

Performance IN

[Travel in Performance Marketing Report 2012]

Created by PerformanceIN, its supporters, and co-sponsored by Commission Junction;



Executive Summary

You could easily be made to believe that the travel market is beginning to climb out of the ‘recession pit’ it has been subjected to over recent years, not only due to the gloomy economy but also thanks to the works of mother nature, forcing flight delays and holiday cancellations through volcanic eruptions, earthquakes and tsunamis to name a few.

Putting a general perspective on the travel market, the above is not far from the truth. However for Performance Marketing, there has been an evident upsurge in brands that, over the past couple of years, have looked to this pay-on-performance model to spearhead their recovery operations and drive incremental sales to boost their online revenue.

In association with Commission Junction, PerformanceIN created an anonymous survey which was sent to a large number of agencies and advertisers who operate travel programmes in the UK space. This survey has formed the basis for our Travel in Performance Marketing report, detailing programme demographics, affiliate sales and commission revenues, current challenges within the Travel sector plus insight and comments regarding the future outlook of Travel within Performance Marketing.

It is no surprise that Mobile is firmly on the agenda for advertisers over the course of the year, with over half of respondents putting a mobile website at number one on the list for brand development. This is no surprise to us at PerformanceIN, having seen catalysts being firmly placed for the mobile channel through the development of m-commerce and mobile publishers.

When asked for the single, most important challenge facing them currently, there were three clear challenges. ‘Creating and implementing new technologies to stay competitive and innovative within the market’ (16%), alongside ‘creating and implementing an attribution solution’ (15%) and ‘brand control across the publisher base’ (15%). Thanks to our sponsors Commission Junction, we’ve also included opinion from travel brands including TUI UK , Holiday Autos, alpharooms, Thistle and Club Med UK.

Chris Johnson

Head of Content, PerformanceIN



Travel in Performance Marketing Report

In Association with Commission Junction

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Survey Highlights

Through analysing the data received whilst running our Travel Advertiser Survey, PerformanceIN can now offer additional insight into the Travel market including our survey highlights:

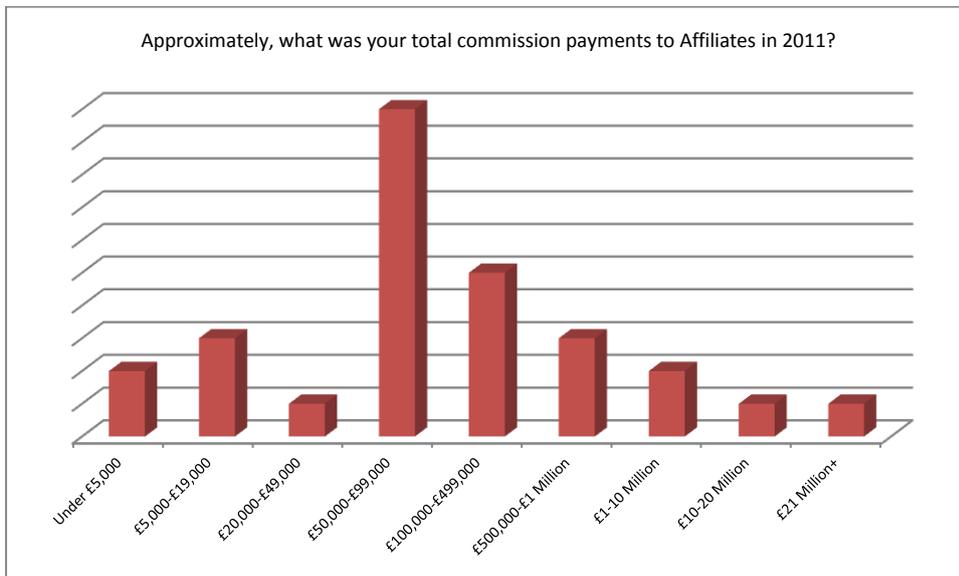
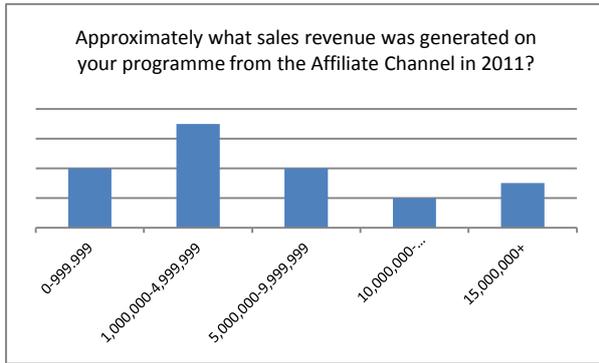
- The **affiliate channel** is responsible for a maximum of 30% of an advertiser's **overall online marketing revenue**. The average revenue attributed to the affiliate channel is 8.2%.
- **Long-tail** Affiliates are still valued highly by travel advertisers and are accountable for up to 80% of affiliate revenue, however for the majority of our respondents the average amount of revenue attributed to long-tail affiliates is less than 10%. The long-tail firmly holds its place as a valued demographic of affiliate however, and is a focus point for nearly all advertisers over the course of this year.
- **Voucher Code** and **Loyalty Affiliates** bulk up an advertiser's revenue through the affiliate channel, with the average contribution from these affiliates being around 50-59%.
- The average Travel Affiliate Programme **paid out between £50,000-£99,000 in commissions** in 2011, across an **average affiliate base of 2,312** who are providing, on average, **sales revenue of £2,500,000**
- The most **profitable advertiser affiliate programmes**, in terms of average sales revenue vs average affiliate commission, are those who have been **running for 3-4 years**. This average changes significantly for programmes of 5+ years, with smaller revenues and higher commissions being paid out.
- **Mobile** continues to be a major 'action point' for Travel advertisers during 2012, with only a very small percentage having a mobile website / mobile tracking available through their programme.
- **Datafeeds** are common practice among travel advertisers; however the sharing of **data intelligence**, covering consumer behaviour, customer intelligence and visitor insights, is less so, with 53% of respondent advertisers not sharing this with their affiliates.
- Implementing New **Technologies** and **Brand Control** across the publisher base are the biggest challenges currently facing Travel advertisers
- All respondents were on the **positive** side of the scale in their response when asked about the **future** of their travel affiliate programme.



