

US TRAVEL INDUSTRY STATPACK 2018

Digital Ad Spending Forecast and Trends

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This StatPack includes updated eMarketer forecasts and third-party data

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Behind the Numbers: Methodology

eMarketer's US digital ad spending by industry estimates are updated twice a year to keep our subscribers abreast of trends in this business-critical area. **For this forecast, we analyzed nearly 60 interviews and over 160 metrics from 16 sources,** including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers and other industry leaders.

Behind the Numbers: What We Measure

eMarketer's digital ad spending figures include **advertising that appears on desktop and laptop computers, as well as on mobile phones and tablets**, and all the ad formats on those platforms: banner ads (static display), classified ads, email (embedded ads only), mobile messaging (SMS, MMS and peer-to-peer [P2P] messaging), rich media, search ads (including contextual text links, paid inclusion, paid listings and search engine optimization [SEO]), sponsorships, lead generation (referrals) and video [including in-banner, in-stream and in-text]).

eMarketer's definition of **travel**

This industry includes airlines, car rental, hotels and resorts, cruises, destination marketing organizations; includes both leisure and business travel.



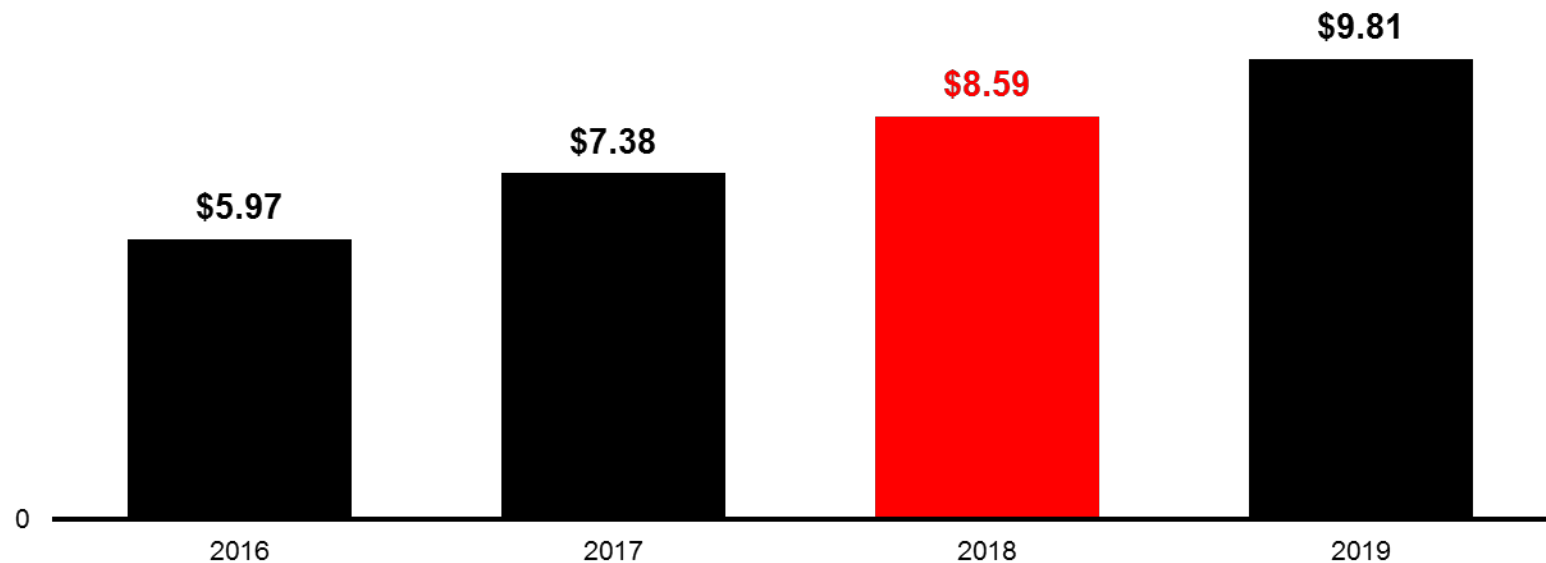
Digital Travel Ad Spending Outlook

Factors influencing digital ad spending in the travel industry

- **Search is critical** to online travel agencies (OTAs) and travel brands, and competition is intensifying. The presence of Google's Flights and Trips widgets in search results has sent advertisers scrambling to maintain visibility.
- Declining return on investment (ROI) from search has pushed brands to fall back on traditional media to stand out. **Booking.com and TripAdvisor recently announced plans to reduce digital ad spending to focus on TV** and emphasize brand messaging.
- Overall, **digital video is a small factor** in digital ad budgets. However, spending is increasing due to the opportunity to spread brand awareness, especially on social channels.
- **Balancing mobile and desktop traffic** continues to be a factor in digital ad spending. Even though a large portion of travelers research trips on their phone, a majority still book via desktop.

Lower-than-expected bookings from search ads is slowing digital ad spending growth

Spending on digital ads in the travel industry **will grow a moderate 16.4% in 2018,** and another 14.3% in 2019.



