

CENTRAL EUROPEAN OFFICE

M A Y 2018

Prepared by: Marion S. Wolf
Director Central Europe

MARKET INTELLIGENCE / TRENDS

Summer Holiday Bookings Soar in Sunny April

Summer holiday sales revenues rocketed by 21% last month as Germans booked heavily both offline and online, according to the latest monthly GfK analysis. Despite tropical temperatures in Germany, April generated the highest monthly growth for summer bookings so far this year, with the 21% increase in sales revenues outpacing lower double-digit increases in January and March and a single-digit rise in February. Overall, sales revenues for holidays between May and October 2018 are now 15% ahead of the same period last year, and 75% of summer 2017 revenues have already been secured, the market researchers' analysis of sales by 2,000 representative travel agencies, OTAs and tour operator websites found.

All travel months profited from the strong demand last month, led by May due to spring holidays in many regions. But the peak months of July and August as well as the autumn months are also showing good growth. Germans also snapped up late winter holiday offers last month, generating an overall 10% increase for the winter 2017/18 season. Moreover, sales are strong for the forthcoming 2018/19 winter season as many tour operators have already opened up their programs for bookings.

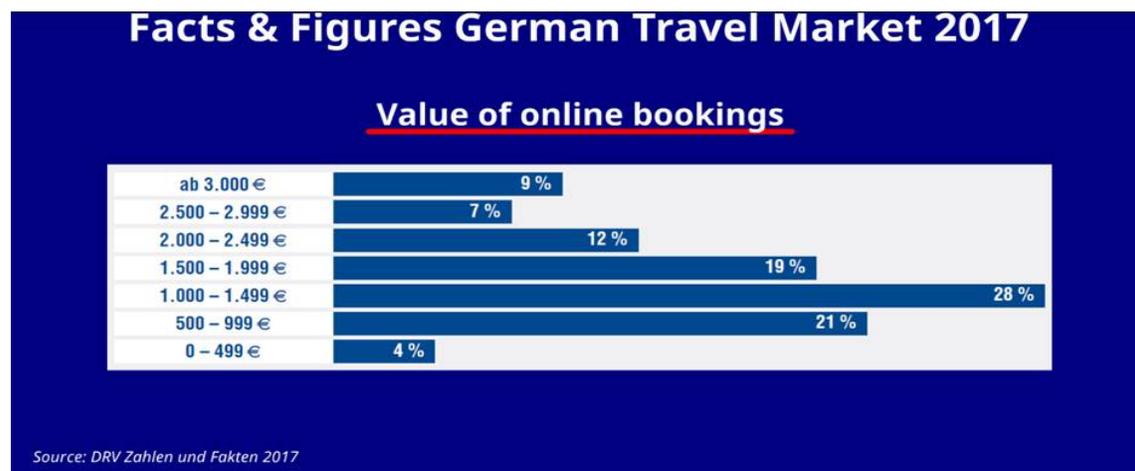
In terms of sales channels, the bulk of the growth is online, through tour operator websites or OTAs. According to GfK's Travel Insights analysis for April, online sales revenues from summer holiday bookings have increased by 44% while travel agency revenues are 10% higher on a cumulated basis. Similarly, winter sales revenues have grown 31% through online channels and 6% offline.

However, **online sales still make up only a relatively small proportion of the overall market compared to offline travel agency bookings.** For example, 80% of total sales revenues for winter 2017/18 were generated by travel agencies and only 20% by OTAs or other online retailers, the Nuremberg-based market researchers noted.

According to a study by the DRV (German Association of Tour Operators and Travel Agents), the total vacation value determines the propensity for online vs. offline travel bookings. **The higher the vacation value, the lower the percentage of online bookings.** This is particularly relevant to higher-priced long-haul travel.

In the offline scenario, a customer's vacation investment is protected when booking tour operator product via a travel agent. Tour operators are covered by insolvency insurance and carry the liability for the package holiday. Customers are provided with support in case of problems or emergencies (should anything go awry during any segment of the vacation),

ensuring they are taken care of, rebooked or flown home). This comprehensive protection applies to bookings on tour operator websites as well and, to date, is unmatched by OTAs.



