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CORPORATE PARTICIPANTS

Axel Hefer *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Matthias Tillmann *trivago N.V. - MD & CFO*

CONFERENCE CALL PARTICIPANTS

Alaxandar Wang *Morgan Stanley, Research Division - Associate*

Brian Nicholas Fitzgerald *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Dae K. Lee *JPMorgan Chase & Co, Research Division - Analyst*

James Lee *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*

Kevin Campbell Kopelman *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Lloyd Wharton Walmsley *Deutsche Bank AG, Research Division - Research Analyst*

Naved Ahmad Khan *Truist Securities, Inc., Research Division - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the trivago Q4 Earnings Call 2020. I must advise you this call is being recorded today, Wednesday, the 10th of February 2021. We are pleased to be joined on the call today by Axel Hefer, trivago's CEO and Managing Director; and Matthias Tillmann, trivago's CFO and Managing Director.

The following discussion, including responses to your questions, reflects management's views as of today, Wednesday, February 10, 2021 only. trivago does not undertake any obligation to update or revise this information. As always, some of the statements made on today's call are forward-looking, typically preceded by words such as we expect, we believe, we anticipate or similar statements. Please refer to the Q4 2020 operating and financial review and the company's other filings with the SEC for information about factors which could cause trivago's actual results to differ materially from these forward-looking statements. You'll find reconciliations of non-GAAP measures to the most comparable GAAP measures discussed today in trivago's operating and financial review, which is posted on the company's IR website at ir.trivago.com. You are encouraged to periodically visit trivago's Investor Relations site for important content. Finally, unless otherwise stated, all comparisons on this call will be against results for the comparable period of 2019. With that, let me turn the call over to Axel.

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Good morning, everybody, and welcome to our Q4 2020 earnings call. It has been a year by now since we filed our Q4 earnings on February 11, 2020. And for the first time since we went public, we did not give any specific guidance for that year. A new virus had started to spread in parts of Asia.

Looking back, I have to say that it was nothing like what we were anticipating a year ago. The collapse of global travel in March, global lockdowns that made the world standstill, strong local travel demand in summer and then the second wave that has hit so many countries in autumn. The burden of contact restrictions is wearing heavily on children, families and the elderly. However, 1 year in there, there's hope. There's a clear path to normalcy, and a lot of progress has been made. Vaccines have been developed in record speed, governments have supported citizens and businesses generously and vaccination programs are rolled out across many markets, focusing on protecting the most vulnerable.

Looking forward, we do believe that every day and every week is bringing us slowly but steadily closer to normalcy from now on. Some countries like Australia, China and New Zealand have through very strict measures already managed to return to an almost normal daily life, while in countries like Israel, the U.K. and the U.S. are progressing rapidly with their vaccination programs and should see gradual improvement in the second quarter.

Overall, we believe that by summer, most major markets will have made significant progress to allow for local activities and travel and give their citizens relief and time to relax after a very long and difficult period.

Like in the summer 2020, we believe that there will be very strong demand for local travel, perhaps even international travel. And we continue to prepare for that moment. Travel is a basic need, and we believe it will come back as soon as the pandemic is under control.

For the first half of 2021, this means that we will continue to focus on adapting and improving our value proposition towards our users and advertisers. Our key focus areas will be: New feature development and improvement of our core product, the further development and rollout of our local travel product, adjusting our marketing mix and communication to the current situation, rolling out our new advertiser-facing products to prepare for recovery and to keep morale up and continue to invest into developing and strengthening our team. With that, I now hand over to Matthias.

Matthias Tillmann - *trivago N.V. - MD & CFO*

Thank you, Axel, and good morning, everyone. We normally experience a decline in travel activity in the fourth quarter as we are coming out of the peak summer holiday season in the Northern Hemisphere. Q4 2020 has not been different. In fact, the sequential seasonal decline in our segment, Developed Europe, was more pronounced compared to prior years as most of our core markets in that segment implemented new lockdown measures, including new travel restrictions to contain the spread of the virus. Consequently, we reduced our marketing activities even more than we usually do in the fourth quarter to preserve our cash.

