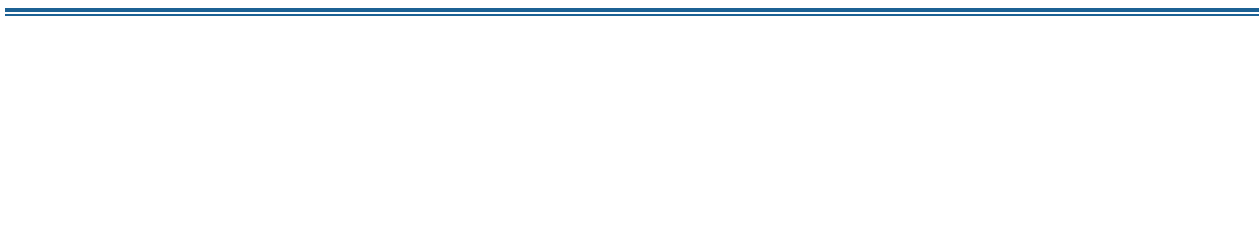# THE ROLE OF ONLINE TRAVEL PLATFORMS IN SUPPORTING LOW-COST TRAVEL

AND HOW LEGACY CARRIERS THREATEN COMPETITION AND CONSUMER CHOICE:

A WHITE PAPER BY THE TRAVEL TECHNOLOGY ASSOCIATION

EXECUTIVE SUMMARY

The U.S. air travel market is highly concentrated, with a small group of legacy carriers exerting outsized control over routes, pricing, and consumer visibility.

Ultra-Low-Cost Carriers (ULCCs) bring crucial competition by offering lower fares, flexible pricing, and new connectivity to underserved markets. Yet ULCCs depend heavily on online travel platforms to reach consumers, ensure visibility, and drive competition.

Travel Technology Association members promote transparency and consumer choice by enabling side-by-side comparisons of fares, schedules, and services across airlines. However, legacy carriers are increasingly undermining these online benefits by restricting data access, imposing contractual limitations, and steering customers toward their own channels. These practices threaten to reduce transparency offered by online travel platforms, marginalize ULCCs, and entrench legacy carrier dominance.

Policymakers should closely examine these behaviors to safeguard competition, innovation, and affordability in U.S. air travel.

INTRODUCTION

The U.S. air travel marketplace is highly concentrated, with a handful of legacy carriers controlling the majority of routes, pricing strategies, and consumer visibility. ULCCs have emerged as vital competitors, offering affordable airfare options to millions of travelers by providing lower fares, à la carte pricing, and new route options to smaller or less densely populated regions that often have limited air service. ULCCs' ability to compete effectively with legacy carriers depends heavily on online travel platforms. Travel Technology Association (Travel Tech) members, which include Online Travel Agents, metasearch engines, Global Distribution Systems, and others facilitate the sale of air travel through channels separate from the airlines themselves—collectively known as the "indirect sales channel."

Travel Tech's members promote transparency, consumer choice, and fair competition by providing consumers with information about a wide range of travel and air transportation offerings.

*BY ENABLING CONSUMERS TO MAKE INFORMED CHOICES THROUGH COMPREHENSIVE FARE AND SERVICE COMPARISONS, **ONLINE TRAVEL PLATFORMS PLAY A VITAL ROLE IN MAINTAINING A COMPETITIVE AIR TRANSPORTATION ECOSYSTEM**.*

Without these platforms, ULCCs would struggle to reach a broad audience, market their differentiated pricing strategies, and maintain competitive pressure in the industry.

In contrast, legacy carriers have increasingly limited consumers' access to this vital information. While carriers voluntarily provide their route, pricing, availability, and occasionally ancillary fee information to online travel platforms to reach a global audience, they constrain what online travel platforms can display and offer. They also engage in practices to steer consumers toward the carriers' own websites for direct bookings and impose surcharges on tickets booked through indirect sales. As more customers shop direct on airlines' own websites, ULCCs lose visibility and market reach through online travel platforms. As a result, consumers face:

- Higher prices due to reduced competitive pressure;
- Longer search times;
- Fewer choices, as ULCCs and smaller carriers are marginalized; and
- Limited indirect booking tools, since platforms cannot fully display all options or provide optimal search features.

