

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

German Summer 2019 Sales Recover to Last Year's Levels

Strong last-minute bookings in August have helped the German travel industry to complete a sales recovery after a poor start to the year, according to the latest monthly Travel Insights sales analysis. Late bookings of summer 2019 holidays increased by 7% last month in terms of revenues, eliminating the cumulative decline that has run through most of this year and leaving the summer season at last year's level, according to analysis of sales by 2,000 representative travel agencies, OTAs and tour operator websites by Travel Data + Analytics. Sales were again driven by last-minute bookings, the TDA figures made clear. The share of bookings last month with departures in August or September rose to over 35% compared to 33% in the same month last year.

Meanwhile, early bookings for the forthcoming winter season remain disappointing. Sales revenues for winter 2019/20 fell by 3% last month compared to last year, leaving cumulated sales down by 4%. However, these figures are in comparison to a very strong early booking period last year. Winter revenues were as much as 9% higher at this time last year. Overall, online and offline sales revenues were 2% higher in August in a year-on-year comparison.

Thomas Cook Germany Declares Insolvency

Thomas Cook Germany has been forced to declare insolvency and cancel all holidays until mid-October, but managing director Stefanie Berk hopes to save the tour operator business through a "rebirth" of Neckermann Reisen. Thomas Cook GmbH, the profitable German subsidiary of the insolvent Thomas Cook Group in the UK, announced that it was also declaring insolvency. The company, with some 2,000 employees and three million customers a year, cancelled all booked holidays through October 13, affecting about 660,000 customers with departures up to the end of September. About 140,000 customers of Thomas Cook Germany are currently on holiday.

Insurance company *Zurich* confirmed that under Cook's insolvency insurance it would cover the costs of all package holidays booked with one of the company's tour operator brands, including possible repayment of costs that customers might have had at their destination. However, this does not cover customers who booked individual travel products, including flight-only or hotel-only bookings or those who booked via OTA platforms.

The German Travel Industry Association (DRV) emphasized that hoteliers in destinations had no reason to ask holidaymakers to make any payments out of fear that their costs would not be

covered. Moreover, the insolvency insurance company is obliged to organize the return transport of travelers, the DRV added.

In a statement explaining the reasons for its insolvency declaration, Thomas Cook Germany said talks in the last few days with strategic and financial investors, long-standing partners in destinations and travel agencies had shown that Thomas Cook Group's German tour operator business had the chance of a future. But the company was "obliged" to declare insolvency with the result that it could now separate itself from its "complex" financial connections with Thomas Cook Group in the UK. The insolvency filing would enable the company to restructure and continue trading independently. Thomas Cook GmbH managing director Stefanie Berk declared: "We would have preferred to avoid this legal step, but there was unfortunately no way to negotiate a short-term solution." She emphasized the company would do everything possible to enable affected customers to return home.

Looking ahead, Berk stated that the "positive feedback" from talks in recent days made her "very optimistic" that the well-established tour operator brands Neckermann Reisen, Öger Tours and Bucher Reisen could "soon" return to the market. The aim of the restructuring was to continue the German tour operator's profitable business. The long-serving Thomas Cook manager said that many hoteliers and sales partners had told her that they would support a rebirth for the German tour operator business despite the losses they had suffered through the insolvency. "We plan the rebirth of Neckermann Germany," she said. This was the well-established name of the German tour operator business until its re-branding as Thomas Cook in the year 2000.

Meanwhile, Condor, the profitable Frankfurt-based German airline subsidiary, has secured commitments for bridging loans worth €380 million from the German federal government and the Hessen regional government to keep operating for the next six months, including the forthcoming winter season. This move had been widely supported by the German travel industry to avoid a large-scale repatriation operation and retain the carrier as a major competitor to Lufthansa subsidiary Eurowings, TUIfly and other leisure airlines. Condor flies about seven million passengers a year, including one third from Thomas Cook Germany tour operator brands. Condor now plans to apply for German 'legal protection status' in order to separate itself from the insolvent Thomas Cook Group and enable it to seek new owners. CEO Ralf Teckentrup said the airline was already in initial talks with potential investors and was "not starting at zero" in this process. Thomas Cook Group already planned to sell off its airline business in February, but the sale process was stopped due to the planned financial restructuring of the entire group.

Opinions Differ Over Climate Protection and Sustainability

Environmental issues are top of the agenda in the tourism industry, but opinions are split over how the sector should respond to its challenges. Experts have widely differing views about what the travel sector can and should do to reduce its environmental impact, a high-profile panel discussion at this month's fvw Kongress made clear.