On the other hand, for countries that entered their peak summer season like Australia or Brazil, we observed a sequential increase in qualified referrals. This led to a substantial improvement in the year-over-year qualified referral decreases in those countries and for our segment Americas overall. However, as overall booking volumes were still significantly below 2019 levels, we continue to be cautious with our marketing activities and focus on high-quality traffic.

The reduction in marketing and operating expenses led to a decrease of our overall costs and expenses by 71% in the fourth quarter compared to the same period in 2019. Excluding advertising expenses, our operational expenses, including share-based compensation, decreased by EUR 18 million or 37% year-over-year as a result of the restructuring that we announced during the summer. Hence, we were able to limit the net loss to EUR 8.6 million and our adjusted EBITDA to minus EUR 3.4 million compared to a net income and adjusted EBITDA of EUR 3.1 million and EUR 18.4 million, respectively, in the same period 2019.

Looking at the full year, we were able to maintain our total cash and short-term investment position at around EUR 228 million without taking on any additional external funding, and we continue to be debt-free. This shows how quickly we can adapt to sudden and very unfavorable changes in our industry. We remain confident that we have the right setup for what remains a challenging and unpredictable foreseeable future.

Globally, the number of new COVID cases increased again during the fourth quarter. A new variance of the virus has emerged that tend to spread faster. Consequently, most of our core markets have implemented new mobility restrictions in particular, in Europe, that were extended into the new year. For example, Germany first extended the lockdown until 10th of January, then until mid-February, and the government is currently discussing to extend it further into March.

Hence, overall, qualified referral growth rates have declined again in January. However, there are regional differentials. In Developed Europe, qualified referrals were down around 80% year-over-year in January. And to put that in perspective, in April last year, when similar restrictions were implemented during the first wave, our qualified referrals declined by over 90% in that segment year-over-year. At the same time, we're observing an increase in the booking window in Europe, with the average booking window being now more than 10 weeks.

In Americas, qualified referrals were down more than 50% in January year-over-year, down slightly more than in the fourth quarter as the year-over-year qualified referral decline in Latin America increased a bit again, whereas we see stable trends in the U.S.

Looking at our segment Rest of World. Overall, qualified referrals year-over-year negative growth rates have been stable in January compared to the fourth quarter. When looking at the year-over-year growth rates, please keep in mind that our business started to deteriorate in February 2020 when the virus spread to Europe and Americas. So for the coming months, you need to take the comp effect into account.

Moving on to marketplace dynamics. In all 3 segments, while monetization is still down significantly year-over-year, our revenue per qualified referral has declined by a rate that was stable sequentially in the fourth quarter and we see this continuing in 2021 so far. As a result, our global referral revenue, which is the product of qualified referrals and revenue per qualified referrals, declined by a rate that was slightly higher in January compared to the fourth quarter due to the qualified referral dynamics in the different segments that I just described.

As the overall situation remains volatile, and we continue to have only limited visibility, we will not give specific guidance for 2021 at this point. We focus on what we can control and for the first quarter, this means that we will continue to be cautious with our marketing activities. As mentioned before, we have sustainably reduced our operating expenses. However, as the second wave of new COVID infections has emerged, and overall booking volumes remain muted, we expect our adjusted EBITDA in the first quarter to be more negative than in the fourth quarter.

Overall, we remain confident that we have set up the company for this challenging environment and continue to be optimistic that travel will recover in the second half of this year. With that, let's open the line for questions. Operator, we are now ready to take the first question, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes from the line of Naved Khan at Truist Securities.

Naved Ahmad Khan - *Truist Securities, Inc., Research Division - Analyst*

Just a couple of questions. So maybe can you give us some more color on the trends that you saw in North America and how they compared to Europe, just for the fourth quarter? If I look at the volume of qualified referrals for North America, it was essentially flat between Q3 and Q4. Europe obviously, saw a pretty strong (inaudible). So can you maybe just speak to that?

