



# UNDERSTANDING THE SCIENCE BEHIND EXPEDIA'S MARKETPLACE

What drives hotel visibility online.

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## What is Expedia Marketplace?

For nearly as long as commerce has existed, consumers have gone to a marketplace in order to get the right product at the right price. Today, that concept extends online. Shoppers can purchase personalized, handcrafted gifts on Etsy, purchase household goods or technology items on Amazon, and book travel experiences on Expedia®. In general, because marketplaces compile products or services from a broad array of providers, selection is usually more varied, availability is greater, and prices are more competitive.

Expedia's Marketplace serves as the forum to make travel dreams a reality. By typing in a destination, a consumer has the information at their fingertips to research and book a complete vacation. For example, a mother wants to take a family vacation to Orlando. On Expedia, she can book flights, select the right hotel, view cruise itineraries, or book a package that

also includes a rental car and excursions. She has the capability to compare a variety of products and services and pick the ones that suit her best.

The screenshot shows the Expedia website's search interface. At the top, there is the Expedia logo with a '+blue' badge and a hamburger menu icon. Below the logo is a navigation bar with icons for flights, hotels, cruises, cars, and more. The main section is titled 'Search Hotels'. It includes a 'Going to' field with 'Orlando, Florida' entered. Below that are 'Check in' and 'Check out' date pickers set to 05/15/2016 and 05/21/2016 respectively. There are also dropdown menus for 'Rooms' (set to 1), 'Adults (18+)' (set to 2), and 'Children (0-17)' (set to 1). A 'Child 1 age' dropdown is set to 6. At the bottom of the form, there are checkboxes for 'Add a flight' and 'Add a car', and a large yellow 'Search' button.

Expedia's Marketplace offers a **one-stop shop for consumers** to search for and book various hotels based on rate and availability for the dates and location travelers are interested in.

## Why is visibility so important?

Taking into account a consumer's search criteria, Expedia's Marketplace puts the most competitive offerings at the top of the list, as those are most likely to meet the consumer's needs. While consumers can choose to filter search results by price, location, amenities or other factors, most consumers find the pre-sorted filter most helpful, as these are the strongest, most competitive offerings that have been tailored to their search criteria.

Through over twenty years of testing and analyzing shopping behavior, Expedia has learned that prioritizing hotels based primarily on the quality of the hotels' offers and content, and personalized to the shopper's specific search criteria, will provide the greatest customer satisfaction. One way to measure consumer satisfaction is with conversion rate, which is the rate at which consumers book that hotel per times viewed. Expedia's data scientists apply this analysis and use advanced machine learning algorithms to create predictive models that generally result in the highest converting offers at the top.

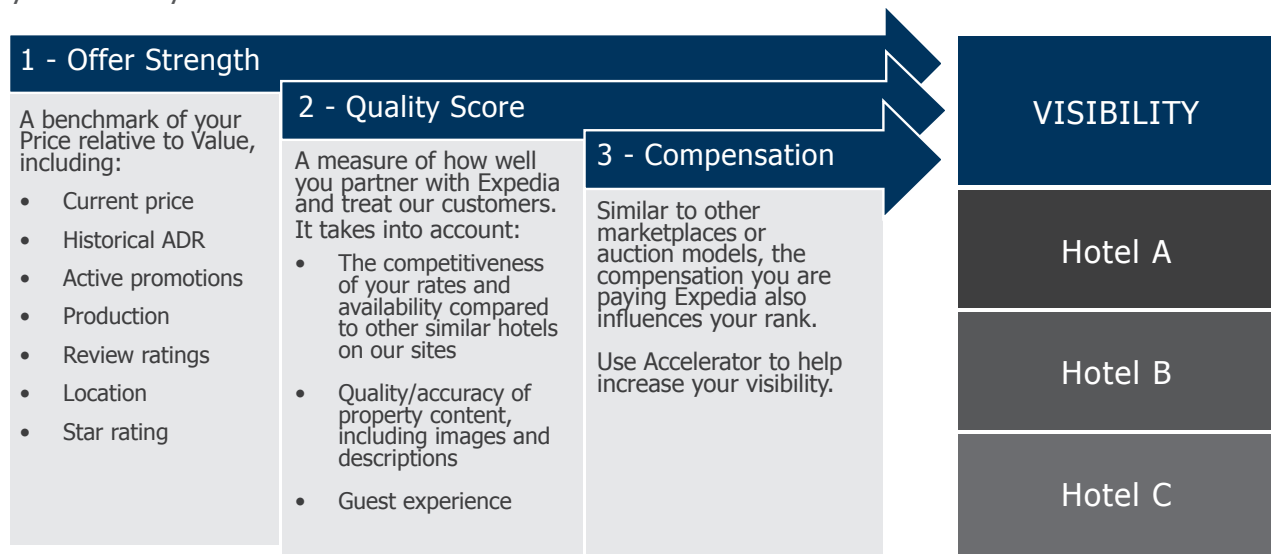
So, it's no surprise that Expedia hears frequently from hotel partners that they care deeply about visibility, which is why it is important for hoteliers to understand the specifics of what drives Expedia's Marketplace algorithm.

