

Your details

*(Fields marked * are required)*

Title*	[REDACTED]
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Forename	[REDACTED]
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Surname*	[REDACTED]
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Email*	[REDACTED]
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What is your role / profession*	[REDACTED]
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Are you representing yourself or an organisation?*	[REDACTED]
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	N/A
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If you are representing an organisation:

(a) What is the organisation's name?*	[REDACTED]
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*
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[REDACTED] travel services intermediary offering travellers the tools and information they need to efficiently research, plan and book travel. Travel products offered to travellers via [REDACTED] booking channels include, for example, hotels, flights, packages, rental cars, rail, cruises, destination services and activities. Travel suppliers (e.g. hotels and airlines) make available and market their products via [REDACTED] websites and mobile apps, its private label business and its call centres to a [REDACTED].

Introductory Remarks

[REDACTED] is grateful for the engagement by the CMA with both businesses and consumers in assessing and understanding better how DCTs operate, compete and serve the consumer.

DCTs in the travel sector deliver significant consumer benefits by focussing relentlessly on what consumers want. A key aspect of this is being able to present consumers with a good range of relevant offers at competitive rates. [REDACTED] considers that the description of these benefits in the CMA's DCT Update Paper dated 28 March 2017 (the **Update Paper**) is helpful and accurate, e.g. as set out in Table 4.1 of the Update Paper:

- Lowering search costs;
- Increasing consumer engagement;
- Reducing acquisition costs for suppliers;
- Facilitating entry and expansion of suppliers; and
- Increasing supplier competition.

[REDACTED] agrees with the CMA's findings that the benefits DCTs deliver are "dynamic" and confirms the accuracy of the CMA's view that DCTs compete for consumers by investing in better ways of presenting and comparing offers, innovating to improve user experience and coming up with alternative business models (which compete with one another for consumer attention and engagement) to offer comparison and booking services (Update Paper, para 4.4).

In that regard the distinction between meta-search services (**MSS**) sites and online travel agents (**OTAs**) is becoming increasingly blurred. This is also acknowledged generally by the CMA's assessment which looks at DCTs, rather than MSS and OTAs separately. This is, for example, directly addressed in the Update Report when the CMA notes that: "*Some DCTs convert attention into re-directions rather than sales. This is particularly the case for [MSS] in flights. Our considerations apply regardless of whether DCTs are converting traffic into sales or redirections.*" (Update Paper, footnote 155). [REDACTED] agrees that this view accurately reflects the close competitive inter-action between MSS and OTAs (where OTAs may themselves re-direct consumers under white label services or other link-off advertising models and MSS may offer instant booking functionality on their sites which may be powered by themselves, by another OTA or by the travel suppliers themselves).

DCTs deliver direct material benefits to consumers who use DCTs. However, as the CMA notes, a minority of consumers are still reluctant to use the free services of DCTs (although the number of such consumers is decreasing). As noted by the CMA, "*DCTs are only one tool consumers use to shop around*"; *the "main alternative for users and non-users [of DCTs] is to visit sites of individual suppliers"* (Update Paper, para 5.11). In this regard, consumers either visit sites they know directly or, more often, rely on Google to suggest relevant sites both as part of Google's generic search results as well as Google's sponsored listings and ads.

Airlines themselves have acknowledged that DCTs provide significant benefits to consumers. For example, the CEO of Northwest Airlines testified to the US Senate Judiciary Committee that online travel agencies "*have provided enormous benefits to consumers and have increased the price-competitiveness of the airline industry*" (as noted by the CEO of Northwest Airlines, Douglas M. Steenland, in his testimony before the US Senate Judiciary Committee on 24 April 2008, relating to a proposed merger between Delta and Northwest Airlines).

Indeed, the transparent price comparisons created by DCTs improve price competitiveness in the entire market by enhancing inter-brand competition between suppliers, which in turn leads to more competitive offers also being available on supplier direct sites (see Update Paper, para 4.6). This dynamic benefits users and non-users of DCTs alike.

Turning to the issue of consumer engagement, [REDACTED] notes that DCTs in the travel sector have been more successful than in other sectors in facilitating and encouraging high levels of consumer engagement. In part this is a function of travel being an “exciting” product for many consumers. However, this is also the result of the high levels of creative competition between suppliers and intermediaries to attract consumer attention and create engagement.

