

# Impacts Of Cruise Tourism In Emerging Asian Destination: Stakeholder Perspectives

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## Abstract

The cruise tourism industry presents significant potential for generating economic benefits in port destinations through expenditures by cruise operators, crew members, and passengers. However, the increasing dominance of large cruise vessels offering comprehensive onboard services raises concerns about the distribution of economic benefits, with cruise companies potentially capturing a greater share of passenger spending than local shore-based businesses. This study aims to investigate cruise tourism development and impacts in Malaysia from local businesses perspectives. Qualitative data from semi-structured interviews with local businesses explore perceptions of cruise tourism development and its impact. The impact of cruise tourism that was discussed, such as benefit the local economy, the emergence of new business, create job opportunity and promote Penang as a tourist destination. The findings reveal several critical factors influencing these impacts, including challenges in identifying cruise passengers, business location characteristics, tour guide influence, selective marketing practices, and transportation service availability. The study concludes that while cruise tourism offers substantial development opportunities for Malaysia, its sustainable growth requires careful planning strategies and robust impact measurement frameworks to maximize local economic benefits and mitigate potential negative consequences. These insights contribute to ongoing discussions about optimizing cruise tourism's value for destination communities while maintaining industry growth.

**Keywords:** Cruise tourism, economic impact, local business, Malaysia

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## INTRODUCTION

The global cruise industry experienced sustained growth in passenger volumes, rising from 17.8 million in 2009 to a peak of 29.7 million in 2019, representing a compound annual growth rate of 5.1% (Cruise Lines International Association [CLIA], 2024). This expansion coincided with significant economic contributions, as the sector generated \$154 billion in global expenditures and supported 1.17 million jobs prior to the pandemic. The onset of the COVID-19 crisis, however, precipitated an unprecedented decline, with passenger numbers declining by 80% to 5.8 million in 2020 and reaching a historic low of 4.8 million in 2021 due to widespread health concerns and port restrictions. Despite these challenges, the industry exhibited notable resilience during its recovery phase. By 2022, passenger volumes rebounded to 20.4 million, ultimately exceeding pre-pandemic levels in 2023 with 31.7 million passengers, a 7% increase over 2019 figures (CLIA, 2024). Key factors driving this recovery included the implementation of rigorous health protocols, strong demand from repeat cruisers, and increased participation among younger demographics. The pandemic also served as a catalyst for modernization within the sector, accelerating digital transformation and sustainability initiatives that are now shaping the future trajectory of cruise tourism.

The contemporary cruise tourism industry emerged in the 1960s (Rodrigue & Notteboom, 2016) and has since undergone remarkable transformation and diversification, began as small-scale adventure and luxury cruises has evolved into a large-scale industry featuring vessels that function as global floating destination (Barron & Greenwood, 2006; van Bets et al., 2016; Wood, 2000). This evolution from floating hotels to comprehensive resort-style ships has fundamentally altered industry dynamics, creating strong incentives to maximize both passenger time and expenditure onboard (Seidl et al., 2006). Consequently, this shift has intensified economic competition between cruise operators and land-based tourism businesses at port destinations (McKee, 1988; McKee & Mamoozadeh, 1994)). Nevertheless, research indicates that cruise tourism can stimulate significant port development, serving as a catalyst

