

# Setting sail for sustainability: Commercial strategies for more eco-friendly cruise lines – Focus UK market

Insight paper

**SIMON**   
**KUCHER**  
Unlocking better growth



A large white cruise ship with a blue stripe is sailing on the water under a clear blue sky.

## Executive summary | Way forward to sustainable cruise travel

- Environmental concerns are keeping UK travellers from booking a cruise. This presents both a challenge and an opportunity for the industry.
- To win over these travellers, cruise operators can address three key areas:
  - **Carbon offsetting:** Younger travellers are open to offsetting offerings, making this a viable way to ease concerns.
  - **Service adjustments:** Travellers are prepared to accept less comfort if they align with sustainability efforts.
  - **Better communication:** Travellers need effective communication about these sustainability initiatives.
- By achieving progress in these areas, cruise lines will be recognised as a more sustainable choice and can charge a premium.

*General comment: This document is based on a study conducted by Simon-Kucher focusing on sustainable cruise travel in Germany and UK, with a total of 879 valid answers and complemented by additional studies and research*

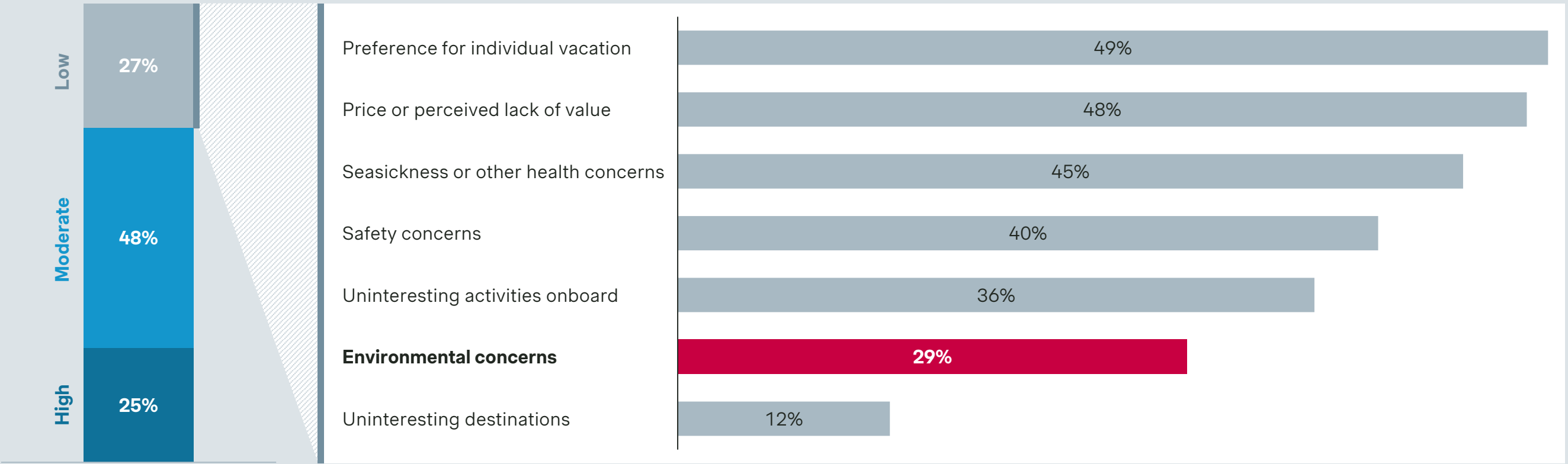
# Addressing environmental concerns can be a key lever for driving future growth and attracting new customers



