

CENTRAL EUROPEAN OFFICE

M A Y 2010

Prepared by: **Marion S. Wolf**
Director Central Europe

MARKET INTELLIGENCE / TRENDS

No Long-Term Impact on German Holiday Demand

The European flight ban caused by the Icelandic ash cloud cost the German tourism industry several million Euros, but no long-term impact is expected on holiday demand for the German market as a result. In all, the cost to the tourism industry was about €110 million, according to the DRV. This includes the costs of additional accommodations in destinations for stranded tourists and special charter flights or coach transfers home. In addition, there were higher staff costs in Germany due to overtime hours in travel agencies, while tour operators lost revenues from cancelled flight bookings during the airport closures.

The financial winners of the flight ban were Deutsche Bahn (German rail), whose sales soared due to the cancellation of domestic and European flights, car rental firms and also hoteliers. But the image of the package holiday industry also profited as tour operators visibly took care of ensuring that their customers could get back home and organised the biggest return travel program in German tourism industry history for about 130,000 stranded holidaymakers.

Meanwhile, the German travel market is recovering remarkably quickly from the impact of the Iceland ash cloud and the resulting European flight bans. Tour operators and airlines have seen a quick pick-up in bookings following the resumption of flights. TUI, Thomas Cook and Rewe's tour operators are successfully offering a €50 discount for new bookings to customers whose planned holidays had to be cancelled. DRV president Klaus Laepple said there was only a brief drop in bookings during the crisis and he did not expect this year's improvement in sales to be halted as a result of the crisis.

Higher Sales in April Despite the Ash Cloud

German travel agencies increased sales in April despite the dramatic impact of the widespread flight bans for several days, the latest monthly survey of 2,500 agencies by the TATS organization showed.

Total agency sales in revenue terms rose 2.1% even though airlines and tour operators were forced to cancel thousands of flights in the middle of the month. Tourism sales unsurprisingly dropped 4.3% in April, according to the survey. But flight sales actually rose 7% while other revenues, which include rail travel and car rental, grew 3.9%. Both market segments profited strongly from the widespread flight cancellations.

On a cumulative basis, agency sales grew 5.3% higher over the first four months of the year. Tourism sales rose 2.8% while airline ticket sales were 8.5% higher. Advance tourism sales for departures up to October 2010 were 7% lower last month and were 3% lower over the first four months of the year.

Elimination of Paper Arrival/Departure Form

The Department of Homeland Security Secretary Janet Napolitano announced the elimination of the paper arrival/departure form (Form I-94W) for authorized travelers from nations participating in the Visa Waiver Program (VWP) - streamlining secure travel for millions of visitors to the United States every year by consolidating the collection of traveler information and enhancing security by automatically providing DHS with important passenger information prior to departure.

Following a successful seven-month pilot program conducted with the support of the Government of New Zealand on Air New Zealand flights from Auckland to Los Angeles International Airport, the use of paper I-94W forms will be eliminated for VWP travelers with an approved Electronic System for Travel Authorization (ESTA) arriving in the United States at all airports by the end of this summer. CBP will activate automated processing for U.S. airports on a rolling basis over the next several months.

The elimination of the paper I-94W form enables travelers to provide basic biographical, travel and eligibility information automatically through ESTA prior to departure for the United States - reducing redundancy and enhancing the security of sensitive personal information, as CBP stores and protects all VWP data electronically on secure servers. CBP recommends that travelers submit ESTA applications as soon as an applicant begins making travel plans. ESTA applications may be submitted at any time prior to travel, and once approved, will be valid for two years or until the applicant's passport expires. To date, CBP has received more than 19 million ESTA applications from citizens of VWP countries - applications that will now automatically cover I-94W submission.

U.S.: International Visitation Up 22% in February 2010

The U.S. Department of Commerce today announced that 3.5 million international visitors traveled to the United States in February 2010, an increase of 22% over February 2009. February 2010 registered the fifth straight month of increases in U.S. arrivals. For the first two months of 2010, visitation was up 15% compared to the same period in 2009.

February 2010 International Arrivals to the United States

- For the month, **overseas** visitation (1.6 million) was up 11% over February 2009. YTD, overseas visits (3.3 million) were up 10%.
- Visitation from **Western Europe** increased 2% for the month and YTD.
- Visitation from 16 Western European markets was up for the month. Fifteen markets were up YTD. Eight of the top 10 markets registered increases in February (**Germany +3%**, France +3%, Italy +11%, **Netherlands +7%**, Spain +11%, Sweden +5%, **Switzerland +21%**, and Norway +23%).
- Visits from the United Kingdom dropped 2% in February and dropped 3% YTD.
- **Eastern Europe** visits increased 1% for the month, but was flat YTD.

