

## Submission by Fruugo.com Ltd

### Response to the CMA's Invitation to comment: SMS investigation into Google's general search and search advertising services

#### Fruugo.com Ltd opening comments:

1. Google Shopping is a vital revenue generation tool for retail businesses such as ours. We welcome informed discussion of the consultation issues however, we would be alarmed at the potential for access to this service to be removed or intermediated.
2. Google Shopping is integral and arguably the most important component in the broad digital marketing ecosystem. Retailers rely on accurate sales attribution logic in order to manage their return on advertising spend by channel. This would be destroyed if traffic was forced to reach them via alternative mechanisms e.g. through Comparable Shopping Services.
3. Our interest is as one of the largest users of Google Shopping advertising in Europe and a very significant user in the UK. The inventory we advertise, on behalf of thousands of SMEs, is often "unbranded" and poorly served by Comparative Shopping Services. While the "Kitchen Aid Stand Mixer" is often used as an exemplar of Shopping and CSS, it is surprisingly uncommon. The majority of Shopping searches, in our experience, are for a vast variety of unique items, such as unbranded clothing, spare parts for cars or household goods, commodity electronic peripherals and such like. The ability of search services to respond to this complex and diverse inventory is central to the success of many SMEs.
4. Google's search tools are remarkably effective at pairing personalised buying intent with product inventory. The Comparative Shopping Service (CSS) community have no equivalent method of providing results to shoppers that are as personalised or useful. Requiring shoppers to use a degraded search experience will not advance the digital economy.
5. The retailer community understands and trusts the tools Google provides. They do not wish to have fine grain control over their use of such an important advertising medium handed to an array of commercial third parties (rivals in many cases) that would operate with opaque commercial arrangements.
6. Elongating shopping user journeys is in no-one's interest but the CSS companies, who are seeking to inject themselves into that journey in order to profit.
7. It seems to us that the CSS companies lobbying for change are seeking to become gatekeepers, willing and able to use that power to hold retailers hostage. We reject their assertion that retailers' traffic costs would be lowered; we believe the opposite would be likely. Retailer's traffic purchasing would be made significantly fragmented, less efficient and costly.
8. Claims by CSS that regulatory intervention is required to support competition is illusory. They are seeking legal protection for an outdated and unpopular business model. There are few if any barriers to use of their services. Lack of use is a function of lack of

popularity, in turn the result of poor functionality and utility. It is illogical for them to claim that they offer users a rich product selection experience, and also to argue that by providing simple price transparency that Google renders their service redundant.

9. We understand that it may be desirable for regulators to require Google to demonstrate this to be true, by asking that they run experiments where the option to switch to a “Product Comparison Services” view of results is clearly available. We believe this will provide evidence that when presented with this choice, most consumers will prefer to progress directly to merchant’s sites. The end user experience is critical to this discussion.
10. We would ask, however, that the rules for populating the “Product Listing Ads” advertising unit remain as they are today and that non-transactional (CSS) results are not included unless the consumer has acted to select that they are. To do otherwise will create confusion and distrust of a well-regarded mode of product discovery. Resistance by the CSS is because they do not want to have to pay to participate in the PLA in order to receive traffic to their sites – they want regulators to force that traffic to them for free. This would be unreasonable favouritism, creating significant preference for one part of the digital marketing community at the expense of another, all retailers.
11. View of merchants, the primarily users of the services being discussed, are frequently under-represented. If the CMA would like to discuss the “view from the floor” in terms of how Google’s Shopping search services are utilised in practice, Fruugo would be happy to provide further input in person.

#### **Specifically addressing the consultation document:**

**Q1: Do you have views on the proposed scope of our investigation and candidate descriptions of Google’s general search services?**

The consultation document appears to be focused on investigating multiple aspects of the competitive environment within which Google operates. Fruugo considers that one of the most fundamental questions here is not being addressed and this relates to ‘**click inflation**’. We know Google has a near-monopoly on Search. What we do not understand is the economics behind the online auction that takes place every time a search is done.

- Along with our competitors, we place a bid for our products to appear in a prominent place in the search results and then pay Google every time someone clicks on an Ad for our products.
- This **auction is governed by Google**, with the actual cost of the click being a function of our bid as well as something called "quality score" (calculated secretly by Google using factors such as relevancy and data quality).
- We use automated bidding algorithms provided by Google as part of their P-Max campaigns.
- We set a profitability target (tROAS) and then trust the algorithm to work towards this target by bidding in such a way so that Ads are only shown to consumers who have a certain probability of going on to purchase from our site.
- So the amount of **the actual bid is governed by the Google algorithm**.

Therefore, on the one hand Google manages the dynamics of the auction and determines which Ads will show in the results page. And on the other hand Google manages the bids "placed" by

each advertiser. Although labour intensive, it is possible to manage bids manually but these bids will be competing against the automated bids used by most advertisers and so will not be able to influence the auction dynamics and the cost of the "winning bid".

Click inflation has been evident in recent years, and it is in Google's interest for this to continue. There is no incentive for the cost of a click to be significantly lower than at present, but, given the profits that Google makes from digital advertising, there is no apparent reason why the cost cannot be reduced. Indeed in 2018 when the CSS's were launched following an EU ruling against Google's monopoly, one of the advantages promoted by the CSSs was a 20% reduction in cost per click that Google was obliged to provide.

A reduction in click costs would have a huge economic benefit to the thousands of businesses who rely on Google to drive traffic to their websites. An investigation into the rates charged and techniques used to increase advertising revenues could therefore be worthy.

As a separate observation, we do not think that general search and search advertising should be considered as a single digital activity. One is a paid service and the other is not and therefore we consider that the two need to be differentiated as part of this investigation.

[Q2: Do you have submissions or evidence relevant to the avenues of investigation set out in paragraphs 26-28? Are there other issues we should take into account, and if so why?](#)

As referenced above, Fruugo would be keen to discuss the inflation in click costs that the Fruugo business has experienced.

[Q3: Do you have views on how Google's general search services might be affected by the development of AI interfaces providing alternative means of returning information?](#)

There is potential for significant disruption in the search market as we know it through the development and deployment of new (non-Google) tools such as ChatGPT, Deepseek and others that may follow. However, Google has a very strong position within major browsers which currently makes it more difficult for others to create a compelling user experience (i.e. from search bar to webpage). Google has also built a history of trust amongst its user base that will be difficult to compete with. Greater transparency in respect to user query data would be needed for AI to be utilised most effectively.

[Q4: Do you have views on whether the issues outlined in this section are the right ones for the CMA to focus on, or whether there are others we should consider?](#)

Please see response to Q1 above.

[Q5: Do you have views on whether the potential interventions are likely to be effective, proportionate and have benefits for users, including consumers and business search users? Are there other measures the CMA should consider that would be more effective or proportionate, or that would deliver greater benefits for users?](#)

The potential interventions appear sensible. However, it is difficult to judge how effective they could be. The most powerful alternative would be the presence of a similar scale competitor to Google. This does not exist today but could be assisted through creating a framework that would allow competing AI services to compete and thrive.

Q6: What are the key lessons the CMA should draw from measures imposed in relation to general search services in other jurisdictions? Are there specific areas where imposing a similar measure in the UK is more or less important for their overall effectiveness?

The EU DMA requirements on Google as a designated gatekeeper is a helpful reference point for these discussions. Fruugo considers it important to balance the need for appropriate regulation with the positives of the end user experience.

**3 February 2025**