

CENTRAL EUROPEAN OFFICE

J U L Y 2010

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MARKET INTELLIGENCE / TRENDS

Strong Summer 2010 Sales Despite World Cup

Summer holiday bookings in Germany are growing well this year with a 6% cumulative rise despite the impact of the World Cup on demand during June, according to the latest figures from market researchers GfK. Bookings (in revenue terms) were 4% higher in June than 12 months previously, its latest monthly representative survey of 1,200 travel agencies found. This left cumulative sales during the first half of 2010 for departures between May and October showing a 5.7% increase. This was slightly lower than the 5.9% cumulative growth figure recorded as of end-May.

May closed with 9.1% sales growth for departures that month while June ended with a 2.3% decline, most probably due to the World Cup, the GfK survey found. The two main summer holiday months of July and August are showing good growth this year, with sales increases of 5.3% and 8.1% respectively. Last-minute sales in June for departures in the same month or in July accounted for 37.2% of total sales, but this was 2.7% lower than in May.

The two off-peak months of September (+5.9%) and October (+11.4%) are continuing to show strong growth this year. There is also strong early demand for winter holidays, with 19.3% of sales revenues in June being for winter 2010/11 holidays. This was higher than the same month in 2009 and 2008.

GfK also issued a separate market trends overview, covering bookings up to mid-July. This put the cumulated sales increase for summer 2010 sales at 6%, implying stronger bookings in the first two weeks of last month. The 6% growth figure was higher than for any recent summer, the market researchers pointed out.

The lower price of holidays this year has had a positive influence on Germans' propensity to travel, the GfK experts found. At €664 per person, the average price paid for a summer vacation is 2.8% lower than in the previous year for approximately the same length of stay. However, last-minute holidaymakers are considerably more price-conscious, spending almost a third less in comparison to all travelers and staying two days fewer. The volume of last-minute sales is similar to last year.

In terms of destinations, long-haul holidays are growing significantly faster than the market and have increased their market share to 14.6%. The Eastern Mediterranean has increased its market share to 34.9% while the Western Mediterranean's share is down slightly at 28.8%. Among individual destinations, Turkey (17.8% market share) and Egypt (5.7% share) are particularly in demand this summer. Last-minute trips to Greece (9.2% share) are currently

available at particularly low prices about 10%-25% cheaper than last year. In the Western Mediterranean, demand for the Balearic Islands (14.9% market share) and the Canary Islands (9.6% share) is stagnating this year, although they are generating somewhat better last-minute sales.

Advance bookings for the forthcoming 2010/2011 winter season are already looking very promising, GfK reported. By July, sales were up 7% on 2009, and although Germans were behaving more cautiously last year, an increase of 4% has also been recorded in comparison with the strong year of 2008. Early bookers are showing a preference for destinations in the Eastern Mediterranean and long-haul trips for the coming winter, while demand for Germany or nearby countries is stable. Advance winter sales for the Western Mediterranean are below last year's level, however.

REWE: Brand Re-Positioning and Growth for Specialists

Rewe Touristik is planning to continue modernizing its package holiday activities and re-position its brands. The specialist tour operators are continuing to grow strongly.

Following the successful facelifts and clearer positioning of mainstream brand ITS and budget brand Tjaereborg over the last two years, Rewe has now unveiled changes at the premium package operator Jahn Reisen for the forthcoming winter season. The brand will focus more on luxury holidays, and has added various properties belonging to the Small Luxury Hotels of the World and the Leading Hotels of the World chains.

Rewe Touristik is holding prices generally stable for the forthcoming winter, with a 1% average increase. This follows aggressive pricing over the last two years. The group has had a successful year and currently has a 6% rise in bookings and a 1% increase in revenues, according to new managing director Sören Hartmann, who took up the post in March. Rewe wants to operate a three-tier business strategy in future, with traditional package holidays sold through travel agencies, packages for Rewe's own retail network, and a flexible product marketing platform for hotels and suppliers, he disclosed.

Meanwhile, Rewe's separate specialist holidays division, covering Dertour, Meier's Weltreisen and ADAC Reisen, has grown strongly this year with a 5% sales increase over the first eight months. The main growth destinations are Germany, Austria and the Mediterranean, while long-haul and city destinations are at last year's levels.

The Dertour Deluxe product has grown 25%. For the forthcoming winter, the three brands are keeping prices stable overall. The USA will be 5% cheaper and the UAE will be 10% less expensive.

