

19<sup>th</sup> February 2020

## Executive Summary

We welcome the findings of the CMA's Market Study Interim Report on Online Platforms and Digital Advertising. In our comments we wish to:

- (i) *address the Interim Report's comments in relation to the substitutability of search sectors, specifically the interaction of general search with vertically integrated search services ("specialised search services");*
- (ii) *in relation to the above, to bring to the CMA's attention some recent critical alterations Google has implemented both to its specialized travel search services business model and to the manner in which travel results are displayed in the SERP, which in our view could be highly detrimental to both consumers and to market competition;*
- (iii) *address Google's access to data of third parties within the online search market and describe what we believe to be Google's significant and unfair advantage in data collection when it is simultaneously developing competing specialised vertically integrated travel search services; and*
- (iv) *set out our initial view on remedies.*

## Introduction

As an online travel comparison site, we welcome and agree with the CMA's findings that there exists imperfect competition in the online platforms market. In the following comments we wish to focus on the elements of the report pertaining to Google's significant market share and power. For clarity, while Bing and Yahoo also offer similar equivalent services to Google, Google's overarching and overwhelming dominance over the general search market is the key underlying reason for our concern over its 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.

While we welcome the report's overall finding that imperfect competition exists owing to Google's dominance and market share, we would go further; our belief is that Google, as the overwhelmingly dominant player in global search

(93% of the EU market, according to a recent written answer by the European Commission) presents a distinct challenge and imminent threat to the maintenance of a level-playing field in the digital sector for all market operators, as well as particular challenges in the online travel sector. On the latter point relating to challenges for the online travel sector, we provide more recent evidence of Google's aggressive tactics which, in our view, are further stifling competition and therefore hampering consumer choice in the body of the comment.

Google's crippling dominance has direct ramifications on the flow of traffic to any player operating online. Over time, it is our view that most businesses who appear on Google, have experienced harmful impacts caused by Google's algorithms which have reduced visibility in organic general search listings, and as a direct result have forced online players, including our own business, to significantly increase our spend on paid Google listings to compensate for those losses. Eventually, maintaining our position in the market against in this context may prove unsustainable.

We therefore agree with the statement in Chapter 3 of the report (Page 59) that, *"Google's strong position is primarily maintained by three key barriers to entry and expansion: economies of scale in developing a web index, access to click-and-query data at scale, and Google's extensive default positions across desktop and mobile devices."*

We would add to the above point that Google's dominance has even more exaggerated effects in general search on mobile devices. This is due to the fact that smaller screen sizes mean a greater proportion of the top of the listings, or "first scrolls", are given over to paid results, while it may take users far longer on mobile devices to reach organic results, which, due to deprecation of SEO listings, are already appearing further down the SERP, if indeed they scroll as far as organic results at all.

#### **Interaction of General Search with Vertical Search Services ('Specialised search services')**

We agree with the CMA's assessment in Chapter 5 of the report (paragraph 5.62) that although Google competes with other vertical (specialised) search services, for example travel, that *"the evidence we have reviewed so far suggests that, with the possible exception of Amazon, these specialised search providers do not impose a strong competitive constraint on Google, even in the sectors within which they specialise."* It goes on to say, *"As noted above, the advertisers we have contacted so far during the study have been unanimous in their view that paid listings on classified sites are not substitutable for general search as the two are used for different purposes."*

These statements raise two important comments from our perspective. Firstly, we agree with the statement that paid listings in our own specialised travel search service do not provide equivalence or competitive constraint to Google's own general search listings. As stated in our previous comments to the initial Statement of Scope, and also as described in our meeting in person with the CMA case team, we wish to stress that although our business generates a small percentage of revenue (on average around 10-15% annually) from on-site display advertising, our core business model is not based on paid placements. Instead, our model is based on comparison of listed travel supply

partners (for example airlines, hotels, car hire suppliers and Online Travel Agents “OTAs”) whose results are displayed in order of price or various other consumer ranking preferences determined by the user, but whose order are crucially *not* determined by commission paid to our business by the travel supply partner.

The report states that, *“in most sectors it appears that the relationship between general search and specialised search services tends to be more vertical than horizontal in nature. In other words, rather than providing an alternative for consumers and advertisers using specialised search providers, it appears to a large extent that Google’s general search performs the function of a ‘gatekeeper’, through which consumers access specialised search.”* We agree that Google does indeed perform a gate-keeper role, in that it is able to divert large proportions of traffic away from freely-listed specialised search services, in favour of paid placements in its general search platform.

