

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

## Expedia Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator Instructions) Your first comes from Mark Mahaney – Citigroup.

#### Mark Mahaney – Citigroup

I wanted to just ask about the hotel booking fee reduction elimination and some of your thoughts into why you initiated that? How do you think about balancing that verses the air fee reduction? Which is more important to you, do you think, as a driver of overall business?

#### Dara Khosrowshahi

As far as hotel fees, in general, we have been working, I'd say, over the past year and a half certainly, to reduce reasons why consumers come to our site and don't book. Why they may search and they might go to another site and book. And of the consumers who come to our site and don't book with us, but book some place else around 3/4 book with supplier direct and 1/4 book with call it other competitor OTAs. So in general we've been trying to remove reasons why consumers don't book.

On the air booking fee side, that has always been its consumers see it. We have millions of consumers who had booked on our site despite the air booking fee, but we determined that based on the economic conditions, etc., consumers were becoming more price sensitive and we thought that a promotion on the air booking fee made a lot of sense.

On the hotel side, obviously hotels is the biggest part of our business and we have been, for example hotels.com, had been decreasing its hotel fees over time, eliminating change cancel fees so this was just kind of another action along a long-term path. We have to be competitive on price, both as far as the base fees that we negotiate with hotels and as far as other fees that we charge. And in a competitive marketplace, you have to do what it takes in order to get consumers to come to your site and book.

I know that there has been some confusion on the financial ramifications of these actions and, while we're not going to talk about we are going to do, I can certainly size it for you. On the air booking fee, our best estimate suggests that for the month plus that we didn't have the air booking fee that we had air booking fee at zero that cost us on a net basis around \$3 million for that month.

And for hotel fees as well to the extent that we keep hotel fees at the levels they are now, I'm not saying that we are, but to the extent that we do, we don't have a lot of data on consumer response on that but we think it will cost us a similar amount on a monthly basis as the air fees do. So that's kind

of where we are. And what we'll do, obviously we'll let you know to the extent that we take any actions one way or the other.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.