

Team A4

youtu.be/EWaUNmRPKOk

A large cruise ship, the Queen Mary 2, is sailing on a blue ocean under a cloudy sky. The ship is white with a dark blue hull and has the Cunard logo on its side. The name "Queen Mary 2" is visible on the upper part of the hull. The ship is moving towards the right side of the frame.

"One doesn't discover new
lands without consenting to
lose sight for a very long time,
of the shore."

— André Gide

Team A4



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Question

How can Carnival improve its CSR?

Solutions

Safety & Health
Improvements

SafeSea initiative to
promote health-
conscious travel

Environmental
Awareness

1. Restructured
merchandise
2. Nonprofit
Partnerships

Affirmative Work-
Culture

1. Free texting for
crew members
2. Improved board
diversity



Impact

Impact of the new SEA's Plan



Decision

Carnival Corporation

Alternative Investment

II. Firm and Industry Overview

Firm Overview: Carnival Corporation

In this section, we outline Carnival's business operations, financials, and recent events.

Business Operations

- **World's largest leisure travel company.**
- **Specializes in cruise lines**, providing vacations to customers and visiting ~700 ports across the globe.
- Global operations with main segments in **NA and Australia (NAA)**, as well as **EU and Asia (EAA)**.
- **Revenue is primarily generated through cruise operations:** initial ticket sales and passenger expenses onboard.

Financial Overview

Revenues fell by 73%; expenses fell by 18% (2020).
Long-term debt surged to \$22.1 billion.
Competitors are also facing tough fiscal years.

Recent Events

Carnival Corp. has a history of **environmental violations**, mostly **dumping waste into the ocean**, dating back to 1993.

Negatively impacted by COVID-19 pandemic amidst cruise cancellations. Despite this, CEO Ronald maintains **no fall-off in bookings**.

Industry Analysis

In this section, we outline the operational tactics, financials, and CSR trends pertinent to the cruise industry at large.

Industry Trends



COVID-19-
induced
revenue
declines



Increased
diversification
and market
segmentation



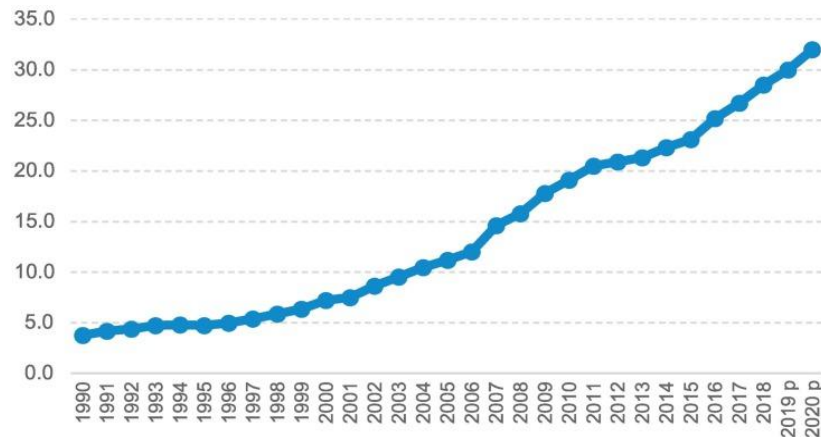
Lack of
transparency
surrounding
CSR initiatives

The average revenue of industry's three major players increased by 10.7% in 2019. This decreased by 73% in 2020.

Generation 'Z' is anticipated to respond most favorably to cruising—more than Generation 'X' (66%) and Millennials (71%).

The industry is infamous for their limited use of international reporting guidelines and absence of third party assurance.

Global Cruise Passengers Carried (in millions)

