



Executive Summary

To Rich Meadows and Senior Executives:

Although the economic uncertainty is troubling, we believe Holland America Line (HAL) is in a strong position to weather the storm. Through analysis of market trends and implementation of given strategies, HAL Inc. should expect:

- The economy to stabilize but recovery to be a slow and steady process
- Dramatic change in consumer behavior
- Market expansion throughout the core market and Generation X and Y
- Increased brand awareness by utilizing social networking
- Increased profit margins from expansion to Europe

Market Analysis

Based on past data, recessions tend to last anywhere from 4 to 16 months. Based on this assumption, the current recession will exit in mid 2009. This estimate is supported by the economic stimulus packages which will supplement the recovery of the global economy. Furthermore, the world indices are beginning to validate this assumption as they are growing and indicating increased investor confidence. Although the news is hopeful, recovery will be a long and gradual process as firms adjust to meet new requirements. These requirements include selling toxic assets, restructuring, and equity to return to the housing market. Evidence also points to the change in consumer behavior. Consumers will become “thrifty” and, as a result, will look for value pricing.

Weathering the Storm

Consumers will be increasingly selective about spending in the future months. However, research proves that demand for cruise vacations is on the rise (expecting to rise by 5%). Based on this assumption, HAL should implement a marketing expansion strategy which 1) gets existing customers to buy more 2) gets potential customers to buy 3) expand sales to new markets. By increasing the frequency of existing customers from once every other year to annually, HAL can expect to double revenues. This can be accomplished by increasing the idea of luxury through CRM activities. Furthermore, HAL can increase brand awareness in its social networking sites by offering incentives to repeat cruisers for “blogging” about their cruise experience. Second, HAL should implement a strategy which targets potential baby boomer clients. Offering senior discounts will provide incentives to potential customers who are value conscious to become a first time cruiser. Based on



high retention rates of 45%, the tradeoff between offering discounts versus the total profit gained from the lifecycle of a customer is worthwhile. HAL can utilize its established social network presence to advertise these promotional campaigns. Lastly, HAL should expand to new markets, specifically to target Generation X and Y. Research shows that the demand for travel among this demographic is expanding rapidly. To capitalize on this opportunity, HAL should offer “bundling” which groups different experience levels at different price levels. Direct mail and promotional campaigns which are advertised on the internet are the most effective way to communicate to this market. Gradually pre-recession prices will be re-established by increasing prices at a level consistent with GDP growth (1-1.5% plus inflation).

Long-term Strategy

In the long-run, the population of baby boomers is said to increase by 15% in Europe. Based on HAL’s current success with targeting and retaining the baby boomer population, expanding to reach Europe’s baby boomer generation is a profitable venture. A decision matrix with five determining criteria was used to determine the ideal point of entry. Germany proved to meet or exceed expectations and thus we focused our strategy on gaining market share among baby boomers in Germany. Research shows that internet usage in Germany is high with 52% of the population connected and we believe this is an ideal opportunity to increase brand awareness through social networking sites. Myspace.com and studiVZ.de are the most widely used social networking sites with 45% of all internet users registered on a social networking domain. We believe that this will be an effective form of advertising as it will be easy to reach out to our target market. By utilizing these websites we can increase revenue while maintaining low advertising costs.