

Online Travel Booking Sector in Singapore

Findings and Recommendations

30 September 2019

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Findings and Recommendations

I. EXECUTIVE SUMMARY

Introduction

1. The online travel booking segment in Southeast Asia was worth US\$19.4 billion in 2015, accounting for 61% of the internet economy in Southeast Asia. Between 2015 and 2018, online travel booking grew at 15% driven by growth in online airline and hotel bookings, to a size of US\$29.7 billion in 2018. Singapore was estimated to be the third largest in Southeast Asia in terms of online booking market value in 2018, with the highest per-capita online travel booking expenditure in the region. By 2025, the online travel booking market in Southeast Asia is estimated to reach US\$78 billion.¹

2. Singapore consumers are increasingly turning to online channels in making their travel bookings, including searching for, comparing, and purchasing travel-related products such as air tickets and hotel accommodation online, whether directly from the websites of service providers (e.g. airlines and hotels), online travel agents, or web aggregators, also known as metasearch engines (collectively referred to as “**online travel booking providers**”).

3. Against this backdrop, CCCS has sought to better understand the industry landscape for the online provision of bookings for flight tickets and hotel accommodation to Singapore consumers, the commercial arrangements and practices adopted by online travel booking providers, and the specific competition and/or consumer protection issues that can arise.

Summary of findings and recommendations

4. CCCS is concerned that there are existing practices of online travel booking providers, which are common in the Singapore context, that give rise to consumer protection issues:

- a. **Drip pricing** can result in consumer harm by luring consumers into making a purchase based on incomplete price information, and impedes competition by making it harder for consumers to compare product offerings across online travel booking providers. Consumers may end up completing the

¹ Google and Temasek, “e-Economy SEA 2018”.

transaction and paying the higher (dripped) price for the mandatory extras, even if they objected to having to pay higher prices than expected. For example, consumers may not have enough time to conduct a new search.

- b. **Pre-ticked boxes**, also known as **opt-out practices**, can give rise to consumer harm where consumers may end up buying unwanted add-on products when booking flight tickets or hotel accommodation, as a result of failing to uncheck pre-ticked boxes. This is particularly problematic when such harm to consumers arises from the failure of suppliers to clearly communicate and indicate to consumers the existence of such pre-ticked boxes.
- c. **Strikethrough pricing** is commonly observed amongst online travel booking providers that provide flight and hotel bookings to Singapore consumers, yet there is a general lack of information provided by such suppliers on what the crossed-out price refers to or how it is set. This can create market distortions as consumers do not have accurate information to make an informed purchasing decision.
- d. **Pressure selling using false or misleading claims** can create a false sense of urgency for consumers to make a purchase based on inaccurate information. There are consumer protection concerns in this regard, given the prevalence of online travel booking providers undertaking the practice of alerting consumers when there are limited availabilities of a product or a particular price (e.g. time-limited discount), and its effectiveness in influencing consumers to be more likely to make such a booking.

5. In this report, CCCS has set out its recommendations as to how such suppliers should conduct themselves, to address these consumer protection concerns, and to avoid deceptive or misleading practices that may infringe the CPFTA:

In relation to drip pricing:

- a. Online travel booking providers should ensure that any unavoidable or mandatory fees/charges (e.g. taxes, surcharges, room cleaning fees) are included in the total headline price. Where any mandatory fees/charges cannot be reasonably calculated in advance, online travel booking providers should clearly disclose the existence of such fees/charges upfront.
- b. Any optional add-ons (e.g. travel insurance) should be clearly indicated as such, prominent, noticeable to consumers, and properly disclosed, i.e. the terms and conditions, any qualifiers, and charges should be made clear to

consumers. If pre-ticked boxes or opt-out practices are used, CCCS's recommendation on such practices apply (see below).

- c. If online travel booking providers display prices to consumers only in SGD but payments are processed outside Singapore, online travel booking providers should clearly disclose that the transaction is a cross-border one that may involve unavoidable additional fees associated with currency conversions or cross-border payments, that may only be disclosed to the consumer at the point of billing.

In relation to pre-ticked boxes, or opt-out practices:

- d. For optional add-ons (e.g. travel insurance, car rental), online travel booking providers should ensure that these add-on options are prominent, noticeable to consumers and properly disclosed, i.e. the terms and conditions, any qualifiers, and charges should be made clear to consumers.
- e. As good practice, online travel booking providers should avoid the opt-out approach, i.e. using pre-ticked boxes to automatically include add-ons and requiring consumers to opt-out (or deselect the pre-ticked boxes) from purchasing such add-ons. If pre-ticked boxes are used, suppliers must provide proper disclosures of the goods or services offered in a clear and prominent manner. The use of pre-ticked boxes can amount to a false or misleading representation of the headline price especially if disclosure is not proper and clear, such as the failure to include the cost of a pre-ticked optional add-on to the total headline price listed upfront.

In relation to strikethrough pricing:

- f. When online travel booking providers offer a discount and/or make comparisons with a previous price (e.g. through strikethrough pricing) to represent a price benefit, they should use an actual, bona fide previous price that provides a legitimate basis for the price comparison, so that consumers are not misled about the savings they may achieve from purchasing the discounted product/service.

In relation to pressure selling using false or misleading claims:

- g. Online travel booking providers should not make false or misleading claims that create unwarranted pressure or a sense of urgency for consumers to make an immediate purchase/booking (e.g. by promoting a temporary

“sale” or “special” price for a limited period when the “sale” or “special” price will still be available beyond the limited period, or giving a false or misleading impression of limited availability of a product).

6. Transparent prices allow consumers to accurately compare prices and make informed purchasing decisions unhindered by false or misleading claims, and are essential to a well-functioning market. Hence, in addition to the above, a set of price transparency guidelines is recommended to provide greater clarity and guidance to businesses, including online travel booking providers, on these issues.

Other commercial practices and arrangements in the online travel booking industry

7. CCCS has examined other commercial practices and arrangements in the online travel booking industry in this study, namely:

- a. Price and non-price parity clauses;
- b. Search rankings and ownership;
- c. Misleading user reviews;
- d. Tying and bundling;
- e. Pricing algorithms; and
- f. Withholding of information.

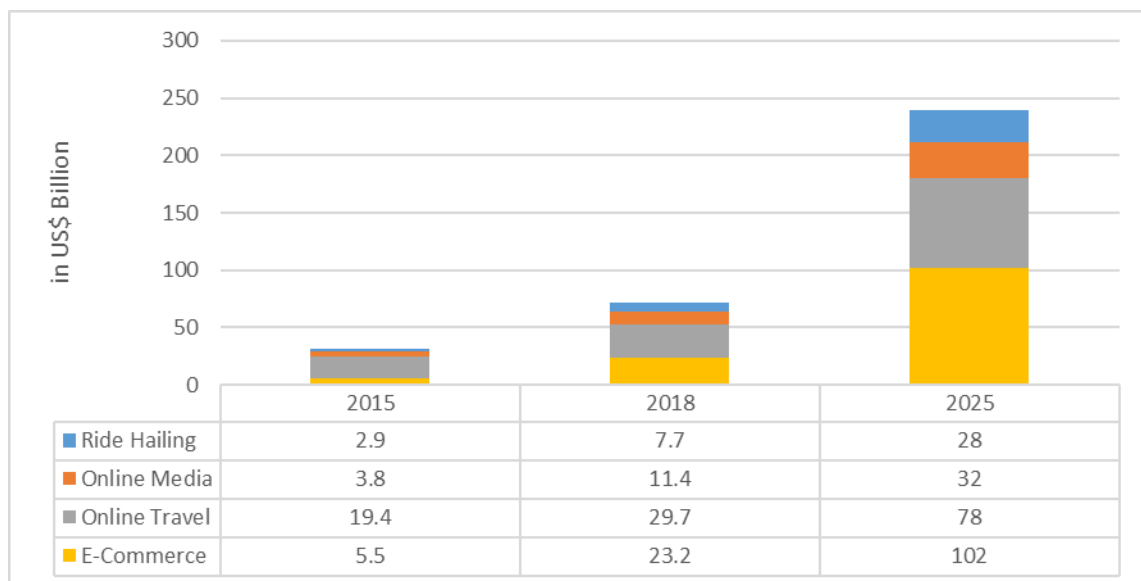
Whilst the study does not indicate that there is evidence of these practices giving rise to harm to competition or consumers that would warrant intervention currently, or potential infringements of the Competition Act or CPFTA at present, CCCS will continue to monitor market developments in the online travel booking industry in Singapore. CCCS will not hesitate to take action against suppliers who infringe the Competition Act or the CPFTA.

II. INTRODUCTION

1. Southeast Asia is considered one of the fastest-growing Internet regions in the world with more than 350 million users in June 2018, an increase of 90 million from the user base of 260 million in 2015.² In terms of market size, Southeast Asia’s overall Internet economy recorded a growth of 37% from 2017 to reach US\$72 billion in 2018, exceeding the 32% CAGR between 2015 to 2018, and on track to exceed US\$240 billion by 2025 at a CAGR of 22%.³ Growth is expected to come from e-commerce and ride-hailing services, forecast to increase at 34% and 26% respectively between 2015 and 2025.

2. The online travel booking segment was worth US\$19.4 billion in 2015, accounting for 61% of the internet economy in Southeast Asia. Between 2015 and 2018, online travel booking grew at 15% driven by growth in online airline and hotel bookings, to a size of US\$29.7 billion in 2018. By 2025, the online travel booking market is estimated to reach US\$78 billion (Figure 1).⁴

Figure 1. Breakdown of overall internet economy market size, Southeast Asia, 2015 - 2025



3. Figure 2 shows the online travel booking trends in key Southeast Asian countries, namely Indonesia (ID), Malaysia (MY), the Philippines (PH), Singapore (SG), Thailand (TH), and Vietnam (VN). Between 2015 and 2018, all six countries saw double-digit CAGR in online travel booking, with Indonesia showing the fastest growth at 20%. Indonesia’s online travel booking industry was also the largest with a market value estimated at US\$8.6 billion in 2018, followed by Thailand at US\$6.1 billion. Singapore was estimated to be the third largest in Southeast

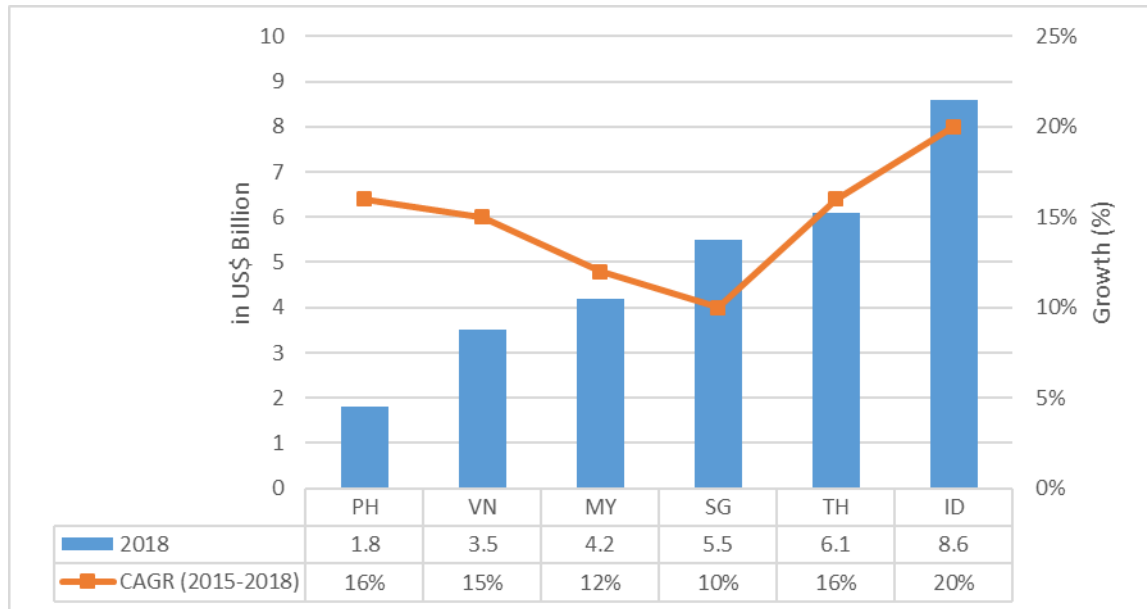
² Google and Temasek, “e-Economy SEA 2018”.

³ From 2015 to 2025. Google and Temasek, “e-Economy SEA 2018”.

⁴ Google and Temasek, “e-Economy SEA 2018”.

Asia in terms of online travel booking market value, with the highest per-capita online travel booking expenditure in the region.⁵

Figure 2. Online Travel Booking Market Value, Selected Southeast Asian Countries, 2018



4. As Singaporeans become increasingly well-travelled and with the rise of the digital economy, online travel booking platforms have become a key channel for consumers to search for, compare, and purchase travel-related products, including air tickets and hotel accommodation, other than purchasing directly from the service providers, for example the airlines and hotels.

5. Against this backdrop, CCCS has sought to better understand the industry landscape for the online provision of bookings for flight tickets and hotel accommodation to Singapore consumers, the commercial arrangements and practices adopted by online travel booking providers, and the specific competition and/or consumer protection issues that can arise.

6. This is the first market study conducted by CCCS that looks into both competition and consumer protection issues since CCCS took on the additional function of administering the Consumer Protection (Fair Trading) Act (Cap. 52A) (“**CPFTA**”) with effect from 1 April 2018.

⁵ Google and Temasek, “e-Conomy SEA 2018”.

III. OBJECTIVES AND METHDOLOGY

Objectives of study

7. This study seeks to examine the market for the online provision of bookings for flight tickets and hotel accommodation to Singapore consumers through websites and/or mobile applications. The industry players covered in the study include service providers (e.g. airlines and hotels), online travel agents, metasearch engines, Global Distribution Systems and traditional travel agents (with an online presence), which are collectively referred to as “**online travel booking providers**” in the context of this study.

8. Specifically, the study examined:

- a. The current industry landscape for the online provision of bookings for flight tickets and hotel accommodation by online travel booking providers to Singapore consumers;
- b. The commercial arrangements and practices adopted by online travel booking providers; and
- c. The implications of these commercial arrangements and practices on consumer protection and competition policy and law in Singapore.

9. The study identified and examined the following commercial practices and arrangements by online travel booking providers, which may (primarily) result in potential consumer protection concerns. These include:

- a. Drip pricing;
- b. Pre-ticked boxes;
- c. Strikethrough pricing;
- d. Pressure selling using false and misleading claims;
- e. Search rankings and ownership; and
- f. Misleading user reviews.

10. The study also identified and examined the following commercial practices and arrangements by online travel booking providers, which may (primarily) result in potential competition concerns. These include:

- a. Price and non-price parity clauses;
- b. Tying and bundling;
- c. Pricing algorithms; and
- d. Withholding of information (by service providers to third-party booking sites).

11. CCCS notes that some of the practices (e.g. drip pricing) can raise concerns from both the consumer protection and competition perspectives. In such cases, both consumer protection and competition harm are included when CCCS considers the potential concerns for each practice.

12. Finally, the study sets out CCCS's recommendations and positions in respect of how businesses should conduct themselves to address the consumer protection and competition concerns, where such concerns have been identified. The recommended positions are intended to encourage online travel booking providers to adopt transparent pricing practices, such that prices and their accompanying conditions are communicated clearly. This would enable consumers to make an informed choice and allow businesses to compete on a level playing field.

