

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

German Travel Agents Predict Strong Demand for Individual Holidays

Individual holidays, cruises, city trips and long-haul holidays will be the main growth travel segments in future, German travel agents believe. The vast majority of agents had clear views about which market segments will grow in future, the recent fvw survey of travel agency opinions found in which owners and sales experts from 212 representative travel agencies were asked to give their views on market trends.

Demand will rise for individual holidays (85%), cruises (84%) and domestic holidays in Germany (76%), agents predicted. City trips (58%), cultural holidays (55%), long-haul holidays (56%), luxury holidays (56%) and active holidays (45%) are also all seen as having good growth potential. 68% of travel agents surveyed predicted demand for traditional beach holidays will remain stable while 19% of agents said that demand will grow.

German travel agents were fairly optimistic that the present market conditions will continue for the foreseeable future. Only 34% feared that they will increasingly lose customers to online sales channels and just 42% predicted that the number of tour operators will decline in future.

German Tour Operators Expand Ancillary Sales

Germany's two largest tourism groups are both building up their ancillary sales of diverse travel products, such as flight seat reservations and upgrades, room upgrades, transfers and excursions. Customers are increasingly seeking alternatives to standard packages by demanding more individualized products and services, according to senior managers.

Christian Funk, Thomas Cook Group's head of ancillary sales, said: "Customers want an increasing individualization of their trip. The standard package holiday is declining." He said that many customers want information from travel agents about additional offers at the time of booking. To meet this customer demand, the tour operator has invested a seven-digit Euro sum in the 'Cook & Book' platform where travel agents can book additional services such as flight and room upgrades after the main package holiday has been booked. Thus far, however, only 8% of short-haul holiday customers and 15% of customers on long-haul trips have booked any additional product. "Travel agents are missing out on a great potential," Funk said. "For travel agents, sales of ancillary products are a customer loyalty tool and can differentiate them from online portals," he pointed out.

For its part, TUI set up a separate department three years ago to develop ancillary sales. The department handles sales of additional flight products and destination products such as excursions. “Customers want ever more individual services. And they are also ready to pay more for them,” a spokesperson explained. Seat reservations and car rentals are the most popular ancillaries, but bookings of the more than 1,000 available excursions are also rising. TUI’s main competitive advantage is that German travel agents can book the additional product as part of the main package holiday booking through the company’s reservation system Iris Plus. Cook does not yet have an integrated booking solution, but it pays travel agents full commission for ancillary sales while TUI only pays a 5% commission.

TUI and DER Touristik Dispute Market Leadership

TUI and DER Touristik are arguing over who is Germany’s largest tour operator for long-haul holidays. TUI has claimed that it has overtaken DER Touristik, the long-standing market leader for long-haul holidays, and is now Germany’s number one in this segment.

The Hanover-based company has substantially expanded its long-haul program in recent years and has increased customer bookings as a result. Nearly every fourth booking is now for an exotic destination. “Long-haul holidays will be among the growth markets in the years to come,” predicted tourism director Marek Andryszak. TUI said it has a 16% rise in long-haul bookings for the summer 2017 season, with strong demand for major destinations such as the USA, Canada, Mexico, Caribbean, Mauritius, Indonesia and the Maldives. It also has high double-digit increases for smaller destinations such as Sri Lanka, Jamaica and Kenya. The company claimed that, according to its market research, it is now the largest long-haul tour operator brand in Germany. However, this claim only covers the ‘TUI’ brand and not its other German brands such as Airtours, its luxury tour operator, and budget brand 1-2-Fly, a spokesperson confirmed.

But DER Touristik was quick to respond and emphasize that it remains the overall number one for long-haul holidays, when all of the two groups’ brands are taken into account. “DER Touristik remains market leader to long-haul destinations,” declared René Herzog, CEO Central Europe.

According to fvw information, both companies are right. TUI is now the largest single long-haul brand, ahead of Dertour, Neckermann, FTI and Meier’s Weltreisen. But at a group level, counting all brands, DER Touristik (Dertour, Meier’s, Jahn) is still number one ahead of TUI (TUI, Airtours, 1-2-Fly), Thomas Cook (Neckermann, Thomas Cook Signature) and FTI. Thomas Cook and FTI have also expanded their long-haul programs in recent years to profit from rising demand and to try to increase their market shares as well.

