

## **The GVH continues to monitor the hotel booking market after closing its sectoral inquiry**

**The Hungarian Competition Authority (Gazdasági Versenyhivatal, GVH) prepared its report on its sectoral inquiry on the online accommodation booking market. Due to the positive changes that took place on the market during the sectoral inquiry, the GVH does not foresee intervention this year. However, as a member of the Monitoring Working Group in the framework of the European Competition Network it continues to monitor market developments.**

In the summer of 2013 the GVH launched a sectoral inquiry into the hotel online booking market due to the identification of phenomena in the contracting practices of the online intermediaries which indicated that the competition between online travel agencies (OTAs)/online booking portals offering the same hotel rooms was restricted.

The sectoral inquiry focused on the so-called ‘price parity clause’ which could be found in the agreements of both international and large domestic OTAs. Pursuant to such a clause a hotel binds itself not to offer its rooms for prices that are lower than those given to the website of the OTA on other distribution channels.

According to the online intermediaries the use of parity clauses served the protection of their investments. Considering that a significant part of the services provided in the course of the hotel intermediary activity (search, comparison, views of pictures and ratings) is free of charge and available also prior to the booking, the investments of the intermediaries in the supporting IT systems might easily be abused (free-riding).

Pursuant to the conclusions of the sectoral inquiry, the benefit of the price parity was seen in the form of a reduction of the searching costs (searching time) of consumers. In contrast, price parity had a negative effect on hotels, as they would only be able to make larger profits if they could apply favourable prices on their own distribution channels and on platforms applying lower commission rates.

In order to better understand the consumer side of the market the GVH also commissioned market research. The aim of the research was to gain insight into the preferences of consumers in Hungary in relation to travelling, specifically concerning the gravity and role of intermediary portals and consumers’ behaviour when using hotel booking portals.

The GVH found that through the appearance of OTAs, the market had become more transparent as several accommodation offers could be compared even on the website of

just a single OTA. This transparency led to an increase in price competition among hotels and in capacity utilisation of the hotels; however, there was no substantive price competition among the OTAs on the market and the prices of accommodations were roughly the same in all sales channels in the first half of the period affected by the sectoral inquiry.

The position of the GVH is in line with the conclusions of international procedures on the topic, according to which the wide parity clauses (i.e. comprising all sales channels) may restrict competition by standardising market prices and increasing barriers to entry. It may give rise to particular competition concerns with regard to the market concentration in Hungary. The application of wide parity clauses does not result in efficiency benefits to such a nature and to the extent and does not enhance consumer welfare to a degree that could justify the total restriction of competition among the single sales channels.

In 2015 the larger international OTAs (Booking.com, Expedia) narrowed the applicability of the price parity clause on the Hungarian market, too. As a consequence, OTAs will only stipulate in the future that the hotels shall not offer less favourable conditions to intermediaries than what they publish on their own websites. Furthermore, the parity clause will not apply to other intermediaries and to other booking channels (telephone, fax, e-mail, etc.), which means that hotels will be able to provide discounts.

In the opinion of the GVH, also taking into consideration the danger of the free-rider phenomenon, the use of a narrow parity clause may be the correct solution to the current market issues. A narrow parity clause may pave the way for accommodation providers (hotels) to be able to freely apply different price policies via certain sales channels. On the other hand, OTAs may announce special promotional periods at the expense of their commission rates and may also compete on prices.

After the draft report of the sectoral inquiry was released, the largest Hungarian-owned market player of the Hungarian online booking market, Szallas.hu, indicated to the GVH that it plans to switch to the application of a narrow parity clause, thus following the international market players. Consequently, in practice all larger market players will apply narrow parity clauses, which will hopefully also influence the conduct of players with smaller market shares. In light of these changes, the GVH does not foresee intervention in the market processes this year; however, it does not rule out intervening if market developments do not show a strengthening of competition.

The GVH – as a member of the Monitoring Working Group established in the framework of the European Competition Network (ECN) aimed at observing the changes on the online intermediaries market and the effect of the introduction of narrow parity clauses –will also monitor any further market developments in this respect subsequent to the termination of the sectoral inquiry.

The full report on the sectoral inquiry and further information are available on the [website of the GVH](#).

Budapest, 8 June 2016

Hungarian Competition Authority

**Further information:**

Andrea BASA

Spokesperson

Alkotmány u. 5., H-1054 Budapest,

Tel: +36 1 4728902

Mobile: +36 30 6186618

Email: [basa.andrea@gvh.hu](mailto:basa.andrea@gvh.hu) , [press@gvh.hu](mailto:press@gvh.hu)

<http://www.gvh.hu>