Booking Hotels Online: An In-Depth Examination of Leading Hotel Web Sites

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Executive Summary

The consumer's need for reliable, accurate, and unbiased information when booking travel has never been greater. Unfortunately, the process of booking travel has never been more complicated, thanks in large part to the rapid growth of the Internet and the emergence of unregulated integrated travel Web sites. This growth has been so significant that travel has become the largest source of commerce on the Internet. Yet the potential for biased or incomplete displays has grown greater.

This research report summarizes the work undertaken by Consumer WebWatch, which launched an extensive examination of hotel booking sites. Several of the leading integrated competitors were analyzed in controlled, real-time, head-to-head testing, in order to determine which Web sites offered the most thorough displays and lowest rates. The sites tested were Expedia, Hotels.com, Lodging.com, Orbitz, and Travelocity, as well as several branded Web sites maintained by national hotel chains. The testing was benchmarked with Sabre, the leading global distribution system (GDS) used by travel agencies in the U.S.

Among the most significant findings presented by this testing of hotel sites:

• Since most of the lowest hotel rates are being provided through the unregulated medium of the Internet, it's becoming harder and harder to uncover and address issues of bias on integrated travel Web sites. This report addresses Consumer WebWatch's findings in this area.

• None of the five integrated travel Web sites tested—Expedia, Hotels.com, Lodging.com, Orbitz, and Travelocity—offered easy functionality to obtain lowest rates during the first search. Obtaining lowest-to-highest listings by price required more advanced searches, when available.

• Overall, Travelocity provided the highest number of lowest rates: 29% in 150 tests, outpacing its nearest competitors, Orbitz (21%) and Expedia (17%).

• The advent of "Web rates" was a potent factor. In 85% of the tests, one or more of the six Web sites provided lower rates than Sabre, the largest GDS used by travel agencies. Sabre and all other GDSs are regulated by the U.S.

Department of Transportation (DOT) to ensure fair and unbiased listings. Although Consumer WebWatch included Sabre as a benchmark for these tests, the lowest rates provided by the GDS were consistently beaten by one or more of the Web sites, sometimes by hundreds of dollars.

• The poor peformance posted by Sabre does not mean that travel agencies have lost a competitive edge. Some travel agents employ a variety of tools to find the best fares and rates, both online and offline.

• Overall, the branded Web sites maintained by hotel chains and specific hotel properties performed rather poorly. But there was one significant exception: When rates were queried at specific properties, the branded Web sites outperformed all competitors except Travelocity and provided the lowest rates in 1 out of 3 cases.

• Orbitz was especially capable of coming quite close to providing the lowest rates. In 16 separate queries, Orbitz provided rates that were no higher than $5 per night compared to the lowest rates provided. Hotels.com was also very good at returning close rates, by providing 14 separate rates that were no higher than $5 per night compared to the lowest rates.

• Expedia, in particular, proved to be quite adept at beating competitive rates by a very small margin. In several cases, Expedia edged the nearest competitor by less than $1 per night.

The project was directed and the report written by William J. McGee, a travel journalist and consultant to Consumer WebWatch and the Editor of *Consumer Reports Travel Letter* from 2000 to 2002. Outside consulting and GDS benchmarking were provided by New York-based Harrell Associates, Inc., an independent consulting firm.

The project was completely funded by Consumer WebWatch. Employees of Consumer WebWatch assisted in drafting the methodology, participated in the testing, and contributed to this research report; it was edited by the project's director, Beau Brendler.

Consumer WebWatch Mission Statement

Consumer WebWatch is a project of Consumers Union, the non-profit publisher of *Consumer Reports* magazine. The project is supported by grants from The Pew Charitable Trusts, the John S. and James L. Knight Foundation, and the Open Society Institute. Consumer WebWatch in turn funded the research and production of this report, as it has done with similar reports on Web site credibility, airline ticket-booking Web sites (performed and published in conjunction with *Consumer Reports Travel Letter*, which ceased publication in December 2002), search engines, and health Web sites. Consumer WebWatch's mission is to improve the credibility of Web sites, through research, through articulation of best practices guidelines in specific sectors of Web publishing, and by working with ConsumerReports.org to produce ratings of Web sites using those guidelines. Ratings of these sites will be forthcoming in 2003, using research conclusions from this report. Consumer WebWatch's research, guidelines, and e-Ratings are available for free at http://www.consumerwebwatch.org.

Consumer WebWatch Travel Projects Slated for 2003

Consumer WebWatch remains committed to testing, researching, and reporting on travel Web sites, particularly since travel is the single largest source of online commerce. Throughout 2003, it will continue the work that was begun in *Consumer Reports Travel Letter*, by providing unbiased, detailed, accurate, and repetitive testing of travel Web sites.

Until now, Consumers Union's testing of travel Web sites was focused on purchasing airline tickets. With this project, Consumer WebWatch broadened that focus to include shopping for hotels, a fast-growing segment of the online travel market. In future months, Consumer WebWatch will analyze car rental Web sites. In addition, Consumer WebWatch will also examine alternative travel Web sites, such as "blind-bidding" and "opaque" sites.

History: The Growth of Online Hotel Distribution

Distribution of travel products is unlike the distribution methods used in most industries. Consumers face an array of choices when buying travel, and each of these choices—including those that are convenient and those that are

revolutionary—carries particular concerns, potential hazards, and a variety of costs particular to the travel industry.

Consider that a consumer who wishes to book a one-night stay in a moderately-priced hotel can do so through a vast array of channels. These methods could include:
• Calling the hotel chain's toll-free reservation line;
• Calling the hotel property directly;
• Using the paid services of a travel agency, that may or may not maintain specific booking agreements and bonus commission programs with that hotel chain or property, and may book the hotel through a global distribution system (GDS) or directly online;
• Using the services of a third-party consolidator or broker, either in-person, by telephone, or online;
• Using a corporate travel management program, that may provide pre-negotiated rates for specific hotel chains or properties;
• Using an integrated travel Web site, such as those tested by Consumer WebWatch;
• Using a branded hotel chain Web site;
• Using a branded hotel property Web site;
• Using an "opaque" bidding Web site that may or may not reveal the property's identity prior to a confirmed booking;
• Booking directly in person upon arrival at the property.

Each of these channels provides distinct benefits, potential drawbacks, and costs for consumers, as well as varying degrees of cost and compensation for the hotel companies and their intermediaries. For example, in 2001 the Hotel Electronic Distribution Network Association (HEDNA) estimated that the average GDS booking fee cost $4.50 for a hotel company, while a travel agency commission cost the same hotel company between 5% and 10%, a figure which could total hundreds of dollars per booking.

Several issues are clear. One is that the Internet has become the least expensive method for travel suppliers (including hotel companies) to distribute their products. Another is that many travel companies are using all the tools at their disposal—including discounted rates and bonus loyalty-program points—to direct more consumers to the Web in an effort to reduce distribution costs. And another is that the percentage of travel booked on the Internet is rapidly growing.

David Litman, the Chairman and CEO of Hotels.com, predicted at an industry conference in November 2002 that 5% of hotel rooms will be booked online this year, in contrast to 15% of airline tickets. However, Litman estimated that the hotel figure would rise to 15% by 2005. There is widespread agreement within the travel technology sector that hotels represent the fastest-growing portion of online bookings.

In this testing, Consumer WebWatch has focused on integrated travel Web sites, as well as a leading GDS and several branded Web sites maintained by hotel chains and specific hotel properties. It's helpful to recall how these separate channels developed.

