US Travel Industry Ad Budgets Crater in Historically Challenging Year

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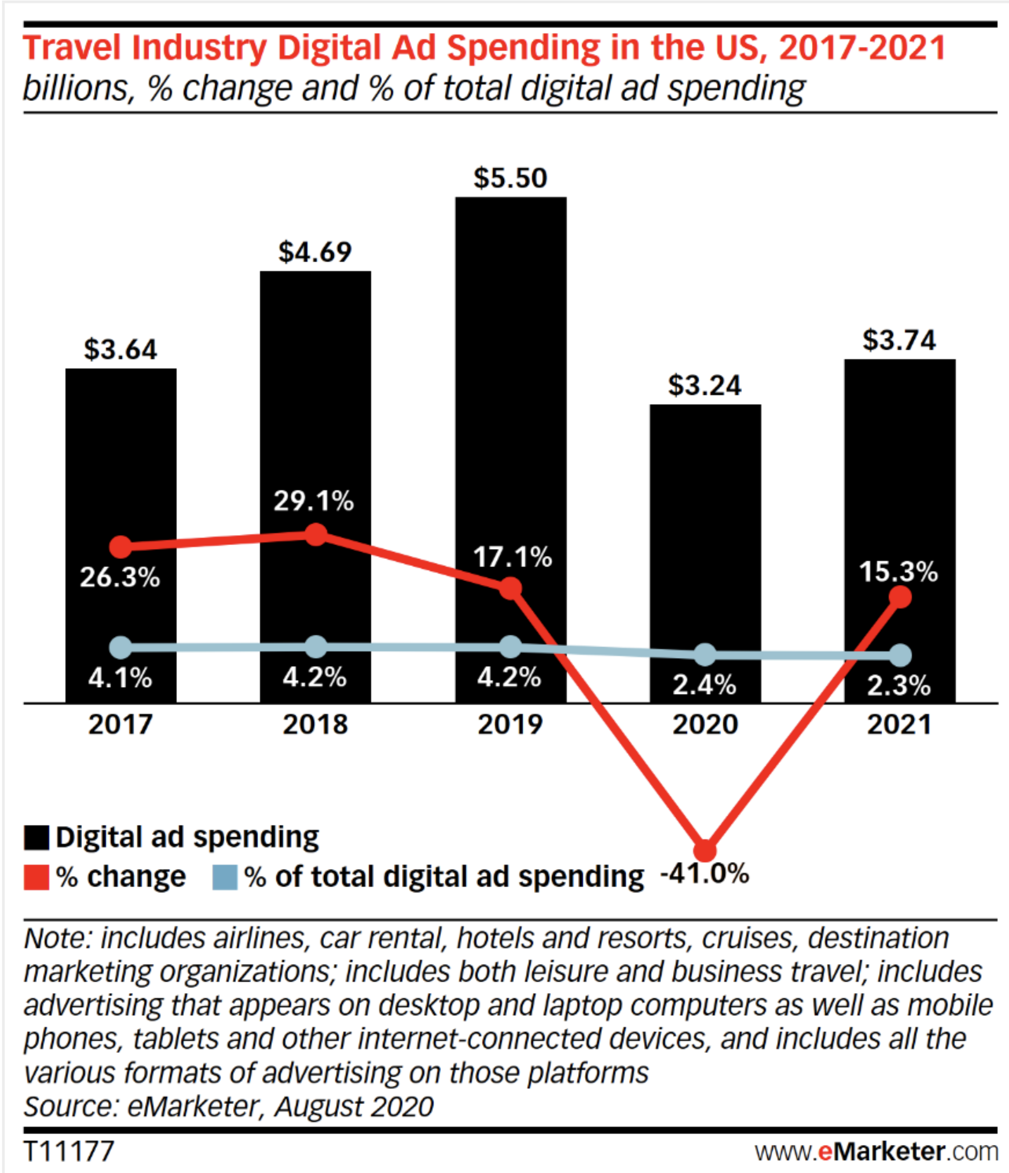
No industry has been as devastated by the coronavirus pandemic and its effects as travel. Airlines, car rental agencies, hotels and resorts, online booking services, cruises and destination marketing organizations, and business travel support services found their operations ground to a near-halt for much of Q2 2020, and the situation has barely improved in H2. Not surprisingly, most have dramatically pulled back their advertising budgets.

We forecast that US travel digital ad spending will drop by 41.0% year over year (YoY) to just $3.24 billion.



We previously estimated 19.3% growth for travel digital ad spending, a relatively healthy figure in line with trends across nearly all verticals. No industry had digital ad spending grow at below double-digit rates at any point over the past three years.

Travel will now account for just 2.4% of digital ad spending, and its dramatic decline has had a cascading effect on the digital ad world. Earlier this year, we estimated that Google would see an outright YoY decline in ad revenues for the first time in its history, resulting largely from the absence of travel search ad spending. When Google's parent company, Alphabet, essentially corroborated this news in its Q1 2020 earnings call, it specifically mentioned travel as the weakest performing vertical across its platforms.

What Happens Next Year?

Forecasting digital ad spending for a post-pandemic 2021 has been challenging across the board, but travel has proven to be the most difficult to assess. We estimate that total US digital ad spending (nationwide, all industries) will recover from a stagnant 1.7% growth rate this year to a healthy 21.1% next year. This assumes a return to relatively normal macroeconomic conditions and a public health situation that is at least relatively stable. However, even if those positive conditions come to pass, it is hard to predict how the public will make travel-related decisions. Absent a universally effective vaccine, travel is likely to feel lingering behavioral effects. In addition, cross-border travel restrictions could last for an extended period. If consumers are unable or unwilling to travel at pre-pandemic levels, then advertisers will not significantly resume spending to promote their travel services.

We currently estimate that travel digital ad spending will rebound to a 15.3% growth rate next year. However, overall spending for travel will not reach pre-pandemic levels. In fact, the $3.74 billion we forecast for travel ad spending next year barely exceeds the industry's outlays in 2017 ($3.64 billion). This figure is based on a range of data, but also on certain qualitative assumptions about the state of society. Our best guess is that a significant number of consumers will remain hesitant about travel well into next year even if the pandemic dwindles, and many companies will continue to hold back on business travel. A successful and rapidly distributed vaccine in early 2021 could change these assumptions, but we have not built that outcome into these calculations.

To learn more about travel ad spending's potential path to recovery, eMarketer PRO subscribers can read our recent report:

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