



Digital Travel Transformation

Improving Your Marketing in Today's Changing Travel Landscape

Introduction

A traveler's journey knows no borders or boundaries. They don't see channels, devices or publishers – they just see their perfect holiday or next adventure. This eBook will provide you with key insights and initiatives to simplify and personalize the customer journey, helping you seize opportunities across marketing dimensions, thereby making your customers' dreams a reality.

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Overview of the Travel Industry Today

There's no doubt about it: the travel industry has significantly evolved over the last decade, with cross-channel information overload and an increasingly complex cross-device customer path to conversion. The impact of digital marketing has led to the democratization of travel, with many people acting as their own travel agents. Even the most unsavvy traveler finds it all too easy and convenient to research, compare deals, and book travel, especially while on the go with a smartphone or tablet.

The digital age has triggered a complete overhaul in our approach to travel. Globally, Internet travel booking revenue has grown by more than 73% over the past five years to reach a staggering 57% of all travel bookings.

WORLDWIDE GROWTH

In 2016, worldwide digital travel sales are projected to surpass \$530 billion; a 10.8% increase from 2015. That growth will continue steadily through 2019 at an average rate of 8.95%, reaching a projected \$677.83 billion globally.

This growth will be mostly fueled by emerging markets such as Asia-Pacific and Latin America, where current digital travel penetration is still relatively low. Conversely, digital travel sales are growing at a much slower pace in the more mature eCommerce markets of North America and Western Europe.

As a result of this growing trend in online travel sales, marketers are also shifting more budget into the digital space. By the end of 2016, the U.S. travel industry digital ad spend is projected to reach \$5.69 billion, an increase of 15.4% over the previous year, and will continue on its growth trajectory by another \$1 billion through 2018. This signifies travel as one of the fastest growing industries for digital ad spend, next to Automotive and Consumer Packaged Goods.

MOBILE TRENDS

The recent shift of consumers living a “mobile first” lifestyle is also prominent for the travel industry. In 2016, mobile travel sales will account for 36% of total digital travel sales, at \$65.01 billion. This represents a significant increase compared to 2014, when mobile travel sales accounted for only 21.3% of total digital travel sales.

Mobile travel sales are not slowing down and will be the driving force behind digital travel sales in the U.S., as well as other established markets. Currently, mobile travel sales are projected to climb to almost half of total digital travel sales by 2018.

THE EVOLUTION OF TRAVEL

Spending a holiday overseas is no longer a once-in-a-lifetime opportunity. Taking multiple trips abroad and “gap years” are becoming increasingly common. The average traveler is now more discerning and more travel hungry than ever. Wanderlust is officially attainable.

Approximately 50% of North Americans planning leisure trips use a search engine to begin their research vs. 13.9% who begin directly through an online travel agency.

Furthermore, research published by leading travel site Expedia, found that millennials were more likely to blend work trips with leisure, tacking a few days of sightseeing on to business trips. This trend creates a whole new type of “semi-business” tourism, spurred by consumers quickly finding hotels, flights and tourist information sometimes on the same day.

For marketers, it is becoming increasingly difficult to keep up with the spontaneity and movement of this average traveler and therefore more important than ever to reach consumers in real-time.

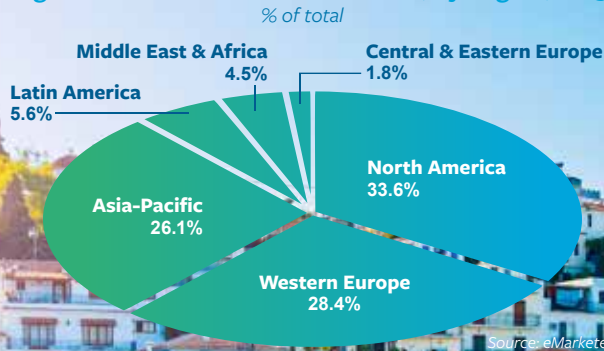
MAPPING THE POPULAR DESTINATIONS

According to MasterCard’s 2015 10 Global Destination Cities Index, which tracks airline ticket purchases and other travel spending data, London was again the world’s top-ranked destination city with 18.82 million expected international visitors. London was only slightly ahead of Bangkok, which came in second with 18.24 million. (The British capital has topped the index five out of seven years, except 2012 and 2013, when Bangkok claimed the lead position).