## Main reasons for not taking a cruise trip in the future among not interested population

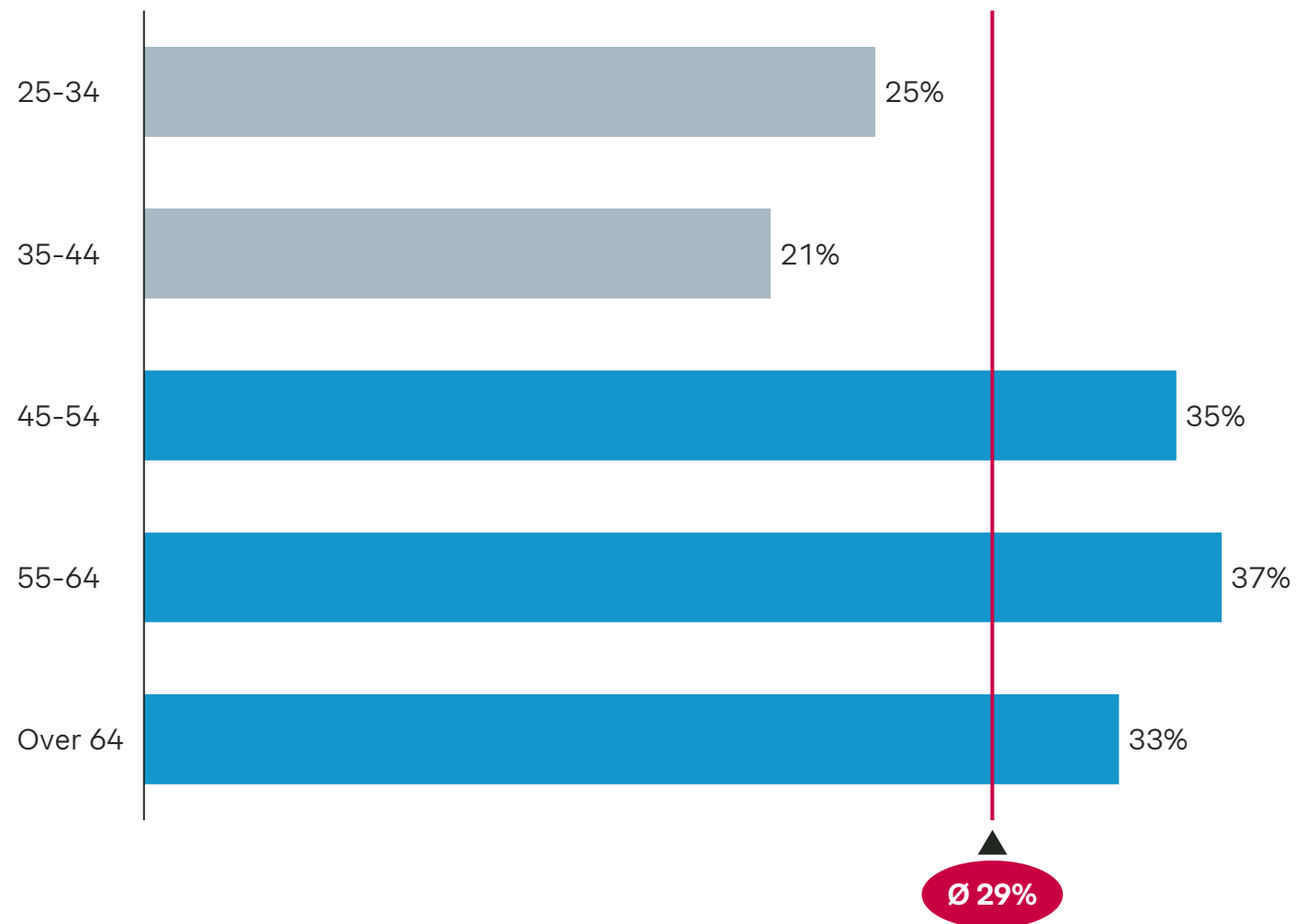
Interest in taking a cruise  
[Share of responses  
– UK Market]

### What are the main reasons for you not being interested in cruising?



## Particularly travellers in key customer segments > 45 years link their low interest in cruising to environmental concerns

### Environmental concerns as main reason for low interest in cruising in UK, by age group



Source: Sustainable Cruise Travel Survey (n = 83)

Simon-Kucher | Sustainable Cruise Travel | Key Insights

### Key Takeaways



On average, **29%** of UK travellers with a low interest in cruise travel mention **environmental concerns** as a main reason for their **low interest**

