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Private entry in cruise terminal operations in the Mediterranean Sea*

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Abstract

This study examines private entry strategies and internationalization patterns in the cruise terminal industry. The focus is on the second biggest cruise region in the world, the Mediterranean and its adjoining seas. A database detailing the ownership structures observed in cruise terminals in 18 different countries forms the backbone of the empirical analysis. This dataset details the entry strategies and implementation options of cruise terminal operators, their corporate features and strategies, and the emerging partnership dynamics. Methodologically, our analysis is based on earlier constructs used to conceptualize entry forms and strategic management in container terminals and port governance systems. The findings suggest that cruise terminals are subject to an initial phase of privatization and internationalization,. The outcomes point to the emergence of International Cruise Terminal Operators (ICTOs) and the active presence of cruise lines and other types of entities (including port and shipping companies, shipping agents, chambers of commerce, etc.). While the cruise terminal development path shows some similarities with what happened in container ports a few decades ago, an array of differences also emerge.

Keywords: *cruise terminal operators, private entry, corporate strategies, internationalization.*

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Background and rationale of the study

With three decades of uninterrupted growth, the cruise industry has shown a remarkable resilience in the face of economic, social, political, or any other crises that regularly challenge both tourism and shipping sectors. While the global financial crisis of 2008-2009 had a major impact on maritime cargo shipping, cruise shipping and ports continued experiencing steadily rising passenger numbers. When the Costa Concordia loss (2012) created a period of negative publicity for the cruise industry, the industry *cruised* 'through the perfect storm' (Peisley, 2012) and continues to generate more demand in large part because of the successful strategies developed by cruise lines. About 24.7 million people cruised in 2016, or double the number of cruise passengers a decade earlier (CLIA, 2017). An industry that had focused on the U.S. and the Caribbean expanded first to the Mediterranean and its adjoining seas, then to other regions, and more recently to Asia, evolving into a truly global business.

The deployment of ever-larger cruise ships -hosting more than 6,000 passengers, served by more than 3,000 crew members- allowed benefiting from economies of scale. New ship designs, innovative commercial strategies, increased on-board amenities, facilities and services, as well as shore side activities, now match the preferences of broader social and age groups. At the same time, cruise lines use an increasing number of ports for transit and turnaround calls, aiming to provide enhanced in-port and destination experiences and convenient departures from proximal embarkation cities (read more on the characteristics of the modern cruise shipping industry in: Paisley (2012); Rodrigue and Notteboom (2013); Pallis et al. (2014) and Pallis (2015)).

Cruise ports strive to respond to the changing needs of their users. The considerable economic contribution of cruise activities to port cities, or nearby touristic destinations, gives a strong incentive to vie for more port calls and passenger excursions. One should note that, while growth in cargo activities challenges a port's *licence* to operate, cruise shipping is considered as a way to enhance the societal integration of ports with the surrounding urban communities.

The need for efficient cruise operations has also raised concerns and issues for ports (see: Brida et al., 2013; MedCruise, 2016). Specialized cruise terminals replace multi-purpose or temporary docking facilities. New cruise terminals are built and existing ones are upsized and upgraded, imposing additional investments on the hosting ports. Aiming to effectively respond to calls for upgrading cruise terminals, while safeguarding public spending, port authorities started to seek the active involvement of third parties to finance, construct, operate, and/or commercially develop cruise facilities.

This development has resulted in the opening of 'window of opportunities' to a number of firms - including cruise lines, "pure" cruise terminal operators, or others - wishing to undertake new or additional investments in the cruise business, and sometimes to follow a path of internationalization.

The concessioning of cruise terminals to third parties and the development of new terminals have become common. In some ports, cruise lines are directly involved in the financing, building and operations of terminals). In other ports, local cruise terminal operators (these frequently being port agents) are progressively joined by other companies that have developed interests in taking control over cruise ports and/or specialised purpose vehicles (SPVs) built by terminal operating companies. Eventually, international players have emerged. In addition, as cruise activities in ports gain more operational autonomy, public authorities are pursuing some form of partnership with third parties, aiming to finance and develop growth strategies.

In summary, recent years have brought a growing commitment of investors in the (co-)funding and management of cruise ports up to levels comparable to what is being experienced in cargo ports, particularly container terminals. Contrary to the case of cargo ports however, neither the forms of third-party entry nor the emerging partnerships in cruise ports have been investigated in the extant literature (see the reviews of port studies: Pallis et al., 2011; Notteboom et al, 2013). Di Vaio et al. (2011) provide some evidence of this practice from the Italian market in the 2000s. The rapid expansion of private entries in the cruise port industry remains an unexplored and under-researched area. This is even though it might affect the interactions between ports and cruise lines (changing among others bargaining power relations between cruise lines and the port (authorities) or destinations – see: Satta et al., 2017), the structures of cruise itineraries (as well as development strategies, such as initiatives to address the existing seasonality of cruise activities, see Esteve-Perez & Garcia-Sanchez, 2017) or attract higher spending cruisers (on the variation of passenger expenditures see Lee and Lee, 2017)

Aiming to fill this research gap, the present paper addresses the observed forms of private entry in the cruise terminal industry. It does so by analysing the presence of private operators in the Mediterranean and its adjoining seas, which constitutes the world's second biggest cruise region after the Caribbean. Under the term 'private entry', the study examines all actors (i.e. other than the public port authority itself) that have assumed responsibility to operate a cruise port, irrespective of the nature of the firm/entity.

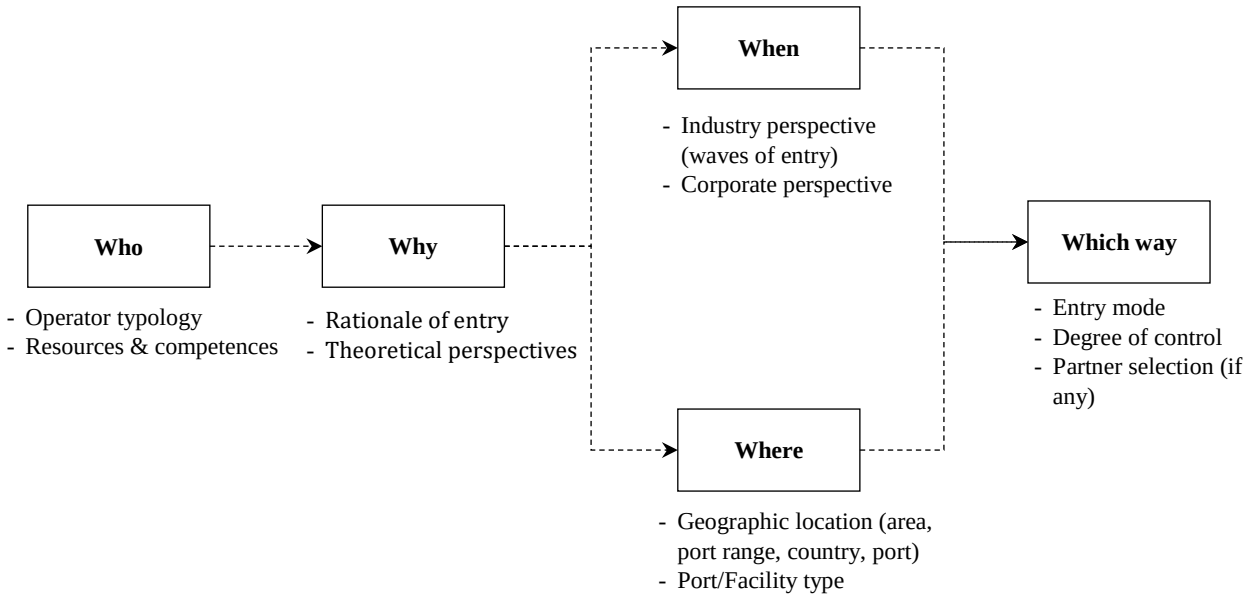
A database detailing the ownership structures observed in cruise ports in 18 different countries forms the backbone of the empirical analysis. We unravel the entry strategies and implementation options of cruise terminal operators (e.g., lease and concessions,