Looking at Europe as a whole, top ranked London is followed by Paris and Istanbul (in second and third place, respectively). Istanbul is the fastest growing destination city in Europe. Dubai, which is the fourth ranked destination city, is the top-ranked destination city in the Middle East and Africa region, having attracted 14.3 million international visitors in 2015.

As for Southeast Asia, the region has become a tourism superpower over the last 10 years, transforming from what many believed was an alternate destination for budget back-packers, to a major destination for serious international travelers. The region recently dominated MasterCard’s Index, with 4 Southeast Asian countries making the Top 10.

Digital Travel Sales Share Worldwide, by Region, 2015



eMarketer’s forecasting analyst Christopher Bendtsen comments “Mobile booking’s rising popularity, combined with the success of online travel agencies, will fuel significant digital travel sales in China, India and the major developing countries in Southeast Asia. This creates huge opportunities in the digital travel space, and in particular, mobile.”

With the travel industry showing no signs of slowing down, marketers need to embrace the power of digital marketing in order to keep up with today’s gallivanting consumers -- remaining nimble and adapting to change to build a loyal brand and profitable business.

Insights and Trends

Kenshoo global data reveals key insights into the digital marketing trends for search, social, and mobile advertising. The research highlights the key engagement metrics that are driving the growth in the travel industry.

GLOBAL TRAVEL SEARCH AND SOCIAL PERFORMANCE Q1 2016

Social Advertising			Search Advertising	
Quarter over Quarter	Year over Year		Quarter over Quarter	Year over Year
-12%	-5%	Cost per Click	+3%	-1%
+7%	+82%	Spend	+27%	+9%
+8%	+110%	Impressions	+24%	-9%
+21%	+92%	Clicks	+23%	+10%
+12%	-8%	Click-through Rate	-1%	+21%

Across the travel industry globally, search is still very strong, with year-over-year (YOY) spending growth comparable to that of the total search channel. Overall, travel showed a healthy rebound in Q1 from the more retail-focused Q4, when the sector traditionally pulls back somewhat. Clicks and impressions also showed strong YOY growth, while cost per click (CPC) showed little change compared to the previous quarter or the same quarter last year.

GLOBAL SEARCH SPEND: TRAVEL VS. TOTAL

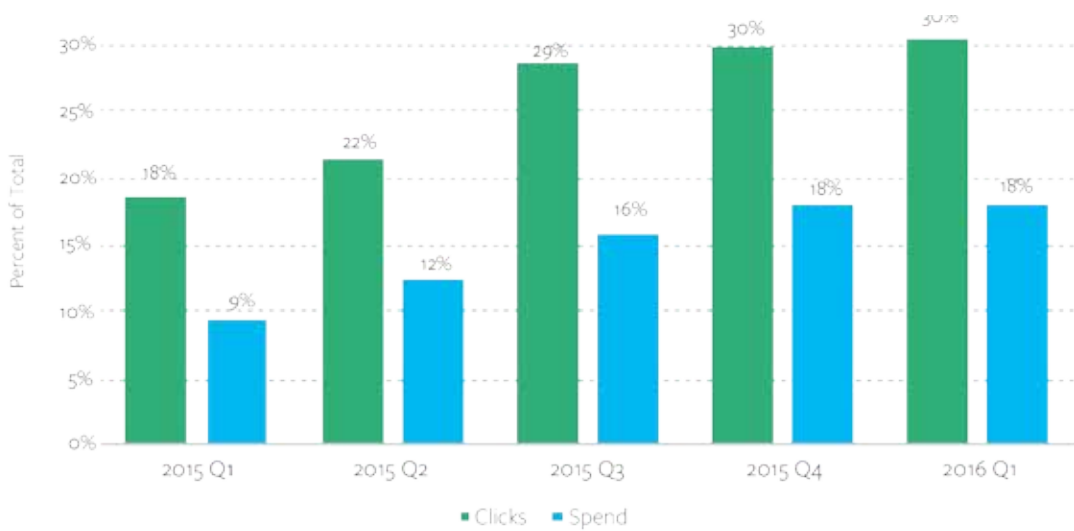


*Adjusted for currency fluctuations and indexed so 2015 Q1 = 1.00

It has been widely reported that spending on mobile clicks has been a key driver of overall growth, and travel is no different. Total search spend on smartphones more than doubled in Q1 of 2016 compared to the same period in 2015, posting an increase of +137%.

