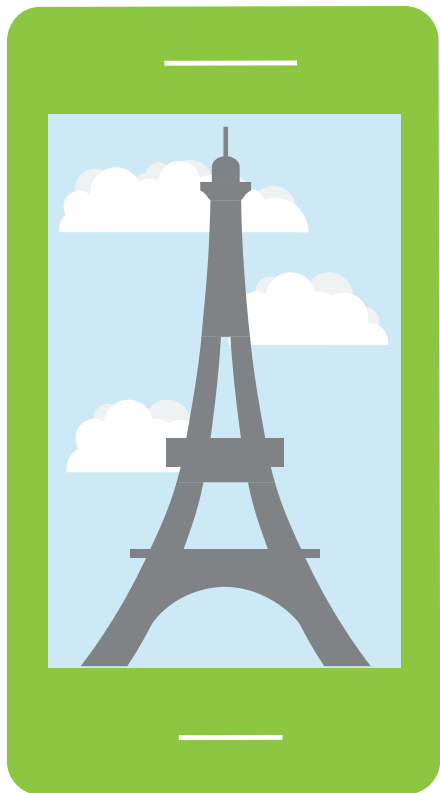
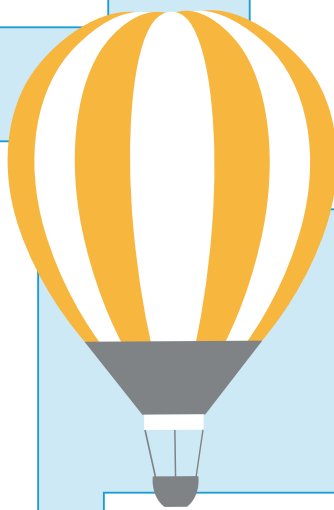


SPOTX

TRAVEL & TOURISM:
HOW DIGITAL VIDEO IS CHANGING ENGAGEMENT





TRAVEL & TOURISM

HOW DIGITAL VIDEO IS CHANGING ENGAGEMENT

Travel and tourism is one of the many industries that has been reshaped by technology. The emergence of the internet shifted work from travel agents and put travel planning squarely in the hands of the consumer. While consumers may still turn to travel agencies for exotic travel such as safaris, extended cruises, or cycling the Italian wine country, for the most part across the majority of leisure and business travel, consumers now choose to do their own planning and booking.

And with consumers in charge of their own travel destinies, travel and tourism brands have had to pivot their advertising strategies. The :30 or :60 ad on TV is no longer solely going to motivate a consumer to choose a destination or airline or hotel without doing further research. That TV viewer now has in-depth information, access to current customer reviews and competitor comparisons at their fingertips, and they are taking full

advantage of that information to quell their fears about the purchase of a bigger ticket item such as vacationing. The information is out there and they are reading it, or more likely, they are watching it – and not only on a TV screen. There is nothing like the sight, sound, and motion of video to catch consumers' attention and help them picture what a vacation on the beach, skiing in fresh powder, or taking a cruise to Alaska would actually be like.

And as answer to the call of the changing video landscape, travel and tourism marketers, brands, resorts, airlines, tourism boards, destination marketing organization (DMOs) and buying agencies are tapping into the power that digital video brings into the hands of their potential customers.

However, as with any major disruption to an industry, the changes bring both challenges and opportunities for advertisers.

“ eMarketer estimates that US internet users spent an average of 55 minutes per day with digital video via mobile and desktop/laptop devices in 2014, an increase of 11 minutes over the previous year. ”