Thomas Cook: German Acquisitions Still on the Agenda

Thomas Cook still wants to make a major acquisition in Germany despite the recent failure to buy Turkey specialist Öger Tours. The British group is ready to spend a three-digit million figure on an acquisition in Germany for the right target, CEO Manny Fontenla-Novoa told journalists in Frankfurt. "Germany is the largest tourism market in Europe, and we want to invest here," he said. But the company will take its time to find the right takeover target and will not pay an excessive sum, he said. Fontenla-Novoa said he was confident that there were

owners of German tour operators ready to sell their businesses. Outlining the company's approach, he said Thomas Cook is interested in tour operators which offer destinations not offered by Cook's German brands and which are not yet customers of airline subsidiary Condor. According to German media, potential targets include medium-sized operators such as Alltours or FTI, but it appears unlikely that their owners want to sell their companies.

Airtours: TUI Premium Brand Focuses on Luxury

TUI Germany's premium tour operator Airtours has launched a new look for winter 2010/11 reflecting its stronger focus on luxury holidays. The well-known brand has added the claim "Defining Luxury Travel Since 1967" and has re-designed its eight winter brochures into a magazine-style 'books' with glossy pictures. Hotel details and prices are in separate sections. The "new outfit" is designed to demonstrate the operator's focus on "absolute luxury" with top-quality products. Airtours has also streamlined its portfolio by 200 down to 1,400 hotels, discontinuing properties that did not meet its quality standards. Some others have been given a second chance but are on a 'watch list'.

The re-design follows a review of the tour operator's positioning and is also a move away from TUI. "The integration of Airtours into TUI was a bit excessive," admitted Kirsten Feld-Türkis, TUI's head of luxury holidays and responsible for the tour operator. Airtours suffered from a lack of profile as a result, but it was also a chance to "recognize weaknesses", she stressed.

The brand now has its own customer service team in the TUI Germany call centre and once again has its own hotel capacity procurement team. Airtours has exclusive allotments in various hotels, and customers are offered guaranteed exclusive services such as late check-outs or upgrades.

FTI: Asia Expansion in Winter 2010/11

FTI is expanding long-haul holidays in Asia for winter 2010/11 as part of its growth plans. Germany's fifth-largest tour operator is increasing overall capacity by 14% for the forthcoming winter season and offering its largest-ever winter program with 17 brochures.

Top of the expansion list is Asia with a new Far East brochure covering China, Taiwan and Japan alongside the existing Asia brochure. A separate Thailand brochure will follow in September. "With the expanded offering we are positioning ourselves as a specialist for Asia," said tourism Chief Boris Raoul.

FTI is also increasing capacity for European beach destinations. The Munich-based operator is resuming holidays to Cyprus, and has expanded capacity for Spain and Portugal. It has also doubled the size of its self-drive holidays brochure, adding winter breaks in Germany and Switzerland to the existing destinations.

The top destinations next winter are likely to be Egypt, Turkey and the Canary Islands along with Mexico, according to Raoul. "The country has recovered from the bookings decline after the swine flu in spring 2009," he said. The Emirates and Indian Ocean islands, where capacity has been increased more than 20%, will also be popular, he predicted.

FTI will hold prices generally stable for winter 2010/11, including for Spain, Tunisia and the Dominican Republic. Holidays in Cuba, Brazil and Italy will be 3% cheaper, Mexico will be 4% cheaper while Turkey and the Emirates will be 5% less expensive. USA holidays will go up by 3-6% due to the higher dollar, and Egypt will be 3% more expensive.

In terms of summer 2010 bookings, FTI currently has a "high single-digit" rise in revenues and bookings which it aims to hold until the end of the business year on September 30, Raoul said.

Air Berlin: Major Expansion through Oneworld Alliance

Air Berlin is poised to transform even more into an international network carrier and offer worldwide destinations for business and leisure passengers by joining Oneworld in early 2012 while filling the airline alliance's geographical gap in central Europe.

Membership of the alliance of 13 international airlines will crown Air Berlin's growth over the last decade from a small charter airline into Europe's fifth-largest carrier and number two in Germany following network expansion and strategic acquisitions such as DBA, LTU and TUIfly (city routes). It will also enable Air Berlin to compete more aggressively with Lufthansa for German business travellers. In addition, Air Berlin subsidiary Niki will become an affiliate member of the Oneworld alliance.

