



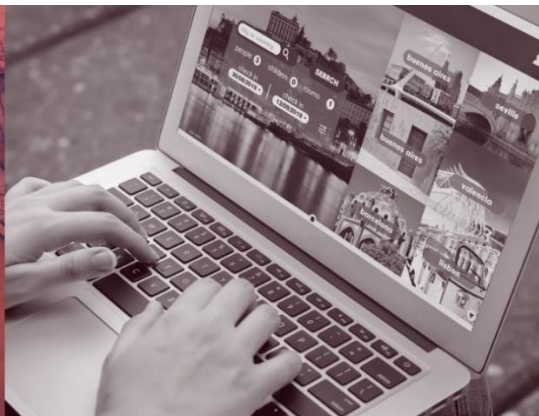
**HUNGARIAN
COMPETITION
AUTHORITY**

Report

(draft)

of the accelerated sector inquiry into the Hungarian market for accommodation booking services and accommodation providers

Budapest, 2023.



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1 Executive Summary

1.1 The aim of the Hungarian Competition Authority's accelerated sector inquiry

The Hungarian Competition Authority (GVH) pays special attention to the tourism sector, as one of the driving sectors of the national economy, in order to support the competitiveness of domestic players in the struggle for guests and tourists through the protection of fair competition in each segment of the tourism sector.

In connection with this, the GVH has recently conducted several competition supervision proceedings and sector inquiries relevant to certain competition law issues of the domestic hospitality – more specifically the HORECA – sector, and the Competition Council of the GVH has imposed fines on major market players in several cases.

The GVH started to pay increased attention to the problems of the accommodation sector within tourism in the summer of 2023, following a strikingly high number of complaints and some news reports published in the national and international media. Most of the complaints received by the competition authority were related to the fact that the most popular online accommodation booking platform had for a long time failed to pay its debts to domestic accommodation providers that were partners to it. The controversial issues arising in these complaints seemed to be typically of a civil litigation nature, nevertheless, they directed the attention of the GVH to the sector – which had already been investigated by the national competition authority in an earlier sector inquiry, before the Covid-19 pandemic. As part of that sector inquiry, which was closed in 2016, the GVH identified market specificities and circumstances relevant from a competition policy aspect that already justified for it to address the sector again after the elapse of a few years. This view of the GVH has been confirmed by market trends observed in past years, international developments affecting the sector, and the above-mentioned complaints.

All these factors together resulted in the initiation of an accelerated sector inquiry into the domestic online accommodation booking and services market on 24 August 2023. In its proceedings, the GVH primarily addressed the characteristics and problems of the sector relevant from the aspect of competition policy, as required by its statutory remit; therefore, the purpose of the accelerated sector inquiry was for the GVH to analyse competitive conditions prevailing in the Hungarian online accommodation booking market, as well as to investigate contractual terms and practices applied by operators active in this market towards their accommodation provider partners that may affect competition between accommodation establishments.

1.2 The conduct of the accelerated sector inquiry

Following the initiation of the accelerated sector inquiry, GVH staff conducted dawn raids, while, in parallel, making requests to the Hungarian Tourism Agency (HTA) and members of the European Competition Network (ECN) and implementing an extensive data collection process among providers of online accommodation booking services with registered seats in

Hungary and abroad. In the accelerated sector inquiry, the GVH conducted an online questionnaire survey to explore the relevant experiences of domestic accommodation providers related to the sector.

The national competition authority would like to thank all contacted undertakings and organisations for their cooperation and that they supported the fact-finding process by providing detailed answers within short timeframes, acting upon the schedule of the accelerated sector inquiry. Through their cooperation, they contributed to GVH's efforts to successfully identify and assess the competitive conditions prevailing in the domestic online accommodation booking and services market.

1.3 The main findings of the accelerated sector inquiry, recommendations

The data summaries and descriptions in this report are based on information collected during dawn raids as part of the proceedings; data provided by market players; the online questionnaire survey conducted by the GVH among domestic accommodation providers; and assessments of contracts and other documents relating to business relationships between market players.

Therefore, the findings and recommendations made as a result of the accelerated sector inquiry are not based on individual opinions or sporadic information – the relevant legal regulations provide the GVH with a wide range of tools to use during the fact-finding process, precisely to enable the competition authority to rely on comprehensive factual data when formulating the results of its accelerated sector inquiries.

The statutory task of the national competition authority in sector inquiries (as well) is to map the structure of competition in a given sector, the competitive conditions prevailing there, and, upon detecting any distortion, to report it and to take action to protect competition by using the tools available to it. In this, the aim of the GVH is above all to protect domestic consumers.

With the above in mind and based on the results of the accelerated sector inquiry on the domestic market of online accommodation booking and accommodation services presented in this report, the GVH formulates the following findings and recommendations.

1. The GVH recommends that legislators should prohibit the use of both wide and narrow price parity clauses in agreements made by market players present in the domestic online accommodation booking market with accommodation providers.

As revealed through the accelerated sector inquiry, there is a high degree of concentration in the online accommodation booking market. Based on information obtained from market players and through questionnaire surveys conducted among domestic accommodation providers, the GVH is of the position that the reason for this concentration is to be found in some unique characteristics of this market: it is a two-sided market where consumers can save a significant amount of search costs by browsing the offerings of the largest platforms; in addition, accommodation providers can reduce their administrative burden by partnering with the largest players; and, as revealed, the most widely used hotel software applications can only manage the sites of the major platforms – to name just a few examples. Market trends observed in recent

years also suggest that smaller online accommodation booking agencies are only able to exert moderate competitive pressure on large players.

In addition, results of the GVH questionnaire survey show that – although accommodation providers would in many cases have the possibility to set different prices for rooms booked on individual platforms, they do not do so, mainly because pursuing such policy through their own sales channels is typically prohibited under some clauses of their contracts with platforms, and also because coordinating the different prices they may set on individual channels would require excessive resources. Consequently, the self-restraint that has recently been observed on the part of some larger online accommodation booking sites, namely that they do not apply wide price parity clauses towards accommodation providers, has not led to a substantive price competition.

At the same time, it was clearly revealed by the investigation that accommodation providers consider their presence on large portals to be essential for profitable business operations and that they think that such portals work efficiently. Regarding the levels of commission, however, it is revealed that, in most cases, fees paid to online accommodation booking sites may be as high as 30% of the consideration received from guests – and the amount of such fees is included in room rates payable by guests, a circumstance that cannot be ignored, even if there are many consumer benefits – also known to the GVH – that are generated by the use of such platforms.

As responses to a questionnaire survey conducted among accommodation providers suggest, domestic accommodation providers use a number of sales channels in addition to online accommodation intermediaries: their own websites, search engines, other internet marketing tools, and offline channels. However, it is not common practice currently among them to offer different prices to guests on these channels and on platforms, a fact explained mainly by the use of narrow price parity clauses.

The GVH is of the position that the legal prohibition of narrow price parity clauses would provide incentives for accommodation providers to offer rooms at more favourable prices through their own channels, and this would in the long term affect the levels of commission applied by platforms, leading to a more effective competition between large players in terms of commissions.

The GVH's legislative proposal is also justified by the fact that similar rules have been introduced in several EU Member States. France, Austria and Belgium have regulated the issue in special laws, and the practice was banned in Italy through an amendment to the Competition Act.

2. The GVH recommends that providers of online accommodation intermediary services should make their ranking criteria transparent within 90 days of the publication of the final report closing this accelerated sector inquiry, thereby informing consumers in a perceptible, understandable way, and by means of a visual marking system designed in compliance with legal regulations, whenever some accommodation is placed higher in a list of search results because, for instance, higher commission is paid to the accommodation booking agency.

The fact that an accommodation provider's offer appears among the first places or at the end of the list of results upon consumer searches on online accommodation booking platforms may directly affect the competition between accommodation providers. The documents obtained as part of the accelerated sector inquiry shed light on the fact that the position of a specific accommodation in the list displayed as a result of consumer searches on platforms depends on many circumstances and conditions. These may include, for example, consumer ratings for the given accommodation, booking rates, or extra services offered.

Accommodation intermediaries typically provide general information related to ranking to consumers, assigning special markings to accommodation establishments that are placed higher in the hit list due to a higher level of commission. However, as the GVH experienced, this information is not sufficiently comprehensible and visible when displayed on the websites of individual accommodation intermediaries, and markings applied to higher-ranked accommodation establishments are not always clear.

According to the position of the Hungarian Competition Authority, it may give rise to concerns from the aspect of competition when accommodation providers paying a higher commission to platforms are ranked higher in hit lists without making it clear to consumers that such ranking is developed along factors other than consumer evaluations or other objective facts related to the quality of accommodation. In this way, precisely those accommodation providers may be placed in a more disadvantaged position (at the end of hit lists) that are able to offer lower prices to consumers due to lower levels of commission.

It is a fundamental idea that the best consumer protection is competition. If market processes work "properly", then there is competition in terms of both the quality and prices of goods and services and, as a result, consumers receive goods/services of the best possible quality at the lowest possible prices. Under the conditions of effective competition, conscious and well-informed consumer decisions are increasing in value. Thus, the area of law related to the influencing of consumers through unfair commercial practices forms part of competition law in a broader sense.

3. The GVH recommends it for consideration that frameworks for the terms and conditions of major online accommodation intermediaries and their related business practices should be regulated as regards complaint handling mechanisms available for accommodation partners and legal consequences for contracting parties in the event of defective performance.

After analysing signals from the market and contracts reviewed, the GVH came to two conclusions related to the above recommendation.

First, contracts used by the most significant online accommodation intermediaries usually contain detailed rules and sanctions related to any defective performance by accommodation partners towards them (e.g. late or no payment of commission). In such cases, the accommodation provider concerned is subject to interest payment obligation, at minimum, or the accommodation it offers may even be temporarily or permanently suspended on the portal. As opposed to that, contracts include no detailed mechanisms for compensation or legal consequences for any potential default on the part of platforms.

Secondly, many online accommodation intermediaries do not have adequate provisions in their contracts for handling individual complaints from accommodation providers, and when they have such provisions (e.g., the texts of contracts of the most significant portals suggest that they offer online complaint handling or mediation services), then, as the GVH established on the basis of signals from the market, those provisions will lead to no substantive solutions to problems, they formally exist only.

Considering that, according to information obtained as part of the accelerated sector inquiry, most of the accommodation providers find it essential to appear on platforms, and, according to their experiences, they have the possibility to negotiate individual contractual terms in the rarest of cases, therefore, it is justified to review the asymmetric situation outlined above and balance it by way of legislation.

2 Glossary

Best price guarantee: communication from an accommodation booking platform or an accommodation provider to consumers that its prices are the most favourable on the market. This may also entail other consequences (money-back guarantees, discounts, etc.). Making a distinction between this concept and the concept of price parity is particularly important.

Price parity (rate parity): an agreement between an accommodation provider and an online accommodation intermediary under which the former agrees not to sell its rooms through any other sales channels at prices lower than the prices set for the latter.

Channel Manager: an application that enables an accommodation provider to manage all their contracted accommodation booking channels through a single online interface at the same time, in real time.

ECN (European Competition Network): the European Competition Network, whose members include the national competition authorities of all European Union Member States and the European Commission.

Two-sided market: markets where there are two distinct customer groups, with each group's demand depending on the other's demand and, therefore, one or both of these groups generate a positive network effect for the other.

Two-sided transaction market: a market where transactions are created between two groups of customers via an intermediation platform.

MFN clause (most favoured nation clause): a contractual clause in which one contracting party agrees to offer the other contracting party conditions at least as favourable as it offers, in a similar position, to the rest of its partners.

Online accommodation booking agencies (also referred to in this report as “OTAs” (online travel agencies), “accommodation intermediaries” or “platforms”): businesses that, in the course of their intermediary activities, enter into agreements with accommodation providers for selling their vacant rooms to consumers in the online space.

Ranking: the order of displaying accommodation establishments on websites of accommodation booking agencies, as determined by them based on data uploaded by accommodation providers.

Accommodation service providers (also referred to in this report as “accommodation establishments” or (using a tourism term) “accommodation providers”): service providers who, as part of their economic activity carried out as their regular business, provide accommodation (and directly related services) typically for stays that are not usually of an extended nature, including overnight stay and rest.¹

¹ Article 2 (23) of Act CLXIV of 2005 on Trade.

Room parity: an agreement under which an accommodation provider is required to offer at least the same volume of bookable (available) room capacity through an accommodation booking platform as they offer through their own or third-party sales channels.

Narrow parity: a parity clause covering only certain sales channels.

Wide parity: a parity clause covering all (both online and offline) sales channels.

Free-riding: the phenomenon where people not paying for a service benefit from it.

3 Circumstances giving rise to the sector inquiry, purpose of the inquiry

The tourism sector is a dynamically developing sector of the Hungarian economy, maintaining its competitiveness, identifying and addressing its problems is an economic interest for the national economy. The GVH pays special attention to the various markets and services connected to tourism in order to ensure that fair competition can take effect as much as possible in the individual tourism segments, thus helping domestic actors remain competitive in the ongoing race for guests and tourists. In connection with this, the GVH has recently conducted several competition supervision proceedings and sector inquiries relevant to certain competition law issues of the tourism and hospitality – more specifically the HORECA – market.

Accommodation services account for a significant share of the domestic tourism sector, with the number of guest nights spent in accommodation establishments in Hungary increasing steadily in the years before the Covid-19 pandemic, and then, after some decline during the pandemic, as early as in 2022 guest nights were close to 2019 levels.

The GVH started to pay increased attention to the problems of the accommodation sector in the summer of 2023, following a strikingly high number of complaints received and some news reports published in the national and international media. The signals received by the competition authority were directly related to contractual disputes between the most popular online accommodation booking platform and its accommodation provider partners, as well as the non-fulfilment of some payment obligations by the platform. Though the controversial issues arising in these complaints seemed to be typically of a civil litigation nature, nevertheless, they directed the attention to the sector – which had already been investigated by the GVH as part of an earlier sector inquiry, before the Covid-19 epidemic. The sector inquiry closed by the national competition authority in 2016 identified market specificities and circumstances relevant from a competition policy aspect, a fact already justifying that the GVH should address the sector again after the elapse of a few years. This view of the GVH has been confirmed by market trends observed in past years, international developments affecting the sector, and the above-mentioned complaints.

All these factors together resulted in the initiation of an accelerated sector inquiry into the domestic online accommodation booking and accommodation services market on 24 August 2023. Due to its remit defined by the law, the GVH primarily addressed the characteristics and problems of the sector relevant from the aspect of competition policy in its proceedings, covering a scope that – stemming from the nature of an accelerated sector inquiry, a genre designed to make preparations for urgent interventions – was necessarily narrower and more focused than is possible in a traditional sector inquiry conducted in a longer timeframe. Therefore, the purpose of the accelerated sector inquiry was for the GVH to analyse competitive conditions prevailing in the Hungarian online accommodation booking market, as well as to investigate the contractual conditions and practices applied by operators active in this market towards their accommodation provider partners which may affect competition between accommodation establishments. So in its proceeding, the GVH essentially examined relationships between the online accommodation booking market and the domestic accommodation service market.

However, the national competition authority has a very wide range of fact-finding tools to use in accelerated sector inquiries; as a result of that, problems of such types may surface in its proceedings, whose handling is not closely related to the duties of the GVH, but after identifying such problems, the authority may shed light on them and, within certain frameworks, make recommendations in connection with them to the appropriate group of addressees – recommendations of such type have, among others, been formulated by the competition authority in the executive summary of its report on this accelerated sector inquiry.

4 Rules of accelerated sector inquiries

4.1 Purpose and general rules of sector inquiries

A rather old legal institution in the Hungarian legal system, existing since 1 February 2001, sector inquiry falls within the competence of the GVH. According to the law ordering the introduction of this type of proceeding, “this method provides adequate data to serve as a basis for the market monitoring work carried out by the GVH”.² Article 43/D (1) of Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices (hereinafter: Tpvvt., or Competition Act), as severally amended and currently in force, stipulates that, where price movements or other market circumstances suggest that competition is possibly being distorted or restricted in a market within a specific sector, the GVH may, by an injunction, initiate a sector inquiry with a view to exploring and assessing market processes.

According to literature, the purpose of sector inquiries is to identify the causes of a competition problem emerging in a relatively well-defined market or sector, upon detecting it. During investigations, the GVH has certain instruments of public power at its disposal. When a sector inquiry is initiated, it cannot be established with certainty whether the distortion or restriction of competition is attributable to the conduct of particular undertakings, nor can specific infringing conduct be presumed to the extent that would make it possible to initiate competition supervision proceedings. Even in such cases, however, it may be necessary for the GVH to have a tool at its disposal to map the functioning of the relevant market, its structure and conditions, by requiring mandatory data provision from undertakings operated in the sector.³

Under the Competition Act, if a sector inquiry detects a market failure which cannot be remedied in full or in part by competition supervision proceedings, the GVH has three additional tools at its disposal: (i) it may inform the committee of the National Assembly with functions, or the minister or authority with functions and powers; (ii) it may issue a non-binding public recommendation to market players concerning best practices and recommended market conduct facilitating the maintenance and promotion of fair and effective competition and the provision of adequate information to business counterparties; or (iii) it may, if deemed necessary, initiate the enactment or amendment of legislation with the competent authority.

Using the legal institution of sector inquiry complying with the above mentioned provisions as a basis, the Government extended the powers of the GVH in July 2021, in order to provide the authority with tools enabling it to conduct more efficient and faster proceedings for addressing competition problems requiring urgent intervention.

² Explanatory memorandum to Article 20 of Act CXXXVIII of 2000 amending Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices

³ Commentary on Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices, p. 445 (Budapest, 2014; Edit.: dr. Juhász, Miklós; Ruzshtiné dr. Juhász, Dorina; dr. Tóth, András)

4.2 Special rules of accelerated sector inquiries

A government decree⁴ was published – as permitted by the rules of emergency legislation – in Issue 130 of the Hungarian Gazette on 8 July 2021, to introduce a new legal instrument, called accelerated sector inquiry, allowing the GVH to make certain derogations from the general rules of sector inquiries in the Competition Act, described above, for the purpose of urgent interventions.

The provisions relating to accelerated sector inquiries were incorporated into the Competition Act by Act CXXX of 2021 on Certain Regulatory Issues Related to the State of Emergency⁵, with effect from 1 June 2022. The amendment did not change the rules of procedure established in the government decree concerning the conduct of accelerated sector inquiries, rather it clarified some parts of them by incorporating practical experiences. In view of all this, the rules of accelerated sector inquiries under the Competition Act are as follows.

There are two conditions to the initiation of an accelerated sector inquiry: on the one hand, it is necessary that (i) based on the particularities, set of unique characteristics, or structural set-up of a sector, it is reasonably assumed that competition is distorted or restricted in a market belonging to the sector, and on the other hand, that (ii) in order to explore and address such market problems, urgent intervention is justified.⁶ Thus it is clear that – compared to sector inquiries as set out in Article 43/D (1) of the Competition Act – an additional condition is that urgent intervention is justified.

The general rules of the Competition Act for sector inquiry must be applied during accelerated sector inquiries as well, but with important differences and additions due to the legal institution's purpose of urgent application. The draft report on the investigation must be completed within one month, a deadline that may be extended twice, by only one month each time. Legislators added an important tool to the possibilities of the GVH and increased its efficiency, as the rules of accelerated sector inquiry – in contrast to the rules of “normal” sector inquiry – allow the authority to carry out a dawn raid, with prior judicial authorisation, when the GVH, in its application, establishes that there is a reasonable likelihood that evidence relating to the purpose and subject matter of the accelerated sector inquiry may be found at the place specified in the motion. The Budapest-Capital Regional Court must decide on such applications within 72 hours under the Competition Act. The proceeding is further accelerated by the provision under which undertakings operated in the sector may have only eight days to make comments on the draft report prepared based on the investigation (as opposed to at least 30 days for “normal” sector inquiries).

⁴ Government Decree 406/2021. (VII. 8.) on the Different Application of Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices.

⁵ Articles 60-63 of Act CXXX of 2021 on Certain Regulatory Issues Related to the State of Emergency

⁶ Article 43/D (1a) of the Competition Act

5 Investigation methodology, summary of individual investigation steps

The GVH initiated its accelerated sector inquiry on 24 August 2023. In the first phase of the data collection process, the GVH contacted the Hungarian government organization of the tourism sector, the Hungarian Tourism Agency (HTA), in order to lay the foundations for further investigation steps. The competition authority requested HTA to provide data primarily related to domestic accommodation establishments, and obtained information on the typical changes and trends of the markets of accommodation services and online accommodation booking.

At the same time, GVH conducted coordinated, unannounced inspections at the largest domestic players in the domestic online accommodation booking market. During and after unannounced inspections, the companies involved were required to provide data about:

- competitive conditions in the sector, the structure of the examined markets, changes during the examined period (that is, from 2019, the year before the Covid-19 pandemic, to the present day);
- the number of accommodation providers that are partners to each online accommodation booking company, and the number of reservations made through them;
- their contractual practices with their domestic accommodation provider partners, with particular regard to clauses on pricing by accommodation providers, as well as other factors that may influence their contractual relations (e.g. loyalty programs).

On-site data collection processes also covered possible payment difficulties between individual accommodation intermediaries and their accommodation provider partners, as such difficulties had been detected based on signals from the market in the period immediately before the accelerated sector inquiry was started. In relation to these problems, the GVH primarily mapped their internal causes and extent during its data collection processes.

In parallel to unannounced inspections, the GVH mandated other domestic and foreign participants in the accommodation booking market to provide data. Through its data collection processes, the GVH gained a broader, general insight into the market power of respondents, and contractual terms applied by accommodation booking portals towards their domestic accommodation providers. In the case of the latter, the GVH placed particular emphasis on issues of price parity, as well as the amount of and methods for setting commissions and other fees.

