

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

Solid Growth for Tour Operators in 2014

German tour operators overcame diverse obstacles and crises this year and generated low but solid growth, according to the German Travel Association (DRV). Tour operator revenues grew by about 2% to €25.8 billion in the year ending October 31, the DRV announced at its annual conference in Abu Dhabi. “Tourism is solid as a rock in view of countless crises such as the Ukraine crisis, the Ebola epidemic in West Africa, the IS terror and another negative factors such as the strikes by pilots and train operators,” declared designated DRV president Norbert Fiebig.

A heavy overlap of summer school holidays and the soccer World Cup impacted significantly on booking patterns this year. There were strong early bookings as families sought to secure their preferred dates and destinations, followed by a slump in the spring that lasted until after the World Cup which was followed by strong late sales.

Among major destinations, Greece made a dramatic comeback with high growth rates taking it back towards pre-crisis levels and demand for Tunisia also increased significantly, according to the DRV. Spain maintained its leading position, Turkey also generated growth, but bookings for Egypt dropped. Overseas, the Far East suffered, especially due to the crisis in Thailand, but the Caribbean saw good demand thanks to value-for-money offers and modernized hotels.

The winter season is off to a “promising” start with good demand for cruise holidays and higher bookings for Egypt, Fiebig said. Package holidays will benefit in particular from attractive long-haul prices as tour operators have contracted capacity at a lower dollar exchange rate, he pointed out. Customers who book their holidays through the internet are likely to pay more than if they book package holidays from tour operators, the former DER Touristik CEO predicted.

German Tour Operators Increase Revenues and Profits

German tour operators increased revenues and profits this year and predict further growth in 2015, according to this year’s annual fwv dossier. Figures provided by 55 tour operators showed that the market grew for the fifth consecutive year in the 12 months ending October 31, 2014. Their combined revenues increased by 4.3% to €20.7 billion.

This is significantly more than the 2.8% growth to revenues of €26 billion, which the German Travel Association (DRV) market research committee has estimated for the entire German organized travel market. The difference comes from the fact that the fvw dossier comprehensively covers the air-inclusive and cruise market and thus 80% of the total market, but not the hundreds of small coach operators and holiday home providers. Demand for coach and self-drive holidays was weaker this year due to poor summer weather in many parts of Europe, meaning these firms are likely to have grown only slightly at best.

Revenue grows faster than customer numbers ...

The 55 tour operator companies surveyed in the dossier reported that the number of their customers increased by 3.4% to 33.3 million this year. This means that once again revenues increased faster than customer numbers. In other words, price increases were passed on to customers and high-value products such as cruises and long-haul holidays were in good demand. Most of the tour operators were satisfied with profitability trends. Two-thirds of the 38 companies who commented on this issue increased their profits this year. Their profit margin generally lay between 1% and 3%.

Optimistic outlook for 2015 ...

Looking ahead to next year, 40 of the 55 tour operators who provided figures said they expected further growth next year. Most of them (22) expect growth of up to 5%, while 15 companies plan increases of 10% or more, and only one expects lower revenues. However, 14 declined to make any forecasts, either due to their stock exchange listed status or for other reasons. Positive factors for bookings next year include the absence of any major international sporting event in the summer months and a longer period for the school holidays than the unusually short so-called 'holiday corridor' between the 16 German federal states this year. In terms of trends, many tour operators predicted a continuing rise in demand for more individual holidays next year.

Sunny Prospects for 2015

The German travel industry is generally optimistic about prospects for 2015 despite some uncertainties, according to a survey of top managers. As many as 84% of managers believe that the economic conditions will remain stable for the coming 12 months, with a positive influence on the travel sector, a survey by the Travel Industry Club (TIC), an association of top managers in the German travel sector, found. A high 61% of managers said the good pay increases and the new minimum wage from January would mean consumers will have more disposable income next year.

The same percentage, however, also warned that the poor economic prospects in other EU countries such as France and Italy would affect Germany. In addition, managers expected that there would be more strikes by pilots and train operators next year.

The conflicts in the Middle East and Ukraine could have a negative impact on German travel demand, according to 56% of the surveyed managers. An overwhelming 90% predicted that security will become more important than ever as a holiday decision factor in view of the current political situation and crises around the world.