Tour Operators Report Weak Bookings for the USA

The USA is the top long-haul destination for German holidaymakers. About two million Germans visited the USA last year, a slight drop on 2016 – when visitor numbers tumbled by 10% compared to the previous year. At ITB Berlin, US tourism officials were hopeful of an improvement in 2018.

But destination USA is facing another difficult year on the German travel market, tour operators told *fvw* at IPW this month. Large tour operators and smaller specialists alike have varying sales trends for the country as a whole and for different regions, including lower bookings for Florida, but good demand for California and Hawaii.

Among the market leaders, DER Touristik has a double-digit drop in U.S. bookings and Thomas Cook described demand as “somewhat reserved”, while TUI expects sales to improve and FTI said the USA is “well-booked, depending on the destination”. “Unfortunately, it is a very difficult USA year.

“We have a double-digit drop compared to last year,” admitted Per Illian, product manager at **DER Touristik**. “Florida is unfortunately doing worse than average. This is due to the aftermath of Hurricane Irma and the loss of Air Berlin.”

TUI product manager Robin Brückner commented: “The bookings for North America cannot yet match the very strong previous year. However, we are optimistic that they will still rise. Local costs are favorable this year due to the very good exchange rate, which benefits touring guests and campervan holidaymakers above all.”

Thomas Cook’s Gerrit Seefeld said: “Demand is somewhat reserved, and bookings have come in fairly late. Hawaii is very popular in summer and winter, and New York City and the national parks are stable. Florida is still subdued in summer, but has already recovered for winter 2018/19. Prices are quite stable compared to last year, as the U.S. dollar is still quite strong and hotel prices have remained almost unchanged.”

There was a more optimistic assessment from **FTI** product manager Fabio Negro. "The USA is well booked, depending on the destination, and we can report strong growth for the last four weeks," he said. "Hawaii and California are up, Las Vegas even in a high double-digit range. Florida still has some catching up to do due to hurricanes and the Air Berlin insolvency. Nevertheless, the demand for campers, rental cars and bikes is going very well."

"The USA has recorded double-digit growth since January, meaning there is only a very slight single-digit year-on-year decline," said Tilo Krause-Dünow (**Canusa Touristik**). "Ski USA was weak, we're starting to recover with Florida, Hawaii is strong, just like California, but we're behind for Alaska." He highlighted lower prices due to exchange rate effects and "aggressive" dynamic pricing for hotels and motorhomes, and overall expects stable revenues and bookings for the year as a whole.

Direct sales specialist **America Unlimited** is having a good year, according to Chief Timo Kohlenberg. "We have recorded a 5% increase in sales and are very positive about the destination's development," he said. The USA is benefiting from its image as a safe, exciting destination and the 'positive' exchange rate trend. "The 'Trump effect' of early 2017 is no longer noticeable," he stated.

In contrast, Pia Hambrock (**CRD International**) commented: "The USA is recovering only slowly from a relatively weak year 2017, although the U.S. dollar has weakened again somewhat, so that travel to the USA is no longer quite as expensive. Our customers are still being negatively influenced by the political mood in the USA, an increasing isolation from international goals in climate and environmental protection, a protectionist economic policy and the goals of an 'America First' agenda."

Holiday Home Specialists Welcome Double-Digit Growth

Germans are booking more holiday homes than ever before in Germany, neighboring countries, Scandinavia and Mediterranean destinations, according to a new survey. Demand for holiday apartments and houses remains strong on the German market with a 10% rise in bookings and a 13% increase in revenues last year, a membership survey by the German Holiday Home Association (DFV) found. Last year's growth was somewhat lower than in 2016 when bookings increased by 16% and revenues by 24%.

The average price of a holiday apartment or house last summer was €87 for one week, with an average of 4.5 people sharing the accommodation. The average length of stay was 8.5 days. The accommodation providers put their sales success down to a number of factors, including the product range and quality, an increasing consumer need for "privacy and withdrawal from everyday life", and better bookability of such accommodation through online portals as well as more flexible arrival and departure days. The most popular online search criteria, reflecting customer preferences, were Wi-Fi, pet friendliness and a pool.

