



The

Dot - Com

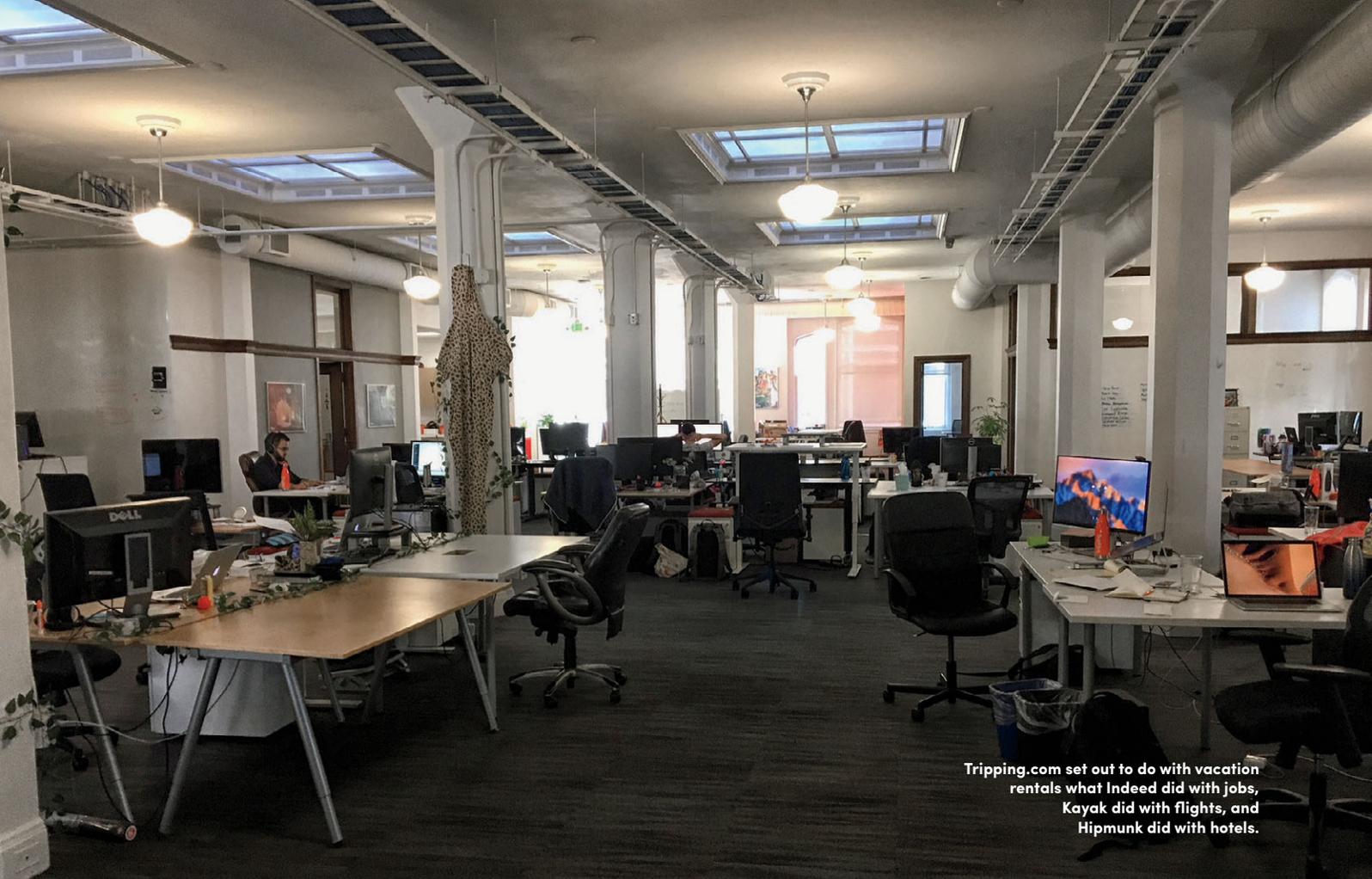
By ART JAHNKE
Photographs by Janice Checchio

Unlikely

This is the story of how two ambitious people—a kid from Brooklyn who went to Boston University and one from San Francisco who went to UC Berkeley—came up with a business model, raised a small round of funding, changed the business model, worked around the clock, and ended up building a global e-commerce company. Neither studied business. Or technology.

Millionaire

← *Jeff Manheimer*
(CGS'00, COM'02)



Tripping.com set out to do with vacation rentals what Indeed did with jobs, Kayak did with flights, and Hipmunk did with hotels.

