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27 JULY 2021

27 July 2021

Online Intermediation Platforms Market Inquiry
Competition Commission of South Africa
oipmi@compcom.co.za

Submission of Google LLC to the Online Intermediation Platforms Market Inquiry in relation to its Statement of Issues dated 19 May 2021

INTRODUCTION

Google LLC ("**Google**") is grateful for the opportunity to engage with the South African Competition Commission (the "**Commission**") with respect to its Online Intermediation Platforms Market Inquiry (the "**Inquiry**").

Google has a long-standing and strong commitment to South Africa. For more than a decade, Google's South Africa-based and global employees have been developing innovative products that benefit South African consumers, businesses, and the economy.

Hundreds of thousands of South African businesses connect with consumers using Google products (such as its advertising or search services) to reach new consumers and support their day-to-day operations. For example, in the last year alone, Google has brought over [redacted] South African businesses online with verified Business Profiles on Google.[1] [redacted]

In 2020, in the context of the COVID-19 global pandemic, Google announced plans to assist businesses, job seekers, educational institutions and vulnerable populations as they grappled with the "new normal" and began to rebuild and recover from the impact of COVID-19 in South Africa. These initiatives included free tools and resources for 500,000 small and medium-sized businesses ("**SMEs**") aimed at assisting them get online or improve their digital presence. Google's business revolves around connecting users with credible, timely and relevant information, including about products and services. Google can - and does - play an important role in assisting SMEs and businesses owned by historically disadvantaged persons ("**HDPs**"), being the categories of business users that the OIPMI focuses on, to effectively participate in South Africa's market economy.

Google offers a wide range of online platforms globally, and a number of these are available to

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[1] "Business Profile on Google" is a free business listing from Google My Business that helps businesses stand out on Google Search or Google Maps. See: https://www.google.com/intl/en_uk/business/resources/getting-set-up/claim-verify-google-my-business-listing/.

consumers in South Africa, including the Google Play app store, YouTube and Google Search. Google displays digital ads on these platforms, and also helps advertisers reach consumers through ads placed on third party publisher websites. Google's South African presence focuses on sales and marketing functions that showcase its products to South African consumers and support businesses that make use of Google services to reach consumers.

Google notes that the Inquiry relates to three specific types of online platforms, namely platforms facilitating the sale of: (i) goods; (ii) services; and (iii) software (app stores). In South Africa, Google has identified Google Play as the product that is most relevant to the Inquiry. Google Play is Google's app store on Android (and Google also provides a web-based software store, called Chrome Web Store).

For completeness, Google also notes that the search services that it offers to South African consumers include Google Travel (namely, Google Flights (a travel aggregator) and Google Hotels (an accommodation aggregator)) and Google Shopping, which connects shoppers to retailers at google.com/shopping. At the Commission's request, Google provides some additional information about these services in its response to the Statement of Issues (the "**Response**") - but, as explained below, Google considers that these services differ in several key ways from the platforms selling goods and services that are the focus of this Inquiry.

This Response also addresses the specific questions at section 3 of the Inquiry's Statement of Issues dated 19 May 2021 (the "**Statement of Issues**"). For ease of reference, the relevant questions are reproduced in bold, with Google's responses following underneath each question.

Please note that information considered confidential to Google has been included in red. A Form CC7 has been included as part of this response.

Google looks forward to engaging with the Inquiry in the coming months.

Regards,

Charles Murito
Director, Sub Saharan Africa, Government Affairs & Public Policy
Google
[redacted]

Stakeholder Identity and Scope of Submission

1. Provide the name of the firm or organisation, contact person and contact details.

Google LLC

Contact Person:	Charles Murito
Role:	Director, Sub Saharan Africa, Government Affairs & Public Policy
Email:	[redacted]
Contact Number:	[redacted]

2. Indicate if you would like your identity to remain confidential (Y/N)

Y

3. Provide a brief description of the activities of your firm or organisation, and, where applicable, where the firm fits within the value chain for online intermediation (i.e. as a business user, aspirant business user, platform, consumer) or the organisation's interest in online intermediation platforms.

3.1. Google is a wholly owned subsidiary of Alphabet Inc., ("**Alphabet**"), a public company headquartered in Mountain View, California, USA. Google is a multinational technology company that provides a wide range of internet-related services and products including online advertising technologies, search, cloud computing, software and hardware.

3.2. The Commission has stated that "*[o]nline intermediation platforms are defined as platforms that facilitate transactions between business users and consumers (or so-called "B2C" platforms) for the sale of goods, services and software, regardless of whether the transactions are concluded on the platform itself, on the online site of the business user or offline.*"[2]

3.3. For the purposes of this Response, Google will focus on online intermediation platforms as defined by the Commission, i.e. platforms that facilitate either (a) the sale of software / apps; (b) the sale of goods or (c) the sale of services. In particular, the Commission has identified that eCommerce marketplaces, online classified marketplaces, software application stores and intermediated services for accommodation, travel, transport and food delivery are of interest.

Google's activities in South Africa

[2] See paragraph 1 of the Statement of Issues. The Statement of Issues is available online here: https://www.compcom.co.za/wp-content/uploads/2021/05/OIPMI-Statement-of-Issues_May-2021.pdf.

3.4. In South Africa, Google has three subsidiaries:

3.4.1. Google South Africa (Pty) Ltd ("**Google South Africa**"), [redacted].

3.4.2. Google Cloud South Africa (Pty) Ltd ("**Google Cloud South Africa**"), [redacted].

3.4.3. ZA Asset Management (Pty) Ltd ("**ZA Asset Management**"), [redacted].

3.5. Google's South African subsidiaries primarily provide local support and marketing services internally for Google. None of the subsidiaries are market-facing, nor do they provide products or services directly to South African consumers.

3.6. Google offers a wide range of online platforms globally, and a number of these are available to consumers in South Africa. These services generally connect business users to consumers. Google's most popular products in South Africa are Google Play, YouTube and Google Search. [redacted] Google displays digital ads on these services, and also helps advertisers reach consumers through ads placed on third party publisher websites. Google provides more detail in response to Question 4 on specific products in its portfolio at the request of the Commission.

4. Indicate what specific type of online intermediation platform is the focus of the submission (i.e. intermediation of either goods, services or software, and what particular type of good, service or software) or whether the submission is of a general nature across all platforms

4.1. Based on its understanding of the scope and focus of the Commission's Inquiry (see paragraph 3.3), Google has identified the following products that are available in South Africa:

4.1.1. **Sale of software:** Google Play is an online store where end-consumers can find apps, games, movies, TV shows, books and other products. Google Play is available in 190 countries, and partners with developers from all over the world to distribute their apps.[3] Google also provides a web-based version of its application store called Chrome Web Store. As Google has no market-facing business in South Africa, these products are offered to South

[3] See "*Google Play has something for everyone*" available online here: https://play.google.com/about/howplayworks/.

African end-consumers through [redacted].

4.1.2. **Sale of goods and services:** Google offers search services to consumers including: (i) Google Shopping; and (ii) Google travel products (including Flights and Hotels).[4] These products differ from the platforms described in the Statement of Issues in important ways:

- **Google Shopping** is not an eCommerce marketplace like Takealot, Yuppiechef or Loot.[5] Unlike these services, Google Shopping does not sell products directly to shoppers. Instead, Google Shopping "links" users directly with retailers. A person using Google Shopping is browsing products from third party advertisers and sellers who have chosen to feature their products on Google Shopping.[6] This service is monetised through ads.[7]

- **Google's travel products** similarly allow users to transact directly with the service providers they find when using these products. Google does not itself sell flights or hotel bookings. On **Flights**, the results shown to users are currently entirely organic (since January 2020, there have been no ads on Flights).[8] This means that the observation made in the Statement of Issues that travel aggregators monetise on a pay-per-click basis does not apply to Flights.[9] In **Hotels**, users are shown both paid hotel ads and organic

[4] For completeness, Google notes that it has other travel products such as "Vacation Rentals" and "Things to Do". [redacted].

[5] The Statement of Issues notes that eCommerce Marketplace providers "*can simply act as an online retailer, selling goods that they source, warehouse and deliver themselves*" and generate revenue "*from the sale of a good or service to consumers*", paragraph 30. According to Google Help: "*Google Shopping does not sell products directly to shoppers; instead we collect product information from participating sellers and make those products searchable for you. When you find what you're looking for, you can go to the store's website to buy it or you may be able to buy it on Google.*" See "*How Google Shopping works*" available at: https://support.google.com/faqs/answer/2987537?hl=en#zippy=%2Cwhat-is-google-shopping%2Chow-does-google-shopping-work%2Chow-can-i-use-google-shopping-to-find-exactly-what-im-looking-for%2Ccan-i-search-for-products-within-a-particular-category%2Chow-does-google-shopping-compare-with-other-shopping-sites%2Ccan-i-buy-items-directly-from-google-shopping%2Chow-are-product-recommendations-on-google-shopping-generated-available-in-the-us-uk-france-germany-and-japan.

[6] See "*How Google Shopping works*", available here: https://support.google.com/faqs/answer/2987537?hl=en.

[7] This model works differently from eCommerce marketplaces (such as Loot, Everyshop, Onedayonly and Red Puppy) which "*simply act as an online retailer, selling goods that they source, warehouse and deliver themselves*" (Statement of Issues, paragraph 30).

[8] [redacted].

[9] Statement of Issues, paragraphs 41 - 44.

booking links. Advertisers may select Hotel Ads as one (of many) campaign options in Google's advertiser-facing ads service, Google Ads.

4.2. Google considers that its most relevant services for the purposes of this Inquiry are those relating to the sale of apps in South Africa. This response therefore focuses on those products (Play and, where relevant, Chrome Web Store). At the Commission's request, Google has also provided information about Google Shopping and Google's travel products where appropriate.

Sale of software: Google Play

4.3. Google Play is Google's proprietary Android app store. Play is a marketplace for Android users to obtain access to apps (including games), as well as digital entertainment including books, magazines, movies and TV. Google has offered an app store for Android since 2008. An early version was called Android Market, which in March 2012 was integrated into Play and became the Play Store.

4.4. Users can find and install applications offered by hundreds of thousands of independent developers, which range in size and sophistication from individuals to global corporations. Play strives to treat developers fairly and equitably, whether they are SMEs and/or firms owned and controlled by HDPs, third party apps or first party Google apps. Google also offers free courses to app developers (including many SMBs) who would like to learn how to get the most out of Play (see paragraph 33.3.1 for more details on the Google Play Academy).

4.5. Google also offers the Chrome Web Store. This is a digital distribution service that serves as an online storefront for installable browser software add-ons that extend the capability of the browser. Users can browse the Chrome Web Store for apps, extensions and themes, uploaded and published by developers. Apps, extensions and themes in the Chrome Web Store are generally free for users.

Sale of services: Shopping, Flights and Hotels

4.6. Google does not sell accommodation or flights through its travel products - users purchase these services directly from hotel or travel providers they find through Hotels or Flights. Similarly, Shopping does not sell products to users - users conclude their purchases directly with retailers they find when searching on Shopping. At the Commission's request, more detail is provided about these services below.

Shopping

4.7. Shopping is a service that connects retailers (or merchants) and consumers. Shopping collects product information from participating sellers and makes those products searchable for consumers, so that users can find particular products, and compare offers across retailers. Consumers are shown regularly updated product information from sellers in the form of Shopping Ads on google.com, or on the Shopping tab.

When searching on the Shopping tab, consumers can sort or filter results by variables such as price, product category and brand. When consumers find what they are looking for, they are directed to the store's website to buy the product.

4.8. Online retailers submit feeds containing product information to Google Shopping. In order to run a shopping campaign on Google Shopping, a retailer must:

4.8.1. set up accounts with Google Merchant Center and Google Ads and link them together;[10]

4.8.2. comply with Google's Shopping policies;[11] and

4.8.3. submit up-to-date product data, which meets Google's standards for data quality, at least every 30 days.