In terms of destinations, Germany remains the undisputed number one, with the Baltic Sea coast of Mecklenburg-Vorpommern, the North Sea coast and the Baltic Sea coast of Schleswig-Holstein as the top three regions. Croatia is the most popular foreign destination ahead of Italy, the Netherlands, Spain, Austria, Denmark, France, Sweden and Norway, according to the survey results.

Slight Decline in Consumer Climate in Germany

By and large, German consumers are still taking a relaxed view of the escalation of the geopolitical situation. Economic expectations remained the same and income expectations increased slightly in May. In contrast, propensity to buy suffered a downturn. GfK forecasts a decrease in consumer climate for June compared to the previous month of 0.1 points, taking it to 10.7 points.

Economic expectations maintain their good level: Following last month's fall, the consumers' economic expectations remained stable this month. The indicator did not show any change at all, thereby confirming its April value of 37.4 points. Compared to last year this is still a slight plus of 2.6 points. However, the way the indicator has developed since the beginning of the year shows that consumers expect to see a slight slowdown of Germany's economic dynamism. Reality is proving them right in this respect. According to the initial assessments of the German Federal Statistical Office, GDP (gross domestic product) rose by 0.3 percent in the first quarter of this year compared to the last quarter of 2017. The primary drivers came from the domestic market in the form of rising investments and consumer spending. In both the previous periods, economic growth rose almost twice as sharply, at 0.7 percent (3rd quarter of 2017) and 0.6 percent (4th quarter of 2017).

Income expectation stabilizes at a very high level: The income expectation indicator was able to maintain its excellent level. It gained 0.7 points, which went halfway toward compensating for the losses in April. In May the indicator reached 54.2 points. Compared to last year, this represents a slight drop of around four points. Stable economic and labor market prospects are the main pillars of the income indicator. They ensure good income growth, both for employed people and pensioners, as pension rises are linked to general wage developments. Since inflation is also expected to remain moderate over the coming months, consumers will experience a real boost to their wallets.

Setbacks in propensity to buy: In contrast to the economic and income expectations, the propensity to buy suffered losses this month. The indicator fell by 4.1 points to 55.9 points. Despite this fall, the propensity to buy is still at a very high level and almost exactly the same level as last year. The excellent employment situation, a lack of fear about job losses and rising incomes ensured that German citizens were once more willing to open their wallets for consumer spending. This was also supported by the ongoing stable price climate, even if the price of crude oil has risen slightly recently as a result of the geopolitical uncertainty.

Consumer climate shows slight losses: Following 10.8 points in May, GfK is predicting a value of 10.7 points for June 2018. This means that the consumer climate will fall slightly for the second time in a row. However, the indicators are still at a good level. GfK therefore confirms its forecast made at the start of the year, whereby real private consumption will increase by about two percent this year. This is mainly due to the generally good domestic conditions, such as increasing employment, rising incomes and moderate inflation. Possible risks to the consumer climate are posed first and foremost by the geopolitical situation. The confrontation with Russia in the Syrian conflict, the recent termination of the Iran nuclear deal by the American President and the threat of trade sanctions could raise tensions still further. More than anything, a negative impact on trade as a result of U.S. sanctions would have a long-term effect on Germany as an export nation. In this case the good consumer climate experienced to date could be put at risk and the good consumer forecasts would likely become obsolete.

SALES ACTIVITIES

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 up to 200 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. 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. We continued to liaise closely with our Leisure Travel department this month regarding itinerary development.

Visit USA Germany 'Cinema' Road Show (September 10th – 11th, 2018):

We will participate in the Visit USA Germany's new 'cinema' road show this fall. This exciting concept entails projection of our destination presentation on big movie screens, i.e. each partner will be holding a 15-minute presentation in the cinema hall for all participating travel agents. In addition, partners will each have a table during the travel market for one-on-one discussions with the participants before the presentations and during the breaks. We expect to train up to 80 agents in both Stuttgart (CinemaxX Stuttgart SI-Centrum) and Frankfurt (CineStar Metropolis). After the presentations, there will be an American dinner buffet followed by viewing the 45-minute Brand USA movie "America Wild" as grand finale of the evening. In addition, travel agencies will have the opportunity to invite their best customers to join us for the Brand USA movie, whereby all partners will also have the chance to engage with these hand-picked consumers before and after the movie. Early-bird registration has been completed.