Methodology

Consultancy study

13. CCCS commissioned Frost & Sullivan (S) Pte. Ltd., in collaboration with Europe Economics (collectively the "**Consultant**"), to conduct a market study on the online travel booking sector in Singapore. The Consultant conducted research into the industry landscape and relevant literature, and conducted a website sweep into various online travel booking websites. The Consultant gathered further evidence by conducting interviews with various industry stakeholders, and carrying out online surveys with consumers and industry stakeholders. The study was conducted between July 2018 to April 2019. Further details on the methodology undertaken by the Consultant are provided below.

Website sweep

14. The purpose of the website sweep was to obtain an initial view of the practices used by online travel booking providers which could be potentially harmful to consumers and competition. This then informed the literature review and the development of the theories of harm. The website sweep covered 38 online travel websites of service providers, online travel agents, metasearch engines and traditional travel agents with an online presence. The search was limited to those practices visible by consumers (e.g. it did not look at contracting issues such as price parity clauses).

15. The website sweep was performed using three mystery shopper profiles (e.g. family, couple, and business) in order to ensure consistency across results, with the same details for each profile entered in the search engine.

Interviews with businesses

16. The Consultant conducted interviews with a range of online travel booking providers to understand their commercial practices, strategies and challenges. These interviews were conducted face-to-face, over the phone or by email.

17. A total of 40 interviews were conducted ("**Industry Interviews**"), comprising 32 businesses who are service providers (e.g. hotels and airlines) and 8 businesses who are online travel agents, metasearch engines, traditional travel agents or other relevant parties.

Online survey with service providers

18. The Consultant conducted an online survey with service providers, namely airlines and hotels ("**Survey of Airlines and Hotels**"), which aimed to understand the industry landscape in the online provision of bookings for flight tickets and hotel accommodation to consumers travelling from Singapore, and the commercial arrangements and practices of such businesses.

19. In total, 519 industry participants from the service providers responded to the survey. Of the survey respondents, 46% were from airlines while the remaining 54% represented hotels. About 78% of airline respondents and 83% of hotel respondents carry out transactions in Singapore. About 28% from airlines and 25% from hotel accommodation providers, generated revenues of S\$1 million or below in 2017. Most other airline respondents generated revenues above S\$5 million to S\$50 million (16%), above S\$1 million to S\$5 million (14%), and above S\$1 billion (14%). Among hotel accommodation respondents, the larger revenue categories are above S\$1 million to S\$5 million (25%) and above S\$5 million to S\$50 million (18%).

Online survey with intermediaries such as online travel agents, traditional travel agents and metasearch engines

20. The Consultant also conducted an online survey with intermediaries such as online travel agents, metasearch engines and traditional travel agents (with an online presence) ("**Survey of Travel Agents and Metasearch Engines**"). The survey aimed to understand the interactions of such intermediaries with service providers (e.g. airlines, hotels) and global distribution systems, business practices directly impacting customers, and key issues and challenges facing these players in the online travel ecosystem. In total, 191 respondents from such travel agents and metasearch engines participated in this survey.

21. Intermediaries in the online travel booking industry that qualify for this survey must fulfil the following criteria:

- a. List flights and hotel accommodation on their websites from a range of providers;
- b. Enable consumers to search, compare, and book air tickets and hotel accommodation from a range of airlines and hotels; and
- c. Provide travel agent services, i.e., allow consumers to search and book flights and/or hotels with an online presence.

22. Among survey participants, 47% of respondents were from OTAs, 34% were from metasearch engines, and 20% were from traditional travel agents with an online presence. The services which respondents offer differs – about 84% of respondents from OTAs, 82% of respondents from traditional travel agents, and 83% of respondents from metasearch engines offer flight services, whereas 73% of respondents from OTAs, 68% of respondents from traditional travel agents, and 75% of respondents from metasearch engines provide hotel bookings.

23. Overall, 89% of respondents from OTAs and metasearch engines and 77% of respondents from traditional travel agents indicated that their business is registered in Singapore. About 89% of respondents from OTAs, 87% of respondents from traditional travel agents, and 86% of respondents from metasearch engines indicated that they carry out transactions in Singapore.

Online survey with consumers

24. The Consultant conducted an online survey with consumers (“**Consumer Survey**”) to understand consumers’ general travel habits and experience relating to the use of online travel websites to book flight tickets and hotel accommodation.

25. In total, 524 consumers⁶ from Singapore who have made online travel bookings for flights and/or hotel accommodation participated in this survey. Among the survey respondents, 49% were male, while 51% were female; they were aged between 18 and 66 years, with 59% from the age groups of 20 to 29 (36%) and 30 to 39 (23%).

26. The respondents were relatively frequent travellers, with 36% stating that they travel overseas once in six months, followed by 32% who travel abroad once in three months. In terms of the most visited overseas destinations, about 23% of respondents indicated that they travel most frequently to Malaysia (Kuala Lumpur was the most mentioned city), followed by 16% to Thailand (Bangkok was the most mentioned city). Other popular destinations cited include the United States, South Korea, Philippines, United Kingdom, and India. Additionally, most respondents (44%) indicated that they travel with partners, 36% travel with family, which includes parents and/or children, while 23% travel alone.

CCCS’s in-house research and review

27. Additionally, CCCS supplemented the Consultant’s study by reviewing past feedback from consumers in Singapore in relation to online travel bookings. This included complaints received by CCCS and the Consumers Association of Singapore (“**CASE**”). CCCS also conducted a cross-jurisdiction scan of policy positions and enforcement cases on the pertinent practices.

28. In addition, CCCS engaged relevant government agencies and non-government organisations to obtain feedback on the potential consumer protection and competition issues that may arise in the context of online travel booking, and how these concerns could be addressed.

29. All stakeholders participated in this study voluntarily. CCCS thanks all stakeholders for providing their time and valuable inputs.

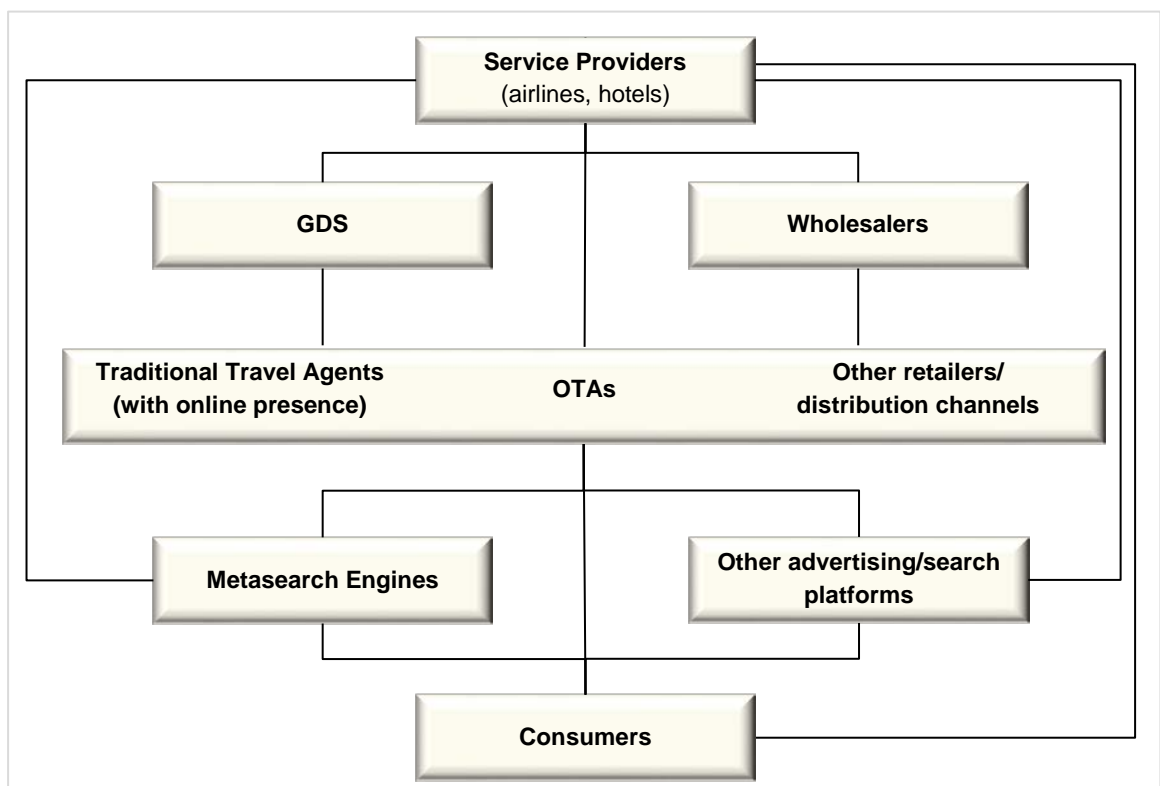
⁶ The consumers surveyed have used websites/apps of online travel agents, airlines, hotels, or other online means, to book flight tickets and hotel accommodation.

IV. INDUSTRY LANDSCAPE: ONLINE TRAVEL BOOKING ECOSYSTEM IN SINGAPORE

Key industry players

30. The online travel booking ecosystem (*Figure 3*) comprises key players such as the service providers (e.g. airlines and hotels), online travel agents, metasearch engines, and Global Distribution Systems.⁷ Online travel bookings can be provided to end-consumers directly by the service provider, or indirectly with the involvement of intermediaries, as illustrated below. Figure 3 illustrates the inter-relationships between the different players in the online travel booking sector supply chain.

Figure 3. Online travel booking ecosystem

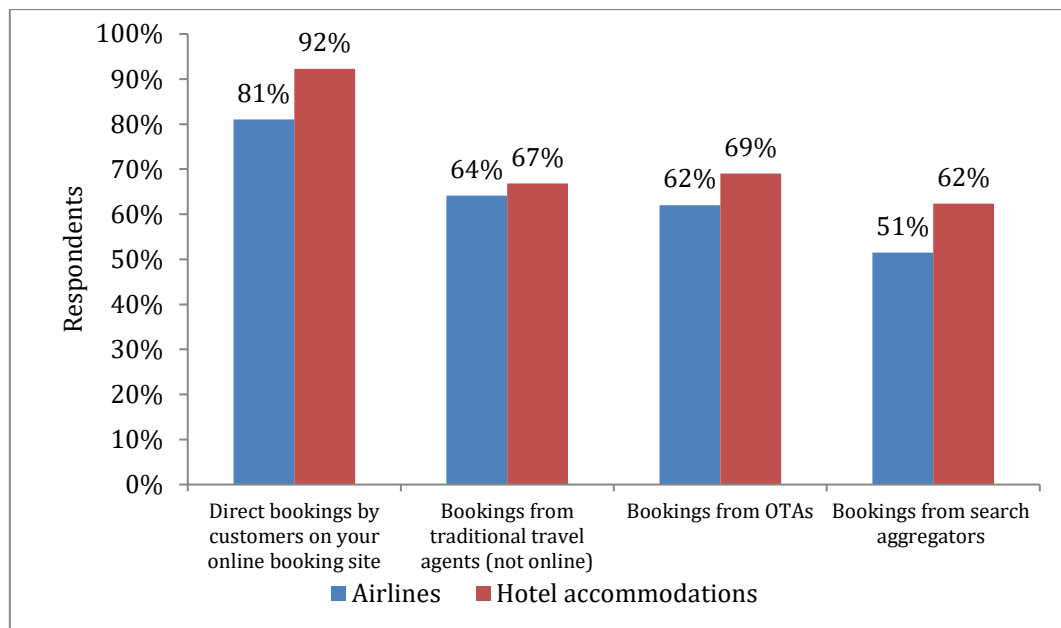


31. **Service providers** refer to suppliers of passenger flight services (i.e. passenger airlines) and suppliers of hotel accommodation (i.e. hotels). Service providers may offer direct online booking channels to consumers for the booking of flights or hotel accommodation. Alternatively, service providers may list their flights or hotel accommodation offerings on websites of online travel agents and/or metasearch engines for a fee. Service providers may also sell their flight tickets and/or hotel accommodation to online travel agents.

⁷ Source: Consultant, World Economic Forum, Mozio.

32. Based on the Survey of Airlines and Hotels, the predominant sales channels for airline respondents were direct customer bookings on their online booking sites (81%) and bookings from offline traditional travel agents (64%). Bookings from OTAs (62%) and search aggregators (51%) followed closely. For hotel accommodation respondents, predominant sales channels were direct customer bookings on their online booking sites (92%) and bookings from OTAs (69%). Following closely were bookings from offline traditional travel agents (67%) and search aggregators (62%).

Figure 4. Airline and Hotel respondents' current sales channels and proportion of bookings, Singapore



Source: Consultant's Survey of Airlines and Hotels

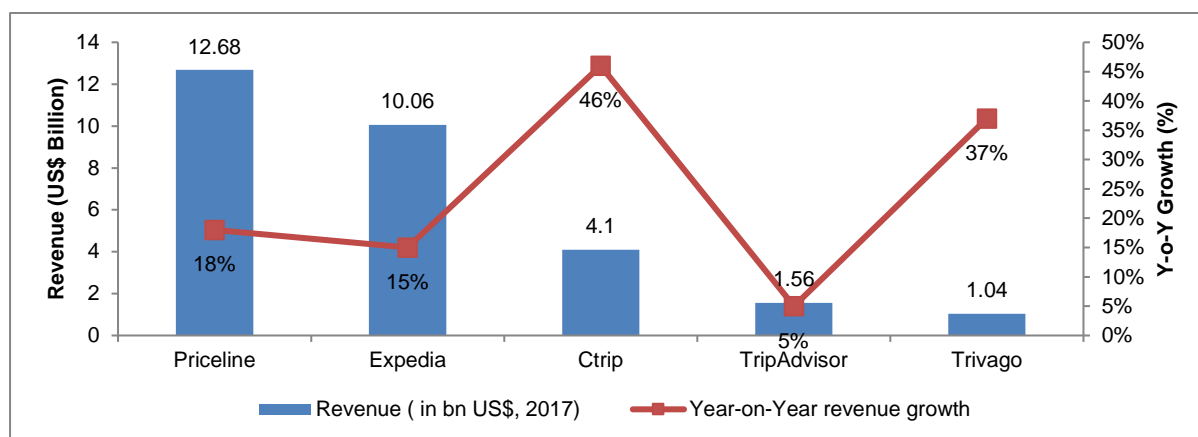
33. The Consultant's research also found that hotels and airlines are increasingly targeting consumers via the direct booking channel to reduce revenue sharing with online travel agents and to improve access to consumer data.

34. **Online travel agents ("OTAs")** specialise in the sale of travel services (such as flights or hotel accommodation) to consumers, acting as platforms or intermediaries between service providers and consumers. OTAs may offer multiple travel services to consumers, or can also specialise in offering a particular travel service.

35. On the other hand, **metasearch engines** present aggregated information on flight or hotel offerings from across various distribution channels, such as OTAs or direct booking channels, thus helping the consumer to determine the lowest cost travel options across multiple distribution channels (e.g. for the same hotel room type and dates). Thus, metasearch engines allow the listed OTAs and service providers to gain greater visibility. Once a selection is made, consumers are redirected to the site of the selected OTA or direct booking channel.

36. Among the top five online travel public companies globally (including OTAs and metasearch engines),⁸ the top OTAs, Priceline and Expedia, accounted for more than 75% of their combined revenue (*Figure 5*). In terms of growth, Ctrip and Trivago registered the highest growth in 2018, while TripAdvisor registered the lowest growth rate.⁹ Based on the Consumer Survey, the most common OTAs used by Singapore consumers are Expedia, Booking.com, and Agoda, for the booking of hotel accommodation and air tickets, whilst commonly-used metasearch engines are TripAdvisor, Skyscanner and Trivago.

