

Net Value

Marketing Travel On The Internet



From Travel Business Analyst

Expedia's Q1

As usual, results at Expedia for Q1 show some startling growth, some unexplained falls, and some changes in measurements.

The main change is that Expedia no longer lists the number of transactions. The company can argue that this is not an important measure. It is like a seat-sold for an airline, or occupancy-rate for a hotel; it is important only when another figure is attached (such as distance-flown or rate-paid).

At Expedia, the transaction count enabled us to calculate how much revenue the company earned per transaction. In fact, it was surprising that neither the company nor investors seemed interested in this figure.

We were. For instance, it showed us that Expedia was taking in US\$426 per transaction in Q1 2005 (when we started to track this data), and in Q1 2012 that had fallen to US\$417. That is not necessarily bad business development for Expedia – because the company might be selling more budget hotel rooms, for instance, but it does require some explanation.

Looking for indicators in other data, we believe the dollar figure per transaction this year is about the same, and possibly down slightly.

Another change is mobile app downloads. At 30mn, that is up 266%. In the latest quarter, the Expedia app was being downloaded an average 70-times per minute!

Two acquisitions affect Expedia's results.

Via Travel, a Norway-based travel agency (mainly business travel) group covering the Scandinavian region, was bought in April 2012. And 61% of Trivago,

a Germany-based hotel metasearch company with 20mn visitors monthly, was bought in March this year. VT results are included in the Egencia results (the company is now Via Egencia), and Trivago will be in 'Leisure'.

Q1 highlights, see Tables 1 and 2:

- Gross bookings increased at double-digit rates as they have done over the past four years. The 16% growth is

higher than the 5-year average (11%) but that is because of the 12% fall in 2009 – itself a result of the US financial crisis at that time.

- Growth in US bookings (Expedia names this 'domestic', a strange definition for a supposedly international company) slowed but still grew 7%.

- Non-US bookings grew 30% and at this figure should equal US bookings by 2014.

- 'Agency' and 'merchant' (negotiated) bookings both added about US\$700mn. We thought bookings of these two would become 50/50 in 2012, but that now looks at least two years away. And a lot can change in two years, so that may never happen.

- Business travel (via the Egencia sites) is growing faster, at 48%. As a share of the total this segment has grown but is still only 13% of leisure sales.

- In terms of air bookings, Expedia sold 9% more tickets but their value showed no increase. *However, there have been some accountancy changes in this segment, and this change may not indicate a trend.*

- In terms of accommodation, roomnight sales have been increasing comfortably. They were up 28% in Q1 getting close to 30mn sold.

- The not-so-good news is that rates appear to be stuck – flat in three of the past five years, and down 18% in the start of that 5-year-period, 2009.

- Expedia's joint-venture with Air Asia, started in 2011, seems to be matching overall growth, which would be good. That said, only one set of figures concerning this JV is provided, so analysis on progress requires too much guesswork.

Table 1

Revenue results at Expedia in US\$mn, Q1											
Item	2013	Gwth %	AAGR, %	2012	Gwth%2011	Gwth% 2010	Gwth%2009	Gwth			
Gross bookings	9781	16.2	10.6	8421	15.4	7295	10	6632	26.9	5225	-11.5
US	5484	7.2	6.5	5116	15.3	4439	4.3	4257	19.5	3562	-11
Non-US	4297	30	17.7	3305	15.7	2856	20.3	2375	42.8	1663	-12.6
Agency	5270	14	9.8	4621	11.5	4144	5.7	3919	32.3	2963	-10.2
Merchant	4511	18.7	11.6	3799	20.6	3151	16.1	2713	19.9	2263	-13
Leisure sites*	8664	13	NA	7666	15.2	6653	8	6161	25.6	4904	NA
Egencia†	1117	47.9	NA	755	17.6	642	36.3	471	46.7	321	NA
Revenue by segment											
Leisure sites*	924	20.9	8.6	764	11.4	686	11.9	613	9.7	559	-8.8
Egencia†	89	67.9	26	53	26.2	42	23.5	34	36	25	-10.7
US	558	13.6	3.6	491	11.1	442	-5.6	468	4.9	446	-4.7
Non-US	454	39.7	15.6	325	13.6	286	14.4	250	31.6	190	-13.6

Notes: Some calculations by TBA from Expedia data. AAGR = average annual growth rate, 2008-13, Gwth = growth. *Expedia, hotels.com, Hotwire, others; not necessarily leisure travel. †Effectively, business travel. Source: company, Travel Business Analyst.

Table 2

Operating results at Expedia, Q1					
Item	2013	2012	2011	2010	2009
Air					
Tickets sold growth,%	9	5	-10	22	-4
Airfare growth,%	0	7	13	9	-13
Revenue-per-ticket growth,%	5	-20	17	-13	-14
Revenue growth,%	14	-17	5	6	-17
Accommodation					
Roomnights sold,mn	29	23	18	16	14
Growth,%	28	24	15	18	13
Growth incl Air Asia JV,%	28	27	15	NA	NA
Room rate growth,%	0	0	3	0	-18
Revenue-per-night growth,%	-3	-6	1	-5	-20
Revenue growth,%	24	18	16	12	-10

Notes/Source: As Table 1.

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For more information, contact Raymonde Perpignani at Travel Business Analyst, TBAoffice@gmail.com

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