



# NET VALUE

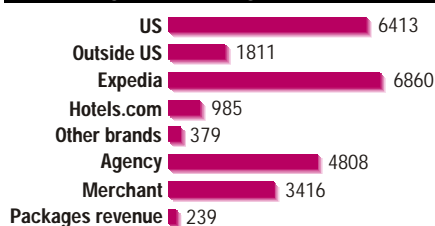
## Statistics and Analysis on Travel and the Internet

### Expedia alone

Expedia has reported its first results after being spun off from InterActive -- trading separately from this August. Main brands in the company are Expedia itself, and Hotels.com.

Growth in bookings in the first half of this year was slowing -- 24% (to US\$8.2bn) compared with 34% for Jan-Dec 04, see Table 1.

#### Expedia gross bookings, Jan-Jun 05



Notes/Source: as Table 1.

Table 1

#### Expedia gross bookings

Item	HY 2005		HY 2004 Share,%	FY 2004 Growth,%	FY 2004 Share,%	FY 2003 Share,%
	Growth,%	Share,%				
US	16.1	78.0	83.5	24.0	81.8	88.1
Outside US	66.5	22.0	16.5	103.4	18.2	11.9
Expedia	29.2	83.4	80.3	31.1	81.1	82.6
Hotels.com	2.2	12.0	14.6	12.6	13.9	16.5
Other brands	11.1	4.6	5.2	647.1	5.0	0.9
Agency	29.6	58.5	56.1	30.3	57.5	58.9
Merchant	17.7	41.5	43.9	38.1	42.5	41.1
Packages revenue	20.7	2.9	3.0	33.8	3.1	3.1
<b>Total</b>	<b>24.4</b>	<b>100.0</b>	<b>100.0</b>	<b>33.5</b>	<b>100.0</b>	<b>100.0</b>

Notes: FY=full year, HY=half year, Jan-Jun. Source: company.

That is not the only point of concern; of selected business categories:

- Growth is still faster outside the US\*, growing from a 12% share in 2003, to 22% in the first half of this year.

- Despite acquisitions, growth of its principal brand -- Expedia itself -- is still faster than for other brands. Expedia's share is around 83%. But Hotels.com, considered a star in the company, has lost share, falling from 17% in 2003 to 12% this year.

- Merchant revenue, considered to have strong market potential, has stuck at around 41/42% share. *Is this a ceiling, or are there*

*market reasons for this standstill?*

- Transaction growth is slowing, from 28% for Jan-Dec 04, to 18% this year.

- Roomnight growth seems to be slowing as well -- from 21% for Jan-Dec 2004, to 7% this year.

- But gross bookings revenue per transaction is increasing, from US\$365 in 2003, to US\$417 this year.

*\*Expedia defines these as 'domestic' and 'international', but these should be defined 'US'*

#### Priceline results, first half

Item	2005	Growth,%	2004	Growth,%
Air tickets sold,x1000	1536	6.4	1444	45
Roomnights sold,x1000	5292	43.9	3677	34.2
Rental car days sold,x1000	2813	7.2	2623	71.4

Source: company.

and 'Outside US', as our tables. In fact, Expedia does not separate domestic and international bookings.

### More trouble at Priceline

First half revenue at Priceline was sluggish, managing an increase of 3.4%. But perhaps more worrying is that sales of travel offers with negotiated prices ('merchant' rates) actually fell, by 0.6%.

For an internet travel company, these should be troubling figures, and even question the longterm viability of Priceline's opaque sales model.

Air ticket sales increased 6%, see table, following a 45% increase in 2004 over 2003. Again, for an internet travel company, these are poor results.

However, hotel revenue, which has become the largest element, continued strong

growth, up 44%, although this is boosted by Priceline's acquisition of Active Hotels in September 2004.

Growth in the car rental sector was also sluggish, at 7%.

### Bites

- How high can you go? **Ryanair's** internet booking share was at 98% at the end of the first half, compared with 97% end-June 2004, 94% 2003, and 91% 2002.

- Pricewaterhouse Coopers (PwC) notes:

- Europe's top four -- Travelocity/Lastminute, Expedia, Cendant/Ebookers, and Opodo - have 60% of the regional online market. (In the US, the top three - Expedia, Sabre/Travelocity, and Cendant - have 93% of the online market.)

- In Germany, the top five companies have 70% of the market.

- There are significant opportunities for increased online sales in the fragmented hotel sector.

- There has been a shift in sales to supplier sites from agency sites. And growth of low-fare air travel will continue to drive sales to supplier sites.

- PwC hints, but does not say, that big package tour operators like TUI, Thomas Cook, My Travel, and Rewe, will be in trouble -- because of online agency sales growth, and low-fare airlines. ■

Table 2

#### Expedia operations

Item	HY 2005	Growth %	FY 2004
Transactions,mn	20	18	27.9
Revenue per transaction,US\$	417	5.4	4.4
Merchant roomnights,mn	16	6.5	20.9

Notes/Source: as Table 1.

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

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