

Executive Summary

While the travel sector has continued to be amongst the worst affected by events in 2010 ranging from exploding volcanoes to a still stuttering economy, the industry has lost none of its hunger for perpetual innovation and change.

The standout statistics from the bigmouthmedia Online Travel Report 2011 indicate that enthusiasm for the nascent social media and mobile channels is set to continue unabated, with social strategies taking a larger share of budgets than email marketing for the first time. Meanwhile smart phone enabled enthusiasm for mobile grows, with 28% planning invest in apps development and 22% looking to build mobile sites over the course of the next year.

Digital's share of the overall marketing budget continues to grow - from 56% in 2010 to 60% in 2011 - with some 85% of companies planning to increase their spend in the months ahead. While the majority intend to do so by means of a direct investment, some 33% will transfer the funds across from traditional channels.

As you might expect, Online Travel Agents (OTAs) and comparison search engines have the largest budget share devoted to online marketing at 90%, while airlines and hotel companies have the lowest proportion allocated to online spend, with around 30% in 2010. However, this figure is set to increase to 33% for airlines and 38% for hotels in 2011.

An explanation of these trends may be found in the fact that satisfaction with ROI is increasing, and that many businesses are indicating that much effort will go into improving their measurement in 2011. Some 58% of those polled said that they intended to introduce attribution modelling to calculate ROI for their online marketing spend in the year ahead.

Marketing Budget Allocation & Online Advertising Spend

A key objective with the Online Travel Survey was to understand how large shares of travel companies' budgets are allocated to online spend, and how this differs between different sub-verticals. We found that:

- The online marketing share of budgets continues to increase, from 56% in 2010 to 60% in 2011 (see figure 1).
- Online Travel Agents (OTA) and comparison/meta search engines sites have the largest share of online marketing budgets at 90%. OTA's reported to decrease their online budgets from 95% to 90% of total budgets (see figure 2).
- Airlines and hotel companies have the lowest share of marketing budgets allocated to online spend, with around 30% in 2010. This figure is set to increase to 33% for airlines and 38% for hotels in 2011 (see figure 2).

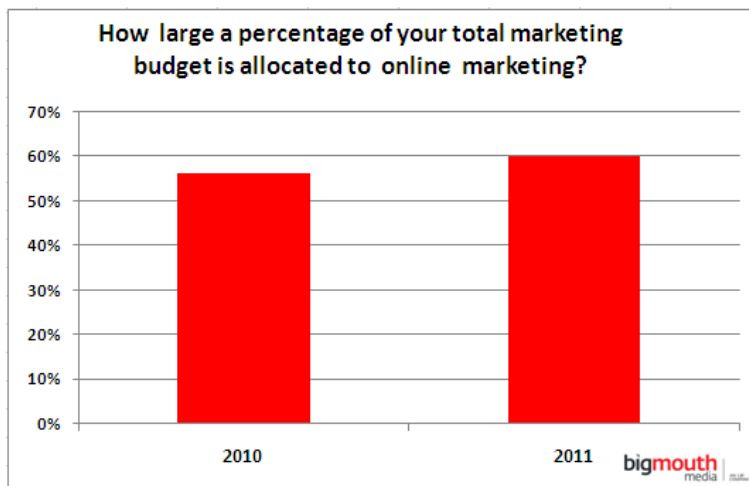


Figure 1 – The percentage of total marketing budget allocated to online marketing

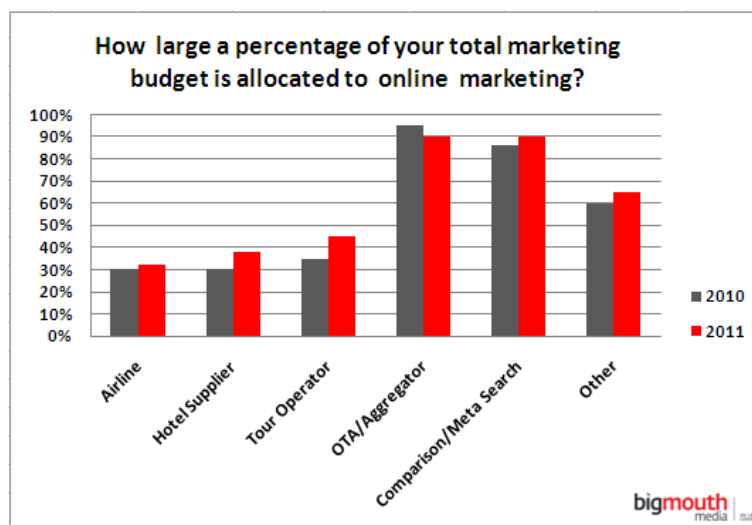


Figure 2 – Budget allocation by channel and sub-vertical in 2010-2011

Note: the category 'other' consists of ferry, train, car hire and other travel companies.

Budget Split by Channel

We also wanted to understand how large shares of travel companies' budgets are allocated to different online channels, and how this differs between different sub-verticals and how it will change in 2011. We found that:

- PPC retains the lion's share of online budgets at 36%, an increase of 2% from last year.
- SEO has increased to 20% from 18% last year.
- Social media now accounts for 8% of online budgets, edging ahead of email (see figure 3A).
- Affiliates have stayed constant at 10% and Email is down 2% to 7%.
- Display accounts for 16%, down one percent from last year's survey, where many companies reported they were considering cutting down on this channel.

