

# CENTRAL EUROPEAN OFFICE

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## MARKET INTELLIGENCE / TRENDS

### Market Trends: Sales Recover in July

Holiday sales in Germany recovered in July from a slight slump and increased slightly as consumers celebrated the country's World Cup victory with late bookings. Travel agents sold 1.4% more holidays last month than in July 2012, according to the monthly survey of 1,200 agencies by market researchers GfK. However, this is only a relatively small improvement as July 2013 was a weak sales month with a 5% drop compared to the previous year.

The share of last-minute bookings for July departures was relatively low at just 8.7%, which was slightly less than a year ago, and overall sales for last month were down more than 10%, partly due to the 'World Cup' effect.

But nearly a quarter of bookings last month were for holidays in August, which was two percentage points higher than last year. Revenues for August were up by more than 15% as a result, reflecting the tight school summer holiday corridor this year and consumers delaying holidays from July until August. A further 30% of bookings were for September and October.

German travel agents are now feeling slightly more confident again after last month's sales increase, according to the latest fvw 'sales climate index'. Some 32% of agents now see the sales situation as "good" compared to just 27% in July. But only 19% believe that demand will rise during the coming six months while 28% expect lower sales and about half expect stable bookings.

Meanwhile, the German Travel Association (DRV) is warning that the late sales surge could hit agents' already low profitability as consumers seek cheap offers above all. "This sell-off unfortunately makes targeted product steering difficult, even though this is urgently required due to the financial development of agents," said Bernd Zillich, head of the DRV's economics committee. He called on agents to focus on selling products that generate higher commission payments.

According to an in-depth new "tourism index", consumers in Germany are travelling more and want to keep spending on holidays. The German consumers' desire to travel has again increased in recent months and is expected to continue rising for the rest of this year, according to the new Tourism Index from the Germany Tourism Industry Federation (BTW), which represents the domestic and outbound tourism sectors.

Germans plan to spend about 4% more on travel this year than in 2013, according to the index, which was a higher figure than planned spending on other consumer products. The 'confidence barometer' rose from 1.07 points in April to 3.11 points in the summer, and is predicted to rise to 3.8 points by the end of 2014.

Moreover, the total number of 'days travelled' increased by 3.8% to 391 million in the first four months of the year compared to the same period last year, the index showed. The number of days spent on trips involving at least one overnight stay increased by 8.3%.

### **Thomas Cook: Sales growth in Germany**

Stronger summer bookings in Germany, the UK and Northern Europe along with continued cost savings have helped Thomas Cook to improve profits in the April – June third quarter. In the group's Continental Europe region, including Germany, 78% of summer capacity has been sold compared to 73% at the same time last year, which is largely due to the German market. Although the region's bookings and average prices are flat, the Central Europe unit, comprising Germany and Austria, has a 2% rise in bookings with stable prices. Continental Europe's operating profit improved slightly to £6 million in the third quarter.

Condor's bookings are also 2% higher for the summer, but average prices are down by 4% due to an estimated 6% capacity expansion by rivals on short and medium-haul routes. On long-haul routes, however, where the airline generates 60% of its revenues, prices are 4% higher on average. Condor more than halved its third-quarter loss to £6 million.

Overall, Thomas Cook is seeing strong late bookings for summer holidays and early winter bookings.

### **TUI: Redesign and Restructuring**

TUI is re-branding its German travel agencies and is gearing up for post-merger restructuring after improving profits in the third quarter of 2013/14. From October onwards, TUI Germany will start to re-brand its 450 own travel agencies into 'TUI Stores' in a move to push higher sales of in-house products. The first TUI Store will open in Stuttgart in mid-October, featuring an innovative layout and strong use of digital technology. Others will gradually follow. The move will mean an end to the current split between the Hapag-Lloyd Reisebüro and First Reisebüro brands and will complement the TUI Reisecenter franchise agencies.

Ralf Horter, the German market leader's CCO, said he wants "to make the TUI tour operator brand into a sales brand that you can experience". He wants the new TUI Stores to increase sales of TUI own products, including packages and group hotels, from 70% at present to 80% in future.