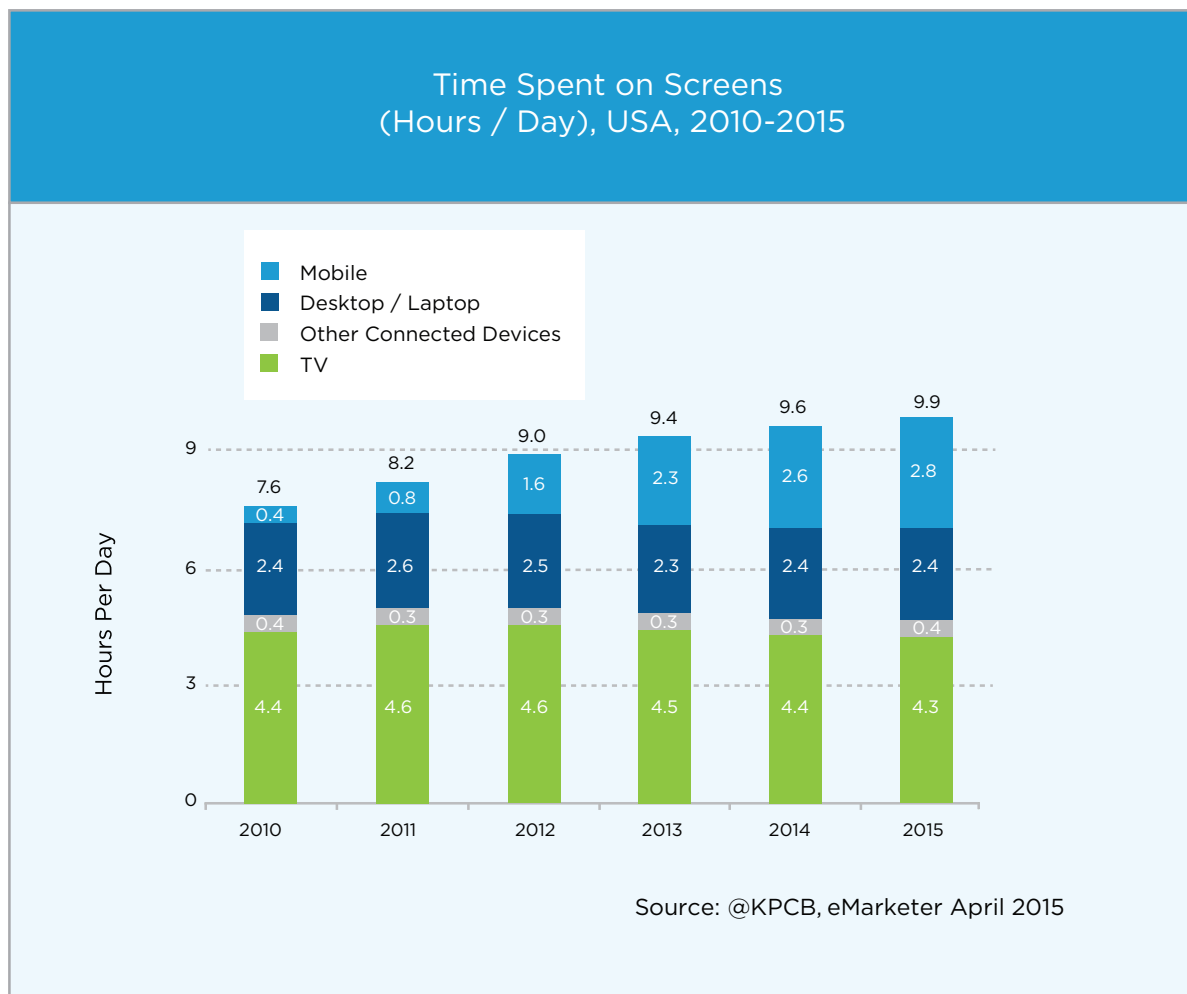
- eMarketer report on the Rise of Digital Video in the Travel Industry, 2015

Challenges

Shifting Consumer Behavior

As technology progresses, we are experiencing a consumer shift that takes video consumption out of the living room, a fairly static environment, and into the workplace, commute, doctor's office lobby, train station, airport gate and so on. Advertisers now need to connect with consumers who are on-the-go,

wherever they are, by delivering content into their hands, and that is a moving target. As discussed throughout the industry over the past year, consumer audiences are rapidly fragmenting across screens and devices, as they adapt to a steadily growing range of choices for watching video content.



