

Koddi

THE TRAVEL MARKETER'S GUIDE TO
ASIA PACIFIC

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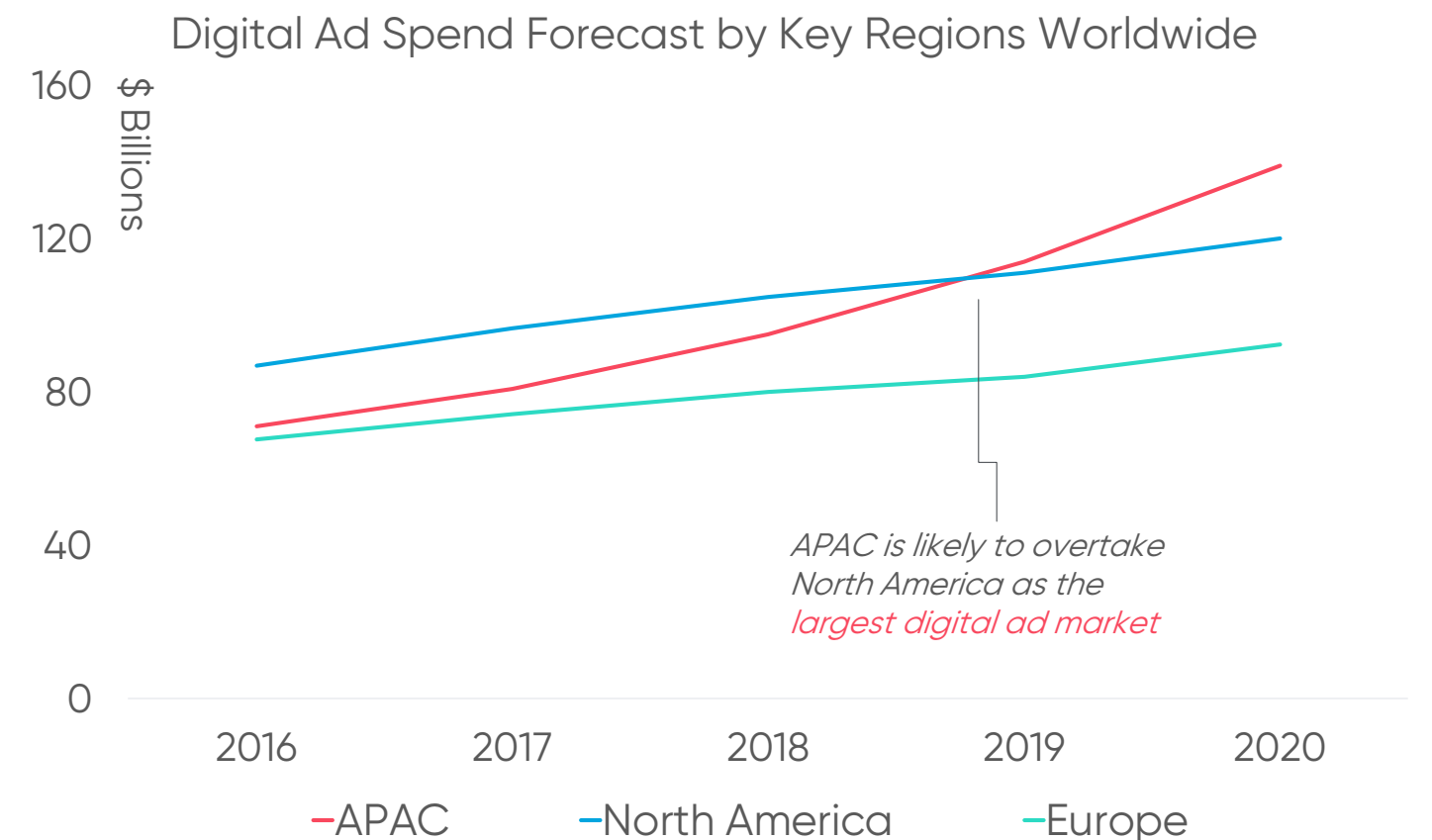
THE IMPORTANCE OF THE APAC MARKET IN TRAVEL

Asia-Pacific (APAC) is the most populous region in the world, and with its rapidly developing sub-markets, it's also becoming the world's biggest opportunity for travel. The standard of living in the developing countries of APAC continues to increase, and with almost two-thirds of the world's population, this market is primed for huge growth in years to come. Leading the charge are China, Japan, and South Korea, and the growth exhibited in these key markets will be mirrored by the rest of the region in step with increases in leisure time and wealth across the developing population.

Ad Spend Growth

No matter where you look, all sources point to growing ad spend levels for travel in the APAC region. Here are some key stats that highlight this growth:

- From 2016 to 2017, online travel sales in APAC increased by more than 22%, reaching \$214 billion.
- The Global Ad Spend Forecasts report states that Asia-Pacific will generate 4.5 percent growth in 2019.
- By 2020, the APAC region will account for 40% in total online travel sales globally, far surpassing North America (27.6%) and Western Europe (20.2%).
- The World Travel & Tourism Council expects India to become the fourth-largest travel and tourism economy right after China, the United States, and Germany by 2028; it is currently ranked seventh in the world.