BOT scheme, single and multiple acquisition, etc.), their corporate features and strategies, as well as the emerging partnership dynamics (e.g., equity joint-ventures, consortia, etc.). The empirical analysis is methodologically grounded on the theoretical constructs that have conceptualized the applications of strategic management in (container) terminal markets.

Analytical framework

The study of the forms of entry and emerging partnerships in the cruise terminal business is theoretically grounded on a "5-Ws" framework (**Figure 1**) covering five strategic dimensions, i.e. "who", "why", "when", "where" and "which way" (for a similar application in the case of container terminals, see Psaraftis and Pallis, 2012).

Figure 1. Private entry in cruise terminals: Analytical framework



The first dimension ("Who") allows one to identify the nature and features of the main actors entering the market. Scholars studying container ports (Olivier, 2005; Notteboom and Rodrigue, 2012; Parola et al., 2013a; Satta et al., 2014a) propose several variables for categorizing terminal operators, including: home country, business of origin, strategy and geographic scope. Among them, the business of origin (or "operator typology") stands as a leading issue: it provides insights on the major resources and competences private operators rely on when entering the sector, the strategies they pursue when enlarging their portfolio of facilities, and the rationale for entering the business ("Why") .

The third and the fourth dimensions relate to temporal ("when") and spatial ("where") and characteristics of private entry. By assuming an industrial perspective, timing is crucial: the identification of "waves" of private entries helps to understand the dynamics

and momentum of the phenomenon. A corporate view, conversely, helps to explain the time-related impacts of entry strategies in the cruise terminal business on the overall firms' expansion trajectories, that is the pace and rhythm of (foreign) growth (Parola et al., 2013b).

The "where" dimension considers both the geographic location and the type of port or facility. The spatial profile of private investments is addressed at both an individual (i.e., single project/facility), or aggregate basis (e.g., geographic area, port range, country, port, etc.). The analysis of entry from a geographical perspective provides insights on corporate strategies (e.g., the spatial outreach of firms' activities, spatial diversification strategies and so on) as well as regional or country specificities (e.g., institutional framework, local embeddedness, etc.).

The fifth dimension refers to the entry mode, the degree of control exerted over new facilities as well as the selection of partners involved in each project (if any). Entry mode selection is a strategic issue for firms, as this decision affects their growth patterns and performance (Luo, 2001). Choices are often restricted by industry-related constraints, linked to the 'location-bounded' nature of the investment or project (Boddewyn et al., 1986), to commercial and technical concerns, or to regulatory dispositions imposed by host governments (World Bank, 2012). The forms of entry in the cruise sector also determine the amount of financial resources brought to the territory and the factual contribution to local economic development (Gui and Russo, 2011; Jones et al., 2016).

Research design of the empirical application

Research questions

Based on the aforementioned assumptions and insights, the empirical part of the study answers the following four research questions:

> **RQ1.** *Who* are the main private operators entering the cruise terminal business and which are the drivers triggering their entry decisions (*why*)?
> **RQ2.** *When* did private operators enter the cruise sector and *where* do they operate?
> **RQ3.** How do private cruise terminal operators enter new markets (*which way*)?
> **RQ4.** Which are the main commonalities and differences between the privatization and internationalization processes taking place in the cruise and container terminal industries?

The fourth research question enriches the analysis by going beyond the cruise terminal market and allowing a comparative analysis of heterogeneity between the different port

sectors. From a research perspective, such conclusions provide foundations for representative designs of comparative port studies, e.g. does comparative research on specific issues extract conclusions valid for the entire port industry or some parts of it?. From a practical perspective, such analysis can support strategic thinking and managerial decisions of those responsible for ports serving all or some of the different port markets.

To answer the research questions we apply the developed analytical framework to the entry of private cruise terminal operators in the Mediterranean and its adjoining seas. The study area is a 'multi-port' cruise region (Pallis and Arapi, 2016) which stands as the world's second biggest cruise market after the Caribbean (in numbers of passengers). In 2016, 46, out of the 56 existing cruise brands, deployed a total of 136 cruise ships in the region, or 18.7% of the total cruise fleet capacity (Cruise Industry News, 2017).

Data collection

A database was constructed containing information on private entries in cruise terminal ownership. The private entry notion serves as the statistical unit of analysis. We define a private cruise terminal operator as a (private) firm other than the public port authority itself, holding at least one share in a cruise facility located in the Mediterranean Sea and its adjoining seas. This sample also includes firms *established by*, or *with the participation of*, port authorities.

The database was developed starting from information included in a fact-finding report on all member ports of MedCruise, i.e. the association of cruise ports in the Mediterranean Sea. The list covers 133 cruise facilities located in 85 ports, governed by 110 port-managing entities. The operation of more than one cruise port by one entity is increasingly common. In 2016, these ports together recorded 27.4 million cruise passenger visits, or 8 million more than a decade earlier, and a total of 13,467 cruise ship calls (MedCruise, 2017).

Among the 85 sample ports, 46 ports (54.1%) experienced at least one private entry into a cruise terminal (**Figure 2)**. For each port, we study private entries in cruise terminals that took place in the last two decades. For each record, we gathered relevant data on the facility, the port, the private entrant (shareholder) and the adopted form of entry.

Data provided by cruise ports or terminal operators in these different ports have been integrated and then were cross-checked with information obtained from websites and reports of port authorities and terminal operating companies, reports in international specialized press, as well as economic and financial daily newspapers. This methodological approach ensures a high degree of completeness, for all observations.

Figure 2. Mediterranean, Adriatic, Atlantic & Black Sea cruise ports in the sample

Empirical results

Who & Why

The final sample recorded of 155 private entries (110 domestic and 45 foreign) in 71 cruise facilities located in 46 Mediterranean ports of 14 different countries in the period 1997-2016.

These entries were performed by 66 different cruise terminal operators (16 ICTO and 50 local operators). T**able 1** details the leading actors and the drivers of entry in the case of each category of actors.

