Expedia's Three-Way Booking Engine

Idea In Short

Expedia Group runs one of the largest online travel operations in the world by layering three distinct ways of earning money on top of the same search platform: buying and reselling inventory as a merchant, taking commissions as an agent, and selling advertising space to suppliers. What began in 1996 as a Microsoft division became an independent company in 2001 and has since acquired brands including Hotels.com, Vrbo, Orbitz, Travelocity and Trivago. In 2023 the company reported $12.8 billion in revenue, with lodging gross bookings reaching $74 billion. This article examines how Expedia's layered revenue model works, why it maintains a portfolio of competing travel brands rather than one unified site, and how leadership change and shifting travel demand are shaping its next phase.

From a Microsoft side project to an independent giant

Expedia started in 1996 as a travel-booking division inside Microsoft, built to let consumers search and book flights and hotels online at a time when travel agents still handled most bookings by phone. Microsoft spun the business off in 2001, giving Expedia the independence to pursue acquisitions and build out a broader travel platform rather than operate as a single internal product line. 1

That independence set off two decades of acquisitions. Expedia bought Hotels.com, Travelocity, Hotwire, Orbitz, Ebookers, CheapTickets, CarRentals.com, Wotif and Trivago, assembling a portfolio of brands that let it compete for different types of travelers under separate identities while consolidating booking volume, data and negotiating leverage with suppliers under one corporate parent.

Three ways to earn on the same booking

Expedia's revenue model runs on three parallel mechanisms rather than a single pricing approach. Under the merchant model, Expedia buys travel inventory, mainly hotel rooms, in advance or on favorable terms and resells it to travelers at a markup, capturing the spread between wholesale and retail price. Under the agency model, Expedia doesn't take ownership of inventory at all; it simply facilitates the booking and earns a commission from the supplier for each completed transaction.

> Running merchant, agency and advertising models at once lets Expedia capture value differently depending on which suppliers want control over pricing and which want distribution volume.

The third leg is advertising. Airlines, hotels and other travel suppliers pay Expedia for prominent placement in search results, a revenue stream that doesn't depend on a booking happening at all. Together these three models gave Expedia $12.8 billion in revenue in 2023, up 10% from the prior year, with lodging gross bookings alone reaching $74 billion. 2

A house of competing brands

Rather than consolidating its acquisitions into one Expedia-branded website, the company kept Hotels.com, Vrbo, Orbitz, Travelocity and Trivago operating as distinct consumer-facing brands. This lets Expedia Group show up multiple times in the same search results a traveler sees, competing against itself in some cases but capturing the booking regardless of which brand the customer chooses. Each brand can also target a different customer habit: Vrbo for vacation rentals, Trivago for metasearch price comparison, Hotels.com for loyalty-driven repeat hotel bookers.

The tradeoff is operational complexity. Maintaining separate technology stacks, marketing budgets and brand identities across a dozen properties costs more than running one unified platform, and the company has consolidated some backend infrastructure over time even while keeping consumer-facing brands separate.

Expedia Partner Solutions sells the plumbing to rivals

Beyond consumer bookings, Expedia operates a business-to-business arm called Expedia Partner Solutions, which licenses its booking technology, inventory and tools to other travel companies, airlines and even competitors who want booking capability without building it themselves. This turns Expedia's core infrastructure into a second product, generating revenue independent of whether the end traveler ever visits an Expedia-branded site directly.

This B2B strategy also deepens Expedia's data advantage. Every booking processed through a partner using Expedia's technology still flows through Expedia's systems, adding to the volume and pricing intelligence the company can apply across its own consumer brands.

Leadership change after the pandemic reset

The COVID-19 pandemic forced Expedia to rethink parts of its strategy, pushing it toward closer engagement with travelers on trip planning rather than pure booking volume, given how sharply travel demand collapsed and then rebuilt unevenly across regions. Peter Kern, who became chief executive in 2020 during that disruption, led the company through the recovery before announcing his departure. Ariane Gorin, who had run Expedia's business-to-business unit and delivered 33% B2B revenue growth in 2023, succeeded him as CEO in May 2024. 3

Gorin's background running the partner-facing side of the business, rather than the consumer brands, suggests continued emphasis on the B2B growth engine alongside the traditional consumer booking platform.

Ownership concentrated around one media dealmaker

Expedia Group trades publicly, but its largest individual shareholder is Barry Diller, the media executive who built IAC and has been tied to Expedia since it operated under his USA Networks umbrella in the late 1990s. Diller holds roughly 15% of outstanding shares, a stake large enough to give him lasting influence over strategic decisions even without majority control. 4 Institutional investors including Vanguard Group, BlackRock and State Street Corporation hold the remaining large blocks, typical of a mature publicly traded company where index and pension funds own significant shares on behalf of their clients.