Flights

4.9. Flights is a flight aggregator. It allows customers to search for and book flights with more than 300 airlines and online travel agents ("**OTAs**"). These airlines and OTAs provide Google with feeds of itineraries, prices and availability.[12]

4.10. All results shown to users are currently entirely organic (since January 2020, there have been no ads on Flights or other payment to Google from Flights partners). [redacted]

Hotels

4.11. Google Hotels is an accommodation aggregator. A consumer searching for hotels on Google Search, Google Maps, or Google Assistant can use the product to find a place to stay or information about a specific hotel. Hotels offers a content-rich experience through which:

4.11.1. travellers can find and compare hotels and their prices across a large number of providers, to which travellers are redirected to complete their booking; and

4.11.2. providers can connect with people researching hotels.

4.12. [redacted]

[10] See "*Merchant Center*", available at: https://www.google.com/retail/solutions/merchant-center/.

[11] See "*Shopping ads policies*", available at: https://support.google.com/merchants/answer/6149970?hl=en-GB.

[12] Flights will also provide schedule information for airlines that are not its partners where this is publicly available. However, Google is not able to provide price or availability information for airlines without them providing these feeds.

Scope item 1: Evaluate trends in adoption and use of the different online intermediation platform markets, including the identification of leading platforms across each market

5. What is the extent of adoption and use of online channels by South African consumers for the relevant good, service or software (no. of consumers, transactions or leads generated, value of sales)?

a) What are the drivers of this adoption and use by consumers, and how fast is it expected to grow in the near future?

5.1. In order to assist the Inquiry, a high-level response is set out below based on Google's best understanding of drivers of product adoption in South Africa.

Sale of apps

5.2. The easy-to-use Google Play interface and search function is key to driving user adoption of this product in South Africa and globally. As noted in response to Question 21 of Google's response to the Commission's request for information dated 22 June 2021, Google adopts a user-centric approach. Google aims to ensure that users are provided with their desired content through easy-to-use search functionality.

5.3. Since Google considers app rankings and reviews to be key identifiers of app quality for users, it also has policies in place to ensure that app rankings are not manipulated. For example, its Developer Policies require that: "*developers must not attempt to manipulate the placement of any apps in Google Play. This includes, but is not limited to, inflating product ratings, reviews, or install counts by illegitimate means, such as fraudulent or incentivized installs, reviews and ratings.*"[13] Google devotes material internal engineering resources and abuse specialists to confront manipulation attempts, therefore ensuring that consumers benefit from access to the highest-quality and most relevant apps.

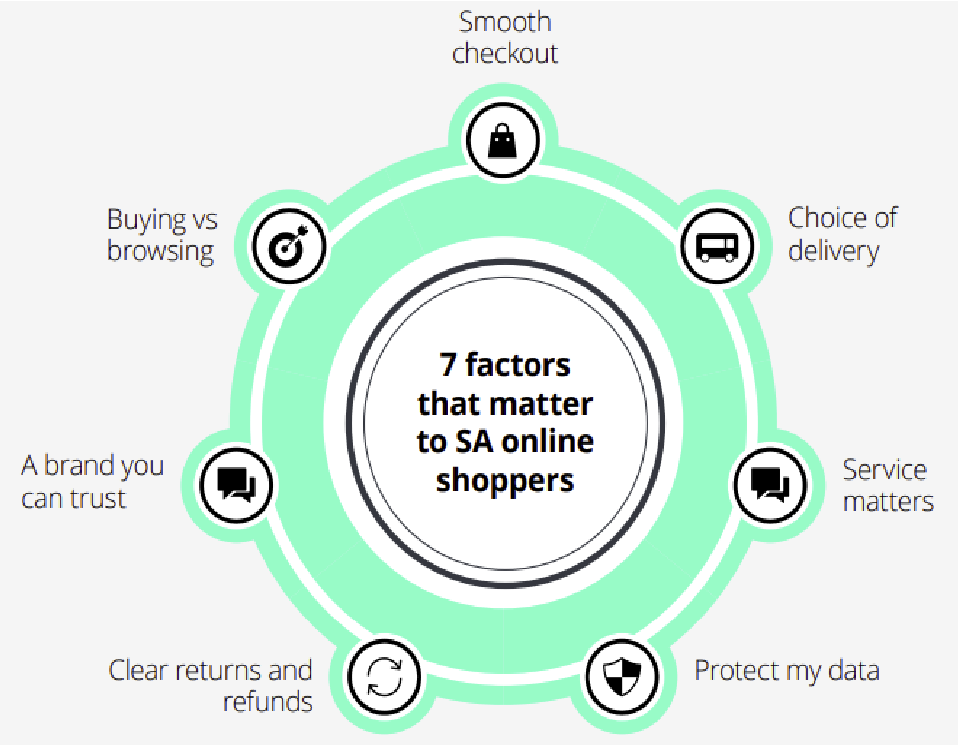
5.4. Users have many options to discover apps and other content on Google Play. Google's goal in organising apps on Google Play is to determine which apps to display, how many to display, and how to display them in a user-friendly way. Users are encouraged to use the service because it is safe, reliable and user-friendly. Similar drivers apply as regards use of the Chrome WebStore.

Sale of goods

5.5. As noted above, Google Shopping is not an eCommerce platform as described in the Statement of Issues. Google notes however that, according to a recent survey by

[13] See "*Play Console Help: User ratings, reviews and installs*" available at: https://support.google.com/googleplay/android-developer/answer/9898684?hl=en-GB.

Deloitte Digital, consumers look for eCommerce providers who they can trust, and who can offer hassle-free and effective online shopping at a good price.[14] Conversely, poor security of online payments and personal data, high delivery fees, cumbersome and expensive return processes and unreliable delivery times can undermine user adoption. Consumers may also get frustrated with the lack of online product information sometimes available online, see the figure below:[15]



Source: Deloitte Digital[16]

5.6. Similarly, a report by Accenture noted that: "*[t]he biggest challenges holding back online shopping today include limited trust in online payment systems, lack of consistency, limited choices and poor delivery experiences which include cost of delivery.*"[17]

[14] Report by Deloitte Digital entitled "*Digital Commerce Acceleration: Increased online purchases present new opportunities for digital commerce players*" (February 2021) ("Report on Digital Commerce Acceleration"), page 8. The Report on Digital Commerce Acceleration is available at: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf.

[15] The Report on Digital Commerce Acceleration, page 8.

[16] The Report on Digital Commerce Acceleration, page 13.

[17] See a report by Accenture entitled "*Rethinking the eCommerce Opportunity in South Africa: How retailers can pivot to digital customers*" (the "Accenture Report"), page 14. The Accenture Report is available at: https://www.accenture.com/_acnmedia/PDF-108/Accenture-eCommerce-POV.pdf.

Sale of services

5.7. Flight and accommodation aggregators - like other search providers - operate in an environment where consumers are seeking relevant results for their searches. In order to be attractive to consumers, search providers - including for travel services - need to present relevant search results or ads quickly and easily.

5.8. A 2017 article in PhocusWire, for example, indicated that consumers looked for more information about their flight options and greater transparency when making travel arrangements.[18] According to the article, only 10% of North American travelers used Flights to start their travel search. Only 23% used Flights at other points in their travel search.

b) Has the online channel become important for business users in reaching consumers and making sales or generating leads, or likely to become so in the near future?

5.9. As noted in response to Question 4 above, Google Shopping, Flights and Hotels are not eCommerce marketplaces, nor does Google provide online classified platforms in South Africa. Google has set out below a high-level response in order to assist the Inquiry as much as possible.

5.10. The increase in internet penetration and adoption of smartphones has led to the formation of new markets dedicated to the creation of goods and services capable of digital delivery. By way of example, smartphone subscriptions in South Africa have increased by approximately 148% since 2016.[19] By 2022, South Africa is expected to have 25.5 million smartphone users. Online channels are therefore becoming increasingly important.[20] The growing importance has been fuelled too by the Covid-19 pandemic which has "*challenged and shifted many of the barriers consumers have had to online shopping.*"[21]

5.11. Google considers that online channels will become increasingly important going forward. Deloitte Digital, for example, has estimated that approximately 22 million

[18] See: "*Where consumers start their flight search and factors driving the booking decision*" available at: https://www.phocuswire.com/Where-consumers-start-their-flight-search-and-factors-driving-the-booking-decision.

[19] ICASA, The State of the ICT Sector Report in South Africa, 2021.

[20] The Accenture Report, page 11.

[21] Report by Deloitte Digital entitled "*Digital Commerce Acceleration: Increased online purchases present new opportunities for digital commerce players*" (February 2021) ("Report on Digital Commerce Acceleration"), page 2. The Report on Digital Commerce Acceleration is available at: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf.

consumers shopped online in 2020, and that this number is expected to grow to 32 million users by 2024.[22]

5.12. In addition, a report by Cenfri notes that South Africa has the largest number of online intermediation platforms in Africa, with 142 platforms at the time of publication (2020) and approximately 122,000 unique users per platform per month.[23]

c) Can the online sales or leads be quickly replaced by sales through physical stores or will closing online channels result in a material loss of customers and sales? Will this change in the near future?

5.13. Shopping is not an eCommerce marketplace, and nor does Google provide online classified platforms in South Africa. Google has set out below a high-level response in order to assist the Inquiry as much as possible.

5.14. While online sales are becoming increasingly important in South Africa, eCommerce marketplaces and online classifieds are unlikely to replace brick-and-mortar stores entirely. Indeed, Business Insider suggests that eCommerce only accounts for 2% of South Africa's total retail spend. This is in part because data in South Africa is expensive and coverage can be patchy, making shopping online difficult for some South Africans. In addition, delivery can be difficult in certain areas such as smaller towns and informal settlements.[24]

5.15. South African consumers also continue to have concerns about online shopping, including the security of online payments, delivery fees, and lack of product choice or information (see paragraphs 5.5 and 5.6 above).

5.16. It is more likely that retailers will start to offer more of an "omnichannel" experience, i.e. one that covers both shopping in stores and online. Instead of replacing physical stores entirely, online shopping channels will likely remain complementary as they become more integrated. One report by Accenture, for example, suggests that: "*[i]n South Africa, retailers should pursue both in-store and online retail strategies.*"[25] Physical stores could, for instance, start to offer services such as "click-and-collect", or start to

[22] The Report on Digital Commerce Acceleration, page 7.

[23] Report by Cenfri, Inight2Impact and FMT entitled "*Africa's digital platforms: Overview of emerging trends in the market*" (2020) ("Cenfri Report"), pages 1 and 11. The Cenfri Report is available at: Africas-digital-platforms-trends-report.pdf (cenfri.org).

[24] See an article by Luke Daniel, "*Millions in SA should start shopping online soon - if data costs, deliveries are sorted out*" (20 November 2020) available online at: https://www.businessinsider.co.za/half-of-sa-could-be-shopping-online-by-2024-if-data-costs-and-deliveries-improve-2020-11.

[25] The Accenture Report, page 9.

enable customers to order in store for online delivery.[26]

5.17. Yuppiechef, by way of example, started by offering its products online only. 13 years later, however, it opened a number of physical stores, in part because it considers that the future of retail is "omnichannel." In its press release announcing the opening of its physical stores, Yuppiechef stated that:

> *"[...] we learnt that for many South Africans shopping is still a favourite past-time — spending a Saturday at a mall, meeting friends and eating out. We've also come to realise that, for many of our customers, there's a lot to be said of the physical shopping experience when buying certain products — browsing, getting advice, physically holding an item in one's hand, and the immediacy of the purchase. Shops and malls are not going to disappear any time soon. [...]*
>
> *Yuppiechef customers are now able to browse a product online and then come into a store to make a final decision and walk away with their purchase. They can browse in a store, but then have their order delivered to their homes to avoid carrying it around. Customers can stand in a store and scan QR codes using their mobile phones to see product reviews or videos that will help them make a final decision. Through the combination of our online and physical stores our customers have access to a huge range, bigger than any single store."*[27]

6. Indicate the relative importance of online intermediation platforms compared to the websites of individual businesses for the relevant good, service or software.

a) For each of the above routes to market, what is the share of consumers, leads or transactions, value of sales (overall and for an individual business user), and how is this share evolving over time for (i) online intermediation platforms and (ii) websites of individual businesses?

b) Can the sales or leads generated through the online platforms be quickly replaced through businesses' own online website/store or will leaving the platform result in a material loss of customers and sales? Will this change in the near future?