Visit USA Switzerland Road Show (September 25th – 27th, 2018):

Scheduled to be held in St. Gallen, Zurich, Basel and Bern, the road show is expected to attract over 200 travel agents. Both morning and evening training sessions are being scheduled during which we will have the opportunity to present our area in the more intimate roundtable format. By virtue of conducting trainings in four Swiss cities in short order, we will cover a broad catchment area just ahead of the upcoming important fall booking season. Space was limited for these training events allowing for only 10 suppliers; thus, we are pleased to have secured this excellent exposure and engagement opportunity by means of our early registration.

Del-Tour Belgium - Florida Workshop (October 18th, 2018):

After a very successful Florida-themed travel agent workshop with Belgian tour operator Généraltour in 2016, we were invited to participate in a new event this year by Del-Tour. Mr. Gerald Ponsard, former USA & Canada Product Manager at Généraltour, has moved to Del-Tour, a new Belgian tour operator and has been tasked with building a new USA program. Primary focus is Florida and to this end, a one-day travel agent workshop will be conducted to

familiarize agents with the Sunshine State program, wherein VSPC is included. Agents will be trained in small groups in 15-minute sessions. In addition, a VR booth will be set up giving agents a virtual experience. Furthermore a photo gallery of the workshop will be projected live on social media through Eventer, a geolocation based app. Registration was completed this month and initial input was provided (logo and 360° videos).

Willy Scharnow Foundation Fam Tour (October 21st – 24th, 2018):

Similar to ASTA in the U.S., the German institute for travel education known as the "Willy Scharnow Foundation" was founded in 1953 to grant better professional opportunities in tourism to German travel agents. They do this through several means, one of which is educational familiarization trips and seminars.

This year's event marks the 23rd Willy Scharnow Foundation Fam tour to our area. The group will be comprised of handpicked agents from travel agencies affiliated with the following tour operators specifically: Dertour, Explorer Fernreisen, FTI, Meier's Weltreisen, Neckermann Reisen, Thomas Cook Reisen and TUI – all of which feature our area's accommodations products. Our destination partner will be Visit Orlando where the group will start out from 10/18-21 with United Airlines being our cosponsoring carrier. UA will sponsor 13 seats (12 agents + 1 WSF escort).

Accommodations have been secured and we liaised closely with our Leisure Travel Department this month regarding initial itinerary development. We also assisted the WSF with development of their online registration platform, providing exciting content suggestions and enticing imagery.

USA-Canada Experience Netherlands (November 1st – 2nd, 2018):

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 at an early-bird reduced rate.

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 have joined 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) have been 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.

- **B2C Promotion Package Content – June-July 2018**

In addition to the Scenic Routes, potential customers will be driven directly to the VSPC landing page with Canusa’s recommendation / retarget ads. The ads are placed in premium ad networks (with up to 5 million ad impressions) and reach potential customers while they are highly involved and in search of good content. Recommendation ads achieve content engagement. Retargeting ads help to reengage customers in the second step. Layouts and content were created and approved this month.

- **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).

- **VISIT FLORIDA (Germany)**

In cooperation with Visit Florida, we will expedite B2C multi-channel digital campaigns with an exclusive focus on St. Pete/Clearwater for two months as follows:

 - 1) **FTI Touristik**
 - **Blog Article on FTI.de – May 07, 2018**

A dedicated article will be placed FTI’s blog platform (www.fti.de/blog) remaining online permanently guaranteeing long-term visibility and added value. VSPC and Visit Florida are featured with content, imagery, logos and video. The blog contains a link to our landing page at FTI.de. It will also be posted to FTI’s Facebook page)
 - **Homepage Double Teaser – May 21-June 04, 2018**

VSPC and VF will get a teaser placement for two weeks on FTI’s website including a VSPC image, both logos and a link to the VSPC landing page. Page impressions FTI homepage (2 weeks): depending on season between ~ 150,000.

- **Offpage Package Classic** – May 21-June 18, 2018
In this branding display campaign on quality networks, potential customers are approached specifically through precise targeting with different advertising media in FTI layout. Our dynamic banners include images, logos and a link to the VSPC landing page. High reach: 1,000,000 ad impressions guaranteed.