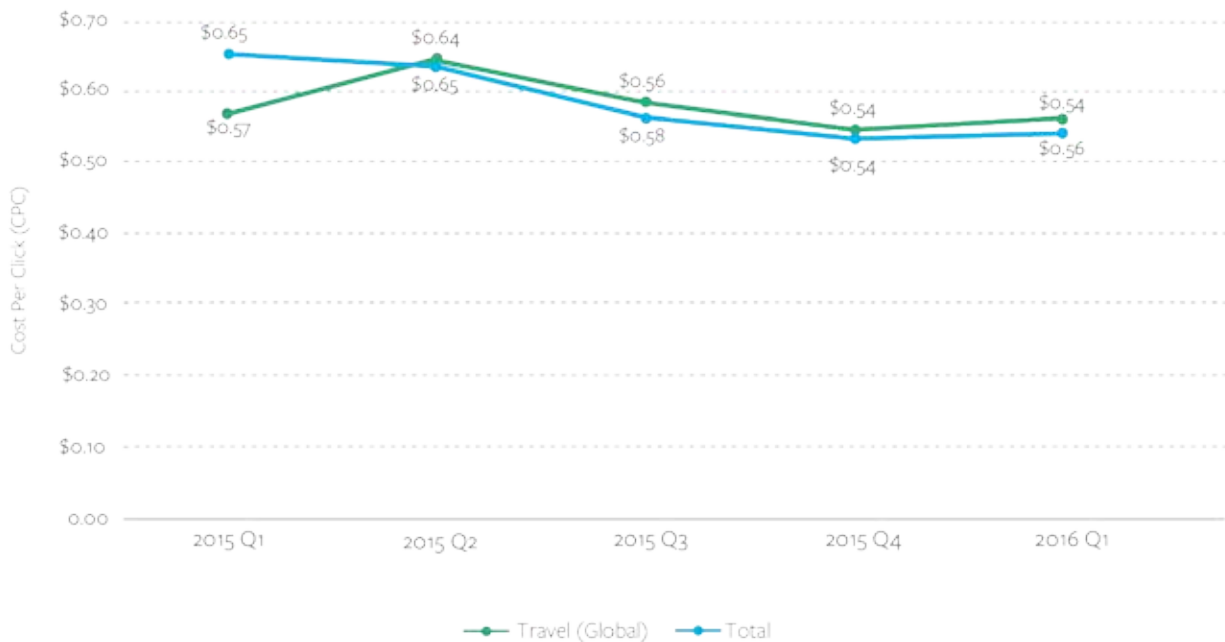
As a share of total, global search spend in travel has doubled YOY from 9% to 18% in Q1 of 2016 and presumably has room for growth, as Kenshoo reported the total share for smartphones across all industries in Q1 at 29%. Clicks from mobile devices reached 30% share in Q4 in 2015 and held steady in Q1, indicating that rate of consumer adoption continues to increase, while spending growth lags due to lower cost of mobile clicks.

SEARCH SHARE BY DEVICE: GLOBAL TRAVEL



Since Q2 of 2015, the cost per click (CPC) for the travel industry has tracked very closely with that of the overall search market, showing the same downward trend starting in Q3 that was brought on by the addition of a third, lower-priced search ad slot on increasingly prominent mobile devices. Since that adjustment, click prices have been relatively stable.

