

Anticipated acquisition by Booking Holdings Inc. of certain activities of eTraveli Group AB

Decision on relevant merger situation and substantial lessening of competition

ME/6991/22

The Competition and Markets Authority's decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 29 September 2022. Full text of the decision published on 4 November 2022.

Please note that [X] indicates figures or text which have been deleted at the request of the parties and third parties for reasons of commercial confidentiality. Figures may have also been replaced in ranges at the request of the parties and third parties as a way to protect commercial confidentiality.

SUMMARY

1. On 23 November 2021, Booking Holdings Inc. (**Booking**) agreed to acquire sole control over eTraveli Group AB (**Etraveli**), except for its separate flight metasearch services (**MSS**) business, Flygresor, through the acquisition of 100% of the issued share capital of Flugo Group Holdings AB (**Flugo**) from CVC Capital Partners (**CVC**) (the **Transaction**). Booking and CVC (including Flugo and Etraveli) are together referred to as the **Parties**. For statements referring to the future, Booking and Flugo (including Etraveli) are together referred to as the **Merged Entity**. References to Etraveli exclude Flygresor.
2. The CMA believes that it is or may be the case that each of Booking and Flugo is an enterprise; that these enterprises will cease to be distinct as a result of the Transaction; and that the share of supply test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

3. Booking and Etraveli operate online travel agent (**OTA**) businesses in the United Kingdom (**UK**) and worldwide. OTAs are two-sided platforms which sell one or more types of travel products supplied by travel service providers (**TSPs**) to consumers. On the one hand, OTA platforms provide search, compare and booking services to consumers. On the other, OTA platforms provide marketing services and booking functionality to TSPs. OTA platforms are also characterised by indirect network effects, with an OTA platform being more attractive to TSPs and consumers, respectively, the greater the number of consumers and TSPs using the OTA platform.
4. Suppliers of OTA services can operate using their own proprietary capabilities (eg customer interface website, back-end booking software, inventory, and customer support platform) and/or source those capabilities, in full or in part, from other suppliers of OTA services through commercial affiliate arrangements.
5. In the UK, Booking is primarily active through the Booking.com brand, mainly offering accommodation OTA services via proprietary capabilities. Since around 2019, Booking.com also provides flight OTA services through a commercial affiliate arrangement with Etraveli (the **Partnership**). Etraveli focusses on the supply of flight OTA services via proprietary capabilities under the FlightNetwork, GoToGate, MyTrip, and SuperSaver brands, while also offering accommodation OTA services through a commercial affiliate arrangement with Booking.com.
6. The CMA considered whether the Transaction may give rise to a substantial lessening of competition (**SLC**) by raising barriers to entry and expansion in the supply of accommodation OTA services in the UK. The CMA's investigation focussed on the change in market structure in the supply of accommodation OTA services in the UK brought about by the Transaction and, in particular, on the impact of the potential loss of Etraveli as a customer retention and/or acquisition channel for rival suppliers of accommodation OTA services. The CMA considered, in this regard, whether the Transaction would make it materially more difficult for current or future rivals to compete with Booking.com, thereby strengthening Booking.com's existing market power in the accommodation OTA market and lessening competition over time.

7. In its assessment of whether the Transaction might raise barriers to entry and expansion, the CMA considered whether Booking.com has market power in the supply of accommodation OTA services in the UK, whether there are barriers to entry and expansion into that market, and how important a flight OTA offering is as a channel to acquire and retain UK consumers (and, because of indirect network effects, UK accommodation providers) for suppliers of accommodation OTA services.
8. The CMA found that Booking.com has significant market power in the supply of accommodation OTA services in the UK and that there are material barriers to entry and expansion in that market, including barriers related to Booking.com's incumbent position.
9. The CMA also found, however, that Etraveli is not a particularly significant customer retention and/or acquisition channel for suppliers of accommodation OTA services in the UK. In particular:
 - (a) the available evidence (in particular from consumer research and the Parties' internal documents) indicates that travel is a discrete, infrequent, high-value purchase, and that UK consumers currently "shop around" rather than purchasing multiple travel services from the same provider;
 - (b) Booking.com and its rival suppliers of accommodation OTA services use several customer retention and acquisition channels (which account for large proportions of their revenues) that will be unaffected by the Transaction;
 - (c) Etraveli currently has a modest market position within the supply of flight OTA services and there are other suppliers of flight OTA services with a similar market position and capabilities. Moreover, the vast majority (87-89%) of customers that book flights online in the UK currently purchase flights directly from an airline. Accordingly, to the extent that a flights business could be an important channel for customer retention and acquisition, Booking.com's rival suppliers of accommodation OTA services will continue to have access to the vast majority of UK consumers that purchase flights.

10. There is some evidence of an evolution in consumer demand (which is reflected, in particular, in Booking's broader commercial strategy, a significant part of which is to be able to sell a "Connected Trip" to consumers). In keeping with the forward-looking approach to assessment applied by the CMA in merger investigations, the CMA has considered how this evolution could affect the competitive impact of the Transaction. Overall, the CMA considers that there is little evidence to suggest that consumer behaviour in purchasing travel online in the UK could change to the extent that there will be a material reduction in the significance of the alternative customer retention and acquisition channels available to Booking.com's rival suppliers of accommodation OTA services.
11. On this basis, the CMA does not believe that it is or may be the case that the Transaction may be expected to give rise to a realistic prospect of an SLC as a result of higher barriers to entry and expansion in the supply of accommodation OTA services in the UK. The Transaction will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

PARTIES

Booking

12. Booking is a public company incorporated in the United States. In 2021, it had a worldwide turnover of approximately €9.87 billion, of which £[§<] was generated in the UK. Booking operates OTA and travel MSS businesses worldwide under five main consumer-facing brands across travel verticals.¹
13. Both worldwide and in the UK, Booking is primarily active through the Booking.com brand, which principally offers accommodation OTA services using its own proprietary capabilities. Booking.com has also provided flight OTA services since around 2019 through the Partnership (ie using Etraveli's proprietary capabilities).²
14. Booking.com also provides its proprietary accommodation OTA capabilities on a commercial affiliate basis to third parties (eg other suppliers of OTA services and TSPs) that wish to offer accommodation services to users of their websites and mobile applications (**apps**) in the UK and elsewhere.³

Flugo and Etraveli

15. Flugo is a limited liability company incorporated in Sweden. It is the parent company of Etraveli and is ultimately owned by funds controlled by CVC. Flugo (excluding Flygresor (see paragraph 24)) had approximately €[§<] worldwide turnover in 2021, of which around £[§<] was generated in the UK.

¹ These brands are: (i) Booking.com (see paragraphs 13-14); (ii) Rentalcars.com, which focusses on car rental OTA services in the UK and worldwide; (iii) Priceline, which provides OTA services across travel verticals mainly in North America; (iv) Agoda, which provides OTA services across travel verticals mainly in the Asia-Pacific (**APAC**) region; and (v) KAYAK and its sub-brands Cheapflights, Momondo and HotelsCombined, which provide MSS across travel verticals in the UK and worldwide. Booking also operates OpenTable, an online restaurant reservations platform.

² Booking.com also provides car rental OTA services and dynamic packages of accommodation and flights both worldwide and in the UK.

³ Commercial affiliate arrangements are typically entered between a supplier of OTA services that has proprietary capabilities and another supplier of OTA services looking to enter/expand into a new/existing travel service-type without incurring the costs of developing proprietary OTA capabilities. Commercial affiliate services may also be provided to any third-party interested in selling travel services to consumers. See **Frame of Reference** section.

16. Both worldwide and in the UK, Etraveli focusses on the supply of flight OTA services using its own proprietary capabilities. It also offers accommodation OTA services through a commercial affiliate arrangement with Booking.com (ie using Booking.com's proprietary capabilities).⁴ Etraveli's OTA services are provided under the FlightNetwork, GoToGate, MyTrip, and SuperSaver brands in the UK. In addition, Etraveli's proprietary flight OTA capabilities are provided on a commercial affiliate basis to third parties, including to Booking.com through the Partnership.⁵
17. Etraveli also currently operates a separate flight MSS business, primarily in Sweden, under the Flygresor brand.

PROCEDURE

18. The CMA's mergers intelligence function identified the Transaction as warranting an investigation.⁶
19. The Transaction was considered at a Case Review Meeting.⁷

JURISDICTION

20. Each of Booking and Flugo is an enterprise under section 129 of the Act. As a result of the Transaction, these enterprises will cease to be distinct within the meaning given in section 23(2)(a) and 26 of the Act.
21. The share of supply test in section 23(2)(b) of the Act is satisfied. The Parties overlap in the supply of accommodation OTA services in UK, where Booking is active through proprietary capabilities and Etraveli is active by way of a commercial affiliate arrangement with Booking.com. In 2021, the Parties' combined share of supply exceeded 25% in the supply of accommodation

⁴ Etraveli also offers car rental OTA services through a commercial affiliate arrangement with Rentalcars.com both worldwide and in the UK.

⁵ Etraveli is also active in the supply of airline content distribution services via TripStack, whose activities are almost entirely captive. For instance, Flugo submitted that the vast majority (ie [X]%) of TripStack's global revenues in 2021 were derived from Etraveli. Merger Notice provided by Booking and Flugo (on behalf of CVC) on 31 July 2022 (**Merger Notice**), paragraphs 1.5, 3.10 and 12.7.

⁶ [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2revised), December 2020, paragraphs 6.4-6.6.

⁷ [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2revised), December 2020, page 43 and paragraphs 9.29-9.41.

OTA services in the UK, with a small increment brought about by the Transaction of less than 1% (see **Table 1**).

22. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
23. The initial period for consideration of the Transaction under section 34ZA(3) of the Act started on 3 August 2022 and the statutory 40 working day deadline for a decision is therefore 29 September 2022.

TRANSACTION

24. Booking envisages acquiring sole control over Etraveli through the acquisition of 100% of the issued share capital of Flugo from CVC, for approximately €1.4 billion. Flygresor will be retained by CVC and is not included within the scope of the Transaction.⁸
25. The Transaction is being or has been reviewed by competition authorities in the European Union, the United States, and Ukraine.⁹

Booking's rationale for the Transaction

Booking's submissions

26. Booking submitted that its rationale for the Transaction is to acquire competitive proprietary flight OTA capabilities that will improve and accelerate the growth of Booking.com's flight OTA offering relative to what can be achieved under the Partnership in the UK and elsewhere.¹⁰
27. Booking stated that it has a long-term aspiration to expand into travel verticals other than accommodation, and then to link the relevant travel components to provide a more seamless offering of multiple travel elements that allows consumers to plan, book, pay for, and manage all elements of their trip in one

⁸ Prior to closing, Flygresor will be transferred to funds controlled by CVC. Merger Notice, paragraph 2.1 and related footnotes 25-26 and Attachments A.1 and A3.

⁹ Merger Notice, paragraph 2.3.

¹⁰ Merger Notice, paragraph 3.15. Part 1 of the response submitted by the Parties to the CMA's Issues Letter (**Response to IL Part 1**), page 6. Part 2 of the response submitted by the Parties to the CMA's Issues Letter (**Response to IL Part 2**), page 5.

place. (This strategy is referred to as the “**Connected Trip**” within Booking’s internal documents and in public statements). Booking also stated that, if it can execute the Connected Trip successfully and profitably, it would be able to cross-sell between travel verticals, generating incremental growth.¹¹

28. Booking provided the CMA with the transaction valuation model that underlies the valuation of the Etraveli business approved by the Booking Board of Directors (the **TVM**), which Booking submitted reflects the anticipated value of the Transaction for the Booking business (including, in particular, the areas of its business in which Booking expects to realise the benefits of the Transaction). Booking submitted the TVM shows that the principal driver of the Transaction is to grow the flights vertical, given that it attributed the [X] majority (ie [X]%) of Booking’s enterprise valuation of the Etraveli business to incremental growth in flights (both on Booking.com and on Etraveli’s existing OTA brands). The remaining [X]% of Booking’s enterprise valuation of the Etraveli business is accounted for by incremental growth in the accommodation vertical through cross-sell opportunities.¹² Booking also submitted the TVM assumed ambitious growth in respect of incremental growth in flights and the related incremental growth in the accommodations vertical through cross-sell opportunities.¹³

CMA assessment

Booking’s Connected Trip strategy

29. During its investigation, the evidence that the CMA received from Booking and a range of third parties indicates that Booking has a long-term strategy to build an integrated OTA offering of multiple elements of travel beyond accommodation, including other travel services (eg flights) and ancillary products (eg travel-related financial services), connected by a payment platform.¹⁴ As noted above, Booking frequently refers to this business strategy as the Connected Trip.

¹¹ Merger Notice, paragraph 3.17. Response to IL Part 1, page 5. Response to IL Part 2, page 5.

¹² Merger Notice, paragraphs 3.16-3.17 and Attachments M.1, M.2 and M.3. Merger Notice, paragraph 3.17. Response to IL Part 1, page 6. Response to IL Part 2, pages 5-6.

¹³ Response to IL Part 1, pages 10-12 and 14-15.