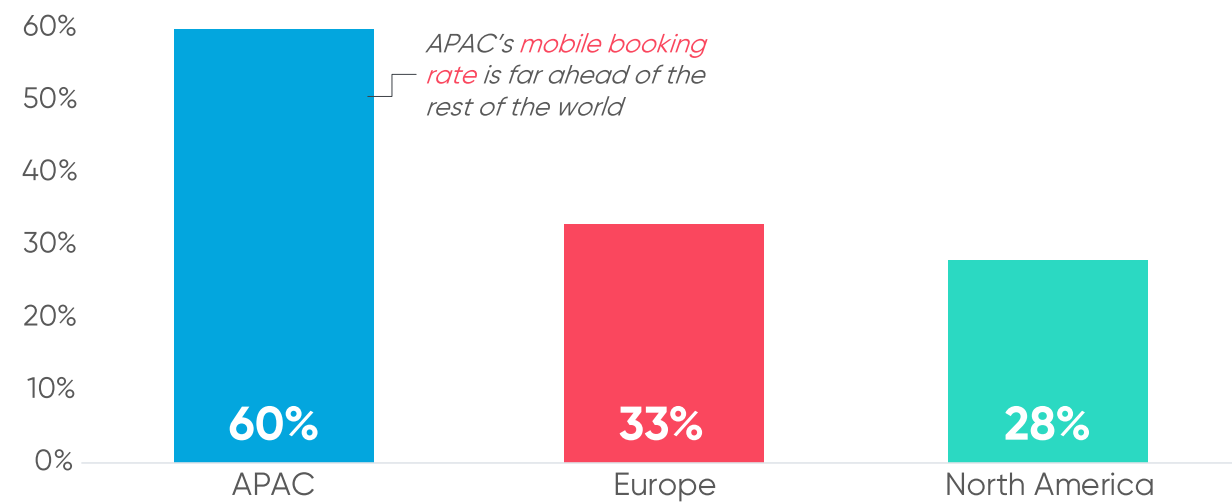
Source: eMarketer, 2018 / Strategy Analytics, 2016

A Technology-first Market

Global and western players have an increasing appetite to tap into the APAC travel market, due to its sheer size and growth rate for year-over-year advertising spend. From a digital perspective, APAC is pretty mature in its own unique way. Travelers in the region are extremely tech-savvy with the highest adoption rate of mobile applications compared to the US and EMEA. APAC travelers prefer apps over mobile sites and desktop experiences. Therefore, APAC can be the right place to be for scalable tech-based players with a firm grasp on mobile integration and a focus on technology initiatives.

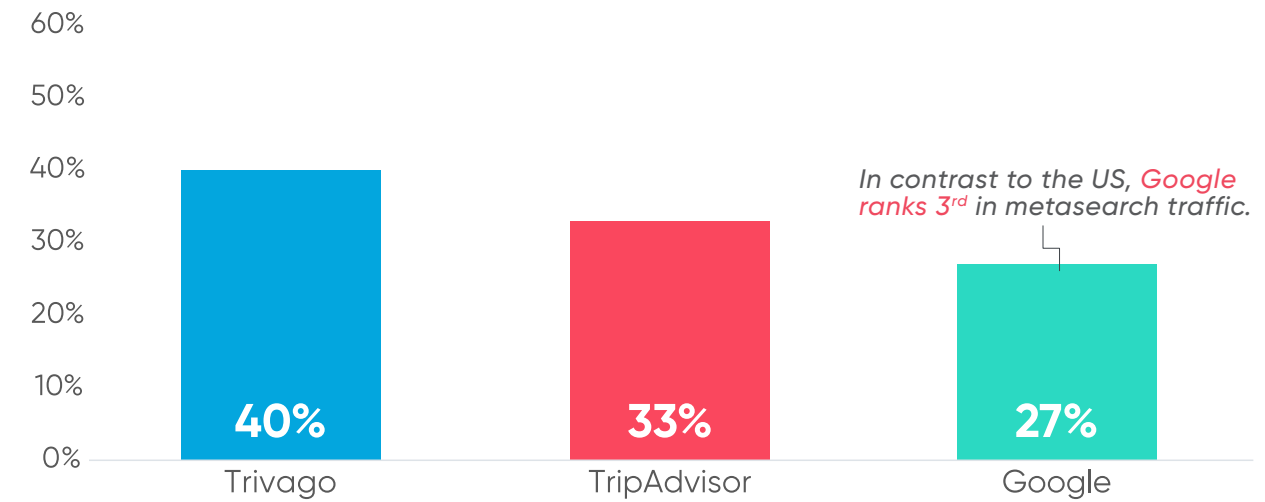
Before diving into digital strategy planning for the APAC market, global and western marketers need to approach the region through a new lens, due to its diversity as a region. Even though APAC is generally considered one single region, there are, in fact, various sub-regions that require localization tailoring to their own cultural and political states. In short, a “one-size-fits-all” digital strategy does not apply here. For example, the metasearch giant, Google, cannot be accessed domestically in China, but it is widely accessible in Taiwan and Hong Kong, which share many cultural and consumer behavior similarities with China. This strongly limits Google Hotel Ads’ site traffic in APAC, giving its main global competitors, Trivago and TripAdvisor, a bigger piece of the pie. Another challenge for marketers is strong competition from local APAC players, many of which are tech giants that have high market penetration and a deep understanding of their local consumers’ needs and behaviors.

Mobile Booking Trend by Region



Source: ORC International, 2017

APAC Traffic by Key Metasearch Sites



Source: Koddi, 2019

DIGITAL TRAVEL TRENDS IN APAC

APAC consumers are tech-forward and mobile-first. The developing markets within APAC are growing at a time when technology is the driving force across the travel industry. Not only are consumers more comfortable with mobile experiences than traditional travel markets in North America and Europe, but they expect flexible and quick travel booking experiences that OTAs are known for. Since technology and the travel industry are growing up together previously established technology companies play a big role in the entire travel journey planning process.

