012, 2015a.

Table A-7. Selected Indicators of the Cruise Tourism GVC in Puerto Rico

Indicator	2005/ 2006	2008/ 2009	2011/ 2012	2014/ 2015	Change 2005/06- 2014/15
Passenger Onshore Visits (thousands)	1,187	1,182	1,112	1,394	17%
Average Expenditure per Passenger (US\$)	97	100.5	118	89	-8%
Total Passenger Expenditures (US\$ millions)	115	119	131	124	8%
Crew Visits (thousands)	204	211	185	234	15%
Average Expenditure per Crew (US\$)	91	139	122	149	64%
Total Crew Expenditures (US\$ millions)	19	29	23	35	88%
Cruise Lines Expenditures (US\$ millions)	36	34	33	39	8%
Total Tourism Expenditures (US\$ millions)	170	182	187	198	16%
Total Employment	3,865	4,398	4,998	5,209	35%
Total Employment Wage Income (US\$ millions)	55	63	70	75	35%

Source: BREa, 2006, 2009, 2012, 2015.

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