Table 4.2 of the Update Paper confirms the view that there are limited barriers to consumer engagement with flight DCTs. However, [REDACTED] would note that the suggestion that flight DCT comparisons are characterised by “*complex product or comparison*” is not supported by [REDACTED] experience. In fact, the opposite would seem to be the case for flights: flights are relatively easy to compare given the standard “classes” of First, Business, Premium Economy, Economy and now Basic Economy, and the two key parameters of direct/indirect flights and price. In particular, consumers tend to pre-select flights by reference to specific times or airports.

Also, the CMA’s findings confirm that consumers are generally comfortable with and happy to adapt the display of search results, which supports the view that they understand well the basic sort and filter options and, where appropriate, make use of them (Update Paper, para 5.30). However, these adaptation rates must also be understood against a background in which DCTs strive to present consumers with a highly relevant default sort in the first place to succeed in engaging the consumer in a market where switching between sites is free and instantaneous. As the CMA’s data shows, the clear majority of users consider comparison sites to match their needs.

These data are also consistent with the high levels of overall satisfaction with the services DCTs provide, i.e. “*over 90% of recent users [were] very or fairly satisfied*” with the DCTs they used (Update Paper, para 5.44).

On this basis, [REDACTED] agrees with the CMA’s central decision not to make a market investigation reference, which is also supported by the fact that the CMA did not receive any representations suggesting that such a reference should be made.

In the remainder of this response [REDACTED] provides a number of further observations in response to the CMA’s specific questions in its questionnaire.

[REDACTED]

Consumers

1. Should we focus our attention on the consumer groups we identify in Chapter 5 (see paragraphs 5.82 to 5.95) and if not, what groups should we focus on?

[REDACTED] considers that the use of digital and mobile devices has become so commonplace that it has now become nearly universal in the territories in which [REDACTED] operates, and certainly in the UK. This is supported by the CMA's own findings regarding the use of DCTs across different demographics in the UK (Update Paper, para 5.7).

[REDACTED] notes that those groups who use DCTs relatively less frequently still have a high level of usage (in most cases above 70%) and may benefit from DCTs indirectly as members of their circle of friends and family may access DCTs and share relevant information with them and/or may make travel bookings via DCTs on their behalf.

In relation to the user groups identified at para 5.83 of the Update Paper, [REDACTED] does not consider that the travel booking services (such as for air travel) it offers, ignore or in any way disadvantage any of these groups. [REDACTED] is committed to offering an easy-to-use interface which provides relevant information in a readily accessible format and in a manner which allows consumers to compare different offers in a meaningful way. As one example, [REDACTED] flight shopping experience is designed to comply with Web Content Accessibility Guidelines (**WCAG**) 2.0 level, which covers a wide range of standards for making online content more accessible to those with disabilities.

Any reluctance to use the Internet for "shopping around" and/or for making payment transactions should be a matter which should form part of the Government's wider "digital literacy" advocacy in relation to the appropriate use of online and digital channels.

2. In which sectors do DCTs not currently play a major role but could in principle offer substantial benefits to consumers? Why have they not become established in these sectors?

[REDACTED] has no specific comments in this regard.

3. How has the growing use of DCTs affected suppliers' offers to consumers who do not use DCTs in our case study sectors and more broadly? What impact have DCTs had on suppliers' ability to discriminate between active and inactive consumers? What are the implications for vulnerable consumers?

In the travel services sector, DCTs have played a strongly positive role for consumers in allowing them to identify the most suitable and competitively priced travel offers more readily and at no cost. Consumers have embraced these opportunities by multi-homing across a wide range of online and offline sources to plan, research and book travel.

Travel services suppliers, such as airlines and hotels (**TSPs**) and DCTs (including OTAs and MSS as well as other intermediaries) are competing in relation to making relevant offers as easily available as possible to travellers.

The price transparency of DCTs therefore (i) makes it more difficult for TSPs to price discriminate between different consumer groups across different channels and also makes it harder for TSPs to differentiate across different jurisdictions, reducing the ability of TSPs to prohibit cross-border shopping; and (ii) enhances competition between different TSPs for comparable services (thereby enhancing inter-brand competition between TSPs).

4. What factors, if any, have we missed that may be holding back consumers from using DCTs?

[REDACTED]

5. What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control?

[REDACTED] considers that the transparent, proportionate and responsible use of consumer data by a DCT is a key aspect of building trust and loyalty by consumers, which has been reflected in [REDACTED] detailed privacy policies [REDACTED]

The market itself therefore creates strong incentives for transparent and responsible behaviours in this regard which supplements the strong legal constraints on the use of consumer data which exist in any event.

In addition, the European Commission's document "Key principles for comparison tools" (the **Key Principles**) which contains helpful guidance and best practice advice for businesses in relation to a range of transparency measures.

