Limassol / Brussels, 27th April 2012

HOTREC's Benchmarks of Fair Practices in Online-Distribution

Position paper

Online distribution is getting more and more important for the hospitality industry in Europe – and dependant on a few major players. On average more than three* out of ten hotel rooms are nowadays bought online and this market share is still growing rapidly.

Over the last few years Online Travel Agencies, Online Review Sites and Search Engines have converged and distinctions between them turn out to be rather academic than practical. Nowadays Online Travel Agencies offer hotel reviews and the majority of Review Provider Sites offer booking links vice versa. Search Engines have shown up with booking and review tools, too.

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

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

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

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

   Some distribution partners use protected hotel brands for their search engine marketing to divert online requests to their sites. Occupying web domains, which feature an explicit similarity to existing branded internet presences of hotels, in order to generate more hits is to be banned, too.

2. **No mandatory rate parity**

   Rate parity mandatorily imposed by distribution partners maintains identical rates for the same room type and identical booking conditions across all online or even offline channels. This wide spread term is levering out the pricing as a key market instrument at the disposition of the hotel entrepreneur and distorts competition results.

*Roland Schegg / Michael Fux, The Power of Internet Distribution Systems (IDS), Institute for Tourism of the University of Applied Sciences Western Switzerland Valais (HES-SO Valais), March 2012.

3. No mandatory availability parity

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

4. No minimum availability

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

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

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

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

The customer should be made aware if the genuine ranking list is subject to other criteria as star categories, guests' recommendations, rates or distances. Especially if the ranking is influenced by the amount of additional commission a hotel is willing to spend, the customer should be informed about this policy.

7. Rate clearness and rate truth in search engine marketing (SEM)

Distribution partners shouldn't advertise discount rates on the web that they haven't contracted with the hotel and that they are unable to deliver just for the sole purpose to divert demand from the hotel's own website.

8. No unauthorized displaying on auction portals

A rather new phenomenon in online distribution is an unauthorized copying of hotel offers and displaying on auction portals. This method can be compared with a "short selling position" at the stock exchange and leads to damages to the hotel.

9. Adequate reaction times

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

10. No commissions on "No shows", taxes or non-pre-booked services

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

11. Cooperation with qualified channel managers

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

12. Distribution channels must be agreed upon bindingly

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

13. No unauthorized "depacketizing"

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

14. Official star classification

Distribution partners should respect and ensure the correct display of official hotel stars. They should match the star data base with the official sources regularly, supply information about the official star classification in accordance with the system in place in the country/countries concerned, and specify when they use a self-made classification system. Star symbols must not be used for guest reviews, so as to avoid any confusion with official hotel classifications.

15. Search engines should honour the best organic fit

In full respect for the need to refinance, search engines should ensure that the best organic fit to a hotel request is not disappearing in amounts of third parties' adverts and banned as an also-ran only on follow-up pages.

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

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

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

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

18. Guest reviews must be prevented from manipulation and fraud

18.1. Editorial control

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

18.2. Anonymity

Reviews must not be anonymous to the site provider, through whose intermediation the hotelier should have the possibility to react. The site provider should reconfirm e-mail addresses used by guests and exclude temporary e-mail addresses.

18.3. Actual guests

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

18.4. Neutrality

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

18.5. Quality assurance

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

18.6. Correct and up-to-date data

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

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

18.7. Evaluation criteria

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

18.8. Right of reply

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

18.9. Legal certainty

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

19. Transparency

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