And then secondarily, if I think about the back half of 2021 and the recovery, how should we be thinking about your ad spending as demand starts to come back and your spending going into that?

Matthias Tillmann - *trivago N.V. - MD & CFO*

Sure. Thanks, Naved. So on your first question, trends in North America versus Europe. I mean, I gave some specific numbers for the QR growth rates in January already and would add the following. Qualified referrals will obviously depend on the overall travel demand and our own marketing spend going forward.

But what we see in January so far is that the trend is stable in the U.S. And obviously, as I said, in Europe, it's no surprise that we do not see a change in January so far, given that most countries started to implement new travel restrictions already in November. And that has continued in December and now going into the new year. So overall, as I said, 80% down year-over-year in Europe. So slightly better than what we saw in April 2020 when we first saw travel restriction put into place by governments.

In Americas, I mean, as I said, the U.S. is stable. What we do see is some encouraging signs, and that is obviously correlated, or not obviously, but something you could expect to the progress on the vaccination. So when you look globally, we called out Israel and the U.K. in Europe, where we do see that these countries are making progress.

And if you look outside of Europe, you see that in the U.S., you are progressing faster than in most other European countries. And there, we do see some positive signs in also performance marketing channels. But still on a very low level. But it is encouraging to see. And I would expect that if we continue in that path, that the situation will get gradually better.

On your second question, how to think about the marketing spend. I mean, as a general comment, right now, as I said, in Q1, we are cautious, which means we do not spend a lot on brand marketing, given that in that channel your payback time usually spreads over months and quarters. So when you do that, obviously, it is expensive, and you do want to be sure that there is enough demand. And that with the channels that we have at hand, that you can run effective campaigns.

There, I think it's too early at this point, and we don't see that right now, and you should not expect us to spend a lot in Q1. Then, for the rest of the year, I mean, Q2, the situation could get a bit better. But obviously, it's hard to tell. There is a lot of uncertainty. And we will run a similar approach to last year when we came out of the period in April and May where we stopped all together in every market and then greatly looked at the different markets, the different trends we were seeing and then decided literally week by week, where we think it makes sense to invest and then went into opportunities that came up. So I mean, that's a similar approach we envision right now for Q2.

We are, as we said, a bit more optimistic about Q3. And there, we are also planning some digital campaigns where, obviously, you have to do some work now. You also have to invest into that in terms of production costs, et cetera. So there, you do commit some money, but we're optimistic that this will pay off. And then probably Q3 is the time when we will do more in terms of brand marketing.

And lastly, on performance marketing, I mean, that is straightforward. We do have our ROAS targets. We do look at the competition in the auction. We look at pockets where we can invest and overall reacting to the situation or be more aggressive where we see it makes sense. But for now being cautious, keeping our cash together, and yes, then we'll invest when we see positive signs.

Operator

The next question comes from the line of James Lee at Mizuho Securities.

James Lee - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*

Great. I have 2 here. First, on alternative accommodation. And can you help us understand what the contribution is as a percentage of qualified referrals here? I think in the past, you mentioned about 20%. And also, any specific strength on alternative competition that you can point out here?

And also, second, last quarter, you guys talked about normalized activity in the second half. I was wondering your assumptions still being that case? Or are we pushing that goalpost back a little bit here?

Matthias Tillmann - *trivago N.V. - MD & CFO*

Thank you, James. I will take your first question and then pass it on to Axel. So on alternative accommodation, we do not share our accommodation mix on a quarterly basis. We did provide a data point during summer, where we said for the first time, and you mentioned that, the share was above 20%. In general, this has been a trend that we have seen for a while, and that's why we went into the segment end of 2017 already and build up the inventory.

