

## 1. INTRODUCTION

As 70% of Expedia's revenue is concentrated in the U.S. market, with only 30% coming from international markets, pursuing global expansion presents a crucial opportunity for sustainable growth. Broadening Expedia's presence beyond its established regions is not just a strategic move—it's essential for long-term success and resilience in an increasingly interconnected travel industry.

The purpose of this report is to identify which countries would be more profitable for Expedia to expand their operation in, analyze the potential challenges that will be faced, and propose solutions, and a strategy.

To achieve this, we propose targeting Iceland—a market with distinct opportunities for growth and strategic alignment with Expedia's capabilities. Iceland, a rising destination for eco-conscious travelers, represent untapped potential. Expanding into these markets will not only diversify revenue streams but also position Expedia as a global leader in catering to diverse travel preferences and emerging trends.

## 2. FRAMEWORK

Resources are limited so choosing which markets to tackle is one of the main goals of the report, choosing the wrong countries could lead Expedia to dedicate money to markets that may not be that profitable in the long term. Maximizing gains is the end goal.

### 2.1. Key Performance Indicators

The analysis begins with building a database with all the necessary KPIs to determine which countries would help Expedia grow faster and more sustainably:

- **Tourism percentage of GDP:** This metric indicates how much tourism represents in the overall economy of the country.
- **Tourist expenditure growth:** Represents the average growth in the last 20 years in total expenditure of tourists in each country.
- **Total number of tourists:** It is important to know how many people visit each country every year, this KPI includes national and international tourists.
- **Bed occupancy rate:** Represents the percentage of occupied beds amongst the total available. It shows the demand for accommodation in the country and how saturated the market is.
- **Safety ranking:** One thing most tourists take into consideration when traveling is country safety, this ranking measure violence rates and overall country safety.
- **Business Ease:** As the goal is to expand operations, it is imperative for Expedia to know how easy it is to do business in the countries they are looking to invest in. This metric aggregate bureaucracy, taxes & banking availability.

### 2.2. Criteria

To determine which countries Expedia should expand its operations in, strict criteria has been used. All KPIs must be in the top 85 percentile, and the combination of this criteria is clear, Iceland complies with these requirements, some key KPIs are the following:

Country	Tourism Growth (%)	Ease of Business	Safety Ranking	GDP (USD)
Iceland	10.85%	79	95	16.9B

Table 01. Iceland main KPIs

Iceland presents a compelling business opportunity for Expedia; It is a top global travel destination. Known for its stunning natural attractions like glaciers, geysers, volcanoes, and the Northern Lights, Iceland draws millions of travelers annually. Its strategic location between Europe and North America and focus on sustainable tourism aligns with Expedia's mission and ESG goals [1] [2].

### 3. COMPETITORS

The key competitors in the Icelandic market, discounting smaller options, are:

- **Airbnb:** It is the most popular web portal for booking trips in Iceland with a 29% market share.
- **Guide to Iceland:** After Airbnb, the second most popular option is this local travel agency holding 27% of the market.
- **Booking.com:** With over 430,000 monthly users researching hotels in Iceland, they control 17% of the market.
- **Expedia:** Out of the biggest companies, Expedia controls the least size of the market, 12%.