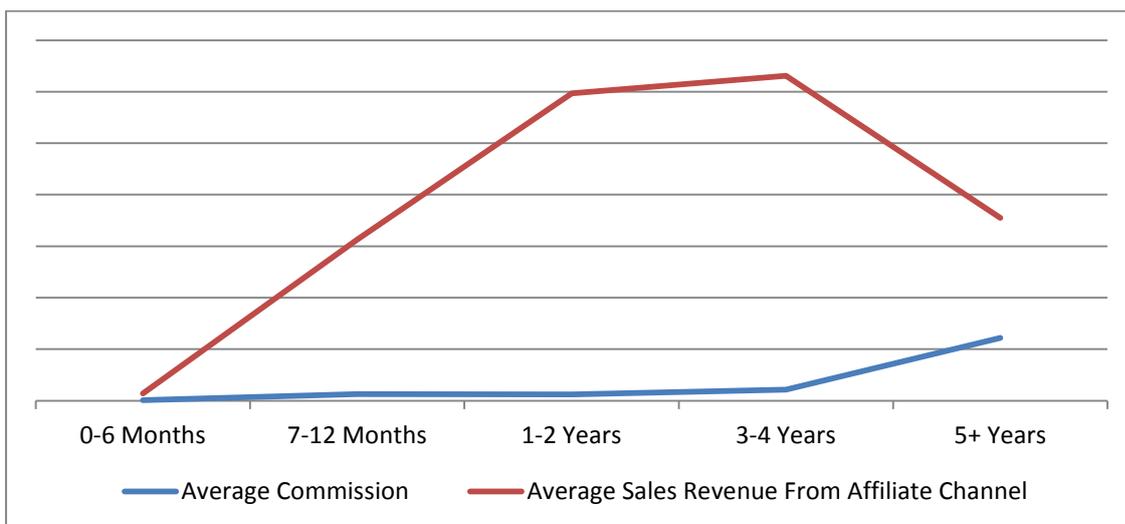
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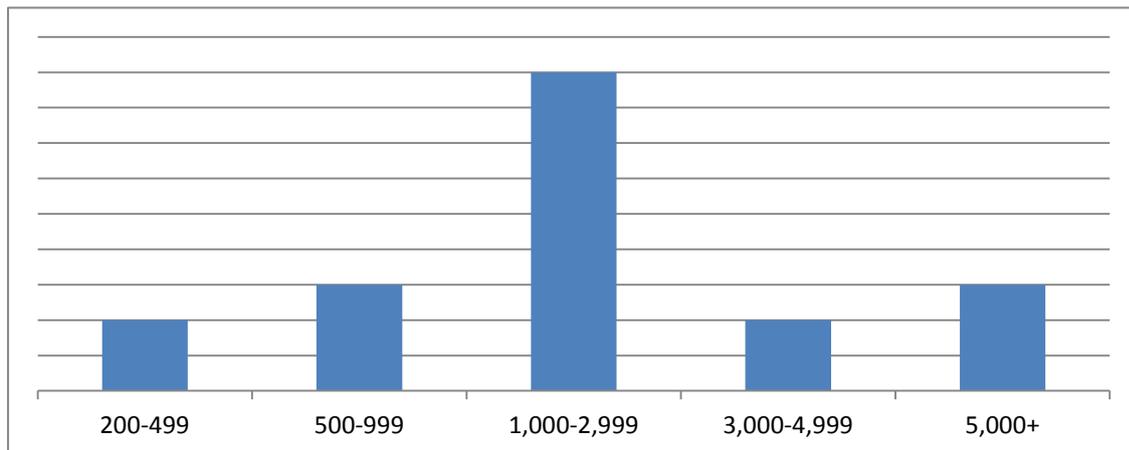
Programme Demographics (INFOGRAPHIC)



Average Commission vs Average Sales Revenue vs Number of Years Programme has been active.