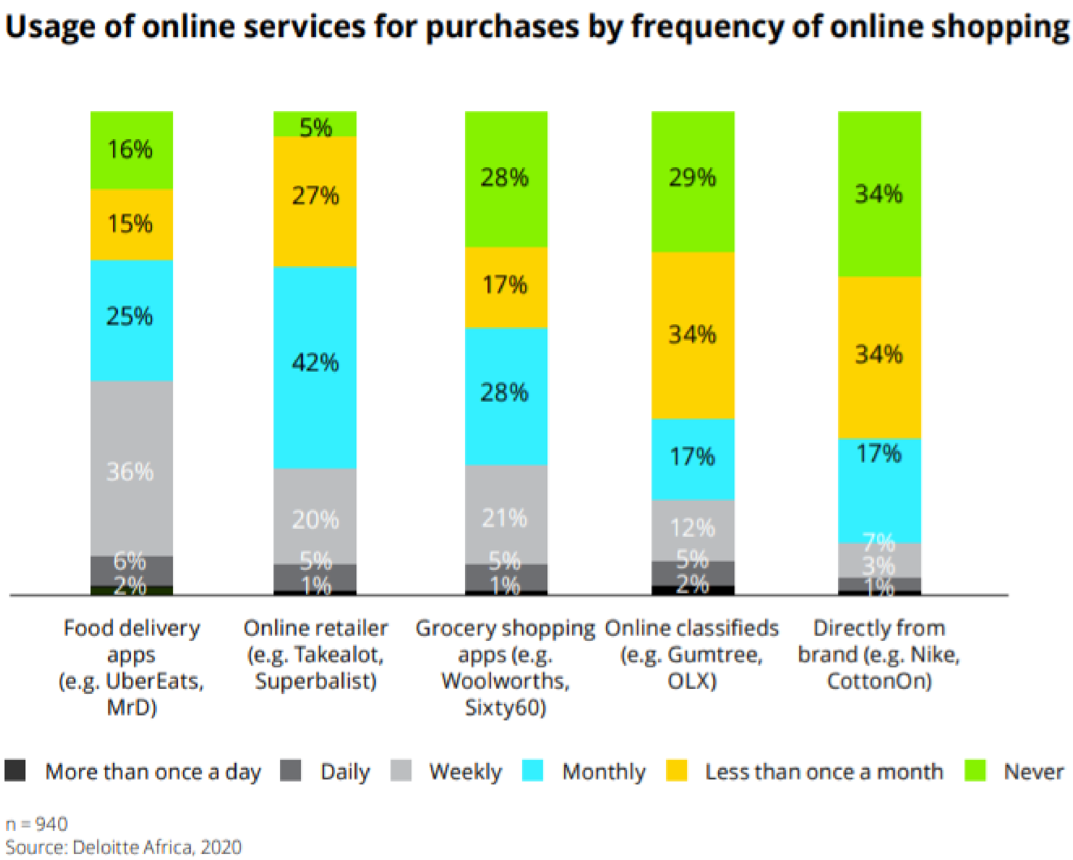
6.1. In an effort to assist the Inquiry as much as possible, Google sets out below an overview based on publicly available information. Google notes however that its products do not operate like eCommerce marketplaces described below (see paragraph 4.6 above).

6.2. According to Deloitte Digital, 67% of South African shoppers go to a specific store to

[26] The Accenture Report, page 9.

[27] See "*About Yuppiechef Retail Stores*" available at: https://www.yuppiechef.com/article-why-yuppiechef-is-opening-stores.htm.

find a product that they want. The same report indicates that 65% of consumers know what products they want, but compare various onlines stores to find the best offer.[28] As such, Google expects that consumers that shop online tend to visit both online intermediation platforms (such as Takealot) and the websites of individual businesses (such as Woolworths) regularly, and will continue to do so in the future. See below an extract from the report which sets out the usage of online services for purchases by frequency of online shopping:



Source: Deloitte Digital[29]

7. Identify the leading platforms and emerging online intermediation platforms operating in the area that is the subject of the submission, including their relative size based on users, transactions facilitated or leads generated, value of sales and own revenues (overall and for the individual business user on the platform).

a) Are any platforms a 'must have' channel for online sales or leads, or increasingly becoming so?

7.1. Google does not consider that there are any "must have" platforms in relation to the

[28] The Report on Digital Commerce Acceleration, page 10.

[29] The Report on Digital Commerce Acceleration, page 10.

sale of software, Google Shopping, or Google's travel products in South Africa.

What is the history of entry and exit by other platforms operating in the same area?

7.2. Google is not aware of any specific instances of entry and exit by platforms in the last few years in South Africa. However, digital platforms are dynamic and constantly evolving, making it easy for new services with a creative idea or new technology to enter this space. Google has identified the following prominent players in Africa that are fairly recent entrants:

7.2.1. eCommerce marketplaces: (i) Jumia - a leading eCommerce platform in Africa - opened its platform to South Africans in April 2020;[30] (ii) Zando (which is part of the Jumia Group) was founded in 2012 and has grown to become one of South Africa's biggest eCommerce marketplaces; and (iii) RunwaySale, which was founded in 2012 and received a ZAR 100 million investment from Spear Capital - a global private equity firm in 2020.[31]

7.2.2. Flight and accommodation aggregators: (i) Travelcheck launched in South Africa in 2019 as an OTA which allows consumers to customise and build holiday packages by comparing and booking flights and hotels;[32] (ii) low cost carrier FlySafair partnered with Tripco in 2021 to launch "FlySafair Holidays", which will allow consumers to book flights and accommodation through a single portal.[33]

7.2.3. New competitors for consumer attention are always launching and can rapidly gain a large user base. For example, TikTok - which only launched outside of China in 2017, is the fastest growing app in South Africa in 2021.[34]

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[30] See "*Jumia to open its platform in South Africa focusing on essential products*" (9 April 2020) available at: https://group.jumia.com/news/jumia-to-open-its-platform-in-south-africa-focusing-on-essential-products.

[31] See "*SA online retailer RunwaySale scores R100m investment*" by Katharine Child (1 June 2020) available at: https://www.businesslive.co.za/bd/companies/retail-and-consumer/2020-06-01-sa-online-retailer-runwaysale-scores-r100m-investment/.

[32] See "*About Us*" available at: https://www.travelcheck.co.za/about-us. See also "*Online travel agency Travelcheck.co.za launches in SA*" (6 June 2019) available at: https://www.news24.com/fin24/Companies/TravelAndLeisure/online-travel-agency-travelcheckcoza-launches-in-sa-20190606. Travelcheck's parent company Smartair recently secured $6m funding to expand in developing markets, including South Africa. See "*Investment from abroad a boost to Africa's online travel market*" (6 August 2019) available at: https://www.bizcommunity.com/Article/196/747/193970.html.

[33] See "*FlySafair launches packaged holidays*" (13 May 2021) available at: https://businesstech.co.za/news/lifestyle/490019/flysafair-launches-packaged-holidays/.

[34] See: "*The biggest and most popular social media platforms in South Africa, including TikTok*" (1 July 2021) available at: https://businesstech.co.za/news/internet/502583/the-biggest-and-most-popular-social-media-platforms-in-south-africa-including-tiktok/

b) Have any emerging platforms expanded to such an extent that they increasingly represent an alternative to the leading platform(s)?

7.3. Please refer to paragraph 7.2 above. As noted, a number of emerging platforms have entered the South African market and have increased in importance over the past 5 - 10 years.

c) Have any historically leading platforms declined substantially in importance and use in recent years?

7.4. Google is not aware of any leading platforms that have declined substantially in importance in recent years in South Africa.

7.5. Google is aware that the online retailer, Kalahari.com merged with Takealot.com in 2014. Based on a press release issued by Takealot.com in 2014, the merger took place in part because "*without scale, SA [retailers] simply can't compete successfully against the local brick and mortar retailers and foreign companies such as Amazon and Alibaba.*"[35] In relation to online travel products (flight and accommodation aggregators), Google notes that STA Travel and Flight Center have both struggled due to the COVID-19 pandemic, with STA Travel exiting the global market entirely.[36]

8. How should the market power of online intermediation platforms be assessed (e.g. share or size) and what are the metrics that should be used in that assessment (e.g. user base, transactions, revenue)?

a) Which platforms, if any, do you view as having a degree of market power? Provide reasons

b) Is there any other aspect to the adoption and use of online platforms, the dynamics between online platforms and other sales channels or the identity and power of leading platforms that you deem relevant to the Inquiry?

8.1. The digital ecosystem is extremely diverse and evolving rapidly. Digital platforms often operate using different business and monetisation strategies, across multiple markets, geographies and sectors, with varying degrees of competitive strength.[37] In addition,

[35] See "*Two of South Africa's leading eCommerce businesses combine to create a platform of scale*" (7 October 2014) available at: https://www.takealot.com/company-news/kalahari-merges-with-takealot-com.

[36] See "*#Covid19Update: Flight Centre to close down stores due to financial struggles*" (1 May 2020) available at: https://www.guzzle.co.za/retailtalk/post/covid19updateflight-centre-close-down-stores-due-f/. See also "*Consumer Watch: STA Travel is bankrupt, but there's good news for customers who paid by card*" by Georgina Crouth (25 January 2021) available at: https://www.iol.co.za/news/south-africa/gauteng/consumer-watch-sta-travel-is-bankrupt-but-theres-good-news-for-customers-who-paid-by-card-a6bec780-c0c7-4490-834f-cd8986df7f3d.

[37] There are also platforms that focus exclusively (or almost exclusively) on a particular sector, but which nonetheless occupy powerful market positions in their area of focus — such as TV and movie streaming (Netflix) and music streaming services (Spotify) — or in a particular geography (e.g. Zalando's position in fashion in Germany).

consumers and business users typically multi-home, which further constrains any potential market power of a particular platform - for example:

8.1.1. Consumers can access apps and content through a number of different platforms such as directly from developers, or even third party app stores.

8.1.2. Consumers tend to have a product in mind when shopping online, and check a number of different online retailers before making a purchase (see paragraph 6.2 above);

8.1.3. Business users tend to distribute software and apps via multiple online stores and retailers and travel providers advertise their products and services on many platforms to maximise exposure to consumers.

8.2. If helpful for the purposes of the Inquiry, Google understands from publicly available information that the top eCommerce marketplaces in South Africa are:[38]

8.2.1. Takealot (with net sales in 2020 of USD 451 million / approx. ZAR 7,432 million);

8.2.2. Superbalist (with net sales in 2020 of USD 69 million / approx. ZAR 1,135 million);

8.2.3. Woolworths (with net sales in 2020 of USD 51 million / approx. ZAR 839 million);

8.2.4. Amazon (with net sales in 2020 of USD 44 million / approx. ZAR 724 million); and

8.2.5. Mr Price (with net sales in 2020 of USD 25 million / ZAR 411 million). Mr Price only launched its online store in 2012.[39]

8.3. "*Google Shopping in South Africa*"[40] indicates that South Africa's top ecommerce sites include Amazon.com, BidorBuy, and Alibaba.

8.4. The Cenfri Report also considered intermediation platforms across a number of African jurisdictions (including South Africa).[41] The biggest eCommerce marketplaces according to the report across these jurisdictions are Jumia, Takealot, and Konga -

[38] See "*The eCommerce market in South Africa*" available online at: https://ecommercedb.com/en/markets/za/all. Figures provided in ZAR are based on an average exchange rate of USD 1 = ZAR 16.4591. This is the average exchange rate the 12 months ending 31 December 2020 provided by SARS: https://www.sars.gov.za/wp-content/uploads/Legal/Rates/LAPD-Pub-AER-2012-02-Average-Exchange-Rates-Table-A.pdf.

[39] See "*Mr Price ready to launch online store*" (25 July 2012) available at: https://businesstech.co.za/news/internet/18662/mr-price-ready-to-launch-online-store/.

[40] See: "*Google Shopping in South Africa: op ecommerce categories in South Africa*" available at: https://merchants.glopal.com/en-gb/google-shopping/south-africa.

