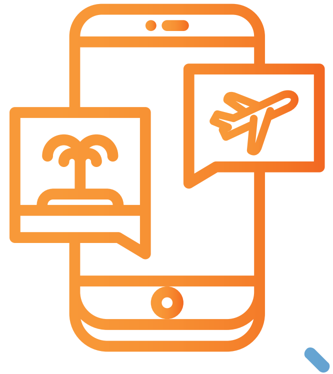
TREND REPORT

Don't Miss Your Connection.

Why Now Is The Perfect Time to Target Travel Advertisers



The last few years were turbulent for the travel industry. During 2020 into 2021, demand was low and restrictions were high. And just when we thought these hurdles were in the rearview mirror, new COVID variants and additional travel restrictions surfaced. But along came 2022, which may go down in history as the year of "Revenge Travel."

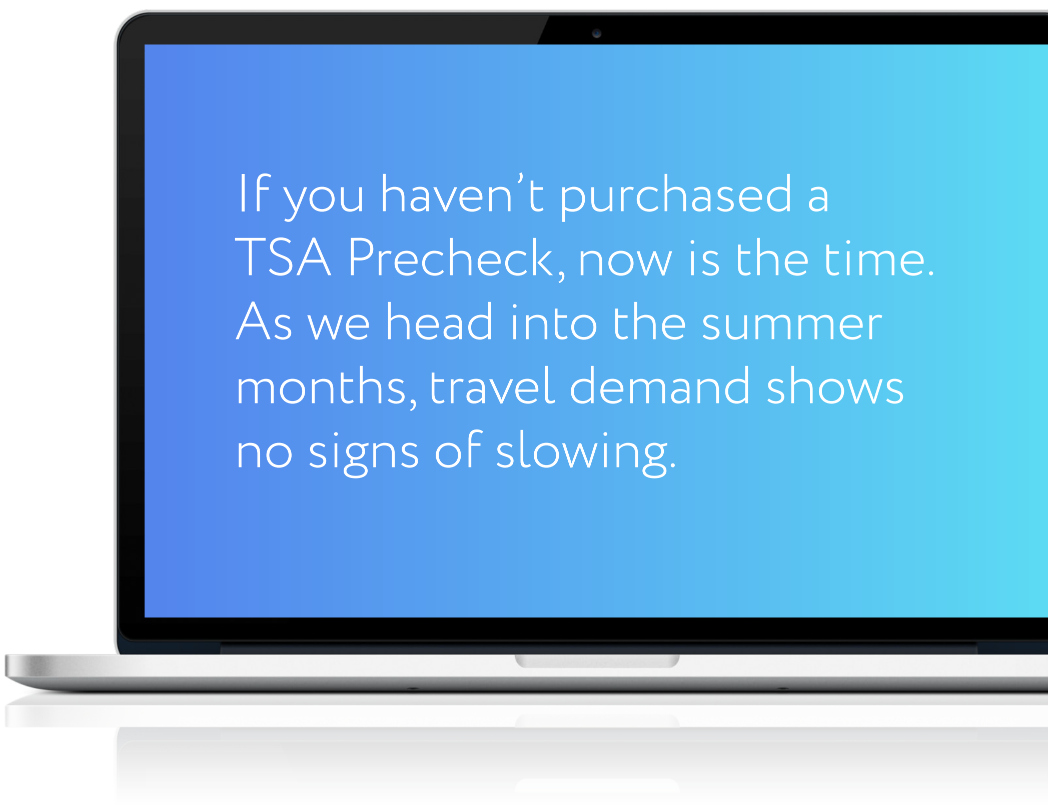
MEDIARadar

Please Fasten Your Seatbelts, Prices Are Taking Off

Despite soaring prices for everything travel related, record high inflation, a pending recession, and financial markets in bearish territory - people are packing their bags at an accelerated rate. No doubt you have either taken a vacation or planned one recently. So, you noticed airfares and hotel room rates are skyrocketing. How could you not? Hotel chains, such as Hyatt, are yielding RevPAR numbers not seen since 2019 and Marriott's earnings for Q1 saw ADR 27% higher than pre-pandemic levels. Global air traffic for January to April 2022 increased 65% versus the same period last year. This all leads to higher vacation costs.

So, demand should soften right?

If you haven't purchased a TSA Precheck, now is the time. As we head into the summer months, travel demand shows no signs of slowing. Buoyed by consumer desire and wage increases, travel will continue to grow. Marriott's CEO Anthony Capuano stated, "the summer season is going to be gangbusters" for travel demand based on strong reservations on the books. This sentiment was echoed by Delta's CEO Ed Bastian who said, "demand was phenomenally strong for the summer and beyond."



