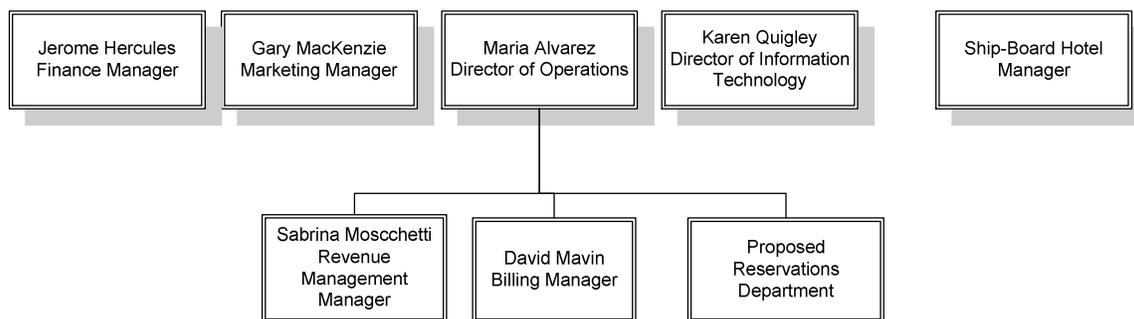


Cruise Line Reservation System

Sol Cruise Lines operates cruises out of Fort Lauderdale, FL and Miami, FL to the Bahama's as well as 'cruises to nowhere', which are 1 day or ½ day cruises to international waters so that patrons can gamble. The Bahama cruises are 3-night or 4-night cruises. The company owns three ships. Sol Cruise Lines (SCL) is headquartered in Mirarmar, FL and has approximately 100 shore-side employees as well as 150 ship-board employees. Currently, all reservations are handled through third-parties for which SCL pays commissions. The company wants to develop their own in-house reservation capabilities and work directly with potential customers.

The company is organized as shown below.



Initially, the reservations department will fall under operations, but later they will probably have a separate sales department at the same level as operations.

To understand the project goals, the systems analyst Bob, has an interview with Maria Alvarez. Maria is the Director of Operations who is sponsoring this project.

Interview #1

Bob Hi, I'm Bob, thanks for taking the time to sit down with me and explain the goals of the reservation project.

Maria Yes, well I'm happy to finally get started on this project. This can greatly reduce our costs because we currently pay the travel agents a commission of 10%, and up to 15% for some cruises. Currently, 100% of our reservations are done this way, which means we pay out approximately \$6 million in commissions each year. We benchmarked other cruise lines, and industry wide, the larger cruise lines capture about 30% of the bookings themselves for which they pay no commission. If we match the industry average, then we would save \$2 million each year. This is a significant cost savings.

Bob Yes, I would agree. Are there any drawbacks or hurdles to setting up reservations in-house?

Maria Well, the travel agents don't like it – but this is the industry trend and there's not much they can do about it. In the airline industry, most airlines don't even pay commissions anymore so the travel agents charge the

customers a service fee. I don't think this will happen to the cruise line industry anytime soon.

Bob Why haven't you developed reservation capabilities sooner?

Maria We just outsourced it so that we could concentrate on running the ships. Now we believe we can take it in-house to reduce costs.

Bob Approximately how much do you expect it to cost to develop a reservation system and then to operate it each year?

Maria We did some preliminary analysis and believe we could establish a reservation system for less than \$1 million. For operations, we might need about 4-8 reservation agents, a supervisor, and some IT support.

Bob OK, that's good, I'd like to see the analysis but this gives me an ideas of the project budget. How about the project time-frame? What is the goal for having a reservation system in place up and running?

Maria We would hope to deploy the system before the end of the year. (It is now January so this is a 1-year project)

Bob What exactly must the reservation system do?

Maria In a nutshell, the reservation systems needs to book reservations. The reservation process involves a lot of steps. For the cruise to nowhere it is relatively simple, but for the 3-night and 4-night cruises the passengers have to select not only the cruise, but the departure date, cabin, transportation if needed, meal plan, onboard credit, and port excursions. Also, we need to be able to handle different types of customers. For example, we get frequent corporate groups for our cruises to nowhere. These groups are handled differently.

Bob OK, I'm getting this all down. Can you tell me the start and finish of the reservation process as you see it?

Maria It starts when a prospective customer contacts us and it ends once they have booked a cruise.

Bob Does this include paying for the cruise?

Maria We have a separate billing department that handles that. So, no payment is not included in the reservation process, but clearly the reservation process needs to be linked to billing.

Bob What other systems would reservation have to integrate with?

Maria The revenue management system sets the prices for the cruises. Also, it would have to get data from the airlines for transportation options. Oh, it also sends information to the revenue management system which might update the pricing depending on how bookings are going. Just prior to the departure of a cruise all the confirmed bookings need to be transferred to the shipboard systems.

Bob How will we know whether the project is successful?

Maria It is successful if we direct enough booking traffic to it to save money. I think to do this the system will have to be user-friendly and easily accessible. Of course, we'll have to market and promote the service so that people know its available.

Bob I assume a whole new organizational group will be needed?

Maria Yes, part of the project is to design the jobs so that human resources can

start recruiting people with the needed skills.

Bob Do you currently have a database for reservations?

Maria No, not really, since it is totally outsourced we never developed one.

Bob OK, I think I have enough information to create a project charter. Once its approved we can get started on this project.

Maria Great, I'm here to help get this started.

Background

I suggest you visit some websites of cruise companies to understand what is required in order to do cruise reservations.