Travel factoids are based on Tripping.com search data.



The third most popular beach vacation spot is Gulf Shores in Alabama.

IT BEGINS WITH A DOMAIN NAME. “TRIPPING .com” cost \$5,700 and was bought in November 2008 by a woman named Jen O’Neal. O’Neal, a veteran of start-ups Stubhub and Viagogo, wanted to start a travel website, and she liked the name Tripping.com because she thought it would be easy for people living all over the world to pronounce. She envisioned a site where young budget travelers could swap stories and advice.

To build it, O’Neal needed a partner who knew more than she did about the travel industry. She remembered a guy she had met through her sister. Jeff Manheimer, her sister told her, knew just about everything about the travel business.

“That was, of course, true,” says O’Neal, who graduated from Berkeley with a double major in English and Italian studies. “And luckily Jeff was willing to come on board.” Manheimer (CGS’00, COM’02) had grown up in Brooklyn and after attending BU’s College of General Studies, he went on to focus on public relations at the College of Communication.

As a BU student, Manheimer worked at the Hyatt in Cambridge, taking room service orders from the hotel’s basement. He liked the hospitality business, and he liked Hyatt, so he stayed with

the company, working his way to its headquarters in Chicago, where he managed the relationship between Hyatt.com and Expedia.com. When he got the email from O’Neal, he was working for Travelzoo, a website that sells hotel rooms, flights, and vacation packages.

The partners—their agreement called for O’Neal to be the CEO and Manheimer the COO—had just enough online experience, confidence, and vision to be able to raise a seed round of \$750,000 from Silicon Valley investors Quest Venture Partners, Launch Capital, and Draper Associates. They also persuaded more than 40 organizations—study abroad programs, the Peace Corps, AARP—to work with them, recommending Tripping.com as a place where their members could chat and learn from one another.

The strategy worked. Within a month of launching in 2010, Tripping had registered users in more than 100 countries, and its community seemed to find real value in the exchange of information. Three years in, the partners considered phase one of the plan—building an online community—a success. But phase one was never intended to generate revenue. That was the goal of phase two: members of the Tripping.com community would



Berlin, the fifth most popular city in Europe, has an average listing rate of \$120 a night.

begin to book flights and lodging through partnering airlines and hospitality companies. Tripping, of course, would take a piece of the action. That, at least, was the plan.

“The reality was, the people who used our site were more engaged with the social part,” Manheimer recalls. “They weren’t going to book through our site because they always booked through other sites, and they were happy with that.”

Manheimer and O’Neal were not happy with that. And neither were investors Quest Venture Partners, who expected to make money on their investment. Manheimer realized that something that had looked perfectly doable on paper—taking a community and turning it into a customer base—was practically impossible online. “We decided we had to focus on one or the other,” he says, “so we cut the community and focused on lodging.”

They came up with a new business model that would turn Tripping.com into the first comprehensive search engine for vacation rentals. No longer a community website, it now showed listings of vacation rentals from successful vacation rental sites like HomeAway and TripAdvisor. If a visitor to Tripping.com booked lodging, the company would take a small percentage, whatever it could get, of the roughly 10 percent of rental fees taken by established sites. And the transaction itself, in most cases, was done on the destination site, sparing Tripping the cost of building an e-commerce infrastructure.

In e-commerce, the practice is known as cost per acquisition, or CPA. It was just one way they could make money. Another option was a cost per click (CPC) formula, where the supplier of listings—HomeAway, for example—would pay the referring site, Tripping, for each customer sent along, whether or not that customer booked anything. The aggregator business model, with Tripping essentially an intermediary, would benefit clients on both ends of the transaction. It would provide its partner

sites with traffic, as well as potential renters, and it would provide people shopping for a vacation home with a metasearch capability, allowing them to compare all options in any travel category and make a well-informed decision about where to stay.

Jed Kelly, a senior analyst specializing in online travel and internet for Oppenheimer investment services, sees another advantage for partner sites: the visitors sent to them from Tripping are more likely to book lodging because they have already done some comparison shopping. In analyst parlance, says Kelly, they are “farther down the purchasing tunnel.”

The concept behind Tripping was hardly original. At the time, in 2011, the metasearch model was hard at work in several industries. Indeed.com was doing it with job sites, Kayak was doing it with flights, and Hipmunk was doing it with hotels. Manheimer and O’Neal were pleased to see that no one was doing it with vacation homes. Except them.

