

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

Slow Bookings in July

Hot weather and widespread school holidays held back bookings for German travel agents last month, boosted mostly by last-minute sales, according to the monthly survey by market researchers GfK. Summer sales dropped by 1% compared to last year, which could be explained by the extreme hot weather and the fact that school holidays had already started in most federal states, GfK commented. Demand was supported by late sales for departures in July and August which made up 30% of total sales. Year-to-date, summer bookings are now 7.5% ahead of last year, according to GfK's monthly survey of 1,200 travel agencies.

Tour operators such as Schauinsland, Alltours and FTI are again the main winners this year, according to experts, while market leaders TUI and Thomas Cook have only moderate sales growth, according to their latest published figures. TUI has increased booking volumes by 1-2%, with average prices 4% higher, but has only sold 85% of its summer program so far, 2% less than last year. Thomas Cook has a 3% drop in bookings and has only sold 75% of its program.

Lufthansa: Agents Call on Brussels to Block GDS Fee

German travel agents are calling on the European Commission to stop Lufthansa's controversial new GDS booking fee on competition grounds. Starting in September, the airline will impose a €16 Distribution Cost Charge (DCC) per ticket for all bookings made through a GDS for flights on Lufthansa, Austrian, Swiss and Brussels Airlines (but not Germanwings or Eurowings). There will be no similar charge for bookings made directly through the airlines' own websites or other direct sales channels.

Lufthansa claims the new fee is justified due to the high average cost of €18 per ticket charged by GDS firms, which it now wants to pass on to customers. At the same time, however, the price difference between the big reservation systems and its own website is designed to generate more online sales.

Travel agents have protested loudly about the fee ever since it was announced in June. The German Travel Association DRV warned that the fee would increase ticket prices, reduce price transparency for customers and increase agents' workload substantially. Most of the 1,000 travel agencies in the AER consortium have written to Lufthansa CEO Carsten Spohr threatening to book with alternative carriers.

The small independent agents association ASR has now gone one step further and has written to EU competition commissioner Margrethe Vestager seeking her intervention to stop the fee at the last minute. Vice-president Joachim Szech said the fee affected travel agents worldwide who are the only people who can make transparent offers to consumers. Lufthansa's own portal only offers the group's flights and no comparison with other airlines, he pointed out. The European travel association Ectaa has already complained to the competition commissioner about the Lufthansa fee.

Meanwhile, German tour operators who book Lufthansa flights appear to have little choice but to add the charge to their package prices. Studiosus has already informed agents that it will add €20 to package prices to cover the fee and a commission payment. TUI and Thomas Cook said they are still in intensive talks with Lufthansa on the topic. But Lufthansa's move is not popular with tour operators either. Rene Herzog, COO at DER Touristik, commented: "We haven't yet understood the need for the DCC."

Thomas Cook: Stefanie Berk Appointed to Head German Management Team

The new head of Thomas Cook Germany, Stefanie Berk, tackles a long list of challenges. Berk, a former head of the group's hotels activities and the German long-haul business, took up the post as head of the Germany business this month after a period in the UK. Thomas Cook has slipped back in the German tour operators market in recent years, with its market share declining slightly to 13.2% in 2014, according to fvw's annual dossier on German tour operators. The company has been overtaken by DER Touristik as number two behind TUI, while fast-growing rivals such as FTI, Alltours and Schauinsland-Reisen have gained market share.

Under former Germany CEO Michael Tenzer, who quit earlier this year due to disagreements over strategy with group CEO Peter Fankhauser, Cook grew moderately and focused on improving its profit margin as well as increasing online sales. But this approach weakened the company's position with travel agencies, especially due to commission payment changes. "We talk too much about online within the group," commented Germany sales chief Carsten Seeliger. "After all, we generate nearly 80% of sales through retail travel agencies."

Among various items on Berk's 'to do' list, according to observers, are the need to improve the internal atmosphere, create a more positive impression among travel agents, improve the profile of the main brand, Neckermann Reisen, and make the group's own hotels better known, both to travel agents and consumers.

In addition, the group is currently introducing its New Operating Model, which involves centralizing more production to create a 'European tour operator' rather than a collection of local businesses. This means that the country organizations will lose responsibilities and be 'downgraded' into sales units, limiting their ability to adapt to local market conditions.

More Holiday Flights

Leisure airlines in Germany are launching additional flights and new destinations in response to good demand.

- Condor is adding a second weekly B767 flight to the Seychelles starting September 13th in response to strong demand for the Indian Ocean destination.