[41] The other jurisdictions considered by the report were: Ghana, Kenya, Rwanda, Nigeria, Tanzania, Uganda, and Zambia.

which boast a total of 157,000 unique users a month.[42]

8.5. It is difficult to identify a single basis on which the market power of platforms can be considered (e.g. by looking at number of users or revenue). Different metrics are applicable to different products. Revenue is relevant in certain contexts, such as when a user pays to download an app or makes an in-app purchase. In other cases, more relevant metrics may include the number of users or downloads (e.g. in relation to the sale of software) or the number of clicks (in relation to an ad). Please refer to the response to Question 7 of the Commission's RFI, submitted on 16 July 2021. The response provides an overview of some of the metrics that Google uses to track performance of some of its products.

[42] The Cenfri Report, page 4.

Scope items 2 and 3: Evaluate whether any market features, platform conduct and/or contracts and terms of use with business users and consumers are likely to have the effect of raising barriers to entry and reducing competition amongst platforms domestically. These include, but are not limited to, MFN or price parity clauses, exclusive contracting, loyalty incentives, conglomerate leveraging (incl. data and advertising) and predation. Evaluate other barriers to entry and expansion by rival platforms including but not limited to network effects, capital costs and consumer marketing costs

9. Explain the business model of the platform, including but not limited to:

a) The value proposition for consumers and business user;

b) How it generates revenues and what the major cost items are;

c) How the platforms initially seek to build both the consumer and business side, incl. subsidisation and investment strategies.

Sale of software

9.1. Google Play offers a digital marketplace that is safe, reliable and secure. The app store offers millions of paid and free apps to choose from. 90% of the apps are free to users. Google ensures that all apps are reviewed and comply with policy considerations before they are made available for installation. To aid consumer choice, the app store provides a search function, editorial content and user reviews.

9.2. For developers, one of Google Play's key advantages is its wide audience base. Developers are essentially granted access to a global marketplace consisting of 2 billion users on a monthly basis. Google Play provides the technical infrastructure for developers to distribute apps globally.

9.3. Google Play provides a reliable digital marketplace for developers to commercialise their apps. Google Play's billing system is a service that enables developers to sell digital products and content for Android-based devices. Developers can monetise their app by offering a one-time product that users can purchase with a single, non-recurring charge or by offering a subscription product. Google Play Console offers developers flexibility when creating subscription products. For instance, developers can set a billing period, offer free trials, etc. Google Play also supports a variety of payment methods, including credit and debit cards, Google Play gift cards, direct mobile carrier billing, and Paypal.

9.4. A core part of Google Play's mission is to help developers build sustainable businesses. As a result, Google provides a broad range of support to developers to ensure that they are equipped to integrate and grow within the digital economy. For instance, Google provides assistance in the form of marketing tools and access to engagement and monetisation metrics. These allow developers to evaluate application engagement and monetisation trends against 250 different peer sets and assist in the decision making process regarding product roadmaps and opportunities. This is aimed at helping all developers better contextualise and understand their performance.

9.5. Apps and in-app products sold through Google Play are subject to a service fee. The transaction fee for all purchases in Google Play (apps and in-app purchases) is 30% of the price the customer pays. In other words, developers get 70% of the payment and the remaining 30% goes to the distribution partner and operating fees.

9.6. Chrome Web Store offers users access to browser extensions, apps and themes (collectively, "**items**") free of charge or by purchase, subscription, donation, or free trials. As a result of the deprecation of the payments function on the Chrome Web Store, Google requires developers to use a third party payment processor, if they have chosen to monetise their extension. In Google's experience, most developers choose to supply items to consumers free of charge.

9.7. When developers register on the Chrome Web Store, they are charged a one-time registration fee of USD5.[43]

Sale of goods and services

9.8. In an effort to assist the Inquiry as much as possible, Google sets out some information on Google Shopping and its travel products (the Commission will note that the business models described differ from those that the Commission has identified in its Statement of Issues).

<u>Shopping</u>

9.9. Google Shopping connects retailers (or merchants) with consumers. Consumers are shown updated product information from merchants in the form of Shopping Ads on google.com, or on the Shopping tab. When a consumer finds what they are looking for, they are directed to the store's website to buy the product. Free product listings have also been available in South Africa since April 2020.[44] In order to qualify for free listings, merchants will need to create a South African feed and opt into Google Shopping Ads in South Africa.[45]

9.10. Shopping does not sell products to consumers - consumers transact directly with the

[43] See "*Register as a Chrome Web Store developer*" available at: https://developer.chrome.com/docs/webstore/register/.

[44] See "*Google's Free Product Listings: Now Available in South Africa*" available at: https://www.gnuworld.co.za/blog/googles-free-product-listings-now-available-in-south-africa/.

[45] See: "*Google Shopping in South Africa: How to list for free on Google Shopping South Africa?*" available at: https://merchants.glopal.com/en-gb/google-shopping/south-africa. Unlike Shopping Ads, these are unpaid listings: when a user clicks on them, they are taken directly to the retailer's website where they transact directly with the retailer. There is no charge for retailers for participating in Free Listings.

retailers they find through Google Shopping. This service is monetised through ads.[46]

Flights

9.11. Flights allows customers to search for and book flights with more than 300 airlines and OTAs. After a customer has selected a flight, they will see one or more booking links to purchase the itinerary through a third party (airline or OTA). These booking links are organic and ranked algorithmically based on link quality and other usefulness factors.

9.12. Flights does not sell flight tickets. [redacted].

Hotels

9.13. A consumer searching for hotels on Google Search, Google Maps, or Google Assistant can use the product to find a place to stay or information about a specific hotel. Once a user selects a specific hotel, either via a "navigational search" for that hotel or as a result of a "categorical search" (like "hotels in London"), they may see general information about that hotel, such as location and contact information, as well as user reviews and information about the hotel's amenities and location. They may also see links to book a room in the hotel through a third party, which may be a hotel owner, OTA, or metasearch site. These booking links may be paid (Hotel Ads, designated by an Ads badge) or free.

9.14. [redacted]

10. What are the barriers to entering online intermediation platform markets?

a) What barriers do new entrants face which the platforms that launched first may not have faced?

b) What elements of the platform can be purchased from third-parties (e.g. cloud computing, distribution & logistic services) and what is required to be owned and offered by the platform itself?

10.1. Google is not aware of specific barriers faced by new entrants which the platforms that launched first may not have faced.

10.2. Any benefits that incumbent platforms may enjoy depend on factors like the extent of multi-homing, ease of switching, differentiation among rival products, and relevant

[46] See "*About Shopping campaigns and Shopping ads*", available at: https://support.google.com/merchants/answer/2454022?hl=en-GB&ref_topic=7287851. This model works differently from eCommerce marketplaces (such as Loot, Everyshop, Onedayonly and Red Puppy) which "*simply act as an online retailer, selling goods that they source, warehouse and deliver themselves*" (Statement of Issues, paragraph 30).

business model.

10.3. If eCommerce platforms are taken as an example, international chains or brands may be able to leverage experience in other markets and adapt their products for the South African market. This includes, for example, focussing on the integration of store cards and store credit accounts with offline offerings, due to the greater penetration of store cards relative to credit cards in middle and lower income markets. This could also include providing mobile phone options to utilise the greater proportion of mobile phone users relative to broadband users.[47]

10.4. In the case of platforms selling apps, goods or services, these will all need to make some investments in technology to host their platform online. However, there are no fixed requirements for inputs that need to be owned by a particular platform, and digital platforms have many different business models. It is also possible to obtain technology and expertise from third parties. For example, Shopify provides an eCommerce platform for online stores and retail point-of-sale systems (an "all-in-one" commerce platform that can be used to start, run, and grow a business).[48]

10.5. Google delivers and hosts its own technical services. However, third party merchants and travel providers deliver the services that users purchase through the following Google services:

10.5.1. **Google Shopping** connects shoppers with businesses. The product helps shoppers find the retailers they are searching for, but retailers conclude the transaction, and are responsible for delivering the purchase to the shopper.

10.5.2. **Google Flights** allows customers to search for and book flights with more than 300 airline and OTA partners. These airlines and OTAs provide Google with feeds of itineraries, prices and availability.[49]

10.5.3. **Google Hotels** provides a user searching for hotels on Google Search or Google Maps with an option to use Hotels to find a place to stay, or information about a specific hotel - Hotels connects the user and the travel provider, but the service is then purchased directly from the hotel in question.

10.6. Given that different platforms have different business models, in Google's view there is no particular "critical mass" of users or transactions that enables a platform to operate profitably. As explained above, businesses have options to supplement their internal

[47] See: https://www.competition.org.za/ccred-blog-digital-industrial-policy/2020/4/21/an-e-commerce-revolution-in-retail.

[48] See: https://www.shopify.co.za/about.

[49] Google Flights will also provide schedule information for airlines that are not its partners where this is publicly available. However, Google is not able to provide price or availability information for airlines without them providing these feeds.

technology and resources with third party technology and expertise, so costs vary based on the business model adopted by the platform. The Inquiry will need to take account of the ways in which different South African platform services have started operating, the costs they have incurred in doing so, and the business model they have adopted to enable these services to operate profitably.

11. What are the barriers to expanding the platform once established to reach profitability and a critical mass of online transactions?

a) What number of users and transactions represent critical mass for the platform?

b) What costs are scalable with the operation and what costs are fixed?

c) What level of investment is required to bring the platform to critical mass and in what areas is investment required?

11.1. Please see response to Question 10 above.

12. Have any late entry platforms expanded to reach critical mass and become effective competitors to the initial established platforms? If so, please list these.

12.1. Google is not aware of any such late entry platforms other than those already mentioned in paragraph 7.2 above.

13. Have any online intermediation platforms attempted to enter the market but were unsuccessful in the past three years? If so, please list these.

13.1. Google is not aware of any such unsuccessful attempts to enter the market.

14. To what extent do (i) consumers and (ii) business users make use of multiple platforms for the relevant good, service or software?

a) If yes, do (i) consumers and (ii) business users limit their use primarily to a few platforms only, and do they tend to utilise mostly one?

b) What drives these patterns of platform usage by (i) consumers or (ii) businesses?

Sale of software

14.1. Although Google does not have figures relating to multi-homing in South Africa, Google expects that consumers access apps and content from various sources in addition to Google Play (see paragraph 8.1 above). For example, the Woolworths app is available on both Android and iOS (Apple),[50] as is the Takealot app.[51] Many developers also multi-home between Google Android and iOS.

14.2. A user-friendly interface and reliable and relevant results encourage user adoption of Play. Developers generally select multiple online stores to distribute their software or apps, as this maximises their chances of reaching users. Factors that are important for developers include a safe and reliable store with engaged users.

Sale of services

14.3. Google understands that consumers and businesses in South Africa tend to use more than one platform. See Google's response to paragraph 6.2 above - consumers tend to compare products on a number of different online stores before making a purchase.

14.4. As noted in response to Question 5 above, consumers and businesses tend to use online retail platforms that offer secure online payments, hassle-free shopping, and clear returns policies.

15. What are the critical success factors in attracting more consumers to the platform and converting them from trial to ongoing and loyal use?

a) What are the challenges faced by new platforms in attracting and/or converting consumers and how do these challenges differ to those faced by the early platforms entrants that launched first?

b) Is there any conduct (incl. terms of use) of the leading platforms that increases the difficulty of other platforms in attracting and/or converting consumers? If so, what is the rationale for the conduct, does it provide benefits to businesses or consumers, and is it essential for the business model?

c) Is there any conduct (incl. terms of use) of platforms that limits the basis for competition between platforms for consumers on any parameter of relevance to consumers (e.g. product range, service levels, prices)? If so, what is the rationale for the conduct, does it provide benefits to businesses or consumers, and is it essential for the business model?

15.1. While existing platforms may benefit from experience and having gained the loyalty of customers early on, new platforms have a significant advantage due to their ability to learn from the success of existing platforms and modify their own offering accordingly. The digital world is dynamic and competitors can enter and achieve rapid growth if

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[50] See "*Woolworths launches in-app shopping creating the most comprehensive retail app in the country*" (27 September 2018) available at: https://www.woolworthsholdings.co.za/woolworths-launches-in-app-shopping-creating-the-most-comprehensive-retail-app-in-the-country/.

