



## Paid Search and Display Advertising in the Travel Category: American Airlines' Spend Takes Off

September 2011

As the summer vacation season has come to a close, it's the perfect time to take a deep dive on digital ad spend in the travel category. Following up on our June insights brief, [Paid Search Strategies in the Travel Category](#), Kantar Media took a broader look at the category over a six-month period and performed an in-depth analysis of the leading travel segments and advertisers. Despite a struggling economy, **total ad spend is up by 10%** from last year in the travel category. A media breakdown reveals that paid search and display advertisements dominate the category as advertisers direct ad budgets away from traditional media and into the Internet, focusing primarily on paid search investments.

An analysis of the top ten digital advertisers in the travel category during the **first two quarters of 2011** shows a total **investment level of \$275.5 million** and an increase **by almost one-third** compared to a year ago. While six out of ten of these top advertisers are online travel services, an airline advertiser stands out as having the highest increased spending as compared to last year – **American Airlines**, with a **539% increase in digital ad spend** compared to that of 2010. American Airlines' spend increase is directly related to the removal of its flights from Orbitz in December 2010 and Expedia's subsequent removal of American Airlines flight listings from its website back in January 2011, after both companies failed to reach an agreement at the expiration of their 2010 contract.

To compensate for its disappearance on both Orbitz and Expedia websites, American significantly increased its spend in digital advertising. By **increasing display ad spend by 605%** and **paid search by 492%** from the previous year, the airline company fought to boost site traffic despite its absence on two leading travel reservation sites. American had its biggest jump in ad spend in February — right after it started feeling the effects of the Expedia disagreement. On page five of this analysis, we take a closer look at AA's top search keywords, display investments, and creative strategy to understand why and how the advertiser radically increased its digital spending. But first, we examine the travel category as a whole.

## Measured Ad Spending by Segment

The highest spending travel segment across all media, domestic hotels and resorts, led the category with \$752 million in ad spend, with a 0.5% decrease from 2010. Online travel services and domestic tourism promotion segments followed closely behind; both increased their spend by 9% over last year. What's most striking is the **44% increase in the domestic airline passenger travel category**, which may be explained by American's and Southwest's substantial 2011 expenditure; the two airlines combined dominated the domestic airline category, responsible for 57% of the top 10 advertisers' expenditure.

Top 5 Travel Segments Ranked by Ad Spend				
Rank	Segment	YTD 2011 (000)	YTD 2010 (000)	% Change
<b>Total Category</b>		<b>\$2,981,392.9</b>	<b>\$2,706,475.7</b>	<b>10.2%</b>
1	Hotels & Resorts, Domestic	\$752,859.8	\$756,320.4	-0.5%
2	Online Travel Services	\$586,843.3	\$536,646.2	9.4%
3	Tourism Promotion, Domestic (Area)	\$351,683.5	\$322,526.9	9.0%
4	Airline Passenger Travel, Domestic	\$279,476.6	\$193,601.0	44.4%
5	Cruise Ship Travel	\$210,208.7	\$201,624.8	4.3%
<i>Source: Kantar Media</i> <i>Time Period: January-June 2010, January-June 2011</i>				

## Measured Ad Spending by Media

In terms of ad spend share by media, **Internet** emerges as the key vehicle in the travel sector's ad strategy, **dominating almost 40% of the budget** for the January-June 2011 period, an increase from its 2010 share of 36%. Paid search and online display spend accounted for 15% and 24% of total spend respectively, each with an increased share as compared to one year ago. All other media experienced a decrease in share as the proportion of ad budget allocated to Internet advertising increased, with travel companies redirecting more and more ad dollars into search and display categories.

Share of Ad Spend by Media Type: Travel Category		
Media	YTD 2011	YTD 2010
Total, All Media	100.0%	100.0%
Digital	39.2%	36.2%
<i>Display</i>	14.8%	12.5%
<i>Search</i>	24.4%	23.5%
TV	21.6%	21.8%
Magazines	17.1%	18.4%
Newspaper	14.0%	15.0%
All Other	8.2%	8.7%
<i>Source: Kantar Media</i> <i>Time Period: January-June 2010, January-June 2011</i>		

## Digital Share by Segment

The top five travel segments varied widely in their digital share of total ad spend. For example, only about 21% of the domestic tourism promotion segment's ad costs were in digital, with the majority of their digital dollars spent on display ads. The domestic hotels and resorts segment spent one-fourth of total ad budget in Internet ads, and distributed more than half of this digital budget to paid search. On the other side of the spectrum, the **online travel services** segment advertised heavily on the Internet, **spending over three-fourths of its ad dollars in digital ads**. These online booking agencies focused mostly on paid search, allotting **67% of their budget to paid search** and **11% to display ads**.

