

Company Background

Established in 1933 after the merger of five French Airlines; Air France strategically set up its hub at the Charles de Gaulle airport in Paris. Taking advantage of the lofty location, Air France has grown to be the most efficient airline in Europe with the largest connections, within the shortest time span. Ever since Air France's success in Europe; the company quickly expanded their post- World War II operation in 1946, and selected New York City as their first transatlantic destination in the United States. Over the past years, Air France utilized its technical expertise in rationalization to grow its market share, which is achieved through the acquisition of modern aircraft possessing similar technical characteristics. In addition, Air France excelled in its fluid flexibility to adjust aircraft delivery dates or models within a given aircraft family. From 1999-2007; Air France capitalized on its ability to eliminate unnecessary aircrafts from its fleet, and maximize the use of its short to mid-term leased aircraft that supported the bulk of its business. By the end of 2007 financial years, Air France reported an increase in revenue by 5.1%, within an industry that was suffering from unhealthy competition between airlines.

Catered to a growing demand for international air travel, Air France aggressively adopted e-commerce into their sales strategy, which enabled customers to book/buy tickets directly through the carrier. Other competitors like Expedia and Orbit entered the marketplace with their direct to consumer websites that sold airline tickets as well as booking services for hotels, cruises, car rentals, and vacation packages through one convenient online transaction. Other competitors like Expedia and Orbit entered the marketplace with their direct to consumer websites that sold airline tickets as well as booking services for hotels, cruises, car rentals, and vacation packages through one convenient online transaction. As Internet speed and accessibility increased, more than 35 million Americans had purchasing power that significantly increased online sales from 2008 onward. As Internet speed and accessibility increased, more than 35 million Americans had purchasing power that significantly increased online sales from 2008 onward.

