

Appendix P: specialised search

Introduction

1. In this appendix, we analyse the relationship between general search and specialised search. We look at the effect that Google's conduct in general search has on competition in specialised search and ultimately on final consumers.
2. We first look at whether there is a competitive constraint on Google from specialised search providers, which may arise if these providers attract consumers directly to their websites bypassing Google. As part of this analysis we also account for the vertical relationship between general search and specialised search. Specialised search providers are dependent on Google as a key channel to access consumers and direct them towards their websites.
3. Second, we look at whether Google may have the ability and incentive to take advantage of its market power in general search to self-preference its own specialised search products or exploit its data advantages. This behaviour may reinforce the dependence of specialised search providers on Google, strengthening its role as a 'gatekeeper' and ensuring that specialised search providers need to pay Google large sums of money to get access to consumers. We focus on the travel, local search, and consumer finance sectors, where specialised search providers have raised a series of concerns. We have not sought to reach conclusions on the specific complaints raised. Instead, we have collated the available evidence and considered the potential for this type of conduct to harm competition and lead to worse outcomes for consumers.
4. Third, we assess whether Google may be able to exploit specialised search providers as customers, for example through changes to the presentation of search results, modifying some features of search advertising auctions, and changing the information shared with advertisers in relation to the outcome of these auctions. As with potential exclusionary conduct, we have not sought to reach conclusions on the specific complaints raised. Instead, we have collated the available evidence and considered the potential for this type of conduct to harm competition and lead to worse outcomes for consumers.
5. To gather evidence for this analysis, we held meetings and calls with eleven specialised search providers active in the following sectors: travel (Skyscanner, Booking.com, Expedia, eDreams, TripAdvisor), local search (TripAdvisor and Yelp), consumer finance (GoCompare, Compare the Market, Money Supermarket and Confused.com), and retail (Kelkoo). These are

among the biggest customers of Google in terms of spend on Google paid search in the relevant sectors.

Background

6. Specialised search, sometimes described as vertical search or classified advertising, provides tools that allow consumers to search for, compare and purchase specific products or services from different providers in a particular sector.
7. The following characteristics distinguish specialised search from general search:
 - Specialised search is focused on specific sectors, or 'verticals', while general search aims to cover the entire internet;
 - Specialised search lists specific content on products and services, usually based on data feeds coming directly from sellers, while content on general search is derived from indexing and searching websites on the internet;
 - Specialised search has functionality that allows users to compare products and services across different dimensions, while general search results are determined by the search engine based on its assessment of relevance.
 - Specialised search typically focusses on commercial searches while general search has a mix of commercial and non-commercial searches.
8. Specialised search providers operate two-sided platforms. A specialised search provider needs to attract and thus compete for both consumers and suppliers. Like other two-sided platforms, specialised search is subject to network effects, as the value of a specialised search website for one group of users is increasing in the number of users in the other group. Network effects mean that there are significant advantages to scale and several specialised search verticals are highly concentrated as a result.
9. Sectors where specialised search providers are particularly active include retail/e-commerce, travel, consumer finance, local search and recruitment. The CMA has considered the role of different specialised search markets

such as digital comparison tools, online hotel booking services, and price comparison websites in previous studies and investigations.¹

10. Our analysis has focused particularly on three specialised search sectors:
 - Travel – websites offering search and comparison, and potentially booking services of third-party products such as hotels, flights, house rentals, holiday packages, car hire and experiences. Over the years, these websites have moved towards increased integration, by offering platforms that include multiple services such as both hotel and flight comparison.
 - Local search – websites offering search and comparison, and potentially booking services for third-party local businesses such as restaurants, plumbers, dentists, barbers and museums. These websites are particularly focused on creating user-generated content such as user reviews, which are one of the main dimensions over which they compete.
 - Consumer finance – websites offering search and comparison, and potentially purchase of third-party products such as insurance, credit, energy and broadband. These websites often offer an integrated platform that includes all these products.

Business models

11. Specialised search websites are usually free for consumers, that is consumers do not have to pay a fee to access or use them. A specialised search website usually monetises its content by charging its partners, that is third-party providers that list their products on the website, a fee or a commission, which may or may not influence the order in which providers appear on the specialised search results list. Websites that also offer booking services may charge consumers for these services by adding a booking fee to the price of the purchased product.
12. When monetising on the partner side, specialised search providers use a wide range of models, which depend on both the sector and the nature of the service offered by these providers, eg if they offer booking services on-site.
13. One popular model is a cost-per-acquisition (CPA) or commission model, whereby specialised search websites receive money from the supply partner

¹ [CMA digital comparison tools market study](#); [CMA hotel online booking investigation](#); [CMA price comparison websites: use of most favoured nation clauses investigation](#).

when the product is successfully provided to the consumer. This model is used especially by websites in the consumer finance sector and by some in the travel sector, especially travel meta-search websites. For example, under this model the specialised search website might get paid from a supply partner when a consumer successfully signs a home insurance contract from that partner.

14. Another popular model is cost-per-click (CPC). Here, specialised search websites get paid by a supply partner when a consumer clicks on a link within the specialised search result list that refers to that partner, eg a click on a listed restaurant on a local search website.
15. Additional sources of revenue for specialised search websites include on-site contextual display advertising purchased by third-party companies, including providers listed on the website, and on-site promotions. On-site promotions involve third-party providers paying specialised search websites to promote specific products or services to the top of their listings. Payments for on-site promotions typically consist of additional listing fees or commissions and may be allocated on an auction basis.²

Consumer traffic

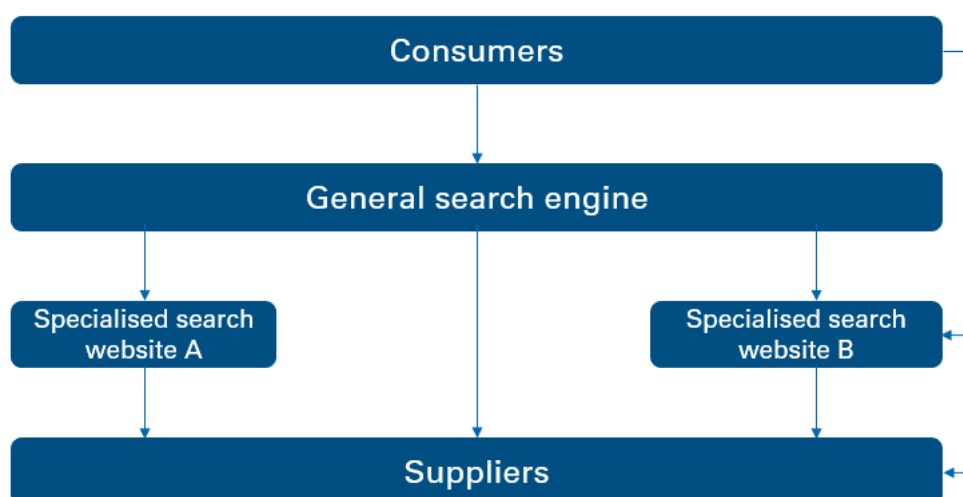
16. Websites focused on specialised search services often invest a sizeable proportion of their budget in marketing activities such as paid advertising on general search engines, display advertising on third-party websites, and brand awareness campaigns on traditional channels such as TV, radio and offline. Search engine optimisation (SEO) has historically been another important way to promote the website in general search. SEO entails finding the best way to design a website to make it appear at the top positions of the organic links listing on a general search engine.
17. There is a strong relationship between specialised and general search, in that most specialised search providers access a large proportion of their customers through general search engines. For example, a consumer looking to buy a flight ticket may go directly to an airline or travel specialised search website or may first enter a query on a general search engine and then compare different options appearing on the general search result page (SERP). Some consumers do not search online linearly but may simultaneously both look for specific websites they already know and use a general search engine to check for other websites. In any case, general search engines have a very important role in a specialised search website's

² On-site promotions on specialised search websites are sometimes referred to as classified advertising.

success, in that they offer a gateway to consumers. Many other online businesses are also reliant on Google as a gateway to access customers. Specialised search providers are no exception to this rule, despite the high demand for their services and strong brand recognition.

18. Figure P.1 shows the relationship between general and specialised search in the consumer purchase journey. A consumer has several ways to purchase a product (eg a flight ticket) from a supplier (eg an airline) online. S/he can access the supplier's website or app directly or visit a specialised search website or app to compare products offered by different suppliers – in the latter case, s/he can either access the specialised search website directly or enter a search on a general search engine first (eg Google), and then access the website from the SERP. Finally, the consumer could access the supplier's website directly from the SERP after doing a search, without the intermediation of a specialised search website.

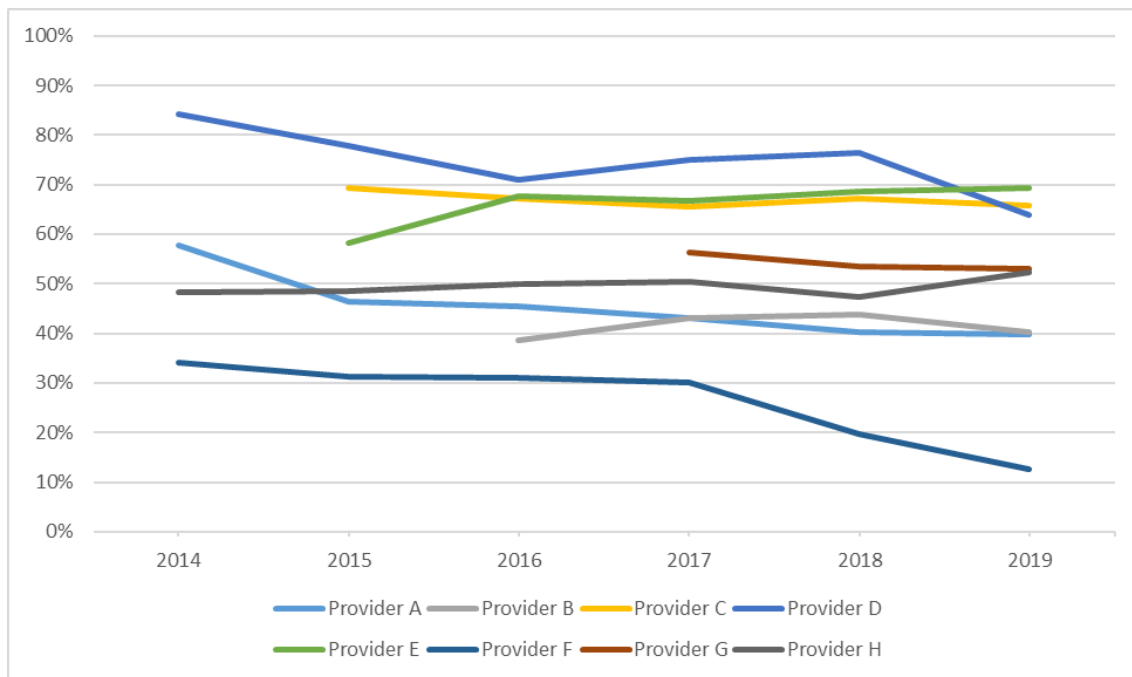
Figure P.1: Simplified scheme of the relationship between general and specialised search



Source: CMA.

19. We collected data from some specialised search providers on the sources of traffic to their websites, to understand the importance of Google Search as source of traffic. Figure P.2 and Figure P.3 show the proportion of traffic to specialised search websites that comes from Google Search (both organic and paid) over time, for desktop and mobile/tablet, respectively.

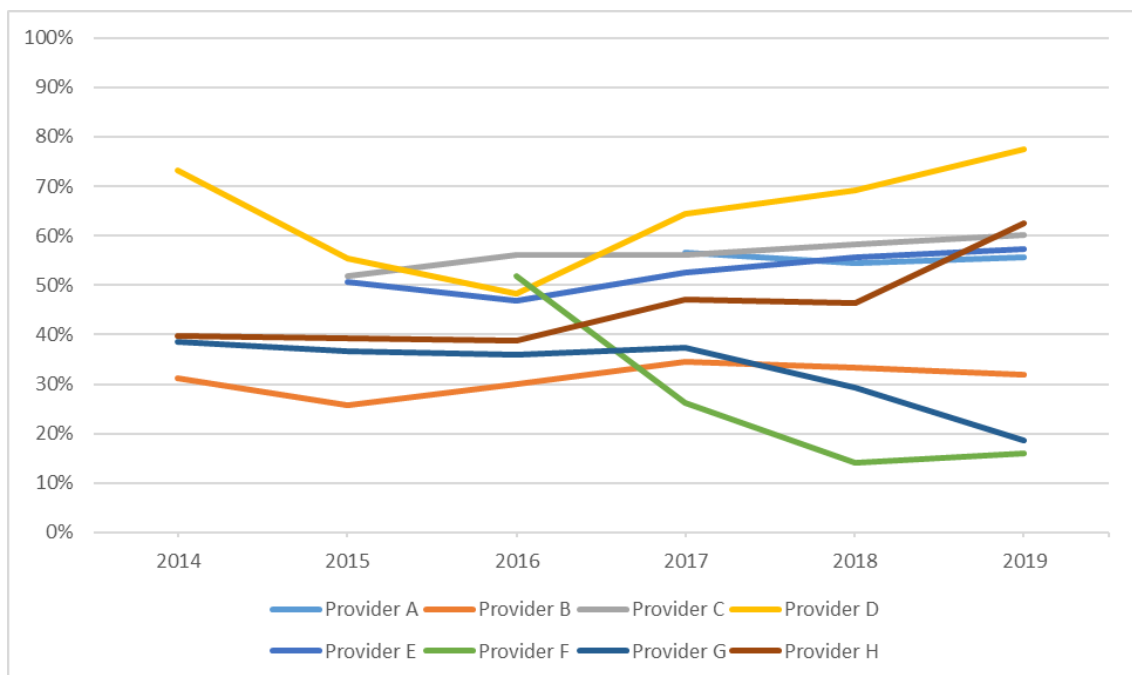
Figure P.2: Proportion of total traffic which comes from Google Search (on desktop)



Source: CMA analysis of parties' data.

Notes: UK traffic; traffic from Google Search may include traffic from Google Flights and Google Hotel Ads.

Figure P.3: Proportion of total traffic which comes from Google Search (on mobile/tablet)



Source: CMA analysis of parties' data.

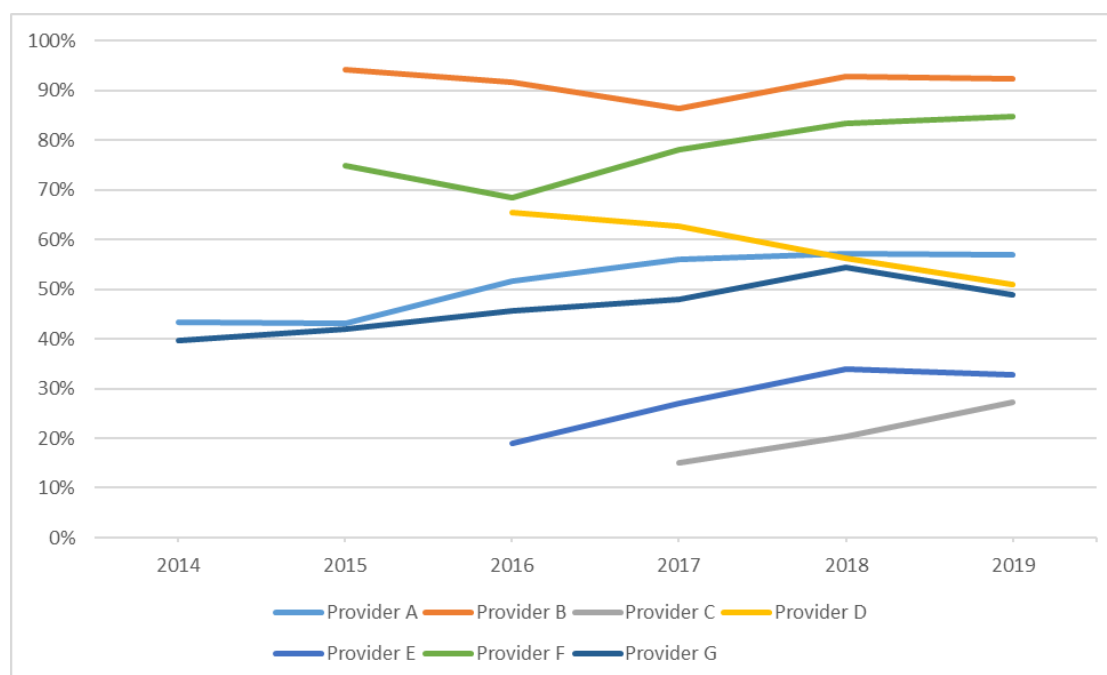
Notes: UK traffic; traffic from Google Search may include traffic from Google Flights and Google Hotel Ads.