¹⁴ See Booking’s public statements in reiterated occasions ([Form 10-K 2021](#), [Form 10-K 2022](#), [Q2 2022 Earnings Call](#), [Q1 2021 Earnings Call](#) and [Q3 2020 Earnings Call](#)); a number of Booking’s internal documents (eg Merger

30. Booking's public statements and internal documents indicate that Booking is using the Connected Trip to seek to create a one-stop-shop OTA service proposition that, *inter alia*, is hard for other suppliers to replicate; to drive consumer frequency and loyalty and direct traffic to Booking.com over time (including to reduce reliance on paid customer acquisition channels); and to become the distribution channel of choice for TSPs.¹⁵
31. Booking's public statements and internal documents also indicate that the Connected Trip is one of Booking's key strategies to protect and grow its accommodation OTA business on Booking.com in the coming years.¹⁶ Similarly, this evidence also shows that the accommodation OTA business on Booking.com is core to Booking's overall business, accounting for the large majority of its total revenues and operating profit worldwide and in the UK.¹⁷

Booking's decision to offer flights on Booking.com

32. While Booking has been offering flights on Priceline (Booking's US-focussed OTA brand) for several years, it did not have a flight OTA offering on Booking.com before 2018.¹⁸ Evidence received by the CMA indicates that Booking has, since around 2018-19, been considering and taking steps to build a flight OTA business on Booking.com, including by entering the Partnership.¹⁹

Notice, Attachments H018, H217 and H437); business analysts' reports (Merger Notice, Attachments H530, H597, H598, H599 and H600); and third party views (Response by an accommodation provider to the CMA's questionnaire to TSPs).

¹⁵ In Earnings calls held between 2020 and 2022, Booking noted that it believes the Connected Trip will over time drive direct customer engagement, share of spend, loyalty and frequency to Booking.com as well as increase value to TSPs for using Booking.com (Q2 2022 Earnings Call, Q4 2021 Earnings Call and Q3 2020 Earnings Call). See also a number of internal documents in this regard (Merger Notice, Attachments H027 and H217).

¹⁶ Booking's Form 10-K 2021 and Form 10-K 2020 show that it expects the Connected Trip to increase room night growth and revenue growth over time. In Earnings Calls held in 2020 and 2021, Booking noted that the Connected Trip is a key strategic priority, which is expected to further enhance the strength of its core accommodation business and support its continued growth (Q2 2021 Earnings Call and Q3 2020 Earnings Call). See also many internal documents in this respect (Merger Notice, Attachments H018, H019, H020, H026, H027, H028, H123, H205, H215, H217, H243, H366, H494, H548 and H567).

¹⁷ Revenue data indicates that the large majority of Booking's worldwide and UK revenue is generated by Booking.com's accommodation OTA business (Merger Notice, Tables 3.1-3.3). A number of internal documents describe Booking.com as Booking's global main brand and state that Booking.com's accommodation OTA business has been the core value proposition and financial engine of the Booking group for many years (eg Merger Notice Attachments H020, H124, H217 and H548). Booking's public statements and internal documents also indicate that Booking.com's profit margins from accommodation OTA services are high, in particular relative to other OTA suppliers (Q2 2022 Earnings Call, Q3 2020 Earnings Call, Q4 2019 Earnings Call and Merger Notice, Attachment H217).

¹⁸ Booking's Form 10-K 2017.

¹⁹ See from paragraph 44.

33. As regards Booking's strategic interest in flights, the CMA found that a large number of internal documents produced by Booking since 2018-19, as well as repeated public statements made by the company over the same period, indicate that the decision to offer flights on Booking.com has been largely influenced by its pursuit of the Connected Trip.²⁰ In this regard, Booking's public statements and internal documents indicate that Booking considers that having a competitive flight OTA business on Booking.com will give it (i) the ability to attract new customers to Booking.com and to engage directly with new and existing customers at an early stage of trip planning and while in-trip;²¹ (ii) the opportunity to cross-sell accommodation to a larger and more engaged customer base;²² and (iii) together with other initiatives (eg Booking.com's Genius loyalty program,²³ the Booking.com app, and marketing campaigns), the opportunity to further incentivise a larger and more engaged customer base to book accommodation on Booking.com for the same trip and to return to Booking.com directly when booking travel products (in particular accommodation) in the future.²⁴

²⁰ See many internal documents (Merger Notice, Attachments H001, H015, H018, H019, H020, H026, H027, H028, H030, H110, H169, H205, H217, H231, H236, H243, H327, H328, H342, H350, H366, H437 and H491). See also various public statements (Q1 2022 Earnings Call, Q4 2021 Earnings Call, Q3 2021 Earnings Call, Q2 2021 Earnings Call, Q1 2021 Earnings Call, Q4 2020 Earnings Call, Q3 2020 Earnings Call, Q4 2019 Earnings Call and Q3 2019 Earnings Call).

²¹ In Earnings Calls held from 2020 to 2022, Booking noted that developing a flight OTA business on Booking.com is an important strategic component of the Connected Trip because many people start planning their trips from flights, giving Booking.com the ability to engage with flight bookers early in their travel journey (Q1 2022 Earnings Call, Q4 2021 Earnings Call, Q3 2021 Earnings Call, Q2 2021 Earnings Call, Q1 2021 Earnings Call, Q4 2020 Earnings Call and Q3 2020 Earnings Call). Many internal documents indicate that Booking intends to use flight OTA services on Booking.com to access new customers, engage with new and existing consumers at early stages of the trip planning process, and increase the number of touchpoints with new and existing consumers during their trips (Merger Notice, Attachments H003, H123, H197, H232, H258, H342, H351, H366, H437, H491, H494, H540, H548, H549 and H550).

²² In Earnings Calls held from 2020 to 2022, Booking stated that it is seeing an encouraging attach rate of accommodation bookings from flight customers, which demonstrates that Booking.com's flight OTA offering drives incremental new customers to Booking.com to which it can then cross-sell accommodation (Q1 2022 Earnings Call, Q3 2021 Earnings Call, Q2 2021 Earnings Call and Q4 2020 Earnings Call). A number of internal documents indicate that flights present the opportunity of attach into accommodation compared to other verticals (Merger Notice, Attachments H003, H011 and H020). Many internal documents also indicate that the ability to cross-sell accommodation to flight customers on Booking.com is a key aspect of the Connected Trip, and that Booking has been exploring initial cross-sell capabilities (Merger Notice, Attachments H015, H197, H217, H243, H258, H342, H350, H352, H491, H515 and H563).

²³ Genius offers an at least 10% discount when consumers (including UK consumers) create a Genius account. The more times consumers use Booking.com, the greater the discounts and other benefits they will receive. See <https://www.booking.com/genius.en-gb.html>.

²⁴ During its Q1 2022 Earnings Call, Booking noted, in relation to the Connected Trip and the flights OTA offering on Booking.com, that '[t]he great thing about these things is trying to build up a belief that coming to [...] Booking.com is the best way to go, so getting more repeat business and getting to do it on the app so that [Booking.com does not] pay for that person to come and increase that loyalty. So there's a lot of ways trying to increase this flywheel, so people know the products better and coming to us, and as [Booking.com] continue[s] to

34. Evidence received by the CMA also indicates that Booking has considered [X] margins [X] to seek to grow the overall customer base on Booking.com, including for its high-margin OTA accommodation business.²⁵
35. The CMA notes that Booking's internal documents referred to in paragraphs 29-34 were generally prepared for Booking's or Booking.com's senior management (including strategic documents prepared for the Booking Board of Directors) and were produced or made before or in parallel to Booking's consideration of the Transaction.

Booking's decision to pursue the Transaction

36. Apart from the TVM, Booking's public statements and internal documents relating to the Transaction generally emphasise that the Transaction is intended to scale up Booking.com's existing flight OTA offering as a mean to

do that, get more information, be able to provide a better proposal to them, a better offer to them, then they convert more easily. And it continues to go on its own.' During its [Q1 2021 Earnings Call](#), Booking noted that 'Booking.com's flight offering is now fully native in the app and while early, [Booking is] in the process of beginning to utilize marketing channels to bring potential customers to the product.' A number of internal documents also indicate that Booking is seeking to optimize other capabilities (eg) to increase repeat and direct rates over time from the larger customer base resulting from, *inter alia*, a flight OTA offering on Booking.com (Merger Notice, Attachments H127, H258, H327, H342, H491, H501 and H563). In addition, an internal document indicates that when forecasting the impact of flights on Booking.com's accommodation business, Booking takes into account incremental sales not only from the cross-selling of accommodation to Booking.com's flight customers, but also from the direct impact of other travel products, such as flights, to increase accommodation booking conversions (ie Leadership), and from the indirect impact on customer behaviour from increased stickiness due to booking multiple products (ie the Halo Impact) (Merger Notice, Attachment H537).

²⁵ During its [Q2 2021 Earnings Call](#), Booking stated that it 'want[s] to have a bigger business, making more EBITDA, growing faster. [...] But [Booking] recognize[s] that a lot of things that [it is] doing nowadays can actually end up with a lower margin. Obviously, air, for example. It's wonderful when we say 120% increase over 2019 in air tickets. [...] But [Booking] know[s] that those margins are nowhere near what they are in the accommodation business. [...] The key thing for [Booking] and for [its] shareholders [...] is coming back with more EBITDA dollars. [Booking] continues to grow [its] business so there's more of that.' Booking also stated that 'something that [it] obviously [has] reason to want to do [...] is not just to sell a flight ticket. It's to actually get some of those higher margin, those accommodations and build out that Connected Trip.' At its [Q1 2021 Earnings Call](#), Booking stated that 'attachment rates [...] [are] an important reason [Booking] do[es] flights. And that getting that booker upfront is important so that we can then get them to buy something that will have a higher margin.' Many internal documents indicate that Booking has in order to attract more customers to Booking.com and drive accommodation growth (Merger Notice, Attachments A.3, H020, H026, H028, H123, H205, H341, H342, H535, H548 and H567). Some suppliers of OTA services told the CMA that they believe the Merged Entity will use Etraveli's flight OTA capabilities as a customer acquisition funnel. These suppliers also believe the Merged Entity may sell flights at discounted prices or even at a loss, knowing that Booking.com can attach higher accommodation margins to a significant percentage of flight bookings (Response by a number of suppliers of OTA services to the CMA's questionnaire to OTAs). An airline also told the CMA that Booking.com may use its strong margins in accommodation to sell flights at discounted prices (Response by an airline to the CMA's questionnaire to TSPs).

accelerate the successful execution of the Connected Trip (rather than focussing on the narrower impact on Booking's flights business).²⁶

37. As a document used, in practice, by Booking's board to assess the benefits of the Transaction, the CMA notes that the TVM should provide some insight on Booking's rationale for the Transaction. The CMA also notes, however, that there is a material degree of inconsistency between the rationale for the Transaction as captured in the TVM and the rationale for the Transaction (or, at least, for the acquisition or development of a flight OTA business on Booking.com) as set out in Booking's recent internal documents and repeated public statements that Booking has made. More specifically, in those other documents and statements, Booking has tended to focus on the acquisition or development of a flight OTA business on Booking.com as part of a broader strategy (ie the Connected Trip) that seeks to grow and protect Booking's core accommodation OTA business on Booking.com in the coming years. The CMA notes that this emphasis appears to be inconsistent with the relatively limited proportion of the Transaction value that the TVM attaches to incremental growth in accommodation bookings.
38. In addition, the CMA notes that other evidence, including certain internal documents, suggest that the TVM was recognised as being a conservative assessment (regarding, *inter alia*, the flights acceleration on Booking.com and the incremental growth in the accommodations vertical through cross-sell opportunities) and may not have factored in all the Connected Trip benefits that Booking would reasonably expect to achieve following the acceleration of its flight OTA business on Booking.com.²⁷

²⁶ During its [Q4 2021 Earnings Call](#), Booking explained that 'Booking.com and Etraveli have been [...] partnering over the last two years with Etraveli powering Booking's flight product. Given the strategic importance of flights to [the] Connected Trip offering, [Booking] believe[s] it is critical to bring Etraveli's flight expertise and technology in-house, while also unlocking some of the limitations that exist in [the] current commercial agreement. [...] [Booking is] going to bring that technology in-house and be able to do things that [it] couldn't do when [it was] just a commercial partner.' The slide deck used to [redacted] for the Transaction and the minutes of the [redacted] the Transaction indicated that a competitive flights platform is important for the Connected Trip and that the strategic rationale for the Transaction was to accelerate the execution of the Connected Trip (Merger Notice, Attachments H021 and H025).