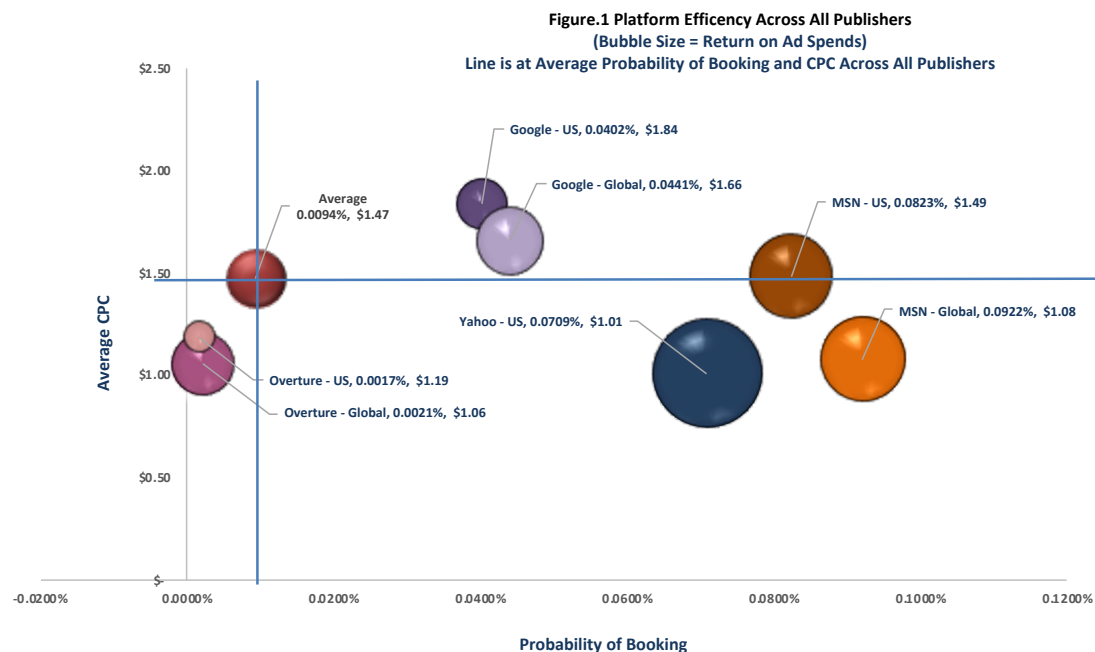
Challenge Statement

In July 2007, Air France partnered with Media Contacts, a media solution provider, pursuing an international growth strategy and an increase of market share in the hyper-competitive air travel market in the U.S. air travel market. Although the current performances reflected a positive growth in revenue and traffic through online advertisements, Media Contacts faces the pressure to continuously optimize performance and return on advertising spent (ROAS) for search engine marketing (SEM) campaigns, by allocating funds across various marketing channels. The ultimate goal of the SEM campaign is to drive visitors to Air France-affiliated Web sites, and converting them to customers while keeping click costs minimized.

Evaluation on Search-Engines Efficiency & Focus on Improvement

Aimed in delivering the most value to Air France per dollar spent; Media Contacts was working with Google, Yahoo, MSN, and Kayak, which all appeared to specialize in different services and consequently might appeal to different audience. By leveraging targeted placements on internet search engine results page (SERPs) across various search engines, Air France successfully

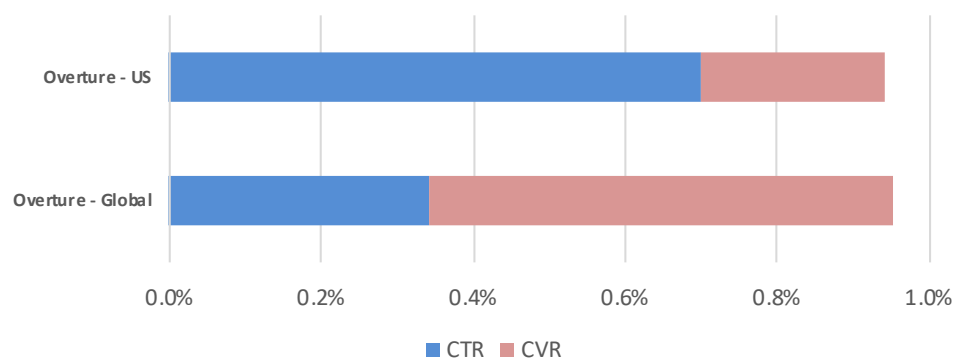
generated a net revenue of approximately **\$4,136,724**, with a promising total ROA of **545%**. Based on Media Contacts' ultimate goal of optimizing both website traffic and consumer conversion; Return on Ad Spend(ROA), Probability of Booking, and Cost-Per-Click (CPC) of platforms with appropriate database are visualized as **Figure.1** has shown in below. ROA is deployed to evaluate the effectiveness of a specific platform, measured by dividing the Net Revenue by Ad Spends. Probability of Booking reflects the platform's capability in showing Air France Website to the appropriate audience, measured by the probability of generating a booking from the delivered impression. Cost-Per-Click indicates the minimum CPC that Air France needs to bid before the ads can run, varied by keywords, campaign message, budget, and bid strategy.



The campaign performance are analyzed by comparing to the average benchmark line, and divided into quadrants based on CPC and Probability of Booking; while the bubble size reflects the ROA of each search engine. Quadrant One was classified as being above average when ranking its Probability of Booking, and regarding its CPC were more expensive than average. By falling into Quadrant 1, Google is considered as high-cost publishers, with the higher capability in realizing conversion. By deploying a high auction pricing of CPC on certain keywords; Air France's website was able to be ranked at a relatively prominent position on a given page on Google. However, as learned from the case study, Google utilized certain "black box" algorithms and calculation for page rank, the final position cannot be guaranteed for Air France. Media Contacts should deploy strategy to decrease the advertisement spendings by adjusting bid strategy, match type, or keyword selection. Specific characteristics of the campaign with a high Return on Ad Spends(ROA) are analyzed in **Evaluation on Keywords -Tactics**.

