

CENTRAL EUROPEAN OFFICE

A P R I L 2018

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MARKET INTELLIGENCE / TRENDS

WTTC Predicts Faster Growth for German Tourism Industry in 2018

Europe's biggest travel and tourism industry is heading for solid growth again this year, according to a new report from the World Travel & Tourism Council (WTTC). The German travel industry is the largest in Europe and number three worldwide behind the USA and China in terms of its economic importance, the latest WTTC Country Report on Germany said. The sector directly contributed €129 billion to German GDP in 2017, which was a 3.9% share. In total, including indirect economic effects, the contribution amounted to €348 billion, or 10.7%.

In 2017, the German tourism industry grew by 1.7% and this growth could accelerate to 2.9% this year (both in terms of direct and total economic contribution), according to report authors Oxford Economics. This would put Germany ahead of overall growth in the European Union this year, which is predicted at 2.5%.

Leisure and private travel accounts for 78% of the sector's contribution to German GDP, with business travel generating the remaining 22%, according to the report. Leisure spending is predicted to grow by 2.3% this year, while business travel expenditure could increase by 3.7%.

Over the coming decade, the German travel and tourism industry's direct economic contribution could grow by 1.8% a year on average, according to the report's long-term forecasts for 2018-2028. The WTTC figures refer to spending within Germany and exclude the spending by Germans on travel outside the country. In 2017, this amounted to €78.1 billion and could rise to €79.9 billion this year, the report showed.

Overall, the worldwide travel and tourism sector grew by 4.6% last year, according to the WTTC. Europe's performance was better than previously expected with 4.8% growth as long-haul demand recovered strongly, accompanied by strong intra-regional travel thanks to the strength of the European economy.

Top German Tour Operators Open More Clubs and Resorts

TUI and Thomas Cook are opening more own-brand resorts and club hotels to broaden their portfolios and target diverse customer segments. Germany's two largest tourism groups are each planning various openings during 2018 with more scheduled in 2019 and 2020. TUI is opening five Robinson Club and two Magic Life all-inclusive resorts while Thomas Cook is

opening more own-brand hotels and hotel partner Aldiana will put three new resorts into operation.

Both tour operators stress that German holidaymakers have become more demanding and want their hotels, for example, to offer more individual concepts and more diverse cuisine. As a result, hotels need to focus more clearly on different target groups instead of trying to offer something for everyone. Thomas Cook Germany chief Stefanie Berk commented: “80% of people’s holiday experiences come from the hotel itself, and little things count here a lot.”

In terms of the new openings, TUI’s mid-market all-inclusive club brand Magic Life opened a new resort at Masmavi, near Belek on the Turkish Riviera last month. This large hotel, with 595 rooms, offers a wide range of entertainment, sports and other activities for families. The first Magic Life in Italy, a 641-room resort, will open in Calabria in May 2019, offering a mix of beach and sports activities.

Two new Robinson Clubs already opened their doors at Khao Lak (Thailand) and Noonu (Maldives) in November last year, targeting not only German holidaymakers, but also international guests from different regions. In November this year, the first-ever Robinson club, at Jandia Playa on Fuerteventura, will re-open after a major modernization and expansion. In autumn 2019, a new Robinson will open on Sal in the Cape Verde islands, targeted at “active singles and couples”, followed by a new family-focused club on Crete in summer 2020.

Thomas Cook is also busy with various new hotel projects. A new Sentido hotel opened in Andalusia in March, while a new Sunprime adults-only hotel will open on Kos in June, close to the recently-opened Casa Cook on the Greek island. Strategic partner Aldiana, the German-based club holiday company in which Cook has a minority stake, will open its first property in a long-haul destination this autumn. The Club Cabarete, on the north coast of the Dominican Republic aims to attract active guests interested in sports along with families. Aldiana’s other two forthcoming properties, at Ampflwang in Austria (opening in December 2018) and in Calabria (opening next summer), have similar profiles.