for infrastructure investment while simultaneously revitalizing existing businesses and generating new entrepreneurial opportunities in host communities (Bel & Fageda, 2008; Vaya et al., 2018). It is undisputed that previous research have been focussing on the impact of cruise tourism development in recent years (e.g., Brida & Aguirre, 2008; Dwyer & Forsyth, 1998; Gibson & Bentley, 2007; MacNeill & Wozniak, 2018). Nonetheless, most previous research acquired information and data on the economic impacts of cruise tourism based on the cruise passenger surveys (Seidl et al., 2006) rather than destination surveys. Limited studies have been conducted on the perceptions of local businesses at cruise port destination. Furthermore, Malaysia is one of the South-East Asia countries focusing on expanding the cruise tourism industry. Since the 1980s, the Malaysian government has placed considerable emphasis on the tourism sector, recognising the country's historical overreliance on the primary and secondary industries following its independence in 1957 (Puah et al., 2018). Within the framework of the National Key Economic Areas (NKEA), cruise tourism has been identified as a strategic contributor to the growth of Malaysia's tourism industry, particularly under the sixth Entry Point Project (EPP), titled Developing Cruise Tourism. Despite this recognition, research on cruise tourism in Southeast Asia, particularly in Malaysia remains limited. In response to this gap, the present study seeks to explore cruise tourism in Malaysia and to provide a deeper understanding of its implications for local businesses. Specifically, the study examines local business stakeholders' perceptions of cruise tourism development and its impacts. Swettenham Pier Cruise Terminal in George Town, Penang, one of Malaysia's principal cruise ports, has been selected as the case study site.

This study is conducted to address the following objectives:

1. to identify the perception of cruise tourism development at George Town, Penang.
2. to identify the perception of cruise tourism impact at George Town, Penang.
3. to identify the perception of factor influencing the cruise tourism impact on local businesses at George Town, Penang.
4. to identify the perception of the competition with cruise liners for cruise passenger expenditure.

#### **Cruise tourism development and its economic impact**

The cruise industry generates economic benefits for port states through five primary sources: (1) passenger and crew spending, (2) cruise line expenditures on shoreside operations, (3) procurement of goods and services, (4) port service fees, and (5) vessel maintenance costs (Brida & Aguirre, 2008). These financial flows can be categorized into three distinct groups: passenger-derived, operator-based, and crew-related expenditures (Dwyer & Forsyth, 1998). Industry growth has led to larger vessels with enhanced service offerings, creating demand for port infrastructure expansion. However, this growth presents challenges, as accommodating modern cruise ships requires substantial investments in port facilities and ongoing maintenance (Brida & Aguirre, 2008). Like traditional tourist destinations, cruise ports evolve through identifiable lifecycle stages: from initial exploration with limited visitation, through development with increasing tourist numbers and improved amenities, to eventual maturity approaching carrying capacity, followed by either decline or rejuvenation (Gui & Russo, 2011).

Cruise activity serves as a driver for increasing investment in port infrastructure, revitalising present businesses and establishing new business activities at the port destination (Bel & Fageda, 2008; Vaya et al., 2018). According to Vaya et al. (2018), the development of the cruise sector at the port of Barcelona since 2000 has resulted in substantial improvements in port facilities, including the improvement of existing terminals and the construction of new ones dedicated to cruise ships. While the development of cruise tourism involves significant investment in terminals, and the investment may contribute to generating income and occupation opportunity in destination countries and host communities, nonetheless, the amount of money made for the local economy per cruise tourist is lower than for other types of tourism (Seidl et al., 2006). While cruise passengers are a significant market segment for Caribbean tourism, they are criticised for generating less than potential income for host destinations (Jayawardena, 2002).

Dwyer and Forsyth (1998) argue that cruise passengers contribute to national economies in a manner comparable to other tourists, yet their expenditure patterns differ significantly, with a greater proportion allocated to onboard purchases rather than local businesses at port destinations. Besides, cruise itineraries prioritized ports of call as primary attractions; however, contemporary cruise operators have shifted toward promoting the ship itself as an all-inclusive resort experience, offering extensive onboard amenities and entertainment without additional fees (Penco & Di Vaio, 2014; Teye & Leclerc, 1998).

This trend has led to reduced passenger spending in port destinations, as prepaid packages incentivize onboard consumption (Penco & Di Vaio, 2014). Despite this, port destinations must pursue strategic development to remain competitive, as destination attributes significantly influence passenger satisfaction and expenditure behaviour. Previous research indicates that passengers perceive more developed destinations more favourably, leading to higher onboard ratings, increased spending in port areas, and greater exploration beyond immediate docking zones (Teye & Paris, 2011). Moreover, satisfaction with port experiences directly correlates with the likelihood of future revisits (Baker & Crompton, 2000; DiPietro & Peterson, 2017). Empirical studies confirm that positive destination experiences enhance return intentions, reinforcing the importance of destination quality in cruise tourism's long-term viability (Pritchard & Howard, 1997).

