Mastering Distribution Dynamics in the Current Regulatory Chaos

8 Key Themes

from the Executive Roundtable on Distribution in Palma, Mallorca

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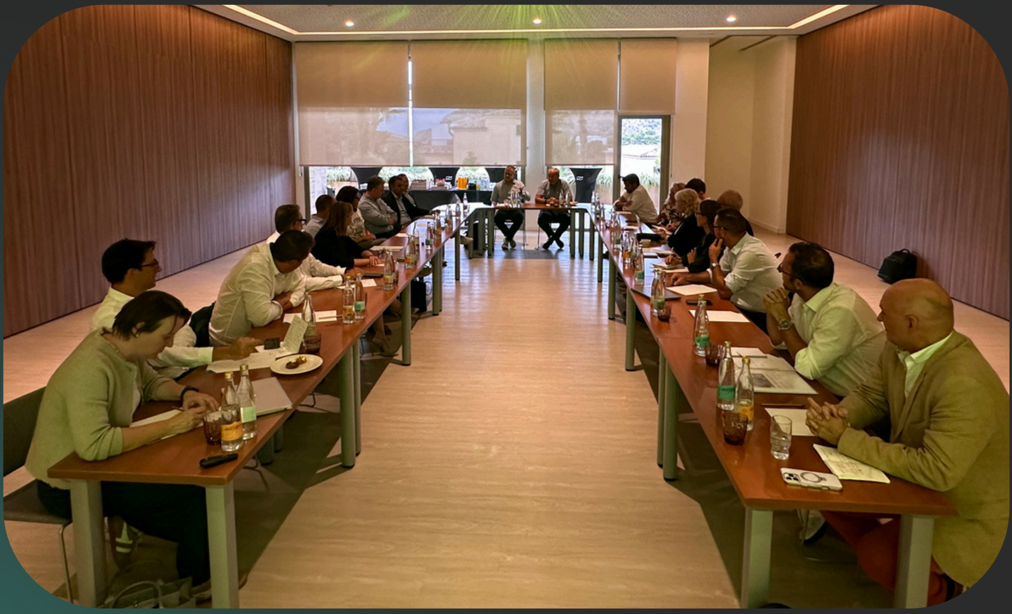
Introduction

On October 9th, 2025, HSMAI Europe gathered senior leaders in hotel distribution for an executive roundtable at Zafiro Palace Andratx, Mallorca. The session, titled "Hotels Unleashed: Mastering Distribution Dynamics in the Current Regulatory Chaos," was part of HSMAI's growing commitment to help members navigate a fast-evolving distribution landscape — shaped by both platform power and regulatory disruption.

Hosted in collaboration with the Hospitality Pricing Innovation (HPI by 123Compare.me) series, the roundtable brought together executives from hotel groups, intermediaries, tech providers, and academic research, with a shared focus on parity, platform governance, and the future of hotel visibility.

Over three hours of in-depth discussion, participants explored the current tensions between OTA dependency, regulatory intent, AI-driven discovery, and the growing importance of direct and alternative channels. This report synthesises the 8 core themes that emerged — and the statistics, signals, and strategies shaping hotel distribution today.



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Regulation is Lagging Behind: DMA and AI Move at Different Speeds

The EU Digital Markets Act (DMA) was introduced to curb gatekeeper dominance in digital markets, notably targeting Booking.com. However, the regulation has had mixed effects: in some cases, limiting one tech giant (e.g. Google) has unintentionally reinforced another (e.g. Booking.com).

A major concern is that while regulators are addressing legacy platform issues, AI-powered technologies and agentic systems are reshaping consumer behavior at a much faster pace. The AI Act, still in development, does not yet account for the role of LLMs (large language models) in travel search and decision-making.

Implication:
Hotels must prepare for a future where regulation struggles to keep pace with technology, and where AI may dominate the customer journey.