**35%** of travellers aged 45+ with a low interest in cruise travels **worry about the environmental impact**

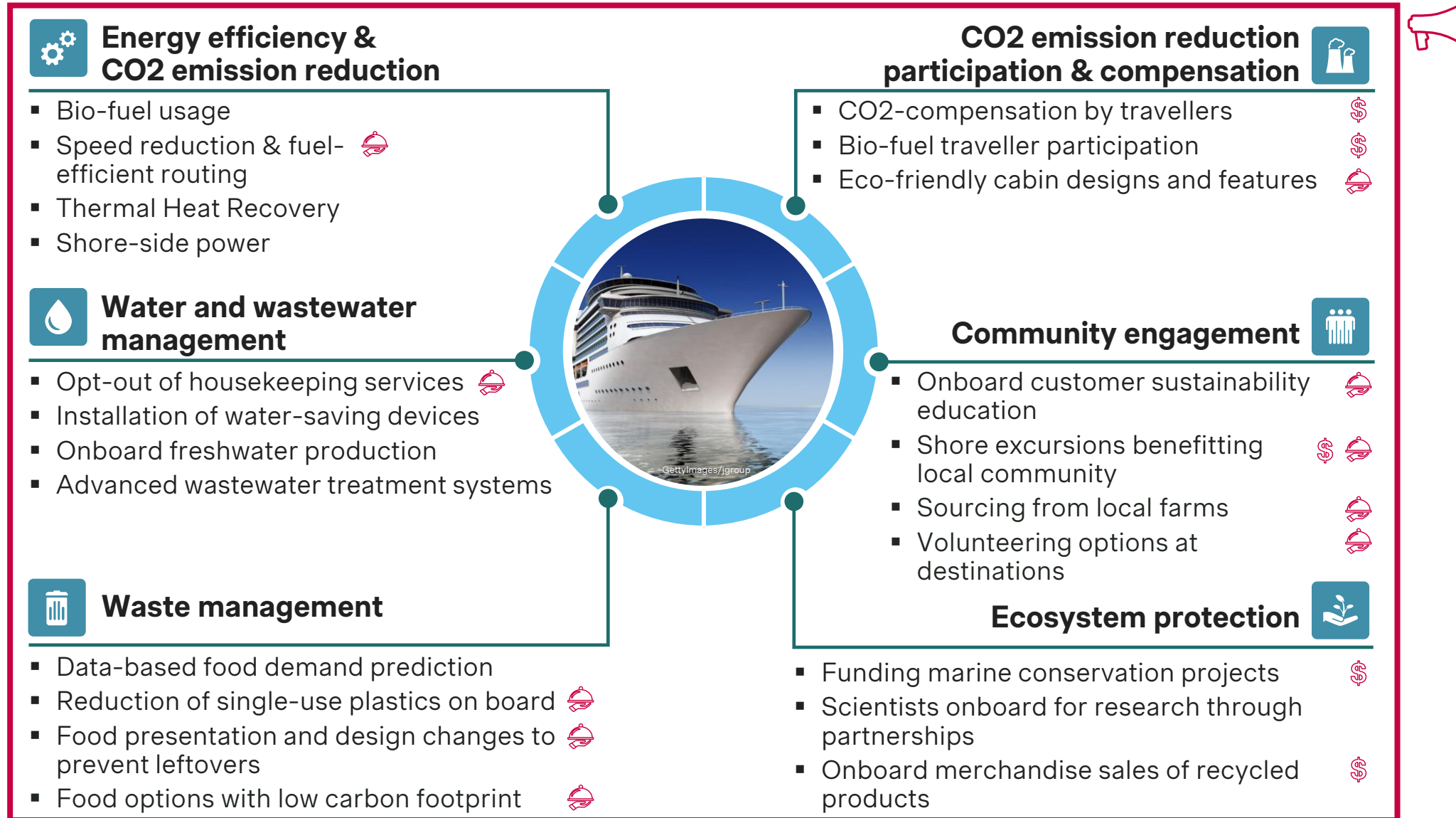
Cruise lines can increase their appeal to the target segment of travellers aged 45+ by **successfully leveraging sustainability initiatives**

iStock/Lan-Zhang



## To drive more sustainable choices, six areas of initiatives can be considered – many of which can be addressed through commercial levers

### Levers for more sustainable cruise line positioning



### Key commercial levers to address



Customer contribution



Service adjustment



Effective communication



Almost 70% of travellers are willing to contribute to CO2-compensation on average with 14% of ticket price - Clear communication about the contribution actions is crucial



Deep-dive: CO2-compensation by travellers

Concept

Compensating emissions by investing in projects or initiatives that reduce or remove an equivalent amount of CO2 from the atmosphere.

