

# CENTRAL EUROPEAN OFFICE

A P R I L 2014

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## MARKET INTELLIGENCE / TRENDS

### Slow Growth in March

Germans held back with their summer holiday bookings last month in contrast to strong demand at the start of the year. Summer holiday bookings in German travel agencies rose by just 2% in March, according to the latest monthly survey by market researchers GfK. However, the cumulative sales trend for summer 2014 still shows 6% growth compared to last summer.

Given the unusually strong sales in January and February, this effectively means that Germans booked their summer holidays even earlier this year. The extreme overlapping of school summer holidays in most parts of the country in August is widely seen as a key factor behind this trend.

In terms of monthly trends, demand for May is down 8.5%, but 13.5% higher for June, which includes the Pentecost holidays this year. Bookings for July, which has fewer school holidays this year and during which the second half of the World Cup in Brazil takes place, are 7.2% lower.

However, bookings for August, when virtually all regions have overlapping school holidays, are up by a dramatic 23.9%. September (+7.4%) and October (+11.1%) are also showing good demand so far this year, according to the representative survey of 1,200 travel agencies.

There were also good early bookings for next winter and even summer 2015, which collectively amounted to 15% of all sales last month. Cruise bookings were also key factor, according to GfK.

As a result of the weak March bookings, German travel agents are now much less optimistic about sales prospects for the coming months, according to a survey by consultants Dr Fried + Partner. Their confidence index has dropped to 105.7 points in April from a high of 120 in February. This is still much better than one year ago, though, when the confidence index only measured 98 points.

### **TUI: New Marketing Chief to Review Brands**

Erik Friemann has been named the new Chief Marketing Officer at TUI Travel with responsibility for the marketing and brand strategy of the entire TUI Group, including the separate hotel and cruise holidays businesses. He will replace Michael Lambertz who was responsible for TUI Travel's marketing.

The 46-year-old, who was headhunted from Vodafone Germany, will also join the TUI AG management board to ensure close cooperation between the holding company and the tourism subsidiary. At Vodafone, he was in charge of the entire consumer business in Germany.

Peter Long, Chief Executive TUI Travel said: "Our focus is on offering our customers the best holiday experience possible through our market leading brands, unique holiday concepts and choice of booking options, anytime anywhere, anyway. The appointment of Erik with both his international and CRM experience will be important elements as we continue to drive growth both in profits and customers."

TUI explained that "stronger differentiation of the TUI brand and the hotel and tour operator portfolio is one of the core elements of the oneTUI program" which was initiated by TUI Group CEO Friedrich Jousen last year. In recent weeks and months Jousen has repeatedly criticized the fact that TUI has some 200 different brands, many of which are unclearly positioned and confusing to customers. He wants the brands to be simplified and positioned more clearly.

Friemann is the latest senior manager to join TUI AG from Vodafone Germany, following the appointment of Sebastian Ebel as Chief Operating Officer and several communications managers.

### **DER Touristik: Hartmann Takes Over as Fiebig Goes**

DER Touristik CEO Norbert Fiebig is leaving Germany's second-largest tour operator due to differences of opinion over the group's future and will be succeeded by Sören Hartmann, head of the Cologne-based package holidays unit.

Parent company Rewe Group announced that Fiebig was resigning as head of its tourism business as of April 30<sup>th</sup> and would leave the company. The supermarket group said that group CEO Alain Caparros and Fiebig had agreed on the move "due to differences of opinion over the further strategic positioning" of DER Touristik. Caparros thanked the 55-year-old for his "successful" work at the company over the last 14 years, saying: "The continuous profitable growth of our second core business, tourism, in the last decade and most recently the creation of the DER Touristik umbrella brand carry his signature".

Nevertheless the relationship between the two men was not free of tensions. Fiebig was also Rewe Group CFO from 2005 to 2011, but had to give up the position and leave the Rewe board after Caparros reorganised the board. Fiebig remained as tourism CEO, undertook various moves to increase cooperation between the two tourism units in Cologne and Frankfurt, and acquired Czech-based tour operator Exim. But this was seemingly not enough for Caparros who wanted deeper cooperation between the two units and faster expansion of online tourism retailing.

The new head of DER Touristik from May 1<sup>st</sup> will be Sören Hartmann who will also retain his position as head of DER Touristik Cologne. The 50-year-old has been responsible for the package holidays division since 2010 and “has successfully restructured the division”, Rewe pointed out. This division comprises the ITS, Jahn Reisen and Tjaereborg brands.

The other tourism unit, DER Touristik Frankfurt, consisting of the individual and specialist holidays brands Dertour, Meier’s Weltreisen and ADAC Reisen, is managed by long-serving Michael Frese. Some German newspapers have already speculated that Hartmann might seek to bring the two units closer together after Frese retires in spring 2015. In contrast, Fiebig believed that the advantages of having two largely autonomous tourism units outweighed the potential synergies from closer cooperation.

