Safe traveling trends within Germany
Agenda

Actual trends
The preference for vacation rentals

Vacation rentals
In search of a safe place

Search patterns
How our users search for vacation rentals

The competitive landscape

Summary
Actual trends
The preference for vacation rentals
A shift to safe accommodations across Europe

- With the global pandemic transforming life as we know it, travel demand has also shifted.
- Individuals facing ongoing restrictions for activities have fundamentally changed their travel behavior.
- Short-term rentals have benefited as non-serviced accommodation reduces concerns regarding social distancing.

Source: European Travel Commission (ETC); Quarterly Report, Q4/2020.
Camping & vacation rentals have become popular during COVID-19

- The trend towards safer locations is confirmed by Microsoft Advertising.
- Vacation rentals and camping were the only travel categories with growing search volume during the peak travel season last year.
- Crowded spaces such as hotels, resorts or cruise ships lost popularity.

Source: Microsoft Advertising internal data; Travel analysis: Apr – Sep 2019 / 2020. European destinations only.
Optimism rules: most travelers will feel comfortable traveling in Q3 again

- 57% of Germans believe that in summer of 2021 they will feel comfortable to travel again.

- Germans are slightly less willing to travel than French and British people, where 62-64% of respondents said they will feel comfortable traveling again in Q3.

(Note: Ages 25+.)
Vacation rentals

In search of a safe place
People go where infections are low

- Only two neighboring countries showed significant growth rates in searches for vacation rentals.
- Denmark was the frontrunner with an increase of more than 1000% followed by Switzerland at 130%.

Source: Microsoft Advertising internal data; Travel analysis: Apr – Sep 2019 / 2020. European destinations only.
But they don’t venture too far, they want domestic travel

In 2020, 70% of all searches for vacation rentals were for destinations within Germany.

Source: Microsoft Advertising internal data; Travel analysis: Jan – Dec 2020. Selected European destinations.
Domestic searches are more popular than international searches, with the gap growing in between lockdowns.

Vacation rental searches

- Domestic
- European Countries

Source: Microsoft Advertising internal data; Travel analysis: Apr – Sep 2019 / 2020. European destinations only.
Search patterns
How our users search for vacation rentals
Most users convert quickly after they search…

- When searching for a vacation rental, more than half of all users come to a decision within one day.
- Almost one third of users need more than 10 days.

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021
70% of people convert within 5 searches

- 30% of searchers know what they want: one search, one click, one conversion. Done!

- Another 40% come to a decision within 2 – 5 searches.

Number of searches until conversion

- Single Search: 30%
- 2 to 5 searches: 40%
- 6 to 10 searches: 14%
- 11 to 20 searches: 9%
- 21 to 30 searches: 3%
- 31 to 50 searches: 2%
- More than 50 searches: 1%

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021
Younger travelers decide quickly

The length of a search path towards conversion is influenced by age.

The younger the audience, the more likely they are to convert in the same day.

Within the elder generation of 65+, only 34% complete their search paths the same day.

Targeting options help advertisers to adjust to different search behaviors.

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021
Generic queries outweigh brand queries with vacation rentals

- Searches for vacation rentals are rarely combined with brand names.
- Only 2% of converting queries contained a brand.
- Even one-click conversions, which are often brand-driven in most verticals, are 94% generic.

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021
If brand is not a major factor, how are decisions made?

Searches for the right vacation rental are dominated by destinations!
Most searchers already know where to go

- Most travelers looking for vacation rentals have a clear idea where they want to go.
- While they modify their searches throughout, 60% stuck to the destination they had originally chosen.

60% of people who started their search with a Sylt destination* also ended with a Sylt destination

(* either Sylt itself or a specific location on the island – for example Hönum, List, Kampen, Westerland etc.)

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021
When switching to other destinations, most stay loyal to their original theme

- 10% opted for another domestic North Sea destination.
- Another 10% decided to switch to the German Baltic sea.
- 2% opted for neighboring coastal countries including Denmark and Netherlands.

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021
Search patterns are similar with mountains

- To verify that the ‘Sylt’ trend was not unique, we looked at the ‘Allgäu’ region as well and saw similar results.

- 45% stayed loyal to the original ‘Allgäu’ region, and 20% switched to an Alpine region close by.

45% who started their search with an Allgäu destination* also ended with an Allgäu destination.

20% decided on another similar Alpine region.

Source: Microsoft Advertising internal data: Vacation rental conversion analysis (base ~33,000 conversion paths); Jan 16 – Feb 28, 2021

(* either Allgäu itself or a specific location in the region – for example Füssen, Oberstdorf, Bad Hindelang etc.)
The competitive landscape
Clicks for vacation rentals are returning

- Based on 13,000 top generic keywords for vacation rentals, we see slow recovery.
- The first week of 2020 (before COVID-19 was announced) is considered our baseline and all following weeks on this chart are indexed against it.
- In week 10 of 2021, click volume had recovered to 90%.

Source: Microsoft Advertising internal data: Keyword analysis (based on 13,000 top generic keywords; Jan – Mar 2021.)
Improved click through rates (CTRs) at lower cost per clicks (CPCs)

Source: Microsoft Advertising internal data: Keyword analysis (based on 13,000 generic keywords; Jan – Mar 2021.)
Very few advertisers are experimenting with bidding

Source: Microsoft Advertising internal data: Keyword analysis (based on 13,000 generic keywords; Jan – Mar 2021.

- Only one advertiser had movement in cost per click, all others remained mostly static.

- Adjusting to a changed competitive landscape is a key element to remaining successful.

Source: Microsoft Advertising internal data: Keyword analysis (based on 13,000 generic keywords; Jan – Mar 2021.)
Looking forward, our forecasting model predicts a slow recovery in clicks for Accommodations (including both hotels and vacation rentals).

If progress on vaccinations is made quickly, the forecast may change to a more optimistic outlook.
Summary
<table>
<thead>
<tr>
<th>Key findings</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• People are eager to travel again but will prefer ‘safe’ accommodations such as vacation rentals.</td>
<td>• <strong>Shift budget</strong> to safe and domestic destinations, expect high demand in the coming months as more people get vaccinated.</td>
</tr>
<tr>
<td>• Desired destinations are shifting from urban to rural places, especially as cultural events continue being canceled.</td>
<td>• <strong>Use responsive search ads</strong> to adjust to changing traveler preferences.</td>
</tr>
<tr>
<td>• Most travelers are looking domestically.</td>
<td>• <strong>Implement dynamic search ads</strong> to cover highly specific destination searches.</td>
</tr>
<tr>
<td>• Travelers searching for vacation rentals have a clear idea where to go, they rarely change the destination theme.</td>
<td>• <strong>Try custom and in-market audiences</strong> to reach travelers with clear location preferences.</td>
</tr>
<tr>
<td>• The changes in travel behavior also changed the competitive landscape on our platform.</td>
<td>• <strong>Invest in generic keywords</strong> (Ferienhaus, Ferienwohnung) as they attract undecided travelers to your website.</td>
</tr>
</tbody>
</table>
To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights