Future of Travel Booking

By Dennis Schaal

Interviews with CEOs of the world's top online booking companies

Skift Books
2014

THE FUTURE OF ONLINE TRAVEL BOOKING

By

DENNIS SCHAAL AND SKIFT

Published in 2014 by SKIFT

115 W. 30th St.
Suite 1213
New York, NY 10001
USA

On the web: skift.com

Please send feedback to jc@skift.com

Publisher: Skift
Editor: Jason Clampet
Production Manager: Matt Heidkamp

Table of **Contents**

04 Introduction

05 About Skift

06 Interviews

07 Darren Huston, **Priceline**
17 Steve Hafner, **Kayak**
23 João Ricardo Mendes, **Hotel Urbano**
29 Greg Marsh, **One Fine Stay**
35 Roberto Souviron, **Despegar**
41 Javier Pérez-Tenessa, **eDreams Odigeo**
47 Brian Sharples, **HomeAway**
53 Marina Kolesnik, **Travel.ru**
61 Adam Goldstein, **Hipmunk**
67 Chenchao "CC" Zhuang, **Qunar**
71 Gareth Williams, **Skyscanner**
75 Deep Kalra, **MakeMyTrip**
81 Dara Khosrowshahi, **Expedia**
87 Stephen Kaufer, **TripAdvisor**
93 Sam Jain, **CheapOAir**
99 Steve Singh, **Concur**
105 Barney Harford, **Orbitz**

109 **Thank You**

Introduction

The forces shaping travel booking are swirling as much as they ever have since the first online booking engines arrived on the scene in the mid-1990s. Advances in mobile apps, the mobile Web, metasearch, digital marketing, user-generated content, on-the-fly same-day bookings, TV advertising, personalization and push notifications are all forcing the leaders of online and mobile travel companies to rip up their playbooks and rethink how they will lead their customers down the hopefully streamlined path toward the almighty transaction.

This collection of CEO interviews with the people who are most influencing the global online travel scene is unbelievably timely and unprecedented in scope as it captures the thinking behind their strategies in process to cope with – and sometimes lead -- the next wave of changes in the transformative future of travel booking.

You would never be able to get all these CEOs together in a conference or meeting room, but here they are in this book expounding on their visions and sometimes answering tough questions about their track records.

For example:
Read how Priceline Group CEO Darren Huston dishes on why he isn't crazy about the gamesmanship of travel metasearch despite the fact that the company plunked down nearly $2 billion to buy Kayak in 2013. You can read about how the Priceline Group doesn't want to necessarily own the entire travel cycle in the way that TripAdvisor aspires, but Huston is indeed bullish on the company's latest business flourish – becoming a B2B tech provider to the hotel industry.

In this book, HomeAway CEO Brian Sharples discloses how the leading global vacation rental site intends to preference displays on its sites to force sometimes-reluctant vacation-rental owners to make their properties online bookable.

Read closely as Expedia Inc. CEO Dara Khosrowshahi explains how the world's largest full-service online travel agency deals with an explosion of data and the transformation of travel marketing from the "pull" of search engines to the "push" of Expedia's ScratchPad notifications. And oh yes, the new Orbitz loyalty program really isn't a loyalty program, Khosrowshahi says.

TripAdvisor CEO Stephen Kaufer says he envisions the "coexistence" of mobile apps and the mobile Web "for the foreseeable future" and explains why TripAdvisor is not becoming an online travel agency despite the fact that it is prodding travelers to complete their bookings within TripAdvisor's own apps and on its sites through Instant Booking.

In India, MakeMyTrip CEO Deep Kalra points out that the online travel agency is now following a trend among U.S. travel booking sites to ease search and booking from device to device, and platform to platform.

And from Russia to China and Brazil, the CEOs of the biggest online travel agencies chart their country- and company-specific paths to winning over customers as they come online or download the latest travel apps, grabbing a ticket toward the future of travel.

Sit back and enjoy as the best and the brightest in the global travel industry offer a glimpse of the future, or at least, as they envision it will come to be.

—Dennis Schaal

About **Skift**

Skift is the largest industry intelligence and marketing platform in travel, providing news, information, data and services to all sectors of the world's largest industry.

Based in New York City, Skift has deep experience in identifying and synthesizing existing and emerging trends, in its daily coverage of the global travel industry, through its Skift Trends Reports and its data insight from the SkiftIQ competitive intelligence service.

Skift has deep experience in identifying and synthesizing existing and emerging trends, in its daily coverage of the global travel industry, through its Skift Trends Reports and its data insight from the SkiftIQ competitive intelligence service.

"Great content, great data, passionate people. Tomorrow's news today!"
- Larry Pimentel, CEO, Azamara Club Cruises

"Congratulations on Skift, I love it, I love everything about it."
John Wallis, Global Chief Marketing Officer, Hyatt Hotels

"As a 20 year vet of tech and travel, Skift has become my must read of the day."
- Michael McDowell, head of innovation, Hertz

"Simply love you guys. The freshest cogent ideas / POV's come from your team. Thanks."
- Christopher Baer, head of innovation, Marriott

"Talk about a gap in the market. Not sure where we in the travel industry got our news, insight & analysis from before Rafat created Skift."
- Chris Boden, former head of innovation, Lonely Planet

"I really like Skift."
- Sadiq Gillani, Chief Strategy Officer, Lufthansa Group

INTERVIEWS

Darren Huston
Priceline

"TV advertising was a natural outcome because Google is having harder times growing as fast as we need to grow ..."

Darren Huston
Priceline

Darren Huston, the CEO of the Priceline Group, admits that he and his team are data junkies and in parsing the data, he offers that Google is the Group's most efficient marketing partner, more effective than Bing, Yandex, Baidu and, by implication, even Kayak.

Still, **Huston** says the Priceline Group's Booking.com, Priceline.com, and Kayak have supplemented digital marketing with television advertising, where data metrics are less transparent. "It was a natural outcome in some ways because Google is having harder times growing as fast as we need to grow, so we're sourcing demand from more and more varied places," Huston says.

In a sit-down with **Skift** in Los Angeles about the future of travel booking and related topics, Huston says he's as gung-ho about the Priceline Group's acquisition of Kayak as his predecessor, Jeffery Boyd was, and he mentions that "Kayak has actually, if anything, proven to be a more important part of the Group than I would have ever thought.".

Still, **Huston** is fairly dismissive of price-driven metasearch in general and the now you see it, now you don't pricing games that are endemic to lot of metasearch sites.

In that regard, **Huston** compares Booking.com to Amazon, offering that metasearch isn't the optimum marketing arm for either. "If you're a player like Booking.com, just like Amazon doesn't love book metas, it's not that the largest player on accommodations would love to sell his product through hotel metas," Huston says.

On other topics, **Huston** says the Priceline team respects companies, such as Uber and Airbnb, that are in "high gear" and takes motivation from them; is in "constant discussions" with HomeAway about working together but "It just takes time and the bar that we're holding out is that things [vacation rental bookings] need to be instantly confirmable, immediately bookable," and is bullish about the Priceline Group's entry into the digital marketing and technology side of the hotel business.

On the OpenTable acquisition, Huston says the purpose wasn't "to say we're going to own all of travel" -- as TripAdvisor is trying to do -- but was very complementary with Booking.com. OpenTable was "built on B2B that needs B2C competencies. For Booking, we're really B2C and we're building out B2B competencies for the long tail with Hotel Ninjas and Buuteeq and these other acquisitions. It's a really nice marriage in terms of we're both trying to learn and build going forward."

An edited version of the **Skift** interview with Huston follows:

Skift: One of the questions I had, of course, was about mobile. What are the opportunities that you see in terms of owning the customer and also the challenges in terms of conversion and people booking shorter stays than they might be on desktop. How do you look at it?

Darren Huston: There's one theory that mobile is a highly incremental channel. There may be some truth to that when you get to last-minute booking because maybe the person would just have walked into the hotel in the past. Really it's much less about the incrementally of the channel because I think now you've gone from the reality of a single device world to a multi-device world for most consumers.

I always viewed mobile as like a computer in your pocket. If everyone's got a computer in their pocket, which has become a reality in a very short period of time, that creates all kinds of opportunities. That's always the place to start in just assuming that most people are showing up experiencing travel with the computer in their pocket.

Certainly there's been a lot of shift of bookings that originate on mobile versus originate on desktop, but most of our guests are connecting with us more than just during the booking. They're also taking the confirmation with them and they're wanting their mobile devices to do more things. That's really the opportunity looking forward and it's still very early.

An article just recently came out rating Booking.com's mobile apps as the best apps in travel. That's very satisfying to me because we've invested a lot of time on the plumbing. It's not a small amount of work. It's one thing to just create an app, it's another thing to make it actually work and connect itself in this multi-screen world. Like if you book on the desktop, my iPhone will shake because I've made a booking and it's registering in my app.

Now, a lot of that great plumbing -- and that's across the brands -- is mostly done. Some of the smaller brands have more work to do to finish the plumbing, but the next wave we're focused on is how do we innovate in terms of the end-to-end experience and what are the innovations that are critical for the customer beyond just a transaction.

Skift: Expedia and Orbitz just announced that they were using Checkmate to send hotel confirmations to the customer, who can tell the hotel when they are going to check in and their preferences. Is that in the cards for you as well?

Huston: Kayak actually also is doing some things with Checkmate, but I think of that as a scenario among many scenarios. We were working on lots of things trying to figure out what the right thing is. When you do things with technology that require the front desk to do something, it's even more challenging because front desks are not all made alike. There's a lot of turnover and there's a lot of training that needs to be done to provide a consistent experience from a hostel to a high-end hotel to a B&B. There's a little bit of that that always makes me a bit nervous, knowing the practicalities.

We tried many, many things, but there's a lot of scenarios that don't necessarily require the front desk, including insider guides, which we now have for many of our destinations. It includes things like I arrived at the train station, how do I get to the hotel? It includes things like great restaurant reservations and other things that don't necessarily require front desk engagement. I think it's really early to know what are going to be the main things that make a difference. We certainly intend to be one of the scale players to make it happen.

Skift: In your third quarter earnings call you talked about the Priceline Group's TV advertising as being a breakthrough because it reduces your reliance on Google. One question I have is do you think that was overstated in terms of reducing your reliance on Google given the amount that you still spend on Google paid search? And the other thing is the TV space is so competitive and now we're seeing that millennials are changing their habits about watching TV, so how do you see this whole thing playing out?

Huston: It's overstated as being anything sudden. It's

certainly overstated that people think that we don't have a huge and very critical relationship with Google. It's overstated if they think that what we were trying to do was to lower our reliance on Google. It was a natural outcome in some ways because Google is having harder times growing as fast as we need to grow, so we're sourcing demand from more and more varied places. That includes now doing offline marketing which is another form of demand generation. We, as a company, love Google search.

Skift: You sort of have it down.

Huston: Yes, because Google is the most data-driven, the most sophisticated advertising marketplace for people who have products that are really good products that convert well.

When you go down from Google and you even get into Bing or Yandex or Baido and then you get into the metas and things, the marketplace has become less good. Each of them is improving, but they are harder to buy from and then you go all the way to the extreme offline marketing, which for us is like ... We're data junkies, so offline marketing is like this thing ... We ultimately want tons and tons of data.

Even now, I don't feel so comfortable if you came to me and said, OK, take your couple of billion dollars and shift it all onto TV. That's not a bet I would want to make today. We like it. We have a pretty good sense of how it's working, but it's never a replacement for us from really great marketplaces for direct response marketers, which has really been the strength of the company.

Skift: Speaking of metasearch, what role do you think metasearch plays in the future of travel booking given what it seem like the relatively measured pace you're taking in investing in Kayak and its international growth? I get the feeling, tell me if this is wrong, that you view metasearch and Kayak as less central to the growth of Booking.com and Agoda than perhaps then-Priceline Group CEO Jeffery Boyd did when he acquired it in 2013.

Huston: No, Kayak has actually, if anything, proven to be a more important part of the Group than I would have ever thought. Partly it's they're not just an accommodation meta. They're really a primarily flight meta that has other elements to it. They've got a very large audience. They do extremely well in mobile. They've got a great product. They've got great engineers. As being part of the Group, it's been fantastic for us. Luckily, they also like to operate profitably. We've never believed that any of our businesses, whether it's meta or Booking.com or Priceline.com, that the right strategy was to try and lose a bunch of money to then build a big audience to then hope to make a bunch of money. That's just never been ...

Skift: Which is different than some of your competitors.

Huston: Yes, exactly. That's the environment we operate in. We have to kind of stick to our own knitting. We obviously defend very aggressively in all the channels to make sure we get our fair share and increasing share. We'd like to win not through constantly buying customers, but more creating experiences that customers want to have. That's been the belief.

I think that across the Group we believe in creating great products that people actually want to use and great customer experiences. That will, at the end of the day, carry the day. That's a more valuable way to create a long term sustainable business than being in the market every year having to re-buy your customers. You could call that a philosophical difference in terms of us versus a lot of others in the industry. But in terms of Jeff's and my view of meta, it's not too different.

If you're a player like Booking.com, just like Amazon doesn't love book metas, it's not that the largest player on accommodations would love to sell his product through hotel metas. If things are just coming down to price, we have great pricing, but we have a lot more to offer than Joe Blow's hotel company X. Because we've got now an end-to-end experience. We treat our customers well. We've very honest in our pricing. A lot of pricing on meta is, when you see price differences, a large majority of it is not real. It's taxes, exchange rates. You click through and it seems to be a different

price than what the display was. It tends to have a lot of games. There's some real savings there, but there's a lot of games that go on. We like blue links. We like selling experience versus selling things. We also believe there's a large body of customers who are looking for value more than just saving a dollar on a hotel room.

Skift: It's funny. I interviewed Qunar CEO Chenchao "CC" Zhuang and he said it's all about price. Customer loyalty is about price and customers' wallets.

Huston: To some degree, at the extreme, everyone would say that. The other thing about travel, which is a nuance, is that if you want to go stay in Paris and you're trying to do it on a budget, does it matter more that a specific hotel is 220 Euros, 218 Euros or 216 Euros, or that you've got 4,000 hotels to choose from and you want to find the exact one that may be 150 Euros.

It's not like buying the Harry Potter book and there's just the Harry Potter book. Savings on travel comes through assortment and being able to find the right thing at the right price. It's critical for everyone, but it's not so narrow as saying I absolutely have to stay in this place so then let me find the cheapest way to stay there. It's almost more about I want to have enough assortment to make sure I find for my needs the right place to stay.

Skift: You mentioned end-to-end booking or end-to-end solutions. Now, you have OpenTable in your portfolio. You got the restaurant reservations now or you're building restaurants but one hole seems to be in tours and activities. Do you envision filling that gap? Is that important to you or is it more of a distraction in terms of the growth of Booking.com?

Huston: I think, first of all, it's important to differentiate between end-to-end experience in terms of a traveler looking, booking and staying, which is within a product. Then somebody will refer to end-to-end as being that I want to own all the pieces of travel.

We've always believed that the specialty store approach was stronger than the department store approach because by having the world's leader in rental cars, the world's leaders in accommodations and then letting them buy an EasyJet or Ryanair, that's a way people travel which would be more like a specialty store versus saying I'm going to own all the pieces so whatever you need, you want a taxi or whatever, you just pick from it.

It's not to say that that isn't necessarily a strong strategy and there are people who play that strategy, but our move into OpenTable was really not primarily to say we're going to own all of travel. That's why the activities question is an important question which is that's another interesting point to travel. Does the customer want to buy that when they buy their hotel? And what are the things they want to buy when they are at their hotel?

I could see if I'm buying a lodge by a ski hill it would be really nice to pre-book my ski lift tickets and I'll just stand in line. That's a value-added thing, but do I necessarily want to buy the hop-on hop-off bus when, as soon as you walk out your door, there are 17 people standing there with machines and it takes about five seconds? That's the thing that has to be thought through.

But we really entered the restaurant space not because of the link and the cross-sell. It was much more a really large marketplace with very familiar characteristics to the long tail of accommodations, cash flow businesses, businesses in need of great software, a company that was really built on B2B that needs B2C competencies. For Booking, we're really B2C and we're building out B2B competencies for the long tail with Hotel Ninjas and Buuteeq and these other acquisitions. It's a really nice marriage in terms of we're both trying to learn and build going forward.

Skift: I wanted to ask you about Buuteeq and Hotel Ninjas and what you're doing there. What are your ambitions there and how is it going? Do you see yourselves competing with Sabre Hospitality, Micros and TravelClick in the hotel tech space?

Huston: We don't think about who we're competing

with. We think about, as we say OK, we've got a lot of hotels that still do stuff, either on paper or they want us to fax the things. They have very little technology expertise or they've been sold by a bunch of vendors and they got all these disconnected systems. They're all client server and they're just confused and kind of angry about it.

We thought that instead of being just being another player that does that, why don't we try to move a step forward because we're an Internet company and we'll try to build a software stack that is connected at a lot lower cost than exists in the cloud, particularly for lower-end accommodations, but also for chains. Could we start with amazing websites that help people be proud of their site, but also be able to do some bookings directly because a lot of them struggle with this, and do that across multiple screens. That's the beginning of it.

The longer-term vision is, what are the other elements of the software stack? Can we do it in a way that can save hotels a lot of money? Is there a large group of partners who are willing to lean in with us on that proposition? Right now, we're basically consolidating the teams. We're figuring out to make sure we've got a great next version of the product, testing sales rhythms, things like that, and then early in the New Year there'll be more to talk about.

I'm very bullish about it. It will be a good line of business, but more importantly, I think it will help deepen our relationships with our partners. I think a lot of people who are leaning in to our model trust us to say, hey, these guys know a thing or two about websites. If it's my brother-in-law to build my website, maybe I should ...

Skift: Think about it?

Huston: Maybe I'll take a run with somebody else. It also shows we're not afraid. The outcome is not all bookings go to Booking.com. There's always going to be a strong direct business and hotels deserve to get some of that. We hope to be a trusted partner from a software standpoint in helping them bridge towards that.

Skift: Do you go to new hotel customers with both products i.e. we'll build your website and provide distribution? Is that how it's going to work?

Huston: Yes, the primary rhythm is always distribution. Our account managers are spread all over the world. They'll be able to do the basics of saying, by the way, who built your website? Would you be interested in seeing some things that we've done and join us for a call and get a better understanding? Then we'll have specialist that know what they're really talking about in depth in terms of making that happen.

The early signs of this are very, very positive. It's the people. The world was complex enough when it was just a website, but now when it's like mobile and everything else and all these vendors selling in from left and right and center, people want somebody to be able to explain this to them and find them a cheap way to really feel like they're participating in this changing industry.

Skift: Right, so they can focus on running the hotel.

Huston: Yes, and at the end of the day, when a hotelier is saying, what does it take? First, you want to get all of that out of the way. If you really want to win just run a great property because the Internet is so transparent now. If you run a great property and get great reviews, we will bring people from everywhere in the world. You'd be surprised. People will show up from China, from Indonesia, Canada, wherever, and they will show up at your doorstep. It's not because your website is amazing or anything. It's because you run a great property and you differentiated yourself.

If you run a bad property, the Internet is very ... In the old world I might just visit the hotel once in my life and if I had a bad experience, there were no repercussions. Now, if people have bad experiences and they do verified reviews, it can be quite penalizing. For consumers, it's great because staying is getting better and better and better because the reviews and everything are a self-reinforcing mechanism that rewards great product.

Skift: Alibaba just invested $457 million in a hotel tech company and Alibaba rebranded its travel product as Alitrip. What do you expect out of them in travel? Do you think they're going to be a major player in China and elsewhere?

Huston: I don't know. What I do know is that travel is way harder than people think. Sometimes really large players get into it and then it takes some hard knocks to figure out what it takes because it's different than selling a physical product. In a way, your product is something that somebody else controls and there's a lot of work that has to be done to manage expectations, deal with customer service etc. I know for sure China is a very dynamic environment and all the big players there, Alibaba, Tencent, Baidu, they all have different stakes in the game. What we are proud of is we've partnered with Ctrip, which are the other people who really do the hard work. The Ctrip folks know exactly what it takes. That's why they're winning because they know that it is at the end of the day about customer service, a great product, about how you balance demand and supply.

By the way, I think Alibaba will play in travel. They're a huge source of demand. We'll see where it all ends up. They've been with Taobao Travel for awhile. They basically just rebranded it. There's a lot of work to do and we're more than willing to work with them, as well, if they're willing to work with us in how to figure some of this out. It's just not as easy as setting up a store front and opening up a warehouse and starting to ship stuff. It's a very different business.

Skift: I don't really know how to ask this, but I just will.

