

# CENTRAL EUROPEAN OFFICE

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## MARKET INTELLIGENCE / TRENDS

### Summer Sales Stay Stable, Hurricanes Affect Winter Bookings

The German package holiday market will close this year with stable sales, but good early winter bookings have been swept away by the recent Caribbean hurricanes, according to new figures. German travel agents again had disappointing sales in September, but look likely to end the 2016/17 business year with stable overall results, the latest GfK monthly representative sales analysis of 1,500 agencies found.

Summer 2017 bookings dropped by 8% year-on-year, leaving cumulative bookings through the end of September at 1% higher than last year. This figure is likely to stay unchanged next month due to the low level of late summer bookings in October. As a result, overall sales for 2016/17 will probably remain at last year's level, according to the market research group.

This stagnation only refers to travel agency sales, however. Leading tour operators have solid single-digit growth rates and cruise sales remain strong. The overall market is thus likely to end with mid-range single-digit growth this year, according to experts. In contrast, winter package holiday bookings in travel agencies took a hit last month with a 6% decrease compared to September 2016. As a result, winter 2017/18 bookings to date are just 2% ahead of last year, compared to 4% at the end of August.

To blame, according to the market researchers, were "the severe hurricanes which left their traces in the Caribbean". They added: "Without 'destination Caribbean' the sales revenues (for the winter) would have been positive."

Overall, travel agencies recorded a 3% fall in sales revenues last month as good early bookings for next summer slightly compensated for the above trends. Summer 2018 bookings already accounted for a quarter of last month's total revenues, which is 3.1 percentage points more than at the same time last year.

### Expanding Low-Cost Carriers Gain Market Share

Budget airlines, led by Eurowings, Ryanair and Easyjet, now control a quarter of the German air travel market and are set for more following the collapse of Air Berlin, according to a new survey. The flight capacity of budget carriers currently amounts to 25% of total seat capacity in the German air travel market, the latest annual Low Cost Monitor by the German Aerospace Centre (DLR) found. The survey includes Eurowings, Ryanair, Easyjet and

smaller carriers such as Wizz Air and Norwegian, but not Air Berlin (or leisure airlines such as Condor or TUIfly).

In terms of individual carriers, Eurowings has established itself as the clear low-cost market leader in Germany with 52% of the segment's capacity this summer, according to the DLR survey. The Lufthansa budget subsidiary had already expanded its network even before the collapse of Air Berlin by taking over numerous aircraft and establishing a new hub in Munich. "Ahead by some distance is Eurowings/Germanwings, which offers 368 different routes within and from Germany, and has included around 50 new routes in its flight schedule, whereby Eurowings also operates a number of Lufthansa connections departing from Munich," said the DLR's lead researcher Peter Berster.

Ryanair also expanded its German network significantly by almost 14% and now accounts for 25% of the market. "As the forerunner of bargain air tickets, the range of flights offered by Ryanair has consolidated in second place in the ranking of low-cost carriers in Germany, offering a record number of 243 routes. The Irish airline recorded more than 50 new routes departing Germany, compared to last year," he added. Third-placed EasyJet offers around 90 routes, followed by Wizz with 73. Overall, there was a significant increase of 14.8% from 700 to 802 routes offered as low-cost air transport departing from Germany.

Average ticket prices again dropped this summer due to a mix of new short-haul routes and aggressive marketing. Passengers flying to destinations in Spain, Italy or Greece, in particular, benefited from this development. In addition, the number of low-priced long-haul flights also grew substantially thanks to new strategies and aircraft models, the DLR researchers said. "The prices offered by low-cost carriers have continued to fall compared to last year due to the persistently fast-moving market," explained Berster. "This autumn, the identified price range fell to its lowest level to between €35 and €97, from €40 to €105 in autumn 2016 and €45 to €115 in autumn 2015." The reviewed prices remain low due to the continued availability of inexpensive fuel and sustained competition with more than one low-cost carrier on now almost 100 routes departing Germany.

