

[Transcript] This Week in Startups / Kayak CEO Steve Hafner of the state of travel, AI's place, hospitality trends, and more! | E1822

I've been teaching people how to give matriodes tips for the last 20 years, because my dad taught me.

You take the \$20 bill, or \$50 depending on where you're going.

You fold it twice, and I got it in your hand.

You put it between your thumb and your palm, so now you're holding a \$20 or a \$50.

You go up to the matriodes station, there's 20 people around the table.

You put your hand on the matriodes table behind the light, you know, where the book is.

Say, I am so sorry.

I may have made a reservation or I might have forgotten if there's anything you can do for me, you know, keeping eye contact, and you just turn over your hand halfway.

Person sees the \$50, and you say, oh, what's your name?

Oh, Susan, nice to meet you, Susan.

I'm Jason, and you hand them the \$50 or the \$20.

Boom, goes right in the pocket.

Let me see what I can do for you.

I've done this a hundred times.

You know how many times they gave me the money back and didn't get me a table?

Once.

Yeah, you know, a quicker way to do it is just go up to the the, uh, the meter D in your example and just say, reservation.

Yes, Jackson party at two.

Yeah.

Or Franklin.

If it's nice place.

Oh, oh, oh, I didn't know that one.

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Hey, everybody.

Welcome back.

All star summer continues into September.

I gave my team explicit instructions as we went into the summer.

I didn't want to phone it in like other podcasters.

I said, no, oh country.

I'm all friar this summer.

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I want the greatest guests in the world on the pod in July and August.

Why?

Because you entrepreneurs listening, you don't take a break.

You're not screwing around in Italy for six weeks like other venture capitalists.

No, you're entrepreneurs in the arena kicking ass.

And so I said, I want an ass kicking lineup.

You know what happened?

Everybody said yes.

Everybody loves this week in startups.

Everybody wants to come on the program.

And what a murderers row we've had CEO of Zillow, CEO of HubSpot, CEO of MongoDB, rule of both, everybody coming on the show this summer.

But something crazy happened.

So many people said yes, that we had to spill into September.

So here we are all star summer going into September, which you know, let's see if you live in the Bay Area.

It's September is the best month in the Bay Area.

It's kind of like our August.

And we know one of the things we talked about on this program over the last year is the massive impact that we believe AI is going to have on every industry.

We haven't talked about travel all that much.

And travel is a huge, huge industry.

In fact, my greatest investment of all time, Uber, a transportation company.

Now, there are so many tools for you to try to make itineraries, like roam around one of the companies we just invested in.

But this is not a new category.

We have had great entrepreneurs doing travel for decades.

One of the great entrepreneurs in this space is Steve Haffner.

He is the co-founder of Kaya.

He founded it 20 years ago, brought a public, sold it to booking.com.

And he's joining us today.

And we're going to talk all about the state of all the original OG travel companies and then what they're going to do in the face of a post-COVID era, recession possibly, and of course, AI.

Steve, welcome to the program.

Jason, great to be here.

You're part of this original group.

I guess Dara Kajro Shahi was also, he did, was he Expedia?

Expedia.

You did Kayak.

And just a lot of y'all just cut your teeth.

Rich Barton, yeah, he was also involved in the early days.

You all saw sometime in the 99 to 2005 Web 1.0, Web 2.0,

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that travel would be changed forever because of the internet.

And here we are, COVID and then AI.

Let's talk about the state of travel today.

When you saw AI appear on the scene and you're running Kayak and everybody's using you and Expedia and all these other services to book their travel, it's the best place to start.

What happened in your brain when you saw a chat GPT 3.5 in November of last year and how well it was answering questions?

And of course, it does feel like maybe the interface of comparison shopping, which has been the cornerstone of your service and many others, is going to be changed forever by maybe a conversational chat room.

Do you believe that?

And what was your experience seeing this crazy change in AI?

By the way, thanks for having me on.

There's been a lot of tech revolution over the last 20 years.

I think chat GPT may represent another shift, but it's way too early to tell.

So I'm not as hyped about it for the travel sector as others might be, although we're paying really close attention because I could well be wrong.

You know, I co-founded Kayak with a gentleman by the name of Paul English, Magical CTO, who when he told me he wanted to turn Kayak into an app for BlackBerry, I thought, what a ridiculous idea.

Who's going to look for travel on a BlackBerry?

And I turned out to be horribly wrong.

So I might be wrong on AI, but right now, the jury is still very much out.

And by the way, I use rum around, it's great for itinerary building, but that's not the use case that I think people are looking for.

So walk us through the argument for the search in a table format versus chat.

What has to happen?

Because I believe you made a plug-in for chat GPT-4.

I used it.

I'll be candid.

The plug-in architecture on chat GPT sucks.

That's not your fault, but to the team over there, Sam Altman, everybody.

Great that you got it out quick, but it sucks.

I used the Canva one.

I used the Zillow one.

Zillow unplugged it, Rich Barton said, no bueno, and he turned his off.

So you're the CEO.

You're a product guy.

What didn't work or what's lacking with the chat GPT-4 interface and the plug-in architecture?

What needs to change there to make it viable?