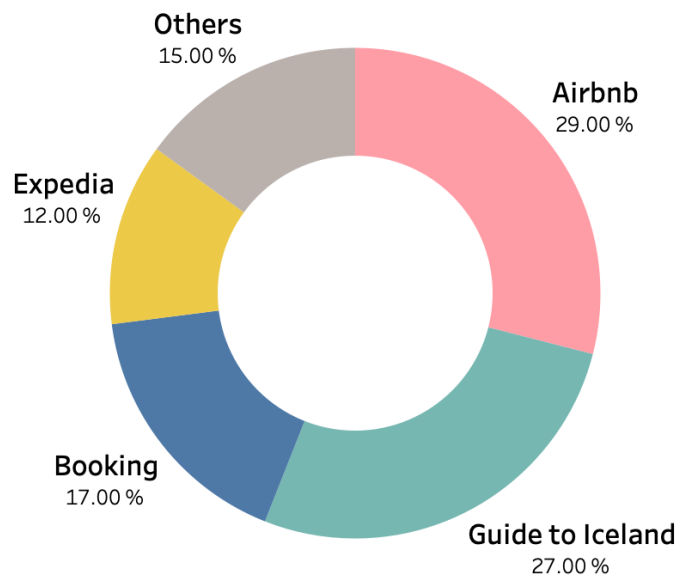
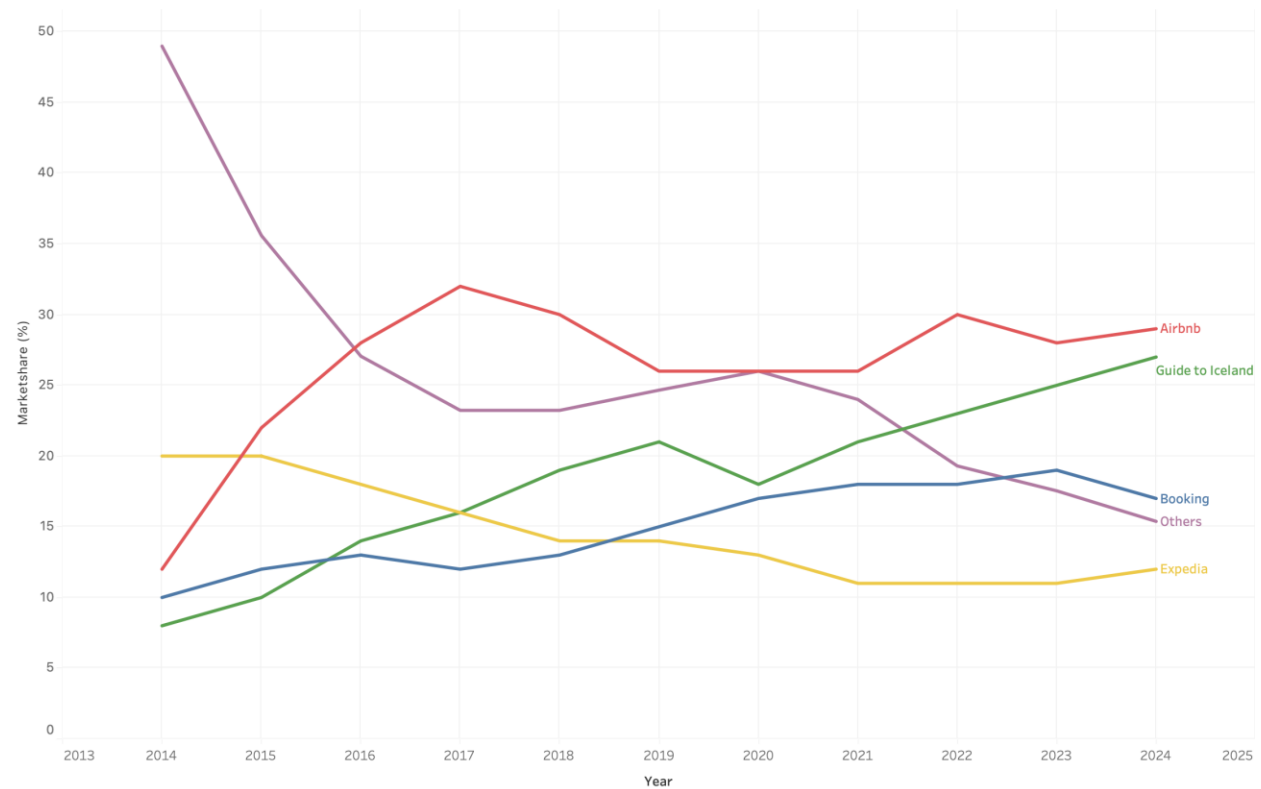


Image 1: Company Popularity for booking trips in Iceland in 2023

According to the research, Expedia was in 2023 the least popular company to book trips to Iceland. It is important to take into consideration Guide to Iceland, not only because it was the second most popular player in the Icelandic market in 2023, but because their trend has been going up since 2015 when they surpassed Booking, and 2017 when they rose to the second position.

This rise of Guide to Iceland is in big part due to their specialization in the Icelandic market, they do not offer trips to other countries, just Iceland. Their positioning as a reference in trips to Iceland is what makes them be in second position just after Airbnb [3].