The leading actors are cruise lines (30 entries), pure cruise terminal operators (27), port companies (20), and real estate and infrastructure managers (20). Cruise lines (five companies, i.e. Costa Crociere – Carnival Group, Grandi Navi Veloci, Louis cruises, MSC cruises, Royal Caribbean Cruise Lines) exploited the opportunities offered and undertook aggressive growth strategies, often entering overseas locations (20 foreign entries; 66.7%). Royal Caribbean Cruise Lines emerges as the most active player among cruise lines. The company operates cruise terminals in four difference sample countries, i.e. Italy (Civitavecchia, Fiumicino, Gaeta, La Spezia, Naples, Ravenna), Portugal (Lisbon), Spain (Barcelona) and Turkey (Kusadasi). Moreover, Costa Crociere entered both France (Port of Marseille) and Spain (Port of Barcelona) and MSC Cruises operates cruise terminals both in France (Port of Marseille) and in Italy (Port of Naples),

The interest of international cruise lines in financing, building and operating terminals (which emerged in the early 2000s: see Klein, 2011; Vaggelas and Pallis, 2010) is part of a vertical integration strategy (on the determinants of vertical integration see Perry, 1989**).** The main drivers of their strategies include the need for cost control and improvement in service quality and reliability, the need to financially defend their core assets and the search for additional bargaining power in the negotiation game with local public authorities. Such vertical integration is experienced in other shipping sectors as well (i.e. container ports as discussed in Parola and Musso, 2007), and is a means for achieving competitiveness along the supply chain (Notteboom and Winkelmans, 2001).

Pure cruise terminal operators rank second in terms of total entries, although only two players belong to this category. These investors pursue horizontal integration and internationalization strategies in order to reach economies of scope and geographic diversification (59.3% of their entries takes place overseas).

Similar drivers triggered the entry of real estate and infrastructure managers, which rely on technical and managerial competences developed in their core business to generate cross-sectorial synergies.

Other active operators are Chambers of Commerce (15 entries), shipping agencies, travel operators and logistics companies (12), as well as ITOs (11). Given the pivotal role of cruise terminals in global value chains in tourism (Gui and Russo, 2011), entities responsible for port destination development, such as Chambers of Commerce, and tourism-related firms (e.g. shipping agencies and travel operators) are involved in cruise facilities operations in order to promote local and regional business, or to support tourism activities. In some cases, such entities establish hybrid companies (i.e. the case of CCI Nice Cote d'Azur that operates cruise terminals in several French Riviera ports), responsible for the management and operation of the cruise ports. A number of port companies are corporations with a "public-ownership" background that paved the way for the launch of the cruise business, also facilitating a higher private equity commitment. Some of them entered the market predominantly in search of economies of scope and new business opportunities. For this purpose, they often exploited formal and informal ties with local public entities and institutions, rejecting the option of seeking foreign investments.

Conversely, conglomerate corporations (8 entries), shipping companies (6) and financial operators (6) showed a more limited interest. Financial investors, who are less present for the moment, might be attracted by high growth rates and profitability in the cruise business. Specialized financial institutions such as banks, insurance companies and private equity (PE) firms, which search for reasonable risk, return-maximization and maturity of claims, might see cruise terminals as attractive assets for diversifying their business portfolio, contributing to a higher degree of 'financialization' of the port sector (Rodrigue et al, 2011). The attractive features of port terminals include the long-term economic life of the assets, the monopolistic or oligopolistic nature of the industry (Turkisch, 2011) and the possibility to partially transfer the risk to host governments through public-private partnerships (Della Croce and Gatti, 2014).

Table 1. Typologies of cruise terminal investors and rationale for market entry

Shareholder typology (who?)	*Examples*	*Sample entries*		*Domestic entries*		*Foreign entries*		*No of. operators*	*Avg. entries per operator*	*No. of ports*	*No of. terminals*	*Year of entry (average)*			
		No.	%	No.	%	No.	%					First	Last	Avg.	
Cruise line	Costa Crociere, Grandi Navi Veloci, Louis cruises, MSC cruises, Royal Caribbean Cruise Lines.	30	19,5%	10	33%	20	66,7%	5	6,00	12	21	1997	2014	2008,6	Vertical int improveme reliability); of vessels); Seizing of b
Pure cruise terminal operators	Creuers Del Port Barcelona S.A., Global Ports Holding.	27	17,5%	11	41%	16	59,3%	2	13,50	10	19	1999	2016	2010,7	Horizontal Geographic business op
ITO - International Terminal Operator	Cosco Shipping, DP World, Marinvest, PSA International.	11	7,1%	7	64%	4	36,4%	4	2,75	9	11	1997	2016	2007,7	Concentric in non core
Port company	AX Port Holding Company Limited, Cagliari Cruise Port Srl, Port of Burgas EAD, Stazioni Marittime, Venezia Terminal Passeggeri, Porto di Livrono 2000 srl.	20	13,0%	20	100%	0	0,0%	11	1,82	10	19	1997	2016	2007,7	Economies opportuniti
Real estate & infrastructure managers	Aeroporto "Guglielmo Marconi", Bulgarian Ports Infrastructure company, Malta International Airport Plc, SAVE Spa.	20	13,0%	17	85%	3	15,0%	12	1,67	10	17	1997	2016	2006,0	Economies opportuniti
Shipping agency, travel operator & logistics company	Agenzia Marittima Lardon, Bergé Maritima, Hugo Trumpy, Sicilia Shipping.	12	7,8%	12	100%	0	0,0%	12	1,00	6	6	2005	2016	2009,3	Concentric tourism acti
Chamber of Commerce	Camera di commercio di Ravenna, CCI Nice Cote d'Azur, CCI du Var.	15	9,7%	15	100%	0	0,0%	4	3,75	8	15	1997	2016	2004,6	Promotion
Shipping company	Sinergest (Moby-Onorato Group), Sovcomflot Group	6	3,9%	6	100%	0	0,0%	4	1,50	4	5	2004	2015	2007,8	Concentric

Conglomerate	Alìdas Co. Inc., Farson Group, Grupo Sousa - Investimentos SGPS.	8	5,2%	8	100%	0	0,0%	6	1,33	6	8	2000	2014	2009,6	Conglomer
Banks, insurance companies & PE Funds	Bank of Valletta Plc, Turkish Savings Deposit Insurance Fund.	5	3,2%	3	60%	2	40,0%	5	1,00	4	4	1998	2014	2003,8	Financial di assets.
Overall sample		*154*	*100,0%*	*109*	*68,8%*	*45*	*27,9%*	*65*	*2,37*	*45*	*70*	*1997*	*2016*	*2008,0*	
of which related to															
ICTO		*73*	*47,4%*	*28*	*38,4%*	*45*	*61,6%*	*16*	*4,56*	*23*	*36*	*1997*	*2016*	*2009,3*	
Others		*81*	*52,6%*	*81*	*100,0%*	*0*	*0,0%*	*49*	*1,65*	*33*	*48*	*1997*	*2016*	*2007,1*	

More recently, cruise terminal operators started expanding overseas. International Cruise Terminal Operators (ICTOs), defined as companies holding at least a share in one cruise facility located in a foreign country, emerge as the main actors driving industry privatization. Within the investigated period, 16 ICTOs pursued aggressive internationalization strategies in the Mediterranean. They are responsible for 73 entries (47.1% of the total entries in the sample), corresponding to 4.56 investments per operator; almost three times the average value for local operators (1.64 entries per firm).

For all ICTOs, **Table 2** reports the main statistics and data concerning corporate growth strategies. Global Ports Holding, Royal Caribbean Cruise Lines, Creuers del Port Barcelona S.A., Aponte Group/MSC and Costa Crociere (Carnival Group) emerge as the most active players. These investors show the most geographically outstretched scope of activities.

