

Duff on Hospitality Law

## **OTA & Travel Distribution Update: Expedia's recent second-quarter earnings release reflects current travel industry misery; Expedia's failure to provide refunds allegedly violates Washington state's Consumer Protection Act**

By Greg Duff on 8.10.20 | Posted in OTA Update

This week's Update takes a deep dive into all things Expedia, and includes several stories regarding Expedia's recent disastrous quarterly earnings release, [an actual copy of the release](#) as well as [a copy of a complaint](#) recently filed in Washington state against Expedia that raises some interesting questions for Expedia and other travel intermediaries. Enjoy.

### **Expedia's Recent Quarterly Earnings Release Reflects Current Travel Industry Misery**

*("Abysmal April pulls Expedia Group down to record lows in second quarter," Jul 31, 2020 via PhocusWire)*

Where to start...Here are my key takeaways from Expedia's second-quarter earnings report:

- "Worst quarter the travel industry has seen in modern history." Peter Kern, Expedia CEO
- 82 percent decline year over year in overall revenue (\$3.2 billion to \$566 million), with lodging revenue declining 78 percent
- 90 percent decline year over year in gross bookings
- 91 percent decline year over year in media and advertising revenues (Trivago and Expedia Group Media Solutions)
- Company-wide selling and marketing expenses in the second quarter dropped from \$1.6 billion to \$296 million
- April was the low point (cancellations exceeding bookings), but May and June have seen modest increases in bookings (and cancellations have stabilized).
- Drive-to destinations are the first to return
- Vrbo has become Expedia Group's pandemic bright spot with daily rates continuing to increase (yes, increase) and the overwhelming majority (experts speculate as high as 83

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percent) of bookings coming through organic (less expensive) sources. Dare we say that Vrbo is engaged in its own form of direct booking program...

- Although Expedia's \$275 million industry recovery program has been rolled out to partners in 80 countries, no information was given on the number of partners that have actually enrolled in the program and/or how much of the \$275 million has actually been distributed.

### **Class Action Complaint Alleges Violations of State Consumer Protection Act for Expedia's Refusal to Secure Traveler Refunds**

Recently, a passenger on a canceled July 2020 flight to Italy on TAP Air Portugal filed a class action complaint against Expedia asserting, among other things, that (a) the passenger had booked his flight with Expedia, not the airline, (b) the passenger's primary relationship was with Expedia, not with the airline, and (c) Expedia's refusal to ensure that the passenger received a refund for the canceled flight (as opposed to the voucher that was offered) constituted unfair and deceptive conduct in violation of Washington state's Consumer Protection Act. Although there are enumerable issues with the complaint and its many assertions, it will be interesting to see how quickly Expedia can dismiss the complaint and whether similar class action claims will be made against other agents, tour operators and/or intermediaries over suppliers' failures to provide refunds. Time to check those booking terms and conditions...

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Other news:

### **Expedia Bookings Down 90 Percent From 2019 as Virus Hammers Travel**

*Jul 30, 2020 via Bloomberg*

Expedia Group Inc.'s whopping 82 percent decline in revenue in the second quarter has laid bare the total devastation the coronavirus has wreaked on the travel sector. Shares dipped as much as 4.8 percent in post-market trading. The Seattle-based online travel giant reported total gross bookings of \$2.71 billion for the three-month period to June 30, a decline of 90 percent from the same period a year earlier.

### **Expedia Revenue Sinks 82 Percent Amid 'Worst Quarter the Travel Industry Has Seen in Modern History'**

*Jul 30, 2020 via GeekWire*

The pandemic crushed Expedia Group's business during the second quarter as the travel giant saw revenue sink 82 percent year-over-year to \$566 million. Expedia missed expectations for Q2 revenue and earnings per share, which came in at -\$4.09.

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### **How a Pandemic Helped Expedia's Vrbo Fix Its Google Problem**

*Jul 31, 2020 via Skift (subscription may be required)*

What a difference seven months and a global pandemic make. If you recall, Expedia Group forced out CEO Mark Okerstrom last December, in part, because the company hadn't adapted to Google capturing a bunch of its lodging traffic. OK, you can debate whether a [revenue decline in Expedia Group's Hotels, Media and Platform business](#) in the third quarter of 2019 could truly be laid at Google's doorstep or whether much of the issue was Expedia's lack of execution.

### **Airbnb Sets Up Clash With Expedia Over Number of Legal Rentals in San Diego**

*Jul 31, 2020 via Skift Travel News (subscription may be required)*

Airbnb conducted a Zoom meeting with San Diego hosts about a potentially precedent-setting agreement to limit the number of legal rentals there, and told them it plans on lobbying the city council to raise the number of allowed properties, Skift has learned.

### **Trip.com Group Sees Strong Demand for Singapore Products Among Both Local and Overseas Travellers**

*Jul 30, 2020 via Hospitality Net - Latest Industry News*

Singapore hotels and attractions have been well received in various global markets, with particularly strong demand from outbound Chinese travelers, despite the ongoing pandemic. [Trip.com](#) Group recently recorded sales of over 12,000 room nights amounting to a Gross Merchandise Value of over S\$3.75 million over two recently concluded.

### **Trivago Revenues Wiped Out as Pandemic Shut Down Travel in Second Quarter**

*Jul 29, 2020 via [phocuswire.com](#)*

Revenue coming into hotel search service Trivago was almost obliterated between April and June, with the brand bracing for a 93 percent collapse from the same period 12 months prior. Total revenue across the company fell from €223.7 million in Q2 2019 to €16.1 million in the corresponding quarter of this.

### **Southeast Asian OTA Traveloka Raises \$250 Million as It Sees "Encouraging Recovery" in Key Markets**

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*Jul 28, 2020 via [phocuswire.com](https://phocuswire.com)*

Indonesia-based online travel agency Traveloka has raised \$250 million in what it calls “a strong vote of confidence in [its] resilience and the viability of the regional travel industry.” The company does not name the global financial institution it says led the round.

### **Google Made Advertising Concessions to Travel Partners But They're Still Angry**

*Jul 24, 2020 via Skift Travel News (subscription may be required)*

As the pandemic brought travel to a standstill in the first quarter and bookings were cancelled en masse, advertisers spent millions of dollars on Google advertising that turned into nothing. Since then, Google made concessions to some advertisers — but they scoff at the paltry amount.

### **Short-term Rentals and Misalignment of the Marketplace**

*Jul 29, 2020 via [Phocus Wire](https://phocuswire.com)*

The distribution landscape for short-term vacation rentals is dominated by marketplaces. However, the pandemic has revealed some weak points and misalignment of incentives within the traditional marketplace model.