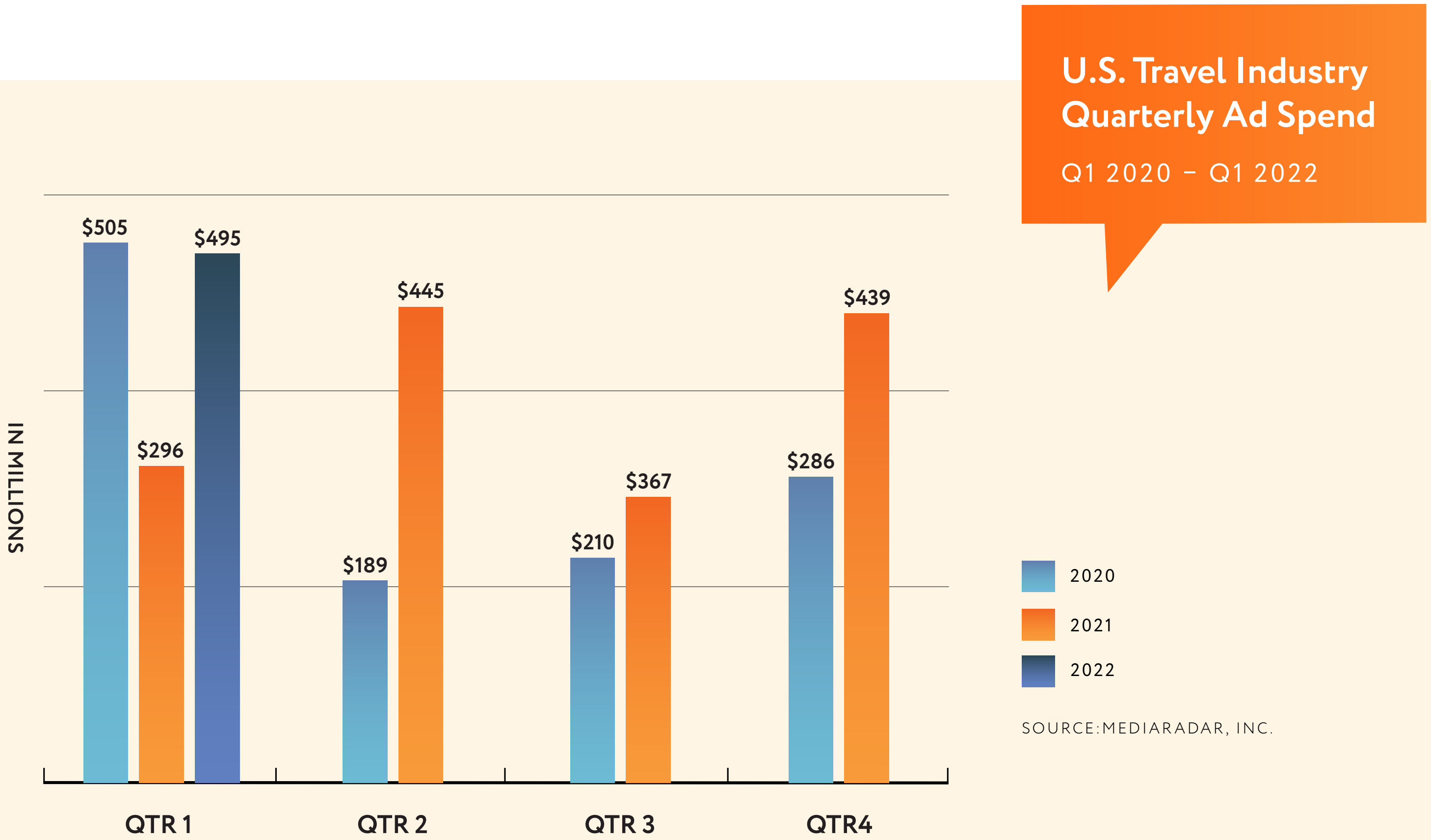
Advertising Within the Travel Category is Taking off Too!

You know how this plays out. You're sitting in front of the TV and an ad for a breathtaking beach vacation comes on and instantly the fantasizing about being there begins. This then sets in motion a magical chain of events that has you looking into a trip. Travel advertisers are aware of this; as the travel desire has grown, so too has the travel advertising investment.

In fact, increases in travel spend year-to-date are close to pre-pandemic levels. Ad spend is up no matter the part of the travel industry. According to the sample, airlines, lodging providers, rental car companies, and U.S. tourism organizations already invested nearly $623 million through April 2022 (43% YoY increase from the same period in 2021).

The question remains, is this a momentary increase or is the desire to travel outweighing soaring fuel prices and a pending recession? The big question is, will this trend continue?

