

Lodging/OTA Industry: Major Hotel Chains and OTAs May Be Coordinating to Eliminate Competition in the Keyword Search Advertising Market

Industry Update

Based on our review of contracts, legal letters, and search engine queries, as well as conversations with sources familiar with the matter, it appears that the hotel chains IHG, Hilton, Marriott, Choice, Wyndham, and Hyatt have coordinated with online travel agencies (OTAs) like Priceline and Expedia to eliminate competition in the keyword search advertising market.

These big six hotel chains appear to be engaged in horizontal coordination to not bid on each other's keywords in search engine advertising auctions. Further, the hotels appear to be engaged in hub-and-spoke coordination with OTAs that has the practical effect of also preventing OTAs and their affiliates from bidding on the keywords of the big six hotel chains. The recent action of antitrust authorities in a similar keyword bid-rigging case involving 1-800-Contacts and its competitors suggests that the behavior of the hotel chains and the OTAs could be unlawful.

We reached out to Expedia, Priceline, Hilton, and Choice for comment, but had not received a response by time of publication.

How Online Travel Agencies Work

To understand the potential coordination in this case, it is necessary to first understand how online travel agencies and their affiliates relate to hotels. Hotels own all of the hotel rooms (inventory) that travelers rent, but those hotel rooms can be booked by consumers through three kinds of sellers:

1. **Hotels.** The hotel chains themselves can book guests directly on their website or over the phone.
2. **Tier-One OTAs.** Through various contractual arrangements, hotels allow tier-one OTAs like Priceline and Expedia access to their room inventories and those tier-one OTAs book guests on their websites.
3. **Affiliates.** Also through contractual arrangements, tier-one OTAs allow other OTAs (called "affiliates") to access the room inventories they receive from the hotels. These affiliates can then book guests for these rooms on their websites. To end consumers, affiliates and tier-one OTAs tend to look the same, but they differ in that affiliates get their inventories from tier-one OTAs while tier-one OTAs get their inventories directly from hotels.

As a hypothetical illustration, suppose the Hotel Chain Alpha has vacant rooms that it is trying to rent. Hotel Chain Alpha posts those rooms on its own website and has an agreement with Tier-One OTA Beta that allows Beta to post the rooms on its website. Tier-One OTA Beta then also has an agreement with Affiliates Gamma and Delta that allows those affiliates to post the rooms on their websites. Through this chain of agreements, four different companies are competing with one another to sell the exact same set of rooms....

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