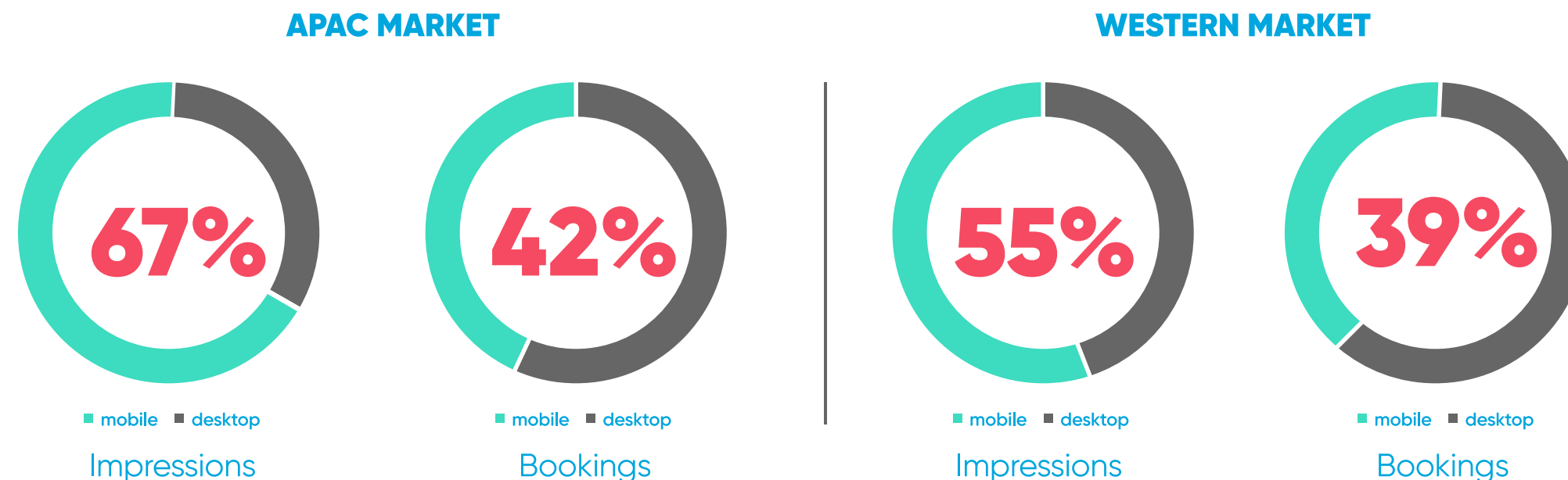
Reliance on Mobile Devices

The mobile-only world is quickly approaching in the travel industry. In terms of mobile booking rates for hotels, Asia is far ahead of the rest of the world, and China is leading the pack with 60% of its online bookings made on a smartphone. North America and Europe stand at just 28% and 33%, respectively.

- **Smartphone penetration:** By 2020, eight out of ten households in developed markets and two out of three households in developing markets will be equipped with a smartphone.
- **Mobile travel sales:** Mobile travel sales already accounted

for half of the total travel sales in 2017. Developed nations like Singapore and South Korea account for an even bigger percentage of online travel sales.

- **App usage:** In developing markets like India, travel apps are used throughout the travel planning journey, with 57% of consumers using them during the inspiration stage, 48% using them during the research stage, and approximately 70% using them to book trips.



One-Stop Journey Planning

From the moment of inspiration to the booking decision, APAC travelers plan for travel differently than their Western counterparts due to changing consumer behavior. The biggest difference: consumers prefer to stay in one platform to book travel. As messaging apps like WeChat, Line, and KakaoTalk offer travel services including user-generated travel content, social sharing, price comparison, booking, and reviews, there is no need for travelers to jump from one platform to another to complete their booking cycle.