- **Urlaubspiraten** – June 1-15, 2018
Founded in 2011, Urlaubspiraten (“Holiday Pirates”) represent one of the fastest-growing online travel companies in Europe. Its unique concept of “best travel deals” rapidly gained popularity and has become the preferred portal for millions of travelers with more than 30 million visits per month, 8 million Facebook fans, over 8 million App Downloads, 650,000 WhatsApp subscribers and 800,000 newsletter subscribers.

Our promotion includes include the following activation elements:

- **Landing Page:** A dedicated landing page will be created including inspirational content, imagery, videos and a travel offer section, which will be linked to the FTI website’s booking engine.
- **Homepage Banner:** A standalone slideshow banner will be placed in the premium section on the homepage for 2 weeks. It will link to the landing page. Page impressions/week: 400,000.
- **Deal Page:** Tactical offer deal teaser boxes for duration of campaign linking to landing page. Page impressions/week: 900,000.
- **Facebook post:** Also included is one Facebook post with logo integration and link to the landing page. Average recipients per post: 200,000.
- **Mobile App:** In the mobile app we will have one article in the app and one active push feed to all users who have activated. Prominent placement with high visibility, including logo and link to the landing page.
Active recipients per news feed: 800,000.

- **Holiday Check** – June 1-29, 2018
HolidayCheck AG in Munich is a leading European digital company for holidaymakers being an operator of hotel rating and travel booking portals. HolidayCheck enjoys a very active community: more than 8.7 million valuations, almost 9 million user photos and videos of more than 700,000 hotels in their database and over 100 tour operators and tourist attractions. Up to 2.3 million visitors/month.

Our promotion includes the following activation elements:

- **Landing Page:** Comprised of dedicated destination content, imagery, videos and travel offer section, which will link to the FTI site booking engine for 4 weeks.
- **Banners/Ad Bundle:** The landing page will be promoted through a special ad bundle with image, logo and link to the landing page.
 - Ad impressions: 200,000.
- **Mobile Version:** As one third of the traffic is generated through use of mobile devices, our travel offers will also be presented in a mobile version with exclusive logo integration as well as internal link to the landing page / booking engine. 50,000 ad impressions.

2) **Secret Escapes**

Secret Escapes is Europe's leading website for luxury travel offering unique deals with discounts of up to 70%. 54 million members in 21 countries. In Germany Secret Escapes generates 15 million page impressions per month with almost 4 million visits.

- **Microsite** – May 21-June 17, 2018
Eye-catching and comprehensive, the microsite comprises 6 subpages depicting VSPC and Florida as a multifaceted travel destination including emotional copy, imagery and videos. For the duration of the campaign, tactical travel offers to VSPC are included.
- **Home page Takeover** – May-June
A one-week homepage takeover placement to gain maximum visibility and drive traffic to the tactical travel specials.
- **Banners** – May 21-June 17, 2018
Prominent placement of 3 animated banners in different sizes on the website with eye-catching images and text.
- **Newsletter** – May 24 & June 07, 2018
VSPC featured in a standalone newsletter with content, imagery and link to the booking page. Deployment to 408,000 members.
- **Social Media** – May 21, 2018
Placements on Facebook and Instagram including brief content and imagery adds exposure and value to the campaign.

Travel Trade/Consumer Publications & Portals:

- Queer.de (Germany) *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
Comprised of VSPC imagery, logo and snappy content claims, an animated VSPC flash banner is featured on queer.de for the duration of three months.
 - **eNewsletter** – April & June
The banner placement is 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.
 - **4c Advertorial** – May
A comprehensive advertorial including three 4c images, a map as well as a video of LGBT hotspots was placed between the two newsletters this month.

- Schwulissimo (Germany) *Consumer*
Schwulissimo is Germany's second largest LGBT news and information website. In addition and parallel to queer.de, we secured several initiatives over the course of three months:
 - **Flash Banner** – April-June
Placement of an animated VSPC flash banner featuring VSPC imagery, logo and content claims for the duration of three months.
 - **eNewsletter** – May
VSPC ad with image, logo and USPs included in this month's eNewsletter deployed to 41,000 subscribers.
 - **Advertorial** – May
A comprehensive advertorial including 3 images, a map as well as a video of LGBT hotspots was also placed this month.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

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

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