"Despite increasing their presence at major airports once again, Ryanair and Wizz have lowered their prices compared to last year and hence, fueled the trend toward falling ticket prices," added Berster. "How the takeover of Air Berlin will affect price development in the upcoming winter season remains to be seen."

### **Summer 2018 Program: Thomas Cook Focuses on Families**

More Mediterranean hotels, broader offers for families and more individual choice are the main features of Thomas Cook Germany's program for summer 2018 after strong growth this year. Germany's second-largest tour operator has seen strong bookings this summer, based on an overall 13% rise in the group's Continental Europe region. Greece was the big winner with a 27% increase in bookings from the Central European region (comprising the German, Austrian and Swiss markets), while Bulgaria, Croatia, Egypt, Italy and Portugal all enjoyed double-digit growth. Spain sales were stable at a high level while there was a slight decline in Turkey bookings.

For summer 2018, Thomas Cook Germany unveiled a mix of new hotels and additional services. There will be 21 new group hotels on offer next summer, including 8 Aldiana club resorts (following the recent strategic partnership and stake acquisition), 5 Sentido hotels and

the new Casa Cook on Crete. In terms of destinations, the hotel portfolio has been expanded mostly in the Western Mediterranean, particularly for Greece with 22 new properties on Crete alone, in Italy with 10 more hotels on Sardinia as well as in other regions, and 13 new properties in Croatia. In parallel, flight capacity has been increased to Croatia (+15%), Portugal (+15%), Morocco (+20%) and Sardinia, while Condor will fly weekly to Sitia on Crete to reduce hotel transfer times.

Families are also firmly in focus. There is a redesigned family holidays brochure, new product labels for hotels suited to family holidays, and an optional 'family travel package' including free in-flight catering and seat reservations that enables four-person families to save up to €20. In addition, customers can choose their preferred room in 300 hotels next summer through the expanded 'My Room' option.

"With all our innovations, we are clearly focusing on customer wishes, in line with our corporate philosophy 'Customer at our heart'," said Stefanie Berk, Managing Director Thomas Cook Central Europe & East. "Our new offerings enable a tailor-made travel experience and take into account the clearly expressed needs of our guests."

### **Summer 2018 Program: FTI Adds More Med Charters After Strong Growth in 2017**

Germany's fourth-largest tour operator is expanding capacity significantly for various Mediterranean destinations next summer after strong double-digit growth in turnover and customer numbers this year. FTI expects to increase consolidated group turnover from all markets by 8.4% to € billion in the current 2016/17 business year. This includes a 16% increase in German-speaking tour operator markets. Customer numbers surged by 26% to about 6 million.

"All our destinations were well booked," said Group Managing Director Dietmar Gunz. "Egypt, Morocco, Tunisia, Spain, including the Balearics and Canaries, Cyprus and Greece, as well as self-drive destinations were in particular in demand." FTI also had good bookings throughout the year for Turkey, where it now sees itself as the largest German tour operator, he added. Ralph Schiller, Group Managing Director, added that winter 2017/18 sales have started "very well" with good bookings for the Eastern Mediterranean thanks to good value for money. In particular, families are booking holidays in Turkey and Egypt again, he pointed out.

For summer 2018, Egypt will once again be in focus with 132 weekly flights, including full charters from regional airports such as Friedrichshafen and Memmingen in southern Germany. "Egypt will be as easy to reach as favorites like Majorca and Antalya in summer 2018, for example with the El Gouna Shuttle," declared Sven Schikarsky, head of package holidays. One new hotel on offer is the Labranda Turtle's Bay in Marsa Mubarak which opens next May.

In addition, FTI has increased flight capacity to several other destinations, including to Morocco (Agadir), Turkey (Bodrum) and Dubai, where flights will be offered to the new Dubai World Central airport which lies closer to tourist districts. Gunz said FTI aims to defend its market leadership to Dubai by increasing capacity.

## **Consumer Climate Falls Slightly in Germany**

Consumer mood in the first survey since the German federal elections in September is not sending clear signals. Both economic expectations and propensity to buy are on the rise in Germany. In contrast, income expectations fell for the second time in a row. GfK forecasts a slight decrease in consumer climate for November of 0.1 points in comparison to the previous month to 10.7 points. Even in late fall, consumers estimate that the German economy is clearly continuing to grow. Economic expectations have risen sharply in October, with August's setback a distant memory.