Stefan Gössling, professor for human ecology and tourism at the Linnaeus University, Kalmar (Sweden), was forthright with his opinions. He claimed that tourism in its current form is "not compatible" with the earth's available resources and warned that large regions of the world could be lost as holiday destinations. "If you want that, then just keep on going," he declared. Gössling, a recognized international expert in sustainable tourism who has advised

international organizations and UN agencies, accused the tourism industry and politicians of “greenwashing in public and lobbying in private”. In future, growth should be measured in terms of quality and value, and not volume, he recommended.

In contrast, Matthias von Randow, director of the German Aviation Industry Association (BDL), declared that CO2 emissions compensation “is better than nothing at all”. Ambitious targets are important, but not enough on their own. “As the aviation industry, we are engaged above all in the question of ‘how’, in other words the question of effective measures,” he commented. But Dietrich Brockhagen, founder of CO2 compensation organization Atmosfair, claimed the aviation industry did not have any specific targets at all. “You’re repeating the goals that you have been talking about for ten years. There is nothing specific. We had that for long enough,” he said. The campaigner complained that all the current proposals only had one thing in common: “They are all based in the future.” But Gössling said he remained fundamentally optimistic. “It’s possible to finance and restructure everything necessary. It can be done in such a way that jobs are not lost or freedoms restricted. We must all be more courageous. Together we can achieve a lot for all of us,” he concluded at the end of the discussion.

Decision by European Central Bank Stimulates German Consumer Climate

Findings of the GfK Consumer Climate Study for September 2019

German consumer sentiment continues to show a mixed picture for September. On the one hand, economic outlook and propensity to buy have seen gains, while on the other, income expectations have declined. For October, GfK forecasts an increase in consumer climate of 0.2 points from the previous month to 9.9 points.

In addition to the already familiar flashpoints such as a global economic slowdown, trade conflicts and Brexit discussions, the decision of European Central Bank (ECB) to further relax its monetary policy is having an impact on consumers in September. Propensity to buy has benefited as a result, showing a notable increase, while propensity to save saw a significant drop. Income expectations also saw a slight drop. In contrast, economic outlook saw a slight increase again.

Economic outlook recovers slightly: After two consecutive periods of decline, the economic outlook among consumers has seen a slight recovery. The economic outlook indicator gained three points and now stands at -9.0 points. Consumers nevertheless continue to perceive a clear downturn in the German economy. This is also evidenced by the considerable drop of 33.6 points compared to the same period last year. According to consumers, the risk of a recession still cannot be eliminated. The trade conflict with the U.S. as well as the lack of clarity as to whether there will be a no-deal Brexit are above all affecting export-driven companies and their suppliers though are certainly impacting the rest of the economy as well. Should the German economy shrink again following the decline in the second quarter, which is already seen as a possibility by many experts, this would constitute a technical recession.

Income expectations drop for the second time in a row: Following the slight drop last month, income expectations declined again in September. The indicator dropped by 3.3 to 46.8 points. This is down by eight points compared to the same period last year. The indicator nevertheless remains at a very good level. Being able to maintain this good level going forward will depend primarily on future developments on the labor market, which has so far remained stable. However, if the employment situation worsens considerably in the

coming months and unemployment increases once more, this would put additional strain on the income indicator and the good levels currently being enjoyed would not be sustainable.

Propensity to buy benefits from ECB decision: Unlike income expectations, propensity to buy benefited from the recent decision by the ECB to further relax its monetary policy. The indicator gained 6.3 points compared to the previous month, climbing to 55.1 points. The decision by the ECB to lower interest rates for short-term deposits by commercial banks from -0.4 to -0.5%, as well as its decision to resume the bond-buying program totaling €20 billion a month, has on the one hand resulted in an increase in propensity to buy, and on the other resulted in propensity to save reaching its lowest level since April 2016. It is evident that consumers fear that in the future commercial banks could also impose penalties on private investors.

Consumer climate improving: For October, the consumer climate is indicating a value of 9.9 points, up 0.2 points from September. This will allow the consumer climate to pick up again. This positive trend is a result above all of the increase in propensity to buy created by the ECB's decision and the drop in propensity to save. Thus, the conditions that allow for domestic demand to remain an essential pillar of economic development in Germany despite the sluggish global economy persist. Whether this is sustainable will become clear in the coming months. It will depend first and foremost on whether the labor market remains stable and whether there is a looming threat of a marked increase in unemployment. Should this be the case, it would create a significant setback for the consumer economy.