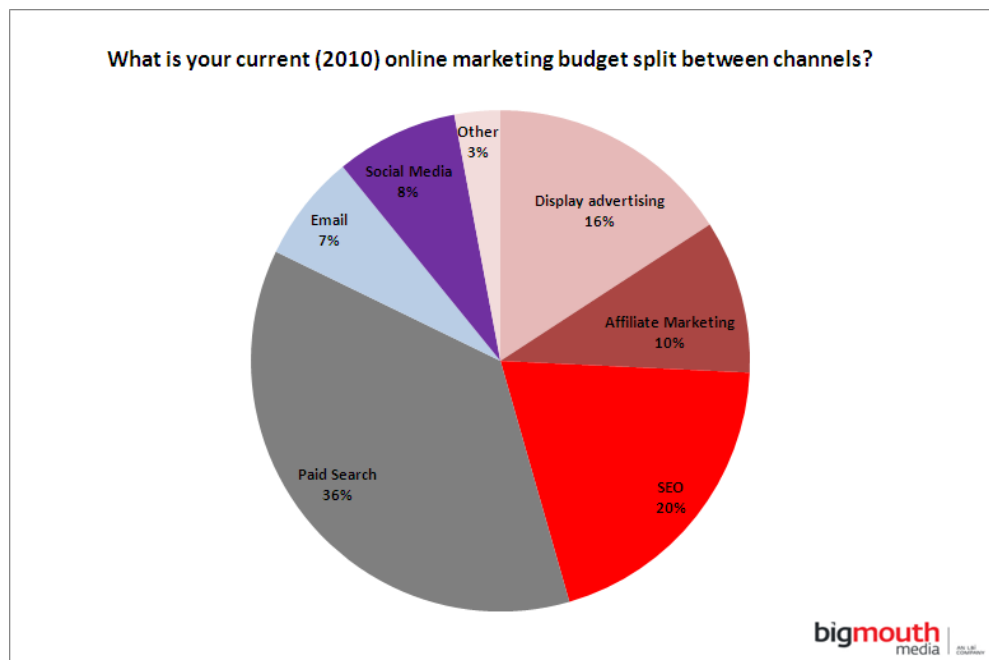


Figure 3A – Online marketing budget split between channels

- Online travel agencies (OTA) have the highest reliance on paid search (47%), followed by Airlines and Comparison/Meta search engines at 40%. Hotels and Tour Operators both invest 35% in Paid search.
- The category 'Other' invest the most in SEO, followed by OTA's with 22%, and Hotels and Tour Operators at 20%. Airlines invest the least in SEO with only 15% of budgets allocated to organic search.
- Hotels and OTAs both invest 8% in social media while Airlines and Tour Operators invest 6%. Again members of the other category have a higher proportion of budgets apportioned to social media at 10%.

