

Booking Holdings - The Rules of the Marketplace

Internal ID: S&F-STR-092

Topic: Platform Strategy, Competitive Strategy, Customer Strategy

Industry: Hotels, Resorts & Cruise Lines

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Information cutoff: 29 February 2024

Decision scope: Booking.com's accommodation-partner terms and hotel ranking in Spain

Case convention: This author-created strategy exercise uses public historical disclosures. The assignment and options are hypothetical; they do not represent private deliberations or management plans. The Spanish matter remained at the draft stage at the cutoff.

The decision

In January 2024, Spain's competition authority, the Comisión Nacional de los Mercados y la Competencia (CNMC), notified Booking.com of a draft decision proposing a €486 million fine and restrictions on certain parity provisions and the criteria Booking.com could use to rank hotels. Booking Holdings said it disagreed with the draft's rationale and some proposed restrictions and was continuing to engage with the authority. The company said a final decision was expected by July 2024. That process was still open on 29 February. [1]

Booking had recorded a \$530 million loss contingency for the matter in its 2023 financial statements. The proposed fine and accounting accrual underscored the stakes, but neither established what final action the authority would take. [1]

Assignment: Imagine you are advising Booking.com's leadership as of 29 February 2024. Recommend how the company should manage its Spanish accommodation-partner terms and hotel-ranking practices while the CNMC process remains open. Your recommendation may defend the current approach, propose changes, or combine preparation with targeted changes. Address what Booking should do now, what evidence it should monitor and how it should protect value for travelers and accommodation partners. Treat legal compliance as a constraint and do not assume a regulator will accept a voluntary proposal.

A marketplace with two sides

Booking.com connects travelers searching for accommodation with hotels, apartments and other places to stay. At year-end 2023, its site listed about 3.4 million properties across more than 220 countries and territories, including over 475,000 hotels, motels and resorts and over 2.9 million homes, apartments and other unique stays. [1]

Booking.com competes for travelers with online travel agencies, metasearch sites, hotel websites and other channels. Booking Holdings identified Google's travel search and metasearch offerings as an expanding competitive force. It also noted that suppliers may offer lower prices on their own direct channels than through an online intermediary. [1]

For hotels, an online travel platform can provide discovery, international reach and booking services. A direct channel can give a hotel more control over the customer relationship and avoid some intermediary costs. The value of each channel may differ by hotel type, customer, destination and booking. The company does not disclose Spanish hotel commissions, partner-level prices or customer-acquisition costs.

Booking describes parity arrangements as terms under which accommodation providers may be required to give the platform rates, conditions and availability at least as favorable as those offered to other online travel companies or on the provider's own channel. The CNMC draft, as summarized in Booking's filing, also addressed ranking criteria. The filing does not identify every proposed restriction or disclose the authority's full draft reasoning. [1]

Booking's operating model

Booking Holdings reported \$21.365 billion in revenue for 2023, up 25% from 2022. Its global marketing expense was \$6.773 billion, up 13%, and equaled 4.5% of gross bookings, compared with 4.9% in 2022. The company said a substantial majority of marketing was performance marketing, primarily involving search engines (primarily Google), affiliates and metasearch. It attributed the lower marketing-to-gross-bookings ratio partly to higher performance-marketing returns and a larger share of room nights from consumers arriving directly. [1][2]

About 49% of Booking.com's room nights in 2023 were booked through its mobile app, compared with 44% in 2022. Booking said it saw favorable repeat direct-booking behavior in its apps. These are global, company-reported measures; they do not show whether a Spanish customer was acquired directly or through paid search, or how profitable a Spanish reservation was. [1]

The company has been investing in loyalty, payments, flights and alternative accommodations as part of its broader "Connected Trip" proposition. It described improving consumer value and its Genius loyalty program among its 2023 priorities. [1]

The hotel channel alternative

Marriott's 2023 annual report provides one large hotel company's view of the same distribution question. Marriott said more than 60% of its global room nights in 2023 were booked by Bonvoy members. It described its loyalty program and direct digital channels as ways to encourage repeat business and direct bookings. Marriott also warned that online intermediaries could divert customer loyalty from hotel brands and increase the cost of bookings through fees. These are Marriott's statements about its own business and priorities, not a description of independent Spanish hotels. [3]

Hotels are not interchangeable. A large chain may have brand recognition, member data and a direct booking system that a small independent property cannot replicate. An OTA may offer a smaller property access to travelers it would struggle to reach on its own. The case materials do not show which benefit dominates for Spanish partners.

What earlier studies observed

Research on European parity changes offers evidence about channel behavior, but not a forecast for Booking in Spain. The interventions, samples and outcomes differ.