Meanwhile, TUI AG CEO Fritz Jousen has confirmed that he plans to split off the specialist businesses following the planned merger of TUI AG and TUI Travel later this year, and is not excluding selling off some of these. This business area covers some 100 smaller business with combined turnover of about €4.8 billion. This comes after TUI presented good results for the third quarter of its 2013/14 business year and is optimistic about results for the full year. TUI AG turnover increased by 3% to €4.8 billion. Key factors were a convincing performance by TUI Travel's Mainstream Business, strong growth by the hotels, increased

occupancy and enhanced cost structures at Riu and Robinson and a higher profit contribution by TUI Cruises.

TUI Travel's revenue dropped by 3% by GBP 9 billion (€1.4bn), partly due to lower capacity in France, but the seasonal loss was reduced by 13% to GBP 186 million (€235m). The Mainstream business improved its operating profit by 70.6% in the quarter. TUI Travel CEO Peter Long said he was satisfied with the developments in the UK and Germany, although the French and Russian markets are difficult this year, and Scandinavia is weaker than in recent years. TUI Germany revenues declined by 1% in the quarter due to lower market demand, but demand has improved in recent weeks.

### **Google: Search Giant Targets Tour Operator Offers**

Google is seeking to cooperate with tour operators in Germany to expand its 'Hotel Finder' service with more offers in tourism destinations. The U.S. search giant recently teamed up with German IT technology firm Peakwork as one of many international content partners to expand its hotel database. At present, leading portals such as Expedia, hotels.com and booking.com are the main content providers for the Hotel Finder service.

The cooperation with Peakwork, which offers real-time travel distribution via its player-hub technology, has already generated its first results. The first tour operator to contribute offers via Peakwork into the Google Hotel Finder is L'Tur, the TUI-owned last-minute holidays specialist. The company wants to test the service's sales potential. "It's mostly a question of getting experience in a new sales channel," said L'Tur managing director Markus Orth.

Other German tour operators are currently considering whether to provide content for the Google service – and whether Hotel Finder should be seen as a sales channel or a competitor. In particular, they are concerned that Google could easily combine its Flight Search service and Hotel Finder offers into holiday offers that might compete with them in the future.

Marco Ryan, Thomas Cook Germany's head of omnichannel sales, told fvw in an interview that Google's new service could be a 'game-changer'. He said: "I expect Google to integrate package holidays in its search engine soon with its new connection to the Peakwork player." Christian Bärwind, Google Germany's Head of Travel, said: "The cooperation with Peakwork is purely focused on the hotel business." But asked if a Google 'Holiday Finder' might follow one day, he only commented: "We always do what makes sense for our users."

## **SALES ACTIVITIES**

### **Visit Florida Partner's Meeting (August 28<sup>th</sup>, 2014):**

Visit Florida held a meeting for Florida partners with representatives in Germany to present and discuss their scope of work planned for 2014/15. Topics included:

- FTI Highlight of the Year 2015 program
- Tour operator cooperation
- B2B2C event with TUI Suisse and SWISS Airlines in September 2014
- Pan-European sales mission in April 2015
- Florida Huddle, ITB and IPW

Partners provided input with emphasis on how and where Visit Florida can support initiatives in partners' pipelines. It was clearly expressed that supportive measures would be appreciated primarily on the B2C platform.

**Visit USA Breakfast Seminars Switzerland (September 22<sup>nd</sup> – 26<sup>th</sup>, 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 of 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 was 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.

The seminar series will culminate in a travel prize drawing, which will entail particular emphasis on the sponsors throughout the week. This month we circulated an applicable industry opportunity solicitation and are once again most grateful to our partners for the fabulous support! We also provided the organizer the elements (logos, imagery, etc.) for the development of a workshop booklet to be distributed among the participants.