²⁷ For example, an internal document indicates that Booking's valuation of the Etraveli business was not overly aggressive, especially when considering Booking.com's flights synergies (Merger Notice, Attachment H494). Another internal document discussing Booking's valuation of the Etraveli business notes that Booking has conservatively assumed [redacted] (Merger Notice, Attachment H013). In addition, in estimating incremental accommodation bookings from cross-selling opportunities, Booking considered lower [redacted], which may not be reflective of future attach rates (Merger Notice, Attachment H596). Moreover, the TVM did not seem to have

39. The CMA notes, following the approach to the assessment of evidence set out in the CMA's guidelines, that the TVM is only one piece of evidence that falls to be considered alongside other pieces of evidence gathered by the CMA during its investigation,²⁸ including the evidence summarised in paragraphs 29-37. Accordingly, in considering the weight that should be attached to the TVM, the CMA has taken into account the inconsistencies between that document and other evidence (and has therefore attached less weight to the TVM than it would have done had it been corroborated by internal documents and/or Booking's published statements made before and in parallel to Booking's consideration of the Transaction).²⁹

COUNTERFACTUAL

40. The CMA assesses a transaction's impact relative to the situation that would prevail absent the transaction (ie the counterfactual).³⁰ In anticipated transactions, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between merging parties than under the prevailing conditions of competition.³¹ In its assessment, the CMA will generally focus only on potential changes to the prevailing conditions of competition where there are reasons to believe that those changes would make a material difference to its competitive assessment.³² In addition, the time horizon considered in the assessment of the counterfactual will depend on the context.³³

factored in incremental accommodation sales from [X] Leadership and the Halo Impact. These are effects of the Connected Trip which Booking has considered when forecasting the impact of a flight OTA offering on Booking.com's accommodation business (Merger Notice, Attachment H537). For completeness, the CMA notes that Booking submitted that the customer channels for which internal documents indicated Booking has conservatively assumed , and that the TVM has implicitly factored in the effects of Leadership and Halo Impact in the forecast growth of the flight business (Response to IL Part 1, pages 15-16).

²⁸ In particular, the CMA does not normally consider specific pieces of evidence in isolation when considering the question of an SLC, although it is common for the CMA to weight pieces of evidence differently. [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 2.23.

²⁹ By analogy, the CMA's guidelines state that where internal documents support claims made by merger firms, the CMA may be likely to attach more evidentiary weight to such documents if they were generated prior to the period in which those firms were contemplating or aware of the transaction, or if they are consistent with other evidence. [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 2.29(a).

³⁰ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 3.1.

³¹ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 3.2.

³² [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 3.9.

³³ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 3.15.

Booking's submissions

41. Booking submitted that the CMA should assess the competitive effects of the Transaction against the pre-existing competitive situation between the Parties.³⁴
42. Booking submitted that in the counterfactual Booking.com already provides flight OTA services via the Partnership. Booking also submitted that all strategies the CMA considered the Merged Entity could deploy to convert flight customers into accommodation customers already apply in the counterfactual (these strategies are set out in paragraph 81). Booking further submitted that these strategies would only be incrementally improved post-Transaction and that the CMA should focus its competitive assessment on the very limited changes to such strategies as a result of the Transaction.³⁵
43. Lastly, Booking also referred to the TVM and noted that the counterfactual forecast included in the model was generated on the premise that Booking.com would use every tool at its disposal to profitably grow Booking.com's flight OTA business and to generate incremental accommodation revenues. Accordingly, the limited changes to Booking.com's ability to implement the strategies identified by the CMA post-Transaction would have all been factored into the TVM.³⁶

CMA assessment

44. Evidence received by the CMA indicates that, prior to the Transaction, Booking had been pursuing a two-pronged strategy to build and scale up Booking.com's flight OTA business in Europe, including in the UK:
 - (a) [X]. The first prong of the strategy was to invest in the adaptation of Booking's [X].³⁷ Booking had been working on [X] since around [X], and Booking.com intended to switch to the [X] in the medium-term, ie around [X].³⁸

³⁴ Merger Notice, paragraph 11.1.

³⁵ Response to IL Part 1, pages 1, 11-13. Response to IL Part 2, pages 27, 73, 87 and 98.

³⁶ Response to IL Part 1, pages 12-13. Response to IL Part 2, pages 62 and 73.

³⁷ Merger Notice, Annex 21 and Attachments F, Attachment H001, H003, H005, H007, H007, H009, H018, H023, H197, H240, H366, H515, H540 and H547.

³⁸ Merger Notice, Attachments H001, H002, H003, H007, H010, H011, H023, H025, H028 and H366.

(b) **Partnership.** The second prong of the strategy was to partner with Etraveli on a commercial affiliate basis to offer flight OTA services in Europe while the [X] was being developed.³⁹ Since around 2019, Booking.com entered into successive commercial affiliate agreements with Etraveli, with the latest being signed in [X].⁴⁰

45. Booking's internal documents indicate that the Transaction is expected to replace the first prong of this strategy, while building on the base established by the second prong.^{41, 42}
46. As regards the differences between a counterfactual based on the continued operation of the Partnership and the Transaction scenario, the CMA notes that there is some inconsistency between the positions set out in, on the one hand, Booking's submissions before the CMA's Issues Letter and Booking's public statements and internal documents, and, on the other hand, Booking's submissions in response to the CMA's Issues Letter and the TVM.
47. In contrast to Booking's submissions after the Issues Letter and the TVM (see paragraphs 41-43), Booking's earlier submissions and internal documents indicate that the Partnership is not considered to be a sustainable basis upon which Booking.com can build a long-term fully competitive flight OTA offering. Two main reasons underpin this position. First, Booking.com is [X] reliant upon Etraveli for the [X]. Should Etraveli choose to exit the Partnership, Booking.com would not be able to offer flight OTA services in Europe (including the UK).⁴³ Second, apart from the risk of relying on third-party capabilities and a fixed-term commercial agreement, the Partnership does not allow Booking.com to fully harness Etraveli's capabilities to support

³⁹ Merger Notice, Attachments H001, H002, H003, H006, H007, H010, H011, H023, H028, H366 and H567.

⁴⁰ Merger Notice, Attachments H584, H585 and H570.

⁴¹ Merger Notice, Attachments H003, H005 and H007.

⁴² Given that both Etraveli and Booking.com currently provide flight OTA services and that the Transaction is expected to replace the organic expansion of Booking.com's flight OTA offering in Europe (including in the UK) through the [X], the CMA considered whether the Transaction could give rise to competition concerns in respect of the supply of flight OTA services in the UK. As discussed from paragraph 116, evidence received by the CMA indicates that (i) Etraveli currently has a modest market position within the supply of flight OTA services in the UK (see **Table 2**); (ii) Booking currently is not a material supplier of flight OTA services in the UK (see **Table 2**); (iii) there are other suppliers of flight OTA services in the UK; and (iv) suppliers of flight OTA services face a strong out-of-the-market constraint from the online direct channel of airlines. In addition, no third parties have raised concerns in respect of the Parties' supply of flight OTA services in the UK. On this basis, the CMA considered, at an early state in its investigation, that the available evidence indicates that no plausible competition concerns would arise as a result of the Transaction in respect of the supply of flight OTA services in the UK, and this is therefore not discussed further in this decision.

⁴³ Merger Notice, paragraph 3.14(i) and Attachments H003, H005 and H007.

Booking.com, currently limiting Booking's ability to grow the flight OTA business on Booking.com and to drive incremental accommodation sales as compared to having proprietary flight OTA capabilities.⁴⁴

48. In addition, as described further in paragraphs 37-39, the CMA notes that there is also some inconsistency between the TVM and other evidence on the CMA's file (which the CMA considers limits the weight that should be placed on the TVM). There is also some evidence that the TVM was a conservative assessment of the benefits of the Transaction (regarding, *inter alia*, the flights acceleration on Booking.com and the incremental growth in the accommodations vertical through cross-sell opportunities) and may not have factored in all the benefits, relating to the Connected Trip strategy, that may be brought about by the Transaction.
49. More generally, the CMA's assessment of the relevant counterfactual does not rely on an assessment of the specific commercial strategies that Booking is more (or less) likely to pursue under a contractual relationship, on the one hand, or under a merger scenario, on the other. First, as set out in the CMA's guidance, the CMA seeks to avoid, in its assessment of the relevant counterfactual, predicting the precise details or circumstances that would have arisen absent the Transaction.⁴⁵ This includes the precise characteristics of any strategies Booking would implement under the Partnership to accelerate Booking.com's flights and to drive incremental accommodation OTA sales, or the level of flights and accommodation sales Booking.com would have achieved under the Partnership as the result of such strategies. Second, the

⁴⁴ Booking noted, *inter alia*, that under the Partnership (i) Booking.com's flights sales in the MSS channel are limited to a relatively percentage (ie %) ; (ii) Booking lacks control over the prices of flights sold on Booking.com, as Etraveli is responsible for setting flights prices; (iii) Booking sells flights on Booking.com at a cost disadvantage, given that its cost base is made up of ; (iv) Booking has to offer discounts and other incentives on flights bookings made on Booking.com; (v) Booking implements generic marketing; and (vi) Booking does not currently offer discounts or credits to UK flight bookers that could subsequently be used to book accommodation. Merger Notice, paragraphs 3.14, 15.9(i) and 15.15 and Attachment H570. When discussing the Transaction during its [Q4 2021 Earnings Call](#), Booking also noted that '[...] Etraveli [...] do[es] a lot of things that could [Booking] recreate on [its] own? Probably. But it would take a long time. It would require [Booking] to use resources that [it] want[s] to use elsewhere. [...] [B]y acquiring Etraveli, [Booking is] going to bring that technology in-house and be able to do things that [it] couldn't do when [it was] just a commercial partner.' A number of internal documents also highlight the existing limitations under the Partnership (Merger Notice, Attachments H002, H003, H006, H007, H010, H011, H012, H013 and H025).

⁴⁵ The CMA's guidance states that the CMA seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger. For example, the CMA might assess, as part of the counterfactual, the likelihood that one of the merger firms would have entered or significantly expanded, but not the precise characteristics of the product or service it would have introduced or the level of sales it would have achieved. [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 3.11.

CMA notes that a contractual relationship is materially different in nature to a merger. The Partnership does not result in a lasting change in market structure, has limited duration, and may be renegotiated or terminated even before its initial term.⁴⁶ The implications for competition of a non-structural, term-limited contractual relationship, such as the Partnership, are therefore different from the ownership of a target business.

Conclusion

50. On the basis of the evidence summarised above, the CMA believes that, absent the Transaction, Booking.com would have, at least in the medium-term, continued to rely on the Partnership to provide flight OTA services on Booking.com in Europe, including the UK. Therefore, the CMA believes the prevailing conditions of competition are the appropriate counterfactual in this case. For the reasons set out above, the CMA does not believe that this counterfactual requires the CMA to conduct an assessment of the specific commercial strategies that Booking is more (or less) likely to pursue under the Partnership compared to the merger scenario.

FRAME OF REFERENCE

51. The assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of a transaction and should not be viewed as a separate exercise.⁴⁷ It involves identifying the most significant competitive alternatives available to customers of merger parties and includes the sources of competition to merger parties that are the immediate determinants of the effects of a transaction.⁴⁸
52. The CMA will typically start its assessment of relevant markets with the relevant products of the merger firms.⁴⁹ In identifying what other significant competitive alternatives should be included in the relevant market, the CMA will pay particular regard to demand-side factors.⁵⁰

⁴⁶ The Partnership is set to last until . Merger Notice, Attachment H570.

⁴⁷ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraphs 9.1 and 9.4.

⁴⁸ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 9.2.

⁴⁹ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 9.6.

⁵⁰ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 9.6 and 9.13.

53. In some cases, there may be no need for the CMA's assessment of competitive effects of a transaction to be based on a highly specific description of any particular market.⁵¹ This is because the evidence gathered and analysed as part of the competitive assessment, captures the competitive dynamics more fully than formal market definition.⁵² In addition, in assessing whether a transaction may give rise to an SLC, the CMA may also take into account, *inter alia*, constraints outside the relevant market.⁵³
54. Lastly, with respect to two-sided markets,⁵⁴ the CMA will assess whether to consider each side of a platform separately, or the overall competition between platforms, incorporating both sides in one assessment.⁵⁵ In its assessment, the CMA will take into account the extent of network effects, how competition works and competitive conditions.⁵⁶
55. For the purposes of this decision, the CMA has focussed its assessment of the frame of reference on the following activities of the Parties:
- (a) the supply of accommodation OTA services in the UK, which is the main service provided on Booking.com in the UK and which Booking.com may strengthen as the result of the Transaction; and
 - (b) the supply of flight OTA services in the UK, which is the main service provided by Etraveli in the UK and whose proprietary capabilities Booking wishes to add to Booking.com through the Transaction.

Product scope

Parties' submissions

56. The Parties submitted that the relevant product frame of reference is the supply of online travel intermediation services by travel product, comprising both OTA services and the online direct channel of TSPs, but excluding MSS

⁵¹ [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 9.5.

⁵² [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 9.2.

⁵³ [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 9.4.

⁵⁴ Some firms operate two-sided (or multi-sided) platforms. Examples include media publishers or social media platforms, which serve consumers on one side and advertisers on the other; shopping centres, which serve both retail tenants and shoppers; and online food delivery platforms, which serve both restaurants and consumers. [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 4.21.

⁵⁵ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.24.

