

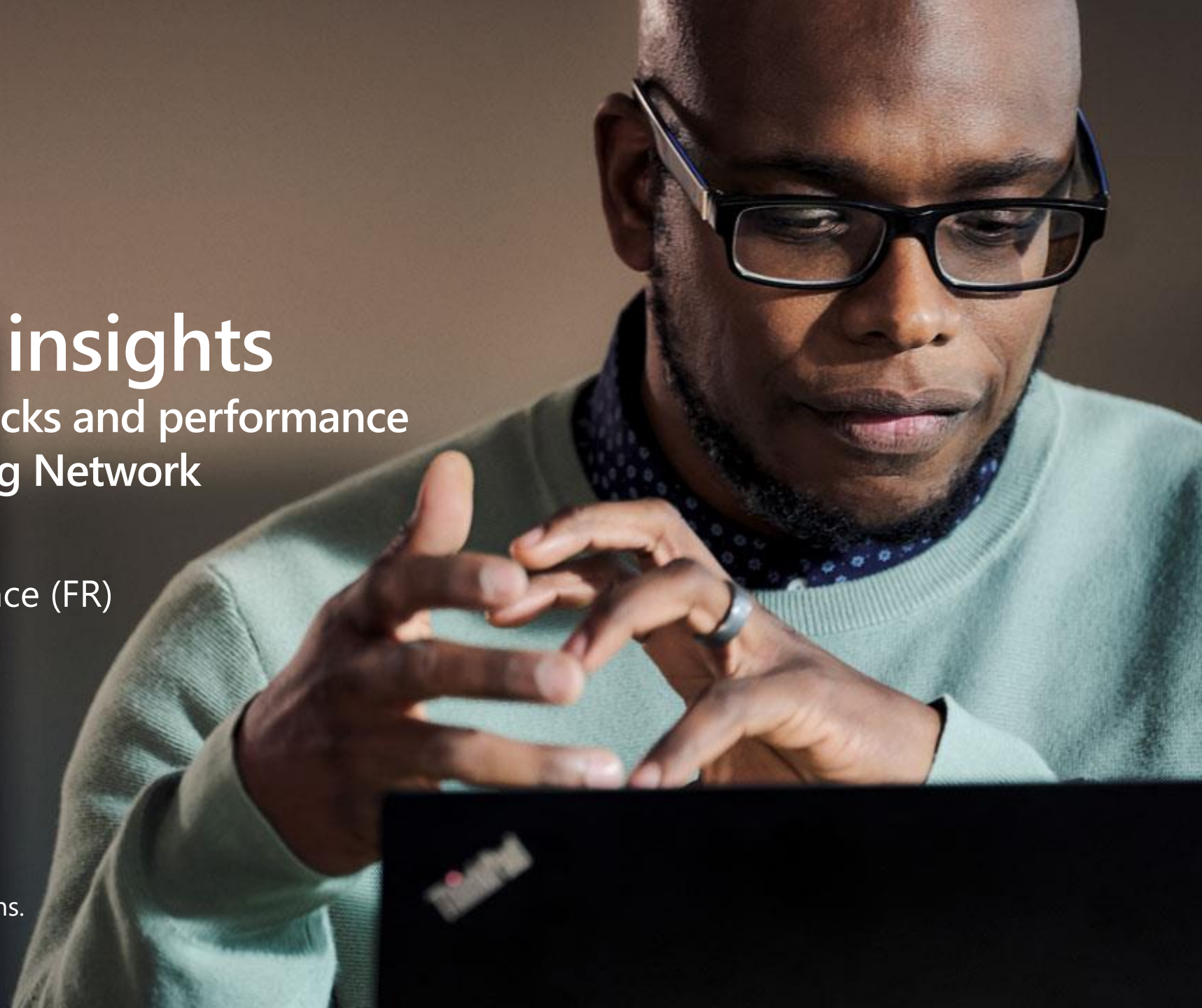


Travel recovery insights

Paid vs. organic trends in clicks and performance
on the Microsoft Advertising Network

Markets: UK, Germany (DE), France (FR)
January 2020 – August 2020

Microsoft Advertising. Intelligent connections.



Methodology, search categories and initial hypothesis



Methodology

Markets: United Kingdom, Germany and France

Period: January to August 2020 (monthly grain)

Network: Bing and Yahoo! Sites, traffic across all devices

Advertisers: we have included all the advertisers active in the relevant auctions



Search categories

The analysis is based on the following search categories, identified by the categorization of the query search traffic seen in the Microsoft Search Network:

- **Online travel agencies (OTAs):** search queries containing mention of OTAs brand (*Expedia, Kayak, eDreams, Odigeo* etc)
- **Airlines:** queries containing mentions of an airline brand, including all airlines of the world (*BA, Iberia, Lufthansa, Ryanair, Easyjet, Air France, etc.*)
- **Flights:** all queries containing a generic reference to flight products (*Flight, airline ticket, etc.*) and **not** including any mention of an airline brand or OTA

Since lockdown restrictions have taken place across Europe, users were forced to stay indoors. Consequently, Advertisers have adjusted their marketing strategy, accordingly, redistributing resources between organic & paid in order to engage more with users online.

- **Is the advertising activity in the marketplace showing normalization trends?**
- **Is organic gaining momentum as advertising activity decreased during COVID-19 days?**
- **Is paid back on track to full recovery?**



Research hypothesis

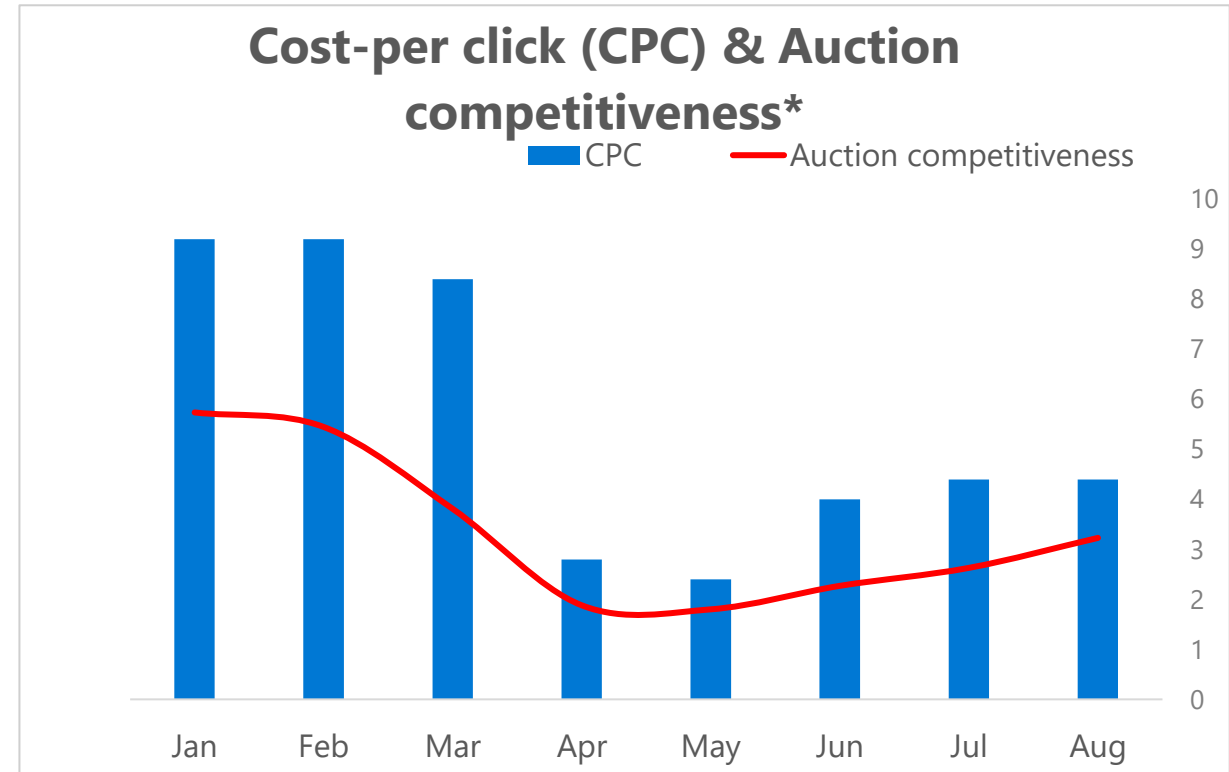
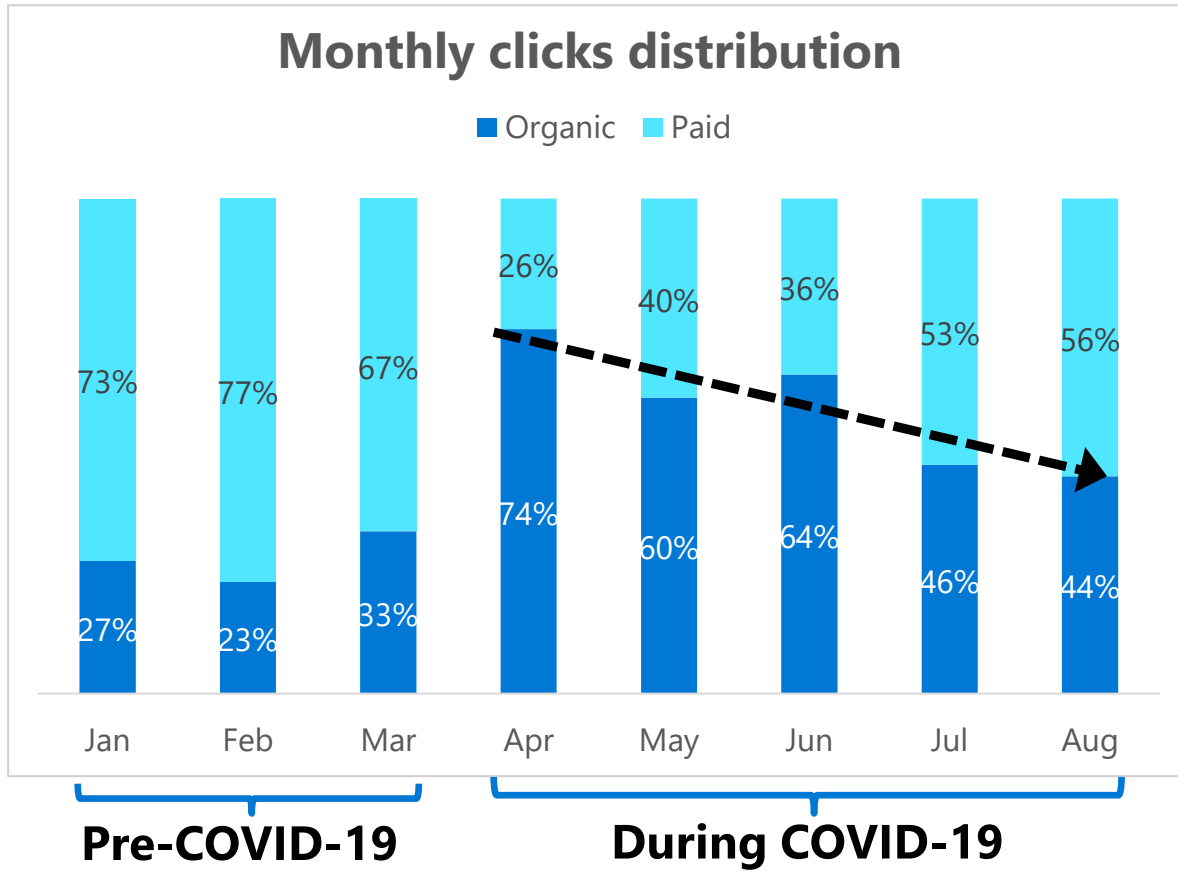
France

OTAs, Airlines and Flights



OTAs: Paid clicks are recovering at fast pace despite small fluctuations

As the market is approaching normality with paid clicks outperforming organic, competition is rising. However, cost has remained stable and still low compared to pre-COVID-19 time.

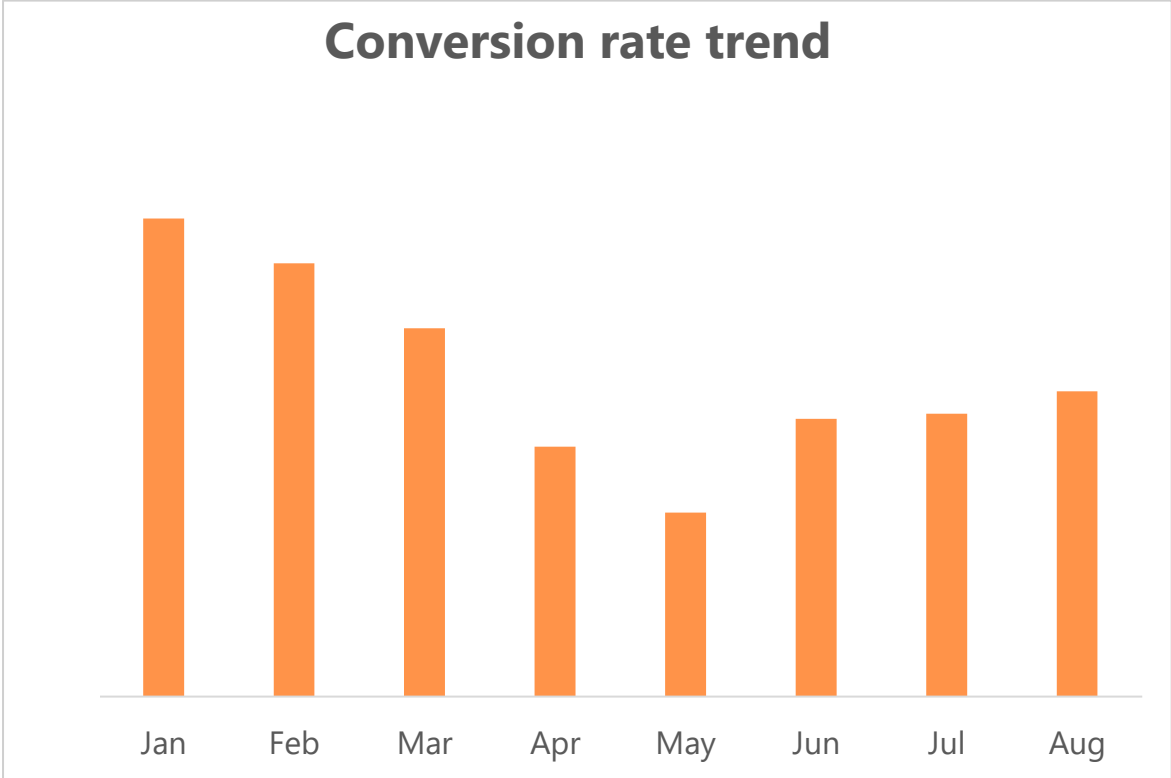
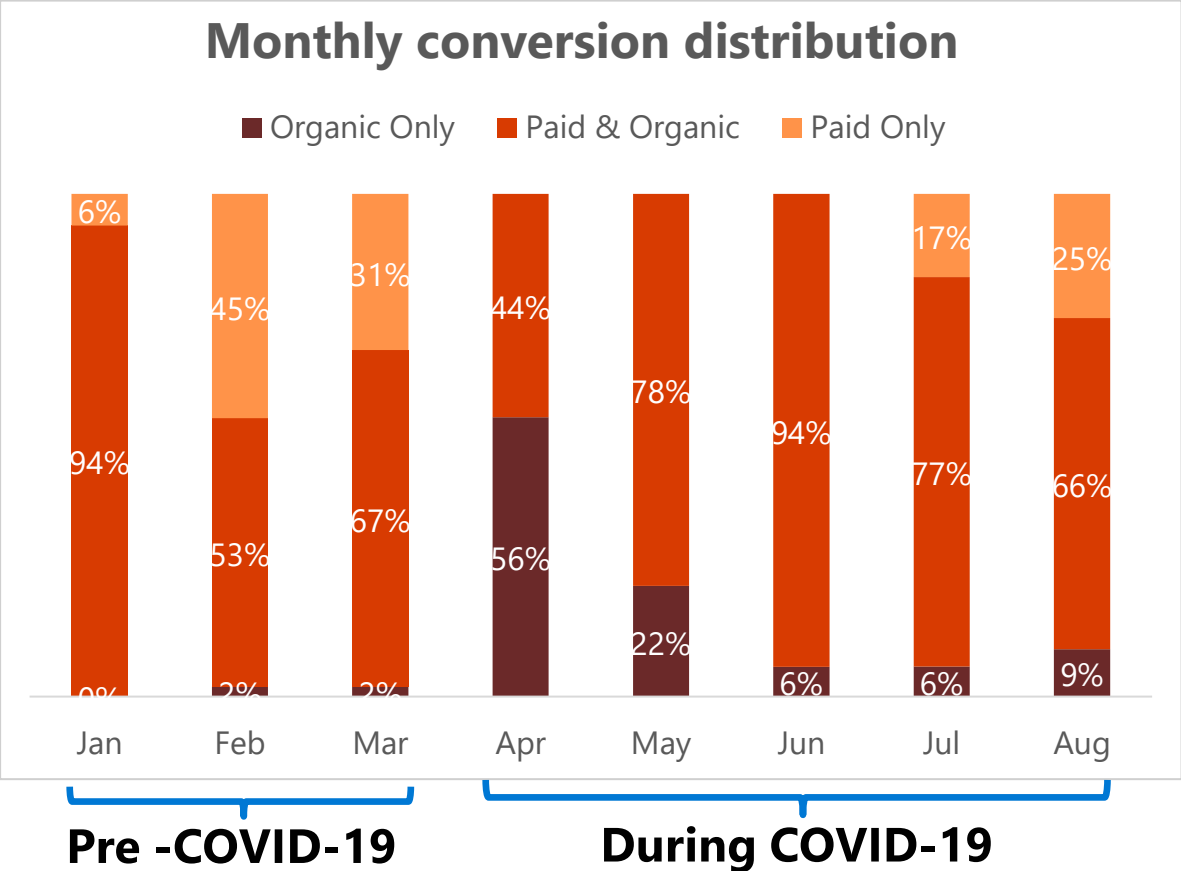


* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.

