

Skift Presents: The Airbnb Threat

Who will ultimately win the
online travel battle?

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Everything Airbnb Just Launched

Airbnb Plus:

Hotel-Like Homes

2,000 listings in
13 destinations
worldwide

Goal by end of 2018:
75,000 listings in 50
destinations

Loyalty

Programs:

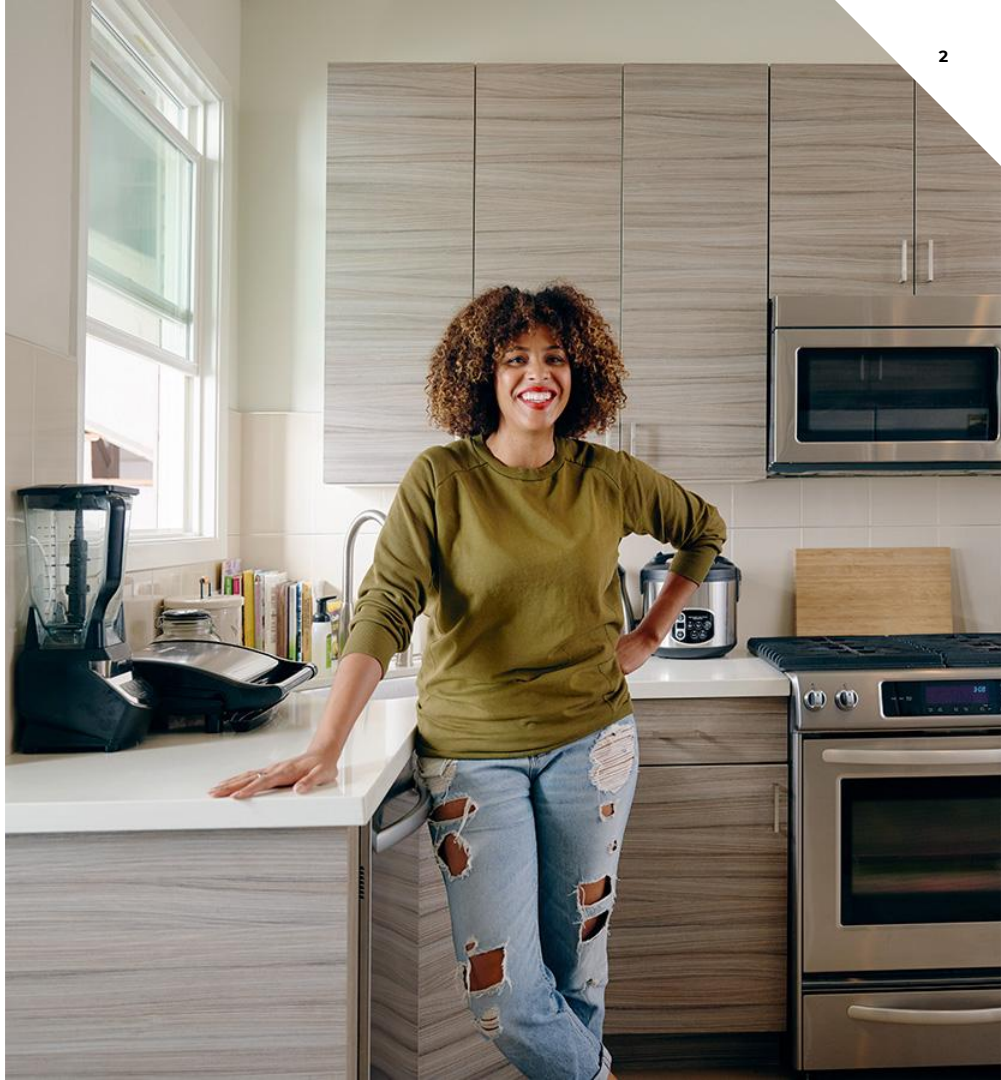
Superguest (and
Superhost)
Summer 2018

Beyond by Airbnb:

The Evolution of
Luxury Retreats
Summer 2018

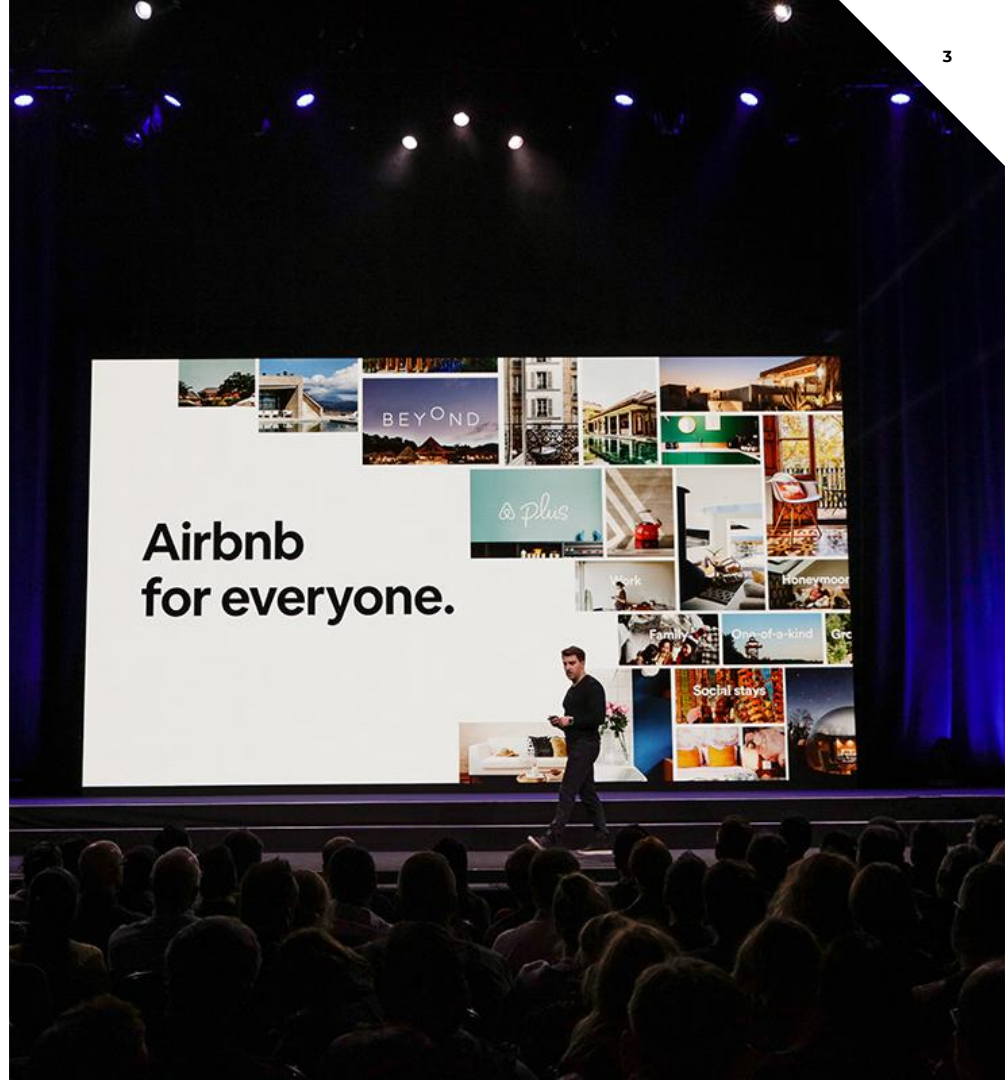
Past: Experiences, Resy
(restaurant reservations)
Integration