- Sun Express increased passenger numbers by 18% to 3.6 million in the first half of this year and achieved an 82% seat load factor. The German-Turkish leisure airline will add five new destinations for the Winter 2015/16, including Fuerteventura and the emirate of Ras Al Khaimah.
- Charter carrier Germania will launch more flights from the southern German regional airport of Friedrichshafen. New destinations for the coming winter include Lanzarote, Madeira, Marsa Alam, Palma and Gran Canaria, while there will be weekly flights to Tenerife next summer along with flights to other Canary Islands, Majorca, Greece, Turkey and Egypt.
- Ryanair will add flights from Hamburg to five Spanish destinations next summer competing directly with other carriers already operating the same routes. The new destinations are Madrid and Barcelona (both daily), Palma (five times weekly), Alicante and Malaga (both three times a week).

TUI has sold off its remaining shares in Air Berlin leaving just its commercial deal for 14 jets as the main financial relationship between the two companies. TUI gained a 10% stake in the airline in 2009 in exchange for Air Berlin taking over 14 jets on a 10-year lease, but gradually reduced the holding over the last few years.

Long-Haul Travel: German Tour Operators Expand Exotic Trips

Long-haul holidays look set to be a winner on the German outbound market this coming winter with expanded programs and healthy demand despite the stronger Dollar. Leading tour operators have all expanded their long-haul programs for Winter 2015/16 for regions such as the Caribbean, North America, Asia and Southern Africa, and are seeing good bookings so far.

We're seeing a real boom in long-haul holidays," said René Herzog, COO of long-haul market leader DER Touristik. The group has high double-digit growth, with strong bookings in particular for the Indian Ocean (Maldives, Seychelles and Mauritius), Asia (Sri Lanka, Bali) and the UAE.

"Long-haul holidays are the future trend," declared Steffen Boehnke, TUI's long-haul holidays chief.

FTI is aiming to win back long-haul market shares by switching to year-round brochures and expanding capacity in many destinations.

Thomas Cook, with 95 new hotels, has added capacity to destinations around the world, while Alltours and Schauinsland-Reisen are expanding in mainstream markets.

Price increases for the winter are generally moderate considering the rise in the Dollar's strength in recent months. According to tour operators, higher hotel rates have been partly offset by lower long-haul flight prices resulting from more flights to major destinations. In general, destinations in Asia are 3-6% more expensive while prices for the Caribbean are stable or slightly higher.

In Asia, Thailand remains the most important destination, although tour operators are closely monitoring the situation after the bomb attack in Bangkok. FTI has launched an all-year brochure for the country and TUI has added several resort hotels. Elsewhere in the region, DER Touristik has expanded its programs for Indonesia and Sri Lanka, FTI has launched packages to Bhutan, Thomas Cook is offering new tours of Vietnam, TUI has added South Korea, while up-market brand Airtours is offering Bhutan and Japan as new destinations.

The Indian Ocean remains very popular on the German market. DER Touristik's hotel brand Cooe has added properties on Mauritius and the Maldives, FTI has increased capacity for the Seychelles and Mauritius, and TUI has added flight capacity to the Maldives and Mauritius with Lufthansa and Etihad Airways.

In the Orient, tour operators are expanding their programs for several destinations. FTI has daily charter flights to Ras Al Khaimah (UAE), a weekly full-charter to Salalah in Oman and has added Bahrain as a new destination. TUI is offering Qatar as a new destination and has new flights to Dubai with Eurowings, while Alltours has launched holidays to Oman.

Meanwhile, South Africa is hoping for a comeback on the German market after a downturn over the last year caused by consumer concerns about the Ebola outbreak in West Africa. German visitor numbers rose by 9% to 275,000 in 2014, but dropped by 8% in the first two months of this year. Demand is now picking up again for the winter season, however, and international airlines are adding more flights to the country. Tour operators have added capacity ready for a return to growth, with TUI expanding its Southern Africa program for the first time in years.

In the Americas, tour operators are hoping for continued good demand for the USA this winter and well into 2016 following strong growth this year, thanks to stable prices. "We expect the USA to break through the level of two million German visitors in 2016," commented TUI's Boehnke. Hawaii is the subject of new brochures from FTI and Thomas Cook. FTI has combined its Central and South America brochures into a single Latin America program, added the Mexican Pacific Coast as a new destination and is offering Canadian skiing resorts. DER Touristik has launched a USA/Canada skiing brochure, added hotels and tours in Canada, while sister brand Meier's Weltreisen is offering tours of Columbia and Ecuador.

