

CENTRAL EUROPEAN OFFICE

JANUARY 2018

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MARKET INTELLIGENCE / TRENDS

Online Travel Bookings Grow While Travel Agents Remain Top for Revenues

Online travel bookings are growing rapidly in Germany, but travel agents also have solid growth and remain the top sales channel by revenue, according to tourism experts and market researchers. 2018 has started well for Traveltainment, the Amadeus IT subsidiary which operates Germany's main travel agency reservations system 'Bistro' and other leisure travel sales products.

The first two weeks of January normally generate the highest package holiday sales volumes of the entire year. Looking at the bookings for 1 – 13 January, "it feels like a new record for Traveltainment", said managing director Oliver Rengelshausen. "This is good news that fits into the picture of a smoothly running economy." The experienced tourism sales and e-Commerce expert emphasized that both online and 'offline' bookings are growing and rejected recent claims that travel agency sales are stagnating.

In 2017, the number of package holidays and last-minute trips booked through Traveltainment increased by 9% compared to 2016. Bookings by Online Travel Agencies (OTAs) grew by 15%, but mainstream travel agents also accounted for a 4% increase. There was a similar picture for all Traveltainment bookings, which grew by 11% last year. Bookings from OTAs increased by 20% and from travel agents by 6%. In volume terms, bookings by OTAs overtook those by travel agents last year. "There's no question that OTAs are growing more strongly than offline agencies. However, traditional agents are not making a retreat, rather are growing significantly," Rengelshausen commented.

Moreover, traditional travel agents remain the most valuable sales channel for tour operators, he pointed out. Their value of their bookings was **50% higher** than those of OTAs last year. Reasons for this sizeable difference, according to the Traveltainment chief, could include the fact that customers tend to book more expensive holidays in travel agencies where there is also a higher proportion of family bookings.

The Traveltainment figures follow a detailed sales analysis by market researchers GfK published in December, based on its representative monthly survey of travel agency and OTA sales. This found that tour operator holiday sales through OTAs and tour operator websites grew by 12% in revenue terms in the 2016/17 tourism year, while 'offline' travel agents generated only a low single-digit increase. Germans clearly tended to book more expensive holidays, such as long-haul trips and cruises through travel agencies, but increasingly booked cheaper holidays, such as Mediterranean packages, online, according to the sales analysis.

There were also big differences in terms of which destinations were sold through which sales channels, the GfK analysis showed. OTAs generated nearly 75% of their turnover from sales of Mediterranean holidays last year, with the Eastern Mediterranean more important than the Western Mediterranean with just over 38% of revenues. In contrast, the Mediterranean only accounts for 57% of the combined overall sales revenues of traditional travel agents and OTAs. The Western Mediterranean accounts for 32% and the Eastern Mediterranean for 25% of this latter figure.

In terms of individual destinations, Turkey performed much better online than offline last year, according to the GfK figures. Travel agency bookings for the destination dropped by 30% but online sales were down by only 5%. As a result, 39% of all Turkey holidays were sold online last year. “This is an extremely high figure and an increase of seven percentage points compared to the previous summer,” commented Dörte Nordbeck, head of travel & logistics at GfK. With an average price of €608 per booking, OTAs clearly sold cheaper Turkey holidays than travel agencies, where the average price was €708, the GfK figures showed. There was also a divergence in revenues for the top destination, Spain. Travel agency sales declined by 8.5% from the previous year’s record level while OTA revenues increased by 2%. In contrast, sales revenues from Greece bookings increased by an identical 29% both through travel agents and OTAs last year.

Outlook 2018: Experts Predict “Strong Year” for German Holiday Market

The German outbound travel market is heading for a strong year in 2018 thanks to good underlying economic factors, according to a leading market researcher. Prof. Martin Lohmann, responsible for the in-depth annual Reiseanalyse market survey conducted by the FUR research network, said many Germans see themselves in a slightly better financial situation this year, which will help drive demand for holidays in general.