Travel Agents Fight Back Against Online Portals

Travel agents in Germany fought off the challenge of online travel retailers this year and generated stable growth, figures from the German Travel Association (DRV) show. Travel agency revenues grew by about 1-2% to €23 billion in the year ending October 31, the DRV announced at its annual conference in Abu Dhabi. This growth rate applied both to leisure travel and business travel, DRV president Norbert Fiebig told some 800 delegates. “After the record levels of the last three years, travel agencies in Germany have again achieved another record revenue level in succession,” he said.

Surprisingly, the DRV also estimates similar low growth of only 1-2% for online travel agents, portals and e-travel retailers. “The high percentage growth of recent years has dropped back significantly,” Fiebig stated. However, this figure only refers to online bookings of package holidays. Individual sales of flights and hotel rooms through the internet are believed to have continued growing significantly.

Travel agents are benefiting particularly from good demand for package holidays and especially more complex, higher-priced holidays that require personal advice. According to market researchers GfK, German travel agents increased sales of holidays costing more than €3,000 per person by 10% this year. In addition, travel agencies benefit from the high levels of early bookings, which accounted for about 30% of their total sales this year.

Fiebig, who was CEO of DER Touristik until May this year, emphasized the importance of travel agencies as a sales channel for tour operators. “If you take an honest business-based look, then travel agencies are the cheapest sales channel and the one with the highest share of satisfied customers,” he said. Meanwhile, the high number of travel agencies in Germany has also stabilized after many years of decline. The number of traditional travel agencies increased this year by about 100 to 9,829, according to the DRV’s database.

Lufthansa: New Budget Brand Eurowings Set for Takeoff

Lufthansa’s new budget brand ‘Eurowings’ will take off next year with low-fare short-haul and long-haul flights aiming to win customers from European low-cost and leisure airlines and overseas-based carriers. The ambitious concept for a large budget flights operation as part of the Lufthansa Group was approved this week by the group’s supervisory board despite the loud opposition of pilots who are campaigning against expansion of operations with lower-paid staff under a separate pay agreement. The launch will follow completion of the transfer of all Lufthansa non-hub flights to lower-cost subsidiary Germanwings in January.

Eurowings will be transformed from a small regional airline into a medium-sized, low-cost carrier. It will operate at unit costs about 40% lower than Lufthansa through a mix of lower-paid staff and a modern fuel-efficient fleet. The airline’s current fleet of 23 regional CRJ900 jets will be gradually replaced with 23 A320s between February 2015 and March 2017. New routes will be added next year to the Eurowings network, operated from a basis outside Germany. In parallel, the airline will gradually absorb Germanwings’ flight operations and fleet of 36 planes during 2015.

The most spectacular move, however, will be the launch of low-cost long-haul flights in winter 2015/16 in cooperation with Sun Express, the Lufthansa – Turkish Airlines joint venture, from Cologne/Bonn airport, which offers substantial free capacity, low charges and

night flight operations. Sun Express will operate flights under the Eurowings brand with initially three A330-200s with 310 seats to destinations in Florida, southern Africa and the Indian Ocean. This fleet will be gradually expanded to seven A330-200s over the next few years.

The 'new Eurowings' will be tasked with taking on the likes of Ryanair and Easyjet on routes to and from Germany as well as in other European markets such as Switzerland, Austria and Belgium. The long-haul budget flights will compete with traditional charter airlines such as Air Berlin and Condor, but also with Gulf carriers and emerging European long-haul low-cost airlines such as Norwegian.

Lufthansa CEO Carsten Spohr explained: "The 'New Eurowings' is our response to one of the major challenges confronting Europe's airline industry. For several years now we've been facing fierce competition from the rapidly-growing low-cost carriers in the point-to-point travel segment, not only in Germany but throughout Europe, too. And we are sure to see this competition extend more and more to the long-haul travel segment in the years ahead. Our 'New Eurowings' is our innovative response, which will enable us to fashion our own markets here."

