

CENTRAL EUROPEAN OFFICE

SEPTEMBER 2017

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MARKET INTELLIGENCE / TRENDS

Travel Companies “must get more individual”, say DER and HRS Chiefs

Tour operators and other travel companies have to focus much more on customers, make individual offers, and reduce production costs, the heads of DER Touristik and HRS said at the fvw Kongress this month. “We have to be quicker and better,” Sören Hartmann, DER Touristik Group CEO, told German travel industry managers in a keynote presentation covering current and future market trends, including demographic trends, destination demand, customer motivation and individualization.

The short-term outlook for the organized travel industry was positive as the well-off baby boomer generation approached retirement age and travelled more intensively, he said. “We will have as many customers (as today) in 10-15 years, but after that it will get challenging,” he forecast. “The hammer will hit the industry in 10-15 years’ time. We don’t have much time.” The current under-55 generation is split between traditional consumers and “individual” consumers who want to do their own thing and have less brand loyalty, he pointed out. More importantly, young adults in their 20s show very different consumption patterns, and seek inspiration to do new things and buy new products, he said. For travel companies, this means that “we must be more specialized and more customized”, with a wide variety of brands, products that can be combined individually, and different offerings focused on different customer types.

In terms of DER Touristik, the Dertour brand “must expand its individuality” and other brands will need to become more individual, Hartmann said. At the same time, the tour operator will need to reduce production costs, possibly even by transferring production to destinations. However, Hartmann also emphasized that Germans will continue to put a big priority on safety and security. “We Germans seek security and that is the big chance for the travel industry. We are there for customers, including in emergencies.”

Tobias Ragge, CEO of German accommodation platform HRS, echoed the need for travel companies to put customers in focus and to personalize their offers through technology. “Pure transaction platforms without clear positioning and a strong brand, own content and differentiated services are likely to disappear from the market,” he said.

Early Summer 2018 Sales Looking Good

German travel agents had another disappointing month in August with an overall 3% drop in sales due to weak last-minute summer holiday bookings, but early demand for summer 2018 is looking good, according to the latest GfK monthly sales analysis.

The weak August sales come after a 5% decline in July, and leave cumulated bookings for summer 2017 just 1.5% ahead of last year, the representative sales analysis of 1,500 agencies found. As a result, overall travel agency sales for 2016/17 are likely to end up lower than last year due to a 3% fall in winter 2016/17 turnover, GfK predicted.

Bookings for summer 2017 declined by 8% last month compared to August 2016, indicating weak last-minute summer holiday bookings. In contrast, early bookings for summer 2018 are looking good with a 2.8% increase compared to the same period last year, and accounted for 13% of total sales in August.

Bookings for the forthcoming winter fell back by 4% after strong early sales in the last two months. The winter season is now 4% ahead of the same period last year overall and sales have reached about 40% of last year's total sales volumes. December is up by 10.5%, January is down by 2.4% and February has a 6.1% increase. With Easter in March next year, that month is up by 18.8% while April is down by 27.5% so far.

Air Berlin: Lufthansa Takes Over as Break-up Looms

Lufthansa is moving fast to buy more than half of Air Berlin, acquire its planes from leasing firms and take over cancelled intercontinental routes. Germany's dominant airline and British budget carrier Easyjet are ready for takeoff as the two big winners of the Air Berlin collapse by expanding their operations on strategic and lucrative routes within Germany and Europe.

The insolvent airline's creditors and supervisory board voted in favor of holding exclusive negotiations with Lufthansa and Easyjet until October 12. They had reviewed some eight offers, including those from Niki Lauda/Condor, British Airways parent IAG and entrepreneur Hans Rudolf Wöhrle.

Lufthansa wants to take over up to 78 planes of Air Berlin's fleet of 144 leased aircraft. This includes the 38 planes already leased from Air Berlin, along with Austrian-based leisure airline subsidiary Niki and regional carrier LGW, which each operate about 20 planes. Easyjet would get up to 30 Air Berlin planes and domestic/European routes that cannot go to the Lufthansa Group for anti-trust reasons.

