

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

Moderate Bookings Growth in May

Holiday bookings on the German market increased only moderately in May despite cold and wet weather across the country, the latest market surveys show. German travel agencies increased their sales by 3.8% last month, according to the regular monthly survey of 1,200 tourism-focused travel agencies by market researchers GfK. However, this followed a high 12% sales increase in April, with strong summer bookings. Moreover, May 2012 was a strong sales month with an 11% rise, making the comparison basis tougher.

Bookings of summer holidays were slightly weaker last month, the GfK survey showed, and the cumulative growth figure for summer 2013 sales dropped back slightly to 6.3%. There were strong late bookings for May itself, with a 9.4% rise, and demand was also good for September departures, but weaker demand for the other months of the summer season.

In contrast, Germans continued to book ahead for winter holidays last month. Many tour operators have started to accept bookings for the forthcoming winter season and about 12% of sales in May were for this period, leaving winter sales about 2.9% ahead of the same point last year.

A similar trend was shown in the monthly survey of 2,400 business travel-focused agencies by the TATS services company. Overall agency sales rose 1.1% last month, driven by a 3.8% rise in leisure sales that compensated for a 4.5% drop in revenues from airline ticket sales. The cumulative growth for leisure travel sales is now 3.1%, according to the survey.

TUI Germany: Differentiated Products Boost Sales and Margins

Good summer sales, more long-haul packages in the winter and more differentiated products in the years ahead were the highlights of TUI Germany's presentation of its winter 2013/14 program. The German market leader said summer 2013 sales have continued to improve since a 4% sales increase was announced in early May thanks to good bookings for its differentiated products such as 'concept hotels' and exclusively-offered hotels. Bookings for Greece are up by 14%, for Turkey by 11%, Majorca by 10% and Egypt by 7% while long-haul destinations are also popular.

Losers this summer include Bulgaria (-10%), Austria (-9%) and Germany (-7%). Germany managing director Christian Clemens said he was "very satisfied" with business at present and

expected “a good operating result and a higher profit margin”. He is aiming for a 3% profit margin next year and 5% in the medium-term. Tourism director Oliver Dörschuck stressed that TUI has not seen any decline in demand for Turkey despite the protests in Istanbul.

For winter 2013/14, TUI is increasing pricing with rises of 1.5% for long-haul holidays, 2.5% for short and medium-haul destinations and 2% for self-drive holidays. The company is expanding its long-haul program, especially in the Caribbean. The main product development will be the launch of five weekly direct flights from Hamburg to the Dominican Republic, Mexico and Barbados, operated with a B767-300 from Dutch sister company Arkefly. There will also be more ‘concept hotels’ in the Caribbean, including a new Sensimar resort on the Riviera Maya. Overall, TUI will offer 89 hotels with own brands and a total of 7,100 hotels in 90 countries.

Clemens stressed that TUI will continue to focus on offering more exclusive and differentiated products to increase its market share from 18% at present to 25% in the long-term. The German market leader wants to increase the proportion of these higher-margin products to 80% by 2015 from just 23% in 2011.

The Swedish-born manager said TUI might reduce the number of travel agency partners from 10,000 at present to about 7,000, with the remaining agencies profiting from higher TUI sales. He also aims to improve the present figure of 36% of sales through own distribution channels, including branches, partners and online portals. Moreover, TUI aims to double the number of ‘green’ holidays it sells to one million next year and will secure environmental certification for all its exclusively offered hotels.

The Swiss: World Champions of Travel?

According to one study, the travel enthusiasm in Switzerland is higher than in Germany and Austria. In a joint survey conducted by travel portal HolidayCheck and the online shopping portal Webmiles, more than 1,500 people were interviewed in Germany, Austria and Switzerland regarding their holiday behavior.

The result: the Swiss lie ahead in many areas. This is especially evident in the frequency of leisure trips conducted. 95% of the Swiss respondents took a vacation in 2012 compared to 84% in Germany and Austria. In 2013, 96% of the Swiss have taken or have planned a vacation, among Austrians the survey showed 91% and 87% for the Germans.

The internet is becoming increasingly important for travel planning and booking. Again, the Swiss ranked high with 94% utilizing the internet as an information source prior to vacation departure, with Germans and Austrians close behind at 90%. The survey showed evaluation portals as being considered the most important websites for purposes of travel research and planning. When writing reviews on these portals of their own, the Swiss are active – 59% have submitted a review compared to 48% of Germans and Austrians.

