

The Daily: Are we back to traveling again, gamifying shopping, and brands that want to text us

Audio

On today's episode, we discuss whether the summer travel boom will last, how the economic climate is influencing how people think about vacations, and the changes in how people

choose where they go on vacation. "In Other News," we discuss whether folks want gamified shopping experiences and how brands should—and shouldn't—text you. Tune in to the discussion with our analyst Zach Goldner and director of forecasting Oscar Orozco.

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Episode Transcript:

Marcus Johnson:

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Oscar Orozco:

Keep in mind, we're still seeing employment numbers, pretty strong ones, so we haven't entered that phase of where people might have to have no choice but to not travel.

Marcus Johnson:

Hey gang, it's Tuesday, July 25th. Oscar, Zach, and listeners welcome to the Behind the Numbers: An eMarketer Podcast made possible by various marketing solutions. I'm Marcus. Today I'm joined by two folks. Let's meet them immediately. We start with one of our directors of forecasting based out of New York. It's Oscar Orozco.

Oscar Orozco:

Hello, Marcus.

Marcus Johnson:

Hey fella.

Oscar Orozco:

How are you?

Marcus Johnson:

Good, sir. How are you?

Oscar Orozco:

Doing well.

Marcus Johnson:

We're also joined by someone else on the forecasting team, one of our senior analysts on that team based out of Colorado.

Zach Goldner:

That's correct, Marcus, thanks for having me. Hello listeners.

Marcus Johnson:

Zach Goldner, ladies and gentlemen. I'm so glad you're based out of Colorado. Zach has lived everywhere somehow and he's only... He's crazy young, but I'm glad that you live in Colorado because my fact of the day is Colorado related themed, if you will. If you weren't not from Colorado, but you're based there. If you weren't based there, then it would be pretty random. In fact, the day I only have the one, so we're going to have this regardless of what you're base at, but I'm glad you're there. So why is Colorado called Colorado? Because Spanish explorers named the river that ran through the area Colorado, meaning colored red. So Colorado means colored red. Oscar, you're our Spanish speaker. Is that true?

Oscar Orozco:

Yeah, sort of, but yes, it means it has colors and so I actually knew this. You know me with my history though.

Marcus Johnson:

Yeah, color red for its muddy red hue, and so eventually the territory became named Colorado. That's the fact. Anyway, today's real topic. Are we back to traveling again? So in today's episode, first in the lead will cover whether folks are back to their old vacationing ways. Then for in other news we'll discuss whether gamifying shopping works and what to make of getting so many texts from brands, from companies. We start with the lead of course. So how long would this travel boom last? A recent economist article asked this. It notes that after a rocky few years, the urge to splurge on airline tickets and hotels is set to bring in bumper earnings. Gents, there's a travel boom going on. How long will it last?

Oscar Orozco:

Well, travel is back, but we said this also last year as well.

Marcus Johnson:

It's more back.

Oscar Orozco:

It's more back exactly. It was definitely busier last year than it was in 2021, but it was still below pre-pandemic levels. I feel like people might not have realized that since there was so much pent up demand. But when you look even at car travel in the US interstates last year for example, it was still lower than in 2019, but it's totally back. I was looking at a survey from Triplt. They found that 90% of Americans have traveled in the last three months and about three quarters plan to fly domestically this summer. It's domestically. It's internationally. I think we can fully say that for the most part, travel is up at the same level or above where we were in 2019.

Marcus Johnson:

I mean, you mentioned car travel. One reason, I mean, gas prices, right? Record high of five bucks a gallon last year and a gallon of regular recently averaged about 360 according to AAA. So that's come down significantly and over half the US state's gas is less than 3.50. So that's definitely helped road trips become more affordable this year.

Zach Goldner:

And going along with tandem with the gas prices are airline tickets as well. So airfares are going down. What we're seeing with that as well is I can imagine travel really booming as long as people are okay with going over the fiascos that have been happening in the travel industry. So as you may have remembered back in December of last year, there's a lot of chaos going on in Southwest Airlines, still is happening with United too, but people are seeing cheaper airfares as long as they remain lower than they were historically and the economy remains out of recession. I can still see the momentum carrying forward and travel containing to boom.

Marcus Johnson:

Yeah, the Southwest situation last year kind of mass cancellations left a bad taste in travelers' mouths and a lot of that could have spilled into this year. 25% of all US flights were canceled or delayed last summer. And so people remember that. And so it might be more resistant, hesitant to booking flights this year and that costs a lot. Southwest Airlines estimated that cancellations of nearly 17,000 flights in December led to them incurring \$800 million in losses. So that really adds up.