⁵⁶ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.24(a)-(c).

and search engines.⁵⁷ The Parties submitted that it is not appropriate to distinguish between OTA services and the online direct channel of TSPs due to demand-side substitution both from the consumer's and the TSP's perspectives.⁵⁸ The Parties also submitted that there is no need to distinguish the supply of online travel intermediation services between consumer-facing and business-facing services (ie commercial affiliate services).⁵⁹ The Parties further submitted that different travel products (eg accommodation and flights) are not interchangeable from the consumer's standpoint and that suppliers of OTA services can specialise in one type of travel product.⁶⁰

CMA assessment

57. The CMA considered whether it is appropriate to distinguish between (i) the supply of OTA services and the online direct channel of TSPs; (ii) the consumer side and the TSP side involved in the supply of OTA services; (iii) the supply of OTA services through proprietary capabilities and via commercial affiliate arrangements; and (iv) the supply of OTA services by type of travel product.

OTA services and TSPs' online direct channels

58. As Booking.com and Etraveli are active in the supply of OTA services, the CMA took these services as a starting point and considered whether this should be widened to include the online direct channel of TSPs.⁶¹

⁵⁷ Merger Notice, paragraphs 12.31, 12.35, 12.40, 12.43 and 12.93. As the Parties have not proposed that MSS and search engines are part of the same product frame of reference as OTA services, this is not discussed further in this decision.

⁵⁸ Merger Notice, paragraphs 12.30 and 12.93(ii). Response to IL Part 2, pages 19-20. The Parties referred to the decision by the Office of Fair Trading (**OFT**) in the [Anticipated acquisition by Priceline.com Incorporated of Kayak Software Corporation \(Priceline/Kayak\)](#) (paragraph 9), where it was noted that customers can make direct online bookings with some (but not all) TSPs and also have the option of using OTAs. The Parties referred to the decision by the European Commission (**EC**) in [Case Comp/M.6163 – AXA/Permira/Opodo/GO Voyages/eDreams \(AXA/Permira/Opodo/GO Voyages/eDreams\)](#) (paragraph 25), where the EC noted that the market investigation suggested that flight OTA services and direct airline bookings may be part of the same relevant product market. In addition, the Parties referred to the EC decision in [Case M.8416 – The Priceline Group/Momondo Group Holdings \(Priceline/Momondo\)](#) (paragraph 20), where the EC considered the possibility of a broader product relevant market including OTA services and the direct channel of TSPs, but ultimately left open the exact product relevant market.

⁵⁹ Merger Notice, paragraphs 12.46 and 12.94. The Parties referred to the OFT's decision in the [Priceline/Kayak](#) (paragraph 50) and to the EC's decision in [Priceline/Momondo](#) (paragraph 57) and in [Case M.9005 – Booking Holdings/Hotels Combined \(Booking/HotelsCombined\)](#) (paragraphs 68-69) where no final conclusion was reached on whether such a distinction is appropriate.

⁶⁰ Merger Notice, paragraph 12.41. The Parties referred to [Priceline/Kayak](#) (paragraphs 29-32) and [Priceline/Momondo](#) (paragraphs 41-51) to corroborate their views.

⁶¹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.6.

59. In contrast to the Parties' submissions, the evidence available to the CMA indicates that there are material differences between the service proposition of suppliers of OTA services and the online direct channel of TSPs in relation to both flights and accommodation:⁶²
- (a) Suppliers of OTA services typically provide two main sets of services to two groups of customers (ie OTA platforms are two-sided platforms). On the one hand, they provide search, compare and online booking services to consumers in respect of one or more types of travel products from multiple TSPs. On the other, they provide marketing services and online booking functionality to a wide range of TSPs.
 - (b) In contrast, where TSPs have an online direct channel, they will not typically provide the same two main sets of services to the same two customer groups as OTA platforms. First, TSPs' online direct channels lack any service proposition to other TSPs, given that they will not typically provide marketing services or online booking functionality to other TSPs (in particular TSPs providing similar travel products).⁶³ Second, the service proposition to consumers is also different, given that TSPs' online direct channels will typically offer a far more limited choice of travel products for consumers to search, compare and book online.⁶⁴
60. The CMA believes that the differences outlined in paragraph 59 mean that, in practice, OTA services and the online direct channel of TSPs serve different purposes for consumers and TSPs. From the consumer's perspective, the online direct channel of TSPs (when one is available) will not display travel

⁶² In addition, the CMA notes that many TSPs do not appear to have an online direct channel and therefore do not offer search, compare or online booking services to consumers or marketing services and online booking functionality to TSPs. For example, the CMA considers that smaller suppliers of traditional accommodation types (eg small and independent hotels) and in particular providers of alternative accommodation (eg individuals seeking to rent homes, apartments and villas) do not typically have an online direct channel.

⁶³ See footnote 64.

⁶⁴ Suppliers of OTA services will typically offer a range of flights of a range of airlines, whereas the online direct channel of airlines will typically offer their own flights (and potentially flights from other limited airlines with which they have a commercial arrangement). This was confirmed by a search the CMA conducted for one-way, non-stop flights on economy seat from London (all airports) to New York (all airports) with a departure date of 1 December 2022 on Booking.com, MyTrip.com, American Airlines, BritishAirways.com, KLM.com, Lufthansa.com, UnitedAirlines.com and VirginAtlantic.com. Similarly, suppliers of OTA services will typically offer accommodation from a range of accommodation providers, whereas the direct channel of accommodation providers (where this is available) will typically only offer their own accommodation. This was confirmed by a search the CMA conducted for one bedroom (for two adults) in five-star hotels in London with a check-in date of 1 December 2022 and check-out date of 4 December 2022 on Booking.com, Fourseasons.com, Hilton.com, ihgplc.com and Marriott.com.

products from a wide range of TSPs and will not allow them to compare travel product offers by different TSPs. Consumers will therefore use OTA services when willing to search and compare travel product offers from multiple TSPs.⁶⁵ From the TSP's standpoint, TSPs will use OTA services to increase their customer reach and sales.⁶⁶ Therefore, the CMA believes that there is limited demand-side substitution between OTA services and the online direct channel of TSPs.

61. While the CMA does not consider it appropriate to widen the relevant product frame of reference to include the online direct channel of TSPs, for the reasons set out above, evidence received during its investigation indicates that TSPs exert a degree of competitive constraint over suppliers of OTA services, with the extent of the competitive constraint that TSPs exert over suppliers of OTA services varying by travel product. For example, the Parties' internal documents and third-party evidence indicate that the online direct channels of accommodation providers generally exert a relatively weak competitive constraint on suppliers of accommodation OTA services.⁶⁷ By

⁶⁵ Many accommodation providers told the CMA that while consumers can book hotels via both suppliers of OTA services and the online direct channel of accommodation providers, the former allow consumers to search for and compare prices, availability and review scores across multiple accommodation options and brands. In contrast, the online direct channel of accommodation providers will only offer their own accommodation products (Responses by many accommodation providers to the CMA's questionnaire to TSPs). An airline told the CMA that an obvious difference between its online direct channel and suppliers of OTA services is the comparison function. This airline also explained that its online direct channel allows for some comparison, but this is nowhere near the level of comparability that consumers would get on a supplier of OTA services (Note of call with an airline).

⁶⁶ An accommodation provider told the CMA that it works with suppliers of OTA services to augment the customer reach of its direct channel by reaching consumers who usually do not consider it when researching accommodation options (Response by an accommodation provider to the CMA's questionnaire to OTAs). A

⁶⁷ For example, while some Booking's internal documents show that Booking monitors the performance of _____, Booking's internal documents also indicate that suppliers of accommodation OTA services _____ (Merger Notice, Attachments H511, H550, H560 and H563). In addition, a third-party report from Skift of November 2020 notes that the hotel landscape worldwide is fragmented, with the three largest hotel companies by room count accounting for only approximately 10% of total hotel inventory. The report notes that this is particularly the case in Europe where the hotel market consists more of independent hotels. The report also notes that while large, branded hotels are able to attract a high percentage of consumers via their online direct channels, suppliers of accommodation OTA services play a much bigger role for smaller hotel chains and independent hotels, accounting for a high proportion of their bookings. In addition, the report states that the main third-party channel that hotels increasingly rely on are OTA services and that the marketing spent of the top 3 suppliers of OTA services (including Booking) makes it impossible for most accommodation providers to compete with those suppliers of OTA services. Moreover, the report states that suppliers of OTA services might have strengthened their position during the COVID-19 pandemic, as they continue to provide the most up-to-date and extensive view of open and available accommodation (Merger Notice, Attachment H498). On a similar note, almost all accommodation providers that responded to the CMA's merger investigation (including large hotel chains) indicated that bookings via suppliers of OTA services accounted for their main online distribution channel in 2021 (Response by several accommodation providers to the CMA's questionnaire to TSPs).

contrast, the Parties' internal documents and third-party evidence indicate that the online direct channel of airlines generally exerts a relatively strong constraint over suppliers of OTA services, currently accounting for a significant part of online flight bookings in the UK.⁶⁸ This is likely due to, *inter alia*, the more homogeneous nature of and the more limited options for flights relative to accommodation. The CMA has taken account of the competitive constraint that TSPs impose on suppliers of OTA services, to the extent relevant, within its competitive assessment.

Two-sided nature of OTA services (consumer and TSP sides)

62. Websites/apps providing OTA services are two-sided platforms, which serve consumers on one side and TSPs on the other. The CMA considered whether it would be appropriate to assess each of the consumer side and the TSP side of websites/apps providing OTA services separately.
63. Evidence received by the CMA indicates that there are indirect network effects⁶⁹ between the consumer and the TSP sides of websites/apps providing OTA services.⁷⁰ On this basis, the greater the number of consumers using a certain website/app providing OTA services, the more attractive it will be for TSPs to list their travel services with that website/app providing OTA services.⁷¹ Similarly, the greater the number of TSPs using a website/app providing OTA services, the more attractive it will be for consumers to use that website/app providing OTA services.⁷²
64. Given the indirect network effects between the consumer and the TSP sides of websites/apps providing OTA services, the CMA considered these two sides within a single product frame of reference.⁷³

⁶⁸ See evidence outlined in paragraph 118.

⁶⁹ These are effects that may be present in two-sided platforms pursuant to which the value of the product for customers on one side of the platform depends on the volume of users on the other side. [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 4.22.

⁷⁰ Merger Notice, Attachments H219 and H534.

⁷¹ Merger Notice, Attachment H219. Similarly, when explaining how it chooses which suppliers of OTA services to partner with, an accommodation provider told the CMA that it considers the type of consumer which the OTA supplier can reach out to (Note of call with an accommodation provider on 25 May 2022).

⁷² Several third parties told the CMA that the range of travel products (including accommodation and flights) available for comparison and booking is one of the main factors that consumers consider when comparing suppliers of OTA services (Responses by several TSPs to the CMA's questionnaire to TSPs; Notes of call or responses by several suppliers of OTA services to the CMA's questionnaire to OTAs).

⁷³ [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 4.24(c).

Proprietary OTA capabilities and commercial affiliate services

65. Some suppliers provide OTA services through proprietary capabilities, whereas others rely, fully or partially, on third-party proprietary capabilities to provide OTA services through commercial affiliate arrangements.⁷⁴
66. The CMA considered whether it is appropriate to distinguish between OTA services provided through proprietary capabilities and those provided via commercial affiliate arrangements (fully or partially).
67. The Parties explained that, for a supplier that owns proprietary OTA capabilities, the provision of commercial affiliate services generates incremental OTA revenue,⁷⁵ whereas for a supplier sourcing third-party proprietary OTA capabilities, commercial affiliate services allow it to gain a share of revenue derived from visitors on its website/app.⁷⁶
68. The Parties also explained that suppliers sourcing commercial affiliate services will typically have limited control over, *inter alia*, inventory, terms of supply and prices, contractual relationship with consumers, and consumer-related issues and questions.⁷⁷ These will often be controlled by the supplier that owns proprietary OTA capabilities.
69. Most suppliers of OTA services⁷⁸ told the CMA that suppliers of accommodation OTA services with and without proprietary capabilities compete to a certain extent.⁷⁹ In this respect, the large majority of these suppliers (and a number of others that did not respond whether they consider suppliers of OTA services with or without proprietary capabilities compete) noted that there are competitive disadvantages for suppliers that provide OTA services via commercial affiliate arrangements. This is because the latter rely

⁷⁴ For example, customer interface website, back-end booking software, inventory, and customer support platform. Merger Notice, paragraph 15.70 and Annex 17.

⁷⁵ The commercial affiliate partner typically gets a revenue share if the consumer books a travel product as a result of the referral. Merger Notice, paragraph 12.46.

⁷⁶ Merger Notice, paragraph 1.9(iii) and related footnote 6 and paragraphs 12.46 and 15.76.

⁷⁷ Merger Notice, paragraphs 1.21(iii), 12.87-12.89, 15.3, 15.11, 15.13-15, 15.63, 15.71 and 19.37(ii).

⁷⁸ The CMA has asked suppliers of OTA services to what extent they consider, for example, that suppliers providing accommodation OTA services through proprietary capabilities compete with suppliers providing accommodation OTA services via commercial affiliate arrangements.