Huston: Sure.

Skift: What do you think of HomeAway? I'm always curious. Do you view HomeAway as not really a kindred spirit to the Priceline Group in terms of their lack of technology prowess or the number of properties that aren't bookable online?
Huston: No, not at all, actually. I have a lot of respect for what they've done. They've been basically on a roll-up strategy. I think Brian [HomeAway CEO Brian Sharples] runs a great company. We're in constant discussions. It's not like they don't want to work with us or something. It just takes times and the bar that we're holding out is that things need to be instantly confirmable, immediately bookable. That's a pretty high bar in the vacation rental industry, but we want to stick with that bar because we think that is ultimately what the consumer wants.

We're in discussions all the time on how do we achieve that together. We happen to start most of our vacation rental efforts in Europe and they are much stronger in the United States. I think there's plenty of potential for us to work together. I don't know a lot about the company in depth, but the model they have seems to work. Brian knows totally that the model they have reflects the industry of today and he needs to transform to where the industry is going tomorrow. I respect him for that. The vacation rental market is far over-supplied. There's too little demand. If you try to book it, it becomes very difficult.

Now us coming down with the Booking.com model, Airbnb coming up from the bottom with this peer-to-peer model, and HomeAway sitting there with the largest inventory, it makes it interesting. I think for sure the vacation rental space in the next, let's call it, three to five years, is going to transform dramatically. Brian and his team aren't sitting still on that. I respect that.

Skift: They're getting very aggressive about trying to bring people online. Sharples will say it -- forcing them online almost.

Huston: Yes.

Skift: I remember a year ago, when Jeffery Boyd was still CEO, we were talking about Airbnb. He seemed to take sort of a standoffish approach in terms of, yeah, they're interesting, we're definitely interested, we're watching them, but until the regulatory issues are worked out, we're not going to touch something like that. Has anything changed in the last year or do you feel that way as well?

Huston: Certainly we have a different approach to the product we put on our site. It's hard to play in gray. We don't just say, hey, you guys have to deal with it, the guy said he was legal. If governments, others, tell us that this product isn't legal, then we have to take it off.

The benefit that Airbnb is giving us is that world has always been kind of gray. It's sort of, what are the rules? Even different branches of different governments have different opinions on whether things are legit or not. In a way it's helping us because they and HomeAway are rewriting the rules. If the rules can get at least everything black and white, then we'll know what's white in the sense of legit. That helps us go down the pyramid into that space. So in that respect, it's very helpful.

I have a lot of personal respect for all the companies in the sort of new consumer-to-consumer commerce area. I think they work hard. I think they've got a great site. That keeps us going because we're always looking for people in high gear. It motivates our team and it is like, OK, these are guys that we want to keep pace with and continue to move.

The world of Silicon Valley always talks ahead of itself. Our company always talks behind itself so we don't announce new things we're doing. We're not boisterous about we're going to do this, we're going to do that, we're going to own the world. We like to build it up so we're here ...

Skift: You'd rather own it first.

Huston: Yes, we are very different, personality-wise. By the way, Jeff and I are both very similar in that way. I'm a very understated ... We just do our jobs and then we deliver and then we talk about what we've done. We don't say we're going to do this and let's see if we get there. I always have respect for companies in high gear. In the Internet, if you're not in a high gear, you can think you're great, but very soon you won't be so great, and that's the most important thing.

Skift: Uber is certainly in high gear.

Huston: Yes, yes.

Skift: It's incredible the way they've transformed how we get around.

Huston: Yes. That is a disruptive move even more than others I've seen because I think of the taxi waiting area at the airport. I think of those poor souls sitting there for three hours to pull up and then somebody says I'm just going to the hotel around the corner. The times I've done that, I feel so bad. You can even see them get visibly angry. They've been sitting in the taxi waiting area for three hours and they get like eight bucks or the guys who stand to wait for the plane and the plane is an hour late and all that. It's an amazing play using mobile that is really disrupting an industry and we'll see where it ends up.

Skift: Globally.

Huston: Yes. There's not high barriers to entry. There's a lot of players, but I respect it. They created a nice buzz around the opportunity.

Skift: Absolutely. How long are you going to be the CEO of the Priceline Group and CEO of Booking.com. Don't you have enough to do with running the Group?

Huston: My mother and my wife accuse me of always taking on too much. To be honest, I've learned that it provides a really unique perch in the way that the Group has evolved. We are a portfolio of six brands, but Booking is so much bigger than the other five brands that being at the head of that helps identify the synergy that can help the other brands.

Even though we run things very independently as a team, there's more and more cases where maybe we should help out this way. Maybe it's translations. Maybe it's an office. Maybe it's something. And I'm in a good position to judge. Going from the extreme of saying, everyone just operate on your own, to doing a little bit of connective tissue. I'm in a good position to understand how far do we take that without compromising what's made the Group great.

As one of the bigger questions that I have as the Group CEO is what is the balance of significant independence with just a little bit of smart connection between the brands? I don't find the Group work that taxing. I have a great COO at Booking, Gillian Tans, who really runs the day to day and that's given me an opportunity to also be a good sparring partner with the other CEOs. Our culture is they don't really listen to me, but we have really good ...

Skift: I don't believe that, first of all.

Huston: The truth is they really don't, but we have good … I don't get forced to break ties that often. We actually have a lot of fun as a group. We talk about deep topics. This is a very competitive industry and these guys are all self-made in their own way because they've all built up companies that then got purchased. We're a good group of people to be thinking through some of the tougher issues that we face as the industry continues to evolve. I'm humbled, frankly, to be the leader of that group of people, but it does feel like a group of peers versus a standard reporting relationship.

Steve Hafner,
Kayak

"TV historically has been a way to reach a mass audience; it's for building reach. But it is not very focused, not very targeted, and it's expensive. And that expense has grown over time as the audience has migrated away from TV."

Steve Hafner, **Kayak**

When you think about the current state of travel booking in the U.S., it doesn't take brain surgery to figure out that TV advertising and its brand-building powers are definitely an integral part of the equation for the largest companies.

But when talking to **Steve Hafner,** co-founder and CEO of Kayak, you learn about the inefficiencies of TV advertising and how it may be losing some of its punch given the preference of the younger generation -- be they the much-wooed millennials, teens or pre-teens -- for streaming programming on their own myriad devices.

Kayak, a travel metasearch site, isn't abandoning TV, but it is looking to de-emphasize it a bit in favor of mobile and online advertising, which shouldn't come as a huge surprise for a company that was acquired by the Priceline Group in 2013.

If that is somewhat contrarian, when you listen to Hafner discuss direct bookings within Kayak apps and on its websites and how the company, which pioneered such bookings within the metasearch context, is now downplaying this option, you want to scratch your head because Hafner's saying things that are the opposite of what he might have said just two or three years ago.

Contrary to what just about everyone else in the travel industry is saying, Hafner says Kayak is now seeing increased booking conversions when it transfers users to airline or hotel sites instead of keeping them on Kayak, and he swears this changed outlook has to do with improvement by third-party sites and has little to do with the fact that Kayak is now part of the Priceline Group with its portfolio of booking sites.

As is his habit, Hafner can be fairly candid. Asked whether TripAdvisor's launch of personalized hotel recommendations this week is a harbinger of things to come across the travel industry, Hafner says it is -- but just not in the manual way TripAdvisor is doing it.

Skift spoke with Hafner about what he sees as the future of travel search and travel booking, and what life is like within the Priceline Group.

An edited version of the interview follows:

Skift: With so much TV advertising by the big online travel agencies and Kayak taking place over the last few years, is TV advertising becoming an integral part of the future of travel booking? Is it a must-have?

Steve Hafner: I don't think it's a must-have for travel brands. I think it is a part of the marketing mix for a lot of companies. All companies are getting more sophisticated about where they spend their marketing dollars. If there is a return on investment for TV, then great, we'll spend money there. If there's not then we'll shift the spend. TV historically has been a way to reach a mass audience; it's for building reach. But it is not very focused, not very targeted, and it's expensive. And that expense has grown over time as the audience has migrated away from TV.

Marketing dollars are still mismatched between where consumer behavior is versus where marketing dollars go. I suspect you'll see total TV spend go up over time just because that is the only mass-audience medium that's out there. If you look at Kayak, for example, we are trying to put more of our money online, not offline.

Skift: And that's because consumers are moving away from TV?

Hafner: There's a whole demographic that doesn't watch TV in a standard format anymore. I've got 14-year-old daughters. They don't watch TV. They watch programming but they watch it on their own devices. And they consume it when they want to. They don't sit down for a 6 p.m. segment to watch a show. That's great for marketers if they can figure out how to target those people based on the demographics on their devices and across devices it's highly efficient.

Skift: And are you doing some of that targeting?

Hafner: We are trying. No one has yet solved the holy grail of one-to-one marketing to consumers across their devices and across apps versus desktop versus the offline environment. Facebook is the latest to try with their Atlas program. We are just as eager as everybody else is to have someone solve it.

Skift: Kayak was the first metasearch site to do direct bookings in your mobile apps as a way to solve the clunky handoffs to third-party sites and to increase conversions. How do you see direct booking on search sites evolving? What is changing about it?

Hafner: It's funny as everyone else is rushing into it we're backing off of it. At Kayak we never actually wanted to be the place where people finish their travel bookings. We only did that as an interim step because other travel partners' websites and mobile applications were so bad. That's really not the case anymore. The best place to buy an American Airlines' ticket is actually on their own website or via their own app. It's not to buy it on Kayak or on Expedia for that matter.

Skift: Are you backing off of it because Kayak is no longer independent and you are part of the Priceline Group, which has all these booking sites, including Booking.com, Agoda and Priceline.com?

Hafner: Not at all. I can see how outsiders might think that but actually what we are trying to do is to enhance conversion, which is the ratio of times a consumer completes a transaction versus starts to complete it. A year-and-a-half ago when we launched Kayak booking if you found something you liked through our app and wanted to book it and we handed you off to an airline site or a hotel website to do that the conversion was terrible because the handoff was clunky, not good. So we created the Kayak booking experience.

But what we found over the last year-and-a-half is that has really changed a lot. Now we actually see higher conversion if we hand them off to a third party for that third party's inventory than if we keep them on Kayak.

Skift: That seems to be totally bucking the trend because lots of metasearch companies are moving toward direct bookings.

Hafner: Yes. It used to be if you used Kayak we tried to keep you within the Kayak experience. But a careful observer would look at our hotel results now and see that we don't do that.

Skift: TripAdvisor launched personal hotel recommendations the other day. They had the beta for it for awhile. Do you think this sort of personalization will become the norm over the next few years and what are the challenges with that?

Hafner: It will become the norm but not the way they [TripAdvisor] implemented it. The reality is that the most effective personalization is when you don't ask a consumer to do anything explicit. What they are asking you to do is to tell them you like four-star hotels that have a pool, that have free Wi-Fi or are in the city center. Most consumers don't want to do that. What they'd rather do is scan through a list of hotels and then pick the one that they like. What you don't know is why they picked that.

What we're working on is the observational stuff, which is let's look at the hotels and flights that consumers engage on and let's try to derive machine-learning on what consumers are actually telling us by their behavior, and use that to inform what we show the consumer the next time.

Skift: Is that something you are doing now or something you are working on?

Hafner: We are doing it now but we are not doing it well.

Skift: So then what are the challenges with doing it well?

Hafner: The challenge is just scale. You have to get a lot of consumer observations before you can form a hypothesis to test. And that's an area, frankly, where TripAdvisor has an advantage over us, which based on the current implementation it doesn't seem they are capitalizing on. The more you use us the smarter we can get in suggesting hotels for you. Right now, due to cookie deletion and low registration rates we can't always tell that it is you using us.

Skift: What about cookie deletions? What is going on there?

Hafner: Cookie deletion rates have stayed pretty constant over the years. The trend is that people are consuming content or conducting their queries over multiple devices and platforms. As a result it used to be your home PC got 50% of your queries and your work PCs got the other 50% and you deleted your cookies on both every 30 days. But now what is happening is you are doing a search on your home PC, then you go into your tablet, then you go into your smartphone, then you go to your work PC. Our ability to see all your behavior is a lot harder now than it used to be.

Skift: You referenced searching across multiple devices. What are the trends you are seeing there that will influence the future of travel search and travel booking?

Hafner: The big trend is that the desktop business is, if not fully mature, then declining. Consumer behavior is almost all occurring now on smartphones. Even the tablet market growth has slowed to single digits, at least in mature markets. All of our thinking is going into the mobile experience and being able to take advantage of the consumer's location to inform the product and the features of that product.

Skift: Are the larger sizes of smartphones screens helping the product?

Hafner: It totally helps. You can always do more with a bigger screen. I think like with TVs, they just got bigger over time. It used to be that people thought a 13-inch screen was big, then a 20-inch screen, then a 27. Now we are looking at 70-inch screens and bigger.

I don't think mobile phones will go that big [laughter]. I just upgraded from an iPhone 4 to an iPhone 6. There's no way I would go back. My guess is that a year from now if I were using a 6 Plus there's no way I'd go back to a 6. I think it is just natural that over time people will gravitate to a larger screen size and that's good for all of us.

Skift: So in terms of travel booking then from what you are saying the role of the smartphone vis-à-vis the

tablet and the desktop is changing?

Hafner: Tablets are for consuming content. People are in very couch-potato mode on tablets. They are not on e-commerce mode. Whereas on the smartphone, from what we see, they are in e-commerce mode. They are ready to look and buy. And given the advantage of knowing location for the consumer you can do a lot of fun stuff that we are just beginning to scratch the surface of.

Skift: I remember speaking to you a few months after the Priceline Group acquired Kayak and you were talking about how you thought you'd really get great advice on how to expand internationally and how to pick and choose your spots. I'm wondering about these mobile trends that we are talking about in terms of how they may differ from country to country as you try and build your business abroad?

Hafner: It is a huge difference. Take a market like Brazil, for example. People are skipping the desktop and going straight to the smartphone. I don't think our Brazilian business is ever going to be majority desktop. That just means you approach the market differently from a product side and you approach the market very differently from the marketing side.

Skift: And that would hold true in places like India, as well, right?

Hafner: Yes.

Skift: What are some new things we'll be seeing from Kayak? Are we going to be seeing some restaurant recommendations floating in there?

Hafner: You are alluding to the OpenTable addition to the Priceline Group, I presume. I don't think people come to Kayak to look for restaurant recommendations or to facilitate that. I think we will have some of those touch points for cross-selling and up-selling where it makes sense. Booking.com may choose a different OpenTable integration than Kayak. But I don't think you are going to see a restaurants tab on Kayak.

Skift: How about a vacations rental tab or do you already have that?

Hafner: We have that. Darren Huston, our Priceline Group CEO, every time he asks me about restaurant reservations on Kayak, I ask him about adding flights to Booking.com. There might be some synergies out there but I don't necessarily think they will be between OpenTable and Kayak.

Skift: Kayak has been part of the Priceline Group now for something like 18 months. You are not naive about these sorts of things in terms of your experience. But what have been some of the big surprises?

Hafner: I had no real knowledge about how great a company Priceline was. That sounds sort of silly to say because their market cap is so big and the P&L is so big. But I really didn't have a feel for the management team there and their processes until they acquired us. Until then they were just a customer of ours, and a big customer, to be sure. In many respects they were a competitor of ours, too, in terms of consumer eyeballs. Interacting with them now on a management level, you just get such an appreciation for what big thinkers these guys are and their ability to execute on multiple priorities internationally. It is just amazing. I sound like a suck-up right now but it is very humbling for me. You know me; I have a pretty big personality. But these guys are far more skilled than I am and far humbler than I am. On a personal level, that's been a major reset for me.

Skift: Anything you'd like to add about where Kayak is heading or the future of travel booking?

Hafner: My crystal ball is no clearer than anybody else's. What we are trying to do here is just to stay on top of consumer sentiment and trends and develop a product offering that appeals to them. But it is still so early in all this stuff.

João Ricardo Mendes,
Hotel Urbano

"Before Hotel Urbano they traveled once or twice a year. Now we are making them travel more than three times a year. That is the main trend we are working on."

João Ricardo Mendes, **Hotel Urbano**

João Ricardo Mendes, founder and co-CEO of Rio de Janeiro-based Hotel Urbano, the leading hotel online travel agency in Brazil, is nothing if not confident. Mendes says Hotel Urbano, which raised $50 million in venture capital funding in a Series D round in March, plans to go to the well again in the first quarter of 2015 and raise perhaps triple that amount before going the IPO route a year or two later.

Mendes says he has the utmost respect for the people at Booking.com, but warns Booking.com and Expedia that although "they may be a shark in the ocean," Hotel Urbano is "a crocodile in the Amazon River."

Rhetoric aside, Mendes details how Hotel Urbano is using Big Data to uncover travel intent and is generating so much demand that its customers tend to book travel every 100 days or so, a frequency that is much greater than the norm in the travel industry.

The Hotel Urbano founder says the site is educating the Brazilian public about online booking and getting customers accustomed to using its mobile app while discouraging call center bookings, and all of this is taking place as the Brazilian economy and its hotel market is undergoing fairly spectacular growth.

Skift discussed these issues, and others related to the future of travel booking with Mendes.

An edited version of the interview follows:

Skift: What are some of the trends you are seing when people book hotels on the Hotel Urbano website, app or through a call center, and how is it all changing?

João Ricardo Mendes: I think a huge trend is not just the way people book hotels, which is very similar to any other online travel agency. Ever since we started Hotel Urbano four years ago, we have been able to monitor and track the behavior of every single potential traveler. So at Hotel Urbano we have quite a different approach than the traditional OTAs. If you already know you want to go to New York you can go on Booking.com and book a hotel. The same with Expedia and Hotels.com. At Hotel Urbano, 35% of our business comes from these kind of clients who already knows the place they want to go. But what we are doing that is very different from most of the OTAs around the world is creating demand for travel.

We have one of the biggest travel brands [second largest behind Disney] on Facebook with all of this travel intent. We don't only have the big travel brand on Facebook with 12 million likes. We are monitoring that behavior and we are seeing what they are sharing and querying no matter if it is not connected to travel. Through that we create over 400 kinds of patterns. We can see whether you want to go to a Japanese restaurant or a concert on Sunday, and whether you travel to any place on a given weekend. From this we create marketing for people who didn't even think of traveling before.

In terms of the way people book their travel, I don't see any trends in terms of differentiation. But, I do see a lot of trends -- and we are working hard on those trends -- in terms of the way we make people travel. We are making people travel a lot. Our average time between orders is 96 days, which is very good for the travel industry. Probably before Hotel Urbano they traveled once or twice a year. Now we are making them travel more than three times a year. That is the main trend we are working on.

Skift: Once you see on Facebook that someone is interested in traveling to a particular city or a certain restaurant how do you lead them to the booking stage?

Mendes: We call that a virtuous cycle at Hotel Urbano. The first thing we do at Hotel Urbano is track user behavior. Of course people focus on the 1% who convert and we also talk to the 99% who don't convert. We try to understand why they don't convert. We have a lot of things to do. The first is make them become fans and then we understand their behaviors.

A lot of people talk about Big Data. Big Data goes far beyond static data. The hard part of data is to create patterns is dynamic data because that changes every day, it changes every year. Then we start to understand how you interact the most. There are people who interact the most with push notifications, there are people who interact the most with email marketing. Even that changes.

Skift: What percentage of people book on your website, your apps and maybe through call centers? How does that break down and is that changing at all?

Mendes: The mobile market in Brazil is still at a very early stage even if we are the second biggest emerging market in the world. We have over 200 million people and over 250 million smartphones, but only 1% of those smartphones have Internet access. We try to get people friendly with our apps even if they don't buy.

For instance, if you want to go to Salvador or Miami and you arrive at the hotel and have Wi-Fi access and you want to upgrade your room you can speak 24/7 with our customer service center. Six months ago our revenue from mobile was zero, three months ago it was 2-3% and last month we had 9% of our revenue come from mobile.

One of our main differences at Hotel Urbano is we have over 700 employees, including 200 engineers, and we are improving our apps and our mobile strategy every day. Not just to increase our bookings through the app and through the mobile website today, but to make people download our apps and make them comfortable with our app.

We our changing our government, hopefully with a new president this month, and the Internet, digital and mobile penetration for the new middle class will grow. We have more than 80 million people who now have credit, have access for broadband and Internet. Even if they are a new middle class, they have a net income much higher than China, India and other emerging markets so there is much more to come. In my humble opinion it will take two to three years and we want to be very well-positioned. Today, our main source of traffic and revenue still comes from the website.

Skift: What about call centers? You are saying that more people are booking on the website than are booking through call centers?

