Expedia Inc.

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Introduction

Expedia Inc.: The Story of An American Company chronicles the extraordinary journey of one of the world's foremost travel technology companies. Founded as a bold experiment within the halls of Microsoft in 1996, Expedia emerged at the dawn of the internet age to revolutionize the way people planned and booked travel. In the decades since, it has transformed from a fledgling website into a global powerhouse, continually adapting to seismic shifts in technology, consumer preferences, and the broader travel landscape.

This book provides a comprehensive exploration of Expedia's evolution, tracing how its early vision and relentless innovation helped shape the online travel sector. From its spin-off from Microsoft and meteoric rise on the public markets, to its era under IAC and subsequent independence, Expedia's history is one of strategic decisions, major acquisitions, and bold forays into uncharted territory. We will follow the company as it builds a vast and diverse portfolio, acquiring brands such as Hotels.com, Orbitz, Travelocity, Hotwire, Vrbo, and more—ultimately constructing an ecosystem that serves millions of travelers every year.

Expedia's story is also one of survival and reinvention in the face of adversity. The company has navigated fierce competition, disruptive new entrants, economic downturns, legal challenges, and global crises—including the recent COVID-19 pandemic. Each period of upheaval presented new challenges but also opportunities for innovation and transformation, compelling Expedia to invest in new technologies, enhance its customer offerings, and reevaluate its core mission.

The narrative delves deep into the core of Expedia's business model—how commission-based revenue, advertising, B2B solutions, and emerging technologies like artificial intelligence have been harnessed to sustain growth and profitability. Alongside financial milestones, we will examine the leadership philosophies and corporate culture that have driven the company forward, emphasizing values like inclusivity, a traveler-centric mindset, and the belief that "travel is a force for good".

Yet, Expedia's success has not been without controversy or criticism. The company has confronted legal disputes, challenges to business practices, and broader social questions about its role in a politically complex world. These episodes serve as reminders of the complexities faced by any global internet platform, especially one that operates at the intersection of technology, commerce, and human mobility.

As we turn the pages of this book, we will not only recount Expedia's remarkable past, but also assess its current standing and consider its prospects for the future. From strategic investments in new technology and loyalty programs, to ongoing efforts at customer satisfaction and global market penetration, the story of Expedia Inc. is a window into the ever-evolving story of American entrepreneurship, technological ingenuity, and the eternal human desire to explore the world.

CHAPTER ONE: The Birth of Expedia: A Microsoft Innovation

The mid-1990s were a time of digital awakening, a period when the nascent internet began to hint at its transformative potential for everyday life. In this exciting landscape, a technological behemoth, Microsoft, cast its gaze beyond operating systems and office suites. Within its sprawling campus, a visionary concept began to take shape: an online travel service that would allow people to book flights, hotels, and car rentals with unprecedented ease. This bold experiment, initially known as "Microsoft Expedia Travel Services," would eventually grow into a global travel technology giant.

On October 22, 1996, Microsoft officially launched "Microsoft Expedia Travel Services" as a division within the company. It was a pioneering move, marking Microsoft as the first major technology player to venture into the online travel arena. The service's immediate goal was straightforward yet revolutionary: to put the power of travel booking directly into the hands of consumers. No longer would travelers be solely reliant on traditional brick-and-mortar travel agencies.

The initial iteration of Expedia focused on direct consumer bookings, offering users the ability to reserve air, car, and hotel accommodations. Beyond transactional capabilities, the platform also provided a rich library of multimedia travel guides, helping users research destinations and plan their journeys more comprehensively. This blend of booking functionality and informational content was crucial in establishing Expedia as a holistic travel planning tool. The very name "Expedia" was a clever portmanteau, merging "exploration" and "speed" – a nod to the efficiency and discovery the service aimed to provide.

Richard Barton, who would later become Expedia's president and CEO, played a pivotal role in the early development of the service. His journey within Microsoft had seen him previously working in the CD-ROM division, where he was involved in creating CD-ROM travel guides. Recognizing the shift in the market and the rise of the internet, Barton conceived the idea of transitioning these travel guides into an online booking and planning service. He presented this vision to Bill Gates, then chairman and CEO of Microsoft, and received approval to proceed.

The introduction of Expedia was not without its skeptics. In the mid-90s, the internet was primarily a browsing medium, and the notion of consumers making significant purchases, such as travel, online was still largely unproven. Traditional travel agents, understandably protective of their turf, voiced doubts, suggesting that only a small percentage of "do-it-yourselfers" would embrace electronic booking. They emphasized the personalized attention that human agents could offer, believing it was indispensable for planning complex travel arrangements.

Despite these reservations, Expedia quickly began to demonstrate its potential. By March 1997, just a few months after its launch, Expedia reported a remarkable achievement: it had booked $1 million worth of travel reservations in a single seven-day period. A significant portion of this revenue, approximately 80%, came from airline bookings, indicating a strong early adoption for flight reservations. This milestone was particularly noteworthy when compared to competitors; Preview Travel, another online service that had launched earlier in 1996, took seven months to reach the same weekly booking volume.

Microsoft’s commitment to its new venture was evident in its significant investment in technology. The company poured resources into developing advanced search capabilities and other features designed to enhance the user experience. A key technological advantage that Expedia aimed to leverage was the ability to rebuild complex reservation systems on modern PC platforms, moving away from the mainframe-dependent systems that traditionally dominated the travel industry. This was aligned with Microsoft's broader mission at the time to replicate mainframe functionalities on Windows NT and other contemporary software and hardware.

Early marketing efforts for Expedia also reflected its pioneering spirit. In November 1996, Microsoft ran its first mainstream advertisement for the service, appearing as a full-page ad in the *Wall Street Journal*. The advertisement boldly claimed that consumers could access "the same reservation system" used by professional travel agents, a powerful statement that aimed to instill confidence and highlight the sophistication of the online platform.

By 1998, Expedia began to extend its reach beyond the domestic United States. The company launched operations in the United Kingdom, offering consumers there the ability to find details on airfares, hotels, and car rentals. This early international expansion demonstrated an ambition to become a global player in the burgeoning online travel market. Additionally, Expedia introduced the Expedia Associates Program in February 1998, a strategic move that allowed travel suppliers and other companies to integrate Expedia's booking engine into their own co-branded websites. This initiative expanded Expedia's network and reach by enabling partners like American Express Vacations and National Car Rental to offer Expedia's services.

As the dot-com boom of the late 1990s intensified, Microsoft recognized the immense potential for Expedia to thrive as an independent entity. In 1999, a significant strategic decision was made: Microsoft announced its intention to spin off Expedia as a public company. This move was a clear indication that the e-commerce landscape, and particularly online travel, had matured to a point where a specialized online travel service could stand on its own. Microsoft, however, retained a controlling interest in the newly public company.

The initial public offering (IPO) of Expedia Inc. in September 1999 proved to be a resounding success, demonstrating the market’s appetite for internet-based ventures. While Microsoft aimed to raise an estimated $75 million from the offering, the actual market response was far more enthusiastic. On its first day of trading on the NASDAQ, Expedia’s shares closed more than three times higher than their IPO price. This successful spin-off marked a pivotal moment, transforming Expedia from a division within a tech giant into an independent public company poised for substantial growth in the rapidly expanding world of online travel.