

COMPANY PROFILE

Expedia, Inc.

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COMPANY OVERVIEW

Expedia, Inc. (Expedia or 'the company') is an online travel company which offers travel products and services. The company provides, on a stand-alone and package basis, products and services provided by airlines, lodging properties, car rental companies, destination service providers, cruise lines and other travel product and service companies. The company primarily operates in the US. It is headquartered in Bellevue, Washington and employed 9,480 people as of December 31, 2011.

The company recorded revenues of \$3,449 million during the financial year ended December 2011 (FY2011), an increase of 13.7% over FY2010. The operating profit of the company was \$479.6 million in FY2011, a decrease of 4.2% over FY2010. The net profit was \$472.3 million in FY2011, an increase of 12.1% over FY2010.

KEY FACTS

Head Office	Expedia, Inc. 333 108th Avenue North East Bellevue Washington 98004 USA
Phone	1 425 679 7200
Fax	
Web Address	http://www.expediainc.com
Revenue / turnover (USD Mn)	3,449.0
Financial Year End	December
Employees	9,480
NASDAQ Global Select Market Ticker	EXPE

SWOT ANALYSIS

Expedia, Inc. (Expedia or 'the company') is an online travel company offering travel products and services. The company provides, on a stand-alone and package basis, products and services provided by airlines, lodging properties, car rental companies, destination service providers, cruise lines and other travel product and service companies. Broad range of product and service offering helps the company hedge its operations against downturn in any particular segment. However, high dependence on travel suppliers and other intermediaries could affect its growth.

Strengths	Weaknesses
Broad range of online travel and hospitality service offerings Strong portfolio of travel brands	High dependence on the US
Opportunities	Threats
Acquisitions could help Expedia expand its presence in Europe Expansion into new territories Partnership agreements across the globe	Heavy reliance upon travel suppliers and other intermediaries Sluggish global economic recovery Regulations and laws could affect the company's growth

Strengths

Broad range of online travel and hospitality service offerings

Expedia is one of the largest online travel companies in the world, as approximately 60 million unique visitors access the company's websites each month. The company offers a wide range of product and services to its customers. Its offerings include a comprehensive array of travel products and services to travelers. The company facilitates travel products and services either as stand-alone products or as part of package transactions. It makes available travel products and services provided by several airlines, lodging properties, car rental companies, destination service providers, cruise lines and other travel product and service companies. The company has continued to build a broad and deep supply portfolio which currently includes over 145,000 hotels, 300 airlines, and numerous car rental companies, cruise companies and other travel suppliers. Additionally, it offers various media and advertising offerings to travel and non-travel advertisers on its worldwide websites such as Expedia.com and hotels.com.

Broad range of product and service offering helps the company hedge its operations against downturn in any particular segment, which aids in sustaining revenue growth.

Strong portfolio of travel brands

Expedia owns a wide portfolio of travel brands. The company leverages its brand portfolio to target a wide range of travelers, travel suppliers and advertisers. For instance, it targets several different demographics, from the value-conscious traveler through Hotwire brand to luxury travelers seeking customized vacation package through Classic Vacations brand.

Expedia brand also appeals to a wide range of travelers, with extensive service offering ranging from single item bookings of discounted product to bundling of higher-end travel packages. Expedia.com a full service online travel agency has localized sites in 30 countries. In addition, its hotels.com site and international versions target travelers with premium hotel content with lodging properties, such as 360 degree tours and hotel reviews. Further, Egencia is the fifth largest corporate travel management company in the world. Through the brand Egencia, it makes travel products and services available on a managed basis to corporate travelers in North America, Europe and the Asia Pacific region.

The portfolio of strong travel brands enables Expedia to appeal to a diverse range of travelers, suppliers and advertisers, which in turn enhances its market position.

Weaknesses

High dependence on the US

Expedia derives the majority of its revenues from the US. During FY2011, the company generated revenues of \$1,995.8 million from the US alone, accounting for nearly 57.9% of its total revenues. The US is recovering from one of its worst economic crisis in its history. The US economic conditions have been affected by the declining levels of consumer expenditures. In this difficult environment the travel suppliers are following the cautious approach to cutting down their controllable expenses. The US market share of third-party distributors, like Expedia, has declined over the recent past due to a downslide in the domestic online market for travel services. This decline is attributable, in part, to a concerted initiatives by the travel suppliers to direct customers to their own websites in an effort to reduce distribution expenses and establish more direct control over their pricing.

Another economic turmoil and reduced consumer wealth may result in consumers becoming unwilling to spend towards or postpone their vacation plans, with clear implications for turnover and profitability. Hence, Expedia's high geographic concentration on the US may have an adverse impact on the company's overall results of operations in the long run, as it makes the company vulnerable to the country's economic downturns.

Opportunities

Acquisitions could help Expedia expand its presence in Europe

Egencia, Expedia's business segment providing managed travel services to corporate customers, entered Nordic region through the acquisition of VIA Travel, the largest travel management company in the region. Subsequent to the acquisition, VIA Travel was renamed as VIA Egencia in May 2012. It offers corporate travel services, as well as services for corporate groups and meetings, leisure travel, and marine transport. In addition, in December 2011, Egencia acquired France-based Traveledoo, a leading provider of Web and mobile platforms for business travel management, which serves more than 4,000 clients in over 50 countries.