Millennials

When we talk about the migration from TV to desktop to mobile device, we also need to talk about generational differences. Because, millennials have most definitely arrived. This tech savvy, health-conscious, well-educated, non-brand loyalist sector of the population is coming into their prime spending

years. According to AdAge, millennials will spend more than \$200 billion annually, starting in 2017 – and will spend \$10 trillion in their lifetimes. And brands are scrambling to access and engage the shorter attention spans of 18-34 year olds. According to Andy Kiersz, Business Insider May 2014, “Overall, while millennials face economic headwinds, they’re poised to become a highly technologically-capable consumer force in the coming years.”



“

It finally happened: This year, millennials surpassed baby boomers as the largest share of the U.S.’s voting-age population.

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– Zara Kessler, Bloomberg View, 2015

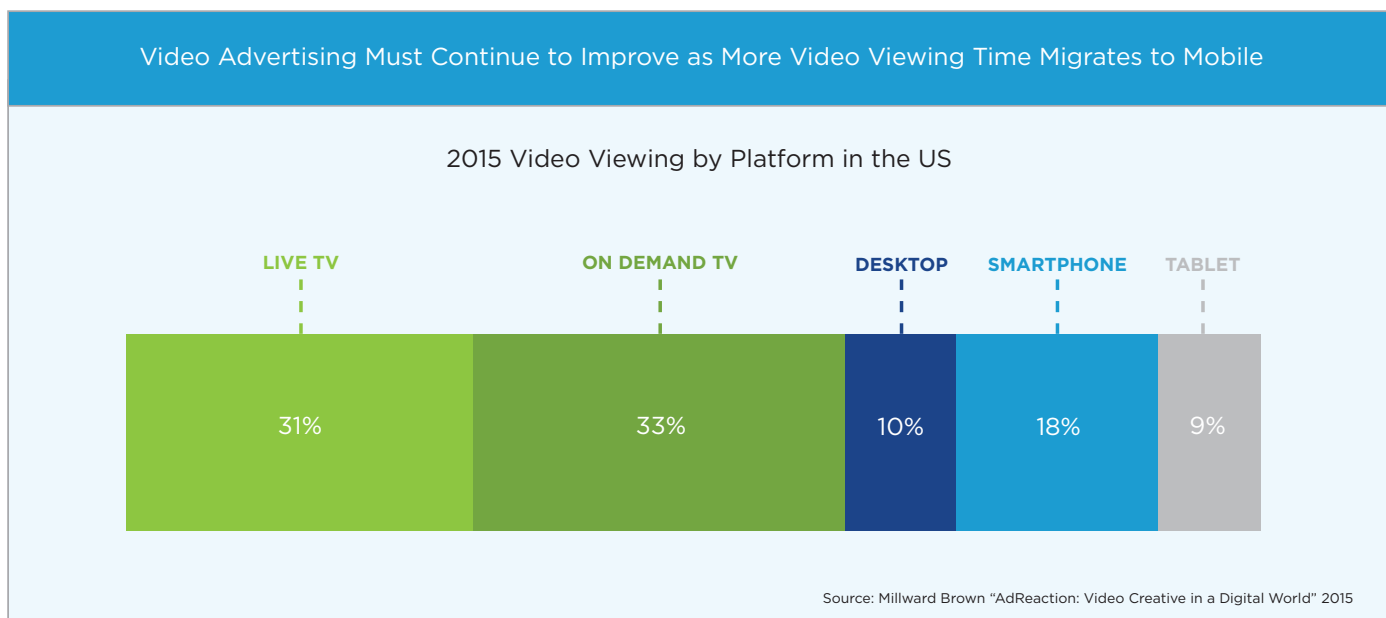
Also, with this generation comes a shift from reading to viewing, from appointment viewing to anytime-anywhere, on-demand viewing.

Millennials, even more so than previous generations, demand that advertisers fit into the way that they consume media. Boomers were the TV-centric generation and they generally accepted the need to sit through several :30 or :60 television ads along with their favorite TV shows (at least until the advent of DVR with its ability to skip ads came along). Millennials, who could prove to be considered the App Generation, want

shorter, quicker hits of content to consume on the go.

Getting your brand message into a :10 or :15 piece of ad content requires a new focus on driving your message home more quickly than ever before.

Millennials are mobile, consuming their content in diverse ways, and advertisers are following right behind, trying to keep up. According to eMarketer, mobile ad spending is surging and claims nearly half of all the “digital ad spend” from the US travel industry.