SALES ACTIVITIES

Lufthansa "360 Degree" Training Events (May – October 2015):

Between May 20th and October 20th we will present VSPC in several cities throughout Germany in cooperation with Lufthansa. The carrier's 360° concept entails presentations of several LH products to top travel agents (Premium Economy, Business and First Class, Traveling with Children, the new Sun Destinations, Austrian Airlines and Swiss). The product presentation stations are set up in a circular fashion whereby attendees are seated in the middle of the room rotating their attention to each station in sequence. Of particular note is that for the new "Sun Destinations" product station, WE are the only destination given the privilege of making a special presentation ... other sun destinations receive mention only by a LH representative. An attendance of between 100-200 agents is expected in each city, so our potential reach is "amplified" to 2,000 agents!

This month logistical arrangements were made for the upcoming cities:

- ✓ Sep 10th in Stuttgart
- ✓ Sep 29th in Saarbrücken

We have contacted each of the LH regional managers respectively coordinating presentation details and applicable shipping logistics for our brochures and giveaways.

Hit Radio FFH Radio Promotion with Lufthansa (August 22nd, 2015):

We launched a radio promotion in Frankfurt this month with the very popular “Hit Radio FFH”. Hit Radio FFH is **the** most popular radio station in the German State of Hesse:

- 541,000 listeners / hour
- 2.6 million listeners / day
- 4.7 million listeners / day in the extended catchment area
- Online, ffh.de generates over 30 million page impressions / month

Early this month, we visited the FFH studio to give a comprehensive interview on the many features and benefits of our area in preparation for the “Schöne Samstagsshow”. During the “Schöne Samstagsshow” which aired August 22nd for four hours, listeners got a chance to win a one-week dream vacation with Lufthansa Holidays to St. Petersburg/Clearwater! The show was promoted on air with a trailer during the week leading up to the show and detailed information about the trip was presented on the ffh.de website, which included a VSPC dedicated banner and landing page for one week. VSPC was mentioned prominently in the trailer, online and during the radio show, of course.

Lufthansa Familiarization Tours (September, October, November 2015):

With Lufthansa’s new service to Tampa beginning September 25th, our area is in hot demand among Lufthansa’s HQ and regional account managers in terms of showcasing our many features and benefits to key travel agents and tour operators. The following familiarization tours are currently in the works:

- 09/25-27: Inaugural Fam – 6 travel agency directors and managers + 2 LH staff
- 10/04-06: Cruise Tour Operator Fam – 11 tour operators + 1 LH staff
- 10/09-11: Travel Agent Directors Fam – 12 travel agency directors + 1 LH staff
- 10/26-28: Lufthansa City Center Fam – 12 travel agents + 1 LH staff
- 11/06-08: Travel Experts Fam – 12 travel agents + 1 LH staff

We are liaising closely with both our Leisure Sales Department and the carrier on the development of preliminary itineraries. Our Leisure Sales Department has been provided with input as related to LH’s rather strict compliance criteria, meaning once initial itineraries are available, they are subject to approval by LH’s compliance department. We also provided HQ with details as to LH’s flight schedule (FRA-TPA) including departure and arrival times, frequency and information on the winter flight schedule, which goes into effect starting October 24th.

This month saw us coordinating several details for the inaugural Fam next month, from itinerary approval by LH to logistics related to the arrival procedure in Tampa. In addition, we provided the carrier with our logo, imagery and destination content for purposes of their invitation development to the agents.

Visit USA Road Show Switzerland (September 21st – 23rd, 2015):

Scheduled to be held in St. Gallen, Zurich, Luzern and Bern, the road show is expected to attract over 200 travel agents. Both morning and evening training sessions are being scheduled during which will have the opportunity to present our area 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 training events allowing for only 10 suppliers; thus, we are pleased to have secured this excellent exposure opportunity by means of our early registration. We will share a table with SeaWorld Parks & Entertainment.

This month we provided the organizer the elements (logos, imagery, content, etc.) for the development of a workshop booklet to be distributed among the participants, ordered respective material and made all travel arrangements.