Mendes: Our call centers are just for questions. We want to change the market. We want to educate the market. We are unlike Despegar, which has a huge demand for flights, and most of that is done through call centers. I know that we are losing some business from people who love the call center. But we still try to make all of the experience for people who are picking hotels, whether it is in Dubai or in Brazil ... We are trying to educate the market that we are a technology platform, that we are online. If you want to call we are there 24/7 to help you, but we will show you, train you, teach you to make your order online.

Skift: Can you tell me how Hotel Urbano is changing? In the beginning, weren't you much more of a deals website and now you are broadening things out? What can you say about that?

Mendes: In 2004, we started an e-commerce company. We learned that flights, in my opinion, is not a good piece of the market. By 2010 we started a deals website. A lot of companies like Groupon and LivingSocial came to Brazil. One of the things that made a lot of sense were hotels. We started to deeply study the market and realized that there were 35,000 hotels in Brazil and this number will almost double by 2016.

And we started Hotel Urbano, as a website focusing on hotels. With our deeply local knowledge, and making people travel more, we are doing a great job with Big Data and we realized we could create an online travel agency. And we can beat players like Booking.com, Hotels.com.

We can be a huge player here, connecting the dots, with all of our knowledge in the second biggest emerging market in the world. We can be the number one player in hotels by far. We have over 8,000 hotel partners in Brazil and we have over 8,000 to 10,000 waiting to be part of the club. We also have 200,000 hotels worldwide, which we use brokers to get like GTA and all of these guys.

We are getting one piece of the cake, which is the demand that already exists, and we are getting the other piece of the cake, which is the demand we are creating.

Booking.com's search engine marketing strategy is amazing. They have a better conversion rate. So they are able to outbid other players. But the main thing is their availability is amazing. We are making hotels profitable, some of which have a cash flow problem. And we are solving those kinds of things 12 months a year so our value proposition for those hotels is amazing.

Skift: You mentioned Booking.com. What would you say your competitive position is in Brazil in relation to players like Booking.com and Despegar. Where do you stand?

Mendes: On Booking.com, we are big fans of the company. We are very close to Priceline and all of the Booking.com team. I've learned a lot from those guys. People ask me when is Booking.com coming to Brazil, and I say, 'Guys, Booking.com has been in Brazil for over 10 years.' They are very strong for Brazilians traveling internationally and vice versa for international travelers coming to Brazil. But for Brazilians traveling in Brazil we are by far far the biggest one.

Despegar is a huge player. Most of their top-line revenue comes from flights, maybe 85%. Their net revenue may be 35% from hotels because the margins are so much bigger than flights.

Have you seen the documentary, Crocodile in the Yangtze: the Alibaba Story? It's about Jack Ma about 15 years ago when eBay was going to China. And [Alibaba CEO] Jack Ma said something very interesting -- and I use their words for us a lot -- he said, "eBay may be a shark in the ocean, but I am a crocodile in the Yangtze River. If we fight in the ocean, we lose. But if we fight in the river, we win." So basically, I believe we power knowledge, we power the relationships with the hotels, we power low-cost, we power an understanding of our base. We can be the Alibaba connecting these dots. OK guys, global players like Priceline and Booking.com and Expedia: They may be a shark in the ocean. But we are a crocodile in the Amazon River.

We are very well-positioned and bullish about the years to come. We are going to have almost 1 million hotel rooms in Brazil, which is almost double what we had when we started Hotel Urbano. We have a lot of room to grow, and I do believe we are going to be the biggest player by far in the Brazilian market and then in the Latin American market. And hopefully, one day we will be bigger and go international.

Skift: You had a $50 million Series D funding round in March. What did that do for you and how are you using the money?

Mendes: We are cleaning house, getting ready for an IPO. We still have plenty of money on the balance sheet. We are close to break even. In Q1 we are planning to make a big private placement, a pre-IPO in Q1 of next year. We are going to bring in some very good investors. We already have Accel, Tiger Global and Insight Venture Partners. We are going to bring maybe two more guys around the table. It is going to be very strategic for us. That is going to be our biggest round by far, probably three times bigger than the biggest one we already had. We still have all of the money we raised from the last round we had. But we are going to be more aggressive in some ways, including mobile. In two or three years from now, we are going to be ready to be the number one player in the mobile environment in Brazil.

Greg Marsh,
OneFineStay

"By no means does that mean that every segment of the market is willing to pay the extra premium for that differentiated and quality-assured and curated experience, but it is actually a pretty meaningful slice of the accommodations market."

Greg Marsh, **OneFineStay**

Greg Marsh, co-founder and CEO of UK-based OneFineStay, says all of its upscale vacation homes are bookable online, and a majority provide instant confirmations, although plenty of guests take advantage of call center support both during the booking process and their stays. OneFineStay loans out iPhones, with its app preloaded, to all guests, and the company's service teams use the app, as well, to manage the guests' stays, Marsh says.

Marsh has lots to say about the value propositions of "the scale guys" such as Airbnb, and the "differentiated guys" such as OneFineStay, which offers a relatively hands-on upscale experience, and what that means for the emerging megatrend in alternative accommodations.

On the regulatory front, Marsh believes that the laws governing peer-to-peer rentals are getting liberalized in many jurisdictions, although OneFineStay supports laws that limit accommodations being transformed into de facto hotels, which has the detrimental effect of taking housing off the market. Over the latter issue, "street skirmishes" will continue for an extended period, he believes.

Skift discussed the future of travel booking as it relates to the peer-to-peer market and vacation homes, as well as other issues, with Marsh.

An edited version of the interview follows:

Skift: I thought some of the trends we might be able to discuss regarding accommodations might include curation, personalization and mobile. I realize that is a mouthful but what trends are you seeing in these areas or others and how will they affect the booking of vacation home rentals?

Greg Marsh: I think curation is certainly a huge component, not only of our proposition, but of what we see as being one of the next phases of the market, which is the emergence of differentiated vendors. In the first instance, whenever a category or new market emerges you have the scale guys, the guys who consolidate, who aggregate demand and aggregate supply and provide a solution for everybody -- even if it is not a perfect solution for everybody.

As markets evolve and mature, you see the emergence of more specialized vendors who have a more particular segment's needs in mind. In a case like OneFineStay, very much our bread and butter is servicing the needs of a group of travelers who are not just looking for a functional solution to an accommodation experience, but who are looking for an exceptional way to experience an urban center, who are looking for a curated and quality-controlled experience.

By no means does that mean that every segment of the market is willing to pay the extra premium for that differentiated and quality-assured and curated experience, but as with every market there are people and, in the case of travelers, it is actually a pretty meaningful slice of the accommodations market, who are willing to pay for that experience.

Skift: And what about things like personalization and mobile? What role do you see them playing?

Marsh: We think about mobile as being something that goes way beyond distribution. On the distribution side we, like most businesses, are seeing a growing portion of our discovery and exploration traffic coming from people who in the first instance discover us from a mobile channel or explore the brand from a mobile experience. There is no doubt that is an important component of our inbound traffic. Sometimes that is from a small pocket device, sometimes it migrates to a tablet. Usually we find it converts to a desktop or laptop screen rather than converting on a cell device, partly because we have a higher price-point product.

However, mobile goes far beyond that in two dimensions for us. The first is smartphone technology is very much the key to how we deliver our service experience. OneFineStay is not a digital business only. We certainly do distribute digitally, but a lot of what we deliver as a service is a hospitality experience guests enjoy when they come into town. That includes not just meeting them when they arrive and providing clean linens and a beautifully prepared apartment. It involves all the beautiful boutique toiletries and the fluffy towels. From a mobile perspective, it goes to us lending them a smartphone during their stay. We give every guest an iPhone with our app pre-installed on it and they can use it without paying data roaming while they are in town.

To deliver that local service to guests, our service teams all make use of the OneFineStay app in very much the way Uber drivers make use of the Uber app. We extensively depend on mobile and smart apps to operationalize our service infrastructure.

Skift: Do call centers play a major role in your business? You said people aren't booking on their smartphones and some are booking on their desktops. What about call center support?

Marsh: From the early stages of the business we've had a fully staffed team. For the moment that team is based in three time zones and we support guests wherever they are in the world. A good proportion of folks who book with us do interact with a human being. And the reasons for that are partly because it is a complex, unusual new travel experience. It is a new category of travel and so they often have questions and require support during that purchase funnel. And also partly in our case because it is a high price-point product. While some of the information is available on the site people often have bespoke requests and we

can help them fulfill those requests. We have always thought that being there 24/7 for customers both before they book, during that purchase process and of course during their stay is integral to the high-end service that we deliver.

Skift: You referenced the scale guys that are providing the one-size fits all product, and I guess that would be Airbnb, and you think of OneFineStay as the curated guy, as one of the differentiated guys. But I guess all of the players in this market have to confront the trust issue in a peer-to-peer business. How are you dealing with some of those issues and any legal pressures that you might be facing and the industry faces from various jurisdictions in the U.S., the UK or wherever?

Marsh: The good news is that the trends are progressive and favorable in every market where we operate. We've seen in the last six months, in particular, the French government liberalize the use of short-term rentals provided they are residences rather than them being effectively just a transiently utilized pied-à-terre. We have seen the UK government announce just in the last couple of months and they have now published legislation that liberalizes the use of short-term rentals and gets rid of a law that's been around since 1973 and totally no longer fits the purpose. We have seen a variety of other cities in the U.S. announce or implement more liberal regulatory regimes and practices. So I would say the trend in general is in favor of enabling homeowners to make more use of primary and secondary homes while they are traveling.

Where I think there is going to be an ongoing street skirmish is around taking properties out of the residential market and turning them into de facto hotels without planning consent. And that is going to remain a problem in pretty much every market. Frankly, we share the concerns and sensibilities of local or municipal authorities in respect to that kind of activity. That certainly isn't our business. We are a company that's only around to manage residential homes and places people actually live. This ultimately is an idea whose time has come. It makes more use of scarce resources in city centers. The most enlightened municipalities are aware of that and are on board with the program and we are very supportive of attempts to make sure this is done in a conscientious and well-balanced way that is in harmony with the needs of residences and travelers.

Trust is an enormous barrier for many homeowners. In addition to it being a big step to take, it's your home, your pride and joy. In our case for OneFineStay, these are properties that typically have a multi-million dollar value. So clearly someone has to go through a real emotional journey to get comfortable, not only with the facts that the guests are going to treat the place properly, but that we are going to respect and honor that investment they are making with us. And that's why it's always been integrated into our business. When we first engage in conversation with homeowners we meet them in person. We go visit them in their homes. We get to know them as human beings. We get to know what they value and what's important to them. When we service their homes it is our teams that go into them on every occasion.

Similarly, when we accept bookings from guests we are making a decision based on guests' behavior, the price they are willing to pay, and sometimes other factors related to their stay and whether we are even going to allow these guest to stay in this home.

Skift: You mentioned you have call center support in three times zones, but are all your properties bookable online, and if not, what will make that happen?

Marsh: They are all bookable online through our site. Most are available through instant confirmation, and a majority of our transactions take place straight through processing. In all cases we are the agent for the owner. We manage distribution and we also work through third parties to help bring those homes to a wider market of potential guests. For instance, we have recently done a distribution deal with American Express Centurion cardholders. We also work with a number of premium travel agents internationally.

Skift: HotelTonight recently expanded from same-day

bookings to a seven-day booking window because the company needed to enlarge its markets. I'm wondering if OneFineStay's market is large enough for you or whether you envision a day when you will have to stray a little bit from the types of properties that you are currently offering?

Marsh: We started out in London just a hair over four years ago. We launched in New York two years ago. We launched in Los Angeles and Paris late last year. All of those markets are growing at a rate that is always a challenge to keep up with. We certainly have our hands full even in those four markets. However, that clearly doesn't represent the extent of our ambitions or the extent of the opportunity. We are actively making plans to launch in one further European territory in the next few quarters as well as in more than one new territory in the United States. And we'd love to have our feet on the ground in Asia Pacific certainly within 18 months. We certainly think we are only scratching the surface in the core markets.

In terms of how we think of our expansion, we think the vast majority of our opportunity in the near term is doing more of the same without sacrificing quality for scale. There are certainly likely to be other adjacent products, segments or categories that we could address, but right now based on the size of the market opportunity and the rate of our growth we are kind of sticking to our knitting.

Skift: I have some family in the UK so, as they might say, my next question is designed to wind you up a bit. What are some of the complexities in launching a UK-originated business in the U.S. and when are you really going to give it a go? You launched in the U.S. a couple of years ago, and you are in two U.S. cities. And you also talked about how your team has to visit each homeowner before bringing them on board so how scalable is your business, and when are you really going to give it a go in the U.S?

Marsh: Well I would argue that we are certainly more than just testing the waters in the U.S. OneFineStay globally employs more than 500 people. This is a business that depends on a much higher touch service than a pure-play distribution company. In every market where we operate we build a real operation. We have scalable and sizable teams on the ground. And that is our fundamental value proposition.

If you look at major urban centers and where money is spent in the accommodations sector in a city like New York, around $10 billion a year is spent on accommodation of one type or another in the hotel sector. Almost half of that is spent on four- and five-star hotels. So we are not talking about a market niche. We are talking about a large and stable portion of the total travel market in major cities. It is given over to people -- I wouldn't say they are price insensitive -- but they are certainly quality of service and quality of experience sensitive. So our business, when you look at it from the outside in, looks like we are in a small number of cities, but the reality is in each of those markets there is a real big business to build. And we are well on the way to building big businesses.

For us the expansion strategy doesn't consist of letting 1,000 flowers bloom, the expansion strategy consists of nailing markets one by one and getting the product and service experience right everywhere we go. And ultimately making sure that we are building a quality brand for folks who have upscale needs.

Skift: Anything you'd like to add?

Marsh: If I look at the emergence of the nontraditional lodging category more broadly, we are at the beginning of the beginning. This is going to represent a major change in behavior. We have also seen a lot of the distribution-focused mass market businesses, including Priceline, HomeAway, Expedia and Airbnb, all of these guys have very significant war chests and are going to be going aggressively after mindshare and distribution visibility over the next couple of years. When we talk to travel agents, they are telling us people are asking for vacation rentals. They are asking for non-hotel accommodation experiences. Businesses like ours represent the very tip of that mega-trend and it's going to be fascinating to watch this over the next couple of years. As an observer of the industry and from the position of where I'm sitting, it is going to be even more fascinating to be in the hot seat.

Roberto Souviron,
Despegar

"A couple of years ago air was the most important part of our revenue and today it is half of it. We think this trend will continue and personalization allows us to cross-sell much better."

Roberto Souviron, **Despegar**

Roberto Souviron, co-founder and CEO of Despegar, Latin America's largest online travel agency, is running a business that is transforming itself as online and mobile booking for travel products catches on in Latin America, supplementing Despegar's call center business, which is the company's mainstay.

Souviron believes that over the next decade online travel research will translate into a greater percentage of online travel bookings, ramping them up from the current 20% to perhaps half of all bookings.

Founded in 1999 and based in Argentina, Despegar's largest market is Brazil, and it supports nearly two dozen country sites in Latin America, the Caribbean and the U.S. The online travel agency's most recent funding round was $21 million from Sequoia Capital, according to Crunchbase.

Skift spoke with Souviron about the future of online booking in Latin American markets, the competition from homegrown rivals, as well as Booking.com and Expedia, and why Despegar is intent on personalizing its websites and launching new tools to accommodate and spur these trends.

An edited version of the interview follows:

Skift: How is travel booked in Argentina, Brazil and some of your other markets, and what do you see as some of the biggest trends?

Roberto Souviron: Here only about 20% of travel is booked online and we see that's been gaining share. We think it will continue for the next 5-10 years, and will grow into something between this and what it is in the U.S., perhaps 40% to 50%. So that is really the way we are trying to start: to be able to exceed expectations of the new people coming into the online buying habit.

Skift: Does Despegar own its call centers or how do you handle that?

Souviron: Yes, we do own call centers. They are a very significant part of our business. We started 15 years ago and although we started as an online travel agency, the call center was a significant part. And that's been slowly decreasing, but it is still a very significant part of our business.

Skift: Online booking is increasing. And are you giving customers an incentive to book online, are you pushing them online, or are you happy when they phone the call center instead?

Souviron: We are happy both ways and both are acceptable ways of selling travel so that's fine for us. We see a pattern with people for the first time that they do all their research online and some of them call perhaps when it is the first time they are doing their research with our company. But then they contact the call center. The telephone is a good place to attract first-time buyers to try out the company.

Skift: And do you prefer for the second trip with Despegar that these customers do everything online?

Souviron: We would rather have everything online. We think it is much more efficient. We constantly try to innovate and bring new things to our consumers, and the largest opportunities we are seeing on the website is knowing what our customers are searching for and what other things they have been doing, and offering those destinations. It is something we have been working on a lot.

Skift: Do you have any figures on how many people are searching on mobile or booking on mobile, or any mobile revenue numbers?

Souviron: Around 15% of total transactions are happening through mobile, including smartphones and tablets.

Skift: And are you seeing different behaviors on smartphone versus tablets?

Souviron: Yes, the tablets are more similar to PC user than the pattern of the smartphones, which is more like the HotelTonight experience. The booking window is much smaller on the smartphones than the tablets.

Skift: Are you seeing that users are starting their searches on mobile and switching to desktops? Are they switching back and forth?

Souviron: We have integrated profiles a couple of months ago so we still haven't seen too much data on that. But for what we have, yes, we see people coming back and forth.

Skift: For Despegar are apps bigger than your mobile website?

Souviron: They use both, but we try to push for the app downloads because in the end we think it is much faster and a better experience. Web browsing is a big part of total transactions, but we think in the future they will be going to the app.

Skift: Does most of your revenue come from flights or hotels? What's the relationship?

Souviron: It's more or less half and half. Half is air and half is something else. We have invested a lot into a hotel extranet and we say we have the largest network of hotels logging into our extranet, putting availability

and pricing on the extranet and serving it to our users. So that is also something we have been working on.

Skift: How are payments handled? How do people pay for their travel?

Souviron: I would say very similar to other markets. It's mostly credit cards or debit cards and in some cases we have some other means of payment. The main difference is that here most people pay in installments. People are used to it here.

Skift: How do the installments work? If you want to pay for a flight is there a certain percentage that you pay up-front?

Souviron: No, what we do is we have a partner bank with whom they finance their purchase, and then, for example, you can pay in 12 installments.

Skift: Despegar also has an office in Miami, right?

Souviron: Yes, we do have an office there for the Hispanic market.

Skift: Is most of your business outbound travel? Do you sell a lot of inbound travel, as well?

Souviron: For the U.S. it is mostly people from the U.S. going to Latin America. Typically it is ethnic travel, people going back home.

Skift: What about in Brazil, your biggest market? Is it people flying within Latin America and outbound, as well?

Souviron: Yes, domestic travel is huge in Brazil and also regional and international travel is huge. We are a very big player and the purchase pattern is not different than the total market.

Skift: So your headquarters is in Argentina but Brazil is your largest market? How did that happen?

Souviron: Yes, that's right. Just like Booking.com is headquartered in Holland and I'm sure that Holland is not their largest market. Quite similar to the European market where you have the whole market, but each country has its differences. Since the first day, we opened offices in most of the largest countries in Latin America and started operating, and just because the Brazilian market is the largest economy that is also reflected in our volumes.

Skift: Do you see any differences in booking trends in Brazil versus Argentina or other countries in the region?

Souviron: Not really. Perhaps in the Brazilian market since it is larger, the domestic share is larger than in Argentina, where almost 60% of the travel is outbound.

Skift: You talked about personalization and that you are working on that. So many companies talk about personalization but it seems like it is at a very early stage. Can you give any examples of what you are focusing on and how it works?

Souviron: Basically what we've been doing is trying to understand the patterns of users of our websites for each customer and based on that we have several algorithms, and we are trying them out to maximize the conversion rate. And the website suggests some destinations based on these algorithms and really I think that just like with everyone else, it is just starting. But it is very promising and we think it has a lot of potential.

Skift: Is it about recommending certain destinations or a particular kind of hotel?

Souviron: Exactly. In the end, we will make recommendations and we hope what you will find will be ideal for you. And to do that we need to have the intelligence of what other people have bought, how they reviewed it, how they found it out. It is a matter of finding a way to use the data right. We have to find out how the destination is doing, how the service provider is doing. So we have a lot of information available to really digest.

We have also been doing a great job in shifting away from air. A couple of years ago air was the most important part of our revenue and today it is half of it. We think this trend will continue and personalization allows us to cross-sell much better. So that's why we think it is so important.

Skift: Are ancillary services big in Latin America among the airlines and are you doing anything about them in the booking path?