20. Google is an important source of traffic for these providers, with most providers relying on Google for at least 40% of their traffic, both on desktop and mobile/tablet. However, these figures vary widely across provider, with

the proportion of traffic from Google ranging between around 10% and 65% for desktop and between 15% and 75% for mobile/tablet in 2019.

21. The proportion of traffic from Google Search has remained fairly stable or increased for some providers over time, which may suggest that Google is becoming even more important as a source of traffic. This increase is more prominent on mobile/tablet than desktop. At the same time, this proportion has decreased for other providers. Those providers who have experienced such a decrease have also experienced a particularly high increase in traffic coming from direct sources, ie direct URL access, or App (on mobile/tablet). This in turn may suggest that these providers are becoming less dependent on Google for traffic. However, Google remains an important source of traffic even for these providers, especially for consumers who may want to start their purchase journey on Google Search to compare different specialised search websites.
22. Most specialised search providers also allocate a substantial portion of their total advertising spend to advertising on Google Search. Figure P.4 shows the importance of advertising on Google Search for some specialised search providers and how this has evolved over time. The chart shows the proportion of these providers' total advertising spend that is spent on advertising on Google Search.

Figure P.4: Proportion of total advertising spend which is spent on Google Search



Source: CMA analysis of parties' data.

Notes: UK spend; spend on Google Search may include spend on Google Flights and Google Hotel Ads.

23. From the charts, we note that most specialised search providers have increased their spend on search advertising on Google over the last five years as a proportion of their total advertising spend. In 2019, specialised search providers spent around 55% of their total advertising spend on search advertising on Google, on average. Based on the same data, we also found that specialised search providers spent around 25% of their revenues on search advertising on Google in 2019, on average (around 15% if the average is weighted by revenues).³

Google's specialised search products

24. Google has developed several specialised search products over the last two decades – for example, in 2002 Google launched Froogle, a comparison-shopping website which was then re-branded as Google Shopping in 2012. Other specialised search products developed by Google include Google Flights and Google Hotel Finder (then renamed Google Hotel Ads), a flight comparison and hotel comparison websites, respectively, both launched in

³ The lower value of the average when weighted by revenues is the result of larger providers (in terms of revenues) spending relatively less on Google search advertising as a proportion of their revenues, which in turn lowers the resulting weighted average.

2011. Google's specialised search products are described in more detail in the annex to this appendix.

Constraint on Google from specialised search

25. In this section we assess whether Google is constrained by competition from specialised search providers. We first set out Google's submissions to our study and the European Commission's findings from the Google Shopping case.
26. We then assess the evidence from our study on competition on either side of the platform:
 - from an advertiser perspective, we assess to what extent general search is constrained by competition from specialised search providers in attracting suppliers that would list and potentially advertise their products on those providers' websites;
 - from a consumer perspective, we assess whether consumers see specialised search websites as a substitute for general search when looking for a product or service to buy.
27. We then consider dynamic competition, focusing on the consequences of the vertical relationship between Google Search and specialised search for the competitive constraint that specialised search imposes on Google.

Google's views

28. Google submitted to us that it faces strong competition from a range of different 'vertical search services' (ie 'specialised search services') who specialise in paid listings in particular sectors, eg Amazon in retail and Booking Holdings in travel. Google told us that because consumers search (offline and online) for particular things, different competitive constraints are relevant to different query types. It said that [a small proportion] of search queries generate most of Google's search revenues. These are commercial queries (eg shopping, credit cards, finance, travel, hotels, plumbers etc).
29. Google submitted that specialised search services exist in each major commercial content category and Google competes with these services. Google also said that the pressure on it to innovate derives not just from competition in one category alone, but from the aggregate effect of competition across all categories.
30. From IAB report 2019 estimates, we note that the main commercial content categories (shopping, travel, and financial services) accounts for more than

50% of Google's paid search revenues. However, we also note that competition in different sectors may vary to a great extent, and thus the potential constraints on Google should be looked at separately for each sector.⁴

European Commission's Google Shopping case

31. Competition between general and specialised search has been looked at before by the European Commission in its Google Search (Shopping) investigation. This investigation found specialised search and general search services to be in distinct markets for a range of reasons:
- The two types of service operate as complements rather than substitutes as a substantial number of consumers access specialised search via general search rather than accessing them independently.
 - The nature of specialised search services and general search services is different, in that specialised search services focus on providing specific information on purchasing options in their respective fields of specialisation. By contrast, general search services search the entire internet and therefore generally return different, more wide-ranging results.
 - There are a number of differences in the technical features of specialised and general search services, eg they often rely on different sources of data (user input or information supplied by third-parties, and 'web crawling' information, respectively) and they are usually monetised in a different way.
 - The facts observed in the market, the history of the development of the products concerned and Google's commercial practice further support the conclusion that specialised search services and general search services are different. For example, Google offers and describes its specialised search services as a service distinct from its general search service.⁵

⁴ [IAB UK & PwC Digital Adspend Study 2019](#); Shopping includes Retail, Consumer electronics, Computers & software, Beauty, grooming & personal care, Toys & video games, and Consumer goods.

⁵ [39740 Google Search \(Shopping\) case page accessed on 24 June 2020](#). [European Commission Decision AT39740 Google Search \(Shopping\)](#), June 2017, paragraphs 166 to 177.

Competition for advertisers

32. The advertisers we have contacted during the study that use specialised search all said that specialised search and general search advertising are not substitutable but are rather used in tandem to achieve advertisers' goals.⁶ This is because they perform different functions at different points of the purchase funnel and can be used to reach different audiences. General search has a higher reach, is cheaper and is best used to attract traffic from a wider audience that has demonstrated general intent, while specialised search is more expensive, has lower reach and is used to directly make sales within a narrower audience that are engaged in actively researching and comparing specific products or services.
33. All of the specialised search providers we contacted also told us that they see general and specialised search as performing two different functions for advertisers. As a result, most told us that they do not compete with Google general search for advertisers. For example, Money Supermarket noted that the two platforms are seen more as complements rather than substitutes by insurers. A consumer finance search provider told us that it does not view Google as a direct competitor, but noted that some large insurers, like Aviva and Direct Line do not use price comparison websites and advertise on Google paid search. Two travel search providers pointed out that Google general search is different because it is further up in the purchasing channel and because it performs a different function than specialised search, respectively.
34. Moreover, it appears that a large proportion of Google's revenues in sectors where vertical search providers are present comes from the vertical search providers themselves, rather than from advertisers choosing to advertise on general search as an alternative to vertical search.⁷
35. Based on the evidence above, we have found that specialised search does not compete directly with Google's general search engine for advertisers. However, given the two-sided nature of the search engine, this does not preclude that competition for advertising revenues may occur indirectly through attracting consumer attention.

⁶ Classified advertising refers to on-site promotions on a specialised search website, as explained above.

⁷ For example, we note that Google's largest five search advertising customers are all specialised search providers.

Competition for consumers

36. From a consumer perspective, there are significant differences between general search and specialised search. General search engines help consumers with a wider range of queries including many that are not served by specialised providers, while specialised search provides functionality that allow consumers to compare listed products across multiple dimensions.
37. As described above, consumers can use Google Search to access specialised search websites. In other words, some consumers may see Google Search as a gateway to specialised search rather than an alternative. This idea is supported by traffic data from specialised search providers which shows that Google is an important source of traffic for these providers, with most providers relying on Google for at least 40% of their traffic, both on desktop and mobile/tablet (see Figures P.2 and P.3 above).
38. Specialised search providers told us that the differences described above mean that specialised search and general search are unlikely to be directly substitutable for consumers. For example, a consumer finance search provider stressed that a big difference with Google search is that Google users receives limited amount of information on the product, eg only the quote of car insurance and they can't easily compare different insurance providers on the SERP. The same view was shared by GoCompare, who reported that they do not compete with Google. eDreams told us that its views aligned with the views expressed in the Interim Report: paid listings, ie on-site promotions on specialized (travel) websites are not substitutable for general search as the two are used for different purposes by end-consumers.
39. Further, all the specialised search providers we contacted stressed how the relationship between them and Google search is vertical rather than horizontal in nature, with Google being a 'gatekeeper' for traffic to their websites. Money Supermarket stressed that Google is merely a source of traffic, a means of navigating customers towards them, and a consumer finance search provider highlighted how the relationship is more vertical, as it is dependent on Google. GoCompare depicted its relationship with Google with a metaphor: GoCompare and Google are shops. Google has its shop down the road from GoCompare, but anyone who wants to visit GoCompare has to queue at Google's shop first. GoCompare would then be charged for each customer accessing GoCompare's shop via Google's shop. eDreams told us that travel specialised search providers are not in a position to impose strong competitive constraint on Google Search and even on Google Flights. In a similar vein, TripAdvisor believes that Google has no competitors and that Google general search is a gatekeeper to specialised search. It added that if Google really was competitively constrained in generalised search, it would

have not maintained such a durable market share in search, which was preserved because of barriers to entry and network effects.

40. However, despite this vertical relationship it is possible that specialised search exercises some competitive constraint on Google, through attempting to attract consumer traffic to come directly to specialised search websites rather than via Google's search engine. For example, Money Supermarket reported that it would prefer more people to go directly through their website, rather than through Google.
41. We noted in the Interim Report that some specialised search providers may be becoming more successful in generating their own traffic through promoting their brands and mobile apps, particularly as mobile usage has increased. However, in most cases they still appear to be heavily reliant on Google. For example, Booking Holdings has strong brands (Booking.com, Priceline, Kayak) and a large share of the online travel agency (OTA) market but still spends about half of its total global operating costs on performance marketing (primarily search advertising with Google).
42. Since the Interim Report we have looked at traffic data to specialised search providers in more detail and found that, for some providers, the proportion of traffic coming from Google has declined over the last few years, as shown in Figure P.2 and P.3 above.
43. Based on the evidence above, it appears that specialised search providers may compete with Google's general search for users to some extent. However, for the specialised search providers we investigated in detail, their views and their traffic data suggest the constraint on Google may be limited.
44. One notable possible exception is retail, where Google may compete directly with Amazon for consumer traffic to a greater extent. Yet, the evidence is mixed. We received survey evidence that suggests Amazon is the preferred consumer starting point for product search.⁸ However, Amazon submitted that this kind of survey does not provide a relevant metric for assessing UK consumers' shopping behaviour, in that 'where consumers begin their product search' is a difficult concept to define and interpret. Amazon also submitted that there are methodological flaws in the survey mentioned above that likely bias its results. We received other survey evidence that, whilst still using the

⁸ For example, a BloomReach Survey, 'State of Amazon 2016', September 23, 2016, found that Amazon is the preferred starting point for product search. The survey sought to determine where consumers begin their product searches and found that 55% of respondents reported Amazon, while 28% reported search engines and 16% reported retailers.

'start' of a product search as an indicator of consumer purchase behaviour, found that the percentage of shoppers starting their shopping journey on Amazon is significantly lower than that found by the survey mentioned above, with Google a more popular starting destination.⁹

45. Google general search is an important source of consumer traffic to Amazon (Amazon considers itself to be one of Google's largest customers), and Amazon submitted that this illustrates that it does not compete with Google. This may suggest that Amazon exerts a limited constraint on Google general search. On the other hand, we note that Amazon is likely to have important competitive advantages from its broader role as an e-commerce channel (for example from its physical distribution network, its Prime membership and its first-party data built on its consumers' shopping histories). The value of Amazon's first-party data was stressed to us by media agencies and several advertisers from the retail sector. This may suggest that Amazon exerts a greater constraint on Google general search than other specialised search providers do.
46. Even if Amazon imposes some competitive constraint on Google in relation to retail search advertising, this would only apply to advertising representing a minority of Google's revenues in search. According to IAB 2019 figures, around 19% of search revenues are derived from the retail sector.¹⁰

Dynamic competition

47. As shown by the evidence above, specialised search providers rely on Google for a large proportion of user (consumer) traffic. Moreover, as described above, these providers operate two-sided platforms which are subject to network effects, as the value of a specialised search website for consumers is increasing in the number of suppliers listed on the website, and vice-versa – network effects mean that there are significant advantages to scale. Therefore, a decrease in traffic to a specialised search website today can trigger a further decrease in traffic in the future due to network effects, thereby hampering the ability of the provider operating the website to compete effectively in the long-term.
48. However, as discussed above, some specialised search providers may become more successful in getting traffic directly bypassing Google over time,

⁹ A 2018 study published by Publicis Sapient and Salesforce found that 28% of shoppers start their product search on marketplaces such as Amazon and eBay in 2018 (up from 22% in 2017), as compared to 48% for Google (up from 17% in 2017).

¹⁰ [IAB UK & PwC Digital Adspend Study 2019](#). Amazon may also compete to some extent in other sectors defined in the IAB report, such as consumer electronics.

thereby exerting a dynamic competitive constraint on Google on the user side over the ‘start of the user journey’. Google may have the ability to employ various strategies to influence traffic to specialised search providers and consequently the competition it faces from these providers over the long term, eg self-preferencing its own specialised search products on the SERP. By using such mechanisms, Google may be able to limit the traffic to specialised search providers, making it more difficult for them to develop their services and brands and limiting the competition Google faces from specialised search providers over the longer term. These issues are discussed in more detail in the next two sections on exclusion by Google of specialised search as rivals and exploitation by Google of specialised search as customers.

Exclusion by Google of specialised search as rivals

49. This section summarises concerns that have been raised with us that Google is taking advantage of its market power in general search to self-preference its own specialised search products or foreclose specialised search rivals. We focus on the travel and local search sectors.
50. We look at the three ways in which Google may limit constraint from specialised search providers raised in the previous section:
 - Self-preferencing its specialised search products on Google Search;
 - Exploiting its data advantages; and
 - Exploiting its organic search algorithms.
51. We have not sought to reach conclusions on the specific complaints raised. Instead, we have collated the available evidence, assessed whether Google has the ability and incentive to pursue this type of conduct, and considered the potential for this type of conduct to harm competition and lead to worse outcomes for consumers.

Self-preferencing by Google

52. All the specialised search providers we contacted raised concerns that Google self-preferences its own specialised search services over those of rivals. They told us that Google may do this through showing prominent ‘One-boxes’ at the top of general search results which link to its own specialised services, attracting user traffic away from specialised search rivals. This may have the potential to harm competition if it denies specialised search providers an equal opportunity to access user traffic and compete on a fair basis with Google’s own services. Consumers would suffer harm from

reduced innovation in specialised search services and in the long term from the reduction in competitive constraint on Google's general search.

53. Box P.1, which is based on submissions from specialised search providers, describes this mechanism in more detail.

Box P.1: Mechanism for self-preferencing in specialised search

1. Google links a 'One Box' to a Google page/website that carries out specialised search functions, such as Google Travel.
2. Google places its One Box in the most prominent positions on the SERP, where the user is more likely to click.
3. Google makes this One Box more attractive for consumers than traditional search results by including pictures and interactive buttons.
4. Google specialised search products may initially include results from rival specialised search providers. In this phase, the product carries out basic functions and relies on rivals for most of the content.
5. Over time, Google develops its specialised search product by enriching it with more functionalities, such as booking directly on Google. This increases the portion of consumer purchase journey that is made on Google.
6. Specialised search providers become 'disintermediated', in that consumers carry out fewer and fewer functions on their websites, which are used only to process the actual transactions.
7. In the extreme, Google carries out all the specialised search functionalities itself, by becoming the ultimate layer between consumers and suppliers.

54. Below we first set out background to the Google Shopping case, where the European Commission looked at analogous issues. We then set out the views of specialised search providers, Google's submissions and our own views based on this evidence.

The Google Shopping case

55. In 2017 the European Commission imposed a €2.4bn fine on Google for abusing its dominant position in general search by giving preferential treatment to Google Shopping – its own comparison shopping service (CSS) – on the SERP. This decision was the outcome of a case opened in 2010 which went through several iterations, including multiple proposed remedies.

Google appealed the decision, and the first oral hearings were held by the EU General Court in February 2020.

56. The Commission found that Google's conduct was abusive because it: (i) diverted traffic away from competing CSS to Google's own comparison shopping service by placing the Google Shopping One Box (which included only Google's results) prominently at the top of the SERP; and (ii) was capable of having, or likely to have, anti-competitive effects in the national markets for CSS and general search services.¹¹
57. Google provided a number of justifications for the conduct, such as that the positioning and display of the Google Shopping One Box is justified because it improves the quality of Google's search service for users and advertisers. The Commission concluded that Google didn't provide sufficient evidence to prove that its conduct was indispensable to the realization of these likely efficiencies or that these efficiencies outweigh the negative effects of the conduct on competition and consumer welfare.¹²
58. Google has taken action that it considers addresses the abusive conduct identified by the Commission, by identifying and implementing a 'remedy' to its Google Shopping One Box. The current remedy consists in allowing rival CSS to bid for the inclusion in the Google Shopping One Box, as shown in Figure P.5.