The first computer reservations systems (CRSs) trace their roots to the launching of Sabre by American Airlines in 1964. As the technology improved, the CRSs grew, along with concerns about the potential bias inherent in reservations systems owned and operated by airlines. Throughout the 1970s and early 1980s the federal government investigated such issues, and in 1984 the U.S. Department of Transportation (DOT) began overseeing the implementation of rules governing CRSs, which eventually became known as global distribution systems (GDSs). Although the DOT rules specifically applied to airline bookings, the practices and methodologies of listing the availability and pricing of airline tickets in an ordered, fair, complete, and unbiased manner extended to other travel products, including hotels.

The issue of bias in travel distribution channels is not new. Many consumer organizations, including Consumers Union, have long voiced concerns over bias in GDSs; bias in travel agency "override" and bonus commission programs; and, most recently, bias in the displays of integrated travel Web sites.

Throughout the short history of the Internet, travel Web sites have set the pace for growth. Today the leading analysts of Web commerce all state that travel is the single largest source of Internet revenue. And it's important to note that this applies not just to online traffic ("looking") but also to online sales ("booking").

The three leading integrated travel Web sites—Expedia, Orbitz, and Travelocity—are all included in this testing. During the last several years, and particularly after the terrorist attacks in September 2001, several integrated

travel Web sites have consolidated or shut down. Other integrated travel Web sites, including some specifically tailored for hotel bookings, have been launched.

That said, some analysts believe there are now significant barriers for new-entrant online travel Web sites. In late 2002, industry analyst Tom Underwood of Legg Mason Wood Walker Inc., said, "I don't think we're going to see any new hotel players in the next year." Another travel analyst, Scott Barry of Credit Suisse First Boston, predicted that 2003 will see "the emergence of a two-tier market, where there are haves and have-nots."

The testing conducted by Consumer WebWatch and detailed in this report addresses the viability of integrated travel Web sites for providing viable and competitive hotel rates.

Hotel Project Testing Methodology and Parameters

This examination of hotel booking Web sites is the first independent online travel project undertaken by Consumer WebWatch. (In 2002, Consumer WebWatch had teamed with *Consumer Reports Travel Letter* to analyze independent airline booking sites.) What follows is an in-depth presentation of the testing methodology and parameters.

Selection of Web Sites

Consumer WebWatch analyzed market share data and other factors before deciding which Web sites to include in this testing. Certain sites were eliminated because they are sister companies of the sites tested.

Not available at the time of testing was Travelweb.com, a Web site owned by five of the leading hotel chains—Hilton, Hyatt, Marriott, Six Continents, and Starwood—and Pegasus, a hotel technology provider. Travelweb.com was scheduled to launch as this report was being prepared.

For future reports, Consumer WebWatch plans to test Travelweb.com, as well as other sites that provide hotel rates, including Hotwire, Priceline, and QuikBook.

In addition, since this testing was conducted, some of the Web sites tested may have updated or changed the booking tools available to consumers. In particular, Orbitz unveiled a new hotel-booking product after this testing was completed.

For these tests, five Web sites were chosen, including the three largest integrated travel sites:

• Expedia (www.expedia.com), formerly owned by Microsoft, is owned by USA Interactive, owner of Hotels.com and other travel distribution products. On March 19, 2003, after this testing was complete, USA Interactive announced the purchase of all remaining shares of Expedia.

• Orbitz (www.orbitz.com), which is owned by the nation's five largest airlines: American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airlines.

• Travelocity (www.travelocity.com), which is owned by Sabre, the global distribution system (GDS) formerly owned by AMR, the parent company of American Airlines.

Also included were two of the leading hotel-specific Web sites:

• Hotels.com (www.hotels.com), a leading discount hotel Web site owned by USA Interactive. On March 19, 2003, after this testing was complete, USA Interactive announced the purchase of all remaining shares of Expedia.

• Lodging.com (www.lodging.com), a Web site purchased in 2002 by Cendant Corp., a travel conglomerate that owns multiple hotel brands, including Days Inn, Ramada, Super 8, and Travelodge. Cendant also owns Cheaptickets.com, Trip.com, and the Galileo GDS.

In addition, Consumer WebWatch benchmarked each of these tests by including the following:

• Branded hotel chain and property sites from several companies, including Hilton, Hyatt, Marriott, and Sheraton.

• Sabre, the largest GDS used by travel agencies in the U.S.

Methodology

All testing conducted by Consumer WebWatch was performed by trained individuals upon completion of dry-run testing. Statistical analysis provided by Consumers Union led to the creation of five separate tests, each consisting of 30 separate entries, across all seven sites, for a total of 1,050 tests. All testing was scheduled in advance and completed simultaneously in real-time. Testing times were varied throughout the course of two weeks in late February 2003.

Testing Parameters

• Each test consisted of searching for hotels in U.S. dollars in 30 cities throughout the mainland United States, Hawaii, Puerto Rico, and the U.S. Virgin Islands. These cities represented a mix of both leisure and business destinations. The cities were:

Boston	St. Louis
New York/Manhattan	New Orleans
Philadelphia	Dallas
Baltimore	Houston
Washington, D.C.	Denver
Atlanta	Salt Lake City
Orlando	Phoenix
Tampa	Las Vegas
Miami	Seattle
San Juan	San Francisco
St. Thomas	Los Angeles
Cincinnati	San Diego
Chicago	Anchorage
Detroit	Honolulu
Milwaukee	Maui

• Each test consisted of searching for a non-smoking room for two adults (with no children), with at least a queen-sized bed. NOTE: Not all sites allowed such specificity for each test, but these parameters were established in advance to ensure consistency.

• In order to simulate a variety of trips, the advance booking windows varied. The approximate times were:
        TEST #1: less than 7 days in advance

TEST #2: 10 weeks in advance
TEST #3: 14 days in advance
TEST #4: 6 months in advance
TEST #5: 3 months in advance

• In a further effort to simulate a variety of trips, the length of stay varied from two nights to seven nights.

Specific Tests

Each of the five tests used a separate search criterion. These criteria were:

• TEST #1: Searching by the lowest fare. This test allowed broad parameters for the location of hotels with a minimum of three stars.

• TEST #2: Searching by a specific location within a city. These locations consisted of a variety of downtown, historic, airport, and resort locales. They included Times Square in Manhattan, Capitol Hill in Washington, O'Hare International Airport in Chicago, the French Quarter in New Orleans, Kaanapali in Maui, etc. NOTE: LODGING.COM COULD NOT PERFORM THIS FUNCTION AND WAS NOT INCLUDED IN THIS TEST ONLY.

• TEST #3: Searching by hotel "star rating" or "class." This test required searching by stars in Expedia, Orbitz, Sabre, and the branded sites; searching by category (such as "luxury") in Lodging.com and Travelocity; and using the "search by quality" function in Hotels.com.

• TEST #4: Searching by a specific hotel chain. This test required selecting brands in Expedia, Hotels.com, Orbitz, Sabre, and Travelocity and using the "view all hotels" function in Lodging.com. Each test was benchmarked with the branded site of one of four hotel chains. The specific chains used were Hyatt, Hilton, Marriott, and Sheraton.

• TEST #5: Searching by a specific hotel property. This test required selecting the property by name in Expedia, Hotels.com, Orbitz, Sabre, and Travelocity and using the "view all hotels" function in Lodging.com. Large properties were used, such as the Marriott Marquis in New York City's Times Square, the MGM Grand in Las Vegas, and the Renaissance Hollywood Hotel in Los Angeles. Web searches were conducted for all 30 hotels. In most cases, benchmarked rates were obtained through the specific property

pages of the chain's Web site; in several cases, rates were obtained through individual Web sites maintained by the property itself.