US Travel Industry Digital Ad Spending (billions)

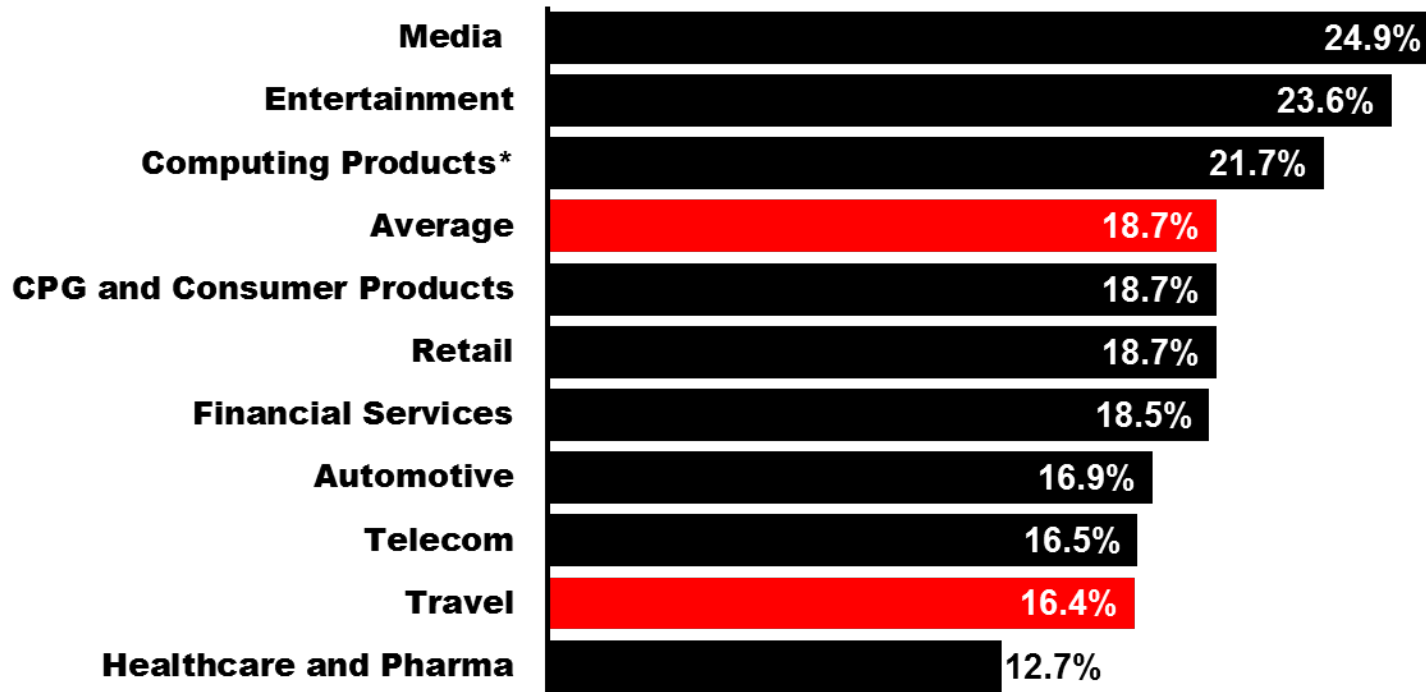
Travel brands are emphasizing brand messaging to generate direct traffic

“Creating personalized and immersive video content is more important than ever. Every travel destination has a story to tell, and it’s our job to deliver stories to the right audiences (within the right channels) in order to inspire and convert them.” —agency executive, VML

“We believe that brand marketing will also be an important part of driving direct traffic to our websites over time. ...When we find the right formula, when we find out exactly where we think it is doing very well, that’s where we’re going to open up, to speak it more and spend more. ” —Glenn Fogel, CEO, Booking.com, in a Q1 2018 earnings call