Yeah, and by the way, our OpenTable brand launched as well with the plug-in for chat GPT.

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I think for us, it's more about having our developers play around with the latest tool kits and then seeing if we get any signal from consumer usage that we could use to inform what we do next.

Our plug-in for Kayak, for example, gets 3,000 queries a day.

You contrast that with our website and our apps, and we're doing 60 million a day.

So it's a tiny, tiny use case.

Right.

But let's talk about this querying.

It would seem to me that a lot of my processes I want to find.

I'll just take it through two processes because you work on OpenTable as well, right?

I don't know if you manage the entire group, but my process, and I love OpenTable, major member is, and I love Kayak as well.

I will search the web and say, hey, Eater, hey, Yelp, hey, I like the Guardian Times of London for travel as well.

There's some editorial sources, time out to a certain extent.

Used to be Zagat was up there, Michelin, obviously.

And I go to those sites, hey, Best Sushi, Best New Restaurants, Best Hotels 2023, Best Boutique Hotels, I find those.

Then I go to your site.

I try to find those things, find the best deal.

Yep.

It's like still a little bit of a process for me.

What I want to do is I want to say, chat GPT.

I'm looking for three to four-star sushi restaurants while I'm in New York that have Omokase, and I'm looking for, I have Tuesday, Wednesday, and Friday open at seven o'clock.

What's available?

Now, I can't do that on an open table without a bunch of hunting and pecking, and then I can't figure out which ones are the best.

So I, as the power user who spends big money on your services, I'm looking for that layer above it.

Does that concern you that maybe I'll start my search at Bard, at Chat GPT4, as opposed to on your sites?

I don't think so.

I mean, I precede the use case that you just talked about as being relatively rare in the scheme. Of what dining really is, because most dining is local.

It's not New York City with 2,500 restaurants, which is a new one opening all the time.

For most of our clients, they're in smaller locations where there's not that much turnover.

So people know their restaurants.

They're actually looking for a quick booking, not so much a recommendation.

And then the brands you mentioned, either, et cetera, the reason you go to them is because it's curated great editorial content that you trust.

I'm not so sure you're going to get there with an interface like Chat GPT, unless there's a brand behind it, that you actually have seen the recommendations of the past.

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You found them to be authentic and true.

And as a result, you go back to that brand for another recommendation.

And the reason people use Eater versus OpenTable, for example, is because a lot of great restaurants

aren't on OpenTable.

So you wouldn't trust us to recommend a non-OpenTable restaurant.

Or if you saw a list that was all OpenTable, you wouldn't trust us as well.

So I think it's not an issue of capability of Chat GPT to do some of this stuff for you or Bart or someone else.

It's actually consumer habit as a barrier and also consumer trust.

Hey, everybody.

Today, I'm joined by Roots CEO, Dan Dorfman.

Dan, welcome to the show.

Thanks for having me, Jason.

Tell everybody here in the audience, what is Roots and what makes it different than the other real estate investing platforms?

I'm a complete neophyte.

Roots is a reed with a little twist.

Sorry, I had to do it.

We are the first real estate portfolio that we know of that builds wealth for both our investors and our residents.

And we've created a unique win-win model that creates partners and not tenants.

We built this model because I've spent my entire career in real estate investment 13 years.

And what you always hear from people is, hey, location, location, location.

But location at the end of the day doesn't actually pay your bills and location doesn't let you know when there's a small leak that will create mold in the future.

The people do.

And the people who rent your properties are really the people who generate your profits.

And when those people are your partners, it really creates this amazing scenario.

And it's this model that's helped us grow our fund over 36% in the last two years.

Fantastic.

How can people learn more about this opportunity, both on the tenant side or on the investor side?

Check us out at investwithroots.com-twist.

All right, everybody go to investwithroots-nospaces-no-dashes.com-twist

to sign up and start investing today.

So let's talk about just interfaces in general.

Going to OpenTable and doing a search, do you think you'll add a language model where I could I know that you probably have some hooks into Siri, let's say.

The Siri hooks are terrible right now.

You know, if I ask Siri to play something on Spotify, it gets it right two out of three times.

If I ask it to call an Uber, I don't trust it.

It just doesn't work as well as ChatGPT4.

So I think it's your responsibility to build this into OpenTable and the top level of Kayak

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and let me talk through those interfaces in the way I want to, as opposed to clicking a bunch of dropdown. So are you going to build it into these products, you think?

And have you started that process yet?

And what's the early testing looking like?

Yeah, look, it's not a technical challenge, right?

Voice can be done.

And if anything, AI makes it easier to do voice for everybody, right?

But I think the bigger question and how we allocate our resources is, is it ready for consumer adoption?

How many people actually want to speak to a device to make an OpenTable reservation or to make a flight booking?

What we observe based on our usage is the answer is not many.

A lot of people are in meetings making their lunch reservations, or they're in the back of the car with plenty of free time and interacting with an app or texting away.

And it's the same is true on the flight side, on the travel side of the business.

There's just so many entry fields to consummate a transaction and travel that voice is really not a good mechanism for it.

And that's why even with our sister brands, booking.com and Priceline and Agoda, and Agoda is an Asian brand, by the way, you would think if voice was going to be the vehicle by which people interacted with our services, you see it there first.

