Duff on Hospitality Law

OTA & Travel Distribution Update: Expedia's first-quarter earnings release captivates main headlines; two major airlines with contrasting approaches to distribution; Facebook and Instagram give business profiles new retail storefronts

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This week's OTA & Travel Distribution Update includes a greater number of stories than usual given the ever-changing COVID-19 situation. I hope you enjoy.

Expedia's Quarterly Earnings Release Garners the Week's Headlines

("Expedia Group CEO Peter Kern: 'Google's a problem for everyone who sells something online," GeekWire on May 22, 2020)

Given the amount of coverage last week paid to Expedia's first-quarter earnings release, it was necessary to feature at least one story highlighting the release's key takeaways. In fact, we included three stories, with one from our favorite Seattle-based publication, Geekwire. Some of the points that caught my attention include (1) leadership's continued focus on Google and its increasing influence in online travel, (2) the relatively strongperformance of VRBO and travelers' interest in whole-home accommodations post-COVID-19, and (3) Expedia's opportunistic view of the pandemic and hotels' resulting need for occupancy (which may present the same kinds of opportunities for Expedia and other OTAs that existed following 9/11).

Two Airlines: Two Very Different Perspectives on Distribution

("Southwest Airlines Expands Booking Access and Content in the GDS to Reach More Business Travelers,"

Skift on May 19, 2020, "Sabre and Lufthansa are at an impasse," May 21, 2020 via travelweekly.com)
Stories released last week provided two very different perspectives on airline distribution. On one hand, the maverick: Long-time outsider to traditional distribution channels, Southwest, is continuing its efforts to improve its corporate booking opportunities by providing the majority of its content and booking functionality on the three major global distribution systems - Amadeus, Travelport and Sabre. The move, coming after nearly 50 years of operation and distribution largely through its proprietary corporate booking channel, is seen by many in the industry as better positioning the airline for the inevitable return of corporate travel post pandemic. On the other hand, the traditionalist: Long-time GDS participant, Lufthansa Group (parent to Lufthansa and other European airlines), notified travel agents last week that Sabre had terminated the airlines' distribution agreement. The termination is seen by many as a culmination of the parties' yearslong distribution dispute and a possible seismic shift away (aided perhaps by the pandemic and resulting industry-wide reset) from traditional distribution channels (GDS) to newer distribution technologies - like The International Air Transport Association (IATA)'s New Distribution Capability (NDC). Who is right?Let the debate begin.

Facebook and Instagram Launch New Retail Storefronts
("Facebook and Instagram roll out Shops, turning business profiles into storefronts," May 19, 2020 via TechCrunch)
Seeking to capitalize on e-commerce's explosive growth these past weeks and months, last week, Facebook and Instagram announced a new functionality that will allow users of the two platforms to purchase goods and services directly from a business's Facebook Page or Instagram profile without leaving the platforms. Nearly a million businesses have already signed up to be part of the initial test of the new functionality. According to Facebook, participating businesses will pay a small fee for transactions completed through the platforms. This presents yet another distribution channel opportunity for travel industry members...

Parity Update: Australia and South Korea
("Platforms including Booking.com, Expedia still enforce parity clauses, Australian hotels say," May 23, 2020, "Antitrust decision against Booking.com to change its no-refund policy overturned by Seoul High Court," May 20, 2020, "Expedia contacted by South Korean regulator in February over contracts with local hotels," May 23, 2020 via MLEX Insight)
Another Update with more reports on parity with two that came out of South Korean and Australia last week. Booking.com scored a victory in South Korea as the Seoul High Court overturned a February 12, 2019 corrective order from the Korea Free Trade Commission (KFTC) requiring Booking.com to amend its no refund cancellation policy. Additional news involving the KFTC was contained in Expedia's first quarter earnings report where Expedia disclosed that in February, it had been contacted by the KFTC over its rate parity contracting practices with South Korean hotels. And finally, in Australia, hoteliers have taken their concerns over OTAs' practices to the Australian Competition & Consumer Commission, arguing that programs such as Booking.com's Booking.Basic allow the OTAs to circumvent the limits (and supposed pro-competitive benefits) associated with the previously agreed "narrow" approach to rate parity.

Weird (Beltless) Trivago Guy May Be Returning

("Back to the Future: Trivago Shifts Strategy With Plans to Return to Bigger TV Ad Push," May 18, 2020 via Skift)

That's all I can really say about this story.

Other news:

Expedia Group Makes Tech Changes, Sees Progress with Vrbo Bookings

May 21, 2020 via Hotel Business – News

During Expedia Group Inc.'s first-quarter earnings call, Vice Chairman/CEO Peter Kern noted that, like all travel companies, Expedia had felt the effects of the COVID-19 pandemic. However, he pointed to cost-saving measures the company had already put in place earlier in the year-a strategy that was accelerated by COVID-19-and the fundraising of additional capital as ways the company is positioning itself for the recovery.

Trip.com Group's Acquisition of Travix Hints at Appeal of Smaller Travel Agencies

May 21, 2020 via Skift Travel News

Smaller online travel agencies try to make money by grabbing nickels and eurocent coins ahead of the steamrollers of global advertising behemoths. The underreported story of why China's largest travel company acquired a tiny Dutch travel group highlights the phenomenon.

Tour Operators: It’s Time to Stop Fighting Online Travel Agencies

May 21, 2020 via Phocus Wire

In the last couple of months, there’s been a rising sentiment against online travel agencies (OTAs) within the tours and activities industry. Companies like Tripadvisor/Viator, GetYourGuide, Klook and Expedia have been at the front and center of discussion, controversy and – let’s say it – criticism, among the in-destination community.

DerbySoft Establishes New Partnerships with Airbnb and HotelTonight

May 20, 2020 via Hotel News Resource

DerbySoft, a leader in high-performance distribution services with more than 400 connections to online travel agencies, wholesalers and tour operating groups globally, is building new connections with Airbnb and HotelTonight.

[The Travel Industry Refunds Conundrum: Survival Versus Doing the Right Thing]

May 20, 2020 via Skift Travel News

If you ordered a book and it never arrived, you'd expect a refund. Simple. But if you booked a hotel and couldn't get there because of lockdowns, you'd probably have to fight with the hotel or online travel agency for your refund - unless the government required cash back.

[How You Search for Travel Will Change and One Top Site Is Getting Ready]

May 20, 2020 via Hospitality Net – Latest Industry News

The travel industry has been decimated, more so than any other in the pandemic. And the big players face a long, road back. One company whose mission is to help people find accommodations is hoping to reimagine its role in the months ahead.

[Expedia Group CEO Peter Kern on Navigating a Frenemy Relationship With Airbnb]

May 22, 2020 via Skift Travel News

There have been whispers - mostly uninformed - that because private equity firm [Silver Lake recently invested $1.2 billion in Expedia Group] and [$1 billion in Airbnb] that the two rivals might have a merger in their future plans. Newly appointed Expedia Group CEO Peter Kern, who has private equity experience of his own as a former managing partner of InterMedia Partners, spoke with Skift earlier this week about Silver Lake, Airbnb, Google, and his views on mergers and acquisitions in the coronavirus era.

[Expedia CEO Details Anti-Google Game Plan]

May 20, 2020 via Skift

Can Expedia Group wean itself away from Google and avoid performance marketing spending when it doesn't hit return on investment targets? New CEO Peter Kern said the coronavirus crisis presents an opportunity to chase these goals. Kern will be judged on what progress he can make toward achieving such previously elusive ambitions.

Posted in OTA Update

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