Kuoni: Destination Services Sold Off as Fragmentation Continues

The gradual breakup of Kuoni Group has taken a further step with the sale of its penultimate business unit. The Swiss-based company, which was once one of Europe’s largest tourism groups, is rapidly disappearing with the third selloff in the last two months.

Following the sale of the European tour operator businesses to DER Touristik in 2015 and the CHF 1.4 billion takeover by Swedish private equity fund EQT in April 2016, Kuoni Group restructured into three divisions: B2B accommodation services (GTA); destination

services/incoming (GTS); and visa services (VFS). In April this year, GTA was sold to Spanish-based Hotelbeds, the former TUI subsidiary, for an undisclosed sum, creating a global destination management giant. At the beginning of May, GTS sold its six incoming agency subsidiaries in Asia, Australia, Middle East, Africa and The Americas to the Thomas Cook India Group, which is owned by Canadian investor Fairfax. The Indian group had already acquired Kuoni's tour operator businesses in India and Hong Kong in 2015. This left the group with just two GTS businesses - Kuoni Destination Management Europe and Kuoni Destination Management USA - and the small but highly profitable visa services business, VFS Global.

In the latest move, announced the end of May, GTS will be acquired by the leading Japanese travel organization JTB Corporation in a deal that "will open prospects to become a global No. 1 Destination Management Company". Eijiro Yamakita, President & CEO of the European Regional Headquarters of JTB, said: "Kuoni Global Travel Services is one of the world's leading travel companies with an important presence especially in Asian leisure and corporate groups visiting Europe." Reto Wilhelm, CEO of Kuoni Global Travel Services commented: "JTB is one of the biggest and most respected market players in our industry. Joining JTB provides our company with the best positioned owner, which will help us realize the full potential of Kuoni Global Travel Services. We will be able to further enhance our service and products for customers, while creating scale and efficiency." Once the latest transaction is completed, Kuoni Group will only consist of the visa and financial services business.

SALES ACTIVITIES

German Sales Mission (May 14th – 19th, 2017):

Visit St. Pete/Clearwater and Visit Orlando joined forces this month on a German Sales Mission to five German cities (Hanover, Bochum, Oberursel, Frankfurt and Munich). The program comprised holding both product management meetings as well as comprehensive in-house reservations agent training sessions at top German tour operator offices and service centers at America Unlimited, TUI Germany, Thomas Cook, DER Touristik and FTI. In addition, product directors and managers were invited to appreciation lunches/dinners in each city. We were pleased to have been joined by our local industry partner Diane Dove of Ocean Properties.

Tour operators reported that the USA is still among the top long-haul destinations for German travelers with summer bookings currently pacing on par or as much as 10% up on last year.

The strength of the USD relative to the EUR is influencing booking behavior more than the political situation in the U.S. (Trump). There is an increasing demand for inspired travel, i.e. customers are looking for unique experiences and soft adventure. Most tour operators see their greatest competitors to be the OTA's rather than other tour operators.

U.S. Consul General Reception (May 16th, 2017):

James W. Herman, Consul General of the United States of America in Frankfurt, Germany hosted a reception in honor of the Global Tampa Bay Delegation, which we were invited to attend. Held at the Consul General's residence, the reception was focused on celebrating the success of direct flights between Frankfurt and Tampa. We proudly represented Visit St. Pete/Clearwater during exchanges with delegates from Lufthansa German Airlines, Pinellas County Economic Development, Tampa Hillsborough Economic Development Council, the

U.S. Commercial Service and Tampa International Airport, just to name a few. A delegate from Visit Tampa Bay was not present.

Visit USA Germany Bowling Workshop (May 27th, 2017):

The Visit USA Committee and Brand USA joined forces in staging an educational and interactive forum for travel agents in Düsseldorf this month. With an attendance of 80 travel agents, this evening event booked to capacity. Agents were divided into 8 groups of up to 10 persons with each partner holding 10-minute comprehensive training sessions for each of the 8 travel agent groups. The training sessions were followed by an interactive bowling tournament along with American buffet. This event was deemed a great success and is expected to be repeated next year.

