

COMMENTS

ON

Commitments in AT.39740 – Google

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1. We write to comment on the Commission’s proposed resolution of its investigation of certain Google practices.
2. For the past year, we have examined changes to Google’s presentation of search results through Google’s display of its Flight Search service (henceforth “GFS”), and we have measured the impact of Google’s prominent display of GFS on the outgoing traffic Google refers to online travel websites. Our full article on this subject as well as details on our methodology can be found at <http://www.benedelman.org/news/041513-1.html>.
3. Our analysis indicates that Google’s prominent display of GFS led to a significant change in the pattern of outgoing traffic from Google to online travel websites. We analyze records of search engine usage from ComScore Search Planner, a commercial database tracking the searches and subsequent website visits of millions of US internet users. We identify thousands of similar search terms for US-based flights, estimated to account for over 6 million Google searches during the months surrounding the introduction of GFS, and we classify these search terms into two groups: those for which Google prominently displays GFS in search results (e.g. “cheap flights from sfo to san”), and those for which GFS did not appear (e.g. “cheaper flights from sfo to san”). We examine differences in which links search engine users tend to click in these two groups of searches, both before and after the introduction of GFS. This difference-in-difference analysis lets us isolate the impact of the introduction of GFS on outgoing traffic from Google to online travel websites. We find that Google’s differential display of GFS led to a 65% decrease in users’ click-through rates on algorithmic search links and an 85% increase in users’ click-through rates for search advertising listings of competing online travel agencies.
4. Google’s proposed commitments do not address the underlying practices that favor Google’s own specialized search services and distort the competitive process. We see two important sources of unresolved distortions. First, Google reserves prominent display for its own specialized search services, excluding competing specialized search services from a key supply

* Edelman advises Microsoft on subjects unrelated to this comment and Lai was previously an intern at Microsoft Research. But this comment was not prepared at the request of, nor funded by, any third party.

of algorithmic search traffic. Second, by reserving prominent display for its own specialized search services, Google pushes more traffic to paid advertisements, which increases advertising costs for competing specialized search services and further strengthens Google's advantage in specialized search.

5. We explore these distinct problems in the subsequent sections, and then explain why the proposed remedy does not address these concerns. Inspired by the "web browser ballot box" solution that was successfully implemented in case COMP/C-3/39530 (Microsoft (Tying)), we suggest an alternative remedy more likely to preserve and restore competition.

A. Google's Exclusive Use of Screen Space Reduces Algorithmic Search Traffic to Competing Specialized Search Services

6. When Google's specialized search services exclusively occupy prime screen space in search result pages, Google's services claim screen space previously allocated to algorithmic search results. Specifically, this valuable screen space was previously shared among competing specialized search services, and an algorithm awarded the most prominent positions based on the relationship between a website's content and consumers' searches. Specialized search services had strong incentives to innovate in order to compete for the sizeable consumer attention that was provided by these prominent placements.

7. Excluding competing specialized search services from prime screen space forecloses the ability of excluded sites to compete for this important segment of consumer attention. Our research indicates that this foreclosure of algorithmic search traffic occurred when GFS excluded online travel agencies from prominent screen space. In particular, we find that the introduction of GFS led consumers to become 65% less likely to click on an algorithmic search result to an online travel agency.

8. The structure and function of the algorithmic search market increases the harm when Google, the dominant search engine, withholds algorithmic search traffic from competing specialized search services. For one, specialized search services importantly depend on algorithmic search traffic. For example, Yelp cofounder Jeremy Stoppelman testified that fully half of Yelp's traffic came from users starting their search on Google. Relatedly, search traffic provides access to users who have not yet chosen a vendor – an opportunity for new and competing services to attract user attention. Finally, algorithmic search traffic is distinctively important to specialized search services because sites receive algorithmic search traffic without charge, meaning that a loss of algorithmic search traffic has a disproportionate impact on profits.

B. Google's Proposed Display of Rival Links Does Not Negate the Harm from Diversion of Algorithmic Search Traffic

9. Google proposes to display three Rival Links, but this does little to remedy other sites' exclusion from prime screen space and the resulting loss of algorithmic search traffic. Google offers the following illustration of the implementation of paragraph 2 of Google's proposed commitments.



10. The screenshot reveals that Google plans to exclude competing specialized search services from all but a tiny corner of the most valuable screen placements of search results. Furthermore, Google’s prominent links include color images, multi-color text, additional information (such as prices and reviews), and, for some links, special logos such as Google’s “Trusted Store” logo (visible in the center listing above). In contrast, Google withholds all these benefits from competitors’ links, which are far less attractive and far less likely to garner users’ attention, particularly when juxtaposed against Google’s favored listings. This wide disparity in link format and prominence impedes consumers’ ability to decide which site to visit based on the genuine merits of each site.