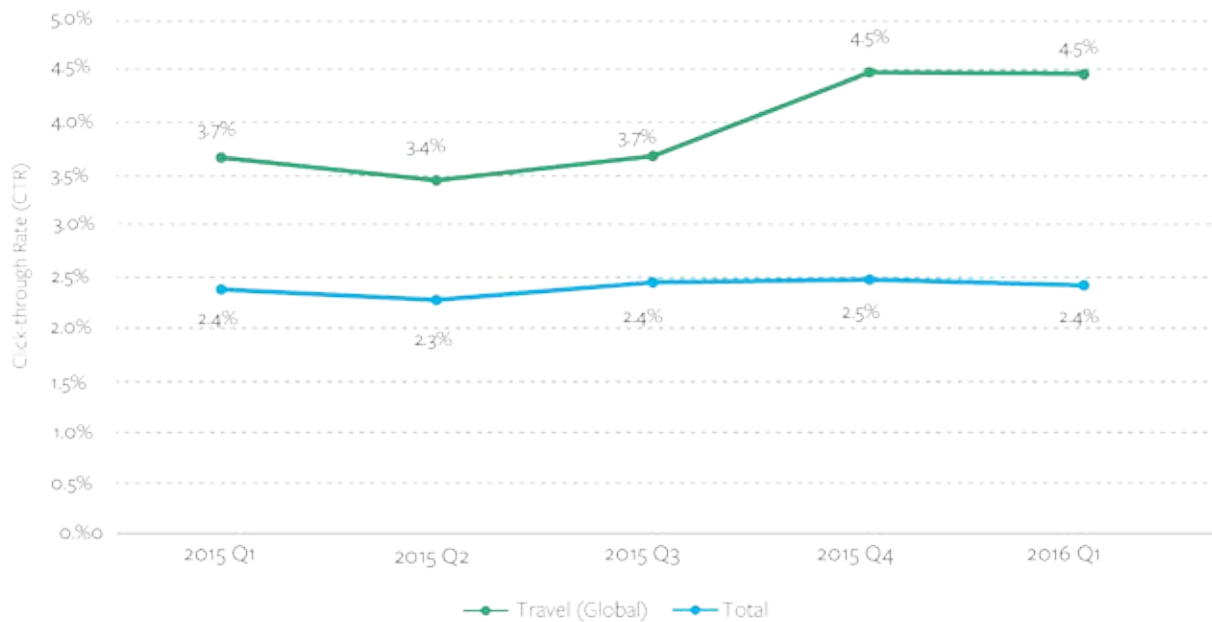
SEARCH COST PER CLICK: TRAVEL VS. TOTAL



Travel searchers show a higher level of engagement with search ads than the overall search market as measured by click-through rate (CTR), indicating a higher level of intent from Internet users searching travel-related terms. That intent and engagement showed a sharp increase starting in Q4 of 2015, owing first to a slowdown in impression volume in the traditionally soft Q4 retail season, followed by an uptick in vacation planning as travelers start to look towards the summer.



SEARCH CLICK-THROUGH RATE: TRAVEL VS. TOTAL



Social travel ads have also seen solid gains YOY with the global data revealing an increase of 82% in spend and a 92% increase in clicks. Q3 is more clearly the peak quarter for spending in the social channel than in search, where Q2 also stands out. Considering that Q3 is typically the peak season for travel itself, this should not be surprising.

