HOTEL RESERVATIONS VIA ONLINE TRAVEL AGENCY BOOKING.COM.  
EU DIMENSIONS OF THE “BEST PRICE” CLAUSE  
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Abstract: The use of online reservation systems has become a must for hospitality businesses. This article is focused on the use of www.booking.com as an online search engine for accommodation in a family hotel in Blagoevgrad, Bulgaria. The aim of the research is to analyze the behavior of people, using one of the best performing online travel agencies in the world for hotel room reservation. The article reveals interesting statistical facts about the nationality of the guests and how far ahead of time reservations are made. Data for the electronic device, which is used to make a reservation, is stated in the article. The “best price” clause of booking.com is taken into account, as it is being banned in some EU countries, but still influencing the decision making process of hotel customers. A brief outlook of the ‘most favored nation’ (“MFN”) clause, also known as ‘price parity’ or ‘best price’ clause (“BPC”) and its application in EU countries is included.

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Introduction

Technological progress and tourism have been going hand in hand for years (Poon, 1993; Sheldon, 1997). The introduction of Computer Reservation Systems (CRSs) and Global Distribution Systems (GDSs), followed by the evolvement of the Internet, have transformed the best operational and strategic practices in the industry dramatically (Buhalis and Law, 2008). The easy access to internet nowadays makes the hotel room reservation available with the press of a button on a person’s electronic device. The main role is played by OTAs (online travel agencies) in the vast internet market of hospitality transactions. They have created complex and customer oriented platforms that offer the tourists a choice from hundreds of hotels in some cities. Almost every hotel, hostel, guesthouse or just short rent accommodation is listed on an OTA website. The big OTA companies are leveling prices and assessing the quality of certain hotels in every tourist destination. Despite the fact that online travel platforms are many in number the leaders on the market are notorious to all travelers. Expedia group and Booking Holdings (former Priceline group) have dominance in the world online accommodation sales. The 2018 annual report of Phocuswright for USA (2018) shows that Expedia and Booking.com maintain their grip on the OTA market, with a combined 92% share of OTA gross bookings. According to Hotrec European Hotel Distribution Study for 2017 the 3 main market players within the OTA market remain Booking Holdings (Booking.com), Expedia Group and to a lesser extent HRS, with an aggregated market share of 92%. Booking.com is by far the most influential OTA in Europe, with a 66.4% share. The dominance of Booking.com has been rising over the last 4 years by more than 6% between 2013 and 2017 (i.e. from 60% to 66.4% (HOTREC 2018).

BPC is a mechanism used by OTAs to restrict hotels from offering better bargains on other distribution channels than those on OTA’s sales channel. Various National Competition Authorities in Europe agreed that best price clauses could restrict competition between OTAs for commission rates, but eventually arrived at different assessments and decisions (Hunold, Kesler, Laitenberger and Schlütter 2017). Hotel prices and room allotments on various online channels are strongly influenced by BPC.

Literature review - Booking.com

The article focuses on Booking.com as a main provider of hotel reservations. Booking.com is a service intermediary in the field of accommodation reservations or so called Online Travel Agency (OTA). OTAs can be divided in several types according to the accommodation units they serve or their business model. The business model used by Booking.com is an agency business model, while that of TripAdvisor is an advertising business model – meta search platform and Expedia is a merchant business model.

Established in 1996 in Amsterdam, Booking.com has grown from a small Dutch start-up company to one of the largest travel e-commerce companies in the world. Part of Booking Holdings Inc., Booking.com now employs more than 17,000 employees in 198 offices in 70 countries worldwide. The Booking.com website and mobile apps are available in over 40 languages, offer 28,889,403 total

