**ETTSA Response to the CMA's Statement of Scope
of the Digital Comparison Tools Market Study**

The European Technology and Travel Services Association (**ETTSA**) represents the interests of travel technology companies, including global distribution systems (**GDSs**), online travel agents (**OTAs**), and meta-search sites, vis-à-vis the industry, policy-makers, consumer groups and all other relevant European stakeholders. The association, based in Brussels, encourages and supports full transparency, fair competition and consumer choice in the travel distribution chain.[1]

ETTSA welcomes the opportunity to provide its views on the Statement of Scope of the CMA's market study of Digital Comparison Tools (**DCTs**). ETTSA notes the wide range of sectors and issues the CMA intends to cover in its market study. ETTSA has limited its submissions in response to the CMA's invitation to comment to the segment of online flight bookings by consumers. [REDACTED].[2]

Flight DCTs operate in a wider search marketplace, and compete with airlines and search engines. Within the realm of what we have interpreted as being DCTs for the purpose of this exercise, there are effective differences between OTAs and meta-search sites. Despite the difference in business models, however, they operate in the same marketplace and serve the same online consumer. Wherever our comments warrant a distinction between OTAs and meta-search sites, such distinction/specification is clearly made in the text.

ETTSA welcomes the CMA's commitment to ensuring that DCTs provide a fair and transparent service to consumers and are free to play their part in effectively matching supply and demand. ETTSA is however concerned about the broad scope of the CMA's market study. While the CMA notes that it intends to focus on four specific sectors, namely broadband, home insurance, credit cards and flights, it also makes clear that it will seek to "*draw conclusions that apply generally across sectors*".[3] ETTSA considers that great care must be taken in providing 'one-size fits all' guidance for the wide range of DCTs currently active in the UK. The CMA should ensure in its assessment that it maintains a clear focus on the economic and legal context of each type of DCT it is considering and the sector in which that DCT is active. For example, as regards the air sector, EU Regulation 1008/2008 on common rules for the provision of air services in the Community, and EU Regulation 80/2009 on a Code of Conduct for computerised reservation systems (**CRS Code of Conduct**) constitute an important aspect of the regulatory framework in which DCTs offer air transport booking services to consumers.

ETTSA also notes by way of a preliminary remark that any assessment by the CMA of the role of DCTs in the market must take account of the fact that, at least as concerns OTAs, there is a the high degree of substitutability with the direct distribution channels of the relevant upstream suppliers (or panel members, adopting the terminology of the CMA). This is in particular the case in relation to the flight booking sector. Consumers can easily and frequently do compare flight offers across both DCTs and the direct websites of airlines. This is consistent with the market test findings of the European Commission in a number of merger cases which have concluded that OTA sites and the direct online booking sites of airlines fall into one and the same economic market. These cases have not

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[1]   See ETTSA's website for further details of ETTSA's activities, http://www.ettsa.eu/
[2]   [REDACTED].
[3]   See the Statement of Scope at para 5.4

determined formally the status of meta-search sites in this economic market. However, ETTSA is in favour of a level playing field for all DCTs, whether they are OTAs or meta-search sites.[4]

In the remainder of this document ETTSA comments on the specific questions raised by the CMA in its Statement of Scope questionnaire.

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[4] See for example the European Commission's decision in COMP/M.6163 - *AXA/Permira/Opodo/go voyages/ eDreams*, 30 May 2011

1   Consumers' perceptions, use and experience of DCTs

The CMA want to

- analyse consumers' awareness, understanding and perceptions of DCTs – for instance, how well consumers understand and/or trust DCTs, and what this means for whether they use them.
- understand consumers' behaviour and experiences with DCTs, including what consumers expect to get from DCTs compared with what they actually receive.
- look at whether consumers use DCTs just to compare products and suppliers or also to switch; how many DCTs they use; how successfully they use them; and the benefits they derive from doing so.
- understand what happens when something goes wrong and consumers' expectations are not met (knowingly or otherwise).
- understand whether increased use of DCTs results in excessive focus on price, to the exclusion of other factors and to the detriment of consumers' overall decision-making.