We're not seeing it.

Yeah, that's fascinating to me.

So you have to, as someone running an at scale service, as opposed to a startup, startups are like, we can make this thing fluji.

It does, it can hallucinate.

Nobody's got any expectation of our brand.

You're at this, you have this tremendous gift that your brand means something to somebody.

Open table means you got your reservation.

You don't have to worry.

It's consistent.

It's perfect.

Kayak means you're getting the best price.

It's perfect.

You're not going to have a mistake.

And you spent 20 years building up over 20 years building up that trust.

You can't go crazy with these features.

They got to be bulletproof, huh?

I think so.

And I also think that we have plenty of time to course correct if we get it wrong.

So we pay a lot of attention and startup plan.

So what's the latest greatest?

Because a lot of these are companies that create features that we can easily copy and scale.

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So I think, you quoted a couple of examples earlier, that as we see good ideas start to get traction, we pounce on it, we improve on it, and then we scale it.

And that's historical across Silicon Valley days.

That's how they keep getting bigger is because they're able to do that.

I think we've fortunately reached the same point in our life cycle where we can do that as well.

What happened during COVID to your business?

Both on the shutdown side and how difficult that was.

And then on the, let's call it, I think, the three YOLO summers.

Did we have three YOLO summers, 21, 22, and 23, right?

We had three YOLO summers.

Take us through exactly the pit of despair and how brutal it was, and then the absurdity of the YOLO summers.

Yeah, look, I think if you had picked two industries, the worst industries to be in would be travel and dining in the COVID years.

So it was a total shit show.

But, you know, theoretically, we were well-capitalized.

We had a very strong balance sheet, billions of dollars of cash on the balance sheet, and we could do the right things.

And the right things for us were, in this order, first, help our customers.

So the people who were actually traveling on itineraries,

we reached out with the kayak surface and said,

here's ways to get home, right?

Here's things you can still do.

For on the restaurant side, restaurants literally closed, right?

So, you know, we waived all our fees.

So OpenTable charges restaurants fees to use our software.

We stopped doing that.

We thought it was going to be a three-month waiver.

It turned out to be almost two years, which was, you know, hundreds of millions of dollars that we put back into restaurant pockets by not billing them.

And then the third thing we did is we wanted to make sure we took care of our employees.

You know, so unlike a lot of other companies, we didn't have massive layoffs or anything like that.

We kept the team, we didn't replace Tern or voluntary Tern, but we kept the team in place and we made it through.

And we emerged stronger than we entered it.

I mean, we did have some hiccups along the way, where like Kayak, you know, when you couldn't travel, you could use the Kayak website in our app to look for toilet paper.

Remember when like looking for toilet paper was actually a thing?

Yeah.

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We actually did, we did meta search for toilet paper was, you know, we made no money doing it, but it was fun for our developers to work on.

Let's talk about the economics of the travel business.

My cursory knowledge of this from seeing startups in it is, you make very little money per airline ticket, a couple of dollars.

You make 10% or 20% booking a room.

In other words, a two or \$300 room, you could be making \$20 or \$30 a night.

Restaurants, you make a buck per seat or two bucks per seat.

You get a table of four, you make four to eight bucks.

Is that about right in terms of what you make on open table, hotels and restaurants?

I'm sorry.

Yeah, I think the way to think about it is airline tickets or low margin business always have been hotels, rental cars and activities are in the 15 to 20% take rate and restaurants are sub 2% take rate.

Now, restaurants run on a very thin margin.

It's what is open table, a dollar per head?

I don't remember that from like 10 years ago.

What do you make?

What do you try?

I wish we still made a dollar per head.

No, it depends on the market, but it's about half that these days.

Oh, wow.

So you've had to compress that.

So if you see the table of six, you might make three bucks.

That's a razor thin margin, huh?

Yeah, which makes for a great competitive mode if you get the scale.

Got it.

And the restaurants are now experimenting with other modalities.

I signed up for something called Dorsia, which I guess is named after the restaurant from...

It's that crazy movie with Christian Bell where he's a serial killer.

America Psycho.

Dorsia is like his favorite restaurant in that.

And so with Dorsia, this is for like crazy rich people.

You basically can get a reservation at hard-to-get-out places, but you have to guarantee you're going to spend 500 a person, 300 a person, and then you kind of knock money off of that.

It seems to be working for certain high-end restaurants.

What do you think of this model where it's beyond surge pricing?

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It's rich people cutting the line.

Let's call it what it is.

What do you think of Dorsia?

And you must have had this idea before.

So why didn't you do it or are you considering doing it?

Oh, this is a perfect example going back to what we were talking about earlier of a new starter coming out with a business model that we pay careful attention to, and then we figure out how to make it better and scale it.

So there actually aren't that many people in the world who are willing to pay that kind of money for a reservation, nor are there that many restaurants who have that kind of oversupply of demand, more demand than they actually see people.

So the real insight there is,

how do I change consumer behavior and get consumers to think about making a deposit or prepaying some amount when they make a reservation?

So it shouldn't be \$500, but maybe it's a dollar.

