Sector Inquiry on the market of online room reservations in Hungary

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Zsófia Tari
Hungarian Competition Authority - GVH

Gazdasági Versenyhivatal

GVH negyed évszázada a tiszta versenyért, a fogyasztók szolgálatában

Background and information sources of the sector inquiry

July 2013 – The GVH initiated a sector inquiry on the **online room reservation market** of the tourism sector with a particular focus on the effects of the so called **'rate parity' phenomenon** used by online travel agencies (OTAs)

<u>Sources of information</u>

1. Publicly available data on the market (e.g. from the Hungarian Central Statistical Office)
2. Requests for information (RFI) to different market players (in 2013 and 2015)
3. **Consumer survey** conducted in 2015 by a Hungarian research company specialised in online research (NRC)

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The structure of the sector inquiry

1. General introduction of the room reservation market, types of undertakings and legal regulation environment
2. Theoretical background of two sided markets
3. The participants of the two sided markets (OTAs, hotels and consumers)
4. Contractual conditions and MFN clauses
5. International experiences in the sector
6. Conclusions of the GVH

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Consumer survey

Target group: Internet users between the ages of 18 and 65, who had travelled at least once in the last 12 month (inland or abroad), N=800

Ratio of travellers in the target group

	1-3 nights	>4 nights	
Inland	84%	51%	88%
Abroad	37%	33%	44%
	95%	68%	

(Ratio of travellers in the whole population)

	1-3 nights	>4 nights
Inland	30%	19%
Abroad	12%	15%

Survey prepared by NRC Piackutató Kft., 2014.

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Information sources and booking channels

	INLAND		ABROAD			
	INFORMATION	*BOOKING*	*INFORMATION*		*BOOKING*	
accommodation provider's own webpage	**63%**	**54%**	**47%**	-16%	**44%**	-10%
OTA	**50%**	**42%**	**49%**	-1%	**42%**	
calling the accommodation provider's directly via telephone	**39%**	**48%**	**20%**	-19%	**24%**	-24%
social media	**26%**	**9%**	**18%**	**-8%**	**9%**	
independently and spontaneously (on the spot)	**16%**	**12%**	**12%**	-4%	**12%**	
travel agency	**9%**	**8%**	**32%**	+23%	**31%**	+23%
otherwise	**3%**	**2%**	**6%**		**5%**	

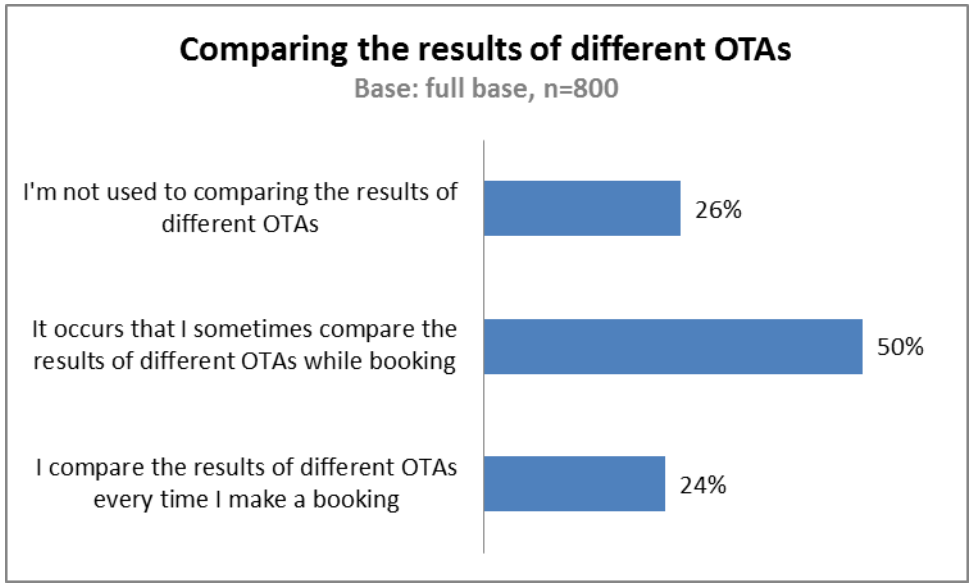
The accommodation providers' own webpage and OTAs are the most used channels for **information research**

Inland travellers prefer direct channels for **booking**, mostly using the accommodation's webpage or calling the accommodation provider directly; OTAs are only the third option for them.