[51] See: https://www.takealot.com/apps.

they have a superior, innovative offering and apply learnings about what is currently popular on pre-existing software stores. In this way, they can compete effectively with existing platforms.

15.2. Google has not undertaken specific studies in relation to the South African market. However, according to a recent survey by Deloitte Digital, consumers look for eCommerce providers they can trust, and which offer hassle-free and effective online shopping at a good price.[52] Additionally, customer service is an important factor, along with low delivery costs and simple return policies. According to the report, *"[c]ustomers are likely to return or be attracted as new customers to a digital commerce provider that gets all these elements right."*

16. Do any of the platforms hold a portfolio of online businesses, and if so, does that portfolio provide them with any advantages relative to single platform entrants (e.g. on consumer data, marketing, consumer loyalty, business user loyalty)?

a) If so, explain why it constitutes an advantage and whether it can be replicated by other platforms.

16.1. Google offers a large number of products globally, many of which are available in South Africa. As noted above, Google's most popular products in South Africa are Play, Search and YouTube. Google recognises that there may be benefits from a more integrated business, such as technical efficiencies which can lead to product improvements and reduced costs for users. Vertical integration is well-known to give rise to pro-competitive efficiencies and consumer benefits. In its Inquiry, it will be important for the Commission to consider how a broader product portfolio can benefit users - as well as the extent to which the products in the portfolio are competitive with rival services.

16.2. As regards Google Play, Google Shopping and Google's travel products (Flights and Hotels), none of these platforms hold a portfolio of online businesses. These are services that allow users to connect with app or software developers (in the case of Play), flight and hotel providers (for Google's travel products) and retailers (for Shopping).

17. Do any of the platforms have promotional arrangements with other businesses such as discounts or special deals to their customers?

a) If so, explain what arrangements exist, the rationale for the arrangement, the benefits to the platform and whether it hinders other platforms from securing customers or business users.

Sale of software

[52] See the Report on Digital Commerce Acceleration, page 8.

17.1. Google currently offers the following reward programs that benefit both users and developers in the context of software services: (i) Google Play Points Program (the "**GPPP**"); and (ii) The Google Play Security Reward Program (the "**GPSRP**")**.**

(i) Google Play Points Program[53]

17.2. The GPPP rewards users for engaging on Google Play. Users that are enrolled in the program earn points through purchases made on Google Play, including in-app items, movies, books and subscriptions. Users also gain points by downloading featured free apps and games.

17.3. Users can redeem Play Points for in-app items, discount app specific coupons, Google Play Credit or Donate on Play.

17.4. Selected developers are invited to provide app specific Play Points promotions that allow users to spend Play Points on app specific rewards. Developers can provide Google Play Points promotions either in the form of in-app products (points are exchanged for an in-app item) or Coupon promotions, which provide a discount on any in-app purchase above the value of the coupon.

17.5. For qualifying developers, the GPPP surges exposure and visibility of the app resulting in an increase in retention of monetised users. Many participating developers have experience of incremental revenue increases of between 5% and 30%. Additional benefits include increasing user engagement through access to Google Play's most engaged audiences and driving app awareness.

(ii) The Google Play Security Reward Program[54]

17.6. The GPSRP is a vulnerability reward program offered by Google Play in collaboration with the developers of certain popular Android apps. The program aims to identify and mitigate vulnerabilities in Android apps that have 100 million or more installs, or that are developed by Google or a participating developer.

17.7. Google Play invites some developers of popular Android apps to opt-in to this program, which incentivises security research by providing rewards to individuals who identify vulnerabilities (for instance, vulnerabilities that lead to unauthorised access to sensitive data from an app on an Android device). Cash rewards are provided based on impact and exploitability.

17.8. The program was introduced to ensure that Android users, developers and the Google

[53] See the "*Play Console Help: Retain users with Google Play Points*" available at: https://support.google.com/googleplay/android-developer/answer/10366692?_ga=2.5889847.543939562.1623087342-422672064.1614159963/.

[54] See "*Google's Application Security: Google Play Security Reward Program Rules*" available at: https://www.google.com/about/appsecurity/play-rewards/.

Play ecosystem remain safe.

Sale of services

17.9. Google does not offer to businesses any promotional arrangements in Flights. There are no ads in Flights.

17.10. As regards Shopping and Hotel Ads, as with other advertisers using Google Ads, providers who advertise their hotel or retail offers with Google Ads may occasionally receive promotional codes from Google as part of a specific offer. Most offers require providers to meet certain criteria before the credit will show up in their account, and they are typically given out to new advertisers with new accounts.

18. In general, what has been the experience of smaller South African online intermediation platforms competing with established platforms in South Africa?

18.1. As noted in paragraph 10.6, Google does not consider that there is any 'critical mass' that is required for an intermediation platform to operate successfully in South Africa.

18.2. Google has not conducted any studies specific to South Africa in this context. However, as explained in response to Question 15 above, Google considers that new - and smaller - platforms have many opportunities to compete with more established services. In fact, Google is aware of several examples of services that have launched successfully in Africa, including: Jumia, Zando, and Runway Sale (please see paragraph 7.2 above).

19. Are there any other market features or leading platform conduct which increase barriers to entry for new platforms and/or limit competition between platforms not covered in the answers to the questions above?

19.1. Please see Google's response to Question 10, 15 and 18 above.

Scope item 4: Evaluate whether platform conduct, contracts, prices and terms of use with business users are discriminatory or unfair, and the likely effect thereof on consumer choice, competition amongst business users and the participation of SMEs and HDP owned firms. This includes, but is not limited to, the existence of self-preferencing conduct, discriminatory pricing, promotional or pricing restrictions, inflated access pricing and access to / use thereof of business user transaction data

20. Does the platform, or companies owned by the platform, also offer goods or services or software in competition with other business users on the platform? If so, identify them.

Sale of software

20.1. Google Play offers a range of apps and other content relating to its own products (in particular, Google Search and YouTube are available as apps in South Africa). Users can download these Google first party apps and extensions for free on Play and the Chrome Web Store, in competition with apps from third party developers. Users can download rival app stores to their phone, alongside Google Play.

Sale of goods and services

20.2. A limited set of Google-branded products (e.g. the Pixel phone, Nest products, and Google Home) may be available through Shopping. In some jurisdictions, Google also sells these products directly to consumers on the Google Store. The Google Store is not available in South Africa.[55] Google does not sell hotel bookings or flights to consumers through its travel products.

21. Are all platform terms and conditions, including commissions and fees, applied uniformly across all business users operating on the platform (including those with an ownership stake of the platform itself)? If not:

a) Which platform terms and conditions are not uniform or are negotiable?

b) Indicate what factors influence any variation in the terms across business users and the reasons for the variation.

c) What impact, if any, does the variation in terms and conditions across business users have on those business users with less favourable terms.

Sale of software

[55] See: https://store.google.com/gb/?gclid=CjwKCAjwuvmHBhAxEiwAWAYj-PE6t2rskpsq6WUJakPSvB-ImA2exNz594plHqUMdJUu_-dJ23VnwxoC3G8QAvD_BwE&gclsrc=aw.ds&hl=en-GB.

21.1. **App developers** must agree to the "Play policies"[56] and the Google Play Developer Distribution Agreement[57] before making their apps available on Play. These Terms and Conditions apply uniformly to both Google first party and third party apps. These Terms and Conditions apply uniformly to both Google first party and third party extensions.

21.2. Google Play strives to treat developers - including itself - fairly. All apps are subject to the same set of rules and policies. Google's policies contain some sections which may be more relevant to certain apps than others. Certain policies contain specific exemptions that may apply to different apps. Similar principles apply as regards Chrome Web Store.[58]

Sale of Goods and Services

Shopping

21.3. In order to run a shopping campaign on Google Shopping, a merchant must take the following steps:

21.3.1. **Google accounts**: The merchant must set up accounts with Google Merchant Center and Google Ads and link them together. Google Merchant Center is a platform that allows a merchant to upload product data, which can then be linked to Google Ads and other Google services.

21.3.2. **Google policies**: The content of the campaign must comply with Google's Shopping policies. These policies cover the same four broad areas as Google's general ads policies, namely prohibited content, prohibited practices, restricted content and editorial and technical, but are tailored to Shopping Ads. For example, Google Shopping does not allow the promotion of certain content for which optimal user experience cannot be ensured, such as ads for vehicles, financial products and services.

[56] See "*Policy Centre*" available at: https://support.google.com/googleplay/android-developer/topic/9858052.

[57] Available at: https://play.google.com/about/developer-distribution-agreement.html.

[58] For the Chrome Web Store, businesses must agree to the Developer Program Policies, see "*Google Chrome Web Store Developer Agreement*" available at: https://developer.chrome.com/docs/webstore/terms/. Further details of the registration process are available at "*Register as a Chrome Web Store*" developer available at: https://developer.chrome.com/docs/webstore/register/. Developers' use of the Chrome Web Store is also subject to the Google Terms of Service (see here: https://policies.google.com/terms?hl=en-US) and the Google Chrome and Chrome OS Additional Terms of Service (see here: https://www.google.com/intl/en/chrome/terms/), as specified in the Chrome Web Store Developer Agreement.

21.3.3. **Product data**: In order to advertise on Google Shopping, the merchant must submit up-to-date product data which meets Google's standards for data quality at least every 30 days. This is done through the Google Merchant Centre.

21.4. Google products, such as Nest, may appear on the Shopping property alongside merchant's products[59]

Flights

21.5. A partnership with Google is necessary for an airline or available to flight to be shown on Flights. Currently, Google Flights has over 300 partners (airlines, online travel agencies, aggregators, etc.) which provide Google with all prices and flight options offered on their own websites. Google negotiates agreements with each Flights partner individually.

Hotels

21.6. In order to serve Hotel Ads or display free booking links on Google, a partner must sign a content licence agreement with Google and set up a Google Hotel Center account (advertisers must link this account to their Google Ads account). In their Google Hotel Center account, the partner must provide the following information:

21.6.1. a hotel list feed (that is, the hotels for which the partner wishes to display prices);

21.6.2. a price feed (that is, an up-to-date set of prices for different itineraries); and

21.6.3. a point-of-sale configuration (that is, landing pages that users arrive at when they have clicked on a booking link).

21.7. Hotel partners also need to comply with Google's Hotel Center policies, which cover areas like price accuracy thresholds,[60] price and fee transparency,[61] and where the user lands after they see a Hotel Ad.[62] All hotel partners must also comply with Google's general ads policies and editorial policy.[63]

22. Do any of the platform terms and conditions place restrictions on the pricing of the business user on the platform itself, or how they price or operate on other platforms or

[59] The Merchant Center terms and Google Ads terms apply to all merchants. [redacted]

[60] See: "*Price Accuracy Policy*" available at: https://support.google.com/hotelprices/answer/6064419.

[61] See "*Taxes and Fees Policy*" available at: https://support.google.com/hotelprices/answer/6064432.

[62] See "*Referral Experience Policy*" available at: https://support.google.com/hotelprices/answer/6064406.

[63] See "*Google Ads policies*" available at: https://support.google.com/adspolicy/answer/6008942?hl=en-GB.

in other sales channels? If so:

a) What is the rationale for those terms and conditions, and are they essential for the successful operation of the platform?

b) What impact, if any, does this have on competition amongst business users or between sales channels?

Sale of software

22.1. Google Play does not place restrictions on how developers / content providers price or operate on other platforms.

22.2. Similarly, on Google Play, developers are free to determine the prices at which their products are displayed to users. Developers choose whether their apps are offered for free, whether to offer in-app purchases, and whether to serve ads through their apps. Google may, in certain countries, determine the tax applicable on the product listed in Google Play, and may adjust the developer's price to take into account such tax.

Sale of goods and services

22.3. In an effort to assist the Inquiry as much as possible, Google provides a response below as regards Google Shopping and its travel products.

22.4. Shopping, Flights and Hotels do not place restrictions on how partners price their products as displayed on Google's sites or other platforms. Google also does not indicate how retailers, or flight or accommodation providers should operate on other platforms.

