

CENTRAL EUROPEAN OFFICE

M A Y 2015

Prepared by: Marion S. Wolf
Director Central Europe

MARKET INTELLIGENCE / TRENDS

Steady Summer Holiday Bookings in April

Summer holiday bookings on the German market remained steady last month, according to the latest monthly survey of travel agency sales by market researchers GfK. The summer 2015 season is now 5.8% ahead of last year in revenue terms and on a cumulative basis, the survey found. Holiday sales with departures between May and October increased by 5.6% compared to last year.

In terms of individual months, there was good demand last month for holidays in September and October, while May remains well ahead of last year due to the relatively early Pentecost spring school holidays in southern Germany. The summer holiday month of July is also showing strong growth with a 13.3% rise in revenues, according to the GfK figures.

Early bookings of winter 2015/16 holidays also increased in April, and the forthcoming winter season is showing double-digit growth. In contrast, the winter 2014/15 season (November – April) closed with weak late sales. There was a 23% drop in last-minute bookings last month, and the winter season ended with a low 1.8% rise in revenues, the GfK survey found.

TUI: One 'Power-Brand' for Tour Operators and Airlines

TUI is introducing a radical re-branding of its European tour operators and airlines and is restructuring its management in a major strategic shake-up that will see Deputy CEO Johan Lundgren leave the company.

The wide-ranging measures, which also include a new hotel brand 'TUI Blue' and an order for two more cruise ships, were unveiled at an analysts event in London this month following publication of the half-year results and the announcement of the new group management structure. In the future, 'TUI' should be a 'European power-brand' that will gradually replace the large national brands which the group gained during its many acquisitions over the past two decades. CEO Fritz Jousen told analysts that the aim of the 'power-brand TUI' is to offer a harmonized brand experience to customers of the integrated travel group, while other brands will be retained for specialist businesses.

In the first stage, covering Western Europe, the Dutch brand 'Arke' will be replaced by 'TUI' as of September. In Belgium, the brand 'Jetair' will be phased out. In France the TUI brand

will be introduced and Marmara will be retained as a holiday club concept. In a second stage, scheduled for 2017, the main British brand 'Thomson' and the Scandinavian brand 'Fritidsresor' will also be dropped in favor of the group name in Northern Europe markets. In Central Europe, covering Germany, Austria and Switzerland, TUI is already the main brand. In parallel, the group's five leisure airlines will take off under the name 'TUI.com' in future.

Meanwhile, Europe's largest tourism group will also introduce the group brand in its hotel activities. The new 'TUI Blue' name will become the core brand for the group's own hotels alongside other well-established names. 'TUI Blue' hotels, comprising both re-branded existing properties and new hotels, will be positioned as 'experience hotels' for younger, individual target groups. Some 50 medium-sized hotels with this name are planned in the medium-term. In parallel, the Robinson and Magic Life clubs and the joint venture with Spain's Riu hotels will be further expanded. At present, TUI has some 360 branded hotels which it either owns (Robinson, Magic Life), part-owns (Riu, Grupotel, Iberotel, Grecotel) or operates as franchises (TUI Best Family, Sensimar and others).

In a separate move to expand its lucrative cruise business, TUI and joint venture partner Royal Caribbean have decided to exercise options for two more vessels, Mein Schiff 7 and 8, with delivery in 2018 and 2019. However, the group will keep its German fleet at six vessels by transferring Mein Schiff 1 and 2 to Thomson Cruises in the next few years to modernize the British cruise fleet.

TUI already announced a major reorganization of its core tour operating business earlier this month that cut out an entire managerial level and is designed to speed up decision-making. In future, there will be three regions. *Central Europe* (Germany, Austria, Switzerland, Poland) and also Destination Services (incoming agencies) will report to board member Sebastian Ebel, who is already responsible for hotels, cruising and IT activities.

The *Northern Europe* region (UK, Nordics, Canada, Russia) will be headed by David Burling, formerly in charge of UK and Ireland, who will join the group board. He will also be responsible for hotel contracting and the group's airlines. *Western Europe* (Benelux, France) will be run by Elie Bruynickx, who remains head of the Benelux activities. The most dramatic consequence of the restructuring is that there is no place in the new structure for Deputy CEO Johan Lundgren, who was formerly in charge of the entire mainstream business. He has decided to leave the company as a result.

Thomas Cook: New Germany Chief and European Tour Operating Model

Thomas Cook is shaking up its German management, introducing a centralized European tour operating model and has improved its half-year results. Under the management reorganization announced this month, Germany CEO Michael Tenzer will leave the company "at his own request". Tenzer, whose future career plans are not known, will be replaced from August onwards by Stefanie Berk, a former senior manager in Germany who is currently head of Product & Yield in the UK. As head of Central & Eastern Europe, she will also be responsible for Poland, Czech Republic and Hungary. Christoph Debus, board member in charge of airlines, will head the Central Europe region on an interim basis.

