

# “The Billboard Effect: Still Alive and Well”

## Overview & Key Takeaways

### BACKGROUND

Evolving consumer engagement trends and interaction with online resources during the travel path to purchase continues to impact how consumers shop for and book their trip – and how hotels can best market to their target audiences. A 2016 study from Expedia Media Solutions and comScore<sup>1</sup> found that Americans made 140 visits to travel sites during the 45-day period prior to online travel booking. The study also showed that airline site, hotel site and online travel agency (OTA) usage is consistent throughout the purchase path, but OTAs have the highest engagement across travel site categories, accounting for more than 30 percent of total site visits.

Despite the consistent usage of OTAs and other online travel resources throughout the purchase path, changes in the online travel market are causing hotels to rethink their relationships with online travel agencies and to take a closer look at the impact on bookings from listing their properties with OTAs. One outcome of being listed on an OTA is additional bookings on the brand’s own website, a phenomenon known as the billboard effect.

A 2009 study found that one outcome of being listed on an OTA is additional bookings on the brand’s own website. In an experiment, a group of hotels was listed and then removed from Expedia.com in alternate weeks. This test found that, compared to being hidden, being listed on Expedia increased reservations from 9 percent to 26 percent (above transactions that occurred at Expedia)<sup>2</sup>. A 2011 study examining consumers’ online pre-purchase research also found that approximately 75 percent of consumers who made reservations with a major hotel brand had visited an OTA website in advance of booking directly with the brand<sup>3</sup>.

A new 2017 report, [“The Billboard Effect: Still Alive and Well,”](#) shows that the ability of a second-party channel to influence an eventual reservation may have dropped slightly, but the billboard effect still occurs, since many consumers visit an OTA prior to booking direct. And, contrary to research suggesting that the billboard effect is dead, this study’s results show that reports of its demise have been exaggerated.

## “THE BILLBOARD EFFECT: STILL ALIVE AND WELL”

### **Methodology**

Randomly selected sample of more than 50,000 consumers from a panel of over 2 million online consumers maintained by comScore, which tracks all of the sample members’ 2015 online behavior.

- Analysis focused on 13,000 travel-related reservations (including air, rental car, and hotel).
  - A total of 5,093 hotel reservations were made by the sample:
    - 54.5 percent (2,776) of these reservations were made at OTAs
    - 45.5 percent (2,317) were made directly at hotel websites
- Using domain level information for each website visited prior to the hotel reservation, we focus on travel related behavior for 60 days prior to purchase.

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<sup>1</sup> comScore and Expedia Media Solutions “The 2016 Traveler’s Path to Purchase” <https://info.advertising.expedia.com/2016-travelers-path-to-purchase>

<sup>2</sup> Anderson, CK. “The Billboard Effect: Online Travel Agent Impact on Non-OTA Reservation Volume,” *Cornell Center for Hospitality Research Report*, Vol. 9 No. 16. <http://scholarship.sha.cornell.edu/chrpubs/2/>

<sup>3</sup> Anderson, CK. “Search, OTAs, and Online Booking: An Expanded Analysis of the Billboard Effect,” *Cornell Center for Hospitality Research Report*, Vol. 11 No. 8. <http://scholarship.sha.cornell.edu/chrpubs/4>

## **Landscape**

It has become increasingly difficult for hoteliers to determine which sales and marketing efforts lead to demand, and how these efforts (e.g., sponsored search, banner ads, OTAs, and offers) interact, particularly without clear attribution.

Additionally, changes in the online travel market are causing hotels to rethink their relationships with online travel agencies (OTAs) and to take a closer look at the impact on bookings from listing their properties with OTAs.

A primary reason for this change is consolidation and innovation among the online travel firms. Expedia in recent years acquired both Travelocity and Orbitz, and took a major equity position in trivago, while Priceline acquired Kayak.

- From a competitive standpoint, merger activity has been “allowed,” given that Google and TripAdvisor have made moves to become meta OTA sites similar to Kayak and trivago, and their continued evolution has them positioned to become full-fledged OTAs that offer facilitated direct booking.
- There has also been an upsurge in hotel-OTA interactions, with several large hotel brands launching direct booking campaigns.

Booking a hotel online remains a complex activity for all but the most loyal of hotel shoppers:

- While almost 39 percent of direct bookers start their travel research at a hotel site, 31 percent of consumers who start their search at a hotel site end up booking at an OTA.
- On average, shoppers conduct a lot of research online in the 60 days before purchasing a hotel reservation, making 25 visits to travel related sites.

So, while the demand funnel is more complex, to state that the billboard effect is dead as a function of this complexity assumes many factors. It assumes that a hotel’s listing on OTAs only influences those consumers booking at the OTA, and that consumers booking direct with hotels are not influenced by listings at OTAs.

This study illustrates why the billboard effect is still alive and well today.

## **Key Takeaways**

Booking a hotel online remains a complex activity for all but the most loyal of hotel shoppers. This report shows that second-party channels continue to influence an eventual reservation, since many consumers visit an OTA prior to booking.

- Being listed on an OTA site increased reservations through the hotel brand’s site.
  - While almost 39 percent of direct bookers start their travel research at a hotel site, 31 percent of consumers who start their search at a hotel site end up booking at an OTA.
- Findings underscored consumers’ reliance on websites when researching and booking their rooms, although non-direct channels still have some influence in lodging purchase decisions.
  - On average, shoppers conduct a lot of research online in the 60 days before purchasing a hotel reservation, making 25 visits to travel related sites.
- While research suggests that the ability of a non-direct channel to influence an eventual reservation at a hotel may be low (between 5.5 and 35 percent), there is still a billboard effect on customers as they visit one of these non-direct sites prior to booking.
- In determining which web-based marketing efforts produce the best results, hotel operators should make sure their online presence is easy to find, is attractive, and stands up to the competition.