22.5. On Google's properties, Google's policies require that the prices partners display must match the prices at which the products or services are being sold on the landing pages to which the user is directed after clicking on an ad or booking link and must include all applicable taxes and fees. As explained in paragraph 10.5, users complete a transaction or book a hotel or flight directly on the retailer or travel provider's website. This policy is important to ensure that providers do not display misleading information to attract users to their websites. This does not prevent these providers varying prices on their websites at any point or pricing differently on other platforms.

22.6. Google aims to provide a high-quality user experience and requires Shopping Ads to meet certain professional and editorial standards. Only clear and professional ads will be allowed and the ads need to lead users to products on landing pages that are relevant and useful, and easy to interact with. For example, ads that lead to sites under construction or not working will not be permitted.[64] These policies are intended to

[64] See "*Shopping ads policies*" available at: https://support.google.com/merchants/answer/6149970?visit_id=637619477356361902-1328204344&rd=1.

protect the user experience.

23. Are the platform's terms and conditions operated in a consistent and fully transparent manner? If not:

a) Identify those aspects of the platform operation, which are not fully transparent or consistently applied.

b) What are the reasons for the lack of transparency or inconsistent application?

c) What impact does this have on business users or a class of business users?

Sale of software

23.1. All of Google Play's Terms and Conditions are available online. Please see the response to Question 21 above. All of its terms and conditions are transparent and consistently applied.

Sale of services

23.2. Google's standard Terms and Conditions are transparent and available online (see the response to Question 21 above). They apply uniformly to all consumers and businesses.

24. Do you consider the platform terms and conditions to be fair to business users or a class of business user (e.g. SMEs), or are some considered unfair and are the subject of complaints? Unfairness is typically defined to include those terms or conditions which unreasonably transfer risks or costs onto business users; are one-sided in favour of the platform; are onerous or not proportionate (or related) to the objective of the clause.

a) For those terms and conditions subject to complaints or considered unfair, provide reasons why you consider them unfair or not.

b) Are any of these terms and conditions essential to the success of the platform in their current form?

24.1. Google considers its Terms and Conditions to be fair for all of its business users (including SMEs and HDPs). Google does not consider that its terms and conditions unreasonably transfer risks or costs onto business users; are one-sided in favour of the platform; or are onerous or not proportionate (or related) to the objective of the clause.

24.2. For example, Google Play's policies are different to those of some other app stores in a number of ways:

24.2.1. **Google Play lets developers communicate with users.** Developers can continue to use email marketing and other channels outside the app to provide subscription offers to their users. Google Play does not charge a service fee when a developer acquires a user outside of Google Play.

24.2.2. **Consumption-only apps are permitted.** Any app can be consumption-only on Google Play, even if it is a paid service outside of the app. If an app developer sells a subscription outside of Google Play, users can still sign into their app and Google Play will not charge a service fee.

24.2.3. **Google promotes its own and third party apps consistently in Google Play.** All apps - including Google's own first party apps - are promoted in Google Play according to the same principles.

24.2.4. **Developers who do not find value in Google Play's services have alternatives on Android.** They can distribute their app directly via their website, through one of the many other Android app stores, or by working with an Android device to preload the app.

24.3. Another example is Shopping, which now has an option which allows consumers to identify black-owned businesses to support.[65]

25. Do you consider the fees or commissions levied by the platform to be fair or not? Provide reasons for your view.

25.1. Google considers that its pricing model for its services (including Play, Chrome WebStore, Shopping and the travel products) is fair - see more details below.

Sale of software

25.2. Details of the transaction fees for merchants in relation to purchases in Google Play are available online,[66] as are the changes to service fees as of 1 July 2021.[67]

25.3. Google considers that its fees are fair. Google understands that its success is based on the success of its partners and a core part of Google Play's mission is to help developers build sustainable businesses. Developers currently pay a 30% service fee if they sell their apps, app subscriptions or other digital content within Google Play. Service fees are limited to goods and services that are capable of digital delivery. Google does not charge a service fee (or fees) for in-app purchases of physical goods or services (for instance, purchase of meals for delivery through food apps or purchase of physical merchandise through a shopping app). Developers are not expected to pay a service fee if they do not charge customers. This does not affect an app's ranking in Google Play or the extent to which they are featured or promoted.

[65] See "*Find Black-owned businesses*" available at: https://support.google.com/googleshopping/answer/10451646?hl=en&ref_topic=9112782.

[66] See "*Transaction fees for merchants*" available here: https://support.google.com/paymentscenter/answer/7159343?hl=en.

[67] See "*Changes to Google Play's service fee in 2021*" available at: https://support.google.com/googleplay/android-developer/answer/10632485.

25.4. Significant resources are also invested to ensure that Google Play and Android are maintained, and to ensure the utmost level of safety and security for both users and developers. The service fee is levied to preserve Google's investment in Google Play and the Android ecosystem.

25.5. In addition, Google has constantly engaged with its developers to understand the challenges they face and continue to take their input into account as we build and run the ecosystem. For this reason, Google has decided to reduce the service fee Google Play receives to 15% for the first USD 1 million of revenue per year. This change was effective as of 1 July 2021 and will result in a 50% reduction in fees for approximately 99% of developers around the world that sell digital goods and services on Google Play. See paragraphs 9.6 and 9.7 for additional details on the Chrome Web Store.

Sale of goods and services

Shopping

25.6. Google Shopping does not charge retailers fees and commissions. Shopping offers merchants free product listings, through which a merchant's product offers may be eligible to be shown across different Google surfaces, like the Shopping tab, Google Search, and Google Maps.[68]

25.7. Merchants can also use "Shopping Ads". Like other ad formats, Shopping Ads participate in an ad auction. Merchants are only charged using CPC - i.e. when someone clicks an ad that leads to a landing page on their website, or to the Google-hosted landing page for their local inventory. When merchants are creating a Shopping campaign, they will decide how much they are willing to pay for each click.[69] Merchants are therefore given the options about how much to spend and when, which enables businesses to manage their budget effectively.

Flights

25.8. Google no longer shows ads on Flights.

Hotels[70]

25.9. Google provides its partners with significant flexibility as regards pricing. For example, hotel and accommodation providers can choose to participate in free booking links only, or can participate in Hotel Ads to increase visibility. Hotel Ads participants can

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[68] "*Types of free product listings*" available at: https://support.google.com/merchants/answer/9826670#zippy=%2Cgoogle-search-googlecom%2Cthe-shopping-tab-shoppinggooglecom.

[69] See "*About Shopping campaigns and Shopping ads*" available at: https://support.google.com/google-ads/answer/2454022?hl=en-GB.

[70] See "*Bidding overview for Hotel ads*" available at: https://support.google.com/google-ads/answer/9244120?hl=en.

also choose either a bidding strategy based on when someone completes a booking (or, in fact, completes a stay) or when a consumer clicks on their ad:[71]

25.9.1. **Manual CPC** (cost-per-click): The partner bids a fixed amount whenever a traveler clicks on their ad.

25.9.2. **CPC%**: The partner bids a percentage of the room price per night when a traveler clicks on their ad.

25.9.3. **Enhanced CPC**: Used with CPC bidding, this strategy lets partners automate bid adjustments for clicks most likely to lead to conversions.

25.9.4. **Commissions (per conversion)**: The partner bids a fixed percentage of room booking value for every time a traveler books through their ad.

25.9.5. **Commissions (per stay):** The partner pays a percentage of the room booking value only for guest stays, removing the cost of cancellations.

26. Are there any other aspects of the platform conduct or terms of use with business users that you consider discriminatory or unfair, or which impact negatively on consumer choice, competition amongst business users and the participation of SMEs and HDP owned firms? Please explain.

26.1. Please see the responses to Question 24 and Question 25 above.

[71] Ibid.

Scope item 5: Evaluate whether the ranking algorithms used by platforms, including any pay for position or promotional opportunities, negatively impact competition on the merits, consumer choice and/or the participation of SMEs and HDP owned business users

27. How important is ranking highly on the online intermediation platforms 'search' function and/or featured/promotional displays to the discoverability and sales of a business user's good, service or software product? Where applicable, provide evidence or experience of increased click through or sales associated with better ranking or featured displays.

27.1. Google's approach to ranking is based on a wide range of factors. Importance is placed in particular on relevance, quality and usefulness of results. In terms of discoverability, SMEs and HDP-owned businesses with high quality products and ads that meet the relevant quality standards will not be disadvantaged as compared to larger companies with more resources.

Sale of software

27.2. Google Play facilitates the distribution of a wide variety of over one million apps, including apps that compete with Google's apps. Google uses an algorithm to determine placement of apps within search and discovery results to ensure that users are directed to safe, high-quality, relevant, and useful apps. Google's algorithms consider app quality and user engagement by taking into account high retention rates, low crash rates, low uninstalls, and many other factors.

27.3. Ranking provides developers with visibility on Google Play. Apps that appear higher in the ranking are more likely to be downloaded by users resulting in the app gaining popularity and attracting mass downloads. The more the app is downloaded, the more popular it becomes and the higher it is ranked.

27.4. Developers who are seeking to increase their discoverability are encouraged to build apps that satisfy quality standards and are provided with resources to do so. Google will identify additional features and analyse feedback received from users through ratings and reviews. This information is used to inform how the app is ranked and presented to users.

Sale of services

<u>Shopping</u>

27.5. Retailers can be discoverable to users by appearing in free listings or paying for Shopping Ads.

27.6. Unless otherwise indicated, promotions on Shopping are ranked based on relevance, including a consumer's search terms and other Google activity. In South Africa, Google is not compensated for clicks on Shopping search results. Ranking is based on relevance to search queries entered by consumers.

27.7. Paid retailer links, or Shopping Ads, are ranked according to an auction, and are labeled accordingly. Ad ranking is determined by an auction in which Google considers factors including partner bids and the quality of the ad.

Flights

27.8. Search results on Flights are organically ranked based on a combination of price, length of flight and time of day, etc. Having selected a departure city and destination, customers can filter search results by variables including stops, airlines, times, baggage and duration. Customers can also sort results by price, duration, time and CO_2 emissions.

27.9. The default order for search results is by "Best Flights", which gives customers the best trade-off between price and convenience, based on factors such as duration, number of stops, and airport changes during layovers. After a customer has selected a flight, they will see one or more booking links to purchase the itinerary. These booking links are ranked algorithmically based on link quality and other usefulness factors. These partners do not pay Google for placement, nor is Google remunerated if these links generate clicks or conversions.[72] Flights services will therefore be ranked highly (and be discovered by users) if they give customers the most relevant combination of price, flight length, date and time etc.

Hotels

27.10. Hotel providers can be discoverable to users by appearing in hotel search results or by paying for Hotel Ads.

27.11. Hotel search results are ranked organically according to a variety of factors, such as user ratings, current price level compared to averages, user reviews, or location. Hotel owners may be able to improve their properties' chance of ranking higher by improving the quality of information they provide about the hotel (increasing their chance of appearing prominently in the search results), but they cannot directly influence their ranking.

27.12. When conducting a search for a hotel, a user will typically have in mind: a particular set of dates they want to visit; a price range they are willing to pay; a suitable location; a specific hotel type (e.g., budget, luxury); and a room size for their booking (e.g. 2 people). The results Google returns in the hotels unit (which may appear in response to a hotel search on Google Search). Moreover, Google will seek to show hotels that

[72] Prior to January 2020, some airline and OTA partners did pay Google for clicks on booking links (and the booking links were thus labeled as "Ads"). At that time, Google discontinued all such payments to make Flights a fully "organic" product.

actually have availability on the selected dates. All of this enhances the user experience and helps the user find a hotel they want to stay at more easily.

27.13. Once a user selects a specific hotel, either via a "navigational search" for that hotel or as a result of a "categorical search" (like "hotels in Cape Town"), they will see a "details card" or "placesheet" with general information about that hotel, such as location and contact information, amenities, reviews and photos. In addition, both paid and unpaid links to book a room in that hotel through the hotel's website, OTAs, or other metasearch engines may appear in a "booking module" on the hotel placesheet.

