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Abstract

The case of Carnival Cruise Lines chronicles the company's birth and development as it redefined the leisure cruise industry. With a theme of "Fun Ships" and low pricing, Carnival appealed to a diverse market. Under the pressure of increasing competition, Carnival was challenged to refine its Fun Ships brand without damaging the considerable equity contained in that brand. In particular, as cruise lines became less differentiated in the customers' view, Carnival sought to set itself apart with upgraded product features, service, and other guest amenities, as well as a more sophisticated brand message.

Keywords

branding, brand equity, marketing strategy, cruise industry, Carnival Cruise Lines

Disciplines

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Comments

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Carnival Cruise Lines

Burnishing the Brand

by ROBERT J. KWORTNIK JR.

The case of Carnival Cruise Lines chronicles the company's birth and development as it redefined the leisure cruise industry. With a theme of "Fun Ships" and low pricing, Carnival appealed to a diverse market. Under the pressure of increasing competition, Carnival was challenged to refine its Fun Ships brand without damaging the considerable equity contained in that brand. In particular, as cruise lines became less differentiated in the customers' view, Carnival sought to set itself apart with upgraded product features, service, and other guest amenities, as well as a more sophisticated brand message.

Keywords: branding; brand equity; marketing strategy; cruise industry; Carnival Cruise Lines

We're perfectly happy to be the Wal-Mart of the cruise industry.

—Terry Thornton, vice president of marketing planning,
Carnival Cruise Lines¹

In July 2005, the 2,974-passenger, 110,000-ton *Carnival Liberty* set sail after being christened by its "godmother," actress Mira Sorvino.² Built for \$500 million, the ship was the twenty-first vessel sailing in Carnival Cruise Lines' fleet, giving Carnival more passenger-carrying capacity than any other cruise line in the world. With 800-plus ocean-view or balcony staterooms, twenty-two lounges and bars, four swimming pools, and a spiral waterslide, *Carnival Liberty* was a far cry from the *Mardi Gras*, Carnival's first ship, which was a converted transatlantic liner bought in 1972 for \$6.5 million. For its part, the *Mardi Gras* seemed to signal an inauspicious beginning for Carnival when the ship ran aground at the tip of Miami Beach on its inaugural voyage—in full view of gawking vacationers. However, as Carnival lore had it, bartenders poured free drinks (including a new rum cocktail that a creative bartender dubbed a "*Mardi Gras on the Rocks*"), passengers had fun, and the spirit of the "Fun Ships" brand was born.³

The differences between the *Mardi Gras* and the *Carnival Liberty* symbolized the metamorphosis of the Carnival brand. Today's Carnival was dramatically different from the company that cruise industry pioneer Ted Arison started with second-hand ships and savvy marketing. While North American passenger volume doubled between 1994 and 2004, Carnival's volume tripled. More than three million guests sailed Carnival in 2004, the most in the company's history, and a figure representing nearly one out of every three cruisers. For the fiscal year that included 2004, Carnival Corporation and PLC, the parent company of Carnival Cruise Lines, reported record net income of \$1.85 billion on revenues of \$9.73 billion. Nine of Carnival's ships, almost half of the line's available berths, had been launched since 2000.⁴ Through the years, Carnival had remained true to its "Fun Ships" brand lineage and its goal of providing a good-quality, affordable vacation to mainstream travelers. Nevertheless, company executives wondered whether it was time to set a new course for Carnival and, if so, how best to burnish the brand without losing its essence.

This case study examines challenges associated with brand management in the hospitality industry by focusing on the leisure cruise sector and the brand that dominates the seascape. Despite Carnival Cruise Lines' phenomenal growth and success, company executives have designed a makeover for the brand to enhance brand equity—the worth of the brand due to customers' brand knowledge and the effect of this knowledge on brand marketing and customers' assessment of brand value.⁵ Modifying a successful brand, even if the changes are evolutionary, not revolutionary, carries the risk of brand confusion, as most any cue can communicate meaning about a brand. Nurturing an established

brand demands not only a deep understanding of customers' needs and wants but also a clear vision about the brand's core meaning and the alignment of myriad cues (e.g., product features and marketing message) to support this meaning. To begin the analysis of Carnival's brand-management situation, I explore Carnival Cruise Lines' position within the competitive structure of the cruise industry. I then describe Carnival's marketing strategy and the evolution of the Carnival brand. Finally, I evaluate Carnival's brand initiatives and discuss implications of management's efforts to burnish the brand.

The Cruise Industry and Competitive Structure

The birth of the modern cruise industry can be traced to the 1960s, in the wake of the first Boeing 707 flight from New York to Europe in 1958.⁶ With a rapidly shrinking transatlantic passenger base, opportunistic shipping companies repositioned their service from transportation to vacation travel. Companies that did not "come about" to cruising soon foundered. At the same time, lines that led the transition, such as Princess Cruises (1965), Norwegian Caribbean Line (1966; now Norwegian Cruise Line [NCL]), Royal Caribbean Cruise Line (1969; now Royal Caribbean International [RCI]), and Carnival Cruise Lines (1972), paced the industry. Still, the passenger base was relatively small. In 1970, only 500,000 people took a cruise.⁷ A cruise was an expensive, formal, and relatively lengthy vacation—seven to fourteen days on average—factors that contributed to the product's snobby image and limited appeal. That began to change with the 1977 launch of *The Love Boat* TV series, when cruising in all its romanticized glory was popularized to mainstream America. Since then, the industry had grown tenfold to more than nine million passengers in

Exhibit 1:

