

SUSTAINABLE TRAVEL: THE FUTURE OF TOURISM

An Analysis of Expedia, Inc.'s Business Strategy

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EXECUTIVE SUMMARY

In recent years, sustainability has become an increasingly important issue facing the travel and tourism industry. People are demanding “greener” vacations, and some seek out eco-friendly travel in the niche markets of sustainable tourism, eco-tourism, and geo-tourism. Due to damage that has and continues to occur to the environment as well as the destruction of many local cultures, there exists a great need to protect destinations around the world environmentally, ecologically, and culturally. For instance, climate change threatens natural wonders such as the Great Barrier Reef and Amazon Rainforest while indigenous peoples in Central and South America seek to protect traditions and customs in a modern world.

For the purposes of this analysis, sustainable tourism refers to “tourism that meets the needs of present tourist and host regions while protecting and enhancing opportunities for the future” (“Fact Sheet: Global Ecotourism” 3). Please see Appendix VI for a complete glossary of terms. Sustainable tourism includes conservation efforts, economic development, preservation of local heritage and cultures, and environmentally friendly business practices.

In various developing countries, community-based tourism is used as an avenue through which to promote development and increase the standard of living, allowing indigenous peoples to maintain their traditional ways of life. Other initiatives seek to protect endangered species or limit the environmental impact of traveling. Surely, this trend offers great opportunities for hotels, airlines, tour operators, cruise lines, and other travel businesses, as they cater to those who desire more sustainable travel experiences while encouraging the viability of destinations and the greater travel and tourism industry.

Because sustainability is such an important global issue that will certainly affect the future of the travel and tourism industry, large and influential players, such as Expedia, must take the lead in addressing this challenge. Expedia, Inc. is an online travel services company which caters to a variety of markets through its numerous subsidiaries. The company possesses a rather far reach due to its global operations and presence on the internet.

While Expedia has taken many promising steps toward addressing the sustainability trend, there is more that the company can do to promote sustainability in the travel and tourism industry, be a socially responsible organization, address changing customer preferences, and differentiate itself from the competition so as to remain the leading online travel company. Analysis of the sustainable tourism industry as well as the organization and its business strategy has led to a series of observations and suggestions. Moving forward, Expedia should:

- Further incorporate sustainability into its overall strategy
- Establish standards for the industry regarding sustainability, positioning itself as a leader
- Broaden sustainable tourism offerings on its website
- Increase marketing efforts and public relations to include an emphasis on sustainable tourism

INDUSTRY ANALYSIS

Undoubtedly, the economic recession has had a substantial impact on the travel and tourism industry. By the end of 2008, many people did not have money to spend on travel due to widespread job loss and a decline in disposable incomes. Difficult financial situations forced individuals to forgo yearly vacations and businesses to cut work related travel from their budgets. Amidst the global recession, Travel and Tourism Economy GDP decreased by 4.8% in 2009 (WTTC 5). During the same year, international tourism arrivals declined by 5.1%; expenditure in real terms contracted by 8.5%; and domestic and international business travel fell by 8.0% (WTTC 8). Considering this, travel and tourism enterprises around the world have faced challenging times in recent years.

In light of the financial crisis, the travel and tourism industry is rebounding, as people resume travel for both pleasure and business. As an indication of this, Expedia generated a net income of \$421,000,000 in 2010, an increase of 40.7% over the previous year (Expedia, Inc.). Please see Appendix I for the company's selected financial data. On the whole, the travel and tourism industry has experienced growth over the years despite periods of financial hardship, and this growth is predicted to continue in the future. According to the World Tourism Organization (UNWTO), travel and tourism proves one of the biggest and most rapidly expanding industries in the world economy (UNWTO 2). There exists much potential for expansion within the industry due to a general enthusiasm for travel, rising world income levels, and emerging middle classes in various countries. The World Travel and Tourism Council (WTTC) also maintains a positive outlook in its assessment of the industry, suggesting that the economic recovery will be a "gradual one," for Travel and Tourism Economy GDP increased by 0.5% in 2010 (WTTC 5). Economic predictions indicate that Travel and Tourism Economy GDP will "grow by 3.2% in

2011, with momentum building from the second half of 2010 and into next year” (WTTC 5). In this regard, important indicators suggest that the travel and tourism industry is recovering along with the rest of the global economy.

Sustained growth of the travel and tourism industry is demonstrated by international tourist arrivals which have increased from 25 million in 1950 to 880 million in the modern day (UNWTO 2). In its report, the UNWTO indicates that average annual growth of international tourism over the last decade was 3%, including the setbacks experienced by the industry due to the global recession and H1N1 epidemic of 2009 (2). The organization expects international tourism to continue growing with an anticipated 1.6 billion international arrivals per year by 2020 (UNWTO 2). Similarly, the WTTC foresees continued growth for the travel and tourism industry, as it expects that revenue from international travel will increase from \$8 trillion in 2008 to \$15 trillion by 2018. In this way, the WTTC anticipates an industry growth rate of 4.4% per year with travel and tourism accounting for 10.5% of world GDP by 2018 (“Continued Growth Signaled for Travel and Tourism Industry”). The industry’s expansion will likely be fueled by emerging economies as well as “an increasing focus on leisure in developed economies” further “boosted by industry innovation in creating new sustainable products and services” (WTTC 3). Many undiscovered destinations await adventurous travelers, and travel and tourism enterprises increasingly offer ‘green’ options due to growing environmental consciousness, thus signifying opportunities for growth.