Group CEO Peter Fankhauser praised Tenzer's achievements at Thomas Cook Germany. "Michael Tenzer has decisively influenced our company in recent years and modernized the tour operator business with the introduction of dynamic production. With his tourism expertise he substantially accompanied the transformation of our company." Fankhauser

described Berk as “an excellent manager with extensive international experience in very different areas of Thomas Cook”, not only in tour operating, but also in the group’s hotels business.

In parallel, Thomas Cook is also centralizing its European tour operating model with a new structure. As of July, former TUI Germany manager Kirsten Feld-Türkis will join the company as Group Head of Premium Product and Long-haul, reporting to Björne Sandström, the Chief Touristic Platform Officer. She has been tasked with “accelerating the development of our exotic long-haul and luxury *Signature* holidays across the group”. At TUI Germany, Feld-Türkis headed both the luxury tour operator Airtours and also long-haul holidays.

In another managerial move, Reto Wilhelm, currently head of Western and Eastern Europe businesses, will take charge of implementing the joint venture with Chinese shareholder Fosun. The two groups plan to set up a Shanghai-based joint venture in China to offer outbound, inbound and domestic travel from the autumn onwards. In addition, they plan to invest in some 30 hotels, with Fosun funds and Thomas Cook management.

DER Touristik: Frese Steps Down and Rotter Moves Up

The long-serving head of DER Touristik’s specialist holidays unit Michael Frese has retired with widespread praise after 45 years in the German tourism business. The 65-year-old, who has managed Dertour, Meier’s Weltreisen and ADAC Reisen – known as DER Touristik’s ‘modular travel’ division – for the last 12 years, officially retired on May 28. The three brands comprise DER Touristik Frankfurt, one of the two divisions of Germany’s second largest tour operator group alongside the package holidays division DER Touristik Cologne. DER CEO Sören Hartmann praised the outgoing divisional chief warmly, saying: “Michael Frese has made modular travel into a term for the entire industry and successfully positioned Dertour as the market leader in this segment.” He also highlighted Frese’s successful integration of long-haul tour operator Meier’s Weltreisen.

The new management team at DER Touristik Frankfurt now comprises managing director René Herzog, tourism director Matthias Rotter and financial director Klaus Franke. Rotter, previously head of Meier’s Weltreisen, is therefore now also responsible for the larger Dertour brand and the ADAC Reisen offering.

SALES ACTIVITIES

Lufthansa Cooperation – “360 Degree” Training Events (May – October 2015):

Between May 20th and October 20th we will present VSPC in 15 different cities throughout Germany in cooperation with Lufthansa. The carrier’s 360° concept entails presentations of several LH products to top travel agents (Premium Economy, Business and First Class, Traveling with Children, the new Sun Destinations, Austrian Airlines and Swiss). The product presentation stations are set up in a circular fashion whereby attendees are seated in the middle of the room rotating their attention to each station in sequence. Of particular note is that for the new “Sun Destinations” product station, WE are the only destination given the privilege of making a special presentation ... other sun destinations receive mention only by a LH representative. An attendance of between 100-200 agents is expected in each city, so our potential reach is “amplified” to 2,000 agents!

This month the series of training events started with two cities:

May 20th in Frankfurt:

- Beyond our comprehensive training presentation, we included an interactive educational element, i.e. a game of dice. Numbers were assigned to specific area highlights on our map. Agents rolled the dice and were required to answer specific questions related to the highlight on the map. Agents were awarded a giveaway for correct answers. This interactive educational element resulted in our table being particularly busy allowing us to draw yet more attention to our destination.
- The evening culminated in an exciting prize drawing with our destination being the main highlight: two Lufthansa tickets FRA-TPA-FRA, a 3-night hotel stay in our area plus a dinner cruise for two. Agents were impressed with the entire event and were grateful for the comprehensive information they received on our area. Attendance: 165 agents.

May 27th in Düsseldorf:

- In Düsseldorf the presentation format was identical to Frankfurt's. Here again, the agents loved our amplified presentation as well as the dice game. As Lufthansa did not offer a Tampa flight in this city, we gave away a beach bag stuffed with goodies instead. Attendance: 164 agents.

At both events our snappy orange eco tote bags stuffed with our Gulf to Bay magazine as well as other LH collateral and giveaways were handed out to each attendee.

Logistical arrangements were made for the upcoming cities i.e. Dresden, Leipzig, Berlin, Cologne, Aachen, Hannover, Hamburg, Bremen, Schwetzingen, Stuttgart, Saarbrücken and Nuremberg. We have contacted each of the LH regional managers respectively coordinating presentation details and applicable shipping logistics for our brochures and giveaways.