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reported listings, and cover 145,429 destinations in 228 countries and territories worldwide. Each day, more than 1,550,000 room nights are reserved on the platform (www.booking.com 2019). At Booking.com, travelers can access a very large selection of places to stay like hotels, hostels, private apartments, villas, vacation homes, family-run B&Bs, luxury resorts, and even tree houses or igloos. The platform interface is user-friendly and at the same time, very powerful since it provides users with effective filtering options as well as with useful management functions (Mellinas et all. 2016). The development of the company is supported by creative staff and a customer-oriented attitude. The company invests millions in surveys aiming to improve customer satisfaction in order to keep revenues and even increase them. Figure 1 (www.statista.com 2018) shows the revenues during the last decade. There is a constant rise of the revenues of Booking Holdings from the estimated 1.41 billion U.S. dollars in 2007 to 12.68 billion U.S. dollars in 2017 (ex Priceline group), as they increased almost 10 times. In Forbes Global 2000 rating for 2018 Booking Holdings is ranked 398th, ahead of the largest hotel chain “Marriott” and companies like General Motors, LG electronics and Monsanto (Forbes Global 2000, 2018). As of May, 2017 the market capitalization of former Priceline group was USD 92 billion (Cohen, 2017 – Boston Hospitality Review). According to Statista.com in list of “The 100 largest companies in the world by market value in 2018” Booking Holding is ranked 91st. Investopedia data for the most expensive publicly traded stock ranks Booking Holdings 5th in the world with price of 1818 USD per stock, overcoming a giant like Amazon on 6th position (https://www.investopedia.com/ask/answers/081314/whats-most-expensive-stock-all-time.asp 2018)

Figure 1 – Revenue of Booking Holdings worldwide 2007 – 2017 (in billion U.S. Dollars)

Source: www.statista.com

Booking.com signs contracts with every hotel including commission rate for every room or service booked through the platform. Usually the commission varies from 15% to 30% depending on the size of the hotel and the tourist region it functions. Hotels listed on Booking.com can also increase their commission rate and thus gain advantages in their visibility on the platform. Their “Preferred partner property” program encourages partners to pay more commission in exchange for better visibility on the OTA’s web site.

Booking.com can be accessed both as a tourist and as an accommodation provider via Booking Extranet. The Booking Extranet is easy to use and offers a complex administration panel for it’s partners. On the administration panel there are many submenus like Home page bar, Rates & availability, Promotions, Reservations, Property, Opportunities (Commission-free bookings option, Visibility increase, Preferred Partner Program and Genius Partner Program, all of these tools to enhance a partner’s impression), Inbox, Guest reviews, Finance. The last two submenus add complexity to booking.com ease of use:

1) “Analytics” is a sophisticated statistical information submenu with well-structured information.
2) “Marketplace” is the bar in the Extranet panel with tools designed to increase the sales or simplify the work process - Booking Button (commission-free bookings made direct through hotels’ channels with customizable booking engine), Web Direct (a secure, customizable website for direct bookings), Rate Intelligence (helps hotel to determine the competitiveness of its rates within the local market), Pulse (application for smartphones managing the property on the go) and other products.
The Booking.com Extranet platform lets property owners increase sales and promote their accommodation units to the global public. Booking.com provides analytical tools and dashboards for accommodation providers that help them to increase their visibility and their business (Mellinas et al., 2015; Mantovani et al., 2017; Martin-Fuentes et al., 2018).

The “Best price” clause
Booking.com offers a broad choice of accommodations for a good price. Often this good price is offered thanks to the “best price” clause (also known as “MFN” – most favored nation clause). This clause is included in the contract between the accommodation provider and the OTA and obliges the owner of the hospitality unit to provide the best possible price on the OTA’s platform. A variety of prices across different sale channels are dependent on the restrictions over price formation. Lowest prices are reasonably supposed to be present at hotel’s direct sales channel due to the insignificance or even lack of additional distribution and transition costs. A hotel might also start using an OTA that has relaxed its parity clauses, and could start using other channels which had been less attractive to use in view of these restrictions (Hunold et al., 2017). BPC, known also as MFN or “price parity” is a focus of the EU legislation structures in the last few years. A common practice adopted by OTAs is the use of BPC, thus hotels listed on their sites are bound to offer better deals than those on alternative sale channels or their direct sales channel. Price parity clauses are divided into two types. A “wide” price parity clause requires that the price charged by the hotel on the OTA cannot be reduced when selling via alternative channels, including rival OTAs and direct selling. A “narrow” price parity clause is less rigid, as it allows the hotel to charge a lower price when selling through other OTAs; however, the hotel cannot charge a lower price when selling directly. This practice has raised serious antitrust concerns, given the fact that in most countries the OTA sector is already highly concentrated (Mantovani et al., 2017).