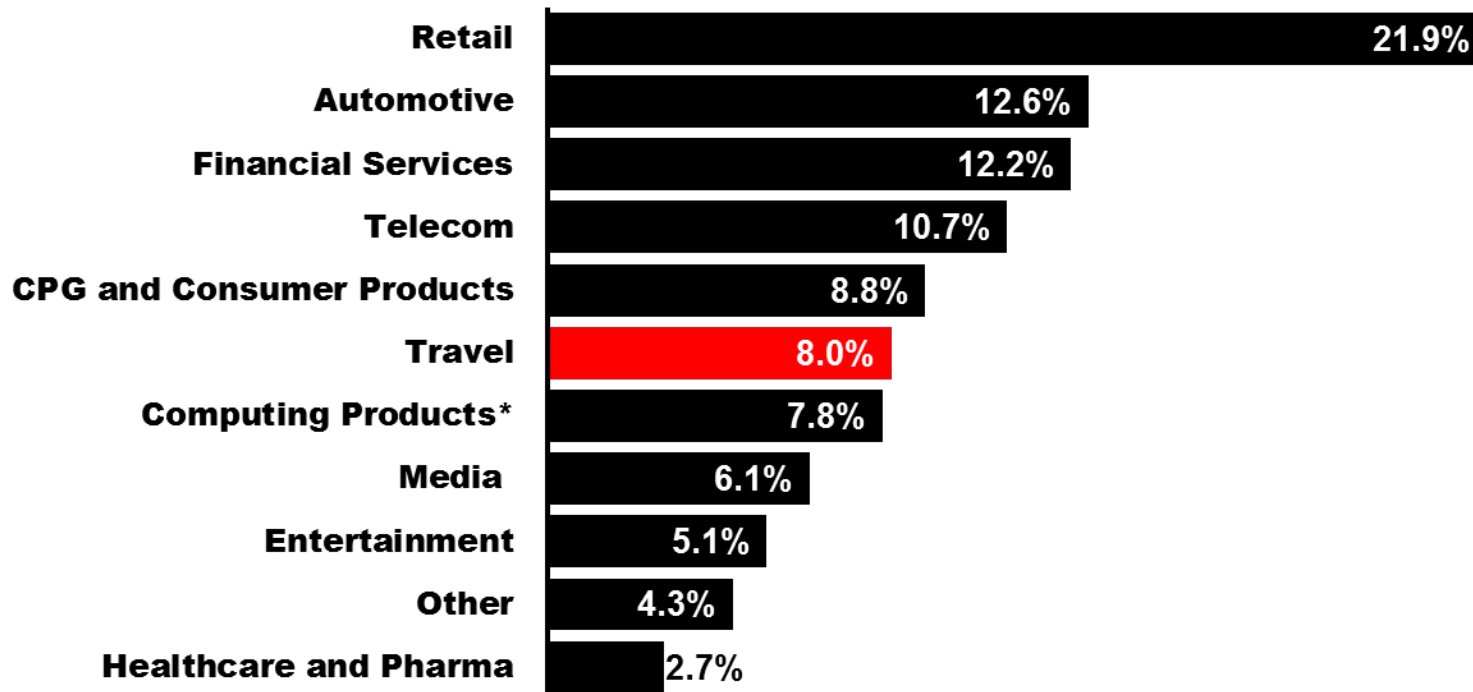
“We are trying to optimize a little bit more intelligently. It’s not just on Meta. It’s across the board, whether it’s **display or retargeting or traditional search.**” —Mark D. Okerstrom, President and CEO, Expedia Group, in a Q1 2018 earnings call

Renewed focus on TV will be responsible for below-average digital ad growth in 2018



US Digital Ad Spending Growth, by Industry, 2018 (% change)

Travel falls in the middle of the industry pack for share of digital ad spending

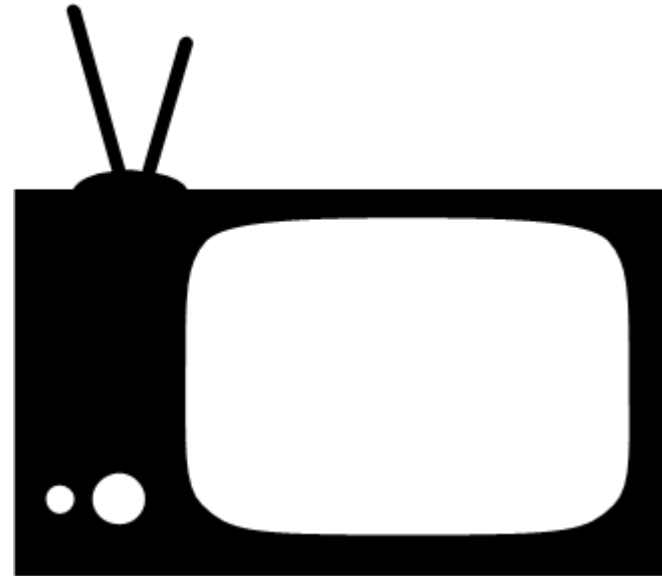


US Digital Ad Spending Share, by Industry, 2018 (% of total)

According to SMI, **TV ad expenditures grew 16%** among travel advertisers in 2017

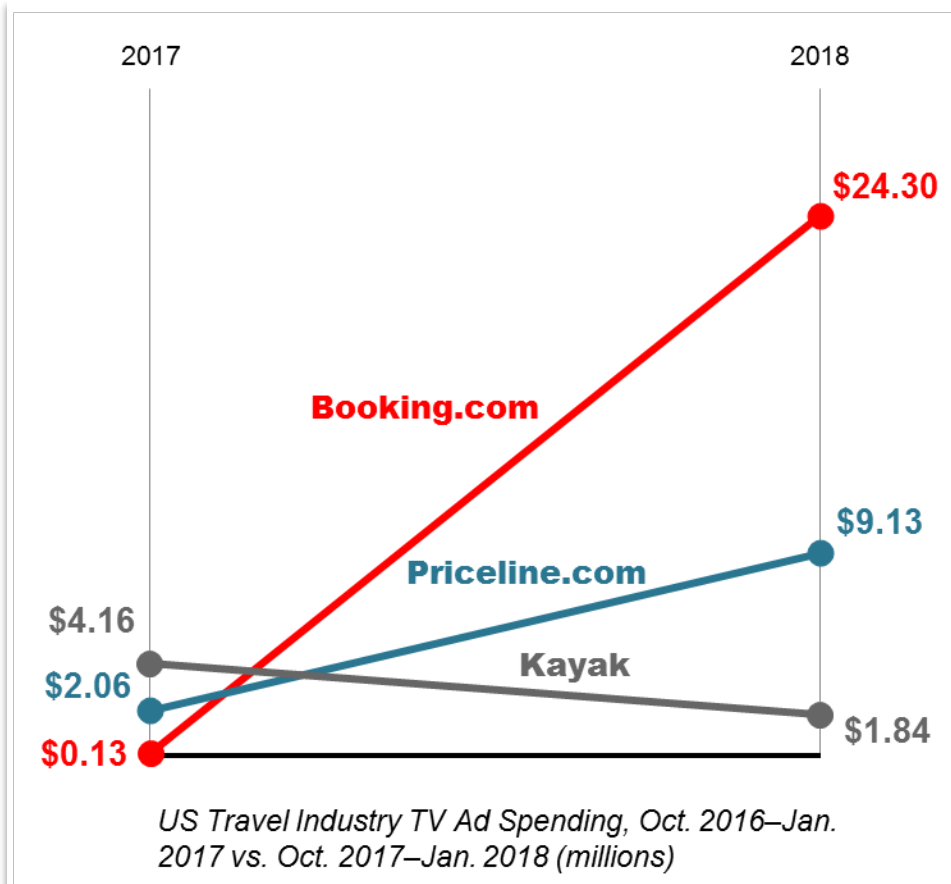
Standard Media Index also noted that **travel led all other industries in TV ad growth.** And this trend is expected to continue—as it's part of a long-term strategy for travel brands.