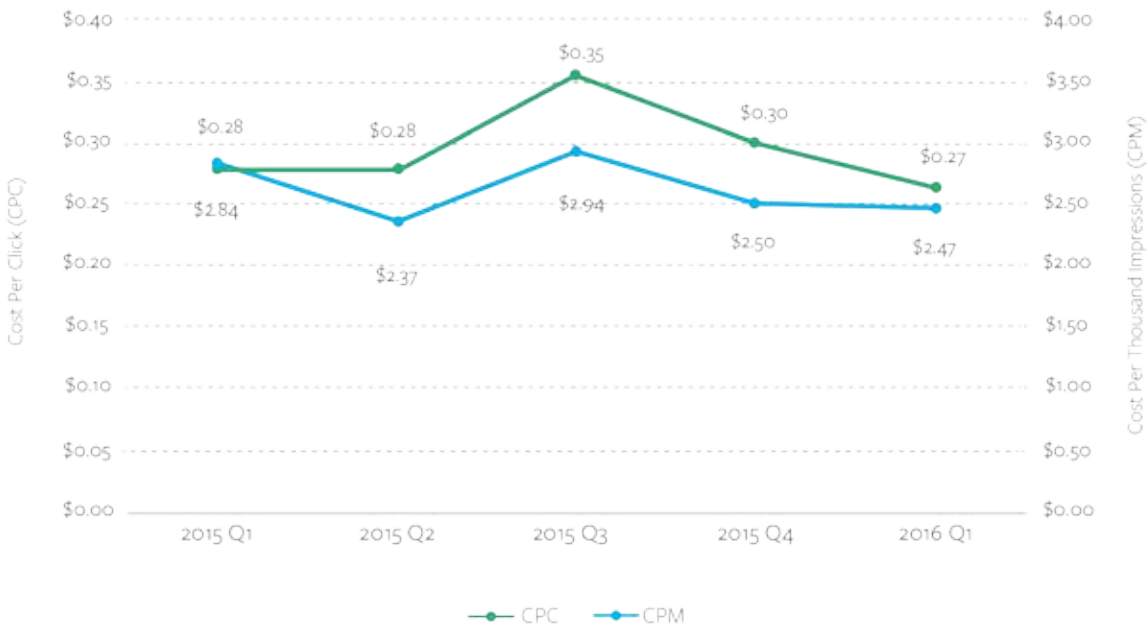
GLOBAL SOCIAL SPEND: TRAVEL VS. TOTAL



*Adjusted for currency fluctuations and indexed so 2015 Q1 +1.00

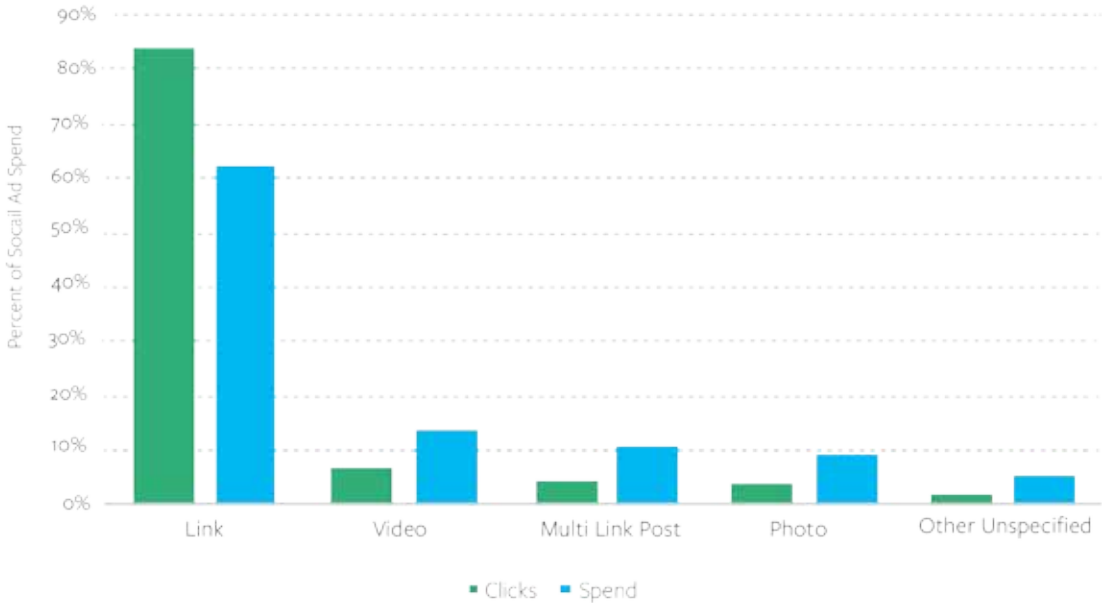
Advertisers put a premium on both eyeballs and engagement in the social channel during the third quarter of the year, as prices for impressions and clicks peak during this timeframe.

SOCIAL CPC AND CPM: TRAVEL



As of Q1 2016, travel has not seen the sort of diversification among social ad types and objectives that has been one of the defining characteristics of the overall social channel. In particular, travel advertisers have been much more reliant on simple link posts than photos or videos.

SOCIAL ADS BY POST TYPE: TRAVEL VS. TOTAL



Additionally, when it comes to social ad objectives, over three-quarters of travel social spend is focused on either website clicks or mobile app installs, as opposed to only 37% for the total market. In this regard, we expect to see big changes in these numbers as Dynamic Ads for Travel gain more traction in the marketplace, allowing travel advertisers to focus on their customers with a much more targeted, specialized ad type.



Industry Challenges



The travel sector faces challenges every year with increasing competition and fluctuating market trends. As such, marketers need to be on top of their game in order to drive consistent performance despite a volatile market, while remaining nimble enough to handle any challenge or opportunity that comes their way.

Seasonality & Promotional Activity

Travel is seasonally based on current location and destination; hotel prices and airfares change daily or even hourly based on booking activity and availability; and promotional offers constantly fluctuate based on the competitive landscape. These unique challenges make the travel industry one of the more difficult places to be a marketer.

When considering audience targeting, marketers need to know the traveler's current location as well as the locations they may be most interested in, and then create segments represented by custom campaigns for each permutation. After creating dozens of campaigns, marketers then need a way to represent each ad with the most accurate pricing, which poses a problem in itself with prices changing so frequently. In addition, constantly pausing and restarting a campaign in order to make updates minimizes ad efficiency and scale.