Source: Microsoft internal data, Jan 2020-Aug 2020, France, based on a sample of 3,000 users

OTAs: Conversion paths are normalizing with a heavy weight of paid clicks

Conversion paths driven by organic gained momentum during COVID-19 as auction competitiveness reduced. By contrast, the quick normalization of advertising activity has fueled a fast recovery for paid conversion paths during the recent months. As a result, conversion rate is also regaining momentum despite small fluctuations.

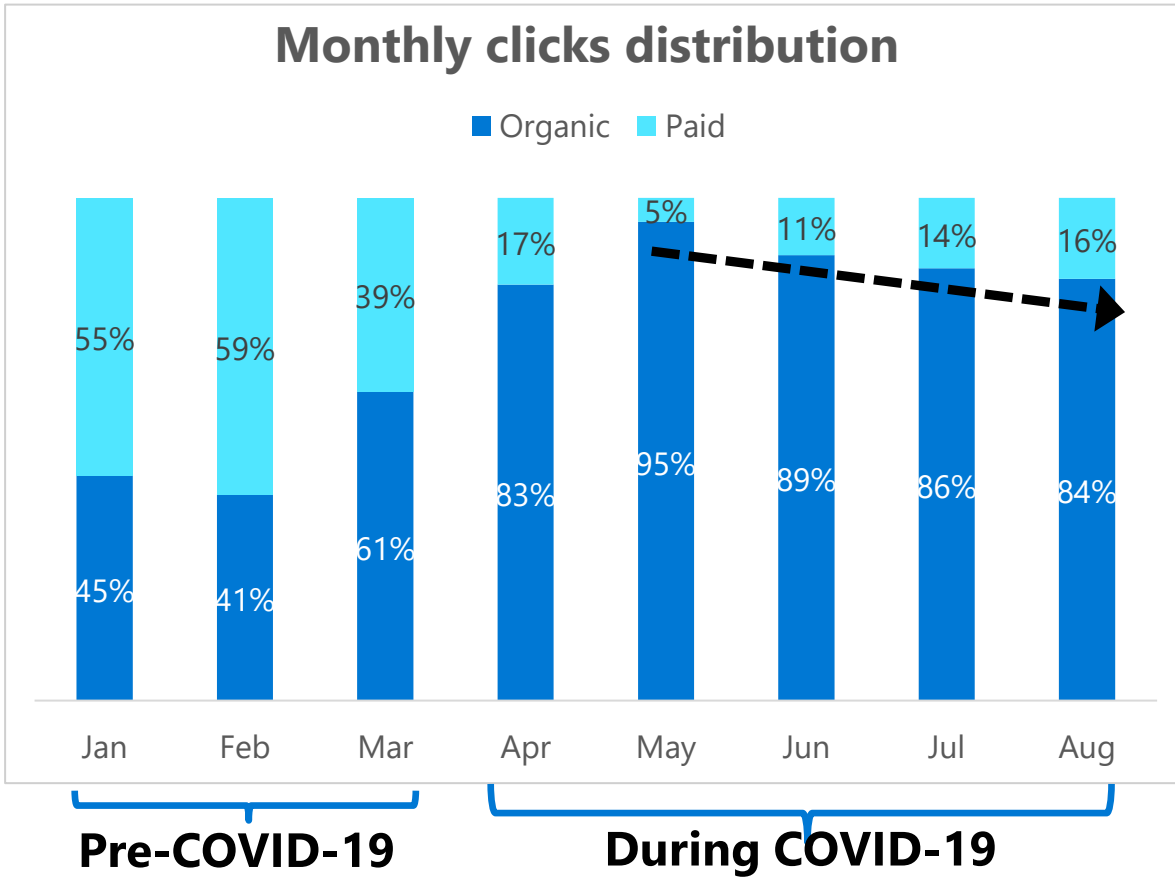


Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
Based on Users URLs path that touched upon organic only, paid & organic or paid only
Conversion is counted when a consumer registered a payment.

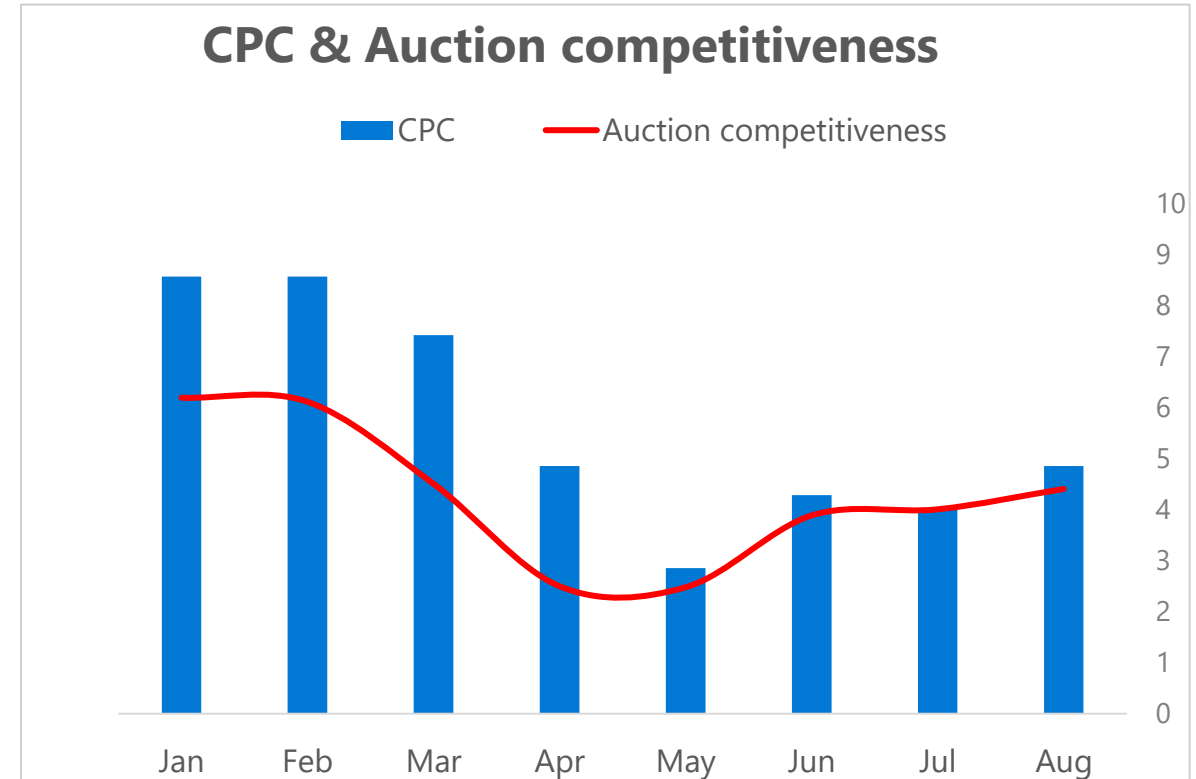
Airlines: Paid clicks are on a gradual upward trend but still far from normal

Cost and competition are still low compared to January, however, they are moving towards normalization

Monthly clicks distribution



CPC & Auction competitiveness



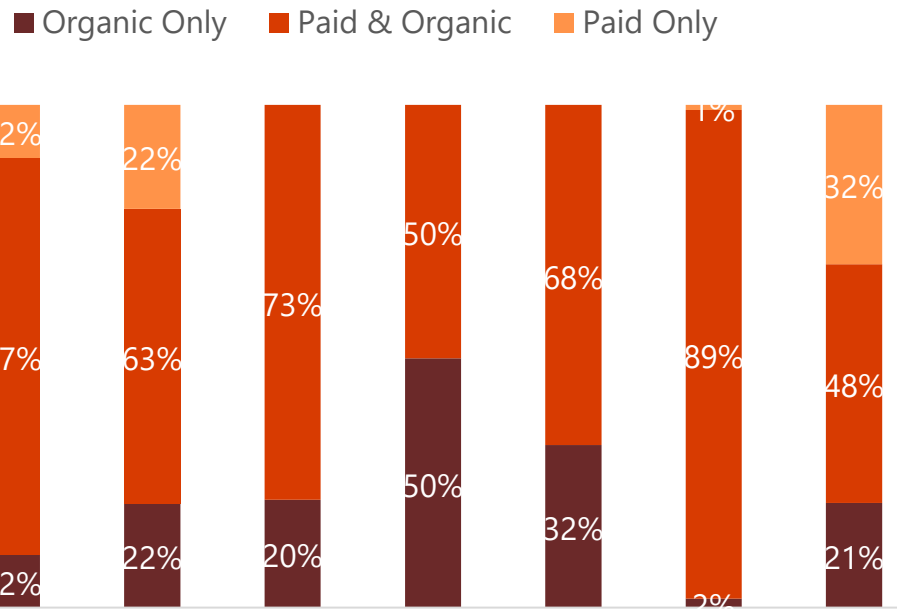
* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.

Source: Microsoft internal data, Jan 2020-Aug 2020, France, based on a sample of 3,000 users

Airlines: Paid conversion paths jumped significantly in August

Conversion paths driven by organic gained momentum during COVID-19 as auction competitiveness reduced. However, paid paths gained strength as numbers skyrocketed in August during holiday season. Furthermore, the gradual increment in conversion rate is indicating a normalization phase.