In its Q3 2017 earnings call, Booking.com said ROI from digital channels had fallen over the years, while measurement for TV continued to improve. The company revealed that it had **increased TV ad spending by 55% that quarter.**



Other OTAs increasing spending on TV range from large (TripAdvisor) to small (CheapOair). Since it takes time to build brand awareness, the results of these TV efforts will take time to pay off.

Booking Holdings has redistributed some TV ad spending from Kayak to other platforms



For example, **TripAdvisor did not advertise on TV** at all in 2016.

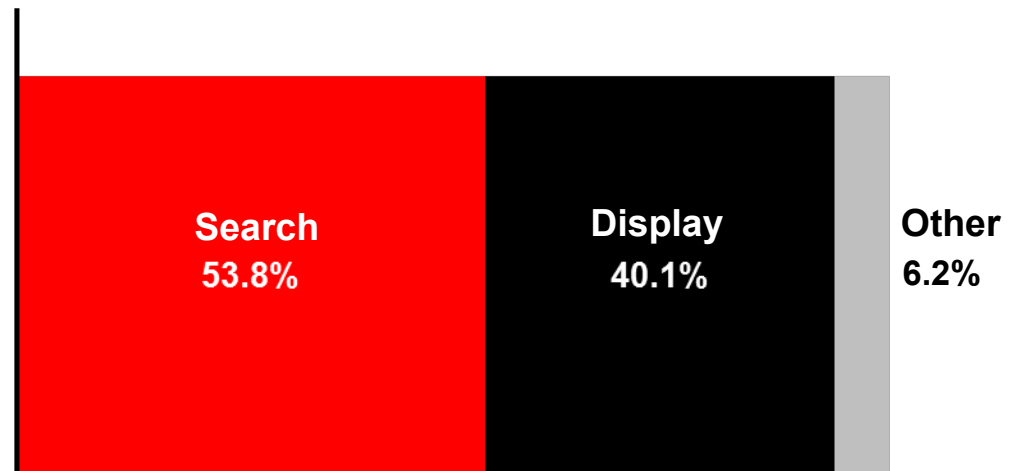
By comparison, from June to December 2017, the company spent **\$74 million** on TV advertising alone.

Digital Travel Ad Spending by Format

Paid search is travel's leading digital format, fueled by competition for search placement

Nearly half of OTA marketing execs in North America said **competition from search engines was the biggest pressure on business**, per a December 2017 Econsultancy and Adobe study.

Display advertising will benefit from OTAs and travel brands investing in TV. As companies look to encourage direct booking on their site, TV ads can potentially be repurposed for digital video advertising.