We have over 3.8 million units in that segment. And obviously, that -- or not obviously, but it's something you could expect, and we have seen that, that with the pandemic and under-indexing of city trips that segment gained share. And in particular, in July and August, that was strong. It has reversed a little bit. But overall, if you look at the year-over-year, the share also on our platform is still higher than where it was a year ago. And I would not expect that trend will materially reverse from here. But yes, I can't give you a specific number, but it's not that different from what we disclosed before.

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

On your second question, how our view on the second half has changed since the last earnings call. So the positive view on the second half is basically driven by the success of the vaccination programs plus the impact of the weather in summer. So weather in summer has not changed. But on the view on the vaccination programs, there are 2 key levers: Availability of vaccine; and the logistics of really rolling out vaccination programs with some new requirements that we have not seen before, in particular for the BioNTech vaccine.

And there, the success in particular, in Israel, but also in other countries, is giving us more comfort than we had a quarter ago that there will be a sustainable recovery in the second half. And that pretty much most of our large markets will have offered vaccines to the majority of the population by the second half of the year. So overall, more positive because of these new data points that we've now experienced in the last couple of months.

James Lee - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*

And Axel, just a follow-up question. I just want to ask a question about business philosophy, right? Given there's a lot of pressure on metasearch, bottom the funnel conversion business at this point in time. Is the overarching goal for your company to diversify into a more content media platform and moving your, maybe, traffic to the upper on the mid-funnel and to monetize on that perspective as opposed to relying just on driving conversions?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

So we have our historic strength at the bottom of the funnel. So really, the time before you want to make a booking to compare prices and by doing that, we do believe we generate a lot of value to our users. Some of the new products that we are developing and that we have also acquired are obviously, as you rightly say, slightly further upper funnel.

So they do have, not only the conversion element, but they also have an inspirational element. And that's why we were also very, very excited about the acquisition of weekend.com because the inspirational product about local travel, where we combine ideas where to travel to plus the price comparison is nicely complemented now through that acquisition, where we can offer packaged tours for city trips that are a different use case and a different source of inspiration for weekend trips once the world has normalized.

Operator

And your next question comes from the line of Brian Fitzgerald at Wells Fargo.

Brian Nicholas Fitzgerald - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

I had a couple of questions. You talked about the extension in the booking window in Europe. Some travelers are booking out to the summer season. Do you see travelers making the assumption that they will be able to travel pretty broadly throughout Europe, maybe even beyond Europe? Or do you see them still looking very closely to home as they did before? And then I got one follow-on after that.

Matthias Tillmann - *trivago N.V. - MD & CFO*

Sure. So on the booking window, I mean, generally speaking, our booking window tends to be relatively short. And what I mean by that is that usually, people are coming to our website with the intent to book something that is on average less than 8 weeks out with some variations, obviously, between regions and countries. Now the time to travel window has naturally increased in January in Europe, as I mentioned, as many European countries reinstated mobility restrictions, which makes last minute travel, obviously very difficult or not possible at all. So the booking window is not decreasing because we see a lot of pent-up demand coming to the market for summer bookings, but because of the fact that short-term travel is not possible.

So I would argue that there's no significant shift. I believe that in most of our relevant segments, people are holding back for now. And in some service, we have seen encouraging data like the people still have travel plans and want to go somewhere when it is possible again. So as we are coming closer to summer and/or when travel restrictions are being lifted, we expect to see more of that pent-up demand coming through that is currently being held back.

Brian Nicholas Fitzgerald - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

And then the wrinkle to that was, are you seeing them, I get the booking window extending. Are you seeing people to look for? Are they broadly thinking they could extend travel a little broader throughout Europe? Or are they still natural locations closer to home?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

So that's a bit too early to tell. But our expectation is that, as Matthias said, there will be very strong demand to get a break coming out of the lockdowns and that the most natural starting point for that demand will be clearly local.

For continental travel, it will depend a bit more on the relative progress of the vaccination programs because you will need to have made progress in the source market and the destination market to have then these travel bubbles. So that is possible for certain pairs, but it's not as certain. And intercontinental travel, we believe, will be very, very slow to recover this year. So in a way, we have to stay flexible and react quickly, but we are preparing for a very strong local recovery and possible continental recovery.