SALES ACTIVITIES

TUI Netherlands Training Day (December 2nd, 2014):

This month we participated in the TUI Netherlands' training day during which several U.S. partners had the opportunity to conduct an extensive in-house training for reservations staff and local travel agents at TUI's head office in Enschede, Netherlands. The training was held in a 'speed dating' format, with the advantage that we had the full attention of small groups of 2-4 for intensive 10-minute face-to-face presentations. All 75 were very interested and appreciated the information we provided.

TUI Germany Fam (December 6th – 8th, 2014):

Carmen Knieps, Senior Product Manager USA East and Product Manager North America included VSPC in a Florida fam tour this month. The group of 16 pax (14 agents + 2 TUI staff) visited Orlando prior to coming to our area. Thereafter, the group proceeded to Miami. Ms. Knieps commented on the gracious welcome and friendly hospitality experienced in our area and added, "Most of the participants have been to Florida for the first time in their life – I am happy to say that we transformed them to 'Florida lovers.'"

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 have been received and approved. The program went live (online) last 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. We developed and provided our PowerPoint presentation to the organizers this month, finalized shipping details and made applicable travel arrangements.

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.

Per the organizer's request, we have delivered several items including destination-oriented questions for an online knowledge test, contributions to a questionnaire to be distributed during the event, imagery for development of new stand backdrops, etc.

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. 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 have been advised by Visit Florida that credit card payments in excess of \$10k will no longer be accepted. This presents us with undue hardship.

Other items: Partner invoicing has been completed, a hotel room block secured, applicable hotel reservations form for the VSPC delegation created and distributed accordingly, communiqués with our co-exhibitors on logistics, communication with Visit Florida related to our stand needs, etc. Updates to be forthcoming.

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

Thomas Cook AG Germany would like to bring this VIP Fam 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). Approximately 17 rooms will be required (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. We have sourced and secured accommodations for this group and provided our Leisure Travel Department with the requested itinerary suggestions.

Additional Activity:

- We supported travel agency **Schmetterling Reisen** in **Bad Soden Salmünster** with giveaways and promotional material for a Christmas market the agency conducted on Dec. 20th which was attended by approx. 5,000 visitors.
- We assisted **VUSA France** with VSPC destination content and image material for the development of their new website.

MARKETING INITIATIVES

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

Tour Operators:

- America Unlimited (Germany)
B2C Multi-Channel Campaign – October-March
Targeting customers aged 30-55 (couples, families and affluent clientele), the campaign is focused on raising awareness and boosting sales via multi-channel platforms such as specially designed microsites, social media inclusion and press coverage.
 - **Animated Short-Film/Video**
Patterned after the look and feel of the “Dumb Ways to Die” video, a short-film/video story will be produced showing cartoon figure “Super-Agent America Unlimited” guiding cartoon figure tourists through the holiday booking process and the ensuing successful journey/vacation experience of tourist A vs. tourist B’s poor vacation outcome (who finds himself forgetting to book travel insurance, gets stuck at an airport or finds himself lost trying to find attractions or hotels). The video script was finalized this month.
Slated for February, the finalized video will be uploaded onto several media platforms such as YouTube and Facebook which is expected to go viral and generate considerable likes and shares. In addition, it will be incorporated into the tour operator’s eNewsletter (130,000 subscribers) with a link to special VSPC travel offers.
 - **Volkswagen Direct Sales Promotion** – January/February
VW’s internal online marketing platform provides exposure to a broad audience of well-situated customers, i.e. German employees. For 6 weeks, VSPC imagery, logo and specially developed travel offers will be communicated on VW’s intranet ‘Marketplace’ site (134,000 registered users, 700,000 page impressions monthly).
Late last summer VSPC was given unique exposure during the soccer season’s ‘First League’ kick-off game at the Volkswagen Arena in Wolfsburg (capacity of 30,000). The local team VFL Wolfsburg played against Atlético Madrid. During the half-time break, a chance to win a trip to VSPC was announced (sponsored by America Unlimited). A ‘hug-cam’ was introduced during which fans were prompted to hug each other while cameras panned the stadium crowd to select the best huggers among the fans.
Co-op Partners: SeaWorld Parks & Entertainment, Visit Florida

- DERTOUR (Germany)
 - **Geo Saison Magazine Supplement** – February

Dertour will produce an 8-page Florida supplement piece for insertion in this high end travel magazine with a monthly circulation of 165,300. One full page of editorial including images and logo will be dedicated to VSPC in combination with Dertour travel offers. This month the final layout was received and approved.