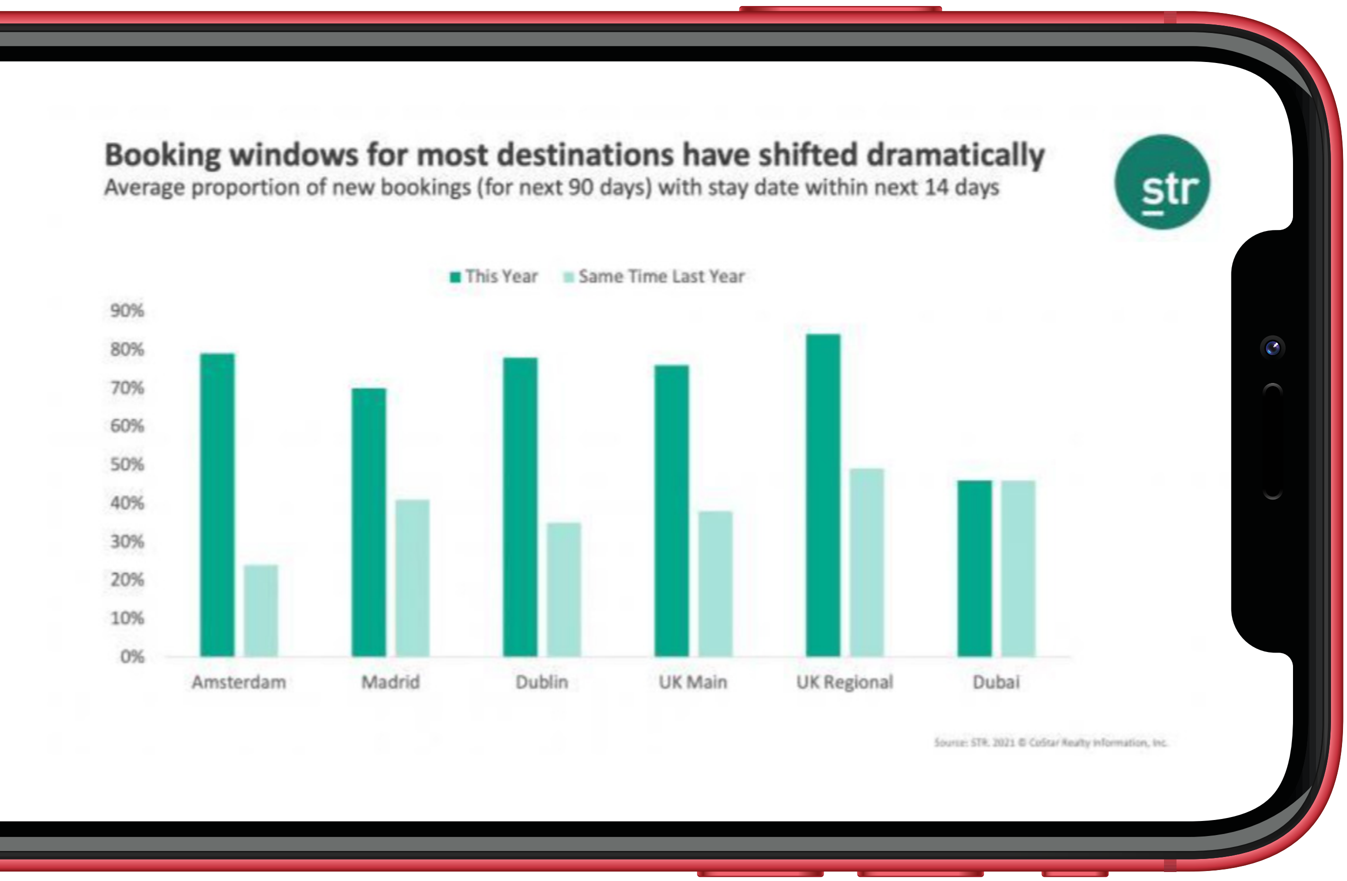
In travel marketing, there is a concept companies watch closely, called the "booking curve." This refers to the distribution of bookings made in advance of the actual use date (stay date, departure date). Travel companies analyze this to understand the best time to put their ad dollars to work. For instance, a hotel provider of luxury Mexican beach vacations could know that typically a large percentage of their reservations come four to six months in advance of the actual stay date. That combined with the known high season demand



increase could lead them to up their summer ad spend. While other providers, like city hotels, might have a booking curve that is only a couple of months and will spend accordingly. However, as in many other areas, 2022 has resulted in significant consumer behavior changes in travel. Booking curves are becoming incredibly small across the board.

STR, a leader in hospitality data, documented the trend of the booking curve condensing. See the example below.

There are many theories as to why this might be happening, but it's safe to assume the trend is due in large part to the growth of "work from anywhere" and the increase in employees embracing the digital nomad life. Regardless, with the shortened booking curve across the industry along with the predicted increase in demand, travel advertisers will probably have to keep their ad spend strong through the remainder of 2022 to capture last-minute consumer travel purchases.