DER Touristik had turnover of some €4.7 billion in 2013, but generates less than 10% of the Rewe Group’s overall sales of €50 billion. Although profits are not disclosed, all tourism businesses are profitable, according to Fiebig. The tour operators have combined volumes of 6.6 million customers and revenues of more than €3.2 billion, putting them ahead of Thomas Cook (excluding Condor) in number two position behind TUI in the German market, with a market share of about 13%.

### **Air Berlin: Fresh Cash but No Ownership Changes**

Air Berlin is raising €450 million in fresh capital from shareholder Etihad Airways and other investors. It plans a “no taboos” review of its business model, but a restructuring of ownership is off the agenda.

Germany’s second-largest airline announced a surprisingly high operating loss of €32 million for 2013. Its revenues dropped 4% to €4.1 billion although yields improved slightly due to a 5.1% capacity cut. Some €200 million of cost savings from the Turbine program were not enough, however, to compensate for the revenue decline, leaving the airline heavily in the red. The airline’s equity capital ended the year at minus €186 million, with debts outweighing assets.

In response, Air Berlin has unveiled plans to raise €450 million in fresh capital through two bonds. Shareholder Etihad Airways will pump €300 million into the German airline through a secondary bond, while a further €150 million will be raised with a separate bond on the financial markets.

CEO Wolfgang Prock-Schauer said the airline would also launch a fundamental review of its business model. “There are no taboos any more. Everything will come under review. We cannot continue as before,” he said. The CEO did not detail the planned changes, but ruled out withdrawing from any specific area of business.

The airline’s so-called “hybrid model” has been widely criticized in the past by analysts and experts who claim the carrier is over-stretched with its business mix. Air Berlin flies domestic German and European city routes targeting business travelers for the most part, leisure routes to holiday destinations in the Mediterranean and the U.S., intercontinental routes for a broad mix of passengers as well as feeder flights from Germany to Abu Dhabi carrying German passengers to connect to Etihad’s long-haul flights.

Etihad’s CEO James Hogan apparently wants the German airline to restructure its business model and flight operations. This could see it focus much more on lucrative routes for

business travelers as well as on feeder services to Abu Dhabi to maximize synergies with Etihad's intercontinental flights. This might involve Air Berlin leaving the Oneworld alliance in favor of Skyteam, led by Air France-KLM (an Etihad cooperation partner), although this would be an extremely complex and time-consuming operation. At the same time, the German airline could also cooperate more closely with other airlines where Etihad has a shareholding.

In contrast, no immediate changes are now planned in Air Berlin's ownership structure following the recapitalization measures. CFO Ulf Hüttmeyer described the widespread recent media reports about Etihad increasing its 29.2% stake to 49% along with a de-listing and majority ownership by German investors as "speculation". However, these plans were reportedly opposed by competitors while German authorities were apparently concerned that Air Berlin might lose traffic rights if Etihad was seen to have effective control over the German airline.

## **SALES ACTIVITIES**

### **IPW (April 5<sup>th</sup> – 9<sup>th</sup>, 2014):**

Preparations for our attendance at this important international trade show were finalized this month. A final appointment schedule for all staff was completed making last adjustments as necessary (related to double bookings or adding appointments). A total of 31 appointments were conducted by the Central European Office. Many tour operators – the Swiss in particular – reported positive booking figures to VSPC. We also liaised closely with HQ in reviewing market relevant invitation lists for our Black & White themed industry event, forwarding our eVite to customers who had been missed in previous mailings.

### **DERTOUR Destination Special Mega Fam (May 10<sup>th</sup> – 13<sup>th</sup>, 2014):**

Secured in September 2012, we are very pleased to have the opportunity to host this year's DERTOUR Destination Special Mega Fam in our area in combination with Orlando. We showcased our area to 100 of DERTOUR's top travel agents, which promises to generate additional visitation increases to St. Petersburg/Clearwater in the future. The group arrived in Orlando on May 6<sup>th</sup> and proceeded to our area on May 10<sup>th</sup>. The co-sponsoring carrier was be United Airlines.

In recent months, we have connected with several industry partners regarding sponsorship of accommodations, evening events, attractions visits and site inspection opportunities in addition to liaising closely with our Leisure Sales Dept. regarding itinerary details. The final itinerary was completed and delivered to the tour operator. We were advised of slight changes to the United Airlines arrival/departure timing which was promptly forwarded to HQ. Our group 'welcome letter' was translated into German and send to HQ for inclusion in the welcome amenity bags. Updates to be forthcoming.