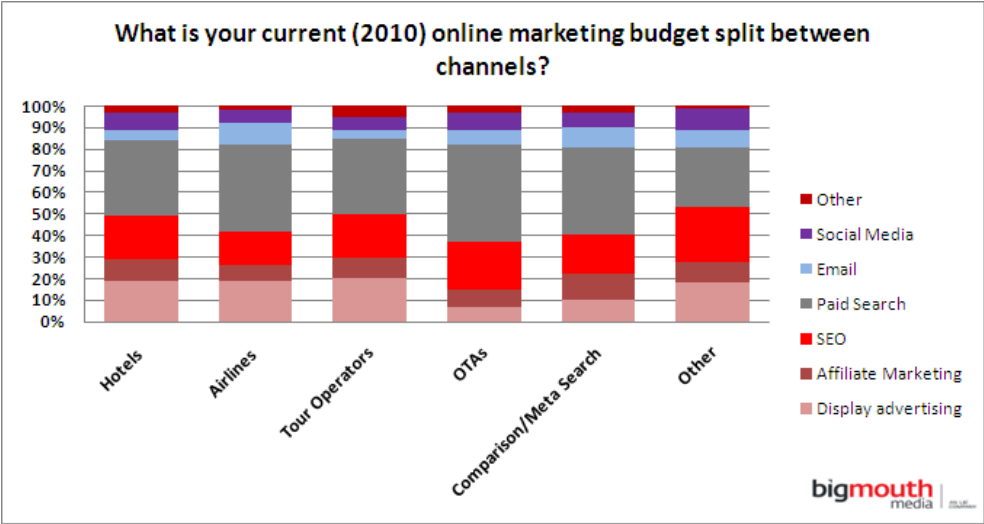


Figure 3B – Budget allocation by channel in 2010 by travel sub-vertical

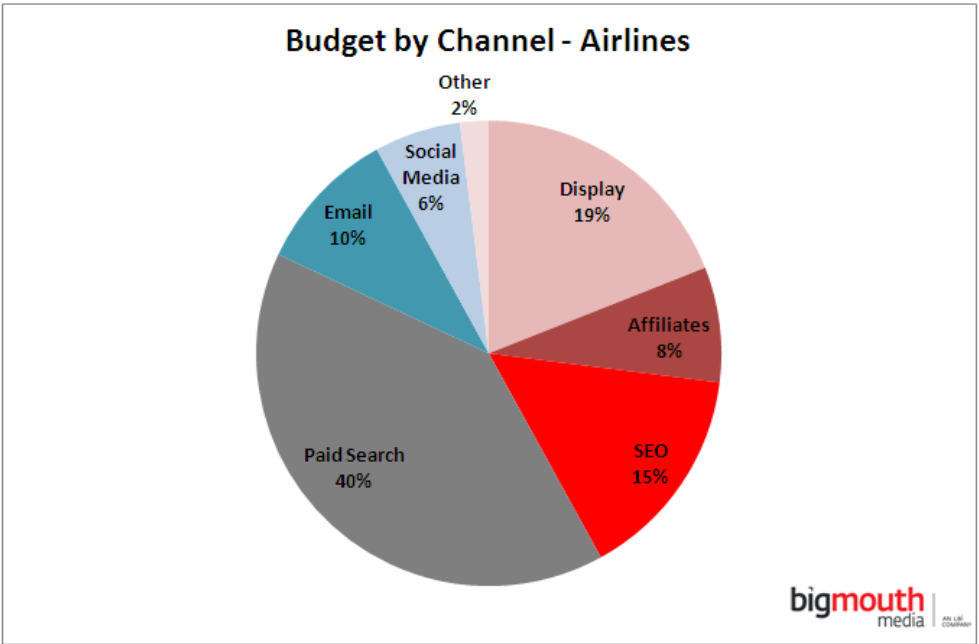


Figure 3C – Airline budget allocation by channel

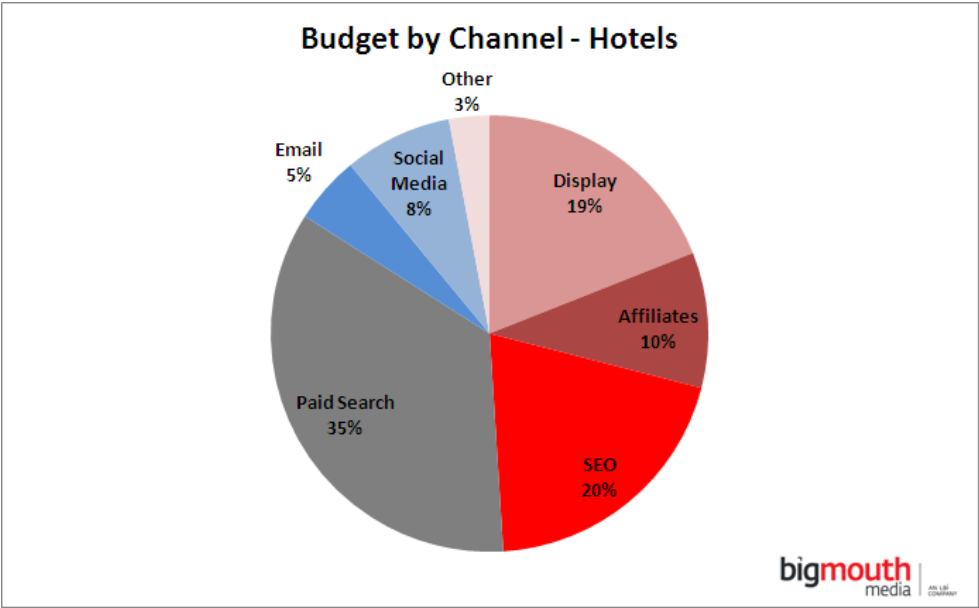


Figure 3D - Hotel budget allocation by channel

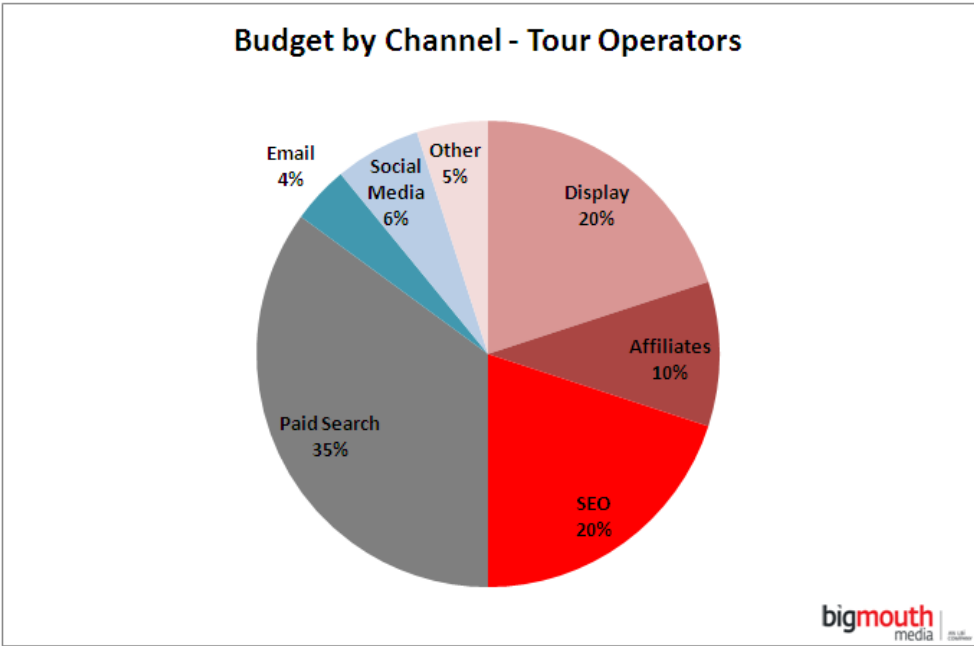


Figure 3E - Tour Operator budget allocation by channel

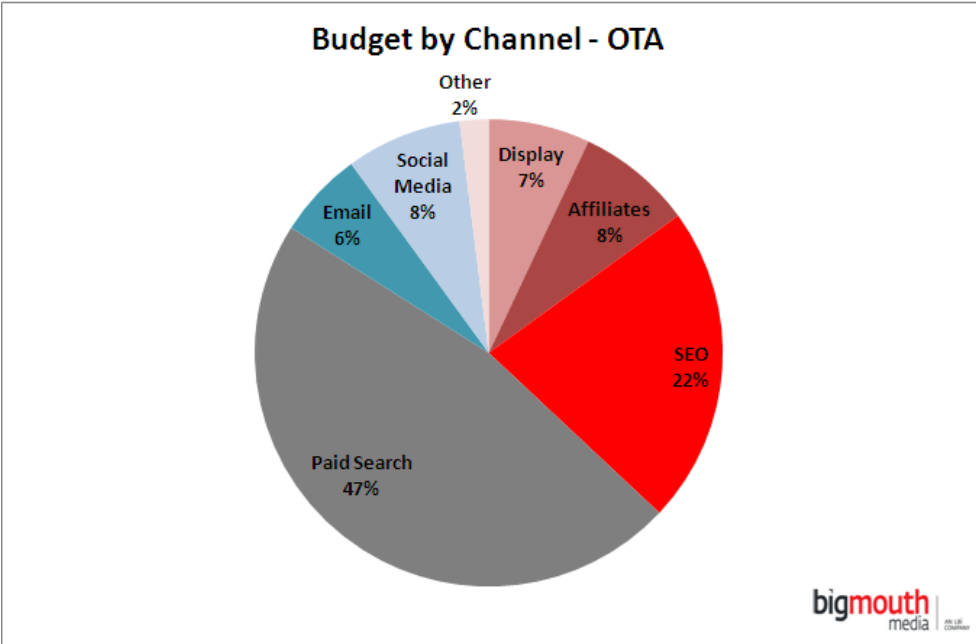


Figure 3F – OTA budget allocation by channel

Budgeting & Channel Shifts

Some 85% of companies will increase online marketing budgets in 2011, arriving at a final allocation by three routes:

- 33% plan to shift away from traditional advertising.
- 37% will increase budget with no change to traditional advertising.
- 30% intend to increase budgets in both traditional and online advertising.