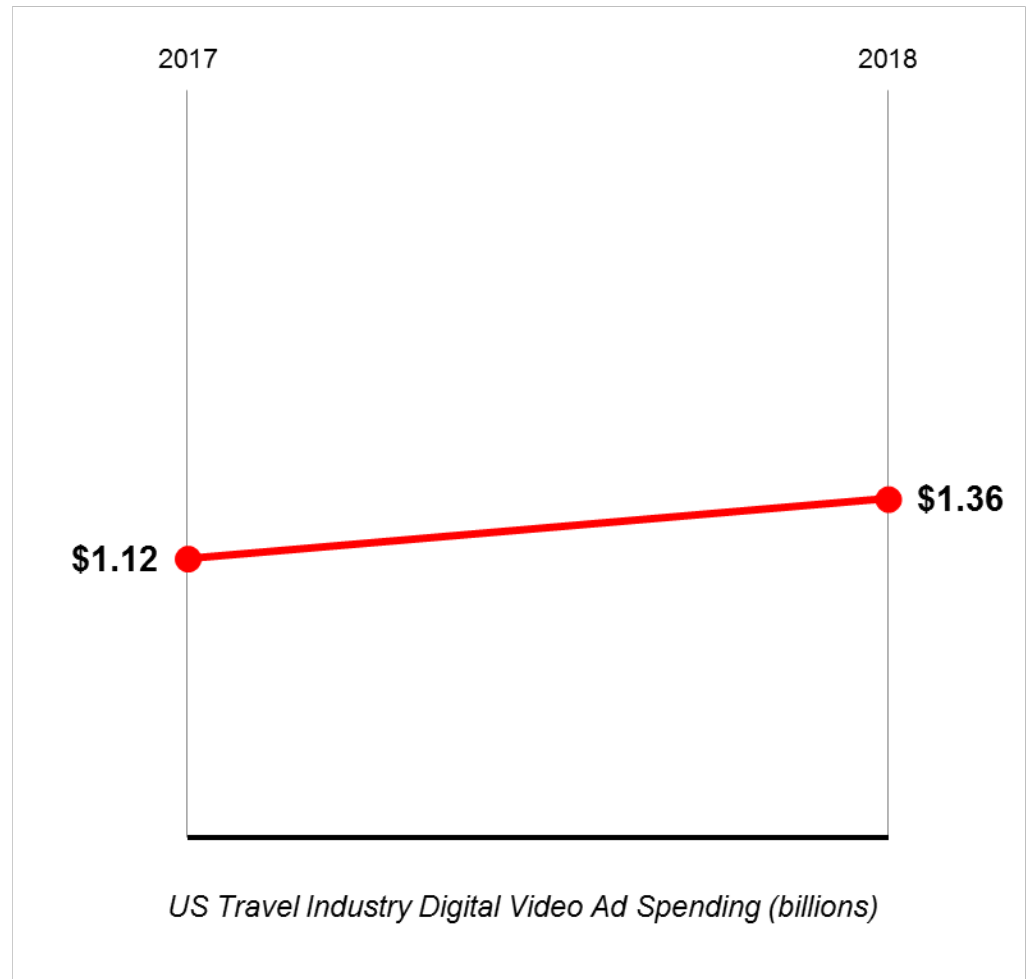


US Travel Digital Ad Spending Share, Search vs. Display, 2018

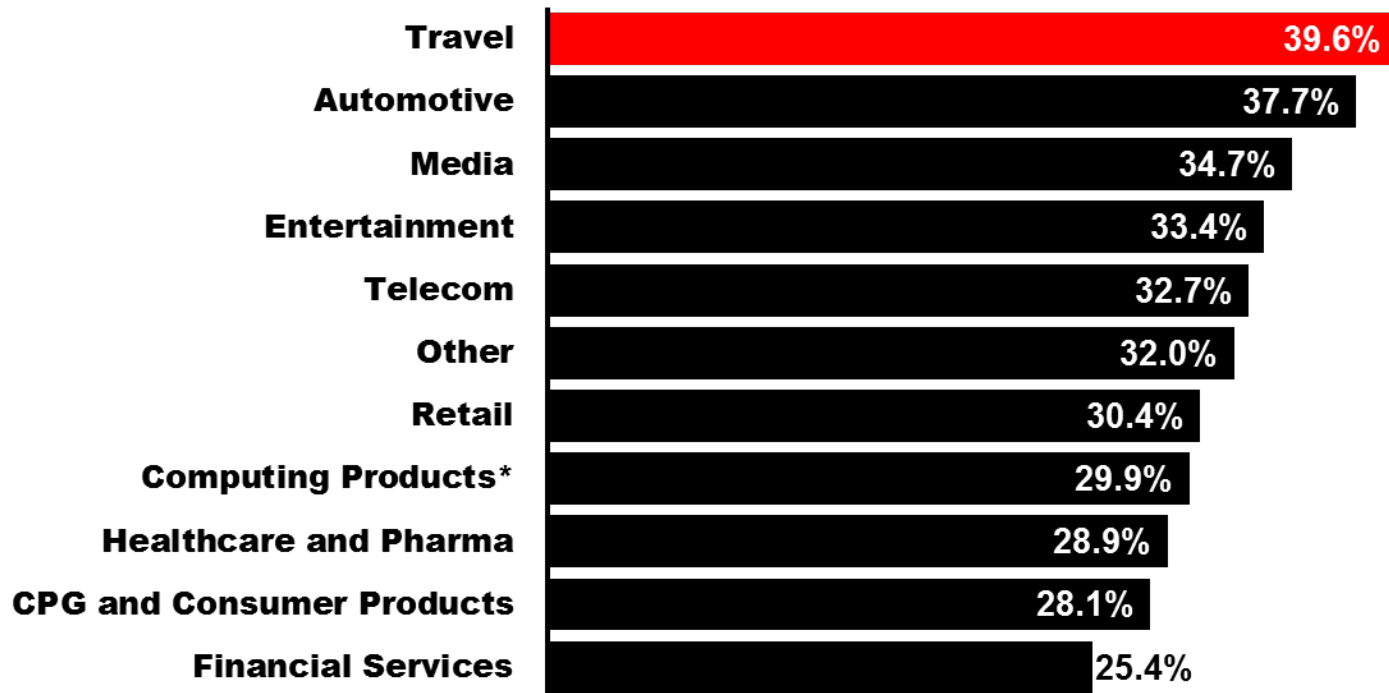
Video will represent 15.9% of the travel industry's total digital ad spending this year

According to digital ad analytics company Pathmatics, Trivago spent 57% of its display advertising budget on video in September 2017.

Hotels.com allocated 62% of display spending to video over the same period.