Finally, once marketers get a campaign running efficiently, they need to consider promotions and how to target the right audience with the right promotion to encourage conversion. How do you target your loyalty customers and persuade them to return for another booking? What offer are you going to use to retarget a customer who abandoned their cart? Who is searching for your competitor and how are you going to target them with a better offer?

Profitable Growth

Marketing is known as the department that spends the money while sales makes the money. However, to scale spend marketers need to prove revenue. In travel this is even more difficult because there is a concentrated focus around a few top/brand keywords and an ever-growing competitive landscape. Marketers need an efficient way to manage budget and create more accurate forecasts in order to maximize growth. How are you going to get the most leads possible at a set CPA goal? How are you going to optimize toward your profit margin goals? How are you going to scale spend while still meeting your target ROI?

Improving your customer lifetime value is also important to bottom line revenue. Marketers need to understand their target audience's level of purchase intent to avoid wasted time and money. They need to find upsell & cross-sell opportunities and hit the right audience at the right time with the right promotion. They need to find more of the audience members they know are converting and target them with the best message.



Some Questions To Consider:

- How are you going to leverage your search data to find your highest value audiences on social?
- How are you going to find more people who look like your current customers?
- How are you going to find your current customers and target them with more travel-related products most relevant to their recent purchases?

Measurement & Attribution

A Kenshoo survey of travel marketers identified the main challenges in the industry as “attribution and customer journey mapping” and “proving ROI across channels.” Attribution is becoming more important as the customer journey becomes more complex. A recent study found that the average traveler visits 38 sites in the 48 days before booking a vacation. It’s not always clear how each channel influenced the booking so it’s difficult to take action on insights and optimize performance.

Moreover, with mobile becoming an increasingly popular avenue for research and bookings, marketers need a way to track across devices. Mobile apps are becoming a necessity for travel companies to stay relevant, creating an entirely new area of challenges for marketers.



Some Questions To Consider:

- How do you maximize app downloads in order to influence app store ranking and create an incremental lift in “free” downloads as a result?
- How do you optimize toward specific in-app events?
- How do you attribute activity from mobile app to desktop or desktop to mobile web?

Inventory Management

Hotel chains with multiple properties, airlines with multiple destinations and online travel agencies representing multiple brands need to accurately represent their inventory with the right copy, creative, pricing, and promotion, then segment their campaigns to place the best ads in front of the most valuable audiences at key points in the decision making process. Moreover, managing that kind of spend is complex.

This is why dynamic feeds and automation are crucial. Marketers need a way to quickly create product sets based on defined categories or brands, and manipulate variables in the copy and pricing to ensure the most accurate representation. And keep in mind, managing and optimizing campaign performance at such a large scale is just as important as setting up the creative. Audience behavior is constantly changing and as a result, so is the performance of a campaign.



Some Questions To Consider:

- How do you constantly monitor each campaign’s lifecycle and know when to pause those that are underperforming?
- When should you increase and decrease bids and budgets?
- How do you know how much you should be adjusting those bids and budgets?



Tips & Tricks

As travel marketers, you need to be as emotionally attached to the travel dream as your customers, but being present at the right time in the customer journey can be difficult. In order to keep up, you have to fortify yourself, remain nimble, and constantly adapt to fluctuating market trends, technologies and opportunities.

Here are a few tips from Kenshoo to help you piece this all together – allowing you to maximize investments in one channel by using insights to boost cross-channel performance.

Social

Social media platforms such as Facebook and Instagram are becoming increasingly influential in inspiring today's traveler. In a study by YouGov, 10,000 travelers were surveyed to discover the influencing factors for travel discovery. Results showed that 75% of respondents found travel inspiration from content on Facebook and 72% from Instagram.

TIP

1

Customize the Experience with the Most Relevant Travel Ads

Until recently, travel marketers have found it difficult to show results in social advertising. The travel sector consists of too many different sub verticals, such as meta-search engines, online travel agencies, airlines and hotels, each with different user funnels and business goals. However, with the introduction of Facebook's Dynamic Ads for Travel, marketers now have a native solution to promote the best hotels to the most valuable audiences in a more effective way.