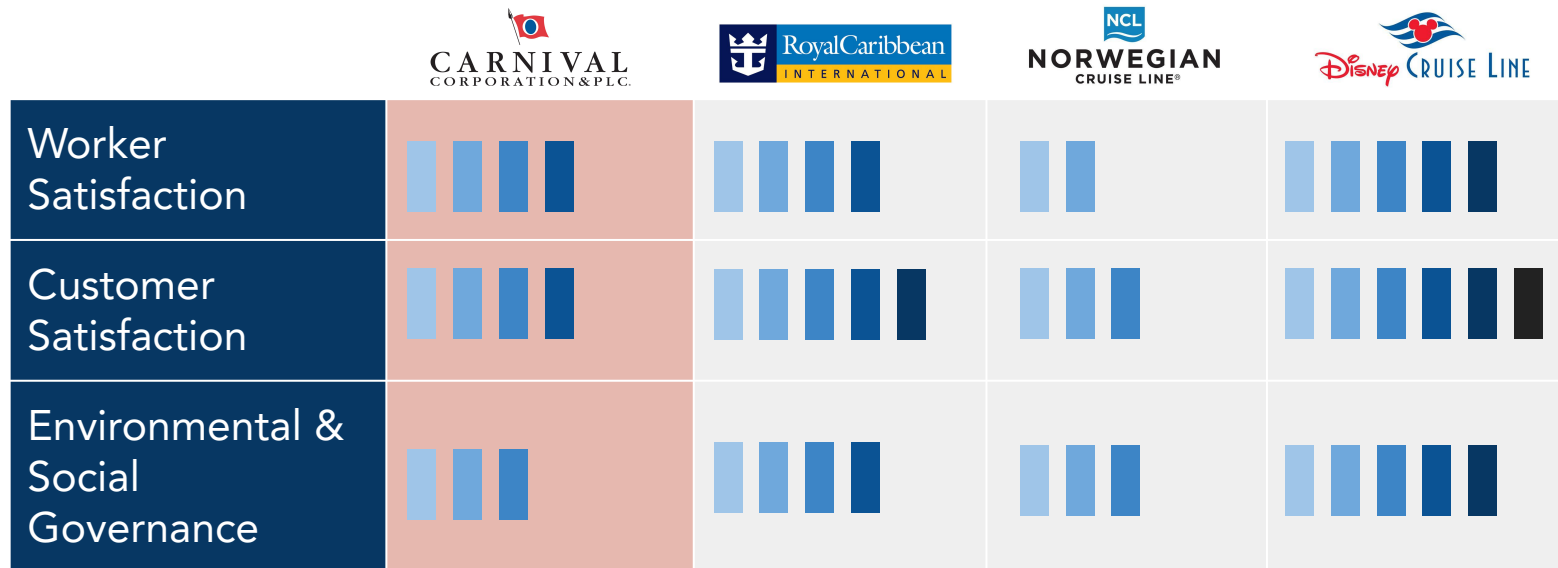


Source: CLIA (2020).

While industry-wide revenue has declined due to the COVID-19 pandemic, the industry can remain hopeful so long as it becomes more socially-minded, as Generation 'Z' tends to dually view cruising and social impact favorably and demand is on the rise.

Competitor Analysis

Carnival's CSR compared to its primary competitors: Royal Caribbean, Norwegian, & Disney.



KEY TAKEAWAY

Despite above average worker and customer satisfaction ratings, **Carnival remains relatively mediocre in CSR** – particularly when compared to Disney Cruises. Carnival's greatest possible area of **improvement lies in the environmental & social governance sector.**

Stakeholders - All Hands on Deck!

How does Carnival's CSR currently affect its stakeholders?

Stakeholders	Who They Are	Carnival's Current Impact
Passengers	Guests onboard cruise ships	Air quality up to 5 times worse than a busy street in Beijing in 2009
Crew Members	Employees who work onboard the cruise ships	Carnival median income in 2018 was less than half of US median income Poor treatment for injury, long work hours
Port and Coastal Communities	People who live near the ocean and are directly affected by cruise ships	70% of ship emissions happen within 250 miles of shore
The World	The environment and all people who are indirectly affected by cruise ships	Emitted nearly 10x more sulfur oxide around European coasts than did all 260 million European cars in 2017
Shareholders	Management, as well as external investors	Reputational association, ownership in the company, shared impact and responsibility for Carnival's operations



III. New SEA's Ahead

CSR Recommendations: Overview

Safety Policies Post-COVID

S Prevent illnesses before they spread – implement policies to ensure the health and safety of guests and crewmates even after the coronavirus pandemic.

Environmental Initiative Partnerships

e Cruise ships pollute, but let's work around that – partner with external organizations to promote a net-zero environmental impact initiative.

Affirming Employee Well-being

a Happy workers create happy customers – enact new workplace policies to promote employee well-being.

