



# Stock options

The daunting nature of managing a cruise line's procurement process requires strong organisation and expert timing. **Nabeela Ahmed** looks at how Carnival and Royal Caribbean handle the sharp end of the market.

**G**lobalisation has been the word on everyone's lips for a long time now, but the cruise industry is feeling its effects more than ever. As the world gets more local, the industry gets bigger, and those involved in supply and procurement transactions are at the frontline of this phenomenon.

'It's more than just a buzz word, it's a reality', says Jeff Danis, vice-president of supply chain management at Royal Caribbean International.

'The most prevalent trend for us has been the globalisation of business. Our company now distributes to over 70 ports around the world. This is a combination of both buying and selling, and this has gone up by 50% in the past two years.'

The Cruise Lines International Association (CLIA) estimates that 12.6 million people cruised in 2007, a 4.6% increase from 2006. Carnival Cruise

Lines and Royal Caribbean International reported revenues for 2007 at \$13.1 billion and \$6.1 billion, respectively. In such an increasingly competitive market, the management of procurement and supply operations is faced with a host of new trends and challenges.

So what do cruise lines expect from suppliers to keep up with pace? 'From our perspective, we are either looking at suppliers who are capable of working with us on scale and distribution, or we're looking for local companies. It all comes back to the question of what we expect: quality, reliability, the service component, and after market service,' says Danis.

Ben Wolber, fleet director of purchasing and logistics at Oceania Cruises, emphasises the key requirements of suppliers. 'A cruise is a hotel on a ship; but I have to buy in a way that's different to a hotel. On some deals, we must supply ships on a certain day, so the vendor must deliver

on that day and there is no backwater like you have with other businesses.'

It seems an especially tough game for suppliers, particularly with goods such as fresh produce, when food scares, quality control and timing can be a 'sink-or-swim' situation for most cruise line suppliers.

According to Danis, 99 rejections out of a 100 supplier requests are typical occurrences. 'Some people have no clue about our operational environment, space limitations and distribution needs. The quality and reliability of suppliers is paramount, and it is an unforgiving environment. 'When we're talking about food, when we arrive somewhere, we've got to have it delivered on the same day, this is critical. There is no margin for tolerance that other businesses may have,' Danis says.

## Shift towards Europe

Royal Caribbean International also goes the extra mile to ensure products meet its



#### Ben Wolber profile

Ben Wolber is director of fleet purchasing and logistics for Oceania Cruises. Beginning his career in hotel operations as a purchasing agent, Wolber went on to become a provision master for the *Europa*, to work on the *Bremen* expedition ship cruising in Antarctica and as hotel controller for the *Saga Rose*.

standards. 'We prefer direct rather than outsourced goods, unless we are told that the products will be outsourced,' says Wolber. 'People are surprised to hear we go out to look at people and places, even with where we buy our linen from: capacity and quality control is so critical for us.'

Wolber sees a cruise as a floating city and explains how this requires the task of dealing with suppliers with different expertise. 'With things such as fireproof deck furniture, there are companies that supply these especially for cruise lines, made only for cruises. But we also buy a lot of stuff from those who are not specialised.'

Recent economic pressures have led to a shift in the geography of markets, with the weakening dollar pushing interest toward Europe. Carnival Cruise Lines, for example, is putting most of its new ships in its European brands, and Royal Caribbean International is also basing more of its fleet in distant ports.

The effect is unmistakable, according to Wolber. 'The growth rate in Europe is a lot bigger,' he says. 'In procurement, if we

have some difficult items, we now have to ship them from the US to Europe, so the US dollar has presented a new challenge.

'It really is a recession. But you have to realise there really is no such thing as *the* cruise line industry. You have everything from budget cruises, to activity cruises, to a luxury level. As the buyer tends to get older, the higher the cost gets.'

It is in this respect that Wolber is confident that Oceania Cruises will remain buoyant in the market. 'Oceania is in the upper premium market with 14-day cruises,' he says. 'Our customers are older, they don't have jobs, they don't have mortgages; they have money. The cruise industry has a big advantage in that you can send out ships to wherever the market is, it's not like a hotel. The European market is strong, for example the German market has been growing 10% each year for the past ten years.'

Danis concurs on shifts in the global market: 'The challenge for us is the currency exchange. There is a lot of pressure, or opportunity, depending on which way you look at it, on our business for buying from the US and shipping to other countries.

#### Jeff Danis profile

Jeff Danis is vice-president of supply chain management for Royal Caribbean and Celebrity Cruises where he leads the brand strategies for purchasing, inventory management, distribution, warehousing, and shipping operations.

A 20-year plus veteran of supply chain management, Danis previously held the positions as vice-president of global purchasing and logistics for P&O Princess Cruises, and executive director of worldwide sourcing at Raytheon Systems Company.



'The economic situation gives us a couple of concerns. Energy costs have gone up astronomically in the past few years, and they have a ripple effect on other markets, commodities and services such as metals, food, cotton, even polyester, which comes from oil. Also, with the currency exchange, sub-contractors are based now, by and large, in Europe. The exchange impact is making things very challenging. Consumers are still buying, the demand is still there, but this is what globalisation will do.'

So what does the future of cruise line supply and procurement hold?

For Wolber, the cruise industry still has to evolve further. 'The market is still really young, we have statistics showing

'The cruise industry has a big advantage in that you can send out ships to wherever the market is, it's not like a hotel.' **Ben Wolber**



Sticking to the schedule; suppliers must meet the demands of cruise itineraries.

that 80% of all the people who have ever gone to take a cruise have done so only in the last five years. We're still growing and adapting and finding our businesses. In the last ten years or so, products have definitely become much more driven by the head office, it has become more professionalised, and standardisation has only really just started to come in.'

Danis notes that logistics is changing, with more distribution in many parts of the world, like Europe for example. 'But it is changing less so for suppliers, cruise lines will always need suppliers, they are an extended enterprise.' **wc**