Figure 5. Top five online travel public companies by revenue, 2018¹⁰



37. Given consumers’ preferences for online search and booking tools and the value that consumers perceive from being able to compare hotels and flights in a single platform (over 90% of consumers in the Consumer Survey said they always or sometimes use a metasearch engine or an OTA to find out about flights and hotels), there is much value to airlines and hotels in having a presence on OTAs and metasearch engines. This is also reflected in airlines’ and hotels’ use of OTAs and metasearch engines as sales channels (see *Figure 4* above).

38. OTAs and metasearch engines operate two-sided platforms, providing services to both providers (airlines and hotels) and consumers. In the case of providers, they help with distribution and, possibly, handling of bookings. In the case of consumers, they facilitate easier searches. For such businesses to make profits, they will need to collect revenues from some combination of providers, consumers and third-parties (e.g., fees paid by advertisers). Such platforms will face a balancing act, given that their value to providers increases if they can reach out to more potential consumers and their value to consumers increases with the number of providers they can compare. If the charging policy deters providers from using the

⁸ Priceline, Expedia and Ctrip are OTAs, whilst TripAdvisor and Trivago are metasearch engines.

⁹ Source: Medium.com (<https://medium.com/traveltechmedia/10-online-travel-public-companies-dee6df73f768>)

¹⁰ Source: Consultant / Medium.com (<https://medium.com/traveltechmedia/10-online-travel-public-companies-dee6df73f768>)

platform, the OTA or metasearch engine may cease to be attractive to consumers, and vice versa. For example, over-reliance on advertising revenues may result in an OTA or metasearch engine becoming less user-friendly and less attractive, prompting a downward spiral in demand by consumers. The reduction in the number of consumers on the platform reduces providers' willingness to engage with the OTA or metasearch engine, and so on.

39. The business models of OTAs and metasearch engines vary across stakeholders, but there are some common business models.

- a. Metasearch engines can charge providers a fee either for each booking that is diverted from the metasearch engine to the provider ('pay per acquisition') or for each visit to the provider's direct booking channel that is directed from the metasearch engine ('pay per click').
- b. OTAs can adopt an 'agency model', whereby the hotel/airline sets the price for the room or flight which is shown on the OTA's website and pays the OTA a commission for every booking received (usually a percentage of the booking price). OTAs can also adopt a 'merchant model' whereby a hotel could contract to sell the OTA a set number of rooms. The OTA would buy the hotel rooms (possibly at a bulk discount), netting off any commissions to be paid to the hotel. The merchant model can be more complex and investment-heavy as it requires back-office payment functions and more detailed contracts to be set up between the hotel and OTA. The agency model, on the other hand, can be easier to expand.
- c. Both metasearch engines and OTAs can also make revenues from advertising.

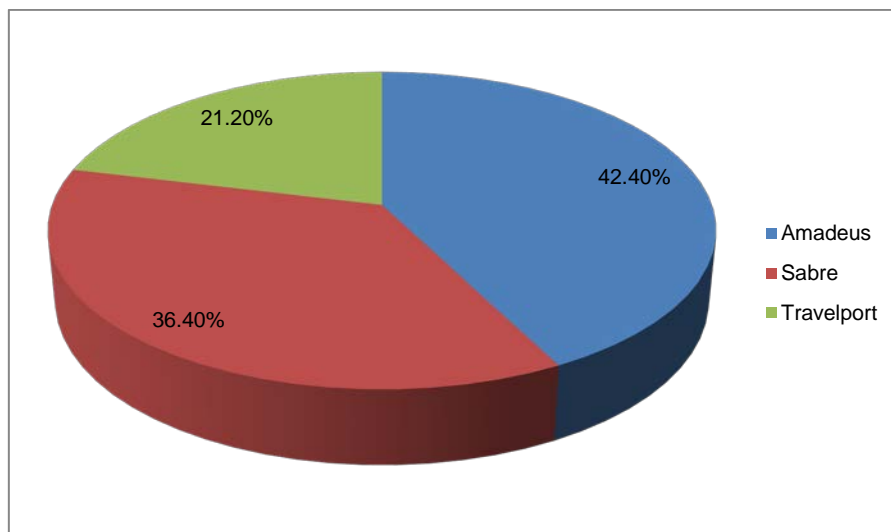
40. From the point of view of the consumer, OTAs or metasearch engines both offer the opportunity to compare prices across a range of flight or accommodation options at a single online site. For some consumers, this "one-stop" shop may be especially important. Some consumers may have relatively high search costs. For such consumers, their willingness to search across numerous websites is limited. An OTA or metasearch engine can alleviate the need to visit numerous individual airlines' or hotels' websites separately. Metasearch engines may also alleviate that need by providing comparisons that include the prices from booking with OTAs as well as directly with the hotels or airlines.

41. **Global Distribution Systems ("GDSs")** refer to providers of the reservation tools which may be used by OTAs, traditional travel agents, hotels and airlines to process bookings made by consumers. The first online or automated booking channels were handled solely by GDSs. GDSs provide users with schedules, availability, pricing and policies. GDSs also provide reservation and ticketing capabilities to players in the travel industry. A GDS business model,

conceptually, is similar to that of a metasearch engine, except that it acts more like a wholesaler, connecting service providers with travel agents (online and offline) and metasearch engines, rather than with end-consumers directly.

42. Three players, Amadeus, Sabre and Travelport, account for a significant share of the GDS segment globally, with less than 1% market share available to other participants. Growth in the GDS market is at more than 10%, expecting to sustain in the near future.¹¹ The overall GDS market was worth US\$11.65 billion in 2018, with gross revenues for Amadeus at US\$5.58 billion, Sabre at US\$3.60 billion, and Travelport at US\$2.45 billion.¹²

Figure 6. GDS market share, global, 2018¹³



43. **Traditional travel agents** refer to the brick-and-mortar travel agents that have traditionally acted as intermediaries between service providers and consumers of travel services, facilitating travel arrangements in the offline segment. There has been a shift in travel bookings from offline channels, such as traditional travel agents, call centres, and in-person bookings at hotels, to online channels operated by OTAs, airlines, and hotel chains, with 41% of all travel bookings made in Southeast Asia completed online in 2018, and expected to increase to 57% by 2025.¹⁴ The Consultant’s study also demonstrated Singapore consumers’ preference for online booking channels over offline ones, with less than 16% of respondents to the Consumer Survey indicating traditional brick-and-mortar travel agents amongst any of their top three preferred modes for booking flights and hotel accommodation,

¹¹ Source: Consultant / sabrehospitality.com (<http://www.sabrehospitality.com/resources/hotel-marketing-blogs/gds-will-remain-crucial-2017-and-beyond>) and thecompanydime.com (<https://www.thecompanydime.com/amadeus-lead/>)

¹² Source: Consultant / Annual reports of Amadeus, Sabre and Travelport for 2017

¹³ Source: Consultant / thecompanydime.com

¹⁴ Google and Temasek, “e-Conomy SEA 2018”.

and up to 90% of such respondents indicating online booking modes amongst their top preferences.

44. Based on the Survey of Airlines and Hotels, about 50% and 56% of respondents from airlines and hotel accommodation providers respectively also indicated that they see more traditional brick-and-mortar travel agents trying to enter the online travel booking sector. From the Survey of Travel Agents and Metasearch Engines, about 74% of respondents from OTAs, 68% of respondents from traditional travel agents with an online presence, and 64% of respondents from metasearch engines surveyed similarly acknowledged observing more traditional brick-and-mortar travel agents trying to enter the online travel booking sector.

V. REGULATORY FRAMEWORK IN RELATION TO COMPETITION AND CONSUMER PROTECTION

45. CCCS is a statutory board under the purview of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) (the “**Competition Act**”), which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) (“**CPFTA**”), which protects consumers against unfair trade practices in Singapore. CCCS’s mission is to make markets work well to create opportunities and choices for businesses and consumers in Singapore.

Competition Act

46. Enacted in 2004, the Competition Act aims to promote the efficient functioning of our markets and enhance the competitiveness of the Singapore economy, by providing a generic law to protect businesses and consumers from anti-competitive conduct.

47. The Competition Act prohibits specified activities which adversely affect competition within a market in Singapore, including:

- a. agreements and/or concerted practices that prevent, restrict or distort competition (“**section 34 prohibition**”);
- b. abuse of a dominant position (“**section 47 prohibition**”); and
- c. mergers that substantially lessen competition (“**section 54 prohibition**”).

48. **Section 34 prohibition.** The section 34 prohibition covers agreements between undertakings which have the object or effect of preventing, restricting or distorting competition within Singapore. The section 34 prohibition applies even when the agreement has been entered into outside Singapore or any party to the agreement is outside Singapore. An agreement covers agreements between undertakings, decisions by associations of undertakings and concerted practices (which may include co-operation without any agreement or decision).

49. **Section 47 prohibition.** The section 47 prohibition covers conduct by one or more undertakings which amounts to the abuse of a dominant position in any market in Singapore. The prohibition under section 47 relates to the *abuse* of a dominant position: there is no prohibition on *being* in a dominant position. There is a two-step test to assess whether the section 47 prohibition applies: is an undertaking dominant in a relevant market, either in

Singapore or elsewhere; and if it is, whether it is abusing that dominant position in a market in Singapore.

50. **Section 54 prohibition.** The section 54 prohibition covers mergers, which have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore. The prohibition applies to both mergers and anticipated mergers.

CPFTA

51. Under section 4 of the CPFTA, it is an unfair practice for a supplier, in relation to a consumer transaction:

- a. to do or say anything, or omit to do or say anything, if as a result a consumer might reasonably be deceived or misled;
- b. to make a false claim; or
- c. to take advantage of a consumer if the supplier knows or ought reasonably to know that the consumer is not in a position to protect his/her own interests or is not reasonably able to understand the transaction or any matter related to it.

52. Suppliers should also note that under the Second Schedule to the CPFTA, 27 specific unfair practices have been listed, and there are some unfair practices which relate specifically to price transparency.

53. Under the CPFTA, CCCS is empowered to apply for an injunction against a supplier who has engaged, is engaging or is likely to engage in an unfair practice. Injunction applications can also be made against person(s) who knowingly abet, aid, permit or procure supplier(s) to engage in an unfair practice.

54. The CPFTA was also designed to empower consumers to seek civil redress against unfair trade practices in Singapore. For example, under the Consumer Protection (Fair Trading) (Opt-Out Practices) Regulations 2009, consumers have private remedies against unsolicited goods or services. When a supplier has supplied unsolicited goods or services, the consumer can refuse to make payment for the unsolicited goods or services, or if payment has been made, to demand a refund from the supplier.

VI. KEY FINDING 1: DRIP PRICING

55. **Drip pricing** refers to the practice of advertising a product or service at a lower headline price (i.e. displayed/advertised), but “dripping” (i.e. incrementally disclosing) additional mandatory or optional fees along the transaction/payment process. As a result, the final price is higher than the advertised price.

56. In the context of online travel booking, the additional fees which can be “dripped”, and could be mandatory or optional in nature, include booking fees, insurance, taxes and seat selection costs for airlines; and bank charges, taxes and credit card fees for hotels.

57. In some cases, fees associated with transactions that are processed cross-border can appear to consumers as additional hidden fees which are “dripped”. This can arise, for example, in certain cases where Dynamic Currency Conversion (“DCC”) is used, or more generally if transactions are processed cross-border. DCC is a financial service in which credit/debit cardholders, when travelling abroad or making an overseas transaction (including online transactions), can opt to have the foreign currency cost of the transaction converted to their home currency at the point of sale. However, if DCC is applied by default without the choice being offered to consumers during the booking process, or more generally if prices are displayed in a consumer’s home currency, e.g. Singapore dollar (“SGD”), but the transaction in fact involves cross-border payment processing without the consumer being aware of this, the concern is that the consumer is given the impression that the SGD amount shown at the point of booking is the final price they will be charged for their flight or hotel accommodation. Subsequently, though, there could be a mandatory cross-border transaction fee charged to the consumer (e.g. by their credit card issuer) that is not revealed at the time of booking.

Potential concerns

58. **Drip pricing can lead to consumer harm as consumers end up paying more for their air tickets and hotel accommodation than they would have expected to pay based on the headline price advertised.** Drip pricing can lure consumers into making purchasing decisions based on incomplete information. For example, a consumer having invested time and effort in searching for a travel service product and going through the purchasing process, may end up buying the product even if the final price is more than they would have expected to pay at the start of the purchasing process. This may be because they do not want to expend additional effort. This is particularly concerning if the additional charges are unavoidable.

59. **Drip pricing, both mandatory and optional, can impede competition by making it harder for the consumer to compare prices between different suppliers because the true price is only revealed at the end of a (potentially long) purchasing process.** Drip pricing increases search and transaction costs for the consumer who wishes to compare offerings

between suppliers, and impedes the effectiveness of metasearch websites, where the headline prices that consumers compare may not be the true prices.

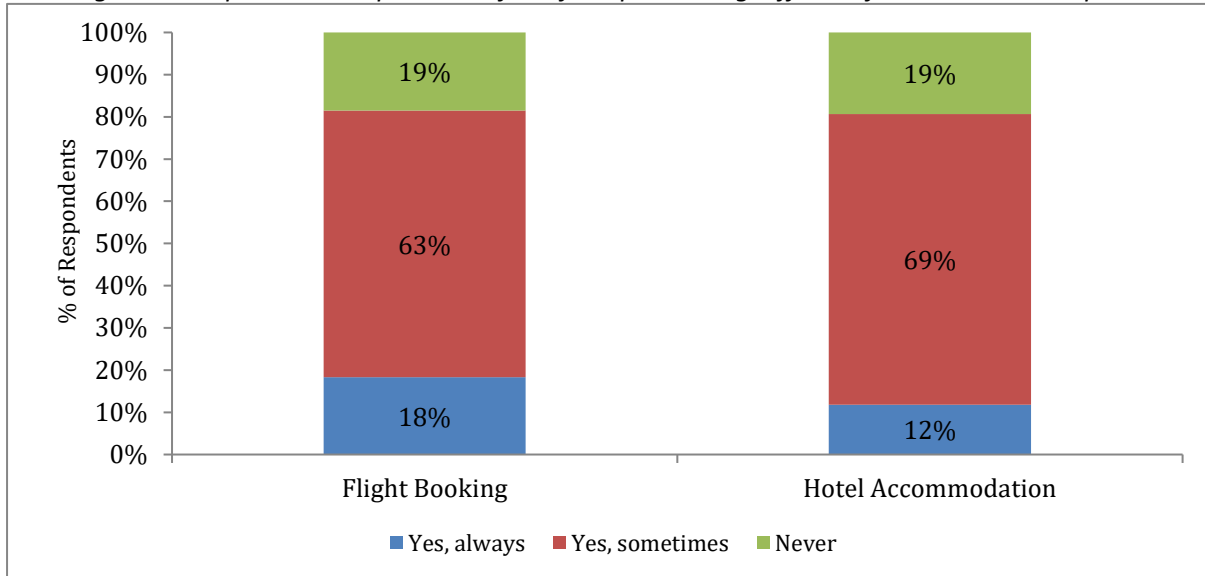
60. Drip pricing has been identified as a consumer protection concern in several jurisdictions, including Australia, the European Union (“EU”), the United Kingdom (“UK”), Canada and the United States (“US”). A common method taken by these jurisdictions to tackle the issue of drip pricing is to require suppliers to state the full price of the product to the consumer at the start of the purchasing process.¹⁵

Findings

61. Findings from the Consumer Survey revealed that **drip pricing of mandatory or optional fees, appears to be a common practice in relation to online travel booking**. Based on the Consultant’s findings, a typical example of drip pricing of mandatory charges is booking fees or credit card fees that are usually not included in the headline price and are only revealed at or towards the end of the booking process. Over 80% of consumers reported that they have experienced a situation where the final price paid was different from the headline price advertised for flight bookings and for hotel room bookings (*Figure 7*). This was further corroborated through the Consultant’s findings from the Survey of Airlines and Hotels, and Survey of Travel Agents and Metasearch Engines (collectively the “**Industry Surveys**”), where between 28% to 38% of respondents from these categories of industry players indicated that the final price a consumer pays may differ from the headline price, for instance if additional services/products are added during the booking process.

