

Understanding the Travel Consumer's Path to Purchase



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About EyeForTravel

We bring together everyone in the travel industry, from small tech start-ups to international hotel brands, to form a community working towards a smarter and more connected travel industry.

Our mission is to be the place our industry goes to share knowledge and data so that travel and tech brands can work collaboratively to create the perfect experience for the modern traveler.

We do this through our network of global events, our digital content, and our knowledge hub - EyeForTravel On Demand.

Our Values

We believe the industry must focus on a business and distribution model that always puts the customer at the center and produces great products. However, to deliver an outstanding travel experience, the strength, skills, and resources of all partners in the value chain must be respected and understood.

At EyeForTravel we believe the industry can achieve this goal by focusing on a business model that combines customer insight with great product and, most importantly, places the traveler experience at its core.

At our core we aim to enable the above by valuing impartiality, independent thought, openness and cooperation. We hope that these qualities allow us to foster dialogue, guide business decisions, build partnerships and conduct thorough research directly with the industry.

These principles have guided us since 1997 and will continue to keep us at the forefront of the industry as a vibrant travel community for many more years to come.

Our Services

Our events are at the heart of EyeForTravel. These draw in experts from every part of the travel industry to give thought-provoking presentations and engage in discussions. It is our aim that every attendee takes back something new that can help their business to improve. This might be in the fields of consumer research, data insights, technological trends, or marketing and revenue management techniques.

Alongside this we provide our community with commentary, reports, white papers, webinars and other valuable expert-driven content. All of this can be accessed through one place - the On Demand subscription service.

We are always expanding the content we create, so please get in touch if you want to write an article for us, create a white paper or webinar, or feature in our podcast.

EyeForTravel in Numbers

- 70,000+ database contacts
- 2,500+ annual event attendees
- 100,000+ monthly online reach
- 1,000+ online conference presentations

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Introduction

Advancements in behavioral science have allowed us to understand and map brain patterns, including what we are thinking when we consider purchases. One discovery is that high price items activate a part of the brain usually associated with pain or disgust. Another found that the longer a purchase took and the difficulty of payment diminish the probability of purchase. This can help to explain why the travel research and purchase path remains so difficult for travel brands. It is frequently a world of high value, lump sum payments, with the consumer wading through a large number of variables, and different purchase paths for travel products. For the customer it has the potential to be lighting up these pain pathways almost constantly.

Travel brands need to understand the complexities of the purchase path and make the process as intuitive and simple as possible, because those that succeed in the race for customer convenience will win the booking.

And winning the customer on brand domains is now a key objective. There have arisen a bewildering number of potential costs for travel brands on their way to reaching a customer, particularly through third parties. Once a hotel, for example, has added up the cost of its Pay-Per-Click (PPC) advertising, display advertising, positional advertising, social media presence, content marketing budget, website or app development costs, marketing systems, revenue management systems, Customer Relationship Management (CRM) systems, and of course commissions, then there can be a very hefty bill. Knowing where to allocate resources and what channels to target can make a big difference.

This research will help you to pinpoint where customers go on their route to purchase and what their thought processes are. We have done this through working with our partner Jumpshot, which has a global panel of more than 100 million consumers and has tracked the path to purchase of more than 250,000 consumers for this

survey. Alongside this is EyeforTravel's original consumer and industry research, combined with the best third party data. Armed with this, we hope that you can make better decisions and understand the trends driving the wider industry.

1

A Complicated Consumer: Why the Path to Booking Matters

1.1 A Fickle Consumer?

The variables involved in where a consumer might go to purchase their travel product is bewildering. Will they use a laptop, smartphone, tablet, or even a bricks and mortar travel agent? Do they book over the phone, on a website, or an app? Where do they begin their search and what criteria do they use to sort choices? And what sites do they visit before that last click?

In this convoluted matrix of choices, it is just as challenging for the consumer to book a travel product as it is for those of us on the other side to track and attribute their purchases accurately. Thinking of a leisure journey from the perspective of a customer in the form of a decision tree gives us some impression of how vast these choices can be. Firstly, they can choose from 196 countries, a destination within these and then a mode of transport. Choosing this mode of transport is a further set of routes on the decision tree, depending principally on price and convenience, including items such as airport location, time of transport, connections and price.

Generally, consumers then consider their accommodation and this adds another layer of complication into the decision-making matrix. Recent research from the University of Cornell used eye tracking software and interviews to discern that the accommodation decision process involved far more than price, with imagery a critical component. One of the study's authors, Stephani K. A. Robson said: "What guests appear to be thinking about is how well all the pieces of information about the hotel—price, brand, photo, ratings, and so on—fit together... They used pictures to imagine themselves at the property and to see if the hotel was the right 'fit' for them, so images that provide some sense of the experience, not just what the hotel looks like from the outside, may be powerful, perhaps even more than reviews or ratings which get a lot of

attention from the industry." (Cornell School of Hotel Administration, 2016). Furthermore, the new wave of accommodation sharing providers, such as Airbnb and HomeAway, have added another viable layer of options into the consumer's decision.

Just by means of an example, a simple return flight from London Heathrow to Boston, Massachusetts along with accommodation, returns results through popular metasearch sites of between 700 and 2,700 flight choices, and 200 to 300 hotels.

We could then consider the travel market a world of overabundance for travelers, who have millions of different possible routes to their final itinerary, with an exponential increase in decisions each time they start part of the process without a clear idea of what they want.

Critically, purchasing psychology has shown us that very large arrays of choice can actually be overwhelming and inhibiting, rather than, as many assumed, a liberating element of the free market. As yet, researchers are continuing to investigate the area of purchase choices but there are a number of studies that suggest that under certain circumstances, the positive effects of choice can quickly tail off. This can result in consumers using short hand reasoning, leading to bad choices being made, or to dissatisfaction with their choices post-purchase, and perhaps even deferment or a complete lack of purchase. In particular, this is thought to be related to the complexity of the choice being made, with purchasers beginning to struggle when they are comparing goods based on differing attributes (Gourville & Soman, 2005). This is particularly pertinent to many areas of the travel industry where consumers are trying to compare products based on a wide matrix of choices that may not necessarily neatly compare with another.

Overall, the basic rule is the more cognitive power a consumer needs to exert to come to a decision, the less likely they are to purchase immediately. This principle lies at the heart of the online travel market, as the biggest players have learned how to aggregate content and present it to consumers in a manner that makes their lives easier. It is therefore important for our industry to understand the consumers that visit our sites, their motivations and their likely purchase paths. With this, we can help to build the path to, and try to win, the direct booking of the customer.

1.2 The Costs of Direct and Indirect Booking

At the beginning of the internet age, many thought that it would bring about a multiplicity of websites, with the low barriers to entry creating a highly competitive market. However, that did not turn out to be the case, with power quickly aggregating in a handful of companies, which act as gatekeepers. The likes of Microsoft, Apple, Facebook, Google, Amazon, Alibaba Group, Tencent, and Baidu largely control what users see, their purchase options and how they access information and communicate it to others.

The digital side of the travel industry is not quite at the same stage of oligopoly, but there are a handful of dominant forces that now stand quite clearly above others and have strengthened their position with aggressive acquisition strategies.

In the West, it is the conglomerates of Priceline and Expedia that largely dominate the online travel market space. They now have sprawling empires selling almost every product in the travel sector as they work to act as “one-stop shops” for the travel consumer. In other geographies, similar dynamics appear to be occurring, with MakeMyTrip in India emerging as a market leader and Ctrip in China.

Estimates vary as to the market share of each of these behemoths but their reach is substantial in their core markets. In Europe, it is Priceline that is dominant. A 2016 survey of more than 2,000 European hoteliers by industry association Hotrec found that Expedia, Priceline and HRS controlled 92% of all rooms sold through OTAs and one out of four room nights sold overall, with Priceline’s Booking.com generating more than 60% of the OTA market (Hotrec, 2016). In China, Ctrip’s merger with Qunar has created a huge OTA. Estimates reported

in 2015 by Bloomberg put the combined company at 70-80% of the OTA market according to Summit Research, whereas iResearch believed that Qunar controlled around 32% of air ticket sales in China and Ctrip 39% of hotel bookings (Bloomberg, 2015).

In India, following MakeMyTrip’s merger with ibibo, EyeForTravel reported that: “Speculation is that it will account for over half of airline and hotel room bookings made online, which could put rivals such as Cleartrip and Yatra at a disadvantage. As such, the deal still needs to be cleared by the Competition Commission of India.” However, ibibo’s chief executive said that the “consolidated MMT-ibibo will still be less than 10% of this market” and the company noted that “the combined company will command a market share of about 20 percent of the Indian online flight bookings.” (EyeForTravel 2016; Reuters, 2016).

Meanwhile in the US, expansionism on the part of Expedia has left it by far and away the market leader, to the extent that it has admitted in investor notes that it is over-reliant on the US. In all cases, organic growth has been supplemented with mergers and acquisitions to create regional behemoths that control significant sections of the online travel market in each region.

Above these there is also a handful of search engines, which as we will see later, are a huge component of the travel purchase journey. These are the true power distributors in the current digital landscape and the travel industry recognizes this by spending tens of billions on search engine promotion each year. Priceline and Expedia are well known to be two of Google’s biggest customers

The net effect of the current market dynamics on the travel industry is high costs that are eating into profits. Combined marketing costs and commissions are proving to be a major challenge to the industry. Even though in recent years aviation and hospitality industries have been able to better manage the costs of distributing their product through third parties, the price is still high. Commissions to sell hotel rooms usually run into double digits and smaller players that do not have leverage find themselves at the mercy of distributors who can easily claim commissions above 20%.

In the aforementioned Hotrec survey, it stated that just 8.5% of hoteliers reported that they had been able to reduce their commission rates in the year preceding mid-2016. It noted that out of the respondents who had

been able to cut their rates, there was disproportionate representation of larger hotels and chains (Hotrec, 2016). This further demonstrates the issue of a power imbalance in travel distribution, particularly for smaller and independent players.

In this context, all parts of the travel ecosystem need to consider how best to understand and reach their customer. In particular though, it is the travel suppliers that need to look hardest in order to retain market share and also keep up profitability in the face of an expensive third party distribution system that is increasingly controlled by a handful of extremely powerful players.

Rolling the Device Dice: What Devices Do Consumers Use to Look and Book?

One area that travel brands need to consider is the devices consumers use to look and book their travel experiences. Brands need to understand the different ways devices are used so that they can properly tailor their experience and move towards the holy grail of personalization, with the right ads hitting the consumer on the correct platform at the optimal time.

