

Some uninformed, random and naive thoughts on Price Parity Agreements

Giancarlo Spagnolo

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PCW value for consumer?

One stop search-compare (and buy)

For Hotel booking:

1. Location
2. Class(stars)/features
3. Availability
4. Price
5. Booking

PPAs: you need not bother checking elsewhere...

Nappas?

- Can reduce price on other platforms and non-electronic channels, not on your homepage...
- Surely needed to avoid free riding, if the search engine is free access, as search results cannot be linked to acquisition.
- No free riding, however, if the search engine requires a fee from the buyer, or is based on advertisement... and NAPPAs applies also to these alternative business models. Shouldn't they be left out?

Can Nappas be effective?

- Local guy starts a google page named after the two hotels, **A and B**, and hotels advertise that they work through several platforms, Booking, Expedia and **A and B**
- Hotels can reduce prices on that homepage.
- Not very different that doing it on their homepage, or? No valuable price or quality comparison...
- Need to define "platforms" more precisely?
- Need to define "narrow" more precisely?

Ecessive intermediation?

- Is it efficient to have small hotels maintain individual booking homepages if we have many global platforms that can be trusted to compete and provide unbiased information?
- Makes sense to limit incentives for hotels that use platforms to replicate their cost with an own booking system.
- But the same applies to lousy platforms listing just two or three hotels...
- Centralization more than intermediation

Appa: Forclosure?

If incumbent platform uses PPA, entrant cannot increase market share with low cost/low price strategy...

Why?

They cannot reduce Hotel prices because of PPA.

But entrant platforms can pay bonuses to buyers.

PPA constrains sellers, not rival platforms...

Other Issues

- Price fixing effects more interesting to me
- Price transparency: **search vs collusion.**
- **Number of suppliers crucial dimension** of this effect... Checking 3 airlines on a trait very different than 60 hotels in a town...