

The Death of



Jutta Moore
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Introduction

- Best Rate Guarantees
- The anti-competition investigations
- The changing land-scape
- Best Available Rate – Distribution Reality
- The future of Best Rate Guarantees & Best Available Rates



BEST RATE GUARANTEES

Online sales – how important?

- 93% of EU consumers use the internet to book their hotel accommodation
- Of these, 70% use on-line travel agencies of which the largest are booking.com, Expedia and HRS
- Remaining 30% booked on hotels' own websites
- “Best available rate” has a huge impact on the prices consumers are paying

Rate Parity and Best Rate Guarantees to date



- Hotel provides the OTA with a retail rate which is no less favourable than the lowest rate displayed by the hotel itself or other online distributors
- Effectively a guarantee to the OTA that it cannot be undercut by its competitors
- In practice these agreements significantly reduce the incentive, or ability for the hotels to offer better rates or conditions to other resellers or consumers.
- Does this break national or EU competition law ?

Resale Price Maintenance

- Hotel stipulates to a wholesaler or OTA what price to charge its customers including
 - Prohibiting discounts
 - Setting minimum prices
- This is well established infringement of EU prohibition on anti-competitive agreements
- BUT
 - A supplier can set a maximum/recommended price

The Idea behind rate parity

- Not to violate customer's trust in the hotel's rate integrity
- Reducing risk of sending customers to other websites in search of a better rate or other hotel
- Most guests are convertible into loyal guests, no matter which distribution channel they initially chose to book with
- Once they have been 'wowed' at property, they can be managed to book directly through the hotel website

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ANTI-COMPETITION INVESTIGATIONS

Germany



- December 2013 - German Federal Cartel Office (FCO) prohibited the use of 'best price' clauses by Hotel Reservation Service (HRS) (the leading German portal) in relation to hotels in Germany
- Such provisions ensured that a hotel room booked over HRS could not be offered elsewhere at a cheaper price (or that better terms and conditions generally could be offered)
- FCO argued that this restricted hotels' own pricing behaviour and hindered rival booking services from entering the market by offering cheaper prices
- FCO Decision fully upheld by the German competition courts in January 2015. HRS has said it will not appeal
- Very significant decision – a tipping point ?

France, Italy, Sweden

- Competition authorities in these three countries have been carrying out co-ordinated investigations into MFN (most favoured nation) clauses in the hotel sector.
- In December 2014, the European Commission confirmed that it was liaising with these three authorities and that the aim was for them to “conclude this case for the entire EEA”
- Commitments offered by Booking.com to drop its price parity provisions were put out for consultation (Dec 2014 – Jan 2015). Tactical move by the company
- Reported 13th March that Expedia has also made an offer to remove its restrictions
- The investigation concluded in April 2015 that rate parity agreements are unlawful

Other EU national investigations

- Other investigations include:
 - Hungary: investigations started in August 2013. January 2015, authorities seeking information from hotels and OTAs
 - Austria: on-going investigation. Focused on HRS
 - Denmark: on-going investigation with information requests being made in December 2014
 - Czech Republic: on-going investigation as at February 2015
 - Ireland: investigation kicked off in 2014
 - Belgium: investigation on-going

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THE CHANGING LANDSCAPE

Best Rate Guarantee now

About 13,700,000 results (0.37 seconds)

Compare Hotels Prices - Compare Rates & Save Up to 80%

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Booking.com is Official Website of