Digital Share of Ad Spend by Travel Segment			
Segment	Display	Search	Non-Digital
<b>Total Category, All Segments</b>	<b>14.7%</b>	<b>24.4%</b>	<b>60.8%</b>
Hotels & Resorts, Domestic	10.5%	15.5%	74.1%
Online Travel Services	10.8%	66.7%	22.5%
Tourism Promotion, Domestic (Area)	17.8%	3.1%	79.1%
Airline Passenger Travel, Domestic	16.2%	18.0%	65.8%
Cruise Ship Travel	29.2%	10.0%	60.8%
<i>Source: Kantar Media</i>			
<i>Time Period: January-June 2011</i>			

We were interested to see if this emphasis on digital advertising held true for each of the segment's top advertisers. A closer look at the online travel service segment reveals that nine out of ten of the top advertisers allocate a majority of budget to digital. That said, there is a visible range in the distribution of digital and non-digital ad dollars. CheapOair.com, OneTravel.com, and Booking.com do virtually all of their advertising online. Orbitz, on the other hand, spends 59% of its ad budget in non-digital media, inconsistent with the segment's overall trend.

Spend of Top 10 Advertisers in Online Travel Service Segment 2011				
Rank	Advertiser	Total (000)	Digital	Non-Digital
<b>All Advertisers</b>		<b>\$586,843.3</b>	<b>77.5%</b>	<b>22.5%</b>
1	Expedia	\$63,640.4	58.2%	41.8%
2	Priceline.com	\$52,307.9	63.1%	36.9%
3	Travelocity	\$49,570.6	66.9%	33.1%
4	Kayak.com	\$39,715.9	55.0%	45.0%
5	Hotwire.com	\$37,594.4	67.8%	32.2%
6	Travelzoo	\$24,390.9	96.2%	3.8%
7	CheapOair.com	\$22,721.9	99.4%	0.6%
8	Orbitz	\$21,500.3	41.1%	58.9%
9	OneTravel.com	\$21,035.7	100.0%	0.0%
10	Booking.com	\$14,853.8	100.0%	0.0%
<i>Source: Kantar Media</i>				
<i>Time Period: January-June 2011</i>				

## Measured Ad Spend by Travel Advertisers: Who's Up, Who's Down

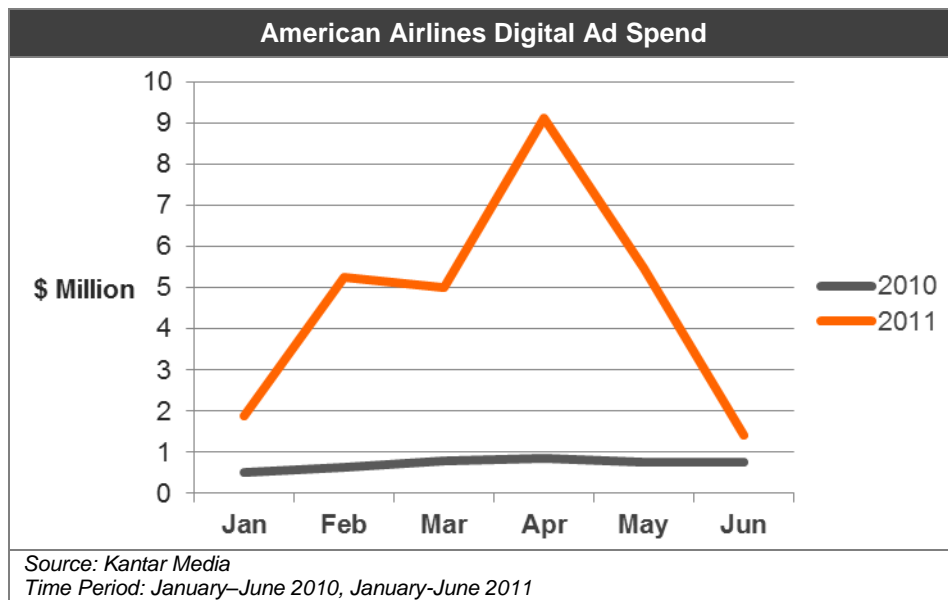
Throughout the first half of 2011, Expedia, Travelocity and Priceline remained in the top three rankings for highest Internet advertisers. American Airlines and Southwest Airlines emerged as new members of the top ten group in 2011, jumping to number four and six respectively.