Within the travel and tourism industry, certain niche sectors demonstrate accelerated growth. Predictions suggest that sustainable tourism will compose 25% of the global travel market by 2012, providing \$473.6 billion in revenue each year (“Fact Sheet: Global Ecotourism” 2). Furthermore, eco-tourism has experienced average annual growth rates of 20-34% and is

expanding three times faster than the overall travel and tourism industry (Shum). According to Lifestyles of Health and Sustainability (LOHAS), the eco-tourism market is worth \$77 billion in the United States (Shum). This figure does not include other markets, such as Europe, where customers remain even more environmentally and socially aware. In fact, according to the World Tourism Organization (WTO):

Sun-and-sand resort tourism has now ‘matured as a market,’ and its growth is projected to remain flat. In contrast, ‘experiential tourism’ – which encompasses ecotourism, nature, heritage, cultural, and soft adventure tourism, as well as subsectors such as rural and community tourism – is among the sectors expected to grow most quickly over the next two decades. (“Fact Sheet: Global Ecotourism" 2)

Given this trend, sustainable tourism offers great potential for revenue, as it is a largely new and untapped market. Expedia will likely find that this segment is beneficial to target due to its rapid growth as well as the current absence of a strong proponent of sustainable tourism within the online travel services community.

Given the nature of the industry as well as the diversity of product and service offerings, there exists much competition within travel and tourism. Considering travel service providers specifically, recent years have seen a movement away from brick and mortar travel agencies to the web where enterprises offer booking services through their own websites or third party companies, such as Expedia, fulfill an information provision and booking function. As an online travel company, Expedia’s main competition includes Travelocity, Orbitz, and Priceline. These websites offer many of the same products and services that Expedia does in a similar manner; yet, Expedia remains the industry leader with the greatest volume of transactions (“Expedia, Inc”). Both Travelocity and Orbitz are full-service online travel agents like Expedia, offering booking functions for airline tickets, hotel reservations, car rentals, and vacation packages among other services. In recent years, Expedia has garnered greater annual revenue than its

competitors with \$3,348.11 million in 2010 compared to Priceline with \$2,338.21 million and Orbitz with \$738 million (“Expedia, Inc”). Such financial information is not available for Travelocity, as it is a division of a privately held company.

Historically, Priceline has proven the better investment for shareholders with greater returns. In the past year, both Priceline and Orbitz have experienced higher growth rates than Expedia (“Expedia, Inc.”). Another competitor, Travelocity, has recently been nominated as a finalist for a 2011 Tourism for Tomorrow Award by WTTC which recognizes global businesses that embody sustainable principles and practices. Despite these developments, many analysts believe that Expedia will maintain its position as the leading online travel agency for the time being (“Expedia, Inc.”). The company must continue to differentiate itself from competitors and offer viable products and services in order to remain the industry leader which will surely prove a challenge in the future.

Overall, the online travel agent market is very competitive with various websites attempting to establish their position, gain an advantage, and outdo competitors. In this manner, Expedia also faces competition from hotels’ websites, airlines’ websites, and tour operators’ websites that allow customers to book directly. Sometimes, booking directly can save travelers money because this cuts out the middle man, presenting a disadvantage to Expedia.

As Expedia moves forward, threats to the firm beyond its competitors include the ease of entry to the online travel company market which allows for the introduction of new competitors. In the modern day, travel and tourism enterprises that have access to the internet can easily set up a website, and many small hotels, lodges, and tour operators are establishing a presence online. This offers customers the option to book directly. Also, the firm’s dependence on the state of the economy and people’s discretionary incomes lends to its susceptibility as demonstrated by the

recent economic downturn. During difficult economic times, people do not have money to spend on vacations, and companies attempt to reduce costs by cutting business related travel.

Therefore, Expedia's financial success often shifts with the overall economy, as it is especially vulnerable to volatile downswings.

MARKET ANALYSIS

Moving forward, the travel and tourism industry is certainly changing, as it responds to evolving customer demands and behavior. In the modern day, people increasingly research and book vacations online, especially in the United States, with 66% of travelers using the internet to plan their vacations and 56% booking online ("Don't Be Invisible Online"). According to Zheng Xiang and Ulrike Gretzel, "the Internet has fundamentally reshaped the way tourism related information is distributed and the way people plan for and consume travel" (179). This trend is a major reason why Expedia has proven so successful since its creation in 1996. Certainly, the internet will only become a larger part of the trip planning process in the future.

Additionally, more people are interested in sustainable travel opportunities. In a recent survey by Expedia, 84% of those customers who participated indicated a desire to stay at sustainable hotels, suggesting that they would pay more for this option (Sanabria). In 2009, a survey conducted by TripAdvisor of 1,200 people in the United States about environmentally friendly travel found that 66% of travelers occasionally made green choices when traveling (Ferencsik). In the last year, 27% of survey takers said that they had deliberately tried to travel in an environmentally friendly manner (Ferencsik). While some people still demonstrate hesitation when being green requires paying more money, the survey revealed that 33% of people would spend more on a hotel that was green certified, 27% would spend more on a hybrid car rental, and 25% would spend more for a ticket on an energy efficient airplane (Ferencsik).

In effect, there exists a viable marketing for sustainable tourism, particularly when targeting travelers from the United States and Europe. 53% of U.S. travelers believe that learning about local traditions and culture improves their travel experience, and one third of American travelers, approximately 46 million people, choose to purchase product and services from businesses that donate to charities ("Fact Sheet: Global Ecotourism" 3). Considering this, people would like companies to exhibit social responsibility and operate in a way that benefits local communities. In fact, 20-30% of European travelers are conscious of the issues and values surrounding sustainable tourism with 10-20% seeking green travel options ("Fact Sheet: Global Ecotourism" 3). About half of those surveyed in England indicated that they would probably choose to vacation with a business that respected workers, protected the environment, and supported local causes ("Fact Sheet: Global Ecotourism 3"). Many go out of their way to buy from travel and tourism enterprises that have a positive impact, and these travelers prove likely to favor companies that allow them to learn, discover, and develop friendships, as they travel.