These acquisitions would allow Egencia to further boost its corporate travel portfolio and expand into the European online travel markets, which is still relatively untapped. In addition, the acquisition is expected to boost cost-efficiency measures and help Expedia to gain market share in the Nordics.

Expansion into new territories

Egencia continues to expand its global reach and further differentiate its offerings in the market. In July 2012, Egencia expanded the Egencia Global Alliance to include partnerships with leading local travel management companies (TMCs) in Russia, Ukraine, Costa Rica, Ecuador, Peru, Venezuela, and Sri Lanka. The Egencia Global Alliance (EGA) is comprised of Egencia partners in 34 countries, bringing the company's presence to 54 countries worldwide. These additions build on Egencia's existing points of sale in 15 countries and the nine global alliance partnerships which Egencia entered in 2009 including Denmark, Finland, Greece, Norway, Philippines, Poland, South Africa, Sweden and Thailand. The global alliance combines experienced local partners with Egencia's signature offering, including global consolidated reporting. Egencia's consolidated reporting allows travel executives to review and analyze customized travel reports that aggregate data across countries and subsidiaries allowing better travel policy management and cost control. With additional data gathered from EGA partners, Egencia provides deeper insight and cost control opportunities through a combination of robust online reporting services and regular business reviews. Thus, with these alliances the company is well positioned to tap the potential market and expand its customer base.

Partnership agreements across the globe

The company's strategic partnerships with various companies generate revenues and also enhance the brand image of the company. For instance, in February 2012, Expedia announced a new global strategic partnership with Asia's largest carrier, China Southern Airlines. The agreement, which represents the first-ever global partnership between the two companies will make China Southern's fares and inventory available on all full-service Expedia websites in North America, Europe and Asia, as well as through corporate travel provider Egencia, Hotwire, and eLong. Further, in December 2011, Expedia entered in to a new multi-year agreement with United Airlines through which travelers booking on Expedia.com and Hotwire will have access to all United and Continental fares, schedules and inventory.

Partnership agreements like these help Expedia to increase its online hotel product offering services, which could lead to more customer traffic, which in turn, augers well for the company's future growth.

Threats

Heavy reliance upon travel suppliers and other intermediaries

Expedia dependence on its travel suppliers and other intermediaries is very high which offers it a weak bargaining power. A substantial portion of Expedia's revenue is derived from compensation negotiated with travel suppliers and global distribution system (GDS) partners for bookings made through its websites. Over the last several years, air and hotel travel suppliers have reduced or in some cases eliminated payments to travel agents and other travel intermediaries. In addition, as the company's hotel remuneration varies with the room rates paid by travelers (Average Daily Rates, or "ADRs"), to the extent ADRs grow more slowly than anticipated or decline, its revenue for each room sold will generally be proportionately lower. The company also witnessed a significant decline in ADRs, which began in late 2008 and continued into 2009, and negatively impacted its hotel booking revenue. Any further decline in ADRs could negatively impact its hotel booking business further.

Sluggish global economic recovery

Travel expenditures have direct correlation with personal and business discretionary spending levels. It tends to decline during economic downturns. The current economic environment has significantly deteriorated consumer confidence and discretionary spending. The slowing of the domestic and global economies has increased unemployment and reduced the financial capacity of both corporate and leisure travelers, thereby slowing spending on the services it provide. In the US, the consumer confidence is down and being hit by both property slump and rising prices of food and fuel. Americans seem cautious and are not willing to increase spending, one of the reasons why the pace of the recovery is estimated to be more subdued than in the past. According to the World Economic Outlook projections January 2012 by IMF, the global activity expanded by 3.8% in 2011 and is forecast to expand by 3.3% in 2012 and the downside risks continue to predominate. Furthermore, due to the sovereign debt crisis, Euro zone has experienced a recessionary trend in the recent past and is still struggling from the crisis. Thus, the worsening of domestic and global economic conditions could adversely impact Expedia's businesses and financial performance.

Regulations and laws could affect the company's growth

The company operates in travel industry which makes it to comply with stringent laws and regulations without fail. These laws and regulations increase the company's compliance cost structure. As the company operates in varied markets, it is subject to comply with both domestic and international regulations. For instance, Expedia's operations are subject to regulation by the U.S. Department of Transportation and various other rules and regulations governing the provision of air transportation, including those relating to advertising and accessibility. With the growing international presence of the company, Expedia is also increasing its exposure to comply with the international laws and regulations applicable to travel agents in every market they operate. For instance, the European Economic Community Council Directive on Package Travel Package Holidays and Package Tours imposes various obligations upon marketers of travel packages like Expedia, such as disclosure obligations to consumers and liability to consumers for improper performance of the package, including supplier failure.

The company's heavy exposure towards both domestic and international regulations might increase its compliance cost structure, which in turn could put pressure on margins.

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