

# An analysis of cruise tourism on Turkish economy; a case study for Istanbul and Barcelona ports\*

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## Abstract

Considering the rising momentum of tourism, companies and countries plunged into a quest for alternative activities over the longstanding choices in order to match more complex options demanded by people as a result of the globalization and technological improvement. In response to this demand, tourism is diversified and expanded into new alternatives. Cruise industry is an oligopoly and a sub-branch of tourism industry with its both labour and capital abundant factors. According to the official numbers, cruise line destinations mainly concentrated on Caribbean's and Mediterranean whereas 9% of global cruisers passed from Turkey as Turkey responds to this with 21 active cruise harbours. Understanding the itineraries as well as destinations is important in order to maintain and prosper current place in global zone. In our study, we aim to analyse the indicators that boost the cruise industry by concentrating on the attractive factors in world's leading destinations in order to investigate the Turkey's current and possible future place in the industry.

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## 1 Introduction

Tourism can be widely defined as a human activity that captures the demand of people on the entertaining or business events and travel activities from one place to another for leisure, pleasure or some duty; whereas the supply side of the tourism industry can consist of the businesses that deliver variety of such services as hotels, restaurants, management of business or leisure events and entertainment for individuals. The size and the context of the tourism demand created by individual tourists may vary with time or seasons and can be measured by international arrivals in tourism destinations. Over the last two decades, international arrivals have experienced a significant rally with 124% of growth from 527 million in 1995 to 1,184 million in 2015 mainly due to the advances in technology that enable the transportation and travel to be much cheaper and easier in addition to removal of physical and non-physical borders with all credit to the term of globalization. Even though the heterogeneous structure of the industry makes it harder to measure the economic impact; World Tourism Organization (UNWTO) demonstrates that international tourism activities created roughly 1.5 trillion dollars of international export equivalent in 2015 referring to its direct, indirect and induced impact which is approximately equal to 9% of world's GDP (UNWTO, 2015). From this point of view, tourism income can be considered as a strong impetus for economies, especially regarding its priority in growth strategies of developing countries, so that the importance of tourism should be strongly emphasized by providing widespread awareness (Durbarry, 2004).

Some developing countries, including Turkey, have low domestic saving rates and capital accumulation, experience high debt against inadequate foreign reserve to recover this debt. Moreover, import-oriented production and consumption generates cash outflow and all these factors require a need for cash inflow to country's international balances in aggregate. So the tourism revenues can be seen as a cure with its affirmative impact on nations' balance of payments. Under this perspective, tourism industry has both micro and macro impacts. Taking into account the fact that foreign tourism creates a foreign export demand for domestic goods and services, it generates foreign currency earnings and creates new employment as well as strengthening country's stance in international grounds by improving standards of living at the macro level. On the other hand, micro benefits of tourism can be viewed as improving the quality of labor and using the sources in efficient way, diversifying the alternatives by using new facilities and benefiting scale economics (Akal, 2010). Derived by enormous growth of tourism industry in economic progress, number of publications on tourism's economic impact also encountered astonishing growth in academic literature (Song, Dwyer, Li, and Cao, 2012).

Just like in other developing countries, tourism income is considered as an important source of export revenue in Turkey as well. This is mostly attributed to its natural, historical and cultural attractions which give Turkey a feature of one of the leading tourism destinations the global tourism market (Yasar, 2012). In World Tourism Organization's report, Turkey is ranked among top 10 destinations in 2014 and it consolidated its position at 6th place in international arrivals but ironically held the 12th place in international ranking of tourism revenues. This may actually indicate that attractiveness is not an issue but considering its potential, Turkey may take more advantage in terms of initiating cash inflows by offering diversified and value added services in tourism industry. Regarding that Turkey is a peninsula harboring a strong historical background and a cultural infrastructure, the country may host a variety of tourism alternatives as religious, cultural and sea tourisms as well as offering business tourism within the scope of being a trade and finance center. Thanks to all this factors, Turkey has welcomed around 42 million people while generating an income of 34 billion dollars in 2014 whereas the share of the tourism income in GDP and exports is 4,3% and 21.8% respectively. This income also allows to offset the trade deficit by 40.59%<sup>1</sup>.

Considering this rising momentum of the international tourism and its economic benefits, tourism

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<sup>1</sup>Source: TURSAB

companies -in micro level- and countries -in macro level- began a quest for alternative activities over the longstanding choices in order to deal with the more complex demands, thus increase their shares in international tourism market (Lordkipanidze, Brezet, and Backman, 2005). This leads to a diversification of the alternatives in international tourism market in which cruise industry can be studied as a sub-branch and viewed as the fastest growing sector of the travel industry in recent years (Brida and Zapata, 2010). Considering that the cruise industry requires both labor and capital abundant factors, it can be seen as a concentrated business in terms of players and markets so that it can be referred as an oligopoly (Rodrigue and Notteboom, 2013). As the cruise industry was created and maintained its importance over the last few decades within the tourism industry, Cruise Line International Association (CLIA) was established in order supports policies and practices that foster a safe, secure, healthy and sustainable cruise ship environment. CLIA measured economic impact of cruise industry as 119 billion dollars of outcome accumulated by direct, indirect and induced contribution and argued that the industry provided a global employment of 940,000 in 2014 (CLIA, 2015). According to the CLIA's report, more than 22 million cruisers traveled around the world in the same year whereas the cruise line destinations mainly concentrated on the Caribbean Islands and Mediterranean. Turkey is considered as a popular destination in cruise tourism and around 10% of transit cruise passengers pass from Turkey as the country responds to this demand with 21 active cruise harbors<sup>2</sup>. Istanbul, Bodrum and Kuşadası harbors specifically have a significant share in Turkey's cruise tourism export.

Our motivation is derived from this growing importance of cruise tourism so that this paper aims to analyze the indicators that boost the cruise industry by concentrating on the attractive factors in world's leading cruise destinations, particularly Barcelona, as the city is the leading cruise destination in Mediterranean, in order to investigate Turkey's current and possible future place in the market. Our study is organized as follows: In the first section we survey the studies on the link between tourism and development, appropriate ways of measuring the economic impact of tourism and cruise tourism, in specific, with its link to socio-cultural and economic development in the second section. In the third section we give a brief outlook of tourism industry with a focus on global trends and its implications for Turkey. Fourth section carries the aim of explaining the strong development of cruise industry by analyzing the indicators to be a selected cruise destination. SWOT analysis is implemented for Port of Barcelona and Port of Istanbul in fifth section. Finally we conclude and make policy suggestion in the sixth section of our study.

## 2 Literature Survey

### 2.1 Tourism and its link to economic and socio-cultural development

Tourism industry, in a broader context, is widely recognized as the world's largest industry in terms of number of people involved, revenues, employment, economic impact on various areas as well as its social impact on the society (Sharma, 2005). As the time progresses, the industry grew and prospered along with increasing number of facilities thanks to globalization and technological improvement. In line with this fact, academic literature on tourism also expanded since its origin. Number of research on this subject did not only grow but also diversified corresponding to field of the study. For example; types of tourism in post-industrial world (Arva, Deli-Gray, et al., 2011); product improvement and innovation for success in tourism (Weiermair et al., 2004); socio-economic impact of tourism (Mbaiwa, 2003); economic impact of tourism (Fletcher, 1989); economics of tourism (Sinclair and Stabler, 2002); tourism and development in third world countries (Lea et al., 1988); marine tourism (Musso and Inglis, 1998); cruise tourism and its economic, social and cultural impacts (Dowling, 2006); competitiveness in travel and tourism industry (Gooroochurn and Sugiyarto, 2005) and so on.

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<sup>2</sup>Source: Ministry of Transport, Maritime Affairs and Communications: Directorate General of Merchant Marine

Tourism can generally be associated with economic and cultural development considering its outcome regarding on employment, efficiency, generated cash-inflow, infrastructural impacts (on roads, airports, cities, buildings and historical places) and etc. each of which contributes to the life standards of local communities (Lea et al., 1988). Under this perspective, researches on consequences of tourism development in a substantial manner are firstly studied in 1970's and even accelerated in 1980's. There were two common methods of this period that pursued the discussion on the link between tourism and development. One of each is the life-cycle model carried by (Butler, 1980) under the view of modernization; and the latter is implemented with dependency perspective of Britton (1982) in a stance of Neo-Marxism approach. Even though each perspective represents a different standpoint, they find a common ground in which economies of scale leads to a lower unit cost that makes the journey cheaper and more efficient; thus the destinations can welcome higher number of visitors. Besides, Milne and Ateljevic (2001) review the criticism against those two approaches by assessing the opposing studies. Their study investigates such criticism on dependency theory of Britton (1982) by pointing out the critique that the theory is stacked on the international level and the world system by referring to the Corbridge (1986)'s critical approach to dependency theory. Hence, it is concluded that domestic circumstances should also be taken into account at least as much as the events engendered in abroad (Storper, 1990); (Lipietz, 1993); (Peet and Hartwick, 1999). Moreover, both approaches (of (Butler, 1980); and of Britton (1982) are criticized for their failure to concede the possibility that local communities including state, industry actors and local individuals may have control on their own destiny to some extent as those theories ignore this fact and focuses on the global circumstances rather than the local conditions.