⁷⁹ Responses by several suppliers of OTA services to the CMA's questionnaire to OTAs.

on a third-party supplier for, *inter alia*, the inventory and prices they offer to consumers as well as the commercial relationships with TSPs.⁸⁰

70. From the perspective of consumers and TSPs, however, a number of suppliers of OTA services told the CMA that both suppliers of OTA services with or without proprietary capabilities provide consumers with compare and online booking services and TSPs with marketing services and online booking functionality.⁸¹
71. On the basis of the evidence summarised above, the CMA did not consider it necessary to distinguish between the supply of OTA services through proprietary capabilities and via commercial affiliate arrangements. Nevertheless, the CMA has taken the differences in the nature of the constraint provided by suppliers providing OTA services via commercial affiliate arrangements (and, in particular, that these suppliers typically pose a more limited constraint on suppliers that own proprietary OTA capabilities) into account within its competitive assessment.

OTA services by travel product

72. In a previous decision regarding the supply of OTA services, the OFT, on a cautious basis, considered different types of travel services (ie accommodation and car rental) under separate relevant product frames of reference. In this respect, the OFT noted that different travel services are not interchangeable from a consumer's standpoint. The OFT also noted that there may be demand side complementarities which may incentivise suppliers of OTA services to provide these services together (eg consumers may prefer "one-stop" shopping) and there may be some economies of scope in terms of design and management of websites and databases in providing different travel services together. The OFT further noted that the merging parties in that case (ie Priceline and Kayak) were each focussed on particular types of travel services in the UK.⁸²
73. The CMA has found no evidence that warrants departing from the approach adopted by the OFT. For the purposes of this decision, the CMA therefore

⁸⁰ Responses by several suppliers of OTA services to the CMA's questionnaire to OTAs.

⁸¹ Responses by a number of suppliers of OTA services to the CMA's questionnaire to OTAs.

⁸² [Priceline/Kayak](#) (paragraphs 29-32).

considers that the supply of OTA services should be further segmented by travel product.

Conclusion

74. For the reasons set out above, the CMA considered the impact of the Transaction (i) in the supply of accommodation OTA services and (ii) in the supply of flight OTA services.

Geographic scope

75. The Parties consider that it is not necessary to reach a definitive view on the geographic scope of the supply of accommodation and flight OTA services, as no competition concerns would arise even on a UK-only basis.⁸³ However, the Parties submitted that the geographic scope of the supply of accommodation and flight OTA services is likely wider than national, as most suppliers are active on a pan-European or global basis, national or regional players have sought to expand into new countries, and there is limited variation in the Parties' service offering and market position between geographies.⁸⁴
76. Previous decisions by the OFT and the EC have assessed the effects of transactions involving the supply of accommodation and flight OTA services including by reference to national geographic markets.⁸⁵ The CMA has found no evidence that warrants departing from the approach adopted in these decisions. For example, evidence received by the CMA indicates that:
- (a) the competitor set and the market position of suppliers of accommodation and flight OTA services varies between the UK and other countries/territories, including other European countries;⁸⁶

⁸³ Response to IL Part 2, page 26.

⁸⁴ Merger Notice, paragraphs 12.67-68 and 12.70. Response to IL Part 2, page 25.

⁸⁵ [Priceline/KAYAK](#) (paragraphs 51-52), [Priceline/Momondo](#) (paragraphs 62-69) and [AXA/Permira/Opodo/GO Voyages/eDreams](#) (paragraphs 29-32).

⁸⁶ A *SiteMinder* ebook providing a breakdown of the Top 12 hotel booking revenue makers of 2021 from various markets around the world shows variations in the suppliers of accommodation OTA services and their respective market relevance in the UK and other European countries (Merger Notice, Attachment H516). Similarly, internal documents show that the competitor set for the supply of accommodation OTA services in, for example, APAC countries/territories is different from the competitor set in the UK (see **Table 1**) (Merger Notice, Attachments H029 and H491). An accommodation provider told the CMA that the competitor set for accommodation OTA services in the UK is different from other countries/territories (Note of call with an accommodation provider).

- (b) consumers' experience within a given website/app providing OTA services varies depending on their country/territory and language in terms of, for example, content (eg "travel inspiration" articles), customer reviews and respective ranks and filters, prices, currency and offers, and payment options;⁸⁷ and
- (c) TSPs will typically engage different suppliers of OTA services to target consumers in different countries/territories.⁸⁸

77. On this basis, the CMA considers that the appropriate geographic frame of reference for the supply of accommodation and flight OTA services is the UK.

Conclusion on frame of reference

78. For the reasons set out above, the CMA considered the impact of the Transaction (i) in the supply of accommodation OTA services in the UK and (ii) in the supply of flight OTA services in the UK.

COMPETITIVE ASSESSMENT

Raising barriers to entry and expansion in the supply of accommodation OTA services in the UK

79. The CMA considered whether the Transaction may raise barriers to entry and expansion in the supply of accommodation OTA services in the UK.

80. The CMA's concern under this theory of harm is whether, by adding proprietary flight OTA capabilities to Booking.com, the Transaction would allow Booking.com to capture more of customers' accommodation business⁸⁹ in a way that would make it materially more difficult for current or future rival suppliers to compete with Booking.com, thereby strengthening Booking.com's

⁸⁷ Merger Notice, paragraphs 12.68-12.69. Similarly, a Skift report of November 2020 notes that Booking, which has historically operated its accommodation OTA business under the agency model, has made an international shift towards the merchant model over the past years, as it allows Booking to, *inter alia*, roll out certain payment options to Chinese customers (Merger Notice, Attachment H498).

⁸⁸ An accommodation provider told the CMA that not all suppliers of OTA services are relevant to the UK market. Some suppliers are based in different countries/territories and will be better placed to penetrate those markets. Accordingly, this accommodation provider explained that it will typically look at the supplier of accommodation OTA services' source market when considering where to list its accommodation inventory (Note of call with an accommodation provider). An airline told the CMA it lists flights with suppliers of OTA services which have a known brand in the countries/territories where it wishes to reach consumers (Note of call with an airline).

⁸⁹ I.e. accommodation bookings by UK consumers and accommodation listings by UK accommodation providers.

existing market power in the supply of accommodation OTA services in the UK,⁹⁰ and lessening competition over time.^{91,92}

81. In order to assess this theory of harm, the CMA considered whether the Merged Entity could use its enhanced flight OTA capabilities to attract more UK accommodation consumers to Booking.com and to increase loyalty to Booking.com over time by, *inter alia*, (i) using online choice architecture and/or otherwise altering travel product offers to induce consumers to book multiple travel services, including affecting pricing and offering discounts and/or credits on flights and/or accommodation prices; and (ii) increasing switching costs, by taking advantage of the fact that consumers have already downloaded and use the Booking.com app (so may be reluctant to switch to using other apps),⁹³ deploying Booking's access to consumer data, and increasing the reach and depth of Booking.com's loyalty program (ie Genius).
82. The CMA also considered whether, due to indirect network effects in the accommodation OTA segment,⁹⁴ the Merged Entity could, by attracting a larger number of UK consumers to Booking.com and increasing the number of opportunities to sell accommodation to UK consumers, also attract more UK accommodation providers to use Booking.com to distribute their

⁹⁰ The CMA's guidelines state that the CMA may consider the strategic behaviour of the merged entity or other incumbents which itself might create or strengthen a barrier to entry or limit the ability of a new entrant to gain a foothold in the market. This might involve, for example, strategic, temporary price cuts, entering into exclusive dealing arrangements or long contracts, or otherwise increasing customer stickiness. The Merged Entity's ability to engage in this behaviour may be increased through a transaction. [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 8.43.

⁹¹ This concern is in line with the CMA's current thinking around digital platforms. For example, in the context of the Online Platforms and Digital Advertising Market Study the CMA noted that '[b]y surrounding its core service with a large number of complementary products and services, a platform will further insulate its most profitable service from competition. If a platform can manage to convince consumers to operate to a large degree within their ecosystem online, then a new entrant would need to compete on many fronts to displace them. [...] By gaining control of these adjacent markets, the platforms are able to control the entry points to their core markets, and in doing so protect the primary source of their revenue.' Online Platforms and Digital Advertising market study, [Final Report](#), 1 July 2020, paragraph 2.38(2).

⁹² For example, if rival suppliers of accommodation OTA services exit the market or progressively become weaker competitors, or new and/or existing suppliers are unable to successfully enter and/or expand, this may result in, *inter alia*, reduced choice, lower quality, or higher prices for UK consumers and UK accommodation providers in the longer term.

⁹³ A consumer that has already logged in, inputted and stored their data in one app may be less likely to switch to other suppliers of OTA services. In addition, Booking's internal documents indicate that consumers do not typically download many apps, with documents suggesting that on average, people have approximately 40 different apps on their phones (eg Merger Notice, Attachment H501).

⁹⁴ As discussed in the **Frame of Reference** section, the CMA considers that websites/apps providing OTA services are two-sided platforms with indirect network effects.

accommodation, resulting in a self-reinforcing growth on both sides of the platform.

83. The CMA's focus has been on assessing whether such measures, considered collectively, would allow the Merged Entity to raise barriers to entry and expansion in the supply of accommodation OTA services in the UK.⁹⁵
84. In its assessment of this theory of harm, the CMA considered (i) Booking's market position in the supply of accommodation OTA services in the UK; (ii) the barriers to entry and expansion in the supply of accommodation OTA services in the UK; and (iii) the importance of a flights OTA offering as a retention and acquisition channel for suppliers of accommodation OTA services in the UK.

Booking's market position in the supply of accommodation OTA services in the UK

85. The Parties submitted that there is no reliable data on the supply of accommodation OTA services in the UK, including Euromonitor estimates.⁹⁶ The Parties submitted share of supply data based on an assumption that Booking and Etraveli respectively held [40-50]%⁹⁷ and [0-5]%⁹⁸ TTV (total transaction value) shares in the supply of accommodation OTA services in the UK in 2021. In addition, the Parties estimated that Airbnb Group and Expedia Group each had a TTV share of supply of 10-20% in 2021 in the UK, with the remainder of the market accounted for by a long tail of suppliers with shares of supply at or below 10%.⁹⁹
86. Booking's internal documents confirm the Parties' submissions that there is limited accurate data available on the accommodation OTA market.
87. The CMA notes, however, that the Parties' share of supply estimates are not consistent with the information available in the Parties' internal documents

⁹⁵ See by analogy [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 7.13

⁹⁶ The Parties noted that Euromonitor's market size estimates for the accommodation OTA sector are less than Booking's own accommodation OTA services TTV in 2019. Merger Notice, paragraph 15.35 and Annex 7.

⁹⁷ Merger Notice, paragraphs 15.35-36 and Table 15.3. This was based on Booking's reasonable assumption of its position in the UK based on its experience of the competitive landscape in the OTA sector in the UK.

⁹⁸ Merger Notice, paragraph 15.34 and Table 15.3. This was based on Etraveli's UK net revenues of £ with accommodation OTA services in 2021 and by taking as reference Booking's clickshare and online traffic data. Merger Notice, paragraph 15.35 and related footnotes 189-190.

⁹⁹ Merger Notice, paragraph 15.35, Table 15.3 and Annex 17.

and third-party evidence.¹⁰⁰ The CMA obtained information from the Parties and third parties to estimate the size of the Parties and other suppliers of accommodation OTA services in the UK in terms of both net revenues and TTV in 2019 and 2021. The CMA considers that net revenues and TTV are two metrics typically used by the Parties and the OTA industry more broadly when assessing the performance and relative size of suppliers.¹⁰¹ As the travel industry has been heavily affected by the COVID-19 pandemic, the CMA has sought to estimate shares of supply both before the COVID-19 pandemic and in 2021.

88. The CMA's share of supply estimates in accommodation OTA services in the UK are set out in **Table 1**. While it was not possible to include all smaller suppliers of accommodation OTA services in the UK identified by the Parties, the CMA considers that the inclusion of the remaining smaller suppliers would not materially alter its analysis (given the Parties' submissions, Booking's internal documents and third-party evidence seen by the CMA do not indicate that the remaining smaller suppliers have material shares of supply).¹⁰²
89. For these reasons, the CMA considers its estimates are a more reliable estimate of the Parties' shares of supply than the estimates provided by the Parties.

¹⁰⁰ See evidence outlined in paragraphs 92-93.

¹⁰¹ For example (i) the Parties reported the sales made by Booking.com and Etraveli under accommodation and flight OTA commercial affiliate arrangements on the basis of net revenues (Merger Notice, paragraphs 1.6, 1.21(iii), 3.8, 12.8(i), 12.82, 12.85, 15.9(i), 15.34); (ii) the Parties provided share of supply estimates for accommodation and flight OTA services on the basis of TTV (Merger Notice, Tables 15.1-15.3); (iii) Phocuswright estimates market shares for OTA services on the basis of TTV (Merger Notice, Attachment H024); and (iv) when estimating the shares of supply for online travel search services in [Priceline/Kayak](#), the OFT considered net revenue, volume and TTV as appropriate metrics (paragraph 57).

¹⁰² The CMA also notes that there are a few differences in how data was provided by some third parties. Some third parties provided their sales of accommodation OTA services in the UK net of cancellations while others did not. In addition, some third parties were able to provide best estimates of their sales of accommodation OTA services in the UK rather than precise sales figures.

