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Expedia Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Sir. We will now begin the question-and-answer session. (Operator Instructions)

Our first question comes from the line of Imran Khan from JPMorgan. Please go ahead.

Imran Khan - JPMorgan

Yes. Thank you very much for taking my questions. Dara, two questions. First, about booking fee. I think you talked about a 12% decline in tickets sold and one of your competitors had a 44% increase in tickets sold. So, trying to understand how much of that is size, versus how much is because they are discounting, they are not taking the booking fee and that's helping them to grow the business in your opinion. And would you consider removing the booking fee?

And my second question is regarding advertising. Could you give us some color as to what kind of trends you're seeing on cost per click and the traffic conversion rate from the advertising? Thank you.

Dara Khosrowshahi

Sure, Imran. As far as booking fee goes, it's difficult to tell exactly what portion of the share loss that we are seeing is due to booking fee and/or the overall momentum of the business.

You'll remember that we increased our booking fee, maybe a year ago on Expedia from \$5 to \$7, it was around mid-year. And since then, we have seen some share loss, not just relative to price line, but relative to the OTA category in general.

January, we saw reversal of that share loss, a pretty sharp reversal, but January is just one month. So, we don't know whether that's a continuing trend or not, but it's certainly a good trend.

And when we try to break down the share loss compared to the revenue gain from the increase in the booking fee, we still think it's a net positive from a revenue contribution standpoint.

Now, all that said, we are not happy with our unit volume growth in the air segment. We are watching it very closely. And you've seen us experiment a ton with booking fees last year. We are going to be taking a hard look at all aspects of our air business and booking fee as part of it. So, I don't think that the book is by any means closed as far as booking fees go.

On the advertising areas, the trends in general, the traffic trends have been quite good, especially in Europe. CPCs, we have certainly seen pressure come on the CPC area, and advertising and

media segment along with ADRs coming down. So, average daily rates for online travel agencies, in general, have come down. They have self-corrected as far as what they are willing to bid and Google and other direct channels including TripAdvisor.

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