Indeed, we have noted in our research that personalization and mobile are *the* key goals for travel brands. At our Smart Travel Data Summit held in November 2016, attendees were asked what they thought would be the big game changer in the travel industry. They overwhelmingly answered that data driven personalization would be the key factor, 64 percentage points above the next nearest factor (see Figure 1; EyeForTravel Smart Travel Data Summit 2016 Attendee Survey). EyeForTravel also conducted two surveys in Europe and North America in Q3 and Q4 2016 and Q1 2017. In both cases, mobile was rated as the top opportunity

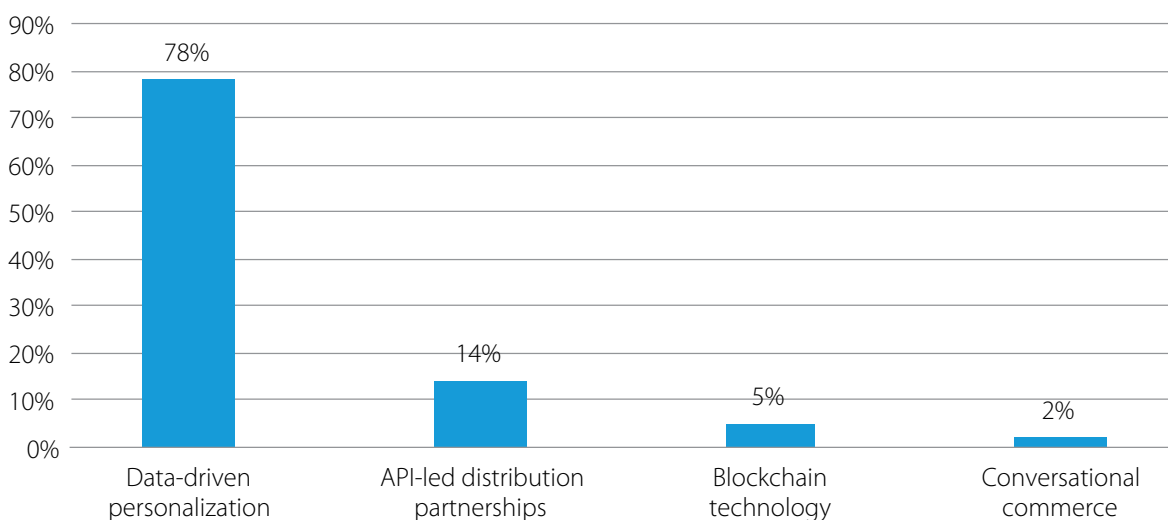
by travel executives, with 79% in Europe and 75% in North America seeing it as their primary focus (see Figure 2; Marketing and Mobile Strategies to Engage the Connected Traveller 2016-2017).

2.1 Desktop Dominance

One of travel's most unique features is the continuing importance of desktops and laptops to travel consumers and their 'stickiness' in comparison to smartphones as consumers are more likely to switch over to a PC or laptop towards the end of a journey than to head the other way and research on a desktop and buy on a smartphone.

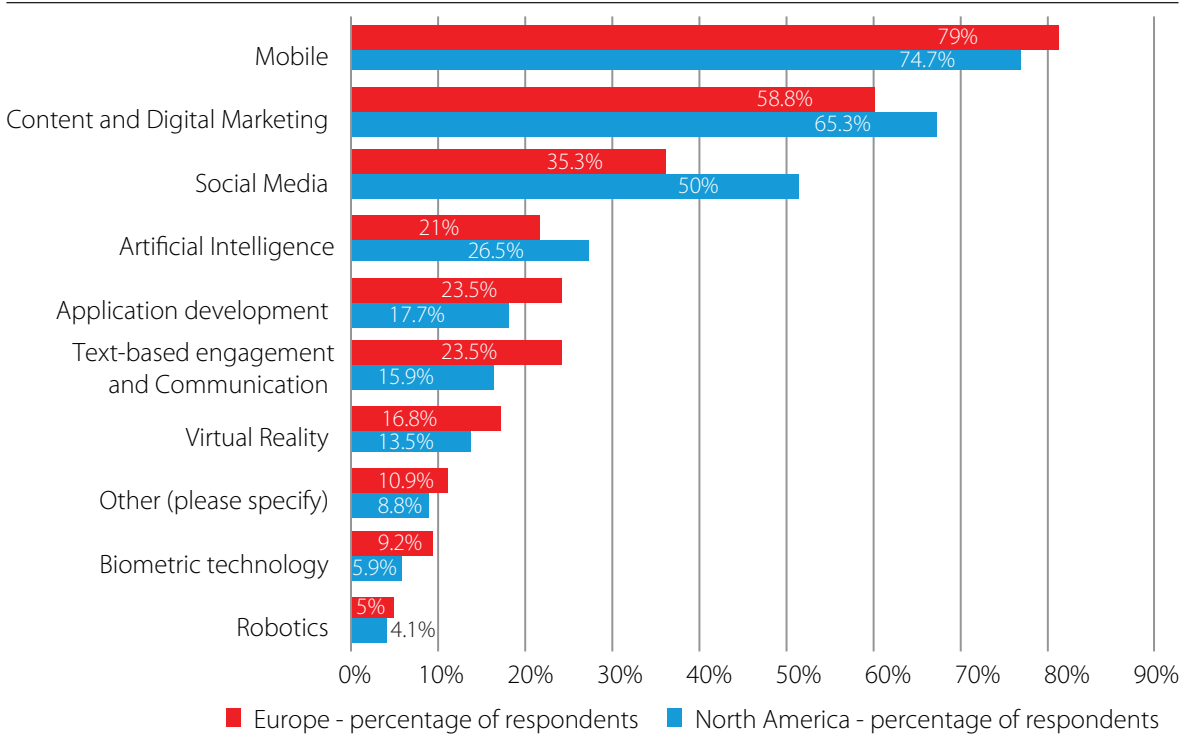
Consumers continue to favor their traditional devices due to the complexity of comparing and buying a leisure travel experience. The multiplicity of factors that

Figure 1: What Do You Think Is Going to Be the Game Changer in Our Industry?



Source: EyeForTravel Smart Travel Data Summit 2016 Attendee Survey

Figure 2: What Three Areas Do You Think Will Be the Greatest Opportunity or Focus for You in 2016/17?



Source: Marketing and Mobile Strategies to Engage the Connected Traveller 2016-2017

consumers need to consider, often over different sites, products and tabs, naturally favors a larger screen.

There is also a trust and security perception issue with making major purchases over smartphones. A 2016 study found that “security risk and performance risk (i.e. poor product quality) are the most relevant to consumers when evaluating mobile booking (Park & Tussyadiah).” Although trust in m-commerce is growing and the value and number of purchases along with it, it continues to lag behind desktop purchases in the travel sphere.

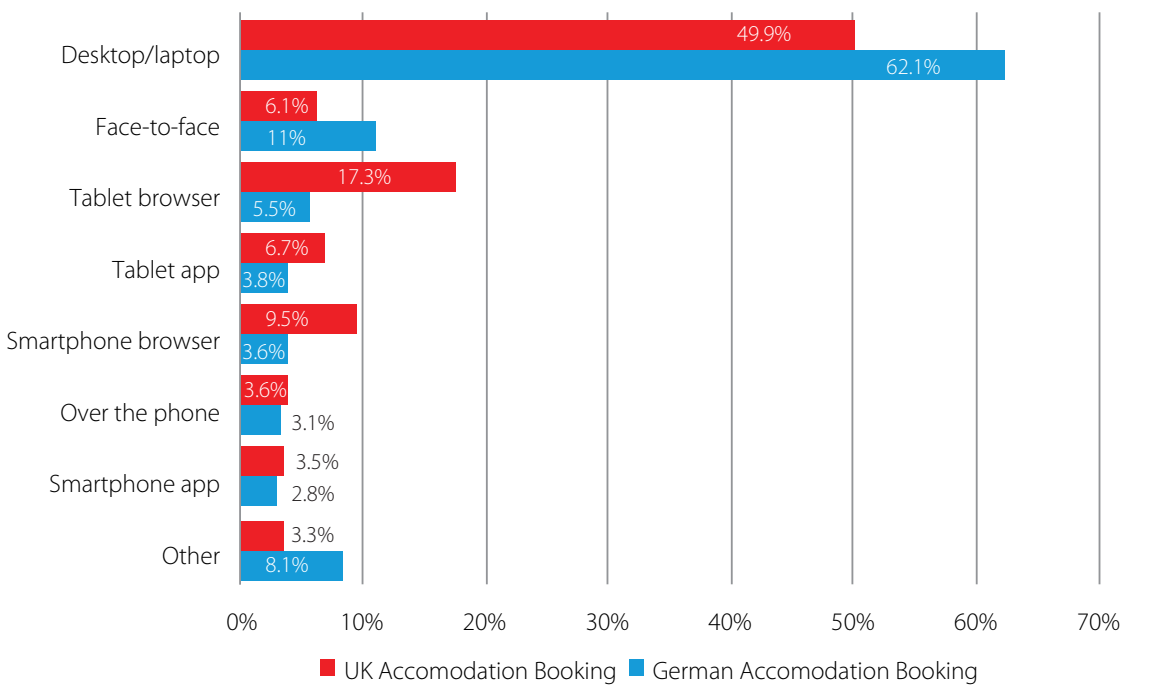
As can be seen in figures 3 and 4, desktops and laptops continue to have a significant lead in both accommodation and flight bookings in the UK and in Germany, particularly in the latter’s case. In the UK, the combined share of tablets and smartphones is slightly more than a third in both cases, showing that mobile has made significant gains but desktop remains king. In Germany, the lead is even more substantial, as Germans are conservative in their purchase preferences, also preferring brick-and-mortar purchase routes much more than other comparable Western countries. There, the combined market share of tablets and smartphones in accommodation and flight markets is 16%

and 13%, respectively (EyeforTravel’s German Consumer Survey 2016).

Similar results have been seen by other research into travel booking devices. Criteo also found that Germans came near the bottom for mobile bookings compared to other countries, with 16% of online bookings conducted on mobile, and that desktop remained the primary tool for purchase in all the countries they monitored. Top of its list came Japan, where 38% of online bookings were conducted on mobile devices in Q2 2016 (Criteo,2016).

