

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

New German Package Travel Law: Tour Operators Turn Hotel-Only Bookings into Package Holidays

Travel agents and tour operators in Germany are gearing up for next month's implementation of the complex new package travel law with last-minute administration and new offers for holidaymakers. The new package travel law becomes effective July 1st when the peak beach holiday season starts.

Under the new law, which implements the EU Package Travel Directive, consumers will get more legal protection for online bookings as well as for 'combined' travel agency bookings of separate travel products from different suppliers (such as flights and hotels). Consumers will also have more time (up to two years) to seek compensation for verifiable holiday problems, such as in hotels.

Another important change is that tour operators will be able to increase a package holiday price by up to 8% up to 20 days before departure, if they can prove that their costs (e.g. taxes, charges, fuel prices) rose after the booking was made. The previous limit was 5%. However, they also have to reduce the price if their costs fall.

The German travel industry has been working intensively in recent months and weeks to prepare for the new law. The German Travel Industry Association (DRV) said the law would bring "countless" advantages for holidaymakers, while travel agents would be able to provide "appropriate" advice to their customers. Going forward, travel agents will provide customers with a form informing them of their legal rights before advising them about travel products and making bookings.

Leading tour operators have responded with an important product change. In the future, hotel-only bookings will be combined with a 'service package' (such as destination services) in order to turn them into package holidays, which automatically include customer support in case of problems or emergencies, and which are fully covered by insolvency insurance.

Examples of service packages include TUI's Plus Paket, Thomas Cook's Sunny Heart package and similar deals from DER Touristik and other top tour operators. This move could give tour operators a significant competitive advantage over OTA direct bookings of hotel accommodations or holiday homes, which are not legally defined as package holidays.

TUI also announced that "in the interest of customers" it will not take advantage of the new opportunity to increase prices by up to 8% after the booking.

German Consumer Climate Remains Stable

The trade conflict between the EU and the USA is intensifying and leaves a clear mark on the consumer mood in Germany in June. Economic optimism clearly declines, while both income expectations and propensity to buy manage to hold their ground with slight upward growth. Research company GfK forecasts that the level will remain unchanged in July in comparison to the previous month at 10.7 points.

The route taken by the US President in terms of the trade policy towards the EU is causing concern, especially where economic expectations are concerned. These suffered clear losses. In contrast, the income expectations and propensity to buy are managing to hold up, even making slight gains in June. The consumer climate remains relatively stable as a result.

Economic expectations slide further due to trade conflict: Following the stable development of last month, economic expectations saw a notable decline in June. The indicator dropped 14.1 points to 23.3 points. The last time it showed such a low value was over a year ago, in March 2017, when it stood at 18.1 points. This represents a drop of 18 points compared to last year. The American President's protectionist trade policy, which affects both Germany and other export-oriented countries such as China, casts further gloom over the economic forecast. As a consequence of this weakening, economic experts are currently predicting that the economic dynamics of the global economy will decline. This will naturally also affect Germany as an export nation. Both the German Institute for Economic Research (DIW) and the ifo Institute assume that the German economy will drop down a gear this year. They have therefore revised down their GDP (Gross Domestic Product) forecast for this year by around half a percent. They now forecast a growth this year of 1.9 and 1.8 percent respectively.

Income expectations stay strong in a more unsettled economic environment: Despite the worsening economic prospects, income expectations were able to hold their ground in June and even exceeded once again what was already an excellent level. Following an increase of 3.4 points, the indicator currently stands at 57.6 points. The last time the level rose higher than this was in August 2017, when it reached 61.4 points. The ongoing excellent employment prospects are apparently outweighing the current negative global economic influences on the indicator. In addition, both workers and pensioners can hope to see respectable income gains this year. Even the recent rise in inflation rates does not seem to have made much of an impression on consumers so far.

Propensity to buy in the wake of stable income expectations: Consumers' propensity to buy has also profited this month from the very stable trend in income expectations. At 56.3 points, the indicator has maintained a very good level. Compared to last month, it even achieved a slight increase of 0.4 points. The trend currently shows a sideways movement. The propensity to buy is still benefiting from an employment market that is in good shape. Employment is up and there has been another slight fall in unemployment. Furthermore, there is also little fear of job losses among employees. This leads to planning security, especially where bigger purchases or spending is concerned. The jump in the inflation rate in May this year to 2.2 percent, which was mainly due to a significant rise in energy prices, has seemingly not yet had any effect on propensity to consume.