Maybe it's the first \$10 as you put down so you have a deposit.

It's no different than these installment payment plans, right?

If you go to a website, you don't want someone to abandon a cart.

You want any way to get an attachment to a consumer.

Airlines do this too with courtesy 24-hour holds for fares.

So if I can get you, even if it's a dollar, to collect your name, to have a deposit towards a transaction, to have that hook in you, then that's much more important to me and across the 55,000 restaurants that are an open table than getting into the 10 hottest restaurants on a Friday night in Manhattan, because that is a really, really small niche.

But if I can affect all the people on all their dining occasions and get them into the mindset of, when I make a reservation, first I need to make it online and I need to put a deposit down for a benefit, which is the restaurant knows who I am, or I get a discount on the actual tab, or I get a pet or table or a better time, or loyalty points since we have a loyalty program. These are all reasons to do this.

It's not the doorseas of the world. That's a really small idea.

Yeah. So having more skin in the game from the customer, that's very appealing to restaurants who, what's the average no-shell for or cancellation with an open table reservation or just in the industry at large?

So the industry at large, no-shell rates can be 25% or higher.

Wow.

At open table, we're about a third of that rate because we know the person who's making the reservation and it's three strikes in your route rule.

So if you no-shell three times Jason at a restaurant without telling them in advance, you get blocked from using open table.

Oh, wow. And so, yeah, that is, and there's no way to make up for it.

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You can't get back in good standing or something?

A lot of people do the work around of creating a new Gmail account.

I can, yeah, sure.

Yeah. So, you know, there are workarounds, but it's inconvenient.

Yeah. I love using open table for a couple of very specific restaurants that are hard to get into.

And I don't mind making the reservation and losing a certain amount.

So have you implemented that yet where I can put a hold on something and if I don't show up or I have to cancel with a short time, I pay 10 bucks.

Does that exist on the app?

That exists on the app. It's on a restaurant's discretion on what they decide to do.

So the software has the capability, a restaurant can say,

look, it's a prepaid dining experience. This is what it costs.

Or you need to pay \$25, for example, if you're in the Hamptons, which is

everywhere there now, you have to pay 25 bucks or more to reserve a table.

They can all enable that and then they can choose whether to make it refundable to you or not or have that reservation fee apply against your check or not.

I like that. Now, what about bidding for spaces on premium nights?

That is something that I've seen. I get pitched on that idea all the time.

You, again, since you're at scale, must get this.

Is the concept of bidding for a table on Thanksgiving Mother's Day,

do you receive, has that come up or pre-selling it?

I guess pre-selling, you have that option. You've enabled them to do that.

So what about that, like bidding, surge pricing?

How do you think about bidding and surge pricing or discount pricing?

It's premature in the restaurant industry because right now,

what we're trying to get people to get to is first,

they used to be a walk-in and phone behavior to make a reservation.

Now, we've cross-divided more than half of reservations now, booked online.

The next one is to get them into the habit of doing it in advance and putting their wallet into the equation. Bidding, I think, is just another hurdle down the road.

When maybe 90% of all activity is now online,

and half of all restaurants are asking for a monetary deposit of some sort,

then perhaps you can have a bidding mechanism.

So we slowly have to change consumer behavior,

get people comfortable with the idea that, hey, if you blow off the reservation,

there's going to be a reasonable price to pay for that.

And actually, as a consumer, if you want the table saved for you,

it's kind of reasonable for you to pay \$25 or \$50 if you blow it off,

because a restaurant could have used that table and you burned it on them.

Yeah, that's right. So look, I think the restaurant industry

is going through the same evolution that you're seeing in live events.

So I'm on the board of a company called Seekie, an amazing company.

Yes, great company.

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Great company.

Was that Jeff Flores' company? Jeff Flores' company?

Did he do Seekie where he did the own?

No, no, no. Jack Gretzinger and Russ Tsuza are the co-signers there.

Yeah, they're taking it to Ticketmaster.

And what they're basically doing is they're going to venues and sport teams and say, don't you want to know who's in the stadium?

And don't you want to have a mobile first ticket, easy transfer process, you know, get a scrape on every transaction that happens because, you know, tickets go through multiple hands.

So who you sell it to the first time and who actually shows up could be completely different people.

Yeah.

So, you know, restaurants are just getting to, hey, let's book everything online to actually know who's in your venue and what, when Jason sits down at the table, what Jason likes to order, what his average check size is, what other venues he goes to and with what regularity, these are all gold for restauranters.

And that's, the platforms generally obscure that, right?

They want to own the customer.

So there is something about sharing that.

So does OpenTable share the names of the guests and their contact info?

Or how do you, what's the philosophy there?

Yeah, we absolutely do with the diners consent.

So, you know, our view as the person that's in the restaurant is actually the customer of the restaurant.

We capture the data on our front end and we pass that if the consumer gives us consent to the restaurant, which almost all the time they do.

The sensitive part is if restauranters are very competitive, right?

So the steakhouse doesn't want to share its data on how often a consumer comes in with the, with the seafood place next door.

No.

We obviously see both.

Right.

So, you know, what, what most platforms do who are adept at this is I give you a rating.