Souviron: I would say they are not important here. I would say almost nonexistent.

Skift: Lucky you. Actually, not lucky you, but your customers are lucky not to have have to deal with bag fees etc.

Souviron: I'm not really well-acquainted with the situation outside, but here it is not very important. I think the GDS (global distribution system) is a strong supporter of that. Although we have a lot of direct-connects, a good part is through the GDS.

Skift: How would you describe your competitive position in Brazil and in some of your other markets? Who are your largest competitors?

Souviron: We have a huge market share. Of the total online travel agency market we have around a 60% market share.

Skift: Is that in Brazil or where?

Souviron: Overall in Latin America, but Brazil will reflect that also. The thing is there aren't many players. For air there are a couple, but I would say their volume is 10 times less than us. So we have 10 times more volume. In hotels, it is more competitive. We have competition from Booking.com and Expedia. There are market share is lower. On packages and dynamic packages we have very good positioning and for cars it is starting to become very good. We have a good platform just like we do for hotels. So we are by far the dominant player.

Skift: Where does Hotel Urbano fit it?

Souviron: It is not clear where it fits in. They started more as competition for Groupon so it was more a coupon that they were selling. Now they've been trying to gain some volume. They've been shifting into a regular OTA business. Now they are trying to sell hotels with price and availability.

Skift: You mentioned packages. Are tour operator packages really big in your markets? How do they fit into the booking picture?

Souviron: We do sell both. The tour operator packages are the already assembled packages and then there are the packages that the customers can put together themselves and get the benefits of the tour operator rates. We are by far the largest player in this field. I would say the packages that people are putting together for themselves are more substantial than the assembled packages.

Skift: I have to ask you about the tax problems that Despegar had awhile ago. Were they settled?

Souviron: I think it is important to clarify that the Argentine fiscal authority hasn't formally notified us of any pending claims. We have declared and paid taxes on time and have no debts with the Argentine fiscal authority. They are working to try to understand our business model and we are helping them on that just like we had done in the past. We are confident that if there is any claim in the future we will be able to solve it.

Skift: Is there anything you'd like to add about trends pertaining to the future of travel bookings?

Souviron: I think the trend we are seeing is that 40% to 50% of bookings will migrate to the online channel. And really since we so much leadership we are going to bring really useful tools not only to buy, but also for customers who want to change a flight or a hotel reservation so they can do it very easily and quickly. That is our main goal: to continue to provide tools to keep customers satisfied. And that way they not only buy for the first time, but that they buy for the future.

Javier Pérez-Tenessa,
eDreams Odigeo

"We see that the frontier between metasearch and online travel agencies will be disappearing. It's the same as you see with some of our competitors."

Javier Pérez-Tenessa, **eDreams Odigeo**

Founded in 2000 as a Silicon Valley vacation-packages startup with two employees, Barcelona-based eDreams Odigeo has emerged as a flight-search specialist that has rolled up five brands in Europe, employs 1,600 people, and executed an IPO in April, although its stock has tumbled and now trades for less than 3 euros ($3.81).

Founder and CEO **Javier Pérez-Tenessa** speaks of the complexities of flight bookings, the one trillion price changes the company monitors daily and the seven billion pricing decisions it makes on an hourly basis as "quite a paradise for a company of engineers, mathematicians and people like us at eDreams."

eDreams Odigeo, according to Pérez-Tenessa, operates in a way that is contrary to a lot of perceptions about selling flights online. eDreams Odigeo, he says, sets many of its own prices because it creates millions of flight combinations that others ignore; it is a high-margin business, and the company reduced the average price that its customers paid by 10% in 2013 despite often charging booking fees.

Skift spoke to Pérez-Tenessa about the future of travel booking, eDreams Odigeo's competitive advantages, its labors in creating a common technology platform for its five brands, mobile trends, and the significant challenges the company has faced since its April IPO.

An edited version of the interview follows:

Skift: Travel companies have been offering flights online for nearly 20 years. How difficult can it be for eDreams Odigeo to offer them something new and different, and where do you think the future of flight booking is heading?

Javier Pérez-Tenessa: eDreams Odigeo has been offering flights online for 15 of those 20 years and every year we improve and add to our product offer. This has allowed us to go from a two-person startup in Silicon Valley to today becoming the world's largest retailer of flights by revenue, based on last year's data, with more than 15 million customers per year.

Flights is the largest e-commerce category in the world and finding the best price is a very complex problem, which we still continue to see. The number of combinations of routes, airports, stopovers and fare classes is very, very large and continues to grow. And we are also seeing a surge in ancillary services such as bags, boarding passes and seats etc.

Just to give you the idea of the size of this, we monitor about one trillion price changes daily. This is quite a paradise for a company of engineers, mathematicians and people like us at eDreams. Just to give you an idea how everything has changed when we started selling flights 15 years ago, travel agencies made all their money from airline commissions, tickets came in paper and had to be shipped to the customer by couriers.

We exclusively sold inventory coming from one global distribution system (GDS), we were price takers and just published prices as defined by airlines in just one country with a significant number of sales coming from offline and call centers. And Google and social media did not exist.

If you look at what has happened, we now sell online over $5 billion worth of tickets in 43 countries, 17 languages, 100% electronic. We are now price-makers; that's a big difference in the model. And we make in fact seven billion pricing decisions an hour, which is a huge number. And 67% of the flights that we sell are not your basic GDS flights. And also airline commissions make very little of our flight revenue.

On the marketing side, we manage millions of keywords in search engines and we have been a pioneer in the introduction of technology that reduces the final price to our customers. We are the first online travel agency to sell large volumes of low-cost airline flights and one of the very few to combine charter inventory and the world's three GDSs.

Every year we've been able to reduce the average price that customers pay us because we find new ways to improve all of our service and last year we were able to reduce the average price that customers pay us by 10% from $617 in December 2012 to $552 [at the end of 2013].

Skift: Is that what you mean by being a price-maker?

Pérez-Tenessa: We do a lot of things. Yes, we set prices. Before airlines gave us prices and we adjusted them and now we decide what price we are going to sell when, and we also combine lots of different inventories and we look for combinations that are different your basic combination. The order of magnitude is very large. We are also making improvements in profits, which is important. We've been doing that by investing in engineering for 15 years and this year we are spending even more. We never have spent more in engineering. We are spending over $45 million [in capital expenditures] so there is no lack of ideas and opportunities to improve the experience of our customers. Can you still do something different? Yes.

Skift: What are some of the major trends that you are seeing?

Pérez-Tenessa: Some of the biggest trends we are seeing is more mobile bookings and more cross-device bookings, starting on mobile and finishing up on the PC or the other way around. Also a vastly increased number of products that we've made available online, partly as a cross-sell of flights.

So anything that has to do with a traditional hotel and there are a lot of new non-hotel accommodations that are starting to be sold, and in-destination products

like tours, etc. We think the future will be a vast array of increased products that you can cross-sell with flights. From a model perspective we will be seeing more of a mix of e-commerce revenues from pure transactions and lead generation. And we see that happening with a number of players. It is happening with us and other players in the industry.

Skift: Can you expand on what you mean by lead generation and how it relates to a model shift?

Pérez-Tenessa: E-commerce is when a transaction happens and you need to take money from someone and give them something in exchange. If you look at us our traditional business has been in e-commerce, but we also have a metasearch part of the business.

Skift: But you split e-commerce and metasearch by brand within your group?

Pérez-Tenessa: A little less than a year ago we bought a brand [Liligo] and we are experimenting with offering metasearch services across all of our brands. And we see that the frontier [i.e. boundaries] between metasearch and online travel agencies will be disappearing. It's the same as you see with some of our competitors.

Skift: So you are not afraid of combining transactions and metasearch's lead-generation on the same sites?

Pérez-Tenessa: No. It gives you more flexibility. There are some occasions when it makes more sense to do e-commerce because you can add more value to the customer. There are other areas where you might have similar value or it will scale faster with a lead-generation business. So you need to look at both the customer side and the company side.

Skift: You mentioned mobile and the fact that customers are starting their searches on one device and maybe booking on another. So what are you doing in that area?

Pérez-Tenessa: In our June report we announced that 14% of our total bookings were done on mobile devices, and that's up from 8% the previous year, and also up from 11% three months before. So the pace at which it is growing is very strong. In 2011 we made two very large acquisitions: eDreams acquired GoVoyages and Opodo. That was the most ambitious European online travel transaction in history because we put together the three largest competitors to create a leader.

All that was great, but it also meant we had to spend a large part of our integration efforts on platform unification. The good part of that is that most of that platform unification is now complete and is fully complete for everything that touches mobile, including mobile Web and apps.

And that has meant a strong acceleration of our mobile bookings and we can finally put best practices across all of our customer base. We think in general that our speed of development will be very strong.

Skift: Everyone talks about flights as being a low-margin business and you have to add service fees in order to make it all work. How do you go out to the consumer with a proposition like that?

Pérez-Tenessa: You have to deliver value. Actually we did not start in flights. We were a vacation packages startup. But we saw that flights were the most attractive thing for us in Europe and based on that we have been a very successful business for 15 years. But we started from nothing. We were two people and were opposed by the largest players out there.

And we reached $152 million of adjusted EBITDA last year, which makes us, to our understanding, the largest [travel] e-commerce company in Europe by EBITDA, and the second most profitable among publicly traded OTAs in terms of EBITDA margin. I think we've built a very successful and high-margin business.

It starts with a superior booking experience for customers, yielding better prices versus competitors, with better ease of use and book-ability, better inventory, and sophisticated pricing that leads to higher margins. Flights are very particular and you can do this

on a massive scale. And we are comfortably adding more revenue streams and these superior margins also allow us to invest more than competitors toward improvements in flights, and this leads to a better customer experience. It is sort of a virtuous circle.

Skift: I have to ask you about CheapOair. Do you view them as a competitor?

Pérez-Tenessa: CheapOair is not one of our main competitors because they are very small in Europe, where we are very large, and we are small in the U.S., which is a big market. I know them but I can't really speak with a lot of know-how about them.

Skift: It would seem like a natural combination, no?

Pérez-Tenessa: I don't know. We can't speculate on combinations, right?

Skift: Right. Can you talk a little about your multi-brand strategy with eDreams, GoVoyages, Opodo, Travellink and Liligo, and what that says about the future of travel booking?

Pérez-Tenessa: They are very well-known brands. When we ask our customers why they book from us, 42% tell us they always book with that particular brand. And that ultimately means we don't have to pay anyone, not Google or anyone, to get customers to come back and that's a huge advantage in this market. Our brands are also the most solid brands in the flight category among online travel agencies.

On the flip side, however, I will tell you our five brands came with six different technology platforms from the different acquisitions. They had different front ends, different booking engines, different revenue lines, different models etc. We really don't like many platforms. This is why we embarked on a multi-year platform unification work. A big part of that was completed in the summer of last year and it immediately yielded very improved customer acceptance and profitability. From now through the end of 2015 we will have completed essentially all the remaining bits of platform unification.

Skift: That leads into the next question about how your stock has been doing since your IPO, and does all the work you've done on your common technology platform mean that there are brighter days ahead? Or what's been going on regarding the pressure on your stock price?

Pérez-Tenessa: We have a 15-year track record of growth. We have 60 consecutive quarters of revenue and EBITDA growth and have had to deal with dynamic changes all of the time, during all of these 15 years. But it is true that the challenges we have faced since the IPO were significant and of course we have plans that we are working on to implement and to mitigate them. The financial markets don't like their prices so it is up to us to work and deliver the performance and to repay the trust. And going forward we think we will return to the strong historic financial performance that saw us grow revenue and EBITDA that we've had for 60 consecutive quarters.

Ultimately, we think in the long term the market for travel is extremely large. Flights will be the largest category within travel. Online transactions will continue growing around the world, and there also a number of very large markets where either we don't have a presence or are still pretty small and don't have a big market share. Our brands are very strong; our scale is very large; our technology is strong, and now that we are finalizing integration we will even be able to deliver more value.

Brian Sharples,
HomeAway

"We just don't go around buying things that we like. We go around buying things that we like at a fair price."

Brian Sharples, **HomeAway**

HomeAway is merely trying to dominate the global vacation rental marketplace, but the large market cap companies, including Expedia, TripAdvisor, the Priceline Group, and Alibaba have set their sights on global domination of the entire travel marketplace.

That's the view of HomeAway co-founder and CEO **Brian Sharples,** who tells Skift that vacation rentals "is the number two category in accommodations [and] then you have to suspect that some of those players are going to be eyeballing a consolidation there."

"Well, I think these are interesting times for sure because you have a combination of a lot of M&A activity in the Internet sector in general and travel in specific," Sharples says. "Coupled with that you have some very big market cap players like Expedia and TripAdvisor and Priceline and now, oh by the way, probably Alibaba that all have their mind set on global travel dominance."

"But it is unlikely to think that one of those players wouldn't want to get more aggressive and develop a competitive advantage in the space," Sharples adds.

This indeed a very compelling moment in time for HomeAway as certain things are speeding up and others are slowing down, including HomeAway's usually very aggressive merger and acquisition activities, which are at a lull in terms of agreeing to acquire something because "value expectations have gotten a little bit out of whack," Sharples says.

On the other hand, Sharples says HomeAway is aggressively prodding vacation rental owners to enable online booking to the extent that he believes a majority of HomeAway's listings will be online-bookable within two years -- and that's a much faster pace than the company previously expected.

Skift spoke with Sharples about the future of travel booking in vacation rentals, its new Expedia distribution partnership, the rapid advance of mobile traffic, and the M&A climate.

An edited portion of the interview follows:

Skift: I think over the years HomeAway has acquired about 30 companies. There hasn't been much acquisition activity on your part so far this year. Are you guys exhausted? Why the change?

Brian Sharples: Well, we are always exhausted because of the business we are in, period [laughter]. With respect to M&A, we actually have a lot of activity under the hood. We have a very active M&A group and we are in discussions with lots of companies around the world. I think the issue right now is value expectations have gotten a little bit out of whack. We just don't go around buying things [companies] that we like. We go around buying things that we like at a fair price. It is just a fact right now in the Internet world that people see things like Airbnb's reported valuation and many other companies that have been bought at very high multiples.

This isn't Airbnb's case, but lots of companies that have low revenues are bought at ridiculous multiples. There are companies like Airbnb that may have revenues, but not profitability, trading at big multiples. There are a number of things that we are interested in, but we are definitely at a time right now where the expectation of the seller does not really appear to be in line with what the market is willing to pay.

And I say the market's willing to pay because these companies aren't getting sold to anyone else. Probably us and all of our competitors are looking at these things and nobody is willing to pull the trigger at what people want. M&A is a big part of our business. We use it mostly to expand around the world. That trend will continue. If there is a lull it is because of the valuations.

On the technology side we continue to look for transformational pieces of technology that can impact our business. We just made a new investment in a company called Hotspot, which is a company that manages all of the record-keeping and payment of state and local taxes for our owners. That is a big issue now with Airbnb and regulation. That's transformational because it helps to ensure that our owners can very easily comply with local regulations, which is in our best interest.

Skift: When you talk about humongous valuations, OpenTable got a 46% premium, Concur just sold for $8.3 billion, and even Viator was acquired for $200 million. In addition to HomeAway looking at acquisitions, has this impacted how you feel about HomeAway's future as an independent public company? Because everyone I talk to says sooner or later HomeAway's going to get consolidated. Maybe sooner. So what is your view of this?

Sharples: Well, I think these are interesting times for sure because you have a combination of a lot of M&A activity in the Internet sector in general and travel in specific. Coupled with that you have some very big market cap players like Expedia and TripAdvisor and Priceline and now, oh by the way, probably Alibaba that all have their mind set on global travel dominance. Which is different from HomeAway. We have our eyes set on global vacation rental dominance. But these guys [Expedia,TripAdvisor, Priceline, Alibaba] view themselves as kind of full-service. If you are a company that is the market leader in a category that's significant if you look at accommodations, hotels is number one, vacation rentals is number two, maybe cruise is number three. This [vacation rentals] is the number two category in accommodations [and] then you have to suspect that some of those players are going to be eyeballing a consolidation there.

Now we can't run the business that way and so what we are doing today is saying, look, another way for everyone to benefit from HomeAway is for us to partner with them. We got aggressive about building our distribution platform because it may just turn out that the industry evolves in a way that we are distributing inventory through a variety of platforms; we are also selling to the hardcore vacation rental consumer, and the world goes on.

But it is unlikely to think that one of those players wouldn't want to get more aggressive and develop a competitive advantage in the space. We are doing nothing to make that happen because we love running an independent company and we are growing, etc.

But, as a public company, as you know, if someone comes in with a premium that's big enough then our fiduciary duty to our shareholders is to give that serious consideration.

Skift: And some of those big market cap players have holes in their portfolios. All the more.

Sharples: And some of them are raising a lot of money right now.

Skift: With all of the selling of notes and things like that?

Sharples: Yes, convertibles and whatnot.

Skift: Interesting.

Sharples: We did some of that too.

Skift: You raised money after the Stayz acquisition, didn't you?

Sharples: We did. We have about $800 million in cash at the moment.

Skift: HomeAway recently announced its first major online travel agency distribution partnership with Expedia, and I noticed that Expedia customers will see vacation rentals mixed in when they search for stays of several days or more on Expedia.com. I guess I was expecting to see a vacation rentals tab. What does this say about the future of travel booking when it comes to vacation rentals, hotels and other sorts of lodging types?

Sharples: I think the answer is we'll see. Based on our research, we believe that about a third of families going on vacation think about vacation rentals top of mind. Some subset of those people know about vacation rentals and they may choose Google or HomeAway as a starting place, but for the most part, around the world, they do end up on a HomeAway site if that's their intent. The point of the partnership if people don't think of vacation rentals top of mind, when vacation rentals are put in front of them they might consider it as an alternative.

I can tell you based on the testing we've done with Expedia, we have found that if you take a classic hotel traveler for the right type of stay and put a vacation rental in front of them, and allow them to see the prices and the details, we do get conversion on some percentage of those folks. I think the future of the category is that will see a higher level of penetration of vacations taken in vacation homes because in addition to the people who have already decided that is a good option, the online travel agencies will start to help us to start to introduce the category to new people who have never considered it in the past.

Now, how big that is going to be long term, nobody knows. If today roughly 20% of people taking vacations do so in vacation homes, then my guess is that by introducing this into more traditional hotel channels, this will probably over the next three to five years get that number to at least a third, which would be fantastic.

Skift: I am not expecting you to name names, but do you already have any big distribution partnerships like the one with Expedia already lined up?

Sharples: At the moment, the Expedia partnership is a pretty big undertaking for us and so we have been exclusively working on that with them. However, there isn't an exclusiveness that prevents us from working others. In order to get the Expedia partnership to the point where it is today we did have to build a generic distribution platform that will work with OTAs, it will work for travel agents, it will work for destination marketing organizations within different regions.

Our business development folks are in discussions with a number of well-known players around the world in those different categories. My expectation is that we are going to take a pretty measured approach to launching new partnerships because right now we are trying to get this to work with Expedia in the U.S. There are certainly other regions around the world that you

may see announcements on in the coming quarters.

Skift: HomeAway has had its pay-per-booking commission model -- as opposed to the commission-free subscription model -- in place for around a year at this point. Have you figured out on your sites and in your apps how you will prioritize the displays of commission-based properties versus subscription-based properties, and what does your answer mean for the user experience on your sites and apps?

Sharples: We built a fairly sophisticated marketplace management engine that we had ready at launch about nine months ago. And that's been working well for us. What that engine does it allows us to meter the movement of pay per booking listings on our site depending on the impact it has on performance with subscription listings. We have a base of customers who pay us up-front and those are subscribing customers. In our contract with them if they are paying us in advance to be on our site then we have to deliver them a certain level of performance.

We have a very good mathematical sense of how much performance we need to deliver to certain types of customers who pay us certain amounts of money in certain geographies around the world. What we don't want to do in our pay-per-booking listings is damage our subscription business. What we have been experimenting with over the last nine months is looking at how much exposure do we give to pay-per-booking listings without having that impact. And when we see a negative impact we pull back, and this is market by market, and we see no impact we move forward aggressively.

Since we launched pay-per-booking, slowly but surely we have been getting less timid with how we surface pay per booking listings on our site. But on average their exposure is still very, very low. So it is coming up slowly but surely, but it is still very low. Part of our job at HomeAway is to also understand that there are a finite number of people coming to our sites and the best way to be able to give more exposure to pay per booking listings is going to be to book traffic at the top of the funnel.