Study and setting	What researchers measured	Reported result	Important scope limit
Hunold et al. (2018), Germany after Booking.com removed its narrow parity and minimum-availability clauses	Metasearch listings and posted prices for nearly 30,000 hotels, 2016-17	More hotels published offers on Booking.com and more promoted direct-channel offers; chain hotels more often showed a strictly lowest direct price.	Visible listings and prices, not completed bookings or profit; treatment included minimum availability. [4]
Mantovani et al. (2021), Corsica after France's 2015 parity-clause ban, compared with Sardinia	Booking.com posted room prices	Table 3's estimate was a roughly 2.6% relative short-run decline in Booking.com posted prices in Corsica.	Not direct-channel prices, transactions, consumer welfare or Booking profit; only two regions. [5]
Ennis et al. (2023), EU clause changes using chain-hotel booking records	Whether hotel direct prices were cheaper than OTA prices by set thresholds	Direct prices became relatively more likely to be cheaper for mid-level and luxury hotels; budget hotels showed the opposite pattern.	Confidential chain sample; not Booking-specific; effects vary by segment. [6]

The studies suggest that channel terms can matter, but they do not estimate the effects of the CNMC's proposed ranking restrictions, the Spanish market's response, or the effect on Booking's economics. Their results also caution against treating all hotel partners as one group.

Choices to consider

The alternatives below are constructed for this exercise. None is described as a real management plan.

- 1. Defend the current approach while preparing for contingencies.** Continue engaging with the CNMC and preserve existing partner and ranking practices unless the process requires changes. Identify the operational changes that could be needed under different outcomes. This may protect consistency and platform economics, while leaving Booking exposed to uncertainty about the final restrictions and partner response.
- 2. Propose a targeted redesign.** Reconsider parity terms and ranking governance before the process concludes. Specify which partner terms or ranking practices would change, how travelers would continue to compare offers, and how Booking would measure partner participation and consumer outcomes. A proposal could address parity and ranking separately; a change in one does not automatically settle the other.
- 3. Use a staged response.** Prepare for several possible outcomes while testing specific changes with a defined partner or market segment, if legally permissible. A pilot could generate evidence but may be difficult to interpret if demand, seasonality or partner composition changes at the same time.

Any recommendation should identify what Booking would preserve in its traveler proposition, how it would respond to differences among hotel partners, and what evidence would lead it to revise course. The public record at the cutoff does not provide a Spanish partner-level baseline or a causal estimate of how ranking affects bookings.

Questions for discussion

1. What value does Booking create for travelers and accommodation providers? How could parity and ranking each affect that value?
2. Which response should Booking pursue while the draft process remains open? What is the strongest argument against your recommendation?
3. Should parity terms and ranking governance be changed together or separately? What should be transparent to partners and travelers?
4. How should Booking distinguish the effects of a policy change from seasonality, demand shifts or changes in partner mix?
5. Which Spanish partner, traveler and company measures should leadership monitor? What results would cause you to change your recommendation?

Sources and conventions

[1] Booking Holdings, [2023 Form 10-K](#), filed 22 February 2024. Used: Item 1, business model, competition and property inventory, printed pp. 1-7; Item 1A, competition risks, printed pp. 12-15; Item 7, mobile/app mix and marketing expenses, printed pp. 33-35 and 43-44; Note 16, CNMC matter, printed p. 104; auditor's Critical Audit Matter, printed pp. 69-70. SEC [filing index](#).

[2] Booking Holdings, [Q4 and FY2023 results release](#), 22 February 2024. Results and financial reconciliation.

[3] Marriott International, [2023 Form 10-K](#), filed 13 February 2024. Used: Item 1, loyalty and direct channels, printed pp. 7-9; Item 1A, intermediary risks, printed pp. 10-11.

[4] Hunold, Kesler, Laitenberger and Schlütter (2018), [“Evaluation of best price clauses in online hotel bookings”](#), *International Journal of Industrial Organization* 61, 542-571. Sample/method pp. 546-551; pricing and availability results Tables 5-8, pp. 557-563; robustness and conclusion §§7-8.

[5] Mantovani, Piga and Reggiani (2021), [“Online platform price parity clauses: Evidence from the EU Booking.com case”](#), *European Economic Review* 131, 103625. Model and Table 3, pp. 12-18; limitations, pp. 29-30. Outcome is $100 \times \ln(\text{posted price})$; Table 3 coefficient -2.583 (SE 0.859), interpreted by the authors as roughly a 2.6% relative decline in Booking.com posted prices in Corsica versus Sardinia.

[6] Ennis, Ivaldi and Lagos (2023), [“Price-Parity Clauses for Hotel Room Booking: Empirical Evidence from Regulatory Change”](#), *Journal of Law and Economics* 66(2), 309-331. Sample/method pp. 7-16; Tables 3-5, pp. 17-21. Table 4's outcome is the probability that a direct hotel price is cheaper than OTA prices by a defined threshold.

All company measures are global unless stated. Academic results are not transferred as Booking-specific coefficients. No later decision or enforcement outcome is included. Any numerical assumptions introduced by students must be labeled as assumptions.