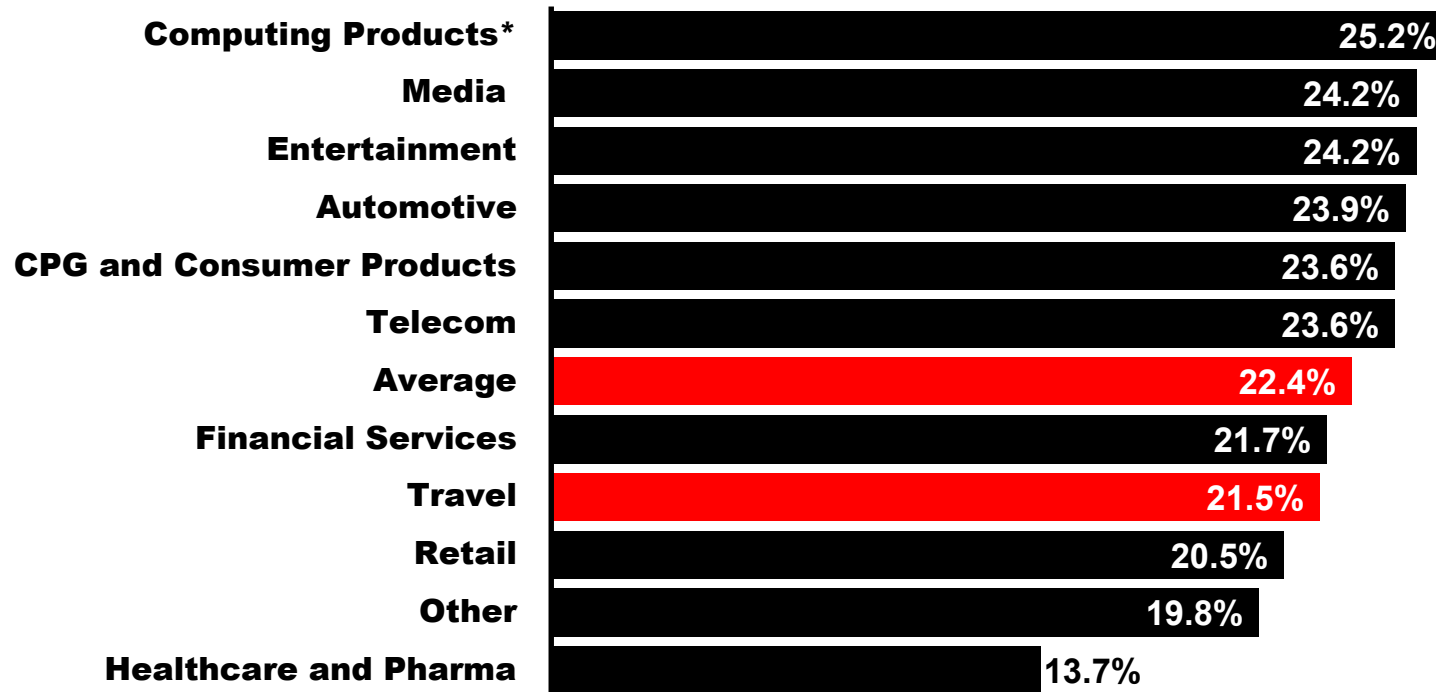


Although display advertising among travel brands is limited, video advertising is emphasized



US Digital Video Ad Spending Share, by Industry, 2018 (% of total display advertising)

Slowing digital ad investments will limit video ad spending for 2018



US Digital Video Ad Spending Growth, by Industry, 2018

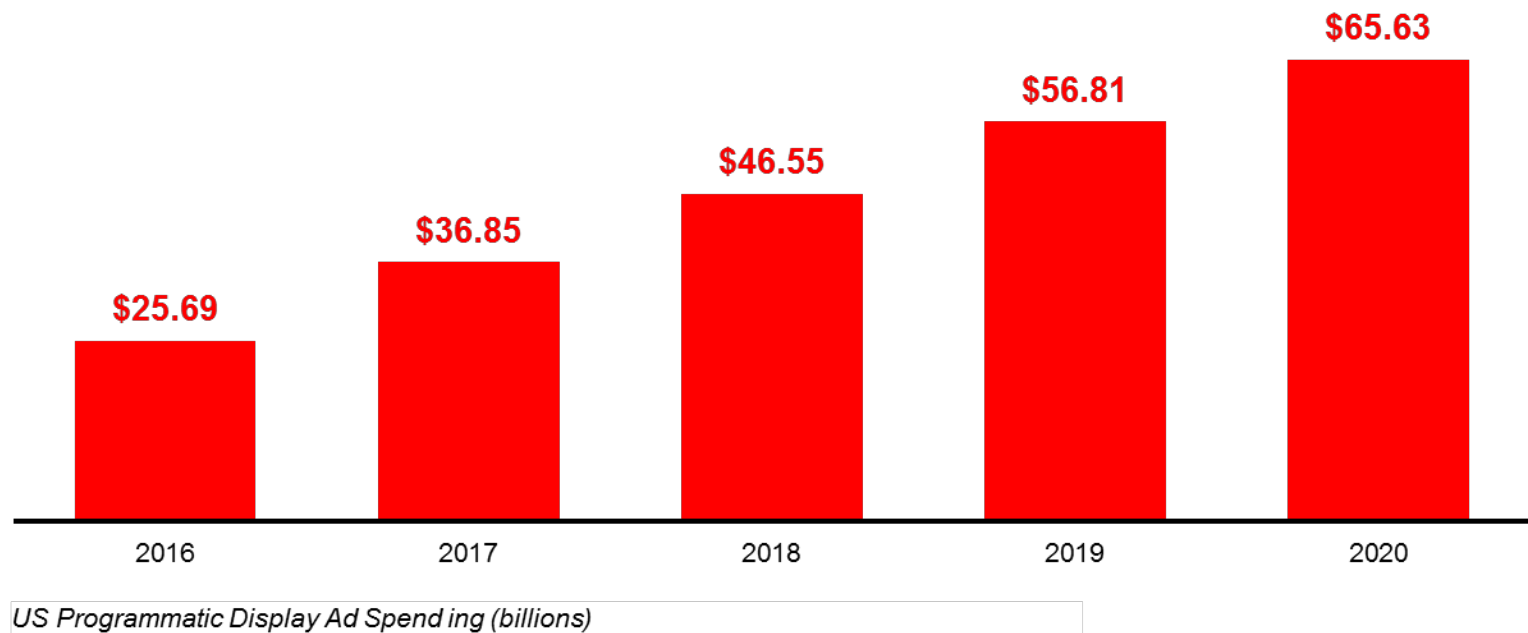
Social media is a key channel for travel companies to spread brand messaging