In addition to collecting market data individually based on mandatory data provision, the GVH conducted an extensive online questionnaire survey among domestic accommodation providers. The aim of the survey, which was based on voluntary responses and was representative in terms of area and size, was to allow the authority to map sales channels used by domestic accommodation providers, their experiences and preferences regarding online accommodation booking portals, their pricing behaviour, and the severity of the market problems they perceive. The exact methodology and the results of the survey are presented in detail in a separate chapter.

In addition to collecting information on market players, the GVH contacted the European Competition Network (ECN) with requests to the competition authorities of Member States, in order to map their experiences regarding competition policies in the examined sector, and also collected and analysed information available in EU member states and the wider international competition law field on regulatory practices and jurisprudence in the market of online accommodation booking, with particular regard to parity clauses. The results of the international outlook is discussed in a separate chapter.

6 General characteristics of the relevant market

6.1 Online accommodation booking services

Accommodation booking platforms serve to use their online interfaces for connecting the supply offered by accommodation providers and the demand raised by consumers. Accommodation booking sites (and applications) provide comparability, filtering and searchability among accommodation establishments, so users can quickly and easily find the accommodation offer most suitable to them, and also book it on such sites. A simple way of comparing accommodation establishments and their prices is not only beneficial for consumer convenience, but it also increases competition between accommodation establishments by reducing search costs for consumers. According to the general business model of accommodation booking sites, consumers do not pay a fee for using them; operators of such sites generate income from commissions paid by accommodation providers on accommodation sold through their platforms.

International accommodation booking agencies (e.g., Booking.com, Expedia) appeared on the Hungarian online accommodation booking market in the early 2000s. Domestic online intermediary agencies started to appear in 2004; and Szállás.hu, one of the most significant players on the domestic market, entered the market in 2009. Larger intermediaries cover the majority of the online accommodation booking market, but there are also several smaller foreign⁷ and domestic platforms⁸.

6.2 Online accommodation booking as a two-sided market

Online accommodation intermediation falls within the description of two-sided markets (in particular, the so-called two-sided transaction markets). Accommodation booking sites connect two different customer groups – accommodation providers offering accommodation and users looking for accommodation –, whose demand depends on each other. The two groups generate a positive network effect for each other – in other words, the more accommodation is displayed by an accommodation booking site, the more useful it is for those looking for accommodation (thus, the more users are attracted by it), and the more users can be reached through a given platform, the more effective sales channel it is for accommodation providers (so, the more accommodation providers are attracted by it). Because of these network effects, two-sided markets are usually characterized by high market concentration, a situation that often indicates the formation of a dominant platform.⁹

At the same time, unlike in traditional one-sided markets, growth in market power and concentration may, precisely due to network effects, even increase consumer welfare. The first undertaking to enter the market usually has a significant first-mover advantage, which later entrants cannot or can only with difficulty reproduce. In addition to indirect network effects,

⁷ HRS

⁸ Budapesthotelreservation.hu, Budapesthotelstart.com, Budapestszallodakhotelek.hu, Szallasvadasz.hu, Szallodak.hu, Utazzithon.hu, Utisugo.hu, Wellnessakcio.hu

⁹ Rysman, M. (2009): The economics of two-sided markets. *Journal of Economic Perspectives*, Vol. 23, No. 3, p. 125–143.

other factors, such as occasionally high fixed costs and economies of scale, are also favourable for the development of market concentration.

An analysis of pricing structures requires greater care concerning two-sided markets, as an inadequate interpretation of the market may lead to wrong conclusions drawn. Since pricing in two-sided markets is the result of more complex decisions, it is often difficult to determine whether a given price is the socially optimal, considering both sides of the two-sided market together.¹⁰

6.3 Most important basic concepts related to accommodation booking services

MFN agreements stipulate the so-called “most favoured nation” principle, usually as a clause forming part of a contract with a wider scope. The concept and institution of MFN (most favoured nation) originates from international trade agreements, where the contracting states use such agreements to guarantee each other the most favourable trade conditions that they apply to other countries in their contracting practices. Now, the term is used for any type of contract clause in which one contracting party agrees to offer the other contracting party conditions at least as favourable as it offers, in a similar position, to the rest of its partners. Competition law terminology sometimes refers to these stipulations as MFC (most favoured customer) clauses, or anti-discrimination clauses.

Price parity clauses, which often appear in contracts between accommodation intermediaries and accommodation providers, belong to the group of MFN contract clauses. The purpose of price parity clauses is for accommodation intermediaries to eliminate “free riders” using their platforms, who, after using search and comparison services on their sites, make bookings directly with accommodation operators, in the hope of commission-free, and thus more favourable prices. To avoid this, under price parity clauses, accommodation providers agree not to sell their rooms through any other channel at a price lower than the one applied on the platforms of the accommodation intermediaries concerned. Based on their extent, these clauses may be classified into three groups: agreements concerning own websites, online channels, and all sales channels. Clauses covering specific sales channels are referred to as narrow MFN (or narrow (price) parity), while those that apply to all online or offline channels are also referred to as wide MFC (wide (price) parity). When a narrow type of MFN is used then an obligee may offer more favourable terms through other contractual partners (including competitor accommodation booking portals) than on the given platform, but they cannot do so through their own sales channels (e.g., on a hotel’s own website). Room reservations via e-mail messages are considered offline sales for the purposes of price parity clauses, as are bookings by phone or fax.

In addition to price parity, there is another type of MFN clauses that often appear on accommodation booking markets, namely the so-called availability or room parity clauses. Pursuant to these, an accommodation provider must provide the given platform with availability, i.e. rooms available for booking, that must be at least as favourable as provided to any of the platform’s competitors engaged in providing online or traditional room booking

¹⁰ OECD Policy Roundtables (2009) Two-Sided Markets. DAF/COMP(2009)20., (Background Note) p. 42

services or to any other third party. As revealed by the investigation, availability or room parity clauses are applied to a lesser extent compared to price parity clauses, and they are usually applied in cases where the parties also apply price parity clauses.

Ranking refers to the order of displaying accommodation establishments on accommodation booking platforms. Such order depends on many factors: it depends, for example, on the amount of commission, the minimum number of rooms to let, the ratio of visits to bookings (conversion), the number of cancellations, and also other aspects, such as the length of the introductory text, the size of the photo gallery, the maintenance of prices, ratings by previous guests, and response time to guest inquiries. The order is an important factor for hotels, because accommodation establishments that are at the end of the list of search results have lower chances of receiving bookings.

6.4 Payment models of accommodation intermediaries

As accommodation booking platforms use different financial and settlement models, they may, accordingly, differ in terms of whether or not receiving payments made by travellers. Three models can be distinguished on the market, such as the merchant model, the agency/commission-based model, and the “mixed” model.

- In the merchant model, consumers pay for the service to the accommodation intermediary (in advance), who transfers the funds to the accommodation provider, after deducting a commission.
- In the agency/commission-based model, consumers pay directly to the accommodation provider (at the time of travel), who subsequently pays a commission to the accommodation intermediary.
- The “mixed” model is a combination of the previous two ones. In that model, consumers pay to the accommodation intermediary, who transfers the full amount to the accommodation provider, who then pays a commission to the intermediary (actually transfers back some part of the amount).

6.5 The main lessons of the GVH’s sector inquiry into the domestic online accommodation booking market conducted before the Covid-19 pandemic

Between 2013 and 2016, the GVH conducted a sector inquiry into the online accommodation booking market.¹¹ The reason for the investigation was that the number of online accommodation reservations showed an increasing trend in Hungary, thus increasing in importance more and more in the tourism sector – however, the accommodation booking market was characterized by a lack of price competition as a result of price parity clauses. Prior to the investigation, the GVH had identified phenomena in the market that raised the possibility of

¹¹

https://gvh.hu/pfile/file?path=/dontesek/agazati_vizsgalatok_piacelemzesek/agazati_vizsgalatok/Agazati_vizsgalat_online_szallashelyfoglalas_piacan_vegleges_jelentes_2016_06_08&inline=true (Date of download: 18 October 2023)

competition being distorted or restricted. In the course of the three-year detailed analysis, the authority contacted numerous market players and commissioned consumer market research to map the patterns of conduct and preferences of those looking for accommodation. In addition, the investigation – just as the current accelerated sector inquiry concisely sought to do – explored and summarized international regulatory practices and jurisprudence relevant to MFN clauses.

In its report closing the sector inquiry, the GVH explained that the full use of parity clauses may restrict market competition, lead to the standardization of prices, and increase barriers to entry, circumstances which may particularly be of concern in a market with a concentration similar to that of the Hungarian market. According to the findings of the investigation, the full use of parity clauses does not result in efficiency benefits of such a nature and degree, or an effect that increases consumer well-being, that would justify the complete exclusion of competition within a brand (i.e. competition for the sale of the same room on different marketing channels). As a solution for ensuring that the phenomenon of free-riding does not endanger the investments of accommodation intermediaries that are beneficial for consumers (and stimulate competition in the accommodation market), the findings of the investigation found narrow parity clauses to be suitable under current market conditions.

The largest Hungarian-owned player in the domestic online accommodation booking market, Szallas.hu, let the GVH know during the public consultation phase of the sector inquiry, in late 2015, that it decided to switch to the use of narrow price parity. With this, at the time of closing the report on the sector inquiry, i.e. in 2016, the use of narrow price parity clauses, which give room for market competition, appeared in the practices of all major players. (The chapter summarizing the results of the online questionnaire survey conducted by the GVH during this accelerated sector inquiry deals with the question whether the spread of narrow price parity clauses could in practice fulfil the expectations attached to it, i.e. the emergence of price competition between the individual sales channels.)

7 Market trends and processes

7.1 Types of accommodation establishments in Hungary and their territorial distribution

The National Tourism Data Supply Centre (NTDSC), which is operated by HTA, has about 47,000 active accommodation operators registered in its records from Hungary, but the number of them is not constant; depending on the seasonality in tourism, up to 50-100 accommodation establishments are registered or cancelled each day. More than 80% of the accommodation establishments in the sector operate less than 10 rooms. New accommodation establishments are registered the most frequently by these smaller accommodation providers, that are typically operated as family businesses.

Data from NTDSC suggest that a capacity totalling over 200,000 rooms is available in Hungary, with about half of the rooms belonging to commercial accommodation establishments and another half to private ones. Among the tourism regions, Budapest and Lake Balaton have the largest capacities.

Of commercial room capacity, 62% is found in hotels, 17% in pensions, and 21% in other types of commercial accommodation establishments (e.g. campsites, holiday houses). The proportion of hotels is even higher in certain regions: in Budapest and the Bük-Sárvár area (a thermal spa region in the west of Hungary), hotels account for 83% and 78% of total room capacity, respectively.

Turnover of accommodation establishments generated by foreign guests in Hungary is clearly centred around Budapest: tourists spend six out of ten guest nights in the capital city. The majority of foreign guests stay in hotels, where about 4/5th of their guest nights is registered. The share of other accommodation types in the turnover generated by foreign guests is insignificant: the second most popular type is campsites, where about 7% of total foreign guest nights are realized.

In domestic accommodation establishments, eight out of ten guest nights are spent by guests from Europe; in particular, Germany is Hungary's most significant source of foreign tourists. Besides Europe, Asian countries are the second largest source of tourism.¹²

7.2 The accommodation services market before the Covid-19 pandemic

At the beginning of the period that is the subject of this accelerated sector inquiry, in 2019, tourism accounted for more than 13% of the GDP, employing around 400,000 people, being one of driving sectors of the Hungarian economy. The performance of the tourism sector in Hungary had shown an increasing year by year trend until the downturn caused by the Covid-19 pandemic in 2020. In 2019 many domestic accommodation establishments reached record levels to date: 16.2 million guests spent a total of 41.6 million guest nights at domestic

¹² Central Statistical office (KSH): A snapshot of the tourism and hospitality sector. <https://www.ksh.hu/docs/hun/xftp/idoszaki/jeltur/2019/index.html#szllshelyszolgtats> (Date of download: 18 October 2023)

accommodation establishments. Compared to tourism results in 2010, the number of guests doubled, and the number of guest nights was almost 85% higher. The share of other accommodations operated for business purposes was 24% of the total turnover of guest nights in the country. In the period before 2020, the growth rate of tourism was twice as high as the growth rate of the GDP in Hungary, and for years it had also been higher than the EU average. In the 2010s the turnover of tourists increased continuously at a global level as well, on average by around 5% per year.

Figure 1: Evolution of turnover of guests at accommodation establishments in Hungary



7.3 The impact of the coronavirus pandemic on domestic accommodation establishments in 2020 and 2021

The outbreak of the coronavirus pandemic interrupted a decade of growth in global tourism, basically over the course of a few weeks. With the emergence of the pandemic and as a result of the uncertain health situation, willingness to travel decreased significantly. As a result of epidemiological measures introduced in 2020, accommodation establishments in Hungary were temporarily closed altogether, and they were not allowed to receive leisure tourists, and holding events was also prohibited. As a result of closures following the outbreak of the coronavirus pandemic, the number of guest nights decreased to 22.9 million nights in 2020, which was mainly related to the lack of international guests. While, the number of domestic guest nights fell by 17% overall in 2020 compared to 2019, the number of foreign guest nights fell by 73%.

After the dramatic decline, the tourism sector began to recover in 2021, at a pace that was faster in Hungary than the global average. While, according to data from the World Tourism Organization, international tourist arrivals increased by an average of 11% worldwide in 2021 compared to 2020, that rate was 46% in Hungary. In Europe, the number of international tourist arrivals increased by 26% compared to 2020, but it was still 59% below the value in 2019. In 2021, the total turnover of guests at domestic accommodation establishments showed a 26% increase over 2020 and a 31% decrease compared to 2019. The increase in demand was attributable to important contributing factors, such as increasing consumer confidence in travel, progress in vaccination programs, the lifting of travel restrictions, and the digital Covid-19 pass introduced in the European Union.

In 2022, the recovery of the sector continued: around 917 million guest arrivals were registered globally, which was still 37% lower than in 2019, but represented an increase of 102% over the previous year. Recovery in Europe was one of the fastest globally: with 585 million guest arrivals, the continent reached nearly 80% of the pre-pandemic level in the period of January to December 2022. In Hungary, over 14 million guests spent a total of 39.7 million guest nights in 2022, a level almost 40% higher than the result in 2021 and only 5% lower than the level in the year before the pandemic. Domestic guests contributed to results with 22.5 million guest nights (+8% over 2019), while foreign tourists with 17.2 million guest nights (-17% over 2019).

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7.4 The effects of the Russo-Ukrainian war on the domestic accommodation sector from 2022 to the present day

At the outbreak of the Russo-Ukrainian conflict, the sector had to face new difficulties, as Russia had been one of the important sending markets of the Hungarian tourism market. With the loss of Russian guests, not only the number of guest nights decreased in their favourite tourist destinations, but also service providers' income, since Russian guests traditionally have a high willingness to spend. On a global level, before the outbreak of the pandemic, Russia was the 11th largest sending market, while Ukraine was in the 13th place. The two sending markets together accounted for 5% of global tourist arrivals, and their financial impact was even more significant due to the aforementioned high willingness to spend: they accounted for 8% of global tourism spending. In addition, the increase in food and fuel prices in connection with the war conflict and the energy crisis in general caused a decline in discretionary income on the demand side. Based on realistic estimates, however, in 2023 the occupancy of domestic accommodation establishments may exceed the record number of guest nights of 2019, despite the negative factors.

7.5 Development of the online accommodation booking market in Hungary

According to data provided by market participants during the investigation, participants of the online accommodation booking market in Hungary were affected to varying degrees by the factors affecting the accommodation market and other relevant processes of the economy during the period examined. Domestic and international players, as well as those with smaller and larger weight on the market, were faced with the drop in demand caused by the pandemic to different degrees, and were able to regain their users after the resumption of tourism also to different degrees.

- Larger domestic platform(s):

From 2019 to 2020, the number of accommodation bookings made through major domestic actor(s) (which handle more than 100,000 reservations in Hungary per year) decreased by about one-fifth, about the equivalent of a 17% year to year drop in domestic tourism. The

¹³ Tourism 2.0 Strategy Supplement; https://mtu.gov.hu/dokumentumok/NTS2030_Turizmus2.0-Strategia_kiegeszites.pdf (Date of download: 18 October 2023)

number of bookings in this market segment gradually increased in the following years, with the annual number of bookings exceeding the pre-pandemic level by around 15% in 2022.

○ Smaller domestic platforms:

In the year of the pandemic, figures of accommodation booking for smaller domestic accommodation intermediaries (with fewer than 100,000 bookings in Hungary per year) fell on average by about one-third, which is several times more than the decline in domestic tourism (in number of guest nights). In this market segment, none of the players were able to approach their previous market role in the period to come: as early as 2022, the number of domestic bookings on average increased only to around 60% of the 2019. This decline affected the smallest domestic accommodation agency portals (with fewer than 10,000 Hungarian reservations per year) particularly severely within this segment. Among these small portals, the decline in the first year of the pandemic was of 65% on average, but in the following two years, despite a recovery in tourism, the number of domestic bookings on these sites did not increase significantly: the number of domestic bookings in 2022 exceeded data for 2020 – the year most affected by the epidemic – by only 1% on average.

○ Larger international platform(s):

The number of bookings for Hungarian accommodation through the largest foreign operator(s) (with more than 100,000 bookings in Hungary per year) among the market players examined had fallen by 2020 by about one-third compared to 2019, presumably because border closures, travel bans, etc. during the pandemic situation had more significant effects on international tourism channelled by this segment than on domestic tourism. However, the dramatic decline was followed by an equally rapid recovery for these market participants: by 2022, this segment reached again the 2019 level of bookings for accommodation in Hungary, thereby maintaining its weight on the market unchanged.

○ Smaller international platforms:

International accommodation booking platforms which are smaller in terms of the domestic market (with fewer than 100,000 bookings in Hungary per year) among the market payers examined faced an even more significant decline in terms of the number of bookings for Hungarian accommodation. From 2019 to 2020, the number of bookings for accommodation in Hungary on the websites of these actors fell by around a quarter on average in a single year. In their case, even after the end of the pandemic situation, the recovery was not as rapid as in the case of the largest player(s): by 2022, only half of the number of bookings of 2019 was reached on average.

The shares of the four different market segments in terms of bookings for accommodation in Hungary on accommodation booking platforms underwent significant changes during the period examined.¹⁴ It is important to note that these shares do not necessarily reflect the relative

¹⁴ Source of data analysis: data collected by the GVH based on evidence obtained during the investigation.

ratio of each actor’s sales revenue from domestic bookings due to the different booking values, commission rates and other business conditions (bonus programs, ranking purchase, etc.).

Table 1: Proportion of bookings for accommodation in Hungary through platforms

Shares of bookings for accommodation in Hungary through platforms¹⁵	2019	2020	2021	2022	January - August 2023
Larger domestic platform(s)	18%	35%	28%	22%	18%
Smaller domestic platforms	2%	2%	2%	1%	1%
Larger international platform(s)	70%	60%	66%	71%	74%
Smaller international platforms	10%	3%	4%	6%	7%

Source: data collected by the GVH based on evidence obtained during the investigation

- In terms of the number of user bookings, larger domestic player(s) were able to temporarily increase their role in Hungary significantly (about doubling it) during the examined period, however, with the resumption of international tourism, the segment also gradually returned to its original market position.
- Smaller domestic accommodation booking portals clearly lost their already low market share during the period examined. This is especially true for the smallest players in the market, whose nominal turnover of bookings was essentially anchored at the level of the pandemic period.
- The segment of larger international platform(s) temporarily lost a significant part of its market space during the examined period, however, it remained dominant even during the pandemic situation, and returned to its previously occupied market position when the pandemic was over. Based on this year’s data so far, the segment is expected to strengthen its position on the domestic market, reaching above pre-pandemic levels.
- Smaller international accommodation booking platforms lost a significant part of their market space in Hungary during the examined period, to which a slower but constant return is observed.

7.6 Factors affecting market participants

In the course of the investigation, the GVH contacted many players in the accommodation booking market in order to gain a broader insight into the external and internal factors influencing the conduct and decisions of these players.

¹⁵ Taking into account the date of booking (i.e. not the date of travel), ignoring cancelled bookings, treating modified bookings together (i.e. not as two separate bookings).

In addition to the obvious negative effects of the Covid-19 pandemic on the market, the players (especially the smaller, domestic accommodation intermediaries) mentioned several other challenges on the market:

- Labour demand on the part of accommodation intermediaries: continuous contact with accommodation providers involves high wage costs and requires considerable human administration from platform operators.
- Labor demand on the part of accommodation providers: The majority of hotels have been dealing with workforce problems for several years, and managing and keeping the various booking systems up-to-date requires significant human resources. Due to the software-based, dynamic pricing of hotels (so-called yield management), keeping offers up-to-date on accommodation booking sites is even more challenging than before. Therefore, accommodation providers tend to terminate the cooperation with those among their existing accommodation intermediary partners that mediate less turnover than the volume expected.
- Aspects of channel manager software applications: accommodation providers – due to the labour shortage problems mentioned before, as well as for reasons of expediency – are increasingly using so-called channel manager software applications, which automatically synchronize the prices and capacities listed on different accommodation booking platforms. However, channel manager software applications can usually only manage larger accommodation booking portals, and they typically do not offer the possibility of using smaller platforms, which generate less accommodation turnover, but are time- and cost consuming for developers to integrate into software systems. It is difficult for smaller accommodation intermediaries to become one of the intermediary systems supported by channel manager software, but without it, they are excluded from the intermediary channels of accommodation.
- Turning to their own channels: several accommodation providers react to increasing operating costs (increasing wage costs, overhead costs) by strengthening their own online channels in order to increase the proportion of direct online bookings, thus saving on commissions to accommodation intermediaries.
- Difficulty in building a database and a system: it is difficult to enter the market without taking over an existing (legal) third-party database or booking management system, as such systems are costly to develop and, in addition, it is necessary to have information of the current pricing policy, situation and needs of hotels, as well as the habits and needs of those making bookings.

