

CENTRAL EUROPEAN OFFICE

J U L Y 2013

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MARKET INTELLIGENCE / TRENDS

Bookings Soar as Summer Arrives

Holiday bookings on the German market grew by a strong 16% last month thanks to the long-awaited arrival of sunny weather, which drove consumers into travel agencies, the latest market surveys show. After a low 3.8% rise in May, German travel agencies increased their sales by 16% last month, according to the regular monthly survey of 1,200 tourism-focused travel agencies by market researchers GfK. The Nuremberg-based research firm described it as an “exhilarating start to the summer”. Summer 2013 sales are now 6.7% higher than last year on a cumulative basis.

All summer months profited from the good bookings trend, although last-minute sales for departures in June itself grew only 0.2%. Bookings for July improved compared to recent months, although the month remains 2.6% behind last year’s sales level. October was once again the most popular month in terms of new bookings and is now 18% ahead of last year.

The proportion of late bookings fell back once again in June, with only 29% of bookings for departures last month or this month. This figure was about 33% last year. At the same time, the proportion of early bookings for winter 2013/14 rose to 26% of total sales revenues.

In contrast, the monthly TATS survey of 2,400 business travel-focused agencies showed a 4.7% drop in travel agency revenues last month. However, this was due to a further slump in airline ticket sales which fell 7.8% after a 4.5% drop in May. Leisure travel sales grew slightly by 1% last month and are 2.7% higher on a cumulative basis.

FTI: From Specialist to #4 in 30 Years

German tourism group FTI has celebrated its 30th anniversary and its growth from a small specialist tour operator to the fourth-largest company in Europe’s biggest tourism market. Some 700 staff and 300 business partners attended the 30th birthday party at the company’s new head office in Munich. Founder and CEO Dietmar Gunz thanked staff for their commitment to the company throughout the years. “I’m very proud of having so many committed employees who always stand behind FTI even when there are problems or when times are tough. It’s absolutely clear to me that this shouldn’t be taken for granted,” he told them.

FTI started life as a language holidays specialist, grew through diverse acquisitions in the 1990s and was briefly sold to Britain’s Airtours before plunging into serious financial

problems. Gunz bought back the company, disposed of hotel and airline activities and focused FTI as a dynamic tour operator with a diverse range of offers and ready to take entrepreneurial risks such as investing in difficult destinations. The FTI Group, which also includes several specialist companies, a small travel agency chain and a travel TV station called Sonnenklar, has become Germany's fourth-largest tour operator with consolidated revenues of some €1.8 billion.

DER Touristik: Cheaper Winter Package Holidays

Major German tour operator DER Touristik has generated good growth this summer and is cutting package holiday prices for the Canary Islands and Egypt by 3% for the coming winter. The Cologne-based DER Touristik business unit has increased sales by 5% this summer and has a single-digit rise in customer numbers. "Our strategy has fully paid off. Demand has been constant since January," said satisfied managing director Sören Hartmann at the presentation of the company's winter 2013/14 brochures.

Sales for Majorca and Turkey have increased by 14% and 8% respectively this summer, while Greece and Tunisia both have a 7% rise. Other popular destinations are the UAE (+44%) and the Dominican Republic (+13%). In contrast, bookings have slumped for Egypt (-19%), Bulgaria (-18%) and Cyprus (-33%) while Germany and Austria are slightly below last year's levels. For winter 2013/14 DER Touristik has cut package holiday prices to the key destinations of the Canary Islands and Egypt by 3%. "We were able to purchase more cheaply thanks to larger flight allotments," Hartmann explained. Prices for long-haul destinations will rise by nearly 2% on average, primarily due to increased kerosene costs and higher taxes on airfares.

DER Touristik's individual holidays unit is further expanding its broad portfolio in the coming winter with more guided tours and cheap coach tickets. The Frankfurt-based business unit expects 3% revenue growth this year thanks to stronger bookings for Mediterranean beach holidays. Greece has made a strong recovery with a 30% increase after a 25% fall last year, while the Canary Islands and Turkey are also selling well along with cruise holidays. Long-haul revenues are up 2% and luxury holiday sales have risen 6%.