Inspiration



Research



Planning



Booking



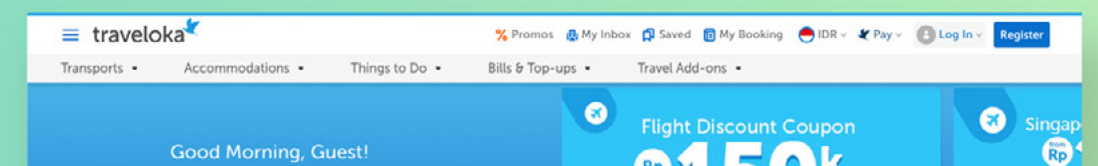
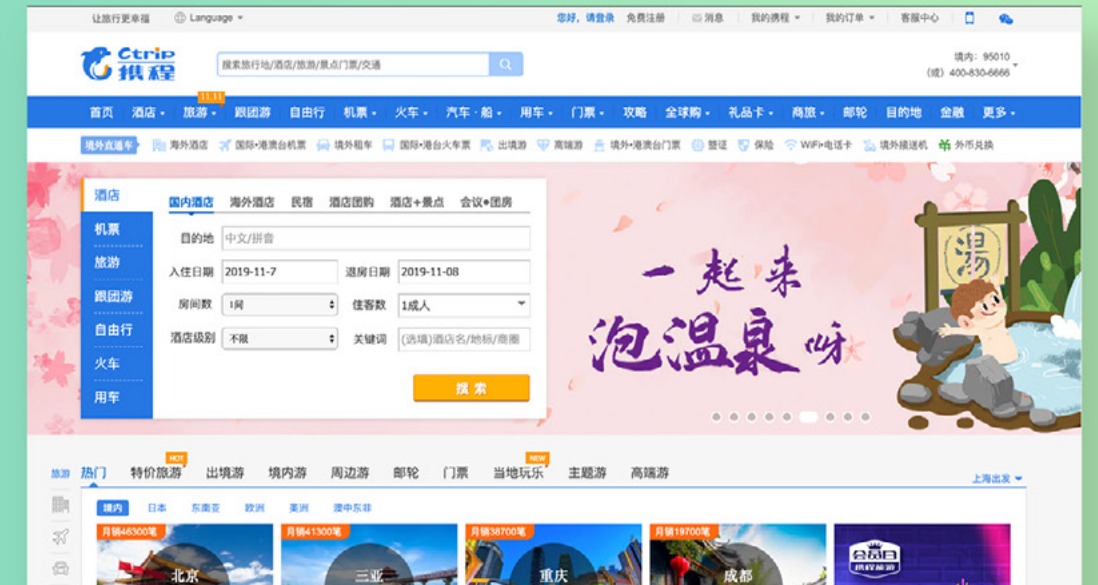
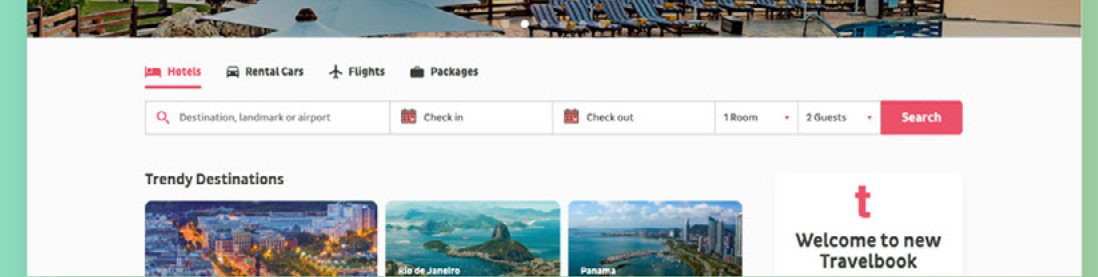
From the moment of inspiration to booking, APAC travelers tend to stay in one platform that provides an **"all-in-one" service**



OTA Dominance

Even though some global hoteliers have found their niche in APAC markets by establishing international branches in major cities, they face tough competition from local OTAs and regional metasearch platforms that have already staked their dominance in the area. OTAs tend to invest more heavily and quickly in technology and mobile apps than suppliers, appealing to the mobile-dependent APAC travelers. For these reasons, we expect OTAs to outpace direct online bookings in the next 1-3 years.

COUNTRY	LEADING TRAVEL PLATFORMS
China	Ctrip, Qunar, Fliggy, Mafengwo, Elong
Japan	Rakuten Japan, Jalan, iJTB, Yahoo! Japan
South Korea	Naver, Hana Tour, Interpark Tour
India	MakeMyTrip, OYO
Philippines	TravelBook
Vietnam	MyTour
Indonesia	Traveloka





Shared Holiday Travel Trends

Due to homogeneous cultural backgrounds in some countries, we can spot general holiday travel trends within the APAC region, such as a peak in travel demand during the Spring Festival, or Chinese New Year. For hoteliers, considering cultural traditions can lead to an increase in booking results. Some holiday trend examples we've seen in our data include:

- Bookings increased by 270% two days after the Spring Festival
- Opportunities spiked by 50% two days after the Spring Festival
- Most APAC travelers stay within the APAC region for holiday travel

Here are the top 10 travel destinations in demand by APAC travelers in the month leading up to the lunar new year:

2018	2019
Japan	Japan
China	China
Malaysia	Thailand
Thailand	Malaysia
Singapore	USA
USA	Singapore
Indonesia	Vietnam
Philippines	Philippines
Vietnam	Indonesia
Korea	Korea

KEY PUBLISHER PLAYERS

One of the reasons that APAC is a mobile-first region is the surging popularity of messaging apps. These platforms, originally designed for messaging services, have transformed to encompass other lifestyle services, such as shopping, banking, ride sharing, and travel activities. With a seamless user experience and quality travel-related content, these messaging apps have played a pivotal role in shaping APAC consumers' travel planning journeys from the moment of inspiration to making a booking decision. This section features four of the key players in this market and their creative approaches to reaching APAC travelers.

WeChat

As one of the most significant messaging apps in the world, WeChat has now reached an 86.7% domestic industry market share with over 1 billion global active users. This momentum in market share granted WeChat a perfect pilot to develop its hotel booking platform. On "Mini Programs" (a form of sub-applications within the WeChat app) major OTAs in APAC, such as Ctrip, Fliggy, and Yilong, have successfully diverted their website and app users to generate more direct bookings via WeChat. Since users have already set customized parameters when they search for certain types of Mini Programs, these OTAs can better tailor their products to increase their conversion rates. For example, Ctrip's landing page UI within the WeChat Mini Program features abundant content to provide a one-stop-shop for a complete trip, similar to its user experience on Ctrip.com and its native mobile app.

Furthermore, WeChat's granularity in audience information allows advertisers to deliver customized feeds and content to reach specific audiences and meet their marketing objectives. With such valuable accessibility to users, many international hospitality brands have landed on WeChat and made great progress. For example, Airbnb advertised its vacation rentals in Bangkok, Seoul, and Taipei by inserting a link-attached Ad Card in WeChat's news feed and playing introduction videos at the bottom of recently released articles in Airbnb's own public account. The campaign reached more than 10 million users, and the ad click rate ranked as #1 in the industry, based on a recent official report from WeChat.

