

CENTRAL EUROPEAN OFFICE

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Prepared by: Marion S. Wolf
Director Central Europe

MARKET INTELLIGENCE / TRENDS

Last-Minute Holiday Bookings Drop in August

Last-minute sales of summer holiday packages dropped sharply in Germany last month, but there was strong demand for winter holidays, according to the latest monthly survey by market researchers GfK. Overall sales revenues declined by 3.1% in August, its representative survey of 1,200 travel agencies showed, although this was in comparison to a strong previous year which showed a 7.3% rise. In particular, there was no last-minute sales boom this year.

The August decline followed a 1% overall sales drop in July. However, summer 2015 is still showing good growth on a cumulative basis. Sales revenues for departures between May and October are currently 6.6% ahead of last year. Moreover, the forthcoming winter season looks more promising. Cumulated bookings up to the end of August were 10.1% higher, compared to a 4.5% increase at the same point last year. In fact, a high 42% of booked revenues last month were for the winter 2015/16 season.

Lufthansa: Protests Fail to Stop GDS Booking Fee

Wide-ranging protests by German travel agents and corporate customers have failed to stop Lufthansa from introducing its controversial €16 GDS booking charge this week. Many are now threatening to switch bookings to other airlines instead. Since September 1st all bookings for flights on Lufthansa, Austrian, Swiss and Brussels Airlines made through one of the GDS reservations systems such as Amadeus cost an additional €16 fee, while fares for direct bookings have been left unchanged. Lufthansa says the new Distribution Cost Charge (DCC) is necessary to compensate for the high costs of GDS bookings, but at the same time it also wants to use the price difference to drive passengers towards more online bookings directly from its website.

In response, many German travel agents are threatening to book with other airlines as much as possible. Agency consortium Aerticket, an important sales partner for many airlines, claimed that the special Lufthansa 'Agent Site', created for direct bookings, prevented agents from comparing Lufthansa prices with other carriers, forced them to make all booking changes via a Lufthansa call center, and effectively handed over customer data to the airline.

The German Travel Association (DRV) warned that the fee would increase ticket prices (given that about 70% of all Lufthansa bookings are made through a GDS), reduce price transparency for customers and increase agents' workload substantially. It has called on the

German cartel authority to investigate possible discrimination against external sales partners. The European travel agents association ECTAA has complained to the European Commission about the charge.

In addition, corporate clients are threatening to switch to other carriers in protest. According to a member survey by the German Business Travel Association (VDR), up to 70% of German firms are planning or considering a reduction in Lufthansa bookings because the German carrier is not open to discussion. Hans-Ingo Biehl, VDR director, said: “This shows quite clearly that Lufthansa has offered its most important customer group neither sufficient time nor suitable alternatives to react to the DCC.” In response to the criticism, Jens Bischof, Lufthansa’s Chief Commercial Officer, emphasized: “The market is clearly ready for innovations and developments of this kind.” He claimed that the opportunity for new direct booking channels, instead of via GDS, is generating “great interest among industry partners”, and underlined that consumers could avoid the charge by booking direct. Bischof admitted the DCC is controversial, but declared: “We are still as convinced as ever that offering advanced and, at the same time, substantially cheaper additional booking channels – that also allow us to better present our products – is in our customers’ best interests. And that’s why we consistently pursue the further development of our distribution channels.”

German tour operators who use Lufthansa flights have, however, added the €16 charge to the package price, thus raising prices slightly.

DER Touristik: Brussels Clears Kuoni Deal

Germany’s DER Touristik can take over and start the integration of Kuoni’s European tour operator businesses following European Commission clearance for the mega-deal. The European Commission announced that it has approved the acquisition. Rewe Group, DER Touristik’s parent company, agreed in June to buy Kuoni’s tour operating businesses in Scandinavia, Switzerland, the UK and Benelux for an undisclosed sum as part of Kuoni’s strategic re-focus on diverse travel services. Now that regulatory approval has been given, Rewe/DER Touristik can complete the deal.

The German group has pledged to retain all existing businesses under their current brands, including Kuoni in Switzerland and the UK, and Apollo in Scandinavia. The plan is to create “an internationally networked group organization and culture” and seek synergies in areas such as sales, contracting and destination services, but to avoid over-centralization. With the acquisition, DER Touristik, which had revenues of some €4.9 billion in 2014, will gain a further €2 billion in revenues and become Europe’s third-largest tourism group (behind TUI and Thomas Cook) with revenues of about €7 billion (and some 7.7 million customers).