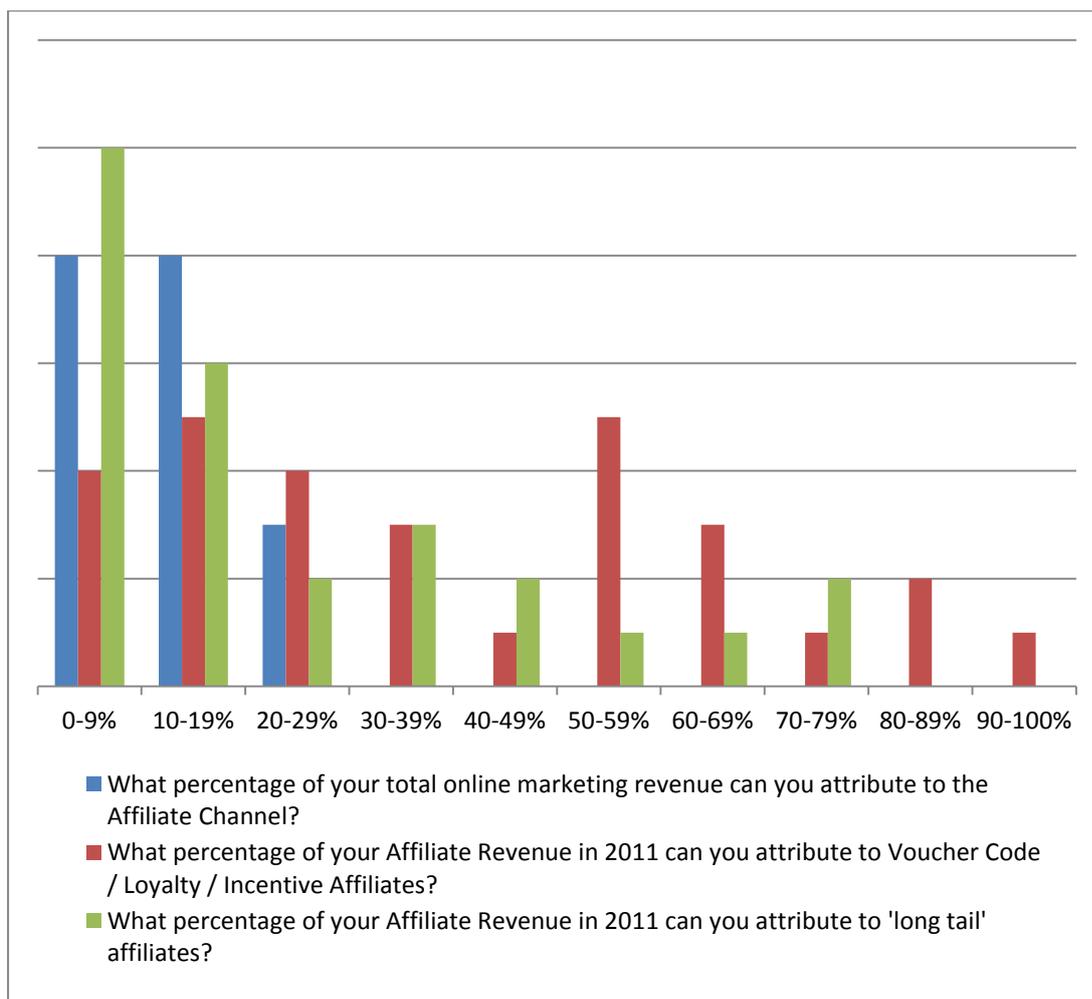


How many Affiliates do you currently have on your programme?



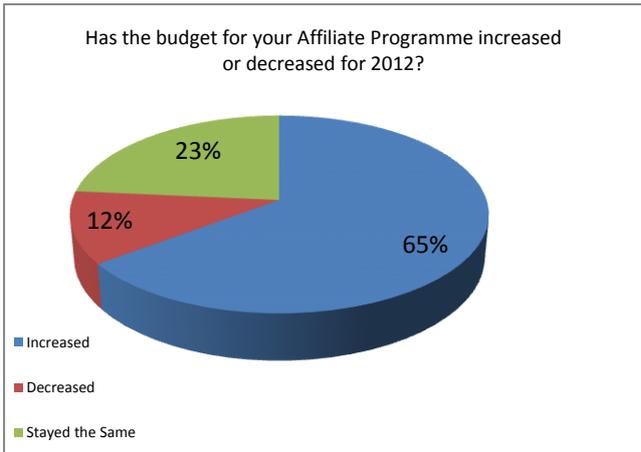
Average Number of affiliates on a programme is 2,312 (Jon – Graphic Please)