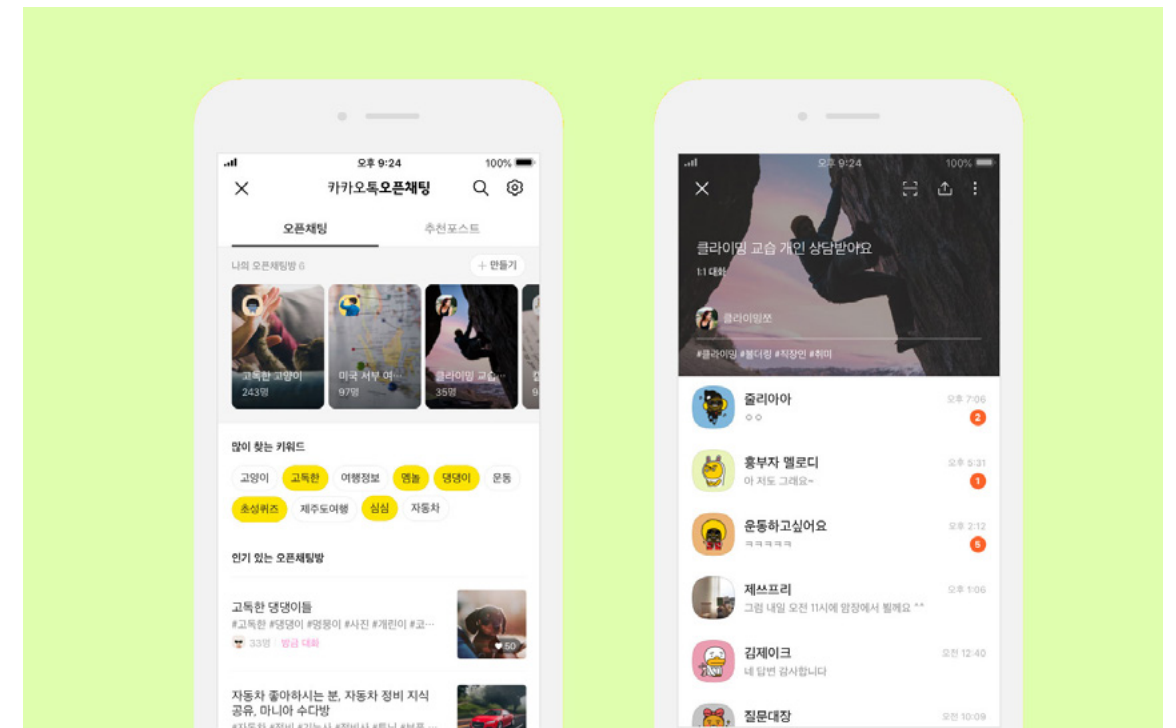
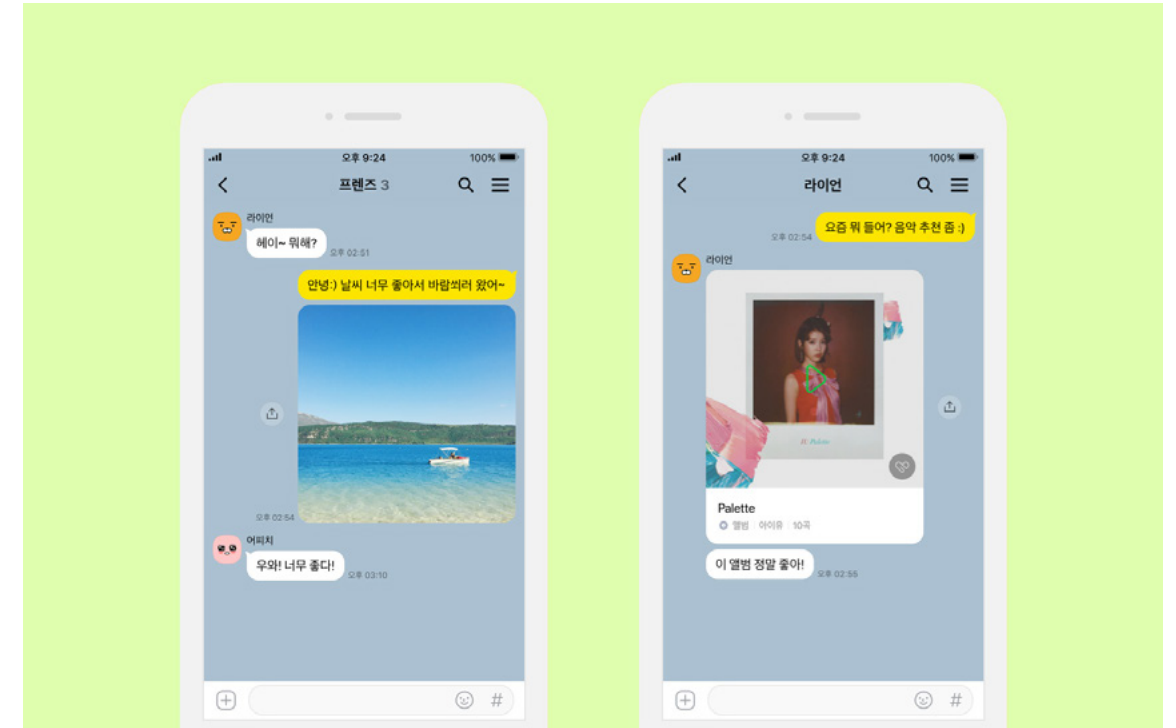


Kakao Talk

In South Korea, KakaoTalk continues to dominate the local market where 99.2% of total messaging app users use KakaoTalk. The popularity of this messaging app lies in its “all-in-one” app ecosystem. In addition to the app’s user-friendly design and emojis that appeal to Koreans’ taste, users can view their friends’ feeds, shop, make payments, and even request taxis -- all from a single app. As a result, Koreans spend almost 850 minutes in KakaoTalk in an average month, compared to 28 minutes spent on Facebook Messenger.