North American Cruise Lines and Brand Positioning

	<i>Ships</i>	<i>Double Occupancy</i>	<i>Market Share</i>	<i>Market Positioning</i>
Carnival Corporation				
Carnival Cruise Lines	21	47,908	24.2%	Contemporary
Princess	13	28,820	14.5%	Premium
Holland America Line	12	16,978	8.6%	Premium
Costa Cruises (U.S. market)	2	4,224	2.1%	Contemporary
Cunard Line (U.S.)	2	4,411	2.2%	Luxury
Windstar Cruises	3	604	0.3%	Destination
Yachts of Seabourn	3	624	0.3%	Luxury
Total	56	103,569	52.2%	
Royal Caribbean International				
Royal Caribbean International	19	44,108	22.3%	Contemporary
Celebrity Cruises	9	16,118	8.1%	Premium
Total	28	60,226	30.4%	
Star Cruises				
Norwegian Cruise Line	9	16,734	8.4%	Contemporary
Orient Lines	1	826	0.4%	Destination
Total	10	17,560	8.9%	
Other CLIA-affiliated brands				
Crystal Cruises	3	2,960	1.5%	Luxury
Disney Cruise Line	2	3,508	1.8%	Contemporary
MSC Cruises	3	4,410	2.2%	Contemporary
Oceania Cruises	3	2,052	1.0%	Premium
Radisson Seven Seas Cruises	5	2,604	1.3%	Luxury
Silversea Cruises	4	1,356	0.7%	Luxury
Total	20	16,890	8.5%	
Grand Total	114	198,245		

Source: Cruise Lines International Association (CLIA), *2005 Cruise Manual* (New York: CLIA, 2005).

Note: CLIA-member cruise lines comprise approximately 95% of the cruise capacity marketed from North America.

2004—an annual growth rate of 8.2 percent, making it the fastest-growing form of leisure travel.⁸

The cruise industry was still young and evolving. Whereas *luxury* brands once held sway (at least in the public's perception), less than 5 percent of current cruise capacity served this market (see Exhibit 1).⁹ With the exception of Cunard's behemoth *Queen Mary 2*, luxury lines tended to use smaller ships that carried only a few hundred

guests and featured exotic itineraries, gourmet dining, a relatively formal atmosphere, and attentive personal service. Not surprisingly, this attracted a refined, affluent clientele that was comfortable with paying \$400 to \$900 per person per day. An even smaller segment of the industry was served by *destination* or *specialty* cruise lines that sailed, for example, masted sailing vessels or replica paddle-wheeler ships for river cruises. Roughly one-third of the

market, often veteran cruisers, sailed the *premium* cruise lines. These companies offered high-quality service on relatively large ships that typically accommodated 2,000 or fewer guests paying \$250 to \$450 per person per day. Premium-level cruises featured fine dining, a sophisticated atmosphere (though less formal than most luxury cruises), spa facilities, abundant entertainment, and a wide mix of destinations. Cruising was dominated by brands that served the “contemporary” segment, a clever label used by cruise marketers to describe the mass market. These cruise lines featured ever-larger ships that accommodated 2,000 to 3,400 guests who paid fares ranging from \$150 to \$300 per person per day. Although not heavy on personalized service, these floating resorts offered an abundance of good and varied food, plenty of activities to satisfy travelers’ diverse interests (including shopping, gaming, sports, shows, parties, dancing, and movies), and itineraries that visited popular vacation destinations. Competition for the contemporary customer was fierce, particularly between Carnival and RCI. Carnival executives argued, however, that the real competition came from outside the cruise industry in the form of land-based resorts and hotels in sightseeing destinations such as Las Vegas and Orlando.

The competitive structure in the cruise industry changed dramatically around the turn of the twenty-first century. Price wars and soft demand decimated the budget sector, with brands such as Regal, Premier, and Commodore—“bottom feeders” with older ships—unable to compete with the bigger brands’ new ships and attractive prices. Carnival Corp. won a battle with RCI to gain ownership of Princess Cruises in 2003; just five years earlier, Carnival Corp. acquired Cunard Line in a move that sent shockwaves through the industry for its symbolic significance as the venerable,

upscale, 150-year-old British line was scooped up by the American company powered by the Fun Ships. Whereas the cruise market in the 1970s and 1980s was served by thirty brands, by 2005, only ten brands owned by three corporations controlled 90 percent of the market. Carnival Corp. emerged as the largest cruise company in the world, with at least one brand positioned in each of the four main segments. Significantly, Carnival Corp.’s flagship brand had developed a formidable cost-leadership competitive strategy that enabled Carnival to deliver a good-value vacation that attracted price-sensitive cruisers and still produced profit margins in excess of an astonishing 25 percent.

Although Carnival’s executives dismissed competitive threats from rival RCI, the two companies had waged a marketing war for years. (In the past, when Carnival and RCI ships would pass each other, RCI’s cruise directors would launch a broadside: “There goes the Kmart of the Caribbean.”¹⁰) One battleground involved an expensive game of one-upmanship with industry “hardware,” the ships themselves. The hardware competition became hot starting in 1988, when RCI launched the first purpose-built cruise “megaship,” *Sovereign of the Seas*, which carried 2,250 passengers.¹¹ Carnival answered in 1990 with the brand’s own megaship, the *Fantasy*, the first of eight sister ships, each carrying 2,052 guests and noted for their six-deck-high, neon-trimmed grand atriums and spiral waterslides on the pool deck—both signature Carnival elements. Carnival launched the next volley in 1996 with *Carnival Destiny*, the first 100,000-ton cruise ship, which carried 2,642 guests (though it often sailed with 3,000) and featured one of the largest casinos and spa and fitness centers at sea.