In this way, the environmental consciousness of hotels, airlines, and tour operators increasingly influences people's vacation decisions. Many wish to minimize their impact on the environment in various aspects of life, and they strive to support local communities through their spending. Such trends indicate that the number of people seeking sustainable tourism opportunities will continue to increase, as the niche markets of eco-tourism, geo-tourism, and volunteer tourism expand. In fact, these markets are experiencing higher growth rates than the overall travel and tourism industry as indicated previously. Due to such tendencies, Expedia must address the needs of such customers through its offerings.

Considering the amount of people who wish to travel sustainably, the 2009 TripAdvisor survey found that 52% travelers faced challenges to making environmentally friendly choices

while traveling, and 44% felt that green choices were not easily accessible to them (Ferencsik). This sentiment possessed by many travelers presents a great opportunity for Expedia. As an online travel company, Expedia strives to connect people with various travel options, including hotels, car rentals, flights, cruises, vacation packages, and excursions. In this way, Expedia can help raise awareness regarding sustainable travel opportunities and direct people to these options on its website by more readily featuring eco-friendly and environmentally conscious enterprises. The online travel services company can help to connect interested travelers to sustainable tourism options, making them more available to consumers. Perhaps, with increased ease of access, people will prove more likely to purchase sustainable product and service offerings when they travel.

Furthermore, according to the aforementioned TripAdvisor survey, 72% of respondents questioned whether hotels' actions and operations were actually as green as they marketed, demonstrating many people's skepticism and fear of green-washing (Ferencsik). This tendency presents another opportunity for Expedia which can help lend credibility to green travel and tour enterprises, give customers confidence in their green travel decisions, and potentially sway them to spend more money to be green. Due to Expedia's reputation and well-known name, people will be more willing to book sustainable vacations through its site, as they will have access to third party information regarding various enterprises, including reviews and ratings. In this way, the trend toward sustainability offers many opportunities for Expedia to capitalize on changing customer preferences and support socially responsible causes to the benefit of the company.

Certainly, failure by the travel and tourism industry to address the sustainability issue presents a threat to the industry as well as individual travel companies, including Expedia. Environments, ecosystems, and cultures around the world must be preserved in order to assure

the continuation of international travel in the future, for without destinations and attractions, tourists do not possess the incentive to travel. In this regard, travel and tourism enterprises' lasting success proves dependent upon the viability of destinations, and thus, the sustainability issue will have a great impact on the industry's future.

INTERNAL ANALYSIS

Expedia, Inc. is an online travel services company, offering individuals and businesses an outlet through which they can book their travel and research vacations using the internet. Currently, Expedia employs an online shopping mall and merchant strategy (Chen, Lee, & Barnes 104). On its websites, particularly Expedia.com, the company offers a wide array of products and services that customers can compare. They can shop around and are able to satisfy all of their travel needs, including airfare, hotel, car rental, and excursions, in one place by booking their entire vacation on the internet. In this way, customers enjoy ease and convenience by utilizing Expedia, and they are able to view reviews and ratings of various travel and tourism enterprises when making decisions.

Expedia earns profits through mark-ups, as the company purchases seats on an airplane or rooms in a hotel in bulk and then sells them to customers at a premium (McCartney). Currently, "selling hotel rooms has been a more lucrative business" for Expedia, for the company can "negotiate special deals with hotels and sometimes even buy up inventory from hotels that they resell at whatever price they can get" (McCartney). For this reason, customers that purchase a hotel room along with their airline ticket or car rental are more valuable to Expedia. Also, Expedia accumulates profits by charging fees for some of its services, and these costs vary among its subsidiaries. For some of Expedia's websites, fees result in the only income that the

transaction generates for the business (McCartney). The company brings in additional revenue from advertising.

The company's strengths include Expedia's highly recognizable brand name as well as its position as the leading online travel company. Of its competitors, Expedia has the highest transaction volume, and it offers a range of travel services ("Expedia, Inc."). Please see Appendix II for Expedia's consolidated financial statements which provide a more complete picture of the company's financial health. Much of the firm's success is due to the expanse of its operations, for Expedia derives a competitive advantage due to its possession of many subsidiaries and engagement in a large array of partnerships. A list of Expedia's businesses can be found in Appendix IV. Such attributes give the company the ability to negotiate, offer lower prices to its customers, and reach various market segments. Because Expedia was an early entrant to the online travel services market, it has solidified its position and gained valuable expertise. Furthermore, due to Expedia's structure, it is able to offset the diminishing profitability from selling airline tickets through the booking of hotel reservations. In fact, analysts believe that Expedia's earnings will continue to grow over the upcoming year ("Expedia, Inc.").

In contrast, Expedia's weaknesses are its dependence on the state of the economy and people's discretionary income, as this greatly influences people's ability to travel. During tough economic times, such as the recent 2008 recession, people vacation less, and corporations often impose restrictions on business travel, affecting the number of bookings Expedia receives through its websites. Expedia is also affected by the seasonality of travel; although, this factor has been largely offset due to its expanding global operations. Furthermore, the company is susceptible to rising fuel costs which cut into the margins made on airline tickets as well as the

increasing tendency to eliminate extra booking fees on flights which the company has been forced to cut in part in order to remain competitive (“Expedia, Inc.”).