TUI Buys Back Destination Management to Profit from Excursions and Activities

Europe’s largest tourism group has re-acquired part of former subsidiary Hotelbeds so it can offer a ‘one-stop holiday experience’ by selling more destination activities to customers in advance. TUI has bought Hotelbeds’ Destination Management unit for €10 million, less than two years after selling the entire Hotelbeds Group, including the large B2B bed bank business, to financial investors for €1.2 billion. The German-based tourism group has decided that destination services will be one of its strategic growth areas in future. In contrast, Hotelbeds wants to focus on its core business after recent acquisitions, and had no strategic interest in this activity.

In future, Palma-based TUI Destination Services will be the world’s largest provider of destination activities with turnover of €700 million, some 9,000 employees and present in 48 countries. It will offer excursions, tours, trips and other local activities not only to TUI’s own 20 million customers but also to other tour operators and, notably, cruise companies at ports of call. The TUI division is already one of the top five providers in this business field, with 6,500 staff in 23 countries, handling about 12 million passengers and selling some 4.5 million excursions per year, mostly to TUI Group customers. Hotelbeds’ Destination Management division, with 2,600 employees in 25 countries, provides excursions, transfers, tours and

activities to diverse tour operators, handles around 2.2 million passengers a year, and also offers cruise handling services in ports.

The global market for services at holiday destinations is estimated at around €140 billion and is growing at about 7% a year, according to TUI. Yet, with up to 350,000 micro-suppliers, it is extremely fragmented on the supplier side. Large tourism groups are increasingly expanding into this lucrative market segment. TUI CEO Fritz Jousen explained: "The global market for these services is growing. Four factors put TUI in an extremely good starting position: our strong international brand, the trust of 20 million customers, the trust of the destination countries through decades of presence and, most importantly, our world-class IT and CRM systems, in which we have invested in recent years".

TUI emphasized that it particularly wants to make better use of the average four-month period between a holiday booking and the time of departure in order to make customers individual offers for their stay at the destination. "The TUI brand guarantees the usual premium service, TUI quality and TUI comfort despite the multitude and complexity of leisure offers and providers at the holiday destination. Our IT and CRM systems guarantee that our guests will only receive offers that are relevant to them. And they get them directly from us, not from third parties. Advice, booking, flight, hotel and leisure activities at the resort come from a single source. The customer has one contact person, that is TUI," Jousen declared.

Northern and Eastern Europe Drive DER Touristik Growth in 2017

DER Touristik increased turnover by 3% last year thanks to growth in Northern and Eastern Europe and record travel agency results. Europe's third-largest tourism group generated moderate growth of 3% to invoiced revenue of €6.5 billion, parent company REWE Group disclosed as part of its 2017 results. The German group did not provide any more detailed breakdown of DER Touristik's revenues, neither by geography nor by business activity.

The supermarket group said in a brief summary of the tourism division's development last year: "The internationalization of DER Touristik from a German tour operator to a European travel group – with the acquisition of Exim Tours in Eastern Europe in 2012 and Kuoni in 2015 – has paid off significantly in the past business year. In 2017, companies in the source markets of Eastern and Northern Europe in particular increased their revenue significantly. The destination agencies are also experiencing considerable growth."

In contrast, according to fvw's annual dossier on the German tour operator market, DER Touristik had a weak 2017 in its home market following serious IT reservation system problems at the start of the year. This showed that the tour operator's turnover in Germany/Austria/Switzerland declined by 3.6% to €3.47 billion and customer numbers dropped by 8.3% to 6.3 million. In Germany, tour operator revenues fell by 3.6% to just over €2.7 billion and customer numbers were down by 7.2% at 5.3 million.

Rewe continued: "Achieving record sales and earnings, German travel sales were once again particularly successful. This area is becoming increasingly important, especially in times of perceived growing uncertainty in some target markets."

According to fvw's separate dossier on the German travel agency market, DER Touristik's 2,061 travel agencies sold holidays and travel products worth €4.5 billion in 2016.

The overall Rewe Group increased its external sales by 6.7% to €7.8 billion in 2017. Excluding franchise partners, the group increased revenue by 8.3% to €9.4 billion and improved its adjusted operating profit by €20 million to €94 million last year.

Eurowings Launches New York Flights and Business Class

Eurowings has taken off with flights from Düsseldorf to New York and is introducing its new business class for long-haul budget routes. Lufthansa's low-cost carrier is now flying six times a week between the largest airport in North Rhine Westphalia, which is Germany's most populous region, and the 'Big Apple'. The A340 services are being operated by Brussels Airlines, which is now part of the Eurowings Group.