- Faszination Fernweh Germany)
 - **B2C eNews Blast** – December

An eNewsletter blast was distributed to the tour operator’s database of 64,319 customers just before Christmas this month. The eNewsletter featured VSPC exclusively including imagery, logo, destination content and six travel offers.

- FTI TOURISTIK (Germany)

Florida has been selected as FTI’s “Highlight of the Year” destination for 2014/15. The “Highlight of the Year” campaign runs for 12 months and gives the featured destination enhanced exposure by means of increased product placement, development of special travel packages with value-added elements, several B2B and B2C initiatives, media coverage and generally, a familiarization tour. In conjunction with Visit Florida being the featured destination next year, we will have the opportunity to participate in several marketing initiatives:

 - **B2B Florida Online Academy** – January-September

FTI’s online academy is an eLearning platform providing 14,000 registered travel agents with innovative training modules. These include interactive elements such as virtual maps and quizzes. The platform is promoted to agents via the “Academy Newsletter” and in the tour operator’s “Start Up” sales program, in which agents are required to participate. Agents successfully completing the Florida Online Academy will receive a “Florida Specialist” certification. VSPC will be given a dedicated page to present comprehensive destination information and unique selling points with logo and imagery integration.

The tour operator was provided with all relevant materials for layout development this month.

- Hotelplan Suisse (Switzerland)
 - **B2B2C Special Offer Flyer** – January

A print run of 7,400 A4-sized, double sided flyers will be distributed among 600 travel agencies (420 German and 180 French-speaking) depicting VSPC imagery, logo, destination text and travel offers for counter point-of-sale use. Layout was created and approved this month.

- Jan Doets (Netherlands)
 - **B2C eNewsletter Blasts** – January & February

Jan Doets travel offers to VSPC will be distributed twice during the above months to 21,000 jandoets.nl eNews subscribers and will include our logo and imagery. We have provided the tour operator with all necessary elements and are awaiting layouts.

- KUONI (Netherlands)
 - **B2B eNews Blast** – January

VSPC will be incorporated in Kuoni’s retail eNews blast with a teaser box including our logo, which will link to a dedicated St. Petersburg/Clearwater destination page with packages, general information and tips on the area. The Kuoni retail newsletter is

distributed to 1,200 travel agencies every two weeks. Respective input was sent to Kuoni this month.

- Meier's Weltreisen (Germany)
 - **B2B2C "Customer Catcher"** – January/February
This out-of-home direct sales tool is an effective way to attract attention and generate inquisitiveness among consumers. The two-sided easels, placed outside 650 travel agencies located in center-city, high-traffic pedestrian areas for four weeks, will display posters depicting enticing VCPC imagery, logo and travel teaser. "Come in and find out" is the strategy behind this tool, luring customers to inquire about the offer.
 - **B2B2C Counter Display** – January/February
In conjunction with the above initiative, the same 650 travel agencies will display a smaller version of the poster on their counters, i.e. solely our VSPC teaser will be on display for four weeks.
We provided ideas and respective material such as imagery, logo and text for both displays.

- Thomas Cook AG – Thomas Cook Reisen / Neckermann Reisen (Germany)
 - **B2B2C Catalog Cover** – November 2014-March 2016
Valid from April 2015-March 2016, the tour operator's annual Neckermann Reisen catalog (print run of 650,000) was in market as early as November 2014. Adorning the catalog cover is a coveted exposure initiative, particularly as it has a 17-month shelf life. A VSPC key visual and logo comprise the highlights of the coveted catalog cover page.
 - **B2B Infonet & eNewsletter** – December
The "Infonet" is a platform providing up-to-date information and news exclusively to the tour operator's travel agents. Approx. 3,000 agents access this platform daily. VSPC will be featured with imagery, logo and teaser text on an XL banner on the entry page which will link to a subpage containing with several travel offers. In addition, an eNews blast will be distributed containing a VSPC teaser box linking to a dedicated landing page.
This month we provided all necessary elements for the Neckermann Reisen eNewsletter, received and approved the layout.
 - **B2C Facebook Destination of the Week** – January
The unique 'Destination of the Week' program on the tour operator's Facebook platform gives the selected partner dedicated exposure with several posts, insider tips, specials and enticing imagery. Over 70,000 fans (Nov. 2014).
For the Neckermann Reisen Facebook platform, VSPC will be Destination of the Week the beginning of January. Respective input such as images and text was provided.

