

## Response in Relation to the CMA's Statement of Scope

### Online Platforms and Digital Advertising Market Study

2<sup>nd</sup> August 2019

#### **Executive Summary**

*As an online travel comparison service, we welcome the CMA's paper setting out the intention to conduct a market study on Online Platforms and digital advertising and thanks the Authority for the opportunity to comment on the Statement of Scope.*

*While we endorse the principles underpinning the CMA's proposals, in the below response we intend to draw particular attention to:*

- i) the scope and definition of Online Platforms*
- ii) the reliance on Google as the major Online Platform operating in General Search and in Vertically Integrated Travel Search Services*
- iii) and finally, the need for a common approach to tackle the dominant Online Platforms*

#### **Scope and Definition of Online Platforms**

As the Statement of Scope acknowledges, there are many differing categories and types of Online Platforms, which use a variety of business models. We would respectfully recommend that careful consideration should be given to ensure that the primary targets of the study, namely so-called 'Internet Giants', identified and referred to by the CMA throughout the Statement primarily as Google and Facebook, are appropriately within scope in whichever action (if any) is subsequently undertaken as a result of the Market Study, whilst guarding against unintended consequences and unworkable burdens for relatively smaller businesses.

As a travel comparison service, our primary business model is not based on search and display advertising as described by the principal areas of concern highlighted within the paper.

Instead, we work with other businesses operating in the travel space (namely airline, hotels, car hire companies and Online Travel Agents 'OTAs') by directing high quality leads to their channels, and facilitating growth of SMEs by displaying their products on the basis of consumer preferences rather than marketing spend. In this sense our business model is distinct from that of the major Online Platforms and Publishers referred to throughout the Statement of Scope in that the majority of our revenue is not generated from the types of advertising referred to in the paper, but rather through a 'Cost per Click' model where commission fees generated do not determine the placement or order of how we display results to consumers.

## Reliance on Google

As acknowledged throughout the Statement of Scope, the major Online platforms do indeed drive innovation and growth in the digital economy and provide significant benefits to consumers. The largest Online platforms - in particular Google and Facebook – the so called ‘Internet Giants’ to whom the Market Study appears to be primarily focused on - offer an interface for millions of firms to access markets and customers, enabling businesses to function in the platform economy. However, given the significant size and market share of these platforms, there is, as pointed out by the Statement of Scope, the potential for smaller companies relative to the platforms to suffer damage as a direct result of certain trading practices.

Speaking as an online travel comparisons service, the most harmful area addressed within the scope of the Statement relates to search engines (where Google is the predominant player) and to whom we are heavily reliant. For clarity, while Bing and Yahoo also offer similar equivalent services to Google, Google's overarching and major dominance over the general search market is the key underlying reason for our concern over their practices specifically. In addition, while we are also a customer of Facebook, social media advertising forms a much smaller proportion of our overall marketing investment and therefore, for the purposes of our response, we have focused on the effects of Google, though we agree with the CMA's assessment that Facebook enjoys a similar equivalent dominant position among social media platforms and therefore that its effects on consumers and market competition on advertising should also be examined within the scope of the CMA's future work in this area.

Over the past several years, our business and indeed many other businesses who rely on Google, have experienced frequent damaging changes caused by Google's algorithms which have reduced our visibility in organic general search listings, and as a direct result have forced us to significantly increase our spend on paid Google listings to compensate for those losses. We believe this has negative consequences for consumers, who are deprived of easy access to our services due to reduced visibility, and also for market competition, where the ability to operate successfully on Google's platform (which is in this era an inevitable and necessary element to operate a customer facing business) is harmed as a result of high costs and associated barriers to entry for relatively smaller players.

Further, and in relation to points raised in the Statement of Scope's 'Potential remedy area 3: limiting platforms' ability to exercise market power' on page. 27, we believe Google has been able to use its dominance in general search to vertically integrate travel search services through the introduction of Google Flights and Google Hotels services. Google has moved into segments such as air travel and hotels by leveraging their cemented position in search services/advertising and the data that they hold in these areas. In a similar manner as has been seen with Google Shopping, Google is able to steer consumers towards its own travel services via search pages. Over time, we have observed the box containing the Google vertical travel product (both for Google Flights and Google Hotels) enlarge and subsequently our business's relative position on the page drop.

In this regard, we would support Potential Remedy Area 3 (Paragraph 95 point C) cited within the CMA's Statement of Scope which would require 'vertically integrated platforms to implement an appropriate form of separation between different activities across the value chain, to the extent necessary to reduce incentives to favour their own businesses.'

## **The Need for a Common Approach to Tackle Dominant Online Platforms**

While we fully support and endorse the principles underlying the CMA's Statement of Scope and intention to carry out a market study into the sector, we believe it is imperative that national authorities work in confluence to create a common approach to tackle abuses of dominant players in the digital space. In this sense, we would support an approach from the CMA which works in confluence with the EU's approach to dominance of Internet Giants such as Google and Amazon. This will safeguard against major Online Platforms amending their services in certain markets and regions to comply with regulations or fines (for example in the EU where several actions have been brought against Google by the Directorate General for Competition) whilst continuing to be allowed to take harmful action in others. An approach consistent with the EU will provide reliable protections for UK citizens and ensure they do not fall behind the standards of protection afforded to EU citizens, especially after Brexit.

## **Conclusion**

In summary, we firmly support the CMA's proposed study to examine the effects of Google and equivalent major Online Platforms on Search and Display advertising and would welcome any action taken by the CMA to protect consumers from any negative effects of market dominance which hamper the fair and free functioning of the digital advertising market.