Marketshare Trend (%)



The trends of Airbnb, Booking, Expedia, Guide to Iceland and Others for Year. Color shows details about Airbnb, Booking, Expedia, Guide to Iceland and Others. The marks are labeled by Airbnb, Booking, Expedia, Guide to Iceland and Others. The view is filtered on Year, which ranges from 2014 to 2024. Google Trends. (n.d.). Popularity. Retrieved December 13, 2024

Image 2: Company Popularity evolution for booking trips in Iceland

Not every platform offers the same services; to do a deep analysis of the competitors, it is crucial to analyze what are the differences between each one of the four platforms. This way it will be easier to create a growing strategy that Expedia can follow to expand their presence in Iceland and get more market share.

Services	Airbnb	Guide to Iceland	Booking	Expedia
Flight reservations	NO	YES	YES	YES
Hotel accommodation	NO	YES	YES	YES
Apartment accommodation	YES	YES	YES	YES
Car rental	NO	YES	YES	YES
Activities reservation	YES	YES	YES	YES
Guided prepared trip	NO	YES	NO	NO

Table 02. Competitors comparison.

## 4. STOPOVER PROGRAM

As global travel continues to evolve, innovative strategies are required to enhance customer experience while maximizing revenue. The Expedia Stopover Program is an initiative designed to transform layovers into meaningful travel experiences. By partnering with airlines, hotels, and local tourism boards, this program provides travelers with curated stopover packages, creating value for both customers and Expedia Group.

**How the Expedia Stopover Program Works**

The Expedia Stopover Program offers travelers the option to extend their layovers in Iceland into short stays. The program targets long-haul travelers between North America and Europe, whose journeys often include layovers. Here is how the program would work:

- 1. *Integration with Flight Booking:* During the flight booking process, Expedia would identify eligible layover routes with Icelandair and offer travelers the option to select a stopover package. These packages would include hotel accommodations, transportation, guided tours, and activities.
- 2. *Curated Packages:* Collaborating with local partners, Expedia would create stopover packages tailored to various interests, such as cultural tours, culinary experiences, or adventure activities.
- 3. *Seamless Booking Experience:* Travelers can book flights, accommodations, and activities in one seamless transaction through Expedia’s platform. The system would ensure that stopover activities in Iceland align with flight schedules to eliminate logistical concerns.

**Revenue Opportunities for Expedia**

The number of visitors entering Iceland via Keflavik International Airport (KEF) was over 2.2 million, 85% of the total number of visitors in 2023 [4]. This is an increase of over 30.4% year over year compared to 2022 and the trend is expected to continue in 2024 and 2025 [5]. Out of those 2.2 million passengers, on average, 16.7% were for business purposes [6].

Icelandair reports that approximately 48.5% of travelers through KEF Airport did not have Iceland as destination and were there for a short layover in international flights between North America and Europe [7].

Layovers are typically considered a controversial issue in delaying travel. However, according to a survey conducted by StratosJets [8], 83% of business travelers worldwide extended their business trips on 2.9 nights in 2022.

While Icelandair offers longer layovers in Iceland, Expedia and the rest of its competitors do not offer this option on their website. Delaying the second leg of the business flight to stay a few days more to visit Iceland is something 46% of US travelers are willing to do, and overall, 34% of the global passengers [9].

Country	2024 Total Visitors	Potential Stopover Visitors
USA	627,187	70,972
United Kingdom	272,234	28,617
Germany	144,174	8,408

Poland	102,665	5,306
Italy	100,048	5,579
France	96,573	5,872
China	90,700	3,254
Canada	77,954	7,820
Spain	72,147	2,919
Netherlands	67,323	3,479
Other	615,606	31,815

Table 03. Total number of visitors & potential stopover per top 10 countries

The Expedia Stopover Program presents a multi-faceted opportunity for increasing revenue, some ways of achieving this in Iceland would be by:

1. *Upselling and Cross-Selling*: By offering bundled stopover packages, Expedia can increase the average transaction value. Business travelers are likely to spend 16.8% more on curated experiences, premium accommodations, and exclusive tours, thereby boosting Expedia's revenue [10].
2. *Partnership Revenue*: Collaborating with airlines like Icelandair, hotels, and local tour operators like Guide to Iceland allows Expedia to earn commission-based revenue while strengthening its ecosystem.
3. *Higher Conversion Rates*: By addressing traveler pain points, such as making layovers more productive and enjoyable, the program can increase booking rates on flights with stopover options. This aligns with the needs of budget-conscious travelers who often prioritize value-added services.