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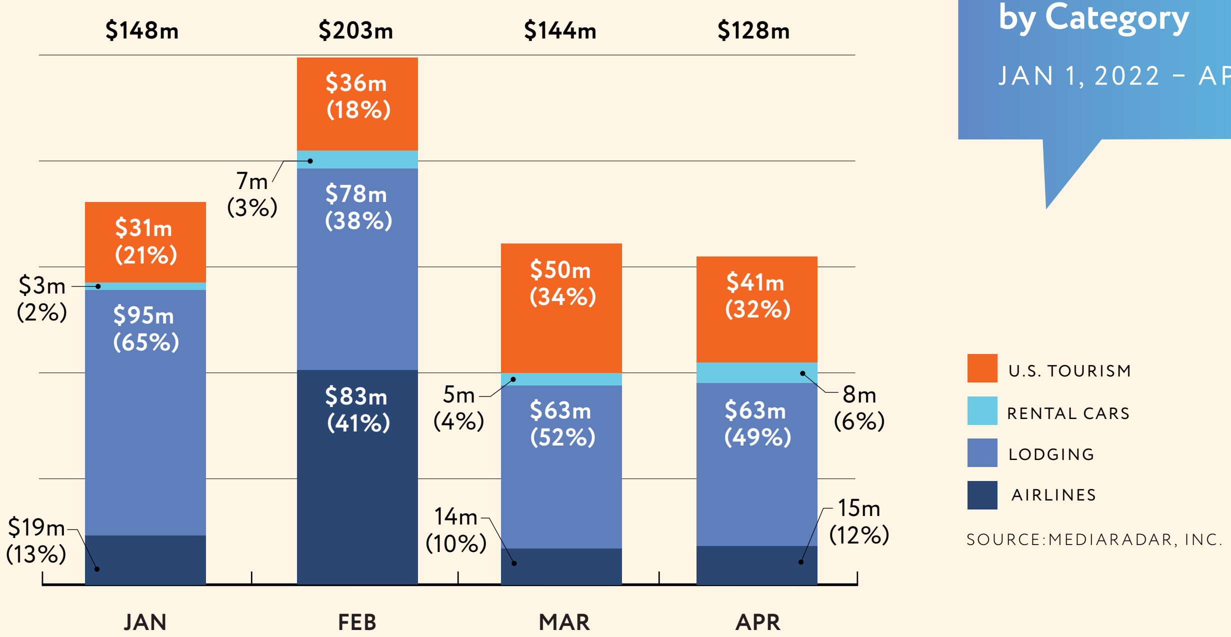
U.S. Travel Industry Quarterly Ad Spend by Category