Affiliate Channel vs Total Online Marketing Revenue

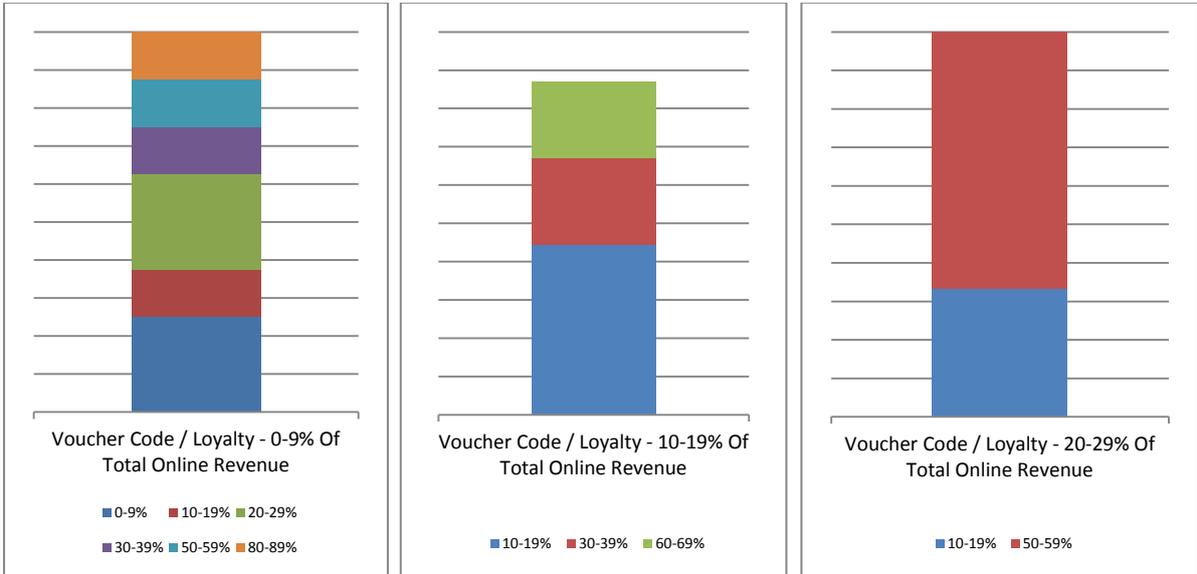


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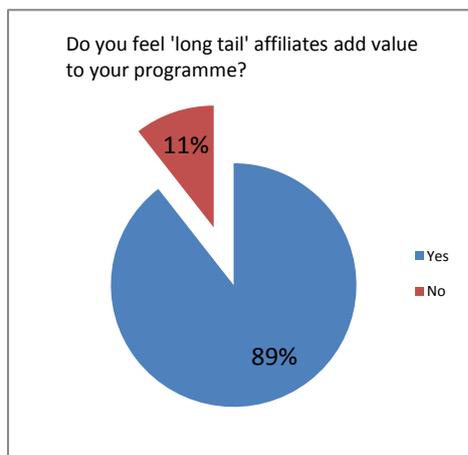
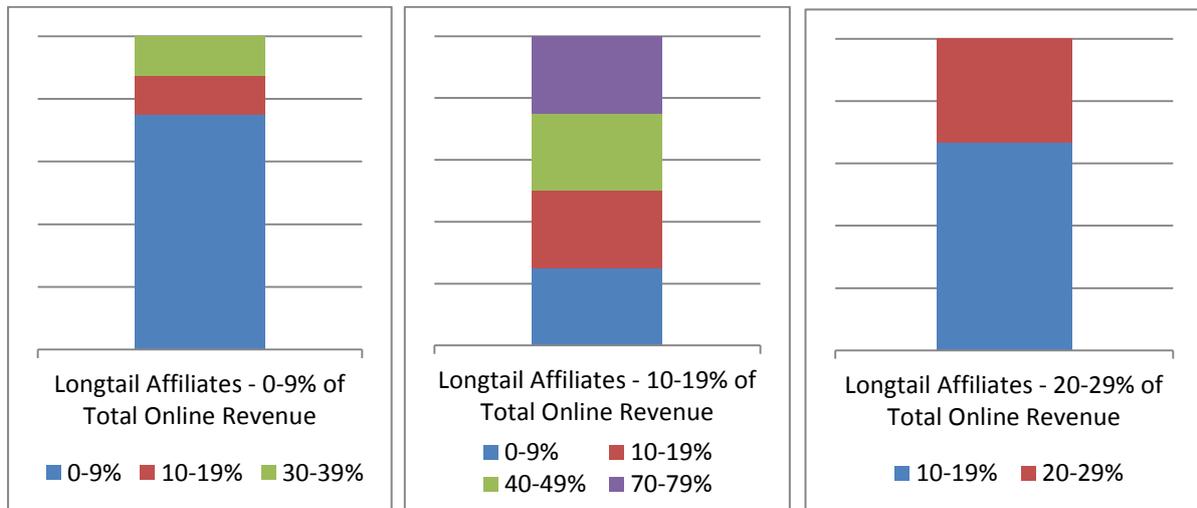
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Voucher Code / Loyalty attribution against an advertiser’s total affiliate revenue



Longtail Affiliate Attribution against an advertiser's total affiliate revenue



Do you feel that long tail affiliate a valuable asset to a travel affiliate programme? Why?

Daniel Morley, Marketing Director, Alpharooms –

“There’s a massive research process undertaken before every holiday, people want to know where the cheapest flights are from, if that airport has parking, how much that is and how secure – we’ve not even left the UK yet. Everything from restaurants, bars, beaches and nightlife are looked at before travel remember most people only get to do this once a year everything has to be checked several times affiliates have the potential to exploit all these niches. Tripadvisor have tried, and in my opinion

failed to dominate with their restaurant and bar reviews because it doesn’t fit into their standard template – some things aren’t easily scalable, working in niches can really pay dividends for an affiliate.”

Charlie Ranger, Online Marketing Manager, TUI UK – “The long tail is more important than ever to Travel. With the industry being so competitive it is it important that we spread our reach as far as possible. This is not to say we would sacrifice quality for exposure; we are keen to work with affiliates that can add value.