Future: Services,
Transportation, Aviation

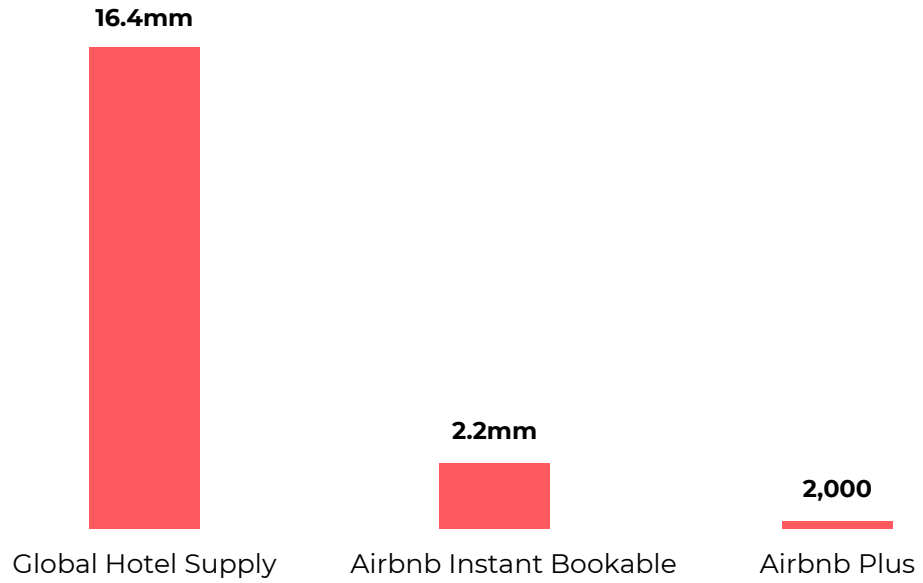


Airbnb's Hotel Strategy

1. Undercut Booking and Expedia
2. Don't require contracts
3. Develop tech tools (i.e. SiteMinder partnership) that make it easy and seamless for hotels to advertise their rooms on Airbnb
4. Target boutiques and independents, and avoid "mass-produced" hotels
5. To date: 24,000 hotels (less than 1% of all listings)



Airbnb's Hotel-Like Supply Is a Fraction of Global Supply

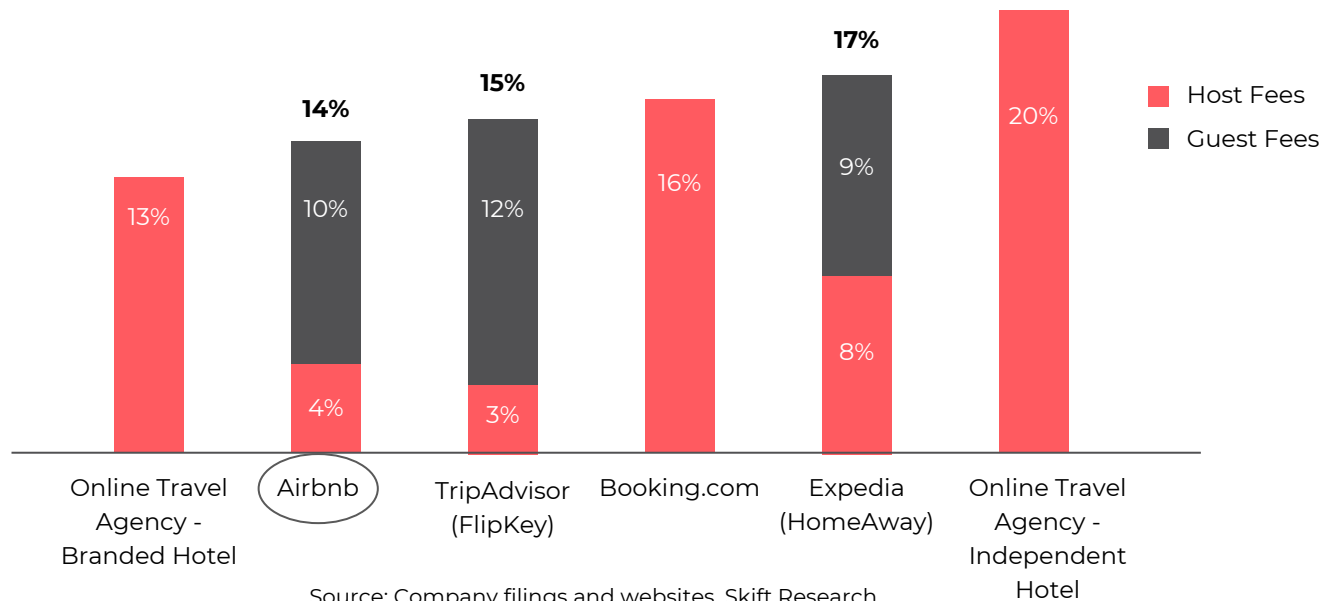


Source: Wyndham 10-K Filings, Airbnb

Commission Rates

	<u>Homesharing</u>				<u>Hotels</u>	
	Airbnb	Booking.com	TripAdvisor (FlipKey)	Expedia (HomeAway)	OTA - Branded	OTA - Independent
Host Fees	3% to 5%	12% to 20%	3%	8% or \$499 annually	10% to 15%	15% to 25%
Guest Fees	5% to 15%	0%	8% to 16%	6% to 12%	0%	0%