Driving and Measuring Response

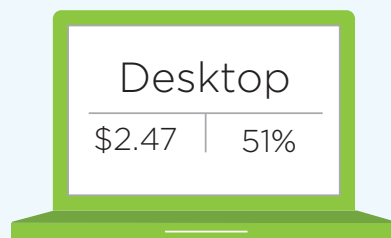
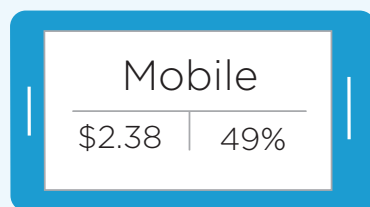
Travel and tourism relies heavily on driving consumer action. While its use of video advertising has always been about catching consumers' attention and generating awareness, it has also been focused on driving viewers to take an action – book a cruise, make a hotel reservation, schedule a flight, etc. When there were only two major screens to manage (TV and desktop), measuring the effectiveness of video advertising was simpler. Even as the age of the travel agent was coming to a close, it was replaced by the desktop computer as the new 'booking agent.' But, as the proliferation of devices has grown, consumers now take a longer and more multi-screen journey from initial awareness, through research, and eventually to booking or making a purchase. With a host of new touch points, all controlled by the consumer, travel advertisers face a much greater challenge in terms of engaging with consumers consistently across screens, allocating budgets across devices and measuring the overall performance of their campaigns.

Mastering the Digital Ecosystem

Most of today's travel and tourism marketers are not Fortune 500 or 1000 companies (although some certainly are). They're usually smaller companies that don't work with large digital ad agencies, so in some ways, DMOs and direct travel brands are challenged to play catch up in the digital advertising world. Whether it's the challenge of tracking performance across screens, designing creative for multiple screen sizes, or understanding the differences between mobile web and in-app advertising, the evolving advertising ecosystem can be challenging for both large and small marketing teams to manage effectively.

US Travel Industry Digital Ad Spending, by Device, 2015

billions and % of total



*Note: digital ad spending includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets, and includes all the various formats of advertising on those platforms. *includes classified, display (banners and other, rich media and video), email, lead generation, messaging-based and search advertising; ad spending on tablets is included*

Source: eMarketer, May 2015

Opportunities

Reaching Consumers on Every Screen

With the multi-screen world (TV, laptop, tablet, smartphone, wearables, etc.) comes an ability to reach and target your audiences like never before. Whether by geographic, demographic, behavioral or daypart, advertisers can engage with consumers in a multitude of different and more effective

ways; especially necessary in the travel and tourism industry. What is the peak travel time for Nicaragua? How about Panama? How does ski season differ in the Rockies vs. the Northeast? For the travel marketer, this means allocating your advertising dollars in the most effective ways possible to reach your audience at the right time, on the right screen, and with the right message. And there is no channel like video to stir the emotions of a consumer, to envision themselves on that white sand beach, staying in that spectacular hotel, or enjoying a special tourism event.

According to Frank Vertolli, Co-founder of Net Conversion,

“The days of interruptive advertising...that’s not how it’s done anymore,” Vertolli said. “Now I think relevance is the new criteria. You don’t want to interrupt consumers; you want to complement them with ads that are specific to them. If you want to stand out from the noise, it used to be scream louder. Have a funnier commercial or a more insane offer. Now it’s relevance. Be as relevant as possible to that user and they will reward you with attention to your ad. With the travel industry, as with everywhere else, targeting is key. The stakes just keep getting higher.”

- How Online Marketing Is Changing Travel,
Travel Technology, Ryan Rudnansky, October 24, 2014

Using digital video has proven very successful in converting a travel 'planner' into a travel buyer. A consumer in the planning stage will happily do research on mobile, but studies show that today the buying/booking still happens online and likely on a larger screen at home (desktop/laptop). But again, be

mindful, millennials are likely to change this typical process in the years ahead and make it even more mobile.

Digital video also proves itself invaluable across all phases of the consumer buying process...



Dreaming

In the dreaming phase, video grabs the attention of a consumer who longs for a trip and hits them emotionally with beautiful images of the potential experience.