SALES ACTIVITIES

VIP Tour Operator Appreciation Events (March 17th, April 20th and May 5th):

We partnered with the Orlando CVB and SeaWorld Parks & Entertainment in hosting our third of three VIP tour operator appreciation events. May 5th saw us in Frankfurt with the REWE Group's top management from both the North America product and marketing departments. In attendance for Dertour were Günter Rücker, Per Illian, Katja Wagner, Susanne Arbinger, Mareike Emmel and Setareh Zahir-fard. For Meier's Weltreisen the attendees were Matthias Rotter, Mike Lehmann, Heike Pleuter, Nina Arendt, Nadine Lehmann, Katleen Suck and Patricia Schlett.

Of course, part of the evening was dedicated to business. The Rewe Group collectively reported 2010 being off to a slow start in terms of bookings to our areas. However, bookings during the latter part of April have picked up considerably and it is anticipated that the summer season will conclude favorably despite the deteriorating value of the Euro relative to the US Dollar.

FTI Familiarization Tour (May 5th – 11th, 2010):

FTI, one of Germany's top five tour operators and among the most influential in bringing business to the U.S., selected our area for an exclusive FAM trip. The group comprised 12 hand-picked travel agents who are among the top sellers. Our co-sponsoring carrier was United Airlines. Upon receipt of the final itinerary last month, the tour operator sent us a message of tremendous praise for the professional and very well thought-out program, exclaiming this was one of the best familiarization tour programs they have ever received! The group returned to Germany full of enthusiasm for VSPC and very much appreciated being treated to a fabulous tour and warm welcome every step of the way. Our deep gratitude goes out to our industry members as well our Leisure Travel team for making this important event such a success!

International Pow Wow (May 15th – 19th, 2010):

We attended International Pow Wow in Orlando this month having conducted 30 very productive appointments with tour operators, media representatives and industry partners. We utilized this platform to discuss current market trends as well as marketing initiatives for next FY. The general mood was still rather buoyant for the current summer season despite the ash cloud, reports of the Gulf oil spill and the deteriorating value of the Euro relative to the US Dollar. For the summer 2011, tour operators anticipate that pricing for USA product will most likely rise by 15-20% due to the exchange rate and the fact that a number of hotel properties are beginning to raise their rates after years of relatively stable pricing. Two exciting charter flight developments may come our way next year: Condor (Germany) and Arke Fly (Netherlands) are considering PIE and TPA. We are staying close to this opportunity and hope to receive final word by the end of next month.

Ongoing: Willy Scharnow Foundation Familiarization Tour (October 20th – 23rd, 2010):

Initial plans are underway for an exclusive VSPC Willy Scharnow Fam scheduled to be held next fiscal year. This will mark the 17th annual tour in cooperation with the Willy Scharnow Foundation. We will partner with United Airlines in securing 17 seats (16 agents + 1 Willy Scharnow escort). As the tour is planned for 6 nights/7days, a co-sponsoring Florida destination will be included. For this year's tour, Lee County was approached and has agreed to co-sponsorship. We were successful this month in securing accommodations for this program and can now proceed with itinerary development.

Ongoing: Seeheim Seminar 2010 (October 30th – 31st, 2010):

As members of the Visit USA Committee Germany, we have volunteered to contribute our time in assisting with the organization of an extraordinary weekend travel agent training program for approximately 300 agents to be held at the Lufthansa Training and Conference Center in Seeheim, Germany. Slated for the end of October 2010, a Halloween theme will accompany the numerous training seminars and educational workshop sessions culminating in a haunted house extravaganza during the evening.

An official event registration form was distributed among the membership. To date, 10 members have submitted registrations with 8 members indicating strong interest pending budget approvals. June 30th marks the final registration deadline for members, after which we will determine whether the event will take place. Our subcommittee met this month to recap and discuss further development of the program for presentation at the next Visit USA Committee Meeting scheduled on June 10th in Frankfurt.

Ongoing: Meier's Weltreisen Go West 2010 (November 15th – 23rd, 2010):

In conjunction with the tour operator, a program itinerary was developed and distributed to the appropriate industry hoteliers this month just prior to Pow Wow. A number of hoteliers have already confirmed their participation as envisioned by Meier's. As soon as the remainder have confirmed, we will move forward with securing various excursions involving our area attractions.