Overture, one of the early pioneers in monetizing Internet search traffic, falls into Quadrant Three. Even though the cheap CPC of Overture may seem alluring, it also coupled with a poor performance on Probability of Booking. The potential fuse of the poor Probability of Booking is predicted by comparing Overture's Click-Through-Rate(CTR) versus Conversion Rate (CVR), as shown below in **Figure.2**. A higher CTR of Overture-US indicates the appropriate selections of search keyword and bid strategy; however, its significant low CVR reflects the poor website-content quality. Despite the poor CTR of Overture-Global; it has shown a much stronger performance on CVR, which may result from its niche keyword selections. Hence, Overture-US and Overture-Global need different focus for maximum efficiency; Overture-US should focus on optimize the landing page content to incentive purchase behavior, whereas Overture-Global needs to adjust its keyword selection to appeal to a larger audience.

Figure.2 Overture CTR vs. CVR

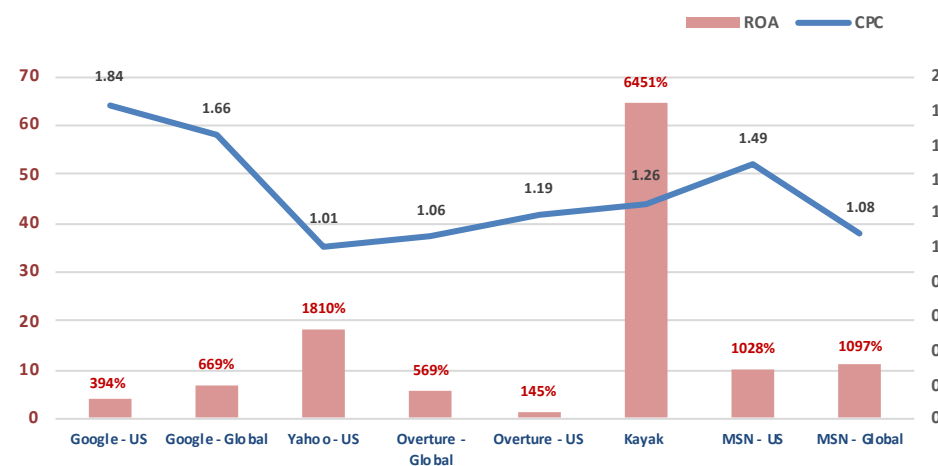


For Air France SEM Campaign, search engines that fall into Quadrant Four are the most promising platforms to target on. In Quadrant Four, Yahoo-US and MSN have all demonstrated a strong performance on generating a booking from the delivered impression, with a reasonable CPC. Notably, Yahoo-US and MSN significantly exceed Google and Overture in terms of ROA, with a higher Probability of Booking and a lower CPC. Yahoo-US accomplished a highest ROA of 1810%. Deep-diving into the technological advantages of these platforms; Microsoft MSN allows ad to target on specific demographic while Yahoo is capable of combing search keyword with context-specific content. With said, Media Contacts should further invest funding for players fall under Quadrant Four - Yahoo-US and MSN.

Since Kayak database is unavailable through DoubleClick, its performance is analyzed as in below. As **Figure.3** demonstrated, Kayak had a ROA of approximately 6451%, far-exceeded all the other search engines. Kayak aimed to differentiate itself by connecting consumers with 551 airlines and 91,500 hotels; in addition, Kayak operates with its "highly advanced software application architecture that was distinct from other competitors offerings. In the case study, Kayak owns a promising conversion rate of 7.3%, with a CPC of 1.26. Regarding to Kayak's comparatively low CPC and high ROA, Media Contacts should gradually increase investments for the Kayak SEM campaign to result in a profitable change. Meanwhile, Media Contacts needs to

consistently monitor results and performances of Kayak, to prevent Air France from over-

Figure. 3 ROA vs. Avg CPC Across Search Engines



committing for under-performing periods.