¹¹ [39740 Google Search \(Shopping\) case page accessed on 24 June 2020. Summary of European Commission Decision AT39740 Google Search \(Shopping\), June 2017, paragraph 10.](#)

¹² [39740 Google Search \(Shopping\) case page accessed on 24 June 2020. European Commission Decision AT39740 Google Search \(Shopping\), June 2017, paragraphs 653 to 671.](#)






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Notes: rival CSS are circled in red.

59. Inclusion in the box is determined by an auction process similar to general search ads based on bid and relevance, and Google Shopping has to bid as an independent entity that has to make sufficient profit as it is paying itself to appear in the box. By clicking inside the box, the consumer is directed not to a CSS website but to the merchant website, and the CSS makes a referral commission.
60. Kelkoo, a CSS involved in the Google Shopping case, told us that the Google Shopping remedy could actually make things worse for CSS. Kelkoo expressed concerns about the incentives of Google Shopping bidding into Google's One Box auction. In addition, it noted that user traffic goes directly to merchants rather than to the CSS, generating paid ad revenues for Google. Kelkoo said that this results in CSS becoming simply 'agents' that assist merchants with bidding into Google's auctions. Consumers are diverted away from using any CSS interface (including Google Shopping) and may suffer worse user experience and higher prices as a result.
61. Kelkoo submitted analysis which suggests that Google's remedy has had the following effects on consumers:
 - Consumers see fewer available choices – on a typical CSS website, consumers view around twenty-eight offers per page results, while on

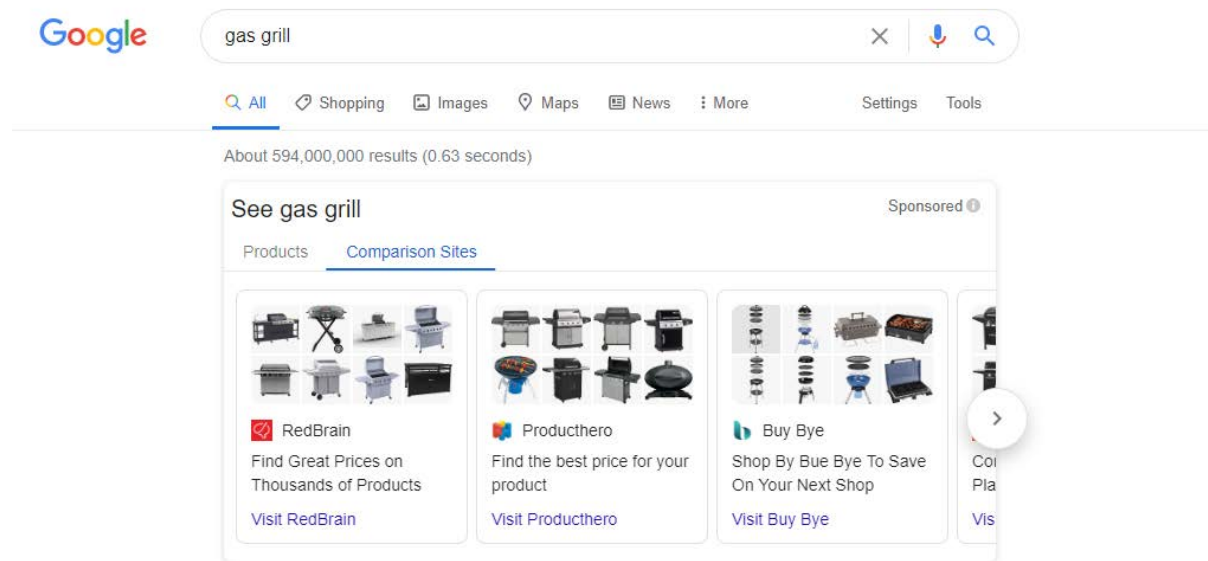
the new Google Shopping One Box, consumers view around six offers per page of results.¹³

- Lower product competition – with access to CSS websites being foreclosed, the average number of offers actually viewed by consumers decreases dramatically. This is because consumers can now compare offers by staying on the SERP and interacting with the Google Shopping One Box without accessing any CSS website. Since the former displays less offers than a traditional CSS website (as seen above), the effect is a reduction in product competition.
- Higher merchant advertising costs – as more traffic is withheld by Google from its rivals, advertising supply is reduced and, without material competition from CSS, monopoly price inflation is created on the Google Shopping One Box. In Europe the analysis estimated that the average bid price for the Shopping One Box has increased by around 25%.
- Higher consumer prices – assuming merchants want to keep the same margin on the products sold, the analysis estimated that the increase in merchant advertising costs led to a 3% increase in average consumer prices.

62. Google's recent amendment to its Shopping One Box includes a 'comparison sites' tab in the box, as shown in Figure P.6.

¹³ Google Shopping One Box effectively became a new Google CSS directly accessible while staying on the SERP, given that the results in the box link directly to the merchant sites (unless the user clicks on one of the links to the CSS websites placed at the bottom of the results, eg on 'By Kelkoo' in Figure P.5).

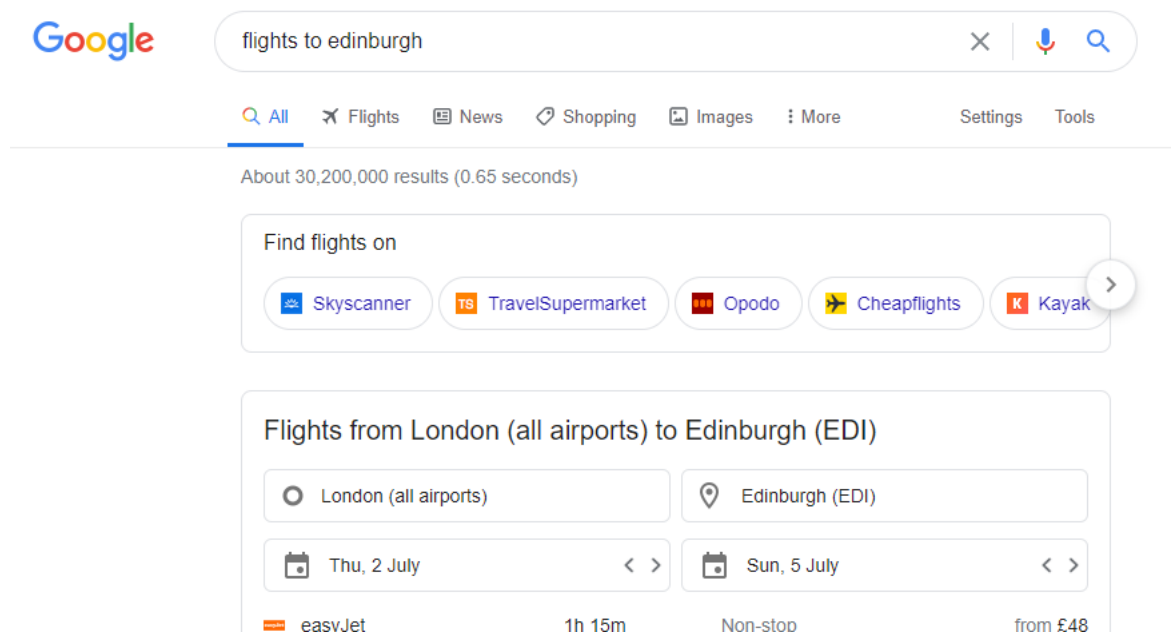
Figure P.6: The ‘comparison sites’ tab in the Google Shopping One Box



Source: screenshot taken by the CMA.

63. This tab on its own appears to give an equal opportunity for specialised search rivals to access user traffic (particularly if inclusion is organic rather than paid). However, Kelkoo noted that this tab is well-hidden in practice – the ‘Products’ tab is selected by default, and consumers are more likely to stick to and interact with it – and still doesn’t generate much traffic.
64. In a similar vein, Google is proactively testing a new ‘carousel’ bar that it displays at the top of the SERP just below paid results when a user types a travel or local search related query (see Figure P.7). The carousel includes icons (‘favicons’) that link to some third-party specialised search websites.

Figure P.7: The specialised search ‘carousel’ introduced by Google



Source: screenshot taken by the CMA.

65. Many specialised search providers told us that this remedy is ineffective as there is still an imbalance between how Google’s specialised search products and those of rivals are presented. They told us that it is not clear to the user whether the icon results in the carousel are paid or organic results. They also told us that there is no clarity on reporting to specialised search providers in relation to both the criteria used to select the providers that appears in the carousel and the effectiveness of the carousel in terms of CTR. A travel search provider stressed that the introduction of the carousel may actually exacerbate harm to specialised search providers, in that it ‘commoditises’ them, which makes Google’s One Box standing out even more from a consumer’s perspective.¹⁴

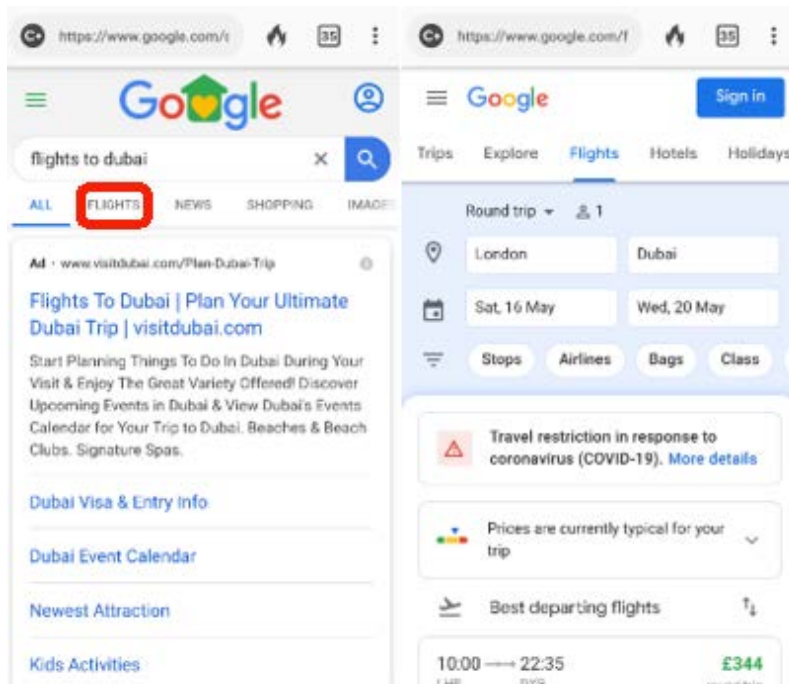
Concerns about self-preferencing in travel

66. Several specialised search providers highlighted how the Google Flights and Hotel Ads boxes appear in very prominent places on the SERP. This pushes organic links down the SERP, in positions that have significantly less CTR, thereby reducing organic traffic going to the other specialised providers’ websites. Some providers submitted evidence of the growth in traffic to Google’s specialised search products over the last few years and the decrease in traffic, especially organic to rival specialised search websites.

¹⁴ [An online travel comparison service’s response to our consultation on the Interim Report](#), page 5.

67. A travel search provider conducted several tracking experiments in March 2020 using UK queries data to check the average position of the Google Flights box in the organic links section of the SERP, ie below the paid links. It found that, for routes queries, eg 'flights from London to Edinburgh', Google Flights box ranked in position 1.2 on average, while for 'flights to' queries, eg 'flights to London', it ranked in position 1.1. A similar study was conducted by Expedia – it tested 2000 keywords and found that, in 98% of cases Google's own products (Hotel Ads and Flights) were shown on top of the organic links.
68. A travel search provider conducted experiments in March 2020 using UK queries data to check how being in position two rather than one (due to the Google Flights box taking up the first position) impacts on this provider's CTR. It found that, for routes queries, the CTR when ranking in position two was 46.5% less than when ranking in position one. For 'flights to' type queries, they found a difference of 12.5% between the two positions, with position one having higher CTR.
69. In relation to hotels, a travel search provider submitted analysis from an external source showing the share of US desktop direct visits to different website categories in the travel sector. It found that the share of Google Travel increased from 1% to 8% between 2017 and 2019, while the one of the other travel meta-search websites fell from 22% to 17% in the same period. These figures may suggest that the traffic lost by these websites had been captured by Google Hotel Ads and that this may be due to Google self-preferencing its own search results to favour its own travel products.
70. A specialised search provider submitted that Google's self-preferencing of Google Flights has caused significant damage to the structure of the market for flight search services. Such behaviour is decreasing traffic from Google's general search results pages to competing flight search services and is increasing traffic to Google Flights. This provider also submitted figures from external sources reporting that in the US, Google Flight's share of referrals to airlines went from 9% to 25% between 2017 and 2018. This provider stressed that this traffic ultimately benefits Google Flights' listed providers, which means airlines and OTAs have a strong incentive to request listing on Google Flights – subject to Google's conditions.
71. Specialised search providers also told us about other ways in which Google has been channelling traffic to Google Travel. For example, they pointed out that the introduction of the 'Flights' tab and the inclusion of icons on the top search ribbon since June 2019 may have increased the traffic going to Google Travel, especially when the 'Flights' tab is placed to the furthest left and most prominent position. In fact, by clicking on the 'Flights' tab, the user is directed to the Google Travel website (see Figure P.8).

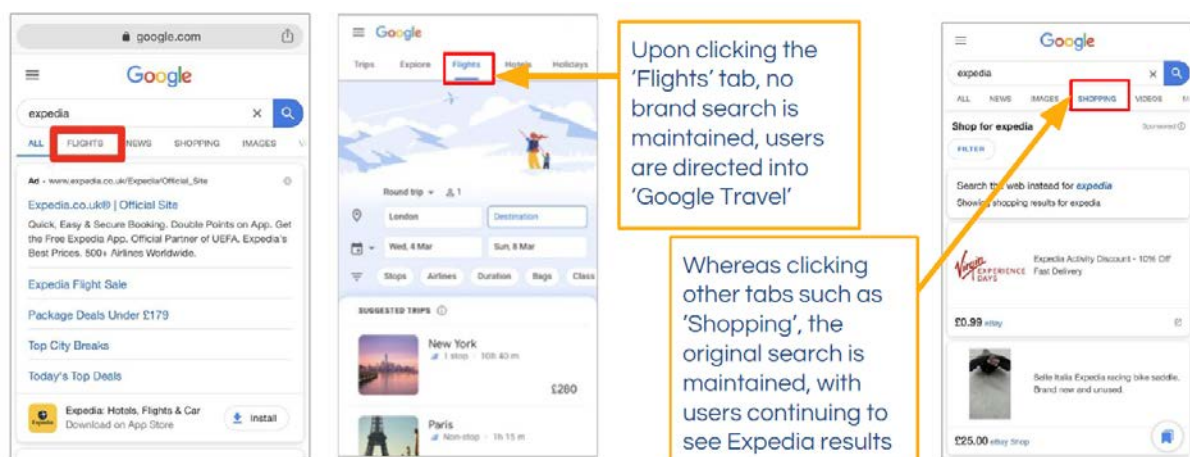
Figure P.8: The 'Flights' tab on Google Search (left; circled) and Google Travel (right), on mobile



Source: screenshot taken by the CMA.

72. A travel search provider reported an example of Google increasing its product exposure by placing the 'Flights' tab in the second most prominent position when the user types a branded query, such as an OTA name (see Figure P.9). A user that clicked the 'Flights' tab aiming at reaching the OTA website would be directed into Google Travel instead.