RPR1 Radio Promotion with Lufthansa (October 2015):

With Lufthansa's new service from Frankfurt to Tampa starting next month, we're excited about yet another opportunity to 'amp up our awesome'! This time, it's about a radio promotion/sweepstakes with Lufthansa in cooperation with the radio station RPR1. RPR1 is a private national radio station and brand leader in the German State of Rhineland-Palatinate with:

- 135,000 listeners / hour
- 746,000 listeners / day
- 1.3 million listeners / day in the extended catchment area
- 290,000 visitors to the website / month
- Estimated media penetration nationwide is 1.8 million

Starting in October, RPR1 will air sweepstakes 'game rounds' twice daily between 10am and 2pm. In order to be eligible to participate, listeners will be pointed to a specially created microsite on rpr1.de and will be required to complete an online registration form. Winners are then drawn with great fanfare on a Saturday. We will again conduct an interview with the radio station promoting the many features and benefits of our area.

Lufthansa will be sponsoring tickets for 2 from FRA-TPA and thanks to our industry's generosity, we will be able to offer an exciting prize package to our area. An industry opportunity was sent out this month and sponsorship partners were contacted accordingly.

Visit USA Germany Halloween Event 2015 (October 30th – November 1st, 2015):

For the sixth 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.

With creativity being key to capturing agents' interest, we held a brainstorming session with our two presentation partners this month to develop an enterprising and engaging way of presenting our areas and products.

Netherlands Sales Visit (November 4th – 5th, 2015):

Arrangements were made last month to call on several Dutch tour operators and hold training sessions for in-house reservations agents in November, just prior to the commencement of the 2016 booking season. We will visit key tour operators American Vacations, Jan Doets, Tenzing Travel (formerly known as Kuoni Netherlands) and Travel Trend. This month we confirmed all appointments and made applicable travel arrangements.

“DERTOUR Academy” Pre-Event Fam Tours (Nov. 17th - 19th & 21st - 23rd, 2015):

Background:

DERTOUR, one of Germany's leading tour operators, stages an annual event known as the DERTOUR Academy. Over and above intensive training providing agents with the skills they need to operate effectively at the counter, this event serves as a platform for the presentation of the new DERTOUR summer programs and catalog products.

Past DERTOUR Academy destinations have included Canada, Dubai, Egypt, Malaysia and Scandinavia. This year, the DERTOUR Academy's main event will be held in Las Vegas (November 19-27). 576 top-selling retail travel agents associated with DER Touristik are selected from over 10,000 travel agencies in Germany, Austria and neighboring countries to attend this event in two, back-to-back waves of 288 agents each (11/19-23 and 11/23-27).

As an augmentation to the Academy, DERTOUR offers agents participation in familiarization tours before and/or after the main event. Due to our excellent relationship with the tour operator, VSPC has been offered the invaluable opportunity to showcase the region to these high-quality agents prior to the main event. This will comprise two, back-to-back groups of 24 agents (12 dbl occupancy rooms) + 1 DERTOUR escort (1 sgl occupancy room) for two nights each, i.e. 11/17-19 and 11/21-23.

We have secured accommodations for the two groups – a big ‘thank you’ here as well for our industry’s generosity! Our Leisure Travel Department is in receipt of preliminary program information including the flight schedule. A draft itinerary was developed and forwarded to the tour operator for review. A final itinerary, rooming lists and further details to be forthcoming.

CMT Stuttgart Super Sweepstakes (January 16th – 24th, 2016):

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 2015 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. This month we also secured co-sponsorship by Lufthansa for 2 flight tickets to Tampa. Layout proofs for printed material are expected next month.

Meier's Weltreisen Travel EXPerts Incentive Fam Trip (May 4th – 6th, 2016):

Meier’s Weltreisen is one of Germany’s top tour operators for travel to the USA specializing in long-haul travel only. Each year, 50 of the tour operator’s best-selling travel agencies are awarded the “*MEIER’S WELTREISEN Travel EXPerts*” designation for exceptional performance. The award includes a service package with a very special highlight: participation in an exclusive Fam trip which has an incentive character. The participants are high level travel agency owners and managing directors, i.e. the decision-makers.

The Travel EXPerts trips focus on providing a broad array of informational, culinary and ‘experience’ highlights in the destination of choice. The incentive character of these trips entails giving participants activities options and special treatment, due to the high profile of the attendees. In 2013, the Travel EXPerts went to Vancouver; in 2014, the event was held in Thailand; this year’s event was held in Bali. We are therefore proud to have landed this fabulous opportunity in 2016! VSPC accommodations have been secured. Itinerary development will be underway over the coming months.

Additional Activity:

- Two in-house sales agents from **KUONI Netherlands** will be touring Florida next month starting in Orlando, continuing to our area, making a stop in Naples and ending with a visit to Miami. We assisted the agents with their itinerary planning and secured accommodations for them this month.
- **Fairflight Touristik** of **Germany** will be sending two sales agents to Florida in October. We assisted the tour operator with initial itinerary planning and provided comprehensive information on 'New & Now' items in our area.