¹⁵ For examples, the Australian Consumer Law requires the price to be displayed as a single figure, including all components of price that is quantifiable at that time (including mandatory charges and taxes), and consumer advice published on the Australian Competition and Consumer Commission’s website states that any additional fees and charges must clearly be disclosed to consumers at the beginning of the online purchasing process; the EU’s Directive on Unfair Commercial Practices (2005/29/EC) provides that certain components of price (e.g. tax, freight, delivery charges etc.) should be presented to the consumer in the price displayed; the Competition Bureau Canada’s guidance to businesses is that they should not advertise low prices to attract consumers while burying mandatory fees in the terms and conditions; and the US’s Department of Transport requires travel-related advertisement to display the entire price to be paid by the customer to the airline, travel agent or ticket agent for such air transportation, tour or tour component.

Figure 7. Respondents' experience of the final price being different from the headline price



Source: Consultant's Consumer Survey

62. For booking of air tickets, 63% of the consumers who noticed differences between the headline and final prices indicated that the additional costs that were added during the booking process were compulsory extras, while 59% of them stated that the price difference were due to optional extras added. For booking of hotel accommodation, 52% of the consumers who noticed differences between the headline and final prices indicated that additional costs that were added during the booking process were compulsory extras, while 43% said the charges were due to optional extras added.

63. **From the Industry Interviews, some airlines – especially low-cost carriers – appear to engage in optional drip pricing routinely.** Optional fees added at a later stage of the buying process frequently include checked baggage or meals. At the time of the Industry Interviews, respondents indicated that some airlines present these add-on fees as opt-out charges (i.e. pre-ticked) where the consumer has to opt out of adding these options to the booking – the rationale indicated in Industry Interviews was that this is done for the most popular options, to aid the customer experience. For low-cost airlines, in particular, the additional revenues from these optional add-ons form a part of their business model, allowing them to compete with very low prices for a basic flight. The airlines argue that this benefits consumers as it offers them real choice in tailoring their flight price to their needs – it would be possible for a customer to book the basic flight and simply incur no additional charges for such add-ons. Nonetheless, the Consumer Survey revealed that, of the consumers who encountered a difference between the headline and final prices, around 49% and 41% who booked flights and hotel accommodation respectively, expected the add-ons to be part of the original service and price, and not “extras” that they have to pay for.

64. **Drip pricing results in inefficiencies as consumers have to conduct a new search query, or otherwise pay a higher price than expected, in particular where there are mandatory (i.e. unavoidable) charges.** Of the consumers surveyed who encountered differences in headline and final prices, close to 50% who saw the difference in pricing would sometimes choose not to pay for the compulsory extras that were added on, and started a new search to find a lower rate. However, about 40% of respondents who booked flight tickets and 36% of those who booked hotel accommodation mentioned that they may sometimes pay the higher price for the mandatory extras, even if they objected to having to pay higher prices than expected. Only about 32% who booked flight tickets and 20% of those who booked hotel accommodation, indicated that they may sometimes pay for the compulsory extras and were happy to do so.

65. Among the consumers who indicated that they did not conduct a new search, close to 48% and 26% looking for flight tickets and hotel accommodation respectively cited, as one of the reasons why they did not do so, that they did not have time to start their search over, while around 50% of such consumers from each category indicated, as one of the reasons, that they thought it would not make any difference as in their opinion all sites advertise prices that excluded extras.

66. In relation to unavoidable fees relating to currency conversions or cross-border payments, CCCS's in-house research and review of past feedback by consumers in Singapore also revealed instances where consumers were charged such mandatory fees after making online travel bookings for flights or hotel accommodation, but did not expect this to occur because the transaction appeared to be in SGD. Such feedback also expressed a need for greater disclosure on such fees.

Recommendation

67. In summary, drip pricing of both mandatory and optional fees appears to be a common practice experienced by consumers in Singapore when making online travel booking transactions. Drip pricing can result in consumer harm by luring consumers into making a purchase based on incomplete price information, and impedes competition by making it harder for consumers to compare product offerings across online travel booking providers. The practical harm caused by drip pricing can also be evidenced from the Consultant's findings from the Consumer Survey, where consumers end up completing the transaction and paying the higher (dripped) price for the mandatory extras, even if they objected to paying higher prices than expected.

68. Hence, CCCS recommends that:

- a. Online travel booking providers should ensure that any unavoidable or mandatory fees/charges (e.g. taxes, surcharges, room cleaning fees) are included in the total headline price. Where any mandatory fees/charges cannot be reasonably calculated in advance, online travel booking providers should clearly disclose the existence of such fees/charges upfront.
- b. Any optional add-ons (e.g. travel insurance) should be clearly indicated as such, prominent, noticeable to consumers, and properly disclosed, i.e. the terms and conditions, any qualifiers, and charges should be made clear to consumers. If pre-ticked boxes or opt-out practices are used, CCCS's recommendation on such practices apply (see section VII below).
- c. If online travel booking providers display prices to consumers only in SGD but payments are processed outside Singapore, online travel booking providers should clearly disclose that the transaction is a cross-border one that may involve unavoidable additional fees associated with currency conversions or cross-border payments, that may only be disclosed to the consumer at the point of billing.

VII. KEY FINDING 2: PRE-TICKED BOXES / OPT-OUT PRACTICES

69. **Pre-ticked boxes** are checkboxes to purchase additional products or services that suppliers have pre-selected for consumers, for example, a checkbox or option to purchase travel insurance or car rental that has already been selected by default.

70. When pre-ticked boxes are used to **auto-include** certain products or services, consumers would have to explicitly uncheck or **opt-out** of the pre-selection if they do not wish to purchase that product or service. This can result in adverse consumer outcomes if consumers end up buying unwanted products or services as a result of failing to uncheck or unselect such options.

71. In contrast, opt-in and opt-neutral approaches require consumers to actively click on checkboxes to select additional optional products or services that they wish to purchase. The opt-in approach requires consumers to actively give consent by selecting a checkbox or option that is unselected by default. Under the opt-neutral approach, or “forced choosing” approach, consumers are required to actively select one of two options (e.g. “yes” or “no”) in order to proceed to the next step in the transaction process.

72. In the online travel booking sector, the types of add-ons that can be auto-included in flight ticket or hotel accommodation bookings include accommodation (when booking flights) or flights (when booking hotel accommodation), car rentals, travel insurance, and sightseeing packages, etc.

Potential concerns

73. **Pre-ticked boxes or opt-out practices can cause consumer harm if consumers end up buying unwanted products as a result.** If consumers are aware of the presence of pre-ticked boxes during their purchase, pre-ticked boxes could potentially benefit them, e.g. by making selection convenient for consumers. However, the use of pre-ticked boxes can cause consumer harm if the opt-out option is not clearly displayed and consumers miss it, resulting in consumers incurring additional costs from having to pay for the pre-selected products or services that they may not have intended to purchase in the first place.

74. **Pre-ticked boxes can also cause consumer harm if it nudges consumers to purchase the additional products, without comparing or searching for alternatives.** When pre-ticked boxes are used, there may also be other reasons that deter the consumer from opting-out even when it may be better for them to do so – for example, if they do not really want the additional product but feel that deselecting it would be too risky, or if the pre-selected option otherwise influences consumers to purchase add-ons that they may not have initially intended to. Consumers may therefore tend to go with the option which had been selected

with a pre-ticked box. Even where the product or service is one that the consumer does want, a pre-selected option may render the consumer less likely to search for alternative providers, and compare prices across different providers, for example if they may perceive the default to be recommended and ideal.

75. Many other jurisdictions, including Australia, the EU, Hong Kong, the UK and the US, require clear disclosures to be made and/or express consent to be obtained from consumers. These jurisdictions have therefore adopted various approaches to regulate the use of pre-ticked boxes, with the main approaches implemented being permitting the use of pre-ticked boxes with proper disclosure, or prohibiting the use of pre-ticked boxes.

Findings

76. Findings from the Industry Surveys revealed that **opt-out practices may be a common practice in the online travel booking sector**. Between 38% to 41% of survey respondents from hotels, airlines, metasearch engines, OTAs and traditional travel agents with an online presence that bundle products or services together on their booking website, indicated that the **additional products and/or services are added automatically** to the original bookings and **consumers must opt out if they do not wish to purchase them**.

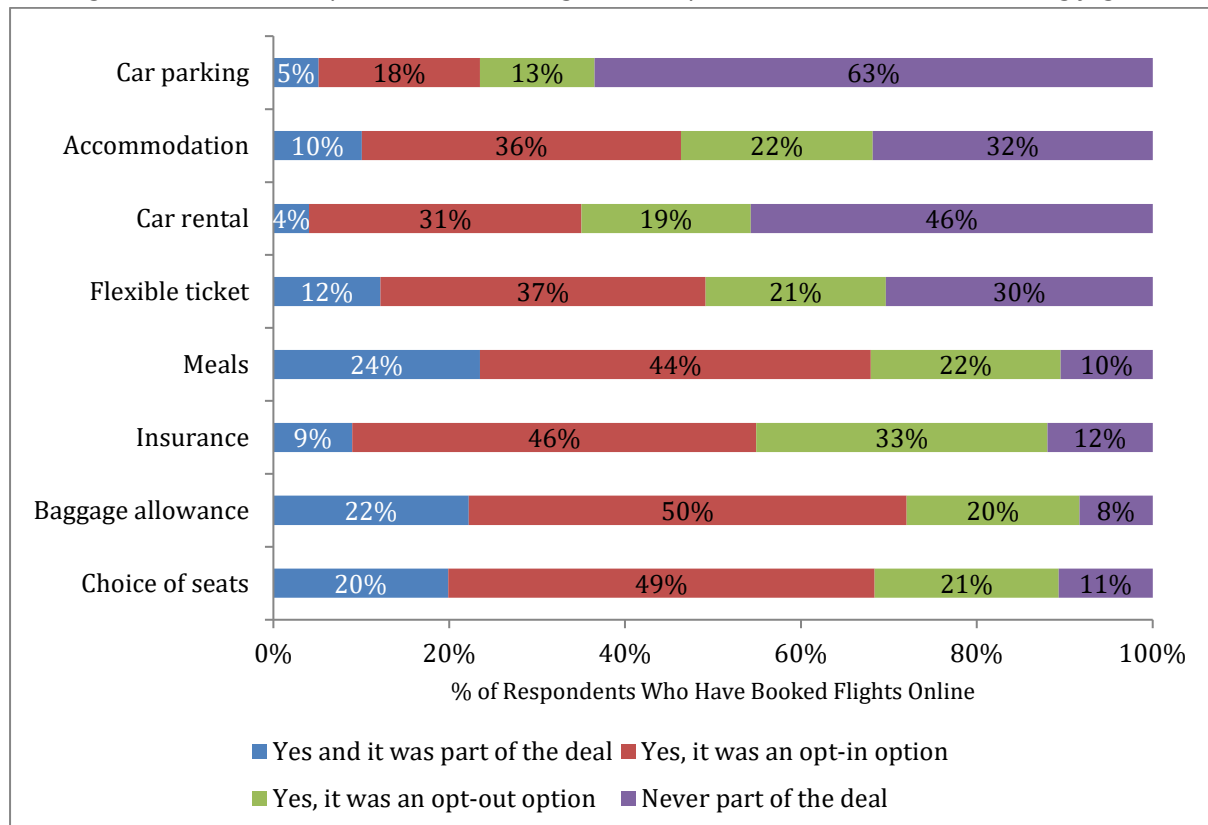
77. The Consultant's findings from the Industry Interviews also revealed that airlines, in particular low-cost carriers, frequently offer bundled products to consumers, and options in these bundles could include flights coupled with travel insurance, car rental or hotels, often provided through third-party partner providers. At the time of the Industry Interviews, respondents indicated that some of the bundled products are pre-selected for consumers, albeit that consumers are always given the option to opt out. In this respect, CCCS notes that in early 2018, CASE had separately approached a full-service airline and several low-cost carriers concerning their use of pre-ticked boxes to auto-include the purchase of travel insurance to consumers' air tickets. While not all of the airlines received complaints, some consumers had expressed unhappiness as they had incurred additional fees when they failed to opt-out of the pre-selected travel insurance add-on. The airlines eventually agreed to adopt the opt-in or opt-neutral approach in their offer of travel insurance.

78. Similar to the case for airlines, the Industry Interviews also indicated that, at the time of the Industry Interviews, hotels regularly offer bundles to consumers during the booking process, although the Consultant's findings suggest that hotels appear less likely than airlines to offer add-ons as opt-out selections. The Consultant's findings also indicate that OTAs may bundle some add-ons on an opt-out basis for hotel room bookings.

79. The Consultant's findings from the Consumer Survey also corroborated the findings from the Industry Surveys and Industry Interviews, with consumers frequently experiencing

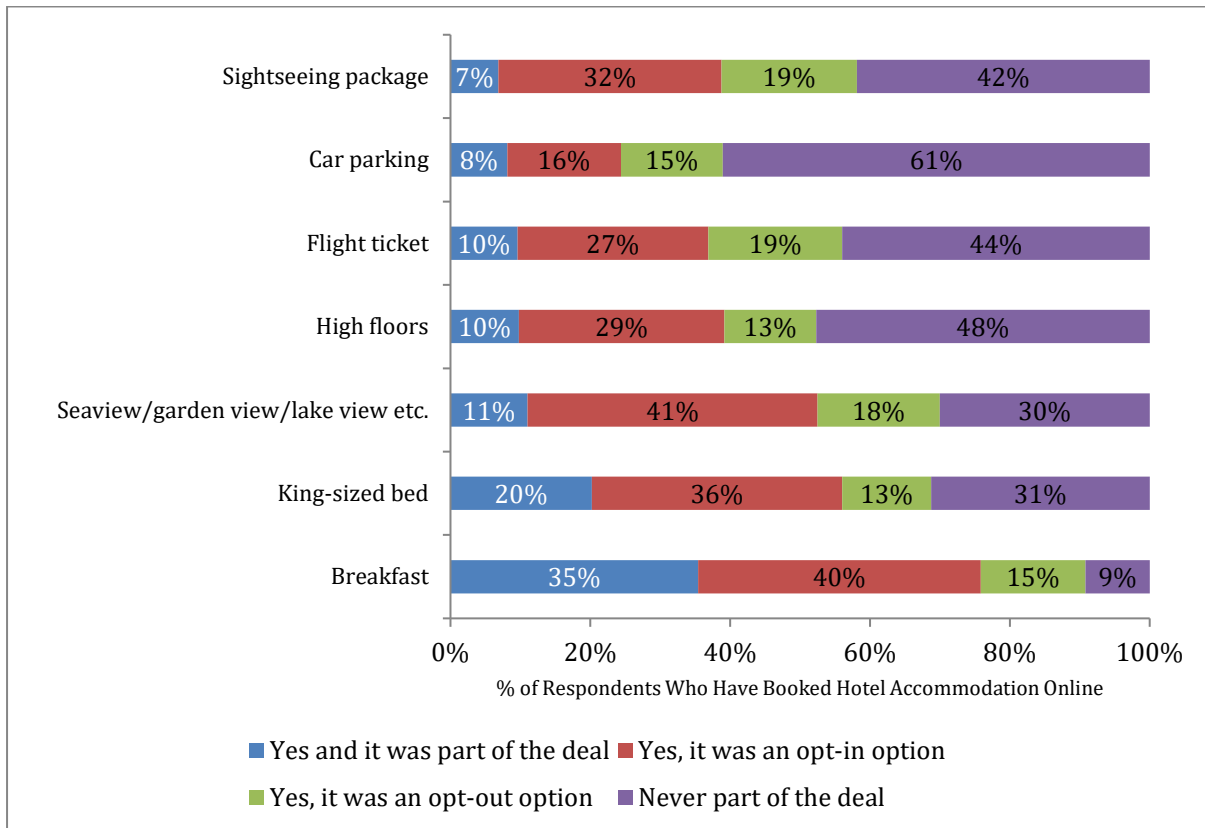
different types of add-ons (whether supplied by airlines or hotels, or by third-party partner providers) being offered when they were purchasing flight tickets or hotel accommodation. In particular, between 13% to 33% of respondents indicated that they were offered such add-ons on an opt-out basis, with a slightly higher proportion of opt-out practices being observed by consumers when booking air tickets as compared to when booking hotel accommodation (Figure 8 and Figure 9).