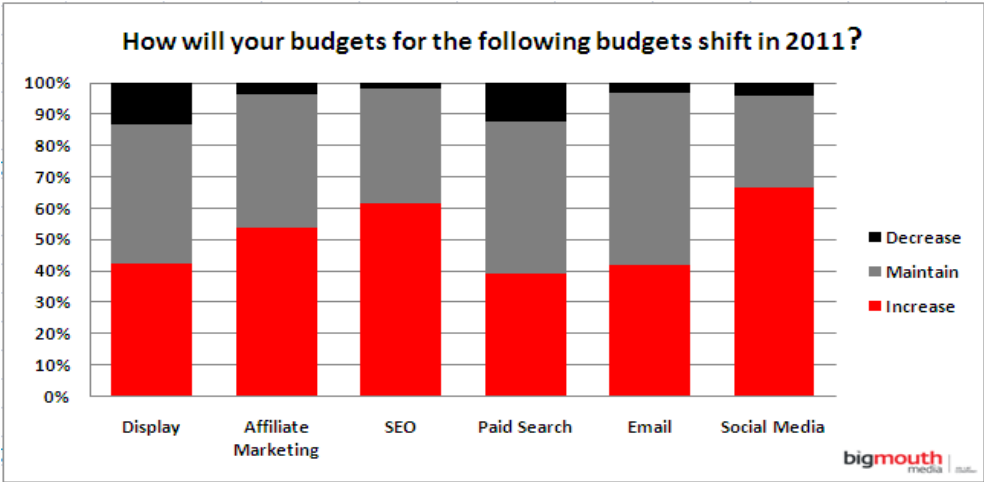


Figure 4A – Budget change by channel in 2011

Change in online budget allocation by channel in 2011, results broken down by sub-vertical