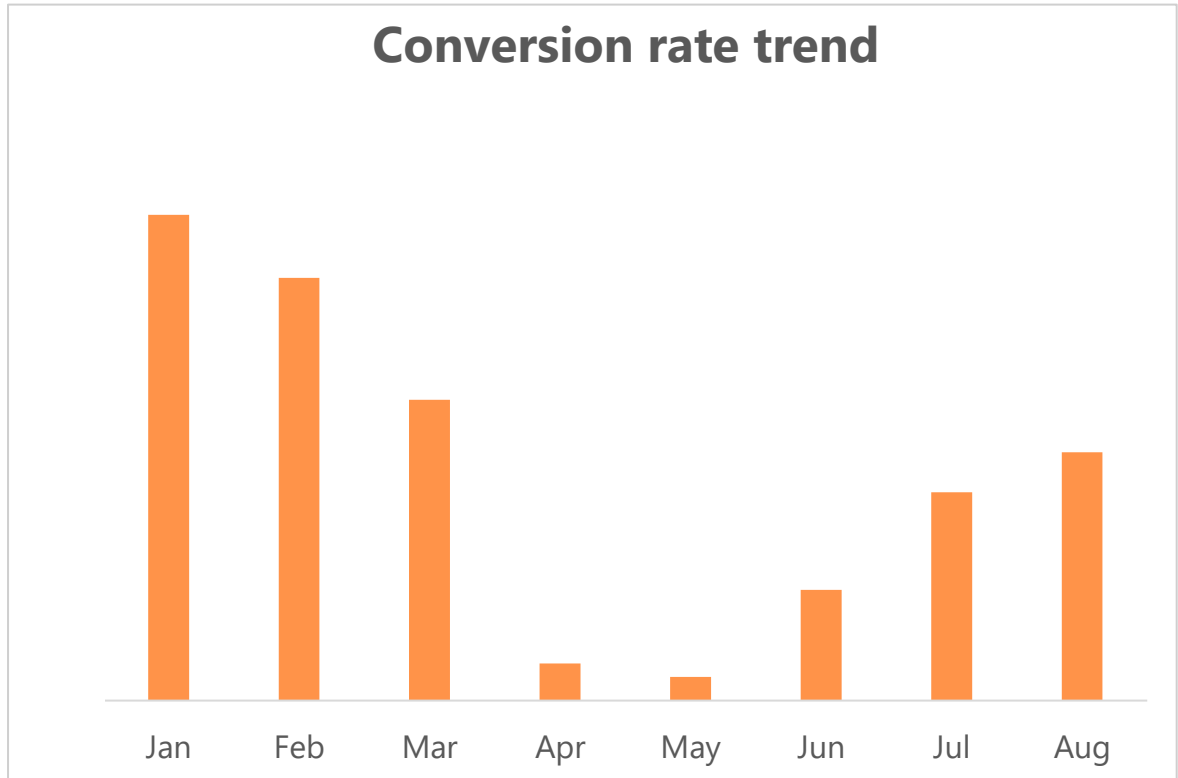
Monthly conversion distribution



Pre-COVID-19

During COVID-19

Conversion rate trend

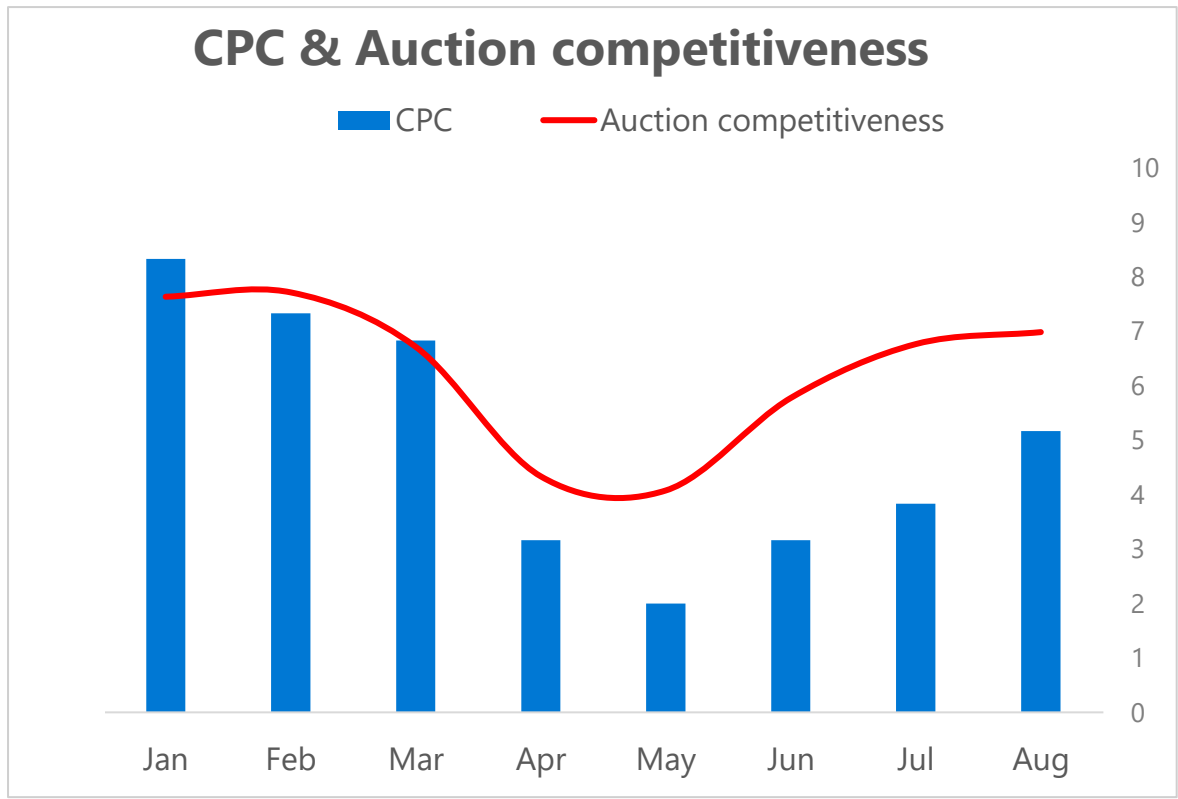
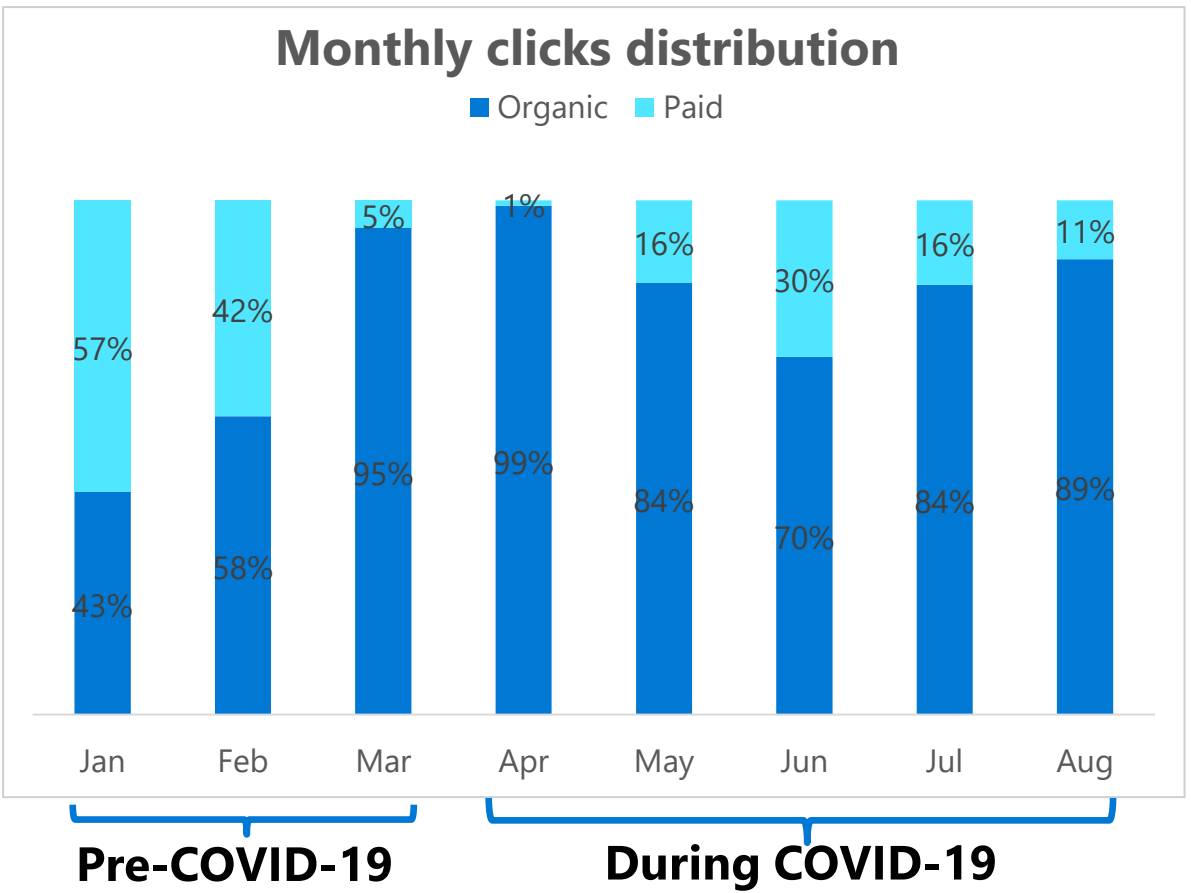


Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
 Based on Users URLs path that touched upon organic only, paid & organic or paid only
 Conversion is counted when a consumer registered a payment.



Flights: After a strong positive momentum, paid clicks slowed down

Cost and competition are still low compared to January; however, they are also slowly increasing as the market moves towards normalization



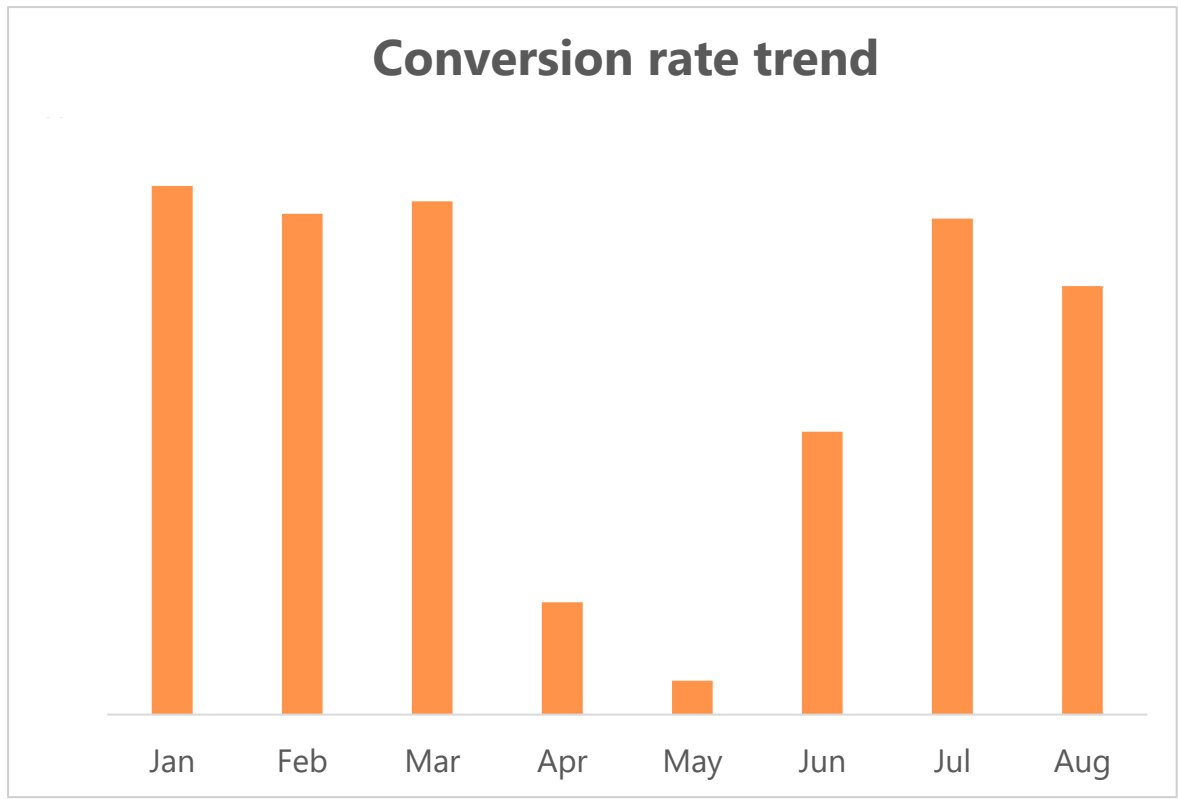
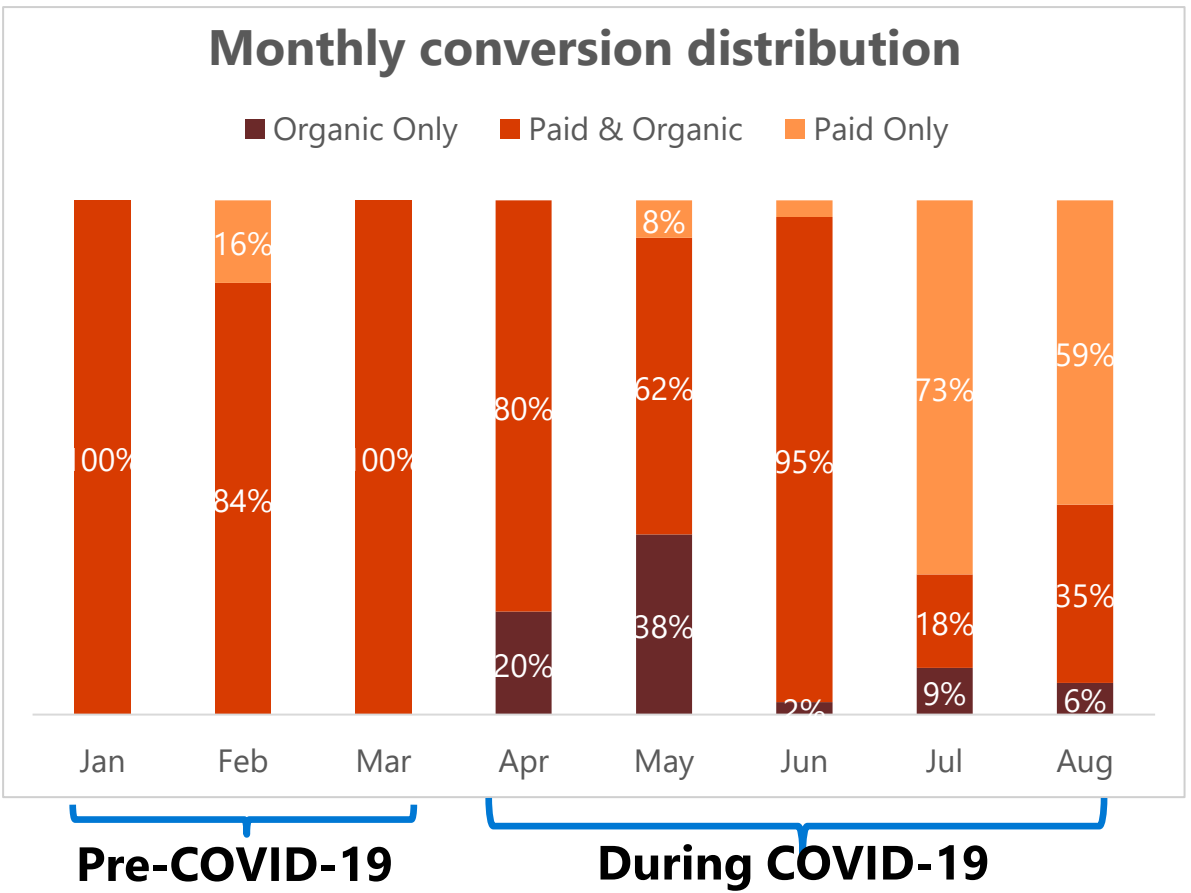
* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.



Source: Microsoft internal data, Jan 2020- Aug 2020, France, based on a sample of 3,000 users

Flights: Conversion paths are normalizing with a heavy weight of paid clicks

Since June we are seeing a normalization of advertising activity with the weight of paid and conversions rate going back to normal levels



Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
 Based on Users URLs path that touched upon organic only, paid & organic or paid only
 Conversion is counted when a consumer registered a payment.



FRANCE

Main takeaways



KEY FINDINGS

The advertising activity and market competitiveness in OTAs and Airlines are showing signs of recovery with OTAs comeback being more significant.

- **OTAs:** Category is showing strong recovery signs. Paid clicks are on a normalization path, CPCs and competition are still low but improving. Conversion paths are normalizing with a heavy weight of paid clicks.
- **Airlines:** Normalization has accelerated with paid clicks regaining momentum and paid conversion paths peaking in August.
- **Flights:** Despite an initial positive momentum, the recovery slowed down with paid clicks slightly dropping. However, paid still plays a pivotal role in conversions with more than 73% conversion captured in July and 59% in August.

RECOMMENDED ACTIONS

With the activity in the marketplace under a normalization trend, there are strong advertiser opportunities in the categories undergoing normalization.

We strongly advise our partners to:

- **Monitor the market** to identify profitable traffic buckets where pricing and competition are still low.
- **Re-activate campaigns** in all those categories that are showing momentum and normalization ahead of their competition to gather clicks and conversion at low price.
- **Drive conversions** by leveraging both their presence in the organic and paid space.



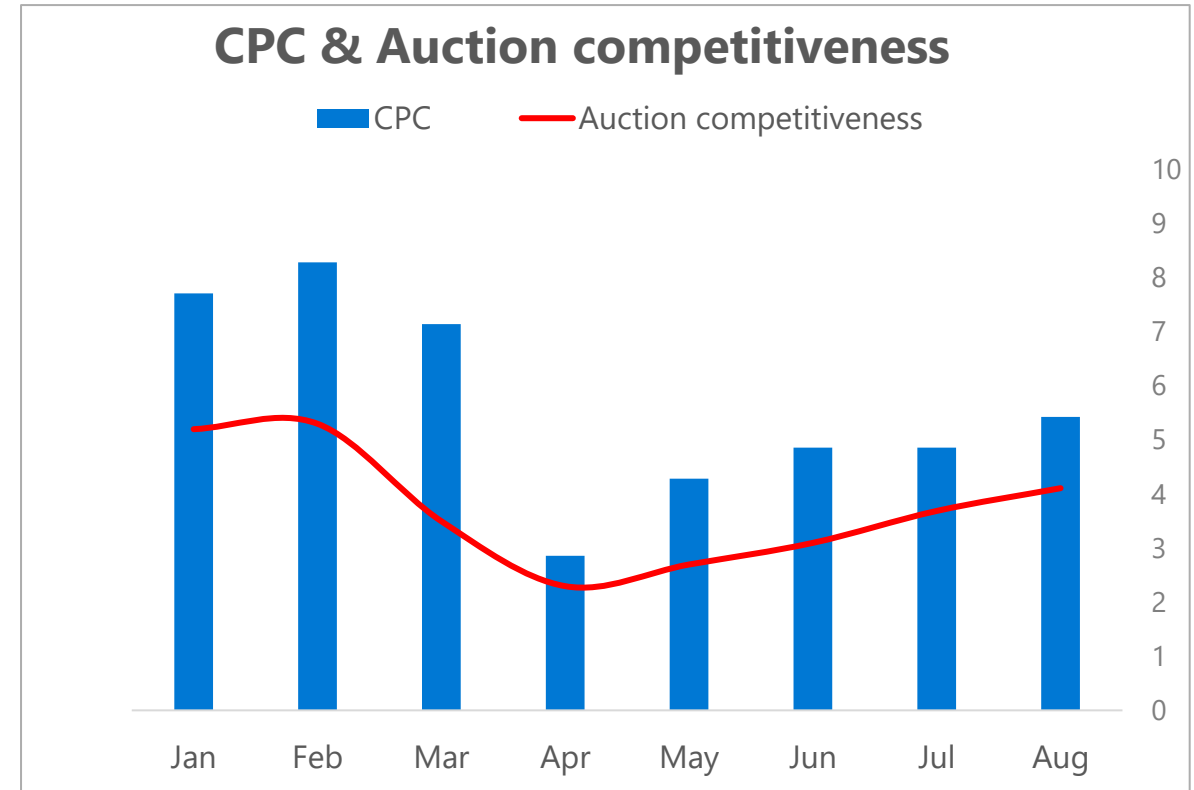
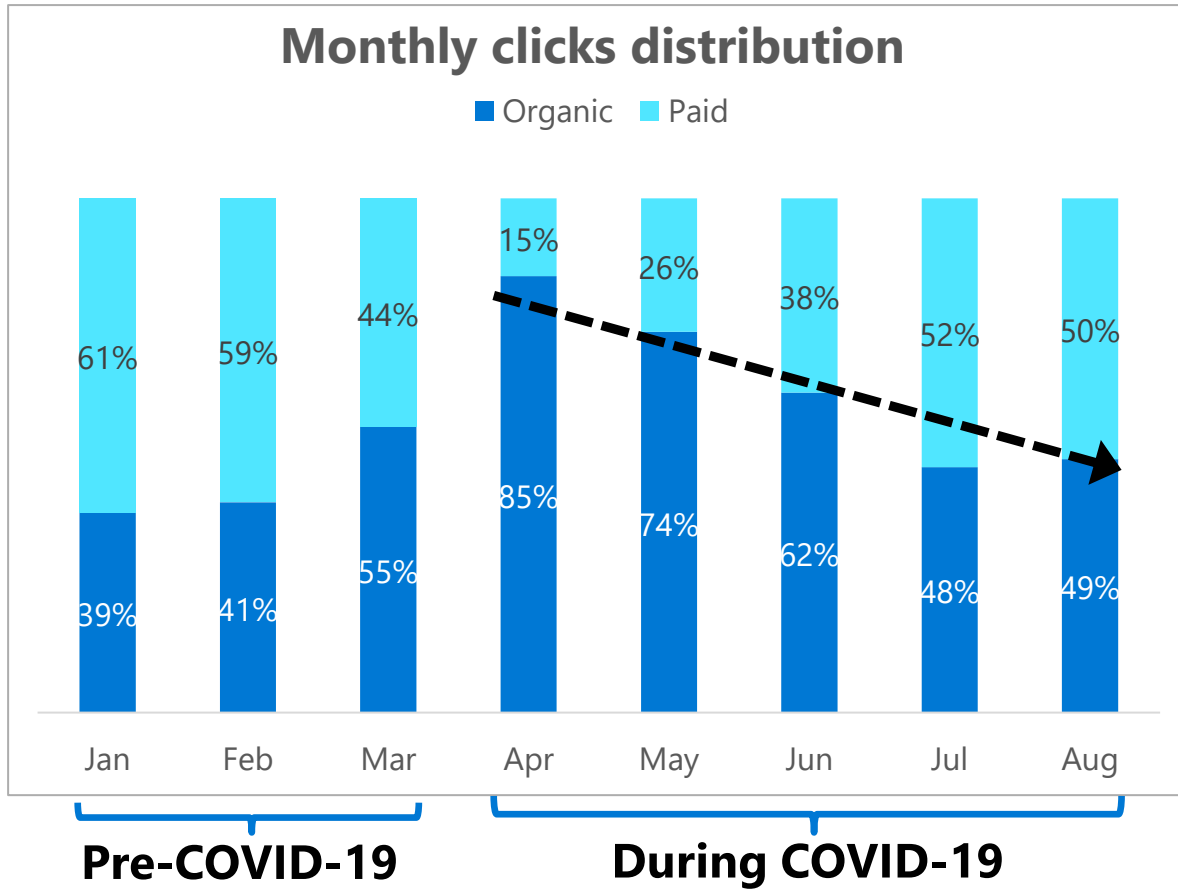
Germany