MARKETING INITIATIVES

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

Tour Operators:

- American Vacations (Netherlands)
 - **B2C Glossy Magazine** – September
VSPC will be featured on four pages of the 44-page piece with logo, imagery and comprehensive destination content. Initial print run will be 5,000 pieces. The magazine is distributed at consumer travel shows, to repeat customers and can be ordered via the tour operator's website. Layout has been received and approved.
 - **B2C Homepage Banners** – October - September
VSPC banner ads will be placed on the tour operator's websites in The Netherlands, Belgium and Germany for the period of 12 months. These will link to a specially developed booking engine. The banner ads will also be placed on several travel portals in The Netherlands and Belgium. Layout has been received and approved.
- DERTOUR (Germany)
 - **B2B2C Travel Agency Storefront Window Display** – November
Pursuant to our excellent relationship with the tour operator, we were given the opportunity to launch a travel agency storefront window display campaign in November – one of the most coveted promotional months, as it coincides with the launch of the tour operator's summer catalog. 1,000 travel agencies – all located in highly-frequented traffic areas – will be committed to prominently present the oversized poster for four weeks. Content will include VSPC travel packages, promotion of the new Lufthansa service to Tampa as well as travel teasers for coop partners Visit Tampa Bay and SeaWorld Parks & Entertainment.
We have provided the tour operator with respective materials (logo & imagery) for layout development. The proof was received, corrected and approved this month.
- Explorer Fernreisen (Germany)
 - **B2C "Out of Home" Tram Car Display** – October
We will conduct an exciting out-of-home initiative with Explorer Fernreisen this fall entailing placement of A3 posters in the tram cars of Dresden's DVB (Dresden Traffic Enterprise). VSPC key visual, logo, travel teaser and call-to-action will be included. Print run is 100 posters. Duration: 4 weeks, the entire month of October. Estimated reach is 12.7 million passengers.

The tour operator was provided with all elements for layout development. The proof was received and approved this month.

- Hotelplan Suisse (Switzerland)

- **B2C Online Placement** – August

This initiative gave VSPC a focused presence on the tour operator's travelhouse.ch website. Annual statistics: 5 million page views, 1 million visitors, average time on site is 4 min., 80% German-speaking, 20% French-speaking, affluent customers seeking travel experiences (not budget shoppers).

First position teasers and header image placements in this month's eNews blast linked to the website's VSPC booking engine page. The themed topic was arts & culture. Distribution was to the tour operator's database of 67,000 subscribers. Respective content was compiled and provided, layout received and approved, eNews blast deployed this month.

- FTI TOURISTIK (Germany)

Florida has been selected as FTI's "Highlight of the Year" destination for 2014/15.

The "Highlight of the Year" campaign runs for 12 months and gives the featured destination enhanced exposure by means of increased product placement, development of special travel packages with value-added elements, several B2B and B2C initiatives, media coverage and generally, a familiarization tour. In conjunction with Visit Florida being the featured destination next year, we will have the opportunity to participate in several marketing initiatives:

- **B2B Florida Online Academy** – January-October

FTI's online academy is an eLearning platform providing 14,000 registered travel agents with innovative training modules. These include interactive elements such as virtual maps and quizzes. The platform is promoted to agents via the "Academy Newsletter" and in the tour operator's "Start Up" sales program, in which agents are required to participate. Agents successfully completing the Florida Online Academy will receive a "Florida Specialist" certification. VSPC is featured with a dedicated page presenting comprehensive destination information and unique selling points with logo and imagery integration.

Online Aggregators:

- eBookers (Germany)

Consumer

- **Online Promotion** – May 15th - November 29th, 2015

Consisting of banner placements and a dedicated landing page, core campaign elements include:

- A soft launch in May and June to run 50% of the media impressions
- The campaign will be dark in July and August (because of German holiday periods)
- It will have a stronger share of voice in September-November and run 50% of media impressions and the takeovers

Layouts were received and approved with the campaign launching on 5/15.

Reporting shows over 677,543 impressions for the period 5/15-7/14. A reporting update to be forthcoming next month.

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 the required proof of performance documentation. We are also continuing the process of collecting proposals for next FY's marketing initiatives in preparation for compiling advertising budget suggestions.

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.
- **Newsletter August:** Provided content ideas, proofread and corrected.

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