One highlight of the new route is the introduction of the airline's business class, which Eurowings describes as a 'world premiere'. The new 'BIZclass' is "a full-value business class with full-flat seats" that turn into beds, according to the budget carrier. Priced at €799.99 (for the New York flights), the business class will also be offered in future on flights from Düsseldorf to Miami, Fort Myers, Punta Cana and Cancún.

Eurowings CEO Thorsten Dirks declared proudly: "Within five months we have managed to set up a completely new long-haul flight operation in Düsseldorf." The launch is the latest stage in Eurowings' expansion in Düsseldorf, which boasts a lucrative surrounding catchment area of 18 million people. The airline now operates 40 planes flying to 95 destinations from the airport. The long-haul fleet will increase to seven jets for the forthcoming winter schedule.

Easyjet is Berlin's New 'Home Carrier'

British budget carrier Easyjet is investing heavily in Berlin this summer as it builds up a major base with 100 routes to and from the German capital. Easyjet has moved quickly to fill the gap left by Air Berlin after spending €40 million to take over 25 planes from the insolvent carrier along associated slots at Berlin-Tegel airport. The British airline launched flights from the German capital's main airport in January and has steadily added flights since then.

For the summer 2018 schedule, it is now offering more than 100 routes from Tegel and Schönefeld to domestic and European destinations, including 28 exclusive routes. Domestic frequencies have been increased while new international routes include holiday destinations such as Alicante, Biarritz, Corfu, Faro, Menorca and Pula.

CEO Johann Lundgren said in Berlin last week that Easyjet will offer 16 million seats to and from Tegel and Schönefeld this summer. In 2017, the airline had some 3.5 million passengers on its flights to and from Schönefeld, where 12 planes are based, and expects to increase this number by 60% to 5.6 million passengers this year thanks to the Tegel expansion.

Part of the growth will come from transfer passengers. Berlin-Tegel is one of seven new airports where the airline now offers transfer connections in addition to Gatwick and Milan Malpensa. Easyjet's investments in Berlin go far beyond the initial €40 million for the 25 ex-Air Berlin jets. It will spend a further €12 million on repainting them in its corporate design, retraining former Air Berlin staff and other operational measures. In addition, the airline expects to spend about €68 million on the ongoing wet-lease deals with other carriers. However, Lundgren expects the airline to be operating only its own planes at Tegel by the start of the winter 2018/19 schedule.

The British airline is also cooperating closely with authorities in the German capacity. It has signed a long-term partnership deal with the visitBerlin organization for joint activities to promote incoming tourism to Berlin, including sales and marketing measures. The deal builds

on the airline's €m advertising campaign to highlight its new services to and from Berlin Tegel. "Easyjet is our new home carrier," declared Burkhard Kieker, CEO of visitBerlin, at a joint press conference with Easyjet executives. "The engagement by Easyjet is a great facilitator for the economic and the touristic development of Berlin, which is a great occasion to establish the first strategic partnership between the capital's official promotional organization and an airline. With the hashtag #berlinwelcomesyou we will join forces to promote tourism in Europe to Berlin."

Thomas Haagensen, Easyjet's Country Director for Germany, Austria & Switzerland, added: "Berlin is such an important destination in the German market and remains popular with our customers throughout the entire network. This first ever strategic partnership with visitBerlin will seek to explore different areas of collaboration in order to show everything Berlin has to offer to the great diversity of easyJet's passengers."

SALES ACTIVITIES

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

This month we presented VSPC at Thomas Cook's North America workshops. A series of roundtable training sessions was held in three German cities (Freiburg, Frankfurt and Dortmund). Almost 90 qualified agents were trained during three days in comprehensive and engaging roundtable seminars. Each training day ended in a knowledge test with VSPC coming out on top with very high scores. Other participating product partners included Visit Orlando, SeaWorld Parks & Entertainment, Naples, Florida Keys, Fort Lauderdale, Visit California, Palm Springs, Texas Tourism, Houston CVB and Ontario.

