

OTA & Travel Distribution Update: Expedia gets tough with United amidst ticket-distribution costs battle; Trivago's recent changes may anger advertisers; U.K. investigation forces changes at Expedia & Booking.com

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Expedia Gets Tough

(“Expedia sues United in fight over ticket-distribution costs,” Seattle Times – Business, February 6, 2019)

Although several sources reported late Friday that Expedia and United have agreed to temporarily suspend their court battle, Expedia's willingness to pursue claims against United in the midst of contract negotiations is nonetheless interesting and, perhaps even, telling. Is the lawsuit a sign that Expedia is growing tired generally of travel suppliers' threats to not renew (or even terminate) critical supplier agreements in efforts to obtain better contract terms? Or is the lawsuit simply a last ditch effort to ensure that a critical supplier continues to make good on its clear and unambiguous contractual commitment to provide the online booking platform critical travel products? Here's what we know... According to the heavily redacted complaint (see attached) filed in the Federal District Court for the Southern District of New York, Expedia is seeking a declaration that United's threatened withholding of flight data is a breach of the parties' long-standing contract, an injunction prohibiting United from following through on its threatened action and damages in an amount to be proven at trial. The dispute centers around United's plan to withhold flight information beginning in October,

which Expedia alleges (and United apparently acknowledges) is the result of Expedia's refusal last August to renegotiate key terms and conditions of the parties' supplier agreement. According to Expedia, United has no contractual basis to withhold the information and by carrying through with the threat would harm thousands of Expedia customers. Whether the current stay remains in effect or the parties' elect to re-engage in their New York jousting, we will continue to keep you updated.

Trivago's Recent Changes May Again Anger Advertisers

("Trivago Courts Booking's Wrath in Move to Boost Repeat Customers," Skift Travel News, February 6, 2019)

In last week's fourth quarter earnings call, Trivago executives finally shared details of its previously announced changes to the metasearch site's user interface. According to Trivago, the changes are designed to keep users on its site and application longer, thereby delaying the metasearch site's redirection of users to advertisers' booking sites. While this new approach runs counter to price-comparison site best practices (which traditionally seek to re-direct users off the price-comparison site as soon as possible), Trivago executives claim that the change will result in more loyal users (and ultimately, customers). While that may or may not be the case long term, the immediate effect of the change (as measured over the fourth quarter) was a 19% reduction in the number of unique visitors referred by Trivago to advertisers each day. Whether advertisers react negatively to the change (and significantly reduce their advertising as Booking Holdings did with prior changes at Trivago) remains to be seen.

UK Investigation Forces Changes at Expedia and Booking.com

("Expedia and Booking Agree to Changes on Search After UK Investigation," Skift Travel News, February 6, 2019)

For some time now, we have been reporting on the UK's Competition and Market Authority's (CMA) ongoing investigation into the commercial practices (e.g., pressure selling, misleading discounts and commission-based sort order practices) of several Expedia Group and Booking Holdings brands. This past week, the CMA announced that both companies had "voluntarily" agreed to make changes to their commercial practices, including reducing pressure selling tactics, promoting only hotels that are available and including all applicable charges in a room's headline price. These changes are set to take effect on September 1st. What these changes might mean for hoteliers using these platforms (e.g. Booking.com's Preferred Program or Expedia's Accelerator) remains to be seen.

Other news:

Travel agency remakes itself to entice millennials

Seattle Business Journal, February 3, 2019

Millennials aren't big travel agency users so the owners of 58 Stars are turning to the latest retail craze - pop-up travel kiosks - to meet and sell workers on the benefits of taking unique holiday trips.

Travel Tripper Merges With Pegasus in Hotel Tech Rollup

Skift Travel News, February 6, 2019

Accel-KKR, a U.S. private equity firm, is betting on growth in hotel technology by underwriting the merger of two hospitality technology providers: Travel Tripper and Pegasus. The companies didn't disclose the terms of the deal, revealed to Skift on Monday, or how much they had previously raised on their own. No investor has a controlling share of the combined entity, said Gautam Lulla, president of Travel Tripper and the new entity. After the companies fully merge, one of the brands may disappear. Together, they serve about 5,500 hotels and touch approximately 16 million bookings a year. Central reservation systems, a product provided by both companies, sit at the center of a lot of data and revenue generation for hotels. "Pegasus has always been strong at distribution-facing connectivity," said George Roukas, a partner at consultancy Hudson Crossing.

Accommodation Association of Australia CEO Urges Senate to Kill OTA Rate Parity

Hotel News Resource, February 5, 2019

Price Parity as a practice must be banned – Accommodation Association of Australia CEO Richard Munro told a Federal Senate inquiry in Melbourne yesterday. Munro was testifying before a Senate hearing into a proposed Amendment to Treasury Laws aimed at ensuring offshore-based multinationals pay their fair share of tax in Australia and prevent passing on any tax increases directly to contracted accommodation providers. Under current contracts between some major online travel agents and individual accommodation providers, clauses are in place legally prohibiting hotels, motels and serviced apartments from competing against the big OTAs with their own promotions or reduced rate offers. Munro said any tax increase levied against online travel agents will simply be passed on and would have to be absorbed by accommodation providers as they were unable to raise their own rates to compensate.

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