Figure P.9: The 'Flights' tab on Google Search (left; circled) showing for branded searches

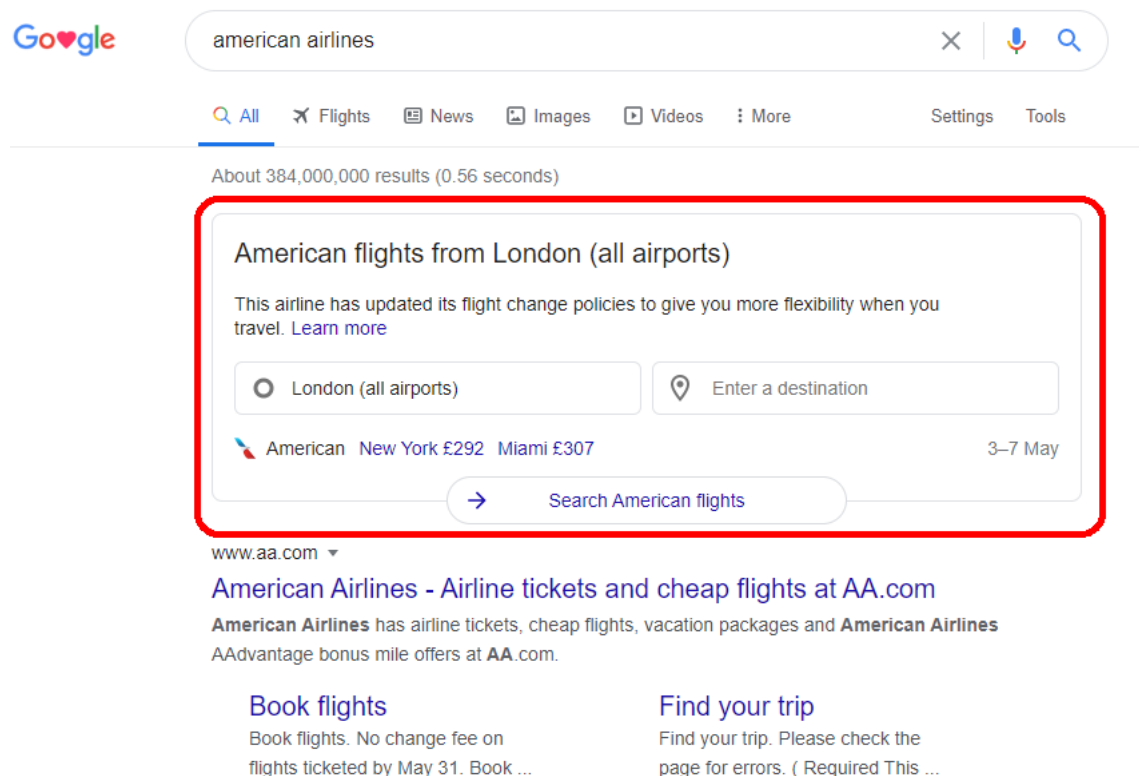


Source: screenshots, [3], provided 6 March 2020.

73. Similarly, specialised search providers submitted that the Google Flights and Hotel Ads may appear on the SERP even when the user types branded

queries, such as an OTA or airline brand. This shows that Google may place its own products in very prominent positions notwithstanding the user's clear intent to reach a specific brand. Figure P.10 shows such an example on desktop.

Figure P.108: The Google Flights One Box (circled) showing for branded searches



Source: screenshot taken by the CMA.

74. In addition to the evidence from specialised search providers, there are also academic studies looking at the impact of Google's self-preferencing behaviour on specialised search. One of these studies looked at how the prominent placement of the Google Flights One Box has impacted users' choices and in turn traffic acquisition costs for specialised search providers. Evaluating a natural experiment in which different results were shown to users who performed similar searches, the authors found that Google's prominent placement of its Flight Search One Box increased the clicks on paid advertising listings by more than 50% while decreasing the clicks on organic search listings by about the same quantity. This effect appears to result from interactions between the design of search results and users' decisions about where and how to focus their attention: users who decide what to click on the basis of relevance were more likely to select paid listings, whereas users who

are influenced by visual presentation and page position were more likely to click on the Google Flights One Box.¹⁵

Concerns about self-preferencing in local search

75. Specialised search providers in the local search sectors expressed similar concerns to the ones in the travel sector – the main one being that Google self-preferences its own local search product by showing a prominent One Box at the top of the SERP when the user type a local query, eg physicians in London. This pushes organic links down the SERP, in positions that have significantly less CTR, thereby reducing organic traffic going to the other specialised providers' websites.
76. In addition to this, specialised search providers in these sectors expressed the concern that the Google local search product and box do not include content from other specialised providers. The only exception is the booking service for local businesses (most notably restaurants and experiences), that Google outsources to third-party providers through the 'Google Reserve' functionality.
77. Yelp submitted that Google's decision to exclude rival specialised search results from its Local One Box is not in any way borne out of necessity, efficiency, or a regard for Google users. Yelp added that, when Google first introduced Local One-Boxes, it used to populate them with content provided by Yelp and TripAdvisor. Yelp added that Google also continues to source content from independent third parties for some One-Boxes, such as its Recipes One Box, and that for other One-Boxes (eg Google Flights and Hotel Ads), Google has used a paid inclusion model, in which third parties pay to appear.
78. Yelp also reported that the 2012 FTC investigation revealed that Google used to deliberately target its specialised search rivals by ensuring that its One-Boxes appeared above organic links to their websites in the SERP. Yelp reported that, according to the Staff Report, Google made a list of 'blessed sites' – the sites of Google's key specialised search rivals that Google's own organic quality metrics like 'PageRank' or predicted click-through rate showed consumers value. A query on Google's main page that produced organic search results in which one of these 'blessed sites' placed prominently would 'trigger' (in Google's terminology) the preferential placement of the Google One Box. In other words, whenever Google determined that a specialised search rival's site would appear at or near the top of its organic search results, Google made sure to include a One Box at the top of the SERP containing

¹⁵ [Edelman and Lai \(2016\)](#).

specialised search results. According to Yelp, the goal was to ensure that whenever users entered a query that might lead them to a specialised search site, the user would first see specialised search results from Google listed directly on Google's SERP in a One Box.

79. Regarding the booking side of local search, TripAdvisor stressed how the prominence of the Google local search box on the SERP has forced it to partner with Google in the Google Reserve mechanism in order to re-capture the lost organic traffic. As in the travel sector, many specialised search providers are becoming more disintermediated and, when they are allowed to participate in Google's specialised products, they are often carrying out only transactional tasks.

Google's arguments on self-preferencing

80. Google submitted that the introduction of 'richer' search results on the SERP such as the Google One-Boxes are innovations that enable Google to show higher quality results and that serve to improve its general search service. [X].
81. Google also submitted that self-preferencing as a concept is vague and ill-defined. Google explained that technical integration, eg between a general search service and a specialised search result, is an important driver of competition and innovation and that such integration inherently implies a different treatment between a company's own businesses and those of third parties.

Our view

82. It appears that Google has the ability and incentive to self-preference its own specialised search products on the SERP and that this could lead to harm to competition in specialised search.
83. Google's ability to engage in these practices stems from the market power of its search engine and the reliance of specialised search providers on Google as a key source of traffic. Specialised search providers have told us that they are heavily reliant on Google as a key source of user traffic and do not have alternatives. This is consistent with data from specialised search providers showing that Google is an important source of traffic, with most providers relying on Google for at least 40% of their traffic, on both desktop and mobile/tablet.
84. Google has an incentive to seek to exclude competition from specialised search providers if by doing so it can limit the competition its general search

engine faces over the longer term. In the absence of Google's expansion into specialised search, other specialised search providers might compete increasingly with Google over time by attracting consumers directly, rather than consumers accessing them through Google or other general search engines. This in turn would reduce Google's advertising revenues and weaken its market power in general search.

85. In addition, Google has the incentive to gain additional profits from the most lucrative specialised search sectors by offering the products itself. Although Google is a very important source of traffic, specialised search providers have other ways of accessing consumers, so Google cannot capture all of the rents through search ads. Finally, Google has the incentive to gather additional data that can be used in other parts of its ecosystem – by driving away traffic from specialised search providers to its own specialised search products, Google may be able to collect more data on users' behaviours that may in turn be used to improve or promote other Google's products.
86. We have not fully assessed the merits of the specific concerns raised by specialised search providers. However, we note that some of the evidence they have provided is consistent with Google's One-Boxes diverting traffic to its own specialised search products and away from rivals. Although some specialised search providers can integrate with Google specialised search products, they may still be 'disintermediated' if traffic is diverted from their websites and user interfaces. This has the potential to reduce competition in specialised search as the user interface is a core part of the value add and business model.
87. The exclusion of specialised search providers through self-preferencing could lead to harm to consumers. Consumers could be worse off in that they see a reduction in choice and product innovation by specialised search providers, and potentially an increase in prices in the future. In addition, the competitive constraint imposed by specialised search on Google's general search may be reduced.
88. In response to Google's submissions above, we recognise that Google's specialised search services could give rise to material benefits for consumers in the short run. There may also be some benefits from technical integration of general search with specialised search, eg users can locate and access information on the SERP more easily. These need to be taken into account and weighed against any possible harm to competition. In this regard, we note that while the evidence submitted by Google supports that users place some value on the technical integration of general search with specialised search, the scale of these benefits is not clear.

Exploiting data advantages

89. Specialised search providers expressed several concerns around the advantages that Google enjoys from its data ecosystem and the role of these advantages in the provision and development of Google's specialised search products. These concerns related primarily to the scraping of third-party public data by Google or the use of data derived from the provision of various services to specialised search as customers of Google.

Concerns about data scraping

90. Some specialised search providers submitted that Google entered the local search market by 'scraping', ie extracting, content from third-party websites, without providing attribution.
91. Yelp submitted that after failing to license, organically cultivate, or purchase reviews, Google began 'scraping' content from competitor sites like Yelp – using the content as if it were licensed, but without attribution. Yelp added that Google used this scraped content to increase traffic to its own local search service and to solicit its own user reviews, thereby developing its own reviewer community. Yelp also highlighted that, when rivals protested, Google threatened to delist them entirely from its search results, something they could hardly afford given their heavy dependence on Google's organic search results to reach users.
92. In 2012 Yelp expressed concerns to the FTC. This led to a five-year long settlement according to which Google was required to allow competitor sites to opt-out of allowing Google to scrape information or images from web sites to use in its own search results. However, Yelp noted that, with the settlement coming to an end, Google again resorted to relying on scraping images from Yelp and using them in its Google Local Search One Box rather than competing on the merits and investing in improving its product.
93. TripAdvisor also reported that Google scraped reviews from TripAdvisor when building its own local search products. Expedia reported historic concerns about the same past behaviour in travel, by submitting that Google had scraped reviews from its website to build Google Hotel Ads.

Concerns about the use of data provided via Google services

94. Like many other websites, specialised search providers use a wide range of Google services in the course of their business. These products are used to store and manage data, to monitor traffic, to run marketing campaigns and for

measurement and attribution in digital advertising.¹⁶ In addition, some specialised search providers use Google's own specialised search services as one way to access consumers.¹⁷ Google collects many types of data from websites through these services – this data is used to provide the services effectively.

95. Specialised search providers told us that Google's ecosystem is unique and thus they must rely on its products if they want to compete effectively. For example, they noted that Google is the unavoidable choice for cross-device user detection and targeting thanks to its large ecosystem of user-facing products. They also added that user-facing tools such as Google Hotel Ads and Google Reserve are very prominent on the SERP. Some providers reported that they are already reliant on many Google products and services which are essential to their business (eg Google Ads), and thus they are forced to use Google Analytics for analysing on site and mobile behaviour, given the integration of this with the other Google products.
96. Specialised search providers submitted that the contracts of many Google services are standard and non-negotiable, such as the ones for Google Ads, Google Flights, Google Hotel Ads and Google Search Console. Moreover, they pointed out that the contracts do not usually include any terms that explicitly limit the use of providers' data by Google. Because of this, specialised search providers expressed the concern that Google may use or further process the data collected to enhance its own specialised search products, and they would like to have more control of their data by limiting their use by Google in specific contractual agreements.
97. For example, a travel search provider noted that Google obliges them to grant a very broad license of use of this provider's data instead of limiting to the display of this provider's results on Google Flights only. A travel search provider submitted that there is inherent risk of using Google's tools given that it competes directly with Google Flights and Hotel Ads. For example, Google through its Google Search Console has access to information on ranking performance of all businesses who use this tool (including travel search competitors) and may use this information to enhance Google Flights and Hotel Ads, such as how and where the related One-Boxes appear on the SERP.
98. TripAdvisor reported that in principle, participation in Google local services (eg Google Hotel Ads and Google Reserve) requires access to certain real-time

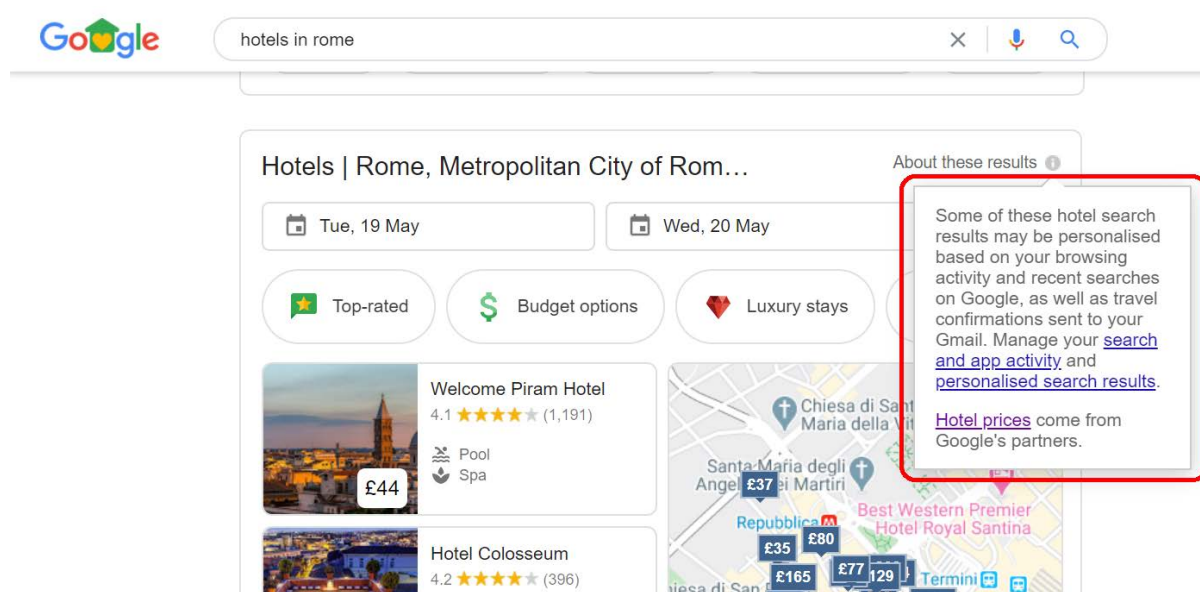
¹⁶ These include Google Ads / AdWords, Google Analytics, Google Ad Manager, Google Maps, Google Search Console and Google Cloud.

¹⁷ These include Google Flights, Google Hotel Ads, and Google Local Search (through Google Reserve).

data and use of Google business products (eg Google Analytics) is conditional on providing real-time access to TripAdvisor rich content, including user data. Therefore, Google has knowledge of user behaviour on TripAdvisor and could use this information to improve its own specialised products such as Google Hotel Ads or Google Local Search.

99. Given Google's provision of many user-facing products, there is also a general concern that Google could retrieve data about customers of specialised search rivals from these products, to improve or promote its own specialised search services. This appears to be the case with Google Travel – Figure P.11 shows that Google may use travel confirmations from Gmail to personalise hotel results in Google Hotel Ads.

Figure 11: How Google personalises results in Google Hotel Ads



Source: screenshot taken by the CMA.

100. A travel search provider submitted an example of a business trip booked outside the Google ecosystem (directly with this provider and an airline), however using email confirmations Google has access to the information and can incorporate it in Google Travel. From there, Google can also recommend additional services to the user, such as 'things to do' in the identified location (through Google Explore), all while staying within Google ecosystem. Figure P.12 shows the personalised Google Travel homepage based on booking data from the travel search provider.

Figure P.12: The Google Travel homepage personalised with content from Gmail

[X]

Source: screenshot, [X].

Our view

101. For the same reasons as set out in the previous section, it appears that Google has the ability and incentive to exploit data collected from specialised search rivals to improve and promote its own specialised search products, and by doing so reduce the competitive threat posed to its own specialised search products and in turn to its core search services. Data scraping and related practices have the potential to stifle innovation, because they reduce the incentives for specialised search providers that rely on user-generated content to build their own high-quality product, such as high-quality reviews.
102. The exclusion of specialised search providers through the exploitation of data advantages could lead to harm to consumers. Consumers are likely to be worse off in that they see a reduction in choice and product innovation by specialised search providers, and potentially an increase in prices in the future. In addition, the competitive constraint imposed by specialised search on Google's general search may be reduced.
103. We have seen limited evidence that these practices are currently occurring. However, specialised search providers have submitted historic evidence suggesting that Google may have developed and improved its Local Search product by scraping data from Yelp and TripAdvisor without giving attribution. We have also received more recent evidence from one provider of an instance when Google has used that provider's customer data from Gmail to personalise and enrich Google Travel.