7.7 Market problems from payment conditions between accommodation providers and accommodation intermediaries

Starting from the summer of 2023, the Hungarian Competition Authority received a large number of market signals from domestic accommodation operators regarding the fact that the largest international accommodation booking portal, Booking.com, did not transfer accommodation fees to them within the deadline specified in contracts. Between 24 July 2023

and 30 August 2023, the GVH received a total of 31 similar complaints from accommodation providers in Hungary, so the GVH took the suspected market problem into account when initiating this sector inquiry. As part of this accelerated sector inquiry, the GVH collected information, through unannounced inspection (dawn-raid) and based on detailed, mandatory data provision, from the Dutch Booking.com B.V. operating the portal, the Hungarian Tourism Agency, and (as part of an online questionnaire survey) from domestic accommodation providers.

According to information obtained during the investigation, Booking.com's accommodation partners may choose from two types of payment options: they may decide to collect payments directly from customers or, alternatively, the company provides an optional service, where the accommodation intermediary – as a designated collection agent – processes accommodation fees (paid by credit card or other available online payment methods) in the name and for the benefit of accommodation partners. In the latter case, therefore, accommodation fees paid by guests will be credited to the account of the accommodation intermediary, who will then transfer it to accommodation operators in the manner and at the time specified in the contract. Thus, the effect of the payment problem between Booking.com and accommodation providers was obviously more significant on the group of accommodation providers who used this optional service (thus, the full accommodation fees of their guests who arrived through this accommodation intermediary were delayed) than on those who did not use it (so only some of the lower-amount refunds from the accommodation intermediary suffered a slippage).

The GVH received a more accurate picture of the causes and technical background of the affected payment problems from information received in the framework of complaint procedures (which constitutes a secret under the proceedings), and from data obtained from the company (which constitutes a business secret). The technological details of this information are not included in this report, as data involved is protected by law, however, in general, it may be stated that based on information received, the payment problems arose from the scheduled maintenance of Booking.com's financial system between 1 July 2023 and 11 July 2023. Before the scheduled maintenance, the company had informed its partners that commission payments, refunds, and credits may be delayed in the months of July and August.

To identify the group of accommodation providers affected by the delay, the Hungarian Tourism Agency conducted two surveys during the summer among the approximately 47,000 active accommodation establishments registered mandatorily in the National Tourism Data Supply Centre. In response to the first questionnaire sent by the Agency on 4 August 2023, 2,737 accommodation providers indicated that they were affected in some way by the payment problem; of these, more than 2,000 indicated that they had not received the accommodation fees from the company on time. In addition, a significant number of accommodation providers indicated that the payment deadline is constantly changing on the internal information interface of the accommodation intermediary, the system shows incorrect debts to the accommodation intermediary, and the company's information sharing practices and customer service operations are inadequate. Most of the respondents had experienced such problems with the operation of the site for more than a month.

Under the repeated survey conducted by the Hungarian Tourism Agency on the same subject two weeks later (18 August 2023), the majority of respondents indicated that the portal had settled due payments by then or that they had not been involved in the problem at all. 176 accommodation providers indicated to HTA that Booking.com still has unsettled payments due to them.

Thus, according to information obtained during this accelerated sector inquiry, the market problem in question mostly affected the period between the end of July and the first half of August 2023. In September and October (until the closure of the draft report of the accelerated sector inquiry), the GVH no longer received any market signals from accommodation providers regarding non-payment of accommodation fees related to Booking.com.

A part of the current accelerated sector inquiry, the GVH also conducted a survey of domestic accommodation providers to map the extent and negative effects of the payment problem. Among respondents of the GVH survey, 11% of accommodation providers using Booking.com answered that they had been involved in the case. Among those affected, 25% stated that the payment delay caused them a very significant problem, while another 30% considered the problem caused by the payment delay to be significant. The problem caused was considered to be not (or not at all) significant by 45% of respondents. As the GVH's online questionnaire survey revealed, the payment problem typically affected smaller accommodation providers (letting out 25 or less rooms); and even among them, the smallest players (fewer than 10 rooms) represented the highest proportion.

However, in connection with the part of the survey concerning market problems, it should be noted that the payment problem related to the Booking.com site was mentioned in the last place (in other words, indicating a slightly serious market problem overall) among the answers of accommodation providers for each group of accommodation establishment. The results of the survey are covered in more detail in a separate chapter of the report.

8 Contractual practices of accommodation intermediaries in the Hungarian market

As part of its accelerated sector inquiry, the GVH obtained information and relevant documents from both domestic and international, small and large online accommodation intermediaries in order to explore their contractual conditions and business practices applied towards their domestic accommodation provider partners. For each topic, this chapter presents an analysis of the relevant documents and answers received from market players; given that the contents of the documents obtained and reviewed by the GVH are typically confidential, they are presented in a general and anonymised manner, and in the most informative way possible.

Contracts concluded between online accommodation intermediaries and accommodation providers are characterised by the following attributes. Both domestic and foreign market players use contracts that refer to general contracting terms and conditions (GCTC) in the vast majority of cases, while non-standard contracts are generally concluded as a supplement to the GCTC, typically with larger market players (e.g., hotel chains), or for providing additional services (e.g. priority services in keeping in contact, advertising discounts, more favourable positions in lists of search results, access to exclusive statistics). Below, provisions and clauses of contracts that are relevant for the accelerated sector inquiry are presented.

8.1 Pricing of accommodation

As the documents and information available to GVH suggest, room prices and discounts displayed on online accommodation booking platforms are typically determined by accommodation providers, including information on types of rooms and capacity. Accommodation providers have sole competence to decide on prices for which they offer their rooms, and accommodation booking platforms have no role in this. In the case of some booking platforms, the accommodation intermediary provides accommodation providers with advice and suggestions on developing their pricing strategies, but the responsibility for setting their prices rests with accommodation providers themselves. In certain instances, particularly when dealing with sizeable accommodation booking platforms, the platform may hold sway over pricing through promotions or loyalty schemes that it funds. During such promotions, reduced prices are displayed on the platform for consumers to avail of.

8.2 Parity

Parity clauses are of particular importance in the online accommodation booking market. Market players – especially online accommodation booking agencies with a larger market share – usually apply some kind of parity clauses.

In contracts between online accommodation intermediaries and accommodation providers that have been reviewed by the GVH, there are two forms of parity clauses: (i) price parity and (ii) availability or room parity. Under price parity clauses, an accommodation provider agrees with an online accommodation intermediary not to sell its rooms through any other sales channels at prices lower than the prices displayed on the platform. Under an availability or room parity clause, accommodation providers are required to offer conditions, in terms of room availability, that are equal to or more favourable than those offered through other booking channels. As the GVH experienced, the various parity clauses do not typically occur alone in agreements

between parties, but appear linked to each other in contracts, with the various parity clauses being applied in combination.

In terms of their scope, parity clauses may be narrow, containing restrictions only with regard to an accommodation provider's own sales channel; or they may be wide, in which case the accommodation provider is also obliged to apply clauses on similar or more favourable conditions to independent sales channels operated by third parties. In addition, a distinction can be made between parity clauses as to whether they cover only online or both online and offline sales channels.

8.3 Price parity

Price parity clauses, the most widespread in contracts in the examined market, essentially mean that an accommodation provider agrees under contract with an online accommodation intermediary to offer a given room or service through the online accommodation booking platform at a price equal to or lower than the most favourable publicly available price. Price parity means the same or more favourable price for the same room type and booking date and for the same parameters and characteristics (such as comfort level, number of beds, food and other additional and comfort services). In case of narrow price parity, the price offered by an accommodation provider for a given room or service on an online booking platform must not be less favourable than the price offered on its own sales channel. In this case, it is only its own sales channels through which the accommodation provider must not advertise more favourable prices, however, with regard to sales on booking platforms operated by third parties independent of the accommodation provider, there are no restrictions on prices, the accommodation provider may freely determine prices for rooms and services on these platforms. As opposed to that, under a wide parity clause, the accommodation provider agrees to advertise or offer rooms on the online accommodation booking platform at prices equal to or better than the prices offered on its own and independent sales channels. In terms of its scope, price parity may apply to online and offline sales channels. If the price parity only applies to online sales channels, it is only web interfaces requiring the Internet on which the accommodation provider must not advertise more favourable prices. However, in this case the parity clause does not cover sales through traditional offline channels, such as by phone or in person at the reception of the accommodation provider. If the price parity also covers offline channels, the accommodation provider must not sell at more favourable prices through any interface, over telephone, or in response to personal inquiries either.

As part of the accelerated sector inquiry, the GVH contacted eight companies engaged in online accommodation intermediation (the undertakings contacted basically cover all players active on the online accommodation booking market in Hungary). Of the eight undertakings contacted, seven applied some kind of price parity clause, and only one undertaking¹⁶ applied

¹⁶ Although the undertaking concerned does not apply a parity clause, the contract stipulates that the accommodation provider must not serve any customers registered on the platform directly, and that the accommodation provider must redirect any customer directly contacting it – regarding room offers uploaded to the platform – to the website of the accommodation intermediary. This provision cannot be considered a parity clause in the traditional sense, as it does not require the obligation of providing the most favourable price, instead it completely excludes sales through own channels with regard to offers on the platform, provided the consumer is a customer listed in the database of the accommodation intermediary, i.e. a customer registered on the platform (thus in the case of these customers, the provision completely excludes sales by the accommodation provider

no price parity clause in any form. That means that 87.5% of the undertakings providing online accommodation booking services apply some kind of price parity clause in their contracts.

Among the seven online accommodation booking agencies that use price parity clauses, there are differences in the size and market share. In general, all the portals with the largest market share apply price parity, however, businesses with smaller or even marginal shares often use the option of price parity, too. Price parity clauses are typically stipulated in the general contracting terms and conditions of online booking platforms and in standard contracts.

Among the seven online accommodation intermediaries applying price parity clauses, the distribution of narrow and wide price parity is as follows:

Table 2: Distribution of narrow and wide price parity

Covering own sales (narrow parity)	Covering third parties as well (wide parity)
6	1

When examining the scope of price parity clauses, an important aspect is whether they only cover online sales channels or offline sales channels as well. Among the seven companies that apply price parity clauses, there is no single case where a price parity clause covers only offline sales channels. Therefore, online accommodation intermediaries use two types of price parity clauses: one type covers only online sales channels, and the other type covers both online and offline sales channels. All the seven companies applying price parity clauses cover online channels in their stipulations, and, in addition, there are three undertakings,¹⁷ whose price parity clauses cover both online and offline sales.

It is worth examining correlations in the application of online and offline, as well as narrow and wide price parity clauses.

A wide price parity clause is used by only one foreign accommodation intermediary with no significant market share, with the parity clause covering both online and offline sales channels. Thus, in that case, wide price parity is accompanied by parity restrictions on online and offline channels. Price parity clauses of undertakings applying a narrow price parity clause cover mainly online sales, with offline sales affected to a limited extent in the case of two accommodation intermediaries.

through its own channels). The undertaking concerned was therefore classified as one of the intermediaries not applying parity clauses, however, the applied contractual provision is worth mentioning from the aspect of the sector inquiry.

¹⁷ One of the three companies explicitly applies a parity clause covering offline sales channels in its contract, stipulating for all channels that prices offered through them by an accommodation provider must not be more favourable than prices offered on the accommodation booking platform. The contracts of the other two accommodation intermediaries stipulate that prices advertised on the accommodation provider’s website and in its announcements and information leaflets, must not be more favourable than the price applied on the platform. The latter two companies apply price parity clauses covering offline channels in some form, even if to a limited extent, since leaflets are distributed in printed form; therefore, the relevant accommodation intermediaries were also classified as undertakings applying parity covering offline channels.

The distribution by scope of parity clauses used in contracts of online accommodation intermediaries is illustrated in the table below:

Table 3: Distribution of parity clauses by scope

	Online sales only	Online and offline sales
Narrow parity	4	2
Wide parity	0	1

Among the seven undertakings that apply price parity, there is a smaller market player that, instead of using price parity explicitly or generally in its contracts, requires only that, whenever accommodation providers offer a campaign- or package offer on their own websites, they must also make them available through the online booking platform with unchanged conditions. In this case, we cannot talk about a general parity clause, as accommodation providers are free to set their prices on their own sales channels, and are only obliged to make campaign- and package offers available on the online accommodation booking platform under unchanged conditions. Given that the relevant provision of the online accommodation booking platform requires accommodation providers to provide the best available offer – even if to a limited extent, only for campaign- and package offers –, the relevant company was classified as an accommodation intermediary applying parity.

8.4 Availability or room parity

Under an availability parity clause, an accommodation provider must provide the given platform with availability, i.e. rooms available for booking, at least at such availability and capacity that it offers through its own channels (narrow parity) or through any competitors of the online booking platform (wide parity). Thus, according to the availability parity, the accommodation provider must not provide a lower capacity on the online accommodation booking platform than it makes available on its own or third-party sales channels. The accommodation provider must not differentiate the accommodation booking platform in terms of room capacity, i.e. it is always obliged to make available on the platform those rooms that are available on other sales channels.

In the contracts reviewed during the investigation, availability or room parity is not used on a stand-alone basis by online accommodation intermediaries, it appears only in cases where price parity is stipulated. The scope of application is also narrower for the availability parity, of the seven online accommodation intermediaries that use price parity, four undertakings use room parity. Three of these undertakings are among the largest multinational undertakings present on the market. Among the four intermediaries that use availability or room parity, one undertaking uses a wide parity clause that covers both online and offline sales. Three undertakings use a narrow parity clause that only covers online sales channels.

Among the undertakings that use availability or room parity, there are market players that do not require complete equality in terms of room capacity. That is, the accommodation provider is not obliged to provide the same availability on the platform, but it is obliged to provide a

certain amount of room capacity as long as there is an available room on one of its own online channels.

8.5 Best price guarantee

Best price guarantee means that if a consumer has a room booked on an online accommodation booking platform and can find a room with similar parameters at a more favourable price on another sales channel, then the accommodation intermediary undertakes to compensate the consumer for the difference in price. In these cases, the accommodation intermediary typically requires the accommodation provider to provide compensation for the difference – either by reducing the payable room price on the spot, or by refunding the relevant part of the paid amount to the consumer. The institution of best price guarantee may serve as a marketing tool for accommodation intermediaries, and it may also encourage accommodation providers to comply with the rules on parity. Because in this form, not only accommodation intermediaries will check compliance with provisions on parity, but consumers may also report any discrepancies to intermediaries.

Of the seven accommodation intermediaries using price parity, four undertakings use the institution of best price guarantee in some form. Overall, it is clear that the undertakings with the largest market share use the option of best price guarantee.

8.6 Enforcement of parity

Online accommodation intermediaries stipulate various sanctions in their contracts for the violation of parity obligations. The mildest consequence of violating parity requirements is that the accommodation intermediary calls upon the accommodation provider to immediately adjust the price on the intermediary's platform. The accommodation intermediary may also withdraw the various partner statuses, as a result of which the accommodation will appear under less favourable conditions on the platform. It is a typical contractual practice in the market that accommodation intermediaries stipulate the possibility of suspending the accommodation provider on their platforms, temporarily closing the possibility of booking for the relevant accommodation establishment. In more serious cases, the accommodation establishment may be deleted from the platform or the contract may be terminated with immediate effect. In addition, the institution of the above-mentioned best price guarantee may be one of the means of controlling and enforcing parity. In these cases, accommodation intermediaries typically require the accommodation provider to reimburse the price difference, as loss or costs incurred in connection with a breach of contract.

8.7 Commission

Revenues of accommodation booking sites basically come from commission paid by accommodation providers, in amounts stipulated by contract, for sales through their websites. Most of the intermediaries determine the amount of commission as a percentage of gross room price.

All online accommodation intermediaries have a basic commission rate. Some intermediaries always charge the basic commission rate to accommodation providers and do not take the characteristics of accommodation establishments into account when determining their commission. Others set different base commission rates for different accommodation

establishments based on different parameters. It is a typical practice in the market that intermediaries form groups of accommodation establishments based on their location and use different keys, for example, for accommodation establishments located in or outside Budapest. The type and category of accommodation establishments may be a distinguishing factor for determining commissions, i.e. an accommodation establishment may belong to different commission groups, for example, based on whether it is classified as an apartment, guest house or hotel. The amount of commission may also be affected by the type of booking – individual, group or event booking. Intermediaries often combine the above aspects to develop basic commission rates applicable to individual accommodations.

Some intermediaries specify a so-called extraordinary commission in their contracts, which means that if an accommodation provider's annual turnover on the platform reaches the amount specified in the contract, the intermediary becomes entitled to an additional commission. Commission rates are typically determined in the general contracting terms and conditions or in standard contracts, so they are the same for all accommodation providers. However, as revealed through the investigation, the amount of commission is determined individually in certain cases, typically for larger accommodation establishments.

Major market players usually offer some kind of visibility booster services or some special partner programs, the purpose of which is for the accommodation establishment participating in them to occupy a higher place in the search ranking and list and thus gain greater visibility and appearance on the platform towards consumers. In such cases, intermediaries typically charge a higher commission to accommodation establishments providers in consideration for highlighting it on the platform or providing increased visibility to it, so participation in various programs that influence ranking also affects the amount of commission to be paid.

Basic commission rates used by online accommodation intermediaries range between 10 and 15 percent. Commission rates applicable to accommodation establishments located in Budapest are higher than those applicable to accommodations outside Budapest (usually with a difference of around 3 percent). In addition, some intermediaries set higher commission rates for hotels than for apartments, hostels or chalets (the difference may be as high as 5 percent between the different categories). However, the actual amount of commission rate may be much higher than this, up to 30 percent, if an accommodation establishment is willing to pay a higher commission in order to gain more appearance and visibility on the platform and occupy a higher position in search results.

Therefore, commission rates actually applied by intermediaries may range in a very wide band, between 10 and 30 percent. Deviations from basic commission rates for larger accommodations may take place as a result of individually negotiated contractual conditions or higher willingness on the part of an accommodation provider to pay for being ranked higher in the search order of a platform. As to changes in amounts of commission, in overall terms, commission rates are rarely changed in the online accommodation booking market, they stay constant often for years.

Commission may be paid subsequently by hotels in cases where consumers pay booking fees directly to accommodation providers on the spot. Another solution is when a guest makes payment through the system of an accommodation intermediary, who will then transfer the price for the booking – reduced by commission – to the hotel.

In connection with the cancellation of bookings or no-show in the absence of cancellation, contracts typically stipulate separate rules regarding the payment of commission. Intermediaries usually apply contractual practices allowing that, if the booking concerned may be cancelled by the consumer without the obligation to pay a fee, the accommodation provider will not be required to pay a commission on the cancelled booking. However, if cancellation is subject to a fee for the consumer, or if the consumer is obliged to pay a fee due to a no-show, the accommodation intermediary is usually also entitled to a commission based on the fee payable to the hotel.

Accommodation intermediaries usually stipulate sanctions for non-performance of commission payment obligations by accommodation providers. Sanction systems are usually based on graduality: late fulfilment of commission payment obligations may result in the accommodation being ranked lower in the search list and ranking of the platform. In addition, in case of non-payment, the listing of an accommodation establishment may be suspended, as a result of which the offer of the hotel concerned will not be displayed to visitors browsing the website of the accommodation intermediary. If an accommodation provider fails to fulfil its commission payment obligations despite the above sanctions, contracts will allow the accommodation intermediary to terminate the contract (usually with immediate effect). Also, in the case of late payment, accommodation intermediaries may, in addition to other consequences, charge late payment interest to accommodation providers.

Certain accommodation intermediaries require accommodation providers to pay a deposit when concluding a contract with them, in order for it to serve as security for their claims arising from the contract. With this, accommodation intermediaries secure that if accommodation providers fail to fulfil their commission payment obligations for some reason, accommodation intermediaries may satisfy their claims from such deposits.

8.8 Ranking

Online accommodation intermediaries may determine the criteria for sorting and ranking accommodation offers in search lists on the platform.

Based on the contracts and information available to GVH, the accommodation's position in the ranking is usually influenced by a consumer's personal preferences, such as the consumer's search history, as well as the location and attributes of the accommodation establishment concerned. In addition, ranking is typically affected by the score achieved based on evaluations from guests and the number of complaints from guests. The development of the ranking is typically influenced by the evolution of the number of bookings and the so-called conversion rate, which is the ratio of the number of bookings to the number of views of the accommodation offer. In addition, ranking is also affected, in general, by the rate of cancellations and the payment discipline of accommodation providers.

In addition to the above, accommodation providers have the option of being placed in a more favourable position in the ranking by paying a higher commission. So, the amount of the commission paid to an accommodation intermediary also affects the ranking on the platform. Offering a higher commission may be a way to obtain a better ranking position if an accommodation provider joins various partner programs, which typically impose quality requirements – usually determined on the basis of bookings, consumer evaluations and pricing policy – on accommodation establishments, in addition to a higher commission rate, as

conditions to their participation in such programs. There is a practice in the market whereby a part of the higher amount of commission paid by hotels for better visibility is credited to consumers in the form of credits, which they may use for their next booking. In addition to various programs, other functions are available to increase visibility that do not require any conditions other than the payment of a higher commission rate, and they provide increased visibility only temporarily, in a limited timeframe and area.

The place occupied in the ranking, and thus visibility, is increased by those options that do not involve a higher commission payment obligation, however, accommodation providers undertake to offer a certain amount of discount from their room prices for consumers, in return for getting a more favourable position in the ranking. Furthermore, accommodation establishments may gain higher ranking through occasional promotions, such as Last Minute or Black Friday offers.