OTAs, Airlines and Flights



OTAs: Paid clicks experienced a fast normalization trend

The market is recording significant signs of normalization with paid clicks weight moving towards a full recovery. Cost and competition were still low compared to January, however, they are also moving towards normalization.

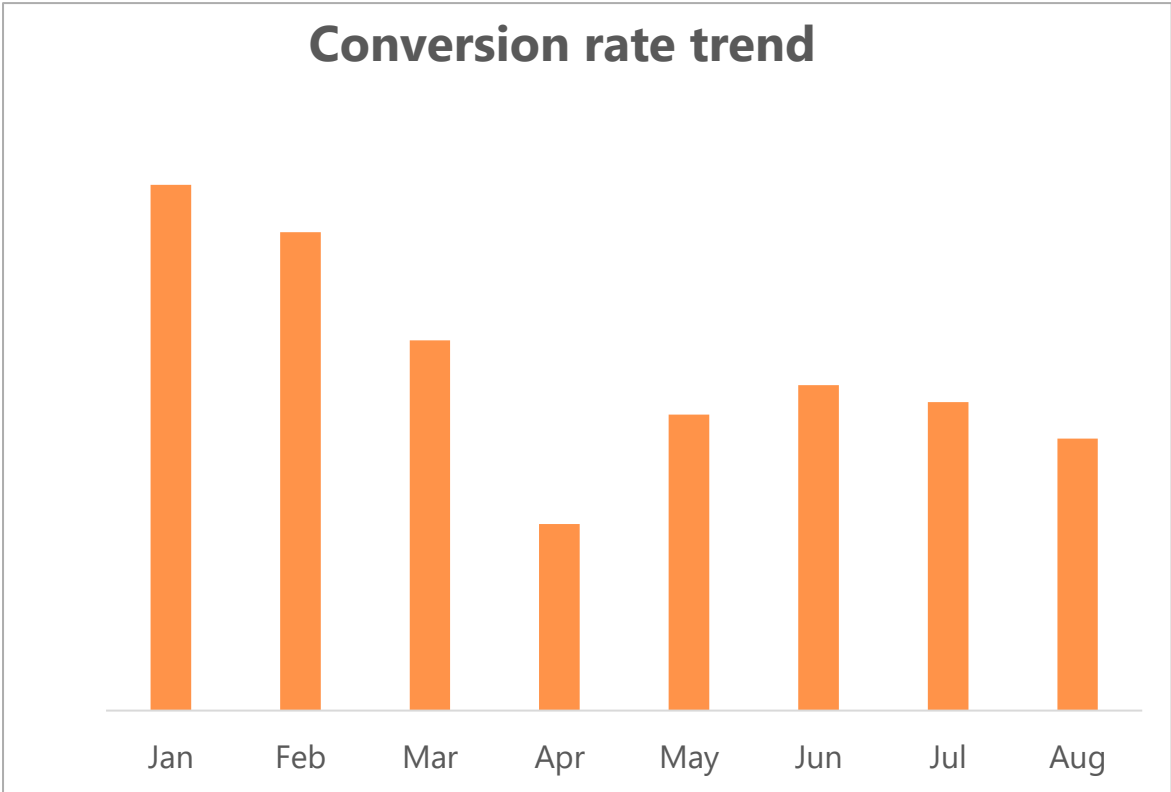
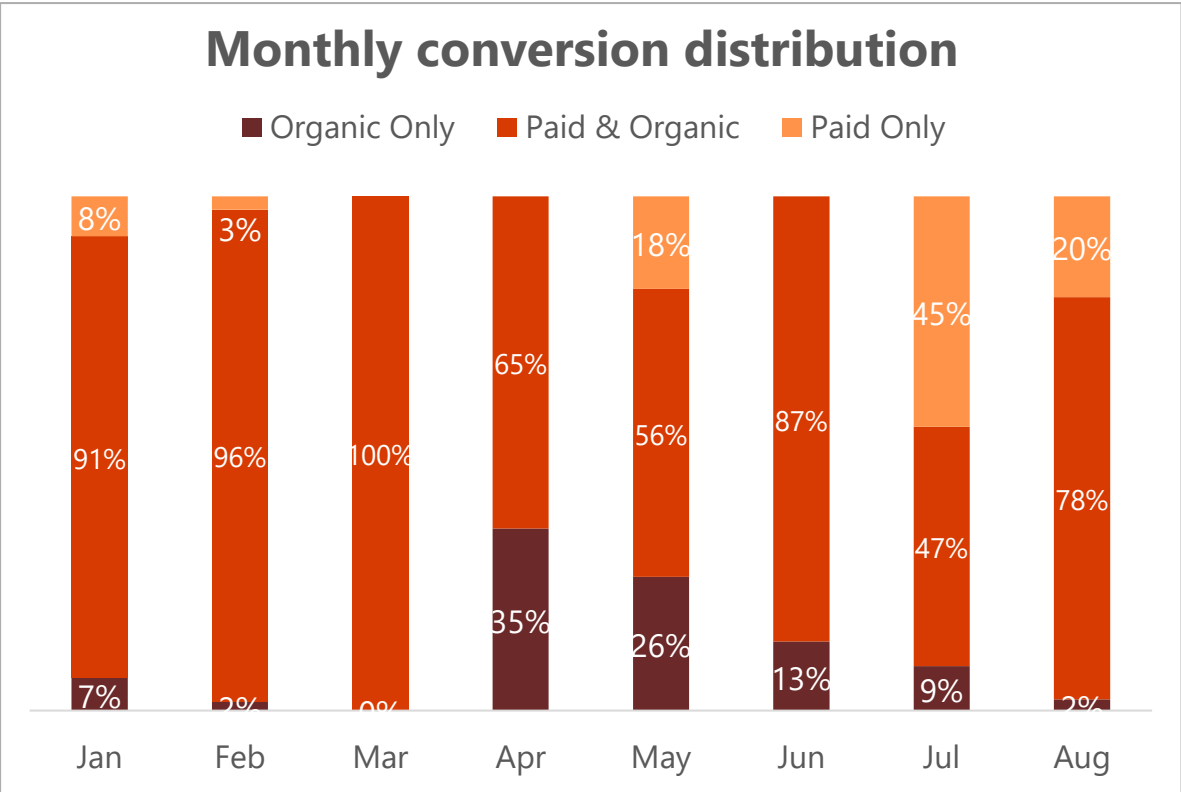


* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.

Source: Microsoft internal data, Jan 2020-Aug 2020, Germany, based on a sample of 3,000 users

OTAs: Conversion paths in recovery and heavily influenced by paid clicks

Conversion paths in April, May and June saw an influence of organic-only clicks in correspondence to the impact of COVID-19 and reduced competition in the auctions. However, conversions driven by paid clicks regained traction during July and August. Similarly, the gradual growth in conversion rate was a strong indication of a normalization phase.



Pre-COVID-19

During COVID-19

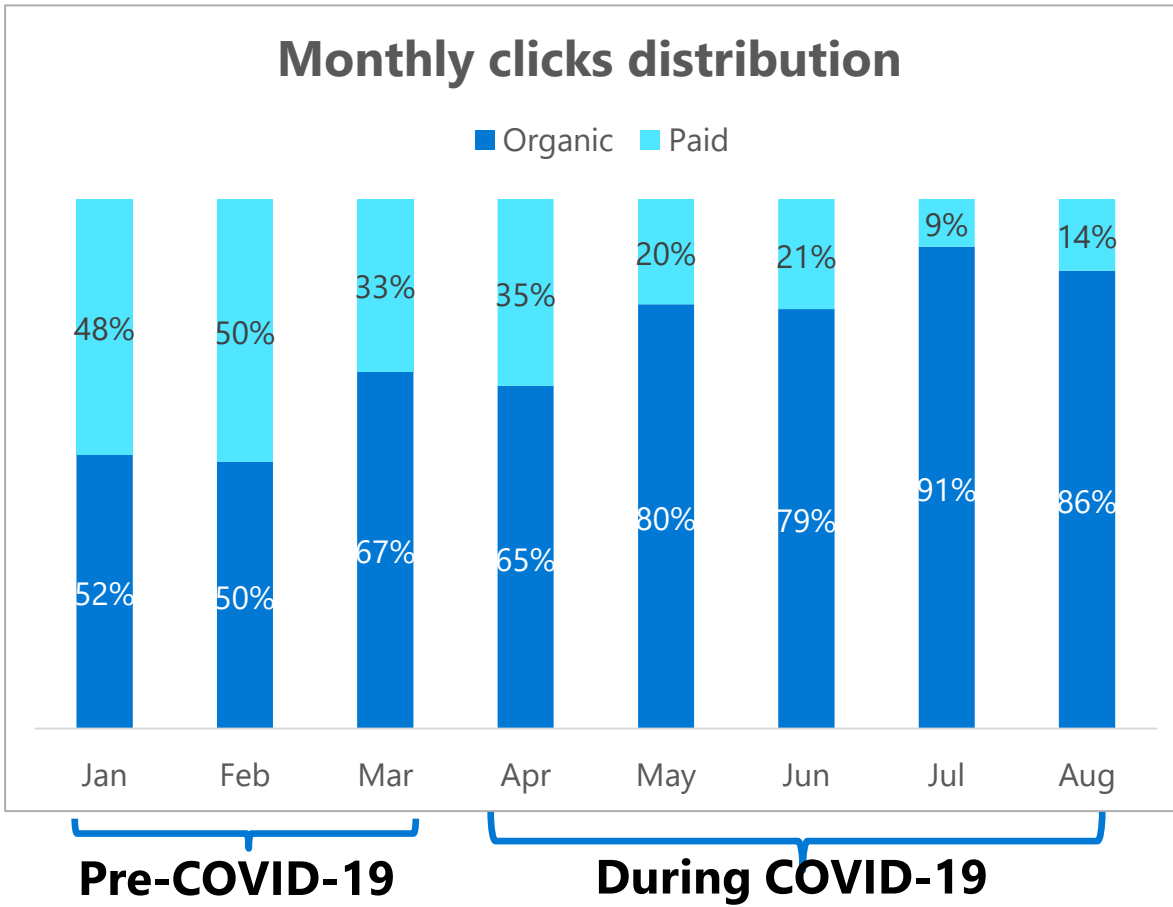
Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
Based on Users URLs path that touched upon organic only, paid & organic or paid only
Conversion is counted when a consumer registered a payment.



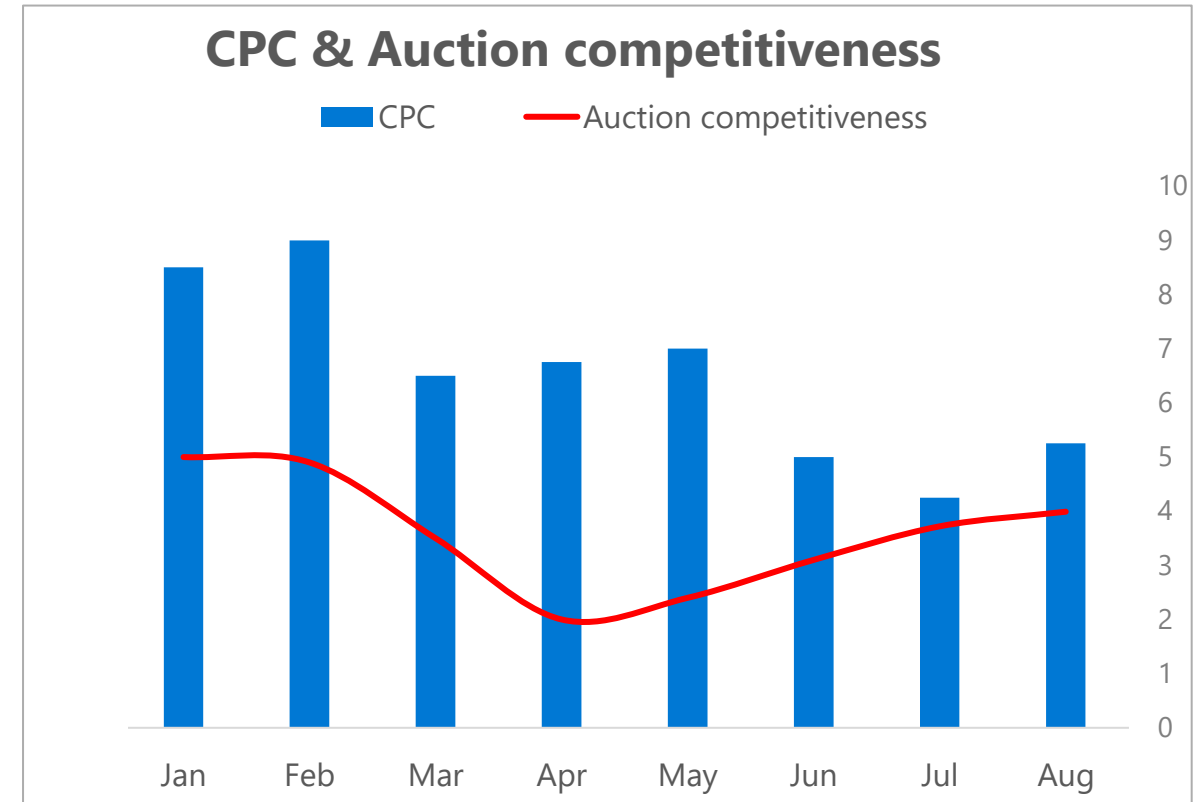
Airlines: Paid clicks decreased with COVID-19 and reduced auction activity

Market is not yet showing strong signs of normalization with paid clicks weight still low compared to pre-COVID-19 months. With decreased competition in the auction, also CPC went down to its year-to-date (YTD) minimum.