However, it is of vital importance to note that not only is Google competing with online companies vertically, as characterised in the quote from the report above, but also horizontally through its equivalent specialised search services Google Flights and Google Hotels.

In our view, the vertical and horizontal relationships with Google for online companies cannot be considered in isolation of one and other, at least in respect of the travel vertical which we have knowledge of, but no doubt in other verticals too. This is because Google now places its own travel modules (widgets) such as Google Flights and Google Hotels (recently consolidated into Google’s full travel product funnel [travel.google.com](https://travel.google.com)) in position one (flights) and between positions one to four (hotels) of organic search results. With these features, Google effectively places and favours its own directly competing services above those of rival Online Travel Agents (OTAs) and travel comparison engines.

**Therefore, it is the combined effect of Google *simultaneously* optimising both for its own vertical travel search tool and also for paid placements, while in parallel pushing down free listing organic results on the SERP which causes such harm.**

Recently, Google has made several notable changes to the way travel results are displayed, both within the main general search listings, and within their own Google Flights platform which we believe are crucial to bring to the CMA’s attention.

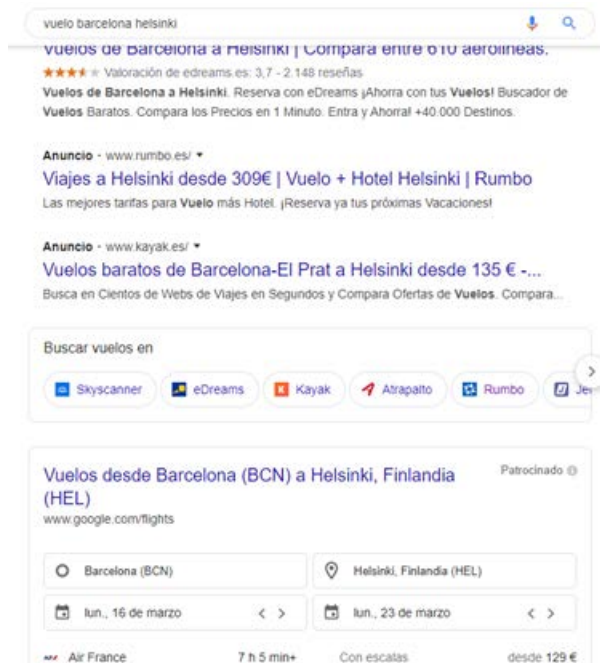
## Recent developments implemented by Google in the travel search sector: carousel boxes, Flights ribbon, and Google Flights change of business model

### Google's launch of flight carousel box

As of December 2019, Google has introduced a new flights “carousel box” which has appeared on the Google SERP in certain European markets. The new carousel box features various brands’ logos or “favicons” of between 7 or 9 travel suppliers (except for direct suppliers) which are placed immediately above the Google Flights module (widget) on the first page of the general search engine. As is customary for Google, we believe that it is highly likely that having tested this display pattern in major European markets (currently France, Spain, Germany, Netherlands, Italy + non EU countries such as Switzerland, Australia, Japan, Singapore, and Hong Kong) that it will be rolled out to the UK market and then worldwide.

For flights searches, the new carousel would appear to be triggered by flight-related keywords. By way of example, it can be rendered by using typing in city pairs (for example, “Brussels Helsinki”), flight+ destination (for example, “flights to Helsinki”), or generic keywords containing a destination (for example, *cheap flights to Helsinki*). The following screenshot demonstrates how Google is now displaying this box in the markets where this feature appears:

#### Flight Search example



When the logos are clicked on, the favicons direct traffic to the website of the metasearch engine or Online Travel Agent indicated by the logo. The box has a "carousel" design wherein on the primary display "screen" users are able to see 5 favicons and then must scroll via the right side to see the remaining 2 or 4 icons. This box appears after paid placement advertising results.

