

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

Lufthansa: Plans for Low-Priced Long-Haul Leisure Flights

Lufthansa is considering low-priced flights to long-haul tourist destinations in competition to Condor and Air Berlin, according to fvw information. After three years of building up charter flights to short and medium-haul destinations for German tour operators, mostly through low-cost subsidiary Germanwings, the airline is considering expanding its leisure business significantly.

For the winter 2015/16, Lufthansa could launch low-priced flights to long-haul leisure destinations in Asia, the Caribbean or North America. The airline is reviewing using older planes such as A340s or even a B747 that have been written off financially, meaning that operations could be conducted at a lower cost level. Lufthansa is considering a two-class cabin configuration with business/premium economy and economy classes.

Lufthansa confirmed to fvw that the project is being reviewed, but stressed that no decisions have been made. However, the airline is apparently already conducting conversations with pilots and cabin crew as well as with airports and service companies regarding ways of keeping costs low for such a long-haul leisure operation. Such flights would compete directly with Condor, the Thomas Cook carrier and former Lufthansa subsidiary, and Air Berlin, which is cooperating closely with shareholder Etihad Airways on routes to Asia via Abu Dhabi. These two airlines dominate the German long-haul leisure flights market, although national carriers from the destinations are also important competitors on such routes.

TUI: More Long-Haul and Budget Offers

TUI Germany is expanding long-haul holidays, exclusive offers and also budget holidays for the coming winter season. The German market leader, whose program presentation coincided with the announcement of the TUI AG / TUI Travel merger plan, did not disclose any figures about its current sales trends for legal reasons related to the proposed merger. In terms of destinations, demand is strong this summer for Greece, which is heading for another record, Turkey and the Balearics while unsurprisingly, bookings for Thailand, Kenya and Egypt are weak at present.

Highlighting winter 2014/15 trends, Germany CEO Christian Clemens said TUI will offer more long-haul holidays and more concept hotels, and also expand its budget portfolio. Prices for Spain will rise slightly this coming winter while long-haul destinations, apart from

the USA, will be generally less expensive. Prices for Egypt have also been reduced to stimulate demand.

The main product development for the coming winter is a further expansion of the long-haul program to some 6,000 hotels in 70 countries. “Holidays in long-haul destinations are getting more important and more people can afford them,” explained Steffen Boehnke, head of the long-haul program. The new flights from Hamburg to the Caribbean (Cancún and Punta Cana) will be operated in cooperation with British sister carrier Thomson Airways. The “winter sun guarantee” of at least 20°C has been extended to cover the Canary Islands, Cape Verde Islands, Tunisia and Morocco. Guests can re-book to an alternative destination or a later date, if cooler temperatures are forecast one week before departure.

Longer Summer Holiday Corridor

German school summer holidays will be extended over a longer period in the future to avoid regional over-lapping and to reduce congestion. The education ministers of Germany’s 16 federal states have agreed to stretch the phased summer holidays of the different regions over a longer period of time in the future, thus extending the summer holiday season. The decision follows widespread criticism of this year’s unusually short corridor of 71 days, with the summer holidays overlapping for three weeks in August in all 16 German States. This has resulted in higher prices, less available capacity and expectations of heavier traffic congestion. School summer holidays for the 2012-2017 timeframe were set several years ago.

In response, ministers agreed that school summer holidays should be phased over an average period of 84.6 days from 2018 to 2024. This will vary from 80 days in 2018 and 2022 to 87 days in 2021, with an exceptional 95 days in 2024 due to overlapping with late spring holidays in Bavaria and Baden-Württemberg. In general, this means that the first regions would start their summer holidays in late June while the last ones would return to school in mid-September. Ministers said their decision represented a compromise between educational requirements and the interests of the tourism industry as well as traffic considerations.

For the tourism industry, the decision means that the holiday season will be slightly extended and more balanced. The German hoteliers association Dehoga described the decision as “a sensible compromise” that ensured the school summer holidays would be phased over a period of at least 80-85 days in the future. The German Travel Association (DRV), which has long campaigned for such a change, welcomed the decision as an improvement, but reiterated its demand for an extension to a corridor of 90 days in total.

SALES ACTIVITIES

Visit Florida Road Show (June 2nd – 6th, 2014):

This month we participated in the Visit Florida Road Show to the German cities of Munich, Stuttgart, Cologne and Leipzig. The purpose of the tour was to present a refreshed Florida image along with news and highlights to travel agents and tour operator reservations staff. Partners had the opportunity to present their products to over 300 360 agents during evening events (roundtable workshop format) and hold comprehensive training sessions for tour operator in-house reservations agents during the daytime. Our efforts were supported by Dertour in Munich and Stuttgart and by Neckermann Reisen in Cologne and Leipzig. Tour

operator in-house reservations agent training was conducted at FTI in Munich and Fairflight Touristik in Leipzig. Information booklets containing comprehensive destination content and notes pages were especially developed and distributed to agents serving as both a reference and working tool during the training sessions.

