

**A4E**

# **Study on the impact of online intermediaries on consumers and carriers**

*EXECUTIVE SUMMARY*



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## Background

This summary presents the results of a study by Syntesia Policy & Economics on the subject of online intermediaries in the market for air ticket distribution in the EU. The study was commissioned by Airlines for Europe (A4E) with the cooperation of six of its members – Air France-KLM, easyJet, IAG, Lufthansa Group, Ryanair and Volotea – and conducted in spring 2024.

The backdrop for the study is **profound change in the ecosystem for air ticket distribution**, spurred by quickly evolving technology and business models operating mainly online. These can create opportunities by improving information flows and the match between supply and demand. But rapid change can also disrupt existing arrangements and make oversight more difficult, opening the door to untransparent, misleading and abusive practices that can negatively affect both consumers and airlines. The **purpose of the study** is thus to fill a gap for evidence on the subject by providing insight on (1) the market for air ticket distribution in Europe and (2) the consumer experience in terms of the practices and behaviour of online intermediaries, and their impacts – both positive and negative.

The study focused on the online intermediaries that interact the most directly and extensively with consumers, namely **Online Travel Agents (OTAs)**. To achieve sufficient depth, the study analysed a sample of OTAs, which were selected with a view to their high market share (together covering the vast majority of the EU market) and importance as vendors of tickets for the participating airlines. These were Edreams, Etraveli, Expedia, Kiwi, Lastminute, Onthebeach and Trip.com, in addition to their subsidiaries and cooperation partners. To a certain extent, the study also examined **Meta-Search Engines (MSEs)**, which are companies that allow consumers to search for and compare offers for flight tickets sold by other businesses (either carriers or OTAs).

**Two final types of intermediaries were also covered** in the study, albeit to a lesser degree because they

## The market for online air ticket distribution in Europe

To understand the situation consumers and airlines face when it comes to online air ticket distribution, it is first important to grasp some basic features of the market ecosystem in Europe. Across different types of intermediaries and roles in the value chain, this is **characterised by high degrees of concentration and market power**, which in turn creates the conditions

operate business-to-business (B2B, as opposed to business-to-consumer – B2C) and thus do not interact with consumers directly. These are (1) Global Distribution Systems (GDS), which are companies operating B2B that act as intermediaries between airlines and travel agents – including OTAs – to consolidate travel services and facilitate their sale to consumers; and (2) aggregators and consolidators<sup>1</sup> operating B2B that collect, consolidate, and distribute travel content for sale.

The **methodology for the study** aimed to ensure independence while dealing with the scarcity of publicly available data and need to rely on airlines for key information. This entailed triangulating between evidence gathered through (1) desk research from a wide variety of sources covering the EU and comparable US markets; (2) consultation (on an anonymous basis) with the six participating airlines that collectively cover a large proportion of the European market and are highly diverse in terms of size, business models and geography; and (3) a mystery shopping exercise.

The latter required special care: due to the many factors at play and myriad ways airlines and OTAs structure and present their offers, any attempt to systematically map and compare these offers would have been partial and inconclusive. Instead, **the mystery shopping exercise put the emphasis on the consumer perspective**. By conducting nine case studies – each based on a consumer with a pre-defined profile seeking to book an otherwise identical trip with both designated airlines and OTAs – it was possible to reflect a cross-section of consumer profiles and thereby compare prices and experiences accurately for a wide range of routes, preferences, and ancillary services such as baggage allowance and seat selection. It also allowed for consideration of the role of MSEs in the process. Overall, the **methodology provided ample evidence on the issues of interest and allowed conclusions to be drawn with confidence**, with limitations mitigated to the extent possible and otherwise mentioned transparently.

for actors to engage in practices that are misleading, abusive and / or unauthorised. The table below provides a brief overview of the markets for OTAs, MSEs and GDS (and the link between the latter and newer aggregators and consolidators), with a view to highlighting their key feature.

1. New Distribution Capability (NDC) aggregators are particularly important in this regard and have been developed based on the standards of the International Air Transport Association (IATA).