Online bookings are also on the rise. An impressive 53% of the Swiss booked at least 5 trips online (Germans 37% and Austrians 31%).

SALES ACTIVITIES

International Pow Wow (June 8th – 12th, 2013):

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 29 appointments were conducted by the Central European Office. Many tour operators – the Swiss in particular – reported positive booking figures to VSPC. Feedback on the new Gulf to Bay magazine was favorable; albeit, most did comment that its large dimension and weight were not conducive to inclusion in travel documentation. We also continued our follow up with industry members to ensure they'd received the invitation to our White Party event, forwarding the eVite where necessary.

Travel Agent Roundtables (September 24th – 26th, 2013):

Preparations are underway for the Travel Agent Roundtables 2013 in Berlin, Leipzig and Dresden in cooperation with Visit Orlando and SeaWorld Parks & Entertainment. With venues having been secured last month, invitations were developed and distributed to travel agents this month.

British Airways SpeedBird Club Promotion (September/October 2013):

We worked closely with British Airways, Germany this month on the preparation of a unique travel agent promotion. Designed as an informative platform specifically for the travel trade, British Airways' *SpeedBird Club Germany* currently boasts 18,500 travel agent members. Members are kept up-to-date on the latest developments and promotions by means of regular eNews blasts.

We join forces with Visit Orlando to promote our products to the German travel trade for this special promotion, which will include a sweepstakes element.

CMT Stuttgart Super Sweepstakes (January 11th – 19th, 2014):

Known as one of Germany's largest and most important consumer shows, CMT Stuttgart attracted over 225,000 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 2013 when the official sweepstakes website goes live.

Two travel stays in the St. Petersburg/Clearwater area will be included. This month an industry opportunity was sent out and two sponsors were selected. We are again most grateful for the support of our industry partners!

Post-ITB Business Development in Zurich (March 10th, 2014):

After our successful tour operator appreciation event following ITB in 2013, we will again conduct this event in 2014 with a view toward making it an annual tradition. This month, the venue was selected and initial documentation has been requested. Updates to be forthcoming.

Additional Activity:

Travel Station & Gallery, Switzerland, whom we met during this year's Visit USA Seminar in Zurich, contacted us for assistance in putting together a group program for Harley riders they are planning for in March 2014. We counseled the agency extensively conveying specifics on the features and benefits of our area, supplied several insider tips and provided the respective informational material.

MARKETING INITIATIVES

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

Tour Operators:

- CANUSA (Germany)
 - **Online “Florida Vacation Builder” Campaign** – May thru September 2013
- Following last year's successful “Florida Insider Community” campaign, the “Florida Vacation Builder” (VB) will combine an online marketing campaign with an exclusive long-term travel planning tool aimed at attracting the attention of repeat customers and new travelers to Florida. Center point of the VB is a map and a list of predefined highlights (POIs = points of interest). Picking the POIs by clicks, users can build their dream vacation in the destination on the map.
- The VB uses the viral potential of the social web as the users may share their dream routes with their friends and family by mail or on social media platforms. Additionally, users can send a booking request for their dream vacation including the map and dream route to Canusa within a few clicks.
- Furthermore, users can register for a raffle to win their dream vacation. This way the participants are highly involved in familiarizing themselves with the destination, awareness is generated as are bookings via an integrated contact form. The tool is placed on a landing page within the canusa.de homepage. This landing page - individually built for the destination - contains all information on the VB (instructions, registration form), the tool itself, further multimedia information on our destination (text and video gallery) and will link to product pages on canusa.de and the request form.
- Communication platforms will include:
- Website Marketing:**
- A special banner will be designed to promote the VB on the Canusa homepage (more than 2.5 million visitors yearly) for two weeks. Various smaller banners will be featured on related subpages throughout the whole six-week campaign period.
- Email Marketing:**
- An eNews blast will be distributed to Canusa's database of 520k subscribers at the onset of the campaign.
- Social Media Marketing:**
- The VB will be promoted continuously on Canusa's Facebook site (currently over 22k highly active fans) and to Canusa Twitter followers. In addition, Facebook ads will be used to reach new sociodemographically related target groups.
- Search Engine Marketing:

Search engine optimized realization of the VB improves the visibility of the Canusa VB via organic search results. In addition, the Canusa VB will be advertised on Google Adwords.

The program launch this month on May 7th.