SALES ACTIVITIES

Visit USA Germany ‘Cinema’ Road Show (September 2nd – 5th, 2019):

After a successful show last year, we again participated in the Visit USA Germany’s ‘cinema’ road show this year. The exciting concept entails projection of our destination presentation on big movie screens, i.e. each supplier partner holds a 15-minute presentation in the cinema hall for all participating travel agents. In addition, we had the opportunity to hold one-on-one sales meetings with retail travel advisors before the presentations and during the breaks. A total of 130 agents were trained in three German cities: Berlin, Bielefeld and Dusseldorf (all in CineStar movie complexes). The training sessions were followed by an American dinner buffet and viewing of Brand USA’s “America Wild” movie as the grand finale of the evening. Travel advisors were given the opportunity to invite their top clients to the Brand USA movie viewing, thus giving us the chance to engage with close to 60 hand-picked, travel-hungry consumers before and after the movie.

Visit USA Road Show Netherlands (September 16th – 18th, 2019):

After last year’s success, the Visit USA Netherlands again organized a B2B road show, which included comprehensive training sessions for over 130 travel advisors in three cities: Zwolle, Den Bosch and Rotterdam. This year’s event was most successful again. A debriefing was held with supplier partners during which we had the opportunity to provide feedback, which will be taken into consideration for next year’s road show which is scheduled for September 2020.

Visit USA Switzerland Road Show (September 24th – 26th, 2019):

This very productive road show was held in St. Gallen, Zurich, Lucerne and Bern this year and attracted over 180 travel agents. We had the opportunity to present our area in the more intimate roundtable format during both morning and evening training sessions. By virtue of conducting trainings in four Swiss cities in short order, we covered a broad catchment area just ahead of the upcoming important fall booking season.

Del-Tour Belgium B2B Workshop (October 17th, 2019):

Following last year's successful program, we will again participate in Del-Tour's B2B workshop due to be held in Liège, Belgium. The B2B event is expected to attract agents from the French-speaking part of Belgium as well as from neighboring Luxembourg. During the full-day workshop, travel advisors 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. Preparatory tasks related to our attendance continued this month.

Visit USA Germany Seminar / Halloween Event 2019 (October 25th – 27th, 2019):

For the tenth 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. Between 110 and 130 retail travel agents from all over Germany are expected to attend. This event has become so popular that it sells out in less than 10 minutes upon deployment of registration documents, meaning we had to be exceedingly quick to complete and submit our registration in order to secure one of the coveted presentation slots.

There will be a new twist on this year's format: In addition to the regular 15-minute workshop package during which agents are trained in small groups, a new plenary opening session will be staged during the first half of the day giving 4 supplier partners the opportunity to present their products to the entire audience versus training small groups in succession. VSPC will be part of the opening session as one of the first presenters together with Visit Orlando, SeaWorld Parks & Entertainment and Ft. Myers. Each of us will have a dedicated 15-minute presentation block, whereby as a group we will endeavor to create an interesting 'road trip' story experience for the audience. This month saw us following up on last month's meeting with the Visit USA Committee and our presenter partners to develop and coordinate our 'road trip' presentation concept.

An evening Halloween extravaganza including prize raffle is planned as the highlight of the weekend. An industry opportunity soliciting prize sponsorship/donations was deployed. Thanks to the generosity of our VSPC industry partners, we will proudly present a 3-night stay in our area, giving us considerably more exposure during the prize raffle!

USA-Canada Experience Netherlands (October 31st - November 1st, 2019):

The "*USA-Canada Experience*" is a two-day travel trade event giving supplier partners an exceptional opportunity to inform and educate the Dutch travel trade and conduct one-on-one sales meetings directly with product managers and tourism managers. A full-day workshop will see us holding comprehensive training sessions for over 80 agents from all over The Netherlands. The event will culminate in an exciting contest and travel prize raffle. An industry opportunity soliciting prize sponsorship/donations was deployed. Thanks to the generosity of our VSPC industry partners, we will proudly present 2 x 3-night stays at two properties, giving us more exposure and ranking us among the top prize donors during the raffle!

Visit USA Austria Seminar (November 14th – 15th, 2019):

Known as Austria's premier travel trade event, the Visit USA Seminar Austria will be held in Vienna this fall and is expected to attract up to 120 agents. The format will comprise a comprehensive educational seminar in the afternoon followed by a table top marketplace and an on-stage "interview" session with each supplier partner along with an evening event.