The more traffic we bring to the top the more we can get aggressive with pay per booking without affecting subscription. So that's why you see the company a couple of quarters ago starting to talk about really ramping up our marketing activities for the next one to three years because we want to support both of those businesses fully and in order to that we are going to have to get more and more aggressive to get people to come into our funnel, to get to know our brand and even to do some increased Web marketing, as well.

Skift: How has that increased Web marketing been going?

Sharples: Good. We've just been testing it in pockets. We are in test and learn mode right now, but I think we have no doubt that by allocating resources to marketing we are going to do a better job up at the top of the funnel. As you may know we just brought in a new CMO. He has literally been here for two weeks. Most of the activities we are engaged in at the moment are sort of pre-CMO. It will probably take the balance of this year to get a solid strategy under a new regime in place for how we are going to spend money going forward, but I certainly expect that whatever we are doing today, which is very positive, is going to be a lot more positive in the future as we really have a tremendous leader for that business.

Skift: What is the status of online booking for vacation rentals today and where is it heading? Isn't there a substantial portion of the vacation rental by owner segment that would rather keep bookings offline?

Sharples: Yes, there is no question. It certainly would be better for trust and safety reasons for travelers if all properties on our site could be booked online. We certainly have the incentive to push that as hard as we can. The headwind against it is our owners have been doing things offline for many years. Our owners, for the most part, don't really represent new people who just decided yesterday to start renting. The core of our base are people who have been doing this for a very long time across Europe, across the U.S. Our

site has always delivered a lot of money to these folks. They have figured out their offline ways of collecting cash and doing things and it works for them. And they make lots of money. And they are super happy.

Here we are HomeAway coming and telling them, look, for the good of the industry, to develop more trust in the category, to bring more travelers in who you've never seen before, you need to move to a world of e-commerce. They are simply sitting there and saying, well I don't know why I need all that. I'm very satisfied. As a company, we're having to work pretty hard to get people through that transition but it is now starting to accelerate dramatically because one of the weapons we have in our arsenal to push e-commerce are things like search position.

We are able, for example, to sort people who we think provide what is a better consumer experience higher in search results. In addition to the fact that consumers really like commerce-enabled listings and they are higher in sort, the people who do that perform better. We then can take those metrics and feed them back to the people who don't and now we have real data that show that people who adopt e-commerce on our platforms and online payments really do get better performance.

I think for people who are in business to make money that speaks volumes. We are starting to see a pretty dramatic acceleration. We have always said in answer to the question when do you think the vast majority of listings on your site will be e-commerce-enabled, we have always said in the past certainly in a three- to five-year timeframe. I'm willing to say at this point that I think we are going to see it happen more aggressively than that. As a company, we've decided to be more aggressive about moving people that way. My belief now is that within two years you are going to see the vast majority of listings on our site to be payment-enabled, e-commerce-enabled, online-bookable properties.

And that's because of a whole range of programs, activities and policies we're putting in place on our side and the fact that the adoption curve is really starting to bend upwards. So the experience with respect to HomeAway I think is going to change very dramatically in the next couple of years.

Skift: Do you think vacation rentals will ever get to the point where lots of people are booking them on smartphones? What are you doing -- and is it a priority -- to make smartphone bookings of vacation rentals easier?

Sharples: I don't think it is going to be status quo. I think it is going to change and we as a company have adopted the mentality that at this point that we have to be a mobile-first company. The growth numbers on mobile are too hard to ignore. The form factors are getting bigger so we are going to have the iPhone 6 and 6 Plus out in the market. And I think the whole issue on smartphone conversion really comes down to size of the form factor and to some extent speed of network. The form factors are getting bigger, the networks are getting faster. If you take a worldwide view on this you just have to assume that I would say probably within two years that more than half our traffic will be mobile. We are investing very heavily right now in mobile. On a percentage growth basis it's probably the fastest growing group we have in our development organization.

The other piece on mobile that we are over-the-moon excited about is the ability to manage the traveler experience through mobile because we know that 95% of our travelers are out there with smartphones so we do have now an industry-leading app, our Glad app, that we are starting to put in the marketplace. Travelers download it when they book a vacation with us and that app helps them manage everything about their trip: pre-stay, how to get to the property, how to get key codes, how to operate the televisions, restaurant recommendations, and in the future probably deals on things that happen in local markets.

Historically HomeAway was all about putting buyers and sellers together and we are fast transitioning into a company that's trying to create a travel experience that delights our customers. And I think mobile is going to be a huge part of that because we can put a concierge in the pocket which is even better than being in a hotel and having to walk downstairs and talk to somebody.

Marina Kolesnik,
Travel.ru

"The younger generation consumes technology differently. We have such a big market which is still so much offline. We are still working with the mass market."

Marina Kolesnik, **Travel.ru**

As CEO, **Marina Kolesnik** has choreographed the evolution of a leading Russian online travel agency, Travel.ru, through a transformative period which has seen a rapid shift from offline to online and mobile, and a dramatic upswing in independent and domestic travel in 2014 following the collapse of major tour operators, the devaluation of the ruble, and political strife, which has seen the U.S. and Europe impose economic sanctions against Russia.

Taking the helm of online hotel booking site Oktogo.ru in 2010, Kolesnik led the acquisition of content portal Travel.ru in 2013, and views it as a way to answer travelers' needs throughout the travel cycle, from research to booking to post-trip reviews.

As part of its CEO interview series on the future of travel booking, **Skift** discussed with Kolesnik the specific trends under way in the Russian market, including the advantages accruing to local players because of the increasing importance of domestic travel; the relative lack of importance of any Millennial trend within Russia; the possibility that the Russian government might impose restrictions on international players in travel, and what it's like to be a woman CEO in the male-dominated global C-suite of online travel.

An edited portion of the interview follows:

Skift: Oktogo acquired travel information and review site Travel.ru in 2013. Can you explain your multi-brand strategy, the role of reviews and destination information, and the implications it all has for the future of travel booking?

Marina Kolesnik: Let me take one step back and tell you why we acquired Travel.ru. I've always felt that research, shopping and then booking takes quite a bit of time. It can be time-consuming. There are great content sites, they give ideas, but they generally don't make a very smooth transition as to where do you book your experience that you just enjoyed reading about. There are issues around mapping the data and how do you get to the desired destination.

So that all takes additional research. We have seen that metasearch has mastered the shopping component, but very often they are handing off the customer elsewhere, especially when we are talking about a market that is not as mature as the U.S. Handing off the customer elsewhere could present challenges at times.

Our solution was to acquire a terrific content site like Travel.ru, and to integrate the entire travel cycle, including the research phase when the customer is looking for destination information such as where can I go without a visa or how easy is it to get a visa to a particular country. This is something Russians are always concerned about.

Then there is shopping and booking, plus continuing with pre-trip and post-trip. So we integrated the content, both editorial and user-generated with the transactional model.

Skift: For the post-trip, as well, such as for in-destination activities?

Kolesnik: We are working on that. Post-trip is reviews and feedback, and it's not just the hotel review. So that is the reason [for the Travel.ru acquisition]. And, as far as the dual-brand strategy, Travel.ru is the main brand. This is the entry-point for customers wherever they are in their trip-planning.

Are they still just researching and getting ideas? Are they ready to transact and book? Or maybe they already booked everything and they want to know how do I get to the airport for a particular destination. It is fine. We are there for all of them, and now our idea is to engage them and retain them and let them come back.

Skift: What about the Oktogo site?

Kolesnik: Oktogo is a focused hotel booking site. And Travel.ru is more of general travel portal.

Skift: What is the status of online and mobile adoption in Russia and how does it fit into your strategy?

Kolesnik: Russia is a big market. It is quite advanced technologically. Broadband penetration is pretty high. As far as Internet usage it is very high. It is the largest among the European countries in terms of Internet users. As far as how mobile, of course, it is picking up. Smartphones are very popular in Russia. Sixty percent of handheld devices are smartphones, and Android has 80% market share. iPhones are now at 10%. Tablets are growing in popularity.

Because Russia is substantially more affluent than China and India, we haven't seen such a major dominance of tablets. Still a lot of people have a computer and use a laptop or desktop. But, the tablet share, I think, will be growing, as well.

Skift: And for smartphones, as far as booking goes, do you have mobile apps?

Kolesnik: We have apps and we have a mobile website. We've seen that it's particularly valuable for our existing customers, the frequent travelers' segment, they are the ones who book through the mobile phone. They are the ones who the next time will book through their computer.

So connection between the different devices is important. Unlike, in India, for example, where the customer may not have another device to get to the Internet and book, we see that our customers may have both a smartphone and

also a computer for the most part.

Skift: So what are you doing to mix devices together in terms of customers starting to search on one device and finishing on another?

Kolesnik: It has to be a smooth experience as far as a seamless log-in even if they didn't finish the transaction on one device they should be able to pick up on the other. So we are working towards that, and improving that experience further.

Skift: So what are some of the biggest challenges in acquiring customers and converting lookers, including those mobile lookers, into bookers?

Kolesnik: It's like other markets. On the one hand you have the competition. We have marketing channels that could become more competitive, more expensive, more difficult to work with. Although Russia is a similar country to China in that the largest search engine is a Russian one, Yandex, with 70% market share. We have two local social networks that are much bigger than Facebook. So there are a lot of local marketing channels, local instruments.

Skift: Do your competitors, such as Booking.com, play aggressively in those search engines?

Kolesnik: They do. They play in search engines. That's what they do around the world. Social networks is a different story. So one of the reasons for the Travel.ru acquisition is that we acquired a fairly large monthly audience that's loyal. We have a very strong competitive balance in that particular marketing channel. It [social] is a big point of growth for us.

Apart from marketing channels, there is customer trust. I don't know if you have been following it for the last couple of months, but we've had a series of traditional tour operators going under. And the issue of trust has really become very big.

Skift: The trust issue isn't about data breaches or anything like that, but about tour operators going out of business, right?

Kolesnik: That is correct. Of course the company that already has the reputation in the market and is able to communicate well with its customers, Travel.ru, has taken advantage of the current situation and we've seen more customers flocking to independent travel and away from the packaged tours.

The packaged tours used to be cheaper, but now with the risk of losing the entire principal that you paid people are willing to take a little more effort and maybe pay a little more money, but to be more confident that they know exactly what will happen with their money.

Skift: What role do packaged tours play in the Russian market relative to independent travel?

Kolesnik: Russia is probably like Germany; it has always been very big for packaged tours because Russians love traveling abroad. Until 1990, it was hard for Russians to travel, and after that they wanted to go and explore the world. With that comes a number of things -- the language, if you don't speak a foreign language you might be struggling.

There comes the issue of the visa. Pretty much anywhere you go, except for a handful of countries, you require a visa. The tour operator could take care of all of it for you. Over the past five or six years, we've seen a transition to independent travel now that people have been a few times with a tour operator they are looking for different experiences. They are more confident travelers now. Now, I believe after what we've seen this year, the share of the tour operator business will decline dramatically. I wouldn't be surprised if it would decline by 40% to 50%. With the balance shifting to independent travel, a lot of people are switching to domestic travel.

Russia is one of the few countries where domestic travel, leisure travel, has been smaller than outbound. I think Brazil, maybe is one of the very few. But there are several forces playing to stabilize that to grow the domestic market versus outbound.

First of all, the infrastructure has improved significantly

in the last few years with the Olympics, the FIFA cup, and with lots of private and government money going into building the travel infrastructure. On top of that you have the ruble devaluation of about 20%. For sure, going abroad is more expensive. Local players like Travel.ru are well-positioned to work with the trend. Over the last two months, we've seen the shift from international to domestic.And we believe that trend will continue for the next several years.

Skift: I want to ask you about the Millennial trend that we see in places such as the U.S. and China. Is that a big trend in Russia for travel and how does it play out?

Kolesnik: Sure, we have the younger generation, and if they have wealthy parents who pay for their travel then that becomes relevant. And sure they consume technology differently. Yet I have to say that we have such a big market, which is still so much offline. We are still working with the mass market.

Skift: What percent would you say is offline?

Kolesnik: For flights 80% is offline, 20% online penetration. For hotels probably 90% is offline. So I would say the Millennial trend is not on the very top of the priority list for us. The core focus right now is the mass market, those people who now transition from offline to online. The localization that we are offering, including the customer care component, and our offline presence through partnerships, and localized payments options are very, very important.

Skift: Do you have your own call centers?

Kolesnik: We have our own call centers and the share of business for call centers has actually increased over the last six months.

Skift: Is that something you are happy about?

Kolesnik: Well that is the state of the market. The market is in a state of confusion and concern when a tour operator goes bankrupt. If before you were comfortable booking online, now you want to talk and you want to ask several questions about the guarantee, the payments and what are the options and this and that. It hasn't increased our cost basis and it is a significant point of differentiation from more online-focused international players.

Skift: I've seen different hotel booking options on Travel.ru, including pay with points and pay at the hotel. How does that fit together?

Kolesnik: We are the entry point. There are people with different preferences. Of course booking with Travel.ru points is relevant for someone who travels frequently. We have seen a strong increase in retention, an improvement of about 20%. Pay at the hotel is an option that has a lot of interest. For most of the hotels we offer both.

Travelers can prepay on our website, which is the merchant model, and the agency model is pay at the hotel. Pay at the hotel requires a credit card. With prepayment you can choose to pay through the bank or we have those electronic kiosks that people can go and pay there with cash.

Skift: Electronic kiosks where?

Kolesnik: In Russia we don't have checks, for example, and online banking is still developing. So for a customer to pay their utility bills, their cellphone, they are leveraging those electronic kiosks. They have been in existence for more than a decade. Now they can pay for our travel, as well.

Skift: The majority is pay at the hotel?

Kolesnik: The majority is prepayment, about 70%.

Skift: How do you assess the competitive landscape in Russia, including Booking.com, Ostrovok, Skyscanner and Momondo?

Kolesnik: The answer is short: We have a large market,

and it's growing very fast. Sure there will be competitors. There will be local competitors in any market. There will be international competitors. They all will have their own strengths. The current trends are such that it will probably favor domestic players rather than international.

Skift: Because of the political climate?

Kolesnik: Also including the actual change in travel patterns and more people now traveling domestically. The decline of outbound leisure travel this year is about 20%. That is significant. That is most attributable to the tour operators and the ruble weakness, but the domestic market is growing and it will continue. It will grow and it will have its own new answers that will be much easier to address by local players.

Skift: Where does Travel.ru stand in terms of size in the market? Are you number two? What would you say is the pecking order in the Russian market?

Kolesnik: For the domestic market, we are the number one hotel online travel agency among the local players. Booking.com has always been strong in outbound.

Skift: And where do you stand in terms of Ostrovok?

Kolesnik: To the best of my knowledge we are the leader.

Skift: I read a report that the Russian government plans on building some kind of official travel site? How would that impact you?

Kolesnik: There are two things in place. One is that the Russian government is working on a Russian global distribution system for flights. That has a strategic importance for the country. That is in the works. That's a real project. The government travel site is more of an idea, a concept, that has not become a real project yet. It has less strategic importance for the country than the GDS for obvious reasons. As a local player, we will be happy to support the government's efforts.

Skift: But it's not reality yet.

Kolesnik: Well, if you give me a good example of a very powerful government travel site somewhere in the world then I'd be very curious.

Skift: But if the government launched an official travel site would it curtail any of your activities?

Kolesnik: There is absolutely no information whatsoever on that matter. I do not believe that the government would decide to take on the local players. If anything they may look to limit the scope of business for international players.

Skift: Which could benefit you?

Kolesnik: Yes, it may or may not benefit us. We don't know.

Skift: But Travel.ru isn't advocating limits on the foreign players?

Kolesnik: Our modus operandi is always stay out of politics. The politicians do their job. Business people we do our job. We have never been into lobbying. We have never been into things of that nature. In the current geopolitical situation, the best we can do is to continue growing the business, continue bringing jobs to our employees and providing great service to our customers.

Skift: How do the U.S. and European sanctions against Russia impact your business, if at all?

Kolesnik: We work with Russian travelers so anything that impacts the confidence of Russian travelers would for sure ultimately impact any business, including ours. What we have seen in the short term is more Russians focusing on domestic travel. That has been a benefit to us and we have seen strong growth. Indirectly we have seen a big shift in customer behavior, it has been a positive consumer shift, and so we have to work with what is there.

Skift: What is it like being a woman CEO of a large Russian online travel company? I've interviewed for this series on the future of travel booking CEOs in China, in India, all over the U.S. and Europe, and they have all been men. How do you view the situation?

Kolesnik: In other words, what is the life of a woman CEO [laughter]? We've seen a lot of women CEOs in Russia, much more than in the U.S.

Skift: Just in travel or in general?

Kolesnik: In general. Probably in travel, as well. One of the reasons for that is surprisingly, but Russia has always been very egalitarian between men and women. And what I mean by that is for a number of generations women have had to go to university, they have to go to work, they have feed the family. So I think that is something that we have been born and raised with.

You are on your own and you don't do anything different than a guy. Surprisingly because Russia has this reputation as a macho society, which on the one hand it is, but if you stand on your feet and you don't let those strange ideas clutter your mind, you do what you do.

It's also important to have a good team, and on my team I do have more men. I have a terrific board, which is comprised of both international and Russian investors. I am the only woman on the board, but you just have to do your thing.

Adam Goldstein,
Hipmunk

"The reason we like this is the conversion rates are much higher when people don't have to leave. And this is particularly true on mobile phones."

Adam Goldstein, **Hipmunk**

Travel metasearch site Hipmunk burst on the scene in 2010 with a product that took some of the agony out of flight and later hotel search. Hipmunk co-founder and CEO **Adam Goldstein** believes that the most successful companies in travel have done a good job in both product and marketing, "and a great job in one."

As with its Agony index that drew initial attention, Hipmunk's emphasis to date has been on the product side of the equation. For example, with Hipmunk Anywhere, which debuted in March 2014, users who are signed into Hipmunk's desktop or mobile apps can find their recent searches on each device regardless if they initiated them on the desktop or mobile Web, Android or iOS apps, or tablets. The company has also implemented direct booking within Hipmunk in a way that differs from how most of its competitors are handling it.

Skift discussed the future of travel booking and related issues with Goldstein.

An edited version of the interview follows:

Skift: In the travel booking game, does quality win or do marketing dollars win?

Adam Goldstein: Well, I think both can win. It's a big industry. You can see a lot of companies out there that win on marketing dollars and you can see a lot of companies that win on quality. And you can see companies that win at both.

I think even if you just look at the supplier side of things there is a huge disparity in the amount of bookings that happen direct to supplier for the different airlines and different hotel chains. Sometimes it is because the websites and the apps are especially good and other times it is because they focus a lot of their marketing effort on driving direct transactions.

We view the product as the core of what makes Hipmunk better and different, but ultimately we, just like every other travel service, need to make sure that people know we exist. We can do that either by spending money or by letting our users be our advocates or by investing in other new channels that come along like mobile and other things like that.

So the two are both important. The most successful companies in travel have done a good job in both, and a great job in one.

Skift: What have you learned from your multi-platform device strategy and what are the next steps for this project?

Goldstein: We corroborated our instinct because people really appreciate the work that we do for them on this. The fact that people don't have to rerun their searches or anything like that saves them a lot of time, and a lot of effort. They appreciate that. And it has achieved the goal that we had hoped: It is so seamless that after a bit people don't even realize that it is happening. It just becomes second nature.

If you look at other companies that have made moves in this area since we launched you will see it is becoming a trend, and not just in travel, but across the board. Apple is introducing this seamless cross-platform continuation feature set into its new operating systems. And, I think you will see other companies in other categories do the same thing.

When we release the first version of Hipmunk Anywhere, it was better than anything else out there, but still didn't completely take into account all of the different facets of booking on different devices. There's a lot more that we can do to remember people's preferences to proactively suggest things that might make sense depending on where they are, or how long they have been searching, or how many devices they've used in the past. We will be rolling out improvements to that over time.

But, overall what this has done is reinforce to us the importance of viewing our entire product roadmap from a multi-platform strategy rather than just having independent roadmaps on different platforms.

Skift: As a metasearch site you offer the Book on Hipmunk option without leaving your apps or site through online travel agency partners such as Getaroom. What has that meant for travel booking and owning the customer over the long term?

Goldstein: Our approach to Book on Hipmunk or assisted booking, whatever you want to call it, has been a little bit different than other companies. The idea we have on Book on Hipmunk is that it should give you the benefit of metasearch with the convenience of an online travel agency.

When you find a hotel on Hipmunk we give you the option of booking it off-site or booking it on-site. If you choose to book it on-site we will often give you multiple different choices for how to book it on-site. You can book on Hipmunk powered by OTA X, you can book on Hipmunk powered by OTA Y, and we'll show you the prices and the cancellation policies -- all the different things you might care about -- for those different partners.

