

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

Terror Attacks Impact Holiday Plans

German consumers, especially families, are starting to re-think their holiday plans for next year following the terror attacks in Paris, and 20% might switch destinations, according to an exclusive GfK survey for fvw. Many consumers are considering switching away from Muslim destinations such as Egypt and Turkey in favor of countries like Spain and Greece, the representative survey of 1,011 consumers between November 17 and 24 by the renowned market research company found.

In response to the question: *'How probable is it that your personal travel behavior will change after the attacks in Paris?'* 20% said they would change their planning, while 17% are undecided. However, 42% said they saw no reason to change their holiday preferences or planned destinations. Families are responding particularly sensitively to risks about their holidays, the survey showed. At 30%, the percentage of families who will “definitely change” their travel behavior is particularly high.

GfK also surveyed German consumers about their views or plans for specific destinations: Egypt, France, Greece, Spain, Turkey, the UAE, the USA and the Caribbean. The clear loser was Egypt, most likely due to increased concerns following the crash of the Russian charter plane over the Sinai Peninsula on October 30, which has been widely blamed on a bomb smuggled aboard by Islamic terrorists. A figure of 22% of Germans said they would definitely change their behavior regarding the country, while only 18% would travel there regardless of the incident. Asked about Turkey, 18% would consider not travelling to the destination, but 29% would not let themselves be influenced by recent events such as the shooting down of a Russian fighter jet and the subsequent travel ban imposed by Moscow. The UAE also had a relatively high 'rejection rate' of 16%.

In contrast, other destinations scored better. Only between 8% and 10% of Germans would not travel to Greece, Spain, the USA or the Caribbean as a result of the Paris terror attacks. These destinations also have higher figures for people who would not be influenced in their travel plans, led by Spain with 50%, Greece with 39% and the Caribbean with 27%.

These trends were even stronger among German families. Asked about their planning in terms of destinations, 26% said they would not travel to Egypt and 21% would re-think a holiday in Turkey. In contrast, only 13% would consider not travelling to Spain.

The survey results confirm a trend seen by tour operators since the summer. Bookings have been generally slow, both for the winter and next summer, with the exception of cruises and long-haul holidays. After an upturn in October, new bookings have been below last year's levels and some tour operator managers admit to double-digit declines. Demand for Egypt, Turkey and Greece in particular has been weak, according to industry sources.

Lufthansa's Distribution Cost Charge (DCC) Drives Passengers Away

Lufthansa is losing valuable travelers due to its controversial GDS booking fee, German travel agents claim, but the airline blames a downturn on the recent wave of strikes. German companies have been deliberately steering bookings away from Lufthansa over the last three months since the introduction of the controversial Distribution Cost Charge (DCC) at the start of September, the German Travel Association (DRV) and the German Business Travel Association (VDR) reported. Lufthansa bookings through GDS providers such as Amadeus now cost an extra €16 which the airline justifies as necessary to recoup the distribution costs.

Stefan Vorndran, chairman of the DRV business travel committee, claimed that Lufthansa has lost 10% of its international market share, while the revenue loss in Germany was “a three-digit million Euro figure”. A DRV survey of its members found that 75% of agents and tour operators said the behavior of their customers had changed following the DCC introduction. According to the Global Business Travel Association (GBTA), 42% of companies have switched from Lufthansa to other airlines. VDR president Dirk Gerdorf emphasised: “For corporate customers, the free booking through the Lufthansa websites is definitely not an alternative.” Companies needed the services provided by GDS providers and direct booking with Lufthansa was not sufficient.

But Lufthansa denied any loss of bookings or market share. It blamed the downturn in passenger numbers on the industrial action by pilots and more recently cabin staff, which had been the longest strike in its history. Moreover, the airline said the share of direct bookings in Germany had risen by six percentage points to 37%.

Sales chief Jens Bischof emphasized that Lufthansa aims to offer direct connections for corporate customers in early 2016 after some tour operators and ticket consolidators were already linked via Direct Connects to its reservation system. Siemens is believed to be one of the first clients likely to book direct with Lufthansa, thus avoiding the €16 GDS fee.

Meanwhile, Lufthansa has confirmed media reports that it is offering pilots a €50,000 premium, if they switch to budget subsidiary Eurowings where they will earn less. The airline hopes to secure urgently needed pilots for the planned expansion of its budget airline by persuading younger co-pilots to switch posts for up to three years, thus gaining valuable flight hours to help their careers.

