

CENTRAL EUROPEAN OFFICE

M A R C H 2014

Prepared by: Marion S. Wolf
Director Central Europe

MARKET INTELLIGENCE / TRENDS

fwv Barometer Forecasts Stable Long-Term Growth

The German travel and tourism industry can look forward to annual growth of about 2% for the rest of this decade, according to a comprehensive new 'industry barometer' from fwv. There is, however, a wide gap between winners and losers.

The total German travel and tourism industry, covering 18 core segments, generated unconsolidated revenues of some €204 billion in 2012, in-depth fwv research among industry associations, leading companies, market researchers and other experts found. Overall, annual growth of about 1.8% is expected up to 2020. Key driving factors for growth in the coming years will be increasing mobility, demographic trends, stable disposable income, technological developments such as mobile devices and faster real-time offer availability, and the impact of climate change on demand and supply.

The fwv barometer showed top growth rates for the individual segments are forecast to range from 7-8% for travel technology and long-distance coach travel, to solid 4-5% growth for cruises, long-distance rail travel, private holiday accommodation and e-commerce. At present, these are all relatively small segments with low-single digit billion Euro revenues. The newly liberalized German long-distance coach market is booming at present, while the €3 billion cruise market has enjoyed double-digit growth for many years and is expected to double passenger numbers to three million by 2020. The dynamic growth of private accommodation bookings through diverse online portals has led to estimated sales of €5 billion in Germany.

E-commerce is already much larger with an estimated €18 billion in tourism revenues in Germany. A large part of this comes from online travel portals, which generate combined revenues of some €8.2 billion, according to the annual fwv dossier on travel agency and online sales. Online hotel booking portals are estimated to generate similar revenues while direct online sales by airlines and hotels make up the rest. In contrast, the largest market segments are expected to generate low single-digit growth rates in the coming years, but will remain stable.

The large €25.3 billion tour operator market and the small €1.5 billion car rental business are both predicted to grow by 2.5% a year. The number of overall trips is fairly stagnant at a very high level in international comparative terms, but revenues are rising moderately as the aging baby boomer generation books more expensive holidays, such as long-haul trips, cruises and city breaks. "The baby boomer generation will spend a lot of money on travel in the coming years," predicted Werner Sülberg, head of market research for DER Touristik and chairman of the DRV market research committee.

Travel agents, who currently still dominate holiday sales in Germany with combined total revenues of some €2.6 billion, are seen generating 1% annual growth, the same rate as the €3.5 billion hotel sector. However, this stable low growth for travel agents can be viewed as a success story compared to pessimistic predictions in the past about a mass extinction of travel agencies due to the rise of online bookings.

There will be low annual growth of 1.5% for airlines (€30bn revenues) and airports (€5.1bn), according to the forecasts. Airlines will face increasing competition from foreign-based carriers, including both budget airlines and the fast-growing Gulf carriers. Airports face a split between the continued moderate growth of hub airports such as Frankfurt and Munich, and weak demand at regional airports.

The only market segment that is forecast to decline over the rest of this decline is the business travel market whose €7.5 billion revenues are predicted to fall by 1.5% a year up to 2020.

TUI: Strong Sales for Germany

German market leader TUI has reported a “strong single-digit” increase in bookings for summer 2014. Greece is the star performer, up 28%, while Spain and Turkey are also growing solidly. Long-haul destinations such as North America, Mexico and the Dominican Republic are selling well, too. TUI has also announced it will continue direct flights from Hamburg to the Caribbean next winter after a successful launch in the 2013/14 season.

Thomas Cook: Good Growth in Germany

Thomas Cook has good summer sales in Germany, more moderate growth in the UK and Scandinavia and improving results in France and Russia, according to its latest trading update. Europe’s second-largest tourism group reported an overall 2% rise in tour operator bookings for summer 2014, as of March 15, while average selling prices and capacity levels are stable. About half of the summer program has been sold so far, Cook said in a pre-close trading update ahead of its half-year results. “While average selling prices are below last year in some of our markets, group underlying margin for the summer season and the full year are expected to be above last year’s levels, consistent with our profitable growth strategy,” the company stated.

Thomas Cook highlighted the strong performance of Germany this year. “Within the Continental European segment, our German business is trading strongly with volumes well in excess of last year, resulting in summer capacity being 4% better sold at this stage in the booking cycle,” Cook said. In Continental Europe as a whole, summer bookings and average selling prices are both up by 1%.