Booking.com was investigated for infringing the EU competition law Article 101(i) in the years 2014-2016 in many EU countries. National Competition law authorities in UK and Germany started the process of abolishing the “best price” clause. On 22 December 2015 the Bundeskartellamt prohibited Booking.com from applying its BPCs and ordered the company to delete them from its contracts and General Terms and Conditions by 31 January 2016 as far as they affected hotels in Germany. Two years before, on 20 December 2013, the authority had already prohibited Booking’s competitor HRS from applying similar clauses. In 2015, the French, Italian and Swedish national competition agencies, after investigating Booking.com, accepted its commitment to switch from wide to narrow price parity clauses (Caccinelli et al., 2018). The French Parliament passed the “Macron Law”, according to which all price parity clauses were banned which came into force from January 2016 (Mantovani et al., 2017). The Austrian parliament passed a law in November 2016 that prohibits BPCs of OTAs from January 2017 onward (Hunold et al., 2017).

Booking.com reacted to these legislation issues by launching innovative tools and options for its partners. In April 2015 BookingSuite was introduced – a system that helps hotels build innovative websites and receive commission free bookings through the BookingButton tool. In 2016 the data-driven Analytics and Opportunity Centre for hotels were launched. All these as to build confidence and commitment in the partners of Booking.com. A study by Hunold et al. (2017) revealed an interesting trend of reservations after the abolition of BPC in some EU countries. It showed that after a shocking decrease in reservations and featured properties on Booking.com it was followed by a strong and influencing trend of solid increase of the number of bookings and the newly listed properties reaching numbers higher than the top ones before the BPC ban was implemented. BPC was present when a contract was signed between hotel “Fenix” and Booking.com in 2011. This fact influences the price policies of the hotel.

Methodology
This article is focused on the use of Booking.com as a main online reservations provider for a family hotel with a Booking.com rating of 8.7, situated in the city of Blagoevgrad, Bulgaria. The goal of this survey is to reveal how global and local trends in hotel room reservations are followed or even influenced by Booking.com so that customers’ needs and requirements are met. This makes the company a desired partner for many hotels supplying secure reservations and great online visibility. Underlined is the importance of Booking.com for attracting last minute mobile sales of rooms. The behavior of the people booking a room at hotel “Fenix” through Booking.com is analyzed, the nationality of the guests and
what device they have used for reservation online. For the purpose of the survey, data from the Analytics dashboard in the property’s extranet webpage was used. The survey is divided into several aspects as follows:

1. A study of the time in advance of the guests, who make a reservation of a room and the corresponding length of their stay. Statistics data for the period of time in advance which guests have made a reservation and the corresponding cancelation rate was used, and this data was compared to the statistics of the market. In this case there were 536 room reservations reviewed for the last 365 days as of January 23rd, 2019.

2. Statistics data regarding the nationality of the guests was obtained from the hotel’s analytics dashboard. This data was compared to the statistics of the market. The data was obtained from 534 room reservations for the last 365 days as of January 23rd, 2019.

3. The electronic device (computer, tablet, telephone), which is used to make a reservation was reviewed and compared to last year’s statistics.

All this data is used to analyze the behavior of people making reservations in the hotel “Fenix”.