All of the top ten Internet travel advertisers, except for Expedia, increased their digital budget between 2010 and 2011. Expedia's digital ad spend decreased by almost one-third. In glaring contrast, **American Airlines increased its online expenditure by a whopping 539%**, with a jump from \$4.3 million in the 2010 January-June period to \$27.6 million during the same period for 2011. This increase propelled AA's rise to the number four slot of top Internet advertisers in the travel category, with considerable increases in both search and display ad spend. Such an aggressive ad investment raises the question -- how did American Airlines distribute these dollars across online media?

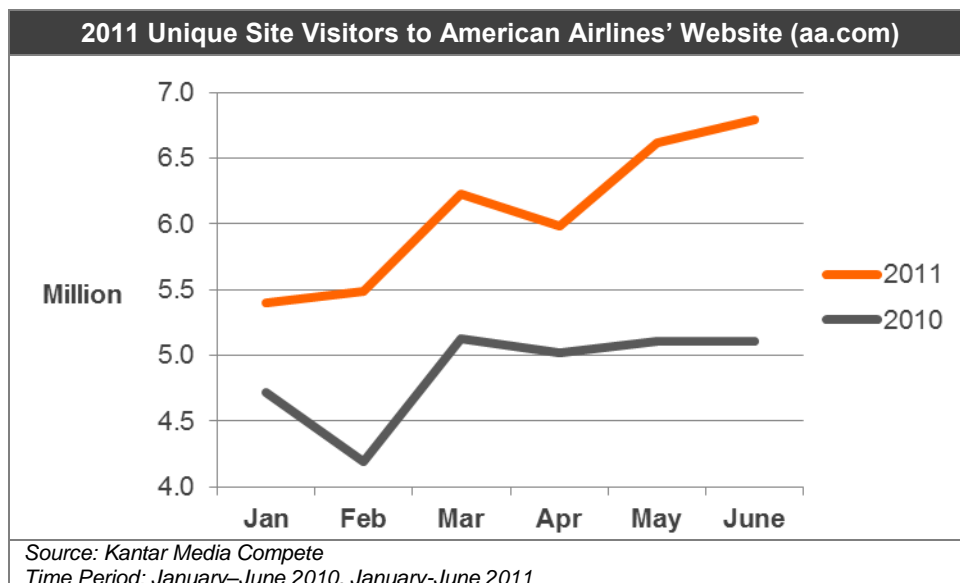
Top 10 Advertisers Based on YTD 2011 Digital Ad Spend					
Rank		Advertiser	Segment	2011 Digital Ad Spend (000)	% Change vs. 2010
2011	2010				
1	1	Expedia	Online Travel Services	\$38,741.8	-31.6%
2	3	Travelocity	Online Travel Services	\$33,170.6	48.6%
3	2	Priceline.com	Online Travel Services	\$32,985.9	8.3%
4	N/A	American Airlines	Airline Passenger Travel, Domestic	\$27,602.6	539.0%
5	10	Hotwire.com	Online Travel Services	\$25,489.3	85.2%
6	N/A	Southwest Airlines	Airline Passenger Travel, Domestic	\$24,560.8	142.9%
7	8	Norwegian Cruise Line	Cruise Ship Travel	\$24,468.9	52.9%
8	9	Travelzoo	Online Travel Services	\$23,457.9	47.4%
9	5	CheapOair.com	Online Travel Services	\$22,581.8	25.0%
10	4	Hotels.com Hotel/Resort	Hotels & Resorts, Domestic	\$22,414.7	7.4%
<b>Total</b>				<b>\$275,474.3</b>	<b>32.1%</b>
Source: Kantar Media Time Period: January-June 2010, January-June 2011					

### Close-up on American Airlines: *Monthly Digital Ad Spend*

If we look at American Airline's 2011 digital ad spend on a monthly basis, we see a spike in spend of 182% in January alone, when AA increased its spend from \$1.9 million to \$5.3 million. And again, between March and April, its spend rose 82% from \$5 million to \$9.1 million. Such extreme jumps are uncharacteristic of the 2010 American Airlines, which kept its ad spend at a relatively fixed amount under \$1 million, with little variation month-to-month. We used Kantar Media Compete's digital analytics to illustrate how these spikes in ad spend translated into increased visits to American Airlines' website.



Taking into consideration seasonal travel habits that impact aa.com's site traffic at any level, we still notice a substantial vertical shift in the site visit trend line as compared to the same period in 2010. With **an average of 1.2 million more unique site visitors per month** as compared to last year, American's ad investments were successful in driving traffic to aa.com.