Though social makes up a small piece of digital marketing strategy for travel brands, **US travel companies consider social the most effective channel for brand marketing and awareness**, a December 2017 Phocuswright survey found. Respondents also ranked social as comparable to metasearch and search in effectiveness for bringing in new customers.

According to RhythmOne's 2017 "Influencer Marketing Benchmarks Report," travel was one of the leading industries for influencer advertising in 2017. Posts from a small set of US travel-based influencer campaigns generated \$11.80 in earned media value for every \$1.00 spent on campaigns. **Half of influencer campaigns ran video content, as well as photos and video posts to Instagram or Snapchat Stories.**



Travel's use of retargeting will help drive overall programmatic advertising growth

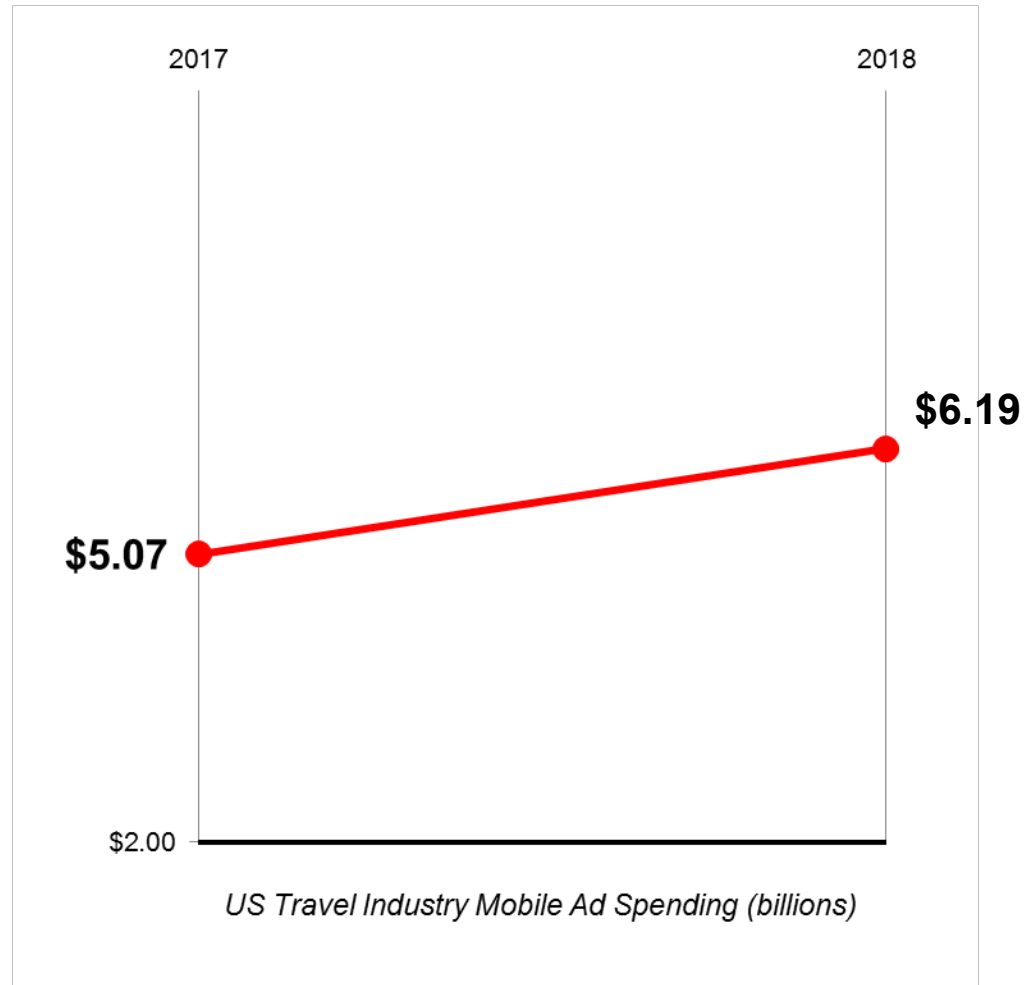


Travel brands are refining their use of first-party data for programmatic purposes