### **Visit Florida Road Show (June 2<sup>nd</sup> – 6<sup>th</sup>, 2014):**

Initial plans are underway for our participation in Visit Florida's upcoming road show to the German cities of Munich, Stuttgart, Cologne and Leipzig. The purpose of the tour is to present a refreshed Florida image along with news and highlights to travel agents and tour operator reservations staff. Partners will have the opportunity to present their products to an estimated 360 agents during evening events (roundtable workshop format) and hold comprehensive training sessions for tour operator in-house reservations agents during the daytime. Our efforts will be supported by Dertour in Munich and Stuttgart and by

Neckermann Reisen in Cologne and Leipzig. Tour operator in-house reservations agent training will be conducted at FTI in Munich and Fairflight Touristik in Leipzig.

The following Florida partners will participate as presenters:

The Beaches of Ft. Myers & Sanibel, Florida Keys & Key West, Naples/Marco Island/ Everglades CVB, SeaWorld Parks & Entertainment, Universal Orlando Resort, Visit Tampa Bay (not in Leipzig), Visit St. Pete/Clearwater and Visit Orlando.

This month we supplied content and creative for an information booklet, which will be distributed among agents as a working tool during training sessions.

#### **Travel Agent Roundtables (September 29<sup>th</sup> – October 1<sup>st</sup>, 2014):**

This month we secured dates and locations for the Travel Agent Roundtables 2014 in Hannover and Nürnberg in cooperation with Visit Orlando and SeaWorld Parks & Entertainment. The organizer has been asked to research the addition of two more cities. Updates to be forthcoming.

#### *Additional Activity:*

- We replenished the **See America Netherlands**' stock of our VSPC collateral material so as to ensure consumer inquiries for information can be expedited.
- Two product managers from **Jan Doets America Tours** in the Netherlands announced a visit to our area in June. We assisted the product managers with comprehensive information and liaised with our Leisure Sales Dept. regarding set-up of desired site inspections.
- Our **FY 2014/15 sales plan** was developed in keeping with the budget set forth and submitted to HQ for approval.

## **MARKETING INITIATIVES**

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

#### *Tour Operators:*

- CANUSA Touristik (Germany)
  - **B2C Online “MoodPage” Campaign – May 2014**  
Following last year’s successful “Florida Vacation Builder ” campaign, this year’s “MoodPage” campaign will combine a collage of photos and videos presenting our destination. Images become the story tellers. These will link to an adapted landing page on the tour operator’s website and will link to an optimized booking engine. In addition, an eNews blast to Canusa’s database of over 500,000 subscribers and continuous Facebook posts will be included (Facebook fans currently stand at over 40,000).  
Co-op Partners: Visit Florida + several Florida destinations  
We have delivered all imagery and relevant destination copy. This month we received the final layout, which was approved after a few corrections. The campaign launched on 4/29 and will run through 6/29.

- **KNECHT REISEN (Switzerland)**
  - **B2C Website “Top Beaches” Promotion – April-June**  
Three months placement of VSPC imagery with travel teaser on the North America page of the knecht-reisen.ch website with link to a VSPC dedicated landing page. Focus on pushing business for fall and winter. All necessary elements have been delivered and layouts were approved.
  - **B2C “Top Beaches” Online Sweepstakes – May**  
For two weeks, customers will see a pop-up on the homepage announcing a sweepstakes. The prize will consist of one week’s accommodations in St. Pete/Clearwater including flights for two sponsored by Edelweiss Air. The pop-up will link to a landing page containing sponsors’ imagery, logo and product text. Sweepstakes questions will follow in the next depth level. Currently the tour operator’s homepage enjoys 42,000 unique visitors monthly.  
This month a co-op opportunity was distributed among our local industry partners and we are again grateful for the outpouring of support! All elements necessary for creative development have been delivered, the final layout was received and approved.
  
- **MEIER’S WELTREISEN (Germany)**
  - **B2C Out of Home Train Station Staircase Promotion – March/April**  
During this exciting four-week campaign VSPC was featured with imagery, logo and slogans affixed to Frankfurt’s main train station’s prime location staircases (leading to the metro transit system). Frankfurt’s main train station boasts a daily footfall of 350,000 customers.
  - **B2C Out of Home Train Station Big Banner Promotion – March/April**  
In addition to the staircase promotion, we also had a big banner near the staircase hanging from the ceiling in Frankfurt’s main train station prime location. This depicted an enticing VSPC image, our logo and a special travel offer to our area.  
Layouts for the above initiatives were received and approved respectively.  
We visited Frankfurt’s main train station ourselves this month to view the staircase promotion and the big banner in person, taking the opportunity to speak with several passersby and distribute our collateral material.
  