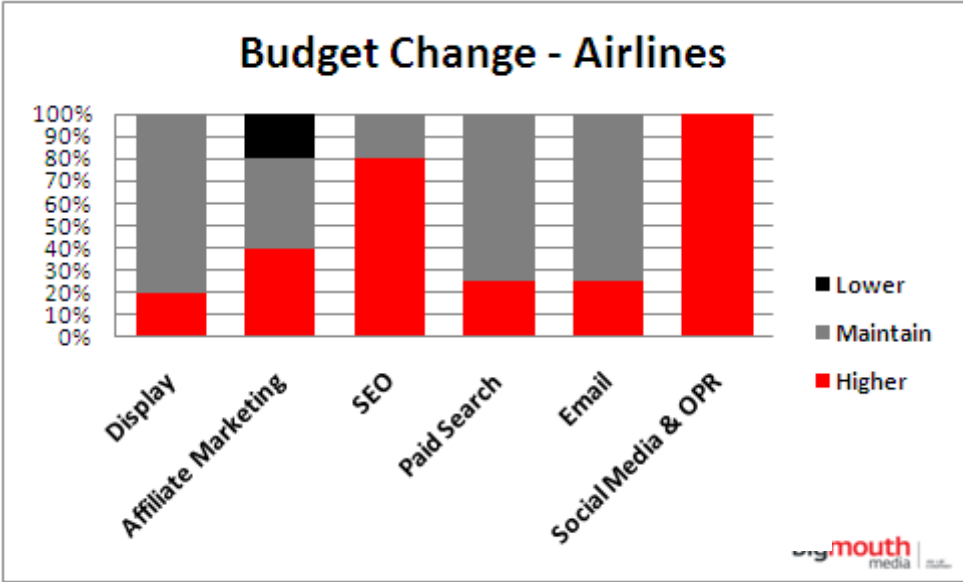


Figure 4B – Airlines budget change by channel in 2011

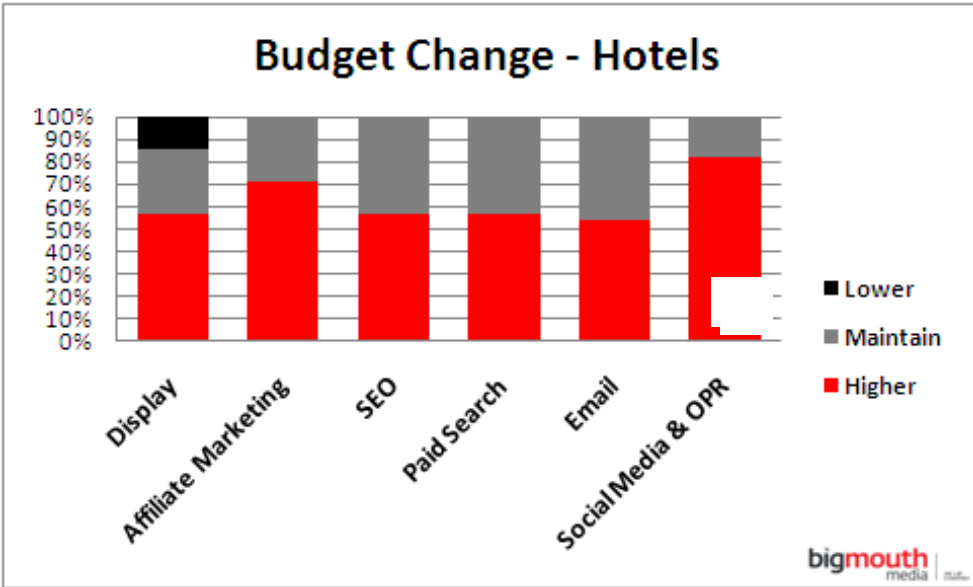


Figure 4C – Hotels budget change by channel in 2011

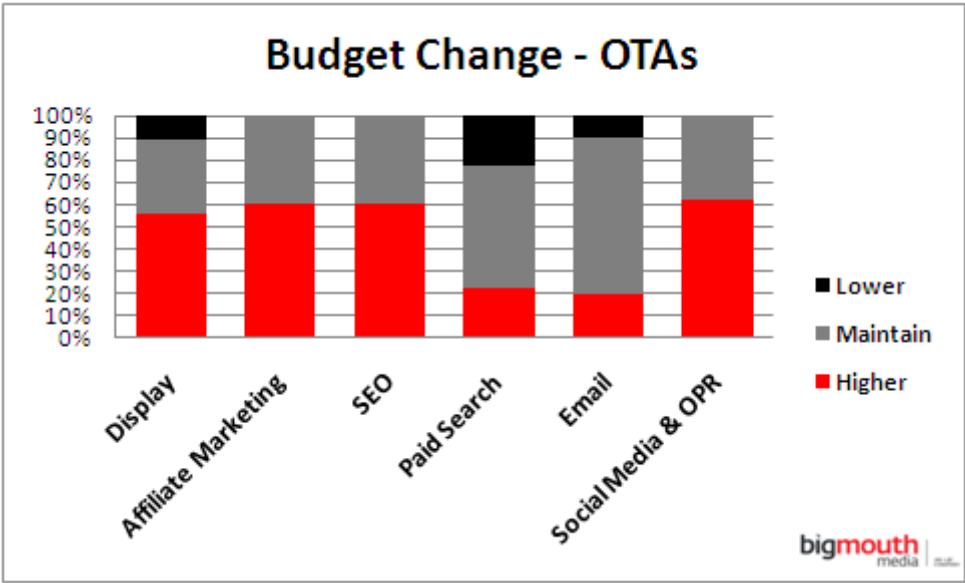


Figure 4D – OTAs budget change by channel in 2011

Return on Investment

For the first time, we asked participants in this year's survey to tell us about the ROI they are getting from their digital marketing spend.

- Almost 80% of all respondents state that the ROI has increased in 2010.
- The ROI had increased by an average of 15% responses ranged from 2% to 40% and most companies answered 10%.
- 58% of those polled said that they intended to introduce attribution modelling to calculate ROI for their online marketing spend in the year ahead.

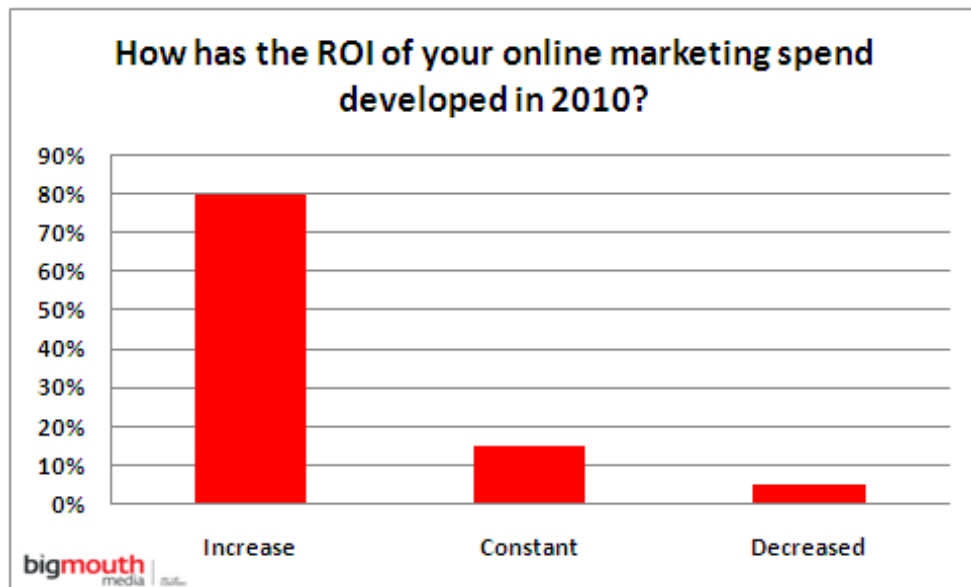


Figure 10 – Trends in ROI

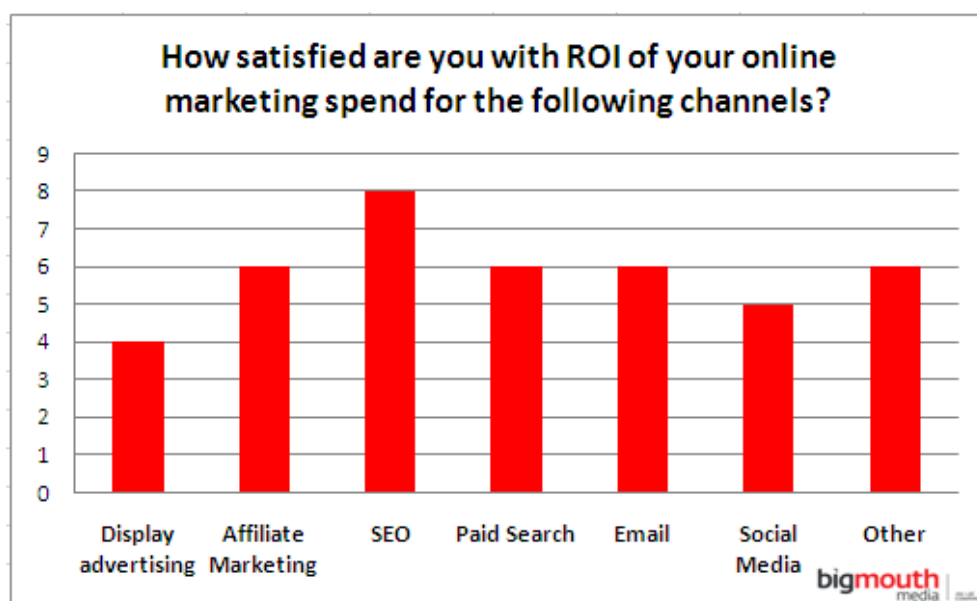


Figure 11 – Satisfaction with ROI by channel (1=extremely dissatisfied, 10=extremely satisfied)