Air Berlin, with 28 million passengers last year, currently flies to 168 destinations in 40 countries with a fleet of 165 planes. As a Oneworld member, it will be able to offer code-share flights and connections to a total of almost 900 destinations in nearly 150 countries around the world. Its passengers will be able to earn frequent flyer points on all Oneworld airlines.

For Oneworld, Air Berlin will fill the alliance's gap in central Europe and in particular give its members better access to the lucrative German market. Carriers such as American Airlines could add flights to Berlin, where the new Berlin Brandenburg International Airport will open in 2012, and to Düsseldorf, the two Air Berlin hubs. Passengers could transfer there to and from Air Berlin feeder flights serving other German and European airports.

SALES ACTIVITIES

Travel Agent Roundtables (September 7th – 8th, 2010):

Plans are underway for our continued series of German travel agent roundtable training seminars. In cooperation with Martinair, Orlando CVB and SeaWorld Parks & Entertainment, we will visit Schwerin and Rostock. A table top marketplace will be held prior to an intensive PowerPoint training session on St. Pete/Clearwater. The evening event will culminate in a quiz session followed by a giveaway raffle including a major travel prize. Approximately 130 travel agents are expected to attend both events. This month, the organizer sent out the official travel trade invitations. Meanwhile, we circulated two industry opportunity forms to our area's hoteliers this month and received very positive responses. We are pleased to be able to present travel prizes to our area for both events and are grateful to our industry partners for their generous support!

See America Workshop Netherlands (October 5th, 2010):

As See America Committee members, we received registration information for this important event last month this month. Exhibitors will have the opportunity to participate in the training session as well as a table top marketplace, with the evening culminating in a quiz and the See America 2010 Specialist Award. The workshop is expected to attract 150 Dutch travel agents. In addition, we were invited by one of the Netherlands' major tour operators, **OAD Reizen**, to conduct a reservation agent training the following day in their offices together with Orlando. This month we completed our PowerPoint presentation and initiated collateral shipment to the tour operator in time for the training.

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

We continue to work on our upcoming 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. VSPC accommodations have been secured and we are in the process of itinerary development. This month saw us soliciting interest among our industry partners for participation in this important familiarization tour – the response has been overwhelming!

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 with June 30th marking the final registration deadline. This month, we are pleased to report that a total of 33 registrations were received and thus, it has been established that the event will indeed take place. Following this, the organizational subcommittee met on July 30th to discuss and implement planning details. Among other things, the development of travel agent invitations, distribution of such via Supercomm, communication and confirmation to both the Lufthansa Training Center and member registrants as well as the seminar training schedule assignments were discussed. VSPC will be sharing a seminar training session with Orlando CVB and SeaWorld Parks & Entertainment. Together, we will conduct 10 training sessions throughout the course of the day. We will also join forces in developing a 'central Florida' travel prize. More to follow next month ...

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 last month just prior to Pow Wow. A number of hoteliers have already confirmed their participation as envisioned by Meier's. We are still awaiting final confirmation from the remaining hoteliers included in the itinerary before 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 provided the German tour operator, **Faszination Ski GmbH & Co. KG**, with images and informational material on our area as they are in the process of expanding their product offering to include beach destinations.

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** – Launched 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 – the first of which went out this month. 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.
- DERTOUR (Germany)
 - **Winter Catalog 2010/11 Supplement** – July/August 2010
This unique initiative was completed this month. An exclusive, 6-page VSPC supplement will be inserted in Dertour's upcoming Winter 2010/11 catalog (circ. 500k). The winter catalog is scheduled to launch next month.
 - **Summer Catalog 2011 Value Added Promotion** – October 2010
A unique and exclusive value added promotion will be among our 2010/11 marketing initiatives with Dertour. For each booking received for travel between the months of July and October 2011, a \$20 VISA gift card will be sent to the customer with the travel documentation. This promotion will be teased prominently in the summer catalog on the Florida West Coast introductory page including depiction of a mock voucher with a \$20 face value. This month, the layout for the mock voucher was developed and approved by HQ. The summer 2011 catalog is due for market launch in November.
- FLEX TRAVEL / TUI SUISSE (Switzerland)
 - **Specials Flyer** – August/September 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 early fall 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 provided the tour operator with the pertinent elements for layout development last month. This month, the final layout was received and approved by HQ.
 - **Post-It Notes Booklet** – July/August 2010

In conjunction with the launch of the winter specials brochure, special product trainings will be conducted by Hotelplan's product management team. To draw attention to VSPC, a small post-it notes booklet was 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. A final layout was received and approved by HQ.