DER Touristik's individual holiday unit, comprising the Dertour, Meier's Weltreisen and ADAC Reisen brands, will generally hold prices stable for the forthcoming winter season, especially for the Mediterranean. Southeast Asia will be 2% more expensive while South Africa (-4%) and Canada (-2%) will be cheaper.

Thomas Cook: More Hotels and Exclusive Cruises for Winter 2013/14

Thomas Cook Germany has nearly doubled its hotel portfolio for the coming winter season, added more exclusive properties and agreed on a new cruise partnership. Germany's third-largest tour operator will offer nearly 14,000 hotels for winter 2013/14, with 4,500 presented in the 23 brochures. A further 9,000 hotels are bookable through reservation systems and can be combined with daily flights to create new dynamic package offers. The bulk of these extra hotels have been contracted through the group's 'bedbank' Beds4U.

"We are offering the largest choice that we have ever had for a winter program," said Germany chief Michael Tenzer. In addition, the number of exclusive hotels has been

expanded to 43 in 13 destinations, including 26 Sentido and Smartline properties and five adults-only Sunprime hotels.

The mainstream brand Neckermann is broadening its cruises offering through a partnership with Spanish firm Iberocruceros, part of the Carnival group. The tour operator will exclusively offer the mid-market ship Grand Holiday on the German market with all-inclusive holidays at attractive prices. Thomas Cook's prices for next winter will be largely stable, especially for long-haul and self-drive holidays, although short-haul packages will go up about 2% in line with inflation.

Tenzer said Thomas Cook is satisfied with bookings for the current summer season with higher bookings and an increase in the average selling price. Greece has recovered from last year's slump while the Caribbean is in strong demand. Egypt is suffering from the latest political developments, however. The Germany chief criticized new taxes and charges in Egypt that had resulted in an overall 3% price rise for the troubled country as well as higher taxes in other countries, including Tunisia, Portugal and Kenya.

Germans Continue to Travel to Egypt Despite Coup

The beginning of the month saw Germans continuing to book holidays in Egypt despite the military coup and a 'partial travel warning' by the foreign ministry. Demand for holidays in Egypt has remained stable despite the mass protests and subsequent military intervention that deposed President Mohammed Morsi, and there is no sign of large-scale cancellations or customers wanting to return home early, according to German tour operators. TUI, Thomas Cook, DER Touristik and other tour operators have all stressed that the situation in the main resorts, including Hurghada and Sharm El Sheikh, remains calm and no customers have asked to depart the country early. They also stressed that bookings "are still coming in" for the destination.

In response to the situation, German tour operators cancelled excursions to Cairo by mid-month, but are otherwise operating normally. They currently have several thousand customers in Egypt. The German foreign ministry urgently advises citizens not to travel to Egypt – with the explicit exception of the travel "to the tourist areas on the Red Sea coast". Flights via Cairo international airport are still possible, it says.

Meanwhile, a dispute has broken out over comments by the chairman of the German parliamentary tourism committee, Klaus Brähmig, who warned of possible terrorist attacks against tourists by frustrated members of the Muslim Brotherhood. "That would be a catastrophe for Egypt as a holiday destination," he told newspapers.

The German Travel Association (DRV), representing tour operators and travel agents, sharply criticized his comments. DRV president Jürgen Büchy said: "We're shocked that someone with such a major responsibility says things like this – and without any reason. He is just sparking off speculation and another discussion." Büchy added: "I view this behavior as superfluous and extremely negligent." Brähmig made headlines in 2012 when he questioned whether German tourists should really visit Egypt as a country that violated human rights. Those comments came just before the ITB where Egypt was the official partner country.