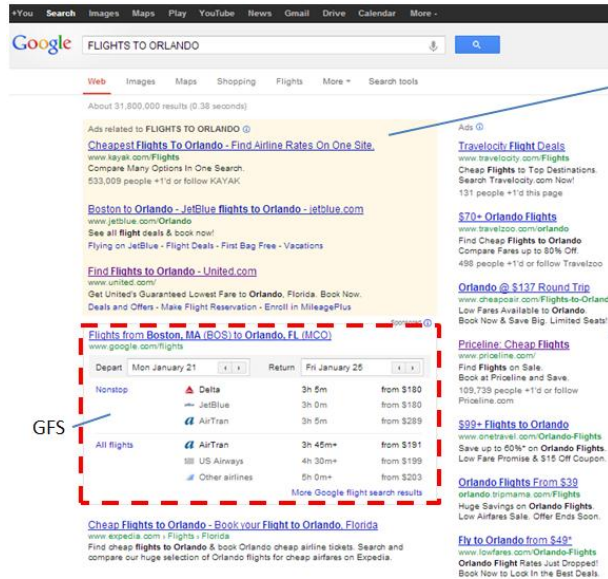
11. We note that in the “web browser ballot box” implemented in the Microsoft (tying) case, the leading browsers had to be displayed in randomized order, with similar size and format.

C. Google’s Exclusion of Shared Screen Space Increases Search Advertising Costs to Competing Specialized Search Services

12. When Google excludes competing specialized search services from prime screen space, Google diverts the attention of consumers to adjoining paid advertisements. This increases Google’s advertising revenues while reducing algorithmic search traffic to competing specialized search services. Consequently, competing specialized search services face higher search advertising costs. By leveraging this mechanism, Google can deter the entry of competing specialized search services, which lowers consumer welfare.

13. Excluding the display of competing specialized search services from prime screen space leads consumers, who want to visit these excluded sites, to click more paid links. Our research indicates that this diversion of consumer search occurred when GFS excluded the display of rival online travel agencies from prime screen space. Specifically, we find that the introduction of GFS, to the exclusion of other online travel sites, led consumers to become 85% more likely on average to click a paid link to an online travel agency.

14. The following screenshot illustrates how Google’s insertion of a large GFS box excludes most algorithmic search results from appearing above the fold of the initial page of search results. As a result, consumer attention is shifted to the adjoining paid links.

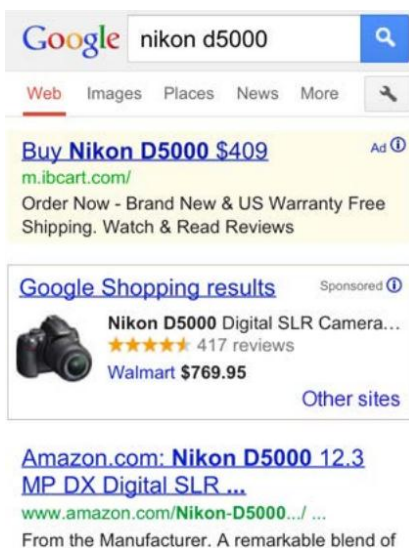


Prominently displayed paid links to competing online travel agencies.

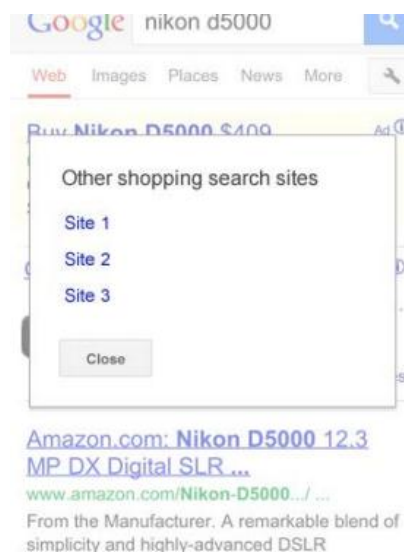
GFS

D. Google’s Proposed Display of Rival Links Ignores Impact of Diverting Traffic to Paid Links

15. Google’s proposal to display three Rival Links does not address the increase in competitors’ search advertising costs that results from excluding competing specialized search services from prime screen space. The proposed Rival Links pale in comparison to the more prominent positions Google offers to AdWords advertisers: AdWords advertisers enjoy more text, ad extensions, and easily-updatable bids. In the mobile context, the difference is even more pronounced: AdWords advertisers enjoy visible placement, whereas seeing a Rival Link on a mobile device requires an awkward two-click path through an “Other sites” link users are unlikely to check. (See Google’s illustration of the proposed mobile implementation, copied below.) Since a Rival Link placement is dominated by an AdWords placement, competing specialized search services are likely to focus their effort on AdWords.



Screen 1: Initial display of search results



Screen 2: Display upon click on “Other sites”

16. Displaying Rival Links does not mitigate the harms from Google’s prominent display of its own specialized search services and Google’s exclusion of screen space from competing specialized search services. Despite the presence of Rival Links, Google would still capture a significant cost advantage over competitors: Google diverts traffic to its own services, whereas competitors must pay Google to receive traffic, either via AdWords or via Rival Links. Specifically, Google’s favored treatment of its own services differentially increases advertising costs between Google’s own specialized search services versus competing offerings. Even if Google modified its proposal to provide Rival Links free of charge, the small amount of traffic likely to flow through Rival Links is insufficient to restore or preserve competition in specialized search services. Moreover, competitors will continue to increase their reliance on AdWords at significant cost, whereas Google’s specialized services will continue to receive free traffic.