Publishers might range from a small site offering specific information or resource to a niche destination, or family site talking about great places to visit with the kids. In so many cases content publishers are at the beginning of the sales journey and so a vital part of the programme.”

Michael Stellwag, Manager E-Marketing, Qatar Airways – – PIC – “Yes. These guys are penetrating a market that is collectively quite sizeable, but can be difficult to find with our lightly staffed department, so yes, this is a value-add.”



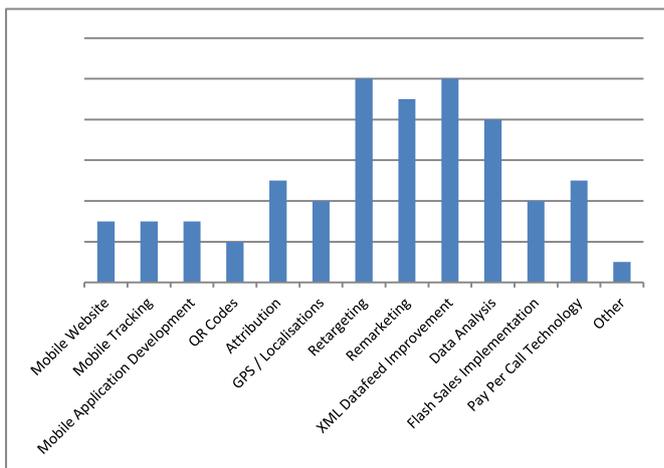
Aurélie Vicente, Web & Affiliate Marketing Manager, Guoman & Thistle Hotels – “Absolutely. Travel, more than other verticals is one where the user can will take the most time to make a considered purchase; up to 30 days. Also, the quality of content that long tail affiliates are producing is of such high calibre that we’d be crazy not to be affiliated with them.”

Elise Newman, Global Head of Affiliate Marketing and Meta Search, Holiday Autos – “I do as long as they are of a good enough quality and are relevant to the brand. If you think of it like a PPC campaign – the long tail terms in your campaigns can be the lowest cost but highest converting. The volume and diversity of the long tail is its potential strength.

“The long tail can be great for brand awareness and demonstrating the relevance of your brand early on in a customer’s decision making process – even helping them to identify a need. I think it’s becoming increasingly difficult for long tail affiliates to win the last click, especially with the continued prominence of incentive sites in the public consciousness and the rise of de-duplication between channels on affiliate programmes. I think there needs to be more research into the part they have to play in the customer journey so that their input can be assigned a value. Clearly a lot of this down to the individual merchant (and affiliate for that matter) but there is not much guidance on how to do this successfully from networks or other bodies.

“There is an obligation from the merchant though if you want to leverage the long tail. To access customers early in their decision process then you need to consider that you not only have to consider how you will reward the sites that give you a platform to that – but also how you are enabling their promotion of your brand. The more tools and promotional aids that you can provide to affiliates and the ease with which they can be implemented - coupled with a strong commission structure - will help you to recruit and retain long tail.”

Which technologies and payment metrics are currently available via your affiliate programme?

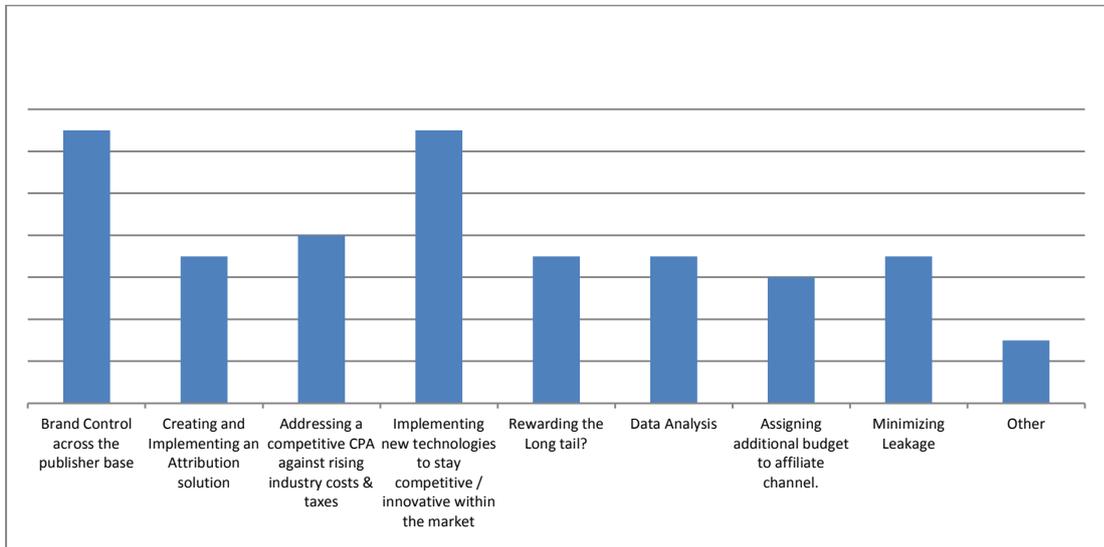


Elise Newman – PIC – Holiday Autos - “White label and real time search functionality are crucial for a travel affiliate programme, and anyone that does that well has a distinct advantage over their competitors. Nothing is more frustrating for the customer than seeing an out of date or unavailable price on a 3rd party website – there can also be ASA implications if incorrect or misleading pricing is displayed, not to mention increased costs of dealing customer enquiries and complaints.”