So, or I tag you.

So, you know, when you go into that steakhouse, I can tag you as a regular or local or high spender or wine lover.

The restaurant can tag you.

The restaurant can, but so can OpenTable.

And we do.

Because you know how much I spend.

How do you get that?

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Oh, you are the point of sale system, right?

It depends on the restaurant.

I know for, I know your frequency, but also if you're, you know, we have point of sale connections with lots and lots of providers, including toast, which is, seems to be the, the POS du jour of the moment, of the moment.

So, you know, when you check in, we actually have read write capabilities.

So we know exactly what gets ordered and is sent to that check.

And we can also update in our software where you are in your meal so that we can release that table for the next diner.

If you're a landing page is terrible.

I'm out, right?

Most consumers are.

It's 2023.

You can't have an ugly website.

Stop selling for okay or good and have great and great means you're using Squarespace.

It's out of the box.

Beautiful.

These websites have templates made by the world's greatest designers that are going to engage your audience, let you sell anything.

And Squarespace over the past decade has just added feature after feature on top of the gorgeous templates that are designed for mobile.

And the drag and drop web design with their fluid engine is just perfect, easy to use.

And you get built in analytics, marketing channel analysis, sales data, all that stuff.

Not, you know, it goes beyond page views and site visits and time and all that.

And with Squarespace, you can create an online store or you can start a blog.

Click of a button, right?

Easy peasy lemon squeezy.

You can create a subscription business for members only content.

You're seeing a lot of that out there.

It's simple.

It's cost effective.

It's gorgeous.

And they keep adding feature after feature after feature.

That's when technology is at its best, isn't it?

When you pay one price, but the product gets better and better and better.

You get that with your Tesla, you get that with your iPhone, you get that with Squarespace.

These are the legendary brands of the internet of this era.

Go to [Squarespace.com](https://www.squarespace.com) for a free trial.

And when you're ready to launch, I want you to go to [Squarespace.com](https://www.squarespace.com) slash twist.

And they're going to give you 10% off your first purchase of a website or domain.

Go to [Squarespace.com](https://www.squarespace.com) slash twist because they know we sent you.

So that would argue for you having a rating system for diners like Uber has.

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And Uber decided to start disclosing that to both parties, both the driver, etc.
I would very much like to have the restaurants know what a ridiculous absurd tipper I am.
And so that when I come in, they're like, Hey, this guy tips 50%
often or 100% or 35%.
I know that's basically 35, 40% is my floor.
So is there a way for me to be gold or elite in the system and then have that be public knowledge?
Because I've never had that communicated back to me in there.
Yeah. So diner rating is something that we've been aware of for a long,
long time and as opportunity.
We actually have that capability internally.
We do. We have not crossed the Rubicon of exposing that either to the restaurant
or to you, our user for a whole set of reasons that I don't want to go into right now.
But it's a little divisive.
It's a little divisive, right?
It could, I think just, I would only share exceptional guests because then you leave
out the bad guest part, which people don't like, right?
Like they wouldn't want to be known as a cheap tipper or a minimum tipper.
Yeah, that's right.
I mean, but we can solve a lot of that with badges.
So we have an open table VIP badge, for example.
And when we use that to communicate to restaurants,
hey, this is someone you should be more attentive to if you care about VIPs returning to your
restaurant.
Do you have an open...
What's this at exclusive rating?
Do you have like the equivalent of Amazon Prime or Uber One for open table?
I've never seen it in the interface where I pay you \$100 a year and I get some elite status or
something.
We do not enable that.
You have to earn your way to our status levels either by the frequency of using the app,
making sure you have a great no-show rate, and then some of these other attributes on your
spend profile.
Fantastic.
You mentioned toast.
You know, I grew up in the restaurant business.
I love waiters, but then I had three kids and man, do I appreciate when they destroy some
appetizer and I can just open my phone and reorder it?
And I'm seeing in California specifically where we have an inability to hire service people
that they've gotten rid of the concept of waiters at what I'll call three and a half,
four-star restaurants.
Like there are some nice restaurants now with toast.
And I was shocked like, huh, this is a...
You know, we have a nice beer hall in San Mateo that we like to go to.

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That's not cheap, but it's not a Michelin star place, but it's higher end.

And they use toast.

And I was like, huh, this is interesting.

Only runners.

And I was just talking to them and they said, honestly, J. Cal, if we could find waiters, we wouldn't be using toast.

This is not because we think customers love it because some do and some don't.

It's pretty polarizing, in fact.

This is because we can't just hire staff because unemployment is at a 50-year low.

So maybe talk to me a little bit about your thoughts on that.

And you may be adding that as a feature set because that does seem to be like a feature set and the POS kind of functionality that maybe you should get into as a brand extension.

How do you think about ordering from QR codes?

Oh, it's great.

I mean, this is one of those areas where the technology has existed for years, actually, is the restaurateurs themselves who, out of habit or out of desire, don't want to implement it.

And as you said, there's a lot of consumers who agree with those restaurateurs.

They like paper menus.

They like the presentation of the menu.

They like the interaction with the waiter in terms of recommendations and what's popular.