Inclusion of Multiple Results

With this test of hotel sites, Consumer WebWatch greatly expanded upon the methodology employed by *Consumer Reports Travel Letter*, which had ranked airline sites based solely on the first fares returned. Since 2000, many travel Web sites have dramatically improved upon the simple-text listings of fares and rates pioneered by the GDSs used by travel agencies. Several independent Web sites criticized Consumers Union for only judging first-returned prices. In addition, Consumer WebWatch felt that there were other parameters to consider when shopping for a more complex product such as a hotel room.

Therefore, Consumer WebWatch broadened the testing methodology to include multiple hotel rates provided in each test. In all cases, the best rate was culled from either the first five returns or the first full page of returns, whichever was greater. The same parameters were used for all Web sites. In addition, Consumer WebWatch presented broader test results for a richer sampling. This was done by tabulating results for "close" rates, which were rates that were no higher than $5 per night compared to the lowest rate provided.

Currency Issues

All rates were provided in U.S. dollars. None of the rates included federal, state, or local taxes or fees. In all cases, amounts were rounded to the nearest dollar. And all rankings included ties.

Availability

Consumer WebWatch did not book any of the rates provided. In all cases, the Web sites stated that the rooms and dates requested were available.

Valid Tests

All of the Web sites were evaluated solely on valid tests. All invalid tests were eliminated due to an error on the part of Consumer WebWatch. These errors

included incorrect data entries, search errors, and printing errors. There were no more than five errors (3%) for any one Web site.

<u>Invalid Data</u>

Through no fault of the Consumer WebWatch testers, all of the sites failed to return valid data on some tests. In some cases, these failures affected their final results. There were a variety of factors involved, including:
• Results outside the specific parameters requested;
• No availability of rooms in that location or on those dates;
• The inability to provide rates outside the Continental U.S.;
• Technical and system failures.

<u>System Failures</u>

Our testers experienced only one complete system failure, with Expedia during Test #1. For several minutes the tester received repeated notifications that "an internal error had occurred" and Expedia was "unable to continue processing your request at this time." It resulted in one invalid finding. Testing resumed without incident.

Questions of Potential Bias

That some integrated travel Web sites are biased in their displays of rates and fares is not in question. What remains difficult for consumers to determine is how and when such bias is in play. And it is a critical component in determining which site or sites consumers should use, both in searching for rates as well as in booking those rates.

Chairman Litman of Hotels.com, said last year: "We do not have a pay-for-placement system." Other integrated travel Web sites have issued similar statements.

Yet serious questions remain about the overall quality of the data provided by integrated travel Web sites.

<u>The HEDNA White Paper</u>

A recent industry White Paper provides helpful insights into understanding online hotel bias issues.

The Hotel Electronic Distribution Network (HEDNA) is a not-for-profit trade association with worldwide membership from more than 200 companies involved in hotel distribution. This membership includes global distribution systems (GDSs), Web sites, and other "electronic means." The organization states that it "brings all segments of the hotel industry together to evolve systems and services into electronic distribution that is easy and efficient." The HEDNA mission is "to increase hotel industry revenues and profitability from electronic distribution channels and to be the foremost travel industry association advancing hotel electronic distribution."

In 2001, HEDNA published a White Paper entitled "Biasing—What You Need to Know." The 126-page document details types of hotel distribution bias, where it occurs, and how it "impacts revenue and distribution planning and how to plan for that impact."

The White Paper's Executive Summary states: "The precedent for delivery of unbiased information appears to be changing. Increasingly the hotel industry is citing examples where information delivered on travel displays is no longer non-discriminatory or neutral, but displays a preference to another hotel or group of hotels."

The White Paper further asserts: "Downward pressure on the cost of distribution has forced intermediaries, both old and new, to look for new revenue streams outside of the traditional commission-based model." The White Paper concludes: "In most cases, the use of techniques to introduce bias is considered a strategic decision with the opportunity for all to participate." And it states: "The previously protective unbiased environment in which hotels have traditionally operated is disappearing."

HEDNA's White Paper identifies four types of hotel distribution bias. The summaries below are culled from HEDNA's own descriptions:

• User-defined bias. This occurs when a reservation system offers the user (such as a consumer) the opportunity to define the order or preference of a display at the point of booking. It should be noted that Consumer WebWatch does not consider this form of bias inherently harmful, provided the consumer chooses the methodology to search for a fare or rate (e.g., by date, location, company brand name, etc.).

• Bias resulting through merchandising practices. This refers to new techniques that include point-of-sale advertising and premium placement of hotels on availability displays, including options to pay for priority on-screen placement.

• Bias driven by marketing practices. This refers to negotiated rate programs between hotel companies and travel agencies, so that special rates unique to that travel agency are viewable only by that travel agency in the GDS. On-screen displays viewed by the travel agency can be constructed to reflect participating hotels first.

• Bias as a result of commercial relationships. This refers to ownership of certain distribution channels, particularly on the Internet. Such ownership may influence the number of participants that can be distributed through the channel, the cost to participate in the channel, or the ongoing premium placement of owner product in comparison to other channel participants. HEDNA states: "Opinion suggests that there may be an intrinsic bias in marketplaces created by travel players that inhibit other travel providers from participating."

HEDNA further states: "Overall, opinion points to the existence of bias that can work in the favor of hotels."

Obviously, several of the practices detailed above directly affect travel Web sites that offer integrated listings of hotels. As noted elsewhere in this report, airline listings in the GDSs are regulated by the DOT. But integrated travel Web sites are free to list airlines, hotels, and other travel products in any way they choose. The potential for biased displays is great.

Consumer WebWatch's extensive testing discovered troubling patterns that raise serious questions about biased hotel displays in these integrated travel Web sites. These questions will likely remain unanswered. What follows are details of those patterns.

Searching by Lowest Rates

Even though these integrated travel Web sites have harnessed the power of sophisticated and state-of-the-art technological tools to assist in searching for rates and availability, it's quite clear that the consumer is not being offered the maximum benefits of such technology. Specifically, these integrated Web

sites are not offering consumers simple, easy-to-use functionality that would allow them to search for hotel rates in lowest-to-highest rankings.

In fact, none of these five integrated travel Web sites—Expedia, Hotels.com, Lodging.com, Orbitz, and Travelocity—offered easy functionality to obtain lowest rates during the first search. Obtaining lowest-to-highest listings by price required more advanced searches, when available. Further, these lowest-to-highest search tools were not always clearly labeled for consumers to find.

This was one of the most disturbing findings to evolve during this testing. The supposed value of an integrated Web site lies in the inherent choices it offers a consumer, rather than the limited choices offered by branded or "dealership-model" sites. Although there is little doubt that these integrated Web sites have the technological capability to deliver easy-to-use listings of lowest-to-highest hotel rates, they are not readily doing so.

Consumers may well feel that they are not controlling the interface, and that in fact these integrated travel Web sites are pushing preferred suppliers at them.

These are some of the specific problems:

• EXPEDIA. There is no "search lowest-to-highest" option on the initial hotel search page. Further, the "Expedia Special Rate" page does not automatically rank the results from lowest to highest price, so the listings are quite scattered. The consumer can obtain lowest-to-highest listings only after viewing the "Expedia Special Rate" returns. At this stage there is the option of customizing the search by using a drop-down menu on the side of the screen; the lowest-to-highest option is at the bottom of this drop-down menu.