Exploiting search algorithms

104. A specialised search provider expressed the concern that Google may be using its search algorithms to disadvantage its specialised search rivals, eg by pushing their organic results down the SERP (while positioning its own specialised search One-Boxes at the top of the SERP, as discussed above). This provider submitted that organic search results of rival flight search services are prone to be demoted by Google's organic search algorithms. This is due to the same mechanisms that the European Commission explored with respect to comparison shopping services in the Google Shopping case.
105. In the Google Shopping case, the Commission found that Google used dedicated algorithms to identify and demote automatically websites that did

not comply with its Webmaster Guidelines. The Commission also found that competing comparison shopping services (CSS) in the EEA were prone to being demoted by some of these dedicated algorithms, such as the 'Panda' algorithms, which were introduced in 2011 and updated several times throughout the following years. On the other hand, the Commission found that Google Shopping was prominently positioned, displayed in rich format and was never demoted by those algorithms. The Commission concluded that Google positioned and displayed, in its general search results pages, its own CSS (Google Shopping) more favourably compared to competing CSS. This conduct diverted traffic in the sense that it decreased traffic from Google's general search results pages to competing CSS and increases traffic from Google's general search results pages to Google Shopping.¹⁸

106. A specialised search provider submitted that, although Google no longer releases separate Panda algorithms (such algorithms now being part of Google's core algorithms), its impacts are seen even today. The reason is that, as with comparison shopping services, flight search services are prone to being demoted by the updates introduced by the Panda algorithm, because of the characteristics inherent to such services. This specialised search provider stated that the reasons for competing flight search services being impacted by such algorithmic updates are:
- Their nature as aggregators.
 - On-site duplicate content (ie, duplicate or similar content across flight search sites)
 - Off-site duplicate content (ie, duplicate or similar content compared to pages on other flight search sites) and, more generally,
 - Machine-generated or auto-generated content (ie, flight search content generated by software).
107. This specialised search provider also pointed to external analysis which suggests there are indicators that Google either did not apply these demotions to its own service (Google Flights) and/or manually promoted Google Flights, which is ranked and positioned at the top of the SERP.
108. More generally, several specialised providers also told us that algorithm updates may have a sizeable impact on traffic to their websites. We received evidence of the significant impact that changes to Google's core algorithms

¹⁸ [39740 Google Search \(Shopping\) case page accessed on 24 June 2020. European Commission Decision AT39740 Google Search \(Shopping\), June 2017, paragraphs 341-358.](#)

may have on where specialised search providers rank on the SERP and in turn on the traffic to their websites. However, we note this impact may be either positive or negative, according to the specific update, website, and website page.

Our view

109. For the same reasons set out in the section on self-preferencing, it appears that Google has the ability and incentive to use its search algorithms to disadvantage its specialised search rivals, such as competing flight search services. However, the complex and opaque nature of Google's algorithms and the limited evidence at our disposal means we have not sought to reach conclusions on the specific complaints raised.
110. The demotion of traffic to specialised search providers would make it harder for these providers to compete. This may stifle potential entry and incentives to innovate in specialised search and in turn reduce competition for specialised search products and shift demand for these products towards Google.
111. The exclusion of specialised search providers through the exploitation of search algorithms could lead to harm to consumers. Consumers are likely to be worse off in that they see a reduction in choice and product innovation by specialised search providers, and potentially an increase in prices in the future. In addition, the competitive constraint imposed by specialised search on Google's general search may be reduced.

Exploitation by Google of specialised search as customers

112. This section sets out concerns raised by specialised search providers over how Google's behaviour in general search has affected them as advertising customers. We have not sought to reach conclusions on the specific complaints raised. Instead, we have collated the available evidence, assessed whether Google has the ability and incentive to pursue this type of conduct, and considered the potential for this type of conduct to harm competition and lead to worse outcomes for consumers.
113. Specialised search providers expressed general concerns around the increased cost of acquiring traffic from Google search. They submitted that, to stay competitive and keep getting traffic to their websites, they have to rely more on advertising on Google, therefore spending more and at a higher price for certain keywords, such as branded keywords.

114. Specialised search providers expressed concerns about the following aspects of Google's behaviour, and suggested that these aspects may lead to an increased cost of advertising on Google:
- Inflating the cost of advertising on branded search queries;
 - High ad load and presentation of ads increasing the propensity for users to click on ads rather than organic links;
 - Changes to the 'Exact Match' keyword matching algorithm resulting in broader matches;
 - The autocomplete function on Chrome 'Omnibox'; and
 - The transparency of information provided about Google's ad auctions, and Google's search algorithm updates.
115. For each of the sections below, we set out the views of specialised search providers, Google's submissions and our own views based on this evidence.

Brand bidding

116. 'Brand bidding' in search advertising refers to bidding by advertisers on branded keywords, either the advertiser's own brand or the brand of a rival.¹⁹ Brand bidding may increase competition between advertisers since it increases the range of keywords advertisers can bid on. However, it may also have adverse effects on competition and consumers. In fact, brand bidding may result in higher advertising spend overall, as it enables advertisers to free ride on each other's brands by capturing rival traffic when users search for brands using a search engine. Providers have a strong incentive to protect their brand and any investments made in building their brand. This creates the potential for 'bidding wars', which inflate costs for brand owners and hence prices for consumers.
117. Specialised search providers generally expressed concerns that rivals can easily free ride on each other's brands by using each other's brands in ad copy, especially when the brand is also a generic word. Specialised search providers submitted that such a practice, if not carefully monitored by Google, may mislead consumers. In addition, a specialised search provider suggested that Google had actively encouraged them to pursue brand bidding.

¹⁹ For example, if providers 'A' and 'B' are active in the consumer finance sector, 'A' could bid on "'A' car insurance" or on "'B' car insurance".

118. Figure P.13 shows our analysis of the evolution of average CPC for branded keywords on Google for some specialised search providers. While in the Travel sector CPCs have remained relatively stable, CPCs for branded keywords in the consumer finance sector have increased by around 65% over the last three years.²⁰

Figure P.139: Average cost-per-click (CPC) for branded keywords on Google Search

[✂]

Source: CMA analysis of parties' data; data adjusted for inflation.

Google's arguments on brand bidding

119. Google submitted that its branded search term policies are a product improvement introduced to help advertisers market their campaigns more effectively. Google added that without brand bidding, auction competition would be reduced leading to less relevant ads and a worse user experience. Google also stated that these policies are not a lever to increase auction concentration and so search prices, and that it is not in Google's long-term interests to increase auction concentration in a way that detracts from search ad quality, because this would reduce the CTR of ads and in turn induce advertisers to bid lower in the future. Moreover, Google submitted that even if auction participation has increased, the Ad Rank metric in Google Ads auction ensures that ad quality is still the most important factor.

Our view

120. It is not clear based on the evidence we have reviewed whether Google is promoting brand bidding in practice. However, it appears that Google has the ability and incentive to exploit its market power in general search by allowing and promoting brand bidding.
121. Google has the incentive to promote brand bidding because this would increase competition between advertisers in its auctions, which in turn results in higher prices and advertising revenues. Google has the ability to influence brand bidding through how it weights quality in its search auctions. One might expect advertisers bidding on their own brands to have a substantially higher quality weighting than rivals bidding on their brand, as the 'own' brand is

²⁰ The average CPC for a specific provider in a specific sector depends on several factors, such as the nature of competition for search ads in that sector, the set of keywords on which each provider bids on, and the bidding strategy adopted by each provider in that sector (eg a strategy based on ROI). Comparisons of CPCs across different sectors, and for the same provider over time can be inaccurate if these factors are not properly taken into account.

arguably more relevant to the search query. However, Google has the incentive to place relatively less weight on the own brand bid and more weight on rival bids as this will drive higher prices and revenues. In addition, Google may be able to encourage brand bidding through its policies towards the ad copy it allows ie to what extent bidders are able to use an ad copy that relates to rival brands.

122. We acknowledge that Google has a long-term interest in preserving search ad quality. However, it is not clear to us why promoting brand bidding would impair search ad quality in the long-term. Concerns about brand bidding relate more directly to the cost of advertising rather than the relevance experienced by users. As explained above, Google has the ability and incentive to favour brand bidding because this would result in higher prices and advertising revenues. This could harm consumers to the extent it increases the costs to specialised search providers compared with accessing consumers through organic search results when consumers search for their brand name, and these costs could be ultimately passed on in higher end user prices for goods and services.
123. We note that the effect of allowing and promoting brand bidding could be exploitative, in that it may increase the costs to Google's customers of accessing user traffic. However, to the extent that Google is also directly competing with its advertising customers, as in the case of specialised search providers, this behaviour may also reduce the ability of these providers to compete effectively with Google.

Ad load and presentation of ads

124. All specialised search providers we contacted submitted that recent changes to Google's policies on ad load and the presentation of search advertising had the effect of increasing the propensity for users to click on ads rather than organic links. These concerns relate closely to the discussion above about the possibility of self-preferencing by Google of its own specialised search products. Both issues stem from the way in which Google presents its SERP and could have the effect of reducing the organic traffic to specialised search providers. However, this issue concerns the promotion of paid advertising over organic links rather than the promotion of Google's own specialised search products.

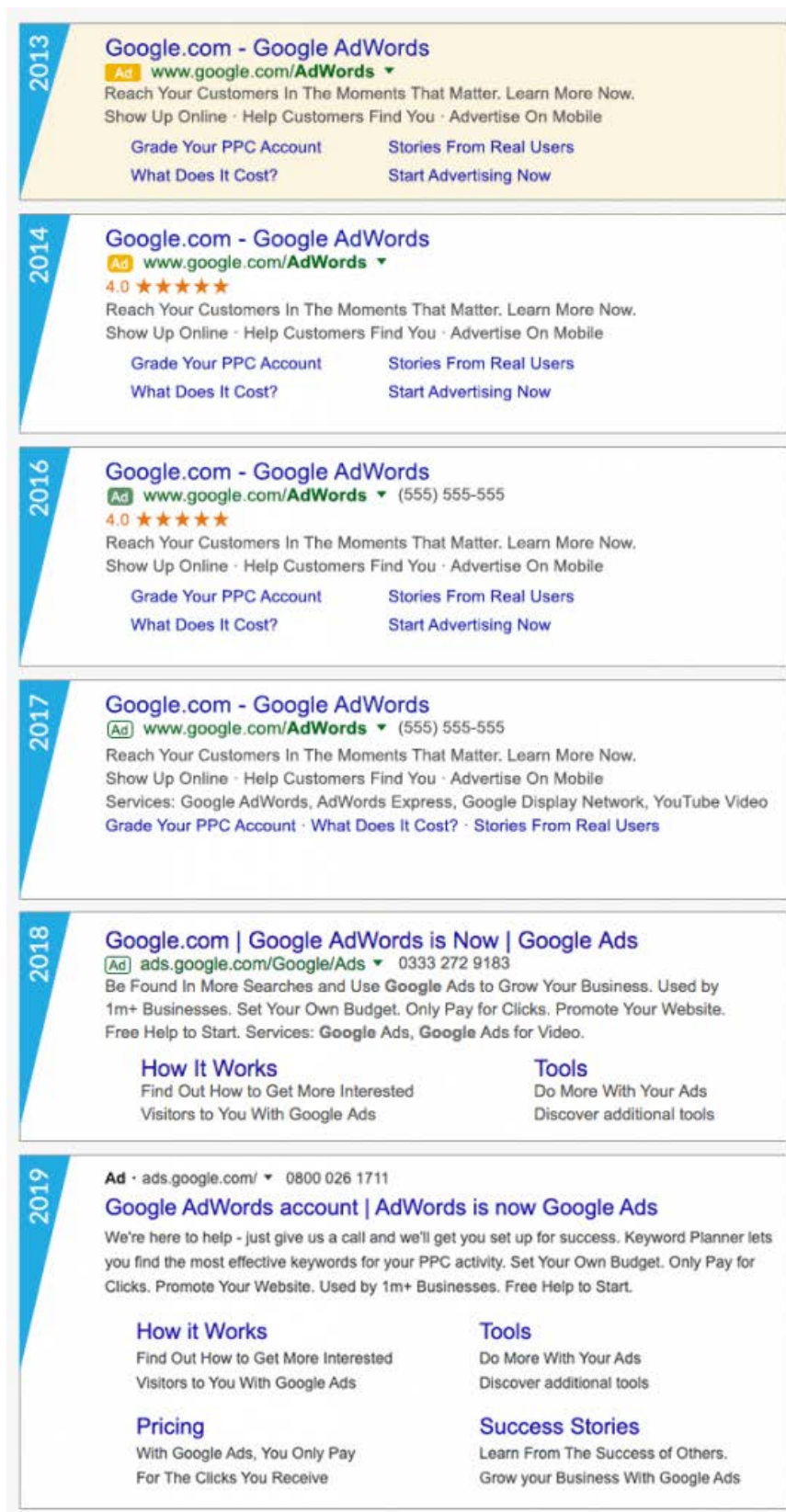
Changes in presentation of Google's search results over time

125. The layout of the Google SERP has changed considerably over the last decade. Traditional paid links (text ads) have become more prominent on the SERP, and some of these paid results are now embedded in richer content

such as snippets, extensions and One-Boxes, such as the Google Flights and Hotel Ads boxes – these new features increase the proportion of the SERP taken up by paid results.²¹ Moreover, over time paid links have arguably become less distinguishable from organic links. Figure P.14 shows how the aspect of traditional paid links has evolved over time.

²¹ Google has introduced 'richer' result types (eg snippets and extensions) for organic results as well. Some of these results, eg the 'people also ask' boxes display information from third-party websites, directly on the SERP. Therefore, the user can interact directly with the information displayed on the SERP without clicking on the links to the actual websites. We note that this could have an impact on organic traffic too, by reducing the traffic that third-party websites would get from organic results. However, we have sought to assess this impact in detail in this appendix.

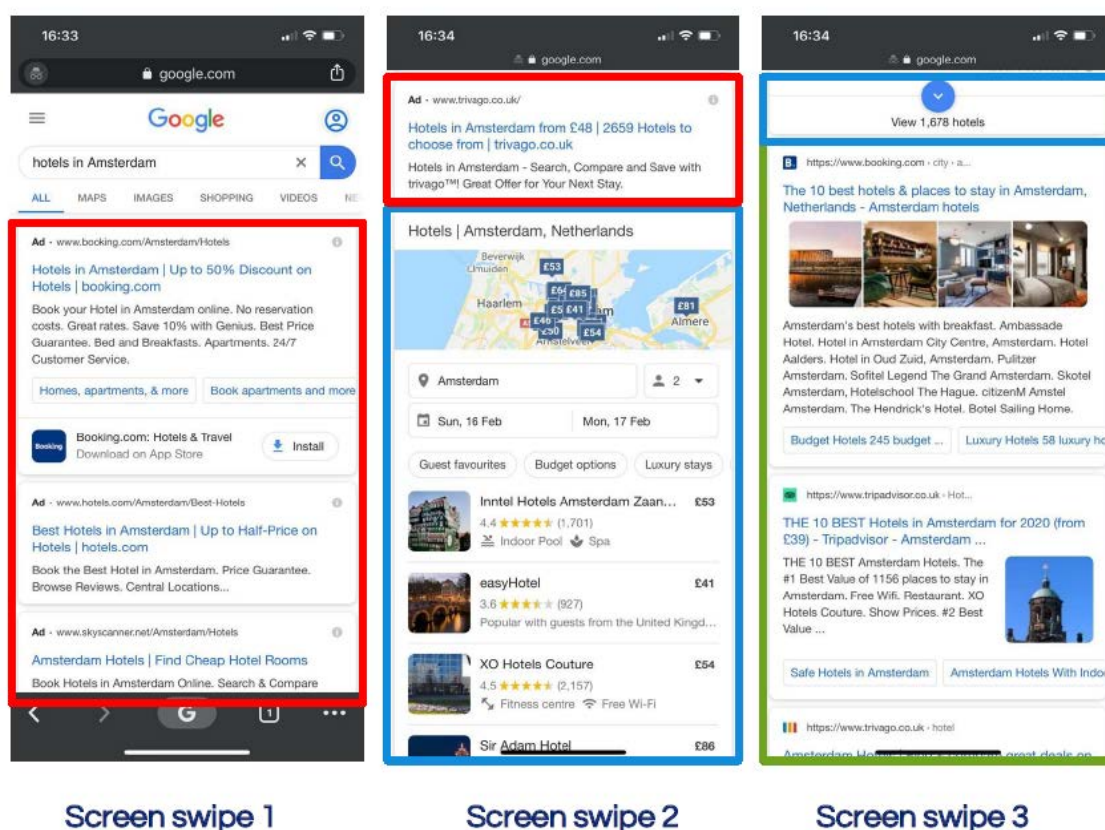
Figure P.14: The evolution of the aspect of traditional paid links on Google Search over time



Source: Varn; [36].²²

126. The proportion of paid content on the Google SERP (especially the proportion ‘above the fold’) has thereby increased over time for certain queries, notably for commercial queries such as travel-related queries. Figure P.15 shows the proportion of the SERP taken up by paid results on mobile.

Figure P.1510: Proportion of the Google SERP taken up by traditional paid links (red), Google Hotel Ads One Box (blue), and organic links (green), on mobile.



Source: screenshots, [32].

127. The changes to ad load and presentation of ads on Google Search are discussed in more detail in Appendix Q. Here we focus on the potential effect on specialised search providers.

Concerns raised by specialised search providers

128. All specialised search providers submitted that the changes in the amount and presentation of ads on Google search have shifted traffic from organic to paid results, particularly on mobile where the space available on the SERP is much more limited than on desktop.