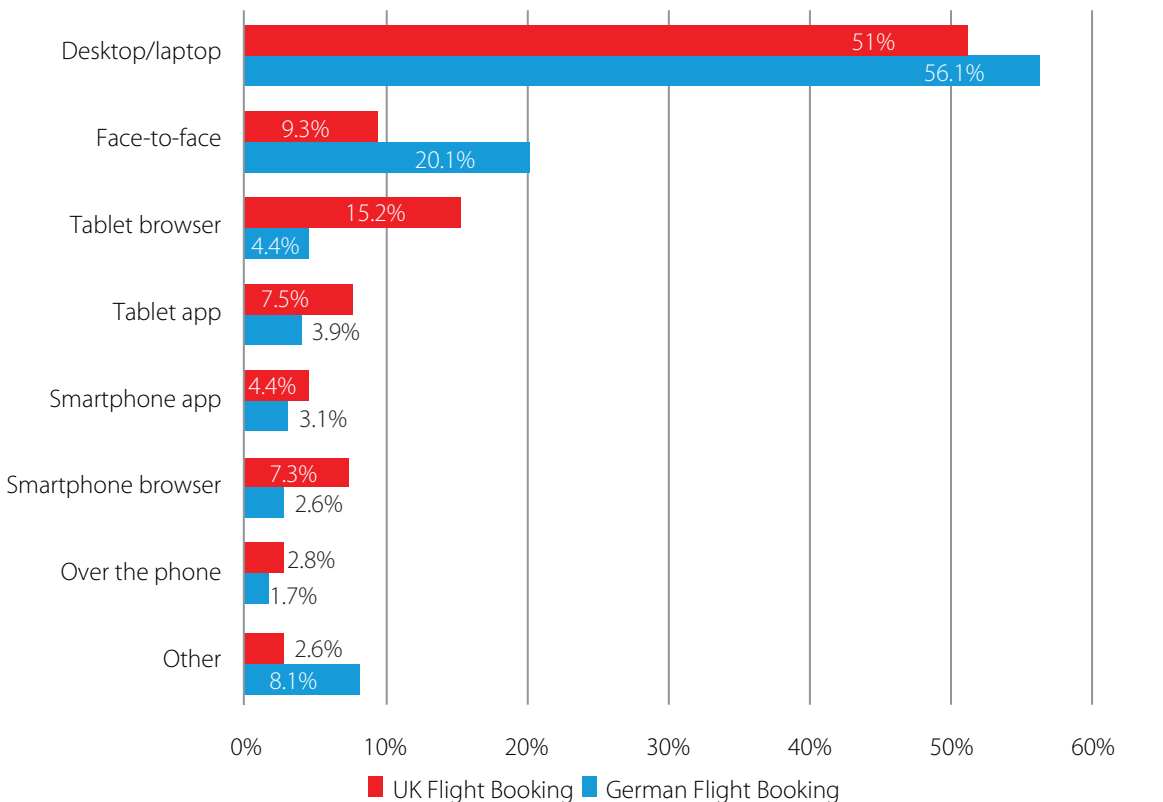
Not only is desktop the continuing king of travel bookings, but we have also observed that those who use tablets and smartphones as their primary research tools were more likely to cross over to another device to finish their booking. In the event that a user finishes their journey on a different device to their primary research device, they more often switch to booking on a desktop than any other device. We can see this behavior in the UK in Table 1, with 80.7% of those who primarily used a desktop or laptop staying with the same device to book, but just 36.2% of primarily smartphone researchers keeping with their device. In the latter case,

Figure 3: German and UK Accommodation Booking Rates by Method of Purchase



Source: EyeforTravel's UK Consumer Survey 2016; EyeforTravel's German Consumer Survey 2016

Figure 4: German and UK Flight Booking Rates by Method of Purchase



Source: EyeforTravel's UK Consumer Survey 2016; EyeforTravel's German Consumer Survey 2016

Table 1: Cross Device Behavior From Research to Booking in the UK

	Primarily used desktop/laptop to research		Primarily used tablet to research		Primarily used smartphone to research
Desktop to book	80.7%	Desktop to book	21.3%	Desktop to book	36.2%
Tablet to book	5.9%	Tablet to book	63.8%	Tablet to book	15.7%
Smartphone to book	4.0%	Smartphone to book	5.2%	Smartphone to book	35.1%

Source: EyeforTravel's UK Travel Consumer Survey, 2016

Table 2: Mobile and Desktop Conversion Rates for Travel Brands in Brazil, Germany, India, the UK and US

	US conversion rate		UK conversion rate		German conversion rate		Brazilian conversion rate		Indian conversion rate	
	Mobile	Desktop	Mobile	Desktop	Mobile	Desktop	Mobile	Desktop	Mobile	Desktop
All OTAs	2.86%	6.49%	2.63%	6.86%	1.84%	6.77%	1.92%	5.31%	1.68%	3.44%
All airline brands	0.69%	10.74%	0.41%	7.54%	0.40%	6.91%	0.13%	2.35%	0.28%	2.44%
All hotel brands	1.25%	9.87%	1.14%	6.40%	0.34%	3.95%	0.09%	1.62%	0.16%	1.49%

Source: Jumpshot, 2016

most switched over to desktop, with a little over a third finishing their journey there (Jumpshot, 2016).

Furthermore, there is a significant disparity between conversion rates on desktop and mobile, with desktop visitors considerably more likely to convert than mobile users. This gives further support to the findings which point towards smartphones being largely used as research devices earlier in the journey. In all five countries looked at, OTA, airline and hotel, desktop conversion rates were consistently higher with rates anywhere between twice as high to more than 18 times as high (Jumpshot, 2016). It is also important to note that OTA conversion rates were considerably better on mobile across the board, which will be discussed in more detail in Chapter 4.

2.2 Smartphone Surge

Although desktops and laptops remain remarkably durable as booking devices for the travel industry, demographics and usage trends suggest that this will continue to diminish, with the smartphone being the big winner. This will be felt most in the dreaming/

inspiration and research stages of the travel booking process, where smartphones are already integral, but will gradually feed into more and more purchases being made on smartphones.

Research presented by Expedia Media Solutions found that from 2015 to 2016 desktop-only journeys shrank across the three countries they measured in favor of users who were engaging with travel through only mobiles or with multiple devices. Across Canada, the UK and the US, mobile-only and multi-device users now account for the majority of users. In the UK, more than half of users were interacting through multiple devices and, interestingly, these types of interactions grew at the expense of both desktop and mobile-only users (See Figure 5; Expedia, 2016).

Criteo also reported growth in mobile traffic across all geographies it measures, with smartphones accounting for the majority of the increase in mobile's share of bookings. It estimates that as of mid-2016, smartphone's share of online travel bookings had grown from 16% to 22% in the Americas, from 9% to 14% in EMEA, and from 23% to 28% in APAC (Criteo, 2016).

In developing countries, the usage rates of mobile in comparison to desktops and laptops are even more pronounced amongst those who are connected to the internet. Most of these countries largely skipped using landlines on the consumer side, and have associated the smartphone as their primary device for internet access from a very early stage. For example, Jumpshot research shows that India is a leading country for mobile usage. In India, two thirds of visitors to the major travel websites measured by Jumpshot came from mobile sources, ahead of any of the other countries measured by the company (See Figure 6; Jumpshot, 2016).

Critically, there is a further boost to mobile in the travel industry, because across every single geography EyeforTravel has studied so far, younger demographic cohorts are more likely to own and use smartphones. Largely, this gap between generations is not just noticeable but substantial, particularly in the case of usage for travel research. In Figure 7 we can see the difference in ownership rates in a variety of developing countries. Figure 8 demonstrates the consistent decrease in smartphone usage for travel research as segments increase in age in Germany and the UK and Figure 9 shows the disparity in smartphone usage for flight bookings in the UK. In every case, there is a clear

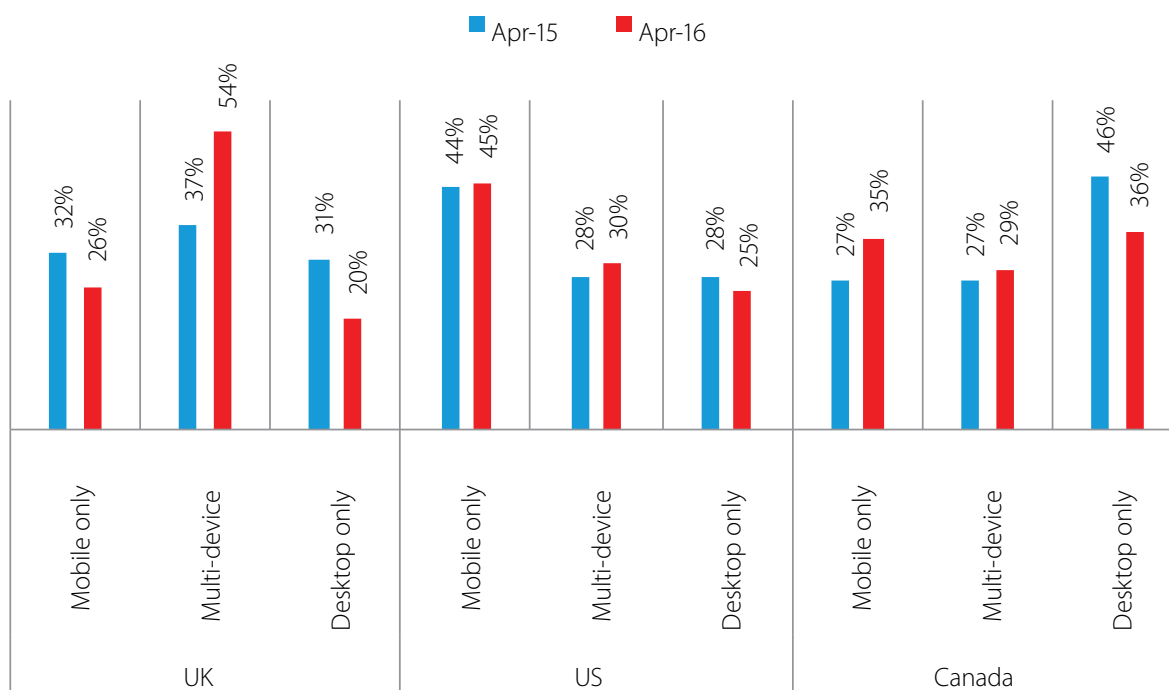
relationship between age and the adoption and usage of technology platforms, with Millennials by far the most likely to be comfortable using mobile platforms to research and book travel. This means that as younger consumer groups increase their earnings and become the most important travel purchasers, there will be an increase in cross-channel behaviors and smartphone usage in particular.

If consumers can be assured of the security of transactions conducted over smartphones and travel brands can improve the functionality of apps and mobile sites, then this growth rate will accelerate. Although the complexity of researching and purchasing a travel product will continue to be an issue on smartphones, better data gathering and utilization will allow for more targeted offerings on smartphone platforms and more effective funnel construction.