The major one is Global Ports Holding (GPH), which started as a player in Turkey and now operates in seven countries and two continents. Since mid-2017, it is a public company listed at the London Stock Exchange. In late 2016, Global Ports Holding (GPH) owned and operated facilities in 9 ports located in 6 Mediterranean countries. Its portfolio included a 62% majority shareholding in the entity operating the main cruise port in the Mediterranean Sea (Barcelona). At the time of writing, GPH had announced further acquisitions (Cagliari; Ravenna; Catania), greenfield (Bar), and operating (Dubrovnik) concessions. Another ICTO, Creuers Del Port Barcelona S.A., was established by the Port of Barcelona, the port authority governing the major cruise port in Europe, and then extended its cruise terminal portfolio to Asia (Singapore). In the future, this process might create an array of international players managing wide portfolios of facilities worldwide, comparable to what has happened with the rise of international container terminal operators (ITOs).

ITOs are recently assuming responsibilities in cruise terminal operations. This has been the result of the acquisition of majority stakes and ownership of entire ports (e.g. China Cosco Shipping became the owner of the 'master concession' in Piraeus, and CMA-CGM's Terminal Link being among the emerged owners of the respective concession in Thessaloniki), or of winning concession contracts to operate entire ports (e.g. DP World in Limassol since February 2017). This trend is emerging despite the fact that cruise terminal activities are not part of ITOs' core business.

When & Where

When it comes to the temporal dimension of private entry (*when*), two relevant issues emerge at industry level. First, the entry of private investors in the Mediterranean market appears as a recent phenomenon that unfolded at an accelerated pace (7.7 entries per year

on average). Second, the entry dynamics show some cyclical developments, with three peaks in the 2005-2006, 2009 and 2014-2016 periods (Figure 3). Herd behaviour among players and leader-follower strategies may explain the existence of "waves" of private entries, and the recent start of the internationalization process. This outcome appears consistent with the evolutionary trend that characterized the container port industry a decade earlier (see Rodrigue et al., 2011; Parola et al., 2013a; Satta et al., 2014b).

Table 3 shows private entry data for the four geographic ranges (Adriatic, Black Sea, East Med and West Med) in which the Med is commonly divided on the basis of cruise itinerary patterns. The findings, which combine temporal and spatial dimensions of private entries, demonstrate the existence of time window opportunities that are seized by market players. For example, in the case of Portugal and Cyprus, private entry emerged immediately after decisions for port policy reforms created such opportunities. While the West Med range is the most attractive geographic area, the selection of target countries and ports varies with the stage in the market life cycle (mature vs. growing demand) and external political and institutional conditions To give an example, geopolitical tensions such as the Arab spring postponed or 'delayed' private entry in the case of Mediterranean African countries. Such entry procedures restarted (i.e. at the time of writing, Tunisia initiated such a process) once these tensions were eliminated.

Table 2. The geography of International Cruise Terminal Operators (ICTOs)

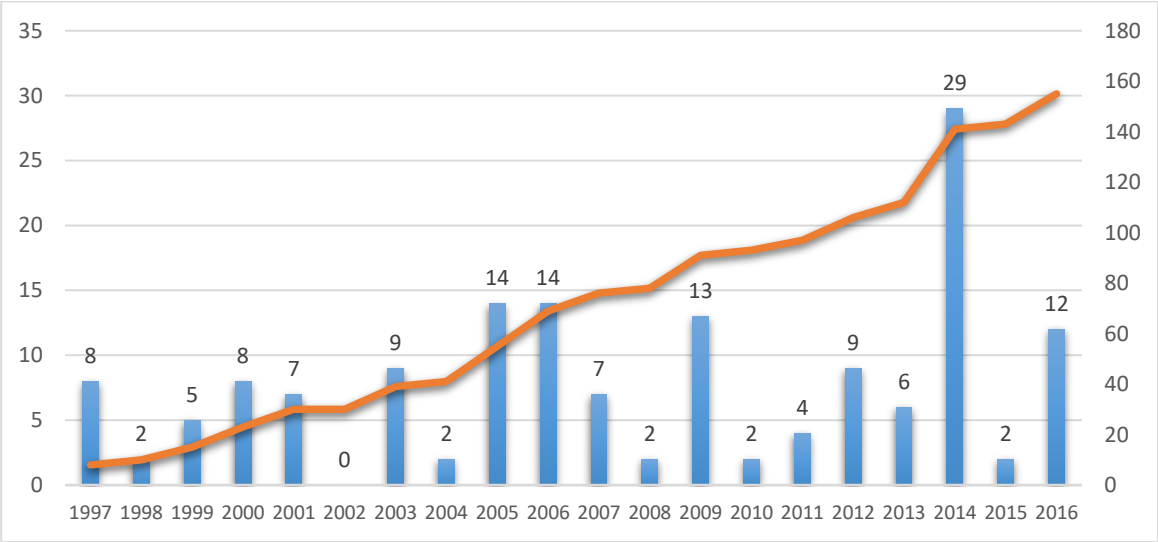
International Cruise Terminal Operators (ICTO)	*Typology*	*Country of origin*	*No. of entries*	*Domestic entries*	*Foreign entries*	*No. of countries*	*No. of ports*
Global Ports Holding	Pure cruise terminal operator	Turkey	16	3	13	6	9
Royal Caribbean Cruise Lines Ltd	Cruise line	USA	15	0	15	4	9
Creuers Del Port Barcelona S.A.	Pure cruise terminal operator	Spain	11	8	3	2	3
Aponte Group/MSC	Cruise line	Switzerland/Italy	11	9	2	2	7
Marinvest (Aponte Group/MSC)	*International terminal operator*	*Italy*	*7*	*7*	*0*	*1*	*6*
MSC Cruises (Aponte Group/MSC)	*Cruise line*	*Switzerland*	*2*	*0*	*2*	*2*	*2*
Grandi Navi Veloci (Aponte Group/MSC)	*Cruise line*	*Italy*	*2*	*2*	*0*	*1*	*1*
Costa Crociere	Cruise line	USA/Italy	10	8	2	3	8
COSCO Shipping	International terminal operator	China	2	0	2	1	1
Bouygues Batiment International (BBI)	Real estate & infrastr. manager	France	1	0	1	1	1
Developort Inc.	Real estate & infrastr. manager	USA	1	0	1	1	1
DP World	International terminal operator	United Arab Emirates	1	0	1	1	1
Infrastructure World International Ltd	Real estate & infrastr. manager	Hong Kong	1	0	1	1	1
Celectyal Cruises	Cruise line	Cyprus	1	0	1	1	1
PSA International	International terminal operator	Singapore	1	0	1	1	1
Universal Investment (Invt Mgmt)	Banks, insur. comp. & PE Funds	Germany	1	0	1	1	1
Wasatch Advisors Inc.	Banks, insur. comp. & PE Funds	USA	1	0	1	1	1
Total	-	-	*73*	*28*	*45*	*9*	*23*

Table 3. Entry timing in sample geographic range

Region	*Sample entries*	*1997-2001*	*2002-2006*	*2007-2011*	*2012-2016*	*Average year of entry*
Adriatic	35	7	6	16	6	2007,2
Black Sea	5	0	1	2	2	2011,2
East Med	19	3	5	6	5	2007,4
West Med	96	20	27	7	42	2008,1
Overall sample	*155*	*30*	*39*	*31*	*55*	*2007,9*

Source: Authors' elaboration.