The following Florida partners participated 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.

Visit Florida's German office did an excellent job of both organizing and executing the road show this year.

U.S. Dream - Belgium (June 28th – 29th, 2014):

This year, the very first U.S. Dream consumer show took place in Libramont in the Belgian Ardennes. Visit USA Belux is a proud partner of U.S. Dream which is to become a must-attend event in the coming years. The location, Libramont, is close to the Luxembourg and French borders thereby facilitating a greater catchment area. The show attracted approx. 5,000 visitors, which was certainly successful for a first-time event in this region of Belgium. Targeting U.S. enthusiasts, several events and activities were planned throughout the weekend to motivate and engage customers. Included were an amazing rodeo in an indoor 1,500-seat arena, horseback riding, a Harley Davidson display, vintage U.S. vehicle demonstrations, country dancing and much more. Beyond the activities, customers were spoiled with typical U.S. culinary delights.

All shipping logistics were completed and video loop presentation material delivered to the set-up team at Visit USA Belux booth.

Travel Agent Roundtables (September 11th, 29th & 30th, 2014):

Dates and venues have now been locked in for the Travel Agent Roundtables 2014 in Cologne (9/11), Hannover (9/29) and Nürnberg (9/30). We will conduct the roundtables in cooperation with Visit Orlando and SeaWorld Parks & Entertainment. It is anticipated that 150-200 agents will attend cumulatively. Development of agent invitations and further logistics will continue next month.

Visit USA Breakfast Seminars Switzerland (September 22nd – 26th, 2014):

Scheduled to be held in St. Gallen, Zurich, Bern and Basel, the innovative breakfast seminars are expected to attract over 200 travel agents, whom we will have the opportunity to train in the more intimate roundtable format. By virtue conducting trainings in four Swiss cities in short order, we will cover a broad catchment area just ahead of the upcoming important booking season. Space is limited for these half-day training events – allowing for only 10 suppliers. Thus, we are pleased to have secured this excellent exposure opportunity by means of our early registration last month. Further logistical development will be conducted after the summer vacation period.

Visit USA Germany Halloween Event 2014 (October 31st – November 2nd, 2014):

For the fifth consecutive year, we will participate in the annual Visit USA Germany Halloween Event. This year's seminar weekend will take place at the Hilton Garden Inn Frankfurt Airport.

VSPC will share a seminar training session with Visit Orlando and SeaWorld Parks & Entertainment, jointly conducting ten intensive training sessions throughout the course of a full day. An evening Halloween extravaganza is planned as the highlight of the weekend.

We registered early for this event in order to secure one of the coveted presentation slots.

CMT Stuttgart Super Sweepstakes (January 17th – 25th, 2015):

Known as one of Germany's largest and most important consumer shows, CMT Stuttgart attracted over 241,000 vacation hungry 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 2014 when the official sweepstakes website goes live.

The sweepstakes presents an excellent exposure platform and for next year, the organizer has granted St. Petersburg/Clearwater two travel stay slots! Commensurately, an industry opportunity was distributed this month and we are again most grateful for the generous support of our industry partners! Sponsors' images and logos have been forwarded to the organizer and publisher.

Additional Activity:

- Our Swiss tour operator partner **Hotelplan** will conduct a Florida destination training for 50 agents. We provided them with our latest news, information and brochures.
- **Reisebüro Weinböhl**, a travel agency familiar with us through our travel agent roundtable seminars, is planning a Florida-themed evening for 30 customers next month including a sweepstakes. We enthusiastically supported their effort with provision of our Gulf to Bay magazines as well as giveaways, for which the agency was most grateful.

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-June 2014**

Following last year's successful “Florida Vacation Builder” campaign, this year's “MoodPage” campaign combines 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 were included (Facebook fans currently stand at over 40,000).

Co-op Partners: Visit Florida + several Florida destinations

The campaign runs 4/29 through 6/29. Campaign results / evaluation will be compiled by the tour operator and forwarded to us upon completion.

