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Benchmarks of Fair Practices in Online Distribution

(Version 2014)

Preamble:

This paper has been elaborated by the members of HOTREC as more and more hoteliers worry about their unfair treatment by intermediaries. The over 200.000 hotels and similar establishments across Europe (most of them micro, small and medium enterprises) find it often difficult to withstand the power of intermediaries in online distribution, and feel losing the control over their products. Moreover they also face negative developments effecting the guests, which at the end are making use of the hotels' services. Therefore, the proposed Benchmarks below suggest solutions for a more transparent and balanced market environment which shall at the end ensure that guests are satisfied by taking decisions thanks to transparent and reliable information.

Online distribution is getting more and more important for the hospitality industry in Europe. And at the same time the industry is getting more and more dependent on few major players. On average more than one-third* of all hotel rooms in Europe are nowadays bought online and this market share is still growing rapidly.

Over the last few years Online Travel Agencies (OTAs), Online Review Sites and (Meta-) Search Engines have converged more and more from the perspective of the consumer. Nowadays OTAs offer hotel reviews and the majority of Review Provider Sites offer booking links vice versa. Search Engines have shown up with review tools and major players among them are now owned by OTAs. As a rather new phenomenon so called Peer-to-Peer Platforms have popped up as competitors to the aforementioned granting availability to fragmented private and usually unregulated accommodation units.

Overall, the number of relevant market intermediates is declining significantly and the markets are showing tendencies towards at least a narrow oligopoly. In the course of this developments the atomistically structured hospitality markets in Europe, that are still characterized by small and medium sized enterprises, are facing practises in the field of digital distribution, online hotel reviews and meta searches that more and more hoteliers consider to be imbalanced or unfair.

Rate, distribution and product sovereignty must remain with the hotel. Whereas this general market principle should be a matter of course, an increasing number of hotels is losing control of their genuine product as a consequence of emerging pressure by distribution partners.

Therefore, HOTREC releases these **Benchmarks of Fair Practises in Online Distribution** to keep the markets transparent, open and competitive for the benefit of guests, intermediates and hotels:

* Roland Schegg, European Hotel Distribution Study 2014: The Rise of Online Intermediaries, Institute for Tourism of the University of Applied Sciences Western Switzerland Valais (HES-SO Valais), July 2014

1. No unauthorized use of hotel brands for e.g. search engine marketing (SEM), domain names (grabbing) and other types of online-marketing.

Some distribution partners use protected hotel brands for their search engine marketing to divert online requests to their sites. Occupying web domains, which feature an explicit similarity to existing branded internet presences of hotels, in order to generate more hits should be refrained from. Keyword advertising on hotel names by OTAs and meta search engines is to be banned per se.

2. No mandatory rate parity

Rate parity mandatorily imposed by distribution partners maintains identical rates for the same room type and identical booking conditions across all online and even offline channels. This wide spread term is leveraging out the pricing as a key market instrument at the disposition of the hotel entrepreneur and distorts competition results. There is already official reference stating that rate parity is in breach of European competition rules.

3. No mandatory availability parity

If the hotel is obliged by contract to grant any potential online or even offline availability of rooms simultaneously to all distribution partners, basic competition forces are brought out of kilter. Granting availability even of the last room ("LRA") at any time to an online distribution agent undermines the hotel management's capacities.

4. No minimum availability

The demand from distribution partners for a minimum level of availability of rooms in number and/or type is an important market barrier especially for small and medium sized hotels and hotels with seasonal peaks of demand.

5. No mandatory access to all of the hotel's offers (no "full content")

A hotel being driven to deliver the full range of all its room and packages types at the disposition of distribution partners loses its necessary flexibility to adjust to market requirements.

6. No intransparent auction models (no "biasing")

The customer should be made aware if the genuine ranking list of OTAs, Online Review Providers and hotel meta search engines is subject to other criteria as star categories, guests' recommendations, rates or distances. Especially, if the ranking is influenced by the amount of additional commission a hotel is willing to spend, and more generally by the fulfilment of contractual conditions by the hotel (early payment of commissions, compliance with parity clauses...), the customer must be informed about this policy.

7. Clearness and truth about rates and availabilities

Distribution partners shouldn't advertise discount rates on the web that they haven't contracted with the hotel and that they are unable to deliver just for the sole purpose to divert demand from the hotel's own website. Customers shouldn't be set under psychological booking pressure for instance by indicating "scarcities" (e.g. "Last chance! We have only 1 room left!", "38 people booked this hotel in the last 24 hours", "21 people are looking at this hotel right now" etc.). Moreover, truthful information on availabilities shall be displayed (e.g. OTAs should say that there is no more availability on their website).

8. Adequate reaction times

Distribution partners grant their hotel partners a period ranging from 2 days to 6 weeks to adjust the lists of bookings according to no shows and cancellations before the commission payment is determined. In particular, small and medium sized hotels need a longer period than just a few days to perform this exercise and to prevent damages.