Respondents who travel to abroad still prefer the accommodation's webpage for booking, but OTAs for them are second in the ranking.

Travel agencies are more appreciated among travellers travelling abroad.

Comparing the results of OTAs



Three-quarters compare the search results of different OTAs at least occasionally

One-quarter of them makes the comparison every time

benefit of **reduced searching costs** do NOT clearly show up

Goal of the comparison: to check the prices

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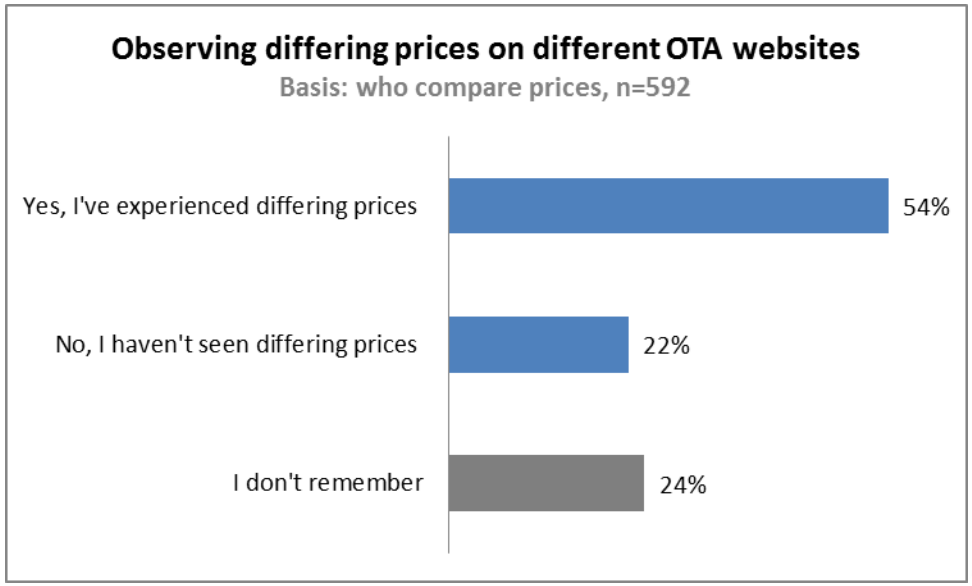
Differing prices on OTA sites

Given the wide use of APPA clauses it is quite surprising that **more than half** the respondents who compare prices **experienced differing prices** for the same accommodation on different websites.

Only one-fifth of them said to have found the same prices for the same accommodation on different OTAs.

Though 50% of those who experienced differing prices could not name the '*cheapest*' site



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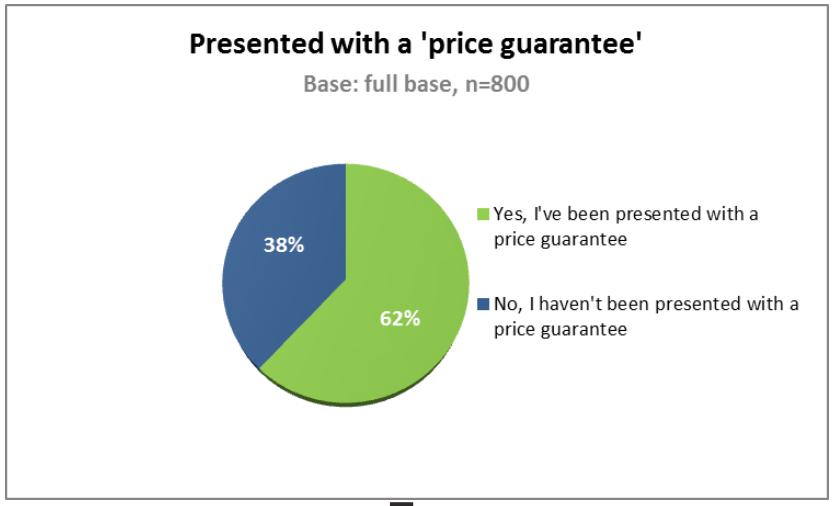
The effect of ’price guarantee’



Almost two-thirds of Hungarian travellers have met with the promise of a ’price guarantee’

One-third of them seemed to believe the promise

If we consider the ’price guarantee’ as a marketing tool it does not seem to prove so successful among Hungarian travellers