Brian Nicholas Fitzgerald - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Got it. And then the second question was, in the letter, you talked about some of the consumer viewership shifting from linear to digital channels. At a high level, any thought on the kind of pricing or ROAS as you're seeing in some of the digital brand channels, connected TV versus what you've seen historically in linear TV?

Matthias Tillmann - *trivago N.V. - MD & CFO*

Yes. I mean, obviously, I cannot talk about exact pricing, et cetera. And let me start with saying that TV will continue to play an important role in our brand marketing mix. And even as viewership is declining, in particular, among younger audiences, it is still a mass medium and a very effective channel for us, in particular, if you think of CPMs, et cetera. So we have tested connected TV and other channels in the past. And it's not like-for-like comparable.

And as I mentioned here, you can be more granular with those channels. And that is, in particular, what we want to do because in the recovery phase, people will not return at all at the same, but might return at different points in time. So in some markets, TV might not be the most effective channel when the recovery starts, and we might want to use digital channels first or in addition to traditional TV advertisement.

Operator

And your next question comes from the line of Lloyd Walmsley at Deutsche Bank.

Lloyd Wharton Walmsley - *Deutsche Bank AG, Research Division - Research Analyst*

Two questions. First, just when you look at the shift to CPA-based bidding, do you think this is a permanent shift? Or do you think we revert to kind of CPC-based bidding after the pandemic's over? And I guess thinking about this, does this impair monetization where you don't get credit for kind of trial and branding benefits the OTAs get from the traffic?

Or do you think you'll be able to get full value of that versus what you're getting pre-pandemic? And I guess a related question would just be, can you kind of elaborate a bit more on some of the changes you flagged around different views on cancellation rates and the volatility in the auction?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Sure. On the rollout of the CPA, I mean, it's not a new ask from our advertisers. So even before the pandemic, there was particularly, from the smaller advertisers, a strong desire to basically outsource the conversion risk and the full bidding technology and intelligence to us. And so that's why we believe that the development effort that we put into the product will have a lasting benefit for a certain segment.

What is open is whether some of the larger advertisers that have now moved to CPA will move back to own CPC bidding to be able to incorporate some strategic thoughts that they would not necessarily share with us for us to incorporate in our algorithm and incorporate that directly into their CPC bids. But yes. So that's unclear. But overall, we believe the product will stay.

The experiences that we've made so far are positive. So we do believe that we can offer a greater efficiency, both to our partners and also to our marketplace by taking over the bidding for them. And so yes, so that's also positive.

The second question on the volatility in the marketplace. I mean, the overall situation is quite volatile, to be honest. So if you just think back to November, there was a sudden reimposition of restrictions, which led to an immediate drop in activities. There was a time in the Q4 where you had quite a bit of activity, for example, to the Canary Islands, out of the U.K., out of Germany, that stopped basically from one day to the other. And you have very, very different reactions to these kind of changes.

Some advertisers basically react immediately and dropped their bids very quickly, assuming very high cancellation rates. Other take a bit more time and use more automatisms in their biddings. So given that there are these events that significantly change the cancellations in the short-term and that you have very, very different tactics to react, that obviously makes the overall marketplace more volatile. Having said that, the more stable the outlook is and right now, the outlook is relatively speaking, stable, the lesser of a worry that is for us.

Lloyd Wharton Walmsley - *Deutsche Bank AG, Research Division - Research Analyst*

All right, guys. Fingers crossed for a better second half environment. Good luck.

Operator

And your next question comes from the line of Kevin Kopelman at Cowen and Company.

Kevin Campbell Kopelman - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Great. I had a couple of questions. The first one, just a quick follow-up on the U.S. You mentioned that it was relatively stable in January. Can you clarify, is that on a year-over-year basis? And was that, because typically in January, would you see a seasonal uptick in kind of planning and traffic on the site?