²² Varn Insights, “58.1% of people don’t know which links on Google are ads: is Google making ads less clear?”, January 2020 (accessed 29 June 2020).

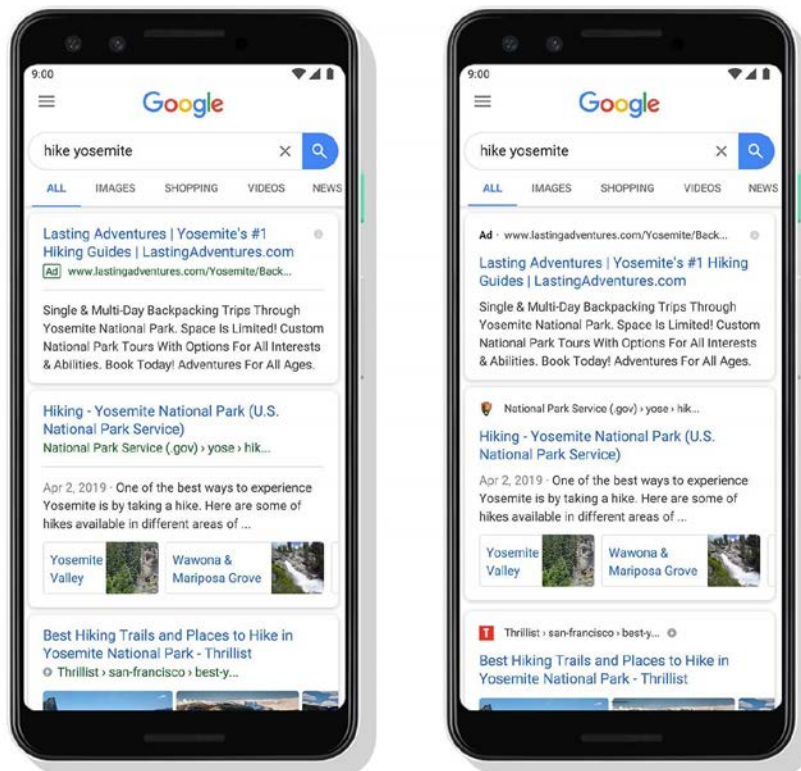
129. Specialised search providers told us that Google has increasingly pushed organic results 'below the fold', ie below what consumers can see without scrolling down the page. They submitted that this has reduced click potential and exposure of organic results in favour of Google products, either traditional paid links or new types of results such as Hotel Ads, which may ultimately lead advertisers to spend more on these products in order to regain traffic that was previously organic. They noted that the reduction of visibility for organic search results is partly why some OTAs recently publicly noted a significant negative effect on their business.
130. Specialised search providers told us that changes in the presentation and nature of ads on the Google SERP may reduce organic traffic through their effect on consumer behaviour. They also submitted a number of studies which found that a significant proportion of consumers do not recognize or correctly identify whether a result is paid or organic, both across mobile and desktop SERP.²³ We also note a number of external studies that came to similar conclusions.²⁴
131. Some providers submitted analysis and case studies on how changes in ad load and presentation of ads may have led to a decline in their organic traffic from Google. For example, a consumer finance search provider submitted internal analysis of the impact of the introduction of a fourth text ad at the top of the SERP for certain queries in February 2016. It reported a drop of organic traffic for all its product categories and an overall drop of 5% the day after the update.
132. A travel search provider submitted analysis of two Google SERP updates that have impacted its business:
- The first update involved the inclusion of three instead of two text ads at the top of the mobile SERP for some queries in August 2015. Its analysis concluded that on average it lost 13,937 organic sessions per day in the UK, which was around 7.24% of total organic sessions at the time due to the change.

²³ For example, eDreams submitted several studies commissioned in different European countries (Germany, France, Italy, and Spain) in 2019 that found that about 50% of consumers are unsure about or do not recognize the correct nature of search results (paid/unpaid). Another study commissioned by TripAdvisor found that about 80% of the respondents believe that there is no commercial intent behind Google Hotel Ads on the SERP, ie that it is akin to an organic search result.

²⁴ These studies found that 40%-62% of consumers are unsure or unaware of the difference between paid and non-paid results and recent changes to ad presentation have exacerbated this pattern ([Yard, "Google: blurring the line between 'natural' and paid search results", September 2019 \(accessed 29 June 2020\)\)](#)).

- The other update involved a series of changes to the mobile SERP in May 2019: a change in the 'Ad' icon next to the result, a change to organic results so that they included the website's icon next to the result, and a change in both result types so that the URL/breadcrumb was moved above the listing (these changes are shown in Figure P.16). This travel search provider found that there was a statistically significant drop of 13.28% in CTRs for this provider's organic results on mobile in the UK following Google's update.

Figure P.16: The Google SERP on mobile, before (left) and after (right) the May 2019 update



Source: Google.²⁵

133. A travel search provider submitted analysis on the effect of the May 2019 mobile SERP update and the same update in January 2020 made on desktop. It concluded that these updates caused a decrease in the fraction of free (organic) Google mobile clicks of around 25% and a reduction in the organic CTR on desktop of around 10%, respectively. Figure P.17 and Figure P.18 show this analysis visually.

²⁵ Google official blog, "A new look for Google Search", May 2019 (accessed 29 June 2020).

Figure P.17: The effect of the May 2019 update of Google’s mobile SERP on [X] [a travel search provider] organic traffic

[X]

Source: [X]

Figure P.1811: The effect of the January 2020 update of Google’s desktop SERP on [X] [a travel search provider] organic traffic

[X]

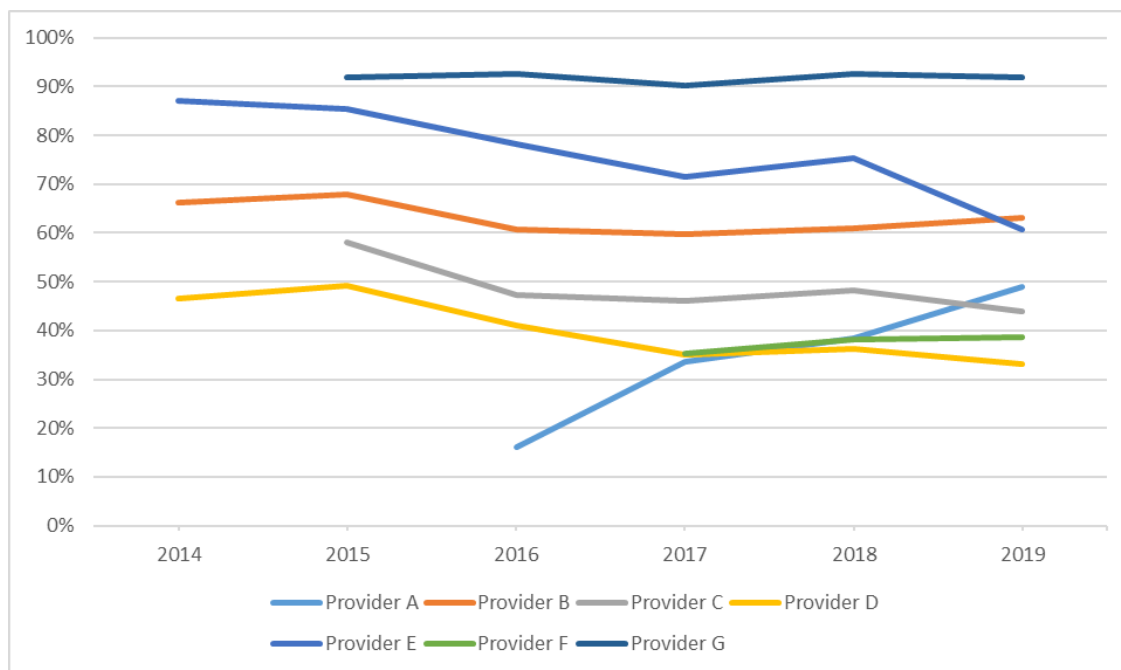
Source: [X]

134. We also received anecdotal examples of the likely impact of ad presentation changes on organic traffic from Google over the last few years. TripAdvisor submitted that the CTR for a query for ‘Boston hotels’ where TripAdvisor was returned as the first (top) organic link decreased from [X]% CTR to TripAdvisor in 2016 to [X]% CTR to TripAdvisor in 2019. TripAdvisor lost almost [X] of all clicks in that timeframe, despite the consistency of the Google algorithm deeming TripAdvisor the most relevant source for that query in its organic listings.

Analysis of specialised search traffic data

135. As a way of testing the possible impact of changes in ad load and presentation of ads over time, we gathered data from some specialised search providers on the proportion of their traffic from Google which came from organic search rather than paid search. Figure P.19 and Figure P.20 shows how this proportion has evolved over time for these specialised search providers, for desktop and mobile/tablet, respectively.

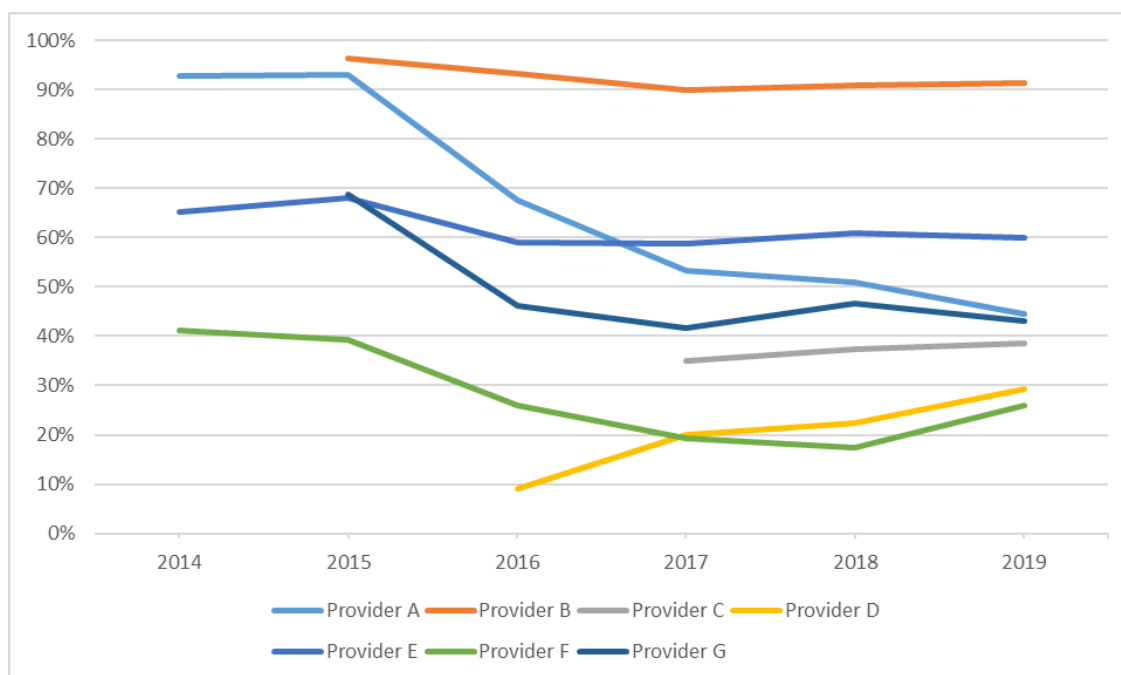
Figure P.19: Proportion of traffic from Google Search which is organic (on desktop)



Source: CMA analysis of parties' data.

Notes: UK traffic; traffic from Google Search may include traffic from Google Flights and Google Hotel Ads.

Figure P.2012: proportion of traffic from Google Search which is organic (on mobile/tablet)



Source: CMA analysis of parties' data.

Notes: UK traffic; traffic from Google Search may include traffic from Google Flights and Google Hotel Ads.

136. The evidence from these charts is mixed. On desktop, for four of the providers the proportion of organic traffic has decreased while for the other three it has either increased or been stable over time. On mobile/tablet, the proportion of organic traffic has decreased for five providers out of seven. We note that for some providers the proportion of organic traffic is increasing (both on desktop and mobile/tablet).

Our view

137. We have analysed the effects of changes in Google's policy on ad load and the presentation of advertising in more detail in Appendix Q. The evidence submitted to us by specialised search providers is consistent with the finding in Appendix Q that recent changes to Google's policies on ad load and the presentation of search advertising have had some effect on increasing the propensity for users to click on ads rather than organic links on mobile. The aggregate evidence for desktop is more mixed and, although there is some anecdotal evidence of this effect for desktop as well, this anecdotal evidence is limited.
138. Changes to policies on ad load and presentation of search advertising could harm consumers to the extent they increase the costs to specialised search providers compared with accessing consumers through organic search results, and these costs could be ultimately passed on in higher end user prices for goods and services.
139. We note that the effect of increasing the ad load and changing the presentation of ads to make them less distinguishable from organic could be exploitative, in that it may increase the costs to Google's customers of accessing user traffic. However, to the extent that Google is also directly competing with its advertising customers, as in the case of specialised search providers, this behaviour may also reduce the ability of these providers to compete effectively with Google.

Exact match

140. In Google Ads, advertisers can choose which keywords to bid on based on their targeting objectives. For example, an OTA may want to place paid links to its website on the Google SERP when consumers enter travel-related queries such as 'flights from London to Rome' on Google search. The OTA can decide to bid on the keyword 'flights from London to Rome' so that, whenever a consumer enters that query on Google search, the OTA will participate in the auction to buy paid links that will be showed and seen by the consumer on the SERP for that query.

141. Until 2017, if an advertiser decided to bid on the keyword 'flights from London to Rome', its participation in the auction for that keyword would only be triggered if this exact phrase was entered in Google search by the consumer. This feature was called 'Exact Match'.
142. In 2017, Google expanded the scope of the Exact Match feature with the introduction of close variants to the original keyword, such as misspellings, singular or plural forms, abbreviations, and accents – now all of these close variants, eg 'flight from London to Rome' would also trigger the participation in the auction for the original keyword 'flights from London to Rome'.
143. In 2018 and 2019 Google further expanded the range of possible close variants, by introducing reordered words that should have similar meaning (eg 'flights from London to Rome' and 'flights from Rome to London'), and by adding or removing function words (eg 'flights from London to Rome' and 'flights London Rome'), respectively.

Concerns raised by specialised search providers

144. Specialised search providers told us that, although the 2017 change to Exact Match was welcomed because it enabled the advertiser to target a similar number of search queries with fewer keywords, the latest ones were more problematic. They explained that a different word order may have completely different intent. For example, a user searching for 'flights from London to Rome' is likely to have a different intent from a user searching for 'flights from Rome to London'. With the latest changes to Exact Match, these two phrases may match to the same keyword (eg 'flight from London to Rome'), and therefore trigger the exact same ad. This may sometimes lead to the wrong ads being shown, in turn leading users to the wrong landing pages.
145. Specialised search providers reported that these changes have had an impact on their ad spend, by leading them to waste spend on additional, irrelevant search terms. They also submitted that the CPC of a keyword that is matched to additional search terms is often higher. This is because advertisers can't tailor the ad copy to these additional terms, resulting in a lower Quality Score, which in turn leads to a higher CPC as bids are weighted by quality in Google's auctions.
146. A travel search provider submitted detailed analysis of the impact of the Exact Match changes on its CTR and CPC. In January 2020 for this provider UK website, about 26% of exact match traffic for non-branded keywords was generated via search terms triggered by close variants. On average, these close variants keywords show a 28% lower CTR and a 39% higher CPC compared to exact match keywords, while being placed in lower positions on

the SERP, because of their lower quality score. Although some of this traffic would have been generated anyway, eg for misspellings, this provider estimated that 1/3 of this close variant traffic, eg for reverse flight routes, would not have been generated at all.

Google's view on Exact Match

147. Google submitted that the policy changes to the Exact Match feature are product improvements introduced to help advertisers market their campaigns more effectively. Google added that without these changes, auction competition would be reduced leading to less relevant ads and a worse user experience. Google also stated that these policies are not a lever to increase auction concentration and so search prices, And that it is not in Google's long-term interests to increase auction concentration in a way that detracts from search ad quality, because this would reduce the CTR of ads and in turn induce advertisers to bid lower in the future. Google also submitted that even if auction participation has increased, the Ad Rank metric in Google Ads auction ensures that ad quality is still the most important factor.