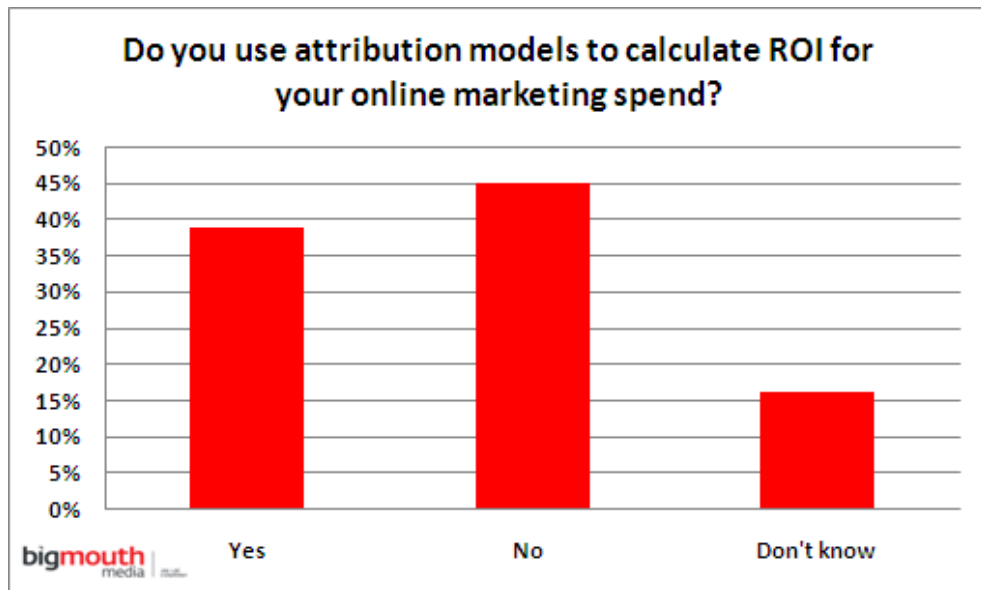


Figure 12 – Use of attribution models for ROI calculations

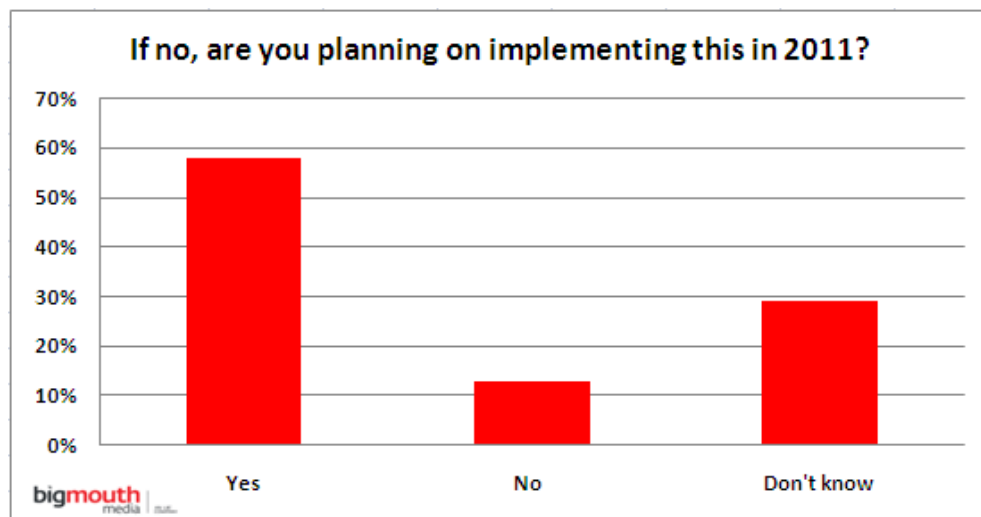


Figure 13 – Plans to implement attribution models for ROI calculations in 2011

Social Media

Over the course of 2010 the social media channel has matured rapidly, with an increasing number of companies investing in engagement strategies. We asked respondents to provide us with a snapshot of their activities.

- Despite burgeoning interest in the channel, with 78% of companies getting involved, some 37% of those do not have any particular resources dedicated to social media.
- The industry is equally divided on measuring the ROI of social media campaigns, with the same proportion measuring it as not.
- For those that do measure ROI, bookings and direct traffic remain the most important metrics, whilst conversations and interactions were only used as metrics by 15%.