From this point of view, in evaluating the effects of tourism on economic and socio-cultural development, the term of sustainable tourism is discussed as a quoin in the literature (e.g. (Sharma, 2005); (Mihalič, Sharpley, Telfer, et al., 2002); (Telfer, Sharpley, et al., 2002). For example, the study on theoretical gap between development theories and tourism, as an actor for development, is conducted by Telfer, Sharpley, et al. (2002) by investigating the factors of development paradigms. Four factors are taken into account which are modernization, dependency, economic neoliberalism, and alternative development in order to find the effectiveness degree of each paradigm of development on tourism. Not only the positive impact but also the negative impacts of tourism is evaluated in this study. Telfer, Sharpley, et al. (2002) considers the local communities as a crucial part of the efficient and sustainable development and it is concluded that sustainable development of tourism requires coordination between the different sectors of the economy in an extensive framework. Within the scope of sustainable tourism, the term of community is emphasized through pointing out the fact that tourism industry is shaped by human activity. In this respect, Milne and Ateljevic (2001) concerns with how local economies can expand without damaging the unique socio-cultural and environmental resources for sustainable tourism in globalized world. It is argued that involving the local communities into decision making and strategic planning processes may lead to sustainment in tourism developing strategies.

Brohman (1996) evaluates the directions of tourism for the development of the third world countries by focusing the convenience of the tourism strategies with the changing conditions and interest of the societies. It is also mentioned that outward-oriented development strategies may generate such problems as extreme foreign dependence, the creation of separate enclaves, the strengthening of socioeconomic inequalities, environmental damage, and rising cultural estrangement. Concerning these facts, Brohman (1996) argues that it is required to have institutional mechanisms in order to stimulate active state and community participation in tourism planning so that tourism-led development should comply with the long-term concerns of the popular majority instead of the short-term welfare of an elite minority.

Mihalič, Sharpley, Telfer, et al. (2002) addresses the role of tourism in the frame of economic development progress by associating the term of development with macroeconomic indicators. It is argued that the economic benefits of tourism can be evaluated and assessed through putting those indicators

to the center of the discussion. Such indicators consist of destination's balance of payments, job creation and its inflation/deflation effects. Shaw and Williams (1990) also evaluate the macroeconomic development of tourism by discussing the bilateral relations between development and dependency; international tourism and foreign earnings; tourism and employment; and tourism and regional development. They also assess the structural dimension of tourism as the role and even nature of both private and public sector; thus coordination between the public and private sector is emphasized for tourism to generate macroeconomic welfare (Shaw and Williams, 1990).

## 2.2 Measuring the economic impact of tourism

As the tourism industry has links to different sectors in terms of both demand and supply side, it gives a heterogeneous structure to tourism that may hamper measuring its economic impact. Nevertheless, there exist some studies using specific techniques in order to measure the local and global impact of the industry ((Archer, 1976); (Zhou, Yanagida, Chakravorty, and Leung, 1997); (Tisdell et al., 2000); (Chase and Alon, 2002); (Unur, 2004)). Those studies generally separate the economic impact into three categories which are direct, indirect and induced impact of the industry. Fundamental economic impact of tourism is widely generated by tourist expenditures. There exists some analysis which use the direct and indirect data for measuring the economic impact. Thus, data collection is considered as a crucial factor within this sense. Unur (2004) argues that there are four types of methodology for data collection in tourism activities. One of them is the evaluation-based approach which is derived from the perceptions of the specialists and expenditure is estimated by engineering methods. The second approach consists of not only evaluation-based methods but also primary data with more weight on evaluation-based methods. Primary tourism data is estimated from the region's historical performance or performance of similar regions; whereas expenditure is also measured with this point of view. The third approach is mostly based on primary data but also includes an evaluation-based estimation as well. On the other hand, the fourth and the most applied approach is the survey methodology which is conducted to a sample group. The survey is conducted in order to find how much money is spent on what kind of products. This survey is also applied in Turkey with the collaboration of Ministry of Tourism Affairs and TURSAB.

The most common methodology used for measurement of economic impact of tourism seems to be the multiplier model. The model has three different forms: Input-output approach, general equilibrium model and Keynesian multiplier model ((Archer, 1976); (Unur, 2004)). These multiplier models are usually built for measuring the direct, indirect and induced impacts in the industry. The main approach of the multiplier model is that expenditures expand through all segments of the economy. So welfare spreads to the businesses in tourism activity (Chase and Alon, 2002). With this respect, multipliers can be used to evaluate government spending, income, investment and trade flows in terms of export and import value in an economy regarding its direct and indirect effects. As the multipliers can also make it possible to anticipate the future, it is useful to apply this method for strategic planning and future estimations (Tisdell et al., 2000).

First form of the multiplier model which measures the direct and secondary effects is the input-output model. Value added calculations for each sector of an economy is applied to explain the way how an industry's output spreads throughout the economy. Even though the model seems to be appropriate for measuring the economic impact of tourism, it requires a substantial amount of data ((Zhou, Yanagida, Chakravorty, and Leung, 1997); (Chang, Park, Liu, and Roh, 2016)).

Another form of the multiplier model is the general equilibrium model. Although this model may seem identical to input-output methodology, it differs from it in such a manner that general equilibrium model applies to a dynamic framework to visualize the effects of tourism in different sectors (Grassel, 1999). Thanks to its dynamic feature, it is possible to update the changes in the model so that no requirement is needed for revising it in a periodic basis. This methodology also requires a large amount

of data.

On the other hand, Keynesian model is much more effective in application because of the fact that more data are available (Sinclair and Sutcliffe, 1982). This model also evaluates the direct, indirect and induced effects of tourism (Barnwell and Boxil, 1998). The basic form of the model is the instant multiplier however it does not include the leakages. Thus, this version can be applied to all industries and does not consider leakages. The more complex form of Keynesian model may allow for leakages so that it enables for the outflow of spending and yields more exact multiplier (Archer (1976); (Chase and Alon, 2002)). Moreover, it can assess the changes in leakages from the economy with a change in expenditures.

### **2.3 Literature on cruise tourism: its characteristics, structure and impact on economic and socio-cultural components of the society**

The researches in the literature about the economic impact of tourism agree that tourism is an important source of income as well as an economic and social development tool; especially for the countries owning a rich geographic diversity that may offer various types of tourism such as sea tourism, winter tourism, ecotourism and the like. Cultural tourism also has a significant share in the industry so that cultural infrastructure and historical background became important in this respect. Moreover being a finance, trade or business destination is also an asset for business and congress tourism.

As tourism segments are classified into multifarious categories in the literature, cruise tourism is marked as a rising field of the tourism industry with its astonishing growth rate over the past years, in particular in last two decades. Accordingly the number of the researches on cruise tourism also increased in line with the growth of the industry (e.g. (Bull et al., 1996); (McKee, Chase, et al., 2003); (Braun, Xander, and White, 2002); (Klein, 2003); (Dowling, 2006)). It is quite likely that Dowling (2006) proposes one of the most exhaustive studies on cruise tourism by analyzing more than forty five issues by blending the studies of several contributors. Geography and seasonality is evaluated by Charlier, McCalla, et al. (2006) while supply side and demand side are analyzed in different studies conducted by Wilkinson, Dowling, et al. (2006) and Petrick, Li, Dowling, et al. (2006) respectively. Even though there exist some studies on cruise tourism which concentrate on trends, structure and passenger profiles, there was virtually no study on economic impact of cruise tourism in a broader context until 2000's ((Wood, 2000); Chase and Alon (2002)). In the latter part of this section we aim to give a brief history on evaluation of the cruise industry. Then we review the studies in the literature about the structure and actors of the cruise industry and we finally review the studies on cruise tourism particularly within the context of its economic impact.

Origins of the cruise industry can actually be traced back to 19th century liners, especially between North America and Europe, in a mass structured market whereas the industry has mainly been serving the elite minority (Kester, 2003). In this period, while the first cruise ships were not large enough yet, cruise ships could carry about 1000 passengers. However, as the economies of scale became more prominent in time, larger ships have been constructed and higher numbers of visitors could be handled so that cruise industry expanded its horizon by offering a variety of alternatives to people with different socioeconomic status. This can be regarded as the emergence of the modern cruise industry. With this respect, emergence of the modern industry started in 1960's and early 1970's with establishment of Norwegian Cruise Line in 1966, Royal Caribbean International in 1968 and Carnival Cruise Lines in 1972 (Rodrigue and Notteboom, 2013). Those vessels could carry around 3000 passengers. However in today's world, having a mature cruise industry, contemporary large vessels have a capacity of 6000 passengers.