Aurélie Vicente - PIC - Thistle Hotels – “I believe we should be looking at the whole sales process and not just the last click. It’s vital we understand the journey our customers make when completing a transaction. This will allow brands to better reward all affiliates involved which will lead the affiliates to promote us more due to earning commission on more than just a last click.”

What are the current challenges you face running your travel affiliate programme?



Michael Stellwag, Qatar Airways - “More clarity and cooperation between networks on transaction-de-duplication is needed, alongside more convergence and clarity between affiliate networks and available feeds that boost ad context. Today, there’s not currently enough understanding about this technology available to publishers.”

With the Performance industry evolving at an assertive pace, why is brand control across the publisher base proving to be troublesome?

Charlie Ranger, TUI UK – “At TUI we have recently done a lot of work around this, especially following on from the change of UK regulation led by the ASA last year; we now do regular audits of our entire publisher base. As well as helping us to run a much tighter ship, ensuring the brand is represented in the correct manner we have been able to engage a lot more with the longer tail affiliate as we are regularly looking at their sites and feeding back with improvements.

“We have limited our partnerships with Voucher code and incentive publishers to closed groups so we can ensure that the codes and messaging are portrayed accurately and in accordance with brand.

“There has been a lot of talk in the industry with regard to the use of brand in search but topics for the coming year will include the use of brand in META as well as the contribution of incentive publishers. We are now in a position in terms of data where we will be able to effectively assess both of these over the course of the year.”



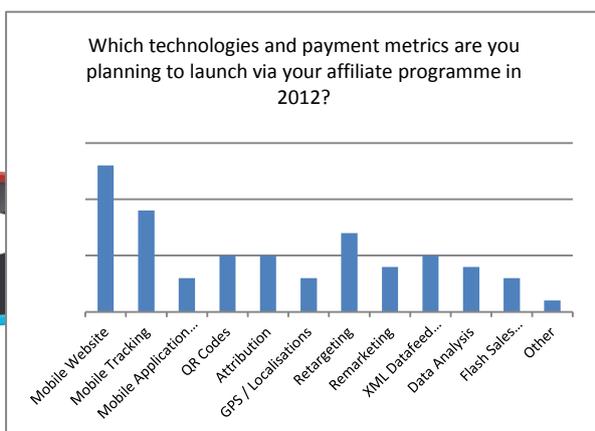
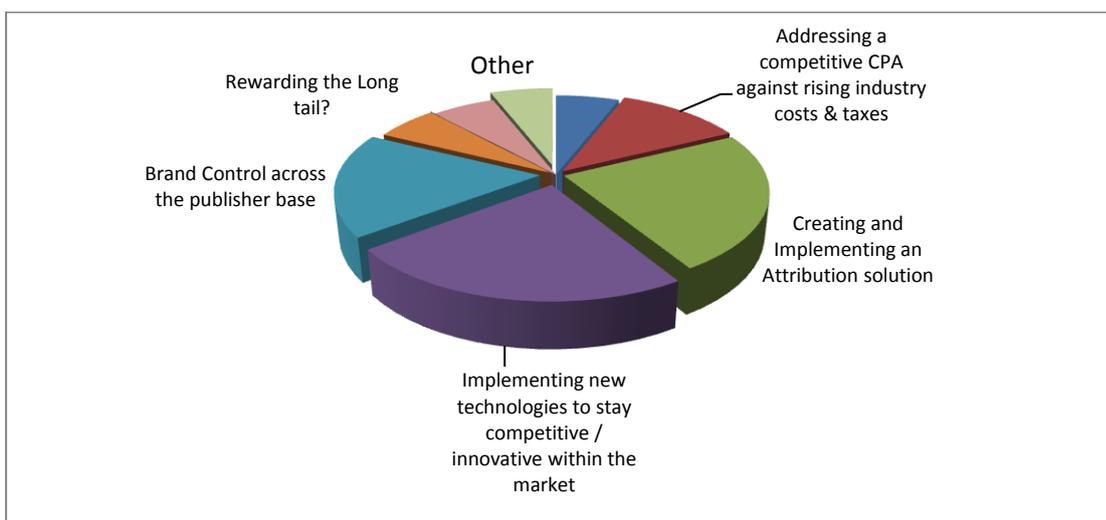
Daniel Morley, Alpharooms - "I personally wouldn't say it is, we invest relatively small amounts in branding compared to performance driven marketing but we are proud of the brand we've built and our affiliates should be as well. Ensuring the brand is portrayed correctly helps everyone, it's a little known fact but our co-branded websites which are simply versions of alpharooms.com with a different logo convert at a lower rate, read into that as much as you like but if you happen to snare a customer who's booked on alpharooms.com previously and had a good time then I can't think of a good reason for not showing the brand exactly as it is on the merchants site."

Thomas Bournac, Club Med UK - "In many cases, the positioning of our brand is something that we strongly protect. This is difficult with affiliation and retargeting and something that we would like to focus on more or see improvements in controlling our brand placement and integrity aligning ourselves only with brands of a similar position."