Figure 8. Consumer experiences with being asked to purchase add-ons when booking flights



Source: Consultant's Consumer Survey

Figure 9. Consumer experiences with being asked to purchase add-ons when booking hotel accommodation



Source: Consultant's Consumer Survey

80. Notably, the Consumer Survey also revealed the **potential consumer harm that can result from opt-out practices** – 30% and 29% of consumers who noticed differences between the headline and final prices when booking air tickets and hotel accommodation respectively indicated that **they ended up purchasing additional items as they missed opting out of certain optional extras**.

Recommendation

81. In summary, opt-out practices can be commonly encountered by consumers in Singapore in the online travel booking sector, and consumer harm can arise whereby consumers may end up buying unwanted add-on products when booking flight tickets or hotel accommodation, as a result of failing to uncheck pre-ticked boxes. This is in particular problematic when such harm to consumers arises from the failure of suppliers to clearly communicate and indicate to consumers the existence of such pre-ticked boxes.

82. Hence, CCCS recommends that:

- a. For optional add-ons (e.g. travel insurance, car rental), online travel booking providers should ensure that these add-on options are prominent, noticeable

to consumers and properly disclosed, i.e. the terms and conditions, any qualifiers, and charges should be made clear to consumers.

- b. As good practice, online travel booking providers should avoid the opt-out approach, i.e. using pre-ticked boxes to automatically include add-ons and requiring consumers to opt-out (or deselect the pre-ticked boxes) from purchasing such add-ons. If pre-ticked boxes are used, suppliers must provide proper disclosures of the goods or services offered in a clear and prominent manner. The use of pre-ticked boxes can amount to a false or misleading representation of the headline price especially if disclosure is not proper and clear, such as the failure to include the cost of a pre-ticked optional add-on to the total headline price listed upfront.

VIII. KEY FINDING 3: STRIKETHROUGH PRICING

83. **Strikethrough pricing** refers to the practice of representing a discount on a product (e.g. hotel room, flight ticket) where the original price of the product is crossed out adjacent to the sale price.

84. Strikethrough pricing is a concern when the crossed-out price (i.e. reference price)¹⁶ is not the original price of the hotel room or flight ticket. In such cases, strikethrough pricing, by creating a “frame” in which consumers view the discounted price, can mislead consumers about the original price of the hotel room/flight ticket, and the savings they think they are getting from the sale.

Potential concerns

85. **Misleading strikethrough pricing may result in consumers making a purchase which they would not otherwise have made, or paying higher prices than they otherwise would have, in the mistaken view that they are making a saving.** Consumers may assume that the strikethrough price refers to the true, original price. Hence, there is potential for businesses to mislead consumers with a false or misleading strikethrough price. It could also distort consumer choice, e.g. by influencing consumers to favour providers that use a strikethrough price.

86. The use of strikethrough pricing, particularly in circumstances where it could be misleading consumers, has been identified as a consumer protection concern in several jurisdictions, including Australia, the EU, the UK, Canada and the US.¹⁷

Findings

87. **Strikethrough pricing appears to be a fairly common practice by hotels, airlines, OTAs and metasearch engines, with greater prevalence amongst OTAs and metasearch engines.** Findings from the Consumer Survey revealed that about 46% of the respondents have encountered strikethrough pricing when making an online travel booking. Based on the Survey of Hotels and Airlines, 24% of respondents from hotels reported using strikethrough pricing, while only 14% of respondents from airlines reported the same. Based on the Survey of Travel Agents and Metasearch Engines, 51% of respondents from OTAs and 48% of respondents from metasearch engines reported using strikethrough pricing.

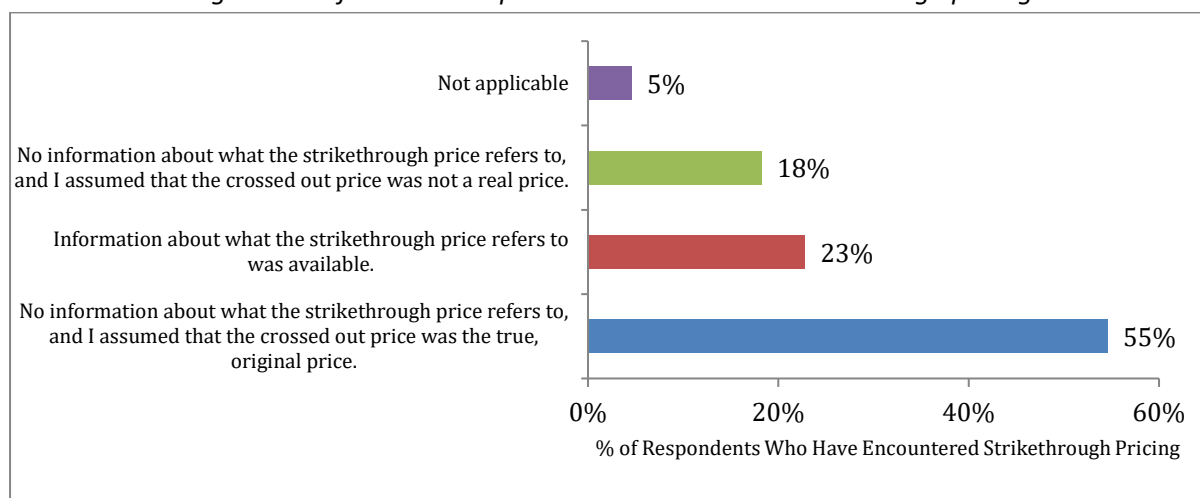
¹⁶ For example, the reference price may be a previous higher price, or the recommended retail price.

¹⁷ For example, in the FTC’s Guides against Deceptive Pricing, the issue of false advertisement is highlighted when the former price being advertised is not bona fide, but fictitious, such that the purchaser is not receiving the reduction in price he expects; and ACCC has taken action against retailers for misrepresenting the “was” or “strike through price” (e.g. *The Jewellery Group Pty Ltd v ACCC* [2013] FCAFC 144).

88. **However, not all online travel booking providers make it clear to consumers how the crossed-out price is calculated or what it refers to.** The Consultant’s findings indicated that, in many cases, information is not provided about what the strikethrough price relates to in order for the consumer to assess whether the strikethrough price is the true original price of the room or flight, and whether the new price represents a true saving.

89. Based on the Consumer Survey, the majority of respondents who have encountered strikethrough pricing stated that no relevant information was provided on the crossed-out price (73% in total). Notwithstanding the lack of information about the crossed-out price, though, most of these respondents who encountered strikethrough pricing (55%) assumed that the crossed-out price was the true, original price and only 18% of them believed this was not a real price (*Figure 10*).

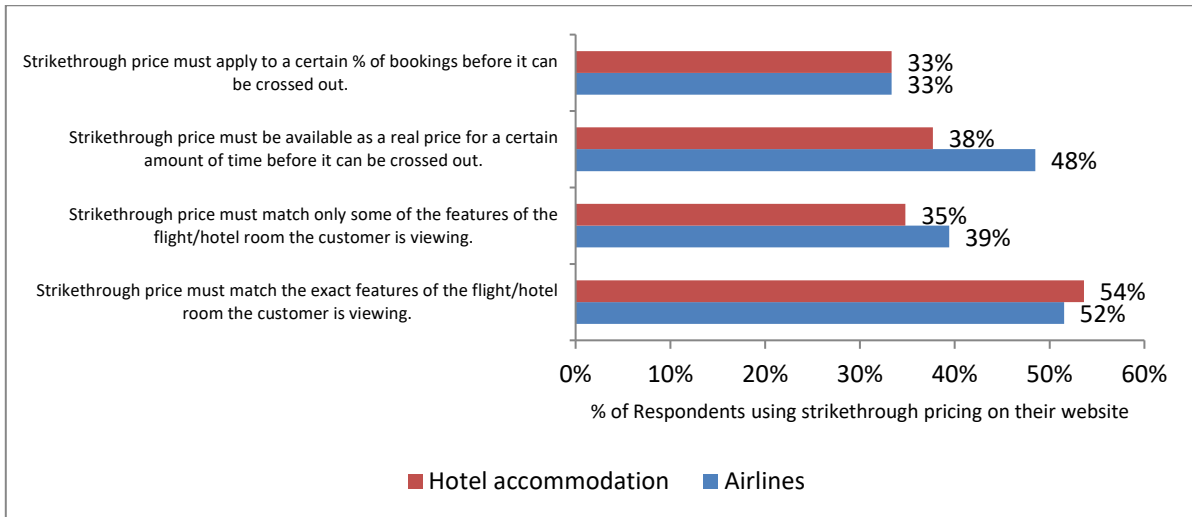
Figure 10. Information respondents receive about strikethrough pricing



Source: Consultant’s Consumer Survey

90. **There appears to be a range of approaches adopted by online travel booking providers in how the strikethrough price is determined, including approaches where the strikethrough price may not match all features of the flight or hotel room the consumer is viewing.** From the Survey of Hotels and Airlines (*Figure 11*), while the majority of respondents that use strikethrough pricing (54% from hotels and 52% from airlines) indicated that the strikethrough price must match the exact features of the flight or hotel room that the consumer is viewing, it is notable that 35% and 39% of such respondents using strikethrough pricing mentioned that the strikethrough price must match only *some* features of the flight and hotel room respectively being viewed by the consumer.

Figure 11. Criteria for strikethrough pricing, hotels and airlines

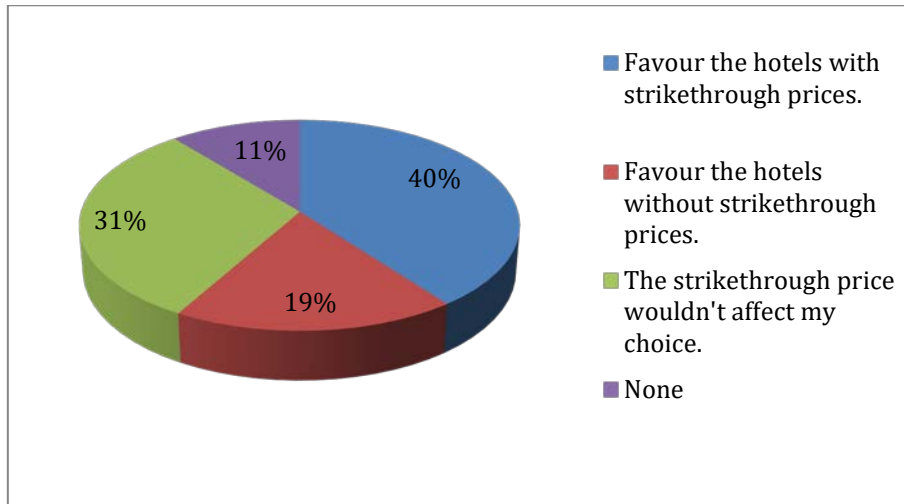


Source: Consultant's Survey of Hotels and Airlines

91. The Consultant found that the criteria used by online travel booking providers in setting the strikethrough price make it possible for this price not to be closely related to the room/flight being viewed by the consumer, or for it not to have been a true price (i.e. applicable to a certain number of bookings or for a certain length of time).

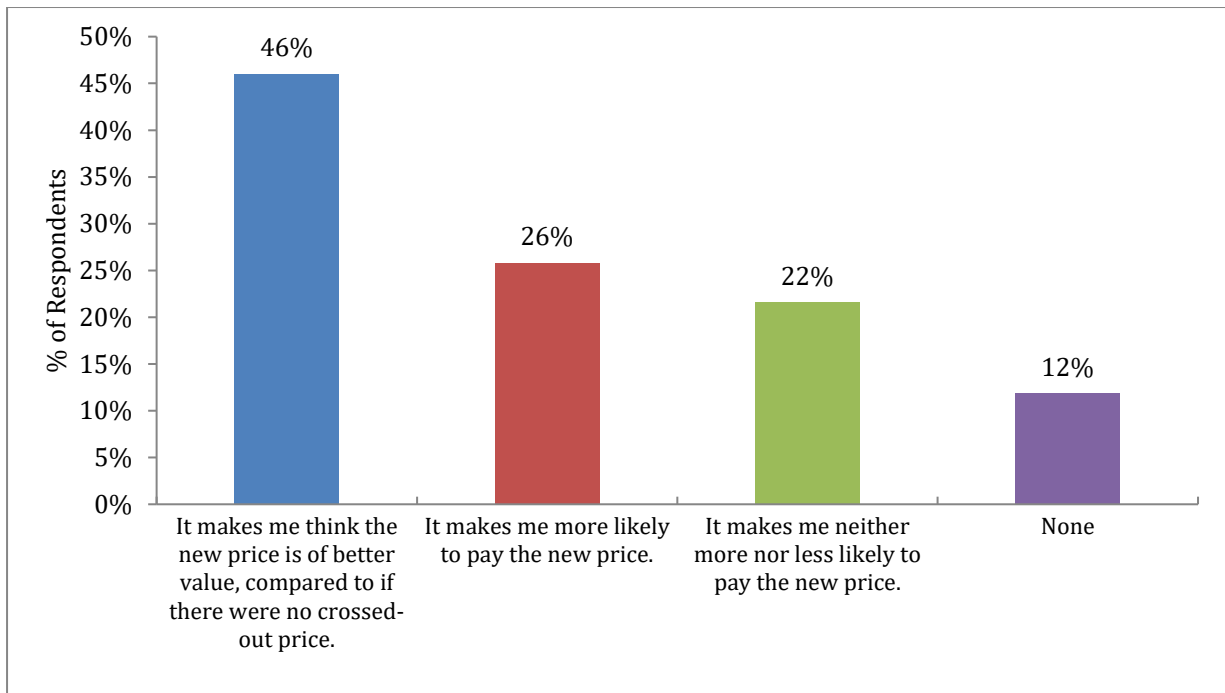
92. **Despite the general lack of information provided to consumers on the crossed-out price, it appears that strikethrough prices have been somewhat effective in encouraging consumers to make a travel booking.** Based on the Consumer Survey, 40% of respondents indicated that they would favour hotels where the hotel room price was shown with a strikethrough price besides it (Figure 12). In respect of how a strikethrough price affects their view of the "new" price, 46% said the crossed-out price would make them think that the new price is better value for money, and 26% also said it would make them more likely to pay the new price (Figure 13). If the crossed-out price is false or misleading, this could distort the choices made by consumers, resulting in consumer harm and adversely affecting competition between competing online travel booking providers (particularly if other competing providers had been truthful in this regard).