German Travel Agents End 2015 in Pessimistic Mood

Travel agents in Germany are downbeat about business trends after weak recent bookings and an uncertain outlook for 2016. German consumers have held back with bookings for winter and summer holidays over the last couple of months following extensively publicized terror attacks in different countries, which have driven down demand and left people thinking about changing their holiday planning.

In November, for example, tourism bookings in German travel agencies were 2.7% lower than the same month last year according to the monthly survey by IT services company TATS. However, booked revenues were actually 5.3% higher last month.

This was largely due to the continued boom in higher-priced cruise holidays, according to experts. German cruise sales were 14.2% higher last month in booked revenue terms, while advance bookings were as much as 21.5% higher. These figures suggest that other leisure travel, and package holidays in particular, saw a clear downturn in November.

In response to these sales trends, the mood among German travel agents has worsened, according to the latest fvw 'sales climate index' from early December compiled by consultants Dr Fried + Partner. Actual sales have only slightly weakened, this survey showed. About 32% of respondents described sales as good in November compared to 36% the previous month, while about half described sales as satisfactory.

But travel agents are clearly worried about prospects for next year. Only 17% believed demand will improve in the next six months compared to 25% at the start of November. The number of pessimists who foresee lower sales has risen to nearly 30% from 23% the previous month. Agents are most concerned about their own profitability. Just 14% expect to earn more in the coming months, down from 19% last month, while a third foresee lower earnings. Overall, the climate index dropped to 96 points for December 2015 compared to 100 points in December 2014.

One particular problem is that many consumers are often happy to collect brochures or listen to travel agents' advice, but only rarely follow up with a booking, according to figures from back office services firm TAA which covers approximately 10% of the market. It calculated that on average eight people visit a German travel agency per day and per agent, but only four of them ask for specific advice and just two then actually make a booking.

German Tour Operators Cautiously Optimistic After Record Year

Tour operators in Germany are mostly positive about the outlook for 2016 despite many uncertainties after achieving record results this year, according to fvw's annual market overview. The 56 tour operators who participated in this year's fvw dossier increased revenues by 4.2% to €1.2 billion in the year ending October 2015, while their customer volumes rose by 2.2% to 32.7 million. These companies are estimated to cover about 80% of the total market.

The overall German travel market is estimated to have grown 3.8% to €7.2 billion, according to DRV calculations based on the fvw dossier figures. Total customer numbers come in at 44.9 million, up slightly from 44.2 million last year. This slightly lower growth rate is based on the very low 0.5% growth generated by the many small coach, rail and self-drive tour operators this year.

Growth drivers this year were once again long haul holidays, with a 6.9% rise in sales, and cruises, with a 10.2% increase in revenues, the fvw dossier showed. This higher growth for more expensive holidays, resulting in a different overall product mix, also explains why tour operator revenues grew by two percentage points more than customer numbers. Sales of package holidays in short and medium haul destinations – the core business of most tour operators – grew about 4% this year, according to DRV calculations.

However, the profitability of German tour operators declined slightly this year, according to the dossier results. Half of the 56 tour operators improved profits in 2015 compared to two thirds last year, while one third had stable profits (18% last year) and the remaining 18% (including TUI and Thomas Cook) had lower profits.

The overall ranking of the seven major German tour operators did not change significantly this year. TUI (which did not participate in the dossier survey) maintained its clear market leadership with revenue growth of 3.4% to an estimated €4.5 billion. Customer numbers were 1% higher at 6.3 million. If the separate sister companies TUI Cruises and Hapag-Lloyd Cruises are included, then the group's German package holiday revenues rise to €5.4 billion.

Second-placed Thomas Cook (also a non-contributor to the dossier) increased Germany revenues by 2.4% to an estimated €3.5 billion. This was largely due to Condor's seat-only sales which grew to about €630 million, while Thomas Cook's German tour operators had a slight 0.4% drop in revenues. Customer numbers rose fractionally by 0.7% to 6.1 million.

DER Touristik, which is larger than Thomas Cook in terms of tour operator revenues, grew only fractionally by 0.7% to €3.2 billion this year, while customer numbers stagnated at 6.4 million. The Frankfurt-based individual holidays unit increased revenues thanks to long-haul growth, while the Cologne-based package holidays unit saw a drop in revenues, although customer numbers increased.

Fourth-placed FTI, with 3.8 million customers, grew by only 2.4% to €2.15 billion this year (including its Austrian and Swiss subsidiaries) after several years of strong growth.