The Visit USA Committee Austria will again organize a post-seminar "evaluation breakfast" during which we will have the opportunity to provide feedback and discuss future planning. Travel arrangements were made this month. This month saw us working on preparatory logistics.

Knecht Reisen "Reisewelten" (November 23rd – 26th, 2019):

Following the tremendous success of the past "Reisewelten" ("Travel Worlds") events held in 2015 and 2017, prominent Swiss tour operator Knecht Reisen will orchestrate their third Reisewelten event in November this year. The four-day show will comprise a two-day consumer exhibition attracting close to 4,000 visitors. With 1800m² exhibition space available at Knecht Reisen headquarters in Windisch, Switzerland, the consumer show will include various impressive theme worlds such as South Pacific, Africa, Latin America, North America, cruises, recreational vehicles and sports travel. For two days following the consumer segment, two days will be dedicated solely to the travel trade in Lucerne during which comprehensive 'treasure hunt' style training seminars will be conducted for approx. 160 agents. Preparatory arrangements are underway.

Consumer Shows – November 2019

Visit St. Pete/Clearwater will be presented at consumer shows taking place in November as follows:

- 360° North America Day – Cologne, Germany
- Reiselust Bremen – Bremen, Germany
- Touristik & Caravaning – Leipzig, Germany

Consumer exposure cumulatively: 104,205

Visit Florida Road Show (Dec 2nd – 5th, 2019):

We will participate in the Visit Florida Road Show in two Swiss and two German cities this year: Zurich, Basel, Heidelberg, Frankfurt. German tour operator FTI Touristik will be our coop partner. Evening events will comprise comprehensive travel advisor training sessions in the more intimate roundtable format and will culminate in an exciting prize raffle. In Switzerland, we will also conduct in-house travel advisor trainings at Hotelplan Suisse and DERTour Suisse (formerly known as Kuoni) during the morning hours.

A training tool 'workshop booklet' will be produced by Visit Florida for which we provided applicable material (content, imagery, logo). In addition, an interactive digital knowledge test will be staged immersing agents in yet more destination detail.

Florida partners participating are: Crystal River, Florida Keys, Kennedy Space Center, Naples, Sarasota, SeaWorld Parks & Entertainment and Universal Orlando Resort.

Visit USA Seminar Switzerland (February 4th – 5th, 2020):

This program is Switzerland's premier travel agent training seminar held annually in Zurich. The seminar platform provides the local travel trade with insider knowledge as well as the needed contacts and sources of information. An estimated 350 travel advisors are expected to attend this important Swiss event. Our 'early-bird' registration has been submitted thereby securing a discounted participation fee.

Additional Activity:

- **Leikert Touristik International** in Cologne, Germany is planning a visit to our area next month and asked us for support in providing comprehensive destination information and collateral material.
- **Reise & Bahn Agentur** in Halle, Germany was provided with comprehensive destination information, insider tips and collateral material.
- **Your Travel** in Aalsmeer, The Netherlands was provided with comprehensive destination information, insider tips and collateral material.
- In keeping with HQ's directive to familiarize ourselves with the **SimpleView** system, we scheduled and received a training session with our CRM Administrator this month.

MARKETING INITIATIVES

Our efforts continued this month in developing/expediting marketing initiatives and advertising programs, which included:

Brand USA 'Originals' Co-Ops:

- **FALL GERMAN MULTI-CHANNEL CAMPAIGN** (November/December)
After a very successful fall campaign last year, we will continue our cooperation with Brand USA and Expedia in 2019. Germany is one of the top volume markets to the U.S. and Brand USA continues to provide partners with innovative international marketing opportunities. This multi-channel campaign is designed to reach consumers at the right time, with the right message and in the right place. The new digital media channels provide an integrated marketing approach to engage consumers and ultimately drive activation.
 - **Mobile Takeover Unit:** 200,000 est. impressions / hero image & click-through to destination content
 - **GoogleDisplayNetwork Traffic Gen:** 4,000 clicks
 - **Facebook Carousel Ad Unit:** Added value, Tile 3 or 4 position in one unit
 - **Expedia Activation Partner Marketing:**
 - Dedicated hotel results page (one page per co-op)
 - 415,000 co-branded display ads driving to a hotel search results page
 - Inclusion on "Visit The USA" landing page linking to our hotel search results page

All required assets have been delivered.