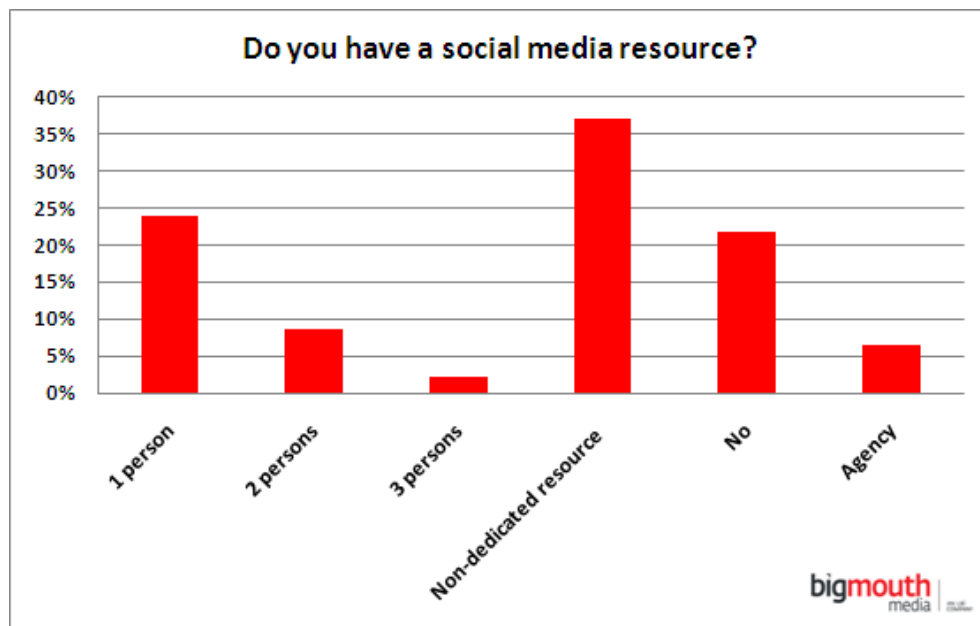


Figure 14 – Social media resource allocation

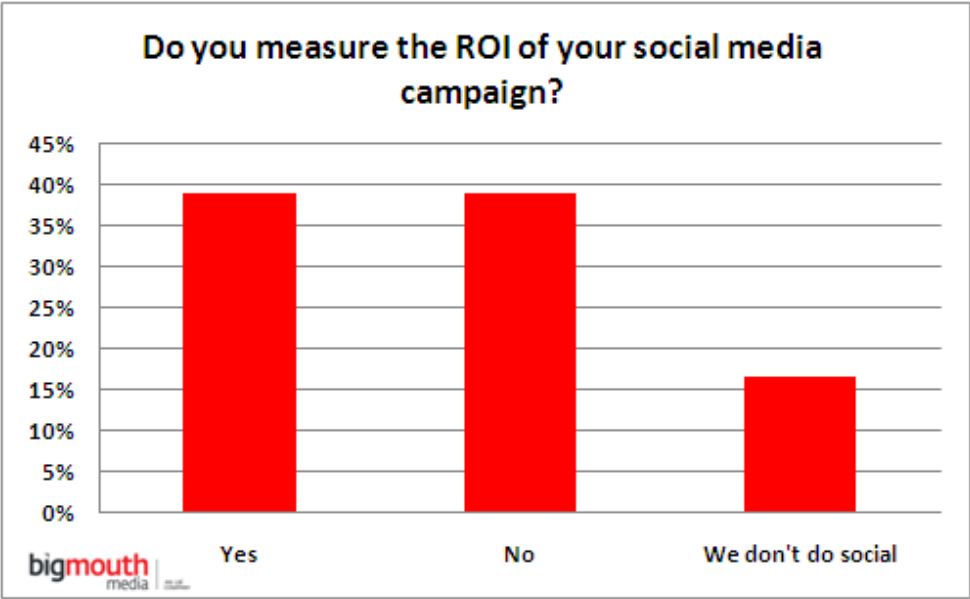


Figure 15 – Measurement of social media ROI

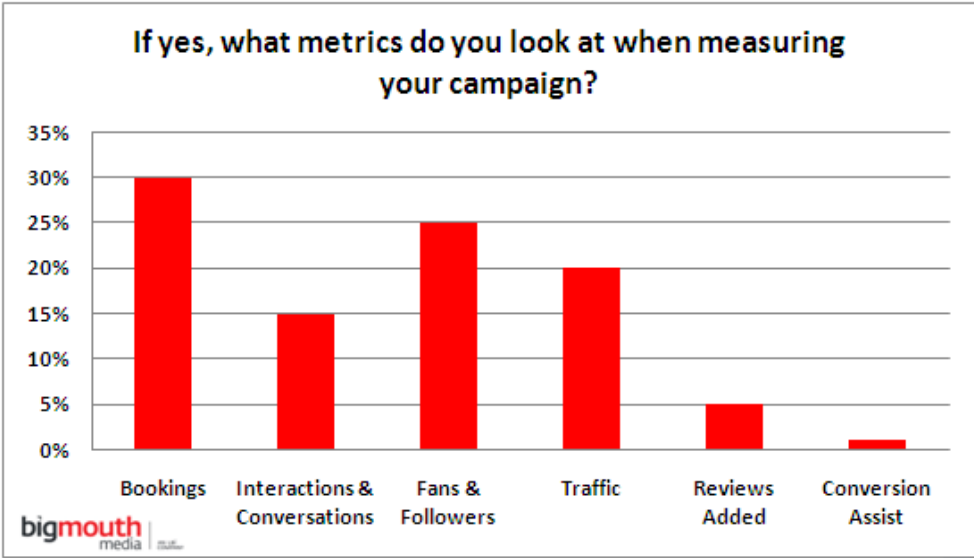


Figure 16 – Metrics used when measuring social media campaigns

Innovations

If necessity is the mother of invention, the economic challenges facing the travel sector certainly appear keen to innovate their way through the post recessionary landscape. Evidence from the survey shows that travel companies plan to continue developing new methods of connecting with customers, with social media and mobile coming top of the channels targeted for growth.

- Social media, Facebook page, YouTube and Twitter were the innovations most travel companies focused on in 2009.
- In 2011, social media is continuing to be high on the agenda with 40% of travel companies implementing some form of social media innovations.
- The mobile channel continues to excite, with 28% planning invest in apps development and 22% looking to build mobile sites
- Video marketing looks set to continue its steady growth, with 14% plotting to increase their investment in viral video.
- YouTube Annotations is attracting strident interest, with 17% of respondents planning to invest in the new technology, and similarly 22% are planning to exploit Facebook places in 2011.

