

300,000 pieces of art per year on cruise ships. As you might expect, the pricier the cruise, the pricier the average objet d'art.

## The Overseas Environment

Because Carnival operates around the world, it has the advantage of treating the whole world as a source of both customers and supplies. In addition, because its chief assets are ocean borne, Carnival can ship capital and other assets to places where they can best serve the company's needs. However, it's also vulnerable to a wide range of environmental disturbances. Let's take a look at a few of these.

### Political Issues

After terrorists seized a cruise ship in the Mediterranean in 1985, the major cruise lines instituted a policy of strict security checks for boarding passengers. Even before 9/11, then, the cruise-line industry has had in place a security protocol that the airline industry didn't establish until afterward.

In the wake of 9/11, when cancellations started to exceed bookings, Carnival increased the number of U.S. ports from which its ships embarked so that passengers with a heightened fear of flying could reach points of departure by land. Carnival also redeploys cruises to avoid areas in which passengers might face danger from political upheaval or crime, such as suspending cruises to St. Croix in the U.S. Virgin Islands because of its high crime rate. Further, Carnival does not stop in Cuba, a popular tourist destination, because the U.S. government limits travel there by U.S. citizens.

### Health Issues

In 2006, almost 700 people on a Carnival transatlantic cruise were stricken with a virus that caused diarrhea and vomiting, a type of outbreak that had occurred sporadically in the past. Cruise operators have found these outbreaks hard to control because of the close contact among people on board a ship. More than once, Carnival has had to take an infected ship out of service to eradicate all traces of the virus; the process involves sanitizing every object on board, down to the poker chips. When the H1N1 flu (swine flu) hit Mexico in 2009, Carnival modified itineraries temporarily to avoid Mexican ports.

### Economic Issues

Buying a cruise is generally considered discretionary rather than priority spending. During recessions, people are more apt to take shorter cruises and to embark from nearby ports rather than flying to faraway points of departure. Interestingly, however, in comparison with other segments of the tourist industry, cruise lines have fared well during economic downturns. Why? This is due in part to their all-inclusive per diem prices that are often bargains when compared with the cost of travel to major cities and popular resorts. In addition, fixed cruise-line prices spare passengers the added risk of encountering unforeseen unfavorable exchange rates. Nevertheless, in 2009, Carnival offered discounts because of the global recession, which attracted more passengers but lower profits.

But there is some concern in the industry over uncertain gasoline prices and mortgage interest rates, which might leave more households with too little discretionary income for taking cruises. In addition, oil price increases have upped Carnival's fuel costs at a time when many potential passengers want lower prices.

### The Weather

Whenever there are hurricanes, Carnival may have to cancel trips, switch embarkation points (e.g., from Galveston to Houston for six weeks in 2008 because of Hurricane Ike), or change destinations. Typically, passengers on canceled trips received full refunds and those on shortened cruises partial refunds.