Monthly clicks distribution



CPC & Auction competitiveness

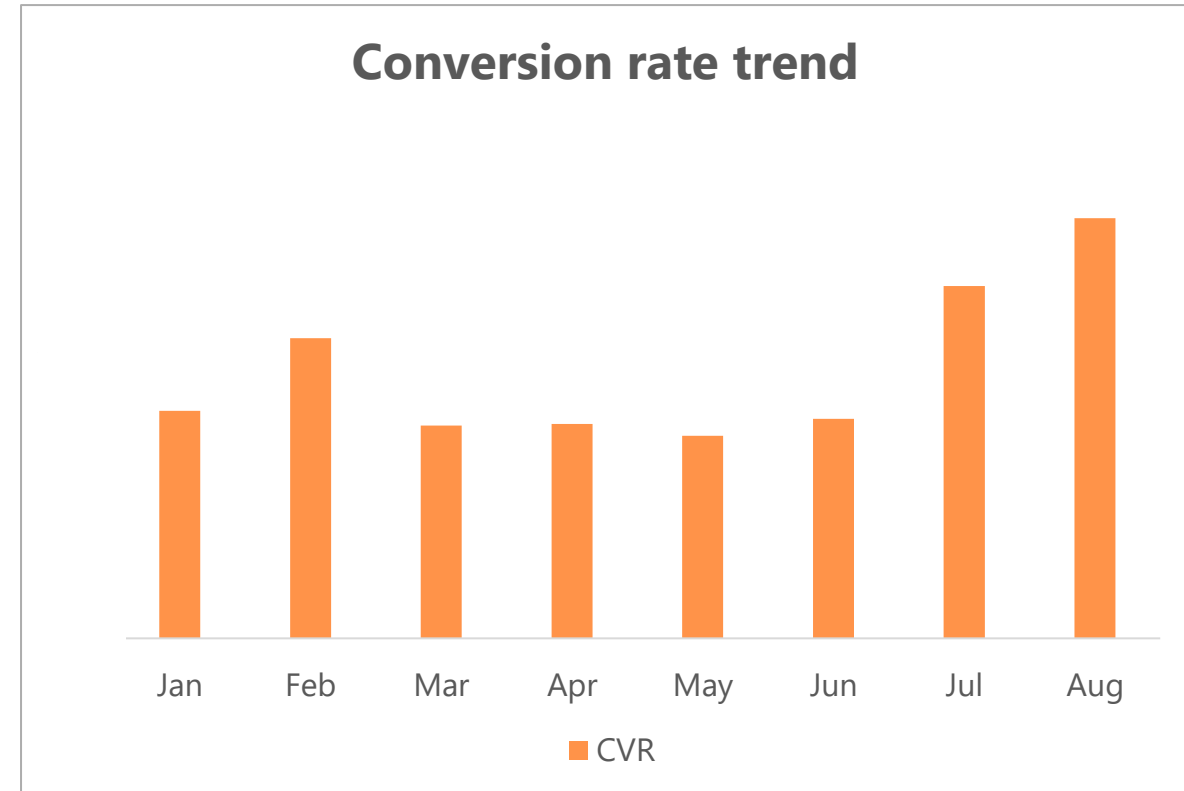
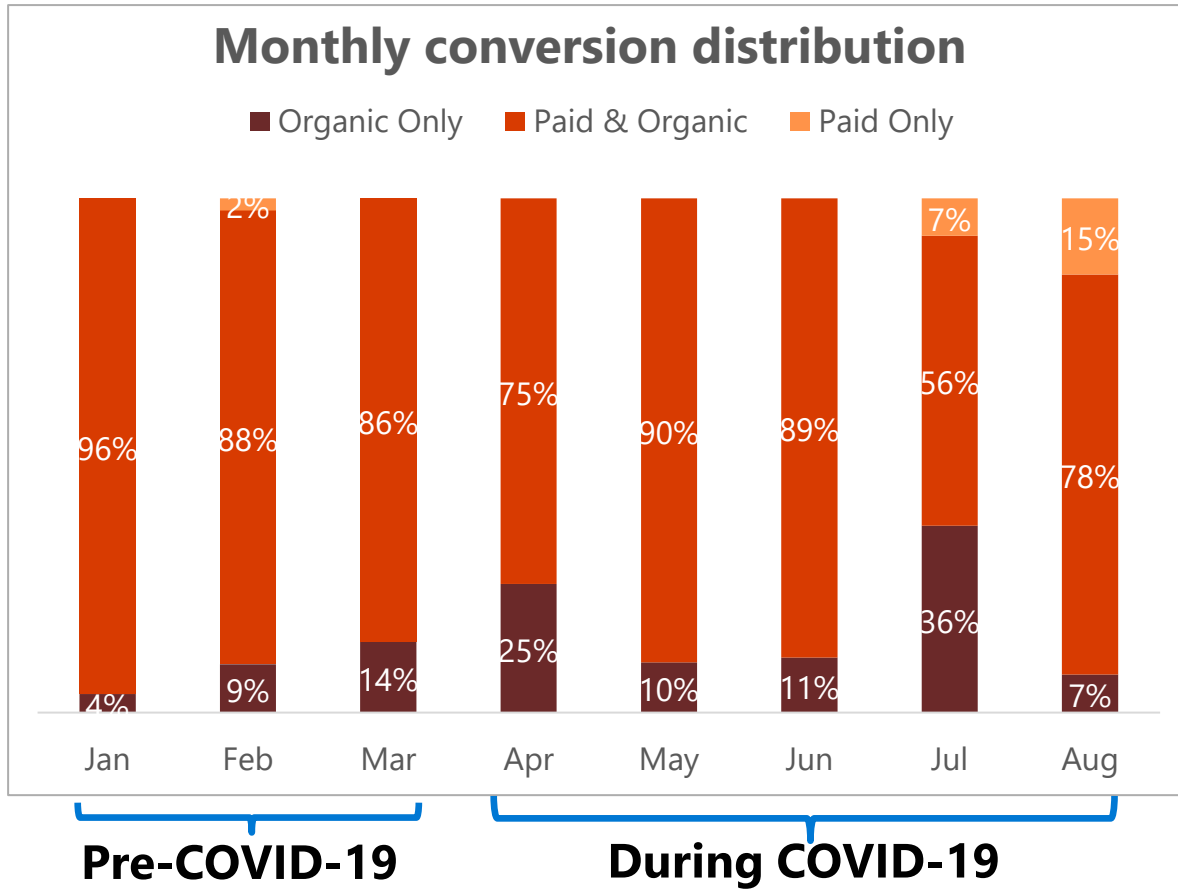


* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.

Source: Microsoft internal data, Jan 2020-Aug 2020, Germany, based on a sample of 3,000 users

Airlines: Paid clicks still playing a major role in driving conversions

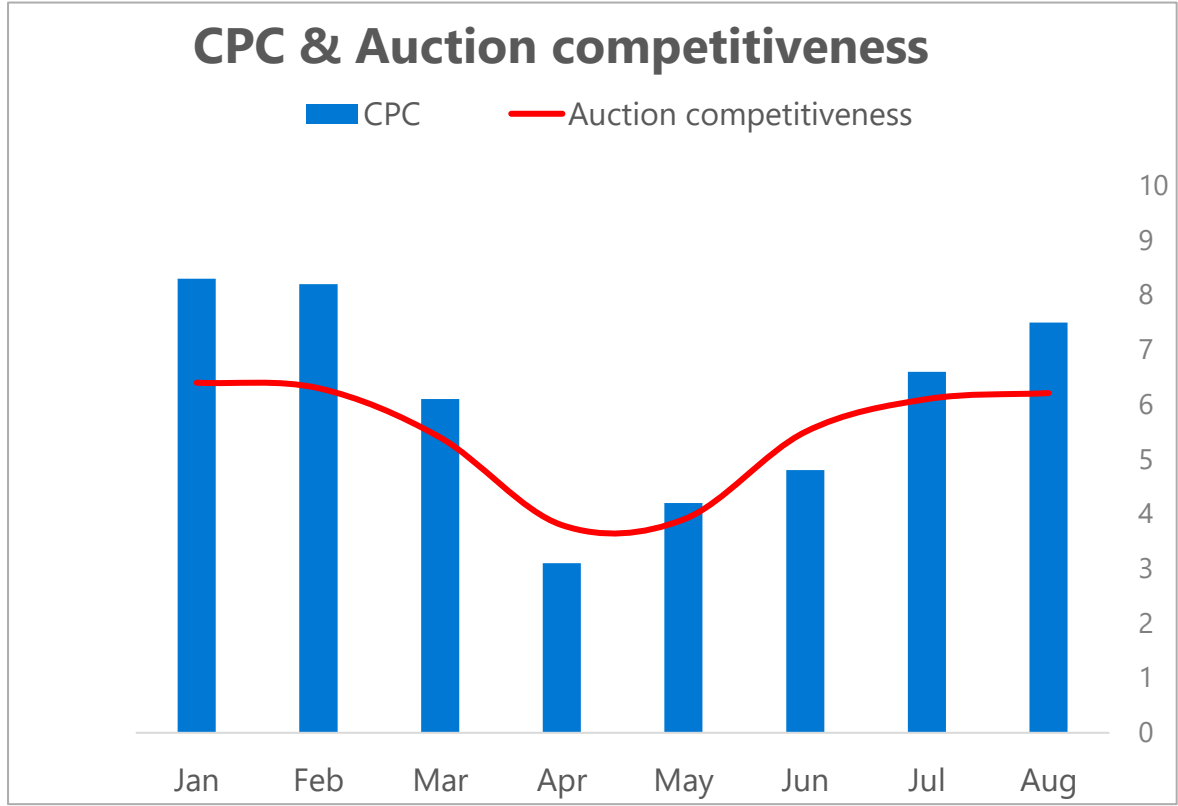
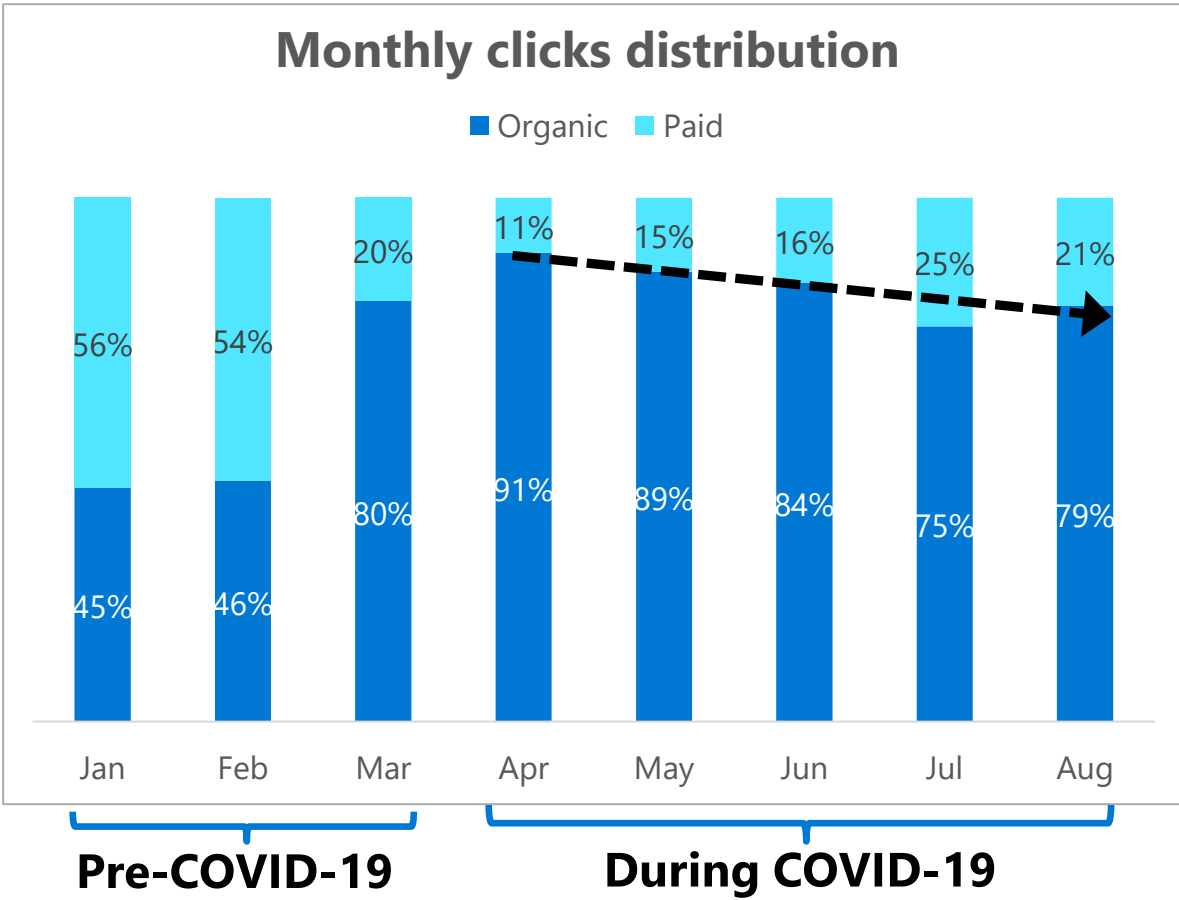
Despite the heavy reduction seen in total paid clicks since COVID-19 (see previous slide), paid does play a major role in driving airlines conversions in combination with organic and recently with paid conversions paths only.



Microsoft internal data, Jan 2020- Aug 2020, based on a sample of 3,000 users
Based on Users URLs path that touched upon organic only, paid & organic or paid only
Conversion is counted when a consumer registered a payment.

Flights: Paid clicks showed sign of a gradual recovery

After a big hit seen in March, paid clicks have quickly re-gained some weight with a peak reached in July. Both average CPC and competitiveness have risen since May, underlying a normalization phase.