2.3 Optimizing for Omnichannel

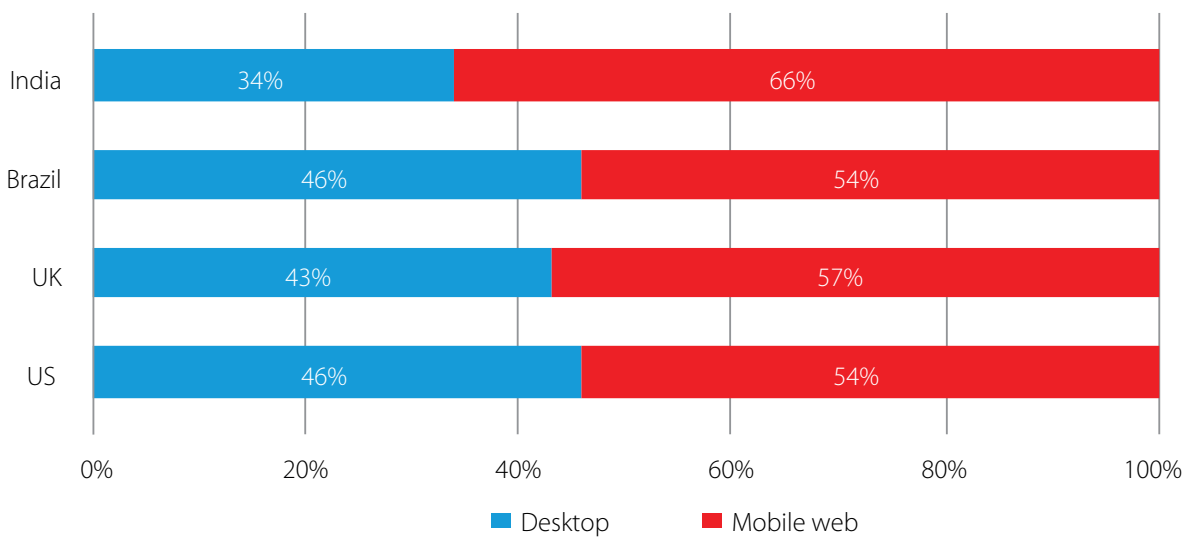
At this point, however, travel brands need to consider the omnichannel environment as can be seen in Table 1 and Figure 5. Consumers are not truly wedded to any one device and instead switch between

Figure 5: Change in Share of Digital Travel Users in Canada, the UK and US by Device from April 2015 to April 2016



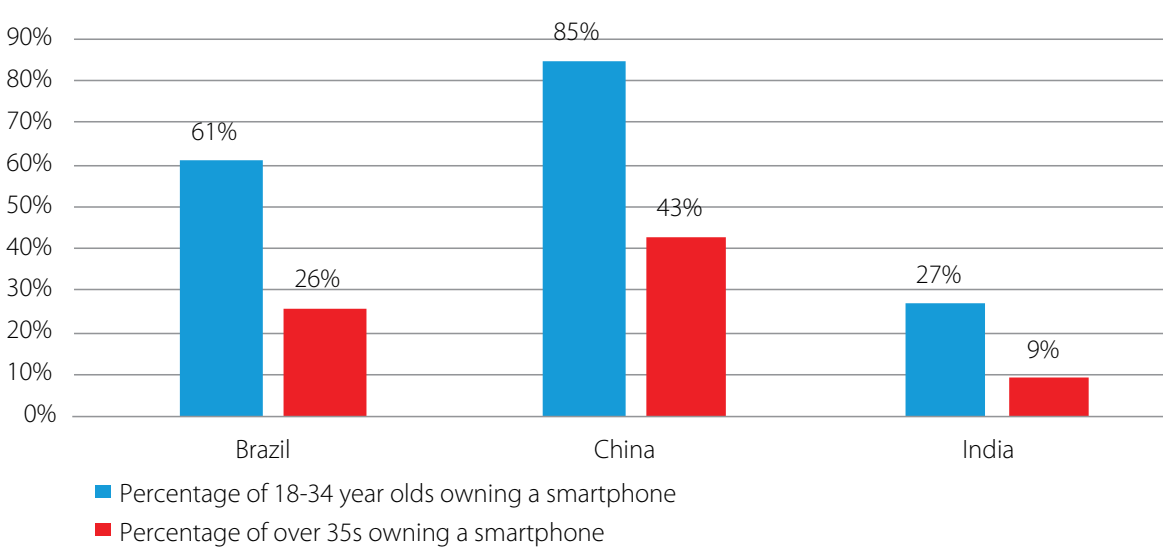
Source: Expedia, 2016

Figure 6: Percent of Mobile Web vs Desktop Daily Visitors Across Selected Top Travel Websites by Region



Source: Jumpshot, 2016

Figure 7: Smartphone Ownership in Brazil, India and China



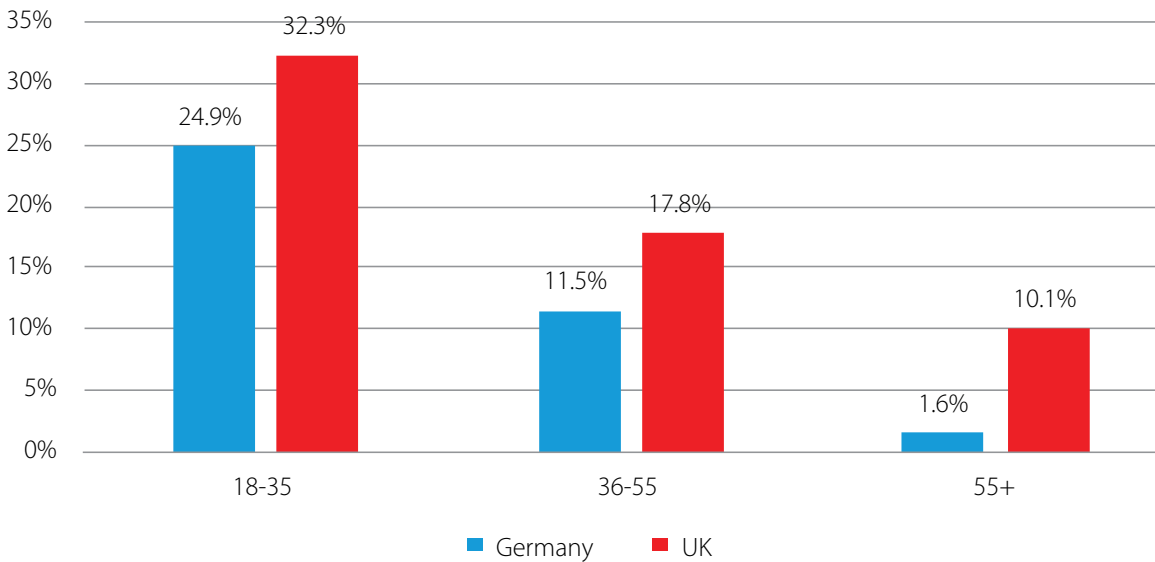
Source: Pew, 2016

Table 3: Smartphone Ownership in Brazil, China, and India

Country	Total of population owning a smartphone	Percentage of 18-34 owning a smartphone	Percentage of over 35s owning a smartphone	Percentage difference between age groups
Brazil	41%	61%	26%	35%
China	58%	85%	43%	42%
India	17%	27%	9%	18%

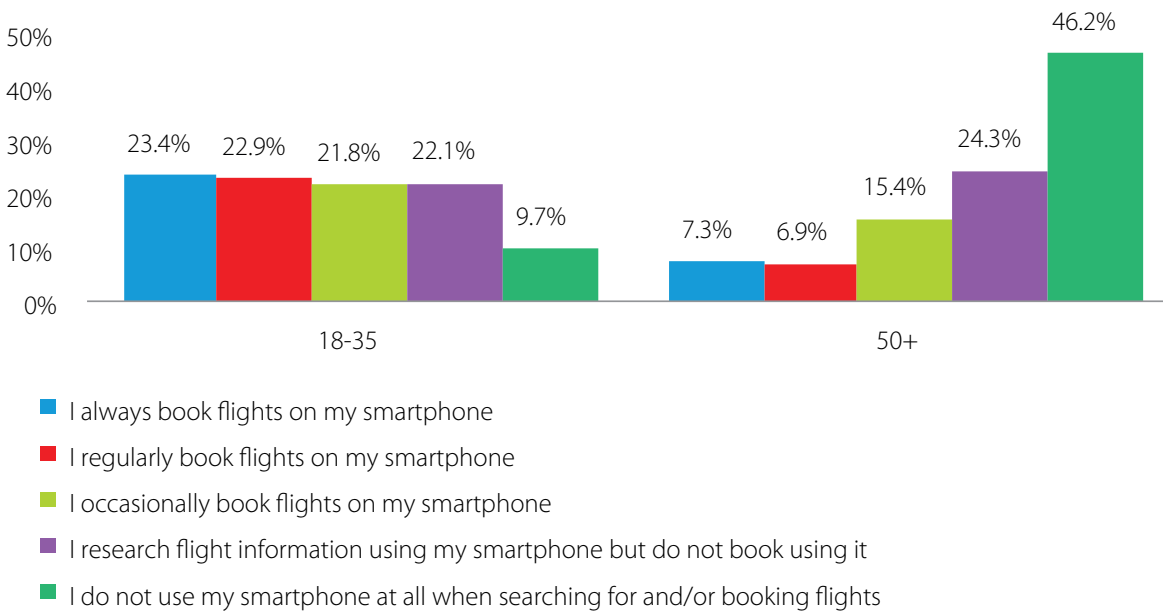
Source: Pew, 2016

Figure 8: Percentage of UK and German Consumers Researching Travel with Smartphones by Age



Source: EyeforTravel's UK Consumer Survey 2016; EyeforTravel's German Consumer Survey 2016

Figure 9: UK Consumer Propensity to Book Air Travel on Smartphones: 18 to 35 Year Olds Vs. Over 50s



Source: EyeforTravel Technology in Air Travel Survey, 2016

devices throughout the journey. In generalized terms, consumers are most likely to use their smartphones first for browsing ideas and engaging in initial research before moving over to desktops, laptops, and, to a lesser extent, tablets. This is a headache for travel brands. Firstly, they cannot ignore any one part of the process

as each device now has significant market share and consumers will not stand a subpar digital experience for more than a brief moment in such a competitive atmosphere. Secondly, to compete with the biggest digital brands, there is the need to create effective

personalization – a challenge that is naturally multiplied when consumers flit between devices and IP addresses.