IPW (May 30th – June 3rd, 2015):

Preparations for our attendance at this important international trade show were finalized this month. A final appointment schedule for all staff was completed reflecting applicable adjustments (related to adding appointments and/or adjusting double bookings) and distributed to all staff accordingly.

Over 30 appointments were conducted for the Central European Office. Many tour operators reported an increase in bookings to the U.S., Florida and VSPC thus far and remained optimistic about the bookings outcome for the summer 2015 season.

At the same time, the current weakness of the Euro relative to the U.S. Dollar was a hot topic among tour operators. It is anticipated that catalog pricing for the 15/16 winter season could increase by up to 15% and a whopping 25% for the summer 2016 brochures.

Explorer Fernreisen In-House Training (June 8th & 12th, 2015):

While we will be travelling all across Germany to promote the new Lufthansa flight, we took the opportunity to increase our reach by making arrangements for in-house training sessions in cooperation with Explorer Fernreisen, one of Germany's mid-sized, direct-sell tour operators with 23 offices in Germany. We will be in Explorer's Cologne and Hannover offices next month where we'll train Explorer reservations staff during the forenoon and proceed to the applicable LH events in the evenings. All preparations and logistical arrangements were made for these trainings this month. We will be supported by KLM/Delta/Air France.

Visit Florida Road Show (June 15th – 18th, 2015):

For the third consecutive year, we will participate in the Visit Florida Road Show. Four cities in three countries are targeted (Basel, Switzerland; Mainz & Nuremberg, Germany and Linz, Austria) where we expect to train over 300 agents cumulatively. Training sessions and workshops will be held during the day culminating in evening events in each city.

Registration has been completed. The following Florida partners will participate:

Bradenton, Florida Keys, Fort Myers, Naples, Panama City Beach, SeaWorld Parks & Entertainment. With Florida being FTI Touristik's "Highlight of the Year" destination 2015, the road show will be endorsed by the tour operator this year.

As the evening events will culminate in a prize raffle, we put out an applicable opportunity blast to our industry this month and are grateful, once again, for the generous support!!

Having submitted material (content, imagery, logo) for a 'workshop booklet' to Visit Florida last month, we proofed and approved the layout this month. Several other logistics were handled including submission of our PPT presentation, shipping and travel arrangements.

Lufthansa Road Show (July 13th – 17th, 2015):

Focused on promoting their services to the new "Sun Destinations" come fall 2015 (Cancun, Maldives, Mauritius, Panama and Tampa), Lufthansa will be conducting a road show to five German cities: Munich, Frankfurt, Düsseldorf, Hamburg and Berlin. The evening events will comprise a table top marketplace, destination presentation and prize raffle. Approximately 100 agents are expected per city. With service to Tampa emanating in Frankfurt, we are currently working on convincing LH to allow us to present a travel prize to our area in this city.

Lufthansa has engaged Aviareps to handle the organizational logistics of putting this road show together. We anticipate receiving additional details next month.

Visit USA Germany Halloween Event 2015 (October 30th – November 1st, 2015):

For the sixth 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.

Given that we registered early for this event last month to secure one of the coveted presentation slots, we were pleased to receive the Visit USA Committee Germany's confirmation of our participation this month.

"DERTOUR Academy" Pre-Event Fam Tours (Nov. 17th - 19th & 21st - 23rd, 2015):

Background:

DERTOUR, one of Germany's leading tour operators, stages an annual event known as the DERTOUR Academy. Over and above intensive training providing agents with the skills they need to operate effectively at the counter, this event serves as a platform for the presentation of the new DERTOUR summer programs and catalog products.

Past DERTOUR Academy destinations have included Canada, Dubai, Egypt, Malaysia and Scandinavia. This year, the DERTOUR Academy's main event will be held in Las Vegas (November 19-27). 576 top-selling retail travel agents associated with DER Touristik are selected from over 10,000 travel agencies in Germany, Austria and neighboring countries to attend this event in two, back-to-back waves of 288 agents each (11/19-23 and 11/23-27).

As an augmentation to the Academy, DERTOUR offers agents participation in familiarization tours before and/or after the main event. Due to our excellent relationship with the tour

operator, VSPC has been offered the invaluable opportunity to showcase the region to these high-quality agents prior to the main event. This will comprise two, back-to-back groups of 24 agents (12 dbl occupancy rooms) + 1 DERTOUR escort (1 sgl occupancy room) for two nights each, i.e. 11/17-19 and 11/21-23.

We have secured accommodations for the two groups – a big ‘thank you’ here as well for our industry’s generosity! Our Leisure Travel Department is in receipt of preliminary program information including the flight schedule. This month a draft itinerary was developed and forwarded to the tour operator for review.