Germans Advised Against Nile Cruises

By mid-month, the German foreign ministry generated a travel advisory urging customers to omit Luxor and Nile cruises from their travel plans in view of the increased turbulence in Egypt following the military coup, although Red Sea resorts remain safe. In its current travel advisory for Egypt, the foreign ministry “urgently recommends” German citizens refrain from travelling to the Nile delta, the Sinai peninsula and also Upper Egypt (Luxor, Aswan and Nile cruises). However, this advisory warning “does not currently apply to travel to the tourism areas on the Red Sea and the Sinai coastal strip between Sharm El-Sheikh and Nuweiba”, it stated. Moreover, Cairo international airport is functioning normally and remains safe. In response, German tour operators are reviewing their activities in the Nile region and some are already offering free cancellations. Holidays to the Red Sea coastal regions are continuing normally at present.

Bookings for Egypt have been strong this year until recently and are still about 7% ahead of 2012 levels, according to the German Travel Association (DRV). About 35,000 German tourists are vacationing in Egyptian tourist resorts at present, the DRV said, and cancellations have been very low so far. However, new bookings have started to fall off due to the conflict and tour operators are now attempting to stimulate demand with cheap offers.

SALES ACTIVITIES

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

Preparations continued this month for our Travel Agent Roundtables in Berlin, Leipzig and Dresden in cooperation with Visit Orlando and SeaWorld Parks & Entertainment. Venues have been selected and secured; invitations have been distributed to travel agents and applicable travel arrangements have been made.

Visit USA Germany Halloween Event 2013 (October 25th – 27th, 2013):

For the fourth consecutive year, we will participate in the annual Visit USA Germany Halloween Event. After three very successful events in Seeheim, Düsseldorf/Neuss and Frankfurt Airport the last three years, this year’s seminar weekend will take place at the Hilton Garden Inn Frankfurt Airport again.

VSPC will be sharing a seminar training session with Visit Orlando and SeaWorld Parks & Entertainment, jointly conducting ten intensive training sessions throughout the course of the day. Registration was completed this month and an initial brainstorming conference call was conducted with our two partners regarding development of an innovative/exciting training format.

British Airways SpeedBird Club Promotion (November/December 2013):

We continued to liaise with British Airways, Germany this month on the development 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 are joining forces with Visit Orlando to promote our products to the German travel trade for this special promotion, which will include a sweepstakes element. We solicited interest among our industry partners this month and are once again grateful for the generous donation of a 5-night stay! Applicable input (images, text, logo and sweepstakes question) were transmitted to British Airways accordingly. eNews layout to be forthcoming.

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 St. Petersburg/Clearwater area will be included. We are again most grateful for the generous support of our industry partners! This month the sponsors' images and logos were forwarded to the publisher.

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. The venue has been selected for 2014 and applicable paperwork has been processed.

MARKETING INITIATIVES

Our efforts continued again this month in developing and completing marketing initiatives 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.

- DERTOUR (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.

The tour operator has been supplied with all materials, layouts were received and approved.

- 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

We have conferred with FTI and Sonnenklar TV to develop general messaging direction and content strategy, supplied our input including texts, slogans, imagery and logo as well as B-roll film material per FTI/Sonnenklar's request. Layouts for both the online skyscraper and landing page were received and approved. TV spots and image trailers were reviewed carefully with necessary adjustments conveyed.

- 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. This month the last eNewsletter containing the quiz was created and distributed.

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.
 - This month the next sweepstakes winner was drawn and was promptly sent our gift certificate as well as a comprehensive information packet on our area.

- 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 contacts
 Plus 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 (United) and car rental (Alamo) 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 Infoterial** 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 infoterial.

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, infoterials 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. An initial evaluation shows a CTR on the premium core offer of 2.56% (compared to 1.77% for the campaign run last year).

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

- **Press Release July:** Discussed featured subject, proofread and corrected.
- **Collateral Support:** Provided "Holiday Hotline" with our material per KMS request.
- **German Media Fam:** We were contacted by Visit Florida's German PR agency this month regarding support in planning a media fam trip for a group of approx. 7 journalists. The lead was promptly forwarded to KMS.

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