Competing against Booking.com and Airbnb on different terms

Expedia's closest rival, Booking.com, leans more heavily on the agency model, while Expedia relies more on merchant bookings, a structural difference that shapes how each company's margins respond to travel demand swings. Airbnb represents a different kind of competitive pressure, pulling travelers toward home rentals and local stays rather than traditional hotel bookings, a shift Expedia has partly answered through its own Vrbo brand. 5 Airlines and hotel chains building their own direct booking tools represent a longer-term threat, since suppliers that can sell directly to consumers no longer need Expedia's distribution or its commission cut. Expedia's response has been to lean into loyalty programs, like Expedia Rewards, and its technology investments to keep travelers coming back to its platforms instead of a supplier's own site.

Key Partners

Expedia's key partners include the airlines, hotel chains, car rental companies and cruise lines that supply the inventory sold through its platforms. Other travel providers and independent property owners round out the supply side, particularly through Vrbo's vacation rental listings. Advertising partners who pay for placement, along with the businesses that license Expedia Partner Solutions technology, extend the partner network beyond pure inventory suppliers.

Key Activities

Expedia's core activities include developing and maintaining its technology platform across multiple brands, negotiating pricing and inventory terms with travel suppliers and optimizing search and pricing algorithms to match travelers with relevant options. The company also runs continuous customer acquisition and retention marketing, and it operates Expedia Partner Solutions as a distinct technology-licensing business alongside its consumer-facing operations.

Key Resources

Expedia's technology infrastructure, including its booking engines, search algorithms and data systems, forms its most valuable resource. Its portfolio of consumer brands, each with independent recognition and customer bases, functions as a second core resource that would be expensive for a new entrant to replicate. Data analytics capabilities built from processing millions of bookings give Expedia pricing and demand insight that smaller competitors lack.

Value Propositions

For travelers, Expedia offers convenience through a wide selection of flights, hotels, rental cars and packages searchable in one place, along with loyalty rewards through Expedia Rewards. For travel suppliers, Expedia Partner Solutions offers access to booking technology and distribution reach without the cost of building it independently. For advertisers, the platform offers exposure to a large, high-intent audience actively planning travel purchases.

Customer Relationships

Expedia maintains customer relationships through email marketing tied to search history and past bookings, social media engagement and a loyalty program that rewards repeat bookings with redeemable points. Customer support handles booking issues and cancellations, while user-generated reviews and ratings help build trust between travelers and unfamiliar properties or providers.

Channels

Expedia reaches customers primarily through its websites and mobile apps across its portfolio of brands. Search engine optimization and paid online advertising drive significant traffic, given how much travel search begins with a general web search rather than a direct visit. Partnerships with other travel companies, including those using Expedia Partner Solutions technology, extend Expedia's reach into audiences booking through third-party sites.

Customer Segments

Expedia serves both leisure and business travelers, ranging from individuals booking a single vacation to corporate travel managers arranging trips for employees. Travel suppliers, including airlines, hotels and car rental companies, form a second customer segment as buyers of Expedia's advertising and distribution services. Other travel businesses that license Expedia Partner Solutions technology represent a distinct business-to-business segment.

Cost Structure

Expedia's largest costs include technology development and maintenance across its many brands, marketing and advertising spending to acquire travelers, and employee compensation. Payments to travel suppliers under the merchant model, along with customer support and payment processing costs, round out its major expense categories.

Revenue Streams

Expedia earns revenue from reselling travel packages at a markup under the merchant model, commissions on bookings under the agency model and advertising fees paid by suppliers for placement. Expedia Partner Solutions contributes additional revenue by licensing booking technology to other travel businesses.

- 1Expedia's origins as a Microsoft division
- 2Expedia Group 2023 full-year financial results
- 3Ariane Gorin succeeds Peter Kern as Expedia Group CEO
- 4Barry Diller's stake and history with Expedia
- 5Airbnb's expansion into travel booking territory

Summary

Expedia's decision to run multiple booking models simultaneously, rather than picking merchant or agency exclusively, gives it flexibility that single-model competitors lack, letting it capture margin on some transactions and volume on others. The multi-brand strategy, though it creates internal overlap between properties like Hotels.com and Expedia.com, widens the company's reach across different customer habits and price sensitivities. Ariane Gorin's move into the CEO role in 2024 after Peter Kern's departure brings continuity from inside the business rather than a strategic reset. The bigger test ahead is whether Expedia's Partner Solutions arm, which sells its booking technology to other travel companies, can grow into a meaningful business line rather than a supporting one. Competition from Booking.com and Airbnb means Expedia's margins will keep depending on how well it balances scale against the cost of running so many overlapping brands.