In 1999, though, RCI trumped the field by launching the 137,000-ton, 3,114-passenger

Voyager of the Seas, the first of five ships in the Voyager class. *Voyager of the Seas* featured amenities such as an ice-skating rink, inline-skating track, a basketball court, a mini golf course, and a rock-climbing wall that traversed the back of the ship's huge funnel. The latter feature became a signature element for RCI, one that cruisers and travel agents associated with the brand and that was later added to all the ships in its fleet. RCI also leveraged the design attributes of the new ships in the award-winning "Get Out There" promotions campaign launched in 2000. Featuring the tribal beats of the Iggy Pop song "Lust for Life," fast-paced commercials showed passengers climbing, running, skating, and kayaking—but hardly cruising. The campaign was intended to reposition the brand by targeting vacationers who had an "explorer" mind-set and by focusing on active and adventurous dimensions of the experience.¹² In June 2006, RCI planned to up the stakes again by launching the 158,000-ton, 3,600-passenger *Freedom of the Seas*, featuring an "aqua environment" on the top deck of the ship with a sports pool, a family water playground (with fountains, water cannons, a lazy river, and a waterfall), a wave pool for surfing, and an adults-only swimming area with hot tubs suspended more than 100 feet above the sea.¹³

Competition among cruise brands involved far more than building bigger ships. Brands jockeyed for position in the consumer's (and travel agent's) perceptual space. For example, Carnival continued to emphasize its Fun Ships positioning strategy, while RCI attempted to position as a more sophisticated product. A former RCI executive drew the analogy that the brand was in the "wine and cheese" category, whereas Carnival was in the "beer and pretzels" category.¹⁴ RCI's ship décor and overall atmosphere was described as more

tasteful than Carnival's glitzy environment. Critics noted, though, that with the Voyager ships ("rather like a mall with a ship built around it"), RCI's and Carnival's onboard products had become similar.¹⁵

Cruise brands also stepped up the competition with new products and services. For example, Princess Cruises' *Caribbean Princess* sailed in April 2004 with a "Movies under the Stars" program—the industry's first outdoor theater, with a poolside, 300-square-foot screen. (A Princess executive suggested, "This is our rock-climbing wall."¹⁶) Just one year later, Carnival answered with "Carnival's Seaside Theatre" on the *Carnival Liberty*.¹⁷ NCL broke from the conventional big-ship dining model in 2000 by introducing the "revolutionary" Freestyle Cruising concept, which featured open seating in its ships' dining rooms.¹⁸ Instead of the traditional requirement that guests choose a dining time, Freestyle Cruising emulated land-based resorts by permitting guests to dine when and with whom they wanted. One year later, Carnival answered with Total Choice Dining, which retained traditional fixed-seating dining in the formal restaurants but offered a choice of four rather than two dining times. This program was complemented by an array of alternative dining venues, such as specialty supper clubs that required a reservation and fee, sushi bars, and twenty-four-hour pizzerias.¹⁹

Carnival executives believed that changes in the cruise product and cruise markets had blurred the distinction between brands competing in the contemporary and premium market segments. As companies like Carnival and RCI continued to innovate and to improve both product and service, and as premium lines like Princess and Celebrity increasingly pursued the upper end of the mass market by offering more casual vacation experiences, the markets were converging, as were customers' brand perceptions.

Carnival's Marketing Strategy

Carnival Cruise Lines' early marketing strategy grew out of necessity. The age of the *Mardi Gras* made low fares necessary. At that time, Carnival did not have a national advertising campaign—in fact, no cruise line did. While the onboard product was limited during the lean startup years, so were customers' expectations, because the cruise product was still relatively new. Bob Dickinson illustrated,

Years ago, the ship's gym was small and hidden in the bowels of the ship below the water line. You could barely find it. But nobody cared back then. If you did a vegetarian selection thirty years ago, nobody would have touched it. They wanted meat and potatoes. Everything today is much more elaborate—the fitness centers, the menus, the activities. If people want it, we'll give it to them.

When Dickinson came on board as Carnival's vice president of sales and marketing in 1973, he set in motion the Fun Ships concept that would serve as the brand's cornerstone. Dickinson adopted the Fun Ships moniker for Carnival after seeing a brochure for the *Boheme*, which Commodore Cruise Lines promoted as the "Happy Ship." Cruise marketing at the time tended to focus on destinations, rather than the ships themselves, and promoted cruising as a highbrow, luxurious experience. Dickinson reasoned that fun was what people really sought in a vacation. By promoting the *Mardi Gras* as a fun-ship experience, Carnival would send a message that was unique in the cruise industry.²⁰ Perhaps more important, by anchoring the brand with the Fun Ships positioning strategy, Carnival built an unmatched value proposition on the promise of fun—a promise that would direct the company's marketing strategy for at least the next thirty years.

In contrast to the typical cruise customer, the Fun Ships theme attracted a relatively young, middle-class clientele. Carnival offered an entertainment experience, with the industry's first full casinos, live music, discos, and wild daytime activities—including belly-flop, beer-chugging, and hairy-chest contests—that were a complete change from the image of cruising as shuffleboard and afternoon tea. Carnival's hardware, in particular the new ships built in the 1980s, were visual bonanzas, with bright colors and neon lighting unlike anything before seen in a cruise ship (shocking to some ship traditionalists).

Carnival pursued first-time cruisers as part of a concerted market-development strategy. To communicate the brand message and demystify cruising for the uninitiated, Carnival crafted marketing communications that articulated the Fun Ships image by showing the ships and their entertainment architecture, as well as by featuring guests dining, dancing, playing, swimming, sunning, and socializing—*having fun*—at an affordable price. At the heart of the message was new company spokesperson Kathie Lee Gifford singing, "In the morning, in the evening, Carnival's got the fun . . ." Carnival's commercials starring Gifford in 1984 were the first time a cruise line advertised on network television. The Carnival-Gifford relationship continued well into the mid-1990s before giving way to ad campaigns that featured the Beach Boys' tune "Fun, Fun, Fun" and the Cyndi Lauper hit "Girls Just Want to Have Fun." The marketing objective remained the same, however: to introduce vacationers to cruising and to reinforce the image of Carnival as the essence of fun.