• HOTELS.COM. The default sort mechanism for Hotels.com searches is "best value." It's not clear what this means. Hotels.com does not allow you to reorder the results of an entire search and sort by price. Instead, it sorts each page of results by price. In addition, you cannot sub-sort hotel rates by star rating or class, so during such searches (as in TEST #3), the desired properties are scattered throughout the listings.

• LODGING.COM. The site's initial hotel search options—for "U.S. Hotels" and "International Hotels"—do not allow sorting by rates. More disturbing,

however, is that in order to find prices that are not "exclusive rates" you must click through to find the "check availability" function, and this is not clearly labeled. When obtained, these "other rates" are often lower than the "exclusive rates."

• ORBITZ. When a user is searching for rates, the site issues a statement: "We're searching all available rooms to find the best rates for the property you selected." However, to obtain the lowest rates first, you must search a second time, after clicking on "list hotels by price." In TEST #3, when searching by hotel star rating or class, Orbitz did not list properties in price order.

• TRAVELOCITY. The site's "Search Tips" (which are listed under "Low Rate Tips") states: "Be sure to review all rates listed as rates are often not listed in value order." However, it is not stated what criteria is used for such sortings in place of "value order." Further, the more specific the search criteria, the harder it is to obtain the intended results. For example, Travelocity offers limited character fields to search by a specific point of interest or hotel property.

It's important to reiterate that throughout this testing Consumer WebWatch employed a liberal standard in evaluating the lowest rates provided by these integrated travel Web sites. The lowest rates for each query were culled from the first five returns or the first full printed page of returns, whichever was greater. And the same parameters were used for all sites. This differed from the previous travel Web site testing conducted by *Consumer Reports Travel Letter*, which evaluated only the first fares returned when querying airfares.

That said, it's difficult not to understate the importance of the placement of hotel rates within the onscreen displays of the integrated travel Web sites. As the HEDNA White Paper states: "For hotels that are relatively unknown or in cities that are highly competitive the importance of being on the first or second screen increases. Using bias to increase that likelihood delivers a competitive advantage to the hotel. In some cases it is believed that to be at the top of a screen implies perception as a preferred hotel."

Availability of Rates

Throughout this testing, the rates that were provided for specific queries were telling. But in some ways the rates that were not provided were just as telling.

Specifically, there were multiple instances when these integrated travel Web sites failed to provide any rates at all, even though their competitors were offering rates for those same queries at the same time.

TEST #5 (searching by a specific hotel property) provided the clearest apples-to-apples comparison, since all five integrated travel Web sites, along with Sabre and the branded hotel Web sites, were simultaneously queried for the exact same properties. For every search, at least two of the integrated Web sites were able to provide rates. (For one city in TEST #5 [Milwaukee], Hotels.com and Travelocity were the only sites to provide rates.) Yet in multiple cases, several of the Web sites failed to return any rates at all.

Here's a breakdown of the failure to return rates for the 30 cities queried in TEST #5:

Expedia:	11 queries unanswered
Hotels.com:	11 queries unanswered
Orbitz:	9 queries unanswered
Lodging.com:	8 queries unanswered
Sabre:	2 queries unanswered
Branded sites:	1 query unanswered
Travelocity:	0 queries unanswered

To a lesser extent, this was also borne out in TEST #4 (searching by a specific hotel chain). Once again, some of the integrated travel Web sites failed to provide rates even though there were rates available for all 30 queries.

Here's a breakdown of the failure to return rates for the 30 cities queried in TEST #4:

Lodging.com	12 queries unanswered
Hotels.com:	7 queries unanswered
Branded sites:	3 queries unanswered
Expedia:	1 query unanswered
Orbitz:	0 queries unanswered
Sabre:	0 queries unanswered
Travelocity:	0 queries unanswered

Sabre, which is regulated by the DOT to provide complete, fair, and accurate listings of available properties and rates, provided rates for 28 of the 30 queries in TEST #5 and 30 of the 30 queries in TEST #4.

So why, then, did some of these Web sites fail to return any rates for certain chains or properties when it was apparent that there were rates available for the dates in question? Obviously this question reflects on the inventories of hotel rooms maintained by these integrated travel Web sites. And it may reflect on the commercial agreements signed by these integrated travel Web sites and the hotel chains and/or properties in question.

There's much that is unclear about such agreements. But what is clear is that consumers are not always given a complete range of choices when searching for hotel rates on some integrated travel Web sites. Obtaining a full range of choices is available only to those consumers who extensively comparison shop.

Other Findings

The sheer repetition inherent in this testing yielded interesting and sometimes strange findings. The issue of potential bias is a sensitive one, with serious implications for both consumers and the owners of these integrated travel Web sites. Yet any frequent user of the sites tested will be exposed to repeated reminders that these Web sites maintain strong commercial ties to the hotel properties they are listing.

On-Site Advertising

All five of these integrated travel Web sites—Expedia, Hotels.com, Lodging.com, Orbitz, and Travelocity—accept advertising from travel suppliers, including hotel chains. This advertising includes "banner ads" across the top of the screens, "pop-up" or "pop-under" ads, boxed ads, and ads imbedded into the listings of rates. These last types of ads are particularly disturbing, since some consumers may not, in fact, realize that these imbedded listings are paid advertisements.

For example, when using Expedia to search for hotel rates in Orlando, each test generated an "Expedia Special Rate" with an advertisement for Walt Disney World Resort hotels (although hotel rates were not specifically quoted). This advertisement always appeared first in the listings of rates. Interestingly, this Disney ad even appeared in TEST #5, when querying a rate specifically for the Crowne Plaza property near Universal Studios.

<u>Promotional Rates</u>

Most integrated travel Web sites provide opportunities for hotel chains and other travel suppliers to offer promotional rates through their sites. Orbitz, for example, maintains the OrbitzSavers, a promotional rate hotel program. It promises hotel suppliers that it will "maximize sales" to achieve "higher net yields." A notice on the Orbitz site states: "Orbitz marks up, specially provides, and sells your rooms." It's unclear what "specially provides" means in this context.

Throughout this testing, promotional rates were mixed into the integrated listings of lowest rates. For example, this was noted above with Lodging.com. When searching for rates in this site, if you click "check availability," Lodging.com returns listings of "exclusive rates." However, if you click through to the advanced search feature, you can select "other rates" for more detailed listings. In fact, we found that "other rates" were often lower than "exclusive rates." Unfortunately, some consumers may not realize that other options are available and will assume that the exclusive rates are always the lowest rates. In addition, it appears certain that many consumers will not thoroughly search all of the listings provided by any of the integrated Web sites if those listings are not sorted by price.

Just as many traditional travel agencies maintain "preferred supplier" agreements with hotel chains and other travel companies, these types of deals have expanded to integrated travel Web sites. For example, Hilton Hotels announced in April (after this testing was completed) that it had signed a preferred hotels agreement with Expedia. Under the terms of this deal, the Web site gained direct connection to Hilton's central reservation system. In exchange, Hilton said it had "secured from Expedia the most favorable merchant model terms in the hotel industry."

<u>Omissions of Chains or Properties</u>

In some cases, the integrated travel Web sites did not list certain hotel chains or properties at all. For example, when searching for a Hilton property in Las Vegas, Lodging.com stated: "No properties found." However, Hilton's own branded site listed four separate properties within Las Vegas. It's not clear if Lodging.com, which is owned by the Cendant hotel chains, intentionally omitted these properties or simply did not provide them in its inventory. But

consumers expecting a complete integrated list of properties are not receiving it.

