

Duff on Hospitality Law

## **OTA & Travel Distribution Update - Price-fixing fines imposed against FlightCentre; Red Lion's unorthodox approach to loyalty; update on Microsoft's voice-activated device, Cortana**

By Greg Duff on 4.13.18 | Posted in OTA Update

This week's OTA & Travel Distribution Update for the week ending April 6, 2018 is below. A variety of stories are featured in this week's Update, including an interesting follow up story on Red Lion's somewhat unique (and hard to understand) approach to loyalty. I hope you enjoy.

### **Price-Fixing Fines Imposed Against FlightCentre**

*("Flight Centre's \$9 million fine renews Australian tensions over court-set antitrust penalties," MLex, April 4, 2018) (subscription required)*

Some time ago we featured a series of stories about the somewhat unprecedented approach by the Australian Competition & Consumer Commission (ACCC) to rate parity commitments found in contracts between several international airlines and their distributor, FlightCentre. You might recall that the commitments were found by the ACCC to violate Australian anti-trust laws because the parties were determined to be "competitors" and not principals / agents as argued by the airlines and FlightCentre. This past week, the Australian Federal Court finally concluded the matter by imposing fines of \$9.25 million against FlightCentre.

### **Red Lion's Unorthodox Approach to Loyalty**

*("Red Lion CEO on the Myth of Loyalty Programs Driving Lots of Business," Skift Travel News, April 6, 2018)*

At the time Red Lion first announced its plans to "partner" with Expedia by offering Red Lion's discounted loyalty program rates through Expedia (which occurred at the height of the brands' much publicized direct booking campaigns), many (including myself) questioned the decision. According to Red Lion, offering these discounted rates to the third-party platform would provide Red Lion the opportunity to drive enrollment in the loyalty program through the Expedia platform. This past week's interview of Red Lion CEO, Greg Mount, by Skift, further details Red Lion's unorthodox views of loyalty and distribution. It will be interesting to see whether Red Lion's contrarian approach ultimately proves its naysayers wrong.

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### **Voice-Activated Device Update: Cortana**

*("Microsoft's new Cortana chief plans to put her smarts in more places," PC World Blogs, April 6, 2018)*

As you know, we periodically feature stories on voice-activated assistants and their use in the lodging and travel industries. As I have said many times before, I continue to believe that these AI-empowered platforms (in whatever device they may be found) will one day have a significant impact on travel. For those of you who may have wondered what happened to Microsoft's version of these platforms (a/k/a Cortana), we include in today's Update an in-depth interview with Microsoft's Cortana chief, Javier Soltero. While Cortana may not have invaded our homes like its competitors – Alexa or Siri – that doesn't mean that the platform doesn't have a future.

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Other news:

### **About half of our biz is through loyalty programmes: Marriott Intl CEO**

*Business Standard Companies & Industries, April 3, 2018*

Arne M Sorenson, president and chief executive officer of Marriott International, India's largest hotel company, talks about how he aims to capture the mid-market segment, the fastest growing for the sector, as they open their 100th hotel in Bengaluru. Edited excerpts. You are known for being a business that runs on the Marriot legacy of a family-centric value system for employees. How easy is that to implement in India? We have to be careful about universal truths that are not necessarily true when it comes to different cultures around the world. But there are some universal truths like people take pride in their work when they are allowed to do so, and they will if you give them enough power and mean it. That's what we have been about for decades. 'Take care of the associate, the associate will take care of the guest and the guest will come back again and again' is how we see it. Very few can write a \$13.5-billion cheque for an acquisition (Starwood) with the calmness you have. What's the secret? It is about execution and the big risk is that there will be a stumble afterward. The reason our stock has performed well is because we did not stumble. In fact we signed two new hotel deals a day last year - 770 hotels. Both companies said this is something we want to be a part of. Why did you buy Starwood? We initially decided not to pursue it but then changed our minds a few months later. We became convinced that we could do better by having more choices and more aspirational destinations. Starwood made us bigger with its loyalty programme. It was not about Airbnb, it was more about Google, Facebook and online travel agencies, and all of the technology platforms...

### **Skift Podcast: Travel Brands Want to Be Experience Platforms**

*Skift Travel News, March 29, 2018*

On this sponsored episode of the Skift podcast, we're diving into one of these trends: Travel Brands Want To Become Experience Platforms. We'll take a look at how travel brands are

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expanding beyond what they're known for doing in travel into new segments of travelers' experiences.