## Online Behavior (Pre- and Post-Purchase)

### Online activity 60 days prior to booking

- 65 percent of consumers who booked directly with a hotel online visited an OTA prior to purchase (compared to 75 percent in 2011)
- 66 percent of consumers performed a web search prior to purchase (compared to 83 percent in 2011)

### Site Visits

- **OTAs:** The average number of site visits per reservation is not radically different for those who booked on the OTA (8.4 visits), compared to those who booked with the hotel brand directly (7.2 visits).
- **Hotel Sites:** On average, hotel direct bookers make about twice as many visits to hotel websites (6.5) as OTA bookers (3.4).
  - OTA bookers who visit hotel websites tend to visit about the same number as those who book direct
  - The average is smaller because only about half of the OTA bookers visit hotel websites prior to booking at the OTA.
- **Web Searches:** the online research behavior is consistent between OTA bookers and hotel direct bookers (4.6 vs. 5.1 visits)
- **TripAdvisor:** hotel direct bookers visited TripAdvisor about 33 percent more often than OTA consumers
  - Direct bookers made 4.1 visits
  - OTA bookers made 2.9 visits

Web search activity happens consistently throughout 60-day research phase (it gradually picks up just before the booking)

- Visits to TripAdvisor and OTAs tend to be intensive just prior to the booking. For OTA visitation prior to OTA booking, the OTA visit during which the transaction occurred is excluded
- The intensity of TripAdvisor and OTA visitation prior to booking indicates that these travel sites may be greatly influencing the purchase decision.
- The observational data indicates that consumers remain actively engaged in researching their hotel stay.
- Review sites and OTAs are critical components of the purchase decision, although consumers rely less on search engines compared to our 2011 report, probably as a result of OTA consolidation and increased familiarity with the internet.

### Post Purchase Behavior

Many hotels engage in some form of revenue management using price to manage supply and demand imbalances. As a result, hotel prices may fluctuate, causing consumers to check prices and time their purchases to get the best price. Also, most hotel reservations have flexible cancellation policies allowing consumers to cancel without penalty if the cancellation is made at least 24 hours prior to check-in.

This combination of flexible cancellation policies and fluctuating prices may result in consumers second-guessing their purchase decisions. A potential outcome of this buyers' remorse is that consumers "shop around," or continue to check prices or compare hotels post-purchase. Our study found that consumers are more active post-purchase than they are pre-purchase:

- The percentage of hotel direct consumers visiting OTAs rose to 74 percent from 65 percent, along with hotel site visitation increasing to 54 percent from 48 percent for OTA bookers.

The increased level of OTA visitation by hotel direct bookers is consistent with consumers checking prices to determine whether they paid too much.

### **Implications for the Billboard Effect**

Recent opinions on The Billboard Effect contend that the effect is considerably less prevalent than previously indicated<sup>4</sup>, summarizing the probabilities of switching between OTA (aka an intermediary) and hotel websites:

- Low probability: moving from an OTA to a hotel website (9.3 percent for 2012 and 7.0 percent for 2014)
- High probability: moving from OTA to OTA (90.7 percent in 2012 and 93.0 percent in 2014)

This indicates that it is unlikely that awareness is created at an OTA with consumers who then switch sites and book with hotels directly (as suggested by the billboard effect). Not prominently featured in “Demystifying the Digital Marketplace: Spotlight on the Hospitality Industry,” is that these switching probabilities are for *consecutive* website visits and not for the consumer’s *entire research process*.

We can’t read too much into these transition probabilities as they are simply click-to-click behavior and don’t include the entire search process. In fact, as noted in that report, there is a stronger effect of consumers moving to OTAs from hotel direct sites versus the opposite, with a single click probability of 40 percent of consumers clicking over to OTAs from hotel direct sites.

To state that the billboard effect is dead as a function of a more complex demand funnel assumes that:

- a hotel’s listing on OTAs only influences those consumers booking at the OTA
- consumers booking direct with hotels are not influenced by listings at OTAs

However, our study indicated that over 30 percent of direct bookers started their research process at an OTA. And, OTAs now get an increasingly larger share of the transaction landscape, but OTAs are visited by almost two-thirds of all online hotel direct consumers, down about 10 percent from our 2011 Billboard study results. So, it’s fair to say that the magnitude of the billboard effect is decreasing, but it has not disappeared entirely.

### **What Now?**

“The Billboard Effect: Still Alive and Well” shows that consumers who visit OTAs, prior to booking direct with hotels, do so 7.2 times on average, not once. Our study illustrates that 65 percent of consumers booking directly with the hotel visited an OTA prior to booking direct, and about 18 percent of those consumers then visit an OTA on the day of the booking.

The probability that a consumer ends up booking directly at a hotel, given they were at an OTA earlier, depends upon how many of these website-to-website transitions are made, and as such, the chance of a consumer moving from Expedia.com to Hilton.com is the same whether they are starting their travel research or are almost finished and know where they want to stay.

So, while research suggests that the ability of a non-direct channel to influence an eventual reservation at a hotel may be moderate (between 5.5 and 35 percent), there is still a billboard effect on customers as they visit one of these non-direct sites prior to booking.

There are many other methods for creating product awareness, and this study does not indicate that the 35 percent of consumers visiting an OTA who book direct would not have booked at the specified hotel if that hotel had not been listed at the OTA. Hoteliers who ensure that their online presence is easy to find, attractive, and competitive will capture more of these customers.

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<sup>4</sup> Estis Green, C and MV Lomanno. 2016. “Demystifying the Digital Marketplace: Spotlight on the Hospitality Industry,” HSMIAI Foundation.