Nearly one German in four (24%) plans to travel more this year than last year, which is a slight rise on the 23% figure at the same time last year, according to a survey of more than 7,500 Germans conducted in November. Moreover, 30% (compared to 28% last year) want to spend more on travel and holidays in 2018. In contrast, only 13% want to travel less (the same figure as last year) and a similar 13% plan to spend less (down from 14% last year). “These results demonstrate a positive mood for holidays which signals good starting conditions for 2018,” he said presenting the initial Reiseanalyse 2017 figures at the CMT travel fair in Stuttgart. Lohmann underlined the “stable high level of demand” in Germany, with 69 million holidays (of 5 days or more) in 2017. In addition, the number of short private trips increased by 2.5% to 91 million last year. Overall spending on holidays went up by 2% to €69 billion in 2017, according to the initial Reiseanalyse results.

The travel expert did not expect any major changes in destinations or types of holidays this year, based on the survey results. With a 30% share, Germany remains the top holiday destination, ahead of Spain, Italy, Turkey, Austria, Greece and Croatia. But he pointed out: “The constant overall picture should not hide the trend towards individual flexibility and the desire for something new.” As many as 42% of Germans plan to visit a completely new destination this year, with 17% considering a long-haul trip (compared to 15% last year). There is also more interest in city trips, wellness breaks and cruises.

According to Lohmann, a stable 22% of holidays will be booked as packages and a further 11% as a combination of individual elements. However, he predicted that more travel

components such as hotels or flights will be booked individually online. In contrast, the number of survey respondents planning to book more expensive long-haul vacations through a travel agent is higher at 37% compared to 32% the previous year.

German Tour Operators Predict Better Business in 2018

Tour operators in Germany are optimistic about higher sales this year, with many predicting revenue growth of more than 5%, an fvw survey found. After relatively low market growth of about 2% in 2017, according to GfK estimates, German tour operators believe business will pick up more strongly this year. In particular, the stable economy, higher consumption levels and low unemployment provide a good macro-economic background for the tourism market, according to experts.

Nearly all tour operators surveyed by fvw expect higher sales in 2018, with specialist tour operators particularly optimistic. Out of the 30 companies who provided figures and forecasts, nearly half expect revenues to increase by more than 5% in 2018, while a third are planning with growth of 2-5%. Only a handful expects lower or negative growth. The top three (TUI, DER Touristik and Thomas Cook) did not provide any forecasts for this year, but indicated at their recent summer program presentations that they expect single-digit revenue growth in 2018. “Package holidays will be in demand after the turbulence in 2017, for example in the flight market,” predicted Alltours chief Markus Daldrup. “Nearly all destinations are showing a clear rise in revenues for summer 2018,” commented Schauinsland-Reisen owner Gerald Kassner.

In terms of short- and medium-haul destinations, tour operators generally expect good business for Spain, Portugal and Croatia, higher demand again for Greece and continued recoveries for Egypt, Turkey and Tunisia. Among long-haul destinations, tour operators expect good bookings for Asia, South Africa and Canada, along with a recovery for the Caribbean after the impact of last autumn’s hurricanes. But they are skeptical about prospects for the USA which already suffered last year from a higher exchange rate and the ‘Trump Effect’. Operators are split over the chances of a comeback for Germans’ top long-haul destination.

German tour operators are also realistic about the potential risks for business this year, including political uncertainties in major destinations, the risk of terror attacks, the impact of ‘overtourism’ in some crowded destinations, and the consequences of turbulence in the aviation sector.

Niki Lauda Plans Leisure Airline Re-launch with Thomas Cook Airlines Partnership

Niki Lauda plans to re-launch his former airline within weeks under a new name and with a close partnership with Thomas Cook Airlines after surprisingly winning the bidding battle for the insolvent Austrian carrier. The aviation entrepreneur and former Formula 1 pilot outbid International Airlines Group to snap up the airline that he founded in 2003 and sold to Air Berlin in 2011. Most experts had assumed that IAG would also be the winner of the bidding process in Austria as it had been in the previous process in Germany.

