

# CENTRAL EUROPEAN OFFICE

J U L Y 2015

Prepared by: Marion S. Wolf  
Director Central Europe

## MARKET INTELLIGENCE / TRENDS

### **Strong June Sales Wipe Out Last Year's World Cup Slump**

Holiday bookings in German travel agencies soared by 19.6% last month wiping out the World Cup-induced slump of 18% in June 2014, but meaning that underlying growth was low. There was a rise in late sales of holidays with departures before the end of July, with nearly 25% of all June revenues generated by late bookings, according to the monthly survey by market researchers GfK. Overall, the summer 2015 season is now showing an 8.5% rise in revenues compared to last year. Demand for the two peak months of July (+15.9) and August (+4.7) is well ahead of last year.

The winter 2015/16 season is also selling well. Just over 30% of June revenues were for holidays from November 2015 onwards, which was 1.1 percentage points more than at the same time last year.

But the mood among German travel agents has worsened this month despite these positive trends, possibly due to factors such as the crises in Tunisia and Greece. Only 20% of agents predict that they will see rising sales in the coming months, while most expect stable sales, according to the latest survey by Dr Fried + Partner for fvw. Just one third describe their current sales situation as good compared to 40% in early June.

### **TUI Germany: Market Share Gains and Long-haul Expansion**

TUI has extended its German market leadership this year thanks to strong bookings and has launched a major expansion of its long-haul program for the forthcoming winter 2015/16 season. Germany's largest tour operator has increased its summer 2015 bookings by 6% as of end-April, while the winter season closed with a 3% rise. These increases are ahead of overall market growth, according to market researchers GfK, meaning that its market share has slightly increased to 20.7% this year.

Long-haul holidays are TUI's main growth driver and are booming with a 45% increase in bookings, driven by strong demand for the USA (+45%), the Dominican Republic (+34%), Mexico (+22%), Mauritius (+41%) and the Maldives (+16%). Luxury holidays and brand hotels are also in good demand. This summer's short- and medium-haul winners with double-digit growth include Ibiza, Portugal, Croatia and Egypt, while Turkey bookings are slightly ahead of last year. For winter 2015/16, the market leader will keep overall prices stable, with lower long-haul prices on many routes.

TUI is expanding its long-haul program substantially next winter and offering five new destinations (Qatar, Japan, South Korea, Nepal and Bhutan). “We’ve been the market leader for the Mediterranean for a long time. In the next few years we are targeting leadership on long-haul as well. The course has been set.” said tourism director Oliver Dörschuck.

In November, a long-haul ‘premium’ cooperation with Lufthansa’s new budget airline Eurowings will start, with flights from Cologne/Bonn to destinations in the Caribbean, Dubai and Thailand which will increase TUI’s capacity to these destinations substantially. In addition, TUI has expanded its cooperation with Etihad Airways, enabling new direct flights to Sri Lanka. In medium-haul destinations, the tour operator will add 100,000 more seats to the Canary Islands and Egypt with TUIfly. In the hotel sector, there are new Sensimar properties on the Canary Islands, in Mexico and Thailand, and new Riu hotels in Berlin, New York and Tunisia.

### **DER Touristik: High Winter Growth Target after Good Summer**

DER Touristik is expanding its short- and long-haul program and targeting double-digit revenue growth for the forthcoming winter after achieving good bookings this summer. Germany’s second-largest tour operator did not disclose its overall revenue growth figure for the current summer season, but presented mostly positive destination booking trends. COO René Herzog said Turkey has “a clear increase” (+7%) thanks to attractive prices that generated late bookings, while demand has remained strong for Greece with a 21% rise despite negative headlines.

Other top-selling short-haul package holiday destinations this summer include Egypt (+40%), Cyprus (+41%) and Bulgaria (+10). But bookings for Tunisia have slumped by 30% following the terrorist attacks. The group’s package tour operators ITS, Travelix, Jahn Reisen also have good growth for nearly all long-haul destinations.