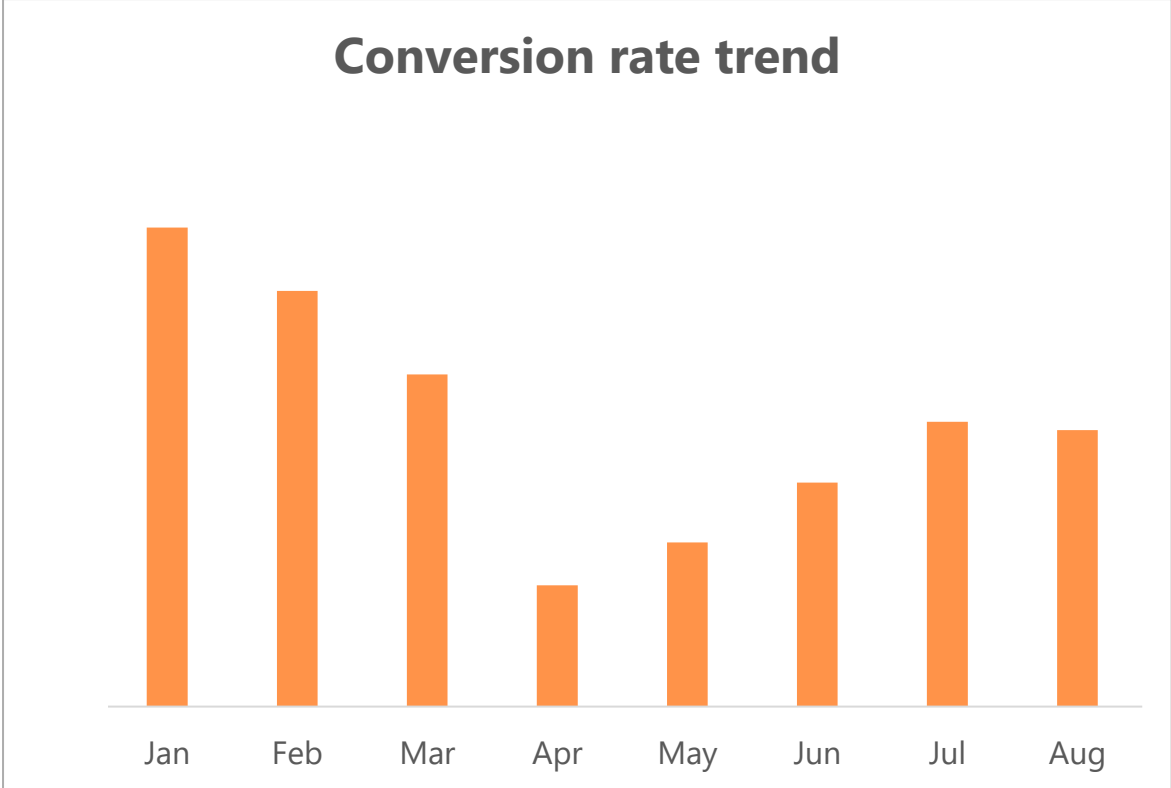
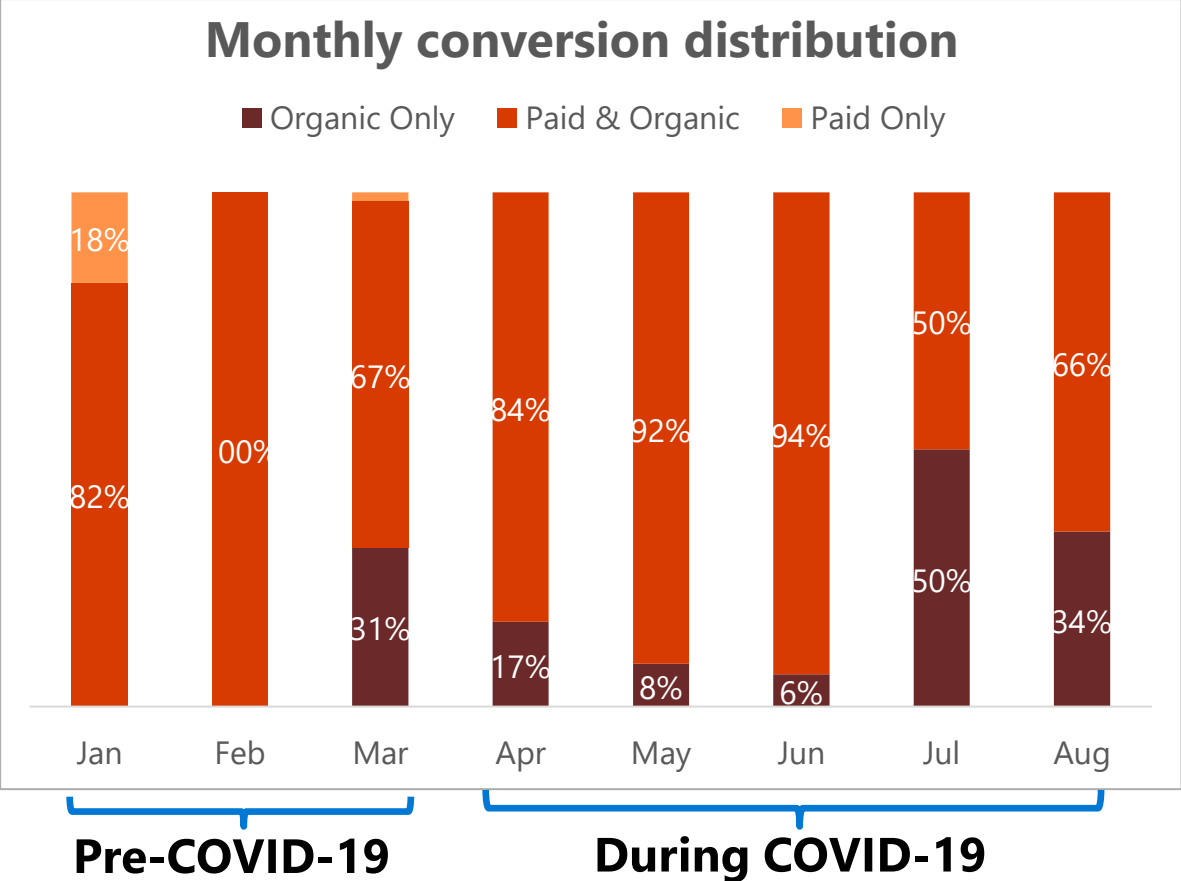
* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.

Source: Microsoft internal data, Jan 2020-Aug 2020, Germany, based on a sample of 3,000 users



Flights: Paid clicks still playing a major role in driving conversions

Despite the heavy reduction seen in total paid clicks since COVID-19 (see previous slide), paid does play a major role in driving flights conversions, especially in combination with organic.



Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
Based on Users URLs path that touched upon organic only, paid & organic or paid only
Conversion is counted when a consumer registered a payment.



GERMANY

Main takeaways



KEY FINDINGS

The advertising activity and market competitiveness in OTAs and Flights categories are showing some strong recovery signs. Conversely, Airlines is still lagging behind.

- **OTAs:** Category is showing strong recovery signs. Paid clicks are on a normalization path, CPCs and competition are still low, however, improving. Conversion paths are normalizing with a heavy weight of paid clicks.
- **Airlines:** Normalization dropped in the most recent months. However, paid still plays a role in combination with organic when it comes to conversions.
- **Flights:** This category has witnessed a positive momentum as paid clicks have gradually increased, leading the way for signs of recovery. Paid was also able to influence conversions, especially in combination with organic.

RECOMMENDED ACTIONS

With the activity in the marketplace under normalization trends, the opportunity lies in gaining ad space and visibility at low price ahead of your competition.

We advise our partners to:

- **Monitor the market** to identify and anticipate the recovery as soon as possible with help from our team.
- **Re-activate campaigns** in all those categories in which your strategy is heavily focused on awareness and visibility taking advantage of the low prices.
- **Drive conversions** by leveraging both your presence in the organic and paid space, especially in Flights and Airlines categories where paid does still play a very heavy role in driving conversions.

United Kingdom

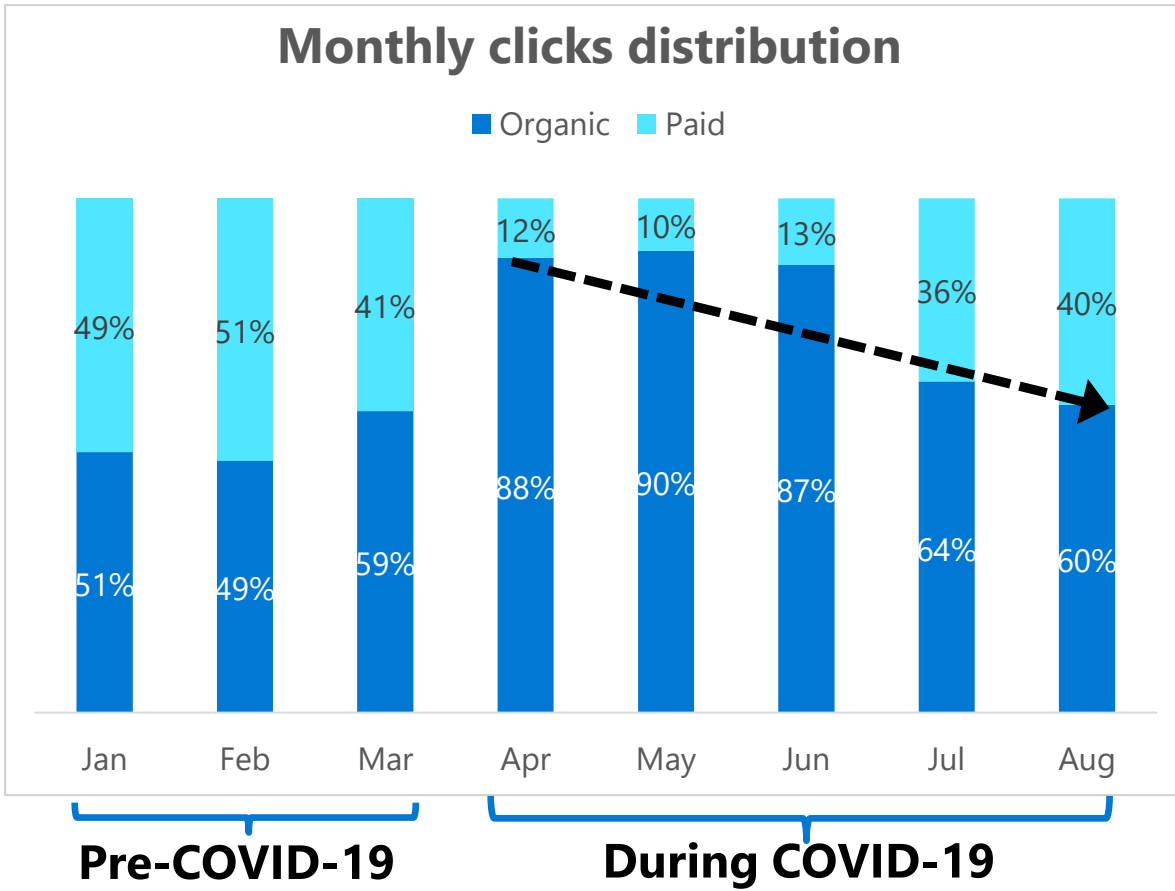
OTAs, Airlines and Flights



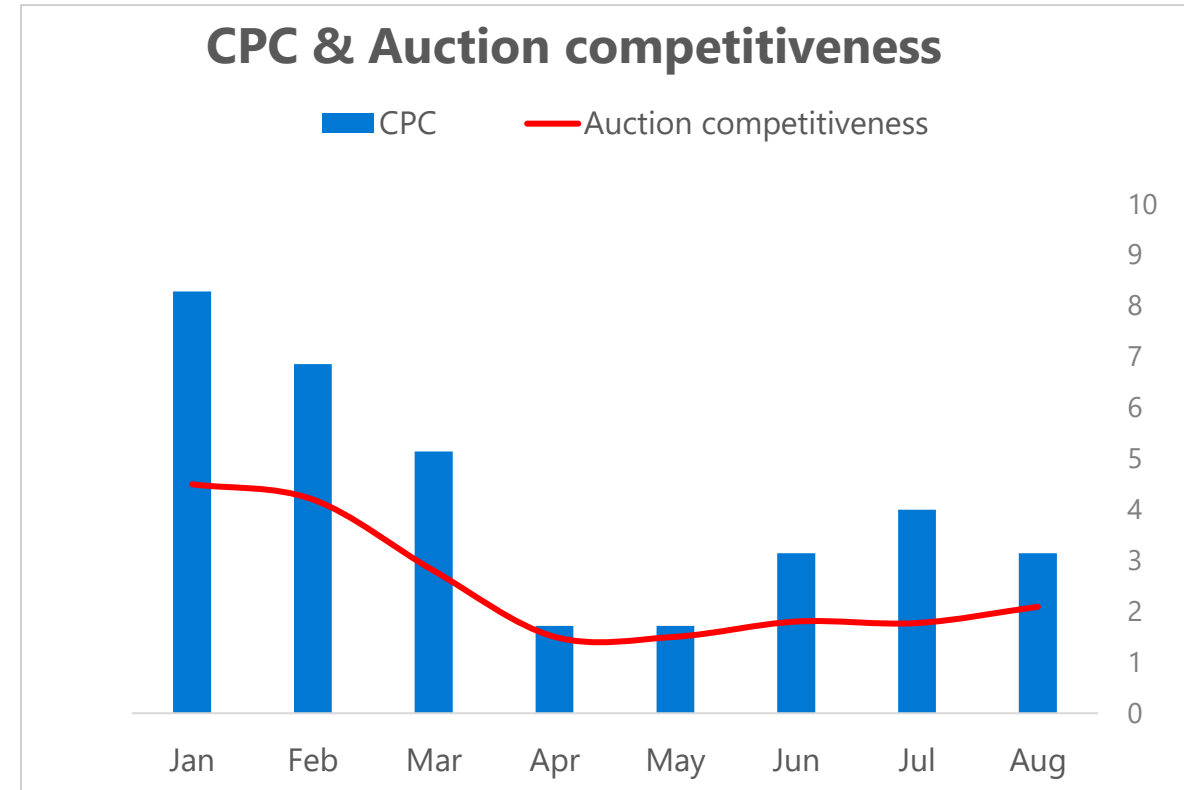
OTAs: Paid clicks are recovering at fast pace, more than doubling June level

The market recorded significant signs of normalization with paid clicks weight moving towards a full recovery. Cost and competition were still low compared to January, however, also moving towards normalization.