17. We note that in the “web browser ballot box” solution implemented in the Microsoft (tying) case, all alternative browser options had to be displayed free of charge and Microsoft’s offering was equally prominent to competitors’ offerings.

E. Our Proposed Remedy: A Specialized Search Ballot Box

18. The Commission has indicated its intent to implement a remedy wherein “users [] decide whether they wish to visit these [competing] sites based on their merits” (EC memo/13/383). We applaud this principle. To give users a genuine opportunity to pick sites on their merits, the natural response is for Google to treat its own specialized search services no differently than Google treats competing specialized search services. We believe an appropriate remedy can achieve this result.

19. In our proposed remedy, each consumer would receive personalized control over the decision of which specialized search service the consumer would like to display most prominently. This approach is grounded in the principles of consumer choice and market competition that are well established in Commission policy. Crucially, this approach would detach Google’s incentives to monetize its search engine results page from Google’s control over specialized search results.

20. We suggest that Google be required to allow competing specialized search services in its “Vertical Sites Pool” to develop specialized search “widgets.” Consumers could choose among these Specialized Search Widgets as they see fit. We envision implementation as follows:

- a) Upon a user’s first search request that calls for a Google Specialized Results Link, Google would display a Specialized Search Ballot Box that allows consumers to choose among all Specialized Search Widgets appropriate for that type of search, including Google’s offering and competitors’ services. Including Google’s offering, five options would be presented on the first screen, all with similar size and format. Additional options would appear on a secondary listing presented upon a user’s request.
- b) Google would retain a user’s preferred Specialized Search Widget preferences to the best of its ability. For a user logged in to Google, Search Widget preferences would be retained as part of the user’s profile. For other users, Search Widget preferences would be stored in a cookie.

- c) Whenever a Specialized Search Widget is displayed, Google would offer a link to the Specialized Search Ballot Box that lets consumers switch their choices of Specialized Search Widgets.
- d) Whenever a Specialized Search Ballot Box is displayed, Google will display a link to a label that explains clearly to consumers how they might use the Specialized Search Ballot Box to choose their default Specialized Search Widget.
- e) These obligations would apply to all categories of results for which Google displays a Google Specialized Results Link that shows at least one paid result for at least 5% of page views by EEA users in the preceding calendar quarter.

21. Annex 1 presents an example implementation of our solution.

22. Our proposal is grounded in the principle of providing all specialized search services with equal ability to serve users, including the same benefits that are available to Google's own specialized search services. These benefits include placement within search results as well as distinctive color, logos, layout, and interactive features. This parity would allow multiple competing vertical search services to compete for users' attention, facilitating the functioning of competitive markets in each specialized search area.

23. Our research indicates that Google's exclusion of competing specialized search services from prime screen space is already altering the search and click behavior of online travel consumers. Google's exclusionary conduct reduces algorithmic search traffic and increases search advertising costs for competing online travel agencies. Particularly in light of Google's decisive dominance of other sectors adjacent to general search (such as image search, video search, maps, and more), and given the importance of adjacent sectors in protecting advertisers and consumers from Google's dominance, the Commission should take steps to assure that competition remains vibrant in other sectors adjacent to general search. Our proposed remedy would advance that objective by granting consumers a richer choice of competing specialized search services, and by granting competing specialized search services a fair mechanism to present their services to consumers.

Annex 1: Illustrative Examples of Implementation of Paragraph 20

Google flights BOS to SFO

Search About 1,670,000 results (0.35 seconds)

Everything
Images
Maps
Videos
News
Shopping
Flights
More

Cambridge, MA
Change location

Show search tools

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Please choose a flight search engine.
We noticed that you are looking for flights. Please choose a flight search engine.

SELECT **SELECT** **SELECT** **SELECT** **SELECT**

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Specialized Search Ballot Box Embedded in Search Results – Choice Screen

Please choose a flight search engine.

We noticed that you are looking for flights. Please choose a flight search engine.

SELECT **SELECT** **SELECT** **SELECT** **SELECT**

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Specialized Search Ballot Box – Choice Screen

Google

Search About 1,670,000 results (0.35 seconds)

Everything

Images

Maps

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Flights

More

Cambridge, MA

Change location

Show search tools

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Boston, MA 05/13/2012

\$475		MHT 5:25a → SFO 10:57a 8h 32m 1 stop (PHL)	
Hacker Fare™		SFO 12:05p → MHT 10:56p 7h 51m 1 stop (ORD)	Economy 1
<input type="button" value="Select"/>	Hacker Fare \$475		
\$486		MHT 5:45a → SFO 11:58a 9h 13m 1 stop (IAD)	
Hacker Fare™		SFO 1:25p → MHT 12:29a 8h 04m 1 stop (CLT)	Economy 1
<input type="button" value="Select"/>	Hacker Fare \$486		

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