

Online travel agents: monitoring of pricing practices results

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In light of the findings in the European Competition Network (ECN) [report](#) on the results of a monitoring exercise in the hotel online booking sector, the Competition and Markets Authority (CMA) has decided not to prioritise further investigation on the application of competition law to pricing practices in this sector at this stage.

On 6 April the ECN published its report on the results of the monitoring exercise in the hotel online booking sector. The CMA took part in the monitoring work, along with 9 other national competition agencies and the European Commission.

The monitoring project examined how changes to room pricing terms, and other recent developments, have affected the market. In particular, the project assessed whether the Europe-wide removal, in July 2015, by online travel agents (OTAs) Expedia and Booking.com of certain ‘parity’ or ‘most-favoured-nation’ clauses in their standard contracts with hotels has affected pricing and commission rates in the sector. In brief, ‘wide’ parity clauses oblige hotels to give the OTA the lowest room prices and best room availability relative to all other sales channels, whereas ‘narrow’ parity clauses allow the hotel to offer lower room prices and better room availability on other OTAs and on offline sales channels, but still allows the OTA to stop the hotel from publishing lower room prices on the hotel’s own website. The ECN Monitoring Group surveyed a large number of hotels across the EU and one of the key findings in the ECN report is that many hotels are not aware that Booking.com and Expedia no longer enforce ‘wide’ parity clauses or of what this means for hotels’ ability to differentiate their prices across OTAs.

The monitoring group’s analysis indicates that there is a material level of price differentiation occurring between OTAs. In particular, the analysis also shows that the switch from wide to narrow parity clauses in the UK and other countries coincides with a discernible increase in the levels of price differentiation between OTAs by hotels in the last couple of years. This suggests that hotels are increasingly taking advantage of the ability to set different prices between different OTAs and are able to do so in response to differences in the competitive offers of these OTAs. However, there is no clear evidence of commission rates having decreased or of hotels seeking to strike a better bargain on these commission rates with OTAs. We expect

that changes in hotels' practices in this industry may not be rapid and the lack of awareness of the removal of wide parity clauses may slow these changes. Nevertheless, there is some evidence that the removal of the wide parity clauses has improved the competitive situation so far.

In light of the findings in the report, the CMA has decided not to prioritise further investigation on the application of competition law to pricing practices in this sector at this stage. We consider that it is too early to reach any conclusions on whether so-called 'narrow' parity clauses (which allow the hotel to offer lower room prices and better room availability on other OTAs and on offline sales channels, but still allows the OTA to stop the hotel from publishing lower room prices on the hotel's own website) should separately be regarded as giving rise to competition concerns and therefore warrant investigation by the CMA. However, this does not preclude the CMA from taking further action in the future. In addition, the CMA, together with other national competition authorities in the ECN will be keeping the hotel online booking sector under review and reassessing the competitive situation in due course.

The CMA also plans to take steps to raise awareness among UK hotels of the changes made by Expedia and Booking.com including engaging with hotels with a view to clarifying and improving their understanding.

As part of its work in this sector, the CMA is also considering a number of practices further in order to determine whether they may warrant investigation under the CMA's consumer protection powers.