"Today's Carnival," a label that company executives used to underscore changes in the brand, was different in form, but not necessarily direction, from the Carnival of

the past. Carnival's pricing continued to lead the industry, with an average price point per person per day of about \$175, compared with an industry average of \$235.²¹ The ships and onboard product were improved.²² Driving this change, according to Bob Dickinson, was Carnival's vision: "to consistently provide quality cruise vacations that exceed the expectations of our guests." However, the marketing department was still charged with not overpromising. Instead, Carnival's marketing communications would create reasonable guest expectations—just high enough for customers to buy; the product was then designed to deliver more.

Dickinson estimated that only 16 percent of North Americans had ever taken a cruise, leaving a substantial untapped market of prospective customers. As such, Carnival continued to direct its marketing efforts at stimulating primary demand for cruising by converting land vacationers to sea vacationers. Carnival estimated that half of its guests were first-time cruisers, and one-third of repeat cruisers had never sailed Carnival before. Dickinson saw this segment of repeaters as the low-hanging fruit. Because these customers understood cruising and loved the experience, it was only necessary to talk to them about the brand. The challenge, though, was reaching these customers with the right message. Terry Thornton, vice president of marketing planning, explained,

We don't touch the customer or control the selling experience directly in most sales transactions—80-percent-plus come through travel agents. We still suffer from the perceptions of when our hardware was not so good and when our product had inconsistencies. Sometimes travel agents don't sell with enough frequency to really know the difference, or haven't been aboard one of our ships in years, even though

we offer many opportunities for them to sample the product. Our challenge really is to get a little more credit for the product we're providing.

Carnival had a large field-sales force who called on travel agents, as well as a growing direct-sales effort that included an inbound channel (Carnival.com and 1-800-Carnival) and outbound channel of Personal Vacation Planners (PVPs) who followed up on leads obtained through the inbound channel. PVPs called or e-mailed leads to promote cruise sailings that Carnival's revenue managers identified as having soft demand. However, some people at Carnival worried that these "one day only" sales sent the wrong message. Noted one manager,

We are struggling with how we want to present the brand. This is a lovely vacation, and even though it's an entry-level product for the cruise industry, it is still expensive relative to most vacation products, so we don't want customers to perceive our direct marketing as this used-car sales approach. We have been travel agent focused for so long. The direct access is so new to us.

Carnival was careful not to be too aggressive in its direct-sales efforts, especially in marketing to past guests who originally booked through agents. Still, the relationship between Carnival and travel agents had turbulent moments. Some agents, in particular the mid-sized Internet agencies, began to rebate part of their commission to customers to gain a price advantage in the market—a practice that led to channel conflict. Carnival responded with an advertised-price policy, which meant agents could no longer promote a price lower than Carnival's advertised price. Brenda Yester, vice president of revenue management, commented, "It just became

dysfunctional and was degrading the brand. There has to be price integrity in the market. Consumers need to shop for a Carnival cruise and not worry about where they're buying it." Bob Dickinson added, "Many travel agents are just order takers; they are driven by price."

Carnival's target market was broad—consumers twenty-five to fifty-four years old who made \$40,000 or more per year. The average age of Carnival's customer was forty-six—only a few years younger than the industry average.²³ Carnival's marketers believed that the product was popular with families, honeymooners, singles, and seniors—"everyman." Bob Dickinson argued that demographic segmentation was irrelevant for Carnival because there was no prototypical Carnival customer, except that person who cruised to have fun: "If you have a vacation destination that has a wide bandwidth of choice, you're casting a bigger net, and you're going to get more fish."

Carnival Cruise Lines' Brand Evolution

Maurice Zarmati, vice president of sales and one of the original employees of Carnival Cruise Lines, had seen the brand evolve considerably:

We started Carnival with one old ship. We've upgraded the product tremendously over the years. For example, we serve lobsters on all the ships at least once during a cruise. We put in alternative bistro dining, supper clubs, and complementary twenty-four-hour cabin service. Guests can buy premium wine by the glass. Recently, we put duvets in the cabins, which would have been unheard of ten years ago. The quality of food and service, in our estimation, is far better than our competitors. Of course, fifteen years ago, our product was not at the standard that it is today.

Carnival executives pointed to inconsistent product quality as one of the blemishes on the brand in the past. Initially, it was secondhand ships, but even with new ships, service delivery and food quality were variable. It was not until the mid-1990s that Carnival began to focus on people and processes. The "Carnival College" in-house training program was started to offer crew the opportunity to enhance language and other skills. Hospitality training was also introduced to encourage crew to treat cruisers as "guests," not passengers. Terry Thornton provided these examples:

We've tried to focus training on the small things, like greeting guests. If a guest passes a crew member, the guest should be greeted. He should hear, "Good morning, how are you, how was your day at shore," things like that. When we first started this training, we measured how many greetings or similar recognition was offered out of all possible interactions, and it was less than 20 percent. Today, it's 65 to 70 percent.

Another simple service idea, implemented fleetwide in 2002, involved placing mirrors in the crew areas near the exit doors, along with a sign to "Share a Smile." The idea was to remind crew to smile when interacting with guests. Thornton noted, "That's what people want today—to feel comfortable and to be recognized."

