

CENTRAL EUROPEAN OFFICE

S E P T E M B E R 2014

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MARKET INTELLIGENCE / TRENDS

Better Bookings in August

Holiday bookings in Germany picked up in August thanks to last-minute sales and poor weather after a slump in recent months. The short-term outlook is now slightly better, according to several new surveys.

Bookings increased by 7.3% last month compared to August last year, according to the latest monthly survey of 1,500 travel agencies by market researchers GfK. This has pushed the cumulative growth for summer 2014 up to 1.7% from 0.3% as per end-July. Last-minute bookings for departures in August represented 15.9% of sales last month while September performed strongly and represented 23.5% of bookings, the survey showed.

Germans also booked early for winter 2014/15 holidays last month, with sales up by 4.5% on the same period last year. Notably, there were strong advance bookings for summer 2015. A high 7.8% of sales revenues last month were for next summer compared to just 5.4% for the same period time last year. This increase would indicate that the tour operators' strategy to open parts of their programs as bookable even before new catalogs are in-market is paying off.

The mood among German travel agents regarding sales prospects for the next few months has improved significantly, the latest monthly 'sales climate index' by consultants Dr Fried + Partner for fvw found. Some 40% of respondents said the current sales situation is good, 40% found it satisfactory, while only 22% described it as bad. Looking ahead, 29% believe that demand will rise in the coming months while more than 50% expect stable revenues.

Germans Want to Travel More

Consumers in Germany are travelling more and want to keep spending on holidays, according to an in-depth new tourism index. The travel desire of German consumers has again increased in recent months and is expected to continue rising for the rest of the year, according to the new Tourism Index from the Germany Tourism Industry Federation (BTW), which represents the domestic and outbound tourism sectors.

Germans plan to spend about 4% more on travel this year than in 2013, according to the index, which was a higher figure than planned spending on other consumer products. The "confidence barometer" rose from 1.07 points in April to 3.11 points in the summer, and is

predicted to rise to 3.8 points by the end of 2014. Moreover, the total number of days travelled increased by 3.8% to 391 million in the first four months of the year compared to the same period last year, the index showed. The numbers of days spent on trips involving at least one overnight stay increased by 8.3%.

In 2013, Germans spent a total of 16 billion travel days away from home, which was about 20 days per person on average. One third of these were day-trips while two thirds were trips within Germany or abroad including at least one overnight stay. The twice-yearly BTW tourism index is calculated on the basis of monthly figures from market researcher GfK on overall German consumer spending trends and their separate monthly “mobility monitor”, based on a survey of 45,000 people.

Thomas Cook: More Digital Content and New Designs

Thomas Cook plans to add more digital content, redesign its online portals and try out new technologies to boost online sales in Germany, Marco Ryan, head of Omnichannel Marketing, told fvw in an interview.

The company has embarked on a complex long-term ‘digital change’ strategy in response to how the online players have “shaken up” existing business models, the British-born manager said. “We need new processes and new structures. And of course we need to restructure our technology and our infrastructure,” he explained. However, tour operators benefit in particular from strong consumer trust in their travel offerings, Ryan emphasized. “We have enormous competence in service and product ... selling holidays is part of our DNA,” he declared.

Thomas Cook is currently developing a new ‘one web platform’ that will be rolled out Europe-wide next year and which will offer more ‘personalization’ of offers, Ryan explained. At the same time, the German portals have been updated with new designs. “On the tour operator portals we can describe the added value and quality of our offering very exactly to customers and thus enhance differentiation,” he said.

In addition, the company wants to be closer to customers “in all phases of the customer journey” by expanding digital offerings such as the Travelguide app and communicating via Whatsapp. It is also enhancing technology in travel agencies by testing out the new Oculus Rift ‘virtual reality’ headgear.

Overall, Thomas Cook aims to generate 7% of revenues in Central Europe through its own digital channels this year and double the figure to 15% in 2015. However, Germany will remain behind the UK and Northern Europe in terms of online sales “for the foreseeable future”, Ryan admitted.

DER Touristik: Single Management for Both Divisions

DER Touristik, Germany’s second-largest travel group, is taking the next step towards becoming a more integrated group by setting up a single management team for its two divisions. At present, the package holidays division in Cologne and the individual holidays division in Frankfurt have their own management organizations and operate fairly autonomously from each other. However, the Rewe-owned group is gradually trying to move its tourism businesses, including 60 business units, closer together having introduced the

single umbrella brand DER Touristik last year. In addition, the group has coordinated products to avoid overlapping and brought travel agency commissions into one single scheme.