One of the comprehensive studies on cruise activity is by Brida and Zapata (2010) within the context of its economic, socio-cultural and environmental effect. They evaluate the development of the modern cruise tourism from its initial period till recent years by focusing on the structural changes

of leisure cruising in addition to identification of the costs and the benefits of the players in local economies (Brida and Zapata, 2010). Moreover, the same authors in further studies Brida, Pulina, Riaño, and Aguirre (2013) examine the characteristics, preferences and overall experience of 1,361 passengers in a port of call, Cartagena, using the survey data obtained. In their study, fundamental factors in the data are exposed through correspondence analysis in the first phase which allow for clustering the sample of homogenous group in the second phase. Using those analysis, decision tree is created to characterize each group in the last phase. Brida, Pulina, Riaño, and Aguirre (2013) reveal five factors that explain 83% of the total data variance. Those factors are identified as satisfaction with human and physical capital, repeated cruise travelers, perception of safety, purchase ashore and compliance with human and physical capital (Brida, Pulina, Riaño, and Aguirre, 2013). A similar study is previously implemented by Brida and Seijas (2012) for Uruguay as well.

Thurau, Carver, Mangun, Basman, and Bauer (2007) use data obtained from survey on cruise passengers in the study of preference classification. They aim to detect the types of market segments of the cruisers by using cluster analysis and then go into more detail to develop the different profiles of those segments by analyzing the statistically significant variables through chi-square analysis. It is found that different clusters are associated with different activities at the destinations which are culture, adventure and natural attractions. Gabe, Lynch, and McConnon (2006) implement a logit regression model in order to determine which conditions may affect the prospects of cruisers to revisit the destination of Bar Harbor. They use the results of survey implemented in 2002 in Bar Harbor and it is determined that total number of visits and the length of stay have positive impacts whereas the distance to place of residence has negative impact on possibility to revisit the destination. Unlike the common perception, they argue that household income does not play a significant role in this sense. With a similar purpose, Silvestre, Santos, and Ramalho (2008) aim to analyze the attractiveness factors of Azores which may affect the probability of returning to the port. It is argued that city's attraction and overall visit experience are the two most important factors to revisit and recommend the trip. They also point out the policy suggestions for enhancing those factors in order to increase the attractiveness of the region. The issues of safety, hospitality and clean environment should also be considered in this context.

Today's modern cruise industry is considered as a leisure tourism that can offer various types of services since the destination and geography get beyond being the unique attractive factor for the cruiser, because the demand of passengers became more complex, versatile and difficult to satisfy. As a response to this more sophisticated demand by the passengers, cruise industry serves as a floating leisure place with bars, restaurants, casinos, theaters, swimming pools and the like in its own genuine manner. In this respect, Rodrigue and Notteboom (2013) investigate the market drives in order to question whether the destinations or itineraries are sold by cruise industry in a priority. It is also argued that the sailing time plays an important role in the decision process so that the optimum time passed in the vessel happens to be seven nights with other frequent duration options in a range of three to five days. They conclude that port selections and itineraries are strong tools to maximize the commercial potentials and the ship asset. Concerning this fact, it is also implied that cruise operators seek to generate a demand by providing more capacity and marketing discount to fill the vessels using a supply-push strategy. Thus, they argue that itineraries are seen as an offensive instrument where particular regional and cultural activities can be experienced combining with sailing time, ship facilities and port of choice in order to fulfill this aim.

In this respect, the port selection criteria became an interesting topic in the literature. To have better understanding of those criteria, some definitions of the port types are given by Lekakou, Pallis, and Vaggelas (2009). 'Homeport' is defined as starting and ending point of the cruise. 'Ports of call' is explained as the ports visited by the ship during the journey while hybrid ports combine the characteristics of the homeports and ports of call. The study assesses and ranks the criteria in which industry follows in port selection process. In this process a survey is conducted on cruise companies,

agents and cruise ports. Lekakou, Pallis, and Vaggelas (2009) find eighty one criteria under twelve factors and conclude that availability of international airport close to cruise port, safe and secure journey for passengers, political factors, legislative frameworks (cabotage, for instance) are on the top of the list. In addition to those criteria port efficiency and infrastructure, cruise itineraries, port dues and cost of services to vessel are also important indicators.

Market structure in terms of the players, destinations and input are also assessed in the literature ((Lekakou, Pallis, and Vaggelas, 2009); (Rodrigue and Notteboom, 2013); (Kester, 2003); (Brida, Pulina, Riaño, and Aguirre, 2013); CLIA -Cruise Line International Association- Annual Reports). Those studies and reports show that cruise industry is a concentrated market and can be regarded as an oligopoly. Four largest cruise companies (Carnival Lines, Royal Caribbean, Norwegian Cruise Line and MSC Cruise) have the share of 96% in the international cruise industry. This oligopolistic structure of the cruise industry is mostly associated with the fact that industry requires a high level of capital intensiveness. The vessels of 220,000 gross tons that can carry 6000 passengers might cost approximately 1.24 billion dollars. Shipbuilding industry is also analyzed and the results shows us that cruise ships are mostly built in European shipyards since it necessitates high quality and design capability and create higher value added impact; whereas Chinese, Japan and South Korean shipyards focus and specialize on container ships, bulk-carriers and tankers ((Jiang and Strandenes, 2011); (Yujing and Xinhua, 2014)).

Another study on market structure of the cruise industry is given by Bull et al. (1996) with greater focus on the types of cruise destinations. He describes five types of cruise markets. One of them is the river/lake/canal cruise which is a small segment of cruise industry serving with small vessels. The second is the special interest cruise such as sailing for education, business or exploration whereas the market is a type of a monopoly as it requires specifically built vessels and trained crew. The third type of cruise industry is the long distance ocean cruise in the single world market in which large vessels are more common often relying on tradition and luxury types. Resources are provided where the input is the most efficient to provide. Another type of cruise segmentation is the extended ferry (mini cruises) which usually serves domestically or between country pairs. It has also a joint product of car ferry services. The fifth and last type of cruise activity is the short ocean cruises. This segment is mostly dominated by U.S demand in several regions, particularly in Caribbean Islands. Large vessels operate in this market in order to utilize economies of scale.

Moreover, cruise line destinations mostly concentrate on Caribbean and Mediterranean. Consequently the studies on economic impact of the cruise industry are mostly focused on those two regions. Although the cruise industry corresponds to a modest portion of tourism, it grows in a considerable extent. Accordingly it is regarded as the fastest growing segment of tourism ((Seidl, Guillano, and Pratt, 2006; Seidl, Guillano, and Pratt, 2007); (Pratt and Blake, 2009)). One of the oldest studies on economic impact of leisure cruise is conducted by Mamoozadeh (1991) in which three important regions of Caribbean were investigated using Keynesian multiplier. It is concluded that leisure cruise does not have any significant impact on Barbados and Bermuda but have an impact on Bahamas. Furthering this study after two decades, Chase and Alon (2002) evaluate the economic impact of cruiser industry in Barbados. They aim to create a general model which can be implemented for different cruise destinations. In this line, using Keynesian multiplier approach, three regression models are generated for three different multipliers which are government, imports and investment. They perform the model of McDonald (1997) which includes the leakages from imports, saving and taxes as well as assessing direct, indirect and induced spending. In order to evaluate the impact of cruise tourism, three more variables are added into the models. They cruise tourist expenditures, stopover tourist expenditures and total tourist expenditures. Their study concludes that fundamental of total tourism expenditures are generated from stopover tourist expenditures instead of cruise tourist expenditures in Barbados.

Study by Chang, Park, Liu, and Roh (2016) presents a methodology for analyzing the economic impact of cruise industry in the port of Incheon using input-output approach. They measure the

economic impact of the cruise activity under the current circumstances as well as analyzing scenarios which include development of shopping centers and facilities in Incheon in the future. They discuss that Port of Incheon is a port of call, rather than homeport, so that the port generates cash mostly from expenditures of crew and passengers. Thus it is revealed that the economic effects of cruise industry in Incheon is comparatively smaller than those in the other developed regions of the Caribbean and Mediterranean. The study also makes some assumptions in order to extract the cruise sector's economic activities out of general industry classification since there is not enough data available to implement. As the input-output methodology also concerns with value added affects, Chang, Park, Liu, and Roh (2016) conclude that the Port of Incheon contributes to Seoul economy in terms of value added and job creation. They lastly argue that half day program close to the port would bring more benefits as the passengers can save time on trip.