27.14. Paid booking links, or Hotel Ads, are ranked according to an auction, and are labeled with an "Ads" badge. Free (unpaid) booking links are ranked organically, according to a variety of signals. In order to display booking links,[73] a partner must set up a Google Hotel Center account and provide certain information to Google.[74]

27.15. Ad ranking is determined by an auction in which Google considers factors including partner bids and the quality of the ad. Factors that impact an ad's quality include the accuracy of the partner's prices and how well the ad addresses the user's need.[75]

27.16. Any hotel anywhere in the world that Google knows about can appear in Hotel search results. When comparing hotels, customers can apply filters such as amenities and hotel class, and can sort results by price and rating. The default order for search results is by "Best Match", which aims to give the best trade-off between popularity, ratings, relevancy, and convenience. These are based on factors such as user ratings, current price level compared to averages, user reviews, or location.[76] Advertisers may select Hotel Ads as one (of many) campaign options in Google's advertiser-facing ads service, Google Ads.

[73] Whether paid or unpaid.

[74] See "*Hotel Owners: How to get started on Google*", available here: https://support.google.com/hotelprices/answer/9970972?visit_id=637617554369824283-925894621&rd=2.

[75] See "*Google Ads Help: Ad Ranking*" available at: https://support.google.com/google-ads/answer/9238461?visit_id=637617247882644075-2680538580&rd=1.

[76] See "*Finding hotels on Google*" available at: https://support.google.com/travel/answer/9355722?hl=en.

28. How transparent is the operation of search ranking to a) consumers and b) business users?

a) Where applicable, provide the factors that determine the search ranking or featured displays in order of importance, and the rationale for the choice of these criteria.

b) Outline any consumer or efficiency benefits associated with these criteria over others.

Sale of software

28.1. Google Play strives to treat developers (including itself) fairly. All apps are subject to the same set of rules and policies which are transparent and are available online.[77]

28.2. Google strives to provide users with content that is relevant to them and improve overall user experience. To do this, Google Play favours apps that are high quality and relevant to a broad audience.

28.3. Google's process of organising and ranking apps is transparent and accessible to developers and users. In deciding how apps should be organised and ranked on Google Play, Google takes a number of factors into account including:[78]

28.3.1. **User relevance**: the most relevant apps to a user depends on where they are browsing or the query they use in a search;

28.3.2. **Quality of the app experience**: apps that have strong technical performance and that offer good user experience will be preferred over low quality apps;

28.3.3. **Editorial value**: content that is noteworthy and interesting will be recommended to users; and

28.3.4. **Ads**: a developer may choose to advertise its app on Google Play. Ads are always marked with a label like 'ads' or 'sponsored' and shown alongside other content.

28.4. These factors are weighted differently based on the user's location, the device that the user is searching on, and the user's personal preferences.

28.5. Since Google considers app rankings and reviews to be key identifiers of app quality for users, Google has policies in place to ensure that app rankings are not manipulated. In terms of its Developer Policies, "*developers must not attempt to manipulate the*

[77] See "*Availability of Features and Services*" available at: https://support.google.com/googleplay/android-developer/answer/9959788?hl=en&ref_topic=9958765.

[78] See the "*App discovery and ranking*" available at: https://support.google.com/googleplay/android-developer/answer/9958766?hl=en-GB.

placement of any apps in Google Play. This includes, but is not limited to, inflating product ratings, reviews, or install counts by illegitimate means, such as fraudulent or incentivized installs, reviews and ratings." Google applies internal engineering resources and abuse specialists to confront manipulation attempts, therefore ensuring that consumers benefit from access to the highest-quality and most relevant apps.

28.6. Google's system of ranking also ensures that competition amongst developers is stimulated by forcing developers to maintain the highest standard of quality and create content that is highly sought after and safe for users. 99% of apps with abusive or malicious content are rejected before they can be published on Google Play. In this way, developers can continue to innovate and remain relevant while ensuring that users are only offered apps that are safe and secure.

28.7. Items in the Chrome Web Store are ranked or featured in order to make it easier for users to find high quality content. Ranking takes into account ratings from users as well as usage statistics, such as the number of downloads vs. uninstalls over time.

28.8. Other factors used to identify how to rank extensions include the following:

28.8.1. The design is pleasant to the eye.

28.8.2. The item provides a clear purpose and fills a real user need.

28.8.3. The setup and onboarding flow are intuitive.

28.8.4. The item is easy to use.

28.9. Each extension gets a page in the store, and is searchable via the store and other search engines. There are category lists in the store, as well as a variety of curated and algorithmically generated lists. Google recommends that developers promote their extensions broadly, through marketing websites and other means, so that users will find their extension even outside of the store.

28.10. The ranking and organisation algorithm functions in a user-centric manner. It ensures that users are provided with the apps that are of the highest quality, promote user experience, and that are relevant to their inputted query. This allows users to make optimal choices and forces developers to constantly maintain the requisite quality standards to remain relevant.

Sale of services

<u>Shopping</u>

28.11. When a consumer browses Shopping, they are browsing products from advertisers and sellers who have chosen to feature their products on Shopping. Unless otherwise indicated, offers on Shopping are ranked based on relevance, including a user's search terms and other Google activity.

28.12. Offers that have the "Sponsored" label means that advertiser payment to Google may also influence how items are ranked and grouped. Google is compensated for clicks on these ads.[79] This label is transparent so that consumers are aware that these are ads (not organic results) and advertiser payment may have affected a product's ranking.

28.13. [redacted]

Flights

28.14. In ranking flight results, Google uses algorithms that ensure the most relevant flights responsive to the selected criteria appear first.[80] Flights are displayed by default in an order that offers users the best trade-off between price and convenience, based on factors such as duration, number of stops, and airport changes during layovers (called "Best Flights"), and users may filter or sort the results based on several different criteria. Users are informed of the default ranking by a tooltip at the top of the flight search results and through detailed help content. After a customer has selected a flight, they will see one or more booking links to purchase the itinerary. These booking links are ranked algorithmically based on link quality and other usefulness factors; these partners do not pay Google for placement, nor is Google remunerated if these links generate clicks or conversion.

28.15. [redacted]

Hotels

28.16. Any hotel Google knows to exist in the world can appear in hotel search results. Hotel partner relationships to provide paid or free booking links have no impact on the way in which results are displayed.[81] Results can be viewed according to a number of different rankings, such as "Lowest Price", "Highest Rating" and "Best Match", the latter being a default order which aims to balance popularity, rating, relevance and convenience.

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[79] See *"How Google Shopping works"* available at: https://support.google.com/faqs/answer/2987537?hl=en#zippy=%2Ccan-i-buy-items-directly-from-google-shopping.

[80] See "*Find plane tickets on Google Flights*" available at: https://support.google.com/travel/answer/2475306?hl=en&ref_topic=2475360.

[81] Information taken from Google's "Hotel Help" page, available at: https://support.google.com/travel/answer/9355722?hl=en.

28.17. [redacted]

28.18. **What are the means for business users to impact on their search ranking and generate featured displays?**

a) **What means do not require payments and to what extent do these means improve ranking or featured/promotional displays?**

b) **For means that involve a payment, indicate the prevalence of pay-for-position or featured listing payments on the relevant platform i.e. how many positions on the first page involve payment, what proportion of business users make use of these and what proportion of revenue does this generate.**

c) **What is the extent of SME or HDP-owned firms making use of the different means to improve ranking or featured displays, particularly those requiring payment?**

d) **How essential is the pay-for-position for the business users and for platform sustainability?**

28.19. Please refer to the response to Question 9 and Question 28 above for more details.

29. Are there any features of the search ranking or featured display system that are likely to hinder consumers making optimal choices in their best interests? Please explain.

29.1. Please refer to the response to Question 28 above for more details.

30. Are there any features of the search ranking or featured display system likely to disadvantage SME or HDP-owned business users directly or indirectly? Please explain.

30.1. Please refer to the response to Question 28 above for more details.

31. Are there any features of the search ranking or featured display system likely to disadvantage South African business users directly or indirectly relative to global brands or business users from other countries? Please explain

31.1. The rules relating to ranking are applied uniformly and all participants are subject to the same rules, principles and policies. Please refer to the response to Question 28 above for more details.

32. Are there any features of the search ranking or featured display system likely to disadvantage business users directly or indirectly relative to goods, services or software supplied by the platform itself in competition with third party business users?

Please explain.

32.1. The rules relating to ranking are applied uniformly and all participants are subject to the same rules, principles and policies. Please refer to the response to Question 28 above for more details.

Scope item 6: Evaluate any other barriers to entry into online commerce for SMEs and HDP owned firms, including but not limited to marketing costs, technological and product challenges

33. In respect of the platform that is the subject of this submission, indicate what has been the experience and challenges of SME and/or HDP-owned businesses in:

a) Listing on online intermediation platforms;

b) Generating exposure and sales on the platform once listed; and

c) The extent of support offered by the platform to SMEs and HDP-owned firms specifically in on-boarding and generating sales.

33.1. South African businesses benefit significantly from Google's services. For example, businesses can access without charge all Google consumer-facing products (including Google Search, Gmail, Chrome and Maps). Google's online advertising tools also allow small businesses to reach consumers easily and cheaply - online advertising is one of the most popular marketing channels for SMEs. In this way, Google facilitates commerce (within the borders of South Africa as well as cross-border) and opens up new business opportunities to businesses and traders, including SMEs and HDPs.

33.2. Google also has various tools available to developers irrespective of whether they are SMEs or HDP-owned firms. Google shares best practices to build successful apps for businesses and provides developers with updates on any changes to these tools.

33.3. SMEs and HDP-owned firms and individuals have access to the following programmes to assist with on-boarding and generating sales:[82]

33.3.1. **The Google Play Academy for App Success**: This is a free e-learning platform that provides a wide range of information dedicated to assisting developers to, for instance, learn techniques to encourage sustainable business growth, test apps with users, learn best practices for publishing and releasing apps on the Google Play app store, find the right audience, get more users, learn about the monetisation options, and learn best practices for keeping users engaged;[83]

33.3.2. **Google for Startups Accelerator Africa**: Google offers a three-month accelerator program to technology start-ups across Africa. The accelerator provides mentorship, technical project support and workshops focused on

[82] Not all of the initiative listed below are targeted specifically at SMEs and HDP-owned businesses although the following are: Google for Startups Accelerator Africa; (ii) Black Founders Fund Africa; (iii) Digital Skills Training (the specific link is for the Google in Africa site); and (iv) Google for Small Businesses (SMEs).

[83] See: "*Grow app business skills you can apply right away*" available at: https://play.google.com/academy/.

product design, customer acquisition and leadership development;[84]

33.3.3. **Black Founders Fund Africa**: Through the Google for Startups Black Founders Fund Africa, Google supports early-stage Black-founded startups and startups that are benefitting the Black community on the continent through non-dilutive funding;[85]

33.3.4. **Google My Business**: This is a free tool to obtain a verified Business Profile on Google Maps and Search and a free website;[86]

33.3.5. **Marketing Kit**: This is a free tool that allows businesses create free stickers, posters and socials posts;[87]

33.3.6. **Market Finder**: This is a free tool that helps businesses to identify new potential markets, discover helpful operational information and start selling to customers in South Africa and around the world;[88]

33.3.7. **Digital Skills Trainings**: Google provides free training and mentorship for SMEs (including those owned by HDPs) on various digital marketing topics;[89]

33.3.8. **Google for Small Business**: This is a free tool to help businesses grow their online presence;[90]

33.3.9. **Grow My Store**: This is a free tool to help businesses improve their retail websites;[91] and

33.3.10. **Google Career Certificates** offered 1000 scholarships which are being distributed by Grow with Google through Harambee, YES, Africa Coding Network, Quirky30, RLabs, and Global Citizen to equip youth with skills in

[84] See: "*Africa - Google for Startups Accelerator*" available at:https://startup.google.com/accelerator/africa/.

[85] See: "*Black Founders Fund - Meet the Recipients*" available at: https://startup.google.com/blackfoundersfund/.

[86] See: "*Google My Business - Drive Customer Engagement on Google*" available at: https://www.google.com/intl/en_gb/business/?gmbsrc=uk-en_GB-ha-se-akw-gmb-s-319-h~bk-kwd-44738442137-c.

[87] See: "*Google My Business Marketing Kit*" available at: https://marketingkit.withgoogle.com/intl/en-GB/r/GB.