Elise Newman, Holiday Autos - "I think a lot of brands have allowed their brands to "coast" within the affiliate channel and as long as the sales are coming they aren't questioning where they come from. There can be an issue with the sheer volume of affiliates that operate on programmes now; the logistics of monitoring them individually is staggering.

"For strict ASA compliance, a firm understanding of how each and every affiliate partner is representing your brand – however this almost goes against the spirit and entrepreneurial nature of affiliate marketing where the diversity and inclusiveness is what has helped it flourish. There is a greater threat from less transparent models that are less clear on where your brand is being promoted. This is also sadly still a great threat from affiliates that are willing to represent themselves as your brand especially in PPC – and they are very adept at masking this activity."

What would you say is your single, most important area challenge when running your travel affiliate programme in 2012?



Charlie Ranger, TUI UK - "Accessibility of data to affiliates. Currently due to technical constraints we are only able to offer a reduced amount of

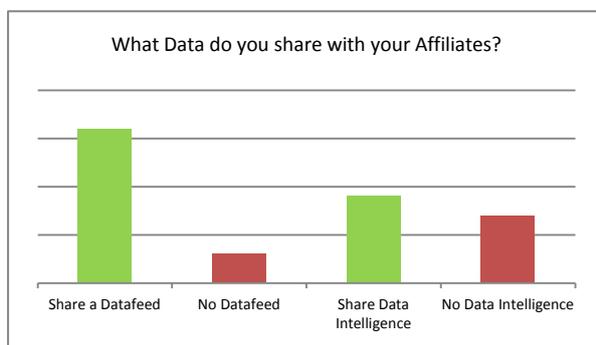


Report

data to affiliates once a day (CSV or XML feed). We are working towards providing an API access to our data, but there are a number of data resource challenges we need to overcome before we can make this a reality.

Attribution modelling across all channels will allow us to compete on an even footing with internal departments. There are a number of difficulties in reporting, tracking and 'Network Quality' that need to be issued out before a true attribution model can be implemented but we are well underway in putting this in place."

Michael Stellwag, Manager E-Marketing, Qatar Airways - "More clarity and cooperation between networks on transaction-de-duplication is needed, alongside more convergence and clarity between affiliate networks and available feeds that boost ad context. Today, there's not currently enough understanding about this technology available to publishers."



Daniel Morley, Marketing Director, Alpharooms - "Live data, with live availability an affiliate with good relevant content can present a user with merchants that have an available room and offer them either a merchant with whom they have a preferred status (higher commissions, exclusivity etc) or integrate with multiple merchants to offer a comparison of rates and board types. Not every travel

merchant has the same supply, if your site on the Sol Pelicanos Ocas in Benidorm is the authority site and you affiliate with merchant X because they offer 15% commission, are you going to check they have an available room for peak check in periods?

"Making use of live data means you won't have to, for those more familiar in the retail sector by not using live data without you have no idea if your product is 'out of stock' or not."

Thomas Bournac, Club Med UK – "Data Intelligence is something that I hadn't considered before but interesting to note. Generally, the offers extended to the affiliates are tactical taking consumer behaviour and high converting products into consideration."

Charlie Ranger, Online Marketing Manager, TUI UK –

"As most of the products sold by Thomson and First Choice are now exclusive how to provide as much data to affiliates as possible is now the primary concern. You can see the great job that can be done in aggregating and presenting that data by looking at sites such as www.travelmatch.co.uk"



Mobile is seemingly a key area for advertisers in 2012. Why do you think that, so far, many advertisers still haven't got a mobile website with mobile tracking available?

Daniel Morley, Alpharooms - "Mobile works for some travel companies and not others, for an OTA such as alpharooms.com we convert better for hotel only bookings – understandable as it's

a simpler product. A flight + hotel booking is much more complex with more information to handle and detail to be communicated from the merchant to consumer and vice versa. Will consumers ever move to booking holidays on their mobile phones in large numbers, my view is no (for the UK market), tablet is a different story."

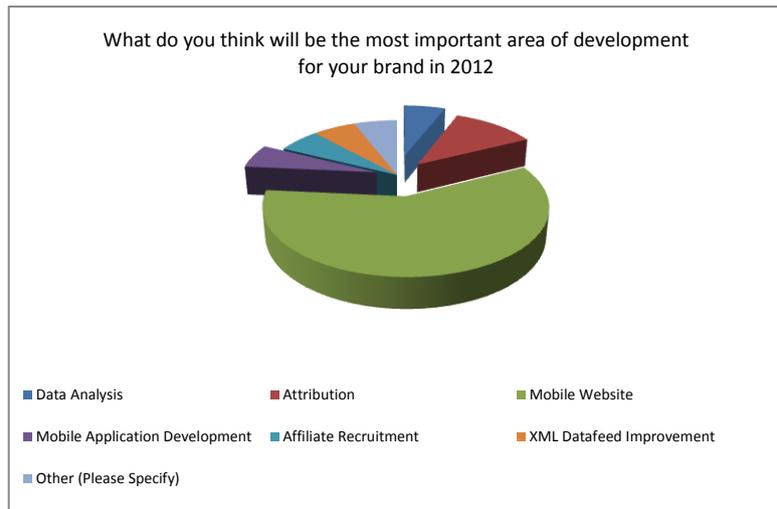
Charlie Ranger, TUI UK - "I believe travel has been a little slower than other verticals to respond because for higher ticket items such as holidays consumers are significantly less likely to convert on a mobile device. This is not to say that this is not an area of sales that is growing."

