

**INSIDE VIEW:**

# A NEW DAY FOR SINGLE CABINS

Two cruise lines have gone against the conventional wisdom and included single occupancy cabins on their new ships

by

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At one time, staterooms designed for occupancy by one person were standard on passenger ships. Indeed, even as recently as the Queen Elizabeth 2, which entered service in 1969, ships for the major passenger lines were built with a significant number of single cabins. These cabins were always in high demand as they were attractive to singles, widows and widowers and to people who simply enjoy privacy.

In recent years, however, it has looked like the single cabin had gone the way of the Dodo bird, at least with regard to the major cruise lines. Although the ships emerging from the shipyards were larger and had more features than earlier ships, all the staterooms were designed for a minimum of two person occupancy.

As a result, single people who wanted to cruise on one of the major lines either had to find a friend who was willing to share the cabin or else pay a "single supplement," which could range up to twice the per person double occupancy rate for that cabin. This state of

affairs has discouraged quite a few solo travelers from cruising as the first option is for many impractical and the second option is often seen by solo travelers as uneconomic and unfair.

Two ships that entered service in 2010 are providing new hope for solo travelers. The first of these is P&O Cruises' Azura, which entered service in April 2010. A sister ship to P&O's Ventura and to the Grand-class ships in the Princess Cruises' fleet, P&O has rethought the interior layout of the ship so as to include single occupancy cabins.

P&O's Managing Director Carol Marlow explained the reason why P&O decided to take this step. "We recognize that cruising requires more than a 'one size fits all' approach and Azura has a number of innovations. [The ship] is designed with the needs of British holidaymakers in mind, and we have an increasing number of passengers who want to travel solo. There are 18 single staterooms on board - the first in our fleet - and

these were included to offer more affordable travel suited to today's diverse market. The single cabins do not carry a supplement and are generously proportioned with all the amenities of a twin cabin in addition to a wider bed, making them more comfortable and excellent value for money for the single traveller."

The single staterooms on Azura include both inside cabins and outside cabins. They are approximately 130 square feet, which is only 30 square feet less than a double occupancy cabin.

Norwegian Epic, which entered service in June, is taking a somewhat different approach to single cabins. The 4,200 passenger ship includes 128 "studio" staterooms that are approximately 100 square feet, which is 28 square feet less than an inside double-occupancy cabin on Epic. Still, it has enough room for a full sized bed, a flat screen television, a desk, and storage space. The studio cabins are interior cabins with a window that looks out into the corridor. They open out into a studio lounge, which will be shared by passengers in other studio cabins. No single supplement is applied to the studios thus making them effectively single cabins.

"This is really a big step away from everyone else in the industry," commented Norwegian Cruise Line Executive Vice President of Global Sales and Passenger Services Andy Stuart. "It has been very well-received so far."

In fact, the demand for the single cabins on both ships has been extremely good with a number of sailings sold out well in advance. The reason for this is straightforward. Cruising is a very attractive means of travel for single people. Passengers on a cruise tend to be open and friendly and thus there is more of an opportunity for social interaction than travelling by airplane and staying in hotels. Also, in the ports of call, the cruise lines have organized excursions, which tend to be safer and less intimidating than exploring a strange locale on your own.

Still, the cruise lines are taking a wait-and-see approach to the questions of whether future ships will have single cabins and whether existing ships will be retrofitted to have single cabins. "We are still sort of scratching our heads a little bit because it is a little difficult to make the economics work overall. But we are



*Azura (Photo courtesy of P&O Cruises)*

looking at it," said Stuart.

#### *A question of economics*

Broadly speaking, there are two economic issues. The first issue involves ticket revenue, *i.e.*, the money charged for a cruise ticket. The argument begins from the premise that there is a finite amount of space on a ship that can be used for passenger cabins. In order to derive the same amount of ticket revenue from that space, seemingly the space would have to accommodate the same number of passengers regardless of whether the space was divided into single occupancy or double occupancy cabins. In order to serve the same number of passengers in a series of single cabins as in a series of double cabins, the single cabins would have to be half the size of a double occupancy cabins. That way, there would be twice the number of cabins, which would make up for the fact that only half the number of people were in each cabin.