In overall terms, it is clear that the more significant a market player is, the more complex ranking rules and algorithms it uses. Programs for increasing visibility involving higher commission payment obligations are typically only available at larger market players. As a result, the actual amount of commission payable to major accommodation intermediaries may be up to 30 percent, as explained above.

Accommodation intermediaries typically provide general information on ranking to consumers, assigning special markings to accommodation establishments that are placed higher in the search list due to a higher level of commission. However, as the GVH experienced, this information is not sufficiently comprehensible and visible on the websites of accommodation intermediaries, and markings applied to higher-ranked accommodation establishments are not always clear.

8.9 Complaint mechanisms, legal remedies

It is typical for both domestic and foreign online accommodation intermediaries that their contracts with accommodation providers (typically in the form of GCTCs) contain provisions for complaint mechanisms (dispute resolution clause), in addition to stipulating the governing law. It can only be observed rarely in terms of smaller market players that a given contract does not specifically have a dispute resolution clause, and only refers to the governing law (e.g. Hungarian, Dutch, German, UK, etc.). In the latter case, such contracts regulate the way of handling complaints indirectly since a reference to a specific law (or legal system) typically sets forth the possibility of judicial enforcement in the event of a specific legal dispute.

Relevant contract provisions of domestic online accommodation intermediaries

All Hungarian online accommodation intermediaries stipulate Hungarian law as the governing law, specifically referring to Act V of 2013 on the Civil Code and other relevant legal regulations. Those contracts, which, in addition to specifying the governing law, also contain a dispute resolution clause, the following order can be observed in terms of legal remedies. The parties must settle their legal disputes primarily through negotiation or mutual agreement. Failure to obtain the desired result in that way may then resort to judicial enforcement, depending on the relevant jurisdiction. In the case of judicial enforcement, the competent court is usually stipulated either by the location of the registered seat of the online accommodation intermediary or that of the accommodation provider. The latter usually occurs

in specific contracts concluded with major accommodation providers (e.g. larger hotel chains). In addition, contracts typically include a special clause stipulating that, the parties are obliged to cooperate with each other in the event of judicial enforcement in order to eliminate and mitigate losses. All these imply that the obligation to cooperate and support each other is prioritized even in those cases when a legal dispute is settled by court.

Contracts of more significant domestic online accommodation intermediaries typically contain more complete and detailed provisions on complaint mechanisms. For example, many online accommodation intermediary set forth that if an accommodation provider has a complaint or comment to raise, they may communicate it via e-mail or post. They also have the possibility to call the customer service of the accommodation provider, through which they may seek help in Hungarian, English, German, Croatian, or in Polish, just to name a few. In addition, the online accommodation intermediary oblige themselves to immediately start the investigation of the received complaint, and to remedy it as they deem necessary, and to take steps to respond to and resolve the complaint within the shortest possible timeframe. (that is, within a maximum of 30 days after receipt) and to provide justification for rejecting a complaint.

Relevant contract provisions of foreign online accommodation intermediaries

Contracts of foreign online accommodation intermediaries usually stipulate the governing law exclusively according to the location of the registered seat of the online accommodation intermediary. Those contracts which, in addition to specifying the governing law, also contain a dispute resolution clause, have the same order in terms of legal remedies as could be observed in terms of domestic accommodation intermediaries online accommodation booking agencies. That is, the parties are primarily obliged to settle their legal dispute through negotiations, and then may resort to judicial enforcement after that. Typical methods of legal remedies by means of negotiation include the following: addressing a letter to the contracting party and explaining the complaint in detail, settlement between the parties, arbitration procedure, or mediation.

Larger foreign online accommodation intermediaries typically have a platform for an internal complaint mechanism, which contains detailed information on how to submit a given complaint and the available alternatives. If the internal complaint procedure does not provide any results, it is also possible to contact the mediators designated in the contract via an online telecommunication device. Unless otherwise agreed, 50% of the cost of mediation is borne by the online accommodation intermediary.

However complaints received by the Hungarian Competition Authority in the summer of 2023 suggest that the dispute resolution mechanisms operated by accommodation booking platforms online accommodation booking agencies need greater efficiency and transparency, especially with regard to the willingness of accommodation intermediaries to provide meaningful answers.

9 Summary of the results of the market research conducted among accommodation operators in Hungary

9.1 Sampling process

The GVH assessed the relationship of Hungarian accommodation providers and accommodation intermediaries using an online questionnaire. The population required for the survey, i.e., a list of accommodation establishments and their email addresses, was made available to the GVH by HTA. The distribution of accommodation establishments by size is very uneven, most of the accommodation establishments have less than 10 beds available (Table 4). That fact, together with the geographical distribution of accommodation establishments, was taken into account for designing a sample for the questionnaire.

Table 4: Distribution of accommodation establishments by number of beds

Number of beds (persons)	Distribution within the population
1-10	77.9%
11-20	15.0%
21-30	1.6%
31-40	1.2%
41-50	1.0%
51-60	0.6%
61-70	0.4%
71-80	0.3%
81-90	0.2%
91-100	0.3%
100>	1.7%

Note: N = 47 147

The sample consisted of two parts. On the one hand, accommodation establishments with more than 100 rooms to let were all included in the sample, since there were relatively few of them (1.7% of all accommodation establishments), but these accommodation providers are likely to have the most extensive and most relevant experience regarding online travel agencies and platforms.

Further, stratified sampling was applied for accommodation establishments with 100 or less rooms to let. Stratified sampling means that if we know how the observations are distributed

(stratified) according to a given characteristic, then we carry out the sampling in such a way that the observations are included in the same proportion in the final sample. Thus, in each stratum of the sample, enough items are randomly selected so that the proportions of strata are equal to the proportions observed in the entire population.

In the accelerated sector inquiry, we used two main stratification criteria. On the one hand, since the sector inquiry covers the entire territory of Hungary, it is worth taking a representative sample on a territorial basis. On the other hand, since the population of accommodation establishments is very heterogeneous, it is also worthwhile to divide the population according to some important intrinsic attribute that is a clear distinguishing criterion for consumers between types of accommodation. The territorial dimension is illustrated by distribution within counties (or in the capital city) (Table 5), and types of accommodation is represented based on the number of rooms to let.

Table 5: Distribution of accommodation establishments by county

County	Distribution of accommodation establishments
Budapest	22.7%
Bács-Kiskun	2.2%
Baranya	4.1%
Békés	3.2%
Borsod-Abaúj-Zemplén	5.2%
Csongrád-Csanád	2.3%
Fejér	1.6%
Győr-Moson-Sopron	2.2%
Hajdú-Bihar	4.1%
Heves	4.7%
Jász-Nagykun-Szolnok	2.4%
Komárom-Esztergom	1.1%
Nógrád	1.0%
Pest	3.1%
Somogy	17.5%

Szabolcs-Szatmár-Bereg	1.7%
Tolna	1.1%
Vas	2.8%
Veszprém	10.0%
Zala	7.0%

Note: N = 47 147

Therefore, a doubly stratified sample of 1% was taken from this subpopulation. The sampling itself was carried out using the R software. Since the population includes a very low proportion of accommodation establishments with 50 to 100 beds, the intervals for which the stratified sample did not provide at least five observations (nationwide) were supplemented with additional randomly chosen items until five observations were reached. In addition, any accommodation establishments that were probably not relevant to the online accommodation booking market (e.g. festivals, workers' hostels, student dormitories) were removed. After the data cleaning process, a sample of 1127 observations was finally obtained, and these accommodation establishments were contacted during the online questionnaire survey.

9.2 Representativeness of the responses received

Of the 1127 accommodation establishments included in the stratified sample, 272 (24%) completed the questionnaire sent out. This is still a statistically large sample, but in order to ensure that the claims made about the population in the analysis are as accurate as possible, it is worth examining whether by the criteria used for stratification the distribution of responses received is similar to that of the sample originally taken and of the entire population. As shown in Table 6, the local distribution of respondents is almost identical to the stratified sample. Most of the respondents were accommodation providers in Budapest, followed by those belonging to counties where larger holiday centres are located (e.g. Somogy, Veszprém). Thus, the final sample can still be considered geographically representative.

Table 6: Distribution of observations among the counties in the sample and among the responses received

County	Distribution within the original sample and the population	Distribution among respondents	County	Distribution within the original sample and the population	Distribution among respondents
Budapest	25.8%	25.7%	Jász-Nagykun-Szolnok	2.6%	1.8%

Bács-Kiskun	2.6%	2.2%	Komárom-Esztergom	2.8%	1.1%
Baranya	2.9%	2.9%	Nógrád	0.8%	1.1%
Békés	2.5%	2.6%	Pest	4.9%	4.8%
Borsod-Abaúj-Zemplén	4.6%	4.8%	Somogy	12.5%	8.8%
Csongrád-Csanád	1.9%	2.9%	Szabolcs-Szatmár-Bereg	2.7%	2.9%
Fejér	2.8%	1.5%	Tolna	1.1%	1.1%
Győr-Moson-Sopron	2.7%	4%	Vas	3.2%	5.2%
Hajdú-Bihar	3.6%	5.5%	Veszprém	8.8%	6.9%
Heves	4.2%	4.8%	Zala	6.7%	9.2%

Table 7 shows the distribution of the stratified sample and of respondents by number of rooms. It is clear that accommodation establishments with the fewest rooms are underrepresented, while accommodation establishments with a high number of rooms are overrepresented compared to the original sample. Here it is worth reiterating that the GVH contacted all accommodation establishments with more than 100 rooms, while a sample was taken from smaller accommodation establishments. Therefore, compared to the entire population, small accommodation establishments are significantly underrepresented in the analysis.

This discrepancy is presumably explained by differences between accommodation establishments in terms of their external relations, management and/or technical capabilities. Larger accommodation establishments are more likely to have a dedicated customer service desk tasked with handling such requests. In addition, larger accommodation establishments may be more motivated to fill in the questionnaire, because, for example, the way accommodation intermediaries operate will have greater revenue implications for them. Therefore, either the invitation to fill in the questionnaire escaped the attention of smaller accommodation providers more easily, or they were not sufficiently motivated to complete it.

Table 7: Distribution of observations in the entire population, in the sample created, and among responses received

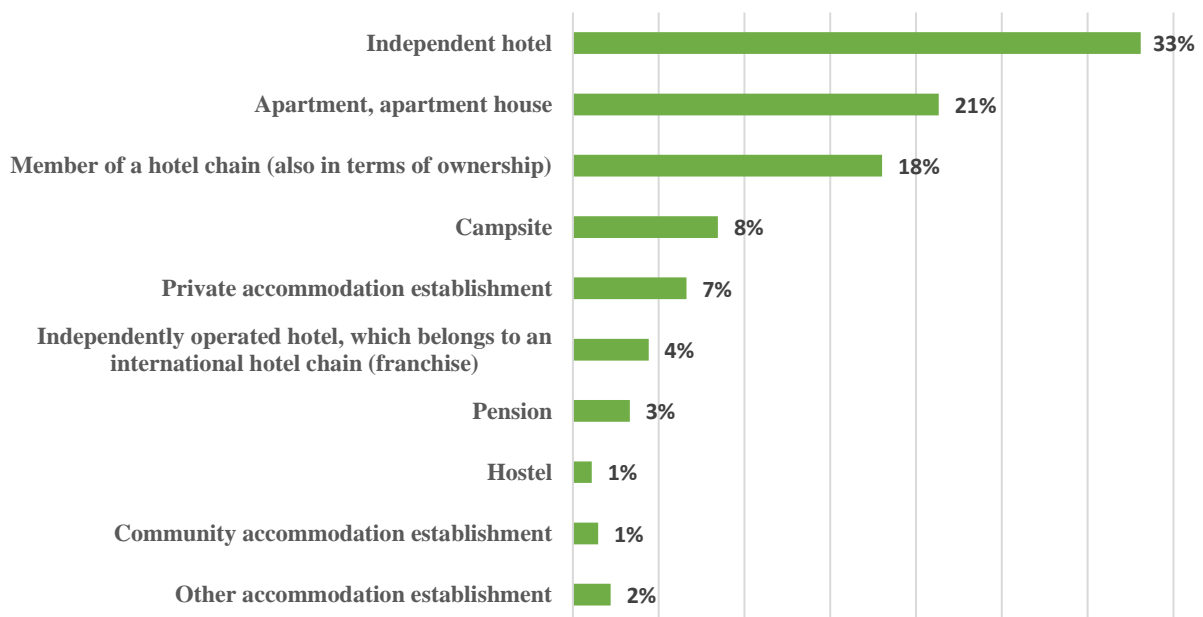
Number of rooms to let	Distribution within the entire population	Distribution within the original sample	Distribution among respondents
1-10	77.9%	32.7%	27.9%
11-20	15.0%	6.3%	4.4%

21-30	1.6%	0.5%	4.0%
31-40	1.2%	0.4%	1.8%
41-50	1.0%	0.4%	3.7%
51-60	0.6%	0.4%	4.8%
61-70	0.4%	0.4%	5.5%
71-80	0.3%	0.4%	5.2%
81-90	0.2%	0.4%	3.7%
91-100	0.3%	0.4%	4.0%
100>	1.6%	57.7%	34.9%

9.3 Presentation of general data

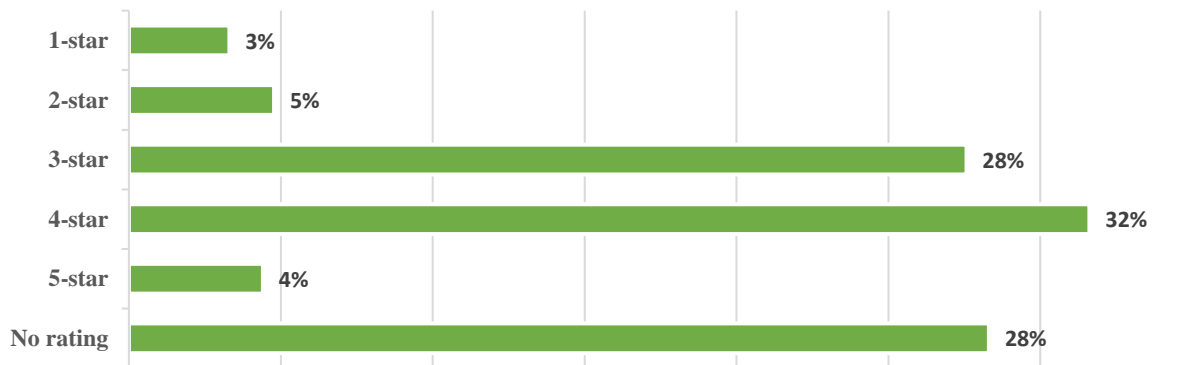
Most of the accommodation establishments operated by the respondents are independent hotels, or hotels belonging to hotel chains, or apartments (Figure 2). Of the accommodation establishments, 60% have a 3- or 4-star rating, but a quarter of them don't have any such rating (Figure 3). A relatively large number of respondents, 18%, stated that the proportion of their foreign guests is over 90%, however, foreigners make up less than a third of the guests for nearly 50% of respondents (Figure 4).

Figure 2: Distribution of accommodation establishments among respondents by type



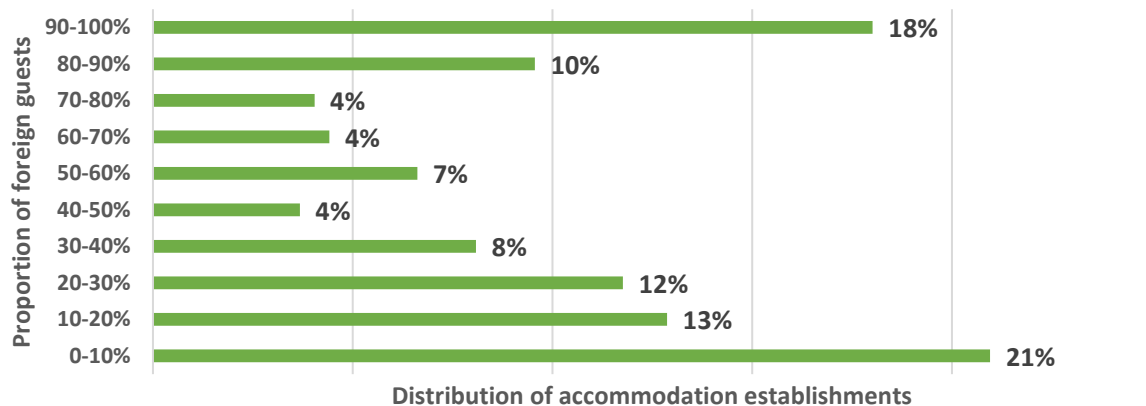
Note: N = 272 (All respondents)

Figure 3: Distribution of accommodation establishments among respondents by rating



Note: N = 272 (All respondents)

Figure 4: Distribution of accommodation establishments among respondents by the proportion of foreign guests



Note: N = 272 (All respondents)

9.4 Responses received about the Booking.com site

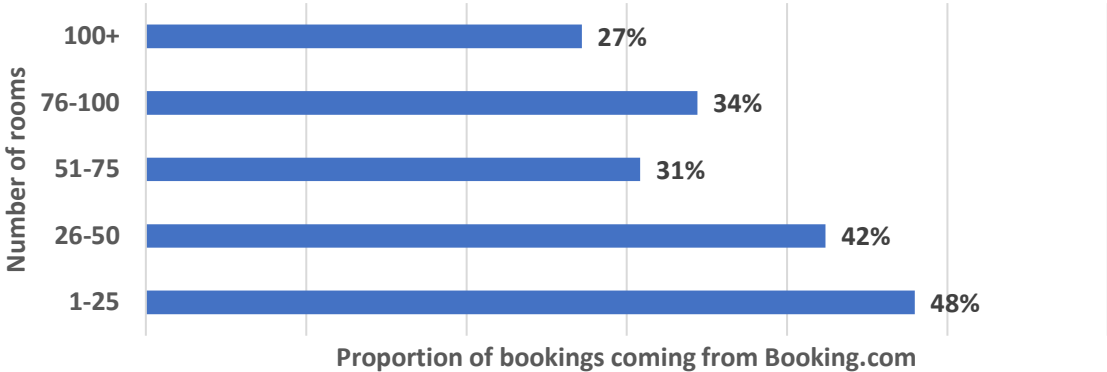
Two-thirds of respondents use Booking.com’s accommodation booking services. Of those who are not present on Booking.com, 58% do not use any other providers of accommodation booking services.

In overall terms, it has been observed that the proportion of bookings received from the Booking.com site is a higher for smaller accommodation establishments than for larger ones (Figure 5).¹⁸ This is probably due to the fact that larger accommodation establishments can afford to have their own sophisticated sales channels or make more diversified use of other channels of intermediation. As represented in Figure 6, the proportion of bookings arriving via Booking.com shows a positive correlation with the proportion of guests arriving from abroad,

¹⁸ This figure does not feature campsites, as the number of available “rooms” or spaces for persons published by them often includes tent spaces, therefore those numbers do not adequately represent the size of such accommodation establishments.

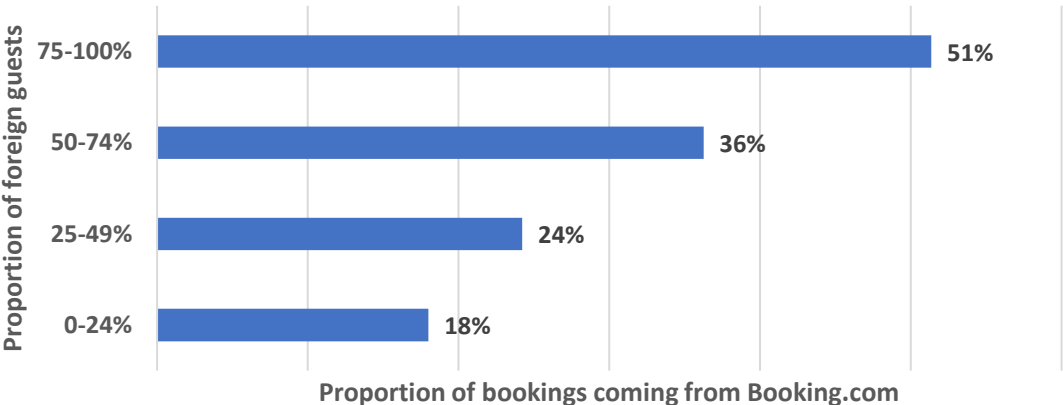
and the value of the correlation coefficient calculated between them is 0.56, so there is a moderately strong, positive (significant) correlation between the two variables.