They like to tool around and wait for a check to come and buy some extra time and stretch out that experience versus other folks who like being transactional, like to use their phone to see what's a popular dish, what's been ordered, how many times today.

They like to pay that way.

They like to get the recommendations from friends versus a server who some people just don't trust what the server is going to say.

So, the technology has existed.

Open table, as you noted, we're not a POS.

We don't intend to become a POS because that's a very fragmented market.

There's lots of different players.

It's a harder B2B sell and nobody's making money at it, including Toast, by the way.

So, it's another of these verticals where we prefer to be the front-of-house software layer so what's guest facing, but with the direct connections via API to the back of the house.

My understanding for OpenTable was that that device where you could put the floor plan and seat people was invaluable to restaurants and that hardware and that service, they pay something like 500 bucks a month for.

I'm not sure what the pricing is, but that SaaS business really is what captured a lot of the front-of-house and they became sort of addicted to it.

They hire people who understand how to use it really well and then the marketplace became the second business. Maybe you could explain how that business developed and what drives it revenue-wise and what drives it adoption-wise.

Is it the marketplace and the customers in the app or is it that SaaS solution?

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Yeah, so you're right. The components of our revenue stream right now, there's two pillars two stools, if you will. By the way, we need three and we'll talk about the third and the second. The first is that subscription fee, which is just to use the software, that's the SaaS product. People will pay anywhere from \$79 to \$350 a month for that.

Then there's the cover fee, which is what you call the network or the marketplace.

So, that's pay for performance. If we actually get people from OpenTable into your restaurant, you reference a dollar per butt, it's about half that.

The bulk of our revenue comes from that. But the third stool, which is now what we're very eager to see happen is, as consumers move to actually opening their wallet when they make the reservation, that's where we have the ability now to take a dip into the take rate of the actual transaction. That's actually our fastest growing part of the business.

As we evolve, as consumer habits evolve and as our restaurateurs start charging for services that were previously free, we can actually take a scrape. I would love to see the chef's table or the wine list be included so that I, as a baller consumer, and this is what I have my assistant do. This is a secret I'm giving to everybody in the audience. I'll have my assistant call. You know, I want to go to the best places. I'll go on a quick trip. Listen, I earned it. I'm 52 now. I've got to spend this money. I was broke my whole life. I have my assistant call. Hey, Jake, how's it going to be in town? I understand you're sold out. He really would love to try your restaurant. He's read all about it. He was wondering if he could order two bottles of wine in advance. He likes this nice wine, and I looked on the wine list. If we could order this wine and this dessert wine, and then if there's any cancellation, if there's any way you can do that, please call me back and show me a nice email or whatever. Now I've pre-ordered

a \$300 bottle of wine and a \$200 bottle of dessert wine. You know what happens? Nine out of 10 times

a reservation opens up. I want to do that in an interface. You offered the wine pairing with it, then all of a sudden you've now filtered out who are the great customers who can avoid the wine pairing and maybe who's going to drink water all night, and they make all their money on the wine pairing anyway. Anyway, that's my tip. That's my strategy. It's a good idea. We already do do that, by the way. Oh, really? By badging you a VIP, you get a better view into availability at those restaurants. By the way, if I was your assistant, she's the one that should be worried about chat GBT and Bard in your scenario. Yeah, that's true. She actually uses it, and she's incredible at it. It's really a matter of, you want me to tell you how I bribed to get into restaurants?

This is my big secret. I've been teaching people how to give maturities tips for the last 20 years, because my dad taught me. You take the \$20 bill or \$50 depending on where you're going.

You fold it twice, and I got it in your hand. You put it between your thumb and your palm, so now you're holding a \$20 or a \$50. You go up to the maturity station. There's 20 people around the table. You put your hand on the maturity table behind the light where the book is. You say, I am so sorry. I may have made a reservation or I might have forgotten if there's anything you can do for me. You're keeping eye contact, and you just turn over your hand halfway.

Person sees the \$50, and you say, oh, what's your name? Oh, Susan. Nice to meet you, Susan.

I'm Jason, and you hand them the \$50 or the \$20. Boom. Goes right in the pocket. Let me see what I can do for you. I've done this 100 times. You know how many times they gave me the money back

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and didn't get me a table? Once. Once in New York, at the China Grill, they were just swamped, and they couldn't do it. The woman literally gave me the \$40 back and said, I thank you so much for the tip. I really can't do it tonight, but I will get you next time, and there are seats at the bar. You just go take a seat at the bar. So there you have it, folks. There's how to tip properly, but nobody likes to tip the Maturity D anymore. There's no cash anymore. We heard that we live in a cashless world. Yeah. A quicker way to do it is just go up to the Maturity D in your example and just say, Reservation. Yes, Jackson Party of Two. Yeah. Or Franklin, if it's a nice place. Oh, I didn't know that one. Jackson Party of Two. Did you have you use that? Yeah. It works better with Franklin. And then you show them.

Works better with a Franklin. I could say it probably works better with Franklin.

All right, everybody, life for your in-house legal team. Man, it can be so hard chasing out signatures, pouring over contracts. Man, you're toggling between tools. You got to go back and forth with the sales department. It is a brutal job and legal stuff. Let me be honest, that's my least favorite part of my job. But it does not have to be this way. All you have to do is use the link squares. Link squares is the first AI-powered end-to-end contract management solution.