Passenger Acceptance

**69%** Percentage of UK **customers willing to compensate** their carbon emissions for cruise travels

**14%** Average **willingness to pay** to compensate the carbon emissions of a cruise  
*of ticket price*  
*with large differences between age groups*

Implementation Options

<b>1</b>	<b>Carry out own Projects</b>	Vs.	<b>Partner with carbon Offset Providers</b>
	Direct control over tailored projects		Easy access to diverse projects
	Resource intensive		Lack of direct control
<b>2</b>	<b>Company-wide compensation</b>	Vs.	<b>Compensation as add-on option</b>
	Comprehensive over all operations		Upsell-potential and customer engagement
	Takes resources from operational changes		Limited uptake and participation possible

Successful Implementation

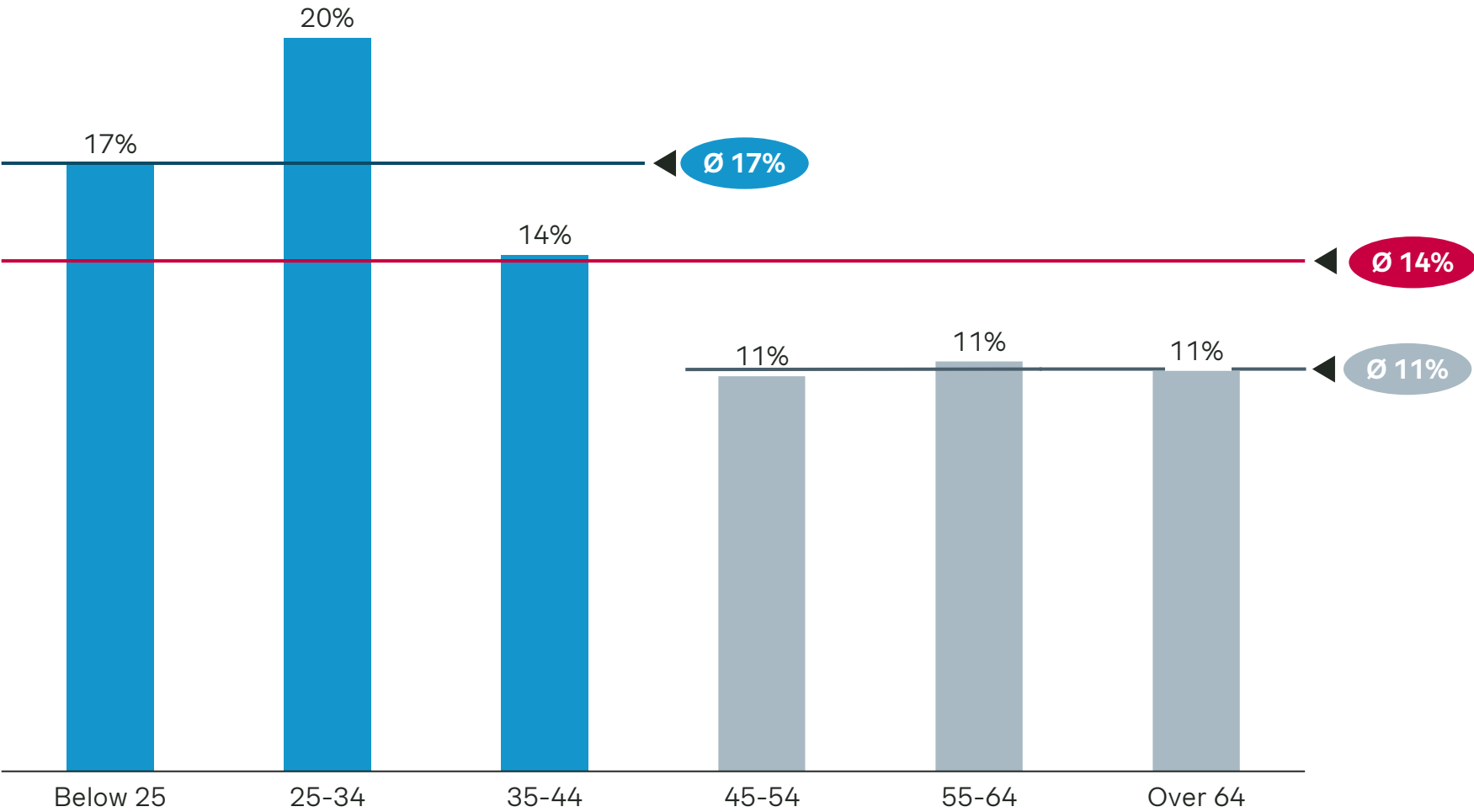
- Information Effectiveness**  
Providing detailed information on the CO2 compensation initiatives increases WTP by one third
- Influence of Framing**  
Detailing the direct impact of customer's contribution using specific and reliable outcomes
- Differentiate based on customer willingness to participate**  
Offer dynamic packages based on segments' preferences