Figure 12. Information respondents receive about strikethrough pricing



Source: Consultant's Consumer Survey

Figure 13. Respondents' perception of the new price



Source: Consultant's Consumer Survey

Recommendation

93. In general, the extent to which an online travel booking provider's strikethrough pricing is misleading would need to be assessed on a case-by-case basis. Nonetheless, based on the evidence from the Consultant's study on the prevalence of strikethrough pricing and the general lack of information provided on what the crossed-out price refers to or how it is set, there are consumer protection concerns, should the strikethrough pricing be based on a false or misleading reference price, as this can mislead consumers about the original price of the hotel room/flight ticket, and the savings they think they are getting. This can create

market distortions as consumers do not have accurate information to make an informed purchasing decision. This is in particular given that strikethrough prices can be effective in encouraging consumers to make a particular travel booking, based on how the strikethrough price affects consumer perception.

94. Hence, CCCS recommends that:

- a. When online travel booking providers offer a discount and/or make comparisons with a previous price (e.g. through strikethrough pricing) to represent a price benefit, they should use an actual, bona fide previous price that provides a legitimate basis for the price comparison, so that consumers are not misled about the savings they may achieve from purchasing the discounted product/service.

IX. KEY FINDING 4: PRESSURE SELLING USING FALSE OR MISLEADING CLAIMS

95. **Pressure selling techniques** refers to claims that pressurise consumers into making a purchase or booking by creating a **false impression** of product availability (e.g. for hotel rooms or flights) or price availability (e.g. a time-limited discounted or promotional price). For example, online travel booking providers may state how many people are looking at the same room/flight at the same time as the consumer, without making it clear whether this may refer to searches for different dates. OTAs or metasearch engines may also claim that a certain hotel room is “low in supply”, when it could in fact be just their own inventory which is limited. In cases where websites are reporting the actual hotel’s or airline’s room or flight availability, such claims may not be considered misleading.

96. However, pressure selling using **false or misleading claims** can harm consumers by creating a false sense of urgency for consumers to make the purchase based on inaccurate information.

Potential concerns

97. **Pressure selling techniques that are based on false or misleading claims can lead to consumer harm**, for example if they result in consumers purchasing products or services which are not well suited to them, or paying higher prices than they would have in the absence of such techniques. For example, a claim of limited product availability or claim of a time-limited discounted or promotional price, can target consumers’ behavioural biases such as loss aversion, and may place pressure on consumers to complete their online travel booking transaction for a hotel room or a flight ticket, for instance within a stipulated time. In particular, where such a selling technique is based on a false or misleading claim, this means that the consumer may have less time to consider their hotel room or flight ticket booking, and search for alternatives and make price comparisons between alternative online travel booking providers, and alternative hotels or flights.

98. The extent to which such pressure selling techniques used by online travel booking providers (such as information on room availability) are false or misleading may depend in part on the specific business/commercial arrangements and information flows between the OTAs and other booking platforms on one hand, and the service providers (i.e. hotels/airlines) on the other hand, and any other relevant intermediaries (e.g. GDSs or wholesalers). For example, if OTAs are allocated a quota of hotel rooms or flights by service providers, then claims that supply is limited when in fact it is only their allocated quota that is running low may be misleading. In contrast, if these booking platforms are reporting the hotel’s or airline’s real room/flight availability, then such claims may not be misleading.

99. The use of false or misleading claims to pressure a consumer into making a purchase has been identified as a consumer protection concern in several jurisdictions, including Australia, the EU and the UK.¹⁸

Findings

100. **It appears to be a common practice for hotels, airlines, OTAs and metasearch engines to alert consumers when the supply of a room or flight is low or limited, or when a price discount is valid only for a limited period.** Based on the Consultant’s Consumer Survey, about 76% and 72% of consumers who have booked flights and hotel room accommodation respectively observed that online travel booking providers have made claims on *limited/low product supply* (i.e. for a flight or hotel room), or a *limited validity period for price discounts/promotions*.

101. Similarly, the Industry Surveys indicate that most service providers (66% of respondents from airlines and 77% of respondents from hotels) and other online travel booking providers (73% of respondents from OTAs, 75% of respondents from metasearch engines, and 66% of respondents from traditional travel agents with an online presence) inform consumers when the *supply of flights or hotel rooms becomes low or limited* on their website. The proportion of Industry Surveys respondents from such online travel booking providers that inform consumers about the *limited availability of price promotions* (e.g. discounts available only for X days, X number of seats available in the promotional price) is also similar, ranging from 66% to 78%.

102. **According to airlines and hotels, the information on availability of flights/rooms appears to usually be based on exact matches with the features of flights and rooms consumers are considering,** as indicated by 80% of respondents from airlines and 79% of respondents from hotels that indicated they inform consumers when supply becomes low or limited. However, **sometimes, only some of the features of flights or hotels need to be matched** against the features that consumers are considering, in providing such availability information (as indicated by 65% of such respondents from airlines and 50% of such respondents from hotels).

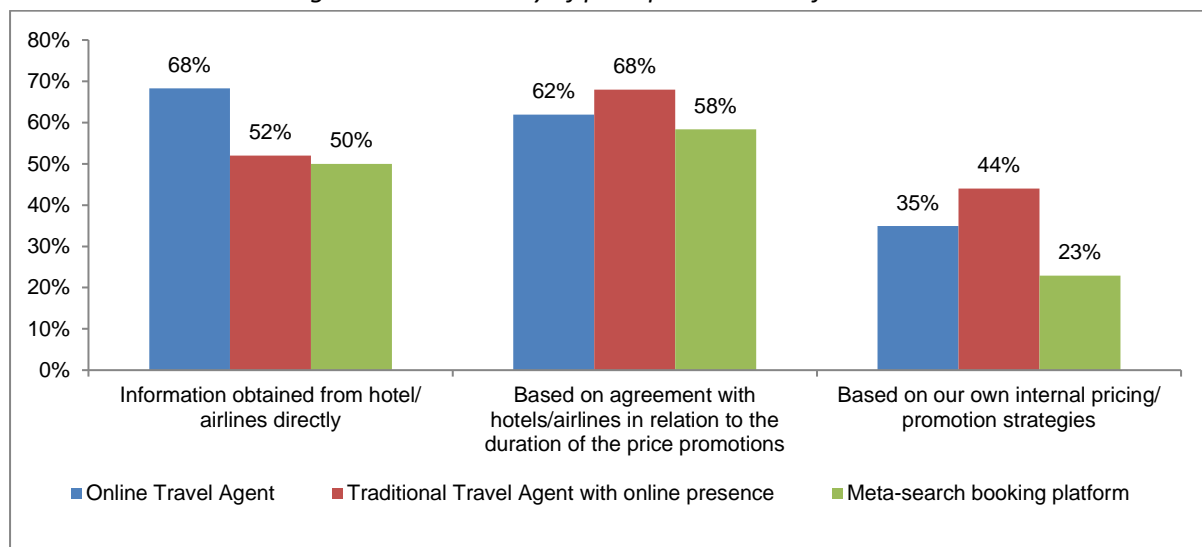
103. From the Survey of Travel Agents and Metasearch Engines, the corresponding percentages from survey respondents are generally lower – between 48% to 66% of respondents from OTAs, metasearch engines and traditional travel agents with an online presence that inform consumers when supply becomes low or limited, indicated that such information on availability of flights/rooms are usually based on *exact matches* with the

¹⁸ For example, In ACCC’s Advertising and Selling Guide for Business (9 November 2017), it is considered that businesses may mislead consumers on prices if they promote a “sale” or “special price” which is not in face a temporary sale price, thus creating an unwarranted sense of urgency to make an immediate purchase.

features of flights and rooms consumers are considering; whilst 48% to 56% of such respondents indicated that sometimes, only *some* of the features of flights or hotels need to be matched against the features that consumers are considering.

104. **Where OTAs and metasearch engines alert consumers about price discounts or promotions, the source of such price promotions can vary from being obtained directly from different airlines or hotels, based on agreement with such service providers, or based on their own internal pricing/promotion strategies.** In the case of OTAs and metasearch engines that inform consumers about the limited availability of price promotions, 68% of respondents from OTAs and 50% of respondents from metasearch engines reported that the information is sometimes obtained directly from airlines or hotels, whilst 62% of respondents from OTAs and 58% of respondents from metasearch engines said the information is sometimes based on an agreement with hotels and airlines regarding the duration of price promotions.

Figure 14. Availability of price promotions information



Source: Consultant's Survey of Travel Agents and Metasearch Engines

105. From the Industry Interviews, the Consultant also found that **the OTAs and metasearch engines interviewed generally highlighted that they seek to make truthful claims on room availability or limited time offers on their websites based on direct data feeds from hotels.** However, OTAs may not be able to verify the accuracy of information provided. On the other hand, the Consultant found that hotels interviewed emphasised that **OTAs' and metasearch engines' practices and claims about "X people looking at this now" comes from the OTAs and/or metasearch engines directly rather than from hotels** – for example OTAs and metasearch engines may use a 'heat map' technology as the basis of these statements.

106. **There are mixed responses from consumers as to their belief of what such claims on limited availability of hotel rooms/flights relate to.** When consumers were asked in the

Consumer Survey about their beliefs regarding what the limited availability applies to, 53% of respondents said it may sometimes be the number of hotel rooms or flights available at the hotel or airline in question, and 51% believed that it may sometimes be the number of hotel rooms or flights that the OTA or metasearch engine has access to.

107. Furthermore, from the Consumer Survey, a significant majority of consumers indicate that they are more likely to book air tickets (78%) and hotel accommodation (79%), if they are marked with limited availability, either in quantity or at the discounted price point. It is also noted that a considerable proportion of consumers who made a booking based on a claim of limited quantity or price availability (over 40%), have regretted such a decision after completing the booking, noting that they felt that they made it under pressure.

Recommendation

108. In general, whether claims made by an online travel booking provider about the limited availability of a product (i.e. hotel room or flight) or a particular price (e.g. a time-limited discounted or promotional price) amount to pressure selling using false or misleading claims, would need to be assessed on a case-by-case basis. Based on the evidence from the Consultant's study, given the prevalence of online travel booking providers in alerting consumers to such limited availabilities, and its effectiveness in influencing consumers to be more likely to make such a booking, there are consumer protection concerns should such pressuring selling techniques be based on false or misleading claims, as this could create a false sense of urgency for consumers to make a purchase based on inaccurate information.

109. Hence, CCCS recommends that:

- a. Online travel booking providers should not make false or misleading claims that create unwarranted pressure or a sense of urgency for consumers to make an immediate purchase/booking (e.g. by promoting a temporary "sale" or "special" price for a limited period when the "sale" or "special" price will still be available beyond the limited period, or giving a false or misleading impression of limited availability of a product).

110. However, this does not prevent online travel booking providers, including the service providers (i.e. airlines and hotels), from varying their prices or quantities for sale over time,¹⁹ provided that the claim on the price discount or available quantity is correct at the point when it was advertised.

¹⁹ For example, as part of dynamic pricing, firms may increase or decrease prices over time to manage their inventories over time. Similarly, as part of inventory management, firms may increase or decrease their quantities for sale over time.

X. OTHER FINDINGS

5: PRICE AND NON-PRICE PARITY CLAUSES

111. Price parity clauses, also known as “Most Favoured Nation” clauses, refer to clauses where one party to the contract restricts the prices that the other party can set on other distribution channels. For example, in the context of the online travel booking industry, an OTA and a service provider may have a price parity clause which restricts the service provider (e.g. hotel, airline) from setting lower prices on other distribution channels (e.g. the service provider’s own distribution channel and/or other OTAs/metasearch engines). Non-price parity clauses function in a similar manner but concern non-price features, such as room or flight availability, and restrict the service provider from providing greater availability on other distribution channels.

112. A further distinction can be made between wide and narrow forms of price parity clauses: Under a narrow parity clause, a service provider is required to offer consumers on the OTA (or metasearch engine) prices that are at least as low as what the service provider offers directly through its own sales channel (e.g. website). Under a wide parity clause, the service provider is additionally required to offer consumers on the OTA (or metasearch engine) prices that are at least as low as what the service provider offers through other indirect sales channels (e.g. other OTAs or metasearch engines).

Potential concerns

113. **Such price parity clauses may, under certain circumstances, cause exclusionary and collusive harm to competition.**²⁰

Wide price parity clauses

114. **Under an exclusionary theory of harm, these clauses may result in higher commission fees for service providers and prices for end consumers, and may increase entry barriers, resulting in reduced entry and innovation.** First, wide price parity clauses imposed by an OTA/metasearch engine on service providers may prevent other OTAs/metasearch engines from undercutting their commission in return for lower room or flight prices from service providers. This can restrict competition amongst OTAs/metasearch engines on their commissions, and binds the service provider into paying the (higher) commission to the

²⁰ Source: Sim, Justina and Tan, Hi Lin (2015). *Anything wrong with asking for the best price?* CCCS Occasional Paper.

OTA/metasearch engine with the price parity clause.²¹ Second, where a wide price parity clause exists, booking sites operating under an agency model (i.e. collecting a fee for each transaction taking place) may be incentivised to increase its fees/commission or be disincentivised from reducing them. This is because if the price of a hotel room or flight ticket increased as a result of an increase in commission, the service provider would not be able to advertise the same room or flight ticket for a lower price on any other sales channels, including its own website. This in effect restricts the service providers' pricing policy and restricts competition by inhibiting the ability of the service provider to use other OTAs/metasearch engines, which may potentially be cheaper (e.g. charge lower commission).²² Third, a wide price parity clause can also restrict the entry of more innovative OTAs/metasearch engines, which would not be able to attract the service providers with a lower commission. This is because the service providers are obliged to charge the same or higher price through the new or innovative OTA/metasearch engine, as they do to the OTA/metasearch engine imposing the price parity clauses.²³

115. In the context of a major OTA or metasearch engine adopting price parity clauses, this can also have the effect of prices being aligned across platforms, as the service provider would be obliged to display the same (lowest) price on all other platforms. The service provider may not wish to display higher prices as this may not be sustainable if the OTA/metasearch engine in question is a major player and having a higher price on other platforms would mean that sales on these channels would be uncompetitive.²⁴

Narrow price parity clauses

116. Narrow price parity clauses can still be harmful to competition, even though they are generally regarded as less harmful to competition than wide price parity clauses. However, the Consultant's research into the relevant literature appears to suggest that the harmful scenarios are less likely to materialise, or have limited applications.