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

Consumers use a wide range of sources to inform their travel choices, including for the booking of flights. These sources include offline channels, such as bricks-and-mortar travel agents, offline advertising and communications with family and friends. They also cover online sources such as general search engines, review and feedback sites, meta-search sites and OTAs. Once a traveller has narrowed down travel options and has identified a possible range of city pairs for his/her flight option, a traveller will typically consult, among other sources, meta-search sites, OTAs and importantly the direct websites of airlines to compare offers by the same carrier as well as possible alternative and more suitable and/or competitive offers.

[REDACTED]

Please note that the categories applied in the above figure do not break out meta-search platforms (and their treatment is not further specified) and the data covers to some extent both flights and hotels. However, ETTSA considers that the data nevertheless represents a helpful snapshot of the varied and dynamic nature of the flight booking journey of travellers, in particular of the high level of multi-homing across both supplier direct and intermediary sites.

Furthermore, while a distinction needs to be made between comparison platforms like Kayak and Skyscanner offering intra- and inter-brand comparison (and which do not conclude bookings) and booking platforms like Opodo and Expedia offering inter-brand comparison only, it is the experience of ETTSA's members that consumers use both in their search for options, prices and booking conditions.

[REDACTED]

We do not think it is surprising that ease of use is one of the main reasons why travellers use DCTs when booking flights given that DCTs tend to make significant investments in the technology and customer support services in order to provide a positive customer experience.

In addition, the ability to view content across a range of suppliers and travel segments can add to the simplicity of the research and shopping experience as customers can easily and quickly see what possible offers match their travel plans (i.e. which airlines fly to certain destinations, what times flights are, duration of flights and cost of flights etc).

Moreover, consumers can get access to flight combinations which are not offered by individual airlines or alliances directly, for example by combining two flights from different airline alliances. Such combinations (referred to as 'interline flights') increase choice and flexibility for travellers and enhance inter-brand competition between airlines and their respective alliances.

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

When consumers research and book travel options they use a wide range of online and offline sources (see question 1).

This includes consumers visiting search engines and consulting their generic listings as well as their paid for links (see question 11).

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

We believe consumers expect:
- Choice in terms of availability/coverage
- Comparison of prices from a representative range of different suppliers and/or comparison of prices of the same supplier via a representative range of different channels where consumers multi-home across DCT's and do not expect all DCT's to have the same coverage. Of course if certain airlines are unwilling to make their content available to DCTs, then DCTs cannot be expected to reference it.
- Tools in order to filter options on the basis of different relevant criteria, such as price range, consumer review ranking, airport location, journey time etc.

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?

DCTs provide consumers with the ability to efficiently compare a wide range of products in a single place for no cost. Instead of bouncing from one supplier site to the next, consumers can instead check pricing and availability of multiple travel products on one site. The emergence of DCTs has therefore greatly enhanced transparency and inter-brand competition in the flight segment for the benefit of travellers. The continued ability of DCTs to deliver these consumer benefits is an important aspect of the development of the digital economy in the UK.

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

The CMA want to look at:-

- DCTs' impact on improving or hindering competition between suppliers. They see a major way of improving competition is increasing engagement through reducing search costs.
- the relationships between DCTs and suppliers and to know whether DCTs are having effects on supplier behaviour. For example, they want to explore the impact of DCTs on the range, quality and pricing of services, and the extent to which this leads to better or worse outcomes for consumers.
- the extent to which DCTs facilitate supplier entry or expansion.

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

Airlines and their alliances have effective and successful direct booking channels which succeed in attracting significant levels of direct bookings.

However, flight DCTs can provide airlines with great additional exposure to consumers and ensure suppliers can get their products and services in front of consumers who may not be searching for a specific brand or supplier.

[REDACTED][5]

When choosing a DCT, as with any business, suppliers look for DCT partners that deliver (in their

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[5]   [REDACTED]

view) value to their bottom line (i.e. incremental profitable bookings and enhanced customer exposure). For example,

- Partnering with a DCT can extend an airline's reach to millions of travellers domestically and around the world (especially if the DCT has sites which are optimised and localised for different territories which are not targeted directly by the airline's own direct online booking channel, e.g. in terms of language options, localised landing pages and/or currencies); and
- If a supplier wants a presence in mobile booking channels, but does not want to do all the development and promotional work themselves, it may be more cost effective to partner with a DCT who invests in the mobile channel.