With such high activity among users, it is common for Korean businesses to have an active presence on KakaoTalk. The app has a feature called “Plus Friend” in which brands can set up a dedicated page on KakaoTalk to chat with consumers and communicate offers and deals. Once a user adds a business as a “friend,” they can start chatting, make restaurant reservations, order delivery, and even book hotels. The fast response time by businesses only adds more convenience to this seamless communication method that users enjoy daily. Rather than a one-way bombardment of ads, KakaoTalk offers a friendly, conversational approach, creating an efficient social ecosystem between users and businesses.

For example, Tourism Australia benefited from Kao Kao Talk’s social ecosystem and saw a 12.4% increase in Korean tourists to Australia by setting up a KakaoTalk web page in Korean and releasing content through private messaging. Once tourists arrive in Australia, they can access location-based deals among local restaurants and activities through KakaoTalk.

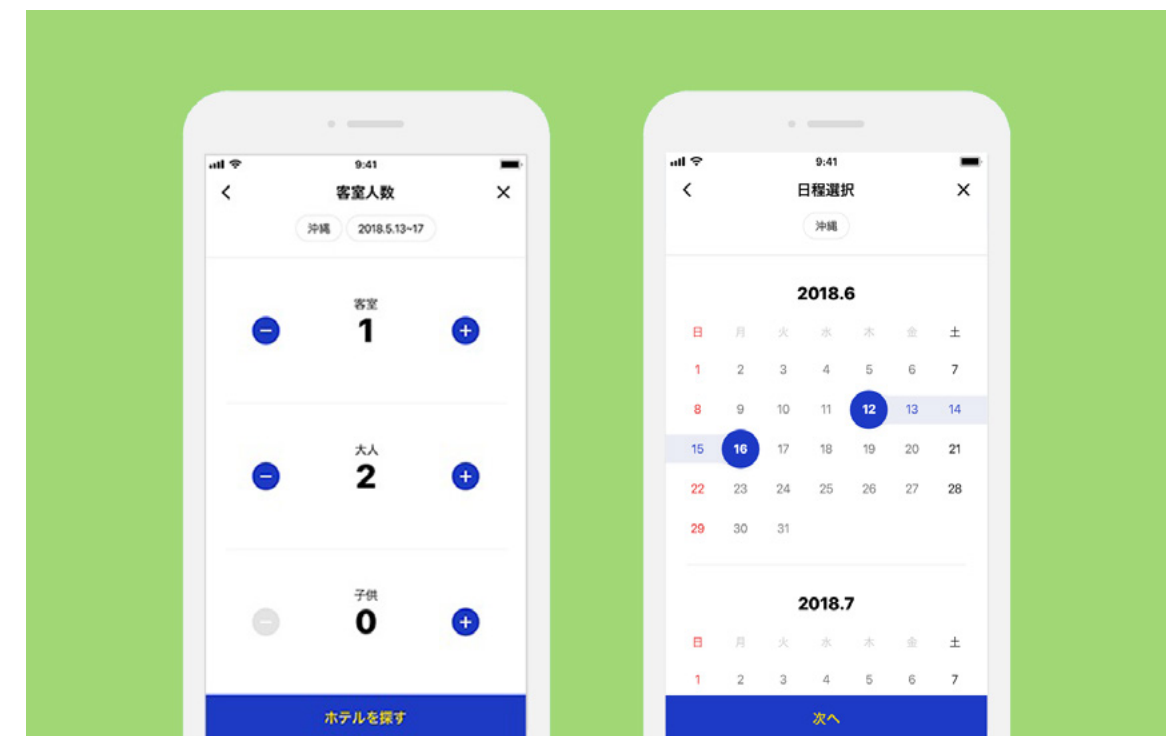


LINE

Another popular messaging app in APAC is LINE with nearly 200 million active users per month across Japan, Taiwan, and Thailand, with growing influence in Hong Kong and Singapore. While LINE remains devoted to its core service of messaging, it has recently expanded its services to lifestyle offerings, such as shopping, food delivery, payment, and travel services.

LINE Travel was launched in July 2018, making it the largest price comparison platform for travel in Japan. It allows users to research, compare prices, and book hotels and airfare at the best prices from over 250 companies, including JTB, the largest travel agency in Japan. Because the service is directly accessible within the app, it encourages users to be more spontaneous, as they can look up accommodations whenever the urge to travel strikes.

The service also heavily focuses on the upper funnel of users by sending them trending travel articles and trip recommendations via messaging. With metasearch and content features, LINE Travel minimizes the various touchpoints an average user has to go through. As the app retains users in one setting throughout their travel planning journeys, it certainly is a desirable marketing space for businesses hoping to reach out to potential consumers.



Baidu

In early 2019, Baidu, one of the biggest internet giants in the world and China's top search engine, released its hotel ads product called "Aladdin," bearing quite a lot of resemblance to Google Hotel Ads. Aladdin's channel options range from search (Baidu.com), to map (Baidu Map), to a one-stop lifestyle app (Baidu Nuomi), which millions of Baidu's active users use to browse for information tailored to their needs.

Unlike the majority of metasearch products, where advertiser listings are triggered by a hotel search, Aladdin has developed a distinctive user flow, where advertiser listings are not displayed until users click onto the exact hotels and room types they are looking for. Other than the user flow, another notable difference is that even though Aladdin uses CPC-based bidding, for now, Baidu only accepts bid changes once per month with no bid levers available for strategic targeting. Therefore, the current Aladdin auction is more of a CPA and CPC hybrid bidding type, instead of the traditional CPC bidding familiar to most advertisers.