2 Price Parity and MFNs: Removing Clauses Doesn't Mean Fair Pricing

Price parity clauses (also called MFNs) have been restricted or banned in some countries (e.g. France), but the intended price drop has been limited. Hotels are often reluctant to undercut OTAs on their own websites, fearing loss of visibility in OTA rankings.
In simulations using scraped and direct data, researchers found only minor price reductions, mostly in non-visible channels (e.g., email offers, walk-ins), not on public booking platforms.
20%: On average, Booking.com displayed a lower price than the hotel's own website in 1 out of 5 comparisons.
This "loose rate" decreased by ~5 percentage points in the EU following early DMA discussions, but disparity persists.

Impact on Hotel Brands:

- Inconsistent pricing across OTAs and the hotel's own website confuses consumers and undermines trust in the hotel's direct channel.
- Even when parity clauses are removed, algorithmic pressure leads hotels to maintain rate alignment, limiting their ability to differentiate or incentivise direct booking.
- When guests find better prices elsewhere, they may question the value or fairness of booking directly — weakening the brand's authority over its own offer.

Implication:
OTA algorithms and visibility incentives still act as de facto enforcers of price parity, even without explicit clauses.

3 Power Dynamics: Booking.com vs. Expedia — An Uneven Playing Field

While Booking.com has been formally designated a gatekeeper under the DMA, Expedia remains unregulated — despite being described by many hoteliers as more opaque and harder to work with. Expedia reportedly applies higher commissions, wider B2B redistribution, and offers less pricing control.

Market Share (2025 YTD):

- Booking.com: ~69% of the global OTA market
- Expedia: ~17%

Implication:
Gatekeeper status is determined by thresholds — not behavior — which has led to criticism of unequal enforcement despite Expedia's practices.

4 Distribution Professionalisation: Managing Rates and Channels with Precision

Larger B2B players like **Hotelbeds** shared how they've had to transform their approach to maintain control and compliance. This includes segmenting credentials, deploying rate-matching tools, and enforcing strict rules to ensure correct use of hotel inventory and rates.

Hotelbeds handles 7 million travel searches per day and manages 250,000 properties, including 100,000 direct contracts.

Their three-strike policy allows them to cut off distributors that misuse rate agreements, affecting up to 60,000 hotels if needed.

They now use 60,000+ custom credentials to segment and manage rate distribution by market and partner type.

Implication:
Rate discipline and smart segmentation are now mission-critical in managing complex multi-channel distribution.

5

AI and the Future of Search: A New Threat - and possibility - to Hotel Visibility

AI-powered platforms and agentic services (e.g., LLMs like ChatGPT) are increasingly shaping travel research and booking decisions. The concern is that AI will prioritize cheapest price, reducing hotels to undifferentiated listings and pushing out direct relationships.
There's also a rising risk that AI will surface OTAs more prominently, especially those who invest more in SEO, integrations, or paid access — further sidelining smaller hotel brands.

Impact on Hotel Brands:

- If AI-driven travel assistants surface hotels based only on price or availability, brand differentiation disappears.
- Hotels may become commoditised in voice or AI interfaces, where users no longer see images, story, or value — just a filtered result.
- This shift could lead to a loss of emotional connection with the guest, and give platforms even greater control over brand positioning.

***Implication**:*
Hotels must explore how to integrate their brand presence into LLMs and search models — or risk being filtered out of the digital travel conversation entirely.

6 Market Context Matters: Control Depends on Where You Are — and Who You Are

The degree of control hotels have over their distribution strategy — and the pressure they feel from OTAs — varies widely by geography, hotel type, and internal capabilities.

In Spain, particularly on Mallorca, many hoteliers described Booking.com as a manageable and predictable partner, rather than a threat. After years of building up direct booking infrastructure, pricing strategy and channel segmentation, they feel more in control — and more selective about how and when they use OTAs.

Several properties reported that they intentionally price their own website lower than Booking, knowing how to navigate the OTA's algorithms to maintain visibility without losing margin.

By contrast, hoteliers from urban markets like London expressed more concern about OTA dependency, particularly for visibility and volume. In these settings, hotels often have fewer alternative channels, making them more reliant on platforms like Booking and Expedia.