Generally, sites like Orbitz, Travelocity, and Expedia charge customers \$6.99-\$11.99 per airline ticket booked because they are providing a service; however, in March 2009, Expedia got rid of booking fees on airline tickets amidst the tough competition of the online travel services market (McCartney). As the booking fee is often the only source of income for such transactions, this action will certainly influence the company’s operations, indicating future trends in the industry toward fewer fees. Presumably, Expedia will rely upon the increased purchase of hotel rooms, car rentals, travel insurance, and other services by customers who visit the website to purchase airline tickets in order to offset the elimination of fees. In this regard, sustainable travel options, such as carbon offsets, could prove a source of additional revenue for the company. Please see Appendix III for a complete SWOT analysis.

Considering Expedia’s strengths, weaknesses, and current position in the market, the trend toward sustainable tourism presents a great opportunity for the company. By extending offerings to the niche markets of eco-tourism, geo-tourism, and sustainable tourism as well as those who simply wish to have green travel options, Expedia can add value to its products and services and attract additional customers. Such choices will garner interest and loyalty from consumers while enhancing Expedia’s image as a forward thinking and socially responsible organization.

ACCOMPLISHMENTS TO DATE

So far, Expedia has embraced and endorsed many sustainable travel practices. Expedia.com, Expedia’s main booking website, features the Green Travel Guide which

lists green hotels, national parks, World Heritage sites, volunteer vacations, tips for green travel, and ideas for reducing travelers' carbon footprint. This portion of the website is geared toward customers interested in sustainable travel options. Expedia has also partnered with Sustainable Travel International, a non-profit organization that promotes responsible tourism practices ("The Green Travel Guide"). Similarly, Expedia is a founding member of the Tourism Sustainability Council which recently established the Global Sustainable Tourism Criteria along with its partners ("Expedia Employee Community Service"). This set of standards guides the certification of travel and tourism enterprises as sustainable and eco-friendly. In effect, Expedia has developed relationships with many of the key players in the sustainable tourism movement.

Furthermore, Expedia sponsors a program where employees can volunteer domestically or abroad, help local communities establish sustainable tourism enterprises, and foster development. For example, projects have been completed in Mexico and Dominica ("Expedia Employee Community Service"). In this regard, Expedia encourages employees to engage in community service projects, and the company espouses a 'green travel mission' as an important aspect of corporate social responsibility. According to Expedia, the company's objective is to "enhance the geographical character – the environment, culture, aesthetics, and well-being of local residents – at travel destinations around the world" through such programs ("Expedia Employee Community Service"). As evidenced by its current initiatives and attitude, Expedia has begun to embrace the trend toward sustainability, recognizing that such issues must be addressed in the modern day. Therefore, it is in an excellent position to continue moving in this direction. Due to the company's size, the diversity of its subsidiaries, and its connections and partnerships within the travel and tourism industry, Expedia should further move into the sustainable tourism market and capitalize on its rapid growth.

PROBLEMS OUTSTANDING

While Expedia has taken many steps toward encouraging sustainable tourism practices in the travel industry and is arguably an industry leader on this front, there is more that the company can do in order to better address customer demand, connect people to sustainable travel opportunities, and inspire green travel. For these reasons, Expedia should further incorporate sustainability into its business strategy and offerings, making it a larger focus for the firm. Currently, many of the company's green offerings on Expedia.com are not easily visible or accessible to customers, and the general public is not aware of Expedia's efforts to support sustainable tourism. As more people become concerned by the damage that is occurring to the environment, ecosystems, and local cultures and wish to minimize their impact, the trend toward sustainability proves inevitable. Expedia must continue adapting so as to remain at the forefront of the online travel services industry.

RECOMMENDATIONS

Considering Expedia's strengths and weaknesses as well as the current opportunities and threats facing the travel and tourism industry, particularly in regards to sustainability, there is much that the company can do to continue expanding and reaching new markets. In order for Expedia to best take advantage of the trend toward sustainable tourism and demonstrate corporate social responsibility, the company should:

- Further incorporate sustainability into its overall strategy
- Continue setting standards for the industry regarding sustainability and establish itself as a leader in sustainable tourism
- Broaden sustainable tourism offerings on its website

- Increase marketing and public relations efforts that include an emphasis on sustainable tourism

The following section will discuss these recommendations in further detail.

ACTION PLAN

Expedia's Sustainable Tourism Strategy

Given the realities facing the travel and tourism industry as well as current trends within the market, Expedia should make sustainability a larger focus of its overall business strategy and position itself as an advocate of sustainable tourism. While the company currently has a strong corporate culture of community service and encourages green travel, these efforts are not a central part of its online offerings and therefore do not reach the majority of travelers. Beyond offering green hotels, hybrid car rentals, and carbon offsets, Expedia should strive to make sustainable tourism more mainstream, for it has the power to do so as the leading online travel company. In this way, Expedia can use its position and good name to inform people about sustainable tourism and connect them to a variety of product and service offerings.