# Segments above 45 years are willing to pay to compensate for CO2 emissions but at a lower price point, in contrast to younger travellers

Deep-dive: CO2-compensation by travellers

**Willingness to pay for compensating CO2 emissions**  
on top of cruise ticket price in UK, by age group



## Comments

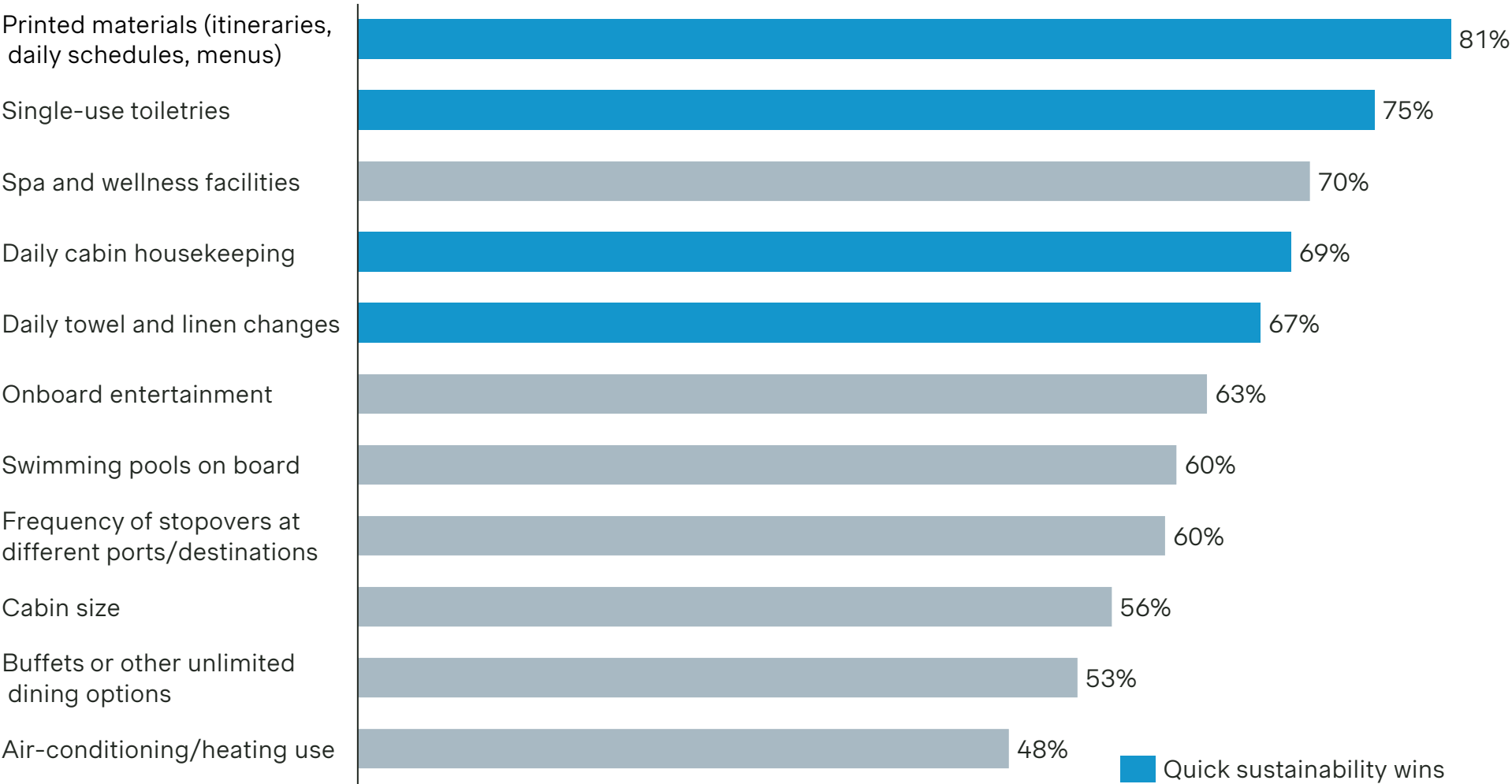
- 1 On average, UK travellers are willing to pay **additional ~14% of the ticket price** to compensate the CO2 emissions of their cruise holiday
- 2 With ~17% on average, **young travellers have the highest willingness to pay** for compensating CO2 emissions
- 3 The segment of travellers aged 45 and above still express a willingness to compensate, but at a **lower price point** of 11% of ticket price