Matthias Tillmann - *trivago N.V. - MD & CFO*

Sure. Thanks, Kevin. So yes, my comment referred to the development being stable sequentially. So when you look at the qualified referrals growth rates in the fourth quarter, that was stable in January. And so obviously, we only disclosed the segment Americas. But I made some comments earlier and last quarter, that gives you some idea about the U.S.

And there, we did see, in January, that the year-over-year qualified referral growth rates were broadly stable. Obviously, still significantly lower than January 2020. As I said, the situation that was still pre-pandemic and then only in March, we saw things deteriorating in the U.S. from a traffic perspective.

Kevin Campbell Kopelman - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Got it. And is there just a regular seasonal uptick in terms of just if you look at the January patterns on a Q-over-Q basis or month over month?

Matthias Tillmann - *trivago N.V. - MD & CFO*

Yes. I mean, that's implicitly in there. So the growth rate is stable. So you had the seasonal effect in January last year, so then you have it also this year.

Kevin Campbell Kopelman - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Great. And I had one other question. Could you talk a little bit more, you touched on it earlier, but could you talk to us about the weekend.com acquisition, and just give us a little more color on weekend.com and the business model for that site and maybe how it compares to existing trivago, just to give us a better sense of that?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Sure. So the one thing that the pandemic has, one impact the pandemic has had is that there is less certainty. So less certainly way you can travel, what to expect and how to return. And that will persist from our perspective for some time. So, in particular, for easier-to-reach destination, short trips, we do believe that there is a need for more inspiration. And that's why we have developed our local travel product, and that's also why we acquired weekend.com.

So we do believe that's a complementary service to our users whenever they have not made up their mind already, which is where our core product is very strong and need some inspiration to offer suggestions of great destinations and then also great dates, when to travel there by plan to get a good price for the plane and the hotel combination.

And that's where also the positioning is and the target segment is similar. Our users do want to save money and are price-conscious. And the weekend.com offers you exactly the same inspiration for trips at the best possible price. So it is complementary. And it's not a price, I mean, de facto, it is a price comparison because it's dynamically packaging hotels and flights, but it is not technically a packaged metasearch, and we don't believe that, that is necessary because the value is really in the packaging of the flight and the hotel and serving basically the same need.

Operator

And your next question comes from the line of Doug Anmuth at JPMorgan.

Dae K. Lee - *JPMorgan Chase & Co, Research Division - Analyst*

This is Dae Lee on for Doug. My first one was on where you are on the rollout of the display advertisement and sponsored listing. I mean, do you have any early feedback from advertisers or early results to share on those products? And do you expect a meaningful revenue contribution from these products this year?

The second question is around, you talked about a more granular approach to brand marketing strategy. Could you elaborate on that a little bit? And are you seeing demand coming back from markets that have started to roll out the vaccine?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Sure. On the new B2B products, namely the CPA, the display ads and sponsored listings. We have, by now, on-boarded more than 100 advertisers overall. And that is basically where the focus is right now because there is very little traffic. So it's difficult for advertisers to test on a meaningful basis. It's also difficult for us to optimize right now.

So on-boarding and giving access and making sure that everybody is prepared for higher volumes later in the year is the key focus. And we do expect those products to be important for the different advertiser segments to recover as well as they can and to position themselves well for the recovery. How great the share of the overall revenue will be, to be honest, is right now very difficult to predict, but we do think that it's an important part of our recovery on the revenue side.

Matthias Tillmann - *trivago N.V. - MD & CFO*

Yes. And then on your second question or the 2 questions. First part on the granularity of brand marketing. So what do we mean by that? I mean, as I mentioned before, when you do TV advertisement, linear TV advertisement, that is a mass medium. And you cannot target audiences in a very granular way.

So you go broad, and that works when the overall majority of your audience is ready and willing to travel. If that's not the case, and you have certain audiences that might be ready to travel, but others are not, then obviously, it's much more effective to just target that audience. And that, you can do in a more granular way with digital channels. For example, if you think of online video or connected TV, you can target specific groups and even look like audiences. And that's the level of granularity I'm talking about.