So how should travel brands approach the omnichannel challenge?

It all comes back to the key point of personalization. This relies on a strong foundation of data, requiring:

- The removal of silos in internal data.
- Contextual data to understand and segment consumers, including both internal and third party data.
- Different teams working closely together, such as revenue, marketing and sales.
- A single customer view. This should be what all of the above are working towards. Giving customers unique I.D.s will allow an organization to understand their customer base, the various segments it sells to, and then to try and find lookalike segments to expand their pool.
- Integrated systems that can action on this data and produce relevant content and offers. This can then be presented to the customer in the right context at the right time.

For travel brands, this should start with looking at their current user base and making the best use of their most important resource: the data they already have. “You have to understand the client you already have,” said Roger Bisschoff, Head of Distribution for Halldis, which operates serviced apartments, villas and vacation rentals. “It is important to profile the client. Understand where do they come from? What are their needs? What channel did they come from? What is the reason that they choose your product? That is something that we are implementing now and ... the first thing to start with is profiling. ... Once you have some sort of profile you can start doing marketing actions based on [that] profile. ... That is the first step for opening up to other parts of the world.”

Similarly, Riko van Santen, VP Digital Strategy & Distribution at Kempinski Hotels, emphasized the importance of starting with own-brand data and noted that it was key to being competitive: “The advantages that the hotel companies have is that we have the guests in our hotels and that’s the moment that we capture the guest’s information. Not only who they are, but their behaviors. How do they spend? Do they go to our spa? Do they want an airport transfer? Do they dine in our restaurant? What do they eat? Do they like

football channels? There’s a lot of information we can use to customize the stays for the guests – to understand who they really are and what makes them tick.”

Once Kempinski has this they can then start to build out through third parties before combining the two to build better customer profiles. For example, “through the Facebook API we can gather trends data and look how it fits in with the bigger picture. What’s happening in search patterns? When are they searching? How do they get to our website? How do they not get to our website? That is something we will get from our third party partners. We look to combine it with the micro-information we get through our loyalty program and through the guest’s information that we have in the hotel so we have a complete profile.”

The core of a good omnichannel approach should be consistency across platforms and devices, driven by strong customer profiles that drill down to the most granular level possible. These are built firstly on own brand data then on a combination of third-party data. This is critical as personalization and user experience will drive the future of travel distribution. Customers will be increasingly unwilling to settle for poor targeting across platforms.

2.3.1 Case Study: Christian Tommerup, Head of Paid Media, Nustay

For Christian Tommerup and Nustay, the key to an omnichannel experience of the user is to head back to the data you already have and build this out to create an experience for their customers that is equally effective across all devices. “The most important thing is being what we call device agnostic. People like saying Apple has cross device. Facebook has cross device. Well, no they don’t. They work well across all platforms.”

A big part of this is changing the way that marketers think: “We should shift the classic attribution model based on last click, based on KPIs like CPC, CPA, direct conversions, stuff like that. It’s channel focused. It’s assuming that the only way to target a user and the most valuable way of targeting then is through a channel strategy. But the fact is that with the technology that we have today, we can identify unique users. We can

identify the unique value. I don't want to hear of CPA, because I know that the customer journeys for today's user on mobile and across are unique. Your frequent purchaser compared to your once a year, high-value booking – it's night and day ... the focus is the user."

This comes down to "data management. It comes to understanding what data you have. It comes down to understanding what touchpoints you have. Understanding what is a valuable user for you. Understanding what interesting third party data could be out there. Who could you partner with? How can you be smarter with users there are? It's the idea of using third party data through ID matching, so that every time we meet them in a third party system we know a little bit more about them. It is the possibility of highly, highly detailed profiles of our customers." However, it is not only third party data, as internal data should be the key starting point; "Use the data you have. Don't act like you don't know what the customer wants. Chances are you have met the customer before."

Critically the end goal of interrogating internal and third party data is to create a system that can recognize and react to consumers accurately and effectively. This should quantify the profiles so that "it comes down to one number. It has to come down to the preference, the value – it comes down to a single number. This number connects to a direct dash. This is essentially what automation and cross-device is all about: A dynamic way of estimating your users as a clear quantitative number."

From this, an organization can build outwards and use the background data, user profiles and scores to power an algorithm that can utilize the data and display a personalized choice to a user. For Tommerup "Custom algorithms have a huge role to play... This is essentially a way of getting the score to value-rate your users on all channels. It is being able to create, based on the data, some kind of weighting system so it knows how it should bid on open media."

Note: Christian Thommerup was speaking at the Smart Travel Data Summit 2016, which was held in Amsterdam in November 2016.

3

The Path to Purchase: What Sites Do Consumers Use Before Conversion?

Jumpshot and EyeforTravel collected more than a quarter of a million individual travel purchases from five countries in mid-2016 to understand the latter elements of the customer journey. The data collected tracked the 15 sites visited before the purchase was made, as well as the type of site the purchase was made on (for more details please see the Methodology). This gives an insight into what consumers are thinking about as they approach a transaction and the types of sites they visit to put their thought process into action. This can be used by travel brands to optimize their ad strategies and digital strategy. The tables below show the percentage of the sample from each country that visited a particular type of site in their final 15 domains.

Note: In the cases of airline and accommodation purchases, fewer countries are represented as the samples were smaller in size for these and therefore not representative.

3.1 The Inescapability of Search Engines

The search engine is the vector of modern internet travel, particularly so for travel given that it is more reliant on the world of browser and desktop traffic rather than mobile apps, where search engines can be circumvented.

This is reflected in the results we have received, the huge sums spent by travel brands on search engine marketing, and research from within and around the industry. In Jumpshot's web tracking of consumers, nine out of 10 travel purchasers used a search engine in the

Table 4: Sites Visited Immediately Before Transaction Conducted on an OTA

	US	UK	Germany	Brazil	India
Visited site prior to conversion	75%	74%	73%	78%	75%
Used search engines	91%	91%	86%	90%	91%
Visited social media (Facebook/Twitter)	23%	24%	15%	24%	15%
Visited YouTube	9%	8%	7%	9%	10%
Used a metasearch site	17%	16%	15%	19%	12%
Visited review sites	11%	13%	6%	13%	13%
Visited competitor OTA	26%	19%	22%	23%	37%
Visited airline brand	7%	6%	4%	5%	4%
Visited hotel brand	9%	7%	2%	3%	1%

Source: Jumpshot, 2016

Table 5: Sites Visited Immediately Before Transaction Conducted on an Airline Brand

	US	UK	Germany
Visited site prior to conversion	69%	81%	84%
Used search engines	92%	90%	83%
Visited social media (Facebook/Twitter)	22%	22%	17%
Visited YouTube	12%	12%	11%
Used a metasearch site	10%	24%	14%
Visited review sites	2%	4%	1%
Visited OTA	16%	24%	33%
Visited competitor airline brand	15%	17%	13%

Source: Jumpshot, 2016

Table 6: Sites Visited Immediately Before Transaction Conducted on a Hotel Brand

Purchasers from hotel brands	US	UK
Visited site prior to conversion	70%	69%
Used search engines	92%	90%
Visited social media (Facebook/Twitter)	20%	21%
Visited YouTube	8%	6%
Used a metasearch site	5%	5%
Visited review sites	8%	8%
Visited OTA	17%	21%
Visited competitor hotel brand	14%	11%

Source: Jumpshot, 2016

15 sites before a purchase. This was consistent across all the geographies looked at and all the different verticals in which consumers finally made a purchase, with the exception of Germany. There, 86% of consumers visited search engines when buying on an OTA and 83% when finishing their purchase directly with an airline brand (Jumpshot, 2016).

Germans were also less likely to visit review sites, social media or competitor direct booking routes. This suggests that German travelers have a more direct

route to purchase when they are in the phase closest to booking, with a more strongly formed idea of what they will be purchasing and also the channels they will use to do so.

Aside from the small quirk of Germany's lower rate of search engine usage, it remains by far the most popular area of the internet to visit in the very latter stages of travel buying. No doubt this is why the largest travel brands spend so much to try and gain visibility on search engines. It is hard to estimate the total spend of

the industry in this area, but some of the financial results from the biggest players give an indication of the huge sums. For Priceline, not only is the latest reported sum at the time of writing vast but growing at an incredible rate. In the nine months to September 2015 Priceline spent USD2.177 billion on performance advertising. This increased to USD2.741 billion in the nine months to September 2016, representing a 26% increase over the same period the previous year (Priceline, 2016). Expedia does not break down its expenses to the same level so it is harder to estimate. However, its filings for the same periods show an increase in total sales and marketing costs to USD3.399 billion, which equates to a YoY increase of 56% (Expedia, 2016). Google itself reports that it received some USD56.984 billion from digital advertising over those nine months, which would make just these two OTA players some of the most significant revenue generators for Google, let alone the remainder of the travel industry (Alphabet, 2016).

There is also a host of research demonstrating the importance of search engines to the travel journey. Most of this research points to search engines being most influential in the initial phase of the journey. Expedia found that consumers in Canada, the UK, and the US were around three to four times more likely to report using a search engine in the inspiration phase, at the start of their journey, compared to the period immediately before booking (Expedia, 2016). Similarly,

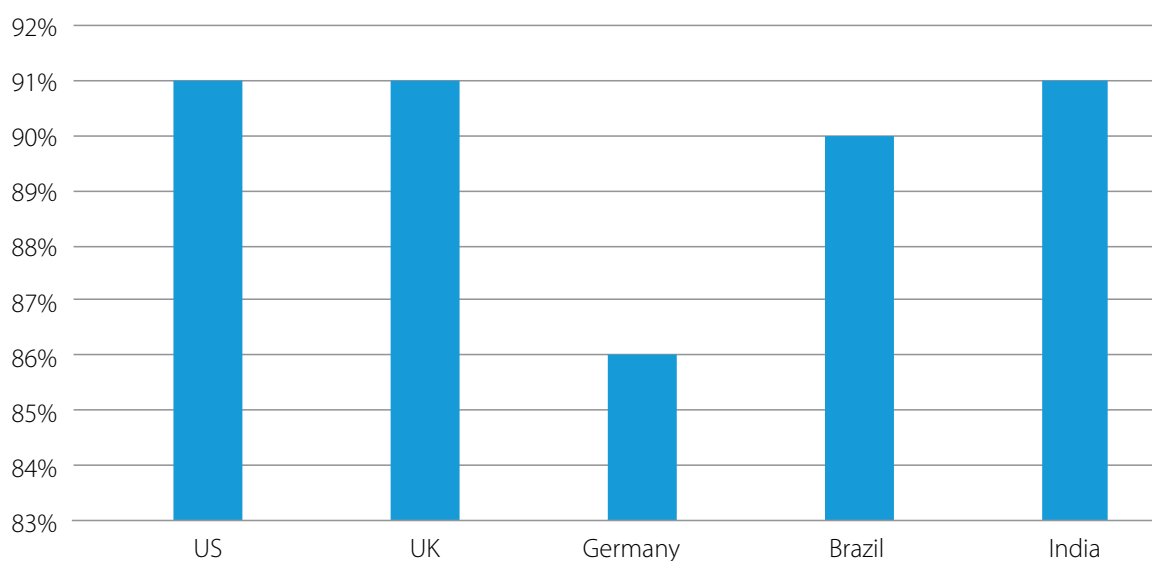
a 2016 survey of UK consumers found that 48.4% of respondents were most influenced by search engines when they began planning but this fell to 28.4% when it came to the booking (Fuel, 2016).