In 2005, Carnival offered its first customer-loyalty program in the form of a guest-recognition card. When guests embarked on a Carnival cruise, they received a "Sail & Sign" card that was identification for boarding the ship, a cabin key, and a credit card for purchasing almost anything onboard. The new program gave repeat Carnival cruisers a gold Sail & Sign card that would offer a way for crew

members to recognize guests for their patronage and to offer more personalized attention. Bob Dickinson believed that such recognition changed the dynamics of the guest-crew interaction and provided huge “psychic income”—an “emotional stroke” for the guest at little cost. Terry Thornton added,

The strategy is to push on the product, to continually improve it, because as people come back from their cruises, word-of-mouth promotion is getting stronger and stronger. People really are enjoying the product. Their satisfaction levels are high. They tell their travel agents and tell their friends.

Carnival executives believed that brand perceptions lagged reality, despite their efforts to persuade consumers and travel agents that “Today’s Carnival” was different than the “all-out party” Carnival of the past. Lingering misperceptions were partly a function of the underselling approach of brand promotion. Vicki Freed, senior vice president of sales and marketing, joined the Carnival sales team in 1978:

We used to have travel agents complain, “How come Carnival doesn’t have shampoo in the bathrooms?” This amenity would have been a million-dollar upgrade. We would argue that people come with their own shampoo, but the agents would say, “Go to any hotel and you’ll find complementary shampoo!” Well, they were right. The customer has changed—there’s a trading up phenomenon. Now we provide brand-name amenities, and the consumer wants brand names now.

Carnival began to investigate cobranding opportunities for the onboard product, both to enhance the guest experience and to

enhance Carnival’s brand image. Although Carnival’s senior management knew that the cruise line would remain a mass-market product, there was a desire to refine the market—to “push the needle up” to a more discerning consumer. Bob Dickinson remarked,

Just as Las Vegas or Orlando have redefined themselves, we’ve needed to do so, too. In the early days, in product delivery and in perception, we were like Daytona Beach, Spring Break at sea: a lot of kids, unchaperoned, anything goes, beer-drinking contests, things like that. By the mid-1990s, we reengineered all that. We were the first company in the cruise business to change the drinking age from eighteen to twenty-one. We also required anyone under the age of twenty-one to share a cabin with someone who was at least twenty-five. Those two actions, coupled with strengthening of our Camp Carnival children’s program, created the same average age of passenger on Carnival, but the nineteen-year-old was replaced with a seven-year-old and an early-thirties set of parents. That was a much deeper market.

By design, the Carnival experience was casual and unintimidating rather than upscale. Although the ships had sommeliers who offered expensive wines, Carnival sold far more beer, much of it poolside at \$14 for a bucket of four bottles. Although some critics said that the ships were garish, the décor was designed to be “different than people would ever see at home.” Maintaining consistency of the brand message was considered vital to Carnival’s success. Terry Thornton explained,

It’s often misunderstood why we are who we are. And we battle ourselves sometimes. We look at our competitors

and it's easy to be fooled into thinking we should be more like them. And then we say, "That's not who we are. That's not what got us here. That's not what our guests like."

Bob Dickinson elaborated,

As we build our ships and as we deal with our customers, we try very hard not to send mixed messages. We try to never use the word *gourmet*, though we think our food is as good as or better than anyone else in our market, including companies on the premium end. Still, we're trying not to forget our roots.

Carnival sought to anticipate what guests wanted in their cruise experience. Even as some things remained constant—the entertainment, casino gaming, dining choices, nightclubs, and bars—Carnival also adapted to trends, offering cigar bars, karaoke, and even airbrush tattoos. In 2005, Carnival introduced the Presidential Wine Club and planned to host its first Wine Club cruise later in the year (Dickinson is a noted wine collector and connoisseur). The search for new Fun Ships ideas was an ongoing process. Still, there was the sense within the industry that RCI had grabbed Carnival's wind by launching its adventure-theme *Voyager* ships. Commented Brenda Yester,

Royal Caribbean has had a great run with the "Get Out There" campaign. But it attracts a certain kind of person who may not be attracted to Carnival. The rock-climbing wall is their icon—that's their brand. Our icon is fun—that's our brand.