In future, DER Touristik will be managed by a five-person executive board headed by group CEO Sören Hartmann. The tour operator activities will be run by two managers, Michael Frese, already head of DER Touristik Frankfurt, and René Herzog, the former business development manager who takes over from Hartmann as head of the package holidays business. DER Touristik's sales and marketing activities will be managed by Christoph Führer in the new post of Chief Commercial Officer.

Explaining the creation of the executive board, Hartmann said having a single management team would strengthen the group and improve its negotiating position with hoteliers and airlines. "DER Touristik has a particular closeness to customers, the most comprehensive travel offering and unique technology. Now it's time to link these together optimally," he stated. DER Touristik has annual revenues of €4.6 billion and more than six million customers.

SALES ACTIVITIES

Visit USA Breakfast Seminars Switzerland (September 22nd – 26th, 2014):

Held in St. Gallen, Zurich, Bern and Basel, the innovative breakfast seminars attracted 249 travel agents, who were trained in the more intimate roundtable format. By virtue of conducting trainings in four Swiss cities in short order, we covered a broad catchment area just ahead of the upcoming important booking season. The seminar series culminated in a travel prize drawing at the end of the week. Particular mention was made of the travel prize sponsors throughout the week in each city. We are once again most grateful to our partners for the fabulous support! A proof of the workshop booklet was received and approved. Said booklet contained comprehensive information on each presenter destination/attraction and was distributed to the agents as a reference tool.

TUI Suisse/Flex Travel B2B2C Event (September 23rd, 2014):

The tour operator held a training event in Zurich in cooperation with SWISS during which Florida was featured exclusively. Several travel agencies hand-picked by Flex Travel each invited their 10 best customers for the evening session which was held at a venue most appropriate for our tropical destinations, i.e. in a greenhouse. Each Florida partner had the opportunity to present product to the group and engage in one-on-one sales discussions. A total of 87 guest attended.

Travel Agent Roundtables (September 29th – October 1st, 2014):

This month we conducted our Travel Agent Roundtables 2014 in Hannover (9/29), Nürnberg (9/30) and Deggendorf (10/1) in cooperation with Visit Orlando and SeaWorld Parks & Entertainment. Table top marketplaces were held prior to comprehensive and interactive training sessions in each city. The evening events in all three cities culminated in a quiz session followed by a giveaway raffle including a major travel prize. A big 'thank you' to our industry partners for their generous contributions!

Over 140 travel agents attended these events, of which a percentage had not visited the USA before and were thus very appreciative of the comprehensive information and training received.

Willy Scharnow Foundation Fam Tour (October 8th-11th, 2014):

Similar to ASTA in the U.S., the German institute for travel education known as the "Willy Scharnow Foundation" was founded in 1953 to grant better professional opportunities in tourism to German travel agents. They do this through several means, one of which is educational familiarization trips and seminars.

This year's event marks the 21st annual Willy Scharnow Foundation Fam tour to our area. The group will be comprised of handpicked agents from travel agencies affiliated with the following tour operators specifically: Dertour, Explorer Fernreisen, FTI, Meier's Weltreisen, Neckermann Reisen, Thomas Cook Reisen and TUI – all of which feature our area's accommodations products. Our destination partner will be Naples with United Airlines being our cosponsoring carrier. UA will sponsor 13 seats (12 agents + 1 WSF escort).

We continued to liaise closely with our Leisure Travel Department this month regarding itinerary development. Rooming lists and other pertinent details were provided to HQ.

VSPC Sales Visit (October 13th – 17th, 2014):

Planning for our upcoming visit to the county continued this month. Correspondence with several industry partners regarding appointment requests and confirmations was conducted; travel and accommodations arrangements were finalized. Our TDC PowerPoint presentation was developed in preparation for the transmission to HQ next month.

Visit USA Germany Halloween Event 2014 (October 31st – November 2nd, 2014):

For the fifth consecutive year, we will participate in the annual Visit USA Germany Halloween Event. This year's seminar weekend will take place at the Hilton Garden Inn Frankfurt Airport.

VSPC will share a seminar training session with Visit Orlando and SeaWorld Parks & Entertainment, jointly conducting ten intensive training sessions throughout the course of a full day. An evening Halloween extravaganza is planned as the highlight of the weekend.

We registered early for this event in order to secure one of the coveted presentation slots. This month, the education hand out was created, in which every participant will be featured on two pages. We sent the organizer our input accordingly and approved the layout.

CMT Stuttgart Super Sweepstakes (January 17th – 25th, 2015):

Known as one of Germany's largest and most important consumer shows, CMT Stuttgart attracted over 241,000 vacation hungry visitors this year. In addition to our joining forces with the Visit USA Committee Germany in promoting our product via brochure distribution to consumers, we will again co-sponsor the popular CMT Super Sweepstakes.