Consumer climate unchanged: For July 2018, GfK forecasts that the level will remain unchanged at 10.7 points. This means that the consumer climate is stabilizing after two slight declines in a row. In contrast to the excellent domestic conditions, such as employment and income development, the domestic economy looks likely to suffer from the escalating trade

conflict with the USA coupled with the higher inflation rates, which rose to 2.2 percent in May. Even if this may just be a temporary rise, it can be assumed that it could have negative effects on the real development of private consumer spending. Since the global economy is also slightly less dynamic at present, GfK is revising its consumer forecast issued at the beginning of this year from 2 to 1.5 percent. However, the consumer economy in Germany remains intact, even if it is slightly less dynamic. This will also depend on whether the new government in Italy fans the flames of the Euro crisis once more and whether the conflict about refugee policy in Europe can be settled

SALES ACTIVITIES

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

For the sixth consecutive year, we participated in the Visit Florida Road Show which was co-sponsored by German tour operator TUI. Four German cities were targeted (Munich, Würzburg, Aachen and Bonn) during which 140 agents were trained. Training sessions and workshops were held ensuring an active and engaging dialog with all agents. A training tool ‘workshop booklet’ was produced by Visit Florida for which we provided applicable material (content, imagery, logo). Evening events in each city culminated in a prize raffle with VSPC prizes included. The road show was a success once again. The following Florida partners also participated: Fort Myers, Naples, Sarasota and SeaWorld Parks & Entertainment. Planning for 2019’s program will commence in the coming months.

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

TUI Suisse brought a group of top selling agents to Florida for one week whereby a visit to our area was included in the itinerary, largely due to our excellent relationship with the tour operator. The group of 8 agents + a TUI Suisse escort arrived in our area midday on 6/08 from Crystal River and departed on 6/09 in the afternoon bound for Fort Myers. The tour operator expressed their heartfelt gratitude for the warm welcome and superb hospitality experienced during their sojourn!

DerTour Reiseland Webinar (August 21st, 2018):

We will join forces with DerTour on their special Florida webinar for Reiseland travel agencies (over 300 in Germany). The many features, benefits and myriad experiences in VSPC will be the focus of the session.

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, an American dinner buffet will be offered followed by viewing the 45-minute Brand USA movie “America Wild” as the 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. We are in the early stages of compiling the applicable material for this program.

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.

Visit USA Road Show Netherlands (October 2nd – 4th, 2018):

For the first time, the Visit USA Netherlands will organize a B2B road show, which will include training events in three cities: Zwolle, Amsterdam and Den Bosch. The road show is expected to attract over than 200 travel agents. The training format will include intensive speed dating sessions for all agents. In addition, we will have networking opportunities in Amsterdam with tour operator product managers and the trade media. As space was limited, we registered early to secure our participation.

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. As our area will be included in the new Florida program, we were quick to register. Initial input has been provided. Further arrangements are in the process.

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 continued to liaise closely with our Leisure Travel Department this month regarding itinerary development. We also assisted the WSF with development of their online registration platform, providing additional 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. Registration has been completed with our securing an early-bird reduced rate. Initial organizational information was distributed to all suppliers this month.

MARKETING INITIATIVES

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

Tour Operators:

- Canusa Touristik (Germany)
 - **B2C Promotion Package Content** – June-July 2018
In addition to the Scenic Routes package reported last month, 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 re-engage customers in the second step. Layouts and content have been developed and approved. Canusa.de boasts 1.2 million unique website visitors yearly.
- VISIT FLORIDA (Germany)
In cooperation with Visit Florida, we expedited B2C multi-channel digital campaigns with an exclusive focus on St. Pete/Clearwater for two months as follows:
 - 1) **FTI Touristik**
 - **Blog Article on FTL.de** – May 07, 2018
A dedicated article was placed on 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 on FTL.de. It was also posted to FTI’s Facebook page.
 - **Homepage Double Teaser** – May 21-June 04, 2018
VSPC and VF received 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): ~ 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 included the following activation elements:

- **Landing Page:** A dedicated landing page comprised of inspirational content, imagery, videos and a travel offer section linking to the FTI website’s booking engine.
- **Homepage Banner:** Standalone slideshow banner placement in the premium section on the homepage for 2 weeks linking 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 reach per post: 200,000.
- **Mobile App:** 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 included the following activation elements:

- **Landing Page:** Comprised of dedicated destination content, imagery, videos and travel offer section linking to the FTI site booking engine for 4 weeks.
- **Banners/Ad Bundle:** The landing page was 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 were 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 comprised 6 subpages depicting VSPC and Florida as a multifaceted travel destination including emotional copy, imagery and videos. Tactical travel offers to VSPC were included for the duration of the campaign.

- **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 adding 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 claims, an animated VSPC flash banner was featured on queer.de for the duration of three months.
 - **eNewsletter** – April & June
The banner placement was 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.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

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

- **Press Release June:** Proofread and corrected.
- **Newsletter June:** Proofread and corrected.

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