JAN 1, 2022 – APR 30, 2022

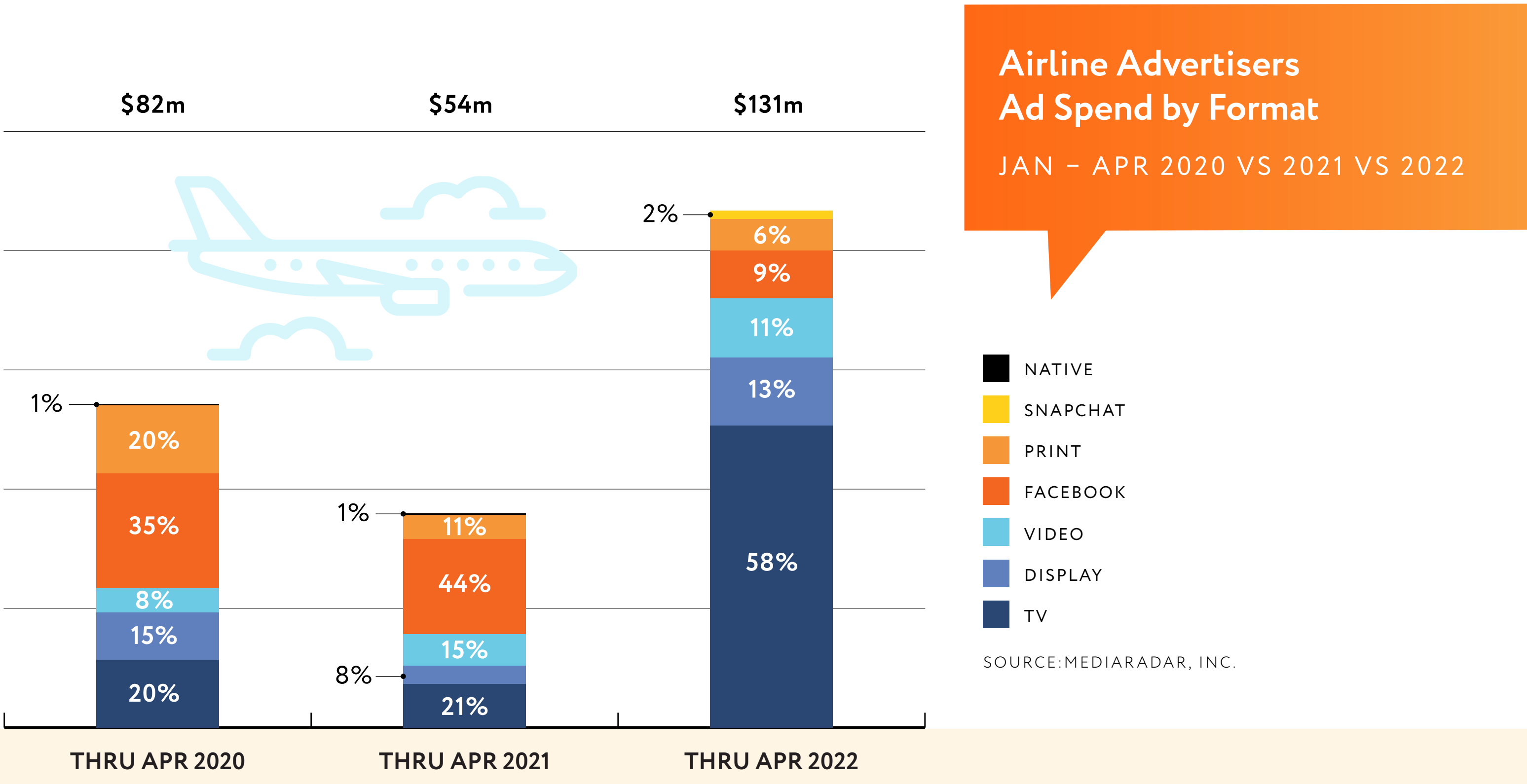


Not All Segments Are Created Equal

While ad spend is up across the board, there are definite differences by segment. Through April 2022, most of the spending in the travel industry comes from lodging advertisers – with 50% of the roughly $623 million invested.

Airline ad spend saw a huge spike in February but quickly came down. The airline industry has its unique challenges that may affect advertising for the remainder of this year. Rising fuel prices have been successfully passed on to the consumer given the strong demand.

How far we've come from the empty highways of 2020! Rental car companies increased their advertising spend 37% YoY in 2021 investing $75 million: up from $55 million in 2020. Rental car companies are seeing huge demand this year, which is a positive for continued ad spend strength.



So Many Channels, So Little Time

Each travel segment has a unique strategy when it comes to advertising by format. Understanding these strategies can help you differentiate yourself the next time you have a meeting with the media buying team at a prospective travel advertiser.

Airline advertising spend for Q1 2022 saw a surge (141% YoY) thanks almost entirely to an increase in TV ad spend - with February being the largest month. The three top spenders during this month were Delta (up almost 750% MoM from Jan.), Southwest (up over 215% MoM) and Turkish Airlines (spent 142x Jan.'s investment). Their combined spend was over $73 million or 88% of the month's spend. Most of this is attributed to a large TV push by Delta surrounding the Beijing Winter Olympics.