Figure 3. Temporal dimension of private entries in the Mediterranean cruise terminal industry



When following a corporate perspective, the timescale of the ICTOs' internationalization patterns sheds light on the trajectories of domestic and overseas expansion. Corporate data (Table 4) further support the existence of imitative and isomorphic strategic behaviours among key actors: "waves" of market entries emerged in the 2003-2007 and in the 2014-2016 timeframes. Given the pace and rhythm of these corporate growth strategies, it is worth monitoring whether the industry liberalisation and internationalization process will accelerate further in the future, i.e. in line with the evolutionary trends that have characterized the container port industry in the recent past.

Focusing on the spatial dimension, Figure 4 details all the ports subject to entry by private investors in the sample timeframe. Italy ranks first in terms of number of entries (70), followed by Spain (24), Turkey (14), Portugal (12) and France (10). At port level, Venice (21 entries), Barcelona (16), Lisbon (12), Valletta (8), Genoa (6), La Spezia (6) and Naples (6) are the most attractive targets.

Table 4. The timescale of the ICTOs' internationalization patterns

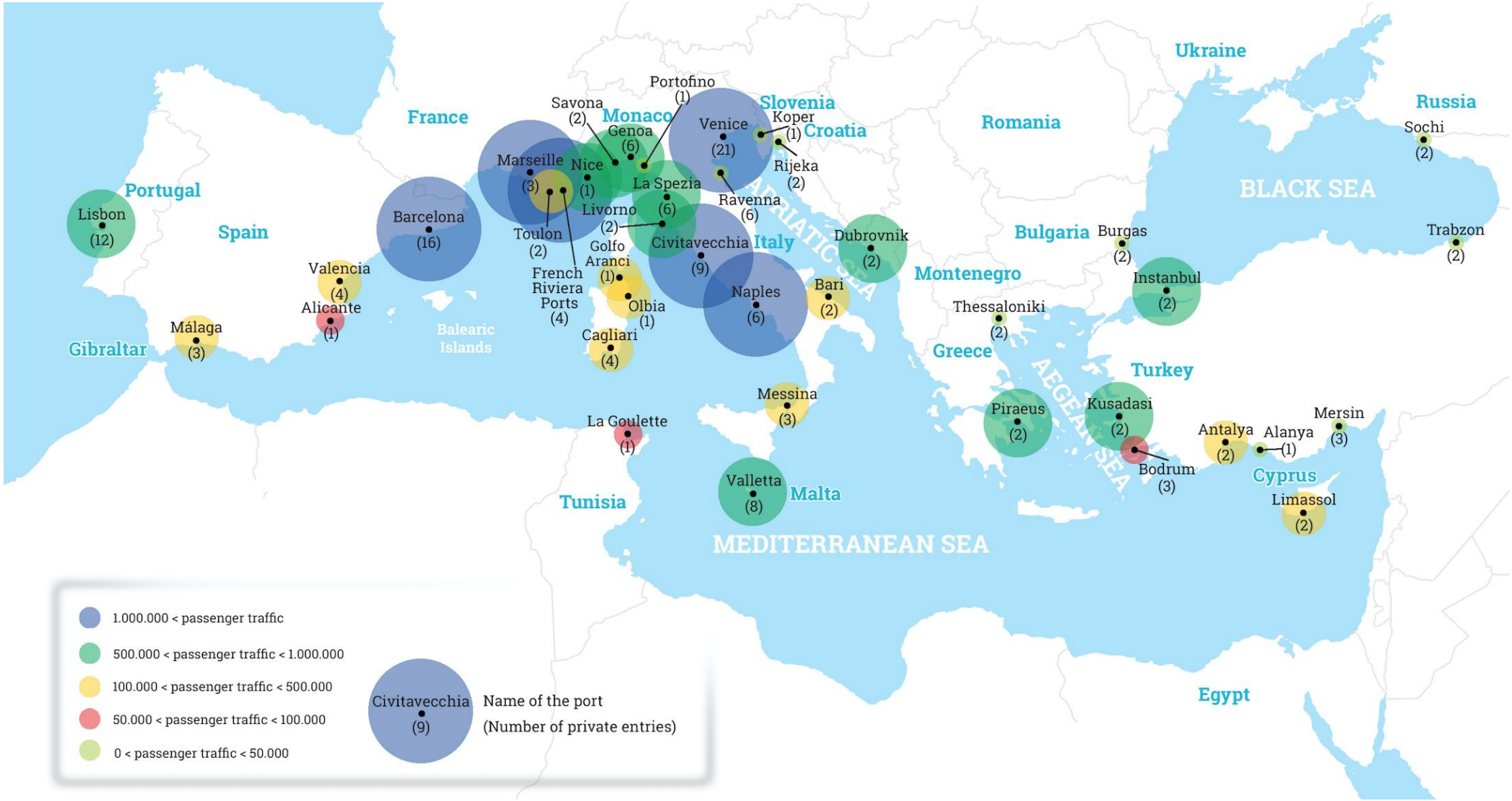
Shareholders	Start of operations	First overseas investment*	Sample entries	Home Country	Number of project inaugurated in a single year															
					1997	1999	2000	2001	2003	2005	2006	2007	2008	2009	2011	2012	2013	2014	2015	2016
Global Ports Holding	2003	2014	16	Turkey					1		1	1						8	1	4
Royal Caribbean Cruise Lines Ltd	2003	2003	15	USA					1	1	3			1			1	8		
Creuers Del Port Barcelona S.A.	1999	2014	11	Spain		2	1			2			1		1	1		3		
MCS/Aponte Group	1997	1997	11	Switzerland/Italy	4					2	3			1			1			
Marinvest (Gruppo Aponte - MSC)	*1997*	-	*7*	Italy	*2*					*1*	*3*						*1*			
MSC Cruises (Gruppo Aponte - MSC)	*2005*	*2005*	*2*	Switzerland						*1*				*1*						
Grandi Navi Veloci (Gruppo Aponte - MSC)	*1997*	-	*2*	Italy	*2*															
Costa Crociere	2003	2007	10	USA/Italy					1	1	3	1		1		2		1		
COSCO Shipping	2016	2016	2	China																2
Bouygues Batiment International (BBI)	2016	2016	1	France																1
Developort Inc. – USA (d/b/a Port Developers)	2001	2001	1	USA				1												
DP World	2016	2016	1	UAE																1
Infrastructure World International Ltd – Hong Kong	2001	2001	1	Hong-Kong				1												
Celectyal (Louis Cruises)	2009	2009	1	France										1						
PSA International	2007	2007	1	Singapore								1								
Universal-Investment-Gesellschaft mbH (Invt Mgmt)	2003	2003	1	Germany					1											
Wasatch Advisors, Inc.	2003	2003	1	USA					1											
					4	2	1	2	5	6	10	3	1	4	1	3	2	20	1	8

* Note: Overseas investments refer to the Mediterranean and the Black Seas

Number of project inaugurated in a single year:

1	2	3	4	>4

Figure 4. Spatial dimension of private entries in the Mediterranean cruise terminal industry



Private operators favour ports situated in large markets with appealing growth rates and low political and institutional risks, although they have recently expanded to smaller ones. Private entries take place mostly in the West Med area (61.9%) in large-scale ports (69.7%), which manage over 400,000 cruise passengers per year. Nonetheless, also Adriatic ports (22.6%) and medium-sized ports (17.4%) are increasingly attracting the interest of investors. As reported in Table 5, foreign entries are rather concentrated in the West (34 entries) and the East Med (7), and focus mainly on larger ports (37 on 45 foreign entries).