At present, DER Touristik is the second-largest tour operator in Germany through its package holidays and specialist holidays divisions and also the largest travel agency chain, is active in Austria (ITS Billa Reisen), has a small Swiss operation (ITA Coop Travel) and tour operator subsidiaries in several Central/Eastern European markets (Exim Tours). With the Kuoni businesses, the German group will become market leader in Switzerland (with revenues of CHF 679 million in 2014), number three in Scandinavia (turnover of CHF 844 million in 2014) and a major player in the UK long-haul market (revenues of CHF 410 million in 2014). The Benelux business is relatively small with revenues of about CHF 37 million.

In future, DER Touristik will thus have tour operator activities in the three major European outgoing markets (Germany, UK, Nordics) along with attractive mid-sized markets such as Switzerland, Austria and Benelux, and emerging markets in Central and Eastern Europe.

Refugees: German Hospitality Industry Offers Job Prospects

The German travel and hospitality industries have actively welcomed the tens of thousands of refugees and migrants who have arrived in the country over the past several weeks, offering support with potential jobs and accommodation. The German Hotel Directors Association (HDV) aims to help refugees integrate into the country's workforce by offering jobs in a sector that claims to have a serious labor shortage. "The heart of the hotel business is hospitality. We are ready to offer training and employment to recognized refugees who have the perspective of staying," said Jürgen Gangl, the association's chairman.

The rapid creation of large-scale language courses and preparing refugees for employment while their asylum applications were being processed were "steps in the right direction that need to be intensified". Ideally, refugees with asylum status should be covered by the '3+2' rule, covering three years of training and two years of employment, according to the association. The HDV is also calling for the hospitality sector to be included on the official list of industries with a labor shortage. This would facilitate offering jobs to migrants from non-EU countries.

At the same time, the Travel Industry Club, representing some 750 senior executives in the German travel industry, has launched a 'welcome' initiative to support the integration of refugees into society. It has advertised in German newspapers with a 'welcoming hand' image and slogan 'Open for new cultures. Welcome to Germany', and made a donation to the UNCHR, the UN's refugee agency. President Dirk Bremer and director Tom Fecke said "the travel industry stands for internationality and openness to other cultures like no other industry" and the association thus wanted to implement messaging against rising anti-foreigner sentiment, discrimination and intolerance.

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.

This month the series of training events continued in the following cities:

September 10th in Stuttgart:

- The evening in Stuttgart was a great success. Agents loved our amplified presentation as well as our interactive dice game. The evening culminated in a raffle during which VSPC was highlighted again as the grand prize consisting of a 3-night hotel stay in our

area plus two dinner cruises for two. Lufthansa sponsored two air tickets FRA-TPA. Attendance: 163 agents.

September 29th in Saarbrücken:

- In Saarbrücken, our presentation was equally successful. As Lufthansa did offer a Tampa flight in this city, we gave away a beach bag stuffed with goodies instead. Attendance: 49 agents.

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 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 final details for the inaugural Fam, from itinerary approval by LH to logistics related to the arrival procedure in Tampa. In addition, comprehensive planning continued for upcoming fams scheduled next month and into November.

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

We participated in the Visit USA Switzerland Seminars held in St. Gallen, Zurich, Luzern and Bern. These innovative seminars attracted 200 travel agents, whom we had the opportunity to train in the more intimate roundtable format. By virtue of conducting trainings in four Swiss cities in short order, we covered 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.

Lufthansa Inaugural FRA-TPA Flight (September 25th, 2015):

In preparation for Lufthansa's inaugural flight from Frankfurt to Tampa Bay, we have been working with the carrier intensively over the past several weeks. We coordinated logistics relating to events held in Frankfurt prior to the inaugural, such as shipment of material for distribution at the German American Chamber of Commerce President's dinner. And, for the gate event at Frankfurt Airport, we provided various elements including imagery for a 3x3 meter photo opp wall and our Reef Safe sunscreen (included in a goodie bag for passengers). There was a buzz of activity at the departure gate including several speeches as well as ceremonious cake & ribbon cuttings. Lufthansa has shared with us that there are a wide range of feeder markets, whereby close to 50% of the passengers are coming from Germany, Austria and Switzerland. October is looking good at a passenger load factor of 83%.