In terms of market share, TUI Germany (including subsidiary brands) has a 16.5% share of the overall €27.2 billion market, while TUI Cruises/Hapag-Lloyd Cruises have a further 3.3%. Thomas Cook has a market share of 12.9% followed by DER Touristik (11.4%), FTI (7.9%), Alltours (5.5%), Aida Cruises (5%) and Schauinsland (4%). These top seven tour operators account for about two thirds of the total market.

Looking ahead, most tour operators surveyed for the fvw dossier expect to increase revenues in 2016, generally by up to 5%. However, they are much more cautious in their forecasts for next year following the terror attacks in Paris and the generally uncertain political situation in many parts of the world. In terms of bookings so far for 2015/16, demand is much weaker for destinations in the Eastern Mediterranean such as Turkey and Greece than for the Western Mediterranean (Spain and Portugal). Long-haul holidays and cruises continue to see good bookings, according to tour operators.

SALES ACTIVITIES

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 launched this month in conjunction with the official sweepstakes website going live.

Two travel stays in St. Petersburg/Clearwater will be included. We are again most grateful for the generous support of our industry partners! We also successfully secured co-sponsorship by Lufthansa for 2 flight tickets to Tampa as well as a one-week car rental from Alamo. The organizer has been provided with a relevant creative.

Lufthansa XChange Annual Conference (January 27th – 28th, 2016):

Lufthansa's XChange is a sales conference of the area management for Germany, Austria and Switzerland. We will join forces with Tampa International Airport in presenting St. Pete/Clearwater during this 2-day conference, which is attended by close to 300 sales channel management, sales steering, product management, marketing, Miles & More, and account managers. Preparation is underway for our presentation during both an evening event and a separate training series within a themed immersion room.

Visit USA Seminar Austria (January 27th – 29th, 2016):

Known as Austria's premier travel trade event, the Visit USA Seminar Austria will be held in Graz and Linz 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.

In preparation for this event, training session content and applicable sweepstakes questions were sent to the Visit USA Committee Austria this month.

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.

Final assets were delivered to the organizer this month. Travel and shipping arrangements have been completed.

DER Touristik "Campus Tournee" Road Show (February 15th – 18th, 2016):

With DER Touristik being one of Germany's most influential tour operators, we are very pleased to have secured one of the coveted presentation spots for their special "Campus Tournee" Road Show! From February 15th – 18th we'll be presenting St. Pete/Clearwater in Berlin, Hannover, Cologne and Frankfurt, training between 80 and 100 agents per city.

Attendees will receive comprehensive product information within five themed workshops, i.e. Australia, Canada/Alaska, New Zealand/South Seas, Russia/Caucasus/Middle East and USA. During full day training sessions, St. Pete/Clearwater will be among the highlighted destinations in the *USA Workshop* together with Visit Orlando and SeaWorld Parks & Entertainment. No other U.S. destinations will be presented!

This month we provided the tour operator with several required elements and initiated an opportunity blast to our industry partners for donations to the travel prizes. We're most grateful to our partners for their generous contributions!

ITB (March 9th – 13th, 2016):

Known as the “world’s largest tourism fair” held annually in Berlin, Germany, we again plan to exhibit within the Visit Florida Pavilion. We reconfirmed our co-exhibiting company’s space needs (SeaWorld Parks & Entertainment at 8²) number of participating VSPC accommodations partners and submitted our registration form to Visit Florida promptly. Other items: A hotel room block has been secured, applicable hotel reservations form for the VSPC delegation created in concert with the hotel, communicated with our co-exhibitors on logistics, communication with Visit Florida related to our stand needs, etc. Updates to be forthcoming.

Swiss Tour Operator Appreciation Event (March 14th, 2016):

After our successful tour operator appreciation event following ITB in 2013, 2014 and 2015, we will again conduct the event in 2016 in keeping with the ‘annual tradition’ plan. The venue has been selected and applicable paperwork processed. Visit Tampa Bay has agreed to co-host this event.

In the works are menu selection, guest list identification, invitation creative, function room needs, hotel room block, reservations form development, hospitality gift selection, etc. Updates to be forthcoming.

Additional Activity:

- Holiday greetings were deployed to our database of customers.
- The **Visit USA Committee Germany** was provided with input on VSPC for their next B2B eNewsletter "VUSA NEWS" to 25,000 travel agents and key German travel trade media, which was deployed just prior to the Christmas holiday.
- We proofed and corrected the translation for the Brand USA 2016 Inspiration Guide for **Miles Media**.