Table 5. Distribution of private entries per geographic area and port size

	Sample entry		*Domestic*		*Foreign*	
	No	*% on column*	*No*	*% on row*	*No*	*% on row*
Distribution per geographic area						
Adriatic	35	22,6%	31	88,6%	4	11,4%
Black Sea	5	3,2%	5	100,0%	0	0,0%
East Med	19	12,3%	12	63,2%	7	36,8%
West Med	96	61,9%	62	64,6%	34	35,4%
Distribution per port size						
Large port (400.000 ≤ pax movements)	108	69,7%	71	65,7%	37	34,3%
Medium size ports (50.000 ≤ pax movements <400.000)	27	17,4%	24	88,9%	3	11,1%
Small port (pax movements < 50.000)	20	12,9%	15	75,0%	5	25,0%
Overall sample	*155*	*100,0%*	*110*	*71,0%*	*45*	*29,0%*

** pax movements= cruise passenger movements per year.*

Which Way?

Entry modes in soft-services are grouped into internal and external strategies (Erramilli and Rao, 1990). In ports, the internal options include lease and concession arrangements as well as greenfield and brownfield projects based on diverse BOT (Built-Operate-Transfer) schemes (Notteboom, 2007; Notteboom et al., 2012a; 2012b). External options refer to conventional acquisitions (i.e., taking over a single facility or a firm, located at a single location or site), and multiple-site acquisition, namely the simultaneous take-over of an entire terminal portfolio in a single transaction (Parola et al., 2015). Contrary to organic growth strategies and internal options, external entry modes allow buyers to compress the time between the decision of entry and the beginning of terminal operations (Olivier et al., 2007), to overcome economic, institutional or normative barriers to market entry and to mitigate the financial transaction risk (de Langen and Pallis, 2007). In addition, when entering new markets, firms assume a certain degree of control, ranging from low-control modes (i.e. minority interest) to high-control modes (i.e. partially or

wholly-owned subsidiaries). The degree of control has implications for the cruise terminal operator at the level of financial investments, managerial commitment, strategic flexibility, potential returns and risks. Consistent with strategic management theories, a higher degree of control over a new branch is associated with higher resource commitment and risks (cf. Erramilli, 1992).

The implementation strategies for entering the cruise market are mainly based on internal options (78.7% of the total entries), which include terminal lease (84 cases) and greenfield development (38) (Table 6). External options, i.e., single- and multiple acquisitions (23 and 10 cases respectively) are still less common. When entering a new facility, private operators try to obtain significant stakes in terminal ownership (45.2% on average).

As concerns the degree of control exerted over the new terminal, equity joint-ventures and consortia (JVC) (87 cases; 56.12%) are the most widespread options, followed by wholly-owned (WOS = 33) and partially-owned subsidiaries (POS = 22). Minority interests (MS) are less widespread in the sample geographic area. Whereas WOS collaborative solutions have pros and cons, JVC constitute "real options" that enable private operators to reduce investments and commitment at the beginning of the project, and keep the option open to increase their stake in that venture at a later stage (Brouthers et al., 2008). Moreover, the JVC structure allows firms to reduce the initial risk when the uncertainty is higher and the information about the project is limited (Folta 1998). The relevance of various forms of partnerships and collaborative strategies in the cruise terminal industry is growing, both in terms of the number of jointly owned facilities and generated throughput.

Table 6. Entry modes and degree of control: distribution per type of shareholder

Type of shareholder	*No. of entries*	*Average equity share*	*Entry mode**				*Degree of control***			
			L	*G*	*A*	*M*	*MS*	*JVC*	*POS*	*WOS*
Cruise line	30	35,6%	17	3	5	5	4	18	5	3
Pure cruise terminal operator	27	61,1%	10	6	6	5	-	8	14	5
ITO - International Terminal Operator	11	40,8%	6	-	5	-	-	8	3	-
Port company	20	53,9%	9	11	-	-	1	11	-	8
Real estate & infrastructure manager	20	37,5%	10	8	2	-	2	16	-	2
Shipping agency, travel operator & logistics company	12	26,9%	11	1	-	-	1	11	-	-
Chamber of Commerce	15	48,2%	8	7	-	-	-	8	-	7
Shipping company	6	71,7%	5	1	-	-	-	2	-	4
Conglomerate	8	50,0%	6	1	1	-	1	4	-	3

Banks, insurance companies & PE Funds	6	23,1%	2	-	4	-	4	1	-	1
Overall sample	***155***	***45,2%***	***84***	***38***	***23***	***10***	***13***	***87***	***22***	***33***
of which related to										
ICTO	*73*	*44,3%*	*35*	*10*	*18*	*10*	*6*	*37*	*22*	*8*
Others	*82*	*46,0%*	*49*	*28*	*5*	*0*	*7*	*50*	-	*25*

* Entry mode: *L = Lease; G = Greenfield and brownfield; A = single acquisition; M = Multiple acquisitions*

** Degree of control: MS = Minority stake; JVC = joint ventures & consortia; POS = Partially-owned subsidiaries; WOS= Wholly-owned subsidiaries

The evolutionary trends in the container port industry (Soppé et al. 2009; Parola et al., 2014; Satta et al., 2014b) provide a hint that it is reasonable to expect that these dynamics will continue in the cruise business as well. Tighter availability of port land and narrower "privatization windows of opportunity" work already in favour of further collaborative activities, resulting in new formal and informal ties among leading actors. The need for larger facilities, the total amount of available financial resources for infrastructural investments and the heterogeneity of skills required for new projects are valuable drivers for enhancing collaborative mechanisms ever further.

Yet, not all headquarters might endorse a process favouring market concentration. For example, competition authorities and other decision makers (i.e. representatives of cities and destinations that would prefer to keep control of cruise terminal assets) might make objections to further market concentration. The tendency to control growth is already visible in the studied geographical region: Venice had to limit the size of cruise ships visiting the port, Barcelona has included cruising in the public debate referring to the limitation of tourism in the city, while French destinations, such as Nice, have put an upper limit on the daily hosted cruise passengers. Discussions have expanded to other countries, i.e. Greece, where port authorities in popular cruise destinations such as Santorini have mismanaged cruise activities handling leading to congestion and negative impressions (see: Smith, 2017). A terminal manager in the Med detailed to the authors "*Costs of 300/week cruises for the host cities and destinations are much higher than its benefits. Disembarking passengers bring along a bag from breakfast and the only thing they buy in the city is a coffee! And to have them here, we built a terminal, bought scanners, paid for the transport of baggage and passengers, and much more, when cruise lines are paying just 30-50 cents /passengers*".