Rec. 1: Safety Policies Post-COVID

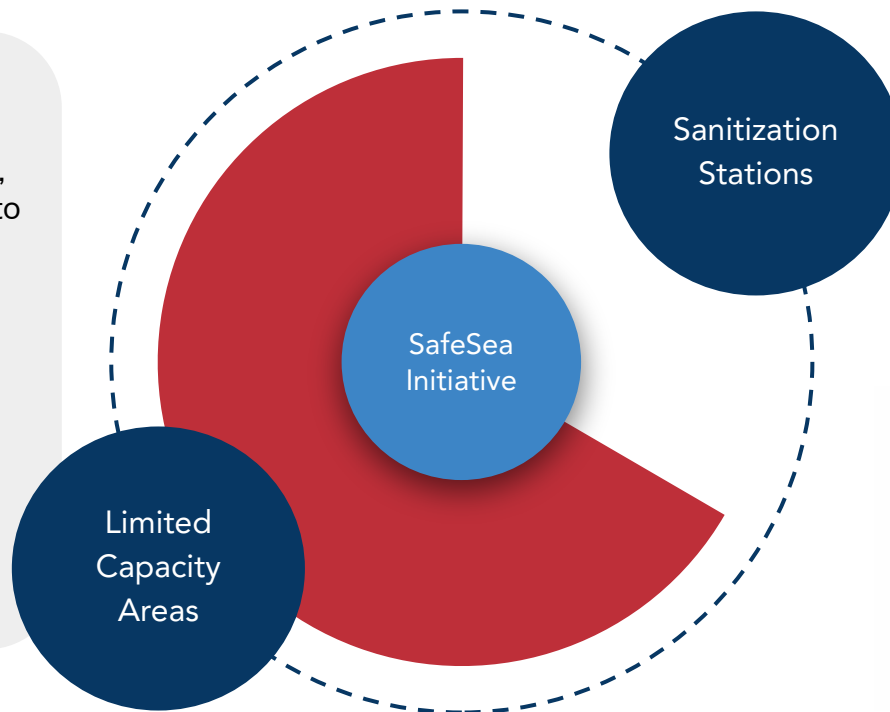
How can Carnival promote passenger and employee safety onboard, even outside of COVID-19?

The **SafeSea** Initiative

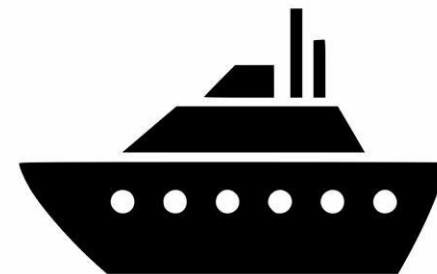
Limit passenger capacity at areas vulnerable to crowding, but enable passengers to RSVP.

Improve customer safety and satisfaction
– crowding is one of the most prominent cruise complaints

Low-cost, easy implementation.



Promote general well-being.
Implementation distributed across lines to lower cost.



Rec. 2: Environmental Initiative Partnerships

New Partnerships to strengthen Carnival's responsibility

30%

Responsible Merchandise

Continue gift shop sales with the **addition of socially conscious suppliers** such as “EthixMerch” or “Eco Bags” to support greener solutions while maintaining **+80% profit margins**.



Partner Organizations

Future **membership or collaboration with social initiatives** such as “1% for the Planet” or “The Nature Conservancy.”

Rec. 3: Affirm Crew Well-Being

Internal Cultural Improvements

Area	Reason to implement	Method	Results
Crew connectivity with loved ones	Happier employees corresponds to better customer service	Implement free WhatsApp texting for all crew members	20% more productivity Increase in stock price
Increase diversity on executive board	Increase employee engagement and strengthen culture via leading by example	Give preferred referrals to less represented backgrounds	Greater chance to surpass financial targets Reduce turnover

