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OTA & Travel Distribution Update: Hilton's direct booking efforts enjoy success; Belgium's investigations into travel agency practices hit procedural snag; Shiji in the news again

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We begin this week's Update with some good news on the direct booking front. Enjoy.

Hilton's Direct Booking Efforts Enjoying Success

*“Hilton maintains focus on direct relationships as growth outstrips agency channel,”
Phocuswright, February 15, 2019)*

As part of its fourth quarter (2018) earnings call last week, Hilton shared some good news on the results of its ongoing direct booking efforts. According to Hilton CEO, Chris Nassetta, bookings on Hilton's direct web channels grew this past year at a rate three times the rate achieved by third party online booking channels. According to Nassetta, Hilton's direct channels (both offline and online) now represent approximately 75% of Hilton's total business (approximately one half coming through web channels). Naysayers might ask at what cost are these improvements being achieved, particularly given Hilton's heavy focus on loyalty program growth, which has been core part to Hilton's direct booking efforts. Whether these many investments by Hilton (and Hilton owners) to establish longer-term (loyal) relationships with guests will pay long term dividends (which are sustainable through the next inevitable economic downturn) remains to be seen.

Belgium's Investigations Into Travel Agency Practices Hit Procedural Snag

“Travel-agency, freight-handling antitrust probes closed in Belgium,” MLex, February 12, 2019)

(subscription required)

Responding to a recent ruling by the Brussels Court of Appeals, the Belgian Competition Authority (BCA) recently announced that it has been forced to close its pending investigations into the restrictive practices (e.g., surcharges, cancellation conditions and compensation) of travel agents. According to the Court, information collected as part of the BCA's five-year investigation (2006-2011) was collected without judicial approval and therefore could not be used. Without evidence of the allegedly restrictive practices, the BCA had no choice but to terminate the investigation.

Shiji in the News - Again!

("Alibaba-Backed Shiji Acquires IcePortal in a Bid to Manage Digital Hotel Content," Skift Travel News, February 14, 2019)

By now, readers should be familiar with Alibaba-backed hospitality technology company, Shiji. Shiji was back in the news this past week with its latest purchase of IcePortal, the widely used third-party manager and distributor of digital imagery. This latest purchase comes on the heels of Shiji's purchase of StayNTouch and Concept Software Systems, buyout of the remaining unowned interests in SnapShot and investment in Kalibri Labs, all in the past year. The company is still not done, however. According to reports issued by Shiji last week, it now seeks to purchase a majority interest in Hisense (an e-commerce platform company widely used by Asian hotels).

Major Hotel Brands Seek Dismissal of Anti-trust Suit

("Major Hotel Chains Seek to Dismiss Antitrust Suit - SE Texas Record," SE Texas Record, February 12, 2019)

The major hotel brands that are the subject of the pending anti-trust action brought by online travel agent, TravelPass, recently sought to dismiss the action, arguing that TravelPass had failed to allege facts supporting its claim that the brands had agreed (i.e. horizontal agreement) to eliminate inter-brand competition over keyword purchases and that even if such an agreement been reached, TravelPass would have benefited from the illegal lack of competition in its own hotel brand keyword purchases. Recall that in previous stories we've discussed the need for plaintiffs in these pending anti-trust cases against the hotel brands to prove an ("horizontal") agreement among the competing brands (as opposed to the type of vertical restraint that might exist in many forms of OTA agreements) in order to prevail. We will continue to keep you updated as this litigation proceeds.

Other news:

Enforcement Action Against OTAs 'Does Not Go Far Enough' - Travel Weekly

Hotel News Resource, February 14, 2019

Excerpt from Travel Weekly But Bed & Breakfast Association chairman David Weston said the CMA had failed to address a key complaint on 'rate parity' clauses. He said: "Rate-parity clauses in contracts prevent accommodation owners discounting their own prices to their own customers on their own sites. The OTAs demand commission - typically 15%-20% - and insist the B&B or hotel charge the commission-inclusive price to customers even when no commission is payable." Weston said: "We asked the CMA to ban rate-

parity clauses in the UK, as they have been in France, Italy, Austria and Germany."

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Authored by

[Greg Duff](#)

[Principal|Seattle](#)

[206.816.1470](tel:206.816.1470) greg.duff@foster.com