Using Dynamic Ads for Travel, hotels are always represented with accurate prices as they change based on availability. Targeting is more customized based on intent from interactions on your website. Marketers can choose to show hotel options based on requested check-in and check-out dates or based on a flight itinerary. Exclusion targeting keeps ads relevant by removing audiences who have past check-in and check-out dates. Travel marketers should consider all targeting dimensions and tailor the message for each product set and related audience segment.

TIP

2

Automate the Creation, Management & Optimization of Social Ads

Influencing travelers on social at the right moment is tedious, time consuming and often expensive without enough of the right resources. To ensure you are always in the right place at the right time, it is important to quickly create and launch thousands of ads and campaigns, efficiently make mass changes or duplicate high-performing campaigns and set automated actions based on performance and timing. Setting rules to automate bids and budgets based on campaign performance, or scheduling ads to start and stop during peak times will ensure timeliness of the campaign with efficiency and scale.

TIP
3

Test Various Ad Sequences

Travel requires research and therefore potential travelers require multiple interactions with a brand or product in order to influence a booking. Fortunately, with all the ad formats now available across the most engaging publishers like Facebook and Instagram, it is easy for marketers to test which ad sequence works best for their goals. In a recent Facebook IQ report, study results proved, for example, that showing a video ad followed by a static image was most effective at driving online conversions, and increased conversions 1.3X.

Travel marketers may want to test performance by showing a video ad to educate potential travelers of a particular destination, hotel or airline, for example. Then they may retarget this audience based on video views to measure engagement with a lead ad asking the audience to provide more information on their travel interests and to receive a discount. Or they may retarget with a link ad directing the user to a promotion on their website for the destination featured in the first video.

There are a number of possibilities. The key is to define your goals, select your ad type and test personalized messaging in various sequences until you have reached your defined success.

Search

Even with the number of prominent travel sites and operators that have millions of loyal subscribers, the amount of consumers starting their travel journey on a search engine is staggering. As mentioned, with close to 50% of travelers starting their travel booking with a search engine query, it's crucial for all travel marketers to have a strong paid search presence.

Strategize According to Peak Seasons

TIP
1

Understanding seasonality trends and when consumers are booking travel is the first step to running a successful program. Historical performance and market dynamics should be incorporated into bidding and budgeting strategies to boost bids on high-traffic keywords on key days or times to help increase conversions.

Leverage Automated Tools

TIP
2

Advanced algorithms can help ensure that every dollar spent will be the best investment across your entire search program. Additionally, automated workflow solutions can simplify the burden of managing millions of keywords with specific goals in mind. Bulk management tools and proactive alerts also allow you to stay focused on other more strategic activities while you scale your efforts across engines to maximum efficiency and visibility in a competitive market.

Expand Your Boundaries

TIP
3

There are over half a dozen search engines around the world that are significant players in the search market, each with unique demographics and offerings. For travel advertisers to fully realize their potential, it's important to take advantage of all the resources at their disposal in all markets. While Google, Bing, and Yahoo! are the major players in the U.S., there are other market-specific engines that draw billions of daily impressions such as Baidu in China and Yandex for the Russian Market.

Not exploring new ad types and engines with smaller market share is tantamount to turning away customers.

Cross Channel

As the consumer path-to-purchase continues to become more dynamic and varied in the travel industry, you must adjust strategies to ensure you are present across key marketing moments.

TIP
1

Translate Search Ads to Social

In a recent study, Kenshoo reviewed the impact of “search only” clients, expanding into social. Findings demonstrated that by having a cross-channel program, average search CPC is 16% lower and average search ROI is 12% higher than having a stand-alone search program. Essentially, social has a direct impact on brand lift and therefore reduces quality score, influencing CPC. In parallel, engagement on social has a direct impact on organic search, influencing overall return on ad spend. Given these proof points, it is important to have a search and social program that works together. Timing ads to show in real time at key points in the customer path to conversion and retargeting with aligned messaging from search to social is necessary in order to run the most effective campaigns.

TIP
2

Match Clicks on Search Engine Ads to Audiences on Facebook

Leverage the intent signals from your search campaigns to create custom audiences on Facebook. This will allow you to show ads to consumers that have searched for specific keywords and also use Facebook’s targeting capabilities to find more customers like them. This can help you drive a higher return on investment for Facebook ads while, at the same time, improving search engine marketing campaigns.