The modular holiday tour operators Dertour, Meier’s Weltreisen and ADAC Reisen have high growth rates for destinations in the Caribbean, including Cuba with a 78% rise, the Indian Ocean (Mauritius +23%) and Asia (Thailand +26%), along with higher sales for the USA.

DER Touristik has also made a good start with strong early bookings for winter 2015/16. “Incoming bookings show a high double-digit increase and we’re very satisfied with how the winter has started,” said Herzog.

The group is expanding its overall offering for the forthcoming winter season and keeping most prices stable, while Egypt and the Canary Islands will be up to 5% cheaper. Herzog predicted that these two destinations would sell well after the number of flight departures was doubled to broaden customer choice.

Despite higher prices due to the weak Euro, Herzog added: “We are seeing the real boom in long-haul holidays”. Bookings for destinations such as the Maldives, Sri Lanka, Bali and the UAE have doubled compared to last year, while Cuba, Mexico and the Dominican Republic are also seeing good demand and the USA is stable.

Overall, the COO is optimistic for winter 2015/16. “We offer great diversity and very good prices. So overall we are expecting a double-digit rise in revenues for winter 2015/16.”

## **DER/Kuoni: Gradual Post-Merger Integration**

Germany's DER Touristik is planning a slow and careful integration of Kuoni's European tour operator businesses and will 'keep what makes Kuoni strong', CEO Sören Hartmann told fvw in an interview. DER Touristik will start work on a new strategy once the acquisition of Kuoni's European tour operator and travel agency businesses is completed in September with the expected clearance by competition authorities. "Then we will start intensive talks with the management and start to develop the strategy," he said.

Integration is likely to take 2-3 years, but will be carefully managed and selective. "We want to be fast, but there won't be any harakiri," he commented. "I wouldn't describe it as integration in all cases. We will see where the Kuoni tour operators can use our platforms. But we can learn as well, for example from the Kuoni specialists and the travel agencies in Switzerland and the UK, which successfully sell high-value holidays."

The DER Touristik chief stressed the German group does not want to create a centrally managed European group and will "keep what makes Kuoni strong" while seeking operational and production synergies. "Sales and brands are local and have to stay like that," he declared. Moreover, "we won't force everything onto common platforms."

In financial terms, Hartmann is convinced that the Kuoni tour operators can become more profitable within the DER Touristik group. The Scandinavian tour operator Apollo is currently loss-making, but Hartmann believes the new management can achieve a turnaround. In Switzerland, the ITS Coop venture will remain in the market alongside the Kuoni businesses, as it is only active in direct sales. "They do not impact on each other," Hartmann said. Overall, DER Touristik is acquiring some 40 different companies from Kuoni with combined revenues of about €2 billion and 1.5 million customers. This will take the group's revenues to about €7 billion. Germany will be by far the biggest market with revenues of some €4.9 billion, including €3.4 billion in tour operating (and including Austria revenues of €250 million). Switzerland will be the second-largest market with revenues of €780 million, ahead of Scandinavia (€710 million), UK (€350 million), Eastern Europe (€290 million) and Benelux (€35 million).

## **SALES ACTIVITIES**

### **Lufthansa "360 Degree" Training Events (May – October 2015):**

Between May 20<sup>th</sup> and October 20<sup>th</sup> we will present VSPC in several 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 we followed up on the training events attended to date in the following cities:

- ✓ June 02<sup>nd</sup> in Dresden
- ✓ June 3<sup>rd</sup> in Leipzig

- ✓ June 04<sup>th</sup> in Berlin
- ✓ June 8<sup>th</sup> in Cologne
- ✓ June 10<sup>th</sup> in Aachen
- ✓ June 11<sup>th</sup> in Hannover
- ✓ June 16<sup>th</sup> in Hamburg
- ✓ June 18<sup>th</sup> in Bremen
- ✓ June 23<sup>rd</sup> in Munich
- ✓ and June 30<sup>th</sup> in Schwetzingen.