IPW (June 3rd – 7th, 2017):

Preparations continued this month for our attendance at this year's IPW to be held in Washington D.C. Having pre-selected buyer appointments via the online appointment system last month, we received the final appointment schedule this month.

With close to 300 appointments having been scheduled across several markets, we expect this year's show to be very busy as well as tremendously productive. Our office is again pleased to be the keeper and monitor of the master schedule for our delegation. In conjunction with this, we are keeping abreast of appointment shifts, additions and changes, communicating applicable scheduling updates to HQ and our colleagues on a consistent basis.

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.

Accommodations have been secured and we continued to liaise closely with our Leisure Travel department regarding itinerary development and further program arrangements including providing DER Touristik with destination input for development of their agent invitation to be deployed next month.

Additional Activity:

- This month saw us continuing to assist our Media & Interactive department with our **German website** by reviewing additional articles and providing update suggestions, corrections, translations as well as recommendations for additional German language content.
- Having received a shipment of **new destination maps**, several requests for larger quantities were fulfilled, for example: Canusa Touristik (750), Visit USA Austria (100) and America Unlimited (50).
- We assisted **Sommer Tours** in Backnang, who is organizing a 2-week trip to our area for a family whose daughter desperately wants to engage with *Winter*.
- As requests for **weddings/vow renewals** in our area have increased in recent months, we were in contact with our CVB's wedding specialist for comprehensive information on wedding planners, bridal outfitters, reverends and notaries.

MARKETING INITIATIVES

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

Airlines:

- British Airways (Germany)
 - **B2B Speedbird Club Promotion** – May 9 -June 6, 2017
- Together with British Airways, Germany we have developed a unique travel agent promotion for their “Speedbird Club” communications channel. Designed as an informative online platform specifically for the travel trade, British Airways’ Speedbird Club Germany currently boasts 8,700 travel agent members. Members are kept up-to-date on the latest developments and promotions by means of regular eNews blasts.
- Messaging on VSPC (including content, imagery and logo) will be combined with twin-center destination Visit Orlando and will include a sweepstakes element. Again, we are most grateful to our industry for the generous accommodations sponsorship.
- BA has been provided with all elements, i.e. VSPC content, imagery, logo and the hotel sponsor information. The sweepstakes layout was approved and went online this month.

Tour Operators:

- FTI Touristik (Germany)
 - **B2C & B2B Multi-Channel Memory Card Game** – April-June
- Together with FTI, we have developed an innovative sweepstakes initiative involving a digital Memory Card Game. The platform will serve to solicit engagement and provide information on VSPC and our area’s offers by FTI. The initiative concludes with a sweepstakes question which must be answered in order to become eligible to win a trip for two to St. Pete/Clearwater as well as one of 1,000 memory card games, which will be specially designed, high-quality boxes of 24 card pairs showing our logos on the back and enticing imagery on the front to be matched. Focused on raising awareness, generating buzz and boosting bookings to St. Pete/Clearwater, the campaign will run for several months (April thru June). Campaign elements include a number of distribution channels, such as:
- a) **B2C FTI Standalone Newsletter** – April
- VSPC will be featured within FTI’s eNewsletter to 140,000 clients. It includes logo, imagery, text, travel offers and a link to a dedicated VSPC landing page with jump to the sweepstakes.
- b) **B2C Offpage Package Premium** – April-June
- VSPC and the Memory Card Game Sweepstakes will be featured in a high performance-oriented marketing mix with smart placement of advertising material and content in a relevant environment with a guaranteed number of ad impressions and clicks: Advertising material (AdBundle) with VSPCs offers and products will be placed on external networks as well as on channels such as Google adwords, Facebook, etc.
- In addition, a special landing page will be created for VSPC on www.fti.de. Guaranteed ad impressions of 3 million are targeted along with 10,000 guaranteed clicks.

c) **B2C FTI Newsletter Premium Teaser** – April

The sweepstakes banner will also be placed in an eNews blast to 140,000 clients to push the online Memory Card Game. The banner will directly link to the sweepstakes.