**Table 1. Overview of intermediary types and key features**

| Intermediary type                        | Key features  |
|--|---|
| <b>Online Travel Agents (OTAs)</b>       | <ul style="list-style-type: none"> <li>▶ <b>Concentrated market</b> with two players – Etraveli and Edreams-Odigeo, plus their subsidiaries and cooperation partners such as Booking – controlling over half of the EU market, and others playing more niche roles.</li> <li>▶ The share of trips mediated by OTAs varies a lot by airline, from around 15% to upwards of 35%, with network carriers generally relying more on OTAs than low-cost carriers, which place a higher weight on direct sales to consumers.</li> <li>▶ OTAs access carriers’ content either via direct agreements or aggregators (mainly GDS), or by an unauthorised practice known as ‘screen-scraping’.</li> <li>▶ <b>Screen-scraping involves using advanced technology to break into carrier databases and make sales without ticketing authority.</b> This effectively impersonates the consumer, interposing the OTA and breaking the communication link with airlines, paving the way for abuse and other problems. The amount of screen-scraping varies widely and is in constant flux depending on preventive measures by airlines, litigation and evolving relations with airlines. It is especially prevalent among certain OTAs and likely to remain a risk until it is effectively regulated.</li> </ul>   |
| <b>Meta-Search Engines (MSEs)</b>        | <ul style="list-style-type: none"> <li>▶ MSEs fall into a range of categories depending on the extent to which they emphasise completeness or price comparison. Business models revolve around a combination of advertising and commissions.</li> <li>▶ Overall, estimates of the volume of trips mediated by MSEs are in the range of about 10%-20%.</li> <li>▶ The sector includes a number of large players including Google, Skyscanner, and Kayak as well as smaller firms. Many MSEs have also been acquired by OTAs, <b>beginning to blur the distinction between categories</b> and creating risks of bias and conflicts of interest.</li> </ul>  |
| <b>Global Distribution Systems (GDS)</b> | <ul style="list-style-type: none"> <li>▶ GDS use computerised reservation systems to connect airlines with ticket vendors, including travel agents (online and brick-and-mortar) and travel management companies. Their <b>business model relies on agreements with airlines, which pay fees to GDS providers</b> for each booking made through their system.</li> <li>▶ The <b>GDS market is highly concentrated</b>, with just three companies – Amadeus, Sabre and Travelport – controlling over 90% of global GDS bookings. Digitalisation is leading to a decreasing market share for GDS, but this still accounts for about 20%-25% of trips in the EU, and a higher share of value due to a strong position in the business travel segment.</li> <li>▶ The reservation systems of GDS rely on a specific IT framework called EDIFACT. This facilitates real-time interactions between airlines and consumers, but due to technical limitations is <b>unable to fully handle the complexity of unbundled, dynamic and highly tailored offers</b> that have become the norm for many airlines.</li> <li>▶ While the business models of GDS have traditionally relied on being a key gatekeeper for airlines, this role has become less stable as airlines have introduced new ways of connecting to aggregators and consolidators, in particular the above-mentioned <b>NDC, which better meet technical demands at lower marginal cost.</b> Nonetheless, GDS’ strength in certain segments means that they retain significant market power</li> </ul> |

## The consumer experience

The business models and market dynamics outlined above translate into practices and behaviour that **affect consumers across the entire travel experience**, from initial search and comparison, through finalisation of the offer and booking, the lead up to travel, the travel itself and its aftermath. The study examined these in detail based on the mystery shopping, complemented by feedback from airlines.

Overall, **the results were alarming**. On the positive side, the assessment found that **OTAs have the potential to add value for consumers, by acting as a one-stop shop for travel-related services and complementing airlines' offers**. Their offers typically include comparison services or package holidays, activities and experiences, and ways of bundling them together. By making use of their brands and networks, OTAs can also play a match-making role for certain types of consumers, such as those who lack awareness of the full range of airlines, have complicated travel plans or are especially price conscious and thus keen to compare offers from multiple airlines. For their part, MSEs were generally found to play a useful role in helping consumers to compare offers, without systematic problems concerning prices or other aspects.

However, despite this potential, the study found instead that **OTAs consistently add little value and detract from the consumer experience**. All the OTAs analysed for the study except one presented **significantly higher prices for consumers**, as illustrated below. Table 2 summarises the headline results of the mystery-shopping exercise and makes clear that this dynamic holds regardless of the specifics of each case in terms of fare type (e.g., basic economy, semi-flexible, refundable etc.) and ancillary services (e.g., baggage allowance, seat preference, insurance). On average, **OTA prices for like-vs-like itineraries were found to be nearly 25% higher than airlines**, a finding that is also in line with large-scale analysis conducted by airlines. Though individual cases vary in a way that would make straightforward comparison difficult, in general **ancillary services account for a large part of the price differences**, since OTAs tend to mark these up at a high rate. Note that flight itineraries and airline-OTA 'pairs' were chosen without prejudice to any commercial agreements between certain airlines and OTAs, which are likely to explain the one case where the OTA price was cheaper.