- NECKERMANN REISEN (Germany)
 - **Winter Catalog 2010/11 Cover Page** – circ. 400,000

We were most pleased to have secured prime exposure for VSPC on the cover page of Neckermann Reisen's winter 2010/11 catalog for the second consecutive year! The decision process regarding the image selection went through a number of upper and executive management levels at Neckermann. Last month, the final layout was approved by HQ. The catalog went to print this month and is due to launch in the marketplace in August.
 - **Consumer Mailing – Sweepstakes Promotion Completed**

In March 2010, we participated in Neckermann's Florida-themed mailing to 20,000 customers, joining forces with Orlando, SeaWorld Parks & Entertainment, Alamo and Lufthansa. VSPC held the key visual in the 6-page piece comprised of general area product information including text, images and our logo, special VSPC travel and hotel offers developed by the tour operator as well as a sweepstakes consisting of a 5-night stay in VSPC in combination with a 5-night stay in Orlando. This month, the lucky sweepstakes winner was drawn and congratulated by us accordingly. Again, we'd like to thank our industry for the generous stay certificate donation.

- TUI (Germany)
 - **TUI News** – July 2010

The B2B publication, TUI News, is a sales communication tool which goes to 11,000 travel agencies on a bi-monthly basis. A one-page insertion was dedicated to VSPC's many features and benefits. In addition, VSPC hotel products were highlighted as recommendations by TUI. We provided the tour operator with all elements for layout and content development, submitted the layout to HQ and received approval last month. The initiative was thus launched July 1st, 2010
 - **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 in May. In June, we supplied the tour operator with a number of images to select from and this month we received the final layout for the cover page, which was approved by HQ. By the end of August/beginning of September we expect to receive the layouts for the 2nd and 3rd pages of the catalog whereupon we will receive additional exposure including logo insertion.

- TUI (Netherlands)
 - **B2B & B2C Integrated Campaign** – June & July 2010
This campaign consists of B2B elements (a “Smiles4U” loyalty/incentive program, a “Smiles4U” eMail blast to TUI’s travel agent database, a “Smiles4U” website banner and an ad in the trade trade pub ReiseRevue Magazine) and a B2C element (an A3-sized travel agent window poster).
The first week of June, the “Smiles4U” incentive campaign was launched and remained online through the end of this month. Approvals were received last month for both the trade press ad (launched July 12th) and the travel agent window poster, which was sent to 85 TUI Holland International travel agencies July 19th.

Travel Trade/Consumer Publications:

- America Journal (Germany) – circ. 42,000 *Consumer*
 - **½ page, 4c sweepstakes** in the 5/10 (September) issue – Florida Special
We assisted the publisher with the provision of the necessary elements for the ½ page layout which will include our logo, images and text as well as image, logo and text of our cosponsoring VSPC industry partner. In preparation for the sweepstakes, we distributed an industry opportunity among our hoteliers this month and received an overwhelming response necessitating a selection by lottery method. We received our donor’s logo, text, image and sweepstakes question, forwarded to the publisher and received the final layout which was speedily approved by HQ. This sweepstakes advertorial will be placed in the Florida special segment and will be visible to a readership of 140,000.
This German high-gloss consumer publication is dedicated exclusively to the USA providing in-depth coverage on American travel, culture and customs as well as insider tips and helpful hints.
Pub frequency: 6x/yr
- Travel Inside (Switzerland) – circ. 8,750 *Trade*
 - **½ page, 4c sweepstakes advertorial** in the May 27th issue
Our area was featured with logo, image, text as well as a special insertion for the generous VSPC industry sponsor of a five-night stay. This month, sweepstakes drawing was held and the lucky winner was informed accordingly.
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
- Travelution (Netherlands) – circ. 7,500 *Trade*
 - **2-page Spread (Post Pow Wow Issue)** – August 2010
Instead of the originally planned pre-Pow Wow insertion, the editor wanted to take the opportunity to interview U.S. partners during the show and thus it was decided to produce a post-Pow Wow issue instead. We provided the publisher with general

VSPC information last month for the editorial page and contacted our Advertising Department regarding development of an advertisement for the second page. Final layout was received from the publisher this month and was approved by HQ.

Known as one of the Netherland's leading travel trade magazines, Travelution 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: Monthly

We conferred with our Advertising Department this month regarding outstanding vendor invoices and payment status. An updated advertising budget spreadsheet was submitted July 27th.

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