Condor (the “Airlines Germany” segment) has a 5% rise in summer bookings, in line with increased capacity, mainly to short / medium haul destinations. However, its average selling prices are 2% lower than last year reflecting a lower proportion of long haul flights and increased market capacity. Margins are expected to increase year-on-year due to improved efficiencies, Cook emphasized.

CEO Harriet Green commented that the winter season, now 93% sold, was significantly impacted by the unrest in Egypt. Overall bookings for winter 2013/14 were down 4% as of March 15, with average selling prices up 1%, resulting in an overall 3% drop in revenues. However, excluding Egypt, bookings were 1% higher. Looking ahead, Green said that

Thomas Cook would announce new products and the second wave of profit improvement plans with the half-year results on May 15. “Going forward, our focus remains on implementing our strategy for sustainable profitable growth and delivering on our targets. Our new product development is progressing well. Bookings at our higher margin concept hotels are up 49% compared with the same time last year and our hotel development program remains well on track,” she pointed out.

DER Touristik: Fast Growth with Single Brand

DER Touristik is growing well this year and has now extended its new umbrella brand to more than 1,000 travel agencies in Germany. Germany’s second-largest tour operator, including brands such as ITS, Dertour and Meier’s Weltreisen, has increased sales revenues by 5.1% as of February 2014, parent company Rewe Group announced this month. January was the strongest booking month in the firm’s history. This trend ties in with the comments of managing directors Michael Frese and Sören Hartmann at ITB Berlin where they reported strong growth, especially for Greece, Turkey and long haul destinations.

In 2013, DER Touristik had stable turnover of €4.6 billion despite political unrest in destinations such as Egypt and Thailand and a continuing challenging market for business travel. Tourism generates about 10% of the Rewe Group’s overall sales of €50 billion.

The company’s new umbrella brand ‘DER Touristik’ made a decisive contribution to this, according to Rewe Group. The new image, featuring a red logo, was rolled out to 500 of the group’s travel agencies by the end of last year as well as to the same number of franchise and cooperation partners. “With more than 1,000 travel agencies, this is already the largest harmonized brand image of a travel distribution organization in Germany,” the company stated. The DER Touristik brand has already become established online as well with the comprehensive travel portal ‘der.com’.

ITB: Record Deals and Euphoric Mood

This year’s ITB closed with a record number of deals and very positive feedback from exhibitors and visitors alike as the tourism industry looks ahead to another good year. ITB Berlin confirmed its role as the world’s leading travel trade show this year with fully-booked halls, more international buyers, exhibitors and congress delegates, and a new record level of business volume, according to organizer Messe Berlin. Business deals worth an estimated €6.5 billion were done in the halls from March 5 to 9.

The number of trade visitors rose by 5,000 (+4%) to 114,000 participants, including a slight rise in trade visitors from the USA and the Middle East. There were about 60,000 consumers visited the fair over the course of the weekend. In total, there were 10,147 exhibitors from 189 countries.

Christian Göke, CEO of Messe Berlin, said: “Never before was there such an emphasis on innovation as at this year’s ITB Berlin. The mood among exhibitors and visitors at this year’s show was one of excitement. The world’s leading travel trade show had an even more positive impact on trade buyers and holidaymakers than in previous years.” Messe Berlin said that this year’s ITB Berlin sent out “very positive signals” for the international travel industry which is confident of good business this year. “Following a recent period of relatively sluggish growth,

particularly in many recession-hit countries, the global travel industry is once again on course for rapid growth,” the ITB organizer commented.

The German market continues to grow well and the German Travel Association (DRV) predicts growth of 2-4% this year, and possibly even 5%. DRV president Jürgen Büchy said: “It has been a long time since I experienced such a positive mood at ITB. That bodes well for 2014.” He predicted that both Mediterranean and long haul destinations would see good demand from the German market this year.

SALES ACTIVITIES

ITB (March 5th – 9th, 2014):

After several months of preparation, we attended the world’s largest tourism fair held in Berlin. We occupied 28 square meters within the Visit Florida Pavilion in cooperation with Visit Tampa Bay and SeaWorld Parks & Entertainment as our co-exhibiting companies. We were joined by one hotel partner. Over 40 appointments were conducted with tour operators, airline partners as well as other prominent and influential tourism providers from Germany, Austria, Switzerland and the Netherlands. The majority of our tour operators reported positive developments for business to the U.S. with bookings up compared to the same time last year, despite the U.S. Dollar’s strength relative to the Euro at the onset of the year. With the U.S. Dollar currently losing strength slightly relative to the Euro, the outlook is projected as favorable. In fact, some tour operators indicated that 2014 was expected to become an excellent year for travel to the United States.