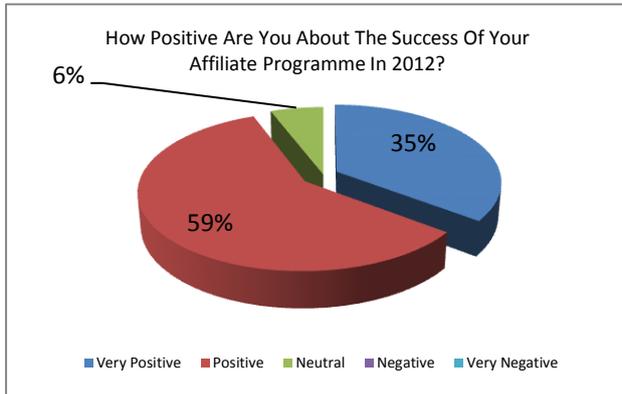
Elise Newman, Holiday Autos - "Sometimes it's simply a case of resource! A travel site and booking engine or often hugely complex and at times archaic beasts! To release a whole new platform is not necessarily an easy task. However, as the frequency increases for searches from mobile devices - including tablets – the importance of a fully mobile compatible site increases if the merchant wants to stay relevant. Looking outside the UK, especially to developing markets, the demand from mobile internet is outstripping that from conventional broadband access – so anyone looking at growth in those regions has to be transactional from a mobile device."

Aurélie Vicente, Thistle Hotels – "Booking hotels, or holidays are highly considered purchases where customers will shop around until they find a deal that converts them into buyers. It's only in the last 6-12 months that we feel consumers are becoming more comfortable with making high value purchases over a device as small as a smartphone or tablet. Mobile is definitely on our radar for 2012 but its understandable why Travel brands are slightly behind those in Retail."

Thomas Bournac, Club Med UK – "I think the main issue is cost. Also development time can be long. We are in the final stages of developing a mobile site as its clear the necessity of this."

Michael Stellwag, Qatar Airways - "We keep saying "this is the big year for mobile" but then we say it next year. At some point the power will shift, but it hasn't yet. Our products are expensive, so mobile purchasing will take a bit more time to really take hold in the long-haul international travel sector."





What can affiliates do to help you increase your channel revenue in 2012?

Daniel Morley, Alpharooms - "That's an easy one, make more sales. My advice would be to specialise, paid search has no more 'quick wins' and is easy to replicate, taking a hotel feed and uploading it won't work. Pick a resort, a few hotels, and build something useful – it will take time but you will reap the

rewards and these are the affiliates that should the industry move to attributed sales will win in the longer term. Increasing our channel revenue is a side effect."

Charlie Ranger, TUI UK - "It's always nice to hear from affiliates. With the mid to long tier, it is often only when they have an issue that they will get in touch. For this reason we are working hard to speak more to this range of publishers by attending such events as the a4uexpo, TFMN&A and hosting our own publisher days.

"We will be in a position to give affiliates a lot more feedback with regards to their best performing products and content, allowing them to optimise a lot better. For us it is a case of engaging with the publishers effectively to make sure they are making the best use of the data and tools (such as feeds) available to them."

Elise Newman, Holiday Autos - "There will always be questions of how incremental the sales from certain types of affiliates are. Sharing additional data to show how they are helping a merchant to reach their acquisition or retention objectives, and providing value to the customer journey is always going to be important. Innovation is also always going to be important – often affiliates can fill a gap where a merchant is unable or unwilling to invest in a new type of technology or promotional method so there is always opportunity there."

Aur lie Vicente, Thistle Hotels - "Continue to have dialogue with us and our network so we know about all the great opportunities that are available to us. Keep an eye out for any industry news so that as an affiliate; you can adjust your websites to cater for any changes."

Thomas Bournac, Club Med UK - "More two-way communication and relationship building. Publishers in many cases are happy to tailor communications and work that bit harder for Affiliates that perform well. Innovative ideas when it comes to placements, dedicated pages / sections within their sites, more multi channel approach etc."

Michael Stellwag, Qatar Airways - "Affiliates should answer our needs, and that requires greater direct dialogue between publishers and affiliates. I'd like to see affiliate providers take greater efforts to put the two together. CJ has done a pretty good job on this front, but more introductions are always appreciated and are something we can capitalize on going forward."



Anonymous Advertiser Quotes – could be used as design quotes throughout:

- Be more flexible with what they can offer against cpa rates.
- Placing emphasis on quality rather than quantity, with richer written content.
- make their pages/content more relevant
- Continue to innovate and differentiate, by offering customers something that they cannot get elsewhere. Mobile development is an obvious opportunity, but also content and integrating it with social media is an opportunity to source new traffic and create a buzz and community around your site so that affiliates can develop a brand for themselves.
- Target 'packaged' products rather than hotel only
- Embracing new technologies and innovations and allowing more than just one method of promotions on their websites
- Work more closely with us and tell us what works with their customers - we are very flexible
- Contact us more frequently to ask for things, and to get help and advice on areas for them to focus on
- Send me more ideas of promoting our products in order to help them
- be transparent, accept new rules as customers behaviour has changed
- Reach new markets.



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