The sale proceeds would cover the €150 million loan from the German government. German media reported that Lufthansa had offered €200 million for parts of Air Berlin and was prepared to bear additional operating costs of up to €100 million during a transition period. Lufthansa's supervisory board approved a plan to spend up to €1 billion to buy or lease 61 planes that are currently operated by Air Berlin. This comprises 41 A320s and 20 turboprops which are owned by various leasing companies. Lufthansa CEO Carsten Spohr said the investment, which excludes spending on the planned Air Berlin deal, would enable the group to expand budget subsidiary Eurowings rapidly.

Meanwhile, Air Berlin has confirmed it will cancel all its remaining long-haul flights by October 15 after aircraft leasing companies demanded the return of its 17 A330 planes. Many intercontinental flights from Berlin and Düsseldorf have already been terminated. In response, Lufthansa announced that it will quickly take over some of the former Air Berlin long-haul routes from Berlin and Düsseldorf. The airline will launch A330 flights from the two airports starting November 8th. The new flights will include Berlin-New York five times a week and Düsseldorf-Miami three times a week. However, Lufthansa plans to transfer these routes to Eurowings next year. Eurowings will start long-haul flights from Düsseldorf to various Caribbean destinations as of November 8th as well.

Ryanair Plans Major Expansion in Frankfurt for Summer 2018

Europe's largest budget airline will challenge Lufthansa, Condor and TUIfly with flights to dozens of Mediterranean destinations next summer. After a small-scale launch at Germany's largest airport this summer and a sizeable expansion for winter 2017/18, Ryanair will embark on a full-throttle expansion in summer 2018 designed to win business from Lufthansa, Condor, TUIfly and other airlines, while filling the expected gap left by Air Berlin.

The Irish budget airline has currently stationed two B737s at Frankfurt to fly to four destinations (Palma, Malaga, Alicante and Faro) this summer. From late October onwards five more planes will operate on 20 new routes, giving the airline a total of seven planes flying to 24 destinations in winter 2017/18. Ryanair announced that it will station three more planes at Frankfurt for summer 2018 and will fly to a total of 38 destinations with the local fleet of 10 planes.

Most of the new routes are to beach destinations in southern Europe, including the Canary Islands, four Greek islands and several new destinations in Spain, France, Italy, Croatia and Morocco. In addition, there will be daily flights to popular city destinations such as Barcelona, Madrid, Lisbon, Porto and Venice.

Ryanair said the expansion will increase its investment in Frankfurt to \$1 billion (\$100 million per plane) and it aims to fly some six million passengers to and from the airport next year. In addition, it will station five planes at Frankfurt-Hahn airport next summer to operate 43 routes and carry about one million passengers.

Hurricane Irma: German Tour Operators Cancel Caribbean Holidays

Tour operators in Germany have cancelled thousands of holidays on Cuba and in Florida, and are flying hundreds of customers home following the devastation caused by Hurricane Irma across the Caribbean and Florida this month. German holidaymakers were moved to safe accommodations and did not suffer any injuries, according to media reports. There were about 5,500 German package holidaymakers in the Dominican Republic as Irma struck and several thousand more in Cuba, other Caribbean islands and in Florida.

German tour operators reacted quickly by cancelling departures to the two main Caribbean destinations as well as to Florida and offering free changes or cancellations instead. These offers were extended until the latter part of September. Several airlines including Lufthansa, Eurowings, Air Berlin and Condor cancelled numerous flights.

Mid-September saw TUI, Thomas Cook, DER Touristik and other tour operators starting to fly customers home from Cuba and Florida.

- TUI, with 2,000 guests in the Dominican Republic, 600 on Cuba and 600 in Florida, chartered planes to fly most customers on Cuba back to Germany. At the same time, TUI cancelled all departures to Varadero, Havana and the seriously damaged islands of Cayo Cocos, Cayo Guillermo and Cayo Santa Maria up to September 21st.
- Similarly, Thomas Cook repatriated customers from the island's northern coast (including Varadero) by Saturday (September 16th). It cancelled departures to Varadero and Havana until September 25th, with free cancellations or re-bookings, as well as to the north coast islands until October 31st.
- DER Touristik cancelled departures to Cuba up to September 25th because of the damage to the island's tourism infrastructure. It, too, organized return flights for customers who wanted to return to Germany.
- FTI cancelled all Cuba holidays until September 25th and organized the return of all guests currently on the island. The tour operator also evacuated customers from areas of southern Florida moving them to Orlando for safety.

