VIVALDI

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Response to Strategic Market Status Investigation into Google's General Search and Search Advertising services Invitation to Comment

Vivaldi, launched in 2016, is a powerful, personal & private web browser (for desktop, mobile and in-car) that adapts to its users and offers more features than any other modern browser.

Vivaldi has two ground rules: privacy is a default, and everything's an option. In practice, this means building software that protects users' privacy but also does not track how they use it. Vivaldi believes private and secure software should be the rule, not the exception.

Vivaldi is headquartered in Norway, with satellite offices in Iceland and USA. It has no external investors and is co-owned by its approximately 50 employees.

We currently have 3,100,000 active users world-wide.

Vivaldi's interest in these proceedings

To supplement our replies to the CMA's request for information, we offer the following background and analysis of the search and browser ecosystem, as an independent browser that relies on revenue share from search (and similar advertising-adjacent) providers.

The prehistory of browser funding

In the early days of the Web, Web browsers cost money. The going rate initially was something like $35, which is what Opera cost initially as shareware.

Microsoft changed that, as they bundled Internet Explorer free after Windows 95. Netscape Navigator was not free to the general public until January 1998[1].

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[1] https://www.cnet.com/tech/tech-industry/netscape-cuts-prices-on-retail-products/

Subsequently, therefore, browser companies had to give away their browsers – which necessitated finding new business models.

Ancient browser history

Opera sold its mobile browser to smartphone manufacturers/ OEMs for a small fee, because a phone with a browser more powerful than basic WAP browsers was a competitive advantage.

Opera Desktop introduced a search bar in the browser in order to monetise, as the majority of Opera desktop users were on Windows where rival browsers were free.

Opera, Netscape, Apple and Mozilla all did deals with Google, and this helped Google grow and changed the browser market forever.

Modern Era

Since Google has become huge, it has been unwilling to do deals with smaller players, preferring to focus on the big ones such as its multi-billion dollar "partnership" with Apple, recently ruled an illegal monopoly in the USA.

Smaller players have thus done deals with Bing, or one of the smaller search engines which typically use Bing feeds to power them:

> 'Microsoft's original strategy for competing with Google involved partnering with the likes of privacy-focused DuckDuckGo, and climate change-focused Ecosia. By giving them paid API access to both their Bing search results and search advertising network, Microsoft indirectly ate into Google's market share. Until 2023, Microsoft has apparently been happy to help these companies grow faster than Bing, even though their search offerings sometimes competed with Bing."[2]

Microsoft upset this search-based ecosystem by significantly hiking prices on feeds by rises of between 257% and 900%[3].

Given that Google dominates the search market, and Microsoft Bing has increased its prices, two European search providers, Ecosia and Qwant (both of which Vivaldi has revenue share deals with) announced their intention to

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2 https://www.information-age.com/how-bing-api-prices-are-disrupting-search-123505076/

3 https://www.theregister.com/2023/02/20/rely_on_microsoft_bing_search/

partner to build a European-based search index “to serve ‘improved’ French and German language search results”:

> “We are European companies and we need to build technology that makes sure no third-party decision — for instance, Microsoft’s decision to increase costs to access their search API — could jeopardize our business,” Olivier Abecassis, CEO of Qwant, told CNBC.
>
> “It is nothing against the U.S. or U.S. companies. It is all about the sovereignty of our business and companies,” he added.[4]

Around the same time (2024H1), several Bing distribution partners lost their deal with Microsoft. One was Rise[5], with whom Vivaldi partnered to provide its default Bing search at the time.

Another was Perion, which saw its revenue fall by more than $250 million and laid off 15% of its employees as a result:

> The company now expects 2024 revenue in the range of $590 million to $610 million, against its prior expectation of $860 million to $880 million.
> Changes in ad pricing and other mechanisms by Microsoft Bing in its search distribution led to a decline in search advertising activity, Perion said on Monday.
>
> [Eric Martinuzzi, an analyst at Lake Street Capital Markets:] “Microsoft advertising unilaterally changed the amount it was willing to pay for indirectly sourced search traffic by all of its search partners..... that's what's causing the reset for Perion.[6] (8 April 2024)
>
> About two weeks ago, Bing announced it was completely removing several advertisers from its network. As a result, Perion's revenue from its collaboration with Microsoft will fall to less than 5% of its total revenue in the second half of 2024. Previously, revenue from this collaboration accounted for a large part of Perion's activity.[7] (25 June 2024)

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[4] https://www.cnbc.com/2024/11/12/ecosia-qwant-partner-on-search-engine-tech-to-counter-googles-power.html

[5] https://www.risecodes.com

[6] https://www.usnews.com/news/technology/articles/2024-04-08/perion-slides-as-ad-tech-firm-slashes-2024-forecast-on-microsoft-bing-changes

[7] https://www.calcalistech.com/ctechnews/article/sjdai5d8r

[redacted]

Search Engines and browsers: an imbalanced power dynamic

The fact that so many different regulators are investigating the browser markets suggests that the ecosystem is not functioning as well as it should do, and is failing both UK businesses or consumers.

The General Search Engine market is even more dysfunctional, with Google utterly dominant (already ruled a monopolist in 2024 in the USA) and Microsoft as a distant second search provider.

These two dysfunctional markets inter-relate in ways that compound their separate inherent problems. Search deals are mainly with Google or Microsoft Bing, both of whom make Web browsers that are competitors of ours, and which are the default browsers on our two most important platforms, Android (made by Google), and Windows (made by Microsoft).

In this industry, we're often competing with the same companies that you need to do deals with. Search revenue share is vital for the ability of independent browsers to compete in the market place.

The US vs Google judgement found

> Google's 2021 revenue share payment to Mozilla was over $400 million, or about 80% of Mozilla's operating budget. M. Baker Dep. Tr. at 41:18-24; Tr. at 538:7-15 (Rangel) (discussing UPXD101 at 10). **Mozilla has repeatedly made clear that without these payments, it would not be able to function as it does today**.
>
> (Case 1:20-cv-03010-APM Document 1033 Filed 08/05/24, paragraph 335, Emphasis added [8])

Search Engine providers are in a position of power which allows them to induce browsers to amend their own search functionality:

> Google also has a revenue sharing agreement with the browser developer Mozilla, whereby it pays Mozilla [redacted]% revenue share in exchange for the default search placement on the Firefox browser. The search access points on Firefox include "the search box" in the browser, "the navigation or location bar," any "search box displayed on

[8] https://www.pacermonitor.com/view/VZTUTSQ/UNITED_STATES_OF_AMERICA_et_al_v_GOOGLE_LLC__dcdce-20-03010__1033.0.pdf

a Firefox Startpage," among others. Id. at 102–03. **If Mozilla implements the "this time, search with" feature on its mobile application, the revenue share paid under the Google-Mozilla agreement drops from [redacted]% to [redacted]%**.

(ibid, paragraph 334, Emphasis added)

[redacted]

We don't think it is fair that a company that also makes a browser should be able to influence our competing browser's functionality.

[redacted]

We believe that Google and Microsoft's search functionality should be available to any browser, and the revenue share should be the same percentage whichever company uses their search. Neither search provider should be allowed to offer better terms to be default, nor dictate other terms, such as which other organisations a browser vendor partners with for search, or other revenue generating deals.

To create fair competition conducive to more innovation and higher consumer benefits, the playing field needs to be levelled for big and small companies.

Otherwise, Microsoft and Google will maintain dominance across different market segments by refusing to share Search revenue with smaller players. Since search is the largest revenue stream for web browsers, it is not fair competition for small browser companies to build sustainable business models without search revenue from search duopolies.