[88] See "*Find Global Business Opportunities with Google Market Finder*" available at: https://marketfinder.thinkwithgoogle.com/intl/en_gb/.

[89] See "*Free Online Marketing Courses From Google - Google Digital Skills for Africa*" available at https://learndigital.withgoogle.com/digitalskills.

[90] See "*Google for Small Business - Resources to get your small business online*" available at: https://smallbusiness.withgoogle.com/intl/en_uk/#!/.

[91] See "*Grow your retail business - Grow My Store by Google*" available at: https://growmystore.thinkwithgoogle.com/intl/en_uk.

high-demand career fields.[92]

33.4. In addition, Google has undertaken the following initiatives:

33.4.1. The initiative for "SSA Economic Recovery", which has been launched in a number of African countries, including South Africa, to support businesses (including small and medium sized businesses ("**SMBs**")) and individuals. This includes:

- **The "Rise up Campaign"**: an SMB consumer campaign that provides: (i) solutions to support SMB growth (such as eCommerce readiness); and (ii) partnerships (e.g. with banks and eCommerce providers) to create solutions for SMB recovery.[93]
- **The SMB Restart**: provides funding and services and support to SMBs including in respect of Cloud solutions and payment technologies.
- **The "Edu" campaign:** provides teachers and students with training including training on how to use GSuite and online safety training.

33.4.2. The "Sundar USD20 million commitment", which provided [redacted] in grants to support women, youth and under-served communities with the skills and knowledge to improve their livelihoods.[94]

33.4.3. Provision of USD1 million in 2020 to Impact Amplifier, a South African-based nonprofit, to launch the Africa Online Safety Fund.[95] The fund provides 26 organisations in nine African countries countries with funding for online safety projects. [redacted]

33.4.4. Provision of approx. USD825,000 to the Youth Employment Service, to empower the organisation to develop better tools and services to support unemployed youth in South Africa.[96]

33.4.5. As part of the COVID-19 relief effort, [redacted]

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[92] See: https://grow.google/certificates/.

[93] See "*Rise Up*" available at: https://grow.google/intl/ssa.

[94] See "*Alphabet expands in Africa*" available at: . https://techcrunch.com/2017/08/07/alphabet-spells-out-african-expansion/.

[95] See "*Impact Amplifier, Google.org launch $1m Africa Online Safety Fund*" by Tom Jackson (22 July 2020) available at: https://disrupt-africa.com/2020/07/22/impact-amplifier-google-org-launch-1m-africa-online-safety-fund/.

[96] See: https://yes4youth.co.za/. See also: "*Google to help African SMEs get back on their feet*" available at: https://www.itweb.co.za/content/5yONP7EgeOOqXWrb.

[redacted][97] Pride of Africa also received [redacted] to support the LGBTQ+ME community which has been affected by the pandemic.[98]

33.4.6. The Kathrada Foundation received [redacted] to launch and support the Give Racism the Red Card project over 3 years.[99]

33.4.7. Through an SMB COVID-19 relief grant, the non-profit Praekelt has provided over [redacted].[100]

34. In respect of platforms that offer access to a global customer base, indicate what has been the experience and challenges of South African businesses generally, and SME and/or HDP businesses specifically, in:

a) Listing on online intermediation platforms;

b) Generating exposure and sales on the platform once listed; and

c) The extent of support offered by the platform to SMEs and HDP-owned firms specifically in on-boarding and generating sales, including relative to other countries.

34.1. Please refer to the responses to Questions 5, 15, and 34 above. In addition, Google sets out below some high-level information to assist the Inquiry (although it does not provide a marketplace with the facilities and services described below in South Africa).

34.2. Online marketplaces can provide the infrastructure necessary for businesses to sell their products, such as warehousing and delivery. Platforms such as Shopify and Magento also enable businesses to set up their own online stores without having to code it themselves. Companies such as UAfrica and ParcelNinja also provide support for small providers with online websites, through services including central management of multiple listings, and courier solutions.[101] While online marketplaces provide access to wider audiences, payment and platform fees can constitute a

[97] See: https://www.thought.africa/.

[98] See: https://prideofafrica.org/. See also "*Providing Google.org support to LGBTQ+ organizations worldwide*" by Maab Ibrahim (15 June 2020) available at: https://blog.google/outreach-initiatives/google-org/pride-2020-grantees/.

[99] See: https://www.kathradafoundation.org/. See "*Show Racism the Red Card to Launch in South Africa*" (22 January 2021) available at: https://www.theredcard.org/news/2021/1/22/show-racism-the-red-card-to-launch-in-south-africa.

[100] See: https://www.praekelt.org/.

[101] *Online Retailing in South Africa: An Overview* (March 1, 2019). CCRED Working Paper No. 2/2019, available here: *https://ssrn.com/abstract=3386008*.

significant part of businesses' costs, affecting profitability.[102]

34.3. Small companies selling niche products may gain better traction online compared with those that sell general merchandise, and the relatively small size of the online retail market in South Africa is a potential limitation on businesses gaining broad exposure. This is due to factors such as the cost of delivery relative to cost of the product, lower income levels in the country relative to some other markets, and the popularity of shopping centres in South Africa. Social media sites such as Facebook and Instagram are useful tools for businesses to reach further customers and generate sales.[103]

35. What are the benefits and challenges faced by SMEs and/or HDP-owned businesses in establishing an independent online presence?

35.1. Please refer to the response to Question 10 above.

35.2. Google considers that barriers to building an online shopping website have fallen significantly for smaller companies. Platforms such as Shopify and Magento, for example, allow companies to set up online stores without having to code it themselves, and often at a low base rate. SMEs and HDP-owned businesses can therefore obtain access to markets they were not able to access previously.[104]

35.3. However, some SMEs and HDP-owned businesses may find it difficult to compete with more established eCommerce marketplaces. In particular, smaller businesses may struggle to achieve economies of scale, and payment and platform fees can make up a considerable part of their costs..[105]

36. Provide any other comments on the challenges faced by SMEs and HDP-owned firms in establishing an online presence or South African businesses establishing a global online presence.

36.1. Please refer to the responses to Question 10 and Question 36 above.

[102] Ibid.

[103] Ibid.

[104] Ibid.

[105] Ibid.

Scope items 7 and 8: Evaluate the extent to which the findings and any identified remedies in respect of core platforms are generalisable across online intermediation platforms. Determine appropriate remedies where an adverse effect on competition or the purposes of the Act are found as set out in section 43C(3) of the Act

37. Identify any market features, which may hinder, impede or restrict competition in the online intermediation platforms that are the subject of the submission.

a) Identify whether such features are market-wide (i.e. do all platforms in the same line of business exhibit these features) or limited to certain platforms only (e.g. such as those platforms with market dominance).

b) If market-wide, identify if the adverse effect of such features applies to all online intermediation platforms or is limited to certain platforms only, such as those with dominance.

c) In your experience, do these market features apply to online intermediation platforms other than those which are the subject of this submission

37.1. Google considers that the products and services within the scope of this inquiry where it is active are characterised by the existence of a diverse range of effective competitors, which all have different business models.

Sale of software

37.2. In addition to Google Play, Android users can access many other Android app stores - including Softbank App Pass, Samsung Galaxy Store, LG SmartWorld, Opera Mobile App Store, and Amazon's Appstore for Android. Android app developers can distribute their apps to users through these alternative app stores, as well as directly from their own website, by file transfer (including P2P, email or webshare) or through HTML5-based web apps. Developers are free to distribute their apps through these alternative channels in addition to, or instead of, through Google Play.

37.3. Outside of the Android environment, Google Play (a non-exclusive marketplace) competes with a number of other successful app stores that are exclusively available on their own OS, such as Apple's App Store.

37.4. These app stores compete with each other on a variety of bases, including fees and the terms and policies that app stores implement with respect to, for example:

37.4.1. Fees charged to app developers.

37.4.2. Payment terms (for example, how soon payments are made to developers).

37.4.3. Content restrictions (for example, restrictions on adult content).

37.4.4. Developer tools for releasing and managing apps.

37.4.5. Malware protection.

37.4.6. Protection against pirated apps and refund abuse.

Sale of services

37.5. Specialised search products and search products face strong competition as they all compete with each other for user's attention. Google notes that it faces strong competition from providers such as Bing and Yahoo!. [redacted]

37.6. In Google's experience, consumers move seamlessly between Google's properties and other platforms. This is motivated by changing tastes or particular needs.

37.7. Nonetheless, Google notes that in South Africa, the high cost of data and logistical difficulties in delivering products to more rural areas of the country could limit competition in relation to physical products (although this would not affect competition for the types of online services offered by Google).

38. Identify any market features which may undermine the purposes of the Act (set out in paragraph 3 of the introduction) in online intermediation platforms that are the subject of the submission.

a) Identify whether such features are market-wide (i.e do all platforms in the same line of business exhibit these features) or limited to certain platforms only (e.g. such as those platforms with market dominance).

b) If market-wide, identify if the adverse effect of such features applies to all online intermediation platforms or is limited to certain platforms only, such as those with dominance.

c) In your experience, do these market features apply to online intermediation platforms other than those which are the subject of this submission.

38.1. Please refer to the response to Question 38 above.

[106] Each survey was run in August 2019 and comprised a representative sample of approximately 500 respondents in the UK. The surveys used the Google Surveys infrastructure, which is described at http://services.google.com/fh/files/misc/white_paper_how_google_surveys_works.pdf.

39. Where any potential adverse effect on competition has been identified for the online intermediation platforms that are the subject of this submission, provide a recommendation as to an appropriate remedy or suite of remedies that directly addresses the concern identified.

a) Provide reasons why the remedy is likely to successfully address the concern.

b) Identify if there are likely to be any potential unintended consequences from imposing the remedy.

39.1. Google considers that online intermediation platforms benefit consumers by offering them a greater range of products and services at competitive prices. Online intermediation platforms can also assist SMEs and HDP-owned businesses by providing them with access to a larger customer base than they might otherwise have access to.[107] Online intermediation platforms compete in a dynamic and competitive ecosystem. Consumers are able to move easily from one platform to another at the click of a button if prices are too high or services are not of a sufficient quality.

39.2. Any regulatory intervention must be careful not to reduce the innovation and competition that has driven so many benefits.

39.3. Google welcomes the Commission's policy objectives and recognises that a rapidly developing ecosystem might raise issues that had not existed previously. Google does not see grounds for any specific interventions at this stage. To make positive change, it is necessary to:

39.3.1. identify any problem accurately;

39.3.2. identify the best solution; and

39.3.3. check for negative side-effects of the solution that might create new harms.

39.4. To the extent that interventions are considered necessary, Google suggests that:

39.4.1. **Any intervention should be flexible, principle-based and developed incrementally with industry**. The online intermediation platforms ecosystem is complex and fast-moving so rigid rules will be ineffective. Rules that are too detailed risk becoming obsolete quickly. At the same time, broad principles may allow for wide-ranging and unpredictable interventions.

Any principles ought therefore to be developed incrementally in collaboration with industry. Intervention should be evidence-based and use transparent processes.

39.4.2. **Any intervention should be industry-wide, with clear and objective**

[107] While not available in South Africa, platforms like Etsy provide consumers with direct access to small businesses - see https://www.etsy.com/uk/market/small_business.

criteria for determining the firms that will be subject to it. The issues the Commission is examining are not company-specific. A subjective approach that only regulates specific companies will discourage innovation and is unlikely to achieve the objectives of fairness, transparency and choice.

39.4.3. **Any intervention needs to carefully weigh the costs and benefits** - especially when the legitimate interests of different parties are in conflict.

39.4.4. **Monitoring mechanisms should be focused on whether practices comply with the regulation.** Such mechanisms should not be used to find new issues that are not prohibited by the regulation.

39.5. Google looks forward to engaging with the Commission on this issue further.

40. Where any potential adverse effect on the purposes of the Act (set out in paragraph 3 of the introduction) has been identified for the online intermediation platforms that are the subject of this submission, provide a recommendation as to an appropriate remedy or suite of remedies that directly addresses the concern identified.

a) Provide reasons why the remedy is likely to successfully address the concern.

b) Identify if there are likely to be any unintended consequences from imposing the remedy.

40.1. Please refer to the response to Question 40 above.