Research

The family hotel “Fenix” is a partner of Booking.com since March 2011. For these years the relationship between the hotel and the OTA developed and growth was supported for both the small partner and its larger reservation provider. Being in proximity to the Rila Monastery – a symbolic national tourist attraction and on the road between two big cities, Sofia – the capital of Bulgaria, and Thessaloniki – the second biggest city in Greece, provides the hotel many business opportunities. Hotel “Fenix” opened in 2004, situated in the central part of the town, it offers accommodation in 15 rooms, a restaurant and lobby bar, and organisation of special events; airport transfers and daily trips are offered for visitors. The hotel has its own website, Facebook profile and was listed in several OTAs. Reservations through Booking.com account for 22% of all reservations in the family hotel “Fenix” but, for foreign tourists coming to the hotel, 59% of foreigners book reservations through Booking.com. Statistics in the following diagrams show how people prefer to make a reservation and what time in advance they are making it.

Data from Figure 2 reveals customer behavior by showing what time period in advance the guests make their reservations and the corresponding length of their stay:

**Figure 2**: How far ahead guests have booked and the length of their stay.

![Figure 2: How far ahead guests have booked and the length of their stay.](image)

Source: Hotel Fenix Extranet Booking.com, January 23 2019

Figure 2 shows that most of the reservations in the hotel are made 1 to 7 days before arrival with 30.8% made just 0-1 day before arrival. It’s clear that nearly one third of the guests prefer to book in the “last minute”. These guests usually stay for a day at the hotel. Longer stays are booked more in advance: 31-60 days prior to arrival reservations typically book for 2.1 days of stay.

As of perspective of cancelation details Figure 3 is presented.

From Figure 3 we can see the small number of cancelations occurring in the “last minute” (8.8%) which is due to the cancelation policy of the property in Booking.com. If a reservation is canceled within the
last 24 hours of arrival the first night of the booked stay can be charged by the hotel. This makes people more careful and they usually cancel their bookings more in advance of these 24 hours.

**Figure 3:** How far ahead in time guests have booked and the corresponding cancelation rate.

Source: Hotel Fenix Extranet Booking.com, January 23 2019

**Figure 4:** How far ahead guests have booked and the cancelation rate compared to the market data.

Source: Hotel Fenix Extranet Booking.com, January 23 2019

Figure 4 shows that hotel “Fenix” has fewer last minute reservations than the market it operates in. This fact is due to the lack of “last minute” offers from the property. A positive fact is the cancelation rate compared to the market which shows that the property has less cancelation than the average for the market. This data shows the loyalty of property guests is higher than the market average.

**Figure 5:** Nationality of the guests.

Source: Hotel Fenix Extranet Booking.com, January 23 2019
As seen in Figure 5 most of the guests are from Bulgaria 40.3%, followed by guests from Greece – 9.1%, and Romania and Russia with 5.4% each. This fact is contributed towards by the proximity of the town to the border with Greece. Reservations from Romania are mostly of people stopping by on the way to Greece for their summer vacation. Russians are mostly students from Blagoevgrad Universities. These facts confirm statistics of the Ministry of Tourism in Bulgaria for 2018 stating that guests from Romania and Greece are first and second in numbers visiting Bulgaria and Russia 5th (Ministry of Tourism Bulgaria 2018). A survey by Dimitrov et al. (2017) aimed to grasp the largest possible sample of relevant market segments of international tourists visiting Bulgaria also confirms these numbers.

![Figure 6: Device used for reservation compared to last year result.](Image)

Source: Hotel Fenix Extranet Booking.com, January 23 2019

In Figure 5, from 2018 to 2019 an increase in the reservations made via mobile phone 34.7% to 40.3% is observed related a decrease of desktop reservations from 62.4% to 56.8%. This confirms the global trend of increasing smartphone online reservations which is especially strong in Asia. In North America and Europe, mobile bookings stand at just 28% and 33% respectively. In Asia, the figure is between 45-49%, while it is 53% in the Middle East. Part of the reason seems down to regional demographics. For instance, over half of the population in the Middle East is Millennials—and their mobile usage is almost 100% (www.traveltripper.com, 2018).