"Wacky Properties"

As noted elsewhere in this report, in its testing of integrated travel Web sites for lowest airfares, *Consumer Reports Travel Letter* repeatedly found bargain prices for "wacky flights." These were itineraries that did not match those requested or that simply did not make sense (such as a flight between New York City and Chicago that consisted of eight legs and a one-way flight time of 11 hours, 29 minutes—without delays).

The equivalent of "wacky flights" when searching for hotel rates were "wacky properties." Simply put, these were hotel properties that are outside the parameters requested and yet they were prominently listed. For example, several sites repeatedly returned rates for hotel properties in New Jersey and Long Island when specifically queried for rates in the New York City borough of Manhattan.

In addition, Hotels.com did not always respond to specific requests. When queried for rates in San Francisco, the site provided properties far out in the east Bay Area, more than an hour's drive from the city. And in TEST #5, when specifically queried for rates at the Hilton San Francisco Fisherman's Wharf, Hotels.com provided rates at a Hilton property in Newark, Calif.

To its credit, Orbitz provided distances in miles for specific listings in such cases. For example, when queried for a rate in Boston, it provided a hotel property in Peabody, Mass., but also noted that it was 12 miles from the city.

The Lodging.com Ownership Issue

Of the five integrated travel Web sites tested, Lodging.com is the only site that is wholly owned by a hotel company. The site is owned and operated by Cendant, which owns other travel Web sites, the Galileo GDS, car rental firms, and nine hotel chains. These brands are Amerihost Inn, Days Inn, Howard Johnson, Knights Inn, Ramada, Super 8, Travelodge, Villager, and Wingate Inn.

There were only two tests in which Lodging.com was given the opportunity to select either Cendant or non-Cendant hotel brands. These were TEST #1 (searching by the lowest rate) and TEST #3 (searching by hotel star rating or class). This was because Lodging.com was not included in TEST #2 (searching by a specific location within a city) because it could not perform this function. And the two remaining tests—TEST #4 (searching by a specific hotel chain) and TEST #5 (searching by a specific hotel property)—did not allow the site to choose the hotel brand.

There was no discernible pattern that Lodging.com provided lower rates for Cendant hotel brands over non-Cendant brands. In fact, in TEST #3, the site did not provide any of its lowest rates at Cendant hotels.

In TEST #1, Lodging.com provided lowest rates at Cendant hotels for 6 of the 30 cities (20%). By contrast, among the lowest rates provided by Sabre and the four other integrated sites for these same 7 cities, the lowest rates were provided at Cendant hotels in only 5 of 35 cases (14%). In the former 6 cases, the Lodging.com/Cendant connection proved to be an advantage for consumers in that Lodging.com provided the lowest rate overall in 3 of these 6 cities.

However, that same connection may be a disadvantage as well. As indicated by the attached figures, Lodging.com did not perform well overall in this testing. A valid but unanswered question is whether Lodging.com is a viable search alternative for all hotels or only for Cendant hotels.

Testing Results and Conclusions

The findings of Consumer WebWatch's hotel Web site testing are presented below. There are three major categories of findings:

• Lowest rates
• Closest rates
• Lowest rates by test

Also detailed in this section is information on the travel Web sites' fee structures and customer service policies. Ease-of-use factors for all these Web sites are included in Appendix I.

Lowest Rates

The extensive and repetitive testing conducted by Consumer WebWatch yielded rich results and revealing data. But perhaps one of the most significant findings was the performance recorded by Travelocity. In head-to-head tests with its competitors, Travelocity provided the lowest hotel rates in 29% of the tests (including ties). As Figure 1 shows, the nearest competitors were Orbitz (21%) and Expedia (17%). Hotels.com and Lodging.com did not perform as well as their deep-pocketed competitors, the technologically advanced "Big Three" of Expedia, Orbitz, and Travelocity.

Among the most important findings:

• One of the primary findings of this hotel testing was that Web rates now dominate the travel distribution landscape. In fact, the emergence and importance of "Web rates" cannot be stressed enough. Four of the integrated travel Web sites provided a higher percentage of lowest rates than Sabre, the largest GDS used by travel agencies. Only Lodging.com failed to provide more lowest rates than Sabre. Within the travel industry, there is an ongoing and heated battle over providing more Web-based fares and rates to travel agencies and corporate travel managers through other channels, such as GDSs.

• Sabre, the benchmark for these tests, performed rather poorly. It provided the lowest rates only 15% of the time. In many cases, the lowest Sabre rate was beaten by hundreds of dollars by one or more of the Web sites. This contrasts dramatically with the first travel Web test conducted by *Consumer Reports Travel Letter* in October 2000. In those tests, none of the four independent travel Web sites provided lower viable airline fares than the GDS (Apollo Galileo in those tests) more than 22% of the time.

The inclusion of Sabre in these tests was important because the DOT regulates Sabre and all other GDSs to ensure that airline fares and booking data are listed fairly and accurately. This unbiased approach is applied to hotel rates in the GDSs as well. However, due in large part to exclusive deals with airlines, hotels, and other travel companies, the unregulated independent travel Web sites have emerged as the masters at providing lowest rates.

An important point: Sabre's poor showing should not lead one to conclude that travel agencies cannot compete with independent travel Web sites. Concurrent with the growth of online travel sites, travel agencies have received many new booking tools as well. For example, Sabre and other GDSs now provide search engines for the Internet, and many travel agencies have secured exclusive deals with online travel Web sites as well as directly with travel suppliers. Savvy travel agents have found ways to find the lowest fares both on and off the Web.

• Overall, the branded hotel Web sites performed the worst of all, by providing the lowest rates only 10% of the time. However, there was one exception, which is noted below: The branded Web sites excelled at providing lowest rates when searching for a specific property.

• The level of competition is quite high among the integrated travel Web sites, as rates were very closely matched. Many of the Web sites provided rates that were only a few dollars lower per night than rates provided by their competitors. Expedia was particularly savvy at this; in several cases that site edged its nearest competitor by less than $1 per night.

Closest Rates

This report's test results were augmented with the inclusion of closest rates, to provide a more accurate portrait of the Web sites' rate structures. These rates were within $5 per night of the lowest rate provided. These data proved enlightening, as exemplified by Figure 2. However, factoring in these rates did little to change the overall standings of the Web sites.

As noted, the order of providing the highest percentage of lowest rates was:
      1) Travelocity
      2) Orbitz
      3) Expedia
      4) Hotels.com
      5) Sabre
      6) Lodging.com
      7) Branded hotel sites

By including the closest rates, the order of providing the highest percentage of lowest and closest rates was:

1) Travelocity
2) Orbitz
3) Hotels.com
4) Expedia
5) Sabre
6) Lodging.com
7) Branded hotel sites

The only significant change in the rankings took effect in the number three and four positions, which were swapped by Expedia and Hotels.com. In all cases, the percentages of lowest rates increased, sometimes slightly, when the closest rates were factored in as well.

Significant findings arose when the closest rates were analyzed. Orbitz posted the strongest showing among all the sites by providing a total of 16 closest rates, all of which were less than $5 higher per night than the lowest rates provided by competitive sites. Similarly, Hotels.com's strong showing was due to providing closest rates in 14 separate tests.