But if we consider it as a tool to verify the application of the APPA clause by the accommodation provider, it might be efficient

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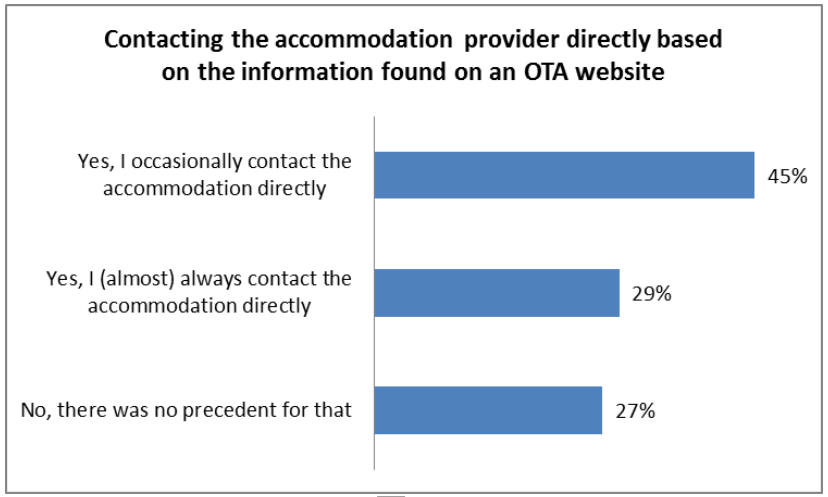
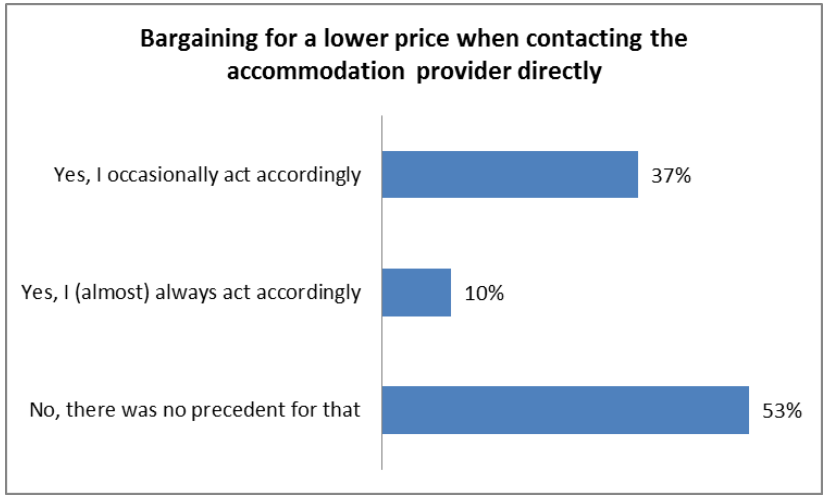
The ’free-riding’ defence





Almost three-quarters of the respondents contact the accommodation provider directly from time to time based on the information found on an OTA site

Approximately half of them try to negotiate the prices at least occasionally

People with higher education and ‘heavy’ travellers are overrepresented in both groups.

If we consider ‘heavy’ travellers as ‘opinion leaders’, this rate can be even higher in the future

The fear of OTAs of ‘free-riding’ might be valid

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The conclusions of the sector inquiry

1. **Market**: two sided, innovation, concentrated, Hungarian language is a must
2. **Market entry**: big database is necessary, only innovative undertakings have a chance, from 2011 to 2015 no new market entry
3. **Relationship of the undertakings**: OTAs have important role, but not indispensable
4. **Rate parity**: no intrabrand competition, uniform prices on the market
5. **Free riding**: pre sale services are determinative in the sector (searching, comparing, comments, pictures) – easy to free ride

   -half of the Hungarians try to leave out OTAs at least occasionally

The conclusions of the sector inquiry

6. Possible solution: narrow MFN (parity clauses does not cover bookings via phone, fax, e-mail etc. and other OTAs)

→ desirable effect: lower and differentiated commission

GVH negyvenöt éve a tiszta versenyért, a fogyasztók szolgálatában

Next steps

ECN Monitoring working group

Hungary is participating in the work of the Monitoring WG to monitor the effects of the introduction of narrow/no MFN.

The internal report will be presented on the DG's Meeting on 17 Nov.

Thank you for your attention!

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