German tour operators also cancelled holidays in Florida and offered free cancellations and re-booking of departures scheduled through the remainder of September. TUI, Thomas Cook and DER Touristik cancelled bookings for most of the Sunshine State up until September 18th and until the end of the month for the Florida Keys (TUI until October 31st).

SALES ACTIVITIES

VSPC Sales Visit (October 16th – 20th, 2017):

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 Seminar & Halloween Event 2017 (October 27th – 29th, 2017):

For the eighth consecutive year, we will participate in the annual Visit USA Germany Seminar & 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 have registered early for this event in order to secure one of the coveted presentation slots. This month we developed and provided the Committee with respective VSPC content for the electronic seminar folder. We also continued conferring with our seminar group partners Visit Orlando and SeaWorld Parks & Entertainment on further details related to our joint training session format and strategy.

USA-Canada Experience Netherlands (November 2nd – 3rd, 2017):

The Dutch travel trade event "*USA-Canada Experience*" is a two-day event providing supplier partners with an exceptional opportunity to inform and educate the Dutch travel trade and conduct one-on-one sales meetings directly with product managers and media. A full-day workshop will see us holding comprehensive training sessions for over 100 agents from all over The Netherlands. The event will culminate in an exciting contest and travel prize raffle. This month registration was completed to secure our participation.

Thomas Cook TravelConneXion (November 4th, 2017):

The Thomas Cook TravelConneXion exhibition has become a very successful event over the past several years attracting up to 2,600 travel professionals. Exhibitors are given the opportunity to educate attendees by holding comprehensive training sessions, interactive presentations and especially during one-on-one sales meetings.

Brand USA Germany will organize a USA stand at the exhibition this year. We registered accordingly this month to secure our participation.

DER Touristik Campus LIVE 2017 (December 5th – 8th, 2017):

The “Campus LIVE” tour is among the most important events DER Touristik orchestrates annually for its top travel agents. While the main event will be held in Orlando from December 8th-12th, 2017 for 90 top-selling German travel agents, DER Touristik is keen to give agents the opportunity to experience different regions of Florida during 5 Pre-Tours consisting of 18-20 persons each. These are intended to convey additional product knowledge and experiential takeaways from each region’s attractions and unique selling points.

We continued to liaise with our Leisure Travel department regarding itinerary development and further program arrangements this month. An itinerary draft was submitted to the tour operator, agenda points were discussed with feedback being conveyed accordingly.

Alamo/ADAC Familiarization Tour (December 6th – 7th, 2018):

Our strongly dedicated rental car partner Alamo is going to be bringing a small group on a whirlwind tour through Florida again in December this year. Mike Luetke, Senior Sales Manager at Enterprise Holdings (Alamo) based in Germany has invited 11 of his top-selling ADAC agents to experience select Florida destinations – with St. Pete/Clearwater being among them!

ADAC is a German tour operator with several travel agency offices in Germany. The company belongs to the REWE Group, which includes DER Touristik and Meier’s Weltreisen. Qualification for participation in the tour includes a per agency sales increase of at least 10% in Florida product within a 6-month period this year, which equates to an estimated 10 million Euros in revenue. The selected agents are thus all top sellers of Florida product and are coming to us from the German State of North Rhine-Westphalia, one of Germany’s most populous regions.

After sourcing activities and program elements for the group last month, we proceeded with making applicable arrangements liaising closely with our Leisure Travel Department on the details this month.

Visit USA Seminar Austria (January 24th – 25th, 2018):

Known as Austria’s premier travel trade event, the Visit USA Seminar Austria will be held in Linz on 1/24 with an additional seminar in Graz on 1/25. Up to 200 agents are expected to attend cumulatively. The format in Linz will comprise an afternoon seminar with an ensuing evening event. The seminar program will include a table top marketplace and an on-stage “interview” session with each exhibitor. In Graz, a unique ‘speed-dating’ workshop is planned, which has proven most effective in past years.