## Close-up on American Airlines: Search and Display

American Airlines' digital share of total ad budget increased from 15% to 65% between 2010 and 2011, while maintaining a nearly equal split between display and paid search.

With a considerable increase in paid search advertising, we sought to determine if this change in ad investment impacted the top keywords driving traffic to the aa.com web site. To start, the **number of clicks for the top ten keywords were up by 450%** in Q1 2011 compared to the previous quarter. Furthermore, there was a considerable difference between the top keywords for Q4 2010 and Q1 2011, both before and after American made its official break with Orbitz and Expedia. During the former period, the American Airlines' branded name as well as spelling and acronym variants directed the highest traffic to the aa.com website; the top four keywords were all some form of the American branded name. Generic terms like "cheap flights" and "booking" were found lower in the list and received fewer clicks. During the first quarter of 2011, however, the top two keywords that drove traffic to aa.com were the generic terms "airlines" and "flights". We noticed that the aa.com site received most of its clicks from a general flight search; in other words, Internet search users were not initially seeking out American Airlines flights from the start of their search.

Top 10 Paid Search Keywords for aa.com				
	Q4 2010		Q1 2011	
Rank	Keyword	# Clicks	Keyword	# Clicks
1	Aa	59,450.2	airlines	297,007.5
2	Airlines	44,205.1	flights	202,273.7
3	american air	27,807.4	aa	147,238.7
4	American	20,383.9	air lines	138,493.2
5	Reservation	19,411.2	travel	119,980.8
6	american airways	16,871.6	cheap flights	95,471.2
7	flight airlines	12,486.7	airline	92,301.3
8	cheap flights	11,279.9	flight	85,222.6
9	Booking	10,217.2	air fare	52,476.6
10	american eagle	10,073.0	american air	45,266.1
	<b>Total</b>	<b>232,186.3</b>	<b>Total</b>	<b>1,275,731.7</b>
	<b>% of Total Clicks</b>	<b>49.0%</b>	<b>% of Total Clicks</b>	<b>57.4%</b>
<small>Source: Kantar Media Time Period: October–December 2010, January–March 2011</small>				

We also saw extensive changes in the list of sites carrying AA display ads between Q4 2010 and Q1 2011. The airline spent more ad dollars with new websites; in fact, the top ten websites for AA ad placements were entirely different between these two quarters. Not only were the sites different, but they were members of entirely different website categories. In Q4 2010, the highest display ad dollars were directed towards newspaper, TV station, and travel website categories. In Q1 2011, the top three site categories for AA display advertising were social networking, general interest/general entertainment, and blogs.

Top 10 Websites for AA Online Display Ads				
Q4 2010			Q1 2011	
Rank	Site Name	Dollars (000)	Site Name	Dollars (000)
1	nydailynews.com	\$165.2	tagged.com	\$1,940.6
2	weatherchannel.com	\$145.9	myyearbook.com	\$993.4
3	yahoo!.com	\$111.1	mocospace.com	\$577.0
4	newyorkpost.com	\$92.7	espn.com	\$422.9
5	myspace.com	\$68.8	pandora.com	\$312.8
6	smartertravel.com	\$42.8	neopets.com	\$228.3
7	reuters.com	\$37.5	drudgereport.com	\$203.3
8	inc.com	\$36.2	bleacherreport.com	\$199.0
9	el nuevo herald.com - miami	\$34.7	ksl.com	\$191.0
10	hotels.com	\$32.1	realtor.com	\$166.6
<b>Total</b>		<b>\$767.0</b>	<b>Total</b>	<b>\$5,234.9</b>
<b>% of Total Display Spend</b>		<b>61.2%</b>	<b>% of Total Display Spend</b>	<b>57.4%</b>

Source: Kantar Media  
Time Period: October–December 2010

### Creative Strategy

American Airlines responded to Expedia's de-listing with ads that criticized the suspension of American flights from the online booking site. Their ads also named Orbitz, noting that American flights were no longer available on Orbitz or Expedia. More than seven different online display ads were run in February, 11 in March, and 15 in April, referencing the two travel booking sites' limitations. After American reached

American Airlines Digital Online Ads				
Expedia and Orbitz Reference				Orbitz Reference
Creative 1		Creative 2	Creative 3	Creative 1

Source: Kantar Media

an agreement with Expedia in April, the ads were suspended and they were replaced in May by two new ads that called out solely Orbitz.

Kantar Media's analysis of trends in the travel category and American Airlines' digital advertising in particular is based on our monitoring of multimedia and the entire digital advertising marketplace, including display, video, ad networks and paid search. If you'd like to know more about a category that is of interest to you, please contact:

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