We contacted the prize raffle winners in the various cities and provided additional informational material requested during the events.

Logistical arrangements were made for the upcoming cities, i.e. Stuttgart and Nuremburg. We have contacted each of the LH regional managers respectively coordinating presentation details and applicable shipping logistics for our brochures and giveaways.

#### **Lufthansa Group Road Show (July 13<sup>th</sup> – 17<sup>th</sup>, 2015):**

We participated in Lufthansa's road show this month, which was focused on promoting their new "Sun Destinations" being serviced come fall 2015 (Cancun, Maldives, Mauritius, Panama and Tampa). We amped up the St. Pete/Clearwater awesome to over 500 travel agents in the German cities of Munich, Frankfurt, Düsseldorf, Hamburg and Berlin. The evening events comprised a table top marketplace, destination presentation and prize raffle.

With service to Tampa emanating in Frankfurt, we were pleased to have successfully convinced LH to allow us to present a travel prize to our area in this city. Many thanks go out to our industry again for supporting this effort with donations of a 7-night stay plus several attraction tickets. Lufthansa augmented our prize with two air tickets to Tampa.

As Visit Tampa Bay did not present itself during the road show, all eyes were on St. Pete/Clearwater! Agents thirsted to learn about our area and literally devoured the information presented!

#### **Lufthansa Familiarization Tours (September, October, November 2015):**

With Lufthansa's new service to Tampa beginning September 25<sup>th</sup>, our area is in hot demand among Lufthansa's HQ and regional account managers in terms of showcasing our many features and benefits to key travel agents and tour operators. The following familiarization tours are currently in the works:

09/25-27: Inaugural Fam – 6 travel agency directors and managers + 2 LH staff

10/04-06: Cruise Tour Operator Fam – 11 tour operators + 1 LH staff

10/09-11: Travel Agent Directors Fam – 12 travel agency directors + 1 LH staff

10/26-28: Lufthansa City Center Fam – 12 travel agents + 1 LH staff

11/06-08: Travel Experts Fam – 12 travel agents + 1 LH staff

We are liaising closely with the carrier on the development of preliminary itineraries. Our Leisure Sales Department has been provided with input as related to LH's compliance criteria. Once initial itineraries are available, they will be subject to approval by LH's compliance department.

#### **Visit USA Germany Halloween Event 2015 (October 30<sup>th</sup> – November 1<sup>st</sup>, 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.

With creativity being key to capturing agents' interest, we held an extensive brainstorming session with our two presentation partners to develop an enterprising and engaging way of presenting our areas and products.

**Netherlands Sales Visit (November 4<sup>th</sup> – 5<sup>th</sup>, 2015):**

Arrangements were made this month to call on several Dutch tour operators and hold training sessions for in-house reservations agents in November, just prior to the commencement of the 2016 booking season. We will visit key tour operators American Vacations, Jan Doets, Tenzing Travel (formerly known as Kuoni Netherlands) and Travel Trend.

**“DERTOUR Academy” Pre-Event Fam Tours (Nov. 17<sup>th</sup> - 19<sup>th</sup> & 21<sup>st</sup> - 23<sup>rd</sup>, 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. A draft itinerary was developed and forwarded to the tour operator for review. A final itinerary, rooming lists and further details to be forthcoming.

**CMT Stuttgart Super Sweepstakes (January 16<sup>th</sup> – 24<sup>th</sup>, 2016):**

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 2015 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.

### **Meier's Weltreisen Travel EXPerts Incentive Fam Trip (May 4<sup>th</sup> – 6<sup>th</sup>, 2016):**

Meier's Weltreisen is one of Germany's top tour operators for travel to the USA specializing in long-haul travel only. Each year, 50 of the tour operator's best-selling travel agencies are awarded the "MEIER'S WELTREISEN Travel EXPerts" designation for exceptional performance. The award includes a service package with a very special highlight: participation in an exclusive Fam trip which has an incentive character. The participants are high level travel agency owners and managing directors, i.e. the decision-makers.