**Economic expectations back on track:** Economic expectations have moved on impressively from the weak phase in August. The indicator in October has increased by 10.1 points, climbing to 43.5 points and this, along with the previous month's slight gains, have almost completely made up for August's losses. There has now been a gain of more than 30 points from last year. These optimistic economic expectations for Germany are now shared by almost all economic experts. This is demonstrated by the fact that growth forecasts for gross domestic product must be widely revised sharply upwards. For example, the German Federal Government's current fall outlook forecasts that the German economy will grow by two percent this year, after having forecast a figure of 1.5 percent in April. The International Monetary Fund's recently published forecast for Germany also predicts that Germany will experience economic growth of two percent this year. The forecast was 1.8 percent as recently as July and just 1.6 percent in April. These positive outlooks are primarily based on the fact that the upturn in Germany is on solid and, above all, broad foundations. For example, the excellent labor market ensures solid development of private consumption. The sustained revival of the world economy is stimulating exports and thereby further encouraging investment in Germany.

**Income expectations currently weakening slightly:** Even though economic expectations have already moved on from their weak phase, it seems as if income expectations remain in the middle of a weak phase. The indicator fell for the second time in a row. It lost 4 points in October, sliding to 48.7 points. However, its level is still very good, as demonstrated by an increase of almost 4 points on last year's level. Despite the decrease, German consumers continue to assume that their incomes will still grow appreciably in future. Low unemployment figures ensure that pay increases will also be considerable in the future. Pensioners will also profit from this because their income is linked to wage trends. However, the topic of inflation currently seems to be of greater concern to consumers. The September rate of inflation of 1.8 percent is currently at a level that does not yet give any cause for concern and has not yet given the ECB any reason to intervene. In some consumer-sensitive areas, such as food and fuel, much higher figures are currently being recorded. For example, food prices increased during the year by 3.6 percent, with dairy products, in particular, rising in price by 15 percent. Fuel, such as gas and diesel, increased in price by 4.5 percent in comparison with last year.

**Unabated propensity to buy:** Despite slightly muted income prospects, German consumer confidence continued to be high in fall of 2017. Propensity to buy increased by 2.2 points to 59.2 points. In comparison to last year, there is a 9-point increase. High job and planning security as well as noticeably rising income ensure that consumers tend to be willing to open their wallets and spend generously. This favorable consumer confidence is also currently being experienced in large parts of the retail trade. For example, retail revenues increased in August by 4.7 percent in comparison with the previous year (in real terms: 2.8 percent), according to figures from the German Federal Office of Statistics.

## **SALES ACTIVITIES**

### **VSPC Sales Visit (October 16<sup>th</sup> – 20<sup>th</sup>, 2017):**

Planning for our visit to the county was finalized early this month. The finishing touches were put on a comprehensive itinerary, confirming appointments with several industry partners. We presented a FY 2016/17 recap and market overview at the TDC Meeting on 10/18, conducted a number of site inspections as well as meetings with several industry partners, all of which were most productive.

### **Visit USA Germany Seminar & Halloween Event 2017 (October 27<sup>th</sup> – 29<sup>th</sup>, 2017):**

For the eighth consecutive year, we participated in the annual Visit USA Germany Seminar & Halloween Event, which took place at the Hilton Garden Inn Frankfurt Airport.

VSPC shared the seminar training sessions with Visit Orlando and SeaWorld Parks & Entertainment, jointly conducting ten intensive training sessions throughout the course of a full day. Our authentic and innovative training presentations received excellent responses from the participants. An evening Halloween extravaganza was the highlight of the weekend seminar. Thanks to our generous accommodation sponsors, VSPC was featured with a top travel prize. A record 117 travel trade professionals were reached this year.