Oscar Orozco:

I think that putting a positive spin on it that it's not having much of an impact, I think sure it left a bad taste in some travelers' mouths, but there's just so much pent up demand. As we're seeing with the economy, you touched on that a little bit, people are definitely prioritizing essential goods pretty much and travel and experiences, things like that. And that's definitely what's driving just these high travel numbers that we're seeing. I mean it's not just airlines. We've seen it from hotel booking numbers out there that show that people are booking hotels at a high rate, our rentals, even the cruise industry for the first time in years, we're hearing some positive signs from that.

Marcus Johnson:

Very positive signs. I mean everyone pronounced cruises kind of dead and gone right after the pandemic. And Jacob Passy of the Wall Street Journal was noting that cruise lines are seeing occupancy levels above 100% on many ships, largely due to discounts and promotions that they offered last fall and winter, so that cruises are back.

Oscar Orozco:

Exactly. I think it has a little bit to do with, when we think of cruises, we do think of maybe older Americans. There was the whole fear about COVID was something that lingered for a while and that's definitely dissipated. So I think some of these travelers are more comfortable traveling. I've even heard from my own mom who never would've wanted to go on a cruise. She's been telling me she wants to go on one, which is surprising to me, but speaks to also people just wanting to get back out there and cruises is another way to do it.

Zach Goldner:

And speak of which there's a new cruise line, I want to say it's coming from the Royal Caribbean that's going to be five times greater than the Titanic.

Marcus Johnson:

Five times bigger.

Zach Goldner:

You're not going to catch me on that, five times bigger.

Marcus Johnson:

Not going to catch me.

Oscar Orozco:

That is humongous.

Marcus Johnson:

Yeah, that's too big. But I mean, Oscar, you mentioned pent up demands. It's easy to forget that last summer, last June, July was just six months removed, six months away from Omicron, COVID variant. And so summer last year people were just kind of still reeling from that whole debacle. And so this summer is the first real summer where... Or the summer's had a real kind of a good amount of runway and people had a good run-up to the summer as opposed to still feeling a lot of the shocks from that fiasco.

Oscar Orozco:

Absolutely. There was a Gallup poll from last, it was May 2022 said 40% of people had been avoiding travel by plane, bus, subway, train, all of it because of COVID fears. And the most recent survey they did in February of this year that had fallen to 18%. That's a very significant drop. So a lot of people who, as you said, six months removed from Omicron just were not ready to travel, now are.

Marcus Johnson:

Some of this tailwind is inflation related. The economist was noting airfares rising faster than inflation. And so global airline bosses, they say expecting nearly 10 billion in net income this year, that's more than double the amount that was initially forecasted according to International Air Transport Association. However, it's not just the dollars that look better. Number of passengers, I mean Oscar, you mentioned numbers not quite at pre-pandemic levels, even if they'd gotten better, one of those figures was worldwide tourist arrivals. Worldwide tourist arrivals this year expected to reach up to 95% of pre-pandemic levels. Last year they were at 63 according to the UN's world tourism organization. And if you look in the US, the Federal Transportation Security Administration, TSA projecting that more people were board flights this summer than in 2019. So travel really starting to get back to those pre-pandemic levels, close to at or some cases just above.

Zach Goldner:

It's interesting you mentioned the article Marcus. In that article as well it does talk about how the third largest travel group are Chinese travelers and roughly three quarters of those even today are still not willing to do international travel and go on their same luxurious travel locations that they would've pre-pandemic and said they're opting for staycations, which would not necessarily benefit that US economy or the other markets that we may be looking in our forecast.

Marcus Johnson:

Yeah, that's a great point.

Oscar Orozco:

The last point for me, Marcus, I would say keep in mind it was May of this year, international passengers traveling here no longer have to show proof of vaccination. So that's opening up the border for a lot of people who previously weren't able to enter the country.

Marcus Johnson:

Yeah, it's a great point. And then environmental roadblocks haven't helped as well. There's been fires in Canada, smoke coming down, hitting vast parts of the US not to mention what they're doing in their kind of origin country of Canada, and tornadoes in the whole right half of the country have caused all kinds of delays. The Bureau of Transportation statistics saying that just over 19% of flights were delayed last year. And that's up a bit from 2018. So even when people are booking things aren't going as smoothly as they once used to or as they're hoping that they will. How do you think economic climate is changing how people think about vacations?

Oscar Orozco:

I think I mentioned it a bit earlier, it's not having as much of an impact just because the desire, the demand, the necessity for certain people just has overcome maybe issues that people might be dealing with economically speaking, whether it's inflation. And also keep in mind, we're still seeing employment numbers, pretty strong ones. So we haven't entered that phase.