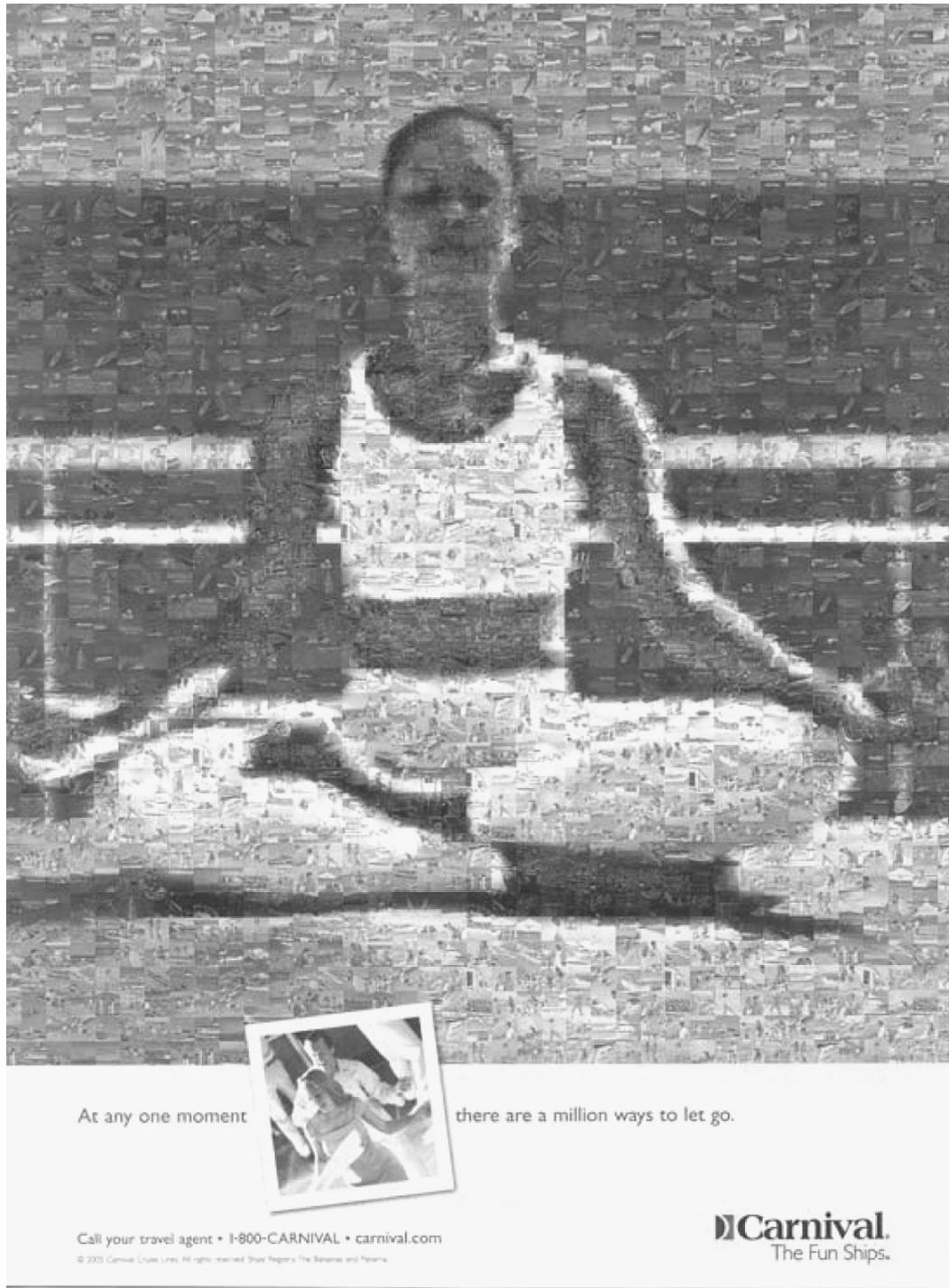
Carnival was not daunted, however, as it continued to promote its augmented fun image with the biggest media buy in the company's history. With the slogan "Million

Ways to Have Fun," the 2005 campaign was intended to build the brand by showcasing product enhancements.²⁴ New print ads targeted such publications as *Travel & Leisure*, *Condé Nast Traveler*, *Vanity Fair*, *People*, and *Oprah*, marking Carnival's first large-scale push into consumer magazines (see Exhibit 2).

Four television commercials, featuring Bobby Darin's recording of "Somewhere Beyond the Sea," coincided with the print campaign, running on *The West Wing*, *The O.C.*, *Law & Order*, and *The Amazing Race*, as well as on such cable channels as VHI, A&E, the Travel Channel, and the Food Network. The television commercials were softer, subtler, slower paced, and more sophisticated than past Carnival ads. For example, one spot showed an older couple having breakfast on the balcony, playing golf on shore, enjoying a massage in the spa, and dancing with waiters in the dining room. In another spot, a young couple jogged on the deck of a Fun Ship, worked out in the fitness center, flew on elevated cables during an adventurous canopy tour, and sampled a glass of wine at the bar. Another spot featured a family and showed a child gliding down a Carnival waterslide and a cabin steward placing a "towel animal" on a bed. Each spot closed with a male voice-over: "On a Carnival cruise, at any one moment, there are a million ways to have fun. Carnival. The Fun Ships." Vicki Freed explained the strategy behind the new campaign as follows:

Our other commercials didn't really sell Carnival—they sold the category. We've always taken the high road at Carnival: We'll sell the contemporary category and get our fair share because we're the big brand. But now we want to sell Today's Carnival. And that's what the new commercials hopefully convey—a little more upscale, the food, the service. It's important for

Exhibit 2:
Carnival "Million Ways" Mosaic Print Ad—"Yoga"



At any one moment  there are a million ways to let go.

Call your travel agent • 1-800-CARNIVAL • carnival.com

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Carnival.
The Fun Ships.

us to show that we're not the Kmart of the Caribbean!

Carnival's vice president of marketing services, Christine Arnholt, who was the primary contact with the advertising agency that created the campaign, added,

One of the single most difficult things to do is change perception. Our product has changed so much! And we don't get credit for that in the marketplace. We've been incredibly successful over the years, but from a brand standpoint, there are still these lingering perceptions. Some people hear "Carnival," and think, oh, that's the party ships with all the twenty-year-olds. How do you change these perceptions? After all, we are the Fun Ships. We'll always be the Fun Ships.

Author's Analysis and Managerial Implications

While the brand stewards at Carnival Cruise Lines cannot relax their efforts, the brand is in an enviable position. Not only is Carnival the world's most popular—and profitable—cruise line, but the Fun Ships brand is well known to consumers and travel agents. At the same time, research by industry analysts at Bear Stearns suggested that increasing similarity across brands in the design of new ships and in the services offered has made it difficult for consumers to discern differences between the brands.²⁵ Industry innovations—from bars of all types (pizza, sushi, ice cream, cappuccino, wine, martini, and cigar) to the indoor shopping promenades and pool-deck movie screens—were imitated in one form or another by competitors, leading to no real sustainable advantage for the innovator. Indeed, several of Carnival's signature elements, from the showpiece atriums to the in-cabin towel animals, are now commonplace.