The reason we like this is the conversion rates are much

higher when people don't have to leave. And this is particularly true on mobile phones. Being able to stay inside the app and having the credit card information stored is really valuable and something that customers prefer. It is valuable to our partners, though, because we are giving them brand exposure and brand awareness at the same time that people are staying on our site. So unlike the traditional sort of white label, where the booking is happening on whatever site it is and you the customer don't even realize that it is being powered by OTA X, on Hipmunk you know right away which OTA is powering the booking.

And that gives you the ability to pick which OTA you prefer. And so higher conversions plus brand-building opportunities for the OTAs plus the ability we get to share the relationship with the customer mean that everyone in that situation benefits. Versus sending everything off-site or keeping everything on-site.

Skift: Hipmunk still offers pop-up ads with browsers opening in individual windows for sites such as Expedia, Hotels.com, BookIt.com. If it's all about the user experience in booking, why continue with such ads?

Goldstein: The bad user experience comes from people having pop-ups that they didn't ask for. And that's the difference between Hipmunk and other sites that offer this. When you go to the homepage of most of our competitors you get those check-boxes there and you have to go out of your way to uncheck them if you don't want to get the pop-ups. It forces you to click if you don't want the pop-ups.

On Hipmunk, you only click if you do want the pop-ups. And you and I might think, I don't use pop-ups. Who in their right mind would do this? But, the fact of the matter is, there are a lot of people out there who really want to run searches on five different sites. And, I think it's wrong from a customer perspective to force everyone to see pop-ups from five different sites. Most people don't want them. But, for whatever percentage of people, whether it is 5% or 10% or 20%, whatever it is who do want to see them, I think it is a bad user experience not to let them see them. So that's why we offer those.

Skift: How do maps play into the future of travel booking? I know Hipmunk has done some calendar integrations to show how close potential hotel stays are to meetings' locations.

Goldstein: We think maps are important. They aren't the only things that are relevant. Location is something that people care a lot about and especially on devices. Being able to proactively suggest things near to where you are is obviously something that saves users a lot of frustration, a lot of time. We were not the first to do that and we are not going to be the last.

I think in the future what you'll see is that maps are going to carry a lot more information. The historical view of maps, or the way they've been integrated into product, is showing where the roads are, and where the parks are, and the bodies of water are. Things like that. That is somewhat useful.

But points of interest and more customization around what is relevant to you on that map, those I think are the directions I think you'll see things head overall. And we've been doing that, as well, in terms of pulling in your calendar, letting you pinpoint specific points of interest on the map, whether they are tourist attractions or offices or whatever, and find hotels that happen to be near those.

Maps are a canvas and most companies have just done the basics, putting up the canvas.There's a lot more to be done in making it more useful.

Skift: You just had your big funding round, a $20 million Series C round in May. Do you have any update on how things are going and what's next for Hipmunk?

Goldstein: We are hiring extremely aggressively. We have never had more job openings. And we are extremely picky when it comes to the people that we hire. So it's going to take us awhile to hire all of the people that we want for all the open positions. But, we're hiring at a faster pace than we have ever hired before.

We are going to continue to improve on the multi-platform, and multi-device experience. Not just making the individual platforms better, but also making them work better together so people never have any reason to leave the Hipmunk ecosystem whatever they are booking.

Down the road we are going to be expanding into different verticals in travel such as cars and other things. We don't have a specific timeline for that but you can expect to see those eventually.

Chenchao "CC" Zhuang, **Qunar**

"I think you know that people should forget about models regarding online travel agencies and metasearch. That is outdated. Let's get back to consumer retention. And we should forget about the concept of consumers being loyal."

Chenchao "CC" Zhuang, **Qunar**

Does the future of travel booking lie with metasearch sites such as Kayak, Trivago, TripAdvisor and Skyscanner or with online booking sites such as Expedia and Booking.com?

From the hyper-competitive travel marketplace of China comes **Chenchao "CC" Zhuang**, co-founder and CEO of the country's most-visited travel site, Qunar, which takes direct booking for hotels within China, and offers metasearch for outbound travelers internationally.

CC Zhuang thinks prolonged debates about business models are unproductive and "outdated," obfuscating what he believes is a more central theme -- how to deliver the best customer experience.

The Qunar CEO isn't shy about these and other subjects, as well. CC Zhuang believes loyalty basically begins and ends with consumers' wallets, and that the travel company that delivers the most choice, the lowest prices, and the greatest efficiencies will dominate the Chinese market.

Skift spoke with CC Zhuang about these issues and the future of travel booking.

An edited version of the interview follows:

Skift: In relation to Priceline's investment in your competitor, Ctrip, you've talked a lot about how your international service is metasearch and you partner with brands like Booking.com and Expedia, while domestically you do direct bookings. Do you see this balancing act between metasearch and direct bookings continuing for the foreseeable future, and does that sort of model have any significance for other players outside of China?

Chenchao "CC" Zhuang: We have a very funny situation. Everyone talks about models and balance etc. We actually don't look at it in this way. We just look at consumers. What does the consumer want? Basically two things: selections and price points. We built an ecosystem to provide the most selections for consumers at the best price points. So whatever models we pick, whatever balance we do, it all gets back to the consumers. If it's beneficial for consumers, we do it, and if it doesn't benefit consumers, we forbid it.

I think you know that people should forget about models regarding online travel agencies and metasearch. That is outdated. Let's get back to consumer retention. And we should forget about the concept of consumers being loyal. Let's get back to very basic things. Number one, the consumer is only loyal to selections and price. And, number two, whoever is able to provide the selections and price is going to dominate the market. It is very simple.

Skift: So right now you think it is best for Chinese consumers if they are looking for hotels internationally to do metasearch?

CC Zhuang: Exactly, because we have partnerships with many of these players globally and locally and regionally so I concur it is the best model. It is evolving fast. So we just make the choice to purely focus on the consumer experience.

Skift: I see that your mobile revenue grew 511% in the second quarter and you mentioned in the first quarter that you had 83 million downloads. Downloads are one thing, but engaging users on mobile is a whole different story, right? How do you approach that dichotomy?

CC Zhuang: First of all, our cumulative activated downloads are actually 270 million this quarter [Q2}. If we look at the numbers of activated unique handsets, this quarter it is 130 million, versus last quarter it was 83 million. Second of all, in terms of our hotels' transaction model, 50% is already on mobile. I would say engagement and real transactions are pretty significant. But, in terms of our huge user base, we still see a lot of potential in the future. I think we have deployed multiple ways to activate our mobile users to promote transactions on handsets.

Skift: What about your users' behavior on mobile? Do they start on desktop and then go to mobile and continue on desktop? How do you deal with what might be called multi-device behavior?

CC Zhuang: I think the players in our industry actually provide a deep incentive on mobile and hence they have a lot of their users shifting from the traditional call center and PC to their mobile. But, for us, we never do that. Today, most of our users on mobile are new users and so they are only using our mobile apps.

Skift: You spoke during your second quarter earnings call about revenue per room decreasing 12.5% during the quarter because of couponing and discounting. How is that going to play itself out if it is becoming the lowest common denominator and people are just looking for the lowest price, price, price? Where do experience and value come into play?

CC Zhuang: I think in retail and consumer experience that price is the most important part of user experience. That's the reality. People are looking for the best deal. So I think price is a very important part of the service, first of all. Second, if you look at our net take rate of the hotel, we should see an increase, maybe a significant increase, in the next few quarters. So I think we are very comfortable with our present level. Third, it is an efficiency game. The travel players that provide the most highly efficient operating system will be able to provide the lowest price points for consumers. And we should be able to stay competitive from our highly efficient operation.

Skift: If travelers' number one concern is price, then where does loyalty to the Qunar brand come in?

CC Zhuang: The consumer has loyalty to their wallet. To think that consumers are loyal to a brand, I think, is very simplistic and naive. The only way to keep the consumer is to show loyalty to the consumers' wallet.

Skift: Hilton Worldwide recently announced for a lot of its global hotels that it will be allowing guests to book specific rooms, and I remember when I visited you several months ago you said you were starting to experiment with that sort of thing on a very small scale. Has there been any progress on that front and where do you think that's headed?

CC Zhuang: It is doing pretty good, but the number is relatively small. The program will eventually be more mature. But, generally, I would say it is useful, and that's a trend, and eventually we will get there.

Gareth Williams,
Skyscanner

"I think the biggest variation of all is the degree of smartphone adoption. And smartphone adoption is what is making dramatic changes in the experience and requirements around booking,"

Gareth Williams, **Skyscanner**

Scotland-based Skyscanner is following a path that other travel metasearch companies are embarking on: The company is working on enabling direct bookings within its own apps, making it easier for consumers to continue their searches from device to device, and expanding into new markets such as the Americas.

Skyscanner co-founder and CEO **Gareth Williams** believes a key differentiator for the company is in its breadth of coverage in terms of possible itineraries and travel agency booking options, and undoubtedly, as a tech-focused company, it will put its own stamp on some of its new focus areas.

Skift discussed the future of travel booking and related issues with Williams.

An edited version of the interview follows:

Skift: Skyscanner operates in about 40 markets around the world, from the UK and the U.S. to China, and in some 30 languages. What sorts of trends are your seeing in users' booking behaviors and are there pronounced differences country to country?

Gareth Williams: I think the biggest variation of all probably is the degree of smartphone adoption. And smartphone adoption is what is making dramatic changes in -- certainly currently and especially in the future -- the experience and requirements around booking.

I think another area is the balance between tour groups and self-planned leisure travel. And, in that case it depends a lot on how historically it was done prior to the Internet, with Germany and the UK being examples. The other factor is the degree of experience that market has, either because of the stage of its economic development or the degree you need visas and it's complicated. Language barriers make a big difference, too.

Skift: So how do these differences in smartphone adoption influence how you go about your business?

Williams: Smartphone adoption basically means two things. One, you need to be able to perform the booking within the search experience. The second thing it means is people are much more breaking up their research, their planning and booking into time slices, and that means you must have authentication, and your searches must be seamless across multiple devices.

Skift: And how are you attacking that problem of searches taking place across multiple devices?

Williams: Well, we have a sign-on that's gradually being adopted, but basically a significant part of our engineering resource is around the area of social travel, memory of what you are searching for, and in that area.

Skift: So can you start a search on one device and pick it right up on another on Skyscanner?

Williams: Yes, you can do that right now if you are signed in, and it's an actual part of adding value to being signed in.

Skift: There's been sort of an unwritten debate between the metasearch companies that seek to have their customers book flights or hotels on their websites or within their apps, and those that are content to hand users off to third-party online travel agencies or hotel chains to complete the booking. Where does Skyscanner stand and why?

Williams: We support both methods of bookings, although we are at the early stages. It is only in certain markets. We will be allowing the consumer to make the booking within our apps and within our Web services.

Skift: Would I be wrong to assume that you believe that Skyscanner has the best booking experience among your peers? If you do believe that, tell me why that is, and where do some of the others fall down?

Williams: I think the major plank is our coverage is greater than is found elsewhere, not only in terms of the range of itineraries, but also in terms of the range of agents, whether it be airline.com or OTA.com. And, that, I believe, surpasses in global coverage any of our competitors.

Skift: How are your launches in the Americas going? What's the update on that?

Williams: It is performing pretty well. We are setting records in terms of traffic [119% increase in unique visitors per month year over year] that we are seeing, and indeed revenues. Our coverage is going up. We are at the early stages. It is a bit like when we first started with an Asia-Pacific face in Singapore. Nothing dramatic to report at the moment, but it is certainly heading in a similar pattern as we experienced for Asia-Pacific.

Skift: I don't know of many sharing economy airlines, but what impact has the sharing economy in lodging and cars had on Skyscanner?

Williams: So far we haven't seen any impact, but I think the way that we would view it is we would aim to be showing those results in both of those categories for our users who want to see those results. We would view it as an opportunity to extend our search coverage.

Skift: Are you working on that now? Are some of those options already in your results?

Williams: No, they are not in our results at the moment.

Skift: In 2013, Skyscanner acquired hotel search site Fogg. Was that basically an acquihire or will we see a spinoff called Hotelscanner one day? There are lots of possibilities in between, of course.

Williams: We launched a hotel app. The Fogg acquisition was much greater than an acquihire. They have a fantastic technology stack beneath their hotels product, and an excellent team building on top of that.

Skift: Why did you choose to do a standalone hotel app? Why did you choose to do it that way rather than flights and hotels together?

Williams: Basically to get data, to determine traction, to build up awareness. And it's a moving target as to whether people would prefer car hire, hotels and flights all in one. We will experiment.

Deep Kalra,
MakeMyTrip

"Our numbers on mobile are up significantly. I'd say 18 months ago we had hardly any visitors coming through mobile or transactions. End of last quarter, we had 29% of our unique visitors coming through mobile."

Deep Kalra, **MakeMyTrip**

Some travel companies, such as Expedia and Hipmunk, believe the future of travel bookings is in arming travelers with the ability to easily transition between smartphones, tablets and desktops without missing a beat.

Indian online travel agency, MakeMyTrip, a public company that sees about 25% of its hotel bookings completed on smartphones, isn't taking the bait, and is focusing instead on keeping Indian travelers on smartphones.

Skift interviewed MakeMyTrip CEO **Deep Kalra**, who spoke about booking trends in India and the allure of apps; the Expedia-AirAsia's speed bump in India; what he believes is the looming arrival in force of Booking.com in the country, and what MakeMyTrip got out of its EasyToBook acquisition.

An edited version of the interview follows:

Skift: What trends are you seeing in the way MakeMyTrip customers book their travel, and how might it be the same or different from travelers using other sites elsewhere in India and Asia?

Deep Kalra: I think the big change for us in the last year has really been around mobile becoming such an important channel for us for people not just doing research. For us, to our pleasant surprise, to consummate the transaction online, as well. I'm not quite sure how that compares with other parts [of the world]. I know in China there is probably a lot of research online, but then people call to close the transaction.

Our numbers on mobile are up significantly. I'd say 18 months ago we had hardly any visitors coming through mobile or transactions. And, today that number has changed dramatically. So end of last quarter, June 30, 2014, we had 29% of our unique visitors coming through mobile. We are present on all the app platforms, Android, iOS, Windows, BlackBerry and the mobile Web, and this 29% of unique visitors translated into 14-15% of transactions.

Some verticals are very high. The interesting part is if I look at domestic flight transactions, which is still our largest business, around 13% [on mobile]. If I look at domestic standalone hotels, which is a very important line of business for us, it was actually 25% [through mobile]. We are sure that the conversion actually stayed the same. I'll tell you in a minute why that number is so high, but 29% of unique visitors giving 25% conversion. One of the big reasons is that we have very interesting deals for last-minute hotel bookings, which you cannot find on the Web. More importantly, the use case is when people are traveling.

Very often people show up in a city and they didn't plan to stay back and they are staying back. People are saying, we are here, we showed up to this place by train or by plane and now we need to book a hotel, and they are somewhat aware they can book a hotel and get a last-minute deal. For us it is an encouraging sign because this tells us that the mobile medium is not only here to stay, but it's really the future. Of the 240 million people who are online in India today, three-fourths of that number, 75% are on mobile. More and more people coming online are going to be on mobile.

Skift: What other booking trends are you seeing?

Kalra: The other big change for us is how booking behavior is changing. People are actually planning a little better, last-minute hotel notwithstanding. Overall, we've found, both for flights and as well as for hotels, advance purchase has increased. People are planning longer, and that's great. On the flight side, it's probably driven quite strongly by the fact that the airlines have started deeper discounts on longer bookings. Two years ago, booking more than a month in advance were probably just about 15%. That is now at about 23%.

For hotels there was a very big cluster around one-day and same-day bookings were close to 67%. And that is now at least 10% lower. Yes, people are still booking a lot toward the end, which is something that might be typical in India and you might not see a lot of that in any other markets, but people are also overall planning a little better.

A third trend is where people are coming from. We are now seeing that people who are originating from non-metro cities, with metro being the big five or six cities of the country, has increased. People are definitely booking more there, which means that the penetration of the Internet is trickling down into these markets. And non-metro to non-metro travel is for us one of the big growth areas as people are traveling for leisure or a mix of leisure and business.

Another trend is that for most of us growing up, holidays were at best an annual event, and it was sometimes at a relative's house. That has fundamentally changed. When I look at my kids and people in the organization, people are holidaying multiple times a year, and this is not necessarily people who are working in banking jobs or consulting jobs. These are people who are working for a company like MakeMyTrip, and a good chunk of their disposable income is now being reserved for multiple breaks, including beach travel. That's driven by people in their late 20s to late 30s, early 40s, as well.

Skift: When you talked about the proliferation of mobile, are users starting their research on smartphones and staying on smartphones to book or are they switching to different kinds of devices?

Kalra: We are doing a couple of things. We are using the Google cookie across Android and Web so you can get a pretty good sense of Android being about 90% of the market. So what we are getting is that about 75% are actually closing the transaction on mobile, but about 25% are really closing the transaction on the desktop. And there are two hypotheses there. One is that it is a little more clunky to get the payments done on mobile. I think innovation is happening every day. We are doing a ton of work there to make it easier. The second is that time between the commute to do research, but they are maybe putting down [the smartphone] at home with their partner, with their family to close that transaction.

Skift: So is it a priority for you to make it easier for customers to switch from mobile to desktop and vice versa so they can start their search on one device and pick it right up on another? Or is that not much of a priority.

Kalra: No, actually I would say for us the priority is to solve for the issue of why do people need to leave [mobile] at all. We understand when it is a holiday booking people might want to consumer richer content, but for a hotel bookings, including the fact that we saw that 29% correlating to 25% of bookings, there is no reason we can't go there, keeping them on the phone itself. So it is nice to have a kind of hand-over across devices. But, we'd like to have people just close the transaction on the phone itself.

Definitely apps are our favorite medium because of the obvious advantage of not have to reacquire the customer. App customers convert higher, and then you can attribute some kind of lifetime value there. We incentivize people not to download our app, but to do their first transaction through our app. We have 3.2 million app downloads through the end of last quarter, and that number is growing well.

Skift: Do you see some of the larger international players such as Booking.com and Expedia with its AirAsia joint venture coming into India in a bigger way than they do now and what might that mean for MakeMyTrip?

Kalra: I'm glad you mentioned Expedia's AirAsia joint venture because very interestingly they made their departure from the joint venture for India. Interestingly, I met AirAsia CEO Tony Fernandes a few weeks ago at a conference in Singapore; we were on the same panel. And he said India is the only country in Asia that they've actually broken away from the joint venture. That did that because they realized Expedia very little reach in the country it would be very hard for them to make a success of their airline because they really want to sell more tickets online without signing up with the leading online travel agencies, most of which are Indian venture-backed companies like ours. Ours being the only public company.

Even before they launched in India, AirAsia was here and we had several discussions, and the local management did share that they want to work with us, with our kind of market share. About 40% of all air tickets in the country are sold online, of which about 25 percentage points are sold through OTAs, of which MakeMyTrip has about 12.5%. So we have 50% of the OTA market, but also 12.5% of the overall market. The balance, 15%, is supplier direct. So I guess AirAsia realized when they looked at that number that they wanted to work with the OTAs and other suppliers.

To line up with Expedia alone, by the way, I don't understand why that is such a great tie-up for AirAsia. I don't understand why any supplier would do an exclusive deal with an OTA. I get it from an OTA point of view, but I don't get it from a supplier point of view. They [AirAsia] carved out India in the right way, the carved out India [away] from the Expedia joint venture in Asia.

Expedia on their own have been in the country about five years with their own presence. They haven't made a big mark. If you look at ComScore you'll see that

they are probably number five, but I'm sure over time they will get their act together. We do welcome good competition.

Booking.com is focused mainly on the inbound market. I think we are hearing more rumblings theta they are getting interested in the domestic market, and I'm pretty sure we are going to see them take a more aggressive position in the market here. I think it is just a matter of time.

Skift: Your hotel and package business is growing much faster than air and it's fueled by your acquisition of EasyToBook in February 2014. What lessons or learnings have you drawn from that acquisition?

Kalra: Hotels and packages are growing faster, but on the other side it is fair to say that the air industry is growing slower. The fact is that the air industry is on the mend. It's gone through a rough time over the last couple of years with Kingfisher going bust. There is only one airline, Indigo, which is growing, but the good news is that we have a couple of new entrants. AirAsia is a formidable player in the low-cost segment, and Tata, which is India's largest or second-largest conglomerate, signed up with Singapore Airlines, and they're just launching.

