



August 13, 2014

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Dear Professor Wilson:

Thank you for providing Orbitz with an opportunity to review and comment on your research paper before publication. We do have a few comments that you should consider as mischaracterizing the matters related to Orbitz could undermine the validity of your other thoughtful research and analysis. We ask that you read these in the constructive nature in which they are presented. The first set of comments relates to statements in your article that Orbitz was “found” to have engaged in “price steering.” The second set of comments relates to the suggestion that Orbitz has engaged in conduct that is detrimental to consumers. We believe that both sets of statements are untrue.

A. Orbitz Was Not “Found” To Have Engaged In “Price Steering”

Your paper contains statements to the effect that Orbitz has been “found” to have engaged in “price steering,” citing a 2012 *Wall Street Journal* (“WSJ”) article. We have identified the specific statements below.

- Statement 1: “Orbitz ‘steered’ Mac OS X users toward more expensive hotels”: On the first page of your article, it states that “[u]nbeknownst to users, Orbitz ‘steered’ Mac OS X towards more expensive hotels, in an attempt to extract more money from (presumably) more affluent individuals.”¹
- Statement 2: “Orbitz was found to be promoting high value hotels specifically to Apple users.” On the second page, in the context of a paragraph that is primarily related to price discrimination, your article states that Orbitz was found to be “promoting high value hotels specifically to Apple users.”

To the extent that these statements are intended to suggest that Orbitz was charging different prices for the same hotel room to different users, they are false. As the relevant *WSJ* article explains, Orbitz was

¹ The purpose of this experiment was not, as your article suggests, “to extract more money from (presumably) more affluent individuals.” It was to attempt to enhance the relevance of the results for users. As the article explains, several of the factors that impacted which results would be returned prioritized less expensive hotels. For example, the *Wall Street Journal* article explains that based on the methodology that Orbitz used at the time, “[w]hen hotels offer discounts, those properties move higher in the search results for all visitors.”

experimenting with showing different hotel offers to Mac and PC visitors, *but said that the company isn't showing the same room to different users at different prices.*"

With respect to the "steering" aspects of these statements, the user's operating system was only one of several factors that were used to formulate results that were displayed to the users (along with other factors such as traveling with children). Furthermore, the operating system test that was subsequently ended because the data demonstrated it was not making a meaningful contribution to customer engagement (supported by the *WSJ* article which noted that Orbitz only was "experimenting") and those experiments had little, if any, impact on the differences in the results that were returned. As the *WSJ* article explains (with emphasis added):

Orbitz first confirmed Mac users' preferences in October and began working them into the complicated mix of factors that determine its search results. *The effect isn't always obvious. In tests performed by the Wall Street Journal, search results for hotels in cities including Las Vegas, Orlando, Philadelphia, and Boston were the same for both Macs and PCs.*

Ultimately, the Orbitz experiment that used operating system as a factor was short-lived. The experiment lasted approximately one month, was not impactful, never moved beyond the testing stage, and was discontinued. And the operating system parameter did not influence the initial results (sort) that a consumer saw. It was a factor only in our "recommendation module" where we were suggesting other hotels that our data demonstrated like-minded shoppers also viewed. For additional background, we have attached some clarifying comments that our CEO, Barney Harford, provided both before and shortly after the *Wall Street Journal* published its article. Of particular note are blogs that were published by *USA Today* more than a month before the *WSJ* story which freely discussed our findings and how we use data.

B. Your Article Unfairly Suggests That Orbitz Has Engaged In Conduct That Is Detrimental To Consumers, And Ignores A Host of Legal And Competitive Forces That Influence Hotel Pricing.

Your paper properly concludes that Orbitz does not engage in "price steering" based on user accounts (Article, p. 10), which makes it all the more curious why so much of the earlier narrative was devoted to the assertion that Orbitz was found to have engaged in price steering.

The paper then turns to the issue of price discrimination and states that "CheapTickets and Orbitz implement price discrimination, in favor of users who have accounts on these sites." (*Id.*) The article further explains that "[m]annual examination reveals that these sites offer 'Members Only' price reductions on certain hotels to logged-in users." These statements are accurate. (*Id.*) At the end of the article, however, you conclude that "there is mounting evidence that e-commerce sites are using personalization algorithms to implement price steering and discrimination, to the detriment of consumers." (*Id.* at 13). The implication of this statement is that Orbitz is engaging in behavior that is detrimental to consumers. To the extent that is what the article is attempting to suggest, we strongly disagree.

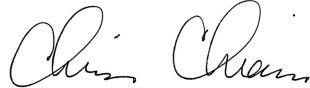
To begin with, as you appear to acknowledge, "members only" pricing is transparent. Indeed, Orbitz has publicized it in the past. (See June 28, 2011 Orbitz Worldwide press release). Consumers who would like to be able to take advantage of "members only" pricing need only sign up for a complimentary

account and log in. Given the fact that these programs are transparent and membership is free, we do not believe there is any basis to characterize such a program as being “detrimental to consumers.” Compare that to credit card companies that charge an annual fee for the “right” to carry their card and pay them interest on the balance of your account, or Costco, where a consumer must pay a membership fee to simply walk into their store and look around – and our free, easy-to-join membership with access to special deals is a strong consumer value proposition.

Additionally, the article does not address legal and competitive forces that impact the manner in which hotel pricing may be displayed on Orbitz (and other travel) websites. Hoteliers possess complete control over whether to make rooms available for reservation on our websites. At any given moment, they may limit or wholly exclude the number of rooms they make available based on a variety of factors, including seasonality and local demand. Additionally, depending on the circumstances, hoteliers either wholly determine, or heavily influence, the amount that a consumer will pay to reserve a hotel room on our websites. While some have tried to make claims about such pricing practices, a federal court recently granted a motion to dismiss a class action lawsuit against hotel operators and online travel agencies that was directly related to the topic of pricing authority. Please see the enclosed decision.

After reviewing this information and the enclosed supporting material, I would be happy to further discuss these issues. As stated above, we hope you and your colleagues will give these matters your careful consideration and make the appropriate changes. How you want to characterize the business strategies of other companies is not our concern; we will, however, take strong exception to any academic paper that does not accurately portray our company and practices.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Chiames". The signature is fluid and cursive, with the first name "Chris" and last name "Chiames" clearly distinguishable.

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