- DERTOOUR (Germany)
 - **Long-haul Destination Flyer Promotion** – August 9th – September 6th

560 travel agencies will each be sent long-haul destination special offer flyers along with a dispenser for placement, which will be displayed in-store for four weeks between August and September. Only two USA destinations will be promoted, one of them being VSPC. Other long-haul regions featured will be Canada, Asia and Australia. In addition, special offer advertising templates will be developed and distributed to agencies for them to utilize in placing their own advertisements in local newspapers.

- FTI Touristik (Germany)
 - **Sonnenklar TV** – September 14th - 30th

After having completed a successful consumer campaign in cooperation with Visit Orlando, Visit Florida and Brand USA, our own VSPC-exclusive marketing initiative with FTI has been defined:
We'll run a multi-channel promotion on "Sonnenklar TV", which is a 24-hour travel shopping channel (owned by FTI) with an average viewership of 550,000 persons per day. Direct sales of FTI product to consumers generate annual net revenues of over EUR 165 million.
Our placements will be launched starting September 14th focused on two platforms

 - 1) *Sonnenklar TV*
 - a. Product Specials
 - b. TV Spots / Image Trailers
 - 2) *Online (sonneklar.de)*
 - a. Skyscraper placement
 - b. Exclusive VSPC landing page
 - c. Placement on Sonnenklar's Facebook fan page

Having conferred with FTI and Sonnenklar TV to develop general messaging direction and content strategy last month, our input including texts, slogans, imagery and logo were provided this month along with B-roll film material per FTI/Sonnenklar's request.

- HOTELPLAN SUISSE (Switzerland)
 - Two brands "Hotelplan" and "Travelhouse/Skytours"
 - TRAVELHOUSE / SKYTOURS
 - Consumer eNews Blasts** – May & September
 - eNews blast to 65,000 consumers in German-speaking Switzerland to include VSPC imagery, logo, destination description and travel teasers.
 - The May eNews was distributed on 5/03; the September eNews will launch on 9/06.

- KUONI (Switzerland)
 - **B2B eNews Blast Series / Sweepstakes** – May-July
 - A series of 4 dedicated eNews blasts will go out to 750 agencies, the first three of which covering comprehensive destination content, imagery and logo with the final eNews containing a quiz. Launch was on 5/31 with ensuing distributions on 6/19, 7/02 and 7/15. The quiz travel prize will consist of an Edelweiss Air ticket to Tampa,

a 7-night stay in our area and a one week car rental. Both our accommodations sponsor and Edelweiss Air are featured in each program element commensurately. We developed a content strategy for each of the newsletters submitting these to the tour operator including applicable, comprehensive PDF documents which are downloadable from the Kuoni website. We proofed and approved the second eNews, which was distributed this month.

- TUI (Germany)
 - **3/1 pg Advertorial in TUIfly and Welcome! Magazines** – March-June
Magazine distribution on board TUIfly fleet of 22 aircraft with 450k passengers/month and via direct mail to TUI customers. Welcome! Magazine is a publication for ‘World of TUI’ credit card holders, i.e. affluent customers who travel more than average. Readership for both publications combined is 1.8-2 million. Both are produced 4x/year. Insertion was launched March 21st and will run for three months until June 21st. VSPC will be the only U.S. destination featured which gives us very unique exposure. Others include Croatia, Gran Canaria, Greece, Indonesia, Rome and Turkey.

Travel Trade/Consumer Publications:

- FVW’s “Fit for USA” eLearning Program (Germany) – circ. 30,860 *Trade*
 - **Online travel agent training campaign** from October 2012 – September 2013
“Fit for USA” is an eLearning course developed by the FVW Mediengruppe (publishers of travel trade magazines) and is endorsed by the Visit USA Committee Germany and Brand USA.
The 2012 program produced excellent results: 3,003 registered users, over 19,000 unique visitors and close to 1.2 million page impressions.
Now in its second year, “Fit for USA” is an independent, online training program designed to increase tourism arrivals to the USA and includes individual course units covering 6 to 8 pages of subject matter for travel agents to read at their leisure. Each course unit ends with a knowledge test. Agents who successfully complete all course units and tests receive a “Fit for USA Specialist” diploma.
The program will again be promoted frequently through advertisements in the travel trade magazines FVW (circ. 32,000 biweekly) and Travel Talk (circ. 31,000 biweekly) as well as on the respective websites: fvw.de (150,000 PIs/mth) and traveltalk.de (200,000 PIs/mth). The eLearning program will be online for 12 months with sweepstakes included at regular intervals. Special prizes such as hotel stays or flight tickets will be promoted additionally with images, logos and descriptive content.
Dates have been secured for placement of our two sweepstakes contributions during this promotion. Our prizes will be featured in March/April and June/July.