- **TUI SUISSE / FLEX TRAVEL (Switzerland)**
  - **B2C Out-Of-Home Street Car Promotion – May**  
An innovative and eye-catching campaign involving transparency advertising on street car windows of several tram lines in Zurich. VSPC will be featured with imagery, logo and text hook for four weeks starting May 2<sup>nd</sup>, 2014. The transparencies cover the entire window of a tram car. A total of 200 transparencies are being produced.  
This initiative will be conducted in cooperation with Edelweiss Air.
  - **B2C Florida Facebook Promotion – May**  
Visit Florida has coordinated an opportunity with TUI SUISSE/Flex Travel to promote Florida on the tour operator’s facebook page. VSPC will be featured with a short insider tip text and an image in a post scheduled for May 9<sup>th</sup>. Our participation will be free of charge. The tour operator’s facebook page currently boasts 23,596 fans.  
The tour operator was provided with all elements necessary for creative development of both above initiatives. Layouts were received and approved respectively.

*Travel Trade/Consumer Publications & Portals:*

- COMMUNIGAYTE (GLBT) (Germany) *Consumer*
  - **2014 Promotion**

Communigayte is a GLBT marketing agency in Germany with whom we have worked very successfully in the past, conducting various marketing initiatives in cooperation with Visit Orlando including the Rainbow Reporter program last year. This year, we will be working on a distinctive project again in cooperation with Visit Orlando.

Program Overview:

    1. **Online campaign on queer.de** – January-April  
Placement on gay-friendly online platform queer.de to build excitement/hype for the destination. Coverage will include:
      - 4 advertorial articles per destination - reach 10,000 contacts
      - 3 months of online flash banners - reach 250,000 contacts
      - 2 standalone eNewsletters to 18,000 contacts (January and March)
    2. **Online campaign on schwulissimo.de** – February-April  
Coverage will include:
      - Online flash banners – reach 200,000 contacts - February-April
      - 1 standalone eNewsletter to 30,000 contacts – March

All elements for creative development were provided and layouts approved respectively.
- Spartacus Traveler (Germany) – circ. 42,000, readership 140,000 *Consumer*
  - **1 page, 4c Advertorial** – Spartacus International Gay Guide 2014
  - **1 page, 4c Advertorial** – Spartacus International Hotel Guide 2014
  - **1 page, 4c Advertorial** – Spartacus Traveler Magazine (issue 2/14)
  - **Banner** – for 8 weeks on  
spartacusworld.com, spartacustraveler.com, spartacushotelguide.com  
(Cumulatively 100,000 visitors/month)

We provided the publisher with all elements necessary for layout development. Layouts were received and approved respectively.

*Online Aggregators:*

- ASNM New Media AG Newsletter (Germany) – 740,000 German subscribers *Trade*
  - **Florida Newsletter Campaign** – Nov. 28 – Dec. 20, 2013 and Feb 2014  
St. Petersburg/Clearwater was part of a Florida eNewsletter campaign featuring two eNewsletters on up to 12 online travel portals with a total of 740,000 subscribers. In addition, the news were integrated repeatedly into the search engine optimized news portals of flugprofis.de as well as being posted on Facebook sites with approx. 20,000 “Likes”. This initiative was conducted in cooperation with Panama City Beach, SeaWorld Parks & Entertainment, Visit Florida, Visit Tampa Bay and Alamo.

This month we received the campaign results. 343 bookings (657 pax) with a turnover of EUR 405,967.00 were generated for VSPC. We ranked second place in terms of bookings and interest!! Miami ranked first place with 463 bookings (928 pax) and turnover of EUR 581,119.00. Orlando was ranked third with 181 bookings (344 pax) and EUR 203,574.00 in turnover.

- Travelzoo Europe (Germany) – 1.5 million German subscribers *Consumer*
  - **Online Microsite Promotion** – May

A special microsite will be developed featuring VSPC imagery, logo, several travel teasers as well as content buttons for topics such as arts & culture, beaches & nature, dining & entertainment and communities. The microsite will remain online for four weeks as of 5/21.

*Bonus:* This month, both Visit Florida and Brand USA agreed to contribute funds to our Travelzoo initiative, which will enable us to expand our activity with an **eNews blast** to 1.5 million German Travelzoo subscribers as well as several **facebook posts** on Travelzoo’s site. The eNews blast will also contain a travel prize sweepstakes for which German tour operator America Unlimited will donate a 1-week stay to VSPC including air and car rental.

We coordinated the delivery of creative elements among all partners, assisted Travelzoo with proper terminology for their insertion order and supported their efforts in obtaining the signed I.O. from Brand USA.

*Public Relations:*

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

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

- **Press Release April:** Discussed featured subject, proofread and corrected.
- **Newsletter April:** Provided content ideas, proofread and corrected.

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