It gives your legal and your revenue teams the tools they need to help close sales and to do that faster while delivering a seamless experience for your customers. So create, review, approve, and execute your contracts easily all in one place while prioritizing tasks and integrating with the tools your team already knows and loves. Listen. Link squares is where all your legal needs come full circle. Start streamlining your contract management process today and make life for your in-house legal people so much easier with just a few clicks. Learn more at [linksquares.com slash twist](https://linksquares.com/slash-twist). That's [linksquares.com slash twist](https://linksquares.com/slash-twist). To start streamlining your contract management process today. Let's talk about hotels and trends over there. Sure. I stayed at something

called Citizen M. I don't know if you know about this yet, but I like stylish hotels. I always had an affinity for the W Hotel when they first came out. They were very well run hip and I just couldn't believe that like the W Hotel wherever I went was 300 bucks and had the hip as bar downstairs. And then when I stayed at a nice hotel or a nicer four or five star hotel, five, 600 bucks, but the bar was old and soggy. So I really got into my SP, what is that, SPG points for a while, which is not a bomb boy, I think. And now I'm seeing Citizen M and I'm seeing some other ones where you don't go to the lobby anymore. You just simply pay 200 bucks, 250, 179, you come in with your phone, you scan your ID, you go right to your room. Maybe talk about how hospitality is changing in hotels. And then on the other side, I am a super fan of Aman hotels. That's my favorite hotel in Tokyo. This is like \$1,500, \$2,000. So I go high, low. I either do Citizen M, I'm in and out of a city two nights, or I'm bringing the fam and I want to have something really nice with Aman. What are the trends now in the hotel business here? There's a bunch. Look, there's a lot to unpack there. By the way, I think you're probably the oldest guy in the lobby to Citizen M. I think, well, you know what I love about it is, I go in there, I get recognized and people are founders hanging out in the lobby. The Citizen M movement is incredible. I see all the founders who are on a budget and that's who I want. And also, Ace Hotel in New York is also super affordable and the Ace Hotel has a lobby where everybody works

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and co-works. I like to run into founders. That's how I found some of my best investments.

So walking through the hospitality trends in hotels now.

Yeah, hospitality is an interesting industry because you've got a couple counter parties involved that are very different and have very different incentives. So you've got the actual owner of the building. Then you've got the operator of the hotel, which is usually not a brand. It's some name you've never heard of. And then you've got the flag, the actual brand of the hotel. So you've got three different parties involved. Citizen M is an example of a new trend of the hotel brand actually operating the hotel too and having a brand new tech stack and reimagining the actual hospitality experience, which is trying to take labor out and putting as much of the functionality into the app and into the palm of the guest. So if you know us with your Citizen M booking, you probably got a text message, you interacted with them via text. You probably checked in in advance by scanning your ID and submitting your credit card. And they told you when you showed up. And then know when you show up because they can locate your phone. And they'll tell you, hey, your phone is your room key and this is your room. And you can converse with them via chat. You can order extra pillows, all that kind of stuff. Contrast that with a Marriott, which is a great company, the brand, but they don't actually operate hotels. They contract with lots of other management companies operating those hotels and they don't control the equipment that's on the property. So if you went to the Marriott in New York, pick one, pick the one in Times Square, you can't get into those doors with your phone. And there's a reason for that because the landlord doesn't want the owner of the building, the landlord doesn't want to spend the money putting in new door locks. Right? Yes. And then the hotel management company doesn't want to strip out staff either. They don't mind having front desk staff because typically a hotel management company builds you at cost plus. Oh, so cost plus means that their incentive is to increase your spend, not lower the spend and make you addicted to their brand and take longer vacations. That's right. And then at the high end of the spectrum, the Amans, look, the luxury properties, this is a great time for them because so many people are willing to spend money on experiences. And there's been a lot of wealth despite the COVID-19 pandemic. A lot of wealth has been accumulated over the last five years and people are looking to deploy that. Amans, a beneficiary of that. And that's another place where they don't want technology. They want personal service. Right? Five people meet you at the door. There's no reception desk. They just take you to a little seating area. They open a valise and then they pour you some soda, put out some snacks. They have a conversation with you. You sign a couple pieces of paper and then three people walk you to your room in your bags up there and it's been unpacked. Exactly. Already. So that's a staff heavy model. And you're seeing that in the roommates you're willing to pay, but those are also the most profitable hotels. Yeah, by far. The thing I really love is we have an investment in a company called Anyplace and this is really interesting. They are renting apartments. Then they design the Anyplace hotels and I think it's Anyplace.com. Yeah, it's Anyplace.com. They put in gigabit speed internet. They put in a working desk with a giant monitor. They put in a basically camera podcast kind of studio. And we incubated this company, we invested in it and it's really making people super productive and they do very long stage. This is like 30 days, days, two weeks. So if you're a nomadic person, so is that longer