**Discussion and Conclusions**

In this article we exposed the leading role of Booking.com as a major OTA in Europe and to some extend in the world. What gives assurance that this internet platform is the best and most appropriate partner for every hotel? Some other big OTAs like Expedia (established by Microsoft), TripAdvisor, Ctrip and even Airbnb are trying to take the lead or just close the gap to the leading hospitality provider. Though many countries blocked or restricted the BPC of Booking.com, statistical data shows that the share of the OTA still increases in EU (Feinstein E., 2018). Adopting the antitrust measures of the EU evoked a set of new consumer and partner services that smoothened the effect of the removal of the best price clause. As shown in surveys by Mantovani, A., Piga, C., Reggiani, C., (2017) and Hunold, M., Kesler, R., Laitenberger, U., Schütter, F. (2017) it is evident that the price drop and delisting from Booking.com was just a temporary solution. Hotels need to use an OTA that gives them confidence and last-minute web exposition to attract consumers. Most OTAs are offering similar services but only few provide such vast visibility as Booking.com to guests on the internet. Booking.com invests billions in advertising on Google and collaborates with partners like Tripadvisor and Ctrip to achieve a broader market grasp. For example, when searching for a flight at Wizzair.com (budget airline) a link with appropriate hotels on Booking.com pops up. The worldwide advertising budget of online travel companies rose from 2.61 billion USD in 2012 to 10.7 billion USD in 2018 (www.statista.com, 2019). According to an article by Prieto M. (2017) Priceline group spent more for marketing than any other online travel company in the world for the period 2013 – 2017, a fact that supports the stronghold position of Booking.com on the stage of online market. Their heavy investments are paying off and attract more hoteliers to join the platform. Then the system of evaluation and ranking drives hotels to please Booking.com’s and consumers’ requirements to achieve a front row market position. Mobile reservations are increasing as observed in this article hence hotels’ online presence becomes a must and a driving factor for success. Being online is crucial but total dependency on one OTA limits hotels’ horizons and diversification. A survey by Stangl, B., Inversini, A. and Schegg, R. (2016) showed that on average hotels in Austria, Germany and Switzerland use more than 3 OTAs and in Germany the
market is lead not by Booking.com but by HRS group’s web platforms - a slightly different picture from what we observe in most other EU countries. This fact can trigger the evolvement of new inner country based OTAs trying to overcome the dependency on one main online distribution channel by offering better financial conditions to hoteliers. Some OTAs like Gomingo.com offer no commission bookings for listing with them (https://www.gomingo.com/help/our-company) or a free booking engine to install on a hotel’s website like Freetobook.com (https://en.freetobook.com/pricing) but their worldwide e-visibility is not as great as that of the “giant” OTAs.

The surveys in this paper draw several conclusions as follows – hotels take advantage of the visibility offered by OTAs’ websites in exchange for a commission rate depending on their desire to be on the first shelf of the online marketplace, overcoming their competition. Being in the front row of many similar businesses takes lots of effort and often additional investments have to be made by hotel managers. OTAs show the price formation path for hotels using their service and thus make price assignment an easy game for hotel managers. Attracting the attention of tourists draws more bookings which fulfill hotels’ occupation plans. As a pronounced player, Booking.com increases hotel occupancy rates despite a restricting price policy by applying BPC in some EU countries. The efforts of several EU countries to ban parity clauses open a clear way for small and large hotels to become more competitive and apply diverse prices on various online channels including direct sales on their online reservation channels.

The case of a small family hotel, listed mainly in Booking.com, reveals that reservations results are dependent on a good rating in Booking.com as the main OTA in Europe with a 66% share of the market as well as the appropriate use of the business opportunities and surrounding economic conditions of the region where the hotel operates. Despite the lack of BPC in some EU countries, hotels are still aware of the need for greater visibility supplied at affordable prices by big OTAs like Booking.com. As far as foreign tourists are concerned, OTAs play significant roles for attracting more room bookings which is outlined in this survey.

Several limitations are present in the research such as only one hotel being reviewed in one online travel agent platform. In a future survey a broader examination has to be made. The share of Booking.com as a distribution channel in all hotels’ sales has to be investigated and the importance of Booking.com’s rating system in Bulgaria can also be reviewed. A more detailed survey of competition in the OTA market in EU and especially Asia has to be conducted.

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