6. What actions, if any, are needed to improve the way consumers use DCTs – including multi-homing and using DCTs' functionalities such as filtering and ranking?

[REDACTED] own data shows that levels of multi-homing are high in relation to travel services, both as regards the levels of consumers who multi-home and in relation to the number of sources consulted by an individual consumer as he/she researches and books his/her travel needs.

This is broadly confirmed by the CMA / Kantar survey results which show that a majority of consumers surveyed multi-home across more than one DCT (c. 64%, Update Paper, at para 5.19). The number of consumers who multi-homed was highest for flights and hotels among the surveyed sectors, i.e. 2.9 DCTs on average (Update Paper, Annex A, Kantar report, page 109).

However, these data do not capture the real extent of multi-homing which is in fact likely to be higher and more prevalent. First, these data do not capture visits to TSP direct sites. It is also unclear to what extent they capture Google's services (such as Google's Hotel Finder and general search services). Secondly, if one attempts to track a single / unique user over time the chain could be broken when the user switches devices (e.g. from a mobile to a tablet or vice versa). Given the increasingly high frequency of multi-device use by consumers, [REDACTED] considers that the data captured materially understates actual levels of multi-homing for this reason as well.

Also, when assessing multi-homing one needs to look at the whole consumer journey – from planning, to researching specific offers and then to the booking of the travel service. This is described by the CMA as the “*consumer engagement and the purchasing journey*” or as also referred to by the CMA “*Access, Assess and Act*” (Update Paper, Figure 3.4). In this regard, [REDACTED] notes (as also discussed in [REDACTED] introductory remarks above) that it is becoming more difficult to separate MSS and OTAs in the travel sector (as has been done in Figure 3.4). This is because consumers visit both such types of sites as well as TSP sites at every stage of the journey and can execute the booking in (for the consumer) very similar ways on TSP direct sites, MSS with booking functionality or an OTA. In that sense, as noted by the CMA itself, both MSS and OTAs act as “generators” for TSP bookings and are remunerated for such generation services by the TSPs. The incremental bookings on a TSP's direct site resulting simply from being listed on OTA sites (which is free for TSPs) has been described as the “Billboard Effect” phenomenon, which has been recognised in numerous studies. This convergence is another example of the complex and dynamic nature of competition and innovation in the travel services sector.

Inputs to DCTs

7. Have we captured the range of issues that might prevent DCTs from operating effectively?
[REDACTED]

8. Do the issues identified materially affect DCTs' ability to operate effectively and deliver good consumer outcomes?
[REDACTED]

9. Are current or planned initiatives sufficient to address the issues found?
[REDACTED]

Competition

DCTs' market position and barriers to entry and expansion

10. What explains the strong position of a specific DCT in each of our case study sectors? What do DCTs do to grow their business in sectors where they appear to be relatively small compared to the leading DCT of the sector?

[REDACTED] notes that the travel services sector is dynamic and complex. [REDACTED]

[REDACTED]

It is also important to stress that scale as such is not a critical aspect of successful DCTs. Rather, in order to be successful in today's market conditions intermediaries need to offer competitively priced and relevant travel offers to travellers. This simply means that an intermediary needs to have a reasonable amount of inventory in at least one supply category (such as airline tickets) and a user-friendly interface.

Inventory can be obtained directly from suppliers or via a wide range of intermediaries, such as Global Distribution Services (**GDSs**) and other connectivity partners.

Small DCTs can be successful in developing their own proprietary platforms and user interfaces by being smart and by trying to present information in new and innovative ways which consumers find helpful and attractive and by building efficient backend technology from scratch. The latter in particular can give new players an advantage over longer established players which operate on the basis of older legacy technology which is not that easy to develop or update.

Then it is helpful to build a brand; this can be done in many different ways, e.g. SEO, SEM, social media, etc.

On this basis, new entrants can establish themselves through a variety of means, such as developing a distinctive brand strategy and/or an initial, strong "niche" expertise (e.g. last minute mobile bookings). Once a player has established an initial presence, it is then relatively straightforward to expand the offer across more suppliers in the same travel services sector (e.g. hotels or air) and/or across different travel services sectors (e.g. by adding new services).

As a result of the above features, barriers to entry and expansion for DCTs are in fact low and this explains why the travel services intermediaries sector is a relatively crowded field with, in particular, MSS growing their presence by being able to provide a wide range of offers, including intra-brand comparisons for same services across different competing distribution channels, such as TSP direct and OTAs.

11. What are the barriers, if any, for DCTs to enter or expand into sectors where they currently do not provide comparison services or where they are currently relatively small?