Marcus Johnson:

That's a great point.

Oscar Orozco:

Phase of where people might have no choice but to not travel. I will mention though, there's something we don't talk about often, but come September all the student loan repayments are going to start again.

Marcus Johnson:

Great point.

Oscar Orozco:

Of course it's very possible that the situation might become a bit more dire. I'm curious to see what holiday travel will look like. It'll really be the main sort of determinant on how the year plays out overall for travel. But I think for sure summer travel was going to be heightened and high. But again, that holiday travel is what I think we should look out for.

Zach Goldner:

And I'd like to call it a mix impact of the economic climate of its impact on travel. So first thing is gasoline being lower than it was last year and you did comment that. But what that means is both airfares have gone down. As well as people at home they've got lower electricity costs, lower gas prices for their own homes and that means more discretionary income that they're able to spend on travel. So with that, they may see more opportunity to go out. But I think the other factor of why you're seeing more travel this year too is that during the pandemic, when people are staying inside for a year or longer, the thing they want to do most is have experiences. They want to go see family, they want to go to Mexico or to a new resort that have never been to. I think you've got both of those factors that have been helping inflate the travel industry this last year.

Marcus Johnson:

Yeah, all great points. Oscar, going back to what you were saying about unemployment, the fact that folks have jobs and so they have money to spend. Unemployment in the US has been 4% or below for the last 18 months. It's not all bad when you look at the economic backdrop. This year's changes to summer vacation plans due to inflation, according to a recent bank rate survey, Americans most likely in terms of changes they're going to make to their summer vacation plans, they're most likely to select less expensive accommodation and then engage in cheaper activities on the trip. They're the ways they're most likely to change their plans because things cost more.

Let's finish the lead gents by talking about the way people choose where they're going on vacation. So Gen Zers are basing their travel plans on where TV shows like White Lotus are set. As Grace Dean and Hannah Towey of our sister company Business Insider. They note that when season one was broadcast web traffic to the Four Seasons Maui Resort, which is featured in the show, increased over 400% year-on-year according to the COO. In addition to that, during season two, flight and hotel searches from the US to Sicily grew more than 50% according to travel app Hopper. So gents, what do you make of the way people choose where to go on vacation changing? Is this a trend?

Zach Goldner:

Well, Marcus, first of all, have you seen White Lotus?

Marcus Johnson:

I've not, no.

Zach Goldner:

Not. If you were to see it, you'd want to book a travel [inaudible 00:15:05], so I don't blame anyone.

Marcus Johnson:

I don't know, apparently it's not the cheapest hotel. Was it like 3,500 some of the rooms go for?

Oscar Orozco:

Yeah.

Marcus Johnson:

They might be cheaper.

Oscar Orozco:

It looked like it. It was a palazzo.

Zach Goldner:

I didn't say I could afford it, but my manager Oscar could help for a little bit better of a raise. Who knows? But my take on this is we do live in a social media world. People want to be able to talk about pop culture and what better of a way to talk about the place that they just watched. It'd be filmed in, the setting of that. So I think we're seeing this both for media culture. The article also talked about how this has had impact for years, whether it's the Twilight series in Forks, Washington, which I did go to when I was eight years old, and I've got a picture of me and the team Edward. Lord of the Rings in New Zealand, and other locations like that. So I think that's one area of you're saying experiential travel of people wanting to relive and be able to talk about these places that they've been to. They're also in pop culture.

And I think the other element to this as well is people wanting to go to places that others are going as well. And with that being said, I want to call out national parks being a big attraction as well. We've seen in the last year or last couple years since COVID, National Park visits have increased tremendously. [inaudible 00:16:36], you're seeing that that impact is very isolated to the most popular of national parks. So those Yellowstone, Arches, Zion and the most popular trails and scenic viewpoints there are getting overloaded. And that's because other people want to go to it. They see it and they want to relive the same moment. And that's where I see travel going from there.

Marcus Johnson:

The trends called set jetting, which I hadn't heard of said to keep growing American Express and Expedia listing it as one of the top travel trends for 2023 that Business Insider article was noting. Oscar, any thoughts there?

Oscar Orozco:

To one of Zach's points, I mean, it is really nothing new. I mean, we either take inspiration from our loved ones or friends, but many times from what we see on TV on the big screen. And I was thinking a lot about the Griswold family and Debbie Chase and the National Lampoon cases. When I was younger, I wanted to travel with them and one of these station wagons around the world. So that's always been the case. Croatia is still a hot location because the Game of Thrones. So I really think if brands are already not capitalizing, thinking about this from the brand's perspective, capitalizing on this, they really should, especially hotels and resorts.