- **EXPLORER FERNREISEN (Germany)**
 - **B2C Florida Campaign Pamphlet** – July

Targeting the travel period fall/winter 2014/15, i.e. October 2014 – March 2015, Explorer Fernreisen will develop an 18-page Florida pamphlet for distribution to and via all eleven Explorer Fernreisen stores. In addition, the pamphlet will be inserted into several travel magazines, e.g. Clever Reisen, Reise & Preise, Abenteuer Reisen and in the dive magazine *Silent World*. VSPC will be featured on two full pages comprised of content, imagery, logo and several travel teasers developed by the tour operator. Total print run will be 300,000.
 - **B2C Florida Campaign Online Promo** – July

The above will be supported by development of an online microsite (explorer.de/florida) which will include a sub-site dedicated to the presentation of our area. The microsite will go live 7/01 and will remain active until the end of the year. The tour operator will make use of several online tools (such as Google Adwords, banners, inclusion in weekly enews blasts) to draw attention to the campaign’s microsite.

Layouts have been received, corrected and approved for the above initiatives.

- **FAIRFLIGHT (Germany)** *Consumer*
 - **Dedicated Destination Blog** – June

After our successful in-house training at Fairflight in Leipzig during the Visit Florida Road Show the beginning of this month, the tour operator enthusiastically offered to feature our destination in a blog on their website free of charge. We provided them with images, text and video of our area and approved the layout.

- **MEIER’S WELTREISEN (Germany)**
 - **B2C Online Promotion** – February/March (results are now in)

A four-week campaign including homepage image teaser placement linking to dedicated destination page featuring several travel teasers and placement in eNews blast to 11,000 customers – including VSPC logo, imagery and destination text. The very favorable results were provided this month as follows:

Homepage: 1,146 clicks on our homepage image teaser and 1,591 PI’s for our dedicated destination page.

eNewsletter: 64 clicks on the St. Pete/Clearwater link in the editorial section and 196 clicks on the VSPC teaser. Meier’s reported St. Pete/Clearwater having generated the highest click rate in an eNewsletter.

Travel Trade/Consumer Publications & Portals:

- **Fit for USA / FVW Academy (Germany)** *Trade*
 - **Platform Transfer** – as of May 2014

“Fit for USA” was an eLearning course developed by the FVW Mediengruppe (publishers of travel trade magazines) being endorsed by the Visit USA Committee Germany and Brand USA.

The program produced excellent results: 3,003 registered users, over 19,000 unique visitors and close to 1.2 million page impressions.

Now in its third year, “Fit for USA” content will be transferred to the existing online training program “FVW Academy”, which is 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. Compared to Fit for USA the FVW Academy has up to 75% more visitors (5,255), unique visits as well as page impressions 112,242 PIs.

In conjunction with the transfer of Fit for USA to the FVW Academy platform, we increased awareness for the VSPC training course by placing a sweepstakes this month. 234 participants finished the VSPC training course and a winner was drawn from this pool who received our stay certificate promptly.

The FVW Academy eLearning 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).

- McDonalds' KINO News Sweepstakes (Germany) – 3.86 mil. readership *Consumer*
➤ **Full Page, 4c Advertorial & Sweepstakes** – October 2014 issue

Pursuant to our excellent cooperation with KINO News three years ago in conjunction with the release of 'Dolphin Tale', we initiated negotiations with publisher T+M Press Marketing for placement of an advertorial and sweepstakes in preparation for promoting 'Dolphin Tale 2', which will be released in Germany on October 9th, 2014.

We also solicited a tour operator partner for co-sponsorship of the sweepstakes element and are pleased to report that once again, German tour operator America Unlimited will support the promotion with provision of flights and car rental for four pax. An accommodations sponsorship will also be solicited, making for a comprehensive travel prize, once negotiations with the magazine publisher and tour operator have been finalized.

KINO News is an independent entertainment magazine featuring content on upcoming movies, reviews, music, computer games, gadgets, sweepstakes opportunities, star profiles, etc. With a monthly circulation of 830,000, the magazine is available free of charge at 1,400 McDonalds outlets nationwide.

- Travelution (Netherlands) – circ. 7,500 *Trade*
➤ **Top Banner** on travelution.nl – June

VSPC was featured with a top banner the entirety of this month on the travelution.nl homepage. In addition, the banner was also placed in 4 weekly newsletters to 12,500 registered travel professionals.

Travelution's website provides 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 million page impressions.

Online Aggregators:

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

A special microsite was developed featuring VSPC imagery, logo, several travel deal listings 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.

We solicited both Visit Florida and Brand USA for a contribution of funds to our Travelzoo initiative, which enabled 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 also contained a travel prize sweepstakes for which German tour operator America Unlimited donated 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.

We have kept abreast of sending our marketing initiative partners/vendors applicable billing instructions as well as following up on status of invoices with proof of performance documentation when needed. BVK has been kept updated as to media plan developments and status.

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 topics, proofread and corrected.

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