Please see the response to Question 10 above.

Agreements between DCTs and suppliers

12. What has been the impact of the removal of wide MFNs in the private motor insurance sector?

[REDACTED].

13. What has been the impact of narrow MFNs in the sectors where we have observed them (home insurance, private motor insurance, credit cards, broadband and flights)?

[REDACTED]

A number of competition authorities have recognised that narrow MFNs can play a legitimate role in agreements between suppliers and intermediaries in light of the real risk of free-riding by suppliers:

- The CMA accepted the proportionality of narrow MFNs in its *UK Motor Insurance* market investigation;
- In April 2015, the Swedish Competition Authority concluded its investigation of Booking.com’s lodging MFNs, noting that *“the Competition Authority’s assessment, which is supported by analyses and the above mentioned surveys supplied by Booking.com, is in view of the above that the vertical price parity substantially reduces the risk that hotels free-ride on investments made by Booking.com. This in turn allows Booking.com to receive remuneration for its search and compare services so that the services can continue to be offered on the market to the benefit of consumers”* (vertical price parity refers to narrow MFNs);
- In August 2015, the Danish Competition Authority acknowledged the free-riding concerns of OTAs as follows: *“a lower price on the hotels’ own websites may entail that the search and compare features on the booking portals are used only for scanning the market while the room is subsequently booked at a lower price on the hotels’ own websites, whereby the hotels are given free access to the marketing achieved by being shown on the booking portals”*;
- In November 2015, the Hungarian Competition Authority stated that there is a *“realistic danger”* of free-riding in Hungary and that *“it is possible that parity clauses are special features of the business model, and are required to maintain the business model, as several OTAs have signalled. Protection of investment and avoiding free riding in this area may seem to be rational reasons [...] Also considering the danger of free-riding, the narrow parity clause may be an adequate solution to market problems based on current market conditions”*;
- In July 2016, the Danish Competition Authority conducted a survey of the prices offered on Booking.com, Hotels.com and HRS.com in order to evaluate the effect of the implementation of the narrow MFN. The authority found that the results of the survey indicated that the majority of hotels selected offered different prices on one or more OTAs during a specific period. This supported the view that narrow MFNs do not restrict price dispersion across other intermediary sites;
- [REDACTED];
- [REDACTED]; and
- The report of the ECN regarding its monitoring exercise of the online hotel booking sector published on 6 April 2017 also confirms that narrow MFNs do not lead to a lack of price dispersion across other intermediary sites. This view was also

endorsed by the CMA commenting on these findings on the same date when it noted that the findings showed that there was “*a material level of price differentiation occurring between OTAs*”.

These submissions are not intended to represent an exhaustive discussion of the justifications of both narrow and wide MFNs for the benefit of intermediaries. They are merely intended to provide the CMA with a summary of certain informative views by a number of other competition authorities and national courts who have considered these issues in the recent past.

[REDACTED]

[REDACTED]

14. What is the commercial rationale for the non-brand bidding and negative matching agreements we have observed (in all of our case study sectors) and what is their commercial and competitive impact?

[REDACTED]

15. What is the commercial rationale for the non-resolicitation agreements we have observed (in home insurance and energy) and what is their commercial and competitive impact?

This issue does not affect [REDACTED] business.

16. In which other sectors, if any, are (i) wide or narrow MFNs; (ii) non-brand bidding or negative matching; or (iii) non-resolicitation agreements in place? What impacts do they have in these sectors?

Please see [REDACTED] comments in response to Questions 13 [REDACTED]

17. Are there any other agreements in place that may affect the effectiveness of DCTs and/or the effectiveness of competition between DCTs (and competition between DCTs and other sales channels)?

[REDACTED] has no further comments at this stage.

Unbundling and hollowing out

18. How has the growth of DCTs affected product features and/or the product mix in our case study sectors over time? What specific evidence/examples indicate these changes?

In the travel sector, there continues to be a wide range of offers and terms available to travellers.

In addition, there has been a trend among intermediaries to add new travel services to their offer and to introduce new ways in which consumers can search and filter available offers to identify the travel offers which best meet their individual needs. For example, consumers can combine two flights from different airline alliances (referred to as “interline flights”), which increase choice and flexibility for travellers and enhance inter-brand competition between airlines and their respective alliances. Additionally, the ability to combine one-way tickets from totally unrelated airlines (referred to as “split ticketing”) creates substantially more options for consumers, often at lower prices. Further, the ability to combine a flight with a hotel or other travel product at a significant discount to purchasing the components alone (referred to as “dynamic packaging”) has saved customers very considerable amounts of money since it was introduced by DCTs.