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

Visit USA Seminar Switzerland (January 30th – 31st, 2018):

This program is Switzerland’s premier travel agent training seminar held annually in Zurich. The seminar platform provides 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 delivered several items this month including destination-oriented questions for an online knowledge test which will go live next month, query contributions to a questionnaire to be distributed during the event, imagery for development of new stand backdrops, etc.

German Consumer Shows (January & February 2018):

We are in the planning stages to present our area at several important consumer shows in Germany in cooperation with the Visit USA Committee Germany. Registration has been completed for the following tourism fairs attracting 441,000 consumers cumulatively:

- CMT Stuttgart January 13-21, 2018
- Reisen Hamburg February 7-11, 2018
- f.r.e.e Munich February 21-25, 2018

ITB (March 7th – 11th, 2018):

Known as the "world's largest tourism fair" held annually in Berlin, Germany, we again plan to exhibit within the Visit Florida Pavilion. Registration information was received from Visit Florida the end of last month prompting deployment of a participation opportunity blast to our industry partners this month. We are pleased to have received a favorable response from one accommodations partner!

Swiss Tour Operator Appreciation Event (March 12th, 2018):

We will again orchestrate an upscale appreciation event for Switzerland's most influential and productive tour operators, with 2018 marking our 6th consecutive year. The venue has been selected. We are pleased to report that Visit Tampa Bay will again co-host this event.

Upcoming tasks include menu selection, guest list identification, invitation creative, function room needs, hotel room block, reservations form development, hospitality gift selection, etc.

Additional Activity:

- **FloridaInside.de** is an informational platform including a booking engine which has been in operation for the past five years. The platform owners, based in Hemming, Germany will be holding a customer event the beginning of next month, for which we delivered comprehensive information about VSPC including collateral material and give aways.
- **Reisebüro Buchs** in Buchs, Switzerland was provided with comprehensive information, collateral and insider tips.
- After having attended one of our recent training seminars, Regina Duwe of **Schwelmer Reisebüro** was greatly inspired and is now planning to visit our area with her family next month. We provided extensive destination information and myriad insider tips along with applicable collateral material.
- **ReisCreaties** in Oostrum, Netherlands was equally inspired by a recent training presentation. Extensive destination information, myriad insider tips and a supply of our collateral material was supplied for use in point-of-sale.
- We also supported **Vetter Touristik** in Halle, Germany with provision of comprehensive information on our area for use in point-of-sale and a customer event being planned next month.

MARKETING INITIATIVES

Our efforts continued this month in conducting marketing initiatives and advertising programs, which included ...

Tour Operators:

- American Vacations (Netherlands)
 - **B2C Glossy Magazine** – September
VSPC is featured on four pages of the 74-page piece with logo, imagery and comprehensive destination content. The magazine is distributed at consumer travel shows, to repeat customers and can be ordered via the tour operator's website. With the layout having been received and approved last month, the piece was produced this month with an initial print run of 2,500 pieces.

- Jan Doets (Netherlands)
 - **B2C Inspirational Sensory Events** – October 1st & November 19th
We are partnering with tour operator Jan Doets on two unique B2C inspirational "sensory" promotional events being held at Jan Doets' offices in Heerhugoward. Beyond comprehensive presentations on several U.S. and Canadian vacation destinations, the full-day events will include several games stations, musical 'discovery' stations for kids, a dance floor with DJ for adults, American beverage tastings and even a Thanksgiving turkey grilled in an authentic Green Egg in November. Last, but not least, a treasure hunt/digging contest in a beachy Florida sand garden for young and old will be staged. Over 1,000 customers are expected at each of these events, where travel can be booked on the spot.
We've provided the tour operator with our popular Reef Safe sunscreen as a giveaway for the 'treasure digging' as well as collateral material.

- Knecht Reisen (Germany)
 - **Cover Page Placement for 2018/19 Catalog** – circ. 50,000
Due to our excellent relationship with this active Swiss tour operator, we were offered exclusive placement of a VSPC image on the cover of the tour operator's next annual USA catalog (valid April 2018 thru March 2019) – including special photo credit within the brochure – free of charge!
Thanks to the amazing talent of our Creative Manager at HQ, we were able to provide an enticing key visual in the applicable resolution. Final layout to be forthcoming next month before the catalog goes into production.