**The hotel offers best tailored to the specific customer's search criteria will always be the most visible in the Expedia Marketplace.**

## What drives hotel visibility?

Visibility in search results is determined by three factors: Offer Strength, Quality Score, and Compensation. Offer Strength is the most important factor and is a benchmark of price relative to value. Quality Score reflects the competitiveness of the rates provided to Expedia, compared to the competitiveness of the rates provided by other hotels in the hotel's market. Compensation is a measure of what hotels pay Expedia per booking.

Visibility is driven by:



## What makes up Offer Strength?

Expedia's data scientists take customer relevant qualitative factors comprised of millions of anonymous searches that consumers made on the Expedia website and turn them into a number to determine the probability of that customer booking. This "utility score" is called Offer Strength. Factors for Offer Strength include:

- Quoted price of the lowest priced rate plan for the dates searched
- Historical price customers pay on Expedia (e.g. \$100 for a hotel that normally goes for \$200 is a better deal than \$100 for a hotel that normally goes for \$98).
- Popularity on Expedia, as measured by the quantity of rooms actually booked on Expedia sites
- Location desirability
- Traveler review scores
- Star rating and available amenities
- Personalization for users and user segments. For example, proximity to airports for business travelers, a pool for a family travelers, or spa amenities for a couples' weekend



**Offer Strength combines relevant factors to determine the probability of the consumer clicking on the offer on the search results page and making a booking.**

## What makes up Quality Score?

Quality Score reflects the quality of rates and content provided to consumers shopping and booking on Expedia. This is measured by automated price comparison scripts. Discounted rates only available on a hotel chain site can negatively impact a hotel's Quality Score, especially when that hotel's competitors are offering their best rates to Expedia consumers. By not offering those most competitive rates on Expedia when their competitors are, these hotels likely will lose relative share on Expedia's marketplace, hence drying out a key new customer acquisition channel, reducing traffic to their direct website from the billboard effect, and over time increasing their marketing and customer acquisition costs. Quality Score also includes how well the hotel is accurately represented on Expedia with pictures, and content description. The third measure is the number of relocations and refunds to customers.

The vast majority of hoteliers are doing well on this measure and have a Quality Score of 1.0., which means they are at 100% of their potential. A small

expedia®  
PartnerCentral

Dashboard Activity

Feedback

**Hotel Status**

**Availability** Hide ↗

Thank you for being such a good partner.  
Your rates and availability look good.

**Rates** Show ↕

**Content** Show ↕

percentage of hoteliers have challenges, for example, a hotel with a large number of customers complaining about their stay and asking Expedia for a refund. This results in a drop in the hotel's quality score and lower visibility. A few hoteliers go above and beyond for Expedia consumers, giving them exclusive benefits. These hoteliers can have a score greater than 1.0 and get a corresponding boost in visibility.

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**Quality Score really helps to manage exceptions and ensure that consumers are receiving the most accurate information resulting in the best experience.**



### **What is Compensation?**

The third area contributing to visibility is the compensation Expedia earns for a booking made on the Expedia Marketplace. It's important to note that Expedia, hoteliers, and consumers benefit when the best offers that convert at high rates have the most visibility in the Expedia marketplace. Hoteliers with poor Offer Strength and Quality Score cannot buy their way to the top, but compensation can make a difference among hotels with similar Offer Strengths and Quality Scores.

Expedia has to be very careful about limiting the contribution of compensation in the sort because Expedia generally gets compensation from hotels only for bookings made by consumers. So if the top of the sort were dominated by low quality, high compensation offerings, fewer consumers would book on Expedia and many consumers that did book via Expedia wouldn't make a repeat booking because they didn't have a great experience. Expedia's business model acts as a natural feedback loop that keeps the visibility components in balance. Expedia's business model is also an advantage for hotels in that it ensures that compensation expense is matched to revenue; hotels can't run through their marketing budget with few or no sales like they can with other forms of advertising or distribution.