### **Cruise tourism and local businesses**

Cruise tourism involves a complex network of stakeholders operating at local and global levels, each playing a significant role in or being affected by its activities. The dynamic between destination ports, host cities, and multinational cruise corporations is characterized by both collaboration and competition, as these entities vie to attract cruise tourists and capture their expenditures (Gui & Russo, 2011). Furthermore, cruise tourism intersects with all four core components of the tourism market: accommodation, transportation, tour operations, and ancillary services (McKee, 1988).

The industry has undergone a notable transformation, with contemporary cruise lines positioning their vessels as self-contained destinations designed to maximize onboard passenger time and expenditure. This shift has intensified economic competition between cruise operators and local communities, as passengers increasingly allocate spending to ship-based amenities rather than shore-based businesses (McKee, 1988; McKee & Mamoozadeh, 1994; Seidl et al., 2006). While the industry generates substantial revenue for cruise corporations, shore excursions organized through cruise lines often involve significant markups on locally provided services, further limiting direct economic benefits to host communities (Klein, 2003).

Consequently, assessing the economic implications of cruise tourism from the perspective of local businesses remains critical. Although passenger expenditure surveys capture aggregate spending within port countries, they frequently fail to disaggregate financial flows at the community level (Seidl et al., 2006). Despite growing scholarly attention to cruise tourism's macroeconomic impacts, research examining microeconomic effects on shore-based businesses remains disproportionately scarce. This gap in the literature underscores the need for further empirical investigation into how cruise tourism influences local entrepreneurial ecosystems and regional economic development.

## **METHODOLOGY**

### **2.1 The case study location**

Penang's strategic advantages as a premier Malaysian tourist destination. The state's global recognition stems largely from George Town, its capital and a UNESCO World Heritage Site since 2008. The Swettenham Pier Cruise Terminal in George Town serves as a strategic port of call for major cruise lines, having established itself as Malaysia's foremost cruise hub. In 2017, it ranked among Asia's top ten cruise ports, handling 207 vessel calls (CLIA, 2017). Penang's position as a leading tourist destination in Malaysia, along with the strategic location of its cruise terminal within a UNESCO World Heritage Site, highlights its potential to develop as a prominent hub for cruise tourism. This unique combination of cultural and infrastructural assets suggests that Penang is well-placed to attract cruise visitors. As such, further research into the destination's capacity and readiness to support cruise tourism development is both timely and necessary.

### **2.2 Sampling**

This study adopted qualitative research methods using semi-structured interviews with a purposive sampling technique to examine the impacts of cruise tourism on local businesses in Penang. Following Creswell and Clark's (2011) methodology, purposive sampling was employed to identify and select participants with specialized knowledge and direct experience in cruise tourism operations. The selection criteria focused on local businesses that either directly or indirectly interacted with cruise lines or passengers, ensuring respondents could provide meaningful insights into the research phenomenon. Participants were drawn from five key business categories: tour operators, transport services, retail and craft shops, food and beverage shop, and museums/galleries. Three representative businesses from each

category were selected to provide a comprehensive perspective while maintaining research manageability, with detailed participant and business characteristics presented in Table 1. This sampling strategy allowed for in-depth exploration of cruise tourism's effects across different sectors of Penang's tourism industry while ensuring data richness and relevance to the study objectives.