Our view

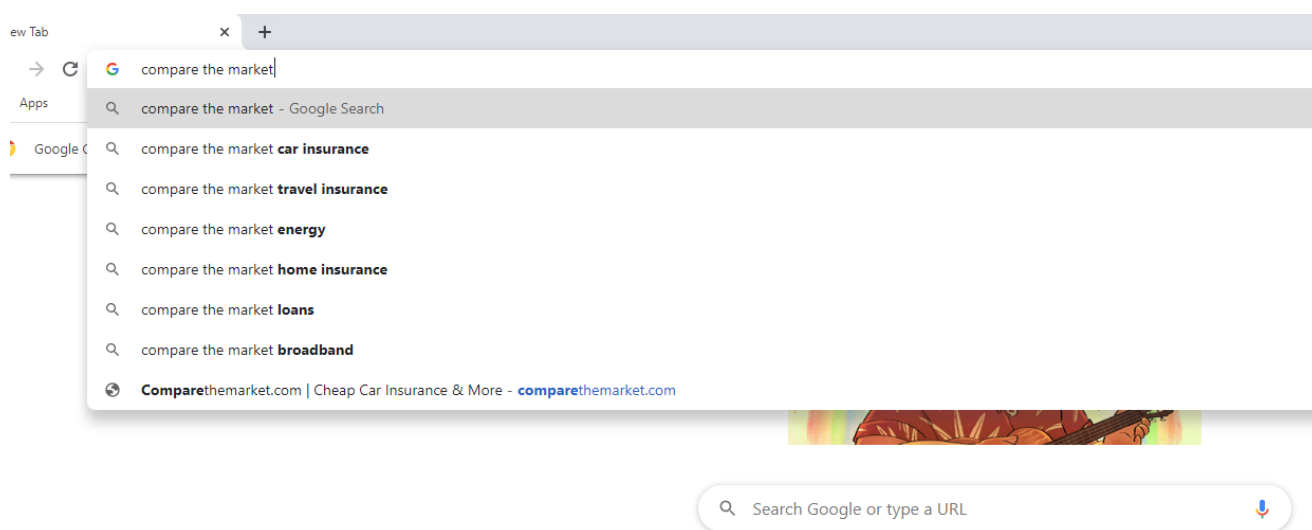
148. As set out in Appendix Q, Google appears to have the ability and incentive to exploit its market power through designing its keyword matching algorithms to make broader matches. This would limit the ability for advertisers to determine which auctions to bid into. The result may be that advertisers end up participating in auctions for search terms that are less relevant to them and where their bids might have a reduced quality weighting, resulting in increased prices and revenues for Google. We note that there is some, albeit limited, evidence that Google's changes to Exact Match may have had this effect in practice. This increase in advertising costs could harm consumers to the extent it increases the costs to specialised search providers compared with having more control on which auctions to bid into, and these costs could be ultimately passed on in higher end user prices for goods and services.
149. We also note that the effect of these changes to Exact Match could be exploitative, in that it may increase the costs to Google's customers of accessing user traffic. However, to the extent that Google is also directly competing with its advertising customers, as in the case of specialised search providers, this behaviour may also reduce the ability of these providers to compete effectively with Google.
150. In relation to Google's submission, it is not clear to us how restricting the ability of advertisers to control which search terms they advertise against has the effect of improving relevance to users. Even if this were the case, we note

that Google's incentives to maintain user quality at the expense of generating revenue are likely to be less than they would be in a more competitive market.

Autocomplete and Chrome 'Omnibox'

151. Autocomplete is a feature available in Google search, the Google app for iOS and Android, the 'quick search' box from within Android and the 'Omnibox' address bar within Chrome. The feature is designed to make it faster to complete searches that the user is beginning to type by predicting what the user wanted to search. Figure P.21 shows how the autocomplete feature works in the Chrome Omnibox when the user types a branded query.

Figure P.21: The 'autocomplete' functionality in Google Chrome Omnibox



Source: screenshot taken by the CMA.

152. Some specialised search providers expressed concerns about the impact of the autocomplete feature on paid search auctions and submitted that this impact has been exacerbated by adding the autocomplete feature to the Chrome Omnibox.
153. These providers reported that the autocomplete feature may increase their advertising costs. This is because the feature prompts the user to click on one of the suggestions made by Google, often directing the user to the Google SERP, whereby the user may click on an ad. In addition, Google may benefit relatively more by prompting the user towards certain search queries over others. For example, the CPC for a keyword containing the brand name plus some generic words (eg 'Company A car insurance'), is usually higher than the CPC for a keyword containing just the brand name (eg 'Company A'). Therefore, by prompting the user to complete her/his search query with generic words, Google is potentially increasing advertising costs for these

providers. This despite the user's intent – in specifically typing in a brand name – likely being to go directly to its website.

Google's arguments on autocomplete and Chrome 'Omnibox'

154. Google submitted that the concern that Chrome Omnibox diverts traffic from advertiser URLs is incorrect and that the latest changes did not impact which predictions are presented, rather it changed how they are presented. The top result may still be a URL. In any case, it would not be in Google's commercial interests to divert traffic away from third-party websites. Google's incentives as a search engine are the opposite – ie to ensure that websites receive traffic (and resultant advertising revenues) so they can continue to publish free and quality content for Google Search users.

Our view

155. It appears that Google has the ability and incentive to design the autocomplete functionality of the Chrome Omnibox in a way that nudges users away from selecting the direct advertiser URL towards search queries where they are likely to click on paid advertising, resulting in revenues for Google and increased advertising costs for advertisers. This could harm consumers to the extent it increases the costs to specialised search providers compared with accessing consumers through the website URL, and these costs could be ultimately passed on in higher end user prices for goods and services.
156. In relation to Google's submission, we note that the way in which Google's autocomplete predictions are presented has the potential to influence user behaviour as well. For example, the order in which a website URL appears in the list of predictions may influence the probability of the user clicking on that website URL (see Figure P.21).
157. We also note that the effects of such changes to the design of the autocomplete functionality of the Chrome Ominbar could be exploitative, in that they may increase the costs to Google's customers of accessing user traffic. However, to the extent that Google is also directly competing with its advertising customers, as in the case of specialised search providers, this behaviour may also reduce the ability of these providers to compete effectively with Google.

Transparency concerns

158. Many specialised search providers expressed concerns around the transparency of their commercial relationship with Google. Overall, they think

that Google does not give them sufficient timely information about updates to Google policies and algorithms that may have a significant impact on their business. They also have concern about the way in which Google manages the search ad auctions.

Concerns about information about search ad auctions

159. Within Google Ads, Google shares aggregate information with advertisers about their performance in the search ad auctions. This helps advertisers to adjust their bidding strategy and advertising objectives, and to monitor the effectiveness of their ad campaigns.
160. Until September 2019, this information included the 'average position' metric. When an advertiser competes in the Google Ads auction, it is assigned an Ad Rank based on its bid and its Quality Score. Ad Rank, in turn, determines where its ad lands in the paid search results (its ad position). The average of these positions is thus the 'average position' metric. In other words, this metric describes how an advertiser typically ranks against other advertisers for specific keywords.
161. However, in September 2019 Google removed the average position from the information it shares with advertisers regarding the auctions. In place of the average position, Google introduced a set of new metrics including:
 - 'Absolute top impression share' – the impressions an advertiser has received in the absolute top position (the very first ad above the organic search results) divided by the number of impressions that advertiser was eligible to receive in the top position (anywhere above the organic search results) as estimated by Google.
 - 'Top impression share' – the impressions an advertiser has received in the top position (anywhere above the organic search results) divided by the number of impressions that advertiser was eligible to receive in the top position as estimated by Google.²⁶
162. Most specialised search providers told us that, whilst giving an indication of how often an advertiser appears in top positions, the new metrics give the advertiser no clarity on lower page positions, and in general less clarity on their performance than they used to get with the average position metric. In addition, advertisers find it harder to target specific positions other than the

²⁶ [Google Support – Google Ads Help](#) (accessed 29 June 2020).

top ad position, and they cannot make a comparison with their performance in previous years.

163. The reduction in clarity of performance metrics may have induced advertisers to change their bidding strategies. Specialised search providers submitted that the new metrics have forced advertisers to target absolute top position (ie maximizing their ‘absolute top impression share’) rather than top position (ie maximizing their ‘top impression share’).²⁷ They suggested that this change may have led to an increase in their CPCs and ad spend for certain keywords.

Concerns about information on algorithm changes

164. As set out above, websites may be significantly impacted by changes in Google search algorithms, either seeing an increase or a decrease in organic traffic. For these reasons, all specialised search providers have noted that, while Google sometimes publicly announces the advent of a new algorithm update, this is neither timely (usually a few days before the change), nor informative enough for websites to adapt to the change.
165. Since Google used to announce these updates via Twitter or blogs, there is a general demand for a more direct channel through which websites can communicate with Google about these changes.

Google’s arguments

166. Google submitted that the change to ad reporting described above did not artificially inflate costs for advertisers – instead, it has improved campaign reporting for advertisers. The ‘average position’ metrics had limitations – for example, an average ad position of ‘1’ means that the ad shows ahead of all other ads, but did not necessarily mean that an ad was above the organic search results.²⁸ Google submitted that the updated metrics provide advertisers with specific and reliable indicators of where an ad has appeared on the SERP.

²⁷ For example, this is the case for advertisers that used to target the second top position because that would give them the best ROI, but that at the same time would prefer the first over the third position – the former giving an higher ROI than the latter. Without the possibility to target the second position anymore, these advertisers may have the incentive to target absolute top position, which on average may give them a higher ROI than the one they would get by targeting top position. Since the CPC for the first position is likely to be higher than the one for the second or third position, this change in advertisers’ bidding strategies may lead to higher CPCs paid by advertisers, on average.

²⁸ Google may show ads above, below, or both above and below organic search results.

167. In relation to search algorithm updates, Google submitted that there are inherent limits to the information that search engines can disclose about the operation of its ranking systems without risking adverse consequences, such as making it easier for publishers to ‘game the system’ by manipulating their rankings to appear more relevant than they are, or increasing the risk of competitors copying innovations and free-riding on investments and intellectual property. Google added that ranking algorithms are subject to constant improvements and can change thousands of times each year. It would be impractical for a search engine to offer detailed disclosure of its ranking operations.²⁹

Our view

168. Given the importance of Google as a key source of user traffic for specialised search providers, the ways in which its auctions and algorithms work and changes that are made to them can have significant consequences for these businesses and the markets in which they compete. Google may have ability and incentive to exploit its market power by reducing or framing the information it shares with advertisers in a way that induces these advertisers to spend more in search advertising and/or to switch to Google’s automated bidding products.
169. It is not clear based on the evidence we have reviewed whether Google is doing this in practice. However, as described above, we consider that Google has the ability and incentive to exploit its market power in general search by manipulating the information it shares with specialised search providers about search ad auctions and algorithm changes, and that this could lead to harm to competition in specialised search. This could in turn harm consumers to the extent it increases the costs to specialised search providers, and these costs could be ultimately passed on in higher end user prices for goods and services.

Conclusion on exclusionary and exploitative behaviour

170. We have heard a number of concerns from specialised search providers that Google engages in exploitative and exclusionary behaviour in relation to specialised search, including through self-preferencing behaviour, the exploitation of data advantages and search algorithms, and increasing revenue from specialised search providers. We have concluded that Google has the incentive and ability to engage in these practices. We have not,

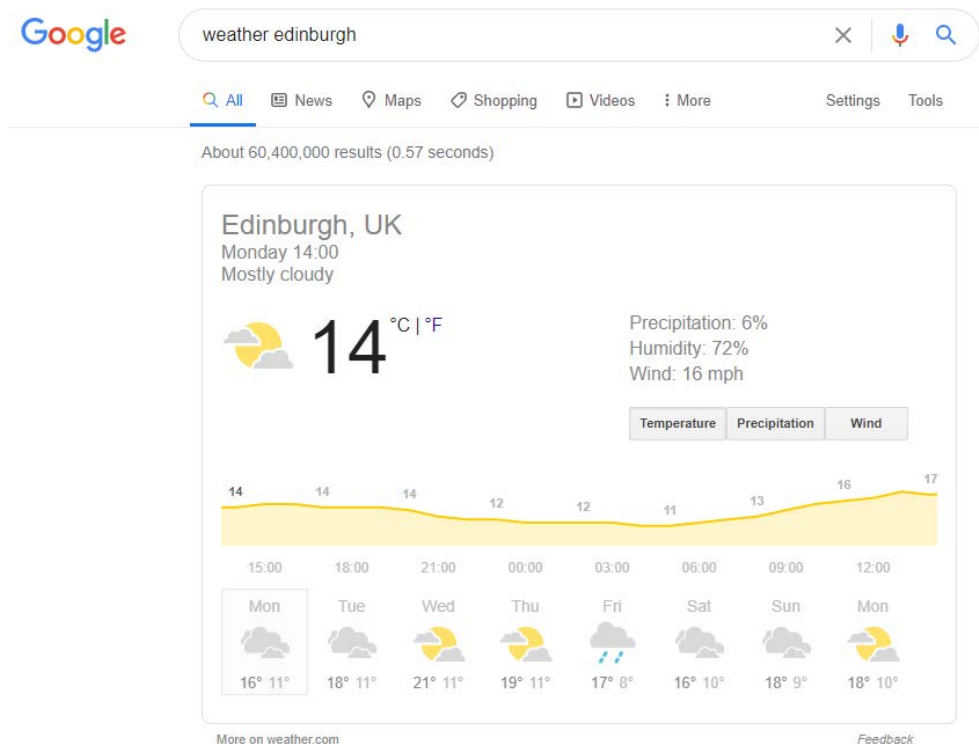
²⁹ [Google’s response to our consultation on the Interim Report](#), paragraphs 52-54.

however, sought to reach a conclusion on the strength of these concerns or any potential efficiency justifications for the conduct in the context of this study. Rather, our aim has been to show that there is a number of plausible concerns, expressed by a wide range of stakeholders, which could be investigated under the enforceable code of conduct which we discuss in Appendix U and Chapters 7 and 8 of the main body of this report.

Annex: Google's specialised search products

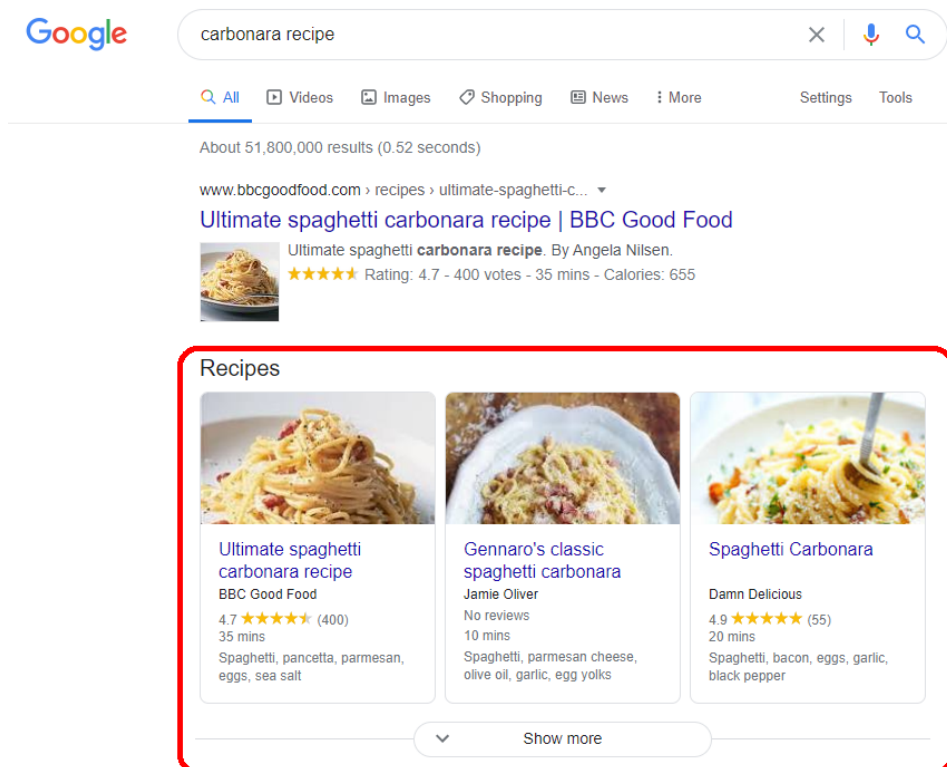
171. Google has developed several specialised search products over the last two decades – for example, in 2002 Google launched Froogle, a comparison-shopping website which was then re-branded as Google Shopping in 2012. Other specialised search products developed by Google include Google Flights and Google Hotel Finder (then renamed Google Hotel Ads), a flight comparison and hotel comparison websites, respectively, both launched in 2011.
172. Alongside these developments, Google started to develop specialized infrastructure and algorithms to generate richer results for specific information categories, such as images, news, weather, and time. Google started to display these richer results as result groups on the SERP when they were relevant. These results groups could take different forms, including boxes and widgets, sometimes generically called 'One-Boxes'. Figures P.22 and P.23 shows two recent examples of 'richer' results appearing on the SERP.

Figure P.2213: The Google weather One Box



Source: screenshot taken by the CMA.

Figure P.23: The Google recipe One Box (circled)



Source: screenshot taken by the CMA.