Airlines also invested in Snapchat ads during 2022 - where they spent around $2.3m. Delta, JetBlue, Southwest, and Turkish Airlines can be seen on the social media platform.

As we look ahead, there is an indication that airlines may keep throttling forward. For instance, United Airlines announced its first national ad campaign in nearly a decade. With Delta and United's advertising push, we can assume other players will use similar strategies to stay competitive. However because of the critical issue of a post-pandemic pilot shortage, which has forced them to reduce their capacity, they may end up pulling back on their ad spend.

As signs of strong post-pandemic travel emerged, lodging players moved to capture market share by increasing 2021 ad spend 51% YoY compared to 2020, bringing their investment to over $892 million. As we entered 2022, this industry kept up the pace. January through April saw a 20% YoY increase in investment compared to the same period last year.

Six lodging companies have spent more than $10 million each in 2022 so far: Airbnb, Expedia (Vrbo), Hard Rock Entertainment, Hilton, Marriott, and Unique Travel Corp (Sandals Resorts). Their combined investment was nearly $200 million (64% of the total lodging spend).

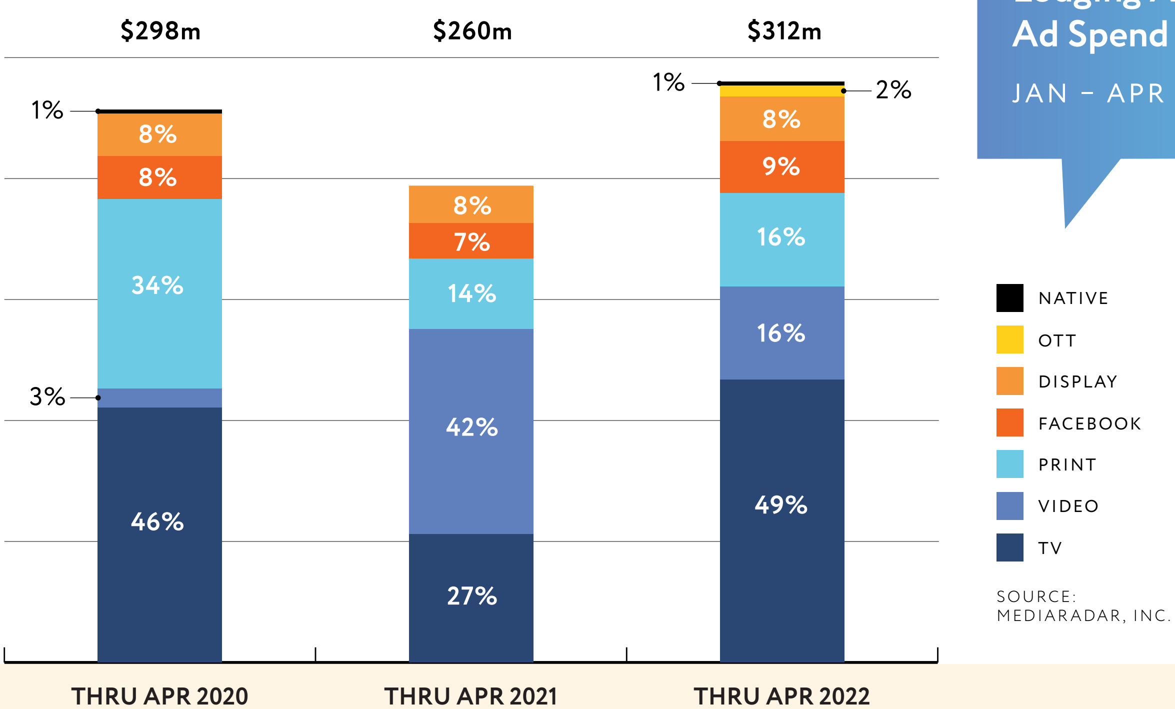
Although Airbnb cut its marketing budget, the company helped drive the increase in TV spend as it switched the focus of its marketing strategy to brand awareness and to, as CEO Brian Chesky put it, "…focus more on education than buying customers." With its "Made Possible By Hosts" campaign, Airbnb is shifting away from lower funnel search, which is good for those looking to receive a piece of their advertising budget.

