

Pier Luigi Foschi

Pier Luigi Foschi is chairman and CEO of Costa Crociere, a subsidiary of Carnival Corporation. He was chairman, director and CEO of Cunard Line Ltd, and serves as both vice-chairman of Confindustria, the federation of Italian ship owners, and chairman of the European Cruise Council.

Made in Italy

The European cruise industry enjoyed a record year in 2010, helped in no small part by the continuing success of its largest group Costa Crociere. Phin Foster meets chairman and CEO **Pier Luigi Foschi** to discuss new ships, Italian heritage and cultural identity.

Shore-side, European hoteliers must be casting envious glances out to sea. It was not always thus. For many years, cruising was viewed as an almost exclusively US pursuit, and while European ports sought to service the sector as best they could, operators had little interest in looking to entice guests from outside their traditional demographic.

In 2010, however, the cruise industry was the only tourism sector on the continent to enjoy substantial growth. Passengers departing from ports jumped 7.2% year-on-year to 5.2 million. European cruisers worldwide totalled 5.5 million, a 10% rise that accounted for some 30% of the global market. The European Cruise Council estimates that direct and indirect spend last year alone contributed €35.2 billion to the continent's coffers.

Despite lagging behind the UK and Germany when it comes to the number of





Top: Stunning ocean views from the three-storey Lido di Porpora onboard the *Costa Favolosa*. Above: the opulent interior of the immense Dei Diamanti Atrium.

actual cruisers, Italy was the biggest beneficiary of direct expenditure by a staggering €2 billion, generating €4.5 billion in what has otherwise been a severely struggling domestic economy. Perhaps the main player in this story is Costa Crociere. With 27 ships currently in service and a further five on order across three brands, Europe's largest cruise group is the perfect embodiment of a booming industry.

Big business

In August, its lead brand Costa Cruises announced plans for the line's grandest ship yet, a 132,500t colossus boasting a 4,928 capacity. That the announcement came hot on the heels of the technical launch of *Costa*

Fascinosa, due for delivery in May 2012, and just two months after the *Costa Favolosa's* maiden voyage, is indicative of an operator going places in a hurry. Costa Cruises has now ordered ten new ships in ten years from Italian shipbuilders Fincantieri, a total investment of over €5 billion. While Costa is certainly benefiting from a growing cruise market both in Italy and across Europe as a whole, the benefits go both ways.

"You could say we are reacting to and following market conditions," agrees Costa Crociere chairman and CEO Pier Luigi Foschi, "but I would like to think that we have played a major part in driving this growth also. The market is expanding and, as the biggest European operator, the

quality of our product and the reputation we've built up over time has put us at the forefront of this growth. One need only look at our results last year."

With revenues across Costa Crociere's brands up 12.1% in 2010, guest numbers 18.1% higher and passenger days increased by 16.7% to just under 17 million, Foschi has every right to sound bullish. The growth in numbers coming onboard was some 8% higher than that witnessed across the European industry as a whole, but the CEO's mind is very much in the here and now. This year has already been beset with global events that have hit virtually all operators and forced hasty revisions of growth forecasts. Costa has not been exempt.

"The geopolitical situation in North Africa and the Middle East, not to mention the earthquake and tsunami in Japan, has presented a number of challenges," Foschi concedes. "Costa had a ship in Asia, forcing a major revision of its itinerary, and the Eastern Mediterranean has also been severely affected. It's been the same for everyone and, given the circumstances, we have coped extremely well. There has been a major pick-up in bookings since May and we are looking to push on from there."

While Costa Cruises plans to go ahead with Egypt calls that are part of Red Sea cruises, Egypt and Tunisia have both been dropped from 2012 Mediterranean itineraries due to "a persistent negative perception" from guests. All operators are driven by customer demand and Foschi does not believe that the situation will have a damaging effect in the longer term.

"Perhaps we should consider 2011 a transitional year for the European cruise market as a result of these unprecedented events. But the fundamentals remain, and growth is still anticipated to be good. Customers of all ages and demographics are increasingly coming to appreciate the value of the cruise holiday, and this is not something that has happened overnight. We have spent years developing and fine-tuning the product, and have grown the market accordingly. We are already seeing these people returning and are confident that they will be with us for a long time."

Creative thinking

Meeting customer demand requires a slightly more nuanced approach than might be the case for some of Costa's US competitors. While others can continue to



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The Costa Favolosa embarked on its maiden voyage in July.

focus almost all their efforts towards an established base, its proud standing as the primary European operator compels the brand to cast the marketing net a little wider.

“There are not enough potential customers in Italy alone to meet our requirements and Europe is not the somewhat homogenous culture one finds in the US,” says Foschi. “We have major differences in habit, culinary tastes and cultural expectations. One must cut and tailor one’s product according to one’s customers, and in that respect Costa is perhaps the most international cruise company of all. We experience a very high level of demand from across the world and from all sorts of demographics. That forces us to think extremely creatively.”

Thinking outside the box is certainly something Foschi and the team at Costa Cruises have looked to achieve with the *Favolosa*, which embarked upon its maiden voyage on 4 July of this year. Built at Fincantieri’s Marghera shipyard in Venice and boasting a gross tonnage of 114,500 and a 3,800 capacity, it is the latest member of Costa’s Concordia class and the largest of the line’s ships currently in operation. ‘Favolosa’ can be translated both as ‘fabulous’ and ‘fantasy’, with Foschi anointing the vessel Costa’s very own “contemporary enchanted castle”.

Attractions include veranda suites equipped with individual Jacuzzis, a 600m² spa and wellness centre, an open-air aqua park, a high-tech entertainment area, including a 4D cinema, and a pool deck measuring 1,000m².

Naval architect and designer Joe Farcus has commented on the differences between designing for a European operator and his traditional US client base, citing a requirement for larger piazza-like spaces, plenty of room for dancing and some cultural sensitivity. “I was told early on that you don’t use a lot of purple, because purple is what the priest wears when they’re giving the last rites,” he observed during the ship’s maiden cruise.

Innately Italian

Despite the international nature of Costa Cruises, or perhaps because of it, the urge to stress Italian heritage is a theme Foschi returns to time and again. In his eyes, it imbues the entire operation with a great deal of identity and dignity, and it also serves as an invaluable selling tool.

“That sense of ‘Italianness’ does have real currency around the world,” he insists. “Italy is known across the globe for celebrating *la dolce vita*, those qualities essential for living a good life: romance, entertainment, fine art, great food. All of these things lie at the very heart of the

way in which we interact with and treat our guests. Putting money back into the Italian economy is not a marketing tool per se, but that too delivers a sense of pride and ownership for those working for Costa here in Italy.”

With ten orders in ten years, exclusively with Italian shipyards, Costa Cruises is certainly playing its part when it comes to propping up a struggling Italian economy. Looking at the European cruise sector as a whole, however, Foschi suggests that we may soon be entering a period of consolidation rather than growth. The market now firmly established, this could call for some difficult decisions.

“Of course, we’ll continue to grow,” he says, “but I think we also now need to think collectively as an industry about whether we can continue to deliver the same value at the same price point and perhaps the price may have to be pushed up in the future. This will either involve reducing the number of new builds or looking to provide an even better product to the customer. We are no longer in a position where we must cut prices to grow the market; the market is now there.”

But this is a conversation for further down the line. With new ships in the pipeline and the strongest of foundations upon which to build, Foschi and Costa are too busy enjoying *la dolce vita*. ■