However, this is self-reported survey data rather than the purchase data presented in this white paper from Jumpshot. This suggests that although search engines may be most influential in the opinion of the customer initially, their centrality actually continues until the end of the process. In the latter stages, they are used as gateways to go to the final selections and conduct comparisons. This gives them great power throughout and perhaps even more so at the end of the process. Clearly, all travel brands need to be considering their search engine strategy through organically boosting their search engine rankings and also intelligently bidding on keywords.

3.2 Social Media Reach

The current digital age is marked by the ubiquity and presence of social media. It has a vast penetration that has only accelerated in recent years to more age groups and geographies. It now acts to connect individuals, to organize individuals' online lives, to distribute media and advertising, and is now growing into the area of facilitating e-commerce.

Figure 10: Percentage of OTA Purchasers Who Visited a Search Engine Prior to Buying



Source: Jumpshot, 2016

Looking at overall penetration rates, it is likely that over a third of the total global population has some form of social media account, with somewhere between two and three billion people being active social media users. Facebook alone self-reports that it continues to grow to a current point of 1.79 billion monthly active users (Facebook, 2016). This makes it comfortably the largest global social media network, especially if you then add on its acquisitions of Instagram and WhatsApp.

One of the few regions Facebook has not been able to penetrate is China, but here there is an even more pervasive social media system in WeChat. This stands out from many other social media networks, particularly in the West, as it has been built as an integrated system. It allows users to communicate, play and shop, all without leaving the app and therefore is highly influential in the Chinese digital sphere.

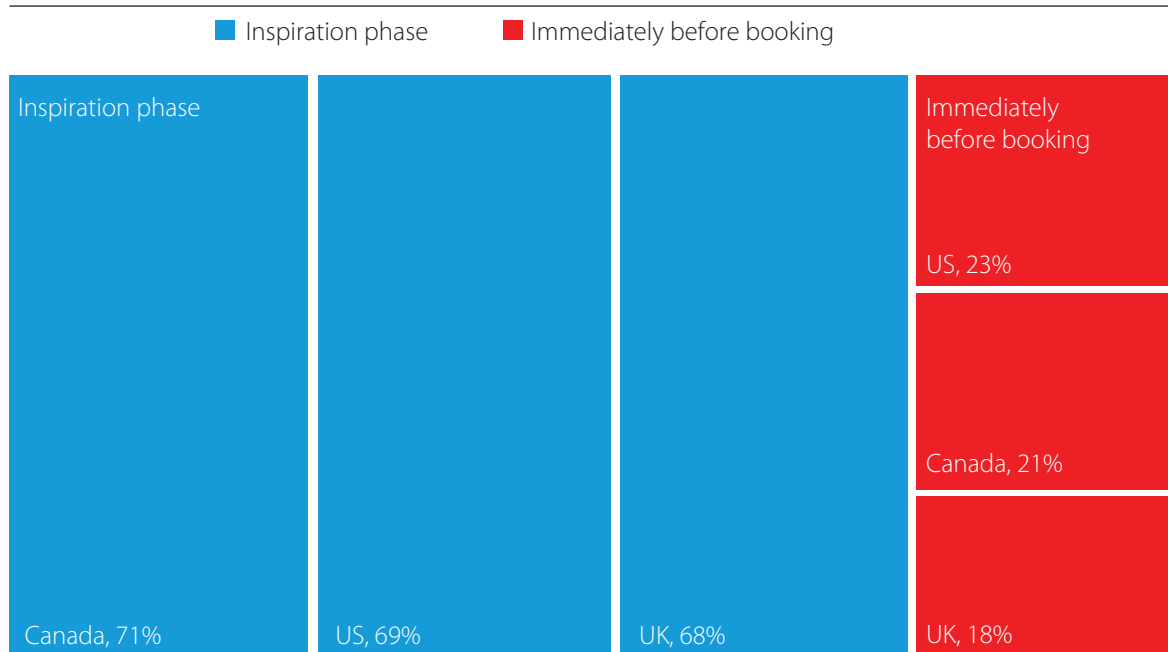
All of this gives social media an incredible daily presence in people's lives and, therefore, makes it one of the most powerful marketing tools possible. For example, in the UK, the weekly reach of social media stretches to nearly two thirds of the adult population. What is most remarkable within this is the rise in younger age groups, with a consistent increase in weekly interaction as age decreases. This increases to the point where it is estimated that social media

reaches essentially all British 16 to 24 year olds on a weekly basis (see Figure 12; Ofcom, 2016). An Ofcom study also estimated that among this age group, 18% of their entire media and communication time was spent with social media (Ofcom, 2016).

This is also borne out in the path to purchase data shown in tables 4, 5 and 6. No matter the final purchase, social media has high potential to be in the mix of sites visited shortly before booking. Consistently, around a fifth of the travel consumers measured visited a social media site in the 15 sites before a booking. Potentially, this rises further if we include YouTube in that social media mix, with around one in 10 consumers visiting a YouTube site before purchase.

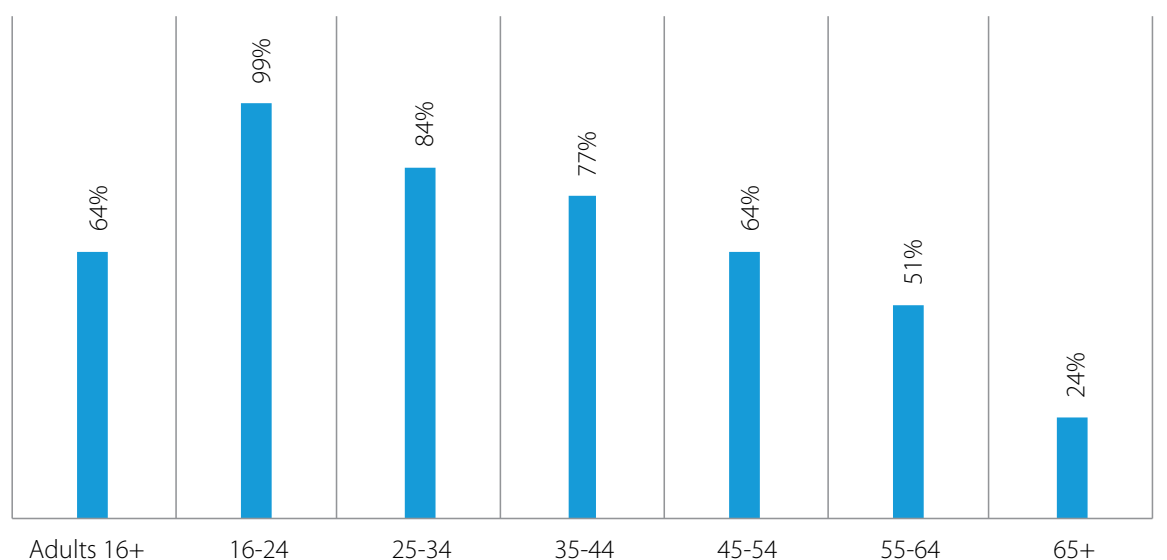
Although research has suggested that social media is most influential and utilized on travelers' purchase decisions higher up the funnel, the high prevalence of social media visits indicates that it remains a useful marketing tool right up until the purchase. Expedia's study estimates that just 11% of online travel bookers across American, British, and Canadian markets use social media in their travel research process, with this percentage falling further the closer to the purchase the consumer is (Expedia, 2016). Combining this and Jumpshot's travel consumer tracking, it makes sense for travel marketers to continue to view social

Figure 11: Usage of Search Engines in Initial Phase Versus Immediately Before Booking



Source: Expedia, 2016

Figure 12: Estimated Weekly Reach of Social Media Sites in the UK By Age Group



Source: Ofcom, 2016

media as a useful marketing tool up until the point of purchase, but with a focus on programmatic advertising targeting offers that will attract clicks in the latter sections of the funnel. This is especially so because there is a strong possibility that a brand can pick up considerable tracking data in these latter stages to fully personalize an ad, as consumers flit between different sites comparing products and more often than not, clicking on and then revisiting the site to complete their purchase. We shall look at this further in the next chapter.

3.3 Competition or Co-opetition?

The complexity and high price point of purchasing a travel product naturally means that consumers spend considerable amounts of time considering their purchase and comparing the product between many sets of sites.

What is clear from the data presented by Jumpshot is that travel purchasers continue to compare products in the latter stages of the research process right up until shortly before the booking and that this is done through a variety of different sources. The question for travel brands is whether this can be utilized as a source for bookings and a form of co-opetition or should it be viewed as direct competition to be challenged?

Looking at the data, consumers from every geography studied visited OTAs, metasearch sites and competitors no matter which vertical they finished purchases with and in considerable numbers during the 15 sites before the booking. If anything, the data demonstrates the high amount of cross-referencing travel consumers do and the hyper-competitiveness of this online space.

However, many of those that EyeforTravel spoke to consider the current online travel distribution medium to be closer to a world co-opetition than outright competition. For Catarina Randow, Vice President Revenue & Distribution at First Hotels, "it is definitely not a competition. It is a co-op in that respect. [OTAs are] a valuable channel. If you'd asked me two years ago, I'd have given you a different answer. I think we are together with them rather than anything." However, she does note that they are taking on digital efforts, particularly experimenting with membership rates and Customer Relationship Management (CRM) initiatives, to increase digital bookings "because of course we need to work with what we have as hoteliers and be better at what we do to get our share of the cake".

For Randow, it is about long-term loyalty: "I don't mind if the guest comes through the OTA the first time. The acquisition costs are bearable in that respect but, moving forward, it makes sense if the guest books through our own channel the second or third time. That's our view."

