

Etraveli's response to CMA's Market Study of Digital Comparison Tools

Etraveli is the leading Online Travel Agent ("OTA") in the Nordic region with a rapidly growing international business, offering a wide range of airline tickets, hotel accommodations and travel related services. We operate in 46 countries on all continents through brands such as Supersaver/Supersavertravel, Gotogate and Travelstart.

Etraveli would like to express its appreciation for the initiative taken by the CMA to conduct a market study of DCTs and for the possibility to comment on current practices within the industry. Due to our capacity as an OTA, we have chosen to only provide comments and insights related to the DCTs role applicable to the segment of flight comparisons conducted by consumers. In this respect, when referring to DCTs, we refer to meta-search sites such as [x].

Theme 1: Consumers' perceptions, use and experience of DCTs

1. When and why do consumers use DCTs? To what extent do they trust them?

The end consumer uses DCTs with regard to flight comparisons in two main areas:

- (1) In searching for inspiration of possible flights
- (2) At time of booking their flights

The main reason is to get an aggregated view of the flight market total range and pricing of air tickets. In the flight sector, the DCTs (Meta Search) have grown their attractiveness rapidly during recent years and are currently a dominating force in the industry.

2. How do consumers choose which and how many DCTs to use?

DCTs get their traffic (consumers) mostly based on their brand recognition, that is, via costly marketing investments. A typical consumer would from our perspective be highly committed to using only one DCT.

3. What are consumers' expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?

Consumers use DCTs in flights because they typically are under the perception that a single search results in a 100% comprehensive view of the market; giving which flights are available, how they are priced and where they can book them.

4. What are consumers' experiences of using DCTs? Do they benefit from using them and, if so, how? What works well and what could be improved?

The last year's high growth for DCTs within Flights strongly indicates that the consumers have a good experience of using DCTs. The consumers have been "guaranteed" lowest price: suppliers (OTAs and Airlines) sometimes differentiate pricing depending on the sales channel, but on DCTs such suppliers always have their lowest price possible marketed. However, the latest development is that some airlines, via commercial

agreements with the DCTs, try to limit the supply from OTAs. In our view, DCTs are not necessarily favouring this development, but are rather forced by some of the airlines into taking this approach. Such arrangements are obviously leading to less competition between OTAs and the applicable airline, which in turn results in higher prices for the end consumers. It goes without saying that this development is not good for the end consumer.

Theme 2: Impact of DCTs on competition between suppliers of the services they compare

5. What factors influence suppliers' use and choice of DCTs, and why?

(1) Online Travel Agents (OTAs);

- How much they need to pay the DCTs for traffic generated from them (OTAs are typically integrated on as many DCTs as possible)

(2) Airlines;

- How much they need to pay the DCTs for traffic generated from them

- If the DCTs meet their demands of shutting OTAs out of their routes (flights), they agree to be visible on the DCT, if not, they can choose not to be there (applicable for some airlines)

6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?

As the DCTs within flights are so dominant they secure an easy and quickly accessible tool for the majority of the end consumer market. So, they are an effective channel to reach the consumer.

But, in flight, it is the Meta Search DCT which controls which supplier (particularly which OTA) is shown.

7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?

The growth of DCTs have increased price pressure and enforced a greater customer focus among its suppliers.

However, see answer to questions 4 and 5 above. Some suppliers force DCTs to guarantee exclusivity rights, which means other suppliers may be excluded.

8. What are the barriers, if any, to DCTs increasing competition between suppliers; and how can these be overcome?

See answer to questions 4 and 5 above. Some suppliers force DCTs to guarantee exclusivity rights, which means other suppliers may be excluded. This could be overcome by regulation/stricter enforcement of current competition laws.

9. In what ways, if any, have DCTs changed suppliers' approach to consumers – for instance in terms of whether they treat consumers who use DCTs differently to those who do not?

It is quite common that suppliers offer lower prices via DCTs than on direct traffic to their respective sites.

Theme 3: Competition between DCTs

10. In what ways do DCTs compete with each other – for instance in terms of coverage, the savings consumers can make, the services they provide, their ease of use, transparency and how they protect consumers' data?

The way DCTs compete with each other is by showing/marketing that they have a full coverage of the market, and the lowest prices.

11. What factors influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?

For a DCT, it's crucial to have all possible flights in the market, pushing them into making exclusivity deals with some airlines, leading to less transparency and less consumer choice.

Theme 4: The regulatory environment

13. Are there any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement?

We are not aware of any existing specific regulation of self-regulation applying to Meta Search flight DCTs.

14. Do there appear to be any areas where DCTs may not be meeting competition or consumer protection requirements?²¹

When DCTs make exclusivity deals with the airlines, agreeing not to show OTAs on their routes, not showing the full supply for the end consumers, who have to pay the price of less transparency, less choice and increased costs.

In this context, it can also be highlighted that some airlines impose restrictions on OTAs to distribute content to DCTs. The result of such restrictions is a distortion of competition in relation to the sale of the airlines' tickets via OTA's and DCTs. In line with several other actions taken by airlines, the purpose seems to be to permit greater control by airlines over how competition takes place in the DCT channel. This topic is also under review by the European Commission, currently looking into the marketing and distribution of airline tickets within the EU/EEA.

15. Do any aspects of regulatory approaches to DCTs need to change and, if so, why?

A market leading DCT should neither be forced by any supplier, nor actively engage in limiting the choice for the end consumers, through exclusivity deals with some suppliers. Consequently, the regulatory approach/enforcement against anti-competitive measures needs to change in order to ensure that consumers can use DCTs to receive an unbiased and uncorrupted overview of the offerings on the flight market.

16. Finally and in relation to all the issues above, what likely developments over the next three years should we take into account and why?

Some airlines will increasingly try to limit the transparency in the market, in order to get increasing control and revenues. It's deemed to be highly likely that DCTs will agree to some of these terms to protect their own footprint in the market. Why it's important is that in such a development, the ultimate payer of the price would be the end consumer with increased costs for flight tickets.