Because sustainable tourism is in its infancy, there are many niche markets to be captured, including eco-tourists, geo-tourists, and volunteer tourists. Also, many people wish to make specific aspects of their vacation green; yet, they have difficulty finding the means through which to achieve this goal. Certainly, sustainability can become a bigger pushing point for bookings, as more and more people desire to be green in all aspects of life. In this sense, Expedia can make it easier for people to book green vacations and establish itself as an industry leader by further adopting sustainability as a key part of its business strategy and thus remaining ahead of the curve. By doing so, Expedia will be setting standards for what travel service companies must offer in the future and demonstrating sensitivity to key industry issues as well as customer

demands. Considering this, Expedia should adopt a sustainable tourism strategy at the corporate level which would embody a socially responsible philosophy across all of its subsidiaries. The strategy should include a written mission and vision to supplement the current ones as well as the means through which Expedia will incorporate sustainability into its business operations and product and service offerings.

Sales & Marketing

In order to satisfy the growing number of consumers who are interested in green travel, Expedia should extend its product and service offerings to include more sustainable travel opportunities on Expedia.com. Currently, options are limited to green hotels, hybrid car rentals, and carbon offsets; however, there exists more that Expedia can profitably offer to its customers. In this way, Expedia should introduce a green product line that expands its listings of green hotels and further includes environmentally conscious tour operators and destinations. For instance, Expedia could list eco-lodges and community-run enterprises such as San Miguel del Bala, a community owned and operated eco-lodge in the Bolivian Amazon, the Katwe Village Walk, a cultural experience in Uganda, or Arenas del Mar, a luxury beachfront and rainforest resort in Costa Rica. While many of these enterprises have their own websites through which customers can book directly, they serve to benefit from the increased exposure, reach, and legitimacy of being listed on Expedia.com. In order to entice customers to book through Expedia, the company could offer package deals or possibly accept a lower mark-up on these offerings. Either way, the local enterprise will receive the full value of the product or service, so a listing on Expedia does not detract from its operations.

Many sustainable tourism enterprises are small, and people must actively seek them out which can be difficult for consumers because they do not know where to begin or who to trust

and are fearful that organizations are green-washing. Therefore, Expedia can serve as an intermediary that connects individual tour operators and eco-lodges with customers by listing these enterprises on Expedia.com and allowing people to book through Expedia. This functionality will allow customers to make comparisons among hotels and tour operators, for green travel options will be more readily available among traditional travel choices. In this way, Expedia.com serves as a one stop shop where people can take advantage of package deals and satisfy all of their travel requirements. Likewise, if people visit Expedia.com in search of a green hotel or tour operator, they will be more inclined to book through the site for their other travel needs due to ease and convenience, as they are already on the website.

Traditionally, travel and tourism enterprises must contact Expedia to get their businesses listed on Expedia.com. By visiting the website, <https://joinexpedia.com/>, companies may fill out a form in which they apply to partner with Expedia, or they may request that Expedia contact them (“Partner with Expedia”). However, the majority of small sustainable enterprises in the industry do not possess the resources to actively reach out to Expedia. In order to begin offering a complete green product line and establish connections with small travel and tourism enterprises, Expedia should work within its existing partnerships on the Tourism Sustainability Council and Sustainable Travel International.

Through these organizations and networks, Expedia can identify hotels and tour operators to be listed on the website. In this way, the company already has many of the connections in place needed to locate and contact responsible tourism enterprises. Over the next year, Expedia should strive to add at least thirty hotels, eco-lodges, or tour operators to the newly introduced green product line. Also, Expedia should consider featuring the products of its previous employee service programs and continue doing such projects once a year. In this way, Expedia

demonstrates its commitment to the cause of sustainable tourism by helping to cultivate sites and then encouraging tourists to visit these destinations.

Eventually, Expedia could offer volunteer tourism packages similar to the community service projects that employees participate in to its customers. Travelers would then pay to go on trips where they helped to develop a site that would later be featured on Expedia.com for other tourists to visit. Because many green travel options differ from traditional tourism experiences, Expedia must ensure that it accurately and honestly depicts these travel and tourism enterprises on its website. Although it proves difficult to assess travel and tourism offerings before purchase because such things are largely experiential and intangible, customers should know what they are buying. This goal can be achieved through detailed descriptions, photos, reviews, and ratings, many of which are provided by consumers. Nonetheless, the responsibility and liability for any events that occur while a traveler is on vacation fall on the travel and tourism enterprise, aligning with Expedia's current policy as well as traditionally accepted practices in the industry.

Furthermore, Expedia must better market and promote its sustainability efforts and offerings, especially after launching the new green product line. Many travelers do not know that Expedia offers many services in support of sustainable tourism and embraces a green travel mission, for these options are buried on Expedia.com and are difficult to find. Therefore, Expedia should re-design portions of Expedia.com in order to make green products and services more visible to customers. A link should be placed on the website's main page that directs people to 'travel responsibly' with Expedia's green product and service offerings.

Also, because many people who are interested in sustainable tourism are young, independent, environmentally conscious, and adventurous travelers who can be located and reached online, Expedia should expand its social media marketing campaign on Facebook. In

fact, Facebook possesses more than 500 million active users, and 50% of users log into their Facebook account on an average day, spending over 700 billion minutes per month on the site in total (“Facebook Factsheet”). Given the nature of this social networking site, Expedia can use Facebook as an avenue through which to engage in dialogue with its customers regarding sustainable tourism, find out what types of green travel options they are interested in, increase its web presence, and direct traffic to Expedia.com. Expedia can also utilize Facebook advertisements to target specific market segments and encourage users to visit Expedia’s fan page at a minimal cost. When launching the updates to Expedia.com and its green product line, Expedia should sponsor a contest on its Facebook page that gives users the chance to win a green vacation by becoming a fan of the page. This action will help to draw users to the page and generate buzz around Expedia’s increased interest in sustainable tourism.