Business Development Switzerland (March 10th, 2014):

After our successful tour operator appreciation event in Zurich in 2013, we were pleased to join forces with Visit Tampa Bay this year to host the product management teams of Switzerland’s most influential tour operators. In attendance were:

- Flex Travel/TUI Suisse: Paul Heimo, Karin Bachmann
- Hotelplan Suisse: Pino Andreano, Anja Meier
- Knecht Reisen: Robin Engel, Michael Bötschi
- Kuoni: Colette Ernst

In addition, Alain Chisari, Michael Trestl (both Edelweiss Air) and Christopher Minner (Tampa International Airport) were our guests.

Hosts took the opportunity to express their sincere appreciation for our partners’ continued cooperation and support in promoting our areas and products. Equally, the hosts were complimented by attendees on their strong interest and continued strategic marketing efforts in Switzerland.

We look forward to making this appreciation dinner an annual event in Switzerland in cooperation with Visit Tampa Bay.

Thomas Cook Partner Group College (March 26th, 2014):

We secured a presentation slot during the Thomas Cook Partner Group College held at the tour operator’s headquarters office in Germany this month. The one-week event comprises comprehensive travel agent training relative to the tour operator’s worldwide products. With the North American slot in hot demand, we joined forces with Visit Orlando to be among the only Florida destinations privileged to participate. During the course of an afternoon, we presented our destination to 90 VIP handpicked, top-selling Thomas Cook travel agents and agency owners. The audience exuded a concentrated interest in our products and was eager to

learn more during the ensuing lunch break, which resulted in several requests for additional collateral material.

IPW (April 5th – 9th, 2014):

Preparations are underway for our attendance at this year's IPW to be held in Chicago. With the official appointment schedule released by IPW this month, we took on the coordination of our staff appointment schedule making adjustments as necessary (related to double bookings or adding appointments). We also liaised closely with HQ in reviewing market relevant invitation lists for our Black & White themed industry event as well as distributing our eVite to customers who had been missed in previous mailings.

DERTOUR Destination Special Mega Fam (May 10th – 13th, 2014):

Secured in September 2012, we are very pleased to have the opportunity to host this year's DERTOUR Destination Special Mega Fam in our area in combination with Orlando. We will showcase our area to 100 of DERTOUR's top travel agents, which promises to generate additional visitation increases to St. Petersburg/Clearwater in the future. The group will arrive in Orlando on May 6th and proceed to our area on May 10th. The co-sponsoring carrier will be United Airlines.

In recent months, we have connected with several industry partners regarding sponsorship of accommodations, evening events, attractions visits and site inspection opportunities in addition to liaising closely with our Leisure Sales Dept. Accommodations have been secured. Arrival and departure movements have been forwarded to HQ.

A marathon meeting was held with Dertour this month during which we presented an initial itinerary (translated into German), reviewed and addressed myriad details and agreed upon action steps going forward. Information and questions resulting from the meeting were shared with HQ and we continued to liaise intensively with our Leisure Sales Dept. on the coordination of ground program arrangements. Updates to be forthcoming.

Florida Road Show (June 2nd – 6th, 2014):

Initial plans are underway for our participation in Visit Florida's upcoming road show to the German cities of Munich, Stuttgart, Cologne and Leipzig. The purpose of the tour is to present a refreshed Florida image along with news and highlights to travel agents and tour operator reservations staff. Partners will have the opportunity to present their products to an estimated 360 agents during evening events (roundtable workshop format) and hold comprehensive training sessions for tour operator in-house reservations agents during the daytime. Our efforts will be supported by Dertour in Munich and Stuttgart, by Neckermann Reisen in Cologne and Leipzig. Tour operator in-house reservations agent training will be conducted at FTI in Munich and Fairflight Touristik in Leipzig.

The following Florida partners will participate as presenters:

The Beaches of Ft. Myers & Sanibel, Florida Keys & Key West, Naples/Marco Island/ Everglades CVB, SeaWorld Parks & Entertainment, Universal Orlando Resort, Visit Tampa Bay, Visit St. Pete/Clearwater and Visit Orlando.

MARKETING INITIATIVES

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

Tour Operators:

- CANUSA Touristik (Germany)
 - **B2C Online “MoodPage” Campaign – May 2014**

Following last year’s successful “Florida Vacation Builder ” campaign, this year’s “MoodPage” campaign will combine a collage of photos and videos presenting our destination. Images become the story tellers. These will link to an adapted landing page on the tour operator’s website and will link to an optimized booking engine. In addition, an eNews blast to Canusa’s database of over 500,000 subscribers and continuous Facebook posts will be included (Facebook fans currently stand at over 40,000).