Table 6 provides also preliminary empirical evidence on partnership dynamics. Among the leading actors, cruise lines hold smaller average stakes when vertically integrating (35.6% on average). Although internal options prevail, operators rely on all kinds of entry modes for expanding their business. Cruise lines prefer leases in respect to greenfield

projects, as planning and construction of cruise terminals are far more costly and create lock-in effects in the specific destination,. When entering new terminals, they often develop ad-hoc joint ventures and consortia, so as to reduce risks and uncertainty and obtain complementary resources from international or domestic partners. Domestic partners holding valuable ties with local public institutions, as well as experienced international players with a solid technical background, are amongst the most frequently selected partners by cruise lines, although in some cases they tend to collaborate among each other. For example, the “Terminal Crocieristico di Napoli” (Port of Naples, Italy) is operated by a consortium, which includes three cruise lines, i.e., Costa Crociere, MSC Cruises and Royal Caribbean Cruise Lines Ltd, jointly with an international terminal operator (Marinvest) and two local partners Intership and Terminal Trade di Salvatore Lauro. Moreover, the “Alcântara Cruise Terminal” and the “The Jardim do Tabaco Quay” located in Lisbon (Portugal) are operated by Royal Caribbean Cruise lines jointly with the Portuguese operator “Grupo Sousa - Investimentos SGPS” and other local partners.

Pure cruise terminal operators, instead, prefer to maintain higher equity shares in new facilities (61.1%). The entry modes selected by these operators are fairly evenly distributed between internal and external options. Single (A) and multiple (M) acquisitions are viable solutions for boosting their (overseas) corporate growth. In several cases, pure cruise terminal operators rely on JVC, but the partially-owned subsidiary (POS) is the preferred strategic option, given their core business.

Port companies pursue entry strategies of their own, consistent with their business of origin and the rationale behind their decision to enter the market. These operators pursue neither single nor multiple acquisitions, but enter the market only through lease, greenfield or brownfield projects. Port companies prefer to exert a high degree of control over the project. They maintain large stakes in the initiative (53.9% on average) and prefer the WOS option (8 cases), when renouncing to collaborate with others via joint venture projects (11 cases).

Real estate and infrastructure managers significantly rely on JVC to expand their cruise terminal business, as they lack market knowledge and port-related know-how. They are considered valuable partners in JVC given their technical skills concerning infrastructure design and construction as well as facility management. For this reason, these companies prefer internal entry modes and are often involved in greenfield and brownfield projects (L=10, G=8). Compared to other leading actors, real estate and infrastructure managers tend to mitigate their commitment and exposure to risks, by holding lower shares in the ownership structure (37.5%).

Shipping agencies, travel operators, and logistics companies, enter the cruise terminal industry mainly to support their core business (e.g., tourism-related activities). Hence, they are not interested in controlling the facility or directly operating it (i.e. WOS and POS are avoided). These actors participate in JVC or acquire minority interests in cruise terminals aimed at obtaining privileged access to valuable information or at contributing to planned on-shore cruise-related activities.

Chambers of Commerce follow a behaviour comparable to that of shipping agents, travel operators and logistics companies. They enter the market only through internal growth strategies. Although they often enter JVC during the initial phases of bidding for concessions, they are also able to adopt a stand-alone approach (WOS = 7).

ICTOs show a higher strategic flexibility in the industry. They adapt the selected entry mode to specific market conditions in their home country or abroad, carefully combining internal and external growth strategies. Collaborative strategies and various forms of partnership are key to their success and the pace of their internationalization strategies. These findings are consistent with the assumptions of the Linkage-Leverage-Learning (LLL) model that emphasizes the role of distinctive relational capabilities and market knowledge (accumulated and further leveraged) as antecedents of overseas expansion (Mathews, 2006; Li, 2007;).

Table 7 provides further insights on private entry strategies, reporting data distributed per geographic area and port size, allowing for an assessment of the role of environmental and institutional conditions in the decision process of companies. The existence of different entry patterns in the sample geographic areas suggests that institutional ties and normative bonds undoubtedly exert an impact on the entry mode and the degree of control over the subsidiary selected by private operators entering the market. Within the Adriatic range, no external entries are observed and only limited WOS are established. JVC are presumably requested or “suggested” by local public entities during bidding procedures for lease and concession agreements or greenfield projects.

The weight of greenfield and brownfield projects in the total number of ventures is higher for geographic markets facing an initial stage of development (Black Sea) or encountering a growth phase (Adriatic). Lease and concessions, as well as (single or multiple) acquisitions, are much more common in more mature, well-established, markets (the West Med and, to a lesser extent, the East Med). JVCs are widespread in growth markets such as the Adriatic area, and when the cruise facility concerns large ports. This type of projects, in fact, imposes a higher organizational complexity and a larger financial effort.

Table 7. Entry modes and degree of control: breakdown per type of shareholder

	No. of entries	*Average equity share*	*Entry mode*				*Degree of control*			
			L	*G*	*A*	*M*	*MS*	*JVC*	*POS*	*WOS*
Distribution per geographic area										
Adriatic	35	31,8%	13	21	1	-	1	30	1	3
Black Sea	5	68,0%	2	3	-	-	2	-	-	3
East Med	19	52,3%	4	3	12	-	7	3	5	4
West Med	96	47,7%	65	11	10	10	3	54	16	23
Distribution per port size										
Large port (400.000 ≤ pax movements)	108	38,7%	57	30	11	10	6	69	17	16
Medium size ports (50.000 ≤ pax movements <400.000)	27	66,0%	17	3	7	-	3	10	4	10
Small port (pax movements < 50.000)	20	52,3%	10	5	5	-	4	8	1	7
Overall sample	*155*	*45,2%*	*84*	*38*	*23*	*10*	*13*	*87*	*22*	*33*

** pax movements= cruise passenger movements per year.*

Comparing entry in cruise and container terminals

We place our empirical findings next to recent contributions in the more mature (in terms of the timescale of entry) container port industry. Such a detailed comparison allows one to assess whether entry in the various port markets differs only as regards the timescales of privatization – thus a generalisation is possible - or forms of entry and internationalization processes in each market are associated with different features.

When it comes to the actors and the rationale for market entry, several analogies emerge in the two port markets. Port companies have paved the way for the development of the cruise terminal business and the entry of private firms. In both industries, ship operators (i.e. “cruise lines” vs. “container carriers”) are among the pioneers of the liberalisation process. They share the floor with “pure” terminal operators, which pursue aggressive domestic and overseas growth strategies,. In addition, ICTOs and ITOs are the orchestrators of the changing forces shaping both businesses in the respective markets.

An array of differences between the two port markets also exists. In contrast to container ports, both Chambers of Commerce and tour operators are active investors in the cruise terminal market, by maintaining or acquiring stakes in a number of facilities. Moreover, financial operators are still scarcely committed to the operation of cruise terminals. Part of the explanation could be found in the fact that the privatization of the cruise terminal industry is ongoing. Still, the lower average investment size and the shorter duration of contractual and concession agreements in the cruise sector (precisely because of this

lower investment requirements) are supposed to reduce the attractiveness of this business for institutional investors. It is thus worth monitoring whether in the near future a higher involvement of financial firms will be observed, either because large facilities will serve a bigger sized market, or higher stakes might be available for taking part in ports and destinations of high potential.