Finally, in its marketing and public relations efforts, Expedia should further leverage its existing partnerships in order to demonstrate its commitment to sustainable tourism and differentiate itself from competitors. In this way, Expedia should continue to be a part of the conversation on sustainable tourism through membership in the Tourism Sustainability Council and affiliation with Sustainable Travel International. The company will lend expertise and credibility and influence important decisions that will impact the future of the travel and tourism industry. Through increased public awareness of its efforts, people will possess an increasingly favorable view of Expedia and be more comfortable booking through Expedia.com for their green travel needs, as they know that the product or service that they are purchasing is sustainable. In this way, Expedia’s future marketing efforts should focus on increasing awareness of sustainable tourism endeavors and offerings.

EXPECTED COSTS & BENEFITS

The previously discussed action plan presents very little costs to Expedia. A strategy geared toward sustainability will not take away from the bottom line; it will only enhance it and open up many new opportunities for the company. Reforming and supplementing the existing business strategy with an increased emphasis on sustainable tourism requires no additional cost, as there will be no restructuring of the business in any way. Upper levels of management will only spend time revising and implementing the strategy while enhancing the company's orientation toward sustainable tourism.

In regards to sales and marketing efforts, many of the connections and needed knowledge are already in place to begin listing additional sustainable travel options as a part of a green product line. Expedia should allocate some existing employees, preferably three to five, to work on sustainable tourism projects and then acquire a few new hires for support. An estimated two new hires will be required at a cost of \$50,000 per year for salary and \$15,000 for hiring costs ("Marketing Specialist"). These figures are based on average salaries for Marketing Specialists in the Seattle, Washington area where Expedia is located. These employees will be responsible for conducting marketing research on the sustainable tourism industry and finding businesses to list in the green travel section of the website as well as the related marketing efforts. Additional workers can be hired as needed as the sustainable tourism program grows.

When making changes to the website, Expedia will incur minimal costs, for the infrastructure to do so is already in place, and Expedia's current web designers can manage the project. An estimated \$100,000 should be allocated for Facebook advertising at about \$1.50/click; however, depending on its financial situation, Expedia can cap the daily and lifetime amount to be spent on Facebook ads using Facebook's application for customizing

advertisements. Please see Appendix V for further information regarding the costs of Facebook advertisements. Approximately \$8,000 dollars will be needed for the Facebook contest in which a fan wins a green vacation.

Expedia can begin implementing the action plan as soon as possible, recognizing that this will be an ongoing process. For the first year, total costs of this new strategy are estimated at \$223,000. For this investment, Expedia should anticipate many great benefits. Expedia.com will garner additional customers and bookings, and the company's sustainability efforts will help instill loyalty in customers due to its socially responsible actions, leading to more repeat customers. Certainly, Expedia efforts in support of sustainable tourism will lead to increased goodwill. While it is difficult to gather the exact size of the market interested in pursuing sustainable tourism, geo-tourism, eco-tourism, and volunteer tourism opportunities because these markets are still developing, it is clear that they are growing in size and scope.

Furthermore, the International Ecotourism Society predicts that sustainable tourism will increase to 25% of the global travel and tourism market over the next six years with this niche market reaching a value of \$473.6 billion per year ("Fact Sheet: Global Ecotourism" 2). If the number of international travel arrivals reaches 1.6 billion by 2020 as anticipated by the WTO, then travelers making sustainable or green travel choices will increase to roughly 0.4 billion with about 0.224 billion booking online. This estimate does not account for domestic tourists who also choose sustainable tourism, eco-tourism, or geo-tourism options. It is expected that by implementing the aforementioned strategic plan, Expedia could capture a significant portion of the domestic and international market which will only continue to grow, presenting Expedia with opportunities for future expansion and revenue in the long run.

CONCLUSION

In this way, Expedia is in an excellent position to capitalize on the trend toward sustainability in the travel and tourism industry through its online operations. An analysis of the industry as well as the company and its strategy has resulted in the recommendation that Expedia:

- Further incorporate sustainability into its overall strategy
- Continue setting standards for the industry regarding sustainability and establish itself as a leader in sustainable tourism
- Broaden sustainable tourism offerings on its website
- Increase marketing and public relations efforts that include an emphasis on sustainable tourism

Surely, environmental degradation, climate change, and the destruction of ecosystems and local cultures prove issues that must be addressed by travel and tourism enterprises in order to ensure the industry's long term viability. Many people want 'green' travel options, and those who neglect the trend toward sustainability will only be left behind. In the future, Expedia can work to satisfy the demands of a growing marketing segment while actively supporting the preservation of the world's many wonders for future travelers.

APPENDICES

APPENDIX I Selected Financial Data

	Year Ended December 31,				
	2010	2009	2008(1)	2007	2006
	(in thousands, except per share data)				
Consolidated Statements of Operations					
Data:					
Revenue	\$ 3,348,109	\$ 2,955,426	\$ 2,937,013	\$ 2,665,332	\$ 2,237,586
Operating income (loss)	731,915	571,414	(2,428,953)	529,069	351,329
Net income (loss) attributable to Expedia, Inc.	421,500	299,526	(2,517,763)	295,864	244,934
Net income (loss) per share attributable to Expedia, Inc. available to common stockholders:					
Basic	\$ 1.49	\$ 1.04	\$ (8.80)	\$ 1.00	\$ 0.72
Diluted	1.46	1.03	(8.80)	0.94	0.70
Shares used in computing income (loss) per share:					
Basic	282,465	288,214	286,167	296,640	338,047
Diluted	288,028	292,141	286,167	314,233	352,181
Dividends declared per common share	\$ 0.28	\$ —	\$ —	\$ —	\$ —
	December 31,				
	2010	2009	2008	2007	2006
Consolidated Balance Sheet Data:					
Working deficit	\$ (187,793)	\$ (610,008)	\$ (367,454)	\$ (728,697)	\$ (224,770)
Total assets	6,650,994	5,937,156	5,894,249	8,295,422	8,264,317
Long-term debt	1,644,894	895,086	1,544,548	1,085,000	500,000
Noncontrolling interest	64,159	67,045	63,910	70,004	65,260
Total stockholders' equity	2,736,703	2,749,726	2,380,964	4,880,016	5,966,046

