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Swedish competition authority's official defends Booking.com commitments - Lear Rome conference

 PaRR Strong evidence

- With more hotels adopting same strategy, 'narrow' MFN likely to have impact
 - The 'narrow' MFN might not be best option to restore competition, economists
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Booking.com-style commitments could help restore competition to online hotel booking according to Sven-Olof Fridolfsson, deputy chief economist at the Swedish Competition Authority.

In April, the French, Italian and Swedish competition authorities accepted commitments offered by Booking.com to end probes into its most-favoured nation (MFN) clauses included in agreements with hotels. The case against **Expedia** is still [ongoing](#).

Booking.com committed to significant reductions in the scope of the clauses. The revised clauses – so called 'narrow' MFN clauses – would only [apply](#) to prices and other conditions publicly offered by the hotels through their own direct online sales channels, leaving them free to set prices and conditions on other OTAs and on their direct offline channels, as well as in the context of their loyalty programmes.

During the commitments' market test, hotels were critical of being incentivised to charge lower prices through online travel agencies (OTA) in exchange for lower commission than they could get using their own sales channels, Fridolfsson told the Lear Antitrust Economics conference on 26 June in Rome.

He noted that hotel pricing can be based on many factors, including the location of customers, season and how far in advance a booking is made. Hotels should be able to differentiate their prices to account for these factors and to charge lower prices when it is profitable for them to do so across competitive channels of sale, he added.

Some hotels could adopt the same strategy, and the more they will be, the more the 'narrow' MFN clause could have an impact, Fridolfsson said.

Speaking at the same session on across-platform parity agreements (APPAs), Lear's founder and director Paolo Buccirossi explained the difference between the APPA and the MFN.

Buccirossi said an APPA is an agreement between a seller and an electronic trading platform in which the seller undertakes not to charge lower prices than those charged on other platforms.

By contrast, with an MFN sellers undertake to offer all buyers the same contractual terms, Buccirossi said.

As such the Booking.com commitments resemble narrow APPAs.

APPAs reduce the negative effects of parity clauses without necessarily creating more equal incentives between sellers and platforms than would be the case without such clauses, he said, doubting that they would fully restore competition to the online hotel booking market.

"Does the 'narrow' APPA strike the right balance?" Fridolfsson asked. It is an attempt to trade off the potential

anticompetitive effects of price parity clauses against their potential efficiencies, he said.

“Perhaps in the coming years we will have an answer... or perhaps not,” he said referring to the recent draft new law in France.

The measure, included in the "Macron law", proposes that hotel owners are able to display prices lower than those offered to online reservation centers. Such measure would [cancel](#) the effect of price parity clauses included in contracts between French hotel owners and online booking agencies.

by Claudia Piu in Rome