The sweepstakes will be published in a 12-page, 4-color visitor brochure (circulation 350,000) which will be distributed at 1,800 outlets throughout the State of Baden Württemberg prior to the show and among consumers visiting the fair. The sweepstakes will also be advertised in the fair catalog (circulation 10,000) and promoted to the media. Active promotion of the CMT Super Sweepstakes will start in November 2014 when the official sweepstakes website goes live.

Two travel stays in St. Petersburg/Clearwater will be included. We are again most grateful for the generous support of our industry partners! Sponsors' images and logos have been forwarded to the organizer and the collateral material publisher. Layouts were received and approved this month.

Visit USA Seminar Austria (January 28th-29th, 2015):

Known as Austria's premier travel trade event, the Visit USA Seminar Austria will be held in Vienna and Salzburg next year and is expected to attract up to 150 agents cumulatively. The format will comprise an afternoon seminar with an ensuing evening event in each city. The

seminar program will include a table top marketplace and an on-stage “interview” session with each exhibitor. The Visit USA Committee Austria will again organize a post-seminar “evaluation breakfast” during which we will have the opportunity to provide feedback and discuss future planning. Our ‘early-bird’ registration has been submitted thereby securing a discounted participation fee.

Visit USA Seminar Switzerland (February 4th, 2015):

This program is Switzerland’s premier travel agent training seminar held in Zurich annually. The seminar’s main goal is to provide the local trade with more insider knowledge as well as the needed contacts and sources of information. An estimated 400 travel agents are expected to attend this important Swiss event. Our ‘early-bird’ registration has been submitted thereby securing a discounted participation fee.

This month the organizer requested we submit several destination-oriented questions for an online knowledge test scheduled to go live in November. In addition, we provided the organizer with appropriately sized imagery for development of new stands next year.

ITB (March 4th – 8th, 2015):

Known as the “world’s largest tourism fair” held annually in Berlin, Germany, we again plan to exhibit within the Visit Florida Pavilion. Visit Florida made applicable registration documentation available this month. We reconfirmed our co-exhibiting company’s space needs (SeaWorld Parks & Entertainment at 8² + Visit Tampa Bay at 6²), number of participating VSPC accommodations partners and submitted our registration form to Visit Florida promptly. We were also advised by Visit Florida that credit card payments in excess of \$10k will no longer be accepted. This presents us with undue hardship.

Other initial planning items are underway, i.e. a hotel room block, applicable hotel reservations form for the VSPC delegation, etc. Updates to be forthcoming.

Thomas Cook AG Germany “QUIP” Fam (April 21st – 24th, 2015):

We’ve been approached by Thomas Cook AG Germany regarding a VIP Fam they’d like to bring to our area for 3 nights in combination with a sojourn in Orlando.

“QUIP” is a program in which Thomas Cook’s travel agency chains participate. Over the period of 12 months, agencies collect points. The points are awarded based on total turnover as well as sales activities generating the turnover, e.g. marketing campaigns, exceptional homepage development and Facebook innovation. Based on accumulated points, 21 top agencies are selected to take part in the annual “QUIP” Fam. As a rule the agency’s Managing Directors participate (from both brands, i.e. Neckermann Reisen and Thomas Cook Reisen). Total pax will be 26 comprised of agents and Thomas Cook AG staff (latter including regional directors). Approx. 17 rooms were requested last month and secured this month (9 dbls/8 sgls or 10 dbls/7 sgls).

Being sensitive to our capacities in April, we did inquire whether this program could be moved to another month in 2015. Thomas Cook responded citing several reasons for the April timeframe. Orlando has confirmed their commitment to host the group April 24-28.

Additional Activity:

- We sent an announcement of “Mein Freund, der Delfin 2” (Dolphin Tale 2) coming to the German cinemas on Oct. 9th to the **Visit USA Committee Germany** for their newsletter to 28,000 travel agents and key travel trade media.
- We supported travel agency **Marco’s Reisewelt** in **Iserlohn**, which is planning a Florida storefront window display next month. Several small decorative items and collateral were provided.

MARKETING INITIATIVES

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

Tour Operators:

- DERTOUR (Germany)

Movie Promotion Dolphin Tale 2 – October

With *Dolphin Tale 2* set for launch in Germany on October 9th, 2014, we will partner with Dertour on a multi-channel campaign to include:

B2B:

➤ **Movie Ticket Sweepstakes:**

Fax and eNews blast to 8,900 agencies (30,000 agents) with a call-to-action to creatively promote VSPC via storefront window displays, local newspaper ads, open house customer events, etc., i.e. “Submit your best promotional ideas (to Dertour HQ) and be eligible to win movie tickets for yourselves and your clients”. 200 tickets will be awarded agencies with the best promotional initiatives.