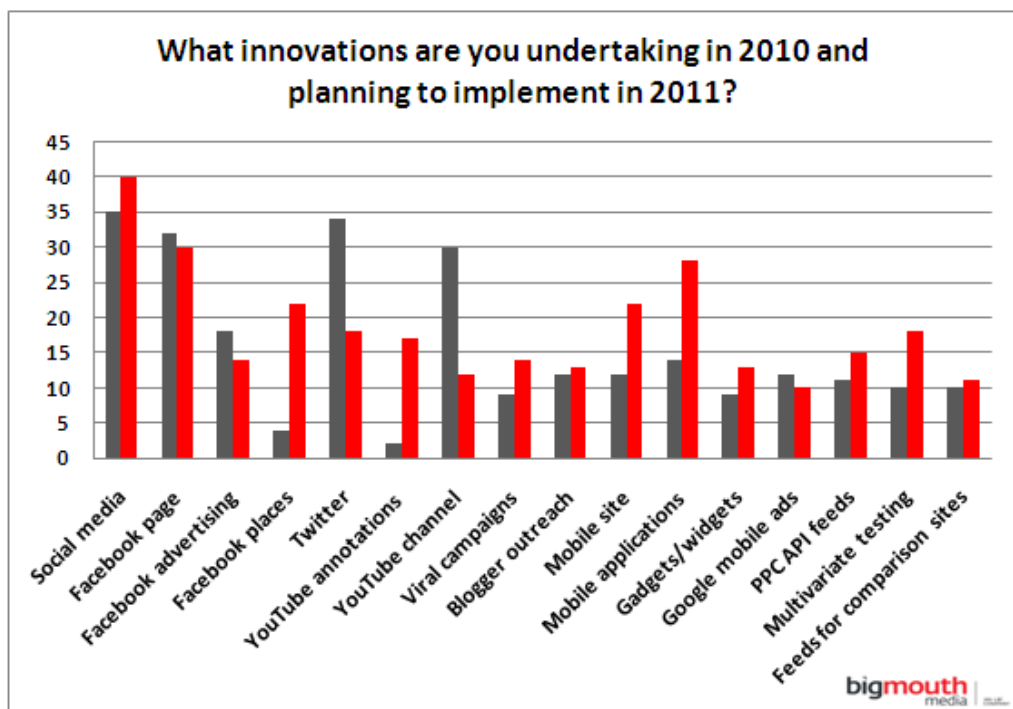


Figure 17 – Online innovations & activities undertaken in 2010 (grey) and planned for 2011 (red)

Recommendations: 5 Killer Strategies for 2011

1. Be authoritative

Search engine optimisation today is all about ART – Authority, Relevancy and Trust. In order to become an authority in the increasingly complex world of search, companies need to supplement traditional approaches to SEO, where campaigns are based on research around historic search trends, by undertaking pre-emptive optimisation. This killer strategy is about being the first to coin a new phrase or keyword, which results in Google ranking your site as more authoritative.

These days Google places significant emphasis on looking for ‘authority sites’ that come up with a new phrase or keyword, and sophisticated digital marketers will be spending at least some of their time speculating over what the next big buzzwords will be in their sector.

2. Get mobile

Mobile phones will overtake PCs as the most common internet access devices worldwide by 2013, and as a result every company needs to get ready for the mobile revolution. At this stage, it is important to undergo a thorough research and strategy building phase to ensure that the subsequent campaign management and advertising undertaken maximises results. Mobile is becoming an important revenue driving channel, and travel companies need to put in place solid strategies around their mobile sites and advertising to become successful.

Many companies will also be investigating the apps market, but even more important than having a great idea for an application will be coming up with an even better plan for how to market it. With more than 250,000 apps available for download on Apple’s iStore alone, getting people talking about yours will be a critical component of any successful formula. Geared to maximise the benefits of your social networks, the launch plan should cover all channels and tap in to loyal customers first.

3. Borrow the best from other sectors

If they are serious about gaining the competitive edge in 2011, travel companies need to follow the example of other sectors and become more creative.

Many would do well to learn from the retail sector, which has been particularly inspired in its use of a raft of innovations from YouTube annotations to Twitter. Examples of great video virals or social media campaigns from travel businesses are few and far between - perhaps because as an industry we tend to be too focused on ROI - and, as a general rule, tend to lack the creative flair that has seen companies in entertainment and retail reap rich rewards. Moving into 2011 social media will become an integrated part of the online marketing mix, and travel companies have to embrace innovations and creativity in order to become successful therein.

4. Get your social media measurements & metrics right

Currently travel companies are failing to measure the success of social media, and as more budgets are being allocated to social it is crucial to get the measurement and use of metrics right. The most common mistake is that marketers fail to identify their objectives, focus on the most easily available metrics, and ignore the most important metrics because they are hard to measure. There are a lot of different perspectives you can measure, and different stakeholders will need different metrics dependent on their role in the organisation.

According to Forrester Research, to properly value the impact of their social media marketing investments, interactive marketers must align their objectives, metrics, targets, and strategies across four perspectives – the financial perspective, the digital perspective, the brand perspective, and the risk management perspective¹.

The key is to define your objectives across the different areas of business that your social media strategy impacts and implement measurements that help to identify its impact.

5. Use Attribution Models to improve your online marketing campaigns

Currently most travel companies still deploy the 'last click wins' model when measuring the success of online marketing activities. This model is flawed especially in travel as research is a huge part of the purchase process and, unless we understand the user engagement prior to purchase, we will not be able to understand the true ROI of our online marketing activities. It's time to implement attribution models, i.e. attributing or allocating the value of a sale to the marketing activities that generated or drove it. The goal of attribution is to understand what activities are actually working so that you can do more of them and change the activities that are not working well.

Attribution models needs to be carefully designed as they certainly are not 'one size fits all'. Throwing out last click wins and implementing a complex and inappropriate model can be a pitfall. The key is to use analytics data to get a picture of how people interact with your website and use a technology that enable sophisticated attribution modelling. As a result, the business will finally understand how their online marketing activities work at all consumer touch points, can optimise each touch point, budget accordingly and be more successful in their online marketing.

Methodology

The survey was sent out to bigmouthmedia's and LBI's database of travel clients and prospects, as well as to Tnooz – a third party website specialising in providing news and insights to the wider travel industry (www.tnooz.com). In total 79 travel companies responded to the survey. Answers that had been completed by non-travel companies have been filtered out so as to focus on the findings relevant to the travel market.

¹ Source: Forrester, *The ROI of Social Media Marketing by Augie Ray, July 16th 2010*