

UK OFFICE
OCTOBER 2010 REPORT
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UK Director

TOUR OPERATORS

Cosmos Holidays

A meeting was held with Denise Hodge, the new Product Manager at Cosmos Holidays to discuss our area in general. We were advised that nothing has changed within the programme from Summer 2010 to Summer 2011 and that the properties that were featured within our area will remain the same. Their capacity to Florida (with Monarch Airlines) remains at 25,000 and that 60% of this is actually flight only sales. They are currently looking to increase the percentage of package holidays to the area as well as pushing the twin centre option with Orlando. An appointment has been arranged with their marketing team at WTM to discuss joint opportunities going forward into 2011. We provided the product team with up to date literature, imagery, logo's etc for them to utilise in the future and we have also secured training at the call centre in Stockport at the end of November.

American & Worldwide Travel

A meeting was held with Sarah Punter, Product Manager at AWWT to provide her with area updates etc. AWWT are a specialist tailor-made tour operator and offer bespoke tailor-made itineraries to their clientele. Their main selling areas in the USA are the West Coast, New York, Las Vegas and New England but they do book some Florida holidays. Provided Sarah with an area overview and updated her on all that the area has to offer as well as providing the office staff with literature including visitor guides, area maps and key selling points to assist with future sales.

Other Meetings

Attended the launch event for the new Busch Gardens attraction, Cheetah, which will open in 2011.

TRADE LIAISON

- Finalised the appointment schedule for World Travel Market with a total of 29 appointments scheduled. Liaised with Fleishman-Hillard re media appointments.
- Finalised presentation for TDC meeting on December 8th
- National consumer promotion will launch online with La Senza in mid-November and run for 4 weeks. Throughout this period they will have approx 3.5 million unique visitors a week to their website. The promotion will be flagged on their homepage with a dedicated VSPC landing page with general information on the area as well as an opt-in box for further information and a link to the VSPC website. The promotion will also be featured in an email to their database of 300,000 subscribers as well as on their social media outlets.

- Scheduled a meeting with DT Minich and David Downing with Ciaran Carragher, Chairman of the Irish Visit USA Committee.
- Tour America – Training has been scheduled at Tour America in Ireland for January 2011. Approximately 30 call centre and travel agency staff members will be trained on all aspects of our area.
- Selling Long-Haul Update – Adverts have now run during the months of July/August, September and October. This also included the article on a full page spread given free of charge by the publication.
- Virgin Travel Centres – The travel agent incentive has now finalised and we are currently awaiting results from Virgin Holidays.
- Virgin Holidays & Travel City Direct Staff Incentives – The Virgin Holidays and Travel City Direct staff incentives for their reservations agents during the months of July and August was finalised and this month we were able to go in and visit the winners to hand out their prizes. Staff members mentioned that this was the first time that iPads had been offered and would love to see us offer these again in the future! We also met with Alison Leslie whilst there to discuss future staff incentives, training and any other in-house opportunities that may be available to us. We have agreed to be one of five sponsors for their 25th Birthday call centre champagne breakfast and will have logo's etc printed on all staff communication regarding the event.
- Virgin Holidays – We were advised that Virgin Holidays will be featuring the Hyatt Regency Spa Resort in Clearwater and the Postcard Inn St. Pete Beach in their summer 2011 programme for the first time.
- Sunway Holidays – Sunway advised us that there was a feature on our area on the 5th October in the Kingdom Travel newsletter. The article, similar to the one featured in the Daily Star last month, covered the area as a perfect winter sun destination and talked about the area in length. The feature also had special offers with Sunway Holidays as a call to action.
- Virgin Holidays – Virgin Holidays featured special offers to the area of St. Petersburg/Clearwater and Orlando as a twin centre destination to celebrate their 25th anniversary in one of their monthly e-newsletters. The newsletter featured special offers if customers booked by a certain date and also featured details of the new Salvador Dali facility due to open in January 2011. The hotel in our area that was featured was the Marriott Suites on Sandkey.
- Visit USA Ireland – Provided details of the new Salvador Dali facility to the Visit USA Committee in Ireland to include in their monthly e-newsletter that is distributed to both trade and consumers in Ireland. The article will be featured within the October e-newsletter.

