



Net Value

Marketing Travel On The Internet

Expedia hides fall

Some results for Expedia, the world's largest OTA (online travel agency), were down in the first half of this year. But some changes in reporting - reducing the amount revealed - is preventing interpretation. We presume this is to hide worse results in some segments.

Table 1

Results at Expedia, first half								
Item	2009		2008		2007		2006	
	No	Growth,%	Growth,%	Growth,%	Growth,%	Growth,%	Growth,%	
Transactions,mn	29	12.5	12.3	6.5	8.6			
Gross bookings,US\$m	10848	-8.3	17.7	10.9	10.3			
per transaction,US\$	377	-18.5	4.9	4.1	1.6			
North America	NA	NA	12.4	4.5	8.6			
Europe	NA	NA	32.0	35.7	3.1			
Other	NA	NA	31.3	24.6	54.8			
US	7452	-7.5	NA	NA	NA			
Non-US	3397	-10.1	NA	NA	NA			
Expedia	NA	NA	15.1	11.3	10.3			
Hotels.com	NA	NA	18.6	8.7	22.8			
Other brands	NA	NA	44.4	9.6	-5.7			
Agency	6162	-7.4	14.6	9.1	11.4			
Merchant	4688	-9.5	22.0	13.4	8.9			
Revenue by segment,US\$m								
North America	NA	NA	15.3	8.7	NA			
Europe	NA	NA	30.2	29.4	NA			
Other	NA	NA	37.0	28.1	NA			
Total	NA	NA	19.5	13.6	NA			
US	939	-5.6	NA	NA	NA			
Non-US	467	-4.3	NA	NA	NA			
Packages	224	-14.5	7.8	-0.8	2.9			
Roomnights sold,mn	32	20.5	14.8	NA	NA			

Source: company.

In terms of geography, Expedia now separates only 'domestic' (odd for an international company, but we presume this means 'US') and 'international'. Although the split was not much better before, it was a slightly-more-helpful 'North America', 'Europe', and 'others'.

More importantly, the Expedia group no longer separates results into

Table 2

First-half results at Expedia, % growth				
Item	2009	2008	2007	2006
Air				
Tickets	5	8	10	-1.0
Fare	-18	10	-1	11.0
Hotel				
Roomnights	20	15	NA	NA
Rate	-19	3	9	NA

Notes: All estimates by TBA from Expedia data. Source: Expedia, Travel Business Analyst.

its brands - Expedia, Hotels.com, and others. As we had earlier recorded weak growth for Hotels.com, is this change to hide a significant decline at Hotels.com?

Other findings, see Table 1:

- The number of transactions increased at the same pace as in 2008, but gross

bookings fell, indicating a big fall in our calculation for bookings-per-transaction - down 19% to US\$377.

Does this indicate that in the economic slowdown, more people are turning to OTAs, but buying only if they find lower prices? Or there are more lower prices on OTAs, because travel principals are cutting prices, and they can disguise price-cutting better if they sell through an OTA?

- The change in geographical

breakdown may be to hide a big fall outside the US. Although the US travel economy has fallen greatly since the start of the economic downturn (10%?), Expedia shows what may be a relatively-better result - down 8%. But its non-US bookings were down by a greater 10%. This should not have happened; is the fall in Europe or Asia Pacific?

- Merchant (ie, negotiated) sales fell faster (9%) than agency (market rates; 7%). This is probably because negotiated rates in a fast-moving market are out-of-sync. In this case, that probably means some negotiated rates are higher than market ones.

- A continuing surprise to us is the small - and now faster-declining - packages business.

Sales fell 15%. Packages should be a better deal - lower cost than the sum of their parts. Either they fail in that price test, or perhaps the customer prefers clarity, knowing he is paying \$x for air, \$x for hotel, rather than wondering if the \$2x package price is cheaper or not.

- We speculate (above) that separate-brand results might be to hide declining results at Hotels.com. Published results for the whole group show a big increase, 21%, in roomnights sold. This neither proves nor disproves our conspiracy theory as brand-Expedia also sells rooms and so the growth could be with this brand.

Separately, though, it does indicate a big fall in rate-per-room sale, see Table 2:

- 20% more roomnights sold, but rates down 19%.

- Similar for air travel - 5% more tickets sold (which, in this market, is a very good result), but fares down 18%.

Travelzoo first half

Travelzoo, a travel search and information portal, increased revenue 11% in the first half, see table. Its non-US share is growing faster; North America represented a 94% share in the 2007 first-half, 89% in 2008, and 83% this year. Europe's share is now 16%.

There have been no new market website openings since 2007 when TZ opened in France, and in Asia Pacific in Australia, China, Hong Kong, Japan, Taiwan. However, its Asia Pacific revenue is still small, despite that big percentage growth.

TZ also has email publications, and says subscribers increased almost 10% in Q2, by 1.3mn subscribers, to 16.7mn - 12.4mn in North America, 2.8mn Europe, 1.5mn Asia Pacific.

Travelzoo first half net revenue

Region	2009		2008		2007
	xUS\$1000	Growth,%	Share,%	Share,%	Share,%
North America	39,643	4.1	83.2	89.0	94.0
Europe	6,974	51.0	16.3	10.8	7.0
Asia Pacific	1,030	836	2.4	0.3	na
Total	47,647	11.3	111.3	100.0	100.0

Source: company.