Brutal Testing

The partners, both with years of dot-com business experience, knew they would be tested, but they never imagined how brutal that testing would be. From 2009 to 2011, neither took a salary, and the modest salary they drew from 2011 to 2014 was soon cut to pay their growing team. Manheimer lived at first in the basement of his mother’s home in Connecticut, then moved to another basement—a cramped apartment in San Francisco with ceilings so low that tall visitors had to duck. Their first office space was in such a rough neighborhood of San Francisco, he says, that the partners worried about the safety of their staff.

But they kept the faith, and they kept pitching to investors, virtually all of whom saw no need for a metasearch business model in the vacation rental space.

“No investor in the first four years would give us the time of day, let alone consider funding,” recalls Manheimer. “It was a challenge to convince venture capitalists that there was a need for this business model. I could talk to a hundred investors. Ten would talk to me and maybe one would give me a meeting.”

Those investors who did agree to meet listened politely and never got back to them. Manheimer remembers driving back to San Francisco after visiting potential investors in Silicon Valley and

“No investor in the first four years would give us the time of day, let alone consider funding.”



putting gas in the car with a credit card whose payments were overdue.

“All of our friends were buying homes and having babies,” he says. “We were thinking, we are now in our 30s—what are we doing? But we kept looking at the data and the analytics and we thought, if we don’t do this, someone else is going to do it.”

Then in April of 2015, they got some exciting news. According to a report issued by the investment banking advisory firm Evercore ISI, the big known vacation rental sites—Airbnb, HomeAway, TripAdvisor, and Priceline, which owns Booking.com—controlled only about 22 percent of the vacation rental market.

“That meant the other 78 percent, mainly mom and pops, was up for grabs,” says Manheimer. “When that report came out, we added that to our pitch deck and the investors were like, hmm, now I get it. When they saw how fragmented the market was, our business model started to make sense.”

It seemed to make particular sense to a group of Japanese investors called Recruit Holdings, although even they seemed reluctant to write a check. Manheimer and O’Neal took it slowly, mainly because they had no other choice.

“It took months to get to know each other,” says O’Neal. “We were running short on cash. I think we had something like \$250 and we ended up taking them to a nice dinner. We knew they liked Italian food, so we took them to Original Joe’s in North Beach and went all out. Nice wine. Nice dinner. I remember they were looking at five companies and they only wanted to invest in one. We were the one, and I think it’s because we took the time to build a relationship with them.”

It was also because Recruit Holdings understood the potential for the business model. Two and a half years earlier, the worldwide provider of human resources services had acquired Indeed, which applied the same metasearch strategy to job listings. “We didn’t go crazy with their investment,” says Manheimer. “We said, ‘Let’s try to make this last as long as possible.’ We hired a few engineers and a marketing person.”

Fritz Demopoulos, the angel investor who introduced the Tripping team to Recruit, was unsurprised by Recruit’s willingness to invest. “From an investor’s perspective, it’s all about timing, position, and is anyone else doing it at that time,” he says.

Demopoulos, who founded Qunar.com, the largest travel site in China, says Tripping also had the

two things investors look at first: market opportunity and an impressive team.

“Any market that’s fragmented provides exceptional opportunities for an aggregator,” he says. “And both Jeff and Jen have amazing interpersonal skills. They are very focused. Jeff is a fighter, and, frankly, we want our founders to be a little bit pushy.”

A bit of pushiness was a requirement for the task that lay before Manheimer. He would have to persuade the genre’s most powerful players, sites with big money and big brand recognition, to lend their listings to a scrubby newcomer that on a good month had a couple of hundred thousand visitors and almost no brand recognition. Charm would also be necessary, as well as nearly superhuman energy.

“Even before Jeff comes to the office he’ll take two or three calls from European partners,” O’Neal says. “And when he walks into the office he’s on his earpiece. He is the busiest person I know, and he is a great communicator. People sometimes remark that neither Jeff nor I have a technology background, and they wonder how we built such a successful technology company. I just think it’s all about communication.”

And perspicacity. Ann Samuelson, a Tripping product manager, remembers negotiating a deal with a much-sought-after partner who wouldn’t budge on the terms. “I kept saying, ‘Jeff, we have to take these terms. They are never gonna come back.’ I left the deal, and sure enough, they did come back. Jeff is just very intuitive.”

Something Wonderful

Manheimer began his courting of the giants with one of the biggest fish he could find. In 2011, he signed on HomeAway, and the next year he landed TripAdvisor, then moved on to the Berlin-based Wimdu. He did it, he says, with promises, because promises were all he had to offer.