Co-op Partners: Visit Florida + several Florida destinations

We have delivered all imagery and relevant destination copy. This month we received the first layouts, which we corrected and sent back to CANUSA for development of the final version. Campaign launch is scheduled for early May.

- DERTOUR (Germany)
 - **“Best Places to Be” Campaign – January-March**

Focused on promoting summer 2014, this campaign concluded this month and consisted of multi-channel communication targeting both B2C and B2B platforms.

Print: Postcard Mailing, Flyer, Storefront Window Poster, Newspaper Advertisement
Online: Homepage Teaser

In addition, Dertour supported the promotion of the “Best Places To Be” campaign in the following manner:

 - Description in Dertour “News & Facts”
 - Press release, communication via Dertour press office (to consumer and retail trade media)
 - Advertisements in travel trade magazines (FVW, Travel One, Travel Talk, Touristik Aktuell)
 - Special counter mail to all travel agencies

- EXPLORER FERNREISEN (Germany)
 - **B2C “Reisetrends 2014” special brochure – January-March**

The Explorer Fernreisen special brochure “Reisetrends 2014” (Travel Trends 2014) was produced and distributed at eight different consumer trade fairs across Germany. VSPC was featured on a full page comprised of copy, imagery, logo and several travel teasers developed by the operator. In addition, the brochure was inserted into the December/January issues of four travel magazines: Clever Reisen, Geo Saison, Lonely Planet Traveller and Reise & Preise.

Total print run was 350,000.
 - **B2C Online Dedicated Landing Page** (one year starting November):

VSPC will be promoted for a full year with a dedicated landing page on a subsite of the tour operator’s homepage containing comprehensive destination information, imagery and logo along with a link to VSPC travel offers.

- FTI TOURISTIK (Germany)
 - **B2B2C Dispenser/Flyer** – March

500 top USA-selling agencies will each receive a high quality desktop dispenser containing thirty VSPC flyers featuring our logo, imagery, destination description and travel offers selected by FTI.

We have provided the tour operator with all elements necessary for creative development of this comprehensive campaign and have approved all layouts accordingly.
 - **Consumer Campaign** – January-March

A consumer advertising campaign was launched in Germany in cooperation with Visit Florida, Visit Orlando, Brand USA and tour operator, FTI Touristik. The campaign ran during the period January – March 2014 and appeared in leading news magazines, news online portals and digital screens in German railway stations.

- KNECHT REISEN (Switzerland)
 - **B2C Website “Top Beaches” Promotion** – April-June

Three months placement of VSPC imagery with travel teaser on the North America page of the knecht-reisen.ch website with link to a VSPC dedicated landing page. Focus on pushing business for fall and winter. All necessary elements have been delivered and layouts approved.
 - **B2C “Top Beaches” Online Sweepstakes** – May

For two weeks, customers will see a pop-up on the homepage announcing a sweepstakes. The prize will consist of one week’s accommodations in St. Pete/Clearwater including flights for two sponsored by Edelweiss Air. The pop-up will link to a landing page containing sponsors’ imagery, logo and product text. Sweepstakes questions will follow in the next depth level. Currently the tour operator’s homepage enjoys 42,000 unique visitors monthly.

All elements necessary for creative development have been delivered. An industry opportunity is due for distribution next month.

- KUONI (Switzerland)
 - **B2B2C Special Offer Flyer** – mid February & mid-March

Flyers to depict VSPC logo, imagery and special hotel offer in combination with Edelweiss Air flight. They will be displayed in 273 storefront windows; print run of 746. Distribution twice - in both February and March.
 - **B2B eNewsletter** – mid March

ENews blast to 850 travel agencies featuring VSPC destination text, logo, imagery and travel offers.

Flyer and eNewsletter were created and approved this month.

- MEIER’S WELTREISEN (Germany)
 - **B2C Out of Home Train Station Staircase Promotion** – March

During this exciting four-week campaign VSPC was featured with imagery, logo and slogans affixed to Frankfurt’s main train station’s prime location staircases (leading to the metro transit system). Frankfurt’s main train station boasts a daily footfall of 350,000 customers.
 - **B2C Out of Home Train Station Big Banner Promotion** – March

In addition to the staircase promotion, we also had a big banner near the staircase hanging from the ceiling in Frankfurt’s main train station prime location. This depicted an enticing VSPC image, our logo and a special travel offer to our area.

Layouts for the above initiatives have been received and approved accordingly.