### **USA-Canada Experience Netherlands (November 2<sup>nd</sup> – 3<sup>rd</sup>, 2017):**

The “*USA-Canada Experience*” is a two-day event providing supplier partners with an exceptional opportunity to inform and educate the Dutch travel trade and conduct one-on-one sales meetings directly with product managers and media. A full-day workshop will see us holding comprehensive training sessions for over 100 agents from all over The Netherlands. The event will culminate in an exciting contest and travel prize raffle.

This month saw us finalizing all preparatory tasks including PowerPoint presentation, shipment of collateral material and travel arrangements.

### **Thomas Cook TravelConneXion (November 4<sup>th</sup>, 2017):**

The Thomas Cook TravelConneXion exhibition has become a very successful event over the past several years attracting up to 2,600 travel professionals. Exhibitors are given the opportunity to educate attendees by holding comprehensive training sessions, interactive presentations and especially during one-on-one sales meetings.

We will participate with Brand USA Germany, who will be organizing a USA stand at the exhibition this year. All necessary arrangements were made in preparation for our participation next month.

### **Mall of Switzerland Opening (November 8<sup>th</sup> – 11<sup>th</sup>, 2017):**

The brand new *Mall of Switzerland* is due to open its doors next month in Lucerne. Known as “the heart of Switzerland”, Lucerne is among the most important tourism areas of the country with a considerable catchment area. The mall will be Central Switzerland’s largest shopping center and entertainment complex boasting 65,000 square meters with 150 shops and restaurants as well as indoor surfing, a fitness center and xxl cinema. The facility is expected to attract 5 million visitors annually,

TUI Suisse will be among the commercial enterprises at the mall with the opening of their 71<sup>st</sup> retail agency. We will partner with TUI Suisse during the celebratory opening events over the course of three days effecting destination promotional initiatives including a sweepstakes and brochure distribution for 800 TUI clients. TUI was provided with all necessary elements this month.

**Knecht Reisen “Reisewelten” (November 25<sup>th</sup> – 27<sup>th</sup>, 2017):**

Renowned Swiss tour operator Knecht Reisen will again hold their “Reisewelten” trade show at their headquarters in Windisch near Zurich. The three-day show will comprise a two-day consumer exhibition attracting close to 5,000 visitors. With 1800m<sup>2</sup> exhibition space available, the consumer show will include various impressive theme worlds such as South Pacific, Africa, Latin America, Caribbean, North America, cruises, recreational vehicles and sports travel, making this a veritable holiday and travel show. The third day will be dedicated solely to the travel trade during which comprehensive training seminars will be held for approx. 200 agents.

We are pleased to have secured participation in this important show and will exhibit within the North America section during the B2C days and will hold a series of 8 training sessions during the B2B day. This month saw us making the necessary arrangements in preparation for our participation.

**DER Touristik Campus LIVE 2017 (December 5<sup>th</sup> – 8<sup>th</sup>, 2017):**

The “Campus LIVE” tour is among the most important events DER Touristik orchestrates annually for its top travel agents. While the main event will be held in Orlando from December 8<sup>th</sup>-12<sup>th</sup>, 2017 for 90 top-selling German travel agents, DER Touristik is keen to give agents the opportunity to experience different regions of Florida during 5 Pre-Tours consisting of 18 agents each. These are intended to convey in-depth product knowledge and experiential takeaways from each region’s attractions and unique selling points.

We continued to liaise closely with our Leisure Travel department regarding itinerary development and further program arrangements.

**Alamo/ADAC Familiarization Tour (December 6<sup>th</sup> – 7<sup>th</sup>, 2017):**

Our strongly dedicated rental car partner Alamo is going to be bringing a small group on a whirlwind tour through Florida again in December this year. Mike Luetke, Senior Sales Manager at Enterprise Holdings (Alamo) based in Germany has invited 11 of his top-selling ADAC agents to experience select Florida destinations – with St. Pete/Clearwater being among them!

ADAC is a German tour operator with several travel agency offices in Germany. The company belongs to the REWE Group, which includes DER Touristik and Meier’s Weltreisen. Qualification for participation in the tour includes a per agency sales increase of at least 10% in Florida product within a 6-month period this year, which equates to an estimated 10 million Euros in revenue. The selected agents are thus all top sellers of Florida product and are coming to us from the German State of North Rhine-Westphalia, one of Germany’s most populous regions.