Table 1: Shares of supply of accommodation OTA services (UK, 2019 and 2021)

Group/Brand ¹⁰³	OTA capabilities ¹⁰⁴	Net revenue		TTV	
		2019	2021	2019	2021
Booking		[50-60]%	[50-60]%	[50-60]%	[50-60]%
Booking.com	Proprietary	[50-60]%	[50-60]%	[50-60]%	[50-60]%
Agoda	Proprietary	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Priceline	Proprietary	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Etraveli (GoToGate, MyTrip, FlightNetwork, SuperSaver)	Commercial affiliate arrangement with Booking.com	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Merged Entity		[50-60]%	[50-60]%	[50-60]%	[50-60]%
Airbnb Group (Airbnb, HotelTonight)	Proprietary	[20-30]%	[30-40]%	[10-20]%	[20-30]%
Expedia Group (Expedia, ebookers.com, hotels.com, Vrbo)	Proprietary	[10-20]%	[5-10]%	[20-30]%	[10-20]%
TUI Group (TUI and First Choice)	Proprietary and commercial affiliate arrangement with a third party	[0-5]%	[0-5]%	[0-5]%	[5-10]%
Others (Dnata Travel Group, eDreams ODIGEO, Hostelworld, Hotelbeds Group, Kiwi.com, lastminute.com Group, Loveholidays, TravelUp, Trip.com Group)	Mix of proprietary and commercial affiliate arrangement with third parties (including with Booking.com)	[0-5]%	[0-5]%	[0-5]%	[0-5]%

Source: CMA's share of supply estimates based on the Parties' and third parties' net revenue and TTV data.

90. The CMA notes that its estimates may understate Booking.com's market position in the supply of accommodation OTA services in the UK. This is because (i) the CMA has conservatively allocated net revenues and TTV for any sales made via commercial affiliate arrangements to commercial affiliate partners even though commercial affiliate suppliers are determining the terms and conditions of supply and generate revenues from bookings made via these arrangements; and (ii) as accommodation OTA services are characterised by indirect network effects, this makes it more likely for larger

¹⁰³ The CMA verified that CheapTickets (an Expedia brand), Thomas Cook, the HRS Group, Dnata travel.com, and Sunmaster either do not provide accommodation OTA services or did not have sales of accommodation OTA services in the UK, in 2019 and 2021.

¹⁰⁴ The CMA notes that proprietary OTA capabilities include both proprietary capabilities of a given brand of the same group, as applicable and commercial affiliate arrangements include different implementation methods (eg referral links, while label solutions and application programming interface data feed solutions).

platforms, such as Booking.com, to represent a more attractive option for users and for smaller rivals to represent a weaker constraint.

91. The CMA considers that **Table 1** indicates that Booking.com is the market leader in the supply of accommodation OTA services in the UK by a considerable margin and is substantially larger than the next largest competitors, Airbnb Group or Expedia Group. Among the smaller suppliers, only the TUI Group has an individual share in excess of 5% (on a TTV basis only), and the CMA has received no evidence that any of the remaining suppliers would have shares greater than 1%. In addition, many of these smaller suppliers do not own proprietary OTA capabilities and currently rely on commercial affiliate arrangements (including with Booking.com) to provide accommodation OTA services in the UK, which further weakens the competitive constraint they exert.¹⁰⁵
92. The CMA also notes the market structure in **Table 1** is broadly consistent with Booking's assessment of Booking.com's market position, as reflected in its internal documents, which consistently indicate that Booking.com is currently the market leader and expects to maintain its [X] position compared to its rivals [X].^{106,107}
93. Third-party responses to the CMA's merger investigation confirmed Booking.com's strong market position in the supply of accommodation OTA services in the UK. For example, one third party told the CMA that Booking.com has a 'very strong market position' in the UK,¹⁰⁸ and another third party described Booking.com as 'by far & away the dominant competitor in this space in the UK'.¹⁰⁹ Two other third parties respectively said that Booking.com 'is a very strong player'¹¹⁰ and a 'very dominant player'¹¹¹ in the accommodation OTA space in the UK.
94. In addition, the CMA notes that Booking.com provides OTA services across a broad array of accommodation types (ie ranging from traditional

¹⁰⁵ See paragraphs 65-71.

¹⁰⁶ The CMA notes that while exact market shares may not align exactly with the CMA's shares of supply, they align in terms of the relative size of Booking/Booking.com versus rival suppliers of accommodation OTA services.

¹⁰⁷ Merger Notice, Attachments H122, H494, H501, H508, H548 and H591.

¹⁰⁸ Response by an accommodation provider to the CMA's questionnaire to TSPs.

¹⁰⁹ Response by a supplier of OTA services to the CMA's questionnaire to OTAs.

¹¹⁰ Response by a supplier of OTA services to the CMA's questionnaire to OTAs.

¹¹¹ Response by a supplier of OTA services to the CMA's questionnaire to OTAs.

accommodation, such as hotels, motels, resorts, hostels and inns, and alternative accommodation, such as homes, apartments, villas, bed and breakfasts, apart-hotels and other unique places to stay) and in multiple locations.¹¹² In contrast, a number of suppliers in **Table 1** do not offer a diverse accommodation inventory. For instance, some suppliers focus on certain accommodation types (eg HotelTonight focusses on traditional accommodation,¹¹³ and Airbnb¹¹⁴ and Vrbo¹¹⁵ focus on alternative accommodation) and others are tour operators whose core business is to sell package holidays on specific locations, while also selling accommodation and other individual travel services separately (eg TUI).¹¹⁶ As a result, these suppliers are, in some cases, not a close alternative to Booking.com.

95. Lastly, the CMA notes that there are some out-of-the-market constraints on suppliers of accommodation OTA services (in particular because consumers may search for and book accommodation directly via the online direct channel of accommodation providers where this is available).¹¹⁷ However, for the reasons set out in the **Frame of Reference** section, the CMA considers that the online direct channel of accommodation providers and suppliers of accommodation OTA services have a differentiated service proposition and that the online direct channel of accommodation providers is not a close alternative to the offer of suppliers of accommodation OTA services.
96. Based on the evidence summarised above, the CMA considers that Booking has significant market power in the supply of accommodation OTA services in the UK.

Barriers to entry and expansion in the supply of accommodation OTA services in the UK

97. The Parties did not make specific submissions on barriers to entry and expansion in the supply of accommodation OTA services in the UK in general. The Parties submitted, however, that a number of suppliers already have

¹¹² Booking's [Form 10-K 2021](#).

¹¹³ Airbnb Group's [Form 10-K 2021](#).

¹¹⁴ Airbnb Group's [Form 10-K 2021](#).

¹¹⁵ Expedia Group's [Form 10-K 2021](#).

¹¹⁶ A CMA search on TUI's website shows that TUI offers far more limited accommodation types in a far more limited number of locations as compared to Booking.com.

¹¹⁷ The CMA notes that not all TSPs have a direct online sales channel, and in particular, alternative accommodation providers are likely to not have this.

proprietary OTA offerings in the accommodation and flight segments and that the Transaction does not create barriers to entry into accommodation OTA services (*inter alia*) by requiring an entrant to also have a presence in flights.¹¹⁸ The Parties also noted that while there may be some initial technical barriers which may make it difficult for new suppliers of accommodation OTA services to organically establish themselves in the UK, new entrants in accommodation can overcome this initial technical barrier by, for example, entering a commercial affiliate arrangement with an existing supplier and using their existing capabilities in adjacent markets.¹¹⁹

98. The CMA asked third parties how easy or difficult it would be to enter or expand in the supply of accommodation OTA services in the UK. A number of third parties indicated that there are barriers to entry and expansion in the supply of accommodation OTA services that relate to Booking.com's incumbent position in the UK. Third parties submitted that Booking.com holds a particularly strong position in accommodation OTA,¹²⁰ with, for example, extensive accommodation inventory, brand awareness and recognition, and search engine marketing (**SEM**) visibility.¹²¹ Similarly, one third party submitted that the barrier posed by Booking.com's branding, which Booking heavily invests in,¹²² is 'too prohibitive' [*sic*], and another said that getting comparable brand awareness and acquiring a sufficient customer base would require an investment in paid search on Google that would be very costly.^{123,124}
99. Third-party responses also indicated that there are barriers to entry and expansion in the supply of accommodation OTA services in the UK where a supplier seeks to use its own proprietary capabilities (eg including having a

¹¹⁸ The Parties also submitted that similarly, the ongoing success of standalone accommodation and flight OTA suppliers indicates that, despite some suppliers already offering both services, there is no necessity for a supplier to be active in or to enter both travel segments. Merger Notice, paragraph 20.9. Response to IL Part 1, page 33. Response to IL Part 2, pages 41-46 and 48.

¹¹⁹ Response to IL Part 2, page 42.

¹²⁰ Responses by a number of suppliers of OTA services to the CMA's questionnaire to OTAs. Response by an accommodation provider to the CMA's questionnaire to TSPs. Note of call with a supplier of MSS services. Notes of calls with a number of suppliers of OTA services.

¹²¹ Response by a supplier of OTA services to the CMA's questionnaire to OTAs.

¹²² Response by a supplier of OTA services to the CMA's questionnaire to OTAs.

¹²³ Note of call with an accommodation provider.

¹²⁴ For completeness, the CMA notes that the Parties submitted that a number of actual and potential competitors have the resources necessary to invest in marketing to improve their brand awareness, giving the examples of Expedia, Airbnb, Trip.com and Uber. Response to IL Part 2, page 43. However, the CMA notes this may not be true for smaller suppliers.

customer interface website, back-end booking software, inventory, and customer support platform). For example, some third parties mentioned that there were barriers to entry and expansion due to needing to build up inventory,¹²⁵ scale (and indirect network effects),¹²⁶ access to technology¹²⁷ and marketing costs (as mentioned above).¹²⁸

100. Some third parties indicated that entering and expanding in the supply of accommodation OTA services in the UK via commercial affiliate arrangements (ie rather than deploying a supplier's own proprietary capabilities) may be easier.¹²⁹ However, the CMA notes that the available evidence indicates that there are some limitations when operating through a commercial affiliate arrangement, as set out in paragraphs 65-71, which indicate that the competitive constraint exerted by suppliers of accommodation OTA services operating via commercial affiliate agreements is significantly more limited.
101. Lastly, some third parties also raised concerns that the Transaction might lead to even higher barriers to entry and expansion and strengthen Booking.com's already very strong position in accommodation OTA services in the UK. In this respect, some of these third parties were concerned that Booking.com might use "new" flight customers to negotiate more advantageous commercial terms with accommodation providers relative to rival suppliers of accommodation OTA services.¹³⁰
102. Booking's internal documents are generally consistent with the position expressed by third parties that there are barriers to entry and expansion as a result of Booking.com's incumbent position in accommodation OTA services.

¹²⁵ Responses by a number of suppliers of OTA services to the CMA's questionnaire to OTAs.

¹²⁶ Responses by a supplier of OTA services to the CMA's questionnaire to OTAs.

¹²⁷ Responses by a number of suppliers of OTA services to the CMA's questionnaire to OTAs.

¹²⁸ Responses by a number of suppliers of OTA services to the CMA's questionnaire to OTAs.

¹²⁹ For example, one provider of accommodation OTA services told the CMA that entering the market via a commercial affiliate agreement is the easiest route to market, as (i) it does not require technical integration; (ii) the third-party provider is the merchant of record; and (iii) this process may only take a few weeks to implement. Response by a supplier of OTA services to the CMA's questionnaire to OTAs.

¹³⁰ Responses by a number of suppliers of OTA services to the CMA's questionnaire to OTAs. Response by an airline to the CMA's questionnaire to TSPs.

For example, internal documents note that Booking's longer term competitive advantage [REDACTED]¹³¹ [REDACTED]¹³² [REDACTED]¹³³.

103. In addition, the CMA considers that the indirect network effects that characterise the supply of accommodation OTA services (see **Frame of Reference** section) make it even more difficult for existing smaller suppliers and new entrants to increase their customer base and accommodation inventory to pose a more significant constraint on Booking.com.¹³⁴
104. The CMA notes that it has not seen evidence of successful major entry or expansion (ie in terms of scale) into the supply of accommodation OTA services in the UK within the last years.¹³⁵
105. On the basis of the evidence summarised above, the CMA considers that there are material barriers to entry and expansion in the supply of accommodation OTA services in the UK, many of which are related to Booking.com's incumbent position. In particular, current and potential rivals may find it difficult and costly to replicate Booking.com's brand awareness, scale, accommodation inventory, SEM visibility, reach and customer data.

Importance of a flights OTA offering as a customer retention and acquisition channel for suppliers of accommodation OTA services in the UK

106. The CMA has considered the importance of having a flights OTA offering as a retention and acquisition channel for suppliers of accommodation OTA services for UK consumers, by considering evidence relating to (i) consumer behaviour in purchasing travel online in the UK; (ii) the characteristics of the

¹³¹ Merger Notice, Attachment H563.

¹³² Merger Notice, Attachments H501, H163, H591, H583, H583.

¹³³ Merger Notice, Attachment H217. Other internal documents include Merger Notice, Attachments H163, H437, H501, H583, H591 and H583.