**Table 2. Mystery shopping - overall price comparison, prices in €**

| #                               | Itinerary                 | OTA      | Airline price | OTA price | Difference |                                   |
|---------------------------------|---------------------------|----------|---------------|-----------|------------|-----------------------------------|
| 1                               | BLQ-OLB; 1 adult, 1 child | Gotogate | 228           | 339       | 49%        | OTAs >30% more expensive          |
| 2                               | CDG-AJA; 1 adult, 1 child | Edreams  | 167           | 248       | 49%        |                                   |
| 3                               | BLQ-BSL; 1 adult          | Mytrip   | 158           | 211       | 34%        |                                   |
| 4                               | BLQ-BCN; 1 adult          | Opodo    | 179           | 240       | 34%        |                                   |
| 5                               | BRI-BIO; 1 adult          | Kiwi     | 175           | 216       | 24%        | OTAs 10%-30% more expensive       |
| 6                               | CRL-ARN; 1 adult          | Kiwi     | 107           | 129       | 20%        |                                   |
| 7                               | FRA-DBV; 1 adult          | Tix      | 556           | 625       | 12%        |                                   |
| 8                               | ORY-BER; 1 adult          | Expedia  | 145           | 150       | 3%         | Airline and OTA prices comparable |
| 9                               | BFS-NCE; 2 adults         | Expedia  | 692           | 599       | -13%       |                                   |
| <b>Average price difference</b> |                           |          |               |           | <b>23%</b> |                                   |

Source: Mystery shopping exercise by the study team; note that to facilitate comparison the exercise sought fares and ancillary services that were as similar as possible between airlines and OTAs, but that these often differed slightly.

Of course, **charging more for the same service is not a winning proposition if conveyed transparently**. To retain consumers despite higher prices, the study found that **nearly all OTAs in the scope engage in a range of untransparent, misleading, abusive and (in some cases) unauthorised practices**. These permeate the entire customer journey, from initial search and comparison, through finalisation of

the offer and booking, to the lead up to travel, the travel itself and its aftermath. .

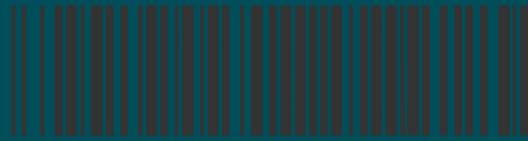
**Practices differ depending on the OTA** and itinerary in question, and are less likely among OTAs that have agreements with airlines. Nonetheless, **several problems were found to be widespread**, including:

- ▶ Opaque mark-ups and charges that consumers are wrongly led to believe come from airlines,
- ▶ Confusing and untransparent displays of offers,
- ▶ Misleading promotion of loyalty schemes,
- ▶ 'Locking in' consumers by making them invest time and effort in the booking process (usually by requiring the inputting of personal details) that would be lost if they pursued another offer,
- ▶ 'Bait and switch' tactics that entice consumers with initially low fares, but then overcharge during the booking process for ancillary services, e.g., baggage and seat selection and / or charge for services (like the use of certain payment methods) that are free with airlines,
- ▶ Unclear and confusingly named pricing schemes,
- ▶ Offering (for a fee) services that airlines provide for free (e.g., SMS updates),
- ▶ Misleading titles (e.g., 'standard') for services that are more expensive than the cheapest option.

Airlines also reported a number of **other bad practices related to disrupted communication flows between airlines and consumers** risking disruption.

These are **more prevalent among OTAs engaging in screen-scraping** (since this completely severs the communication link), but also occur among other OTAs to certain extent. Such practices include withholding or appropriating / part-appropriating refunds (a practice enabled by the OTA frequently using its own means of payment to purchase tickets), failing to provide consumers with information on delays, gate changes or cancellations (which can cause major inconvenience and other knock-on effects). Some OTAs also use passenger data to offer unauthorised 'automatic' check-in services, whereby the OTA checks in on behalf of the consumer and generates a boarding pass (which may be with the OTA's own brand), violating security protocol and

In summary, the study concludes that, while OTAs can add value by acting as a one-stop shop for travel-related services, this is rarely the case. Instead, OTAs - which operate in a highly concentrated market - were found to charge more than airlines for tickets and ancillary services while engaging in a series of practices that are untransparent, misleading, abusive and - in some cases - unauthorised. As a consequence, **OTAs are failing to meet the bar that consumers should expect** and leading to a travel experience that is far from ideal.



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