9. No commissions on “No shows”, taxes or non-pre-booked services

Distribution partners shouldn't enforce commissions for a turnover that hasn't been realized or conveyed by them in the end.

10. Cooperation with qualified channel managers

Notably small and medium sized hotels are relying on the support of channel managers to cope with the challenges of digital distribution. Therefore online distribution partners shouldn't refuse co-operation with qualified channel management tools.

11. Distribution channels must be agreed upon bindingly

The hotel should be informed by the contracting partners on their distribution channels and their potential affiliate programmes that they are going to serve with the hotel's offers. This information should be made available in advance and/or the hotel should be granted the right to make adjustments later on.

12. No unauthorized “depacketizing”

Rates that have been designated to tour operators to be sold to the customer in travel packages only must not melt into the free web offer as a “rooms only” deal.

13. Official star classification

Distribution partners should refrain from using undeclared “portal stars”. In fact they should respect and ensure the correct display of official hotel stars and match the star data base with the official sources regularly. They should supply information about the official star classification in accordance with the system in place in the country/countries concerned. Star symbols must not be used for guest reviews, so as to avoid any confusion with official hotel classifications.

14. Search engines should honour the best organic fit

Organic search results for hotels and restaurants must have a fair chance to be displayed by search engines directly and not only via paid aggregators like OTAs, review sites or third party's meta search engines. As a general rule not more than 30% of a search engine result page (SERP), visible on any screen, should be occupied by paid services and the rest of the space should be reserved for organic search results.

15. Meta search engines should crawl hotel websites and display them equally

Meta search engines should include the hotel websites or the hotel companies' computer reservation systems (CRS) into their range of offer and display the results equally. If the best available rate is to be found on the hotel's website, the customer should be informed about.

16. Terminology should be according to EN ISO 18513:2003

Distribution partners shouldn't admix the offers of hotels and other types of accommodation. The character of any accommodation establishment must be clearly identifiable by the guest. Any categorisation should be according to the terminology defined by the international and European standard EN ISO 18513:2003.

17. Guest reviews must be prevented from manipulation, misuse and fraud

17.1. Respect of non-discrimination

Booking and review sites shall ensure that European and national non-discrimination laws in the country of the property are respected at all stages, also by the guests.

17.2. Editorial control

Guest reviews should only be published after verification by qualified editorial staff of the authenticity, reliability, and legality of the entry.

17.3. Anonymity

Even though anonymity is essential, the site provider should check the identity of users and thus reconfirm e-mail addresses used by guests and exclude temporary e-mail addresses.

In addition, the site providers should provide incentives that the reviewers do not hide (even with critical remarks) behind the anonymity of the internet. The reviewers should be able to decide themselves (for example through an opt-in box with anytime revocability) how they want to cope with a possible request of the reviewed hotel.

17.4. Actual guests

Site providers should ensure that reviews of a hotel are provided only by guests, who have actually stayed in the hotel. Therefore, guests should indicate their date of stay in the hotel and only refer to hotel facilities they have actually made use of in the hotel. Guests should have the possibility to express their comments also via "open" texts.

17.5. Neutrality

Information displayed on review sites should be truthful and not biased impurely towards the user in order to divert him to third parties' booking channels or for other motives.

17.6. Quality assurance

The review site should indicate the source of individual reviews, if they originally stem from a third party's website in order to give guests and hoteliers the possibility to trace back the review.

17.7. Correct and up-to-date data

Site providers should ensure that hotel contact data, basic contents, availability or rate figures shown on their sites are displayed accurately, and that changes requested by the property owners to these data are carried out promptly.

Sites should only display current reviews. After a maximum of two years, reviews should no longer influence the rating and should be deleted automatically.

17.8. Evaluation criteria

Review suppliers should provide the user with evaluation criteria, which are relevant, with appropriate levels of detail, commensurate with the characteristics of the hotel, and be open for additional questions on request by the hotel.

17.9. Right of reply

In case a review is posted (positive or negative), sites should automatically inform the hotel about it (e.g. by an e-mail “alert” system) and offer the hotel the chance to react. Such a procedure will allow the hotel to assess and manage guest complaints actively and promptly. When available, use should also be made of the official ombudspersons for the hotel industry and their mediation services.

17.10. Legal certainty

Reviews should be truthful and based on the personal experiences of their authors. Hoteliers have a legal right of protection against defamatory criticisms, blackmailing, etc. and users should be informed thereof. False factual statements should be removed from sites in a quick and non-bureaucratic manner.

18. Transparency

Providers should indicate the nature of their business in order to make clear to the users, whether these latter are visiting e.g. a travel community and/or a site providing reviews only or an online travel agent providing booking facilities directly or indirectly.

19. Same requirements for similar services

Offers available via Peer-to-Peer Platforms, which provide accommodation services with a market appearance comparable to hotels from the perspective of the guest have to respect and must be subject to the same rules and regulations that are applied to hotel enterprises.

20. No display of illegal accommodation offers

Booking portals and in particular Peer-to-Peer Platforms should take responsibility and consequences to ensure that no illegal offers are displayed on their websites.

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