VI. SEA's Impact

Stakeholder Impact

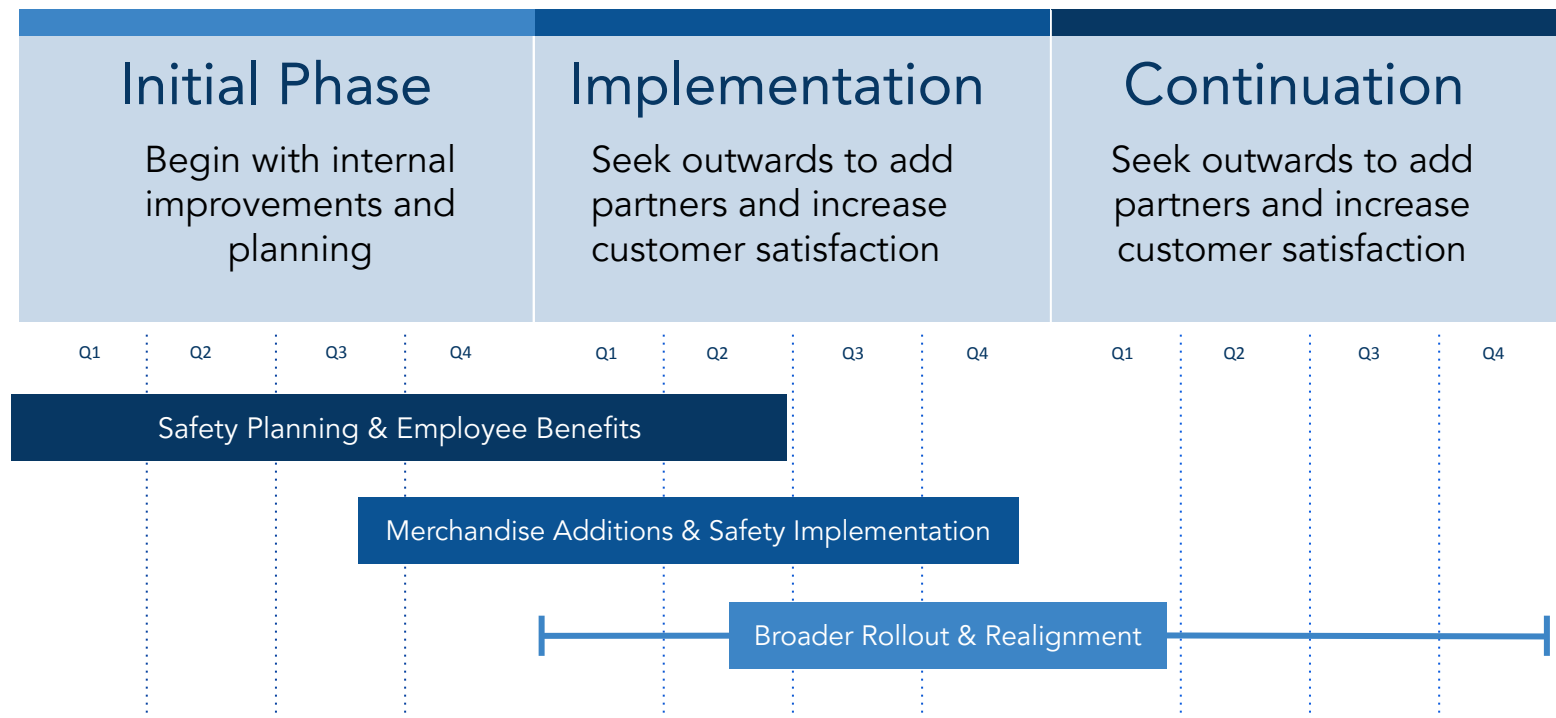
Our CSR recommendations will improve the status quo for all stakeholders.

Stakeholders	Who They Are	Benefits
Passengers	Guests onboard cruise ships	Clean air, better guest experience with more options and increased safety
Crew Members	Employees who work onboard the cruise ships	Enhanced daily conditions, excelling work culture, and heightened customer relations
Port and Coastal Communities	People who live near the ocean and are directly affected by cruises	Support via public partners and improved relations with Crew Members
The World	The environment and all people who are indirectly affected by cruise ships	Greater ESG reflected on sea, as well as on land via public partners
Shareholders	Management, as well as external investors	Ownership in a more ethical brand better equipped to serve customers