ENQUIRIES:

Telephone/website enquiries for information and/or literature

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MARKET INTELLIGENCE:

01 October 2010 – Source Travel Daily

UK Travel Trade criticises ESTA – Customers caught by scamming websites

Travel agencies called the new ESTA fee a ‘nightmare’ and ‘barrier’ yesterday at Visit USA’s annual general meeting. The charge was introduced recently to provide money for tourism promotion in the States. Advantage Travel Centre’s Chief Executive John McEwan realised the need to promote the US but warned that taxes and entry could deter UK travellers to the destination. “The hard challenge is to promote the US as a continent [as there is more to it than New York and Florida], but the Tourism Promotion Act will hopefully help,” he explained. “Entry can be intimidating and all the bureaucracy behind getting into the country can act as a hand break. As attention span is declining than barriers are dangerous. ESTA is yet another barrier that the consumer has to pay.” In addition, another travel agency told Travel Daily that the ESTA system was a ‘nightmare’ as some customers are unknowingly directed to other sites. “So many internet-wise, discerning customers are getting caught out by scamming websites, so they end up paying US\$50 rather than US\$14,” he said. “The url address is too long as it is, it is a nightmare.” Although the introduction of the US\$14 (£9) charge to enter the States is not worrying tourist boards over the pond, McEwan warned that the addition of other taxes may heighten the stress of travel for customers. “Following the increase in November, a family will have to pay £300 APD in economy seats to Florida and this would double for premium seats,” he explained. “The stress of travel is going up and there is an increase in costs, so consumers do not need more barriers.” However, McEwan was confident that the UK-US market would continue to be popular due to the destination’s cultural offering, iconic locations and common language. Meanwhile, the US Government’s Department of Commerce Helen Marano defended the ESTA fee by explaining how tourism could help boost the US’ economy. The US had a 15% drop in UK visitor arrivals from 2008 to 2009 and is still 3% down in June this year on- year.

04 October 2010 - Source Travel Daily

Visit USA ramps up trade initiatives

Visit USA Association has revealed plans to incentivise agents to complete its online training modules. The association’s Peter Traynor said that although 1935 agents had signed up to the programme, only 328 passed at the standard level and 167 were deemed ‘advanced’. “The training takes some commitment and cannot just be done in a lunch break, so we are looking at incentivising agents for completion and perhaps accreditation from City and Guilds,” he explained. In addition, the association’s Chief Operating Officer Alan Wardell said that it plans to hold more social events, competitions and fam trips under the training, as well as introduce Visit USA Week 2011. “This would include the usual media marketplace and ball, as well as a trade day, perhaps in the form of a workshop,” he said. Co-Chair Jody Hanson added that between 100-140 agents had signed up for each of the association’s roadshows, which will be held next month. The team will visit Brighton on 29 November, Norwich on 30 November and will be in Newcastle on 1 December. Meanwhile, Visit USA said that summer trade had been ‘good’, with capacity struggling for Florida. This was echoed by ABTA Chairman and Advantage Travel Centre Chief Executive John McEwan, who said the destination had dropped in double digits over the year as families opted for short-haul or domestic breaks. “Advantage bookings are up for the USA and we are planning growth,” he revealed.

05 October 2010 – Source Travelmole

TUI issues more positive trading update

TUI Travel has released a more positive trading update today, claiming its summer, winter and 2011 sales are looking healthier. The travel giant, which announced plans for redundancies in the UK last week, said it has now sold the majority of its summer 2010 programme. “This shows that demand for our holidays remains healthy despite the previously highlighted shift towards a later booking trend in the UK,” said chief executive Peter Long. But TUI said the increased lates mix has affected profitability. Long said the recent failures of smaller tour operators and airlines has prompted more people to book with a large operator. “We have benefited from this flight to quality as well as the return to more normal weather conditions across Northern Europe after the earlier period of good weather.” The update comes just a week after TUI issued a statement saying it was to make a raft of redundancies at its UK HQ, with hundreds of staff thought to be facing the axe.