As noted, Orbitz benefited the most by the inclusion of closest rates, since Orbitz's percentage of providing lowest rates in 21% of the tests jumped to 32% when closest rates were included. Just as importantly, when the lowest and closest rates were combined, the gap between Travelocity's first-place ranking and Orbitz's second-place ranking shrank, from an 8% difference for lowest rates to a 5% difference for lowest and closest rates. In many cases, the dollar amounts were quite small. In fact, in one case, Orbitz's rate was less than $1 per night higher than the lowest rate provided by Travelocity.

The results? By including the closest rates, Orbitz provided a much closer second-place showing to Travelocity. And Hotels.com improved its overall ranking.

Lowest Rates by Test

Test results varied considerably from test to test, as Figure 3 indicates. Simply put, some Web sites performed remarkably better or worse depending upon the search criteria.

Among the most significant findings:

• Overall, Travelocity outshone the other Web sites. Travelocity provided the lowest rates (including ties) in two separate tests. No other site provided the lowest rates in more than one test. And Lodging.com did not return the lowest rates in any of the five tests.

• Travelocity's strongest showing was in TEST #4, when searching by hotel chain. It provided the lowest rates for 14 of the 30 queries (47%), the highest percentage recorded by any of the sites in any of the five tests.

• With one exception (searching by a specific location within a city), Sabre did not perform very well. The GDS's position as a benchmark for these tests slipped considerably.

• Lodging.com offered poor results overall, but posted its strongest showing when searching by lowest rate alone, unencumbered by other search criteria such as location, type of hotel, or hotel brand.

• The branded hotel Web sites and Travelocity led the pack at providing the lowest rates when querying for specific hotel properties.

Here are the findings per test:

• TEST #1 (searching by lowest fare). Orbitz and Hotels.com outperformed the other Web sites and both provided their strongest showing overall. Along with Expedia and Lodging.com, these four Web sites would seem to be good places to begin a search for those who place a high priority on rates above all other factors. Sabre performed quite poorly, by providing the lowest rate for only 2 of the 30 queries, and the branded hotel Web sites performed even worse, by not providing any of the lowest rates for this test. Interestingly, this was the only test among the five at which Travelocity did not perform very well.

• TEST #2 (searching by specific location within a city). Sabre outperformed all of the other sites, and provided the lowest rates for 1 out of every 3 queries in this test. In fact, Sabre posted its best showing of any of the five tests. It seems clear that Sabre's powerful search engine is a valued tool. Consumers who are seeking a hotel in a specific locale may do well to

consult a travel agent to assist in this type of search. Travelocity (which is owned by Sabre) also performed quite well. The branded hotel Web sites performed quite poorly, which seems reasonable since such a high premium in this test was placed on specific location. NOTE: Lodging.com could not perform this function and was not included in this test only.

• TEST #3 (searching by hotel star rating or class). This test provided the clearest results of any of the five tests and seemed to illustrate a technological divide. The "Big Three" independent Web sites all performed well: for the 30 queries, Expedia led with 9 lowest rates, followed by Travelocity with 8 lowest rates and Orbitz with 7 lowest rates. The remaining sites—Hotels.com, Lodging.com, Sabre, and the branded sites—all performed poorly, as none of these Web sites provided more than 2 lowest rates for the 30 queries. The technological superiority of the three largest independent travel Web sites seemed to shine through in this test.

• TEST #4 (searching by hotel chain). As noted above, Travelocity dramatically led the pack in this test, by providing the lowest rates for 14 separate queries. Orbitz and Expedia constituted a distant second tier in these rankings, with both providing 5 lowest rates each. The other sites comprised the third tier. It should be noted that the functionality for this test was more cumbersome for Lodging.com than for the other sites. Lodging.com does not allow you to select by hotel chain, and instead you must sort through the "view all hotels" function.

• TEST #5 (searching by specific hotel property). Most sites—with the exceptions of Expedia and Lodging.com—performed well in this test. But the clear winners were the branded hotel Web sites and Travelocity, since both provided the lowest rates for 1 out of every 3 queries. The lesson is clear: If you know exactly which property you want to visit, you should query a rate from that property's own Web site. This applies whether the Web site is maintained by a parent chain or the property itself.

Online Service Fees

As Figure 4 shows, four of the five integrated travel Web sites tested—Expedia, Lodging.com, Orbitz, and Travelocity—presently do not charge fees for hotel bookings. It should be noted, however, that some of these sites

charge fees to consumers for booking airline flights. In some cases, the fees are higher for specific airlines, based on the compensation agreements between the Web sites and those airlines.

According to its reservations staff, Lodging.com charge fees for hotel bookings in some cases. The fees vary based on the amount and location of the booking. These fees are not more than $1 per booking.

Online Customer Service Policies

Once again, the three larger integrated Web sites have an edge over their two smaller competitors. As shown in Figure 5, Expedia, Orbitz, and Travelocity all offer toll-free assistance with bookings, 7 days a week, 24 hours a day. Lodging.com offers toll-free assistance 7 days a week, but for 18 hours a day. Hotels.com's toll-free assistance is offered only 5 days a week, and for just 11 hours a day.

All five integrated travel Web sites encourage consumers to forward questions and problems to customer service agents via E-mail. As the figure shows, the "Big Three" of Expedia, Orbitz, and Travelocity all promise responses within a rough window of 4 hours. Lodging.com promises a response "as soon as possible," while Hotels.com does not promise a time at all.

The Hotels.com Price Guarantee

Hotels.com offers the following price guarantee: "Hotel reservations booked through hotels.com are guaranteed to be the lowest rate. If there is a lower rate available for the same dates and the same hotel, you must contact hotels.com within 24 hours of booking your reservation. After verifying the lower rate, hotels.com will, at hotels.com's choice, either match the lower rate or cancel the reservation without a cancellation fee. This guarantee does not apply to non-discounted properties or during special events such as New Year's, the Super Bowl, Mardi Gras, JazzFest, etc."

Had this testing resulted in firm bookings, the Hotels.com price guarantee would have yielded mixed results. Through the first three tests, the guarantee would have held up very well for Hotels.com. During the last two tests, however, it would have produced multiple instances of price matching or refunds for consumers.

Overall, among the 130 queries in which Hotels.com provided a rate, that rate was beaten by its competitors a total of 99 times (including multiple times for the same query). In all cases, of course, the rates were queried for the same dates simultaneously.

Here's a detailed breakdown of the specific rates provided by Hotels.com that were beaten by its competitors:

• TEST #1 (searching by the lowest fare)
     Total number of lower rates: 1
     Site(s): Orbitz (1)

• TEST #2 (searching by a specific location within a city)
     Total number of lower rates: 3
     Site(s): Expedia (1); Orbitz (1); Travelocity (1)

• TEST #3 (searching by hotel star rating or class)
     Total number of lower rates: 5
     Site(s): Expedia (3); Orbitz (2)

• TEST #4 (searching by a specific hotel chain)
     Total number of lower rates: 34
     Site(s): Expedia (8); Lodging.com (4); Orbitz (6); Sabre (5); Travelocity (6); Branded sites (5)

• TEST #5 (searching by a specific hotel property)
     Total number of lower rates: 56
     Site(s): Expedia (7); Lodging.com (9); Orbitz (9); Sabre (12); Travelocity (6); Branded sites (13)

• TOTALS
     Total number of lower rates: 99
     Expedia: 19
     Orbitz: 19

Branded sites: 18
Sabre: 17
Lodging.com: 13
Travelocity: 13

Two conclusions seem evident. One is that the Hotels.com price guarantee is rarely invoked when the consumer allows Hotels.com to select the hotel property. The second is that the price guarantee does not hold up very well when the consumer requests a rate for a specific hotel chain (as was the case in TEST #4) or a specific hotel property (as was the case in TEST #5). In fact, there were two instances in TEST #5 in which all six competitors provided rates for a specific hotel property that were lower than the rate provided by Hotels.com.