“Early partners would give us only one percent of the bookings,” he says. “We had no leverage so we took what we could get. They were like, ‘Here’s your photo, your rates, and that’s it.’ If I were in their shoes I would do the same thing.” Tripping’s outlook was always “give us a chance,” he says. “The burden to perform is on us.”

With much cajoling, Manheimer persuaded partners to allow Tripping to connect to their servers, so listings information would be updated in real time. As more partners signed on, something wonderful happened. Tripping.com

What Vacationers Want

Top five amenities searched by visitors to Tripping.com

- Wi-Fi
- Swimming pool
- Pets allowed
- BBQ grill
- Free parking



Mexico City is the most popular international vacation rental city. It’s also a bargain, with an average rate of \$107 a night.

became crowded with listings, and the position of a partner's listings on a particular page became a commodity, every search result spot increasing in value like expensive real estate.

"We weren't tyrants," says Manheimer. "We negotiated it, but we were realistic. If you want to be on page one, it's about real estate, and the value of that real estate has gone up drastically in the last five years."

From 2014 to 2015, he says, business took off. Revenues grew 3,000 percent, and the venture capitalists who just two years earlier wouldn't return Manheimer's phone calls started sending him term sheets. In July 2015, a year the company was expecting to do \$150 million in gross bookings, he and O'Neal accepted a second round of funding: \$16 million from investors from New York, Silicon Valley, Asia, and Europe.

Now, says Manheimer, it's a very different game.

Investors see the value, and partners see the benefits of working with Tripping.

In 2017, the site doubled its listings, to 10 million, half of them in the United States and half overseas. Since the company aggregates properties from dozens of sites, travelers can find a wide range of rentals, including cabins, beach houses, ski chalets, luxury apartments, tree houses, and even multimillion-dollar mansions. Manheimer says the company plans to list more than 14 million properties by the end of the year, dwarfing the 4 million offered by Airbnb.

Oppenheimer analyst Kelly sees another reason for Tripping.com's growth. "I first saw the site two years ago and it was pretty good," he says. "But what you see now is a user interface that has improved a lot. Once they do that, they can start to lean on brand advertising and get their name out. Another thing that's very impressive about Tripping is that they have a very low employee base, around 50 people. The ability to do everything that they have done with that few employees is really impressive."

In fall 2016, one investor hoping to get a piece of the

company gave Manheimer some good news and some bad news, all in the same sentence: "They said, 'You're the fastest-growing company in Silicon Valley that no one ever heard of, so you need to start building brand, and you will need money to do that.'"

Brand is important, of course, and building brand is expensive. That December, Tripping accepted another round of funding, this one for \$35 million from Princeville Global, which has offices in Silicon Valley and Hong Kong. In all, they had raised \$55 million.

Manheimer, who was named CEO in January, and O'Neal, now executive chair of the board, are putting the money to good use. They are testing radio and television ads. They've hired a marketing expert and are able to say with authority that their target market is women 35 and above. "Moms are the people who plan vacations," says O'Neal. "Our second market is retirees, because they have time to travel, and our fastest-growing demographic is 27-year-olds."

Manheimer has a to-do list that will take months and millions of dollars. Having aggregated listings from dozens of websites, Tripping is considering slicing and dicing its universe of listings by interest, so visitors can review "places to ski," "beach scenes," and "rooms with a view."

"It's smart merchandizing," he says. "Site visitors don't care how many million homes we have on the site. They care about one listing, the one they're looking for."

He wants to add a chat box function on the site, so potential renters can get answers to specific questions, like "is the house sturdy enough for teenage parties?" And someday, an 800 number on the site may connect directly to a property manager.

There are many things about the vacation rental market that could be improved, Manheimer says. The lack of a standardized rating system comes quickly to mind. "There is no star rating like hotels have," he says. "We are trying to come up with a description of a good vacation rental. We are saying things like, 'It's a good vacation rental if the sheets are clean, if it has toiletries, instant check-in and booking, and it's good for kids.' We are working on it, but we are in the infancy of this business."

A close observer of online travel, venture capitalist Demopoulos, says Tripping is now the category leader. They got there, he says, because they knew there were lots of pivots to be made and they knew how and when to make them.

"It's about being creative," he says. "It's about constantly pushing to offer new services, and it's about thinking fast."



The most popular mountain vacation spot is Pigeon Forge, Tenn.

"Early partners would give us only one percent of the bookings. We had no leverage so we took what we could get."