The company told staff today that it needs to make a round of redundancies and will be “promoting the voluntary redundancy scheme” and “reviewing current vacancies”. In today’s trading update, it said: “We continue to review areas of our cost base across our businesses and central functions to increase our competitiveness and further underpin delivery of our targets.” It said looking forward, it retains its “prudent view” on the outlook for the coming financial year. However, it said booking activity has accelerated across all source markets in recent weeks for winter 2010/11 and trading for summer 2011 has started well. For summer 2011, booking volumes in the UK are 5% up on 2010, while bookings for its ‘differentiated’ product are up 17%. It said it expects capacity to remain flat in the UK market. “Furthermore, after a number of years where the UK business has had to pass through significant cost inflation (driven by fuel, currency rates and departure taxes) summer 2011 is expected to have minimal cost inflation, (based on achieved hedged rates and current forward rates),” it said. TUI will announce its preliminary results for the year ended 30 September 2010 on 2 December 2010.

05 October 2010 – Source Travelmole

Thomas Cook launches ancillary website

Thomas Cook has launched a one-stop website selling holiday extras including airport parking, airport hotels, airport lounges and travel insurance in an attempt to boost its share of ancillary sales. The site, thomascookessentials.com, offers a price guarantee on parking at 20 UK airports and at 26 UK airport hotels, promising customers they won't find cheaper elsewhere. Chief Executive Officer of Thomas Cook UK & Ireland Ian Derbyshire said www.thomascookessentials.com will continue to be developed in coming months to offer more holiday products and services.

06 October 2010 – Source Travelmole

One in 10 Brits use Google Street View for holiday research

Nearly 10% of Brits use Google Street View before choosing their holiday destination, according to new research. According to a poll by coupon code and discount sites, www.CouponCodes4U.com, the figure reaches 34% among Americans. The company asked 6,286 Americans and 1,287 Brits how do they decide where they will go on holiday.

Nearly a third of Americans said they had previously used the internet service Google Street View to check out the destination before deciding.

The poll found:

- 21% said that it gave them a good idea as to whether they would like it whilst
- a further 42% admitted they thought they would be able to tell if it was “good value for money” based on location and surroundings

- 51% said they would often compare destinations and prices before they made a decision
- 1 in 10 said they would wait for a last minute deal before booking a holiday, as this would make it cheaper
- 26% said that they often returned to the same holiday destination more than once
- 62% Americans admitted that always go on holiday in the States.

In contrast just 9% of Brits admitted using the service for their holidays, of these over half admitted that it wouldn't be the deciding factor and was merely a way of getting an idea of where they were going. Just fewer than 75% of Brits said that they thought that the weather was the most important factor in deciding where to go on holiday. Mark Pearson, chairman of CouponCodes4U.com said: "Google Street View can most definitely be a good way to pick a holiday destination, although I don't think anyone should ever base their decision purely on what they have seen on the site. "Customer reviews are always a good place to start, as they will have had experience of the destination. I also think that looking at what you get for your money is a good place to start, along with looking at many different holiday companies; and, of course, the odd discount is no bad thing!"

06 October 2010 – Source Travel Daily

New concepts boost TUI bookings

TUI has revealed it will roll out more concepts in the future following 'strong booking activity' this quarter. The operator said it will continue to focus on its 'differentiated products' in the future, particularly on exporting its Sensatori, Splash and Holiday Village concepts in the UK. "We continue to believe that our strategy of focusing on differentiated products, turning around underperforming businesses and growth initiatives will enable us to achieve our medium term margin roadmap," explained TUI Chief Executive Peter Long. Meanwhile, TUI recorded an overall 10% increase in total sales for summer 2010, with long and medium haul travel showing the most growth. "Since our last update, we have performed well in the lates market for summer 2010 and the majority of our programmes are now almost fully sold. This shows that demand for our holidays remains healthy despite the previously highlighted shift towards a later booking trend in the UK," said Long. He added that the operator had benefited from the failure of smaller companies as it has raised awareness for consumer protection. "We have benefited from this flight to quality as well as the return to more normal weather conditions across Northern Europe after the earlier period of good weather," Long explained.

