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

#skiftcall
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

#### Homesharing

<table>
<thead>
<tr>
<th></th>
<th>Host Fees</th>
<th>Guest Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbnb</td>
<td>3% to 5%</td>
<td>10% to 15%</td>
</tr>
<tr>
<td>Booking.com</td>
<td>12% to 20%</td>
<td>6% to 12%</td>
</tr>
<tr>
<td>TripAdvisor (FlipKey)</td>
<td>3%</td>
<td>8% to 16%</td>
</tr>
<tr>
<td>Expedia (HomeAway)</td>
<td>8% or $499 annually</td>
<td>6% to 12%</td>
</tr>
</tbody>
</table>

#### Hotels

<table>
<thead>
<tr>
<th></th>
<th>OTA - Branded</th>
<th>OTA - Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTA - Branded</td>
<td>10% to 15%</td>
<td>15% to 25%</td>
</tr>
<tr>
<td>OTA - Independent</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Midpoint of Host Fees and Guest Fees

<table>
<thead>
<tr>
<th></th>
<th>Host Fees</th>
<th>Guest Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbnb</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>TripAdvisor (FlipKey)</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>Booking.com</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Expedia (HomeAway)</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>Online Travel Agency - Independent Hotel</td>
<td>20%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Company filings and websites, Skift Research
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 Battle

**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?

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**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.

<table>
<thead>
<tr>
<th>Booking Holdings</th>
<th>2016</th>
<th>2017</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Advertising</td>
<td>$3.47B</td>
<td>$4.14B</td>
<td>19.04%</td>
</tr>
<tr>
<td>Brand Advertising</td>
<td>$295.7M</td>
<td>$391.6M</td>
<td>32.42%</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>$435.2M</td>
<td>$561.9M</td>
<td>29.10%</td>
</tr>
<tr>
<td>Total</td>
<td>$4.21B</td>
<td>$5.1B</td>
<td>21%</td>
</tr>
</tbody>
</table>

| 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
Empower your team.
Future proof your business.

research.skift.com

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New Skift
Research Report:
Decoding the Modern Vacation Rental
Technology Landscape

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