Gabe and McConnon (2009) evaluate the demographic features and economic impact of cruise passengers in Portland using survey-based analysis. It is found that cruisers who visit Portland have already experienced a cruise travel and are mostly dominated by U.S citizens. According to the responses, average expenditure in Portland is 80.51 US\$, exclusive of the money paid to cruise lines for guided tours. Another study on average spending of cruise passenger is conducted by the Center of Ecotourism and Sustainable Development (2006). The study is conducted with over 600 surveys in 2005 and compares the expenditure profiles, perceptions and preferences of cruise and staying-over tourists. It is found that spending of cruisers is 44 US\$ per day directly influencing the local economy as some portion of this expenditure goes to cruise company while average spending of a staying-over tourist is 96 US\$ per day. On the other hand, Dwyer, Forsyth, et al. (1996) in the study implemented in Australia find that cruise tourists have higher yield in terms of spending per day comparing the other segments of international tourism. Cruise Line International Association (CLIA) also supports this finding. Dwyer, Forsyth, et al. (1996) also find that home-port cruise ships may generate more cash flow to the destination.

Turkey, on the other hand, is one of the most favorable destinations of tourism activity thanks to its natural attractions, preferable temperature, diverse coasts and beaches, historical and cultural background as the region is the capital of many civilization and Abrahamic religions in history. These characteristics enable us to rank Turkey in the top ten destinations in terms of arrivals. Being a peninsula as well, facilitates cruise activity as a destination. There exist some researches focusing on those factors for leisure cruise in Turkey ((Incekara and Yılmaz, 2002); (Akal, 2010) (Akk, ???); (Yasar, 2012)).

Within the scope of this rising impetus of the overall tourism activity and particularly cruise activity in international level, academic literature involves various types of research on tourism and cruise industry associated with its economic, socio-cultural and demographic significance. Considering all those characteristics and criteria of tourism, we see the tourism activity as a crucial source of economic progress for Turkey; moreover, particularly cruise tourism is considered as a specific research field in our study where we aim to analyze the indicators that boost the cruise industry by concentrating on the attractive factors in world's leading destinations in order to investigate the Turkey's current and possible future place in the industry.

### 3 Tourism Industry

Tourism industry can be seen as a remedy regarding its potential in creating a high level of economic output as well as being one of the largest and fastest growing industry in the world. In line with this fact, tourism industry has experienced a significant rally in both number of arrivals and revenues over the past few decades. Therefore the industry continued to grow and diversify. From this point of view, tourism's output can be considered as a strong impetus for economies as it generates jobs, enterprises,

export revenue and infrastructural development. Each of these factors derives the motivation of this paper. We give a brief outlook of the world global tourism industry and question its importance for Turkey and then we aim to point out the output of the cruise industry in both national and international scale then investigate the indicators that boost cruise tourism.

For this purpose required data is obtained from World Tourism Organization (UNWTO), World Travel and Tourism Council, Cruise Line International Association (CLIA), Turkish Tourism Investors Association (TYD), The Association of Turkish Travel Agencies (TURSAB), TURSTAT, Republic of Turkey Ministry of Culture and Tourism, Republic of Turkey Ministry of Transport, Maritime Affairs and Communication.

### 3.1 Global Tourism Industry

International arrivals and international revenues can be considered as two fundamental indicators of the world tourism industry. However, international arrivals should not be mistaken with number of persons arrived; it also includes the same person who makes several trips to a given country during a given period so it is counted as new arrival for each time. International tourism revenues refer to a term that covers the expenditure of international inbound visitors including their payments to national carriers for international transport as well as other payments for goods and services in the destination country. According to World Tourism Organization (UNWTO, 2015) international arrivals grew by 114% from 527 million people in 1995 to 1,133 million people in 2014. Even though the advanced economies have the greater share (54.7% in 2014) in international tourism arrivals; international arrivals to emerging economies have experienced 168% of growth whereas the arrivals to advanced economies grew only by 84%. Slightly over half of the travelers (53%) aim to make a trip for leisure activity whereas the purpose of 14% of the arrivals are for business in 2014. Another 25% of travelers made trips for other reasons such as visiting friends and relatives, religious reasons and pilgrimages, health treatment and so on. Remaining 6% is not specified in the report. World Tourism Organization expects international arrivals to reach 1.8 billion in 2030. On the other hand, international revenues on accommodation, food and drink, entertainment, shopping and other goods and services is estimated to be US\$ 1,245 billion worldwide in 2014 (UNWTO, 2015). Table (1) shows the disaggregation of international arrivals and international revenues by region.

Table 1: Disaggregation of international arrivals and revenues

International Arrivals	International Revenues (US\$ )				
	(Million)	Market Share %	(Billion)	Market Share %	Per Arrival
World	1.133	100	1.245	100	1.1
Advanced	619	54.7	815	65.5	1.32
Emerging	513	45.3	430	34.5	840
Europe	581.8	51.4	508.9	40.9	870
Asia and Pacific	263.3	23.2	376.8	30.3	1.43
Americas	181	16	274	22	1.51
Africa	55.7	4.9	36.4	2.9	650
Middle East	51	4.5	49.3	4	970

*SOURCE: UNWTO*

According to Table (1), it can be argued that being a desired destination does not necessarily mean that the destination would generate a comparable income out of the tourism revenues. For example, even though the spread for international arrivals between advanced and emerging economies is tight,

Table 2: Top 10 destinations in worldwide

Top 10 Destination							
International Arrivals				International Revenues			
Ranking	Country	Million Arrivals		Ranking	Country	Billion US\$	
		2013	2014			2013	2014
1	France	83,6	83,7	1	U.S	172,9	177,2
2	U.S	70	74,8	2	Spain	62,6	65,2
3	Spain	60,7	65	3	China	51,7	56,9
4	China	55,7	55,6	4	France	56,7	55,4
5	Italy	47,7	48,6	5	Macao (China)	51,8	50,8
6	Turkey	37,8	39,8	6	Italy	43,9	45,5
7	Germany	31,5	33	7	U.K	41	45,3
8	U.K	31,1	32,6	8	Germany	41,3	43,3
9	Russia	28,4	29,8	9	Thailand	41,8	38,4
10	Mexico	24,2	29,1	10	Hong Kong (China)	38,9	38,4

*SOURCE: UNWTO*

the spread for market share in terms of revenues is comparatively larger between these groups. As advanced economies enjoy US\$ 1,320 per arrival, emerging economies receive US\$ 840 per arrival. Thus, encouraging the tourist spending is important as much as being a desired destination. Table 2 also supports this argument. France, U.S and Spain are top three most visited countries and their dominant shares have been persistent along the years. However as France, which attracts over 83 million people annually, is the most desired destination in the world, the country is in the 4th place in terms of revenues. Even though U.S receives approximately ten million fewer arrivals than France, income generated is more than three times higher in U.S. Turkey also suffers the same problem as the country consolidated its position in 6th place in international arrivals while, dramatically, it is not ranked in top ten in terms of tourism revenues.

As tourism industry has a heterogeneous structure, the economic impact of tourism is estimated through direct, indirect and induced contribution to world economy. World Travel and Tourism Council defines **direct contribution** as GDP generated by industries within tourism, including hotels, travel agencies, airlines and other transport services as well as activities of restaurants and entertainment industries that deal directly with tourists. **Indirect contribution** refers to a term that contains capital investment, government collective spending and supply chain effects. Capital investments include capital investment spending by all industries directly involved in tourism. Government spending is the government supports of general tourism activity such as tourism promotion, visitor information services and so on. Supply chain effect is the last component of the indirect contribution and refers to purchases of domestic goods and services directly by different industries as input for their final products. **Induced contribution**, on the other hand, contains the broader contribution to GDP such as employee spending engaged in tourism industry. Total contribution of those components to worldwide GDP was US\$ 7,580.9 billion in 2014 and ascended to US\$ 7,863.5 in 2015. It corresponds approximately to 9% of world GDP. The share of direct, indirect and induced impacts are 31.2%, 50.7% and 18.1% respectively. Moreover, tourism generated an employment of 107.6 million worldwide in 2015.