MARKETING INITIATIVES

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

Tour Operators:

- Amerikareisen.at (Austria)
 - **B2C Out-of-Home Highway LED Video Wall** – February 2016
- For the entire month of February, VSPC will be featured with headline, logo, enticing, eye-catching imagery and tour operator call-to-action on a 12m² (130ft²) LED video wall along one of greater Vienna’s most frequented highways, i.e. the B14, a 15km

(10mi) segment between Vienna and Klosterneuburg, Austria. Traffic volume is 35,000 vehicles/day.

Placement frequency: 10 seconds 36 times per hour between 5:00am and 2:00pm direction Klosterneuburg and between 2:00pm and 11:00pm direction Vienna. This equates to 52.2 hours of exposure during the campaign period.

We provided the tour operator with all necessary assets for layout development. An initial proof is expected next month.

- America Unlimited (Germany)

- **B2C Multi-Channel Ambient Campaign** – December 2015 - August 2016

This exciting campaign will target customers aged 30-55 (couples, families and affluent clientele). Using various channels the campaign is focused on raising awareness and boosting sales on several platforms such as out-of-home, print (flyers), online (eNewsletters) and social media inclusion.

- A) Inner Tubing Promotion** – January/February & July/August

Big tubing events will be launched in both winter and summer months to engage and motivate thousands of beach hungry customers to embark on an emotional journey to VSPC. For these events 10,000 large, colorful inner tubes will be produced depicting VSPC logo and image to be presented to consumers for exciting slides down the slopes (winter) and refreshing splashes in lakes (summer).

Examples of winter locations: Black Forrest and southern German Alps

Examples of summer locations: North Sea and several lakes surrounding Berlin, Hamburg, Hannover and Frankfurt

- B) Point-of-Sale Special Offers Flyer** – January/February & July/August

Supporting the tubing promotion, 10,000 flyers depicting VSPC logo and special travel offers will be produced and distributed in our VSPC snappy orange eco tote bags during the tubing events.

- C) Facebook Integration**

To increase awareness to the tubing promotion as well as the special offers flyer the initiative will be promoted on tour operator's Facebook page (currently over 60,000 followers) by means of ...

FB Theme: branding of FB cover image and inclusion of VSPC imagery,

FB Ads: outreach and promotion via targeted adverts and inclusion of posts, imagery and video. The tour operator's FB platform enjoys a high interaction rate of likes, comments and shares per post.

- D) eNewsletter Blast**

Supporting A, B & C above, an eNews blast will be deployed to the tour operator's database of 140,000 subscribers with above-average income, academic backgrounds and high interest in travel. The eNews will feature VSPC content, logo, imagery and special travel offers linking to booking engine.

Co-op Partners: SeaWorld Parks & Entertainment and Visit Florida

This month we provided all necessary assets for creative development of the inner tubes.

- CANUSA Touristik (Germany)

- **B2C Out-of-Home Campaign** – January 1st - February 29th, 2016

Focused on reaching consumers no matter what their media consumption habits are, this out-of-home campaign will serve to surround and immerse customers on the go, i.e. where they spend 70% of their waking hours. In cooperation with German tour operator Canusa, we will advertise in the most frequented metro lines in Hamburg and Munich. VSPC will be presented with a key visual and travel teaser with a tour

operator call-to-action. 25 posters will be placed in metro trains for 2 full months in each city. This initiative will be augmented by online marketing activities. The major metro lines are frequented by an estimated 100,000 passengers daily.

We've provided the tour operator with all elements necessary for production of the creative. Layouts have been received, corrected and approved.

- DERTOUR (Germany)
 - **B2B2C Flyer/Poster Package** – January 2016
2,600 selected Dertour travel agencies will receive flyers and posters depicting VSPC logo, imagery and travel teasers for use in counter point-of-sale and storefront window display. Layout proofs for the flyer and poster were received and approved this month.
Co-op Partner: SeaWorld Parks & Entertainment
 - **B2C Geo Supplement** – February 2016
Dertour will create a 12-paged supplement in Geo Saison Magazine's "Reisen mit Kindern" ('Traveling with Children'). Here VSPC will be featured prominently on a full page with logo, imagery, destination content and travel offers. Circulation: 110,000. The layout was discussed, developed and approved for the supplement this month.
Co-op Partners: Bradenton, Ft. Myers, Naples, SeaWorld Parks & Entertainment

- Knecht Reisen (Switzerland)
 - **B2B2C Catalog 2016/17 Editorial**
The catalog was launched this month and will be valid April 2016 to March 2017. VSPC has received enhanced placement with two editorial pages, two product pages and logo positioned on inside cover.