Visit Florida Road Show (June 4th – 8th, 2018):

For the sixth consecutive year, we will participate in the Visit Florida Road Show which is being co-sponsored by German tour operator TUI Deutschland. Four German cities are targeted (Munich, Würzburg, Aachen and Bonn), where we expect to train approx. 250 agents cumulatively. Training sessions and workshops will be held ensuring an active and engaging dialog with all agents. These will culminate in evening events in each city which will include a prize raffle. An industry opportunity was deployed this month soliciting donations for the prize raffle. A training tool 'workshop booklet' will be produced by Visit Florida for which we provided applicable material (content, imagery, logo).

The following Florida partners will also participate: Fort Myers, Naples, Sarasota and SeaWorld Parks & Entertainment.

TUI Suisse Fam Tour (June 8th – 9th, 2018):

TUI Suisse will be bringing a group of top selling agents to Florida for one week. A visit to our area has been included in the itinerary due to our excellent relationship with the tour operator. The group of 8 agents + a TUI Suisse escort will arrive in our area midday on 6/08 from Crystal River and will depart on 6/09 in the afternoon bound for Fort Myers. Accommodations have been secured and we liaised closely with our Leisure Travel department this month regarding itinerary development.

MARKETING INITIATIVES

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

Tour Operators:

- Canusa Touristik (Germany)
 - **B2C Content Package “Scenic Routes”** – mid-May 2018 - open ended
We will join forces with Canusa Touristik on an innovative online promotion package initiative focused on attracting new customers and raising awareness for VSPC. Two travel route itineraries of different durations (14 nights & 22 nights) and will be developed giving potential customers an inspiration for their next journey. The ‘scenic routes’ will include maps, destination content and a “Top X Section” highlighting exciting area attractions. The ‘scenic routes’ will link to VSPC search engine optimized content on the tour operator’s website and point customers to the booking engine platform. Canusa.de boasts 1.2 million unique website visitors yearly. We have provided the tour operator with the relevant content, have received layouts and have conveyed instructions for required adjustments. Awaiting final layouts.

- DERTOUR (Germany)
 - **B2C Landing Page** – March 9th - May 4th, 2018
Dertour created a dedicated landing page to promote our area. In addition to general destination information and imagery, it also features six travel teasers. The landing page is located on the North America platform on the dertour.de website with an expected 8,000 visits.
 - **B2C eNewsletter** – March 11th, 2018
VSPC was featured in a one-off dedicated eNewsletter including 4 tactical travel offers and enticing travel tips. The newsletter was deployed to 53,000 subscribers and linked to the landing page.
 - **B2B2C Homepage Teaser Boxes** – March 29th - April 6th, 2018
Three teaser boxes were placed on prime positioning under “recommendations / tip of the week” for 7 days. Boxes contained VSPC logo and key visual and linked to the landing page. 125,000 page impressions per week.
 - **B2C eNewsletter Teaser** – April 29th, 2018
A VSPC teaser with logo and travel offer was placed in Dertour’s eNewsletter. The teaser lined to the respective landing page. The newsletter was deployed to 53,000 subscribers.
 - **B2C Facebook posts** – April 16th & 25th, 2018
Two Facebook posts dedicated to VSPC were launched this month linking to the St. Pete/Clearwater landing page. Dertour’s Facebook page has 85,000 fans/followers with approx. 2,5 million ad impressions.

- Hotelplan Suisse (Switzerland)
Following a productive meeting during ITB, we spearheaded development of an exciting Florida travel package taking Edelweiss’ service to both Tampa and Orlando into consideration. A 10-day, 9-night open jaw travel offer was created in cooperation with Hotelplan Suisse with additional support from Visit Tampa Bay, Experience Kissimmee and Edelweiss Air. The travel package is bookable April 2018 – March 2019.