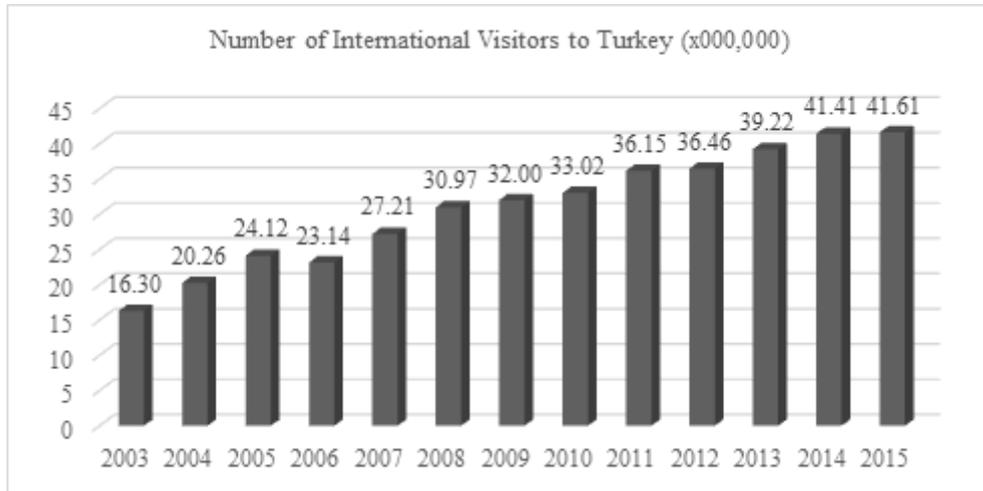


Figure 1: International Arrivals to Turkey

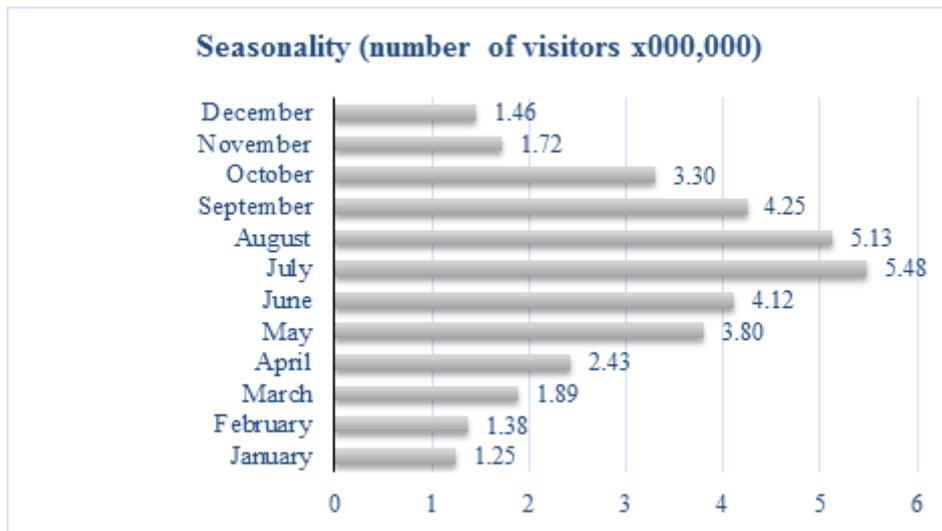


Figure 2: Number of arrivals by months

### 3.2 Outlook of tourism industry in Turkey

Since Turkey is an important tourism hub, international tourism revenues are regarded as a crucial source of foreign currency. Income generated in tourism industry enables the economy for debt repayment and narrows the trade deficit. Over the last decade, international arrivals to Turkey grew by 155% from 16.3 million to 41.61 million (See Figure 1 below).

Even though the strength of growth was high over the last decade, the growth of international arrival is weak in 2015 as we believe it is because of the perception of safety and fear of terrorism. Seasonality is also an important issue to be pointed out in order to gain an insight about Turkish tourism industry. Figure 2 summarizes the number of arrivals by months and according to the data 46% of the arrivals occur in the summer period.

Tourism revenues also increased from US\$16.3 billion to US\$31.4 billion and average tourist spending per arrival is estimated as US\$ 804 for the last decade.

In order to give a snapshot of economic contribution of tourism to export revenue, GDP and narrowing the trade deficit of Turkey, Table 3 is prepared with the data obtained from TURKSTAT

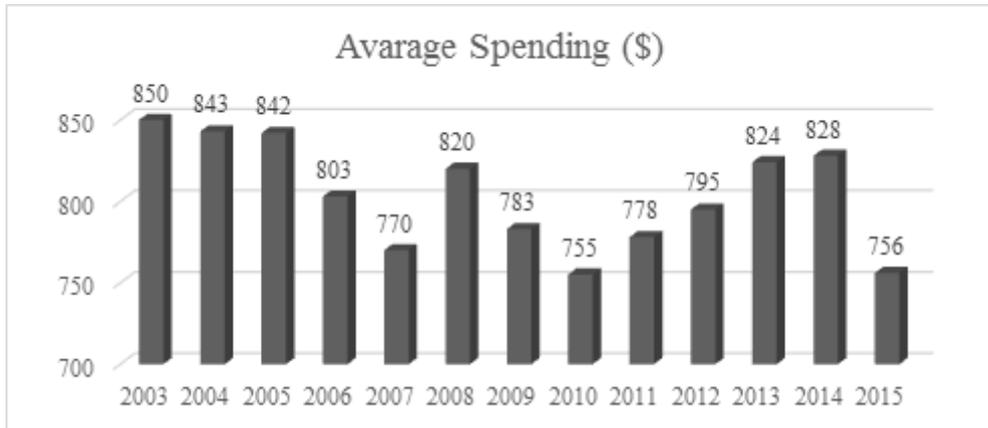


Figure 3: Average tourist spending per year in Turkey

and The Association of Turkish Travel Agencies (TURSAB).

As tourism industry has positive spillover effects and high contribution to the economy, investment on tourism industry should be supported to meet the demand for inbound tourism so that it would be possible to maintain the tourism revenue and augment its multiplier effect and value added feature. We see that Turkey has a high potential to increase tourism revenues to level of Spain. Spain is not only an attractive destination but also an attractive land for cruise industry as well. Considering that cruise tourism is demanded by people with high income level and their spending is higher than ordinary tourists' spending, cruise industry can be considered as a value added sub-branch of tourism industry with its growing volume and contribution over the past decades.

## 4 Cruise Tourism

Cruise tourism has experienced a remarkable growth since 1970's and 1980's and experienced an annual growth rate of 8% in the 1990's. From 1990 to 2015 CAGR of cruise industry is estimated to be 7.2% and ever since this time, around 200 million passengers have traveled and number of annual cruisers have grown from 3.8 million to 22.2 million in fifteen years from 1990 to 2015. Economic value of the industry has reached US\$ 119,90 billion worldwide in 2014. To regulate the cruise industry, Cruise Line International Association (CLIA) is established in 1975 to represent the interests of 62 cruise lines (which constitutes 95% of world cruise capacity), 275 executive partners such as key suppliers and partners to the cruise lines, 20,000 global travel agencies and 30,000 travel agent members. Figure 4 illustrates the solid growth of the cruise industry.

According to the numbers obtained from Cruise Market Watch, more than 22 million people are involved in cruise tourism in 2015. The greatest demand for cruise tourism is mainly from North American passengers who are followed by Europeans. According to CLIA, annual average income earned by cruise tourists is US\$ 114,000. Surveys show that cost and destination are the leading factors for selection process.

Global cruise fleet, on the other hand, remains stable. Figure 5 shows the number of ships operated in the period 2008-2015 and number of ships are estimated with order book of cruise ships through 2019.

Economic output of cruise industry is also measured with direct, indirect and induced contributions. Direct expenditures generated by cruise tourism consist of homeport/transit passenger, crew expenditures and cruise line purchases. Indirect expenditures are comprised of the subsequent demand for goods and services generated by directly related sectors such as utility services, raw foodstuff,

Table 3: Tourism for Turkey from macro point of view

Year	Tourism Revenues (x000 \$)	Exports (x000 \$)	Trade Deficit (\$)	% Share of Tourism Revenues in Exports	% Share of Tourism Revenues in Narrowing Trade Deficit	% Share of Tourism Revenues in GDP
1996	7.970.722	23.224.465	20.402.178	25,7	39,07	3,2
1997	9.233.503	26.261.072	22.297.649	30,8	41,41	4,2
1998	8.878.840	26.973.952	18.947.440	28,9	46,86	2,9
1999	7.069.293	26.587.225	14.084.047	19,6	50,19	2,1
2000	9.990.841	27.774.906	26.727.914	27,5	37,38	2,9
2001	13.450.127	31.334.216	10.064.867	33,4	133,63	5,3
2002	15.214.514	36.059.089	15.494.708	34,4	98,19	5,4
2003	16.302.053	47.252.836	22.086.856	29,3	73,81	4,5
2004	20.262.640	63.167.153	34.372.613	27	58,95	4,4
2005	24.124.501	73.476.408	43.297.743	27,7	55,72	4,2
2006	23.148.669	85.534.676	54.041.498	21,7	42,83	3,5
2007	27.214.988	107.271.750	62.790.965	19,5	43,34	3,2
2008	30.979.979	132.027.196	69.936.378	19,2	44,3	3,4
2009	32.006.149	102.142.613	38.785.809	24,5	82,52	4,1
2010	33.027.943	113.883.219	71.661.113	21,9	46,09	3,4
2011	36.151.328	134.906.869	105.934.807	20,8	34,13	3,6
2012	36.776.645	152.461.737	84.066.659	19,2	43,75	3,7
2013	32.308.991	151.802.637	99.858.613	21,3	32,35	3,9
2014	34.305.903	157.610.158	84.508.918	21,8	40,59	4,3
2015	31.464.777	143.861.522	63.268.398	21,9	49,73	6,2