Consumer WebWatch Tips for Booking Hotels Online

Shopping for a hotel room has become more complicated, not less complicated, since the advent of the World Wide Web. Here are some practical tips and suggestions for consumers seeking the best deals on the Internet.

• Beware of potential bias. The screens on the leading independent travel Web sites are inundated with banners, pop-ups, pop-unders, and even rate listings that are bought and paid for with hotel advertising and marketing dollars. Make sure that you've examined all the choices before booking.

• Keep shopping around. Yes, Consumers Union has issued this warning before—more than once. But it remains the single most important piece of advice to help you find the best travel bargains online. An important note: After extensive testing and analysis, Travelocity emerged as the winner in this session of hotel testing. And yet Travelocity's strong performance needs to be put into context. Simply put, Travelocity failed to return the lowest hotel rate more than 70% of the time. All the other Web sites performed even worse. If it's important to you to find the best rates and fares, you need to consult more than one Web site.

• Always ensure that the rate you've found is available for immediate booking. The better sites will provide explanations of their booking policies.

Also, make sure you are qualified to obtain that rate, since sometimes the best rates are only available for certain consumers, such as Government employees, military personnel, or members of organizations such as AAA.

• Before booking a hotel room online, make sure you've determined the final rate. There may be additional charges, including federal, state, and local taxes; security and lodging fees; and booking or service fees from the hotel and/or the Web site.

• Never book a hotel room online until you've read and understood the cancellation policy. Many independent travel Web sites charge additional fees for changes and cancellations, in addition to fees levied by the hotel.

• If you know the specific hotel property you want to visit, conduct an online search and find the branded Web site for that hotel (which may be maintained by either the chain or the property itself). The chances are good that you may find a lower rate there. In fact, when Consumer WebWatch queried rates at specific properties, lower rates were returned by the branded sites in 1 out of 3 cases.

• When shopping for hotel rates online, always ensure that you are extremely accurate about the information you input. For example, many hotel chains maintain properties with similar-sounding names (e.g., "Marriott Downtown" vs. "Marriott Midtown" or "Holiday Inn Airport" vs. "Holiday Inn Airport North"). If you're comparing rates for a specific property, determine its full address and zip code before comparison shopping on other sites.

• Be very careful when comparison shopping from Web site to Web site. During the course of this testing, Consumer WebWatch found numerous problems with the default functions on some travel sites. Each site may not store and "remember" the information you input as you shop, so the data you entered may be lost and the search engine may revert to incorrect dates or locations.

• Use a charge card for online purchases. Charge cards generally provide the most federal consumer protections in the United States. Under the Fair Credit Billing Act, your liability for unauthorized charges is limited to $50—if you report the billing error to the charge card company in writing within 60 days after the bill was mailed to you. Charge card companies and e-merchants may cover this fee in certain situations. Some charge card

companies also will let you use a temporary "throw-away" charge card number when making purchases online, so that payments are credited to your actual charge card but without your needing to share electronically your real account number or password. Inquire with your charge card company about this option. You may also want to consider setting aside a single charge card for online use. That way, if a security breach occurs, you will still be able to use your other charge cards.

Appendix I: Hotel Web Site Ease-of-Use Factors

One problem common to all five integrated travel Web sites is that, overall, their search tools are not very intuitive in the manner of traditional branded search engines, such as Google or Lycos. Often these travel Web sites are quite intolerant when the user incorrectly inputs information; the slightest mistake in spelling or punctuation can render the search useless. In addition, when these intolerances are coupled with slight variances in the listings of specific hotel properties from site to site (e.g., "Four Points by Sheraton St. Louis Downtown" vs. "Four Points by Sheraton Downtown St. Louis"), searching can be even more difficult. However, among the five integrated Web sites tested, Orbitz was the best at helping the consumer refine the search parameters.

It's worth stressing that consumers need to engage in extensive trouble-shooting when searching for hotel rates on these Web sites. Multiple queries are sometimes necessary to obtain the proper rates.

Testers employed by Consumer WebWatch spent weeks visiting these integrated travel web sites and querying hotel rates. Detailed below are comments culled from the testers themselves.

EXPEDIA.
• It is difficult to customize the search from the beginning, even when bypassing the home page option and clicking on the specialized "hotel" search tab at the top of the home page. Options such as reserving a non-smoking room or a queen-sized bed do not exist except at the "reserve room" level.
• The basic search interface is awkward, since it does not allow the use of the "tab" key to navigate fields such as the date, which is standard among some sites.
• Despite serious performance problems during TEST #1, Expedia was very fast in returning search results.

HOTELS.COM.
• Inexplicably, in two cases Hotels.com changed the selected dates for hotel stays, and in both cases it was to the same date in March. An unwary consumer could encounter a serious problem.

• In several cases, the specified search area wasn't available at all. This occurred when Hotels.com had limited choices in that area overall (such as in Anchorage and St. Thomas).

• Overall, Hotels.com's categories are reasonably clear. But if you're totally unfamiliar with a city, deciphering the exact locations can be difficult. A point in Hotels.com's favor is that it does indicate the distance in miles (or fractions of miles) each hotel is from the requested location.

• One problem is that the Hotels.com search function does not include hotels affiliated with the parent brand. Only hotels with the requested brand in the name of the property are displayed. For example, if you're searching for a particular Hilton, this function works fine. But if you're a member of the Hilton HHonors program and would prefer to stay in a points-earning property, such as a Doubletree or an Embassy Suites, you need to search for those brands individually.

LODGING.COM.

• A noticeable problem with Lodging.com was that it was slow in returning rates. This occurred with two separate testers, both using high-speed cable connections.

• The advanced hotel search feature is available only after clicking through the initial hotel search features ("U.S. Hotels" and "International Hotels"). However, the advanced feature sometimes but not always saves the selected dates for hotel stays; no discernable pattern was detected. Preferences other than dates are not saved.

• Although the Lodging.com home page offers helpful menus and sub-category menus, it is also cluttered with small text and "exclusive discount rates" that make it difficult to determine how best to search for a hotel rate.

ORBITZ.

• Overall, the Web site is user-friendly and fast in returning rates. In addition, multiple searches are made easy because Orbitz retains the selected dates for hotel stays and most other booking data.

• In some but not all cases, the site offered one of the most helpful features on any of the integrated travel web sites: a bar which refines the locales of the search. This tool allows the consumer to select properties in three different ranges from the desired location: 0-2 miles, 2-5 miles, and 5-15 miles. This bar is further enhanced with star ratings and rates, so that a very specific search can be tailored.

• Another helpful feature offered by Orbitz is a response to queries for properties in specific city locations. If the location is not recognized, a list of

several possible destinations is offered. (This contrasts with several other sites, which simply state that the location is not recognized.)
• When searching for a specific hotel property in TEST #5, a strange glitch was discovered. Orbitz sometimes stated that the specific hotel was not found, yet in the listings of alternative properties, the specific hotel was in fact included. In one case, the requested hotel was "buried" in the fourth page of listings.