Figure 5: Correlation between the size of accommodation establishments and the proportion of bookings coming from Booking.com



Note: N = 178 (Booking.com users, excepting campsites)

Figure 6: Correlation between the proportion of foreign guests and the proportion of bookings coming from Booking.com

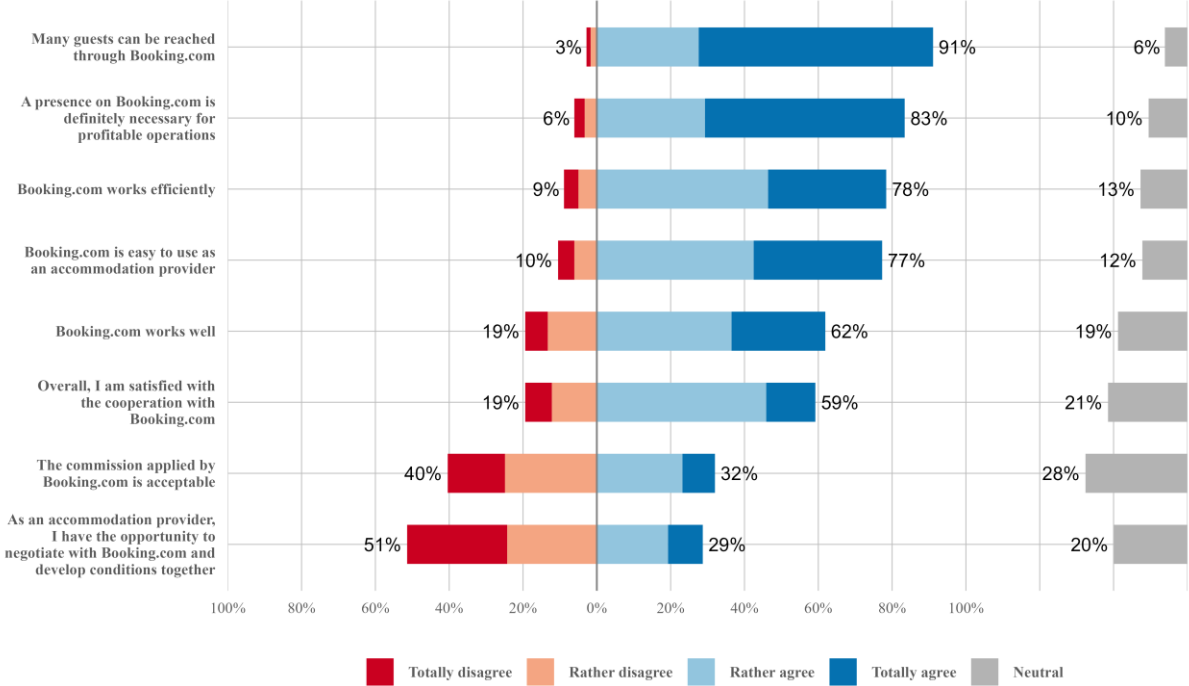


Note: N = 181 (Booking.com users)

Figure 7 illustrates general opinions of accommodation providers about Booking.com. Apparently, they unanimously consider the site to be essential – roughly 90% of them agree with the statement that a high number of guests can be reached through the site, and roughly 80% of them think that the site is essential for profitable operations (and more than half of these respondents completely agreed with this claim). Almost 80% of respondents consider Booking.com to be efficient, and almost the same proportion of them consider the site to be easy to use. About 60% think that Booking.com works well and that they are generally satisfied with working with it, while 19% disagree. The most divisive question focused on the amount of commissions paid to the site. 32% consider it acceptable, but 40% do not consider the amount of the commission acceptable, in addition, the highest proportion of neutral respondents (28%) is observed here. Finally, around half of the accommodation providers do not agree with the statement that they have the possibility to negotiate with Booking.com about the conditions

established. Nearly one-third of respondents agree with this claim, while one-fifth gave a neutral answer.

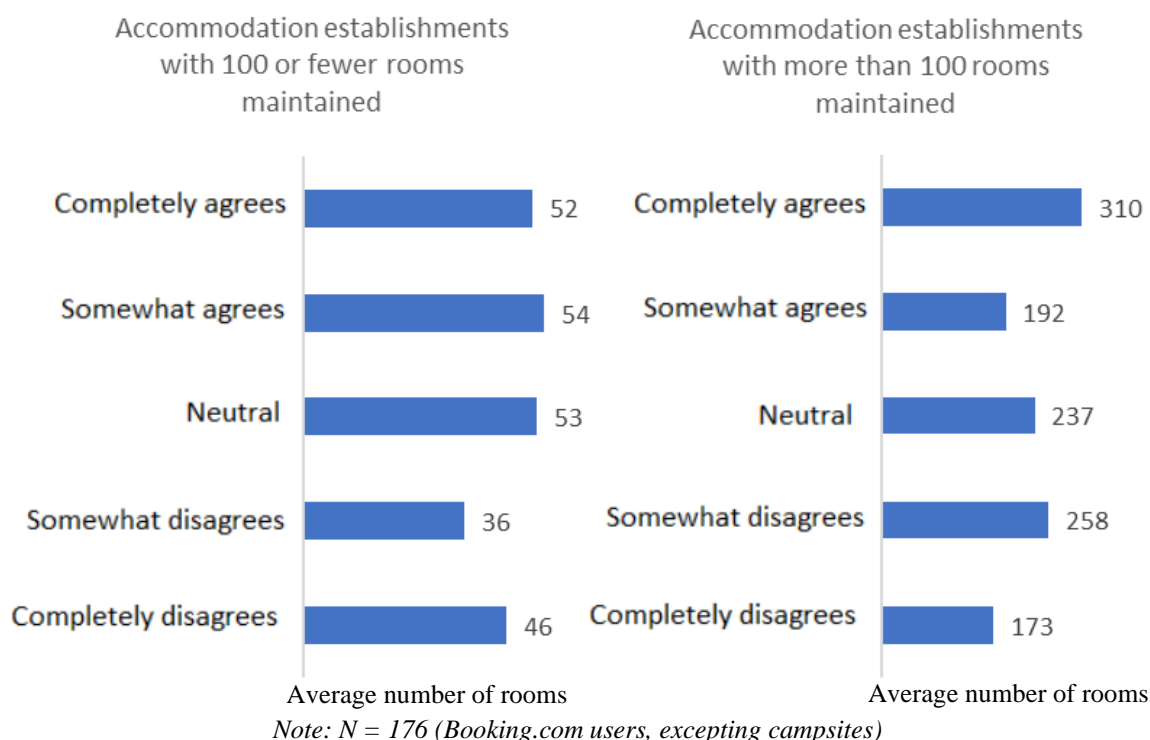
Figure 7: Accommodation provider opinions about Booking.com



Note: N = 181 (Booking.com users)

Figure 8 illustrates that these responses are relatively evenly distributed according to the size of accommodation establishments. Among those with more than 100 rooms, a weak positive correlation can be discovered between the possibility of negotiation and the number of rooms, since the average number of rooms maintained is the highest (310) for those who completely agree with the claim, and the lowest (173) for those who completely disagree with it. However, the correlation coefficient of this correlation is 0.09 and is not significant even at a 10% significance level, so it may be established that there is no correlation between the two variables. The correlation for accommodation establishments with less than 100 rooms is also very weak positive (0.12) and not significant even at the 10% significance level, so no real correlation is perceived between the variables here either.

Figure 8: Distribution of responses to the question “As an accommodation provider, I have the possibility to negotiate with the Booking.com site and jointly develop terms and conditions” by the



In the questionnaire, we also mapped the pricing practices of accommodation providers. As responses suggest, 54% of accommodation establishments using Booking.com set the same price on their own websites as on the Booking.com site. As to the reason for it, however, only 28% responded by saying that it is because of the price parity clause in Booking.com’s contracts, and most of them (60%) claimed that it is because of administrative convenience. Other answers included mainly references to business policy reasons (13%). And 78% of Booking.com users offer the same prices on other accommodation booking sites as well. 39% of them do this because of the contractual conditions stipulated by Booking.com, however, 52% still answered that it is easier for administrative reasons. Most of those who gave other answers (9%) mentioned business policy reasons.

Accommodation providers also answered the question whether they were affected by Booking.com’s payment difficulties in the summer of 2023. 11% of the accommodation establishments using Booking.com (20 respondents) answered that they were involved in the case. Those involved also answered the question of how seriously this payment problem affected them, on a 4-point Likert scale (1 – no problem caused at all, 4 – very significant problem caused). 25% of the respondents considered the problem to be very significant, 30% considered it significant, and 45% considered it not significant or not at all significant. Table 8 illustrates the distribution of affected accommodation establishments by size (number of rooms). It is observed that a large proportion of those affected (nearly half of them) are smaller accommodation establishments, while only 10% are larger ones. Compared to the distribution in Table 6, it is clear that smaller accommodation providers are overrepresented and larger ones are underrepresented, compared to their proportion among respondents, in this question. At the

same time, they represent only 11% of all respondents, a very small sub-sample of 20 items, so no meaningful conclusions and correlations can be drawn for this question.

Table 8: Distribution of accommodation providers affected by Booking.com's payment difficulties by the number of rooms to let

Number of rooms	Their proportion among accommodation establishments affected by Booking.com's payment difficulties
1-10	45%
11-25	30%
26-50	0%
51-75	10%
76-100	5%
100+	10%

Note: N = 20 (Accommodation providers affected by Booking.com's payment difficulties)

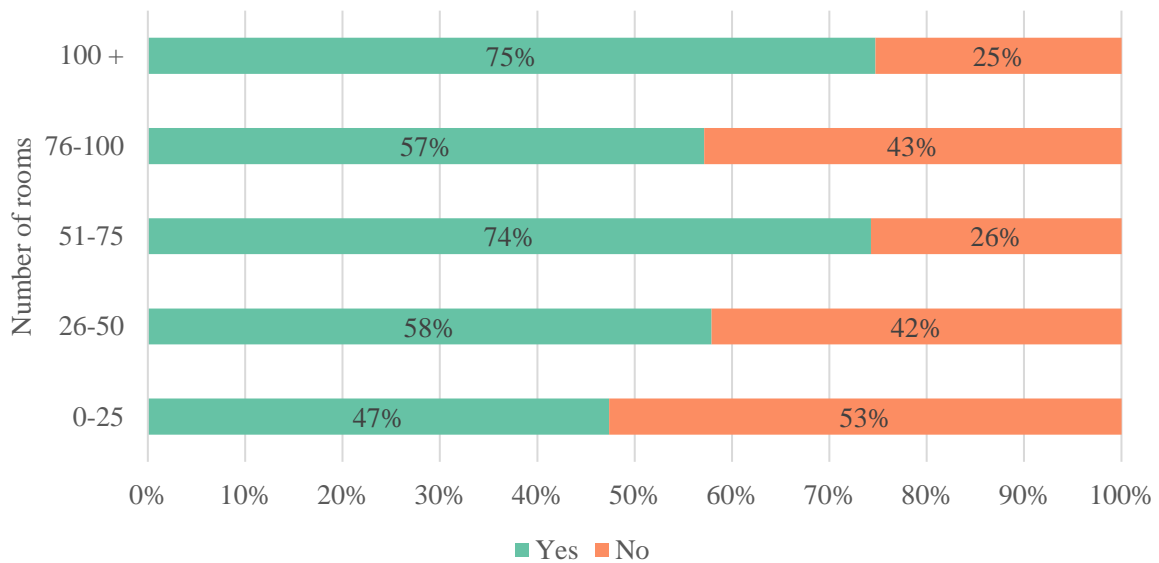
One third of respondents do not use Booking.com, 19% of them (17 respondents) had used Booking.com before, but later stopped using it. As the reason for this, 35% indicated that they had received an insufficient number of bookings through the site, 29% said that the stipulated commission had been too high, and 17% said that the use of the site had involved too much administration (multiple answers were allowed).

Thus, a total of 27% of respondents do not use Booking.com and have never used it. When asked why they had never used the site, 34% answered that they had considered the commission to be too high, 31% said that they can operate their accommodation establishments at sufficient occupancy levels even without Booking.com, and 22% thought that using the site would involve too much administration (multiple answers were allowed).

9.5 Responses received about Szállás.hu

62% of respondents use the services of Szállás.hu. However, this proportion differs for accommodation establishments located in the capital city and outside it. While only about half of the respondents from Budapest use the site, in other settlements about two-thirds of the respondents do so. Looking at the number of rooms to let, no clear trend is observed (Figure 9). While Szállás.hu is used only by 47% of accommodation establishments of smaller categories, it is used by more than half of larger accommodation establishments, in all categories. Even among these, accommodation establishments with 51-75 rooms as well as those with more than 100 rooms stand out. Of these accommodation establishments, 74% and 75%, respectively, use the services of the booking site.

Figure 9: Usage of Szállás.hu by the number of rooms to let



Note: N = 272 (All respondents)

In addition, different results are observed based on 1-star to 5-star rating. Szállás.hu is used by less than 50% of accommodation establishments with no such rating, or 1-star or 2-star ratings, and the site is used by more than 50% of accommodation establishments with ratings that are higher than that. Among them, accommodation establishments with 3-star and 4-star ratings stand out, as 65% and 81% of them, respectively, use the site.

Overall, 18% of bookings came from Szállás.hu, making it the second largest online accommodation booking site in Hungary, based on the results of the questionnaire. Figure 10 shows that the higher the proportion of foreigners at an accommodation establishment, the smaller proportion of their bookings coming from Szállás.hu. That proportion is 28% for accommodation establishments with less than 25% foreigners among their guests. Less than 10% of bookings were realised through this accommodation booking site by accommodation establishments with at least 50% foreigners among their guests.

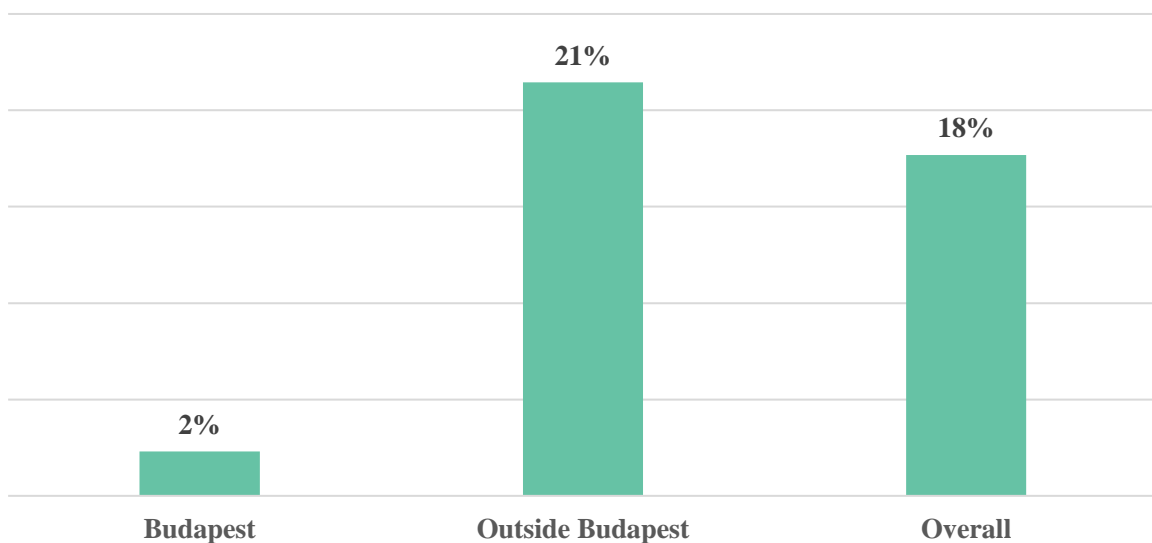
Figure 10: Correlation between the proportion of foreign guests and the proportion of bookings coming from Szállás.hu



Note: N = 169 (Szállás.hu users)

There is also a correlation between the use of the site and the geographical location. Figure 11 clearly shows that, while 21% of accommodation reservations outside Budapest are made via Szállás.hu, this proportion is only 2% for accommodation establishments in Budapest. This is in line with what has been said earlier, since answers suggest that while foreign guests represent an average of 83% of guests for accommodation establishments in Budapest, the highest proportion of them for accommodation establishments outside the capital city, 49%, is observed for those in Győr-Moson-Sopron county. For this reason, Szállás.hu, which is mainly relevant for domestic guests, is less important in Budapest. It should also be noted that the proportion of foreign guests of accommodation establishments in settlements outside Budapest is only 26% on average.

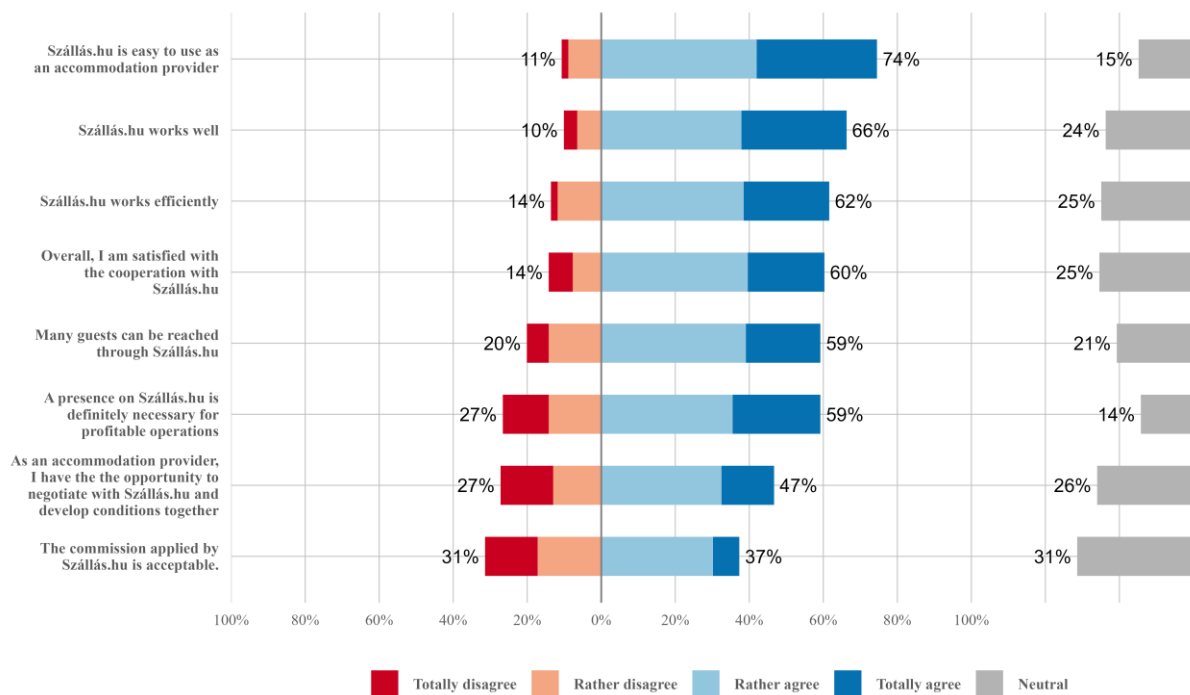
Figure 11: Proportion of bookings coming from Szállás.hu by geographical location



Note: N = 169 (Szállás.hu users)

Below we discuss accommodation providers' opinions concerning Szállás.hu and experience regarding price parity. Figure 12 shows that in the vast majority of aspects, accommodation providers had a positive opinion of Szállás.hu. Among the questions asked, accommodation provider opinions are strongly divided only in relation to the amount of commission applied. Although the majority of respondents, 37%, think the amount of commission is acceptable, the proportion of those who disagree is only lower by six percentage points, 31%. It should be noted that 27% of respondents think that they have no possibility to negotiate with the site and to agree on terms appropriate for them. This may be related to the fact that many people are dissatisfied with high commissions.

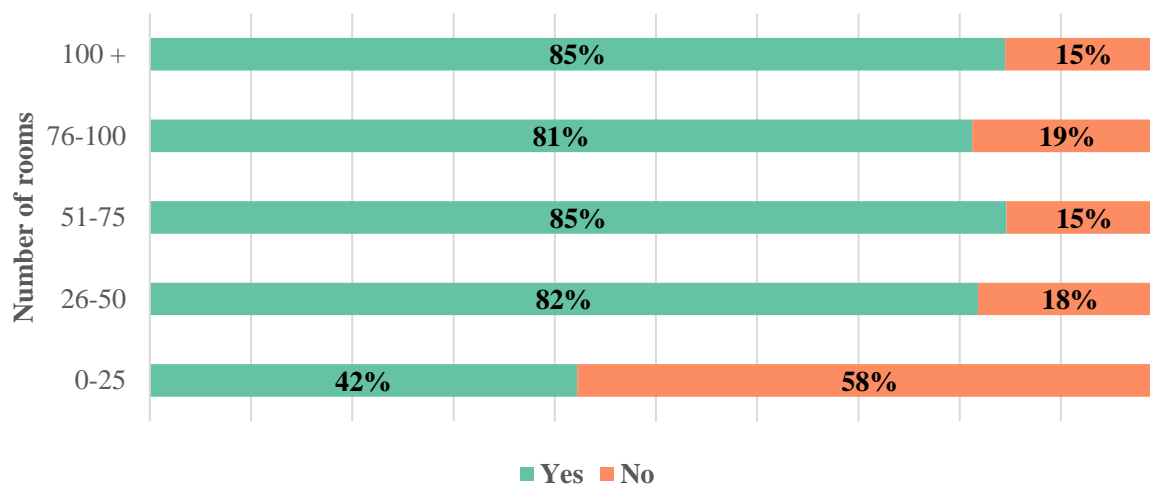
Figure 12: Accommodation provider opinions about Szállás.hu



Note: N = 169 (Szállás.hu users)

In terms of price parity and price variability, homogeneous results are observed. Among accommodation establishments with more than 25 rooms to let, the proportion of those that offer their rooms at the same price on Szállás.hu and on other booking sites is over 80%. The same proportion is 73% in overall terms, when smaller accommodation establishments are also taken into account (Figure 13).