**Table 1: The interviewee and business details**

| No.   | Interviewee | Business type          | Distance to the cruise port (in kilometre) |
|---|-------------|------------------------|--|
| 1.  | Shop 1      | Retail shop            | At the port                                |
| 2.  | Shop 2      | Souvenir shop          | 1.2  |
| 3.  | Shop 3      | Souvenir shop          | 1.2  |
| 4.  | F&B 1       | Food & beverage shop   | At the port                                |
| 5.  | F&B 2       | Restaurant             | 0.3  |
| 6.  | F&B 3       | Restaurant             | 0.9  |
| 7.  | Museum 1    | Modern museum          | 0.35                                       |
| 8.  | Museum 2    | Modern museum          | 1.7  |
| 9.  | Museum 3    | Cultural museum        | 1.3  |
| 10.   | Transport 1 | Transportation service | At the port                                |
| 11.   | Transport 2 | Transportation service | At the port                                |
| 12.   | Transport 3 | Transportation service | 1.2  |
| 13.   | Tour 1      | Tour operator          | 2.9  |
| 14.   | Tour 2      | Tour operator          | 6.5  |
| 15.   | Tour 3      | Tour operator          | 2.9  |
| *distance from cruise terminal to the businesses estimated by Google Maps |             |                        |  |

Source: Author's fieldwork

### 2.3 The fieldwork

This study's data collection was strategically conducted during the pre-pandemic period (September 11 - November 14, 2017), capturing baseline cruise tourism impacts before the unprecedented disruptions caused by COVID-19. This timing is particularly valuable as it reflects industry norms and passenger behaviours during peak cruise tourism growth. Researchers employed purposive sampling to select respondents based on two key criteria: (1) physical proximity to Swettenham Pier Cruise Terminal, and (2) demonstrated accessibility to cruise passengers through existing tourism networks.

The semi-structured interviews averaged 30 minutes in duration, allowing for comprehensive exploration of business experiences with cruise tourism. All interviews were audio-recorded and subsequently transcribed verbatim into Microsoft Word documents to ensure data integrity. Data was analysed using six-phase thematic analysis framework to systematically identify, analyse, and report patterns within the qualitative data. This approach enabled both semantic (surface-level) and latent (underlying meaning) theme development, providing valuable insights into cruise tourism's local economic impacts during this critical pre-pandemic phase.

## RESULTS AND DISCUSSION

### 3.1 Perception of cruise tourism development

The first objective of the study is to identify the perception of cruise tourism development. The findings showed that a primarily positive response was obtained from the local businesses. The positive responses stated, "cruise tourism development in Penang is getting better from year to year" (Shop 2), "it is growing" (Museum 1 and 2; Tour 3), "It is developing" (Museum 3), "It is good" (F&B 3; Tour 2), "It is very good" (Transport 1; Transport 2, and "very positive" (F&B 2). The growth of the cruise tourism industry in Penang is reflected in the rising number of cruise ship arrivals at the port and the increasing volume of cruise passengers. (Museum 1 and 2; Tour 3).

#### The role of destination stakeholders

Additionally, respondents discussed the government's role in the development of cruise tourism. According to Tour 2, the government was instrumental in promoting Penang to the point that it became one of the most popular destinations in South East Asia, which attracted cruise liners to focus on Penang. F&B 1 added that the role of the government to encourage cruise tourism on a global scale, as

well as its efforts to promote Penang and its attractions, had resulted in the increase in international tourist arrivals. Furthermore, Museum 1, 2, and Transport 1 asserted the role of the state tourism bureau in promoting Penang. For instance, the state tourism bureau has been involving the local businesses by requesting advertisement and marketing materials to be included in the marketing brochures. Moreover, some respondents (Museum 1; Museum 2; Transport 2; Tour 3) discussed their perceptions of the cooperation and collaboration between various levels of government bodies, including state and federal, that has aided the industry's development.

#### **Cruise terminal expansion**

Furthermore, Museum 3 linked the development of cruise tourism to the expansion of the cruise terminal. This is supported by one of the tour operator businesses that mentioned the partnership between the cruise port and the main international cruise line, Royal Caribbean. "I think it is good. We are very happy to hear that Royal Caribbean is willing to expand the port. That is a very good thing because they foresee that Penang is a good destination for cruises" (Tour 2). Other than that, transportation businesses at the Swettenham Cruise Terminal (Transport 1; Transport 2) mentioned some reasons for the growth of cruise tourism, including the fact that Penang has several attractions to offer cruise passengers, especially in the heritage centre of George Town, Penang Hill, the presence of many museums in the city, and the authenticity of local cuisine.