Source: TURSAB and TURKSTAT

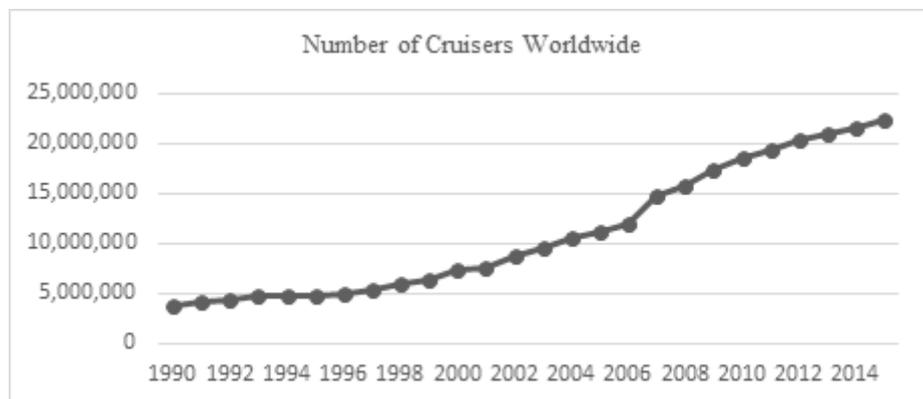


Figure 4: Number of cruise tourists

Table 4: Source of passengers, SOURCE: Cruise Market Watch

North America	58.60%
Europe	25.90%
Asia	8.50%
Australia/New Zealand	4.30%
South America	2.50%
Middle East/Africa	0.20%

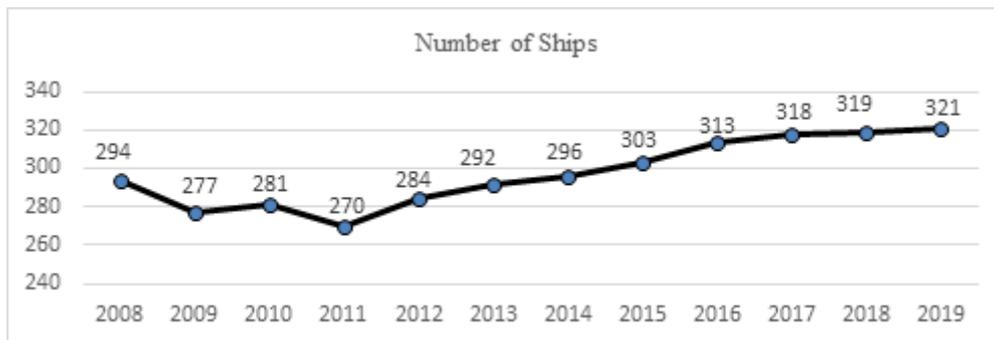


Figure 5: Global cruise fleet

Table 5: Global economic impact of cruise industry

	Output (US\$ billion)	Income (US\$ billion)	Employment
<b>Direct</b>	55.77	16.85	448685
- Homeport Passengers	7.56		
- Transit Passengers	7.07		
- Crew	1.27		
- Cruise Lines	39.87		
<b>Indirect and Induced</b>	64.13	22.5	490547
<b>TOTAL</b>	119.9	39.34	939232

transportation of raw materials and etc. Induced impact, on the other hand, is the spending of the employees of cruise lines to purchase a broader context of consumer goods and services such as autos, food, clothing, furniture and the like. CLIA measures a total economic contribution of US\$ 119.90 billion in 2014. It also corresponds to 939,232 full time equivalent jobs in global markets and leads to US\$ 39.34 billion dollars of income.

Table 6: Composition of passenger spending on board

<b>Ticket</b>	\$1,350
<b>Onboard Spending</b>	\$429
- Casino & Bar	\$236
- Shore excursions (cruise line portion)	\$86
- Spa	\$43
- All other onboard spending	\$64
<b>Total spending</b>	\$1,779

Average cruise passenger spending just on the ship is US\$ 1,719 which basically means that the value of the cruise industry only for the ships accounts for US\$ 38,2 billion. Most of this output benefits the US economy. Considering the regional markets, US benefits 38.4% whereas the rest of North America has a share of 8.5%. North America is followed by Europe with a share of 40.6%.

Cruise industry is oligopoly as it requires high capital and labor investments. Thus, four companies (Carnival Corporation, Royal Caribbean International Cruise Lines, Norwegian Cruise Lines and Mediterranean Shipping Company Cruise Lines) command the total share of 80.9% in the world cruise industry.

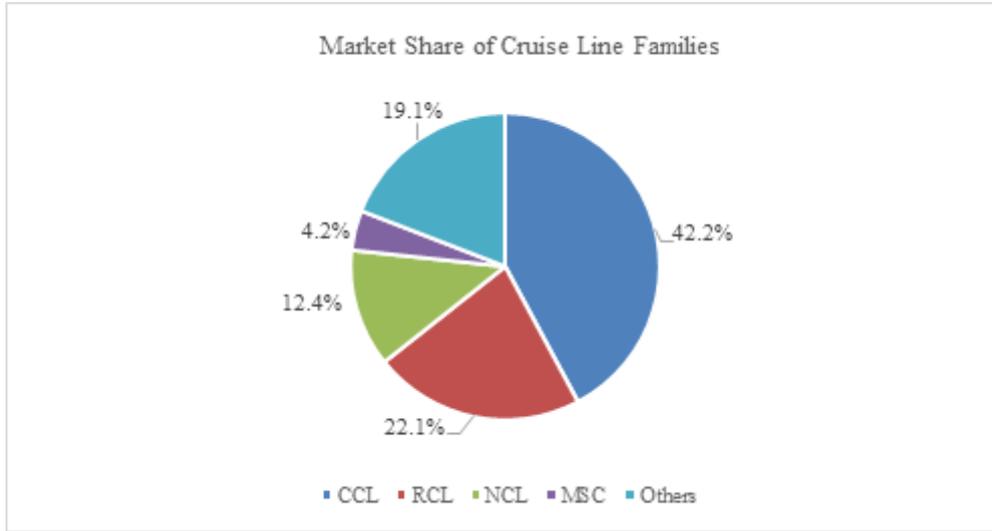


Figure 6: Market shares of cruise line families

Major brands of these cruise line families with market shares in terms of passengers carried and revenue is given in Table 7:

Table 7: Market share of operators

Parent	Brand	Passenger Carried (million)	Revenue (million US\$)	Market Share % of Passenger	Market Share % of Revenue
CCL Family	Carnival	4.7	3163	21.3	8
RCL Family	Royal Caribbean	3.7	5601	16.7	14.2
NCL Family	Norwegian	2.1	3421	9.5	8.7
CCL Family	Princess	1.8	3464	7.9	8.8
CCL Family	Costa Cruises	1.7	2647	7.4	6.7
MSC Family	MSC Cruises	1.4	1653	5.2	4.2
RCL Family	Celebrity	0.9	2231	4.2	5.7

#### 4.1 Top Destinations

North America has the biggest share in terms of both passengers and revenue in cruise industry. North America includes the ports in Caribbean with a share of 78%, Alaska, Hawaii and Mexico with a share of 17% and Canada and Atlantic coasts of US with a share of 5% of the capacity.

Europe is the second largest region in cruise industry and 71% of the capacity is deployed in Mediterranean and 29% in Northern Europe. Mediterranean is the region which expands its share in cruise industry and considered as the fastest-growing region. Mediterranean increased its global share from 12,6% to 19,9% over the last decade. With this respect, MedCruise is established in 1996 as the association that promotes and protects cruise ship traffic in the Mediterranean Sea. The association has 72 members corresponding more than 100 ports around the Mediterranean region which includes the Black Sea, the Red Sea and the Near Atlantic. Moreover, it includes 32 associate members, representing other associations, tourist boards and ship/port agents. Major home ports in Mediterranean are Barcelona, Civitavecchia, Venice and Piraeus. Major destinations and transit ports are Marseille, Naples, Dubrovnik and Santorini. Asia/Pacific is the third largest region in the global

Table 8: Top cruise destinations

2004	2008	2014	
Caribbean	40.40%	37.20%	37.30%
Mediterranean	12.60%	17.50%	19.90%
Europe (excluding med.)	9.80%	8.30%	11.10%
South America	1.40%	2.90%	3.30%
Alaska	7.70%	7.60%	4.50%
Asia	0.50%	1.20%	4.40%
Australia	0.90%	2.20%	5.90%
Other	26.80%	23.10%	14.50%

cruise industry and Australia/South Pacific has the biggest market with a share of 45%. It is followed by Far East region (35%) and Southeast Asia (20%). Remaining 5% of global cruise market is due to South America.

In terms of revenue generated by the ports, three leading ports are located in Florida, U.S. and it is followed by Barcelona, Rome and Bahamas.

Table 9: My caption

	City	Port	Revenue (US\$ million)
1	Florida	Miami	605
2	Florida	Fort Lauderdale	500
3	Florida	Port Canaveral	493
4	Barcelona	Barcelona	382
5	Rome	Civitavecchia	373
6	Bahamas	Nassau	349
7	Mexico City	Cozumel	278
8	Venice	Venice	255
9	Southampton	Southampton	243
10	Texas	Galveston	194

As Turkey is located in Mediterranean and the region experienced a strong growth rate, increasing its worldwide share over the last decade, we aim to compare port of Istanbul, which has the biggest share in Turkey, with Barcelona which is the leading cruise destination in Europe.