Much of this convergence has occurred between the "premium" and "contemporary" sectors of the industry, as premium brands such as Princess made their product more accessible to the mass market (in effect, reaching down market), while contemporary brands such as Carnival augmented their product to appeal to more sophisticated travelers (in effect, reaching up market); the result is that the big cruise brands pursue the same customers. Industry insiders argue that there are clear differences between the brands, especially within the contemporary sector. Whether consumers (let alone travel agents) accurately perceive meaningful product differences is, though, an empirical question that has received little research attention.²⁶

A main challenge to Carnival's market-leadership position is not imitation but perceptual encroachment on the Fun Ships brand, such as Royal Caribbean's adventure-theme rebranding. RCI challenged Carnival's ownership of the fun concept by defining an RCI version of fun as an active-adventure vacation. It is also notable that the next-generation RCI ship features the first water park at sea—a design that confronts Carnival's signature waterslide both experientially and symbolically. Had Carnival been first with a water-park innovation, this would have been an ideal extension of the Fun Ships brand (though Carnival could imitate RCI's design innovation).

There's also the threat of consumer confusion whenever a brand is repositioned, even if changes are evolutionary. Carnival's veteran marketers are well aware of the tension faced in developing a more upscale brand image that matches improvements in the product, while trying to "never use the word *gourmet*." The Carnival experience may no longer be reflected in the beer-chugging contests of the early days, but neither may it be reflected in such recent initiatives as the

Presidential Wine Club. Is Carnival burgers or caviar? Bottles of domestic beer or flights of premium champagne? Temporary tattoos or yoga? Does Carnival sound like Cyndi Lauper or like Bobby Darin? Carnival's leaders contend that the cruise line can be all of these things because Carnival's customers are so diverse. Yet, as management guides the brand toward a more sophisticated version of fun, the risk of mixed signals and brand confusion increases.

Ultimately, a brand's equity is less a function of the brand itself and more a function of the brand's customers. Developing and sustaining a power brand is about making choices: selecting customers to target (and not targeting others), building relationships with the targeted market(s), and aligning brand meanings informed by messaging elements (e.g., promotion and pricing) and interactions (e.g., product experiences and service encounters). High brand equity is achieved when customers say, "This brand is me." Affluent, sophisticated customers might never feel a bond with the Carnival brand, so by upscaling, Carnival risks alienating the cruise line's core market as they say, "Sushi, wine, and yoga? That's not me." Carnival executives believe that customer brand meanings do not reflect "Today's Carnival." But this problem is not just due to lingering perceptions of Carnival's past; it is also due to brand cues in Carnival's present, such as direct marketing that targets bargain shoppers with "one day only" sales messages.

These risks to the Carnival brand, as a result of change, are arguably less than the more insidious risk posed by no change at all. Such "active inertia," or unyielding commitment to a winning strategy in the face of shifts in the marketing environment, can threaten even the best brands (e.g., McDonald's).²⁷ Some brands get

stale; competitors innovate; markets evolve; customers' needs and wants change. Carnival started as an innovative brand, turning the staid cruise industry on its head. The company cultivated a youthful image for two decades, then, like a cruise ship making a slow turn, management began the process of brand maturation by investing in product and service improvements, changing the drinking age, and toning down the orchestrated revelry. The "Million Ways to Have Fun" campaign said that Carnival had grown up—though it also said less about what made Carnival distinctive.

The underlying question for Carnival should be, "Who are our *core* guests, and what do they want in a Fun Ship experience?" Company executives want to exclude virtually no one from the cruise line's market. "Casting a bigger net," though, creates a challenge because more and different customers seek fun in increasingly diverse ways. Today's Carnival would benefit from being more precise in segmenting the market based on the psychographic of fun. To an extent, RCI is forcing Carnival's hand by pursuing "adventurous" vacationers and offering an active, sports type of fun. Carnival might instead pursue vacationers who seek pleasure and entertainment, or a more relaxing and diversionary type of fun that recalls Carnival's party pedigree and ongoing product strengths—fun in music, dancing, drinking, dining, gaming, playing, and lounging. Entertainment fun is also the joy of watching one's children or grandchildren have fun (i.e., theme park/carnival fun on Carnival) or knowing that one's teenager is having fun. Indeed, Carnival's recent alliance with Coca-Cola to form Club O2 teen centers (with a "Coke-tail" lounge) is an excellent example of brand-consistent innovation.²⁸

With a more precise, customer-defined concept of fun at the center of the Carnival

brand, management can better determine which of the myriad cues embedded in the physical product, service processes, and marketing messages are aligned with customers' meaning of fun and the equity of the brand. This demands ongoing market research to develop a deep understanding of those Carnival customers who identify with the brand and active listening to their needs, wants, and desires—in effect, to place Carnival's most profitable cruisers at the helm of the Fun Ships brand. This also demands hard decisions about future product innovations that will both deliver on the fun and strengthen the image of the brand. For example, a bar that features drinking games, though perhaps fun to a segment of guests, would do little to build Carnival's brand equity; a bar that features interactive video games and trivia contests, on the other hand, might offer a new venue for fun that guests would readily associate with the brand.

Once the Kmart of the Caribbean, Carnival Cruise Lines has emerged as the dominant brand of the seascape. Like Wal-Mart in retailing, Carnival's success can be attributed to an unrelenting focus on customer value through low cost and a fun experience. For Carnival to continue to tap the rich vein of mass-market vacationers while burnishing the brand to appeal to more discerning guests, management will have to buck marketing wisdom about the risks of trying to be all things to all people. The analysis offered here argues for a more focused approach to marketing the Carnival Cruise Lines experience based on the idea of entertainment fun—a branding theme that leverages Carnival's extant brand image and product strengths while still enabling "A Million Ways to Have Fun."