Additional Activity:

- We secured accommodations for Mr. **Robin Engel**, Product Manager North America for **Knecht Reisen** of Switzerland for his post-IPW stay in our area.
- We assisted Ms. **Birgitte Bosma**, Head of Product & Contracting for **ITG Companies** of the Netherlands with post-IPW site inspections at several area properties.
- We sent the **winner** of the **360° Lufthansa Travel Agent Training Event** in **Frankfurt** comprehensive travel information for her prize.
- With the increased activity in cooperation with Lufthansa, we restocked our **promo items inventory** to be utilized as prizes during both the LH 360° training events and upcoming road show.
- We assisted our Meetings & Conventions Department with the translation of a **MICE flyer** into German which was distributed at this month’s IMEX convention in Frankfurt.

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 finalized video was approved by all parties and launched 2/25, i.e. uploaded to several media platforms such as YouTube and Facebook. The video will be promoted by the tour operator through 5/24 via in-screen and display ads. The video itself will remain online indefinitely. In addition, it was incorporated into the tour operator’s eNewsletter (130,000 subscribers) with a link to special VSPC travel offers.
Co-op Partners: SeaWorld Parks & Entertainment, Visit Florida

- CANUSA Touristik (Germany)
 - **B2C Online “Florida’s One-Pager” Experience** – May

Following last year’s successful “Mood Page” campaign, the “Florida’s One-Pager” Experience will combine relevant, high-quality content with an appealing presentation of photos and videos of the partnering destinations aimed at touching the visitor emotionally. Visitors to a special website, canusa.de/florida, will be mesmerized initially by an attractive video clip. Scrolling down the page invites users to browse through the partnering destinations’ USP’s, each linking to a dedicated destination landing page including packaged travel offers. Lastly, at the end of the page, the visitor will be directed to the successful “Mood Page” link, which remains online from last year.

In addition, the Florida’s One-Pager Experience will be promoted via an eNews blast to Canusa’s database of over 500,000 subscribers as well as continuous Facebook posts and ads (Facebook fans currently at over 61,000).

Our comprehensive input for this campaign (including our destination video) has been sent to the tour operator; the final layout was received and approved. The campaign launched 5/12.

- Faszination Fernweh (Germany)
 - **B2C Online Banner** – February-June & October

VSPC dedicated banner placement on the tour operator’s homepage and on Google for five months beginning in February and running through June plus an additional run in October, which we will receive free of charge. Placement was launched on 2/25.

- 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 is featured with a dedicated page presenting comprehensive destination information and unique selling points with logo and imagery integration.

- 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.

Travel Trade/Consumer Publications/Portals:

- Travelution (Netherlands) – circ. 7,500 *Trade*
 - **6-page Destination Feature/Infotorial** – May
VSPC will be featured in the “Regional Report” section with comprehensive destination description and highlights, imagery and logo. In addition, our area will be featured on Travelution’s website including a VSPC banner ad. We have provided the publisher with comprehensive information in preparation for his development of the infotorial. 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, infotorials 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 boasts approximately 31,407 unique users, 370,684 page views and 1.2 million page impressions monthly.
Pub frequency: 1x/mth

Online Aggregators:

- eBookers (Germany) *Consumer*
 - **Online Promotion** – May 15th - November 29th, 2015
Consisting of banner placements and a dedicated landing page, core campaign elements include:
 - A soft launch in May and June to run 50% of the media impressions
 - The campaign will be dark in July and August (because of German holiday periods)
 - It will have a stronger share of voice in September-November and run 50% of media impressions and the takeoversLayouts were received and approved with the campaign launching on 5/15.
- Travelzoo Europe (Germany) – 1.6+ million German subscribers *Consumer*
 - **Online Promotion** – February 18th - April 1st, 2015 and beyond
Microsite: A special microsite was developed featuring VSPC imagery, logo, several travel deal listings as well as content buttons for topics such as arts & culture, beaches & nature, dining & entertainment and communities.
Top 20 eNewsletter: VSPC was included in the Travelzoo Top 20 newsletter sent to 1.6+ million subscribers. The eNews contained our imagery and logo along with several travel teasers to our area as a top-tier destination and will link to the respective microsite.
Sweepstakes: A travel prize sweepstakes launched on **5/31**. German tour operator Faszination Fernweh was secured for sponsorship of flights for two persons, a one-week stay in St. Pete/Clearwater and a one-week car rental.
We solicited both Visit Florida and Brand USA for a contribution of funds to our Travelzoo initiative.

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 the required proof of performance documentation. 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 May:** Proofread and corrected.
- **Newsletter May:** Provided content ideas, proofread and corrected.

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