¹³⁴ The CMA's guidelines state that transactions involving two-sided platforms are more likely to give rise to competition concerns because network effects mean that, *inter alia*, barriers to entry are likely to be high and may increase for each successive entrant. As the pool of available users shrinks, the cost of building sufficient network efficiencies to compete may rise. [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 4.25(d).

¹³⁵ For completeness, the CMA notes that the Parties submitted that the following players have either entered or expanded into accommodation OTA services in the UK market recently or announced plans to enter or expand: Airbnb, Trip.com, Uber, Revolut and Hopper (Response to IL Part 2, paragraph 47-48). The CMA notes, however, that Airbnb is not a recent entrant and offers a service proposition which mainly focusses on alternative accommodation. In addition, Trip.com is primarily active in Asian markets and remains very small in the UK (see **Table 1**). Moreover, the CMA has seen no evidence that Revolut has been able to enter and capture a material share of the accommodation OTA market in the UK. The CMA also has seen no evidence that Uber and Hopper will manage to successfully enter the accommodation OTA market in the UK.

supply of flight OTA services in the UK; and (iii) the alternative ways for suppliers of accommodation OTA services to attract UK consumers (and due to indirect network effects, UK accommodation providers), both now and in future.

Consumer behaviour in purchasing travel online in the UK

107. The Parties submitted that evidence on consumer preferences supports that there is currently limited cross-selling from flights to accommodation.^{136,137} In particular:
- (a) Consumer surveys conducted by Booking found that the majority of accommodation bookings do not happen at the same time as flight bookings ([X] % of consumers book these at the same time, with the majority (ie [X] %) of consumers booking flights before accommodation), which would, in practice, limit the opportunities for cross-selling. Further, consumer surveys show that only a limited proportion (ie [X] %) of consumers buy another travel product from their chosen supplier of accommodation OTA services.
 - (b) Booking.com's [X] analyses indicate that UK flight customers who use Booking.com for flights are not more likely to purchase accommodation from Booking.com than other online accommodation customers in general.
 - (c) Recent tests conducted by Booking [X] suggest that Booking.com's UK customers [X] were no more likely to purchase accommodation than customers who were not offered [X].
 - (d) There is a strong tendency among UK consumers to search for the best prices across multiple providers, including MSS, suppliers of OTA services, and directly from airlines or accommodation providers.

¹³⁶ Merger Notice, Attachment M.1.

¹³⁷ The CMA notes that in contrast to the Parties' submissions, and as set out in paragraphs 32-35, some internal documents discuss the importance of flights as an acquisition channel for suppliers of accommodation OTA services.

108. The CMA considers that the available evidence¹³⁸ mostly aligns with the Parties' submissions that UK consumers tend to search multiple websites and channels when booking travel products online.^{139,140} The CMA notes, however, that there is some evidence which suggests that the number of alternative websites or platforms searched online may be lower than the Parties' submissions suggest.^{141,142}
109. The CMA also considers that the available evidence indicates that price is an important driver of competition and that many consumers are price-sensitive.¹⁴³ In particular, several third parties said that price is often the key consideration for consumers when booking accommodation¹⁴⁴ (although several non-price factors, including the range of options available, reliability, quality, trust, as well as website functionality/ease of booking, brand recognition, and flexibility, were also identified as being important to consumers).¹⁴⁵
110. The CMA also considers that Booking's internal documents indicate that many UK consumers use multiple services for their trips,¹⁴⁶ and that the majority ([X]%) of consumers start their booking with flights before subsequently

¹³⁸ Evidence from available consumer research (either submitted or flagged to the CMA by the Parties or third parties, or found following the CMA's own desk research), Parties' internal documents and third parties.

¹³⁹ The CMA also notes that a Kantar Public Study commissioned as part of the CMA's 2017 Digital Comparison Tool market study found that consumers looking to book hotel accommodation visited on average 2.9 comparison sites, and 59% of consumers "shopping around" for hotels visited the hotel direct websites. Available at: <https://assets.publishing.service.gov.uk/media/58e224f5e5274a06b3000099/dcts-consumer-research-final-report.pdf>.

¹⁴⁰ For example, Merger Notice, Attachment H588. All suppliers of OTA services that responded to the CMA's question on consumer behaviour thought that UK consumers shopped around before booking accommodation, visiting anywhere from 3 to 38 websites. However, the CMA notes that one supplier of OTA services thought that UK consumers remain loyal to websites they have used previously.

¹⁴¹ For example, a Booking.com internal document notes that some consumer research found that the majority of UK consumers (ie [X]%) already know which website they want to book. The same document found that the average number of touchpoints online for UK consumers is [X]. Merger Notice, Attachment H588.

¹⁴² The CMA notes that current available research tends to focus on the number of websites considered and may not (i) differentiate between the types of websites visited; or (ii) account for commonly owned platforms. This means that any figures on the number of touchpoints searched before booking will be an upper bound and may overstate the intensity and effectiveness of consumer search.

¹⁴³ Consumer research submitted by Booking often listed price as the main (or at least, among the main) considerations for UK consumers when booking travel. For example, a Booking.com consumer research document found that for UK consumers, value for money (ie no hidden fees or taxes; met expectations, considering what was paid) was a particular focus. Merger Notice, Attachment H594.

¹⁴⁴ The majority of third parties that responded to the CMA's question on this topic said that price was the main factor consumers considered, and the remaining respondents thought price was the second factor UK consumers considered.

¹⁴⁵ Responses by many suppliers of OTA services to the CMA's questionnaire to OTAs.

¹⁴⁶ For example, Booking.com consumer research indicated that the vast majority (ie [X]%) of UK respondents' last trip was a multi-product trip. The same research found that a very high proportion (ie [X]%) of all online accommodation bookers purchased at least one other travel product online. Merger Notice, Attachment H582.

booking accommodation.¹⁴⁷ Booking’s internal documents and public statements seen by the CMA also indicate that UK consumers currently tend to book flights and accommodation on different platforms at different times, with only a limited body of consumers purchasing all travel services from the same website.¹⁴⁸ Third parties similarly told the CMA that UK consumers typically start their booking from flights, and only some consumers book flights and accommodation simultaneously,¹⁴⁹ and that UK consumers will likely continue using multiple platforms rather than booking all their travel services on one website.¹⁵⁰

111. The CMA also notes, by way of context, that travel is a discrete, infrequent, high-value purchase, meaning consumers will generally be incentivised to continue shopping around when booking travel services. This is generally likely to limit the opportunity to “lock-in” customers on a long-term basis.¹⁵¹
112. The CMA notes that Booking’s internal documents consistently indicate that Bookings’ expectations for the successful implementation of the Connected Trip rely on a shift in consumer behaviour and preferences towards purchasing multiple travel services from one provider, rather than shopping around and purchasing from multiple providers.¹⁵²
113. There is some evidence that consumer behaviour could be changing in ways that would facilitate cross-selling. For example, consumer research provided by Booking points to recent changes post-pandemic in consumer preferences in the UK, with trust or brand becoming a more important driver of choice than

¹⁴⁷ Merger Notice, Attachments H006 and H342. See also Booking’s [Q1 2022 Earnings Call](#).

¹⁴⁸ This could be through purchasing packages or buying one travel product and subsequently booking another travel product.

¹⁴⁹ Responses by several suppliers of OTA services to the CMA’s questionnaire to OTAs.

¹⁵⁰ Note of call with a supplier of OTA services.

¹⁵¹ For example, a Booking internal document found that a limited number () of bookings , and that more than half (%) of customers were one-time bookers (Merger Notice, Attachment H557). In addition, the average number of trips taken per person in England in 2021 by ‘other public transport’ (including air, ferries and light rail) was two. Source:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1101157/nts03_03.ods

¹⁵² The CMA notes that these statements in Booking’s internal documents are consistent with the evidence on consumer behaviour it has seen. In particular, there would need to be a material shift in preferences with relation to consumers’ perceived value for money, such that consumers would not switch away from the single travel product provider even in response to a slightly worsened offer or higher price.

price in accommodation.^{153,154} Some of Booking’s internal documents also show that loyalty [redacted]¹⁵⁵ [redacted].^{156,157,158}

114. Evidence from Booking’s public statements, internal documents, and consumer research indicates that Booking is confident that there will be some change in consumer behaviour and preferences, driving further retention and loyalty (and that this confidence is reflected, in practice, in Booking’s ongoing commercial strategy).¹⁵⁹

115. In the round, the available evidence indicates that travel is a discrete, infrequent, high-value purchase, that UK consumers are price- and quality-sensitive and currently tend “shop around” rather than purchasing multiple travel services from the same provider. While there is some evidence that consumer behaviour may be evolving (as is reflected, in particular, in Booking’s own commercial strategies), there is no evidence that the extent of this change is such that the ability to cross-sell travel is, within the foreseeable future, could become a significantly more important capability for an accommodation OTA supplier than it is at present.

¹⁵³ For example, if UK consumers place greater emphasis on trust and loyalty in a brand, it may take the consumer longer to realise any degradations in overall quality on Booking.com (while price increases compared to alternatives may be more readily identified).

¹⁵⁴ A Phocuswright UK Consumer Travel report from 2021 found that before the COVID-19 pandemic, receiving the most competitive price was the top factor UK consumers considered for both air and hotel booking platform decisions. For both segments, cost became less of a deciding factor compared to pre-pandemic times, as personal preferences for brand or channel rose. Still, costs remained the top consideration for air (37%) but dropped to third (36%) for hotels in 2020. Merger Notice, Attachment H595.

¹⁵⁵ For example, one internal document states that [redacted]. Merger Notice, Attachment H586.

¹⁵⁶ For example, (i) a Booking internal document found that around a third (ie 35%) of all consumers use a single platform for booking their accommodation. Booking.com is taking a 31% share of that, followed by Trivago (11%) and Airbnb (10%) (Merger Notice, Attachment H557); (ii) based on SimilarWeb desktop audience overlap from January 2020 to August 2021, Booking.com had by far the highest number of exclusive visitors in the UK – a figure 86% larger than its biggest competitor (by exclusive visitors) Airbnb (Merger Notice, Attachment H588).

¹⁵⁷ This means that rivals may not be able to effectively compete with Booking.com’s offering for its larger share of loyal customers.

¹⁵⁸ The CMA also notes that Booking’s internal documents consider various ways to promote loyalty by encouraging consumers to become invested in a one-stop travel shop, for example through the download of apps, login, input and storage of consumer’s data (particularly in the context of the Connected Trip). For example, see [Booking Q3 2021 Earnings Call](#) and Merger Notice, Attachments H434, H501, H169, H217.

¹⁵⁹ For example, in its [Q2 2021 Earnings Call](#), Booking mentioned the ability to cross-sell accommodation to flight bookers, and stated that ‘[Booking is] seeing an encouraging attach rate of accommodation bookings from these new customers.’ During its [Q1 2021 Earnings Call](#), Booking discussed the early activities of Booking.com flights (through the Partnership), and that Booking was ‘very pleased [...] with the very limited effort that [Booking has] done that people are using [Booking.com flights] and [Booking] is getting feedback that people are coming back.’

Characteristics of the supply of flight OTA services in the UK

116. The Parties submitted that the Merged Entity would face strong competition from other suppliers of flight OTA services, including eDreams, Expedia, Kiwi, Lastminute.com, TUI, Trip.com and others.¹⁶⁰ The Parties also submitted that the supply of flight OTA services is highly competitive, with suppliers of OTA services and airlines competing side-by-side for UK consumers, and the airlines' online direct channel being an enduring constraint on suppliers of flight OTA services.¹⁶¹ Shares of supply of flight OTA services by TTV in the UK in 2019 and 2021 (which do not take into account sales in airlines' online direct channel) are presented in **Table 2**.

Table 2: Shares of supply of flight OTA services by TTV (UK, 2019 and 2021)

Group/Brand ¹⁶²	Parties' estimates		CMA analysis	
	2019	2021	2019	2021
Booking (Booking.com, Agoda, Priceline)	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Etraveli (GoToGate, MyTrip, FlightNetwork, SuperSaver)	[10-20]%	[10-20]%	[10-20]%	[10-20]%
Merged Entity	[10-20]%	[10-20]%	[10-20]%	[10-20]%
Dnata Travel Group (Travel Republic and Netflights)	[0-10]%	[0-10]%	[5-10]%	[0-5]%
eDreams ODIGEO (eDreams, Opodo)	[10-20]%	[0-10]%	[10-20]%	[10-20]%
Expedia Group (Expedia, ebookers.com, hotels.com, Vrbo)	[0-10]%	[0-10]%	[20-30]%	[5-10]%
Kiwi.com	[0-10]%	[0-10]%	[0-5]%	[0-5]%
Lastminute.com Group (lastminute.com and Bravofly)	[20-30]%	[20-30]%	[5-10]%	[10-20]%
TravelUp	[0-10]%	[0-10]%	[5-10]%	[0-5]%
Trip.com Group (Trip.com and BudgetAir)	[0-10]%	[10-20]%	[5-10]%	[5-10]%
TUI Group (TUI and First Choice)	[0-10]%	[0-10]%	[5-10]%	[20-30]%
Others ¹⁶³ (Hotelbeds Group)	[0-10]%	[0-10]%	[0-5]%	[0-5]%

Source: Merger Notice, Table 15.2 and CMA's share of supply estimates based on the Parties' and third parties' TTV data. The CMA notes that not all suppliers of flight OTA services are displayed, either due to the Parties' not providing estimates for these suppliers, or the CMA being unable to collect TTV for these suppliers. However,

¹⁶⁰ Merger Notice, Table 15.2 and paragraph 18.4.