08 October 2010 – Source Travelmole

Thomas Cook and Co-operative Group create largest travel retail chain in UK

Thomas Cook and the Co-operative Group are to merge, resulting in the loss of hundreds of jobs. The companies announced the deal this morning, effectively creating the largest retail travel network of some 1204 stores and the UK's second largest foreign exchange business. The separate branding will remain, however, although 70 outlets of Thomas Cook subsidiary Going Places will be renamed under the Co-operative brand. Thomas Cook's online operation is not part of the merger. Speaking on Radio 4's Today programme, Thomas Cook chief executive Manny Fontenla-Novoa, who will head up the merged company, said that the move followed a tough trading year for the operator troubled by sluggish sales following the ash cloud and the World Cup. He said "synergies" would be made following the merger – business speak for redundancies - but said these would be "in the hundreds rather than the thousands". Last week Thomas Cook launched a cost-cutting programme and it is thought the merger will result in savings of over £35m per year. "Today's announcement, together with our plans to cut costs and streamline the rest of our UK business, will put us in a much stronger position, should market conditions in the

UK remain weak," said Fontenla-Novoa in a statement. The new company will be owned 70% by Thomas Cook and 30% by the Co-operative Group.

14 October 2010 – Source Destination

UK in and out bound numbers still frail, says ONS

Seasonally adjusted figures show a slight increase in people travelling in and out of the UK over the summer but overall activity is down, according to new Office for National Statistics numbers. The ONS says that visits to the UK by overseas residents rose by 6% in the three months to August, compared to the previous three months, while spending on these visits went up 7%. In the same three months this summer UK residents travelling abroad jumped by 4% and their spending increased by 2%, compared to the previous three months. But looking at the 12 month picture, the number of visits by overseas residents declined by 1% compared to August 2009, a fall of 0.4 million. Business visits fell 1% and those visiting friends and relatives fell 6%. However, the number of those travelling here for holiday reasons climbed 6%. UK residents travelling overseas fell 9% year on year, a drop of 5.5m. Those travelling on business declined by 15% and for holiday reasons by 8%. ONS head of the International Passenger Survey Roger Smith said: "There has been some growth in visits to and from the UK following very low numbers in the first few months of 2010. However, overall numbers are still down on a year ago. This applies in particular to visits abroad by UK residents which have risen in recent months to levels approaching those of 2009. "It seems the ash cloud due to April's volcanic eruption appears to have had only a short-term negative effects on visits."

15 October 2010 – Source Travelmole

EXCLUSIVE: Stella Travel UK reveals £19m boost in year-end results

Stella Travel Services UK, which owns Travel 2, Travelbag and Global Travel Group, is reporting a £19m year-on-year increase on profit. The company says the startling financial results for the year ending June 30 are thanks to a new UK management team, improved trading margins and a rationalisation of its cost base and operations. It adds that short-haul turnover increased by 24% in the group's B2C businesses and other highlights in the year included the re-establishment of Travel 2 and Travelbag as well-known and respected brands. The results come with an EBITDAE (measure of operating cash flow) of £1.4m. CEO of Stella Travel Services UK Andrew Botterill said: "We are delighted to announce such outstanding results given that 2010 has been such a distressing year for the travel industry. "The long haul sector overall is trading 10.6% ahead of last year and with a strengthened board, as well as strong financials and facilities, we now feel well placed to deliver and capitalise on our future growth plans." The company says that it has seen "significant growth" from independent agents in the last 12 months "with many in double or even treble digit growth". Andy Freeth, Managing Director of agent-only long-haul tour operation Travel 2, said: "We've worked really hard over the last 18 months to reengage with independent agents. We've invested heavily in technology and increased our joint marketing and incentive schemes. It's now very exciting to see the hard work pay off." Travel 2 saw online bookings escalate by 400% when it re-launched earlier this year with a new, improved functionality website. Stella UK was recapitalised and restructured in July last year and this included a £46m capital injection into the UK Group which is now separate from the remainder of the Stella Group.