TIP
3

Retarget Interested Customers from Social

With mobile being an ever-growing medium for travelers, and privacy of personal information becoming increasingly secure, it is important and challenging for marketers to collect customer information. However, with Facebook Lead Ads travel marketers can overcome this challenge by easily targeting customers on Facebook based on intent and interest with a mobile-friendly, auto-fill form that keeps the prospect in the same screen. This form helps marketers collect information such as email address and interested destination to then use in a relevant and timely retargeting campaign on search.

For all of these best practices, an agile marketing suite like Kenshoo can help your marketing efforts in search, social, mobile, and beyond really takeoff, providing you with the strategy, speed, power, and ingenuity to reach new heights.

What's Next for the Travel Industry

It is an exciting time to be a travel marketer. The industry is booming, which paves the way for some exciting opportunities to grow your brand. We're offering up some of the key initiatives that can help take your marketing to the next level in 2016 -- it's up to you and your team to assess which ones make most sense for your brand.

Deliver More Personalization

It's important for travel marketers to connect with users on a personal level. Luckily, marketers have access to more data than ever and technology continues to improve to better activate those insights throughout the customer journey. Travel marketers must strive to provide a relevant and connected experience across key apertures. Some ways to do this include: offering customized deals and upsells based on search and purchase history, and creating opportunities to drive loyalty with frequent customers.

Embrace Mobile

The dominance of mobile is set to further increase this year with research indicating more than 50% of travel booking will be made through the mobile device. Travelers are looking for convenience and mobile fits the bill. Marketers need to make sure that mobile forms a large part of their overall strategy this year. While a mobile optimized site is essential, custom mobile apps enable consumers' instantaneous access to the services they need while building brand loyalty. Kenshoo's initial survey of global travel marketers indicates that these advertisers are upping mobile budgets, so increased attention to targeting, messaging and optimization across these devices will be paramount.

Make Booking Easier

A smooth and easy customer experience is another key factor for success for travel marketers in 2016. Customers don't see channels -- they just want a seamless experience -- so being able to provide a consistent message and offer across multiple channels is essential to building a strong and profitable brand. Facebook is helping travel brands with this by offering a customer service capability in Facebook Messenger, solidifying their position as both a top and bottom funnel publisher. Now, customers can learn about a destination through Facebook native ads, then complete their booking without ever leaving Facebook. Skyscanner is the first in the travel industry to take advantage of this, announcing the launch of the Skyscanner bot for Facebook Messenger. Through an easy question and answer format with pre-populated selections for dates and destination, customers can research and complete their booking via Facebook while accessing the same data available on the website and mobile app.



The Take Away

The travel industry has transformed -- and will continue to transform as it becomes easier for people to be their own travel agent. From variables like the ever-evolving digital landscape and sharing economy, to the generational influence of Millennials, those working in travel and hospitality need to be agile in their marketing and be able to pivot, re-adjust, or shift to a completely different direction to meet the needs of their customers.

Globally, internet travel booking revenue has grown by more than 73% over the past five years, with marketers following suit, shifting more budget into the digital space to reach these valuable audiences. Worldwide digital travel sales are expected to continue to grow steadily through 2019 at an average rate just under 9%, making now the ideal time for marketers to better understand their digital audience and engage and interact with them at opportune times throughout the buying cycle.

While marketers in the industry can face arduous challenges along the way such as seasonality, attribution, and inventory management, leveraging digital marketing campaigns as a vehicle to tackle these obstacles will allow your organization to find success. Pairing your efforts with the power of Kenshoo will help to maximize overall investments and boost cross-channel performance.



Methodology

Travel Trends & Insights are based on five quarters of performance data from Kenshoo advertiser and agency accounts specific to the travel industry, spanning Google, Bing, Baidu, Yahoo!, Yahoo! Japan and the Facebook® Audience Network. Some outliers have been excluded. Globally, the resulting sample includes more than 60 billion impressions, 1.8 billion clicks and \$1 billion (USD) in advertiser spend.

For charts showing spend and impressions/clicks, volume metrics have been normalized to a factor of 1 based on the initial volume for the first quarter of data. Data points from subsequent quarters are based on a multiplier from the first quarter. For example, 1.6 means that volume is 60% greater than volume on the initial quarter measured.

Ad spending and CPC are measured using Ex-FX or “Constant Currency” adjustments, where results are based on native currency, and only translated to common currency after aggregation.