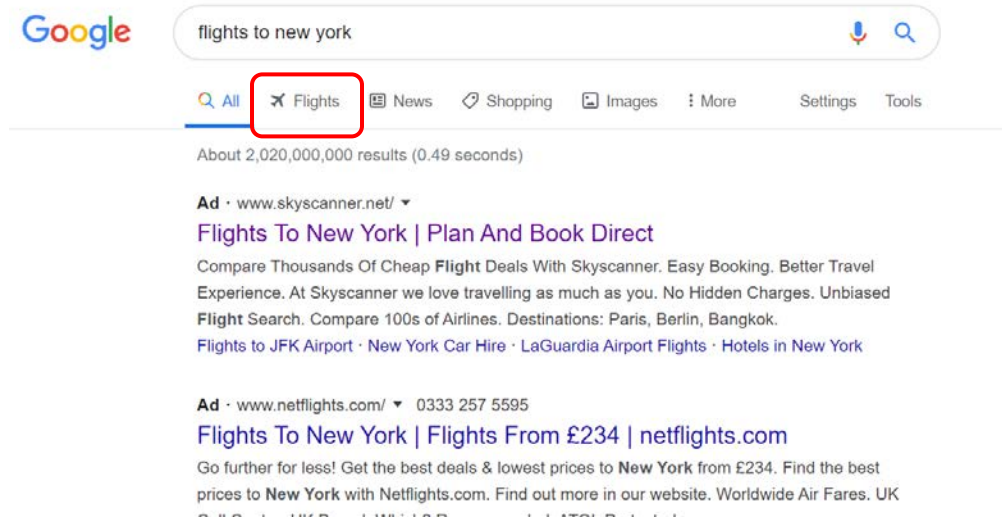
We believe this new style of displaying flights exacerbates existing anti-competitive concerns linked to Google travel verticals. This test is in fact very similar to alterations that Google has previously proposed to the European Commission in the Shopping case, which were subsequently determined not to address competitive concerns:

Furthermore, the introduction of the new flights carousel feature is worsened by a complete lack of transparency in the way Google has launched the feature, with an absence of communication to the travel brands featured. While the favicon brand icons are *currently* not paid-for advertising placements, it is not clear what criteria Google is using to select which brands appear in the carousel. For example, it is not obvious to companies featured whether their inclusion in the carousel is due to the specific SEO results to that search or if the selection is based on other alternative criteria. The number of companies featured also varies depending on search keywords. In either case, featured companies are unable to track or measure the outcome of user behavior or propensity to click on these icons. Once again, this demonstrates that Google is performing a gate-keeper role with regard to their position in general search and leveraging this to optimise for and direct traffic towards their own competing vertically integrated search offering.

In summary, it is our view that the new logo flights carousel continues and worsens Google's pattern of abusive differentiation of its vertical search service, both visually and functionally, whilst commoditizing its competitors.

### Flights ribbon

Furthermore, the introduction of the "Flights" tab on the top ribbon which has recently been moved to the furthest left (and therefore most prominent position) in the ribbon and which now appears to be dynamically triggered by flights related keywords brings users directly into the full Google Travel product funnel [travel.google.com](https://travel.google.com) (previously was only linking to flights widget). This means that users now encounter the full suite of Google travel product funnel including direct access to flights, hotels, trips, and holidays from one page.



This is particularly problematic in that competitors are unable to participate within the travel.google.com funnel once users have clicked through from the ribbon. At this stage, all competition is eliminated. The history of other ribbon placements by Google would suggest that users are likely to become accustomed to learning that they can speedily access flights results by clicking on the ribbon feature, in the same way that, for example, users have over time learnt to search for images through the 'Images' tab on the ribbon rather than through scrolling through the general search SERP listings. To that extent, Google has influenced user behaviours in search. Users are unlikely in the case of flights, however, to be aware that when clicking through the flights ribbon, they are **only encountering results from Google's own vertical flights search product**, and being deprived of any results from competing metasearch sites who offer a different range of results, and alternative functionality.

### Google Flights change of business model

Since Google Flights implementation in 2013, we believe it has operated its model in a similar way to other flights metasearch comparison sites in that it facilitates the purchase of airline tickets through third-party suppliers such as airlines and OTAs. Up until 31 December 2019 its business model was similar to the one of its flight search service competitors, i.e. a compensation-based model paid by partners each time a consumer clicks or books through its service (either Cost Per Click or Cost Per Acquisition based).

On 21<sup>st</sup> January 2020, in a major change to their previous model, Google announced that airlines and OTAs will no longer be charged for basic referrals or clicks on basic booking links from Google Flights - retroactive as of 1 January 2020.

We are deeply concerned that this significant change allows Google to operate the Google Flights product at a loss through cross-subsidization, rendering competing flights metasearch sites uncompetitive, due to the fact that other

competing flights meta comparison businesses must generally charge a percentage commission to airlines and OTAs in order to generate revenue and for our business model to endure.