Consumers are therefore faced with a wide and rich choice of travel offers and search and booking functionality at every stage of their travel booking journey.

19. How widespread is the use of product reviews and ratings on DCTs and what has been the impact, if any, of the use of these tools?

Product reviews are valued by consumers as an important source of inspiration and guidance when making travel choices.

Bad consumer experiences lead to bad reviews, which typically has an adverse effect on whether new customers will choose that product, particularly where they have highly-rated alternative choices.

Accordingly, consumer reviews create additional competitive pressures on TSPs in providing competitive offers and high-quality services.

[REDACTED] works with both TSPs and consumers to enhance the quality of reviews and to enable TSPs to react to consumer feedback quickly and positively. [REDACTED]

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20. What needs to be in place to prevent or mitigate any harmful impact of product unbundling or hollowing out and what can DCTs do about it?

[REDACTED] has no further comments at this stage.

Regulation

21. What are your views on the issues we list in Table 8.1 and at paragraphs 8.13 to 8.42 of Chapter 8 and how could they be addressed?

[REDACTED] considers that it is critically important that the regulatory parameters for DCTs across the EEA are consistent and proportionate, and that they protect the ability of DCTs to offer their services in a seamless manner across the single market.

Regulatory fragmentation (e.g. in relation to rate parity issues through national laws or in relation to short-term rental services) is one of the biggest threats to the continued investment in innovation, diversification and growth of DCTs and other digital services which threatens to undermine the EU's key policy objective of creating a single digital market for services and goods.

[REDACTED] encourages the CMA to take an active role in the wider policy debate for consistent and proportionate regulatory framework conditions across the EU and to maintain a strong focus on the consumer (rather than regulating to protect particular commercial interest groups).

In that regard, [REDACTED] notes that the UCPD and the related voluntary Key Principles are a good example of a collaborative, consistent and proportionate approach to creating a sensible framework for DCTs to operate in, providing guidance to business and consumers alike, while not unduly restricting the dynamic and innovative features of the online sector.

22. What is the balance between potential benefits and risks in introducing a cross-sector approach? What would be the most effective approach(es), and why?

The Key Principles are a good example of a successful cross-sector initiative to provide guidance to DCTs. However, [REDACTED] considers that any attempt to develop cross-sector guidance must be approached with great caution to avoid any unintended consequences, as such an approach risks ignoring the market specificities of different sectors, differences in consumer behaviour and/or business models.

23. How could a cross-sector approach interact with existing regulatory frameworks?

Please see [REDACTED] comments in the response to Question 22 above.

The future of DCTs

24. What future developments outlined in Chapter 9 are likely to have the greatest impact in driving engagement? If there are any important developments we have missed, what are they and why are they important?

[REDACTED] agrees that developments such as artificial intelligence, continued device proliferation, voice activation, virtual reality, and more tailored pricing (Update Paper, para 1.39) are all likely to shape the future of online services, including those provided by DCTs.

This means continued disruption and convergence of business models, as existing and new players compete for changing consumer behaviours and needs and are trying to exploit new technological advances.

25. What future DCT-related technologies might affect or assist vulnerable consumers?

New technology always has the potential to assist vulnerable groups. For example, voice activation may deliver great benefits for older consumers or partially sighted consumers.

Other comments and further contact

We welcome submissions on any of the issues we address in our update paper from interested parties. We would particularly like to hear views, supported wherever possible by evidence, on the following themes if not already addressed above:

- a) What DCTs do and the benefits they can offer.
- b) Consumers' views on and use of DCTs.
- c) Inputs to DCTs.
- d) Competition between DCTs and between DCTs and the suppliers whose services they compare.
- e) Regulation of DCTs.
- f) The future of DCTs.
- g) The focus of the second part of the market study.

Do you have any other comments you would like to add?
<p>[REDACTED] considers that the CMA should use the second part of the study to assess (among other things) the risks posed to incentives to invest and innovate in the DCT sectors by disproportionate and inconsistent regulation across the EU.</p> <p>DCTs are inherently “internationally capable”, i.e. able to offer cross-border services, and regulation should facilitate the cross-border provision of such DCT services and not hinder such activities. This is of critical significance for the healthy growth of DCT players’ activities in the UK.</p> <p>[REDACTED]</p>

Would you be willing for us to contact you to discuss your response?*	Yes
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Thank you for taking the time to complete this form.

Please email it to: comparisontools@cma.gsi.gov.uk.

Or post it to:

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