

John Lewis Partnership

Response to CMA Online Platforms and Digital Advertising Market Study Interim Report Consultation Questions

About the John Lewis Partnership

The John Lewis Partnership is the UK's largest employee-owned business and parent company of our two retail brands - John Lewis & Partners and Waitrose & Partners. Started as a radical idea nearly a century ago, the Partnership is now the largest employee-owned business in the UK, with 81,500 employees who are all Partners in the business and share in its profits.

The Partnership operates on strong democratic principles, which means that every Partner has a say in how the organisation is run. We have 388 shops across Britain and a leading online business, along with two international sourcing offices, a soft furnishings factory, various distribution centres, three cookery schools, a content production hub, heritage centre and our own farm. Our strategy is focused on differentiation and quality rather than scale, through our investment in innovation and Partner-led customer service.

At the John Lewis Partnership (comprising John Lewis & Partners plc or, as applicable, any other members of its corporate group of companies, including John Lewis Finance and Waitrose & Partners Ltd.) we utilise a variety of digital advertising products, including both search and display advertising, social media, digital audio and affiliates.

General comments on the CMA's Online Platforms and Digital Advertising Market Study Interim Report

We welcome the CMA's Online Platforms and Digital Advertising Market Study Interim Report and appreciate the amount of work the CMA has undertaken to present a comprehensive and succinct overview of what is an incredibly complex industry.

In particular, it is the view of the John Lewis Partnership that the CMA's description of competition in the digital advertising market (Chapter 5) is generally accurate and that we are encouraged that the CMA has taken a close look at market outcomes in search advertising and plans to give further consideration in the second half of the study to developing a like-for-like cost-per-click search advertising comparison model.

We support the CMA's continuing work to investigate if market concentration has led to practices inconsistent with a competitive free market occurring in the digital advertising market and the indirect harm this may have on consumers.

We are aware that the Incorporated Society of British Advertisers (ISBA) - of which we are a member - will also be making a submission to the consultation. We have therefore

focussed our response on questions we believe to be of specific relevance to the John Lewis Partnership.

Response to Interim Report Consultation Questions

1) Do you agree with our descriptions of general search services and social media service, as set out in Chapters 2 and 3?

Yes, we believe the CMA's descriptions of general search and social media services are generally accurate.

2) Do you agree with our explanation of the different forms of digital advertising, as set out in Chapter 5?

Yes, we believe the CMA's explanation of the different forms of digital advertising are generally accurate.

3) Do you agree with our explanation of how the intermediated open display market operates, as set out in appendix H?

Yes, we believe the CMA's explanation of how the intermediated open display market works is generally accurate.

7) Do you agree with our analysis and findings in relation to competition in digital advertising, as set out in Chapter 5?

Yes, we believe the CMA's analysis and findings in relation to competition in digital advertising are generally accurate.

8) Do you agree with our assessment of the merits of a code of conduct for large online platforms funded by digital advertising?

Yes, we broadly agree, especially that a code of conduct may be more effective at changing behaviour in a complex and fast moving market quicker than existing antitrust tools.

Although we know cost considerations would be an integral part of further analysis on the merits of a code of conduct, we would have a concern about the SMS platforms subject to the code passing the cost of complying to advertisers and ultimately consumers. Of course we acknowledge this concern is valid with any regulatory or other market intervention.

Specifically referring to 6.24, we are not clear on the feasibility of the regulator having any assurance that any benefits of intervention would outweigh cost, and therefore not being able to enforce change. We would be interested to hear further thoughts on how benefits and cost would be impartially collected and quantified.

9) Do you agree with the range of possible practices we have identified that could be considered under such a code of conduct?

The three principle categories are broad enough to cover all of the obvious concerns we would like to see considered. We note that some of the search market concerns set out in chapters 2 & 3 are not explicitly called out, although we can see how they might fit into the framework. For example, under Fair Trading, consumers and digital advertisers may have concerns about the coverage and visual differentiation between organic and paid for search results.

In relation to the breadth of the practices, we would like to see more thinking on how any regulator would envisage managing the potential volume of complaints. We would expect a wide and varied assortment of complaints to be levelled as Fair Trading, Open Choices & Trust and Transparency could cover almost anything.

We note consultation question I.6 on Appendix I asks for thoughts on the investigation process, but we don't feel sufficiently qualified to comment.

10) Have we identified the appropriate range of potential interventions to address the sources of market power for Google and Facebook?

We do not wish to make specific comments on this section, but we note the points about interoperability in social are congruent with interoperability in the MarTech stack, specifically with advertisers ability to effectively use competing vendors across the stack, e.g. a different analytics platform to Ad Server.

18) Do you agree we have identified the right areas for further work in the second half of the study (set out below), and are there any significant gaps?

We are encouraged that the CMA has taken a close look at market outcomes in search advertising and plans to give further consideration in the second half of the study to developing a like-for-like cost-per-click search advertising comparison model.

February 2020