The Expedia Stopover Program in Iceland has the potential to revolutionize the layover experience while unlocking significant revenue opportunities. By combining convenience, curated experiences, and strategic partnerships, Expedia can enhance its competitive edge in the travel industry. Not only does the program cater to evolving traveler preferences, but it also positions Expedia as a leader in innovative travel solutions. Through targeted strategies and continuous refinement, the program could become a cornerstone of Expedia's growth in the global travel market.

## 5. CHALLENGES

As global travel continues to evolve, innovative strategies are required to enhance customer experiences while overcoming implementation challenges. The Expedia Stopover Program in Iceland has the potential to revolutionize layovers by transforming them into memorable short-stay experiences. However, successful execution requires addressing barriers, financial constraints, and operational complexities.

### 5.1. Challenges

#### Barriers

- *Logistic*: Coordinating stopover packages, including accommodations, transport, and activities, requires seamless logistics to ensure travelers enjoy a hassle-free experience.
- *Regulation*: Compliance with Icelandic travel laws, aviation regulations, and visa policies is crucial to avoid delays or restrictions.

- *Trust & Expectations:* Travelers must trust that stopover packages offer value, convenience, and reliability to justify extending their layover.

## **Financial**

- *Funds Reallocation:* Initial investments in marketing, infrastructure, and partnerships may require reallocation of resources.
- *Investment Efficiency:* Ensuring high returns on investments in promotions, transportation, and curated experiences is vital for long-term success.
- *Taxes:* Navigating Icelandic tax regulations and ensuring compliance with revenue-sharing agreements can be a significant challenge.

## **Revenue Sharing Agreement**

To align incentives between stakeholders, clear revenue-sharing agreements must be established with airlines, banks, and tourism operators.

## **5.2. Solutions**

### **Strategic Partnerships**

- *Iceland Air:* Partnering with Iceland Air ensures seamless integration of stopover options within existing flight routes. As Iceland's leading airline, Iceland Air can promote stopover packages to long-haul travelers. Icelandair is also expanding their aircraft fleet with 13 new Airbus A321XLR to deploy new routes to the US West coast.
- *Guide to Iceland:* Collaborating with local tourism experts like Guide to Iceland allows Expedia to curate high-quality tours and activities that showcase Iceland's unique attractions, such as geothermal spas, Northern Lights tours, and volcanic landscapes.

### **Financial Collaboration**

The proposed expansion to Iceland through the Stopover Program represents an increase in revenues projections and potential boost in profitability. By leveraging Iceland's strategic location as a transit hub and its reputation as a unique tourist destination, this plan anticipates a rise in passenger volumes, resulting in greater ticket sales. Additionally, this initiative is expected to drive growth in ancillary revenues through an increase in luggage-related services, such as additional baggage fees, expedited handling options and secure storage solution tailored to the needs of stopover travelers, as shown above in the Growth Strategy section.

- *Banks:* Partnering with leading Icelandic banks, such as Íslandsbanki, Landsbankinn, and Arion Bank, helps facilitate secure transactions, competitive exchange rates, and financing options for stopover packages.
- *Revenue Sharing Agreements:* Establishing clear and fair revenue-sharing models ensures that stakeholders, including airlines, local businesses, and banks, are incentivized to support and promote the program.

## **Global Support**

Establishing a revenue-sharing agreement in Iceland requires a strategic approach that aligns with existing industry standards and operational platforms. Expedia relies on systems like Sabre for booking and revenue management, and it is essential to confirm whether Sabre is already in use for operation in Iceland or if an alternative platform, such as Amadeus, is being utilized.

Additionally, all agreements and financial transactions must comply with regulations established by the International Air Transport Association (IATA), which governs global aviation standards. This includes adhering to the Billing and Settlements Plan (BSP), system to simplify the collection and settlement of payments between travel agencies and airlines. Ensuring compliance with IATA standards and integrating compatible systems will be imperative to create a smooth and transparent revenue-sharing framework while maintaining trust and reliability among partners.

