

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

2016 Was Better than Expected, DRV Figures Show

The German Travel Association (DRV) has published updated figures on the country's travel market, which show last year was better than first estimated. Germans spent more on foreign travel in 2016 than original estimates, the DRV said. The Bundesbank (German Central Bank) has calculated that a total of €73.3 billion was spent on foreign travel in 2016. This is significantly higher than its estimate of €72 billion made at the start of this year. In 2015, Germans spent €69.9 billion on foreign travel.

The DRV has also updated various other figures. For example, the figure for German travel agency turnover in 2016 has been slightly increased to €24.6 billion from the previous figure of €24.5 billion.

According to the DRV, Germans went on 68.7 million foreign holiday trips in 2016, including 53.4 million of five days or more. More than 40% of these holidays were tour operator packages, and the overwhelming majority of these were booked through travel agencies.

Positive Economic Trends Drive Greater Travel Demand

Economic growth and low unemployment in Germany are driving rising demand for travel and thus generating growth for the travel industry and destinations, according to a new survey. Germans are now in the right mood for a holiday and are ready to pay more this year, according to a GfK survey for the German Tourism Federation (BTW). The economic climate for travel has improved in the first half of 2017 after a downturn last year, it found.

As a result, the BTW's Tourism Index, based on various criteria, has risen to 1.3 points compared to just 0.1 points at the same time last year and 0.4 points at the end of 2016. The number of days on holiday already increased by 1% to 395 million in the first four months of this year, the BTW said. There was a 7% rise in trips lasting at least one day while day-trips fell by 8%. Day-trips now only account for one third of all leisure trips.

Meanwhile, holiday sales in travel agencies have increased by 3% for this summer, although they remain well below the good levels of 2015, according to GfK. "Our climate index generates hope for a continued good travel year in the rest of the year as well," said BTW President Michael Frenzel. The twice-yearly index is based on the monthly GfK consumer

climate index, which surveys 2,000 German consumers on various trends and economic criteria.

USA Forecasts Stable German Visitor Numbers

US tourism representatives are optimistic about stable business this year thanks to new direct flights after a sharp decline in German arrivals in 2016. A total of 2.03 million Germans visited the USA last year compared to 2.27 million in 2015. This was a substantial drop of just over 10%. This year, the target is for two million visitors again.

Hans Gesk, president of the Visit USA Committee Germany, highlighted the number of new direct flights from Germany to the USA this summer, which is pushing down flight prices. "In addition, we have observed a clear softening of the US dollar exchange rate in the last few months. Thanks to the combination of these two effects, trips to the USA are significantly cheaper at present than last year," he pointed out.

Gesk emphasized that a Visit USA survey among German tour operators and airlines found that bookings are at last year's levels or slightly higher, thus confirming this prediction. "The 'Trump effect' that many people feared at the beginning of the year has simply not happened," he concluded.

Consumer Sentiment Near 16-year High

Consumer confidence in Germany, Europe's largest economy, is set to improve further in September, reaching its highest level in almost 16 years, market research group GfK's monthly survey showed at the end of August. GfK's forward-looking consumer sentiment index is set to rise to 10.9 points in September, from 10.8 points in August, GfK said. Economists in The Wall Street Journal's survey expected a 10.8 point reading.

The index has increased for the fifth consecutive month and the level is the highest since October 2001, and "with it, the consumer mood in Germany remains on a stable course for growth," GfK said. It added that the "very positive" employment situation in Germany is and remains the most important factor for the good consumer mood which allows Germans to be "somewhat riskier" in financial dealings and make larger purchases which could also involve credit.

GfK uses three sub-indexes for the current month to derive a sentiment figure for the coming month. One of the three has, however, fallen in August. The economic expectation sub-index fell to 30.4 points in August, from 44.6 points in July, but GfK emphasized that the indicator maintained a good level overall. Income expectations, meanwhile, increased to 61.4 points in August from 60.9 points in July, reaching a new post-reunification high.

Consumers' propensity to buy, which shows their willingness to spend on big-ticket items, rose to 58.1 points in August, from 54.8 points in July, GfK said. Despite the positive signals for consumption in Germany, GfK noted that possible risks to consumption are more likely to be of international origin rather than coming from the domestic market.

Weak Last-Minute Holiday Sales in July

German travel agents had a poor month in July with a 5% drop in summer 2017 sales that left overall sales this year just 2% ahead of last year, according to the latest GfK monthly sales analysis. Hopes of an upturn in bookings (due to the wettest monthly weather in Germany for years) fizzled out as customers stayed away from travel agencies in July.

Overall sales fell by 2% due to the combination of the 5% fall in summer bookings and a 3% drop in bookings for next winter, which were offset by higher bookings for summer 2018, the representative sales analysis of 1,500 agencies found. As a result, overall summer 2017 bookings weakened from 3% growth as of end-June to a 2% rise as of end-July.

In terms of departure months, July itself was a success, closing with a 3.2% increase compared to the same month last year, which was the only summer month to show growth in 2016. But August remains a big disappointment, with a 4.3% cumulative fall in bookings which is on the low basis of an 18% slump last year.

In contrast, September (+6%) and October (+2%) are both showing better sales than last year.