For van Santen, it is also about the balance: “You have to know the balance of your distribution channels, so that the OTAs are contributing to the whole ecosystem. You know that they’re not going to go away tomorrow but I think the key is to know what extent it’s a healthy relationship and to what extent it is a non-healthy relationship.” For him, “it is just a different way of spending a marketing budget”.

“At the end of the day consumers decide and if the guests are coming to those sort of sites to make a booking then there’s a reason for that. Nobody is forcing anybody,” said van Santen. “People will go to the markets they want to book in. I think we need to learn from that.

“The hotel industry can learn from what they’re [major OTAs] are doing. The hotel industry is not an e-commerce industry but then we need to understand what are the things that perhaps we can do better than an OTA. We have more information about our repeat guests for example. We know what room they stayed in, what they like, what they don’t like. So, I think that there is still a lot of opportunity where the hotel industry can still compete against the OTAs.”

It is also worth noting that when it comes to loyalty and drawing users into an own-brand booking that buyers also visited the site they eventually converted on between 69% and 84% of the time, considerably more than any other competitor site (see Tables 4, 5 and 6; Jumpshot, 2016). This emphasizes the importance of refining the late stage of the purchasing process on own-brand domains and retargeting methods. This is probably one of the cheapest and most effective methods of reducing costs and boosting conversion rates. Paying attention to the visitors you already have is just as, if not more, important for your brand as working and spending to attract new consumers to digital properties.

4

Who's Winning and Why?

4.1 Who's Winning?

It would be hard to argue that the OTAs are not winning the battle for the customers' eyes and wallets at this point. There is evidence to suggest that the balance of power is not as severely tilted towards the OTAs as it was following the 2008 financial crisis, when accommodation companies and airlines relied on the OTAs to sell their inventory cheaply. Obvious examples of this subtle change are companies such as Lufthansa charging extra fees for non-direct bookings, cooperation on membership programs, and Expedia trying to offer better services to accommodation providers to rival BookingSuite. Instances like these suggest that travel suppliers are more confident and that the big players are beginning to see limits to their expansionism.

However, the evidence presented in this paper suggests that it is unlikely that the dominant positions of the OTAs in their respective markets will be challenged in

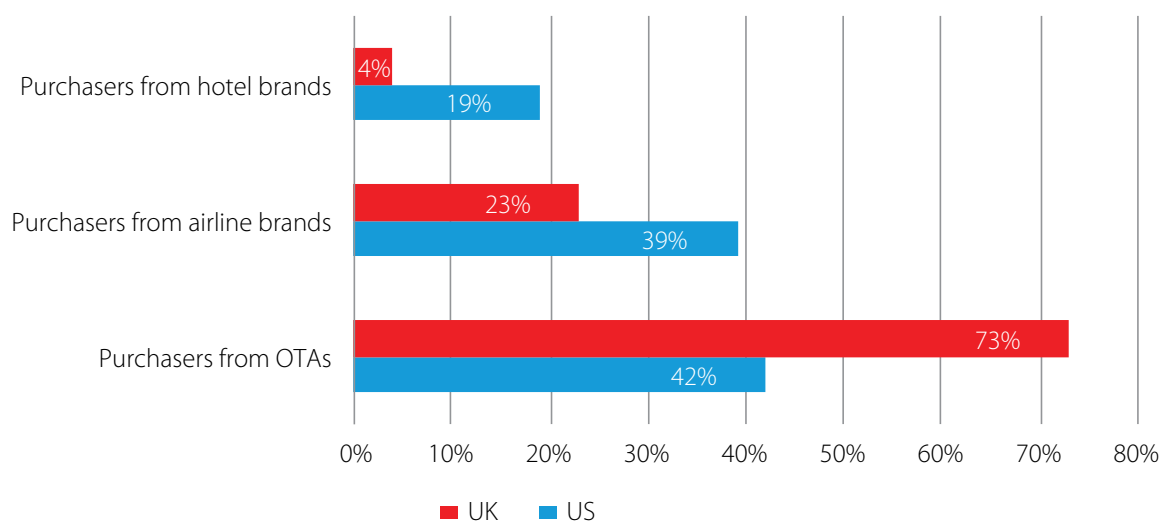
the immediate future. To do so would require a huge investment in technology and marketing budgets, which almost no player can manage currently.

The position and power of the OTAs is reinforced by the analysis of consumer purchase patterns from Jumpshot and EyeForTravel. Jumpshot analyzed purchasers over a two month period on a set number of domains, capturing nearly 200,000 bookings in the UK and the US. The analysis was conducted on the following domains:

- OTAs: Booking.com, Expedia.com, Airbnb.com, Hotels.com
- Airlines: Delta, Southwest, United, Ryanair, Easyjet, Lufthansa, Emirates
- Hotels: Marriott, Hilton IHG, Wyndham (on primary domains)

The results can be seen in Figure 13 and Table 7.

Figure 13: Travel Purchases Completed on Hotel, Airline or OTA Brands in the UK and US

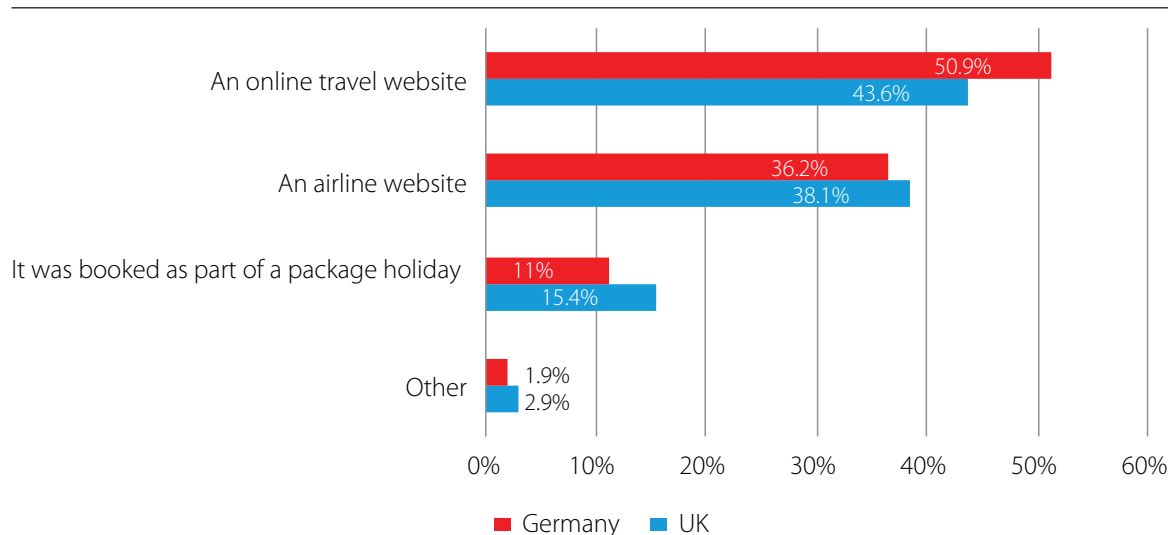


Source: Jumpshot 2016

Table 7: Travel Purchases Completed on Hotel, Airline or OTA Brands in the UK and US

	US	UK
Purchasers from OTAs	42%	73%
Purchasers from airline brands	39%	23%
Purchasers from hotel brands	19%	4%

Source: Jumpshot, 2016

Figure 14: Airline Web Browser Booking Channels in Germany and the UK

Source: EyeforTravel's UK Consumer Survey 2016; EyeforTravel's German Consumer Survey 2016

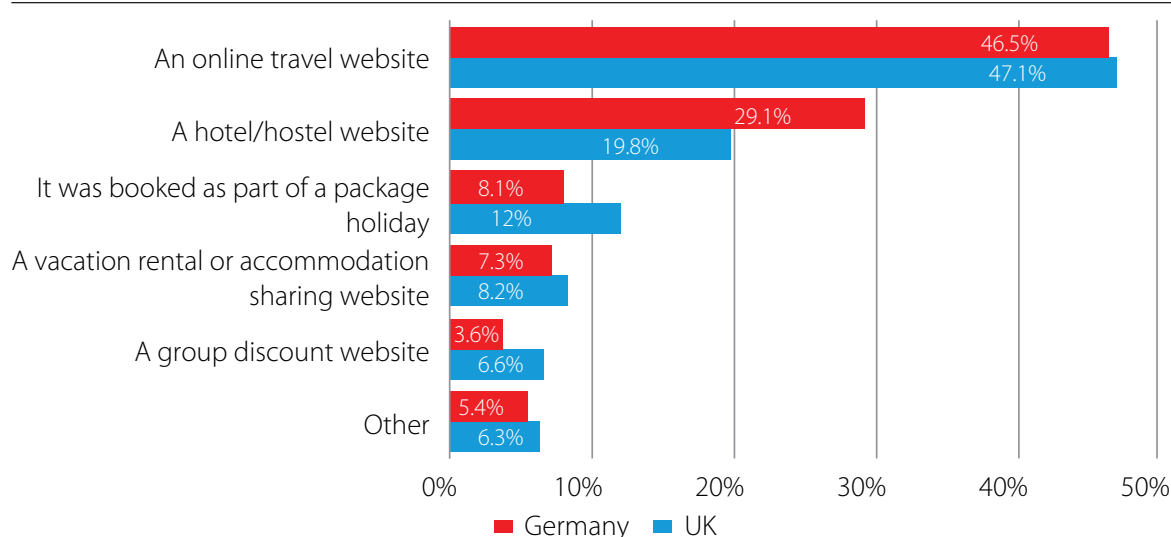
Although it should be noted that the number of domains examined was limited, it is demonstrative of the power being exerted by the major OTA players versus their contemporaries in other travel verticals. In the US, the OTAs were the major players, with 42% of purchases across the period, followed by airline brands at 39% and hotel brands at 19% of the sample. The UK was more extreme, with OTAs outselling the combined share of both airlines and hotel brand domains in the sample by nearly three to one. In both countries OTAs gathered the most market share, followed by airlines and then hotel brands.

In EyeforTravel's proprietary research, this is a trend we have also observed, with OTAs coming top for web bookings in both the UK and Germany throughout both airline and accommodation markets (see Figure 15).

In another study, it was estimated that the share of hotels had declined consistently over the period from 2011 to 2015. The study claimed that when comparing direct hotel channels in the US versus OTAs, Global Distribution Systems (GDSs) and wholesale channels, the ratio of bookings on direct channels had declined 40% over the timeframe (Kalibri Labs, 2016).

