Duff on Hospitality Law

OTA & Travel Distribution Update – Oct. 27th, 2017

11.03.17

This week's OTA & Travel Distribution Update for the week ending October 27, 2017 is below. This week's Update includes a number of substantive stories on OTAs, particularly, European authorities' renewed interest in OTAs' allegedly questionable information practices.

Here We Go Again - UK's Competition and Markets Authority Re-Opens OTA Investigation [OTA]

("Hotel booking sites probed by consumer watchdog," BCC Front Page, October 27, 2017)

Those of you who followed the many OTA investigations conducted throughout the EU over the last few years will recall that the UK's Competition and Markets Authority's (CMA) predecessor, the Office of Fair Trading (OFT), initiated the effort by engaging in an on-again / off-again investigation that commenced in 2010. That investigation ultimately produced the idea of "closed group" discounts and little else. Well, the CMA is back. . . Last week the CMA announced that it was opening another investigation into third part booking sites to examine the clarity, accuracy and presentation of information to consumers on such sites. Taking a page from AH&LA and the many concerns it has voiced over the past year, the CMA plans to examine booking sites' sort order (e.g. how commissions might affect sort order - e.g. Expedia Accelerator), selling tactics (e.g. notices regarding the number of remaining available rooms), discount claims and hidden charges. As part of its investigation, the CMA is circulating questionnaires with distributors and soliciting feedback from hoteliers and consumers who use the sites (responses are due by December 15, 2017). Details regarding the recently announced investigation, contact details for those wishing to provide feedback and an interesting video about the investigation are all linked below.

Germany's Competition Authorities Also Take Another Look [OTA]

Germany's competition authority also announced plans last week to examine the practices (including

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ranking) of travel comparison sites. More details on the recently announced investigation to come.

Revenue Recognition Rules Changing [OTA]

("Owner Beware: Changes Coming for Recognizing Revenue under Online Travel Agency (OTA) Contracts," JD Supra – Banking and Finance, October 25, 2017)

Local accounting firm, Clark Nuber, and its hospitality practice group leader, Julie Eisenhauer, offered their assistance in interpreting recently issued changes to financial reporting standards around the proper recognition of revenues resulting from OTA bookings. As Julie explains in her article, the determination of whether revenue must now be recognized on a net / discounted basis or gross basis comes down to control of the guest rooms at issue. While it may be clear that hoteliers are ultimately responsible for providing the contracted guest rooms (and that most distributors avoid taking any inventory risk), it becomes far less clear and most likely determined on a case by case when identifying the party who controls how the guest rooms are made available and under what conditions. Bottom line . . . it may no longer matter whether rooms are distributed on a net rate / merchant model basis or retail / commissionable basis for purposes of proper revenue recognition.

Expedia Abandoning Price-Match Guarantee [OTA]

("Expedia Axes Its Price-Matching Guarantee in a Sharp Break From the Past," Skift Travel News, October 24, 2017)

In a somewhat surprising move, Expedia announced earlier this month that it was abandoning its best price guarantee. While there is much speculation as to the reasons behind Expedia's sudden change - including EU regulators' re-examination of Expedia and other distributors (see above), the availability of certain lower hotelier loyalty program rates on Expedia's site, the effectiveness of brands' direct booking campaigns or a possible re-emphasis of the many benefits on Expedia's own loyalty program - the change should at least provide hoteliers the opportunity to strike the troublesome best-rate guarantee price matching provision found in most Expedia distribution agreements. It will be interesting to see whether Expedia-owned websites drop similar guarantees or whether competing Priceline Group companies follow Expedia's lead. Stay tuned.

Other news:

Expedia Inc Q3s home in on HomeAway

Tnooz News feed, October 27, 2017

HomeAway has been given an noticeably higher profile in parent company Expedia Inc's latest earnings release, with bosses talking in terms of...

Growth Juggernaut Trivago Sees Revenue Slump Coming as Biggest Customers Pull Back

Skift Travel News, October 25, 2017

Expedia's fast-growing hotel search site Trivago may see its pace of growth stall as both Expedia and rival

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The Priceline Group have pulled back on spending. This is an extraordinary development given the fact that Trivago was one of Expedia's growth engines and there was seemingly no end in sight…

Posted in OTA Update

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