When it comes to the time scale of privatization and internationalization processes, the cruise terminal industry is still experiencing an earlier stage of development. In the container port domain, these processes have unfolded at least one decade ago. The internationalization process in the container terminal market was accelerated as a result of port reforms in several European countries, and the evolving balance of power between shipping lines and terminal operators (Parola and Musso, 2007). Nevertheless, a number of similarities emerge with regard to the duration of the evolutionary stages in the sample sectors. In this perspective, findings from the container port industry might provide hints on what to expect as regards the future patterns of development in the cruise terminal sector.

A variety of business specificities affect the geographic dimension of private entry. First, port selection criteria for cruise terminal operators significantly differ from those typically found in the container business. In the case of cruise ports, cruise lines prefer turnaround (home) ports with a high level of transport accessibility for tourists and cruisers (e.g., airport, motorway, high-speed rail and *fly & cruise*) whereas transit ports (ports of call) are selected for their touristic highlights and landmarks. In the case of container ports, transhipment facilities are chosen for their centrality, connectivity, operational performance, and terminal handling charges. Gateway container ports are competitive due to the size of their potential hinterland and the associated cargo-generating potential, good nautical and inland accessibility and connectivity, advanced solutions for supply chain integration as well as infrastructural endowment and port efficiency.

Different parameters are also at play when the geographic dimension of private entry is under examination. While North Africa constitutes a relevant market for private terminal operators involved in both transhipment and re-export hubs (e.g., Egypt and Morocco), institutional and political instability have dramatically reduced the attractiveness and feasibility of new cruise terminal projects in the area. At the same time, a great degree of homogeneity has been identified in Italy and Spain. These two countries represent the most targeted and geographically well-positioned markets in the area, and they both enjoy the benefits of their pioneering market openness in the early 1990s. In addition, in both the container and cruise industries, private investments have experienced cyclical shifts among various ranges (from West Med and East Med to Adriatic and Black Sea).

As regards entry mode selection, our study reveals that private operators predominantly rely on internal options for entering cruise terminals while external solutions, such as single and multiple acquisitions, are far less common. Leasing contracts and concessions are the preferred solutions for these investors. In the container industry, however, terminal operators often use acquisitions and multiple-entries to boost their expansion strategies (Parola et al., 2015; Satta and Persico, 2015).

Concerning *degree of control*, POS and WOS in the container industry outnumber those in the cruise terminal domain. The fragmentation of the shareholding structure is higher for cruise terminals. In addition, in the container port domain, collaborative strategies and equity partnerships are already well rooted, in contrast to the cruise terminal sector, which is now starting to experience this phenomenon along with more structured and conscious strategic patterns. Consortia, in particular, are becoming more frequent, as well as the total number of partners involved is rising. As a result, we expect to find more complex networks of formal and informal ties in the cruise industry in the future. It remains to be seen whether the terms of entry in cruise terminal operations will favour consortia formation, as found in the container port market (Pallis et al., 2008), and the extent that cruise port authorities will be able to apply incentive approaches to overcome moral hazard in port concession agreements (Wang and Pallis, 2014).

1 Conclusions

This study provided an analysis of private entry in the operations of cruise port terminals in the world's second biggest cruising region, i.e. the Mediterranean and its adjoining seas.

The adopted theoretical perspective paved the way to the identification of the leading private terminal operators entering the market and the rationale behind their corporate growth strategies. Furthermore, both temporal and spatial dimensions, related to private entry in the business, were addressed and debated, providing additional insights on two fundamental issues: i.e., "when" and "where" this process is taking place in the Mediterranean market. Finally, the empirical investigation has offered insights to the strategic options adopted by private operators and, specifically by ICTOs, for exploiting business opportunities and boosting domestic and overseas growth. Entry modes and the degree of control exerted on new subsidiaries or terminals were scrutinized, as they constitute the key analytical dimension of corporate growth.

Overall, our findings suggest that a new competitive environment and new market trajectories are rapidly reshaping the industry, while private operators entering the business are accelerating the liberalization and internationalization processes in the cruise

terminal business. It would be interesting to see how this will affect the interactions between ports and cruise lines, the structures of cruise itineraries, as well as development strategies, and not least whether the interdependence among distant geographical markets will increase further as ITCO emerge.

The developed theoretical constructs and the anecdotal evidence reported in this study suggest that the cruise terminal industry is experiencing the first phase of a privatization and internationalization path, a path that the container port sector started about a decade ago.

The research findings are valuable for managers and port executives, as they are invited to carefully monitor the market for exploiting business opportunities that originate from sharp changes in the cruise market and, not least, the competitive and institutional environments cruise terminal operators are operating in.

There are also insights on an understudied theme that provide foundations for further research. It is worth broadening the analysis to other cruise regions than the Mediterranean and its adjoining seas. An extension to the Caribbean market is especially interesting given the development of 'private island' ports and destinations in the Caribbean, which make this major cruise region a remarkably different case. Research on Asia will add value, knowing that the development of completely new terminals in Asia is motivated by entirely different decision making processes (Lau et al., 2014), and their development is marked by different financial and governance terms (cf. Lam and Notteboom, 2014). Other regions (North America, North Europe, Australia, etc.) might have more similarities with the examined sample. Although the Med deserves more research, given its scale and the autonomy of its cruise activities, it is worthwhile to expand the spatial coverage of this study, as this would add to the external validity of the findings, considering the differences between geographical markets in terms of features or lifecycle stages.

Private entry in cruise terminals has been facilitated by port governance reforms that took place in the pre-2008 period, with governments establishing a more commercialised environment for port operators (see: Brooks and Cullinane, 2007). In more recent years, port governance has moved further away from a belief in, or reliance upon, a 'one size fits all' single port governance model. The scene in the Med is illustrative: while port authority mergers advance in Italy and France, Portugal, Greece and Cyprus experience privatisation via the selling of master concessions (see contributions in Brooks et al., 2017). The latter has resulted in the expansion of ITOs with experience in the operation of container terminals only (DP World and Cosco) to include also cruise operations. As decision makers attempt to address challenges in diverse manners, it is worth to further

explore how precisely policy and institutional factors might affect the timing, entry and structures in cruise ports and terminals in the future.

The paper paves the way for further research on private entry in the cruise port industry, in other ways as well. It sets the ground for the further development of the employed theoretical framework so as to enhance its capabilities to capture the trends in the market and to provide a solid empirical base for future analysis. The structural changes faced by the cruise port market are of recent date. As the time length of involvement expands and new market structures evolve, it will be possible to evaluate the ongoing dynamics in the cruise port market even better. This also applies to the analysis of the main commonalities and differences between the cruise and other port markets, such as the container terminal businesses.

While the present study unveils the rise of ICTOs, a deeper understanding of their internationalization patterns goes beyond the scope of this paper. Further case-based investigations on this issue would generate knowledge about the strategies of some of the major actors in the industry and, thus, are encouraged. All these will reveal, among others, any changes in the bargaining powers of actors involved in serving cruise activities due to changes in the operation of cruise terminals.

Finally, the findings demonstrated that "co-opetition" (Song, 2003) forces are modelling the industry. In this regard, rationales of collaborative mechanisms among local and international players as well as partner selection criteria have still to be investigated. Additional research efforts could advance knowledge on collaborative strategies and recognize the birth of "hidden-families", likewise happened in the container port industry.

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