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staying and the maybe not Airbnb, they got their own thing going, but there seems to be something getting filled in between the kind of randomness of Airbnb and the predictability of your Marriott. Is that something you're covering as a trend? Yeah, look, I can go into lots of interesting trends in hospitality. That's definitely a segment that's growing because you do have these nomads and more companies are flexible about where you can work and for how long. And there is a little bit of a gray area. Historically, hotels could not book a hotel for longer than 30 days. And that was by regulation. So you've got folks who are now 30 days or more and exploiting some loopholes in the law, but it's still a very, very small segment of the population that actually chooses to stay this long. But if you're in that business, it's a great product offering. But none of these companies, and I think any place is probably just not the exception to this, can't do it profitably. No one's actually figured out how to open these new hotels. And that goes to citizen men too, or Sander, or Vakasa, or Selena. I could go on and on of these companies that were venture funded the last four years, came out with great tech stacks, great experiences for when you're actually on property, but have not figured out how to make money. And these companies have all, for the ones that went out via spec, lost, call it 95% of their value. And some of them trade for less than what's cash on their books. It's an operationally hospitality is a business that requires operational excellence at a deranged level. I just read Unreasonable Hospitality. I don't know if you've read that book. I have. It's just such a great book because you realize you really need the front of the house, the back of the house, and then you need the third stool. Somebody's got to be watching the books and really thinking about like, is this worth it or not? And you're absolutely correct. The anyplace team has had to really think through, hey, if we're putting in this laptop desktop station with the monitor, how much does that cost? How much does it cost to furnish it? How much does it cost to maintain it? And what is the actual real price? Luckily, they figured it out because they're probably charging \$7,000 a month for that studio apartment with everything built in. And maybe their cost basis is four or something for that studio in Manhattan. But it is not easy. You really have to think when you're doing asset heavy. Well, listen, this has been incredible. I love your products and services. Thanks for the crazy insight into all this. I hope you keep going down this rabbit hole with OpenTable. I'm going to try to get my elite status going. I wish you would just charge me \$100 so I could just be elite. Man, put a button in there where I can share my tipping, share what a baller, or maybe put my tip in advance, any of that, anything where I can get an edge on getting a table I want. And just congratulations on the success. And I appreciate you sharing all the knowledge from inside the hospitality industry. You're hiring right now. You need some positions filled, I take it. We are not hiring right now because you're seeing this huge productivity benefit from AI, which we didn't talk about. Yeah, yeah, say more. Running the company, I'm having the same experience where people are getting 30% more efficient. So explain where you're seeing the gains. Customer support, I would think. Well, customer support isn't that big a line of business for us in terms of expense. But where we're really seeing, we're a technology company. So we're seeing in developer productivity, for sure. And we can, and the best developers now are far and away better than our junior folks. But our junior folks are a lot better too. We're seeing it on the marketing side. Everybody's leveling up. Yeah, marketing side and our press releases, our financial discussion, as we look through where we're performing,

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that's much better. The search results, the product are much better. That's where we're actually seeing AI transform. It's not actually, I think, on the user interface side. Fantastic. So basically in year zero of AI in the enterprise, it's making people, what would you just say, 30% more efficient in those functions? 20%, 40%? Everyone seems to say 30%. I don't know why we all say that because it's not 10 or 20. It's more than that. Now, it's not 50. We know that. So I think you just wind up at 30 because it's more, it's really noticeable. Yeah. Yeah. Well, I think, you know, it's just like when Google docs came out, everyone who could collaborate got a lot better than the early adopters performed. But I think it will normalize. What's great for us to see is the disparity between some people are really good at using those tools, and they improve by a lot more than 30%. And if I can get my highest paid best developers to improve by 50, man, I can let go a lot of junior folks. Yeah. Yeah. I mean, you don't need as many people and having less people means you go faster. So if you can build more elite teams, and this is really just an important message for young people getting into the workforce, either learn these tools or be at like the gap between people using them, that's really the important message, isn't it? You have to commit to using it. I literally did it today because some people hadn't done PR or marketing before. And I said, just literally going to chat to you because you're a PR person advising a company, trying to accomplish this task in public relations, make a plan, step by step plan. It built a 20. I was like out of my mind, this is like, see, 20 point plan and then copy editing, you know, writing copies. One of them said, make me a sub plan for copy for somebody who's never written copy before. And it gave me like a 12 part subsection because the person felt they were inadequate at that. I'm like, this is like a \$10,000 consulting job, that Chatchapiti just stayed in 10 minutes or no, two minutes. Unbelievable, he gains. Unbelievable. What it's going to be like in year three. You know, pretty soon we'll have AI talking to AI though. So we'll still need humans to navigate all this stuff. Steve, this has been great. Please come on again next year and we'll talk some more about the AI revolution and all this great stuff that is happening in the hospitality space. Are you going to the SKIFT conference? I'm having dinner with you next week. Oh, are you going to be at that secret dinner? All right, we'll be at the secret dinner together. You know, Rafa who runs a SKIFT is one of my first employees. Is that right? That's cool. Yeah, he worked for me at Silicon Valley Reporter, was one of my best journalists and then became this incredible entrepreneur and I'm a tiny investor in SKIFT. So I will see you at dinner next week and we'll see you all next time on This Week in Startups. Bye-bye.