Endnotes

1. The interview data upon which this case study is based were collected in December 2004. In addition to publicly available, secondary data sources, interviews of forty-five to ninety minutes in length were conducted with sixteen Carnival Cruise Lines executives at the company's Miami headquarters before and after my participating in a four-day product experience aboard the Carnival *Fascination*. While onboard the *Fascination*, four of the ship's officers were also interviewed. The data record consists of more than 350 pages of single-spaced interview transcripts, as well as field notes, photographs, and proprietary cruise documents and records provided by the company.
2. *Tons* refers to gross registered tonnage (GRT), the volume of space within the hull of a ship, or a ship's total internal capacity (1 vessel ton = 100 cubic feet).
3. Kristoffer Garin, *Devils on the Deep Blue Sea* (New York: Viking, 2005).
4. Cruise ship passenger capacity is measured by the number of lower berths or beds, which is typically two per cabin.
5. See Kevin Lane Keller, "Conceptualizing, Measuring, and Managing Customer-based Brand Equity," *Journal of Marketing* 57 (January 1993): 1-22; and Roland T. Rust, Valarie A. Zeithaml, and Katherine N. Lemon, "Customer-centered Brand Management," *Harvard Business Review* 82, no. 9 (September 2004): 110-18.
6. See Roger Cartright and Carolyn Baird, *The Development and Growth of the Cruise Industry* (Oxford, UK: Butterworth Heinemann, 1999); Douglas Ward, *Berlitz Ocean Cruising and Cruise Ships 2005* (London: Berlitz, 2005); and Bob Dickinson and Andy Vladimir, *Selling the Sea: An Inside Look at the Cruise Industry* (New York: John Wiley, 1997).
7. Cruise Lines International Association, *Spring 2005 Industry Overview*, <http://www.cruising.org/press/overview/2.cfm>.
8. *Ibid.*; and Garin, *Devils on the Deep Blue Sea*.
9. The North American cruise market is estimated to constitute 80 percent of the global cruise market. See Cruise Lines International Association (CLIA), *Five Year Cruise Industry Capacity Outlook* (New York: CLIA, March 2005); and Mintel International Group Limited, *Mintel Reports: Cruises—US—April 2005* (Mintel International Group Limited, 2005). Unless otherwise noted, references to the cruise market

- in this case study refer to the North American market.
10. Garin, *Devils on the Deep Blue Sea*.
 11. Passenger-carrying numbers are calculated as basis 2 (double occupancy), given that cruise ship cabins typically have two lower berths. Because some cabins also feature pull-down bunks, fold-out sofas, or roll-away beds, maximum ship capacity can exceed by 25% the basis-2 capacity. Cruise lines frequently report occupancies greater than 100%, a statistic that uses the basis-2 capacity. Unless otherwise noted, the basis-2 ship capacity is used here.
 12. "Cruise News: Royal Caribbean International Receives Top Marketing Honor," http://www.cruise411.com/cruise_buzz/feature_article.asp?article_ID=360 (accessed August 10, 2005).
 13. Royal Caribbean International press release, "Freedom Is—Where the Ocean Comes to Play," <http://www.royalcaribbean.com/pressroom> (accessed August 3, 2005).
 14. Dickinson and Vladimir, *Selling the Sea*, 174.
 15. Ward, *Berlitz Ocean Cruising and Cruise Ships*, 128.
 16. Heidi Sarna, "Movie Stars under the Stars: Just One of New Ship's Perks," *Travel Weekly*, April 19, 2004, p. 16.
 17. Carnival Cruise Lines News Release, "New Carnival Liberty to Feature Massive 270-Square-Foot Outdoor TV Screen," May 20, 2005, http://carnival.com/CMS/Articles/liberty_led.aspx (accessed August 3, 2005).
 18. NCL News, "Norwegian Cruise Line Announces Next-Generation Newbuild Featuring New 'Freestyle Cruising,'" April 14, 2000, <http://www.ncl.com/news/pr/pr000414a.html> (accessed August 10, 2005).
 19. "Carnival's Total Choice Dining—Cruising's Most Comprehensive Dining Program," July 15, 2005, Virtual Press Kits, http://www.carnival.com/CMS/Articles/dining_virtual2.aspx (accessed August 10, 2005).
 20. Dickinson and Vladimir, *Selling the Sea*, 32.
 21. Sources: Author's calculations based on published Carnival cruise fares and the CLIA 2005 Cruise Market Profile, available at <http://www.cruising.org>.
 22. Ward, *Berlitz Ocean Cruising and Cruise Ships*.
 23. Industry averages are from CLIA; Carnival averages are from Carnival sources.
 24. Carnival Press Release, "Carnival to Launch New Multimillion-dollar Ad Campaign Designed to Convey Product Enhancements," December 6, 2004, http://www.carnival.com/CMS/Articles/new_adcampaign.aspx (accessed August 17, 2005).
 25. Rebecca Tobin, "Report: Ships Need Brand-aid," *Travel Weekly*, June 7, 2004, pp. 1, 58.
 26. In one of the few published studies that look at perceptions of brand differences in the cruise industry, Marti (2005) reports that most cruise customers could not identify the logos of the major cruise brands. Bruce E. Marti, "Cruise Line Logo Recognition," *Journal of Travel & Tourism Marketing* 18, no. 1 (2005): 25-31.
 27. See Donald N. Sull, "Why Good Companies Go Bad," *Harvard Business Review* 77, no. 4 (July-August 1999): 42-52.
 28. "Carnival, Coca-Cola Team Up to Create Fleetwide Club O2 Teen Centers Aboard Fun Ships," August 4, 2005, http://www.carnival.com/CMS/Articles/teen_centers.aspx (accessed August 17, 2005).



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