Figure 13: Distribution of responses to the question “Do you typically sell your hotel rooms at the same price on Szállás.hu as on other accommodation booking sites?” by the number of rooms to let

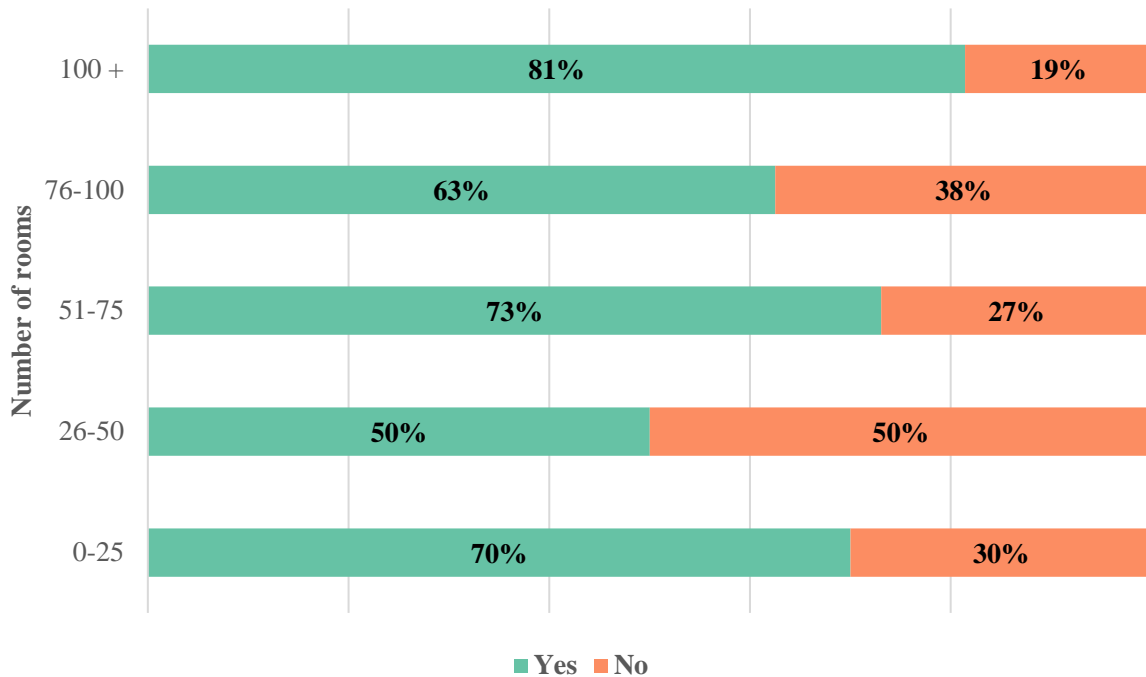


Note: N = 169 (Szállás.hu users)

From this aspect, there is no major difference between the practices of accommodation establishments in the capital city and in the countryside. The proportion of those following such conduct is 71% and 73% respectively. As the reason for using the same prices, 59% of respondents indicated that this type of pricing is easier for them from an administrative perspective. Finally, 42% of respondents answered that they use the same prices on other sites due to (price parity) clauses in their contracts with Szállás.hu (multiple answers were allowed).

Accommodation providers also answered whether they apply the same prices on their own websites and on the Szállás.hu site. Figure 14 shows that the majority of accommodation establishments use the same prices on their own websites as on Szállás.hu, and this is not closely correlated to the number of rooms to let. In overall terms, 74% of respondents apply the same prices on their own websites and on Szállás.hu. Among them, a majority (69%) mentioned (price parity) clauses in their contracts with Szállás.hu as the reason for that practice. In addition, 29% indicated the reason that it is simpler for them from administrative aspects.

Figure 14: Distribution of responses to the question “Do you typically sell your hotel rooms at the same price on Szállás.hu as on your own website?” by the number of rooms to let

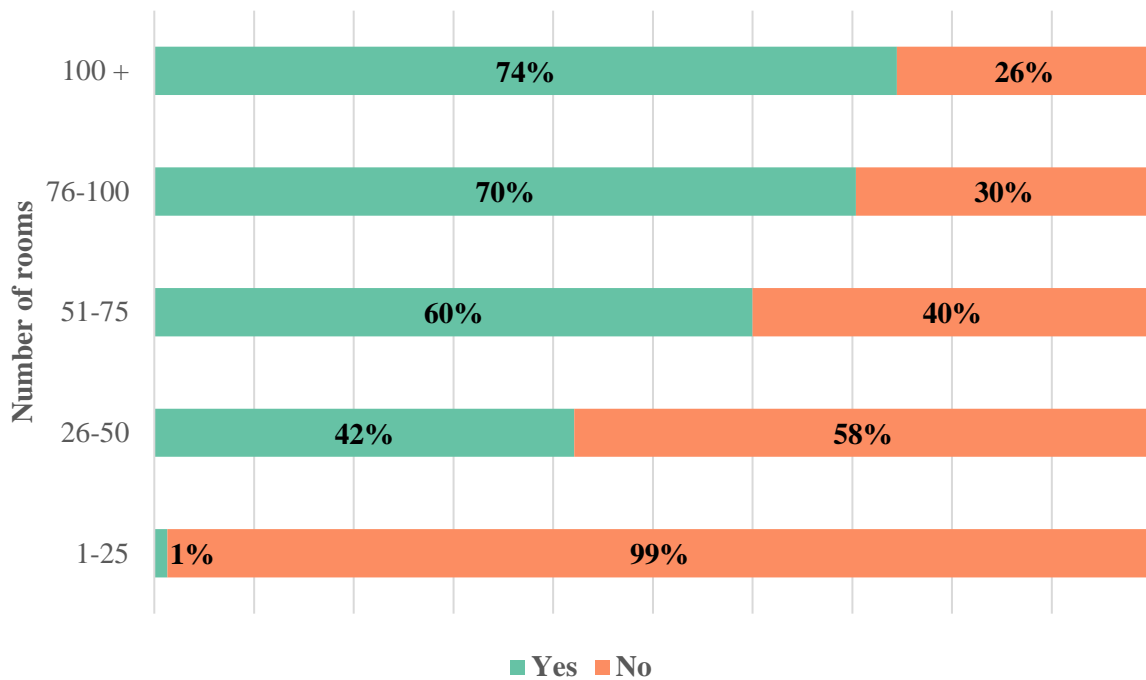


Note: N = 152 (accommodation providers using Szállás.hu and having their own websites)

9.6 Responses received about Expedia

53% of respondents use online accommodation booking services offered on the site Expedia, but with a heterogeneous distribution. There is a significant difference between data for accommodation establishments with the lowest and the highest number of rooms to let (Figure 15). While the proportion of Expedia users is only 1% from accommodation establishments with a lower number of rooms, the same proportion is 70% for players among the two largest categories. In addition, Figure 15 shows that the larger the accommodation establishment, the higher its probability to use Expedia.

Figure 15: Usage of Expedia by the number of rooms to let



Note: N = 272 (all respondents)

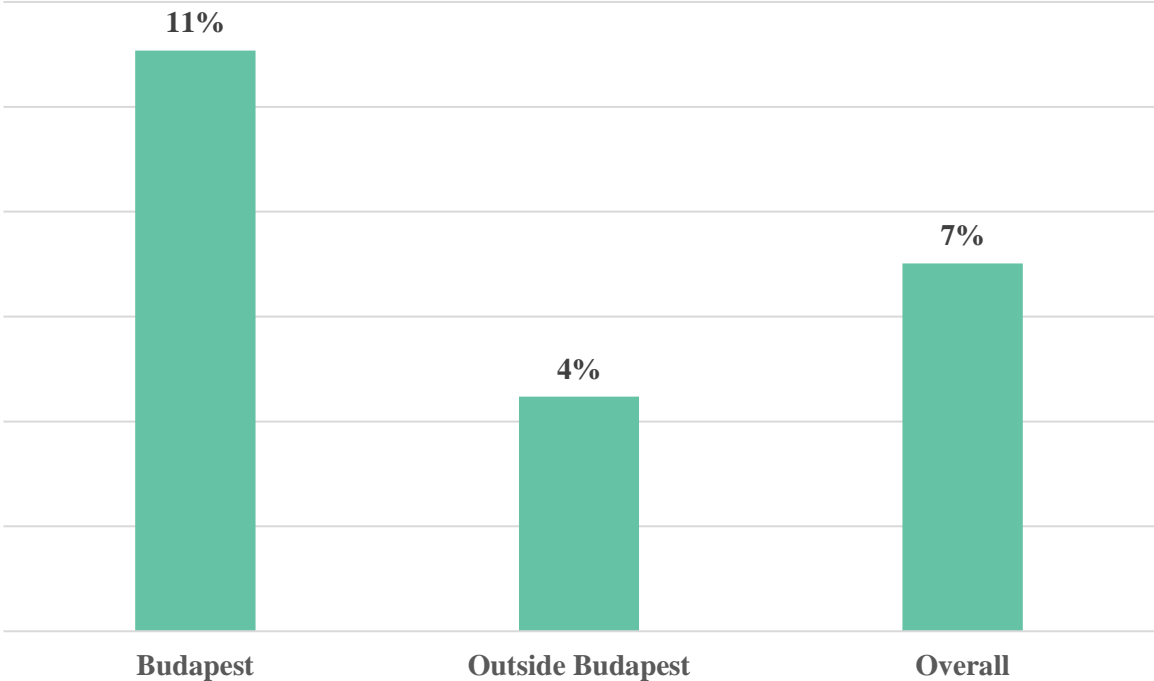
Compared to the above, results are more diverse for accommodation establishments when observed by their 1-star to 5-star ratings. The proportion of Expedia users is less than 15% among accommodation establishments with 2-star or 1-star rating or no rating. Among them, the same proportion among accommodation establishments with 1-star or 2-star ratings is 0%, so none of the respondents from such accommodation providers use the services of that site. The proportion of those present on Expedia is 41% and 77% respectively for 3-star and 4-star accommodation establishments. In the category of 5-star hotels, all respondents use Expedia, so that ratio is 100 percent.

The usage of Expedia is also different for accommodation providers within and outside the capital city. While the proportion of users of that site is 79% for respondents from accommodation establishments in the capital city, the same proportion is only 32% for accommodation providers outside the capital. Compared to this, a smaller difference is observed in the proportion of bookings coming from Expedia relative to all incoming bookings. Figure 16 illustrates this by providing a comparison between accommodation establishments within and outside Budapest. The figure shows that while the proportion of bookings coming through Expedia is 11% on average for accommodation providers in Budapest, the same proportion is only 4% for accommodation establishments outside the capital.

Similar differences are observed when we use the number of rooms for categorisation. The proportion of bookings coming from Expedia ranges between 6% and 11%, except for accommodation establishments with the lowest number of rooms (for which the same proportion is 1%). Among such categories, the highest proportion is observed for

accommodation establishments having between 76 and 100 rooms, while the lowest proportion is observed for those having more than 100 rooms.

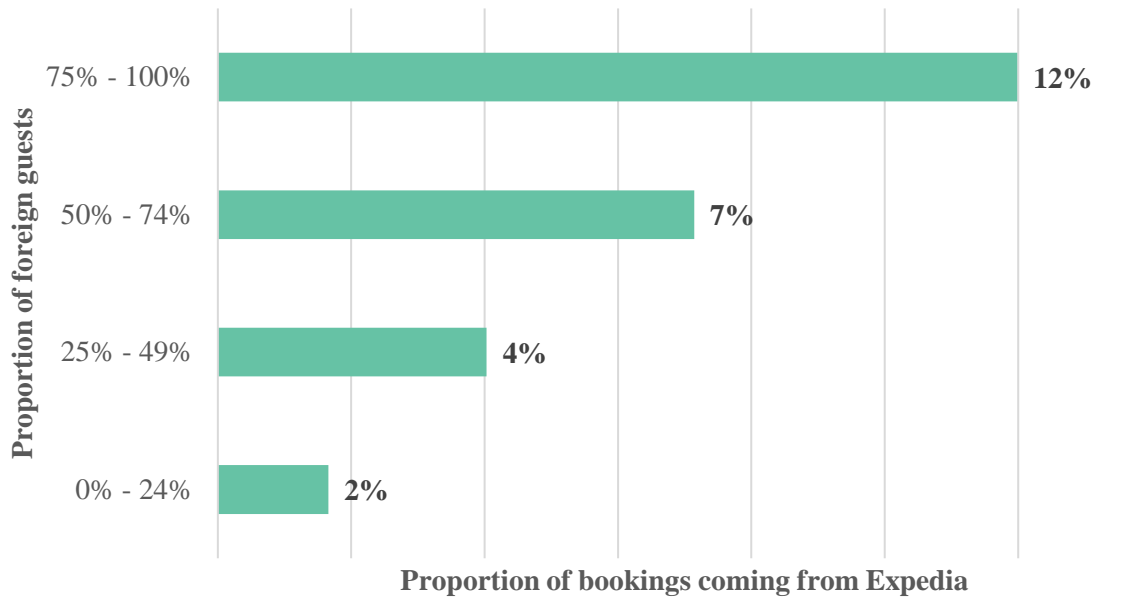
Figure 16: Proportion of bookings coming from Expedia by geographical location



Note: N = 119 (Expedia users)

Figure 17 shows that the proportion of bookings coming from the site is no more than 7% for accommodation providers with less than 75% foreign guests. As opposed to that, the same proportion is five percentage points higher, 12%, for accommodation providers where the proportion of foreign guests is over 75%. Furthermore, the figure also shows that the higher the proportion of foreign guests, the higher the proportion of bookings coming from Expedia.

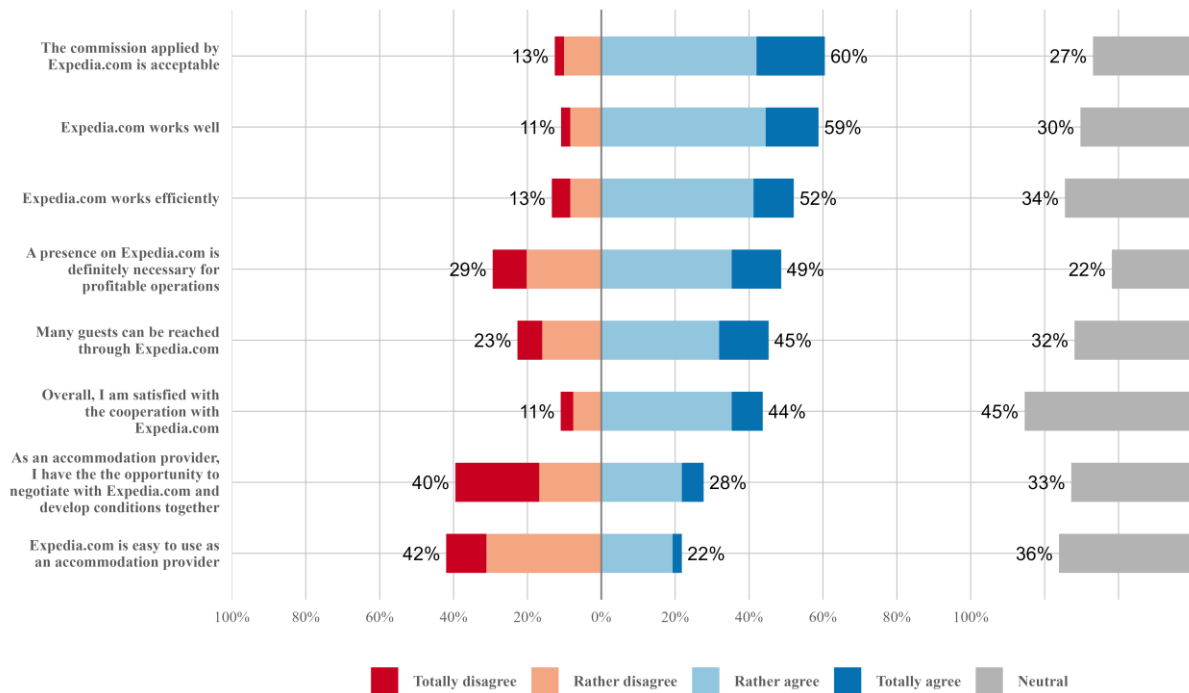
Figure 17: Correlation between the proportion of foreign guests and the proportion of bookings coming from Expedia



Note: N = 119 (Expedia users)

Accommodation provider opinions about Expedia (Figure 18) are somewhat different from those about the online accommodation booking sites described above. On average, the proportion of those who indicated a neutral answer was higher, which may mean that accommodation providers have a less firm opinion about Expedia than about the previous two online platforms. In overall terms, it is observed that regarding most of the claims, accommodation providers have positive opinions about the site, but regarding certain questions, the proportion of negative opinions is high. One of such questions is, for instance, whether accommodation providers have a possibility to negotiate, where 40% of respondents disagreed or completely disagreed, while only 28% agreed to some extent. Even fewer respondents agreed with the claim that the amount of Expedia's commission is acceptable. That may also be related to a possible lack of negotiation skills. That may be reflected also by the fact that the proportions for answers in agreement and in disagreement are similar for the two claims. Finally, 44% of accommodation providers are satisfied with Expedia in overall terms, but 45% gave a neutral response.

Figure 18: Accommodation provider opinions about Expedia

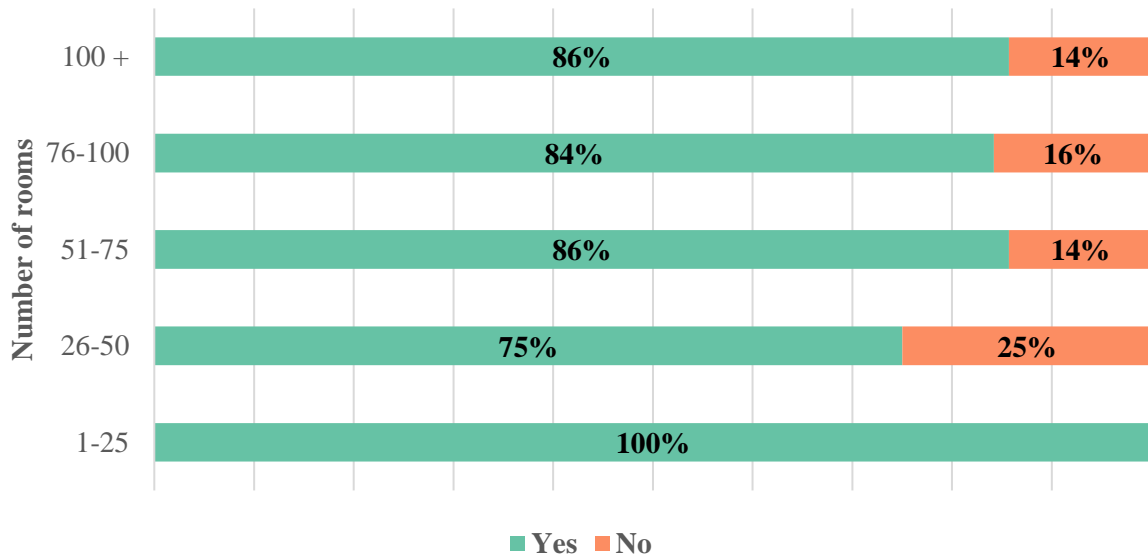


Note: N = 119 (Expedia users)

In terms of price parity, homogeneous results are observed among the respondents. Figure 19 shows the proportion of respondents who use the same prices on Expedia and on other accommodation booking sites, in a breakdown by the number of rooms to let. The figure presents that in each category, at least 75% of respondents use the same prices on Expedia and on other accommodation booking sites.

When examined in terms of geographical location, the proportion of accommodation providers applying the same prices is 82% and 89%, respectively, for those within and outside the capital city. In overall terms, 85% of accommodation providers apply similar pricing on their own websites and on Expedia. As reasons for this, 54% of respondents gave that this pricing method is simpler from administrative aspects, and 40% answered that they had to implement it due to clauses in their contracts with Expedia (multiple answers was allowed).

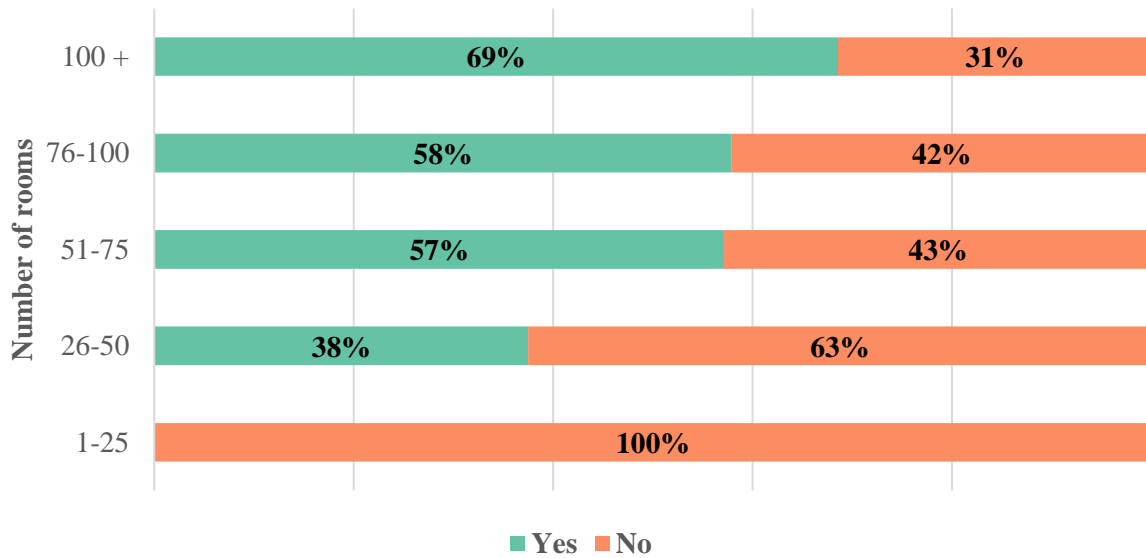
Figure 19: Distribution of responses to the question “Do you typically sell your hotel rooms at the same price on Expedia as on other accommodation booking sites?” by the number of rooms to let



Note: N = 119 (Expedia users. Only one respondent uses Expedia in the category of 1-25)

Figure 20 illustrates the proportion of accommodation providers who apply similar prices on Expedia and on their own websites. The figure shows that the majority of accommodation providers with fewer rooms to let do not apply the same prices on their websites and on Expedia. In comparison, the majority of accommodation establishments with more than 50 rooms apply similar prices. More heterogeneous results have been obtained in terms of location: while the proportion of accommodation providers applying similar prices on Expedia and on their own websites is 45% in Budapest, it is 80% outside the capital city. 64% of accommodation providers applying similar prices on their own websites and on Expedia indicated the reason as clauses in their contracts with Expedia. In addition, 29% indicated that such pricing is simpler for them from administrative aspects.