**TUI Suisse/Flex Travel B2B2C Event (September 23<sup>rd</sup>, 2014):**

The tour operator plans to hold a unique training event in Zurich in cooperation with SWISS next month during which Florida will be featured exclusively. Hand-picked travel agencies will each invite their 10 best customers for the evening session which is expected to attract a minimum of 100 pax. Each Florida partner will have the opportunity to present product to the group and engage in one-on-one sales discussions. This month saw us finalizing various logistics.

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

Dates and venues changed slightly this month for the upcoming Travel Agent Roundtables 2014. These are now Hannover (9/29), Nürnberg (9/30) and Deggendorf (10/1).

We will conduct the roundtables in cooperation with Visit Orlando and SeaWorld Parks & Entertainment. It is anticipated that 150-200 agents will attend cumulatively. The invitation to agents has gone out and sponsors for the travel prize raffles in each city have been secured. A big 'thank you' to our industry partners for their generous contributions!

**Willy Scharnow Foundation Fam Tour (October 8<sup>th</sup>-11<sup>th</sup>, 2014):**

Similar to ASTA in the U.S., the German institute for travel education known as the "Willy Scharnow Foundation" was founded in 1953 to grant better professional opportunities in tourism to German travel agents. They do this through several means, one of which is educational familiarization trips and seminars.

This year's event marks the 21<sup>st</sup> annual Willy Scharnow Foundation Fam tour to our area. The group will be comprised of handpicked agents from travel agencies affiliated with the following tour operators specifically: Dertour, Explorer Fernreisen, FTI, Meier's Weltreisen, Neckermann Reisen, Thomas Cook Reisen and TUI – all of which feature our area's accommodations products. Our destination partner will be Naples with United Airlines being our cosponsoring carrier. UA will sponsor 13 seats (12 agents + 1 WSF escort).

We continued to liaise closely with our Leisure Travel Department this month providing flight pattern updates, itinerary input and particulars for purposes of industry solicitation.

**VSPC Sales Visit (October 13<sup>th</sup> – 17<sup>th</sup>, 2014):**

Planning for our upcoming visit to the county commenced this month. Correspondence with several industry partners regarding appointment requests was launched; travel and accommodations arrangements are in the process.

**Visit USA Germany Halloween Event 2014 (October 31<sup>st</sup> – November 2<sup>nd</sup>, 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. This month, we were provided with a seminar briefing containing details as to program format, accommodations options, shipping instructions, etc. Initial organizational steps were taken and accommodations secured.

**CMT Stuttgart Super Sweepstakes (January 17<sup>th</sup> – 25<sup>th</sup>, 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.

Two travel stays in St. Petersburg/Clearwater will be included. We are again most grateful for the generous support of our industry partners! Sponsors' images and logos have been forwarded to the organizer and the collateral material publisher. Layouts were received and approved this month.

**Visit USA Seminar Austria (January 28<sup>th</sup>-29<sup>th</sup>, 2015):**

Known as Austria's premier travel trade event, the Visit USA Seminar Austria will be held in Vienna and Salzburg next year and is expected to attract up to 150 agents cumulatively. The format will comprise an afternoon seminar with an ensuing evening event in each city. The seminar program will include a table top marketplace and an on-stage "interview" session with each exhibitor. The Visit USA Committee Austria will again organize a post-seminar "evaluation breakfast" during which we will have the opportunity to provide feedback and discuss future planning.

Our 'early-bird' registration has been submitted thereby securing a discounted participation fee.

**Visit USA Seminar Switzerland (February 4<sup>th</sup>, 2015):**

This program is Switzerland's premier travel agent training seminar held in Zurich annually. The seminar's main goal is to provide the local trade with more insider knowledge as well as the needed contacts and sources of information. An estimated 400 travel agents are expected to attend this important Swiss event.

Our 'early-bird' registration has been submitted thereby securing a discounted participation fee.

**ITB (March 4<sup>th</sup> – 8<sup>th</sup>, 2015):**

Known as the “world’s largest tourism fair” held annually in Berlin, Germany, we again plan to exhibit within the Visit Florida Pavilion. Visit Florida is currently working on the development of their registration material and asked we confirm our space needs. We are pleased to report that two accommodations partners will be joining us. This month space needs were advised by our two co-exhibiting partner organizations: Visit Tampa Bay and SeaWorld Parks & Entertainment. Thereupon, we submitted our total square meter need to Visit Florida, i.e. 30 m<sup>2</sup>.