- TUI (Germany)
 - B2B Communications Package** – January-April
 - **TUI Newsnet:**
This is the tour operator's intranet platform providing up-to-date information and news exclusively to the tour operator's 30,000 travel agents. VSPC will be featured for four weeks in both January and April with logo, imagery and comprehensive content.
 - **TUI News:**
Published every three weeks, this 24-page trade magazine provides agencies with the latest product information/updates as well as sales tips and tools. It is distributed to

- 8,900 agencies and enjoys a readership of 25,000. VSPC will be featured with a full page advertorial including logo, imagery and comprehensive content (April issue).
- **TUI News USA “Extra”:**
The monthly ‘extra’ publications of approx. 16 pages focus on highlighting a particular destination, region or attraction. Distribution is to 8,900 agencies with a readership of 25,000. It is also included in an online archive on the TUI Newsnet platform for 10 months. VSPC will be featured with a full page advertorial including logo, imagery and comprehensive content (January issue). Our region will be the only Florida destination presented!
Respective layouts were received and approved for the above three initiatives.

Travel Trade/Consumer Publications/Portals:

- America Journal (Germany) – circ. 42,000, readership 140,000 *Consumer*
 - **½ page, 4c Advertorial** –1/15 issue (25th anniversary Special)
We provided the publisher with our logo, destination text and a selection of images last month; the layout for this special advertorial was approved this month.
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

- TIP – Travel Industry Professional (Austria) – circ. 10,500 *Trade*
 - **½ page 4c advertorial** in the USA Supplement Issue 2015 – January
The publisher will again produce a special USA supplement for distribution in conjunction with the Visit USA Seminars to be held on January 28th and 29th in Vienna and Salzburg with an overrun of 16,000 copies for additional distribution at travel trade outlets. Austrian travel agencies may also order additional issues free of charge to utilize in POS and mailings to their customers.
We provided the publisher with all materials needed for layout development. Our area is featured with logo, imagery and insider information. Layout has been approved.
Profi Reisen is the publisher of Austria’s leading travel trade and tourism industry publication TIP, which targets travel agency decision makers and counter staff alike and is known for its precise reporting of current events, insider tips and background information.
Pub frequency: Weekly

- TRAVEL INSIDE (Switzerland) – circ. 8,750 *Trade*
 - **1/2 page, 4c advertorial** in the USA Supplement Issue – 1/22/2015
In conjunction with this year’s Visit USA Seminar on February 4th, we secured placement of a half page advertorial for VSPC in their “Counter Inside” supplement. We have submitted all elements required for graphic development. Layout has been received and approved.
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

- Visit USA Guide (Germany) – circ. 17,000 *Consumer/Trade*
 - **1 page, 4c advertorial**

The Visit USA Committee Germany is reproducing its 48-page USA Guide in cooperation with America Journal, which features general information on all 50 U.S. states. The guide will be distributed at travel fairs, in the U.S. Embassy and other U.S. related locations.

Our page was created with text, logo and images. Layout was approved this month.

Online Aggregators:

- Expedia (Germany) – 1.4 million German subscribers *Consumer*
 - **Placement Campaign** – January 9th – February 15th, 2015

With 2.09 million monthly unique visitors and more than 5 million impressions, Expedia Germany is the leading online travel provider in the country. VSPC will be featured on the Expedia Germany website with core offers on the Expedia home page, teaser boxes on run-of-site as well as skyscrapers and teaser boxes on the flight+hotel and click&mix sites. VSPC travel offers were developed and layouts were approved.

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. HQ and BVK have been kept updated as to media plan developments and status as applicable.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

- **Press Release December:** Proofread and corrected.
- **Program Liaison:** Liaised with the agency on upcoming programs.

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