- Thomas Cook – Neckermann Reisen (Germany)
 - **Cover Page Placement for 2018/19 Catalog** – circ. 650,000
We were most pleased to have secured premier exposure for VSPC on the cover page of Neckermann Reisen's annual 2018/19 North America catalog, which will be in-market come October 2017 with a validity of April 2018-March 2019! To put the importance of this placement into perspective:
The decision as to which image adorns a catalog cover is a lengthy process and subject to scrutiny by various management levels, with Executive Management ultimately making the final call. Neckermann Reisen offers over 30,000 vacation products, several thousand of which are in the United States. In Florida alone, Neckermann Reisen offers over 200 supplier products. Considering the tremendous competition,

the tour operator's management team is clearly confident that Visit St. Pete/Clearwater is ranked first class! It is therefore a great privilege and huge exposure opportunity for us.

In addition to being featured on the cover, VSPC will also be highlighted page one of the catalog with an informational text box comprised of visual, brief destination description and travel offer page reference. The layouts were received and approved this month.

Travel Trade/Consumer Publications & Portals:

- **IMAGINE Magazine (Switzerland) – circ. 35,000** *Consumer/Trade*
 - **Cover Story** in Fall Issue 2017 – September-December
 - We are excited to have secured a coveted cover story comprised of cover placement and a 7-page editorial spread in this high-class magazine for the fall edition due in-market 9/28. Placement timing is ideal, creating awareness for the destination as the winter booking season approaches and as customers spend the fall months (when it's cold and dreary) gathering initial ideas for the following summer's travel plans.
 - The exclusive travel magazine defines traveling in extraordinary ways, capturing moments and experiences for its readers making them personal and inspiring. The publication offers a wealth of fascinating travel reports, interviews and photo spreads on and about the most beautiful places in our world, from the Arctic to Australia.
 - With a quarterly circulation of 35'000, the pub is sold at press and book shops, distributed to over 110 five and four-star superior hotels throughout the country, available at tour operator and travel agent offices, at prime venues such as medical practices, attorney's offices, high-end watch retailers, golf and tennis clubs, as well as at all gates at Switzerland's major airports. In addition, publication can be read online at: <http://www.prestigelibrary.com/>
 - We liaised closely with our PR teams at HQ and Germany in developing the editorial content: a "thrill and chill" approach in concert with our 'Beaches of Orlando' messaging which plays well with Edelweiss Air's service to Tampa and new service to Orlando. Having received and approved cover layout and 7-page editorial spread last month, the fall issue went into production and was deployed this month.

- **TRAVEL INSIDE (Switzerland) – circ. 7,500** *Trade*
 - **B2B eNewsletter Teaser** – September 4th-8th & October 2nd-6th
 - Known as Switzerland's leading travel trade magazine, Travel Inside 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. In addition to the Travel Inside print magazine, TI issues high-quality eNews bulletins to 7,500 subscribers daily Monday-Friday.
 - VSPC will be featured for two weeks (September & October) with a teaser box comprised of key visual, text and logo in cooperation. The teaser will link to a dedicated landing page on the **TUI Suisse** platform containing VSPC imagery, destination content and special travel offers.

- **Travelzoo Europe (Germany) – 2.5 million German subscribers** *Consumer*
 - **Direct Mailing Destination Newsflash** – September/October
 - After a successful campaign with Travelzoo Europe last year, we will again partner with the aggregator on a new direct mail campaign: the Solus Mailing Destination Newsflash. It will be deployed to over 2 million dedicated Travelzoo subscribers

nationwide with a view toward stimulating incremental demand from a qualified audience. Moreover, VSPC will receive additional exposure with placement on the Travelzoo homepage for four weeks. Both placements link to a dedicated landing page including imagery, key destination content and top notch travel offers. All elements necessary for creative development have been provided, layouts received and approved. The Newsflash was deployed on 9/24.

This month we deployed another 'final call' reminder to a few vendors regarding submission of their invoicing and proof-of-performance materials asking for prompt deliveries.

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:** Proofread and corrected.

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