117. First, when service providers have narrow price parity clauses in place with several OTAs/metasearch engines, and where their own website is an important sales channel, this could result in a de facto floor price, which could restrict competition between online travel

²¹ Source: Consultant / European Competition Network, The French, Italian and Swedish Competition Authorities Accept the Commitments Offered by Booking.com (1 July 2015): <https://webgate.ec.europa.eu/multisite/ecn-brief/en/content/french-italian-and-swedish-competition-authorities-accept-commitments-offered-bookingcom>

²² Source: Consultant / Ezrachi (2015): "The competitive effects of parity clauses on online commerce" p.497

²³ Source: Consultant / House of Lords (2016) "Online Platforms and the Digital Single Market"

²⁴ Source: Consultant / House of Lords (2016) "Online Platforms and the Digital Single Market"

booking providers.²⁵ In this scenario, there is no incentive for OTAs/metasearch engines to reduce commission rates as service providers would not match this with a reduction in room or flight prices offered through the OTAs/metasearch engines in order to keep their own websites attractive. However, the literature suggests that this scenario is unlikely to arise.²⁶

118. Second, narrow price parity clauses could reduce service providers' ability to exert competitive pressure on OTAs/metasearch engines as service providers would not be able to advertise rooms or flights for lower prices on their own websites. However, the literature suggests that this scenario has limited applications, as such clauses could give service providers incentives to offer a lower price through other OTAs/metasearch engines (compared to the prices on their own websites) in some cases.²⁷

Findings

119. The Consultant's study indicates that **a relatively small proportion of hotels and airlines are subject to price and non-price parity clauses with OTAs or metasearch engines, with price parity clauses being more common than non-price parity clauses.** Based on the Survey of Hotels and Airlines, only around 20% of respondents from airlines and 23% of respondents from hotels noted that they were subject to price parity clauses with OTAs or metasearch engines that list their flights or hotel accommodation. Only around 16% of respondents from airlines and 20% of respondents from hotels noted that they were subject to non-price parity clauses.

120. **Wide price parity clauses appear to be more prevalent than narrow price parity clauses.** Based on the Survey of Hotels and Airlines, of the service providers subject to price parity clauses, 77% and 62% of such respondents from airlines and hotels respectively reported that they were sometimes subject to wide price parity clauses, whilst 35% and 36% such respondents from airlines and hotels respectively indicated they were sometimes subject to narrow price parity clauses.

121. **Parity clauses appear to be more common in the hotel industry than the airline industry,** as the Consultant found from the survey findings in the preceding paragraphs and corroborated by the Industry Interviews. The Consultant found that this observation could be linked to the nature of information exchange between hotels and OTAs/metasearch engines. In particular, whilst some hotels provide data through a real-time GDS or other third-party data collectors, other hotels may be transmitting such data to the OTAs/metasearch engines manually. Therefore, where the latter arrangement occurs, OTAs/metasearch engines may be

²⁵ This is because the service provider would want to attract consumers to complete bookings on their own websites to avoid the need to pay commission to OTAs.

²⁶ Source: Consultant / Ezrachi (2015): "The competitive effects of parity clauses on online commerce"

²⁷ Source: Consultant / Ezrachi (2015): "The competitive effects of parity clauses on online commerce"

incentivised to require price parity clauses for hotels to ensure that hotels do not undercut them on their own websites. On the other hand, price parity clauses are not usually included in contracts between airlines and OTAs/metasearch engines as a result of the price transparency facilitated by GDSs. In particular, the direct link to data which is updated in real-time means that OTAs/metasearch engines typically receive the lowest prices shown on service providers' websites without the need for a formal parity clause.

122. **Evidence from the Industry Interviews appears to suggest that hotels do not feel restricted in their pricing or marketing policies as a result of parity clauses.** However, the small sample size means that it would not be possible to draw a definitive conclusion in this regard.

123. **The rationale for OTAs and metasearch engines to have price parity clauses include encouraging price transparency and preventing free-riding.** Based on the Industry Interviews, the Consultant found that the rationale for OTAs and metasearch engines to have price parity clauses includes enabling consumers to see all available offers and prices and make the best choices. Another rationale suggested from the Industry Interviews is that price parity clauses, or transparency generally, help to maximise the effectiveness of OTAs'/metasearch engines' comparison service and to prevent providers from free-riding.

Assessment

124. **Notwithstanding the potential harm to competition, price parity clauses have the potential to generate pro-competitive effects and efficiencies.** The benefits of price parity clauses (particularly narrow ones) are that they avoid the risk of free-riding, which in turn could undermine the provision of search and comparison sites for consumers in the online travel booking sector. Another benefit of price parity clauses (both wide and narrow) is that they make the search and comparison process for consumers more effective, and hence reduce search costs for consumers – if consumers know that the prices they see on one OTA or metasearch engine could be different if they went to another, then this may undermine the benefits of online travel booking comparison sites in terms of decreasing search costs and facilitating switching. The Consultant noted from their study that there is likely to always be a trade-off between keeping search costs low for consumers by enabling them to see and compare similar prices for the same service providers across OTAs/metasearch engines, and achieving the best outcomes in terms of lowest price.

125. **More generally, price parity clauses can potentially be considered vertical agreements between the service providers and OTAs/metasearch engines, insofar as they operate at different levels of the distribution chain, and thus could potentially benefit from the vertical agreements exclusion under the Competition Act.** Whether a given agreement benefits from the vertical agreements exclusion would need to be assessed on a case-by-case

basis. In this regard, CCCS recognises that most vertical agreements have pro-competitive effects, which outweigh the potential anti-competitive effects. In an effort to reduce compliance costs imposed on businesses to determine whether their vertical agreement may infringe the law, vertical agreements are excluded from the Competition Act. Notwithstanding the vertical agreements exclusion, parity clauses can still be caught under section 34 of the Competition Act – which prohibits anti-competitive agreements, decisions and practices – for example in the scenario where parity clauses are part of a network of agreements to facilitate horizontal collusion; or section 47 of the Competition Act – which prohibits an abuse of a dominant position. **At present, there is insufficient evidence to suggest an infringement in relation to price parity clauses in the online travel booking industry under either section 34 or section 47 of the Competition Act.**

126. Notwithstanding the ambiguous effects of price parity clauses on competition and the low proportion of service providers seemingly affected by price parity clauses, **CCCS takes a serious view on the potential harm to competition arising from such clauses.** Hence, **CCCS will continue to actively monitor the market developments in relation to price parity clauses in the online travel booking industry in Singapore,** and will not hesitate to take enforcement action against players for the use of such clauses should there be sufficient evidence to indicate an infringement of the Competition Act.

6: SEARCH RANKINGS AND OWNERSHIP

127. Transparency around the various features of OTAs, metasearch engines and booking websites is important in ensuring that consumers make an informed decision on their online travel booking purchases. In this regard, two issues relating to transparency which may influence consumers' choice include transparency around the ranking of search results, and ownership structures.

Potential concerns

128. A lack of transparency in the manner in which search results are ranked on OTAs and metasearch engines **may result in consumers placing undue weight on the rankings, even if these do not provide the best matches according to their preferences, leading to consumers buying products and/or services that are not the best for them.** For example, search results and rankings may be based on commissions or advertising revenue paid to the booking platform by service providers, rather than consumers' preferences.

129. In addition, search results and rankings on OTAs and metasearch engines may be biased in favour of certain online travel booking providers, if the latter are under the same ownership as the OTA or metasearch engine. **If consumers are not aware of the ownership bias in the search results and rankings, they may be misled into choosing an online travel booking provider that is not best for their needs.**

Findings

Search rankings

130. **Commissions paid by airlines and hotels to OTAs and metasearch engines are likely to have some influence on the ranking of search results.** Around one-third of respondents from OTAs and metasearch engines (27% and 31% respectively) indicated in the Survey of Travel Agents and Metasearch Engines that they have made agreements with airlines and hotels on how to prioritise their search rankings. In terms of factors used by OTAs and metasearch engines to rank searches, 40% of respondents from OTAs and 39% of respondents from metasearch engines indicated that commissions paid by service providers is a factor. This implies that these search rankings may not be based purely on price or consumer search preferences, although price and consumer search preferences are key drivers of search rankings, as indicated by between 53% to 78% of respondents from OTAs and metasearch engines. The Consultant's Industry Interviews indicate that there are differences across OTAs and metasearch engines in terms of the factors influencing search results, and the role of commissions paid by service providers. Responses to the Industry Interviews also indicated

that some OTAs and metasearch engines have their search ranking policies available on their websites.

131. From the Consumer Survey, in respect of whether consumers had any reason to suspect that search results on online travel booking providers were manipulated when searching for a new trip (flight and hotel accommodation), the majority of respondents indicated no, with only around 20% of consumers believing that search results for a new trip could have been manipulated in any way. The Consultant’s analysis of the reasons provided by respondents in this regard indicate that most experiences by these consumers relate to search rankings and/or prices changing when using different browsing modes or different member/user log-ins, although some believe search results could be manipulated due to being “sponsored”.

Ownership

132. **From the Industry Surveys, information on affiliations or links to service providers is likely to be provided by OTAs and metasearch engines.** From the Survey of Travel Agents and Metasearch Engines, about 72% of respondents from OTAs and 80% of respondents from metasearch engines indicated that they provide information on their websites on whether they are affiliated or linked to service providers. Similarly, from the Survey of Airlines and Hotels, in relation to metasearch engines, about 51% of respondents from airlines and 59% of respondents from hotels indicated that information on whether a provider of online comparison tools (i.e. metasearch engine) is affiliated or linked to service providers is available on the metasearch engine’s website.

133. As shown in *Figure 15*, based on the websites of some commonly used metasearch engines, information on the respective affiliated or linked OTAs is already available.

Figure 15. Examples of affiliations or links between OTAs and metasearch engines

	OTAs	Metasearch engines
Expedia Group	Expedia Hotels.com	Trivago ²⁸
Booking Holdings	Priceline Booking.com Agoda	Kayak ²⁹
Ctrip Group	Trip.com	Skyscanner ³⁰

²⁸ Source: company.trivago.com/our-story/

²⁹ Source: kayak.sg/about

³⁰ Source: www.skyscanner.com.sg/about-us

Assessment

134. **The extent of actual consumer detriment in relation to search rankings may be unknown, but the Consultant’s findings indicate that it does not appear to be a significant issue for consumers**, given the minority of respondents to the Consumer Survey voicing a suspicion of search results being manipulated. The influence of commissions in the ranking of search results on OTAs’ or metasearch engines’ websites (in particular where this is not transparent, and/or where results are sorted by some default ranking or subjective criteria determined *by the booking platform* and not the consumer) could cause consumer harm if these modified results do not give the best options for consumers based on their preferences and consumers end up selecting products that do not best match their needs. That said, the Consultant also noted that where results are sorted according to a manual filter (e.g. price, or distance from the city centre), it is more likely that these results reflect consumer preferences rather than the influence of commissions. Given that most Consumer Survey respondents did not indicate any concerns of search results being manipulated, the Consultant observed that this could be due to consumers manually filtering results based on their own preferences (which would reduce the influence of commissions), and/or comparing the key features of the options in the search results (e.g. price, reviews, facilities etc.).

135. **Similarly, with regard to ownership information, the scope for consumer harm appears to be low in general, with OTAs and metasearch engines seemingly providing such information.** Similar to the assessment in relation to search rankings, consumers would still be able to compare results across features that matter the most to them (e.g. price).

136. On consideration of the potentially limited scope of harm to Singapore consumers in the online travel booking sector as identified from the Consultant’s study at this time, CCCS does not consider this issue of transparency around search rankings and ownership to warrant intervention currently. CCCS notes that it may be in the commercial interest of OTAs and metasearch engines to ensure that their search results are based on objective criteria relevant to consumers, so as not to undermine their reputation as a credible platform for searches. Nonetheless, CCCS further notes that consumer protection concerns can arise if consumers may reasonably be deceived or misled by any statements (or omissions) by suppliers – in this regard, CCCS will continue to monitor this area, and any future developments.

7: MISLEADING USER REVIEWS

137. Misleading user reviews are a form of false information which can manifest in two forms – those pertaining to false, negative reviews about an experience with a product, service or business; and those pertaining to false, positive reviews. Other misleading practices around user reviews include the suppression of negative reviews (or “cherry-picking” of positive reviews) without making it clear that only a selection of reviews are published, and paid-for (or incentivised) reviews or endorsements.³¹

Potential concerns

138. **Misleading user reviews, and other misleading practices around user reviews, can be harmful to consumers by creating false and unrealistic expectations for consumers about the quality of the product or service.** Purchasing decisions based on misleading information can result in sub-optimal outcomes for consumers, for example if consumers purchase products which they do not want or which are not best for them as a result of such misleading user reviews.

Findings

139. **Service providers, OTAs and metasearch engines do provide consumers the opportunity to leave feedback on their websites or platforms and publish all reviews, and make clear the distinction between consumer reviews and paid-for reviews/endorsements.** Based on the Survey of Hotels and Airlines, the majority of respondents from airlines (62%) and from hotels (73%) provide consumers the opportunity to leave reviews on their websites, and also publish all reviews (including negative reviews) on their websites (85% of respondents from airlines and 88% from hotels). Furthermore, most of the service providers (51% of respondents from airlines and 63% from hotels) make clear to consumers the distinction between paid-for reviews and other consumer opinions.

140. Similarly, based on the Survey of Travel Agents and Metasearch Engines, the majority of respondents from OTAs (64%) and from metasearch engines (72%) reported that they also provide consumers with opportunities to leave reviews, and also publish all reviews, negative or positive, on their websites (91% of respondents from OTAs, and 88% from metasearch engines). More than 60% of respondents from OTAs and metasearch engines do distinguish clearly between reviews and paid-for endorsements.

141. **OTAs and metasearch engines have policies and measures to address the issue of fake or misleading user reviews.** The Survey of Travel Agents and Metasearch Engines

³¹ CMA (2015). *Online reviews and endorsements*. Report on the CMA’s call for information.

suggested that around 43% of respondents from OTAs and 58% of respondents from metasearch engines have policies in place to deal with fake user reviews. From the Industry Interviews, the Consultant's findings indicate that some OTAs also manage the authenticity of reviews by only allowing customers who have stayed at a hotel to complete a review (they are sent a link after their stay) to avoid "ghost" reviewers.

142. **There is some cause for concern as some consumers suspected that reviews on online travel booking websites could be misleading, although the Consultant did not find convincing evidence of misleading reviews or notable omissions of negative feedback.** Based on the Consumer Survey, about 35% of consumer respondents suspected that certain reviews could be fake or misleading when they searched for a new trip (flight and hotel accommodation). Reasons commonly cited by such consumers include scepticism from observing overly positive-skewed reviews, and complaints or bad experiences being ignored.

Assessment

143. Even though some consumers may suspect the authenticity of online reviews for flights and/or hotel accommodation, a healthy proportion of service providers and in particular OTAs/metasearch engines (which may use reviews to aid consumers' comparisons between service providers) have policies or measures³² to deal with false or misleading user reviews. In this regard, the Consultant did not find convincing evidence of misleading reviews or notable omissions of negative feedback. In addition, to the extent that OTAs and metasearch engines may use consumer reviews and the quality of such reviews to compete amongst themselves (e.g. differentiating themselves from competitors by providing innovative or comprehensive user reviews that are trustworthy, and having fake review monitoring and intervention policies in place), the Consultant noted that the industry could also potentially self-regulate in this area.

144. Given the Consultant's findings, CCCS does not presently consider this to be an area where intervention is warranted, although CCCS notes that consumer protection concerns can arise if any of these practices by suppliers (e.g. paid-for fake reviews) result in consumers reasonably being deceived or misled. CCCS will continue to monitor developments in the market in this regard.

³² Such policies or measures to ensure the authenticity of reviews can generally include, for example, having technical means to verify the reliability of the person posting a review (e.g. user registration), verifying the IP address used to submit the review, or requiring information by which the reviewer has actually used the object of the review (e.g. a booking number).

Source: EC (2016), *Guidance on the Implementation of Directive 2005/29/EC on Unfair Commercial Practices*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016SC0163> / OECD (2019), "Good practice guide on online consumer ratings and reviews", *OECD Digital Economy Papers*, No. 288, OECD Publishing, Paris, <https://doi.org/10.1787/0f9362cf-en>.