Social remains steady as hotel chains see this channel, especially Instagram, to reach new people with inspirational content.

Print, although down from 2020 on a percentage basis, as more travel companies leverage video based creative to inspire, still has its place and is still alive.

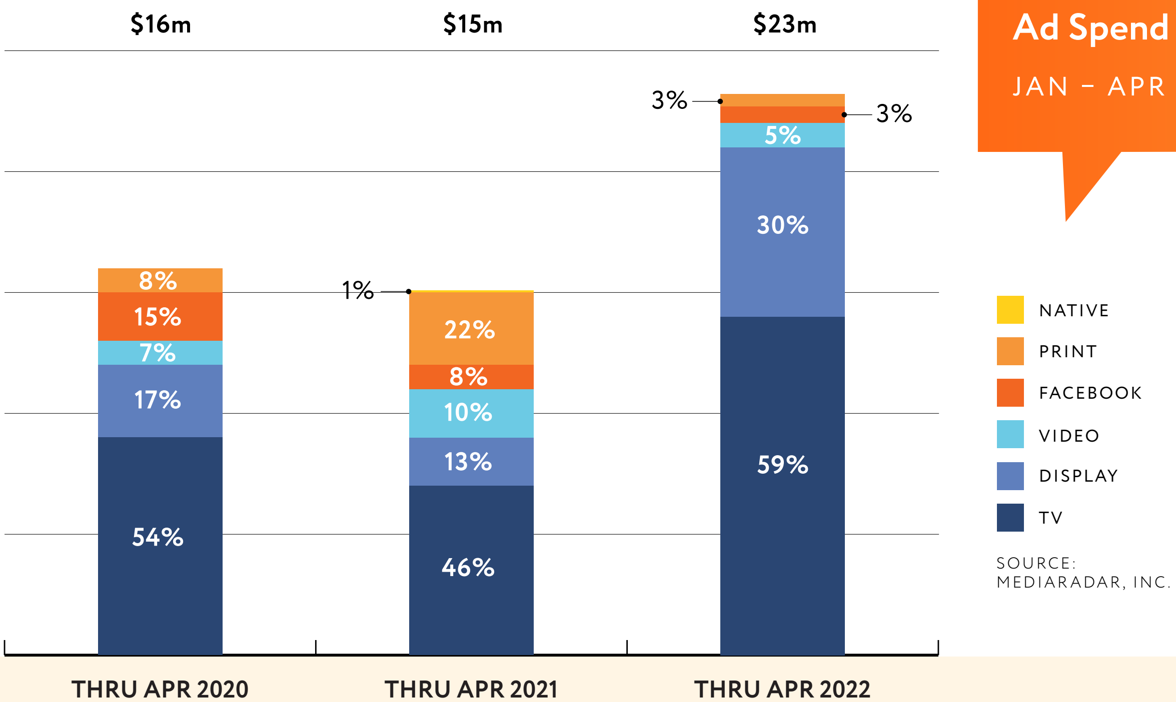
Lodging Advertisers Ad Spend by Format

JAN – APR 2020 VS 2021 VS 2022



Car Rental Advertisers Ad Spend by Format

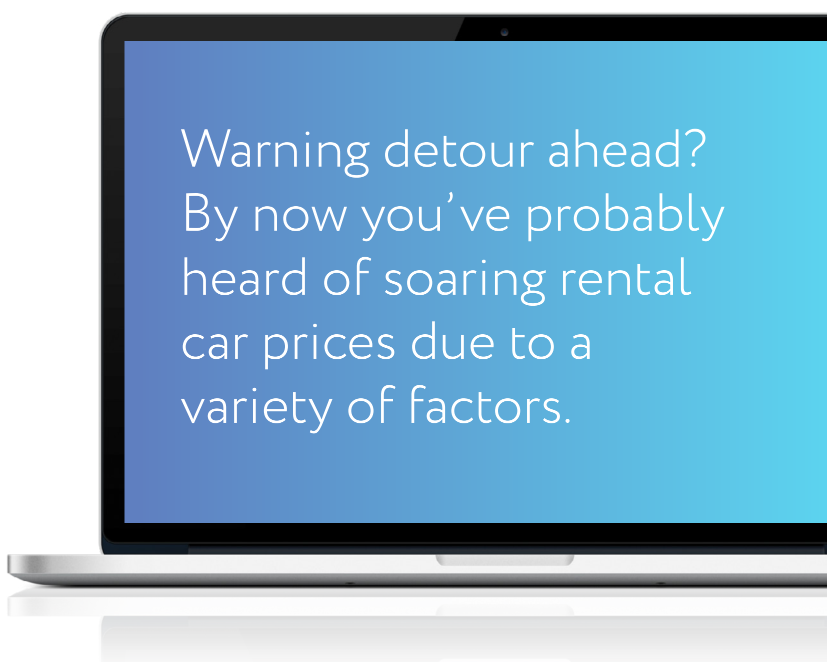
JAN – APR 2020 VS 2021 VS 2022



Warning detour ahead? By now you've probably heard of [soaring rental car prices](#) due to a variety of factors. So, with the industry struggling to keep up with demand, there should be concern about ad strength continuing in 2022.

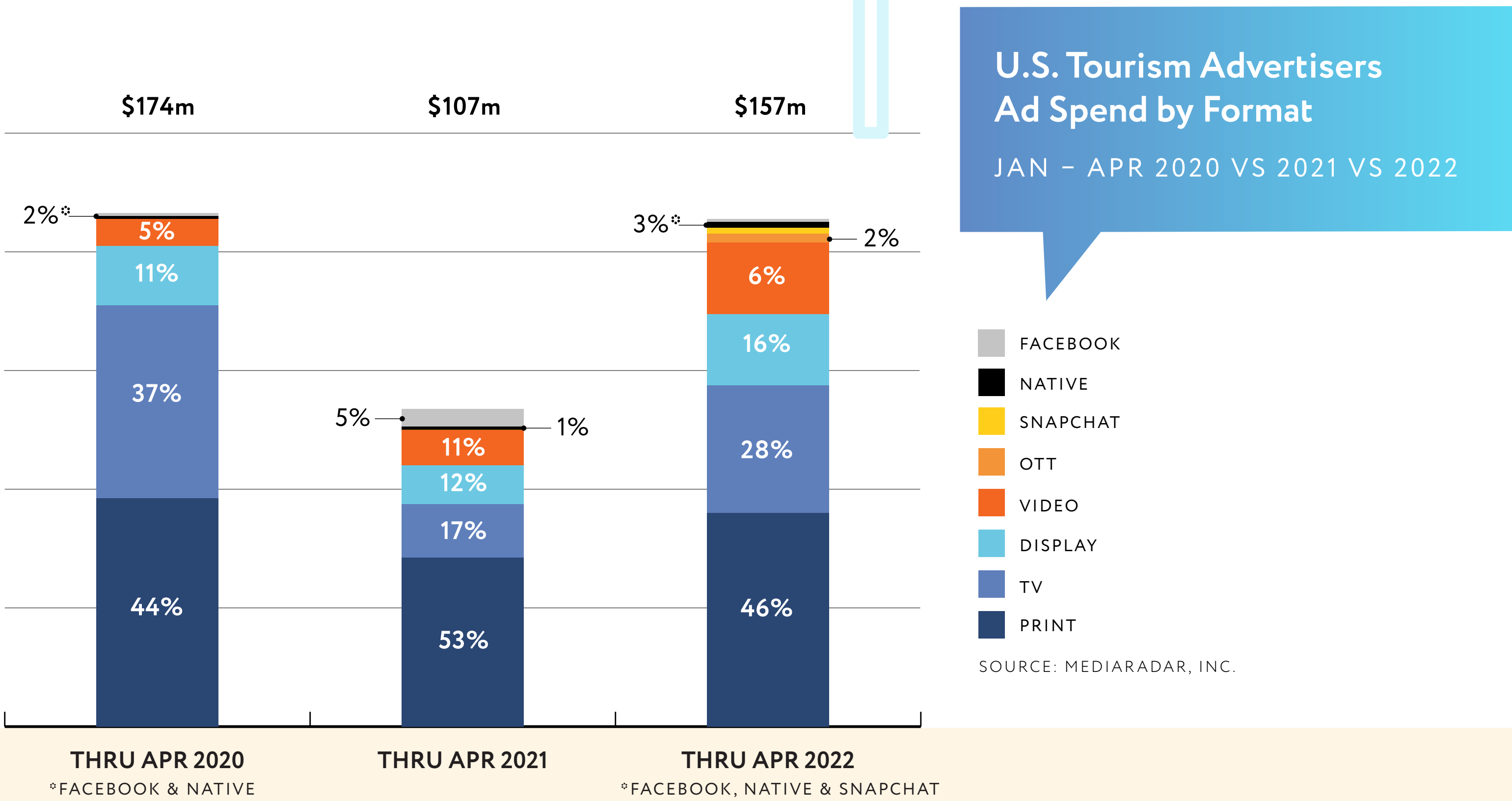
MediaRadar reviewed ad spend for this segment and actually saw advertising investment by rental car companies is on the rise. So far spending this year is up 50% YoY compared to the same period last year. However, the format strategy was adjusted in 2022.