EasyToBook was not a revenue acquisition. It was more that we did see some interesting technologies out there, both on the front end and back end, in which they did much quicker than we did. We are doing the best practices sharing. They do a much better job of the extranet, their latency is fantastic. But, fundamentally hotel growth has been driven by Indians booking both domestic hotels as well as outbound. And, EasyToBook definitely helps us there on the supply side just as did HotelTravel in Southeast Asia and Thailand.

Skift: Where do rail bookings and tours and activities fit into MakeMyTrip's strategy?

Kalra: As you know, India moves on rail. But, the reality is that rail is a government-owned monopoly, and unfortunately there is very little leeway that one has in terms of the margin and what you can make on a rail ticket. It is tiny but we think it is important to maintain a full suite of offerings.

On the bus side, we are offering the state bus tickets, I guess, let's say, similar to Greyhound in the U.S. We've tied up with more than 1,300 bus operators, and we cover about 12,000 routes across the country. A lot of Indians tend to travel, particularly in south India and west India using interstate buses and those have definitely improved in the country.

Tours and activities is still fairly new. And the reason goes back to the way people in India really book. There are not too many activities where things get sold out. Except for the theater, where you have different booking sites, you don't have too many activities where you show up there and you can't get in. But, when people are traveling internationally, we do offer tours, which are typically built into the package or are offered as an additional tour which can either book in advance or you take a chance when you are in that place.

Dara Khosrowshahi,
Expedia

"The third trend that we are observing -- and this is a really important trend going forward -- is that the way that users are engaging with the Internet is shifting from pull to push."

Dara Khosrowshahi, **Expedia**

Want to get a glimpse of the future of travel booking? Then talk to Expedia Inc. CEO **Dara Khosrowshahi**, as Skift did, about the massive bet the company is making on push notifications across all devices, products and brands as the world of "pull" and search, while still vital and strong, may see its role diminished in travel marketing.

Under this scenario, Expedia in the background will undertake the ever-more complex task of shopping for travelers while they sit back, and inform them when their air, hotel or car preferences are ready.

Khosrowshahi expounded on what he views as the most important trends in travel booking, spoke about the need to be a "street fighter" in China, opined that the Orbitz loyalty program isn't really a loyalty program, and commented about the very serious stakes in TV advertising for travel brands and where the benefits lie.

Following is an edited version of **Skift's** interview with Khosrowshahi on the future of travel booking and related topics:

Skift: Expedia, along with Hipmunk, seems to be leading the way in features that accommodate multi-device usage among travel lookers and bookers. You have your Scratchpad product that enables users to start searches on a laptop, pick the search right up on a smartphone, and perhaps finish it up on a tablet. What's next for Expedia on multi-device usage and where do you think all this is headed?

Dara Khosrowshahi: There are a couple of trends we are observing that have caused us to invest in this area. One is in general the process we are seeing for for booking is getting considerably more complex. We see our users now shop across more sites than ever before. A user who's doing a flight search will be doing over 40 flight searches before booking a flight. And we are seeing users shop across multiple devices they book. Where we see today around 40% of our users using multiple devices to book.

Second is that in general we see that data in the travel industry is exploding. Data in general on the Internet is exploding. As an example, in 2005 the size of the entire Google index was 200 terabytes. Today Expedia processes over three times that amount in a single day. We process over 600 terabytes per day. People are shopping more because there is so much data available to them from so many more sources, not only us, but there are so many sites out there. And, their ability to get to that data is easier than it ever has been.

The third trend that we are observing -- and this is a really important trend going forward -- is that the way that users are engaging with the Internet is shifting from pull to push. The pull world is a person going to Google, querying and, for example, Google now processes about 3.5 billion searches per day, which is an enormous amount. But, when you look at the push notifications that you get from mobile devices etc., we think the volume of push notifications is five times the amount of these Google queries.

So you are really moving from a single device pull world to a multi-device push world. And, that for us is where we see ScratchPad going. We know that users search a lot so that it allows you to store all of your searches within the Expedia framework. We know that they are searching across different devices so whatever device you are searching from if you are logged in, with your cookie, we are going to track those searches.

So if you are on your phone and you are interrupted, and you go to your PC you can see those searches. And then what we are doing, as far as pull going to push is, once a user pulls from us -- say they are interested in a New York shop, for example -- we are going then going to do the shopping for you. For example, you can ask us to send you an email everyday, showing you the price changes of flights and hotels. We are going to extend this to every single product that's available on Expedia in a push manner so you don't have to constantly come back and search and shop and shop. We can do that for you.

So ScratchPad is really a framework that we've built. We are going to take it across devices as far as push notifications. You can imagine appending searches. If you've done a bunch of flight searches, you might be able to append them, send them to your wife, share them socially. There is a lot more we can do and it is really just the beginning of this really important multi-device push infrastructure that we are building out.

Skift: On the mobile front, a lot of companies talk about how many downloads they have, and you do as well, but you also have a goal of 20% of transactions coming through mobile devices by the end of 2014. What is it going to mean for the future of travel booking if you meet that goal?

Khosrowshahi: I think we are well on our way to meeting that goal: A number of our brands are well above that goal. Just like you couldn't be in travel three years ago and not be online. You can't be in travel now and not be multi-device and be mobile. Mobile is a great opportunity for us because it opens up a new shopper class, last-minute shopper, that we didn't offer a great service for. Now our service is absolutely terrific for that shopper.

We through our technology are offering same-day deals, mobile-only deals, offer a unique way for our partners to reach those shoppers. So it is a win-win for us and our partners. And, we are seeing mobile, especially in developing markets like China, accelerate the rate of consumers coming online. They are coming mobile before they buy a PC. And as they are coming mobile they are searching for all kinds of things, including travel. So it is accelerating the rate of online travel adoption, especially in developing countries, especially in Asia-Pacific.

We are making a couple of bets there. We are investing heavily in our app product and in driving downloads on a global basis. We have more than 150 million downloads now globally. And, we are also making a very big bet on responsive Web design, which is making sure that whatever services that we build across our brand family that those are available in a responsive way across any device that you are on. Whether it is a tablet or a mobile phone. Eventually it will be watches etc. It is a different way of design. It is more complex. There is a challenge in moving from the old way of designing to responsive design, but we are very consistently moving over more of our sites onto responsive, which makes for a terrific mobile experience across whatever device you may be using.

Skift: You mentioned China. I was going to ask you about China in terms of the next big thing in terms of burgeoning markets. We have Ctrip and the Priceline Group getting cozier. Qunar is talking tough. How is it going with your eLong subsidiary in terms of any lessons learned about mobile and the future of travel bookings in general?

Khosrowshahi: China is a unique market and there are very few Western companies that have been able to be successful in China. There's a really good reason for that because China is different. And we are very lucky to have a terrific team with the eLong team, and a terrific CEO with Guangfu Cui. You know Guangfu tells me that westerners don't do well in China because they are not street fighters and the Chinese are street fighters. eLong continues to grow at terrific rates. It is one of the big scale players in China, one of the top three players in a very competitive marketplace. We are 100% behind that company, we are 100% behind that team, and we are investing aggressively both in terms of building the eLong brand in China, but especially mobile, as well. Mobile is exploding in China. It is much more app-heavy than mobile-Web heavy in China, and we are making all the right investments in order to grow that business aggressively.

One of the new activities we are engaging in this year is to really tie up our inventory so that Expedia travelers can now book on eLong hotels in China. eLong travelers are increasingly booking on Expedia Affiliate Network hotels internationally, and that cross-border traffic is increasing at exponential rates, and that is something that we love to see.

Skift: There sure does seem to be a lot of street-fighting going on over there in terms of all the couponing and discounting.

Khosrowshahi: Oh yeah, absolutely.

Skift: In 2012, Expedia introduced its Expedia Traveler Preference program, combining pre-pay hotels with Expedia and pay-at-the hotel options for hotel bookers. It seems like a no-brainer to give your customers more choice, but what sorts of booking patterns are you seeing with these options and how does it differ from region to region?

Khosrowshahi: We've got almost 60,000 hotels now signed up for Expedia Traveler Preference and we expect to see an increase in production for ETP hotels. And there"s been a significant increase for the partners using ETP. We are very happy with the trends there. There are some interesting patterns that we are seeing. First, we see a roughly 50-50 split between Expedia collect and hotel collect bookings on a global basis. But, in general we do see hotel collect being a higher percentage of domestic booking. If you are booking domestically with the same currency hotel collect tends to have a higher percentage. For international bookings, we are seeing lots of customers who don't

want to deal with foreign exchange fees. They don't want to take a risk on foreign exchange and want to lock in their rate so we see a higher percentage of Expedia collect bookings for foreign bookings.

We are also seeing on shorter booking windows more Expedia collect. So if you know that you are going to that hotel we see consumers who just want to transact. They want to get it done versus paying later at the hotel. For longer stays, or for stays that have longer windows, we see more hotel collect bookings.

What's interesting is that people have different needs for the different types of travels, and for different types of travel behaviors. What ETP does for us is offer the flexibility for us to better serve consumers. And to the extent that we are much more flexible in serving those consumers are hotel partners win.

Skift: The year 2014 seems to be the year of the online travel agency loyalty program battles. What does the Expedia loyalty program have that Orbucks doesn't have, and what does it mean for travel booking, if anything?

Khosrowshahi: I think calling it a battle might be over-stating it a little bit. I call it more border skirmish perhaps. We have been in the travel loyalty game for a long time. In particular, I think the Hotels.com Welcome Rewards program is the grand-daddy of the OTA programs. It has been around for over five years, we've got over 10 million customers. It is super simple, 10 for 1. We see very attractive behavior from our Welcome Rewards members as far as repeat rates, and as far as how they repeat. They come direct to the site. The are totally sold on Hotels.com as a service provider for them.

When we look at the Orbitz program, I wouldn't call it as much a loyalty program because a loyalty program rewards you for being loyal. I think we see the Orbitz program as being more of a cross-sell program. If you buy an air ticket then you have some Orbucks to spend immediately. So it doesn't necessarily reward loyalty; it rewards cross-sell.

What we are seeing at Expedia is that we're able to drive cross-sell through product innovation quite successfully. The Expedia Rewards program is much more about loyalty. We don't think there is one formula for loyalty, but we are quite satisfied with our various programs and we continue to invest in them pretty aggressively.

Skift: Are TV advertising trends border skirmishes also or are those wars? What are you seeing in terms of Expedia, Hotels.com, Trivago, you name it, advertising on TV?

Khosrowshahi: I think those have graduated definitely beyond border skirmishes based on the dollars spent. TV is a strong media source to the extent that you have a strong message and a strong service. The thing about TV is that it lifts your business across all your channels. For example, at Hotels.com we see the Captain Obvious campaign has been a real success, is improving Hotels.com direct traffic, but also improves traffic, click-through rates and conversions across other channels, as well.

We are committed to the TV medium. We will continue to increase our investment there, and it is no surprise that we are seeing some of the other players investing in TV, as well.

Stephen Kaufer,
TripAdvisor

"Price message is a nice message, but that's not why travelers love TripAdvisor."

Stephen Kaufer, **TripAdvisor**

TripAdvisor touts itself as the world's largest travel company. With its more than 170 million user reviews and opinions, and array of portfolio companies and products ranging from SeatGuru for flights to Hotel Shopper and now Viator for tours and Lafourchette for dining reservations, TripAdvisor can influence travelers' plans in nearly every part of the journey.

Skift discussed the future of travel booking with TripAdvisor co-founder and CEO **Stephen Kaufer**, and along the way Kaufer touched on the company's recent acquisitions, direct-booking initiatives and mobile, the company's TV advertising campaign, and vacation rentals, among other topics.

An edited version of the discussion follows:

Skift: With the acquisitions of Viator for in-destination tours and activities and Lafourchette for restaurant reservations, TripAdvisor is well-positioned to enable travelers to search and book on the site and in your apps almost throughout the travel cycle. From city guides to flights, hotels, tours and restaurants, what do you see as the most important trends in the world of travel booking?

Stephen Kaufer: It is certainly no secret that TripAdvisor has a lot of travelers who are looking to plan the entire trip, not just their flight and hotel stay or vacation rental. So with the traffic and traction we have it's always been how can we do a better job and do we have a business model that supports and increased investment. We looked to different business models in the attractions and restaurant space and, frankly, the transaction model, helping people more conveniently make a reservation or buy a ticket for what they want is the most obvious one.

For restaurants, we picked up the leader in France and Spain [Lafourchette], for attractions we picked up the clear global leader [Viator] because we felt those products would help our travelers plan and have the perfect trip. Is it an end-to-end solution? Of course not. There's a zillion other things travelers do when they take a trip. Can we help in one more segment? Sure. And if we can then we continue to deliver the quality products that Viator and Lafourchette already have, excellent. Do we think we can help them scale globally? Yes we do. We think we can make the integrations better on TripAdvisor, a site that travelers are probably already on. So now if I go to Paris I can search for a restaurant with availability at 8 p.m. and I didn't used to be able to do that. Now I can. Soon with Viator you will be able to do much more in terms of actually cementing a trip, cementing those plans with what you want to do when you are there while still on the TripAdvisor site.

Skift: Speaking of Viator, a lot of people have said about tours and activities that they won't really take off, to use a cliche, until we "crack mobile" in terms of real-time availabilities and that sort of thing. Is Viator close to getting to that point or is there a lot more work to be done?

Kaufer: Viator already has all the ingredients for mobile. On a trip that I booked recently, I booked my tour while I was in-market using Viator's mobile app. It works. The question mark is how many people around the world already have the mobile app on their phone to book tours and attractions? Answer: Basically nobody.

The app that they might have to do that is TripAdvisor since we have 125 million downloads. But, to date it hasn't been a great experience in helping you to find the bookable things. If you are going to take a tour of the Vatican there are a dozen different tours that are all different and interesting, and TripAdvisor didn't help you distinguish among them.

We think we can bring a lot of benefit to the traveler in an app they already have on their phone. People are already using TripAdvisor in scale in-market so we are back to the [question], does Viator have enough supply? Of course not. There is always more that you want because you want to be as comprehensive as possible.

Skift: I wrote a story about Skyscanner launching a standalone hotel app. Given the proliferation of apps, all the properties you have, and the fact that consumers probably want to use only a few apps on their phones, do you envision combining more of your apps into a single app or is mobile Web more of the way to go?

Kaufer: The jury is still out in terms of mobile Web versus mobile app. We see resounding votes for both. We have a lot of app usage and a lot of mobile Web usage. An individual branded app, what Viator offers today, is a ton of great information in their environment. It doesn't really make sense to copy that over to TripAdvisor. You're right, we already have the TripAdvisor app on the phone so it is not necessarily the best thing to require the download of another app if you want to just go off and buy a ticket for a tour.

We see coexistence for the foreseeable future, and TripAdvisor hasn't gone the route of an app for each and every brand that we have, but where there's a

specific need we do look at creating frequently a custom app for it.

Skift: Are we seeing a blurring of the lines between travel search and travel booking? TripAdvisor has booking sites Jetsetter and Tingo, and you are starting to do direct bookings in Hotel Shopper. Qunar in China has a blend of both models, and Orbitz is showing metasearch prices right below its hotel-search results. Is there a meaningful distinction between search and booking sites or is it all fading?

Kaufer: It's true lines are getting blurred. I really wouldn't use Tingo and Jetsetter as a blurring of the lines because we are a group of companies and those just happen to be assets in our portfolio. It is fair to look at Orbitz testing the metasearch component. It is fair to look at TripAdvisor adding Instant Booking. I think Orbitz would tell you they are an online travel agency. They contract with hotels. They sell hotel rooms. And they are putting in the meta to make sure as a consumer you don't have to check around.

For TripAdvisor, we are not building up a market management force. We are not contracting rooms directly with us. We are in the media business. So we are helping a consumer go further down the funnel, but at the end of the day it's still Getaroom, it's still Best Western, and somebody else who's selling the hotel room on TripAdvisor. So it blurs, but I am not an OTA and I don't think Orbitz would call themselves a media company.

Skift: So far Expedia and Booking.com have said they don't want to take part in TripAdvisor's direct booking, or Instant Booking. Is the reluctance so far of the biggest online travel agencies to participate a matter of them not wanting to see the big get bigger or are there branding and economic issues at play?

Kaufer: I think the OTAs, and specifically the Priceline and Expedia companies, have simply said that they are not participating for now. They have been very clear, from what I've read, in not ruling it out forever. The "for now" presumably revolves around the fact that we just have it out on mobile. The phone, not including tablet, is a small portion of our bookings and a small portion of the OTA bookings. It is great for the consumer on the phone, but it's not particularly a big deal in terms of the number of leads that we send.

When we look at Instant Booking going forward, we think that the independent hotelier and the B&B owner, so long as there is a way to technically connect with them, we think it is a great opportunity for them to expand their distribution opportunities. It's a distribution channel. It's not an OTA. It's not buying a click from Google. It's something in between.

Skift: Are you hopeful that once Instant Booking gets onto desktop that your dynamic with the larger online travel agencies, and your relationships, may change? That perhaps some of them who have publicly stated they are out for now, may be in?

Kaufer: I'm forever hopeful. The big OTAs and all of the options for the consumer, we'd like to see everyone in the Instant Booking store. I've also been clear publicly that our strategy does not depend upon any OTA participating or not. We will continue to sign distribution partners, folks that can take bookings for the room, and if it is good value for the consumer, we will present that as an option to them in that Instant Booking funnel.

Skift: On vacation rentals, I think you guys came out with a number that you now offer 630,000 vacation rentals through TripAdvisor/Flipkey. Meanwhile, HomeAway CEO Brian Sharples said during HomeAway's second quarter earnings call that HomeAway hasn't felt the impact of TripAdvisor in vacation rentals. Sharples said: "This is a marketplace business where you need both supply and demand. So it's one thing to have properties, it's another thing to get bookings against those properties." Are you buying his argument that TripAdvisor has some beautiful numbers regarding vacation rentals but really isn't driving demand or being felt in the marketplace?

Kaufer: Actually I do agree with Mr. Sharples: It is

a marketplace, you need supply and demand. I was only at liberty to talk about the increased supply that we have, which is a big number and just means to consumers, hey, we have good choice. We are proud of that number, but it really doesn't tell the whole story.

We don't disclose the demand numbers and the bookings that we do, but he [Sharples] knows we are in the marketplace. I'm sure we have siphoned some demand from other sources. I have no way of knowing whether it is from HomeAway, from offline rental agencies or from any other player in the marketplace. But we do a very nice business in vacation rentals that's growing quite nicely so we ourselves are pleased with our own progress.

Skift: Would you say it's a big priority for the rest of this year and 2015 to do an even better job in vacation rentals?

Kaufer: I always look to do better than previous years, but you shouldn't take that as any disappointment with our performance in 2014.

Skift: There's been so much publicity, positive and negative, about the Trivago TV advertisements in the U.S. and the Trivago Guy, Tim Williams. And we all know the impact that William Shatner has made for Priceline. So do you think the TripAdvisor ad campaign in the future might benefit from having a human spokesperson, and what impact has your campaign had to date?

Kaufer: I object to the comparison between someone as famous and well-known for generations as William Shatner on so many highly successful television shows with an actor who has a certain look about him. The publicity around the Trivago Guy is publicity in ad-media circles, as near as I can tell, as opposed to consumers who recognize Mr. Shatner. I look at the decision of whether to go with a human spokesperson or not as there is no best practice. Lots of different things work. And when you look at our TV commercials, "Don't just visit Paris. Visit TripAdvisor Paris," it is clearly ringing the bell with people in the markets where we are active [U.S., France, and Australia]. We are pleased with the campaign. I'm not feeling a particular need to change something dramatically. We will always tweak and tune, but the core proposition resonates with our audience. It's not just about, did I save you $20. Price message is a nice message, but that's not why travelers love TripAdvisor. They love TripAdvisor because it really helps them have a great trip. And that's a message we are uniquely able to fulfill on vis-a-vis any other travel site.

Skift: I think you mentioned during your Q2 2014 earnings call that you were considering expanding the TV ad campaign to one or two new markets. Has that happened yet or can you say what new markets you will be in this year?

Kaufer: We did start doing some advertising in Canada.

Skift: Is there anything else you'd like to mention about the future of travel booking?

Kaufer: It's a little bit ironic that so many of the big players have turned to offline advertising for an online product. But, it remains a way to reach a large number of people. And, TripAdvisor as a company has really never relied on offline advertising, but we too have reached out because we feel we now have a really great product in almost every market, and it's just a question of does everyone know what we have.

We have the price comparison. We have the content. We have the photos. We have the room tips. We have all the different pieces for the flight, the hotel, or the thing to do while you are there or the place to eat. Sometimes we can book, sometimes not, but we have all the information to really help plan and have that perfect trip. So to us it really seemed a great time to start shouting about it globally. Again, the 2015 budget hasn't been written yet, but we see a tremendous amount of opportunity ahead.