- International Air Transport Association (IATA): Partnering with IATA helps align the program with global aviation standards, streamlining operational logistics and regulatory compliance.

The Expedia Stopover Program in Iceland has the potential to drive tourism growth, increase revenue, and provide travelers with unforgettable experiences. While logistical, regulatory, and financial challenges must be addressed, strategic partnerships with airlines, tourism organizations, public transportation systems, and banks offer viable solutions. By leveraging revenue-sharing agreements and aligning with global aviation standards, Expedia can overcome implementation barriers and establish Iceland as a premier stopover destination. Through careful planning and collaboration, this program can unlock new opportunities for Expedia and Iceland's tourism sector alike.

## **6. FORECAST**

The Expedia Stopover Program in Iceland presents a significant opportunity to generate substantial revenue while driving growth in the Icelandic tourism industry. This section analyzes the revenue forecast versus the stopover projection, highlighting the program's potential impact over the coming years based on data assumptions and market trends.

### **Key Assumptions**

The revenue forecasts and projections are built on the following key assumptions:

- *Expedia Market Share:* Since there is no public information about Expedia's market share, the previously mentioned analysis draws a 12%, which is expected to be maintained until 2030 [3].
- *Icelandic Tourism Growth:* The Icelandic government projects tourism to grow at a steady 7.5% year-over-year (YoY), driven by increasing international arrivals and destination popularity [4].
- *Stopover Passenger Growth:* The number of passengers opting for stopovers globally is expected to grow at 5.3% YoY due to strategic marketing and partnerships [13].
- *Average Daily Spend:* Average daily tourist expenditures are assumed to increase at a rate of 3.82% YoY, fueled by premium packages, curated experiences, and higher demand for exclusive activities. This assumption is based on average expenditure during the last 20 years [1].
- *Baseline Revenue Growth:* Expedia's baseline revenue (without implementing the stopover program) will grow steadily due to organic market expansion and increased traveler volume.

These assumptions provide a foundation for understanding how the stopover program will contribute to revenue growth and position Iceland as a premier layover destination.