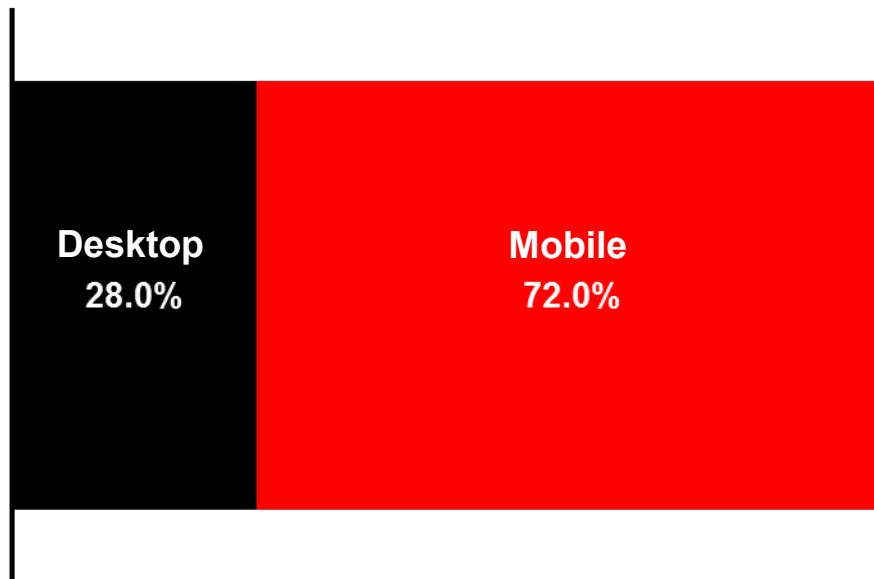
- **Half of travel marketing execs say their companies use first-party insights for programmatic buying**, per a survey from Econsultancy and Adobe. Usage of this data has been hampered by lack of integration with third-party platforms for targeting, along with the development time needed to build an in-house programmatic buying platform.
- “It took us almost a year to find the right people, optimize the team, optimize the channels and be happy with the results,” Marek Lacina, senior display manager at Kayak, said when speaking on in-house programmatic buying with the IAB in May 2018.
- **“One area that gets less public attention with travel is the prevalence of branding campaigns that leverage a brand’s first-party data** for targeting across video, TV and beyond. Brands can bring their own data to bear in a powerful way across all advertising.” —*Ian Monaghan, Product Marketing Manager, Adobe, in a February 2018 Tnooz article*

Mobile Travel Ad Spending

Mobile advertising in the travel industry has more than scaled to meet demand



Mobile ad spending is outsized when compared with its share of digital bookings



Desktop vs. Mobile Share of US Travel Ad Spending, 2018

According to internet marketing platform Criteo, **28% of US digital travel bookings in Q4 2017 were completed via mobile devices.**

Though this share is small, OTAs overinvest—especially compared with transportation brands—to capture the attention of travel researchers.

Additional Resources

Interviews

Lee Baler, *Senior Media Director, Planning and Investment, iCrossing*

Joseph Barbagallo, *Manager, Digital, Social and CRM, Jaguar Land Rover North America*

Alia Kemet, *US Digital Marketing Director, McCormick & Company*

Brian Krick, *Executive Vice President, Global Media Planning, Essence*

Jeremy Leon, *Senior Vice President, Media, Laundry Service*

Frank Puma, *Managing Director, Digital Investment, Mindshare*

Jeffrey Rothman, *Vice President, Marketing, Danone North America*

Brooke Skinner Ricketts, *CMO, Cars.com*

Shelagh Stoneham, *Senior Vice President, Brand Marketing, Chico's*

Agency sources, *VML*

Additional Resources

Sources

[Adobe](#)

[Criteo](#)

[Econsultancy](#)

[Interactive Advertising Bureau \(IAB\)](#)

[iSpot.tv](#)

[Pathmatics](#)

[Phocuswright](#)

[RhythmOne](#)

[Skift](#)

[Standard Media Index \(SMI\)](#)

[Tnooz](#)

Related Reports

[US Ad Spending: Facebook and Google to Capture Over One-Quarter of the Market](#)

[US Mobile StatPack 2018: An Atlas of eMarketer Forecasts to Keep at Your Fingertips All Year Long](#)

[Q2 2018 Digital Video Trends: Monetization, Audience, Platforms and Content](#)

[US Programmatic Ad Spending Forecast 2018: Private Setups Pull Even More Ad Dollars to Automation](#)

This StatPack is part of an eight-series package

About eMarketer's Industry Ad Spending Series

eMarketer breaks down ad spending for 10 industries annually. Each year, the package not only forecasts digital ad spending, but also examines the market forces that will determine how brands allocate budgets to digital channels.

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Digital Ad Spending Benchmarks By Industry: The Complete eMarketer Series for 2018

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US Telecom and Computing Products and Consumer Electronics Industries StatPack 2018: Digital Ad Spending Forecast and Trends