This multi-partner coop is being promoted via the following channels:

- **B2B2C Flyer** – April 16th, 2018
 - A 1-page 4c flyer tactical offer flyer was deployed the tour operator's own agency branches plus 600 independent travel agencies for use in point-of-sales. Print run 6.600.
- **B2B eNews Teaser** – April 16th, 2018
 - In addition to the flyer, all Hotelplan branches and the 600 independent travel agencies were informed online via the tour operator's B2B platform and a teaser in the B2B Newsletter.
- **B2B Facebook Ads** – April 16th - June 30th, 2018
 - Facebook posts will be launched until end of June promoting the travel offer. Number of fans: 53,000.
- **B2C Newspaper Ad** – April 22nd, 2018
 - The travel package was featured in the Sonntags Zeitung, one of Switzerland's most widely read Sunday newspapers with a circulation of 158,924 and a readership of 558,000.
- **B2C eNews Teaser** – May 09th, 2018
 - The travel offer will be featured in an eNews blast to 138,000 subscribers (both German and French speaking).
- Knecht Reisen (Switzerland)
 - **B2C Highlight Box** – March 20th - April 17th, 2018
 - VSPC was featured in a highlight box on 3 of the most traffic generating landing pages of Knecht Reisen, i.e. their homepage, USA main page and Florida main page. The highlight boxes linked to the VSPC landing page. Estimated page views per month: 100,000.
 - **B2C Landing Page**
 - Knecht Reisen created a comprehensive VSPC "plus" landing page including key visuals, logo, text, specialist tips, video and highlight tip boxes. Estimated page views during the campaign: 5,000/month.
 - **B2C Banners** – March 20th - April 17th, 2018
 - VSPC was part of an extensive Knecht Reisen online banner ad-campaign and benefited from a more powerful buy-in with better performance (40% more ad impressions, more clicks, better visibility) and a full distribution over several Swiss online media channels with Switzerland's main ad-networks publishing the banners on most of the major online news, lifestyle and search platforms. Min. 300,000 ad impressions.
 - **B2C eNewsletter** – April 3rd, 2018
 - VSPC was featured in Knecht Reisen's April eNewsletter with an article including imagery and content. This linked to the dedicated VSPC landing page. The newsletter was deployed to 40,000 customers.
 - **B2C Facebook posts** – April, 2018
 - VSPC was featured in 3 Facebook posts with video, imagery and tips during the month of April.
- TUI Deutschland (Germany)
 - **B2C eNewsletter** – April 2nd, 2018
 - VSPC was featured in TUI's weekly eNewsletter with imagery, logo and tactical travel offers. The eNewsletter was deployed to 600,000 subscribers. Respective imagery, text and logo materials were provided last month; layouts were received and approved.

- TUI Suisse (Switzerland)
 - **B2B2C Digital Screens** – April 2018
For two weeks, VSPC was featured on in-store digital screens with imagery, video, logo and flash animation travel offers in 66 TUI ReiseCenter agencies throughout Switzerland. The transmission loop was 20 seconds in length every 4 minutes 200 times/day or 2,400 times during the 2-week period.
 - **B2C TUI Hero Header on TUI.ch** – April 2018
VSPC was featured with a hero header directly on the TUI.ch home page (depicting imagery, logo and call-to-action). Clicking the header linked to TUI's dedicated VSPC landing page.
 - **B2C VSPC Landing page on TUI.ch** – April 2018
TUI Suisse created an exclusive landing page for VSPC including images, logo, content and tactical travel offers.
 - **B2C Facebook Posts** – April 2018
Together with the hero header on the webpage and the digital screens in the travel agencies VSPC was also featured in branded Facebook ads during 2 weeks. Reach of these ads are minimum 20.000.

Travel Trade/Consumer Publications & Portals:

- Queer.de (Germany, Austria, Switzerland) *Consumer*
Queer.de is Germany's leading LGBT news and information website. In fact, queer.de is one of the leading LGBT websites worldwide with 12,132,000 page views, 2,955,000 visits and 897,000 unique users monthly. We secured several initiatives over the course of three months:
 - **Flash Banner Placement** – April-June
An animated VSPC flash banner will be featured on queer.de for the duration of three months. Banner was created, approved and went online this month.
 - **eNewsletter** – April & June
The banner placement will be complemented by including a VSPC ad with image, logo and USPs in two eNewsletters in April and June. Each eNewsletter has a reach of 37,500. The newsletter ad was created and approved this month.
 - **4c Advertorial** – May
A comprehensive advertorial including three 4c images, a map as well as a video of LGBT hotspots will be placed between the two newsletters next month.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

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

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