Tour Operator Co-Ops:

- **FTI TOURISTIK ACADEMY** (March-December 2019)
We are excited to be part of FTI's very successful eLearning academy together with 3 additional Florida partners: Greater Fort Lauderdale, Naples, Marco Island & Everglades and Sarasota. Themed as "Florida's Best Beaches!", each destination partner is presented on 3 pages containing comprehensive content, imagery and video. Upon completion of the eLearning modules, travel advisors receive a certificate confirming their expertise. The FTI Academy is one of the most prominent and among the largest tourism eLearning vehicles in the German and Austrian markets. The educational program is promoted via

several channels such as newsletters, press releases and raffles. Furthermore, it will be accessible 24/7 for 8 months!

Status to date: Close to 1,500 travel advisors have completed the St. Pete/Clearwater eLearning modules.

VISIT FLORIDA Co-Ops:

- **CANUSA TOURISTIK** (November 2019/June 2020)
We are pleased to have the opportunity to cooperate with Visit Florida on marketing initiatives with CANUSA Touristik next fiscal year.
Additional Florida partners are: Florida Keys, Fort Lauderdale and Sarasota.
 - **B2C CANUSA Magazine** – November 2019
All partners will be featured in CANUSA's print magazine with image, logo and content. The magazine will be mailed to 30,000 consumers.
 - **B2C CANUSA Newsletter** – December 2019
This newsletter with VSPC placement of image, logo and content will be deployed to 50,000 consumers.
 - **B2C Ad Placement in GEO Saison Magazine** – January 2020
VSPC will be featured with a ½ page ad placement including logo, image and content in the January issue of GEO Saison magazine, a high-end travel publication.
Pub frequency: monthly / circ. of 60,333.
 - **B2C Out-of-Home Bus Wrap**– February - June, 2020
VSPC will be featured with imagery and logo on a bus wrap within the Hamburg transit system for 5 months. Estimated impressions: over 1M
Images and logo for creative development were delivered this month.

- **WEG.DE** (October-December 2019)
Another opportunity with Visit Florida is a three-month campaign with OTA weg.de. Only three Florida partners were could participate, so we are very pleased to have secured one of the spots. Additional Florida partners are: Crystal River and Fort Lauderdale
 - **B2C Landing Page**– October - December, 2019
A dedicated Florida landing page will offer feature content and at the same time function as the booking tool with travel teasers. The microsite will comprise a general Florida overview as well as information about each partner.
 - **B2C Social Media Campaign** – October-December, 2019
Weg.de will launch a promotional post tailored to visibility on social media and YouTube. The post will link to a dedicated landing page. Image/Video will be provided by VISIT FLORIDA. Campaign partners will either be tagged/mentioned in the post or included with their logos in the video.
 - **B2C Video Banner** – October-December, 2019
A video banner will be played on 3rd party media sites which are the right fit for relevant target groups. A general Florida video (including VSPC frames) will be shown and partner logos will be featured.
Images logo and content for creative development were delivered this month.

Travel Trade/Consumer Publications & Portals:

- Das Erbe unserer Welt (Germany) – circ. 118,114 *Consumer*
 - **2/1 page, 4c Advertorial** – Winter 2019 Issue
Published twice a year since 2010 (Spring/May & Winter/November), ‘Das Erbe unserer Welt’ (‘Heritage of our World’) is polybagged with the German edition of National Geographic magazine and deployed to all subscribers, i.e. an educated and affluent readership in Germany. For the 2019 Winter edition, VSPC will be included in a special 7-page feature entitled “Florida Jewels” together with Palm Beach and Amelia Island.
Layout was created and approved this month.

Our efforts continued this month in requesting proposals from vendors of choice in preparation for the development of our FY 2019/20 Central European marketing/advertising initiatives.

Of note: With St. Pete/Clearwater being a long-haul travel destination for the Central European markets, it is to be kept in mind that the positive effect of the campaigns run continue beyond the actual placement timeframes due to the lead time between inspiration, consideration and effective booking by consumers.

For the record: Given we are strongly focused on optimizing our area’s placement in the marketplace, considerable time and effort is spent on intensive negotiation with our vendors with a view toward ensuring best positioning for St. Pete/Clearwater. This effort is conducted over and above our regular scope of work.

Public Relations:

Kaus Media Services - VSPC’s German PR Agency

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

- **Press Release September:** Proofread and corrected.
- **Special Press Release:** Proofread and corrected.
- **Newsletter September:** Proofread and corrected.

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