TRAVELOCITY.
• The Web site's search engine is not very helpful after an unsuccessful search. Instead it states: "We could not find any matches for the point of interest/state you entered. It may be the point is not in our database, or your entry is too broad or too specific." However, it is up to the user to determine how the search should be refined.
• Furthermore, the search function for a specific hotel chain or property name is very unhelpful. It employs certain abbreviations (such as "BW" for "Best Western" and "dwntn" for "downtown") without providing consumers an index of such terminology. There is no cross-computation of terms.
• In TEST #2 (searching by a specific location within a city), Travelocity was unable to conduct searches for properties in San Juan, Puerto Rico and St. Thomas, USVI. In addition, the drop-down box that lists U.S. states does not include Puerto Rico or USVI, although it does include Canadian provinces.

Appendix II: Brief Recap of Findings of *Consumer Reports Travel Letter* Projects

Between October 2000 and June 2002, *Consumer Reports Travel Letter* published several in-depth examinations of the online travel market. Consumers Union ceased publishing *CRTL* in December 2002, but the research methodology pioneered by *CRTL* continues through the work of Consumer WebWatch.

The three most significant studies conducted by *CRTL* were:

• "Travel Web Sites: Look Around Before You Book." Published in October 2000. This project was one of the first in-depth, independent investigations of integrated travel Web sites, and set new benchmarks for testing methodology, statistical reliability, and unbiased reporting. *CRTL* examined what were then the four leading independent travel web sites: Cheap Tickets, Expedia, Lowestfare, and Travelocity. The testing consisted of 9 separate repetitions of 19 itineraries on 6 different routes. *CRTL* also introduced the concept of providing a global distribution system (GDS) as a testing benchmark; in this case, an outside consultant queried all the same airfares in the Apollo Galileo GDS, in real-time coordination with the Web site testers.

This study shone light on several critical issues. *CRTL* raised the question of online bias, by noting the correlation between airlines that advertised on certain integrated Web sites and the placement of those airlines' fares in the integrated listings. *CRTL* stated: "Our research came to no firm conclusion on whether travel Web sites are biased because of deals with airlines. But we did note some disturbing evidence." This report was used as evidence when Consumers Union subsequently petitioned the U.S. Department of Transportation to regulate integrated travel Web sites in the same manner it regulates GDSs.

The testing yielded another important discovery: The value of a low fare is meaningless if it's not coupled with a sensible itinerary. *CRTL* cited bargain prices for "wacky flights," such as a low fare on Cheap Tickets for a flight between New York and Chicago that consisted of eight legs and a one-way flight time of 11 hours, 29 minutes (without delays). *CRTL* therefore researched and established its own "viability standard" when evaluating online airfares.

• "Travel Web Sites: You Still Need to Compare." Published in June 2002. This project, which was funded by Consumer WebWatch, built upon the first test of integrated travel Web sites. Once again, *CRTL* examined online airfares. But the testing was broadened and enriched. The examination was expanded to include what were then the six leading integrated travel Web sites: Cheap Tickets, Expedia, OneTravel, Orbitz, TravelNow, and Travelocity.

The project consisted of 9 separate tests querying airfares on 10 different competitive routes. In addition, *CRTL* evaluated not just the airfares and itineraries, but also provided a report on the Web sites' ease-of-use, customer service, and privacy & security policies. Once again, *CRTL* addressed the bias question, particularly since all six of these Web sites confirmed that they were receiving various forms of compensation from airlines. *CRTL* stated: "The relationships between Web sites and their airline advertising and marketing partners have raised reasonable doubts in both our studies."

• "Is Your Travel Agency Playing 'Fare'?" Published in June 2001. After *CRTL* published its first examination of travel Web sites, the subsequent publicity led many readers and outside journalists to conclude that since there were bias questions surrounding integrated travel Web sites, a consumer's best source of unbiased travel information was a travel agency. *CRTL* felt that the nation's travel agencies should be tested in the same manner that it had tested integrated travel Web sites.

Subsequently *CRTL* queried the lowest-fare nonstop flight options on 12 different competitive routes throughout the U.S. Through blind calling, CRTL contacted 840 travel agencies in 12 different metropolitan areas; Consumers Union statisticians confirmed that this sampling represented 3.2% of all U.S. travel agencies. Simultaneously, an outside consultant queried the same airfares from Sabre and Apollo Galileo, two GDSs used by travel agencies. Despite the fact that nearly all U.S. travel agencies had begun charging fees for their services, the results were disappointing. Only 51% of the travel agents provided all of the airlines offering the lowest fare on a given route when first asked. This figure rose to 63% when the caller repeated the question.

CRTL stated: "We don't know whether this poor showing was due to agents' lack of training, lack of skills, insufficient technology, or bias. But we do know

that airlines pay 'override' bonus commissions to give travel agents incentives for booking travelers on certain flights."

Table of Figures

Figure 1: Lowest Hotel Rates			
WEB SITE	**% OF LOWEST RATES PROVIDED**	**NUMBER OF LOWEST RATES PROVIDED**	**NUMBER OF VALID TESTS PERFORMED**
Travelocity	29%	44	150
Orbitz	21%	31	145
Expedia	17%	26	149
Hotels.com	15%	22	149
SABRE	15%	22	149
Lodging.com	11%	13	120
Branded sites	10%	15	148

Figure 2: Lowest and Closest Hotel Rates (within $5 per night of lowest rate)			
WEB SITE	**% OF LOWEST AND CLOSEST RATES PROVIDED**	**NUMBER OF LOWEST AND CLOSEST RATES PROVIDED**	**NUMBER OF VALID TESTS PERFORMED**
Travelocity	37%	55	150
Orbitz	32%	47	145
Hotels.com	24%	36	149
Expedia	22%	33	149
SABRE	16%	24	150
Lodging.com	16%	19	120
Branded sites	11%	17	148

Figure 3: Lowest Hotel Rates by Test

(winners underlined; includes ties)

WEB SITE	TEST #1 (search-ing by lowest rate)	TEST #2 (search-ing by specific location)	TEST #3 (search-ing by star rating or class)	TEST #4 (search-ing by hotel chain)	TEST #5 (search-ing by specific property)	NUMBER OF LOWEST RATES PROVIDED
Travelocity	3	9	8	<u>14</u>	<u>10</u>	44
Orbitz	<u>8</u>	5	7	5	6	31
Expedia	6	4	<u>9</u>	5	2	26
Hotels.com	<u>8</u>	4	2	4	4	22
SABRE	2	<u>10</u>	2	2	6	22
Branded sites	0	1	2	2	<u>10</u>	15
Lodging.com	6	N/A	1	3	3	13

Figure 4: Online Hotel Service Fees

WEB SITE	SERVICE FEES?
Expedia	No fee for hotel bookings
Hotels.com	In some cases; not more than $1 per booking
Lodging.com	No fee for hotel bookings
Orbitz	No fee for hotel bookings
Travelocity	No fee for hotel bookings

Figure 5: Online Hotel Customer Service		
WEB SITE	**E-MAIL RESPONSE TO QUERY?**	**TOLL-FREE LINE AVAILABLE?**
Expedia	"Will respond within 4 hours"	Yes; 24 hours/7 days
Hotels.com	No time frame given for response	Yes; 8am-9pm ET/Mon-Fri
Lodging.com	"Our team will respond as soon as possible"	Yes; 8am-12am ET/7 days
Orbitz	"Response times average 4 hours"	Yes; 24 hours/7 days
Travelocity	"We will respond in 4 hours or less"	Yes; 24 hours/7 days