

DIW Applied Micro Seminar

Evaluation of Best Price Clauses in Online Hotel Booking

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Abstract:

We analyze the best price clauses (BPCs) of online travel agents (OTAs) using meta-search price data of more than 45,000 hotels in different countries. Although OTAs apparently have not changed their standard commission rates following the partial ban of BPCs in Europe, we find that BPCs do influence the pricing and availability of hotel rooms across online sales channels. In particular, the abolition of Booking.com's narrow BPC is associated with the hotels' direct channel being the price leader more often. Moreover, hotels make rooms more often available at Booking.com when it does not use the narrow BPC.