- THOMAS COOK / NECKERMANN REISEN (Germany)
 - **RollAd Truck Campaign** – March

With 12,550 kilometers of motorway, Germany boasts one of the densest motorway networks in the world. 34.4 million automobile drivers spend 3-5 hours traveling the German “Autobahn” daily. This “rolling” consumer campaign entailed placement of an enticing VSPC image, logo, text hook and travel teaser on large canvases affixed to the rear of two 18-wheeler trucks for a duration of four weeks. Estimated sightings for consumers aged 18 and over: 58 million/100 trucks. Cumulatively, our four trucks traveled 57,293 kilometers in Germany over the campaign period.

The initiative was tied into the tour operator’s Facebook page in announcing a sweepstakes relevant to truck sightings (posted photographs).

The trucks rolled out this month!

- TUI SUISSE / FLEX TRAVEL (Switzerland)
 - **B2C Out-Of-Home Street Car Promotion** – May

An innovative and eye-catching campaign involving transparency advertising on street car windows of several tram lines in Zurich. VSPC will be featured with imagery, logo and text hook for four weeks starting May 2nd, 2014. The transparencies cover the entire window of a tram car. A total of 200 transparencies are being produced.

This initiative will be conducted in cooperation with Edelweiss Air.

The tour operator has been provided with all elements necessary for creative development with layouts being received and approved this month.

Travel Trade/Consumer Publications & Portals:

- America Journal (Germany) – circ. 42,000, readership 140,000 *Consumer*
 - **½ page, 4c Advertorial** – 2/13 issue (Feb/Mar ITB Special)

We provided the publisher with our logo, destination text and a selection of images. Final layout was received and approved.

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

- COMMUNIGAYTE (GLBT) (Germany) *Consumer*
 - **2014 Promotion**

Communigayte is a GLBT marketing agency in Germany with whom we have worked very successfully in the past, conducting various marketing initiatives in cooperation with Visit Orlando including the Rainbow Reporter program last year. This year, we will be working on a distinctive project again in cooperation with Visit Orlando.

Program Overview:

 1. **Online campaign on queer.de** – January-April

Placement on gay-friendly online platform queer.de to build excitement/hype for the destination. Coverage will include:

 - 4 advertorial articles per destination - reach 10,000 contacts
 - 3 months of online flash banners - reach 250,000 contacts
 - 2 standalone eNewsletters to 18,000 contacts (January and March)
 2. **Online campaign on schwulissimo.de** – February-April

Coverage will include:

- Online flash banners – reach 200,000 contacts - February-April
- 1 standalone eNewsletter to 30,000 contacts – March

All elements for creative development have been provided and layouts have been approved.

- Spartacus Traveler (Germany) – circ. 42,000, readership 140,000 *Consumer*
 - **1 page, 4c Advertorial** – Spartacus International Gay Guide 2014
 - **1 page, 4c Advertorial** – Spartacus International Hotel Guide 2014
 - **1 page, 4c Advertorial** – Spartacus Traveler Magazine (issue 2/14)
 - **Banner** – for 8 weeks on
spartacusworld.com, spartacustraveler.com, spartacushotelguide.com
(Cumulatively 100,000 visitors/month)

We provided the publisher with all elements necessary for layout development. Layouts were received and approved.

- Tom On Tour USA Guide (Germany) – circ. 120,000
 - **1/1 page, 4c Advertorial** – March

Published annually, the “Tom on Tour USA Guide” is a 64-page publication highlighting gay friendly destinations throughout the USA including gay hot spots, web links, events and tourism information. The publication is distributed free of charge at selected European gay locations, events and consumer shows and can be ordered online. As Brand USA will support the guide this year again, the publisher has doubled the circulation from 60,000 to 120,000.
Pub frequency: 1x/yr

After having provided the publisher with all pertinent elements, the final layout was received and approved. The guide was published in time for ITB in Berlin.

Online Aggregators:

- Travelzoo Europe (Germany) – 1.5 million German subscribers *Consumer*
 - **eNews Blast** – April/May

We will launch an eNews blast to 1.5 million German Travelzoo subscribers. The eNews will contain our imagery and logo along with several travel teasers to our area. In addition, special buttons for topics such as arts & culture, beaches & nature will be included and linked to applicable comprehensive content, which will remain online for four weeks. All elements necessary for creative development have been delivered. Layouts are expected early next month.

Public Relations:

Kaus Media Services - VSPC’s German PR Agency

This month saw us assisting the agency with the following projects:

- **Press Release March:** Discussed featured subject, proofread and corrected.
- **Newsletter March:** Provided content ideas, proofread and corrected.

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