**Compensation makes a difference in Expedia sort, but hoteliers with poor Offer Strength and Quality Score can't buy their way to the top.**

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### **How can hoteliers with good Offer Strength and Quality Score influence their visibility?**

In the case where there are many hotels with competitive offers, there are tools that hoteliers can use to increase visibility to consumers shopping and booking via Expedia. This is where features like Accelerator or TravelAds (provided by Expedia's Media Solutions team) come into play.

Accelerator enables hotels to adjust compensation (up to 15 percentage points) for the days they need more visibility and bookings; the goal is for them to get a boost in Expedia's Marketplace relative to other hotels with similar Offer Strength and Quality Score. It's essentially a revenue management tool hotels can elect to use during times of need. This is not designed to be a long term tactic; the average length of Accelerator use is two weeks.

For example, there is a boutique hotel in Orlando that just had a huge group block cancel their family reunion a month out. The hotel wants to fill those rooms quickly so it chooses to use Accelerator in a targeted way to boost its visibility in the Expedia Marketplace for a period of time until those rooms are booked.

As market dynamics are constantly changing over time, and a number of factors influence visibility, there is not a consistent percentage point-to-ranking boost rate.

### Accelerator Feedback

Increase your visibility with an Accelerator.

**Specify the additional compensation**

Amount  
 will be added to current compensation for all rate plans except Packages

**Select travel dates for Accelerator**

Start Date  End Date

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**Preview**

Preview displays the potential effect of an Accelerator for specific trip dates.

Orlando (and vicinity) 2016-04-08 to 2016-04-10 Expedia US [Change search](#)

Your current sort rank on page 1 \*  
 Position 43

Your potential sort rank on page 1 with a 3% Accelerator \*\*

25.	Other Property	from \$ 201.6
26.	Other Property	from \$ 159
27.	Other Property	from \$ 92
28.	<b>Your Property ↑</b>	<b>from \$ 191.2</b>
29.	Other Property	from \$ 129
30.	Other Property	from \$ 119
31.	Other Property	from \$ 130


\* This preview is based on 50 listings per page and may differ by device or point of sale.  
 \*\* This preview is based on current market conditions. Rates, availability, and compensation changes made by other hotels may impact actual sort rank.

**Submit**

Hotellers can use the Accelerator preview tool in Expedia® PartnerCentral to see their potential sort rank based on their selected additional compensation, as well as specific search criteria including destination, travel dates, and point of sale.

Sort By: [Lowest Price](#) [Guest Rating](#) [Hotel Name](#) [Hotel Class](#) [We Recommend](#) [More](#)

Hotel avg	3 star avg	4 star avg	5 star avg
\$186	\$183	\$240	\$216



**Downtown Hotel** ★★★★★


Stunning ocean views resort and spa  
Discover the perfect experience at our wonderful hotel

Expedia Rate ✓ Free Cancellation  
Booked in the last 40 minutes  
15 people booked this hotel in the last 48 hours

**Wonderful! 4.5/5**  
(720 reviews)

~~\$269~~ **\$229**  
avg/night

Sponsored  
Book Now, Pay Later  
Earn 2541 points




**Downtown Hotel** ★★★

Booked in the last 2 hours  
25 people booked this hotel in the last 48 hours

**Good! 3.9/5**  
(1638 reviews)

~~\$144~~ **\$122**  
rate per night

**Sale!**  
Book Now, Pay Later  
Earn 1373 points



**Downtown Hotel** ★★★★+VIP

Expedia Rate ✓ Free Cancellation  
Booked in the last 36 minutes  
7 people booked this hotel in the last 48 hours

**Wonderful! 4.5/5**  
(1323 reviews)

~~\$599~~ **\$197**  
avg/night

Book Now, Pay Later  
Earn 2222 points

Hotellers can also benefit from the best-in-class media products offered by Expedia® Media Solutions, the digital marketing arm of Expedia, Inc. The group works closely with hotels to understand their objectives and deploy the right marketing solutions to make the most impact – whether that is raising awareness with a wide group of consumers or generating attention with specific audiences. An example for how a hotelier might leverage the Expedia Media Solutions team is through TravelAds, Expedia's pay per click program that lets hotels sponsor special offers.

**Tools like Accelerator and TravelAds are a great way to bring attention to nights that need some extra help.**

## Summary

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Consumers want to see hotels that meet their needs from the start. Hoteliers want to stand out amidst their competition. Expedia believes that providing transparency in how the Expedia Marketplace works along with guidance and tools on how to influence visibility can provide a competitive marketplace where hoteliers can optimize their business on Expedia group sites while also providing the best shopping experience for consumers.