Searches dominated
by hotel companies
not OTAs



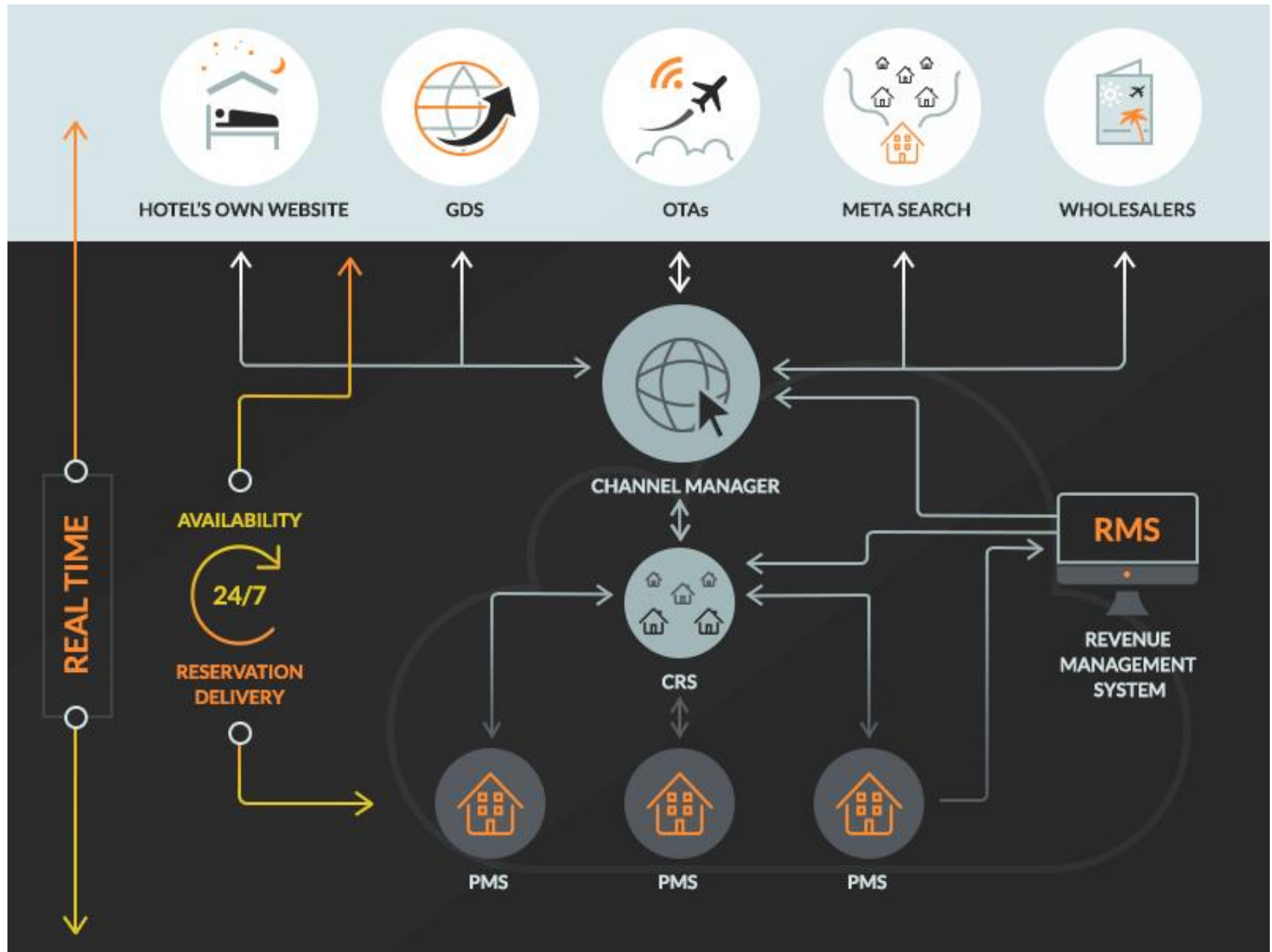


BEST AVAILABLE RATE

THE DISTRIBUTION REALITY

Rate Parity

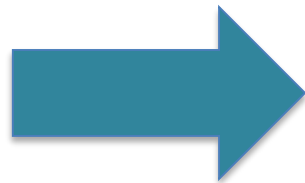
- For the past 15 years distribution systems were adapted to send the same rate to multiple channels



Rate Parity – The Reality

- For the same 15 years hotels have struggled to achieve rate parity across channels

- The reality



Best prices for your stay

01/05/2015 02/05/2015

Expedia	£318*	Featured
Booking.com	£318*	
lowcost holidays	£228*	
HotelTravel.com	£226*	Official Site
EasyToBook.com	£219*	11 more sites

Overview | Review

Still looking for a great price?

MrandMrsSmit...	£318*
Getaroom	£224*
Hotels.com	£318*
Agoda.com	£318*
Otel	£220*
HOTEL.INFO	£308*
Opodo	£318*
eDreams	£318*
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LateRooms	£318*



THE FUTURE OF BEST AVAILABLE RATES & BEST RATE GUARANTEES



The Future

- Hotels no longer bound to offer OTAs 'best price'
- OTAs continue to be valued partners
- Hotels have more flexibility to offer best price on own website
- **HOWEVER:** Booking.com insists they get the same price as the hotel web-site

The Future

- Hotels to decide who they want to give 'best price' to
- Hotels need to change how they currently distribute the rate,
 - different supplements for various OTAs
- New developments such as 'open pricing' will allow further fine tuning of which rate to distribute to which channel

A hotel's ideal world



Best prices for your stay

02/06/2015 03/06/2015

Booking.com	£355* Featured	View Deal >
Hotels.com	£355*	View Deal >
Expedia	£355*	View Deal >

Official Site £320* Opodo £355*
eDreams £355* 3 more sites ▾
*Disclaimer

We search **200+ sites** to find the best hotel prices.
We found 7 sites with availability starting at £320

★★★★☆ 4-star Luxury Soho



This is the start of a new era

- Who can guarantee best rates in the future?
- Question not so much about best rate guarantee
- BUT how to engage the customer, deliver experiences & satisfaction in this social, sharing economy
- Customers want to engage with brands that are easy to do business with

Try and test

- Hotels need to move with the times and adapt their distribution strategies
- If we don't others will
- That's why
 - Kodak didn't become Instagram
 - Blockbuster not Netflix

Is this the Death of



You Decide

Any questions?

Jutta Moore

Tel. 07850 805614

jutta@moorehotelconsulting.com