**Swiss Business Development (March 9<sup>th</sup>, 2015):**

After our successful tour operator appreciation event following ITB in 2013 and 2014, we will again conduct this event in 2015 in keeping with our Executive Director’s directive to make this event an annual tradition. This month the venue was selected and applicable paperwork has been processed. The event will be conducted jointly with Visit Tampa Bay next year.

**Thomas Cook AG Germany “QUIP” Fam (April 21<sup>st</sup> – 24<sup>th</sup>, 2015):**

We’ve been approached by Thomas Cook AG Germany regarding a VIP Fam they’d like to bring to our area for 3 nights in combination with a sojourn in Orlando.

“QUIP” is a program in which Thomas Cook’s travel agency chains participate. Over the period of 12 months, agencies collect points. The points are awarded based on total turnover as well as sales activities generating the turnover, e.g. marketing campaigns, exceptional homepage development and Facebook innovation. Based on accumulated points, 21 top agencies are selected to take part in the annual “QUIP” Fam. As a rule the agency’s Managing Directors participate (from both brands, i.e. Neckermann Reisen and Thomas Cook Reisen). Total pax will be 26 comprised of agents and Thomas Cook AG staff (latter including regional directors). Approx. 17 rooms have been requested (9 dbls/8 sgls or 10 dbls/7 sgls).

Being sensitive to our capacities in April, we did inquire whether this program could be moved to another month in 2015. Thomas Cook responded citing several reasons for the April timeframe. Orlando has confirmed their commitment to host the group April 24-28.

We quickly informed our Leisure Travel Department about this unique opportunity.

**Visit USA Committee Germany: Consumer Fairs**

We shall participate in several consumer fairs in cooperation with the Visit USA Committee Germany and submitted our registrations accordingly this month for:

- **TC Leipzig** Nov. 19-23, 2014 ( 69,000 visitors in 2013)
- **CMT Stuttgart** Jan. 17-25, 2015 (241,000 visitors in 2014)
- **Reisen Hamburg** Feb. 04-08, 2015 ( 78,000 visitors in 2014)
- **f.re.e Munich** Feb. 18-22, 2015 (112,000 visitors in 2014)

**Additional Activity:**

- We assisted a **travel agent** in **Leverkusen** with her own travel arrangements to our area. She was very pleased to learn about our travel agent discount program.

## MARKETING INITIATIVES

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

### *Tour Operators:*

- NECKERMANN REISEN (Germany)
  - **Catalog 2014/15 Cover Page** – circ. 650,000  
We were most pleased to have secured prime exposure for VSPC on the cover page of Neckermann Reisen's annual 2014/15 catalog! This month, a selection of images was provided along with several logo versions. The decision process regarding the image selection will undergo scrutiny by several management levels. Layout is to be forthcoming. Valid from April 2015 - March 2016, the catalog is due to go to print early October and will be in market by mid-October 2014.

### *Travel Trade/Consumer Publications:*

- McDonalds' KINO News Sweepstakes (Germany) – 3.86 MM 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 9<sup>th</sup>, 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 two pax.  
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.  
This month negotiations with the magazine publisher and tour operator were finalized. An accommodations sponsorship was also solicited this month, making for a comprehensive sweepstakes travel prize. Another big 'thank you' to the generous support of our industry members!  
The publisher has been sent respective material for development of the advertorial; layout to be forthcoming.
- Travelution (Netherlands) – circ. 7,500 *Trade*
  - **6-page Destination Feature/Infoterial** – September  
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 have provided the publisher with comprehensive information in preparation for his development of the infoterial. Layout was received and approved.  
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, infotutorials 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

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

In addition, we continued the process of collecting proposals and negotiating conditions for purposes of our FY 2014/15 advertising plan and marketing initiatives.

*Public Relations:*

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

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

- **Press Release August:** Proofread and corrected.

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