We believe this new practice could be considered to be a predatory pricing strategy as it demonstrates an intention to attract new business partners while working towards its genuine aim of driving competing flight comparison sites out of the market. This is likely to lead to grave and irreversible harm to competition for search in flights. Specifically, it may impact rivals' ability to remain on the market at all, when rendered unable to compete on the merits. We assert that this critical business model change is likely to have limited financial effect on Google's flight business, because Google still monetizes flights via its B2B flight search and pricing software, ITA, which is utilized by many travel search sites.

More details can be found in the following recent press articles:

<https://www.phocuswire.com/Google-Flights-impact-on-travel-industry>

[https://searchengineland.com/google-removes-ads-and-sponsored-labels-from-flight-search-results-327975?utm\\_source=linkedin&utm\\_medium=social&utm\\_campaign=socialflow](https://searchengineland.com/google-removes-ads-and-sponsored-labels-from-flight-search-results-327975?utm_source=linkedin&utm_medium=social&utm_campaign=socialflow)

<https://skift.com/2020/01/22/google-flights-ends-booking-charges-for-airlines-that-paid/>

[https://searchengineland.com/google-removes-ads-and-sponsored-labels-from-flight-search-results-327975?utm\\_source=linkedin&utm\\_medium=social&utm\\_campaign=socialflow](https://searchengineland.com/google-removes-ads-and-sponsored-labels-from-flight-search-results-327975?utm_source=linkedin&utm_medium=social&utm_campaign=socialflow) .

### Google's access to data

In Chapter 4 of the report, Google's (as well as Facebook's) use of data collection is examined in detail. We agree with the CMA's summation that data collected by Google, alongside other Internet Giants such as Facebook is "extensive" (Page 111, Paragraph 4.10). We also agree with the CMA's characterisation of Google and others' ability to, "collect data through services they offer on other websites and apps. This allows them to gather information about consumers and how they interact with third-party sites, therefore extending their reach and data collection beyond their own services."

As affirmed in the report, careful consideration should be given to ensure the ongoing existence and development of, "Effective regulation that puts consumers in control of their own data is essential in the modern digital economy" (Page 109). While this is of course valid, and has to a great extent been realised through the introduction of the GDPR, what we believe is lacking is oversight of how exactly Google may use the aggregate data collected on third parties, through its extensive network of advertising services, marketing analytics and data technology services, and in particular how access to this data may render Google at a significant advantage when they are developing competing

specialised vertically integrated search services such as those in flights and in wider travel as described above.

### [View on Remedies](#)

We wish to point out that, in general, we view all attempts to introduce some form of remedy to address Google's dominance as representing a step in a positive direction. We would be happy to discuss in detail our views on particular remedies.

However, we would recommend that careful consideration should be given to ensure that the primary targets identified in the study as "firms with Strategic Market Status (SMS)" (eg Google) are appropriately within scope in whichever action (if any) is subsequently undertaken as a result of the Market Study, while guarding against unintended consequences and unworkable burdens for relatively smaller vertical businesses.

### [Code of Conduct](#)

As set out in Chapter 6 of the report, we note the basis for a "code of Conduct for online platforms with strategic market status".

While we appreciate that this would be intended to target large firms with a, "position of enduring market power/control over a strategic gateway market with the consequence that the platform enjoys a powerful negotiating position resulting in a position of business dependency." (Page 235, Paragraph 6.28), we believe that this definition is too wide and likely to lead to unintended consequences whereby there will be a "waterfall effect" on relatively smaller firms who fall within the broader definition of an online platform, but for whom the code was not originally targeted. Far from being a check on Google's market power, we believe by creating cumbersome regulatory burdens for the long tail of online platforms, this would in fact strengthen Google's position relative to the market.

### [Market Investigation](#)

Given the existential nature of the threat which is faced by the travel sector resulting from what we perceive to be Google's abuse of dominance to stifle competition in travel search, we believe that a market investigation would be a proportionate and necessary response to address our concerns. We would, of course, also support appropriate and effective ex ante regulation as referenced by recommendations in the Furman Review in parallel with such an investigation.

In summary, owing to the significant and potentially irreversible damage we believe Google is conducting to harm competition to the travel sector, through the actions described above and alongside the changes to its business



model, we would implore the CMA to opt for a recommendation to Government to conduct a market investigation as soon as possible.