Figure 20: Distribution of responses to the question “Do you typically sell your hotel rooms at the same price on Expedia as on your own website?” by the number of rooms to let



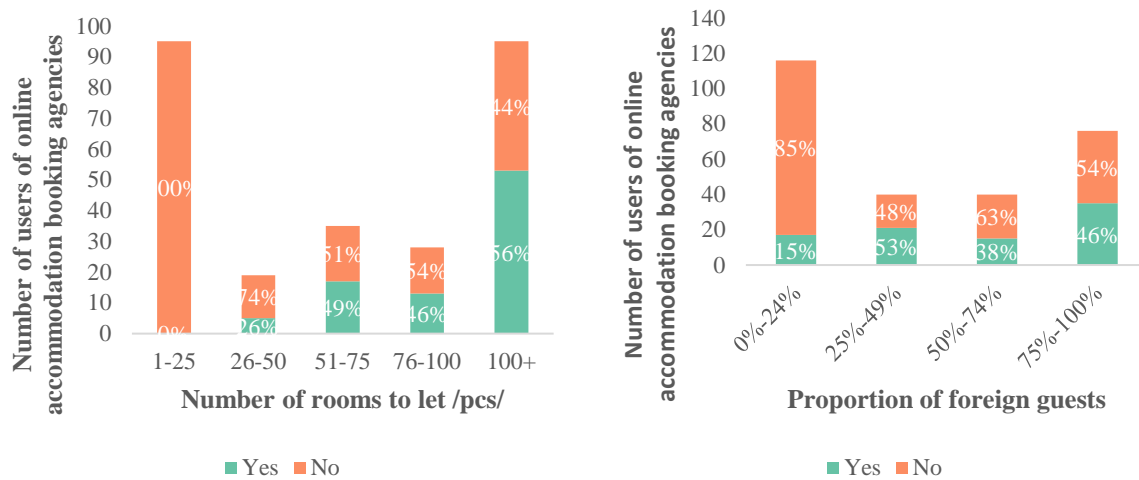
Note: N = 119 (accommodation providers using Expedia and having their own websites. All respondents using Expedia have their own websites. One respondent uses Expedia in the category of 1-25)

9.7 Responses received about HRS

HRS is significantly less popular and relevant in the domestic market than the three accommodation booking sites presented above. HRS services are used by 88 respondents (32%) for selling accommodation. These respondents are also present not only on HRS but also on either Booking.com or Szállás.hu (or on both sites at the same time), and only a marginal proportion of their bookings, 2.8% on average, come through HRS.

As Figure 21 illustrates, there is a significant positive correlation between the size of accommodation providers and their presence on the HRS site (diagram on the left). Larger accommodation providers are more likely to appear on HRS. At the same time, regarding the proportion of foreign guests (diagram on the right), there is no significant correlation with their presence on HRS. That fact differs from expectations, since HRS is mainly used by foreign guests, so a positive correlation could have been expected. The lack of such correlation is attributable to the fact that very few guests come via HRS, and foreign guests primarily book accommodation in Hungary via Booking.com.

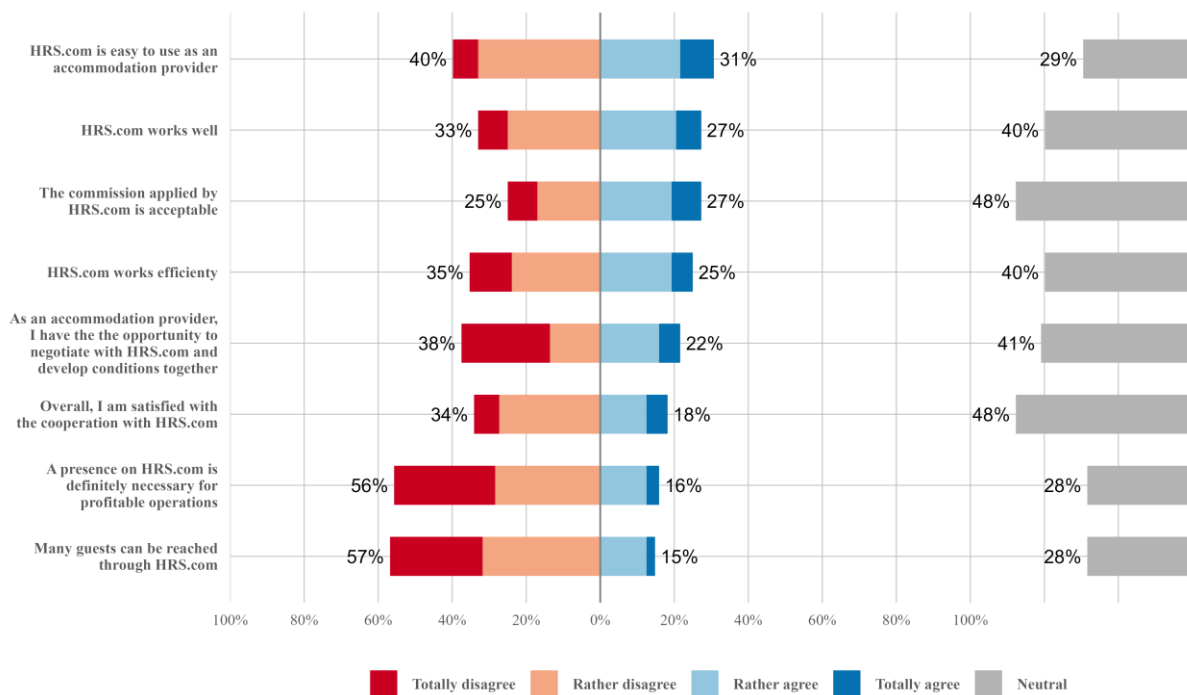
Figure 21: Usage of the HRS site in a break-down by the size of accommodation and the proportion of foreign guests



Note: N = 272 (All respondents)

Accommodation providers' experiences with HRS were examined by using questions as presented for the rest of the online accommodation booking sites. Figure 22 shows that, compared to the accommodation booking sites examined above, respondents are less satisfied with HRS regarding most factors. The majority of respondents linked neutral or somewhat negative evaluations to the site. For some factors, negative evaluations represented an absolute majority, for example in questions describing profitability and consumer availability, although for these two factors this may not be surprising, considering the low share of HRS in terms of bookings.

Figure 22: Accommodation provider opinions about HRS

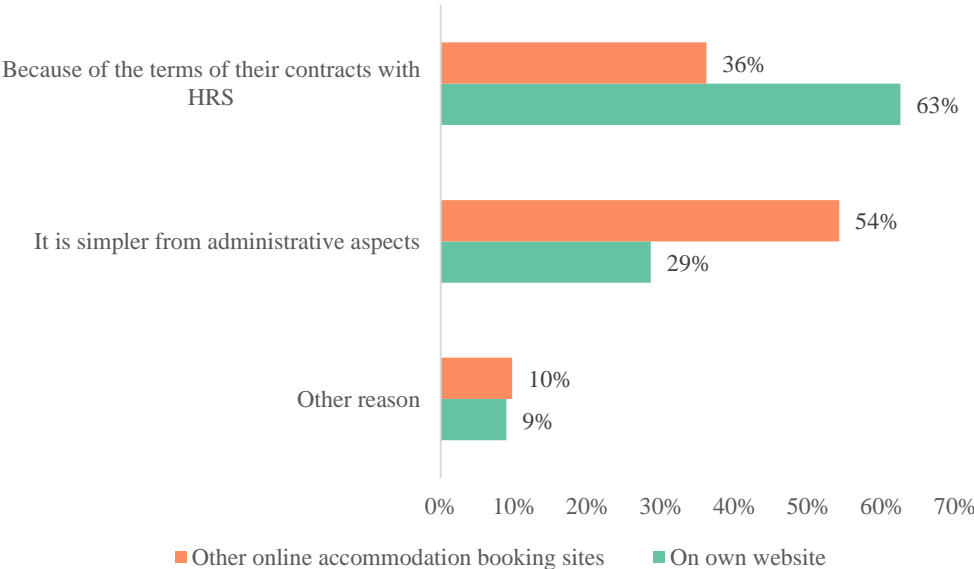


Note: N = 88 (HRS users)

Slightly less than two-thirds of those present on HRS use the same prices on their own websites. As Figure 23 illustrates, the majority of them (63%) do so because of the terms of their contracts with the service provider. According to geographical location and size categories, the proportion of those applying similar prices on their own websites and on HRS is the highest for accommodation establishments located outside the capital city (77%) and those with the highest number of rooms to let (62%). However, overall, no significant correlation is found between the existence of contractual clauses and any of the attributes presented (geographical location, size).

Nearly four-fifths of respondents use similar prices on HRS and on other accommodation booking sites; however, unlike those observed in relation to their own websites, only 36% uses such pricing policy due to clauses in their contracts with HRS. Most of them (54%) do so mainly for administrative reasons. No significant differences are observed in the main categories of size, geographical location, and proportion of foreign guests.

Figure 23: What is the reason for you to sell accommodation at the same prices on the HRS website, your website, and that of other OTAs?



Note: N = 88 (HRS users)

Among the accommodation booking sites presented above, HRS is considered to be the least used service provider and, at the same time, the proportion of those who had been previously present on HRS but are no longer using it is relatively significant (10%). This rate is not surprising in light of the evaluations presented. The majority of those who gave up on HRS (56%) justified their decision with the low number of bookings received through the service provider. Of those who had never used the site before, 38% typically do not consider it important to be on HRS due to an adequate utilization level of the capacities of their accommodation establishments.

In overall terms, HRS is not a significant player in the domestic accommodation booking market. One of the major contributing factors to that is that the service provider’s current and former customers have not been completely satisfied with HRS’ services.

9.8 Own website as a sales channel

Three-quarters of respondents sell accommodation through their own websites as well, receiving an average of 36% of their bookings this way. However, the proportion of bookings received through their own websites follows a significantly asymmetric (right skewed) distribution, for example, the median of the proportion of bookings (27.5%) is significantly below the average value (Figure 24). This suggests that though an own website is a significant sales channel, it is considered the primary sales site for only a narrower segment. In addition, undertakings outside the capital city sell accommodation through their own websites to a statistically significantly greater extent, while there is no correlation in terms of size categories.

Figure 24: Distribution of accommodation providers by the proportion of bookings made through their own websites

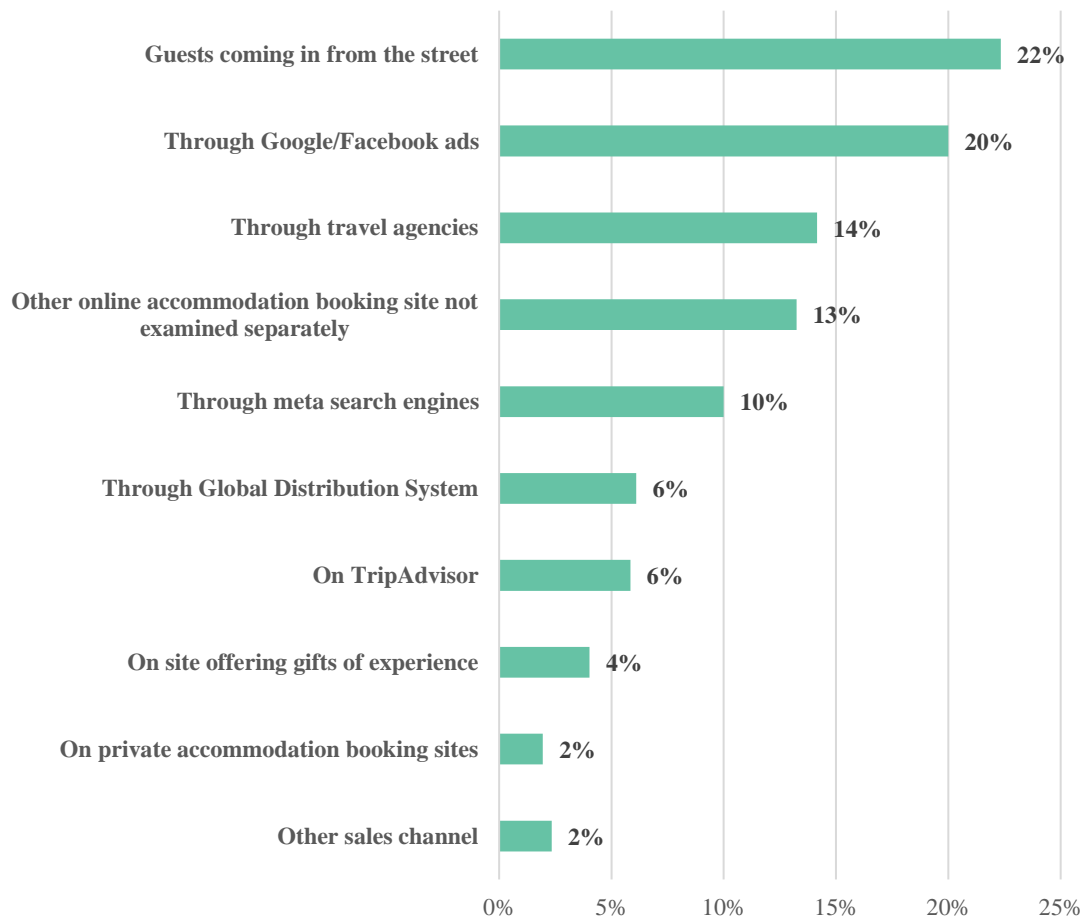


Note: N = 205 (Accommodation providers selling through their own websites)

9.9 Other sales channels

Almost all respondents (98%) use some other sales channels in addition to the accommodation booking portals discussed above and their own websites. Figure 25 shows that answers are distributed among many different sales channels. Sales through reception, which is considered to be the classic method, is carried out at nearly one-fifth of accommodation establishments. That method is followed by sales through Google/Facebook ads (20%), a practice often used in connection with other products and services, although reservations themselves are presumably made in such cases on the relevant accommodation provider’s own website. Sales through travel agencies (14%), other accommodation booking sites (13%), and metasearch engines (10%) are also common methods. Respondents mentioned 15 other accommodation intermediaries (in addition to Booking.com, Szállás.hu, Expedia, and HRS) the most popular of them being Agoda and szallasvadasz.hu.

Figure 25: Usage of other sales channels



Note: N= 262 (accommodation providers using other sales channels)

9.10 Ranking of the main challenges affecting accommodation establishments

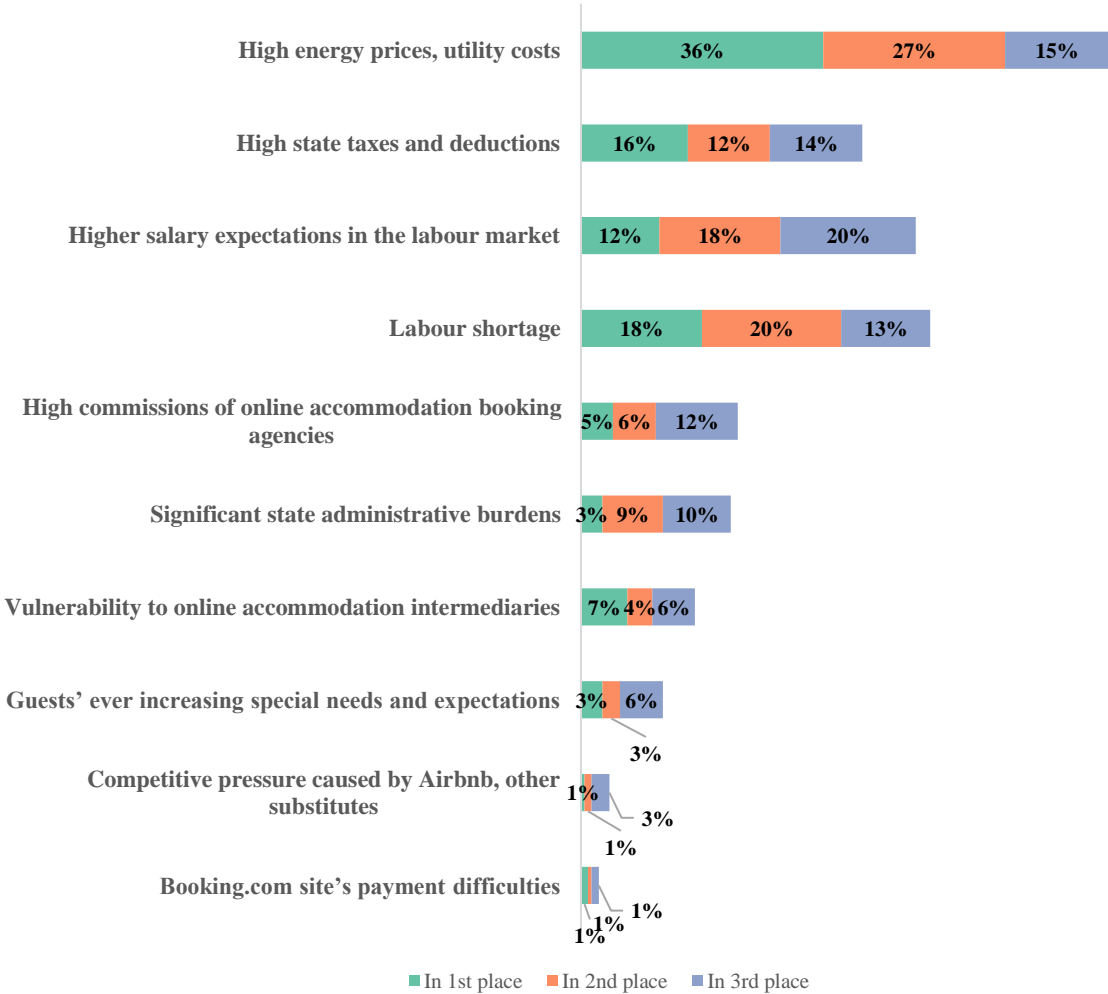
There are many factors that affect the successful operation of accommodation establishments. One of the additional purposes of the GVH was to assess whether it is possible to put into context some challenges concerning online accommodation booking platforms (mainly the high amount of their commissions and a possible vulnerability to such platforms), and to compare such challenges to the magnitude of other problems. In the questionnaire used, respondents were requested to rank ten different factors, where a given problem is considered the more serious, the higher it is ranked. However, not all respondents were able to rank three of the ten factors mentioned, since, for example, those who are not present on any online accommodation booking platform, factors such as vulnerability to platforms, amount of commission charged, and payment problems related to Booking.com are not relevant.

Therefore, three groups were formed of all respondents, and they were requested to rank three different lists of factors. The first (and most populous) group (70% of respondents, i.e. 191 accommodation providers) includes those for whom all factors are relevant, the second includes those who do not use Booking.com, but use other accommodation booking sites (10% of respondents, for this group the ranking of the payment problem related to Booking.com is not

relevant), and the third group includes those who are not present on any accommodation booking sites (19% of respondents, for them the none of the three factors listed above are relevant).

Figure 26 shows the ranking for the first sample. The factors placed on the vertical axis are arranged based on the overall ranking, which takes into account not only the number of times a given factor was mentioned in one of the first three places, but also the place in the order where it was mentioned. The aggregated ranking is therefore not necessarily the same as the simple sum of the percentages listed next to it, but it shows aggregated rankings.

Figure 26. Ranking of factors representing problems for accommodation providers



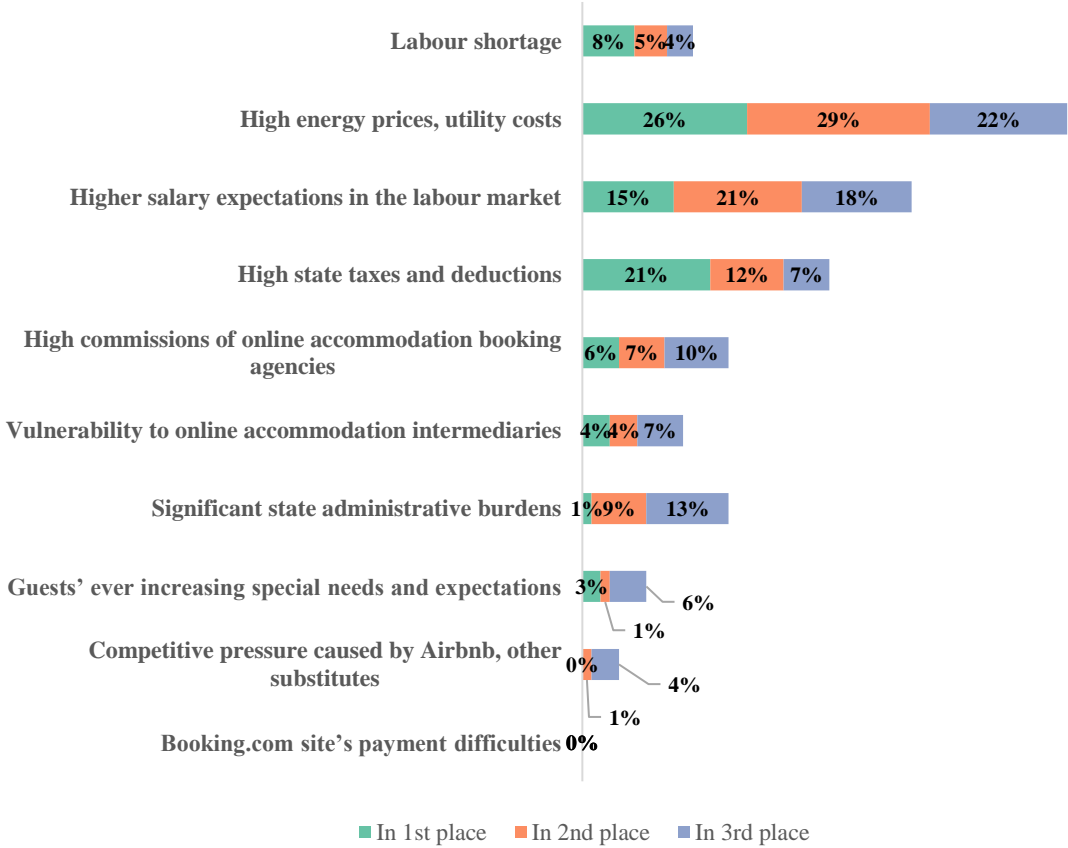
Note: N=191 (first group: respondents for whom all problems are relevant)

The figure shows that high energy prices and utility costs represent by far the most significant problem for accommodation providers, and that this problem is not only in the first place in the aggregated ranking, but also took the first and second places in the rankings of the highest proportion of respondents (36% and 27%, respectively). This problem is followed by high public taxes and deductions, and the two factors describing labour market problems. It is

observed that for respondents labour shortage represents a problem that is somewhat more critical compared to higher salary expectations in the labour market. This is indicative of the fact that accommodation providers are better able to manage growing salary expectations, provided the workforce necessary for their operation is available. However, higher salary expectations are considered, at least in part, the result of a growing labour shortage. Finally, it is established that high public taxes and deductions also represent a significant problem for accommodation providers, with 16% of respondents placing this factor as the first in their ranking.