Marcus Johnson:

I also thought it was fascinating. So there was a second article we were looking at for this in terms of the way people choose where to go on vacation and that changing, Julie Weed freelance writer for the New York Times was writing powerful new AI software is already shaking up the travel industry, but she was saying that it has a long way to go until it can plan a seamless trip, AI software that is. However, she goes on to write, "One day soon in the AI powered future, a vacation might start by telling your smartphone something like this. I want to take a four-day trip to Los Angeles in June whenever airfares and hotel rates are best using loyalty reward points. I want it to hit a history museum and an amusement park, and then I'd like a 7:00 PM dinner reservation near the hotel at a restaurant with vegan options and a great wine list. And then your phone spits out the perfect itinerary."

I mean maybe that's the direction we're going in. I wonder how you'd be able to tweak the options that it spat out. Maybe it gives you something being able to say, okay, actually maybe we'll push the dinner reservations to a different time. Will it be like when you get your groceries delivered and they present different alternatives to what you initially bought, maybe you can move it to 8:00 PM, they've got an 8:00 PM or it's not a history museum, but there is a cool art gallery nearby. But that concept I think is fascinating in terms of the changing way that we might start booking things.

Oscar Orozco:

Oh, we're seeing it. Booking.com I believe recently partnered with ChatGPT and they're trying to move conversational chat capabilities into the app.

Marcus Johnson:

Expedia too, I think.

Oscar Orozco:

So they're farther along than what we're seeing from other companies.

Zach Goldner:

I mean I've used it myself.

Marcus Johnson:

Oh, you did?

Zach Goldner:

Yeah, before my last travel. I was on TikTok as a young person my age would do, and I came across generative AI travel guide. And what I did is I'm saying I'm going to be staying in this city for X amount of days, find me different events to do within an X mile radius of the city center, and it would give me the prices of each ticket for the people I'm going with and give me personalized recommendations. Yeah, it's not perfect, but unfortunately that's the way that I believe that travel is going.

Marcus Johnson:

At the very least it can help you generate some ideas and create some inspiration for you to maybe then go and book for yourself so you can feel in complete control of all the different kind of nuances of the trip. Let's end with this Oscar, you guys are working on some numbers for how much money travel advertisers spend. What are we looking at?

Oscar Orozco:

We can tease an upcoming forecast for all the listeners. These numbers should be live on the site in about three weeks I would say. So we're working on our industry ad spending figures, digital ad spending. What we can say about Travel is that it is absolutely number one. It is driving digital advertising. All the travel companies are doubling down, tripling down on their messaging. We saw it in 2022 as well, Marcus.

I mean a company like Carnival has reported that in 2022 year over year their spend was up 120%. Booking and Expedia both up over 45%. So they're trying to target all of the customers that are interested in traveling. So Travel will be number one. I would finish off by saying even on the publisher's side from Alphabet, Meta, even Pinterest and Snap, I mean they've all mentioned Travel as big revenue drivers for them. I know Alphabet launched a new performance Max for Travel goals, sort of ad product for travel companies. And I think Travel... Even like I mentioned, Pinterest and Snap, Travel are usually not brands that will advertise or utilize these publishers, but they are, and they mentioned that as emerging verticals for them. So Travel number one.

Zach Goldner:

One other comment on our forecast. So we have just more than the US. We have UK, Germany, France, and coming out with this new update, we'll have Travel by Canada as well.

Marcus Johnson:

Nice brand new breakouts as well as an updated forecast. You can head to insiderintelligence.com to get access to that of course. That's what we've got time for the lead. We're going to skip the halftime report. I want to get straight to the stories we have for you in the second half. So today, in other news, does gamifying shopping work and what major brands that are texting us more? Story one, Amazon ran a TikTok game show as part of its Prime Day sales event. Jul for deals, as it was called, combined shoppable content in an interactive live streaming experience with a game show format. Sara Karlovitch of Marketing Dive notes that during the event a bunch of TikTok influencers played a series of games while viewers worked cooperatively in the chat to unlock specific deals. This all took place on Amazon's TikTok channel where viewers could access the deals without leaving the app. But Zach, the most interesting sentence in this article is what and why.

Zach Goldner:

The most important sentence in this article to me is by utilizing TikTok on Prime Day, Amazon's able to generate social media engagement, organic buzz, while also allowing consumers to interact with both platforms simultaneously. So to me this highlights the strategic significance that Amazon's collaboration has with TikTok and let's say other social platforms to come for Prime Day sales and maybe just for the platform in general. But it also really emphasizes the value of social media engagement and the organic buzz from reaching and connecting to this younger audience. And I think that'll have a big impact on Amazon's goal of driving sales through also using customer interaction.

