

Duff on Hospitality Law

## OTA & Travel Distribution Update - April 14th, 2017

By Greg Duff on 4.21.17 | Posted in OTA Update

This week's OTA & Travel Distribution Update for the week ending April 14, 2017 is below. Additional details regarding last week's long-awaited report on online travel by the European Commission are featured in this week's Update.

- **\$1 Billion in R&D Spells Trouble for Hoteliers [OTA].** Those of you who have been receiving our updates for some time now likely recall the number of occasions where I have lamented the future of hoteliers' homegrown internal distribution efforts. I believe the last of these many laments followed Amazon's announcement that its smart voice-controlled user interface (aka Echo) would soon allow users to confirm travel bookings on Expedia and even search for, and book, rental cars on Expedia. Well . . . Our first story highlights again the challenges that hoteliers will continue to face in the years ahead as Expedia continues to dedicate considerable resources (a billion of them) to ongoing research and development. This week's story features Expedia's efforts in the virtual reality space as well as another shout out to the company's ongoing efforts with Amazon's Echo. My point here remains the same as before. As these distribution platforms continue to evolve (and dedicate billions to improving the consumer's experience), they will become exceedingly difficult to compete with or ignore. The historically adverse relationships between hoteliers and distributors must also evolve such that hoteliers find ways to work with distributors in order to remain current and relevant. It may not take too long before people think first of "Alexa" when starting their travel planning process as opposed to Hilton, Hyatt or Marriott. I'm stepping off my soap box now...

### [Expedia will soon let you try before you fly with VR hotel rooms](#)

*TechRader, April 11, 2017*

Warning: Mini fridge privileges not included.

- **Microsoft and Travel – Part Deux.** Anyone remember Microsoft? Parent of Expedia. Foster parent of TripAdvisor. It has been a while since we've seen much from the Redmond, Washington (just a few short miles from where I sit this morning) based

technology company on travel. Over the past few weeks a number of industry outlets have featured stories on Microsoft's renewed efforts to become a meaningful player in the travel industry. This week's story from Skift (based on a recent Microsoft presentation at the annual Thayer Ventures meeting) features Microsoft's own AI powered smart user interface (anyone see a pattern here?), Cortana, which in Microsoft's opinion, could upend hoteliers' direct booking efforts. While Microsoft may not want to be the travel brand that users think of first, it definitely is focused on becoming yet another meaningful player in the space between user and destination.

### **Microsoft Bets on Artificial Intelligence to Help It Succeed Again in Travel**

*Skift Travel News, April 12, 2017*

With the exception of helping create Expedia, Microsoft has struggled to figure out travel. But it is hoping that artificial intelligence (AI) will be its route finally to leapfrog ahead of Google and Oracle, playing a larger role as middleman. The example illustrates the company's current approach to the travel sector. The technology giant appears to be more interested in building "middleware services" that sit between customers and travel companies.

- **Hoteliers Hesitant to Use the Tools Available to Them [OTA/PARITY].** Last week I reported on the long-awaited report issued by the European Commission and several member states' competition authorities. If you have not read the report (irrespective of whether you have properties in the EU), I encourage you to do so. Skift did a good job this past week summarizing some of the key takeaways from the report, including details on the surprising ineffectiveness of legislation and/or regulation in the EU designed to limit the effect of distributors' rate parity requirements. Large percentages of hoteliers are either unaware of these key legal changes or afraid to implement the changes because of contrary language contained in their distribution contracts or anticipated retaliation (dimming anyone) by the distributors. Not surprisingly, both Booking.com and Expedia were quite pleased with the findings contained in the report.

### **Hotels Still Afraid to Take on Expedia and Booking.com Despite Rule Changes**

*Skift Travel News, April 10, 2017*

While European Union competition authorities might be happy with the results of their crackdowns, it doesn't look like much has changed. The market still makes it difficult for both smaller online travel agencies and the hotels themselves to compete.

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Other news:

### **How A \$2.2 billion Startup Snatched 45% of India's Online Travel Market**

*Forbes Business, April 12, 2017*

As Competition Commission of India (CCI) gives approval to the proposed merger of online travel firm Makemytrip's Indian travel business with rival Ibibo Group; Makemytrip with help of a slew of measures has emerged to attain 45% market share of the Online Travel Agency (OTA) segment in India.

**Airbnb Reaches Agreement With Texas On Hotel Occupancy Tax**

*Bisnow Commercial Real Estate News, April 14, 2017*

Airbnb rentals in Texas will begin collecting and remitting 6% hotel occupancy tax on May 1. In an agreement reached between the home-sharing company and the state, cities will now collect the same HOT tax from home rentals as they do from hotel rooms, the Houston Chronicle reports.