### **3.2 Perception of cruise tourism impact**

#### **Benefit the local economy**

The second objective of this study was to explore perceptions of the impacts of cruise tourism. The findings indicate that the majority of local businesses perceived cruise tourism development as having a significant influence on the destination, particularly in terms of its positive contributions to the local economy. As mentioned by Tour 3: "Of course, it will help Penang's economy, considering when they come out (from the cruise) they have to buy things, such as souvenirs". Besides, F&B 2 explained, "It brings profit to Penang. The arrival of thousands of cruise passengers does have an impact on the local businesses". The interviewees also indicated that cruise tourism has contributed to an increase in tourist arrivals to Penang (Shop 1; F&B 2; F&B 3, Museum 1 and 2; Museum 3; Tour 3). One of the interviewees (F&B 3) noted that although cruise passengers typically spend only a short time in Penang, the simultaneous arrival of a large number of passengers leads to increased spending. This perspective was supported by several other interviewees (Museum 1 and 2; Museum 3; Transport 2; Tour 3), who generally agreed that one of the key impacts of cruise tourism is the spending by cruise passengers. However, Shop 3 offered a contrasting view, suggesting that the impact of cruise tourism is relatively minimal due to the infrequent arrival of cruise ships and the fact that passengers do not consistently make purchases while in Penang. Shop 3 explained that some cruise passengers do not exchange their currency into Ringgit Malaysia due to their brief stay in Penang, and many are observed to be merely passing by or window shopping rather than making actual purchases.

Furthermore, five businesses interviewed acknowledged the importance of cruise arrivals to their operations. These included Tour 3 and several businesses located at the cruise terminal, namely Shop 1, F&B 1, Transport 1, and Transport 2. For these businesses, cruise passengers represent a key target market. Shop 1 reported a particular reliance on cruise arrivals, although their primary customers are cruise ship crew members rather than passengers. F&B 1 indicated that while cruise arrivals are seasonal, they nonetheless contribute to an increase in customer numbers. Transport 1 and Transport 2 primarily cater to cruise passengers seeking tour services. Likewise, Tour 3 highlighted that cruise tourism positively influences their business, as they maintain a direct partnership with a cruise line that brings approximately five ship arrivals each week.

#### **The emergence of new businesses**

In addition to supporting existing businesses, several interviewees noted that the growth of cruise tourism has created new opportunities, particularly for small-scale businesses. (F&B 1; F&B 2; Museum 3): "I can see that the crafts and souvenirs industry is expanding rapidly... this has encouraged an increase in business opportunities for locals" (F&B 1); "I think it has definitely created more small businesses... a lot of souvenir shops and small retail outlets; local arts and crafts have flourished" (F&B 2). Furthermore, Museum 3 stated that the development of the tourism industry has resulted in the development of several modern museums. This may be attributed to the increase in the number of modern museums in Penang. There were approximately 27 modern museums in George Town area to

the date of the fieldwork activity in 2017, the majority of which were privately owned. Thus, this is somehow suggesting that cruise tourism has impacted the local economy.

#### **Employment opportunities**

In addition to generating business opportunities, cruise tourism is perceived to enhance employment prospects for the local community. Several interviewees highlighted that the industry supports various forms of employment, both formal and informal. For example, Museum 1 and 2 noted, “since there are many people who are freelance tour guides, freelance drivers. Thus the tourism industry has opened a lot of job opportunities for people here. Even the trishaw cyclists make a profit from this.” Similarly, F&B 1 remarked on employment opportunities within the cruise sector itself, observing that “there is a positive impact in terms of creating job opportunities for locals, and I have known some Malaysians who work with Star Cruise Superstar Libra as crew.”