Researching

The travel planner will rely on the same video that stirred their interest during and after their initial research, making for a very strong reinforcement tool. This is where it is also critical for a brand's website to provide a seamless transition for the viewer to go from perhaps a pre-roll ad to the website making it easy to view additional video content as they go through the process of making the decision to book.



Booking

Advances in interactive ad units bring enhanced engagement into the ad viewing experience so that brands can more easily convert viewers to researchers and bookers.

Interactivity and Engagement

As the emotional component of digital video creates engagement for consumers, interactivity is knocking on the door.

Interactive ad units allow advertisers to empower consumers to engage with the ad itself in ways beyond the simple click. By allowing viewers to access additional content or to request information directly from the ad unit, advertisers are closing the gap between advertisement and booking.

Hilton Hotels is putting its money on virtual reality and mobile. According to Skift reporter Deanna Ting, Hilton believes their new mobile video ad campaign has the ability to translate into direct bookings by introducing consumers to a 360-degree view of one of its most

popular Caribbean properties, but it's still too early to tell if the video content is correlating directly to a bump in reservations.¹ Also, unlike other forms of 360-degree videos that can be viewed on your desktop, Hilton's video is only accessible on mobile devices.

Within that article, Mary Beth Parks, Senior Vice President of Global Brand Marketing for Hilton Worldwide, contributed, "There's no doubt that other travel brands are also creating amazing virtual reality content for their audiences, but few brands are looking at it as an actual sales tool. Our 360-degree video includes an end card that is directly integrated with Hilton.com's booking system, so that if viewers are inspired to book their next trip, they can do so in that moment."

US Smartphone Owners Who Would Book Travel via Smartphone, by Demographic, February 2015

GENDER	
Male	59%
Female	45%
AGE	
18-34	66%
35-44	62%
45-54	37%
55-64	45%
65+	28%
TOTAL	52%

Note: n=1,192
Source: Switchfly, "Travel Trend Report: How US Travelers Use Smartphones to Engage" conducted by Harris interactive, March 6, 2015

Travel brands and DMOs (and the entire advertising universe for that matter) are facing the continual shift to mobile and interactivity and are hoping the model and the data proves out to drive instant bookings and purchases.

Measuring Performance

One of digital marketing's great advantages has been the ability to measure performance. A consumer watches a video ad on a website, later sees another ad on a different site, decides to visit the advertiser's website to gather more info, and then successfully makes a purchase on the advertiser's website. Data allows the advertiser to connect those dots and recognize that the initial ad created awareness, a subsequent ad reinforced it, and then the consumer visited the site and made a purchase. While this process was more straightforward when there was really only one digital screen in play, it is still possible in today's multi-screen environment.

While more technically challenging, today travel advertisers can still look to tie a consumer's viewing of an ad on their mobile device to an eventual booking on their desktop at home. Leveraging first, second, and third party data within the ad buying process, travel advertisers are able to recognize consumers across screens as they move along their customer journey from dreaming, to researching, to booking.

There is no question about the value of actionable data, metrics and immediate insights that digital advertising provides to a brand. According to the IAB, "U.S. internet ad revenues hit a landmark \$59.6 billion in 2015, a 20% uptick over record-breaking numbers in 2014, marking the sixth consecutive year of double-digit growth."

The essentially real-time metrics available in digital, such as insight on engagement by device, CTR, CVR and the ability to make mid-stream ad campaign course corrections are of enormous value to a brand. For the DMO or travel advertiser, imagine the implications if you can quickly redirect your geo-targeting should the weather present a problem or opportunity (if Vail, Colorado just got three feet of fresh snow, for example).

A Holistic Video Approach

While we're talking a lot about the value of digital video, that isn't to say that traditional TV advertising is out of the mix. In fact, for the travel industry, a mixture of linear TV advertising and digital video can be the perfect blend to engage consumers with content on every screen. For those travel advertisers engaged in TV advertising today, digital video offers a complimentary solution that supports and reinforces the message from the big screen in the living room with even more content and the ability to complete a booking on a digital device.

Best Practices/Tips

Travel and tourism marketers need to understand the changing advertising landscape and how to best leverage every screen and device within their marketing plan. Here are some of our best tips for moving into the digital video arena.