But after a marathon meeting of Niki’s creditor committee in Vienna this month, the grounded airline’s insolvency administrators announced that his firm, Laudamotion GmbH, had

emerged as “the best bidder in a transparent bidding process”. They did not disclose the size of Lauda’s offer, but media reports said he had offered more than the €36.5 million which IAG once again offered. IAG said it was “disappointed” not to have succeeded with its latest offer. Under the original deal agreed in late December, the Spanish-British airline group’s low-cost subsidiary Vueling would have paid €20 million (plus €16 million for running costs) to take over 15 of Niki’s 21 leased A320s, 740 of its 1,000 staff and all of its slots at Vienna, Düsseldorf, Munich, Palma and Zürich airports. But this deal became invalid when the airline’s insolvency proceedings were transferred from Berlin to Vienna.

Lauda now wants to hold in-depth talks with Thomas Cook Airlines (TCA) over a close partnership. He apparently wants TCA and in particular it’s German airline Condor to play a key role in marketing and selling the Laudamotion flights. “I need an operational partner in order to fly in March, for example for crew planning and sales,” he had told Austria media at the weekend. A TCA spokesman confirmed that Lauda and TCA chief Christoph Debus are already in close contact, and that TCA is ready to contract seat capacity from Laudamotion. He added: “Laudamotion has asked us for operational support services to enable Niki’s flight operations to restart as quickly as possible.”

SALES ACTIVITIES

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

Known as Austria’s premier travel trade event, the Visit USA Seminar Austria was held in Linz on 1/24 with an additional seminar in Graz on 1/25. Over 150 agents attended cumulatively. In Linz the format comprised an afternoon seminar of table top marketplace and one-on-one sales discussions followed by an evening event including an on-stage “interview” session with each supplier during which additional destination highlights were presented. In Graz, an intensive ‘speed-dating’ format was utilized to convey product information. This was most effective with agents being particularly attentive.

The Visit USA Committee Austria again held a post-seminar “evaluation breakfast” during which we had the opportunity to provide feedback and discuss future planning – the overall results were very positive!

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. A total of 375 travel agents attended this year’s seminar and were educated on our area’s many features, benefits, unique selling points as well as the latest news items. Meetings were also conducted with several key Swiss tour operator and other industry partners. Partners reported bookings to the U.S. being off to a moderate start the first month of the year and it being too early to estimate at what pace bookings will develop during Q1. Special guest speaker was the United States Ambassador to Switzerland and Liechtenstein, Mr. Edward McMullen, who emphasized the importance of the very strong relations between the USA and Switzerland.

Consumer Shows (January & February 2018):

Our area will be presented at several important consumer shows in Germany, the Netherlands and Belgium in cooperation with the Visit USA Committees in Germany, the Netherlands and Belgium as well as a selection of tour operator partners. Registrations have been completed for the following tourism fairs attracting 652,000 consumers cumulatively:

- Vakantiebeurs (NL) January 10-14, 2018)
- CMT Stuttgart (DE) January 13-21, 2018
- Reisemarkt Dresden (DE) January 26-28, 2018)
- ABF Hannover (DE) January 31-February 4, 2018
- Salon des Vacances (BE) February 1-4, 2018
- Reisen Hamburg February 7-11, 2018
- f.r.e.e Munich February 21-25, 2018

We supplied all necessary collateral for consumer shows taking place this month.

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. We are pleased we will be joined by one VSPC accommodations partner. Strategic planning and logistics management were ongoing this month along with the initiation of the appointment scheduling process.

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. We are pleased to report that Visit Tampa Bay will again co-host this event.

With the venue having been identified and secured, tasks in the works this month included menu selection, guest list identification, invitation creative and deployment, function room needs, hotel room block, reservations form development, hospitality gift selection, etc.

Thomas Cook Roundtable Workshop (April 17th – 19th, 2018):

We are pleased to have secured one of the coveted presentation slots at Thomas Cook’s North America workshop program. A series of roundtable training sessions will be held in three German cities (Freiburg, Frankfurt and Dortmund). Close to 100 qualified agents are expected cumulatively. Other participating product partners include Visit Orlando, SeaWorld Parks & Entertainment, Naples, Florida Keys, Fort Lauderdale, Visit California, Palm Springs, Texas Tourism, Houston CVB and Ontario.