## 4.2 Mediterranean and Turkish Cruise Market

MedCruise reports that a typical cruise ship which roughly carries 2,250 passengers and 480 crew members may generate US\$ 225,596 (crew and passenger expenditure) during a single port of call visit. In line with this CLIA Europe measures 16.6 billion euros of direct expenditure within Europe. In 2014 a total of 152 cruise ships were actively operating in Mediterranean which collectively carried 3.60 million passengers on 2,486 cruises. As European and American operators increase the capacity, Mediterranean market is expected to grow in coming years.

Being a homeport can be seen as a main aim of the ports as greater cruise activity leads to more visits for the port cities so that passengers spend more time and money in the destination. In this regard, major homeports in Mediterranean are Barcelona, Civitavecchia and Venice.

Table 10 shows that around 10% of global cruise tourists pass through Barcelona. However, Turkey

Table 10: Thousands of Passengers in Leading Homeports in Europe vs. Istanbul Port

	Embarking	Disembarking	Port Call	Total	Share of Home-port Passengers
Barcelona	615	607	1.142	2.364	52%
Civitavecchia	366	365	1.409	2.140	34%
Venice	755	754	225	1.734	87%
Istanbul	74	74	369	518	29%

is also a desirable destination as around 9% of global passengers have visited Turkey's ports. In 2014, 1.8 million cruise passengers visited Turkey and 1455 ships made calls to Turkey's piers.

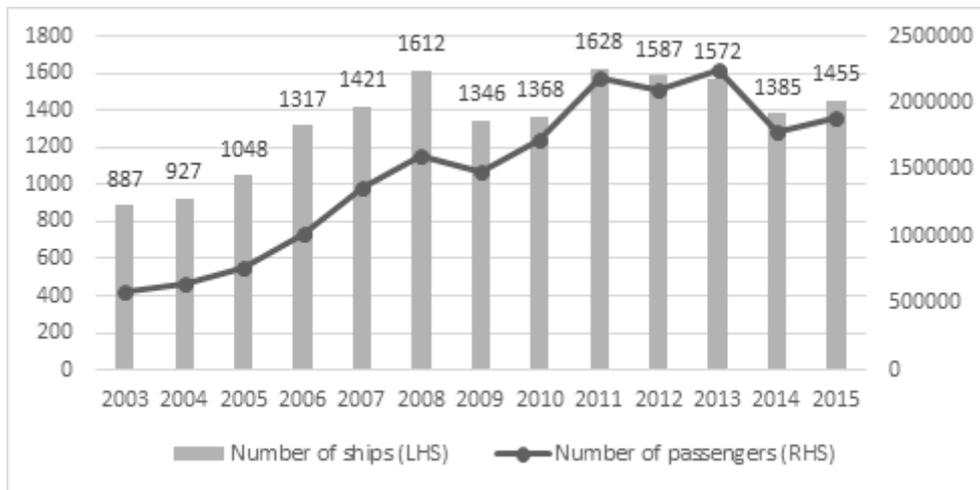


Figure 7: Number of cruise ships and passengers in Turkey

Turkey is operating 21 cruise ports to match this demand. However only 6 ports, Istanbul, Kuşadası, Bodrum, Antalya, İzmir and Marmaris namely, welcomed 95% of cruise passengers to Turkey.

Table 11: My caption

	2011	2012	2013	2014	2015	5-year Average Share
İstanbul	627	596	689	518	595	30%
Kuşadası/Bodrum/Antalya	835	776	769	765	797	39%
İzmir	493	552	486	257	241	20%
Marmaris	170	110	152	107	129	7%
Others	64	60	142	140	124	5%
Total	2,191	2,095	2,240	1,790	1,889	100%

According to TURSAB research, average cruise passenger spending is US\$ 120 per day for transit tourist passenger, US\$ 150 per day for home-port passengers and US\$ 70 per day for cruise crew. Considering that regular tourist's daily spending is US\$ 50, cruise tourist can be classified as upper crust.

### 4.3 Determinants of Success of the Ports

Success of the cruise ports is associated with becoming a chosen destination, attracting calls and hosting passengers. Reviewing the academic literature on cruise tourism leads to the fact that some determinants for success of the cruise ports may be categorized under seven different headings ((Vaggelas and Pallis, 2010); (Lekakou, Pallis, and Vaggelas, 2009); (Thurau, Carver, Mangun, Basman, and Bauer, 2007); Yasar (2012)). Touristic attractiveness of the region is the first factor which is determined by such characteristics as climate, culture and natural factors of the destination. Then comes the location of the port or proximity to popular itineraries, which is important for saving time to enjoy the popular activities of the region. Third factor is related to the appropriate transportation features such as closeness to airport, train station, city center or highways. As well as those factors, port infrastructure (such as quays construction, dock expansion, waiting areas, operational depth at the dock, the length of the pier, anchorages) appears as the fourth factor of the port selection criteria. Port facilities is the fifth factor which determines the success of the cruise ports and it can be considered separately for cruise ship services and passenger services. Cruise ships seek for such factors as berth reservation process, dedicated piers, food/water/beverages services, bunkering services, tug boats, port management and stakeholder's corporations as well as quality of shipping agents. Cruise passengers, on the other hand, evaluate such factors as availability of transportation, cleanliness, pedestrian paths, port aesthetics, separated piers, tourist information areas, ease of transfer to coach, luggage leave, restaurants, shopping centers and hotels. Political conditions and regulatory framework constitute the sixth factor since they affect safety and security perception. Lastly, port fees is the seventh factor for success. In the next section ports of Barcelona and Istanbul shall be compared in terms of these criteria.

	<b>Entrance and berth facilities</b>	<b>Cruise ship and services</b>	<b>Passenger services</b>
<b>Generic Facilities</b>	<b>Anchorage</b>	<b>Berth reservation process</b>	<b>Availability of transportation</b>
	<b>Berth dimensions</b>	<b>Dedicated cruise ship piers</b>	<b>Cleanliness</b>
	<b>Bollards</b>	<b>Food and beverages</b>	<b>Pedestrian paths</b>
	<b>Fenders</b>	<b>Fresh water</b>	<b>Port aesthetics</b>
	<b>Draught</b>	<b>Fuel services</b>	<b>Separation of piers in ports</b>
	<b>Maneuverability</b>	<b>Pilotage</b>	<b>Ship to coach quickness</b>
		<b>Quality of shipping agents</b>	<b>Tourist information</b>
		<b>Speed of ship clearance</b>	
		<b>Stakeholders cooperation</b>	
		<b>Tug boats</b>	
<b>Home Ports</b>			<b>Availability of luggage store</b>
			<b>Parking</b>
			<b>Passenger throughput range</b>
			<b>Presence of passenger terminals</b>
			<b>Security procedures</b>
			<b>Shops</b>

Figure 8: Expected cruise port facilities and services

## 5 Port of Barcelona versus Port of Istanbul

Cruise port of Barcelona is the world's 4th biggest and Europe's biggest port in terms of arrival and revenues. Spain is one of the most desirable tourist destinations with mild climate that makes the port available for winter calls and with attractive touristic places (such as La Sagrada Familia Church,

Guell Park, Casa Mila La Pedrera, Gothic Quarter, La Rambla) Barcelona contributes to the success of the port. Geographical position close to Europe is also an asset for the port. The port is just 12 km away from the airport and 3km away from the popular itineraries which make the port amore preferable destination. Appropriate infrastructure of the port with 2,350 m length, 12 m draught and seven passenger terminals allows for handling of the biggest cruise ships (Oasis of the Seas). The port is the major homeport in Europe and have welcomed around 2.3 million cruise passenger in 2014. There is also high domestic demand for cruise tourism which contributes to the homeport characteristic. Port of Barcelona works with local and international stakeholders of the cruise industry and Carnival group operates the Palacrueros Terminal, which can be seen as one of the major strengths. Port also has a beautiful aesthetic and offers shopping, restaurants, duty free, gift shops, entertainment places and hotel facilities which attract tourist and tempt them to spend more time and money in the destination. Stable political condition affects the position of the country and success of the port as well. Offering competitive fees is also a leverage factor for the success of the port. Thus, in aggregate, the port meets the seven factors given above. Moreover, investments on port of Barcelona still continues as a new terminal is announced to be built by the Carnival Group in Adossat Quay and Barcelona Port Authority will build a new concourse connecting the terminals.