➤ Provision of **sales informational packet** to 8,900 agencies (30,000 agents) including official Dolphin Tale 2 movie poster for storefront window display, exclusive VSPC window display poster with travel teaser, exclusive VSPC special travel offers flyer.

➤ **Special eNews blast** specifically to all participants of this year’s Dertour Destination Special Mega Fam (May 2014) with same call-to-action.

➤ **Cinema Event:**

Personalized invitations will go to 90 agents (+ 1 escort each) to attend exclusive Dolphin Tale 2 viewing in Frankfurt including provision of popcorn, soft drinks and collateral material.

B2C:

➤ **Homepage teaser placement on dertour.de:**

VSPC image, logo, teaser text (1 week) linking to dedicated landing page.

➤ **Dedicated landing page (4 weeks)** with travel offers and special sweepstakes element (prizes include Dolphin Tale DVD, cuddly VSPC plush dolphin).

➤ **VSPC teaser placement** on the tour operator’s “USA/Canada” webpage with image, logo and teaser text.

➤ **VSPC teaser placement** in Dertour’s eNewsletter to 20,000 customers.

- NECKERMANN REISEN (Germany)

➤ **Catalog 2014/15 Cover Page – circ. 650,000**

We were most pleased to have secured prime exposure for VSPC on the cover page of Neckermann Reisen’s annual 2014/15 catalog!

Having provided the tour operator with a selection of images last month, we received the layout this month, which we approved after a few adjustments. Valid from April 2015 - March 2016, the catalog is due to go to print early October and will be in market by mid-October 2014.

Travel Trade/Consumer Publications:

- McDonalds' KINO News Sweepstakes (Germany) – 3.86 MM readership *Consumer*
 - **Full Page, 4c Advertorial & Sweepstakes** – October 2014 issue

Pursuant to our excellent cooperation with KINO News three years ago in conjunction with the release of 'Dolphin Tale', we initiated negotiations with publisher T+M Press Marketing for placement of an advertorial and sweepstakes in preparation for promoting 'Dolphin Tale 2', which will be released in Germany on October 9th, 2014. We also solicited a tour operator partner for co-sponsorship of the sweepstakes element and are pleased to report that once again, German tour operator America Unlimited will support the promotion with provision of flights and car rental for two pax.

KINO News is an independent entertainment magazine featuring content on upcoming movies, reviews, music, computer games, gadgets, sweepstakes opportunities, star profiles, etc. With a monthly circulation of 830,000, the magazine is available free of charge at 1,400 McDonalds outlets nationwide.

Last month, negotiations with the magazine publisher and tour operator partner were finalized, an accommodations sponsor secured and all respective material for development of the advertorial was sent to the publisher.

This month, the project was finalized, advertorial as well as poster layouts were approved.

In addition, a TV spot will be produced by KINO News TV promoting DolphinTale 2 and will air for the entire month of October on close to 30 regional TV stations with a cumulative weekly viewership of 2.4 million.

- Travelution (Netherlands) – circ. 7,500 *Trade*
 - **6-page Destination Feature/Infoterial** – September

VSPC was featured in the "Regional Report" section with comprehensive destination description and highlights, imagery and logo. In addition, our area was featured on Travelution's website including a VSPC banner ad. We had provided the publisher with comprehensive information in preparation for his development of the infoterial. Layout was received and approved.

Travelution is the Netherlands' leading travel industry publication with a readership of 10,000. With a personalized cover letter, issues are mailed to all business and leisure travel agents. The magazine is also distributed to all tour operators (product managers, buyers, sales managers and board members), incentive organisers, airlines, tourist boards and NATM members – in short, Travelution reaches close to 100% of the Dutch travel industry. "Regional Report" combines facts about tourism regions and tourism highlights with trends & new developments. The latest news, interviews with travel-professionals, infoteriors and specials about specific topics such as the cruise industry, car rental, ferries, travel insurances, airline reports and industry employment are also included. The publication enjoys a long shelf life and research shows travel professionals utilize it as a reference piece due to the up-to-date and high quality information provided. In addition, Travelution has his own website giving a weekly overview of most important news items in the travel industry with cross links to complete press releases. The website has approximately 31,407 unique users every month, 370,684 page views and 1.2 page impressions.

Pub frequency: 1x/mth

We have kept abreast of disseminating applicable billing instructions to our marketing initiative partners/vendors as well as following up on the status of invoices with proof of performance documentation needed. BVK has been kept updated as to media plan developments and status.

In addition, we completed development of our FY 2014/15 advertising plan and marketing initiatives this month and submitted the plan to HQ.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

- **Press Release September:** Proofread and corrected.

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