We will host 100 of the tour operator's most important travel agents, who will be selected based on revenue to the USA. High revenue agencies which have potential for Florida, but are not currently booking, will also be given consideration. The program foresees 4 nights in Orlando followed by 4 nights in our area with a visit to Busch Gardens in between.

VSPC was host to a Meier's "Top 100" event in December 2004. The 2010 event now provides an excellent opportunity to showcase the exciting developments in our area since then.

We were invited by **DERPART ADAC Reisebüro** in Freiburg, Germany to take part in their USA Info Day on Nov. 27th, 2010. During this weekend event, a travel mart will be staged and presentations will be held throughout the course of Saturday. We have supplied the travel agency with our Visitor Guides, Area Maps and Posters. Distribution during the travel market will be free of charge to us.

Lastly, we received approval for the **FY 2010/11 sales plan and budget** submitted to HQ last month.

PUBLIC RELATIONS / ADVERTISING

Our efforts continued again this month in developing and completing marketing promotions and advertising programs, which included:

Tour Operators:

- CANUSA (Germany)
 - **Online iMagazine Promotion** – May 2010
- iMag is an online platform visible on Canusa's homepage. It is designed to stimulate interactive communication focusing on the generation of inquiries for travel quotes. We pooled resources with Orlando to develop a 'Central Florida' iMag feature, which will be online for 6-8 weeks as of May 21st. During the online promotion, 2 eNews

blasts will go to 510,000 customers. A sweepstakes will also be included and teased accordingly. After the online promotion, our iMag will be archived on Canusa's website indefinitely, allowing the tour operator to draw attention to our destination time and time again over the course of a year or more.

Production for this initiative has taken a number of months with final layouts received and approved this month.

- DERTOUR (Germany)
 - **Winter Catalog 2010/11 Supplement** – July/August 2010
A big project in the works is an exclusive, 6-page VSPC supplement which will be inserted in Dertour's upcoming Winter 2010/11 catalog (circ. 500k) due out in the marketplace in July/August 2010. Various elements from our German Visitor Guide have been utilized for content development. The completed document was delivered to the operator as an PDF file this month. Once they have filled their page with content, we will receive a final file for approval.

- EXPLORER FERNREISEN (Germany)
 - **Florida Supplement in Abenteuer und Reisen** – May 2010
To celebrate their 40th anniversary, Explorer Fernreisen produced an 8-page exclusive Florida supplement piece which for insertion in the May issue of Abenteuer und Reisen, a high-gloss German travel pub with a circulation of 96,993, a readership of 420k and a frequency of 10x/yr. We participated with placement of our logo, image, descriptive destination text as well as 3 travel offers developed by the tour operator. The operator was provided with all necessary materials last month. The final layout was approved by HQ.

- FLEX TRAVEL / TUI SUISSE (Switzerland)
 - **Specials Flyer** – July/August 2010
An additional Specials Flyer will be produced for online insertion as well as for an eNews blast to 500 top travel agents. VSPC specific travel specials will be developed by the tour operator in an effort to pushing awareness for late summer bookings. The operator has been sent all relevant material and we are awaiting receipt of the layout for proofing and approval.

- HOTELPLAN (Switzerland)
 - **Winter Specials Brochure Cover Page** – July/August 2010
Hotelplan has once again selected VSPC for its winter specials 2010/11 brochure cover page! With a print run of 22,000 (15,000 German and 7,000 French), the winter specials brochure is distributed to approximately 125 own network agencies as well as over 900 Swiss travel agencies. Containing a number of VSPC travel offers, the brochure will be valid October 2010 thru March 2011 and will launch in market in July/August. We have provided the tour operator with the pertinent elements for layout development and are currently awaiting receipt.
 - **Post-It Notes Booklet** – July/August 2010
In conjunction with the launch of the winter specials brochure, special product training will be conducted by Hotelplan's product management team. To draw attention to VSPC, a small post-it notes booklet will be produced, the cover of which will mirror our image on the winter specials brochure. The booklet will be distributed to agents during all training sessions. We have provided the tour operator with the pertinent elements for layout development and are awaiting receipt.

- KUONI (Netherlands)
 - **eNews Blast** – May 27, 2010

We conducted an eNews blast to 30,000 subscribers this month which gave a comprehensive account of our area’s many features and benefits and included a number of travel offers developed by the tour operator in an effort to generate further summer bookings. The layout was approved by HQ the beginning of this month, with the blast launching on 5/27.