#### **Promotion of Penang as a destination**

Cruise tourism is also recognised as an effective platform to promote Penang internationally. Several interviewees remarked that the arrival of cruise ships, carrying thousands of passengers, offers a valuable opportunity to showcase Penang’s cultural and tourism attractions. For example, F&B 1 mentioned the importance of “promoting our culture and Penang to the world” while Museum 1 and 2, also Tour 3 referred to the cruise arrivals as “introducing Penang”. Some respondents (Museum 1; Museum 2; Tour 2) further explained that cruise visits serve as an initial introduction to the destination, which may encourage passengers to return for a longer visit in the future. The limited time cruise passengers spend ashore was seen as creating the potential for repeat visits to explore Penang more thoroughly.

### **3.3 Perception of factors influencing cruise tourism impact on local businesses**

#### **Difficulty in identifying cruise passengers**

The third objective of the study is to identify the perception of factors influencing cruise tourism impact on local businesses. The findings revealed that the difficulty in distinguishing between cruise tourists and ordinary tourists was the major issue in determining the cruise tourism impact. It should be acknowledged that some of the interviewees believed they only received a small number of cruise passengers at their businesses (Museum 1; Museum 2; Transport 3; Tour 1). Regardless, they were able to have their perspective on cruise passengers. F&B 2 highlighted the difficulty of distinguishing between a regular tourist and a cruise passenger, making it more difficult to comment on the cruise passenger as a customer. On the other hand, shop 1 and F&B 3 claimed that their cruise customers were primarily the cruise crews.

#### **Location issues**

Several interviewees highlighted that the location of a business influences the extent of the impact from cruise tourism (Shop 2; Shop 3). Shop 2 explained that “it depends on the business location. Certain areas are significantly affected by cruise arrivals because many passengers walk through the vicinity, whereas others remain largely unaffected”. Businesses situated further from the cruise terminal reported fewer visits from cruise passengers, likely due to limited accessibility. Both Shop 2 and Shop 3 are located approximately one kilometre from the port. Interestingly, despite being situated less than 500 metres from the cruise terminal, Museums 1 and 2 also observed a low number of cruise passenger visits. Similarly, F&B 3, located about 900 metres away, reported minimal patronage from cruise passengers, noting instead that their customer base primarily consisted of cruise ship crew members.

#### **The convenience of transportation services**

Additionally, the owner of Museums 1 and 2 asserted that the low number of cruise passengers who visited the museums was due to passengers opting for transportation services to move farther from the port area: “Although our museum is right in front of the port, they will not walk. So, what they do is take a taxi. Hence it depends on the taxi drivers to promote places or attractions to go” (Museum 1 & Museum 2). F&B 3 also noted that the availability of services such as Uber and Grab encouraged passengers and crew members to travel to further destinations, such as shopping malls, rather than staying near the port area.

#### **The role of the tour guide**

Given the limited time cruise passengers have onshore, many rely on tour operators or transportation providers to guide them to specific attractions. Hence, this influences which businesses benefit from cruise tourism. Museum 1 and 2 commented, “Some passengers have pre-purchased tickets or already have an itinerary with certain agencies... Another type of cruise traveller is the free traveller. When they

come out of the cruise, a taxi driver will wait for them. They will ask the taxi driver where to go". Museum 3 supported this observation, stating, "It depends on the guide", as some tour guides work directly with certain businesses. F&B 3 also pointed out that cruise passengers were often taken to predetermined locations arranged by travel agents.

#### **Selective marketing materials**

Selective marketing by tour operators also plays a role in determining the flow of cruise passengers. Museum 3 observed that the number of cruise visitors to the museum had declined due to the promotion of other attractions, such as tropical fruit plantations and shopping tours. The interviewee further noted that changes in the marketing strategies of tour agents contributed to this decline. Tour 2 added that cruise passengers tend to follow pre-arranged packages sold onboard, as these are often more convenient and familiar to them.