¹⁶¹ Merger Notice, paragraph 12.17-12.18. The Parties also submitted that airlines prefer to focus on growing their direct, rather than indirect, sales channel.

¹⁶² The CMA verified that CheapTickets (an Expedia brand) either does not provide flight OTA services or did not have sales of accommodation OTA services in the UK, in 2019 and 2021.

¹⁶³ The CMA notes that the Parties did not specify which suppliers were included in its 'Others' category. The CMA additionally reached out to Hotelbeds Group, and so has included the shares for this supplier.

based on the Parties' internal documents and third-party views, the CMA considers that the suppliers in **Table 2** account for most of the supply of flight OTA services in the UK.

117. The CMA's estimates in **Table 2** of the total market size and relative size of Booking and Etraveli are broadly consistent with the Parties' estimates, with some differences in the relative size of competitors.¹⁶⁴ Irrespective of the precise shares, the shares of supply data is broadly consistent with the Parties' position that the supply of flight OTA services in the UK is competitive, with several flight OTA providers in the UK and no clear market leader.
118. Evidence from third parties and market research also confirms the Parties' submissions that suppliers of flight OTA services face a strong out-of-the-market constraint from airlines, with the vast majority (87-89%) of UK online bookers currently purchasing flights directly from an airline.¹⁶⁵ The CMA received no evidence to indicate the position of airlines is likely to materially change in the foreseeable future. The CMA therefore considers that the evidence indicates that suppliers of flight OTA services face a strong out-of-the-market competitive constraint from airlines in the UK.
119. Overall, the share of supply data shows that Etraveli has a modest market position within the supply of flight OTA services and there are other suppliers of flight OTA services with a similar market position. The CMA understands that these other suppliers of flight OTA services have broadly similar competitive capabilities to Etraveli (and therefore that there is no indication that Etraveli's share of supply understates its competitive significance). Moreover, the vast majority (87-89%) of UK online bookers currently purchase flights directly from an airline. Accordingly, to the extent that a flights business could be an important channel for customer retention and acquisition (which is considered elsewhere in this decision), Booking.com's rival suppliers of accommodation OTA services will continue to have access to the vast majority of UK consumers that purchase flights.
120. The CMA has received no evidence to suggest that the way in which UK consumers purchase flights could change materially in the foreseeable future.

¹⁶⁴ The CMA notes it has not received evidence to indicate the position of any supplier of flight OTA services is likely to materially change in the foreseeable future.

¹⁶⁵ Merger Notice, Attachment H579. The CMA notes this report expects this level to remain broadly the same in future.

Alternative ways for suppliers of accommodation OTA services to acquire UK customers

121. In order to assess the importance of having a flight OTA offering as a customer retention and acquisition channel for suppliers of accommodation OTA services in the UK, the CMA has also considered the alternative ways in which suppliers of accommodation OTA services retain and acquire UK consumers.
122. The CMA considers that evidence provided by the Parties and third parties indicates that suppliers of accommodation OTA services seek to attract UK consumers in a number of ways (individually or in combination), other than by cross-selling from flights, and that these channels would not be impacted by the Transaction.¹⁶⁶ For example, in 2021, Booking spent around 35% of its total revenues on marketing expenses (consisting primarily of search engine keyword purchases, referrals from meta-search and travel research websites, affiliate programs, offline and online brand marketing, and other performance-based marketing and incentives).¹⁶⁷ The evidence available to the CMA indicates that Booking.com's rival suppliers of accommodation OTA services also use several customer acquisition and retention channels, including:
- (a) **Paid traffic (eg SEM and other marketing).** Almost half of the suppliers of accommodation OTA services who responded to the CMA's merger investigation indicated that over 20% of their UK revenues came from paid traffic.¹⁶⁸
 - (b) **Organic traffic.** The majority of the suppliers of accommodation OTA services who responded to the CMA's merger investigation indicated that over half of their revenue from their OTA services came from organic traffic.¹⁶⁹ Half of the accommodation providers who responded to the

¹⁶⁶ The CMA also notes that there are competitors who are not present in multiple verticals, who have been able to grow their position in accommodation OTA services in past, such as Airbnb. The CMA also notes that Expedia has been present in multiple verticals for years and has remained smaller than Booking (see **Tables 1** and **2**). For example, Expedia's CEO's has stated 'we've been selling whatever a connected trip is for 20 years.' Source: <https://skift.com/2021/10/15/full-video-expedia-ceo-peter-kern-at-skift-global-forum-2021/>

¹⁶⁷ Booking's **Form 10-K 2021**.

¹⁶⁸ Responses by several suppliers of OTA services to the CMA's questionnaire to OTAs.

¹⁶⁹ Response by several suppliers of OTA services to the CMA's questionnaire to OTAs.

CMA's merger investigation said they generated over 20% of their revenues in the UK from organic traffic.¹⁷⁰

- (c) **MSS.** While MSS is not as prevalent a channel to obtain accommodation bookers as for flight bookers,¹⁷¹ some suppliers of accommodation OTA services obtain a sizable portion of their UK consumers through this route.¹⁷² While the majority of accommodation providers who responded to the CMA's merger investigation focussed on other routes to market than MSS, one respondent submitted that it received 30% of its UK revenues from MSS.¹⁷³

123. The available evidence therefore shows that Booking.com and its rival suppliers of accommodation OTA services use several customer retention and acquisition channels (which account for large proportions of their revenues). These channels will be unaffected by the Transaction. In the round, there is limited evidence to suggest that a flight OTA offering is – or could become – a particularly significant customer retention and acquisition channel for suppliers of accommodation OTA services in the UK.

Conclusion on raising barriers to entry and expansion

124. For the reasons set out above, the CMA considers that Booking.com has significant market power in the supply of accommodation OTA services in the UK, and that there are material barriers to entry and expansion in the accommodation OTA market, including barriers resulting from Booking.com's incumbent position in the UK. Therefore, a merger that would materially enhance Booking.com's market position in accommodation OTA services by either attracting new customers or by increasing its retention of existing customers could give rise to an SLC in the supply of accommodation OTA services in the UK by increasing barriers to entry and expansion. The CMA's investigation has, in this regard, focussed on the change in market structure in

¹⁷⁰ Response by several accommodation providers to the CMA's questionnaire to TSPs.

¹⁷¹ According to third party responses to the CMA's questionnaires, the average percentage of revenues obtained by suppliers of OTA services through MSS referrals was 26% for suppliers of accommodation OTA services, compared to 50% for suppliers of flight OTA services.

¹⁷² For example, one suppliers of OTA services said it made 87% of its revenues from MSS (Response by a supplier of OTA services to the CMA's questionnaire to OTAs). Three other suppliers of OTA services said they make at least 10% of their revenues through this route (Response by three suppliers of OTA services to the CMA's questionnaire to OTAs).

¹⁷³ Response by an accommodation provider to the CMA's questionnaire to TSPs.

the supply of accommodation OTA services in the UK brought about by the Transaction (and, in particular, the impact of the potential loss of Etraveli as a customer acquisition and/or retention channel for rival suppliers of accommodation OTA services).

125. The evidence available to the CMA indicates that Etraveli is not a particularly significant customer retention and/or acquisition channel for suppliers of accommodation OTA services in the UK. In particular:
- (a) the available evidence (in particular from consumer research and the Parties' internal documents) indicates that travel is a discrete, infrequent, high-value purchase, and that UK consumers currently "shop around" rather than purchasing multiple travel services from the same provider;
 - (b) Booking and its rival suppliers of accommodation OTA services use several customer retention and acquisition channels (which account for large proportions of their revenues) that will be unaffected by the Transaction;
 - (c) Etraveli currently has a modest market position within the supply of flight OTA services and there are other suppliers of flight OTA services with a similar market position and capabilities. Moreover, the vast majority (87-89%) of UK online bookers currently purchase flights directly from an airline. Accordingly, to the extent that a flight OTA offering could be an important channel for customer retention and acquisition, Booking.com's rival suppliers of accommodation OTA services will continue to have access to the vast majority of UK consumers that purchase flights.
126. As noted above, there is some evidence of an evolution in consumer demand (which is reflected, in particular, in Booking's broader commercial strategy, a significant part of which is to be able to sell a "Connected Trip" to consumers). In keeping with the forward-looking approach to assessment applied by the CMA in merger investigations, the CMA has considered how this evolution could affect the competitive impact of the Transaction. Overall, the CMA considers that there is little evidence to suggest that consumer behaviour in purchasing travel online in the UK could change to the extent that there will be a material reduction in the significance of the alternative customer retention

and acquisition channels available to Booking.com's rival suppliers of accommodation OTA services.

127. On this basis, the CMA believes that the Transaction would not materially reduce the ability and incentive of rival suppliers of accommodation OTA services to attract UK consumers (and therefore UK accommodation providers) post-Transaction.
128. Therefore, the CMA considers that the Transaction does not give rise to a realistic prospect of an SLC as a result of higher barriers to entry and expansion in the supply of accommodation OTA services in the UK.

THIRD PARTY VIEWS

129. The CMA contacted TSPs (including accommodation providers and airlines), suppliers of OTA services (including multi-vertical and specialized suppliers), and MSS suppliers as part of its investigation. As noted in paragraph 101, some third parties raised concerns that the Transaction might lead to higher barriers to entry and expansion and strengthen Booking.com's already very strong position in the supply of accommodation OTA services in the UK. The CMA has taken into account these concerns in the context of the overall evidence received during its investigation,¹⁷⁴ including evidence about the competitiveness of the flights OTA market and current and future consumer behaviour (see from paragraph 79).
130. Some third parties also raised concerns that, in the UK, Etraveli operates flight OTA businesses and Booking operates flight MSS businesses.¹⁷⁵ These third parties were concerned that after the Transaction, the Merged Entity will be vertically integrated in the flight travel vertical and might foreclose rival suppliers of flight OTA services using Booking's MSS services as a distribution channel.¹⁷⁶

¹⁷⁴ [Merger Assessment Guidelines](#) (CMA129), 18 March 2021, paragraph 2.23.

¹⁷⁵ Flight MSS suppliers typically aggregate information relating to flights by airlines and offered by suppliers of flight OTA services. On the one hand, flight MSS suppliers provide search and comparison services to consumers to allow them to compare flight offers by airlines and suppliers of flight OTA services. On the other hand, flight MSS suppliers provide lead generation services to airlines and suppliers of flight OTA services by re-directing consumers to airlines and suppliers of flight OTA services to complete their bookings.

¹⁷⁶ Responses by a few suppliers of OTA services to the CMA's questionnaire to OTAs.

131. While the evidence available to the CMA indicates that Booking might be able to self-preference its own OTA brands relative to rivals,¹⁷⁷ it also indicates that (in the UK): (i) Skyscanner is currently the leader provider of flight MSS and alternative flight MSS providers (eg Skyscanner and Google Flights) will remain available to rival suppliers of flight OTA services;¹⁷⁸ (ii) Etraveli currently has a modest market position within the supply of flight OTA services and there are other suppliers of flight OTA services with a similar market position; and (iii) the vast majority (87-89%) of customers that book flights online in the UK currently purchase flights directly from an airline (see paragraph 118). On this basis, the CMA considered, at an early stage in its investigation, that no plausible competition concerns would arise in respect of such an input foreclosure strategy as a result of the Transaction and this theory of harm was therefore not discussed in detail in this decision.

¹⁷⁷ For example, although not all raised concerns in this respect, several third parties told the CMA that the Merged Entity will likely self-preference its own OTA brands on its MSS platforms. Responses by various suppliers of OTA services to the CMA's questionnaire to OTAs. Responses by various TSPs to the CMA's questionnaire to TSPs.

¹⁷⁸ This included evidence from the Parties' internal documents and third-party views.

DECISION

132. Consequently, the CMA does not believe that it is or may be the case that the Transaction may be expected to result in an SLC within a market or markets in the UK.

133. The Transaction will therefore **not be referred** under section 33(1) of the Act.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
29 September 2022

ENDNOTE

ⁱ CVC Capital Partners SICAV-FIS S.A. and CVC Capital Partners Advisory Group Holding Foundation provide investment advice to and/or manage investments on behalf of certain funds and investment vehicles, which are the ultimate owners of Flugo Group Holdings AB. References in this decision to the acquisition of Etraveli from CVC are therefore references to the acquisition of Flugo Group Holdings AB, which is ultimately owned by these CVC funds.

ⁱⁱ Footnote 103 should be read as follows: 'The CMA verified that CheapTickets (an Expedia brand), Thomas Cook, the HRS Group, Dnata travel.com, and Sunmaster either do not provide standalone accommodation OTA services or did not have sales of standalone accommodation OTA services in the UK, in 2019 and 2021.'

ⁱⁱⁱ Reference to the Expedia Group in Table 2 should be read as follows: 'Expedia Group (Expedia and ebookers.com).'