Additional Activity:

- We updated our insertion for the **Visit USA Benelux Travel Planner** which is distributed to 15,000 consumers during travel fairs in January and early February.
- HQ was assisted with German-language translations for the **Florida Awesome Road Trips Program** including banners and landing page.
- We provided **Torben Kaufmann**, groups & incentive manager at **CANUSA Touristik** with information for his own travel plans to our area.

MARKETING INITIATIVES

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

Tour Operators:

- Aeroplan Reise (Germany)
 - **B2B2C Travel Agent Flyer Mailing** – January-March
A digital tactical offers flyer with a special 10% supersaver discount for VSPC hotel bookings between 1/31-6/30 and 9/01-10/31/2018 will be deployed in three eNews blasts to Aeroplan’s database of 20,000+ German travel agents each for use in point-of-sale. These blasts will be executed on January 30th, February 28th and March 30th. In addition, the flyer will be positioned on Aeroplan’s website for 9 months starting end of January. Layout was received and approved this month and first eNews blast was sent out.

- AMERICA UNLIMITED (Germany)
 - **B2C eNews Blast** – January
Our destination was prominently teased with enticing imagery and attractive travel offer in the tour operator’s eNews blast to 140,000 customers. The blast was deployed early this month.
 - **B2C Video Promotion with German TV Celebrity** – February-March
Targeting a broad audience from millennials to best agers, this campaign is focused on increasing brand awareness, driving traffic, boosting sales and media coverage. An exclusive St. Pete/Clearwater destination video will be produced featuring German TV celebrity Fernanda Brandao with a German-version Angelina Jolie voiceover. The video will be launched on YouTube (including placement of ‘beside video’ ads) and is expected to attract up to 350,000 views. Simultaneous placement on the tour operator’s social media platforms is expected to generate up to 150,000 impressions as well as considerable engagement activity. A Facebook boost of the video will add to the anticipated reach. In addition, a public video viewing and autograph event will be staged with Fernanda Brandao, which is expected to generate significant media coverage.
Thanks to our Film Commissioner’s kind support, several key destination locations were secured for a German film crew to include during a video shoot conducted on location in November with Fernanda Brandao. Our office provided German-language content in preparation for development of the voiceover. A preview of the stunning video was received the end of this month and forwarded to HQ. The video is expected to launch toward the end of next month.

- FTI Touristik (Germany)
 - **B2B2C Traveling Trailer / Multi-Channel Campaign** – February-March
We successfully secured an exciting campaign with FTI comprised of a highly-coveted out-of-home element, i.e. a ‘mobile travel agency’ trailer, which will be staged at inner city locations as well as several important consumer shows throughout Germany (including ITB) for a period of two months. Total consumer show reach alone is approx. 600,000. Several digital initiatives will be included in the campaign with FTI’s franchise of 300 TVG travel agencies being tied into the sales distribution chain. A subsidiary of FTI Touristik, TVG (Touristik Vertriebsgesellschaft GmbH) unites various travel agency franchise models under its roof with the brands sonnenklar.TV

travel agency, Flugbörse and 5vorFlug. Secondary partners on this campaign are the Florida Keys & Key West, AF/KL/DL and Brand USA.

The Trailer:

The interior design of the oversized trailer – with a supersized glass slideout and stair steps access point – mirrors the look and feel of the TVG travel agencies, known for their lounge-style atmosphere, LCD product walls and storefront window display components. The trailer will be manned by travel agents who are technologically equipped to process bookings on the spot. VSPC's trailer real estate will include exterior and interior branding, such as:

- 1) **Oversized Posters** (150 x 265 cm / 60 x 104 inches)
will be affixed to the exterior trailer walls depicting our imagery and logo.
- 2) **Beach Chairs**
depicting our logo will be placed outside the trailer next to the slideout.
- 3) **Interior 43" LCD (Product Wall) Screens & "Storefront" Window Display**
will feature continuous loop VSPC accommodations product teasers along with VSPC imagery, logo and destination video – 75-100 repetitions for 10 hours/day. Same will run in the static TVG travel agencies throughout Germany.

In addition ...

- **Tactical Offer Flyers** including VSPC imagery, logo and destination information will be produced for distribution from the trailer.
- **Post Cards** will be produced for a sweepstakes raffle depicting VSPC imagery, logo and prize description (5 nights in our area + 2 nights in the Keys and flights for 2 with AF/KL/DL).
- **VR Glasses** will be available to showcase **VSPC 360° video footage**.