The intermediate results we received this month for the Memory Card Game exceeded expectations: 1,951 participants, 1,026 requested more information on our area and FTI Touristik reported 20,017 visitors to their dedicated VSPC landing page!

- Thomas Cook – Neckermann Reisen (Germany)

- **B2B2C Storefront Digital Travel Screens** – May 15th – June 25th, 2017

Placed in shop windows of retail travel agencies located in high-traffic pedestrian areas, these storefront travel screens are a very successful marketing tool. Digital content is presented vibrantly with moving imagery and video, which speak to the customer emotionally, motivating the desire to travel. We eagerly secured exposure for VSPC, as placement spots are highly coveted and fill up quickly.

Distribution is to 226 Neckermann retail travel agencies; duration is five weeks; spot length is 40 seconds repeated in 10 minute intervals. Our ‘Live Amplified’ destination video is integrated into our spot. Estimated reach is 2,780,000 contacts.

- **B2B2C Poster Strip** – June 5th, 2017

Featuring VSPC exclusively with key visual, logo and travel teasers, this oversized poster strip will be deployed to 9,000 travel agencies for a minimum of one-week in-store and storefront display.

- **B2B2C VKI Expert Tip** – June 5th, 2017

Augmenting the poster strip, VSPC will be featured in the Expert Tip published in the Neckermann Reisen’s sales information kit, which is distributed weekly to all 9,000 agencies in Germany and Austria. Expert Tip is a particularly inspirational tool and therefore very popular with the travel agents.

Travel Trade/Consumer Publications & Portals:

- National Geographic (Germany)

- **2/1 page, 4c advertorial in “Das Erbe unserer Welt”** – May (circ. 100k) *Consumer*
“Das Erbe unserer Welt” (Heritage of our World) magazine is a special collector’s edition produced twice/year by Nat’l Geographic Germany (May & Nov). This high-end magazine is distributed exclusively to Germany’s 100,000 Nat’l Geographic subscribers, a demographic of highly educated, affluent and well-traveled customers. The publication focuses on the world’s history and heritage with arts, culture and travel being the main topics. Readers are interested in visiting places exuding these attributes, hence the reason for the special edition. An iconic person who represents these elements in one way or another adorns the cover of each special edition and is covered in the magazine’s main feature. Past special editions have featured Nelson Mandela, Mother Teresa, Albert Einstein, Beethoven and Salvador Dalí to name a few.

This year’s May edition will featured Elvis Presley, paying tribute to the legacy of this American and global idol. With a related feature on blues and jazz music throughout the USA, special editorial will focus on three Elvis concerts held in St. Pete, including his final one in 1977. VSPC was featured in this context on two full-color pages.

In addition, there was an online replication of the magazine throughout May on NationalGeographic.de giving us the opportunity to place an extra advertorial including imagery and hyperlink to our website on the “Mehr Info” (more info) tab.

- TRAVEL INSIDE (Switzerland) – circ. 5,500 *Trade*
 - **12 page, 4c Beaches Supplement** in the Destination Report USA Issue 2017 – July
A special VSPC supplement will be included in the July 27th issue of Travel Inside in conjunction with a special USA Destination Report. We will utilize the 12-page beaches guide of our Gulf to Bay magazine, which will be translated into German and sized to fit printer specs for the publication. The translation was reviewed, corrected and approved this month.
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

- Vista Point Travel Guide Book “Florida” (Germany, Austria, Switzerland) *Consumer*
 - **Front Cover and 1/1 page, 4c advertorial** – 2017/18
The Vista Point publishing house produces several travel guide books, with a Florida dedicated edition being among them. The guide books are utilized by tour operators for distribution to customers and are available for purchase in supermarkets and book stores.
VSPC will be featured on the front cover of the newly adapted Florida book with an enticing image and map reference. In addition, our area will highlighted on a full page within the book, will be included within the route log and will be shown as a side trip from the day route on the map.
Imagery for the front cover was selected and approved this month.
Pub frequency: 1x/yr. circ. 25,000

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.
- **Newsletter May:** Proofread and corrected.

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