

## Executive Summary

Holland America Lines (HAL) is a wholly owned subsidiary of Carnival Corporation & PLC, the global market leader for cruises. HAL is classified as a premium cruise line whose primary passengers are 46 years or older, with over \$93,000 in annual household income. The chief source of revenue for HAL is ticket sales and passenger on-board spending; due to the fixed-cost structure of cruise lines, Holland America must fill its ship at 100% capacity to ensure every cruise tour is profitable.

The current economic situation has been extremely harsh on the cruise industry. Fortunately, a treasury spread model predicts the worst of the recession is over and recovery will begin as soon as summer 2010. HAL, however, is struggling with the drastic decline in demand which has brought down ticket prices. The company has two key issues needing to be addressed: weathering the current recession without incurring huge losses and developing a sustainable growth strategy for the opening new markets in the future.

The continued success of Holland America is contingent upon a high customer retention rate, favorable brand perception, and high standards of excellence. Although it is tempting to slash prices in the recession to lure customers, this risks diluting Holland America's brand image of luxury, exclusivity, and tradition. Cruise ships are already at or above 100% capacity, but the per-customer yield for tickets and onboard spending has fallen. To counteract this, HAL needs to launch a marketing campaign to emphasize its *value* as a cruise line to customers. Holland America should keep ticket prices high—at least 90% of pre-recession prices—and instead include additional benefits and rewards to its customers. These include free job loss insurance, vouchers for onboard spending, airline packages to bring customers to the port of call, and offshore activities packages. This strategy has a medium-term outlook: while the benefits will decrease HAL's profit margins in the short-run, it will allow HAL to increase ticket prices post-recession and preserve the theme of value and customer service.

The growth potential in the European cruise market makes it a particularly viable option for Holland America. However, less than 10% of HAL's passengers in 2008 were from Europe due to HAL's disadvantage in distribution channels and advertising outreach. Penetrating this new market should be HAL's focus after the economic recession; a marketing strategy emphasizing brand excellence and tradition with strong localization appeals should effectively increase ticket purchases in the target market. The top three favorable European countries to begin expanding into are the UK, Norway, and Germany. Aggressive advertising will span both online as well as popular print media in each country, including *Wanderlust* magazine in the UK, *German Living* in Germany, and *finn.no* website in Norway.

HAL's current operations are too limited in scope and needs to be adjusted to reflect long-term goals and market changes. The two marketing strategies above will do just that: help HAL overcome its current economic troubles without damaging Holland America's premium brand name as well as setting the foundations of expanding into the European cruise industry.