

The dark side of online travel booking: Fed up small businesses call for ACCC action

MATTHEW ELMAS / Tuesday, September 11, 2018

The ACCC has confirmed it is investigating whether to take action to address issues within the online travel booking industry, amid persistent concerns that independent hotel and motel operators are being ripped off by online travel agents (OTAs).

Online travel booking agents (OTAs), such as **booking.com and Expedia**, have exploded in popularity in recent years, but members of the industry say the proliferation of the services is having an unprecedented impact on small businesses in the sector.

It comes as calls to address conduct in the industry mount, with outspoken entrepreneur Dick Smith last week slamming OTAs for “extorting money” out of local businesses.

Operators report signing contracts with so-called ‘pay parity’ clauses that prevent them from advertising cheaper rates on their websites than those listed by OTAs.

Another, who asked not to be named for fear of retribution, says they were threatened with being thrown off one online booking site for violating a pay parity clause.

“They said they would kick us off the platform,” the business owner says. “It feels like some kind of extortion.”

A spokesman for long term established Axis Travel Centre in South Australia, commented that **“Travel Agents have access to all rates advertised in all cases , as we also have computers but also many times we can offer better rates, in different or same room categories with other value added items, with the added benefit of giving clients a human contact point and not risking their credit card and other personal data in being placed online”**

When asked about the current intense advertising being invested by the OTA companies **“An important facet of the advertising being made by the OTA’s is that millions of dollars are being spent by them that is extracted, or should I say stolen, from the marketing dollars that Hotels pay them that absolutely no Travel Agency can match on such a mammoth level of spend, nor should we. Quality travel agents spend those monies investing in consistent staff training, updating our expertise and annual investments in professional standards that OTA websites and Toll free numbers need not adhere to. Overall the message to travelers is that they should understand that OTA marketing does not equate to the best deal at all, it is just their ruthless ability to convince consumers that they are getting the best deal, when they truly are not”**

“We’d go out of business”

These operators feel as though they’re being “ripped off” by the platforms but say that they’ve got little choice but to sign-up due to the popularity of OTAs with consumers.

“We’d go out of business if we weren’t on these sites,” says one motel owner, who derives 80% of their business from OTAs.

“I don’t know a single property that’s not listed.”

Others said ditching the platforms isn’t an option because search-engine listings prioritise larger platforms over the websites of independent players.

The small business owners *SmartCompany* spoke to are not alone. A recent survey of 6,500 independent accommodation providers carried out by the Australian Accommodation Association found OTAs are playing on the minds of many operators.

“This is the number one issue in our industry,” Richard Munro, chief executive of the association, told *SmartCompany*.

Munro says businesses are facing losing 30-60% of their business overnight if they were to be kicked off online booking platforms, forcing them into a position of compliance.

“We want operators that have made long term investments to have the right to be able to put prices to consumers that don’t have to be equal or above what the OTAs have,” he says.

Better rankings

Compounding concerns, emails sent to an owner by Expedia and seen by *SmartCompany* show operators are also competing for search rankings within the platforms themselves.

A listing assessment sent to one owner notifying them of a “very poor” listing warned their access to features could be affected

The email said the offer was intended to “assist” the owner with “assessing the competitiveness” of their property if they “wished to do so”.

Expedia Group did not respond to requests for comment when contacted by *SmartCompany*, but booking.com spokesperson Jaime de Silva says search rankings aren’t determined by rates on its platform.

However, booking.com does have a preferred partner program that it uses to provide a selected group of partners with more prominent listings on its website.

“It’s a choice”

De Silva said booking.com processes 1.5 million bookings globally every day, which makes the platform a valuable “marketing tool” for small businesses.

“It’s a choice. If they feel that booking.com doesn’t bring them a big return ... then they’re free to take their marketing dollars elsewhere,” she says.

OTA “duopoly” But many small accommodation providers believe the size of the big OTA companies makes them impossible to ignore.

Expedia Group — which owns namesake Expedia, Hotels.com, Trivago, Wotif and Stayz.com.au— says it operates more than 200 travel booking sites across 75 countries, posting \$US10.7 billion (\$15 billion) in revenue for the year ended 30 June. The company acquired Australian-founded Wotif.com for \$703 million in 2014.

Booking Holdings — which owns Booking.com, Priceline.com Kayak and Agoda— says it operates in more than 220 countries and generated more than US\$81 billion (\$113.9 billion) in gross bookings in 2017.

Together Booking.com and Expedia Group account for 53.1% of Australia’s \$1 billion online travel booking market, which has grown at an annual rate of 16% over the last five years, according to IBISWorld.

Push for ACCC action The combined market power of the companies is raising eyebrows with local regulators and small business advocates.

Australian Small Business and Family Enterprise Ombudsman Kate Carnell says **she’s had multiple complaints from small businesses about the conduct of OTAs.**

“This is a huge issue ... [operators] can’t afford not to deal with them, but they can’t advertise their own rooms separately for anything less,” she told *SmartCompany*.

Carnell believes the size of the OTA giants may merit the creation of a legislated code of conduct, similar to the way in which the ACCC regulates large operators in the grocery space, including supermarkets Coles and Woolworths.

“A clause that stops a business being able to market its own rooms at a lower price than on their own platform is restrictive trade and that’s not okay,” she says.

Small business owners *SmartCompany* spoke to also called for renewed action, with one saying that they felt as though the ACCC had dropped the ball in 2016. “The government needs to push the ACCC to act,” they said.

Overseas, regulators in Europe and the UK are already taking actions to safeguard businesses and consumers against the conduct of OTAs.

The UK’s competition and markets authority (CMA) launched enforcement action against hotel booking sites earlier this year, saying that it had “widespread concerns” about the conduct of online platforms. Meanwhile, regulators in Italy, France and Germany have outlawed parity rates.

In a statement provided to *SmartCompany*, the ACCC said it is assessing whether further action within the online travel booking industry is warranted.

“The ACCC continues to look into potential issues within the online travel booking industry, including parity clauses, to see if further action is warranted to improve competition and business practice,” a spokesperson said.