- TUI (Germany)
 - **B2B2C In-Store Video** – January 11th - 25th, 2016
Visible in 270 TUI retail travel agency storefronts located in inner-city, high traffic areas, this 'moving message' platform captures consumer's interest in an innovative way. VSPC will be featured with a continuous loop of destination imagery screens and travel offers for two weeks during the premier booking period. Our messaging will be repeated 10x per hour, 8 hours per day.
This month we provided the tour operator with respective eye-catching images, our logo and suitable headlines.
 - **TUI News USA "Extra"** – February 11th, 2016 Issue
The monthly 'extra' publications of approx. 16 pages focus on highlighting a particular destination, region or attraction. Distribution is to 8,900 agencies with a readership of 25,000. It is also included in an online archive on the TUI Newsnet platform for 10 months. VSPC will be featured with a full page advertorial including logo, imagery and comprehensive content. Our area will be the only Florida destination presented! Layout was received and approved.
 - **B2C Mailing** – February 26th Issue
TUI regularly distributes themed folder mailings to 50,000 selected customers. In February, the mailing will be dedicated to USA/Canada wherein VSPC will be featured with a full page including imagery, logo and travel offers. All assets have been provided. A proof is expected early next year.

Travel Trade/Consumer Publications & Portals:

- America Journal (Germany) – circ. 42,000 / readership 140,000 *Consumer*
 - **½ page, 4c Advertorial** –2/16 Issue (Best of USA) Feb. 26th

This German high-gloss consumer publication is dedicated exclusively to the USA providing in-depth coverage on American travel, culture and customs as well as insider tips and helpful hints.

VSPC’s placement will include logo, imagery and content. Creative assets have been delivered to the publisher. A proof is expected next month.

Pub frequency: 6x/yr

- TIP – Travel Industry Professional (Austria) – circ. 16,000 *Trade*
 - **½ page 4c advertorial** in the USA Supplement Issue 2016 – January

The publisher will again produce a special USA supplement for distribution in conjunction with the Visit USA Seminars to be held on January 27th and 28th in Graz and Linz with an overrun of 16,000 copies for additional distribution at travel trade outlets. Austrian travel agencies may also order additional issues free of charge to utilize in point-of-sale and mailings to their customers.

We provided the publisher with all materials needed for layout development. Our area will be featured with logo, imagery and insider information.

Profi Reisen is the publisher of Austria’s leading travel trade and tourism industry publication TIP, which targets travel agency decision makers and counter staff alike, and is known for its precise reporting of current events, insider tips and background information.

Pub frequency: Weekly

- TRAVEL INSIDE (Switzerland) – circ. 8,750 *Trade*
 - **1/2 page, 4c advertorial** in the USA Supplement Issue 2016 – January

In conjunction with this year’s Visit USA Seminar on February 3rd, we secured placement of a half page advertorial for VSPC in the “Counter Inside” supplement. We have submitted all elements required for graphic development. Layout has been received and approved.

Known as Switzerland’s leading travel trade magazine, TI is tailored to the needs of travel professionals combining competent reporting on relevant tourism industry subjects with trend and development reports, analyses and comments from the experts.

Pub frequency: Weekly

Online Aggregators:

- ASNM New Media AG Newsletter (Germany) – 1,090,000 subscribers *Consumer*
 - **Florida Newsletter Campaign** – December 2015 and February 2016

St. Petersburg/Clearwater is part of a Florida eNewsletter campaign consisting of eNews blasts on up to 14 online travel portals with a total of 1,090,000 subscribers. In addition, the news will be integrated repeatedly into the search engine optimized news portals of flugprofis.de as well as being posted on Facebook sites with approx. 20,000 “Likes”. This initiative is being conducted in cooperation with SeaWorld Parks & Entertainment, Visit Florida, Visit Tampa Bay and Alamo.

The December eNewsletter approved and launched this month.

- eBookers (Germany) *Consumer*
 - **Online Promotion** – May 15th - December 31st, 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-December and run 50% of media impressions and the takeovers.
- Layouts were received and approved with the campaign launching on 5/15.
Reporting shows over 2.4 million ad server impressions through 12/31.

We are continuing the process of collecting proposals for this FY's marketing initiatives, a number of which are still in the negotiation pipeline.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

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

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