- ITG COMPANIES (Netherlands)
 - **Website Promotion** – May 2010

Within the tour operator’s TravelWorld platform, a special TravelUSA platform is now up and running with a specialized TravelFlorida site planned for the future. For the TravelUSA platform, a Florida-only eNewsletter is being developed to push summer and fall travel. We pooled our resources with Orlando in presenting ourselves to 15,000 Dutch consumers. Last month, we provided the tour operator with comprehensive destination text, our logo and a selection of VSPC images. This month we received a layout which was sent to HQ and approved this month.

- SKYTOURS (Switzerland)
 - **Street Car Promotion** – March 12th – June 6th, 2010 (est. reach of 272,000)

One of the most innovative and successful promotions Skytours offers involves destination advertising in the street car windows of all 13 tram lines in Zurich for a period of four months. A call to action combines the Skytours website and response system via cell phone and features our logo, website and image. Layout development was completed and approved by HQ. The campaign was launched on March 12th.
 - **Website Promotion** – March thru June, 2010

As an additional bonus in support of the street car promotion, a website promotion was also launched last month (March 22nd). VSPC product is presented on the skytours.ch homepage within the special offers platform every two weeks (est. reach of 1,280,000 page impressions).

- TUI (Germany)
 - **Catalog Cover Page** – Summer 2011

TUI is focused on expanding their USA product for next year. Just prior to Pow Wow, we were offered exclusive placement on the summer 2011 catalog cover and additional exposure on the first two (introductory) catalog pages. We suggested the tour operator increase their VSPC product offering to a minimum of 10 properties (from currently four) in order to justify our investment for this placement. At Pow Wow we received confirmation from TUI, that VSPC product will be increased as requested. As a result, we confirmed our interest in the exclusive catalog cover placement this month.

Travel Trade/Consumer Publications:

- FVW International (Germany) – circ. 30,900 *Trade*
 - **¼ page, 4c advertorial** in the 11/10 issue of 5/28 (Pow Wow special edition)

After the very successful “5 Good Reasons” campaign with FVW last year, we have launched a new one this year entitled “Pure Vacation Pleasure in Visit St. Pete/Clearwater”. In five consecutive issues plus the Pow Wow issue, we will highlight a new pleasure (Best Weather, Best Beaches, Pure Nature, Cultural Capital, Best Location and Advantages for customers). The last of the insertions ran this month, which was approved by HQ.

FVW International is Germany's leading travel trade publication providing independent and objective information about the latest trends and current developments in the market. FVW is known as a synonym for reliable and objective journalism providing in-depth information on a diversity of topics. Last but not least, FVW also offers practical support in day-to-day business while a modern magazine-style design ensures reading fun. Surveys show that anyone who wants to keep their fingers on the pulse of industry news reads the FVW.

Pub frequency: 26x/yr

- Travel Inside (Switzerland) – circ. 8,750 *Trade*
 - **½ page, 4c sweepstakes advertorial** in the May 27th issue

We assisted the publisher with the necessary materials for layout finalization. Our was featured with logo, image, text as well as a special insertion for the generous VSPC industry sponsor of a five-night stay. The sweepstakes drawing will be held in June 2009.

Known as Switzerland's leading travel trade magazine, TI is tailored to the needs of travel professionals combining competent reporting on relevant tourism industry subjects with trend and development reports, analyses and comments from the experts.

Pub frequency: Weekly

- Travel Talk (Germany) – circ. 32,401 *Trade*
 - **1/8 page, 4c advertorial** in the 18/10 issue of 5/03
 - **1/8 page, 4c advertorial** in the 19/10 issue of 5/10

After the very successful "Pure Vacation Pleasure" campaign with FVW running in consecutive issues during 2010's first quarter, we launched a similar campaign with Travel Talk. In six consecutive issues we will highlight a new pleasure (Best Weather, Best Beaches, Pure Nature, Cultural Capital, Best Location and Advantages for customers). We supplied the publisher with our text, logo and images, who designed the layouts which were approved by HQ last month. The last of the two insertions ran this month.

Travel Talk is a young weekly magazine for travel agents with a circulation of 32,401. The publication's target audience is the counter sales agent and provides travel agency sales staff with new, innovative and detailed facts. It informs and animates the counter staff by conveying data and facts which play a decisive role at the point of sale.

Pub frequency: Weekly, 51x/yr

All activities, projects and programs described herein have been duly completed.