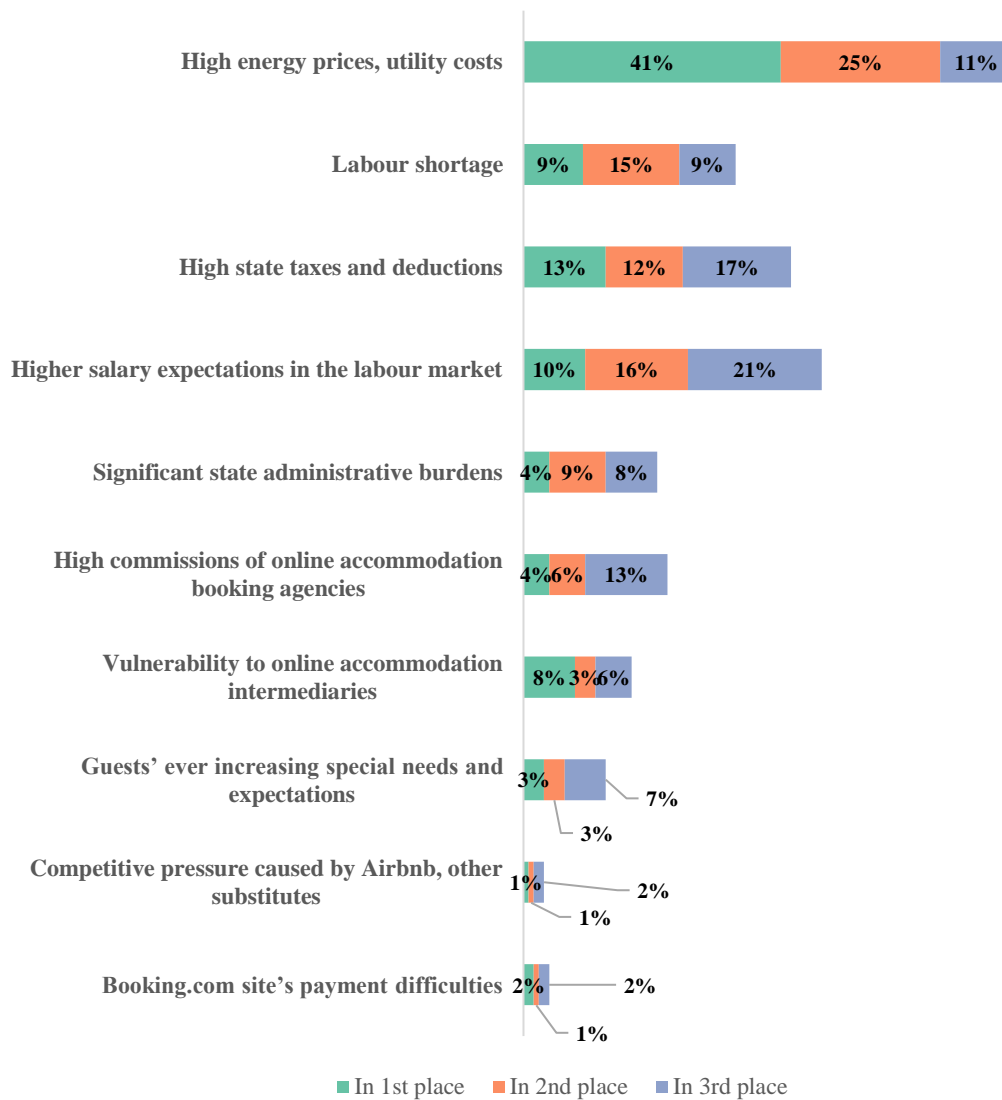
Answers were analysed in a breakdown by geographic location as well. Respondents from outside the capital city made up two-thirds of the sample, while those from Budapest made up one-third of the sample. Figure 27 shows that as in Figure 26, high energy prices and utility costs, labour market problems, and various public dues are considered to be the most serious problems by respondents both from Budapest and outside the capital city. However, labour shortage is considered to be a priority problem by respondents from Budapest, since all other factors are significantly behind this problem in their rankings. The issue of energy affects players from outside the capital city somewhat more seriously, but that problem is closely followed by labour shortage in their rankings. It is interesting to note that the problem of significant administrative burden imposed by the state was ranked high on the list by respondents from outside the capital city, though lagging far behind the problems preceding it.

Figure 27: Factors representing problems for accommodation providers in Budapest



Note: N=68 (respondents from Budapest in the first group)

Figure 28: Factors representing problems for accommodation providers outside the capital city



Note: N=123 (respondents from outside the capital city in the first group)

The two narrower samples also typically show results similar to those in Figure 26, although differences are found in the group of respondents who are not Booking.com users. In their aggregated ranking, high energy prices are also in the first place, however, the second and third places are taken by high amounts of commission of online accommodation booking sites and the ever-increasing special needs and expectations of guests.

In overall terms, these results correspond to expectations, since the recent years have been characterized by a significant increase in energy prices, and the labour market problems presented have basically been present in the lives of most domestic enterprises for a long time. The latter set of problems seems to be more significant for respondents than the problems related to online accommodation intermediaries.

9.11 Summary for the analysis of the questionnaire

Results of the questionnaire survey conducted among accommodation providers suggest primarily that online accommodation booking sites are nearly indispensable for accommodation providers, 89% of respondents use such websites. Of the reservation sites examined in more detail, Booking.com is clearly the most widespread. Overall, accommodation providers are satisfied with its services, they consider it as essential for their profitable operations, but they rate the conditions set by the site as somewhat one-sided. A significant number of accommodation providers set the same price on Booking.com and on their own websites/other reservation sites, but most of them stated that they do this for the sake of administrative simplicity. The use of Booking.com is found to be strongly related to the proportion of foreigners looking for accommodation, and also smaller accommodation providers rely heavily on the site. Regarding the payment problem in 2023, only a small proportion of accommodation providers mentioned in their answers that they were involved in the matter, and about half of them consider lost transactions to be an important problem for them.

Szállás.hu is used by almost the same proportion of respondents as Booking.com, but Szállás.hu is apparently used by accommodation providers outside Budapest who focus on domestic guests looking for accommodation. Overall, accommodation providers consider Szállás.hu to be well-functioning and important. A significant number of Szállás.hu users often use the same price on the site as on their own websites or on other accommodation booking sites. As to reasons for setting similar prices on booking sites, most of the respondents indicated price parity clauses.

Expedia and HRS are mainly used by larger accommodation providers only, presumably because they have the capacity to use as many sales channels as possible. Both sites are mainly used by accommodation providers that receive more foreign guests on average. Accommodation providers were rather positive towards Expedia and rather negative towards HRS. Among users of both sites, a high proportion of accommodation providers set similar prices on these two sites as well as their own websites or on other accommodation booking sites.

In addition to using online accommodation booking sites, accommodation providers also use a wide variety of other sales channels, ranging from classic personal sales through their own websites and Google/Facebook ads to travel agencies. In addition to using the website highlighted above, they also use other accommodation intermediaries.

Finally, among the problems affecting accommodation establishments, most accommodation providers identified high energy prices, public dues, labour shortages and high salary expectations as the most important ones. Vulnerability to accommodation booking agencies, high levels of commission, and payment problems were ranked lower among the problems.

10 International framework

10.1 European Union

In recent years, an increasing number of EU regulations have been adopted with regards to price parity clauses used by online accommodation booking platforms.

Under Regulation (EU) 2019/1150 of the European Parliament and of the Council, providers of online intermediation services shall provide a statement of economic, commercial or legal reasons if they apply any price parity clauses in their general contracting terms and conditions. These undertakings shall ensure that anybody has access to such statements of reasons.

In its Regulation (EU) 2022/720, the Commission also addressed the issue of price parity clauses; under the provisions of the Regulation, wide price parity clauses are excluded, however, narrow price parity clauses are still granted the benefit of block exemption established for vertical agreements, a regulation that is transposed into the Hungarian legal system through Government Decree 306/2022 (VIII. 11.).

France

In France, both wide and narrow price parity clauses were banned in the online accommodation booking market in 2015.¹⁹ The example of France was later followed by several Member States. The use of price parity clauses by online accommodation booking agencies was banned by virtue of the law in Austria in 2016²⁰, in Italy in 2017²¹, and in Belgium in 2018²². While the issue was regulated under special laws in France, Austria and Belgium, the practice was banned by the means of an amendment to the Competition Act in Italy.

Sweden

In 2015, Booking.com was prohibited to apply wide price parity clauses through its commitment made to the Swedish Competition Authority. In 2018, the Swedish Patent and Market Court in Stockholm found that Booking.com's business practices in relation to price parity clauses distorted competition and, in addition, infringed Article 101 (1) of the Treaty on the Functioning of the European Union (TFEU). Accordingly, the Court prohibited Booking.com from applying such clauses, whereby the undertaking was prohibited from applying not only wide but also narrow price parity clauses.²³

¹⁹ Law No. 2015-990 for Growth, Activity and Equal Economic Chances

²⁰ Federal Act amending the Federal Act Against Unfair Competition 1984 and the Federal Act on Price Marking

²¹ Annual Bill for Market and Competition

²² Act on pricing freedom for tourist accommodation operators in contracts concluded with online reservation platform operators

²³ <https://www.mondaq.com/hotels--hospitality/738816/swedish-court-finds-that-bookingcoms-narrow-vertical-price-parity-clauses-infringe-article-101-tfeu> (Date of download: 11 October 2023)

Germany

The German Competition Authority (Bundeskartellamt) conducted proceedings against Booking.com in 2015. In its decision, the competition authority prohibited the company from applying both versions of price parity clauses. That decision of the Bundeskartellamt was annulled by the Higher Regional Court of Düsseldorf on the grounds that narrow price parity clauses applied by the undertaking were “ancillary restrictions” necessary for the proper functioning of the market.²⁴ The case was finally closed in 2021 through a judgment by the German Federal Court of Justice, which upheld the decision of the Bundeskartellamt, establishing that the market share of Booking.com increased even after the ban entered into force pursuant to the decision of the Bundeskartellamt, so the argument that these clauses are necessary is not valid.²⁵

Croatia

In 2020, the Croatian Competition Authority also conducted a sector inquiry into the online accommodation booking market. In its investigation, the Croatian Competition Authority found that price parity clauses are typically applied in the general terms and conditions of online accommodation booking agencies. In addition, the investigation also found that problems related to these issues (namely, that accommodation providers do not take advantage of the transition to narrow price parity clauses) are also present in the online accommodation booking market in Croatia.²⁶

Spain

On 17 October 2022, the Spanish Competition Authority announced that it will initiate competition supervision proceedings against Booking.com because the undertaking is suspected to apply unfair commercial terms and practices with regards to accommodation providers. The Spanish Competition Authority is also investigating, among others, the exclusionary effect of such conducts on other online accommodation booking platforms and other online sales channels, as well as whether Booking.com took advantage of the economic dependence of accommodation providers. The investigation by the Spanish Competition Authority is still ongoing.²⁷

the Czech Republic

In 2019, the Czech Competition Authority announced that it imposed a fine of 330,000 euros on Booking.com, because the undertaking had applied price parity clauses in its contracts with accommodation providers between the period of 2009 to 2015. According to the Czech Competition Authority, that practice by Booking reduced competition between incumbents and

²⁴ https://competition-policy.ec.europa.eu/system/files/2023-01/kd0722783enn_hotel_accomodation_market_study.pdf (Date of download: 12 September 2023)

²⁵ 2021 - KVR 54/20

²⁶ <https://www.aztn.hr/en/ccca-carried-out-a-market-inquiry-in-the-on-line-hotel-booking-sector-in-the-republic-of-croatia/> (Date of download: 27 September 2023)

²⁷ <https://www.politico.eu/article/booking-com-hit-with-spanish-antitrust-investigation/> (Date of download: 02 October 2023)

increased barriers to entry in the Czech online accommodation booking market. One of the aspects taken into account in determining the amount of the fine was that the company had already ended the infringement before the procedure started.²⁸

Lithuania

In the period of 2022 to 2023, the Lithuanian Competition Council conducted a sector inquiry into online marketplaces, including an investigation of online accommodation booking platforms. During the investigation, the Lithuanian Competition Council found no evidence of a conduct that would be prohibited by the Lithuanian Competition Act or that would otherwise restrict competition in the market. However, based on the results of the finalized report, it was established that several online platforms apply unilateral conditions and/or price parity clauses in order to improve their own competitive position. According to the position of the Lithuanian Competition Council, the effects of these practices and their potential infringing nature must be evaluated on a case-by-case basis.²⁹

Romania

In 2021, the Romanian Competition Council conducted a sector inquiry into the Romanian market of online booking services, as part of which the Romanian market of online accommodation booking was also investigated. Based on the results of the investigation, the Romanian Competition Authority found that the Romanian market was not affected by any major competition law problems. Although Booking.com changed its accommodation cancellation practices during the early waves of the Covid-19 pandemic³⁰ – for which the Romanian Competition Authority received an informal complaint –, the competition authority's investigation revealed that these cases were specific and can therefore be deemed to be justified because of the specificities caused by the pandemic.

Netherlands

In 2021, the Dutch Competition Authority completed its market study aimed at examining the practices of paid ranking on online platforms. The Dutch Competition Authority found that, although the practice of paid ranking may be harmful to both competition (in the areas of price- and quality competition alike) and consumer welfare, however, it must also be taken into account that it may also have advantages in terms of efficiency, which may also be beneficial for consumers. Based on these findings, the Dutch Competition Authority concluded that the legality of applying such practices needs to be examined on a case-by-case basis, where the method used and the circumstances of implementing paid ranking are particularly important, such as the related transparency and informing consumers.³¹

²⁸ <https://www.schoenherr.eu/content/czech-republic-competition-office-fines-booking-com-0-33-million/> (Date of download: 02 October 2023)

²⁹ <https://kt.gov.lt/uploads/documents/files/Summary%20EN%202023%2007%2019.pdf> (Date of download: 09 October 2023)

³⁰ The undertaking cancelled accommodation with no refund provided in some cases.

³¹ <https://www.acm.nl/sites/default/files/documents/sponsored-ranking-study-acm.pdf> (Date of download: 17 October 2023)

10.2 Surveys on the effects of price parity clauses

In 2019, an independent study was published to reveal the effects of the ban on price parity clauses in France in 2015. The study examined changes in the online accommodation booking market in the period of 2014 to 2017. The results of the study revealed that, after the clauses had been banned, prices clearly started to decrease.³² A study published in 2021, also addressing that question, found similar results. As surveys in the study revealed, the ban on price parity clauses resulted in a significant price drop in the short term, while having limited effect, however, in the medium term. The study also found a stronger price drop for hotels operated under in a more complex organizational structure.³³

In 2016, ECN also carried out a monitoring exercise concerning the effects of changes in the online accommodation booking market. As revealed by the results of the exercise, the transition to narrow price parity clauses led to increased differentiation in room prices in eight out of ten EU Member States, an effect that was intensified by the ban on narrow price parity clauses (for Booking.com) in Germany. However, the report highlights that 47% of the accommodation providers who responded to questions were not aware that Booking.com and Expedia had removed wide price parity clauses from their contracts. The report also revealed that 79% of accommodation providers did not apply any price differentiation between different online accommodation booking platforms for fearing retaliation from accommodation booking providers and finding it difficult to manage multiple different prices.³⁴

In 2020, the Commission conducted another market study, focusing primarily on changes since the 2016 ECN exercise. In the examined countries, online accommodation booking agencies applied price parity clauses in approximately 27% of their contracts with hotels. In addition, the study established that OTA platforms are able to force accommodation providers not to engage in price differentiation even without the application of price parity clauses. As a tool for that purpose, they may use a ranking function for displaying accommodation establishments, as controlled by platform operators according to their needs.³⁵

10.3 Regulations outside the European Union

United Kingdom

In the United Kingdom, the Competition and Markets Authority (CMA) conducted several investigations in the 2010s, focusing on the issue of price parity clauses, among others.

As a result of the “Investigation into the Hotel Online Booking Sector”³⁶, which was closed in 2014, many online accommodation booking agencies made commitments to end the use of wide

³⁴ https://ec.europa.eu/competition/ecn/hotel_monitoring_report_en.pdf (Date of download: 13 September 2023)

³⁵ https://competition-policy.ec.europa.eu/system/files/2023-01/kd0722783enn_hotel_accomodation_market_study.pdf (Date of download: 13 September 2023)

³⁶ <https://webarchive.nationalarchives.gov.uk/ukgwa/20140402153926/http://www.offt.gov.uk/OFTwork/competition-act-and-cartels/ca98/closure/online-booking/> (Date of download: 12 September 2023)

price parity clauses, while maintaining the use of narrow price parity clauses. Although the CMA accepted these commitments in its final decision, the decision was appealed, and was overturned by the Competition Appeal Tribunal in the court proceedings.³⁷ Following the court's decision, the CMA did not continue its investigation into the online accommodation booking market.

As part of its Digital Comparison Tools market study, which was closed in 2017, the CMA highlighted its concerns again regarding the application of wide price parity clauses, adding that even narrow price parity clauses may be restrictive for competition, if certain conditions are present.³⁸ In 2022, however, the Competition Appeal Tribunal stated in its decision that the use of a wide price parity clause is not in itself evidence of a restriction of competition, in the absence of additional evidence.³⁹

Switzerland

In the past decade, Swiss authorities and legislature have followed European Union trends on the issue of price parity clauses. In its decision of 2015, the Swiss Competition Commission prohibited online accommodation booking agencies from using wide price parity clauses in their contracts with accommodation providers. After that, a long legislative process began, which ended in 2022 with the amendment of the Swiss Competition Act. Pursuant to the amendment, the use of both versions of price parity clauses was banned for online accommodation booking agencies in Switzerland as well.⁴⁰

Turkey

The Turkish competition authority completed its investigation into Booking.com's price parity practices in 2017. The competition authority found that, in the years preceding the investigation, Booking.com had increased its market share in the Turkish online accommodation booking market to a great extent, gradually forcing the second largest player, Expedia Group, out of the market. In connection with price parity clauses, the Turkish competition authority's investigation revealed problems similar to the concerns of European competition authorities. The investigation established that price parity clauses increase barriers to entry, reduce competition on the market, and generally hinder the development of the sector, while also having a negative impact on consumers. The competition authority formulated these concerns regarding both wide and narrow price parity clauses.⁴¹ Based on the above, the Turkish competition authority found that the use of price parity clauses by Booking.com violate the Turkish competition law and, therefore, it banned any further use of them for the undertaking.

³⁷ <https://www.catribunal.org.uk/judgments/122621214-skyscanner-limited-judgment-2014-cat-16-26-sep-2014> (Date of download: 12 September 2023)

³⁸ <https://assets.publishing.service.gov.uk/media/59c93546e5274a77468120d6/digital-comparison-tools-market-study-final-report.pdf> (Date of download: 12 September 2023)

³⁹ <https://www.catribunal.org.uk/judgments/138011221-bgl-holdings-limited-others-v-competition-and-markets-authority-judgment-2022> (Date of download: 12 September 2023)

⁴⁰ <https://insightplus.bakermckenzie.com/bm/consumer-goods-retail/1/switzerland-lex-booking-switzerland-further-restricts-the-contractual-freedom-of-online-booking-platforms> (Date of download: 12 September 2023)

⁴¹ [https://one.oecd.org/document/DAF/COMP/AR\(2018\)17/en/pdf](https://one.oecd.org/document/DAF/COMP/AR(2018)17/en/pdf) (Date of download: 27 September 2023)

Australia

In 2015, the Australian competition authority initiated a sector inquiry into the online accommodation booking market. The inquiry was completed in 2016, with Booking.com and Expedia making commitments, under which both undertakings concluded agreements with the Australian competition authority on no longer applying wide price parity clauses. However, both undertakings still have the option of using narrow price parity clauses.⁴²

New Zealand

In its sector investigation, the New Zealand competition authority reached the same conclusion as the Australian competition authority, whereby Booking.com and Expedia made the same commitment regarding their operations in New Zealand as they had made in Australia.⁴³

⁴² <https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2016/09/acccs-agreement-with-expedia-and-bookingcom-an-expedient-solution.pdf> (Date of download: 13 September 2023)

⁴³ <https://comcom.govt.nz/news-and-media/media-releases/2016/expedia-and-booking.com-amend-parity-contract-clauses> (Date of download: 13 September 2023)

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