173. To decide how to rank these new richer results with respect to the traditional organic links, around 2007 Google introduced 'Universal Search', which allows Google to normalize the ranking of these new results against other results, such as generic blue link results. This means that the ranking scores of different result types are aligned and can be directly compared against each other.
174. After these initial developments, Google started to create richer results related to its specialised search products. For example, in 2013 Google introduced the Shopping Unit (or 'One Box'), which was linked to the Google Shopping product, ie if a user clicked on the Unit, it would get redirected to the Google Shopping website. Google did the same with other specialised products, such as flights, hotels, local search, jobs and consumer finance. In all these cases, a richer result such an interactive One Box would appear on the SERP when the user types a related query.³⁰
175. We also note that, within most commercial One-Boxes results are provided by third-party specialised search providers, eg OTAs which integrate their websites with Google specialised products, usually by paying a commission to Google (eg within the Shopping box results are displayed and ranked according to a CPC-based auction).
176. In this appendix, we focus on a subset of Google's commercial One-Boxes, namely the Google Flights, Hotel Ads (previously known as Hotel Finder) and Local Search boxes. The first two have been recently integrated into a wider product, Google Travel, though they still appear as two independent One-Boxes on the SERP. Therefore, we will look both at the two products separately and how they interact within Google Travel.

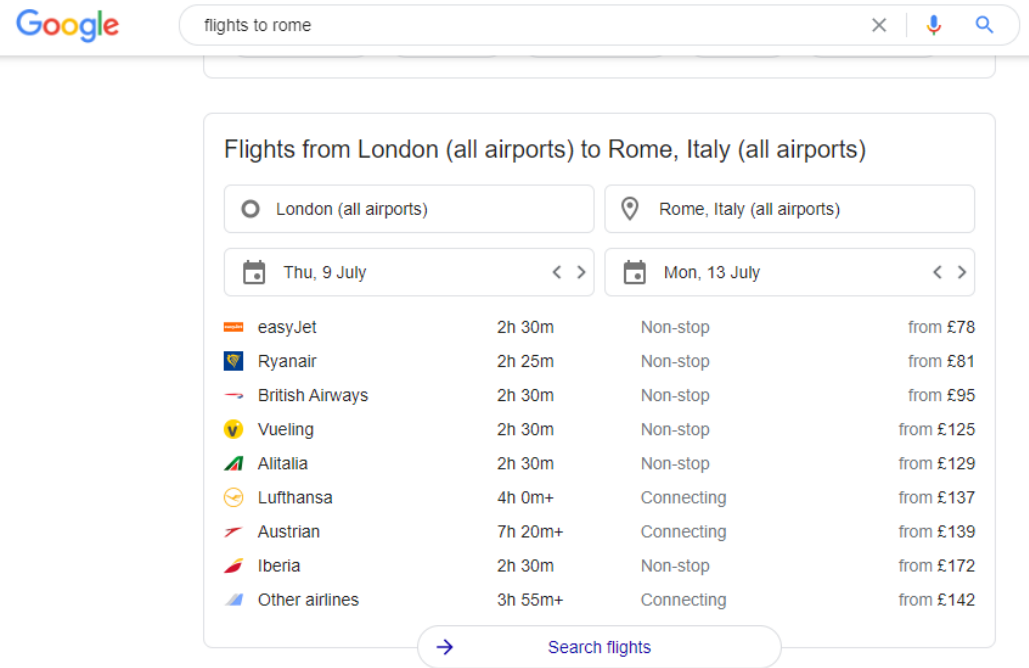
Google Travel

177. Google Travel is an integrated suite of travel related specialised search products, namely flights, hotels, trips, experiences and holidays. The Travel suite is hosted in a dedicated Google website – this website is opened when the user clicks on specific links on the SERP, most notably on travel-related Google One-Boxes such as the Google Flights, Hotel Ads and Holiday Packages (flight plus hotel) boxes. Links to Google Travel website are also hidden into apparently factual information-based boxes, eg the ones appearing when querying the name of a city.

³⁰ Results within the One-Boxes are ranked by a different set of algorithms than the ones ranking the overall results on the SERP.

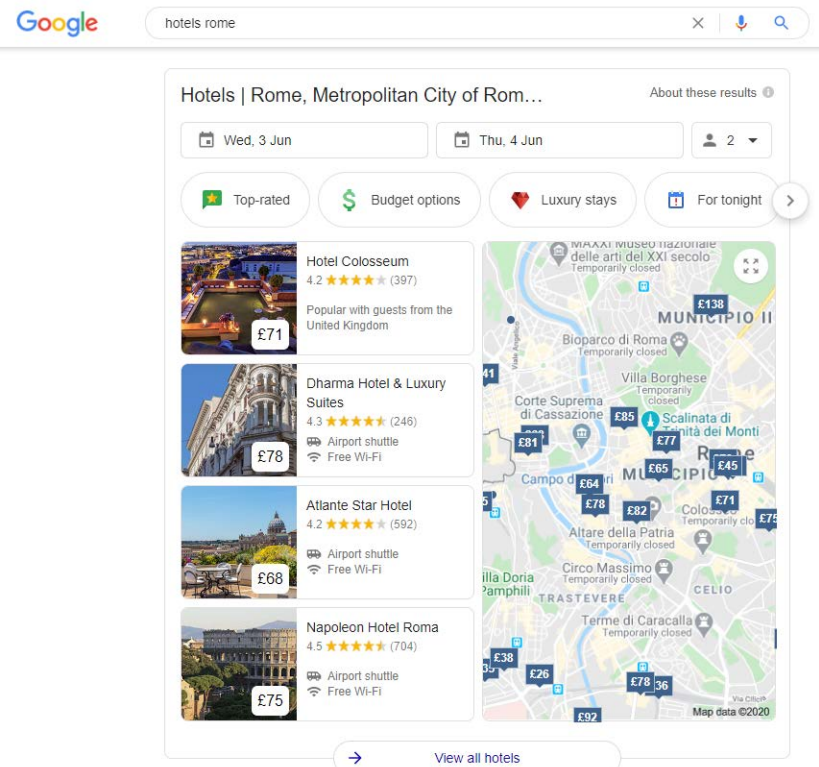
178. Figures P.24 and P.25 show the current Google Flights and Hotel Ads boxes on the SERP, while Figure P.26 shows the current interface of the Google Travel website.

Figure P.24: The Google Flights One Box



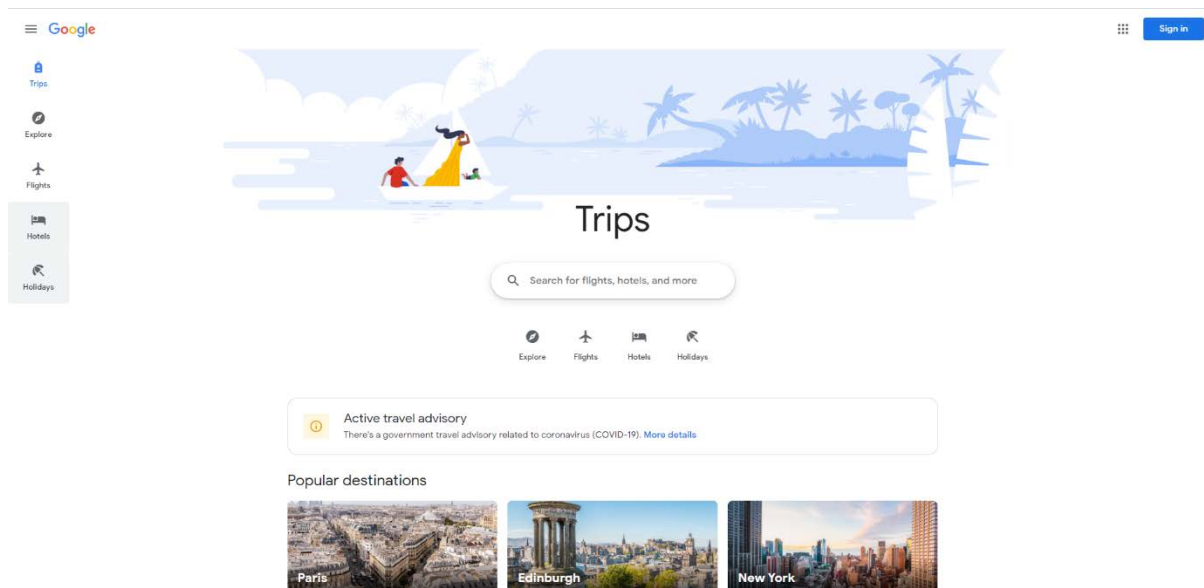
Source: screenshot taken by the CMA.

Figure P.25: The Google Hotel Ads One Box



Source: screenshot taken by the CMA.

Figure P.26: The Google Travel homepage

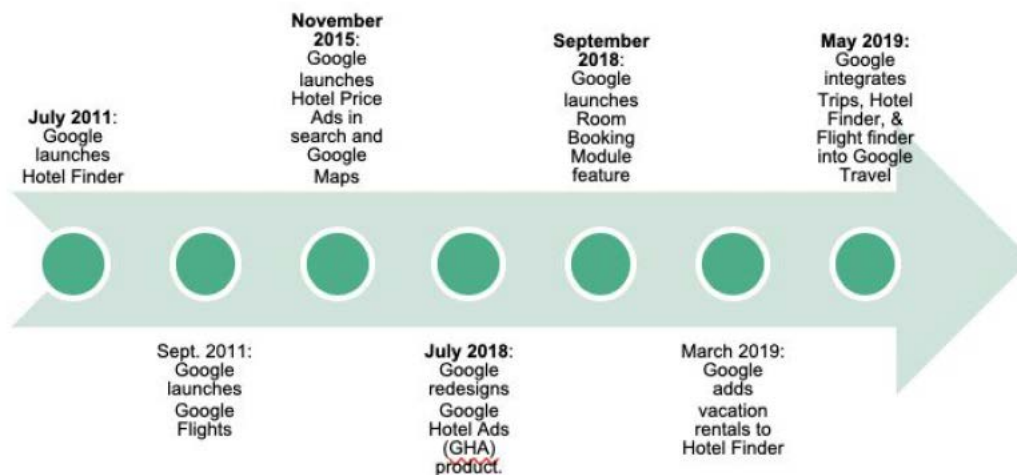


Source: screenshot taken by the CMA.

179. The results listed in the Flights and Hotel Ads boxes on the SERP and in the related Google websites are ranked according to several dimensions, including relevance and some forms of payment to Google, which may be based on an auction, as in the case of Hotel Ads.³¹
180. As described above, other specialised search providers such as OTAs can sell their services through Google's specialised search products. However, a user is usually directed to the third-party website only after three or four layers / web pages to conclude the transaction. In fact, sometimes the transaction with the third-party website (who gets the actual payment) is concluded directly on Google through the 'booking on Google' functionality, thereby preventing the user to access the third-party website at all.
181. Figure P.27 shows the history of Google's entry into the travel space and the evolution of its travel-related products.

³¹ From 31 January 2019, Google will no longer charge partners for referral links on Google Flights: [Skift](#), "[Google Flights Ends Booking Charges for Airlines That Paid](#)", January 2020 (accessed 29 June 2020). (source: [3<])

Figure P.27: The history of Google Travel

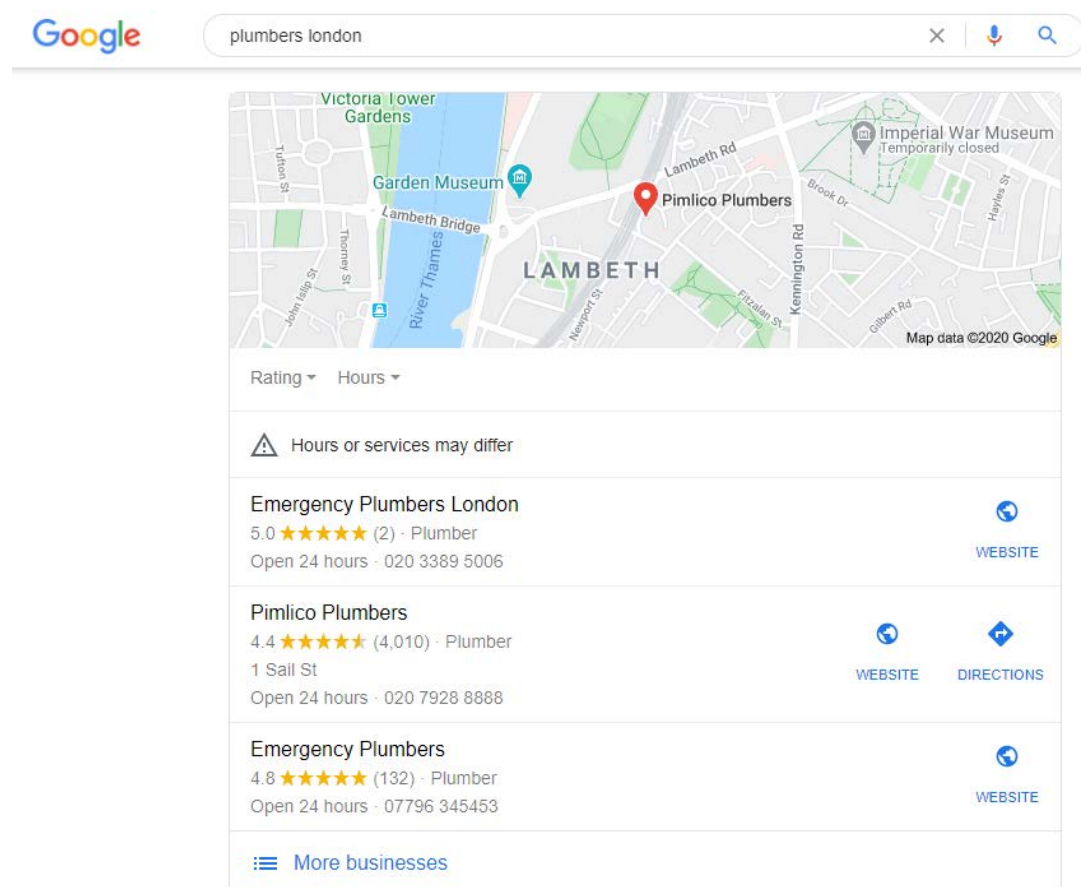


Source: TripAdvisor.

Google Local Search

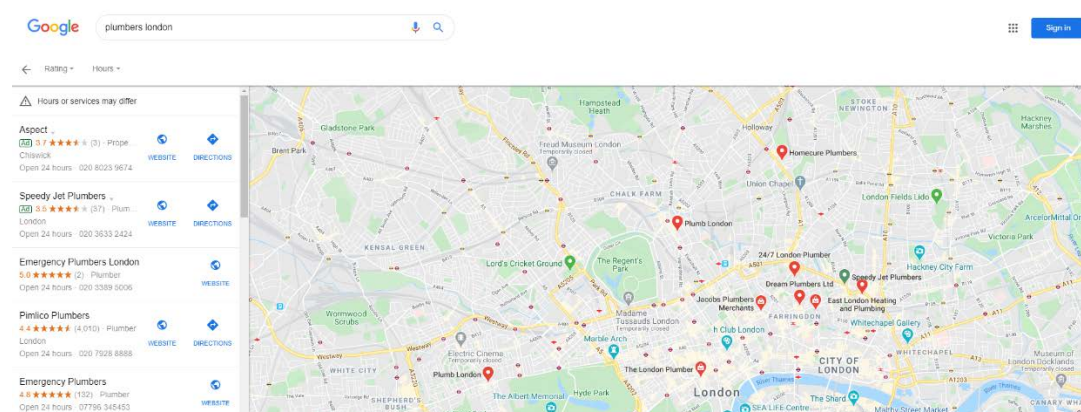
182. Google Local Search is a specialised search tool introduced around 2007 that allows the user to search and compare several local businesses, including restaurants, plumbers, dentists and hospitals. Essentially, this consists of a dedicated Google page showing a list of businesses next to Google Maps – the businesses can be filtered by some dimensions such as consumer rating.
183. The Google Local Search page is linked to the Local Search One Box, which appears on the SERP when the user input a local-related query, eg 'restaurants near me'. When the user clicks on the box, s/he is brought to the page.
184. Figure P.28 shows the current Google Local Search box on the SERP, while Figure P.29 shows the current interface of the Google Local Search page.

Figure P.28: The Google Local Search One Box



Source: screenshot taken by the CMA.

Figure P.29: The Google Local Search homepage



Source: screenshot taken by the CMA.

185. The results listed in the Local Search box on the SERP and in the related Google page are ranked according to several dimensions, including relevance and are generally freely listed. Local businesses can buy local ads, ie paid placement at the top of the list on the Google Local Search page, in a similar way to traditional paid links on the SERP. Users can also reserve tables in

restaurants through a third-party booking provider, by exploiting the 'Google Reserve' function. As in the case of some reservations on Google Flights and Hotel Ads, users can complete the booking directly on Google.