Monthly clicks distribution



CPC & Auction competitiveness



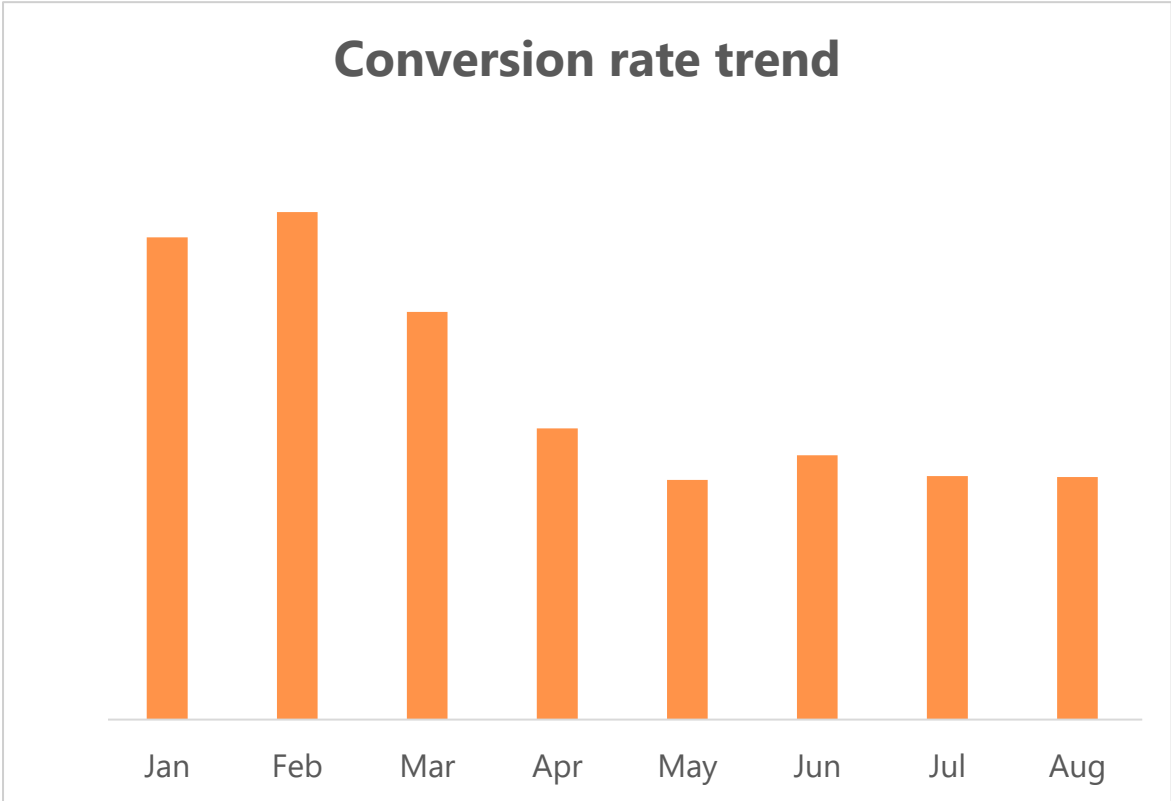
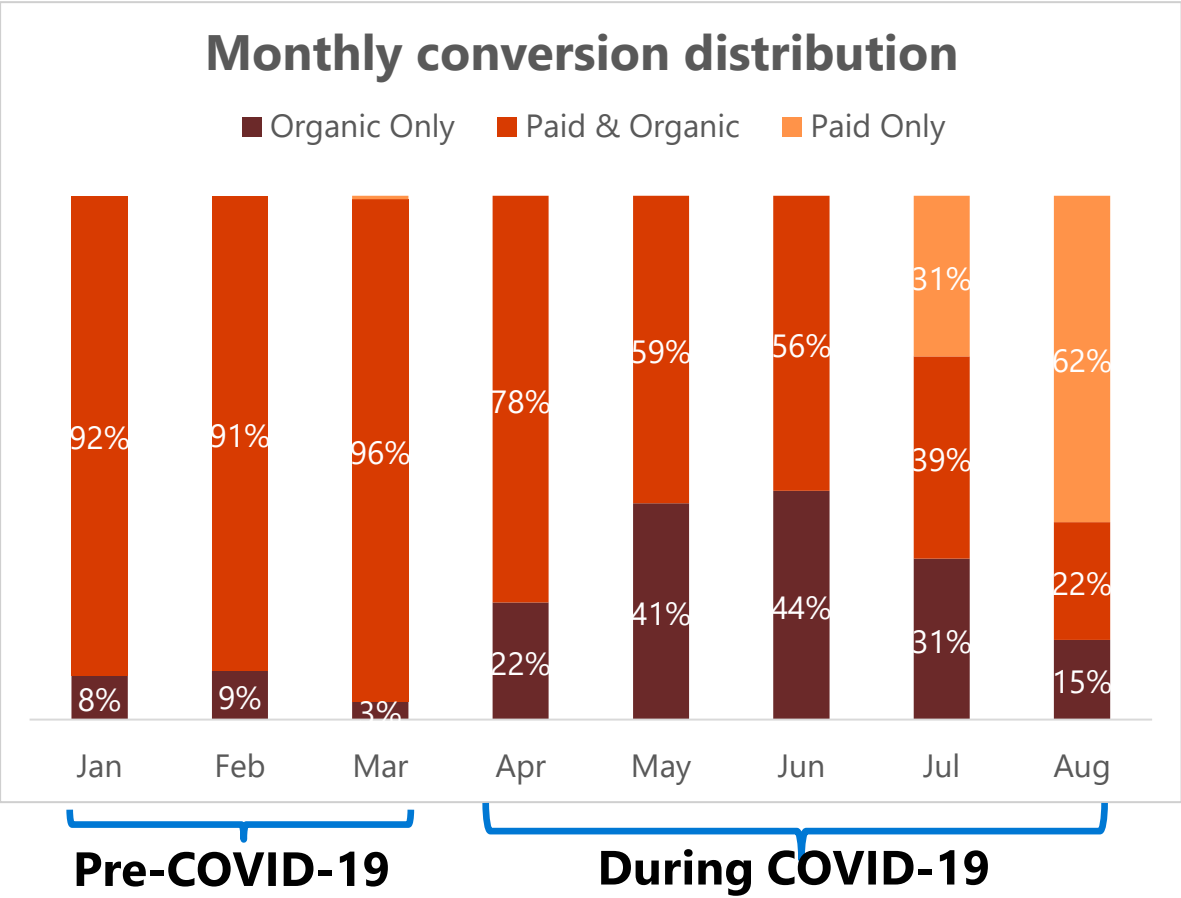
* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.

Source: Microsoft internal data, Jan 2020-Aug 2020, UK, based on a sample of 3,000 users



OTAs: Paid Conversion paths skyrocketed during recent months

As the market has approached normality, paid conversion paths have re-gained strength during July-August. Indeed, almost 62% of the total conversion paths in August can be attributed to paid only.



Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
Based on Users URLs path that touched upon organic only, paid & organic or paid only
Conversion is counted when a consumer registered a payment.

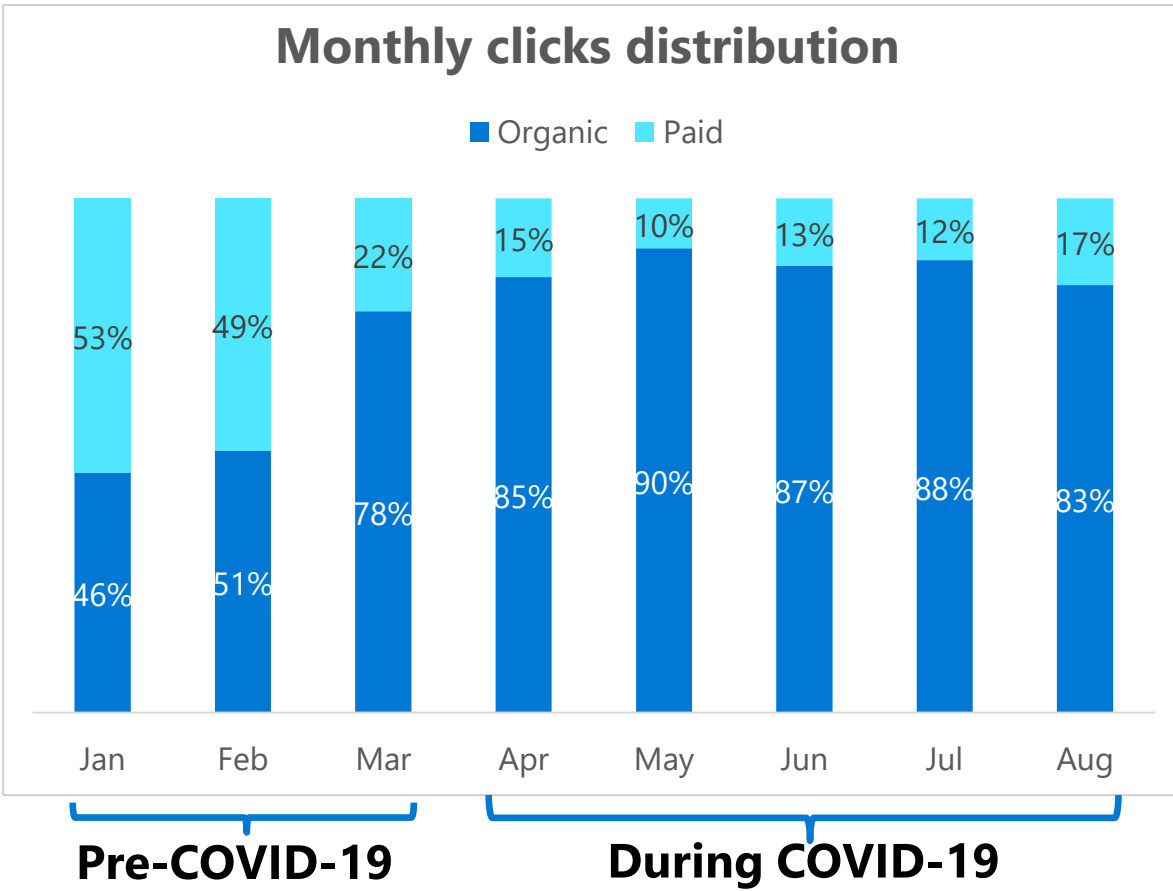


Airlines: Paid clicks remained flat during the recent months

Organic clicks still plays a crucial role, as it accounts for most of the Airline clicks. However, small signs of recovery and normalization seen so far, with cost and competitiveness slightly increasing.

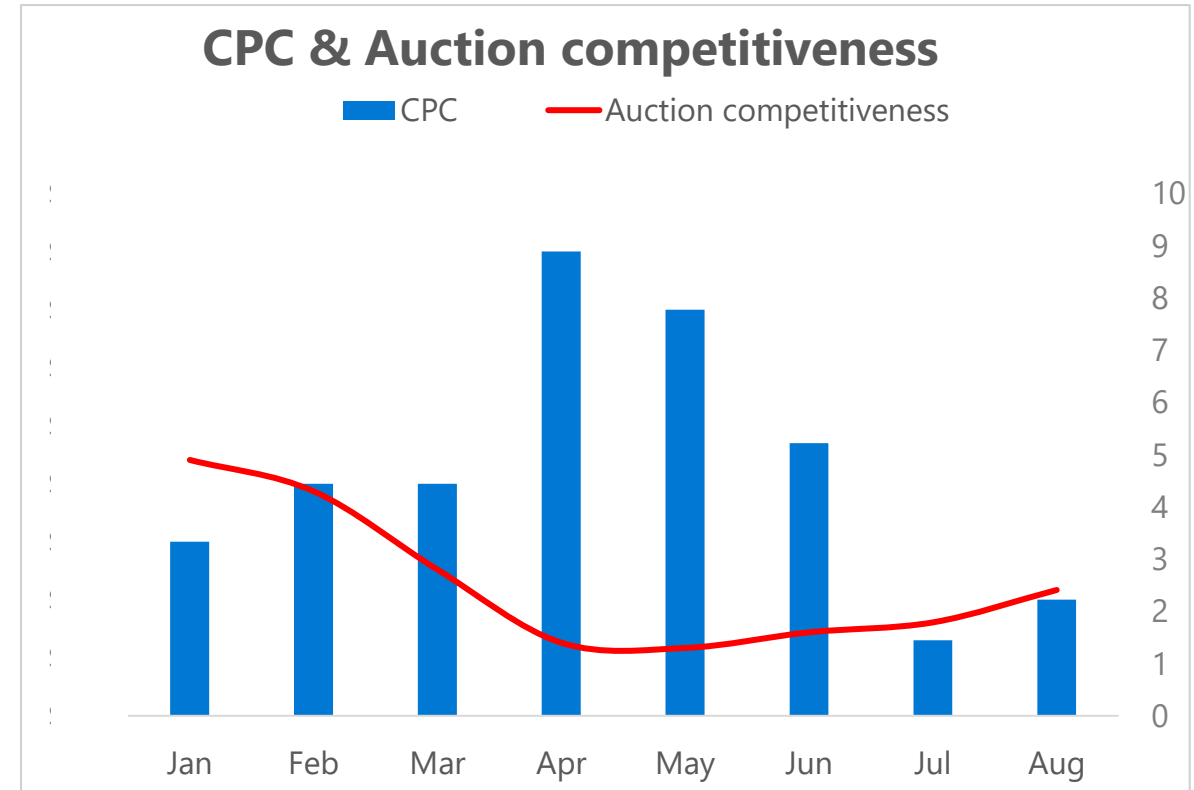
Monthly clicks distribution

■ Organic ■ Paid



CPC & Auction competitiveness

■ CPC — Auction competitiveness



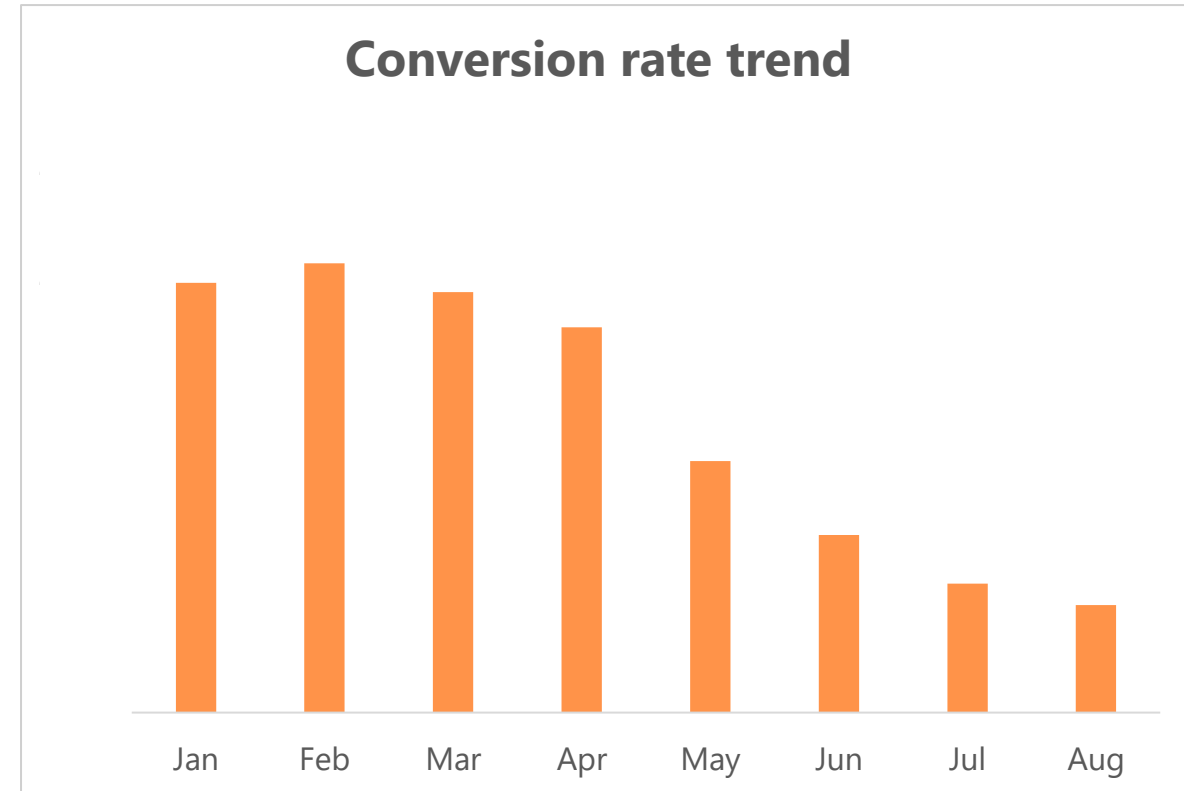
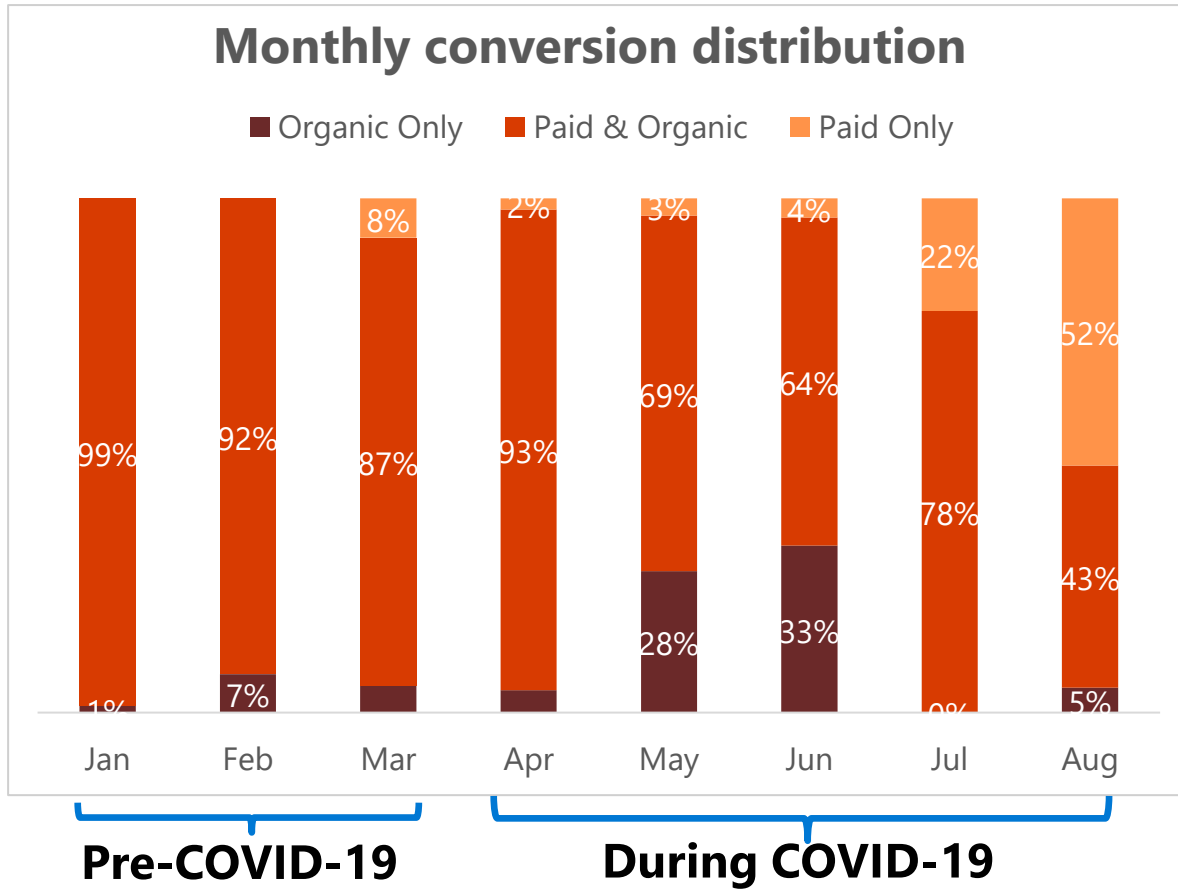
* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.