### **3.4 Perception of the competition with cruise liners for cruise passenger expenditure**

#### **Passengers' expenditure on local product**

The fourth objective of this study was to explore perceptions of the competition between cruise liners and local businesses for passenger expenditure. Most interviewees believed that the provision of all-inclusive packages onboard cruise ships did not significantly reduce passengers' spending at the destination. According to respondents (Shop 2; Shop 3; F&B 1; F&B 2; F&B 3; Museum 1; Museum 2; Museum 3; Transport 1; Transport 2; Tour 1; Tour 2; Tour 3), cruise passengers still purchased local products such as souvenirs and food items. Shop 1, F&B 3, and Museum 3 further noted that the relatively lower prices of goods in Penang encouraged passengers to spend during their shore visits.

#### **Desire for authentic local experiences**

Several interviewees (Shop 2; F&B 1; F&B 2; F&B 3; Museum 1; Museum 2; Tour 2; Tour 3) emphasized that despite the availability of all-inclusive packages on board, passengers were often interested in experiencing local culture, particularly through food and souvenirs. Shop 3, Museum 1, and Museum 2 noted that products available on the cruise ship were different in both variety and price, making local offerings more attractive to passengers.

#### **The uniqueness of local food**

Interestingly, food emerged as the most frequently mentioned product category across interviews (Shop 2; F&B 1; F&B 2; F&B 3; Museum 1; Museum 2; Museum 3; Transport 1; Tour 1; Tour 2; Tour 3). Some interviewees suggested that Penang's local cuisine was a major draw for cruise passengers. Transport 1 stated, "Penang is famous for food," while Museum 3 added, "Penang is always for food and a tourist spot". Tour 1 further supported this, noting that "cruise passengers will come here for food, sightseeing, and history". Tour 2, a private tour operator, reported consistent demand for dining stops during tours, adding that cruise passengers never declined the opportunity to eat locally, despite having food provided onboard.

## **DISCUSSION**

The findings indicated a shared perception among local businesses that cruise tourism in Penang is on an upward trajectory. This growth was highlighted by the rising number of cruise ships and passengers arriving at the Swettenham Cruise Terminal in Georgetown. These local developments align with CLIA (2019) statistics, which report a steady global increase in ocean cruise passengers from 2009 to 2017. Additionally, the Swettenham Cruise Terminal was recognized as Malaysia's leading cruise port and ranked among Asia's top ten cruise ports (CLIA, 2017). The findings showed that cruise tourism in Penang is developing, as evidenced by a consensus among tourism-related businesses. The development of the Penang cruise tourism industry was in the context of the increase in the number of cruises and passengers arriving at Swettenham Cruise Terminal in Georgetown. This is comparable with CLIA (2019), which indicates that the number of global ocean cruise passengers increased steadily between 2009 and 2017. The cruise terminal was the most important cruise port in Malaysia, ranking among the top ten cruise ports in Asia (CLIA, 2017).

The cruise industry's development is strongly influenced by multi-level governmental support. Both local and federal bodies have demonstrated commitment through active promotion and infrastructure development, particularly through the Royal Caribbean Cruise Line joint venture for terminal expansion. The development of the cruise industry will be accompanied by the need for investment in terminals for larger ships arriving in greater numbers (Seidl et al., 2006; Vaya et al., 2018). The increasing

number of cruise vessels and passenger arrivals, coupled with ongoing terminal expansion, positions George Town within Butler's (1980) growth stage of destination lifecycle theory.

It is widely perceived that the growth of cruise tourism has positively impacted the local economy. Respondents noted that cruise tourism has attracted more visitors to Penang, with the influx of passengers contributing to local spending, even though their time ashore is relatively short. This spending, in turn, generates income for local businesses. Interestingly, the interviews also revealed that economic benefits are not limited to passengers alone, as cruise ship crew members were also reported to contribute to local spending. However, it is important to consider the challenges highlighted by some respondents, such as the difficulty in distinguishing between regular tourists and cruise passengers, which may influence perceptions of cruise tourism's overall impact.