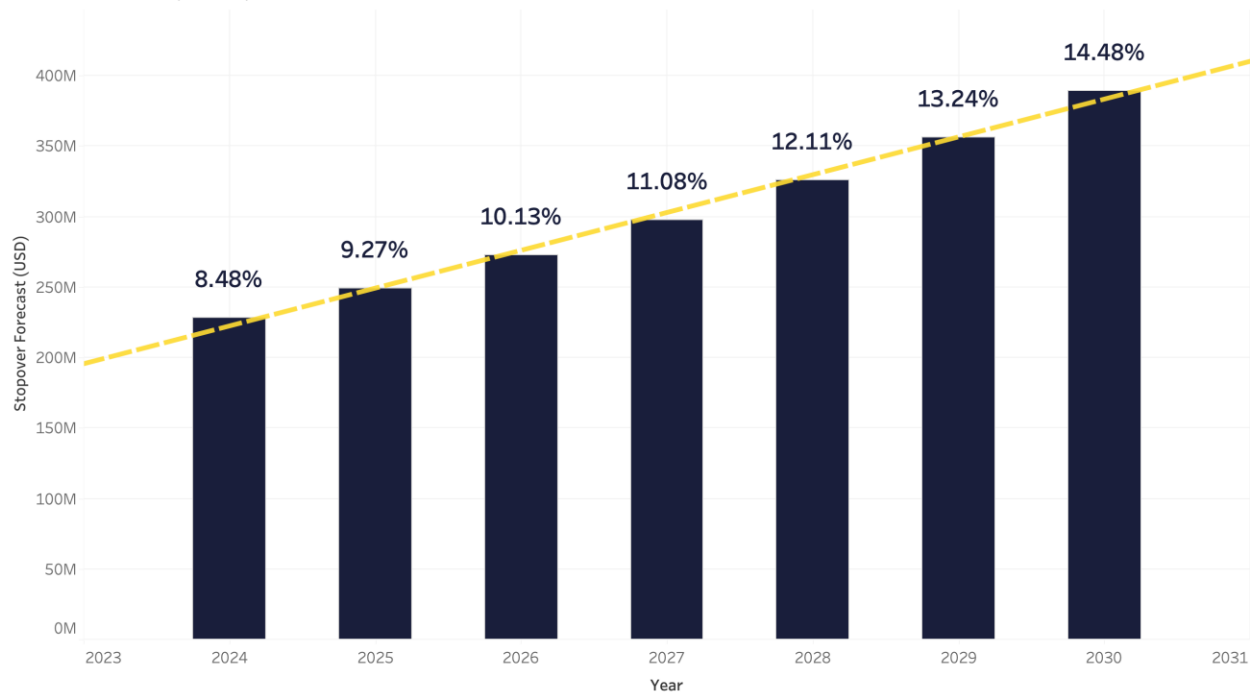
## Revenue Forecast and Projections

The forecasted revenue data compares Expedia's expected revenue without implementing the stopover program (blue) and the additional revenue generated through the stopover program (yellow). The stopover projection reveals significant growth potential for Expedia as stopover passengers increase year over year (YoY) between 2024 and 2030:

- 2024: Without the stopover program, Expedia's expected revenue is approximately \$350 million. The stopover program adds 65%, contributing an additional \$227.5 million.
- 2025: Expedia's baseline revenue grows to \$370 million, with a 66% stopover increase, adding \$244.2 million.
- 2026: Baseline revenue reaches \$400 million, with the stopover program growing to 67%, contributing \$268 million.
- 2027: Without the stopover program, revenue will reach \$430 million, while the stopover program adds 69%, or \$297.7 million.
- 2028: Expedia's baseline revenue grows to \$460 million. With stopover implementation reaching 70%, the program adds approximately \$322 million.
- 2029: Baseline revenue increases to \$500 million, while the stopover program grows to 71%, contributing \$355 million.
- 2030: By 2030, baseline revenue reaches \$530 million, with stopover projections at 72%, adding \$381.6 million, pushing total revenue to approximately \$911.6 million.

These projections highlight the clear revenue uplift provided by the stopover program, demonstrating the program's ability to nearly double Expedia's Icelandic revenue over the forecast period.

Stopover Forecast (Iceland)



Stopover Projection. Blue shows the forecast potential market of the stopover program. In yellow is the trend line and the % over the entire tourism market in Iceland. Assumptions: 13% Expedia MarketShare in Iceland, 7.5% YoY growth in Icelandic tourism industry, 5.3% YoY growth in stopover passengers & 3.82% YoY growth in average daily expense per tourist.

Image 3: Revenue forecast Expedia & Stopover program

The Expedia Stopover Program in Iceland showcases its ability to drive consistent and incremental revenue growth. Without the program, baseline revenue is projected to increase steadily from \$350 million in 2024 to \$530 million in 2030. However, with the program, total revenue can surpass \$911 million by 2030, driven by 72% additional growth. By leveraging market expansion, increasing passenger adoption, and enhancing daily expenditures, Expedia can capitalize on this unique opportunity to solidify its position in the Icelandic tourism market while contributing to sustainable economic growth.

## 7. CONCLUSION

Expedia's report highlights the need for global expansion, given the current revenue concentration in the U.S. market, and this report identifies Iceland as a strategic market for growth. Iceland's appeal lies in its rising popularity among eco-conscious travelers, unique natural attractions, and alignment with Expedia's

sustainable tourism goals. A thorough analysis using KPIs, such as tourism's share of GDP, tourist expenditure growth, safety, and ease of doing business, positioned Iceland as an ideal choice.

Despite holding only a 12% market share in Iceland, Expedia plans to strengthen its presence through innovative strategies like the Expedia Stopover Program. This program aims to turn layovers into enriching travel experiences by offering curated packages that include accommodations, activities, and transportation, particularly targeting long-haul travelers between North America and Europe.

The report acknowledges challenges such as logistical coordination, regulatory compliance, and financial investment, proposing solutions like partnerships with Icelandair, local tourism organizations, and financial institutions to streamline operations and ensure profitability. Amongst which Icelandair and Guide to Iceland are the top choices.

Financial projections indicate the program could significantly boost revenue, with forecasts suggesting an increase from \$350 million in 2024 to \$911 million by 2030, driven by upselling opportunities and higher adoption rates.

By leveraging Iceland's strategic location and sustainable tourism trends, Expedia aims to diversify its market presence, enhance customer experiences, and solidify its position as a leader in innovative travel solutions.

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