Plotting Our Chart Ahead

Estimated Timeline of SEA's Plan

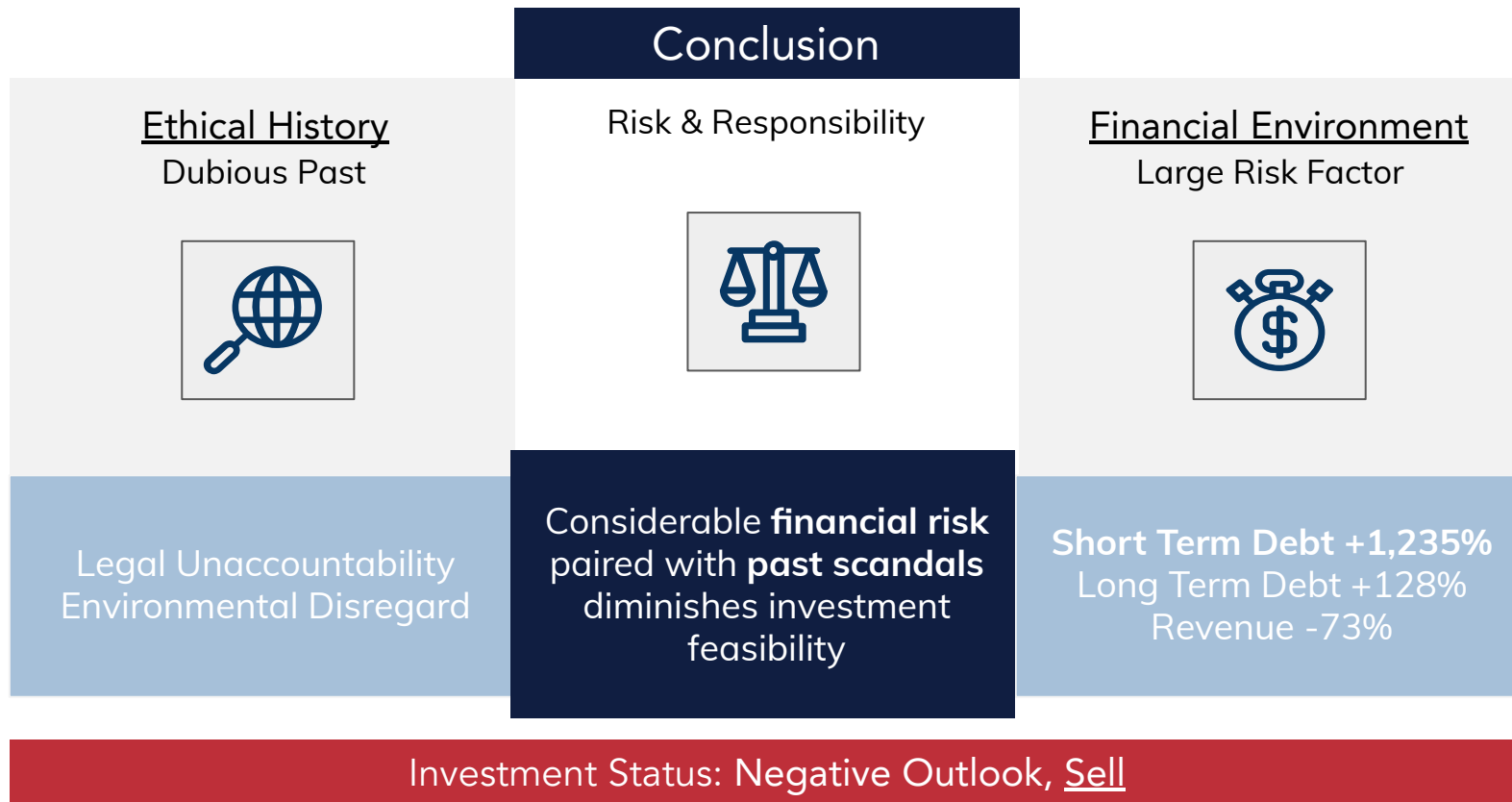


The background of the slide features a complex, abstract pattern of light gray and white wavy lines that create a sense of depth and movement. A solid dark blue horizontal band runs across the center of the image, providing a high-contrast background for the white text.

V. Investment Decision

Financial Criteria

Investment Thesis on Carnival Corporation & Plc



Smoother Sailing: Trip.com

An Alternative Leisure/Travel Investment

A Safe, Ethical Investment



COVID
Safety



ESG
Commitment



Strong
Culture



“Safeguard
Cancellation
Program” to
reduce
unnecessary travel



Deep dive into
supply chain via
CTRIIP to affirm
ethical standards



Gender equality,
inclusion, and
development;
prioritized
communication



With a **strong ethical background** and bright horizons, **we recommend Trip.com as a viable alternative investment.**

Conclusion

30,000 Foot View of Our Strategy & Rationale

Carnival Cruises

1. How can Carnival develop its CSR Strategy?
2. Should the Denali Fund invest in Carnival?

Objective: Need to take a deep dive into the company, find current weaknesses and opportunities

CSR Improvements

Three-pronged approach to internal and external development

1. **Safety Improvements**
2. **Environmental Awareness**
3. **Affirmative Work Culture**

Viable Path Forward

Realistically evaluate Carnival's path, compare to strongest industry competitors

Carnival: Considerable incidents disregarding ESG, deep financial troubles, but a possible turnaround

Trip.com: Committed to safe travel and ESG goals & significantly better financial positioning

Impact/Final Outcome: Hope for Carnival's Improvement, but **choose the safer alternative, Trip.com.**

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