Sam Jain,
CheapOair

"The mobile Web is really where the future is in terms of customer acquisition because the same trend on the desktop is moving over to mobile devices."

Sam Jain, **CheapOair**

Sam Jain is the founder and CEO of Fareportal, which operates two online travel agencies, namely CheapOair, the largest company in the group, and OneTravel.

CheapOair, which is among the top five online travel agencies in the U.S., is a hybrid in that it not only offers online bookings, and has hundreds of engineers dabbling with every aspect of its Web page, but it also owns its own call centers, employing hundreds of agents, and publishes its toll-free number on every page.

Jain believes being a private company that has a small group of decision-makers is a competitive advantage, but on the other hand its hybrid model takes investment to scale.

Skift spoke to Jain over dinner recently, and discussed CheapOair's strategic issues, along with his views on the future of travel booking.

Skift: CheapOair was founded in 2005 with a focus on flights. You now have scores or perhaps hundreds of engineers working on tweaking flight bookings on your site. What is so difficult about airline tickets?

Sam Jain: After being in this business for eight years and having a presence in multiple countries, having about 200-plus engineers is very normal and usual because just maintaining millions of lines of code requires a ton of engineers. You have different languages, different countries, different products. We have a huge pipeline of product development. If you design 30 new products only one will actually see the light of day because the rest will either not pass the test or the consumer experience will fail. Very stringent new testing is done.

Skift: Thirty new products? I'm not asking you to give away the secret sauce but how many new products can there be at one time? OK, your are handling Spirit Air's bag fees and American Airlines is doing its thing with you. Why 30 new products?

Jain: For us product development is in three or four sections. It can be a small product that a new consumer or a returning consumer may not even notice that it's actually there. But it definitely helps them improve their user experience. For us it's still a product design or innovation. Then there are more complex products that could be front end, could be design-related. There are even more complex products that are back end-related. There are millions of types of fares. For us every origin and destination is a skew for us; it's a different product. If you optimize just one origin and destination pair, say New York to Paris, there are thousands of fare options, airline options, routing options. So we really go into the nitty gritty of every route, every airline and we have to optimize all of this.

Skift: How does this compare with what Expedia or Priceline may be doing for flights? Are they doing the same sorts of things?

Jain: I'll take Kayak as an example. You have one page. Say their total sales are $300 million. It all happens on one page, which is their listings page. Imagine how much optimization they have to do on that one page to get to $300 million in revenue. Every square inch of that page has to be thought about, optimized.

We have people looking at just the widget. There may be errors that are happening. What people are typing may not be recognized by our system. So we get error reports that say instead of typing "JFK" they are typing "Kennedy." We get hundreds of reports every day that our product designers and engineers have to review, and see what can they optimize.

Skift: On the mobile front, how are your views of mobile bookings evolving, perhaps apps versus mobile Web? And what are you finding interesting about customer behavior on mobile?

Jain: We are in the top 10 apps [U.S. June data from App Annie for travel aggregators]. We just gained four ranks to get into the top 10. Apps are definitely a great tool for us for regular, repeat users. We want to provide them all the services so that once they book their flights they can go in and do self-service such as exchanges, name changes and the common things that people ask for. We have a free feature for tracking flights. A lot of apps don't provide that for free.

Our app downloads are doing tremendously well. We don't spend any money on advertising it. Regarding user engagement from people who book flights from us, there's a very high uptake on that.

The mobile Web is really where the future is in terms of customer acquisition because the same trend on the desktop is moving over to mobile devices, where people go on Google and they search for their keyword. The ads come up or the SEO organic results, and then people go to the mobile Web and make that booking.

Skift: Are you seeing different behavior mobile Web versus apps?

Jain: Your acquisition on the mobile Web will be always, I think, on the higher side because people are actively

searching for a certain item they are looking for. App is just there already. Maybe the first time I downloaded my app I did it for a particular reason. If a customer has already booked a flight with us then it is not going to be for a new booking immediately. It may just be for some new information. for an exchange or just to have the itinerary available to them.

But on the mobile Web people are actually going onto Google and typing in "flights to Los Angeles" or "flights to Paris" and then our organic listing or our ad would come up and they would click on it. So the conversions are much better on the mobile Web that way.

Skift: What about mobile Web versus desktop?

Jain: The conversion rates for the apps are better than the desktop just because desktop volume is still higher, but it is growing. I think the total volume of the mobile Web is growing very fast. The percentage growth is much better than the desktop.

Skift: What's new and exciting about airline ancillary services besides bag fees?

Jain: Ancillaries are the next frontier for us on the airline side because every airline is really unbundling all of their products. That is the new reality. I don't think there is any going back to the old way where everything was included in one bundle. That is great for the airlines. They are profitable for the first time in so many years. Fareportal is really in the leadership role working with the carriers. We are currently working with over 10 airlines, integrating their ancillaries. I think we are the first for pretty much all of them. We have Spirit bags, American's Choice Essential and Choice Plus, which bundles a lot of different fares into one, such as priority boarding, free changes, discount miles. For Air Canada we were the first to integrate all of their services like lounge passes, beverages, food. It is extreme unbundling, I would call it. Even the smallest items are unbundled.

We are the first ones to add all of this in the booking path. That's a great value for consumers. Preferred seats, for example, is limited inventory. You buy it then, you will get it. I've tried it on JetBlue. When I go to the airport they only have three rows of preferred seats with extra legroom. They are always taken. So if you book it in advance in the booking path, you have a much higher chance of getting it. And, it's only $30 or $40 extra, but you are getting a much greater value because the legroom is much more.

Skift: eDreams Odigeo, the European company that is probably the closest in DNA to CheapOair, recently did an IPO. Are there any discussions about a combination with eDreams Odigeo or how do you view the competition? And is an IPO for CheapOair in the cards?

Jain: We really haven't discussed it internally or thought about it. We are very happy being a private company. We think we are very nimble and fast-paced, and very innovative in that way. We don't have layers and layers of approvals. We are a small core team in decision-making and we can do approvals, and we can do things and roll them out really fast. I think that gives us a huge advantage over our competitors.

We would like to keep it that way as long as possible. Eventually scale does matter. There are no talks right now with any company.

Skift: Metasearch is the fastest growing category in travel. What's your thinking about it, and how does CheapOair engage or not engage?

Jain: Metasearch for us is not really a competitor. They are more friends for us. We work collaboratively with most of the major metasearch engines. They bring us good, qualified traffic. The market is big enough for metas and online travel agencies to coexist. It is a very different model. Metas don't do bookings. They don't have that deep customer relationship.

Skift: But, isn't there a convergence going on? TripAdvisor doesn't do a lot of air, but they are doing their own hotel bookings now through partners in their apps. Kayak is doing it with the Priceline Group

companies. And Orbitz now has metasearch prices through their hotel results.

Jain: Fareportal/CheapOair started when one thing that we noticed was that the online travel agencies were gong away from the traditional travel agency model. We are really about bridging the gap between an OTA and a traditional travel agency model. It is truly a hybrid. We are the only OTA that publishes prominently our phone number on every Web page. And we are the shortest booking path in air. Consumers don't have to go through layers and layers of pages and cross-selling and upsellng.

Steve Singh,
Concur

"I think the reality is some people will be very comfortable booking with travel agents, other people will be very comfortable booking with online booking tools."

Steve Singh, **Concur**

Concur CEO **Steve Singh** believes companies can't force their employees to book business trips in a uniform manner, that providers have to adapt to diverse booking behaviors, and to build the behind-the-scenes technology to deliver on that premise.

Despite Concur's advocacy of its TripLink open booking solution, Singh is under no illusions that TripLink will be "the" solitary industry solution, and he offers a vision of the "perfect trip," and what the travel industry needs to do to get there.

Following is an edited transcript of a conversation **Skift** conducted with Singh on the future of travel booking:

Skift: Concur obviously has a lot of experience in how business travelers book their trips. You acquired the Cliqbook corporate booking tool way back in 2006, and your open booking initiative, TripLink, is picking up partners from what I hear. Where do you see business travelers' booking behaviors heading and what does it say about the future of travel booking?

Steve Singh: I think the overriding concept, and how we look at the world, is that you want to embrace the behavior of the individual. And you want to make it easier for them to do whatever it is they need to do. The patterns we are seeing in the world, the patterns we are seeing by cloud computing, by mobile computing, allow the individual to work in the model that they want to work. Embrace that behavior, capture the information that is necessary for them to get the results they are looking for. And then work behind the scenes to make sure you are meeting corporate objectives.

I think specifically in the case of corporate travel, business travelers will book in multiple different locations. I don't think this is a move to one model. I don't think it goes entirely to Triplink and that whole scenario where they are booking directly with suppliers. I think the reality is some people will be very comfortable booking with travel agents, other people will be very comfortable booking with online booking tools. Others will book on sites like Kayak. Others will book directly with suppliers. That is just the reality of life. It is a very diverse world. As a provider you have to embrace all of them. As a provider you will have to say, I will allow you to work in any model that you prefer. I will deliver all the benefits to you as a traveler and to you as a corporate customer that you are looking for. I don't believe in any model that says I will force it to be what I want it to be. I have never seen an example of that in life where that really works.

Skift: For corporations trying to handle their employees' travel that sounds almost chaotic or undoable. As a corporation, how are you going to accommodate all of these different booking models?

Singh: That's the beauty of technology. Technology can make that possible behind the scenes and make it seamless. Today, the scenario you described about this concept of "chaotic" ... I realize that others don't share this view and my personal opinion doesn't matter here. What matters is what's reality. And, today people book in lots of different places. Nobody will contest that more than 50% of hotels are booked outside of corporate policy. And I know this for a fact because for 25,000 corporate customers, I manage their expense reports. The concept of how we embrace open booking or our product Triplink is really a function of what we saw happening in the world.

The chaos you are describing exists today. What we are trying to say is look, we can really manage that chaos. And we can actually make managed travel a reality. I would argue the view that the incumbents are trying to push, which is somehow that Triplink actually reduces managed spend in managed corporate travel programs, is just factually incorrect. It actually does the exact opposite. It takes a managed corporate travel program as it exists today that is not fully managed, and actually gives you the chance to make it fully managed.

Do you know why people book outside their existing managed travel programs? The feel they can get a better rate somewhere else. Individual employees are saying I want to do the right thing for my company and that's why they go out and look elsewhere. Or the content is not available in their existing channel model. About 97% of all airline tickets are available in the existing global distribution system/travel management company delivery model. With hotels it's not, cars it's not, trains it's not. The existing model doesn't serve our needs fully.

Skift: You referenced the fact that the incumbents are providing some pushback on TripLink and what they allege it will do to managed travel. In your own assessment how well do you think some of the biggest travel management companies, from American Express to Carlson Wagonlit Travel and BCD Travel, have adapted to this changing booking environment?

Singh: It is not fair of me to provide an assessment of how well they are doing. I don't run those businesses and it is not fair of me to answer that question.

Skift: On the future of travel booking, where does personalization fit in? Is it over-hyped, the next big thing or something in between?

Singh: I think the technology is very good. I think the technology is ahead of where we as a culture are. I'm not talking decades. When I log onto Amazon I have a list of everything they are recommending. My daughter shares my account. She's a teenager, she reads a bunch of teenage books so I'm getting these recommendations on teenage books. They are trying to understand who I am and are trying to serve me better. There's no way that a credible argument can be made that people don't like personalization. It's just that it has to be delivered in a model that is honest and a model that I embrace. It can't be about what I'm trying to sell you. It has to be about can I make the experience better. One thing we have been working for a number of years is that when we deliver personalization we need to set the bar high. If it's like Groupon, then you tell me. How many Groupons do you accept? The acceptance rate is not too dissimilar from what you see in direct mail pieces. If that's what our industry delivers, then we will fail miserably on personalization. I believe we will do much better.

Skift: Your Perfect Trip Fund has invested in so many booking sites, including Cleartrip in India, Taxi Magic (recently rebranded as Curb), Room77 (which is now basically on hiatus), Table 8 for dining reservations, and Yapta for tracking price-drops. How do all of these seemingly scattered investments all fit together?

Singh: You are going to find that every one of these investments is fundamentally around enabling every element of what we call the perfect trip. At first blush they seem very diverse in investments. Take out a piece of paper and make an outline if I could, what would my trip experience look like. And I've tried to paint that picture a few times in public formats.

Say I'd like to book a trip from Seattle to San Francisco. And then I want my phone to make a recommendation on hotels based upon my pattern, based upon my company policy. If my flight is delayed, I shouldn't have to pick up my phone and call somebody to change flights. Why can't there be a recommendation pushed right into my app, saying here are the three options within your policy, here are the three options outside your policy. Which one would you like?

When the plane lands, why can't I start the check-in process for the hotel. The technologies needed to that are in part there, and in part they have to be invested in. And some of them we actually invested in. Then when I am walking from the jetway, why can't I get a push notification that says would you like me to set up a car? And after the car has been arranged, then that transaction goes into the expense report.

So how do you define the Perfect Trip? There is a lot of technology out there that is enabled today, but there are several that still need to be built. And so we actually invested not just in the companies that you named, but we invested in a great company called buuteeq. What buuteeq was doing was building out the marketing services and the central reservations services for hotels. Most of these today are legacy systems. They are not easy to customize, they are not easy for personalization.

Skift: I read in your second quarter 10-Q that you had a $14.6 million gain on your buuteeq investment after buuteeq was acquired by the Priceline Group.

Singh: I wish it had remained a standalone business, but we [understand] the fiduciary duties for their investors and for that company. But when you look if you can't deliver those technologies and they aren't there, and you can't solve these problems, well you can't deliver any element of the perfect trip. So everything we invested in was a gift around the picture I just painted of the perfect trip and how do we enable that. Some of those things we are going to enable and some of those things our partners will enable. Some of them will be people we learn about later in life and we'll go partner with them then.

I'm not trying to be arrogant, but our industry needs more than just here's how things work. You got to have a vision on how things ought to work. It is a concept that started with Concur, but it is not Concur's vision. We all share in this. Whatever part of the world you work in, why isn't it made better? Why isn't made to be a much better experience? And the reality is this what the industry is trying to do and it happens to be a vision we are coalescing around. That's why we invested in those companies.

Barney Harford,
Orbitz

"It is a little hard to explain to consumers, but I think with what Apple is doing -- you can start your email on your iPad and pick it back up on your Macbook Air -- as this becomes more built into Apple experiences, then it will become a lot more intuitive to consumers."

Barney Harford, **Orbitz**

Barney Harford, the CEO of Orbitz Worldwide, has been at his post since early January 2009, with the mission of weaning a company that has its roots as a site created by major U.S. airlines off flights and deep into the hotel-booking business.

Harford has tried all sorts of strategies, from providing credits in the event of hotel-rate drops to tinkering with the hotel-booking path. But, he believes the introduction of new loyalty programs across Orbitz, CheapTickets and eBookers, all of which incentivize hotel and mobile bookings, has been the most successful initiative during his tenure.

Skift caught up with Harford to discuss the future of travel booking, including metasearch, mobile-device usage and loyalty.

The following is an edited transcript of the conversation:

Skift: What have you learned about the future of travelers' booking behaviors from all of the experiments you are doing on Orbitz sites?

Barney Harford: Testing plays a big role in our site optimization efforts. Right now, we are running more than 60 tests on our U.S. Orbitz.com and CheapTickets brands. Over the last 12 months we've achieved meaningful conversion improvements across a broad range of areas. Some examples of recent wins include highlighting the cancellation flexibility of a particular flight itinerary, hotel stay or car rental, testing various messaging treatments calling out reasons to book now in the checkout paths and optimizing the search results and booking experience with easier touch targets and cleaner displays for customers on tablet devices.

Skift: I see that you are running metasearch results with hotel prices right underneath some of your search results on Orbitz.com and CheapTickets.com. Why the change?

Harford: We're seeing the meta sites look to incorporate a transaction component into their models to deal with the booking experience on mobile. At the same time, on Orbitz.com and CheapTickets we're exploring opportunities to incorporate a hybrid meta component into our model to address the consumer benefit of being able to get a broader view of the pricing landscape. Specifically we're including meta pricing in our hotel results' cards. We feel our meta offering enhances the overall consumer value proposition.

Skift: Do you think business travelers' booking on consumer websites and outside corporate booking tools and policies will pick up even more momentum and what does this mean for Orbitz Worldwide?

Harford: The biggest reason why corporations struggle with getting business travelers to use their corporate online booking tools is that most of them are terribly clunky and difficult to use. Our Orbitz For Business clients experience online adoption rates of over 90% because their travelers find the Orbitz for Business online booking tool experience replicates the simplicity of our consumer sites.

As a sign of this trend towards consumerization, we recently announced that we're partnering with one major global client [identified as IBM] to deliver an online booking tool for their travelers to use to book travel in more than 90 countries around the world. We think there are huge opportunities for us going forward in terms of being able to bring a consumerized online booking experience to corporations around the world.

Skift: How is Orbitz Worldwide coping with consumers' multi-device behaviors?

Harford: We are now seeing 31% of our standalone hotel reservations being made through mobile devices. And that is up from 24% in Q2 2013. We are seeing the strongest growth within the app part of the mix, which is very exciting. That is where we are putting the most significant amount of investment, although we are also investing in building mobile Web and tablet Web experiences.

You are asking about multi-device behavior. This is something we have been interested in for awhile. As we recognize consumers across multiple devices to give them continuity across their shopping and booking processes, we are in the process of building out some core functionality that will let you pick back up from where you left off as you move from device to device, from cellphone to tablet to PC etc.

We already have good cross-device search linkage and if you continue the search on one device we'll give you easy access to wherever you left it. We'll make it easier and easier to log-in with the rollout of social log-in across Facebook and Google+ etc. It is becoming easier to log-in, and make sure you are recognized to get the benefit of all those sticky features we are rolling out to provide the seamless device-to-device experience. It is a little hard to explain to consumers, but I think with what Apple is doing -- you can start your email on your iPad and pick it back up on your Macbook Air -- I think as this becomes more built into Apple experiences, then I think it will become a lot more intuitive to consumers.

Skift: A few of your competitors, such as Expedia and Hipmunk, are building apps to provide continuity from device to device. Can you provide any more detail on how you plan to do it?

Harford: Your Orbucks balance obviously follows you around. We do a nice job on the mobile device of integrating that into the pricing and results that you see. The images that you see on the home pages of our mobile apps reflect recent search activity. Showing recent search activity between devices is something we are looking to do.

Skift: Talking about the future of travel booking, are wearables going to play a role or are they just a fad?

Harford: I think wearables may very well have a very exciting role to play in the broader consumer electronic space. We are not putting too many resources into booking a hotel on your wristwatch at this stage. There is obviously a certain amount of space you need to get a good user interface. We have many teams that enjoy being on the cutting edge of this stuff. We were the launch partner for Amazon Fire, with that product incorporating some of the fun 3-D capabilities and the the icons and gesture control that they are doing. We like to explore the cutting edge of some of this stuff.

Skift: What role, do you think, will loyalty and personalization play in the future of travel booking?
We are very excited about how the loyalty offering is working for us. In July we rolled out CheapCash onto CheapTickets. CheapTickets has a lower hotel attach rate so we could be more aggressive in terms of the offering. And we just launched eBookers' BonusPlus, which is pretty much the same program that we have for Orbitz Rewards. Now that's in all the markets we have across Europe ... France, Germany, the Scandics, Finland etc. It is allowing us to very significantly increase the attach rate of hotel to air transactions. It has been more successful that anything else we've tried in the course of the life of Orbitz I've had. Moving the needle on that. There are more and more ways we can segment the audience and provide loyalty-related offerings to them to really to reflect their profile, and their needs. Our mission is to make our sites, our brands, the most rewarding places to plan and purchase travel on touch devices. So it is really focused on where, in two or three years' time, where we see the world. Everything is going to be touch so we are really focused on smartphone- and tablet-optimized experience, deeply integrating loyalty into it.

THANK YOU

NEW **PROJECTS** & **CONCEPTS** ARE WHAT MAKES US **HAPPY**.

Skift's new content studio, SkiftX, helps brands such as Amadeus, American Express, Egencia, Hilton, Peak Adventure Travel, and others create thought leadership in the global travel industry. Through trends reports, research, branded content, social media audits, and other content marketing initiatives, SkiftX distributes through industry marketing platforms.

Rafat Ali
Founder & CEO, Skift
ra@skift.com
212-564-5830
Skift Inc, 115 W 30th Street, #1213, New York NY 10001