Digital Integration:

A comprehensive package of online initiatives will run throughout the campaign period including:

- 1) **Dedicated Landing Page** with imagery, logo, destination content and travel offers within the fti.de website
- 2) **Blog Article** including imagery and inspirational destination video on ferienwelten.de
- 3) **B2B & B2C eNews Blasts** including imagery, logo, USP content and video to over 80,000 recipients
- 4) **Social Media Placements** by TVG agencies focused on announcements and postings directly from the trailer tour

- Hotelplan (Switzerland)
 - **B2C Travel Blog**– January
VSPC was featured in the tour operator's travel blog during the busy booking month of January. The Hotelplan blog (23,000 readers) was produced in German and French and linked to the VSPC destination and accommodations page on the Hotelplan website. Blog was developed in concert with the tour operator and approved this month.
- TUI (Germany)
 - **B2B TUI Newsnet Article** – January 22nd, 2018
VSPC will be featured on an exclusive microsite for 4 weeks with relevant information on the destination, accommodation products and special tactical offers. This site is utilized by travel agency proprietors, office managers, agents, trainees,

sales branches and TUI employees. Once the link is published, all TUI agencies and online readers of TUI Newsnet have access. Layout was received, proofed and approved.

➤ **B2B TUI Newsletter Integration** – January 22nd, 2018

This newsletter, distributed every 2 weeks, is TUI's online communication of current topics on sales, booking technology and products with teasers. All of them link to the TUI Newsnet, where the topics are covered in more depth. The newsletter is directed to 8,000 TUI newsletter subscribers (travel agents and office managers).

Layout was received, proofed and approved.

Travel Trade/Consumer Publications & Portals:

- TRAVEL INSIDE (Switzerland) – circ. 8,750 *Trade*
 - **1/2 page, 4c advertorial** in the USA Counter Inside 2018 – January
We secured placement of a half page advertorial for VSPC in the “Counter Inside” supplement to Travel Inside. The “Counter Inside” supplement is produced specifically in conjunction with the annual Visit USA Seminar, held on January 31st this year.
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) – 900,000 subscribers *Consumer*
 - **Florida Newsletter Campaign** – December 2017 and February 2018
St. Pete/Clearwater is part of a Florida eNewsletter campaign consisting of eNews blasts on 6 online travel portals with a total of 900,000 subscribers. This initiative is being conducted in cooperation with SeaWorld Parks & Entertainment, Tampa Bay, Sarasota and Fort Lauderdale.
Assets were provided for the creative development of the February eNewsletter this month. Awaiting receipt of layout for proofing and approval. Deployment is expected the end of February.
- Travelzoo Europe (Germany) – 2.5 million subscribers *Consumer*
 - **Destination Microsite** – Mid-December-January 31st
After a very successful campaign with Travelzoo last year, we initiated a new campaign with them this year consisting of:
 - **Destination microsite with travel offers:** An exclusive page created for VSPC containing editorial write-ups, videos, images, branding opportunities, links to the VSPC website and 10 compelling travel deals.
 - **“Destination of the Week” within TOP 20:** This will reach up to 2.5 million Travelzoo readers and will directly link to our destination profile within the Travelzoo platform.
 - **Alternating weekly website placements on Travelzoo:** Duration will be 4 weeks with 1.3 million unique visitors per month including imagery, text & direct link.

- **Alternating weekly social media posts:** Duration will also be 4 weeks with posts on Facebook, Instagram, Pinterest and Twitter with more than 600,000 pan-European social media fans.
 - **“Special Website Collection”:** VSPC will be featured for 4 weeks with large scale website placements of researched travel offers to the area on Travelzoo’s German homepage serving to increase destination awareness, drive traffic and generate direct bookings among over 1.3 million unique visitors per month.
- A final campaign report is expected toward the end of February.

Public Relations:

Kaus Media Services - VSPC’s German PR Agency

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

- **Press Release January:** Proofread and corrected.
- **Newsletter January:** Provided content ideas, proofread and corrected.

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