Midpoint of Host Fees and Guest Fees



Why Airbnb Is an Opportunity for Hotels

1. Another soft brand option
2. Possibly lowers management and franchise fees long-term
3. Additional marketing and distribution channel
4. Increased competition in distribution lowers fees for everyone
5. Unique way to enhance guest relationship



Issues in the Airbnb Versus Online Travel Agency Battle⁷

Strategies

Super Brand: Airbnb has a flawed strategy to become a Super Brand without chain hotels. The Airbnb brand/community is a competitive advantage.

Inventory: Airbnb is the leader with 4.5 million “listings” versus Booking’s 1.2 million properties, but Booking is coming on strong.

Instant Booking: Airbnb and Expedia’s HomeAway are playing catch-up with Booking, where all accommodations are instantly bookable.

Business Model: Airbnb’s lower commission will be advantageous in onboarding hotels, but its traveler fee is a loser.

Digital Smarts: The Airbnb user experience is far superior. Booking and Expedia spent \$10 billion between them on advertising, sales and marketing in 2017. Does Airbnb have the war chest?

Skift Takes

Expedia and Ctrip are already Super Brands with full-service offerings, and Booking is transitioning into one. The online travel agencies have a two-decade head start.

Airbnb has an inventory advantage in alternative accommodations, but the online travel agencies are ramping up. Airbnb Plus is a competitive advantage in enhancing consumer trust.

Airbnb will eventually catch Booking in the instant booking race.

Airbnb’s distribution strategy can potentially pressure Booking and Expedia’s commissions, but the online travel agencies can adapt. If Airbnb abandons its traveler fees, then it would have to raise commissions.

Airbnb’s user experience advantage is real, but it is not a competitive moat. The online travel agencies have a scale and experience advantage in executing in search engine marketing.

Big Spenders

Booking and Expedia each spent around \$5 billion on advertising, sales and marketing in 2017, an increase of around 21 percent. Booking's spend is more efficient. Booking's EBITDA margin was 38.8 percent in 2017 compared Expedia's 11.5 percent.

Booking Holdings	2016	2017	Increase
Performance Advertising	\$3.47B	\$4.14B	19.04%
Brand Advertising	\$295.7M	\$391.6M	32.42%
Sales and Marketing	\$435.2M	\$561.9M	29.10%
Total	\$4.21B	\$5.1B	21%
Expedia			
Selling and Marketing	\$4.36B	\$5.3B	21.30%

Online Travel Agency Malaise?

There is no widespread online travel agency malaise. Instead, it is mostly an Expedia problem as it invests in and integrates HomeAway, struggles with its Trivago unit, and adapts to hotels' direct-booking campaigns.

Expedia

Stock Price: Expedia's stock price of \$112.22 (3/9/2018) is down 7.6 percent since January 2. It is down 29.6 percent since a 12-month high of \$159.50 July 24.

Revenue 2017: \$10.6 billion, a 14.7 percent increase

Net Income 2017: \$378 million, a 34 percent increase

Room Nights 2017: 312.1 million, up 16 percent.

Booking Holdings

Stock Price: Booking's stock price of \$2,170.61 was up 21.6 percent year to date. That's close to its 52-week high of \$2,177.

Revenue 2017: \$12.68 billion, up 18 percent

Net Income 2017: \$2.34 billion, up 9.63 percent

Room Nights 2017: 673.1 million, up 20.95 percent.