The major sticking point is the bathrooms.





Norwegian Epic

Despite the best efforts of the world's ship designers, no one has been able to figure out how to have a full bathroom in an area that is half the size of a typical double occupancy cabin.

NCL addressed the bathroom issue on Epic by separating the bathroom into its component parts. The shower is in one part of the cabin, the toilet in another and the sink in yet another. As a result, the bathroom facilities do not take up as much space as when they are combined into a traditional bathroom.

Still, the studio cabins are not half the size of an interior double cabin - - they are approximately 80 percent as large - - largely owing to the fact that NCL has also used the component part system in some of its inside double cabins as well.

This indicates that the bathroom problem may well be an illusory obstacle. From a business perspective, the issue is not the number of passengers that can be accommodated in a given amount of space but the revenue that can be derived from the space. Single cabins traditionally have not been priced at the per person rate charged for a comparable quality double cabin. Rather, on ships such as QE 2 the single cabin fare included a premium in recognition of the fact that a single cabin was somewhat larger than half the size of a comparable quality double cabin. Both P&O and NCL are following the traditional pricing system with their new single cabins, which are priced higher than the per person price charged people staying in a double cabin. Thus, a single cabin does not have to be half the size of a double cabin in order to produce a comparable amount of revenue

on a square-foot basis.

To illustrate, suppose a cruise line was considering what to do with 1,200 square feet of space on a new ship. One option would be to build six 200 square foot double occupancy cabins. Another option would be to build 10 120 square foot single cabins. If the per person double occupancy fare for a hypothetical cruise was \$1,000, the six double cabins would produce \$12,000 in fare revenue (*i.e.* \$1,000 from each of 12 passengers). If the cruise line charged \$1,200 for each of the single cabins (in effect a 20 per cent premium), the revenue produced by the space in question also would be \$12,000.

In addition, the argument assumes that the demand for double cabins and single cabins is the same. Even prior to the recession, double cabins were often discounted well below the fares listed in the brochures. Single cabins have always been in high demand and thus they would not have to be discounted as much. In other words, single cabins have more pricing power and in some situations could produce as much revenue as a double cabin.

For example, suppose a cruise ship has both double and single cabins. On a cruise to say, the Caribbean, it charges \$1,000 for a single cabin and \$2,000 for a double cabin. Because there are only a few single cabins, they sell out quickly at the brochure rate. In order to sell all of the double cabins the cruise line has a sale where it discounts the per person double occupancy rate by 50 percent. As a result, these double cabins would only yield \$1,000, the same amount of

revenue as the single cabins.

Also, this economic consideration only comes into play where the cruise line is going to replace double cabins with single cabins. On Azura, the single cabins utilize space that was not used for cabins on Azura's predecessor the Ventura. Along the same lines, on QE2 single cabins were a means of increasing the overall fare revenue as most of them were built in what would have otherwise been unused space.

The second economic consideration that makes the cruise lines reluctant to embrace single cabins derives from the fact that a ship's revenue stream comes not just from the fares. Rather, it also flows from the money passengers spend once they step aboard. In theory, all else being equal, two passengers will spend more onboard than one. As Celebrity Cruises President and CEO Dan Hanrahan has said: "With the two ships that we have on order, we don't have any plans to convert any of those [staterooms] into singles. We like the fact that we get two people into a stateroom. We like the fact that we have two people spending on the ship or going on shore excursions."

Consequently, while the industry watches with interest what is happening at P&O and NCL, other cruise lines are focusing on different ways to meet the needs of single travelers. For example, Peter Shanks, Managing Director of Cunard commented: "What we are doing is getting much better and cleverer at looking at which sailings sell well and which sailings need a bit more promotional support; identifying our single cruisers and going to them earlier with some really good offers. We value our single customers a lot. Where it becomes really tough is looking at a full world voyage or a really popular transatlantic crossing. If we were to sell the [staterooms single occupancy] at the same price as [the per person double occupancy rate] - - economically, that is very hard for us. We are not alone. No one has really found the Holy Grail to all of this but I do think we need to work harder at finding ways with our valued single travelers and giving them something which they can focus on."