19 October 2010 – Source Travelmole

CAA unveils new ATOL certificates

The Civil Aviation Authority has unveiled plans to introduce a new certificate to be given to every customer who books an ATOL holiday in an attempt to end confusion about who will be looked after when a company goes bust. The certificates will guarantee to the holder that if their tour operator ceases trading they will be brought home by the CAA or refunded if they haven't travelled. The ATOL Certificate would be a simple document in a standard format across the ATOL licensed industry, clearly setting out what is protected by ATOL, and replacing the existing complex range of paperwork holidaymakers are currently given when they book, said the CAA. The CAA will begin discussions with ATOL holders and consumer representatives about the certificate at The Travel Convention this week, with a view to setting up a working group to get industry and consumer expertise before consulting on the proposal. The timing of the introduction of the certificate will be an important decision for the working group, but the CAA is starting work now to allow introduction as early as possible given the inevitable lead-in times to allow the industry to change their systems," the CAA said in a statement. Deputy director of the CAA Consumer Protection Group David Moesli said: "The holiday failures this summer showed that a lot of consumers are left confused and frustrated when tour operators cease trading, thanks in no small part to the poor standard of documentation in the travel industry, particularly amongst travel agents. "Introducing the ATOL Certificate would mean that the second someone books a holiday they receive a single document that sets out what is protected by ATOL and guarantees they can finish their holiday or get their money back if their operator fails. "A standardised certificate which is received by everyone who books an ATOL-protected holiday telling them exactly what is and is not covered will go a long way towards helping people understand their protection arrangements. "In the future, people will come to expect to receive a Certificate in the same way you expect to receive a ticket, and they will take it overseas with them like a passport or medical card, to make sure they receive protection under ATOL. Aviation Minister Theresa Villiers said: "Today's holiday market looks very different to how it did when the ATOL scheme was originally introduced. As a result, it can be difficult for holiday-makers to know whether their trip is protected by the ATOL scheme. "This excellent initiative is an important milestone in our journey to providing a scheme fit for the future. Alongside this new certificate, we are actively working on wider reforms to ATOL to make it more suitable for the diverse 21st century holiday market."

20 October 2010 – Source Travelmole

End in sight for BA strikes

British Airways cabin crew could vote to end the long-running industrial dispute with the airline which has already led to 22 days of strikes this year. The crew's union Unite confirmed this morning that it was organising a consultative ballot on the latest offer from BA, which it said made changes to the airline's earlier offer which was rejected by cabin crew. The news came a day after BA chief executive Willie Walsh said the airline was prepared for further strikes, though he said he thought it unlikely that staff would walk-out again this year. Speaking at the Travel Convention, Walsh said BA would be able to operate 100% of its long-haul flights in the event of a strike, though he was unsure how many of its short-haul flights would be hit.

21 October 2010 – Source Travelmole

TUI finance boss quits over £88m hole

TUI Travel's chief financial officer Paul Bowtell has quit after an £88m hole was

discovered in the company's finances. A statement issued today said the £88m deficit had been uncovered during the ongoing audit for the year ended September 30. It was on top of an initial £29m originally identified, bringing the total write-off to £117m. "These have arisen as a result of failures to reconcile balances adequately in legacy systems in the retail and tour operator businesses in TUI UK," said the statement. It went on to say that said Bowtell had offered his resignation following talks with chief executive Peter Long. Long said: "It is now clear that at the time of merger there were weaknesses in the legacy systems we chose to use in the TUI UK business. "Despite the fact that this situation had built up over a number of years, Paul is behaving honourably and I am disappointed that he will be leaving the group." Bowtell will stay on until the end of the year. Long added: "I have specifically asked Paul to remain with the business to see through the full year audit and production of our preliminary results. I will miss working with him and wish him every success for the future." The statement added: "As a result of process improvements during the year, the impact in 2010 has been limited to £5 million, in line with the third quarter statement. "Accordingly, TUI Travel remains confident that full year results for the year ended 30 September 2010 will be in line with previous guidance and that net debt will be lower than previous guidance." A "full and detailed review" of systems and processes has now been conducted and the company said it was satisfied that the weaknesses in the systems had been rectified. TUI UK is now under a new leadership team of managing director Northern Region Johan Lundgren and Colin McKinlay, who joined on October 1 as finance director from Homeserve, where he was UK finance director. The company added that the stronger recent trading trends in its last trading update have continued. TUI will announce the preliminary results for the year ended September 30 on December 2.