(Expedia's 2010 Annual Report)

APPENDIX II Expedia Inc.'s Consolidated Financial Statements

Consolidated Statements of Operations

	Year ended December 31,		
	2010	2009	2008
	(In thousands, except per share data)		
Revenue	\$ 3,348,109	\$ 2,955,426	\$ 2,937,013
Costs and expenses:			
Cost of revenue(1)	692,832	607,251	638,709
Selling and marketing(1)	1,204,141	1,027,062	1,105,337
Technology and content(1)	362,447	319,708	287,763
General and administrative(1)	314,109	290,484	268,721
Amortization of intangible assets	37,123	37,681	69,436
Occupancy tax assessments and legal reserves	5,542	67,658	—
Restructuring charges	—	34,168	—
Impairment of goodwill	—	—	2,762,100
Impairment of intangible and other long-lived assets	—	—	233,900
Operating income (loss)	731,915	571,414	(2,428,953)
Other income (expense):			
Interest income	7,160	6,206	30,411
Interest expense	(101,291)	(84,233)	(71,984)
Other, net	(17,216)	(35,364)	(44,178)
Total other expense, net	(111,347)	(113,391)	(85,751)
Income (loss) before income taxes	620,568	458,023	(2,514,704)
Provision for income taxes	(195,008)	(154,400)	(5,966)
Net income (loss)	425,560	303,623	(2,520,670)
Net (income) loss attributable to noncontrolling interests	(4,060)	(4,097)	2,907
Net income (loss) attributable to Expedia, Inc.	\$ 421,500	\$ 299,526	\$ (2,517,763)
Net income (loss) per share attributable to Expedia, Inc. available to common stockholders:			
Basic	\$ 1.49	\$ 1.04	\$ (8.80)
Diluted	1.46	1.03	(8.80)
Shares used in computing income (loss) per share:			
Basic	282,465	288,214	286,167
Diluted	288,028	292,141	286,167
Dividends declared per common share	\$ 0.28	\$ —	\$ —

(Expedia's 2010 Annual Report)

Consolidated Balance Sheet

	December 31,	
	2010	2009
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 714,332	\$ 642,544
Restricted cash and cash equivalents	14,215	14,072
Short-term investments	515,627	45,849
Accounts receivable, net of allowance of \$12,114 and \$14,562	328,468	307,817
Prepaid expenses, prepaid merchant bookings and other current assets	128,985	214,767
Total current assets	1,701,627	1,225,049
Property and equipment, net	277,061	236,820
Long-term investments and other assets	232,239	48,262
Intangible assets, net	797,707	823,031
Goodwill	3,642,360	3,603,994
TOTAL ASSETS	\$ 6,650,994	\$ 5,937,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, merchant	\$ 700,730	\$ 652,893
Accounts payable, other	181,765	160,471
Deferred merchant bookings	654,632	679,305
Deferred revenue	29,466	17,204
Accrued expenses and other current liabilities	322,827	325,184
Total current liabilities	1,889,420	1,835,057
Long-term debt	1,644,894	895,086
Deferred income taxes, net	248,461	223,959
Other long-term liabilities	131,516	233,328
Commitments and contingencies		
Stockholders' equity:		
Preferred stock \$.001 par value	—	—
Authorized shares: 100,000		
Series A shares issued and outstanding: 1 and 1		
Common stock \$.001 par value	348	343
Authorized shares: 1,600,000		
Shares issued: 348,416 and 342,812		
Shares outstanding: 248,347 and 263,929		
Class B common stock \$.001 par value	26	26
Authorized shares: 400,000		
Shares issued and outstanding: 25,600 and 25,600		
Additional paid-in capital	6,116,697	6,034,164
Treasury stock— Common stock, at cost	(2,241,191)	(1,739,198)
Shares: 100,069 and 78,883		
Retained earnings (deficit)	(1,194,533)	(1,616,033)
Accumulated other comprehensive income (loss)	(8,803)	3,379
Total Expedia, Inc. stockholders' equity	2,672,544	2,682,681
Noncontrolling interest	64,159	67,045
Total stockholders' equity	2,736,703	2,749,726
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,650,994	\$ 5,937,156

(Expedia's 2010 Annual Report)