- Make certain you have high quality video. Beautifully filmed HD video of the destination helps drive viewer engagement and appeal to their emotions.
- Don't just repurpose TV commercials or longer form website content to create a pre-roll ad. Edit your content specifically for the various digital experiences. (smaller screens, potentially with sound muted, etc.)
- Deliver your brand message in the first 3 seconds of your video ad, long or short form. Consumers may not watch your entire ad, so you need to get your key message across quickly.
- Your website should provide a seamless transition for consumers who viewed your video ad. Make sure when they click on an ad, the website picks up where the video left off. Deliver more of the same type of content that drove their initial interest.
- Think CVR (Completed View Rate) instead of CTR (Click Through Rate) and make sure you are tracking view through activity to your site (consumers who viewed an ad, did not click, and later visited the site).
- Start optimizing for millennials. Ensure that mobile is a major part of your video advertising strategy and use short, snackable videos to grab their attention.

The Publisher Perspective

What digital publishers should know to capture travel and tourism advertising budgets. Whether you own a travel related website or not, you have the potential to tap into demand from travel advertisers.

- Feature your millennial audiences – this newly crowned biggest generation presents both a huge challenge and opportunity for travel advertisers. Help them easily connect to this younger audience as it continues to grow in purchasing power.
- Highlight the large player sizes on your site and in your apps to appeal to travel advertisers, and their audiences. Travel advertising relies on high quality video content to engage with consumers.
- Allow for interactive ad units - publishers should engage with an interactive/rich media vendor like Mixpo to provide this type of ad unit on their site.
- Leverage SpotX's Curated Marketplaces to surface valuable travel audiences within your overall site traffic. We've seen Curated Marketplaces become a significant portion of our overall private marketplace activity since their launch in late 2015. In Q4, 2015 – Curated Marketplaces made up 17% of all private marketplace activity for SpotX and we expect that number to continue growing in 2016.

港 Depart

International Travelers

SPOTLIGHT ON CHINA

One of the fastest growing segments of the travel and tourism industry is the foreign traveler visiting the United States. Travelers from around the world plan travel to the U.S. every year and China is one of the hottest markets for advertisers to target.

- Within five years, China's outbound travel market will number around 200 million people. Even today, the sheer volume of outbound Chinese travelers is 3 times greater than its 2004 level and is growing exponentially.
- The US ranks second only to France with 54% of China's citizens picking it as their primary aspirational long-haul destination.
- In 2014 nearly 2 million Chinese visitors arrived in the US, up 21% over 2013. Industry officials expect to record another 25%-30% increase this year, about 50% higher than previous growth projections for the year.
- By 2016, China is expected to overtake the US as the Number 1 business travel market in the world and will account for 20% of all global business travel spending.
- The average Chinese visitor spends between \$6,000 and \$7,200 per trip to the US, making this group the highest spending per person visitor group to the US. Among China's middle and upper classes, 19% of their annual salaries is spent on overseas travel dramatically more than any other US travel source country.

Conclusion

Video is the ideal medium for the travel and tourism industry. There is simply nothing like the sight, sound, and motion of video to catch a consumer's attention and put them right inside the location being promoted. They can envision themselves taking the cruise, attending the wine festival, flying back home to see family, or checking into the hotel. In fact, research shows that people are often happiest when researching and planning a vacation, rather than when they are actually on the trip.² Video helps inspire vacation planning.

With the growing complexity driven by the proliferation of screens and devices that

consumers use to access video content – and the increasingly mobile-centric viewing behavior of millennials – advertisers need to ensure they are leveraging digital video in their marketing mix. This challenge will only grow with the advent of developments like virtual reality and other user experiences across screens.

A digital strategy is more important than ever for travel advertisers as they look to engage with their audiences wherever they go, on whatever devices they use to consume video content.

Endnotes

1. Hilton Launches a New Video Ad Campaign to Push Direct Bookings, Deanna Ting, Skift, Apr 26, 2016
2. Vacationers Happy, But Most not Happier After a Holiday, Applied Research in Quality of Life, Feb 20, 2010