# Travellers are willing to reduce in-room amenities and services for sustainability reasons, enabling potential for cost reductions

Deep-dive: Opt-out of services and features

**Services and features that travellers are willing to reduce**  
in UK, % of respondents



## Comments

- 1** Certain in-room amenities and services rank quite low on importance to travellers
- 2** These are generally easier to reduce compared to other more fixed features such as pools, spas, and cabin size
- 3** Buffets, HVAC, and cabin size are more important to respondents and should be optimized more strategically

Source: Simon-Kucher Sustainable Cruise Travel Survey (n = 439)



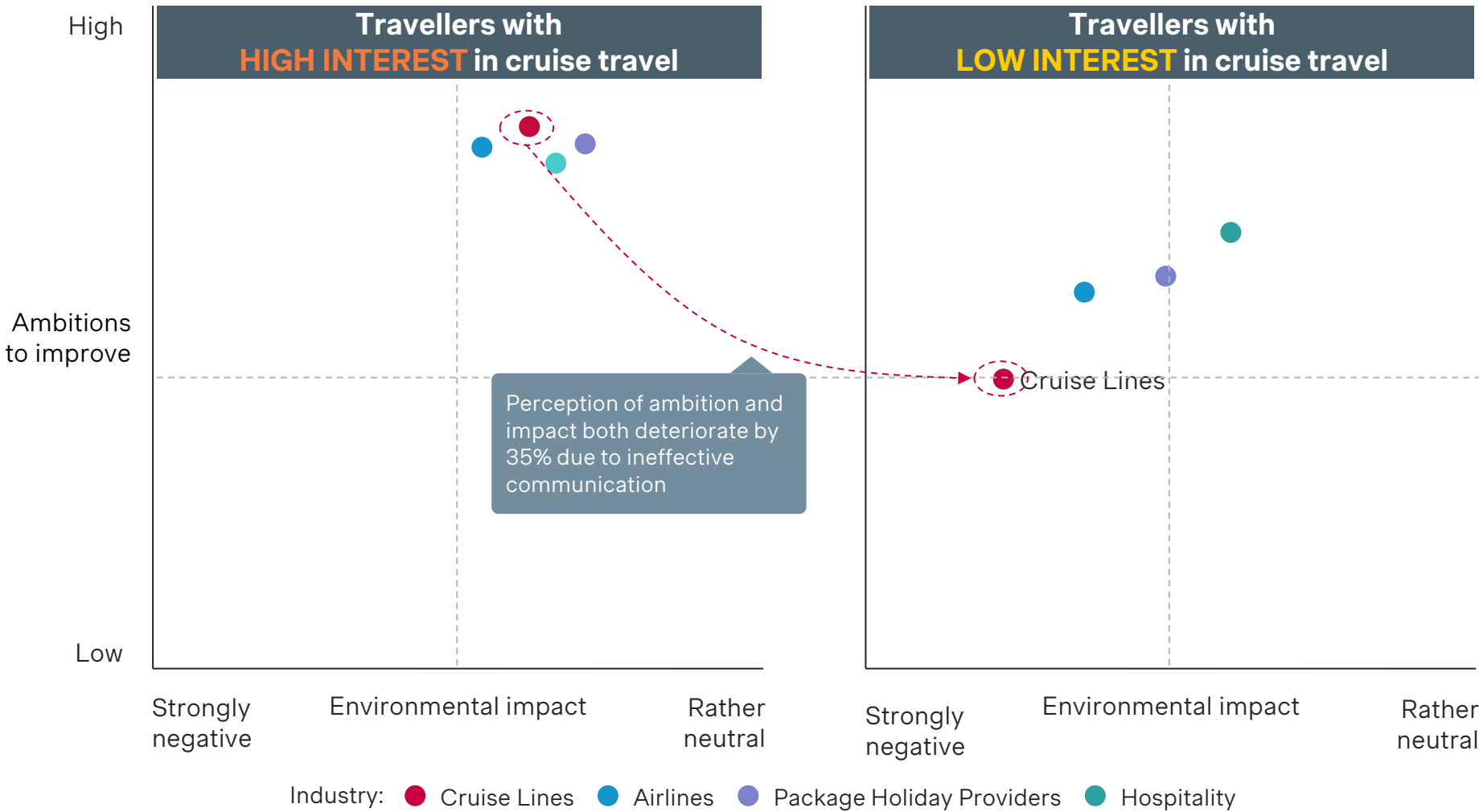


# Despite industry-leading speed of emissions reductions, customers with low interest in cruise travel are unaware of these efforts, indicating low communication effectiveness



Deep-dive: Perception of cruise lines

## Environmental impact and ambition to improve as perceived by UK travellers



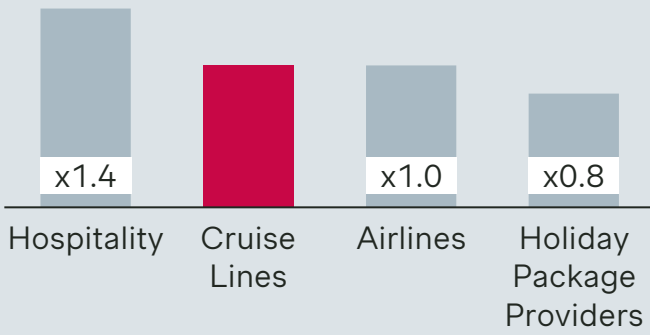
### Sustainability efforts

by travel segment, CO2 reduction p.a.