Some very notable shifts include, TV, and digital display advertising for this segment increased 93% YoY and over 250% in comparison to the same time period in 2021. Interestingly, we saw other formats had a decrease in ad spend from January – April 2021. For example, online video was down 29% and Facebook also decreased 47%. Print advertising received the biggest hit from the rental car segment. It was down 82% YoY January – April.



U.S. tourism boards' advertising increased 8% YoY. Through April of 2021, MediaRadar saw an investment of nearly $408 million by State tourism boards. This investment group continues to get more innovative with their marketing strategies in order to cement travel revenues as a vital source of funding for their destinations. In fact, [over 76 percent of U.S. tourism boards rank destination management among their top five key responsibilities].

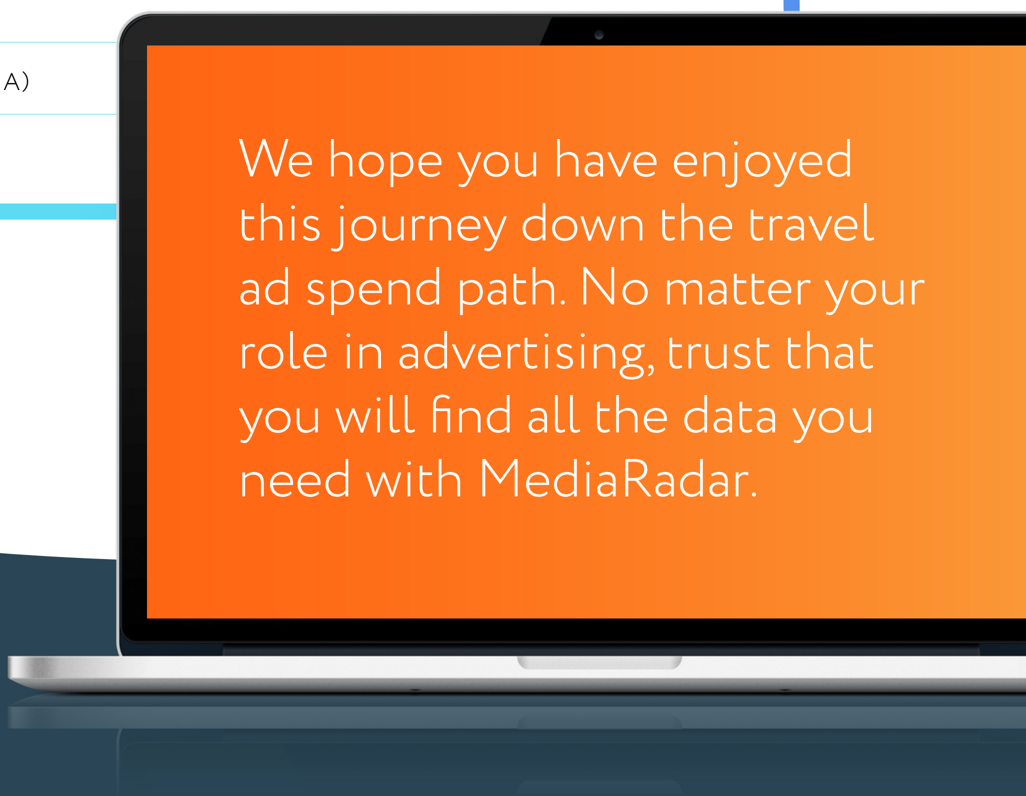
So far in 2022 (through April), MediaRadar noticed a 46% YoY increase in spend as compared to the same period last year. Unlike other segments, within tourism advertising, the format strategy hasn't changed significantly since 2020. Print remains the largest investment, followed by TV, then digital display and online video. National television ad spend saw the largest increase YoY during the first four months of 2022. This medium was up 143% YoY bringing the investment to over $43 million already! Like TV, we have seen most formats increase their advertising investment YoY. Two notable exceptions were Facebook and online video, down 83% YoY and 25% YoY respectively.



These popular vacation destinations in the U.S.

have already invested more than $5 million in 2022. Together their ad spend from January – April 2022 totals over $58 million:

- California Travel & Tourism Commission (VISIT CALIFORNIA)
- Charleston Area Convention & Visitors Bureau (SOUTH CAROLINA)
- Monroe County Tourist Development Council (FLORIDA KEYS)
- Orlando/Orange County Convention & Visitors Bureau dba Visit Orlando (FLORIDA)
- Visit Florida
- Williamsburg Tourism Council (VIRGINIA)



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