At the moment, we believe Aladdin is still in the incubator phase but has huge potential to dominate the APAC metasearch market due to its gigantic user base. Aladdin already has an abundance of OTA participation in the APAC region, such as Qunar and Ctrip. It has also started to integrate with global hotel groups to attract other suppliers to participate in the auction. We've noticed a number of key international hotel groups land on the Baidu search page, making us believe that these players will appear in the Aladdin auction if more brands are willing to embrace the Chinese market to increase global exposure. As the auction, platform, and bidding model become more mature, Baidu may become a dominant metasearch publisher in the APAC travel space.

	ALADDIN	GOOGLE HOTEL ADS
AVAILABLE PLATFORM	Baidu Search Baidu Map Baidu Nuomi	Google Search Google Map
AUCTION TYPE	CPC	CPC and CPA
USER FLOW	Ad → hotel list → room and advertiser list → reservation	Ad → advertiser list → room list → reservation



TRAVEL BOOKING TRENDS BY REGION

EAST ASIA



China

- Q1 sees the least amount of search volume due to Chinese New Year celebrations
- Search volume spikes during Q3 due to Chinese National Day and Mid-Autumn Festival

Hong Kong

- Hotels in China have the highest conversion rates among those in Hong Kong
- Hotels in Hong Kong saw the most click traffic in Q3
- Hong Kong citizens have free entry and exit into the UK, making it a popular destination

Japan

- Japan is the most popular APAC country among both APAC and Western travelers
- Search volume stays consistent throughout the year but has a peak increase in Q3
- Japan, USA, and Thailand are the most searched destinations by Japanese users

South Korea

- There's a decrease in click traffic during major holidays like Lunar New Years (Seolnal) and Korean Thanksgiving (Chuseok)
- Japan continues to be a popular destination
- There was an increase in search volume to Pyeongchang for the 2018 Winter Olympics

Taiwan

- Taiwanese travel is determined not by price but by limited vacation time, so trips are often planned during national holidays
- Travelers typically go to Japan, Korea, or Hong Kong

TRAVEL BOOKING TRENDS BY REGION

SOUTHEAST ASIA



Cambodia

- Thailand, France, and Cambodia generated the most bookings from Cambodian users
- Cambodia, Thailand, and Singapore had the most click volume in 2018

Bhutan

- Bhutan is one of the most closed-off countries in Asia, generating very little click volume and bookings
- It is almost impossible to travel to Bhutan on your own without an official government-approved travel agency.

India

- The most popular time to visit India is October to March because it is their dry season and the majority of public holidays fall within this time frame
- Travelers from India are more likely to book domestically or to travel to surrounding countries such as Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka

Thailand

- Bangkok was the most visited city in the world in 2018
- The most popular countries based on bookings are Thailand, USA, and France

Vietnam

- Most Vietnamese travelers stay within Southeast Asia, with Vietnam, Thailand, and Singapore generating the most search volume in 2018
- Around 80% of the year's traffic occurs during Q3/Q4
- Taiwan, South Korea, and Japan saw a dramatic increase in traffic, most likely due to lowering visa requirements and an increase in pop culture references

TRAVEL BOOKING TRENDS BY REGION

SOUTHEAST ASIA

Brunei

- The top three most searched destinations by Bruneians in 2018 were Malaysia, Singapore, and Thailand, making up over 70% of total search volume
- There is very little traffic for those searching to travel to Brunei

Indonesia

- Search volume is high during local festivities and holidays from November to January, followed by a decline in February
- Domestic destinations such as Bali, Lombok, and Yogyakarta, are the most popular
- There's a high amount of searches for Mecca in January as Muslim travelers plan for Haji far in advance

Malaysia

- Q4 sees a substantial increase in search volume due to school holidays, which span from the end of November to the beginning of January
- A steep decline in searches for Malaysian cities and foreign Muslim cities occurs during the month of Ramadan
- During Lunar New Year, there's a decline in searches for cities in China and Taiwan

Philippines

- Filipinos travel often during spring or fall when the weather is more pleasant
- Top 3 booked destinations are the Philippines, US, and Hong Kong