21 October 2010 – Source Travelmole

Barrhead Travel plans national roll-out of franchise

Barrhead Travel is planning to roll out its franchise programme across the UK after expanding into Northern Ireland where it opened a business travel agency earlier this year. Chief executive Sharon Munro said the company, which also opened four more shops in Scotland this year and launched its own-branded package holidays, had seen a 25% increase in profits and a rise in annual turnover of £100m. She said the new business travel office in Belfast, which will be officially launched this evening, had already secured a £1m contract with a major international pharmaceutical firm, putting it well on its way to reaching its annual sales targets. "We are committed to developing our brand and have reinvested a large proportion of our profits back into new store openings," said Munro. "We are already planning to open another three stores in Scotland and aim to roll out our franchise programme across the rest of the UK over the next 12 months."

28 October 2010 – Source Travelmole

Thomas Cook makes APD offer

Thomas Cook is to fight off the implications of the higher APD rate that kicks in next week by offering to pay it for customers heading to the US, Mexico, Kenya, India and the Caribbean.

As part of its Beat The Taxman campaign, it will pay the tax on long-haul bookings made over the coming weeks by offering passengers £75 off their fares, the equivalent of the APD tax as of next Monday. The operator's airline will also no longer offer the premium seat option on outbound flights from May next year. The offer, featuring in latest edition brochures, applies to flights booked from tomorrow until December 16 for travel after May 1 next year. Thomas Cook chief executive Manny Fontenla-Novoa said: "Through our

Beat the Taxman promotion we hope to support holidaymakers' disapproval of these new charges that they will now incur alongside reiterating our commitment to offering our customers the very best value money."

28 October 2010 – Source Travelmole

Report shows the power of Facebook

The influence of Facebook in online retailing is fast increasing, according to the latest report from Experian Hitwise. Its report published today, called Getting to Grips with Social Media, says Facebook is the second biggest source of traffic to all websites after Google. Approximately 1 in 10 visits to a website in September came immediately after a visit to Facebook, up from 1 in 13 visits back in September 2009. Overall, social networks are sending nearly 13% more traffic to online retailers this year than last year. They accounted for 11.6% of all UK internet visits during September, representing a year on year growth of 4.3%. The three dominant players, Facebook, YouTube and Twitter, account for 75% of all visits to the social network category. Facebook accounts for 55% of all visits to social networking sites.

28 October 2010 – Source Travelmole

BA reports first profit in two years

British Airways has reported its first half-year profit in two years. The airline achieved a profit of £158 million in the six months to September 30, despite being hit by cabin crew strikes and the volcanic ash cloud disruption. The profit was double the amount analysts had been predicting and compared with half-year losses of £292 million in 2009. Total revenue for the period was up 8.4%, passenger revenue was up 7.9%, on capacity down 6.2%. Yields improved by 17.2%, 14.4%, excluding the impact of exchange, driven by price and mix across all cabins. Chief executive Willie Walsh said: "Our concerted efforts to introduce permanent structural change across the airline has led to a reduction in non-fuel costs and a return to profitability. "Revenue has increased, driven primarily by yield improvements and, while fuel costs have risen, they are in line with our expectations. "Our focus on permanent structural change will continue. This summer we agreed a new productivity deal with our Heathrow terminal-based staff that will provide a more flexible, cost-efficient and customer focused ground operation. In addition, the first of the cabin crew recruited on new terms and conditions have completed training and start flying on Monday." Looking forward, the airline said it would continue to focus on managing costs. "While positive, the economic environment continues to be subject to uncertainty, to which the increase in APD is unhelpful," said the statement. BA's merger with Iberia is expected to be completed in January. Following the merger, Walsh will become chief executive of the combined company and his basic pay will rise 12% to £825,000 a year. He will also be eligible for performance-related bonuses of up to £1.65 million. BA chief financial officer Keith Williams will see his basic pay rise 43% to £630,000 after being promoted to BA chief executive within the merged company.