RPR1 Radio Promotion with Lufthansa (October 2015):

In conjunction with the new Lufthansa service from Frankfurt to Tampa, 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:

- 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: 1.8 million

Starting the last week of 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.

Thanks to the generosity of our industry partners, VSPC will present a fabulous travel prize package consisting of accommodations, attraction tickets and beachfront dining. Lufthansa is providing two FRA-TPA tickets.

FTI North America Road Show (October 8th – 16th, 2015):

With FTI Touristik being one of Germany's most influential tour operators, we are very pleased to have secured one of the coveted presentation spots for this year's FTI North America Road Show! From October 8th – 16th we'll be presenting St. Pete/Clearwater in Zurich, Munich, Salzburg, Nuremberg, Leipzig, Dresden and Berlin training between 80 and 100 agents per city. Workshops and training sessions including an interactive travel fair will culminate in evening events in each city with an on-stage interview/destination presentation program and exciting travel prize raffles.

This month we provided the tour operator with several required elements, handled all shipping logistics and finalized travel arrangements. In addition, an opportunity to make donations to the travel prizes was distributed among our industry partners and once again, we're most grateful to our partners for their generous contributions!

VSPC Sales Visit (October 19th – 23rd, 2015):

Planning for our upcoming visit to the county continued this month. Correspondence with several industry partners regarding appointment requests and confirmations was conducted; travel and accommodations arrangements were finalized. Our TDC PowerPoint presentation is in the development stages in preparation for the transmission to HQ next month.

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 coordinated and fine-tuned our training session strategy in cooperation with our two presentation partners this month with a view toward developing an enterprising and engaging way of presenting our products.

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

Arrangements have been made to call on several Dutch tour operators to update them on VSPC news 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 finalized travel arrangements, presentation documentation and shipping logistics.

“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. Our Release & Waiver forms have been forwarded to the tour operator for distribution to participants. Rooming lists to be forthcoming. Itinerary development is underway.

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. We also successfully secured co-sponsorship by Lufthansa for 2 flight tickets to Tampa as well as a one-week car rental from Alamo. Layout proofs for printed material to be forthcoming.

Visit USA Seminar Switzerland (February 3rd, 2016):

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.

Per the organizer's request, we have delivered several items including destination-oriented questions for an online knowledge test scheduled to go live in November, query contributions to a questionnaire to be distributed during the event, imagery for development of new stand backdrops, etc.

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 activity 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 and further organizational tasks will be underway over the coming months.

Additional Activity:

- Florian Gnieser, Manager Marketing Cooperations at Lufthansa headquarters, was on the inaugural flight and extended his stay in our area. We assisted with securing accommodations and providing comprehensive destination information.
- TUI Netherlands will be sending four of their sales agents on a whirlwind tour through Florida next month, whereby a visit to St. Pete/Clearwater is included. We assisted the group with securing accommodations and attractions visits.
- We assisted Inneke Peeters and Marina Sonck, sales agents for **Wings 'n Wheels** (a Belgian tour operator) with arrangements for a site visit planned to our area in October.

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** – SeptemberVSPC will be featured on four pages of the 44-page piece with logo, imagery and comprehensive destination content. Initial print run: 5,000 pieces. The magazine is

- distributed at consumer travel shows, to repeat customers and can be ordered via the tour operator's website.
- **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.
 - DERTOUR (Germany)
 - **B2C Mailing** – October

A 4-page consumer mailing containing VSPC imagery, logo and travel teasers will be distributed to 15,000 Dertour customers. Coop partner is SeaWorld Parks & Entertainment with Busch Gardens. The tour operator has been provided with all necessary elements for layout design. The proof has been received, corrected and approved.
 - **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 with Busch Gardens. We have provided the tour operator with respective materials (logo & imagery) for layout development. The proof has been received, corrected and approved.
 - 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 has been received, adjusted as needed and approved.
 - 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. The eLearning will run through October 31st. Final reporting is expected in November.

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 takeoversLayouts were received and approved with the campaign launching on 5/15.
Reporting shows over 1.8 million ad server impressions through 9/18. 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 September:** Proofread and corrected.
- **Newsletter September:** Provided content ideas, proofread and corrected.

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