The expansion of the cruise tourism industry in Penang has also spurred the growth of new local enterprises. Several interviewees observed that small businesses including retail shops, souvenir outlets, art galleries, and modern museums have flourished as a result. Such developments serve as catalysts for revitalizing existing businesses and fostering new commercial activities within the port area (Vaya et al., 2018; Bel & Fageda, 2008). Moreover, cruise tourism offers Penang an opportunity to promote itself on a global stage. Interviewees viewed the arrival of cruise ships carrying thousands of passengers as a platform to showcase Penang's attractions, potentially encouraging visitors to return for longer stays in the future. Some local businesses even reported that they have welcomed returning cruise passengers who revisit Penang and continue to support their services.

An unexpected yet significant finding emerged regarding the relationship between business location and cruise tourism benefits. Contrary to conventional assumptions, mere physical proximity to the cruise terminal did not automatically translate into economic benefits for local businesses. Rather, three key mediating factors were identified: first, the routing patterns employed by tour guides significantly directed passenger flows; second, the selective inclusion of businesses in official marketing materials created unequal visibility; and third, the availability and efficiency of transportation infrastructure played a crucial role in determining passenger mobility patterns. This finding stands in contrast to the research by Andriotis and Agiomirgianakis (2010) and Jaakson (2004), which suggested cruise passengers typically preferred independent exploration on foot within port cities. It is important to recognize that different destinations possess distinct attributes that may influence cruise passengers' preferences and behaviours. Additionally, the reliance of cruise passengers on tour guides raises questions regarding the actual extent of their spending within local tourism-related businesses. Previous studies have expressed scepticism, suggesting that although cruise lines offer shore excursions operated by local providers, these activities are often sold to passengers at significantly marked-up prices (Klein, 2003; Brida & Aguirre, 2008).

Other than that, the findings seem to suggest that despite the all-inclusive packages offered onboard, cruise passengers were found to spend money on local tourism-related businesses in Penang. Notwithstanding the concern of competition on cruise passengers expenditure between cruise ships and local communities (McKee 1988; McKee & Mamoozadeh, 1994; Seidl et al., 2006), the results of the study showed that the local businesses believed the all-inclusive packages by cruise liner did not affect local businesses at a destination. They believed passengers would purchase from local businesses and spend money on to experience something locally.

This study has explored the perceptions of local businesses regarding the development of cruise tourism and its associated impacts. The findings highlight the critical role of destination stakeholders in shaping the growth of cruise tourism and illustrate how local businesses participate in and contribute to the industry. These businesses play an essential role in meeting the needs and preferences of cruise passengers during their time ashore, thereby supporting the overall cruise tourism experience at the destination.

## CONCLUSION

The findings of this study indicate that Malaysia holds significant potential for the growth and sustainability of its cruise tourism industry. However, achieving this requires strategic planning and ongoing evaluation of the industry's impacts. Effective development efforts will depend on strong collaboration among key stakeholders, including government authorities, cruise operators, tourism boards, local businesses, and the community. Their coordinated efforts are essential in ensuring that development is both thoughtful and beneficial. The study highlights the crucial roles played by these



stakeholders in fostering a cruise tourism sector that supports local businesses at the cruise port. Respondents from local businesses expressed the belief that both public and private sector stakeholders must work in close partnership to elevate Penang as a prominent cruise destination in Southeast Asia. Such efforts may enhance the destination's appeal to cruise liners and passengers, particularly in George Town. This study has several limitations to be outlined. Firstly, its exploratory focus on cruise tourism in Penang means that the findings may not be directly applicable to other destinations with different geographic, social, economic, or political contexts. Secondly, due to the study's qualitative nature, it was not possible to assess the relative significance or magnitude of the various impacts associated with cruise tourism. Despite these limitations, this study serves as a valuable foundation for future research on cruise tourism in Southeast Asia, and particularly within the Malaysian context. The findings point to several areas for further investigation. For example, future research could examine the developmental stages of the cruise tourism sector in Penang, including cruise port infrastructure and services. In addition to exploring stakeholder perceptions, subsequent studies should aim to quantify the economic impacts of cruise tourism through data-driven analysis, providing a more accurate understanding of its contributions to the local economy.

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