After sourcing activities and program elements for the group last month, we continued our efforts relative to finalizing the arrangements for this group and liaised closely with our Leisure Travel Department on the details.

**CANUSA Touristik “Pow Wow” (December 6<sup>th</sup> – 7<sup>th</sup>, 2017):**

German tour operator CANUSA Touristik will stage their very own “Pow Wow” event at their headquarters in Hamburg. This year’s event theme is dedicated to Florida. As supplier spots were limited, we eagerly registered promptly this month. Over 80 agents coming from CANUSA’s seven German retail offices will engage with Florida destination and attractions representatives in one-on-one sales meetings and absorb in-depth product knowledge during a series of comprehensive training sessions over the course of two days. The “Pow Wow” event will culminate in an evening extravaganza at a ‘beach’ venue during which our area will be highlighted again as a contributing.

**Visit USA Seminar Austria (January 24<sup>th</sup> – 25<sup>th</sup>, 2018):**

Known as Austria's premier travel trade event, the Visit USA Seminar Austria will be held in Linz on 1/24 with an additional seminar in Graz on 1/25. Up to 200 agents are expected to attend cumulatively. The format in Linz will comprise an afternoon seminar with an ensuing evening event. The seminar program will include a table top marketplace and an on-stage "interview" session with each exhibitor. In Graz, a unique 'speed-dating' workshop is planned, which has proven most effective in past years. Our 'early-bird' registration has been submitted thereby securing a discounted participation fee.

**Visit USA Seminar Switzerland (January 30<sup>th</sup> – 31<sup>st</sup>, 2018):**

This program is Switzerland's premier travel agent training seminar held annually in Zurich. The seminar platform provides 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.

Delivery of requested assets including destination-oriented questions for an online knowledge test, query contributions to a questionnaire to be distributed during the event, imagery for development of new stand backdrops, etc. has been completed.

**German Consumer Shows (January & February 2018):**

We are in the planning stages to present our area at several important consumer shows in Germany in cooperation with the Visit USA Committee Germany. Registration has been completed for the following tourism fairs attracting 441,000 consumers cumulatively:

- CMT Stuttgart January 13-21, 2018
- Reisen Hamburg February 7-11, 2018
- f.r.e.e Munich February 21-25, 2018

**ITB (March 7<sup>th</sup> – 11<sup>th</sup>, 2018):**

Known as the "world's largest tourism fair" held annually in Berlin, Germany, we again plan to exhibit within the Visit Florida Pavilion. Registration information was received from Visit Florida the end of last month prompting deployment of a participation opportunity blast to our industry partners this month. We are pleased to have received a favorable response from one accommodations partner! The Visit Florida registration was thus completed this month and payment was made. Strategic planning and logistics management are underway.

**Swiss Tour Operator Appreciation Event (March 12<sup>th</sup>, 2018):**

We will again orchestrate an upscale appreciation event for Switzerland's most influential and productive tour operators, with 2018 marking our 6<sup>th</sup> consecutive year. The venue has been selected. We are pleased to report that Visit Tampa Bay will again co-host this event.

Upcoming tasks include menu selection, guest list identification, invitation creative, function room needs, hotel room block, reservations form development, hospitality gift selection, etc.

*Additional Activity:*

- Ms. Laquai, owner of **Reiseparadies Monika Laquai** in Eppelheim, Germany was provided with comprehensive destination information in preparation for her own travel plans to our area in May 2018.
- Ms. Sandra Sturm of **Vetter Touristik** in Halle, Germany has also chosen our area as the preferred destination for an upcoming personal trip and was provided with comprehensive destination information and insider tips.

- Mr. Wendeln, Manager of **Karstadt Reisebüro** in Bremen, Germany contacted us regarding the travel trade platform of our website, as he was unable to access the travel agent discount information. In liaising with VSPC headquarters, we were advised the travel trade website is currently offline while its rebuild is in the process. This didn't stop us from providing the customer with comprehensive destination, of course.