On the second part of early signs from countries that are progressing well in the vaccination process. I mean, the U.S., I said before, we do see early signs, but it is really early. And it's not that we see a big uptick in traffic, but you do see that there is more interest. So I'm encouraged by that and hence, I would expect that, that country starts earlier to recover than other countries where we are still far behind.

If you look at the U.K., I mean, they also made good progress, but there, we have not seen yet any pickup in travel demand. And that might also be related to the fact that in Europe, there are not a lot of places where you can go right now. So I mean, local travel, yes, if you have that in a specific country, then that might be possible. If you want to go to other countries within Europe, very difficult as the situation is very different everywhere right now as well.

Operator

And your next question comes from the line of Brian Nowak at Morgan Stanley.

Alaxandar Wang - *Morgan Stanley, Research Division - Associate*

This is Alex Wang on for Brian. First, Axel, you mentioned the complementary nature of the local travel product and obviously, you expected launch in next quarter. But can you give us a sense how many markets it's being tested in right now? Which markets you're planning to roll out on? And as you think about the user interface, will the local piece become more of a default? Or how do you sort of put that next to the core travel search product as it is today from a user interface perspective?

And then second question is more around sort of data capture. Obviously, you've been on a journey in terms of trying to improve that. But can you give us an update on initiatives you're working on to really improve sort of data capture in terms of personalization, log in rates and things like that?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Okay. Let's start with the first question. So the local travel product is live in the first version, but we are planning a major second release in the quarter to come, and that will be sequential. So it will start in some of our larger markets and then be rolled over the year to other large markets.

In terms of how to integrate the product, we will obviously test the best integration and the best way to show the different products to our users, both in web and in the app. But our current thinking is that it is complementary. And as I said before, I mean, the core product is very much about you having made up your mind, whereas the local travel product is one step away from that, you have made up your mind that you don't want to go far.

So there is some decision in there already, but you haven't made up your mind on where exactly to go and when exactly to go. So there is some uncertainty, but also some certainty. It is not too far away. And so that's why the starting point is, as you can also see in the current, so that it is basically complementing the core side-by-side with different tabs.

But we will test different user interfaces and accept whatever works best. So we will take an iterative approach, like with all of our product development. On your second question, I mean, I'm not 100% sure that I fully understood your question. So if you could just rephrase it, that will be very helpful.

Alaxandar Wang - *Morgan Stanley, Research Division - Associate*

Yes. So just around sort of any sort of back-end infrastructure work on trying to improve the signal that you get on the users in terms of whether it's log in rates or other ways that you're thinking about strengthening your signal to improve either personalization, curation on the app as we sort of come out of the, as things start to recover from the demand side?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Yes. Okay. So we are very happy with our data visibility and data tracking that we are having. So we are confident that we have strong conversion data and so you can use that to optimize. Of course, we have all the logging that we have in our normal searches. So for the local travel product, we think we are well prepared on the back end.

For our member area, in particular, we have made a lot of progress in rolling out more fenced rates and more special rates that we can show to our users, and we have a pipeline of adding further unique rates and special rates into that offering. There has been quite a bit of back-end work that was required, and we think that we have basically done the work and now need to work on on-boarding more providers of fenced and special rates to that part of the overall product offering.

So yes, long story short, I think, on the back end, we feel well prepared to offer to our users what we want to offer to them in 2021.

Operator

(Operator Instructions) There are currently no further questions on the lines. Please continue.

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Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Many thanks for taking the time to participate in today's earnings call. In the months ahead, we do expect the situation to remain difficult, both for us individually and for us as a business. But there is clearly hope, hope for a return to our normal life, hope for a gradual recovery of the overall economic activity, and hope to start to travel again, seeing friends and family and make new experiences with those that matter most to us. Stay safe and see you next quarter.

Operator

That does conclude the conference for today. Thank you for participating. You may all disconnect.