Port of Istanbul serves as a transit port and 30% of the cruise passengers who visit Turkey are anchoring in Port of Istanbul. Istanbul is the queen city of Turkey with its cultural and historical infrastructure that harbors most visited places (such as Blue Mosque, Topkapı Palace, Basilica Cistern, Hagia Sophia and Grand Bazaar) in the world. City is also a center of Abrahamic religions. Moreover, not only cultural and historical activities are offered but also modern activities and entertainments are among the features of Istanbul. Port of Istanbul is located in the middle of Asia and Europe and it is quiet in the center of the city, thus very close to popular itineraries. Port is also very close to international airport (20 km; 40 minutes) which increases the success of the port. However, the port is not performing in a way matching its potential because of the infrastructure and facility deficiencies. The length of port of Istanbul is 1,115 m (almost half of that in Barcelona) with 8 m of draught and 2 passenger terminals. Therefore the port cannot welcome larger ships which bring more cruisers. With this respect infrastructural investments are necessary for welcoming larger vessels. Environmental improvement works are also necessary for attracting more tourist and encouraging them to spend more because there are not plenty of shopping centers, qualified restaurants and entertainment places to serve the upper-crust cruise passengers around the port. Gaining a homeport status should be the main aim for Port of Istanbul. Infrastructure investments to increase the capacity for larger vessels to serve with more complex and efficient terminals can be acquired through the Galataport project whose objective is to build offices, shopping centers, hotels and restaurants which increase tourist spending and support the port in gaining homeport status. Large vessels will be allowed within the scope of the Galataport project and the port may attract around 25 million visitors. Among those visitors, it is aimed to attract 3.5 million foreign tourists, 1 million of which are cruise passengers. This, in turn, means increasing the cruise passenger arrivals to Port of Istanbul by double. With the help of the project, additional foreign tourists estimated to generate US\$ 850 on port-related accommodation, restaurants, shopping and food and beverages sector. Moreover, 2023 projects include 11 additional cruise ports (two of them in Istanbul) and 3 yacht ports to serve qualified and upper-crust cruise passengers. The poor aesthetic of the port will also be developed through the project. On the other hand, political instability and perception of the weak safety factor are also threats for Turkey in developing the cruise tourism. This should be resolved immediately in order not to suffer a loss in tourism revenues (from general tourism activity as well). It can be inferred that Port of Istanbul meets four of seven requirements (attractiveness of the destination, location of the port, transportation facilities and port fees) to be a successful port but port infrastructure and port facilities should be enhanced in addition to resolving the safety problems and political complications which are the three of the seven necessary requirements.

### SWOT Analysis of Port of Istanbul

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>- Availability of anchorage</li> <li>- Availability of tugs</li> <li>- Proximity to attractive itineraries</li> <li>- Proximity to airport (20 km)</li> <li>- Free shuttle services</li> <li>- Location in city center</li> <li>- Existence of parking area</li> <li>- 2 passenger terminals (luggage and passenger operations)</li> <li>- Services such as security, shelter, mooring, fresh water, luggage handling</li> <li>- More number of quays than Barcelona (8 vs 4)</li> </ul>	<p><b><u>Weakness</u></b></p> <ul style="list-style-type: none"> <li>- Poor port aesthetics.</li> <li>- Not being a homeport because of the deficiency of new and more complex terminals.</li> <li>- Insufficient shopping center, restaurants, gift shops and entertainment places close to the port. Thus, tourists generate less revenue.</li> <li>- Sufficient but smaller draught compared to that in Barcelona (8.6 m vs 12 m).</li> <li>- Smaller length than Barcelona (1,115 m vs 2,350 m).</li> <li>- Not allowing for large ships and weak capacity for handling large numbers of passengers simultaneously.</li> <li>- Poor rail infrastructure</li> <li>- No bunkering</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>- Attractive tourist destination (Turkey: 6<sup>th</sup> place in top 10 most visited destinations).</li> <li>- Increased cruise demand and high share of Mediterranean region in the global zone.</li> <li>- Rich variety of activities.</li> <li>- Istanbul is in the middle of the east and west.</li> <li>- Istanbul is the center of Abrahamic religions.</li> <li>- Historical and cultural heritage (Blue Mosque, Topkapı Palace, Basilica Cistern, Hagia Sophia, Grand Bazaar)</li> <li>- Ease of visiting other cities</li> <li>- Galataport project which will increase the capacity, complexity and activities. Moreover, hotels, shopping areas and offices will be constructed.</li> <li>- Upcoming new terminals with Galataport</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>- Perception of safety issue</li> <li>- Poor awareness of cruise customer</li> <li>- Weak domestic demand for cruise</li> <li>- Not owning cruise fleet in Turkish shipyards</li> <li>- High port fees</li> <li>- Language problems of the staff</li> </ul>

Figure 9

## 6 Conclusion

Tourism activity has a close link with development as it generates income, stronger infrastructure and qualified labor while tourism revenues contribute to the balance of payments of the destinations. As tourism demand became more complex and harder to satisfy, tourism activities diversified and expanded through different segments. Cruise tourism is a sub-branch of tourism with its remarkable growth rate over the last two decades. Not only number of people involved but also economic outcome generated out of the cruise industry is a major factor for local and national tourism sectors. Ports compete with each other in such a way to be selected in itineraries organized by cruise line operators. Cruise lines aim to create itineraries which include different size ports and different region as each of them offers different tastes and experiences. In homeports, competition is much more severe because the main aim of the ports is to be considered as a homeport in order to create more benefit for the region. Seven factors are determined to investigate the success of the cruise ports and these factors consist of tourist attractiveness of the destination, location of the port, transportation facilities, port infrastructure,

### SWOT Analysis of Port of Barcelona

<p><b><u>Strength</u></b></p> <ul style="list-style-type: none"> <li>-World's 4<sup>th</sup> and Europe's biggest port.</li> <li>-Port of Barcelona works with local and international stakeholders of the cruise industry. For example; Carnival group operates Palacrueros Terminal and chose the city as a destination.</li> <li>- Capacity for welcoming the biggest cruise ship (Oasis of the Seas).</li> <li>-Larger draught compared to that in Istanbul (8.6 m vs. 12 m).</li> <li>-Works as a homeport.</li> <li>-Strong port aesthetic.</li> <li>-Sufficient shopping center, restaurants, gift shops and entertainment places close to the port.</li> <li>-Larger length than Istanbul (1,115 m vs. 2,350 m).</li> <li>-Availability of anchorage and tugs</li> <li>-Close to airport (12 km)</li> <li>-7 passenger terminals (2 in Istanbul)</li> <li>- Competitive turnaround time at the port.</li> <li>-Thirty free ships</li> </ul>	<p><b><u>Weakness</u></b></p> <ul style="list-style-type: none"> <li>-No free shuttle services</li> <li>-Not in the city center. (3km)</li> <li>-Fewer quays than Istanbul (8 vs. 4)</li> <li>-Deficiency of rail and road access</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>-Spain is in the 3<sup>rd</sup> in top destinations in the world.</li> <li>-Attractive touristic places such as modernisme architecture (la Sagrada Familia Church, Guell Park, Casa Mila 'La Pedrera'), Gothic Quarter, La Rambla.</li> <li>-New terminal will be built by the Carnival group in Adossat Quay.</li> <li>-Barcelona Port Authority will build a new concourse connecting Terminal B and C.</li> <li>-Mild climate makes the port available for winter calls as well.</li> <li>-Geographical position close to Europe.</li> <li>-High domestic demand for cruise tourism.</li> <li>-Public-private terminal management company</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>- Port faces with congestion problems, cruise lines look for alternative ports and search new tourism attractions for their shore excursions, and shore side-port agencies and port authorities struggle to satisfy ship requirements</li> <li>-Italy is a strong competitor. (Venice, Genoa, Civitavecchia, and Savona as major homeports)</li> </ul>

Figure 10

port facilities for cruise ships and passengers, political conditions and port fees. Moreover Barcelona is chosen as a leading port in Mediterranean to compare with Istanbul in order to find Turkey's current and possible future place in the cruise industry. It is revealed that Port of Barcelona meets these seven requirements mentioned in this study whereas Turkey still needs to develop three of these requirements (port infrastructure, port facilities for cruise ships and passengers, political conditions). Gaining a homeport status should be the main aim for Port of Istanbul. One way to do that is to promote a cruise customer recognition and to do so, cruise industry should be emphasized in 2023 goals and policy makers should improve global potential of Istanbul's historical and cultural background to attract the cruise lines. Reducing port fees can be seen as another suggestion to increase the number of cruise ships welcomed in Istanbul port. To serve with more complex and efficient terminals, infrastructure investments are necessary as they increases the capacity for larger vessels. Galataport project is a

good opportunity in this manner. Such attractive places as shopping areas, gift shops, restaurants and qualified restaurants and hotels should be built in the neighborhood for upper-crust cruise passengers to spend more time and money in the destination. This increasing momentum of cruise tourism is an opportunity if it is provided with plenty of resources mentioned above for increasing cruise demands. Port of Istanbul has a potential to increase its share as long as the requirements are met. It should also be taken into account that rival ports such as Barcelona and Venice continue to make serious investments on cruise industry. Thus, Turkey should develop the required vision so that commitment to develop Turkish cruise industry should be sustainable.

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