## MARKETING INITIATIVES

Our efforts continued this month in conducting marketing initiatives and advertising programs, which included ...

### *Tour Operators:*

- Jan Doets (Netherlands)
  - **B2C Inspirational Sensory Events** – October 1<sup>st</sup> & November 19<sup>th</sup>  
 We are partnering with tour operator Jan Doets on two unique B2C inspirational “sensory” promotional events being held at Jan Doets’ offices in Heerhugoward. Beyond comprehensive presentations on several U.S. and Canadian vacation destinations, the full-day events will include several games stations, musical ‘discovery’ stations for kids, a dance floor with DJ for adults, American beverage tastings and even a Thanksgiving turkey grilled in an authentic Green Egg in November. Last, but not least, a treasure hunt/digging contest in a beachy Florida sand garden for young and old will be staged. Over 1,000 customers are expected at each of these events, where travel can be booked on the spot. We’ve provided the tour operator with our popular Reef Safe sunscreen as a giveaway for the ‘treasure digging’ as well as collateral material.  
 The first event took place this month and was a great success! We will receive a final report from the tour operator after the second event.
  - **B2C Online Banner Campaign** – November  
 This year we will join Jan Doets in a digital campaign with the De Persgroep, which is the largest media organization in the Benelux. The campaign comprises placement of dedicated banners for 4 weeks on the De Persgroep’s online network of 11 daily regional newspaper websites: AD, de Volkskrant, Trouw, Het Parool, BN DeStem, Brabants Dagblad, de Gelderlander, de Stentor, Eindhovens Dagblad, PZC & De Twentsche Courant Tubantia. Total reach per day is 3.9 million contacts (desktop, tablet and mobile devices).  
 Creative layouts were received, adjusted as necessary and approved this month.
- Knecht Reisen (Switzerland)
  - **Cover Page Placement for 2018/19 Catalog** – circ. 50,000  
 Due to our excellent relationship with this active Swiss tour operator, we were offered exclusive placement of a VSPC image on the cover of the tour operator’s next annual USA catalog (valid April 2018 thru March 2019) – including special photo credit within the brochure – free of charge!  
 Thanks to the amazing talent of our Creative Manager at HQ, we were able to provide an enticing key visual in the applicable resolution. Final layout was received and approved this month.

- Knecht Reisen (Switzerland)
  - **B2B2C Catalog Editorial 2018/19**  
 In addition to the cover page placement, VSPC will receive prime exposure comprised of two full pages of dedicated editorial content plus imagery positioned as lead-in to Florida's Gulf Coast region. Layout was received, corrected and approved this month.
  
- Thomas Cook – Neckermann Reisen (Germany)
  - **Cover Page Placement for 2018/19 Catalog** – circ. 650,000  
 We were most pleased to have secured premier exposure for VSPC on the cover page of Neckermann Reisen's annual 2018/19 North America catalog with a validity of April 2018-March 2019! To put the importance of this placement into perspective: The decision as to which image adorns a catalog cover is a lengthy process and subject to scrutiny by various management levels, with Executive Management ultimately making the final call. Neckermann Reisen offers over 30,000 vacation products, several thousand of which are in the United States. In Florida alone, Neckermann Reisen offers over 200 supplier products. Considering the tremendous competition, the tour operator's management team is clearly confident that Visit St. Pete/Clearwater is ranked first class! It is therefore a great privilege and huge exposure opportunity for us.  
 In addition to being featured on the cover, VSPC will also be highlighted on page one of the catalog with an informational text box comprised of visual, brief destination description and travel offer page reference. Having approved creative layouts last month, the catalog was deployed in-market this month.
  
- TUI Suisse (Switzerland)
  - **Catalog Advertorial Page** – circ. 95,000  
 We were offered placement of a full-page dedicated destination advertorial in the tour operator's new annual catalog which will be valid April 2018-March 2019 with a print run of 95,000. This comes to us on a complimentary basis, which is largely due to our excellent relationship with the tour operator. Page layout has been approved. The catalog will be in-market come January 2018.

*Public Relations:*

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

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

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

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