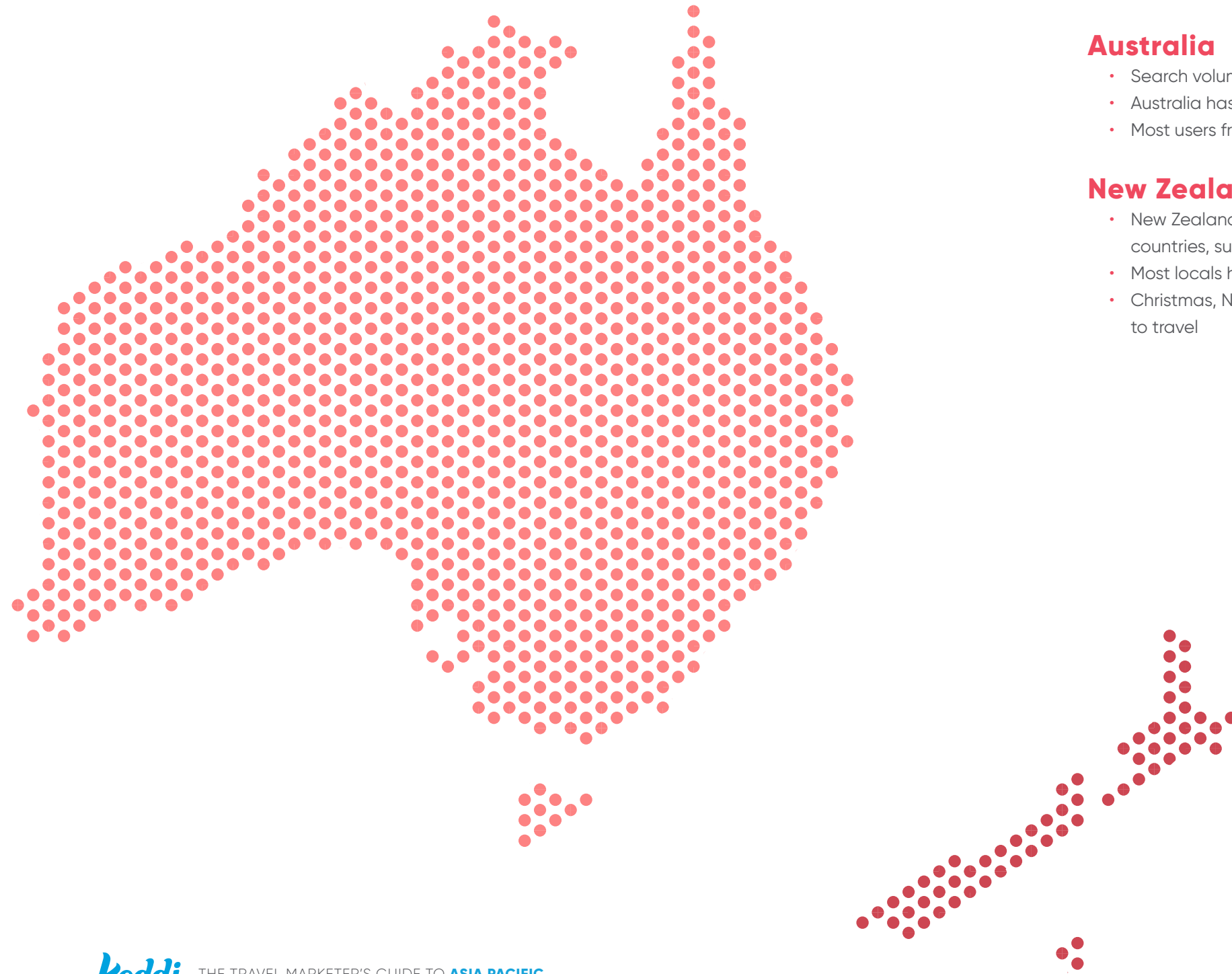
Singapore

- The least amount of click traffic is in Q1 because there is not a lot of travel during Lunar New Year
- Searches seem to focus on East Asia in spring, Europe in summer and Asia Pacific at year's end, especially Thailand



TRAVEL BOOKING TRENDS BY REGION

AUSTRALASIA



Australia

- Search volume stays consistent throughout the year with a slight increase in Q4
- Australia has the highest number of bookings among all APAC countries
- Most users from Australia book domestically

New Zealand

- New Zealanders tend to book either domestically or to other English speaking countries, such as the US, Australia, UK, and Singapore
- Most locals holiday in New Zealand, generally somewhere within driving distance
- Christmas, New Year, school holidays, and long weekends are very popular times to travel

SUMMARY & KEY TAKEAWAYS

Over the past year, we've received an increasing number of questions from travel brands about how to approach marketing in APAC. As we've mentioned, there is no one-size-fits-all strategy for the entire region. However, based on what we've observed from our data and understanding of APAC consumers, here are four recommendations as a starting point:

1

Strengthen existing partnerships

Being present where APAC travelers are is key. By being more intentional about the advertising dollars spent on metasearch engines that have a strong presence in APAC, such as Trivago and Skyscanner, global suppliers have a chance to compete with OTAs who are dominant in the region.

2

Participate in key APAC metasearch platforms

Although metasearch engines in APAC are not as prominent as they are in western nations, western suppliers should be on the lookout for emerging APAC metasearch platforms such as Baidu in China and LINE Travel in Japan. While these channels are still new and developing, the early bids will get the biggest opportunities in direct bookings.

3

Leverage localization

APAC is a highly-diverse region with various subregions, each with their own languages, preferred payment systems, and user behaviors. Therefore, implementing a full audit on each sub-region's domestic landing pages, URLs, languages, and payment methods, can drastically improve both click-through and conversion rates.

4

Optimize for mobile

Digital ad spend on mobile is a dominant force, with messaging apps like WeChat, LINE, and Kakao Talk seeing success in their travel services. Travel marketers should take a mobile-first approach to their digital campaigns in APAC, especially in China where 60% of bookings are made on a smartphone.

Although the APAC region is comprised of many diverse markets and unique consumer behaviors, there are common cultural backgrounds that can be explored and understood. The area is poised for explosive growth in the demand for travel-related services, especially with rising income and increased accessibility to the internet for travel research. To tap into the fast-growing travel markets in the APAC region, hoteliers in the Western Hemisphere should choose to partner with global metasearch engines with strong APAC presence, leverage localized contents, and increase mobile visibility with a mobile-first strategy.

SOURCES

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ABOUT KODDI

Koddi is a provider of comprehensive marketing management software and services for the travel and hospitality industries. The company's award-winning SaaS platform provides a robust network for travel brands and online travel agencies to connect with consumers and drive more bookings and revenue seamlessly across channels and campaigns. Brands can consolidate and manage the entire purchase funnel and gain insights at each point to adjust and optimize campaigns across all channels. As a result, marketers fuel their growth, harness real-time intelligence to drive informed decision-making, and dramatically improve operational expenses.

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