Source: Microsoft internal data, Jan 2020-Aug 2020, UK, based on a sample of 3,000 users

Airlines: Paid conversion paths have risen significantly during July-August.

Despite little sign of recovery (see previous slide), paid conversion paths skyrocketed during July-August. However, conversion rate is not showing no sign of recovery yet.



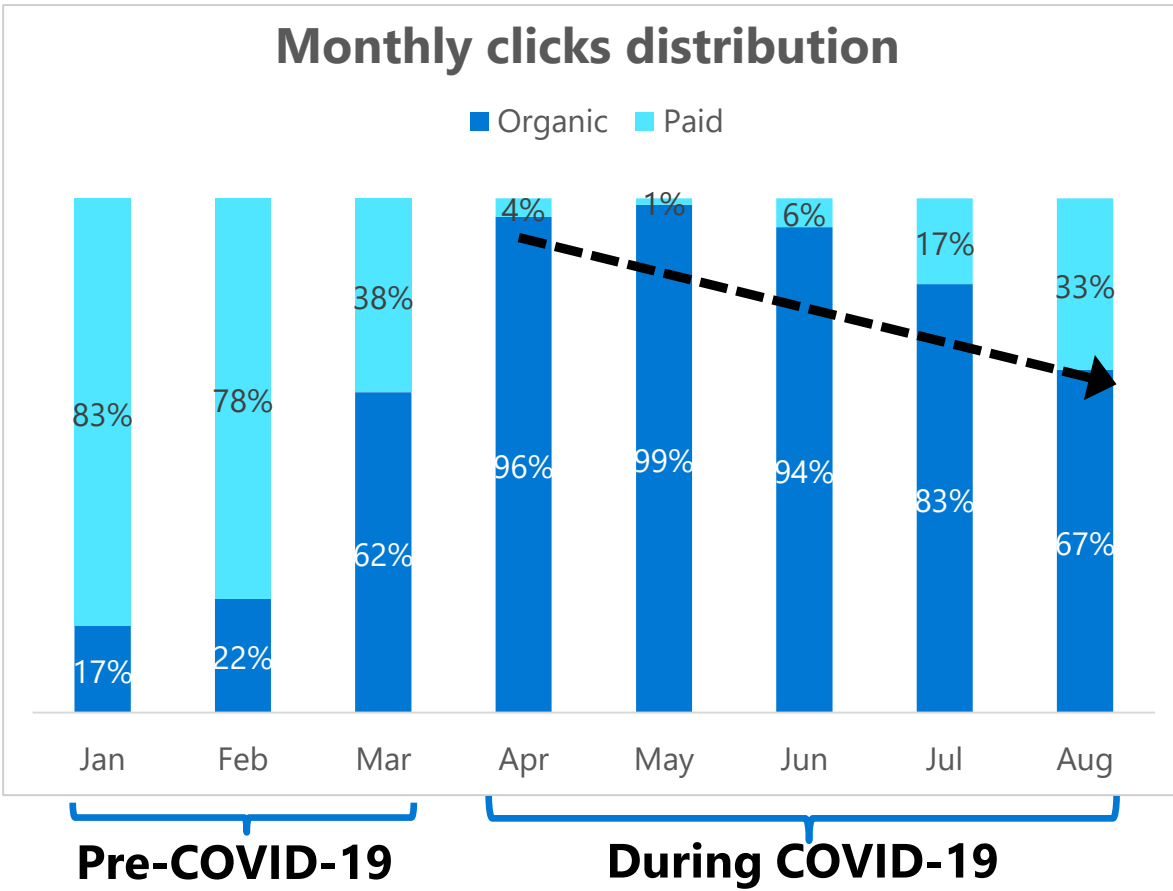
Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
Based on Users URLs path that touched upon organic only, paid & organic or paid only
Conversion is counted when a consumer registered a payment.

Flights: Paid clicks witnessing a significant decrease in the last months

The market recorded significant signs of normalization with paid clicks weight moving towards a full recovery. Cost and competition were still low compared to January, however, also moving towards normalization.

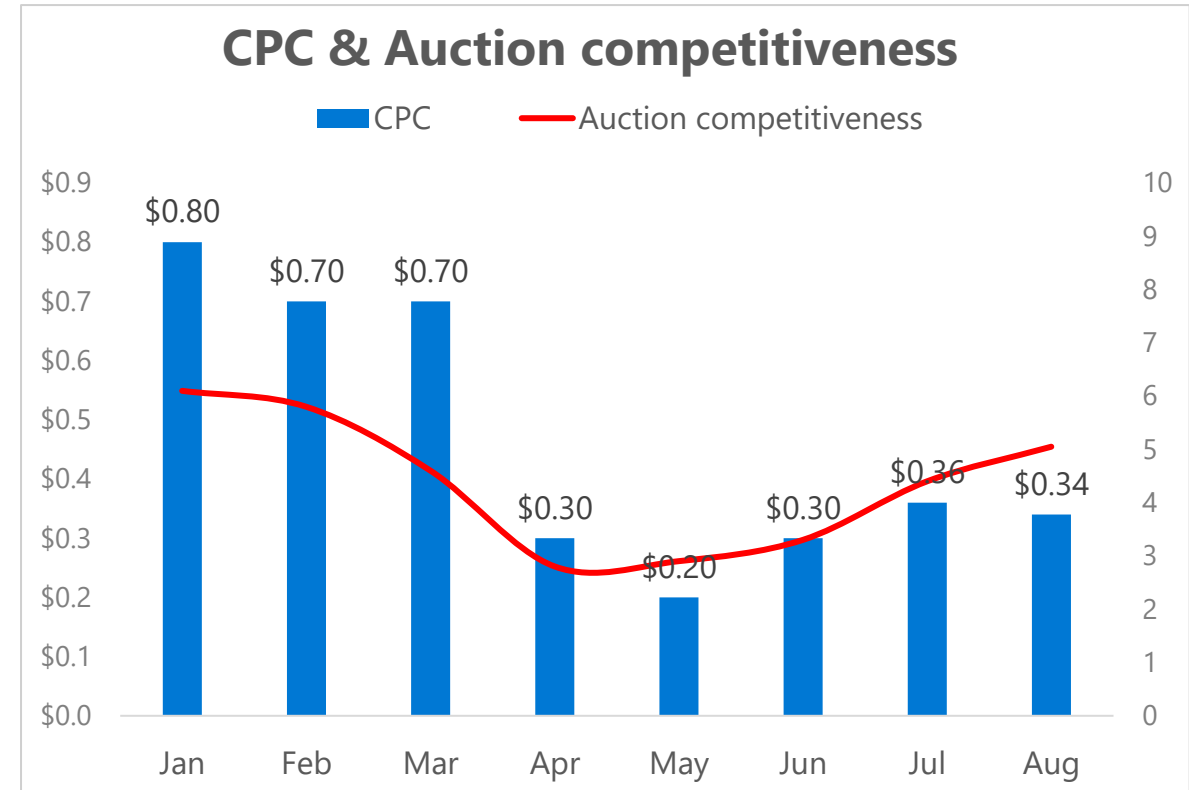
Monthly clicks distribution

■ Organic ■ Paid



CPC & Auction competitiveness

■ CPC — Auction competitiveness



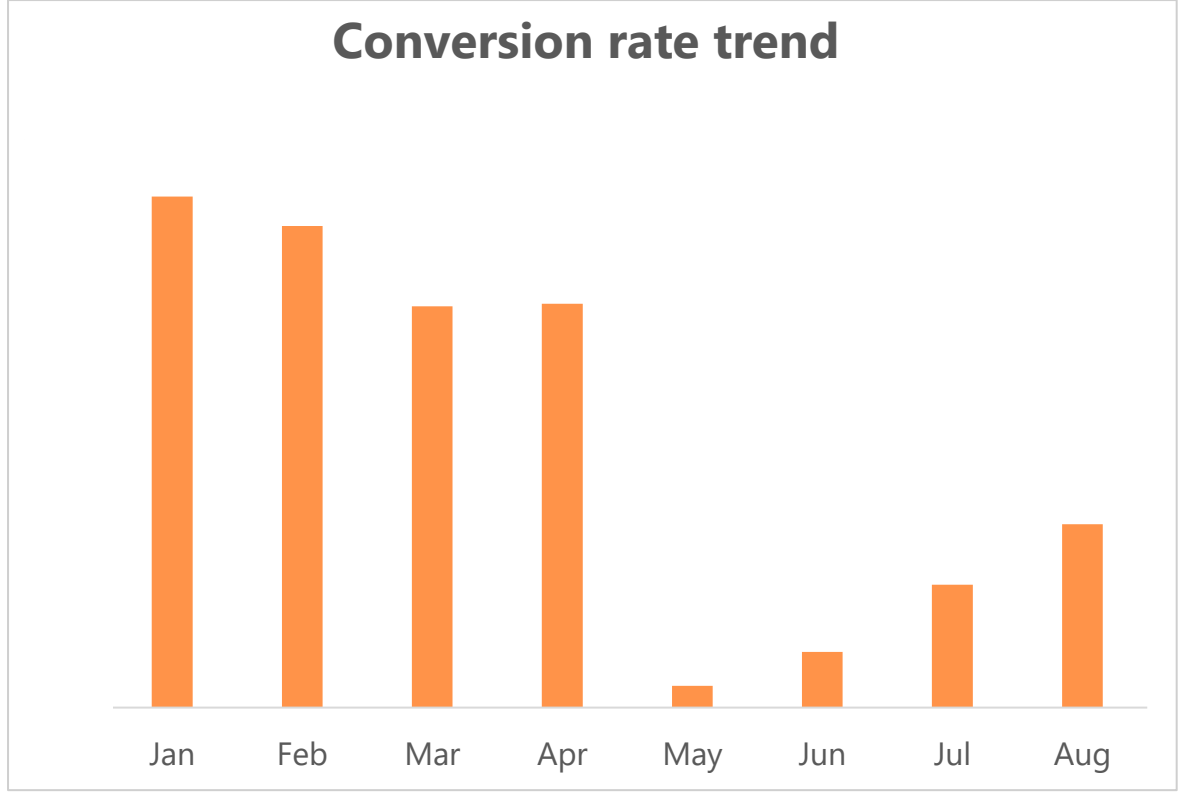
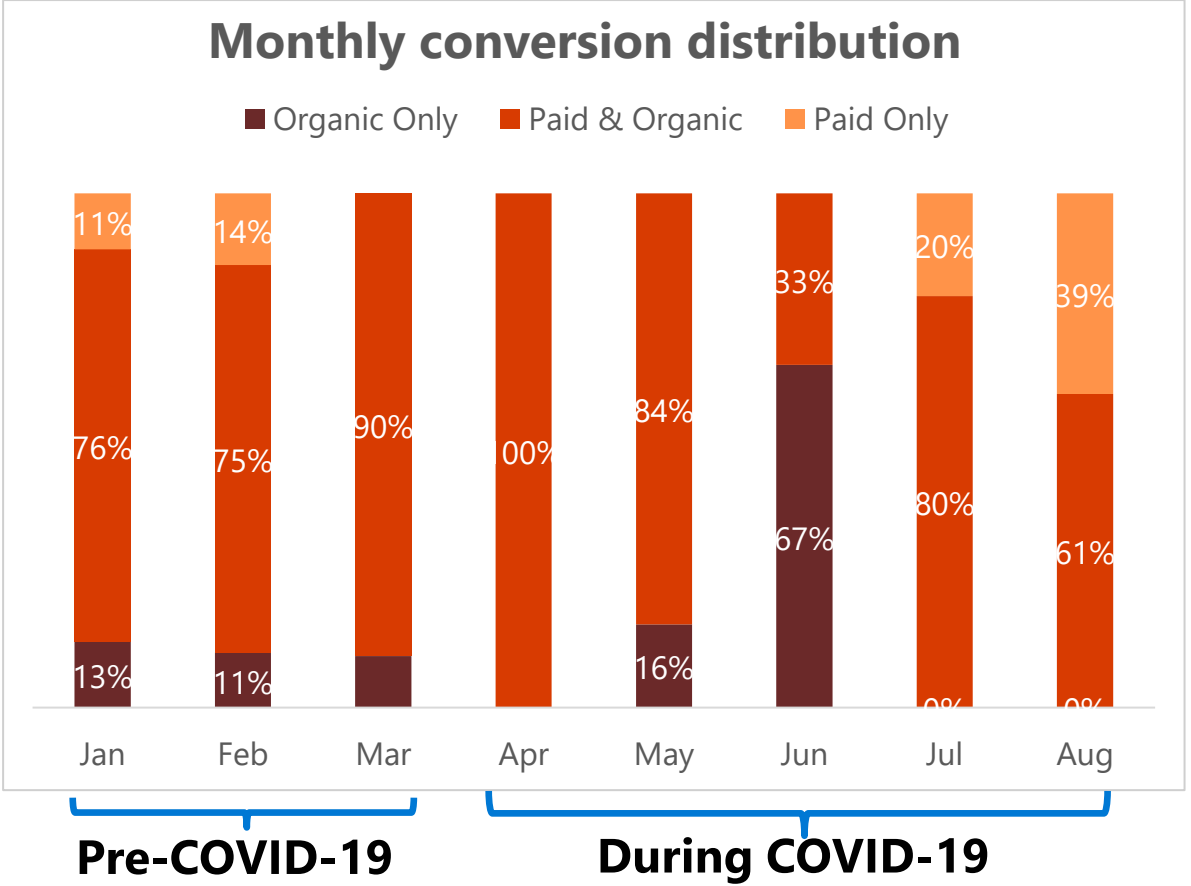
* **Auction Competitiveness:** is an indicative 1-10 measure of the level of competition on the auctions. The higher the value the more advertisers are active in the auctions.



Source: Microsoft internal data, Jan 2020- Aug 2020, UK, based on a sample of 3,000 users

Flights: Conversion paths heavy influenced by organic-only clicks

Organic influence dropped after June, boosting paid conversion paths, especially in August. Along similar lines, conversions rate is rapidly gaining traction as market conditions are bouncing back to normality.



Microsoft internal data, Jan 2020-Aug 2020, based on a sample of 3,000 users
 Based on Users URLs path that touched upon organic only, paid & organic or paid only
 Conversion is counted when a consumer registered a payment.



UNITED KINGDOM

Main takeaways



KEY FINDINGS

The advertising activity and market competitiveness in all categories is showing signs of recovery with different paces

- **OTAs:** Category is showing strong recovery signs. Paid clicks are on a normalization path, CPCs and competition are still low, however, improving. Conversion paths are normalizing with a heavy weight of paid clicks.
- **Airlines:** Normalization is slower but present as seen by gradual increment in paid clicks. Despite this, conversion paths are normalizing with a heavy weight of paid clicks.
- **Flights:** Category is showing significant recovery signs with paid clicks on a normalization path, low but increased CPCs, competition and conversion rates

RECOMMENDED ACTIONS

With the activity in the marketplace under a slow normalization trend, the opportunity lies in gaining ad space and visibility at very low price ahead of your competition

We advise our partners to:

- **Monitor the market** to identify and anticipate the recovery as soon as possible with help from our team
- **Re-activate campaigns** in all those categories in which your strategy is heavily focused on awareness and visibility taking advantage of the low prices
- **Drive conversions** by leveraging both your presence in the organic and paid space

Strategies and recommendations

Learn immediate and recovery-phase strategies, and how to approach new opportunities and optimize account health in the [Digital Advertiser's Guide to COVID-19](#)



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