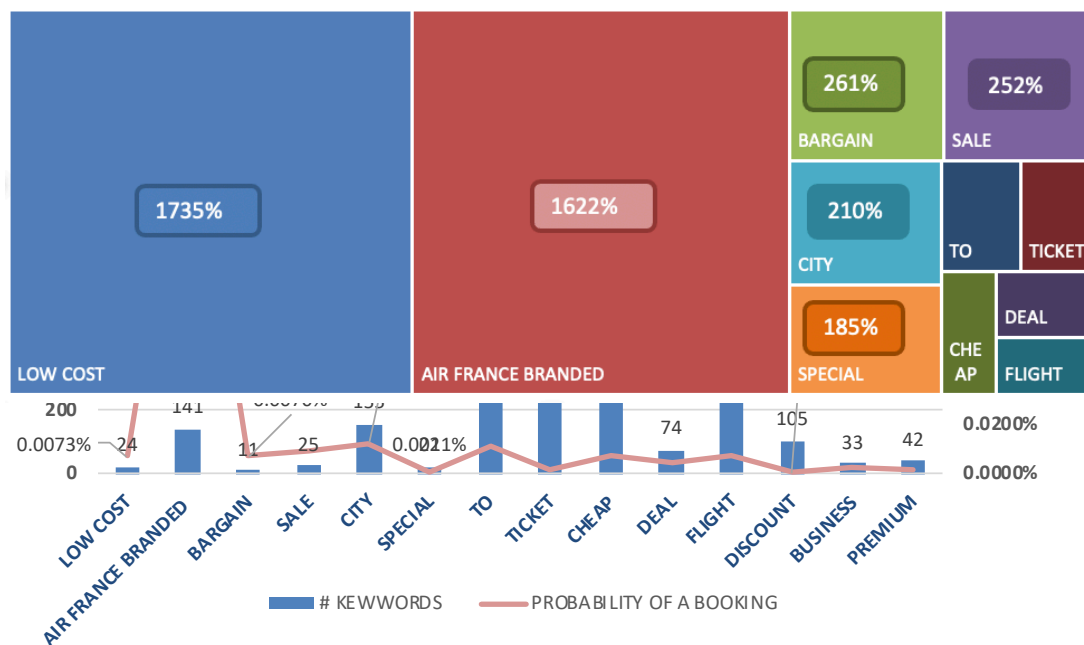
Based on the analysis, it would be more efficient for Media Contacts to tailor each publisher strategy for Air France to get maximized return on investment. While the optimal SEM campaign is based on effective allocation of ad spendings across the various search engine, Air France should leverage Google's ranking system, Yahoo's content matching ads, and MSN's demographic targeting to drive more traffic to improve the overall conversion rate.

Evaluation on Keyword-Tactic Effectiveness

In order to lead consumers to a desired purchase behavior, Media Contacts implemented a total of **4510** keywords, including both branded and unbranded keywords. As Figure.4 has shown in below, Media Contacts has focused on using unbranded keywords including "Flight", "Ticket", "Cheap" and "To"; with Probability of Booking of **0.0078%**, **0.0016%**, and **0.0114%** respectively. Meanwhile, it appeared that Air France branded keywords had a highest Probability of Booking of 0.1581%. The order of the chart is from keyword group with the highest ROA to the lowest, whereas keywords including "Discount" and "Premium" have negative ROAs.

Given the competitive nature in the airline industry, it is of utmost important for Air France to target the most profitable and efficient keywords. As **Figure.5** has demonstrated, unbranded Keywords including "low", "Bargain", "Sale", and city names are the ones that have a higher propensity to increase ticket sales and ROA. Hence, branded keywords and identified unbranded keywords should appear at the top of the SERPs for a relevant search, to achieve a comparatively higher share of voice. For keywords with a comparatively low ROA, Media Contacts should place a lower bids on them to save budgets. For keywords with negative ROA, Media Contacts should consider to drop them.

Figure.5 Keyword - Return on Ad Spends(ROA)



In conclusion, Air France needs to constantly look to optimize the online performance through innovative thinking and to test new approaches by experimenting with new keywords and campaign strategy. A carefully selection of keywords, especially the ones with the highest ROA, on sites that have inherent advantages should be exercised on a periodic basis.