### Sustainability-related communication

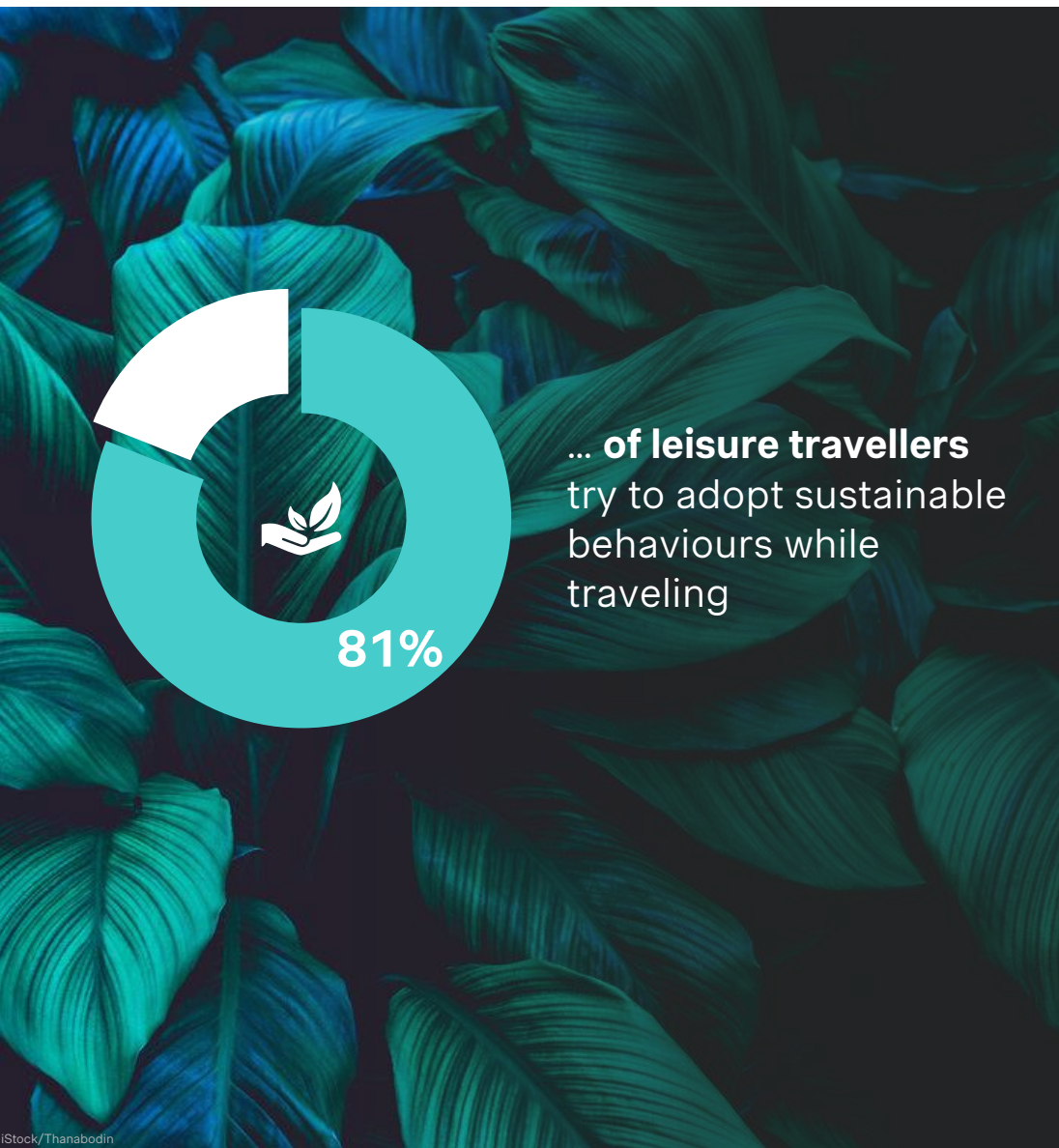
frequency perceived by UK travellers



Source: Simon-Kucher Sustainable Cruise Travel Survey (n = 439)

## To secure future commercial success, cruise travel needs to adjust the service levels and monetization approach to motivate more sustainable travel behaviour

### Travellers' view on sustainability



### How to accelerate growth from sustainable offerings

#### PREPARE FOR GROWTH:

Customers expect a **shift to more sustainable offers**, yet diverse segment maturities call for identification of true growth pockets to place your sustainability bets

#### CRYSTALIZE MARKET POSITIONING:

Determining whether to **drive the green transition as sustainability leader**, or as fast follower aiming to protect market share

#### SEGMENT CUSTOMERS:

Based on sustainable travel customers' journeys to allocate **green(er) products based on value-to-customer**

#### DEFINE MONETIZATION MODEL:

Capture “green” **premium where it is most valued** and adjusting service offerings to create **sustainable win-win situations**

#### EDUCATE CUSTOMERS:

**Clearly articulate sustainability benefits** from offering as it is a critical foundation to realize value potential from greener offering

Source: Simon-Kucher Sustainable Cruise Travel Survey (n = 439)

Simon-Kucher | Sustainable Cruise Travel | Key Insights

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