There was also a distinction between independent hotels and large chains:

- Independent hotels often have less negotiation power and fewer tools to manage distribution complexity.
- Larger chains, or leisure-focused resort groups, typically have more resources, more direct demand, and more diversified distribution models (e.g. tour operators, B2B partners, loyalty programs).

Supporting data

- Several hotels in Spain reported direct booking shares of 20–30%, up from low single digits just a few years ago — a result of consistent investment in their own digital channels.
- In contrast, simulations showed that in Turkey, when Booking.com was banned for two years, independent hotels lost up to 50% of bookings, underscoring how dependent some markets are on OTA traffic.
- The success in Spain is also attributed to more diversified channel strategies and local expertise in distribution management.

Impact on Hotel Brands:

- In markets where hotels have regained control (e.g. parts of Spain), brands are strengthened by pricing transparency and a consistent customer journey.
- In more OTA-dependent markets, brand experience is often fragmented across multiple channels, which can create confusion and weaken loyalty.
- Strategic control over distribution allows hotels to own their guest relationships and reinforce their value proposition.

Implication:

Market maturity, hotel category, and internal capabilities all play a role in how OTA power is experienced — and whether it can be balanced. For some, Booking.com is just another tool; for others, it still defines the rules of the game.

7 Social Media as a Rising Distribution Channel

Booking.com is now collaborating with TikTok, recognising that social media is no longer just a branding tool, but a powerful conversion channel. Many hotels have already shifted significant marketing spend to platforms like Instagram and TikTok, with measurable booking returns.
Multiple hoteliers confirmed that social media has become one of their top-performing sources of direct bookings in the last 2–3 years.

TikTok

Implication:
Hotels that develop social commerce strategies can diversify their demand sources and reduce OTA dependency — especially among younger travelers.

8 Price Disparity Erodes Trust — Especially in Opaque and Uncontrolled Channels

One of the most critical — and most frustrating — topics raised during the roundtable was the ongoing problem of price disparity, particularly when hotels are undercut by OTAs or unknown third-party resellers.

While price undercutting on major OTAs (like Booking or Expedia) is problematic in itself, the bigger concern came from opaque resellers — sites and sellers that hoteliers don't recognise, have no agreement with, and often cannot trace. These players often appear on metasearch platforms or SEO-optimised travel sites with unapproved, outdated, or undercut rates.

Supporting data

- In certain markets, up to 80% of the cheapest rates found online came from unauthorised resellers, according to rate tracking tools.
- Across the EU, Booking.com undercut the hotel's own website in roughly 1 out of 5 searches (20%), and slightly less in markets where price parity clauses are banned.

Impact on Hotel Brands:

- When guests find lower prices elsewhere, it damages the perceived integrity of the hotel's own website — even if the third-party site is untrustworthy.
- This price inconsistency leads to loss of direct bookings, frustration at the front desk, and overall erosion of brand trust.
- In some cases, guests book through these channels and show up with invalid confirmations or incorrect pricing, creating operational friction.

> We've had customers arrive with vouchers from sites we've never heard of — and they paid less than what we offer directly. It's embarrassing.

***Implication**:*

Price disparity — especially from uncontrolled distribution channels — is more than a revenue issue. It's a brand risk. If hotels cannot ensure that their rates are consistent and trustworthy across the web, they risk losing credibility, loyalty, and long-term value.

Solving this challenge requires not only better tools, but broader industry and regulatory attention — beyond just the largest platforms.

Conclusion

The hospitality industry is in a high-stakes transition. The balance of power, the tools of visibility, and the rules of distribution are all shifting — driven by regulation, AI, and evolving guest behavior.

To stay competitive, hospitality leaders must:

- Reclaim pricing control through segmentation and enforcement
- Adapt to AI-powered discovery before it shapes demand without them
- Invest in direct and social channels that build brand relationships
- Collaborate wisely with OTAs, but never blindly

Whether large or independent, leisure or urban, the future belongs to hotels that understand and master their distribution landscape.