- COMMUNIGAYTE (GLBT) (Germany) *Consumer*
 - **“Rainbow Reporter” 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. This year, we’ll be working on the “Rainbow Reporter” project again in cooperation with Visit Orlando.

Program Overview:

1. **Acquisition/Application Phase** – January-March
Placement on queer.de and will build excitement/hype for the destination.
Coverage will include:
 - 1 article per destination - reach 10,000 contacts
 - 3 months of banners - reach 250,000 contacts
 - 1 eNewsletter to 18,000 contactsPlus 2 months of banners via Publigayte (Inqueery, Hinner, Leo) - reach 125,000 contacts
 - 1 eNewsletter to 10,000 contacts and
 - 2 months of banners on Schwulissimo – reach 200,000 contacts
 - plus 1 eNewsletter to 30,000 contacts
2. **Announcement of Winner** – May
Will include ‘winner announcement’ article - reach 10,000 contacts
3. **Depth of Reporting Phase** – September
Daily blog written by the Rainbow Reporter during his sojourn in the destination.
 - Blog reach 400,000 contacts

Total reach for the project: 1,053,000 contacts.

Accommodations for the Rainbow Reporter have been secured in our area September 15-19, 2013. We are most grateful to our accommodations partners for sponsoring housing! Airline and car rental partners have also been secured.

There have never been so many high quality applicants for the Rainbow Reporter! After thorough review and deliberation, the Rainbow Reporter 2013 has been selected by Communigayte and queer.de in cooperation with ourselves and Visit Orlando: Timm Kayser. He is professional, bright, personable, and articulate, has excellent English skills, i.e. meets all the participation criteria and is very motivated to do this ‘job’ with demonstrated blogging and photography skills.

- Travelution (Netherlands) – circ. 7,500 *Trade*
 - **6-page Infotorial** in the August issue (Destination Update Florida 2013)
VSPC will be featured in the “Regional Report” section with comprehensive destination description and highlights, imagery and logo. In addition, our area will be featured on Travelution’s website including a VSPC banner ad. We provided the publisher with extensive information this month in preparation for his development of the infotorial.
Travelution is the Netherlands’ leading travel industry publication with a readership of 10,000. With a personalized cover letter, issues are mailed to all business and leisure travel agents. The magazine is also distributed to all tour operators (product managers, buyers, sales managers and board members), incentive organisers, airlines, tourist boards and NATM members – in short, Travelution reaches close to 100% of the Dutch travel industry. “Regional Report” combines facts about tourism regions and tourism highlights with trends & new developments. The latest news, interviews with travel-professionals, infotorials and specials about specific topics such as the cruise industry, car rental, ferries, travel insurances, airline reports and industry employment are also included. The publication enjoys a long shelf life and research shows travel professionals utilize it as a reference piece due to the up-to-date and high quality information provided. In addition, Travelution has his own website giving a weekly overview of most important news items in the travel industry with cross links

to complete press releases. The website has approximately 31,407 unique users every month, 370,684 page views and 1.2 page impressions.
Pub frequency: 1x/mth

Online Aggregators:

- Expedia (Germany) – 1.4 million German subscribers *Consumer*
 - **Placement Campaign** – May 13-July 7, 2013
With 2.09 million monthly unique visitors, Expedia Germany is the leading online travel provider in the country. VSPC will be featured on the Expedia Germany website and partner websites in different ways: core offers on the Expedia home page, boxes on the run of site as well as skyscrapers and boxes on the flight+hotel and click&mix site. The placement of this campaign is timed to make a push for additional summer 2013 bookings.

- Travelzoo Europe – 700,00 French subscribers *Consumer*
 - **eNews Blast** – June 2013
After our successful promotion with Travelzoo Germany last November, we were offered an eNews Blast on their French website free of charge. Mirroring the layout of our November placement, the eNews contained our imagery and logo along with several travel teasers to our area. In addition, special buttons for topics such as arts & culture, beaches & nature will be included and linked to applicable comprehensive content, which will remain online for four weeks.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

- **Press Release June:** Discussed featured subject, proofread and corrected.
- **Newsletter June:** Provided input, proofread and corrected.
- **Collateral Support:** Sent information material to a journalist as requested by Axel Kaus.
- **“Radio Group” travel broadcast including sweepstakes of Feb. 2012:** We assisted the winner with the extension of his gift certificate liaising with our hotel sponsor.

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