8: TYING AND BUNDLING

145. Tying occurs when a supplier makes the purchase of one product (the tying product) conditional on the purchase of a second product/service (the tied product).³³ Bundling occurs when the supplier offers multiple separate products together, often at a different price from that which would have resulted by summing the prices of the individual products. Bundling can be generally categorised into two main categories. Pure bundling occurs when the individual products are not sold separately but only in combination with each other, while mixed bundling occurs when the individual products as well as the bundled products are available.

146. Hotels and airlines, as well as OTAs and other online travel booking providers, may bundle or tie various products together, such as flights and hotel rooms; flights and travel insurance or car hire; hotels and tours, etc.

Potential concerns

147. **Tying or bundling imposed by a dominant supplier can foreclose competition**, where that supplier is able to leverage its dominance in one market to foreclose competition in other markets. For example, a dominant supplier in one market/sector, which secures a very large proportion of customer bookings, could extend that dominance into another market/sector by tying or bundling together these online travel products/services. It is important to note that it is the *effect* of the tying or bundling on competition, rather than its form, which will determine whether or not the tying or bundling is abusive. Whether such tying or bundling will amount to an abuse of dominant position will depend on the facts and circumstances of each case.

148. Tying or bundling may also result in adverse consumer outcomes if consumers are forced to buy additional products that they do not need, for example in the case of mandatory “pure” bundling.

Findings

149. **Product bundling appears to be a common practice in the online travel booking sector in Singapore.** Just under half of the respondents (from both airlines and hotels) to the Consultant’s Survey of Airlines and Hotels shared that they offer product bundling on their booking websites. Similarly, just over half of the respondents from OTAs and metasearch

³³ A tying condition may involve a simple 1:1 combination of products or may require a certain number of units of the tied product to be bought from the same supplier. An even more restrictive condition resulting in a ‘requirements tie’ is a requirement that the tying product will be sold only if the consumer also buys all or most of its requirements of the tied product from that supplier.

engines indicated in response to the Survey of Travel Agents and Metasearch Engines, that they offer product bundling. The Consultant's Industry Interviews suggest that airlines, in particular low-cost carriers, frequently offer bundled products to consumers as a way to boost their ancillary revenues. That said, **“pure” or mandatory bundling generally does not appear to be widespread**, with this occurring only amongst 20% to 32% of the respondents from airlines, hotels, OTAs and metasearch engines that offer product bundling.

150. **Tied or bundled products generally appear cheaper relative to purchasing the individual products separately.** Nearly 60% of the respondents from airlines and hotels that offer tying or bundling of products indicated that they offer discounts on the tied or bundled products. Similarly, more than 50% of the respondents from OTAs and metasearch engines that offer tying or bundling of products indicated that the tied or bundled products are discounted relative to the prices of the individual products bought separately.

151. Whilst there is some perception among airlines and hotels that the bundling practices of other online travel booking providers affect their ability to compete on some products (as indicated by 39% and 48% of such respondents respectively), such perception was less prevalent amongst OTAs and metasearch engines (26% and 20% of such respondents respectively). The Consultant also highlighted, from its study, that it is not evident from the Industry Surveys whether this represents a genuine competition problem, or simply that some online travel booking providers choose to provide consumers with lower prices on bundles.

Assessment

152. While there may be potential competition or consumer concerns that may arise due to tying or bundling, such business practices may also bring about benefits to consumers, for example when bundled products are available at a lower price to consumers who wish to purchase such products together, than if the products were purchased separately.

153. The Consultant's findings also do not suggest that the practice of tying or bundling in the online travel booking sector may give rise to concerns of foreclosing competition in this sector in Singapore. Most respondents to the Industry Surveys (including more than 70% of respondents from OTAs and metasearch engines) do not consider that tying or bundling practices by their competitors affect their own ability to compete. Further, the Consultant also noted, from its study, that there is no evidence at this juncture that indicates any industry player in the online travel booking sector is likely to be dominant, and accordingly product tying or bundling is unlikely to raise market foreclosure concerns at the current time.

154. Overall, CCCS does not presently consider this to be an area where intervention is warranted, although CCCS will continue to monitor developments in this area.

9: PRICING ALGORITHMS

155. Pricing algorithms are commonly understood as the computational codes run by suppliers to automatically set prices to maximise profits. Pricing algorithms could be used to set prices, such as to implement dynamic pricing³⁴ by continuously changing prices over time or to price discriminate by charging different prices to consumers based on their personal characteristics. Pricing algorithms could also be used to monitor prices.

Potential concerns

156. **Pricing algorithms may facilitate and sustain collusion by enhancing market transparency and the frequency of interaction between competitors.** First, price-monitoring algorithms allow online travel booking providers to automatically collect and analyse real-time information concerning competitors' prices, business decisions and other market data.³⁵ This market transparency could facilitate the monitoring of competitors' actions, as well as the detection of deviations from a collusive agreement. Second, the use of price-monitoring algorithms increases the frequency of interaction between online travel booking providers and the ease of price adjustments, potentially increasing the speed at which the online travel booking providers can make business decisions.³⁶ Price-setting algorithms could automate the decision process of colluding companies so that prices react immediately and simultaneously to any changes in market conditions. Hence, the enhanced market transparency and increase in frequency of interaction between competitors could make a collusive agreement among competitors more sustainable.

157. **Pricing algorithms may also facilitate a "hub-and-spoke" collusion.** Such a scenario could arise, for example, where there is an industry-wide use of a single algorithm to determine prices, and competitors use and rely on that same third-party-owned "hub" (i.e. a pricing algorithm) to coordinate their pricing strategies. Thus, there is greater risk of pricing alignment and potential for a collusive outcome where the algorithms are developed by the same or a small number of third-parties.

158. **In respect of personalised pricing or price discrimination, there may be competition concerns where dominant online travel booking providers engage in abusive conduct** in the form of exclusionary price discrimination (e.g., predatory pricing, loyalty discounts or bundled rebate schemes targeted at specific groups of consumers) which may have a foreclosure effect on competition. In addition, personalised pricing may also harm consumers if it is

³⁴ Dynamic pricing is the business practice of changing prices over time, in response to factors such as changes in supply availability (e.g. hotel room/flight availability), capacity constraints, and demand fluctuations).

³⁵ In relation to monitoring algorithms, see generally, Section 4.3.1 of Organisation for Economic Co-operation and Development (9 June 2017), [Algorithms and Collusion](#), DAF/COMP(2017)4.

³⁶ Organisation for Economic Co-operation and Development (9 June 2017), [Algorithms and Collusion](#), DAF/COMP(2017)4, pp. 20, para 47.

applied in a way which misled consumers about the discounts they received or withheld information about the fact on whether, or how, prices are personalised.

Findings

159. **Pricing algorithms appear to be commonly used in the online travel booking industry.** From the Consultant's Industry Surveys, more than half of the respondents from online travel booking providers (i.e. hotels, airlines, OTAs, metasearch engines and traditional travel agents with an online presence) generally use algorithms to monitor and set prices. **Across the Industry Surveys and Industry Interviews, respondents generally suggest that such algorithms could be used for a range of purposes,** such as engaging in dynamic pricing, computing flight/room availability, monitoring site traffic, ranking consumer search options, retrieving information and prices, and comparing or monitoring competitors' prices. For the latter, some Industry Interview respondents explained that such information may be used to ensure that their pricing remains competitive in the market, and may not necessarily be fed into their price-setting algorithms, as pricing decisions are generally influenced by a variety of other factors (e.g. demand conditions including number of flights/rooms sold) rather than merely responding to competitors' prices. The Industry Interviews also suggest that the use of algorithms to implement dynamic pricing appears to be more common among airlines and hotels, but less so among OTAs and metasearch engines which tend to receive price information from the service providers.

160. **The Industry Surveys also suggest that most online travel booking providers develop their pricing algorithms in-house, rather than using third-party-developed algorithms.** This is the case for the majority of the online travel booking providers, with 72% to 90% of respondents from hotels, OTAs, metasearch engines and traditional travel agents with an online presence indicating this. This is with the exception of airlines, which appear to mainly use third-party-developed algorithms (as indicated by around 84% of respondents from airlines). While the Consultant's study did not gather sufficient evidence to explain why airlines do not generally seem to develop their pricing algorithms internally, the Consultant suggested that this could be due to airlines requiring more complex and dynamic pricing models, as compared to hotels generally.

161. **The Industry Surveys do not suggest that online travel booking providers widely employ algorithms for personalised pricing.** Only 8% to 11% of respondents from online travel booking providers indicated that they always use algorithms to personalise pricing to consumer characteristics, with the vast majority of respondents indicating that this is not used. Findings from the Industry Interviews also suggest that dynamic pricing – whereby prices can refresh constantly – makes it difficult to tailor price changes for certain types of consumers. **Although online travel booking providers can offer different prices (including through discount coupons and other mechanisms) depending on the channels through**

which consumers arrive on the website, the Consultant noted that this appears to be a cost-based consideration rather than a personalised price discrimination. The different prices could be in response to the various marketing costs that an online travel booking provider may have to pay to the channels (e.g. marketing costs paid by an OTA to a metasearch engine or general search engine).

Assessment

162. Although pricing algorithms appear to be commonly used in the online travel booking industry, the Consultant has not found evidence suggesting competition concerns relating to possible collusion among the online travel booking providers in Singapore.

163. In relation to personalised pricing, the Consultant found limited evidence of this practice in Singapore, and did not identify any clear evidence suggesting consumer detriment arising from personalised pricing.

164. In respect of dynamic pricing, the Consultant's study noted that dynamic pricing can improve market efficiency by seeking to guarantee constant market equilibrium, and prevent unsatisfied demand and excess supply.

165. At this juncture, CCCS does not consider pricing algorithms to be an area to warrant intervention, given the Consultant's findings that there is no evidence indicating competition concerns relating to collusion, or consumer detriment from personalised pricing. However, CCCS will continue to monitor this area, and any developments.

10: WITHHOLDING OF INFORMATION

167. Airlines and hotels may have an incentive to withhold information relating to their flights and hotel rooms (e.g. specific additional features, discounts, loyalty bonuses) from third-party online travel booking providers, in order to attract consumers directly to their own websites, for example by reducing the degree to which consumers can compare fares or hotel room prices on other platforms.³⁷ This can allow service providers to better differentiate their product offerings and pricing, than possible via third-party platforms, and may also allow them to avoid the need to pay booking commissions to third-party platforms, whilst retaining the benefits of advertising their listings on these third-party platforms.³⁸

Potential concerns

168. **This practice of withholding information may restrict third-party platforms from competing effectively with the service providers**, as such alternative distribution channels do not have access to all the information on the hotel rooms and flights, in particular if such information may form a key consideration in a consumer's booking decision. The potential harm generated by service providers withholding information from OTAs and metasearch engines appears greatest where these service providers may be dominant in the industry.

169. Consumers may also be harmed as such withholding of information may reduce information transparency and increase consumer search and switching costs by **undermining consumers' ability to compare such product offerings across different online travel booking providers**.

Findings

170. The Industry Surveys indicate that **the majority (more than 70%) of respondents from airlines and hotels provide OTAs and metasearch engines with the required pricing, availability and other booking information for their flights and hotel rooms**, when listing their flights/hotel rooms on these third-party booking platforms' websites. This is corroborated by a similar proportion of respondents from OTAs and metasearch engines, confirming that they receive such information from the service providers.

171. **Most service providers also generally update such information to third-party booking platforms on a real-time basis**, as indicated by more than 60% of respondents from service providers (i.e. airlines and hotels) as well as OTAs and metasearch engines, although

³⁷ Source: Consultant / Mighty Travels (2015) "Delta Airlines flight information removed from TripAdvisor, CheapOair and more travel websites"

³⁸ Source: Consultant / Forbes (2015) "Airlines To Thwart Air Ticket Sales Through OTAs: The Possible Ramifications"

the Industry Survey results indicate that a significant proportion of service providers may also sometimes update such information infrequently. Based on the Industry Interviews, such information can be provided by service providers to third-party booking platforms via different channels, for example through direct feeds or other third-party players such as GDSs. The Consultant's findings noted that, in Industry Interviews, some respondents did express views that service providers could withhold information or even feed incorrect information, should they wish to do so, and in particular if they had significant bargaining power.

Assessment

172. There is currently limited evidence from the Consultant's study to suggest that the issue of the withholding of information is prevalent in Singapore, or of significant cause for concern to industry participants in Singapore. The Consultant noted, from other Consumer Survey findings, that this could be partly explained by most Singapore consumers preferring to book flights and hotels directly with the service providers, which may suggest that there are limited incentives at present for service providers in Singapore to withhold information from third-party booking providers. The Consultant noted that this could change if Singapore consumers move towards booking through third-party booking providers, and in particular if such withholding of information is undertaken by a dominant service provider.

173. At this juncture, CCCS does not consider that any intervention is needed in this area, although CCCS will continue to monitor developments in the industry.

XI. CONCLUSION

174. As illustrated in the key findings from this study into the online travel booking sector, CCCS is concerned that there are existing practices of online travel booking providers, which are common in the Singapore context, that give rise to consumer protection issues:

- a. **Drip pricing** can result in consumer harm by luring consumers into making a purchase based on incomplete price information, and impedes competition by making it harder for consumers to compare product offerings across online travel booking providers. Consumers may end up completing the transaction and paying the higher (dripped) price for the mandatory extras, even if they objected to having to pay higher prices than expected. For example, consumers may not have enough time to conduct a new search.
- b. **Pre-ticked boxes**, also known as **opt-out practices**, can give rise to consumer harm where consumers may end up buying unwanted add-on products when booking flight tickets or hotel accommodation, as a result of failing to uncheck pre-ticked boxes. This is particularly problematic when such harm to consumers arises from the failure of suppliers to clearly communicate and indicate to consumers the existence of such pre-ticked boxes.
- c. **Strikethrough pricing** is commonly observed amongst online travel booking providers that provide flight and hotel bookings to Singapore consumers, yet there is a general lack of information provided by such suppliers on what the crossed-out price refers to or how it is set. This can create market distortions as consumers do not have accurate information to make an informed purchasing decision.
- d. **Pressure selling using false or misleading claims** can create a false sense of urgency for consumers to make a purchase based on inaccurate information. There are consumer protection concerns in this regard, given the prevalence of online travel booking providers undertaking the practice of alerting consumers when there are limited availabilities of a product or a particular price (e.g. time-limited discount), and its effectiveness in influencing consumers to be more likely to make such a booking.

175. In this regard, CCCS has set out its recommendations in this report as to how online travel booking providers should conduct themselves to address these consumer protection concerns, and to avoid deceptive or misleading practices that may infringe the CPFTA.

176. Transparent prices allow consumers to accurately compare prices and make informed purchasing decisions unhindered by false or misleading claims, and are essential to a well-functioning market. Hence, a set of price transparency guidelines is also recommended to provide greater clarity and guidance to businesses, including online travel booking providers, on these issues.

177. For the other commercial practices and arrangements in the online travel booking industry that CCCS has examined in this study, namely:

- a. Price and non-price parity clauses;
- b. Search rankings and ownership;
- c. Misleading user reviews;
- d. Tying and bundling;
- e. Pricing algorithms; and
- f. Withholding of information,

Whilst the Consultant's study does not indicate that there is evidence of these practices giving rise to harm to competition or consumers that would warrant intervention currently, or potential infringements of the Competition Act or CPFTA at present, CCCS will continue to monitor market developments in the online travel booking industry in Singapore. CCCS will not hesitate to take action against suppliers who infringe the Competition Act or the CPFTA.