The Travel EXPerts trips focus on providing a broad array of informational, culinary and 'experience' highlights in the destination of choice. The incentive character of these trips entails giving participants activities options and special treatment, due to the high profile of the attendees. In 2013, the Travel EXPerts went to Vancouver; in 2014, the event was held in Thailand; this year's event was held in Bali. We are therefore proud to have secured this fabulous opportunity in 2016! VSPC accommodations were secured this month.

#### *Additional Activity:*

- We provided **Visit USA Netherlands** with input including details on the Dalí-Disney exhibition for their next newsletter to 1,500 consumers.
- We provided **TUI Germany** with our image gallery link for updating their website.
- **Visit USA Austria** updated their website for consumers and trade. We refreshed our texts and send them new images to be featured on our landing page.

## **MARKETING INITIATIVES**

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

#### *Tour Operators:*

- American Vacations (Netherlands)
  - **B2C Glossy Magazine** – September  
VSPC will be featured on four pages of the 44-page piece with logo, imagery and comprehensive destination content. Initial print run of 5,000 pieces. The magazine is distributed at consumer travel shows, to repeat customers and can be ordered via the tour operator's website. Layout was received and approved this month. Print run will commence in August.
  - **B2C Homepage Banners** – October - September  
VSPC banner ads will be placed on the tour operator's websites in The Netherlands, Belgium and Germany for the period of 12 months. These will link to a specially developed booking engine. The banner ads will also be placed on several travel portals in The Netherlands and Belgium. Layout was received and approved this month.
- DERTOUR (Germany)
  - **B2B2C Travel Agency Storefront Window Display** – November  
Due to our excellent relationship with the tour operator, we were given the opportunity to launch a travel agency storefront window display campaign in November – one of the most coveted promotional months, as it coincides with the launch of the tour operator's summer catalog. 1,000 travel agencies – all located in highly-frequented traffic areas – will be committed to prominently present the oversized poster for four

weeks. Content will include promotion of the new Lufthansa service to Tampa, VSPC travel packages as well as travel teasers for coop partners Visit Tampa Bay and SeaWorld Parks & Entertainment.

This month we provided the tour operator with respective materials (logo & imagery) for layout development. Final proof to be forthcoming.

- Hotelplan Suisse (Switzerland)
  - **B2C Online Placement** – August  
This initiative will give VSPC a focused presence on the tour operator’s travelhouse.ch website. Annual statistics: 5 million page views, 1 million visitors, average time on site is 4 min., 80% German-speaking, 20% French-speaking, affluent customers seeking travel experiences (not budget shoppers).  
Targeting the tour operator’s database of 67,000 subscribers, first position teasers and header image placements on eNewsletters will link to the website’s VSPC booking engine page. August’s themed topic will be arts & culture. Respective content was compiled and provided. Layout received an approved.
  
- 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)
  - **B2C Facebook Destination of the Week** – August  
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 398,000 page likes (July 2015).  
For the Thomas Cook Reisen Facebook platform, VSPC will be Destination of the Week the beginning of August. Respective input such as images and text was provided. Layout was received and approved this month.

*Online Aggregators:*

- eBookers (Germany) *Consumer*
    - **Online Promotion** – May 15<sup>th</sup> - November 29<sup>th</sup>, 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 takeovers
- Layouts were received and approved with the campaign launching on 5/15.  
Initial reporting shows over 677,543 page impressions for the period 5/15-7/14.

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. We are also in the process of collecting proposals for next FY's marketing initiatives in preparation for compiling advertising budget suggestions.

*Public Relations:*

**Kaus Media Services - VSPC's German PR Agency**

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

- **Press Release July:** Proofread and corrected.
- **Newsletter July:** Provided content ideas, proofread and corrected.

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