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2010	2009	2008
	(In thousands)		
Operating activities:			
Net income (loss)	\$ 425,560	\$ 303,623	\$ (2,520,670)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of property and equipment, including internal-use software and website development	118,402	102,782	76,800
Amortization of stock-based compensation	59,690	61,661	61,291
Amortization of intangible assets	37,123	37,681	69,436
Deferred income taxes	23,581	(12,620)	(209,042)
Impairment of goodwill	—	—	2,762,100
Impairment of intangible and other long-lived assets	—	—	233,900
Foreign exchange (gain) loss on cash and cash equivalents, net	20,447	(4,679)	77,958
Realized (gain) loss on foreign currency forwards	(8,822)	(29,982)	55,175
Other	499	10,268	(654)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(35,382)	(36,360)	32,208
Prepaid expenses, prepaid merchant bookings and other current assets	82,405	(19,477)	(15,072)
Accounts payable, merchant	49,648	26,466	(75,443)
Accounts payable, other, accrued expenses and other current liabilities	18,282	79,552	54,400
Deferred merchant bookings	(24,679)	155,665	(85,443)
Deferred revenue	10,729	1,424	3,744
Net cash provided by operating activities	777,483	676,004	520,688
Investing activities:			
Capital expenditures, including internal-use software and website development	(155,189)	(92,017)	(159,827)
Purchases of investments	(990,429)	(45,903)	(92,923)
Sales and maturities of investments	366,036	93,092	—
Acquisitions, net of cash acquired	(50,465)	(45,007)	(538,439)
Net settlement of foreign currency forwards	8,822	29,982	(55,175)
Reclassification of Reserve Primary Fund holdings	—	—	(80,360)
Distributions from Reserve Primary Fund	5,482	10,677	64,387
Other, net	(1,953)	1,357	2,779
Net cash used in investing activities	(817,696)	(47,819)	(859,558)
Financing activities:			
Proceeds from issuance of long-term debt, net of issuance costs	742,470	—	392,348
Credit facility borrowings	—	—	740,000
Credit facility repayments	—	(650,000)	(675,000)
Payment of dividends to stockholders	(79,076)	—	—
Purchase of additional interests in controlled subsidiaries	(77,929)	—	—
Treasury stock activity	(501,993)	(7,963)	(12,865)
Proceeds from exercise of equity awards	50,615	15,794	6,353
Excess tax benefit on equity awards	8,753	1,544	3,191
Changes in restricted cash and cash equivalents	164	(10,716)	11,753
Other, net	(11,123)	(8,991)	(979)
Net cash provided by (used in) financing activities	131,881	(660,332)	464,801
Effect of exchange rate changes on cash and cash equivalents	(19,880)	9,279	(77,905)
Net increase (decrease) in cash and cash equivalents	71,788	(22,868)	48,026
Cash and cash equivalents at beginning of year	642,544	665,412	617,386
Cash and cash equivalents at end of year	\$ 714,332	\$ 642,544	\$ 665,412
Supplemental cash flow information			
Cash paid for interest	\$ 78,379	\$ 78,629	\$ 53,459
Income tax payments, net	163,405	198,368	179,273

(Expedia's 2010 Annual Report)

APPENDIX III SWOT Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Recognizable brand name • Leading online travel company • Highest transaction volume • Range of services • Expanse of operations • Number of partnerships & subsidiaries • Reach and visibility in various markets • Structure allows it to offset diminishing profitability from selling airline tickets • Expanding global operations 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Dependence on the state of the economy & people's discretionary income • Subject to seasonality of travel & rising fuel costs due to business structure and nature of industry • Increasing elimination of booking fees
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Trend toward sustainability • Increasing demand for sustainable travel options • Travelers' reservations regarding green-washing • Current inaccessibility of many green travel options 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Ease of entry into online travel services market • Increasing competition due to direct bookings online • Environmental, cultural, and ecological degradation around the world

APPENDIX IV Expedia Inc. Subsidiaries

<p><i>Transactional Brands:</i> Expedia.com, hotels.com, Egencia, Hotwire.com, Travel-ticker.com, Carrentals.com, elong.com, venere.com, Classic Vacations, Expedia Local Expert, Expedia Cruise Ship Center, Snique Away</p>
<p><i>Travel Content & Media Brands:</i> TripAdvisor, Airfare Watchdog, Booking Buddy, Cruise Critic, Family Vacation Critic, FlipKey, HolidayLettings, Holiday Watchdog, IndependentTraveler.com, Kuxun, OneTime, SeatGuru, SmarterTravel, TravelLibrary, TravelPod, VirtualTourist</p>
<p><i>B2B Services & Business Areas:</i> Expedia Affiliate Network, Expedia Media Solutions (“Businesses Expedia, Inc.’s Global Network of Brands”)</p>

APPENDIX V Facebook Advertisements*Targeting Criteria:*

18-45 years olds

United States, Australia, UK, Germany, France, Canada

Interested in traveling or outdoors/fitness

College graduate

Estimated reach: 13,159,340 people

Estimated cost per click: \$1.50

Estimated click rate: 0.5%

Budget: $13,159,340(0.005)(\$1.50) = 98,695.05$
Approximately \$100,000

(Facebook.com)

APPENDIX VI Glossary of Terms

Category	Definition
Adventure tourism	A form of nature-based tourism that incorporates an element of risk, higher levels of physical exertion, and the need for specialized skill.
Ecotourism	Responsible travel to natural areas that conserves the environment and improves the welfare of local people.
Geotourism	Tourism that sustains or enhances the geographical character of a place—its environment, heritage, aesthetics, culture, and the well-being of its residents.
Mass tourism	Large-scale tourism, typically associated with ‘sea, sand, sun’ resorts and characteristics such as transnational ownership, minimal direct economic benefit to destination communities, seasonality, and package tours.
Nature-based tourism	Any form of tourism that relies primarily on the natural environment for its attractions or settings.
Pro-poor tourism	Tourism that results in increased net benefit for the poor people.
Responsible tourism	Tourism that maximizes the benefits to local communities, minimizes negative social or environmental impacts, and helps local people conserve fragile cultures, habitats, and species.
Sustainable Tourism	Tourism that meets the needs of present tourist and host regions while protecting and enhancing opportunities for the future.

(“Fact Sheet: Global Ecotourism”)

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