Marcus Johnson:

I thought this was an interesting concept. We talked about Prime Day on last week's Reimagining Retail Show and we talked about different flavors of Prime Day that we might expect to see because they got the one in the summer, they've got the one in October. And some of the suggestions that came out of that were maybe a spring Prime Day, maybe one right after Christmas, like a New Year's Prime Day. And one of the ones I was thinking of was kind of a gamified Prime Day, where I went to university they had a bar there and they had a game that they would play. It was basically all the drink prices would go up and down kind of like the stock market throughout the night. And so you would start with a pint of beer would cost, I don't know, like 2.50. And so if you thought that was a good price, you would go and

get a pint of beer or you would wait to see the price come down and you'd be like, oh, beer's at 1.50 right now and you'd rush and grab one.

Or if it shot up to five pounds you'd be like, oh man, missed my chance. And so they kind of gamified it and I thought that would be an interesting way to do Prime Day. Keeping people engaged with the site all day as they watch the price of that new TV that they won't go up or down and they try to figure out when's the best time to buy it. You buy it maybe at \$200 because you think it's not going to get any lower and maybe it keeps going to 100 and you're gutted because you're like, oh, I should have waited. Maybe it gets more expensive. So I thought the idea of gamifying shopping, I think there's a lot that can be done there.

Story two, you're not imagining it. Brands are texting you way more notes Emily Stewart of Vox. She writes that scrolling through her phone she was surprised to see just how many of her texts were not from friends and family, but instead from companies. A package update from UPS makes sense, she says, but not the alert about a sale on items from Tory Burch, a brand she's never purchased. So Oscar, the most interesting sentence from this article about brands texting us more is what and why.

Oscar Orozco:

For me, the sentence was you open your texts a lot more than you do your emails and they cited a third party data point in the article that found that open rates are incredibly high, 97% within 15 minutes of being delivered while email open rates are estimated to be at around 20%. So huge, huge difference. I've noticed many more texts even on WhatsApp from brands and companies trying to reach me. So the reality is email boxes are littered with trash and this is a very, very good opportunity for brands. It's a more expensive way to reach consumers, but it's something that they should lean more into. I would also say we see this internationally, Facebook Messenger, WhatsApp, WeChat around the world customers use these chat services to shop and interact with brands and for customer service reasoning. So it's a largely untapped market here and I think it's an exciting one.

Marcus Johnson:

Yeah, that's a great point. Some of the other data points or one of the other data points from this piece, people don't love them, they don't love texts from companies. A data company Validity found 96% of folks have felt annoyed at least occasionally by marketing text messages. However, that's people don't love, it's like advertising. People don't love bad ads,

people don't like bad TV shows, bad food. And so there are ways to do this well. Plenty of examples of where you can see text messages from brands working. The article was pointing out, there are moments when SMSs really clutch like when a flight moves its gate or a shipment is delayed. And then Sarah Varney, chief marketing officer of Attentive and SMS marketing platform also saying a few others include sending loyal customers special deals, educating folks or alerting them when an item becomes available that they want it. So it's everything in life, it's about doing it the right way.

Zach Goldner:

For me, texting is my safe space. Unless if I opt in for a brand communications, if I were to get a text from a random company I haven't heard of, that'd immediately put a bad taste in my mouth and I would not shop from them.

Oscar Orozco:

Yeah, very true.

Zach Goldner:

So opt in for a company you want to hear from. All right, okay. Can be very timely, but if not, I would not approve.

Marcus Johnson:

Yeah, certainly can backfire. That's all we've got time for this episode. Thank you so much to my guests. Thank you to Zach.

Zach Goldner:

Thanks Marcus.

Marcus Johnson:

Thank you to Oscar.

Oscar Orozco:

Thank you so much, Marcus.

Marcus Johnson:

Thank you to Lance who's editing this episode, Victoria out on vacation. James, thank you to him. He copy edits the show and Stewart runs the team. Thanks to everyone for listening in to The Behind the Numbers Daily: An eMarketer Podcast made possible by Verisk Marketing Solutions. You can tune in tomorrow for the Reimagining Retail Show, hosted by Sarah Libo, where she'll be speaking to, and principal analyst Susie David Canyon, and also senior analyst Zach Stambaugh, all about what's going on with back to school shopping.

Zach Goldner:

And one more shout out. I'd like to give a big congratulations to my brother Eric, who at this point will be happily engaged. So shout out Eric and Laura. Congratulations.

Marcus Johnson:

Congrats folks.

Oscar Orozco:

Yes, congrats.