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

Flight DCTs spend significant sums on technology and marketing to capture the attention of travellers around the world. Our experience is that the vast majority of travellers coming through DCTs are incremental and brand-agnostic, which makes flight DCTs an effective marketing partner and a great source of additional demand for suppliers. This can help new suppliers to enter the market and reach customers quickly, cost effectively and efficiently (by avoiding the need for high upfront costs in relation to the online distribution of their products and services).

Many DCTs also have a network of product managers who interact with suppliers and offer a consultative approach to understand the goals of suppliers and help business growth and who can provide consumer feedback to enable quality adjustments to products and help drive demand.

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

We believe DCTs have played an important role in enhancing competition between suppliers by empowering consumers to find suitable and competitive flight options faster and more efficiently than would be possible absent the services offered by DCTs. They allow in particular smaller airlines (or airlines with less brand recognition) to compete on a level playing field with large, often dominant airlines.

Moreover, as noted already above (see question 1), consumers are able to have access to combinations of flights not offered by airlines, by combining two flights from different airline alliances, so-called interline flights. Among other things, this allows consumers to link the offers of smaller or newer airlines to flights offered by the large established alliances in a flexible and dynamic manner.

The enhanced transparency and ease of switching which is delivered by DCTs has driven and continues to drive competition between airlines and their alliances [REDACTED]

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

[REDACTED]

DCTs need to continue to invest in educating consumers and suppliers alike about the benefits they deliver to consumers and suppliers for the benefit of the entire market. They do this by ensuring that (i) consumers have access to the greatest possible choice and to competitive terms and (ii) suppliers benefit from a growing market for air travel.

[REDACTED]

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?

Suppliers have increased investment in their direct booking channels and developed further their loyalty programmes to attract more bookings to their direct booking channels. The focus of DCTs is increasingly on delivering more brand agnostic incremental customers to the suppliers.

3: Competition between DCTs

The CMA want to

- establish whether DCTs are competing effectively with each other, as well as facilitating competition between suppliers of the services they compare.
- explore how DCTs compete both for consumers and for suppliers. They are looking to assess what well-functioning DCT competition looks like, and the potential for DCTs or suppliers to engage in practices that limit this.

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 online travel sector is complex and dynamic, with multiple service providers competing for relevance and revenues. For example, suppliers, DCTs, search engines (such as Google) and others all seek to capture a traveller's business and bookings.

DCTs compete with each other vigorously in a number of ways, including:
- Offering better/more relevant product / breadth of product / pricing
- Customer service
- Loyalty programmes
- Marketing spend/brand awareness
- Ease of use/technology

In addition, there are differences in the business and compensation models of DCTs, on the one hand between OTAs and meta-search sites, on the other hand among OTAs and among meta-search sites.

It is also important to note that in ETTSA's experience most DCTs do not require suppliers to make

any upfront payments and do not require exclusivity. This allows suppliers to work with multiple DCTs, i.e. 'mix and match' DCTs as they see fit.

ETTSA also understands that it is relatively straight-forward for a supplier to discontinue to work with a DCT if the supplier considers that a particular relationship is no longer in the supplier's best interest.

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

In order to compete effectively DCTs need access to the same level and quality of information and services as direct suppliers. In the flight sector this means that DCTs need to have real time access to pricing, baggage information, seating plans etc on non-discriminatory terms compared to the access available to the suppliers. [REDACTED]

12. If there are barriers to competition between DCTs, how significant are these and how can they be overcome?

Please see the answer to question 11.

4: The regulatory environment

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

[REDACTED]

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

Please see the answer to question 11.

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

Please see the answer to question 11.

5: General

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

ETTSA considers that given the dynamic nature of the online travel sector it is likely that the market will continue to see business model innovation and new players emerging.

It is also clear that the mobile channel will continue to grow fast, providing opportunities for new businesses to compete.

Do you have any other comments you would like to add?

N/A

27 October 2016