We can also see in Tables 4, 5, and 6 that even when users finished their purchase on a direct channel, they were visiting OTA sites more often than other direct channel competitors to search products and compare. Similarly, those that purchased on an OTA were more likely to make comparison visits to other OTAs than to the airline and hotel brand channels measured. For example, 33% of German travelers who bought a flight directly from an airline also visited an OTA but just 13% also visited a competitor airline. Furthermore, when German consumers bought a flight from an OTA brand, 22%

Figure 15: Accommodation Web Browser Bookings Channels in Germany and the UK



Source: EyeforTravel's UK Consumer Survey 2016; EyeforTravel's German Consumer Survey 2016

visited a competitor OTA and just 4% visited a competitor OTA brand (Jumpshot, 2016). In none of the countries where there was a significant sample did competitor airline and hotel brands see more purchasers visit their sites than OTA brands, demonstrating that consumers refer to these sites more often when comparing and choosing rather than any direct supplier site.

The advantage is further extended when we include metasearch sites into the mix. A significant proportion of these are owned wholly or partly by the major OTAs, such as KAYAK (owned by Priceline), Trivago (owned by Expedia), and Skyscanner (recently acquired by Ctrip). This is particularly so in the UK airline market, where a full quarter of the sample who purchased directly with an airline brand visited a metasearch before buying (Jumpshot, 2016).

4.2 Why?

The loss of market share to major OTA competitors can be best explained by a number of core factors:

- OTAs have consolidated their market positions and expanded into new fields, such as metasearch or activity bookings, allowing them to control more than one point in the journey. This is important not only for market share but also as consumers require an easy way to compare travel products and avoid being overloaded by choice.

- These giants then have the expanded financial muscle to spend heavily on search engine marketing, giving them a key presence at the most important part of the customer's digital experience.
- OTAs have also been able to leverage their resources to create better digital experiences, particularly on mobile, than many travel suppliers. This is demonstrated by their noticeably higher conversion rates on mobile platforms shown in Table 2.
- Ultimately, this means the OTAs have, on average, been able to provide the best customer experience. Travel consumers regularly cite convenience, price and quality as their top considerations and with the OTAs they are able to meet these requirements through the wide product choice, ease of comparison, price transparency and the simplicity of the purchase process.

4.3 What is the Future of Travel Distribution and What Should Travel Brands Be Doing?

In terms of the global path to purchase, it is clear that the OTAs have achieved a strong foothold. For First Hotels' Randow the "OTAs are continuously strong" but this is because "they provide real benefit to the customer." Kempinski's van Santen agrees that the OTAs have been "doing a good job", to the extent that "People in the [United] States for example, think Expedia

is a hotel brand because it's so well known. They think and associate a brand like Expedia with making a hotel booking."

Evidently from these opinions and the statistics presented in this paper, the biggest powers in travel distribution are the largest OTA companies but will this be the case in three, five or the year's time?

For many, the biggest possibility for fundamental change in the field, rather than just shifts in brand ownership, is if one of the internet giants not currently targeting travel as a core part of its business decides to turn its attention towards the industry. This will be particularly so if it is one of the key gatekeepers to internet access that has a strong mobile presence.

Van Santen believes that, "just like you saw Expedia and Booking.com make a pretty popular way for their guests to book through them, or they made themselves findable on search engines, then I think devices [will play a part]. So, if Apple finally gets their act together and does their Apple Travel thing, imagine all those billions of iPhones out there with an automatic app built in on which you could book.

"The same with Google. If Google really gets into the hotel finder arena and takes it seriously once and for all, that could be a game changer. It's those kind of companies that really have a mass audience already and if they adapt and set up their channel of distribution, [then] this is going to be big. It will happen, we just don't know who it is. It could be Facebook that suddenly switches on a very easy to use app because they have the audience. Maybe it's WeChat, maybe it's one of the Chinese mega social media networks that is going to do that."

Indeed, both Google and Facebook made major announcements in the second half of 2016, trumpeting the new tools that could have major implications for the travel industry. Google Trips is a free app designed to help with travel planning, itineraries and journeys when travelling. It was announced in September 2016. Shortly after, Facebook announced that it was rolling out a recommendation service that would allow users to put forward suggestions on posts and these are then automatically linked and located by Facebook. This could have major implications for the whole travel vertical and signals a move for Facebook to become more integrated into purchasing processes as it also added new call-to-action button options on company pages.

If it is the case that new giants are about to muscle in, it may further accelerate the consolidation already experienced across the industry, as more players fight for the returns and fear the potential of these new entrants. Not only could the M&A trend continue for intermediaries as they try to expand into new geographies, complete their product offerings, or compete with each other, but it is even more likely for the hotel industry. As noted in Section 1.2, the hospitality companies that have best been able to negotiate down their costs have been large groups. "I think that we will have much, much larger hotel chains, where a hotel chain is almost like an OTA," said Randow, "I think the only way for the hotels to strike back, so to speak, is to join forces."

Already we have seen a spate of major hotel mergers and acquisitions over the last two years but this could also extend so that hospitality companies buy outwards to improve the variety of accommodation they offer or associated services. For example, Accor Hotels bought accommodation rental start-up Onefinestay in 2016. Airline distribution is also likely to see increased ambition, such as Ryanair, which has professed a desire to become the "Amazon of travel". Airlines certainly have a strong position, possessing better online market share compared to hotel brands and often sitting early in the travelers purchase journey.

In terms of what travel brands should be doing, the message is clear from the current customer journey. Travel purchasers choose to visit OTA sites more often and purchase with them because they offer a strong online customer experience that eases their decision-making and purchasing process. Travel brands therefore need to approach both their digital channels and their physical presence with the customer experience foremost in mind. "I think [travel consumers] want better service for less money and a smoother travel experience," says Bisschoff, "from the moment that they get the idea in the dreaming phase to the booking phase until they come back home."

There is no one single silver bullet than can achieve this but rather travel brands need to think about all the touchpoints a consumer will have with a brand and aim to use both their own and third-party data to drive improvements that make the consumer's life easier. They need to remember that consumers are facing a huge set of choices and they need to be helped in these choices with well-presented content that matches their needs. Then they need to make sure that

the consumer is assured in their choice and that the trip experience matches expectations.

"On the hotel side we need to think about we can do to engage with the guests, using our services, our quality [to improve] the experience that the guests have," says van Santen. "The four minutes the guest spends to make a booking. That they will forget, but the hotel stay, if we can really wow them in the hotel visit, then we can really capture their loyalty. [This will] not [be] physically by a loyalty program or a membership card in their pocket but through the brand image so that they will go away and next time say 'I want to go back to a Kempinski hotel again because I really enjoy that experience.' They might go to Booking.com but there is a better chance that they remember us, so that they come to our website to book directly."

5

Conclusion

Travel distribution has been in constant flux for more than two decades now as technological changes have, and continue to, create opportunities and threats. Currently, the industry is trying to deal with the disruptive rise of mobile, which has created an omnichannel environment. In this environment, the barriers to entry are lower but the costs of getting noticed are spiralling. This has created a crowded ecosystem, with consumers preferring to largely entrust their expensive and cherished holidays to a handful of powerful online players, who can give them reliable and good quality experiences.

They use a small number of huge social media giants to get inspiration and to talk with others about their plans. They then look to Google, Baidu, Bing or Yandex to refine their travel plans. After that, they increasingly look towards the largest OTAs, often at the expense of travel suppliers. These OTA players control larger marketing and digital budgets, allowing them greater search engine prominence, and better personalization, which, as we have seen, results in them securing more bookings, particularly over the mobile medium. They have also aggressively moved to acquire competition and created major conglomerations, further accelerating the growth in their market share.

It is difficult to say exactly where digital travel shoppers will be in five or ten years time, but it seems likely that we can expect the digital side of our industry to remain largely with a handful of major players, with potentially an even smaller number holding more market share. The most likely change is to who these players are and how they are primarily accessed.

Although currently desktops and laptops continue to be the primary tools for travel booking and change is slower than in other consumer-facing industries, the research process is noticeably shifting towards mobile devices, resulting in omnichannel journeys. This pivot to smartphones will continue as younger cohorts increase

in spending power within the travel market. This gives those who hold consumers' mobile attention, through operating systems or applications, increased power. This pushes up the probability of the likes of Facebook, Tencent, Google or Apple making in-roads into travel.

For now, all travel brands need to focus on the customer experience before, during and after their trip to try and remain competitive. This needs to be done through highly-usable digital journeys, dynamic pricing, good quality experiences during the trip, and data-driven personalization and retargeting.

Methodology

Jumpshot worked in conjunction with EyeForTravel to produce this paper. It used its panel of online consumers to gather data in June and July 2016 from the US, United Kingdom, Germany, Brazil and India. Users were qualified for the study by completing a purchase of a travel product on a selected number of travel websites. In total Jumpshot gathered data on more than a quarter of a million users from its panel of over 100 million. To find out more about the travel websites selected for analysis email alex@eyefortravel.com or contact Jumpshot at hello@jumpshot.com for more information on its data insights..

EyeForTravel also conducted consumer and industry surveys to gather data for this research.

EyeForTravel conducted UK and German consumer surveys using online panels obtained in conjunction with marketing research firm TapResearch. There was a qualifying question, by which respondents who had not taken an international or a domestic vacation within the last 12 months were disqualified from further questions in order to have a group that could accurately answer travel-related questions.

The UK survey was conducted between 1st of June 2016 and 18th June 2016. It was conducted entirely online. Overall 2,806 respondents began the survey and 2,268 completed the survey.

The German survey was conducted between 21st July 2016 and 31st July 2016. It was conducted entirely online. Overall 2,944 respondents began the survey and 2,193 completed the survey.

Two industry surveys were targeted at individuals working in the marketing and technology sectors of EyeForTravel's European and North American databases. The European survey was conducted from 25th May 2016 to 17th July 2016. There were 183 respondents.

The North American Survey was conducted from 4th January to 11th January 2017. It had gathered 170 respondents at the time of writing.

A survey was conducted at EyeForTravel Smart Data Summit 2016. It was answered by 91 attendees and was conducted on 23rd November 2016.



About Jumpshot



Every day, consumers visit tens of millions of websites. Most marketers only have insight into one of those websites: their own. To truly understand their customers' online lives, marketers need in-depth insight not only into their own traffic, but for the rest of the web as well. Jumpshot tracks more than 160 billion monthly clicks, helping marketers know what their customers are doing anywhere, anytime they're online.

To provide the kind of in-depth marketing insight that Jumpshot delivers, it's not just the size of the data pool that matters, but what kind of information you can extract. Jumpshot not only has the largest consumer panel in the industry with more than 100 million consumers, we also have the most comprehensive – with unmatched depth and detail, including insight into https traffic.

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