Air Berlin Cuts Long-Haul Routes as Offer Deadline Approaches

Air Berlin is rapidly scaling back its loss-making long-haul routes after a deadline of 9/15 was fixed for takeover offers and potential new investors emerged for the insolvent airline. Amid daily losses of several million Euros, Air Berlin is starting to cancel loss-making routes, according to German media reports this month. By the end of September the airline will stop flying from Berlin to most of its US destinations (Chicago, Los Angeles, San Francisco), but maintain flights to New York and Miami. It will also drop its Düsseldorf-Boston flights, but maintain other long-haul routes from the largest airport in north-west Germany. Air Berlin operates long-haul routes with a fleet of 17 A330s. In addition, Air Berlin will cancel its heavily loss-making twice-daily flights to Abu Dhabi that operated primarily as feeder services for shareholder and code-share partner Etihad Airways.

According to German media, Air Berlin has enough cash reserves until mid-September and will then need to call on the €150 million emergency loan provided by the German government to keep flying until a sale has been agreed. The airline's insolvency administrators have fixed a deadline of 9/15 for offers for all or parts of the airline. The creditors' committee will meet shortly afterwards to review the offers and probably to decide how to carve up the oversized group.

The number of known potential investors has grown over the last week after Niki Lauda said he was interested in buying back Niki, the Austria-based leisure airline that he founded and later sold to Air Berlin. Apart from Lufthansa, which has already made an offer for Niki and Air Berlin's long-haul routes, other possible buyers include Condor, Easyjet and aviation entrepreneur Hans Rudolf Wöhr. Both Lauda and Wöhr held meetings with the Air Berlin management this month. However, Wöhr's investment company Intro announced that it would have preferred to take over the entire Air Berlin group in cooperation with Lufthansa, but the latter had turned down this idea. It said it would no longer pursue its interest.

Meanwhile, Condor is apparently not only interested in acquiring a reported double-digit number of planes from Air Berlin, but might even make an offer for the entire airline, according to the Bild-Zeitung. Air Berlin chief Thomas Winkelmann reportedly met Thomas Cook representatives, including Condor chief Ralf Teckentrup and group airline chief

Christoph Debus. The intentions of TUI remain unclear at this stage. TUI CEO Fritz Jousen told journalists that the German tourism group is mostly interested in securing the jobs of the 700 crew who operate the 14 jets wet-leased to Air Berlin and which are now part of the Niki fleet.

Ryanair CEO Michael O’Leary has now backtracked from earlier comments that Europe’s largest budget airline might make a bid for Air Berlin. He claimed the Air Berlin insolvency was simply designed to enable Lufthansa to take over its smaller rival free of debts.

Separately, small charter airline Germania is taking legal action against the German government’s €150 million emergency aid for Air Berlin on the grounds that this has not been approved by the European Commission. Germania claims the aid is distorting competition by favoring Lufthansa. Ryanair had previously complained to German cartel authorities and the EU Commission over the state aid.

SALES ACTIVITIES

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 conferred with our seminar group partners Visit Orlando and SeaWorld Parks & Entertainment on our joint training session format and strategy.

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 on each region’s attractions and unique selling points.

We continued to liaise with our Leisure Travel department regarding itinerary development and further program arrangements including providing DER Touristik with destination input for development of their agent informational folder.

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

One of our strongly dedicated rental car partners 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 also comprises 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.

We initiated sourcing of activities and program elements for the group this month. Updates to be forthcoming.

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's main goal is to provide the local trade with more insider knowledge as well as the needed contacts and sources of information. An estimated 400 travel agents are expected to attend this important Swiss event.

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

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. This month we are pleased to have received confirmation from Visit Tampa Bay that they will again co-host this event.

Additional Activity:

- This month saw us continuing to assist our Media & Interactive department with our **German website** by reviewing translations for the new Beaches landing page.
- We supported our very active tour operator **America Unlimited** by providing sunscreen giveaways and collateral material for a big customer event they are planning in November.
- We assisted tour operator **FTI Touristik** with provision of comprehensive information and high res imagery for the Beerlato theme, which will be featured in one of their next travel reports.

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 will be 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. Layout was received and approved this month. The piece will go to print with an initial print run of 2,500 pieces next month.

- Jan Doets (Netherlands)
 - **B2C Inspirational Sensory Events** – October 1st & November 19th
VSPC is 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. We’ve provided the tour operator with our popular Reef Safe sunscreen as a giveaway for the ‘treasure digging’ as well as collateral material. Over 1,000 customers are expected at each of these events, where travel can be booked on the spot.
The tour operator has been provided with all necessary material for their October/November events.

- 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.
The tour operator has been provided with all creative elements; layout was received, reviewed 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. All materials including imagery and logo were submitted to the publisher last month; cover layout and 7-page editorial spread was received, reviewed and approved this month.

- **TRAVEL INSIDE** (Switzerland) – circ. 7,500 *Trade*
➤ **B2B eNewsletter Teaser** with **TUI Suisse** – 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 is active online as well, issuing a high-quality eNews bulletin to 7,500 subscribers daily Monday-Friday. VSPC will be featured for a full week with imagery, teaser text and logo in cooperation with TUI Suisse. The teaser will link to a dedicated landing page on the TUI platform containing VSPC imagery, destination content and special travel offers. Layouts were received and approved this month.

This month we deployed 'final call' reminders to several vendors to submit their invoicing and proof-of-performance materials promptly.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

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

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