Over time, these practices further entrench the dominance of legacy carriers, undermining the benefits of competition—including transparency, lower prices, and innovation—that both ULCCs and online travel platforms bring to the market.

HOW ONLINE TRAVEL PLATFORMS EMPOWER ULCCS

Travel Tech member companies facilitate competition by aggregating airline schedule, fare, route, and occasionally ancillary fee data across carriers, empowering consumers to compare prices, schedules, and services on a single interface. By lowering search costs and increasing transparency, they enable airlines—ULCCs and legacy carriers—to compete for consumer attention on price, service, and convenience. Platforms also encourage innovation in route planning, pricing models, and customer service, ensuring that all types of carriers are responsive to consumer needs.

ULCCs operate on a low-margin, high-volume business model. Success depends on reaching as many consumers as possible and enabling them to compare fares.

> *ONLINE TRAVEL PLATFORMS EXPAND ULCC VISIBILITY, MAKING THEIR FLIGHTS APPEAR ALONGSIDE LEGACY CARRIERS IN METASEARCH RESULTS AND OTA LISTINGS.*

They also provide powerful marketing to a global audience, investing billions annually in advertising and search engine visibility in comparison to the average 3% that ULCCs spend. This promotion provides access to price-sensitive or infrequent travelers who otherwise may never encounter a ULCC's offerings.

Travel Tech members also support market entry and expansion. When ULCCs launch new routes or operate in secondary or tertiary airports often not served by legacy carriers, OTAs, metasearch engines and Global Distribution Companies ensure that consumers can discover these options immediately.

HOW LEGACY CARRIERS UNDERMINE COMPETITION AND CONSUMER CHOICE

Legacy carriers have increasingly sought to restrict competition by limiting what online travel platforms can display to consumers. Through selective data sharing, restrictive contracts, and withholding of less expensive fare classes or ancillary fee information, they reduce the ability of online travel platforms to present a complete and accurate comparison of options. These harmful practices have three consequences for competition and consumers and consumer choice:

- **Reduced Transparency:** Consumers cannot compare the full range of fares, routes, and availability, making it harder to identify the lowest-cost option.
- **Unfair Market Advantage:** Legacy carriers leverage their brand recognition and marketing budgets to steer travelers toward their direct sales channels, sidelining smaller competitors.
- **Barrier to ULCC Growth:** Without equal visibility, ULCCs cannot compete effectively, especially in new or underserved markets where consumers rely most on OTAs to discover options.

Legacy carriers use their market power to tilt the digital marketplace in their favor, weakening the very competition that keeps fares affordable. When online travel platforms face limited access to the most competitively priced tickets, they are less able to compete on price and transparency in the downstream airline ticket sales market.

*A SECONDARY EFFECT OCCURS UPSTREAM: **WHEN CONSUMERS ARE FUNNELED TOWARD LEGACY AIRLINE WEBSITES, ULCCS LOSE VISIBILITY**, MAKING IT MORE DIFFICULT FOR THEM TO ATTRACT NEW CUSTOMERS.*

This undermines comparison shopping, leading to travelers choosing the airlines with the most frequent flights and strongest brand recognition, rather than more affordable travel options.

CONCLUSION

Online travel platforms are the backbone of competition for ULCCs, enabling visibility, transparent pricing, and market access that legacy carriers alone would limit, but the practices of dominant carriers threaten both platforms and ULCCs. The consequences are clear for consumers: higher prices, fewer options, and reduced quality of booking tools and customer service. Over time, these practices further entrench legacy carriers' dominance and erode the affordability, transparency, and innovation that ULCCs and online travel platforms provide to consumers. In light of these concerns, policymakers should scrutinize these particular practices to ensure that consumers have the full benefits of competition and choice in air travel.