



Net Value

Marketing Travel On The Internet

Expedia's 2009

Expedia, the world's leading online travel agency group*, is no longer an up-start start-up. It is mainstream, and the 2008/9 economic downturn hit mainstream. Most sectors showed some growth at Expedia in 2009, but some key indicators were down.

The number of transactions increased a substantial 18%, but gross-bookings-per-transaction fell 13%, and revenue-per-transaction fell 15%. In other words, Expedia had to work harder to get some growth. However, it did manage to grow, even if by just under 1%, although this came at a cost.

Unfortunately, some ongoing tracking of Expedia's progress is difficult, as some definitions change each year, and new categories are introduced. Nearly all new categories have comparative data with 2008, but analysis of some measures is better after observation over more than two years. Our tables reflect this reality.

Key measures no longer shown include:

-Bookings volume in Europe. Now grouped under 'US' and what we define as 'non-US' and what Expedia defines as 'international'.

-Breakdowns by major brands, particularly for Expedia itself and Hotels.com. We suspect one reason for stopping this is that Hotels.com seemed to be underperforming.

-Packages revenue. More of academic interest in that it was once billed as the Next Big Thing, but then failed to meet that promise. The last Expedia figures published (for 2008), showed revenue going into reverse - although the idea still seems good. After a 4% fall in 2008, its share dropped from a start-up 3% to a disappearing 2%.

Table 1

| Business profile at Expedia | | | | | | | | | | |
|-----------------------------|-------|-------|------|------|-----|------|------|------|------|------|
| Item | 2009 | | | 2008 | | 2007 | 2006 | 2005 | 2004 | 2003 |
| | No | Gth | AAGR | Gth | Gth | Gth | Gth | Gth | No | |
| Transactions,mn | 58 | 18.2 | 14.3 | 2 | 17 | 5 | 16 | 27 | 26 | |
| Gross bookings,US\$m | 21811 | 2.6 | 14.7 | 8 | 14 | 10 | 22 | 33 | 9569 | |
| per transaction,US\$ | 377 | -13.2 | 0.5 | 6 | -3 | 5 | 5 | 5 | 365 | |
| agency,US\$m | 12557 | 3.2 | 14.3 | 8 | 13 | 10 | 25 | 30 | 5637 | |
| merchant,US\$m | 9254 | 1.7 | 15.3 | 9 | 21 | 10 | 17 | 38 | 3932 | |
| Revenue,US\$m | 2955 | 0.6 | 13.2 | 10 | 19 | 6 | 15 | 32 | 1401 | |
| per transaction,US\$ | 51 | -14.9 | -0.6 | 8 | 1 | 1 | -1 | 3 | 53 | |

Notes: Many calculations by TBA from Expedia data. AAGR = % annual average growth rate 2003-9, Gth = % growth. Source: company, Travel Business Analyst.

Other indicators:

- Table 1.

Transactions. See comments above.

Gross bookings (face value of goods and services sales) grew only 3%, the slowest for five years. However the annual average is still high at 15%, and given market conditions in 2009 in Expedia's main market, the US, any growth was good.

Gross bookings per transaction. See comments above.

The *agency/merchant* breakdown has changed. The merchant (meaning negotiated) share had been increasing slightly, moving from 41% to 43% in 2008. But in 2009 it dropped to 39%. This is probably a result of Expedia's push for transaction growth

Table 2

| Segment results at Expedia, 2009 | | |
|----------------------------------|-------|------|
| Item | No | Gth |
| Gross bookings,US\$m | | |
| US | 14437 | 1.5 |
| Non-US | 7375 | 4.7 |
| Revenue,US\$m | | |
| Leisure* | 2635 | 0.3 |
| Trip Advisor* | 353 | 18.5 |
| Egencia* | 108 | -1.8 |
| Roomnights sold,mn | 70 | 23.1 |

Notes: Some data not available before 2008. *Leisure = results for leisure travel sites including Expedia sites, hotels.com sites, Hotwire; Trip Advisor = also includes bought companies, including Smarter Travel; Egencia = Expedia's managed-travel business. See also Table 1. Source: company, Travel Business Analyst.

in 2009, but also that many prices in the market-place would be below those negotiated in pre-2008 good times.

Revenue (company income after paying suppliers such as airlines and hotels). See comments above.

- Table 2. As noted above, most of these measures are available for only two years.

Gross bookings. US growth at 1%, but commendable given market conditions. In actual dollar terms, the US increased US\$209mn and non-US US\$334mn.

Revenue, by sector. This could be a telling indicator, but given available data we cannot be sure. Figures appear to show that Trip Advisor produced all of the group's revenue increase in 2009. Without TA, Expedia group's revenue would have fallen 1%, not increased 1%.

*Brands include Classic Vacations, Egencia, Elong, Expedia, Hotels.com, Hotwire, Trip Advisor, Venere.

PhoCusWright reports

Some new reports from the research company, PhoCusWright (PCW).

- PCW says **China's** all-travel market fell 4% in 2009, but it expects growth will be 5% this year, and reach a dollar figure of US\$65bn in 2011. It reckons online travel grew 19% in 2009.

- Online **Germany.** PCW reports that the online travel market in Germany grew 10.4% in 2009, although all-travel sales fell.

We believe PCW understates the Germany market. It puts it third in Europe after the UK and France. However, it now expects Germany's share to increase from 17% in 2008 to 20% by 2011, overtaking France. *We believe this is actually a reality adjustment by PCW.*

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