How Airbnb Could Win the Online Travel Battle

Airbnb's Advantages:

1. Community
2. Brand recognition and awareness
3. More homesharing inventory than Booking and Expedia
4. Better mobile app integration that isn't just limited to accommodations
5. Better value proposition for hotels who want to use its platform

Risks:

1. Deteriorating relationship with its hosts; host fatigue
2. Overextending or distracting itself with endeavors that are outside of the core business
3. Not enough accommodation supply (both alternative accommodations and traditional hotels)
4. U.S.-centric executive leadership team

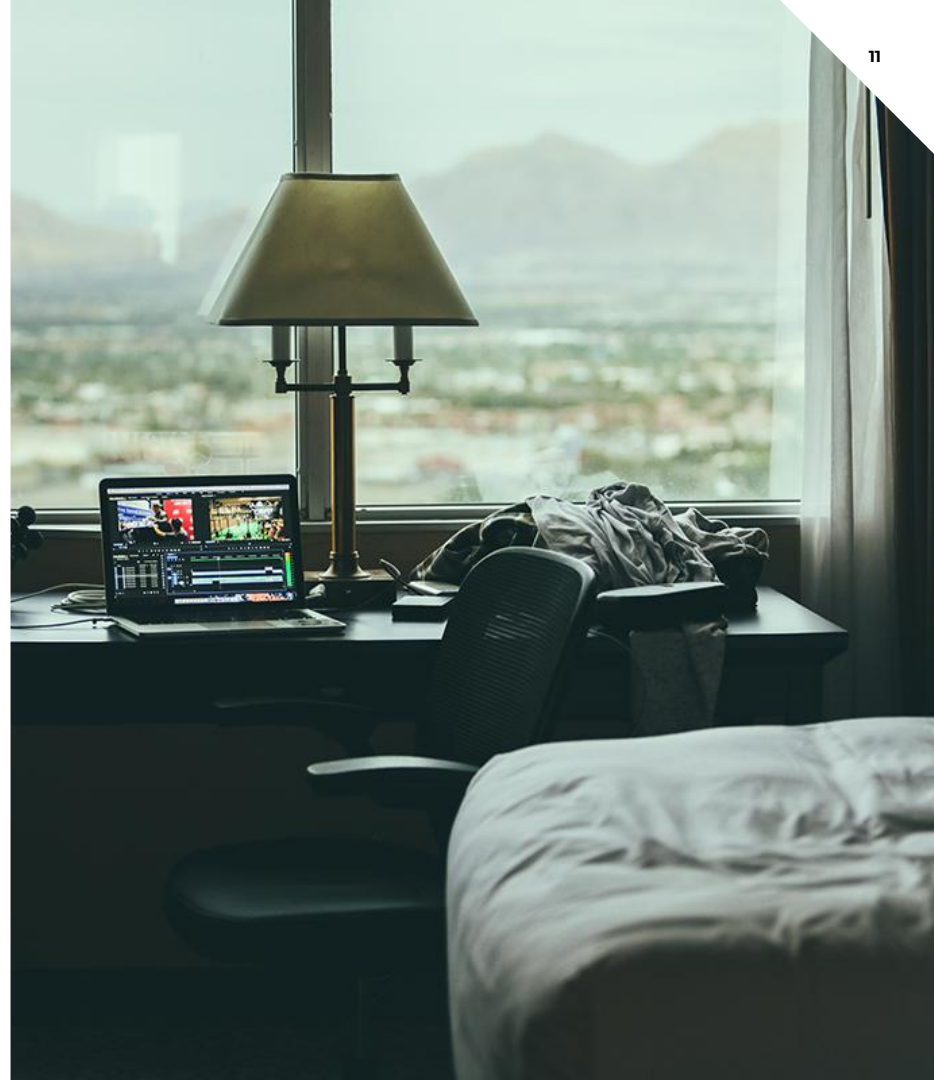
Hotels: Winners or Losers? Or Both?

Why Hotels Win:

1. Increasingly more options in terms of distribution
2. Increasingly more options in terms of marketing and reaching your consumer
3. Increasing more brand options with which to affiliate

Risks:

1. Additional supply could create pricing pressure
2. Scoop up independents and reduce soft brand demand
3. Improved consistency and quality could appeal to business travelers



Q&A

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